Electrum Portfolio Managers Private Limited*

Electrum S.C.A.L.E Strategy – December 2025

Objective

Electrum SCALE strategy is designed to capture young, yet established businesses positioned for significant expansion. We focus on companies that have successfully navigated their early growth stages and are now poised to become market leaders or challengers. This allows us to mitigate the execution risk associated with earlier-stage growth. We find these opportunities mostly among small and mid-sized companies, with a few notable exceptions among larger companies.

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

Scalability
Cash Generation Potential
Agility to navigate a dynamic business landscape
Longevity
Execution track record

Market Summary

Market Overview

Indian equities remained weak in last few weeks amid renewed tariff threat by Trump administration. Instead of a bilateral trade deal there are fresh threats of higher tariffs. Further elevated geopolitical risk is adding fuel to fire. In absence of a trade deal with US, Indian equities may remain weak. This is leading to a negative sentiment among investors. Investors are choosing to stay on the sidelines till further clarity emerges over bilateral deal. In our view this may be one of the most important factors for re-rating in Indian stocks followed by Union Budget 2026 and quarterly earnings.

India Macro

India's macro environment in December 2025 remained largely stable. We believe India's growth cycle will accelerate going ahead as Government and private capex takes shape. Rate cut by RBI and GST rate cuts have been positive factors in re-igniting the growth cycle.

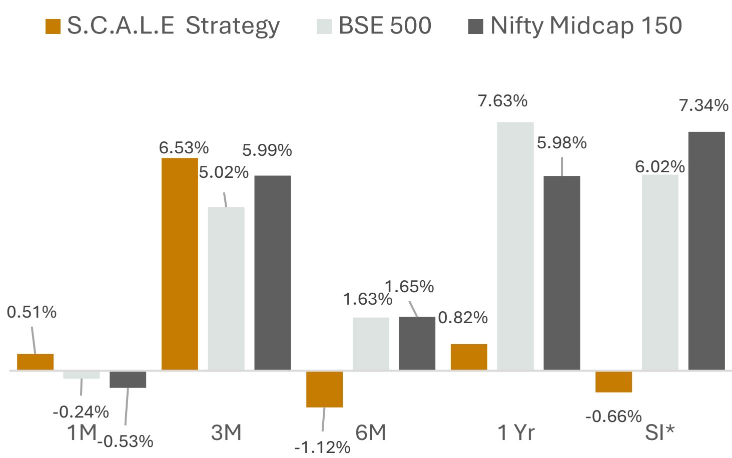
Tax collections showed a mixed trend. Gross GST collections in December 2025 grew 6.1% YoY to ~₹1.75 lakh crore, supported by domestic consumption, though IGST collections declined, reflecting weaker import activity. For April–December FY26, GST collections increased 8.6% YoY to ~₹16.5 lakh crore. Direct tax collections rose sharply by 19% YoY in November to ₹1.2 trillion, driven by strong corporate tax growth.

The Indian rupee depreciated ~6% during CY25, crossing ₹90 per US dollar, as capital inflows remained weak and the RBI reduced intervention. This also resulted in incremental selling by FII's.

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

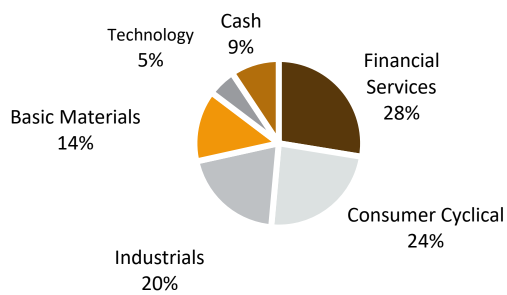
Electrum S.C.A.L.E Performance:



Returns as on December 31, 2025	1M	3M	6M	1 Year*	Since Inception**
S.C.A.L.E Strategy	0.51%	6.53%	-1.12%	0.82%	-0.66%
BSE 500 (TRI)	-0.24%	5.02%	1.63%	7.63%	6.02%
Out/(under) performance	0.75%	1.51%	-2.75%	-6.81%	-6.68%
Nifty Midcap 150 (TRI)	-0.53%	5.99%	1.65%	5.98%	7.34%
Out/(under) performance	1.04%	0.54%	-2.77%	-5.16%	-8.00%

Annualized Return* * Since Inception Date 27/11/2020*

Top Sectors



Portfolio Attributes	FY26E	FY27E	FY28E
PE	31.7	23.2	18.3
ROE	15%	17%	17%
D/E	1.68	1.55	1.42

