



Investor Update - 05

Azurean India Equity Fund 1

(SEBI registered Category III AIF)

Azurean Investment Managers Private Limited

(support@azurean.in)

Dear Investor,

The fifth quarterly investor update for **Azurean India Equity Fund 1**, a Category III AIF is as follows:

Indian equity markets improved over the past three months, supported by GST 2.0 reforms and a pro-growth monetary stance from the RBI. Falling interest rates, benign inflation, and steady domestic inflows into the equity funds also contributed to market strength.

As on 31-Dec-25	Returns Since inception
Fund NAV	2.5%
Nifty 200 (Benchmark Returns)	2.4%

*Returns are on a pre-tax basis

Over the three-month period ending December 2025, performance across market capitalizations was mixed. Performance of Large caps and mid-caps were buoyant with Nifty 50 index up 6.2% and Nifty Midcap 100 index up 7.0% during the quarter, while small cap performance was subdued with Nifty Smallcap 250 index marginally down.

Since the fund inception, the Nifty 200 has moved up by 2.4%, with the Fund NAV moving up in line with the benchmark.

In the year 2025, most global equity markets delivered strong returns, while India lagged the peer group. Continued FII outflows, large equity issuances and dilution through IPOs/QIPs impacted the performance of Indian equities. Within India, large caps outperformed with Nifty 50 returns of 10.5%, mid caps performed moderately with a gain of 5.8% by Midcap 100 index, while small caps posted negative returns.

The Oct–Dec 2025 quarter saw a rebound in Indian equities, with the Nifty 200 gaining 5.8%. This recovery was driven by GST 2.0 rate and slab rationalization measures, alongside the RBI’s 25 bps policy rate cut in December that reinforced its pro-growth stance.

Despite global headwinds—notably the higher US trade tariffs—India’s Q2 FY26 GDP growth surprised on the upside at 8.2%, cementing its position as a global growth leader.

We have increased our allocation to large-cap businesses to 75% of the portfolio, while maintaining a healthy cash position of 11% to capitalize on emerging opportunities, particularly in new-age technology and renewable energy.

Portfolio Positioning and Attribution

Equity market performance during the Q3FY26 has been good, with most sectors delivering positive returns. Though quarterly and one year performance of Nifty-50 appears strong, the market breadth has been narrow. Further the markets have been range bound over the last few months and have just recovered to the highs seen in the middle of calendar year 2024.

While equity market performance has just come back to the highs seen 16 months ago, we believe the valuations are now better placed as corporate earnings during this period have grown by 10%. Our outlook on Indian equities is constructive, with a favourable risk-reward in the large-cap segment as opposed to mid- and small-cap equities.

In line with our view, the fund maintains a significant exposure to large, well-run companies. Midcap and Small cap companies' exposure is lower at ~15%, with elevated valuations in this segment being a key concern.

As of December 31, 2025, the portfolio allocation is as follows:

