From the Desk of CIO & CEO – August 2026

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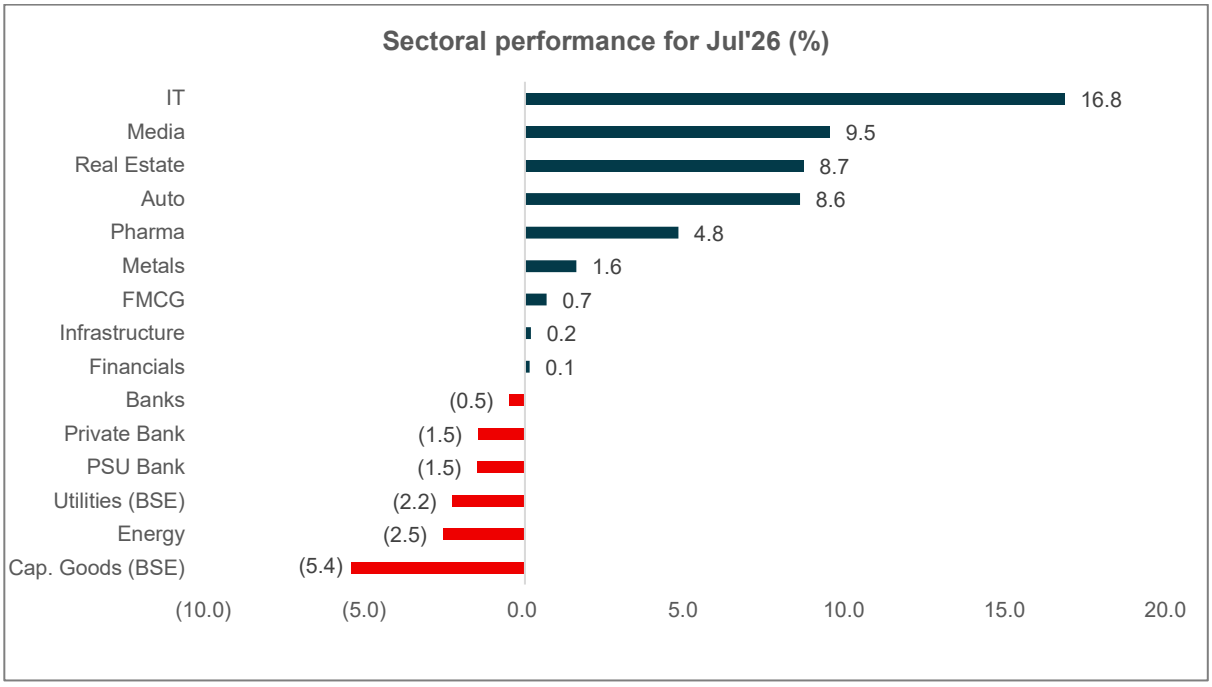
Dear Patron,

Welcome to this month's edition of our market commentary, where we reflect on key developments shaping global and domestic market conditions.

Global markets remained volatile in July as renewed US–Iran tensions raised crude oil, freight and insurance risks, while the US rate outlook and fiscal concerns kept bond and currency volatility elevated. The immediate risk for energy-importing economies is the transmission of higher crude into inflation, external balances and currencies. At the same time, performance across global equities became more selective, with AI-and semiconductor-heavy markets increasingly sensitive to elevated valuations and the pace of earnings and capital-expenditure delivery.

Indian equities remained resilient despite the less favourable global backdrop. The BSE 500-TRI rose 2.2% in July and the BSE 100-TRI gained 2.7%, while the BSE Smallcap 250 advanced only 0.4% in INR terms. Domestic conditions continued to provide support: central government capital expenditure reached 27.8% of the full-year Budget Estimate in Q1FY27, non-food credit growth accelerated to 18.3% YoY in June, and CPI inflation, though higher at 4.38%, remained within the RBI's tolerance band.

The Q1FY27 earnings season has also been encouraging beneath the headline numbers. Among 256 NSE 500 companies that have reported, sales grew 22% YoY and PAT increased 7%; excluding Energy, PAT growth improved to 18% YoY. Earnings strength has been visible across metals, capital goods, NBFCs, banks, autos and utilities, while Energy remains the principal drag because of weaker marketing economics and elevated crude-linked costs. We continue to prefer quality large caps for earnings visibility and balance-sheet resilience, while remaining selective in SMIDs. Our medium-term preference remains aligned with domestic capex, financialisation, China+1 Manufacturing, rural recovery, Defence and Electrification.



Source: Bloomberg

Global Market Update: Elevated geopolitical risks continue

The global backdrop is materially less benign. The IMF expects global growth to moderate to around 3.0% in 2026, with higher energy prices, geopolitical disruption and tighter financial conditions weighing on activity. China's growth is forecast to slow to 4.6%, reflecting structural weakness in property, softer domestic demand and persistent external uncertainty. India's projected growth premium over both China and the global economy is therefore widening, thereby putting India at a relatively advantageous position.

US-Iran tensions have resurfaced as an immediate macro risk. Renewed attacks and disruptions to Middle Eastern shipping routes pushed Brent crude sharply higher in July but remained below USD 90/bl levels for majority of the month. Restrictions around the Strait of Hormuz and higher shipping and insurance costs continue to create upside risks for energy-importing economies. For India, the principal transmission channels are the Oil import bill, Inflation, the Current Account and the Rupee. Nevertheless, stronger foreign-exchange buffers, improving dollar liquidity and fiscal discipline provide greater resilience than in previous oil shocks.

