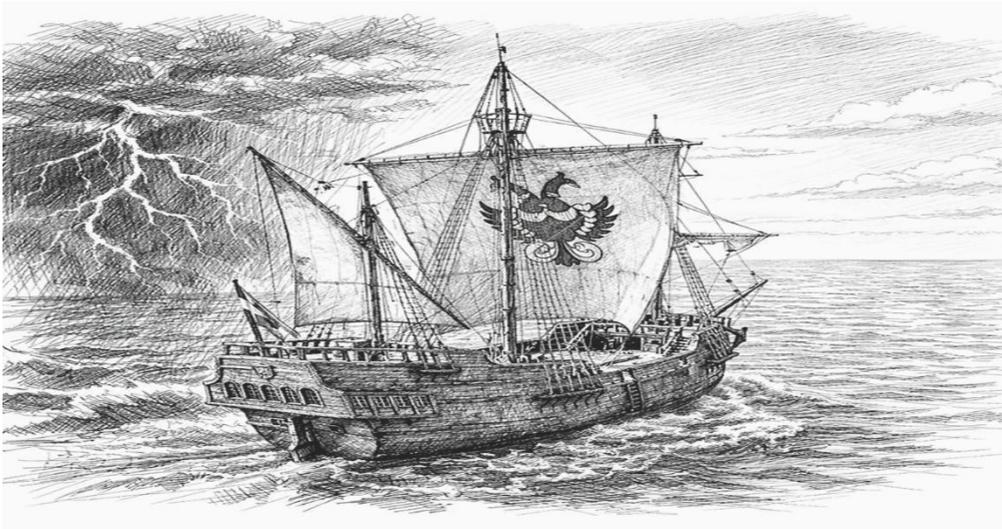


Annual Letter to Stakeholders

Vallum Multi Activa Strategy 2025-26



"In the midst of chaos, there is also opportunity."

— Sun Tzu, The Art of War

Dear Stakeholders,

There comes a moment in every investor's journey when the familiar becomes insufficient. For nearly a decade and a half, we have navigated the Indian equity markets through the Vallum India Discovery strategy, learning to read the rhythms of domestic earnings cycles, regulatory shifts, and the peculiar dance of sentiment that defines our home markets. Yet, as we sit one evening, reviewing the year's developments, a disquieting realization crystallized: the investment landscape was fragmenting in ways that demanded more than expertise in a single asset class or geography.

We are glad to share the Inaugural Annual Letter of ***Vallum India Multi Activa Approach (VIMAS), which invests across Asset Classes, Styles and Themes.*** In India, a decade ago, an investor's **palette** was a simple trio: a few stocks, some bonds, and a bit of gold. Today, that simplicity has been replaced by a dazzle of nearly **1,900 domestic funds** and within that, there are **~150 Unique funds** while this sounds like progress, it has led to a "Paradox of Choice." This is where the **Vallum Multi-Activa** strategy finds its edge. Our strategy is to be the "**Fox-Hog**"— combining the broad vision of the global macro "fox" with the survivalist discipline of the value "hedgehog". Multi-Activa represents our "Ark"—a strategy designed to chart new courses across domestic and global themes, Factors / Style, commodities, debt, via Funds, FOFs & ETFs ensuring that your wealth is not just preserved, but positioned to adapt across cycles.

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Why “Multi-Activa”? A Story of Exploration

When we chose the name Multi-Activa, we looked to the past to define our future. The name is an intentional bridge between two worlds: the Spanish word *Activa*—evoking the "Active" management of "Assets" (*Activos*)—and the pioneering spirit of the Dutch.

In the 1600s, the Dutch were the world’s first true global macro explorers. They did not merely sail the oceans; they drafted new maps, opened uncharted waters, and established the world’s first stock exchange in Amsterdam. They realized that wealth was not a static hoard but a dynamic flow that could be harnessed through innovation and cross-border trade.

As we present the first annual letter for this strategy, having completed its maiden year, the journey has been instructive, humbling, and ultimately rewarding.

Performance Review: The First Year's Journey

The Vallum Multi Activa strategy concluded its inaugural year with a net return of approximately 26.15%, substantially outperforming its benchmark, **Nifty Multi Asset – Equity: Arbitrage: REITs/InvITs (50:40:10)**, which generated 9.54% over the same period.

Benchmark Nifty Multi Asset – Equity: Arbitrage: REITs/InvITs (50:40:10)

Index	Underlying Index	Weights
Broad Equity	Nifty 500 TRI	50%
Arbitrage	Nifty 50 Arbitrage	40%
Hybrid Yield	Nifty REITs & InvITs	10%

Source: Nifty indices (CY25 Returns)

Vallum Multi-Activa Strategy (Attribution)

VIMAS	Weight	CY25 Return	Contribution to Total
Global Equity	32.8%	27.2%	8.9%
India Equity	14.8%	10.0%	1.5%
Commodity	15.8%	72.5%	11.4%
Total Equity	63.4%		21.8%
<i>Equity (Weight * total Contribution)</i>			<i>21.8%</i>
Debt	25.7%	7.2%	1.9%
Total Portfolio	94.3%		23.7%

Note: 1-year returns (CY25)

This superior performance was primarily driven by a high-conviction **16% allocation to commodities**, which delivered an extraordinary **72% return**, contributing **12 percentage points** to the total gains. strategy successfully captured **27% gains from global equities**, adding another **8 percentage points** to the bottom line.

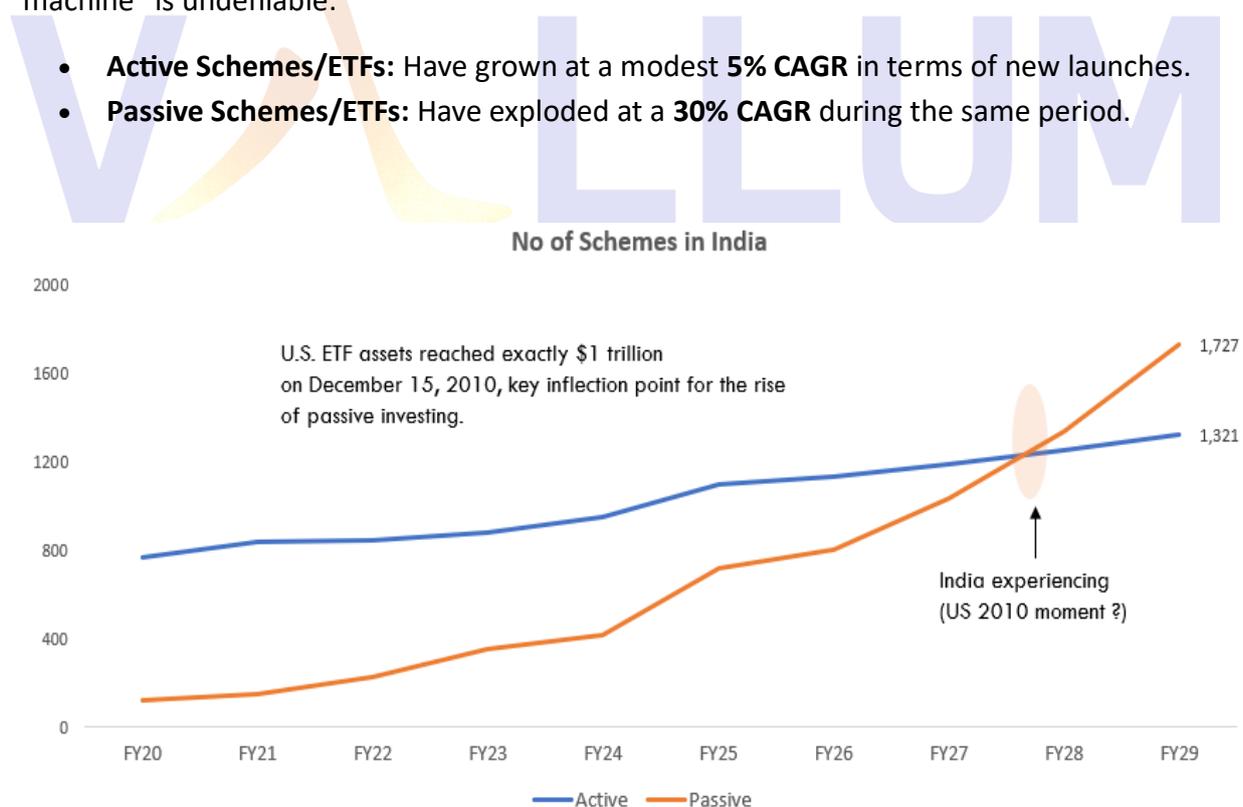
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Despite the strategy's equity and commodity components providing the bulk of the alpha, a disciplined **26% allocation to debt** provided essential stability, yielding **7%, on back of interest coupon and change in interest cycle**. These further underscores the benefits of a flexible, multi-asset approach in a year characterized by significant global market dispersion.

