THE
SMART CORE PORTFOLIO

By Grey Sky Capital

Reliability. Integrity. Performance

The problem with investing today

Inconsistent outcomes and hidden risk

Many “outperformers” rely on excessive volatility disguised as alpha, creating unstable returns and offering neither reliability nor peace of mind. Consistency is often missing across cycles because of behavioral biases.

Example *Over 50% of PMS products lag Nifty 50 TRI across tenor.*

High Fees, Low Alignment

Investors often pay premium costs for mediocre outcomes. Incentives reward asset gathering over performance, transparency is thin and managers share little real skin in the game.

Example *Fixed fees are as high as 1.5% under hybrid structure and hurdle rate as low as 8%.*

Complexity without conviction

Portfolios are layered with approaches, factors and themes but rarely explain how alpha is created. Strategies keep shifting with market fashion, showing little conviction or consistency across cycles.

Example *Too many options on the shelf of even best fund managers.*

Noise, Biases & poor timing

Markets move faster than judgement. With an overload of contradictory opinions and predictable human biases, investors end up making reactive, poorly times decisions- not bad choices, just bad timing.

Example *FOMO amongst investors on what’s hot being exploited by sales.*

“The real problem is not ignorance but the illusion of knowledge.” — Stephen Hawking

What are our Investment Principles?

Core Philosophies embedded into every decision

Core Beliefs

Price is Truth

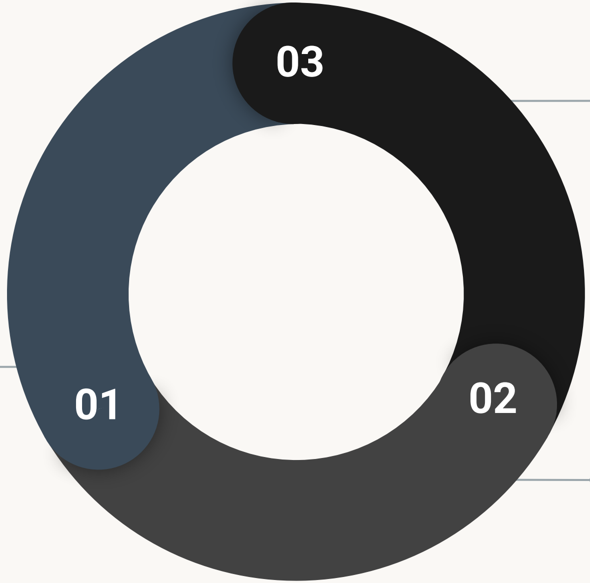
Trends Persist

Process beats prediction

Simplicity scales

Risk is to be managed

Return to be an output



Behavior and Alignment

Asset Manager incentives must align

Behavior must be unbiased

Market structures break

Compounding should not be interrupted

Enduring market truths

Equities create long term wealth

Gold hedges against inflation/ uncertainty

Debt/ Cash preserves capital

"Simplicity is the ultimate sophistication." - Leonardo da Vinci

What is our Solution?

Growth. Preservation. Discipline.

Dynamic Allocation

Shifts exposure across equity, gold, and debt based on market regimes and risk signals.

\+

Systematic Discipline

Systems enforce unemotional, process-based rebalancing.

=

Smart Core Portfolio

Adaptive.
Repeatable.
Compounding.

- Not your typical 60:40. Smart Core is a dynamic, rules-based system that allocates between asset classes in real time.
- Backed by empirical research and quantitative models, it cuts out noise, avoids knee-jerk reactions, to manage risk and capture returns.
- **One strategy — just like one model of the Apple phone. Gold standard.**

What is the universe of investments?

