

# INVESTOR LETTER – OCT 2025

Let me take this opportunity to update you on the performance of both Shree Lakshmi and Shree Vriddhi funds for the FY26. Shree Lakshmi fund is up 9.04% and Shree Vriddhi fund is down -6.63% versus 7.19% of the BSE500 TRI. You can also find the month-on-month performance of the two funds.

Overall, on a quarterly basis, Q2 was an overall lacklustre quarter with Shree Lakshmi remaining nearly flat, up 0.10% and Shree Vriddhi losing -8.18% versus -3.23% of the BSE 500 TRI index.

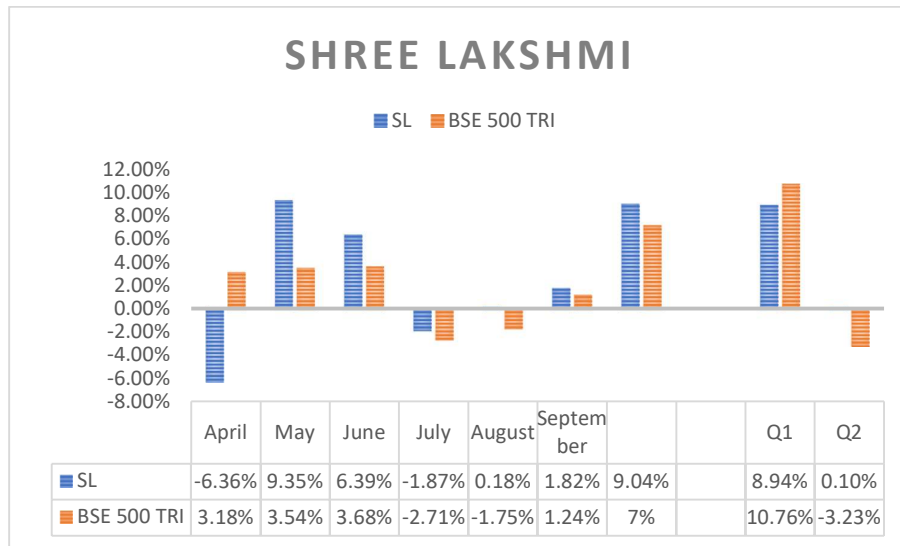


Fig 1: Shree Lakshmi performance

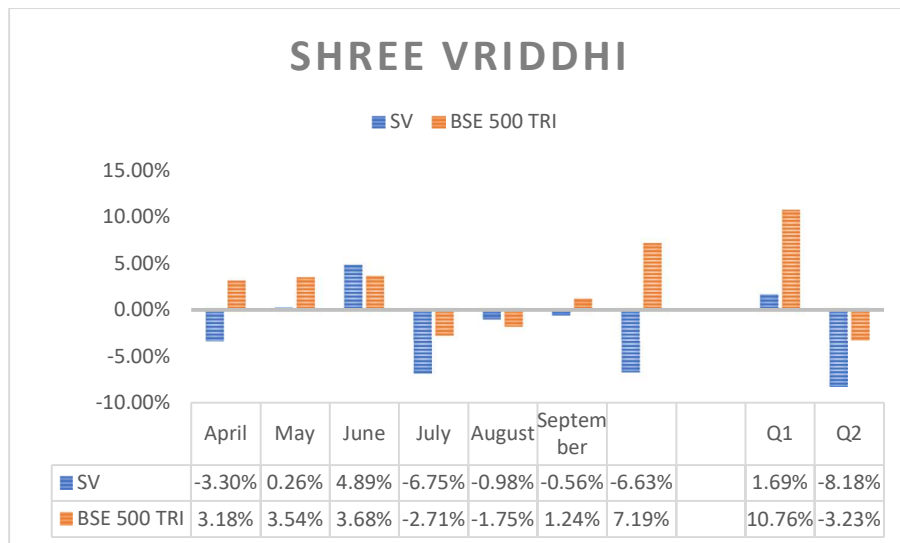


Fig 2: Shree Vriddhi performance

As the market regime is not favourable to medium-to-long term momentum, we have made a few tactical changes to the Shree Vriddhi strategy. We have reduced the concentration from the usual 10-12 stocks to 15-18 stocks to get some more optionality and are making more graded entries and exits. That means instead of buying and selling our entire positions in one go, we are staggering both the buys and the sells. This is allowing each stock more wiggle room without hitting their respective stop losses. We will revert back to concentrated momentum-based approach when the market regime changes to a bullish phase.

