

Dear Shareholders and Investors,

September was a positive month for the fund, delivering +1.45% (post fees and expenses) versus +0.77% for the benchmark. Since inception, the fund has compounded at 17.69% annually, outperforming by 2.87% despite multiple cycles. What has stood out across these years is not just the returns, but the consistency and drawdown protection that underpin them.

Going into the end of CY24, we made active changes in the portfolio, that resulted in us re-positioning our weights in banking and increasing our weights in metals. This decision of active risk management was in line with our view that we had spoken about regarding a period of slower earnings growth we were entering into as Corporate India.

As we write to you, at the end of 2025, we believe we are more than half-way through this period of slow growth and earnings. Today, the policy support remains supportive. The government continues to keep both monetary and fiscal conditions conducive, while also strengthening the banking system to encourage credit growth. We believe the measures taken during the past year—amid a period of slower growth—are laying the foundation for a recovery in earnings. Over the coming two quarters (into early 2026), this should create the environment for earnings momentum to pick up, and potentially for FII flows to shift from persistent outflows to a more balanced, even supportive, stance.

The market today is in a phase of consolidation, shaped by three cross-currents:

1. Strong domestic flows absorbing one of the heaviest supply cycles in recent memory, driven by IPOs and new issuance—facilitating significant FDI exits.
2. Supportive policy tailwinds aimed at stimulating micro-level growth through consumption.
3. Subdued FII activity, weighed down by INR depreciation and a temporary consolidation in earnings

A near-term overhang is the tariff environment. In our worst-case assumption, a 50% tariff increase translates to a 25 bps GDP impact. While not trivial, it is already driving two constructive shifts: a more proactive government easing domestic policy, and an ecosystem investing in self-reliant manufacturing. While this is not trivial, it has two implications:

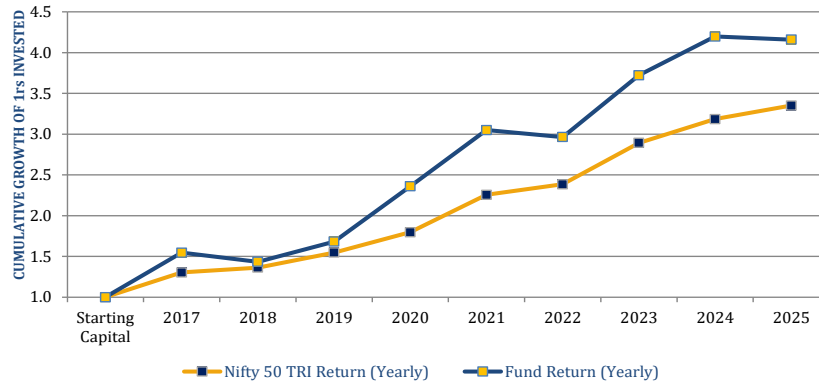
- a) A more proactive government which is easing policy to revive domestic growth
- b) An eco-system that will develop to build manufacturing capacity on the ground to become self-reliant in important areas. While this takes time as we evolve as an economy, this has significant long-term implications.

Our performance update:

The below figure shows the cumulative return of the fund since inception. One of the aspects that has stood out for our returns has been our consistency and drawdown protection. While the first two months of CY25, were sub-par, we have seen our subsequent returns come back in a strong and stable

fashion. Moreover, our rolling 4Y returns have stood out at an 18% IRR on average (which has resulted in a doubling of capital every 4 years regardless of the cycle).

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



The CY25 return of the portfolio stands at -0.92% and is lagging the benchmark by 6.1%. This should further narrow as we go towards the end of the year due to the superior earnings growth and margins that the portfolio has shown during a period of slow growth.

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

Fig 2: Market Cap & Sector Positioning

Market Capitalization	Exposure
Small Cap	17.25%
Mid Cap	28.05%
Large Cap	49.65%
CASH AND CASH EQUIVALENTS	5.05%

Weighted Average Market Cap: 2,97,277 Cr

Sector	% Allocation
Banks	17.0%
Healthcare	12.8%
Mining & Minerals	9.2%
Financial Services	7.0%
Consumer Discretionary	6.5%
Chemicals	5.8%
Insurance	5.8%
Auto & Auto Components	5.0%
FMCG	5.0%
Hotels & Travel	4.2%
Capital Goods	3.5%
Logistics & Ports	3.5%
IT	3.3%
NBFC's & Housing Finance	3.0%
Construction Materials	1.5%
Oil & Gas	1.0%
Hospitals & Diagnostics	1.0%
CASH AND CASH EQUIVALENTS	5.1%

Flows:

The below (Fig 3) gives an overview of a long-term picture of structural flows in India. The aim of this chart is to segregate the structural flows (from FDI) to more of a tactical positioning (from FII) flows into India to understand shorter term and longer-term trends. Over the last 2 years, an interesting trend that has come about is the repatriation (as a % of gross inflows) moving to 62% of gross inflows with the net FDI dropping to only 14% of gross (in FY24) and 1% in FY25. This phase suggests a phase of capital recycling with gross numbers picking up again but equally strong exits.

