



Valentis Advisors
— Private Limited —

Index

- ❑ **Why Choose Valentis Advisors?**
- ❑ **Investment Process and Philosophy**
- ❑ **Products**
- ❑ **Market view**

The Man Behind PMS



Mr. Jyotivardhan Jaipuria
Founder & Managing Director

- Jyoti has an overall 38 years of experience in the Indian Capital Market including 21 years in DSP Merrill Lynch and 8 years in ICICI.
- He was Head of Research and strategist for India at Bank of America Merrill Lynch. He helped build the research team as the leading research provider in India as well as one of the top institutional brokers in the country.
- As a strategist, he was rated amongst the top strategists in India by leading institutional investors in India.
- Jyoti has also served as a member of the Board of Directors of DSP Merrill Lynch, the Asia Pacific Research Executive Committee and Operating Committee, the India Country Leadership Team (CLT) and other management committees.
- Jyoti graduated in Commerce (B.Com) from Sydenham College and has an MBA from the Indian Institute of Management, Ahmedabad.



Why Valentis?

- **Client centric approach**
 - Easy access to founders, fund manager and analyst team
- **Our skin is in the game**
 - The founders would invest in the same fund with you.
- **Our interests are aligned with yours**
 - Performance fees incentivizes superior performance
- **Flexible solutions**
 - We are happy to work with you to find customized solutions to your investment needs.
- **Strong pedigree and financial market experience**
 - The founder has over 30 years experience in the financial industry and has successfully carved a niche for research based, non-consensus views.

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#1: Research, research and more research drives our investment philosophy

- **Detailed research wins over gut feels and market sentiment**
- **Process driven research to eliminate market noise – blend of science and art**
 - Largely scientific process. This involves, screening to identify ideas and then detailed modelling to arrive at fair valuations.
 - Bit of art involved
 - We look at market sentiment and psychology
 - We try to stay away from the herd.

“Buy not on optimism, but on arithmetic.” —Benjamin Graham.

#2: What are we looking for?

➤ We seek large discrepancies in risk:reward

- Stocks trade like a bell curve with a large number of stocks trading at near fair risk:reward
- We focus on stocks at the extreme where returns can be disproportionately high for the risk we take.

➤ The 3 “U”s approach

1. Undervalued: risk-reward trade off should provide margin of safety
2. Under-owned: we prefer stocks that have low FII, institutional investor interest
3. Under-performing or Undiscovered: low expectations on the stock

We are looking for stocks with asymmetrical risk reward



#3: What stocks do we focus on?

➤ We focus on stocks at earnings “inflection point”

- We are looking at companies with high operating leverage.
- This will likely kick in due to higher utilization levels as demand improves.
- We buy stocks early before they are flavor of the market

➤ Stocks we like have following characteristics

- Large size of market and attractive industry dynamics
- Competitive advantage of the company vs competition
- Strong Corporate governance

“Even the intelligent investor is likely to need considerable willpower to keep from following the crowd.” — Benjamin Graham

#4: Buy and hold for wealth creation

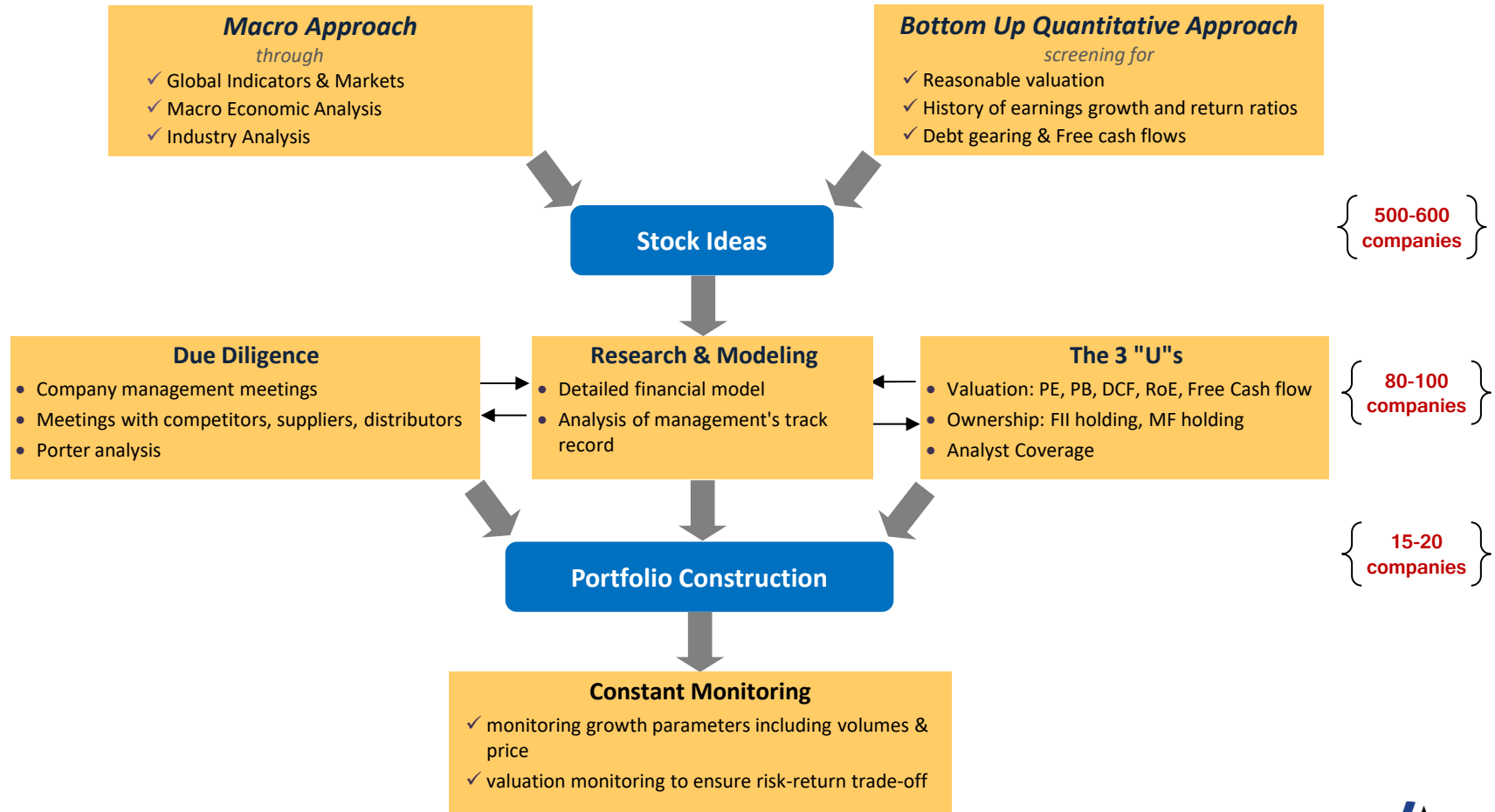
- **We believe in buying under-valued stocks and holding them for long term partly like a Private Equity investor**
 - We buy unloved companies that are either out of favor or are undiscovered and unresearched.
 - We are willing to do deep research on the industry dynamics and company positioning.
 - We are passionate about being “dispassionate” in our analysis.

When do we sell stocks?

- **When the stocks has rallied & is no longer cheap**
 - Will I buy the stock at current market price?
- **When the reason for buying the stocks has not materialised**
 - e.g. now competition come in or size of market changes.

“The big money is not in the buying and the selling, but in the waiting” — Charlie Munger.

Investment Process – Macro to Micro (MTM)



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Valentis Rising Stars Opportunity Fund

Investment Objectives: The 3 Us

- The objective of the scheme is capital appreciation in the medium term to long term by investing in cherry picked stocks mostly in the Mid and Small cap space.
- The portfolio focuses primarily on a buy and hold strategy at most times.
- **We will focus on the 3 Us (Under-owned, under-valued and undiscovered stocks).**

Midcaps are under-owned by FIIs...

Market Cap	No. of Stocks	FII holding %
>50000 cr.	164	20.74
30000 - 50000 cr.	76	14.39
10000 - 30000 cr.	231	14.28
5000 - 10000 cr.	228	10.96
1000 - 5000 cr.	606	5.48
500 - 1000 cr.	271	2.84

**Valentis
Focus
stocks**

Investor Profile:

- Ideal for investors with a 3 year or longer investment horizon.



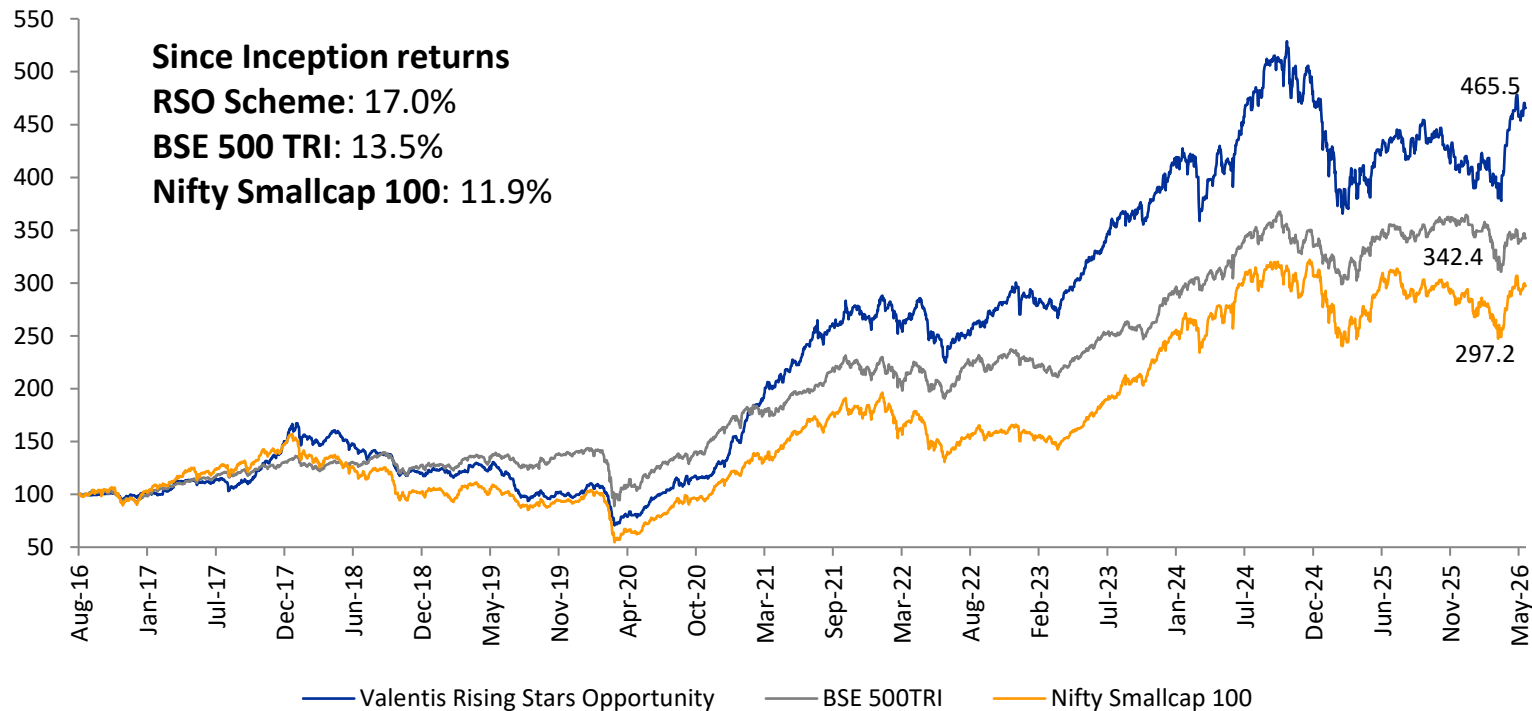
The making of a Blue-chip



Stock today up 544 times: CAGR of 25.4%



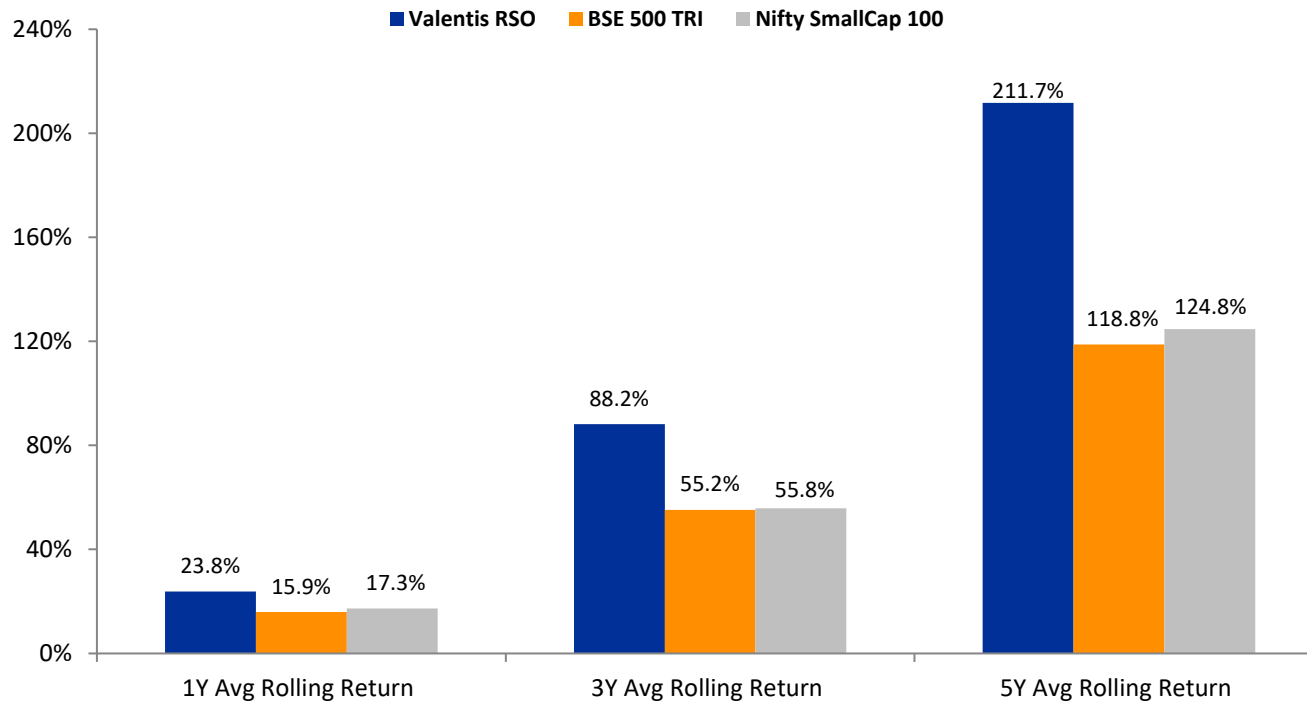
Rising Stars Opportunity Fund Portfolio Performance



- Portfolio Performance as on 31st May 2026
- From 1st April 2023, the benchmark Index considered is S&P BSE500(TRI) as per the SEBI circular.
- Return of portfolio shown above is after deducting performance and management fees.
- Portfolio inception date is August 5, 2016.
- Returns of individual clients may differ depending on time of entry in the Strategy.
- Performance-related information provided therein is not verified by SEBI.



