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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 2026.

Portfolio Performance [1]	Equity Allocation	Total Portfolio Returns	Benchmark Returns
Since Inception (annualised)		13.97%	12.25%
Jun 2026 Quarter	99%	12.88%	12.10%

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

The June 2026 quarter saw market sentiment stabilizing compared to the previous quarter, as US and Iran agreed on a ceasefire and started discussions on a long term diplomatic solution. The sustainability of this fragile peace remains a key monitorable. Impact of this crisis on the Indian economy (excluding the currency) has been relatively contained. Impact on corporate profits may be visible in June quarter results. Some of the high frequency indicators like credit growth has seen pick-up in the recent months (~17% YoY growth), Automobile volumes across categories continue to be strong. The Indian equity markets have staged a steady recovery as the quarter progressed. In response to the currency volatility and sharp capital outflows seen earlier in the year, the Reserve Bank of India stepped in with fresh 3-to-5-year Foreign Currency Non-Resident [FCNR(B)] deposits to shore up the Rupee and attract stable foreign capital. Simultaneously, the Indian Government supported these efforts by removing tax on capital gains and interest income on Government debt for foreign investors to encourage persistent capital inflows.

On the global front, the narrative throughout the June quarter was led by a technology trade focused on AI infrastructure and semiconductor hardware. This theme was visible across key Asian markets outside of India, particularly where tech and memory hardware production is concentrated. South Korea and Taiwan were the biggest beneficiaries of this trade. The broader MSCI Emerging Markets index recorded a 20%+ return, heavily driven by its technology and semiconductor constituents. In contrast to these countries that benefited from the AI trade, India was largely categorized by global investors as a "non-AI" or "anti-AI" trade. Although investor sentiment toward India has cooled due to a perceived lack of AI opportunities, the negative sentiment with respect to AI is most pronounced in the IT services sector, following a significant derating over the last half-year.

Equity Market USD Returns	June Quarter	Calendar Year to Date
South Korea *	64%	108%
Taiwan *	53%	71%
Emerging Markets *	20%	25%
S&P 500 (US)	15%	10%
India *	5%	-9%

** MSCI ETF performance*

[1] 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 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.

Does IT Sector provide a Contrarian opportunity?

The IT Sector is facing the following headwinds:

1. Traditional IT Services business model was based on billing clients on a “Man-hour” basis, i.e. number of people deployed on a project and the time spent on the project. AI adoption is expected to reduce both the number of people and the time taken to deliver a project. Consequently, enterprise clients will inevitably demand that these productivity gains be passed through to them. This fundamentally disrupts traditional "man-hour" based billing structures and leads to deflationary pressure on revenue of IT services companies. Although the exact baseline revenue erosion remains unclear at this point, current estimates indicate a mid-single digit deflationary impact on USD revenues of traditional IT services companies. The billing model is expected to shift from traditional time-and-material pricing to an outcome-based model. By shifting from hourly billing to an outcome-based model or a fixed price contract, clients gain predictable project costs while the execution risk transfers to the service provider. However, this increases uncertainty regarding profit margin for the IT services company, as traditional time-and-materials pricing provided a more predictable and transparent margin profile based on planned billable hours.

2. The dual-shore delivery model featuring lean onshore teams supported by vast offshore teams is also at risk of disruption. Now, compact onshore teams, using AI, can independently execute end-to-end deliverables without requiring an offshore support structure. This effectively levels the playing field, unlocking a potential surge in competition from agile, purely local onshore firms that previously stood no chance against the global scale of traditional India based IT services companies.

3. Traditional IT Services business had significant recurring or annuity based Revenue. In the new deals that have AI component, the share of recurring revenue is lower compared to the past. Thus, there will be a need for consistent refilling of order pipeline with new projects as the recurring revenue component in the base revenue reduces.

4. Another risk, which is not directly linked to AI, is market share loss to captive arms of enterprises i.e. Global Capability Centres (GCCs) that are scaling up at a rapid pace. This has led to a drop in share of IT services companies in IT Services exports from India.

While these headwinds are real, there are some counteracting factors that could support growth:

1. The core thesis that AI will permanently shrink the IT sector assumes that enterprise tech budgets are static. Historically, structural drops in the unit cost of technology always trigger massive volume elasticity. During the Offshoring wave and Cloud/SaaS wave, revenue cannibalisation (deflation) was more than compensated by incremental volume of business. Some projects which would have been prohibitive in the pre-AI era, could now become feasible. Thus, there is a possibility that IT services companies could witness higher volume of business which could compensate for the AI led deflation in revenue.

2. Before any enterprise can execute a successful AI deployment, its underlying data architecture must be completely overhauled. This critical prerequisite presents an immediate opportunity in legacy modernization and data engineering for IT services companies.

3. AI token cost inflation is emerging as an economic uncertainty that restricts faster enterprise adoption. In complex, multi-agent enterprise AI setups, the ongoing token cost can become highly inflationary, which could exceed human developer costs in some areas. Ultimately, enterprises will consider RoI while evaluating AI adoption. This could restrict the Revenue deflation in certain areas of the IT Services business

A Case-by-Case Approach

While peak pessimism has created an improved margin of safety, the structural AI risk is real and imminent. Unlike past technology cycles that lifted every boat across the sector, this transition will be asymmetric. The structural benefits will likely accrue only to a select few companies that are actively willing to cannibalize their own legacy business and pivot their monetization models toward value and efficiency rather than simple headcount based business model. The economic landscape for the sector is fast evolving and identifying clear winners/losers in the sector is difficult at this point. We are approaching the sector though process of elimination by segregating companies by business models and by our assessment of level of disruption risk – 1. Companies that are either selling a product rather than a service in a regulated industry where we believe the risk of AI led revenue deflation is relatively less 2. Companies that have business models that are not linked to headcount. We believe revenue delinked from headcount reduces the AI led deflation risk 3. Balance companies into headcount based business models. Within headcount based business models, the risk is higher in companies that have higher exposure to areas like application development, maintenance and quality assurance compared to some of the other areas. It is important to differentiate between companies that are proactive and winning business compared to those that are trying to defend the status quo. As more evidence emerges in the coming quarters in terms of how this space is evolving, we would capitalize on any mispricing we are able to identify.

Asset Allocation

Our equity weight stands at 99% compared to 97% in March quarter. For new accounts our equity weight is around 80% (compared to 86% in March quarter).

Portfolio Activity

Business Model Allocation	Sep-25	Dec-25	Mar-26	Jun-26
Moat	10%	17%	17%	22%
Limited Moat	65%	57%	57%	52%
Moat + Limited Moats	***75%***	***74%***	***74%***	***74%***
Special Situations	25%	25%	26%	26%
Regulated Utility	-	-	-	-
Grand Total	**100%**	**100%**	**100%**	**100%**

Sector Allocation	Sep-25	Dec-25	Mar-26	Jun-26
Financials	39%	40%	33%	31%
Financial Services	22%	19%	17%	22%
Commercial Services	10%	11%	11%	10%
Consumer	8%	9%	14%	9%
Auto & Auto Ancillary	16%	9%	10%	9%
Materials	4%	4%	4%	7%
Media	-	4%	4%	5%
Technology	-	-	3%	4%
Healthcare	-	4%	2%	4%
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 2026 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 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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