US Fiscal and Monetary risks pressure the Dollar's structural appeal:

The US economy remains supported by consumer spending and AI-related capital expenditure, but its macro mix is becoming increasingly difficult. The Congressional Budget Office projects a federal deficit of $1.9tn, or 5.8% of GDP, in FY26, with deficits rising to 6.7% of GDP by 2036. These levels are significantly above the historical average and imply continued heavy Treasury issuance and rising interest costs. Inflation has moderated from its recent peak but remains sticky. June CPI inflation eased to 3.5% YoY, while core CPI stood at 2.6%. The Federal Reserve consequently kept the federal funds target range unchanged at 3.50–3.75% at its July meeting. Its statement described economic activity as expanding at a solid pace but acknowledged that inflation remained elevated, including because of energy-related supply shocks. The policy bias remains restrictive, with limited room for rate cuts and a renewed possibility of hikes if energy inflation broadens into expectations, wages and services prices.

The near-term Dollar response may remain supported by risk aversion and elevated US yields. Over the medium term, however, large fiscal deficits, rising interest expenditure and questions regarding policy credibility are likely to weaken the dollar's structural premium. This tension between cyclical safe-haven demand and deteriorating fiscal fundamentals should keep currency and bond volatility elevated.

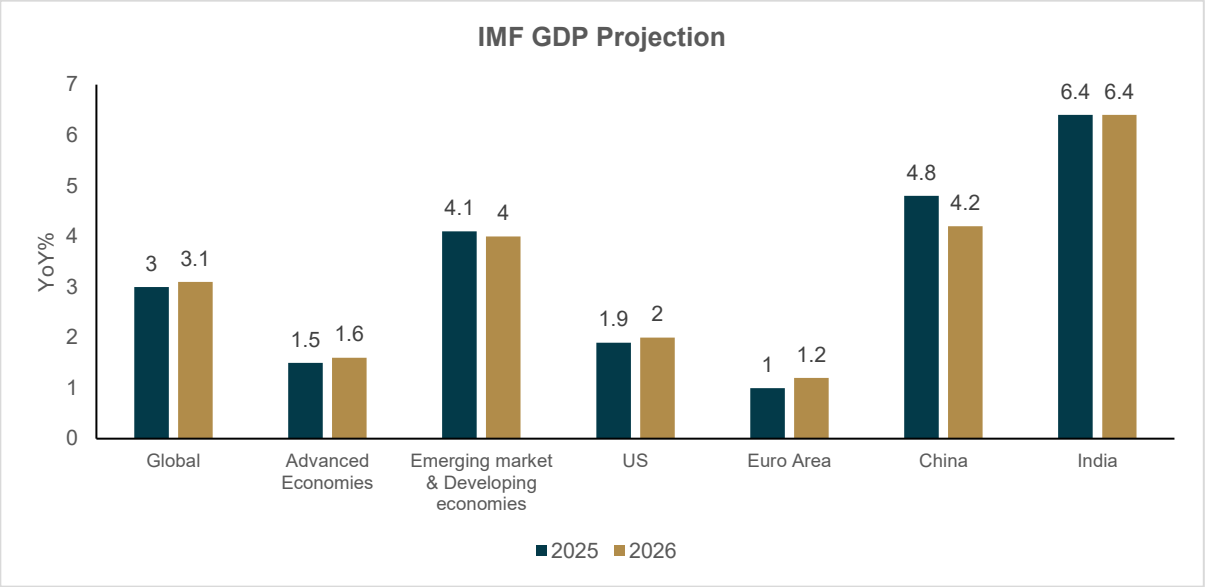
Domestic Market Update: Relative Resilience

India enters the second half of 2026 with one of the strongest growth profiles among major economies, supported by domestic demand, public infrastructure investment, healthy financial-sector balance sheets and a broadly supportive policy mix. Real GDP expanded by 7.7% in FY26 and is expected to remain resilient in Q1FY27 near 7% even after energy shock from US-Iran conflict. While the external environment has become less favourable, India is still expected to remain among the fastest-growing major economies in FY27.

The RBI projects growth of 6.6% for FY27, while the IMF forecasts 6.4%, compared with projected world growth of approximately 3.0%, and China's growth of 4.6%. This growth differential presents a relative opportunity for global investors at a time when developed-market equity performance and capital expenditure have become increasingly concentrated around artificial intelligence, semiconductors and data-centre infrastructure. India offers a comparatively broader domestic-demand exposure across banks, industrials, infrastructure, construction, consumer

