

## Electrum S.C.A.L.E Strategy – July 2025

### Objective

Electrum SCALE strategy aims to invest in companies largely in mid-cap space. It will have sector agnostic exposure with bottom-up stock picking. These are the companies which have gone past the smaller size and ready to achieve scale with better growth rates than larger established companies. They are companies that can become large-cap in long term. These businesses have established themselves in market and will gain economies of scale on a structural basis.

#### S.C.A.L.E stands for:

- Selective Allocation to Scalable Businesses
- Cash Flow-Centric Analysis
- Agility in Portfolio Construction
- Long-Term Vision, Short-Term Discipline
- Execution with Risk Control

### Market Summary

#### Markets watch

Nifty 50 was down by ~3% in July, while BSE 500 was also down by ~3%. The Smallcap 250 index was down by ~4%. Overall sentiment in the market has remained weaker, mainly due to US tariff tantrums. This is leading to panic among retail investors once again. With a 25% tariff imposed, further uncertainty lies in the rate of penalty, as well as continuous threats to increase tariffs further if trade with Russia does not come down. India has strongly responded by pointing out the imports done by the US from Russia as per their convenience, and that for India, trade with Russia is only for its economic benefit. Every day comes with a new statement and a threat of new rates by Trump, which is keeping the markets worried and businesses in uncertainty. This has already led to slowdown and shortages in the US.

Narrative-driven stocks are again making a comeback after a brief lull in market conditions. A host of IPOs in the mainboard and SME segments, influx of liquidity, and narratives seem to be driving stocks to record levels with little margin of safety. As it has been seen historically, momentum and narratives do not last in the market, and ultimately, business quality and earnings delivery will drive stock returns over medium to long term. Our focus area remains long-term earnings delivery vs short-term momentum.

Our portfolio continues to remain sectorally diversified. These sectors, as well as the underlying companies, are well-positioned to grow earnings over the next few years and are trading at reasonable valuations. Companies with high valuations are prone to both time correction and price correction when earnings are missed in the short term, resulting in underperformance. We have insulated our portfolio by reducing dependence on export-oriented sectors and increasing investments in domestic sectors.

### Key terms

Scheme: Electrum S.C.A.L.E

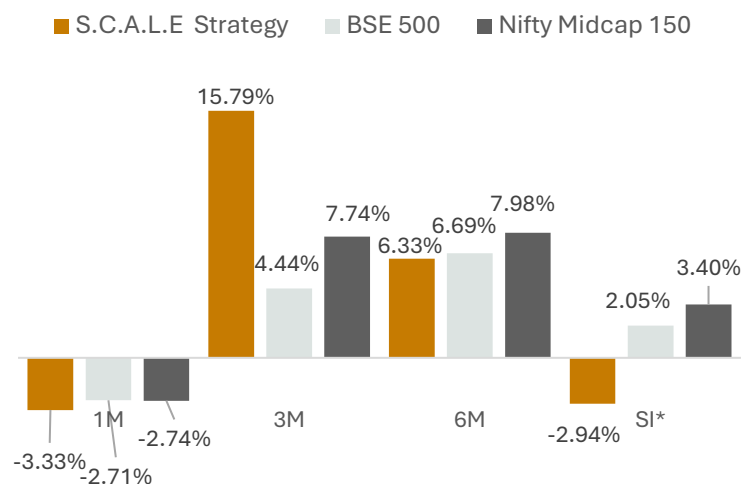
Benchmark: BSE 500 TRI

Min. Investment: Rs 50 lakhs

Strategy type: Open ended

Exit Load : 2% in case of partial / complete withdrawal before 1 year of account opening

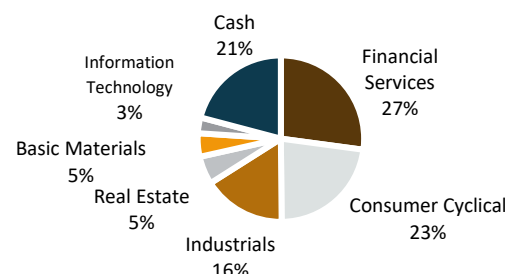
### Electrum S.C.A.L.E Performance:



Returns as on July 31, 2025	1M	3M	6M	Since Inception* (27/11/2024)
<b>S.C.A.L.E Strategy</b>	-3.33%	15.79%	6.33%	-2.94%
BSE 500 (TRI)	-2.71%	4.44%	6.69%	2.05%
<b>Out/(under) performance</b>	-0.62%	11.35%	-0.36%	-4.99%
Nifty Midcap 150 (TRI)	-2.74%	7.74%	7.98%	3.40%
<b>Out/(under) performance</b>	-0.59%	8.05%	-1.65%	-6.34%

\* Since Inception Date 27/11/2024

### Top Sectors



Portfolio Attributes	FY25	FY26E	FY27E
<b>PE</b>	31.6	29.6	20.5
<b>ROE</b>	13%	13%	14%
<b>PB</b>	7.9	4.4	3.6

## Tale of two events

Two key events shaped up July month. One was the 25% tariff levied on India by US and the other was India and UK signed FTA. The India US trade deal has turned into a nightmare. India has been slapped with a 25% Tariff plus a separate penalty for trading with Russia. Key sectors which benefits US like electronics, mobiles and pharma has been conveniently kept out of tariff purview so far, however again we are hearing of tariffs specifically on the pharma sector. Earlier markets were cautiously optimistic on the outcome of tariff and expecting it to be relatively better vs other competing nations. US has criticised India openly for doing trade with Russia leading to a higher-than-expected tariff along with penalty. India has not retaliated so far and neither succumbed to the US on issues of national security like defence tie ups with Russia nor ceded ground on its domestic interest in agricultural and dairy sectors. These are the 2 main contention of the higher tariff in India including a penalty.

On the other hand, UK will drop tariffs to zero on textiles, footwear, gems and jewellery and seafood. These are largely labour intensive sectors and are crucial to India's economic growth. Thus UK India FTA further opens up doors to diversify our export streams going ahead. This is a positive deal and export oriented sectors may get some relief from the US India tariff uncertainty.

## Conclusion

In the face of US tariffs and uncertainty over demand scenario, India's economy is holding up well. Plentiful rain, supportive industrial activity and strong farm sector growth bodes well. India is blessed with its young population which will keep the consumption demand moving ahead. We are focussing on the earnings growth trajectory over medium to long term and we expect our portfolio companies to deliver steady growth over coming years.

Markets are currently sentimentally weak due to geo political and US tariff crisis. Retail investors have not seen major time and price correction. Hence, we are seeing continued volatility in markets and expect weak hands to go out of markets. In such uncertain periods markets are expected to remain rangebound and in spite of good results by companies, they usually do not give desired returns. Reasonable results by companies are also punished by markets in such circumstances even though longer term prospects are bright. Key upside risks to the markets are resolution of tariff tantrums and a well thought out certain tariff regime. Markets may show strong traction when these issues are sorted and hence we need to be positioned for the same to participate in future rally.

### Did You Know?

#### Fusion Energy: The Next Frontier in Clean Power

- Fusion generates electricity by ramming atoms into each other, releasing energy without emitting significant greenhouse gases or creating large amounts of long-lasting radioactive waste. However, the ability for fusion to produce energy on a large scale has been hindered by its need for extremely high temperatures and pressure.
- Helion energy (a start up backed by Open AI's Sam Altman and Softbank) has started construction of nuclear fusion power plant near Washington, which will power Microsoft data centres. For the record, the company has previously built six working prototypes and, in June 2021, became the first private fusion company to reach 100-million-degree plasma temperatures with its sixth fusion generator prototype. Helion's last fusion generator prototype, Polaris, which started its operations in 2024, is expected to demonstrate the first electricity produced from fusion.
- Global fusion energy investment since 2021 has reached ~ \$10 bn.