SUNDARAM ALTERNATES
Sundaram Finance Group

BEYOND THE NEXT WINNER

The process behind the return.
What really drives long-term success in public equities.

SEPTEMBER 2026

Sundaram Alternate Assets Limited is a SEBI-registered Portfolio Manager (Registration No. INP000006271) and acts as Investment Manager to Sundaram Alternative Investment Trust (Registration No. IN/AIF3/16-17/0291) and Sundaram Category II Alternative Investment Trust (Registration No. IN/AIF2/17-18/0340), both of which are SEBI-registered Alternative Investment Funds.

Two equity strategies can report near-identical returns over three years and still be built very differently underneath. In one, a position that ran hard was trimmed once it crossed a pre-agreed portfolio weight, and the proceeds were redeployed into the next idea already queued up by the process. In the other, a comparable position kept growing unchecked, because nothing in the portfolio's construction required a second look once the price started moving.

Both strategies could point to a similar three-year number. But only one of them had a **return built to survive the next stage of the cycle, a change in market conditions, or simply time;** rather than one uninterrupted run of good fortune in a single position.

That difference between a return protected by a repeatable process and one that depends on a run continuing, is where this paper starts.

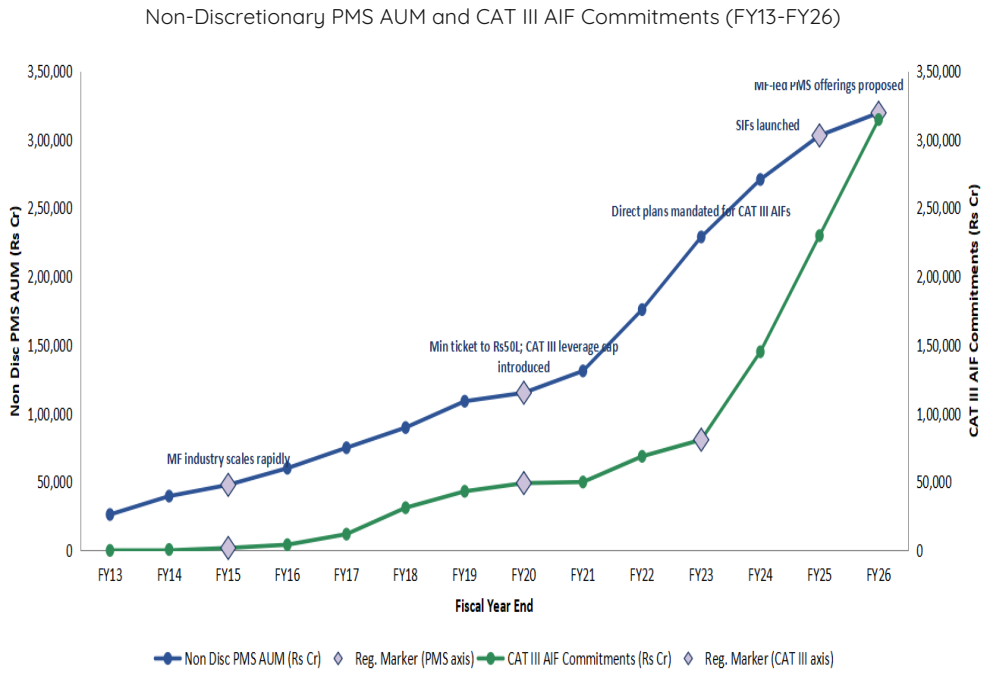
India's public equity markets have grown larger, more competitive, and more sophisticated over the past decade. Set against that backdrop, one question keeps recurring: what actually sustains long-term compounding, and why do some approaches hold up across market cycles while others fade with the moment that made them look good?

The answer this paper explores is not a single insight, or a single strong year. **It is the presence of an institutionalised approach: a process, a framework, and a culture sitting behind every investment decision, so that the outcome does not rest on any one moment or point of view.**

The pressure on that question has only grown as the industry itself has scaled. India's portfolio managers reported total assets under management of ₹44.11 lakh crore as of July 2026[1], of which ~₹4.8 lakh crore sits in listed equity PMS strategies alone, a market wide enough that no single approach, theme or year can be the whole story.

[1] APMI

Exhibit 1: India's PMS industry has kept compounding through multiple rounds of regulatory and competitive change



Investor Insight / *Consistent long-term compounding comes from institutionalisation: the process, framework and culture behind an investment decision, rather than from any single call, theme or year.*

SECTION 1: How institutionalisation drives consistency in outcomes

Consistency comes from the system, not a single stretch of good calls

Sundaram Alternates' own numbers illustrate the pattern. Its flagship PMS strategies have compounded at 18–20% annually for over a decade, a run that has continued through six changes in the team running them and, in the past year, a CIO transition. That continuity reflects institutionalisation working as intended: what carries forward from one phase to the next is a set of documented processes: how a stock is researched, how a position is sized, when a thesis is challenged, rather than anything tied to a single moment in time.