The genesis of the Vallum Multi Activa strategy emerged not from ambition, but from intellectual honesty and learnings. The world was signalling profound structural shifts that would reshape capital allocation for decades to come. The launch of **Vallum Multi Activa on 1st January 2025** represented our answer to that tension. This was not an abandonment of our core philosophy, but rather its expansion across asset classes and geographies. We sought to build a strategy that could navigate not just Indian equity cycles, but the broader macro waves that would define global capital flows. VIMAS operates in this gap. We use the structural efficiency and low cost of "passive" instruments (ETFs / Indices) as our building blocks, but we apply an "active" macro-overlay to decide *when* to own them and *how much* to weight them. We are not interested in the "herd" behaviour that drives passive flows; we are interested in being the "price makers" in a world of "price takers"

The rise of **passive index funds** is no longer just a trend; it is a structural transformation. If we look at the data for fund launches in India between 2020 and 2025, the velocity of the passive "machine" is undeniable:

- **Active Schemes/ETFs:** Have grown at a modest **5% CAGR** in terms of new launches.
- **Passive Schemes/ETFs:** Have exploded at a **30% CAGR** during the same period.



Source: Morningstar, Amfi India

To understand India's future, we must look at the US market's past. On **December 15, 2010**, the US ETF industry hit **\$1 trillion in Assets Under Management (AUM)**. At that time, critics

called index funds "Bogle's Folly," and many believed investors would never be satisfied with "average" returns. Yet, the decade that followed saw a seismic shift. By 2021, passive funds in the US managed over **\$8 trillion**, accounting for **more than 50% of the combined asset base**. According to our understanding, if the pace of new active and passive fund launches remains unchanged, then based on this trajectory, **by FY2028, the number of passive schemes in India will surpass the number of active ones.**

The sheer number of variables—Sectors, Themes, Factors, and Styles—means that the dispersion of returns between the *right* choice and the *average* choice is widening. In this new global macro regime, generating alpha is no longer about throwing a dart at the equity board; it is about precisely identifying which specific lever to pull, and more importantly, when to let go.

Yet performance numbers, while important, tell only part of the story. *What matters equally is the quality of the decisions that produced these returns, the thought process behind position sizing, and the lessons learned from both our successes and our miss judgments.* Let me walk you through the major investment themes that defined our inaugural year.

1. The Chinese Contrarian Bet: Recognizing Value Amid Pessimism

One of our highest-conviction positions entering 2024 was China, specifically through exposure to the Hang Seng Tech Index and broader Chinese equities. India was the darling of emerging markets, Chinese regulatory crackdowns had decimated tech valuations, the property sector teetered on the edge of systemic failure, and geopolitical tensions with the United States seemed to escalate daily. Why, in such an environment, would we allocate meaningful capital to Chinese assets?

By late 2023, Chinese equities had become among the most hated asset classes globally. The Shanghai Stock Exchange Composite had delivered a mere **0.4% CAGR** between 2016 and 2022, despite China's economy growing at **6% annually** over the same period. This disconnect between economic growth and equity returns had reached historical extremes.

Chinese equities undervaluation to global equity markets



Source: Stock-charts

The catalyst arrived in **April 2024**, when China's State Council released what became known as the **"New Nine-Point Guidelines."** These policies represented the government's most comprehensive effort to restore confidence in capital markets since similar initiatives in **2004 and 2014**. The 2004 version, which focused on small and medium enterprise promotion, listing upgrades, and investor protections, had sparked a **150%** rally in the Shanghai Stock Exchange within two years. The 2014 iteration, emphasizing multi-layer equity markets and pension fund allocations, ignited a **120%** surge in 2015. The 2024 guidelines differed by intensifying focus on issuance scrutiny, delisting oversight, dividend mandates, and anti-fraud measures in a post-crackdown environment, but the underlying message was clear: the government was committed to supporting equity markets as a pillar of household wealth formation. We maintain bullish construct on Chinese equities.

Last year, we articulated our thesis; *"if you missed it, you can read ["Is the Chinese stock rally sustainable? We believe it is"](#)*

¥SSEC – Shanghai Stock Exchange Composite Index



Source: Stock-charts

Our highest-conviction equity allocation for 2025 remains the **Hang Seng Tech Index**, a position anchored not just in valuation mean-reversion, but in a fundamental shift in the global "tech-arms race." Since 2016, we have argued that escalating technological competition would shift the balance of power; today, the advent of generative AI (GenAI) marks a pivot where China is emerging as the world leader in industrial integration. While the U.S. remains focused on foundational innovation, China's competitive edge lies in its ability to develop and rapidly integrate technologies at a scale and cost-efficiency that is upending industry dynamics.

We invested in the Hang Seng Tech which was particularly rewarding. A pivotal moment arrived in January 2025 with the launch of DeepSeek, an open-source artificial intelligence model developed by Chinese startup DeepSeek AI. This achievement demonstrated that Chinese technology companies could reach GPT-4 level performance at a fraction of the cost—approximately five hundred thousand dollars in training expenses compared to over one hundred million dollars for comparable American models. The implications were profound: despite Western export controls on advanced semiconductors; Chinese firms were achieving technological breakthroughs through innovation born of necessity.

The vanguard of this progress is **DeepSeek**, a Chinese AI powerhouse that has effectively inverted the economics of artificial intelligence. For years, the Western "brute-force" scaling model required ever-increasing capital and cutting-edge hardware. DeepSeek has shattered this link through "full-stack" architectural overhauls and algorithmic precision.

Hang-Seng tech (Red) Vs Nasdaq (Blue)



The Inversion of AI Economics: In 2024, DeepSeek-V3 achieved OpenAI GPT-4o-class performance with a training budget of roughly **\$5.6 million**, compared to the **\$100 million-plus** spent by Western frontier-AI companies.

