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July 10, 2026

Dear investor,

We are delighted to share our ninth quarterly newsletter, covering the quarter ended June 30, 2026. At the outset, we express our immense gratitude for the trust you have reposed in us, particularly through what has been a challenging period for Indian equities.

Reiterating our core beliefs

We take this two-year milestone as an opportunity to restate what we stand for:

- **Alignment of interests & skin in the game.** The founders continue to build their public equity exposure aligned with the fund. A large proportion of the fund AUM is from investors (including the founders) for whom our fund is a significant portion of their public equity exposure. The fund's strategy and our approach to risk follows from this.

- **Fund Strategy:** Long-term capital appreciation, above cost of capital and index returns, along with capital preservation. We are very mindful not to take risks that can cause a large permanent drawdown of capital or risks that we don't understand.

- **Concentrated portfolio of high-conviction stocks.** We have held 18-22 stocks through the last two years, with the top 10 consistently in the 65-75% range of AUM.
- **Absolute return, bottom up, no benchmarking.** The portfolio has looked nothing like the Nifty or Nifty 500 through the last two years. We do not invest in any stock merely to beat/mirror any index, nor to chase a theme. This is the source of both our CY25 underperformance and our CY26 outperformance – it is not a bug, it is how the strategy is designed to work.
- **Focus on what we understand.** Our sectoral concentration and bottom up ideas reflect conviction in areas we know, and have helped us add meaningfully when we felt the market volatility presented us with the right opportunities. We have continued to have no exposure to sectors where we have limited understanding, even when they have led the market nor when they have corrected sharply.
- **Long-term investing.** Several of our largest holdings have been with us since inception, which allowed us to sit through the CY25 underperformance without capitulating on positions where the underlying thesis was intact.
- **Value consciousness and margin of safety at entry.** Many of our initial investments, and relatively low weightage in high conviction ideas reflected this approach, rather than chasing excessive valuations particularly in 2024. We used market volatility through 2025 and especially the recent correction in 2026 to churn and deploy capital in stocks at extremely attractive valuations.

CSIM

- **Non-linear returns.** The last two years have illustrated this vividly – meaningful underperformance in CY25 followed by meaningful outperformance from the March 2026 quarter onwards. Neither is a signal in isolation; both are consistent with what we have always said investors should expect.

Questions that investors frequently ask us

We also try to articulate our thoughts on a few queries that we keep getting from investors.

Are you too conservative?

Investors have pointed out that we have not been invested in some sectors heavily fancied by the market over the last two years. What the market fancies at a particular point in time keeps changing and often falls outside our circle of competence (knowledge about the business, business cycles, regulations etc) or comfort (valuation, management quality). We would invest only when they all align. In our experience, stepping outside the circle meaningfully increases the risks of long-term underperformance both through errors of commissions (buying the wrong stock at the wrong time chasing a fancy themes) and errors of omission (not selling fancy stocks in time as well as missing out attractive stocks in unfancied sectors that we actually understand well).

We have also received feedback that there are stocks in our portfolio that are perceived to be low growth. In some cases, we have a different outlook for growth compared to what the market perceives today. Moreover, we look for outcomes at the portfolio level and we would like to highlight that we expect EPS growth in excess of 20% for the next 2-3 years along with healthy return ratios, for the vast majority of our stocks – this is by no means a low-growth portfolio. While there surely are other stocks in the market that will have significantly higher growth and may do as well or better than what we currently own, our selection is driven by our perception of quality of management and business and valuations in addition to growth.

