

ALQUITY INDIA

Q3 2026 REVIEW

September 2026

Performance vs Index

	Q3	1 yr	3 yr	5 yr	10 yr	Since inception (25/04/14)
Fund	-4.1%	-15.3%	-3.3%	-0.2%	83.4%	155.9%
ETF	-4.8%	-10.0%	6.4%	3.1%	78.4%	104.9%
Index	-5.6%	-10.9%	8.6%	7.7%	100.5%	133.5%

Source: Alquity, Bloomberg, Lipper, as of 30th September USD I net of fees vs the relevant Indian index and the *iShares India ETF. We are using I (GBP converted into USD). We have used the live track record for the USD M class since 25th April 2014 (not adjusted for performance fees, just OCF) and the USD Y class since 29th June 2017 and added back 1% per annum up until the launch of its GBP I class (12th November 2019). Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, expressed or implied is made regarding future performance. Currency exchange rate movements can lead to an increase or decrease in the value of the fund's investments.

Following a strong Q2, both in terms of absolute and relative performance, the Fund delivered -4.1% during the quarter amid weaker market conditions and sentiment. During the quarter, the Fund benefited from the relative resilience of small-cap stocks, as well as Consumer Discretionary and Real Estate. Elsewhere, Consumer Staples, Industrials and Utilities were notably weak performers.

Please also note that **our returns reflect provisioning for capital gains tax**, which is not included in the index. Therefore, we also show performance data for the ETF* which does include the CGT provision and is therefore an apples to apples comparison.

Key Events

The **Indian economy continues to demonstrate resilience**, despite global macro-economic and geopolitical events. **Real GDP grew 7.8%** year on year in Q2 2026, above consensus expectations of 7.3–7.4% and the RBI's 7% forecast, helped by manufacturing, services and an 11.9% rise in fixed capital formation. Gross GST (goods and service tax) collections grew 14.8% in August year on year. **PMI data has remained in expansionary territory** (with a preliminary September reading of 56.5 for the composite indicator).

Whilst the **monsoon has indeed been weaker** than in recent years, agriculture now only accounts for 16% of GDP and the rainy season began with **reservoirs 18% fuller than the 10 year average**. Therefore, we do not expect any meaningful negative impact on India's growth. As we wrote last quarter, we had in any case rotated the portfolio away from rural-sensitive names in anticipation of this event.

Consumer price inflation - whilst rising - remained relatively benign at 4.8% (August, year on year). Against this backdrop, the **RBI held the repo rate at 5.25%** for a fourth straight meeting, maintaining their neutral stance. Governor Malhotra described inflation pressures as largely supply-driven and said it was premature to discuss tightening. Bank credit continued to accelerate, which is supportive for growth, with lending increasing 19.1% in August (year on year). Measures introduced by the Reserve Bank to enhance India's attractiveness and accessibility to foreign investors have led to **stabilisation of the Rupee** over the quarter. **Foreign exchange reserves have increased to \$766bn**, compared to \$667bn at the end of June.

At the corporate level, **net profit growth of 22%*** - driven by mid- and small-cap companies - represented the **fastest pace of growth for over two years**.

Sources: Motilal Oswal, Bloomberg, Alquity, as of August 2026. *Ex oil marketing companies.

Top 5 Performance contributors Q3 2026 (bps)

Positive

Lodha Developers	+75
Redington	+72
Blackbuck	+45
Leela Palaces & Hotels	+40
Meesho	+30

Negative

Ixigo	-42
Polycab	-41
Divi's Laboratories (not owned)	-28
Aptus Value Housing Finance	-26
Samhi Hotels	-23

Source: Alquity, Bloomberg as of 30th September.
Figures calculated vs the India iShares ETF.

Engagement highlights

During the quarter, we engaged with **Mahindra & Mahindra** on **responsible sourcing within its battery supply chain** as the company expands its electric vehicle portfolio. We encouraged greater disclosure around the **traceability and independent audit coverage of critical minerals**, including lithium, cobalt and nickel, and discussed the potential for setting targets to increase audited volumes over time. We also encouraged the company to consider strengthening its approach to deforestation risks and third-party certification standards for critical mineral sourcing, such as IRMA or an equivalent standard.

Major Portfolio Moves

New positions



Auto Manufacturers



Bank



Water Management



Real Estate



Mortgage Finance

Exits



Health Care



Hindustan Unilever Limited

Household & Personal Products

The companies mentioned above are provided for information purposes only, are subject to change, and is not a recommendation to buy or sell them.

