

Dear Investors,

Our PMS and AIF performance as of last month is as follows (Exhibit 1).

Exhibit 1: TWRR Performance (after all fees and expenses) as of 31-March-2026

Investment Approach (Benchmark)	Inception Date	AUM (INR cr)	1M	3M	6M	1Y	Since Inception (Annualized)*
PMS Large Midcap	11-Apr-23	84	-13.7%	-18.0%	-12.7%	-3.7%	11.6%
(Nifty 50 TRI)			-11.3%	-14.4%	-9.0%	-4.0%	9.6%
PMS Small Midcap	11-Dec-23	84	-22.1%	-21.4%	-37.1%	-23.0%	-3.7%
(Nifty 50 TRI)			-11.3%	-14.4%	-9.0%	-4.0%	3.9%
AIF Alpha Fund 1**	24-Mar-25	31	-16.2%	-18.6%	-22.6%	-10.7%	-12.4%
(Nifty 50 TRI)			-11.3%	-14.4%	-9.0%	-4.0%	-3.2%
PMS Other AUM		190					
Total AUM		389					

*Returns for Large Midcap, Small Midcap and AIF are annualized as they have completed full year.

** Returns for AIF Alpha Fund I are pre-tax but post all fees and expenses.

Exhibit 2: NAV Movement (after all fees and expenses)

Investment Approach	Inception Date	Inception NAV	Month-end Date	Month-end NAV
PMS Large Midcap	11-Apr-23	100	31-Mar-26	139
PMS Small Midcap	11-Dec-23	100	31-Mar-26	92
AIF Alpha Fund 1	24-Mar-25	100	31-Mar-26	88

US-Iran war

- Last month has been very painful for equities given the US-Iran war. The conflict has lasted over a month, and the US is already appearing keen to exit the conflict at the earliest opportunity.
- Trump’s approval rating has taken a big knock and mid-term elections are approaching. Also, the direct damage to economies of Gulf countries and the indirect damage to global supply chains is being felt. However, the damage within Iran is not known because of the complete ban on internet in Iran during this time.
- It is difficult to assess when the war will get over, but given the extreme economic and political impact, it will be very hard to imagine war continuing for a very long time. Many commentators compare this to Russia-Ukraine war, but we feel that the situation here is very different. In case of Russia-Ukraine, the impact was more localised, whereas here the impact is more global.
- If this war prolongs, it can have a real material impact on the Indian economy: higher oil prices, an increase in CAD, impact on GDP (Exhibit 3), reduced government-led capex, especially in infrastructure, and a lack of input raw materials such as LNG and gas supply that can disrupt

manufacturing. Pharmaceutical units are already being shut due to a lack of supply. (Although things are improving).

- Disruption of energy supply, especially from the Gulf, would have profound implications for India compared to the Russian war (Exhibit 4).

Exhibit 3: Impact of rise in crude price

US\$10/bbl crude price change is about 0.5% of GDP

Exhibit 1: Impact of crude oil and natural gas on BoP, March fiscal year-ends, 2027E (US\$ bn)

Crude and product imports (mn bbl)	2,344
Product exports (mn bbl)	556
Net imports of crude (mn bbl)	1,788
Impact of US\$10/bbl increase in crude (US\$ bn)	18
LNG imports (mn bbl)	242
Impact of US\$10/bbl increase in crude equivalent of gas (US\$ bn)	2
Total impact (US\$ bn)	20
Total impact (% of GDP)	0.5

Source: PPAC, Kotak Institutional Equities estimates

Exhibit 4: India's overall oil import via SoH

	2020	2021	2022	2023	2024	2025	9MFY26	Jan-26
India's oil imports (mmt)	221	188	220	237	231	245	202	22
mb/d	4.4	3.8	4.4	4.7	4.6	4.9	5.4	5.2
From SoH (mb/d)	2.2	2.3	2.4	2.0	1.9	2.0	2.2	2.7
Share of imports (%)	51	61	55	42	41	42	41	53

Source: US EIA, Ministry of Commerce, Kotak Institutional Equities estimates

In this newsletter, we are trying to assess two scenarios.

