Dear Investor,

We hope this message finds you and your family well.

As always, we thank you for the trust you place in Team Fortuna. In this letter, we share key updates on our investment outcomes, our view on the investment environment, portfolio positioning, and reflections on our investment philosophy and process.

Investment Outcomes Delivered: [As on 31 Dec 2025]

The Indian markets ended calendar year 2025 on a subdued note. In CY2025, absolute return in S&P BSE 500 benchmark was +7.6%. We managed to deliver reasonably healthy +14.1% in the calendar year 2025 (post fee and expenses) at our Equity Strategy 'Fortuna One'.

Our **Equity** Strategy '**Fortuna One**' is among the **Top 20** Equity PMS Strategies in India, on the basis of 2 Year Annualized Returns[1].

Our conviction-led fundamental investment approach has delivered outperformance relative to benchmark indices.

- For the **2-year** period 01 Jan 2024 to 31 Dec 2025: **Fortuna One** Equity PMS Strategy delivered **annualized** returns of **+25.0%** vs the **Benchmark annualized** returns of **+11.6%**.

- For the **1-year** period 01 Jan 2025 to 31 Dec 2025: **Fortuna One** Equity PMS Strategy delivered annualized returns of **+14.1%** vs the **Benchmark** returns of **7.6%**.

FORTUNA ONE Returns [Post Fee and Expenses] As on 31 Dec 2025	**1 Year Return %**	**2 Year Annualized Return %**	**Since Inception Annualized Return %**
FORTUNA ONE* EQUITY STRATEGY	**+14.1%**	**+25.0%**	**+30.3%**
Benchmark [S&P BSE 500]	**+7.6%**	**+11.6%**	**+16.6%**
"**Outperformance**" ['Fortuna One' Returns over Benchmark]	**+6.5%**	**+13.4%**	**+13.7%**

* 'Fortuna One' Returns are TWRR basis, as mandated by SEBI. Post all fee and expenses, pre-taxes. Returns not verified independently by SEBI. 'Fortuna One' Inception Date 04 Jul 2023.

The Big Picture:

A lot has changed, much for the worse, since our last letter in Oct 2025.

Key concerns just a few months ago were US tariffs on India, conflicts going on multiple fronts across the globe, and foreign investors moving out of India. There was expectation that US and India would find common ground on tariffs, at least some of the ongoing conflicts would find acceptable outcomes, and growth in the Indian economy would pick up leading to growth in earnings.

None of what was expected has played out over the last few months.

Geopolitics is impacting markets much more significantly now than earlier.

[1] Source: Returns Post Fee and Expenses by Registered SEBI PMS Strategies filed at www.APMIindia.org

There are now additional conflict zones globally. Negotiations on India-US tariff have remained work in progress. The Indian Rupee has depreciated. The US markets are up over the last year, primarily driven by the AI boom (more than half the gain in S&P 500 is driven by the top 10 US stocks). In comparison returns from the Indian markets have been the weakest in several years. As a result, foreign funds have continued to move out of the Indian markets at a pace faster than earlier.

In India, the Q3 FY26 earnings season has not started well, with early trends showing earnings growth lower than anticipated. The Indian economy has grown strongly at over 7% in real terms. However, due to lower inflation, GDP growth in nominal terms is down to high single digits.

This combination of a difficult global macro, negative liquidity in the Indian markets, and earnings growth lower than expectations is causing the markets to dip in Jan 2026.

We have seen this before. The usual response is for fresh capital to enter and buy the dip.

However, this is not what we see right now. One of the main reasons is market liquidity flowing into ETFs of Gold and Silver, in response to their sharp price rise over the last year.

What Next for The Indian Markets:

In the short term, the narrative for the Indian markets looks weak. We must brace for volatility.

That said, the market set up in early 2026 looks better than 2025. In our opinion, we see strong base for growth in the medium to long term. There are five reasons for us saying so:

One, capital expenditure by Private firms has rebounded in India (primarily in manufacturing and infrastructure sectors). There will be a push towards capital investments by the government as well – both at the center and states. This change is fundamental and will build the base for sustained economic growth.

