



INVESTOR NEWSLETTER – QUARTER ENDED JUNE 2025

A. PAST PERFORMANCE:

Period:	Last 3 Months	Last 6 Months	Last 1 Year	Last 2 Years	Last 3 Years	Last 5 Years	Since Inception
Cumulative Returns							
Portfolio	11.8%	8.6%	13.8%	46.9%	100.8%	272.8%	367.2%
Sensex	8.0%	7.0%	5.8%	29.2%	57.7%	139.5%	102.7%
Outperformance	3.8%	1.6%	8.0%	17.7%	43.1%	133.3%	264.5%
Annualized Returns							
Portfolio			13.8%	21.2%	26.2%	30.1%	32.3%
Sensex			5.8%	13.7%	16.4%	19.1%	13.7%
Outperformance			8.0%	7.6%	9.8%	11.0%	18.6%

Notes:

- 1) Performance details for the Portfolio are before taxes, fees and expenses to make it comparable to Sensex
- 2) AIF license received in Q3 C21. Assets have been transferred into AIF as of 01/11/2021. Returns from Nov-21 onwards are for assets in the AIF
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The financial markets continue to be dominated by Trump's social media posts. For this last quarter that meant a sigh of relief given the pause in tariffs. Markets rebounded sharply with S&P 500 rising 10.6% this quarter. The Indian market and most global equity indices followed, and the Sensex was up 8.0%. BSE Small Caps rebounded sharply, up 17.3% this quarter, and yet only 4.9% up for the last 12 months, given the carnage in the Sep-24 to Mar-25 period.

Our performance was solid through this chaos. Our Portfolio was up 11.8% this quarter, a ~4% alpha to the Sensex. Over the last 12 months our Portfolio is up 13.8%, as against the Sensex which is up just 5.8% and the BSE500 which is up just 4.0%. So, at least for now, we feel we have weathered the recent storm well.

It gives us confidence in our strategy when we can weather rough market conditions, which is the thesis of our strategy, of buying the best-in-class companies ONLY when they are cheap. Even in the last market downturn between Oct-21 and Jun-22 our Portfolio performed well with less drawdown than the overall market.

Another way to look at this is "what is the minimum rolling return a strategy has given for a reasonable holding period". This represents the lowest return you would have achieved regardless of when you invested in the fund. As Guardian, we have a minimum 3 year rolling return of 17%, and this is higher than the average return one would have earned invested in the Sensex for the same 5.5 year period of our existence!

So far, we have been able to deliver each of the first 5 calendar years (CY20 – CY24) and we remain on target to deliver that this year as well.

Key outperformers:

- Life Insurers: All 3 life insurers were up ~18% this quarter
- Aditya Birla Capital: Sharp recovery of ~50% this quarter
- PNB Housing: Continues to perform well, up 26% this quarter
- Auto ancillaries: Both SJS and Lumax were up 40%+ this quarter
- Yatharth: up 26% this quarter



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Key underperformers:

- Cash: We had 22% cash on average this quarter

Key changes to the Portfolio:

- Increased our position in Lumax Industries: Company continues to perform well with strong operating numbers for the last few quarters that we have owned it. Margin worries are now behind with margin improvement witnessed in the last 2 quarters. Our conviction in our thesis of premiumization in the auto sector has only become stronger. Liquidity in this name has been a challenge and when a block appeared we participated in the same.
- Exited Karnataka Bank: Even though this was a relatively new position we exited on the news of the CEO and deputy CEO resigning. Our thesis of modernization of this bank became doubtful given the senior management exits. This is one of the only names we have exited at a loss in our history, but even then, the loss was contained to about 10%.
- Exited Federal Bank: The position performed well for us. Our initial purchase was at 59 in Nov-20 at 0.8x P/B. We had underwritten this to be a 1.2x P/B exit but then upgraded the exit to 1.5x P/B as the company performed better than our expectations especially on loan growth. We have now exited completely at 190 per share, representing 1.5x P/B.
- Sold remaining Shriram Finance: We have been selling Shriram Finance for a few quarters in the 2800-3200 range (pre-split price). We had a last slug left which we have now exited at 3500. The position performed well for us from original purchase price of under 900 in Nov-20, and our doubling the position to max at 1000-1200 levels in May-22. Again, the performance of the company continues to be solid and we benefitted from a) purchasing it at peak GNPA levels and selling it at trough GNPA levels, b) removal of the overhang of strategic sellers (TPG, Bain, Piramal), and c) the merger with Shriram City Union which turbocharged growth. However, all of this is now priced in and the stock is no longer cheap at over 2.0x P/B.