Fig 3: Net FDI and FII Flows into India

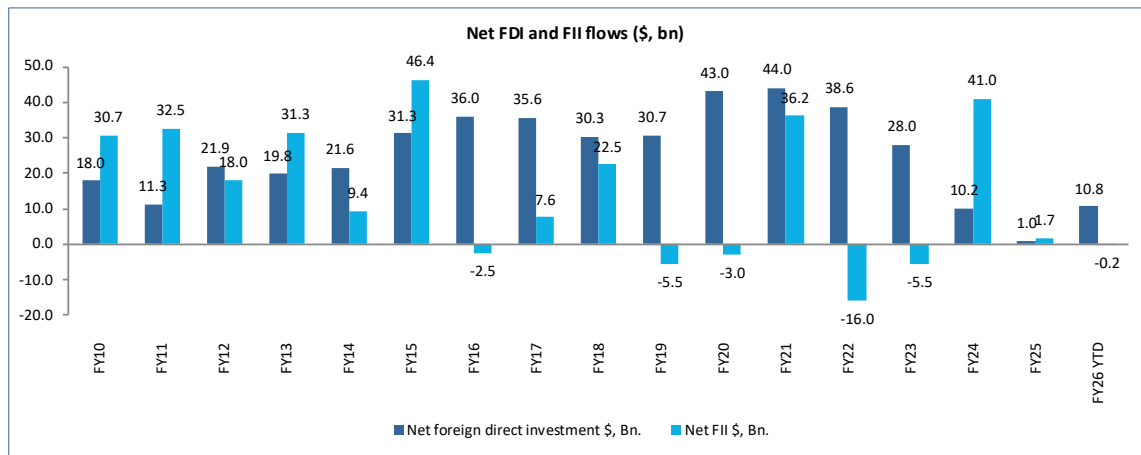
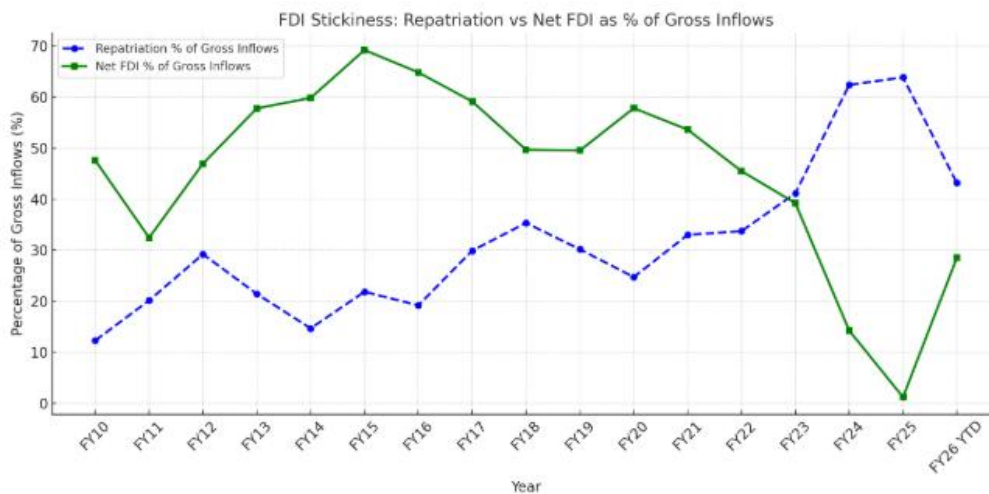


Fig 4: Net flows (FDI vs Repatriation)



India has structurally remained an attractive place for long-term capital investments coming in over the last decade. With the valuations and domestic liquidity being supportive, the previous year has seen a re-cycling of the capital, potentially creating room for the next cycle of capital to get deployed as the comfort around structural growth coming back.

