Aditya Birla Sun Life AMC Ltd.

ADITYA BIRLA CAPITAL
ALTERNATE INVESTMENTS

ABSL INDIA SPECIAL OPPORTUNITIES PORTFOLIO

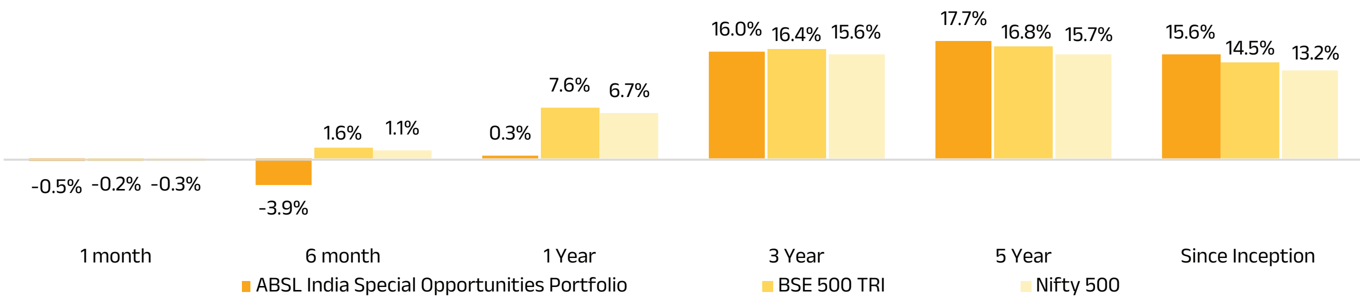
INVESTMENT THEME

The strategy aims to invest in companies that are primed to benefit from the following catalysts - Micro turnaround, Macro Turnaround, Management Change, Deleveraging, Demerger, Mid to Largecap potential and Secular growth companies.

FUND DETAILS

Structure: Discretionary PMS | **Fund Manager:** Sameer Narayan & Salvin Shah
Benchmark: BSE 500 TRI | **Fund Inception Date:** June 14, 2018

PERFORMANCE



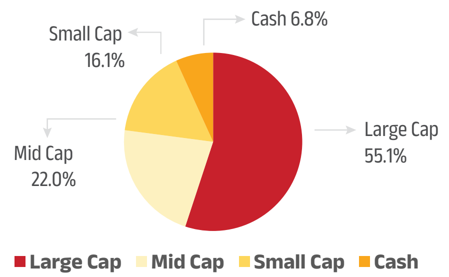
Performance as on December 31, 2025 / Source: ABSLAMC Internal Research
Disclaimer: Past performance of any product does not indicate its future performance. • Performance data is based on Time-Weighted Rate of Return (TWRR) for aggregated performance statistics of all investors. • Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of the timing of inflows and outflows of funds; and differences in the portfolio composition because of restrictions and other constraints • Investment approach level performance reported is not verified by SEBI.

RISK RATIOS

Standard Deviation	13.59%
Sharpe Ratio	0.75
Beta	1.01
Portfolio Turnover (1 Year)	0.44

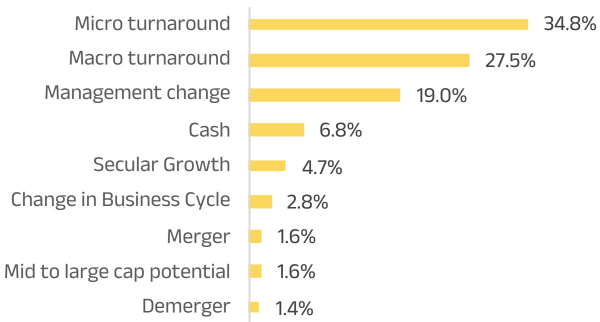
Above Ratios are 3 year ratios calculated on annualised basis

