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.

(APRIL - JUNE 2026)

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.

“Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria.”

- *Sir John Templeton*

Dear Sir / Madam,

We are pleased to share the 5th quarterly update of 3PIM India Equity (IFSC) Fund. This Fund was launched on 6th May 2025 and has recently completed its first year.

Fund Performance Review

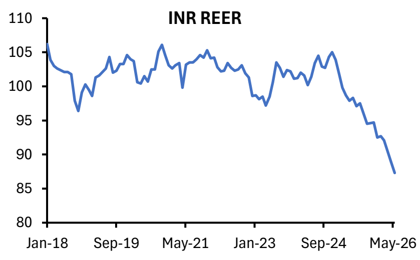
Since inception, the Fund has outperformed MSCI India by ~3.3%. The performance of 3PIM India Equity (IFSC) Fund is summarised in the adjoining table. Since inception, absolute returns have been negative, as markets have been down due to concerns around India's Balance of Payments (BOP) deficit, INR depreciation, AI boom, tariffs, and most recently the oil price-spike. We expect absolute returns to be meaningfully higher in future as apart from a moderate acceleration in earnings growth, there is room for valuation multiples to expand over time.

	CAGR USD Returns (%)	
Fund	3PIM India Equity (IFSC) Fund**	MSCI India
Since Inception*	-3.2	-6.5

Source: Bloomberg, 3PIM International
*Inception Date: 06th May 2025
Note: Fund return is pre-tax, post-expenses.
Data as of 30th June 2026.

After two difficult years for India's Balance of Payments (BOP), the macro backdrop is now turning decisively. In our mid-quarter update dated 25 May 2026, *"This Too Shall Pass"*, we had emphasised that risks to India's external account were temporary rather than structural. Despite some escalation in the US-Iran conflict, there are strong reasons, detailed in the subsequent sections, to believe that India's macro challenges are now behind us.

With this improving backdrop, economic and earnings momentum remaining intact, FPI positioning light, equity ownership shifting to stronger hands, and market valuations normalising, the risk-reward for Indian equities has improved considerably. We believe absolute returns are likely to be meaningfully higher over the medium term, supported by both a moderate acceleration in earnings growth and a marginal improvement in valuation multiples. Over the next three years, the market gains from current levels should be significant – our view is 14-15% CAGR, 45-50% cumulatively in INR terms. Following a sharp depreciation of ~10% over the past twelve months, the INR now appears undervalued based on REER data, which is favourable for foreign currency investors. Even after assuming a further, modest depreciation of around 10% in the INR over the next three years, cumulative USD returns could still be 35-40%.



Source: CMIE

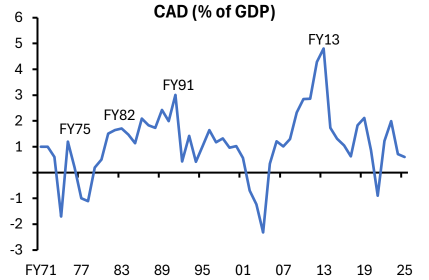
In view of the above, we believe investors should adopt a more constructive view on Indian equities.

From Stress to Strength: India's BOP Set for a Large Surplus

Challenging Two Years for India's BOP

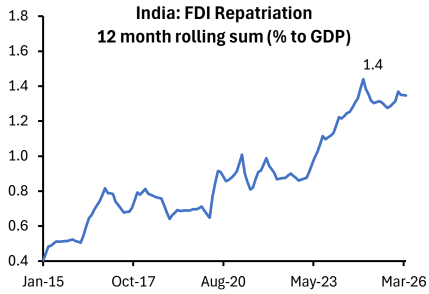
Historically, India's major financial crises, whether in 1974-75, 1981-82, 1990-91, or 2012-13, were triggered by a widening Current Account Deficit (CAD).

Unlike the past, the recent stress on BOP originated in the Capital Account. India's CAD has declined over time, which we view as a more significant positive than the temporary pressure on the capital account which is cyclical in nature.



