From the Desk of CIO & CEO – October 2026

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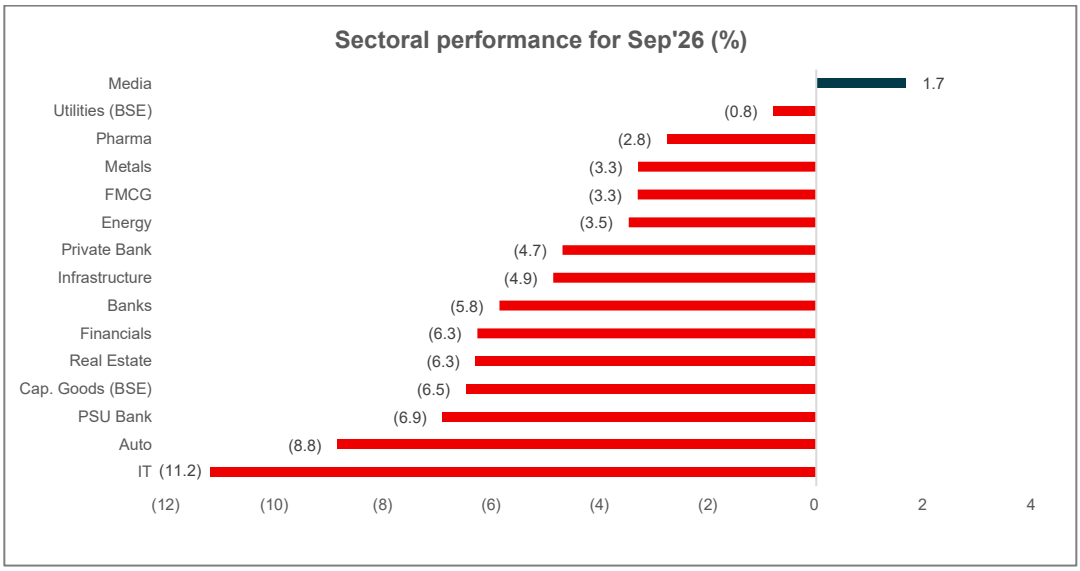
Dear Patron,

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

Global markets turned more challenging in September as renewed West Asian tensions pushed Brent back above USD 100/bbl, reviving concerns around inflation and the global rate outlook. Brent averaged ~USD 102/bbl during the month, reinforcing inflation concerns as US Federal Reserve, European Central Bank (ECB) and Bank of Japan (BoJ) raised policy rates and the US 10-year Treasury yield moved above 5%. The combination of higher yields and a firmer dollar tightened global financial conditions and also reversed August's precious-metals rally, with gold and silver declining ~6% and ~9%, respectively.

These pressures transmitted quickly to Indian markets through oil, yields and foreign flows. The BSE 500/BSE 100 fell 5.6%/6.0% in September, while mid-caps declined 6.6% and small caps 3.2%. FPI equity outflows reached ~USD 2.7bn, taking CY26 outflows to ~USD 26.8bn, while DIIs provided a counterbalance with ~USD 6.8bn of inflows. The INR also remained under pressure near 96/USD. Domestic activity, however, continued to provide a cushion: August merchandise exports rose 26% YoY, industrial production grew 8.0%, gross GST collections increased 14.8% and forex reserves stood at USD 765.9bn.

The same external pressures have also weakened India's relative position in global equity markets. India's market capitalisation fell ~7% CY26TD in USD terms to USD 4.9tn, reducing its global share from 3.5% to 3.0% and moving it from fifth to sixth place. In contrast, Taiwan and South Korea gained ~62%/~63%, supported by semiconductor-led earnings and rerating. Weaker equities, ~6.6% INR depreciation and sustained foreign selling weighed on India's USD market cap. Despite the weaker market positioning, the underlying growth differential remains favourable: the Organisation for Economic Co-operation and Development (OECD) raised India's FY27 GDP growth forecast to 7.1%, against global growth of 2.9% in 2026, providing a continuing medium-term support to the domestic equity case.



