

Date: 6<sup>th</sup> April 2026

## Moats & Special Situations Portfolio

Dear Investors,

Below is the performance of the Moats & Special Situations Portfolio (M&SSP) as of 31 March 2026.

Portfolio Performance <sup>1</sup>	Equity Allocation	Total Portfolio Returns	Benchmark Returns
Since Inception (annualised)		13.3%	11.6%
Mar 2026 Quarter	97%	-16.8%	-13.9%
April 2025 – Mar 2026		-4.6%	-3.1%

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

The current Iran conflict and the resulting closure of the Strait of Hormuz, which facilitates roughly 20–21% (about 20 million barrels per day) of global oil trade, poses a significant risk to the Indian economy. While efforts like diverting 4 million barrels to the Red Sea and releasing 1–2 million barrels from global Strategic Petroleum Reserves have helped, a massive supply gap of 14 million barrels per day persists, which will continue to put upward pressure on Crude Oil prices.

Any sustained disruption here ripples directly into India's import bill, inflation trajectory, and current account balance. A higher current account deficit leads to Rupee depreciation, which in turn further inflates the import bill in a self-reinforcing cycle. If the conflict and more importantly the closure of Strait of Hormuz is protracted, it could have negative consequences for the global economy and specifically for the Indian economy as probability of stagflation increases and could lead to an impact on corporate earnings.

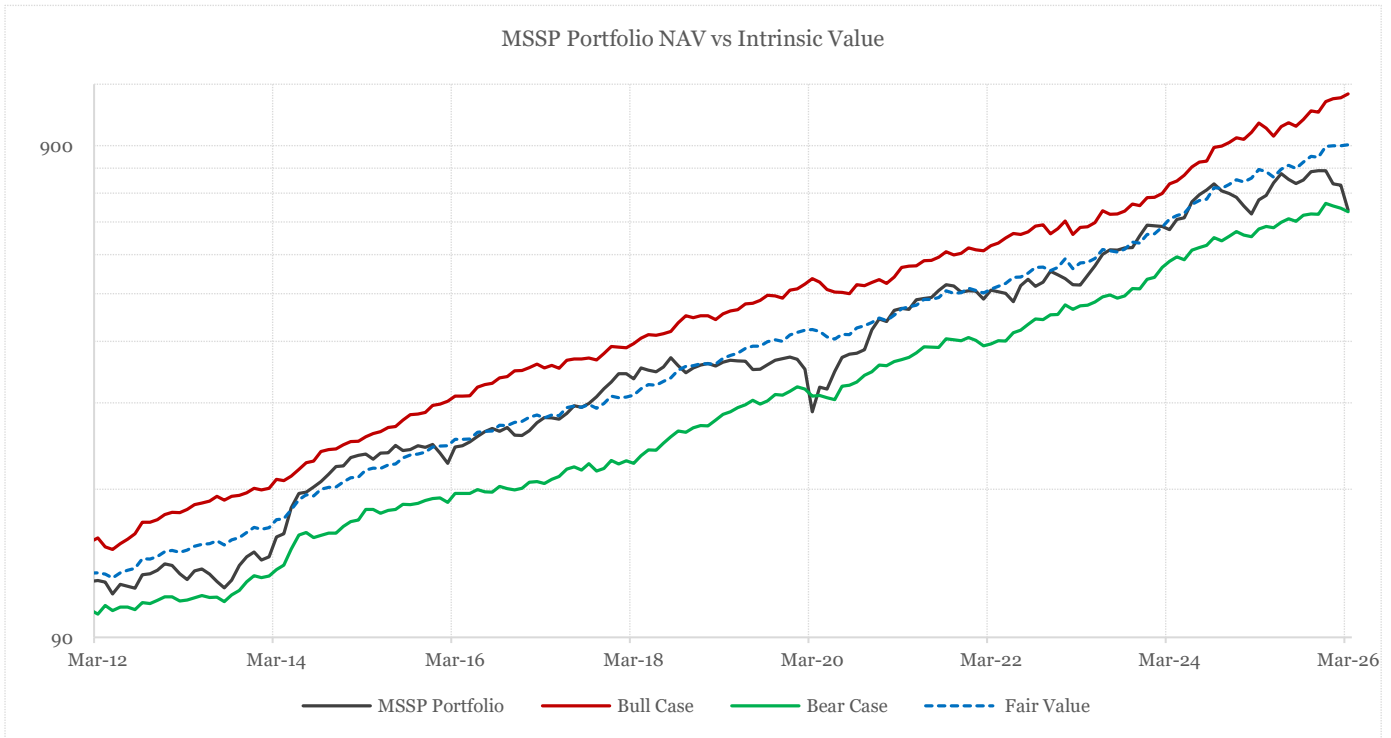
### What should Investors do if Earnings Outlook turns bleak?

