MONTHLY NEWSLETTER
December 2025

PL Capital
PRABHUDAS LILLADHER
ASSET MANAGEMENT

# PMS Strategy

## Updates and Insights

**Indian Markets Consolidate Near Highs as Macro Stability and Domestic Flows Anchor Resilience**

# India Closes 2025 with Structural Stability Amid a Repricing Global Environment

## Indian equities remained flat in December, with a global consolidation; India lagged in the 12 month returns vs global peers.

- Global markets consolidated, with the S&P 500 and Nasdaq 100 largely flat amid AI- and tech-led profit-taking. Europe was muted, Japan volatile following the BoJ hike, and China/Hong Kong remained weak; precious metals continued to rise while crude softened.
- India stayed resilient, supported by strong macro stability and domestic inflows. Large and Mid Caps outperformed while Small Caps consolidated amid weaker market breadth. Sector-wise, banks and PSUs led the gains.
- Precious metals strengthened in December as dollar weakness and thin year-end liquidity amplified demand. Silver outperformed on continued short-covering from heavy October positioning, strong ETF inflows and constrained physical supply.

**India lagged global markets on a 12-month basis amidst the AI wave. Early signs of recovery visible on a 3-month basis**

| | 1M | 3M | 6M | 9M | 12M |
|---|---|---|---|---|---|
| South Africa (JSE) | 4.57% | 7.99% | 4.57% | 30.82% | 43.24% |
| Hong Kong (Hang Seng) | -0.88% | -4.56% | -0.88% | 9.41% | 27.77% |
| Japan (Nikkie 225) | 0.17% | 12.03% | 0.17% | 33.17% | 26.18% |
| Taiwan weighted index | 4.84% | 12.17% | 30.14% | 39.95% | 25.74% |
| Germany (Dax) | 2.74% | 3.04% | 2.74% | 7.99% | 23.01% |
| UK (FTSE) | 2.17% | 6.69% | 2.17% | 14.60% | 21.51% |
| USA (Nasdaq 100) | -0.73% | 2.59% | -0.73% | 26.78% | 20.17% |
| China (Shanghai Composite) | 2.06% | 2.22% | 2.06% | 17.64% | 18.41% |
| USA (S&P 500) | -0.05% | 2.77% | -0.05% | 19.84% | 16.39% |
| India (Nifty 50) | -0.28% | 6.17% | -0.28% | 11.10% | 10.51% |

**Silver dominated commodity gains as Bitcoin continued to lag on liquidity pressure, with crude staying under pressure.**

| | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Silver Spot USD | 25.88% | 53.21% | 97.15% | 145.80% |
| Gold Spot USD | 1.78% | 12.85% | 30.72% | 65.11% |
| Copper | 7.78% | 15.05% | 8.79% | 33.03% |
| Bitcoin | -3.80% | -22.36% | -18.19% | -6.07% |
| DXY | -1.44% | 0.52% | 1.65% | -9.67% |
| Crude | -1.83% | -7.67% | -11.62% | -19.77% |

**In 2025, headline indices rallied while Small Caps lagged on weak participation; December saw consolidation.**

| | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Nifty 50 | -0.28% | 6.17% | 2.40% | 10.51% |
| Nifty 500 | -0.26% | 5.00% | 1.08% | 6.69% |
| Nifty Mid Cap 150 | -0.53% | 5.89% | 1.31% | 5.37% |
| Nifty Small Cap 250 | -0.29% | -0.05% | -6.25% | -6.01% |
| Nifty 500 Equal Weight | -0.20% | 1.18% | -2.62% | 0.35% |

## Supportive Indian Macros Anchor Stability Through December Consolidation

- **Inflation & Policy:** CPI rose modestly to 1.33% in December from 0.71% in November but remained well below the RBI's target band, reinforcing expectations of continued policy support. The RBI also revised the FY26 GDP forecast to 7.3%, reflecting confidence in domestic momentum.
- **Activity Indicators:** Manufacturing PMI moderated to 55 in December 2025 but remained in expansion despite tariff-related export softness. GST collections reached ₹14.25 lakh crore in 2025, up 6.8% YoY, reflecting steady domestic activity. DII inflows surged to ₹7.88 lakh crore in 2025, up 49.7% from 2024, providing a key stabilizing anchor for domestic markets.
- **Macro Drivers:** Macro conditions remained supportive in December, with soft crude prices and stable inflation cushioning growth. GDP growth of 8.2% in Q2FY26 continued to underscore India's relative growth strength as the economy entered a consolidation phase.
- **Notable Positives:** Despite global volatility and pressure on the currency, stable domestic macros, strong services exports, and improved current account deficit of 1.3% of GDP in Q2FY26 helped maintain overall macro stability. RBI expects India's current account deficit at a relatively manageable 1.1% of GDP in FY2026.

