Market Highlights

- ✓ Indian equity markets consolidated in December 2025 amid moderating domestic momentum and persistent global headwinds. Equity indices posted **flat-to-negative monthly returns**, influenced by easing PMI readings, sustained FII outflows, currency pressures, and heightened uncertainty around global trade policies, including **recent 500% tariff-related risks**. Despite supportive longer-term fundamentals, near-term sentiment remains cautious as global capital flow dynamics evolve.
- ✓ India's composite PMI eased to **57.8 in Dec**, indicating moderating manufacturing and services momentum and cautious hiring trends.
- ✓ The Bank of Japan raised rates by **25 bps to 0.75%** in Dec 2025, the highest level in 30 years, signaling continued policy normalization with implications for global yields, yen strength, and capital flows.
- ✓ US action in Venezuela has raised oil export uncertainty; with India importing ~400,000 bpd, this balances medium-term supply visibility against short-term crude price volatility.

Market Performance (%): Negative to Flat

INDEX	1M	3M	1Y	FY26
NIFTY 50	-0.3%	6.2%	10.5%	11.1%
SENSEX 30	-0.6%	6.2%	9.1%	10.1%
NIFTYMIDCAP150	-0.5%	5.9%	5.4%	16.5%
NIFTYSMALLCAP250	-0.3%	0.0%	-6.0%	10.5%

Source: NSE *as of 31st Dec 2025*

FII/DII Activity

In **Dec 2025**, **DIIs posted strong inflows of ₹79,620 crore**, while **FIIs saw net outflows of ₹34,350 crore** amid **rupee depreciation, high valuations, and attractive global yields**. Domestic flows continued to provide market support.

