



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.

(OCTOBER - DECEMBER 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.



Warren Buffett

Life coach first, an investment guru later !

The world recognises Mr. Buffett as GOAT in investments. We feel he is more than that. He has been a terrific Life Coach as well. His success and popularity in the field of investments has no doubt stolen the limelight away from this aspect. Here we present some of his gems on how to lead a happy life. After all, all the money in the world cannot buy happiness.

The most important thing to do if you find yourself in a hole is to stop digging.

You only have to do a very few things right in your life so long as you don't do too many things wrong.

It's better to hang out with people better than you. Pick out associates whose behaviour is better than yours and you'll drift in that direction.

It takes 20 years to build a reputation and five minutes to ruin it. If you think about that you'll do things differently.

There seems to be some perverse human characteristic that likes to make easy things difficult.

What the wise do in the beginning, fools do in the end.

Games are won by players who focus on the playing field – not by those whose eyes are glued to the scoreboard

If you're in the luckiest 1% of humanity, you owe it to the rest of humanity to think about the other 99%.

Do not save what is left after spending, but spend what is left after saving.

If you want a marriage to last, look for someone with low expectations.

You will never be perfect, but you can always be better.

We wish Mr. Buffett many years of good health. We hope that he will now have more time to share wisdom on how to be happy and how to make the world a better place. His final letter's message to choose the right heroes and live a life worthy of your own obituary serves as a powerful call to action for all.





Dear Sir/Madam,

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

As 2025 comes to an end, reflecting on the year gone by, one is reminded of the famous opening line of the *Charles Dickens novel A Tale Of Two Cities* – “It was the best of times, it was the worst of times”, describing the extreme contradictions of the late 18th century London and Paris during the French Revoution, a period of both enlightenment and turmoil, hope and despair ! This description fits the present state of the world as well.

On one hand, surging world market capitalisation is indicative of unprecedented prosperity. Artificial Intelligence (AI) also promises to unleash progress like never before.

On the other hand, continuing wars, rising intolerance and violence, rising sabre rattling & bullying, rising fiscal deficits & debt, increasing barriers to trade & globalisation, growing stockpiles of more powerful weapons etc make one wonder - is the world indeed moving in the right direction?

Fortunately, in India, while we have some challenges, i.e., a troubled neighbourhood, US tariffs, temporary pressure on the INR, deteriorating air quality especially in large cities, rising influence of social media etc, these pale into insignificance in the context of what the world is passing through. We find it remarkable that India, which is one of the world’s most diverse and complex countries, has been, by and large, peaceful and stable while smaller and more homogenous countries are experiencing sustained violence and conflicts.

Social and political stability in India, which is vital to economic growth is one of the key reasons for our optimism on the markets over the long term and for the 3PIM (IFSC) Fund continuing to run nearly fully invested.

Our optimism is also reinforced by the words of the RBI Governor that the Indian economy is experiencing GOLDI LOCKS times. We will share more thoughts on economic and market prospects in subsequent sections of this commentary.

In a break from the past, charts on portfolio characteristics have been shifted to the *Portfolio Strategy* section where key changes in the portfolio and underlying rationale are also discussed.

We always overestimate the change that will occur due to technology in the next two years and underestimate the change that will occur in the next ten.

- Bill Gates

Maduro captured, flown out; US to run Venezuela: Trump

Sandijets hit UAE-backed groups in southern Yemen

Bangladesh orders security clampdown amid fresh unrest

Trump threatens Iran over protest crackdown, deadly unrest escalates

China launches new missile destroyer

Thailand vows to keep fighting Cambodia after US truce claim

Russian drones strike Kyiv, children among injured

Russia accuses Ukraine of killing 24 in New Year drone strike

Iran seizes tanker in Strait of Hormuz, US official says, as tensions remain high

SYRIA
Clashes between Druze groups & military resume

PAKISTAN
Islamabad blast: Four Taliban militants held

China's Xi promises to take back Taiwan, hails technological gains

Taiwan's president pledges to defend island's sovereignty after China's military drills

Inflation at a benign 2.2% and growth at 8% presents a rare Goldilocks period for the Indian economy.

