SUNDARAM ALTERNATES
Sundaram Finance Group

SUNbeam

Portfolio Strategy Update

June '26

National Chartered Accountants Day

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Dear Investor,

Subject: Expect changes to the portfolio going ahead

We had highlighted in the recent write-ups that the market generally gives a good positive return after 18-20 months of sideways or negative returns. We had also highlighted that the immediate near-term returns post an onset of war is generally positive from the lows. The past 3 months are testimony to that with BSE 500 TRI up 12% in the last 3 months, from the lows of March 2026.

Market Recap – A steady upward move in the making: Post a pause in May 2026, due to easing geopolitical tensions, crude oil prices cooled off from USD 90–110/bbl to ~ USD 70-80/bbl which had a positive impact on the Indian macro environment with INR strengthening from the lows. Consequently, indices resumed their upward journey with the Nifty up 1.67% and BSE 500 TRI up 1.7%. Small-caps made a comeback with the small-cap index gaining more than 4%.

Small and mid-caps are now outperforming large-caps since the Mar 2026 bottom, as they have already been through a deeper price correction of 20-30% and more in the past 20 months. There is a stealth bull market underway in some sectors such as healthcare, capital goods, auto, and BFSI. Commodities benefited from higher prices post the war but have since cooled off again.

India's macro indicators should recover from the lows of last few months. Various indicators such as BOP, CAD, Fiscal Deficit, Inflation, Bond Yields had deteriorated post the war due to high crude prices and sharp INR depreciation. The US and Iran signed a MoU to end the war, but sporadic fresh attacks in the Middle East will keep the fears of a renewed escalation in the US-Iran conflict alive. However, we expect these to be temporary in the worst case, as all warring parties recognise that they are in a stalemate and the smartest thing to do is de-escalate. Hence, we expect macro indicators to gradually revert to the pre-war levels which is positive for our economic stability and long-term sustainable growth.

Considering the elevated inflation expectations on account of higher crude prices and other commodities, the RBI unanimously decided to retain the policy repo rate at 5.25%, while maintaining the stance at "neutral". Even globally, the US Fed kept the Federal Funds rate unchanged within the 3.5-3.75% range for the 4th consecutive time, in line with market expectations.

Q1FY27 results season is upon us. Q4FY26 results season showcased the resiliency of the Indian corporate. Earnings growth was broad-based across sectors with Mid and Small-caps growing faster than Large-caps. Despite near-term challenges arising from the war, most corporates painted a positive medium-term outlook for their business. H1FY27 will be the true test — we will see whether the recent macro stress feeds through into earnings or whether India's structural story remains resilient.

FIIs remained cautious on Indian market as they continued their relentless selling of Indian equities into June as well. They have now sold a cumulative USD 24 bn till Jun 2026. However, of late, as euphoria over the AI trade cools down, FPI selling intensity has reduced and we have started to see some inflows in some beaten down sectors. To come out from a possible vicious cycle, the central government announced a series of reforms to attract long-term foreign capital, including the removal of withholding tax on interest and capital gains tax on FPI's G-Sec investment. The RBI, on its part, announced measures to incentivize foreign capital inflow.

DIIs remain the shield for Indian markets as they continue to buy Indian equities with ~ USD 8.7 bn in May and another USD 8.5 bn in Jun 2026. However, their patience will be tested in next few months. If SIP returns don't pick up meaningfully from here, we may see lower net flows or redemptions which can be a cause for worry. Hopefully, a recovery in the Indian equity markets from the recent lows strengthens their faith in the ability of the Indian equity market to create wealth.

Look beyond the indices for Alpha: We had highlighted earlier that SMID stocks have become reasonably valued after a prolonged time correction and steep price correction. In fact, there is a stealth bull market ongoing in some sectors with many companies near their all-time highs on the back of strong growth prospects. Hence, SMID stocks are closer to their all-time high vs. large-caps which have fallen off more.

Historically, post-war and long stagnation periods have yielded healthy positive returns over various time periods. Early signs indicate that we are indeed repeating history. April 2026 was a strong month post the March mayhem, May continued that trend albeit in a subtle manner, and June saw another positive month for the markets.

