COURSER PARK ADVISORS

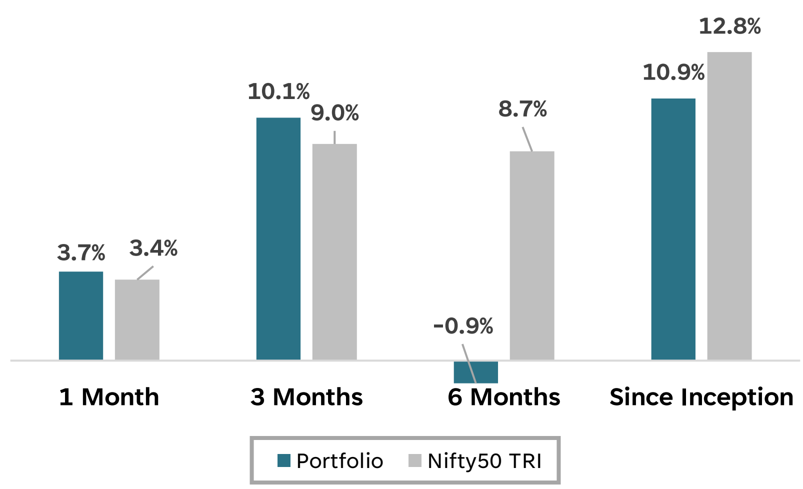
Quarterly Update

June 2025

Investment Objective

Courser Park Advisors ("CPA") uses a proprietary framework that combines fundamental and quantitative factors to identify businesses that can create long term wealth. The guiding philosophy is capital protection and compounding over longer periods by investing in companies with durable business models that can generate higher returns on capital over time. The singular goal and focus – invest only in those companies which have the lowest odds of permanent loss.

Chart 1: Strategy Returns[1]- GARP Scheme



1 *The above returns are calculated by using the Time-Weighted Rate of Return (TWRR) method across all portfolios (Absolute returns for less than 1 year). The above returns are as on 30-06-2025, post fees and expenses; Note: Returns of individual clients will differ based on the timing of their investments.*

Top Performers

Scrip Name	Purchase Date	Purchase Price (Rs.)	CMP (Rs.) as of 30-06-2025	Return (%)
ASK Automotive	01-Apr-2024	283	535	89%
Nuvama Wealth	01-Apr-2024	4,628	8,231	78%
Navin Fluorine	27-May-2024	3,307	4,820	46%
Crompton	01-Apr-2024	270	355	32%
Info Edge	01-Apr-2024	1,142	1,488	30%

Holding Companies*

Asset Concentration	Holding
Cash	4.5%
Top 5 Holdings	26.8%
Top 10 Holdings	46.1%
Highest Exposure	RELIANCE (5.7%)

Sector Allocation*

Sectors	Allocation (%)
BFSI	31%
Consumer	19 %
Auto & Ancillaries	12%
Healthcare/Pharma	10%
Others	23%

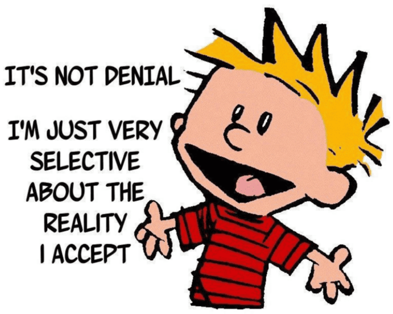
Market Capitalization*

Market Capitalization	Holding (%)
Large Cap	46%
Mid Cap	22%
Small Cap	32%
Avg. Market Cap (Rs. Bn)	1,911

Qualitative Analysis*

Parameters	TTM
PAT Growth	37.4%
PE	47.1x
ROE	16.5%

Represents Model Portfolio



Source: Calvin and Hobbes

The portfolio is recovering from the March tariff knockout - when 7 out of 30 companies fell more than 15% in that quarter. This is the exact reverse of what happened in 2Q25 ending September 24, during the super exuberance phase. The downdrift was driven primarily by slowdown in corporate earnings and govt capex, in addition to RBI's tight monetary policy. Alpha is negative although we have a very short history under the new vehicle. We did witness a similar episode in Dec 22 but within a short span of six months, the portfolio touched lifetime highs. We expect the same this time too with RBI turning significantly accommodative (by cutting rates and enhancing system liquidity) and the govt. capex coming back strongly.

Table 1: Portfolio positioning and the way forward:

			FY25-27E (CAGR)			
Portfolio Mix	**# of Stocks**	**Weight**	**Sales**	**EBITDA**	**PAT**	**Expected IRR**
Auto & Auto Ancillaries	4	12%	18%	21%	24%	*15%*
BFSI	9	31%	20%	21%	21%	*22%*
Capital Goods	3	7%	25%	30%	21%	*29%*
Consumer	8	19%	13%	18%	24%	*18%*
Healthcare/Pharma	4	10%	18%	22%	27%	*25%*
Oil & Gas	1	6%	7%	12%	15%	*13%*
Others	2	7%	23%	35%	43%	*18%*
Technology/IT Services	2	4%	12%	21%	27%	*5%*
Total	***33***	***95%***	***17%***	***21%***	***23%***	***18%***

Total is Weighted Average. Expected IRR as on June 30th, 2025. Cash is 5% of overall portfolio.