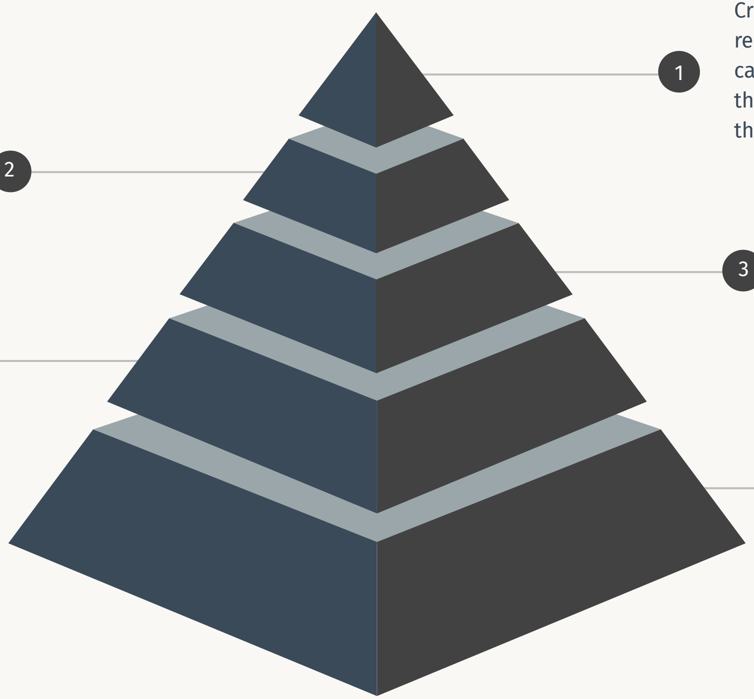
Asset Class	Universe	Instrument	Indicative Allocation
Equity	Nifty Large Mid-cap (250)	Direct stocks	0-100%. Upto 30 stocks. Each stock exposure is capped at 10%
Commodities	Gold, Silver	ETF, Funds	Gold: 0-100% Silver: 0-25%
Debt	Short and Medium duration debt	ETF, Funds	0-100%
Foreign Equities	NASDAQ-100	ETF, Funds	0-25%

BENCHMARKS

- Nifty 50 TRI
- Nifty Multi Asset class Index – Equity: Debt: Arbitrage: REITs/InvITs (50:20:20:10)

How does the model work?

Systematic, emotionless and responsive



1

Investment Universe

Created a multi asset class model with representation from equity, gold/ silver, cash and foreign equities. Equity is through direct stocks, rest others are through ETF or funds.

2

Scoring Methodology

Each asset is evaluated using a composite score that blends momentum, trend persistence, volatility and price strength indicators. Ranking is dual and regime-sensitive (bull/bear).

3

Selection Framework

Model allocates across 30 portfolio slots (~3.3%), assets as per their score. Highest scores find place in the model as per the prevailing market signal (as per regime).

4

Rebalancing Triggers

Time based: regular periodic reviews,
Risk based: shifts in volatility or trend integrity,
Size based: entry/exit flows and portfolio weight limits

5

Entry and Exit Protocol

Asset inclusion is driven by rank-based filtering system (as per the regime). Exits are guided by profit harvesting through trailing strength decay and loss containment via drawdown breach thresholds

This disciplined framework enables continuous capital reallocation, maximizes portfolio efficiency, and enhances risk-adjusted returns — by design, not discretion

What are the specific risks?

Nature of risk	Explanation
Concentration risk	- Individual stock exposure is managed through capping and periodic rebalancing, - No capping in asset-class allocations (e.g., equity, gold, or cash) This flexibility allows us to fully express our conviction when opportunities are strong. We see that excessive diversification dilutes returns without meaningfully reducing risk.
High Turnover risk	- Strategy is dynamic and adaptive, not buy-and-hold. ~75% of the gains are short term in nature - Portfolio turnover ratio can be as high as 3.5x per year - This increases transaction cost and related slippages. However, we operate within a deep/ liquid universe of stocks, ETFs.
High component of Variable fee	- Performance-linked fee structure includes a variable fee of 20% on alpha While this may appear high, it directly aligns our incentives with our investors — we earn more only when you do. Hurdle rate of 12% or benchmark return ensures that investors pay only for outperformance.

"Equity investments are subject to market risks. Past performance may or may not be sustained in the future. Please read all scheme-related documents carefully before investing. These are some additional factors to consider before investing"

How robust is the model?

Tested Across Market Cycles (Apr 2015 – Oct 2025)

The Smart Core framework has been tested over **10.5 years** of live market regimes — including:

- the 2018 **credit and mid-cap crisis** (IL&FS)
- the **Covid** crash and recovery of 2020–21
- the **small-cap euphoria** post 2021
- the **time correction** of 2024–25, and
- multiple **interest-rate and commodity cycles** including the *gold rally of 2025*

Across this full decade of testing, 2018 remains the only calendar year of underperformance, the other minor underperformance being in 2020.
On a five-year rolling basis, the strategy has **outperformed its benchmark 97% of the time**

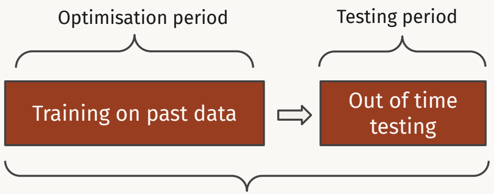
A model is only as strong as the data and discipline behind it.

