



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.

(JANUARY - MARCH 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.



**3PIM INTERNATIONAL
(IFSC) LLP**

March 2026

“The intelligent investor is a realist who sells to optimists and buys from pessimists.”

- Benjamin Graham

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Dear Sir / Madam,

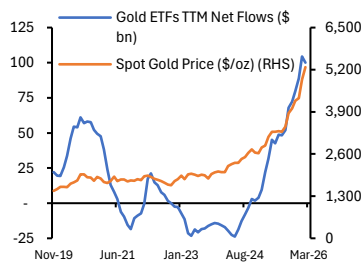
We are delighted to share the 4th quarterly update of 3PIM India Equity (IFSC) Fund. This Fund was launched on 6th May 2025 and is about to complete its first year.

Vladimir Lenin said, “There are decades where nothing happens; and there are weeks where decades happen”. In a similar vein, the last three months have arguably been more eventful than the preceding three years. A quarter back, trade disputes and US tariffs grabbed our attention, a month ago AI was the talk of town and today it is Hormuz ! These events demonstrate how unpredictable the world is, how quickly narratives change and how fickle human attention is.

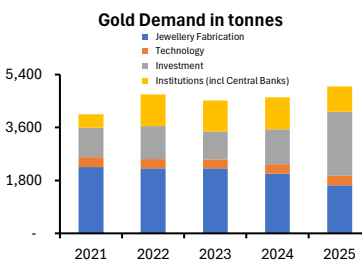
Even asset prices seem to be rattled by this rapid turn of events. USD prices of Gold and Silver are down 16% and 38% respectively from their recent peaks. Crypto price is finally aligning itself with its value? Bitcoin is down ~46% in the last 6 months and with more to go in our opinion. Private Credit funds in USA are gating redemptions. Stock markets that are expected to be more volatile have surprisingly held up reasonably well. Between 28th Feb, the day of the onset of war and end of March, Dow is down 5%, Nifty is down 11% notwithstanding an unprecedented pace of FII selling in March (USD 14.2 bn) and surprise of surprises, Israel market is down only 1% (TA 35 Index).

*“Risk is what’s left over when you think you’ve thought of everything.”
- Morgan Housel and Carl R.*

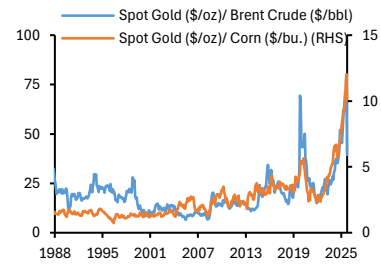
The sharp fall in precious metal prices, particularly Gold reminds us of what has been experienced time and again; that popularity of an asset accompanied by a rapid rise in prices and a spike in inflows in that asset is a reliable indicator of peaking prices ! Notice the sharp increase in the investment demand for gold in 2025 !



Source: World Gold Council, Bloomberg, 3PIM Fig. 1

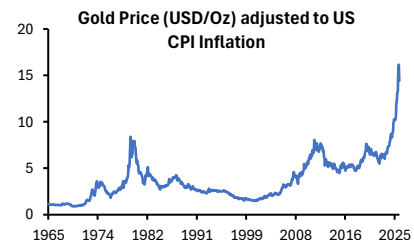


Source: World Gold Council Fig. 2



Source: Bloomberg, 3PIM Fig. 3

Concerns around not just prices but also availability of oil, fertilisers, grains etc highlights a key weakness in Gold. Gold may be a store of value, but it cannot be consumed. It will be interesting to witness how precious metals behave with the focus shifting to energy and food. The elevated ratio of Gold to Oil, Gold to Corn and real price of gold etc does not bode well for gold.



