

Dear Investors,

Equity markets continue to remain volatile, with investors navigating a combination of geopolitical developments, fluctuating commodity prices, evolving interest rate expectations, and concerns around global growth. Amidst this backdrop, the Nifty has declined 8.6% during the period, while the Fund has delivered a positive return of 3.0%, resulting in an outperformance of approximately 1,160 basis points. While market sentiment remains fragile, the **recently concluded FY26 earnings season provides an opportunity to evaluate what ultimately matters most** the underlying performance of the businesses we own.

### [Portfolio Earnings Update: Fundamentals Continue to Outpace Market Expectations](#)

The latest earnings season reinforced our confidence in the operating strength and long-term earnings potential of the portfolio.

#### **Broad-Based Revenue Growth**

**RNM Capital Trust Portfolio companies continued to demonstrate healthy business momentum** despite an uncertain operating environment.

- **80% of portfolio companies** reported **positive revenue growth** during FY26.
- **40% of portfolio companies** delivered revenue growth **exceeding 15%**, reflecting healthy demand conditions and continued market-share gains.
- **Nearly 50% of portfolio companies met or exceeded revenue expectations**, despite sector-specific challenges and macroeconomic uncertainties.

The results indicate that underlying business demand remains resilient across a majority of our portfolio holdings.

#### **Profitability Remains Resilient**

Alongside revenue growth, profitability trends remained encouraging.

- **More than 60% of portfolio companies maintained or improved EBITDA margins**, demonstrating operational discipline and effective cost management.
- **Approximately 40% of portfolio companies reported improvement in net profit margins**, despite continued investments in growth initiatives.

Several businesses continue to invest in capacity expansion, product development, technology capabilities, and distribution reach. While such investments can create temporary pressure on near-term

profitability, they are expected to strengthen competitive positioning and support future earnings growth.

### Cash Flows and Balance Sheet Strength

The portfolio continues to be anchored by businesses with prudent balance sheets and healthy cash-generation capabilities. The majority of portfolio companies remained cash generative during the year and continue to maintain financial flexibility to pursue growth opportunities while navigating uncertain market conditions.

### Key Observation: Business Performance vs Stock Performance

One of the most notable observations from the earnings season has been the growing divergence between stock prices and underlying business performance. While market volatility has led to sharp movements in share prices across sectors, the operating performance of portfolio companies has remained considerably more stable. Revenue growth remains healthy, margins have broadly held up, and management teams continue to invest for future growth. This disconnect between market sentiment and business fundamentals is not unusual. In fact, periods where fundamentals remain intact while valuations compress have historically created attractive opportunities for long-term investors.

### What We Are Monitoring

As we enter FY27, our focus remains on a few key indicators that will determine the next phase of earnings growth:

- Capacity expansion and project execution
- New product launches and market penetration
- Margin sustainability and operating leverage
- Working capital efficiency and cash conversion
- Demand trends across key end markets

Early indicators across the **portfolio remain broadly constructive.**

## Outlook

The FY26 earnings season reaffirmed a key aspect of our investment philosophy: over time, business performance drives investment outcomes far more reliably than short-term market sentiment. The underlying earnings trajectory across the portfolio remains healthy, balance sheets remain strong, and management teams continue to invest for future growth. While market volatility may persist, the latest results reinforce our confidence that intrinsic business value across the portfolio continues to compound. We remain focused on identifying and owning high-quality businesses where long-term earnings potential is materially greater than what current market expectations imply.

	Feb-26	Mar-26	Apr-26	May-26	YTD*
NIFTY	-2.3%	-11.3%	7.5%	-1.9%	-8.6%
RNM CAPITAL TRUST AIF CAT III FUND	11.8%	-11.5%	4.7%	-0.5%	3.0%

\*YTD - 04 Feb 2026 to 29 May 2026

