

Date: 8th October 2026

Moats & Special Situations Portfolio

Dear Investors,

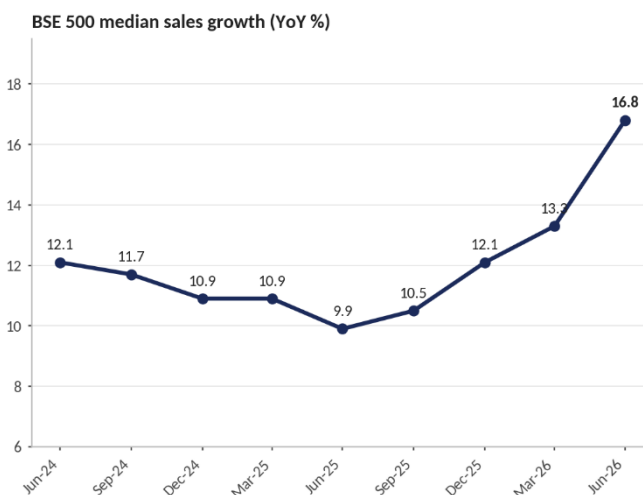
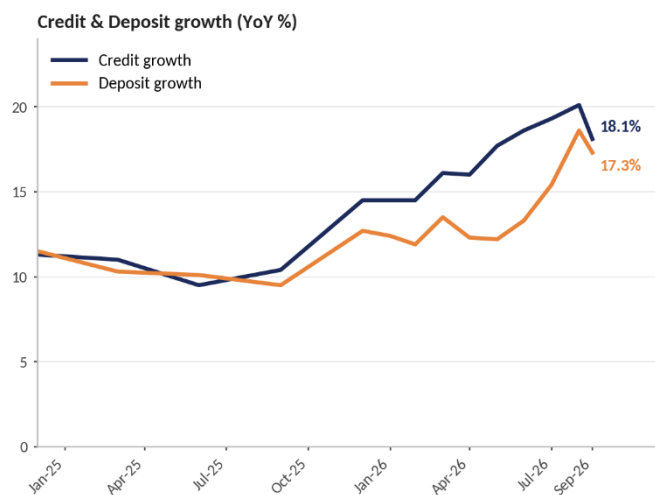
Below is the performance of the Moats & Special Situations Portfolio (M&SSP) as of 30 September 2026.

Portfolio Performance ¹	Equity Allocation	Total Portfolio Returns	Benchmark Returns
Since Inception (annualised)		13.37%	11.78%
Sep 2026 Quarter	99%	-4.89%	-3.59%
April 2026 – Sep 2026		7.36%	8.07%

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

The financial year had started on an optimistic note. The ceasefire between the US and Iran, and the start of discussions on a long-term diplomatic solution, had raised hopes that the war would be resolved, and Indian equities rallied strongly, with the BSE 500 TRI returning 12.10% in the June quarter. That optimism has not lasted. Uncertainty around the resolution of the conflict has returned, and the market has given back some of its gains in September. The conflict has led to elevated energy prices, which have revived inflation concerns, and interest rates have moved higher globally, with long dated government bond yields in several large economies reaching levels not seen in more than a decade. This backdrop is particularly negative for the Indian Rupee and foreign institutional equity flows.

But while the external environment has become more uncertain, the domestic economy has been improving. High frequency indicators show a broad-based pick-up in underlying economic activity, as the charts below show.



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.

Bank credit growth has accelerated from 9.5% YoY in June 2025 to 18.1% in mid-September 2026, after touching 20.1% in August. Deposit growth, which lagged credit growth through the year, has caught up fast, rising from 9.5% in September 2025 to 17.3% in mid-September 2026 (supported by FCNR deposits). Faster deposit accretion eases the funding constraint on banks and supports the sustainability of credit growth.

Median sales growth of BSE 500 companies has risen just under 17% YoY in the June 2026 quarter, up from 10% a year ago and 13.3% in the March quarter. Part of this acceleration is nominal, reflecting higher inflation, but there has been a genuine improvement in volumes as well, as seen in the Auto sector, which has benefited from the GST rationalization done last year. The combination of accelerating credit and strengthening revenue growth suggests that the domestic earnings cycle is turning up.