Around this macro, the RBI continues to maintain an accommodative stance reducing its outlook for future inflation. With GDP forecasts revised upwards and inflation expectations lowered, the central bank is prioritizing stability while enabling credit expansion. Recent regulatory measures—such as easing norms for bank and NBFC lending, supporting infrastructure finance, and advancing rupee internationalization—underscore a balanced approach: sustaining growth momentum without stoking inflationary pressures.

Portfolio Commentary & Positioning

In our prior quarterly letter, we spoke about our expectations of corporate earnings for the year. During the calendar year (CY25), we saw only 216 out of the 500 companies (of Nifty 500) beat the Index returns (43.4% of companies). In the small cap universe, there were only 94 out of the 250 companies that beat the Index returns (37.8% of the companies) reflecting the narrowness in outperformance. We highlight this trend in earnings concentration using data.

Fig 5: Topline Growth for N500 & Itus Portfolio across Market Caps

Revenue Growth% (YoY)		Q1FY26	
		Nifty 500	Itus
Overall	FF Weighted	12.8%	15.9%
	Equally Weighted	11.6%	
Largecap	FF Weighted	12.2%	15.2%
	Equally Weighted	13.6%	
Midcap	FF Weighted	16.1%	16.6%
	Equally Weighted	12.7%	
Smallcap	FF Weighted	10.8%	16.7%
	Equally Weighted	10.2%	

Over the last 3Y, the earnings of corporate India were strong, broad-based and this resulted in a strong ROCE accretion across Large, Mid and Smallcap (as categorized by SEBI)

During the quarter ended Q1FY26, we noticed broad-based revenue growth across Large Caps and select Midcaps – highlighting that earnings are currently concentrated among market leaders. In contrast, Small Caps lack characteristics of pricing power and may face a period of slower/declining growth (from a broad-based perspective). At Itus, our portfolio positioning aligns with this view.

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 6 (Our portfolio has not only shown stronger growth at 15.7% but also a higher EBITDA margin at 33.1%).

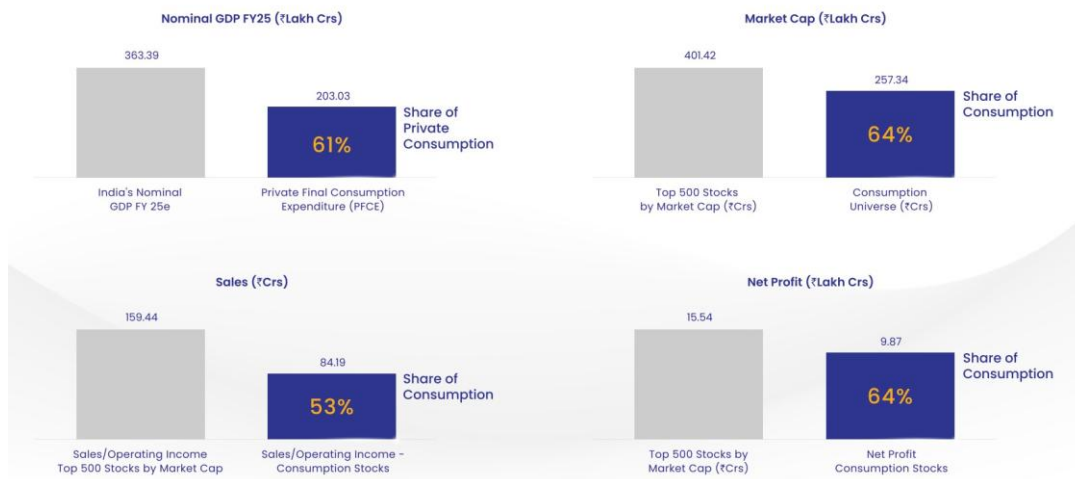
Fig 6: Itus Portfolio against Nifty500 broken down by sector (Annualized growth vs Margins)