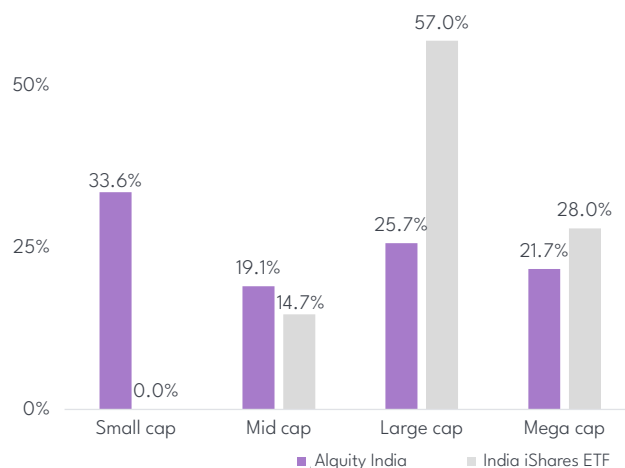
Strategy and Positioning

We continue to focus on **beneficiaries of domestic structural growth**, which account for the vast majority (circa 90%) of the portfolio.

We believe that **small and mid capitalisation stocks offer attractive, unrecognised growth opportunities**. The current portfolio split is shown to the right.

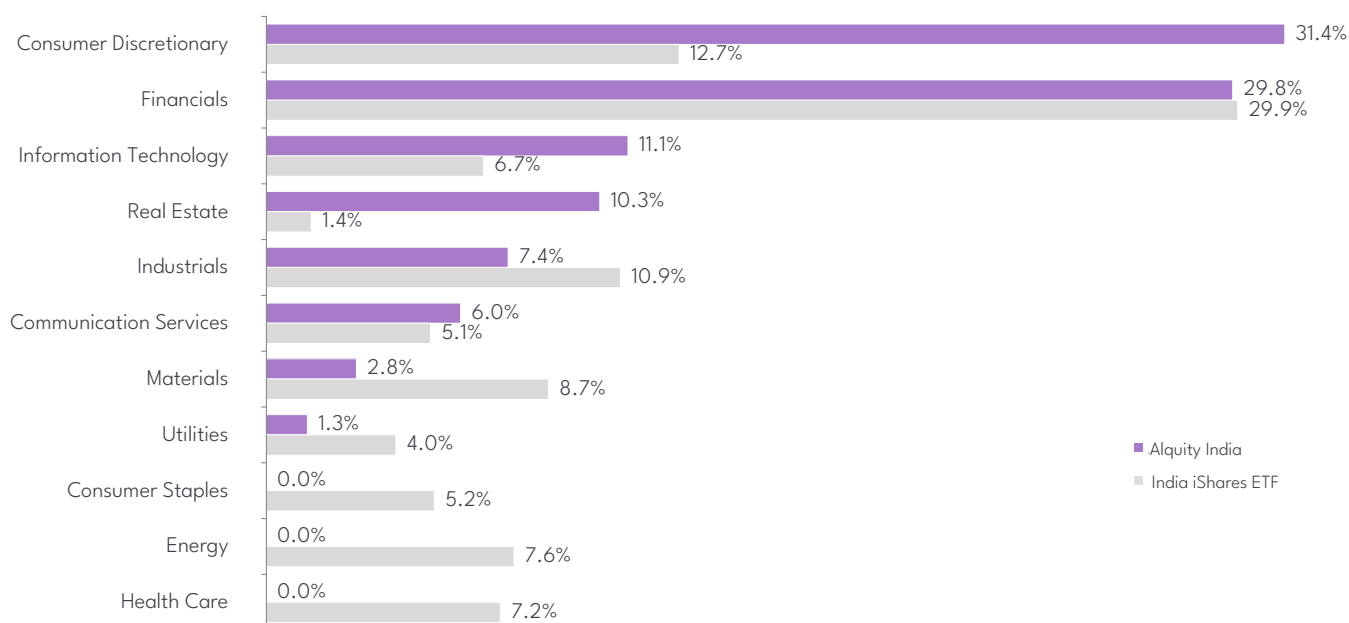
We remain positive on the outlook for India, given the favourable economic and political outlook.

Market capitalisation split



Source: Alquity, Bloomberg, as of 30th September 2026.
The ETF is the India iShares ETF.

Sector weights



Source: Alquity, Bloomberg, as of 30th September 2026.

Largest active weights

Positive	
Lemon Tree Hotels	3.4%
Lodha Developers	3.0%
Skipper	3.0%
Aditya Vision	2.9%
Blackbuck	2.9%

Negative	
Reliance Industries	-5.4%
Axis Bank	-2.2%
Larsen & Toubro	-2.0%
Bajaj Finance	-1.9%
State Bank of India	-1.4%

Source: Alquity, Bloomberg, as of 30th September 2026.
The ETF used is the India iShares ETF.

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