

October 7, 2025

Dear Investors,

Our PMS and AIF performance as of last month is as follows (Exhibit 1).

Exhibit 1: TWRR Performance (after all fees and expenses) as of 30-Sept-2025

Investment Approach (Benchmark)	Inception Date	AUM (INR cr)	1M	3M	6M	1Y	Since Inception (Annualized)*
PMS Large Midcap	11-Apr-23	79	1.1%	-4.3%	10.4%	-1.3%	20.6%
(S&P BSE 500 TRI)			1.2%	-3.2%	7.2%	-5.5%	19.9%
(Nifty 50 TRI)			0.8%	-3.2%	5.5%	-3.5%	15.9%
PMS Small MidCap	11-Dec-23	118	7.1%	-5.2%	22.4%	-9.2%	23.2%
(S&P BSE 500 TRI)			1.2%	-3.2%	7.2%	-5.5%	12.3%
(Nifty 50 TRI)			0.8%	-3.2%	5.5%	-3.5%	10.6%
AIF Alpha Fund 1**	24-Mar-25	35	3.8%	-5.9%	15.3%	NA	13.2%
(S&P BSE 500 TRI)			1.2%	-3.2%	7.2%	NA	7.5%
(Nifty 50 TRI)			0.8%	-3.2%	5.5%	NA	6.3%
PMS Other AUM		251					
Total AUM		483					

*Returns for Large Midcap and Small Midcap are annualized as they have completed full year. However, returns for Alpha Fund I are not annualized as it is yet to complete one full year.

** Returns for AIF Alpha Fund I are pre-tax but post all fees and expenses.

Exhibit 2: NAV Movement (after all fees and expenses)

Investment Approach	Inception Date	Inception NAV	Month-end Date	Month-end NAV
PMS Large Midcap	11-Apr-23	100.0	30-Sep-25	158.8
PMS Small MidCap	11-Dec-23	100.0	30-Sep-25	145.7
AIF Alpha Fund 1	24-Mar-25	100.0	30-Sep-25	113.2

Rising Gold, Raising Questions....

- Morgan Stanley's CIO has come out with a 60/20/20 portfolio strategy, with 20% in gold as a hedge against inflation. Given geopolitical tensions, trade wars and the FED balance sheet, the paradigm has shifted for precious metals. Gold prices soaring (Exhibit 3) says it all.
- In addition to precious metals, other assets such as crypto, and dominant MAG7 businesses are attracting investor interest. Ex-MAG7 growth has been stagnant (Exhibit 4). Rising youth unemployment and the rising tide of anti-immigration sentiment in the West are potent indicators for trouble ahead.
- In addition, US debt is piling up, automation is eating into jobs, trade wars and even real wars are becoming the norm. Globalisation has almost become a dirty word – as supply lines and chains get re-wired, there will be some disruptions.

- With the above backdrop in mind, our portfolio construct remains focused on bottom-up, domestic-led stories, taking calculated bets and building a resilient portfolio.
- This does not mean India is completely immune. Near-term headwinds such as tariffs and geopolitical uncertainty could limit upside potential, despite GST rate cuts and a weaker US dollar (Exhibit 5), which should otherwise support flows into emerging markets and metals (the market has already foreseen this with strong recent rallies in metals and their producers).
- We continue to hold the same stance we have communicated in our recent newsletters. Short-term volatility may be high, but meaningful wealth is created over the medium to long term. As Robert Arnott puts it, *"In investing, what is comfortable is rarely profitable."*

Exhibit 3: Gold Price peaks amidst uncertainty



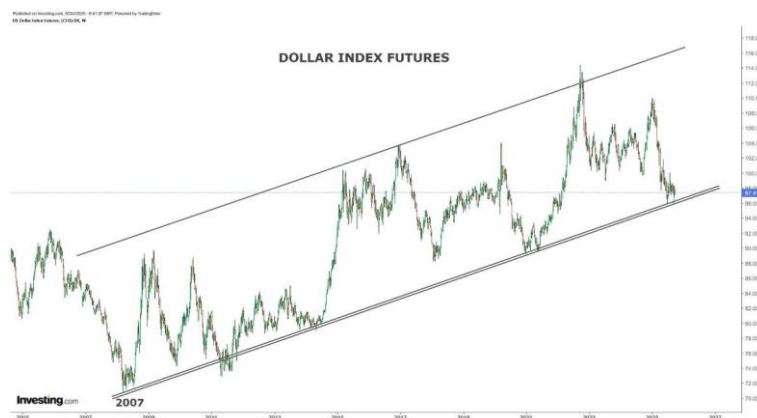
Source: www.goldprice.org

Exhibit 4: Ex-Mag 7 stocks from S&P 500 have barely gone anywhere in over a decade