Source: RBI, CMIE

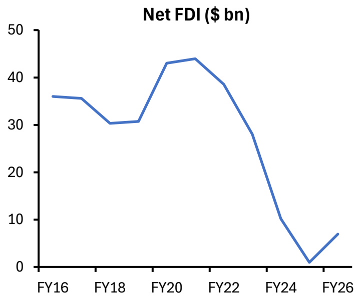
India's Capital Account challenge had its origin in the buoyant Capital Markets. Despite long runway for growth of the Indian economy, elevated valuations in CY24 / CY25 prompted Private Equity (PE) funds and MNCs to sell down stakes in their investee companies and their Indian arms respectively. Interestingly, this was the first time that MNCs diluted stakes in their Indian subsidiaries. Notable transactions included Hyundai, LG, Whirlpool, Timken, ZF, and BAT. Driven by these stake sales, one-year rolling FDI repatriation from India increased sharply to 1.4% of GDP in January 2025, compared to below 1% historically.



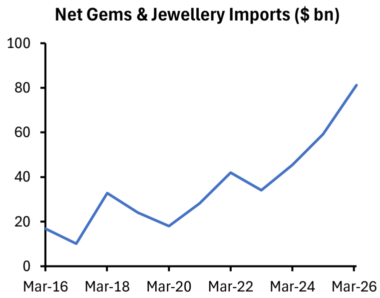
Source: HSBC, RBI

The higher FDI repatriation along with an increase in outbound FDI reduced net FDI flows into India to nearly zero over the past two years! This pressure on the capital account was exacerbated by a parallel surge in gold prices, which increased annual gold, etc. imports from USD 20-30 bn to USD 50-80 bn as investors chased rising gold prices. Together, these developments weakened the INR even prior to the onset of the Iran war. The INR depreciated by 9-19% against major currencies over the 18-month period ending 28 February 2026.

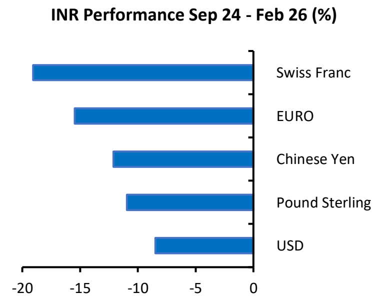
The combination of a depreciating currency, rich equity valuations, and lack of AI plays triggered persistent FPI selling, resulting in an outflow of USD 61 bn from October 2024 to June 2026!



Source: CMIE



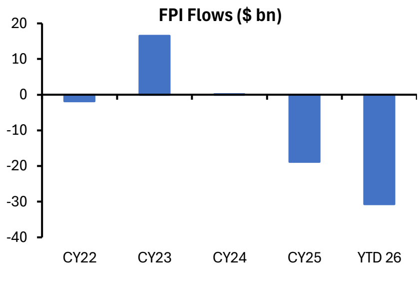
Source: CMIE, 3PIM



Source: Bloomberg

When it Rains, it Pours!

As if these pressures were not enough, the start of the Iran war in late February triggered a sharp spike in oil prices. This energy shock weighed on the INR, which in turn prompted further FPI selling. **March witnessed the highest ever monthly FPI outflows at USD 13 bn, bringing the total FPI outflows to an unprecedented ~USD 30 bn over the past six months.**

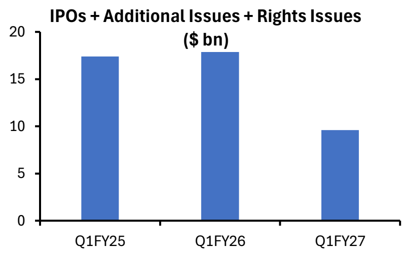


Source: CDSL | CY26 YTD till 15 June 2026.

The Tide is Now Turning!

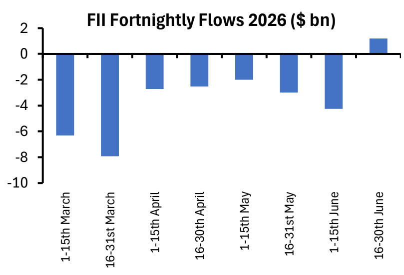
India faced four key headwinds: near zero net FDI inflows, FPI outflows, surging gold imports, and the recent spike in oil prices. Reassuringly, all four are now receding at the same time.

- Muted primary markets and limited investor appetite for IPOs and stake sales (2 out of 3 IPOs since April 25 are trading underwater) should reduce FDI repatriation. In addition, India continues to attract record gross FDI, with FY26 inflows of USD 95 bn and continued investment announcements across BFSI, data centres, manufacturing and infrastructure. Net FDI inflows should continue to increase in FY27.



