From the Desk of CIO & CEO – September 2026

Public

Dear Patron,

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

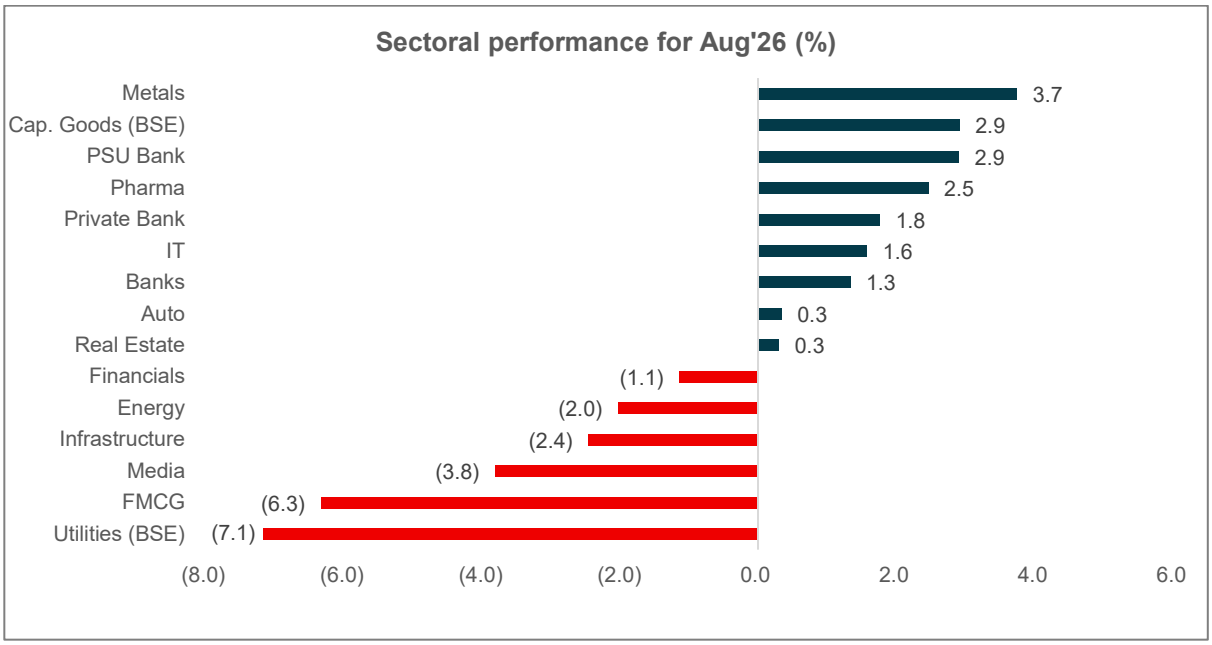
Global markets remained volatile in August as renewed West Asian tensions kept the geopolitical premium embedded in crude, freight and inflation expectations. Brent averaged ~USD 88/bbl, while transit through the Strait of Hormuz remained constrained despite intermittent diplomatic progress. In the US, July headline inflation remained elevated at 3.7%. Minutes of the July FOMC meeting, released during the month, also showed that three members preferred a 25bps rate hike, reinforcing the case for the Fed to remain cautious on further easing. Global equities were selective: Korea and Taiwan rebounded in August after the sharp June-July AI/memory correction, with Korea having borne the larger drawdown. Gold and silver rose 10% and ~17% in August as softer yields, a weaker dollar and geopolitical uncertainty revived demand for precious metals.

Indian markets remained relatively resilient despite the uncertain global backdrop, supported by improving foreign flows and strong domestic liquidity. FII flows turned positive at ~USD 3.1bn in August, while DIIs added ~USD 5.6bn through 28 August. The RBI kept the repo rate unchanged at 5.25%, retained a neutral stance and raised its FY27 growth forecast to 6.7%. Q1FY27 real GDP subsequently grew 7.8% YoY, ahead of the RBI's 7.0% projection, reinforcing the resilience of domestic activity. The policy debate has nevertheless turned more cautious: FY27 CPI is projected at 5.0%, peaking at 5.9% in Q3, while an uneven monsoon keeps food inflation a key risk. India's external position remains manageable, with services, remittances and USD 72.85bn of inflows under the RBI's forex-swap window providing buffers against oil and currency volatility.

