



3PIM INTERNATIONAL (IFSC) LLP

The 3P way. Simple but not easy.

3PIM INDIA EQUITY (IFSC) FUND

An open-ended Restricted Scheme (Non-Retail) constructed as a Category III AIF under the IFSCA FM Regulations.

(JULY - SEPTEMBER 2025)

1P

Prudence of creating a portfolio of sustainable and reasonably valued businesses.

2P

Patience with businesses and markets. Risk in equities reduces as investment horizon increases.

3P

Performance is the outcome.



“It's the waiting that helps you as an investor, and a lot of people can't stand to wait.”

- Charlie Munger

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September 2025

Dear Sir/Madam,

We are delighted to share the 2nd quarterly update of 3PIM India Equity (IFSC) Fund. This Fund was launched on 6th May 2025.

2025 has turned out to be a year of incessant headlines – new & ongoing wars, trade & tariff wars, frequent policy announcements, quick reversals, unpredictable geopolitics & relationships, Artificial Intelligence (AI), etc. So much so, that nothing seems surprising anymore. In the midst of this noisy and fast changing world, India continues to move ahead both as a nation and as an economy, steadily and firmly. Ratings upgrade by S&P to BBB from BBB- is an acknowledgement of this. Government and regulators like RBI, SEBI etc are working in unison to reduce friction for businesses, accelerate economic growth and support sectors where India presently lacks competitive advantages and scale.

Markets have been flat for over one year. In view of the consequent moderation in multiples, strong fundamentals & growth outlook of India and our clear long term focus, the Fund remains fully invested. The occasional declines in % AUM in equities were due to the inflow of new funds. This is discussed in more detail in the markets section.

The charts below summarise the key portfolio characteristics of 3PIM India Equity (IFSC) Fund as as of 22nd September 2025, the fund's most recent NAV date.

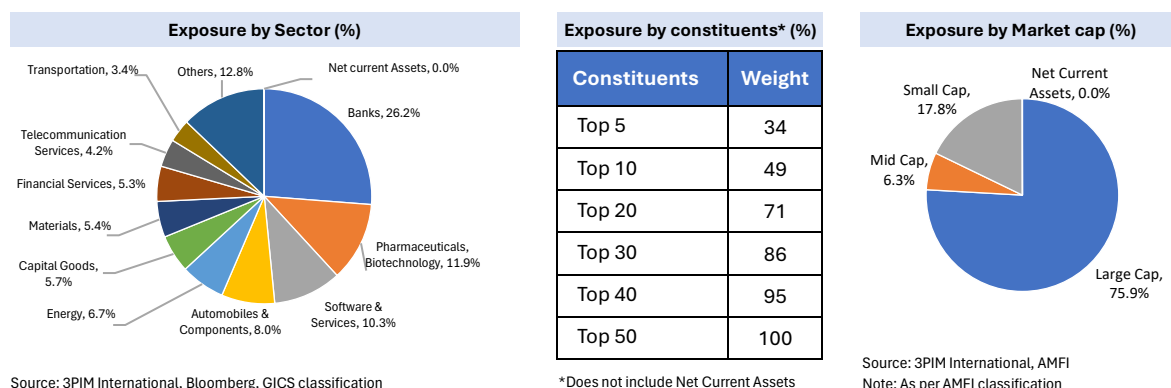


Fig. 2

The key changes of the last quarter are discussed in the portfolio strategy section.

Gold Rally, Russian Oil, Iran Attack, Ukraine, Aatmanirbhar Bharat H1-B, Operation Sindoor, FII Selling, GST Reforms, RIC Troika, Trump Reciprocal Tariffs, Income Tax Cuts, Israel-Hamas, Rupee Depreciation, Defense Spending, Cloud Burst, Resilient Retail Flows, GenAI

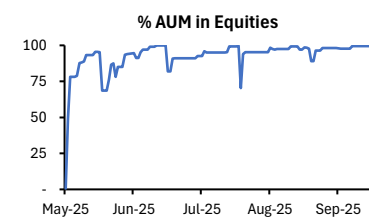


Fig. 1

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Indian Economy : Fiscal and Monetary Tailwinds

Moderation in inflation, weaker than desired growth in discretionary consumption (1.7% CAGR in passenger vehicles sales from pre-covid levels), and fiscal and monetary space have prompted proactive steps by the Government and RBI.