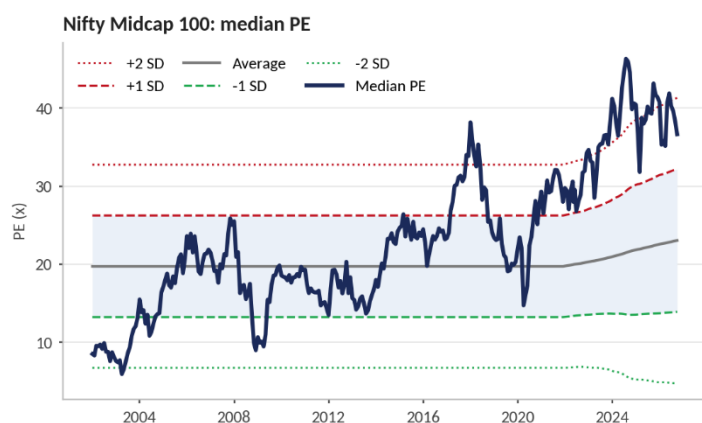
But despite improving business momentum, global uncertainty and rising global interest rates have led to a correction in the equity market over the last few months. Large cap stocks have borne the brunt of selling by FIIs, who after a couple of months of net buying in July and August in the equity market, have again started aggressively selling in September. Even domestic large cap mutual fund schemes have been witnessing net redemptions in July and August, notwithstanding overall domestic flows into equity mutual funds continuing to remain strong.

Consequently, large cap valuations have corrected. The chart below shows the PE of the Nifty 50 based on normalised trend earnings. After spending more than five years above its long-term average, the Nifty's normalised PE has reverted back to mean.

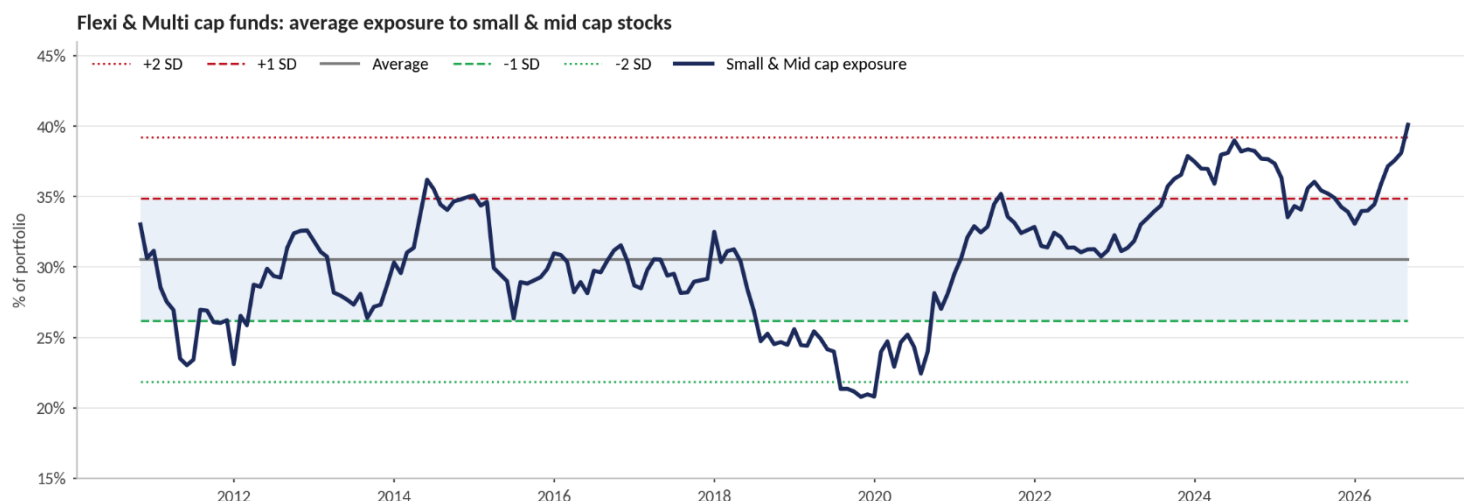


This normalisation has not been uniform. Within Nifty; Financials and IT have corrected more and are now trading materially below their historical average valuations. It is the de-rating of these two sectors that is primarily driving the correction in the valuation of the Nifty.