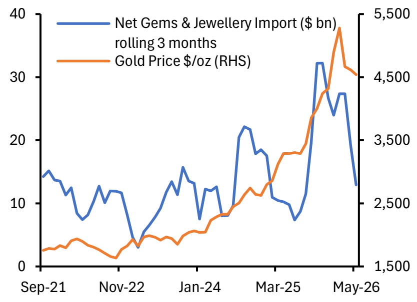
Source: Bloomberg

- We believe FPI selling peaked in March, when foreign investors sold a record USD 13 bn of Indian equities in a single month. Since the announcement of the US-Iran peace deal in June, FIIs have turned net buyers, with net inflow of ~USD 1.2 bn during the second half of the month.



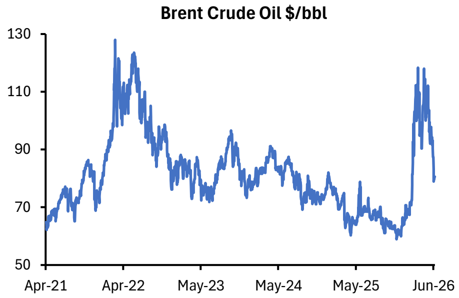
Source: Bloomberg

- Gold, etc. imports, that surged to an annualised USD 50–80 bn from USD 20-30 bn, have begun to lose momentum as gold prices have weakened. Historically, precious metals have followed long cycles, suggesting near-term returns could normalise below recent elevated levels and move closer to long-term averages. In addition, the recent increase in import duty from 6% to 15% effectively reduces future resale value once duties normalise.



Source: Bloomberg, CMIE

- After a volatile start to the year, Brent crude is now trading at ~USD 70 per barrel i.e., below pre-war levels. The CAD impact from the temporary oil-price spike is marginal. Oil supply is likely to outpace demand once the market recovers from the Strait of Hormuz disruption. In 2027, IEA expects global oil demand to increase by only 2 mbpd to ~105 mbpd in comparison with the supply which is expected to rise by 8 mbpd to ~110 mbpd. In the medium-term, given the impending transition toward electric vehicles globally, this could prove to be the last major oil price-spike.



Source: Bloomberg

Most importantly, the RBI acted decisively last month. The RBI and the Government announced measures to strengthen foreign exchange reserves and restore market confidence. Implementation of the FCNR(B) and ECB measures is expected to lead to an inflow of USD 70–100 bn over the next 3-6 months. The expansion of the FAR (Fully Accessible Route) framework and the newly announced tax exemptions support India's potential inclusion in the Bloomberg Global Aggregate Index (AUM of USD 3 tn) which, if approved, could drive inflows of USD 20–25 bn over the next year.

India's BOP Poised for a Strong Surplus

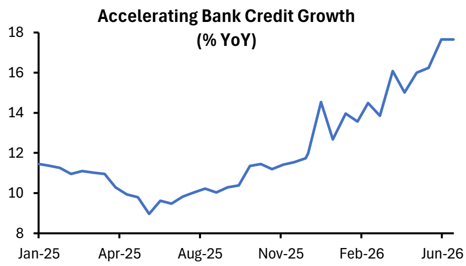
In summary, India's capital account pressures are now behind us. Even after factoring in a higher CAD due to the oil price-spike, India should have a BOP surplus of ~USD 50 bn in FY27. This would be a significant positive after two consecutive years of deficit and should also improve the outlook for INR.

Particulars	2024	2025	2026	2027E Oil@75	2027E Oil@85
GDP	3,501	3,762	3,922	4,138	**4,111**
Current account balance	**(26.1)**	**(23.1)**	**(25.4)**	**(43.1)**	**(61.4)**
CAB/GDP (%)	(0.7)	(0.6)	(0.6)	(1.0)	**(1.5)**
Capital account	**90**	**17**	**2**	**100**	**100**
Capital account/GDP (%)	2.4	0.4	0.0	2.4	**2.4**
- FDI	10	1	7	10	**10**
- FPI	44	4	(16)	(10)	**(10)**
- Banking capital	41	(10)	6	60	**60**
- NRI deposits	15	16	14	50	**50**
- Short-term credit	(1)	7	14	10	**10**
- ECBs	(0)	16	11	25	**25**
- Others	(4)	0	(20)	5	**5**
Overall balance	**63.7**	**(5.0)**	**(23.6)**	**56.9**	**38.6**

Source: Kotak Institutional Equities

Indian Economy – Unperturbed by BOP Deficit

Despite BOP challenges over the past two years, the underlying economy has demonstrated remarkable strength, growing at more than 7% pa. June data further reinforces this strength: ~18% credit growth and high-teens growth in automotive demand despite fuel price hikes.

