CARE
Portfolio Managers

INSIDE THE INVESTMENT ROOM

A Great Company Becomes Expensive. Do You Sell?

The Situation

We invested when growth triggers, financials, management execution and valuation were within our comfort zone. The business remains broadly on track, but the stock has moved much faster than expected.

Why the Decision Gets Harder

The company may still be executing well, but part of the return we expected over several quarters may already be reflected in the current price.

What Is Driving the Price Move?

Execution-Led

- Quarterly performance is improving
- The original thesis is playing out
- Execution is becoming visible in results
- The price move is supported by delivery

Expectation-Led

- News or rumours are influencing the move
- Broader market sentiment has improved
- Valuation has expanded quickly
- Price is moving ahead of execution

Source: Care PMS Research

How Fast Did Valuation Get There?

1–2 quarters
Target reached early

4–6 quarters
Target reached as expected

If the stock reaches in one or two quarters what was expected over four to six, part of the return anticipated for later may already be reflected in the current price.

Care PMS Investment Lens

HOLD
Execution remains strong and the longer-term opportunity still justifies the position.

TRIM
The near-term target has largely played out and portfolio weight can be rebalanced.

EXIT
Valuation has moved materially beyond what was originally anticipated.

Closing Thought

A good company can remain a good company even when the portfolio decision changes. What matters is whether the expected return at the current price still justifies the capital allocated to it.

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