Dominating the Inference War: DeepSeek is now outpricing the West on inference by a wide margin. Its V3.2 model inferences at a total cost of **\$0.63 per million tokens**, whereas OpenAI’s GPT-5 and Google’s Gemini 3 Pro Preview cost **\$11.25** and **\$12.20**, respectively—a nearly **14x cost advantage**. This technological surge is driving a **geopolitical bifurcation** of the global AI landscape. The **Global South** is adopting them at an accelerated pace and usage in Africa is currently **2x to 4x higher** than in other regions, positioning it as the primary AI infrastructure for the next billion users.

Consumer Market Share Comparison (Dec 2025)

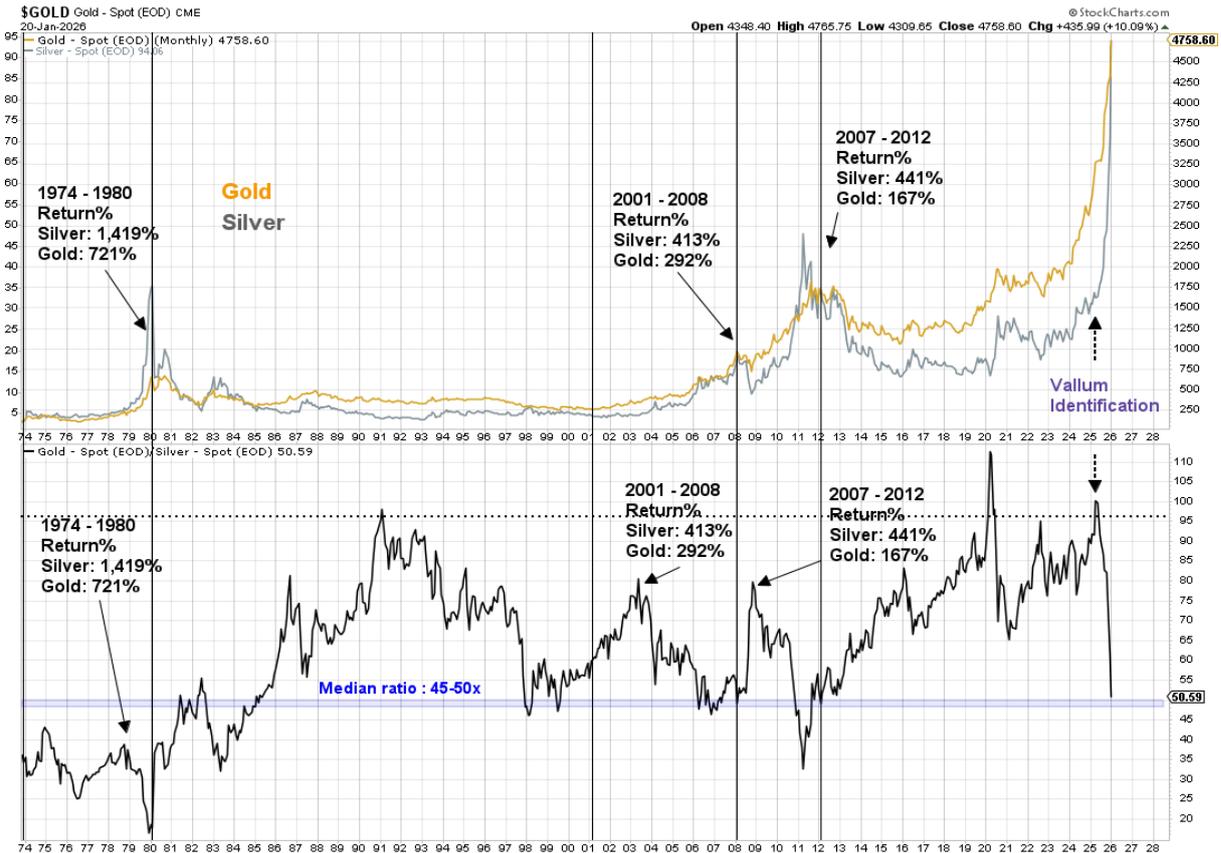
LLM	Jan-25	Jun-25	Dec-25	Trend
ChatGPT	87.20%	75.00%	68.00%	↓ Declining (lost 19.2pp)
Gemini	5.40%	12.00%	18.20%	↑ Surging (+237% YoY)
DeepSeek	0.50%	5.30%	4.00%	↑↓ Spike then plateau
Perplexity	2.00%	3.00%	2.00%	← Flat
Claude	1.50%	1.80%	2.00%	↑ Slow growth
Copilot	1.20%	1.50%	1.20%	← Flat (integration failed)
Others	2.60%	1.40%	4.60%	Fragmented

Source: Statista

DeepSeek scaled and captured 2nd fastest market share with a year, relative to other peers, our bullish stance is anchored in the belief that China is currently where the U.S. was in 2010— heavily undervalued, widely doubted, and on the cusp of a structural bull market driven by internal reflation. With the RMB now beginning a steady, controlled appreciation, purchasing power is shifting back to the Chinese consumer, easing global competitive pressures.

2. Silver: The Forgotten Monetary Metal Reasserts Itself

Our second major conviction entering 2025 was silver, which proved to be one of the portfolio's most significant contributors with returns exceeding 180%. This position emerged from observing a phenomenon that has repeated throughout monetary history: when confidence in fiat currency systems begins to erode, precious metals reassert their role as stores of value, and silver, as gold's more volatile cousin, tends to deliver explosive returns in the later stages of such cycles. ***“Gold is the money of kings; silver is the money of gentlemen; barter is the money of peasants; but debt is the money of slaves.”***



Source: Stock-charts

The setup was compelling across multiple dimensions. Central banks globally had begun aggressively diversifying reserves away from U.S. Treasuries, purchasing over one thousand tonnes of gold annually while becoming net sellers of Treasuries for the first time in decades. This shift reflected deep-seated concerns about dollar hegemony, unsustainable fiscal deficits, and the weaponization of the financial system for geopolitical purposes. Gold responded predictably, surging past forty-five hundred dollars per ounce by the end of 2024, a gain of over 70% from its recent lows.

Silver, however, started the year lagging significantly behind gold, with the gold-to-silver ratio compressed to levels between 65-75. Historical precedent suggested this divergence would not persist. In every major precious metals cycle over the past fifty years, silver has initially lagged gold before delivering substantially higher percentage returns in the later stages.

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The data confirmed the structural tightness in silver markets. Industry forecasts projected a fifth consecutive year of supply deficits in 2025, with shortfalls ranging from 95 to 148 million ounces.

