

Dear Investors,

Global equity markets continue to face headwinds as geopolitical tensions escalate. India's markets are navigating a confluence of pressures - worsening war news, energy price shocks, and sustained foreign outflows. The BSE Sensex is down ~13.7% year-to-date and ~17% from its September 2024 peak.

VALUATION CONTEXT & HISTORICAL PERSPECTIVE

At 19.4x trailing P/E (March 2026), NIFTY trades at an 11% discount to its long-run average of ~21.8x - the deepest discount since mid-2022. Crucially, this de-rating has occurred while earnings continued to grow: TTM EPS rose from ₹966 (early 2024) to ₹1,152 today (+19%), even as the index fell ~14.5% from its October 2024 peak.

What Past Corrections Tell Us

Examining five major correction cycles, a clear pattern emerges. The 2008 global financial crisis was the lone systemic outlier (P/E trough: 12.1x). Every other correction - 2011, 2016, 2020, 2022 - **bottomed in the 17-20x P/E range** and delivered strong 12-month forward returns.

The **closest analog today is 2015-16: a ~15% drawdown, P/E falling from 23.5x to 18.9x**, driven by FII outflows and global risk-off rather than domestic earnings stress. NIFTY subsequently **gained ~35% over the following 18 months**.

The critical variable in every past episode: EPS continuity. Where earnings held up, markets recovered sharply. With EPS at ₹1,152 and showing no signs of stress, base case points to recovery - though crude prices, US tariffs, and FII flows remain key swing factors.

INVESTING THROUGH VOLATILITY - A FRAMEWORK

Markets today are testing investor psychology. We see this as an opportunity to remind ourselves of the principles that separate good long-term outcomes from poor ones.

Common Biases to Guard Against

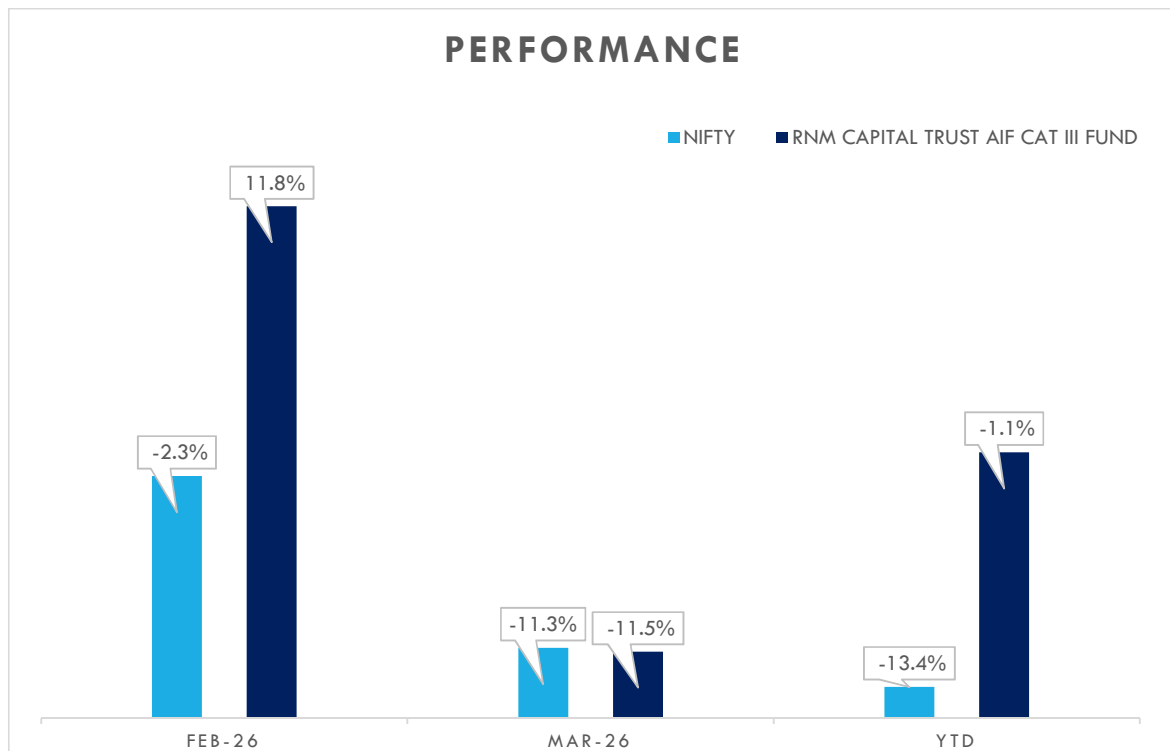
- Recency bias - assuming current trends will persist indefinitely
- Loss aversion - feeling losses twice as painfully as equivalent gains
- Confirmation bias - seeking only information that validates existing views
- Overconfidence - overestimating one's ability to time the market
- Sunk cost fallacy - holding losing positions due to past commitment

Think Like an Owner, Not a Speculator

If you invest in a business, you are a part-owner of that business. The speculator watches the ticker; the owner watches the fundamentals. When the grocery store you own is temporarily discounting its shelves, you don't panic - you check whether customers are still buying. The same discipline applies to equities.

FUND PERFORMANCE

	Feb-26	Mar-26	YTD
NIFTY	-2.3%	-11.3%	-13.4%
RNM Capital Trust AIF Cat III Fund	+11.8%	-11.5%	-1.1%



While NIFTY is down -13.4% YTD, our fund has limited losses to -1.1%, demonstrating the value of active risk management in a challenging environment.

MACRO & POLICY OUTLOOK

Monetary Policy

Despite rising global risks, RBI is expected to hold rates in April at 5.25% and maintain a neutral stance. With CPI at 3.75% (Feb-26), real rates stand at +1.50 percentage points - providing a buffer before any tightening is required.

Inflation Risks

Food inflation is a key near-term risk, driven by an unfavourable base and potential Kharif weather disruptions. If energy prices stay elevated beyond one quarter or global food inflation spikes, there is probability of an early rate hike by RBI.

Currency & Balance of Payments

India's BoP has deteriorated - a capital account deficit is weighing on the rupee. Effective forex reserves, after accounting for ~\$88-93B in forward liabilities, are materially lower than the headline \$717B. The rupee remains vulnerable if FII inflows don't revive.

Fiscal Pressures

The ₹10/litre excise duty cut on fuel implies ₹1.7 trillion (~0.4% of GDP) in annual revenue loss. Fertiliser subsidies may also surge. The ₹1 trillion Economic Stabilization Fund provides some buffer, but fiscal risks are clearly building.

The stock market is the only place in the world where people run out of the store during a 30% sale. Focus on Owner's Earnings - the cash your businesses generate - not the price someone might offer for them today. Let time do the compounding.