Our current perspective mirrors the stance we took in our March 2020 Newsletter, when corporate earnings outlook had sharply turned negative due to announcement of lockdown. We argued that as investors we are not buying the business for next year's earnings, but for long term cash flows that the business is expected to generate. Thus, unless the business model is impaired, a dip in earnings for a single year does not materially change the long term stream of cash flows and thus the intrinsic value of a business. But since investor sentiments move between greed and fear, in times of uncertainty they would not only adjust next year earnings downward, but they could also use a lower valuation multiple on the depressed earnings estimate to price a security, leading to mispricing compared to its true intrinsic value based on long term cash flows.

Our valuation approach is built upon Estimated Business Value (EBV) framework, which determines a company's intrinsic value as range of possibilities between the worst-case and best-case scenarios. When a security's market price begins to reflect its worst-case scenario, the potential for reward relative to the risk involved becomes exceptionally attractive. By building a portfolio with such mispriced securities, we can achieve a highly favourable reward-to-risk profile for the entire portfolio.

<sup>1</sup> The Benchmark of M&SSP Investment Approach has been revised from BSE 500 and BSE Mid Cap index to **BSE 500 TRI** with effect from 01<sup>st</sup> 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 27<sup>th</sup> January 2011.

Below chart shows the historical MSSP Portfolio NAV vs Bull case value arrived using the Best Case EBV of all portfolio companies and Bear Case value of the portfolio using Worst case EBV of all portfolio companies. The Fair Value of the portfolio is the midpoint of the Bull Case and Bear Case value.



You will notice that Portfolio value never touched the Bull case value. This is by design, as we reduce exposure or exit stocks that are factoring the best case scenario and replace them with either stocks that are trading below fair value or increasing cash in the portfolio. Thus, while individual stocks might reach (or even breach) their bull case valuation, on a weighted average basis our entire portfolio has never touched the Bull case value and more often hovers around the fair value.

You will also notice Portfolio NAV exhibits significantly higher volatility than its underlying Bull and Bear Case valuations. This brings us back to the point discussed earlier - intrinsic value of a company (and resultantly a portfolio of companies) is relatively stable, but the pricing of a security is influenced by sentiment, which is more volatile as it oscillates between greed and fear. Businesses don't change their fundamental earning power because of a geopolitical flare-up or a central bank statement. Yet markets often react as if they do. The intrinsic value of a collection of good businesses compounds steadily (MSSP historical Intrinsic value trend growth is ~15%). But the market price of those same businesses swings violently. Our edge lies in exploiting that difference.