Expect changes to the portfolio ahead. Active fund management remains an important cornerstone to performance. We remain disciplined, patient, and focused on fundamentally strong businesses with strong long-term growth prospects. Hence, we avoid heavy churn in our portfolios despite near-term macro challenges or temporary slowdown in some of our companies. This patience paid off in the last 6 months where some of these stocks went on to deliver 50-100-200% returns. While earnings trajectory remains intact for many of these names, valuations have re-rated substantially. Hence, we trimmed some of our winners in Jun 2026.

For June, our strategies delivered returns slightly ahead of the benchmarks. Interestingly, June outperformance was derived more from businesses outside of the capital goods sector which indicate that it is not just about one sector doing well for us. While we would strive to continue this performance in the future as well, we do wish to highlight that we are not focusing on short-term outperformance but sustained long-term outperformance through a balanced portfolio. We booked partial profits in some positions as a part of risk management and used that to increase cash levels for deployment in new ideas in various strategies as a part of our efforts to generate new sources of alpha for future.

Stay invested. Stay disciplined. Be patient.

From the desk of:

Darshan Engineer

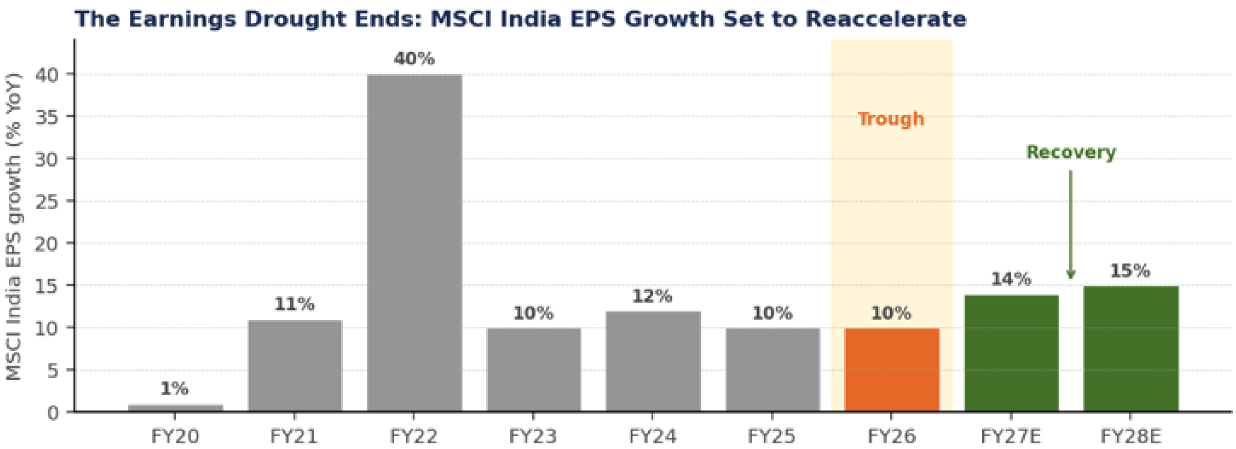
Fund Manager, PMS Portfolios

Market Outlook - Earnings to Reaccelerate as the Great Rotation Sets Up

After a sharp underperformance of Indian indices against other Asian peers, last 30 days have seen a sharp bounce back as Nifty reported a positive 1.3% return against -16% for South Korea's KOSPI, -5% for Taiwan's TWSW and -6% for Japan's Nikkei. This has led to moderation in foreign capital outflows, which turned from negative INR63,000 cr in first half of June (1-15 June) to positive INR14,000 cr during 2nd half (16-30 June). To understand this in greater detail, we present our views in the month's newsletter on key notable events including geopolitics, market dynamics, FII/DII flows and earnings along with our updated portfolio positioning.

The Earnings Drought Ends

The defining call for FY27 marks an earnings growth inflection in FY27. Nifty50 managed just 5% EPS growth in FY26, a sharp deceleration from the 16%+ CAGR of FY20-25, which is likely to see a sharp and decisive reacceleration in FY27. We expect MSCI India EPS to grow 14% in FY27 with very low risk to estimates as demand sentiments remained resilient despite the inflationary concern across several segments. India is entering a strong earnings cycle in which profits could compound at over 15% a year for five years as the corporate profit share of GDP climbs from ~4% toward 8%. The near-term optics are noisy but the underlying signal is clean. Incidentally, we believe the margins may not see any compression and most likely be a source of confidence rather than risk. Even without any heroic margin build, we are likely to see 14% growth estimate play out for FY27.



