



Investor Update - 07

Azurean India Equity Fund 1

(SEBI registered Category III AIF)

Azurean Investment Managers Private Limited

(support@azurean.in)

Dear Sir/Madam,

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

Indian equity markets staged a strong rebound during the quarter, recovering sharply from the correction seen in the January–March quarter, which was triggered by the outbreak of the Iran war in late February and the subsequent closure of the Strait of Hormuz.

Crude oil, which had spiked over 50% during the conflict and weighed heavily on Indian equities given the country's dependence on imported energy, retraced most of that move following the announcement of the ceasefire framework in the middle of June. Brent crude declined towards \$70s per barrel, easing concerns on inflation, rupee and a potential widening of the current account deficit. Hence, for the quarter ending June 2026, performance across market capitalizations has been strong with risk assets being back in focus.

FUND PERFORMANCE			
As on 30-June-26	3 m	1 year	Since inception
Fund NAV	9.4%	-1.5%	-1.8%
Nifty 50	6.9%	-4.9%	-4.6%
Nifty 200 (Benchmark Returns)	10.5%	-1.0%	-2.8%

*Fund NAV returns are on a pre-tax basis

The fund is invested predominantly in large cap stocks and select stocks in the midcap and small cap segment. Since inception, the Nifty 200 index is down by 2.8%, while the Fund NAV is down by 1.8% in the same timeframe.

Performance across market capitalizations was distinctly skewed toward the smaller end this quarter, marking a sharp reversal from the flight-to-safety pattern seen during the war-driven sell-off. Mid and small caps rebounded more sharply than large caps, with the Nifty Smallcap indices up 24% and the Nifty Midcap 100 up 17.4% in the 3m period. This risk-on move was consistent with the historical pattern typically seen once acute geopolitical stress is mitigated.

On a trailing one-year basis, large caps underperformed, with the Nifty 50 down 6.5% even after the recovery, while the Nifty Midcap 100 moved up by 3.4%.

Portfolio Positioning and Attribution

Equity market rebounded from the low in March, with many sectors delivering strong double digit returns in 1QFY27 as the conflict in West Asia and its impact on the global economy subsided.

From the peak of ~ two years ago, the Nifty index is down by 8%, while earnings have grown by ~ 15% during the same period. Growth in earnings over two years and a decline in the indices during same period has resulted in a compression of valuations. Based on earnings estimates of brokerages, the Nifty is trading at price-earnings multiple of 20x on FY27 estimated earnings. This is one of the lowest multiples that the market has traded in the last few years since the recovery post the covid pandemic. Our outlook on Indian equities is constructive, with a favourable risk-reward tilt towards the large caps as compared to midcap 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 restricted to ~20%, with higher valuations in this segment being a key concern.

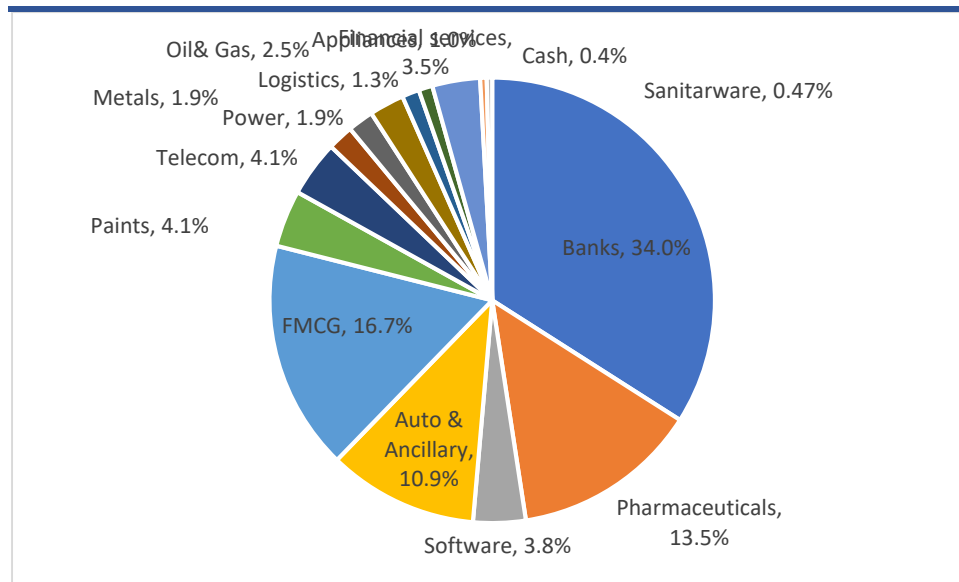
As of June 30, 2026, the portfolio allocation is as follows:

Exposure to Large size companies	Exposure to Medium size companies	Exposure to Small size companies	Cash level
81.5%	3.0%	15.2%	0.4%

During the quarter, the sectors that outperformed are Banks, Energy and Pharmaceuticals, Metals and automobiles while Software services have been notable laggard with negative returns. The fund is optimistic on the consumption theme and has significant overweight position in FMCG, Pharmaceutical, Automobile and Private Banks.

Top Performing sectors	1QFY27
Nifty Bank	14.5%
Nifty Energy	14.0%
Nifty Pharma	13.9%
Nifty Metals	12.4%

Bottom performing sectors	1QFY27
Nifty IT	-9.5%
Nifty FMCG	7.1%
Nifty Infra	9.7%
Nifty Auto	11.4%



Automobiles:

The automobile sector has been in a strong growth phase, post the reduction in the Goods and Services Tax on all categories of automobiles — including two-wheelers, passenger cars, and commercial vehicles in September 2025. The rise in petrol and diesel prices due to war in West Asia has not been fully passed on to consumers and hence hasn't impacted growth. The EV segment is also seeing strong growth which is contributing to the buoyancy in the overall growth.

The fund maintained an overweight position, with a 11% exposure to leading two-wheeler manufacturers, commercial vehicle and passenger vehicle players. Our exposure in the auto sector is to leading OEMs and a limited exposure to the ancillary sector. With the government push towards Electric Vehicles, we believe EV adoption would pick up pace. While we have not taken direct exposure to pure play EV players like Ather Energy and Ola Electric, the portfolio companies are well positioned to benefit from growth in EV adoption. We expect the growth momentum that began with GST cut during 2HFY26 would continue in this year as well driven by exciting new launches.

<i>4w sales Vol</i>	<i>1QFY27</i>	<i>1QFY26</i>	<i>yoy %</i>
Maruti Suzuki	6,82,724	5,27,861	29%
Hyundai	1,78,082	1,80,399	-1%
M&M - Auto	3,00,470	2,47,243	22%
Tata Motors - PV	1,82,574	1,24,809	46%
Tata Motors - CV	1,08,488	85,606	27%
Ashok Leyland	48,763	44,238	10%

<i>2w sales Vol</i>	<i>1QFY27</i>	<i>1QFY26</i>	<i>yoy %</i>
Hero MotoCorp	16,77,313	13,67,070	23%
TVS Motor	16,30,558	12,76,992	28%
Bajaj Auto	14,38,251	11,11,237	29%
Royal Enfield	3,30,427	2,65,528	24%

Metals:

The sector moved up in the quarter with the Nifty metal index being the best performing sectoral index delivering a 33% return in the last year. Domestic steel prices have been firm in last six months, while prices of non-ferrous metals like Aluminium, Copper have been on an uptick through the year. The extension of safeguard duty on steel imports into India helped sustain domestic steel prices. Aluminium prices remained strong in the last quarter as the war in West Asia led to supply disruption from smelters in the West Asia. The west Asian aluminium capacity accounts for ~ 9% of global aluminium, and curtailment in supply resulted in an increase in Aluminium prices. Most of the price rise has been reversed as the ceasefire in the Middle East between Iran and the US is in force. Further, the sharp depreciation in the rupee has helped domestic realisations of metal prices. The fund missed most of the rally in metals and had limited exposure to the sector and remained underweight.

