

PROFES CAPITAL INSIGHTS

AUGUST 2026

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EDITORIAL NOTE

Dear Reader

As we conclude another eventful month, July 2026 has once again demonstrated the resilience of the Indian economy and the maturity of its capital markets. Despite a backdrop of global uncertainties, including evolving geopolitical dynamics, fluctuating energy prices, and continued caution from major central banks, India has remained firmly positioned as one of the world's most promising investment destinations.

This month's market performance reinforced an important investment principle: sustainable wealth creation is increasingly being driven by strong fundamentals rather than short-term market sentiment. Healthy corporate earnings, stable macroeconomic indicators, disciplined fiscal management, and continued participation from domestic investors have collectively provided a solid foundation for long-term growth. The ability of the markets to recover from intermittent volatility reflects growing confidence in India's structural economic story.

The regulatory landscape also continues to evolve positively. Recent initiatives by the Securities and Exchange Board of India (SEBI) highlight an ongoing commitment to improving transparency, strengthening governance standards, simplifying investor processes, and enhancing market efficiency. These developments contribute to a more robust financial ecosystem that benefits both institutional and retail investors alike.

While external challenges remain, including global interest-rate expectations and commodity price fluctuations, India's underlying growth drivers continue to inspire confidence. Continued investments in infrastructure, manufacturing, digital transformation, and financial inclusion are creating opportunities across multiple sectors of the economy. At the same time, moderation in inflation and a stable monetary policy environment have further strengthened the outlook for businesses and investors.

In an environment where market leadership is becoming increasingly selective, disciplined investing remains more important than ever. Companies with strong balance sheets, consistent earnings growth, prudent capital allocation, and sustainable competitive advantages are likely to remain well-positioned to deliver long-term value. Short-term volatility should be viewed not as a deterrent but as an inherent feature of investing, one that often presents opportunities for patient and informed investors.

At Profes Capital, our investment philosophy continues to be anchored in rigorous research, prudent risk management, and a long-term perspective. We remain committed to identifying quality opportunities while maintaining portfolios that are resilient across changing market cycles. Our focus remains on preserving capital, generating sustainable returns, and helping our investors achieve their long-term financial objectives.

Regards

Editorial Team

MARKET TRENDS

Market Trends: Resilience Amid Global Uncertainty

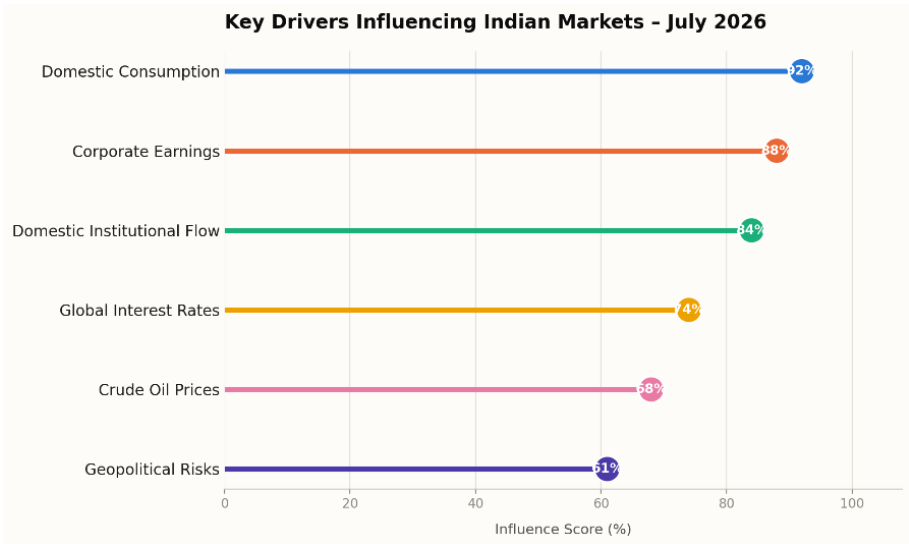
The Indian equity market demonstrated remarkable resilience during July 2026, navigating a volatile global environment characterized by geopolitical tensions, fluctuating crude oil prices, and uncertainty surrounding the U.S. Federal Reserve’s monetary policy. Despite intermittent corrections during the middle of the month, domestic markets staged a strong recovery towards the end of July, supported by robust corporate earnings, sustained domestic institutional investments (DIIs), improving foreign investor sentiment, and continued confidence in India’s long-term economic fundamentals.

The Nifty 50 traded within a broad range of approximately 23,950–24,450, while the BSE Sensex oscillated between 76,700 and 78,300 during the month. Investor confidence improved considerably in the final week, with benchmark indices recovering sharply following encouraging earnings from leading IT companies and renewed buying by foreign institutional investors (FIIs).

Domestic Strength Continued to Offset Global Volatility

July witnessed multiple external headwinds, including elevated crude oil prices resulting from geopolitical developments in the Middle East and uncertainty over the U.S. Federal Reserve’s future interest-rate trajectory. Higher oil prices generally increase India’s import bill and exert inflationary pressure. Simultaneously, hawkish commentary from the Federal Reserve created temporary nervousness across emerging markets.

However, India continued to benefit from strong domestic demand, healthy banking system liquidity, resilient corporate earnings, and consistent retail participation through SIPs and mutual fund inflows. These structural factors prevented any prolonged correction and helped markets recover quickly after short-term declines.



Sector Rotation Defined Market Leadership

Rather than witnessing a broad-based rally, July was characterized by clear sector rotation.

Technology stocks emerged as the biggest outperformers after several companies reported stronger-than-expected earnings and optimistic management commentary regarding AI-driven global technology spending. The Nifty IT Index recorded one of its strongest monthly performances in recent years.

Banking and financial services continued to display resilience, supported by healthy credit growth, improving asset quality, and stable net interest margins. Large private banks remained key contributors to index stability.



Defensive sectors such as FMCG and Healthcare attracted selective buying whenever global uncertainty increased, while capital goods and infrastructure stocks continued to benefit from India's sustained government-led capital expenditure.

Conversely, sectors directly exposed to commodity prices, including metals and certain manufacturing businesses, experienced intermittent pressure owing to volatile global demand expectations.

Monetary Policy Supported Investor Confidence

The Reserve Bank of India maintained an accommodative yet inflation-conscious stance during July. The policy repo rate remained at 5.25%, while inflation continued to remain within the RBI's comfort range, providing policymakers sufficient flexibility to balance growth and price stability.

Stable domestic interest rates significantly improved visibility for businesses and borrowers, particularly in banking, housing finance, automobiles, and capital expenditure-oriented sectors.

Meanwhile, Indian government bond yields remained relatively stable despite global interest-rate volatility, reflecting investor confidence in India's macroeconomic fundamentals.

Institutional Participation Remained a Pillar of Stability

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Corporate Earnings Reinforced Market Optimism

The ongoing first-quarter earnings season provided additional support to investor sentiment.

Large-cap companies across banking, technology, consumer discretionary, and industrial sectors largely met or exceeded market expectations. Technology companies particularly benefited from improving global outsourcing demand and continued investments in artificial intelligence solutions.

Although certain consumer businesses reported modest demand softness in rural markets, overall earnings quality remained healthy, supporting premium market valuations.

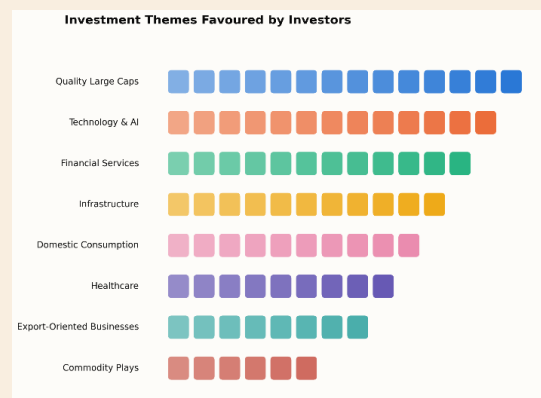
Markets increasingly rewarded companies demonstrating consistent earnings growth, robust cash flows, and disciplined capital allocation rather than merely revenue expansion.

Global Trends Shaped Market Sentiment

Despite India's strong domestic fundamentals, global developments remained an important influence on daily market movements.