Source: Jefferies, Sundaram Alternates

Macro Resilience & Nominal GDP Reacceleration

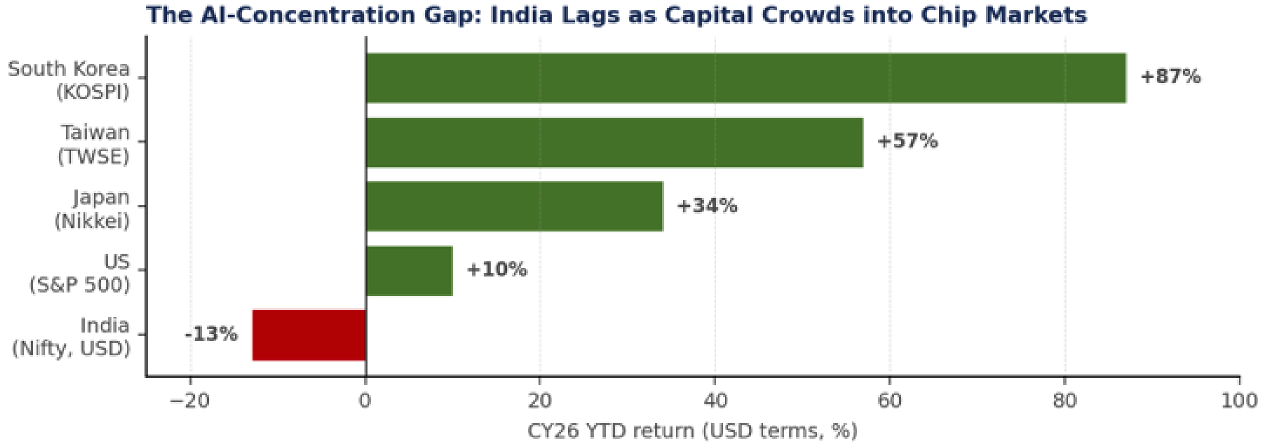
The earnings call rests on a firmer-than-expected economy. We expect nominal GDP growth to accelerate ~3.5ppt to 12-12.5% in FY27 and since corporate revenue tracks nominal (not real) GDP, this is likely to be the engine of the top-line recovery. The high-frequency data shows resilience straight through the West Asia energy shock: Bank credit is running at 17-18% YoY (near a three-year high), passenger-vehicle and two-wheeler wholesales are up 23% and 19%, Mumbai property registrations are up 16%, and GST collections have rebounded to +5.5% (optically soft only because of the September-2025 rate cuts).

The one genuine watch-item is a weak monsoon onset that could pull agricultural GDP growth rate toward nil vs 4% on average. However, companies with meaningful rural exposure (staples, two-wheelers, direct financiers) form under 10% of MSCI India, while the sectors that actually benefit from a drier season like power, cement, building materials, travel, air-conditioners now carry a higher index weight. Net-net, monsoon risk to aggregate corporate earnings is limited.

Economic Activity	Latest Growth YoY %
Bank credit growth	17-18%
PV Sales	23%
2-wheeler sales	19%
Mumbai property registrations	16%
GST Collections (unadjusted for Sep'25 GST rate cuts)	5.50%

The Great Rotation

Indian indices have lagged behind other Asian peers. But that may be about to reverse in our view. Through CY26, global capital has crowded into a narrow set of AI and semiconductor beneficiaries: South Korea is up 87%, Taiwan 57%, Japan 34% and the S&P 500 10% in USD terms, while India has fallen 13%. India's cumulative performance versus the MSCI EM index has swung from +10% (Jun-21 to the Sep-24 peak) to -40% since, an underperformance difficult to reconcile with its fundamentals and can largely be attributed to the AI-concentration trade rather than to anything broken at home.