Consumer Staples:

Although, the sector benefitted from GST reforms — with most staples now being taxed at 5%, the lowest slab — the sector failed to perform and is down about 11% in the last one year. Even after adjusting for a sharp fall in ITC share price due to the steep hike in excise duty in the last budget the sector performance has been subdued. Sector volume growth pick up was tepid, and higher input prices such as Tea, coffee, palm oil, Copra prices have impacted margins during the year.

With select input prices being on a declining trend, FY27 should be a good year for consumer companies. As crude prices have normalised and gone back to pre-war level, risk of higher packaging costs has abated. Commentary from the fourth quarter for FMCG companies are showing encouraging signs of a demand green-shoots and stable margins. Select companies such as Nestle and Marico showed a pick-up in volume growth during the last couple of quarters and expect the recovery could be broad based during the current financial year. As FMCG company share prices have declined from the recent highs, valuations are at very attractive levels.

The fund has a substantial overweight in the consumer sector, with a 17% weightage. This position has contributed negatively as the sector has been a poor performer both in the quarter and over the year. We view the slower demand growth in consumer staples as a temporary phenomenon which would reverse and grow in-line with nominal GDP growth. With the relative valuations of the sector having moderated, we remain overweight in this segment.

Financials:

During the quarter, banks performed well with Nifty Bank index moving up by 14.5%. For the full year the sector has outperformed with the Bank index being flat while the Nifty is down by 6%. Within the lending institutions, PSU banks, select NBFCs and smaller banks did better as compared to larger private banks over the last year. The sector has seen strong interest

from strategic investors with Federal Bank, RBL bank, Yes bank, Shriram Finance, Aditya Birla home finance, Manappuram gold finance and other lending institutions have seen large equity infusion from strategic investors.

The Fund exposure in the lending business has been to the premier banks which we believe would generate good risk adjusted returns over the medium term. Though, select NBFCs and smaller banks are exhibiting higher growth, we believe valuations of the larger banks is more attractive. Net Interest Margin is likely to be stable for the current quarter with the repo rate at steady levels for the last few months. The last year saw a cut in policy rates, resulting in a compression in the NIM of banks, as the assets linked to external policy rate got re-priced at a faster pace as compared to the liabilities. As most of the monetary easing is behind us, FY27 should be a good year for banks as they regain higher net interest margins.

The sector dynamics for the year look healthy with improved credit growth and lower credit costs. Systemic credit growth has re-accelerated sharply, with non-food credit growth at 17.4% YoY as of end-May and the latest fortnightly RBI data (mid-June) showing this at 17.7% YoY. The acceleration in credit growth was led by large corporations, borrowings by NBFCs and gold loans. Credit growth was broad-based with credit to key subsegments- industry, retail and services grown at 17.5%, 20.4%, and 15.4% yoy respectively. Some of the sharp rise in credit growth to industry could be due to rise in working capital requirements on account steep increase in prices of crude derivatives during the past few months.

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.

Companies exposed to Capital markets such as asset management companies, wealth managers, market infrastructure service providers have done well in a scenario of strong domestic liquidity. Domestic Inflows to the mutual funds continue to remain robust with SIPs remaining steady. Valuations of brokerages and market infrastructure players like RTAs etc. are supported by strong earnings traction. The regulator SEBI has been concerned about excessive trading volumes in derivatives and steps to moderate the same could bring down the volume of trades and remains a key risk for this segment. The fund has exposure to asset managers, a credit rating company and a health insurance company. We believe these select exposure in financial service sector helps us diversify and participate in the growth of this sector.

Pharmaceuticals:

The Fund has a significant overweight in the pharmaceuticals sector from inception. During, 1QFY27, the sector has outperformed with the Nifty Pharma index appreciating by 13.9%. As pharmaceutical companies derive a substantial portion of revenues from exports, the depreciation in rupee has aided the sector.

