CHRYSCAPITAL

Clarus Capital I

Open-ended Category III AIF

Newsletter for the Quarter ended December 31, 2024

Dear Investor,

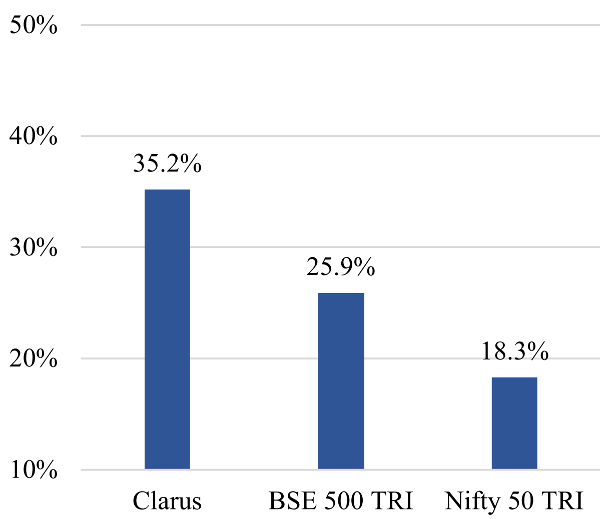
Thank you for partnering with us and entrusting us with your investment. As we enter the new year, we would like to reflect on the highs and lows of 2024 and look ahead to the opportunities that 2025 has in store.

In this edition of the Clarus quarterly newsletter, we are excited to share our insights on the current investment environment, highlight key market opportunities, and provide an update on the Fund's strategy and performance as of December 31, 2024.

Performance Snapshot

Your Fund has delivered an annualized return of 35.2% since inception, outperforming both the BSE 500 (+9.2 pp) and the Nifty 50 (+16.9 pp). The Clarus portfolio, with its strong fundamentals and reasonable valuations, is well-positioned for continued success. Despite superior growth and ROE, the portfolio trades at only a slight premium to the Nifty.

Clarus Annualized Returns (May 2023 – Dec 2024)



Portfolio Metrics

Clarus Portfolio	FY25e	FY26e
P/E	26.4x	21.8x
ROE	16%	17%
Median ROIC (ex-cash)	22%	25%
EPS Growth	15%	18%

Macro-Economic Outlook

India's GDP growth slowed down to 5.4% in July-September quarter, a seven-quarter low, from 6.7% in the previous quarter. Growth moderation can be attributable to transient factors such as a longer monsoon, muted demand in the pre-festive period, lower government capex, as well as broader factors such as slowing consumption demand, weak private capex, and a high-interest rate environment

CPI inflation in November 2024 stood at 5.5% compared with 6.2% a year ago, driven by easing in food prices. Both urban and rural inflation moderated to 4.8% and 5.9%, respectively.

For the year, the rupee weakened 2.9% against the US dollar, in line with the long-term average annual depreciation. This was driven by the threat of higher tariffs and decreasing interest rate differential with the US. Despite the depreciation, the Indian Rupee has registered a moderate decline compared to other emerging market currencies.

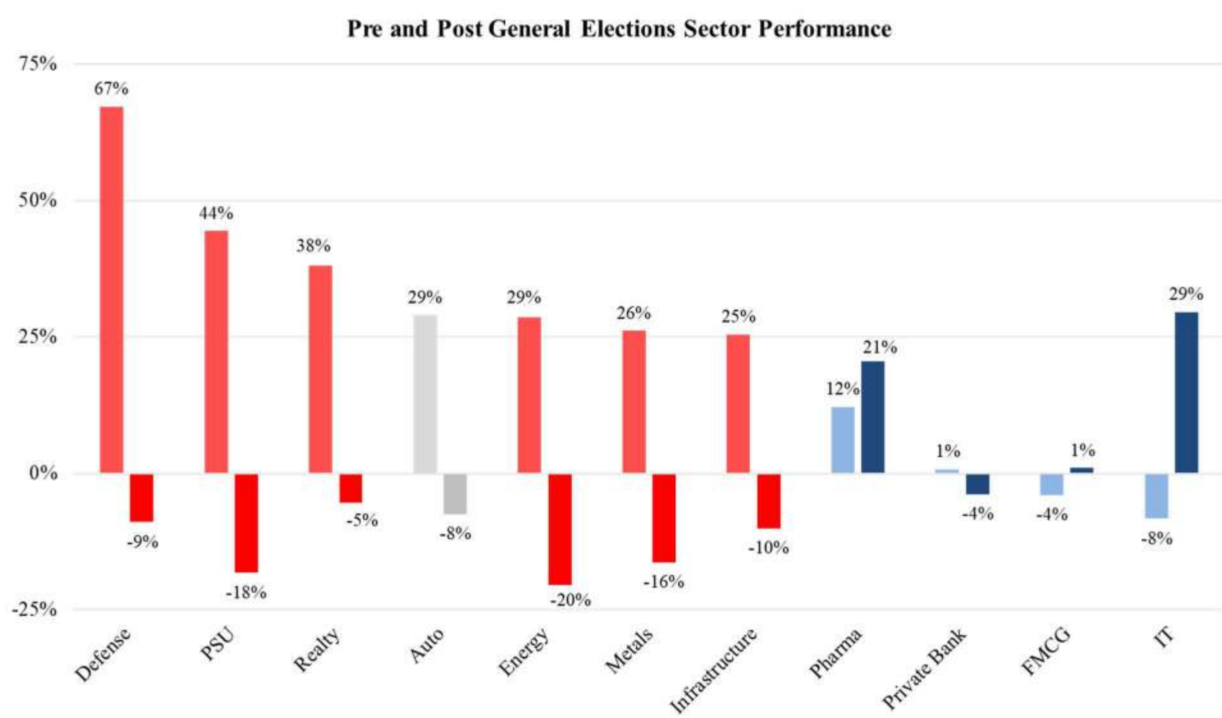
As we look ahead to 2025, India's economic growth is expected to gain momentum, supported by an uptick in government spending, which should help drive growth. The strong performance of the incumbent NDA alliance in the 2024 state elections signals continued policy stability, providing a reassuring backdrop for businesses and investors alike. However, there are some potential challenges on the horizon, especially from global developments.

