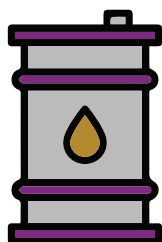


Navigating Volatility, Staying Focused on the Long Term

Dear Investors,

August was a month in which global risks remained elevated, but India's underlying economic strength continued to provide an important counterbalance. Geopolitical tensions, higher crude prices, rising US bond yields and currency movements kept investors cautious, while strong domestic fundamentals, healthy foreign exchange reserves and steady domestic participation provided support to Indian markets.

The Middle East remained a key source of global risk during the month. Six months into the Iran conflict, concerns around energy supply continued to influence markets. Brent crude remained below \$90 for much of August but moved above that level following renewed military escalation and concerns around the Strait of Hormuz. The episode was a reminder that geopolitical developments can quickly translate into higher energy costs, inflation expectations and market volatility.



The resulting pressure on inflation also kept global interest rates and bond yields in focus. The US 30-year Treasury yield rose to approximately 5.34%, increasing the global cost of capital and creating headwinds for risk assets. Higher US yields can also influence capital flows towards emerging markets, including India, by making dollar-denominated assets relatively more attractive.

Currency markets reflected these broader pressures. Japan deployed a record \$96.5 billion to support the yen as the currency came under pressure from the wide US–Japan interest-rate differential and higher energy import costs. In India, the rupee remained around the ₹95–96 per dollar range. A weaker rupee alongside higher crude prices can raise India's import bill and add pressure to inflation, corporate input costs and the broader cost of capital.

Importantly, India's external position remains considerably stronger than in previous periods of global stress. Foreign exchange reserves reached a record \$729.3 billion as of August 21, providing a substantial cushion against external shocks and periods of capital-flow volatility. Combined with a growing domestic investor base, this provides greater stability to India's financial markets.

India's economy grew 7.8% year-on-year in Q1 FY27 (April–June 2026), comfortably ahead of the RBI's 7% forecast and market expectations, despite global geopolitical and energy-related headwinds. Growth was supported by strong manufacturing, domestic consumption, investment and services, with manufacturing expanding 9.2% and GVA growing 8.2%.

The monsoon remained a watchpoint. Cumulative rainfall was approximately 13% below the benchmark towards the end of August, creating concerns around agricultural output, rural consumption and food inflation. However, rainfall patterns have varied meaningfully across regions, and continued rainfall during September could improve the overall outcome. The final monsoon trajectory will therefore be important for rural demand and food prices in the months ahead.

Indian equities reflected these crosscurrents. The Nifty 50 declined 1.24% during August, closing at 24,080.4, compared with 24,383.6 at the end of July. The relatively contained fall, despite a challenging global backdrop, highlights the support provided by India's domestic liquidity and economic

fundamentals. Nevertheless, market movements remained closely linked to crude prices, global yields, currency trends and foreign flows.

Gold continued to attract interest as investors sought diversification amid geopolitical and macroeconomic risks. However, fluctuations in the dollar and interest-rate expectations meant that even traditional safe-haven assets experienced periods of volatility.



The broader takeaway from August is that markets are being shaped by several forces simultaneously rather than by one overriding trend. External risks remain meaningful, but India's domestic economy and financial buffers provide a strong foundation.

Rather than relying solely on market direction, we believe disciplined asset allocation provides a more balanced approach to long-term wealth creation. Our Hybrid PMS structure combines the growth potential of equities with the stability of fixed income, helping to moderate portfolio volatility, manage downside risk and navigate different market cycles with greater resilience.

From the Portfolio Desk

August saw a clear divergence across portfolio holdings. **Eternal** and **MODEFENCE** were the strongest contributors, while **Varun Beverages (VBL)** and **Zydus Wellness** remained among the key laggards. During the month, we exited **SBI** and initiated **HDFC Bank**, reflecting our focus on businesses offering stronger long-term risk reward and compounding potential.

Eternal continued to perform strongly, supported by sustained food-delivery growth, rapid Blinkit expansion and improving quick-commerce economics. Its expanding consumer ecosystem offers multiple avenues for future monetisation and operating leverage, with the key focus remaining on converting growth into sustainable profitability.

MODEFENCE benefited from continued investor interest in India's defence opportunity. Rising defence spending, indigenization, domestic procurement and export potential provide a multi-year growth runway. The ETF's diversified exposure across the defence ecosystem also reduces dependence on any single company, although valuations remain an important consideration.



Varun Beverages remained under pressure as Twizza consolidation and higher sugar and PET costs weighed on margins. Despite near-term earnings pressure, its strong distribution network, PepsiCo relationship, brand portfolio and international expansion continue to support the long-term investment thesis. We view the

weakness as largely an earnings normalization rather than a deterioration in the underlying franchise.

Zydus Wellness faced pressure amid investor concerns around profitability. While near-term earnings remain a focus, the company's consumer-health portfolio continues to benefit from rising health awareness and premiumization. We remain constructive on the long-term opportunity while monitoring margin improvement and earnings delivery.

We exited **SBI** as part of our portfolio reallocation. While SBI remains a strong banking franchise, we believe the relative risk reward of other opportunities is currently more attractive. We therefore redirected capital towards **HDFC Bank**, strengthening our exposure to India's financialization theme.

HDFC Bank offers significant competitive advantages through its scale, deposit franchise, distribution network and deep customer relationships. We see multiple long-term growth levers through

credit and deposit growth, cross-selling, operating efficiencies and increasing financial penetration. Overall, short-term price movements will continue to create winners and laggards. Our investment process remains anchored to business quality, competitive advantages, earnings visibility, balance-sheet strength and valuation, rather than short-term market movements.

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.

Positioning for the Months Ahead

As we enter September, markets are likely to remain sensitive to crude oil, developments in the Iran conflict, US interest rates, the rupee and the monsoon. Elevated global yields and geopolitical risks may keep volatility high, while foreign flows and currency movements could influence near-term market direction.

Our objective is not simply to maximize returns in favourable markets, but to compound capital through different market cycles while managing downside risk. Equities provide long-term growth while high-quality fixed income securities add stability, income and a defensive cushion, helping moderate portfolio volatility during periods of market stress. By combining growth with stability, we aim to create a portfolio that is not dependent on getting every market call right, but is designed to participate in upside, absorb volatility and preserve the ability to compound over the long term.

We believe disciplined asset allocation can provide a more balanced path to long-term wealth creation. Our focus remains simple: protect capital, maintain portfolio quality and stay invested in India's long-term growth story. We cannot control market volatility, but we can control what we own, what we pay and how we allocate capital across asset classes. Uncertainty may define the near term; fundamentals and disciplined compounding will define the long term.

**Warm regards,
Team Hedge**

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