



Date: 3 April 2025

Moats & Special Situations Portfolio

Dear Investors,

Below is the performance of the Moats & Special Situations Portfolio (M&SSP) as of 31 March 2025.

Portfolio Performance ¹	Equity Allocation	Total Portfolio Returns	Benchmark Returns
Since Inception (annualised)		14.7%	12.7%
March 2025 Quarter	87%	-1.2%	-4.4%
April 2024 – March 2025		15.0%	6.0%

Please check relative performance of other portfolio managers by clicking on this [link](#)

Global markets have experienced significant volatility in recent months, largely driven by shifting commentary from U.S. President Donald Trump on tariffs. As we share this update, the Trump Administration has introduced reciprocal tariffs on 2nd April, creating a new layer of uncertainty in global markets. It remains to be seen whether these tariffs will be fully enforced as outlined in the initial announcements, or if there will be adjustments, dilutions, or exemptions introduced in the coming months. Based on our assessment of individual stocks in our portfolio and their exposure to the US market, we feel the direct impact of these tariffs would be limited on our portfolio companies.

In the Indian equity market, the weakness that began in the December quarter of 2024 has persisted into the first quarter of 2025. We saw a brief reprieve in March—driven by a pause in FII (Foreign Institutional Investor) selling. Corporate earnings have been lackluster for the past two quarters, with management commentary offering little optimism for the quarter ahead. The market weakness has helped temper some of the excessive valuations seen earlier in the year. While the correction has removed some of this froth, we believe the broader market is still not at fair value. With a soft earnings outlook and valuations that remain relatively high, we could witness a sideways market at best—or, in a worst-case scenario, a negative environment in the near term.

Pain Beneath the Surface

The Indian market ended FY25 with mid-single-digit returns, but this headline number masks significant pain in the broader market. For example, while BSE 500 delivered 6% return, median return of the BSE 500 Index constituents was -0.7%, indicating that gains are concentrated in the stocks that have a higher weight in the index, while the broader stock performance is worse than the Index. This skew becomes even more pronounced as we move down the market capitalization spectrum. For instance, the BSE Small Cap Index reported a headline return of 8.0%, but its median constituent return was -6.3%. In a market environment where earnings growth is soft and valuations are not supportive of broad-based gains, stock picking becomes paramount. Our investment process is specifically designed to thrive in such conditions, where the support of a rising tide is absent.

¹ The Benchmark of M&SSP Investment Approach has been revised from BSE 500 and BSE Mid Cap index to **S&P BSE 500 TRI** with effect from 01st April 2023 as per SEBI/APMI circulars. Equity allocation mentioned above is for older accounts. The above returns are consolidated for all clients, time weighted and post management and performance expenses. The actual returns of clients may differ from client to client due to different portfolio and timing of investment. Past performance is no guarantee for future performance. Inception Date is 27th January 2011.

The Critical Role of Stock Picking in a Challenging Environment

FY25 was a year where the market was up sharply in the first half only to give up the gains significantly in the second half, to end with mid-single digit returns. Below table summarises data points that showcase how our stock picking has helped in this period.

Performance Data for FY25	MSSP	BSE500	NIFTY	BSE Midcap	BSE Smallcap	Multi-Act High Quality Index	Multi-Act Low Quality Index
Performance (Weighted Average)	15.0%	6.0%	6.7%	5.6%	8.0%	2.9%	-0.6%
Median Return of Constituents	12.2%	-0.7%	3.8%	2.4%	-6.3%	0.3%	-4.5%
Win : Loss Ratio	2.4 : 1	1 : 1	1.3 : 1	1.2 : 1	0.8 : 1	1.1 : 1	0.6 : 1
Average Return of Winners	32.0%	29.7%	18.5%	28.0%	43.8%	16.6%	24.5%
Average Return of Losers	-14.9%	-18.7%	-15.0%	-18.8%	-25.3%	-10.2%	-14.2%

Win:Loss ratio is the comparison of gainers vs losers in the financial year.

Unlike the broader market, where there is a significant divergence between headline index returns and median constituent performance, our median return of constituents of ~12%, closely aligned with our portfolio return of 15.0%. This narrow gap indicates that our returns were not driven by a few outliers or heavily weighted stocks but rather by broad-based strength across our portfolio constituents. When returns are driven by a few outliers the replicability of such returns in the long run becomes a challenge. And it becomes even more challenging when a broad-based rally in the market is absent. Our win:loss ratio of 2.4:1 further underscores the quality of our stock selection. For every stock that lost value, we had 2.4 that delivered positive returns vs a 1:1 Win:Loss ratio of the BSE 500. Average return of our winner's vs losers is also favourable when compared to other index constituents.

The last two columns in the table reflect the performance of our proprietary indices, which we use to monitor the top 30 High Quality and Low-Quality stocks. Notably, the High-Quality Index which represents our High-Quality universe and typically our primary source for investment ideas—has underperformed compared to market cap-weighted indices, with even its median constituent performance showing muted performance. However, our strategy achieved a significant positive divergence from the High-Quality Index, driven by two key factors. First, we adhered to strict valuation discipline, steering clear of High-Quality stocks that were trading at exorbitant valuations. Second, the High-Quality Index has limited exposure to the financial sector, an area where we have maintained—and continue to hold—an overweight position. This sector overweight has further contributed to our outperformance relative to the High-Quality Index.