One key source of uncertainty is the proposed economic policies of US President-elect Donald Trump, particularly the possibility of higher tariffs. This could pose a headwind for emerging markets, including India. However, India is likely to remain relatively insulated, as its economy is primarily driven by domestic consumption, which accounts for 60-70% of GDP.

Stock Market Outlook

The US stock market continued its strong performance in 2024, with the S&P 500 climbing another 25%+, a performance that was mirrored by gold. The Hang Seng reversed four consecutive years of losses, finishing up 24% in USD terms. The standout performers of the year were undoubtedly Bitcoin (+120%), and Nvidia (+171%), matching the performance of Argentina's stock market in both USD and local terms.

Coming to the Indian market, we had a more modest year, with the BSE 500 rising 16% in INR and 13% in USD terms. 2024 for us, however, was a year of two halves. The first half, leading up to the general election results in June, was marked by strong investor optimism and market momentum. The expectation of a stable political outcome boosted market sentiment, with cyclical and government-linked sectors like PSUs, infrastructure, defence, real estate, and capital goods riding a wave of euphoria. However, after the election results in June, the second half of the year brought more challenges. Market volatility increased, driven by a slowdown in consumption and capex in India, coupled with global economic uncertainties.

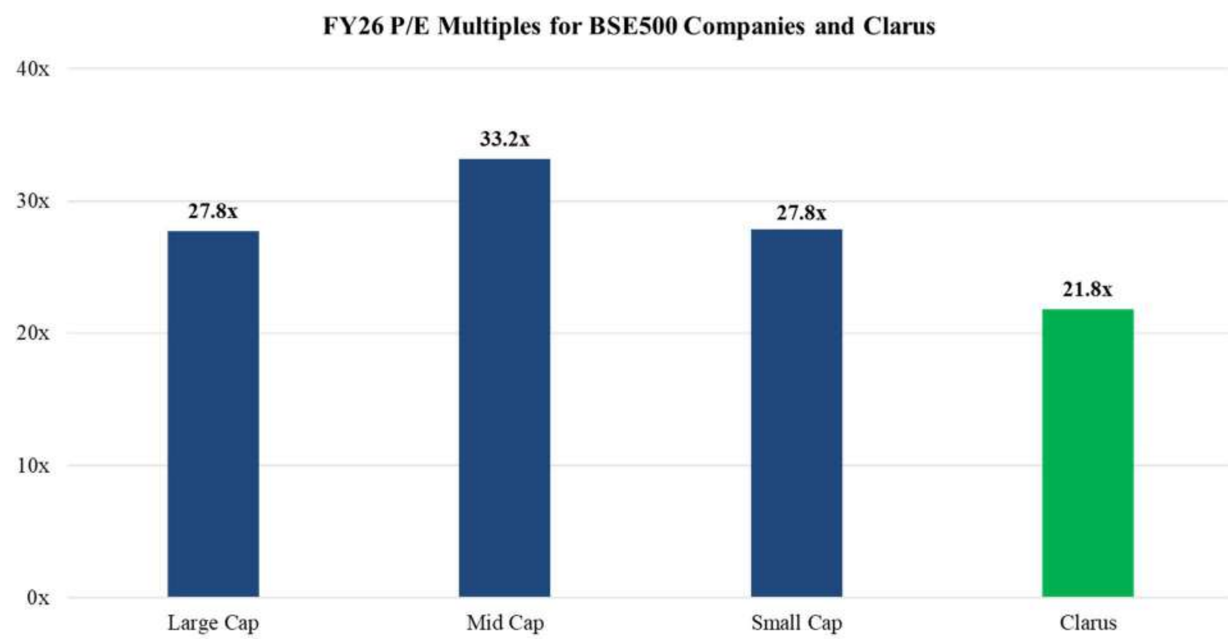


Notes: (a) Data as of December 31, 2024 (b) General Elections result was declared on June 4, 2024 (b) Returns "Before Election Result" are from January 1, 2024, while returns "After Election Result" are from June 4, 2024 till December 31, 2024 (c) Red bars are 'No-Go Sectors'; blue bars are investable sectors (d) Lighter columns represent performance before the General Election results, while the darker columns show performance after the results (e) Source: Bloomberg

In 2024, foreign investors sold ₹127k crore ($15.2 Bn) of Indian equities in the secondary market but bought an equivalent ₹121k crore ($14.4 Bn) in new issuances in the primary market. Meanwhile, domestic institutional investors ("DIIs") remained active buyers, purchasing equities worth ₹527k crore ($62.9 Bn) in 2024.

After a soft Q1, earnings growth for large caps remained weak in Q2. Nifty 50 revenues (excluding financials) grew 3% YoY, while PAT growth remained largely flat. For FY25, earnings growth momentum for the Nifty 50 is expected to moderate to around 5%, down from 20% growth in FY24.

Indian markets have gone through a time correction in the last 6 months, with the Nifty 50 index down 1.1%, while mid-cap and small-cap indices have gained ~3%. This correction has made valuations more attractive, especially in the large and small cap space. However, midcaps continue to trade at elevated valuations, leaving minimal margin of safety. Given the current market conditions, investors should prepare for lower returns and increased volatility in 2025 compared to 2024.



Notes: (a) Data as of December 31, 2024 (b) Large Cap refers to the top 100 companies in the BSE500 by market cap, Mid Cap includes companies ranked 101-250, and Small Cap covers those ranked 251-500 (c) For Clarus, FY26 P/E is the weighted average P/E multiple of the portfolio (d) Source: Bloomberg

