MONTHLY NEWSLETTER
MARCH 2025

PL Capital
PRABHUDAS LILLADHER
ASSET MANAGEMENT

PMS Strategy

Updates and Insights

India Well-Positioned in a World Reshaped by Trade and Tariffs

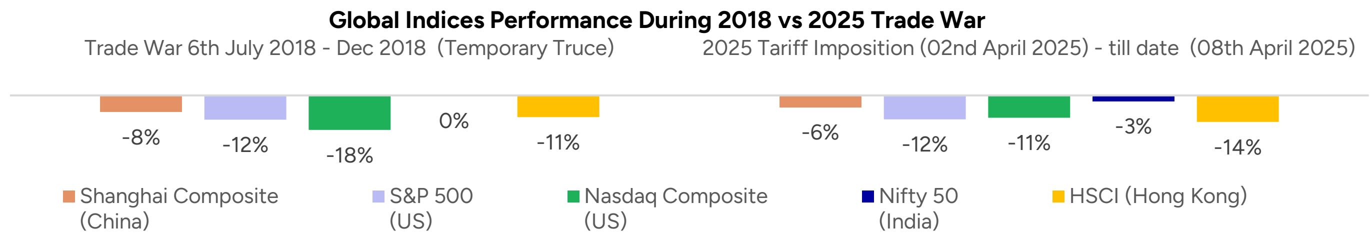
India Well-Positioned in a World Reshaped by Trade and Tariffs

India's equity markets enter FY26 on strong footing following a much-needed valuation reset. The BSE 500 posted a +6.25% gain in March — its **best monthly performance in 15 months** — suggesting that excess froth has been cleared. With macro stability intact and domestic demand resilient, India is well-positioned to outperform as global capital reallocates from risk-heavy geographies.
The external backdrop is increasingly favorable. **The US economy is showing signs of late-cycle stress**: GDP growth is slowing, inflation pressures are re-emerging, and recession risk is rising. The latest round of US-China tariffs is expected to be inflationary, further complicating the Fed's path. China remains structurally challenged, with weak investor confidence and minimal equity returns (+0.45% in March), reinforcing India's relative appeal.
India's macro fundamentals are notably resilient. **GDP growth is projected at 6.5% in FY25**, supported by strong domestic consumption, capex, and a manufacturing upcycle. **The March Manufacturing PMI rose to 58.1 — an eight-month high** — while industrial output expanded 5% YoY in January. **Inflation cooled to 3.61% in February**, giving the RBI scope to remain growth-supportive. Currency stability adds another layer of insulation. The INR appreciated 2.17% in March, driven by soft crude prices (**Brent at $74.7/bbl**) and a weaker USD. **FII inflows of ₹2,014 crore in March** mark a return to net positive foreign participation, supporting liquidity and sentiment.
While India is largely shielded from direct fallout of US tariff measures, the potential for new tariffs on pharmaceutical exports remains a binary risk event. However, given the sector's global defensiveness, any impact is likely to be contained. Factor rotation reflects increasing risk appetite — High Beta (+10.04%), Value (+10.00%), and Momentum (+6.29%) led performance in March, indicating a **reflationary, pro-growth regime**.

Bottom line: India remains a structural 'Overweight' in a world recalibrating for geopolitical fragmentation, sticky inflation, and capital realignment. Its combination of macro resilience, domestic demand strength, and policy credibility supports sustained outperformance through FY25.

India Stands Resilient Amid Global Trade War Shocks in both 2018 and 2025 Episodes

Tariffs, or even their anticipation, tend to provoke **mixed, though consistently negative, market reactions**; some markets respond more sharply than others. A key difference this time is the broader, global scope of US tariff announcements, unlike in 2018. **The market's response to the 2025 trade war has been more painful for some than others**. As evident from the chart below, relative to the 2018 global trade turbulence (July–December), there were largely negative reactions globally following the 2025 tariff imposition (April 2–8). The Shanghai Composite (China) shows a decline of 8% during the 2018 trade war and a minor drop of 6% in 2025, reflecting ongoing tensions. The **Nifty 50 (India) remained flat in 2018 but dropped 3% post-2025 tariffs** — highlighting India's deeper global trade role and the reversal from prior growth optimism.



US Staples, Healthcare and Real Estate Help Limit Drawdowns in Both Trade War Cycles

US markets saw **uniform weakness across sectors during both the trade wars**. The 2025 trade tensions have elicited a more segmented reaction. All the sectors were hit during both the trade wars with Financials taking the major hit both times. Cyclical sectors such as Industrials and Healthcare remain under pressure, echoing their 2018 behavior, but defensives like **Consumer Staples have offered relative shelter**. Interestingly, Tech and Financials — both hit hard in the previous cycle — have staged modest recoveries this time, indicating a shift in market perception around structural resilience and rate sensitivity. These shifts suggest that trade tensions have a differential impact across sectors.

