



Dear Investor,

We hope this message finds you well.

In this quarterly letter, we share updates on our investment outcomes, reflections on the investment environment and portfolio positioning. We also discuss what we are working on as our areas of focus.

Investment Outcomes Delivered: [As on 31 Mar 2026]

The Indian markets ended financial year 2025-26 on a subdued note. In FY2025-26, absolute return in S&P BSE 500 benchmark was **negative** 3.1%. In this tough year, our Equity Strategy 'Fortuna One' delivered +7.0% (post fee and expenses).

- Our **Equity Strategy 'Fortuna One'** has **consistently** been within **Top 5 Percentile** of PMS Strategies in India¹.
- We have consistently delivered **Annualized Outperformance of 9% plus** over the Benchmark.

Investment Returns As on 31 Mar 2026	1 Year Returns %	2 Year Returns % Annualized	Since Inception Returns % Annualized
FORTUNA ONE* EQUITY STRATEGY	+7.0%	+10.5%	+19.7%
Benchmark [S&P BSE 500]	- 3.1%	+1.3%	+9.1%
"Outperformance" ['Fortuna One' Returns over Benchmark]	+10.1%	+9.2%	+10.6%

* 'Fortuna One' Returns are TWRR basis, as mandated by SEBI. Return post all fee and expenses, pre-taxes. Returns above a year are Annualized. Not verified independently by SEBI but audited by independent auditor. Inception Date 04 Jul 2023.

We also analyze our Rolling Returns, which are more useful indicators of consistency in returns delivered (Rolling Returns show returns to clients irrespective of when they start with us).

- **Median Rolling Returns at 20% for 1-year period, at 29% for 2-year period.**
- **Time of entry is less important than remaining invested for longer periods of time.**

ROLLING Returns As on 31 Mar 2026	1 Year Rolling Returns %		2 Year Rolling Returns % Annualized	
	Fortuna One	BSE500	Fortuna One	BSE500
Average Returns %	26%	14%	27%	14%
Median Returns %	20%	8%	29%	16%
Maximum Returns %	59%	41%	34%	21%
Minimum Returns %	7%	-6%	11%	1%

¹ Basis 2 Year Annualized Returns. Source: Filings by all PMS Strategies at www.APMIndia.org



The Big Picture:

A lot has changed, much for the worse, since our last letter in Jan 2026.

The most significant being the ongoing war between US-Israel and Iran. We do not know what happens next – whether the ceasefire holds, if so, in what shape, and what lasting change it leads to in the world order. The vulnerability of the Indian economy to Oil (and Gas), has been brought into focus. Higher oil prices are the most likely outcome for India in the medium term.

The over 10% dip we have seen in the broader markets since the start of hostilities is not unusual. A 10-15% dip is normal for the markets and happens almost every few years. We have seen several cycles with over 20% drop in equity index once every 5 years.

The pullback is also strong already; our portfolio is already up more than 15% in April as we write this Note (on the 17th of Apr). Historical analysis tells us that returns post market drawdowns have been strong [over 20% almost every time on 3-year basis]. This may easily be another such time.

How are we responding?

We are not thinking about P/E multiples of the market having “corrected”. We are reassessing some of the core macro assumptions for India. For example, oil (and gas) prices at a higher level for longer than earlier estimated, impact on MSMEs due to supply disruptions, higher and longer shipping costs. Much of this will likely lead to somewhat higher inflation and somewhat slower growth.

We are incorporating these changes business by business, as we update our theses on each investment case and as Q4 FY26 results start coming in. We are testing conviction levels and diligently adding to our positions.

Several of our clients topped up when the markets have been volatile in recent times [about a third of our clients topped up in Mar 2026 and in Apr 2026 so far].

What do we need at these times?

We need an ability to withstand volatility.

We need to ensure we do not continue to hold or add positions at implied fundamental assumptions that are unrealistic.

We continue to have meaningful conversations with clients and act accordingly. The PMS structure is ideally suited for this approach where we can customize our response at a unit client level. A top-up may be suitable for a client with an ability to see volatility and with a longer-term view. A more balanced, careful approach may be suitable for a client with relatively low tolerance for volatility.

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

We are working on the following specific ideas to find investment cases; some post a deep correction:

1. **Private Capex to expand capacity.** We are focused on companies with a strong balance sheet. We also assess management ability to avoid building into supply side overcapacity (the most common reason for sub-optimal investment returns post capex). We are finding several such opportunities in companies in Railways and Manufacturing sectors.



2. **R&D and Innovation DNA.** A key reason for FIIs to be selling heavily in India is that Indian companies are not seen as genuine innovators. We are finding select Indian Promoters with decades of track record in genuine innovation, ability to run profitable businesses while investing significantly in growth. These are differentiators in our portfolio with significant potential upside.
3. **Credit Growth.** We find reasonable valuations and consistent growth metrics supporting our investment theses in well-run lending institutions. These are selected to be relatively stable compounders in the portfolio. That said, we are mindful of likely increasing stress in MSMEs (due to supply chain issues) and will remain very selective.
4. **Business Model Changes.** We closely track and find select companies that have quietly upped their game over the last 2-3 years – added capabilities and built newer (more profitable) revenue streams. The market has not yet rewarded these cases as the improved numbers have only started showing up. These are our rerating cases with in-depth fundamental work behind them.
5. **Beaten Down, Value Picks:** The median Mid – Small cap has fallen ~30% from peaks in Sep 2024. We assess the stability of operating metrics and find certain cases of deep value where the correction is likely overdone. These cases are the opportunistic basket within the portfolio.
6. **We continue to be negative on IT** [our stance has been consistently negative the last 18 months]. While optically P/E ratios have corrected, we remain on the sidelines till we answer questions on changes in business models and what that means for intrinsic value. That said, we are closely tracking a handful of companies with differentiated models to benefit from the AI driven changes.

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

We realize our portfolios will show volatility. In recent times, we acted diligently to ensure volatility is our friend and enables us to act when market dips give us the opportunity to add to positions.

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.

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 about **6 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 +8.0% [post all fee and expenses] in the year ended 31 Mar 2026. In the same period, Benchmark CRISIL Composite Bond Index returned +3.6%.

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].

Expanding Product Basket – ‘Fortuna 3’ - Multi Asset Growth Strategy

‘Fortuna Three’ offers a comprehensive investment solution by allocating capital across asset classes. The strategy is a combination of top-down and bottom-up approach, drawing on macro trends and specific opportunities. Portfolio allocation will be in diversified assets, with allocations adjusted as new themes and market developments emerge.

Portfolio Construct:

The Portfolio Manager will target diversification in managing Client’s funds and mitigating risk due to non-diversification. It will attempt to balance Equity, Equity Mutual Funds, Listed NCDs, InvITs, REITs, Commodity ETFs and Global ETFs. Portfolio Construct and Weightage will cover the following:

- Flexible allocation across Asset Classes from 0%-100%.
- Liquidity at all times.
- Nature of Securities (listed equity, Mutual funds (Direct Plans only), listed debt (AAA, AA and A rated), InvITs / REITs, Commodity ETFs and Global ETFs, and liquid instruments).

Asset Allocation: Flexibility to allocate across asset classes, with each asset class allowed to range from 0% to 100% of the portfolio based on prevailing market opportunities.

Benchmark: NSE Multi Asset Index 2. As representation of different underlying asset classes.

Our Commitment to Responsible Investing

At Team Fortuna, we view ourselves as custodians of your long-term wealth. Please visit us at www.fortunaasset.in or reach us at info@fortunaasset.in for queries or additional information.

Warm regards, **Team Fortuna**