Investing in Mid and Small Caps: Our Thought Process and Strategy

When many investors think of mid and small cap stocks, they often associate them with high risk and volatility. While it is true that mid and small cap stocks can be volatile, it is important to note that not all of them are inherently risky. In fact, mid and small sized companies in sectors such as IT services, healthcare (including pharma, CDMO, and hospitals), consumer (including proxy plays like contract manufacturing and packaging), manufacturing (with a focus on China / Europe +1) and financials can offer attractive investment opportunities with a lower risk profile than generally perceived, with a potential for significant growth. This is because the products and services these companies offer are often steady and essential for everyday use, providing stability and visibility on growth and profits.

1) IT Services: Strong Growth Potential

While large IT companies often dominate the public eye, mid and small IT services firms are carving out niches by providing tailored solutions to specific industries. In 2024, a wave of IT healthcare companies (Indegene, Sagility, IKS Health) went public, further highlighting the growing demand for specialized tech solutions in the sector. Additionally, many small and mid-sized IT firms like eClerx, R Systems, Birlasoft, Zensar, and Sonata have undergone leadership transition, with senior management taking helm from Tier 1 companies. This has driven a structural improvement in both growth and margins for these companies.

Your Fund has invested in **R Systems** and **eClerx** in this space. R Systems underwent a change in control, with Blackstone Private Equity taking over, and Nitesh Bansal joining as the CEO from Infosys. Similarly, eClerx is professionalizing its management, with Kapil Jain coming on board (also from Infosys) to strengthen its leadership. Both R Systems and eClerx had minimal analyst coverage prior to our investments, with R Systems still having no coverage.

2) Healthcare: Pharma, CDMO, and Hospitals

The healthcare sector, while traditionally considered defensive, presents one of the most promising areas for mid and small sized businesses. Mid and small caps in pharmaceuticals, contract development and manufacturing organizations (CDMOs), and hospitals offer attractive opportunities:

- Pharmaceuticals: While a relatively well-discovered space, there are still several mid and small sized companies that are professionalizing their operations and could see superior growth and profitability vs. their peers.

- Domestic CDMOs: Contract manufacturers for domestic pharma companies (domestic CDMOs) are also expected to do well as they stand to gain market share from unorganized players due to stricter regulations and increasing focus on compliance. While this segment shows strong growth potential, companies operating within it are still largely classified as small-cap due to the nascent nature of the industry. Interestingly, this sector has only recently become accessible to public investors, with companies like Akums and Innova Captab going public in the past year. As the market matures and regulatory standards continue to evolve, these companies are well-positioned for growth in the long term.