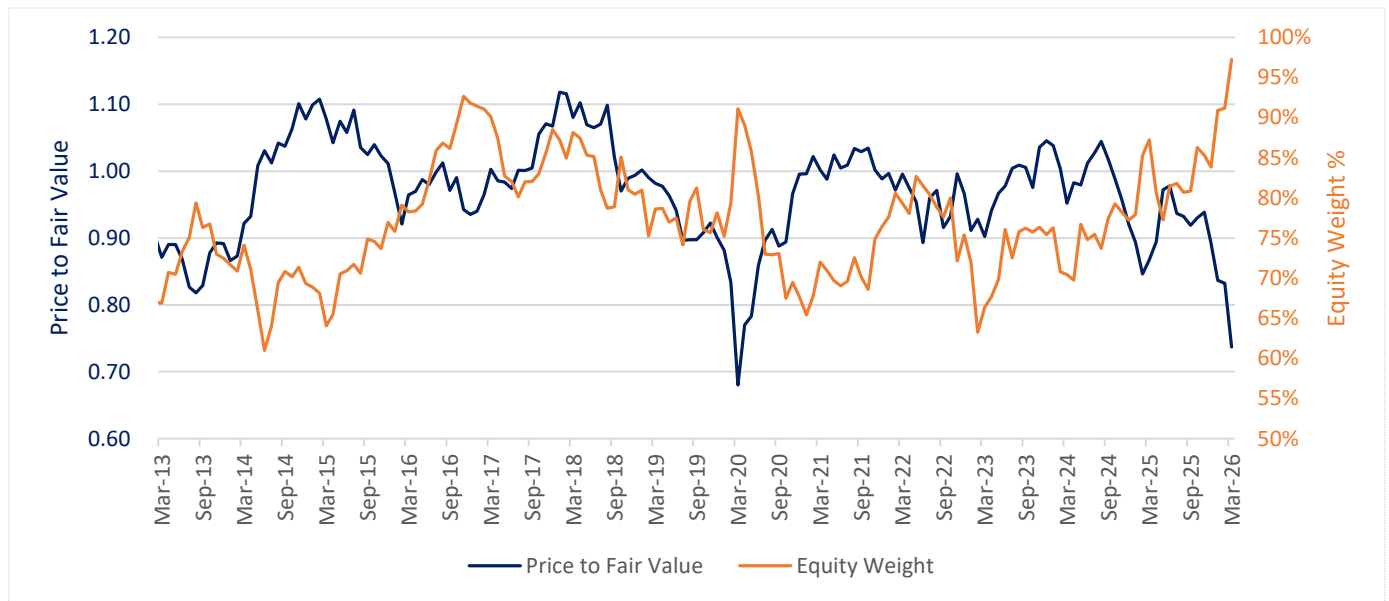
Today, we are closer to the Bear Case value for our portfolio, which indicates limited downside. After Covid, this is the first time we are witnessing our portfolio around Bear Case value. We believe Reward vs Risk is favourable.

**Historical perspective of favourable Reward vs Risk and returns:**

Adjoining table shows the Price to Fair Value of MSSP Portfolio and its subsequent one-year performance. A ratio of 1 represents Fair value and a ratio above that represents premium to fair value and ratio below 1 represents discount to fair value. Historically, the starting valuation has a significant influence on the average and median returns generated over the following twelve months. Current Price to Fair Value of the MSSP portfolio is 0.74 or 26% discount to fair value. We don't want to imply that the current Price to Fair Value would result in similar outcomes, but odds are certainly favourable.

Price to Fair Value starting point	1 Year Return	
	Median	Average
More than 1.1	4%	4%
1.0 to 1.1	8%	11%
0.9 to 1.0	14%	14%
0.8 to 0.9	33%	33%
Less than 0.8	52%	53%

Below Chart shows the historical Price to Fair Value and our overall equity allocation in MSSP portfolio (*Individual client portfolio weights could defer based on the timing of their entry*).



Our equity allocation generally has an inverse relation with Price to Fair Value. As we find more companies at discount to fair value our equity allocation goes up and vice versa. Thus, during the times of crisis when price to fair value dropped our equity allocation has naturally increased – e.g. Covid. Today, our equity allocation has increased to ~97%.

But, while we are identifying specific pockets of mispricing, broader market valuations have not yet corrected to their historical averages. Unlike the universal sell-off in March 2020, which created deep value across the board, today’s opportunities are emerging only in select sectors.

Consequently, while our portfolio offers a level of value comfort comparable to the 2020 lows, the same cannot be said for the wider market. In this environment, a highly selective approach is essential.

