Dear Partners,

Wishing you and your family a bright and prosperous Diwali and a very Happy New Year! May the festive season bring happiness to your homes and the year ahead bring prosperity that lasts.

As we reflect this festive season, we would like to share a short exchange from Hermann Hesse's classic novel, *Siddhartha*, which captures three qualities which are core to our investment philosophy.

After years of fasting, meditation and a life without possessions, Siddhartha decides to enter the material world and learn the ways of business. He approaches a wealthy and established merchant, hoping to work with him.

The merchant naturally wants to know what Siddhartha has to offer. After all, he has no money and no experience in business. What does he bring to the table? The merchant asks him a simple question: How can you start a business with absolutely nothing?

Siddhartha calmly replies that he has three powerful qualities **"I can think, I can wait, I can fast."**

The merchant is initially unconvinced. But we believe Siddhartha's three qualities are just as relevant to how we approach investing at SteadFort.

- **"I can think":** The ability to focus deeply without distraction. It helps us avoid chasing every trend, getting carried away by euphoria or panicking in a sell-off.
- **"I can wait":** Patience. When the pressure to deliver returns builds, we try to resist it and wait for the right company, under the right conditions, at the right price.
- **"I can fast":** Delayed gratification. It means refusing to compromise on our principles for immediate gains and keeping our focus on the long term.

These three qualities matter because we invest in an uncertain world. Between 2020 and 2026, we have been reminded that uncertainty is an inseparable part of progress and change. We moved from a pandemic that brought economies to a standstill, to conflicts that disrupted energy supplies, trade and now to Artificial Intelligence, which is challenging established business models. The shocks differed in kind, but the underlying condition was the same: the future was never as predictable as it seemed.

Interestingly, it was not just about anticipating risks. The companies that were better placed were also those with strong balance sheets and business models that could adapt when circumstances changed. We saw this during COVID, periods of geopolitical conflict and are seeing it again with AI.

When the World was Caught Off Guard

When COVID-19 struck, the world was caught off guard. Yet some were better placed to respond. Hospitals with sound finances could add beds and equipment. Diagnostic laboratories with the capacity to scale played a critical role in expanding testing. Decades of research into mRNA technology helped make the rapid development of some COVID-19 vaccines possible. Contract manufacturers, specialised suppliers and makers of essential medicines, active ingredients and oxygen equipment saw extraordinary demand. The pandemic was devastating, but it also accelerated changes in healthcare and medical research that will benefit the world for years.

When the World has to Adapt

Just as the world was recovering, geopolitical conflict brought a different challenge. Over several decades, many businesses had increasingly prioritised efficiency: sourcing from the cheapest locations, holding low inventories and relying on global supply chains, while defence and energy security took a back seat.

The Russia–Ukraine war in 2022 changed that quickly. Europe, heavily dependent on Russian energy, had to find new sources of gas and oil. LNG imports rose, storage became a priority and some countries returned to fossil fuels even as renewable investment accelerated. Energy security became as important as the energy transition. Governments and businesses also began looking beyond the cheapest supplier towards reliable and diversified ones and Europe moved to rebuild defence manufacturing capacity after years of underinvestment.

The later conflicts in the Middle East, including shipping disruptions in the Red Sea and tensions involving the US and Iran, brought the Strait of Hormuz into sharp focus. Roughly one in every five barrels of oil the world uses and one in every five cargoes of LNG, normally passes through this narrow waterway.

With so much energy supply at risk, countries drew on strategic reserves, sought alternative suppliers, used pipelines that bypass the strait and adjusted refining and shipping routes. India was particularly exposed: roughly 60 per cent of its LNG imports and close to half of its crude oil imports came through the strait. When flows were disrupted, shipments to India fell to a fraction of earlier levels and India moved quickly to other sources, including the US, Oman, Nigeria and Angola. It made a similar shift in crude oil, where the number of supplier countries grew from 27 to 41.

Businesses and governments also began investing in new capacity and more resilient supply chains, creating opportunities for companies across the capital goods, energy and defence sectors.

Artificial Intelligence: Disruption or Opportunity?