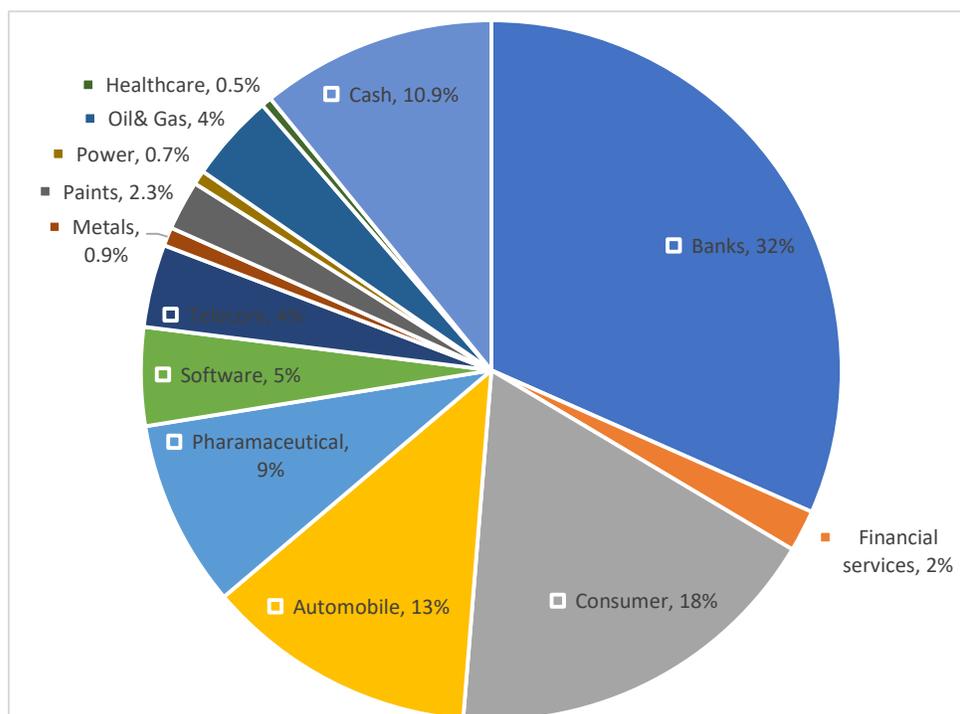
Exposure to Large size companies	Exposure to Medium size companies	Exposure to Small size companies	Cash level
75%	7%	7%	11%

During the quarter, the sectors that outperformed the market are Software, Metals and Banks & Lending institutions while the FMCG sector has been a clear laggard. The fund is optimistic on the consumption theme and has a significant overweight position in FMCG, Pharmaceutical, Automobile and Private Banks sectors.

IT services performed well in the quarter, with a rebound in stock prices after muted share prices over the past year. Metals have been a major winner for the second consecutive quarter with industrial metals and gold & silver moving up sharply. Aluminum was up 24%+ last year touching \$3,000/t and copper continues its strong performance surpassing \$12,500/t. Steel prices though have been soft and the government has introduced an anti-dumping duty for the next three years. This has helped steel stocks also to participate in the metals stock rally.

Top Performing sectors	3QFY26
Nifty IT	12.6%
Nifty Metals	11.3%
Nifty Banks	9.1%
Nifty Infra	6.8%

Bottom performing sectors	3QFY26
Nifty Auto	6.2%
Nifty Pharma	5.9%
Nifty FMCG	1.4%
Nifty Energy	0.9%



Automobiles:

After a strong run in Q2, the sector continued to do well in Q3 as well and becoming the best performing sectoral index with an 18% gain in the last six months. The reduction in the Goods and Services Tax across categories — including two-wheelers, passenger cars, and commercial vehicles has led to a strong rebound in volume growth across segments. The fund maintained an overweight position, with a 13% exposure to leading passenger car and two-wheeler manufacturers throughout the quarter. Our exposure in the auto sector is to leading OEMs and a single stock exposure from the auto ancillary sector. We believe, the growth momentum would continue in the fourth quarter as well driven by new launches and tailwinds of GST reduction benefits.

Metals:

Metals sector has been one of the top performers for the quarter with gains of 11.3%. Performance of the non-ferrous stocks has been very good during the quarter as both Aluminium and Copper have seen strong price appreciation. Steel sector stocks have joined the rally with the government imposing anti-dumping duty which would curb imports from China. The steep depreciation of the rupee in the quarter has had a favourable impact on the profitability of the sector. The fund has limited exposure to steel stocks.

FMCG(Consumer Staples):

The FMCG sector has been a laggard with the Nifty FMCG index gaining just 1.4% in the quarter. Although, the sector benefited from GST reforms — with most staples now being taxed at 5%, the lowest slab — stocks gave up much of their initial gains following the announcement. Based on the initial commentary of the companies in this space, we believe the volume growth is likely to pick up from the current quarter onwards. Raw material and input cost inflation in coffee, copra, palm oil and packaging costs are also softening, which could aid profitability. We had pared our exposure to QSR and Alcobev as the recovery is delayed to a significant extent.

The fund has a substantial overweight in the consumer sector, with 18% weight. This position contributed negatively towards generating alpha. We view the slower demand growth in consumer staples as a temporary phenomenon which would reverse in a buoyant economy. With the relative valuations of the sector having moderated, we remain overweight in this segment.