**Negative divergence vs Benchmark:**

Historically, the MSSP strategy has been defined by its superior risk-adjusted returns, primarily driven by its resilience during market downturns. However, the current quarter defied this trend; the portfolio corrected more than the Benchmark during a negative market phase. This recent weakness not only created a sharp quarterly divergence but also eroded the 2% outperformance accumulated over the first nine months of the financial year, resulting in underperformance for the full financial year.

The major divergence can be attributed to our overweight stance on Financial & Financial Services. Foreign Institutional Investors (FII) have been aggressive sellers in the recent past. In the month of March alone we saw 1,22,540 Crore of FII selling (1,70,616 for the quarter), which is one of the highest sell figures in a single month. Based on the sectoral FII flow data available from 1 Jan 2026 to 15 March 2026, ~50% of the FII selling can be attributed to Financial & Financial Services sector. In our portfolio HDFC Bank and Kotak Bank alone contributed -3.1% negative divergence based on the excess weight that we hold compared to their weight in the Benchmark. While there is some noise around HDFC Bank which we will discuss separately later, Kotak has not seen any specific negative business development to warrant such a sharp fall. As these are FII heavy stocks there is higher impact of this selling on HDFC & Kotak. Based on the Shareholding data disclosed so far, HDFC Bank alone has seen net FII selling of around 41,800 Crore (3.6% of the company) in March Quarter.

The current wave of FII selling appears to be driven by a "top-down" macro concern in relation to the Indian economy being impacted by the Iran conflict. This has hit the stocks in the Financial sector particularly hard, as leveraged models are perceived to be more vulnerable to such external economic shocks. While we

acknowledge that a prolonged conflict could affect corporate earnings momentum, we are taking a longer term view. We also take comfort from the resilience that these companies have shown through multiple past economic shocks. Consequently, we are maintaining our overweight stance on Financials & Financial Services. We believe this sector currently offers the high valuation comfort and, by extension, the most compelling prospective returns. Since the underlying business models are not fundamentally impaired, we anticipate a sharp recovery in these stocks once geopolitical tensions subside.

**Update on HDFC Bank: Resignation of the Part-time Chairman, Atanu Chakraborty**

On March 18, 2026, HDFC Bank Chairman Atanu Chakraborty resigned from his position, citing a misalignment between certain bank practices and his personal "values and ethics." His term was set to expire in a year.

- He later clarified to the media that his exit was not prompted by any financial discrepancies.
- The RBI explicitly stated that, based on its regular and periodic assessments of the bank, there are "no material concerns on record" regarding HDFC Bank's financials.

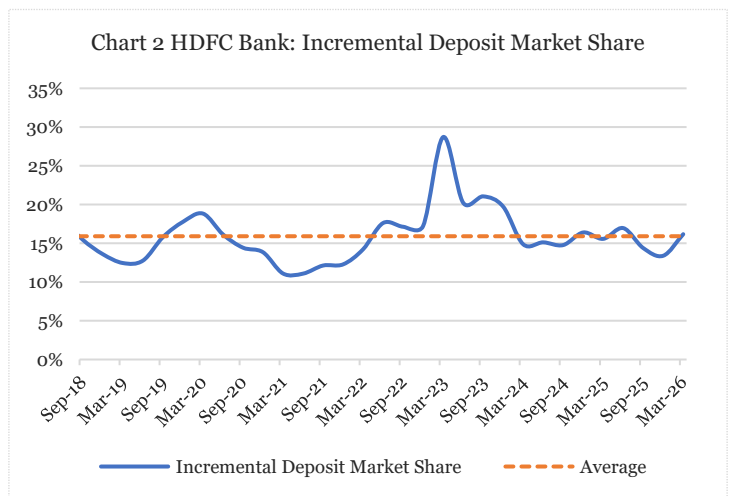
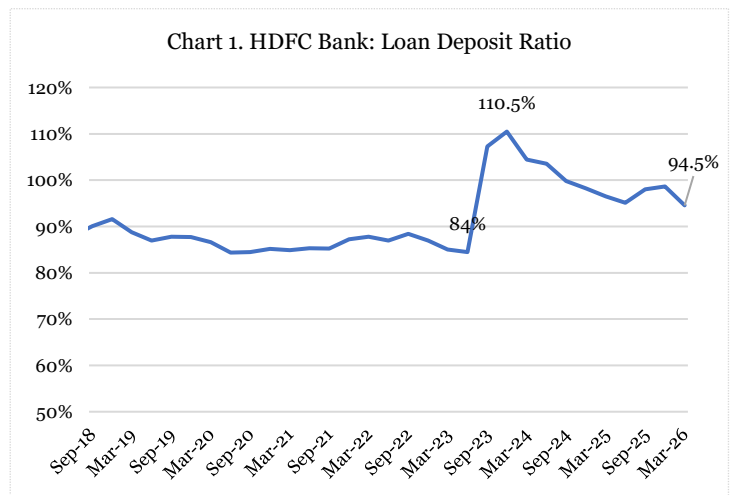
There were differences between Mr Chakraborty and the executive management which led to friction. We also understand the entire Board is currently backing the Management. Considering these points, we believe while the allegations are concerning, they are not directly implicating any of the financial or operational aspects of business. Thus, while this might have a negative sentimental impact on the stock in the short term, we believe this would not have any material impact on the fundamentals of the business.

