

# Q4 FY26 Quarterly Letter

Jan–Mar 2026 · Q1 CY2026

April 2026

<b>-10.36%</b> FUND RETURN Q4 FY26	<b>-14.44%</b> BENCHMARK Q4 FY26	<b>+408 bps</b> OUTPERFORMANCE Q4 FY26	<b>16.21%</b> CAGR SINCE INCEPTION (JAN '17)
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Dear Investor,

The quarter was characterised by a broad-based correction in equity markets, with the Nifty 50 declining meaningfully, led by weakness in financials and large caps. Despite the extent of the decline, the correction was not accompanied by signs of stress in the system. Institutional flows remained stable and leverage indicators did not point to any forced deleveraging, suggesting that this has been a controlled adjustment rather than a disorderly unwind.

In this environment, market outcomes were driven less by direction and more by dispersion across sectors and stocks. As a result, portfolio construction and position sizing played a critical role in shaping returns. While the portfolio participated in the broader market weakness, downside was relatively contained, resulting in meaningful outperformance over the quarter and the past year.

The recent correction has also led to a reset in valuations. The earnings yield spread of the Nifty over government bond yields has moved into a range that has historically been associated with favourable forward return outcomes. At the same time, underlying economic indicators such as capital expenditure trends continue to point to an ongoing, but not overheated, investment cycle.

The portfolio remains positioned with a focus on balancing risk and participation, reflecting our approach of navigating different market phases through a disciplined portfolio construction process.

## IN THIS LETTER

1. Fund performance and cumulative growth
2. Quarterly attribution of returns — Nifty 50 and Nifty 500
3. Current positioning of the fund
4. Volatility — what happened and how we think about it
5. Compendium of frequently asked questions

## PERFORMANCE

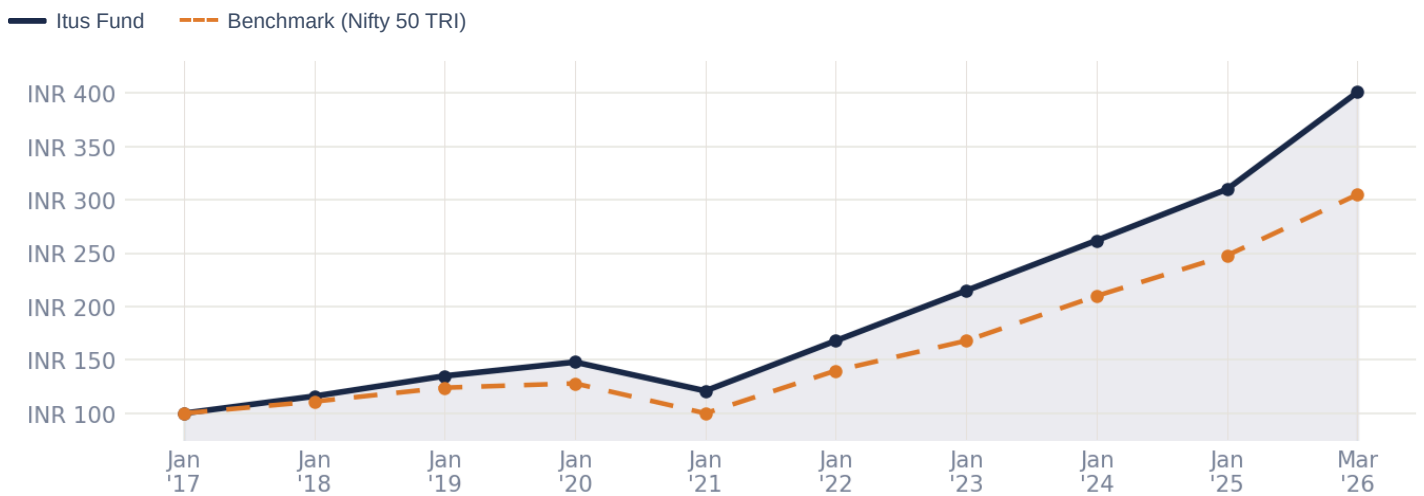
### Fund Performance Summary

An investment of INR 1 crore in the fund at inception would be worth approximately **INR 4.01 crore** today, compared to approximately **INR 3.05 crore** in the benchmark over the same period.