Your Fund invested in **Innova Captab** in mid-2024 post its listing to capitalize on this opportunity. The company is setting up a new ~₹400 cr plant in Jammu, providing strong visibility on growth over the next 3-5 years. Like R Systems, Innova Captab had zero analyst coverage at the time of our investment.

- CDMOs for Global Innovators: The CDMO industry in India, especially in the context of the China+1 strategy, presents a strong opportunity for global pharmaceutical companies seeking diversification, cost advantages, and risk mitigation. While the industry is expanding rapidly, most companies are still in their growth phase and are naturally classified as mid-cap or small-cap due to their size and stage of development. These companies are at the forefront of growth in pharmaceutical outsourcing but have not yet reached the scale to be classified as large-cap. As the sector matures, they offer significant growth potential, though with some risks.

Your Fund was an investor in **Suven Pharmaceuticals** but has exited recently due to the sharp run-up in valuations.

- Hospitals: Private players are rapidly gaining market share, while government and regional hospitals are lagging due to a lack of investment. Within the hospital sector, single-specialty hospitals are growing much faster, at 14-16%, compared to multi-specialty hospitals at 10-12%. Specialties like oncology, eye care, mother & child, and IVF are experiencing rapid growth, but remain in the early stages compared to broader healthcare segments. While multi-specialty hospitals offer convenience for general healthcare needs, single-specialty hospitals excel in providing focused, advanced, and efficient care for patients requiring specialized attention. This makes single-specialty chains the preferred choice for those seeking the best outcomes in these areas. This dynamic presents a unique investment opportunity, as these fast-growing companies, which are still mid-cap or small-cap companies continue to scale and meet the increasing demand for specialized care in India's expanding healthcare landscape.

Your Fund is an investor in **Healthcare Global (HCG)**, India's largest oncology chain. Despite the recent run-up in the stock price, HCG still trades at a ~40% discount to its peers.

3) Consumer: Proxy Plays through Contract Manufacturing and Packaging

Large-cap companies in the Consumer space, especially FMCG, are going through a challenging phase, with volume growth in low single digits. This is driven by a weak demand environment and increasing competition from the rapidly growing Direct-to-Consumer (D2C) market. However, a growing opportunity within this space lies in investing in proxy plays, such as contract manufacturing and packaging companies, which cater to both legacy FMCG brands and the emerging D2C brands. These proxy plays benefit from demand across both legacy and D2C brands, offering a stable growth avenue amidst the challenges faced by traditional FMCG players.

Your Fund has invested in **Hindustan Foods** and **TCPL Packaging**, both of which serve both legacy and D2C brands. Hindustan Foods is the market leader in FMCG contract manufacturing and is now expanding into new categories like sneakers, where 80% of premium sneakers in India are still imported, offering significant growth potential. Similarly, TCPL, the market leader in carton packaging, is now also focusing on rigid packaging, driven by the shift in mobile phone and consumer durables manufacturing to India. This trend further expands its addressable market, with increased demand for durable, high-quality packaging solutions.

4) Manufacturing: Play on China / Europe +1

The China+1 strategy, where global companies are diversifying their supply chains away from China due to geopolitical tensions, labour costs, and trade uncertainties, is benefiting mid and small sized manufacturers in India. These manufacturers, typically involved in high-volume, low-SKU products, especially in the electronics space, are capturing a significant share of the market.

An equally compelling investment opportunity is emerging through the Europe+1 strategy, where manufacturing is shifting away from Europe to other low-cost countries, including India. This trend is particularly strong in precision engineering, which is not only a higher margin but also a stickier business, given the technical expertise required and the long-term nature of the contracts. Unlike high-volume sectors, precision engineering is typically a low-volume, high-SKU business with fewer competitors, especially as Chinese companies have a limited presence in these specialized segments. This shift presents a strong growth opportunity for Indian manufacturers, especially those involved in high-precision, complex engineering solutions.

Given that this trend gained momentum primarily post-COVID, companies operating in this space are still predominantly mid and small sized, offering an attractive opportunity for investors to tap into a rapidly growing market segment that is yet to reach its full scale.

Your Fund has recently invested in **Unimech Aerospace** and **Standard Glass Lining** to capitalize on these opportunities.

5) Financial Services:

In lending financials, we like the large private sector banks due to their sticky liability franchise and superior asset quality outcomes. In mid and small segment, there are some good quality banks, such as Federal Bank and Karur Vysya Bank, which are undergoing a transformation under new leadership. In NBFCs, affordable housing stands out as a key growth area amidst the asset quality stress in pockets such as microfinance and unsecured retail loans. Your Fund is an investor in **Aadhar Housing**, the market leader in affordable housing with a 7% market share. Despite an expected net profit of ₹900+ crore in FY25, it remains a small-cap stock.