Can you explain in layman terms

Methodology: Walk-Forward Testing Framework

- Walk-Forward Testing is like doing a **rolling, real-time clinical trial**. We train the model on past data up to a point in time, and immediately test it on the next period's data. **This is done iteratively over distinct, consecutive periods of time in the last 10.5 years.**
- The final CAGR is a cumulative result of all interim out-of-sample tests

"We test our models the way a doctor tests a vaccine"



We uphold the **gold standard** of back-testing integrity. We have eliminated the below sins:

Sin #1: Survivorship Bias

The Grey Sky Difference

When we test performance, we include data from companies that **failed, delisted, or merged**. We study both the **crash survivors** and the **victims**.

Sin #2: Look-Ahead Bias

The Grey Sky Difference

We ensure our model makes a decision today **using only the information that was actually available at that exact moment in the past**. Eg., we don't use Friday's closing price to calculate a buy signal that supposedly happened on Thursday.

Sin #3: Poor Data and Execution Simulation

The Grey Sky Difference

All trades executed at **closing price on the day of signal from the model.**

Price and fundamental data sourced from **Bloomberg APIs**

A model is only as strong as the data and discipline behind it.

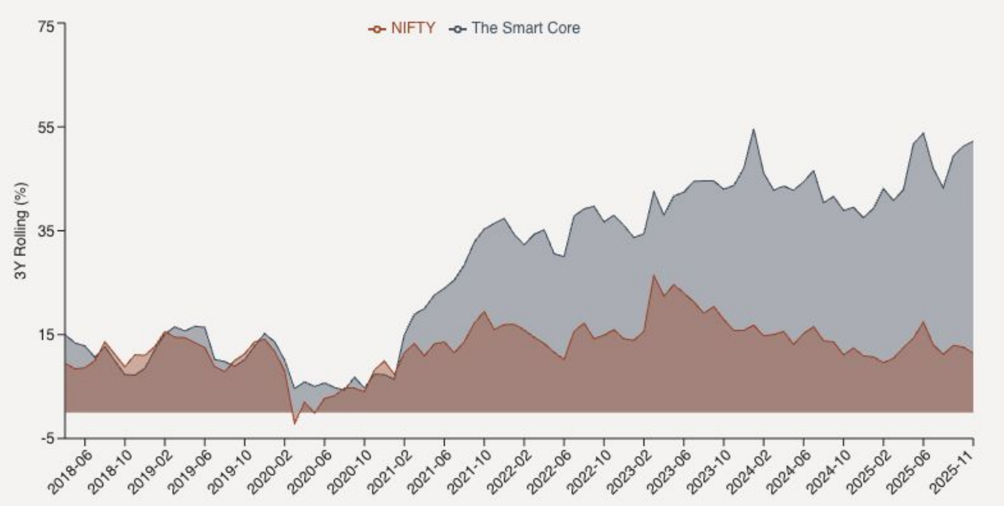
How is the Smart Core's performance?

Period	NIFTY (%)	The Smart Core (%)
7Y CAGR	14.1	39.7
5Y CAGR	17.2	50.9
3Y CAGR	13	51.8
2Y CAGR	15.9	64
1Y CAGR	5.7	53.2
6M ABS	5.7	31
3M ABS	3.5	17.4
1M ABS	4.5	4.3

** Data is as of 31st October, 2025.*

- *Backtested returns and not adjusted for fees. Dividend income is not accounted for.*
- *Strategy is fully quant-driven, back-tested over 11 years using walk-forward methodology. Free of look-ahead bias and survivorship bias.*
- *The performance results presented herein are hypothetical and based on a model portfolio constructed by Grey sky. These results are provided for illustrative purposes only and do not reflect actual trading activity or client accounts.*

How resilient is it?



Performance Consistency-

- On a 3-year rolling basis, the strategy outperforms the NIFTY 85% of the times.
- On a 5-year rolling basis, it outperforms 100% of the times.