Financials:

During the quarter select NBFCs such as L&T Finance, Shriram Finance, Aditya Birla capital and other vehicle loan and gold loan companies have performed well while affordable housing finance companies and micro finance companies has been weak. In the lending segment the fund holds a significant exposure to the top four private sector banks, which has been a consistent position since inception of the fund. While it is possible that during certain periods lenders to niche segments would outperform, our preference is to stick to large banks where the growth and profitability has been stable. Credit growth remains healthy and accelerated modestly to over >11% per annum. Further, as the RBI maintains a pro-growth monetary policy coupled with low interest rates and ample liquidity, the growth outlook for the sector looks good.

During the quarter, banks performed well with Nifty Bank index moving up by 9.1%, and our bank exposure has performed well during the quarter. Affordable housing finance companies have been growing the loan book and profitability well along expected lines on a low base, but share price performance has been subdued.

Companies exposed to Capital markets such as asset management companies, wealth managers, market infrastructure service providers continue to do well on the back of strong domestic liquidity. Inflows to the mutual funds continue to remain robust. The fund has exposure to asset managers, a credit rating company and health insurance company. We believe these select exposure in financial service sector would enable us to outperform.

Pharmaceuticals:

Fund has a significant overweight in the pharmaceuticals sector from the start. During the year 2025, the sector has not performed owing to concern over the potential US trade tariff. Even though Indian pharmaceutical exports did not attract any tariffs, the sector continues to trade with lower earnings multiples.

We remain positive on the long-term outlook, as Indian manufacturers supply a substantial share of generic medicines to the US and remain among the lowest-cost producers globally, capable of passing on any moderate cost increases.

Underweight Sectors:

The fund remained underweight in Cement, Metals, Oil and Gas, Infrastructure & capital goods, and Software sectors. Among these, the underweight in Metals impacted the relative performance during the quarter, while underweights in Software and Cement added to relative returns. We continue monitoring these sectors closely for attractive opportunities on a regular basis.

Outlook and Positioning:

During the quarter we reduced our exposure to small cap companies further. Overall, the portfolio remains anchored in well-established companies and sectors with proven business models. We believe, on an aggregate, our portfolio companies would grow the earnings in double digits over a 3 to 5 year period which should result in generating good returns. As we hold cash of 11%, we continue to explore emerging opportunities in new-age businesses, such as renewable energy, internet, and e-commerce, which are expanding rapidly. We intend to participate selectively in these areas at attractive valuations.

The Fund's exposure to various sectors and companies is shown in the Annexure-1.

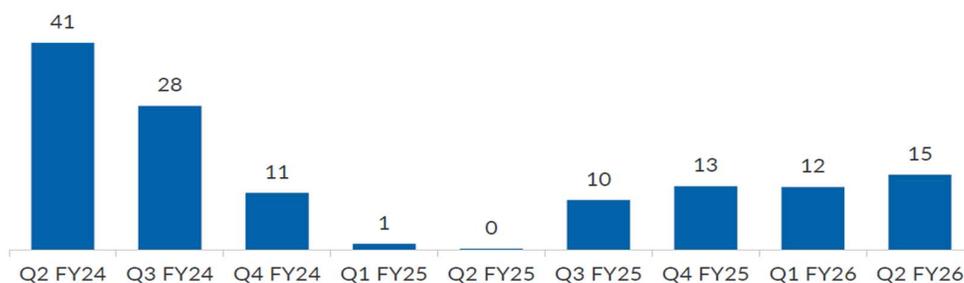
Macro-Economic: - Headwinds and Opportunities

Q2FY26 Earnings Growth has been Healthy: Surprised Positively

For the quarter ending September 2025, corporate earnings growth accelerated to 15% yoy. The earnings growth was led by cyclical commodity sectors such as metals, cement and oil refining and marketing companies. Also, the power and capital goods sector have reported strong growth in earnings in the quarter. While the broader universe of companies reported earnings growth in double digits in Q2FY26, the Nifty 50 corporates earnings growth was lower at 5% yoy growth. The tepid growth in earnings for Nifty companies can be attributed to poor earnings traction for select large entities such as- Axis bank, Kotak bank and Tata motors. Profits were impacted due to one-off issues and we should expect profits to normalize in the coming quarter. Overall, the Nifty earnings estimated for the full year FY26 is estimated to remain subdued but is expected to grow in double digits in FY27.