In the current financial year, the total fiscal support on an annualised basis to the consumer aggregates to INR 3trn (\$ 35bn, ~0.9% of GDP). This comprises of :

- Direct tax cuts worth INR 971bn
- Lower GST rates and cess rationalisation has led to savings worth INR 1.9trn for consumers.

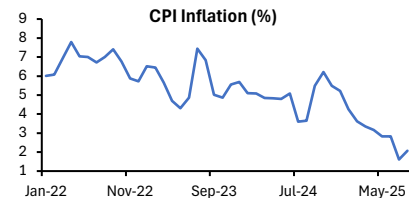
Interestingly, this is not at the cost of fiscal consolidation. It has been reiterated that the Government is committed to the fiscal deficit target of 4.4% in FY26 (4.8% in FY25).

The RBI too has eased monetary conditions :

- Repo rates have been reduced to 5.5%.
- Reduction in Cash Reserve Ratio (CRR) by 1%.
- In the recent MPC meeting held on 1st October 2025, RBI has taken several steps to accelerate bank credit growth.

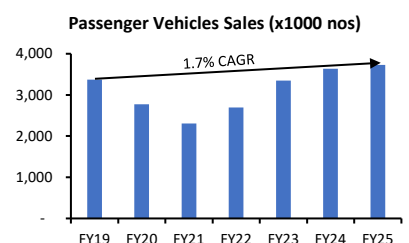
These steps should aid higher growth in consumption, especially of discretionary goods and services. Higher demand in turn should accelerate investments and job creation.

Automobiles should be one of the key beneficiaries. A low base of weak growth in volumes in recent years, lower EMIs - a result of lower prices (GST rate cuts) and interest rates should improve affordability and thus volumes. Automobiles and related sectors have a large weight in manufacturing (49%, *Source: PIB*). This amounts to nearly 7% to India's GDP. Growth in this important sector that has several forward and backward linkages should improve growth in manufacturing, incomes, job creation etc.



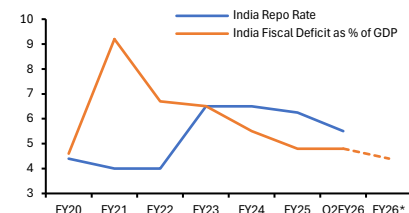
Source: Bloomberg

Fig. 3



Source: AceEquity

Fig. 4



Source: Bloomberg

*Target Fiscal Deficit for FY26

Fig. 5

Measures to improve bank credit growth

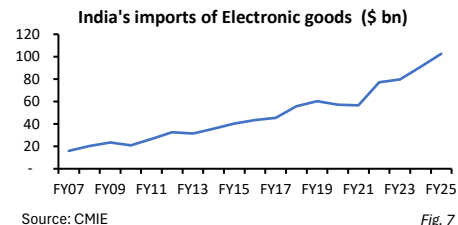
- Review of capital market exposures guidelines for banks including providing an enabling framework for Indian banks to finance acquisitions by Indian corporates.
- Guidelines on enhancing credit supply for large borrowers through market mechanism.
- Proposed to ease some restrictions on the operation of transaction a/c (CA, CC and OD) to provide greater flexibility to the banks, particularly in case of borrowers being entities regulated by a financial sector regulator

Source: RBI, KIE, 3PIM International

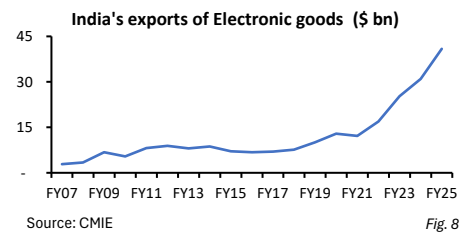
Fig. 6

Looking ahead, there are reasons to be optimistic for more than 7% growth in the medium term.