Source: Bloomberg, 3PIM Fig. 4



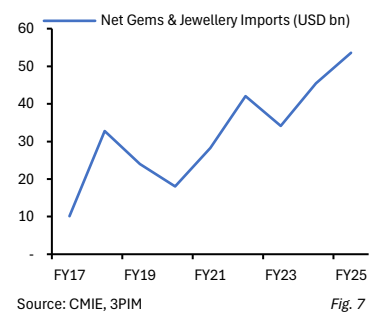
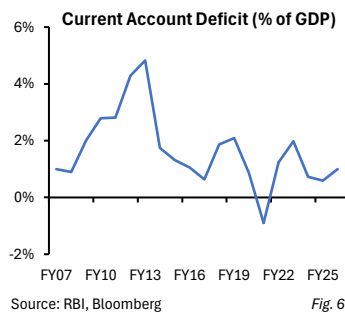
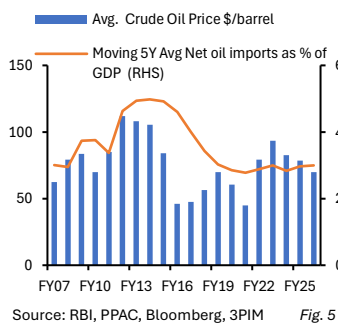
The key issue facing the world today is not the outcome of the US / Israel and Iran war, but rather whether and when Hormuz will open ! This being a single binary event, assigning a probability does not help. Rather a scenario analysis is more useful.

The pessimistic narrative for India is simple. Hormuz does not open for an extended period. The resultant higher oil prices adversely impact CAD and hence the INR. Anticipation of this and even higher oil prices worries FIIs and they sell. FIIs have already sold stocks worth USD 14.2 bn in March, the highest ever in a month. This in turn impacts the Balance of Payment (BOP) and the INR. Higher energy, feedstock prices and INR depreciation lead to inflation which in turn along with the adverse impact of AI on jobs and adverse wealth effect of falling markets leads to a consumer slowdown; this in turn leads to a slowdown in capex and lower corporate profits which will lead to further FII selling and pressure on INR. Finally the patience of domestic investor will also break and SIPs will also degrow...

“Pessimists sound smart and optimists make money.”
- Nat Friedman

While this narrative is simple, it is too simplistic for the non linear and complex world of economics, it assumes that the government and the RBI do not undertake any mitigating actions, it overlooks the reduced vulnerability of India to higher oil prices and the high resilience of the Indian economy.

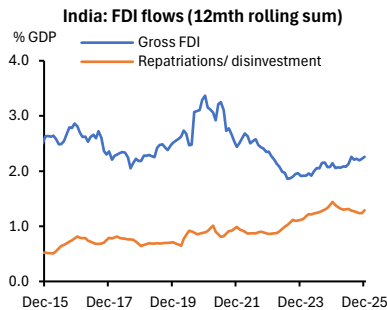
As written in our *investor letter dated 20th Mar 2026*, oil imports as a share of GDP have declined from over 5% in FY2013 to around 3% currently. This improvement, combined with the steady rise in services exports has lowered India’s CAD to close to 1%.



If oil were to average USD 110 for the entire FY2027, other things remaining the same, CAD would go up by 1.3% to 2.3% which is manageable. It would also be interesting to observe if gold imports that have spiked in the recent years moderate given the loss of momentum in Gold prices. If yes, the impact on CAD should be meaningfully lower.

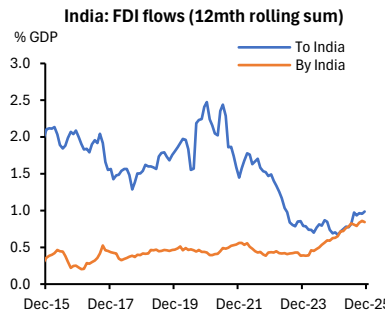
The impact on BOP is likely to be even lower. This is because, the last two years have witnessed a spike in stake sales by Private Equity (PE) funds and Multinational Companies (MNCs) in their investee companies and their Indian arms respectively. This has sharply increased the repatriation of FDI from India. Given the current market conditions and a sharp fall in interest in participation in such issuances (2 out of 3 are under water), net FDI that had fallen to nearly NIL in last two years should improve. India could potentially save around 0.5-0.7% of GDP (USD 20-25 bn p.a.). The spike in outbound FDI could also moderate given the uncertainty and weakness in capital markets.