Sector	No. of Companies		Weights		TTM Revenue Growth% (YoY)		TTM EBITDA Margin	
	Itus	N500	Itus	N500	Itus	N500	Itus	N500
Auto & Auto Components	2	36	5.3%	7.7%	15.0%	9.8%	21.6%	15.2%
Banks	4	26	17.9%	19.3%	11.0%	9.6%	41.1%	40.7%
Building Materials	0	17		1.7%		6.4%		13.3%
Capital Goods	2	40	3.7%	2.7%	21.3%	14.6%	14.1%	15.1%
Chemicals	3	28	6.1%	1.9%	15.1%	10.2%	22.7%	18.1%
Construction & Realty	0	21		4.0%		20.9%		16.1%
Construction Materials	1	10	1.6%	2.1%	7.2%	7.3%	17.6%	18.2%
Consumer Discretionary	3	22	6.8%	4.8%	22.5%	36.7%	10.5%	7.4%
Consumer Durables	0	5		0.4%		7.4%		7.6%
Defence	0	6		1.4%		15.6%		28.4%
FMCG	2	26	5.3%	6.7%	9.1%	9.6%	21.5%	23.3%
Financial Services	3	25	7.4%	3.4%	23.0%	24.8%	44.6%	36.7%
Healthcare	5	43	13.5%	4.9%	16.1%	12.9%	24.3%	25.6%
Hospitals & Diagnostics	1	10	1.1%	1.4%	32.6%	20.1%	26.4%	22.3%
Hotels & Travel	3	9	4.4%	1.3%	30.4%	17.1%	23.5%	28.4%
IT	2	30	3.5%	7.6%	14.1%	8.9%	20.6%	22.7%
Insurance	2	10	6.1%	1.4%	15.9%	10.4%	-10.3%	-21.7%
Logistics & Ports	1	7	3.7%	0.9%	16.5%	12.5%	60.1%	44.0%
Manufacturing	0	6		0.7%		75.3%		8.2%
Mining & Minerals	4	20	9.7%	4.2%	10.4%	4.1%	32.9%	22.4%
NBFC's & Housing Finance	1	28	3.2%	4.8%	23.5%	19.5%	51.1%	50.0%
Oil & Gas	1	16	1.1%	7.1%	-9.4%	3.1%	29.3%	14.0%
Power	0	25		4.6%		15.8%		48.2%
Railways	0	9		0.5%		1.2%		35.5%
Services	0	5		0.1%		8.6%		29.5%
Telecom	0	9		3.6%		19.3%		52.3%
Textile	0	5		0.1%		1.9%		14.2%
Trading	0	4		0.8%		24.6%		-2.4%

**The earnings represented above represent the growth as of the June quarter (1QFY26) numbers*

Our fundamental view comes from the thinking of future growth of earnings will be driven by the consumption sector of the country.

Fig 7: Unlike China, our growth is driven by consumption



Source: Capitaline, Motilal Research

The above chart shows the contribution of revenues and net profit of India inc in the public equities from the consumption sector (alongside the GDP contribution too). This has significance to understand the monetary policy today and its implications over the next cycle, and in turn, how portfolios should potentially be positioned. Our reflection of allocation in the table above (Fig 6) reflects the same.

We believe the groundwork laid over the past year is setting up for an earnings recovery. While timing foreign flows is difficult, domestic liquidity and consumption strength provide a cushion.

Themes from a 3-5 Yr perspective

One of the hard aspects of investing in non-linear growth businesses is, they do not lend themselves into a traditional value metric. The risk of such businesses occur from the fact of much of their value resides in the terminal value of the business which makes it have significant volatility basis the macro (apart from the bottom-up execution). This typically makes investing in platform businesses hard. However, we are entering a regime of a period of lower for longer for interest rates which has its implication on the discounting of future cash flows. This provides a good macro environment to evaluate these businesses.

Platforms have two key properties, from their role in enabling interactions between customers:

- 1) They enjoy network effects: the more customers join the platform, the greater the value for other customers, and in turn, more customers want to join.
- 2) Due to most of the value being created from direct interactions among customers, platforms have low-cost structures, making them more scalable over other formats.

The combination of the above factors creates enormous scope of operating leverage and is key to unparalleled scale, growth and defensibility for successful platform businesses. A sign of value creation in platform businesses is the reduction of cash burn as the businesses scale up. Interestingly in India, some of the well-run platform businesses are creating operating leverage having spent money on customer acquisition over the last decade.

Fig 8: Scale and reduced cash burn are leading towards a path to profitability

EBITDA (Ex Other Income) in ₹ Cr	FY 22	FY 23	FY 24	FY 25
Eternal (Zomato)	-1851	-1211	43	648
Cartrade Tech	-133	34	80	152
PB Fintech (Policy Bazar)	-901	-662	-188	94
Le Travenues Technology (Ixigo)	-12	29	38	72

This is a theme that would be interesting over the next cycle as some of the businesses should accrete marketcap alongside showing non-linear growth.