INR cr*	1M	3M	6M	1Y
FII	(34,350)	(54,197)	(1,84,068)	(3,06,419)
DII	79,620	2,09,498	4,30,609	7,88,184

*Source: NSE*FII Cash* *as of 31st Dec 2025*

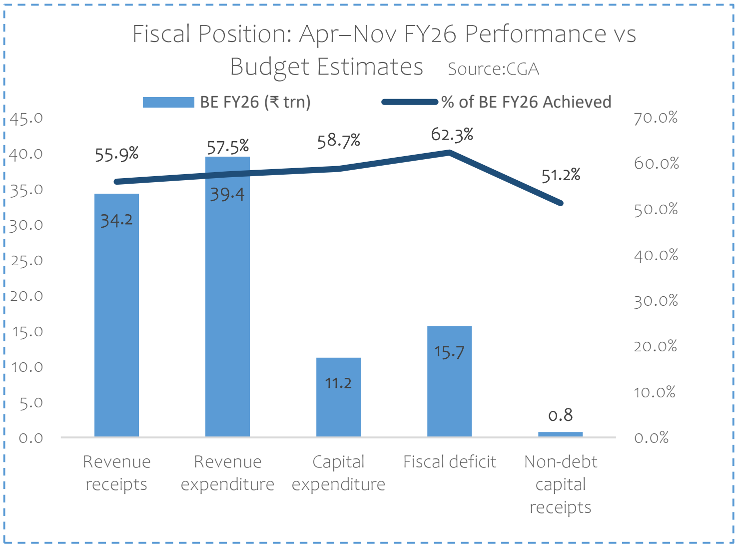
Global Market

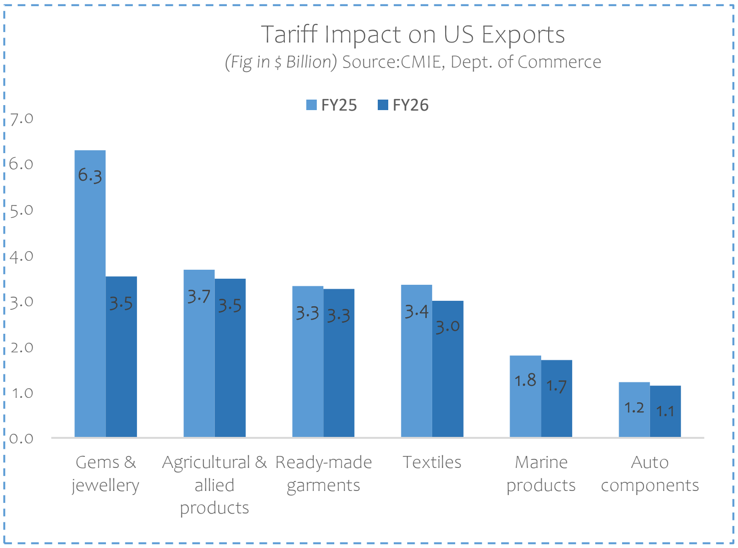
Global equities ended **December 2025 mixed**, reflecting year-end consolidation. **European markets outperformed**, led by the **DAX (+2.7%)** and **FTSE (+2.2%)** on improved sentiment. **U.S. markets were mixed**, with modest gains in the **Dow Jones (+0.7%)** offset by weakness in the **NASDAQ (-0.5%)**, as profit-taking emerged amid **AI-related valuation concerns**. **Asian markets lagged**, with the **Hang Seng (-0.9%)** declining on China uncertainties and the **Nifty 50 (-0.3%)** consolidating after strong prior gains.

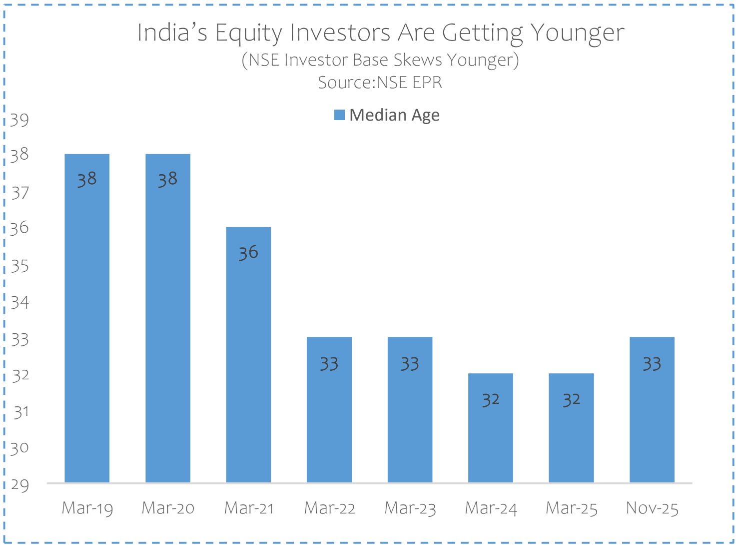
INDEX	1M	3M	6M	1Y
DAX	2.7%	2.6%	2.4%	23.0%
FTSE	2.2%	6.2%	13.4%	21.5%
DOW JONES	0.7%	3.6%	9.0%	13.0%
NIFTY 50	-0.3%	6.2%	2.4%	10.5%
NASDAQ	-0.5%	2.6%	14.1%	20.4%
HANG SENG	-0.9%	-4.6%	6.5%	27.8%

Source: Investing.com *as of 31st Dec 2025*

Interesting Data Points - 1







Sectorial Performance

In Dec 2025, Metals (+8.3%) outperformed on firm commodity prices, while Oil & Gas (+2.9%) & Energy (+2.7%) delivered steady gains supported by stable crude-linked earnings. Conversely, Healthcare (-1.5%), Consumer Durables (-1.3%), & Capital Goods (-1.2%) lagged due to margin pressures, muted demand, and profit-taking. Overall, commodity-linked sectors remained resilient, while select defensives and industrials saw near-term consolidation.

