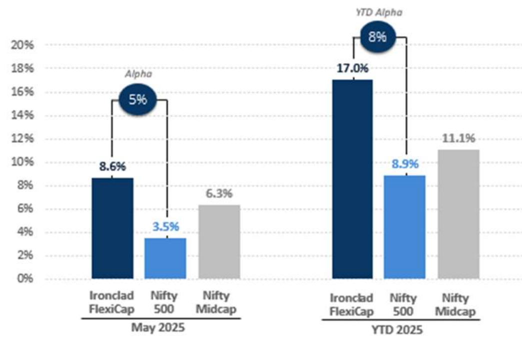
June’25 Investor Update

Dear Investors,

We hope this newsletter finds you in good health and spirits. As we enter June 2025, Indian equities continue to demonstrate strength amid a complex global backdrop. A robust domestic earnings season, improving macro liquidity, and steady institutional inflows have supported market resilience—even as global uncertainties around tariff volatility and moderating consumption trends weigh on sentiment. At Ironclad Asset Management, we remain steadfast in our approach: investing with patience, precision, and a focus on intrinsic value.

Performance Update



May marked another strong month for Ironclad Asset Management, with our **portfolio delivering a return of 8.6%**, significantly ahead of the **Nifty 500’s 3.5% gain**. Year-to-date (29th Jan 2025 to May 2025), **Ironclad has returned ~17%**, outperforming the Nifty 500’s ~8.9% increase by a wide margin.

While this month’s outperformance is encouraging, it is important to reiterate that our investment philosophy is not designed to maximize monthly relative performance. In fact, a disciplined portfolio — one that takes fundamental, long-duration investment calls — will inevitably see periods of near-term underperformance. This is not only expected but often necessary in pursuit of superior long-term outcomes.

At Ironclad, we define investment success over a 3–5-year horizon, aiming for high-teens absolute returns through cycles. Short-term outperformance is gratifying, but not North Star. What matters is that our portfolio construction and stock selection consistently tilt the odds in our favor over the long arc of time — balancing downside protection in volatile markets with upside capture in periods of strength.

Market Overview

Indian equities extended their positive momentum into May. Broader indices saw healthy participation, supported by a combination of resilient domestic fundamentals, improving liquidity conditions, and sustained foreign inflows. Sectorally, Financials, Industrials, and Healthcare led earnings upgrades, while Consumer Discretionary and IT remained soft due to margin pressures and global demand concerns.

India’s Q4FY25 GDP growth surprised positively at 7.4%, driven by a sharp pickup in government capital expenditure and strong construction activity. From a monetary standpoint, the Reserve Bank of India’s record dividend transfer of Rs 2.68 trillion—though below initial expectations—provides a near-term fiscal cushion and reinforces systemic liquidity. Coupled with lower currency leakage and robust OMOs, this has pushed the system into a temporary liquidity deluge.

Q4FY25 earnings were broadly in line with expectations, with NSE-500 PAT growing ~9% YoY, driven by Industrials, Healthcare, and Materials. In the financial sector, bank earnings calls indicated a disciplined stance on growth and asset quality, with PSU banks reporting improved recoveries and private sector banks demonstrating early signs of traction in deposits and retail-led growth strategies. While credit costs in unsecured segments remain a watchpoint, commentary across institutions suggested marginal asset quality deterioration, rather than systemic risk.

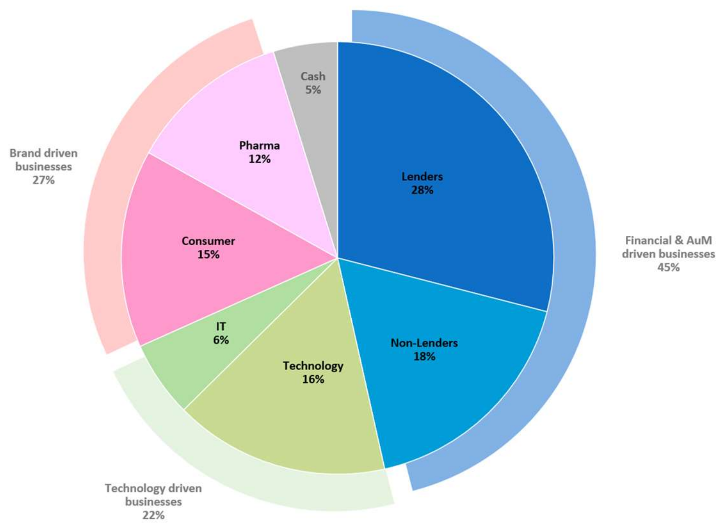
We as investors **should prepare for episodic volatility** as markets digest global macro shifts, the full impact of policy easing, and tariff linked uncertainty. India's structural resilience—underscored by improving fiscal metrics, robust capital formation, and strong financial sector health—continues to position it favorably relative to global peers.

For India, the direct impact is moderated by a relatively low export-to-GDP ratio (~20%) and a deepening domestic consumption engine. However, indirect effects through financial market volatility, shifting capital flows, and supply chain reconfigurations cannot be ruled out.

At Ironclad, we continue to view these disruptions not as deterrents but as potential sources of mispricing and structural opportunity. India's positioning as a beneficiary of global manufacturing diversification and the underlying resilience of its macro framework reinforces our conviction in the long-term India story.

Our Investment Strategy

Our focus remains on investing in **15-20 high-quality businesses** within 3 key themes :



Overall, we have reduced our cash holding further and are almost fully invested in most portfolios. Incremental deployment has mostly gone into Financials – both lenders and non-lenders and to technology product-based companies.