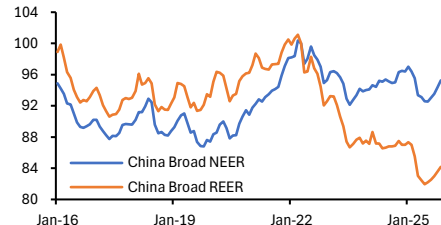
- Shri Sanjay Mathotra

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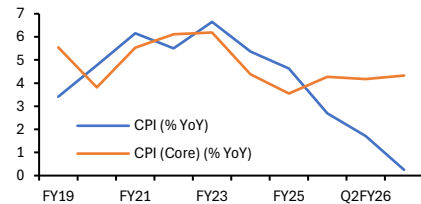
Indian Economy : Gathering Speed on the Long Runway of Growth

The Indian economy is accelerating. FY26 (Apr'25-Mar'26) estimated growth is 7.3% vs 6.5% in FY25 (Apr'24-Mar'25). Higher growth in spite of US tariffs, pressure on Indian exports due to deflation in China and slower growth in IT services highlights the resilience of the Indian economy and the strong undercurrents of growth.



Source: BIS
NEER: Nominal Effective Exchange Rate
REER: Real Effective Exchange Rate
Note: Jan-22 values are based to 100. Data as of Oct-25

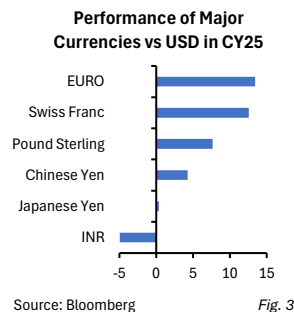
Q2FY26 (Jul-Sep'25) growth of 8.2% was buoyed by an unusually low deflator. This growth should not be extrapolated as the sharp fall in non-core inflation (*driven mainly by food*) should mean revert over time. It is interesting to note that nearly half of real GDP is calculated by subtracting the GDP deflator from the nominal GDP growth.



Source: CMIE

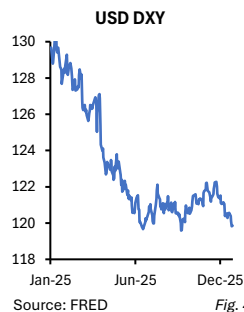
Underlying demand in the economy is healthy. The cumulative impact of the income tax cuts, lower GST rates and lower interest rates is visible. Impending Pay Commission implementation is also a tail wind for consumption in the medium term. Fiscal pressures and weak stock market returns, especially for Small and Midcaps (SMIDs) could be a headwind.

Much attention has been focussed on the sharp depreciation of the INR in CY2025. INR depreciated 5% in CY25 vs USD which itself depreciated sharply. DXY* fell by 9% in CY25. The weakness of INR is not due to any weakness in the economy or any vulnerability, rather it is a result of a sharp spike in FDI repatriation (*PE exits and sale of stakes by MNCs driven by attractive local markets*) and an increase in outbound FDI. Net FDI has as a result fallen sharply. CAD that has been trending lower has also risen in the current year driven by a spike in gold imports.



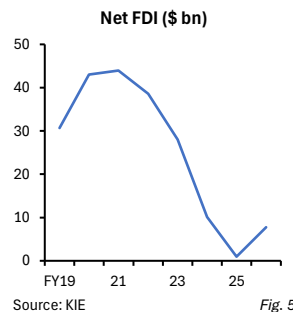
Source: Bloomberg

Fig. 3



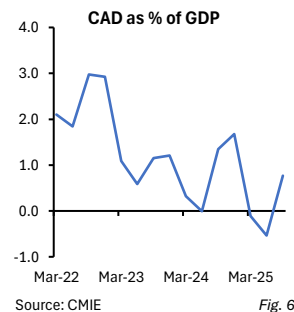
Source: FRED

Fig. 4



Source: KIE

Fig. 5



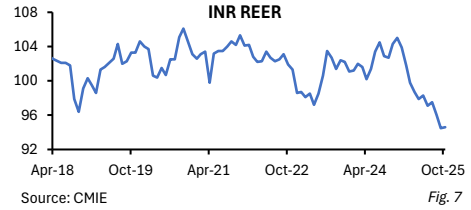
Source: CMIE

Fig. 6

*USD DXY is an index that tracks the strength of the US dollar against a basket of major currencies.



In Q3CY25 & Q4CY25 Balance of Payments (BoP) was negative \$10bn & \$20bn respectively. In Q1CY26, BoP is expected to be positive. The adjoining chart of REER points to the undervaluation of INR as well. Any improvement in BoP in CY26 could correct this undervaluation.



While local listings / stake sales by MNCs exert near term pressure on the BoP, they are positive over the long term as they are likely to lead to increased commitment, technology transfer and manufacturing in India.