Portfolio is positioned to deliver ~20% annualized Sales and Profit growth over the next 2 years. Ideally, the portfolio returns should track this as company valuations are more or less in-line with long term averages.

In this cycle, one key learning has been – to stay invested in sectors which are inflation hedges, as traditional sectors such as consumer (both staples and durables) have been struggling with margins. Going forward, the aim is to position the portfolio towards sectors which have demonstrated growth as well as margin resilience in the face of erratic inflation. For instance, in case of Tata Consumer, tea price inflation affected margins drastically. Copper / aluminum prices have impacted Havells' margins and glass price inflation in case of United Breweries has made a dent in its margins. While the outsourced durable manufacturers like Dixon have sailed through, the ultimate brand owners are facing the brunt of inflation.

NBFCs are a significant portion of BFSI exposure which are likely to benefit with continued rate cuts as well as favourable stance of the regulator. Some of the names have consolidated for over 3 years making the initial purchase valuations very attractive – for instance, MAS Financials.

We continue to monitor and trim stocks where earnings visibility has deteriorated, and the ones where expected returns have turned lower due to exuberant valuations. In this context, we could tilt the portfolio from inflation-hit names and move it to Healthcare/Pharma that could take some of the weightage from Consumer sector.

In this newsletter, we primarily cover the anatomy of the fall between 26th September 2024 and 31st March 2025 and the learnings thereof (Start date here coincides with the Nifty peak):

Anatomy of the fall (between 26/09/2024 and 31/03/2025):

Key assumptions in the study:

- Universe: all companies above INR 1000 cr in market capitalization
- Start date: 26 Sep 2024, end date: 28 March 2025
- Classification of stocks into Large, Mid and small caps:Based on AMFI latest categorisation
  - Small caps: market capitalization upto INR 32,800 cr
  - Midcaps: market capitalization INR 1,00,000 cr
- Avoiding stocks with negative TTM EPS and P/E > 200 (Abnormal situations) from the study

Definitions:

- **Growth:** Companies with EPS growth (YoY) > 20% (Quarter ending December 2024)
- **Quality:** Latest RoE >15% (Quarter ending December 2024)
- **QG:** companies which have EPS growth higher than 20% AND RoE higher than 15%
- **CPA:** Our portfolio
- P/E Used: Starting / Trailing 12 M P/E as of 26/09/2024

Table 2: Average fall across market (valuations not considered)

Category (Avg Stock Return)	Overall	Growth	Quality	QG
Overall	**-20%**			
Large & Mid Cap	**-14%**	-12%	-15%	-11%
Small Cap	**-21%**	-13%	-20%	-10%

Based on the data above:

1. On an average, stocks corrected about 20% during this fall (equal weighted portfolios) – hence the pain was palpable across portfolios.
2. Even during the fall, investing in QG stocks outperformed other strategies across market cap.
3. <u>QG Strategy worked best in small caps - Protection in small caps was way better than large caps by following quality with growth.</u>

While the data above is valuation agnostic, we introduce valuations in the analysis below to check the impact of valuations across the spectrum.

Table 3: Average fall in Large & Midcaps based on PE across categories

Large & Mid Cap - Stock Return	Overall	Growth	Quality	QG	CPA
Average	**-14.2%**	**-12.4%**	**-15.0%**	**-11.1%**	**-12.0%**
Avg Returns for PE < 30	**-14.1%**	**-11.2%**	**-15.3%**	**-10.9%**	**-11.6%**
Avg Returns for PE > 80	**-15.8%**	**-13.0%**	**-18.3%**	**-14.0%**	**-14.3%**

Based on the data above, in the Large and Midcap part of the portfolio:

- Surprisingly, Quality companies fell the most, followed by broader market.
- For the broader market, fall was idiosyncratic in large caps - participants did not differentiate between value or non-value – 14.1% fall for value vs 16% fall for PEs higher than 80
- In all other buckets, high PE stocks fell more than value stocks by 3%
- Our performance was in-line with QG factor as it should be

Table 4: Average fall in Small caps based on PE across categories

Small Cap - Stock Return	Overall	Growth	Quality	QG	CPA
Average	-21.1%	-12.8%	-19.9%	-10.0%	-9.7%
Avg Returns for PE < 30	-19.9%	-10.0%	-19.6%	-7.3%	-4.9%
Avg Returns for PE > 70	-21.3%	-13.1%	-20.1%	-15.4%	-13.5%

Based on the data above, in the small cap part of the portfolio:

- We see a similar trend as the Large & Midcap portfolio - Quality companies got pounded the most.
- QG outperformed the most and within that PE mattered a lot with high PE stocks falling 8% more than the low PE stocks.
- Our performance was way better than the QG portfolio in small caps

In a nutshell, key learnings for us are:

- **Do not compromise on Quality or Growth**
- **Despite following QG framework, 20% corrections are inevitable**
- **Our large cap portfolio fell more than equal weighted large cap portfolio (QG) due to higher weightage to losers vs winners – more diversified large and mid cap portfolio might have helped**
- **Trend following works best in small caps with quality and growth – even for downside protection**

Areas of improvement:

While our performance in small caps was in line with our expectations, the recent drawdown suggests that we should exercise more patience in Large and Midcaps, especially if their business underperformance coincides with a market wide correction. Eg. Shriram Transport Finance, HDFC AMC etc

"I was taught that the way of progress is neither swift nor easy." —Marie Curie

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