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Moats & Special Situations Portfolio

Dear Investors,

Below is the performance of the Moats & Special Situations Portfolio (M&SSP) as of 30 June 2025.

Portfolio Performance [1]	Equity Allocation	Total Portfolio Returns	Benchmark Returns
Since Inception (annualised)		15.4%	13.3%
June 2025 Quarter	82%	13.0%	10.8%

Please check relative performance of other portfolio managers by clicking on this link

The current quarter was marked by significant global events. The quarter began with the U.S. imposing historic tariffs on imports, triggering a trade war and raising concerns about supply chain disruptions and inflation. This initially led to a sell-off in global equity markets, though partial tariff rollbacks, driven by diplomatic discussions and optimism around trade negotiations, softened the blow. India-Pakistan clashes following a terrorist attack in Kashmir and the Israel-Iran conflict added further market volatility. Ceasefires announced post both conflicts helped ease concerns. Despite these uncertainties, equity markets rebounded strongly in the June quarter. While robust domestic flows into mutual funds may have contributed to the positive performance, equities across most regions also posted strong gains (US S&P 500 +10.6% and MSCI World Ex-US +12% during June Quarter), reflecting a global "risk-on" sentiment. This optimism is puzzling to us given the lingering uncertainties, particularly with tariff-related issues still unresolved and with simmering geopolitical uncertainty.

In its recent policy meeting, RBI cut repo rate by 50 basis points, along with a scheduled CRR cut, to boost liquidity. The Indian Budget 2025 which offered tax relief and the RBI's actions reflect a coordinated strategy to boost consumption which has been softening in the last few quarters. The benefits of these actions could take a few quarters to reflect in consumption trends.

Following the recent rally in the equity market, valuations have again become expensive. Promoters and strategic investors have capitalized on these elevated valuations, selling shares worth ₹1 lakh crore through block deals and share issuances in recent months. This increased supply of shares is likely to absorb the liquidity from robust domestic mutual fund inflows. Expensive valuations, selling by promoters and strategic investors, combined with ongoing global uncertainties, could result in our view, markets remaining range-bound in the near term, rather than entering a renewed bull phase.

Amidst this volatility our portfolio has done relatively well. Consistent with historical experience, the portfolio witnessed a smaller decline than the broader market, declining by approximately 76% of the market's decline from its peak, as shown in the table below. The bounce from the low was stronger compared to the market. As a result, the MSSP portfolio has already exceeded its September 2024 peak, while the broader market remains 3.3% below its previous peak.

[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.

	MSSP*	BSE 500	Capture
Correction from the Peak	-14.1%	-18.7%	76%
Recovery from the bottom	21.2%	18.9%	112%
30th June vs September Peak	4.0%	-3.3%	

**Based on MSSP Investment Approach NAV. Individual Client performance could vary.*

Quality of the stocks in the portfolio and the cash buffer help protect the downswing of the portfolio during such volatile times. Another key factor, in our view, helping to lower the downside is valuation. In periods of negative market sentiment, most stocks decline along with the market, but overvalued stocks are particularly vulnerable to sharp corrections. In contrast, stocks trading near their fair value tend to attract value buyers first, providing a cushion against severe declines. By maintaining a portfolio of high-quality companies close to their fair value, we experience less severe corrections compared to the broader market. During the recovery phase, stocks that decline due to market sentiment rather than deteriorating fundamentals—and are priced at or below fair value—tend to rebound faster as value buyers step in. Our portfolio’s swift recovery to its prior peak, well ahead of broader market indices, reflects this dynamic. As can be seen from the table below, our portfolio has consistently recovered to its earlier peak value much ahead of broader market recovery.

Time taken to recover back to earlier peak:

Recovery to earlier peak	Reason for volatility	MSSP*	BSE 500
Aug-15 to May-16	China Slowdown	296 days	341 days
Jan-18 to Aug-18	ILFS Crisis	94 days	199 days
Jan-20 to Nov-20	Covid	213 days	293 days
Sep-24 to Jun-25	Tariff War	253 days	Not yet recovered

**Based on MSSP Investment Approach NAV. Individual Client performance could vary.*

Maintaining a portfolio near fair value not only helps during volatile periods but also helps in the long-term. Stock returns are driven by three components a. Intrinsic growth of business b. valuation rerating (or derating) during holding period and c. dividends earned during the holding period. For a buy and hold strategy, long term returns would gravitate toward the intrinsic growth of the underlying businesses in the portfolio. Over the past decade, the median return of BSE 500 stocks is approximately 19.3%, with underlying earnings growth contributing ~13%. Thus, the additional ~6% CAGR over earnings growth came from valuation multiple expansion (i.e. rerating). Market sentiment drives rerating and derating of stocks. But re-rating may not a be a permanent feature i.e. we cannot assume that stocks will continue to re-rate perpetually into the future. If the rerating cycle stops, the returns would be closer to underlying earnings growth ~13% rather than 19% (assuming underlying earnings growth is maintained). Alternatively, if valuation multiples normalize (go back to historical average), the returns could be materially lower than 13%, thus reversing past returns.

As a process we keep our portfolio closer to fair value as much as possible, by reducing expensive names and replacing them with stocks that are at or below fair value. By doing this, we try to capitalise on gains that are driven by re-rating and redeploy capital in stocks with better prospective returns. This helps us to compound the fair value of our portfolio at a much higher rate than the intrinsic growth of the companies that we are holding. And since our portfolio remains close to fair value, the risk of reversal of past returns (as discussed in above e.g. of BSE 500) due to normalization of valuation is limited.

The risk in this approach is our ability to replace portfolio stocks with new stocks with better prospective returns. This risk becomes even more pertinent in a speculative bull market as we would reduce exposure to expensive stocks but lack opportunities to replace these stocks. This risk did materialize during calendar year 2021, when we exited stocks without being able to redeploy cash in new ideas at the same pace. But we believe, execution of this strategy consistently in the long run should help us deliver superior risk adjusted returns to our investors over a full cycle.

Asset Allocation

Our equity weight has reduced to 82% as we have exited some of the stocks (Axis Bank, Syngene, Teamlease and Matrimony) where our investment thesis did not meet our expectations of business improvement. We increased allocation in some of the existing ideas where the business outlook became more favourable with reasonable valuation comfort. For new accounts our equity weight is around 55%.

Portfolio Activity

Business Model Allocation	Sep-24	Dec-24	Mar-25	Jun-25
Moat	8%	10%	7%	6%
Limited Moat	58%	53%	61%	67%
Moat + Limited Moats	***66%***	***63%***	***68%***	***73%***
Special Situations	34%	37%	32%	27%
Regulated Utility	-	-	-	-
Grand Total	**100%**	**100%**	**100%**	**100%**

Sector Allocation	Sep-24	Dec-24	Mar-25	Jun-25
Financials	38%	40%	40%	40%
Financial Services	20%	22%	17%	20%
Auto & Auto Ancillary	17%	13%	11%	16%
Commercial Services	8%	12%	12%	11%
Consumer	6%	6%	4%	5%
Materials	4%	4%	3%	4%
Healthcare	-	-	11%	4%
Technology	7%	3%	2%	-
Grand Total	**100%**	**100%**	**100%**	**100%**

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 2025 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.

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