	Market value of parent's stake in Indian entity as % of Parent Entity
Hyundai	41
LG	95
Suzuki	115
ITC/BAT	10

Source: Bloomberg, NSE Fig. 8

Reasonable INR depreciation is also not a negative as it takes the pressure off the fiscal / monetary policy on one hand and helps maintain competitiveness of exports especially in times when China has surplus manufacturing capacity and is experiencing deflation.

Recent Large FDI Announcements

- IHC invested \$1bn in Sammaan Capital
- SMBC invested \$1.8bn in Yes Bank
- Emirates NBD invested \$3bn in RBL Bank
- MUFG invested \$4.3bn in Shriram Finance
- Blackstone invested \$700mn in Federal Bank

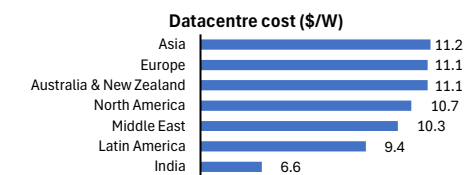
Long Term Commitments in AI and Data centres:

- Microsoft's \$17.5bn commitment to India
- Google's \$15bn commitment to India
- Amazon's \$35bn commitment to India

Fig. 9

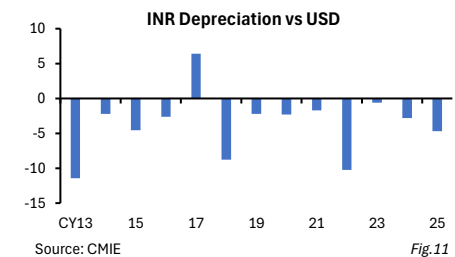
Growing service exports, stable oil prices and strong foreign exchange reserves provide stability to the outlook for CAD and INR.

Gross inbound FDI in India continues to rise and there has been a spate of large announcements recently.



Source: Turner & Townsend Fig. 10
Note: Average of costs in major cities in respective continents/countries

India is also likely to emerge as a hub for Data centres driven by large data generation (*India generates ~20% of the data in the world*), availability of land, abundant and cheap solar power and skilled manpower.



Source: CMIE Fig.11

In conclusion, after the depreciation of INR in last two years, it is reasonable to expect a slow depreciation of INR over the next few years. This would be in line with the past trends.

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Apart from strong fundamentals and macroeconomic parameters, growth outlook of economy is supported by a concerted effort now underway to simplify laws, deregulate more and to improve ease of doing business. Coming on the back of considerable progress in physical / digital infrastructure and in regulatory framework over the last decade or so, this should reinforce India as an attractive investment destination, especially for MNCs.

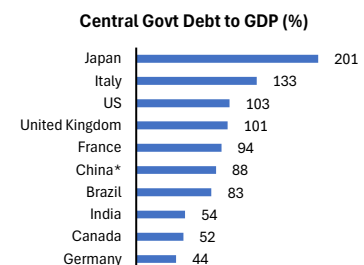
- Recent Initiatives**
- New Income Tax Bill
 - Reduction / simplification of GST rates
 - Digitisation of customs & exports documentation
 - Labour Law Reforms
 - RBI's new monetary policy framework
 - FDI liberalisation
 - Enhancing Single-Window Clearance
 - RBI consolidates 9,000 circulars into 244

Fig. 12

Fiscal Consolidation Despite Headwinds

Union Government Gross Tax revenue receipts in 8MFY26 (Apr-Nov'25) have grown moderately at 3.3% YoY vs a budgeted annual growth of 10.8% YoY for FY26BE. Tax collections have lagged due to a slew of fiscal stimulus measures in the form of direct tax cuts (INR 971bn), GST rate cuts (INR 1.9trn), Real Money Gaming ban (INR 100bn) and curbing retail F&O trading (limiting weekly option expiry). Given that equity index returns have been low in FY26, Capital Gains and STT contribution to tax revenues is also likely to moderate. Despite these headwinds, Honourable Finance Minister Smt. Nirmala Sitharaman, in a recent Q&A session exuded confidence that the Government would meet its fiscal deficit target of 4.4 percent of GDP for FY26. The government also targets to lower government debt / GDP progressively.

In our opinion, the intent of the government is paramount in fiscal matters as the government has the power to tax or to delay / curb expenditure. The present government has shown strong fiscal discipline. Disinvestment (IDBI stake sale), OFS, PSU dividends etc offer some flexibility to the government. Revenue expenditure at 1.8% YoY vs budgeted growth of 6.7% YoY YTD also gives comfort.