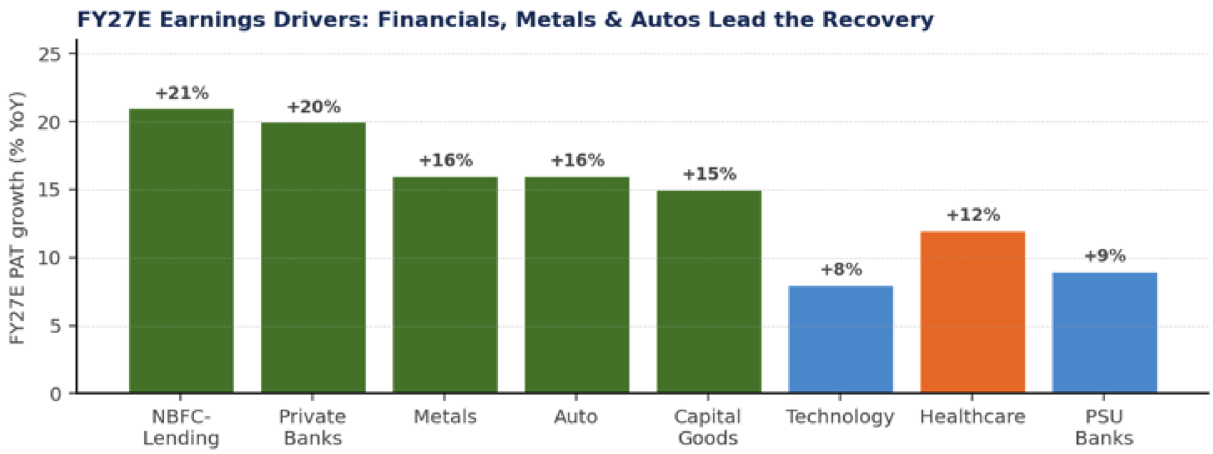


This underperformance has produced an opportunity to buy stocks at valuations which are reasonable with a revival in earnings expected in near to medium term. India's valuation premium to the MSCI EM index has also compressed to just 18%, far below its long-term average of 73% and a fraction of the CY22 peak of 147%. We argue that capital allocation is likely to witness mean reversion: the unprecedented concentration of global capital in a handful of AI names now looks more like risk than opportunity and any broadening of market leadership away from AI would be a powerful tailwind for an under-owned, attractively-valued India.

Domestic Financialization & Structural Transformation

The strong DII inflows which act as a shock-absorber is structural, not cyclical. Over the last 21 months, DIIs invested ~US$162bn against ~US$60bn of FII selling, with monthly SIP flows holding near US$3-3.5bn. A decade-long lens explains why this is durable: DII ownership overtook FII for the first time in 2025, retail ownership of Indian stocks has risen from 17% to 26% and roughly US$13tn of household wealth has been created. The consequence is a market whose beta to global equities has fallen from 1.1 in 2014 to 0.5 today, a genuinely defensive growth market. With investments forecast to reach 37.5% of GDP by FY30 and a next-generation reform pipeline (labour codes, land digitisation, judicial capacity, GST rationalisation, capital-market deepening), corporate profit share of GDP should reach past its prior 7% peak toward 8% and the index is trading at roughly 10x FY31 earnings on that trajectory.

Beneath a soft-looking 1QFY27 headline, the earnings mix points clearly to where the recovery is concentrated. Financials, Metals and Autos drive FY27E growth, together with Capital Goods they account for the bulk of incremental profit.



Sources: MOSL, Sundaram Alternates

Sector Positioning & Valuation

Synthesising the three houses with our own bottom-up work, we concentrate incremental capital across three high-conviction themes that combine earnings visibility, structural tailwinds and, after two years of de-rating, attractive valuations:

- **Financials:** The highest conviction earnings driver is revival in earnings growth. BFSIs share of profits is at an all time high, while NBFCs and private banks are likely to drive strong earnings growth for broader indices as well. Clean balance sheets (gross NPAs at 2.2%), 18% credit growth and a light corporate leverage base supports a multi-year credit cycle.
- **Pharma and Chemicals:** The segment is a defensive ballast amidst a volatile global market scenario. It also offers a natural hedge against AI exposure, a weak-INR export tailwind and a steady CDMO transition to India.
- **Capital Goods & Power Equipment:** The sector continues to be key overweight with sub themes across energy transition, defence, T&D, semiconductors and EMS. Power demand at a record 270GW and multi-year order book visibility underpin our domestic capex cycle call. We are mindful of the high valuation multiples they trade at currently and remain invested in the theme but with disciplined weights and expect further returns to broadly mirror their strong earning growth in coming years.
- **Auto and consumption:** we remain selectively positive on certain bottom-up ideas across consumption and discretionary names in sectors like auto, travel, retail, etc.