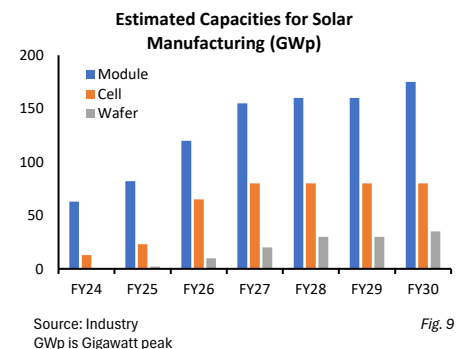
It is well known that despite having significant strengths in software / coding etc, electronics manufacturing was India's Achilles' heel (Fig. 7).



The good news is that following concerted efforts of the Government and industry, India is making quick progress in not just electronics manufacturing, but also in electric vehicles (EVs) and renewable energy (RE).



India is slated to assemble 25% of Apple iPhones next year with more than 20% value addition. This share and value addition should continue to improve. Indian OEMs have successfully designed and brought to market contemporary EVs in both two and four wheelers. As EV sales gain scale, local value addition should improve and costs should drop. Indigenisation and backward integration of solar panels (modules, cells, etc) is also progressing rapidly. In the medium term, India stands to gain immensely as solar energy and EVs scale up, as solar energy prices drop and as energy storage becomes cheaper.



Success in these areas of weakness gives confidence of progress in other areas like chemicals, pharma, CDMO, ICE automobiles, metals processing, manufacturing etc, where India has strengths.

Manufacturing is a large opportunity. Even a small success in this area can propel economic growth rates on a sustained basis. This is what makes us hopeful of more than 7% growth in India in the medium term.

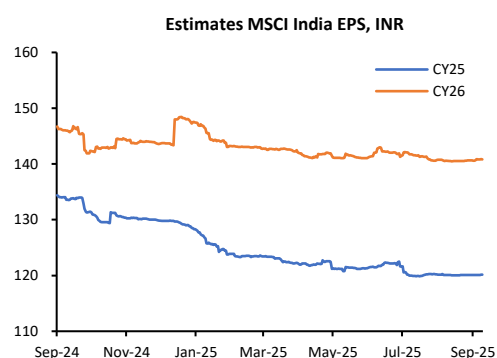
Earnings

Warren Buffett has said, *“If you want a marriage to last, look for someone with low expectations.”* Similarly, low earnings expectations implied in stock prices typically lead to good investment outcomes and vice versa.

Earnings expectations were elevated last year. This was probably due to the high growth in earnings between CY22 – CY24, a result of the very low base of corporate margins / earnings in CY 20 in Covid. Following downward revisions of nearly 10% to MSCI India EPS expectations for CY25 over the past year, earnings growth expectations have now been adjusted to realistic levels. Consensus EPS growth estimates for CY25, CY26 are presently 7%, 17% respectively.

MSCI India	YoY Earnings Growth (%)
CY20	4.2
CY21	7.5
CY22	28.5
CY23	9.0
CY24	28.8
CY25E	7.1
CY26E	17.3
CY27E	11.9

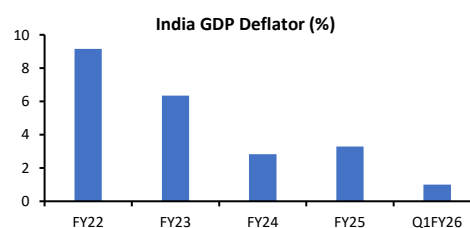
Source: Bloomberg, FactSet, 3PIM International Fig. 10



Source: Bloomberg, 3PIM International

Fig. 11

The sharp fall in GDP deflator that has driven down Nominal GDP growth also leaves room for upgrades in earnings if and when this rises / mean reverts.