Source: World Bank, Bloomberg Fig. 13
*General Government Debt to GDP. Data for CY24.

Looking ahead, in FY27 (Apr'26-Mar'27), government revenue growth should be supported by the large and unexpected tax hike on tobacco products. This is expected to contribute INR 200bn in FY27. Low oil prices also leave room for an increase in excise duty on petroleum products. An INR 1 hike in excise duty on petrol / diesel increases government revenues by ~INR 170bn.



Markets Review and Outlook : Pausing for Breath

Just like India that has remained less impacted by the difficult global environment, NIFTY has been less volatile compared to other asset classes. In fact NIFTY has been rangebound for 15 months now. This calm in NIFTY however hides the pain in broader markets. 55% of companies in NSE 500 are down by more than 20% from their 15 month highs.

The sharp underperformance of India vs EMs has reduced India's premium to normal levels. This and the sharp depreciation of INR bode well for FII flows in CY26.



Source: Bloomberg

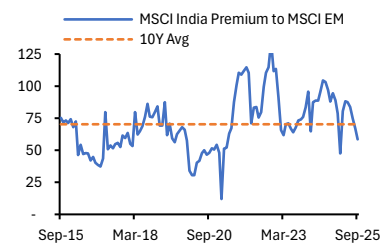
Fig. 14

Fall from 15 mth peak (%)	% of NSE 500 companies
20 - 30	22
30 - 40	18
More than 40	15

Source: Bloomberg, FactSet

Fig. 15

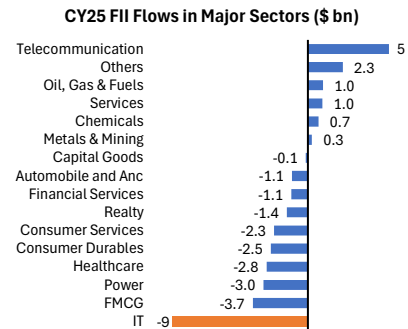
Note: Price change up to 29 December 2025



Source: Bloomberg

Fig. 16

The sharp underperformance of Indian markets in CY25 can be attributed to elevated multiples in CY24 (*highlighted in our September 24 commentary*), excessive earnings expectations and consequent disappointments and global popularity of the AI investment theme where India has little play. In fact, Indian IT which is widely expected to be impacted by AI witnessed considerable outflows by FIIs, thus reinforcing the positioning of India as an anti AI market.



Source: CDSL

Note: Data till 15 December 2025

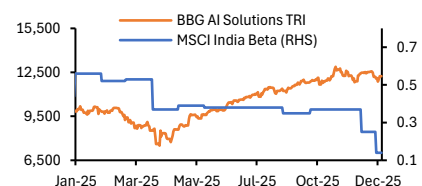
Fig. 17

The 5 quarter time correction in NIFTY has improved the risk reward in large caps to reasonable levels. However, despite the time and significant price correction in small / midcaps, risk reward is not yet favourable. In fact, in our opinion, based on prevailing valuations, past market behaviour and cycles, it may be a while before the pendulum swings from the state of deep optimism some time back to pessimism for SMIDs.

"The pendulum of investment psychology is constantly fluctuating between optimism and pessimism, between greed and fear, between credulousness and skepticism, between risk tolerance and risk aversion."

- Howard Marks

Driven by sustained local flows that have given resilience to markets in the face of FII selling, volatility of markets has reduced structurally. India has thus transitioned to a low Beta market and this augurs well for Indian markets if and when the AI trade / excesses unwind.



Source: Bloomberg

Note: Beta of MSCI India is versus MSCI World

Fig. 18

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Surge in Capital Raising : A Mixed Blessing

A surge in domestic flows to equity markets has been matched step for step by the supply (*not surprising!*). The supply in capital markets never disappoints in matching demand! This is because rising demand inflates valuations, encourages more businesses to go public and tempts otherwise long-term shareholders i.e. promoters to sell more!

The across the board rush to be a counterparty to insiders in these issuances is inexplicable, especially for professional managers, though with many precedents. As they say, the jury is still out.

In the face of strong domestic flows, this surge in supply of stocks has prevented a runaway bull market. Further, the entire spectrum of entrepreneurs / businesses has also been able to raise capital at rich valuations. While we remain circumspect about the long-term returns for participants in most of these issues, it is reasonable to expect that at least a few of these businesses will scale up, innovate and add value to the stakeholders and to the nation. India should thus emerge a winner despite the significant redistribution of wealth from many to a few hands!

