



## BayFort Capital: August 2025 Portfolio Review

**“The pace of progress in artificial intelligence is incredibly fast... Unless you have direct exposure to groups like DeepMind, you can’t imagine how fast.” — Elon Musk**

Update: BayFort Capital Global Innovation Portfolio is now available on [HDFC Securities Platform](#)

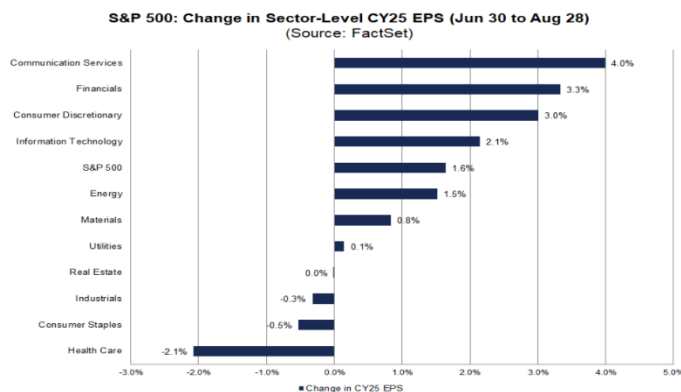
BayFort Capital's Global Leaders Portfolio delivered a 1.99% return in USD (2.47% in INR) for August. In comparison, the large-cap S&P 500 index gained 1.91% (USD), while the small-cap Russell 2000 returned 7.00% (USD). Hyperscalers are continuing their aggressive investment in AI, boosting their annual capital expenditures from \$260 billion to \$380 billion this quarter. Companies recognize that leadership in AI will be a defining factor for success over the next few decades, and they are competing fiercely to build the best AI infrastructure. We believe the AI boom is still in its early stages, transitioning from conceptual development to tangible, revenue-generating applications.

Net Returns, INR (Aug 31, 2025)	1 Month	YTD	1 Year	3 Years Annualized	Inception* Annualized	Inception* Cumulative
BayFort Capital Global Leaders Portfolio (INR)	2.47%	15.70%	19.64%	27.71%	29.72%	127.97%
S&P 500 (INR)	2.38%	12.82%	20.32%	21.83%	22.67%	90.99%
NIFTY 50 (INR)	-1.38%	3.31%	-3.21%	11.21%	14.80%	54.80%

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

**Fiscal & Monetary stimulus:** Combined these two are the most powerful drivers of equity returns—historically, it’s a near-unbeatable formula for stock market performance. The bear thesis has partially played out, with July’s net new jobs coming in at just 73K. However, powerful tailwinds are on the horizon: fiscal stimulus from OBBA (impacting CY26) and monetary stimulus from anticipated Fed rate cuts—likely to begin at the September meeting, with effects typically felt within 6–9 months.

**Earnings:** Between June 30 and August 28, five of the eleven sectors saw their Q3 2025 bottom-up EPS estimates rise. The Information Technology sector led the way with a 4.4% increase, followed by Energy (+4.0%) and Communication Services (+2.6%). Conversely, five sectors experienced a drop in their estimates during the same period, with Health Care seeing the steepest decline at -7.2%.



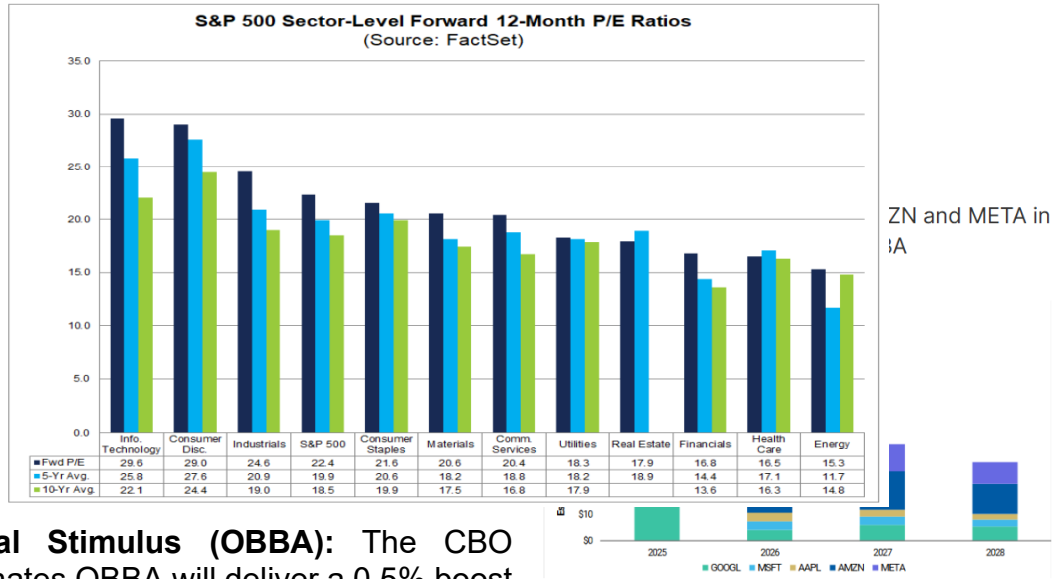


In August, the top-performing S&P 500 sectors were Healthcare (+5.37%), Materials (+5.19%), and Consumer Discretionary (+4.66%). Utilities (-1.58%) was the weakest, followed by Technology (-0.11%) and Industrials (0.00%). Stock gains in August were broad-based. The large-cap Tech stocks underperformed while other sectors posted positive returns causing S&P 500 to underperform the equal-weight S&P 500 Index (+2.51%) by 46 bps.