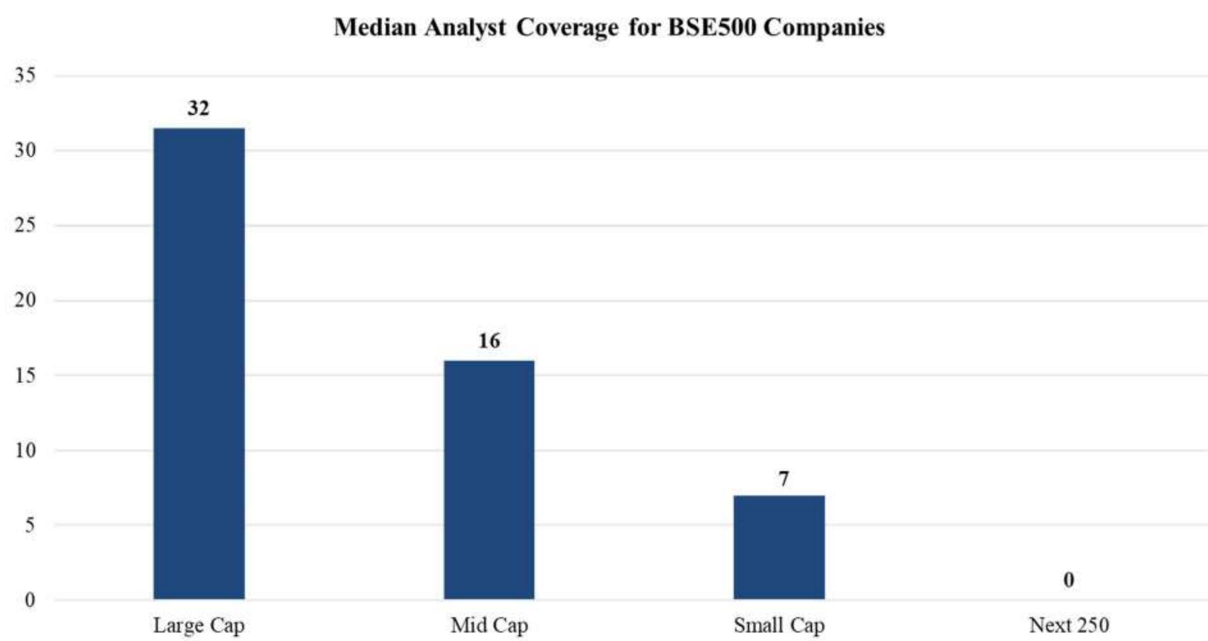
On the non-lending side, companies involved in wealth management, credit rating and health insurance also present great opportunities. Your Fund is an investor in **360 ONE**, India's largest wealth manager. Interestingly, despite an expected net profit of ₹1,000+ cr in FY25, 360 ONE was classified as a small cap until December 31, 2024. There is ample room for growth as penetration of wealth management in India is far below other countries (~15% in India vs. ~70% in China). As India's wealth management market matures, firms that can reduce the cyclicality of their earnings are likely to perform well over the long term, making them attractive investment options.

Your Fund is also an investor in **Star Health Insurance** and **ICRA**, both of which are market leaders in their respective sectors.

Key Takeaway: Dig Deeper for Value

India continues to be a classic *stock picker's market*, with significant opportunities for those willing to dive deep into individual companies. The top 250 companies are well-researched, widely covered, and typically attract the lion's share of institutional investment. These stocks are closely tracked by plenty of analysts and are priced to perfection. The real opportunities, however, lie beyond this top tier.

With so many companies going public across various sectors, the investment landscape for public investors has expanded significantly. Further, beyond the top 250, there is a range of under-researched, under-owned companies, many of which are mid-cap and small-cap stocks. These often go overlooked by larger institutional investors due to their size or perceived risk, but for diligent stock pickers, they offer significant upside potential. As India's economy continues to evolve and new businesses emerge, there's a great opportunity to identify good businesses before they gain mainstream attention.



Notes: (a) Data as of December 31, 2024 (b) Large Cap refers to the top 100 companies in the BSE500 by market cap, Mid Cap includes companies ranked 101-250, and Small Cap covers those ranked 251-500 (c) The Next 250 companies comprise those ranked 500-750 by market capitalization (d) Source: Bloomberg

Additionally, companies undergoing management / promoter change for the better can provide excellent opportunities. Fresh leadership often leads to improved operational strategies and better governance making such companies attractive for investment.

Portfolio Strategy

Clarus Capital I started investing on May 04, 2023. The portfolio has been constructed to capture the best quality growth companies available. Our bottom-up stock selection process is designed to identify businesses that can deliver sustainable long-term growth. The Fund aims for a holding period of 2-5 years and avoids chasing momentum.