Performance during May was driven by a combination of sectoral tailwinds and company-specific alpha:

1. **Financial & AuM driven businesses** – non-lending financial have been a key contributor to good performance in recent past for us at Ironclad. FII's are generally financials heavy and with FII buying picking up the sector tends to perform well. This includes AuM based businesses and insurance companies within our portfolio. For instance, a company we discussed in our April'25 investor update (Prudent corporate) is up ~80% in 3 months - the price in March'25 was unreasonably low, the price now is unreasonably high. We continue to remain invested.

Lenders (Banks / NBFC's) have also started doing well with Bank Nifty at all time high and HDFC Bank leading the pack. With inflation colling more than expected to 3.16% in April 2025, further rate cuts are expected in June which should help bring down cost of funds for banks and NBFC's. Banks have also started repricing down their TD's and savings account in light of excess liquidity and expected lower rates. Though much of this rate cut passes on to borrowers over time, it does however help bring down cash outflow for borrowers and thereby reduce the pool of stressed assets.

2. **Brand based businesses**: brand businesses are companies with 60-70%+ gross margins. These businesses have a consumer-facing brand built over years which allows them to enjoy very high gross margins. These businesses remain relatively less impacted in uncertain times and lend a lot of stability to a portfolio.

3. **Technology driven businesses** – IT Services got a relief rally mostly due to reduced prospects of prolonged US demand slowdown. However, the structural issues associated with AI continue to exist in mid to long term for India IT Services and we therefore continue to stay under invested in IT Services, with limited allocation to niche companies solving for specific use case.

   However, we continue to invest in technology as a segment. This includes product companies as well as companies using a digital first approach to sell.

A notable example of our investment which covered both Technology / digital first approach as well as is a consumer brand is our investment in **Honasa Consumer.** We initiated investing when sentiment around the company was markedly negative, following a reported inventory write-off that led to a sharp sell-off in late 2024 / early 2025. While the market reacted punitively, we viewed this as a temporary operational reset rather than a structural long-term issue.

At the time of entry, the stock was trading at reasonable valuation (below 4x revenue, vs personal goods FMCG trading at 8-10x revenue with half the growth). We deemed this to be attractive for a fast growing digital-first FMCG franchise with strong brand recall and a path to normalized growth. Our thesis was based on the company's strong management, higher growth profile that what is typical for FMCG industry, digital first approach and finally margin of safety in the entry price. Since our investment, the company has done well to stabilize execution and has reoriented towards a volume-led growth in its core Mamaearth brand. The stock price has appreciated ~ 50% in less than four months, as the company has demonstrated early signs of operational recovery and renewed category momentum.

We do not expect similar performance in future, but this is a testament to our ability to take contrarian calls in categories we like. This one did well, the next one may not. To generate above average returns, we need to make some investment calls which need us to be positioned differently than the market. We believe most turnarounds do not work and it is super tough to pull one off. So, we have limited this "Special Situation" style of investing to ~15-20% of portfolio and we will continue to limit these exposures.

Overall, the portfolio's performance was broad-based, with no single position accounting for outsized returns, reinforcing our conviction in a **concentrated sectors (largely 3 themes – AuM based, tech based and brands based) but diversified holding construct (~18 investments)**. This dispersion of contribution underscores the robustness of our investment framework — one that is not reliant on tactical bets or fleeting momentum but instead anchored in bottom-up underwriting and high-conviction ownership.

Why PMS and Why Ironclad?

We, at Ironclad Asset Management, are a SEBI Registered Portfolio Management Service (PMS). Our flagship product is a FlexiCap strategy as we believe FlexiCap approach allows us to invest across industries and dynamically adjust exposure to large, mid, and small-cap businesses.

Within our FlexiCap portfolio, we invest across Financial Services, Enduring Brands with high Return on Capital Employed (ROCE), the Innovation Economy, and Special Situations. Our philosophy is rooted in long-term value creation, with a "semi-permanent business owner" mindset rather than a stock trader. Our investment approach draws inspiration from legendary investors such as Warren Buffett, Chuck Akre, and Seth Klarman. We integrate a "value + growth" mindset with a private equity-style diligence process to mitigate risks and prevent permanent capital loss.

PMS offers more flexibility and agility as compared to large mutual funds. In a market where size can dilute alpha, our focused strategy and performance-aligned fee structure work in your favor. As mutual fund AUMs swell, their ability to take meaningful positions in mid-sized companies becomes constrained. PMS portfolios, on the other hand, can navigate these opportunities more effectively.

The Power of Staying Invested

We continue to reiterate the importance of staying invested in high-quality businesses through cycles. Businesses compounding at 18–20% annually can grow wealth manifold over the years. Corrections are an investor’s best friend when approached with discipline and patience.

Looking Ahead

We are monitoring global developments, especially around tariffs and capital flows, but our core thesis remains unchanged. India’s long-term structural growth and improving macro indicators remain our guiding compass. We thank you for your continued trust in Ironclad Asset Management.

Housekeeping Note:

As an investor, you will receive a detailed monthly statement directly from our custodian, ICICI Bank, outlining your portfolio holdings and all transactions executed under your PMS account. Separately, we will share periodic investor updates — typically every 1 to 2 months — where we articulate our market outlook, portfolio positioning, and key investment insights. These will be shared on an as-needed basis, particularly when we believe there is meaningful context or developments to communicate.

For any queries, please feel free to reach out to us.

Warm Regards,
Team Ironclad Asset Management

Disclaimer: Investments in securities are subject to market risks. Past performance is not indicative of future returns. Please consult our disclosure document before making investment decisions.