

Duro Equity Opportunities AIF 1

Quarterly Report Q1 FY 27

A Scheme of Duro Opportunities Fund

Category III Alternative Investment Fund registered with SEBI

SEBI Registration No.: IN/AIF3/24-25/1765

Dear Investor,

In our Q2 FY26 quarterly report, we wrote that the magnitude of India's underperformance versus other emerging markets gave the impression of a broken economy; whereas we believed that India was approaching a cyclical low point. Several of the factors that had caused the slowdown appeared temporary or were already reversing. In particular, bank slippages had declined for the first time in several quarters. Monetary and fiscal policy, too, had become more supportive, while corporate balance sheets remained unusually healthy. We noted then that falling slippages often precede a recovery in credit growth as lenders regain confidence.

The data since then have begun to follow that sequence. Banking system credit growth accelerated from 10.4% in September 2025 to 18.6% by June 2026. The improvement was broad-based: over the same period, industrial credit growth increased from 7.3% to 19.2%, while services credit growth rose from 10.2% to 21.4%. This is relevant because it is precisely the progression we had anticipated: improving asset quality allowing lenders to regain confidence, followed by an acceleration in credit growth and private-sector activity.

By early 2026, the setup for Indian equities had become more constructive. Broader market earnings growth was expected to recover meaningfully in FY2027, while macroeconomic conditions were becoming incrementally more supportive. We expected the next phase of market returns to be driven more by earnings delivery than by multiple expansion, a favourable environment for bottom-up active managers.

The March 2026 earnings season provided the first meaningful evidence in support of this view. Nifty 50 net profits grew 6.6% during the quarter, compared with expectations of only 2.2% growth, while the NSE 200 reported approximately 14% earnings growth. The composition of the results was also instructive. Revenue growth was generally stronger than expected, suggesting that underlying demand had held up reasonably well. At the same time, higher fuel, freight and raw-material costs affected operating margins. In other words, the initial impact of the conflict in the Middle East was visible in corporate income statements, but primarily through costs and margins rather than a broad collapse in demand.

The June quarter earnings season has so far reinforced this conclusion. As of July 31, excluding the losses reported by oil marketing companies following the increase in crude prices, aggregate earnings have grown ~17%, compared with expectations of ~13%. Among the 39 Nifty companies that have reported, earnings increased 11%, compared with expectations of 7%. Interestingly, meaningful earnings upgrades outnumbered downgrades by approximately 1.6 times.

Two quarters of better-than-expected results do not establish an indiscriminate economic or earnings upcycle. The recovery is not yet broad or uniform. Nevertheless, the sequence is becoming increasingly visible. Bank slippages first began to decline. Credit growth subsequently accelerated. The March earnings season was materially better than expected, and the June earnings season has so far continued that trend despite companies having operated through a full quarter of higher energy, freight and input costs because of the West Asia crisis. The transmission from higher oil prices into domestic demand has, to date, been narrower than feared.

At the same time, this remains a highly dispersed recovery. Some companies are absorbing higher costs while continuing to invest and consolidate market share. Others are benefiting from improving credit conditions, domestic infrastructure spending or the increasing importance of supply-chain resilience.

Companies without pricing power, balance-sheet flexibility or differentiated competitive positions are likely to find the same environment considerably more difficult.

This is the type of environment for which the Duro framework is designed. A better macroeconomic backdrop can support corporate earnings, but it is not, by itself, an investment thesis. We continue to look for companies where industry structure is improving, a structural change is driving a multi-year acceleration in earnings, and the market price does not yet reflect the value of that change. In other words, the “Why,” “Why Now” and “Price-Value” must continue to align. The Fund remains concentrated in the companies where we believe that alignment is strongest.



Ujjivan Small Finance Bank: The Duro Framework in Practice

Starting in early 2024, India’s microfinance industry entered a prolonged downturn following a period of rapid growth and rising borrower indebtedness. The downturn was exacerbated by the Reserve Bank of India’s November 2023 decision to increase risk weights on unsecured consumer credit and bank lending to NBFCs, contributing to a broader tightening in funding and underwriting across unsecured lending. Combined with borrower overleveraging, this caused microfinance lenders to curtail disbursements just as delinquencies and credit costs were rising.

For Duro, the “Why” of Ujjivan has always rested on the asset side of its balance sheet. The bank does not possess the low-cost deposit franchise of a large incumbent private-sector bank. However, microfinance is an operationally intensive business where the ability to originate, monitor and collect millions of small loans across diverse geographies can create a meaningful competitive advantage. The most important test of that advantage is not how quickly a lender can grow during a benign period. It is how effectively the lender protects its profit pool when credit conditions deteriorate.

