BAYFORT CAPITAL
DIVERSIFY WITH A GLOBAL PORTFOLIO

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BayFort Capital: February 2025 Portfolio Review

BayFort Capital's Global Leaders Portfolio delivered a -2.47% return in INR (-3.37% in USD) for February. In comparison, the large-cap S&P 500 index declined 0.5% (INR), while the small-cap Russell 2000 declined by -4.51% (INR). Market sentiment was heavily influenced by a series of rapid policy announcements from the Trump administration following the January 20 inauguration. Additionally, several Q4 CY24 earnings reports from major tech companies revealed a substantial increase in AI-related capital expenditure estimates for CY25, raising investor concerns about the prudence of these multi-billion-dollar investments and their potential for meaningful returns.

Net Returns, INR (Feb. 28, 2025)	1 Month	YTD	1 Year	2 Years	Inception* Annualized	Inception* Cumulative
BayFort Capital Global Leaders Advisory Portfolio (INR)	-2.47%	0.62%	16.72%	33.40%	29.11%	97.65%
S&P 500 (INR)	-0.50%	3.04%	23.25%	25.94%	23.20%	74.44%
NIFTY 50 (INR)	-5.89%	-6.43%	0.65%	13.07%	13.51%	40.21%

*All returns are net of fees

In February, the top-performing S&P 500 sectors were Consumer Staples (+5.19%), Real Estate (+4.18%), and Energy (+3.83%). Consumer Discretionary (-6.98%) was the weakest, followed by Information Technology (-2.29%) and Industrials (-1.46%). Stock gains in January weren't broad-based. The large-cap Tech stocks caused the S&P 500 to underperform the equal-weight S&P 500 Index by 65 bps.

	Return (%) - Feb 28, 2025				
Asset	1M	3M	6M	1Y	3Y
Information Technology	-2.29	-3.35	2.71	9.71	14.50
[Benchmark] S&P 500	-1.27	-1.06	6.09	18.45	12.45
Financials	1.38	2.07	14.98	31.38	12.69
Consumer Discretionary	-6.98	-2.67	15.87	18.08	7.68
Industrials	-1.46	-4.84	4.56	14.35	12.77
Communication Services	-0.37	3.93	17.47	29.95	15.36
Healthcare	1.40	1.49	-4.48	4.47	6.32
Utilities	1.72	-3.68	5.41	31.62	8.59
Consumer Staples	5.19	0.59	1.99	14.73	6.29
Materials	-0.03	-5.86	-4.94	3.21	4.22
Real Estate	4.18	-3.08	0.85	14.21	2.03
Energy	3.83	-3.94	1.36	9.15	12.89

A few important points to consider as we think about the rest of the year.

1) Valuations: The S&P 500's forward P/E ratio of 21x indicates that valuations are not in bubble territory, reducing the likelihood of a market downturn triggered by valuation concerns. Moreover, earnings for the equal-weighted S&P 500 index are expected to increase by 14% in 2025, compared with a forecast of just 2% growth in CY-24.

2) Tariff Risk: President Trump is leveraging tariffs as a negotiation tactic to bring trade-deficit nations to the bargaining table. Given that the U.S. is the largest customer for almost all of these countries, we expect they will ultimately agree to trade deals—

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though not without some back-and-forth. The process is likely to be volatile over the next few weeks as tariffs are imposed and later removed upon reaching agreements. However, investors should view this volatility as a buying opportunity for quality stocks at bargain prices. Once the uncertainty subsides, S&P 500 earnings growth—projected in the 14-15% range for CY25, combined with low valuations—will be the key driver of market performance.

3) Economic Outlook and Fed Policy: The US economy is gradually transitioning towards a soft landing, supported by the Federal Reserve's measured approach to monetary policy normalization. The Trump administration's tax cuts, lower government spending (deficits), and business-friendly policies will further strengthen the economic outlook. With minimal credit risks, excess capacity, asset bubbles, and global rate cuts providing additional tailwinds, the US economy is projected to maintain a steady growth trajectory.

4) Inflation Risk in the US: Fears of inflation due to tariffs on Chinese imports appear to be overstated. While higher inflation expectations in CY-25 initially weighed on market sentiment—pushing the 10-year Treasury yield to 4.57% in January—it later closed at 4.23% in February. Given that yields were already in the 4.3% range in early November before Trump's election victory, the market has effectively dismissed inflation risk from its narrative.

Investment Strategy: Our Global Leaders Portfolio continues to invest in companies that are at the forefront of innovation, generate robust cash flows, and have demonstrated resilience in challenging market environments. We believe that the current market conditions present a compelling opportunity for both new and existing investors to participate in the long-term growth of the global knowledge economy.