Progressive Value Growth Fund: "We All Fall Down"

Portfolio Performance Oct 2024-Mar 2026	Equity Allocation (%)	Cash (%)	Portfolio Returns (%)	Benchmark Returns (%) S&P BSE 500 TRI
	95.26	4.74	-20.66	-7.25

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

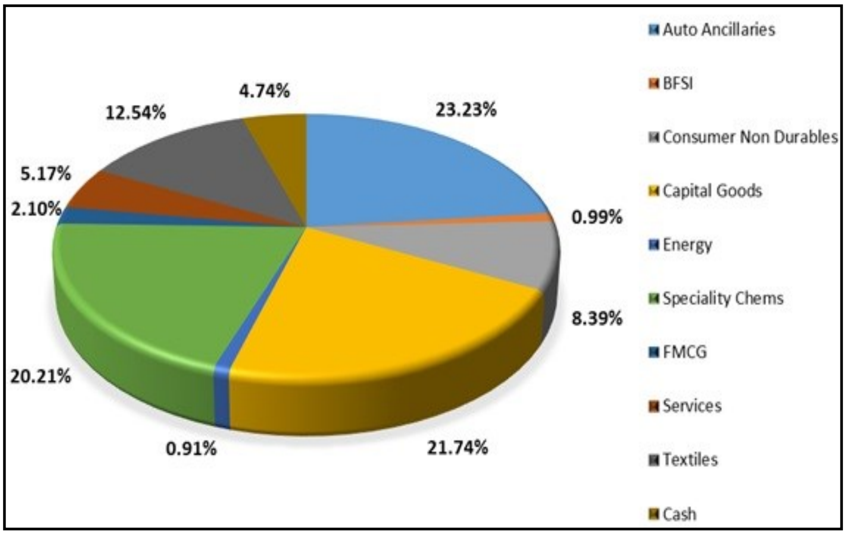
We All Fall Down:

The stock market has been yo-yoing in the recent 2-3 quarters, where we are facing **one battle after another** which is completely propelled by the chaos in geopolitics. Till mid-February what we felt was strong conversion of headwinds into tailwinds got reversed in the first week of March. And once again, we continue to face uncertainties which are many times converted from fear to adverse developments with announcements made especially over the weekends. **One bad news breeds more bad news**; and investors were seen turning increasingly conservative, interest in the markets started fading away while valuations fell far below attractive levels. Clearly, **fear replaced conviction** even when opportunities were the highest. To be very candid, tensions across the globe have long been simmering with the much needed correction that came through in the Indian stock market.

With the crude oil prices skyrocketing and the USD becoming stronger against the INR, there is clear derating underway for India. However, the same can also benefit a number of export oriented players in the country. Valuation multiples reflect investor confidence in growth rates and the duration of growth are currently seen compressing during the quarter under review. When this happens it simply implies **falling multiples is directly proportional to less confidence**. India as a country will have to regain its growth credentials; the country will have to accelerate and give more confidence to the investors that growth is sustainable and that the country can innovate in pursuit of becoming a manufacturing hub with best-in-class produce. We are gradually transitioning from growth multiple towards value; this roller coaster which has been going south, will see the group of **growth investors** diminishing till the market becomes cheap enough for the group of **value investors** to get attracted. What will happen is, gradually the market participants will become cautiously selective, and start looking at quality and realistic valuations. Amidst these global uncertainties, the current state of the Indian economy can provide ground for optimism going forward. The world is looking for reliable and resilient manufacturing partners. India has the opportunity to play this role with vigour.

Portfolio Activities: We continue to hold all the stocks in our portfolio composed of mid/small-caps and owing to the market turmoil we have delivered a return of (-20.66%). The **rough ride** continues for the under-owned niche businesses with high illiquidity of the stocks in the portfolio. We hope, some sanity and or clarity in the goals of global geo-political leaders coupled with stability in the market would help strengthen our diversified portfolio.

Portfolio Allocation (Till March 2026)



Please Note- We have re-arranged the sectors to provide a concise view

During the quarter under review, we have added a stock involved in the agrochemicals domain. This company is involved in manufacturing intermediate molecules for a number of top agrochemical players in the country. The company is gradually drifting towards R&D to add new value-added molecules for its domestic as well as international clients. We believe the launch of new products, supported by increased customer engagement and application specific innovations can help propel quality revenue growth with probable margin-accretive streams. The company is actively exploring opportunities for a new site to support its long-term growth. It is gradually learning as well as navigating through the complex and constantly evolving chemical landscape with clarity and structured initiatives that intend to balance agility with scale. The company has a good track record in the field of crop protection and related segments with CDMO gaining traction; that can benefit the top-line as well as the bottom-line over the next 6-9 quarters.
In addition to the stock mentioned above, we have topped up one of our holdings in the logistic play/service provider.

Please Turn Over

Portfolio Activities (contd.):

The Indian **textile** manufacturers have been tilting more towards sustainable and eco-friendly production, while at the same time the current trends are looking at accelerating output in technical textiles and man-made fibers (MMFs), supported by government incentives for automation and exports, while the production was seen shifting towards polyester and viscose owing to sustainability credentials. The industry as a whole is trying to move towards the concept of **fibre-to-fashion hubs** and is aligning with the PM-MITRA scheme to reduce logistics and production costs. However, the issues related to raw material procurement with escalated costs can dampen the margins earned in the upcoming quarterly results. India has signed a number of free trade agreements with many countries which opens a vast avenue of opportunities. However, we continue to believe the integrated textile players will begin to reap benefits once there is more clarity related to the recent global conflicts in the Middle-East. Some players who supply **chemicals to these textile giants** will also continue to show growth coupled with soft diversifications.

