

White Whale Portfolio Management – 2Q FY26 Quarterly Letter

Dear Partners,

Greetings from White Whale Partners. We wish you and your families a very Happy Diwali and a Prosperous New Year.

Portfolio Performance – White Whale Rising Star

On 1st October, 2025, we completed one year of our new strategy, funded by partners' capital – **White Whale Rising Star**. The strategy invests across market cap with a concentrated portfolio of ~8-12 companies. This strategy's focus is on **Value and Special Situations**. Details of the strategy are discussed in more detail later in the letter. The Rising Star portfolio has delivered strong relative returns, and is up 11.8%¹ return in the one-year since inception, compared to Nifty 50 TRI which is down 3.5%, displaying a strong 15.3% outperformance.

Figure 1

	3 months	6 months	1 Yr	Inception*
				Absolute
WW Rising Star	0.3%	13.3%	11.8%	11.8%
Nifty 50 TRI	-3.2%	5.5%	-3.5%	-3.5%

**Since 1st October 2024*

Portfolio Performance – White Whale North Star

The **White Whale North Star** portfolio also delivered healthy relative returns for the quarter as well as for the past one year. During the quarter, the portfolio gained 1.3%, outperforming the Nifty 50 TRI, which was down 3.2%. Over the last 12 months as well, the portfolio is up 4.4% vs the Nifty 50 TRI which is down 3.5% displaying a strong 7.9% outperformance. On an annualized basis, since inception, the portfolio is up 14.7%¹, compared to 16.0% for the Nifty 50 TRI.

Figure 2

	3 months	6 months	1Yr	Inception*	
				Absolute	Annualised
WW Northstar	1.3%	12.5%	4.4%	95.4%	14.7%
Nifty 50 TRI	-3.2%	5.5%	-3.5%	106.5%	16.0%

**Adjusted for cash from 11th Nov'20 to 31st Dec'20*

Following a sharp rally through 2023 and early 2024, Indian equity markets have largely consolidated over the past year — with the Nifty 50 TRI down 3.5%, while the NSE Mid Cap 150 and Small Cap 250 indices declined 5.7% and 9.3% respectively.

Despite this corrective phase marked by stretched valuations and heavy FII outflows, **White Whale continues to rank amongst the best-performing PMS fund managers in India over the past year (See Figure 3). In the Multi & Flexi Cap Category - Rising Star portfolio ranked #3 while the North Star Portfolio ranked #12 among the 235 PMS Funds.**

This is a testament to our disciplined investment process, our ability to protect capital in down markets and our differentiated stock selection allowing us to significantly outperform in weak equity markets.

¹ Periodic portfolio performance information is calculated net of management and incentive fees. The information is unaudited and current year performance information is subject to change pending the completion of the current year audit. In addition, individual performance may vary based upon timing of contributions, withdrawals, participation in certain investments, and fee arrangements. For individual investor performance, investors should rely on information contained in account statements. The performance related information is not verified by SEBI.

Figure 3

Rank	Fund House	Strategy Name	6 Month	1 Year
1	Wave Asset Pvt Ltd	Bloom	5.9%	16.2%
2	Wave Asset Pvt Ltd	Pure Alpha	15.1%	13.3%
3	White Whale Partners	Rising Star	13.3%	11.8%
4	Himalaya Investment Advisors	Everflow India Opportunities	14.1%	9.3%
5	Shepherd Hill Financial Advisors	Value Magno	16.5%	7.7%
6	2Point2 Capital	Long Term Value	15.0%	6.5%
7	Wealth Managers India	Focused Leadership Portfolio	16.8%	6.2%
8	Carnelian Asset Management	Capital Compounder	19.3%	5.9%
9	Eklavya Capital Advisors	Equity	5.6%	5.9%
10	Sundaram Alternate Assets	SISOP	19.1%	5.3%
11	Stallion Asset Pvt Ltd	Core Fund	15.1%	4.7%
12	White Whale Partners	North Star	12.5%	4.4%
13	Sundaram Alternate Assets	Voyager	15.4%	4.2%
14	Buoyant Capital Pvt Ltd	Opportunities	10.7%	4.2%
15	Fort Capital Investment Advisory	Dynamic	11.4%	3.6%

Source: PMS Bazaar, 1 Year Return Rankings – Multi & Flexi Cap PMS (as of 30th Sep, 2025)

Market and Macroeconomic Developments

Post the recent consolidation, MSCI India has now underperformed vs the MSCI Emerging markets by 27% over the last year, the highest in the last 15 years. At least three drivers stand out—among others: (1) a give-back after three years of outsized outperformance that left valuations stretched, (2) a short term macro-economic slowdown and (3) recent U.S. trade actions—including higher tariffs on select Indian imports—that tempered the near-term India narrative. Consequently, FIIs sold US\$29 billion over the past year. A robust IPO/QIP supply over the last year also weighed on overall markets. All of this was offset by strong US\$89 billion of domestic inflows, as retail investors continue to show strong faith in the Indian equity markets.