Easy access to capital for entrepreneurs / businesses is changing the rules of business in India once again. Till 1990s access to a licence, allocation of land, mining resource, linkage to coal etc was a key to success. With the reforms of 1990s, access to capital became the key. It was Reliance Industries that understood the power of local equity capital ahead of others and successfully channelised that. In present market conditions, even capital has become a commodity.

With the surge in supply of capital, capital is no more a competitive edge. Successful businesses will have to differentiate through innovation or in execution. With the emergence of new business models powered by digital / AI and PEs incubating many start-ups etc, India promises to be an increasingly competitive marketplace where only the best will thrive. [Welcome to the new India!](#)

While supply of capital in India is likely to remain adequate, it is likely to become more demanding. This is so because almost half of mainboard IPOs between April-24 and Nov-25 are now in the red!

Returns of Mainboard IPOs between Apr-24 and Nov-25	
Absolute Return Range (%)	% of Total IPOs
>30	24
15 to 30	14
0 to 15	16
-15 to 0	13
-30 to -15	20
<=-30	14

Source: Motilal Oswal IE, FactSet Fig. 19
Note: Return = Change from issue price to market price on 18 December 2025.

In conclusion, we believe that post the underperformance of Indian markets in absolute and relative to EM terms, markets hold promise of reasonable returns over the long term. Days of both quick and easy money are however behind us. Investors will have to be careful to focus on businesses that can deliver in an environment that is increasingly becoming more competitive.

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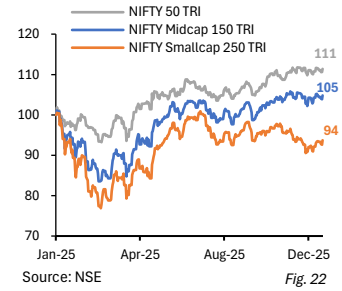
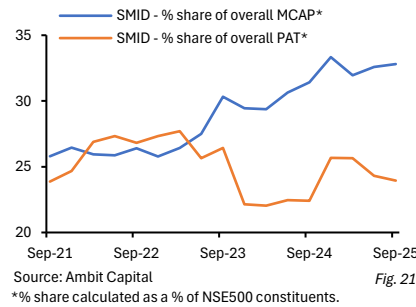
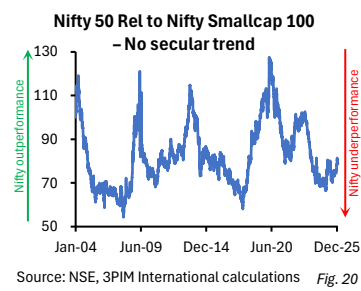


Portfolio Strategy and Positioning

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.

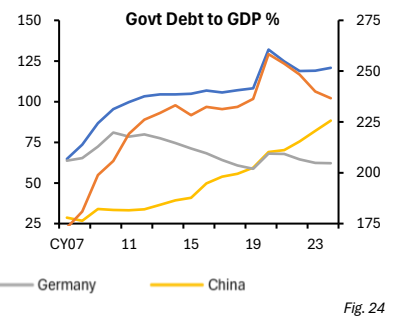
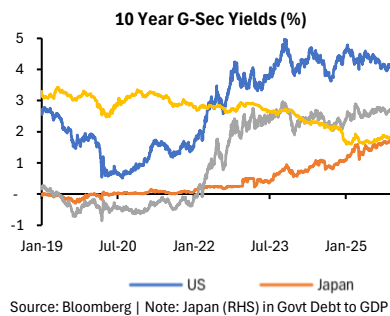
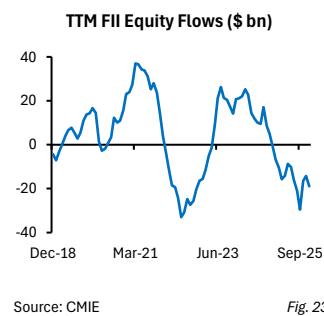
The charts on the next page summarise the key portfolio characteristics as of 22nd December 2025.

We continue to prefer Largecaps over SMIDs. The portfolio comprises ~77% Largecaps. The reasons for this are simple. As Fig. 20 suggests, SMIDs and Largecaps take turns in outperforming. There is no secular outperformance by SMIDs as a category. The share of profits of SMIDs has remained by and large stable, thus suggesting their profit growth is in line with Largecaps. However, their share of market cap is presently higher than their share of profits, making them less attractive in our view. The underperformance of SMIDs in CY25 could be the beginning of a mean reversal.