Valentis RSO – Average Rolling Returns



- Portfolio Performance as on 31st May 2026
- Valentis RSO Fund inception date is August 5, 2016

Snapshot of market return

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27YTD	Since Inception
Valentis RSO PMS	10.59%	33.21%	-13.64%	-42.37%	168.22%	35.57%	3.51%	37.83%	4.03%	-4.54%	23.24%	16.95%
BSE 500 TRI	10.98%	13.21%	9.67%	-26.46%	78.63%	22.26%	-0.91%	40.16%	5.96%	-3.12%	10.20%	13.53%
Nifty SmallCap 100	16.20%	11.56%	-14.37%	-46.13%	125.70%	28.63%	-13.81%	69.77%	5.40%	-5.54%	19.30%	11.90%
Nifty MidCap 100	11.78%	9.07%	-2.66%	-35.90%	102.44%	25.32%	1.15%	60.06%	7.48%	1.89%	17.23%	15.20%
Nifty 50	7.28%	10.25%	14.93%	-26.03%	70.87%	18.88%	-0.60%	28.61%	5.34%	-5.05%	5.45%	10.87%
BSE SENSEX 30	6.88%	11.30%	17.30%	-23.80%	68.01%	18.30%	0.72%	24.85%	5.11%	-7.06%	3.93%	10.64%

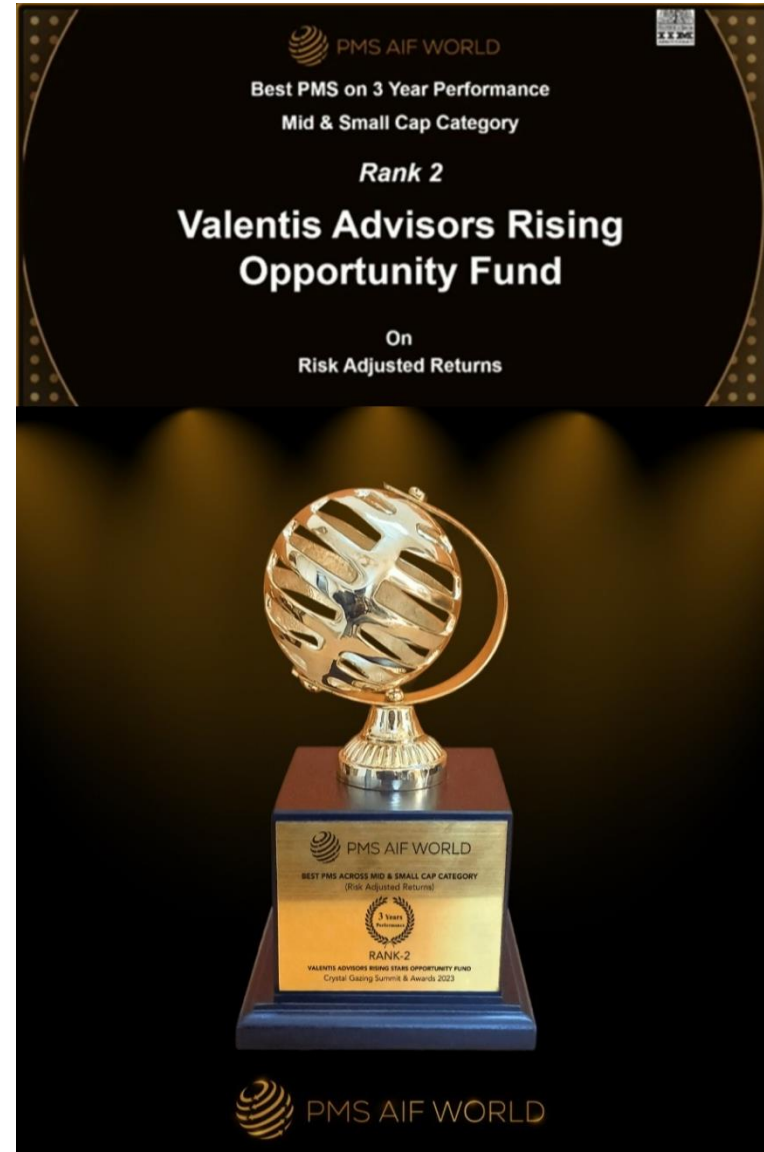
*Until 31st March 2023, the benchmark was Nifty Smallcap 100 but is now switched to BSE 500 TRI from 1st April 2023 onwards as per Indian regulator SEBI's circular.

- Portfolio Performance as on 31st May 2026
- Return of portfolio shown above is after deducting performance and management fees.
- Portfolio inception date is August 5, 2016.
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- Performance-related information provided therein is not verified by SEBI.
- Return mentioned above is calculated as per the TWRR Method prescribed by SEBI PMS Regulation

Valentis Rising Stars Opportunity Wins “BEST PMS Award” for 3 years performance in 2023



Valentis Rising Stars Opportunity Wins “BEST PMS Award” for 5 years performance in 2022



Valentis Rising Stars Opportunity 2nd best performing scheme in 2021

Aided by mid-, small-cap rally, 80% of PMS schemes beat Nifty in 2021

They generated average returns of 40%, against the Nifty's 24%



TOP PERFORMING PMS SCHEMES IN 2021

AMC	Strategy	Category	One-year returns (%)
■ Green Portfolio	Super 30	Thematic	115.5
■ Valentis Advisors	Rising Star Opportunity	Small & Midcap	96.4
■ Right Horizons	Minerva India Under-Served	Small Cap	92.2
■ Roha Asset Managers	Emerging Champions	Small & Midcap	91.2
■ Green Lantem Capital Up	Growth Fund	Small & Midcap	89.1
■ Negen Capital	Special Situations & Technology Fund	Multi Cap	82.7
■ Sageone	Small & Microcap	Small Cap	81.3
■ Abakkus Asset Managers	Abakkus Emerging Opportunities Fund	Small & Midcap	80.7
■ Carnelian Asset Advisors	Shift Strategy	Multi Cap	79.2
■ Right Horizons	Super Value	Mid Cap	78.7

*All performance as on December 31, 2021; returns computed as per TWRR method

Source: PMS Bazaar

ASHLEY COUTINHO
Mumbai, 14 January

Four out of every five portfolio management services (PMS) schemes beat the Nifty50 in calendar year 2021 (CY21) amid a sustained rally in mid- and small-cap firms.

Eighty per cent, or 200 of the 249 PMS schemes, beat the 24.1 per cent returns generated by the benchmark. Seventy schemes returned over 50 per cent during the year. The 249 schemes collectively delivered average returns of 40 per cent, higher than the 30.2 per cent delivered by the

benchmark Nifty 500, but lower than the Nifty Midcap 100 (46.1 per cent) and NSE Smallcap 100 (59.3 per cent).

Green Portfolio's Super 30 was the top performer with returns of 115.5 per cent, followed by Valentis Advisors' Rising Star Opportunity (96.4 per cent) and Right Horizons' Minerva India Under-Served (92.2 per cent).

"The most satisfying part for us was that we were able to generate significant outperformance by keeping beta way lower than the index. It means we took less risk and delivered more returns while maintaining liquidity," said

a note put out by Carnelian Asset Advisors, whose multi-cap Shift Strategy is among the top 10 PMS schemes, with one-year returns of over 79 per cent.

"We were in the minority while taking aggressive calls on the IT and manufacturing (China +1) theme way back in September 2020 and positioned our portfolio accordingly. This contributed very well to our performance this year," the note added.

Many PMS schemes lean towards mid- and small-caps in their portfolios and run concentrated portfolios of 15-20 stocks. Such portfolios increase the

potential of higher returns, but are also prone to steep falls during corrections.

Companies that have low leverage, strong fundamentals, and high corporate governance did not necessarily do too well last year, according to Siddhartha Rastogi, COO & head of sales, Ambit Asset Management. Rather, cyclical businesses with a high debt-to-equity ratio outperformed, he said.

"Most of the PMS schemes chase momentum instead of consistency and those that were heavy on cyclical did well last year," Rastogi said.

According to experts, 2021 was

driven by re-rating due to easy liquidity and low interest rates. Both are likely to reverse, which is why this year is likely to be the year of de-rating and modest earnings growth. Interest rates are bound to increase and market volatility will be higher. This will put companies' earnings growth back into focus.

"Whenever such an environment is created, markets are volatile and alpha creation becomes difficult," Carnelian said.

"Last year, the earnings didn't increase so much, but PE multiples expanded. We are not going to see so much of that from here on. The PE multiples will decelerate and as the weighted average cost of capital rises, equities will give relatively lesser returns in 2022," said Rastogi.

According to him, investors should book profits in businesses that are cyclical and where PE multiples have expanded irrationally.

PMS schemes managed ₹22.7 trillion under the discretionary portfolio, ₹1.44 trillion under the non-discretionary portfolio, and ₹2.23 trillion under advisory, latest regulatory data showed.

The PMS segment invests money on behalf of well-off individuals. The minimum investment that regulations allow is ₹50 lakh.

Valentis Multi-Cap Fund

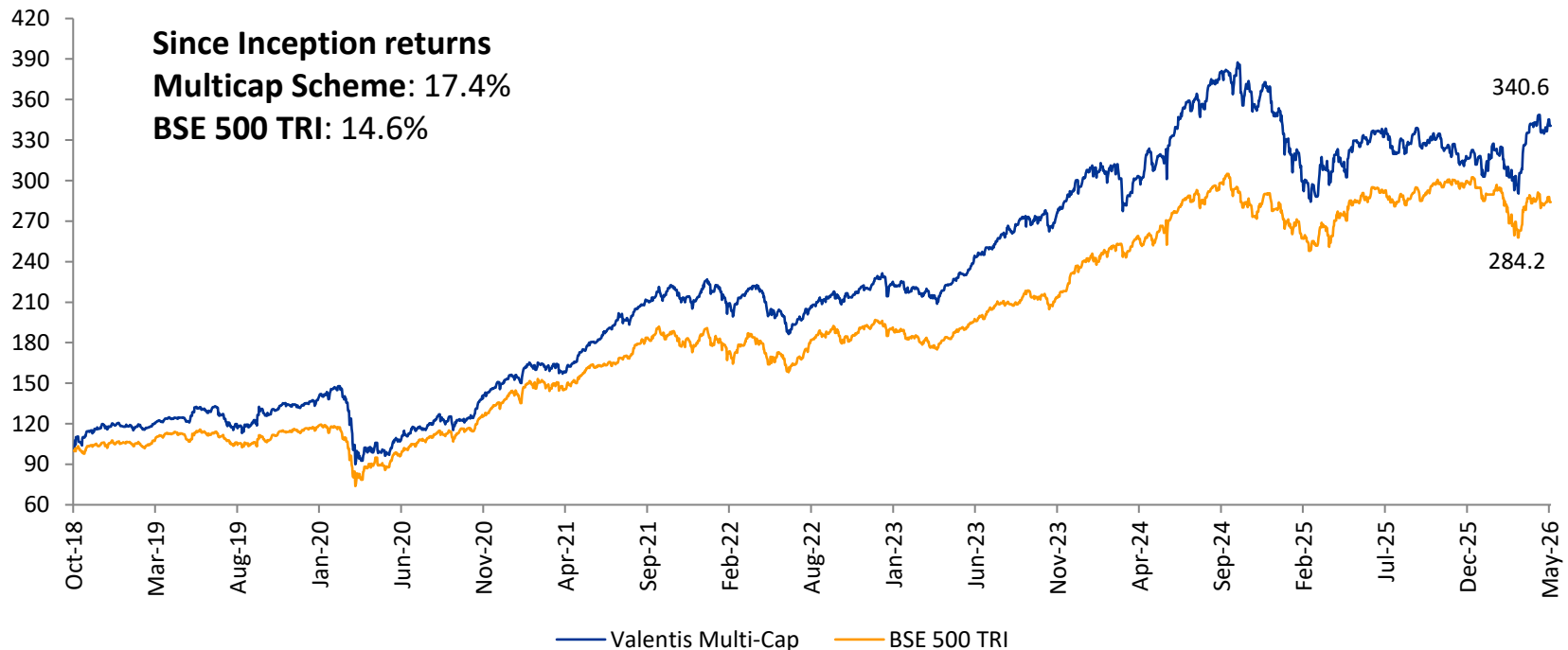
Investment Objectives:

- Between 20-40% exposure to large cap (top 100) companies.
- Will enable portfolio to be a dynamic mix of well established, liquid names and mid-caps that may be greater beneficiaries of a cyclical rebound.
- The fund aims for an ideal mix of lower volatility in the large cap names accompanied by the higher return potential in the mid cap names.
- The core strategy remains buy and hold.

Investor Profile:

- Ideal for investors with a 3 year or longer investment horizon.