In spite of the healthy time correction, overall valuations are still slightly above long-term averages. The Nifty 50 Index is trading at 19.9x forward earnings, at a 9% premium to its long-term average of 18.2x (See Figure 4). The NSE Mid Cap and Small Cap indices are trading at 25x forward earnings and 27x forward earnings, respectively. (See Figure 5 and Figure 6). This is still at a premium of ~9% and ~58% to historic valuations respectively as well. Furthermore, the small and mid-cap stocks are trading at over a 30% premium to the large cap stocks, compared to a discount historically. While we continue to be vary about valuations of the broader market, we continue to focus on identifying investment ideas that look attractive from a bottom-up basis.

Figure 4



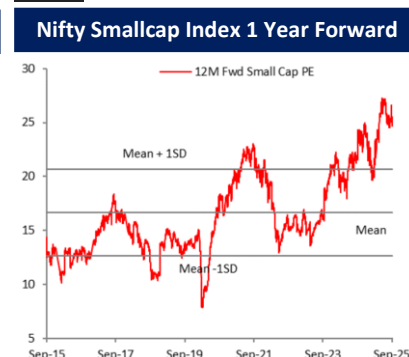
Source: Phillip Capital

Figure 5



Source: Phillip Capital

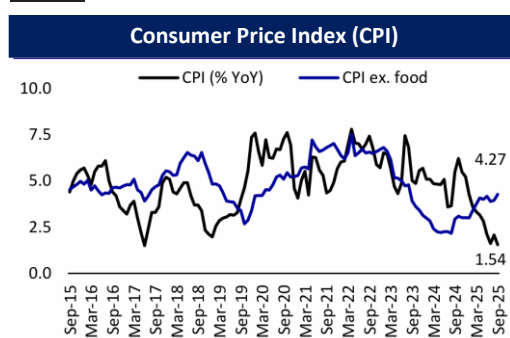
Figure 6



Source: Phillip Capital

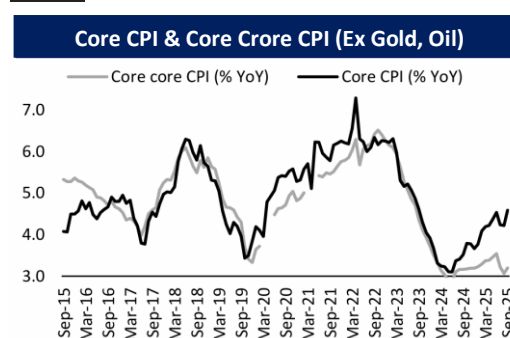
From a macroeconomic perspective India continues to emerge from a short-term cyclical slowdown. GDP in the June quarter further improved to 7.8% from 7.4% in the March quarter and 6.0% in the December quarter. More importantly, inflation, which had been a perennial problem for India, remains well under control. Retail inflation has fallen to an 8-year low to 1.5%, driven by lower food prices (See Figure 7). Even core inflation rate at 4.3% remains within the RBI target range of 2%-6%. Even out here, the recent uptick has been largely driven by a surge in gold and silver prices. Excluding this, core inflation would have actually been only at 3.2% (See Figure 8). This will allow the RBI to remain accommodative in its monetary policy. While it has already cut interest rates by 100bps so far this year, consensus still expects another 50bps of easing.

Figure 7



Source: MOSL, CEIC

Figure 8



Source: MOSL, CEIC

Current account deficit at less than 1% and stable 10-year government yields at 6.3% further indicate a healthy macro environment. System credit growth has also bottomed out and should accelerate from the 10% yoy growth currently. We remain very positive on the macro-economic set up for India from a medium-term perspective. We continue to believe that we are still in the midst of a multi-year pick up in capex cycle driven by high-capacity utilization, healthy corporate balance sheets and low NPAs in the banking system. Government initiatives such as manufacturing PLI, Atmanirbhar and green energy will require a significant pick up in investments from the corporate sector. We continue to focus on deep bottom-up research to identify investment ideas that would benefit from these structural tailwinds.

White Whale Rising Star Investment Framework and Case Study

Having completed one-year of our new strategy, this is an opportune time to discuss the framework of the strategy in more detail. The goal here is to *invest in value unlocking opportunities by identifying companies benefiting from change – either at the company or industry level*. The focus is to identify companies undergoing change early and determine value unlocking opportunities before they start showing up in the numbers. When these situations play out, they typically unlock value, and thus returns from these opportunities are relatively agnostic to broader market returns. As a testament to the strategy, whose inception coincided with the peak of the market, we have been able to deliver an 11.8% return over 1 year in weak equity markets, while the Nifty was down 3.5% and BSE 500 TRI was down 5.5%.

The strategy follows a sector-agnostic, event-driven approach with a core focus on identifying undervalued opportunities with imminent catalysts to unlock value. We target special situations such as change of management, business turnarounds, mergers and acquisitions, demergers, spin-offs, entry into a new business vertical, regulatory change that structurally shifts industry dynamics, promoter transitions, and restructuring events that present asymmetrical risk-reward outcomes. The portfolio is constructed with a highly concentrated allocation bias, emphasizing small and mid-cap segments where inefficiencies and information asymmetry are most prevalent.

A case in point is One 97 Communications (Paytm), where a regulatory event led to a strong sell-off, causing the company to pivot its business model to create sustainable growth levers.