Ujjivan’s performance during the latest cycle provides important evidence in this regard. On the companies’ reported metrics, Ujjivan’s bank-level credit cost averaged approximately 2.4% across FY2025 and FY2026, compared with approximately 7.3% for Credit Access Grameen, the most richly valued publicly-listed microfinance company in India. The comparison is not perfectly like-for-like because Ujjivan’s portfolio includes a growing secured-lending business. Nevertheless, the gap was substantial. Ujjivan also maintained considerable provision buffers and a geographically diversified microfinance franchise with no state forming more than 7.5% of its microfinance AUM. In our view, its ability to absorb the downturn with comparatively limited credit losses validated the quality of its underwriting and collection systems.

This relative resilience became the foundation of the “Why Now.” By the June 2025 quarter, the bank reported that portfolio-at-risk additions had been moderating for two consecutive quarters and that microfinance slippages had peaked in nine of its ten largest states. Although reported profitability remained depressed, these operating indicators suggested that the credit cycle was beginning to turn.

We added aggressively to the AIF’s Ujjivan position during the September 2025 quarter and continued adding selectively whenever subsequent market weakness provided attractive entry points. Our

conviction was based not simply on the expectation that credit costs would normalise, but on the competitive environment that was likely to follow.

Microfinance downturns do not affect every lender equally. Weaker lenders enter the recovery period with depleted capital, elevated stressed assets, distracted collection teams and limited willingness to restart disbursements. Stronger lenders, by contrast, can begin growing while competitors are still repairing their balance sheets. This creates the potential for lower customer-acquisition competition, more rational pricing and a healthier pool of borrowers.

Evidence of this change is now visible within Ujjivan's portfolio. Among its group-loan customers, borrowers unique to Ujjivan increased from 49.7% in June 2025 to 57.1% in June 2026, while the proportion borrowing from Ujjivan and at least three other lenders declined from 6.5% to only 1.6%. The same trend is visible in individual loans, where customers unique to Ujjivan increased from 56.7% to 67.8%, while those with at least three additional lenders declined from 8.2% to 2.2%. MFIN's Guardrails 2.0 have supported the broader deleveraging of microfinance borrowers by restricting excessive indebtedness and lender overlap. However, these guardrails apply across the industry and do not, by themselves, explain Ujjivan's relative outcome. Regulation can improve the operating environment, but it cannot create strong underwriting, customer selection and collection systems. We believe Ujjivan's increasing share of unique borrowers and sharp reduction in highly leveraged customers reflect the strength of these capabilities and provide tangible evidence that the bank is entering the new cycle with a healthier borrower base.

With asset quality improving, Ujjivan has been able to resume growth with greater confidence. Its micro-banking loan book increased 17% year over year during the June 2026 quarter, while disbursements increased 16%. Collection efficiency in the current bucket improved from 99.26% in Q1 FY2026 to 99.68% in Q1 FY2027. Importantly, this growth is occurring after the bank has already demonstrated that its underwriting performed better than much of the industry during the downturn.

Ujjivan's Earnings Reversal

	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27
PAT, INR billion	1.03	1.22	1.86	2.82	3.17
ROE	6.7%	7.7%	11.5%	17.2%	18.2%

However, the investment thesis is not limited to a cyclical recovery in microfinance. Ujjivan has simultaneously been transforming the composition of its balance sheet. Its secured loan book, comprising micro mortgages, affordable housing, vehicle finance, gold loans, agriculture and MSME lending, increased from approximately 39% of total loans in December 2024 to 46% in June 2025, 49.4% in March 2026 and 50.4% in June 2026.

We believe these two developments are connected. The same underwriting discipline, field infrastructure, customer data and collection capabilities that enabled Ujjivan to manage the microfinance downturn are now being applied to adjacent secured-lending products. The bank processes more than 500,000 loans each month and has developed scorecard-driven underwriting, behavioural collection models and recovery analytics. Its data quality was ranked among the best by the RBI in FY2025.

Through regular purchases, we increased the AIF's Ujjivan position to ~7.9% of AUM at the end of September 2025 and ~8.7% by December 2025, reflecting our continued conviction. As the share price appreciated, we selectively trimmed the position, leaving it at ~8% of AUM at the end of June 2026. From September 2025 through July 2026, Ujjivan's share price increased by approximately 65%, compared with ~3.6% for the BSE500 Total Return Index.