	S&P500 IT	S&P500 Industrials	S&P500 Cons Discretionary	S&P500 Materials	S&P500 Financials	S&P500 Telecom Services	S&P500 Cons Staples	S&P500 Energy	S&P500 Healthcare	S&P500 Real Estate
Trade War 6th July 2018 - Dec 2018 (Temporary Truce)	-17%	-14%	-16%	-17%	-14%	-12%	-4%	-26%	-4%	-6%
2025 Tariff Imposition (02nd April 2025) - till date (08th April 2025)	-13%	-11%	-11%	-10%	-12%	-9%	-4%	-16%	-6%	-7%

Chinese Telecom, Utilities, Real Estate and Staples Outperform During Trade Wars

China's sectoral landscape continues to bear the scars of geopolitical tension, but with important distinctions from the 2018 phase. While sectors like **IT, Industry, and Materials remain deeply in the red** — mirroring their past vulnerability — pockets of resilience are emerging. Compared to 2018, most **of the indices have been hit harder in the current trade war**, with all of the indices having fallen by more than ~5%. The only sector that gained in 2018 was telecommunications, which is currently negative. Although all the sectors are currently in the red, Healthcare and Consumer Discretionary were hit the hardest. The overall trend suggests that trade-related policies significantly influence sectoral performance in Chinese market.

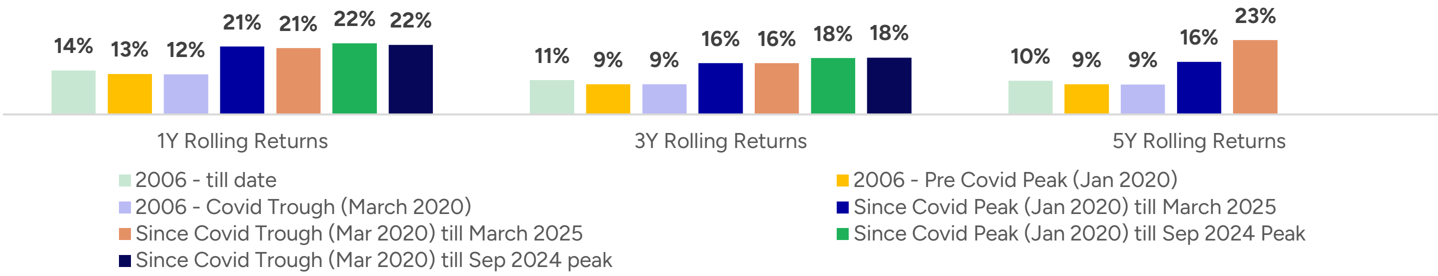
	HSCI IT	HSCI Energy	HSCI Materials	HSCI Industry	HSCI Telecommunications	HSCI Utilities	HSCI Financials	HSCI Property & Construction	HSCI Conglomerates	HSCI Healthcare	HSCI Consumer Staples	HSCI Consumer Discretionary
Trade War 6th July 2018 - Dec 2018 (Temporary Truce)	-23%	-9%	-16%	-17%	9%	-3%	-7%	-6%	-2%			
S&P500 Feb-25 Peak - till date (08th April 2025)	-16%	-9%	-7%	-16%	-3%	-2%	-10%	-3%	-5%	-8%	6%	-13%
2025 Tariff Imposition (02nd April 2025) - till date (08th April 2025)	-13%	-11%	-15%	-15%	-6%	-5%	-13%	-7%	-11%	-17%	-4%	-17%

Quant Market Monitor

Nifty's Post-COVID Rally Cools, Calls For Recalibration of Investor Expectations

The post-COVID period delivered exceptionally strong equity returns, with **Nifty 50's 5-year rolling return touching 23% since the March 2020 trough** — far above the historical average of **10%** (2006–till date). However, with the 1-year rolling return dropping to just 6.73% as of March-end, a clear moderation is underway. This shift signals that the **outsized gains seen during the recovery phase are unlikely to persist**. As markets transition back to a more rational growth trajectory, investor return expectations must adjust accordingly — moving from the high-return post-pandemic mindset to one anchored in historical averages and more sustainable performance trends.