Silver Supply and Demand

Million ounces	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025F	Year on Year	
											2024	2025F
Supply												
Mine Production	900.1	863.9	850.8	837.4	783.8	830.8	839.4	812.7	819.7	835.0	1%	2%
Recycling	156.3	160.2	162.3	163.8	180.5	190.7	193.5	183.5	193.9	193.2	6%	0%
Net Physical Disinvestment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	na	na
Net Hedging Supply	0.0	0.0	0.0	13.9	8.5	0.0	0.0	0.0	0.0	0.9	na	na
Net Official Sector Sales	1.1	1.0	1.2	1.0	1.2	1.5	1.7	1.6	1.5	1.5	-9%	4%
Total Supply	1,057.4	1,025.1	1,014.3	1,016.2	974.0	1,023.1	1,034.6	997.8	1,015.1	1,030.6	2%	2%
Demand												
Industrial (total)	491.0	528.0	525.8	525.4	511.9	564.1	592.3	657.1	680.5	677.4	4%	0%
Electrical & Electronics	309.0	339.1	330.4	326.6	321.4	350.7	370.7	444.4	460.5	465.6	4%	1%
...of which photovoltaics	81.6	99.3	87.0	74.9	82.8	88.9	118.1	192.7	197.6	195.7	3%	-1%
Brazing Alloys & Solders	49.1	50.9	52.0	52.4	47.5	50.5	49.2	50.2	51.6	52.9	3%	3%
Other Industrial	132.9	138.0	143.5	146.4	142.9	162.9	172.4	162.6	168.4	158.9	4%	-6%
Photography	34.7	32.4	31.4	30.7	26.9	27.7	27.7	27.3	25.5	24.2	-7%	-5%
Jewelry	189.1	196.2	203.2	201.6	150.9	182.0	234.5	203.1	208.7	196.2	3%	-6%
Silverware	53.5	59.4	67.1	61.3	31.2	40.7	73.5	55.1	54.2	46.0	-2%	-15%
Net Physical Investment	212.9	155.8	165.9	187.4	208.1	284.3	338.3	244.3	190.9	204.4	-22%	7%
Net Hedging Demand	12.0	1.1	7.4	0.0	0.0	3.5	17.9	11.5	4.3	0.0	-62%	na
Total Demand	993.3	972.9	1,000.8	1,006.4	929.0	1,102.4	1,284.2	1,198.5	1,164.1	1,148.3	-3%	-1%
Market Balance												
Net Investment in ETPs	64.1	52.2	13.5	9.8	45.1	-79.3	-249.6	-200.6	-148.9	-117.6	-26%	-21%
Market Balance less ETPs	53.9	7.2	-21.4	83.3	331.1	64.9	-117.4	-37.6	81.6	70.0	na	14%
Market Balance less ETPs	10.2	45.1	34.9	-73.5	-286.1	-144.3	-132.2	-163.0	-210.5	-187.6	29%	-11%
Nominal Silver Price (US \$/oz, London price)	17.14	17.05	15.71	16.21	20.55	25.14	21.73	23.35	28.27	-	21%	na

Source: Metals Focus

Unlike other commodities where high prices typically incentivize new production, silver faces unique constraints: it is primarily a byproduct of copper, lead, and zinc mining, meaning supply responds sluggishly to price signals. Bringing new primary silver mines online requires years of exploration, permitting, and capital investment.

Last year, during the sharp 10% pullback in gold over a single week in August 2025, we had shared a note of our thoughts and takes, in case you missed it, here is the link "[Gold's Resilient Rebound: Why the Dip Is Just Another Springboard in a Secular Bull](#)"

We continue to monitor escalations in China's capacity leverage across commodities, while maintaining disciplined position sizing amid this multi-year bull regime. Our Silver position in portfolio grew to ~19% from 8%, and we sold after one year and on back of unprecedented rally.

The historical mapping of interest rate cycles confirms a recurring pattern:



Source: Stockcharts

Historically, when Fed rate cuts reach a mid-cycle threshold (~225–250 bps), gold tends to form a temporary local peak. This phase is usually followed by consolidation as markets shift toward liquidity. In past cycles such as 2007–08, renewed stress then forces aggressive fiscal stimulus or QE. Once systemic liquidity returns, precious metals resume their uptrend, with silver typically delivering outsized late-cycle gains.

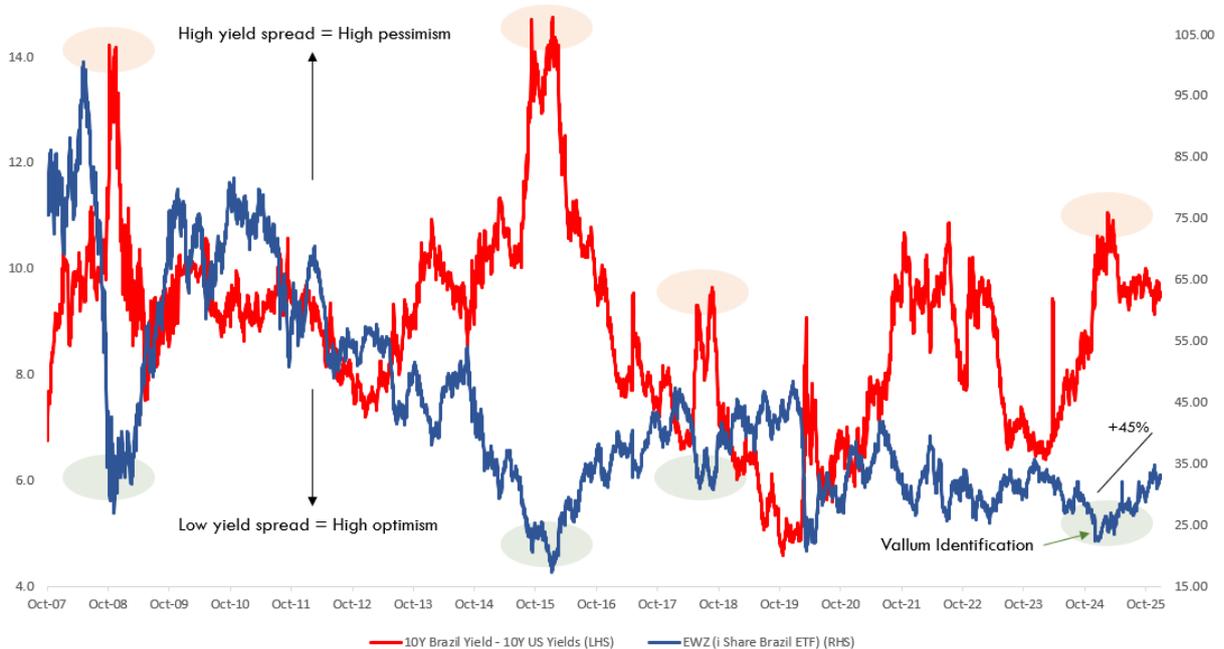
3. Brazil: Real Yields in a World Starved for Return

The Convergence of Peak Pessimism, Commodity Metals Tailwinds and Debasement trade.

Brazil enters 2026 as a premier "value-macro" play. The core of our bullish stance is not just economic growth, but the **historic mispricing** between Brazilian risk and reward, clearly signalled by the bond market.

Our thesis centered on several catalysts converging. First, the dollar downcycle that accelerated through 2024 and 2025 under policies that fuelled higher U.S. inflation through tariffs and deficits created a tailwind for emerging markets generally and commodity producers specifically. Second, the extreme pessimism reflected in Brazilian asset prices, with the spread between Brazilian ten-year yields and U.S. ten-year yields reaching multi-decade highs, set up conditions for mean reversion as spreads normalized.

Yield Spreads (Red) Vs Bovespa - Brazil equity Index (Blue)



Source: Vallum Capital

In an environment of global "currency debasement" concerns and sticky US inflation (driven by 2025 tariff talk), Brazil serves as the world's premier "Hard Asset" hedge. The 0.75 correlation between the Bovespa and the Bloomberg Commodity Index makes Brazilian equities the most efficient way to play a global commodity upcycle.