Stability Through Cycles:

Across a decade of backtesting, 2018 stands out as the *only major calendar year of underperformance* — driven by:

- SEBI's mid-cap/small-cap reclassification
- Broad weakness in both mid-caps and gold (limiting diversification impact)

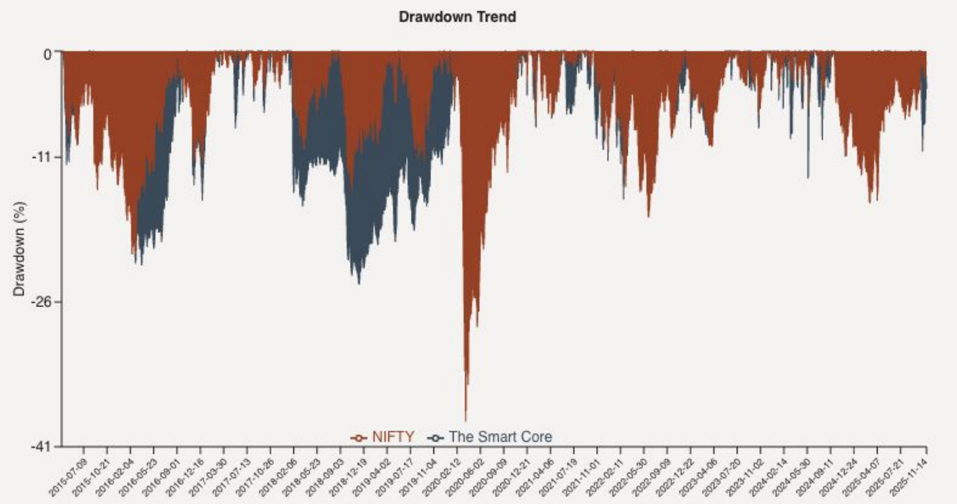
Excluding 2016 and 2018, the strategy has shown consistent alpha delivery with superior risk-adjusted returns.

Rolling CAGR Summary

	2Y OP	2Y Min	2Y Med	2Y Max	3Y OP	3Y Min	3Y Med	3Y Max	5Y OP	5Y Min	5Y Med	5Y Max
NIFTY (%)		-7.8	13.4	42.5		-2.1	13.3	26.4		2.6	13.7	22.3
The Smart Core (%)	83.7	-2.2	28.2	66.1	84.8	4.3	34.3	54.6	100	7.3	24.4	51

Data is as of 31st October, 2025. Performance is computed based on NAV (Gross Basis) i.e, before asset management fee/applicable taxes but after brokerage and statutory taxes. Dividend is not included for return calculations

What about the drawdowns?



Annual Drawdown Metrics

Year	NIFTY MDD (%)	NIFTY Recovery (Days)	The Smart Core MDD (%)	The Smart Core Recovery (Days)
2015	14.4	365	12.5	309
2016	12.5	62	15.5	44
2017	4.1	16	8	49
2018	14.6	172	24.2	656
2019	11.4	69	9.6	89
2020	38.4	231	25.7	175
2021	10.1	339	11.4	106
2022	16.5	147	17.2	43
2023	7.1	41	8	13
2024	10.9	3	13.2	14
2025	8.7	50	10.4	39

Observation: The Smart Core Portfolio typically experiences **similar drawdowns** than the NIFTY and **faster recovery**, reflecting its strong risk-management design.

Exceptions: The 2018 calendar year was the only major period of underperformance as compared to NIFTY, with the other minor one being 2020. The drawdown was sharper and recovery slower in 2018 due to:
1. Severe correction in mid- and small-caps following SEBI's reclassification exercise
2. Gold's weak performance, removing its usual stabilizing effect
3. Credit events like IL&FS and DHFL defaults.

Overall: Outside of 2018, drawdowns have been moderate and swiftly recovered, demonstrating the portfolio's ability to manage risk and preserve capital through different market regimes.

Data is as of 31st October, 2025.

How about some more metrics?

Efficacy Metrics

Metrics	3Y		5Y	
	NIFTY	The Smart Core	NIFTY	The Smart Core
CAGR (%)	12.2	52.6	15.2	50.8
Sharpe Ratio	1	2.3	1.1	2.2
Sortino Ratio	1.4	2.5	1.5	2.5
MDD (%)	15.8	13.2	17.2	17.2
MDD Recovery (Days)	84	14	160	43
Turnover		247.5		291.5
α (%)		33.3		28.9
β		0.9		1
R^2 (%)		35.2		43.9
Information Ratio		3		2.7
Upside Capture Ratio (%)		248.3		291.8
Downside Capture Ratio (%)		-19.1		18.4

Plus:

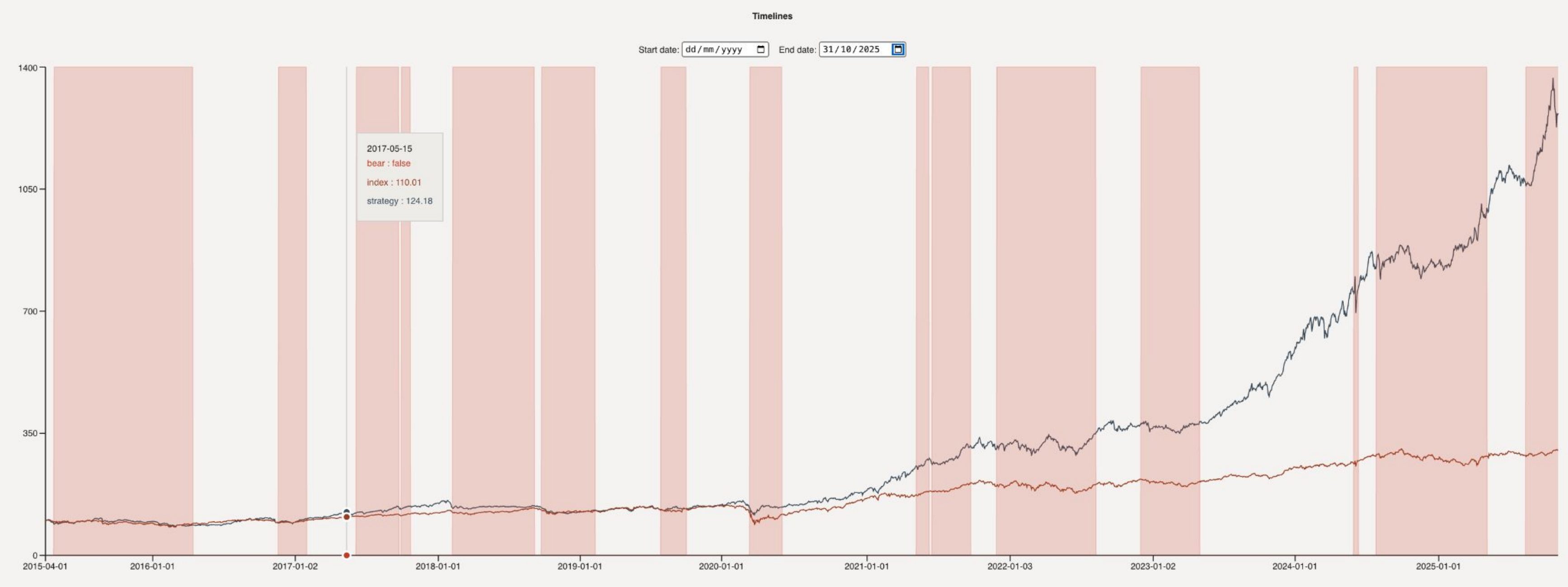
1. Solid alpha, higher return per unit of risk, lower drawdown.
2. Beta less than 1.
3. Very low downside capture, which means hedging strategy is doing very well.

Minus:

1. High portfolio turnover

Data is as of 31st October, 2025.

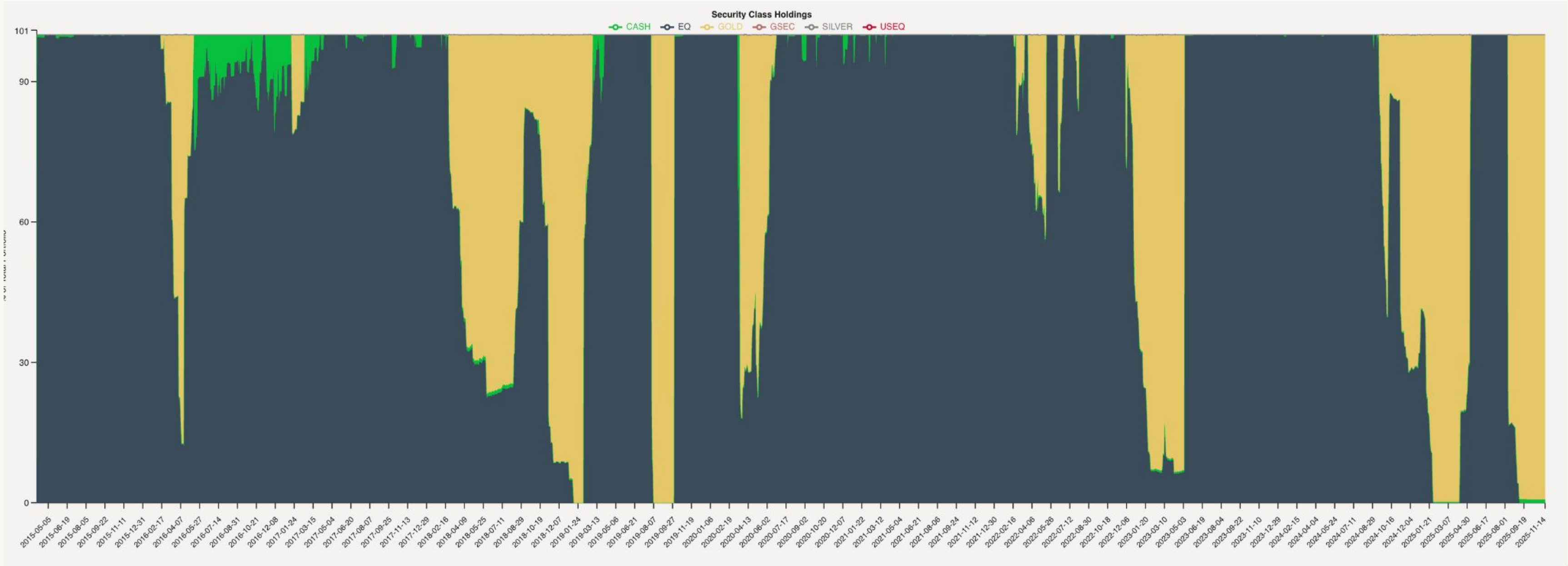
What is regime change?