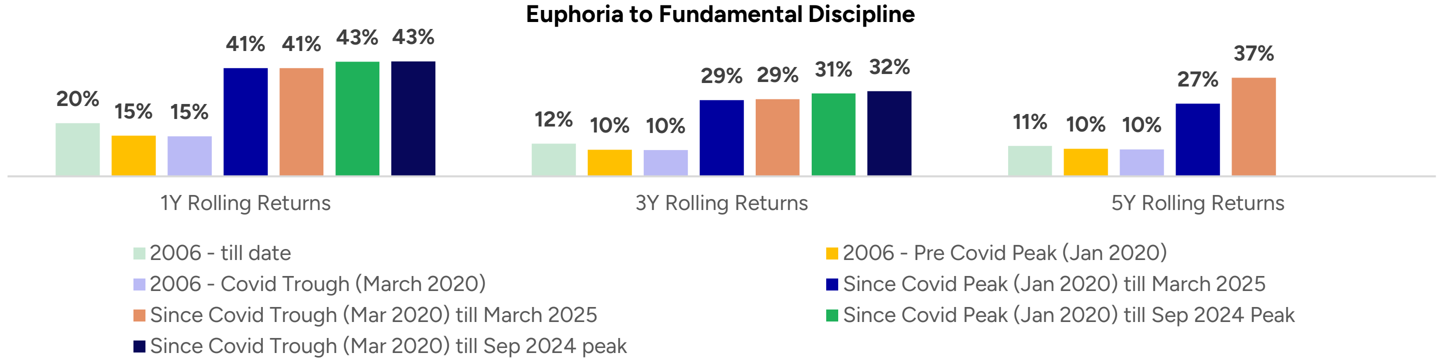
Nifty 50 Rolling Mean Returns: Exceptional Post-COVID Gains Can Revert To Long-Term Averages



Smallcap Boom Slows as Stretched Valuations Limit Upside

Smallcaps have delivered exceptional post-COVID returns, with **1-year rolling gains reaching 43% and 5-year rolling returns peaking at 37% — a sharp contrast to the long-term average of just 11% (2006–till date).** However, the current 1-year rolling return of **5.74%** for the Nifty Smallcap 250 as of March-end signals a clear **shift in market dynamics**. The era of stimulus-driven, broad-based rallies appears to be giving way to more selective and fundamental-driven performance. As the cycle normalizes, investors should temper their return expectations and recognize that the extraordinary gains of the past few years are unlikely to repeat with the same intensity.

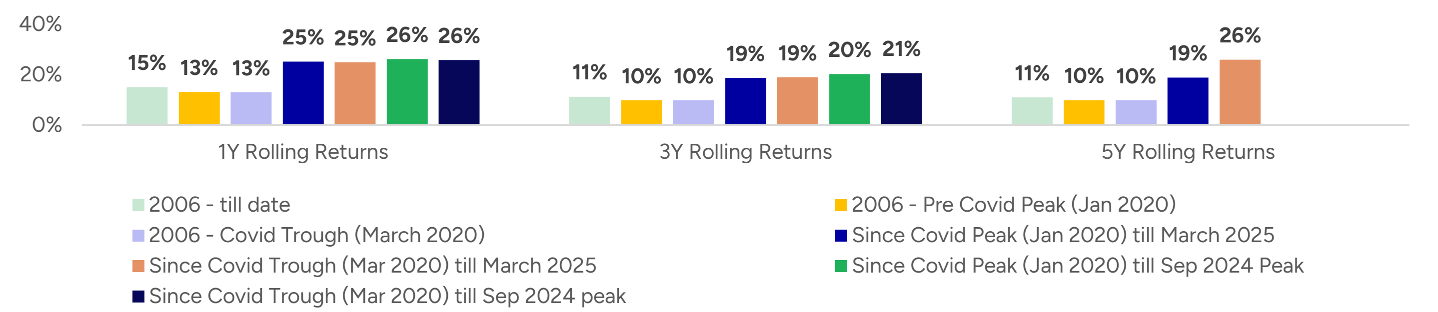
Nifty Smallcap 250 Rolling Mean Returns: From 43% Peaks to 5.7% — A Shift from Broad-Based Euphoria to Fundamental Discipline



Broad Market Rally Less likely To Persist, Paving The Way For A Narrow Breadth Market

The Nifty 500 has delivered strong post-COVID returns, with **1-year rolling returns averaging around 26% since the March 2020 trough, significantly outpacing the long-term average of 15% (2006–present).** Even on a 5-year rolling basis, returns reached a notable 26%, compared to a historical average of just 11%. This period was largely characterized by liquidity-driven, broad-based market rallies fueled by global stimulus and risk-on sentiment. However, recent trends suggest a **clear normalization in market dynamics**. As of March 2025, the 1-year rolling return of 6.23% has moderated, reflecting a market that is becoming more selective and increasingly driven by fundamentals rather than liquidity alone. This shift is evident across different time frames — while returns remain elevated compared to historical averages, the **intensity of gains is no longer at the extremes** witnessed immediately post-COVID.