## Risk-reward improves as India offers relative value, macro, and fundamental strength, creating an ideal setup for global capital rotation

- **Short-term:** Markets are likely to remain range-bound with higher stock and sector selectivity. Domestic liquidity through SIPs continues to provide strong support, but FII flows remain volatile, keeping sentiment cautious. Global momentum remains stronger than India, which may cap near-term upside. Large caps and quality franchises should remain relatively resilient, while mid and small caps stay volatile.
- **Medium-term:** India is well positioned for a catch-up as fundamentals continue to strengthen. GDP growth remains strong, with recent tax cuts and interest rate cuts adding further support to domestic demand. Macro tailwinds from softer crude and a weaker dollar index are supportive. As global leadership normalizes, capital rotation toward India is expected to accelerate, re-establishing India as a core destination for global equity flows, supported by neutral valuations and a stable macro backdrop.

*Source: PL | Data till 31st December 2025*

## India 2025 - Sector and Style analysis

### In 2025, Indian equities were characterized by wide sector dispersion and a clear preference for valuation discipline.

- On average, stocks trading at relatively better valuations than the Nifty delivered superior performance, though leadership was selective rather than uniform across sectors.
- **PSU Banks** and **Metals** led the market, combining strong relative performance with comparatively supportive valuations, making them among the most efficient risk-reward areas through the year. **Automotives** also outperformed, but at a richer multiple, leaving the sector more sensitive to sustained trend support versus further re-rating.
- **Banks** and **Financial Services** delivered steadier participation as core cyclicals, while **Infrastructure** and **Oil and Gas** posted constructive outcomes with relatively better valuation support. **Capital Markets** remained an uncertain segment, marked by stronger upside bursts but also greater variability across time horizons.
- Within the mid-pack, **Chemicals** was mixed, with weaker mid-year performance followed by stabilization later in the year. **Energy** remained largely range-bound despite reasonable valuations, reinforcing that low valuation alone did not translate into sustained performance without clearer trend persistence.
- High-multiple defensives and other expensive pockets lagged. **FMCG** and **Healthcare** were muted, while **IT** and **Consumer Durables** stayed under pressure. **Realty** and **Media** were the weakest segments, reflecting sustained underperformance across time horizons.
- Bottom line: sectors trading at more reasonable valuations than the Nifty and supported by sustained price momentum emerged as the consistent outperformers..

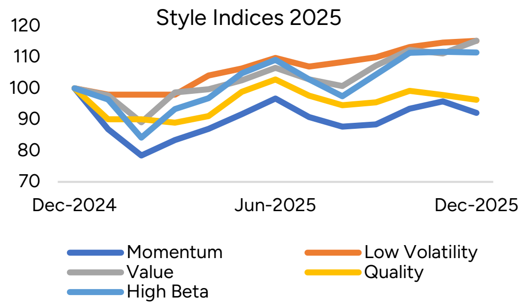
**Nifty Sector Indices 2025 - Snapshot**

| Sector | P/E | 1M Returns | 3M Returns | 6M Returns | 9M Returns | 12M Returns |
|---|---|---|---|---|---|---|
| India (Nifty 50) | 22.8 | -0.28% | 6.17% | 2.40% | 11.10% | 10.51% |
| PSU Banks | 8.8 | 0.22% | 13.37% | 18.48% | 36.24% | 30.46% |
| Metal | 19.9 | 8.50% | 11.25% | 17.13% | 22.82% | 29.11% |
| Automotives | 30.6 | 1.49% | 6.21% | 18.08% | 32.37% | 23.45% |
| Financial Services | 17.9 | -0.99% | 6.11% | 1.61% | 10.12% | 17.44% |
| Bank | 16.4 | -0.29% | 9.05% | 3.96% | 15.55% | 17.15% |
| Capital Markets | 45.4 | -2.63% | 12.37% | -1.56% | 36.32% | 15.61% |
| Oil and Gas | 11.3 | 1.64% | 8.43% | 3.65% | 15.94% | 13.84% |
| Infrastructure | 21.7 | -0.39% | 6.76% | 2.20% | 13.70% | 13.62% |
| Chemicals | 39.5 | 0.87% | 1.53% | -8.92% | 4.20% | 7.62% |
| Energy | 15.1 | -0.63% | 0.93% | -3.40% | 5.22% | 0.39% |
| Healthcare | 36.7 | -2.60% | 3.54% | 1.22% | 7.01% | -2.09% |
| FMCG | 40.7 | -0.22% | 1.40% | 1.08% | 3.52% | -2.33% |
| Consumer Durables | 61.2 | -2.97% | -0.97% | -4.39% | 3.10% | -12.08% |
| IT | 26.6 | 1.28% | 12.57% | -2.74% | 2.71% | -12.58% |
| Realty | 40.5 | -2.79% | 1.19% | -11.01% | 3.13% | -16.57% |
| Media | 59.2 | -1.60% | -6.37% | -17.66% | -2.07% | -20.53% |

