



Investor Update - 08

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 corrected during the quarter after the strong rebound seen in the April–June period. The correction was broad based, with the Nifty 50 declining by 5.2% while the Nifty 200 fell by 4.6% in the quarter. Elevated crude oil prices, rising interest rates and continued foreign portfolio out flows have impacted market sentiment. Despite near-term weakness, domestic liquidity remained supportive and the underlying earnings outlook for well-managed companies was healthy.

The quarter witnessed divergence across sectors and market capitalisations. Healthcare, Metals and Automobiles were among the better performing segments, while Consumption, Energy, Infrastructure and Banking stocks were the laggards. We believe the current phase of consolidation presents an opportunity for long term investors as equity markets have been subdued for the past two years while earnings growth of corporate India has been robust. The fund is focused on investing in companies with strong balance sheets, high return on capital and sustainable free cash flows.

FUND PERFORMANCE			
As on 30-September-26	3 m	1 year	Since inception
Fund NAV	-4.6%	-5.5%	-6.3%
Nifty 50	-5.2%	-8.1%	-9.6%
Nifty 200 (Benchmark Returns)	-4.6%	-4.1%	-7.3%

*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.

As on 30 September 2026, the Fund NAV was down 4.6% during the quarter compared with a 5.2% decline in the Nifty 50. Since inception, the Fund NAV is down 6.3%, compared with a decline of 9.6% in the Nifty 50 and a decline of 7.3% in Nifty 200 index, thereby outperforming the Nifty 50 and Nifty200 by 330bps and 100bps respectively.

Performance across market capitalisations was skewed in favour of Midcaps and Smallcaps during the quarter, with both indices outperforming the Nifty 50. The Nifty Midcap100 index was down 4.0% during the quarter while the small cap companies did better with Nifty Small cap 250 index up 0.4%. While the market correction affected most broad indices, there was considerable dispersion at the sector and stock level. The fund's relatively higher exposure to large, established companies continued to provide resilience, while selective positions in mid and small cap companies contributed to diversification. We continue to believe that stock

selection and earnings visibility are more important than simply increasing exposure to high beta segments of the market.

Portfolio Positioning and Attribution

Equity markets corrected during 2QFY27 after the sharp rebound witnessed in the previous quarter. The correction was accompanied by meaningful sector rotation, with Nifty IT gaining 5.3% and Nifty Pharma gaining 4.4%, while Nifty FMCG, Energy, Infrastructure and Banks declined between 5% and 9%. The market environment remained selective rather than having a predominant bias towards defensive themes.

We continue to believe that the medium to long-term outlook for Indian equities remains attractive. Earnings growth over the past two years has been reasonably strong even though the major indices have remained below their earlier peaks, resulting in significant moderation in market valuations. However, valuations remain differentiated across sectors and market capitalisation segments. Our preference remains for businesses where earnings growth is supported by structural industry growth, strong balance sheets and high return on capital rather than companies where valuations depend primarily on continued multiple expansion.