Investors closely monitored:

- U.S. Federal Reserve policy signals
- Global bond yield movements
- Crude oil prices
- Middle East geopolitical developments
- Currency fluctuations
- Global technology sector earnings



The Fed's decision to maintain interest rates while signaling continued vigilance against inflation created cautious global sentiment. Nevertheless, India's relatively stronger macroeconomic position allowed domestic markets to outperform several emerging market peers during periods of international uncertainty.

Investment Perspective

July 2026 reaffirmed that Indian equities continue to derive their primary strength from structural domestic growth rather than short-term global liquidity alone. Strong institutional participation, resilient corporate profitability, improving macroeconomic stability, and supportive monetary policy collectively provided a solid foundation for the market.

Although external risks, including geopolitical tensions, crude oil volatility, and future U.S. monetary policy decisions, may continue to generate intermittent volatility, India's long-term investment narrative remains firmly intact. Investors are increasingly emphasizing businesses with sustainable earnings visibility, sound balance sheets, and durable competitive advantages. Consequently, maintaining a disciplined, diversified, and long-term investment approach remains the most effective strategy for navigating evolving market conditions while capitalizing on India's continuing growth story.

ECONOMIC OUTLOOK

Economic Outlook: India's Growth Story Remains Resilient Amid Global Headwinds

India's economic outlook remained constructive in July 2026, supported by strong domestic demand, moderating inflation, healthy government finances, and continued momentum in manufacturing and infrastructure development. While the global economy continued to grapple with elevated geopolitical tensions, volatile energy prices, and uncertainty surrounding monetary policy in advanced economies, India's macroeconomic fundamentals remained among the strongest across emerging markets.

The Reserve Bank of India (RBI) maintained a balanced policy stance, keeping the repo rate at 5.25%, while inflation remained comfortably within its target range. Robust GST collections, healthy credit growth, rising capital expenditure, and improving foreign investment sentiment reinforced confidence in India's long-term economic trajectory. However, investors continued to monitor external risks, particularly crude oil prices, global trade developments, and policy decisions by the U.S. Federal Reserve.

Growth Momentum Remained Broad-Based

India continued to be one of the fastest-growing major economies globally during July 2026. Economic activity remained supported by resilient domestic consumption, strong services sector performance, rising government infrastructure spending, and sustained private investment.

Manufacturing activity remained in expansion territory, with improving production levels across automobiles, engineering goods, pharmaceuticals, electronics, and defence manufacturing. The services sector, led by financial services, information technology, hospitality, logistics, and digital commerce, continued to demonstrate healthy growth.



Government-led investments in highways, railways, renewable energy, urban infrastructure, and logistics corridors continued to stimulate employment and support long-term productivity gains. Strong domestic demand also cushioned the economy against slowing global trade conditions.

Inflation Continued to Moderate

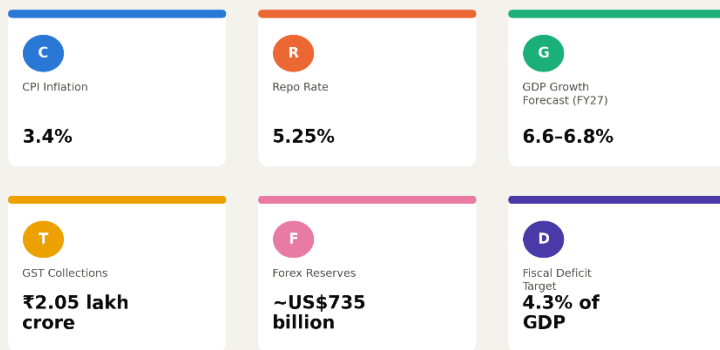
One of the most encouraging developments during July was the continued moderation in inflation. Headline Consumer Price Index (CPI) inflation remained around 3.4%, comfortably below the RBI's medium-term target ceiling, supported by easing food prices, stable supply chains, and moderation in core inflation.

Although crude oil prices experienced periodic spikes due to geopolitical developments in the Middle East, lower domestic food inflation and improved agricultural supply helped offset imported inflationary pressures.

Lower inflation strengthened household purchasing power while providing policymakers with greater flexibility to maintain supportive financial conditions for economic growth.

India's Key Macroeconomic Indicators

July 2026



Monetary Policy Maintained Stability

The Reserve Bank of India continued its measured approach by keeping the repo rate unchanged at 5.25% during July. Policymakers emphasized balancing inflation control with sustaining economic growth, particularly as external uncertainties remained elevated.

Stable borrowing costs continued to benefit interest-rate-sensitive sectors such as housing, automobiles, banking, infrastructure, and capital goods. Liquidity conditions also remained adequate, ensuring sufficient availability of credit for businesses and consumers.

For investors, the stable monetary environment improved earnings visibility across financial institutions and supported overall market confidence.

Fiscal Discipline Strengthened Investor Confidence

Government finances continued to improve during the first half of the fiscal year. Strong direct and indirect tax collections, particularly GST revenues exceeding 2 lakh crore, reflected healthy economic activity and improving tax compliance.

Capital expenditure remained a key priority, with continued investments in transport infrastructure, renewable energy projects, digital infrastructure, defence manufacturing, and logistics modernization. These investments are expected to enhance long-term economic competitiveness while supporting employment generation.

The government's commitment to maintaining the fiscal deficit near its targeted trajectory further strengthened investor confidence in India's macroeconomic stability.

External Sector Remained Resilient

India's external position remained comfortable despite global uncertainty.

Foreign exchange reserves remained close to US\$735 billion, providing a substantial buffer against external shocks and supporting stability in the Indian Rupee. While higher crude oil prices widened the import bill temporarily, strong services exports, remittances, and resilient foreign investment inflows helped maintain balance in the external account.

The Indian Rupee experienced only moderate volatility during July compared to several other emerging market currencies, reflecting investor confidence in India's macroeconomic fundamentals.

Relative Strength of India's Economic Fundamentals



Investment Implications

The July 2026 economic environment reinforces a constructive long-term outlook for Indian investors. Stable inflation, prudent monetary policy, improving fiscal discipline, and continued infrastructure-led growth create a supportive backdrop for corporate earnings and financial markets.

Investors may continue to favour sectors aligned with India's structural growth story, including financial services, capital goods, infrastructure, manufacturing, technology, healthcare, and domestic consumption. Companies with strong balance sheets, pricing power, and sustainable earnings growth are likely to remain well-positioned in the prevailing macroeconomic environment.

At the same time, maintaining diversified portfolios remains essential, as global factors such as energy prices, geopolitical developments, and international monetary policy may continue to generate intermittent market volatility. For long-term investors, however, India's resilient economic fundamentals, expanding investment cycle, and favorable demographic profile continue to offer compelling opportunities for sustained wealth creation over the coming years.

Global Risks Continued to Influence the Outlook

While India's domestic economy remained fundamentally strong, external developments continued to warrant close monitoring.

Higher crude oil prices remained the most significant macroeconomic risk, given India's dependence on energy imports. Prolonged increases in oil prices could place upward pressure on inflation, fiscal balances, and corporate profitability.

Additionally, uncertainty surrounding future U.S. Federal Reserve policy, slower economic growth in Europe and China, and ongoing geopolitical tensions continued to create periodic volatility across global financial markets.

Nevertheless, India's relatively lower dependence on exports compared to several emerging economies, combined with robust domestic demand, provided an important cushion against these external risks.

FUND SPOTLIGHT



In Conversation with

Ajit Singh Bawa

Founder, Amtech Esters Limited



Building Depth. Creating Value.

A conversation on growth, innovation,
and the road ahead for Amtech Esters.

“ The road ahead is about building depth—
expanding into higher-value segments and creating
sustainable, structured growth. ”



Amtech seems to be at an interesting stage of its journey. How would you describe the road ahead?

Ajit Singh Bawa: We are certainly at a defining moment. Over the years, Amtech has built a strong foundation in specialty chemicals, and now the focus is on scaling thoughtfully. The broader environment is also supportive, India is increasingly being seen as a reliable manufacturing hub, and that opens up meaningful opportunities for companies like ours.