Even from a flows perspective, we feel Largecaps score over SMIDs. Bulk of the supply in the markets is in SMIDs. Largecaps that have borne the brunt of FII selling may benefit as and when FII flows return.

One of the key risks for markets is any further rise in cost of capital. The world has experienced a meaningful rise in borrowing costs from the Covid lows across geographies. Given the trend of rising fiscal deficits and the governments' inability or unwillingness to curb the same, a further rise in long term yields cannot be ruled out. Such an outcome should be negative for asset prices in general and SMIDs in particular.



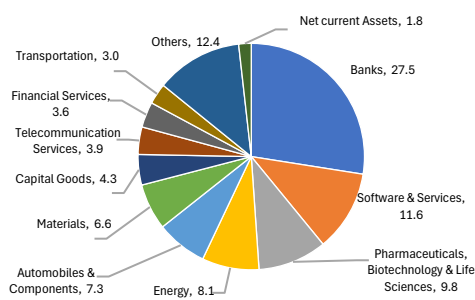
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The portfolio continues to be well diversified across sectors and key economic variables. The Fund is overweight Banks, Software & Services, Pharmaceuticals, Transportation and Consumer Services and is underweight Automobiles (mainly auto components), Capital Goods, Energy, Financial Services and Materials. Exposure to Insurance is close to market weight. Key portfolio changes made recently are :

- The Fund increased exposure to Energy, Materials and Software & Services. Our change in stance on IT is based on our view that while AI will improve productivity, IT spends are unlikely to come down. Indian IT companies that have successfully navigated multiple technology shifts in the past, should be able to successfully navigate impact of AI. The sharp underperformance of the recent past has improved the attractiveness of this sector, especially based on this view.
- The Fund lowered exposure to Financial Services, Capital Goods and Pharmaceuticals.
- The Fund also participated in the issues of LG Electronics and Sudeep Pharma.

Exposure by Sector (%)



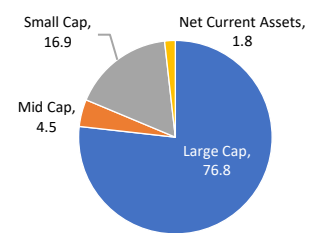
Source: 3PIM International, Bloomberg, GICS classification

Exposure by constituents* (%)

Constituents	Weight
Top 5	36
Top 10	54
Top 20	76
Top 30	88
Top 40	96
Top 50	100

*Does not include Net Current Assets

Exposure by Market cap (%)



Source: 3PIM International, AMFI
Note: As per AMFI classification. ETF constituents are distributed into respective categories

Fig. 25

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 2025 to 22nd December 2025 are 6.2% (pre-tax, post-expenses) vs MSCI India TRI returns of 2.9%. The performance since inception was supported by an overweight stance on Pharmaceuticals and select Consumer and Financial Services companies. Timely increase in exposure to Autos and Software & Services also aided performance. The Fund NAV is on a post-tax, post-management fees basis. Currently, the provision for tax on gains is on a short-term basis. We 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 ~USD70mn.

	Returns (%)	
	3PIM India Equity (IFSC) Fund**	MSCI India
Since Inception*	6.2	2.9

Source: Bloomberg, 3PIM International
*Inception Date: 06th May 2025
**Fund return is pre-tax, post-expenses.
Data as of 22nd December 2025

Fig. 26

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3PIM INTERNATIONAL
(IFSC) LLP

December 2025

Recent unexpected adverse developments around Indigo and ITC, both very strong businesses, highlight the importance of diversification and of limiting exposure to a single name in one's equity portfolio. Human mind often disregards and does not safeguard against low probability risks. Discipline of diversification mitigates such risks.

"Diversification is humility applied to uncertainty."

- Peter Bernstein

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 \$2.6bn as of 31st December 2025. 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.

With REER data indicating that the INR is undervalued (page 4) and following India's sharp underperformance vs EMs in CY25 (page 6), we believe CY26 presents a good opportunity to invest in India, especially for foreign currency investors with a medium- to long-term horizon.

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 April 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.

Wishing you and your loved ones a year filled with happiness, good health and prosperity.

Warmly,

For 3PIM International (IFSC) LLP

Himanshu Agarwal

Email: himanshua@3pim.com

Vice President – Investments

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