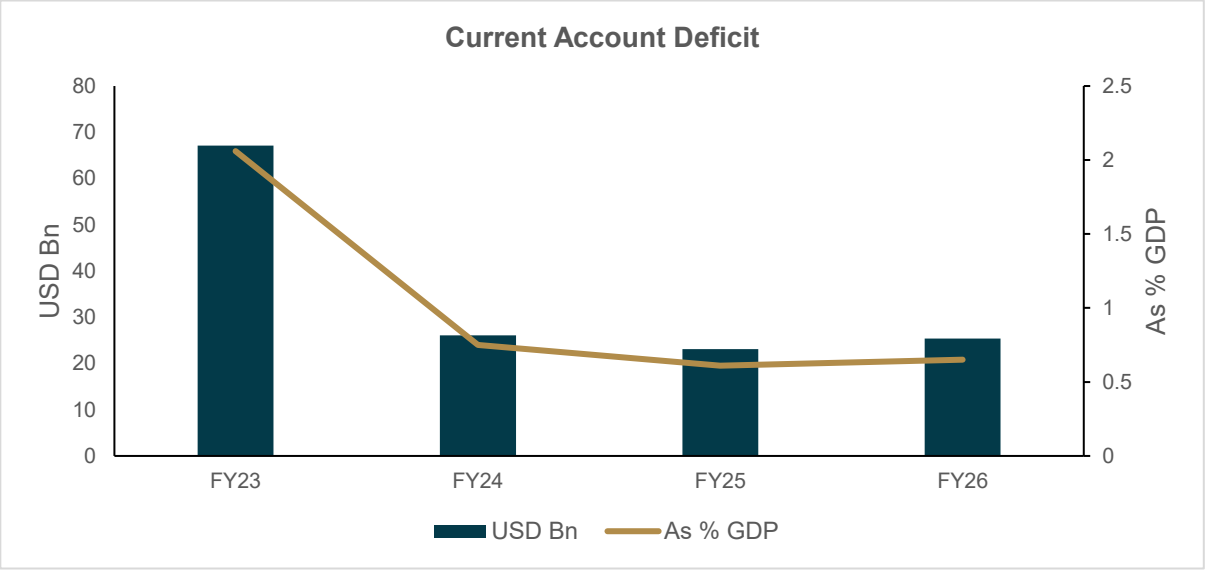
services and manufacturing. It can therefore function as an “anti-AI trade” – as portfolio diversification strategy away from increasingly concentrated AI-related earnings and investment assumptions, and sharp volatility episodes among peer markets.

India continues to lead global growth



Source: IMF

India sustains a comfortable External Balance



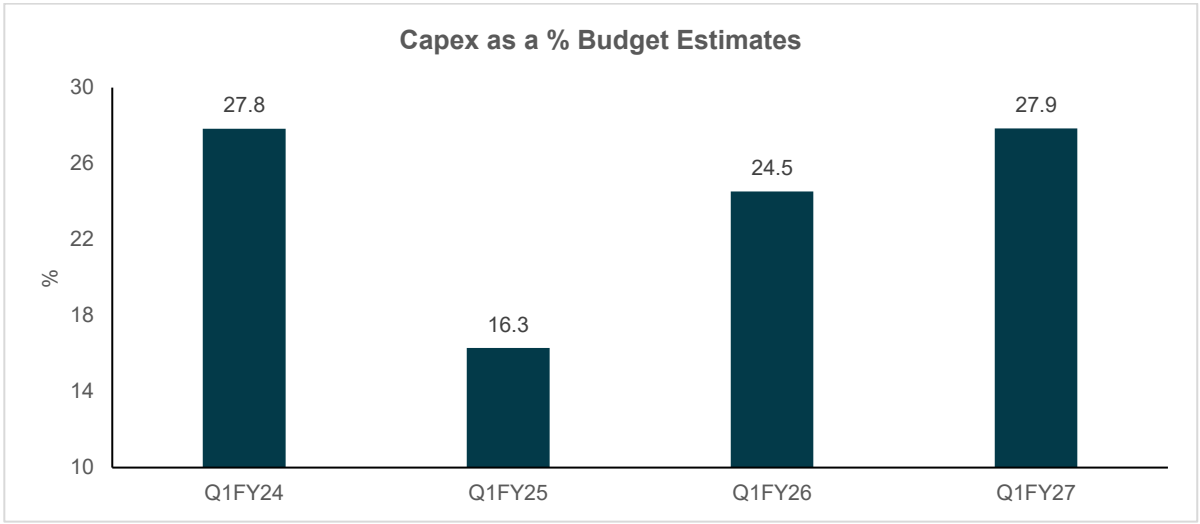
Source: Bloomberg

The quality of India’s macroeconomic backdrop remains underpinned by fiscal consolidation alongside elevated government capital expenditure. Government has been frugal while spending money. Importantly, deficit reduction has not required a withdrawal from infrastructure spending evident from 5-year high run rate of central government capex at 27.85% of Budget Estimates (BE). The infrastructure-led growth cycle is increasingly visible in industrial

activity. India's Industrial Production (IIP) expanded by 7.3% YoY in June 2026, the fastest pace in 23 months, with Manufacturing and Electricity contributing to the improvement.

Financial conditions also remain considerably healthier than during previous global risk-off episodes. Non-food credit growth rose by 18.3% YoY in Jun-26 – fastest since May-24, while the RBI expects gross Non-Performing Asset ratios (NPAs) to remain below 2% through 2028. The combination of stronger capital positions, low stressed-asset ratios and sustained credit demand gives banks greater capacity to finance household consumption, working capital and capital expenditure. Survey indicators have continued to signal expansion in both manufacturing and services although there has been some moderation due to elevated input costs, while rising formalisation, digital payments and broader access to credit are supporting the transmission of nominal income growth into domestic demand. India's growth cycle is consequently more internally driven than those of export-intensive Asian economies exposed to slower Chinese demand or the global electronics cycle.