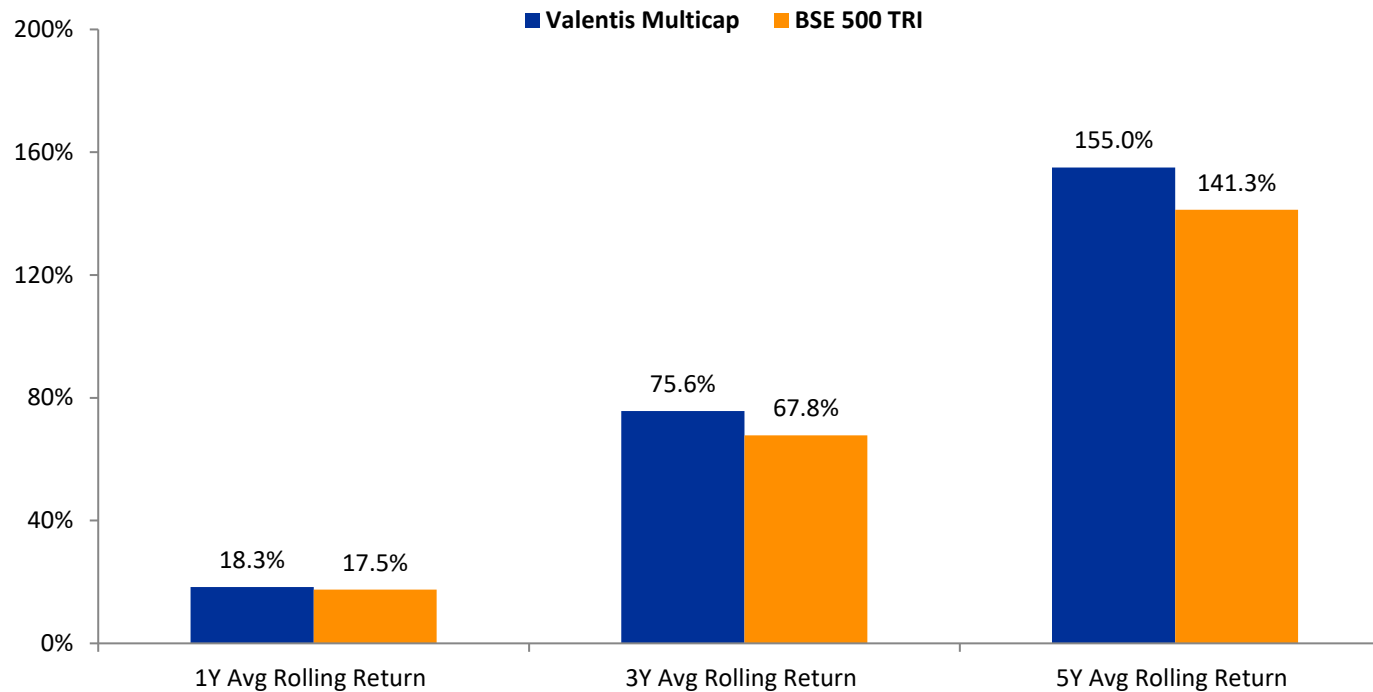
Multicap Fund Portfolio Performance



- Portfolio Performance as on 31st May 2026
- From 1st April 2023, the benchmark Index considered is S&P BSE500(TRI) as per the SEBI circular.
- Return of portfolio shown above is after deducting performance and management fees.
- Portfolio inception date is October 8, 2018.
- Returns of individual clients may differ depending on time of entry in the Strategy.
- Performance-related information provided therein is not verified by SEBI.



Valentis Multicap – Average Rolling Returns



- Portfolio Performance as on 31st May 2026
- Valentis Multicap Fund inception date is October 8, 2018

Snapshot of market return

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27YTD	Since Inception
Valentis Multi-Cap PMS	23.84%	-22.42%	69.02%	33.13%	-0.82%	35.58%	5.86%	-5.62%	17.24%	17.38%
BSE 500 TRI	12.61%	-26.46%	78.63%	22.26%	-0.91%	40.16%	5.96%	-3.12%	10.20%	14.59%
BSE 500	11.79%	-27.48%	76.62%	20.88%	-2.26%	38.36%	4.79%	-4.16%	10.05%	13.23%
Nifty 50	12.33%	-26.03%	70.87%	18.88%	-0.60%	28.61%	5.34%	-5.05%	5.45%	11.40%
BSE SENSEX 30	12.18%	-23.80%	68.01%	18.30%	0.72%	24.85%	5.11%	-7.06%	3.93%	10.70%

- Portfolio Performance as on 31st May 2026
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- Return mentioned above is calculated as per the TWRR Method prescribed by SEBI PMS Regulation.

Fee Structure

Fund Type	SEBI Registered PMS
Fund Tenure	Open Ended
Structure	Discretionary PMS
Hybrid Fees Structure	
Fees	
Fixed Management Fee:	1.5% p.a. charged Quarterly basis
Performance Fee:	15% of return Above 10% Hurdle Rate charged annually (subject to High Water Mark level)
Fixed Fees Structure	
Fees	
Fixed Management Fee:	2.5% p.a. charged Quarterly basis
Performance Fee:	Not applicable
Exit Load	
	3% - before 12 months
	2% - between 12 to 24 months
	1% - between 24 to 36 months

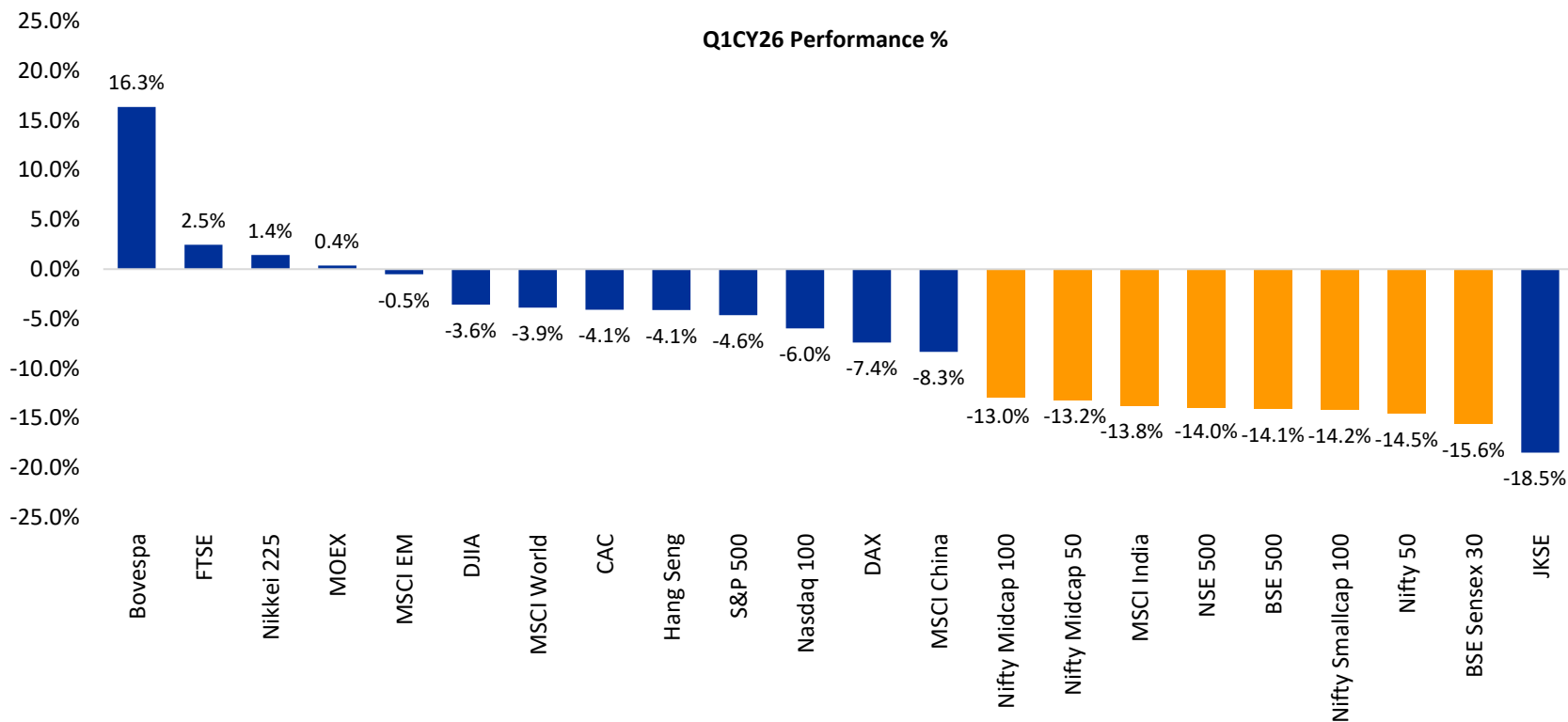


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Indian indices underperformed global indices

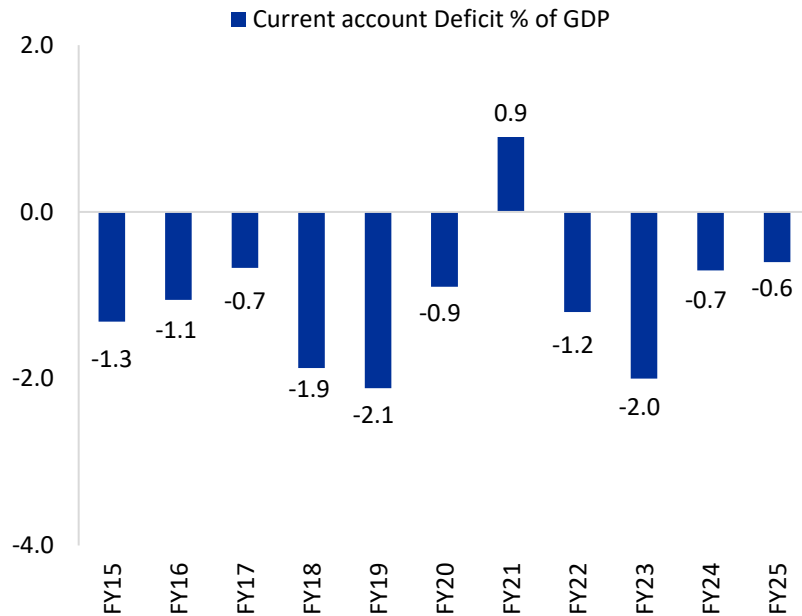
Chart 1: India - amongst the worst performers in Q1CY26



Source: Investing.com, Valentis Research

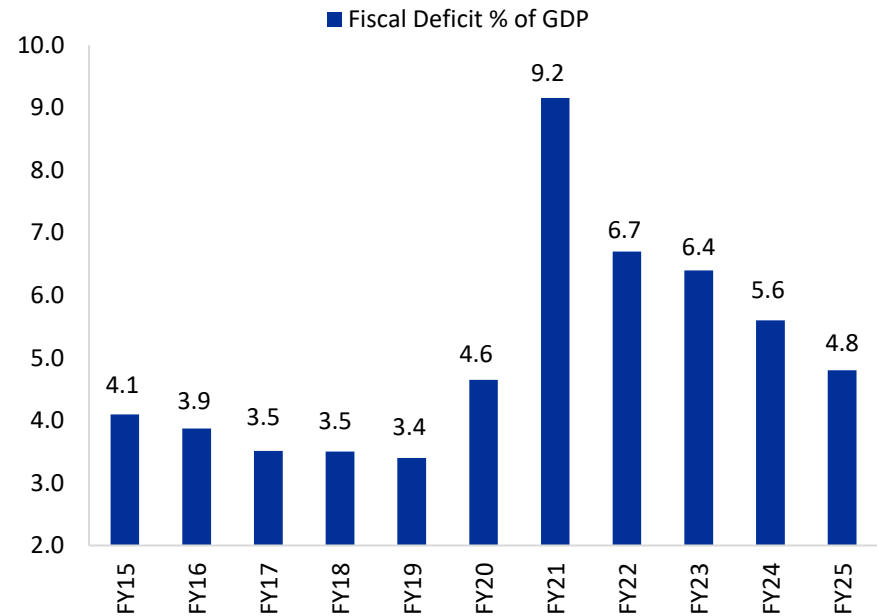
Strong macros but gulf war risk

Chart 2: Current Account as % of GDP



Source: MOSL, Valentis Research

Chart 3: Fiscal Deficit as % of GDP

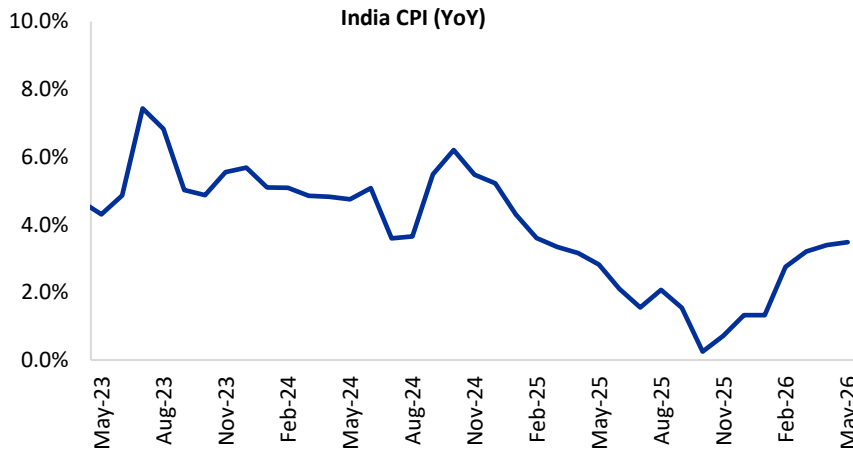


Source: MOSL, Valentis Research

Every \$10/brl increase leads to an increase of 0.4% in current account deficit

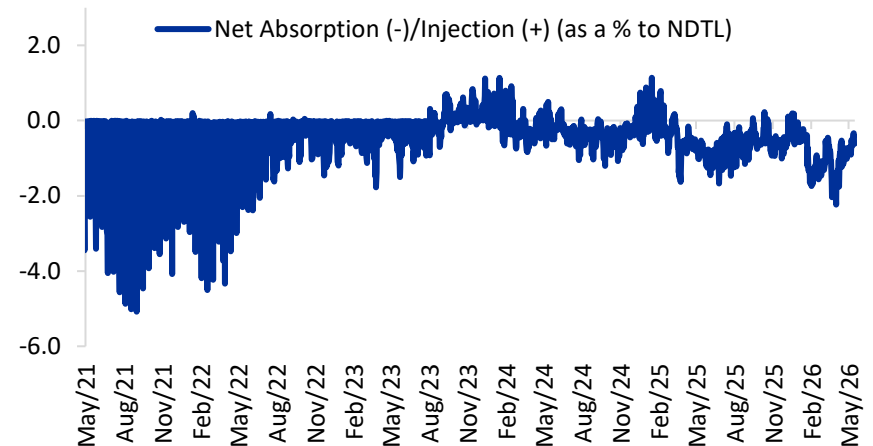
Can Gulf war change inflation trajectory?