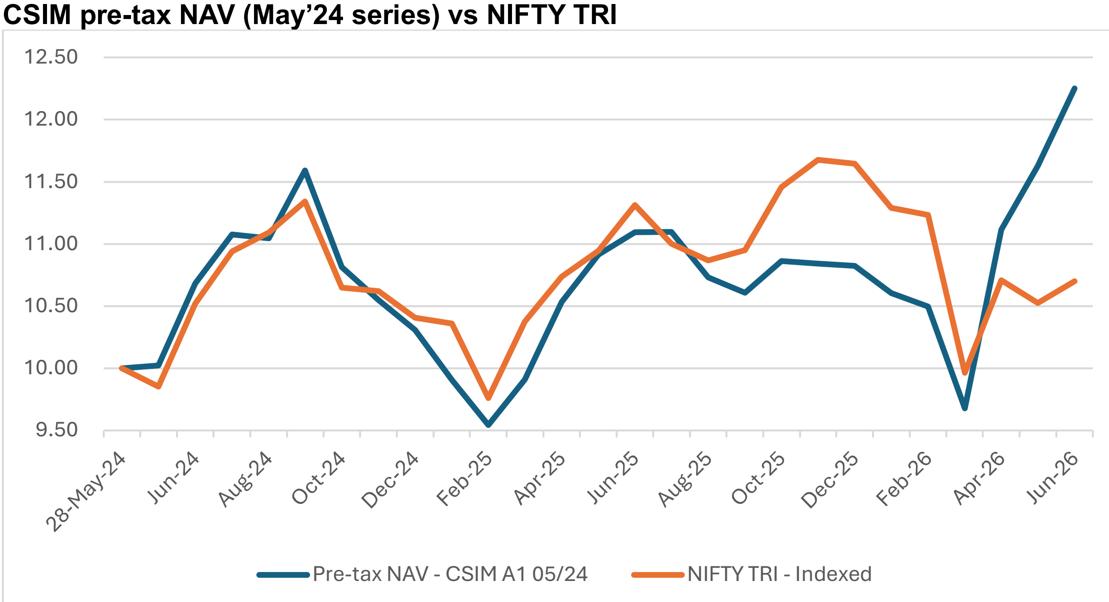
In short, our decision to invest (or not invest) in any stock is a combination of business & management quality and longevity of growth. This is obviously heavily influenced by industries that we know well versus those we don't, and our preference to not pay too much for growth in the very distant future. It is our constant endeavour to expand our circle of competence, but it will be a slow process. We are happy to invest in higher growth opportunities as long as we understand the risks involved and are not overpaying for the growth. We are equally happy investing in lower growth companies where the market may present a very compelling medium-term return with very high margin of safety.

We also do not believe that our portfolio should comprise only of new industries, or non-linear / "option value" opportunities, without appreciation of risks involved including those arising from excessive valuations. We do selectively invest in such opportunities, but it is likely that these will form only a small part of our portfolio at any point in time. We will also obviously make mistakes as well, but in aggregate and over the long-term, this approach will drive our investing.

Why is your portfolio so volatile?

We don't think it is optimal (or even possible) to plan for stable or consistent returns in equity markets, and particularly so given our aim. Our portfolio of concentrated, likely less liquid, non-benchmark stocks is most often going to be volatile, both on absolute basis as well as relative to indices.

CSIM pre-tax NAV (May'24 series) vs NIFTY TRI



Source: NSE

In line with our mandate, we had a portfolio of 21 stocks as of June 30, 2026, with the top 10 stocks accounting for 75.9% of the AUM (on a post-tax basis). Further, 90% of our portfolio comprised small and mid-cap stocks, with nearly 47% in stocks having market cap under 10,000cr.

We don't look at "volatility" in the short-term as "risk". On the contrary, we like to use volatility to add to positions when they present compelling value (as we did in Feb/March), or to trim/exit lower conviction ideas or if stocks were to become excessively expensive.

How much have you churned your portfolio? Why don't you "trade" more frequently?

We believe that capital appreciation is better targeted by long-term compounding of core, high quality ideas. Approximately 50% of our current portfolio is comprised of stocks we bought in the first few months of our fund.

Trading frequently (or just booking profits) also carries an inherent reinvestment risk – in the longer term, it tends to compromise the quality of the portfolio and hurt returns.