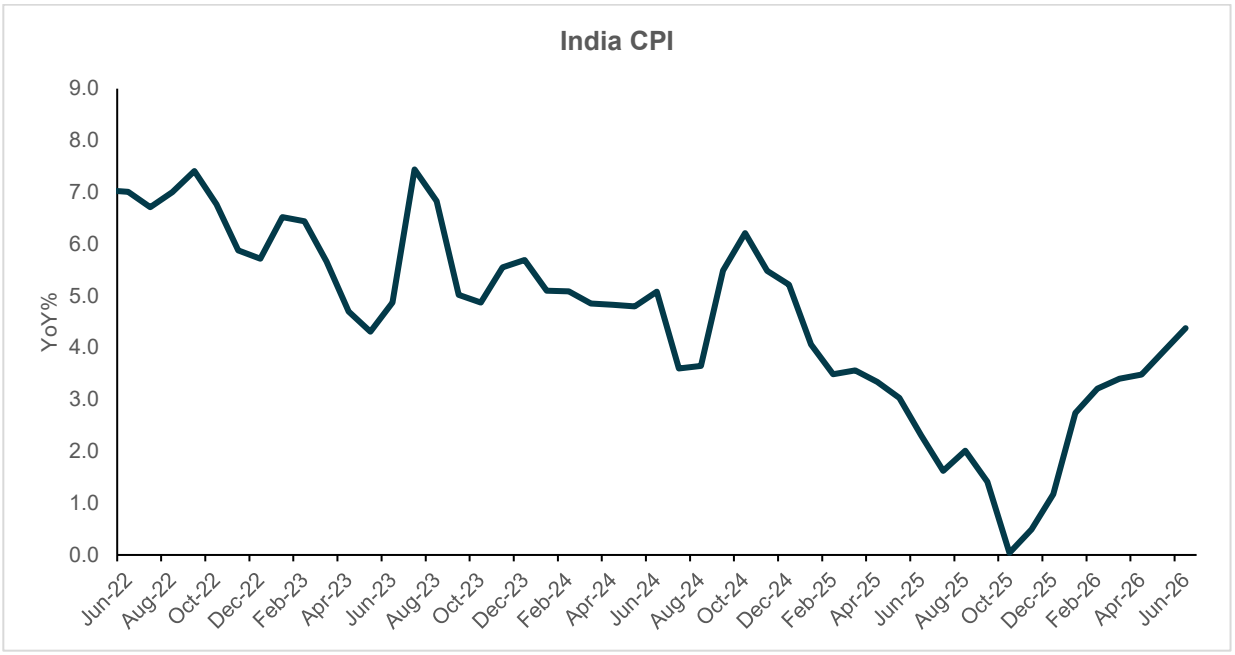
Central Government Capex execution rises to a four-year high in Q1FY27



Source: MOSPI, GoI

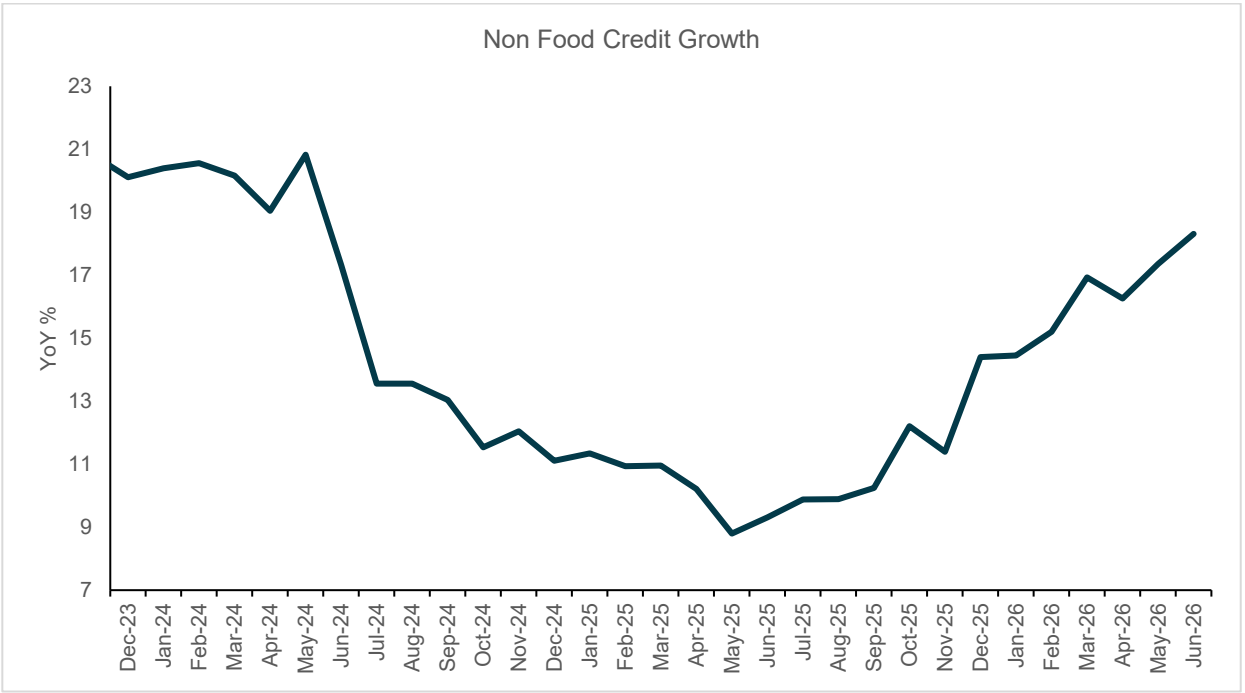
Inflation has moved higher but remains within the RBI's statutory tolerance range. Headline CPI inflation rose to 4.38% in June, moving above the 4% target for the first time in more than a year, largely because of food, fuel and geopolitical pressures. However, inflation remains below the upper tolerance limit of 6%. The increase has so far been more supply-driven than reflective of an economy-wide demand imbalance, although oil prices and monsoon performance remain important risks for the second half of FY27. The RBI kept the repo rate unchanged at 5.25% in June and retained a neutral stance. System liquidity remains in surplus at INR 1tn as on 30th July from deficit seen in last week of June. This represents a broadly supportive policy setting with the central bank has preserving flexibility to respond to oil-led inflation and external volatility. Policy is unlikely to turn aggressively restrictive unless supply shocks produce persistent second-round inflation effects. The combination of surplus liquidity, prior monetary easing and healthy bank balance sheets should remain supportive of credit transmission and domestic activity.