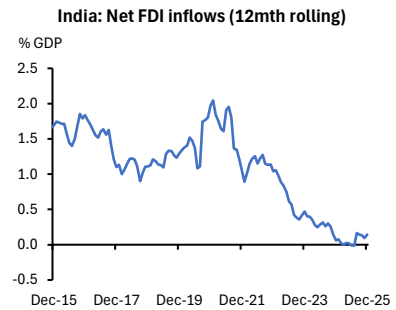
Source: HSBC, RBI, 3PIM

Fig. 8



Source: HSBC, RBI, 3PIM

Fig. 9



Source: HSBC, RBI, 3PIM

Fig. 10

India's addition to JP Morgan Bond index led to passive inflows of USD 18-20 bn. While the inclusion into Bloomberg Global Aggregate Index (AUM of USD 3 trillion) was delayed in Jan 2026 the likelihood of it getting included in the medium term remains high. The next review of the index is scheduled in mid- 2026 and could potentially lead to inflows of USD 20-25 bn over the next one year. In FY27, India would also receive FDI inflows from the large deals in the BFSI space (MUFG USD 4.3 bn in Shriram Finance, Emirates NBD USD 3 bn in RBL Bank).

Limited Impact on Fiscal Deficit

Rise in crude prices is likely to have limited fiscal impact on Central Government Finances. If crude prices average around USD 110/bbl in FY27 there is likely to be an additional burden of ~USD 45 bn which needs to be shared between OMCs, Consumers and Union Government. Along with this, Union Government would incur an additional spending of USD 8 bn on fertilizer subsidy. The total impact from the recently announced excise duty cuts and additional subsidy burden from fertilizers for the Union Government is ~USD 24 bn. In our opinion, the remaining impact of higher crude prices would be borne by OMCs and consumers.

Fiscal Impact (USD bn)	FY27
Impact on Government	24
- Excise Duty Cut	16
- Increase in Fertilizer Subsidy	8
Resources / Revenue available with Government	15.5
- Economic Stabilization Fund	10.5
- SAED on Diesel and ATF Exports	5
Total Increase in Net Fiscal Deficit	8.5
As a % of GDP	0.2

Source: Budget Documents, 3PIM calculations

Fig. 11

Union Government proactively created an economic stabilization fund from Budgeted Savings of FY26 of USD 10.5 bn which could be utilized. Moreover, imposition of SAED on diesel and ATF exports would yield the government USD 5bn. The net fiscal impact, assuming nothing changes, is estimated to range between 0.2 - 0.5% of GDP, which is not too concerning.

Interestingly, this is not the first spike in oil prices (though it could be one of the last, given the impending transition to EVs in next 5-10 years). In fact, between 2001 and 2008 oil prices rose from USD 25/bbl to USD 140/bbl. Real economic growth during this 8-year period averaged ~7% p.a.!



Finally, India’s macro parameters are in better shape compared to earlier crises like GFC & COVID.

Indicator	1991 crisis	Pre GFC	Pre COVID	Present	
	FY91	FY07	FY19	FY25	FY26E
Inflation (%)	14.6	6.7	3.4	4.6	2.5
Real GDP Growth (%)	5.5	8.1	6.5	6.5	7.4
CAD	3.0	1.0	2.1	0.6	1.0
Fiscal Deficit to GDP (%)	7.6	3.3	3.4	4.8	4.4
External Debt to GDP (%)	26.1	18.3	20.1	18.8	19.2*
FX Reserves (USD bn)	6	199	413	668	710
Corporate Leverage (%)	NA	86.8	57.8	49.8	NA
Banks’ Net NPA (%)	NA	1.0	3.7	0.5	0.5

Source: RBI, CMIE, IMF, NSO, KIE, Bloomberg, Ace Equity | Note: Based on old GDP series data. | * As on Sep-25

Fig.12

In conclusion, in our view, the impact of higher oil prices on the Indian economy is likely to be manageable and more importantly transient. Of course, the exact impact will depend on how high oil prices rise and how long the disruption in Hormuz stays.

Never Let a Good Crisis Go to Waste – Winston Churchill

Like necessity is the mother of invention, adversity / crisis is the trigger for change. The 1965-66 drought and food Crisis heralded the Green Revolution, 1991 Balance of Payment Crisis ushered in Liberalisation, Privatisation and Globalisation (LPG) reforms, 1992 Securities Scam led to formation of fully electronic National Stock Exchange (NSE) etc. Similarly, we believe, the spotlight on vulnerability of India to oil prices is likely to result in proactive steps to moderate this vulnerability. Transition to electric vehicles, blending of biogas and biofuels, oil exploration, coal gasification etc will be accelerated and should pay rich dividends over time. Five to ten years from now, India should emerge stronger and not weaker from the current adversity.