That does not mean we will not have churn in our portfolio or that we will not sell stocks before a certain time or objective. Rather, our churn will always be aimed at improving the quality of the portfolio or pursuing better risk-reward. We will also sell due to negative surprises or heavily excessive valuations.

In the last two years, we have exited 17 stocks. We chose to exit 6 stocks because of negative surprises compared to our expectations when we invested. We also exited 2 stocks because we couldn't build a meaningful position post-listing. We sold 9 stocks as we found a better mix of quality and risk-reward, particularly as markets gave good opportunities through the latter half of 2025 and in early 2026. Most of these exits, barring 2-3, were relatively small positions.

We would ideally like to reduce our churn and build higher-conviction positions at inception. However, this will remain an outcome of our assessment of available risk-reward rather than a target.

What about Rupee depreciation?

The INR's depreciation vs the US$ over the recent past has obviously been a source of worry among investors, particularly those with ability to invest overseas. This is a legitimate concern, especially as bouts of depreciation are usually accompanied by economic stress – this time, its about AI and India's weak positioning around it. However, investors should note a few points.

INR depreciation is not new – since 1992, the INR has depreciated by an average 3.6% vs the US$. Through this period, broad market indices has delivered returns of 11-12% in INR terms and 8-9% in US$ terms. Equity returns have historically been strong in the 3-5 year periods following the INR depreciation.

Underpinning these returns has been nominal and real GDP growth of 10-11% and 6-7%, respectively. The drivers of such growth may have changed over time. We don't construct our portfolio by predicting these macro trends, but do try to be mindful of the risks and opportunities they present.

In the current environment, we believe it continues to be possible to build a portfolio of stocks with the desired quality and risk characteristics. To us, this is perhaps the only way to protect and grow capital, adjusted for inflation (or measured in hard currencies).

The macro backdrop: from crisis to gradual normalization

The quarter began where March had ended – with the US-Iran war and elevated oil prices as the dominant swing factors for Indian markets. Since then, the situation has moved in the right direction, though not without episodes of volatility. Brent crude, which had spiked to around $125/barrel in March, drifted lower through the quarter, and are currently trading around $75-80.

The RBI in its June meeting held the repo rate at 5.25%, cut its FY27 GDP growth forecast to 6.6% and raised its inflation forecast to 5.1%, largely reflecting the pass-through of higher fuel prices. The IMD has flagged risks of a deficient monsoon and El Niño conditions, which we and the RBI will watch closely.

Alongside the policy, the RBI announced a coordinated package of measures to shore up foreign capital inflows – most notably a concessional FX swap window under which the central bank absorbs the full hedging cost on fresh 3-5 year FCNR(B) deposits mobilised between June 8 and September 30, 2026. These deposits are also exempt from CRR and SLR requirements.

The RBI simultaneously removed the interest rate ceiling on fresh FCNR(B) deposits of the same tenor, expanded the Fully Accessible Route for foreign investment in longer-dated government securities, and, together with the government, eliminated capital gains and withholding tax on qualifying foreign investments in G-secs.

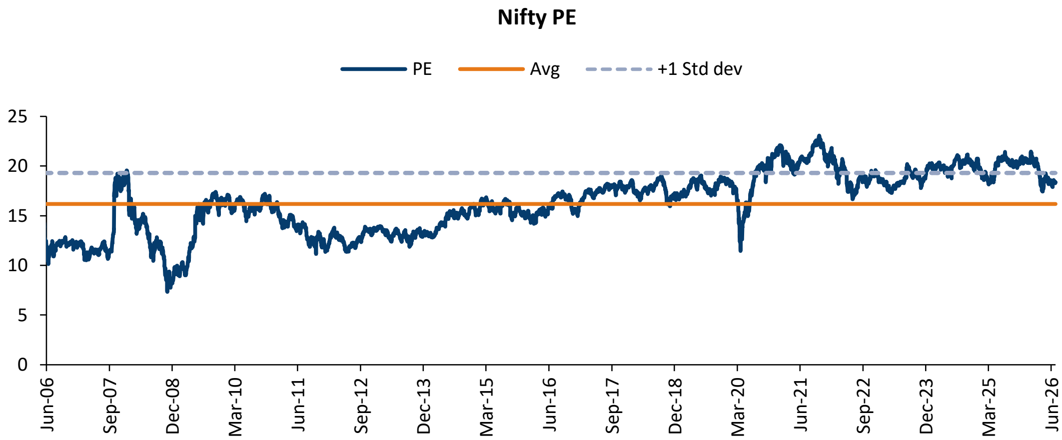
Independent estimates place the potential FX inflows from this package at USD 40-60 billion by September, which should meaningfully support the rupee, replenish reserves, and ease the imported-inflation channel. On trade, the earlier-announced India-EU FTA and the India-US Interim Agreement continue to be implemented, and remain a structural positive for India's external positioning over the medium term.