With cautious external headwinds—primarily from upward tariff revisions by the US—the economy is being supported by pro-growth reforms undertaken by the government, which would improve consumption and accelerate the capex cycle in the country. This environment is expected to drive broad-based earnings growth across sectors.

NSE 200 PAT y/y growth



Source: Capitaline, Company, YES Sec

Rs bn	Sales			EBIDTA		PAT	
	No of Co	Q2FY26	YoY	Q2FY26	YoY	Q2FY26	YoY
Nifty	50	6,359	9%	1,188	6%	1,132	5%
Nifty next 50	49	2,014	6%	295	35%	270	22%
Nifty midcap 100	100	2,023	13%	311	27%	256	26%
Nifty Small cap 100	100	886	10%	100	9%	79	7%
NSE 200	199	10,396	9%	1,794	13%	1,658	10%
NSE500	497	12,453	9%	2,063	13%	1,860	10%

Source I-Sec
research

India Q2 FY26 GDP: A Strong 8.2% Growth Surge

The Indian economy delivered a ‘blockbuster’ performance in Q2 FY26, with real GDP expanding by 8.2% YoY. This significantly outpaced consensus estimates of ~7.2%-7.5%, consolidating India's position as the highest growth economy in the world. Despite a temporary ‘slow patch’ following the announcement of GST rationalization, the quarter benefited from a low base. The expansion was broad-based, fuelled by private sector growth and a sharp industrial rebound. Private consumption (PFCE) grew by 7.9% showing resilience to the external sector. Investments too picked up pace with Gross Fixed Capital Formation (GFCF) being healthy at 7.3%. On the supply side, Manufacturing led the charge with a robust 9.1% growth. Government consumption declined 2.7% as the focus has been on fiscal prudence in a year of likely revenue shortfall. Net imports could be a drag until the US-India trade deal is finalized which is expected in the coming quarter.

While H1 averaged 8% growth, H2 is expected to be soft, and the full year GDP is estimated to grow by 7.4%. Headwinds include continuation of elevated global tariffs and lower nominal growth could impact tax collections, which may lead to deceleration in growth.

YoY%	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Real GDP	9.3	9.5	8.4	6.5	5.6	6.4	7.4	7.8	8.2
Final Cons. Expenditure	5.1	5.3	6.3	7	6.1	8.3	4.7	7.1	6.5
Private	3.0	5.7	6.2	8.3	6.4	8.1	6.0	7.0	7.9
Government	20.1	2.3	6.6	-0.3	4.3	9.3	-1.8	7.4	-2.7
Gross Fixed Cap. Formation	11.7	9.3	6	6.7	6.7	5.2	9.4	7.8	7.3
Exports - Goods & Services	4.6	3	7.7	8.3	3	10.8	3.9	6.3	5.6
Import - Goods & Services	14.3	11.3	11.4	-1.6	1	-2.1	-12.7	10.9	12.8
Net Exports	-9.7	-8.4	-3.7	9.8	2	12.9	16.5	-4.5	-7.2