S&P BSE TOP 3 (%)	1M	3M	6M	1Y
Metal	8.3%	10.1%	15.8%	27.6%
Oil & Gas	2.9%	6.5%	2.8%	10.0%
Energy	2.7%	7.0%	1.9%	11.3%

S&P BSE BOTTOM 3 (%)	1M	3M	6M	1Y
Healthcare	-1.5%	0.6%	-1.0%	-3.7%
Consumer Durables	-1.3%	3.5%	-0.1%	-7.2%
Capital Goods	-1.2%	-2.4%	-7.5%	-2.2%

Source: BSE *as of 31st Dec 2025*

Important Events

- ✓ India–New Zealand Free Trade Agreement, finalized in Dec 2025, removes duties on a broad set of Indian exports, improving market access for sectors such as pharmaceuticals, textiles, engineering goods, agri-products, and IT services. The pact also includes USD 20 bn in investment commitments, expected to support manufacturing, renewable energy, and logistics, strengthening India's export base and FDI inflows over the medium term.
- ✓ The Reserve Bank of India announced ~₹3 tn liquidity infusion via OMOs along with a USD 10 bn USD/INR swap to ensure orderly system liquidity. The measures are aimed at easing funding conditions, supporting credit growth, and containing rupee volatility amid global uncertainty. Together, they signal RBI's proactive approach to maintaining financial stability while supporting growth.
- ✓ India's economy is projected to grow strongly in FY 2025-26, with the first advance estimates showing a Real GDP growth of 7.4%, up from 6.5% in the previous year. Nominal GDP is estimated to expand by 8.0%, driven largely by robust performance in the services sector and healthy contributions from manufacturing and construction.

Nifty 50	Q2/26	Q1/26	Q4/25	Q3/25
Sales Growth (YoY)	7.8%	6.1%	7.5%	7.4%
PAT Growth (YoY)	3.1%	7.1%	12.7%	12.9%

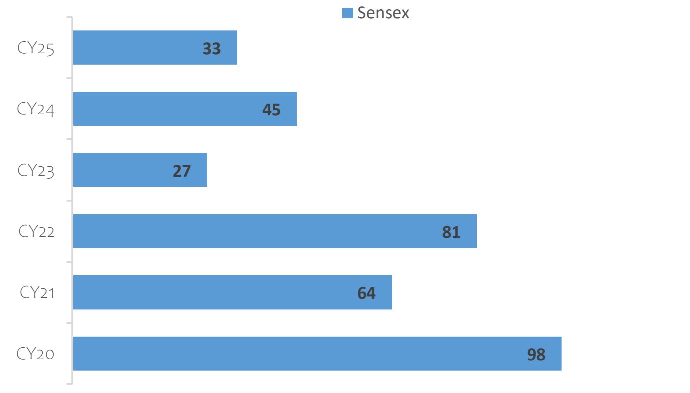
Nifty Midcap 150	Q2/26	Q1/26	Q4/25	Q3/25
Sales Growth (YoY)	10.3%	8.5%	9.1%	11.1%
PAT Growth (YoY)	25.4%	19.0%	18.6%	38.0%

Nifty Smallcap 250	Q2/26	Q1/26	Q4/25	Q3/25
Sales Growth (YoY)	10.6%	6.9%	8.4%	8.0%
PAT Growth (YoY)	21.4%	-12.1%	13.6%	12.6%