Indian markets: a meaningful bounce off the April lows

Indian equities have retraced a good part of the Q4 FY26 correction. From the April low of around 22,300, the Nifty 50 at quarter-end, was trading in the 23,800 range, still down roughly ~10% from its January peak.

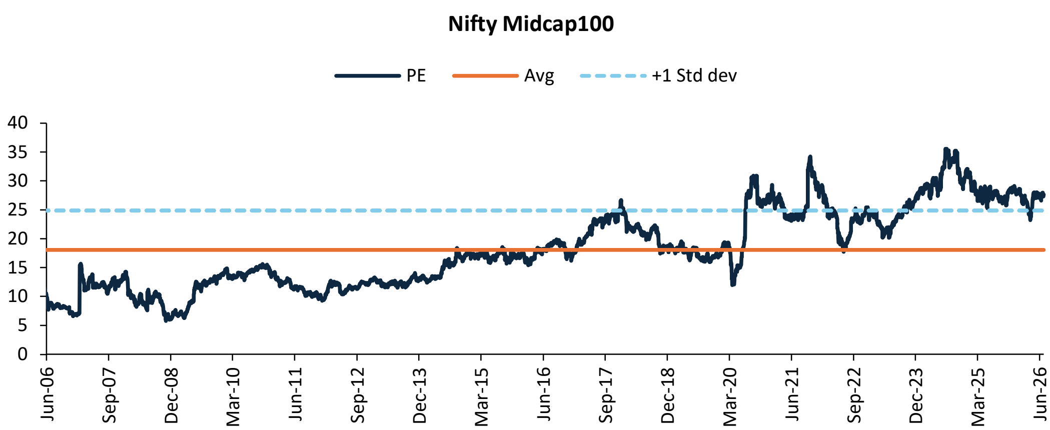
Mid-and-small caps recovered more sharply than the frontline indices from their April lows – supporting our view that these stocks selectively offered very good value near those lows. Valuations generally across mid and small caps remain, in our view, at relatively expensive levels versus their own history, but short of the extreme froth we had flagged in previous newsletters.