The share-price performance is gratifying, but it is not the central point. The more important outcome is that the operating evidence has increasingly validated each component of our investment framework. The "Why" was Ujjivan's ability to protect its profit pool through superior underwriting and credit-cost performance. The "Why Now" was the reversal of the microfinance credit cycle at a time when several competitors remained constrained, allowing Ujjivan to restart growth into a healthier and less competitive market. The second leg of the "Why Now" is the rapid scaling of secured lending, which is diversifying the balance sheet and creating a more sustainable earnings profile. Finally, the "Price-Value" opportunity arose because we were able to add meaningfully at ~1.25x forward P/B while reported earnings, investor confidence and market expectations remained depressed.

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We are ending this letter with something that has little to do with quarterly earnings or stock price movements, but much to do with why India continues to inspire optimism.

On July 18, 2026, Skyroot Aerospace's Vikram-1 became the first privately developed Indian rocket to reach orbit, successfully placing satellites into a 450-kilometre low-Earth orbit on its maiden flight. India thereby became only the third country, after the United States and China, to demonstrate private-sector orbital-launch capability.

The significance is not that India reached orbit. ISRO has been doing so for decades. The significance is that a private Indian company founded only in 2018 succeeded on its first orbital attempt, combining private-sector ingenuity with the institutional knowledge and infrastructure developed by ISRO and IN-SPACE.

The comparison provides perspective. India's GDP per capita is approximately US\$2,700, compared with US\$13,900 in China and US\$90,000 in the United States. GDP per capita is not a measure of scientific ability, but it highlights the extraordinary efficiency with which India converts limited resources into sophisticated outcomes.

That is the deeper promise of India. It is not simply an economy where incomes, consumption and corporate earnings can compound from a low base. It is a country where world-class technical talent, institutional capability and ingenuity already exist well ahead of income levels. Markets will continue to debate quarterly earnings, P/E ratios and stock prices. Vikram-1 is a reminder that India's true potential is larger than any of them.

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FUND OVERVIEW

- **Fund Name:** Duro Opportunities Fund
- **Inception Date:** 8th July 2025
- **Scheme Name:** Duro Equity Opportunities AIF 1
- **Investment Manager:** Duro Capital Management LLP
- **Sponsor:** Duro Opportunities Sponsor Limited
- **Structure:** Open-ended scheme

KEY SERVICE PROVIDERS

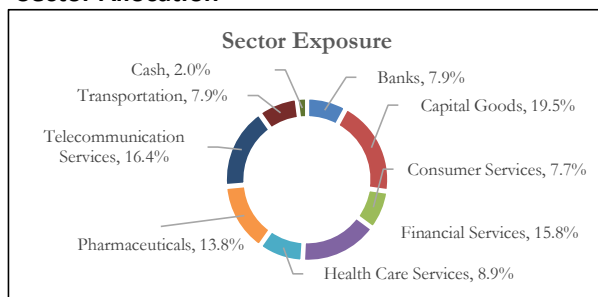
- **Trustee:** Mitcon Credentia Trusteeship
- **Registrar & Transfer Agent:** CAMS
- **Tax Advisor:** Deloitte, Ernst & Young
- **Audit:** Deloitte
- **Legal Advisor:** Khaitan & Co.
- **Custodian/Fund Accountant:** Kotak Mahindra Bank Ltd.

PORTFOLIO ATTRIBUTES (as of June 30, 2026)