MARKET CAPITALISATION

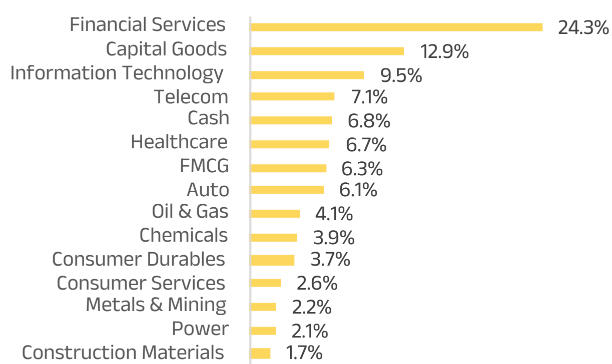


Source: AMFI / As on December 31, 2025

CATALYST ALLOCATION



SECTOR ALLOCATION



TOP 10 PORTFOLIO HOLDINGS

Bharat Dynamics Limited	5.6%	Cholamandalam Inv. & Fin Co. Ltd	4.0%
Bharti Airtel Ltd	5.4%	Persistent Systems Ltd	3.6%
ICICI Bank Ltd	5.1%	Sun Pharma. Industries Ltd	3.5%
Bank Of Baroda	4.5%	AIA Engineering Ltd	3.5%
Axis Bank Ltd	4.2%	United Spirits Ltd	3.3%

Year Gone By and Way Forward

Market Review: CY2025 Recap & Outlook for CY2026

Overview

Calendar year 2025 has been a transitionary year for markets—marked by global volatility, policy shifts, and sectoral rotations. While equity returns were uneven, the underlying macro and earnings setup has steadily improved. As we look ahead to 2026, we believe the environment is becoming more constructive, particularly for Indian equities.

Global & Trade Environment

India continues to strengthen its external position through trade diversification. Free Trade Agreements, including with, the UK, New Zealand, the UAE, Oman, among others, are expanding market access and reducing dependence on any single geography. Recent export data has been encouraging, underscoring the resilience of the Indian economy despite global uncertainty.

Globally, Artificial Intelligence emerged as a dominant investment theme in 2025. This led to significant volatility—especially between May and September—as capital gravitated toward AI-linked assets. However, services exports are now beginning to normalise, providing renewed confidence in India's external sector.

India's Policy Direction & Growth Dynamics

A key development over the past year has been India's shift from a public capex-led growth model toward a more consumption-oriented approach. This transition was supported by timely policy actions, including interest rate cuts, GST rationalisation, and tax adjustments. While these measures initially weighed on equity performance, they have laid a solid foundation for sustainable growth.

India has entered a rate-easing cycle of approximately 125 basis points. Credit growth, which had moderated from earlier highs, has begun to recover, supported by improved liquidity conditions and proactive central bank measures.

Earnings Cycle & Economic Momentum

Following a strong post-COVID earnings recovery up to FY24, the earnings cycle experienced a period of moderation. Recent results, particularly the September quarter, indicate that earnings growth had picked up, with approximately 15% year-on-year growth reported.

Concerns around low inflation and the GDP deflator are, in our view, overstated when assessed over a longer horizon. Nominal GDP growth is expected to be healthy supported by base effects and improving economic activity. While a return to peak earnings growth rates may take time, the direction is clearly positive.

Currency, Capital Flows & External Stability

The Indian Rupee underperformed several emerging market peers during the year. This movement largely reflects central bank actions to manage reserves and forward positions, rather than any structural weakness. We view the recent currency adjustment as temporary.

Encouragingly, foreign direct investment remains robust, particularly in technology infrastructure such as data centres, with large global players continuing to commit capital to India. Services exports also remain resilient, reinforcing confidence in India's balance of payments position.

Asset Allocation & Market Signals

Gold and silver performed strongly in 2025 as investors sought neutral, non-printable assets amid global uncertainty. Historically, such phases have often preceded periods of stronger equity performance, as capital rotates back toward assets with earnings growth. We believe this pattern may once again play out.

Outlook for 2026: A Constructive Equity Environment

Looking ahead, we remain constructive on Indian equities. Several supportive factors are aligning:

- Recovery in the earnings cycle
- Early signs of revival in private capital expenditure
- Supportive liquidity and policy environment
- Stable external balances and manageable commodity prices

Private sector capex, in particular, is showing encouraging signs beyond traditional sectors, supported by improving industrial credit growth. While consumption trends remain healthy, wage growth will be an important variable to monitor.

The IT sector, which faced headwinds over the past six months, is beginning to show signs of stabilisation, and we expect performance to improve as global services demand normalises.