India CPI rises above 4%, but stays within the policy band



Source: Bloomberg

Bank credit growth rebounds after the FY25 slowdown



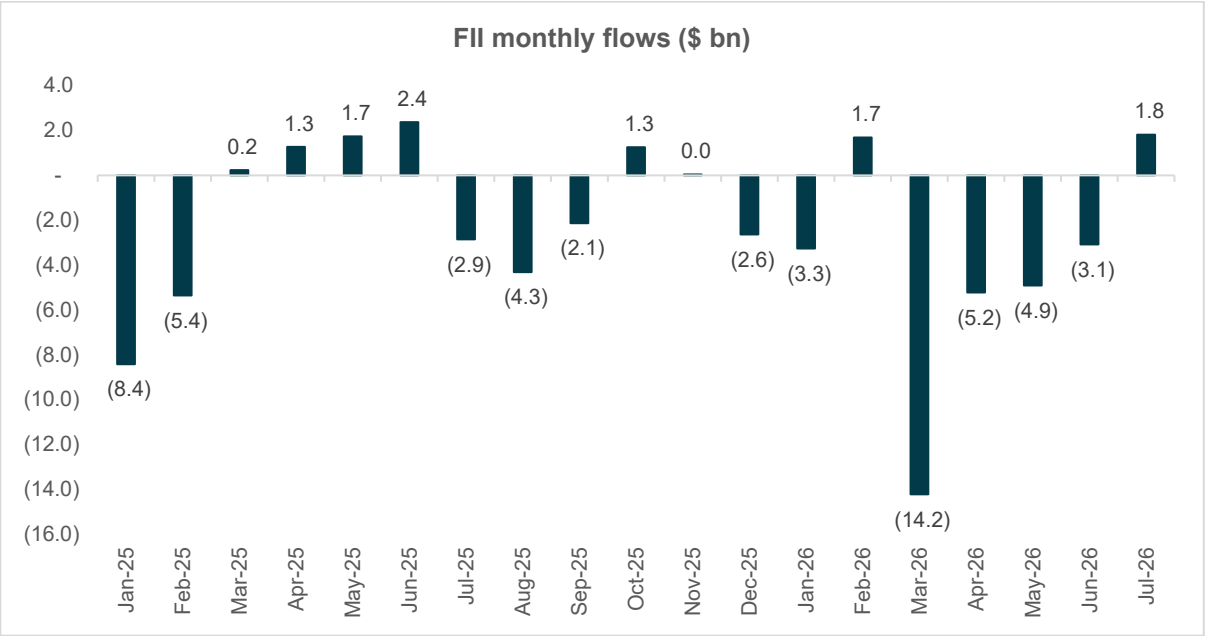
Source: Bloomberg

Flow Analysis:

FII flows turned positive in July, with net inflows of $1.8bn after four consecutive months of selling that cumulatively amounted to $27.4bn. Domestic institutions continued to provide market support, recording net inflows of approximately $3.7bn and remaining buyers on most trading days. Domestic savings has been continuously rising

through retail participation via Mutual Fund Systematic Investment Plan (SIP) which averaged ~$3.3bn over the last 12 months.

FII Flows Monthly (USD Bn)



Source: Bloomberg

FCNR(B) deposits have emerged as an important source of foreign-currency liquidity for Indian banks with RBI Governor informing India has received USD 41bn of inflows – more than Sep-Nov 2013 combined when it was surfaced previously and $40-60bn inflows expected by the markets. India's Balance of Payments (BoP) remains comfortable despite a wider merchandise trade deficit. RBI data show a $7.1bn current-account surplus in Q4FY26, while the full-year deficit stayed contained at $25.2bn, or 0.7% of GDP. Annual current account balance stood at $25.2bn (0.6% of GDP) for the full financial year 2025-26, unchanged in ratio terms from FY25. Strong services exports and remittances continue to offset goods-trade pressures and support external stability. RBI's policies helped the USD-INR to appreciate towards 95.4 levels from record lows in Jul-26. Reversal in FII equity flows, elevated FII debt flows helped keep the pair steady but higher crude prices, record net short forward book the RBI, firm USD to keep risks intact.

