BAYFORT CAPITAL
DIVERSIFY WITH A GLOBAL PORTFOLIO

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BayFort Capital: June 2025 Portfolio Review

“You can always count on Americans to do the right thing - after they've tried everything else.” – Winston Churchill

BayFort Capital's Global Leaders Portfolio delivered a 6.15% return in USD (6.12% in INR) for June. In comparison, the large-cap S&P 500 index gained 4.96% (USD), while the small-cap Russell 2000 returned 5.26% (USD). June wrapped up the first half of 2025 with strong momentum and broad-based gains in the S&P 500. After rebounding from the spring's volatility, the index closed June at 6,204.95, up ~5.5% YTD (USD) — its post-correction rally was fueled heavily by AI beneficiaries, especially chipmakers and AI-related energy/utilities. Several of our portfolio companies are already reporting better-than-expected margins, driven by significant productivity gains enabled by AI. Our portfolio remains resilient, with no material earnings downgrades reported and no further downward revisions anticipated. June delivered strong earnings reports—Oracle kickstarted the month, followed by standouts like Nike, Nvidia, Micron, and Tesla (whose self-driving taxi launch in Austin fueled a 9.7% stock jump). Finally, easing tensions in the Middle East provided a supportive backdrop for stocks in June.

Net Returns, INR (June 30, 2025)	1 Month	YTD	1 Year	3 Years Annualized	Inception* Annualized	Inception* Cumulative
BayFort Capital Global Leaders Portfolio (INR)	6.12%	9.15%	10.26%	28.95%	28.95%	114.40%
S&P 500 (INR)	4.93%	5.09%	16.64%	21.17%	21.17%	77.90%
NIFTY 50 (INR)	3.10%	7.92%	6.27%	17.37%	17.37%	61.71%

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

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 23x indicates that valuations are not at expensive 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% in 2025, compared with a 10.4% growth in CY-24. Furthermore, lower interest rates are typically supportive of growth stocks. If the Federal Reserve proceeds with the widely anticipated 50 basis point rate cut by December 2025, the resulting decline in discount rates on future cash flows could drive a meaningful re-rating in the valuations of high-growth companies. Looking further ahead, it appears increasingly likely that the incoming Fed Chair, set to take office in May 2026, will adopt a distinctly dovish policy stance. Given current expectations, a faster pace of rate cuts under the new leadership seems almost inevitable.