Large Cap PE



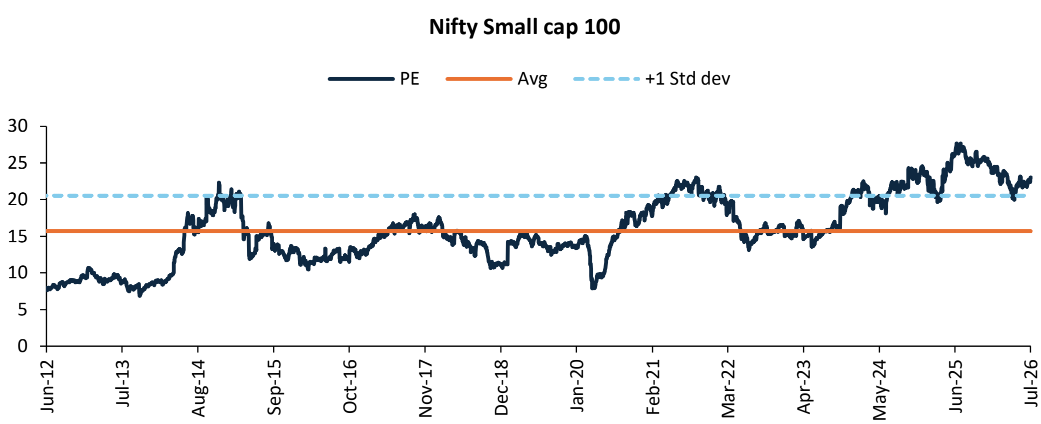
Source: ICICI Securities

Midcap PE



Source: ICICI Securities

Small caps PE



Source: ICICI Securities

Our performance

Absolute returns of our fund have improved significantly over the last six months, but have been moderate so far since inception (10.2% CAGR). This must be seen in the light of a challenging market, with broad market indices returning 3.3-4.6% CAGR over the same period. Returns are now materially ahead of the broader indices, though we remain focused on delivering absolute outcomes.

Our pre-tax performance from inception (May 28, 2024) to June 30, 2026:

	1 yr	2yr CAGR	Since inception CAGR
Class A1 (May'24 series)	**10.4%**	**7.1%**	**10.2%**
Nifty TRI	-5.4%	0.8%	3.3%
Nifty 500 TRI	-1.7%	1.9%	4.6%

Note that the performance is pre-tax but post expenses and fees. We have shown the performance for class A1 – returns for other classes of May 2024 series would be marginally higher. Returns for inflows in subsequent periods will be different.

This performance is a direct outcome of the positioning we described in the March note – higher allocation to smaller companies that had corrected sharply, and additions to existing high-conviction positions during the volatility.

As we noted last quarter, we take short-term performance – whether outperformance or underperformance – with the same equanimity. It is not what we optimize for, and it should not be over-interpreted in either direction. What matters is that the businesses we own are compounding value and that we continue to buy them at prices that offer a margin of safety. Both conditions, in our assessment, remain firmly in place.

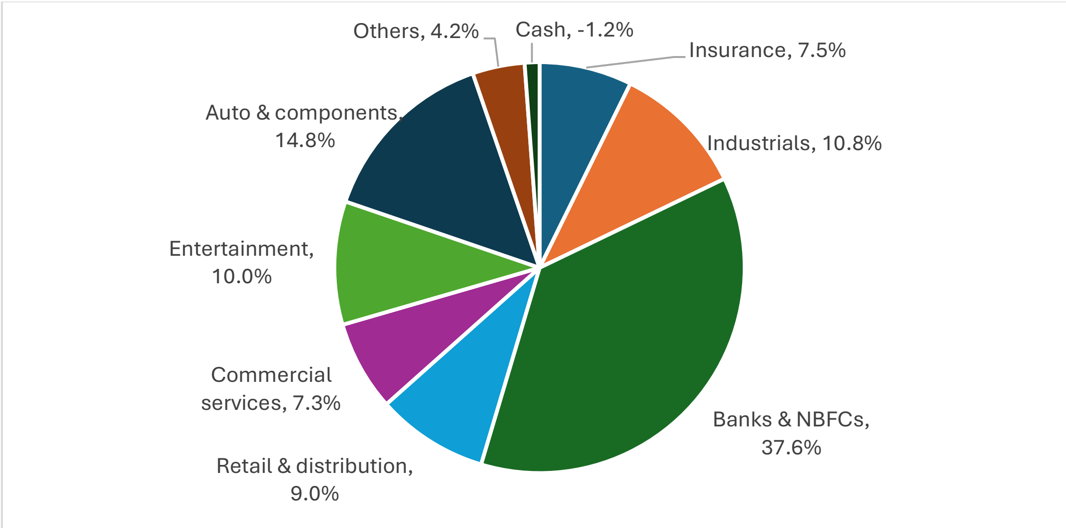
Our view: still constructive, more selectively so

With the sharp drawdown of Q4 FY26 largely retraced, the wholesale mispricing that existed in late March has narrowed. We continue to find pockets of clear opportunity in individual businesses, particularly among quality mid- and small-cap franchises. We remain patient with our existing holdings and disciplined on the pace at which we deploy incremental capital.