Bovespa - Brazil equity Index (Red) Vs BCOM (Bloomberg commodity Index)



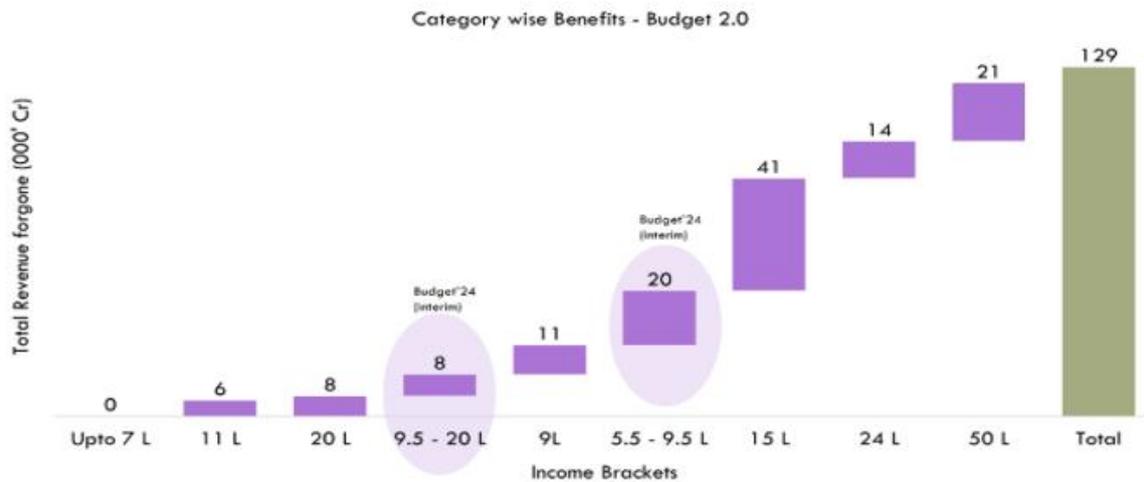
Source: Vallum Capital

Our strategic conviction in Brazilian equities yielded significant alpha through 2025 as the "pessimism gap" started narrowing, as the Brazilian Real stabilized and yield spreads compressed toward historical means, the Bovespa's transition from a "deep value" trap to a "growth recovery" story successfully outperformed developed market peers. Looking ahead, Brazil remains our preferred macro play for 2026, perfectly positioned to capture continued global capital inflows as the dollar downcycle intensifies and commodity supply side issues intact.

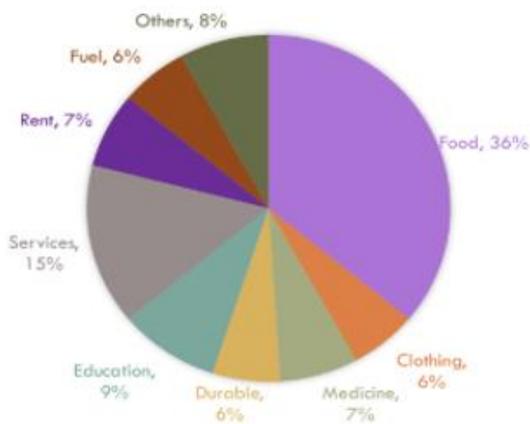
4. Domestic Consumption: India's Fiscal Dividend

Our allocation to Indian consumption-oriented sectors reflected conviction in a structural theme that should play out over multiple years: the fiscal boost delivered through the Interim Budget of 2024, which **forgave approximately 1.3 lakh crores** of revenue through targeted tax relief skewed toward higher income brackets. This relief, concentrated among households earning above fifty lakhs annually, carries a multiplier effect estimated at four to five times, potentially delivering a 150-basis point lift to GDP over two to three years as this liquidity flows into discretionary spending.

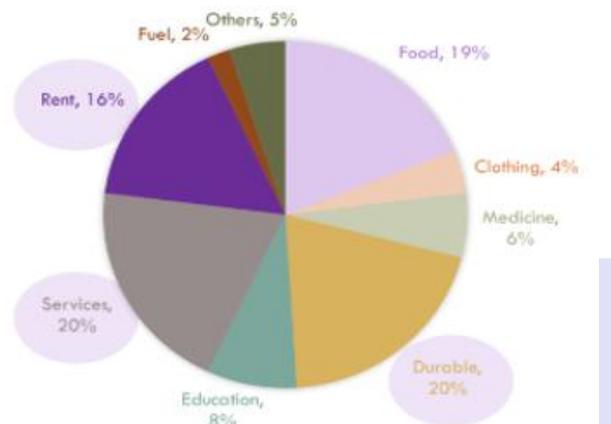
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HH Consumption split - 90-95 percentile



Incremental Consumption



The microeconomic data on spending patterns proved instructive. Incremental consumption in top-tier households, representing the ninety to ninety-five percentiles, disproportionately favors durables at 20%, services at 20%, medicine at 6%, and clothing at 4%, with substantially lower allocations to staples. This pattern identifies clear winners: consumer durables, housing finance companies, premium and aspirational brands, and travel and tourism operators all positioned to capture this incremental demand.

Fundamentally, the setup was supported by easing monetary policy with rate cuts expected from early 2026, record-low unemployment, robust wage growth of 8% to 10% in organized sectors, and rising aspirational demand across income cohorts. Many quality consumption stocks were trading at reasonable valuations following the mid-cap and small-cap derating that occurred in late 2024, creating entry points.

Our positions in this theme delivered solid returns and remain core holdings. We expect consumption themes to generate strong outperformance as fiscal stimulus amplifies premium and discretionary spending, rate cuts boost big-ticket purchases, and household balance sheets strengthen. This should drive sustained earnings upgrades and valuation rerating in durables, services, housing finance, and travel stocks amid broader economic rebalancing.

5. Top 10 Equal Weight

A significant portion of our first-year conviction was expressed through allocation to Large Caps, specifically through the **Top 10 Equal Weighted ETF**. To many, this appeared counter-intuitive. Why bet on the "slow-moving giants" when the mid and small-cap segments had been the darlings of the retail masses for years? As we entered 2025, the Indian market was exhibiting an "Ancillary Conundrum" taken to its logical extreme.

We recognized that while earnings for the "Nifty 50" giants remained robust and predictable with higher dividend yields, their prices had not captured the same "liquidity premium" as the smaller scrips. We positioned multi-Activa for the inevitable **narrowing of this spread**.

One of our most powerful proprietary signals is the **Nifty 50 (Large Cap) vs. Nifty 500 (Market Breadth) ratio**, this signified an extreme "Depolarisation" phase where the market breadth was over-extended. History dictates that when the ratio hits these troughs, the market inevitably returns to a "**Polarisation**" phase. This is where leadership rotates back to the large size stocks that anchor the economy.



Source: Stockchart

Our decision to use the Nifty Top 10 Equal Weighted theme was a deliberate choice to bypass the "Institutional Imperative." Most Large Cap funds are market-cap weighted, often leading to over-exposure in already "peaked" sectors. By choosing an equal-weighted approach (10% each across the 10 largest giants), we captured the recovery of banks, IT, and energy leaders with equal intensity.