While the domestic pharmaceuticals growth continues at a steady pace, the growth in FY27 could accelerate driven by new product launches including weight loss drugs (GLP-1 class) opportunity. We have significant exposure to leading GLP-1 drug manufacturers and believe that this could add to the growth.

We remain positive on the outlook for pharmaceuticals, as Indian manufacturers supply a substantial share of generic medicines to the US and remain among the lowest-cost producers globally. Any moderate increase in cost would be passed on and profitability would be maintained. We continue to maintain a significant overweight exposure to the pharmaceutical companies.

New-age businesses:

The fund does not have exposure to new age businesses such as fintechs, ecommerce and food delivery and platform or marketplaces. We are concerned about high valuations and profitability challenges in this space but would keep evaluating this space and explore taking exposure at attractive entry points.

Renewable Energy & Power:

India's power sector has been attracting strong growth in investment driven by renewable energy and transmission sectors. Last financial year (FY26), India has added ~44700MW of solar power capacity which has been a growth of 87% yoy. Growth in wind power generation capacity addition has also been strong at 46% to 6000MW. The order books of the suppliers suggest that capacity addition in both solar and wind to be strong in FY27 as well.

Demand growth for electricity to be strong due to higher EV adoption and proposed AI Data centres. Significant growth in renewable energy generation over the last few years has addressed the critical issue of power deficit. Renewable energy sources now account for about 16% of electricity produced. Driven by high pace of capacity additions in solar energy, the transmission sector is also attracting strong demand which is evident in huge order books and improved pricing for transmission equipment. While India continues to add solar energy capacities at a rapid pace, and high growth in order book for T & D companies, the significant over capacity in solar module-making capacity make us cautious on the sector.

Cement:

Cement volume growth has been strong in high-single digits of ~8-9% over the last few years, and is likely to be healthy in FY27 as well on the back of strong demand from both housing and infrastructure. The price growth for cement has been moderate in the low single digits with a 1-2% cagr over the long term. For the current year as well price growth likely to be in the range of 1-2%, where as the cost inflation has been higher due to mainly higher power and fuel costs— input costs including diesel, thermal coal and pet-coke prices have all risen sharply in the quarter. Industry profitability could come under renewed pressure in the near term, as the EBIDT/t for the sector has been flat at ~Rs1000/t for several years. Hence, the profits of the sector are likely to grow in-line with the volume growth, which is expected to be in high single digits. Considering the profitability prospects of the sectors, we believe the valuations of the stocks are expensive. The Fund is underweight in the sector with nil exposure, and the underweight position has been beneficial.

Other Sectors:

The fund was under-weight in Oil and Gas, Infrastructure & Capital Goods, and the Technology sectors. Among these, the underweight in Infrastructure & Capital goods segment impacted the performance negatively during the quarter, while underweight in Technology was beneficial. We continue monitoring these sectors closely for attractive opportunities on a regular basis.

Outlook and Positioning:

Contrary to our expectations, during the last year, large-cap companies did not outperform mid and small cap companies despite lower valuations. We continue to maintain our stance that risk-reward is more favourable towards large-cap companies. 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 attractive returns. 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.

And performance of investee companies is shown in the Annexure-2

Macro-Economic Headwinds and Opportunities

FY26 GDP growth remains strong at 7.7%

India's GDP grew 7.8% YoY in Q4FY26, comfortably beating market expectations of 7.3%, despite March being one of the most disrupted months of the year on account of the West Asia conflict and the accompanying spike in crude prices. Investment was the standout driver, with Gross Fixed Capital Formation growing 10.8% YoY — its strongest pace in several quarters — reflecting continued government capex push. A favourable net-exports position also aided the quarter, as exports growth held up better than imports growth amid the supply disruption. On the consumption side, private consumption grew a healthy 7.1% YoY, while government consumption lagged at 4.9% YoY.

For the full year, real GDP grew 7.7% YoY in FY26, an encouragingly resilient print given the disruption late in the year. Nominal GDP grew at a low pace of 8.9% YoY, as FY26 was a very low inflation year.