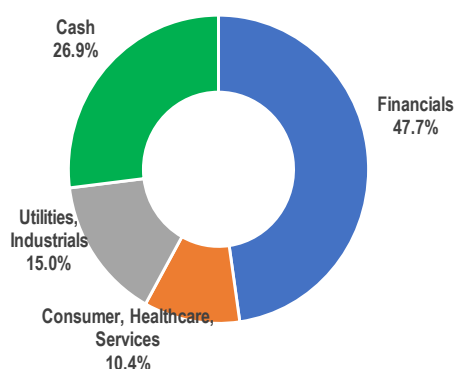
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Portfolio characteristics:

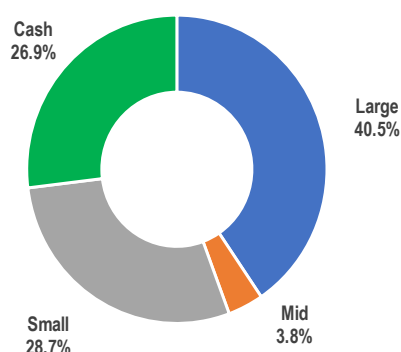
	P/E (forward)	12m EPS Growth (consensus)	PEG Ratio	P/B (forward)	RoE % (forward)	Sharpe Ratio (3 yr)	Beta (3 yr)
Portfolio	18.0x	13.6%	1.3x	2.4x	14.2%	171%	0.7x
Sensex	22.3x	5.2%	4.3x	3.3x	14.9%	82%	1.0x

Note: Portfolio details are ex Life Insurance

Portfolio: Sectoral Mix



Portfolio: Size Mix



Top 10 positions: (of 21 total positions)

HDFC Bank	PNB Housing	HDFC Life	ICICI Pru Life	A B Capital
Axis Bank	SBI Life	IOCL	Star Health	SJS Enterprises

Annualized Performance:

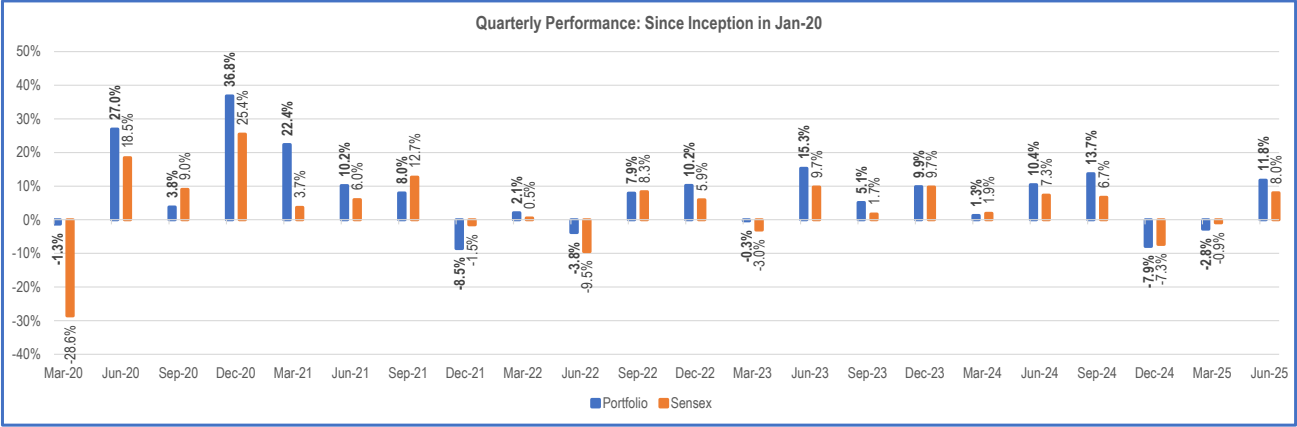
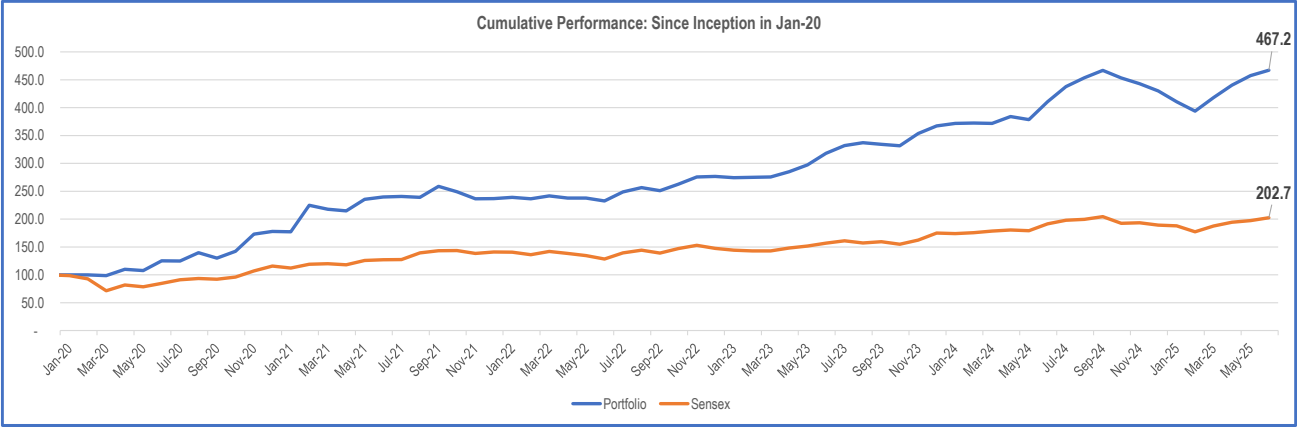
Period:	YTD CY25	CY24	CY23	CY22	CY21
Portfolio	8.6%	17.1%	32.7%	16.8%	33.2%
Sensex	7.0%	8.2%	18.7%	4.4%	22.0%
Outperformance	1.6%	9.0%	13.9%	12.4%	11.2%

Period:	YTD FY26	FY25	FY24	FY23	FY22
Portfolio	11.8%	12.4%	34.8%	14.0%	11.1%
Sensex	8.0%	5.1%	24.9%	0.7%	18.3%
Outperformance	3.8%	7.3%	10.0%	13.3%	-7.2%



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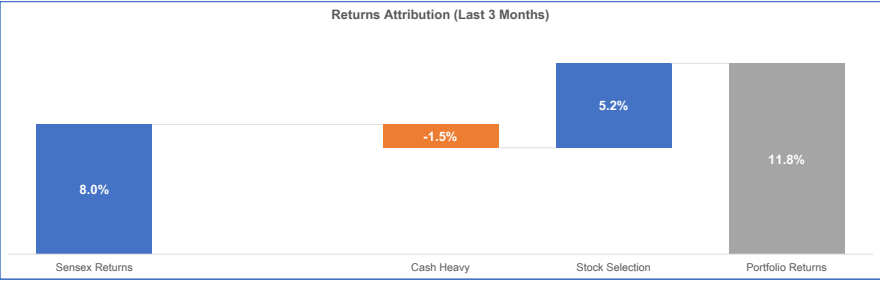
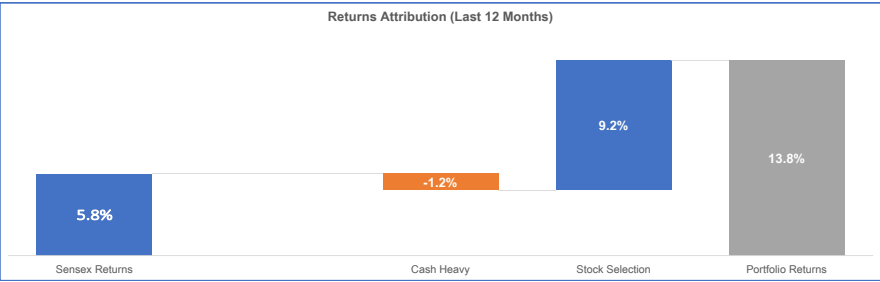
Monthly performance charts:



Returns attribution :

Outperformance
For Last Year:
8.0%

Outperformance
For Last Quarter:
3.8%

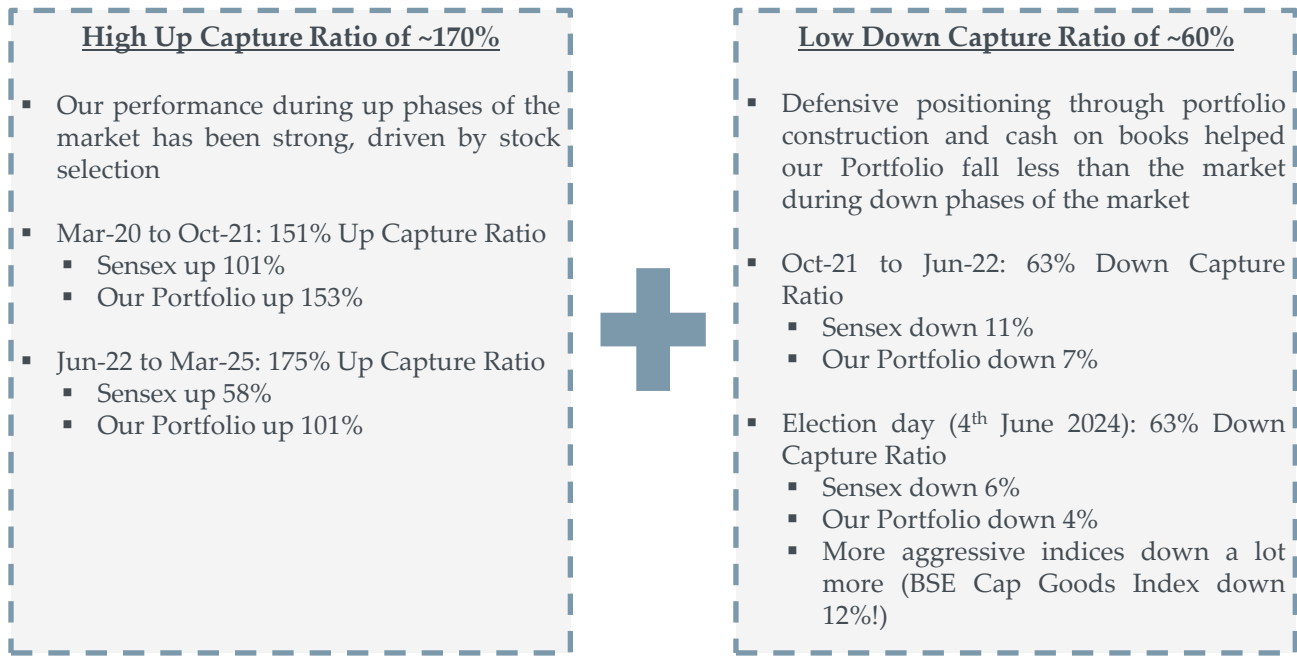


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Superior Risk Adjusted Returns:





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Superior Rolling Returns:

Regardless of when one entered GCP the minimum 3 yr return has been 17%, so far

- This is higher than the actual 3 year return of Sensex at 16.4%
- The minimum 3 yr rolling return for Sensex was just 9.2% and BSE500 was just 11.2%

GCP Rolling Returns	1 Yr	2 Yrs	3 Yrs
Mean	36%	29%	28%
Maximum	125%	57%	41%
Minimum	-3%	11%	17%

Sensex Rolling Returns	1 Yr	2 Yrs	3 Yrs
Mean	19%	16%	15%
Maximum	68%	41%	26%
Minimum	-3%	4%	9%

BSE 500 Rolling Returns	1 Yr	2 Yrs	3 Yrs
Mean	24%	20%	18%
Maximum	77%	46%	28%
Minimum	-2%	5%	11%