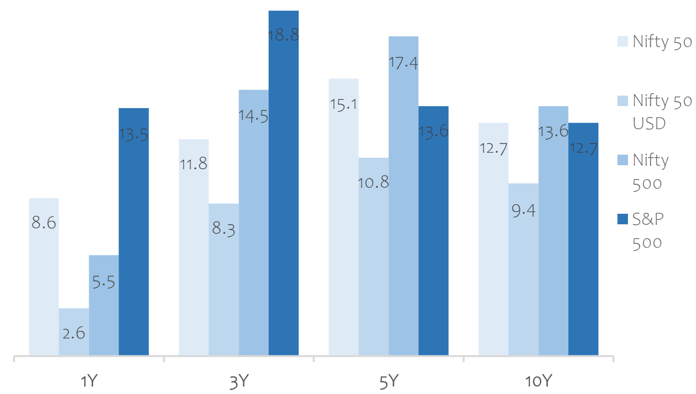
Source: Ace Equity

Interesting Data Points - 2

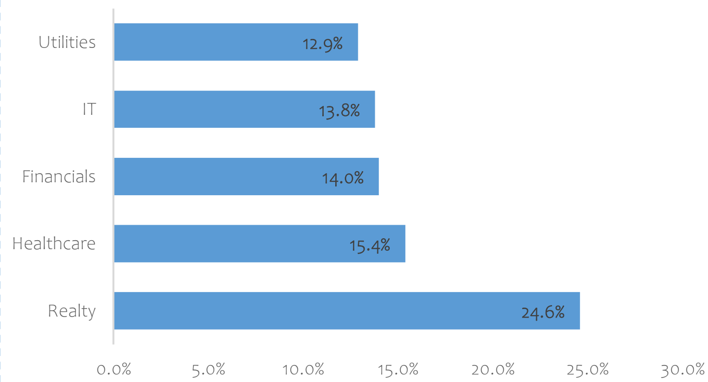
Market Volatility Continues to Normalize
(Sensex swings have eased sharply from peak levels) (Moves of more than equal to +/- 1%) Source: BSE



Annualised return of major indices across different time periods
(Source: NSE Market Pulse)



PAT margin of Nifty 500 companies in H1FY26
(Sector-wise PAT margin of Nifty 500 companies in H1FY26)
*Excludes Tata Motors Ltd. which underwent a demerger on October 1st, 2025.
Source: NSE Market pulse



Indian equity markets are being shaped by improving domestic macro signals alongside persistent global challenges. While policy measures and economic indicators support medium-term fundamentals, near-term performance remains **influenced by sustained FII selling, rupee pressure, and elevated global uncertainty, impacting risk appetite and valuations.**

✓ **Key Positives**

- **GST Rate Rationalization (GST 2.0)**

The government's GST simplification drive has moved several items from the 28% slab to 18%, with 5% and 18% now the dominant rates, reducing the effective tax burden and supporting affordability and consumption growth.

- **Income Tax Slab Revision**

The revised income-tax structure, with exemption up to ₹12 lakh, has increased disposable income for the urban middle class, supporting discretionary consumption and improving demand visibility across consumer sectors.

- **Corporate Earnings Recovery**

Recent quarterly results reflect a gradual revival in corporate profitability, driven by margin stabilization, easing input costs, and operating leverage. Banking, infrastructure, capital goods, and manufacturing sectors have reported improving performance, supporting valuation comfort despite market volatility. Specific sectors/stocks have started showing signs of better performance since last quarter.

Nifty 50	Q2/26	Q1/26	Q4/25	Q3/25
Sales Growth (YoY)	7.8%	6.1%	7.5%	7.4%
PAT Growth (YoY)	3.1%	7.1%	12.7%	12.9%

Nifty Midcap 150	Q2/26	Q1/26	Q4/25	Q3/25
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Nifty Smallcap 250	Q2/26	Q1/26	Q4/25	Q3/25
Sales Growth (YoY)	10.6%	6.9%	8.4%	8.0%
PAT Growth (YoY)	21.4%	-12.1%	13.6%	12.6%

✓ **Key Negatives**

- **Sustained FII Outflows**

Foreign Institutional Investors have remained net sellers amid elevated global interest rates, a strong US dollar, and shifting global risk preferences, contributing to near-term market volatility and capping upside, despite support from domestic institutional flows.

- **Global Trade & Tariff Uncertainty**

Persistent uncertainty around global trade policies, including recent remarks by **US President Donald Trump** on imposing a **500% tariff on certain Indian imports**, continues to weigh on export-oriented sectors and keep market sentiment sensitive to global macro and geopolitical developments.

✓ **Large, Mid, Small Cap CAGR**

Index	1Y	3Y	5Y
BSELARGECAP	9.0%	12.7%	13.4%
BSE Mid-Cap	1.2%	85.5%	162.2%
BSE Small Cap	-6.0%	78.1%	185.7%

Source BSE

- **Market Drawdown Snapshot:**

Index	>15%	>30%	>45%
BSE Largecap	33.9%	6.3%	0.0%
BSE Midcap	39.6%	13.9%	4.9%
BSE Smallcap	37.2%	34.7%	15.4%

Source: Screener

- **Valuation Check: Large, Mid & Small Caps**

Index	Current PE	3Y Median PE	Peak Monthly Avg PE	Peak Avg PE Month
BSE LARGECAP	23.6	23.4	25.6	Sep-24
BSE Mid-Cap	32.0	31.7	41.2	Oct-24
BSE Small Cap	31.3	31.5	36.9	Jul-24

