

Dear Fellow Investor,

We hope this message finds you well. In this note, we share an update on our performance, our approach to investments and portfolio construction, and our thoughts on the current market context.

Our Performance and Market Context

‘**Fortuna One**’ is our only Equity Strategy. It focuses on long term wealth compounding by holding a concentrated portfolio of listed stocks in India.

In Calendar Year 2024, Fortuna One delivered impressive returns, delivering **+38.2%** (post all fee and expenses), a **+22.4% Outperformance** over the Benchmark BSE S&P 500.

Since inception, Fortuna One delivered an **Annualized Outperformance** of **+20.6%** over the Benchmark.

This strong performance ranks us comfortably in the **top ten percentile of all PMS strategies in India** for CY2024.

FORTUNA ONE As on 31 Dec 2024	1 Month Return %	3 Month Return %	6 Month Return %	1 Year Return %	Since Inception Return Annualized %
FORTUNA ONE: EQUITY STRATEGY	+1.4%	+1.3%	+7.4%	+38.2%	+45.5%
Benchmark [S&P BSE 500]	-1.5%	-7.8%	-0.7%	+15.8%	+24.9%
Outperformance “ Alpha ” [Fortuna One Returns less Benchmark Returns]	+2.9%	+9.1%	+8.2%	+22.4%	+20.6%

“Fortuna One” returns are post all fee and all expenses.

The market in 2024 saw two diverse outcomes. H1 2024 saw a strong market rally. H2 2024 saw the markets end lower due to selling by FIIs and slowing domestic growth. In recent weeks, we have seen significant dip across the market. Such is the nature of equity investing. As long-term investors we welcome volatility as an opportunity rather than a concern.

Our portfolio performance showed resilience by rising strongly when the markets went up, and by falling less when the markets fell. Our portfolio delivered meaningful outperformance for our clients through the year.

In the Indian markets, valuations have moderated and are now slightly above their long-term range. Nifty's 3-year CAGR is just above 10%, interest rates remain high, and GDP growth has slowed to 6.5%. However, an easing monetary policy cycle is anticipated, potentially supporting market recovery.

The Indian markets present selective opportunities for long-term investors to deploy capital judiciously.

Significant capital raise in the IPO market and moderation in consumption growth are the key risks in several of our investment themes. The added uncertainty is from likely changes in US policy on key issues with the new administration taking over.

As always, markets remain uncertain. But this is the environment we expect to work in, and still 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. We focus on identifying strong, well-run businesses with favorable risk-reward characteristics.

We measure ourselves on:

1. **A Robust Investment Process:** Grounded in diligent and thoughtful analysis.
2. **Consistent ‘Alpha’ Generation:** Outperforming the Benchmark in both strong and weak markets while preserving capital.

In strong markets: We exercise caution, avoiding excessive valuations. This involves reassessing portfolio positions and selectively rebalancing.

In weak markets: We actively seek opportunities, taking fresh positions or adding to existing ones when valuations are attractive.

Our approach to making investments remains consistent – driven by a well thought through and rigorous investment process, and our patience to stay with our conviction ideas.

Our Approach to Portfolio Construction

At this time, we are working to make investments in the following opportunity areas:

1. **Banks and Financial Services:** Weakness in consumption and certain regulatory aspects have slowed growth in recent times. We prefer businesses with a large cap bias.
2. **Renewable Energy:** H1 FY25 has seen growth slow down, while the need for significant capacity building is intact. We are seeing value in several pockets that have corrected.
3. **Research Services:** Several Indian firms are now research partners to innovators in drug discovery. This field has a very long runway but may throw up interim volatility.
4. **Defense:** Slowdown in orders from the government in 2024. Select firms have come up to be providers of components and sub-components for leading weapon systems.
5. **Manufacturing:** Growth in capabilities, policy support helping select Indian firms build strong growth-oriented business models. Our challenge is to find sensible entry points.
6. **Real Estate:** Cyclical upswing. Pivot to more premium housing needs. Strong growth in sales momentum, not showing in earnings so far but will show in the next few quarters.

We typically take **4-6 weeks to deploy fresh capital**, ensuring careful construction of customized portfolios. This measured approach may result in holding ~20% in cash or G-Sec/AAA bonds temporarily, which can slightly drag short-term performance but strengthens long-term portfolio resilience.

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

Our Debt Strategy “Fortuna Two” has completed one year and generated annual return of 9.2%, well ahead of returns from FD and liquid MF Schemes. This portfolio comprises listed debt (G-Sec, AAA, and AA+ rating), targeting low-volatility, 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 any of us for queries or additional information.

Warm regards,

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