Tariff risks remain a key external uncertainty:

US tariff threats represent a direct risk to India's export outlook. As per the Government, 45% of Indian exports to US currently face a baseline US tariff of around 10%. Further sector-specific action associated with investigations into excess industrial capacity also remains possible. The immediate effect would be concentrated in trade-exposed sectors rather than the entire economy. To moderate the US tariff risks, Free Trade Agreements (FTAs) has been a go to strategy for India. The India–UK Comprehensive Economic and Trade Agreement, effective from July 15, 2026, should gradually deepen bilateral trade and investment by reducing tariffs, improving market access and simplifying customs procedures. The agreement is expected to support Indian exports in labour-intensive sectors such as

textiles, apparel, footwear, gems and jewellery, alongside engineering goods and selected agricultural products. Improved access for Indian services and skilled professionals could further strengthen services exports. The UK estimates that the agreement could raise bilateral trade by £25.5bn annually over the long term. The aggregate macroeconomic impact will build gradually, but the agreement should support manufacturing investment, supply-chain integration and export diversification.

India as a Long-Term Investment Destination:

India's structural investment case rests on five mutually reinforcing advantages:

- Favourable Demographics
- Rising Formalisation
- Rapid Digitisation
- Manufacturing diversification and
- Financialisation of household savings

Together, these drivers can expand the formal consumer base, improve productivity, deepen domestic capital pools and broaden the economy's growth engines.

Favourable Demographics: India's young population provides a long-duration foundation for labour-force growth, consumption and savings. India's working-age population share peaks at 68.9% in 2030, roughly two decades after China's own peak of 72.9% in 2010, leaving India as the only large economy still adding to its labour supply through the 2030s. The divergence widens sharply from 2030 onward, with China's ratio falling below 55% by 2060 against India's still above 60%. India has the demographic base; whether it converts into growth depends on participation rates and employment absorption.

Rising Formalisation: The demographic dividend is increasingly being reinforced by formalisation, which is key in a country like India. Wider access to banking, credit and organised financial services is bringing more households and businesses into the formal economy, improving income visibility, tax compliance and financial intermediation. Bank credit nearly tripled from ₹67tn in 2015 to ₹181tn in 2025, while the banking system's gross NPA ratio declined from 11.5% in 2018 to 2.3% in 2025.

Rapid Digitisation: In recent years, digitisation has accelerated this process by lowering transaction costs and creating scalable infrastructure for consumers and businesses. Digital payments increased from roughly 10% of payment volumes in 2017 to more than 40% in 2023, while UPI accounted for approximately 85% of digital payment volumes by FY26. Supported by more than one billion users, 65mn merchants and widespread QR-code adoption, UPI has evolved from a payment mechanism into a business rail that enables formal transaction records, merchant acceptance and access to financial products.

Manufacturing Opportunity: India's China+1 opportunity is likely to be concentrated in sectors where it already combines scale, capability and policy support. Electronics is the clearest early beneficiary: production increased from ₹1.9tn in FY15 to ₹13.1tn in FY26, exports rose from ₹0.38tn to ₹4.24tn, and domestic value addition reached 23%.

India already supplies approximately 20% of global generic medicines by volume. Renewable energy and Defence could benefit from policy-led capacity creation, whereas semiconductors and medical devices remain longer-duration opportunities. The structural upside lies in moving from assembly to localisation, raising domestic value addition and capturing a larger share of global exports.

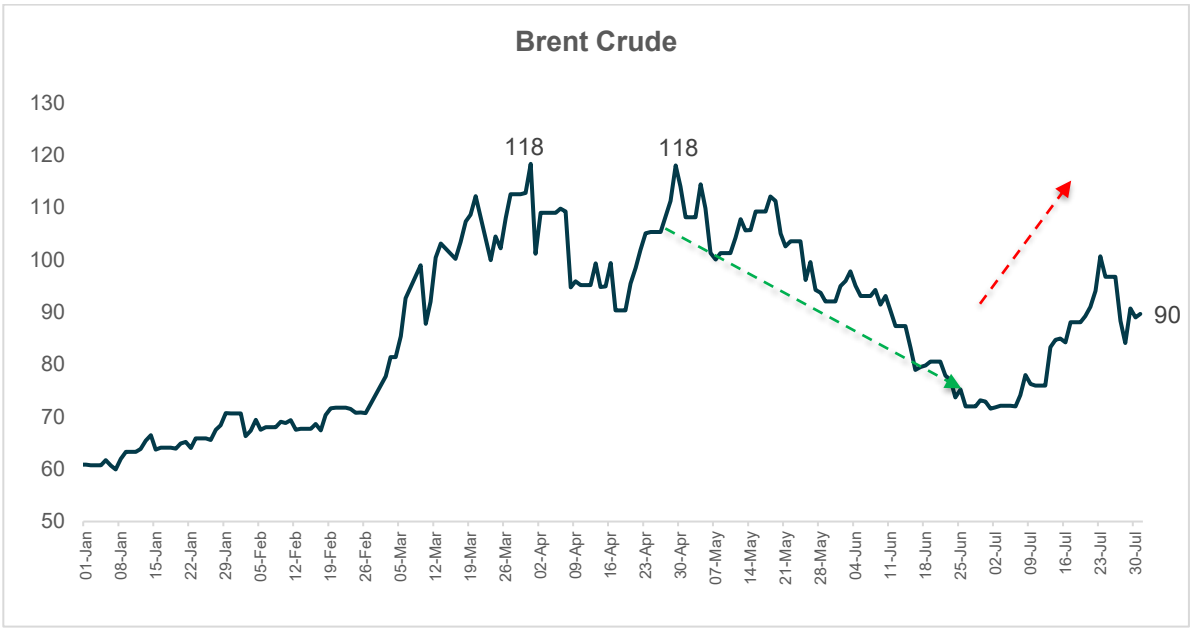
Financialisation of Household Savings: Finally, household savings are gradually shifting toward market-linked financial assets. Household securities-market assets increased from ₹83.8tn in FY23 to ₹141.3tn in FY25, while securities-related savings rose from 1.0% to 2.2% of GDP. Monthly SIP flows increased from USD 0.5bn in June 2016 to USD 3.3bn by March 2026, strengthening domestic institutional liquidity and reducing the market's dependence on foreign flows. Physical assets still dominate household savings, suggesting that India's financialisation journey remains at an early stage.