Regime Change: Defining it allows us to react better and change our strategy. This is the reason for low downside capture and high alpha. Red strips are periods of “lack of bullish activity in equity”.

Data is as of 31st October, 2025.

How have asset allocations moved in the past?



80% of the times in equities (*blue*), 19% in gold (*gold*) and 1% in cash (*green*). We will make it more robust by having silver, US equities and medium duration debt also in the mix as per the situation.

Data is as of 31st October, 2025.

What is the fee structure?

Built for the alignment

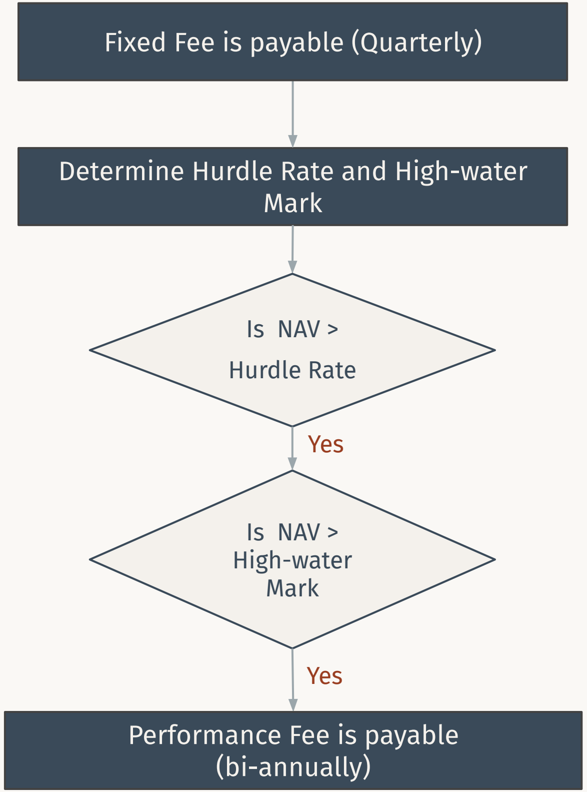
0.75% p.a Fixed Fee — covers research, execution, and operations