Source: Goldman Sachs Research

Exhibit 5: Dollar Index futures reaching a critical break-down point

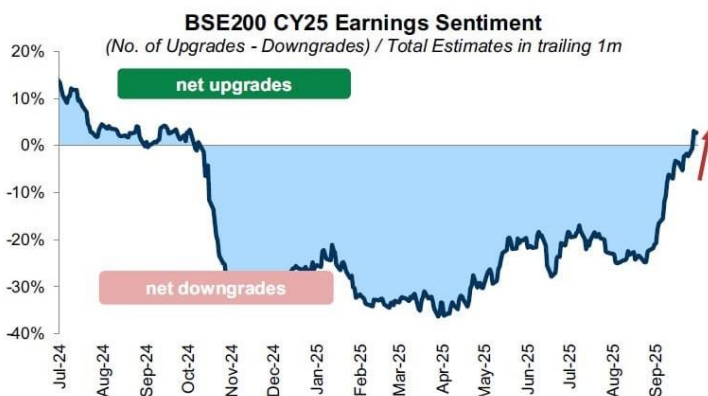


Source: ICE Futures, Graphics : TradingView

RBI Signals Growth Shift and near-term outlook

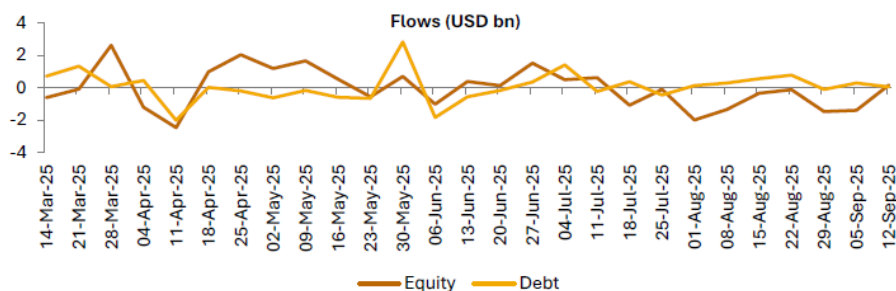
- The RBI's recent measures reflect a clear pro-growth and deregulatory stance, expanding banks' scope to finance corporate acquisitions and easing norms on lending against listed securities.
- Loan limits against shares and IPO financing have been significantly raised, while reduced risk weights on NBFC lending to quality infrastructure projects, MSMEs and residential real estate are set to enhance credit flow and lower funding costs.
- In the near term, the OECD has revised India's real GDP growth forecast to 6.7%, largely driven by the positive impact of GST reforms and domestic demand. Earnings sentiments have also turned positive as shown in Exhibit 6.
- Despite FPI outflows (Exhibit 7), markets remain supported by steady FDI and DII inflows, led by large deals such as IHC's \$1 bn investment in Sammaan Capital and MUFG's planned \$2.6 bn stake in Shriram Finance.
- The central government has also updated guidelines to increase the share of capex loans for states in FY26. It will be important for state governments to step up their capex spending H2 onwards to support growth.
- The flash composite PMI eased to 61.9 in September 2025, indicating a slowdown in both manufacturing and services. Output and employment growth moderated, partly due to tariff-related uncertainty.

Exhibit 6: Earnings Sentiment turned positive after 1 year.



Source: FactSet, I/B/E/S, Goldman Sachs Global Investment Research

Exhibit 7: Total FII inflow

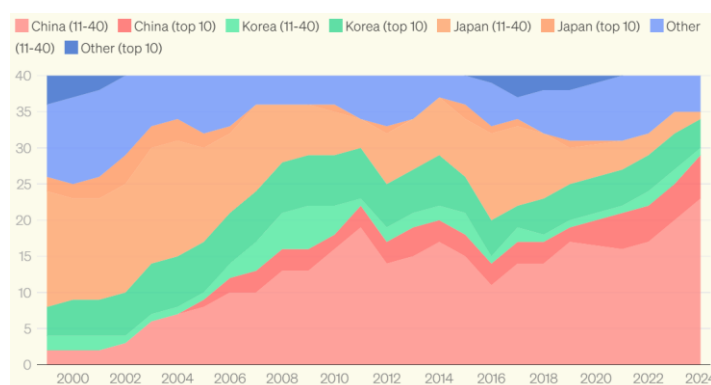


Source: CMIE, Systematix Research

Indian Economy-Long term trajectory

- Recently, the Indian government announced an \$8 billion package to revitalize shipbuilding and maritime infrastructure. This, combined with the broader push for domestic manufacturing and other progressive initiatives, signals that India is steadily transitioning toward an economy driven by manufacturing and services.
- It took China more than two decades (Exhibit 8) to become dominant in the shipbuilding industry, which is both labour and capital-intensive. As China shifts its focus toward innovation, labour-intensive sectors are losing competitiveness, with assembling operations increasingly moving to countries like India. We see this trend continuing across other developing nations, and India is well-positioned to benefit, thanks to its scale, stability, and favourable business environment created by the current government reforms.