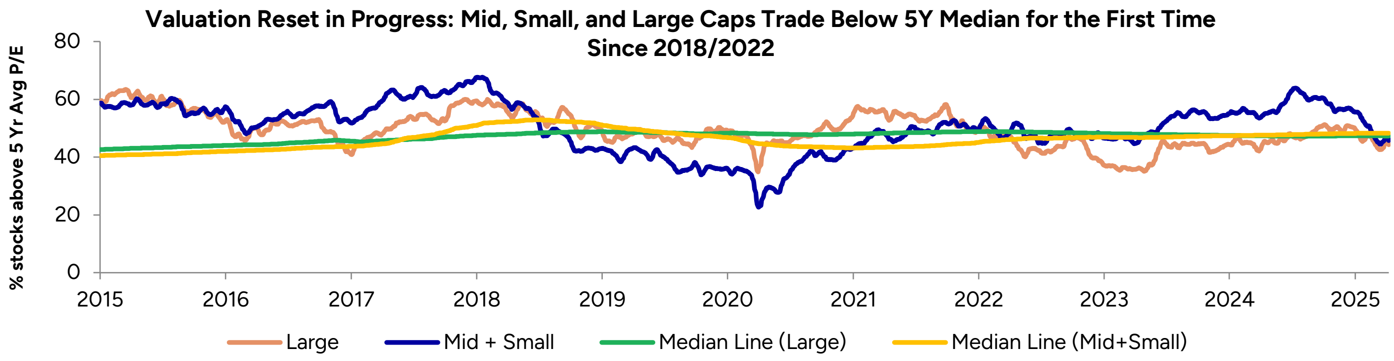
Nifty 500: Post-COVID Returns Significantly Higher Than Long Term Averages, Mean Reversion Likely



Quant Market Monitor

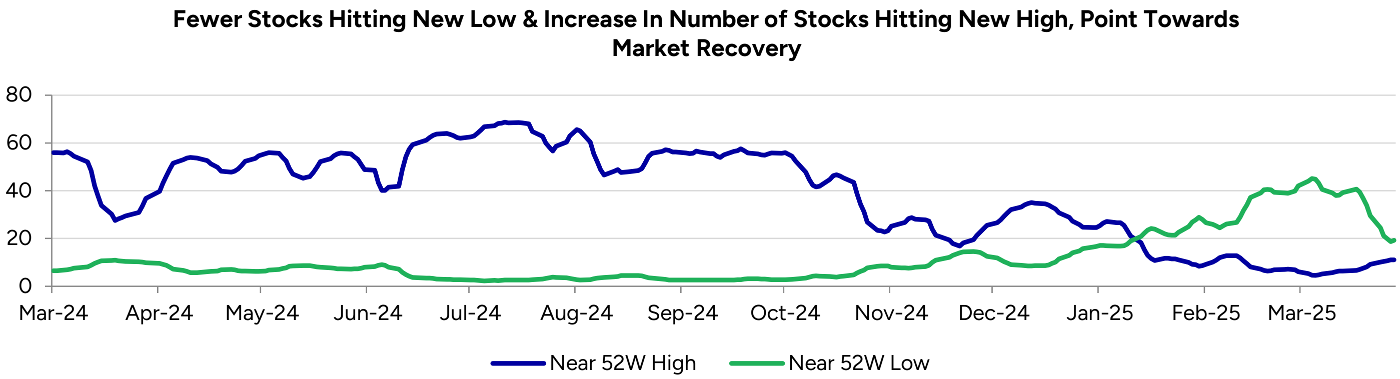
Valuations Fall Below Historical Median, Signaling a Potential Market Inflection Point

The five-year average P/E trend continues to highlight pronounced valuation fluctuations in mid- and small-cap segments, marked by notable peaks during 2017–2018 and again in 2021–2022. These were subsequently followed by sharp corrections, underscoring the **cyclical sensitivity of investor risk appetite in these segments**. In contrast, large-cap valuations have exhibited relatively greater stability, although they, too, have experienced a recent pullback — suggesting a **broader valuation recalibration across the market**. What stands out in the current landscape is that the **average P/E across all market caps has now slipped below the historical median** — a rare occurrence last observed during the 2018 downturn and again in mid-2022. While the former episode led to sustained weakness, the latter marked the beginning of a strong recovery phase. This divergence in historical outcomes positions the present moment as a crucial inflection point.



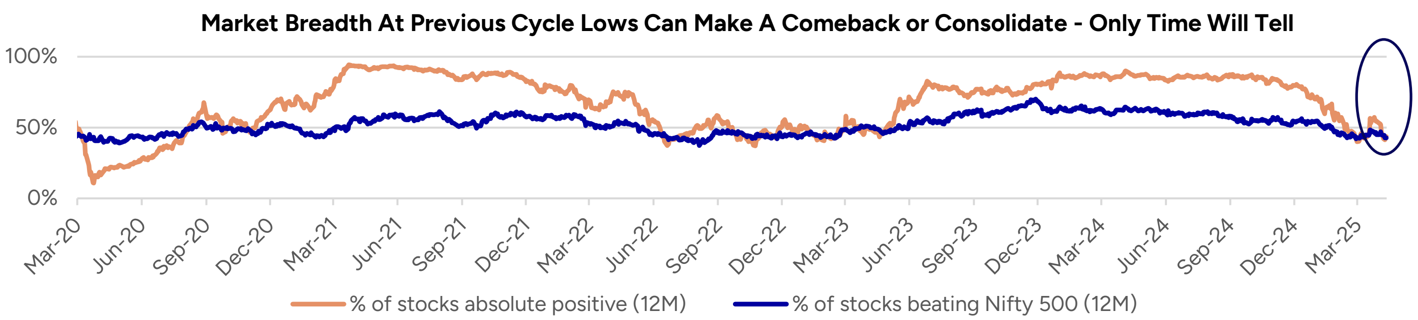
Bulk Of The Pessimism Built Into Prices, Markets Now Reversing From A Mid-Cycle Trough