We prioritize investments in companies with solid fundamentals and attractive valuations, building a portfolio of businesses with high return ratios. This approach minimizes risk and volatility, ensuring steady performance even during market downturns.

The Fund follows a focused approach towards investing with the intent of having a portfolio of 15-25 stocks. Our focus sectors are Financials, IT, Manufacturing, Healthcare and Consumer. These sectors comprise of companies that exhibit secular growth, lower capex and lower cyclicality.

As of December 31, 2024, Clarus' portfolio consists of 20 companies spread across various sectors. Top 5 and top 10 stocks account for 34% and 60% of the Fund, respectively.

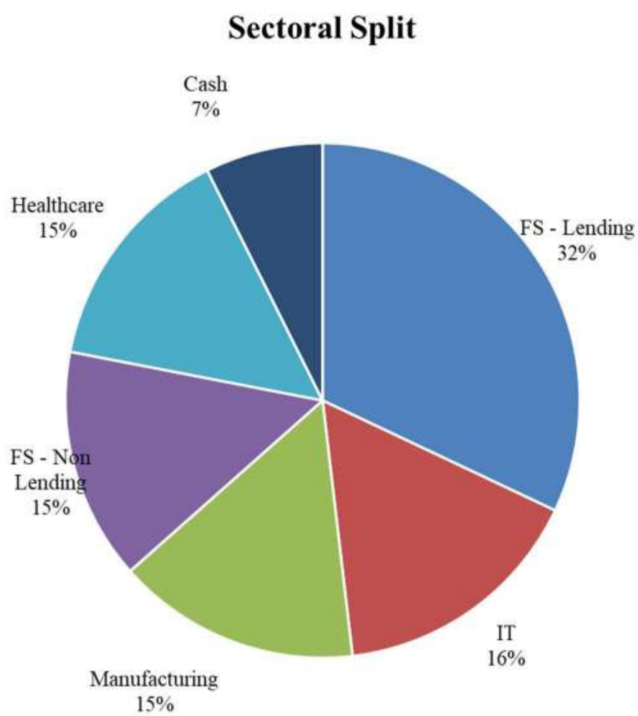
Risk management is at the heart of our investment approach, prioritizing stability and sustained growth over short-term gains. Accordingly, we strategically avoid sectors with weak corporate governance, high capital intensity, or cyclical trends.

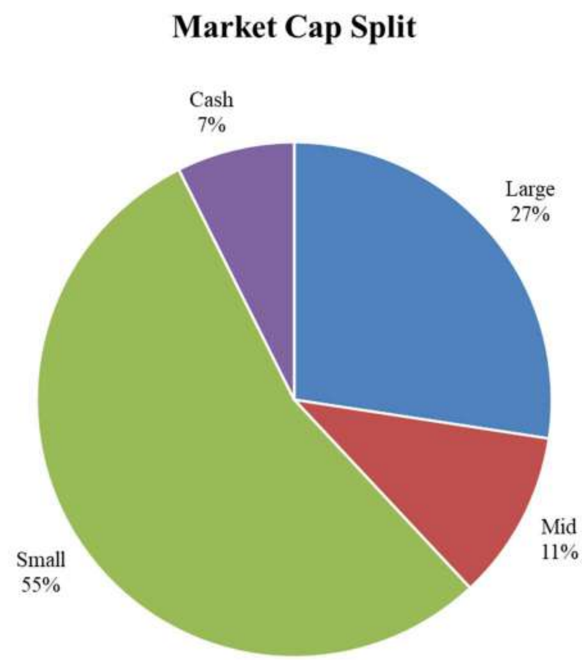
We are also pleased to report that the Fund has outperformed during this period of market uncertainty. Despite the challenges, it has declined less than the benchmark and has demonstrated strong resilience. **As of December 31, 2024, the portfolio is down only 3.9% from its peak, while the BSE 500 has fallen 8.7% from its peak.**

Portfolio Positioning and Key Metrics

Clarus runs a flexi-cap mandate with a bias towards Mid and Small caps. We try to identify Mid and Small caps that can become large caps of the future. Mid and Small caps account for 65% of the portfolio. Despite being categorized as Mid and Small caps, most of the businesses we own are amongst the top three in the segments they operate in. Large caps form 27% of the portfolio and consist of companies which are leaders in their respective sectors.

Lending financials, majorly comprising of large private banks, constitute 32% of the portfolio. This is followed by the IT sector at 16%, which is a mix of large, mid and small companies operating in diverse sub-segments. Manufacturing at 15% comprises of companies that are a proxy to sectors like Auto, Infrastructure and Consumer. Non-lending financials (15%) includes companies operating in the insurance, wealth management and credit rating space. Healthcare accounts for 15% of the portfolio and comprises of companies across CDMO, enzymes and hospitals.