PERIOD	FUND RETURN	BENCHMARK (NIFTY 50 TRI)	OUTPERFORMANCE
1 Month	-10.13%	-11.30%	+1.17%
3 Months	-10.36%	-14.44%	+4.08%
6 Months	-3.52%	-9.02%	+5.50%
1 Year	+2.58%	-3.99%	+6.57%
2 Years (CAGR)	+3.33%	+1.19%	+2.14%
3 Years (CAGR)	+12.10%	+10.02%	+2.08%
5 Years (CAGR)	+10.39%	+10.00%	+0.39%
<b>Since Inception (CAGR)</b>	<b>+16.21%</b>	<b>+12.81%</b>	<b>+3.40%</b>

Returns in INR, post fees and expenses. Inception: January 2017.

FIG 1 — CUMULATIVE GROWTH OF INR 1 CR SINCE INCEPTION



MARKET REVIEW

## Quarterly Attribution of Returns

The Nifty 50 TRI declined **14.5%** during Q4 FY26 (January–March 2026), while the Nifty 500 TRI declined 14.0% over the same period. The bulk of the drawdown was concentrated in March, which alone accounted for an 11.3% decline, driven by the escalation of the West Asia conflict and the resultant surge in crude oil prices.

The decline was broad-based — in the Nifty 50, only Power (+12.2%), Mining & Minerals (+2.9%), and Defence (+0.3%) delivered positive or flat returns. Every other sector finished in negative territory.

### Largest detractors — Nifty 50

SECTOR	INDEX WEIGHT	SECTORAL RETURN	WEIGHTED CONTRIBUTION
Banks	28.7%	-16.6%	-4.76%
IT	9.9%	-22.5%	-2.23%
FMCG	7.1%	-21.2%	-1.50%
Auto & Auto Components	7.2%	-18.6%	-1.33%
Oil & Gas	9.5%	-11.0%	-1.05%

Banks were the single largest drag — a function of both index weight (28.7%) and the severity of the correction (−16.6%). IT was the worst-performing sector on an absolute basis, declining 22.5%, reflecting global growth concerns amplified by the West Asia conflict and continued uncertainty around discretionary technology spending.

### Relative outperformers — Nifty 50

SECTOR	INDEX WEIGHT	SECTORAL RETURN	WEIGHTED CONTRIBUTION
Power	2.2%	+12.2%	+0.27%
Mining & Minerals	4.2%	+2.9%	+0.12%
Defence	1.1%	+0.3%	+0.00%
Healthcare	2.8%	−3.8%	−0.11%

Healthcare merits specific mention — despite declining 3.8% in absolute terms, it was the best-performing major sector relative to the index. One in three healthcare stocks in the Nifty 50 delivered a positive return during the quarter. In the Nifty 500, the dispersion between the best (Power at +12.2%) and worst (Railways at −28.4%) exceeded 27 percentage points — reinforcing that outcomes are increasingly driven by where one is positioned.

## PORTFOLIO POSITIONING

### Current Fund Positioning — March 2026

The portfolio's positioning continues to reflect the five core themes outlined in our annual letter. While the thematic structure has remained largely unchanged, relative weights have shifted during the quarter, driven primarily by price movements across sectors rather than active rotation.

#### Earnings as the anchor for positioning

During Q3 FY26, portfolio companies reported revenue growth of approximately **20% YoY**, compared to 13.6% for the Nifty 50. Portfolio-level gross margins have now tracked above benchmark levels for **seven consecutive quarters**, reaching 64.6% in Q3 FY26 versus 60.0% for the Nifty 50.

#### PORTFOLIO METRICS — Q3 FY26 (TTM BASIS)

ENTITY	REVENUE (YOY)	PAT (YOY)	EBITDA MARGIN
<b>Itus Portfolio</b>	<b>19.5%</b>	<b>31.2%</b>	<b>28.5%</b>
Nifty 50 (Benchmark)	13.6%	14.9%	29.4%

#### Observations across key themes

##### HEALTHCARE

Overweight · 11.6%

Best-performing major segment during the correction, declining only 3.8% vs. a 14.5% index decline. Adding select pharma names with favourable earnings trajectories from low-cost manufacturing and lower US price erosion.

##### MINING & MINERALS

Overweight · 15.0%

Weight increased partly via price appreciation. Recently reduced exposure from a risk management perspective — periods of price stability often coincide with peak operating leverage, warranting ongoing reassessment.

#### CHEMICALS

Overweight · 8.3%

Recovery remains selective. Select holdings resilient through product mix improvement and CDMO participation. Key catalyst: China's proposed removal of export rebates effective April 2026.

#### CONSUMER DISCRETIONARY

Overweight · 7.0%

Demand bifurcated. Premium discretionary (jewellery, travel, hospitality) remains resilient; mass-market soft. Positioning focused on businesses with premium and aspirational consumption exposure.