The picture is different in the broader market. As the charts below show, while there has been a normalisation of valuations in the large cap space, valuations in mid and small cap space have not corrected in a similar manner and remain elevated.



There is a prevailing narrative that large companies do not have much growth left and that mid and small caps have a growth advantage over them. There may well be some truth in this, but the question is what the premium is being paid for that growth, and we believe it has become over extended. Capital has followed this narrative as seen through increasing flows in Small & Midcap Mutual funds. This is also visible in the portfolios of flexi cap and multi cap mutual funds, which have the flexibility to invest across market capitalisation. As the chart below shows, their average exposure to small and mid-cap stocks is at the highest it's ever been. Thus, we believe there is an overcrowding of this trade driven by the growth differential narrative that we are witnessing. We believe this divergence would be mean reverting rather than being sustainable in the long term.



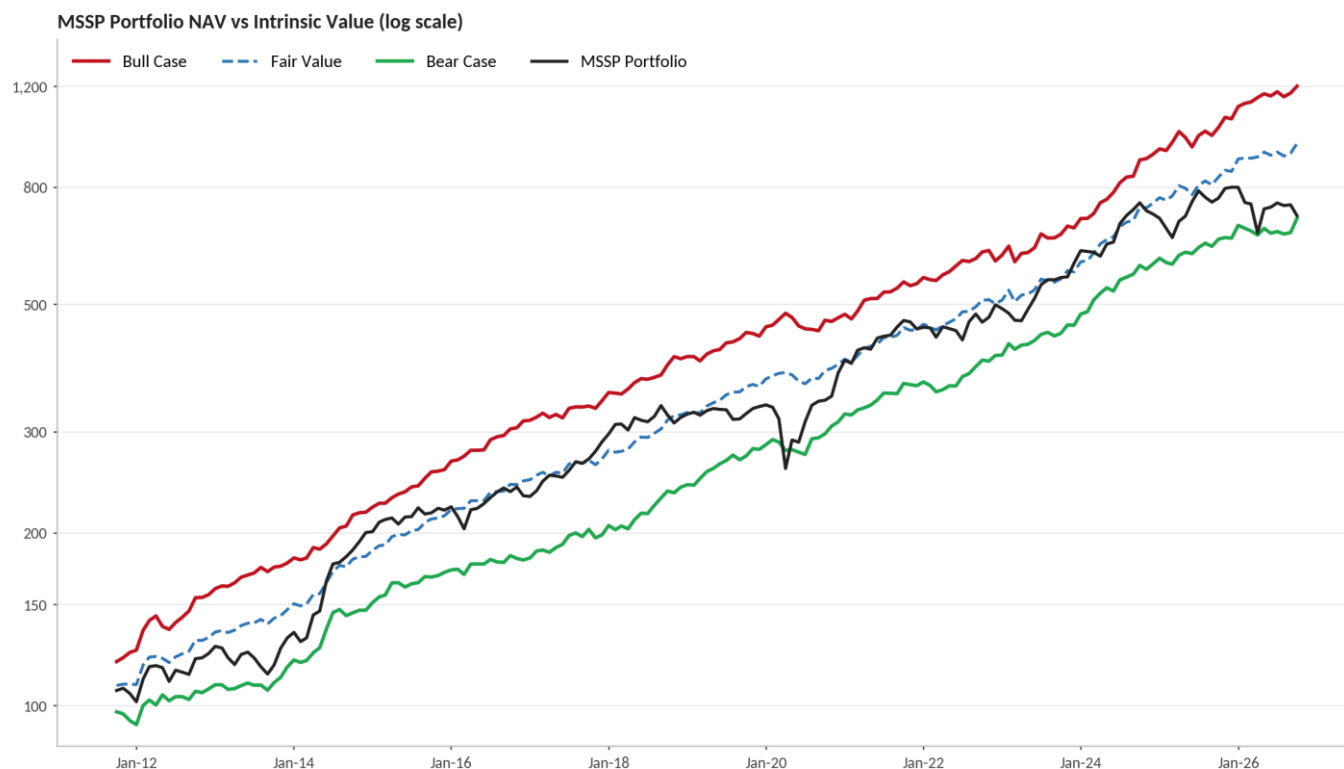
Another notable trend we are observing are stretched valuations at both ends of the market. Expensive stocks are becoming more expensive, moving well beyond their previous peak multiples, while value stocks are breaking below their historical lower bounds. The market is willing to pay up for companies delivering strong earnings growth and good earnings visibility, with little regard for valuation. At the same time, it is offering no valuation floor to stocks that have disappointed on earnings or where there is any uncertainty around the business. In fact, some companies with reasonable growth have also seen a selloff post the June quarter results. This leaves the market in a state where both enthusiasm and disappointment are being priced in the extreme.