Two, the government has pushed consumption growth through GST cuts. With inflation under control, the RBI has decidedly turned pro-growth (we have seen interest rate cuts and may see some more). Balance sheets of Banks remain strong, with an ability to fund private investments.

Three, nominal GDP growth is likely to enter double digit in 2026 (with real GDP growth remaining consistently over 7% and inflation getting back to 4% guidance range). This is key for corporate earnings growth and supports the base case on valuations.

Four, domestic retail equity flows have remained strong. Foreign flows have been negative, and foreign ownership of Indian equities is at a decadal low. If and when the foreign buyer returns, it will be a positive for the Indian markets.

Five, Indian equity markets have corrected – with investors making low returns in the last year (small cap index has turned negative returns in the year ended 31 Dec 2025). Much of the froth has been cut.

Overall, while Indian macros are now better positioned for economic growth, risks from global events are markedly higher. We are aware that global events can bring significant volatility to the Indian markets. It is key to worry about portfolio resilience if markets turn volatile.

These thoughts drive our approach to identify opportunities and assess risk. We continue our work on bottom-up fundamental analysis to build investment portfolios.

Where are we Finding Opportunities and What is Our Approach to Managing Risk:

We work on identifying structural shifts and specific themes to find investment opportunities in:

1. Strategic Defense Capability. Multiple conflicts across the world make it clear that Indian businesses with design capability for strategic Defense programs, and independence will find significant growth opportunities. We are finding investment opportunities in valuable niche players, but we remain careful since valuations have run up in many cases.

2. Financial Services. Credit growth (driving earnings growth), at strong lending franchises is a clear area for our investment. We are finding reasonable valuations and consistent growth metrics supporting our investment theses. Investments in this theme add resilience to the portfolio in times of the market coming off its peak.

3. Domestic Capex and Infrastructure build out. Significant scale domestic capex opportunities in Railway modernization and infrastructure are ongoing. This has seen a slowdown in recent years, and we expect a push from the government in this area. The upcoming union budget in Feb 2026 will be keenly awaited to see evidence of this push.

4. Pharma and Chemicals: With excess inventory and commodity price correction over the last two years, we are finding businesses putting additional capacity to use, preparing for earnings growth. We are also finding Indian businesses partnering global innovators in pharma. Recent momentum on the US Biosecure Act signals new opportunity, as global clients seek alternatives to China.

5. Exports to Non-US Markets: India's exports to the US have been curtailed with tariffs in play. But new avenues are opening up. The trade deal with UK is done, and one with EU is expected shortly. While the India-EU trade relationship currently has a low base, a trade deal will diversify trade partners and markets and reduce India's dependence on trade with the US.

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

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 Investment Philosophy and Success Metrics:

We focus on a consistent investment process. It takes us patient work to qualify cases to the watchlist and build detail leading to an investment thesis. We never make exceptions to this.

Our definition of success is not the size of our AUM or how fast we grow. We define success in our ability to understand risk perspectives for each of our clients and engage with them meaningfully.

Our aspiration is to consistently deliver returns above the benchmark for our clients (though we recognize this may not be possible every quarter).

We specifically measure if clients top up after being with us for over a year, and if they give positive references to other potential clients. On both these success metrics, we remain consistent and on track.

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 larger sized small caps.

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.

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

At current time, we are taking **8-12 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 yield instruments (primarily **AAA, AA and A listed NCDs)**. It targets real growth in purchasing power by delivering an **additional 1.5% yield over fixed deposits and liquid MF** returns.

The underlying investments in NCDs, REITs or InvITs are listed and traded with reasonable liquidity.

Fortuna Two generated an annualized return of +8.9% [post all fee and expenses] in the year ended 31 Dec 2025. In the same period, Benchmark CRISIL Composite Bond Index returned +6.4%.

Fortuna Two has delivered **+2.5% Outperformance** over its Benchmark in year ending 31 Dec 2025.

This is in line with our strategy and 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.

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

Warm regards, **Team Fortuna**