The blue line below, representing stocks near their 52-week highs, shows peaks during strong market rallies, such as in August 2024. These spikes suggest heightened optimism and broader participation in upward trends. Conversely, the green line, which tracks stocks near their 52-week lows, rises during periods of market stress or corrections, such as in late 2024. The interplay between these two lines reflects cyclical market behavior. **When the blue line dominates, it signals robust investor confidence and bullish sentiment. However, when the green line surges, it indicates growing pessimism and a shift toward risk aversion**. The recent trend in early 2025 shows a moderate rise in stocks near their lows, suggesting caution among investors amid potential uncertainties or corrections. However, with extreme pessimism already built in, this could signal that a rebound is on the horizon as markets begin to price in a potential turnaround.



Breadth Indicators Suggest An Oversold Market With Limited Downside Risk, Time Correction or Market Recovery More Likely Than Price Correction

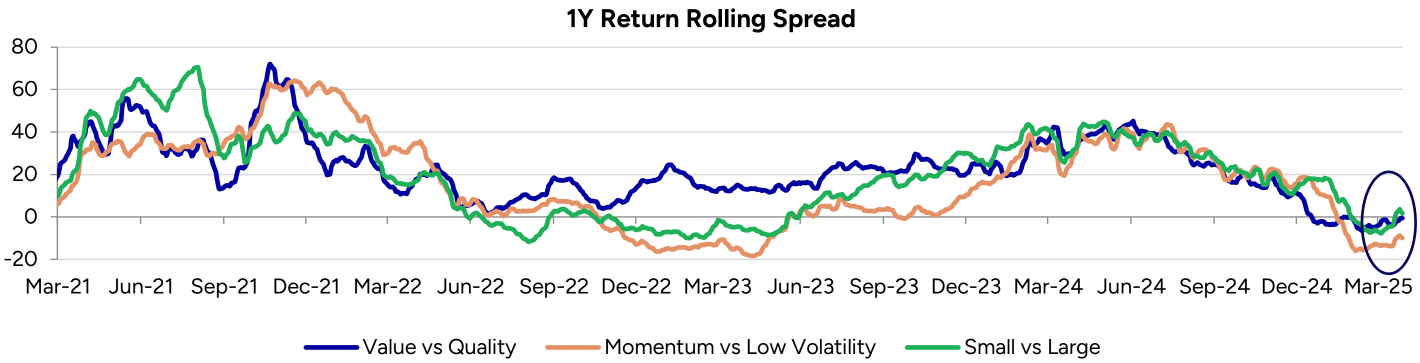
The chart illustrates the market's breadth by comparing the percentage of stocks with positive absolute returns against those outperforming the Nifty 500 over a 12-month period. Analyzing the trends, investors can observe periods where a large portion of stocks had positive returns, but fewer were able to beat the benchmark index in periods like March and September 2021. Similarly in March and September 2024, indicating that the index's gains were driven by a smaller subset of stocks. The recent convergence of the two lines suggests a narrowing of market breadth, where fewer stocks are participating in the overall market gains. **This could signal increased risk as market performance becomes more dependent on a smaller number of leading stocks.**



Quant Market Monitor

Spreads For Higher Risk Factors Are Near Zero, Paving The Way For Recovery

Value, Momentum and Smallcaps all peaked around June 2024, enjoying strong outperformance. Since then, all three have declined steadily as market sentiment turned cautious. In recent months, **Quality bottomed out**, and we're now seeing early signs of a **rotation back towards Value**, suggesting a market tilt towards fundamentally cheaper, cyclical names. **Momentum's dominance has faded sharply**, with the spread turning negative as investors shift focus to **low volatility, defensive names** amid rising market uncertainty. The **Smallcap outperformance has unwound**, with recent weakness indicating a clear **rotation back into Largecaps**, reflecting a market preference for size, stability, and resilience in uncertain times. These are signs of rotation as the markets positions itself for a recovery phase.