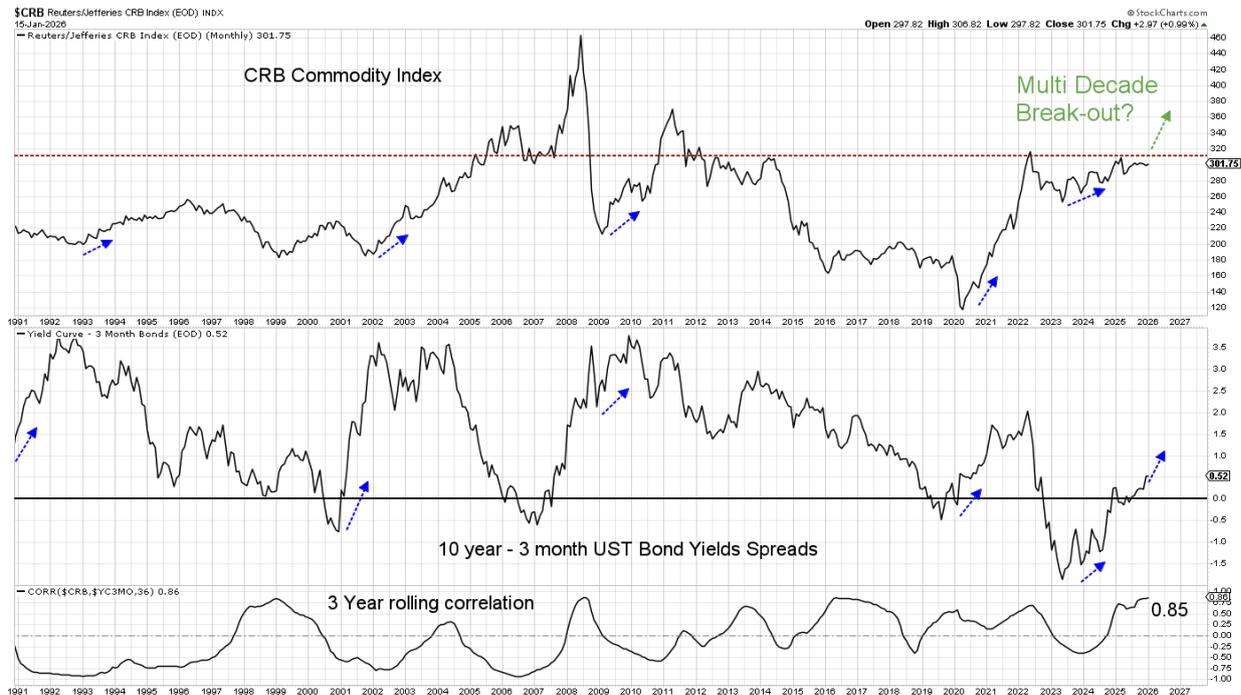
Our recent Additions in our portfolio

1. Metals: The Early Innings of a Supercycle

Recently, we introduced a Metal ETF into our portfolio, recently which has Indian metal producers and global commodity exposures. This position reflected our view that we are in the early innings of a commodity Supercycle driven by structural supply deficits colliding with surging demand from artificial intelligence infrastructure, electrification, and renewable energy transitions.

This supply-led regime inverts historical patterns: geopolitical disruptions, resource nationalism, and recurrent climate events erode production capacity, creating enduring shortages without quick resolutions, as new mines require 15+ years to develop. Investors should favour physical assets and equities in this multi-year bull market, where enforced scarcity drives prices higher.

CRB Commodity Index Vs US10Y – 3Y Bond Yields

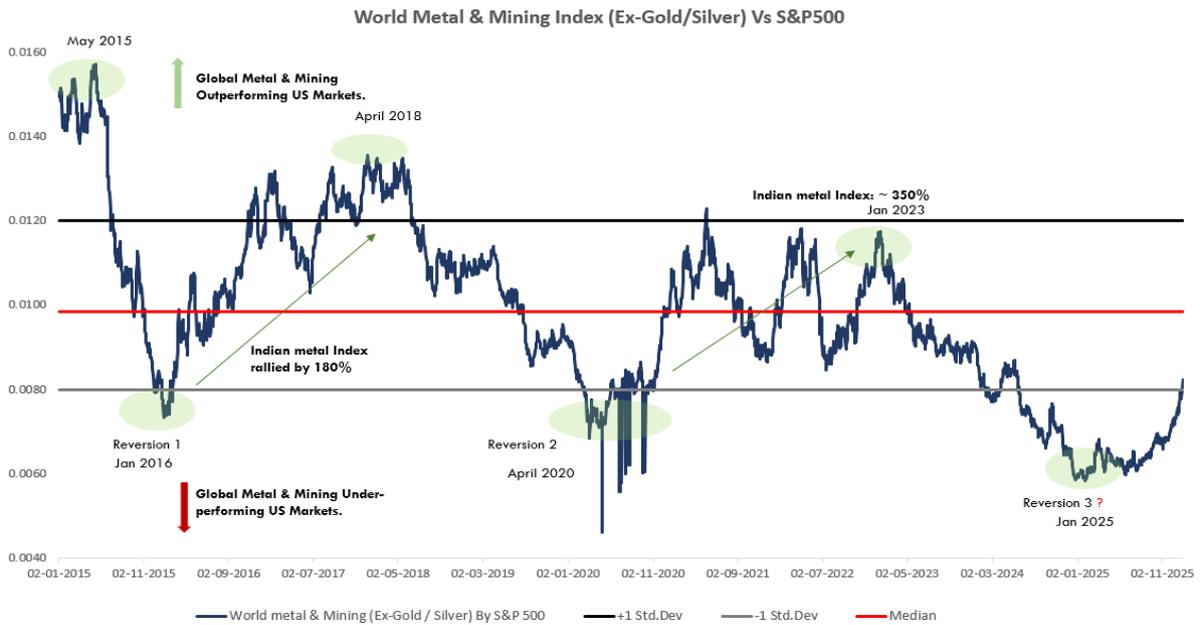


Source: Stock-charts

Indian Metal Index Performance Mapping

The chart highlights specific "bottom-to-peak" durations where the Metal & Mining sector outperformed US equities. Below are the actual returns of the **Nifty Metal Index** during these exact windows:

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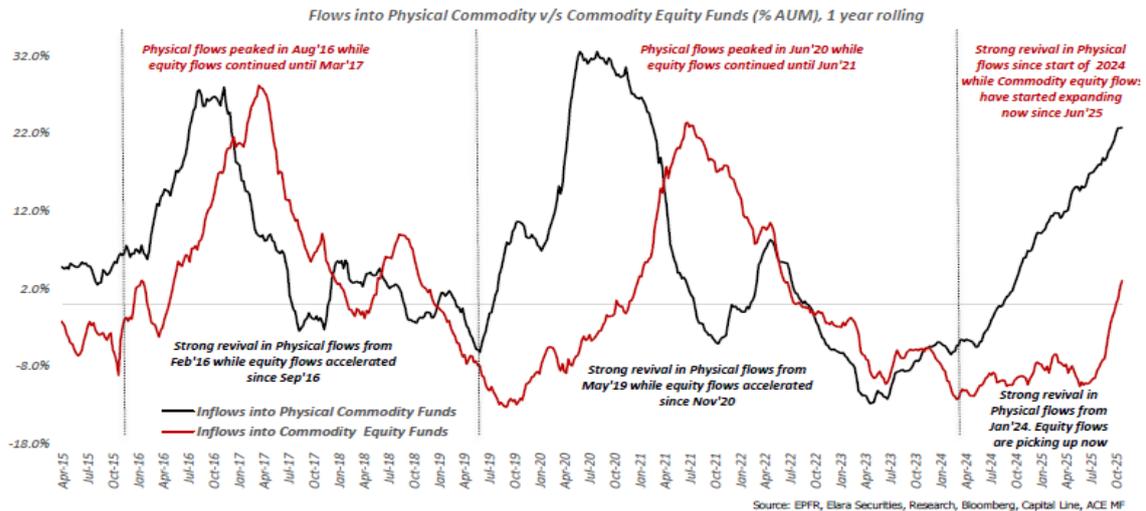


