

INVESTOR LETTER – JAN 2026

Let me take this opportunity to update you on the performance of both Shree Lakshmi and Shree Vriddhi funds for the 9MFY26. Shree Lakshmi fund is up 11.56% and Shree Vriddhi fund is down -3.42% versus 12.57% of the BSE500 TRI. You can also find the month-on-month performance of the two funds.

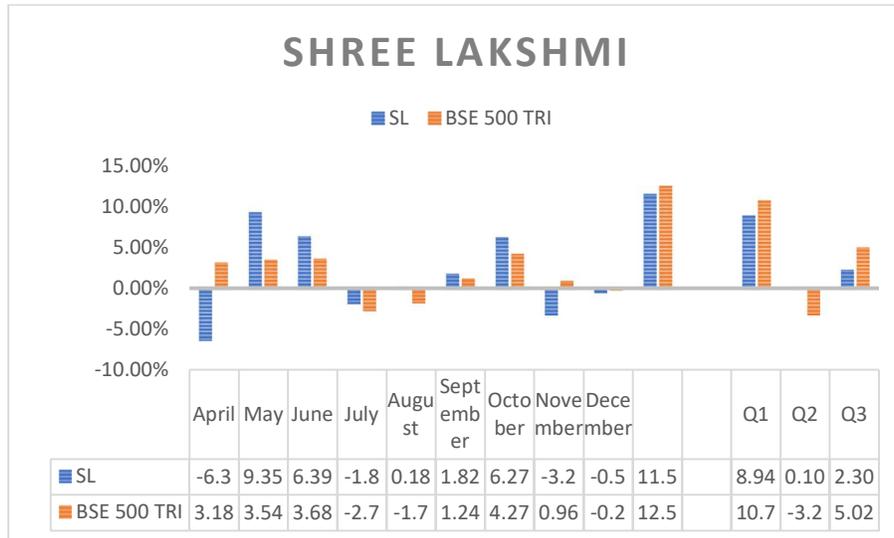


Fig 1: Shree Lakshmi performance

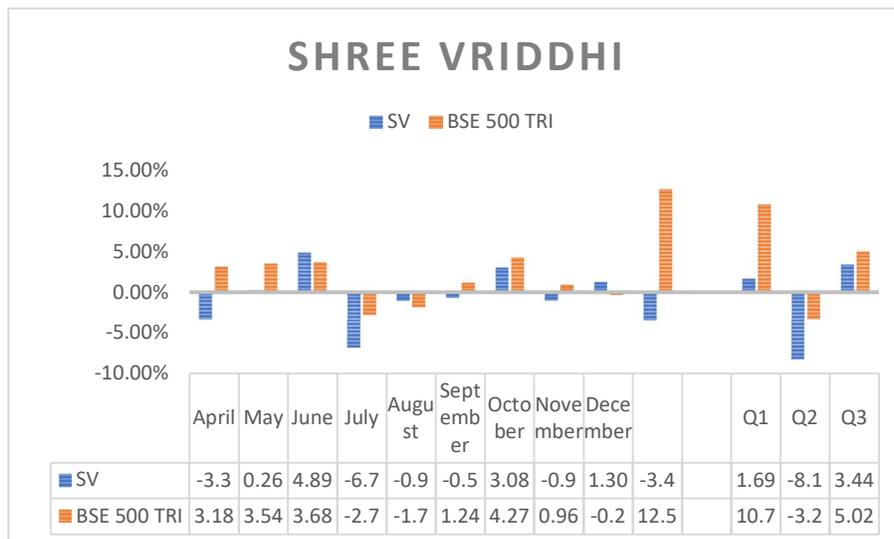


Fig 2: Shree Vriddhi performance

The market in CY2025

Our funds haven't performed well. There is no hiding or shying away from the fact. One of the reasons for it is that the style of investing I follow is growth and momentum oriented.

No style of investing can make money in each year across different market cycles. Like I mention in each of my letters, one of every four years will be bad. Unfortunately, this cycle has now gone on for nearly a year and a half. Nearly three-fourths of stocks in Nifty 500 are down more than 10% and nearly half are down between 20-50%. This shows the kind of market we are facing, where a few large cap stocks are holding up the headline indices.

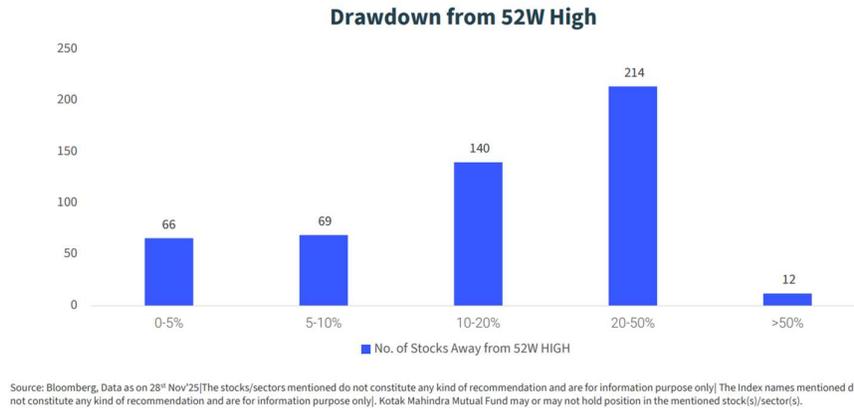


Fig 3: Drawdown from 52-Week Highs

As I write this, in January 2026, the market continues to remain weak and yet paradoxically near all-time highs. The market has continued to be extremely volatile with headline indices inching closer to all-time highs but the vast majority of stocks languishing. 59% of the stocks are down more than 30% from their 52-week highs.