For us, the road ahead is about building depth, expanding into higher-value segments, strengthening global relationships, and ensuring that growth is both sustainable and well-structured.

The recent announcement around Amtech Esters has drawn attention. What does it signify for the company's next phase?

Ajit Singh Bawa: The announcement reflects a natural progression in our journey. It is part of a broader effort to streamline our structure and prepare the company for its next phase of growth.

As we scale, it becomes important to align our capital structure and operations with long-term objectives. This step is essentially about building a stronger platform, one that allows us to grow efficiently while maintaining discipline.

In a competitive industry, what sets Amtech apart?

Ajit Singh Bawa: I would say our strength lies in how we approach the business. We are focused on specialized, application-driven products rather than commoditized offerings. This allows us to work closely with clients and create solutions that are tailored to their needs.

At the same time, we have invested in processes and systems that ensure consistency and quality, something that becomes critical when you are dealing with global customers. Over time, this combination of customization and reliability has helped us carve out a distinct position.

What will drive Amtech's growth over the next few years?

Ajit Singh Bawa: Our growth will be driven by a mix of product expansion, market diversification, and continuous innovation.

We are looking at increasing our presence in higher-margin segments, particularly those aligned with evolving consumer and industrial trends. Exports will also play a larger role as we strengthen our engagement with international clients. Alongside this, our R&D efforts will remain central, helping us stay ahead of the curve.

How do you view the current landscape for specialty chemicals, particularly from an India perspective?

Ajit Singh Bawa: The landscape is evolving quite rapidly. There is a clear shift in global supply chains, and India is emerging as a credible alternative. This is not just a short-term trend, it has the potential to reshape the industry over the next decade.

For companies that are willing to invest in quality, compliance, and innovation, the opportunity is significant. At Amtech, we are positioning ourselves to participate meaningfully in this shift, while staying focused on areas where we can add real value.

As the company grows, how do you approach risk and balance sheet discipline?

Ajit Singh Bawa: Growth has to be balanced with responsibility. We are mindful of maintaining a healthy balance sheet and ensuring that capital is deployed efficiently. Our approach has always been measured, we scale where we see visibility and maintain flexibility to adapt to changing conditions. Risk management is integrated into our decision-making process, whether it's related to operations, markets, or financials.

Innovation is often spoken about in this industry. How does it translate at Amtech?

Ajit Singh Bawa: For us, innovation is both product-led and process-led. On the product side, we focus on developing formulations that align with emerging market needs, be it performance efficiency or sustainability.

On the process side, innovation helps us improve efficiency and maintain consistency at scale. Both aspects are important because they directly impact competitiveness and long-term growth.

Finally, what would you like investors and stakeholders to understand about Amtech today?

Ajit Singh Bawa: I would say that we are building a company with a long-term perspective. The focus is not just on growth in numbers, but on building a business that is resilient, scalable, and relevant. As we move forward, our priority will remain on delivering consistent performance, maintaining strong relationships, and creating value in a sustainable manner.

Our Growth Pillars



PRODUCT EXPANSION

Strengthening our portfolio with higher-value specialty products.



MARKET DIVERSIFICATION

Expanding across industries and geographies to reduce cyclicity.



EXPORTS FOCUS

Deepening engagement with global customers and markets.



R&D & INNOVATION

Investing in new formulations and processes to stay ahead of the curve.

REGULATORY UPDATES

Regulatory Updates: Strengthening Governance, Enhancing Transparency, and Simplifying Compliance

India's regulatory landscape witnessed several significant developments during July 2026, reinforcing the Securities and Exchange Board of India's (SEBI) continued focus on enhancing investor protection, improving market efficiency, simplifying operational processes, and strengthening governance standards across the financial ecosystem. The regulatory initiatives introduced during the month reflected a balanced approach, promoting ease of doing business for intermediaries while simultaneously improving transparency and safeguarding investor interests.

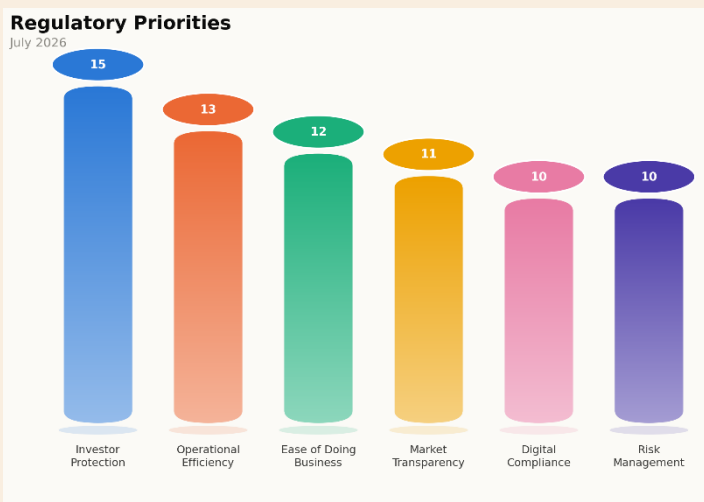
For fund managers and institutional investors, July's regulatory developments emphasized operational efficiency, enhanced compliance standards, digital transformation, and improved risk management. As India's capital markets continue to deepen, regulatory modernization remains an important pillar supporting sustainable long-term growth.

SEBI Continued Its Focus on Market Modernisation

One of the most notable developments during July was SEBI's continued effort to modernize market infrastructure through amendments and operational circulars affecting mutual funds, portfolio managers, and investment intermediaries.

Among the key changes were updated Mutual Fund Regulations, 2026, provisions allowing intraday borrowing by mutual funds for short-term liquidity management, simplification of securities transmission procedures, and operational enhancements for systematic withdrawal and transfer plans (SWP/STP) held in demat form. These measures are intended to improve liquidity management, operational flexibility, and investor convenience without compromising prudential safeguards.

In parallel, SEBI also released consultation proposals to expand the permissible investment universe for Portfolio Management Services (PMS), including overseas securities and certain unlisted instruments, while proposing a lower-entry mutual fund-only PMS category aimed at broadening access to professional portfolio management.



Investor-Centric Reforms Gained Momentum

The regulatory direction during July clearly demonstrated a shift toward making financial markets more accessible while reducing procedural complexity.

SEBI extended the facility for creating standing instructions for Systematic Withdrawal Plans (SWP) and Systematic Transfer Plans (STP) for mutual fund units held in demat form. This removes an operational inconvenience that previously existed for demat investors and creates greater parity between statement-of-account and demat holdings.

Another important development was the simplification and standardization of the transmission of securities framework. The revised process aims to reduce documentation, improve turnaround times, and make asset transfers more efficient in cases involving legal heirs and nominees.

Collectively, these initiatives reflect a broader regulatory objective of improving the overall investor experience while encouraging wider participation in India's financial markets.

Compliance Standards Continued to Evolve

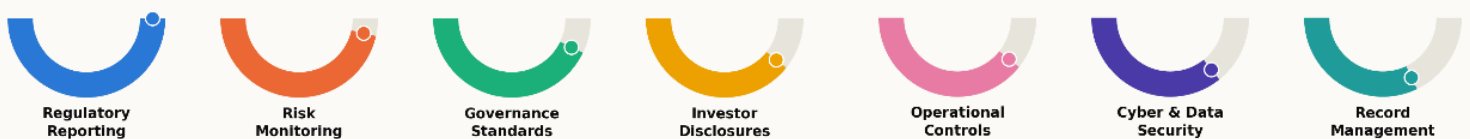
Compliance remained a central regulatory theme during July, with SEBI emphasizing stronger governance, operational resilience, and standardized practices across market participants.

For mutual funds, SEBI introduced an intraday borrowing facility designed to address temporary liquidity mismatches. While the facility provides greater operational flexibility, it is accompanied by clearly defined safeguards and reporting requirements to ensure prudent risk management and prevent misuse.

Within the Alternative Investment Fund (AIF) ecosystem, amendments and consultation proposals focused on strengthening governance by rationalizing investor consent mechanisms and improving oversight of transactions involving potential conflicts of interest. These measures seek to create greater consistency in decision-making while enhancing investor confidence.

Such developments underscore SEBI's evolving regulatory philosophy, allowing greater operational flexibility while simultaneously reinforcing accountability and governance standards.

