

4-September-2025

Dear Investors,

Our PMS and AIF performance as of last month is as follows (Exhibit 1).

Exhibit 1: TWRR Performance (after all fees and expenses) as of 31-Aug-2025

Investment Approach (Benchmark)	Inception Date	AUM (INR cr)	1M	3M	6M	1Y	Since Inception (Annualized)*
PMS Large Midcap	11-Apr-23	77	-2.3%	-0.2%	14.3%	-0.3%	20.8%
(S&P BSE 500 TRI)			-1.8%	-0.9%	13.6%	-4.7%	20.0%
(Nifty 50 TRI)			-1.2%	-0.7%	11.3%	-2.0%	16.2%
PMS Small MidCap	11-Dec-23	109	-8.9%	-6.4%	22.0%	-17.5%	19.6%
(S&P BSE 500 TRI)			-1.8%	-0.9%	13.6%	-4.7%	12.1%
(Nifty 50 TRI)			-1.2%	-0.7%	11.3%	-2.0%	10.7%
AIF Alpha Fund I**	24-Mar-25	33	-7.7%	-7.1%	NA	NA	4.4%
(S&P BSE 500 TRI)			-1.8%	-0.9%	NA	NA	6.2%
(Nifty 50 TRI)			-1.2%	-0.7%	NA	NA	5.5%
PMS Other AUM		247					
Total AUM		466					

*Returns for Large Midcap and Small Midcap are annualized as they have completed full year. However, returns for Alpha Fund I are not annualized as it is yet to complete one full year.

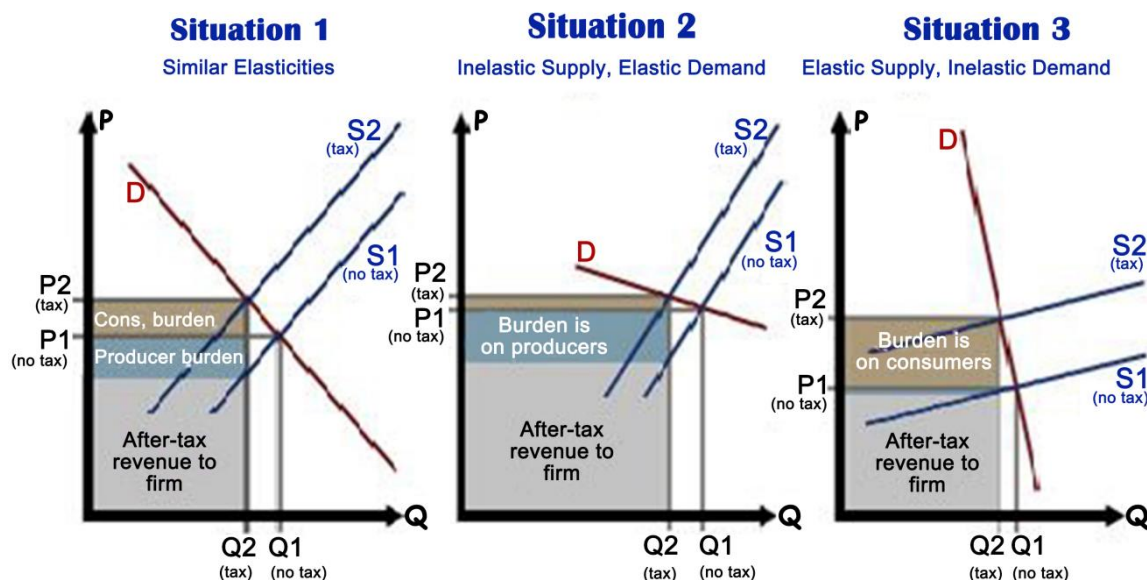
** Returns for AIF Alpha Fund I are pre-tax but post all fees and expenses.

GST reform set to boost domestic consumption.

- Yesterday's GST rate reduction is a landmark moment for India's economic reform journey as it is the biggest overhaul of GST system eight years after it was launched. The sweeping cuts in rates on scores of items of daily use makes most goods and some services more affordable and will result in boosting consumption.
- By rationalising tax slabs and reducing rates, we expect middle-class spending should see an uptick, particularly in the upcoming festival season.
- By cutting the current four slabs to two, it simplifies the classification and lifts consumer sentiments.
- This move is a significant positive for consumption-linked sectors such as staples, dairy, and automobiles, as lower taxes ease the burden on both consumers and producers while reducing deadweight losses (Exhibit 2).
- These measures build on a series of **pro-growth initiatives** by the government, including middle-income tax relief, interest rate cuts, liquidity support, and increased government capex.