Source: Bloomberg

Global Market Update:

Geopolitical risk revives the global tightening bias

Global markets entered September with renewed geopolitical pressure and a sharper energy shock. Escalation in West Asia pushed Brent above USD 100/bbl and briefly beyond USD 107/bbl, while higher freight and war-risk insurance costs kept delivered energy prices elevated. With underlying demand still resilient, the policy trade-off has become more difficult, prompting the Fed, ECB and BoJ to raise rates in September and interrupt expectations of a continued easing cycle.

US: Higher yields and fiscal pressures raise the cost of global capital

The US rate backdrop became materially less supportive for risk assets. The Federal Reserve raised the federal funds target range by 25bp to 3.75–4.00% as activity remained solid and inflation elevated, while its projections placed 2026 Personal Consumption Expenditure (PCE) inflation at 3.7% and the year-end policy rate at 4.1%. At the same time, the US 10-year Treasury yield moved above 5%. The pressure is not only monetary: the Congressional Budget Office (CBO) estimates the FY26 federal deficit at USD 1.9tn, or 5.8% of GDP, implying continued Treasury issuance and high interest costs. This combination of tighter policy and heavy borrowing can keep long-end yields elevated even if the Fed later becomes less restrictive.

Higher US yields and a firmer dollar tighten EM liquidity

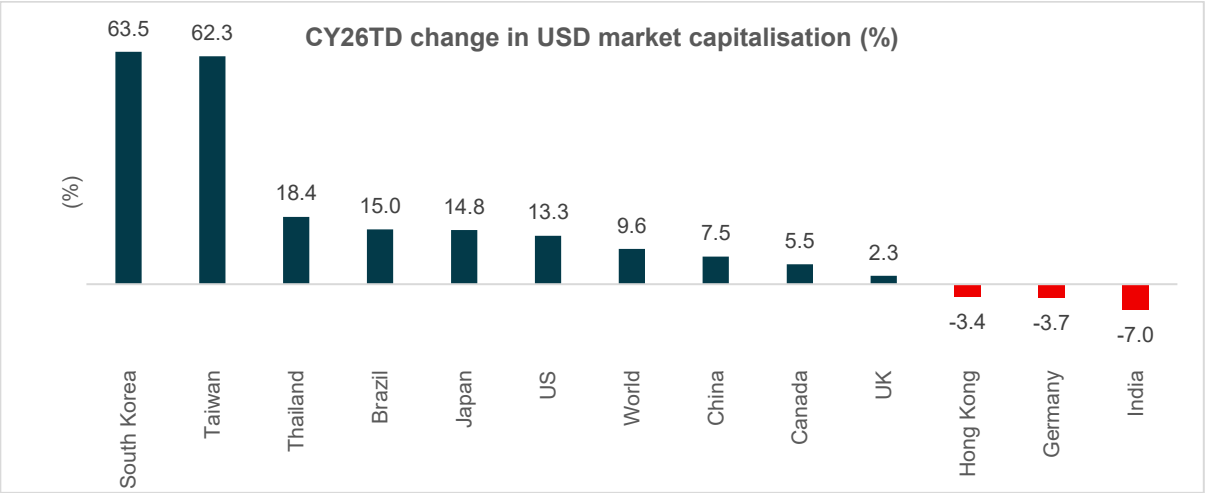
The immediate implication for emerging markets is tighter liquidity. Higher US yields and a firmer dollar raise dollar funding costs and increase the relative return hurdle for EM assets. For India, this transmission is reinforced by crude above USD 100/bbl, which raises the import bill and dollar demand. September saw these pressures coincide with foreign selling and the INR trading near 96/USD. A more durable recovery in FPI flows will therefore require some moderation in the external rate, dollar and oil backdrop, alongside continued domestic earnings and growth support.