An Acute Attack, Not a Chronic Illness

It is easy at this juncture to lose sight of the many positives and strengths of India and be carried away with the immediate pain.

The list of positives is a long one (refer table). These strengths accompanied with low per capita income and the low penetration of discretionary goods / services provide a very long runway for growth. One should not lose sight of these in the current challenging situation.

It is our firm belief that India will not only overcome this moment of adversity but will emerge stronger over time.

India’s Growth Drivers

- Growing and young population
- Higher growth in number of families due to nuclearization / urbanization
- Skilled, educated and cost competitive manpower
- Vast availability of natural resources (sunlight, arable land, water, minerals (ex-oil))
- Entrepreneurship, stable social and political environment
- Shrinking product lifecycles
- Internet, digitalization, acceptability of remote working

Fig. 13

The 3P way. Simple but not easy.



India may not have oil, but it does have solar energy. Solar energy is the future due to declining Battery Energy Storage System (BESS) prices, improving cell efficiency etc. Due to abundant radiation, low cost of manufacturing and installation of solar panels, India’s solar energy is one of the cheapest in the world.

In summary, Indian economy is akin to a healthy body that is experiencing a viral attack. A viral attack typically lasts 5 days; the current situation could last 5 days or 5 weeks but not 5 years!

Markets Review and Outlook

Primary in Pain, Twins to Gain

“When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing.”

– Chuck Prince, CEO Citigroup – July 2007

The above words were mentioned in the run up to Lehman Crisis. The music stopped 4 weeks later.

We have repeatedly highlighted the excesses in the primary markets space last several quarters. The music in Indian Primary Markets party has finally stopped.

Investors have lost money in 2 out of 3 issuances since April 25 and 1 out of 2 IPOs of FY26 are down more than 20% from the issue prices. These losses in the primary markets have understandably led to a loss of appetite for more of the same. This loss of appetite for issuances has two clear benefits.

— **First**, FDI repatriation through stake sales by PEs / MNCs should decline sharply, thus aiding the BOP at this critical juncture.

— **Second**, higher share of DII inflows would be invested in secondary markets. This will help absorb FII selling and enable the markets to stabilise.

While the attention is focussed on FII selling, primary markets have been a larger source of equity supply than FIIs. Hence, a drop in the primary fund raising / sell downs impacts the markets more positively than the adverse impact of continued FII selling.

...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...

- 3P Investor Letter – December 2025

Returns of IPOs between Apr-25 and Feb-26	
Absolute Return Range (%)	% of Total IPOs
>20	18
10 to 20	7
0 to 10	7
-10 to 0	10
-20 to -15	9
<=-20	49

Source: Investec IE, FactSet Fig. 14
Note: Return = Change from issue price to closing price on 30th March 2026.



Nifty Masks the Pain in Broader Markets

NIFTY decline of 15% from its 52 week high does not fully reflect the erosion of prices in broader markets. The adjoining table summarises the fall from peak of NSE100 and the Next 400 stocks.

3 out of 10 SMIDS have declined more than 50% and 2 out of 3 have declined by more than 30% from the 2 year highs. It is evident that SMIDs have sharply underperformed large caps. This outcome is largely on expected lines. As we have repeatedly highlighted the outperformance of SMIDs was not driven by higher profit growth but by momentum post Covid and new to market investors and hence was / is not sustainable.

Post this underperformance, value is emerging in few SMIDs, but not yet for the category. Large caps still score over SMIDs in our opinion. As Warren Buffet said, *“Only when the tide goes out do you discover who’s swimming naked”*. The SMIDs tide is receding but has not receded fully yet.

Additionally, Nifty companies / large caps are also resilient to current situation due to limited direct impact of higher crude and gas prices on businesses.

Banks, the largest component in Nifty may actually gain due to a steepening of yield curve, rising yields in bond markets and higher working capital needs of few sectors. This of course assumes that the pain is transient and there are no serious asset quality challenges in the medium term due to the current situation.