Growth is expected to moderate to 6.6% YoY in FY27, as the full effects of the West Asia-related supply disruption — which hit the informal economy harder and with a lag — are expected to show up more clearly through the year. Additional downside risks include a below-normal monsoon, a potential El Niño effect, and the risk of fresh trade disruption from prospective US tariffs. On the more constructive side, nominal GDP growth is expected to accelerate to 10.5% YoY, as the anticipated inflationary surge — the RBI has already raised its FY27 inflation projection by 50bps to 5.1%.

On the currency and rates side, the RBI's steps to improve FII debt flows have already helped — bond yields have eased to 6.75% and the rupee has strengthened to ~95/USD. The government exempted foreign portfolio investors from tax on interest income and capital gains earned on government securities, effective retrospectively from April 1, 2026 — removing a levy that previously took a 20% withholding tax on interest. This improves the post-tax return foreign investors earn on Indian sovereign debt and helps at supporting India's continued inclusion in global bond indices.

The RBI opened a temporary special window (running through September 30, 2026) under which it absorbs the full currency-hedging cost on fresh 3–5 year FCNR(B) deposits mobilised by banks from non-resident Indians. Since hedging costs typically run 2–3% a year and would otherwise cap what banks can offer, removing that cost has allowed banks to raise FCNR(B) deposit rates sharply while remaining tax-free in the depositor's hands in India. These measures are expected to facilitate flow of about USD 40-80bn in deposits/bonds over a

period of time which has provided a meaningful cushion for currency and balance of payments.

Quarterly yoy growth %	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Real GDP	6.4	7.4	7.8	8.2	8.0	7.8
Final Consumption Expenditure	8.3	4.7	7.1	6.5	7.6	6.8
Private	8.1	6.0	7.0	7.9	8.2	7.1
Government	9.3	-1.8	7.4	-2.7	4.6	4.9
Gross Fixed Capital Formation	5.2	9.4	7.8	7.3	8.2	10.8
Exports of Goods and Services	10.8	3.9	6.3	5.6	5.8	3.7
Import of Goods and Services	-2.1	-12.7	10.9	12.8	7.2	1.9
Net Exports	12.9	16.5	-4.5	-7.2	5.6	6.3