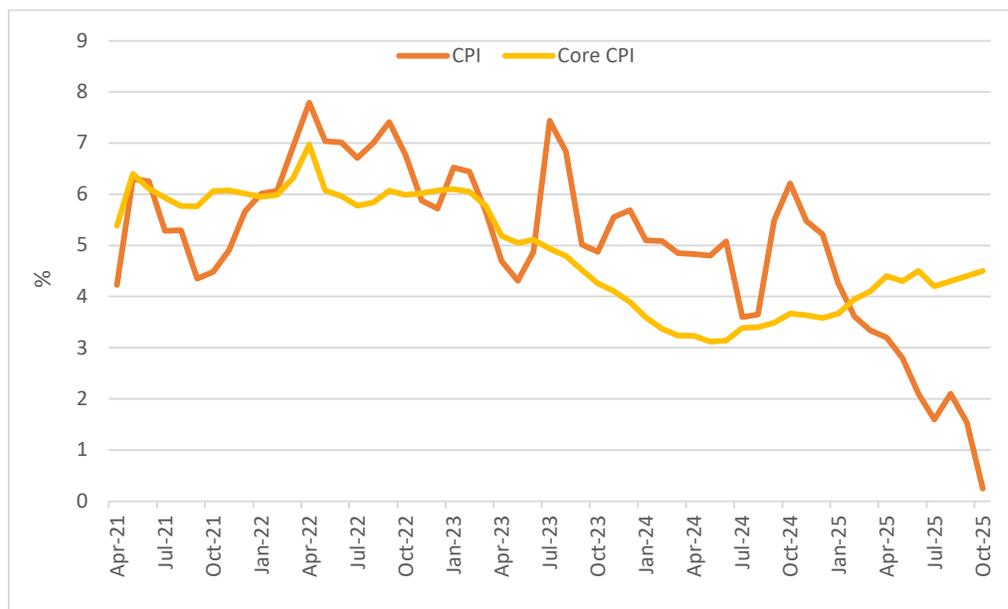
RBI continues to focus on Growth as Inflation is at Record Lows

Headline inflation for the month of Nov 25 stood at 0.71%, in line with expectations but higher than the 0.25% level of Oct 25. The low levels of food inflation has been the main reason for this exceptionally low inflation situation. Market experts forecast the low inflation is

sustainable in the near term with most of items showing a benign trend, with RBI expecting inflation to remain at 4% in FY27.

The RBI projects FY26 CPI inflation at 2%, leaving ample room for fiscal and monetary support to counter external demand weakness.

The Reserve Bank of India (RBI) in its December 2025 meeting delivered a **25bps rate cut**, bringing the repo rate down to **5.25%**. While the 'neutral' stance remains unchanged, the policy signals a clear pivot toward supporting growth in an environment of low inflation and resilient economic activity. RBI now expects the real GDP growth to be at 7.4% for the full year FY26.



Primary issuances at record high

The primary markets remained buoyant, with record listings in August and September followed by a strong pipeline for October. Corporates, private equity investors, and promoters collectively raised substantial capital through IPOs and secondary offerings. In this influx of a large number of IPOs, some good quality business in newer and niche sectors are also getting listed thereby expanding the investible universe in the listed space. We are concerned about the abundance of capital mispricing the risks in most segments and are selective in evaluating new listings, focusing on sustainable business models and prudent valuations.

Apart from the RBI, other central banks rates across global markets have been bringing down policy rates. During December, the US Federal Reserve cut policy rates by 25bp to 3.5%- 3.75%, and Bank of England has also cut the policy rates by 25bps to 3.7%, while European Central Bank has maintained rates at 2.15%. Bank of Japan on the contrary has hiked policy rates by 25bps to 0.75%

Despite short-term trade-related challenges, India's macroeconomic fundamentals remain robust. Lower GST rates, benign inflation, and sustained domestic liquidity provide a solid foundation for continued growth.

We thank our investors for their trust and confidence in the fund and remain committed to delivering superior risk-adjusted returns and look forward to a continued partnership in the years ahead.

Details of the fund exposure and risk disclosures are in the annexures.

A handwritten signature in blue ink that reads "Sampath Reddy".

Sampath Reddy, CFA
(Fund Manager)

A handwritten signature in blue ink that reads "Reshma Banda".