Chart 4: India CPI (YoY)



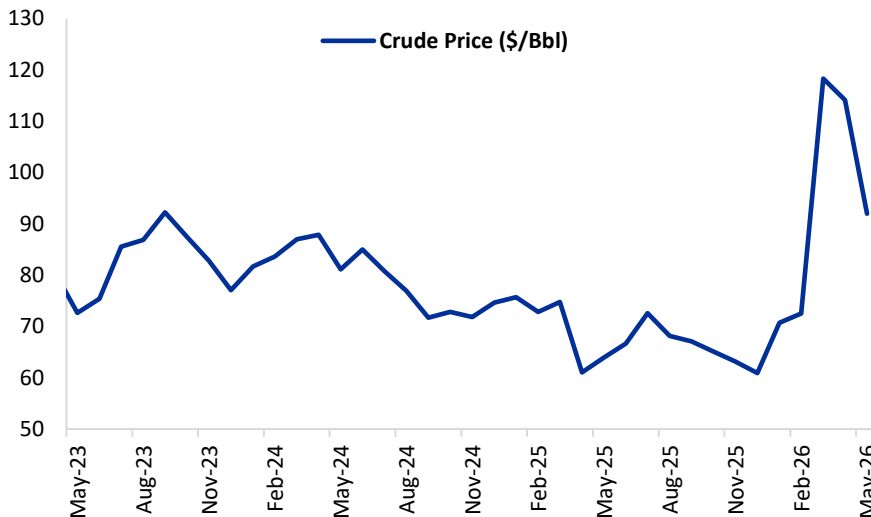
Source: Investing.com, Valentis Research

Chart 5: Liquidity in System improves



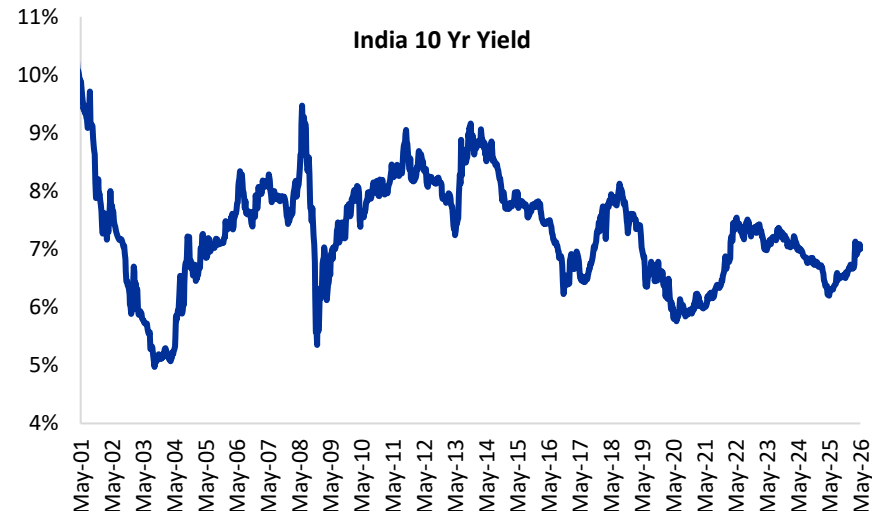
Source: RBI, Valentis Research

Chart 6: Oil prices cooling off post sharp rise



Source: Investing.com, Valentis Research

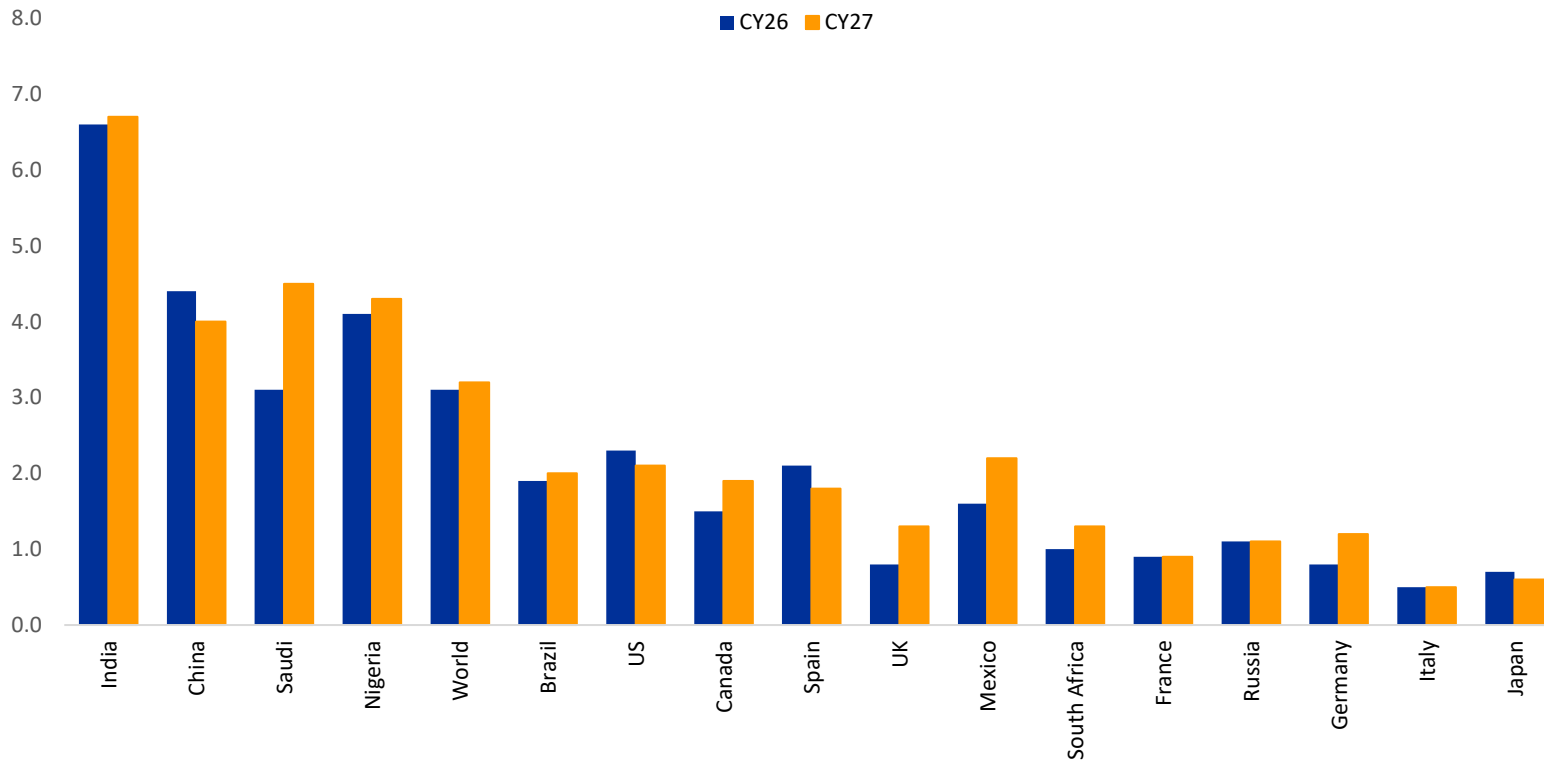
Chart 7: India 10-yr bond yields



Source: Investing.com, Valentis Research

India continues to be the fastest growing economy in the world

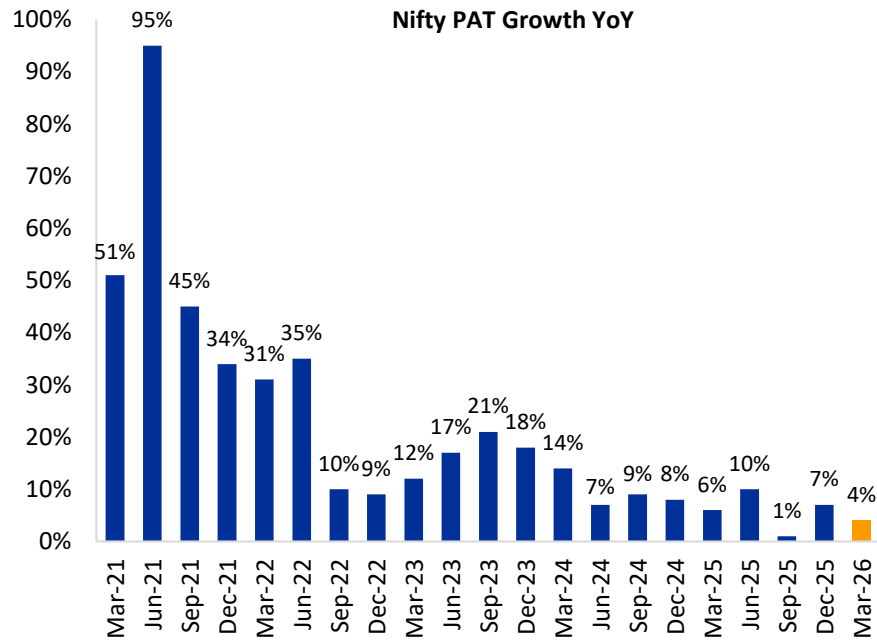
Chart 8: IMF forecasts India's GDP growth at 6.7% for CY27E