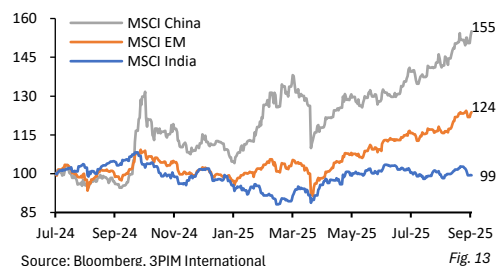
Source: CMIE

Fig. 12

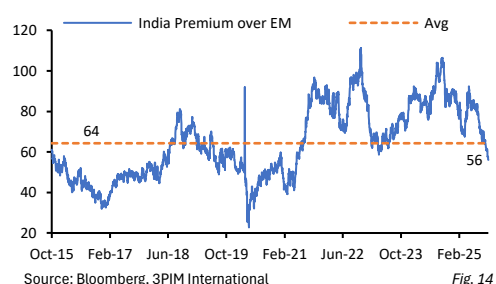
Earnings should grow faster in CY26. This is because CY25 growth is impacted due to NIL / low growth in profits of many banks as NIMs are under pressure due to rate cuts.

Markets Review & Outlook

Indian markets have been flat since July 2024. In the same period, MSCI EM and MSCI China have risen 24% and 55% respectively.



This time correction / sharp underperformance can be attributed to elevated earnings expectations & expensive multiples, high premium of India vs EMs prompting FII selling and a large supply of stock. Strong and sustained local flows have on the other hand prevented sharp price correction.



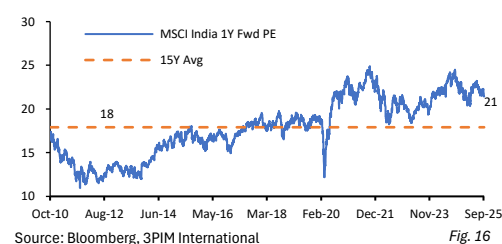
A result of this 15-month time correction is a moderation in valuations and a normalisation in India's premium over EMs. This has been accompanied by a moderation in earnings growth expectations as well.

MSCI India EPS Estimates			
INR	CY25	CY26	CY27
Today	120	141	158
1Y Ago	134	146	148
Change	-10%	-4%	7%

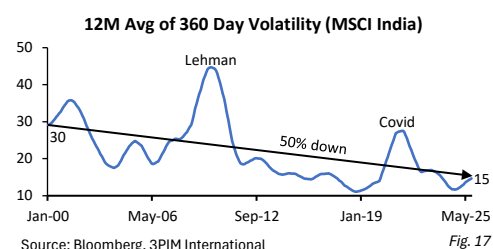
Source: Bloomberg, 3PIM International

Fig. 15

Presently, markets are trading at 21x, 18x on CY26, CY27 earnings respectively. Though current multiples are ~17% higher than past averages, these are reasonable in our opinion, given the lower cost of capital for both domestic investors and FIIs.

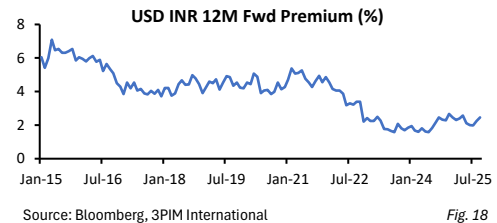


Large and sustained local flows to equity markets have sharply lowered the volatility of equities. Significant tax differential between income from equities and debt has also increased the attractiveness of equities. These have in our opinion lowered return expectations of local investors.

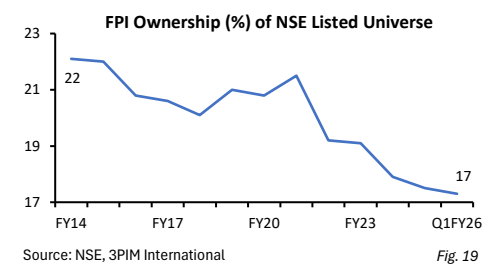


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Lower volatility of markets, sharply lower impact on markets of selling by FIIs and a sharply lower USD premium have also lowered the cost of capital for FIIs.