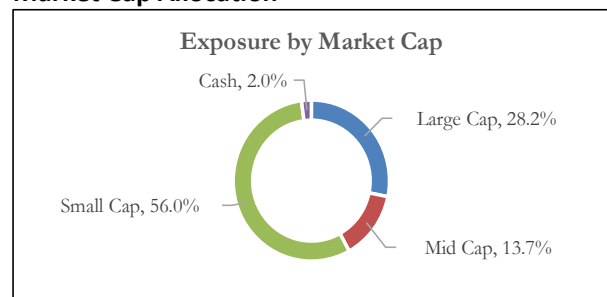
Top Position Sizing

Position	% of AUM
Top Position	8.4%
Top 5 Positions	39.7%
Top 10 Positions	69.9%

Sector Allocation¹



Market Cap Allocation²



¹ Source: Bloomberg GICS Industry Group Name

² Source: AMFI Guidelines on Categorisation of Large, Mid and Small Cap Stocks

RISK DISCLOSURES

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 NAV of the Fund.
Foreign Exchange Risk	Fund	The Fund has no direct foreign exchange risk. However, portfolio companies may experience low to moderate effects from currency movements due to the nature of their business activities.
Leverage Risk	Portfolio Company/ Fund	The Fund does not employ leverage at its own level. The companies we invest in typically operate with low to moderate debt and have demonstrated prudent balance sheet management over time. Their leverage profiles are tracked on an ongoing basis to ensure continued financial discipline.
Realization Risk	Portfolio Company/ Fund	All the investments are in listed Indian entities.
Strategy Risk	Portfolio Company	Investment opportunity is predominantly reviewed through bottom-up fundamentals supplemented by broader top-down considerations. Our investment team builds and analyses detailed financial models incorporating historical performance trends and forward estimates based solely on publicly available information. Any development that may affect the investment thesis is carefully reassessed. To reinforce alignment with our investors, the sponsor has invested INR 10.05 crore in the Fund.
Reputation Risk	Portfolio Company	The selection process begins with in-depth fundamental research supported by internally prepared financial models and historical analysis.
Extra Financial Risks	Portfolio Company/Fund	We refrain from allocating capital to businesses with known or recurring governance red flags. Our internal governance framework enables us to identify gaps or early warning signals. ESG-related disclosures, across environmental, social and governance dimensions are monitored continuously using publicly available information to ensure responsible and informed investment decisions.

OTHER DISCLOSURES

Particulars	Description
Any fees ascribed to the Manager or Sponsor; and any fees charged to the Alternative Investment Fund or any investee company by an associate of the Manager or Sponsor	The fees ascribed to the Manager/Sponsor by the fund is as per the Private Placement Memorandum. There are no other fees ascribed to the Investment Manager or Sponsor. Further no fee is charged to the Fund or any investee company by an associate of the Manager or Sponsor.
Any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction	No actions have been taken by any legal or regulatory bodies against Investment Manager, Fund or its Scheme.
Any material liability arising during the Alternative Investment Fund's tenure	There are no material liabilities against the Trust and its Schemes.
Any breach of a provision of the placement memorandum or agreement made with the investor or any other fund documents, if any	There has been no breach of provision of the PPM.
Change in control of the Sponsor or Manager or Investee Company.	There has been no change in control of the Sponsor or Manager or Investee Company.
Conflict of interest	No conflict of interest has arisen.

Disclaimer

Duro Opportunities Fund (the “AIF”) is registered with the Securities and Exchange Board of India (“SEBI”) as a Category III Alternative Investment Fund under registration number IN/AIF3/24-25/1765. Duro Equity Opportunities AIF 1 (the “Scheme”) is a scheme of the AIF and commenced operations on July 8, 2025. Duro Capital Management LLP is the investment manager of the Scheme (the “Manager/Duro Capital”).

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An investment in the Scheme involves a high degree of risk, including possible loss of capital, and no assurance is given that the Scheme will achieve its investment objectives or target returns. Prospective investors should review the Fund Documents, conduct independent diligence and consult their professional advisers. Information and opinions are stated as of the date hereof, may change without notice and may include third-party information that has not been independently verified.

The Duro Long-Only Strategy Track Record is a linked series comprising only the long-only listed-equity portfolio of Duro India Opportunities Fund, a Category I foreign portfolio investor managed by an affiliate of the Sponsor, from April 1, 2022 through June 30, 2025, and the Scheme from July 8, 2025 onwards. While the series does not represent a single legal vehicle throughout the period, both portfolios were managed under the same investment leadership and the same core philosophy, investment framework and long-only strategy. Differences in legal structure, taxation, fees and expenses may nevertheless affect comparability. Portfolio information presented relates solely to the Scheme since the Scheme’s commencement of operations.

Performance is presented in Indian rupees on a gross strategy basis. FPI returns were converted from US dollars using Bloomberg month-end USD/INR exchange rates and include brokerage and securities transaction tax. Scheme returns include brokerage but exclude securities transaction tax. Returns exclude management and performance fees, operating expenses and other taxes. Returns exceeding one year are annualised. Performance is unaudited and compiled using information provided by Citco Fund Services for the Duro India Opportunities Fund and Kotak Mahindra Bank Limited for the Scheme. The linked calculations were prepared by the Manager in good faith on a best-efforts basis and have not been independently audited or verified by SEBI. Index returns are obtained from publicly available sources. References to “Alpha” represent the arithmetic difference between the strategy and index returns and not statistical or risk-adjusted alpha. Past performance is not indicative of future results. References to portfolio companies are illustrative only and do not constitute investment recommendations.

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