A pandemic or a war disrupts the environment in which businesses operate. AI is different. It is technological progress itself that is changing how businesses operate.

Productivity has always been at the heart of human progress. The plough, the printing press, the steam engine, electricity, the personal computer and mobile technology each let people produce more with the same effort and each has contributed to improvements in living standards over time. Artificial Intelligence is the latest leap in this story and possibly the sharpest. Tasks that once needed time, specialised skills and large teams can increasingly be done faster and cheaper.

Earlier productivity revolutions displaced skills, businesses and jobs before the gains were widely shared. AI is likely to bring similar disruptions and it raises some difficult questions. What happens to businesses whose services AI can replicate? Which jobs will change or disappear? And how much of today's AI infrastructure spending will generate adequate returns?

We are already seeing both sides. Companies are investing heavily in chips, data centres and computing, while traditional software and service businesses are rethinking their models. Within organisations, back-office functions, customer-facing roles and creative and knowledge work are increasingly being handled with the help of AI, at a speed and cost that were not possible before. AI will not benefit every business equally. For some it may threaten their existence; for others it may strengthen their competitive position. The eventual winners may not be those spending the most or making the boldest claims, but businesses that understand their customers, own valuable data and domain expertise, have the financial strength to invest sensibly and can integrate the technology into their operations.

History gives us reason to believe that technological progress can improve productivity and living standards over time. The transition, however, may be difficult for some businesses and industries. For us as investors, the task is to understand how AI could affect each of our businesses, whether by threatening its competitive position or creating opportunities to strengthen it.

What This Means for How We Invest

The businesses that get through difficult periods are not necessarily the ones that grew the fastest or invested the most. Often, they are the ones that have been run well, made sensible decisions, built lasting customer relationships and kept their finances in good shape. Some businesses may simply manage to get through these periods, while others may come out stronger. As investors, we would rather own businesses that are prepared for the unexpected than depend on our ability to predict what lies ahead.

This is important in the current environment. Geopolitical tensions are creating uncertainty around energy, supply chains and trade. There is a risk that inflation stays higher for longer, keeping interest rates elevated and putting pressure on consumer spending and industrial demand. Businesses with high operating leverage,

large debt-funded expansion plans or aggressive acquisitions could find this particularly difficult. And hence our preference for companies with Low debt and Strong Balance Sheets.

What Gives Us Confidence in the Future

While protecting capital remains central to our approach, we also seek adequate returns. What gives us confidence is the quality of the businesses we own. Looking across our portfolio, most of our businesses demonstrate one or more of the following qualities, alongside healthy cash-flow generation.

- **Market leaders:** A leading position or strong reputation within their industries or niches.
- **Strong execution capabilities:** Management teams that make rational decisions, allocate capital prudently and remain disciplined through different business cycles, avoiding excessive risks even during favourable times.
- **Simple corporate structures:** Focused businesses with straightforward structures that are easier to understand, evaluate and monitor.
- **Financial strength and cash flows:** Businesses that have strong cash flows, low debt and healthy balance sheets, enabling them to fund their operations and future growth through internal resources.
- **Patience at the Right Price:** Buying these high-quality businesses only when valuations offer a sufficient margin of safety, allowing us to sit back and wait patiently for their underlying value to compound and the market price to converge with it.

No business is perfect and not every holding has all the above elements. But together these qualities help us stay resilient when the world surprises us and patient while compounding does its work.

Ultimately, we return to the three qualities with which we began. We must continue to think deeply, wait patiently for the right opportunities and resist the temptation of short-term gains. These are simple ideas, but practising them consistently requires discipline. By strengthening these qualities every day, we seek to protect capital and build wealth over the long term.

Thank you for your continued trust and partnership.

Warm regards,
The SteadFort Investment Team

Portfolio Performance

Period	Portfolio	BSE 500 TRI
1 Month	-3.52 %	0.12 %
3 Months	-3.28 %	-6.49 %
6 Months	-1.25 %	-2.95 %
Since inception date 10/03/2026	6.19 %	-0.21 %

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