Dear Fellow Investor,

We hope this message finds you well.

These are turbulent and volatile times for the Equity and Debt markets. We write to you about how we are assessing risk and taking investment decisions to construct client portfolios.

We also write a brief update on our performance for the year ending Mar 2025, on an absolute and relative basis.

Our Performance for the Financial Year ended Mar 31, 2025

'**Fortuna One**', our flexi cap Equity Strategy, focuses on long-term wealth compounding. It constructs a concentrated portfolio of listed stocks in India.

In the financial year ending Mar 31, 2025, Fortuna One delivered **+14.0% returns** (post all fee and expenses), an **8.0% Outperformance** over the Benchmark S&P BSE 500.

Since inception, Fortuna One has delivered **Annualized** returns of **+27.8%** (post all fee and expenses), an **Annualized Outperformance** of **+11.3%** over the Benchmark.

FORTUNA ONE As on 31 Mar 2025	**1 Month Return %**	**3 Month Return %**	**6 Month Return %**	**1 Year Return %**	**Since Inception Return Annualized %**
FORTUNA ONE* EQUITY STRATEGY	+4.3%	-9.7%	-9.7%	**+14.0%**	**+27.8%**
Benchmark [S&P BSE 500]	+7.3%	-4.4%	-11.8%	+6.0%	+16.5%
"**Alpha**" [Fortuna One Returns less Benchmark Returns]	-3.0%	-5.3%	+2.1%	**+8.0%**	**+11.3%**

***** Returns are post fee and expenses. Returns not verified independently by SEBI. Inception date 04 Jul 2023.

Our Assessment of Risk from Global Events

The introduction of tariffs by the US is the elephant in the room at this time. This will disrupt the trade order we have known over the last many decades.

Other nations will respond. China and EU have already deployed counter tariffs, and many others of significance will negotiate trade treaties with the US.

When things settle down, these moves will slow down international trade and investments. This will impact the US economy negatively in terms of higher inflation and slower growth. However, some, or all, of this may be negotiated by the US with its key trade partners (including India).

Further damage may be likely if the US treasury starts losing its safe haven status for treasuries across the world. Some evidence of this is already beginning to show up.

Most countries will intensify efforts to lessen economic reliance on the US and will deepen ties with the rest of the world.

No one knows how these outcomes will play out. The current situation is uncertain. We are not trying to guess or mathematically calculate any of these outcomes.

Our Assessment of Risk in the Indian Markets

While the global environment is tricky, we see a few positives in India over the recent few months.

One, the RBI has reduced rates and changed monetary stance to accommodative, implying more cuts are likely in FY25-26. These rate cuts are now very likely to be transmitted efficiently. RBI has also eased several regulatory constraints on credit growth.

Two, H1 FY24-25 saw policy tightening from the government, reducing and / or delaying capex in several areas. This has started reversing. Tax cuts for a wide consumer base in the recent budget are likely to support consumer spending at the ground level.

Three, in the Indian market, valuations have moderated and are now in range with long-term averages. Indian market presents selective opportunities for long-term investors to deploy capital judiciously.

Four, Indian economy is not much dependent on goods exports to the US. A negotiated bilateral trade treaty over the next few months may not be as negative for India's growth as earlier thought.

Five, foreign institutional investors continue to be underweight on India. Some of this may change as more clarity emerges on the global macro.

Overall, risks for Indian investors from global events are real. It is difficult to answer whether price adjustments in risk assets that we have seen is adequate or we will see more downside.

As always, equity markets remain uncertain. But this is the environment we expect to work in and generate meaningful positive outperformance over the benchmark for our clients.

Our Investment Philosophy

At Fortuna, our investment process is rooted in **fundamental analysis**.

Macroeconomic events do not dictate our decisions. That said, we recognize the uncertainty at these times and wait patiently to build positions on our long-term conviction ideas.

We continue to work on identifying strong, well-run businesses with favorable risk-reward.

Two guardrails drive us:

1. **Robust and Consistent Investment Process**: Grounded in diligent and thoughtful analysis.
2. **Consistent 'Alpha'**: Outperform the Benchmark while preserving capital.

Our Approach to Portfolio Construction

Our portfolio remains concentrated in **16-18 stocks**, supported by rigorous tracking of key operating and financial metrics.

We are at **~25% cash levels in client portfolios** and are taking **~6 weeks** to **deploy fresh capital**. This measured approach results in holding G-Sec/AAA bonds in the portfolio temporarily. While this approach is a drag on our short-term performance, it strengthens long-term portfolio resilience.

In the current context, we see value in the following opportunity areas:

A. Credit Businesses [Banks, NBFCs]: Much of FY24-25 saw weakness in consumption driven credit, slowdown in government capex and increased regulatory restrictions on credit businesses by the RBI. Some of this has changed, and more is changing. We prefer strong balance sheets, with adequate provision buffers, as growth compounders from here.

B. Outsourced Research [to Global Innovators]: Indian firms are scaling up research to global innovators and becoming partners on new discovery areas. Firms with strong capabilities are preferred as long-term service providers. This field has a very long runway for growth. There will be likely volatility in the interim, but we must act when we find an opportunity.

C. Defense [Domestic Components and Sub-Component manufacturers]: H1 FY24-25, and some of H2 FY24-25 saw a slowdown in defense orders from the government. Several firms saw material corrections in valuations. The ordering cycle has restarted, and firms are seeing large scale orders for strategic weapon systems. Some of these orders are for Exports as well.

D. Industrials [Make-in-India for India]: Growth in capabilities, policy support helping select Indian firms build strong growth-oriented business models. Our challenge in recent times has been to find sensible entry levels, but valuation correction now offers us suitable entry points.

E. Consumer [Domestic Demand]: Slow growth across urban and rural areas due to continued stress and high inflation. Now clear signs of revival with lower inflation, budgetary support and interest rate cuts. We expect growth in consumer stories.

F. Renewables [Supply Chain]: The execution momentum slowed down in H1 FY24-25 but is picking up again. Valuations have corrected and we are seeing favorable risk-reward in several firms.

There are equally some clear areas where we are not looking at these times.

One of these is the IT Services segment. Slowdown in discretionary budgets, and delays in decision making in the US will likely lead to slower / negative growth for Indian services exporters. We will wait for the market to respond to these changes before taking a serious look here.

The other is businesses where commodity prices significantly impact financial outcomes. As the US economy slows down, it will lead to a shift in demand supply balance across commodities. We are unable to analyze these dynamics at this time and hence prefer to stand back here.

Our Debt Strategy 'Fortuna Two'

Our Debt Strategy invests in AAA and AA listed NCDs, focused on getting our clients an additional 1.5% yield over fixed deposits and liquid MF returns, with liquidity as desired.

Our Debt Strategy 'Fortuna Two' has generated annual return of **8.9%** [post all fee and expenses] in FY24-25. This is well ahead of returns from fixed deposits and returns from liquid MF strategies.

We continue to offer this option to our clients who need a balance of equity [with implied volatility but higher returns in the long term] and debt [with lower volatility, but inflation beating returns].

Our Commitment to Responsible Investing

At Team Fortuna, we view ourselves as custodians of your long-term wealth. We remain committed to helping you make prudent financial decisions.

Thank you for your continued trust.

Please feel free to visit us at **www.fortunaadvisors.in** or reach out to us at info@fortunaadvisors.in for queries or additional information.

Warm regards,
Team Fortuna