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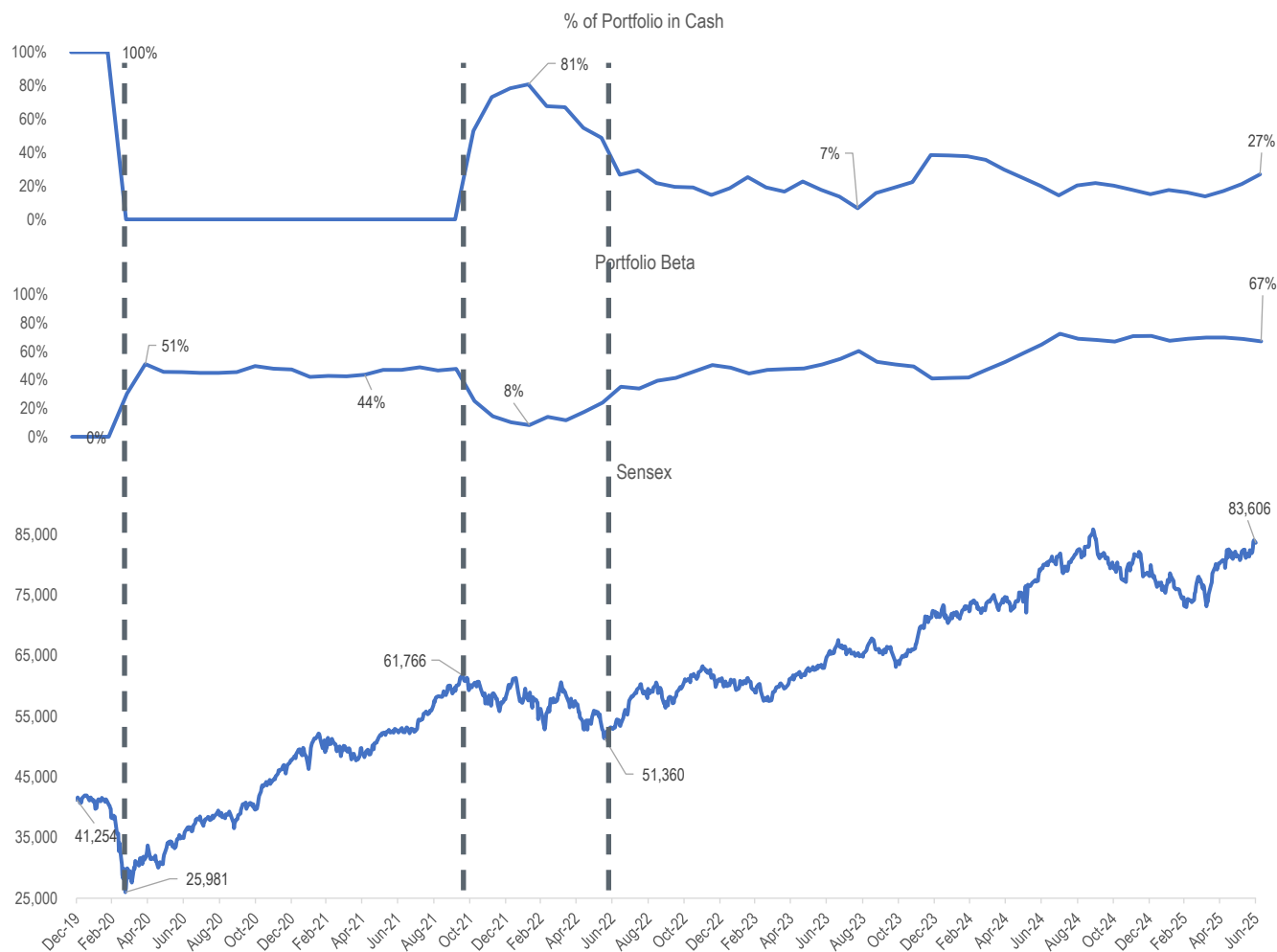


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Our strategy in action:

Our strategy is to buy good companies if they are cheap, and ONLY if they are cheap. If they are not cheap, we stay on the side-lines in cash for periods. Especially for large cap companies we buy them when they trade at discounts to their long-term average valuations and exit them when they start trading above long term average valuations without waiting for peak valuations.