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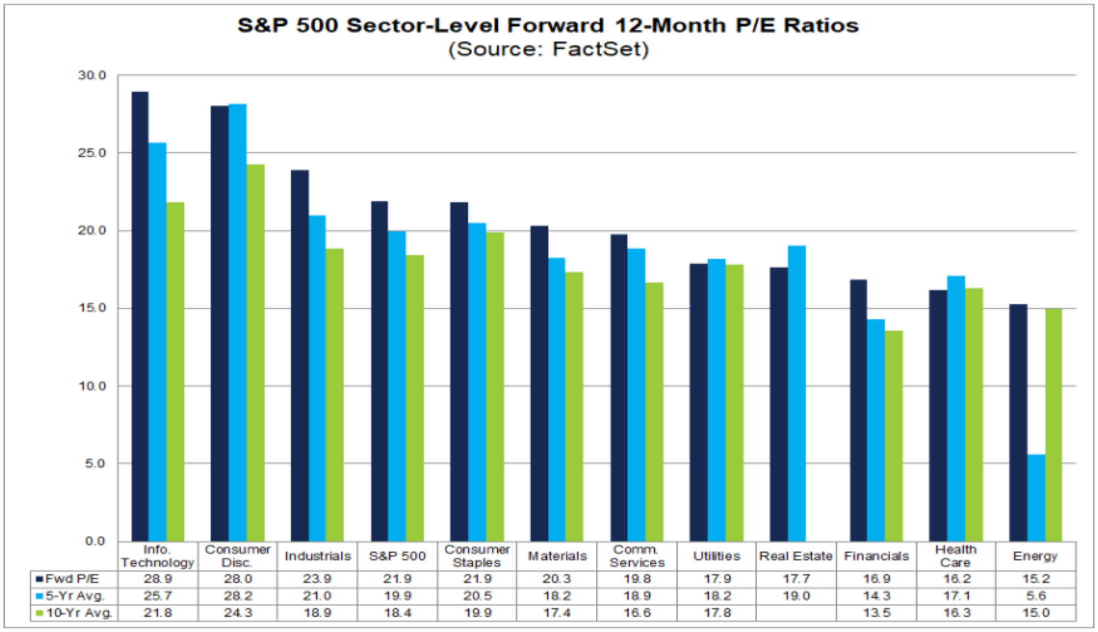
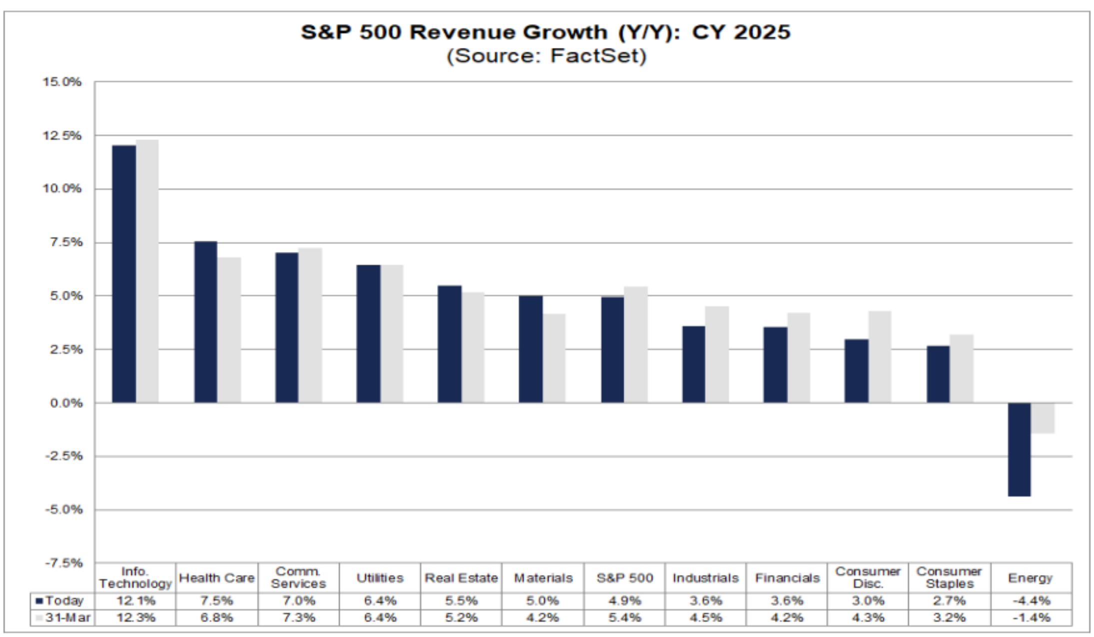


	Info. Technology	Consumer Disc.	Industrials	S&P 500	Consumer Staples	Materials	Comm. Services	Utilities	Real Estate	Financials	Health Care	Energy
Fwd P/E	28.9	28.0	23.9	21.9	21.9	20.3	19.8	17.9	17.7	16.9	16.2	15.2
5-Yr Avg.	25.7	28.2	21.0	19.9	20.5	18.2	18.9	18.2	19.0	14.3	17.1	5.6
10-Yr Avg.	21.8	24.3	18.9	18.4	19.9	17.4	16.6	17.8		13.5	16.3	15.0

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. Trade de-escalation remains the key foundation for investor confidence going into the second half.



	Info. Technology	Health Care	Comm. Services	Utilities	Real Estate	Materials	S&P 500	Industrials	Financials	Consumer Disc.	Consumer Staples	Energy
Today	12.1%	7.5%	7.0%	6.4%	5.5%	5.0%	4.9%	3.6%	3.6%	3.0%	2.7%	-4.4%
31-Mar	12.3%	6.8%	7.3%	6.4%	5.2%	4.2%	5.4%	4.5%	4.2%	4.3%	3.2%	-1.4%

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3) **Economic Outlook and Fed Policy:** The Fed maintained its target range (4.25–4.50%), but updated its projections pointing to two likely quarter-point cuts by year-end in the June FOMC meeting. Inflation remains the biggest obstacle for the Fed to cut interest rates. 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 H1CY25. On June 23, Vice Chair Bowman's comments signaled openness to rate cuts amid rising job-market caution and tariff-driven inflation risk. This reinforced market expectations for easing.

4) **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 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.