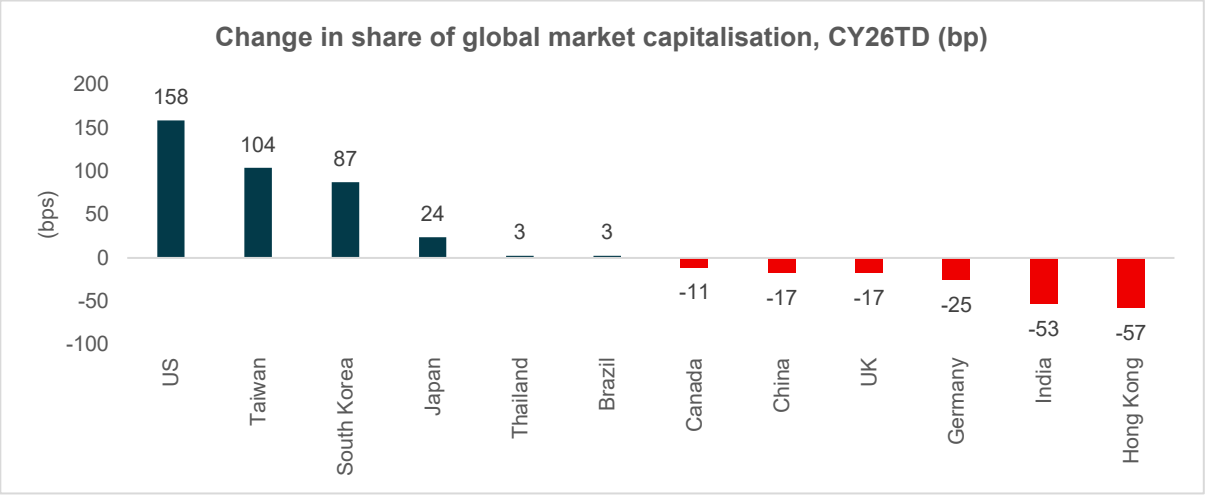
India slips to sixth in global market-cap rankings

The relative impact is also visible in global market-cap rankings. India's USD market cap declined 7% from USD 5.3tn at end-2025 to USD 4.9tn on 30 September, while global market cap rose ~10%. Its share consequently fell from 3.5% to 3.0%, moving India from fifth to sixth place. Weaker local-market performance and ~6.6% INR depreciation drove the decline in USD terms. In contrast, Taiwan's market cap rose ~62%, lifting it from eighth to fifth place, while South Korea gained ~63% and moved from tenth to eighth, supported by stronger AI- and semiconductor-led earnings momentum and rerating.

India retains a sizeable growth premium

Despite the weaker relative market performance, India's macro growth differential remains favourable. The OECD's September Interim Economic Outlook projects global GDP growth at 2.9% in 2026 and 3.0% in 2027. Against this backdrop, India's FY27 growth forecast was raised to 7.1%, with FY28 at 6.5%, compared with 2.2% growth for the US, 1.0% for the euro area, 4.5% for China and 0.8% for Japan in 2026. The gap continues to support India's broader domestic-demand exposure across financials, industrials, infrastructure, manufacturing and consumption.





Note: Market-cap change measures the change in each market's USD market capitalisation from 31 December 2025 to 30 September 2026 and therefore reflects both equity-market and currency movements. Market-cap share represents each market's share of global USD market capitalisation; the second chart shows the CY26TD change in this share in basis points.

Domestic Update:

India's domestic backdrop remained resilient in August even as the external environment became more difficult. Merchandise exports rose 26% YoY to USD 43.8bn, ahead of the 14% increase in imports to USD 70.7bn, helping narrow the monthly trade deficit to USD 26.9bn from USD 27.2bn a year earlier. The improvement is encouraging, although the cumulative April–August deficit still widened to USD 147.1bn from USD 123.9bn, leaving the external balance increasingly sensitive to the renewed rise in crude.

The same resilience is visible in domestic activity. Gross GST collections rose 14.8% YoY to INR 2.00tn in August, while industrial production accelerated to 8.0% YoY, led by manufacturing and electricity. The constraint is inflation: headline CPI increased to 4.82% from 4.45% in July. With crude again above USD 100/bbl, the policy focus is therefore shifting from supporting growth through further easing towards ensuring that higher energy costs do not broaden into more persistent inflation.