Reshma Banda

Annexure 1- Detailed Portfolio Position

Company Name	Weight	Sector	Comments
ICICI Bank	7.9%	Banks	Within the lending businesses, our exposure is towards the larger banks. The large banks are well placed for absorbing credit shocks and growing at good pace, with stable profitability.
HDFC Bank	7.2%		
Axis Bank	7.6%		
Kotak Mahindra bank	7.6%		
State Bank of India	1.1%		
HDFC Asset Mgmt Co	0.5%	Financial services	We have added a small exposure to the affordable housing sector due to strong growth. We have also added exposure to capital market players- asset management companies due to strong growth.
Aptus Value Housing	0.5%		
Star Health Insurance	0.4%		
ICRA Limited	0.4%		
ICICI Pru asset mgmt	0.1%		
Hindustan Unilever	4.2%	Consumers	We maintain significant overweight. Benefits of GST reduction to begin reflecting in the growth rates. In put price inflation is also on a downward trend. Relative valuations attractive
Marico	3.4%		
Britannia Industries	3.0%		
Procter & Gamble Hygiene	3.0%		
Godrej Consumer	2.4%		
Gillette	1.8%		
Kwality Walls India	0.1%		
Maurti Suzuki	1.5%	Auto	Maintain overweight to the sector. Exposure in automobile sector is to the companies that have good market share with strong balance sheet and are embracing the EV transition. GST reduction is adding to the growth.
Bajaj Auto	2.4%		
TVS Motors	2.6%		
Tata Motors PV	1.9%		
Tata Motors CV	1.5%		
Mahindra & Mahindra	1.2%		
Varroc Engineering	1.5%		
Dr Reddy's Lab	4.7%	Pharma	Maintain significant overweight position, more so to the companies that are exposed to export oriented business. Valuations are attractive.
Zydus Lifesciences	3.9%		
Infosys	2.0%	IT	Maintain significant underweight. Our exposure in IT is only to sector leaders. Mid and small cap IT services companies are trading at rich valuations owing to superior growth in the recent past. Our belief is that superior growth of mid and small cap growth is not sustainable
TCS	2.5%		
Bharti Airtel	3.8%	Telecom	Increased exposure
Tata steel	0.9%	Metal	Added exposure to the steel
Kansai Nerolac	2.0%	Paints	Reasonable valuations. Concerns about new entrants taking away market share are priced in.
Asian Paints	0.3%		
Power Grid Corp	0.7%	Power	Added exposure. Valuations attractive

Bharat Petroleum	0.6%	Oil& Gas	Exposure in the Oil & Gas sector is to the high ROCE companies that are trading at low price to earnings multiples
Petronet LNG	1.7%		
Mahanagar Gas	1.8%		
Metropolis Healthcare	0.5%	Healthcare	
Cash- liquid fund	10.9%		
Total	100.0%		