Compliance Focus Areas for Asset Managers



Digital Transformation Continued to Shape Compliance

Technology remained a major driver of regulatory modernization during July.

India announced the rollout of Central Know Your Customer (CKYC) 2.0, a significant enhancement to the country's centralized KYC framework. Initially being introduced for banks and insurers, the upgraded platform is expected to extend to mutual funds and capital market intermediaries subsequently.

The new framework incorporates improved data quality standards, confidence scoring, and consent-based information sharing, reducing duplication in KYC documentation while strengthening fraud prevention and customer onboarding efficiency. Over time, CKYC 2.0 is expected to simplify investor onboarding, reduce operational costs, and support broader financial inclusion across investment products.

For asset management companies and distributors, digital compliance systems such as CKYC 2.0 are likely to reduce manual processing while improving regulatory reporting accuracy and customer experience.

Best Practices for Investment Firms

In an increasingly dynamic regulatory environment, compliance extends well beyond meeting statutory requirements. Investment firms that proactively embed governance and risk management into their operating models are better positioned to navigate evolving regulations while strengthening client trust.

Key best practices include:

Maintaining robust internal compliance monitoring systems.

Conducting periodic reviews of investment mandates and portfolio suitability.

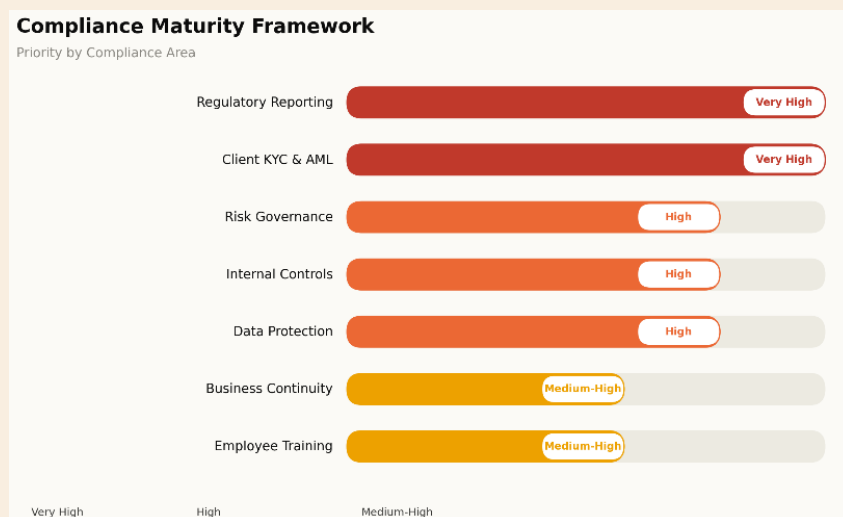
Strengthening cybersecurity and protection of client information.

Ensuring timely regulatory filings and accurate disclosures.

Regularly training employees on evolving SEBI regulations and industry best practices.

Enhancing documentation and audit trails for investment decisions.

Organizations that integrate compliance into everyday decision-making not only reduce regulatory risk but also improve operational efficiency and reinforce investor confidence.



PORTFOLIO PERSPECTIVES

1) BETA

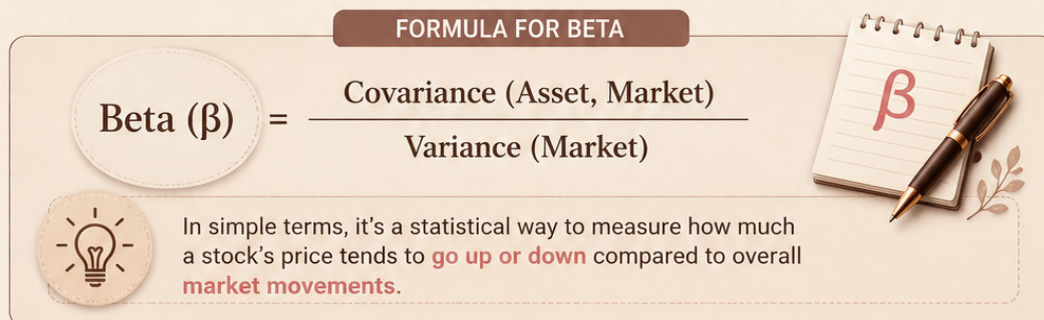
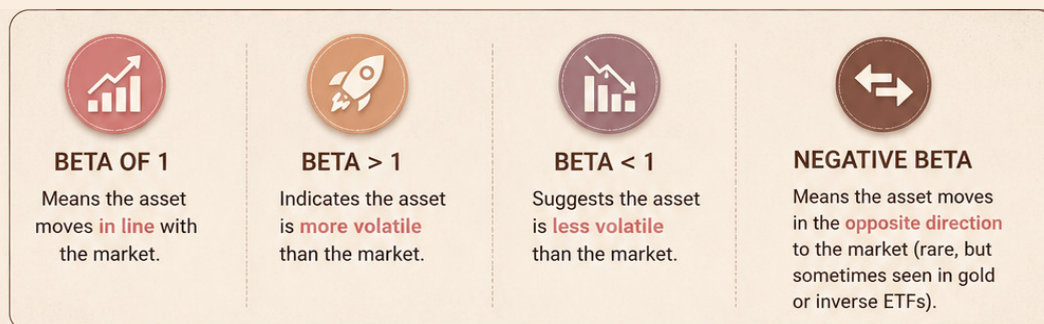
Decoding Beta: Measuring Market Risk in Your Investment Portfolio

When analyzing risk and performance in the world of investing, Beta is one of the most fundamental metrics used by professionals and retail investors alike. It plays a critical role in determining how sensitive a stock or portfolio is to market movements, offering insights into both volatility and expected behavior relative to a benchmark index like the Nifty 50 or the S&P 500.

Understanding Beta helps investors align their asset choices with their risk tolerance, financial goals, and market expectations. Whether you're building a conservative portfolio or seeking aggressive growth, knowing the Beta of your investments can help you make informed, data-driven decisions.

What is BETA?

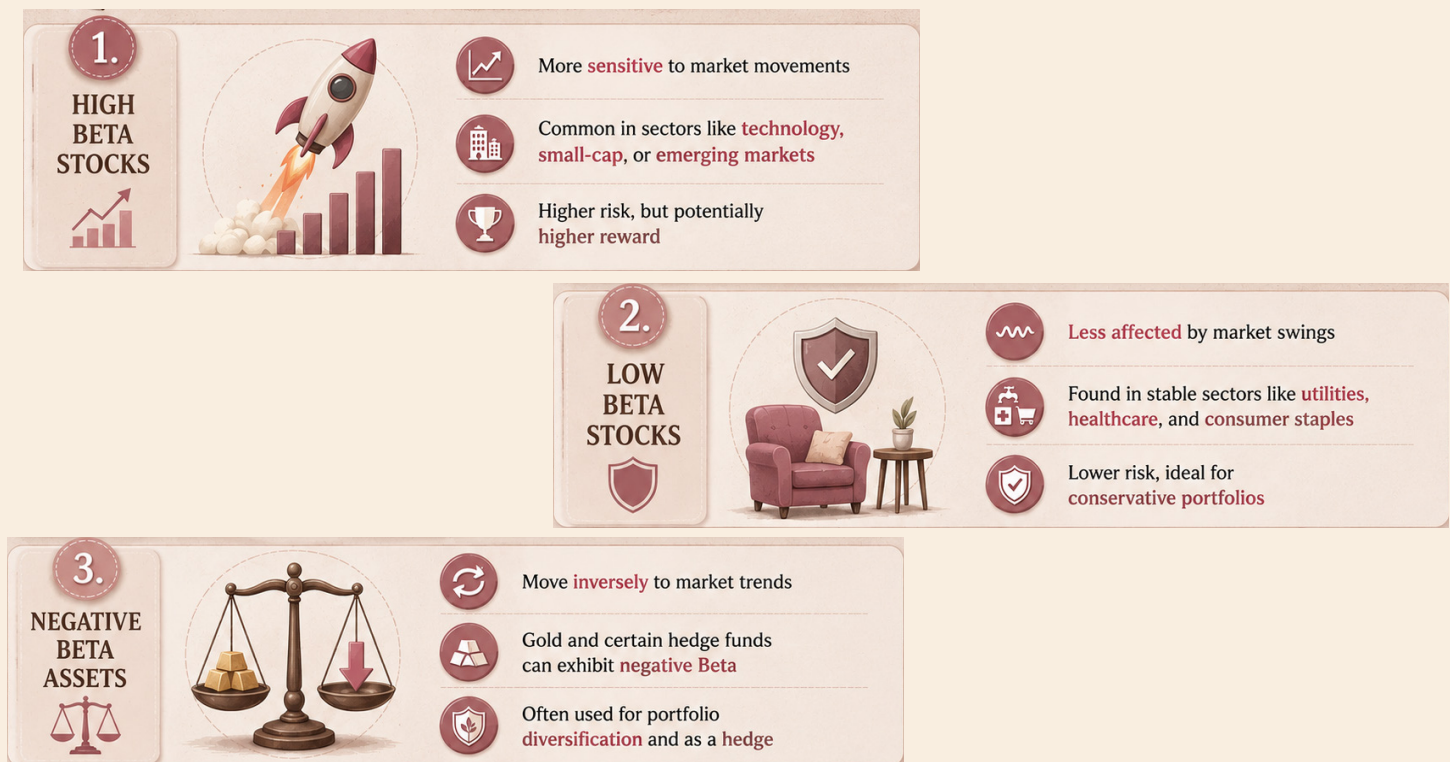
Beta () is a quantitative measure of a security's volatility in comparison to the overall market



