

Dear Investors,

25<sup>th</sup> July 2025

*Too much happening all around...but markets have done nothing since one year*

Over the last few quarters a lot seem to be happening around us – wars on borders, a complete reset of global trade order based on tariffs, beginning of a new cold war between largest consumer and largest manufacturer of the world economy and to top it up an “Artificial Intelligence” disruption with potential to be the most transformative technology humanity has seen till date and which potentially would impact every aspect of economic and personal life. We see combination of heightened fragility and exuberance all around us.

In markets, the fall between September 2024 and March 2025 gave the impression that world is ending; and recovery in benchmarks and blue-chips post March indicate that good times are back. However, reality is a more subdued consolidation in equity markets. Advance/Decline Ratio in broad market point to very narrow activity. More stocks are away from 52 Week highs than near. Nifty 50 & Nifty 500 has actually done nothing in last one year. Both are actually yet to scale back highs made in September 2024.

Nifty 500



Nifty 50



*System and Style risk inherent to markets*

Things go wrong in economy, businesses and markets all the time but more so when too many levers in economy are being moved by policy makers all over the world. Growth gets delayed, cost gets escalated, contracts get dishonoured, disruption may hit from nowhere, so called strong competitive advantage gets washed away.

To top up these global uncertainties India is on a very vibrant trajectory. There is always a flip side to a rapid change. What looks resilient today may not be tomorrow. We saw that happening with one of our portfolio company; with complete overhaul of government approach to PAN card issuance and that too with huge ambiguity and unclear execution. Suddenly steady cash flows of last decade have risk of being completely vanished and we had to exit.

Also, we want investors to know that there are many ways to engage in markets, and no style or approach works all the time. Value of the approach should be appreciated only by two measures - one by its inherent fundamental logic and second by very long-range performance. We predominately invest in obscure small and mid-size companies with value metrics. Current phase of consolidation and volatility is more felt underneath some larger companies and relative underperformance is just one phase. We have seen this several times in our history.

These are systematic and style risks all investors in equity market need to be aware about.

### ***We do what we love and what has worked for more number of days in our life***

*Charlie Munger once said- "You have to adapt your strategy to your own nature and your own talents. I don't think there's a one-size fits all investment strategy that I can give you."* We try our best to stick to our nature & experience. We have a value-based philosophy, we're not momentum players, we're not a macro player. We attempt to pursue basics of value investing. We pursue value with margin of safety and are anchored to own a piece of a business and not a ticker price.

Today's market presents a unique cocktail — abundant liquidity meets heightened earnings uncertainty. This combination creates both opportunity and risk. Part of the markets, benefiting from liquidity flows, have decoupled from earnings reality. Meanwhile, the other pocket, paying price for too much uncertainty. This environment demands neither panic nor complacency, but patience and selectivity. We continue working towards finding business quality and long-term growth drivers remain undisturbed and valuations reflect pessimism rather than optimism.

India's structural story remains intact. Our young demography, digital transformation, infrastructure buildout, and evolving global trade dynamics continue to create a multi-decade opportunity. Current market gyrations don't diminish these fundamental truths. We deeply appreciate your continued trust. Wealth isn't created in the noise of the market but in the silence of patience and optimism in power of equity markets in long term.

***"But investing isn't about beating others at their game. It's about controlling yourself at your own game." — Benjamin Graham***

Regards

Porinju Veliyath