

TANTALLON INDIA FUND

The Tantallon India Fund is a fundamental, long-biased, India-focused, total return opportunity fund, registered in the Cayman Islands and Mauritius. The Fund invests with a 3–5-year horizon, in a concentrated portfolio (25-30 unlevered positions), market cap/sector/capital structure agnostic, but with strong conviction on the structural opportunity, scalable business models, and in management's ability to execute.

Tantallon Capital Advisors, is a Singapore-based entity, set up in 2003, holding a Capital Markets Service License in Fund Management from the Monetary Authority of Singapore.

The Tantallon India Fund closed up +1.16% in August with markets trading circumspectly on heightened Crude (oil) anxiety with the escalation of hostilities in the Persian Gulf, and US Treasury yields breaking higher following Warsh's hawkish Jackson Hole pivot putting the risk of rate hikes back on the table. In contrast, the June quarter results amplified our confidence in the capex and the corporate earnings cycle having inflected positively, in restored macro and external account stability, in the high frequency data we track validating a sound, sustainable growth trajectory, and in valuations that would appear to be under-estimating fundamental earnings resilience and the sustained conversion of idiosyncratic revenue opportunity into earnings and free cash flow.

A view at 30,000 feet:

- **Interest Rates.** Warsh has put rate hikes back on the table. The orderly move higher we have seen thus far reflects 'normalization' rather than 'panic,' with 10-year Treasury yields still tracking below what was 'normal' in the four decades preceding the 2008/2009 Global Financial Crisis. *In our view, the primary risk is not the absolute level of rates, which markets will digest if measured and calibrated, but a panic 're-set,' where a sharp spike triggers 'risk-off' across all risk assets.*
- **US Dollar Debasement.** Gold and bitcoin price action (and 'debasement' search trends spiking globally) would argue for a return to Liberation Day psychology, while Treasury intervention on the yen and long-dated Treasuries is both a 'warning' to leveraged traders *and* a tacit admission of vulnerability.
- **The Middle East.** There is no viable offramp. The US and Iran (and proxies) have resumed missile and drone strikes on energy, civil, and military infrastructure across the region. Crude, LNG, and coal have taken note: supply is constrained and heading into the winter, US and European reserves sit well below 'normal,' with obviously negative implications for energy prices and inflationary expectations.
- **Resilience Confirmed.** India's April–June quarter's GDP rose +7.8% y-o-y, despite the drag from the war in the Middle East weighing on the rupee and the current/fiscal accounts. Growth is anchored to domestic capex, services, production, and consumption, and the high-frequency data we track would corroborate the print. For reference, GST collections clocked in at US\$62.7bn for the quarter (+12.4% y-o-y, +6.8% q-o-q); retail vehicle registrations totaled 6.42m units (+10.2% y-o-y, +3.8% q-o-q) while gross fixed capital formation advanced +11.9% y-o-y (+4.2% q-o-q), and composite PMI averaged 60.9.
- **Earnings Breadth and Valuation Upside.** The June quarter delivered a decisive upside surprise, confirming both the breadth of the opportunity outside the megacaps, and a consistency and amplitude of delivery at odds with the de-rating the market has been subjected to. Earnings for the Nifty500 posted a +18% y-o-y run-rate, a ten-quarter high, with revenues tracking at +11% y-o-y on the back of strong results from the financials, industrials, real estate and consumer discretionary sectors, and particularly strong cash conversion efficiency in the mid-cap industrials and consumer stocks.

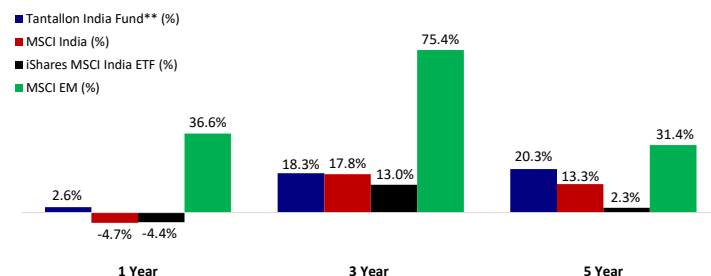
We are comfortable modeling earnings growth compounding ~15% annually over the next 3 years, with a headline market multiple tracking at 18x one year forward earnings.

