



BayFort Capital: April 2025 Portfolio Review

"You make most of your money in a bear market, you just don't realize it at the time."
— Shelby Cullom Davis

BayFort Capital's Global Leaders Portfolio delivered a 3.05% return in USD (2.6% in INR) for April. In comparison, the large-cap S&P 500 index declined 0.76% (USD), while the small-cap Russell 2000 declined by 2.09% (USD). Market sentiment was significantly impacted by a flurry of Tariff policy discussions from the Trump administration which were announced on, Liberation Day, April 2nd. Trump, in his classic style started with a bang but as days passed the tariffs were watered down or delayed. The ongoing earnings season is contributing to heightened market volatility, as investor sentiment shifts in response to a mix of positive and negative earnings reports from key bellwether stocks. This dynamic, combined with sector-specific developments such as tariff impacts, has led to increased dispersion in market performance. While some sectors have seen significant earnings revisions, others remain relatively stable, underscoring the importance of selective positioning. Our portfolio remains resilient, with no material earnings downgrades reported and no further downward revisions anticipated.

Net Returns, INR (April 30, 2025)	1 Month	YTD	1 Year	2 Years Annualized	Inception* Annualized	Inception* Cumulative
BayFort Capital Global Leaders Advisory Portfolio (INR)	2.60%	-6.96%	8.44%	23.79%	23.72%	82.76%
S&P 500 (INR)	-1.19%	-6.00%	12.98%	18.06%	17.82%	59.13%
NIFTY 50 (INR)	3.46%	2.92%	7.65%	16.06%	16.52%	54.21%

*All returns are net of fees * Inception is July 1, 2022 * S&P 500 is the Portfolio Benchmark

In April, the top-performing S&P 500 sectors were Information Technology (+1.69%), Consumer Staples (+0.2%), and Industrials (0.11%). Energy (-13.86%) was the weakest, followed by Healthcare (-3.79%) and Materials (-2.43%). Stock declines in April weren't broad-based. The large-cap Tech stocks caused the S&P 500 to outperform the equal-weight S&P 500 Index by 119 bps.

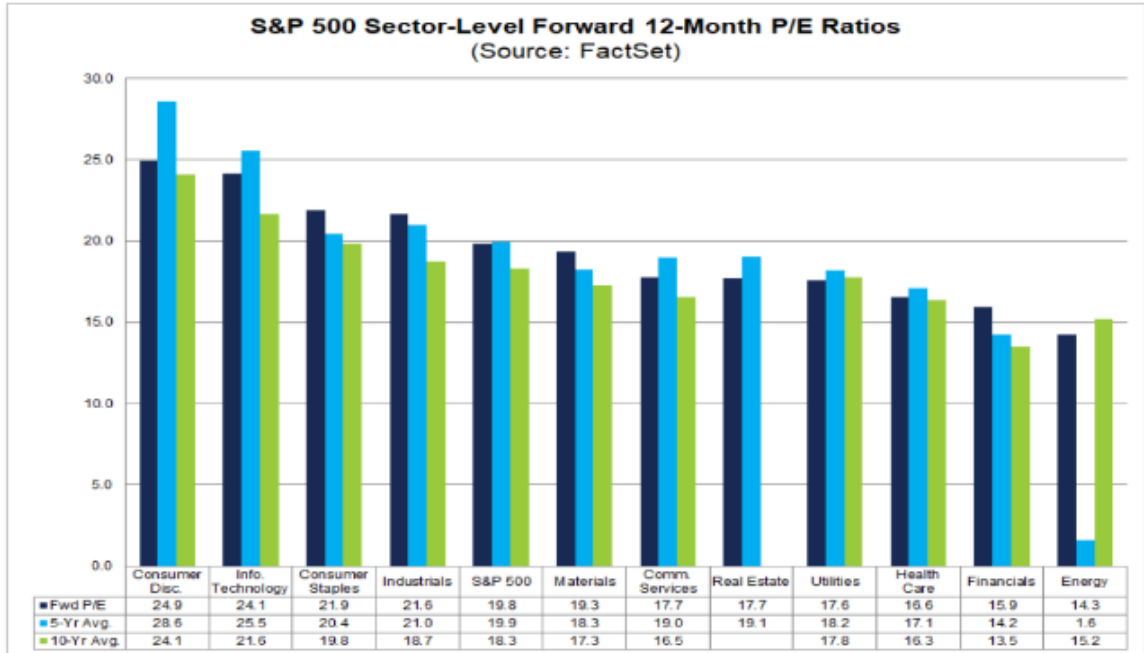
Asset	Return (%) - Apr 30, 2025					
	1M	3M	6M	1Y	3Y	
Information Technology	1.69	-8.87	-5.20	7.73	15.04	
[Benchmark] S&P 500	-0.87	-7.58	-1.86	11.88	12.04	
Financials	-2.11	-4.92	5.74	22.69	14.28	
Consumer Discretionary	-0.10	-14.80	0.65	13.32	7.55	
Industrials	0.11	-4.86	-1.15	9.59	13.15	
Utilities	0.06	2.03	0.26	21.83	6.74	
Healthcare	-3.79	-3.99	-3.55	1.72	4.21	
Communication Services	-1.05	-6.50	4.27	23.96	18.54	
Consumer Staples	0.20	4.16	3.45	11.20	4.52	
Materials	-2.43	-5.07	-9.27	-3.52	1.65	
Real Estate	-1.31	0.35	-2.75	18.09	-0.54	
Energy	-13.86	-7.43	-7.66	-11.09	6.07	