- In our view, such reforms are essential, serving as a buffer against global uncertainties while reinforcing a shift towards domestic growth-oriented policies.

Exhibit 2: Consumption Tax Incidence



Source: IRET (2004), "Tax Incidence, Tax Burden, and Tax Shifting: Who Really Pays The Tax", Policy Bulletin, September 10, No. 88, 2004.

Q1 FY26 Earnings- Mixed Bag

- NIFTY Q1 FY26 performance: Topline/EBITDA/PAT grew 6%/14%/9% YoY with EBITDA showing a mixed performance as shown in exhibit 3. Ex-financials, growth lagged expectations.
- Strong earnings growth was led by industrials, metals, cement and Auto; while consumer services, consumption, Pharma and Oil & Gas underperformed.
- Consensus EPS downgrades outnumbered upgrades for FY26-FY28, with Retail and FMCG facing broad downgrades; Pharma and NBFCs saw more upgrades for FY26/FY27.
- H2FY26 capex, particularly government spending, remains a key monitorable. Supported by an above-average monsoon and continued GST reforms, we expect these factors to provide a positive tailwind for the domestic economy, driving earnings recovery in the H2FY26.
- Global macroeconomic uncertainty and tariff risks persist, creating an overhang on export-oriented sectors. IT, Pharma, and other industries with significant U.S. exposure may face earnings downgrades amid this challenging backdrop.

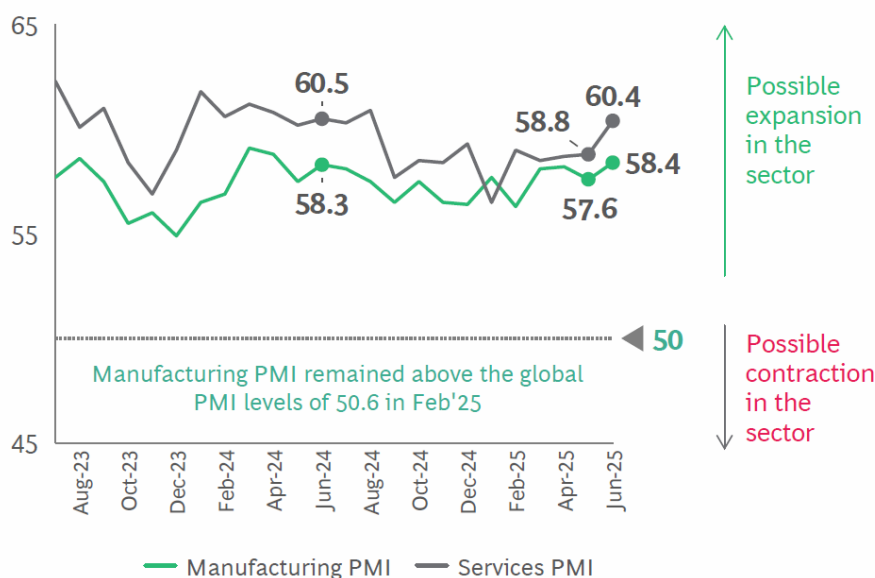
Exhibit 3: Q1FY26 NIFTY 50: Beat/Miss/In-Line

Nifty 50 Tracker	Revenue	EBITDA	Earnings
M Miss	7	14	14
In Inline	29	15	9
B Beat	7	14	20
	43	43	43