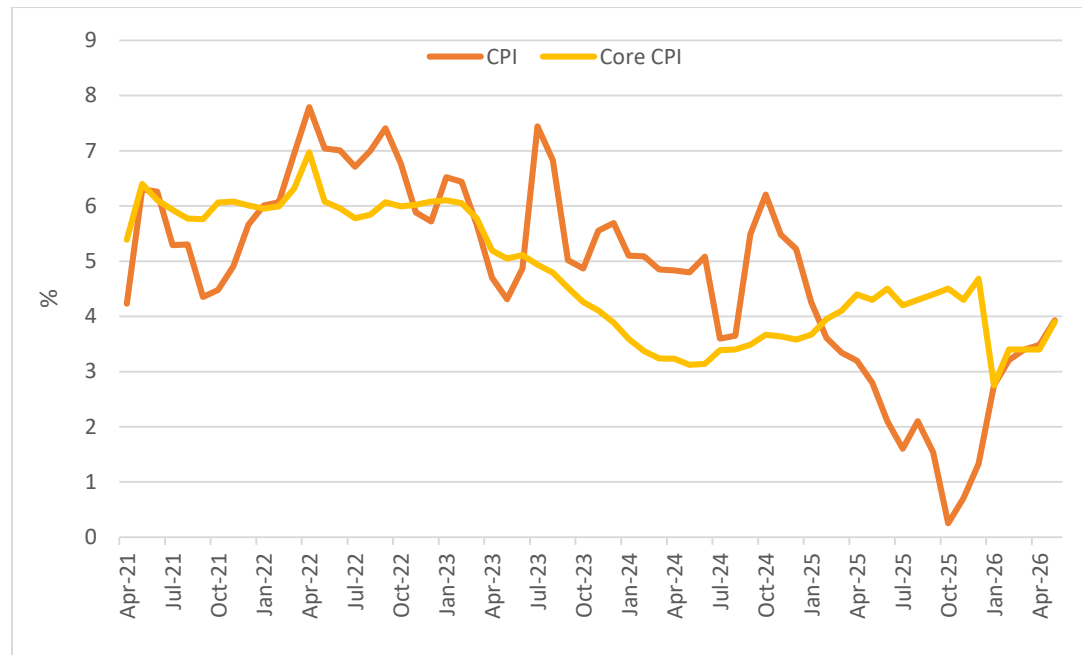
Inflation was benign in FY26 at 2.1%

Headline CPI inflation in FY26 was exceptionally benign, averaging an estimated 2.1% for FY26 — among the lowest inflation prints India has seen in over a decade — driven primarily by a sharp and sustained decline in food inflation. Core CPI, however, holding in a more stable 3–4% range through most of the year, indicating that the disinflationary pull was driven by volatile food and vegetable prices rather than broad-based demand softness. This low headline inflation gave the RBI ample room to prioritize growth, and the central bank used the space to cut policy rates by a cumulative 75bps over the course of FY26, taking the repo rate down to 5.25%.

However, for FY27, the RBI has meaningfully raised its inflation outlook, reflecting the anticipated pass-through of elevated crude and commodity prices into the domestic economy. At its June 2026 policy meeting, the MPC raised its FY27 CPI inflation projection to 5.1%, up 50bps from its earlier estimate of 4.6% — a notable step-up from the sub 2.5% prints seen for much of FY26 — while simultaneously trimming its FY27 real GDP growth forecast to 6.6% from 6.9%, citing the compounding effects of geopolitical uncertainty and elevated energy prices.

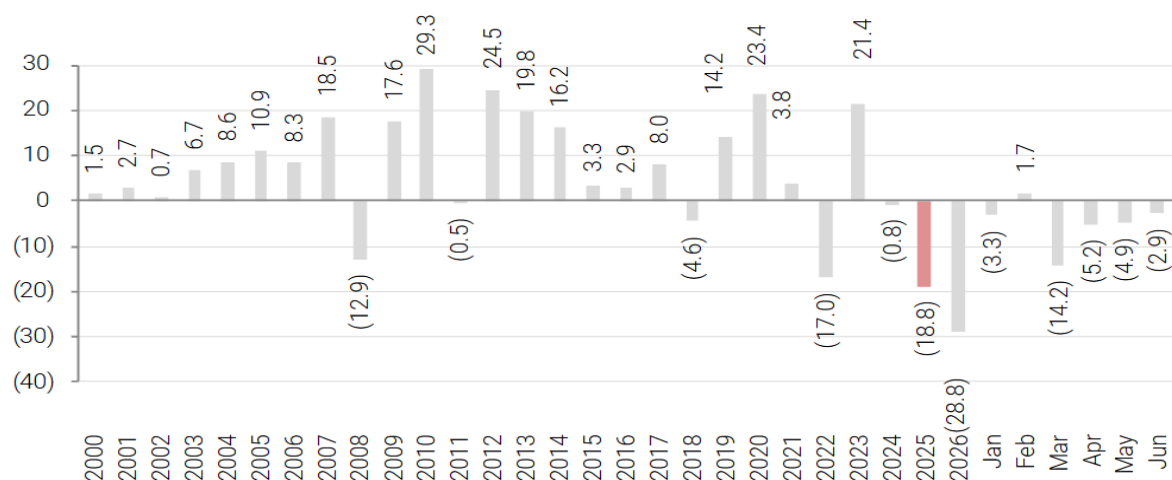
10yr Govt bond yield	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
India	6.58	6.32	6.58	6.59	7.04	6.75
USA	4.21	4.23	4.15	4.17	4.32	4.47
Germany	2.74	2.61	2.71	2.85	3.00	2.86
UK	4.68	4.49	4.70	4.48	4.92	4.76