How Beta Works in Practice

If a stock has a Beta of 1.2, and the market rises by 10%, the stock is expected to rise by 12%. Conversely, if the market falls by 10%, the stock might drop by 12%. A Beta of 0.8 implies the stock would only move 8% in the same market scenario.

Types of BETA Investors Should Know



BETA VS VOLATILITY

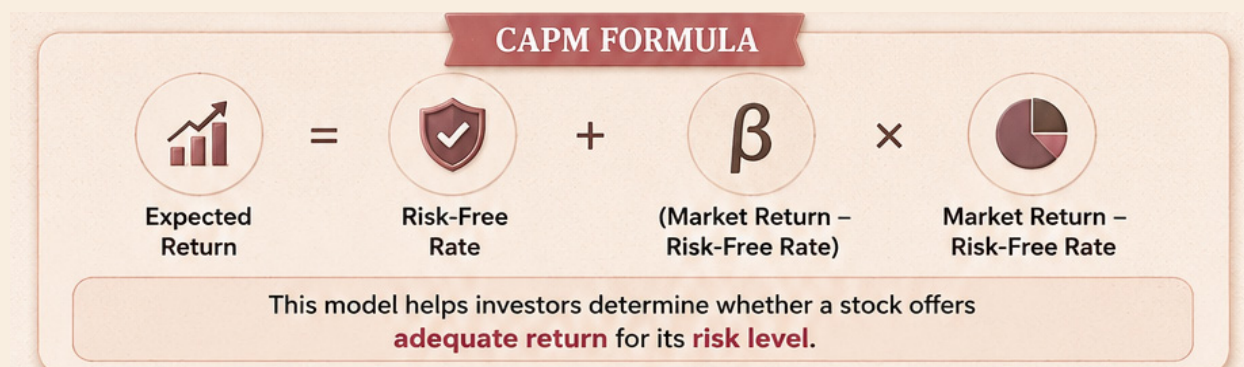
While Beta measures relative volatility, it is different from standard deviation, which measures absolute volatility.

- Beta tells you how an asset moves compared to the market.
- Standard deviation tells you how wildly the asset price swings, regardless of the market.

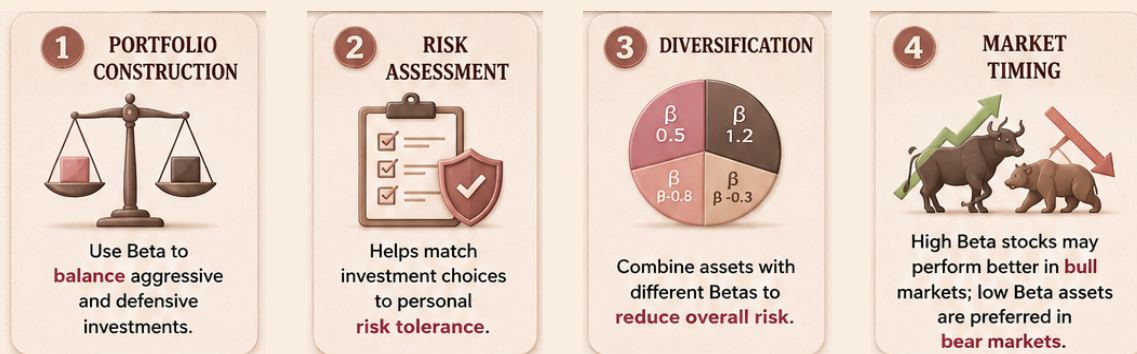
For example, a stock could have a low Beta but high standard deviation, indicating it moves independently of the market but still has large price swings.

BETA and the Capital Asset Pricing Model (CAPM)

Beta is a core component of the Capital Asset Pricing Model (CAPM), which estimates the expected return of an asset based on its Beta and market returns.



When to Use BETA in Investment Strategy



Limitations of BETA

While useful, Beta is not foolproof:



HISTORICAL NATURE:

Beta is based on past data; it may not predict future behavior.



ASSUMES MARKET IS THE SOLE RISK FACTOR:

Ignores company-specific or sector-specific risks.

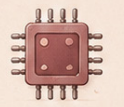


TIME PERIOD SENSITIVITY:

Beta values can vary depending on the time frame used.



Real-World Examples

 STOCK/ASSET	 APPROX. BETA	 PROFILE
 TECH STARTUP STOCK	1.5 – 2.0	 High growth, high volatility
 BLUE-CHIP COMPANY	0.8 – 1.1	 Stable earnings, moderate risk
 UTILITY STOCK	0.5 – 0.7	 Defensive, low volatility
 GOLD ETF	-0.2 – 0.2	 Often used as hedge asset

Beta is a powerful metric that gives investors a snapshot of how an investment is expected to perform relative to market movements. While it doesn't capture all risk factors, it serves as a critical tool in constructing a balanced, goal-oriented portfolio. Whether you are building wealth slowly or aiming for aggressive growth, understanding Beta can help you ride the market's waves with more confidence and less uncertainty.

2) LONG/ SHORT STRATEGY

The Long/Short Strategy is an active investment approach widely employed by hedge funds and Category III Alternative Investment Funds (AIFs). It involves taking long positions in securities expected to appreciate in value and short positions in securities anticipated to decline. By simultaneously exploiting both upward and downward market movements, this strategy seeks to generate absolute returns and reduce exposure to overall market risk.

1 KEY CHARACTERISTICS



MARKET NEUTRALITY POTENTIAL

A market-neutral long/short strategy balances long and short exposures, aiming to deliver returns independent of broad market movements (beta-neutral). This enhances risk-adjusted performance by isolating stock-specific alpha.



ALPHA GENERATION

The primary objective is to generate alpha by leveraging inefficiencies, mispricing, or valuation disparities between securities, sectors, or geographies.



USE OF LEVERAGE AND DERIVATIVES

Long/short strategies may incorporate leverage, futures, options, and other derivatives to optimize exposures, magnify returns, or hedge systemic risks.



FLEXIBILITY ACROSS ASSET CLASSES

While equity long/short is the most common, the strategy can be applied to **credit, currencies, commodities, and multi-asset portfolios**, depending on the fund's mandate.



RISK MANAGEMENT

Although designed to mitigate directional market risk, the strategy remains exposed to **basis risk, leverage risk, liquidity risk, and model risk**, requiring robust risk controls and portfolio monitoring systems.

2 APPLICATION IN AIFs



In India, **Category III AIFs** such as hedge funds frequently deploy long/short strategies to enhance return potential.



SEBI regulations permit the use of leverage and derivatives for such funds, subject to strict **risk management frameworks** and **reporting requirements**.



Investors in these funds are typically **sophisticated or accredited**, with the financial capacity to absorb risks linked to leverage and short selling.