In this 15-month time correction, FIIs have been net sellers to the tune of USD18bn. Even prior to this, FII flows have been weak. FII ownership of India continues to move lower and FIIs are presently underweight India compared to a generally overweight stance in the past.



Capital raising after a brief period of moderation has bounced back strongly. The pipeline is large and continues to grow. This large supply prevents a runaway market on one hand and is providing capital to entrepreneurs and businesses on the other. These market conditions are, in our opinion, creating opportunities in pockets for long term investors and are also good for economic growth & innovation. However, as suggested in our previous quarterly update, the long term outcome of most issuances is likely to be weak and below the expectations of participants in our opinion.

These rangebound markets remind us of a famous Hindi dialogue from a Bollywood movie – *“Isko liquid oxygen mein daal do. Liquid isko jeene nahi dega, aur oxygen isey marne nahi dega.”* Similarly, the strong domestic flows are not allowing markets to fall and the large supply of stock is not allowing markets to move higher !

Eventually, in our opinion, markets will breakout and move higher. It has been observed that after prolonged periods of consolidation / time correction in an environment of growth, markets eventually breakout upwards.

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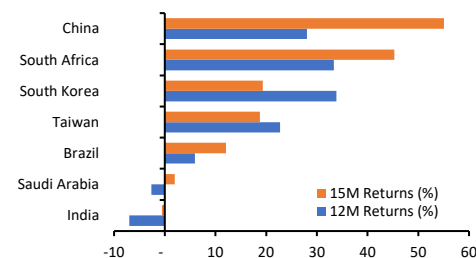
Performance is the outcome.

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Over time the issue of tariffs / trade treaty with US should also settle, hopefully in the not too distant future. In any case, the impact of this issue on earnings of MSCI India / broader markets is limited. Less than 4% of sales for all BSE500 companies come via exports of goods to the US *(source: HSBC)*.

We believe service exports will continue to be tariff free as the US enjoys a trade surplus (inclusive of foreign subsidiaries) of \$ 1trn *(source: BCG)* with the world and the US may not want to open this Pandora's box as it could be self-defeating.

In summary, NIL returns of last 5 quarters have moderated market multiples and improved the risk reward of equities over the medium term. Earnings expectations are also now realistic. India's sharp underperformance vs EMs (India is one of the worst performing markets in the last 1 year) has also lowered India's premium over EMs to near long term averages.



Source: Bloomberg, 3PIM International
Note: MSCI Indices of respective countries have been considered Fig. 20

Though it is hazardous to forecast markets, especially in the near term, yet we feel that corrections, if any, should materialise over the next 1-2 quarters. As we go into 2026 and as markets start trading based on CY27 earnings, valuations will look increasingly reasonable. CY27 earnings growth is also likely to be better than the current year.

It's tough to make predictions, especially about the future.

- Yogi Berra

We would be buyers in this phase of markets. It would be advisable in our opinion, for investors with a medium to long term horizon to front load over next one/ two quarters the planned incremental allocation to equities of next year. Long term return expectations of market returns should however be anchored to 12% CAGR in line with nominal GDP growth.

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Portfolio Strategy and Positioning

The investment philosophy at 3PIM International (IFSC) LLP is guided by a simple principle: *own strong businesses at reasonable valuations*. Owning strong businesses in their respective domains reduces the risk of permanent capital loss and paying reasonable valuations mitigates the risk of poor long-term returns. Further, as the time horizon increases, the risk in equities reduces hence we aim to follow a low churn strategy which also leads to lower costs.

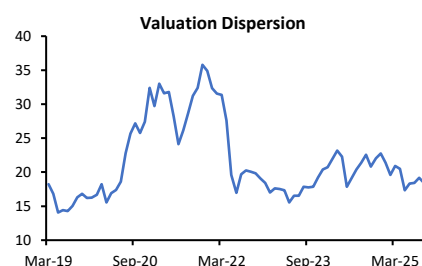
We continue to be steadfast in our investment approach that is grounded in reality and conservatism. Nearly 88% of the Fund, in our judgement, comprises of companies that enjoy leadership / strong positions in respective businesses and should be able to increase / maintain their market share. At the same time, we are avoiding pockets of excessive valuations or companies where implied growth expectations are unrealistic.