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 20x indicates that valuations are at attractive levels, reducing the likelihood of a market downturn triggered by valuation concerns. Moreover, earnings for the S&P 500 index are expected to



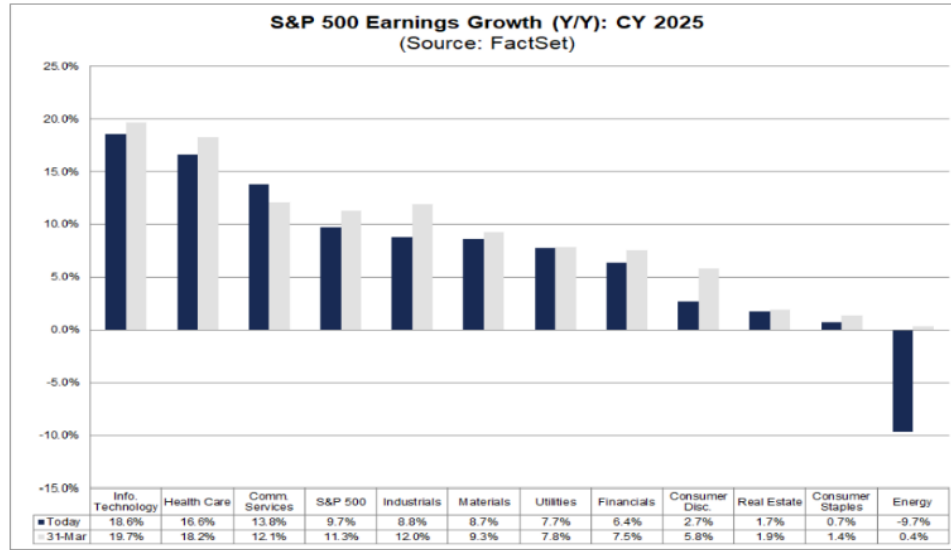
increase by 9.5% in 2025, compared with a 10.4% growth in CY-24. Furthermore, a reduction in interest rates benefits growth stocks. If the Fed cuts rates by 100 basis points by December 2025 as anticipated, the resulting decrease in discount rates on future cash flows could lead to a significant increase in valuations for high-growth companies.



2) Tariff Risk: Select sectors, notably energy, have undergone substantial earnings revisions in the wake of the recently imposed tariffs, as depicted in the accompanying chart. In contrast, other sectors have exhibited only modest adjustments since April 2, 2025. Our portfolio companies have not reported any material earnings revisions to date, nor do we anticipate any further downward revisions. The establishment of clear maximum tariff levels is a significant positive for the stock markets. With this certainty, businesses can plan more effectively, and analysts can accurately assess the impact on various companies without the unpredictability of daily presidential tweets. As long as there is no major retaliation from China or Europe, this issue will soon fade into the background, removing a key source of uncertainty and eliminating a major overhang on the markets.



CY 2025: Growth



3) Economic Outlook and Fed Policy: Inflation remains the biggest concern for the Fed to cut interest rates. If tariffs lead to higher prices, the Federal Reserve may have limited flexibility to cut interest rates. However, as Chairman Powell stated in the last conference call, tariff-induced inflation is transitory. In the short to medium term, the Fed may still proceed with rate cuts to support the U.S. economy, particularly to mitigate inflation’s impact on employment—one of its two mandates. The critical factor influencing rate cuts will be employment data. If job growth slows, the Fed will have room to lower interest rates to fulfill its mandate of promoting maximum employment. . As long as the Fed is not worried about transitory inflation, the next macro economic indicator to watch out would be job growth. We expect the net new job growth to falter due to all the government job cuts as well as a slowdown in hiring from the Tariff induced uncertainty in Q1CY25. Consequently, we increased our rate cut expectations from 50 bps to 100 bps in CY25 post the April 2 tariff announcements with the first 25 bps coming as early as the May 7, meeting.

4) Tax Cuts: As we move into May, the spotlight in Washington is expected to shift toward tax reform. A key component of Trump’s election platform was reducing the corporate tax rate from 22% to 15%. Details of his negotiations with lawmakers are likely to emerge soon. Currently, this potential tax cut is not reflected in stock prices, as no formal announcements have been made by the White House. However, with the debt ceiling deadline approaching at the end of May, discussions around raising the ceiling may serve as a critical juncture for tax cut negotiations to take place—if they are to be implemented in the near term.

5) Inflation Risk in the US: Concerns over inflation resulting from tariffs are now largely priced into the market, as maximum tariff levels for each country have already been announced. The decline in 10-year Treasury yields following the announcements reflects this sentiment. While part of the move was driven by a short-term risk-off



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reaction, it's important to note that bond investors in 10-year maturities take a long-term view. Their response suggests that any inflation from tariffs is expected to be transitory.

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.