3 STRATEGIC IMPORTANCE



DIVERSIFICATION

Provides returns **uncorrelated** to traditional long-only strategies.



DOWNSIDE PROTECTION

Short positions can act as a **hedge** during market downturns.



ENHANCED RETURN PROFILE

Enables exploitation of both **bullish** and **bearish** opportunities within the same portfolio.

INVESTING 101

The Hidden Cost of Fees

When evaluating investments, it is natural to focus almost entirely on potential returns. However, one of the most critical drivers of long-term wealth accumulation receives far less attention: the cost of investing.

In the world of finance, fees do not simply deduct a small flat percentage from your profits today; they compound negatively over time. This compounding decay, often referred to as fee drag, can quietly strip away tens or even hundreds of thousands of dollars from a portfolio over a multi-decade horizon.

Understanding the Expense Ratio

Every fund, whether an Index Fund, Exchange-Traded Fund (ETF), or Mutual Fund, charges an annual operating fee known as the Expense Ratio (expressed as a percentage of total assets under management).

For example, an expense ratio of 0.10% means that for every \$10,000 invested, \$10 is deducted annually to cover management, administration, and marketing costs.

While the gap between a 0.05% expense ratio (typical for passive index funds) and a 1.00% expense ratio (typical for actively managed mutual funds) may sound negligible at first glance, the long-term mathematical difference is stark.

The Compounding Effect in Reverse

Fees are deducted continuously regardless of whether the market goes up or down in a given year. More importantly, every dollar paid in fees is a dollar that can no longer remain invested to earn compound interest for your future self.

Consider a hypothetical scenario of two investors who each deposit \$100,000 into portfolios that earn an average gross return of 7% per year over 30 years:

 PORTFOLIO TYPE	 EXPENSE RATIO	 FINAL BALANCE AFTER 30 YEARS	 TOTAL FEES & LOST GROWTH
 Low-Cost Index Fund	0.05%	\$751,816	\$9,407
 Active Mutual Fund	1.00%	\$574,349	\$186,874

The Main Types of Investment Costs

To minimize fee drag, investors should be aware of where costs typically hide:

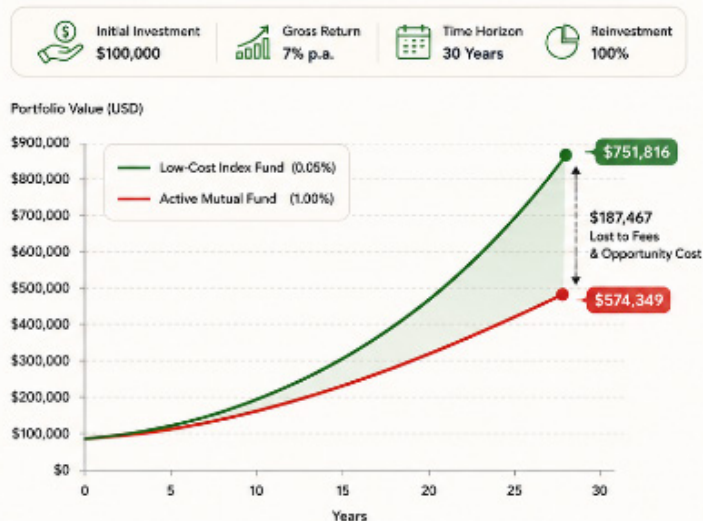
1. **Expense Ratios (Ongoing Fund Fees):** Automatically deducted from the fund's Net Asset Value (NAV).
2. **Advisory / Management Fees:** Charged by financial advisors or wealth platforms, typically ranging between 0.25% (robo-advisors) and 1.00%+ (traditional advisors) on top of underlying fund expense ratios.
3. **Transaction / Brokerage Fees:** Commissions paid when buying or selling shares, though many modern brokerages now offer commission-free trading.
4. **Loads / Sales Charges:** Upfront (front-end) or exit (back-end) fees charged by certain traditional mutual funds simply for buying or selling shares.

While market returns, economic cycles, and central bank policies are entirely out of an investor's control, fees are 100% controllable.

Minimizing expense ratios and avoiding unnecessary friction is one of the highest-leverage actions an investor can take. When building a long-term portfolio, every fraction of a percent saved in fees is a direct contribution to future net worth.

The Power of Compound Growth vs. Fee Drag

Same Investment. Same Market Returns.
Dramatically Different Outcomes.



Total Fees & Lost Growth
\$186,874

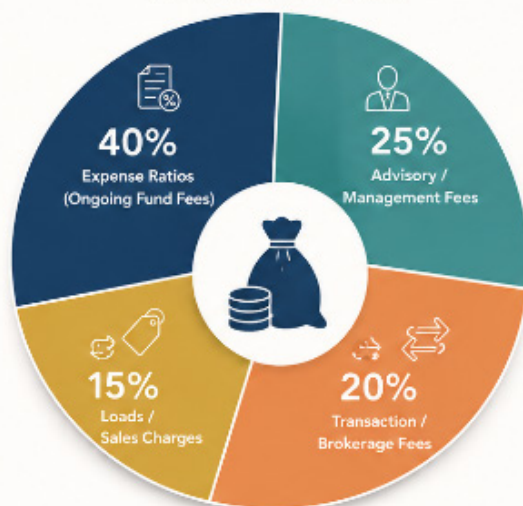


Wealth Reduction
24.9%
of total wealth potential

Note: Assumes constant 7% gross return before fees, compounded annually.

The Main Types of Investment Costs

Where Your Money Goes



Expense Ratios (Ongoing Fund Fees) – Automatically deducted from the fund's Net Asset Value (NAV).



Advisory / Management Fees – Charged by advisors or platforms on top of underlying fund fees.



Transaction / Brokerage Fees – Commissions paid when buying or selling shares.



Loads / Sales Charges – Upfront (front-end) or exit (back-end) fees charged by certain mutual funds.

MARKET MYTH BUSTING

Myth 1: High-yield dividend stocks are always a safe and superior way to generate passive income.



THE REALITY

A exceptionally high dividend yield (e.g., **8%–12%+**) is frequently a red flag rather than a bargain.



Yield rises when a company's stock price collapses, often indicating that the market expects the business to cut its dividend or face severe financial distress.



Furthermore, companies that payout all their profits in dividends retain no capital to reinvest in future growth, leaving them vulnerable to competitors.



THE TAKEAWAY



Focus on **dividend sustainability** and **total return** (price growth + dividends) rather than chasing the highest yield on paper.

Quality businesses with modest, growing dividends far outperform struggling high-yield traps over time.

Myth 2: Average historical returns mean you will earn that exact percentage every single year.



THE REALITY

When a financial model or index fund shows an "average historical return of 8%," it rarely means the market returns 8% in any given 12-month period.



Stock market returns are **wildly inconsistent** year-to-year; they are often down -15% one year, up +22% the next, and flat the year after.



The 8% figure is an aggregated, long-term average calculated over decades, not a steady, annual dividend.



THE TAKEAWAY



Do not confuse long-term averages with **short-term** predictability.



Expecting smooth year-over-year gains creates false security, whereas **accepting annual volatility** allows you to hold your investments through unpredictable market swings.

FINANCIAL PLANNING

The Debt Payoff Matrix (Avalanche vs. Snowball)

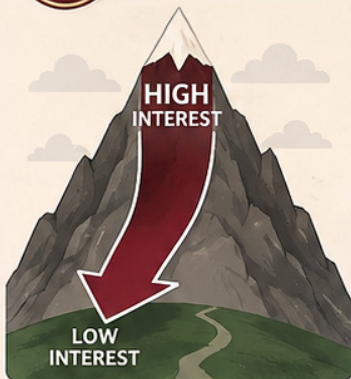
Carrying debt is often one of the biggest roadblocks to long-term wealth building. High monthly payments restrict cash flow, increase financial stress, and divert capital that could otherwise be earning compound interest in the market.

However, getting out of debt isn't just about math, it is deeply tied to human psychology. Choosing the right payoff strategy depends on whether you are motivated more by pure efficiency or quick wins.