Source: IMF, World Economic Outlook Update, Valentis Research

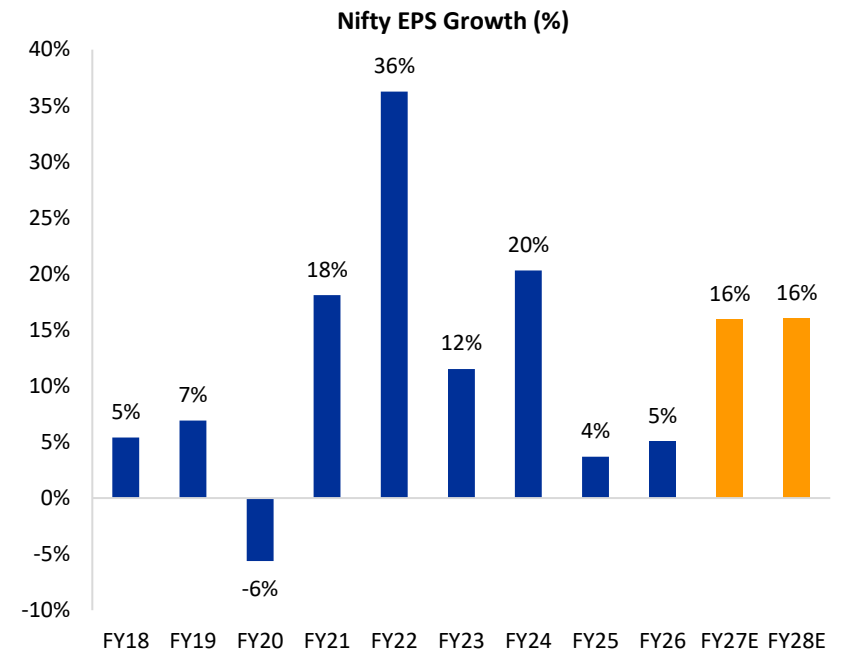
Earnings likely to recover in FY27

Chart 9: PAT growth still in single digit



Source: MOSL, Valentis Research

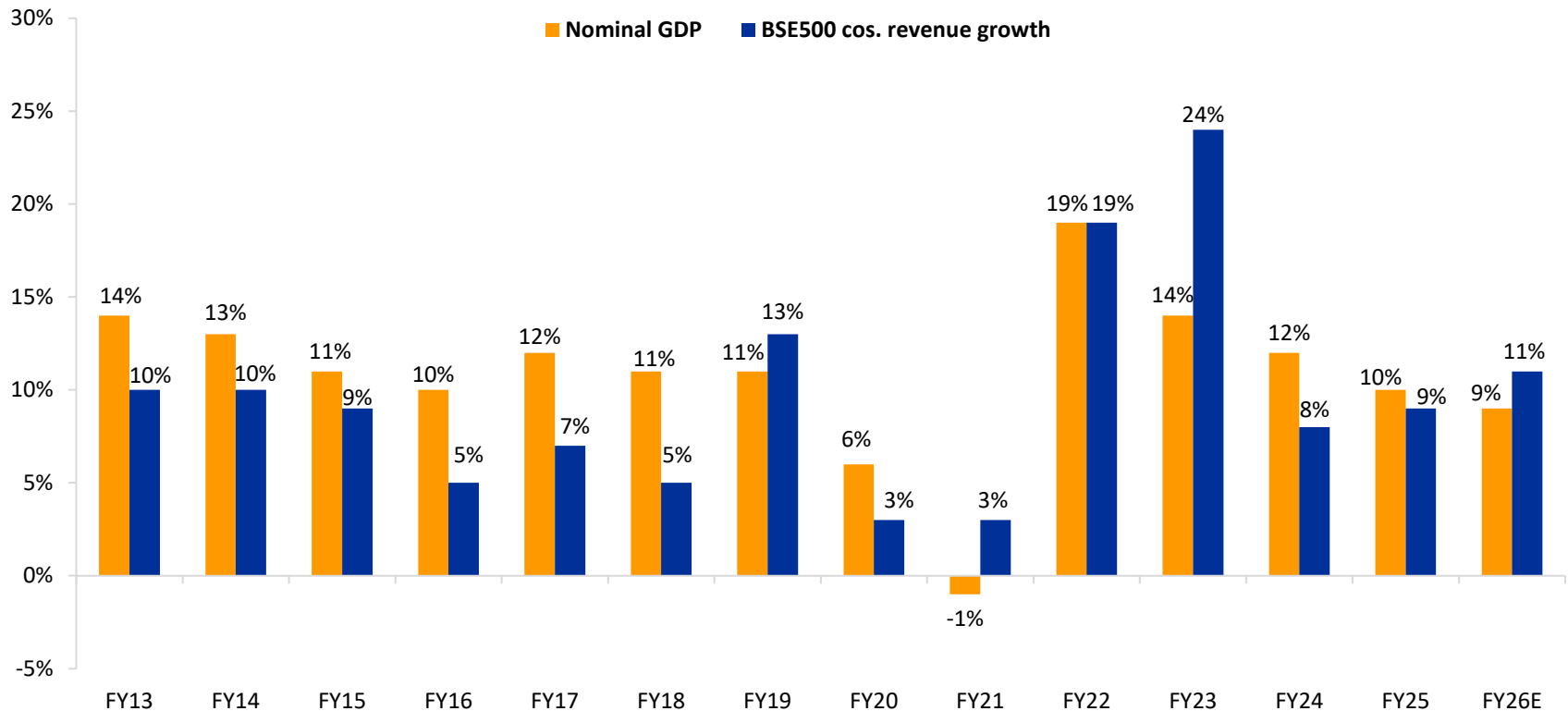
Chart 10: Annual EPS Growth



Source: MOSL, Valentis Research

#1: Low inflation is dragging down revenue growth

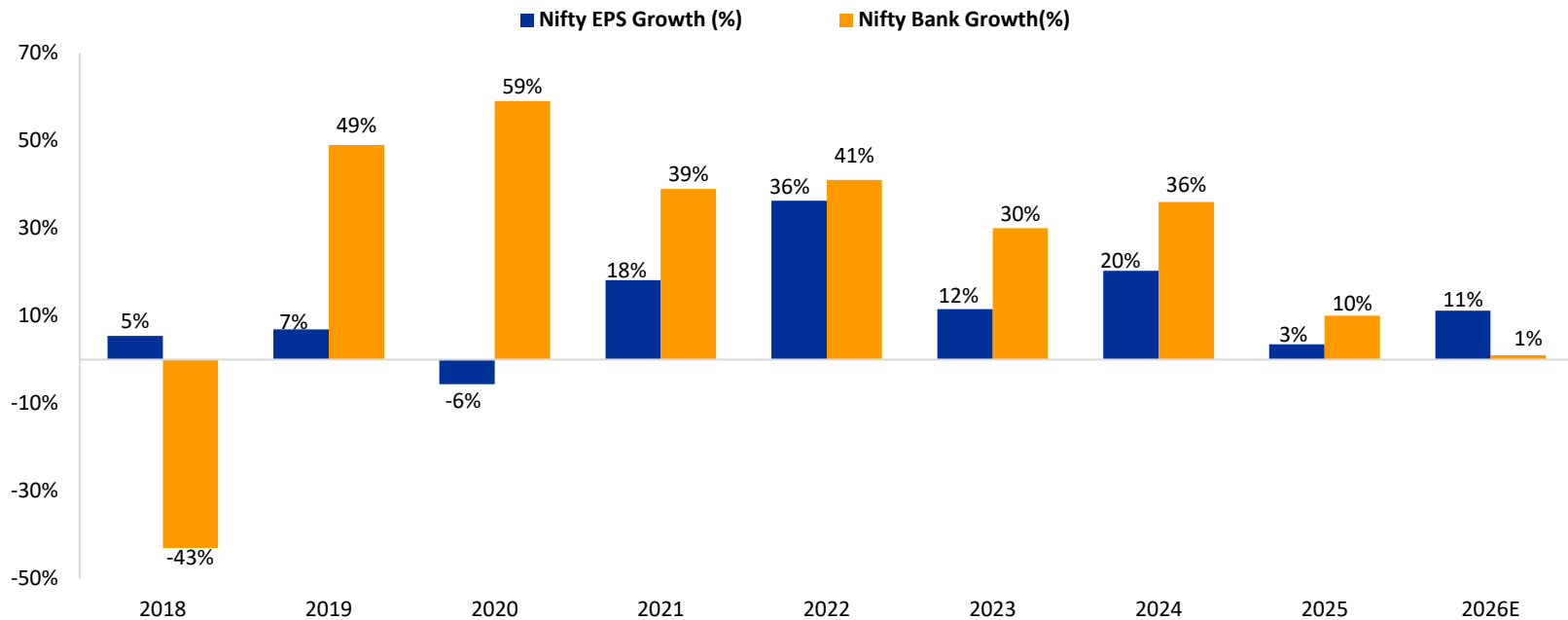
Chart 11: Nominal GDP vs. BSE500 cos. revenue growth



Source: RBI, AceEquity, Valentis Research

#2: Banks dragging down overall earnings

Chart 12: Banks to drag down the overall Nifty earnings growth



Source: AceEquity, Valentis Research

#3: Consumption spend should improve

Table 1: Kharif Sowing

Kharif sowing as on 4/7/2025			
mn hectare	2025	2024	% Change
Paddy	6.93	6.45	7.4%
Pulses	4.26	3.15	35.2%
Coarse cereals	7.72	6.38	21.0%
Oilseeds	10.83	9.49	14.0%
Sugarcane	5.52	5.49	0.5%
Jute & Mesta	0.55	0.56	-2.7%
Cotton	7.95	7.86	1.2%
Total	43.75	39.38	11.1%

Source: PIB, Philip Capital, Valentis Research

Table 2: Rainfall distribution

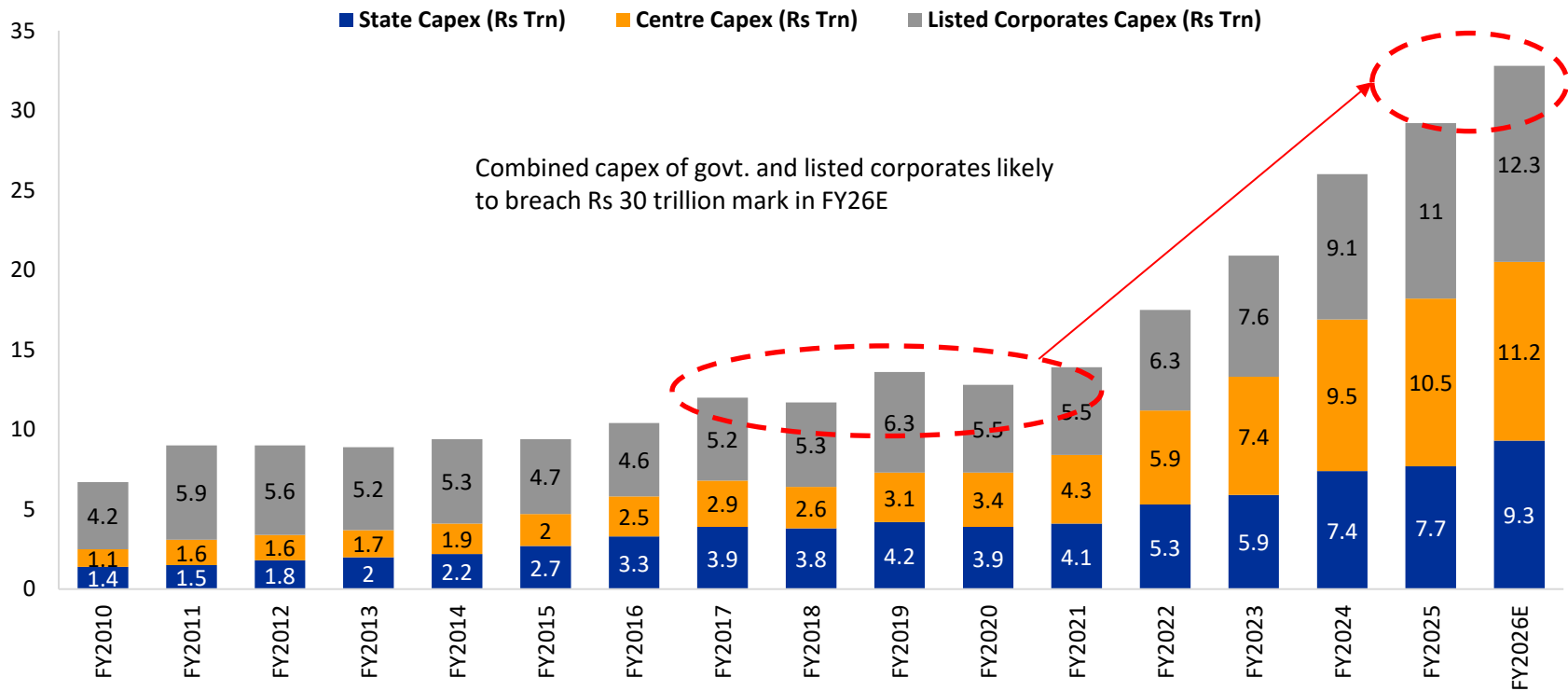
Subdivision-wise rainfall distribution (mm) (1/6/25 - 13/7/25)			
Area	Actual	Normal	% Dep
East & North East India	390.9	513.2	-24%
North West India	199.4	154	29%
Central India	402.6	294.1	37%
South Peninsula	221.3	241.8	-8%
Country	302.6	275.7	10%

Source: MID, Philip Capital, Valentis Research



#4 Private capex is better than consensus believes

Chart 13: Listed corporate capex can double in 4 years

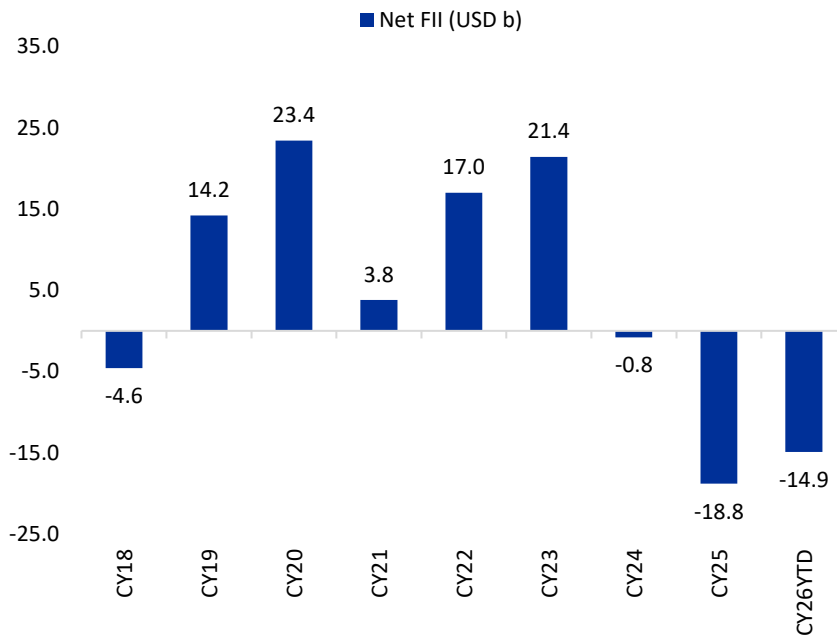


Source: Isec, Valentis Research



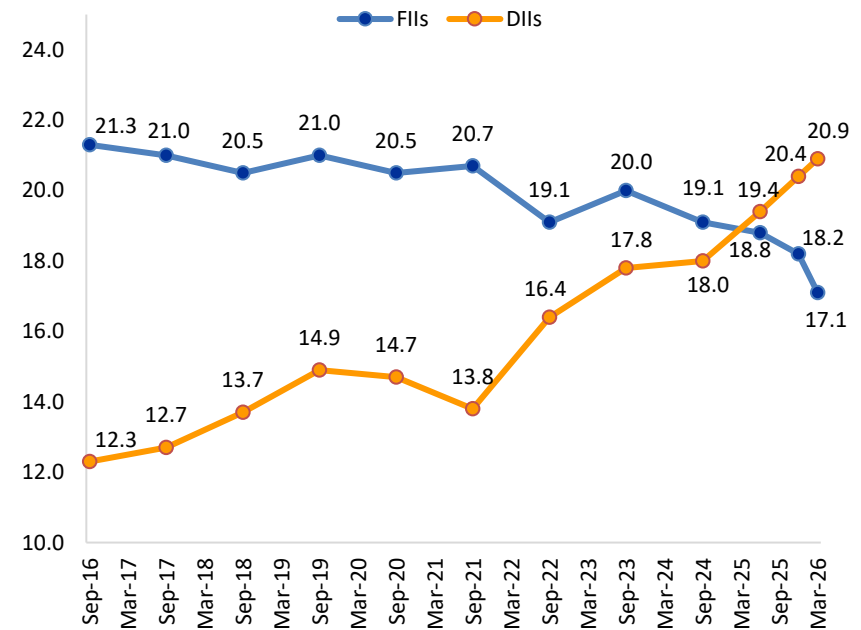
FII flows to get better

Chart 14: FII registers the highest outflow in a quarter (Rs Bn)



Source: MOSL, Valentis Research

Chart 15: Trend in FII/DII holdings for Nifty 500 (%)