Sundaram AMC's roots in equity research go back further than this current run. The group launched one of India's earliest mid-cap funds in the early 2000s. Every stock addition to the portfolio since has had to clear rigorous CRO approval and background checks, a discipline we describe as : Institutionalizing these processes ensures stability for our clients regardless of individual manager movements.

SECTION 2: Why strong investment processes and frameworks are key to long-term compounding

A repeatable framework, applied to markets that keep rotating

The Nifty 50 Total Return Index has delivered an annualised return of 12.74% since inception in November 1995 through February 2026[2]. That headline number hides very different environments underneath it. NSE-based analysis shows that no single factor has consistently outperformed over the past decade — Alpha, Value and Momentum are among the stronger long-term performers, but which one leads has changed from year to year.

Exhibit 2: No single factor leads through every market cycle[3]



Alpha and Value shine over the long run

The pattern holds for the index level too. Metal, real estate and capital goods have each topped the annual sector rankings at some point over the last two decades, and each has also finished among the bottom three within a year or two of that peak. No sector in the below table has stayed in the top three for more than two consecutive years since 2007.

[2] https://www.niftyindices.com/docs/default-source/indices/nifty-50/nifty-50-whitepaper_2026.pdf
[3]https://economictimes.indiatimes.com/wealth/invest/10-year-performance-tracker-of-factor-based-investment-strategies-quality-vs-alpha-which-stood-first-in-the-last-decade/articleshow/129169243.cms

Exhibit 3: No sector leads consistently either (% return or sectoral indices)[4]

INDEX/ CY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
S&P BSE METAL	121%	-74%	234%	1%	-47%	19%	-10%	8%	-31%	37%	48%	-22%	-11%	11%	66%	8%	29%	7%	27%
S&P BSE REAL ESTATE		-82%	70%	-26%	-52%	53%	-32%	8%	-14%	-6%	106%	-31%	26%	9%	55%	-10%	79%	33%	-17%
S&P BSE AUTO	3%	-57%	204%	38%	-20%	40%	7%	52%	-1%	9%	32%	-22%	-11%	13%	19%	17%	46%	22%	21%
S&P BSE FMCG NDEX	25%	-21%	47%	28%	2%	46%	10%	19%	2%	3%	32%	11%	-4%	11%	9%	20%	31%	1%	-2%
S&P BSE CAP GOODS	117%	-65%	104%	9%	-48%	35%	-6%	50%	-9%	-3%	40%	-2%	-10%	11%	53%	16%	67%	22%	-1%
S&P BSE OIL & GAS	115%	-55%	73%	1%	-29%	13%	4%	12%	-3%	27%	34%	-15%	7%	-4%	24%	17%	13%	13%	10%
S&P BSE POWER	122%	-60%	74%	-6%	-40%	11%	-15%	23%	-6%	2%	20%	-16%	-3%	7%	69%	26%	33%	20%	-7%
S&P BSE HEALTHCARE	17%	-33%	69%	34%	-13%	39%	23%	47%	15%	-13%	0%	-6%	-4%	61%	21%	-12%	37%	44%	-3%
S&P BSE CONS. DURS	95%	-72%	98%	68%	-17%	46%	-25%	66%	24%	-6%	102%	-9%	22%	22%	47%	-11%	26%	29%	-7%
S&P BSE BANKEX	61%	-52%	84%	33%	-32%	57%	-9%	65%	-10%	7%	39%	5%	21%	-2%	13%	21%	11%	6%	16%
S&P BSE IT & ITES	-10%	-53%	134%	26%	-18%	1%	55%	18%	4%	-8%	11%	25%	10%	57%	56%	-26%	24%	20%	-15%
INDEX	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
S&P BSE SENSEX	47%	-52%	81%	17%	-25%	26%	9%	30%	-5%	2%	28%	6%	14%	16%	22%	4%	19%	8%	9%
S&P BSE SMALL-CAP	94%	-72%	127%	16%	-43%	33%	-11%	69%	7%	2%	60%	-24%	-6%	32%	63%	-2%	48%	29%	-7%
S&P BSE MID-CAP	69%	-67%	108%	16%	-34%	39%	-6%	55%	7%	8%	48%	-14%	-3%	20%	39%	1%	46%	26%	1%

The practical implication is not that an investor should try to predict the next winning factor or sector. It is that the investment process needs to remain useful even when market leadership changes.

At Sundaram Alternates, that process begins with a bottom-up view of individual businesses. The starting point is to identify companies with the potential to compound earnings, assess the quality of the business and its management, and determine whether the growth on offer justifies the price being paid.

