TANTALLON CAPITAL

September 2026

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.

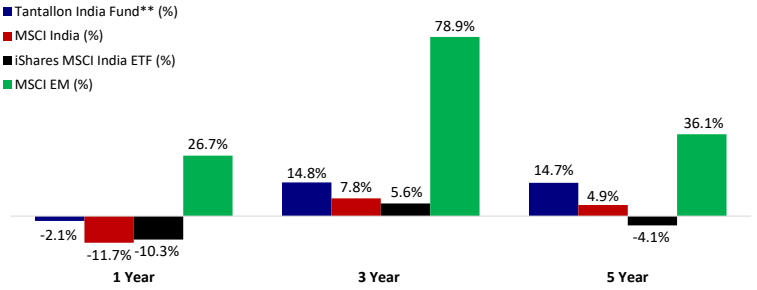
Performance, in USD *(Inception on September 1, 2015)*

	Tantallon India Fund**	MSCI India ($)	Rel. Perf.	iShares MSCI India ETF ($)	Rel. Perf.
September 2026:	-4.24%	-6.91%	+2.67%	-6.08%	+1.83%
2026 YTD	-1.86%	-15.65%	+13.79%	-13.64%	+11.77%
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:	89.65%	+91.84%	-2.20%	+66.18%	+23.47%

***net of expenses*

Compound Returns	5.94%	Volatility	22.31%
TTM Sharpe Ratio	-0.61	3mo US T-bill	4.10%

1, 3, 5 Year Rolling Returns



FUND DETAILS

The Tantallon India Fund

AUM USD 24,000,000

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 Feeder (Cayman Islands)

Lawyers: Maples & Calder
Shearman & Sterling LLP; Rajah & Tann Singapore LLP

Auditor: KPMG

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September was a tough month.

As we write this note, the market has been marked lower for 8 weeks in a row, the longest 'losing' streak in 25 years. Thirteen of the fourteen sectoral indices closed in the red. We see close parallels in the current market sell-off to the 2013 taper tantrum and the 2022 oil-and-Fed-hike shock, where short-term equity market stress was transmitted through the exact same channels: higher crude oil prices, the rupee, and foreign institutional investor selling. On both occasions, resilient domestic growth and earnings prevailed, with markets recovering their footing, going on to post strong gains, rewarding investor poise, discipline, and stock selection.

The market is 'pricing' an imported oil and interest rates shock as a permanent dislocation – even as the datapoints accumulated across the real economy confirm resilience and accelerating growth. *This is not a domestic crisis.*

- It's more than the headline GDP print of +7.8% y-o-y growth. India's growth is anchored to domestic capex, services, production, and consumption, validated by the high-frequency data we track (GST collections, retail same-store-sales-growth, vehicle registrations, credit growth, gross fixed capital formation, air/rail passenger traffic, electricity consumption).
- Corporate earnings delivered on breadth and amplitude, tracking +18% y-o-y, a ten-quarter high, at odds with the de-rating the market has been subjected to.
  - *As we travel across the country, meeting with management teams across multiple sectors, we would specifically note the quiet confidence in the lead-up to the traditional festival season, and the strength in the financials, industrials, real estate, and consumer discretionary sectors.*
- Valuations have reset, with the MSCI India and the NSE500 currently trading ~18x 1-year forward earnings relative to the peak ~24x, with earnings poised to compound 15%+ annually over the next three years.
- Foreign investor positioning is 'washed out,' with foreign institutional investors having sold ~US$3bn in Indian equities in September alone (US$27bn in 2026 y-t-d), and their net ownership of the market having dropped to ~15% (relative to the peak of ~24% in 2020).
- Domestic investors represent a market 'floor' and the structural asset allocation away from physical assets (gold and real estate) into systematic

YEAR	RETURNS	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC
Inception	+89.65%												
2026	-1.86%	-5.28%	+8.27%	-12.90%	+13.26%	+1.98%	+1.09%	-1.36%	+1.16%	-4.24%			
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%

equity vehicles (mutual funds, pensions, and insurance products) is self-sustaining, largely decoupled from the geopolitical risk premiums embedded in crude oil prices, Fed policy, or foreign investor flows.

- *In September alone, domestic investors (through 100 million+ active accounts) bought ~US$8bn in equities, ~US$3.4bn via the systematic investment plans, relative to ~US$59bn calendar y-t-d, ~US$30bn via the SIPs.*

"Recalibrating Economics of Insurance Distribution," the Indian Insurance regulator's (IRDAI) recently released consultation paper is the most consequential rewrite of the economics of the Indian insurance sector in a decade. *It fundamentally 'shifts' value from intermediaries to insurers and policyholders, and rewards low-cost distributors and agency-led franchises.*