Source BSE

- **Overall Opinion**

Recent developments suggest that India's domestic growth drivers remain intact, even as global factors create intermittent volatility. **In the current environment:-**

- There is a huge divergence in correction of headline Index and individual stocks. This is due to most of the overall market cap is dominated by the large cap space (>65%) which usually are much less volatile than the broader markets. At the same time, large cap stocks gave relatively lesser returns as well in the bull market phase which we witnessed. Below table shows the breadth of heavy correction faced by the broader markets (Mid & Small cap)

- Current market levels of a lot of good quality companies having healthy business growth in revenue and profits, good sector outlook and sustainable business model are currently becoming bargaining bets as compared to their prices a year ago. Majority of the companies in the broader markets are down by 20-40% from their highs and have become softer in their valuation parameters. Though the valuations are not cheap, they are much softer than the peak witnessed in 2024.

- We though feel that not all the companies across market caps and sectors are going to bounce back once the markets stabilize or recovers. The companies which are sitting on decent valuations, have genuinely strong business models and a good growth outlook are likely to bring a healthy growth to the portfolio. Hence, it will be a stock pickers market and also in-depth monitoring of the portfolio in this ever changing global landscape is changing for timely actions/churning
- Since we cannot predict the bottom, a staggered investment deployment remains prudent. Money deployed in these volatile times gradually will likely look strong in a one-three year phase from now. Systematic averaging can help mitigate timing risk and improve long-term entry efficiency

Short term outlook is volatile (non-directional) but there are many high rewarding opportunities available at decent valuations because of the heavy correction witnessed in them. A professional guidance in these volatile & uncertain scenarios in cherry picking high conviction bets; also the time horizon of investments need to be >3yr.

Understanding BSE SME IPO Index Dynamics: Valuations and Constituents

The BSE SME IPO Index is designed to measure the performance of the small and medium enterprises (SME) listed on the BSE SME platform after the completion of their initial public offering (IPO). It was launched on 14th December 2012.

✓ Tracking Valuations: Where BSE SME IPO Index Stands Today

Index Returns (%)	1 Month	3 Month	1 Year	5 Years	10 Years
Total Return	-8.76%	-8.51%	-16.39%	133.75%	61.56%

P/E	P/B	Dividend Yield
10.29	11.33	0.03

The BSE SME IPO Index has experienced weak near-term performance, declining –8.8% over one month and –8.5% over three months, reflecting heightened volatility and cautious investor sentiment in the SME IPO space. On a one-year basis, the index is down –16.4%, largely driven by post-listing corrections, profit-taking, and tighter liquidity conditions for smaller issuances.

Despite short-term pressure, the long-term trajectory remains robust. The index has delivered a strong 133.8% return over five years, highlighting meaningful value creation as successful SME listings scaled up operations and market presence. Over a ten-year period, returns stand at 61.6%, underscoring the sector’s ability to generate wealth across cycles, albeit with higher volatility.

✓ Top 5 Sectorial Weights and Top Constituents of BSE SME IPO:

Top 5 Constituents	Weight (%)
Zelio E Mobility Limited	3.39%
AIRFLOA RAIL TECHNOLOGY LIMITED	2.98%
UNIFIED DATA TECH SOLUTIONS	2.71%
SHREE REFRIGERATIONS LIMITED	2.54%
MONIKA ALCOBEV LIMITED	2.34%

Top 5 Sector	Weight (%)
Industrials	36.8
Consumer Discretionary	17.5%
Information Technology	13.1%
FMCG	11.4%
Commodities	8.9%

Market Outlook on Broader Markets:

• Market sentiment stayed broadly positive in December 2025, supported by steady domestic growth, easing inflation and progress on global trade discussions. While large caps and select midcaps remained resilient, the SME and micro-cap segments saw continued near-term pressure due to profit-taking and cautious liquidity conditions, reflected in weaker short-term performance of the BSE SME IPO Index.