Q1FY27 earnings remained supportive, with NSE 500 sales/PAT rising ~20%/~12% YoY and ex-Energy PAT up ~19%. Large caps remained the earnings anchor, contributing ~74% of the profit pool and ~78% of incremental PAT. Earnings strength was broad-based across sectors. We continue to prefer quality large caps for earnings visibility and resilience, while remaining selective in small and midcap businesses.

Benchmark Indices (in INR terms)	Aug-26	CY26TD
BSE500	(0.2)	(2.2)
BSE100	(0.9)	(5.6)
BSE Midcap 150	1.6	5.3
BSE Smallcap 250	2.4	8.4

Source: Bloomberg



Source: Bloomberg

Global Market Update: Geopolitical risks remain elevated

West Asian tensions remain a key global macro risk as the temporary ceasefire has given way to renewed flare-ups. The Strait of Hormuz remains central to the transmission, with shipping volumes still running at just 0-5 ships versus 50-60 pre-war despite ongoing mediation efforts. Constrained flows have kept Brent in the USD 85-90/bbl range through August, while the disruption has increasingly spread to refined products and freight. Together, these pressures are keeping energy, logistics and broader input costs elevated.

The wider global backdrop also remains challenging. The IMF projects global GDP growth of 3.0% in 2026 before a recovery to 3.4% in 2027, while global headline inflation is expected to rise from 4.1% in 2025 to 4.7% in 2026 as the energy shock offsets some of the support from the technology-investment cycle. Brent sustaining in the USD 85-90/bbl range leaves India more vulnerable to renewed geopolitical escalation, even though the initial shock has so far generated limited evidence of broad-based domestic inflation.

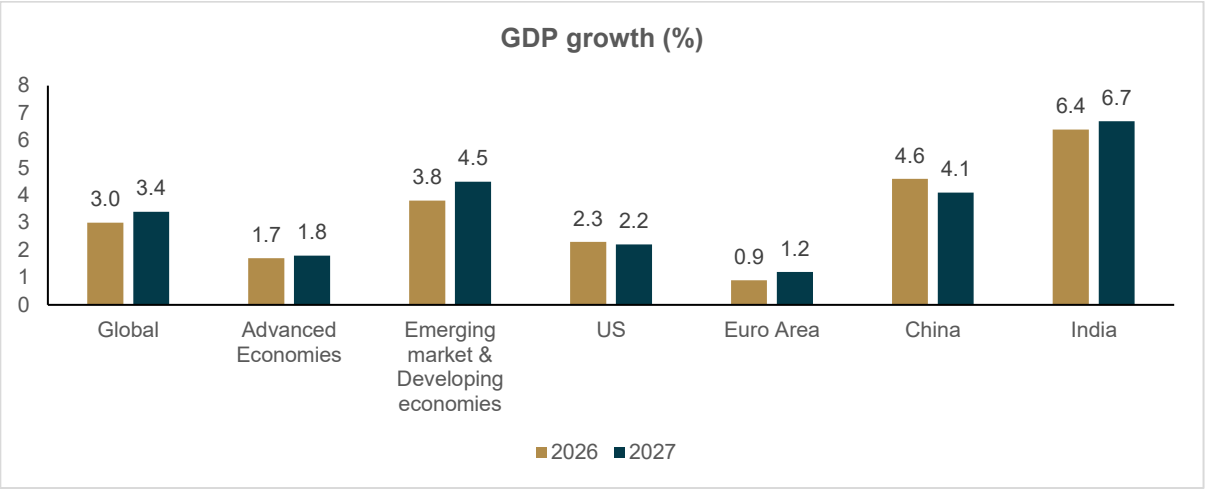
US: Resilient Demand, Sticky Inflation and Rising Fiscal Pressure:

US growth has moderated, but underlying domestic demand remains resilient. Real GDP increased at a 1.5% annualised rate in Q2, down from 2.1% in Q1. Inflation remains the bigger constraint for the Fed. July headline Personal Consumption Expenditures (PCE) at 3.7% YoY above the 2% objective. Minutes of the July FOMC meeting, showed that three members dissented in favour of a 25bp hike, even as the Committee maintained the policy rate at 3.50–3.75%. With demand resilient and inflation still elevated, the hurdle for further easing has risen, while the risk of renewed tightening would increase if energy and supply shocks begin to feed more broadly into underlying inflation.