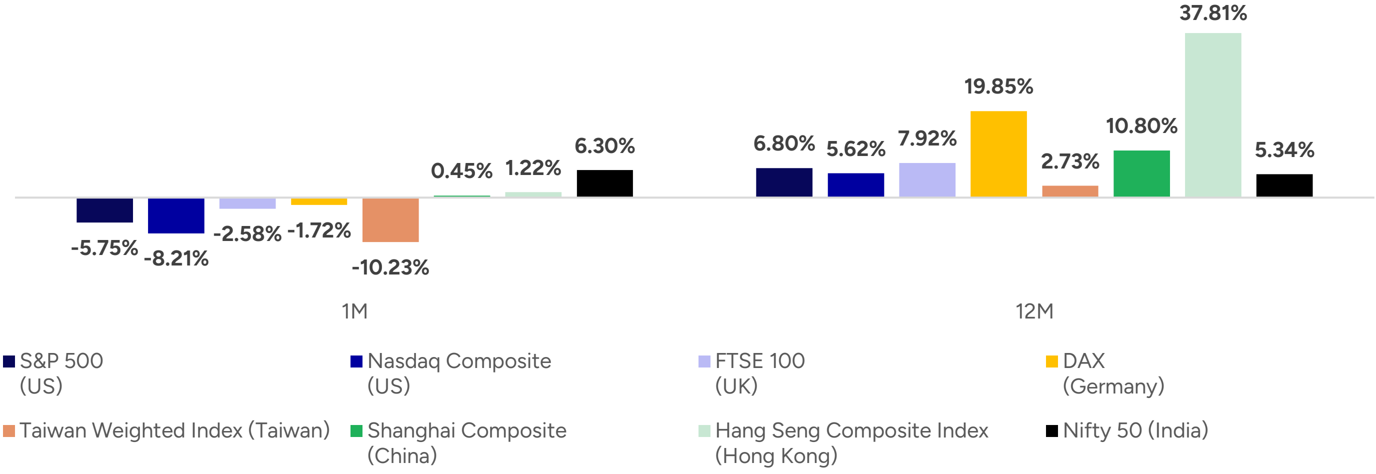


Only Defensive Strategies Like Low Volatility And Quality Outperformed The Benchmark Indices Last Year, Indicating Subdued Risk Appetite

This table highlights the 1-year rolling risk-return profiles of key Nifty factor indices as of March 2025. **High Beta and Momentum** indices exhibit the highest volatility and beta levels, reflecting greater market sensitivity, but also carry significant negative alpha and lower Sharpe ratios, indicating **weak risk-adjusted performance**. Defensive strategies like Value, ESG, and Midcap offer relatively lower volatility, better stability in P/B multiples, and narrower alpha gaps. Notably, **Midcap stands out with a marginally positive alpha and the lowest volatility-risk trade-off** among peers. While most factor indices still show negative 1-year rolling alphas and subdued Sharpe ratios, **recent upticks in beta and volatility for segments like Momentum and High Beta suggest a gradual revival in market risk appetite**. The narrowing gap between current P/B ratios and their historical averages also indicate signs of a broader market recovery underway.

	1Y Rolling Standard Deviation	1Y Rolling Sharpe	1Y Rolling Beta	P/B as on 31st March 2025	1Y Avg. P/B	1Y Rolling Alpha vs Nifty 500
Nifty 500 Momentum 50	25.54%	-0.49	1.48	7.65	6.26	-9.83%
Nifty 500 Quality 50	18.74%	-0.28	1.09	6.72	7	1.68%
Nifty 500 Value 50	24.65%	-0.2	1.43	1.5	1.67	-0.46%
Nifty 500 Low-Volatility 50	13.71%	-0.32	0.82	4.59	4.56	2.82%
Nifty 100 ESG	14.38%	-0.49	0.9	3.63	4.32	-0.34%
Nifty 500 Equal Weight	19.26%	-0.33	1.15	3.77	4.19	-0.21%
Nifty High Beta 50	28.01%	-0.64	1.66	2.16	2.19	-14.37%
Nifty Dividend Opportunities	17.13%	-0.55	1.04	3.01	3.43	-3.08%
Nifty Growth Sectors 15	13.33%	-1.14	0.54	6.67	7.91	-7.56%
Nifty 50	14.01%	-0.48	0.85	3.48	3.81	0.09%
Nifty Midcap 150	18.95%	-0.18	1.14	4.83	5.2	0.14%
Nifty Smallcap 250	21.77%	-0.24	1.23	3.56	4.09	2.36%
Nifty 500	15.60%	-0.4	N/A	3.73	4.09	N/A

Despite Being An Underperformer Over The Past Year, India Has Staged The Sharpest Recovery In The Post Trade War Era



Source: Investing

Gold becomes the best performing asset globally, US bond yields remain flat with inflation coming down, India 10 Y falls as RBI becomes more accommodative and FIIs return in March

Commodities

	31st March 2025	1M Returns	12M Returns
Gold	$3123.05	9.25%	39.90%
Silver	$34.07	9.37%	36.42%
Crude	$71.13	1.91%	-14.76%
Copper	$421.82	10.69%	21.24%

Bond Yields

	Mar-24	Feb-25	Mar-25
US 10Y	4.206%	4.202%	4.251%
US 2Y	4.628%	3.985%	3.911%
India 10Y	7.052%	6.72%	6.58%
India 2Y	7.026%	6.54%	6.42%

Currencies

	31st March 2025	1M Returns	12M Returns
USD/INR	85.45	-2.30%	2.52%
DXY	104.21	-3.16%	-0.33%
Bitcoin	82548.8	-2.17%	15.72%