- Payable quarterly, identical for all investors
- Performance independent

+

20% Performance Fee — Only on Alpha

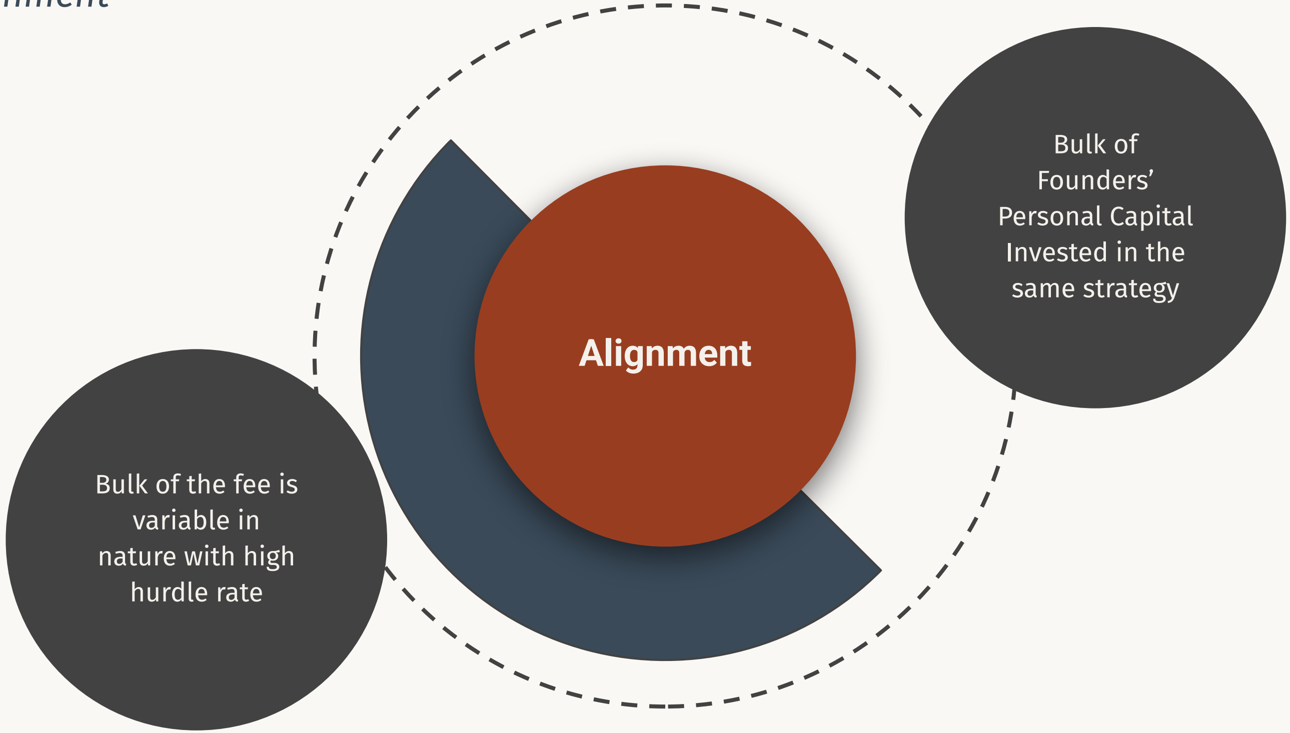
- Charged on returns exceeding the benchmark or 12% fixed rate (choice)
- Includes a High-water Mark safeguard — you don't pay twice for same performance
- Zero performance fee in years with negative returns



Our commitment: One product. One performance. One fee structure — for everyone.

What is our skin in the game?

Complete Alignment



Who are the people behind Grey Sky Capital?

Shobbit Agarwal 🔗[LinkedIn]

→ 18 years in Financial Services

→ Business Head - Lending (Navi Group) — *Scaled AUM to INR 12.5K crore AUM, profitably. Led Sales, Credit, Borrowings, and Treasury functions*

→ Ex: Deutsche bank, Standard Chartered Bank

Qualification: CA (AIR #6), Hons in Commerce from SRCC

Apurv Anand 🔗[LinkedIn]

→ 18 years in Technology, Data, AI

→ Engineering & AI Head (Navi Group) — *Saw growth of the organization from 100 to 500 people; Led Engineering, Data Science/Analytics, HR functions*

Ex: Co-founded SigTuple, Yahoo!, AmEx, Veveo (now TiVo)

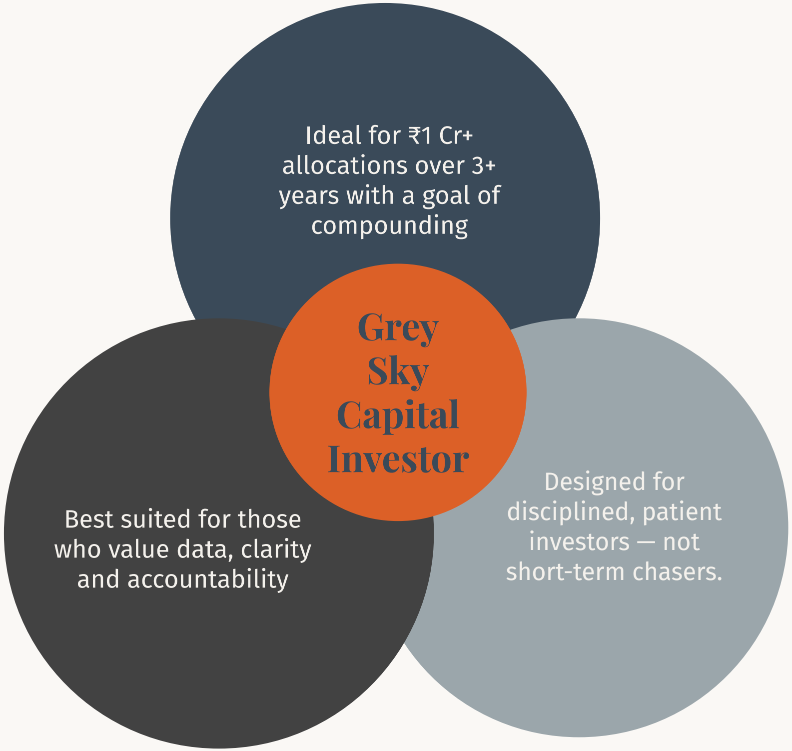
Qualification: IIT Delhi, Computer Science & Engineering

Read: Why we started Grey Sky Capital here

What is the ideal investor profile?