The Indian **speciality chemicals** sector has been showing a split performance which was propelled by good exports, strategic acquisitions, small capacity expansions for future growth, with focus on specialized/sustainable chemistries for high-value products. This was witnessed in an industry which was already facing margin pressures owing to fluctuating domestic demand and increased operating costs which will now face the issues related to escalated logistic costs.

The Indian **agrochemical industry** was cautiously optimistic and was expecting a gradual recovery in exports, however, the near-term risks now will include input cost volatility, escalated freight and logistic costs coupled with continued competitive intensity and depressed margins. The specialty chemical sector has been expanding ~5-7% in the last 6-8 quarters driving demand for **glass-lined reactors** especially in the western and southern parts of India. Some customers are seen demanding customized reactors and storage tanks that fit specific complex chemical syntheses. The entire glass-lined equipment (GLE) sector in India continues to experience a more or less steady state growth phase with orders related to modernization in the chemical and pharmaceutical industries with little bit of push for local manufacturing. Many players are also looking at opportunities in the metals/heavy engineering business to get a bigger pie of the revenue share, while at the same time, smaller players are seen nibbling into the market share of GLE business. The players who are dependent on gas furnaces for production either in India or abroad can face the issues related to higher expenses and muted margins growth.

The companies related to **biotechnology** are already experiencing high demand in human nutrition products with a slight slow-down in the animal nutrition product segment. These players are also trying to align with the recent trends on expanding Asian footprints with continued focus on R&D investment for developing new high-value added libraries of product offerings.

The Indian **auto components** related to wires-cables and light solutions or related industry has been seeing strong volume growth coupled with premiumization and technology advancements. Though the margins are very much flat/stable in this industry with better anticipated demand in the summer season in India, they can face the issues related to escalated raw material prices like copper, PVC, aluminium and geopolitical related logistic costs escalations. The **CV industry** along with the **bus body builders** are also anticipated to witness better growth in volumes owing to robust demand, EV transition and premiumization boosters. GST reforms and PLIs are some of the other key triggers to help accelerate the localization and growth of the auto component industry. Needless to mention the rising material costs will remain a concern for automakers, however, there shall be a pass-through of costs with a lag of 3-4 months.

The **3PL** or **logistics players** in India are rapidly adopting AI-driven automation and EV fleet expansion while trying to reduce costs with consolidation of dormant businesses which are a drag to the return ratios. In order to meet the rapid last-mile delivery demands from some customers, many 3PL players are rapidly expanding their warehouse presence beyond metro cities, focusing on the hub and spoke model and some key players are pivoting towards Grade A warehouses, which provide superior technology and infrastructure.

The **water infrastructure** demand in India continues to remain strong where the order book has been more or less stable (volume-wise), but the value is increasing gradually. This under-owned segment will sooner or later catch the eyes of fund managers when higher profitability will be witnessed owing to higher demand, easing of working capital requirements, debt reduction and or asset monetisation which will help report stronger return ratios.

Exactly like the **pendulum of a clock**, markets also move from one end to the other i.e. from excessive optimism/euphoria to deep pessimism and vice versa. In the bull phase of the market, rising prices continue to attract irresponsible participation, where fetching daily or weekly short lived profitable returns becomes very easy translating optimism into overconfidence wherein one might start ignoring fundamentals or associated risks and blindly keep chasing returns. Every cycle has a limit and when euphoria peaks out, correction begins, leading the most manipulated stocks collapse the hardest to unimaginable lows. Well in the end, whatever the issues are, whether it is related to oil problems, energy crisis, escalated freights cost, supply chain disruption or any random tweets online, **market always discounts** the calamity in advance. Although most investors either follow fundamentals or technical or making investments, sometimes **sentiments ultimately rule**. There have been many instances in the past as well in the recent times/quarters where despite the businesses being sound with good growth prospects the stock prices are beaten down and some which were under-owned are seen languishing at 52-week lows **with no fault of theirs**. Under such circumstances, our portfolio too has unfortunately been beaten down badly, where only patience has to be practiced till normalcy gradually returns. What **lesson we have learnt** is, although one does not have a crystal ball or the ability to predict future stock market events, one should be aware and learn to shrewdly spot the global geopolitical aspects that may potentially lead to negative domino effect/s on domestic or global markets.

Portfolio Activities (contd.):

Timing the market is a very difficult thing to do. We need to remember that shareholder value is created through economic growth, positive entrepreneurial energy and disciplined capital allocation which many of the stocks in the portfolio continue to retain. There is underperformance (returns/price wise) and under-ownership in many of the stocks which are slightly illiquid and a part of the portfolio. Recalibration in a lot of these investments will require some time to bear fruits. We have been patient during the entire correction in stock prices; patience is meant to pay off soon. Though we continue to stay calm and have **not pressed the panic button**, we are vigilant of the developments in the assets owned. We are aware, it is not luck or lack of information that destroys wealth, it is ignoring the **discipline during euphoria**. While we also know that crashes are temporary (very very short lived in the current era), we **continue to stay logical** with eyes glued on balance sheets, PnL and cash flows rather than focusing on the daily news and price ticker. We are struggling to show positive returns and are **grateful to the clients who continue to believe in us** and are sticking with us. We will regain growth momentum, but that surely will test patience.

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