Progressive Value Growth Fund: "Negative Factors Discounted?"

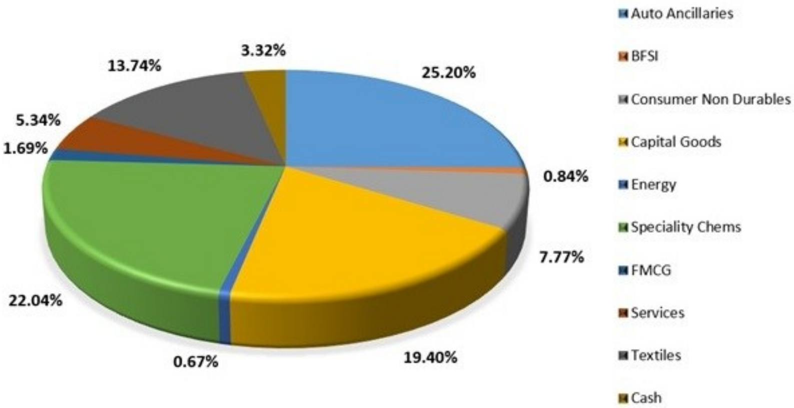
Portfolio Performance

Period	Portfolio (%)	BSE 500 TRI (%)
1 Month	3.06	1.73
3 Months	28.91	12.10
6 Months	0.09	-3.53
1 Year	-7.11	-1.96
Since Inception	-7.71	-0.95

Allocation (%)

Equity	Cash
96.68	3.32

Portfolio Allocation (Till June 2026)



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

Negative Factors Discounted

Politics is a pendulum that swings constantly. It's really hard to say what's going to happen in four years or in two years or in one year.
-Francis X. Suarez

History reveals there has always been a series of pendulum swings in the stock market, however, an individual investor should not get caught in it, but definitely follow the trend and go with the flow. There is an ocean of knowledge that gets built up gradually over the years, where the pendulum sometimes swings in favour of the experienced player. Under such circumstances one has to **wait and watch**, conserve energy like a praying mantis waiting to strike with lightning speed. However, we continue to face uncertainties which are translated from fear to adverse developments with announcements made especially over the weekends which ruins mental peace. This basically is reducing the anticipated return expectations from the portfolio and **translating** most of the market participants into aggressive traders.

With a birds eye view, India appears to be a good market, but the issues arise when you begin to scratch below the surface where you might see some fragility in the macro as well as the micro. The macro challenges include, the higher crude oil/commodity prices due to global geopolitical tensions, elevated inflationary pressures, relatively weaker monsoon outlook (which can potentially limit the rural demand recovery), pressure from higher import bill and other fiscal constraints. The impact of the West Asian conflict on the Indian economy especially the **mounting pressure on the rupee** is quite a serious issue if not sorted quickly. Since we are not innovators in the AI domain, we continue to **provide services** to the world which is still seeking reliable and resilient **manufacturing partners**.

We are looking at a number of issues like geopolitical uncertainty, FII outflows, rising oil prices, declining rupee, slow earnings and consumption momentum; and during this time the **small caps** have been performing well. There has been a small bull rally seen in the mid/small caps while staging a sharp recovery and delivering returns that has left the large cap benchmarks far behind for the time being. We believe small caps will continue to gain traction of **smart money**; and **that is where we are invested as well**. Some of the key triggers for the small divergence include the valuation comfort, improved earnings delivery during the end of the financial year (generally strong quarter) as well as the revival in risk appetite of all investor categories. Pointless to mention, there had been excessive optimism in certain cases, where the stock prices have risen much faster than the earnings expectations. This simply implies the next phase of returns becoming **more selective on earnings** rather than the liquidity run. A **disciplined and diversified approach** will continue to be a prudent way to participate in this opportunity. The classical theory of late cycle entry believes that there is still some steam left, however, FOMO and momentum chasing can end in an ugly manner.

Portfolio Activities: We continue to hold all the stocks in our portfolio which is made up of mid/small-caps. Some stocks are already giving good returns (last 3 months return of ~28.91% v/s 12.10% of benchmark) and tempt us to book profits; however, these returns are also nullified by some components in the portfolio while returning **(-7.71% since inception)** which are a major drag due to prevailing market conditions and the inability to fetch sustainable margins. The **rough ride** for the portfolio still continues where some of these **slightly undiscovered niche businesses** with high illiquidity continue to swing like a pendulum. During the quarter under review, we have increased our exposure to an already existing entity in the domain of specialty chemicals. The company was actively involved in an acquisition in North America to strengthen the topline growth. But this is coming at the cost of sacrificing the overall blended margins. The company is already looking at expansion plans for the acquired business. The company already has a library of molecules which add value for its domestic as well as international clients while constantly evolving in the chemical landscape with clarity and structured initiatives that intend to balance agility with scale.

Please Turn Over

Portfolio Activities (contd.):

In Q4FY26, the **Indian textile sector** has witnessed a strong shift toward revenue expansion and margin stabilization where some of the key integrated players in the market have delivered double digit growth in exports. Coupled with heavy capital investment in sustainable automation led manufacturing (to meet ESG compliance for the global brands), the other trends also included adoption of integrated sourcing solutions, manufacturing at almost peak capacity as well as scaling of the advanced technical textiles division with immense fluctuations in the spreads of the key raw materials for man-made as well as machine made yarns. Some of our holdings also showed a tinge of green in the portfolio. Owing to the conducive developments, the textile exporters in India are projecting tripling of UK market share to ~15% post the India-UK trade agreement. This **clarity of the trade pact** is also coming at a time when stability is expected to return to West Asia, a key destination and transit route for Indian textile exports.