Portfolio composition

Our portfolio remains diversified across sectors, though with a meaningful weight to financial services where balance-sheet repair stories and reasonably valued franchises remain a source of both opportunity and resilience. The RBI's FCNR(B) and related measures are a distinct positive for the sector – the FX swap subsidy plus the CRR/SLR exemption on these deposits provide meaningful support to deposit growth and margins at a time when domestic deposit mobilisation has been a constraint.

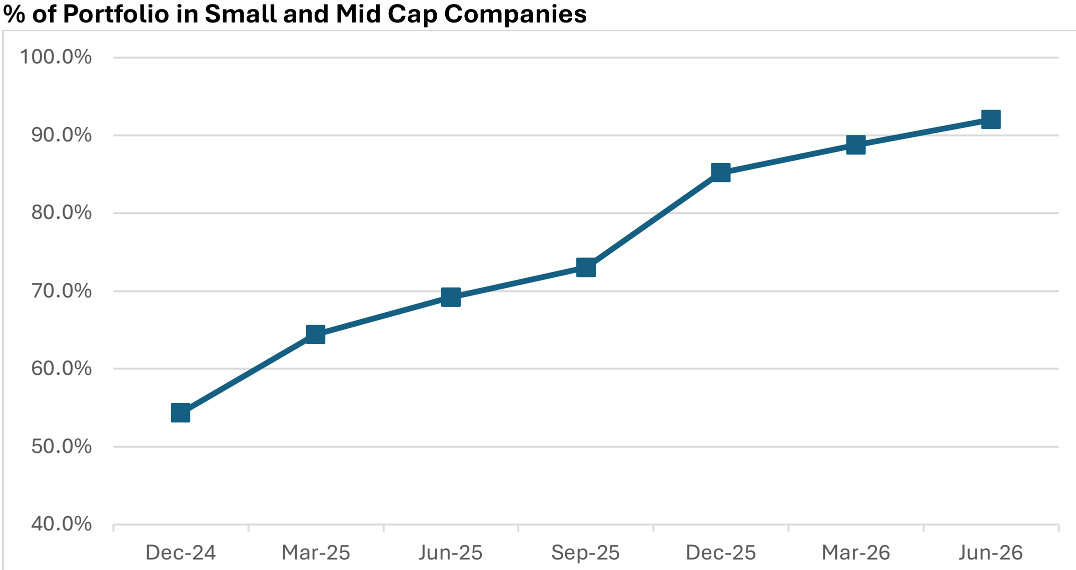
Sectoral allocation of portfolio



Source: NSE

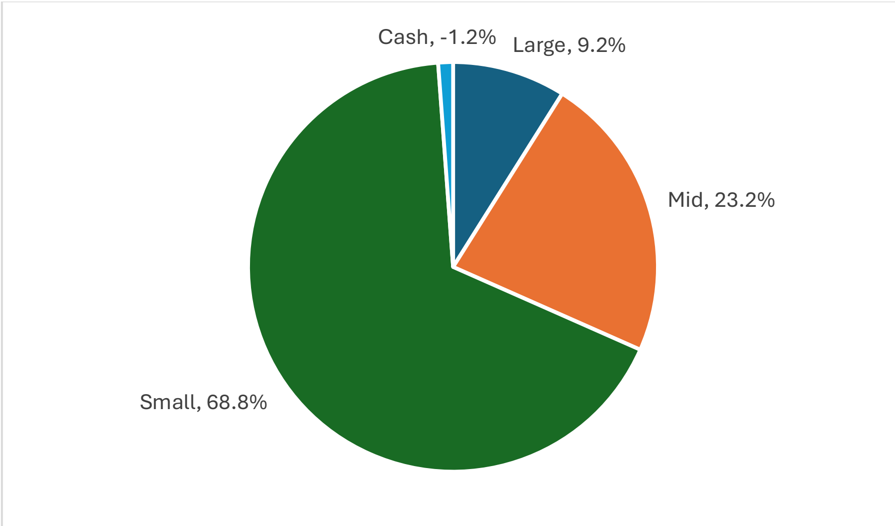
Allocation to smaller companies has been broadly stable over the quarter, at the higher level we moved to over the past few quarters.

