Progressive Value Growth Fund: Awaiting Earnings Season

Portfolio Performance Oct 2024-June 2025	Equity Allocation (%)	Cash (%)	Portfolio Returns (%)	Benchmark Returns (%) S&P BSE 500 TRI
	78.11	21.89	-6.13	0.35

Method: Time weighted- Daily valuation method is used for rate of return calculation. Portfolio valuation is done on the date of any external cash flow with daily weighted cash flows. Periodic returns are geometrically linked. Total return includes realized and unrealized gains and income. Calculations are after deduction of transaction charges. Trade date accounting is used for calculations. Accrual accounting is used for fixed income securities. Market values of fixed income securities include accrued income. Accrual accounting is used for a dividend as of ex-dividend date.
Inception date: 10/10/2024
Distributions: Dividend and interest are assumed as reinvested for the rate of return calculation
Taxes: Calculations are on pre-tax basis
Fees: Calculations are after deduction of fees

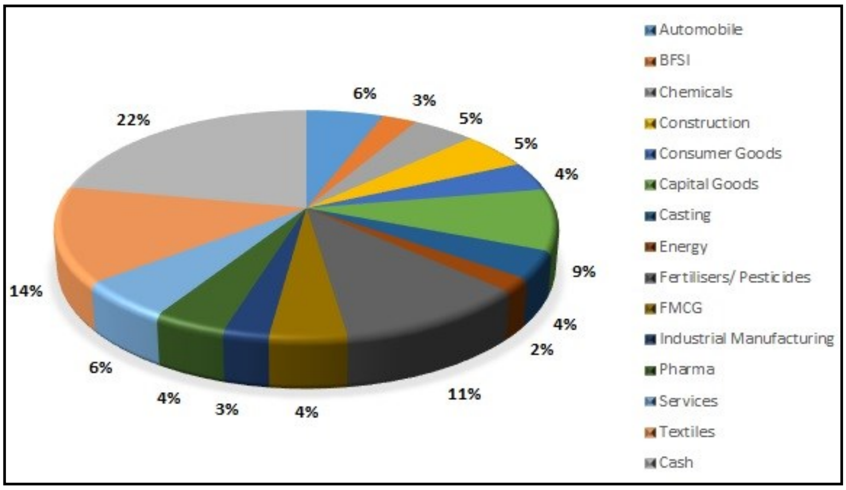
Tariff, Trauma and Targets:

The global economic landscape continues to reel under pressure, exacerbated by the resurgence of reciprocal taxes and related policies. This concept of reciprocal taxes on trading partners has deepened volatility and uncertainty in financial markets, pushing global financial stability risks higher. With markets increasingly reactive to adverse news flows, foreign direct investment (FDI) into emerging economies has begun to slow. Tensions in the Middle East, particularly between Iran and Israel, pushed the world dangerously close to a potential large scale conflict. The temporary shutdown of the Strait of Hormuz, alongside crude oil price swings and rising freight costs, amplified the stress on already fragile global trade. The world continues to wait for clarity from upcoming events related to US Fed rate cuts, India and US negotiations on bilateral trades, US-China trade deal sign off, multiple geo-political tensions, erratic energy/ oil price fluctuations, and India-UK being very close to sealing the free trade pact and give directions to the last mile formalities.

Impact on India: Despite the global turmoil, India has largely remained insulated from the epicentre of geopolitical flashpoints. The idea to stay away from the noise and focus on fundamentals has been doing well for the country. India is trying to build on its economic health via critical agriculture, manufacturing, technology transfers and many deregulation initiatives. The economy is showing resilience amidst global headwinds.

A favourable monsoon bodes well for rural income and consumption, which could emerge as a key driver of the overall economic growth. The Reserve Bank of India, through its latest stress test results, has reaffirmed the strength and stability of the country's banking and non-banking financial sectors. However, as global uncertainties persist, Indian manufacturers must remain vigilant of inventory management and avoid overstocking.

Portfolio Allocation (Till June 2025)



Private capital expenditure has witnessed some moderation, with corporates adopting a more cautious stance in response to the fluid global trade environment and escalating geopolitical risks. Encouragingly, an increasing number of Indian start-ups are opting for local listings, attracted by robust valuations positioning India as the third-largest IPO hub for internet companies after the US and China. As we will soon be entering into the earnings season, we need to be cautious of the fact that aggressive valuation expansion could be difficult for some players, while some growth oriented mid/small cap players can show stable upticks.

Portfolio Activities:

We remain aligned with our core investment thesis, which emphasizes on a portfolio composed of niche businesses predominantly in the mid and small-cap segments. Despite the prevailing market volatility, many of these companies continue to exhibit strong long-term potential and remain well-positioned to deliver meaningful returns. Markets are expected to remain volatile, testing both investor patience and risk tolerance with intermittent bouts of panic. In such volatile times, a sudden transformation can be witnessed amongst the investor community who momentarily discover the secret of wealth creation and also forget the same when some spikes are seen in the stock prices. We are currently in the accumulation phase and what will happen or what can happen over the next six months doesn't really matter for disciplined investments.

Some of the companies in the portfolio have acted as anchors in this chaotic scenario with a number of conflicts across the globe making investment vulnerable to growth. We had carefully allocated capital to companies with limited downside risk or good fundamentals and as the market sentiment stabilized the diversified portfolio has seen some benefits of the same.

Portfolio Activities (contd.):

Within the textile space, we have increased our exposure to select companies particularly those that are vertically integrated and focused on operational efficiency. While several businesses in this segment remain highly leveraged, Management teams at prudent firms are actively pursuing debt reduction and working to lower the interest costs. In addition to this, there are many players who are also involved in reducing the energy costs and are investing/switching to renewable sources of energy as it is evident that the energy costs to a larger extent can also reduce the shimmer of the bottomline. Our exposure to this sector has increased with some additions during the quarter under review. We continue to go-with-the-flow in the current cycle.

Growth of the Indian economy largely depends on the growth of the automotive and auto-ancillary sector, and we expect this trend to continue. The metal sector has a whole has been showing some promising growth. Amidst this, the players in the segments related to moulding and casting are gradually expanding their capacities which provide good investment opportunities for long term players. We have taken exposure in one such company.

We continue to be skewed and optimistic towards businesses in the agrochemical and specialty chemical sectors. Many of these companies have recently completed their capital expenditure cycles, and we expect some value as well as volume growth to be registered in the coming quarters. Such developments or upcoming advanced capex spends can benefit equipment manufacturers for these kind of businesses.

As we compare the movements in the current market to those of tidal waves (with ample of trough and peaks), we will deploy the available cash, selectively into industries/companies with clear long-term growth prospects. Despite the undulating rides propelled by some major economies who continue to flex their muscle, we are eagerly waiting for opportunities to add good quality stocks. We are also aware of the fact that we cannot time the markets, but there will be moments where post a small dip if any, we will be able to deploy in tranches.

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