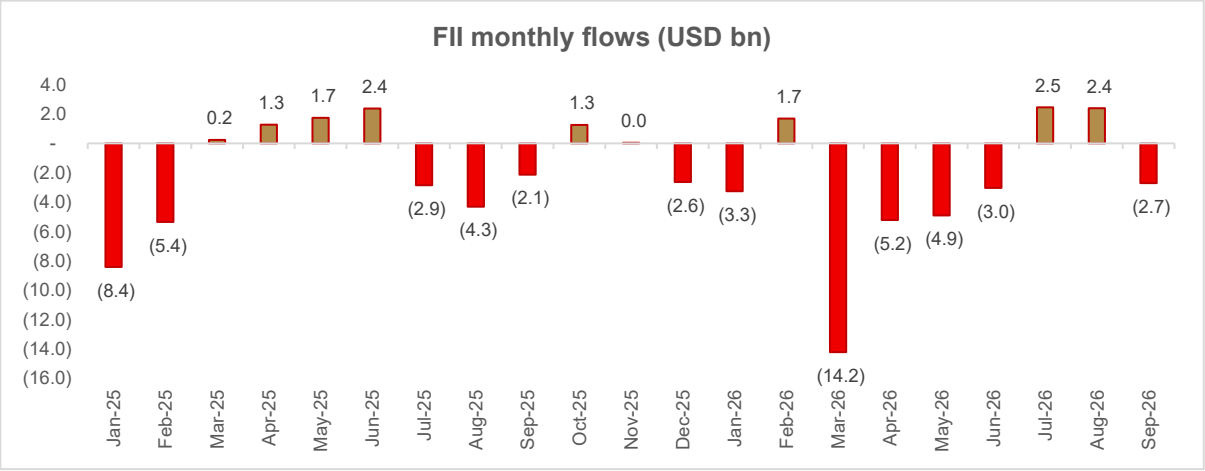
India enters this phase with relatively strong external buffers. Forex reserves stood at USD 765.9bn on 18 September,

equivalent to more than 10 months of merchandise imports, despite recent intervention. The RBI has also been absorbing surplus rupee liquidity through Variable Rates Reverse Repo (VRRRs), Open Market Operations (OMO) sales and FX operations following the large foreign-currency inflows seen since June. Together, these buffers give the RBI greater room to manage currency and liquidity volatility, even though a sustained period of high crude would continue to pressure inflation, the current account and the INR.

Flows Analysis:

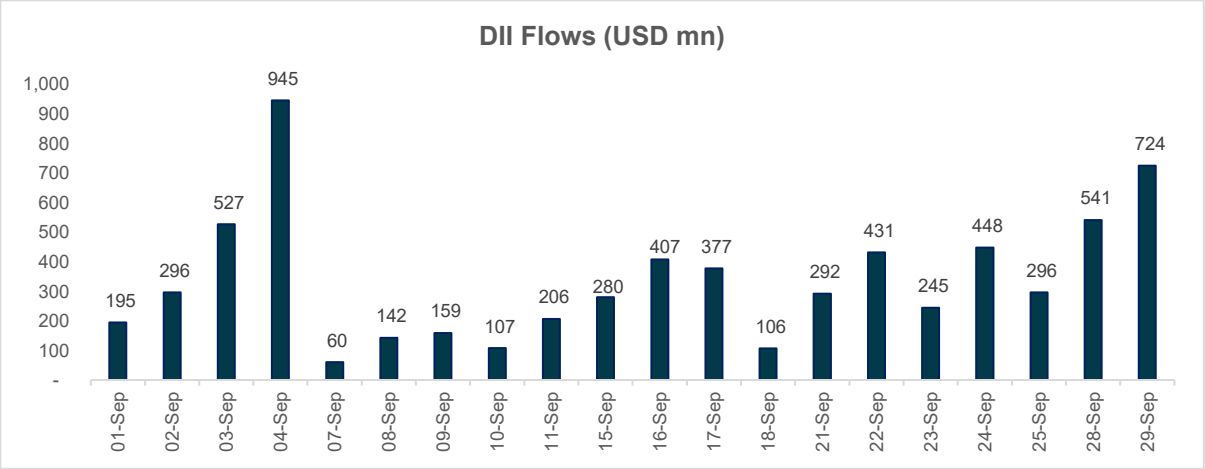
That external pressure became more visible in portfolio flows during September. FPI equity flows reversed after two months of inflows, with full-month outflows of ~USD 2.7bn taking CY26 selling to ~USD 26.8bn. Domestic institutions continued to offset part of this pressure, with DII inflows of ~USD 6.8bn through 29 September, supported by August SIP flows of ~USD 3.4bn. The divergence highlights the strength of domestic liquidity, while a more durable FPI recovery is likely to require some moderation in the global rate, dollar and crude backdrop.