Earnings are reaccelerating to a mid-teens trajectory, the macro engine (nominal GDP) is strengthening, domestic flows provide a structural floor and India trades at its steepest discount to EM in over a decade. We stay overweight Financials, Capital Goods, Pharma, Auto, etc. and remain watchful on pure crude-derivative consumption and on IT until AI-related spend visibility improves. Risk discipline for sector caps, position sizing, stop-loss frameworks stays unchanged.

The two years of India’s underperformance were painful; they were also the setup. As global leadership broadens beyond a handful of AI names, patient capital positioned in India's domestic-growth engine should be well rewarded. We thank you for your continued trust.

SUNDARAM
India Secular Opportunities Portfolio

Objective: To generate capital appreciation across market cycles by investing in a concentrated set of high conviction stocks.

Key Features

- Concentrated Portfolio -Around 18-22 stocks.
- Invests across market caps – "Multi Cap".
- Long term orientation towards portfolio building i.e. >3 years
- Invest in business with secular growth opportunities.

Compounding Stories

- Companies with growth opportunity > 15%
- Ability to generate > 15% ROIC
- Excellent cash flows from business
- Option to reinvest for growth
- Low D/E to sail through crisis situations and gain market share

Investment Horizon

Above 3 years

Benchmark

S&P BSE 500 TRI

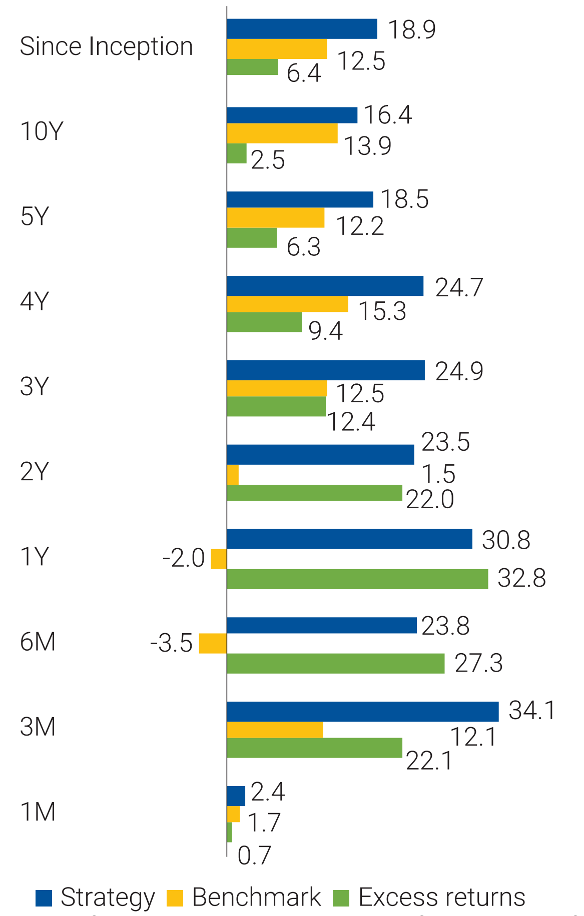
Inception

February 2010

Fund Manager

Mr. Darshan Engineer

SISOP vs S&P BSE 500 TRI (%)



Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

PORTFOLIO & STOCK PERFORMANCE

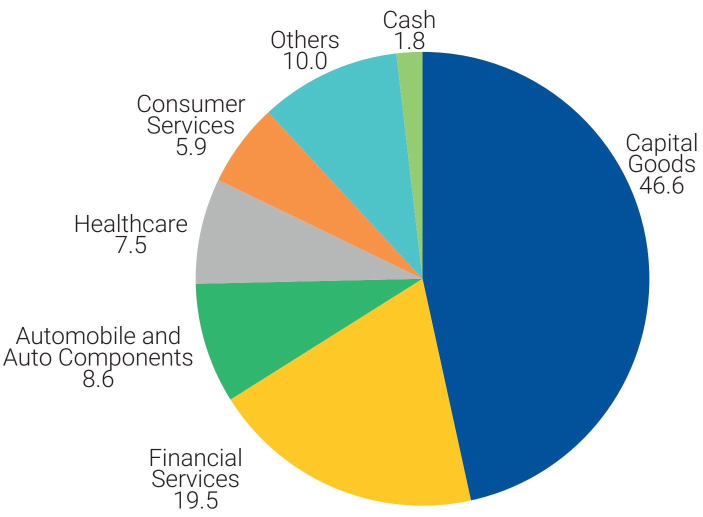
Top performers in the portfolio are **Cholamandalam Investment** & **Creditaccess Grameen Ltd**, up ~16.4% & ~15% respectively**. Cholamandalam Investment** saw a sharp recovery last month, supported by healthy business momentum and consistent execution across its diversified lending franchise. It delivered robust growth in assets under management, disbursements, and earnings, while maintaining resilient asset quality despite a cautious credit environment. Continued strength in vehicle finance, expanding presence in secured lending, and scaling of newer businesses such as gold loans reinforce its long-term growth outlook. Strong underwriting discipline and improving operating leverage support sustained earnings visibility. **Creditaccess Grameen Ltd**, remained a strong performer, supported by improving business fundamentals and renewed confidence in the microfinance sector. The company delivered a robust quarterly performance, driven by healthy loan growth, improving asset quality, lower credit costs, and stronger profitability. Management's disciplined underwriting, improving collections, and gradual diversification beyond core microfinance continue to strengthen earnings visibility. Supported by a strong capital position and improving operating metrics, the company is well placed to sustain profitable growth, reinforcing our positive outlook on the stock.