Source: Bloomberg, PhillipCapital India Research

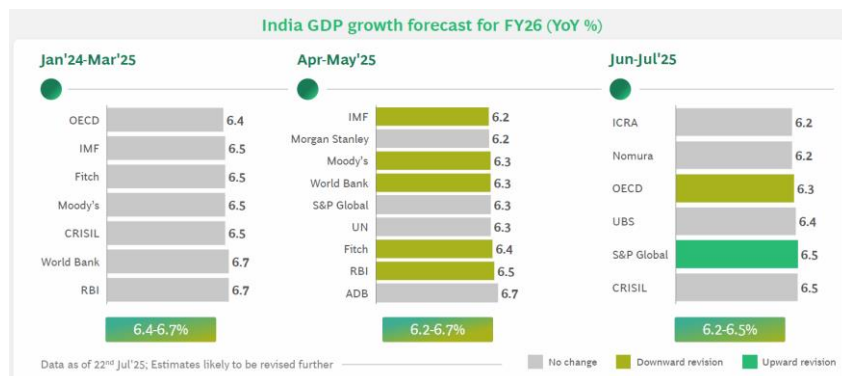
Indian economy, DII's strong inflows

- India's GDP growth for 1QFY26 is at 7.8 % YoY, largely drive by soft deflator boost, frontloaded government spending and exports. We expect the GDP to moderate in the coming quarters due to tariffs uncertainty.
- FY26 GDP forecast is retained at 6.2-6.5% (Exhibit 5), with tariff-related headwinds expected to trim growth by 30-40bps.
- Above-average rainfall and easing inflation create favourable conditions for the Central Bank to consider rate cuts to stimulate economic growth.
- Rural recovery, monetary easing, income tax reductions, and government capex are expected to drive a gradual economic uptrend through the year.

Exhibit 4: Manufacturing and Services PMI


Source: IHS Markit, RBI, BCG analysis

Exhibit 5: Revised forecasts amid global headwinds

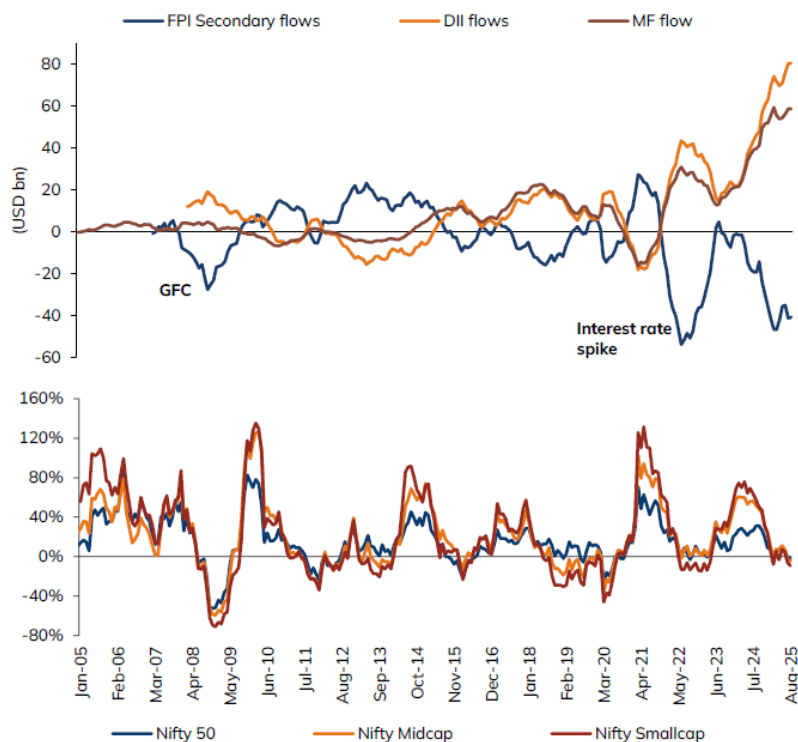


Source: Analyst reports, BCG analysis

- DIIs inflows in the secondary market stood at a record high of USD 80 bn and ~2x of FPI outflows (~ USD 40 bn) over the last 12 months.
- Intense FPI selling have resulted in flat returns of the indices (Exhibit 6).
- SIP inflows into MF equity schemes continue to expand as households diversify their asset allocations towards equities.