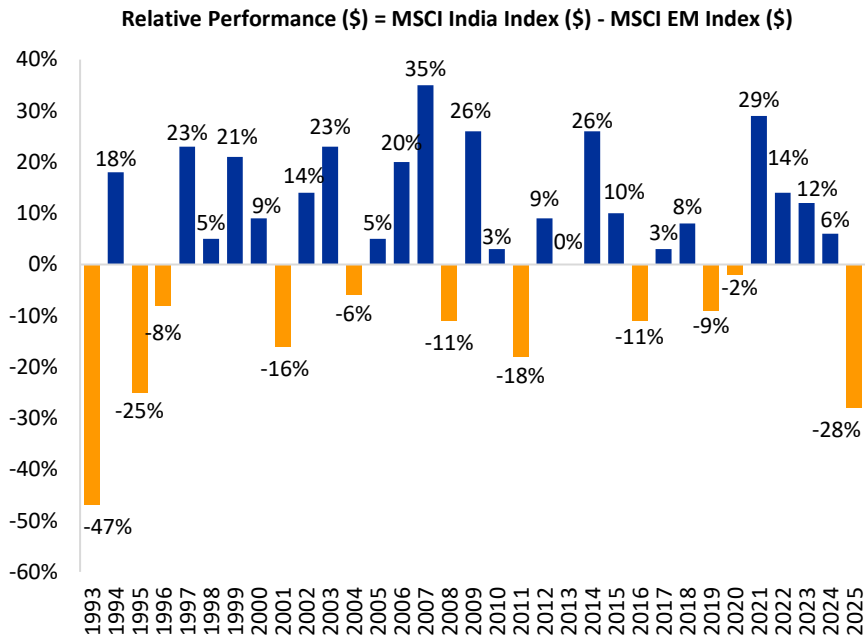


Source: MOSL, Valentis Research

Since Oct'24 FIIs have sold US \$45.5 bn

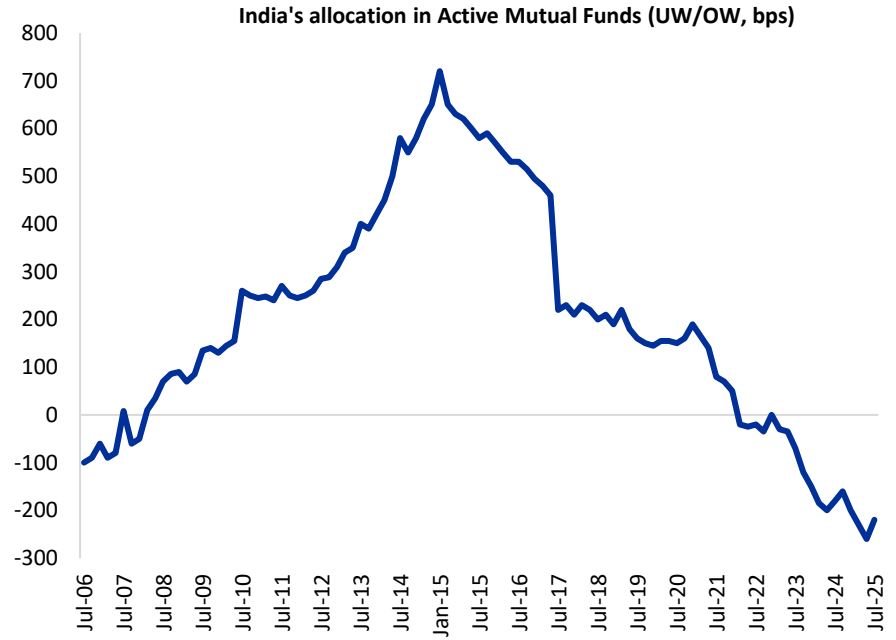
Positioning and performance favourable

Chart 16: India – worst performance in 30 years vs EMs



Source: Bloomberg, Valentis Research

Chart 17: India's allocation in active mutual funds globally is near a 2-decade low

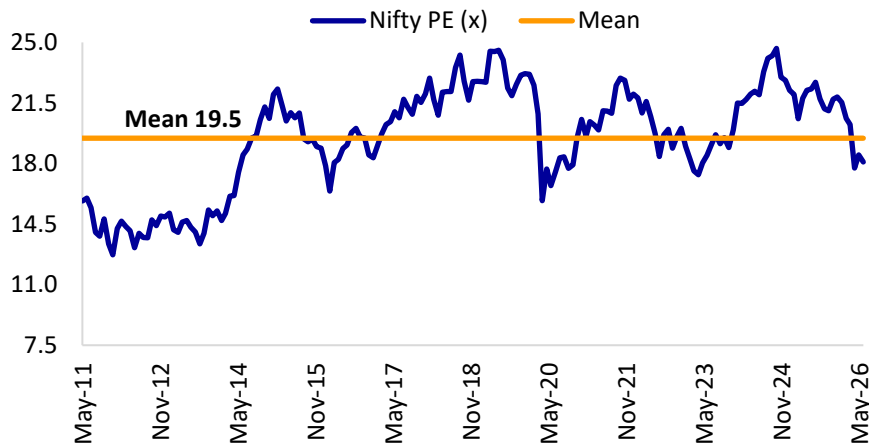


Source: Brokerage Reports, Valentis Research



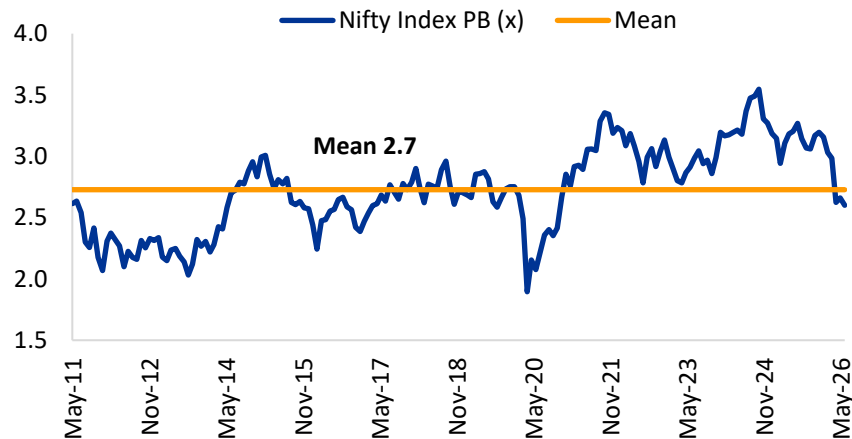
Valuations getting reasonable

Chart 18: Nifty 12M Fwd P/E (x) – below long-term valuation



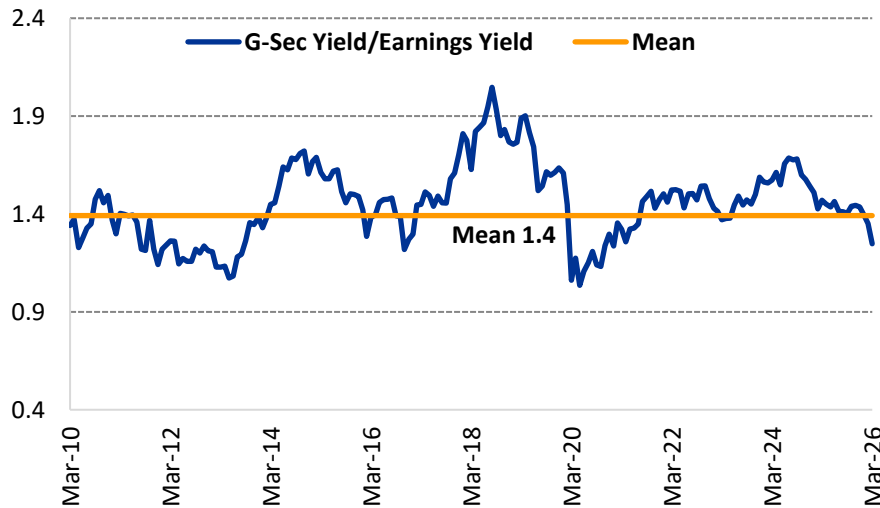
Source: MOSL, Valentis Research

Chart 19: Nifty 12M Fwd P/B (x) – at favorable valuation



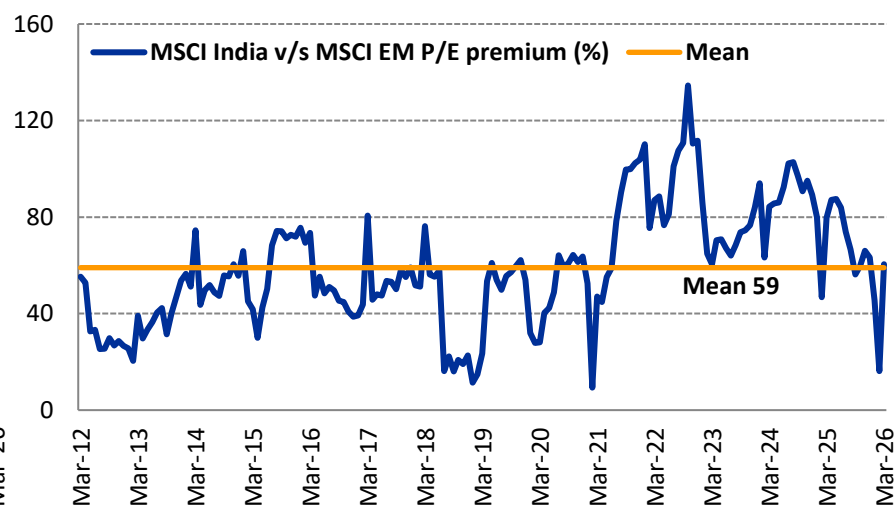
Source: MOSL, Valentis Research

Chart 20: Bond yield Vs SENSEX yield - below average valuations



Source: MOSL, Valentis Research

Chart 21: MSCI India v/s MSCI EM P/E premium (%)



Source: B&K, Valentis Research

Should we worry about the recent war?

Table 3: Market reaction to geopolitical events

Event	Event Date	S&P 500 Return					Nifty 50 Return				
		Size of Sell Off	1M	3M	6M	1Y	Size of Sell Off	1M	3M	6M	1Y
9/11 attack	11/09/2001	-13.5%	0.4%	4.3%	6.9%	-17.3%	-17.8%	-9.0%	7.4%	14.9%	-3.4%
Iraq War	20/03/2003	-3.7%	2.0%	13.7%	18.3%	26.7%	-5.0%	-8.2%	7.3%	29.0%	68.3%
Arab Spring (Eqypt)	25/01/2011	-1.2%	2.2%	3.4%	3.6%	2.7%	-4.0%	-6.7%	3.3%	-0.1%	-9.3%
Libya Intervention	19/03/2011	-4.8%	2.0%	-0.6%	-5.9%	4.5%	-1.7%	6.6%	-0.1%	-5.4%	-1.0%
Russia - Crimea	20/02/2014	-0.2%	1.8%	1.8%	8.0%	14.7%	0.3%	6.4%	19.4%	29.3%	45.0%
Intervention in Syria	22/09/2014	-9.4%	-3.4%	4.2%	5.5%	-2.6%	0.8%	-1.8%	2.2%	5.2%	-4.1%
Air strike on Syrian Air Base	07/04/2017	-1.2%	1.9%	3.0%	8.2%	10.6%	-1.3%	0.9%	5.1%	8.5%	12.3%
North Korea missile crisis	28/07/2017	-1.5%	-1.1%	4.4%	15.4%	14.8%	2.7%	-1.0%	3.1%	10.5%	12.6%
Saudi Aramco drone strike	13/09/2019	-5.1%	-1.4%	5.4%	-9.9%	11.1%	2.5%	2.4%	9.1%	-10.1%	3.5%
Russia invasion of Ukraine	24/02/2022	-2.6%	5.4%	-8.1%	-3.4%	-7.4%	-8.2%	6.0%	-0.8%	8.4%	7.5%

Source: ACE Equity, Investing.com, Valentis Research



Market consolidation signals strong forward returns

Table 4: Historical Data for when Nifty was flat for 18m (2000 to 2026)

Start	End	Return 18M (%)	Next 12M (%)	Next 36M (%)
7/31/2001	12/31/2002	1.92	71.9	159.4
8/31/2001	1/31/2003	-1.13	73.71	188.05
10/31/2001	3/31/2003	0.65	81.14	247.84
1/31/2007	6/30/2008	-1.03	6.2	39.77
3/31/2008	8/31/2009	-1.53	15.88	12.79
4/30/2008	9/30/2009	-1.59	18.61	12.18
2/28/2011	7/31/2012	-1.95	9.81	63.18
4/30/2011	9/30/2012	-0.8	0.56	39.37
5/31/2011	10/31/2012	1.07	12.09	43.53
12/31/2014	5/31/2016	-1.48	17.91	46.11
6/30/2015	11/30/2016	-1.72	24.34	46.59
9/30/2021	2/28/2023	-1.78	27.04	45.51
10/31/2021	3/31/2023	-1.76	28.61	28.64
8/31/2024	1/31/2026	-0.3	?	?
Average		-0.8	29.8	74.8
Median		-1.3	18.6	45.5

Source: ACE Equity, Investing.com, Valentis Research

Market correction signals even stronger forward returns

Table 5: Historical Data for when Nifty gave negative returns in 18m (2000 to 2026)