Notes: (a) Data as of December 31, 2024 (b) Market Cap Classification as per Securities and Exchange Board of India (SEBI) guidelines for Mutual Funds

Portfolio Holdings (Top 15)		
Company	**Sector**	**Weight**
HDFC Bank	FS - Lending	9%
Tech Mahindra	IT	7%
Federal Bank	FS - Lending	6%
Axis Bank	FS - Lending	6%
ICICI Bank	FS - Lending	6%
Healthcare Global	Healthcare	6%
Innova Captab	Healthcare	5%
R Systems	IT	5%
Aadhar Housing	FS - Lending	5%
CIE Automotive	Manufacturing	5%
360 One Wam	FS - Non Lending	4%
Star Health	FS - Non Lending	4%
Hindustan Foods	Manufacturing	4%
Eclerx	IT	4%
Advanced Enzymes	Healthcare	4%

Remaining Holdings (In Alphabetical Order)		
Ador Welding	Manufacturing	
CMS Info	FS - Non Lending	
ICRA	FS - Non Lending	
TCPL Packaging	Manufacturing	
Unimech Aerospace	Manufacturing	

Portfolio Changes during the Quarter	
New Investments	**Full Exits**
Unimech Aerospace	HCL Technologies
	MphasiS
	Vesuvius India

As of December 31, 2024, the portfolio trades at a P/E multiple of 26.4x / 21.8x on FY25 / FY26 earnings and is expected to generate an ROE of 16% / 17% in FY25 / FY26.

Portfolio Metrics	FY25e	FY26e
P/E	26.4x	21.8x
ROE	16%	17%
Median ROIC (ex-cash)	22%	25%
EPS Growth	15%	18%

Notes: (a) Data as of December 31, 2024 (b) ROIC is pre-tax and excludes lenders and insurance companies (c) ICRA has been excluded from the ROIC calculation as capital employed is negative (cash > networth)

Fund Performance

The Fund has delivered an absolute return of 65.1% since inception in May 2023 and -2.1% over the last three months, significantly outperforming both the BSE 500 and the Nifty 50. We have trimmed or exited holdings where we believe incremental returns are low, but remain optimistic about our portfolio companies, as the underlying thesis has not yet fully played out in several investments. The table below compares the Fund return with the various indices.

Fund Performance	1 Month	3 Months	6 Months	12 Months	Since Inception (Annualized)	Since Inception (Absolute)
Portfolio	**-1.3%**	**-2.1%**	**11.0%**	**25.1%**	**35.2%**	**65.1%**
BSE 500 TRI	-1.5%	-7.8%	-0.7%	15.8%	25.9%	46.7%
vs. BSE 500 TRI	**+0.2 pp**	**+5.7 pp**	**+11.7 pp**	**+9.3 pp**	**+9.2 pp**	**+18.3 pp**
Nifty 50 TRI	-2.0%	-8.2%	-1.1%	10.1%	18.3%	32.3%
vs. Nifty 50 TRI	**+0.7 pp**	**+6.1 pp**	**+12.1 pp**	**+15.0 pp**	**+16.9 pp**	**+32.8 pp**

Notes: (a) Data as of December 31, 2024 (b) Portfolio inception date is May 4, 2023 (c) Performance related information provided herein is not verified by SEBI (d) The performance is gross of all fees, expenses and tax for Class A-S1 shares (e) Past Performance may or may not be sustained in future

ChrysCapital partners and senior employees have an exposure of ₹430+ cr (~20% of AUM) to the fund. This demonstrates our commitment to Clarus and aligns the interests of the fund management team with those of our investors.

As we wrap up this newsletter, we would like to thank you for your continued trust and confidence in Clarus. We hope the information and insights provided have been valuable in enhancing your understanding of our investments and thought process. Please feel free to reach out if you need any clarification.

Warm regards,

mlahiri

Bajaj

Soumendra Nath Lahiri
CIO and Fund Manager
(lahiri@chryscapital.com)

Pradumn Bajaj
Deputy Portfolio Manager
(pradumn@chryscapital.com)

Clarus Capital: Fund Features	
Mandate	• Primarily long-only investments in listed Indian companies
Structure	• Category III AIF

Investment Philosophy	• Growth at a Reasonable Price
	• Fundamentals driven investing, backed by 20+ years of market experience
	    • Bottom-up research
	    • Deep understanding of business and industry
	    • Multiple management interactions

Portfolio Construction	• 15 – 25 stocks • Sector agnostic, flexi-cap • Holding period of 2 – 5 years, but may take opportunistic calls
Engagement Level	• Largely passive investor with limited engagement

Appendix

Quarterly Financial Results for the Portfolio

(₹ cr)