FII/FPI Flows Monthly (USD bn)



Source: Bloomberg

DII Flows Daily (USD mn; through 29 Sep)



Source: Bloomberg

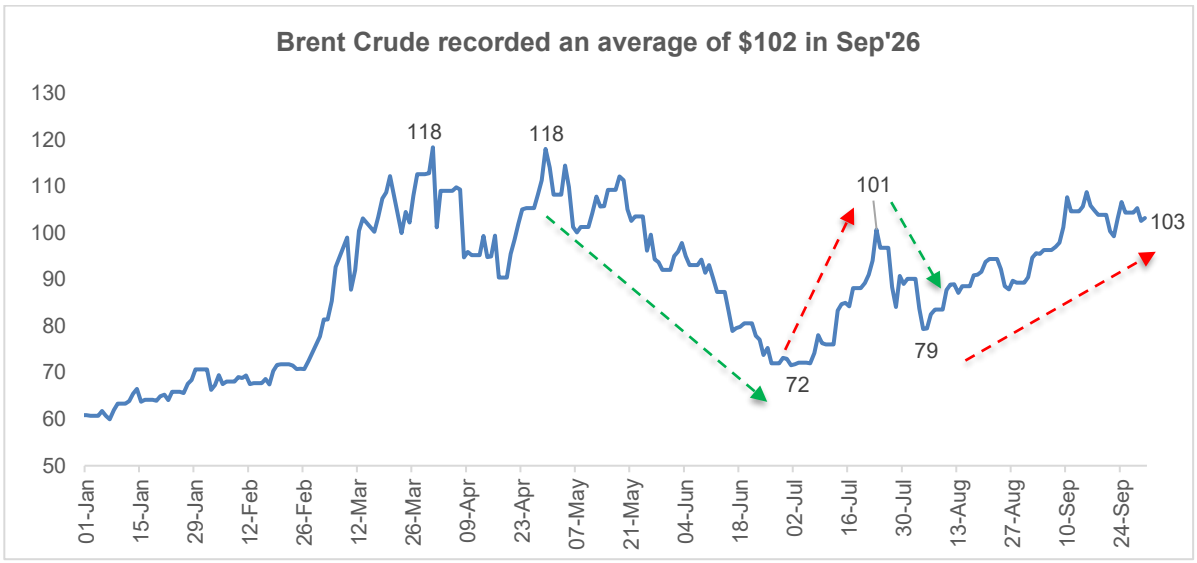
Commodities Review

Brent Crude

Crude oil moved sharply higher in September as renewed disruption to West Asian shipping and energy infrastructure rebuilt the supply-risk premium. Brent briefly crossed USD 107/bbl before easing toward USD 103/bbl as Saudi and UAE exports improved. It averaged ~USD 102/bbl during the month, up from USD 88/bbl in August and USD 84/bbl in July, marking a significant deterioration in India's energy backdrop.

For India, the key risk is the persistence of crude above USD 100/bbl, given that the country imports ~90% of its crude requirement. The RBI estimates that a 10% increase in crude prices can potentially add around 20bp to CPI inflation, while higher oil also increases the import bill and dollar demand. The pressure was visible in the INR, which traded near 96/USD during September. The duration of the oil shock, rather than the September spike alone, will therefore determine the extent of the eventual impact on inflation and the external balance.

Brent Crude monthly average at USD 102/bbl in Sep'26



Source: Bloomberg

Gold and Silver

Precious metals moved in the opposite direction in September as the renewed energy shock translated into higher inflation and rate expectations rather than a stronger safe-haven bid. By the data cut-off, spot gold had declined from USD 4,437/oz to around USD 4,183/oz, down 5.7%, while silver fell 8.7% to around USD 61/oz. The US 10-year yield moved above 5% and real yields rose, increasing the opportunity cost of holding non-yielding assets, while a firmer dollar added further pressure. In effect, the rate shock outweighed the support that geopolitical risk would normally provide to bullion.