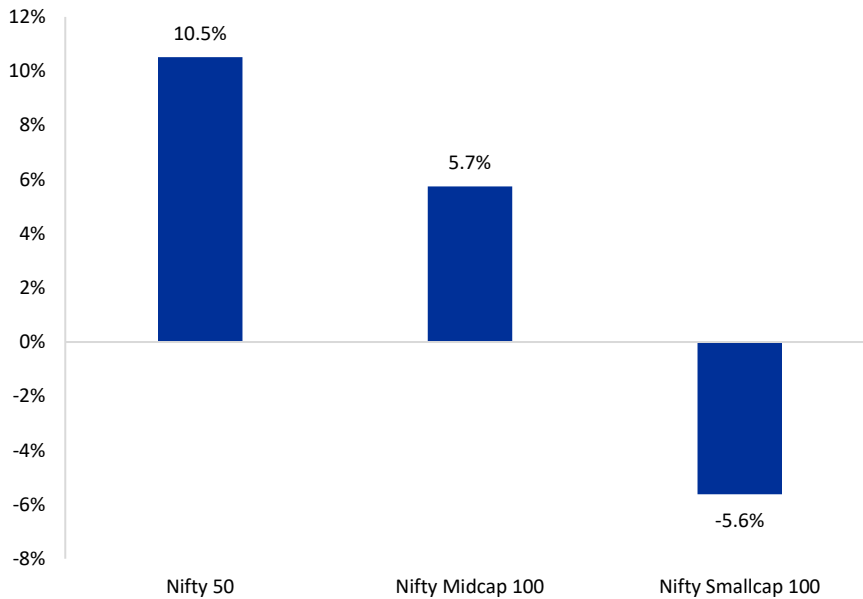
Start	End	Return 18M (%)	Next 12M (%)	Next 36M (%)
30/11/2001	30/04/2003	-12.5	92.3	337.7
31/12/2001	31/05/2003	-4.9	47.4	326.7
31/05/2007	31/10/2008	-32.8	63.3	94.7
30/06/2007	30/11/2008	-36.2	82.7	113.4
31/07/2007	31/12/2008	-34.7	75.8	99.6
31/08/2007	31/01/2009	-35.6	69.8	109.9
30/09/2007	28/02/2009	-45.0	78.1	106.0
31/10/2007	31/03/2009	-48.8	73.8	88.1
30/11/2007	30/04/2009	-39.7	51.9	70.7
31/12/2007	31/05/2009	-27.5	14.3	34.5
31/01/2008	30/06/2009	-16.5	23.8	36.1
29/02/2008	31/07/2009	-11.2	15.8	23.8
31/05/2008	31/10/2009	-3.3	27.7	33.7
31/03/2010	31/08/2011	-4.7	5.1	59.4
30/04/2010	30/09/2011	-6.3	15.4	60.8
30/06/2010	30/11/2011	-9.0	21.7	64.2
31/07/2010	31/12/2011	-13.8	27.7	71.8
31/08/2010	31/01/2012	-3.8	16.1	45.5
30/09/2010	29/02/2012	-10.7	5.7	29.7
31/10/2010	31/03/2012	-12.0	7.3	46.1
30/11/2010	30/04/2012	-10.5	13.0	49.6
31/12/2010	31/05/2012	-19.7	21.6	65.7
31/01/2011	30/06/2012	-4.1	10.7	57.0
31/03/2011	31/08/2012	-9.9	4.1	67.1
31/08/2014	31/01/2016	-4.9	13.2	58.2
30/09/2014	29/02/2016	-12.3	27.1	60.3
31/10/2014	31/03/2016	-7.0	18.5	11.1
30/11/2014	30/04/2016	-8.6	18.5	25.6
31/01/2015	30/06/2016	-5.9	14.9	24.3
28/02/2015	31/07/2016	-3.0	16.7	28.2
31/10/2018	31/03/2020	-17.2	70.9	159.7
30/11/2018	30/04/2020	-9.3	48.4	129.3
31/12/2018	31/05/2020	-11.8	62.7	135.2
31/01/2019	30/06/2020	-4.9	52.6	133.1
30/04/2019	30/09/2020	-4.3	56.6	129.5
30/09/2024	28/02/2026	-2.4	?	?
31/10/2024	31/03/2026	-7.7	?	?
Average		-14.9	36.1	85.3
Median		-10.5	23.8	64.2

Source: ACE Equity, Investing.com, Valentis Research



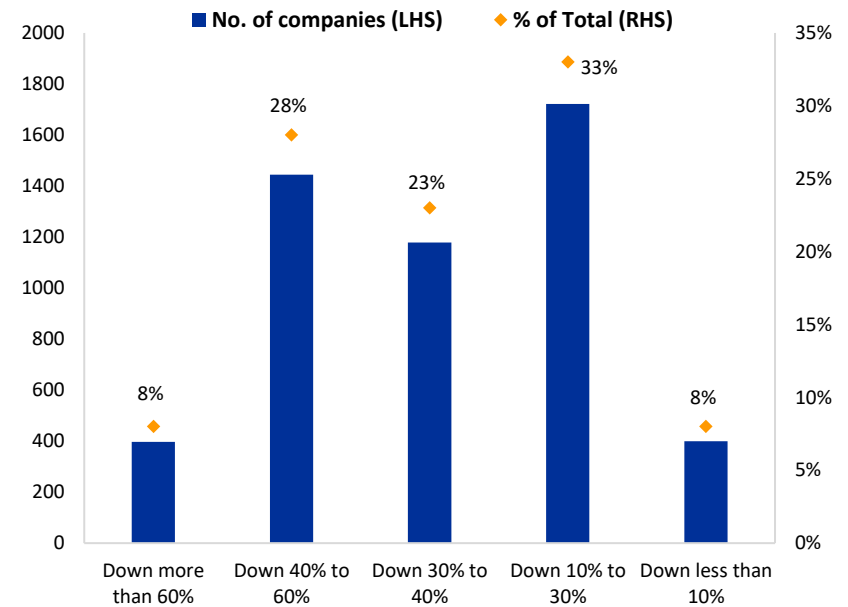
Poor year for smallcaps in CY25

Chart 22: Small and Midcap underperformed Large cap in CY25



Source: ACE Equity, Valentis Research

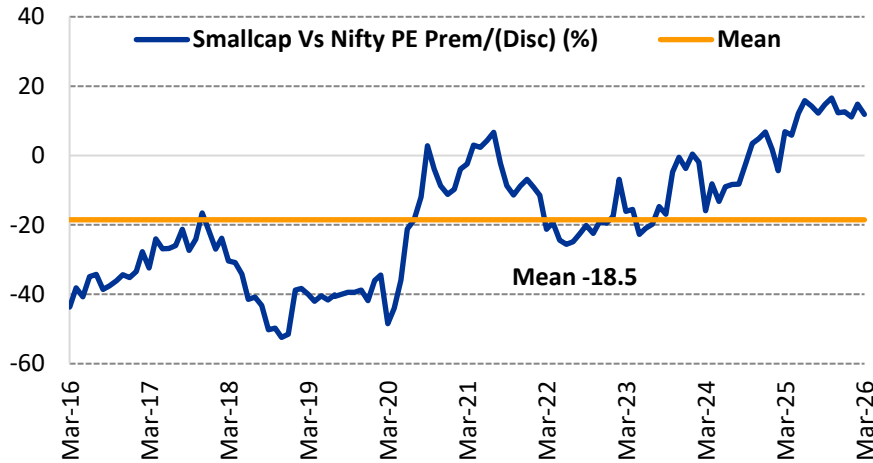
Chart 23: Companies down from their 52-week Highs



Source: ACE Equity, Valentis Research

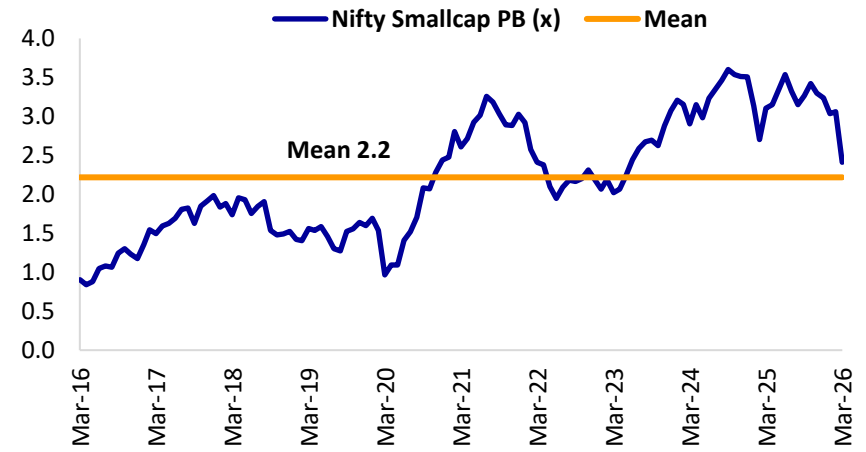
Small-Cap more expensive but faster earnings growth

Chart 24: Smallcap Vs Nifty PE Prem/(Disc)



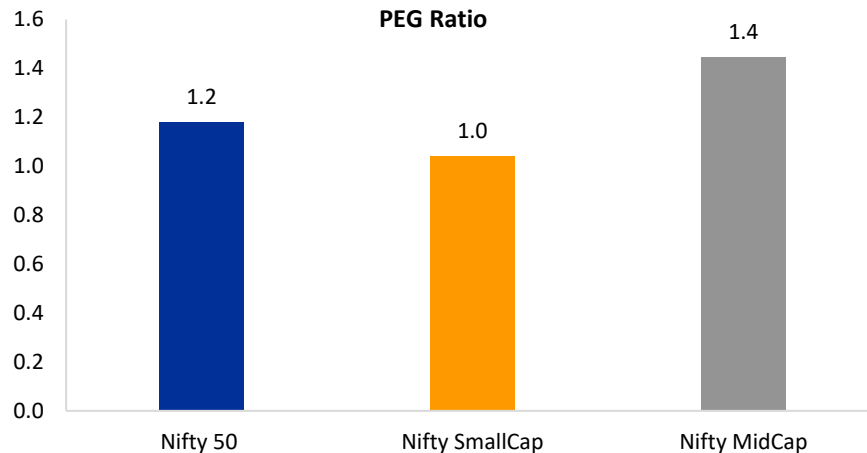
Source: MOSL, Valentis Research

Chart 25: Nifty Smallcap price / book (x) trend



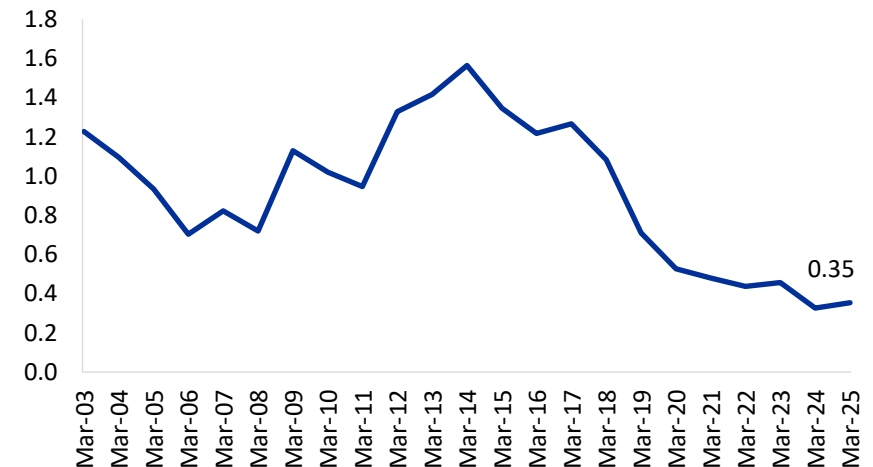
Source: MOSL, Valentis Research

Chart 26: PEG Ratio – Smallcap appears cheapest



Source: MOSL, Valentis Research

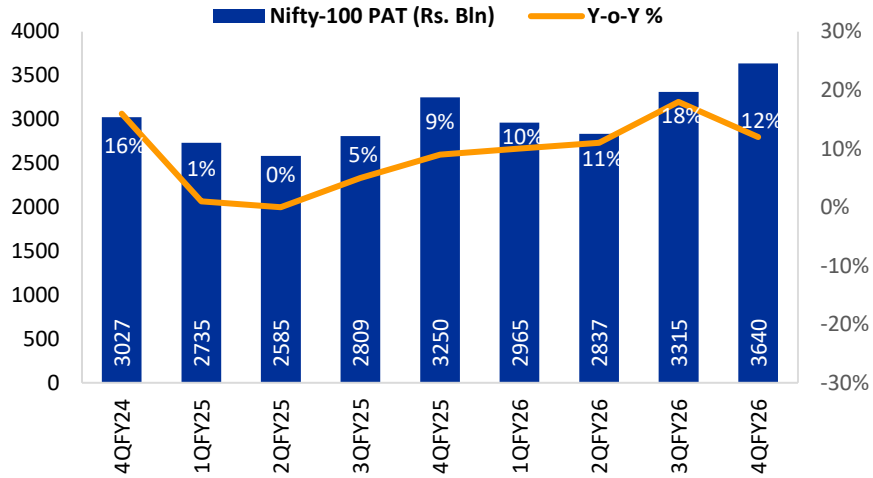
Chart 27: Nifty Smallcap net debt / equity (x) trend