Commodities Review

Brent Crude

Crude oil prices have remained highly volatile as US–Iran tensions resurfaced and threatened shipping through key Middle Eastern transit routes. Brent briefly rose to around $101/bl as military strikes intensified, before easing towards $85/bl – $90/bl as expectations of further escalation moderated. Nevertheless, Brent remained approximately 23% higher in July vs June, reflecting a persistent geopolitical risk premium. For India, sustained high oil prices would raise the import bill, pressure the rupee and complicate the inflation outlook.

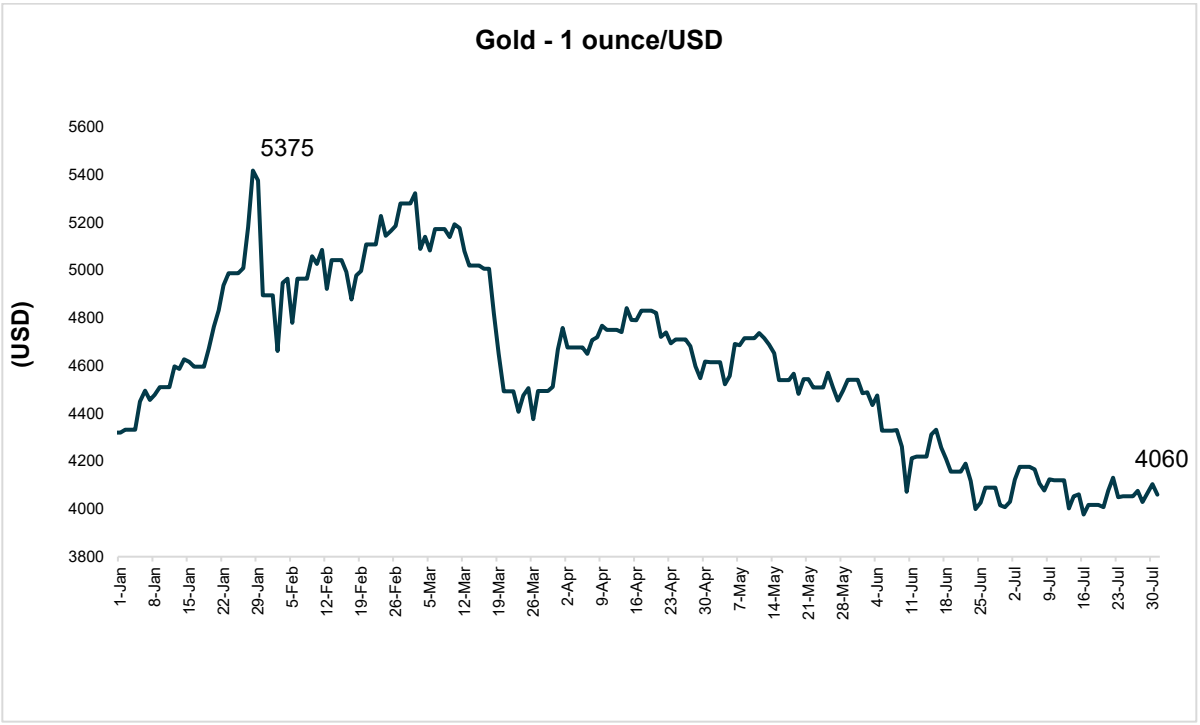
Brent Crude monthly average at $84 in Jul'26



Source: Bloomberg

Gold

Gold stabilised during July following June's sharp correction, with spot prices remaining above USD 4,000/oz and gain slightly 1.3% for the month of July, its first monthly increase since February. Softer US inflation and an initial retreat in crude oil prices reduced expectations of further Federal Reserve rate hikes, supporting bullion; however, a late-month rebound in the US dollar and renewed US–Iran tensions capped the recovery. Central-bank demand remained supportive, with purchases rebounding to 289 tonnes in Q2CY2026. However, gold ETFs recorded outflows of 45 tonnes, while elevated prices constrained jewellery consumption, which fell 17% YoY to 278 tonnes.



Source: Bloomberg

For remainder of 2026, Gold should be viewed as a core portfolio hedge. Gold's structural support remains intact, driven by continued central bank buying, a softer dollar backdrop, and persistent geopolitical uncertainty. It remains the most reliable hedge against macro stress and policy volatility.