HDFC Bank continues to have best in class asset quality, which has stood the test of time across multiple macro challenges and industry specific challenges. The only real challenge post-merger that the bank has faced is to grow the deposits at a pace which would help reduce the loan deposit ratio. Post merger, the Loan to Deposit ratio (LDR) jumped up (Refer Chart 1). The bank wants to bring down LDR below 90%.

To bring down LDR, deposits must grow faster than Advances. Thus, the growth of advances would be constrained by deposit growth, until the LDR reaches the targeted zone.

HDFC Bank has a base Deposit market share of ~12% within the Banking Industry. But in incremental deposits of the Banking industry, HDFC Bank on average has around 16% market share (refer Chart 2). As incremental deposit market share is higher than base market share, the Bank continues to gain share. The incremental deposit market share has remained relatively stable. Thus, the Banks core deposit garnering engine has not faltered.

While the bank continues to gain market share in deposits, considering the low deposit accretion currently at the overall banking industry level, the absolute deposit growth is not high enough to bring down the LDR quickly. Now as the deposit growth has started picking up for the industry in the recent months, we believe HDFC Bank should be able to address the LDR challenge incrementally. Once, LDR comes within a comfortable zone (below 90%), the advances growth would also bounce back above industry.



As long as these data points don't deteriorate (i.e. Incremental Deposit Market share and Asset Quality) we will continue to hold our conviction on this business irrespective of the noise around it.

## Asset Allocation

Our equity weight stands at 97% compared to 84% in December quarter. For new accounts our equity weight is around 86% (compared to 60% in December quarter). The drop in Financial and Financial services equity weight is not due to active selling, but on account of underperformance of that sector vs rest of the portfolio and increase of equity exposure in other sectors.

### Portfolio Activity

Business Model Allocation	Jun-25	Sep-25	Dec-25	Mar-26
Moat	6%	10%	17%	17%
Limited Moat	67%	65%	57%	57%
<b>Moat + Limited Moats</b>	<b>73%</b>	<b>75%</b>	<b>74%</b>	<b>74%</b>
Special Situations	27%	25%	25%	26%
Regulated Utility	-	-	-	-
<b>Grand Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Sector Allocation	Jun-25	Sep-25	Dec-25	Mar-26
Financials	40%	39%	40%	33%
Financial Services	20%	22%	19%	17%
Consumer	5%	8%	9%	14%
Commercial Services	11%	10%	11%	11%
Auto & Auto Ancillary	16%	16%	9%	10%
Materials	4%	4%	4%	4%
Media	-	-	4%	4%
Technology	-	-	-	3%
Healthcare	4%	-	4%	2%
<b>Grand Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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®) –**

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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 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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