Scenario 1: Short-Term Conflict (Most Optimistic Scenario)

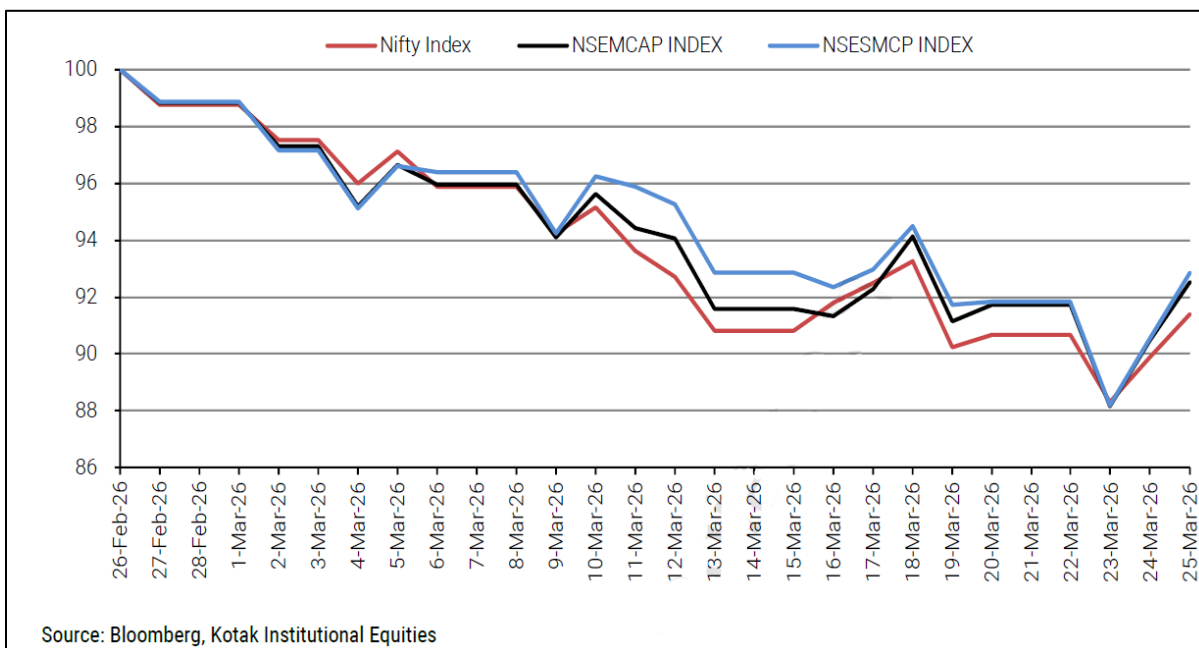
- Let us assume that this conflict ends within a few weeks after some high-intensity operations, with Trump declaring "victory" and adopting some off-ramp strategy.
- This would normalize the flow of oil and gas through the Strait of Hormuz, reducing supply chain constraints. Iranian oil may also come out of sanctions to help with supply.
- The negative effects on Indian companies would be temporary (extending into a weak Q1), even though it may take some time for Gulf plants to operate at pre-war capacity.
- It is too early to determine the impact on earnings, but it is likely to be transient in nature. Oil prices would stabilize and things would normalize. Exhibit 5 is just an example to show how long such effects have lasted in the past.
- It could provide a good opportunity to churn portfolios and take advantage of stock market corrections (Exhibit 6 and 7), while reallocating toward a better risk-reward balance. It may simply delay the recovery, and the effect is unlikely to last for more than two quarters.

Exhibit 5: The duration of energy shocks due to war waning with time

Event	Year	Key Trigger	Oil Price Move (US\$/bbl)	Peak Price (US\$/bbl)	Duration Prices Stayed Elevated	Key Reason for Duration
Yom Kippur War / Arab Oil Embargo	1973–74	Arab OPEC countries embargo oil to US & allies	\$3 → \$12	~\$12	~4–5 years (1973–1978)	Structural supply control by OPEC
Iranian Revolution	1979	Collapse of Shah regime; Iran oil exports plunge	\$14 → \$39	~\$39	~6 years (1979–1985)	Persistent Middle East instability + Iran–Iraq war
Iran–Iraq War	1980–88	War between two major producers	\$25 → ~\$40	~\$40	~3–4 years (1980–1984)	Tanker attacks and Gulf shipping risks
Iraqi invasion of Kuwait / Gulf War	1990–91	Iraq occupies Kuwait removing ~4–5mbpd supply	\$21 → \$46	~\$46	~6 months (Aug 1990–Jan 1991)	Saudi spare capacity + coalition intervention
Iraq War	2003	US invasion of Iraq	\$25 → \$37	~\$37	~3–5 months	Markets had priced in conflict
Libyan Civil War	2011	Arab Spring disrupts Libyan oil production	\$95 → \$125	~\$125	~8–10 months (2011)	1.5mbpd supply loss
Russian invasion of Ukraine	2022	Sanctions risk on major Russian exports	\$75 → \$130	~\$130	~4–6 months (2022)	Market adjusted via rerouted trade

