July 2026

FUND MANAGERS COMMUNICATION

Global Market:

During the month risk sentiment turned decisively positive as the war in the Middle East began to de-escalate and Brent crude prices started to fall below USD 75 after peaking at USD 120 per barrel in April. Major Global Equity markets remained constructive in June month as investors continued to price in geopolitical de-escalation. For the month US S&P 500 was negative & Japan's Nikkie index was positive. The US Fed kept its policy rate unchanged at 3.5-3.75%, as widely expected.

Domestic Market:

GST Collection: GST collection in June 2026 month was Rs. 1.94 Lakhs crore, marking a 13.9% year on year growth.

Retail inflation has edged up for five straight months, to 3.9% in May, led by food - but it remains within the Reserve Bank's tolerance band, and the cooling of crude should ease the pressure ahead. The RBI, for its part, held the repo rate at 5.25% in June and kept a neutral stance, choosing to let earlier cuts work through rather than add stimulus to an imported price shock.

Auto numbers: India's June 2026 automobile sales were stronger than expected, marking a healthy start to Q1 FY27. Growth was broad-based across passenger vehicles (PVs), commercial vehicles (CVs), two-wheelers, tractors and exports, indicating improving consumer demand and better rural momentum. The June 2026 auto sales data reinforce the view that the sector has moved beyond the demand slowdown seen in FY26. Passenger vehicle demand has strengthened, commercial vehicles have emerged as the biggest upside surprise, rural recovery is supporting two-wheelers and tractors, and exports remain a meaningful growth engine.

Credit Growth at 17.7% in May: Credit growth picked up in May'26, aided by continued transmission of past rate cuts and a sharp pick-up in gold loans and robust MSME demand. Credit growth is expected to remain resilient, supported by broad-based demand and a revival of industrial lending.

PMI: The S&P Global HSBC Manufacturing PMI for India came at 54.5 in June & Services PMI at 57.3, there is moderation month on month basis. (Manufacturing PMI data is an economic indicator that measures the activity level in the manufacturing sector. It is based on a survey of purchasing managers across manufacturing industries and provides insights into business conditions, including production, new orders, employment, supplier delivery times, and inventory levels).

India's core sector output expanded by 0.5% in May'26, as weakness in hydrocarbon-related sectors offset the resilience in steel, cement, and electricity. The slowdown was driven by contractions in coal, crude oil, natural gas, and refinery products, despite a favourable base effect. Going ahead, core sector growth is expected to improve gradually, supported by sustained government capex and infrastructure activity. Additionally, easing geopolitical tensions in West Asia could help stabilize energy markets and reduce supply-side pressures, supporting overall core sector momentum.

IIP: Industrial activity grew by 5.1% in May'26, supported by robust electricity generation, strong manufacturing activity. From the use-based side, manufacturing and investment indicators remained robust, while consumption trends were mixed but continued to improve. Looking ahead, the outlook remains constructive, supported by sustained public capex, resilient domestic demand and easing geopolitical tensions. Progress on the India–US trade agreement could further support manufacturing and exports, although global uncertainties and trade-related risks continue to warrant close monitoring.

Equity Market Outlook:

In last two years, premium valuations, moderation in Nominal GDP growth & earnings slowdown, sustained FIIs selling, AI led euphoria in few countries, external shocks like US tariff & Iran war and higher crude prices have led to underperformance of Indian Equities. However, many of these factors are reversing now. Valuations are trading below long term averages, crude prices now below $75 provides benefit to Indian economy, both consumers and industries. Earnings momentum has seen improvement in select sectors in last two quarters. In near term only Monsoon will be an important factor to watch.

The impact of higher energy prices in the last few months and supply chain related disruption would have its impact on Q1FY27 results, however to a larger extent, equity markets have already discounted the impact on companies.

Government has taken steps to attract foreign investors and capital inflows. The government completely waived taxes on G-Sec investments for foreign institutional investors, eliminating both capital gains tax and interest income (withholding) tax. To attract FCNR deposits, the Reserve Bank of India (RBI) introduced a special swap facility and temporarily withdrew interest rate ceilings on eligible deposits, which is expected to attract $30-50 Bn. This steps are incrementally positive for currency and economy.

Our PMS Portfolio continues the outperformance from last three months recovery phase; we have been able to cover up most of the underperformance which was there in prior period. We hope the recovery trend to continue going forward in coming quarters. With change in sentiment, better earnings momentum and markets gone through long consolidation and correction period over 18 months now, equity markets providing a good opportunity for investors for long term investment. Recent Auto sales numbers and credit growth are showing However, if there is delayed & weak monsoon, this would delay the earnings, near term risk sentiment & equity market recovery.

Regards,
Mayur Shah
(Fund Manager-Anand Rathi Advisors Ltd.)

Disclaimer: Anand Rathi Advisors Ltd. (ARAL) ("Portfolio Manager") SEBI Reg No. INP000000282 which is regulated under SEBI. This report has been issued by ARAL. Investments in securities are subject to market and other risks and there is no assurance or guarantee that the investment objectives of any of the investment approaches or portfolios offered by the Portfolio Manager (each, a "Portfolio") will be achieved. Portfolio performance may be affected by a wide variety of factors, including, without limitation, security-specific price shifts, changes in general market conditions and/or other micro and macro factors. A Portfolio performance results at any particular time will also be impacted by its investment objectives and the investment strategy it uses to achieve those objectives, including without limitation, its then-current asset allocation position. As the price/value of the underlying assets of a Portfolio fluctuates, the value of investors investments in that Portfolio and any income derived from it may go up or down. Individual returns of an investor for a particular Portfolio may also vary because of factors such as timings of entry and exit timings of additional flows and redemptions, individual investor mandate, specific Portfolio construction characteristics and/or structural parameters. Please refer to the Disclosure Document and Portfolio Management Services Agreement for Portfolio-specific, risk factors. Note that the composition of a Portfolio and the index(es) used to benchmark its performance are subject to change from time to time, as may be more fully described in the Disclosure Document. Note also that the composite benchmarks used for the Portfolios may be proprietary to the Portfolio Manager.

ARAL and its affiliates may trade for their own accounts as market maker / jobber and/or arbitrageur in any securities of this issuer(s) or in related investments, and may be on the opposite side of public orders. ARAL, its affiliates, directors, officers, and employees may have a long or short position in any securities of this issuer(s) or in related investments. ARAL or its affiliates may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. This is prepared for only private circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report.

Past performance of a Portfolio does not indicate its future performance. The Portfolio Manager does not guarantee that any Portfolio will generate positive returns or that it will meet the needs/investment objectives of any particular person. The names of the Portfolios do not in any manner indicate their prospects or likelihood of returns. Before making an investment decision, please(1) carefully review the Disclosure Document, Portfolio Management Services Agreement, and other related documents, including issue documents pertaining to the underlying investments of the relevant Portfolio(s), and (2)consult your legal, tax and financial advisors to determine possible legal, tax and financial or any other consequences of investing in any of the Portfolios.

Investors are also advised to refer to the risk factors associated with Portfolio Management Services and read the Disclosure Document carefully and consult their Financial Advisor before taking decisions of investment.