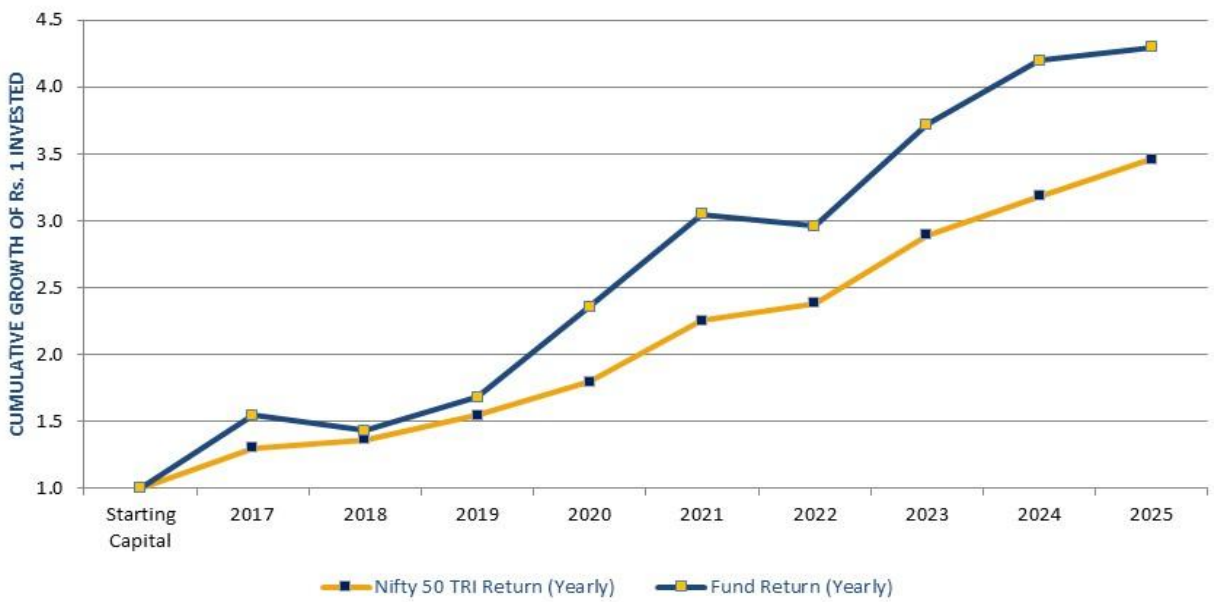
Dear Shareholders and Investors,

I write to you as of the end of June 2025 with an update on the markets and the portfolio. The first half of 2025 has seen significant global volatility started through the tariff news from the US alongside a slow-down in earnings that corporate India has seen over the last two quarters. However, as with the principles of economics, the markets are a function of supply and demand at any point of time, and the flow in Indian equities continues to be strong.

As of the June 2025, 1 Cr invested in the fund since inception has grown at an annualized rate of 18.72% (since inception – Jan 2017). Over the same period, the benchmark Nify50 has given an IRR of 15.73%. The below (Fig 1) gives an overview of how the capital has compounded over time for an investment in the Fund vs the Benchmark.

Fig 1: Cumulative Growth of INR 1 Cr invested in the fund against the benchmark



The CY25 return of the portfolio stands at 2.4% and is lagging the benchmark today by 6%. This is attributable to the first two months of the year where the portfolio had a peak to trough drawdown of 13.8%, significantly contributed by the drawdown of the pharma bucket of the portfolio. While the portfolio has had a healthy recovery from there to Jun 2025, I believe this outperformance should continue through the rest of the year. In the next section, I will summarise the fundamental positioning and growth of the portfolio and why I believe the recent outperformance in the last 4 months should continue.

The portfolio investments split by market cap and sectors are broken down below.

Fig 2: Market Cap Breakup

Market Capitalization	Exposure
Small Cap	14.10%
Mid Cap	23.15%
Large Cap	58.05%
CASH AND CASH EQUIVALENTS	4.70%

Weighted Average Market Cap: 3,90,235 Cr

Active Ratio : 68% (Refers to the difference in the portfolio construct vs the benchmark)

Fig 3: Sectoral Breakup

Sector	% Allocation
Hotels & Travel	1.2%
Construction Materials	1.5%
Building Materials	1.8%
IT	2.3%
Chemicals	2.7%
Capital Goods	3.3%
NBFC's & Housing Finance	3.3%
Logistics & Ports	4.0%
Insurance	4.8%
Consumer Discretionary	5.7%
Financial Services	5.8%
Auto & Auto Components	6.2%
Mining & Minerals	7.9%
FMCG	11.2%
Healthcare	15.1%
Banks	18.6%
CASH AND CASH EQUIVALENTS	4.7%
	100.0%

In our prior quarterly letters, we spoke about our expectations of narrowing corporate earnings. We have been seeing this over the last two quarters where the absolute growth of Nifty 500 has dropped to 12.6% on a topline basis (as of March 25) vs the same number being at 13.4% two quarters prior (as of Sep 2024). The slowdown in earnings has translated into price action too.