#### FINANCIALS

Underweight · Banks 14.0%

Guided by bottoms-up assessment of lending growth and deposit strength. Preference for institutions with stable retail deposit franchises; system CD ratio elevated at ~81%.

#### INDUSTRIALISATION

Overweight · Capex themes

Capital Goods (5.1%), Logistics (4.3%), and Construction Materials (1.8%) reflect the ongoing capex cycle. Private sector capex inflecting from ₹7.7 trillion (FY24) to an estimated ₹11.6 trillion (FY27).

### MARKET ANALYSIS

## Contextualising the Volatility

Q4 FY26 was defined by a single question that investors across markets were forced to confront — what happens when a geopolitical shock meets an already fragile global sentiment? The answer, at least in the short term, was a sharp and broad-based correction. The Nifty 50 declined 14.5% during the quarter, with the bulk of the damage concentrated in March, which alone accounted for an 11.3% decline.

### *The trigger — West Asia and the energy shock*

The Iran-Israel conflict, which intensified in late February, pushed crude oil prices above **US\$100/bbl** for the first time since 2022 — a rise of over 40% from pre-conflict levels. Disruptions around the Strait of Hormuz, through which approximately one-fourth of global oil and one-fifth of LNG flows transit, heightened concerns of a sustained supply shock.

For India, the implications are direct. The country imports more than 85% of its crude oil requirements. Every **US\$10/bbl increase in crude prices** has the potential to raise CPI inflation by 50–70 basis points, widen the annual import bill by approximately **US\$18 billion**, and push the current account deficit higher by 0.4–0.5% of GDP.

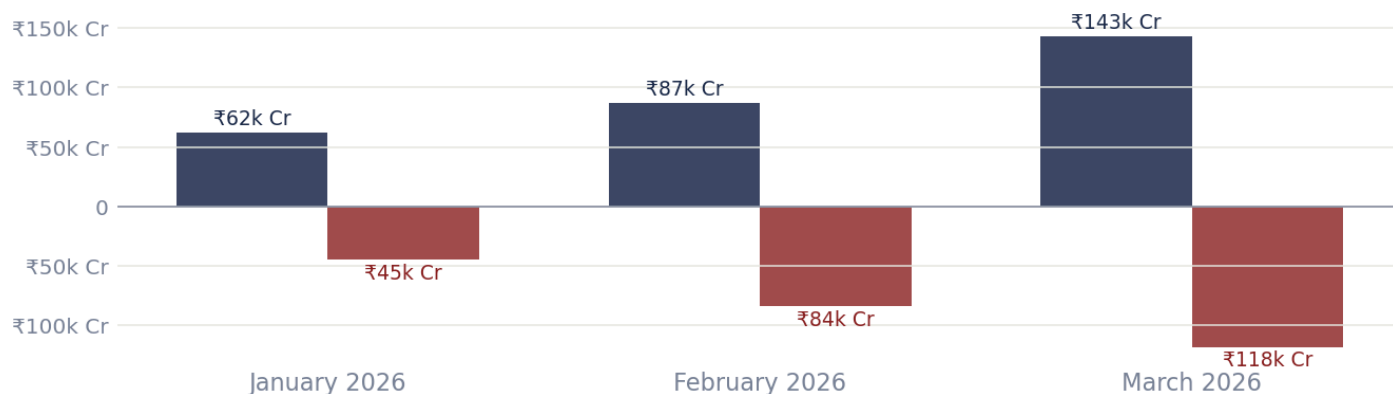
### *The flow picture — selling without stress*

Despite the severity of the correction, the underlying flow dynamics tell a different story. During Q4 FY26, FPIs were net sellers of approximately **₹1.31 lakh crore**. March alone saw FPI outflows of approximately ₹1.18 lakh crore — the second-largest single-month outflow on record, exceeded only by October 2024.

Domestic institutional investors absorbed this selling and more. DIIs were net buyers of approximately **₹2.51 lakh crore** during the quarter. On a net basis, the system saw positive inflows of approximately ₹1.19 lakh crore — even as the index fell 14.5%.

FIG 2 — FPI VS DII NET FLOWS, Q4 FY26

■ DII Net Buying   ■ FPI Net Selling



*Where does risk-reward stand today?*

The Nifty 50 now trades at approximately **18.5x one-year forward earnings** — below both its five-year average of 19.6x and its ten-year average of 18.6x. The earnings yield spread of approximately 194 basis points has historically been associated with strong forward 12-month returns.