Performance, in USD

(Inception on September 1, 2015)

	Tantallon India Fund**	MSCI India (\$)	Rel. Perf.	iShares MSCI India ETF (\$)	Rel. Perf.
August 2026:	+1.2%	-0.4%	+1.6%	-0.2%	+1.4%
2026 YTD	+2.5%	-9.3%	+11.9%	-8.1%	+10.5%
2025	-6.3%	+3.0%	-9.3%	+2.7%	-9.0%
2024	+11.9%	+11.1%	+0.8%	+7.8%	+4.1%
2023	+29.2%	+19.6%	+9.6%	+16.9%	+12.3%
2022	-12.8%	-8.7%	-4.1%	-8.9%	-3.9%
2021	+27.7%	+25.1%	+2.6%	+14.0%	+13.7%
Inception:	+98.0%	+105.8%	-7.8%	+76.9%	+21.1%
Compound Returns	+6.4%	Volatility	+22.7%	***net of expenses	

1, 3, 5 Year Rolling Returns



FUND DETAILS

The Tantallon India Fund

AUM USD 25,000,000

Investment Manager:
Tantallon Capital Advisors Pte Ltd

Minimum Investment:

USD 1,000,000

Administrator:
Trident Trust Company (Mauritius) Ltd

Fees:

1.5%pa Management fees
12.5% on annual returns in excess of 7.5% US\$ hurdle rate compounding annually

Domicile: Mauritius

Dealing: Monthly

Feeder funds
US Feeder and Non-US

Lawyers:

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LLP; Rajah & Tann Singapore LLP

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The FCNR(B) Deposit/Swap program closed a month early, with mobilizations far exceeding expectations. With the rupee (and FX reserves) under duress after the war in the Middle East and the spike in crude, the RBI mapped the 2013 'Taper Tantrum' playbook, sponsoring a swap facility to mobilize 3–5-year dollar deposits and external commercial borrowings (ECB).

YEAR	RETURNS	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC
Inception	+98.04%												
2026	+2.48%	-5.28%	+8.27%	-12.90%	+13.26%	+1.98%	+1.09%	-1.36%	+1.16%				
2025	-6.26%	-6.40%	-6.81%	+6.94%	+2.06%	+3.92%	+1.35%	-6.12%	-0.57%	+0.64%	+2.46%	-0.82%	-2.07%
2024	+11.87%	+2.20%	+2.90%	-1.04%	+4.57%	+3.38%	+4.22%	+0.59%	+2.18%	+2.92%	-4.09%	-2.18%	-3.85%
2023	+29.23%	-0.59%	-2.28%	+2.29%	+4.77%	+1.70%	+4.54%	+4.75%	+1.22%	-1.30%	-2.30%	+6.81%	+6.91%
2022	-12.81%	+0.28%	-6.93%	+2.07%	-3.70%	-3.91%	-4.74%	+7.35%	+4.03%	-5.02%	+2.07%	-0.31%	-3.80%
2021	+27.69%	-1.87%	+9.82%	+3.69%	+2.62%	+6.31%	+0.10%	+1.92%	+3.34%	+0.46%	-0.51%	-2.60%	+2.05%

- In 12 weeks, the swaps + ECB program brought in \$136.4bn (4x the \$34bn raised in 2013). The RBI closed the deposit window a month early (the ECB facility remains open through year-end), with reserves at an all-time high (~\$745bn) and the rupee stabilizing ~Rs95/US\$.
- The negatives: (i) the 'borrowed' dollars are matched against a growing RBI forward book, so headline reserves overstate the net buffer; (ii) 3-5-year maturities concentrate redemptions in relatively narrow window in 2029-2031; and (iii) core systemic liquidity likely exceeds Rs.10 trillion, creating potential 'sterilization' risks via a higher bank cash reserve ratio, and/or limiting RBI flexibility to transfer surplus reserves to fund fiscal stimulus.
- The positives, which we would strongly emphasize: (i) a credible currency floor is now in place, already visible in exporters repatriating proceeds and a nascent revival in FII equity and debt flows; (ii) a deposit-constrained banking system has fresh CRR- and SLR-exempt funding to sustain credit growth (at ~5% of system deposits, the dollar inflows are 'supportive' rather than 'transformative'); and (iii) because the swap hedges principal at par, the funding cost is known, we estimate NIM dilution of 3bp-10bp depending on the bank.

From "Land-Grab" to Cash Flow: India's listed consumer-facing 'platforms' have crossed a structural threshold, moving from a blinkered focus on 'market share' and 'share of wallet' to 'monetization,' converting the revenue opportunity into earnings and free cash flow.

We see three layers of opportunity: (i) transaction utilities (quick commerce, food delivery, marketplaces) earning a spread on 'convenience,' where profitability is driven by scale and last-mile optimization; (ii) backward-integrated retailers investing for sustained gross margin, mix, and scale uplift; and (iii) financial intermediaries, where the moat is regulatory/license-driven, and 'trust,' convenience, and repeat transactions drive scale economics and margin accretion.