But as expectations keep being raised for companies reporting strong growth, the bar becomes so high that at some point business fundamentals fail to match expectations, and valuations could then normalize sharply downwards. Conversely, in the case of beaten down stocks, expectations have already been lowered significantly, and even a minor positive surprise can act as a catalyst. In the current environment, assessing the fundamental valuation floor is crucial. We are therefore evaluating valuations on an absolute basis rather than purely against historical ranges and are focusing on businesses where the weakness is not backed by a deterioration in earnings visibility.

We are finding more opportunities in the market currently than we have generally witnessed post Covid, with large caps at reasonable valuations and stock specific opportunities in the mid and small cap space where valuations have corrected despite reasonable earnings growth.

Very Attractive Prospective Returns

The earnings momentum and visibility in our portfolio companies is encouraging. The domestic economic backdrop is improving and, importantly, the valuation comfort is very high. The chart below updates the portfolio NAV against the intrinsic value framework that we discussed in the [March 2026 newsletter](#), where the Bull Case and Bear Case values are built from the best case and worst case Estimated Business Value (EBV) of all portfolio companies and the Fair Value is the mid-point of the two. The MSSP portfolio usually never touches the bull case valuation as stocks that become expensive and are factoring best case outcomes are replaced by stocks below fair value to ensure a “margin of safety”. Thus, the portfolio never deviates significantly above fair value.



Our portfolio is trading at what are effectively “bear market” valuations, while most of our companies continue to deliver growth in line with their history. This indicates a high margin of safety and attractive prospective returns as we believe mean reversion would work in favour of the portfolio. Thus, we continue to be fully allocated.

Portfolio Update: ICICI Lombard

Most of our portfolio companies reported good numbers in the June quarter. The exception was ICICI Lombard.

In June, the Supreme Court ruled on the compensation payable to homemakers in motor accident claims and quantified a homemaker’s contribution at ₹30,000 per month. This raises the expected cost of motor third party (TP) claims for insurers, on both existing and future claims. ICICI Lombard has taken a far more conservative view and created a provision of about ₹165 crore in the June quarter. This weighed on the quarter’s earnings and the stock corrected sharply on the results. Peers have chosen not to make a similar provision and thus it reflects a conservative stance taken by the management. There has been a significant delay in the announcement of the motor TP premium hike by the regulator. Considering the potential impact of the Supreme Court ruling and normal claims inflation, we believe a premium hike is imminent. If the regulator announces the hike, it could act as a catalyst for the stock, and if ICICI Lombard aligns with what the industry has done in terms of provisions, the downside is protected.

Asset Allocation

Our equity weight stands at 99%, unchanged from the June quarter. For new accounts our equity weight is around 81% (compared to 80% in June quarter).

Portfolio Activity

Business Model Allocation	Dec-25	Mar-26	Jun-26	Sep-26
Moat	17%	17%	22%	19%
Limited Moat	57%	57%	52%	55%
Moat + Limited Moats	74%	74%	74%	75%
Special Situations	25%	26%	26%	25%
Regulated Utility	-	-	-	-
Grand Total	100%	100%	100%	100%

Sector Allocation	Dec-25	Mar-26	Jun-26	Sep-26
Financials	40%	33%	31%	27%
Financial Services	19%	17%	22%	23%
Consumer	9%	14%	9%	9%
Auto & Auto Ancillary	9%	10%	9%	9%
Commercial Services	11%	11%	10%	8%
Infrastructure	-	-	-	7%
Technology	-	3%	4%	7%
Media	4%	4%	5%	5%
Healthcare	4%	2%	4%	3%
Materials	4%	4%	7%	3%
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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