

## Progressive Value Growth Fund: GST= Good Stimulating Tradeoff

Portfolio Performance Oct 2024-Sept 2025	Equity Allocation (%)	Cash (%)	Portfolio Returns (%)	Benchmark Returns (%) S&P BSE 500 TRI
	85.37	14.63	-10.37	-2.9

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

### Good Stimulating Tradeoff:

In his Independence Day speech, Prime Minister, Mr. Narendra Modi had promised a Diwali gift which came in as GST reforms. The decision of the Council was delivered on that pledge while trying to set the stage for a consumption-led booster for the upcoming festive season. This move has brought the country on the cusp of one of the strongest consumption upcycles in more than a decade. The timing of tweaking of this GST matters a lot, as the event is occurring when the inflationary pressures are seen easing, demand is seen stabilizing and companies are trying to recalibrate strategies after many quarters of volatility. Many FMCG giants will now have to choose on how they pass on the price benefits to the customers either by reducing the selling prices or increasing the size or grams of the product packages.

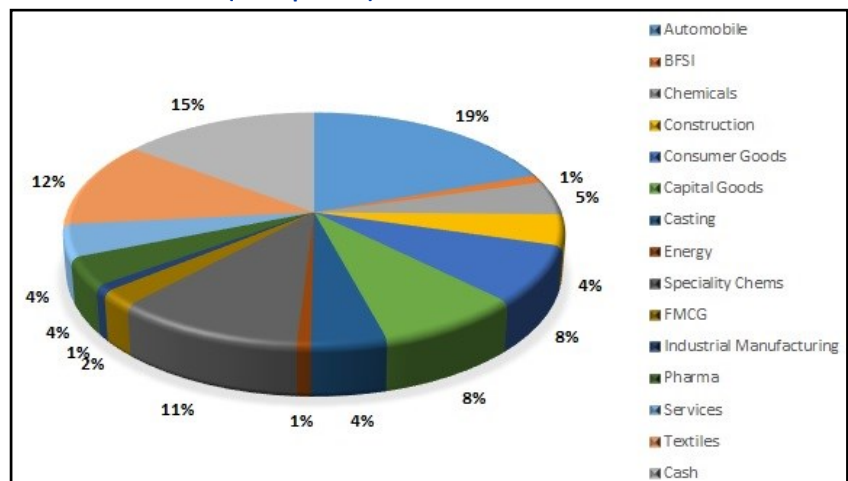
In addition to this, the macro economic factors of India including low inflation, strong forex reserves, narrow current account deficit and resilient banking system continue to show strength. India continues to stand tall as an anchor of stability in a volatile world. The evolving global landscape where trade flows are being reshaped and alliances are being tested, fiscal consolidation and strategic reforms are helping the long term growth commitments of the country. Whether it is a booster to cheer the middle class and farmers or a support to the corporate balance sheet, lots depends on how authentically benefits are passed on and how the consumption responds to these changes. Nonetheless, this reform is showing the intent of GOI to keep GST evolving while making it simpler, cleaner, and better aligned with India's growth priorities.

### Global Trades:

While there is some turbidity in terms of the global trade and exports; there is immense demand which is arising from the local market itself. In order to cater to the upcoming demand from the huge demography which India has to cater to, there can be substantial increase in the volumes catered to, while some players might have to sacrifice the value aspect. However, the volume increase in some counters can be good to absorb the fixed cost and thus have slight or more or less no impact on the profitability. Two of our investment ideas have been punished by the market owing to healthy exposure to the US wherein their clients have paid higher tariffs of 50%. Under such a situation, the overall business tends to become unviable and geographic diversification becomes the need of the hour. And if this is not executed, then the margins will be sacrificed. We are vigilant about the same and tracking these stories closely.

**Portfolio Activities:** We remain committed to our investment thesis, which underscores a portfolio composed of niche businesses in the mid and small-cap segments. Owing to the prevailing market volatility, some of these companies have seen a correction to the tune of 5-10% however, they also exhibit strong long-term possibility to deliver meaningful returns. Some of our investments are acting as anchors in the chaotic noise and continue to portray limited downside risk (as of now) or good fundamentals. Stability in the market sentiment will help stabilize our diversified portfolio.

### Portfolio Allocation (Till Sept 2025)



### Portfolio Activities (contd.):

We continue to struggle between the tug of war between the two concepts of Fear and Fear of Missing Out. Amidst the same, we have added a company which is involved in the manufacturing of auto components and equipment or motors. This company is looking at soft diversification and is already working towards expansion of product lines anticipating a good growth in the business over the next 2-3 years. In addition to this we have also added another company catering to the auto components and equipment requirements of 2W, 3W, 4W, CV and off highway vehicles essentially involved in manufacturing automotive or control cables. This company too is looking at diversifying its product offering via organic as well as inorganic offerings.

As mentioned in our previous notes as well, the growth of the Indian economy is very closely linked to the growth of the automotive and auto-ancillary sector, and we expect this trend to continue. The metal sector as a whole has been showing some promising growth. Some of the players in the segments related to moulding/casting are indirectly facing the issues related to higher tariffs. Under such prolonged circumstances, some players will have no choice but change the strategies from value growth to volume growth.

Some of the players in the textile space, can see the benefits of energy costs as the production from wind energy has been higher from the southern states in India as we also know, some of these vertically integrated players are focusing on improving the operational efficiency and are actively pursuing debt reduction measures. The cotton/yarn market is navigating through a volatile landscape while oscillating between weak certainties, however with strong expectations. Prices have been fluctuating owing to the expectations of a concentrated new cotton market, while a slow recovery in the downstream textile market during the traditionally peak season has seen lack of new orders. Since the last 2 quarters we have been accumulating integrated textile players and we have done some top-up post the results season in some of these entities.

We also continue to like players involved with consistent quality production capabilities in the manufacturing of intermediates for crop protection.

We continue to stick to our thesis of anticipated uptick in the speciality chems/agrochems segments since the capital expenditures of many of these players are almost coming to an end. What we understand from the channel checks is that the issues related to the prices seem to have bottomed out and there is a possibility of an uptick ranging from 5-7% in the speciality chemical prices. While for the ones who will be generating cash and see potential to grow/debottleneck or have fresh greenfield capex will also be approaching the market leaders in the glass lined equipment and or mixing equipment providers. With better deposits being made or anticipated in the banking sector, the top players in the private as well as the public sector are bound to be benefited.

In the long term, earnings revival will be the ultimate driver of market stability. We expect the earnings recovery to be propelled by the GST rationalization, rate cuts and RBI's support for liquidity. This will also be totally dependent on the strategic pillar of consumer spending. The key to drive the economic growth will be the choice made by the consumers on the swadeshi goods or how the population decide to spend their extra disposable income. Despite the short-term turbulence which we are continuously facing, we continue to stay focused on India's domestic growth potential coupled with superior earnings potential over the next 7-8 quarters.

Markets will continue to remain volatile till some consensus is chalked out for the landing ground for trade/tariff talks and a win-win situation is formulated for both the parties involved; however, this instability does not really matter for disciplined investments and investors like us. As the market provides ample opportunities to cherry pick the stocks of one choice, we continue to remain glued to the corner of the wall like a lizard waiting for its prey to arrive at the right point. We will deploy the available cash, selectively into industries/companies with clear long-term growth prospects; we are keenly waiting for opportunities to add more of good quality stocks. One cannot buy the stocks in the future to reap the benefits in the future, thus we are gradually adding entities where we feel quality persists for long term benefits.



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