At the same time, fiscal pressure is adding another layer of uncertainty. The US Federal Deficit reached an estimated USD 1.8tn in the first ten months of FY2026, USD 169bn wider than a year earlier, while net interest outlays rose 14% YoY to USD 963bn. Interest costs have now exceeded the USD 763bn spent on Department of Defence military activities over the same period, highlighting the growing fiscal burden from a larger debt stock and higher long-term

rates. US 10-year yield topped 4.75%, highest since Jan 2025.

These forces create a more complicated outlook for the dollar. Sticky inflation and a more cautious Fed can keep US short-rate differentials supportive in the near term, while persistent fiscal deficits, heavier Treasury supply and rising interest costs remain longer-term headwinds.



Source: IMF

Global growth: China slows, India retains its growth premium

Global growth remains uneven. The IMF expects emerging and developing economies to grow 3.8% in 2026, with China slowing to 4.6% in 2026 and 4.1% in 2027 amid structural domestic headwinds, higher energy costs and persistent uncertainty. The slowdown is already visible, with China's GDP growth moderating to 4.3% YoY in Q2 from 5.0% in Q1, taking first-half growth to 4.7%. India remains a relative growth outlier, with Q1FY27 real GDP growing 7.8% YoY, above the RBI's 7.0% projection, while real GVA grew 8.2%. The RBI's FY27 growth forecast stands at 6.7%, while the IMF is more conservative at 6.4%, with oil prices and the weaker monsoon remaining key downside risks. Advanced economies are expected to grow 1.7% in 2026 and 1.8% in 2027, with US growth at 2.3%, while the Euro Area and Japan remain weaker at 0.9% and 0.6%, respectively.

Korea bears the brunt of the AI reset; Taiwan proves more resilient

Meanwhile in AI, the sharp correction in Korea and Taiwan has been driven by a reset in expectations following the strong AI-and memory-led rally. From their June peaks, MSCI Korea and MSCI Taiwan corrected ~29% and ~3%, respectively, in local currency, with Korean semiconductor stocks bearing the brunt of the sell-off. SK Hynix fell ~54% from its June peak to the July trough, compared with ~40% for Samsung Electronics and ~12% for TSMC. SK Hynix's correction followed Q2 earnings miss against elevated expectations, while Korea's greater exposure to the memory cycle and sharper prior rerating amplified the sell-off. Higher US Treasury yields, foreign selling and concerns around hyperscale AI capex added pressure. Taiwan was relatively more resilient, supported by stronger earnings delivery from TSMC and more stable foundry fundamentals. Both markets saw a partial recovery in August, with MSCI Korea and MSCI Taiwan up 0.9% and 4.9%, respectively.

Domestic Market Update: RBI: The easing cycle moves into a reassessment phase

The August Monetary Policy Committee (MPC) unanimously kept the repo rate unchanged at 5.25% and retained its neutral stance, while the minutes indicate that the policy debate has shifted from further easing towards whether rates may eventually need to move higher. The RBI raised its FY27 growth forecast by 10bp to 6.7% and marginally lowered its inflation projection to 5.0%. However, the inflation path remains elevated, with CPI projected at 4.7% in Q2, rising to 5.9% in Q3 and remaining at 5.5% in Q4, while core inflation is projected at 4.3% for the year. Headline CPI rose to 4.45% YoY in July from 4.38% in June, with food inflation at 5.52%. The current inflation shock remains largely supply-driven, but the hurdle for further easing has risen materially. One of the Deputy Governors noted that there is currently no room for further easing and that a case for a rate hike could emerge if inflation becomes more broad-based. He similarly indicated that persistent inflation, generalisation of price pressures or de-anchoring of expectations could require tightening.

Monsoon remains the principal domestic supply-side risk

Cumulative rainfall between June 1 and August 26 was around 578mm, ~13% below the long-period normal, with IMD attributing part of the weakness to El Niño conditions. The risk has increasingly shifted from sowing towards yields, reservoir levels and food prices. Overall sowing reached 95% of the normal area versus 97% last year. The crop outlook has therefore improved, but uneven rainfall continues to pose an upside risk to food inflation as the RBI expects headline inflation to rise through H2FY27.