During the calendar year (CY25), we saw only 183 out of the 500 companies (of Nifty 500) beat the Index returns (36.6% of the companies). In the small cap universe, it was only 82 out of the 250 companies that beat the Index returns (32.8% of the companies) reflecting the narrowness in outperformance.

The same has translated into earnings cut as can be seen from Fig 4 (below). Between Feb 25 and Jun 25, the analyst estimates for FY26 has seen a cut of 4.8% thus far.

Fig 4: Nifty50 EPS Estimates Trajectory in Fy24-25 (Analyst projection)

Nifty50 EPS Trajectory	Sep 24	Feb 25	Jun 25	Estimate Change(6M)
FY25	1038			
FY26	1260	1185	1128	-4.8%
FY27		1185	1256	

Through the earnings season, though the outperformance was narrow, we saw our portfolio show the dual characteristics of stronger growth alongside better margins (both on an absolute and relative basis – vs the index). A detailed granular breakdown of the same has been provided in Fig 5 (Our portfolio has not only shown stronger growth at 16.3% but also a higher EBITDA margin at 31.5%).

Fig 5: Itus Portfolio broken down by sector (Annualized growth vs Margins)

ITUS SECTORAL BREAKDOWN				
Portfolio Sectors	**No. of companies**	**Sectoral Weights**	**4Q TTM Revenue (YoY)**	**EBITDA (TTM)**
Auto & Auto Components	3	8.4%	13.8%	20.9%
Banks *	2	19.2%	16.1%	38.3%
Building Materials	2	5.0%	9.1%	14.3%
Capital Goods	1	3.1%	10.4%	18.9%
Chemicals	1	1.7%	4.1%	27.3%
Consumer Discretionary	3	7.9%	16.7%	19.8%
Consumer Durables	1	1.0%	23.6%	7.3%
Financial Services	2	6.9%	38.2%	56.5%
FMCG	3	11.2%	11.2%	26.5%
Healthcare	5	16.3%	15.9%	25.3%
Insurance **	1	4.7%	10.4%	
IT	1	2.2%	19.9%	21.0%
Logistics	1	3.1%	16.4%	60.8%
Mining & Minerals	2	5.9%	13.8%	31.2%
NBFCs *	1	3.4%	26.8%	66.8%
	29	**100.0%**	**16.3%**	**31.5%**

Fig 6: Nifty 500 broken down by sector (Annualized growth vs Margins)

NIFTY 500				
Sectors	**No. of companies**	**Index Weights**	**TTM 4Q Growth**	**TTM EBITDA Margins**
Auto & Auto Components	33	6.5%	10.1%	15.46
Banks *	28	19.8%	10.4%	39.86
Building Materials	18	1.7%	6.3%	13.51
Capital Goods	41	2.7%	12.8%	15.14
Chemicals	33	2.0%	8.3%	17.60
Construction & Realty	22	4.1%	19.6%	16.58
Construction Materials	12	2.1%	4.5%	17.28
Consumer Discretionary	22	4.3%	33.8%	9.52
Consumer Durables	5	0.5%	18.7%	8.23
Defence	5	1.3%	17.6%	27.33
Financial Services	23	2.8%	33.8%	34.67
FMCG	28	6.9%	9.0%	24.17
Healthcare	38	5.1%	11.3%	25.46
Hospitals & Diagnostics	10	1.4%	19.3%	22.25
Hotels & Travel	7	1.1%	19.2%	27.76
Insurance **	9	1.4%	10.6%	
IT	31	8.9%	8.0%	22.87
Logistics & Ports	9	0.8%	13.8%	49.70
Manufacturing	5	0.6%	84.8%	7.46
Mining & Minerals	18	4.2%	4.3%	22.49
NBFC's & Housing Finance *	29	4.8%	19.7%	67.01
Oil & Gas	15	7.1%	5.2%	13.78
Packaging	1	0.1%	-0.4%	3.02
Power	20	4.8%	17.4%	48.95
Railways	9	0.6%	1.6%	35.67
Services	8	0.2%	12.1%	29.37
Telecom	10	3.3%	16.6%	51.58
Textile	6	0.1%	16.5%	13.70
Trading	5	0.9%	-19.7%	-0.23
	500	**100.0%**	**12.8%**	**28.64**

Our current Macro:

The capex spend from the government balance sheet has had a CAGR of 23% over the last 3 years (FY21-FY24). A part of this can be attributed to the low base, however, there was significant intent from the government to drive balance sheet spending which was assisted by a strong macro and sensible policy over this period. This has slowed down in the last year, due to elections and a stronger monsoon which delayed a part of the capex spends.