This allows us to capture up market moves (High Up Capture Ratio), reduce our risk positions when markets are expensive, and wait in cash for opportunities when markets become cheap. We have been able to remain in cash for 2 down markets because of this strategy: i) before Covid, and ii) From Oct-21 to Jun-22. This ensures that in down market moves our Portfolio falls less than the market (Low Down Capture Ratio). A high Up Capture Ratio and a low Down Capture Ratio combine to provide our Portfolio with meaningfully higher returns than the market and a high Sharpe Ratio.



Pre-Covid (Jan-20 to Mar-20)	100% in cash before Covid Down Capture Ratio = 0% = Fall in Portfolio / Fall in Sensex = 0% / -29%
Market Bounce Back (Mar-20 to Oct-21)	100% in equity, with Portfolio beta gradually reduced as the markets rallied Up Capture Ratio = 151% = Rise in Portfolio / Rise in Sensex = 153% / 101%
Market Correction (Oct-21 to Jun-22)	Up to 80% in cash Down Capture Ratio = 63% = Fall in Portfolio / Fall in Sensex = -7% / -11%
Market Bounce Back (Jun-22 onwards)	22% in cash on average Up Capture Ratio = 175% = Rise in Portfolio / Rise in Sensex = 101% / 58%

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B. OUTLOOK:

Its not clear to us whether we are yet past “peak Trump” risk, as many observers have phrased it. At the time of writing this, India’s trade deal is still up in the air. And geopolitical risks will continue to flare up in our view.

Its not surprising then, that our positioning is defensive. We end the quarter with 27% in cash, but with more sectors that are closer to affordable like Oil & Gas, Auto, and IT Services. A 10-20% move in these sectors will be enough to get us to deploy meaningfully. Our positioning could slowly start to be less financial services heavy if these sectors become a bit cheaper.

It is also worth noting that the scenario in which equity markets runaway towards much higher levels seems low probability, given the poor earnings momentum. Next 12 months EPS growth for Sensex is expected to be 5% (consensus view). And at the same time Sensex is valued at 22.3x P/E forward. This equates to a 1 year PEG of 4.3x. That’s clearly very high, and either earnings momentum will rise or valuations will fall. So far, the industrial data continues to become weaker, so the probability is skewed towards valuations falling.

Sector	P/E Jun-25	P/E Jun-24	P/E 10 Yr Avg	vs Jun-24	vs 10 yr Avg	Our View
Auto	24.9x	25.6x	28.2x	-3%	-12%	We have recently entered the PV segment, where recent demand slowdown is allowing us an entry opportunity. We like some auto comps
Banks - Private	18.0x	16.0x	21.0x	13%	-14%	This is our largest sectoral position in the fund. Continues to offer opportunities and has been resilient in the face of a market coming off its peak
Cement	39.1x	35.1x	29.0x	11%	35%	Still expensive both on absolute and relative basis
Consumer	41.5x	44.9x	42.0x	-8%	-1%	Very expensive, our previous investments here have been exited
Healthcare	32.2x	31.2x	26.9x	3%	20%	We entered 2 years ago when opportunities existed. Fewer opportunities now. Working on hospital names where we have made an investment
Infrastructure	19.2x	28.3x	12.7x	-32%	51%	Very expensive, poor corporate governance, we are staying away
Media	16.5x	19.7x	24.9x	-16%	-34%	While it looks cheap we have studied the companies here and have decided to pass due to risk in business models and / or due to corporate governance
Metals	11.1x	12.6x	10.6x	-12%	5%	We are beginning to look at steel and aluminium, but still early days as stock prices need to correct further to reflect reality of underlying commodity price
Oil & Gas (ex RIL)	9.6x	8.5x	8.6x	13%	12%	Renetered marketing companies as they became cheap again. Given sharp move down in crude O&G producers may soon become attractive
Chemicals	36.6x	37.2x	26.2x	-2%	40%	Many of the unerlying chemical prices have settled back down to pre-Covid levels. We are studying multiple names here now
IT Services	24.8x	24.8x	21.2x	0%	17%	Could be impacted in the new trade war world. Demand estimates being revised down sharply. Could become attractive is market overreacts

Data Source: Motilal Oswal