Not for everyone

- *Smart Core is your natural home. Designed to be the everything you need from creating wealth to minimising drawdowns.*
- *Its crafted for your long term needs. If you're here to speculate or switch at every correction, this isn't for you. We're not built for everyone — only for those who value process over prediction.*
- *It's designed to beat any fixed (or 100%) asset class allocation over 3 years.*



How do we get started?

Join the first 100 committed investors

Focused Launch
Onboarding a limited cohort to ensure dedicated support and performance.

Direct Access
Engage with the founding team to understand the strategy and fit.

Build Enduring Wealth
Partner with us to create a data-led, principle-driven investment journey.

When you join, you're not just entrusting us with your capital. You're joining a community of thoughtful professionals, builders, and creators — who think long-term and act with intent.

Join our Founders' Circle — Begin with a 20-min intro conversation and a long term mindset.

Please fill this form.

Disclaimer

This presentation has been prepared by Grey Sky Capital for informational purposes only and is intended solely for prospective investors to understand the proposed Portfolio Management Services (PMS) offering. It should not be construed as an offer, recommendation, or solicitation to buy or sell any securities or to participate in any investment strategy until formal onboarding documentation is executed.

Grey Sky Capital has received in principle approval from SEBI to act as Portfolio Manager; however, no PMS activity, client onboarding, or investment management will commence until the official launch date communicated by the firm.

The strategies, performance results, and illustrative models referenced herein are hypothetical and based on backtested data derived from a model portfolio constructed by Grey Sky. These are presented for illustrative purposes only and do not reflect actual client accounts or live trading activity.

Important footnote:

> *The performance results presented herein are hypothetical and subject to inherent limitations, including the use of hindsight, ideal execution assumptions, and exclusion of real-world factors such as market impact, liquidity constraints, transaction costs, and investor behavior. These results are not audited and should not be relied upon as a reflection of actual portfolio performance.*

There is no assurance that any investment strategy or model will achieve results similar to those shown. Actual performance may differ materially due to changing market conditions, timing, investment decisions, and other variables.

Past performance — whether real or hypothetical — is not a guarantee of future results. Investing in capital markets involves risk, including the possible loss of principal. Prospective investors are advised to consult their financial, legal, and tax advisors before making any investment decision

Annexure 1: Momentum works

A Centuries-Old Anomaly That Still Delivers

Behavioral Underpinnings:
Momentum exploits persistent biases: underreaction to news, herding, and cognitive distortions like anchoring and confirmation bias.

Empirical Validation:
Seminal studies (Jegadeesh & Titman 1993, Fama & French 2008) confirm momentum's outperformance across time, assets, and geographies.

Structural Persistence:
Momentum follows price action — sidestepping flawed predictions and relying on what the market is actually doing. Its effectiveness persists because it's emotionally hard to follow and structurally underused by fund managers

Momentum isn't just a trading tactic — it's one of the most robust anomalies documented in finance. The reason? Momentum captures the psychological footprints of the market. As investors react to news with delay, herd instincts, or cognitive biases, price trends develop and persist. Our model capitalizes on this behavior using rule-based filters that rank opportunities with discipline. See Annexure 1 to see how Momentum index has done against Nifty.

Annexure 2: But we are more than Momentum

Smart core has done much better than Nifty Momentum strategy

Asset Class	YTD	1 Year	5 Years *
Smart Core Strategy (before fees)	**57%**	**53%**	**51%**
Nifty 50 (TRI)	10%	8%	19%
Nifty 200 Momentum (TRI)	-4%	-8%	22%
Gold Bees ETF	54%	49%	18%

As on 31st Oct, 2025.
** Figures for 5 years are annualised*

- We are multi-asset class, not entirely dependent on equity market to do well
- We are not market cap weighted index
- We are much more sophisticated than the momentum index methodology
- We dynamically adapt to changing conditions like volatility, bearishness, relative price action and shift in and out of momentum

Thank You !