FCNR(B) inflows strengthen India's FX buffer

The RBI’s measures to augment foreign-currency liquidity have received a strong response. By August 21, total inflows under the special USD-INR swap facility had reached ~USD 72.8bn, including ~USD 65.4bn through FCNR(B) deposits, surpassing the size of the RBI’s original FCNR(B) swap window. The mobilisation improves banks’ access to foreign-currency funding and provides the RBI with additional dollar liquidity to smooth disorderly INR movements. The MPC has also noted that these inflows should support INR stability and limit imported-inflation transmission. However, the rupee has remained under pressure despite the strong inflows, suggesting that FCNR(B) should be viewed primarily as an external-liquidity buffer rather than a mechanism to drive INR appreciation, particularly while pressures from oil, portfolio flows and global dollar conditions persist.

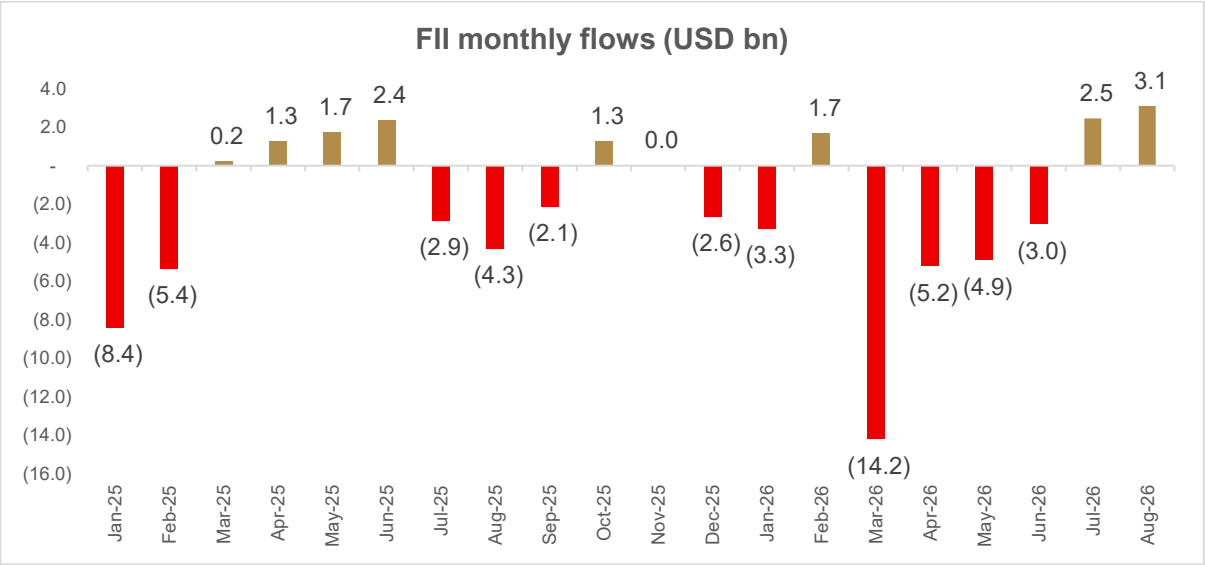
Balance of Payments: Current Account manageable; capital flows remain the swing factor

India’s external accounts remain manageable, although the balance of payments has become less comfortable. The Q1FY27 current account deficit stood at USD 3.1bn versus USD 2.9bn a year earlier. The larger pressure came from the capital account, which recorded a USD 5.0bn net outflow versus a USD 7.4bn inflow a year earlier, largely reflecting USD 9.6bn of FPI outflows. As a result, the overall balance of payments recorded a USD 8.1bn deficit in Q1FY27. This suggests that while higher oil prices continue to pressure the trade balance, services and remittances remain important buffers, with portfolio flows the key swing factor for the external account.

Flows Analysis

August saw a clear improvement in foreign investor flows, with FII inflows turning decisively positive at USD 3.1bn, compared with USD 2.5bn in July and persistent outflows through much of 1HCY26. The improvement has also been relatively broad across the month, with only a handful of sessions witnessing modest outflows, suggesting a more constructive turn in foreign positioning after the sharp selling seen earlier in the year. Domestic flows remained an important source of support, with DII inflows of USD 5.6bn through 28 August, providing a steady cushion to the market

FII Flows Monthly (USD Bn)