Exhibit 6: DII dominance of Indian equities at a record high

(12-month cumulative flows (FPI and DII secondary market flows) vs. rolling 12-month returns for NIFTY 50, Nifty Midcap 100 and Nifty Small Cap 100 indices)

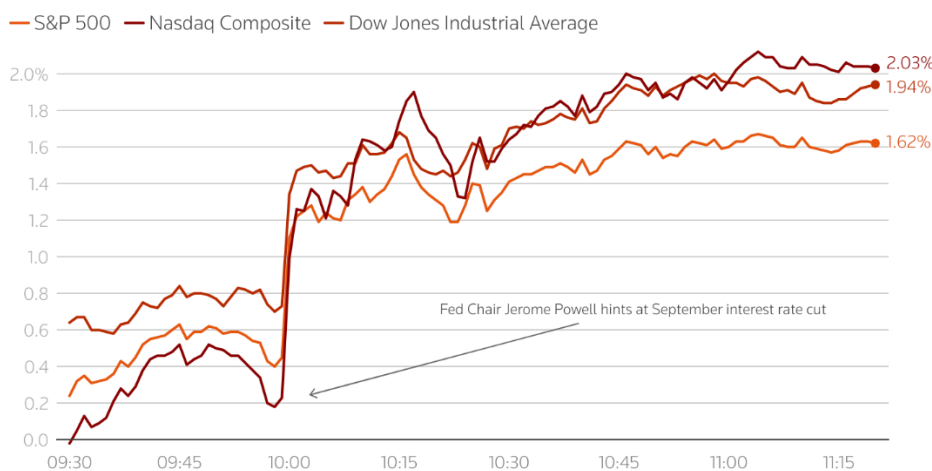


Source: Bloomberg, I-Sec research

US Fed turns dovish, Uncertainty continues over tariffs

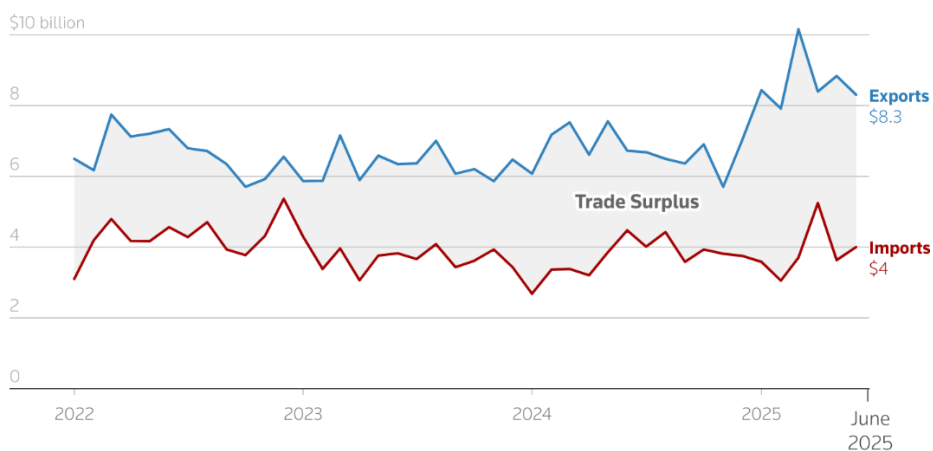
- US Fed Chair Jerome Powell signalled a possible rate cut in the coming months but stressed caution, citing risks of both higher unemployment and persistent inflation.
- Policy decisions would depend on the upcoming economic data and markets expect a rate cut. Wall Street rallied after Powell hints at a possible Fed Rate cut(Exhibit 7).

Exhibit 7: Powell's comments propel Wall Street higher.



- US tariffs on Indian exports can impact key sectors like textile, jewellery and chemicals, threatening ~\$40 bn of exports and up to 2 million jobs. We expect India's trade surplus to reduce (Exhibit 8).
- With markets under pressure, the government aims to diversify export destinations and leverage domestic demand to offset the impact.

Exhibit 8: India's trade with the US.



Summary:

- Indian economy while largely domestic oriented is seeing slowing growth. In anticipation of this, some pockets of rich valuation and overhang of tariffs, we have seen valuations correct.
- However, the medium-term story of India remains intact. With recent pro-growth initiatives, and pivot towards newer markets, combined with continued Government Capex and potential rate cuts by RBI, we expect H2 FY26 onwards to be better.

This is a favourable time to increase market exposure with a medium-term view, and a good phase for accumulation.

We will be happy to have a quick call with you to discuss your portfolio. Also, we really appreciate the references you have shared thus far and would request you to continue to remain generous in sharing more references.

Warm regards,
MoneyGrow Team

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