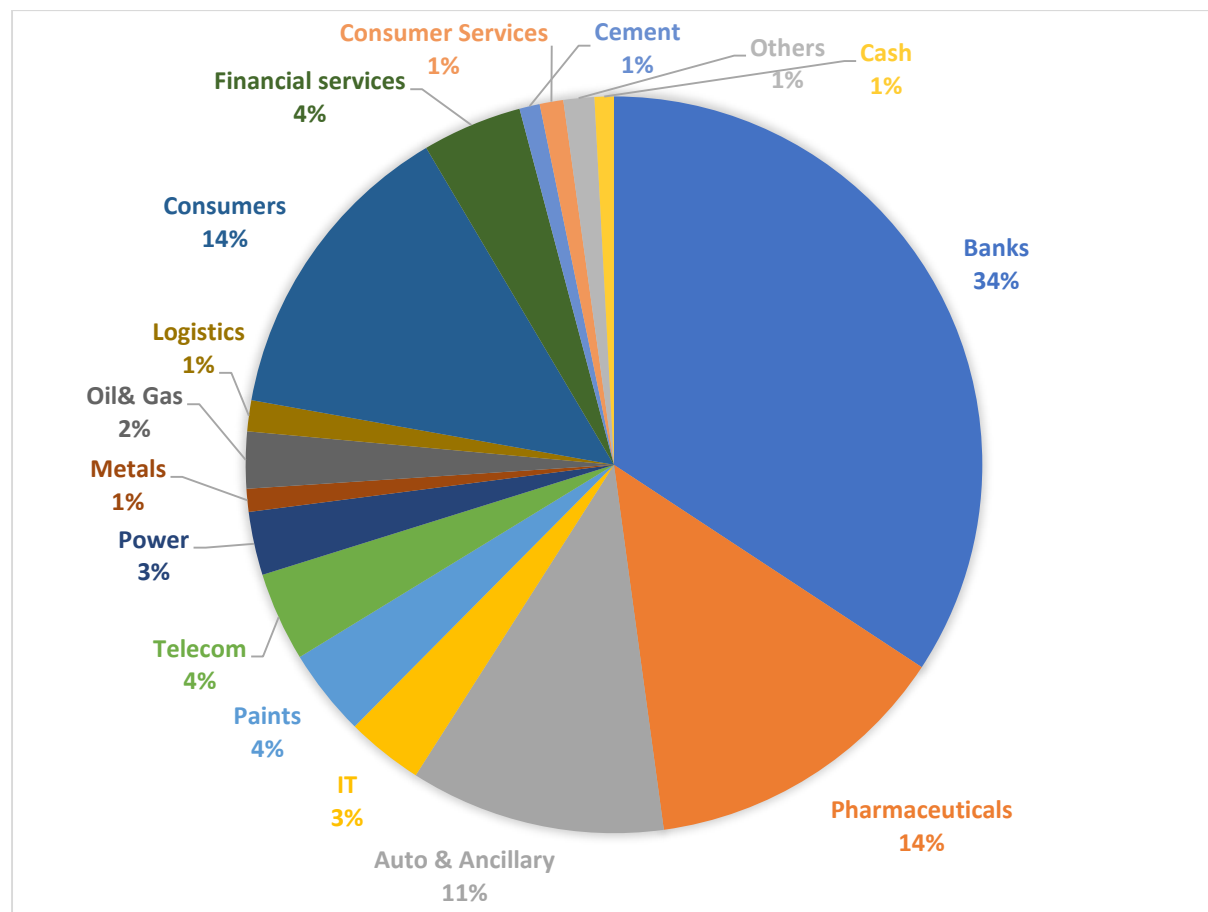
In line with this view, the fund continues to maintain a significant exposure to large, well-run companies. At the end of the quarter, large cap exposure was 72.1%, while medium and small cap exposure together stood at 27.0%. During the quarter we selectively increased exposure to the small cap segment, but remained disciplined and focused on companies with attractive valuations, good growth prospects and strong financial characteristics. The core portfolio continues to be anchored by established businesses with proven business models.

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

Exposure to Large Cap	Exposure to Med-Cap	Exposure to Small Cap	Cash level
72.1%	6.9%	20.1%	0.8%

During the quarter, Technology, Pharmaceuticals and Metals were among the better performing sectors, while FMCG, Energy, Infrastructure and Banks underperformed. Nifty IT gained 5.3%, Nifty Pharma gained 4.4% and Nifty Metals gained 1.9%, whereas Nifty FMCG declined 8.8%, Nifty Energy fell 7.8%, Nifty Infra declined 7.0% and Nifty Banks also declined 5.1% on a yoy basis. The fund continues to remain overweight on consumption, pharmaceuticals, automobiles and select private banks, while maintaining an underweight position in sectors where valuations or structural risks remain less favorable.

Top Performing sectors	2QFY27	Bottom performing sectors	2QFY27
Nifty IT	5.3%	Nifty FMCG	-8.8%
Nifty Pharma	4.4%	Nifty Energy	-7.8%
Nifty Metals	1.9%	Nifty Infra	-7.0%
Nifty Auto	-0.7%	Nifty Banks	-5.1%



Automobiles:

Auto sector has shown strong growth momentum since the reduction in GST last year. Input cost pressures due to geopolitical tensions have weighed-in, but OEMs have maintained robust growth which has offset the negative impact on margins to a large extent. Demand is strong in both the domestic and export markets, and our portfolio companies in the two-wheeler and three-wheeler segments have reported strong growth in both domestic and overseas markets. With demand being strong the OEMs, have been able to pass on price increases without compromising on growth. Sustainable green fuel vehicles, like EV and CNG performed well in line with shifting consumer preferences. According to the Federation of

Automobile Dealers Association (FADA), EV penetration in September 2026 stood at 11.6% in two-wheelers and 8.5% in passenger vehicles%. Portfolio companies are well positioned to take advantage of this growing trend as the consumer looks for alternatives especially in the scooter and passenger vehicles segments.