The advantage of my style of investing is that when the market does turn up, the gains compensate for the time and capital lost in this period. That has been my experience in the past and also during the months in this current cycle when the markets have bounced a bit.

Selling from Foreign Funds

The FII/FPI selling has also been relentless throughout the year and there is no end to it even in 2026. With INR continuing to be weak, the incentive for a foreigner to invest in India becomes lesser. To explain why, think of a person who invests when INR is at 85 and after a while when he sells the stock he has invested in has been completely flat (no loss or gain), he cannot get his full dollar back as the currency has moved to 90 (he gets back $85/90=\$0.94$). With markets weak and currency headwinds, the foreigners are now more wary than ever to invest in India.

Even investments from sovereign wealth funds, who usually have a much longer investment horizon, deserted India in 2025.

Date	FII SEBI			DII SEBI		
	Gross Purchase	Gross Sales	Net Purchase / Sales	Gross Purchase	Gross Sales	Net Purchase / Sales
December 2025	249,054.90	283,404.52	-34,349.62	356,905.61	277,285.70	79,619.91
November 2025	307,573.59	325,073.90	-17,500.31	318,136.71	241,052.93	77,083.78
October 2025	261,117.36	263,464.25	-2,346.89	314,238.53	261,444.51	52,794.02
September 2025	278,843.46	314,144.82	-35,301.36	326,751.09	261,407.50	65,343.59
August 2025	268,077.36	314,980.28	-46,902.92	293,563.09	198,734.54	94,828.55
July 2025	284,138.54	331,805.22	-47,666.68	321,827.75	260,888.59	60,939.16

Fig 4: FII-DII Cash Inflow/Outflow

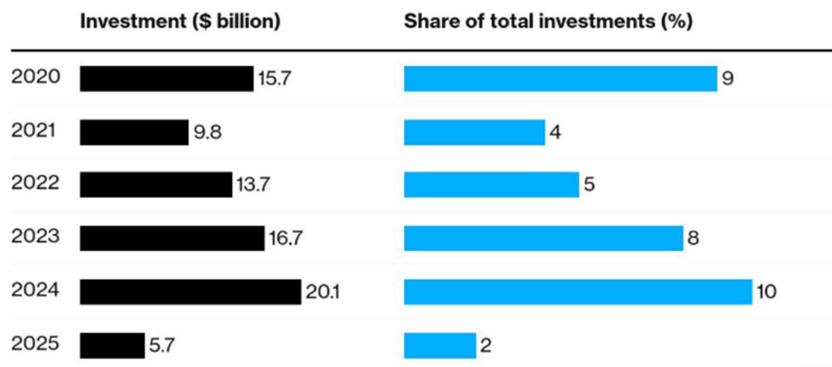


Fig 5: Investment into India by Sovereign Wealth Funds

The IPO cycle continues

CY2025 saw a deluge of IPOs – 107 on the mainboard and 269 on the SME board gathering around 1.95 lakh crores. There were 37 IPOs with an issue size of more than 1000 crs. IPOs have tendency to suck out capital from the secondary markets. This also has resulted in some amount of weakness in the broader markets.

The Top IPOs of the year were as follows:

IPO Company	Issue size (crs)
Tata Capital	15,512
HDB Financial Services	12,500
LG Electronics	11,607
ICICI Prudential Asset	10,603
Hexaware Technologies	8,750
Lenskart Solutions	7,278
Billionbrains Garage Ventures (Groww)	6,632
Meesho	5,421
Knowledge Realty Trust	4,800

National Securities Depository	4,012
Pine Labs	3,900
Tenneco Clean Air	3,600
JSW Cement	3,600
Schloss Bangalore	3,500

Table 1: Top IPOs of 2025

I have always been very sceptical of IPOs and the data in the following table shows why. Although a decent percent of stocks both open and close positive on the listing day, the odds of a good return fall off as time passes. The main reason for this is that companies window-dress their financials before an IPO and the excesses usually come out in the first two-three quarters post listing. But there are a large number of IPO flippers in the market who solely apply to IPOs for listing day gains and keep flipping from one IPO to the next.