Asset	Return (%) - Aug 31, 2025				
	1M	3M	6M	1Y	3Y
Information Technology	-0.11	13.85	16.77	19.93	25.74
<b>[Benchmark] S&amp;P 500</b>	2.05	9.77	9.21	15.86	19.43
Industrials	0.00	6.76	12.18	17.31	19.72
Consumer Discretionary	4.66	8.62	7.83	24.94	15.24
Financials	3.09	6.31	4.20	19.81	19.87
Communication Services	3.71	10.12	9.79	28.98	28.29
Utilities	-1.58	3.64	7.94	13.78	7.57
Materials	5.19	7.42	4.99	-0.19	9.15
Healthcare	5.37	4.11	-6.92	-11.09	4.98
Consumer Staples	1.25	-1.81	-1.58	0.38	6.16
Real Estate	2.17	2.31	-0.43	0.42	3.96
Energy	3.65	11.77	0.92	2.29	7.66

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

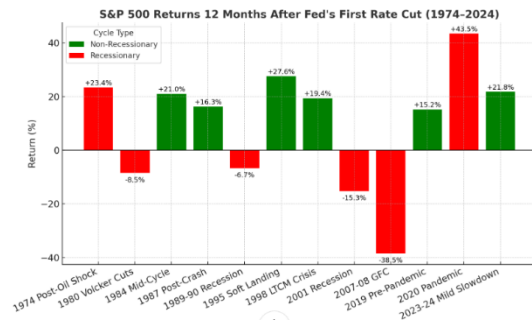
- 1) Valuations:** The S&P 500's forward P/E ratio of 22.4x indicates that valuations are not at expensive levels, reducing the likelihood of a market downturn triggered by valuation concerns. Moreover, earnings for the S&P 500 index are expected to increase by 10.6% in 2025 and 13.4% in CY26, compared 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 75 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.



**2) Fiscal Stimulus (OBBA):** The CBO estimates OBBA will deliver a 0.5% boost to U.S. GDP over the next decade, with a 0.9% lift in 2026—a powerful short-term stimulus. A 100% immediate expensing for R&D capex will increase cash flows of high capex AI infrastructure & Semiconductor firms. Google’s cash increases by nearly \$25 Billion. This will drive corporate reinvestment and support innovation-focused sectors.

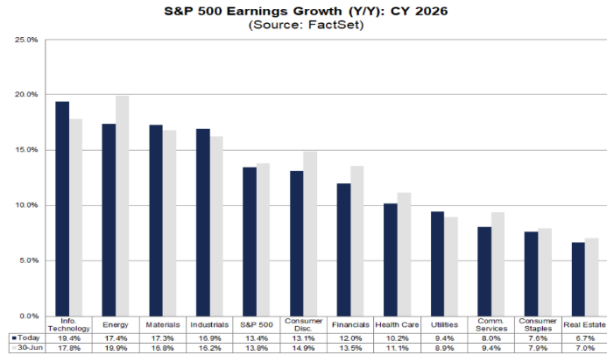
Source: Company Data and Morgan Stanley Research.

**3) Monetary Stimulus (Rate Cuts):** 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 July FOMC meeting. We believe the Fed cuts interest rates by at least 25 bps in September. 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. 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. Recent downward revisions to May and June job growth, coupled with a modest 73K net new jobs in July, have paved the way for a likely 25 bps Fed rate cut in September.





**4) Recession Risk in the US:** The breadth and strength of these earnings expectations significantly reduce near-term U.S. recession risks, underscoring confidence in corporate profitability and economic resilience. A key driver of this resilience is AI. Historically, S&P 500 earnings growth has averaged in the mid-high single digits, but AI-related innovation has lifted forward estimates into the low teens for the next several years. This structural shift reflects how productivity gains, automation, and new business models are reshaping earnings trajectories across technology, industrials, and even services sectors. In essence, AI is not only fueling leadership in technology but also transforming the baseline expectations for corporate growth across the index.



**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.

P.S: On the auspicious occasion of Ganesh Chaturthi, BayFort Capital marked a new milestone by moving into its permanent home at:

**Trade World, C-904, Kamala Mills, Senapati Bapat Marg, Lower Parel, Mumbai 400 013.**



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