Premiumization has contributed to strong demand growth with the OEMs having responded with new and exciting products. As the festive season is delayed, we expect H2 to benefit due to seasonal buying preferences of consumers. We expect growth to remain at par considering the higher base for the rest of the year. The portfolio companies are well positioned to ride the growth wave fostered by growing demand and new product launches.

<i><u>4w sales Vol</u></i>	<i><u>1HFY27</u></i>	<i><u>1HFY26</u></i>	<i><u>yoy %</u></i>	-	<i><u>2w sales Vol</u></i>	<i><u>1HFY27</u></i>	<i><u>1HFY26</u></i>	<i><u>yoy %</u></i>
Maruti Suzuki	1,379,378	1,078,735	28%		Hero Motocorp	3,545,475	3,057,772	16%
Hyundai	397,226	371,320	7%		Bajaj Auto	2,986,937	2,405,537	24%
M & M (Auto)	626,852	507,139	24%		TVS Motors	3,549,563	2,784,122	27%
Tata Motors PV	384,297	269,206	43%		Royal Enfield	709,096	591,903	20%
Tata Motors CV	243,603	189,287	29%					
Ashok Leyland	105,887	85,559	24%					

Metals:

Metal stocks remained resilient during the quarter and has been the best performing sector over the past year supported by firm domestic steel prices and buoyancy in non-ferrous metals. Domestic supply-side measures and favourable pricing have supported the profitability for metal producers over the last year. However, commodity prices remain vulnerable to changes in global growth outlook and geopolitical developments. The fund maintains limited exposure to the sector and remains underweight, reflecting our preference for businesses with more predictable earnings and higher visibility.

Consumer Staples:

Consumer companies have faced a period of subdued volume growth, though we expect the reduction in GST rates to provide support. The sector's recent underperformance has resulted in a meaningful moderation in relative valuations. Input costs for several important raw materials have also become more benign (except Crude Oil), which would provide support to margins. We believe that the current weakness in consumption is cyclical rather than structural and that volume growth should gradually improve as the benefits of lower taxation feed through to consumers.

With select input prices showing a favourable trend, we expect the operating environment for consumer companies to improve. The benefit of lower GST rates should become increasingly visible in growth rates, while moderation in commodity costs should support margins. Leading

companies in the portfolio have strong brands, distribution reach and market shares, providing resilience through the current period of slower demand.

The fund continues to maintain a substantial overweight in the consumer sector. This positioning has been a drag on performance as the sector corrected sharply during the quarter. However, we remain comfortable with the quality of the businesses held in the portfolio and believe that slower demand growth is a temporary phenomenon. With valuations having moderated and the medium-term opportunity for consumption remaining attractive, we maintain our overweight position in the segment.

Financials:

Banking stocks corrected during the quarter, with the Nifty Bank declining 5.1%. Despite the near-term weakness, we remain positive on the medium-term outlook for the banking sector. Credit growth is accelerating and the operating environment is supported by healthy economic activity, improving asset quality and benign credit costs. The recent correction has also made valuations of several large banks more attractive.

The fund's exposure in the lending business continues to be tilted towards premier banks, where we believe the combination of balance-sheet strength, stable profitability and reasonable valuations offers attractive risk-adjusted returns. While select smaller banks and NBFCs can deliver higher growth during certain periods, our preference remains for larger institutions where earnings visibility and asset quality are more predictable. We have selectively added exposure to a small bank and an affordable housing finance company where the growth opportunity is attractive.

The broader financial sector benefits from healthy domestic liquidity and rising participation in capital markets. Asset managers, credit rating companies, market infrastructure businesses and other non-lending financial companies are benefiting from structural growth in financialization of savings. The fund has selective exposure to these segments and remains positive on the long-term opportunity, while recognising that regulatory changes affecting market activity remain a risk.

In the lending segment, the fund holds significant exposure to the leading private sector banks, a position that has been maintained since inception. While niche lenders may outperform during particular periods, our preference is to remain invested in large banks where growth and profitability are supported by diversified loan books and strong balance sheets.