Flows (INR crore)

	Mar-25	12M
DII	37,586	6,64,346
FII	2,014	-3,96,625

Data from 31st March 2024 – 31st March 2025

Size and Style Factor Performance

Value, High Beta and Smallcaps Lead The Recovery

	1M	12M
Nifty 500 Momentum 50	6.33%	-4.57%
Nifty 500 Quality 50	8.91%	6.94%
Nifty 500 Value 50	10.76%	4.80%
Nifty 500 Low-Volatility 50	5.10%	8.08%
Nifty 100 ESG	6.25%	4.92%
Nifty 500 Equal Weight	8.22%	5.05%
Nifty High Beta 50	10.87%	-9.11%
Nifty Dividend Opportunities	6.34%	2.18%
Nifty Growth Sectors 15	1.20%	-2.29%
Nifty 500	7.34%	5.35%
Nifty Smallcap 250	9.10%	5.40%
Nifty Midcap 150	7.72%	7.62%
Nifty 50	6.30%	5.26%

Sector Performance

PSE, Energy, Financials and Metals Outperform

	1M	12M
Automobiles	3.89%	-0.58%
Bank	6.66%	9.42%
Consumer Durables	3.46%	10.25%
Energy	11.84%	-13.96%
Financial Services	8.88%	19.47%
FMCG	5.72%	-0.67%
Healthcare	7.85%	13.45%
IT	-1.16%	5.70%
Media	6.37%	-17.85%
Metals	10.62%	10.12%
Oil and Gas	10.00%	-7.79%
Pharma	6.68%	11.27%
Realty	6.69%	-5.48%
PSE	15.86%	2.42%

Source: NSE | Data as on 31st March 2025

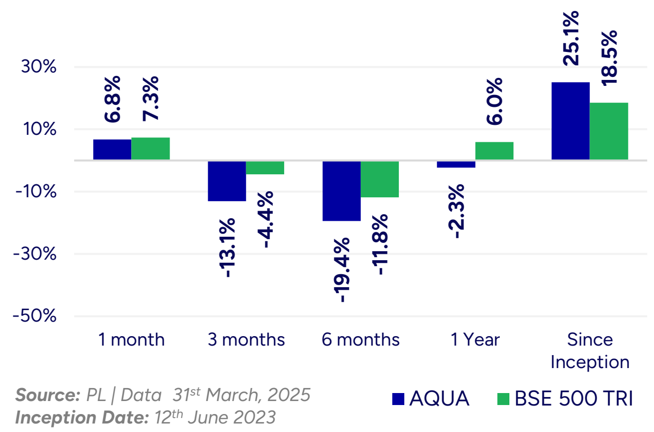
AQUA

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.

Performance Summary



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

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**

Key Highlights

In March, **AQUA was up 6.74%.** The portfolio's sectoral composition was strategically adjusted to better align with current market conditions, with a ~**37% allocation to non-cyclical sectors** like Consumer Goods, while exposure to the auto sector was slightly reduced to around ~3%. The allocation to materials, including chemicals, was gradually increased, reaching ~19%. The defensive positioning of the portfolio was further reinforced as **financials increased to around ~29%,** effectively managing volatility and lowering portfolio beta. The capitalization mix remains well-balanced, with ~53% allocated to large caps, ~22% to midcaps, and ~17% to smallcaps, maintaining a focus on quality and low-volatility stocks. Since inception, AQUA has delivered ~25% returns, outperforming the benchmark, which returned ~18.49%.

Quarterly Returns

Quarter	Strategy	Benchmark
FY23 Q2	21.51%	5.49%
FY23 Q3	19.98%	12.35%
FY23 Q4	6.01%	4.49%
FY24 Q1	13.98%	11.66%
FY24 Q2	6.53%	7.65%
FY24 Q3	-7.76%	-7.79%
FY24 Q4	-13.06%	-4.39%

Source: PL | Data till 31st March 2025

Risk Profile

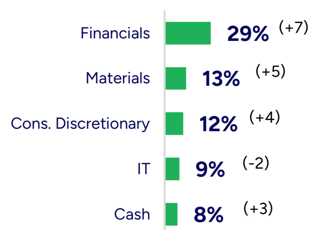
Standard Deviation	19.52%
Sharpe	0.85
Sortino	0.88
Beta	1.21
Max Drawdown	-25.89%

Source: PL | Data till 31st March 2025

Portfolio *(Top 5 Performers)*

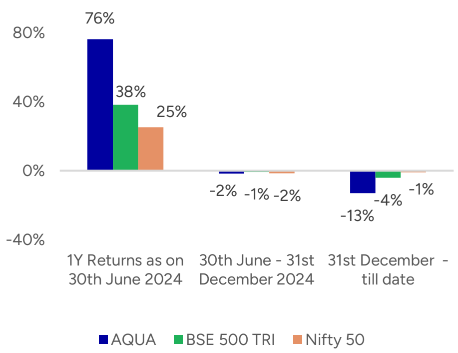
Holdings
BAJFINANCE
CHAMBLFERT
MAZDOCK
VOLTAS
KOTAKBANK