Source: Vallum Capital

Duration	Start (Bottom)	End (Peak)	Index Return (%)	Chart Annotation Ref
Cycle 1	Jan-16	Apr-18	105.70%	"Rallied by 175%*"
Cycle 2	Mar-20	Apr-22	189.70%	"Rallied by 350%*"
Current Cycle	Jan-25	-	35.20%	"Jan '25 Bottom"

*Note: The chart mentions 175% and 350% rallies. These higher figures often account for specific high-beta stocks or the Nifty Metal Total Return Index (TRI) including dividends, whereas the price index returns are slightly lower. **Current data as of January 16, 2026.

Physical to Equity rotation in Commodities re-emerges after five years- Stronger Equity upside ahead



Inflows into physical commodity funds (black line, robust since Jan'24 with peaks mirroring 2016 revivals) leading commodity equity funds (red line, accelerating since mid-2025)—read as early-cycle physical allocations preceding equity surges by months, echoing 2014-17 and 2019-21 patterns where similar dynamics propelled Indian metals gains.

We expect the global metals sector to benefit from persistent supply deficits in copper and aluminium, surging demand from electrification and artificial intelligence infrastructure, yield curve steepening and dollar weakness amplifying inflation-hedge appeal, and geopolitical fragmentation entrenching resource nationalism. Metals remain a core beneficiary of the shift toward real assets in a reflationary, deglobalizing world.

2. PSU Banks ETF

We often look for “swing” moments where the old guard finds new life. Our recent moves across the Indian banking and transportation landscape reflect this search for structural pivots for years, Public Sector Undertakings (PSBs) were the "laggards" of the credit cycle, but a profound transformation is underway. We have increased our allocation via the **PSU Banks ETF**, betting on a structural "cleanup" that has seen gross NPAs plummet from **9.11% in 2021 to a lean 2.58% in 2025**.

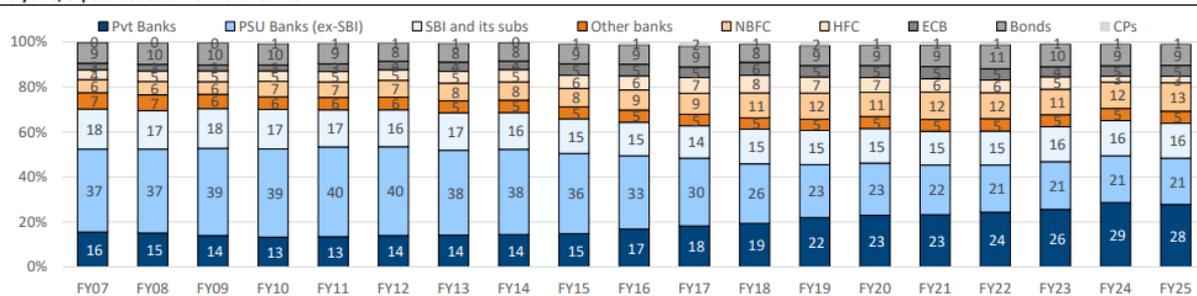
Market Share Migration: The tide is turning in retail. PSBs now command **~46% of fresh home loan originations**—up from 37%—while private banks have seen their share collapse to 28%. In auto loans, private lenders have similarly ceded ground to PSBs and agile NBFCs.

The Liquidity Edge: Historically sitting on lower Loan-to-Deposit Ratios (LDRs) of **65-75%**, PSBs now possess the "headroom" to lend aggressively while private peers are forced to chase high-cost deposits to maintain liquidity.

PSU are gaining market share According to recent data (CRIF High Mark), PSBs’ share in fresh home loan originations jumped to ~46% (from ~37% a year ago) and auto loan.

PSU banks gained and Pvt banks ceded credit market share in FY25; expect that to stabilize in FY27

Figure 16: Market share movement – Private banks and NBFCs are structurally gaining, and PSU banks ex-SBI are losing; but PSU banks have gained MS from Private banks in the last two years; expect it to stabilize in the near-term



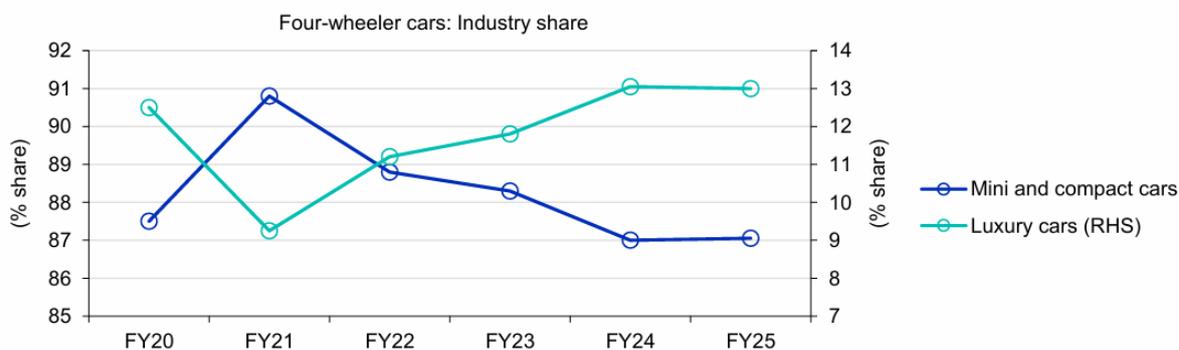
Source: RBI, CMIE, IIFL Research.

We see system Credit growth to accelerate in Expansionary Scenario: CASA trends are expected to pick up in periods of surplus system liquidity coupled with broader pick-up in credit growth (ie. expanding money supply). In our view, this could repeat itself this time as well, though the potential improvement could be more muted as the pick-up in system liquidity has not been as dramatic as these past periods.

3. The Transportation & Logistics Fund

We deployed capital into the Transportation and Logistics ETF in Jan 2025 and sold it in late Oct 2025 with 25% of gains not as a traditional industrial play, but as a derivative on **India's Lifestyle Upgrade**. We identified that the "Rising Affluence" theme would manifest most visibly in how Indians move (Autos) and how they access premium goods (Logistics).

Automobiles: SUVs and other premium versions have seen increase in market share



Source: Society of Indian Automobile Manufacturers (SIAM), Elara Securities Research, July 2025 (Latest available data)

We viewed logistics as the "rails" of the Gen Z economy. With Gen Z and Millennials constituting the largest global generational cohort, their spending is shifting toward frequent, high-frequency indulgences. **Beauty and Fashion**—high-velocity categories—are driving the e-commerce mix. By investing in logistics, we captured the backend infrastructure required to deliver these "on-demand" premium experiences to the 427 million online commerce users projected by 2027. As GST rationalization resulted in higher volume growth, our position in order to invest in other opportunities.