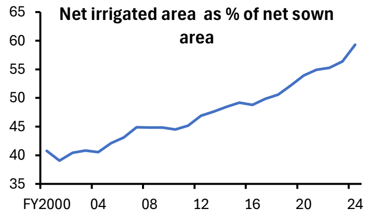


Source: RBI, 3PIM

After a weak start, the monsoon in India has sharply revived, recording an 11% surplus during the first six days of July. Nevertheless, the impact of a monsoon deficit, if any, would be marginal on the economy, as its dependence on monsoons has reduced meaningfully. Over the past two decades, agriculture's contribution to GDP has declined to ~11% from ~15%, while net irrigated area has increased to 60% from 40%, reducing volatility in crop output even in monsoon-deficit years. Even during the weakest monsoon years, agricultural production has typically contracted only marginally, making this risk manageable.

FY	Rainfall % deviation from normal	Crops Output Real Growth YoY (%)
2002-03	-21.40	-10.28
2004-05	-4.51	-0.57
2009-10	-15.93	-2.10
2014-15	-8.29	-2.32
2015-16	-14.82	-1.73
2018-19	-13.64	-1.05

Source: CMIE

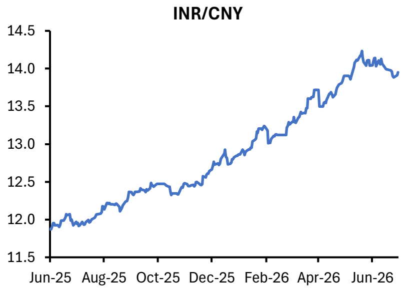


Source: CMIE

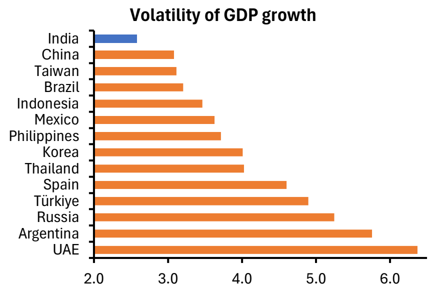
Even the adverse impact on economy of any potential AI-driven IT job losses will be manageable in our view. IT services account for only a small share of India's workforce – 0.9%, or 5.8 million IT employees including GCCs, compared with a total working population of nearly 640 million. Moreover, blue and entry white collar wages in India have converged over time, widening the consumer base.

In our opinion, looking ahead, the health of the economy remains solid. BOP pressures are receding, the currency outlook is improving, and FPI outflows appear to be inflecting. With the RBI forecasting 6.6% real GDP growth for FY27, alongside a healthy GDP deflator supported by 5.1% CPI, India is on track to deliver double-digit nominal GDP growth in FY27.

Over the medium-term, India should deliver the fastest growth with low volatility among the top 10 economies. India is making encouraging progress in manufacturing, supported by a sharp increase in electronics exports. Competitive wages, supply-chain diversification beyond a single country, favourable geopolitical dynamics, and ~14% depreciation against CNY (Chinese Yuan) in the past one year create a strong medium-term opportunity for Indian manufacturing.



Source: Bloomberg



Source: IMF, 3PIM | Volatility is calculated as standard deviation of Real GDP Growth from CY1980 till 2025.

Market Review and Outlook

Pessimism has Peaked; India Should Benefit When AI Momentum Wanes

"Be fearful when others are greedy, and greedy when others are fearful."

- Warren Buffett

Markets often trough when negative news flow and uncertainty are at their peak, as investors tend to simply extrapolate adverse developments. We believe that point came in March, when FPIs sold a record USD 13 bn of Indian equities in a single month and ~USD 61 bn over the 21 months ending June 2026. This intense selling was mainly driven by two factors: BOP pressure, accompanied by INR depreciation, and limited AI investment opportunities in India. The macro backdrop is now improving, leading to a moderation in FPI selling, as reflected in net FII inflows of USD 1.2 bn during the second half of last month. However, AI remains a powerful narrative.