Source: Bloomberg

Q1FY27 Earnings

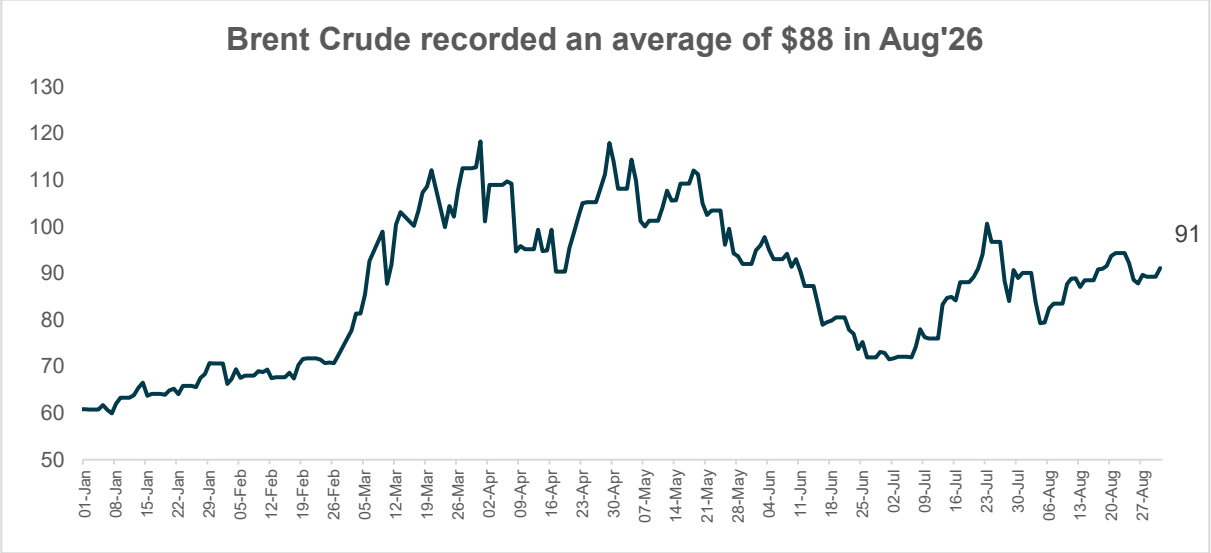
NSE 500 results for Q1FY27 remained healthy, with sales growing ~20% YoY and PAT rising ~12%. Energy was the principal drag on headline earnings, with ex-Energy PAT growth at ~19%, indicating that underlying earnings remained broad-based. Demand remained healthy across consumption, credit and investment-linked sectors, while profit conversion diverged as commodity, fuel and FX pressures affected select sectors. PAT growth was strongest across Telecom, Metals, Chemicals and Consumer Discretionary, while Banks, Financials, Utilities, IT and Industrials made meaningful contributions to aggregate earnings growth. Energy, Transportation and FMCG were the key drags, while Healthcare and Autos saw relatively weak profit conversion.

Large caps remained the dominant earnings anchor, with sales growing ~20% YoY and PAT ~13%, while ex-Energy PAT growth was ~17%. Mid-cap sales rose ~19%, while headline PAT was broadly flat; excluding Energy, PAT grew ~23% YoY. Small caps delivered stronger growth, with sales/PAT up ~23%/~31%, albeit from a smaller profit base. Large caps accounted for ~74% of the Q1FY27 profit pool and ~78% of incremental PAT, led by Metals, Banks, Financials, Telecom and Utilities.

Commodities Review

Brent Crude

Brent crude remained volatile in August as renewed West Asian tensions kept a sizeable geopolitical risk premium embedded in oil prices. Brent averaged USD 88/bbl, compared with USD 84/bbl in July, as oil flows through the Strait of Hormuz remained constrained. Intermittent progress in Iran-Oman negotiations aimed at normalising navigation through Hormuz capped some of the upside, leaving crude highly sensitive to developments around the conflict.



Source: Bloomberg

Gold and Silver

Precious metals rallied sharply in August as geopolitical uncertainty, softer US yields and a weaker dollar strengthened demand for defensive assets. Gold rose 10% to USD 4,454/oz, while silver gained 16.7% to USD 67.2/oz. Gold benefited from safe-haven demand around the Iran conflict, while lower yields reduced the opportunity cost of holding the non-yielding metal and dollar weakness supported demand from non-US buyers. Gold ETF inflows also strengthened during the month alongside continued official-sector demand. Silver outperformed, benefiting from its higher-beta exposure to the precious-metals rally as well as industrial demand linked to AI infrastructure and electrification.

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.

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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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