|               | Segment                                                       | Absolute Performance (%) |          |          |         | CAGR (%) |         |          |
|---------------|---------------------------------------------------------------|--------------------------|----------|----------|---------|----------|---------|----------|
|               |                                                               | 1 Month                  | 3 Months | 6 Months | 1 Year  | 3 Years  | 5 Years | 10 Years |
| Single Factor | Value (NIFTY 50 Value 20 Index)                               | -0.08%                   | -3.31%   | 0.95%    | -11.69% | 15.56%   | 20.04%  | 15.73%   |
|               | Quality (NIFTY 100 Quality 30 Index)                          | -0.24%                   | -1.16%   | 7.48%    | -9.81%  | 14.66%   | 17.09%  | 11.87%   |
|               | Low Vol (NIFTY 100 Low Vol 30 Index)                          | -1.62%                   | -0.72%   | 6.87%    | -5.92%  | 17.06%   | 18.44%  | 14.35%   |
|               | Alpha (NIFTY 100 Alpha 30)                                    | 0.49%                    | -3.21%   | 8.73%    | -13.73% | 13.93%   | 19.25%  | 16.31%   |
|               | Alpha (NIFTY 200 Alpha30)                                     | -1.26%                   | -6.98%   | 7.97%    | -15.82% | 23.47%   | 24.77%  | 19.47%   |
|               | Momentum (NIFTY 200 Momentum30)                               | 0.70%                    | -6.24%   | 6.37%    | -20.03% | 16.90%   | 20.91%  | 17.47%   |
|               | Quality (NIFTY 200 Quality30)                                 | -0.18%                   | -2.79%   | 6.98%    | -11.33% | 14.10%   | 16.35%  | 13.02%   |
|               | Value (NIFTY 200 Value30)                                     | 7.19%                    | 0.41%    | 7.93%    | -6.42%  | 35.96%   | 39.51%  | 18.12%   |
|               | Momentum (NIFTY Midcap150 Momentum50)                         | -1.17%                   | -8.07%   | 5.90%    | -12.08% | 21.64%   | 30.00%  | 21.22%   |
|               | Quality (NIFTY Midcap150 Quality50)                           | -0.15%                   | -5.72%   | 7.89%    | -8.13%  | 13.15%   | 17.10%  | 15.00%   |
|               | Quality (NIFTY Smallcap250 Quality50)                         | -1.11%                   | -7.82%   | 7.76%    | -14.72% | 20.96%   | 27.79%  | 18.03%   |
|               | Momentum (NIFTY500 Momentum 50)                               | 0.76%                    | -8.48%   | 6.17%    | -20.56% | 18.32%   | 25.76%  | 18.49%   |
|               | Value (NIFTY500 Value 50)                                     | 6.64%                    | 1.23%    | 9.50%    | -5.52%  | 35.37%   | 39.93%  | 18.35%   |
|               | Alpha Low Vol (NIFTY Alpha Low Vol 30)                        | -0.64%                   | -4.15%   | 3.94%    | -15.76% | 16.46%   | 17.98%  | 14.70%   |
| Multi-Factor  | Quality Low Vol (NIFTY Quality Low Vol 30)                    | -0.96%                   | -0.91%   | 5.76%    | -11.14% | 13.01%   | 15.78%  | 11.49%   |
|               | Momentum Quality (NIFTY500 Multicap Momentum Quality 50)      | 1.22%                    | -7.67%   | 6.50%    | -16.35% | 20.11%   | 22.39%  | 17.50%   |
|               | Momentum Quality (NIFTY MidSmallcap 400 Momentum Quality 100) | 0.03%                    | -8.69%   | 6.14%    | -13.73% | 19.40%   | 24.22%  | 17.97%   |
|               | Momentum Quality (NIFTY Smallcap 250 Momentum Quality 100)    | 1.00%                    | -8.09%   | 5.90%    | -15.65% | 18.05%   | 25.19%  | 17.97%   |

*Fig 3: Factor performance over time*

Fig 3 has a very interesting data set. If you notice, the last one year has been very bad for any sort of momentum strategy, whether it is Largecap, midcap or smallcap. Even momentum oriented multifactor strategies like Momentum-Quality have also performed poorly. Compare that to five or ten year performances and momentum stands out as a star performer. The underlines two very important points:

- No strategy works all the time
- Momentum works fantastically well over time as a wealth creation strategy

## **Market Outlook**

There market has been in a corrective phase for over a year now. Although headline indices do not always show the pain in the across the market as out indices are market cap weighted and hence approximately 68% of BSE 500 is in large caps, which is not representative of the overall market. Usually, bear phases last for 9-18 months and we are probably coming near the end of the current bear phase.

I expect the market and our portfolios to be better off in the next 12 months than in the previous year. The key drivers of better performance would be:

- GST rationalisation driving better consumption
- Lower taxes leaving more disposable income in people's hands

- iii) Gold price rise creating a household wealth effect (though not a large one, as people don't really think of gold in terms of wealth)
- iv) Any reduction in US tariffs from the current 50% to 15%-20%
- v) Continued government investment in defence, railways, roads, ports, highways etc
- vi) Low inflation
- vii) Good monsoon and good agricultural season driving rural growth
- viii) Investment in new-age tech sectors

### **What should investors do?**

- i) Do not panic in bad times or get overly enthusiastic in good times in the markets – both are part and parcel of investing journey
- ii) Do not leverage your portfolio
- iii) Maintain your discipline in regular investing – SIPs
- iv) Markets are cyclical and bull phase follows a bear phase. So, position yourself accordingly.
- v) Remember that the absolute money one makes is a function of return on capital. So, focus on increasing your capital pool through SIPs and periodic investments so that when the market turns, you get a bigger upside.

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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