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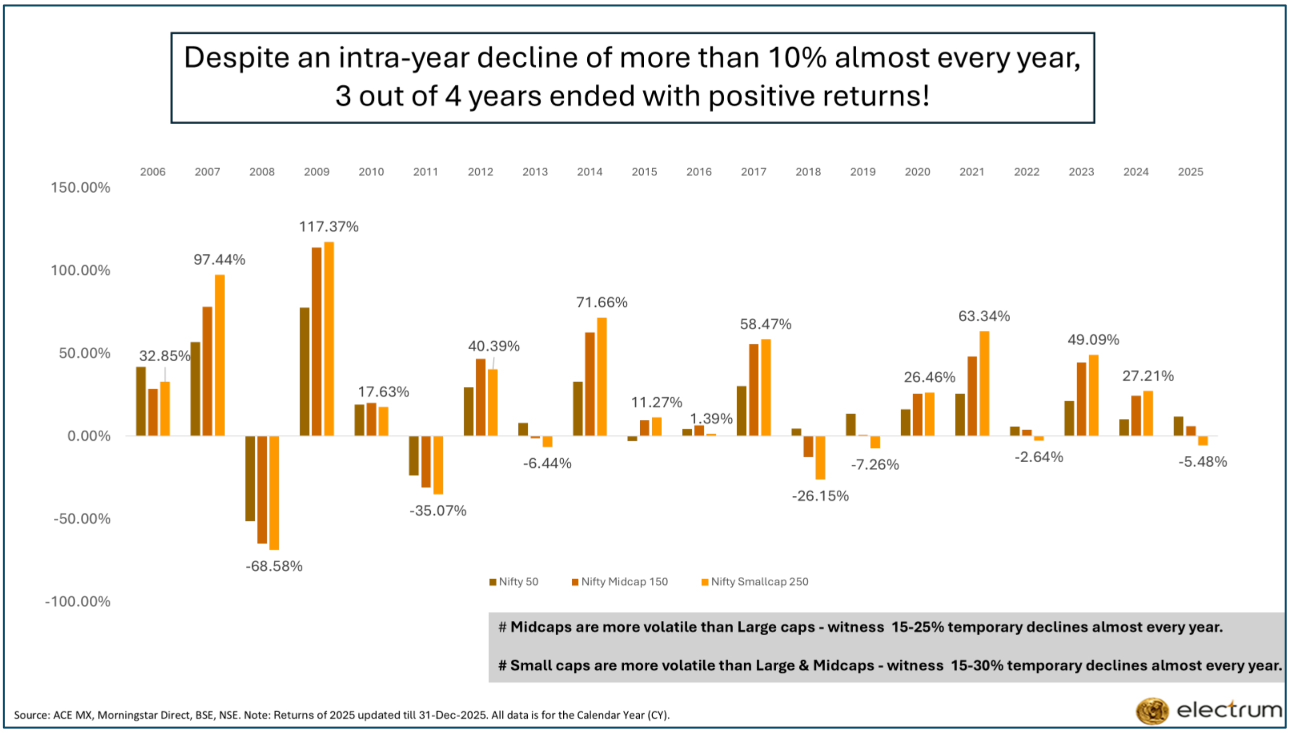
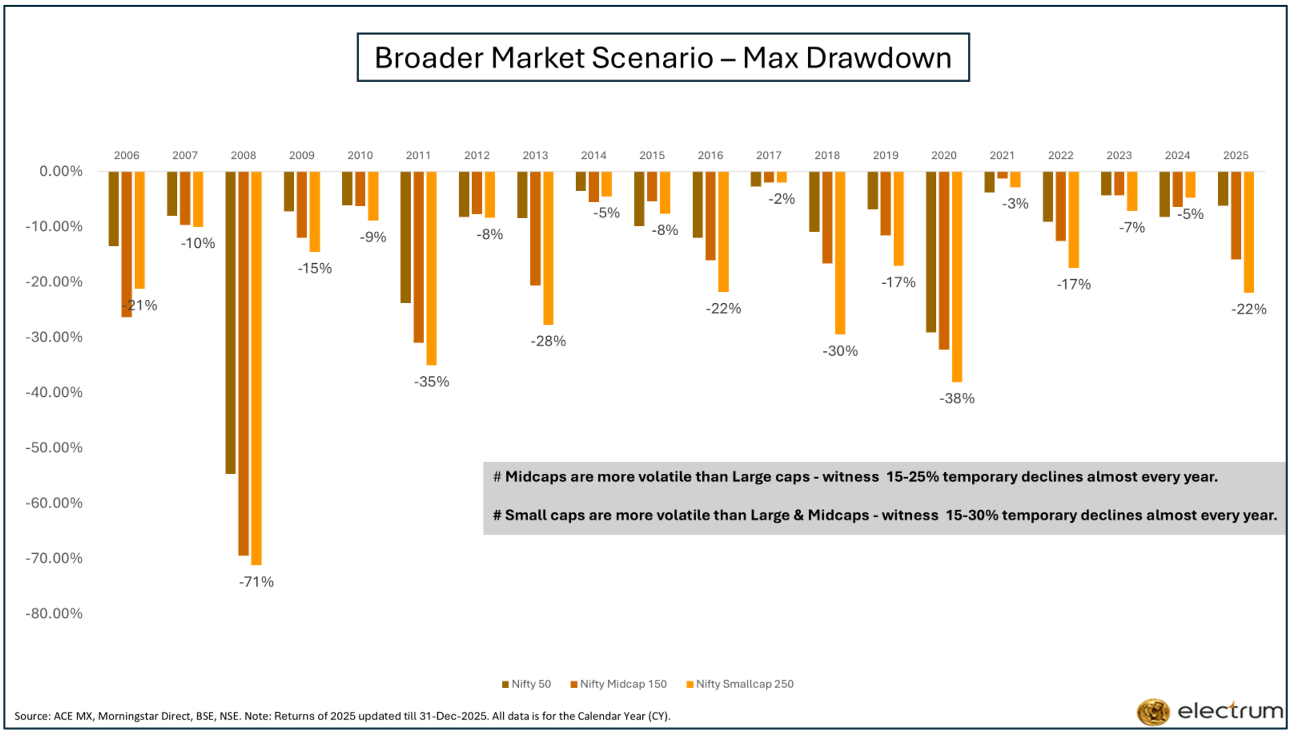
"Market corrections are normal; long-term returns reward patience."