Draggers to portfolios were **Hitachi Energy & TD Power Systems**, down ~9.2% & ~6.0% respectively. **Hitachi Energy** underperformed following profit booking after its sharp rally and rich valuation, despite a strong long-term business outlook. Investor sentiment remained cautious amid concerns over elevated execution expectations and stretched earnings multiples, leading to near-term pressure on the stock. While the company continues to benefit from robust order inflows, expanding transmission infrastructure investments and favourable power sector demand, the market largely shifted its focus toward valuation comfort, making the stock a relative dragger for the month despite its fundamentally healthy growth trajectory. **TD Power Systems** was a dragger as it saw profit booking after its strong rally and relatively muted near-term triggers. Investor sentiment also remained cautious amid valuation concerns despite a healthy order pipeline. While the company continues to benefit from robust demand across industrial and export markets, high valuations weighed on short-term expectations. Nevertheless, its strong balance sheet, improving operating efficiency, export-focused business mix, and sustained capex opportunities support a constructive long-term growth outlook.

Entry: SAMIL is a diversified, powertrain-agnostic auto ancillary company with strong leadership across business segments globally. It has presence across 44 countries and its disciplined M&A track record (47 acquisitions since 2002) have driven 128% revenue growth over 7 years against a declining global light vehicle market. This diversification insulates it from any single technology transition (ICE, hybrid, or EV), a critical edge as the industry navigates powertrain uncertainty, while vertical integration allows it to bundle solutions and cross-sell across its expanding product suite. It has a strong USD 88 bn order book (24% EV-linked), to be executed over next 5-6 years, which provides strong revenue visibility. Further, it is diversifying into higher-margin non-auto businesses like aerospace and consumer electronics which will further improve growth rates, return ratios and its strong financial profile. With ROCE improving from 8% to 18% (FY16-25) and targeting 40%, alongside a projected earnings CAGR of 25%, SAMIL offers a rare combination of scale, diversification, and a credible re-rating path — backed by a management team with a proven M&A playbook — positioning it well to convert its order book into compounding earnings growth.

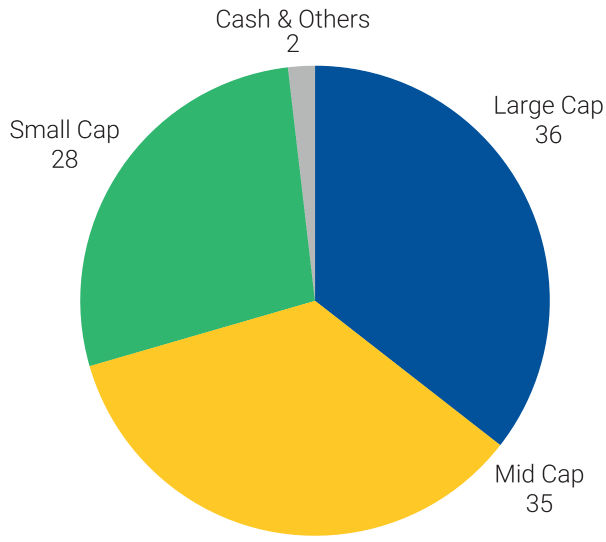
No exit during the month.