Sector such as **IT, Pharma, Healthcare, Telecom, Tobacco and FMCG** should have NIL / marginal impact. The impact on **CAPEX** related sectors, **Auto** and **Real Estate** will depend on company specific factors and duration of the disruption at Hormuz.

OMCs, Airlines, and Cement are the key adversely impacted sectors. The weightage of these sectors is relatively small at ~9% in Nifty.

The short-term impact will be felt more in sectors where raw material availability is disrupted and pricing power is less. These could be sectors like fertilizers, packaging companies, chemicals etc.

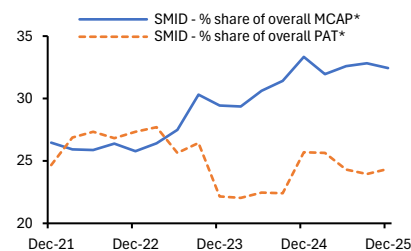
It is also pertinent to remember that equities are a hedge against inflation as companies’ revenues/earnings grow faster in line with inflation.

Post the significant outperformance of SMIDs in the last few years, the risk-reward continues to be less attractive.

- 3P Investor Letter – June 2024

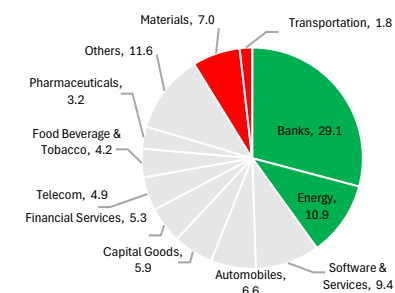
Fall from 2 Year High (%)	% of NSE 100 companies	% of Next 400 companies
0-10	3	4
10-20	26	11
20-30	29	19
30-40	18	20
40-50	15	16
>50	9	31

Source: FactSet, NSE | Prices as on 30th March 2026. Fig: 15



*% share calculated as a % of NSE500 constituents

Source: Ambit Capital Fig 16



Sectors highlighted in Green are beneficiaries, Grey have NIL/marginal impact while red highlighted sectors are most impacted.

Source: NSE Fig:17

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Equity Markets - Is the Pain Priced In ?

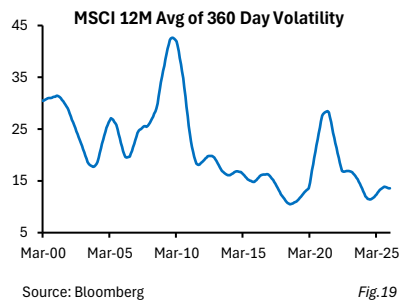
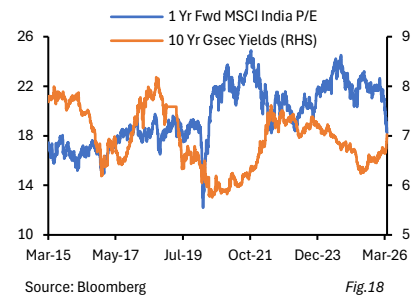
The sharp fall in MSCI India and the time correction of 18 months has lowered MSCI India valuations by 26% from peak levels. The prevailing valuations of MSCI India of 18x 1-year forward earnings are reasonable and have room for some rerating. The sustainable medium to long term earnings CAGR of 12% in INR terms along with the lower cost of capital driven by lower inflation and lower volatility of Indian markets are supportive of higher multiples.

Rerating is only the icing on the cake. The dominant portion of returns will continue to be delivered by earnings CAGR of 12% in INR terms.

Clearly, there is value in the markets for the long-term investor. The million dollar question is how low can markets go before they go higher? The answer resides largely in the duration of Hormuz disruption and resulting volatility in oil prices, both of which are difficult to forecast.

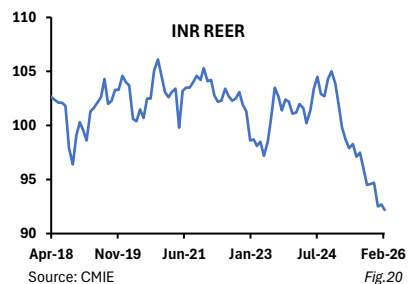
In our view, the likely pain in the current adverse environment is limited and is transient but the potential gains are larger and enduring. Even in an extreme situation, earnings yields should not rise above bond yields given the structural growth prospects of Indian economy, the large and steady DIJ flows and the concessional taxation on equities vs bonds. This implies in an extreme situation P/Es could fall to 15x temporarily.