Debt allocation:

The inclusion of the **BHARAT Bond ETF - April 2030** was a strategic decision to balance a portfolio where high-growth equity bets had increased beta to levels that felt exposed amid global uncertainties. By allocating 29.88% of capital into this debt instrument, we successfully reduced our overall portfolio beta. This transition provided a crucial diversification hedge against trade. Ultimately, this allocation was designed to stabilize the ride for investors, prioritizing capital preservation alongside our more aggressive global plays.

This allocation exclusively mandates investments in AAA-rated bonds issued by government-owned entities. This means the portfolio is strictly a Public Sector Undertaking (PSU) heavy strategy, with zero exposure to private sector debt.

Lessons from the First Year

As I reflect on our inaugural year with Vallum Multi Activa, several lessons emerge that will shape how we manage the strategy going forward. First, global macro investing demands intellectual humility. The interconnections between policy, geopolitics, currency movements, and asset prices are complex and often non-linear. What appears to be a straightforward thesis can be derailed by unexpected developments, while opportunities can emerge from corners of the market we weren't closely monitoring. This requires staying intellectually curious, constantly updating our frameworks, and maintaining flexibility in positioning.

Second, valuation and sentiment extremes matter enormously. **Our best returns came from positions like China, Silver, Brazil where we leaned into assets that were deeply unloved and traded at compelling valuations relative to fundamentals.** The discomfort of buying what everyone hates is the price of admission for generating alpha. Conversely, avoiding overcrowded trades and refusing to chase momentum, even when it appears to be working for others, is equally important for capital preservation.

Third, position sizing and risk management become paramount in a multi-asset strategy. Unlike our India-focused equity portfolio where we can leverage deep company-specific research, macro positioning requires managing exposure to factors we cannot fully control: central bank policy, geopolitical events, currency movements, and shifts in global risk appetite.

Finally, patience remains essential even in a more tactical strategy. Several of our positions, including Brazil and Indian private banks, took time to work. The temptation to exit positions that aren't immediately rewarding in favor of chasing recent winners must be resisted. Mean reversion works, but on timeframes that test our psychological fortitude.

Outlook: Navigating the New Order

As we enter the second year of the Vallum Multi Activa strategy, the macro environment remains rich with opportunity but equally fraught with risks. The themes that drove returns in 2024—dollar weakness, commodity strength, rotation into undervalued markets, and precious metals appreciation—remain intact but are entering new phases that will require adaptation. Indian equities and the currency have suffered significant damage in the tug of war related to **Petro Rupee**. Indian policy market has negotiated a sweat deal with its key trading partners like Russia and UAE for substituting dollar trade to Petro Rupee trade. To our understanding this is the real bone of contention between India and the US. The RBI had permitted 123 correspondent banks from 30 countries—including the United Kingdom, Germany, Israel, and Singapore—to open 156 Special Rupee accounts, Please refer to our latest geopolitical analysis [*“It Wasn't Just a Missed Call: The Currency Clash \(Petro Rupee\) Behind the Stalled U.S.-India Trade Deal”*](#)

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By allowing Russia and UAE to recycle its oil revenue directly into Indian sovereign debt, New Delhi created a closed-loop financial system. Russian oil profits were no longer chasing U.S. Treasuries; they were funding Indian infrastructure. *The emergence of this new alternative financial architecture had expanded and will accelerate with India assuming BRICS leadership in 2026.* [THE GREAT GAME REIMAGINED: When Three Ancient Titans Forge the Future](#)

We have long argued that the US dollar is going to witness structural decline (seven-year cycle). The weaponization of the dollar for geopolitical purposes has accelerated de-dollarization efforts among major economies. Central bank reserve diversification away from Treasuries continues unabated. These are not short-term trends but structural shifts that should support emerging market currencies, commodities priced in dollars, and precious metals over a multi-year horizon. *We remain negatively biased on US equities and US Mega cap stocks.* Unfortunately, we see **Approximately 52.6 thousand crore** amounts of asset trapped in the US funds sold in India via (Funds, ETFs, Indexes, FOFs), which is not going to produce any meaningful return.

We expect continued rotation of capital from the mega-cap U.S. technology stocks that dominated the 2010s toward undervalued markets and sectors. Chinese equities, European, Asian, ROW and select emerging markets offer substantially better risk-reward than U.S. markets. within India, Within India, we anticipate we are approaching a bottoming out of mid and small cap and will increase our allocation to relevant indices in foreseeable future.

Portfolio holding

Security	Purchase Unit Cost	Unit Cost as on 31st Dec 2025	% G/L	% Assets	Exp. Ratio	Weighted Avg exp. Ratio
Equity (A)						
NIPPON INDIA MUTUAL FUND - NIPPON INDIA SILVER ETF	87.7	215.4	145.6%	14.5%	0.6%	0.1%
ICICI Prudential Mutual Fund - ICICI Prudential Nifty Metal ETF	10.3	11.2	8.9%	7.4%	0.4%	0.0%
HSBC Brazil Fund - Growth Direct	7.0	9.8	40.9%	6.7%	1.1%	0.1%
ICICI Prudential Nifty India Consumption ETF	114.6	126.7	10.6%	6.6%	0.2%	0.0%
DSP Mutual Fund - DSP Nifty Top 10 Equal Weight ETF	93.2	102.0	9.5%	6.5%	0.1%	0.0%
MIRAE ASSET MUTUAL FUND - MIRAE ASSET HANG SENG TECH ETF	24.5	25.5	4.1%	6.1%	0.6%	0.0%
Axis Greater China Equity Fund of Fund - Direct Plan - Growth Option	8.0	10.5	31.7%	20.9%	0.5%	0.1%
Total Equity			34.5%	68.7%		
Other Assets (Debt) (B)						
Edelweiss Mutual Fund - BHARAT Bond ETF - April 2030	1457.2	1562.3	7.2%	25.7%	0.0%	0.0%
Total Debt (B)			7.2%	25.7%		
Cash and Equivalent (C)						
Cash	1.0	1.0	0.0%	5.7%		
Cash Rec/Payable	1.0	1.0	0.0%	0.0%		
Total Cash			0.0%	5.6%		
Total (A + B + C)			24.0%	100.0%		0.4%

Annual Letter to Stakeholders

Performance report

Return period	Portfolio	NSE Multi Asset Index 1
Since inception date 01/01/2025	26.15%	9.54%

Returns over 1 year period are annualized. Returns are adjusted for inflows/outflows. Realised profits are included in the report Performance as on 31st Dec 2025. Churn ratio for same period is 7.6%. **The performance related information provided therein is not verified by SEBI**

A Note of Gratitude: The launch of a new investment strategy, it represents the culmination of research, debate, modelling, operational infrastructure building, regulatory compliance, and perhaps most importantly, the trust of investors willing to back an unproven approach. To each of you who joined us in this journey, whether at inception or along the way, I extend profound gratitude.

The Vallum team has grown in both size and sophistication. Our research capabilities now span global themes, Sector rotation, commodities, and currencies. Our risk management systems have been built specifically for multi-asset investing. This infrastructure will only improve as we scale.

Thank you for your continued trust. The best, as always, remains ahead of us.

Vallum Team

Vallum Capital Advisors is a boutique investment firm registered as a Portfolio Manager with SEBI. We specialize in multi-asset and equity investing on behalf of family offices and high-net-worth individuals.

*For sales or investment-related enquiries, please reach out to us at
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