Sector Allocation (%)



Note: Numbers may not add up due to rounding

Market Capitalization (%)



Note: Numbers may not add up due to rounding

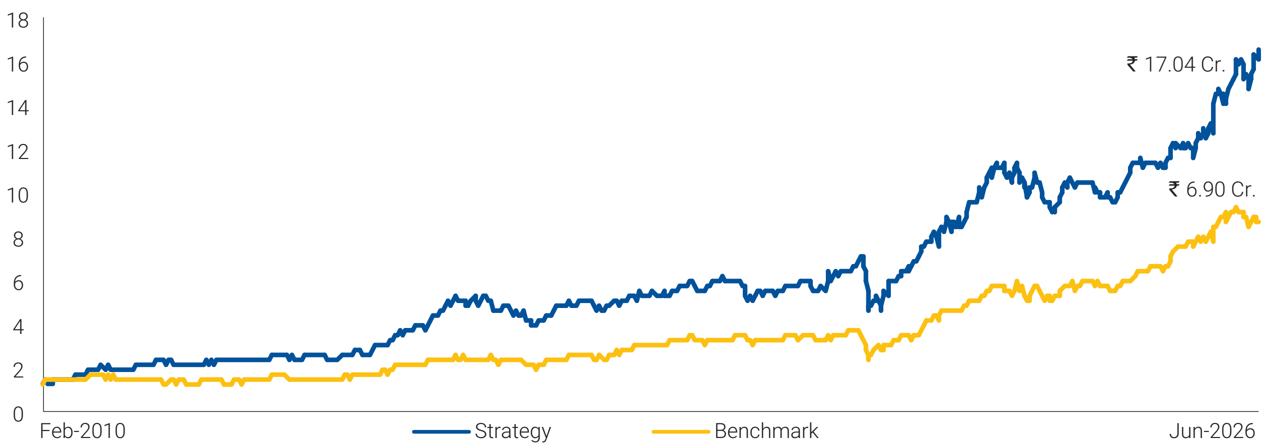
SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK

Weighted Average Market Cap	₹ 1,37,161 Cr

Key Contributors

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain/Loss (%)
MTAR Technologies Limited	1,608	7,621	374
Hitachi Energy India Limited	12,770	34,920	173
GE Vernova T&D India Limited	1,886	4,944	162

Value of ₹ 1 Crore Invested at Launch



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SUNDARAM
Emerging Leadership Fund

Objective: To seek long-term capital appreciation with investments predominantly in mid and small cap companies..

Key Features

- Bet on Sundaram's strength in the mid & small cap space; a **differentiated** yet **concentrated portfolio** positioned attractively along the cap curve.
- Multi-sector portfolio.
- Stocks with market cap less than ₹ 800 billion.
- "**EASE**" portfolio
  - i. **E**merging leaders – clean and high quality promoters / management.
  - ii. **A**sset light & High ROCE businesses are preferred.
  - iii. **S**calable companies: mid cap to large cap, small cap to mid cap transitioning companies.
  - iv. **E**xcellent cash conversion from operations.
- Identify stocks that are in early stages of their business cycle and could emerge as tomorrow's large caps.
- Wealth Multiplier Themes
  - Financialisation of the economy
  - Phygital Bluechips
  - Consumption Czars
  - Export Voyagers
  - Manufacturing Maestro

Investment Horizon

Above 3 years

Primary Benchmark

S&P BSE 500 TRI

Secondary Benchmark

Nifty Midcap 150

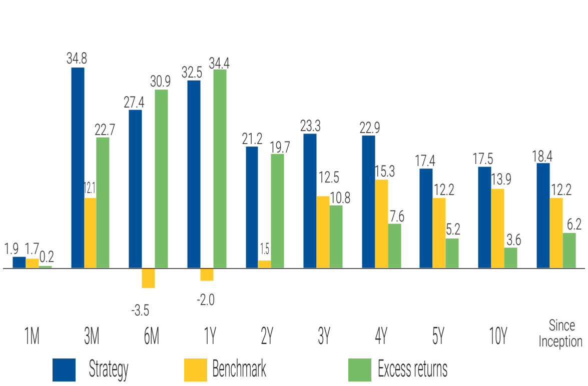
Inception

June 2010

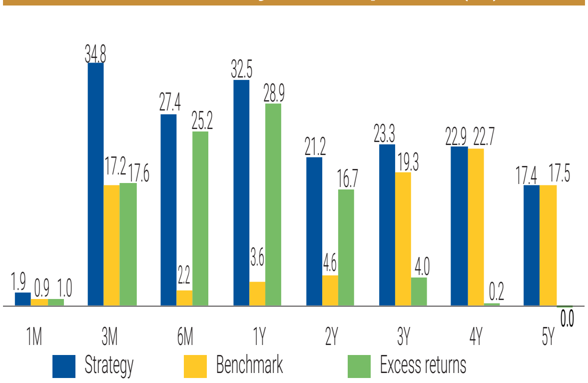
Fund Manager

Mr. Darshan Engineer

SELF vs S&P BSE 500 TRI (%)