### India Style Indices 2025: Valuation Discipline Takes Centre Stage

**Nifty Style Indices 2025 – Snapshot**

| | 1Y Return | Volatility | Beta | P/E | P/BV | Div Yield |
|---|---|---|---|---|---|---|
| Value | 15.23% | 15.29% | 1.20 | 9.79 | 1.5 | 2.8 |
| Low Volatility | 15.19% | 8.83% | 0.56 | 31.56 | 4.63 | 1.76 |
| High Beta | 11.49% | 19.45% | 1.51 | 25.01 | 3.07 | 1.08 |
| Quality | -3.74% | 13.61% | 0.97 | 30.97 | 10.14 | 1.63 |
| Momentum | -7.88% | 17.02% | 1.35 | 30.02 | 4.9 | 0.71 |




- The style factor landscape in 2025 was defined by the strong performance of **contrasting factors**, driven largely by sector- and stock-specific moves. Market breadth remained narrow and momentum was weak, reinforcing a selective and low-risk appetite investing environment.
- **Value**, **Low Volatility** and **High Beta** all delivered positive returns, despite representing very different parts of the risk spectrum. From a risk-adjusted perspective, **Low Volatility** emerged as the most efficient style of the year, delivering returns comparable to **Value** while operating with significantly lower volatility, reflecting strong investor preference for stability. **Value** also performed well from cheap starting valuations and strong earnings delivery, though with materially higher volatility, while **Low Volatility** delivered similar returns despite being expensive. **High Beta** generated moderate returns, but with meaningfully higher volatility, indicating selective risk-taking rather than broad risk-on participation.
- In contrast, **Momentum** and **Quality** underperformed, reflecting narrow leadership and the absence of sustained trend-following participation. Both styles entered the year at expensive levels and faced multiple compression in early 2025, with only partial stabilization later in the year.
- Overall, 2025 reflected a clear investor preference for safety from either a value or volatility perspective, with capital gravitating toward stocks offering valuation comfort and lower risk.

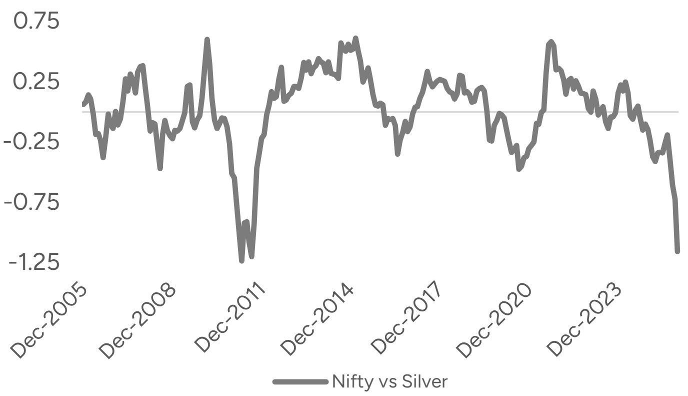
*Source: PL | Data till 31st December 2025*

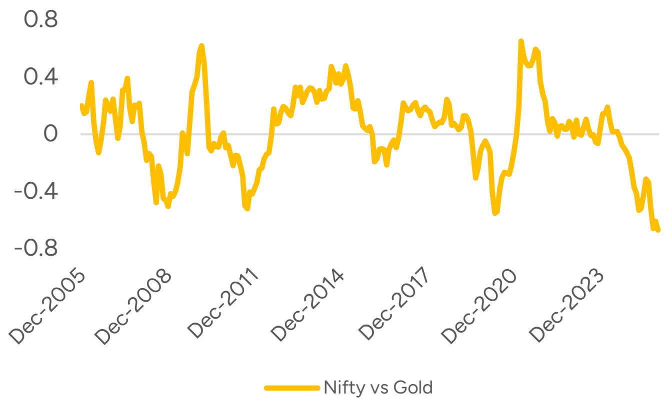
## Quantitative Indicators Flag Narrow Participation with Scope for Recovery