EARNINGS YIELD, VALUATION, AND HISTORICAL FORWARD RETURNS

INDEX	EARNINGS YIELD	SPREAD (BPS)	HIST. 12M FWD RETURN	1Y FWD PE	YTD RETURN
<b>Nifty 50</b>	<b>4.9%</b>	<b>194</b>	<b>-24.8%</b>	<b>18.5x</b>	<b>-14%</b>
BSE Midcap	3.6%	324	~11.3%	22.8x	-10%
BSE Smallcap	4.2%	264	~38.6%	20.5x	-12%

*The structural case remains intact*

Beneath the near-term volatility, the domestic macro foundation continues to strengthen. GDP growth stood at 7.8% YoY in Q3 FY26. Credit growth has accelerated to approximately 14%. GST collections have averaged ₹1.9 lakh crore per month. Both manufacturing and services PMIs remain in expansion territory.

<b>7.8%</b> GDP GROWTH Q3 FY26 YOY	<b>~14%</b> CREDIT GROWTH YOY	<b>₹1.9L Cr</b> AVG MONTHLY GST COLLECTIONS	<b>₹37.2T</b> EST. TOTAL CAPEX FY27
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The capex cycle — arguably the most important structural story for the Indian economy — continues to gain traction. Total capital spending is estimated to reach ₹37.2 trillion in FY27, up from ₹11.2 trillion in FY12. More critically, private sector capex is now inflecting — from ₹7.7 trillion in FY24 to an estimated ₹11.6 trillion in FY27, a nearly 50% increase in three years. This handoff from public to private investment, which the market has been waiting for, is now underway.

In prior episodes of energy-driven shocks — the 2008 crude spike to US\$145/bbl, the 2011 Arab Spring, and the 2022 Russia-Ukraine conflict — India's economy absorbed the impact and recovered. Each time, the macro position was arguably less favourable than it is today. The current combination of contained inflation, a strengthening domestic investment cycle, and a deep institutional bid provides a more resilient backdrop than in prior episodes.

*What this means for the portfolio*

In such environments, we believe the appropriate response is neither to reduce exposure aggressively nor to add indiscriminately. The correction has improved risk-reward across several segments, and the portfolio's positioning becomes important as we look to incrementally monitor earnings growth.

Our focus remains on businesses where earnings visibility and balance sheet strength provide a margin of safety — and where the correction has brought valuations closer to levels that justify incremental capital allocation. We continue to emphasise selectivity over direction, consistent with the approach that has driven the portfolio's relative outperformance through this quarter and over the past year.

## INVESTOR Q&A

# Frequently Asked Questions

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### 1. The fund declined over 10% this quarter. How should I think about this in context?

The fund declined 10.36% during Q4 FY26, compared to a 14.44% decline in the benchmark — an outperformance of approximately 408 basis points. While a double-digit decline is never comfortable, context matters. This was one of the sharpest quarters for Indian equities in recent years, driven by a specific geopolitical event rather than a deterioration in domestic fundamentals. The fund's drawdown was meaningfully lower than the benchmark across every time horizon — and on a trailing one-year basis, the fund remains positive at +2.58% while the benchmark is negative at -3.99%. Periods of short-term drawdown are a feature of equity investing; what differentiates outcomes over time is whether the underlying portfolio companies continue to deliver on earnings, which ours have.

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### 2. With crude oil above US\$100, how exposed is the portfolio to an extended energy shock?

India's dependence on imported crude is a macro risk that affects all equity portfolios, not just ours. However, the portfolio is not directly positioned in energy-intensive or import-dependent businesses in a manner that amplifies this risk. Our Healthcare and Chemicals holdings are net exporters and may benefit from a weaker rupee. Our Mining & Minerals exposure is oriented toward commodities that tend to benefit from supply disruptions. Where we do have exposure to businesses with energy-linked input costs, we have assessed their ability to pass through cost increases — a function of the pricing power and margin resilience that forms a core part of our portfolio construction criteria.

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### 3. Should I be adding capital at current levels, or is it better to wait?

We are not in a position to offer personalised investment advice, as allocation decisions depend on individual circumstances, risk tolerance, and time horizon. What we can share is what the data suggests about forward returns from current valuation levels. With the Nifty 50 trading at approximately 18.5x forward earnings — below its five-year and ten-year averages — and the earnings yield spread in a range historically associated with strong 12-month forward returns, the risk-reward at current levels appears more favourable than it has been in over a year. History also suggests that periods of maximum discomfort have often been the most rewarding entry points for long-term capital.

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### 4. What would cause you to materially change portfolio positioning?