• The outlook for the SME space remains constructive over the medium term. Supportive macro conditions, the RBI’s recent rate cut, and stable demand trends favor fundamentally strong SMEs. Investor preference continues to tilt toward businesses with scalable models, sound governance, and consistent profitability as markets transition to a more earnings-driven phase.

1. Factsheet DREAM (Multi-Cap)

Investment Rationale:

Strategy 1 :- DYNAMIC RESEARCH & EMERGING ASSET MANAGEMENT

With a robust and extensive stock selection process, DREAM offers a dynamic Multi-cap strategy that balances the resilience and stability of large caps with the faster growth and new opportunities of small & mid-caps.

- ✓ Investments in equities cash segment with a mix of stable and growth-oriented companies having strong fundamentals.
- ✓ Our Multi-cap strategy rests on two pillars- Steady picks for large cap for resilience, stability, and long-term wealth and Growth for Small & Mid-caps for capturing new opportunities & potential multi-baggers.
- ✓ We make dedicated efforts to find attractively valued firms with sustainable business models to capture new and dynamic opportunities.
- ✓ In order to minimize concentration risks, we ensure optimal sector diversification.

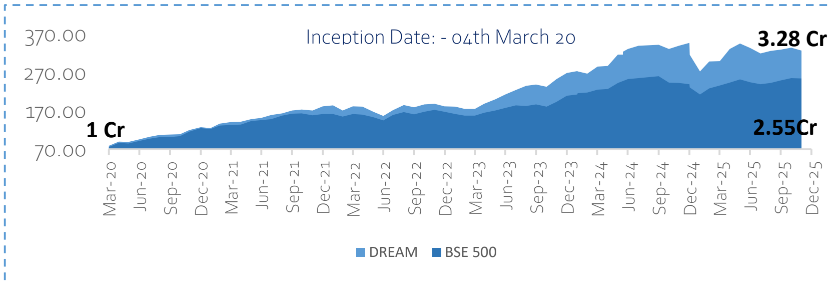
Fund Details

Fund Manager: Mohit Nigam | **Inception Date:** 04th March 2020 | **Structure:** Discretionary PM | **Benchmark**: S&P BSE 500

Performance

Period	Dream	S&P BSE 500
3 Year (CAGR)	21.6%	15.0%
5 Year (CAGR)	20.8%	15.4%

DREAM Monthly Performance with Benchmark

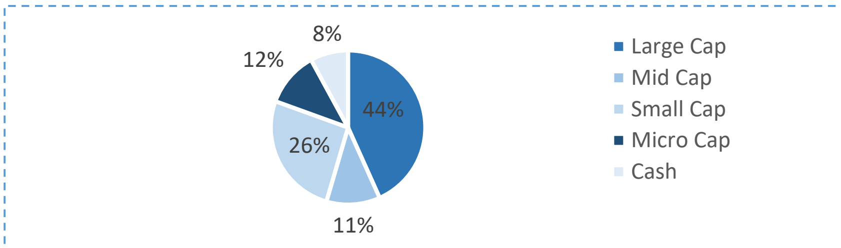


Risk Ratio

Stats	Dream	S&P BSE 500
Annualized SD*	19.86	18.42
Sharpe Ratio*	1.13	0.97
Beta*	0.97	1
Portfolio Turnover (1 Year)	0.49	