Top 5 Sectors

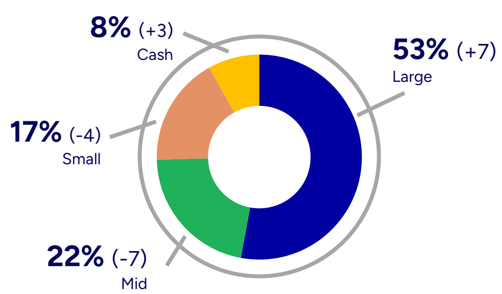


Source: PL | Data till 31st March 2025 ;
Note: Numbers in brackets indicate a change in allocation from the previous month

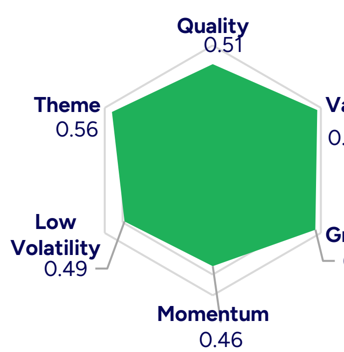
Bull vs Sideways vs Bear Phase



Asset Allocation



Portfolio Factor Mix



Source: PL | Data till 31st March 2025;
Note: Numbers in brackets indicate a change in allocation from the previous month

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 March 2025*
Inception Date: *7th June 2021*
Note: *Actual returns net of expenses, fees, and associated costs.*

Key Highlights

In March, **MADP** achieved a return of 5.5%, outperforming its benchmark, which posted a return of 3.9%. **The portfolio maintained a 25% allocation to** gold, serving as a hedge against market volatility. A ~7% allocation to liquid assets was also kept, providing stability during sharp market declines. Equity exposure remains at around ~68%, with ~36% in large-cap stocks, ~27% in midcaps, and ~5% in smallcaps, striking a balance between risk-adjusted returns and downside protection. Gold remains a key holding, providing valuable diversification amidst an unpredictable macroeconomic environment.

Last 5 Quarters

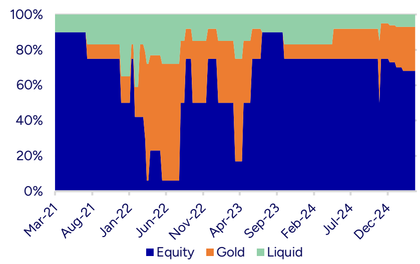
Quarter	Strategy	Benchmark
FY23 Q3	9.43%	7.47%
FY23 Q4	2.23%	3.72%
FY24 Q1	6.62%	6.85%
FY24 Q2	5.18%	5.12%
FY24 Q3	-6.32%	-3.13%
FY24 Q4	-2.10%	-1.26%

Risk Profile

Standard Deviation	8.41%
Sharpe	0.07
Sortino	0.08
Beta	0.99
Max Drawdown	-13.86%

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

Historical Allocation



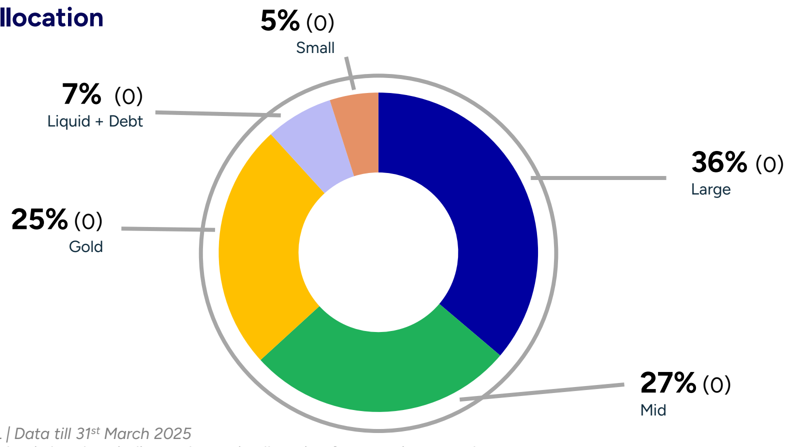
Source: *PL | Data till 31st March 2025;*
Inception Date: *7th June 2021*

Portfolio *(Top 5 Performers)*

Holdings
JUNIORBEES
SMALL250 MOM QUAL100
MIDSMALL 400 MOM QUAL 100
MIDCAPBEES
NIFTYBEES

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

Asset Allocation



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

CONTACT US

+91 7506032001

pms@plindia.com

PL Asset Management

Corporate Office: 3rd Floor, Tower 2B South Annex, One World Centre, 841, Senapati Bapat Marg, Lower Parel, Mumbai - 400013

Registered Office: 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018

T: (91 22) 6632 2222

www.plindia.com

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