The Two Proven Payoff Strategies

1

THE DEBT AVALANCHE METHOD (MATHEMATICAL EFFICIENCY)



HOW IT WORKS:

You rank your debts from the highest interest rate to the lowest interest rate, regardless of the balance size. You make minimum payments on all accounts, but throw every extra dollar at the debt with the highest APR.



EXAMPLE:

Paying off a \$10,000 credit card at **22% APR** before touching a \$2,000 personal loan at **8% APR**.

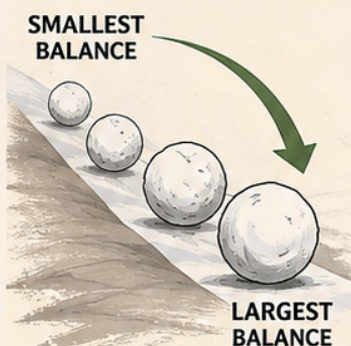


BEST FOR:

Analytical, highly disciplined individuals who want to **minimize the total dollar amount paid in interest** and eliminate debt in the mathematically **fastest time** possible.

2

THE DEBT SNOWBALL METHOD (BEHAVIORAL MOMENTUM)



HOW IT WORKS:

You rank your debts from the smallest balance to the largest balance, regardless of interest rates. You pay minimums on everything, but attack the smallest balance first until it hits zero.



EXAMPLE:

Wiping out a small **\$500** medical bill first, then rolling that freed-up monthly payment into the next smallest **\$2,000** balance.



BEST FOR:

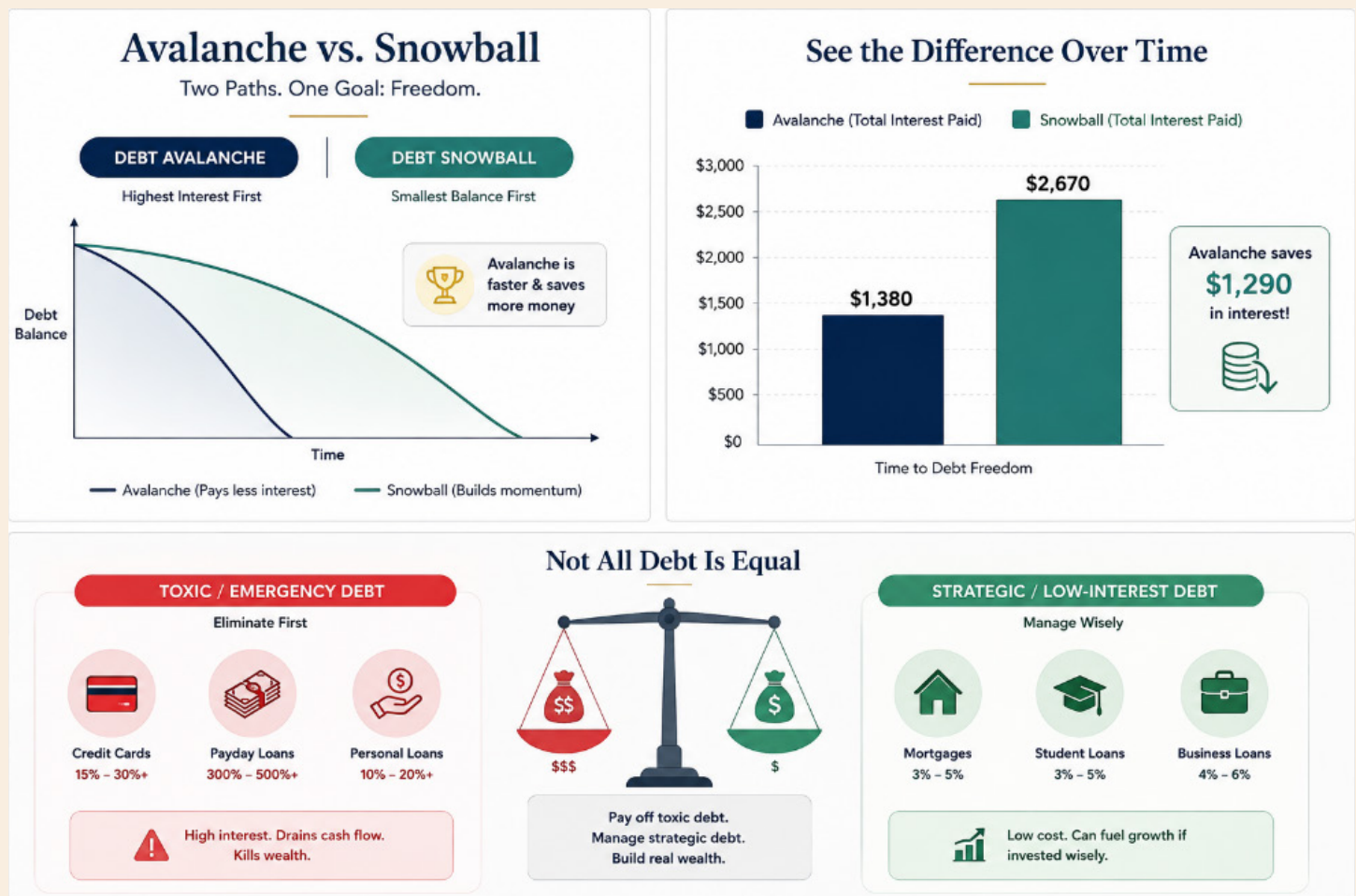
Anyone who feels overwhelmed by debt and needs **rapid emotional reinforcement**. Closing an **entire account early** creates a **psychological "win"** that builds momentum to stay the course.

High-Interest vs. Low-Interest Debt: Not All Debt is Equal

A common trap in financial planning is treating all debt as an emergency. Before rushing to pay off every liability, it helps to categorize them:

- **Toxic / Emergency Debt (Always Eliminate First):** Credit cards, payday loans, and high-rate personal loans (typically >8–10% interest). The interest on these accounts builds faster than realistic investment returns, making repayment a guaranteed, tax-free return equal to the interest rate.
- **Strategic / Low-Interest Debt (Manage Wisely):** Low-rate mortgages, subsidized student loans, or business debt (typically <4–5% interest). If your debt interest rate is lower than long-term market returns or current risk-free savings yields, rushing to eliminate it may actually cost you money in lost compounding opportunity.

Mathematically, the Debt Avalanche saves the most money. Behaviorally, the Debt Snowball keeps people committed. The “best” strategy is simply the one you can stick to consistently until your total toxic debt reaches zero.



MARKET ANALYSIS

By CA Paras Sachdeva

Market Analysis: Earnings-Led Momentum Reinforces India's Structural Growth Story

The Indian equity market concluded July 2026 on a constructive note, demonstrating resilience despite persistent global uncertainties surrounding monetary policy, elevated crude oil prices, and geopolitical tensions. The month was characterized by an earnings-driven rally, with benchmark indices recovering from early volatility as strong quarterly corporate results, improving foreign institutional participation, and sustained domestic liquidity strengthened investor sentiment. Unlike previous months, where macroeconomic developments largely dictated market direction, July witnessed a pronounced shift towards company-specific fundamentals and sectoral earnings performance.

From a market perspective, the Nifty 50 traded within a broad range of 23,950–24,450, eventually closing near the upper end of the range, while the BSE Sensex remained above the psychologically significant 78,000 mark during the final week of the month. Broader market participation improved considerably, with the Nifty Midcap 100 and Smallcap 100 outperforming benchmark indices, indicating growing investor confidence beyond large-cap stocks. Market breadth also strengthened as declining volatility encouraged fresh participation across cyclical sectors.

The July market environment highlighted an important transition, from liquidity-driven rallies to earnings-supported price appreciation, making corporate quality and sector-specific fundamentals increasingly important determinants of investment performance.

Price Structure Indicates Sustained Uptren

From a market structure perspective, Indian equities continued to display characteristics of a healthy long-term bullish trend. Throughout July, the Nifty consistently maintained higher highs and higher lows despite intermittent profit-booking, reflecting the market's ability to absorb selling pressure without disrupting its broader upward trajectory.

The 50-day moving average remained comfortably above the 200-day moving average, reaffirming the continuation of the long-term positive trend. Importantly, every meaningful correction witnessed during the month attracted fresh buying from both domestic institutions and retail investors, indicating strong demand at lower levels.