Moving on to the second, this has interesting non-linearity potentially accruing over the next 3-5 years though the overhang of tariffs may have headwinds in the immediate quarter or two.

Chemicals as a sector, contributes 7% of India's GDP. India accounts for 3-3.5% of global chemical consumption today, and this is expected to rise to 10-12% by 2040. On the back of domestic consumption and export opportunities for Indian chemical manufacturers, this sector presents opportunity for investors.

The last few years have been challenging for the global and Indian chemical industry, host of factors which include relatively high energy costs, supply chain issues, slower demand growth and industry destocking have created headwinds for companies operating in this industry. However, we observe a recovery in revenue growth over last few quarters.

Fig 9: Quarter-wise trend in Revenue growth (YoY) and TTM EBITDA margins of listed chemical companies in Nifty500 over last 4Y.

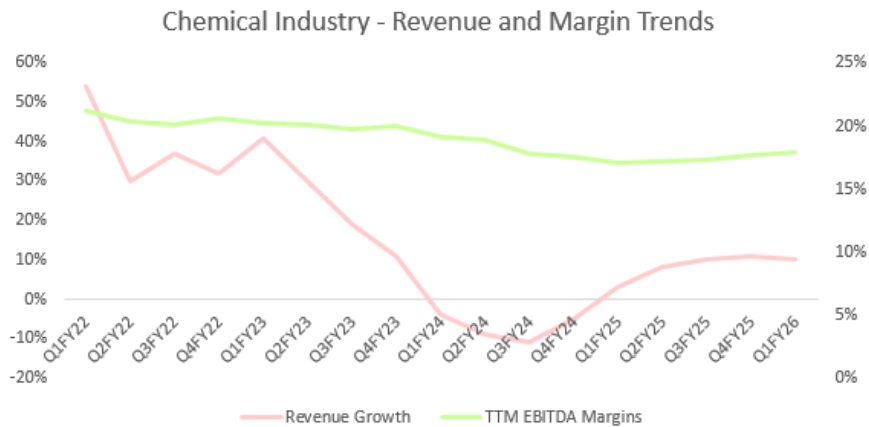
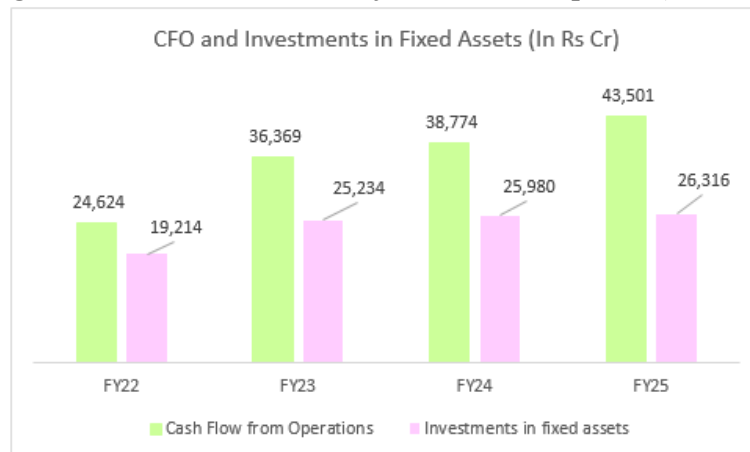


Fig 10 has the cumulative Cash from Operations and investments in Fixed Assets for the FY22-25 period (*the sample includes 50 companies with market capitalization of greater than 5,000 Cr*).

While investments in Fixed Assets grew 11% CAGR during this period, corresponding Cash from Operations grew 20% CAGR – indicating the sector has efficiently managed their operations and has continued to invest in creating assets.

Fig 10: CFO and Fixed Assets of Chemical Companies (FY22-25)



India is a net importer of chemicals, to meet the growing demand and consumption of chemicals it will be vital to ramp up domestic chemical production facilities. This is already happening in few segments and there exists scope to include lot of chemicals. CPVC resin demand in India is 2,00,000 – 2,50,000 KT per annum, 80-85% of the demand is met through imports. Domestic capacities are being set up and it is estimated that domestic availability of CPVC will be 3,00,000 KT per annum,

if implies that the country is moving towards lowering import dependency from this chemical. Import substitution is a key driver for the industry.

Increased costs and regulations in Europe will create export opportunities for Indian chemical manufacturers. Europe is a key region in global chemical trade.

