

Investor letter – Jan - Mar 2025

Results:

	REFF I	NIFTY 500 TRI
FY24 post tax	79%	40.5%
FY25	11.3%	6.4%
Cumulative Return* Since Inception	101.9%	53.1%
Annualised Return Since Inception	42.1%	23.7%

* Cumulative return for REFF I is from 28th March 2023 till end of Q4FY25.

REFF I Returns are post taxes and pre fees. Upon redemption, performance fees shall be deductible.

The Butterfly Effect

“The flap of a butterfly’s wings in China can cause a tornado in Texas” - this inaccurate but very popular metaphor for chaos theory has been used for decades. Complex systems are in reality not so delicate as to be sensitive to small perturbations.

However, the events of “Liberation day” are far beyond a small perturbation - they have released an unprecedented economic shockwave the after effects of which will be felt across the world for decades to come. Even if China and the United States were to come to an uneasy compromise in the coming days and weeks, the world has been irrevocably changed by the actions of President Trump.

In this highly complex environment, we worry far more about risk than return. Forecasting demand for this highly uncertain future is beyond our abilities. All that we can do is to reassure ourselves of the robustness and scarcity of supply of the industries and companies in which we are invested. Moreover, to protect ourselves against any macroeconomic shocks that may ensue, 15 of the 18 portfolio companies have no debt whatsoever. Valuation safeguards are also in place - of our 18 companies, 17 trade at an enterprise value to sales ratio of less than 3.

Along with a cash cushion of 23%, the fund is well positioned to weather any upcoming economic tornadoes. These are testing times in the stock markets however they do also throw up the best opportunities for compounding capital.

Regards,
The Rational Team