Hybrid PMS Newsletter

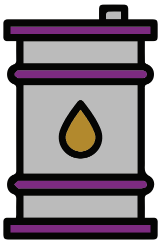
August 2026

Volatility Returns, but Discipline Still Wins

Dear Clients,

Markets rarely move in a straight line, and new headlines often tempt investors to react. However, long-term wealth is built by staying invested through uncertainty, not by responding to every market event. What began as an extension of June's stability soon turned volatile, as a fresh escalation in West Asia and a wave of global trade developments tested market sentiment. Yet, portfolios built on discipline and diversification weathered these swings far better than the headlines suggested.

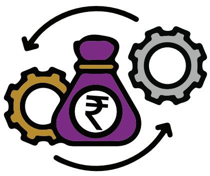
Globally, July was dominated by a sharp escalation in the US-Iran conflict. Renewed geopolitical strikes reversed June's easing trend, sending Brent crude up by more than 35% within three weeks, briefly crossing $100 per barrel for the first time since May before



retreating as diplomatic efforts resumed. Supply concerns intensified after Houthi militias disrupted shipping through the Bab el-Mandeb Strait and Kazakhstan's oil exports fell sharply following drone strikes on Black Sea port infrastructure, with crude eventually settling around $88 per barrel by month-end. The oil rally reignited global inflation concerns, lifting US Treasury yields, particularly the 30-year yield, as the US Federal Reserve maintained a cautious stance. While leaving interest rates unchanged at its late-July meeting, the Fed reiterated that future policy decisions would remain data dependent.

In India, the repo rate remained unchanged at 5.25% through July, with the RBI's next policy review scheduled for early August. US tariff proposals on Indian exports, including generic pharmaceuticals, created intermittent volatility, although the broader trade environment improved as India and the US edged closer to a comprehensive trade agreement. The evolving monsoon added its own uncertainty, as a strengthening El Niño kept rainfall meaningfully below average, raising concerns around food inflation ahead. Meanwhile, the India-UK Comprehensive Economic and Trade Agreement (CETA) came into force, strengthening long-term trade and investment ties. Despite geopolitical and macroeconomic headwinds, the Q1 FY27 earnings season broadly met expectations, with resilient corporate performance and constructive management commentary reinforcing confidence in India's earnings outlook. After four consecutive months of net selling, FIIs returned as net buyers, while domestic institutional investors surpassed FIIs in ownership of Indian equities, highlighting the growing role of domestic savings. Looking ahead, investor focus remains on the RBI's August policy review, monsoon progress, India-US trade developments, and the conclusion of the earnings season.

Volatility is an inherent part of investing, not a reason to abandon a well-crafted plan. Disciplined asset allocation remains the cornerstone of our approach, enabling portfolios



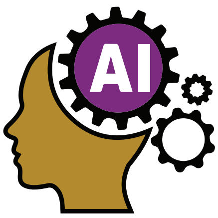
to absorb short-term fluctuations while staying positioned for long-term growth. By focusing on quality businesses, prudent risk management, and patience rather than short-term market moves, we remain committed to creating sustainable long-term wealth.

From the Portfolio Desk

July brought a mix of strong contributors and short-term laggards. **Eternal and ITBEES** emerged as the strongest performers, supported by earnings-led optimism and improving sector sentiment. **Varun Beverages (VBL) and Groww Power ETF** witnessed weakness due to margin pressure and sector-wide profit booking. During the month, we exited **Syrma SGS Technology** and initiated positions in **Hospital Bees** and **Pharma Bees,** broadening our exposure to India's healthcare theme.

Eternal extended its strong run after reporting Q1 FY27 results, with consolidated revenue rising 182% year-on-year, driven by food delivery momentum and improving Blinkit profitability. Higher long-term margin guidance for quick commerce, expectations of the stock's restoration to full weight in the upcoming MSCI review, and bullish brokerage commentary provided further tailwinds.

ITBEES also delivered strong gains as the IT sector rebounded sharply in the final week after an uneven start to the month. Despite initial caution around FY27 revenue guidance,



resilient earnings and easing concerns over the global technology sell-off supported the rally, validating our decision to maintain exposure through the volatility.

Varun Beverages remained under pressure following Q2 CY26 results. Healthy double-digit growth in revenue, volumes, and profit was overshadowed by EBITDA margin contraction due to the Twizza business consolidation and higher sugar and PET costs. Most brokerages retained a positive outlook, and we continue to view the weakness as a temporary adjustment rather than a change in the long-term investment case.

Groww Power ETF was among the month's key laggards, reflecting broad-based weakness across power, renewable, and utility stocks. Elevated bond yields, profit booking after a strong rally, and risk-off sentiment following the West Asia escalation weighed on the sector. However, we believe its long-term growth drivers, including rising electricity demand and capacity additions, remain intact.

We **exited Syrma SGS** Technology after its nearly 95% one-year rally left valuations stretched at over 85 times earnings. While execution remains strong, we chose to book profits and redeploy capital into opportunities offering a more attractive risk-reward profile.

We also initiated positions in **Hospital Bees and Pharma Bees**, reflecting our continued focus on healthcare. Hospitals remain a structurally resilient theme, supported by rising bed capacity, improving occupancy, and growing insurance penetration. Meanwhile, the sharp correction in pharmaceutical stocks following proposed US tariffs on generic drugs created what we believe is an attractive entry point into a sector backed by durable long-term fundamentals.

While individual holdings may outperform or underperform over shorter periods, our decisions remain guided by long-term fundamentals rather than short-term market movements. We remain committed to owning high-quality businesses, maintaining prudent diversification, and staying disciplined through changing market conditions.

Note: The stocks mentioned above are part of a broader stock universe of approximately 50 stocks that we actively track. Individual portfolio holdings may vary based on factors such as market conditions, portfolio strategy, and timing of entry. These stocks are highlighted for reference and may not be present in all client portfolios.

Looking Beyond the Headlines

While the market's list of concerns may continue to evolve, our investment approach does not. The weeks ahead will bring fresh data, earnings and headlines, each capable of influencing short-term movements. Rather than reacting to every development, we remain focused on what ultimately creates long-term wealth: owning quality businesses at sensible valuations. We believe this balanced approach allows the portfolio to navigate uncertainty while remaining well positioned to benefit from India's long-term growth.

Warm regards,
Team Hedge

www.hedgeequities.com info@hedgegroup.in +9193493 12345