* Data is from Inception

Dream Portfolio



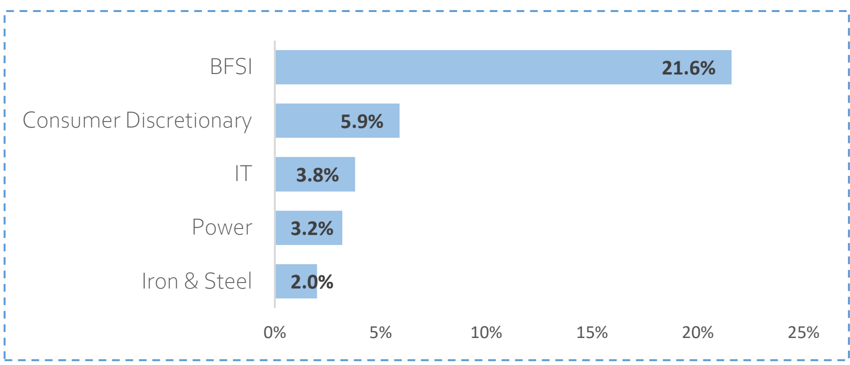
Return Table

Performance	FY20	FY21	FY22	FY23	FY24	FY25	FY26 (Till Dec)	CAGR (Since Inception)
DREAM	-20.8%	76.8%	29.4%	-3.6%	52.6%	12.1%	9.2%	22.5%
Benchmark	-24.9%	76.7%	20.9%	-2.3%	38.4%	4.8%	11.5%	17.3%

Top 10 Portfolio Holding - 32.95%

Period	% of AUM
Bharat Electronics Limited	4.43%
Mahindra & Mahindra Limited	3.76%
Hindustan Aeronautics Limited	3.72%
KEI Industries Limited	3.45%
ICICI Bank Limited	3.33%
Reliance Industries	3.19%
Larsen & Toubro	3.10%
Anant Raj Limited	2.75%
Axis Bank Limited	2.69%
Deepak Fertilizers and Petrochemicals	2.53%

Sector Allocation



All Returns and data mentioned are as of 31st December 2025 & not verified by SEBI.

RISK

Factsheet IRSS (SMALL & MICRO CAP - SME)

Investment Rationale:

Strategy 2 :- INDIA RISING SME STARS

Benefitting investor through fast growing Micro-Cap & SME markets of India We focus our investment strategy on high growth companies that have distinct selling points and a strong niche.

- ✓ Niche SME & Small Cap based PMS launched in February 2022.
- ✓ Exclusive selection of high conviction bets from SME & microcap space.
- ✓ It is a high risk & high return strategy and therefore suitable for investors having high risk appetite

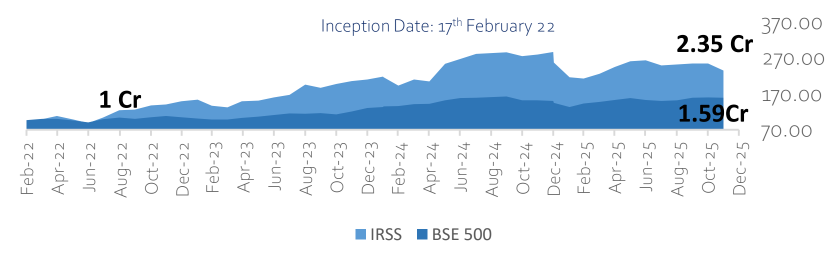
Fund Details

Fund Manager: Mohit Nigam | **Inception Date:** 17th February 2022 | **Structure:** Discretionary PM | **Benchmark**: S&P BSE 500