Company Name	Revenue / NII		EBITDA / PPoP		PAT	
	Q2FY25	YoY	Q2FY25	YoY	Q2FY25	YoY
360 One Wam	618	*40%*		*N.A.*	247	*33%*
Aadhar Housing Finance	466	*24%*	306	*20%*	228	*15%*
Ador Welding	269	*-3%*	20	*-44%*	14	*-46%*
Advanced Enzyme Technologies	146	*-7%*	42	*-17%*	33	*-5%*
Axis Bank	20,205	*16%*	10,713	*24%*	6,918	*18%*
CIE Automotive India	2,135	*-6%*	331	*-4%*	195	*4%*
CMS Info Systems	625	*15%*	163	*5%*	99	*7%*
eClerx Services	832	*15%*	216	*6%*	140	*3%*
Federal Bank	3,331	*20%*	1,565	*18%*	1,057	*11%*
HDFC Bank	41,597	*9%*	24,706	*9%*	16,821	*5%*
Healthcare Global Enterprises	554	*14%*	104	*21%*	19	*43%*
Hindustan Foods	883	*31%*	70	*30%*	23	*-7%*
ICICI Bank	27,225	*13%*	16,723	*18%*	11,746	*14%*
ICRA	126	*20%*	41	*21%*	42	*33%*
Innova Captab	318	*12%*	50	*23%*	35	*53%*
R Systems International	444	*1%*	80	*15%*	50	*19%*
Star Health & Allied Insurance	4,371	*17%*		*N.A.*	111	*-11%*
TCPL Packaging	463	*14%*	77	*18%*	36	*25%*
Tech Mahindra	13,313	*3%*	1,750	*63%*	1,250	*123%*
Unimech Aerospace	62	*N.A.*	19	*N.A.*	15	*N.A.*

Notes: (a) CIE India and R Systems follow calendar year as their financial year; FY25 refers to CY24 (b) Revenue / EBITDA for Banks and NBFC is Net Interest Income / Pre provisioning operating profit (c) Source: Company Filings

Risk Management

Risk	Level	Mitigants
Concentration Risk	Fund	At the portfolio level, such risks are minimized by limiting the aggregate exposure of the portfolio to such investments to less than 10% of the value at the time of investment.
Foreign Exchange Risk	Fund	The capital provided by investors is in Indian Rupees and all the investments made by the Scheme are in Indian Rupees denominated securities. Hence there is no Foreign Exchange Risk on account of portfolio investments. However, the portfolio companies may have their businesses impacted by foreign currency risk.
Leverage Risk	Portfolio Company/ Fund	Fund has not taken any leverage at the Fund level. Except for financial companies, most of the portfolio companies in the strategies carry nil to moderate debt on their balance sheets with a track record of having managed leverage well in the past. Their leverage is monitored regularly.
Realization Risk	Portfolio Company/ Fund	High Impact cost, due to thin trading at the time of buying or selling is endemic to small & mid-caps. We plan our investment decisions, the size of the investment and trading strategies to minimize the realization risk.
Strategy Risk	Portfolio Company/ Fund	Investments are evaluated from a bottom-up and top-down perspective. The fund investments align with the segments of the economy that are emerging and companies that have characteristics which make them the dominant participants in their industry. The investments are assessed through a detailed financial model that captures historical performance and forward estimates based on publicly disclosed documents. The investment team rigorously undertakes quarterly diligence for any change in the investment thesis. To align interests with investors, the sponsor has invested ₹10 cr in the Fund
Reputation Risk	Portfolio Company	Company selection starts with rigorous fundamental analysis and a historical performance review supported by a detailed financial model constructed internally. We evaluate companies that meet our internal guidelines. We evaluate the portfolio companies both at an absolute and relative level. Periodic maintenance diligence of management/ financials has been done for portfolio companies.

Risk	Level	Mitigants
Extra Financial Risk	Portfolio Company/ Fund	We avoid investing in companies with a known history of corporate governance issues. If such an issue arises in an existing investment, we stop additional purchases and start optimally exiting the investment. Our governance framework helps us in identifying any lapses in corporate governance. We actively monitor all publicly disclosed documents regarding ESG [Environmental, social, and corporate governance]. Any reported misconduct is evaluated by the investment committee for further action.
Geopolitical risks	Portfolio Company	Geopolitical tensions globally can disrupt the supply chain in the region. This might have a non-linear impact on business.
Raw material inflation	Portfolio Company	India continues to be dependent on the supply of feedstock whose pricing is global in nature. Key categories would be crude, metals, minerals, and natural commodities. Sharp movement in their underlying prices will have a short-term financial impact on the companies. The situation in China [political] has the potential to disrupt the supply chain of a few of our portfolio companies.
Key Man Risk	Portfolio Company	Small and mid-caps are frequently managed by a key promoter/person on whom the business is completely reliant and without whom the business would be materially inferior. We generally avoid such names and in cases where we make any exceptions, the aggregate exposure of the portfolio to such investments is limited to less than 10% by value.

Disclaimer

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