Portfolio Positioning

Our portfolio allocation continues to favour domestically oriented, fundamentally strong businesses with visibility across growth, margins, and policy tailwinds.

Financial Services

- Selectively constructive on large private players that continue to trade at a discount to their long-term average valuations despite demonstrating stable asset quality and earnings growth.
- Credit growth is gaining momentum due to the accommodative monetary policy.
- From low bad loans to clean balance sheet and robust credit growth to valuation comfort – banks are

witnessing multiple tailwinds.

Cement

- As industry consolidation gains ground, cement makers are focused on balancing volume growth and profitability.
- There is a recovery in demand for affordable housing which aids demand for construction materials. Cement prices are likely to recover in coming quarters as macroeconomic conditions improve.
- With recent price hikes and improving demand, EBITDA per tonne is expected to improve. However, we will be watchful for recent movement in energy prices due to geopolitical tensions.
- Positive on large cap businesses which are potential beneficiaries of industry consolidation, along with select bottom-up micro-cap companies which are deep value plays.

Defence / Infrastructure / Manufacturing

- The Make-in-India initiative and Production-Linked Incentive (PLI) schemes enabling domestic companies to compete with global players
- As per Budget documents, India's Defence spending has outpaced its neighbours since 2010. India aims to increase exports by 2.1x to ₹500 billion by FY30 from ₹236 billion in FY25. Large opportunity on the exports side also helps improve order visibility.
- Thrust provided by Government capex along with recovery in private sector capex leading to strong order books. Beneficiaries from capex related to Data Centre are also being focused on.
- Favourable conditions like clean balance sheets of banks, stable government policies, and a low-interest rate environment are beneficial for companies from infra and manufacturing segments.
- Once recent geopolitical tensions ease off, a revival of global energy capex is expected.

Automobile and auto components

- Constructive on 2W and Select PV OEMs: Rural demand uptick, GST reforms and a declining interest rate environment.
- Brand Agnostic: Auto ancillaries are relatively insulated from shifts in customer brand preferences, offering more stable growth prospects across cycles.
- Positive on businesses gaining market share, which are technology leaders and beneficiaries of EV.

Real Estate

- Sustained demand: Continues to gain on the sustained demand at the premium end.
- Macro tailwinds: End-buyers expected to benefit from the rate cuts.
- Large and midcap businesses in the listed space could be potential beneficiaries as they continue to gain market share from un-organised players. Stock price corrections offer better risk-return matrix selectively.

Tactical Play

IT

- **Our Approach**: Strategically positive on large cap and select midcap IT companies with fundamentally strong business models and quality earnings.
- **Valuations Support**: A tactical play with robust dividend yield and valuation comfort.
- **Tailwinds**: The depreciation of the Indian rupee could give a boost to export-oriented businesses like IT.
- **Demand Visibility**: The management commentary indicates increased client engagements on embedding AI in service offerings.

Healthcare

- **Generics:** Constructive on companies focused on branded generics and US generic pharma businesses, as they offer compelling long-term opportunities.
- **Diagnostics:** Low penetration, consolidation and shift from unorganised to organised, increasing awareness and rising affordability are some of the key tailwinds for the diagnostic industry. Further, pathology is a high cash flow generating business with good return ratios.

Oil, Gas & Consumable Fuels

- **Refining, Marketing and Up-stream companies:** The entire energy value chain stands to benefit from higher economic growth. At appropriate valuations, we remain constructive across oil refining & marketing companies, upstream businesses and petro-chemical plays.
- **Energy Transition:** While traditional fuels will continue to hold a significant share, we expect natural gas to gain share, driven by policy support, infrastructure expansion, and cleaner energy transitions.

Chemicals

- **Structural Long-term Opportunity:** Government is focused on increasing India's share in global chemical production to 6% by 2030 (from less than 4% currently), with an aim to achieve net-zero trade balance.
- **Growth Drivers:** Companies' capital expenditure has risen over the last few years. Growth drivers include China+1 plays, and scale up through contract manufacturing and custom synthesis.

The Next Decade: Powered by Manufacturing, Financialisation, AI Adoption and Healthcare Expansion:

We believe following are the long-term emerging opportunities in India:

- Manufacturing stemming from China+1 and global supply-chain diversification
- Make-in-India, digital infrastructure, and public capex
- Defence exports and select manufacturing opportunities
- Energy transition and electrification-led demand
- Premium Consumption
- Rate-sensitive sectors: NBFCs, PSU banks, select private banks, Real Estate

- Healthcare (primarily through Diagnostics and Generics)

In summary, we believe the coming decade is likely to be defined by India's emergence as a global economic powerhouse. Key structural drivers are expected to include the country's growing role as a global manufacturing hub, continued financialisation of household savings, increasing adoption of AI across industries and service offerings, and deeper healthcare penetration driven by rising disposable incomes, improving affordability and an ageing population. Together, these long-term trends have the potential to create significant opportunities for sustained economic growth. Our portfolio remains firmly tilted towards these opportunities, which we find attractively valued.

Warm Regards,

George Heber Joseph

CIO And CEO – Equity, ASK Investment Managers

To know more about our FOCUS investment philosophy, click here: ASK's F.O.C.U.S. Investment Philosophy Explained | George Heber Joseph | ASK Investment Managers

To know more about our investment framework, click here: ASK's Investment Management Framework | George Heber Joseph | ASK Investment Managers

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