We typically reassess positioning when there is a meaningful change in one or more of the following: earnings visibility or quality across our holdings, balance sheet strength, valuation relative to growth, or policy and regulatory developments that alter industry economics. The current correction has been driven by an external geopolitical event rather than a change in the earnings trajectory of our portfolio companies. As such, positioning has remained broadly stable, with adjustments limited to selective risk management — such as the trim in our Mining & Minerals exposure. Should the energy shock persist and begin to materially impact corporate earnings or domestic macro stability, we would reassess more actively.

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**5. How are you thinking about the geopolitical situation — does it change your medium-term view on India?**

Geopolitical events, by nature, are difficult to predict in their timing and duration. What we focus on is the structural resilience of the domestic economy. India has navigated prior energy shocks — in 2008, 2011, and 2022 — each time emerging with its growth trajectory broadly intact. The current episode is occurring against a backdrop of contained inflation, an accelerating capex cycle, a strong domestic institutional bid, and a fiscal position that has not deteriorated materially. Our portfolio is constructed to be resilient across a range of macro scenarios rather than dependent on a single outcome.



We look forward to speaking with you **on our investor call at 9:30 AM on 18th April 2026**. Thank you for your continued trust and partnership.

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**Naveen Chandramohan**

Itus Capital · April 2026

Q4 FY26 · Jan–Mar 2026

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## Portfolio as of March 2026

Our portfolio across all clients is shown below, grouped by positioning relative to the benchmark.

HOLDINGS	SECTOR	WEIGHT	POSITION	COMMENTS
<b>OVERWEIGHT POSITIONS</b>				
Hindustan Copper Ltd. Vedanta Ltd. Hindustan Zinc Ltd. Coal India Ltd.	Mining & Minerals	15.0%	Overweight	Tailwinds around energy security and commodity price support in a supply-disrupted environment
Eris Lifesciences Ltd. Piramal Pharma Ltd. Dr. Reddy's Laboratories Ltd. Glenmark Pharma Ltd. Torrent Pharma Ltd. Lupin Ltd.	Healthcare	11.6%	Overweight	Strong growth outlook benefitting from low-cost manufacturing; lower price erosion in US pharma
SRF Ltd. Navin Fluorine Ltd. Aether Industries Ltd.	Chemicals	8.3%	Overweight	Benefit from low cost of production and exports; China policy as medium-term catalyst
Titan Company Ltd. Swiggy Ltd. IGI India Ltd.	Consumer Discretionary	7.0%	Overweight	Growth in discretionary consumption of jewellery in gold and LGD categories
ICICI Lombard General Insurance Co. HDFC Life Insurance Co.	Insurance	5.3%	Overweight	Strong underwriting along with normalisation in growth
ABB India Ltd. CG Power & Industrial Solutions Ltd. Schaeffler India Ltd.	Capital Goods	5.1%	Overweight	Bottom-up bet on capex with digitisation of grid acting as tailwinds
Adani Ports & Special Economic Zone Ltd.	Logistics	4.3%	Overweight	Proxy for GDP growth; multiple levers for margin expansion from international business
PB Fintech Ltd. One 97 Communications Ltd.	Financial Services	2.8%	Overweight	Growing financialisation in the country
Le Travenues Technology Ltd. Indian Hotels Company Ltd.	Hotels & Travel	2.8%	Overweight	Global rebound in tourism; rising consumer demand for experiences over goods
<b>UNDERWEIGHT POSITIONS</b>				
ICICI Bank Ltd. HDFC Bank Ltd. City Union Bank Ltd. State Bank of India Ltd.	Banks	14.0%	Underweight	Pick-up in credit growth and private capex; selective bottom-up stock picking
Marico Ltd. Gillette India Ltd.	FMCG	3.9%	Underweight	Seeing rural recovery on the ground to drive volume growth
Oil India Ltd. Reliance Industries Ltd.	Oil & Gas	3.7%	Underweight	Structural benefit from tight energy markets and supply constraints
Eicher Motors Ltd. TVS Motors Ltd.	Auto & Auto Components	2.9%	Underweight	Strong OEM volume growth in 2Ws
Bajaj Finance Ltd.	NBFCs	2.7%	Underweight	Pick-up in credit growth and private capex
KPIT Technologies Ltd.	IT	1.5%	Underweight	Orderbook growth slowdown balanced by valuation comfort
<b>NEUTRAL POSITIONS</b>				

HOLDINGS	SECTOR	WEIGHT	POSITION	COMMENTS
Ultratech Cement Ltd.	Construction Materials	1.8%	Neutral	Cement volume growth on the back of private and public spending
Max Healthcare Institute Ltd.	Hospitals & Diagnostics	1.3%	Neutral	Bed capacity addition; relatively peak occupancy

Note: The sum of above weights does not total 100%; remaining ~6.55% represents cash and residual holdings.