One 97 Communications (Paytm) (Market Cap – 80,000Cr)

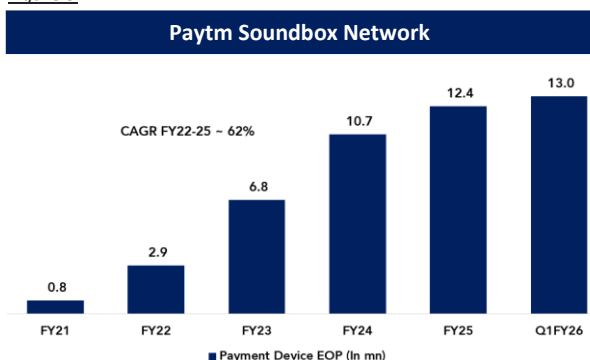
Paytm is one of the largest fintech players in India having an extensive reach across consumer and merchant. The company is the third largest UPI payment solutions provider, reaching over 74 million customers and largest merchant payments solution provider, covering 46 million merchants.

The investment opportunity was created by regulatory disruption in January 2024, when RBI slapped a ban on the payment banking licence of Paytm. This caused the company to stop taking any more money on to their wallet and onboarding new customers. They also had to change the UPI id of all their customers and merchants, who were linked to the Paytm payment bank. This was the first time RBI took such a severe regulatory action of revoking a banking license. There was significant worry among investors, that this would be followed up by possible further regulatory action as well. This essentially led to a perfect storm, causing the stock price to fall by 56%, which was a market cap erosion of Rs 28,000Cr

We tracked the business for a few quarters thereafter. Their consumer lending business dropped from Rs4,400Cr quarterly disbursements to Rs1,900Cr quarterly disbursements and active UPI consumers dropped from 100 mn MTU to 70 mn MTU. With the ban on onboarding new customers, there was more pain to follow on the consumer end. However, their merchant business held on very well. Our channel checks further indicated that they had done a fantastic job in retaining the merchants, given their dominant hold on the market. They retained >95% of the merchants despite having to undertake the painful exercise of switching UPI handles from Paytm to other banks at each merchant. Their market share in this segment remained strong at 35%.

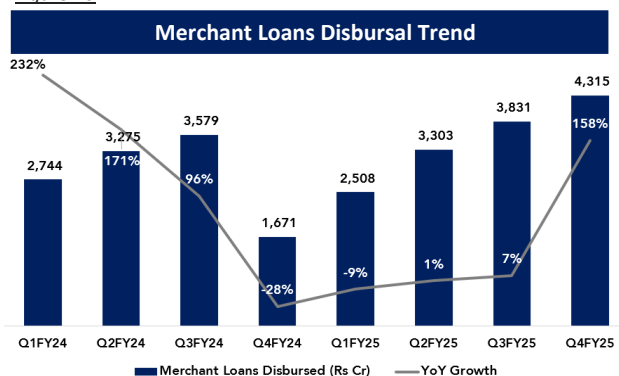
As we dug into the merchant side of the business, we realized that they had a strong subscription business via the soundboxes they deployed at merchant sites (See Figure 9). This made the merchant's payment solution business extremely sticky. Furthermore, only ~560K merchants off a base of 46 million registered merchants on their platforms availed loans distributed by Paytm, while Paytm has strong visibility into their daily cash flows. Thus, the runway to growth for them to originate loans (See Figure 10) and assist in collection via direct debit through their platform (daily, weekly) was significant. The increase in merchant base along with monetization per merchant could generate an incremental ~Rs1000 Cr. of revenue per year. As a fintech platform with largely fixed costs, most of this would flow to the bottom line, incrementally increasing EBITDA by a similar amount and expanding margins going forward.

Figure 9



Source: Company

Figure 10



Source: Company

Along with this, they had Rs 13,000Cr cash in their balance sheet. Upon meeting the management team, we realized that they were making their cost structure leaner and undertaking asset monetization of non-core assets that would unlock further value (Events ticketing and Pay Pay Japan stake sales followed further raising another Rs 4,400 Cr in cash).

We took a position in the stock at Rs 700 or at ~Rs 44,730 Cr. Market cap. At that price, the business was attractively priced, in spite of not ascribing any value to the consumer side of the business, which would serve as pure optionality were it to reverse. Fast forward a few quarters, and the company continued to deliver well, with margins expanding, the company growing profitably from Rs 180Cr in Adj EBITDA losses in Q2FY25 to Rs 102Cr in EBITDA profits in Q1FY26. The regulatory ban on onboarding new customers was lifted recently, which should further boost the consumer payment side

of the business. In spite of an 84% appreciation over the last 12 months, Paytm remains a core holding in the portfolio, as we believe there is still significant operating leverage that will unlock more value.

Conclusion

In closing, we would like to thank you for your support and faith in the White Whale Portfolio Management Team. We look forward to a long and prosperous partnership together. If you have any questions, feedback, or suggestions, please always feel free to reach out. We look forward to hearing from you.

We wish you and your family Happy Holidays!

Sincerely,

White Whale Partners Team

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