Companies exposed to capital markets such as asset management companies, wealth managers and market infrastructure service providers benefit from strong domestic liquidity and the increasing financialization of household savings. Mutual fund inflows and SIP participation remain robust. We believe selected companies in this segment offer attractive

long-term growth opportunities and provide useful diversification to the traditional lending exposure.

Pharmaceuticals:

The fund has maintained a significant overweight position in pharmaceuticals since inception. During the quarter, the Nifty Pharma index appreciated 4.4%, making it one of the better performing sectors. Indian pharmaceutical companies benefit from a combination of steady domestic demand and a large export opportunity, and the depreciation of the rupee is supportive for companies with substantial export revenues.

The domestic pharmaceutical market continues to grow steadily, while the opportunity from new product launches and complex generics remains attractive. The emerging GLP-1 and weight-loss drug opportunity could provide an additional growth driver for companies with relevant capabilities and manufacturing capacity. The fund has significant exposure to leading pharmaceutical companies that are positioned to benefit from these opportunities.

We are positive on the long-term outlook for pharmaceuticals. Indian manufacturers remain among the lowest-cost and most competitive producers of generic medicines globally, while increasing capabilities in complex products and specialty areas should support growth. We continue to maintain a significant overweight exposure to the sector, with preference for companies offering a good combination of domestic growth, export opportunities, strong balance sheets and reasonable valuations.

New-age Businesses:

The fund has historically been cautious on new-age businesses such as fintechs, e-commerce, food delivery and platform businesses because of high valuations and the difficulty of assessing sustainable profitability. We continue to evaluate these businesses as the sector matures and valuations become more reasonable. The fund has taken selective exposure in Food Delivery & Commerce business where we believe the long-term opportunity is attractive, while remaining disciplined on entry valuations.

Renewable Energy & Power:

India's power sector continues to attract substantial investment, across renewable energy, transmission and distribution segments. Electricity demand growth is estimated to be strong as industrial activity expands, EV adoption increases and new applications such as data centres add to consumption. The strong order books of transmission and power equipment companies point to continued capacity additions. We remain constructive on the long-term opportunity, while remaining selective because of the significant capacity already built in parts of the solar manufacturing ecosystem.

The transition towards renewable energy is creating opportunities across the power value chain. The fund has exposure to selected power and energy-market businesses where the investment case is supported by structural growth and improving utilisation of infrastructure. However, we remain cautious about areas characterised by excess manufacturing capacity or where returns could be compressed by intense competition. Our preference is for companies with strong balance sheets, high return potential and visible cash-flow generation.

Cement:

Cement demand is expected to remain healthy, supported by housing and infrastructure spending. However, pricing growth has been modest and profitability remains sensitive to power, fuel and other input costs. Industry profitability has been range-bound over a long period, and therefore earnings growth is likely to track volume growth more closely than pricing. Considering the current profitability outlook and valuations, we remain cautious on the sector. The fund has only limited exposure and continues to remain underweight, and we prefer sectors where the risk-reward is more attractive.

Other Sectors:

The fund is underweight in Oil & Gas, Infrastructure & Capital Goods and Technology, although the extent of the underweight varies. The positive performance of Technology during the quarter was a headwind to our relative performance, while the correction in infrastructure-related stocks was supportive in some periods. Within each of these sectors, we continue to evaluate companies individually and would consider increasing exposure where valuations provide adequate compensation for the risks and long-term earnings prospects.

Outlook and Positioning:

Despite the recent correction, we continue to believe that the risk-reward is more favourable towards large-cap companies over the medium term, although the correction has created selective opportunities in the mid and small cap segments. We have therefore increased our exposure to selected mid and small cap companies while retaining a strong bias towards large, established businesses. Overall, the portfolio remains anchored in companies and sectors with proven business models, strong balance sheets and good governance. We believe that, on an aggregate basis, our portfolio companies can grow earnings at double-digit rates over a 3 to 5 year period, which should translate into attractive long-term returns. We will continue to explore emerging opportunities, including renewable energy, internet and e-commerce businesses, but will participate selectively and only where valuations and business quality provide an adequate margin of safety.