The upside on the other hand is enduring and higher. Three years down, the gains should be significant from current levels – our view is 17% CAGR, 60% in all in INR terms. This is assuming P/Es revert back to pre-Iran War levels i.e. 21.0x. In addition, REER data indicates that the INR is undervalued, which is positive for foreign currency investors.



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

- Benjamin Graham



We are reminded of a Kabir couplet during these times of market pessimism :

**दुःख में सुमिरन सब करे, सुख में करे न कोय।
जो सुख में सुमिरन करे, तो दुःख काहे को होय॥**

An adapted version of the above for stock markets would be as follows :

**In good times everyone invests, in adverse times none
To the wise ones who invest in adverse times, wealth should come.**



The message of the above is – *Remember God in good times and equities in adverse times*. If this is followed, then chances are one will avoid bad times in life and poor returns on investments.

In conclusion, the next few days, weeks, months offer a good opportunity to increase exposure to equities. The pace and extent are best left to individuals to match their tolerance for volatility and time horizons.

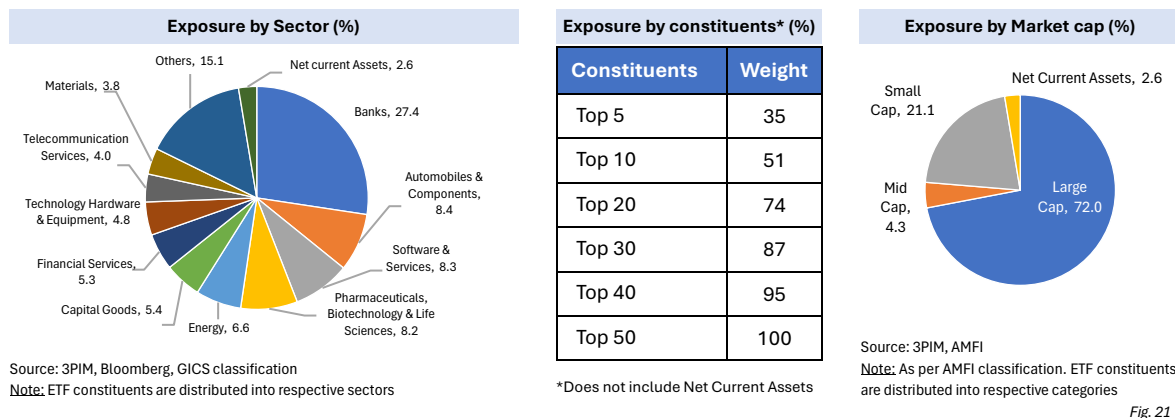
Portfolio Strategy and Positioning

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 Fund size is presently ~USD 82 mn. The charts below summarise the key portfolio characteristics as of 31st March 2026.

We continue to prefer large caps over SMIDs. However, post the recent drawdown in SMIDs, we see value emerging in few SMIDs and are selectively increasing our exposure in the space.

The portfolio continues to be well diversified across sectors and key economic variables. The Fund is overweight Banks, Pharmaceuticals, Insurance, Technology Hardware & Equipment and Consumer Services and is underweight Energy, Materials, Capital Goods, and Financial Services. Exposure to Automobiles and Software & Services is close to market weights.



The performance of 3PIM India Equity (IFSC) Fund is summarised in the adjoining table. In the brief duration of its existence, the Fund has outperformed MSCI India. We expect absolute returns to be meaningfully higher in the future as apart from earnings growth, there is room for multiples to also expand over time.

	Returns (%)	
	3PIM India Equity (IFSC) Fund**	MSCI India
Since Inception*	-12.6	-16.0

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

Fig. 22

The 3P way. Simple but not easy.





3PIM INTERNATIONAL
(IFSC) LLP

March 2026

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 2.3 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 July 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

Himanshu Agarwal

Email: himanshua@3pim.com

Vice President – Investments

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3PIM International (IFSC) LLP

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