Closing Thoughts

While 2025 tested investor patience, it has also reset expectations and valuations. As earnings momentum improves and private investment revives, we believe the coming period offers attractive opportunities for long-term investors. Our focus remains on disciplined stock selection and positioning the portfolio to participate meaningfully in the next phase of growth.

We thank our investors and partners for their continued trust and support.

Source: Internal Research

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ALTERNATE INVESTMENTS

PORTFOLIO UPDATE

In the month of December 2025, Bharat Dynamics Limited, Bharti Airtel Ltd, ICICI Bank Ltd, Bank of Baroda & Axis Bank Ltd. continue to be the fund's top holdings. We continue to employ our extensive bottom-up research process, to identify mispriced opportunities, with special focus on companies with credible managements, healthy balance sheets, higher returns on capital, and strong runway for growth.

The portfolio includes Dixon Technologies Ltd
• Catalysts lined up post the sharp correction. Awaiting Press Note 3 (PN3) approval for its Vivo JV, which is expected to contribute 20mn units to smartphone volumes. Government's approval for subsidy under ECMS scheme to set up components' facilities
• We believe Dixon's near-term earnings do not reflect its long-term growth potential as we estimate it has the potential to report high teens growth over the next couple of decades
• Stock trades at 49x FY27 EPS. Discount to the past-seven year average, with a better growth outlook.

The portfolio includes Bluestar Ltd
• While FY26 started weak due to an unusually mild summer and supply-demand mismatches (leading to a 25–30% YoY industry volume decline in Q1), the long-term outlook for the Room Air Conditioner (RAC) industry is robust based on the drivers like low RAC penetration, rising disposable incomes, and increasing temperatures.
• Blue Star expects industry volumes to recover in 2H, potentially ending FY26 with 10–15% growth, mirroring past years where weak summers were offset by festive and post-monsoon demand.
• Blue Star is strategically expanding its commercial refrigeration business, which is gaining relevance in India and is already a major segment in developed markets. The company is also plugging product gaps (e.g., heavy-duty RACs, small chest freezers) and localizing manufacturing in response to Make-in-India policies, supporting both margin and market share gains.
• At CMP implies a blended P/E of 46x on FY27E earnings, in line with its 5-year historical average

The portfolio exits Ambuja Ltd
• Higher installed capacity in the southern region remains a concern, given weak pricing dynamics and intensifying competition from both larger and regional players. Therefore, expectations of better realizations and higher CUR appear overstated for strong EBITDA delivery.
• Ambuja, as the second-largest cement player, continues to lag in CUR, primarily due to underperformance of its recently acquired assets, particularly in the southern region, which accounts for ~26% of its total installed capacity.
• Ambuja/ACC are already selling at Rs5-10/bag discount to Ultratech which will keep incremental ROCE subdued
• The stock is trading at expensive 14x FY27 EV/EBITDA

The portfolio exits Siemens Ltd
• Digital industries has guided for 6-8% margin band due to transfer pricing constraints, limited localization etc and deviates from the mid teen expectations
• Even though strong growth in rail business is expected, it being at structurally lower margins than company margins will create a downward pressure on blended margins
• Still a significant portion of topline hinges on the hope of private capex revival which if fails to pickup would lead to weaker revenues.
• At CMP, stock trades at 47x FY27 EPS.

The portfolio exits Powergrid Ltd
• While government has delivered on the capex push with the award of large concessions, all of which should improve growth visibility post-FY27, capitalisation was still weak hence the company is likely to miss its capitalisation guidance of Rs220bn
• Tight transformer market with transformer prices rising 10-20% every year
• Given incremental projects are TBCB, any surprises on capex front would hit Power Grid returns and not be passed on to customer
• Valuations at 14.6X P/E and 2.4X P/B (FY2027E) have come off but are still pricey

INVESTMENT STYLE

Absl India Special Opportunities Portfolio			
	Growth	Blend	Value
Large Cap		■	
Mid & Small		■	

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Regulatory Disclosure: All investors have the option to invest directly with ABSLAMC-Portfolio Manager

Investments in securities are subject to market risks and there can be no assurance or guarantee that the objectives of the Product will be achieved.

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