% of Portfolio in Small and Mid Cap Companies



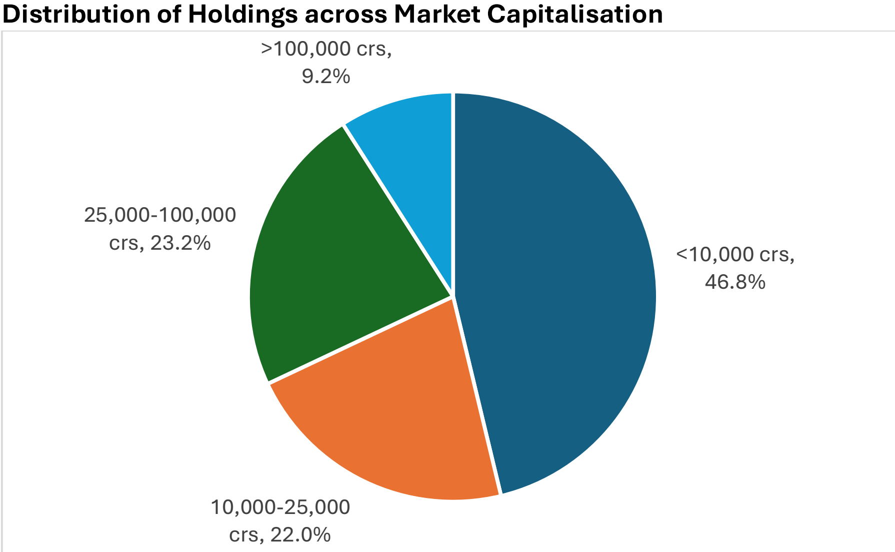
Source: NSE

Portfolio mix by Market Cap (Small, Mid & Large Cap)



Source: NSE

Distribution of Holdings across Market Capitalisation



Source: NSE

The annexure at the end of this note contains details on our top 10 holdings and regulatory disclosures.

Please feel free to reach out to us at csimindiaaif@csim.co.in for any further clarifications.

With warm regards,

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Disclosures

1. Concentration Risk: The portfolio is somewhat diversified across sectors and key economic variables, but has some concentration to the Banking/Financial sector.
2. Foreign Investment Risk: The Fund has no investments in foreign entities.
3. Leverage Risk: The Fund has no leverage. Lending businesses of the portfolio have capital above regulatory norms.
4. Realization Risk: All the investments are in listed entities.
5. Strategy Risk: The Fund portfolio is in line with the stated strategy of CSIM India Opportunities Fund -1. Our strategy has remained unchanged since our inception.
6. Reputation Risk: All the investments are in listed entities, our endeavour is to invest in sustainable and reasonably valued businesses.
7. ESG Risk: We adhere to standard ESG practices at Fund level. We believe, the portfolio companies also follow good ESG practices.
8. Fees: The fees ascribed to the Manager/Sponsor is as mentioned in the PPM.
9. Perry Road Investment Advisory LLP (Sponsor of the Fund) has contributed corpus of INR 10,00,00,000 (Indian Rupees Ten Crores), to maintain continuing interest in the Fund in accordance with the Regulations.
10. Annual report on implementation of stewardship activities has been placed on the website.
11. We have casted votes for Jana Small Finance Bank Ltd during the quarter Apr to Jun 2026.

Disclaimer

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