Trading volumes expanded significantly during sessions coinciding with major quarterly earnings announcements, particularly in banking and information technology stocks. Rising volumes accompanying price appreciation typically indicate institutional accumulation rather than speculative participation, reinforcing confidence in the sustainability of the ongoing market trend.

Market volatility also moderated gradually during the latter half of July, with the India VIX remaining well below historical stress levels, suggesting that investors were becoming increasingly comfortable with prevailing macroeconomic conditions despite global uncertainties.

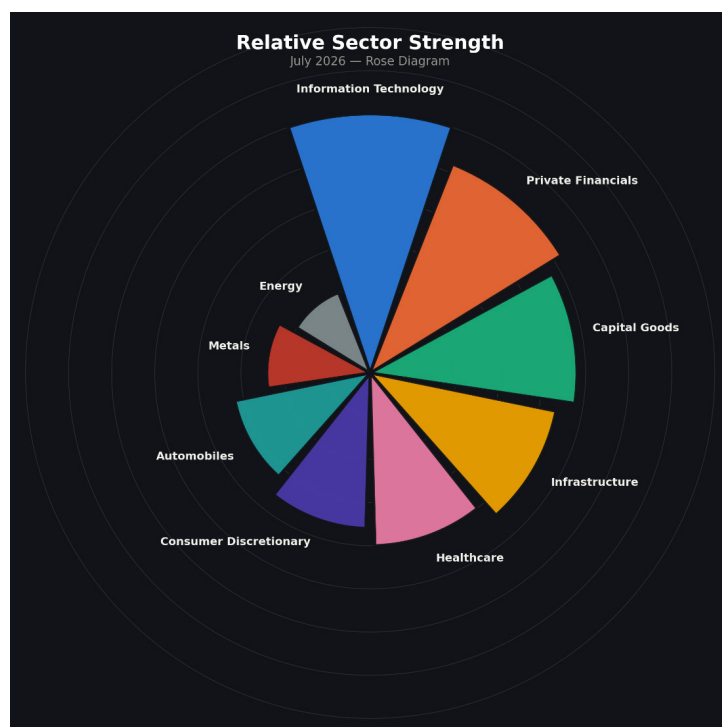


Leadership Shift Became Increasingly Evident

One of the defining characteristics of July was the clear emergence of sector rotation rather than indiscriminate market participation.

Information Technology emerged as the strongest-performing sector following robust quarterly earnings, improved management guidance, and growing optimism surrounding artificial intelligence spending by global enterprises. Investors rewarded companies demonstrating resilient deal pipelines, expanding digital transformation opportunities, and healthy margin outlooks.

Private sector banking also remained a significant pillar of market strength. Healthy loan growth, improving asset quality, and stable net interest margins continued to support earnings visibility. Large financial institutions attracted consistent institutional buying as investors viewed them as direct beneficiaries of India's ongoing economic expansion.



Capital goods, engineering, defence, and infrastructure-related businesses also remained firmly in focus, supported by continued government expenditure and rising private-sector capital investment. Companies associated with industrial automation, railway infrastructure, electrical equipment, and renewable energy continued to attract premium valuations based on long-term order visibility.

Conversely, commodity-sensitive sectors, particularly metals and export-oriented manufacturing businesses dependent on global demand, experienced relatively subdued performance amid concerns regarding slower international industrial activity.

Valuation Discipline Became Increasingly Important

Following the sustained market rally witnessed over recent quarters, valuation differentiation became increasingly pronounced during July.

Rather than rewarding broad market participation, investors increasingly favoured businesses demonstrating three critical characteristics:

- Consistent earnings growth
- Strong balance sheet quality
- Sustainable free cash flow generation

Companies unable to justify elevated valuations through earnings delivery experienced relatively muted market reactions despite broader bullish sentiment.

Fundamental Strength Across Key Investment Themes



This shift reflects a maturing market environment where valuation discipline has become equally important as growth expectations. Institutional investors increasingly emphasized return on capital employed (ROCE), cash flow quality, operating margins, and management execution while evaluating investment opportunities.

Consequently, sectors with superior earnings visibility continued to command valuation premiums, while businesses facing cyclical earnings uncertainty witnessed comparatively restrained investor interest.

Risk Factors Remained Well Contained

Despite improving market conditions, investors continued to closely monitor several external variables that could influence short-term market direction.

The trajectory of crude oil prices remained particularly important given India's dependence on energy imports. Sustained increases in oil prices could affect inflation, corporate input costs, and fiscal balances.

Similarly, expectations surrounding future U.S. Federal Reserve policy continued to influence foreign institutional investment flows into emerging markets. While the Fed maintained a cautious stance during July, any significant deviation from market expectations could temporarily increase global market volatility.

Currency movements also remained an important consideration for export-oriented sectors, particularly information technology, pharmaceuticals, and specialty chemicals.

Nevertheless, India's strong domestic liquidity, resilient macroeconomic environment, and improving earnings trajectory continued to provide an effective buffer against these external uncertainties.

Corporate Fundamentals Continued to Strengthen

The first-quarter earnings season provided one of the strongest catalysts for market performance during July.

A majority of large-cap companies reported earnings broadly in line with or exceeding analyst expectations. Financial institutions continued to report healthy credit growth, low non-performing assets, and stable profitability despite a relatively stable interest-rate environment.

Technology companies benefited from increasing demand for cloud migration, cybersecurity, artificial intelligence integration, and enterprise automation services. Margin expansion among leading IT firms further strengthened investor confidence regarding medium-term earnings visibility.

Meanwhile, industrial companies continued to benefit from India's manufacturing expansion, production-linked incentive (PLI) schemes, and government infrastructure spending. Order books across engineering, electrical equipment, construction materials, and defence manufacturing remained robust, supporting future revenue visibility.

Consumer-oriented businesses demonstrated mixed performance. Urban demand remained healthy, while rural consumption continued to recover gradually following improved agricultural prospects and moderating food inflation. FMCG companies with strong pricing power and premium product portfolios continued to outperform peers operating primarily in highly price-sensitive segments.

Healthcare and pharmaceutical companies also maintained stable earnings momentum, supported by export demand, domestic healthcare spending, and product diversification.

Investment Perspective

The July 2026 market environment reinforced the transition toward an earnings-led investment cycle, where sustainable corporate performance increasingly outweighs macroeconomic speculation. Technical indicators continued to support the prevailing bullish trend, with stable market breadth, improving volumes, and resilient institutional participation reflecting healthy market internals. At the same time, corporate fundamentals across banking, technology, infrastructure, healthcare, and capital goods remained firmly supportive of medium- to long-term growth expectations.

For investors, the key takeaway from July is that market leadership is becoming increasingly selective. Rather than broad-based index participation, future returns are likely to be driven by companies capable of delivering consistent earnings growth, maintaining strong balance sheets, generating healthy cash flows, and benefiting from India's structural economic transformation. In such an environment, maintaining a diversified portfolio focused on quality businesses with durable competitive advantages remains the most prudent strategy for navigating evolving market conditions while participating in India's long-term growth opportunity.

WEALTH QUEST

1

I reduce risk by spreading investments.

Answer:



6

I panic-sell when prices fall and buy when they're already high — investors call me their own worst enemy.

Answer:



2

I'm the price at which a stock last traded, but I'm not always what you'll pay next.

Answer:



7

I'm the annual report card that tells you if a company made or lost money.

Answer:



3

I measure how much a company earns for every share outstanding.

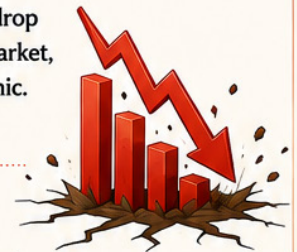
Answer:



8

I'm a sudden, sharp drop in prices across the market, often triggered by panic.

Answer:



4

I'm the gap between what buyers offer and sellers ask.

Answer:



9

I compare a stock's price to its earnings — a quick gut-check on whether it's expensive or cheap.

Answer:



5

I'm a basket of stocks you can buy or sell like a single share.

Answer:



10

I'm the strategy of holding on for years, ignoring the daily noise.

Answer:



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