Portfolio Positioning

Our portfolio allocation continues to favor 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.
- Financialization of savings, increasing credit penetration, wealth creation, insurance adoption, and asset management growth continue to provide a long runway for the sector.
- 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.

Defence / Infrastructure / Manufacturing

- India is in the early stages of a multi-year investment cycle driven by infrastructure spending, manufacturing investments, energy transition, and private sector capex.
- Global supply chain diversification and the China+1 strategy continue to create long-term opportunities across electronics, industrials, auto components, and specialty 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.

Power & Energy Infrastructure

- Rising electricity demand, renewable investments, grid modernization, and transmission infrastructure create significant long-term opportunities.

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.

IT: Tactical Play

- **Our Approach**: Strategically positive on large cap and select midcap IT companies with fundamentally strong business models and quality earnings.
- AI adoption, cloud migration, digital transformation, engineering services, and expansion of Global Capability Centres (GCCs) are creating a new investment cycle. The recent consolidation has improved risk-reward in high-quality technology businesses.
- **Valuations Support**: A tactical play with robust dividend yield and valuation comfort.
- **Tailwinds**: The depreciation of the INR 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

- Healthcare is emerging as one of India's strongest structural growth sectors. Rising healthcare spending, increasing insurance penetration, expansion of hospital infrastructure, specialty pharmaceuticals, and India's growing role in global pharmaceutical supply chains offer attractive long-term growth potential.
- **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.

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.

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.
- Selectively 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.

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 may continue to hold a significant share, we expect natural gas to gain share, driven by policy support, infrastructure expansion, and cleaner energy transitions.

India's Next Decade: Structural Growth, Selective Investing, and the Power of Compounding

India remains one of the most compelling long-term investment opportunities globally. While markets may experience periods of volatility driven by global developments, we believe the underlying drivers of India's growth remain strong and durable. The combination of domestic consumption, manufacturing expansion, infrastructure investment, digital transformation, healthcare penetration, and financialization of savings creates a powerful foundation for sustained wealth creation.

The market is transitioning from a liquidity-driven phase to an earnings-driven phase. Going forward, returns are likely to be increasingly differentiated and driven by:

- Earnings growth and business quality
- Capital allocation discipline
- Governance standards
- Valuation discipline

Corporate balance sheets are healthy, banking system stress remains low, private capex is gradually improving, and household savings continue to move into financial assets. This environment favours active management and stock selection over broad market participation.

India's growth is supported by multiple structural drivers:

- Manufacturing and supply chain diversification
- Infrastructure and capital expenditure cycle
- Financialization of savings
- Digital public infrastructure
- Rising per capita income
- Formalization of the economy
- Growing healthcare penetration
- Strong entrepreneurial ecosystem

Unlike previous cycles, growth today is broad-based and supported by both domestic demand and improving competitiveness globally.

At ASK Investment Managers, our approach combines:

- Macro awareness and sector positioning
- Deep bottom-up fundamental research
- Strong risk management
- Long-term investment discipline

We focus on businesses that exhibit:

- High-quality management
- Strong governance standards
- Sustainable competitive advantages
- High return on capital

- Healthy balance sheets
- Consistent earnings compounding capability

Our objective is not to predict quarterly market movements. Our objective is to identify businesses that can create value consistently across market cycles and compound shareholder wealth over long periods.

India is entering a decade of structural growth supported by manufacturing, infrastructure, financialization, healthcare expansion, technology innovation, and rising consumption. We believe the opportunity is broader and more durable than most market cycles. At ASK Investment Managers, our focus remains on identifying high-quality businesses benefiting from these long-term trends, allocating capital with discipline, managing risk prudently, and allowing the power of compounding to create wealth over time. The biggest risk today is not market volatility, instead it is abandoning discipline and overpaying for growth. Successful investing requires patience, valuation discipline, and a long-term perspective.

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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As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/ CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at: https://www.apmiindia.org/apmi/IACompare.htm?action=iacomaprepage'

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