As mentioned in our previous notes as well, the **Glass Lined Equipment (GLE)** manufacturers or the ones involved in Heavy Engineering (HE) in India are gradually seeing a slight surge in demand, good order book, strong order backlog, which are primarily driven by small expansion in the Pharma and to some extent in the specialty chemical sectors. While we also understand that the GLE business is becoming a mature market, the key players in the market are looking at soft diversifications in HE while trying to cater to nuclear, oil & gas and other related segments coupled with consolidation and supply chain regionalization for localized procurement. The **Indian industrial gearbox** manufacturers saw a temporary revenue dip caused by customer deferments which is in contrast to the good surge in the upcoming order book. The recently released annual reports have some encouraging triggers supporting our rationales.

The Indian **auto component** manufacturers especially related to the wires/cables sector have experienced record revenue growth owing to robust domestic demand, however, the profitability has been facing pressure from the geopolitical tensions, raw material price volatility, some stress on the working capital cycle and pressure on the interest burden. If the auto sector maintains the growth momentum, these players will be benefitted with good volume growth. The **bus body builders** too are witnessing record-breaking CV volume growth with the transition towards the EV (which is high margin business) and rigorous safety integration norms which can put **pressure on the unorganised** players.

The **3PL** sector in India is drifting towards vertical quick commerce and decentralized multi city warehousing, wherein the player in our portfolio has made a **conscious effort to stay away** from these complex and low margin businesses. This company intends to continue growth with healthy profitable volumes while providing value added services with a keen focus on reduction of debt via asset light orientation and tech driven operations.

Some of the players in the **biotech** sector are witnessing a good comeback in the domestic market as well the nutraceutical sector while posting stellar profitability, however pricing pressure in the industry is currently not conducive. The factors contributing to this growth include the focus on R&D, backward integration to improve margins and specialized manufacturing. The **Indian Specialty Chemicals** industry was seen trying to capitalize on the China Plus One strategy with **demand tailwinds** and **import substitution** which translated into **good export** growth. Some companies are seen shifting their focus towards high-value-low-volume molecules, while some are seen having a tug of war between sustainability and headwinds like rising crude linked input costs and depreciating currency issues. The **Indian Agrochem** industry has experienced a strong volume-driven recovery which is clearly propelled by stable global demand, steady agricultural sentiment heading into the Kharif season, somewhat normalized supply chains and efforts towards premiumisation for certain low volume products/molecules.

A **pendulum thought** is essentially a mental pattern which is characterized by swinging between two extreme opposites: may it be good or bad, black or white, all or nothing, sense or senseless. This thought is usually an overcorrection of reaction/s to a past negative experience which can simply abandon the belief structure. The most important way to **stop the swing** is removing the emotional extremes and trying to seek the middle ground which is a very very difficult task to perform; we are trying to do that. We have passed another quarter with beautiful uncertainties, where everyone knew something is happening, but no one knew when or what is happening. We have been living in a phase where there is extreme volatility, zero certainty, scepticism and fatigue, but somewhere in the dark, some sense of **conviction and glimmer** has been spotted. The key yardsticks which can help improve the performance of our investments include the easing of geopolitical conditions, a solid/foolproof resolution to the West Asia conflict (a permanent ceasefire), cooling in the prices of oil and flow of money back into India. We have been patiently waiting and in some cases **green shoots are already seen** in the portfolio.

Patience is bitter, but its fruit is sweet.
Jean-Jacques Rousseau

DISCLAIMERS AND DISCLOSURES

Progressive Share Brokers Pvt. Ltd.
Portfolio Manager | SEBI Registration No. INP000008817

This performance report has been issued by Progressive Share Brokers Pvt. Ltd., a SEBI-registered Portfolio Manager. Investments in securities are subject to market risks and other uncertainties. There is no assurance or guarantee that the investment objectives of any portfolio or investment strategy offered by the Portfolio Manager will be achieved. Portfolio performance may be influenced by a wide range of factors, including market conditions, economic developments, and changes in the investment strategy. Individual investor returns may vary due to factors such as timing of investments, redemptions, and additional contributions.

Investors are advised to refer to the Disclosure Document and the Portfolio Management Services Agreement for detailed, portfolio-specific risk factors. The composite benchmarks used for evaluating performance may be proprietary to the Portfolio Manager.

Progressive Share Brokers Pvt. Ltd. and its affiliates may engage in proprietary trading activities such as acting as market makers, jobbers, or arbitrageurs in securities of the issuer(s) or related instruments. Consequently, they may hold positions that are contrary to those of public investors. Directors, officers, and employees of the company may also maintain long or short positions in such securities or related investments.

This report is intended for private circulation only and does not consider the specific investment objectives, financial situations, or individual requirements of any recipient. Past performance is not indicative of future results. The Portfolio Manager does not guarantee positive returns or the fulfillment of investment objectives for any portfolio. The naming of portfolios does not imply any promise or forecast of returns.

Prospective investors are strongly encouraged to thoroughly review the Disclosure Document, PMS Agreement, and other related documents before making any investment decision. You should also consult your legal, tax, and financial advisors to understand the potential legal, tax, financial, or other consequences of investing in any portfolio. Investors are further advised to consider the risks associated with Portfolio Management Services in detail.

Registered Office Address:
Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Indl Estate,
New Link Rd, Andheri West,
Mumbai- 400053, Maharashtra
www.progressiveshares.com | Contact No.:022-40777500

Principal Officer:
Mr. Rohit Ohri
Email: pms@progressiveshares.com
Contact No: 022-40777500

Compliance Officer:
Ms. Mamatha Poojari
Email: compliance@progressiveshares.com
Contact No: 022-40777500.

Grievance Officer:
Email: grievancecell@progressiveshares.com