### Narrow Market Leadership Today, but Conditions Align for a Broader Recovery Ahead

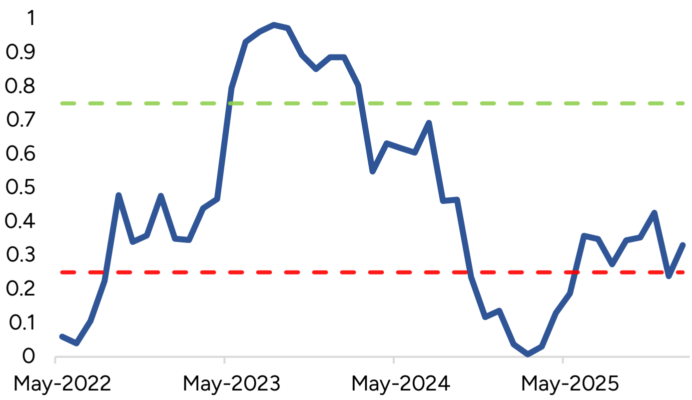
- **Market Participation Remained Narrow Through 2025:** Technical indicators revealed persistent weakness beneath the surface. On average, only 37.4% of stocks traded above their 50-day moving average and 39.0% above their 200-day average, signaling weak momentum across the market. Relative outperformance was even more scarce, with just 35.2% of stocks beating the benchmark on a rolling basis during the year, deteriorating further to 29.7% in the second half. <u>The narrow leadership became most evident when looking at absolute returns</u>: only **25.9%** of stocks delivered positive one year returns in 2025, while only **22.3%** managed to outperform the index. These metrics collectively point to a market rally powered by a narrow set of heavyweights rather than healthy, broad-based participation.
- **India Poised to Benefit as Global Cycles Rotate Out of AI and Crypto Excesses:** After a year of consolidation driven by stretched valuations, slowing earnings, and a rotation of foreign capital toward AI-heavy markets like China, Taiwan and Korea, India's MSCI weight fell from above 20 percent to nearly 15 percent. With early signs of cooling in the global AI trade and the broader unwind in crypto-linked risk assets, capital is likely to rotate back toward more stable, under-owned markets. Coupled with domestic earnings expected to rebound meaningfully from FY27, the setup for domestic inflows is turning more favorable, reinforcing the runway for a healthier and more broad-based market uptrend in 2026.

**India equities are near multi-cycle lows relative to gold and silver, offering an attractive valuation opportunity versus precious metals.**

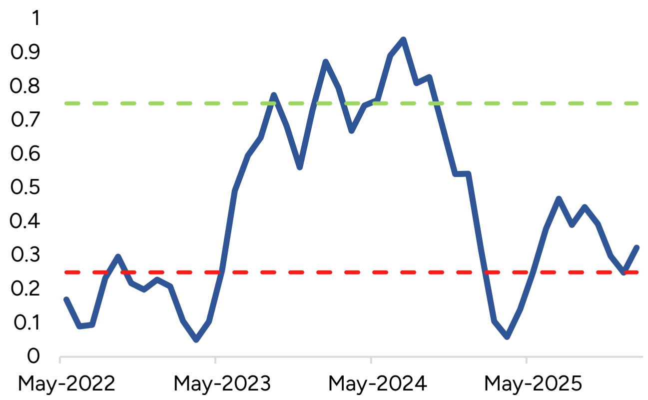


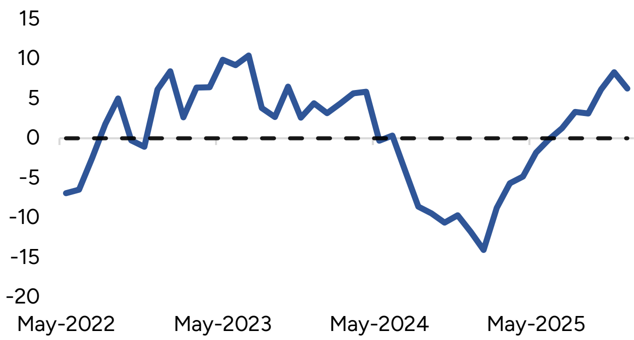

**Our Senti-Meter suggests recovery in market mood from the cycle trough, driven by robust macro data and improving earnings outlook.**



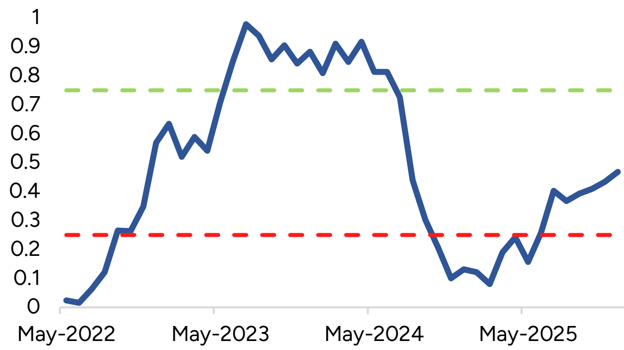

**Value-Meter places market in the attractive zone, indicating scope for re-rating as growth and foreign participation strengthen.**