The Fund's detailed 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

1QFY27 GDP growth at 7.8% surprised positively

GDP growth in Q1FY27 was strong at 7.8%, despite disruptions caused by the West Asia conflict and elevated crude prices. Growth was broad based, with both investment and private consumption contributing meaningfully. Gross Fixed Capital Formation (GFCF) accelerated sharply, registering growth of 11.9% during the quarter. We believe the strong investment cycle is being supported by continued spending on renewable energy and defence, as well as an emerging revival in private sector capital expenditure. Private consumption also remained healthy, growing by 7.1%, while government consumption grew by 4.3%. Exports recorded strong growth of 12.0%, providing additional support to overall activity, while imports declined by 1.1%. In nominal terms, GDP growth was 10.3% during the quarter. The growth rate in GDP is commendable, considering the impact of the West Asia crisis which has negatively impacted growth rates of some of the segments like travel & tourism, and LPG crude shortages etc..

Quarterly yoy growth %	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Sep-26
Real GDP	7.4	7.8	8.2	8.0	7.8	7.8
Final Consumption Expenditure	4.7	7.1	6.5	7.6	6.8	6.7
Private	6.0	7.0	7.9	8.2	7.1	7.1
Government	-1.8	7.4	-2.7	4.6	4.9	4.3
Gross Fixed Capital Formation	9.4	7.8	7.3	8.2	10.8	11.9
Exports of Goods and Services	3.9	6.3	5.6	5.8	3.7	12.0
Import of Goods and Services	-12.7	10.9	12.8	7.2	1.9	-1.1

For FY27, we expect economic growth to moderate from the exceptionally strong levels seen in recent quarter's but remain healthy in absolute terms. The RBI has revised the GDP growth for FY27 to 7.1%, which is an upward revision of 40bps recently, which underlines the strong economic momentum. The key risks to the outlook are geopolitical uncertainty, elevated commodity prices and the possibility of weaker agricultural output following an uneven monsoon. At the same time, lower GST rates across several categories, improving domestic liquidity and the continued investment cycle provide important offsets. The combination of consumption recovery and sustained investment should support economic activity, although

the pace of growth is likely to remain uneven across sectors. We therefore remain constructive on the medium-term earnings outlook for Indian companies.

The combination of resilient domestic demand and a strong investment pipeline would support the Indian economy. However, the recent rise in inflation expectations and elevated energy prices are the key risks to the policy of monetary easing by the central bank.

On the currency, the INR has depreciated by 8.1% against the US Dollar in the twelve-month ending 30th September 2026 and depreciated by 4.4% against Euro during the same twelve-month period. Continued capital out flows from the domestic market and higher bond yields in the US and Europe impacted capital flows, thereby contributing to the depreciation of the INR. The scheme by the GOI to attract foreign capital through FCNR (B) helped stabilise the currency and should provide support to the balance of payments and the external sector.

Corporate earnings growth remains healthy despite crude price shock

Earnings growth for NSE500 companies remained healthy, with net profit growing by 12% in 1QFY27 despite the sharp increase in crude prices and the associated supply-side disruptions. Earnings growth was led by Banks, NBFCs, Metals, Refining and Automobiles, while Consumer Staples remained relatively weak. The aggregate performance of the companies in the Nifty 50, Nifty Next 50, Nifty Midcap 100 and Nifty Smallcap 100 shows that sales growth has remained strong, although operating profit growth has been more uneven across segments. Consensus estimates indicate that earnings growth for 2QFY27 should be in the mid-teens. Strong balance sheets and low leverage of Indian corporates provide a degree of resilience against raw material price shocks as well as higher bond yields. For the full year FY27, broker estimates currently point to earnings growth of around 15%, which, if achieved, would provide support to equity valuations over the medium term.

Rs bn (1QFY27)	Sales		EBIDTA		PAT	
(source: isec)	1QFY27	YoY	1QFY27	YoY	1QFY27	YoY
Nifty 50	7,507	19%	1,418	13%	1,334	14%
Nifty next 50	2,669	28%	239	-11%	263	-3%
Nifty midcap 100	2,338	21%	239	-16%	205	-1%
Nifty Small cap 100	918	23%	100	28%	110	41%
NSE 200	12,514	21%	1,896	5%	1,803	9%
NSE500	14,913	21%	2,216	7%	2,076	12%