Annexure-2- Q2FY26 Financial performance of portfolio companies

Financials for the Quarter ending Sep 2025	Revenue Rs Cr		%	Operating Profit Rs cr		%	Net Profit Rs cr		%
	Sep-25	Sep-24		Sep-25	Sep-24		Sep-25	Sep-24	
Rs crores									
ICICI Bank	48,181	46,326	4.0%	-8,901	-8,120	9.6%	14,318	13,906	3.0%
HDFC Bank	86,994	83,002	4.8%	-4,908	-14,487	-66.1%	20,364	18,627	9.3%
Axis Bank	32,310	31,601	2.2%	36	1,575	-97.7%	5,567	7,436	-25.1%
Kotak Mahindra bank	17,199	16,427	4.7%	-1,740	-3,806	-54.3%	4,468	5,044	-11.4%
SBI	1,28,040	1,21,045	5.8%	-	-15,283	45.4%	21,861	20,565	6.3%
HDFC Asset Mgmt Co	1,026	887	15.7%	801	704	13.8%	718	577	24.4%
Aptus Value Housing	544	421	29.2%	453	353	28.3%	227	182	24.7%
Star Health Insurance	4,378	4058	7.9%	75	147	28.3%	55	111	-50.5%
ICRA	137	126	8.7%	49	41	28.3%	48	37	29.7%
Dr Reddy's Lab	8,828	8,038	9.8%	2,010	2,076	-3.2%	1,337	1,342	-0.4%
Zybus Lifesciences	6,123	5,237	16.9%	2,016	1,461	38.0%	1,239	920	34.7%
Lupin	7,048	5,673	24.2%	2,341	1,340	74.7%	1,485	859	72.9%
Metropolis Healthcare	429	350	22.6%	108	90	20.0%	53	47	12.8%
Entero Healthcare	1,571	1,301	20.8%	62	42	47.6%	37	26	42.3%
Medplus	1,679	1,576	6.5%	149	124	20.2%	56	39	43.6%
Infosys	44,490	40,986	8.5%	10,535	9,809	7.4%	7,375	6,516	13.2%
TCS	65,799	64,259	2.4%	17,978	16,731	7.5%	12,131	11,955	1.5%
Maurti Suzuki	42,344	37,449	13.1%	5,086	4,999	1.7%	3,349	3,102	8.0%
Bajaj Auto	15,735	13,247	18.8%	2,829	2,073	36.5%	2,122	1,385	53.2%
TVS Motors	14,051	11,302	24.3%	2,110	1,624	29.9%	833	588	41.7%
Tata Motors	16861	15,518	8.7%	2,077	1,641	26.6%	-1,021	643	-
Varroc Engineering	2,207	2,081	6.1%	203	208	-2.4%	63	58	8.6%
Mahindra & Mahindra	46,106	37,924	21.6%	8,929	7,133	25.2%	3,964	3,361	17.9%
Asian Paints	8,531	8,028	6.3%	1,503	1,240	21.2%	1,018	694	46.7%
Kansai Nerolac	1,954	1,951	0.2%	215	212	1.4%	133	120	10.8%
Hindustan Unilever	16,241	15,926	2.0%	3,726	3,787	-1.6%	2,694	2,595	3.8%
Marico	3,482	2,664	30.7%	560	522	7.3%	432	433	-0.2%
Britannia Industries	4,841	4,668	3.7%	951	780	21.9%	655	532	23.1%
Procter & Gamble Hygiene	1,150	1,135	1.3%	285	290	-1.7%	210	212	-0.9%
Godrej Consumer	3,825	3,666	4.3%	733	760	-3.6%	459	491	-6.5%

Nestle	5,644	5,104	10.6%	1,237	1,168	5.9%	753	986	-23.6%
Gillette	811	782	3.7%	208	190	9.5%	144	133	8.3%
Sapphire Foods	742	696	6.6%	102	112	-8.9%	-13	-6	116.7%
Sula Vineyard	130.91	132	-1.1%	25	34	-24.2%	6	14	-58.4%
Hitachi Energy	1,833	1,554	18.0%	299	110	171.8%	264	52	407.7%
GE Vernova T&D	1,538	1,108	38.8%	396	205	93%	299	145	106.2%
Tata steel	58,689	53,905	8.9%	8,897	6,116	45.5%	3,183	759	319.4%
Power Grid corporation	11,476	11,278	1.8%	9,055	9,597	-5.6%	3,566	3,793	-6.0%
Bharat Petroleum	1,04,946	1,02,785	2.1%	9,761	4,517	116.1%	6,191	2,297	169.5%
Petronet LNG	11,009	13,024	- 15.5%	1,117	1,202	-7.1%	830	871	-4.7%
Mahanagar Gas	2,049	1,786	14.7%	338	413	-18.2%	193	287	-32.8%
Bharti Airtel	52,145	41,473	25.7%	29,561	21,846	35.3%	8,651	4,153	108.3%

We had also subscribed to the IPOs of ICICI Prudential Asset Management, Tata Capital and LG Electronics in the quarter.

Risk Disclosures

Concentration risk	Fund has a diversified portfolio of investments spreading across multiple sectors and market cap segments
Leverage risk	Fund has no leverage, and no borrowings and has no exposure to derivatives. Fund made investments in lending companies such as Banks & NBFCs that have capital adequacy above the regulatory norms.
Realization risk	All of the equity investments of the fund are in listed equities and are available for sale
Foreign investment risk	Fund does not have any investments in foreign entities
Strategy risk	Fund's portfolio is managed as per the strategy outlined in the PPM. There is no change in investment strategy of the fund.
Fees	Fees ascribed to the investment manager is as per the PPM
ESG risk	We look to invest in companies that follow good ESG practice

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