- *The IRDAI wants cheaper, cleaner, stickier policies.* India is structurally 'under-insured,' with penetration levels ~ 3.7% of GDP (life insurance ~2.7%, general insurance ~1.0%) against a global average ~7%, and density ~$97 per capita. The constraint is distribution bottlenecks, excessive distribution expenses eating into premiums (with bancassurance payouts tracking between 30%-70% of first year premiums), chronic mis-selling of product, and dismal persistency rates tracking at sub-10% after 10 years.
- *The IRDAI proposal outlines a 5-year glide path to reshape sector economics:* (i) expense-of-management (EoM) Caps for life insurance (12.5%) and general insurance (20%); (ii) commission caps by product, tenure and channel; (iii) banning volume-linked incentives for staff, and the forced bundling of insurance and loan products; (iv) simplification of the current fragmented sales channels into three standardized transparent tiers; and (v) disclosure of commissions, annual cost audits, and persistency data.
- *The proposed IRDAI reforms are, no question, a near-term growth shock.* Distribution channels will be forced to restructure and recalibrate. Post re-set, over the next 3 years, we anticipate sector consolidation, lower acquisition costs, and better persistency rates to be meaningfully accretive to margins and to embedded values.
  - *The proposals are not set in stone.* We expect intense engagement between the industry and the regulator, and a final decision by the regulator in 1Q 2027.
  - *We see minimal upside in trying to 'game' the blackbox of Indian regulatory outcomes, and so, are focused on business fundamentals,* viz., robust demand for genuine protection products, sector consolidation by a handful of top-tier, low-cost digital distribution platforms and proprietary agency networks that can absorb the tighter commission caps, avoid expensive bancassurance payouts, and maintain operating expenses well within strict new regulatory limits.

The stock we would like to highlight this month is ***PB Fintech (PB),*** India's dominant digital insurance distributor with over 90% of the online market. The proposed regulatory reforms are genuinely disruptive, and it is reflected in the indiscriminate sell-down across the insurance sector. PB is a clear beneficiary as its low-cost digital distribution platform consolidates the sector (it currently accounts for just ~6% of the total insurance commission pool), amplifying its demonstrated retention moat (with core renewal persistency rates at 70%+ after three years). The panic offers us an opportunity to dispassionately evaluate risk/reward on a 3–5-year view.

We expect PB Fintech to compound revenues at an 18%+ CAGR over the next three years (after modeling a 'worst case' on the proposed regulatory caps on distributor fees and incentives); we anticipate that current consensus will need to cut numbers significantly.

- *We are likely to be 'early.'* Our differentiated view is that as premiums and commissions fall (as they did post the GST-cuts), it actually stimulates demand for new insurance policies.
- We anticipate that PB will grow share in a robustly growing market as smaller, more inefficient, and marginally profitable insurance brokers are forced to exit.
- While the proposals cut commissions on new policies, it actually 'steps-up' commissions on renewals (the regulator's goal is clearly to incentivize the distribution network to improve persistency and renewal rates), and the uplift accrues to the disciplined distribution networks that invest in 'educating' and retaining policy holders and keeping renewal premiums low.
- At this point, the market is also paying very little attention to the opportunity to augment the business mix with fee income from re-insurance, underwriting and claims, credit-linked life coverage, and B2B products and services.
- Ultimately, we anticipate PB will vertically integrate, and seek a full insurance license to underwrite, distribute, and sell their own life and general insurance policies.

We expect PB Fintech to compound earnings at a 25%+ CAGR over the next three years; lagging consensus estimates are meaningless at this point.

- As 'consensus' flails in this industry re-set, we believe the market is under-estimating market share gains and scale benefits, and the potential margin uplift (with ~80% of costs being variable, and call centers alone absorbing ~20% of revenue).
- We are constructive on the revenue opportunity (in spite of the proposed regulatory caps) in an under-penetrated, consolidating market, and the potential mix/margin-improvements from lower customer acquisition costs, higher persistency and renewal rates, and fee income on new products.

Conclusion: Look past Oil and Rates.

- *We are not being Pollyanna-ish: we expect markets to remain volatile.* The duration and intensity of conflict-driven oil shocks, and (coordinated) rate hike cycles, are disconcertingly difficult to map, and will, in the near-term, be an overhang for Indian equities.
- *That said, our view is that the oil 'shock' is reversible.* Current elevated crude oil prices reflect elevated geopolitical risk premiums, and not a structural shortage. As the late September trading in crude and the rupee amply demonstrated, Indian equities are a cheap 'option' on an eventual muddle-through to a face-saving truce between the US and Iran, potentially after the November mid-terms in the US.
- *Over the medium term, India's economy, and corporate earnings trajectory is demonstrably resilient to 'shifts' in geopolitical risk premiums, Fed policy, or foreign investor flows.* We are invested in the idiosyncratic opportunities under-written by domestic reforms and capex, domestic credit demand, domestic industrialization, and domestic discretionary consumption.

Given the sustained domestic growth impulse, attractive valuations, and current insipid expectations and positioning, we would make the case for a market poised to re-rate as geopolitical uncertainties abate, and as visibility builds on revenue conversion into strong earnings growth.

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
Azad Engineering
Linde India Ltd
Solar Industries
Hitachi Energy India Ltd
Bajaj Finance Ltd

Fund's Sectoral Break-down:	As % NAV
Industrials:	23%
Financials:	16%
Materials:	12%
Health Care:	6%
Energy:	6%
Real Estate:	3%
Communications:	3%
IT:	3%
Consumer Discretionary	3%
Consumer Staples:	3%
Utilities:	2%
Cash:	20%

Sector Contribution to Monthly Performance	
Real Estate	+0.03%
Industrials	+0.01%
Energy	-0.05%
Consumer Discretionary	-0.06%
Communications	-0.13%
Utilities	-0.20%
Consumer Staples	-0.32%
Health Care	-0.48%
IT	-0.50%
Materials	-0.51%
Financials	-2.02%

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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