

Dear Fellow Investor,

We hope this message finds you well.

We write to you with our performance, market outlook, opportunity and risk, and our approach to building resilient portfolios for the long term.

Our Performance:

Our PMS Strategy ‘**Fortuna One**’ has completed **2 years as an Equity Strategy**.

We focus on long term compounding by holding a concentrated portfolio of listed stocks in India. Our objective is to generate consistent **Alpha** [outperformance over the Benchmark].

- In absolute terms, we delivered returns of **+13.7%** in the year ending 30 Jun 2025, and **+35.0% Annualized** since inception.
- In relative terms, we delivered **+8.6% Alpha** in the year ending 30 Jun 2025, and **+14.7% Annualized Alpha** since inception [over the Benchmark S&P BSE 500].
- In maximum drawdown terms, **we fell less than the benchmark in the downcycle** Oct 2024-Mar 2025 [Fortuna One down 9.7%, Benchmark S&P BSE 500 down 11.8%].

FORTUNA ONE As on 30 Jun 2025	3 Month Return %	6 Month Return %	1 Year Return %	Since Inception Return Annualized %
FORTUNA ONE* EQUITY STRATEGY	+18.7%	+7.2%	+13.7%	+35.0%
Benchmark [S&P BSE 500]	+10.8%	+5.9%	+5.1%	+20.3%
“ Alpha ” [Fortuna One Returns less Benchmark Returns]	+7.9%	+1.3%	+8.6%	+14.7%

* ‘Fortuna One’ Returns are post all fee and expenses. Benchmark Returns are without any fee or expenses. Fortuna One Returns have a “cash drag” due to part of the portfolio being in cash. Benchmark Returns have no “cash drag” as the entire market portfolio is deployed at all times. Returns not verified independently by SEBI. Fortuna One Inception 04 Jul 2023.

Market Outlook:

We are in very uncertain times.

The pause in US tariffs is temporary, with outcomes evolving gradually. The markets have seen support from domestic liquidity and have gone up in recent months. However, the bounce from Mar 2025 lows has narrow participation and relatively weak market breadth.

The Indian macros have seen consistent improvement – fiscal consolidation, strong bank balance sheets, government investments in infrastructure capex and lower interest rates. India is seen as a market with predictable [low volatility] growth. In recent months, the RBI has turned pro-growth by reducing rates ahead of expectations. The growth in rural wages is ahead of rural inflation.

This supports the base case for equity in India in the medium term. FIIs are under weight on India. Some of this may change as more clarity emerges on the global macro.

That said, there are several counter points in the short term.

1. Markets back at high levels [P/E expansion less likely, earnings growth to drive returns],
2. Investment by private sector is still slow [private balance sheets holding more cash than usual],
3. Supply of IPOs is up [will take out a material part of domestic flows in H2 CY2025],
4. The end game on US tariffs on India is still unclear and work in progress.

There are no easy / obvious opportunities in this uncertain market outlook. We work from bottom-up to assess and build investment portfolios.

Opportunity and Risk:

We work on identifying structural shifts and specific themes to find opportunities. At this time, we are working on the following areas:

1. **Credit Growth.** Credit has been deepening in the finances of mid-income households in India. Household financial savings percentage is getting lower. There is a case for well-run credit businesses to grow meaningfully and consistently. Interest rates have seen a front-loaded cut. We see value in select banks, and in some lenders post recent losses in microfinance portfolios.
2. **Infrastructure Build Out.** Government has been the driver of infrastructure capex and the push on renewables capacity build up. H1 FY25 saw a slowdown but this has meaningfully picked up. We see re-initiation of several infrastructure build-out contracts in recent months. This will drive earnings growth for companies focused on efficient execution.
3. **Defense Production.** Post recent conflicts across the globe, indigenous defense capability has become more strategic. We see growth for Indian component and sub-component businesses with capability and involvement in key defense programs. However, valuations in many cases have run up significantly. We will add meaningfully only if the market offers us better entry points.
4. **Innovation in Research.** Several well-run businesses are partners in value chain for global Pharma innovators. These businesses have unique cash flow characteristics [long period of investment at relatively low returns, and significant payoff on commercial success]. We are investors in select businesses with molecules at the commercial stage, and many more molecules being worked on.
5. **Innovation in Manufacturing.** India has an opportunity to become a part of the global supply chain for manufacturing across products, over time to rival China. The government is supporting this shift. Firms need a mindset to invest to build capability and expertise at scale. It is difficult to find this DNA but we invest when we see it. We are careful to enter at a reasonable price.
6. We also focus on areas where we do not see investment opportunities in the short term or even medium term. For example, we think growth in several technology services firms has dropped to much below historical averages, but the market has not adjusted earnings multiples to reflect this change. We continue our preparation to invest when the market offers us acceptable risk-reward.

Our approach to managing risk is based on understanding the underlying business and the discipline of not paying more than its intrinsic value when building positions.

We realize our portfolios will show volatility. We remain prepared to act when the market dips give us the opportunity to add to conviction ideas.

Our Approach to Portfolio Construction

Our portfolio remains concentrated in **16-18 stocks**, based on fundamental analysis. Once we invest, we rigorously track key operating and financial metrics.

We are sector agnostic and usually stay in the zone of mid-caps and the larger sized small caps.

A certain context is important here. In the Indian markets, the Mid Cap is not so “Mid” and the Small Cap is not so “Small”. For example, our median Small Cap holding has a market cap of Rs. 6,200 Cr.

We invest in businesses we understand. It so happens that the opportunity to build alpha comes more in the Mid Cap and Small Cap space. We stay invested in a good business, as long as we can.

Our churn is usually very low. We sell only if: 1. we realize we made a mistake and must correct, 2. the earning potential of the business materially deteriorates, 3. we realize profits, and an equally good or better investment thesis is ready.

At the current time, we are taking **6-8 weeks** to **deploy fresh capital**. We hold AAA / AA bonds in the portfolio temporarily till such time we invest in equity.

While this approach may show a higher than usual cash / cash equivalent for newer clients, it strengthens long-term portfolio resilience and helps us stay on course with our thought process.

Our Debt Strategy ‘Fortuna Two’

Our Debt Strategy invests in AAA, AA and A listed NCDs. It targets real growth in purchasing power in the client portfolio by delivering an additional 1.3-1.5% yield over fixed deposits and liquid MF returns. The underlying investments in NCDs are listed and traded with reasonable liquidity.

Our Debt Strategy **‘Fortuna Two’ has generated annual return of +9.6%** [post all fee and expenses] in the year ended 30 Jun 2025, and **+8.5% (annualized) since inception** in Nov 2023.

This is in line with our strategy and well ahead of returns from fixed deposits and liquid mutual funds.

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.

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