Performance

Period	IRSS	S&P BSE 500
3 Year (CAGR)	16.4	15.0

IRSS Monthly Performance with Benchmarks

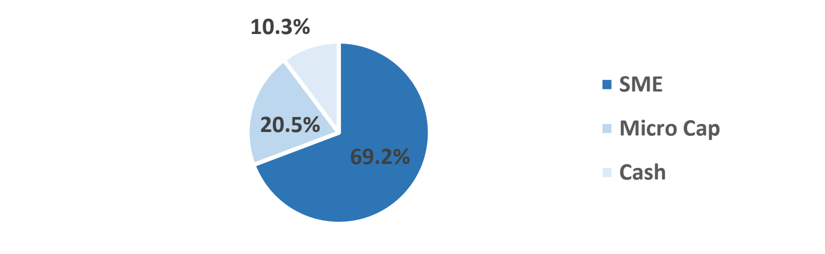


Risk Ratio

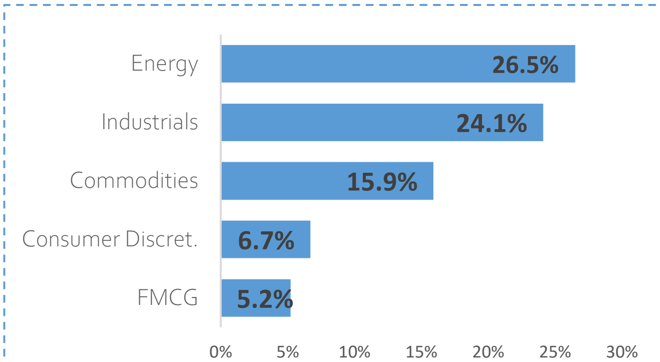
Stats	IRSS	S&P BSE 500
Annualized SD*	27.82	13.53
Sharpe Ratio*	0.93	0.95
Beta*	1.24	1
Portfolio Turnover(1 Year)	0.48	

*Data is from Inception

IRSS Portfolio



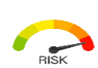
TOP 5 Sector Allocation



Return Table

Performance	FY22	FY23	FY24	FY25	FY26 (Till Dec)	CAGR (Since Inception)
IRSS	-0.7%	34.3%	45.4%	10.0%	10.8%	24.9%
Benchmark	0.8%	-2.3%	38.4%	4.8%	11.5%	12.8%

All Returns and data mentioned are as of 31st Dec 2025 and not verified by SEBI
Categorization: - SME- Listed on SME Exchange; Small Cap-Companies ranked between 251 to 500 as per AMFI as per market cap; Micro Cap-Companies ranked below 500 as per AMFI



Return Table:-

DREAM

Performance	CY20	CY21	CY22	CY23	CY24	CY25
DREAM	27.1%	42.7%	0.1%	48.1%	29.1%	-6.0%
Benchmark	23.8%	30.1%	3.3%	24.8%	14.6%	6.4%

IRSS

Performance	CY22	CY23	CY24	CY25
IRSS	49.7%	40.6%	36.6%	-17.9%
Benchmark	3.3%	24.9%	14.6%	6.4%

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#Capital Goods Includes Railways, Constructions, Logistics and EMS

*The data presented are indicative in nature and can change without prior notice.

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Disclosure document link: - https://pms.hemsecurities.com/doc/Disclosure%20Document%20-%20HSL%20PMS.pdf

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Past performance of the Portfolio Manager does not indicate the future performance of the strategy or any other future strategies of the Portfolio Manager. The performance of the Portfolio may be adversely affected by changes in the market conditions, micro and macro factors, and forces affecting capital markets. Risk factors associated with the investment approach are equity risk, systematic risk, concentration risk, model portfolio risk, mismatch risk, execution risk, low liquidity, and low dividends. To know more about the risk factors, please refer to the disclosure document available at www.hemsecurities.com.

Note: Performance is calculated on the SEBI-notified time-weighted rate of return method net of all fees and expenses across the fund. An individual client's performance may differ from time to time. Past performance is not indicative of future performances. Performance results are shown since 4th March 2020, the inception date of the investment scheme. Performance-related information provided herein is not verified by SEBI. All performance is presented in percentage terms and is at the fund-level portfolio.

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Added Disclaimer for IRSS

- The fund will make investments in SMEs and small-cap stocks, which might be illiquid at the time of your exit (depending on market conditions). If we are not able to liquidate stocks at the time of your exit, then we will transfer the stocks to your demat account.
- Please refer to our account opening kit for our compliance policy on the allocation of securities in specific/exceptional circumstances.
- Since SME stocks are traded in lots, the lots purchased/sold at a specific time are proportionally allocated among all the clients. The allocation is done in a manner that ensures fair and equal treatment among all clients.
- Every reasonable effort is taken by us to execute the trade at the best available price. However, due to the higher bid-offer spread in SME stocks, there may be limitations or challenges in achieving optimal execution.
- The determination of the performance fees shall be made on the Inception Anniversary Date / Closing Date / Partial Withdrawal Date, whichever is earlier.
- Statutory charges and other operational expenses will be charged as per actuals.
- Fees are calculated on the average daily portfolio value payable on a quarterly basis at the end of each calendar quarter.
- SME and Small Cap are riskier investment instruments and are best suited for investors with a high-risk appetite.
- IRSS Inception Date: 17th February 2022