I expect this to spill over into slower earnings over the next couple of quarters. However, with monetary policy being easy, the liquidity in the system being higher should ensure that the capex spending come back towards the end of this financial year and continue into the next. The possibility of this cycle being driven by private capex (vs the previous cycle being driven by public capex) remains high and this is a key macro monitorable for us. One of the big levers for private capex to come back in a strong way will be the demand growth. It is this variable that we believe will have levers of coming back strongly in 3-4 quarters (assisted by low interest rates and the next pay commission coming through). The following Fig 7 gives a breakdown of the capex spends for Fy25-26 (upto May for the data being available).

Fig 7: Government Balance Sheet vs Budget (cross sectional across time)

		Budget Estimates 2025-2026* Rs. Crs	Actuals Upto May 2025 Rs. Crs	% of Actuals to budgeted %	Previous year May-24 %	Previous year upto May 2023 %	Previous year (N-2) upto May 2022 %
1	Revenue Receipts	3420409	707739	20.7%	19.0%	15.68%	16.19%
2	Tax Revenue (Net)	2837409	350862	12.4%	12.3%	11.93%	15.90%
3	Non-Tax Revenue	583000	356877	61.2%	63.0%	44.64%	18.26%
4	Non-Debt Capital Receipts	76000	25224	33.2%	2.6%	3.56%	31.55%
5	Recovery of Loans	29000	2606	9.0%	7.2%	12.79%	6.76%
6	Other Receipts	47000	22618	48.1%	0.0%	0.08%	37.00%
7	**Total Receipts (1+4)**	**3496409**	**732963**	**21.0%**	**18.6%**	**15.30%**	**16.72%**
8	Revenue Expenditure	3944255	524772	13.3%	13.1%	13.08%	14.98%
9	***of which* interest payments**	1276338	147788	11.6%	10.4%	10.25%	11.21%
10	Capital Expenditure	1121090	221354	19.7%	12.9%	16.77%	14.28%
11	***of which loans disbursed***	225844	59219	26.2%	13.2%	10.53%	8.75%
12	**Total Expenditure (8+10)**	**5065345**	**746126**	**14.7%**	**13.1%**	**13.90%**	**14.85%**
13	Fiscal Deficit (12-7)	1568936	13163	0.8%	3.0%	11.77%	12.28%
14	Revenue Deficit (8-1)	523846	-182967	-34.9%	-13.9%	5.23%	12.30%
15	Primary Deficit (13-9)	292598	-134625	-46.0%	-14.8%	14.09%	13.67%

While the 2-month trend for the year looks strong, a part of this capex has been front-ending of the spending for the year. The spending this year will remain an important macro to monitor the public capex spending in the year, translating into one leg of the GDP growth.

Portfolio Strategy and Positioning:

We are in an interesting juncture today where there are combinations of factors acting as a push-pull for the market.

a) While the valuations are above the median end of the range, this must be contextualized by the fact that our cost of capital is the lowest it has been over the last 20 years. (Interest rates will have to be looked at in tandem with the multiples one pays for the business).
b) Secondly, while growth has slowed, the flow from DIIs continues to be strong. Alongside, June was a month of USD 2.5 bn inflows from FIIs and this trend could continue into the rest of the year.
c) The supply into the market has continued to again increase to balance the demand of flows (both in terms of pipeline of new IPOs and promoters offloading stakes in the secondary market).

Within this context, I do not believe the market is expensive. However, this is not the time to take excessive risk in the portfolio. Hence, positioning portfolios to ensure one is positioned for growth, margin expansion without sacrificing liquidity becomes extremely important. Our market cap positioning reflects this with our sectoral ownership driven from financials, consumer and pharma forming the 3 core sectors of the portfolio weights. While the mid-cap part of the portfolio construct forms 23%, this predominantly comes from financial services where the market leaders happen to be mid-caps today. Put another way, any category we own today, I would want to ensure we buy leadership or market share gains.

The key portfolio changes made recently are:

a) Increasing our weight in Chemicals
b) Increase our weight in Building Materials (Cement)

Tariffs – Is the US right to raise them?