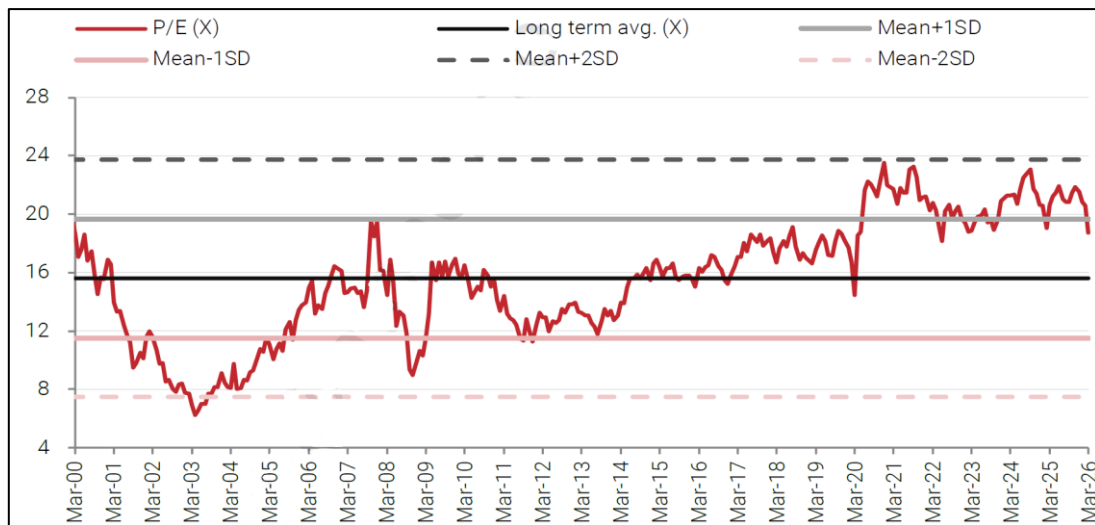
Source: Media sources, Nirmal Bang Institutional Equities.

Exhibit 6: Correction in Nifty 50, Nifty Midcap 100 and Nifty Smallcap 100 indices since the War



Source: Bloomberg, Kotak Institutional Equities

Exhibit 7: NIFTY 50 index trading(12-m rolling forward PE) at fair multiples after recent correction

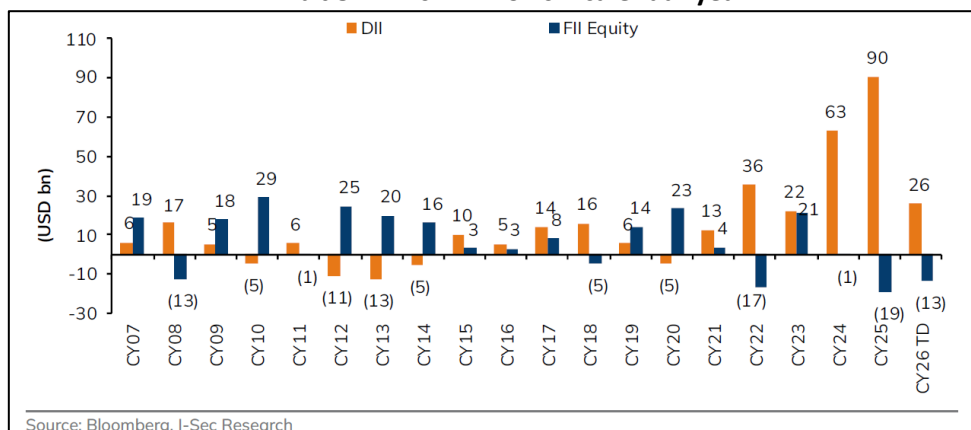


Source: Kotak

Scenario 2: Prolonged Conflict (Worse Scenario)

- The war prolongs, similar to the Russia-Ukraine conflict, which started as a "Special military operation" and was initially expected to end within a few weeks.
- It turns into a regional conflict, with all Iran-affiliated militias participating. Both the Strait of Hormuz and the Bab el-Mandeb Strait, which connects the Gulf of Aden and the Red Sea, could be blocked.
- This would create major supply chain constraints and a severe energy supply shock. Gas and oil prices could spiral out of control, with oil potentially remaining above \$150 per barrel. The environment would become highly inflationary, and there could even be difficulty in securing adequate supply.
- This could derail India's growth story in the near term. The combination of PE derating and slower earnings growth would leave significant downside risk with little meaningful upside. Indian market valuations already trade at a relatively expensive premium compared to other emerging markets.
- There are many moving parts. One of the worst outcomes would be a sharp increase in FDI and FPI outflows (already happening as shown in exhibit 8). This could further weaken the rupee, creating a vicious cycle by incentivizing more FPIs to exit. It may force the RBI to intervene aggressively by using foreign exchange reserves, which is not sustainable over the long term. A weaker rupee (Exhibit 9) would also add to inflationary pressures.