The underlying investment philosophy is growth at a reasonable price, or GARP. In practical terms, this means looking for businesses with room to grow without paying for growth at any price, with valuation discipline remaining central to the decision. Karthik Athreya describes the approach as seeking favourable PEG ratios alongside strong underlying business characteristics.

Every potential investment is then assessed through the firm's documented Growth, Quality and Performance, or GQP, framework. The purpose is to ensure that a compelling story or attractive sector does not, by itself, become an investment thesis.

Growth asks whether the opportunity can compound. Quality examines the strength and durability of the business. Performance tests whether the fundamentals are developing in line with the original thesis.

This bottom-up discipline remains the foundation of the process. But the team's approach has evolved beyond analysing individual companies in isolation. Broader structural themes are also used to identify areas where the opportunity set may be expanding.

The power and AI infrastructure theme illustrates how the two tracks come together. The team identified the consequences of decades of underinvestment in power generation, transmission and distribution before the additional power requirements of AI infrastructure became a major market narrative. This helped identify a broader opportunity across companies supplying cables, transformers, switchgear and other equipment.

But identifying the theme was only the first step.

[4] *BSE sectoral indices, calendar-year total returns, CY2007–CY2025. Green marks the top-3 sectors and red the bottom-3 sectors in a given year.*

Each company still had to pass through the same bottom-up GQP framework before entering the portfolio. The process therefore works in both directions: thematic research helps identify where opportunity may emerge, while bottom-up analysis determines which businesses are worth owning.

This is what makes the framework repeatable. It does not require the team to predict the next market winner. It provides a consistent way to evaluate new opportunities as they emerge.

The June 2026 earnings season illustrates why this matters. Nifty 50 companies recorded average profit growth of 18%, the strongest pace in ten quarters, but the improvement was not uniform across the market. The upgrade-to-downgrade ratio improved to 1.5, pointing to a more constructive but still differentiated earnings environment[5].

In practice, differentiated decision-making means looking beyond the headline earnings number to understand where the differences lie. Two companies may benefit from the same broad trend, but their ability to convert that opportunity into earnings and cash flows can vary significantly. The active investor's task is to identify those differences early, assess what they are worth and decide how much capital they justify.

SECTION 3: Active risk management and downside thinking as part of equity investing

Downside discipline is built into the process, not left to individual judgement

Downside protection is often framed as a credit-market discipline, built around covenants and collateral. But the same logic applies to equities: a portfolio can only compound through cycles if risk is managed as deliberately as returns are pursued. Even a well-chosen

investment can outrun its fundamentals if nothing forces a periodic check of price, position size and value.

This discipline sits structurally within the equity process through a dedicated Equity Risk Operations Committee, comprising Sundaram AMC's Chief Risk Officer and a dedicated attribution data analyst. The committee reviews position sizing independently of the team that originated the idea and works against documented triggers spanning business, management, financial and valuation factors.

MTAR illustrates how this works in practice. The stock grew from a 3.5% portfolio weight to 12% after delivering a return of five to six times. The underlying thesis remained intact, but the portfolio risk had changed. The position was therefore trimmed back to 7.5%, booking profits and containing concentration without exiting the investment.

Risk management, therefore, is not only about identifying what can go wrong. It is also about recognising when a successful investment changes the risk profile of the portfolio.

[5] https://www.reuters.com/world/india/profit-growth-indias-nifty-50-firms-hits-10-quarter-high-boosts-outlook-2026-08-18/

Exhibit 4: The questions that keep an equity thesis under review

Investment question	What the process needs to establish
Business	Is the business model sound and sustainable?
Management	Are governance and capital allocation aligned with long-term value creation?
Financials	Are earnings and cash flows supported by the balance sheet?
Valuation	What expectations are already reflected in the price?
Position size	What is the appropriate portfolio exposure?
Thesis triggers	What developments would require reassessment?
Portfolio risk	Could one position or theme disproportionately affect outcomes?

Investor Insight | *Risk management is not only about cutting losses. It is also about recognising when a successful investment has become a larger portfolio risk.*

SECTION 4: Sundaram's equity culture and how it shapes investment decisions over market cycles

Holding the philosophy through the parts of the cycle when it is not working

At Sundaram Alternates, investment discipline traces back further than any single portfolio decision, to the group's history in financial services since 1954, and to the same instinct that governs the firm's older private credit business: sizing positions prudently and managing risk in a staggered fashion. The same culture carries into how the public equities team behaves across a cycle: prioritising long-term client value over short-term momentum, and accepting occasional down years rather than launching speculative or momentum-led products just to raise quick capital.