In a world of globalization, the world moves to a market forces equilibrium wherein manufacturing moves to regions driven by labour, cost and quality. This in turn means that consumption moves to regions driven by GDP expansion. The last 100 years of trade displayed these fundamental principles of supply and demand driven economics. In other words, progress takes countries up the curve from subsistence to prosperity, and along the way they transition from agriculture- to manufacturing- to service-based economics. The success of the U.S. economy caused many of its workers to leave the manufacturing sector. As a result, only 8% of the non-farm jobs are in manufacturing today, down from about 30% in 1950.

Tariffs are, primarily, an effort to cause goods to be made domestically even when equivalent foreign goods are cheaper or better (or both). Governments can make that happen by erecting barriers that keep foreign goods out or make them more expensive. That protects domestic industries and domestic workers, but at the expense of domestic consumers (and global welfare). That's a tradeoff – the kind of thing free markets require and leaders who would mandate economic outcomes would prefer to ignore.

This has ramifications from the world order perspective, because US has prioritized reducing its budget deficit (In fiscal year 2024, for example, the U.S. ran a deficit of roughly $1.8 trillion, or 6.4% of GDP, in a time of prosperity). While it does look like we will come to a global trade agreement in a new regime of tariffs (which will increase the revenues of the US government), this will also in parallel increase inflation and devalue the currency (The only tail case way this need not happen is if the GDP growth of the country – which currently is at 1.6% goes to above 3% - which could be one of the consequences of AI).

In this uncertain environment, I believe global allocators will have to rethink allocation of their marginal $ from here which would have an impact on global incremental flows. I believe while the markets display volatility, opportunities for well-constructed portfolios to outperform the benchmark continue to be strong.

Annexure A details the fund portfolio, sectoral composition and a brief description of the thought process of our ownership in each as of June 30th, 2025.

We look forward to speaking with you **on our quarterly call at 9:30 am on the 12th of July 2025. Thank you for your continued trust and partnership.** Please feel free to write to us on info@ituscapital.com for more information on the fund or for communicating any feedback**.**

From the desk of the CEO

Naveen Chandramohan

Annexure A: Detailed Portfolio Positions

Name	Sector	Position	Weight	Comments
ICICI Bank Ltd. HDFC Bank Ltd. City Union Bank Ltd. Total	***Banks***	*Underweight*	**18.6%**	*Bottoms-up outlook on lending growth*
Dr. Reddy's Laboratories Ltd. Aurobindo Pharma Ltd. Piramal Pharma Ltd. *Others* Total	***Healthcare***	*Overweight*	**15.1%**	*Strong growth outlook benefitting from low-cost manufacturing; lower price erosion in US pharma*
ITC Ltd. Marico Ltd. Gillette India Ltd. Total	***FMCG***	*Overweight*	**11.2%**	*Seeing Rural recovery on the ground to drive volume growth*
Hindustan Copper Ltd. Vedanta Ltd. Hindustan Zinc Ltd. Total	***Mining & Minerals***	*Overweight*	**7.9%**	*Rising demand for copper in manufacturing, batteries, etc.*
Titan Company Ltd. International Gemmological Institute (India) Ltd. Interglobe Aviation Ltd. Total	***Consumer Discretionary***	*Overweight*	**6.9%**	*Growth in discretionary consumption of jewellery in gold and LGD categories*
Bajaj Auto Ltd. Eicher Motors Ltd. TVS Motors Ltd. Total	***Auto & Auto Components***	*Neutral*	**6.2%**	*Strong OEM volume growth in 2Ws*
HDFC Asset Management Company Ltd. PB Fintech Ltd. Total	***Financial Services***	*Overweight*	**5.8%**	*Growing financialisation in the country*
ICICI Lombard General Insurance Company Lt Total	***Insurance***	*Overweight*	**4.8%**	*Strong underwriting along with normalization in growth*
Adani Ports & Special Economic Zone Ltd. Total	***Logistics***	*Overweight*	**4.0%**	*Proxy for GDP Growth - multiple levers for margin expansion from international business*
Havells India Ltd. Ultratech Cements Ltd. Total	***Building Materials***	*Overweight*	**3.3%**	*Proxy through cement and cables*
Bajaj Finance Ltd. Total	***NBFCs***	*Neutral*	**3.3%**	*Bottoms-up outlook on lending growth*
ABB India Ltd. Total	***Capital Goods***	*Neutral*	**3.3%**	*Bottom up bet on capex with digitisation of grid acting as tailwinds*
PI Industries Ltd. SRF Ltd. Total	***Chemicals***	*Neutral*	**2.7%**	*Benefit from low cost of production and exports*
KPIT Ltd. Total	***IT***	*Underweight*	**2.3%**	*Orderbook growth slowdown balanced by valuation comfort*

Note: The sum of above weights would not total up to 100%; remaining would be our cash holdings.