Global capital allocation is currently dominated by the AI boom with AI-related subsectors accounting for 70% of global market gains year-to-date, an even narrower concentration than at the peak of the dot-com era in early 2000, when beneficiary sectors contributed 60% of market gains. Markets such as the US, South Korea, Taiwan and Japan are benefiting from a massive liquidity-driven AI investment cycle, particularly in data centres, semiconductors and advanced infrastructure. India has limited exposure to these themes and has effectively become a funding source for global investors. As with technology revolutions in the past, the AI boom will eventually mature and its outsized gains will normalize. When global markets mean revert, India will be well-positioned, in our view, to see a significant recovery in FPI inflows.

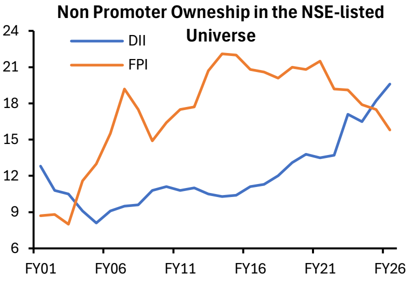
Equity Markets – Better Times Ahead!

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine."

- Benjamin Graham

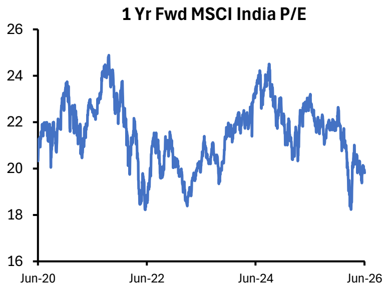
Over the past two years, despite BOP challenges and a depreciating currency, India's economy and corporate earnings have shown remarkable resilience, both compounding at a low double-digit CAGR. Strong credit growth and robust consumption demand indicate that economic momentum remains intact. A positive turn in BOP, moderating FPI outflows, lower oil prices, recent RBI measures, and a stable INR should further aid economic growth and confidence. With the RBI forecasting 6.6% real GDP growth and 5.1% CPI inflation in FY27, nominal GDP growth should remain in double digits. Yet consensus forecasts for MSCI India EPS imply 8% growth in CY26, leaving room for upgrades in our view.

Interestingly, during this period despite intense FPI selling, the market has also remained resilient with MSCI India down only 6% from its September 2024 peak in INR terms, but down 17% in USD terms due to sharp INR depreciation. The resiliency in INR terms was largely due to the strong domestic flows. As a result, equity ownership has shifted into stronger, longer-term hands, while FPI ownership of Indian equities has fallen to a 15-year low and now trails domestic ownership.

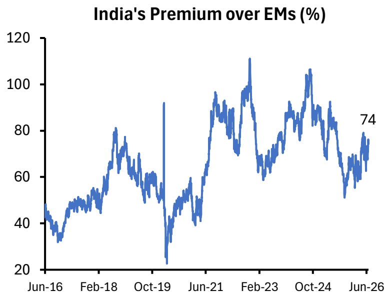


Source: NSE

Two years of time consolidation and a modest price correction have materially improved the market's risk-reward. The MSCI India's 1 Yr Fwd. PE multiple of 19.8x is 19% below its September 2024 peak and broadly in line with its past 10-year average. India's premium to emerging markets has also normalized to 74%, broadly in-line with its 10-year average. India has always traded at a premium to EMs, and it is justified due to India's large size, highest and less volatile growth, broader markets, robust domestic flows, and high RoEs.



Source: Bloomberg

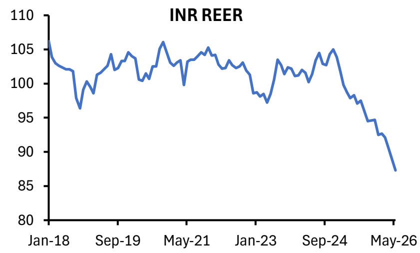


Source: Bloomberg | MSCI India vs MSCI EM

	GDP, % of World (Current)	Marketcap, % of World (Current)	Nominal GDP Growth (10Y avg)
China	16.6	9.2	5.8
India	3.5	3.0	6.7
Brazil	2.1	0.5	3.0
Korea	1.5	2.7	2.1
Indonesia	1.3	0.3	5.4
Taiwan	0.8	3.1	5.7
Philippines	0.4	0.1	4.8

Source: IMF, WEO, Bloomberg

To conclude, the case for Indian equities has now strengthened. The economy, earnings, and markets have shown resilience in the face of adversity, valuations including premium over EMs have normalised, and equity ownership has shifted into stronger hands. With the macro environment now turning and earnings momentum intact, we are constructive on future returns. Over the next three-years, we expect meaningful upside, with MSCI India returns of 14-15% CAGR, or 45-50% cumulatively in INR terms. This is assuming PE multiples revert to the pre-war level of 21.0x and earnings grow at a low-teens CAGR. Following a sharp depreciation of ~10% over the past twelve months, the INR now appears undervalued based on REER data, which is favourable for foreign currency investors. Even after assuming a further, modest depreciation of ~10% in the INR over the next three years, cumulative USD returns could still be 35-40%.



