

Amaltas Strategic Opportunities Series I - Factsheet

DECEMBER 31, 2025

Portfolio Update

The portfolio decreased by 0.82% in December, compared with the benchmark's decrease of 0.24%. Markets have exhibited sideways movement with extremely poor breadth. While the weakening Rupee and the non-resolution of trade deals with the US seem to occupy the headlines, we view these movements as part of general market cycles. After the massive up moves of 2023 and 2024, an 18 to 24-month pause or decline, especially for broader markets, is par for the course. March 2026 will mark 18 months of such sideways or downward movement, which statistically should mark an end to the current trend. This pattern appears to be a repeat of the cycle seen from October '21 to March '23. We will monitor this closely.

Core Investment Themes

AI as the Defining Driver

- **Optical Communications:** The sector is entering a robust, multi-year super-cycle driven by Generative AI. Corning's Q3 2025 results confirm this acceleration, with optical sales up 33% YoY and net income surging 69%. GPU-intensive networks require up to 36x more fiber, with global demand for AI data centers projected to grow at a 28% CAGR through 2030. This structural shift is further reinforced by simultaneous investments in 5G densification and FTTH rollouts.
- **Power equipment & capital goods:** Grid modernisation and AI fuelled demand continue to keep the order books robust.

IT Services - The Next Big Opportunity

We believe the AI adoption cycle could be as transformative for IT services as the cloud computing boom was a decade ago. Enterprises worldwide are rapidly incorporating AI into their businesses, driving a step-change in demand for IT services.

- **Mid & small-cap IT services:** These companies stand out given their agility and adaptability, which position them to capture new AI-driven projects faster than larger peers.

Risks: Near-term risks from tariffs and the suspension of H1B visas by the incumbent Trump administration are creating uncertainty. However, we view these as temporary in nature. Any policy-driven setbacks could present attractive entry points to build positions at discounted valuations. We believe this theme will be a multi-year structural opportunity, with the potential to unlock significant productivity gains and accelerated revenue growth for well-positioned players.

Microfinance - Long-Term Value Creation

The sector is steadily recovering, with loan repayment rates improving to nearly 99.5% and the number of borrowers with too much debt dropping significantly. Lending activity has also picked up, reaching its highest level in three quarters. Importantly, the industry is moving towards a more stable business model by shifting away from risky group lending significantly towards safer, individual loans.

Despite these improvements, stock prices have not yet caught up to reflect this turnaround. We believe the sector is currently undervalued, which has prompted us to increase our allocation to capitalize on this opportunity. While there may be some short-term costs, these changes set the stage for a strong recovery by mid 2026.

Cyclical Plays

We have identified high-potential opportunities across **Agrochemicals, Commodity Chemicals, and Metal Ancillaries**, all of which are emerging from a difficult three-year downcycle.

Key indicators are now turning favourable:

- The US Dollar Index is weakening.
- Global commodity prices are starting to show upside.

We believe these are early signs of a cycle reversal. Currently, the lack of broader interest in small caps and the absence of striking evidence in reported numbers have left these stocks beaten down significantly below their intrinsic values. This dislocation has weighed on our short-term performance given our significant exposure to these opportunities. However, we remain very confident in this thesis, which is rooted in a deep value investment philosophy, and we expect a sharp valuation re-rating in the medium term.

Turnaround Plays

- **Aviation:** We are tracking a specific turnaround story within the sector where initial signs of operational recovery are very healthy. We believe the turnaround is now fructifying, and as these improvements reflect in the financial numbers over the coming quarters, the thesis will fully play out, driving a significant re-rating in the stock's valuation.

Macro View

- **Global Flows:** The decline in the Dollar Index remains the single biggest driver of equity flows. Except for India, Emerging Markets have performed extremely well this year, a trend we expect to continue next year with India joining the trend.
- **US Market Risks:** AI-driven flows are masking underlying issues in US stocks, as the rally is quite concentrated. While AI-led spending shows initial signs of a bubble, it is nowhere close to the mania levels seen in past bubbles. We view this as a risk in the medium term, but not in the short term.
- **Currency:** Rupee depreciation seems to be overdone. On a Real Effective Exchange Rate (REER) basis, the rupee is at a critical level which has historically seen a sharp rally which should augur well for the equity markets as well.
- **Bullion:** Our views on bullion can be found in the insights section.

Outlook

We view the current market consolidation as a temporary phase, statistically likely to conclude by March 2026, setting the stage for the next leg of growth. Our confidence stems from a dual-pronged strategy: capturing structural tailwinds in the **AI ecosystem** (Optical, Power, IT Services) and exploiting deep valuation gaps in **turnaround sectors**. We see robust recovery in Microfinance and Cycicals (Chemicals, Metals), aided by a weakening Dollar and stabilising commodities. With the addition of idiosyncratic opportunities in Aviation and Textiles, our portfolio is strategically allocated to outperform as market breadth improves and intrinsic values are realised.

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Portfolio Performance As of December 31, 2025

Period	Amaltas Strategic Opportunities Series I (%)	BSE 500 TRI (%)
-1 month	-0.82%	-0.24%
-3 months	11.53%	5.02%
-6 months	-	-
-Since Inception* (July 29, 2025)	12.53%	4.05%

*Inception of fund July 29, 2025

**Unaudited Performance data for Portfolio Manager and Investment Approach provided hereunder is not verified by any regulatory authority and Past performance may or may not sustain in the future. The performance is based on TWR as on December 31, 2025. Inception Date is July 29, 2025. As per SEBI guidelines, returns are net of all expenses and investor returns may differ, based on their period of investment, fee structure and point of capital flows.

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DECEMBER 31, 2025

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