Stocks IPO-ed in 2025	
Percent of Stocks Listed in Profit	79.4%
Avg Listing Gains	9.0%
Percent of Stocks Closed in Profit on Listing Day	67.3%
Stocks in Profit (Till Date)	49.5%

Table 2: IPO statistics

Gold & Silver

I had turned bullish on Gold around August-September 2024 but since our mandate is to invest only in equities and I personally also do not invest in gold/silver did not take an action. In hindsight, that was a mistake. A reasonable position in gold and silver in the last 15-16 months would have provided a good cushion to the overall portfolio.

My current view on these two is that they rise, especially for Silver, has been too sharp and could see some consolidation or correction. For the medium-term I continue to feel that these would do well as long as the geopolitical situation in the world remains volatile and central banks keep buying. In the very short term, we could see some correction as very rarely unidirectional trades keep working.

Market Outlook

I was expecting, like a lot of others, that India and US would have a tariff deal signed before the end of the year. That did not happen and the erratic nature of announcements keep coming from the US President on nearly a daily basis creating volatility in global markets.

We are also witnessing a serious deviation from the relatively peaceful global order that was there since the fall of the Berlin Wall and the end of the Cold War. News is now filled with conflicts across the world and they keep festering on.

Coming to India, nominal GDP growth is at decadal lows – below 10%. Earnings growth has been stagnant and unless we see a serious uptick in it, markets are unlikely to return to its growth ways. It is worth remembering that markets are always a slave of earnings.

Earning Trends

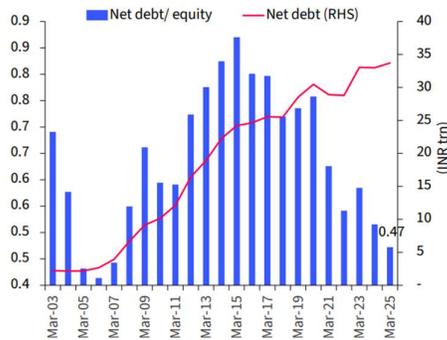
What is the trend of earnings growth for listed companies in India?

● Median Sales Growth ● Median Op Profit Growth ● Median PAT Growth ● Median EPS Growth



Fig 6: Q2FY26 Aggregate Results

Companies have cleaned up their balance sheets and corporate capex has started to pick up.



Source : Capital Line, I-Sec Research Report dated 18th nov 2025
 Note: Net Debt = Total Debt – cash only top 1000 companies by market cap considered at respective point in time.

Fig 7: Corporate Debt-Equity at multiyear low

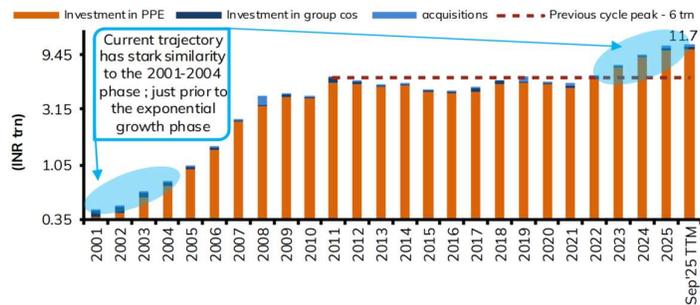


Fig 8: Investment Capex

Since 1999, it has never happened that we have had two consecutive negative years in the market. I know there is always a first time for everything, but the probabilities are on our side that this year will be a positive one. I think the measures taken by the government in cutting income tax, GST rate consolidation, spending on infrastructure, export-boosting measures will start showing up on the corporate results from Q1 and Q2 so around middle of this year onwards we could start seeing some traction in the markets. Sometimes, markets can pre-empt the improvement in results and start moving up earlier.

What should investors do?

Now, more than ever, is a time to be patient and maybe even deploy additional capital if available in SIP mode. That’s what I am doing personally.

And lastly, like always, let me reiterate the 1-in-4 rule.

The 1-in-4 Rule: Best to remind ourselves frequently

I have this rule that I always keep at the back of my mind. It goes like this.

- 1 in 4 years will be bad where we will lose money.
- 1 in 4 stocks will not play out the way we thought it would.
- 1 in 4 stocks we will get in or out too early or too late.

In addition, once every year, we are likely to see a 10% fall in the markets. Once every 2-3 years, a 20% fall and once every 8-10 years a 30%+ fall.

The problem is we don't really know which of these we are in now. Is this the one year where we will lose money? Or is this the stock in which we are making a mistake on?

Since we don't know if this year will be that bumper year or that bad year, the most rational thing to do, if we have a long-term horizon is to remain invested.

Once we understand this, it is easier to handle the ups and downs. Plan for the occasional speed breaker on the road. It is not that you leave your house only when you know that the road to your destination is all clear with zero traffic. You get out on the road and make the journey. Along the way, sometimes the traffic is slow, sometimes fast and if there are diversions you take them as long as they take you towards the destination.

It is exactly the same here. Just keep in mind the destination in this journey is to compound your capital at a reasonable rate over your investment horizon and not make large capital losses.

Thank you once again for being part of our journey of wealth creation.

Abhishek
Co-Founder and Fund Manager
Shree Rama Managers PMS

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