**Sector High-Low Beta spread has turned positive in late 2025, indicating a shift towards high beta, cyclical sectors**




**Risk-o-Meter indicates that markets may have passed peak pessimism**




***Source: PL** | Data till 31st December 2025*

# AQUA

Adaptive. Quantitative. Unbiased. Alpha.

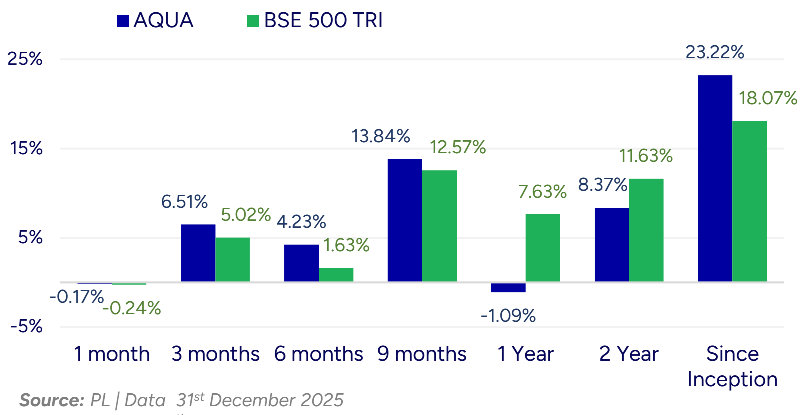
## Investment Objective

To generate alpha across market cycles by investing in equity or equity-linked instruments based on proprietary fundamental quantitative frameworks and models.

## Key Information

| | |
|---|---|
| Strategy Inception date: | **June 12, 2023** |
| Strategy Type: | **Open-ended** |
| Benchmark: | **BSE 500 TRI** |
| Investment Horizon: | **5 Years+** |
| Portfolio Manager: | **Mr. Siddharth Vora** |

## Performance Summary




***Source:*** *PL | Data 31st December 2025*
***Inception Date:*** *12th June 2023*
***Note:*** *Actual returns net of expenses, fees, and associated costs.*

## Key Highlights

AQUA delivered a return of -0.17% in December, outperforming its benchmark which declined -0.24%, despite a challenging market environment marked by weak breadth and risk-off sentiment. The strategy benefited from higher exposure to metals, energy, financials and industrials, along with active factor rotation, which helped contain downside. Since inception, AQUA has delivered a strong 23.22% annualized return, highlighting the robustness of its adaptive multi-factor framework across market cycles.

## Quarterly Returns

| Quarter | Strategy | Benchmark |
|---|---|---|
| 2023-24 Q2 | **21.51%** | 5.49% |
| 2023-24 Q3 | **20.03%** | 12.35% |
| 2023-24 Q4 | **5.54%** | 4.49% |
| 2024-25 Q1 | **14.50%** | 11.66% |
| 2024-25 Q2 | **6.53%** | 7.65% |
| 2024-25 Q3 | **-7.75%** | -7.79% |
| 2024-25 Q4 | **-13.11%** | -4.39% |
| 2025-26 Q1 | **9.22%** | 10.77% |
| 2025-26 Q2 | **-2.14%** | -3.23% |
| 2025-26 Q3 | **6.51%** | 5.02% |

## Risk Profile

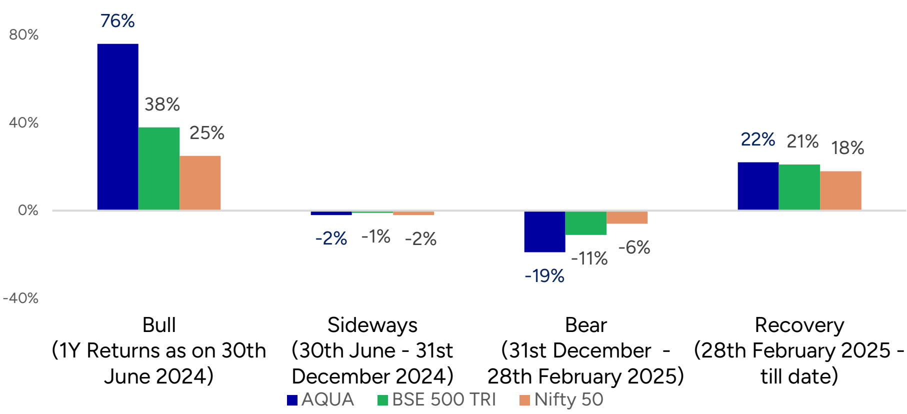
| | |
|---|---|
| SI / 3Yr Alpha | 5.15% |
| Standard Deviation | 18.07% |
| Sharpe | 0.82 |
| Sortino | 0.89 |
| Beta | 1.18 |
| Max Drawdown | -26.04% |