The portfolio is well diversified across sectors and key economic variables. As of 22nd September, the portfolio had 50 companies comprising of ~76% of investments in large caps, ~6% in mid-caps and ~18% in small caps. The Fund is overweight Banks, Pharmaceuticals and Software & Services and is underweight Automobiles (mainly auto components), Energy and Materials. Exposure to Insurance and Telecom is close to market weights. Key portfolio changes made recently are :

- Increased exposure to Automobiles, Pharmaceuticals and Software & Services.
- Reduced exposure to Materials.
- Exposure to largecaps has increased.

Currently, the Fund is well-diversified due to low dispersion in valuations across sectors (Fig. 21). If and when we see meaningful divergences in some pockets, we will look to consolidate the portfolio holdings.

In the brief duration of its existence, the 3PIM India Equity (IFSC) Fund has outperformed MSCI India. Fund returns since its inception on 6th May to 22nd September are 3.6% (pre-tax, post-expenses) vs MSCI India TRI returns of 1.1%. The Fund NAV is on a post-tax, post-management fees basis. The fund's performance was supported by an overweight stance on Pharmaceuticals and Banks and an underweight stance on Software & Services and Automobiles and some stock specific positions. Currently, the provision for tax on gains is on a short-term basis. We



Source: FactSet, 3PIM International calculations
Note: Valuation Dispersion is defined as the standard deviation of sector PE (ex-financials, oil & Gas, metals & mining) at a point in time.
Data as of 30th September 2025.

Fig. 21

	Returns (%)	
	3PIM India Equity (IFSC) Fund**	MSCI India
Since Inception*	3.6	1.1

Source: Bloomberg, 3PIM International
*Inception Date: 6th May 2025
**Fund return is pre-tax, post-expenses.
Data as of 22nd September 2025.

Fig. 22



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expect the provision for tax to moderate as short-term capital gains convert to long term capital gains over time. Presently the Fund size is ~USD57mn (including 22nd September flows).

3PIM International (IFSC) LLP has an investment advisory agreement with 3P Investment Managers (3PIM), which is led by two veteran fund managers – Prashant Jain and Ashwani Kumar. Before starting 3PIM, Prashant and Ashwani have individually managed multi-billion-dollar portfolios focused on listed Indian equities and together have more than 60 years of experience in investment management. Within two years, 3PIM's total AUM has grown to \$2.3bn. 3PIM Funds have outperformed the markets in each of the two years since inception. Both Prashant and Ashwani are part of our Investment Committee (IC). To avoid conflict of interest, normally, the members of IC will not purchase direct listed equities in the secondary market.

We would like to express our deep gratitude for your trust and participation in the Fund. As the saying goes, "Success doesn't come from what you do occasionally. It comes from what you do consistently." Through our long-term focus, disciplined approach, low costs and well-regarded advisors, we strive to build a long-lasting relation with you.

We plan to share the next Fund update around New Year 2026. We wish you and your family a happy and prosperous festive season.

Kindly note that 3PIM India Equity (IFSC) Fund is a dollar denominated open-ended Fund with zero exit load. The Fund is available for transactions on every 7th and 22nd of the month (previous day if it is a non-business day). Kindly also note that the Fund's NAV is on a post-tax basis.

Please feel free to reach out to the undersigned or services (3pgiftservices@3pim.in) for any clarifications, feedback or suggestions.

Warmly,

For 3PIM International (IFSC) LLP

Himanshu Agarwal

Email: himanshua@3pim.in

Vice President – Investments

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Regd. Office: Unit 1116, 11th Floor, Signature Building, Block 13B,
Zone 1, Gift SEZ, Gift City, Gandhinagar - 382355, Gujarat, IN

Email: 3pgift@3pim.in