- We are encouraged by the growth levers we track: (i) the recovery in urban discretionary consumption over the last six months, (ii) the increase in recurring (membership, subscription, and prescription) revenues over the last two years, and (iii) nascent earnings and free cash flow anchored growth and valuation dynamics.
- Profitability is inflecting positively for the cohort, minimizing equity dilution and debt funding needs, with capital allocation discipline replacing the 'growth at all costs' mantra, and recurring revenues, operating leverage, and working capital management driving margin uplift and balance sheet repair without sacrificing the embedded revenue opportunity.
- We continue to evaluate the risks: stretched expectations/valuations that leave little room for 'stumbles,' regulatory 'interventions' (gig-labor classification, capped commissions, trading and leverage limits on capital markets proxies), the ever-present risk of 'irrational competition' being resurrected, and venture/private equity investors 'looking for an exit.'

On balance, we see the best risk/reward in the backward-integrated retail layer, anchored to conviction in the product category and demand dynamics, internally funded store and online expansion consolidating the unorganized sector, and visibly improving unit and free cash flow economics on the back of recurring income, mix, and margin drivers.

The stock we would like to highlight this month is **Lenskart Solutions**, the country's dominant, vertically integrated eyewear franchise, with 2,725 stores in India and 734 overseas. Vision correction is a non-discretionary, recurring medical expense, and with ~50% of new customers converting from the unorganized sector, Lenskart is the industry consolidator with a long runway. The international business (~45% of consolidated revenues), under the OwnDays brand across Japan, South-East Asia, and the Middle East, leverages an internally funded, low-cost manufacturing moat to drive growth, scale, and sustained margin uplift.

We expect Lenskart to compound revenues at 30%+ annually over the next three years, with consensus modeling a more modest ~20% growth profile.

- The Telangana greenfield facility and the Thailand JV, fully funded by internal free cash flow, will sustain ~30% annual volume growth over the next three years.
- We are more constructive than the market modeling ~600 net new stores in India, ~20% same-store-sales growth, and a recurring revenue flywheel (with prescriptions being refilled on an 18-24-month cycle), over each of the next three years, with the mix skewed towards the Tier 2 cities where stand-alone mom-and-pop optometric stores still dominate the trade.
- We are more constructive on the international business, given backward integration into a low-cost manufacturing base, improving brand perception, the prescription-driven recurring base, mix/margin optionality in the smart-glasses platform, and potential rupee weakness.

We expect Lenskart to compound earnings at 65%+ annually over the next three years, with consensus projecting ~40% growth.

- We anticipate ~175bps of EBITDA margin uplift in each of the next three years given the new low-cost manufacturing capacity, improving mix/margins from recurring and international revenues, new stores maturing, and operating leverage.
- Given improving utilization and scale, we anticipate ROCE inflecting to 20%+, capex intensity falling from ~9% of revenue to ~5%, and the company to turn net cash by March 2029, allowing for a formal dividend payout policy.

Conclusion:

- We expect markets to remain volatile as concerns ebb and flow over crude prices, inflationary expectations, the yield curve, dollar debasement, and a potentially severe El Niño event negatively impacting rural incomes and consumption.
- We would make the case that India's economic, and earnings resilience remains firmly underpinned by domestic reforms, a resurgent domestic capex cycle, strong credit demand, industrialization, and discretionary consumption.
- We would also make the case for a confluence of tepid expectations and positioning, and attractive valuations, setting the market up for a re-rating as conviction builds in the structural revenue opportunity in Indian equities, and the improving visibility on revenue conversion into earnings and free cash flow growth.

Encouraged by the high-frequency economic indicators we track, and the sustained domestic bid for domestic equities, we have increased our exposure to power generation, transmission, and distribution, grid infrastructure, export focused industrials, private financials, energy security, discretionary consumption, and to pharmaceuticals.

Please do let us know if you would like a follow-up conversation, or a catch-up in the next few days.

Portfolio Overview

Top 5 Positions	Fund's Sectoral Break-down:	As % NAV	Sector Contribution to Monthly Performance	
Azad Engineering	Industrials:	22%	Industrials	+1.64%
Hitachi Energy India Ltd	Financials:	19%	Health Care	+0.44%
Bajaj Finance Ltd	Materials:	10%	Consumer Discretionary	+0.30%
Linde India Ltd	Health Care:	7%	IT	+0.18%
Sun Pharmaceutical Indus	Energy:	5%	Materials	+0.02%
	Utilities:	6%	Real Estate	+0.01%
	Communications:	3%	Energy	-0.10%
	IT:	3%	Communications	-0.22%
	Consumer Staples:	3%	Consumer Staples	-0.25%
	Real Estate:	3%	Financials	-0.33%
	Cash:	19%	Utilities	-0.52%

The fund may only be offered in Switzerland to qualified investors within the meaning of Art. 10 para. 3 and 3ter CISA. In Switzerland, the representative and the paying agent is Intesa Sanpaolo Wealth Management SA, Rue du Rhône 4, CH-1204 Geneva. The relevant documents of the fund as well as the annual report may be obtained free of charge from the representative

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