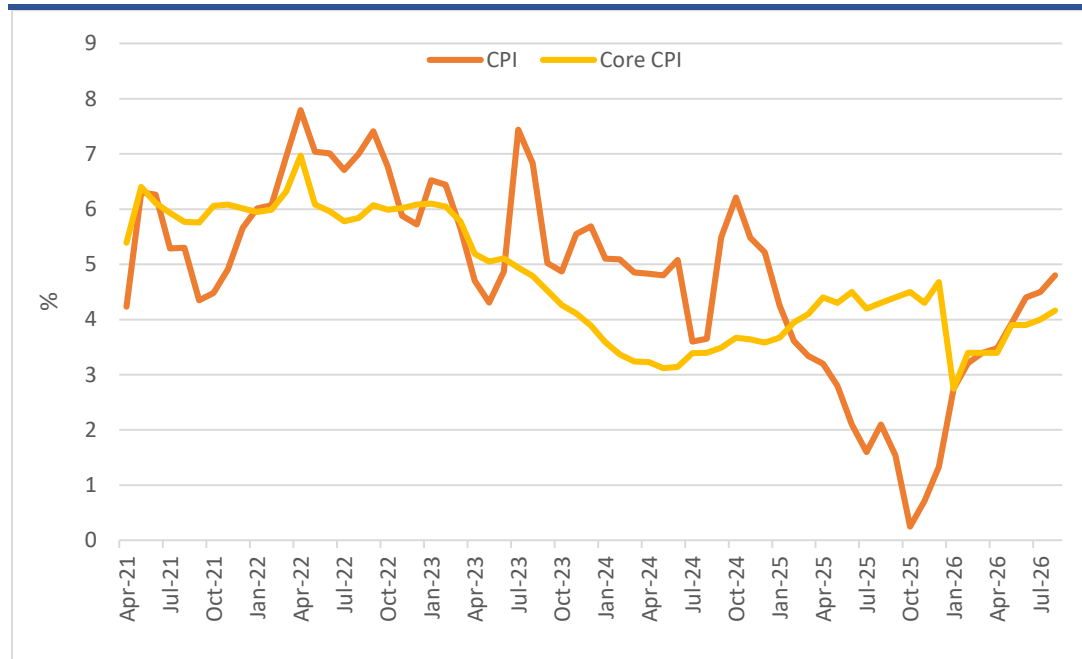
Bond yields have moved up sharply, increasing the risk of a risk-off environment

Bond yields across the globe have been moving up and central banks have been increasing policy rates due to continued high inflation albeit driven by high commodity prices. US 10-year bond yields moved up by 80bps, and the Japanese ten year government bond yields moved up by 150bps over the past 1 year. The US Fed has increased the policy rates by 25bps on 16th September to 3.75% - 4.0%. During September, the ECB and the Bank of Japan have also increased their policy rates by 25bps. Higher yields is a potential risk to a valuation re-rating for global equities.

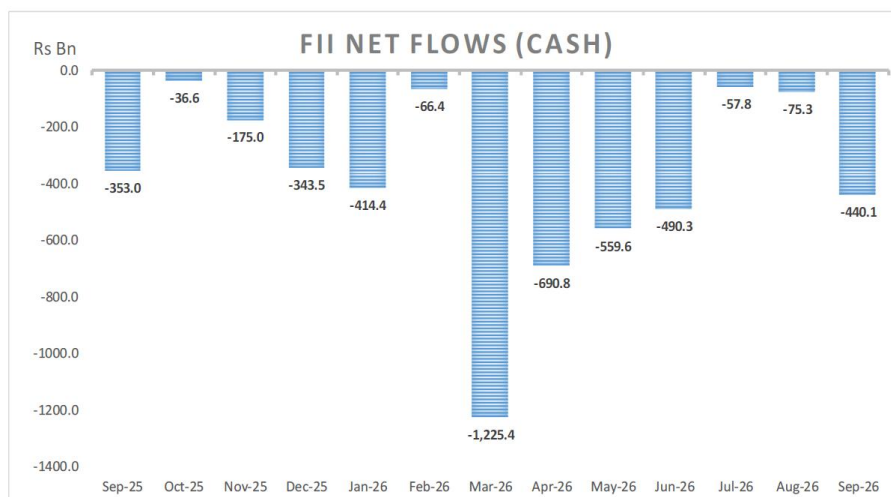
10yr Govt bond yield	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sept -26
India	6.58	6.32	6.58	6.59	7.04	6.75	7.16
USA	4.21	4.23	4.15	4.17	4.32	4.47	5.33
Germany	2.74	2.61	2.71	2.85	3.00	2.86	3.63
UK	4.68	4.49	4.70	4.48	4.92	4.76	5.5
Japan	1.49	1.43	1.64	2.06	2.35	2.67	3.12