We believe India's chemical industry stands at a critical inflection point. Despite recent headwinds, companies have demonstrated resilience through strong cash flow generation and continued investments. With rising domestic consumption, opportunities in import substitution, and growing export potential amid global supply shifts, the sector is well-positioned for sustained growth. These are the characteristics we would be keen on in this space:

- A) Companies that have managed to not lose gross margins
- B) Continue to invest in capex significantly in the last 3 years, hence causing their RoCE to dip
- C) Demand cycle for their end industries improving that creates utilization of the capex.

Risk management:

We live in a world where geopolitics, global flows, politics and trade talks affect valuations of both countries and geographies. In this context, it's important to have a view on the long-term but risk manage for the short-term. This has been our core philosophy of the firm. While our alpha will be generated from stock picking, our risk management should bring in the element of downside protection across cycles. While we believe we are at a cusp of a cycle change, we would manage each of our views mentioned within the context of position sizing and thinking about the downside with respect to valuations.

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

We look forward to speaking with you **on our quarterly call at 9:30 am on the 11th of October 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. State Bank of India Ltd. Total	Banks	<i>Underweight</i>	17.0%	<i>Bottoms-up outlook on lending growth</i>
Dr. Reddy's Laboratories Ltd. Eris Lifesciences Ltd. Piramal Pharma Ltd. <i>Others</i> Total	Healthcare	<i>Overweight</i>	12.8%	<i>Strong growth outlook benefitting from low-cost manufacturing; lower price erosion in US pharma</i>
Hindustan Copper Ltd. Vedanta Ltd. Hindustan Zinc Ltd. Tata Steel Ltd. Total	Mining & Minerals	<i>Overweight</i>	9.2%	<i>Rising demand for copper in manufacturing, batteries, etc.</i>
HDFC Asset Management Company Ltd. PB Fintech Ltd. One 97 Communications Ltd. Total	Financial Services	<i>Overweight</i>	7.0%	<i>Growing financialisation in the country</i>
Titan Company Ltd. International Gemmological Institute (India) Ltd. Swiggy Ltd. Total	Consumer Discretionary	<i>Overweight</i>	6.5%	<i>Growth in discretionary consumption of jewellery in gold and LGD categories</i>
ICICI Lombard General Insurance Company Ltd. HDFC Life Insurance Company Ltd. Total	Insurance	<i>Overweight</i>	5.8%	<i>Strong underwriting along with normalization in growth</i>
SRF Ltd. Navin Fluorine Ltd. PI Industries Ltd. Total	Chemicals	<i>Overweight</i>	5.8%	<i>Benefit from low cost of production and exports</i>
Eicher Motors Ltd. TVS Motors Ltd. Total	Auto & Auto Components	<i>Underweight</i>	5.0%	<i>Strong OEM volume growth in 2Ws</i>
Marico Ltd. Gillette India Ltd. Total	FMCG	<i>Neutral</i>	5.0%	<i>Seeing Rural recovery on the ground to drive volume growth</i>
Interglobe Aviation Ltd. Le Travenues Technology Ltd. Indian Hotels Company Ltd. Total	Hotels & Travel	<i>Overweight</i>	4.2%	<i>Global rebound in tourism and rising consumer demand for experiences over goods.</i>
Adani Ports & Special Economic Zone Ltd. Total	Logistics	<i>Overweight</i>	3.5%	<i>Proxy for GDP Growth - multiple levers for margin expansion from international business</i>
ABB India Ltd. CG Power & Industrial Solutions Ltd. Total	Capital Goods	<i>Overweight</i>	3.5%	<i>Bottom up bet on capex with digitisation of grid acting as tailwinds</i>
KPIT Ltd. Intellect Design Arena Ltd. Total	IT	<i>Underweight</i>	3.3%	<i>Orderbook growth slowdown balanced by valuation comfort</i>
Bajaj Finance Ltd. Total	NBFCs	<i>Underweight</i>	3.0%	<i>Bottoms-up outlook on lending growth</i>
Ultratech Cements Ltd. Total	Building Materials	<i>Neutral</i>	1.5%	<i>Proxy through cement volume growth</i>
Max Healthcare Institute Ltd. Total	Hospitals & Diagnostics	<i>Underweight</i>	1.0%	<i>Bed Capacity addition; Relatively peak occupancy%</i>
Oil India Ltd. Total	Oil & Gas	<i>Underweight</i>	1.0%	<i>Refining Capacity addition and stable Crude prices to drive growth</i>