## Portfolio *(Top 5 Performers)*

| Holdings | 1M Returns |
|---|---|
| NATIONALUM | 21 % |
| VEDL | 15 % |
| HINDALCO | 10 % |
| IRCON | 10 % |
| HINDPETRO | 9 % |

***Source:*** *PL | Data till 31st December 2025*

## Bull vs Sideways vs Bear vs Recovery Phase




## CY vs FY Performance

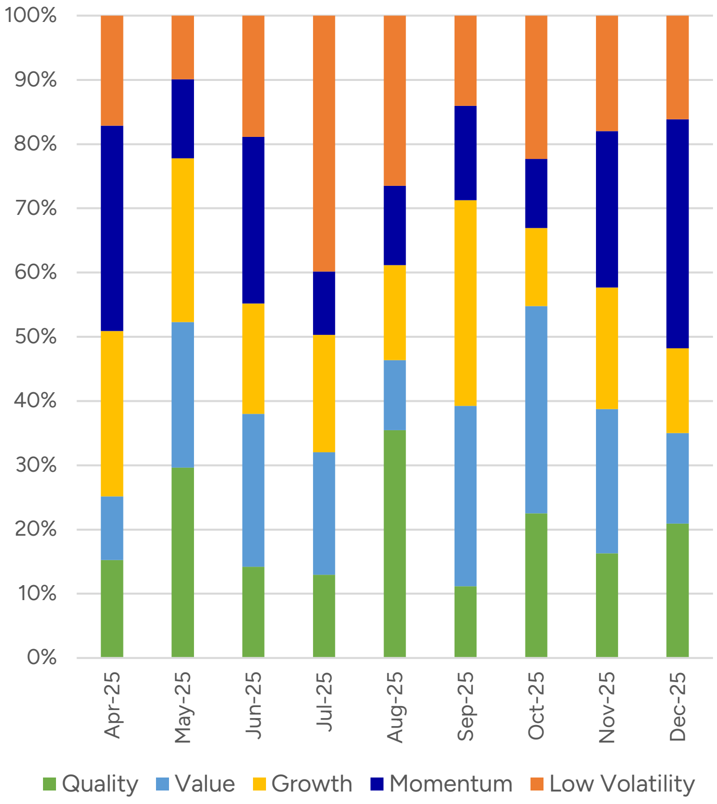
| Calendar Year | Strategy | Benchmark |
|---|---|---|
| 2023 | **45.22%** | 22.69% |
| 2024 | **18.74%** | 15.81% |
| 2025 | **-1.09%** | 7.63% |

| Financial Year | Strategy | Benchmark |
|---|---|---|
| 2023-2024 | **53.26%** | 28.20% |
| 2024-2025 | **-2.24%** | 5.96% |
| 2025-2026 | **13.84%** | 12.57% |

***Source:*** *PL | Data till 31st December 2025*

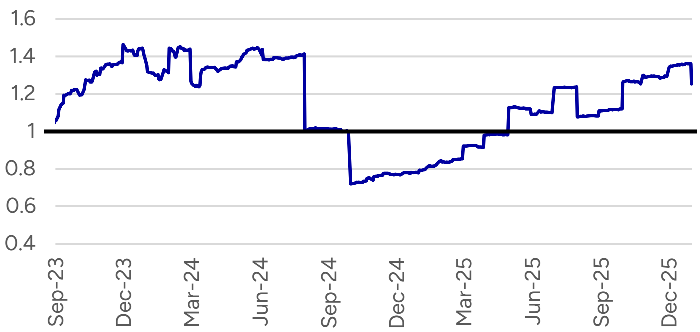
# AQUA

Adaptive. Quantitative. Unbiased. Alpha.