Although the advantage of stock picking is ever-present, it is most evident during periods such as FY25, when broader market tailwinds turn negative. During a robust bull market, where a powerful upward tide lifts virtually every stock, the mere act of being “allocated to equities” emerges as a dominant force driving performance, often overshadowing the significance of individual “stock selection.” In such an environment, the positive sentiment and broad-based market momentum can propel even mediocre stocks to impressive gains, making it difficult to assess the attribution of performance to “luck vs skill”. However, in a sideways or weak market environment, the ability to carefully select stocks becomes critical. We are confident that a disciplined, process-driven stock-picking strategy will consistently deliver superior risk-adjusted returns over the long term, even if its value may seem less pronounced during a bull market phase.

Asset Allocation

Our equity weight in the older accounts has increased to ~87% due to recent correction in the market. For new accounts our initial weight has increased to ~67% vs 55% as of December quarter. Our pipeline of investment ideas is increasing, reflecting a broader range of opportunities that we're identifying in the current market environment. However, we remain highly selective, assessing each potential investment through the lens of earnings visibility. We are committed to acting only in situations where we identify clear mispricing—opportunities where the market has undervalued a stock relative to its “fair value”.

Portfolio Activity

Business Model Allocation	Jun-24	Sep-24	Dec-24	Mar-25
Moat	13%	8%	10%	7%
Limited Moat	55%	58%	53%	61%
Moat + Limited Moats	68%	66%	63%	68%
Special Situations	32%	34%	37%	32%
Regulated Utility	-	-	-	-
Grand Total	100%	100%	100%	100%

Sector Allocation	Jun-24	Sep-24	Dec-24	Mar-25
Financials	36%	38%	40%	40%
Financial Services	20%	20%	22%	17%
Commercial Services	8%	8%	12%	12%
Auto & Auto Ancillary	14%	17%	13%	11%
Healthcare	-	-	-	11%
Consumer	12%	6%	6%	4%
Materials	5%	4%	4%	3%
Technology	6%	7%	3%	2%
Grand Total	100%	100%	100%	100%

We have added two stocks in the Healthcare space during the quarter. We haven't exited any stock in the current quarter.

Regards,

Rohan Samant Akshat Hariya

CIO Assistant Portfolio Manager

Statutory Details: Portfolio Manager – Multi-Act Equity Consultancy Private Limited (Registration No. INP000002965)

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Note:

1. All cash holdings and investments in liquid funds, is considered for calculating the performance.
2. All performance data are reported net of all fees and all expenses (including taxes).
3. The above performance numbers are not verified by the SEBI.

Disclosure as per Global Investment Performance Standards (GIPS®) –

Multi-Act Equity Consultancy Pvt. Ltd. claims compliance with the Global Investment Performance Standards (GIPS®). You can refer to the GIPS Compliant performance presentation [here](#). Multi-Act Equity Consultancy Pvt. Ltd. has been independently verified by M/s. M. P. Chitale & Co., Chartered Accountants for the periods April 1, 2011 through March 31, 2019. The verification is available upon request. MAECL has claimed GIPS compliance for the Financial Year 2024 and such performance numbers shall be made available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The Composite representing the Moats and Special Situations portfolio was created on 27th January 2011. Performance has been compared with benchmark S&P BSE 500 TRI. The Gross Return is before all expenses (except Brokerage). Net Return is after all actual expenses. A complete list of composite descriptions, policies for valuing portfolios and calculating performance fees are available on request.

Multi-Act Equity Consultancy Pvt. Ltd. is an independent SEBI registered Portfolio Manager. The firm maintains a complete list and description of composites, which is available upon request. This MSSP Composite includes all discretionary fee-paying portfolios that are being managed with the objective of generating capital appreciation by investing in companies that in the opinion of the Portfolio Manager are of high-quality Moat or Limited Moat businesses at fair value or discount to fair value OR in Non-Moat businesses at deep discount to fair value as special situations. The portfolio manager has also the discretion of not being fully invested if he is not able to find ideas that meet the above criteria along with valuation criteria, thus, indirectly taking an asset allocation call between Equity and Cash (& Cash Equivalents).

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Risk Factors

General risk factors

- a. Securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved.
- b. Past performance of the Portfolio Manager or its affiliates does not indicate its future performance.
- c. Investors are not being offered any guaranteed or assured returns i.e., either of principal or appreciation on the Portfolio.
- d. As with any investment in securities, value of the Client's Portfolio can go up or down depending on the factors and forces affecting the capital market.
- e. The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the Portfolios.
- f. The investments made are subject to external risks such as war, natural calamities, and policy changes of local / international markets which affect stock markets.
- g. The Portfolio Manager has renewed SEBI PMS registration effective December 05, 2023 and has commenced its portfolio management activities with effect from January 2011. However, the Portfolio Manager has more than 10 years of experience in managing its own funds invested in the domestic market.

(Registered Office: Ground Floor, ICC Chambers – I, Saki Vihar Road, Opp. Santogen Mills, Powai, Mumbai – 400 072, Telefax: +91 22 2857 9651 | CIN: U67120MH1993PTC422244)