The chart below depicts that generally every 2 years markets witness sharp corrections. Also, most of the years witness an intra year decline of around 10%. However the subsequent recovery tends to be quite sharp and history suggests every 3 out of 4 years end in positive return territory.



Further the below chart depicts that markets witness drawdowns almost every year with small caps and midcaps being more volatile. However as earlier chart shows the rebounds also tend to be much stronger. Thus, our focus remains on selecting companies with structural growth opportunities rather than timing the market ups and downs. While we may time the market right once or twice, there is no certainty that we will go right every time. Periodic market corrections are a normal feature of equity investing and tend to occur even during structurally strong phases.



Broader Market Index Data (As of 31 December 2025)

Index	Drawdown from their 52-week High		
	Drawdown >30%	Drawdown >40%	Drawdown >50%
Nifty Midcap 150	19%	3%	0%
Nifty Small cap 250	38%	17%	6%
Nifty 500	29%	10%	3%

Note: *All 52-week drawdown metrics are computed using closing prices as of 31 December 2025.*
Drawdown thresholds are reported on a cumulative basis—i.e., the ">30%" bucket also includes stocks down more than 40% and 50%, and the ">40%" bucket similarly includes those down more than 50%.

As of end-December 2025, a significant proportion of constituents across broader indices are trading meaningfully below their respective 52-week highs, indicating a broad-based market correction rather than index-specific weakness. The correction is most pronounced in the Nifty Small cap 250, where nearly 38% of stocks are down more than 30%, 17% have corrected over 40%, and ~6% are down more than 50% from their 52-week highs. The Nifty Midcap 150 has demonstrated relatively greater resilience, with ~19% of stocks down more than 30%. The Nifty 500 shows that ~29% of stocks are down over 30%, while ~10% and ~3% have corrected more than 40% and 50%, respectively, indicating that the correction has extended beyond small caps into large and mid-sized companies too.

Portfolio colour

We have used the ongoing market weakness to gradually build our portfolio. We have taken the overall deployment to around 90%-odd levels now. In our view, current prices in the small cap segment offer attractive risk-reward opportunities compared to most midcaps. Therefore, our portfolio is tilted more towards small cap holdings compared to midcap names, with the weighted average portfolio market cap being in the mid-to-late 20,000cr bracket.

Our current holdings are a good mix of businesses with steady earnings growth and some with an expected turnaround in the earnings trajectory. Steady earnings growth with reasonable starting valuations provides a compounding characteristic to the portfolio over time. Opportunities with anticipated turnaround in earnings usually tend to be mis-priced by the market due to its focus on the near-term earnings trajectory which may be below par. This provides investors with a long-term horizon the opportunity to enter such positions at relatively low multiples of earnings. Thus, when the earnings turn, there is a dual benefit of a sharp growth in earnings as well as a re-rating of valuation multiples. Such opportunities demand a longer investment horizon as a turnaround in earnings usually takes time, and the market also waits for consistent delivery of a few quarter before re-rating such stocks meaningfully.

Thus, with a combination of steady earnings growth and few turnaround cases, we believe that portfolio is well position to deliver strong long-term returns, although in the short term the returns may be more volatile.

Conclusion

Historically, mid- and small-cap segments have seen sharper interim declines compared to large caps. However, these short-term fluctuations have consistently been followed by recoveries as fundamentals play out over time. Importantly, despite intra-year volatility, most years have ended with positive returns, reinforcing the resilience of Indian equities.

For long-term investors, such phases help reset expectations, improve entry opportunities, and strengthen the quality of market participation. Staying invested through these temporary phases has historically been rewarded, particularly in segments aligned with India's growth-led economic expansion.