Japan	1.49	1.43	1.64	2.06	2.35	2.67
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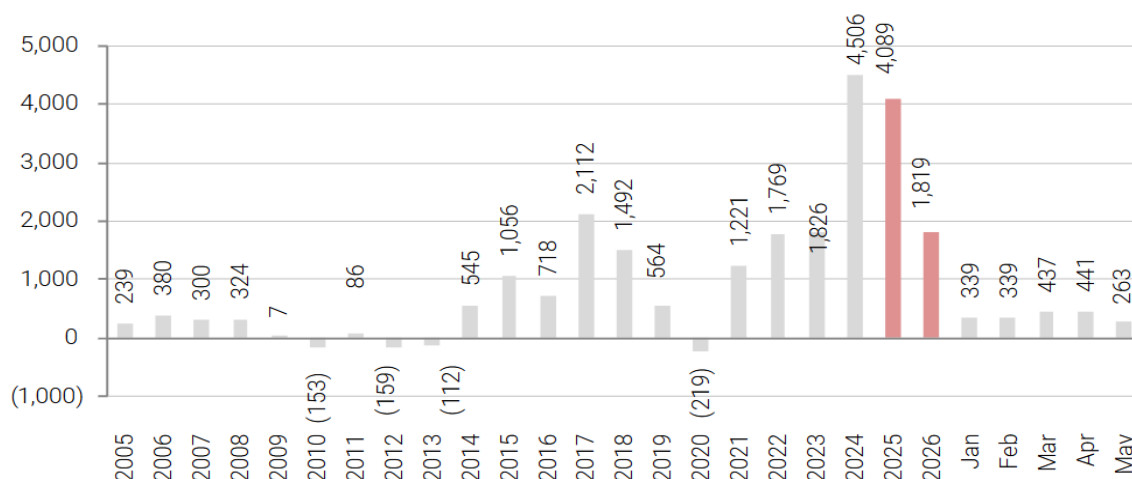
FII continues to be a net sellers, while domestic flows strong

FII flows in USD bn (source Kotak Securities)



Source: Bloomberg, Kotak Institutional Equities

Domestic Mutual fund Equity flows in INR bn (source Kotak Securities)



Source: AMFI, Kotak Institutional Equities

Foreign institutional investors were net sellers of Indian equities through most of the year, though the pace of selling has moderated meaningfully in recent month following the sharp bout of outflows seen around the West Asia-driven correction in the Jan–Mar quarter. India is viewed as an attractive investment destination within the emerging market universe, underpinned by well-developed capital market infrastructure, healthy growth prospects and strong macroeconomic fundamentals. The government's and RBI's recent measures to attract foreign debt capital — including the tax exemption on FPI interest income and capital gains on G-Secs, and the FCNR(B) deposit window — should also help stabilize broader foreign flows over time, even as equity FII positioning remains cautious for now. Foreign portfolio investors continue to be significant holders of the Indian market, owning approximately 18% of total Indian listed equities.

Domestic liquidity has remained a key offsetting force, with steady inflows into equity mutual fund schemes and domestic institutions continuing to be large, consistent buyers of Indian equities even through the periods of heavy FII selling. The primary markets remained buoyant throughout the year, with a record pace of new listings. Corporates, private equity investors and promoters collectively raised substantial capital through IPOs and secondary offerings, and within this large wave of new paper, several good-quality businesses in newer and niche sectors have come to market, meaningfully expanding the investible universe in the listed space.

Despite the short-term challenges posed by the sharp rise in energy prices during the West Asia conflict, India's macroeconomic fundamentals remain fundamentally sound. Crude oil

has since retraced a large part of its spike following the ceasefire, easing pressure on inflation and the current account. Lower GST rates, a still-benign starting point on inflation, and sustained domestic liquidity together provide a solid foundation for continued growth, even as the RBI now expects some moderation in FY27 growth and an uptick in inflation. We remain constructive on the medium-term prospects for Indian equities.

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

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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