Exhibit 8: Share of 40 largest shipyards in the world by country by orderbook



Shipyard size is measured by CGT of orderbook.

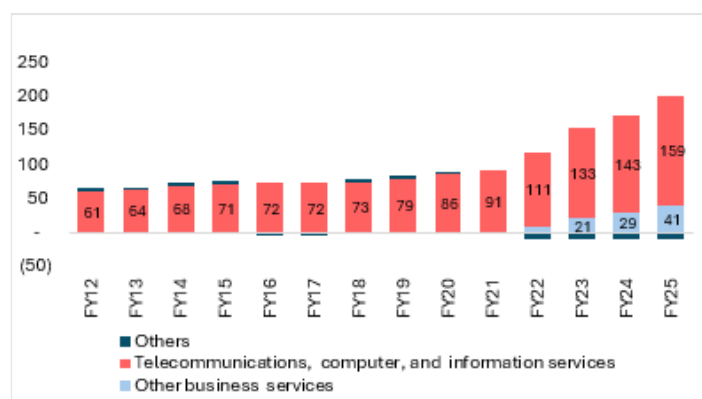
Chart: Brian Potter , Source: Clarksons

- It is crucial to focus on the long-term direction in which India is heading, as the payoff could be substantial over the next 15–20 years, rather than looking at short-term outcomes.
- That said, execution remains a key risk. India’s focus should be on becoming an export-oriented economy rather than falling into domestic protectionism. Otherwise, it risks ending up like Latin America, where decades of trade barriers and political instability kept economies uncompetitive and growth sluggish.
- With rising trade protectionism globally, replicating the economic miracles of China and South Korea will be challenging. The risks are evenly balanced, but we believe India is moving in the right direction. Temporary speed bumps and hiccups are inevitable, but the long-term trajectory remains positive.

Geopolitics and the H1-B Shakeup

- The Trump administration’s new restrictions on H1-B visas aim to protect American workers, but this could accelerate offshoring and nearshoring of services.
- Protectionism is unlikely to be effective. Rather than focusing on upskilling and education to remain competitive, restricting foreign labour overlooks the fact that cost structures in developing countries like India remain highly competitive. Even the proposed HIRE Act, which suggests a 25% tax on payments to foreign firms for services (though unlikely to pass), would still not make economic sense for American companies given the significant wage arbitrage.
- Services can’t be tariffed like tangible goods and very complex to attribute the costs since lot of services depend on cross border services from multiple countries.
- In the short term, this creates headwinds for the Indian IT sector, but it could also act as a catalyst for accelerated offshoring.
- India’s external accounts are heavily reliant on services exports (Exhibit 9), which raises risks in the near term. This could exacerbate consumption slowdown, limit credit growth, and reduce urban-rural income transfers, potentially offsetting the benefits of a dovish RBI and GST reforms aimed at reviving domestic demand.

Exhibit 9: India's Services exports (USD bn), All countries (net)



Source: EPI analysis

Conclusion

- **RBI's shift in mindset:** Reduction in risk weights, allowing banks to finance mergers & acquisitions, and a focus on reviving credit growth reflect a broader shift in mindset of the regulator. We think this will be very positive for the banking sector as well as the domestic economy.
- A falling DXY and anticipated Fed rate cuts would weaken the dollar, driving capital flows into EM markets and metals.
- **Indian equities:** Following recent corrections and improving earnings sentiment after a year as per Goldman Sachs, these factors point to a potential rally in the Indian market.
- India's growth story remains intact, with the government's push on domestic consumption and demand, along with support for industrial development to tactically pivot to newer markets. The key monitorable in the near term will be government capex, along with any pick-up in credit and consumption in H2 FY26.

We believe this is the right moment to Top-up your investments in our PMS/AIF products with a medium- to long-term horizon.

We will be happy to have a quick call with you to discuss your portfolio. Also, we really appreciate the references you have shared thus far and would request you to continue to remain generous in sharing more references.

Warm regards,
MoneyGrow Team

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