Source: Isec, Valentis Research

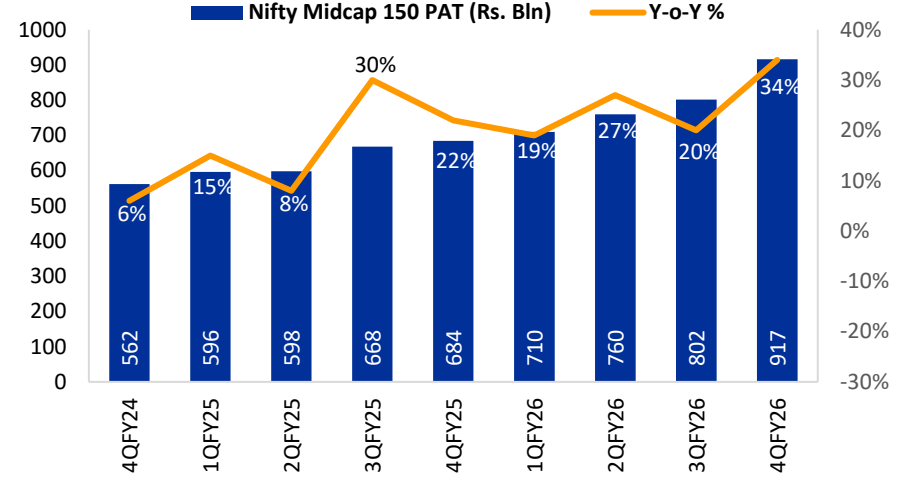
Mid-cap and small-cap reviving

Chart 28: Aggregate PAT of Nifty-100 constituents grew 12% YoY



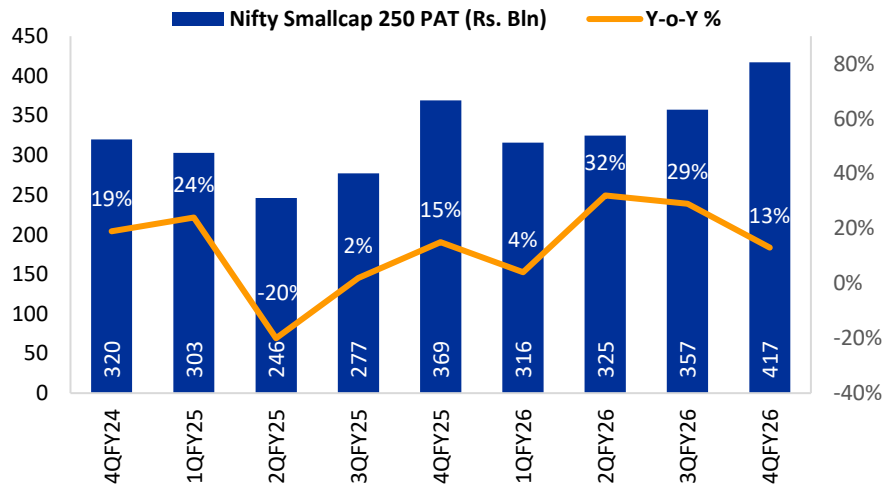
Source: MOSL, Valentis Research

Chart 29: Nifty Midcap-150 PAT grew 34% YoY



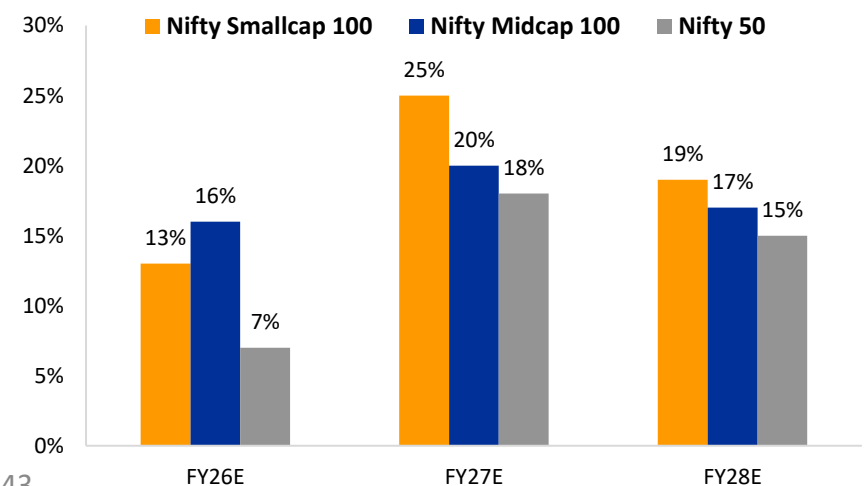
Source: MOSL, Valentis Research

Chart 30: Nifty Smallcap-250 reported a PAT growth of 13% YoY



Source: MOSL, Valentis Research

Chart 31: Nifty Smallcap-250 reported a PAT growth of 29% YoY



Source: Isec, Valentis Research

Cycle of small caps indicate longish spell of strong returns

Table 6: Small cap Downturn Cycle

Date		Nifty Smallcap 100	No. of Days	CAGR
Beginning	Ending	Loss (%)		
01/01/2004	24/06/2004	-26%	175	-46%
04/01/2008	06/03/2009	-77%	427	-72%
05/10/2010	30/12/2011	-41%	451	-35%
04/07/2014	26/02/2016	-21%	602	-13%
12/01/2018	03/04/2020	-64%	812	-36%
14/01/2022	17/06/2022	-31%	154	-58%
13/09/2024	27/03/2026	-20%	560	-13%

Source: ACE Equity, Valentis Research

Table 7: Small cap Upturn Cycle

Date		Nifty Smallcap 100	No. of Days	CAGR	P/E (X) at beginning
Beginning	Ending	Gain (%)			
24/06/2004	04/01/2008	712%	1289	81%	6.4
06/03/2009	05/10/2010	232%	578	114%	13
30/12/2011	04/07/2014	103%	917	33%	9.1
26/02/2016	12/01/2018	119%	686	52%	21.4
03/04/2020	14/01/2022	242%	651	99%	13.9
17/06/2022	13/09/2024	137%	819	47%	24.7
27/03/2026	?	?	?	?	28.4

Source: ACE Equity, Valentis Research

When years happen in a month

Table 8: When Index rises more than 15%

When Index rise more than 15%							
1M Prior Return	Smallcap 100 Index up 15%+		1M	2M	3M	6M	1Y
16.7%	31-May-09	47.3%	-1.7%	4.6%	12.8%	20.4%	29.4%
6.5%	31-May-14	22.4%	12.0%	5.1%	4.0%	7.8%	15.6%
-10.2%	30-Apr-26	18.4%	-	-	-	-	-
7.0%	31-Dec-07	17.6%	-21.7%	-21.8%	-35.0%	-43.3%	-71.2%
-9.6%	31-Jan-12	16.7%	6.9%	7.0%	8.9%	1.4%	14.4%
8.9%	30-Apr-09	16.7%	47.3%	44.8%	54.1%	66.6%	104.5%
-1.8%	30-Jun-20	15.3%	8.6%	21.0%	26.2%	53.6%	110.9%
12.0%	31-Aug-05	14.8%	1.5%	-9.4%	1.1%	14.5%	30.7%
Average			7.6%	7.3%	10.3%	17.3%	33.5%
Median			6.9%	5.1%	8.9%	14.5%	29.4%

Source: ACE Equity, Valentis Research

- **Index higher 3 months later: 6/7 instances**
- **Index higher 1 month later: 5/7 instances**
- **Median forward returns: +9% (3 months), +7% (1 month).**



Post correction bounce is sharp

Table 9: Returns after Maximum Drawdown in Nifty SmallCap 100

Period	Max DD Nifty SmallCap 100	Returns after DD		
		6M	1Y	2Y
CY04	-29%	58%	117%	106%
CY05	-16%	56%	65%	58%
CY06	-35%	53%	77%	37%
CY07	-15%	37%	40%	-31%
CY08	-76%	95%	131%	70%
CY09	-24%	126%	162%	59%
CY10	-19%	0%	-19%	0%
CY11	-35%	22%	39%	11%
CY12	-11%	16%	-11%	27%
CY13	-35%	26%	101%	53%
CY14	-13%	26%	15%	15%
CY15	-20%	-2%	29%	28%
CY16	-24%	37%	53%	41%
CY17	-9%	25%	11%	-3%
CY18	-40%	14%	-3%	2%
CY19	-23%	18%	9%	37%
CY20	-47%	65%	142%	76%
CY21	-11%	-23%	-4%	18%
CY22	-33%	26%	36%	51%
CY23	-11%	45%	75%	36%
CY24	-14%	36%	4%	11%
CY25	-23%	21%	13%	-
Median	-23%	26%	38%	36%
Average	-26%	36%	49%	33%
Avg (Excl. CY08 & CY20)	-22%	31%	40%	29%

Source: ACE Equity, Valentis Research
*Returns above 1 Year are CAGR



Midcaps outperformed 15 out of 25 years...

Year	Nifty Index	MidCap Index	Difference
CY01	-16%	-30%	-15%
CY02	4%	25%	21%
CY03	74%	143%	70%
CY04	11%	25%	15%
CY05	34%	33%	-1%
CY06	41%	28%	-14%
CY07	53%	78%	25%
CY08	-51%	-59%	-8%
CY09	72%	97%	25%
CY10	18%	18%	1%
CY11	-25%	-32%	-7%
CY12	28%	41%	13%
CY13	6%	-6%	-12%
CY14	31%	56%	24%
CY15	-4%	7%	11%
CY16	3%	6%	3%
CY17	29%	47%	19%
CY18	3%	-15%	-19%
CY19	12%	-4%	-16%
CY20	15%	22%	7%
CY21	24%	46%	22%
CY22	4%	4%	-1%
CY23	20%	47%	27%
CY24	9%	24%	15%
CY25	11%	6%	-5%
Rs. 10cr. Invested in Jan 2001 will become	206.8 cr.	526.9 cr.	155%



Smallcaps outperformed 13 out of 22 years...

Year	Nifty Index	SmallCap Index	Difference
CY04	11%	35%	24%
CY05	36%	62%	26%
CY06	40%	42%	2%
CY07	55%	87%	33%
CY08	-52%	-71%	-19%
CY09	76%	107%	31%
CY10	18%	18%	0%
CY11	-25%	-34%	-9%
CY12	28%	37%	9%
CY13	7%	-8%	-15%
CY14	31%	55%	24%
CY15	-4%	7%	11%
CY16	3%	2%	-1%
CY17	29%	57%	29%
CY18	3%	-29%	-32%
CY19	12%	-10%	-22%
CY20	15%	21%	7%
CY21	24%	59%	35%
CY22	4%	-14%	-18%
CY23	20%	56%	36%
CY24	9%	24%	15%
CY25	11%	-6%	-17%
Rs. 10cr. Invested in Jan 2004 will become	139.0 cr.	177.1 cr.	27%



Other critical question – What will do well?

The top 10 stocks by market cap seldom make it to the end of the next decade

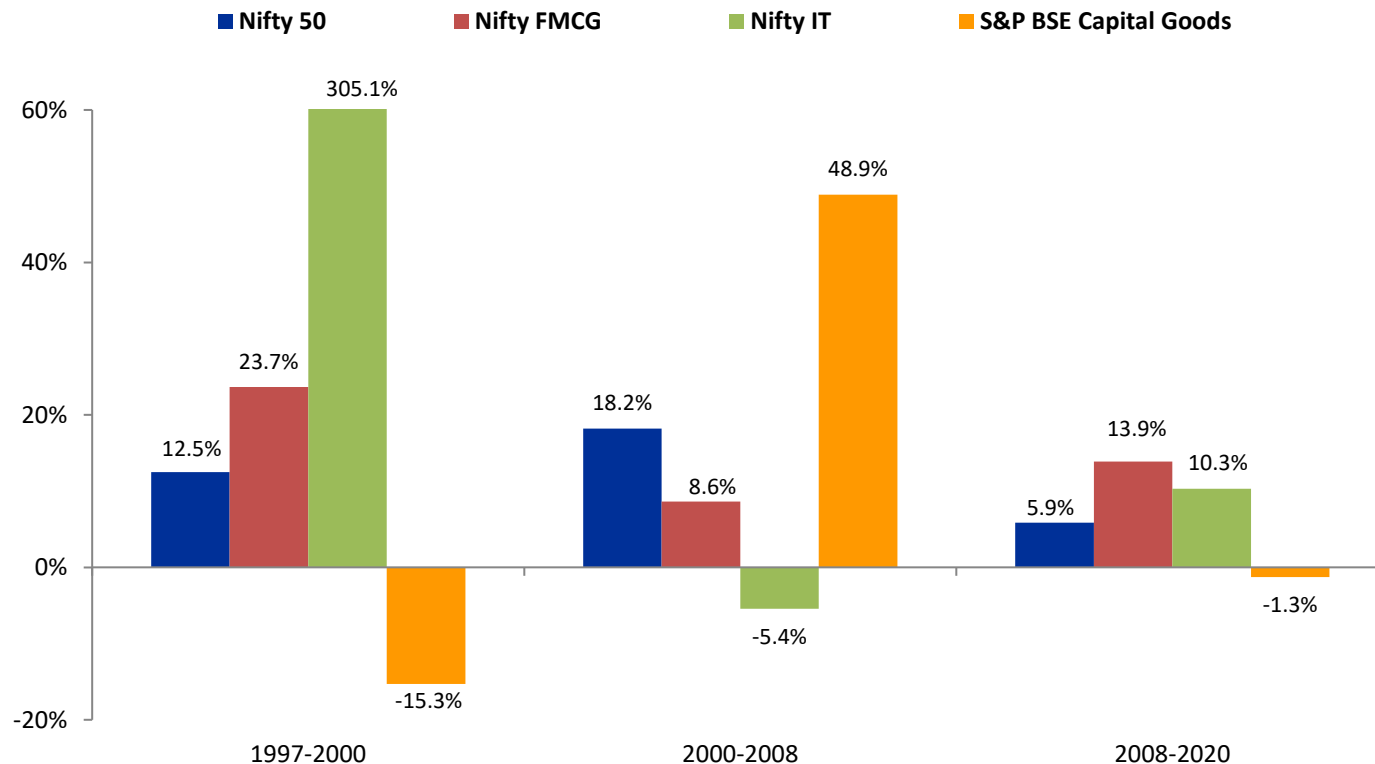
1980		1990		2000		2010		2020	
USA	IBM	Japan	NTT	USA	Microsoft	USA	Exxon Mobil	USA	Apple Inc.
USA	AT&T	Japan	Bank of Tokyo-Mitsubishi	USA	General Electric	China	PetroChina	S. Arabia	Saudi Aramco
USA	Exxon	Japan	Industrial Bank of Japan	Japan	NTT DoCoMo	USA	Apple Inc.	USA	Microsoft
USA	Standard Oil	Japan	Sumitomo Mitsui Banking	USA	Cisco Systems	Australia	BHP Billiton	USA	Amazon
USA	Schlumberger	Japan	Toyota Motor	USA	Wal-Mart	USA	Microsoft	USA	Alphabet (Google)
Netherlands	Royal Dutch	Japan	Fuji Bank	USA	Intel	China	ICBC	USA	Facebook
USA	Mobil	Japan	Dai-ichi Kangyo Bank	Japan	NTT	Brazil	Petrobras	China	Tencent
USA	Atlantic Richfield	USA	IBM	USA	Exxon Mobil	China	China Construction Bank	USA	Tesla
USA	General Electric	Japan	UFJ Bank	USA	Lucent Technologies	Netherlands	Royal Dutch Shell	China	Alibaba
USA	Eastman Kodak	USA	Exxon	Germany	Deutsche Telekom	Switzerland	Nestle	USA	Berkshire Hathaway

“Change is the only constant.”



Steep falls lead to a change in sector leadership

Chart 32: Sectoral indices return during different bull runs(%)




Source: BSE, ACE Equity, Valentis Research

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