Inflation is inching up after a benign FY26

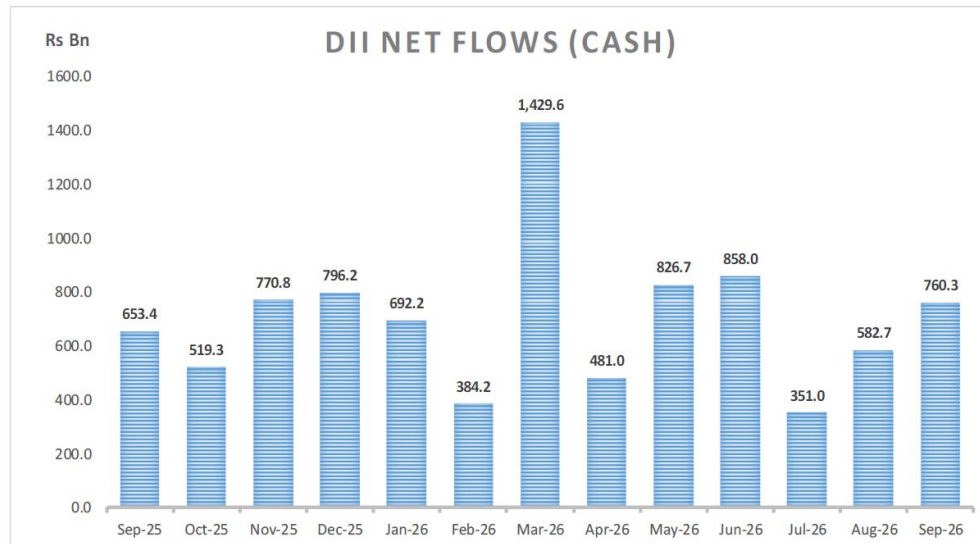
Consumer Price Index inflation rose further to 4.8% in August and has been above the 4% level for the last three months. Core CPI inflation, excluding food and fuel, also breached the 4% mark during August. RBI projects CPI inflation of 5.2% for the full year FY27 with core inflation forecasted for FY27 at 4.4%. Crude prices have been volatile with a continued upward bias due to the West Asia war. The monsoons have commenced their retreat, and the season has ended with a deficit of 12.6 % on an all-India level. This is the weakest monsoon season and lowest rainfall since 2015 and has resulted in a drought being declared in select pockets of the country. Higher food prices remain a key risk and food inflation would trend upwards in 2HFY27. Overall, the inflation for FY27 is likely to be much higher as compared to last fiscal, even though it is still within RBI's targeted range. While inflation remains manageable, the risk of higher input costs reinforces the importance of companies with pricing power and resilient margins.



FII continues to be a net sellers, while domestic flows strong



Source: BSE, NSE, Dhanki Securities



Source: BSE, NSE, Dhanki Securities

Foreign institutional investors remained net sellers of Indian equities through much of the year, although the intensity of selling has moderated from the sharp outflows seen during the West Asia-driven correction in March, April, May and June 2026. Foreign investors remain important participants in the Indian market, but their near-term positioning is likely to remain sensitive to global interest rates, the US dollar, commodity prices and relative valuations across emerging markets.

Domestic liquidity has remained a key balancing force, with equity mutual fund schemes having steady inflows. The continued strength of SIP flows and domestic savings provides an important structural support to the market. Hence, domestic institutions and mutual funds remain significant buyers of Indian equities. The primary market has also been very active, expanding the listed opportunity set and bringing several businesses from newer and niche sectors into the investible listed universe.

Despite the short-term challenges posed by the recent market correction, India's medium-term macroeconomic fundamentals remain sound. Strong domestic liquidity, continued investment, improving financialization of savings and the structural growth opportunity provide a favourable backdrop for Indian equities. We remain constructive on the medium-term prospects of the market, while maintaining a disciplined approach to valuations and stock selection. Our portfolio continues to focus on quality businesses that can compound earnings and cash flows over the long term.

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, appearing to read "Sampath Reddy".

Sampath Reddy, CFA
(Fund Manager)

A handwritten signature in blue ink, appearing to read "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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