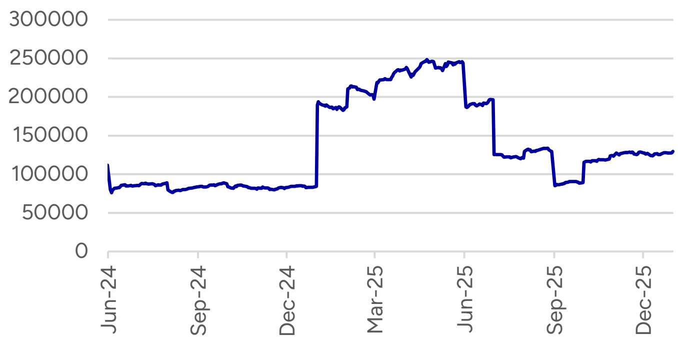



| Sector | Apr-25 | May-25 | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 |
|---|---|---|---|---|---|---|---|---|---|
| Industrials | 8% | 9% | 10% | 8% | 8% | 11% | 10% | 10% | 14% |
| Financials | 38% | 38% | 41% | 29% | 28% | 31% | 37% | 40% | 23% |
| Auto | 2% | 2% | 3% | 5% | 6% | 9% | 9% | 9% | 11% |
| Healthcare | 0% | 0% | 0% | 5% | 9% | 3% | 1% | 0% | 4% |
| Materials | 11% | 14% | 16% | 18% | 18% | 24% | 22% | 23% | 23% |
| Cons. Disc | 4% | 8% | 5% | 5% | 5% | 2% | 2% | 4% | 3% |
| IT | 13% | 13% | 12% | 1% | 3% | 0% | 0% | 0% | 2% |
| Utilities | 3% | 0% | 0% | 0% | 0% | 0% | 3% | 0% | 0% |
| Cons. Staples | 5% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 2% |
| Realty | 3% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 0% |
| Cash | 5% | 8% | 4% | 14% | 10% | 10% | 5% | 2% | 6% |
| Energy | 0% | 0% | 0% | 0% | 0% | 0% | 2% | 2% | 7% |
| Chemicals | 5% | 0% | 0% | 3% | 3% | 3% | 2% | 3% | 3% |
| Comm. Services | 2% | 3% | 3% | 5% | 5% | 2% | 2% | 2% | 2% |