The same patience applies to individual positions. A stock can sit flat for the better part of two years and then deliver most of its return in a single strong quarter, a reminder that getting into the right stock rarely pays off immediately, and that patience is part of the discipline. **Unless the underlying fundamentals of a thesis change, the house approach is to hold rather than react to short-term price movement.**

A strong institutional process creates a common language for:

- Evaluating investment ideas
- Challenging assumptions
- Assessing valuation
- Determining position sizes
- Identifying risks
- Reviewing underperformance
- Deciding when an investment thesis has changed

Did you know?
1,849 AIFs *were registered in India as of March 31, 2026, up from 732 five years earlier, a 135% increase*[6]*.*
Cumulative AIF commitments stood at ***INR 16.94 lakh crore****, with Category III AIFs accounting for INR 3.15 lakh crore*[7]*.*

Every investment philosophy eventually runs into a stretch where something else is working better. A portfolio with a quality tilt, for instance, can lag when the market is rewarding value or momentum. That does not necessarily mean the philosophy is wrong. The test is whether the process can distinguish between a temporary change in market leadership and a genuine reason to rethink the underlying thesis.

Holding the philosophy, however, does not mean holding the portfolio still.

An investment approach that survives multiple cycles cannot be static. New technologies create industries, regulation changes competitive structures, business models evolve and valuations move between extremes.

The role of an institutional process is not to freeze a portfolio in time. It is to provide a consistent way of deciding what the change actually means for the portfolio.

This is where flexibility differs from style drift. A portfolio may need to incorporate new sectors, business models and sources of growth. But new opportunities should still be tested against the same standards of business quality, valuation and risk. The objective is not to predict exactly when the market will change, but to recognise change and evaluate its implications.

Experience across different market environments demonstrates why this matters. During periods when momentum-driven stocks dominated market leadership, a process built around business fundamentals and valuation required patience. That did not mean ignoring what was changing in the economy. As structural themes around power, transmission and AI infrastructure began translating into stronger earnings and order books, the opportunity set changed. The process allowed the team to respond, while still evaluating individual companies through the same bottom-up disciplines described earlier.

The distinction is important: adapting to new evidence is part of disciplined investing; abandoning the investment philosophy simply because another style is temporarily outperforming is not.

The objective is not to predict the transition. It is to remain prepared to evaluate it.

SECTION 5: Why making the right decisions consistently matters more than a single top-performing year

The signal that matters isn't a single chart-topping year

An initial investment in Sundaram Alternates' PMS strategies at launch has grown roughly 15x, while redemption rates have remained in the range of 8–10%, below industry averages of 15–20%.

But the more meaningful question is what happens over a full cycle, including the years when returns are less exceptional. The growth has not come from any single outsized year, but from

[6] https://www.sebi.gov.in/sebi_data/attachdocs/may-2026/1778490243659.pdf
[7] https://www.sebi.gov.in/statistics/1392982252002.html

continuing to compound across different market environments and retaining investor confidence beyond a single period of strong performance.

Managing those expectations is itself part of the discipline. When a strategy returns 30–35% in a single year, the more useful conversation is about what can reasonably be expected over a full cycle, rather than allowing one exceptional year to become the new benchmark. The firm's own long-term target remains a steadier 16–20% CAGR.



Investor Insight | *A single outsized year is not a repeatable promise. The more durable test is how a strategy compounds, and how investors remain invested, through a full cycle.*

A framework for evaluating long-term equity investing

What should investors look for beyond the latest performance number?

A sophisticated investment landscape does not necessarily require a more complicated investment decision. It requires better questions.

1. What is the investment philosophy?

Can the strategy clearly explain what it seeks to own, why and under what circumstances it will avoid an opportunity?

2. How does research translate into decisions?

Is there a clear link between identifying an opportunity, analysing individual companies, assessing valuation and building the portfolio?

3. What happens when the thesis goes wrong?

Are there predefined triggers for reassessment, or does the investment depend on continuing conviction?

4. How is portfolio risk managed?

How are concentration, position sizing and unintended exposures monitored?

5. Has the process been tested through different market environments?

A strategy that has only experienced one market regime has not yet demonstrated how it behaves across a full cycle.

6. Can the investment approach survive changes in people?

Is the philosophy and decision-making process strong enough to continue beyond any one individual?



Investor Insight | *Returns tell you what happened. The investment process helps explain why it happened, and whether the approach can be repeated.*

Conclusion

India's public markets have grown deeper and more competitive, with more capital chasing a similar set of visible opportunities. In that environment, the question for investors is not simply who made the latest winning call.

It is what sits behind the decision.

How was the opportunity identified? Was the business tested through a consistent investment framework? Was the valuation justified? How much capital was committed? What would cause the original thesis to change?

Individual judgement will always matter in active investing. But long-term investment outcomes should not depend entirely on one individual's judgement, one successful theme or one exceptional year.

The stronger foundation is an institutionalised process: one that combines bottom-up research with an evolving view of the opportunity set, manages risk as carefully as it pursues returns, and remains disciplined enough to adapt without abandoning its philosophy.

Because finding the next winner can produce a strong result. Building

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