Exhibit 8: DII vs. FPI flows – calendar year



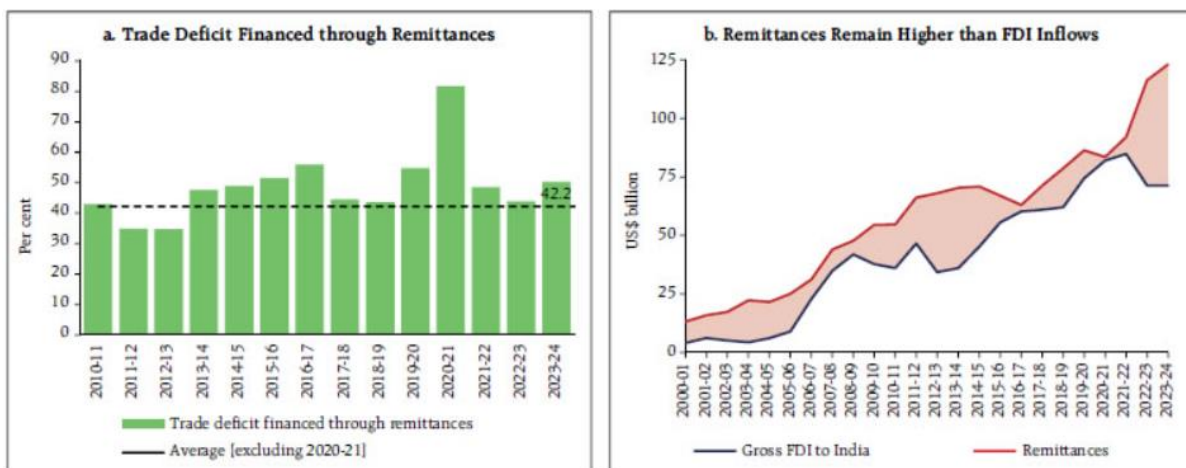
Source: Bloomberg, I-Sec Research

Exhibit 9: Rupee already among Asia’s worst performing currencies this year



- Monetary tightening could follow, leading to a decline in credit growth.
- Due to less availability of gas and other supply chain constraints, manufacturing would be impacted. This would further aggravate the GDP slowdown and hurt exports, worsening the current account deficit.
- The conflict could also affect remittances from the Middle East, which accounts for around 40% of India's total remittance inflows and helps to reduce the deficits (Exhibit 10).
- The government may be forced to reduce discretionary spending, while allocating more resources toward oil, gas, and fertilizer subsidies. This could slow infrastructure spending, which is critical for GDP growth and long-term development.
- Second-order effects could include weakness in real estate and consumption.
- This would affect India structurally in the medium term and would take much longer to stabilize and recover.

Exhibit 10: India’s inward remittances vis-à-vis Trade Deficit and FDI Inflows



Source: RBI

This too shall pass....

- Despite multiple headwinds, things will eventually normalize. Let us take the example of how the Dow Jones has performed over the last century (Exhibit 11).
- Despite wars, the Great Depression, and pandemic, the index has been extremely resilient. In the short term, there may be drawdowns, but over the longer run, it has delivered substantial returns.
- However, it is important to understand that past performance is not indicative of future results, and India is not the US, which is a superpower and has consistently grown, innovated, and benefited from the dollar being the world's reserve currency, giving it an "exorbitant privilege."
- The key point is that patience and perseverance pay off over the long run. It is very important for investors to allocate their equity exposure according to their risk profile and liquidity requirements. Large drawdowns can force investors to liquidate at low prices if they need funds urgently.
- Whatever happens, this too shall pass. It is better to focus on the things we can control rather than uncontrollable variables.

Exhibit 11: Index eventually recovers, and even with the volatility



Source: Carson Investment Research, FactSet 06/01/2025

Conclusion

On a risk-reward basis, this is a great time to systematically Top-up your investments in our PMS/AIF products with a medium- to long-term horizon.

We will be happy to have a quick call with you to discuss your portfolio. Also, we really appreciate the references you have shared thus far and would request you to continue to remain generous in sharing more references.

**Warm regards,
MoneyGrow Team**

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