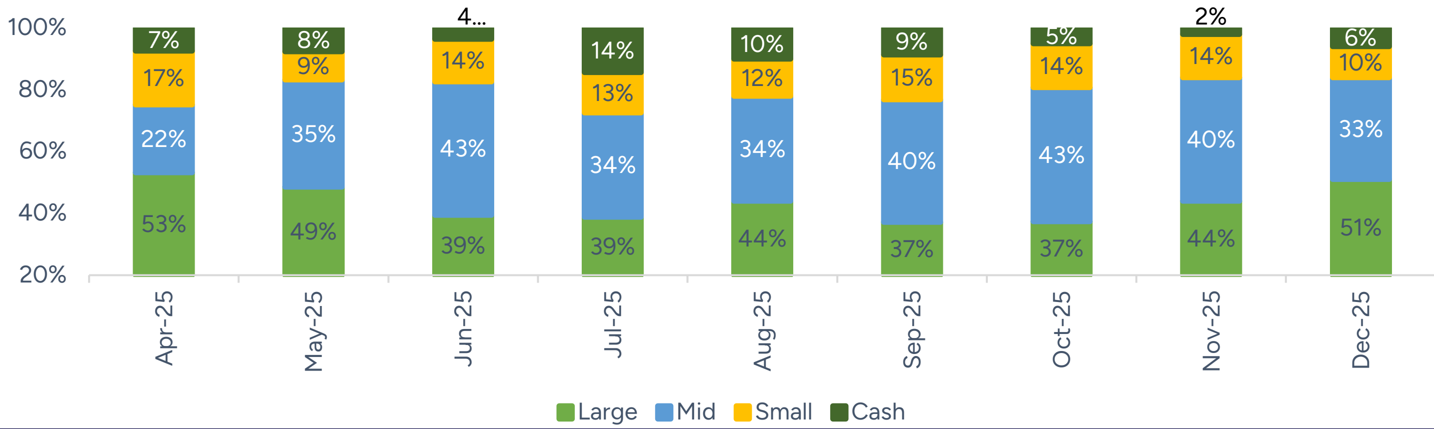
## Beta vs Benchmark




## Average Portfolio Market cap (in '000 crores)




## Portfolio Market Cap Allocation Mix




*Source: PL | Data till 31st December 2025*

# Multi Asset Dynamic Portfolio

A low-risk, all-weather strategy to wealth creation

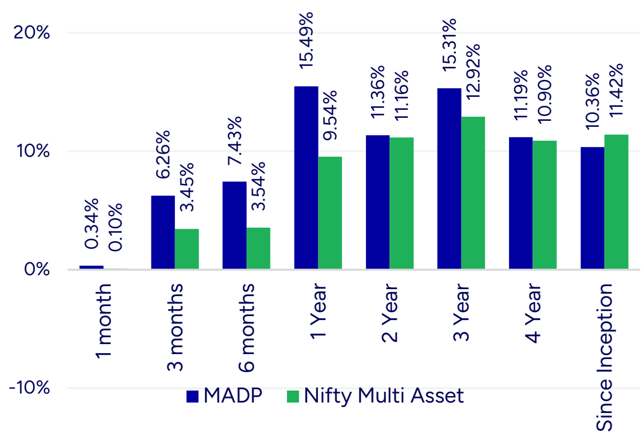
## Investment Objective

The investment objective is to generate consistent long-term capital appreciation and manage associated risks by investing in a diversified multi-asset portfolio comprising various financial instruments across different asset classes.

## Key Information

| | |
|---|---|
| Strategy Inception date: | **June 7, 2021** |
| Strategy Type: | **Open-ended** |
| Benchmark: | **BSE 500 TRI** |
| Investment Horizon: | **5 Years+** |
| Portfolio Manager: | **Mr. Siddharth Vora** |

## Performance Summary




***Source:*** *PL | Data till 31st December 2025*
***Inception Date:*** *7th June 2021*
***Note:*** *Actual returns net of expenses, fees, and associated costs.*

## Key Highlights

MADP delivered a strong performance in December, supported by a favorable allocation to gold and a steady recovery in Indian equities. The portfolio remained well diversified with a balanced exposure across large caps, mid caps, small caps and gold, helping cushion volatility during a mixed market phase. Over the last three years, MADP has delivered 14.09% annualized returns, outperforming its benchmark (12.54%), reinforcing its positioning as a low-risk, all-weather multi-asset strategy.

### Last 6 Quarters

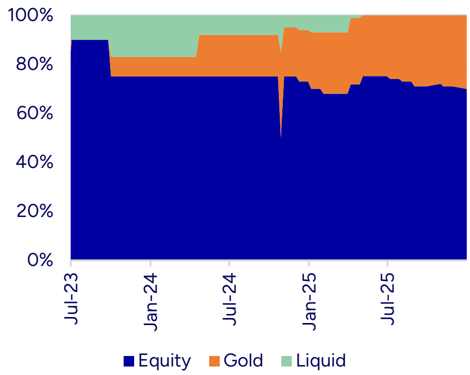
| Quarter | Strategy | Benchmark |
|---|---|---|
| FY24-25 Q2 | 5.17% | 5.12% |
| FY24-25 Q3 | -6.30% | -3.13% |
| FY24-25 Q4 | -2.10% | -1.26% |
| FY25-26 Q1 | 9.81% | 7.15% |
| FY25-26 Q2 | 1.10% | 0.09% |
| FY25-26 Q3 | 6.26% | 3.45% |

***Source:*** *PL | Data till 31st December 2025;*
***Inception Date:*** *7th June 2021*

### Risk Profile

| | |
|---|---|
| SI / 3 Yr Alpha | 2.38% |
| Standard Deviation | 8.63% |
| Sharpe | 0.34 |
| Sortino | 0.42 |
| Beta | 1.04 |
| Max Drawdown | -13.79% |

### Historical Allocation

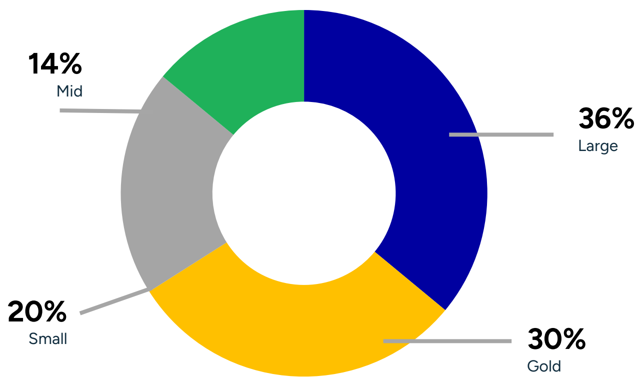



### Portfolio

| Holdings | 1M Returns |
|---|---|
| GOLDBEES | 5.25% |
| JUNIORBEES | 0.10% |
| NIFTYBEES | -0.40% |
| NIFTY MIDCAP 150 | -0.60% |
| SMALL 250 MOM QUAL 100 | -1.52% |
| MIDSMALL 400 MOM QUAL 100 | -3.50 |

***Source:*** *PL | Data till 31st December 2025*

### Asset Allocation




***Source:*** *PL | Data till 31st December 2025*
***Note:*** *Number in brackets indicate change in allocation from previous month*

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