Source: CMIE

Over the long term, we continue to view India as a resilient compounder with low volatility, supported by structural growth, broad-based earnings drivers, and robust domestic capital flows.

Portfolio Strategy and Positioning

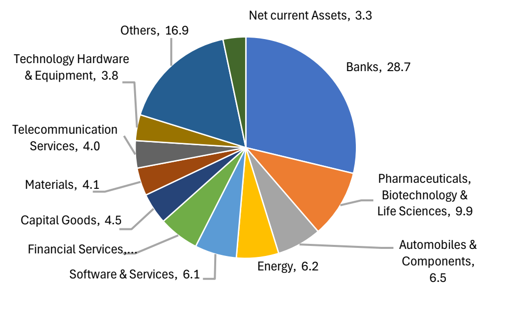
The investment philosophy at 3PIM International (IFSC) LLP is guided by a simple principle: *own strong businesses at reasonable valuations.* Owning strong businesses in their respective domains reduces the risk of permanent capital loss and paying reasonable valuations mitigates the risk of poor long-term returns.

The portfolio remains diversified across sectors and key economic variables. The Fund is overweight Banks, Consumer Services, Insurance, Pharmaceuticals, Technology Hardware & Equipment, and Transportation and is underweight Automobiles, Capital Goods, Energy, Financial Services, Materials, and Utilities. Since our March 2026 quarterly letter, the Fund has increased its exposure to Banks, Consumer Discretionary, Consumer Services, Financial Services, and Pharmaceuticals funded by lower exposure to Automobiles, Capital Goods, IT, Insurance, and Utilities. In aggregate, the Fund has increased exposure to economically sensitive sectors while reducing exposure to defensives.

We remain neutral on IT sector, as it is premature to draw firm conclusions about its long-term outlook. The sector has faced extreme pessimism in recent months due to AI-led deflation; however, global IT budgets continue to expand alongside client revenues, supporting mild sector growth. We expect greater clarity over the next one to two years on the interplay between AI-driven productivity benefits and incremental AI-led revenue opportunities. Large Indian IT companies are trading at ~13.5x FY28 PE, a ~30% discount to their 20-year average, while offering an attractive 5.5-6% dividend yield. That said, they still trade at a ~70% premium to their US counterparts.

The Fund size is presently ~USD 93.5 mn. The charts below summarise the key portfolio characteristics as of 30th June 2026.

Exposure by Sector (%)



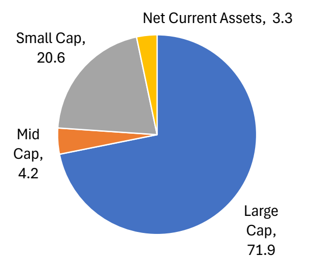
Source: 3PIM, Bloomberg, GICS classification

Exposure by constituents* (%)

Constituents	Weight
Top 5	35
Top 10	49
Top 20	69
Top 30	82
Top 58	100

*Does not include Net Current Assets

Exposure by Market cap (%)



Source: 3PIM, AMFI

Note: As per AMFI classification.

As we were preparing to release our quarterly investor letter, news emerged of a renewed escalation in the US-Iran conflict. While this may create near-term market volatility, we believe India's macro challenges around the BOP are now behind us.

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, both individually managed multi-billion-dollar portfolios focused on listed Indian equities and together bring more than 60 years of experience in investment management. The assets under management of 3PIM stand at USD 2.5 bn. The 3PIM Fund (3PIEF-1) continues to be ahead of markets for the third consecutive year. 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 Indian equities in the secondary market.

We would like to express our deep gratitude for your trust and participation in the Fund. 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 1st week of October 2026.

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.com) for any clarifications, feedback or suggestions.

Warmly,

For 3PIM International (IFSC) LLP

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Vice President – Investments

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