SELF vs Nifty Midcap 150 (%)



PORTFOLIO & STOCK PERFORMANCE

Top performers in the portfolio are **Acutaas Chemicals & Cholamandalam Investment**, up ~12.6% & ~16.4% respectively**. Acutaas Chemicals** continued its re-rating journey driven by sustained earnings momentum, healthy margin expansion, and improving execution across its specialty chemicals and pharmaceutical intermediates businesses. It continues to benefit from robust demand, a diversified product portfolio, and increasing contribution from high-value specialty segments. Its strong balance sheet, capacity expansion initiatives, and growing opportunities in advanced chemistries provide confidence in long-term growth. Continued operational discipline and favourable industry tailwinds support a positive outlook, reinforcing its position as a preferred specialty chemicals play. **Cholamandalam Investment** saw a sharp recovery last month, supported by healthy business momentum and consistent execution across its diversified lending franchise. It delivered robust growth in assets under management, disbursements, and earnings, while maintaining resilient asset quality despite a cautious credit environment. Continued strength in vehicle finance, expanding presence in secured lending, and scaling of newer businesses such as gold loans reinforce its long-term growth outlook. Strong underwriting discipline and improving operating leverage support sustained earnings visibility.

Draggers to portfolios were **TD Power Systems & Hitachi Energy**, down ~6% & ~9.2% respectively. **TD Power Systems** was a dragger as it saw profit booking after its strong rally and relatively muted near-term triggers. Investor sentiment also remained cautious amid valuation concerns despite a healthy order pipeline. While the company continues to benefit from robust demand across industrial and export markets, high valuations weighed on short-term expectations. Nevertheless, its strong balance sheet, improving operating efficiency, export-focused business mix, and sustained capex opportunities support a constructive long-term growth outlook. **Hitachi Energy** underperformed following profit booking after its sharp rally and rich valuation, despite a strong long-term business outlook. Investor sentiment remained cautious amid concerns over elevated execution expectations and stretched earnings multiples, leading to near-term pressure on the stock. While the company continues to benefit from robust order inflows, expanding transmission infrastructure investments and favourable power sector demand, the market largely shifted its focus toward valuation comfort, making the stock a relative dragger for the month despite its fundamentally healthy growth trajectory.

Entry :

Jindal Stainless Limited (JDSL) is India's largest stainless steel (SS) producer, holding ~40-45% domestic market share on a 4.2 MTPA melting capacity base — up ~40% after the recent commissioning of a 1.2 MTPA Indonesia melt shop (49% JV with Tsingshan, 100% offtake) — with deepening downstream integration (HRAP/CRAP) and one of the stronger balance sheets among Indian flat-steel producers. India remains among the most structurally underpenetrated stainless-steel markets globally — per-capita SS consumption is just ~2.8 kg versus a ~5.5-6 kg global average and only 15-30% of US/China levels — even as demand has compounded at ~8% CAGR over last 15 years (1.3x real GDP growth). JDSL's volume mix is skewed toward faster-growing, higher-value ABC (architecture / building / construction), ART (auto / rail / transport) and process-industry segments (~80% of volumes), vs a broader Indian SS market that still derives ~43% of volumes from lower-value consumer durables (down from 80% in 1998, but still a drag for commodity-grade competitors). JDSL also exhibits materially lower EBITDA/t volatility and a stronger balance sheet than India's frontline carbon-steel players (Tata Steel, JSW Steel) — a differentiator that has historically supported a valuation premium for global stainless steel producers (European SS names trade at a ~25% average EV/EBITDA premium to EU carbon steel over the last decade). However, JDSL trades at ~8-9x EV/EBITDA — below recent multiples and a discount to Indian steel producers.

No exit during the month.

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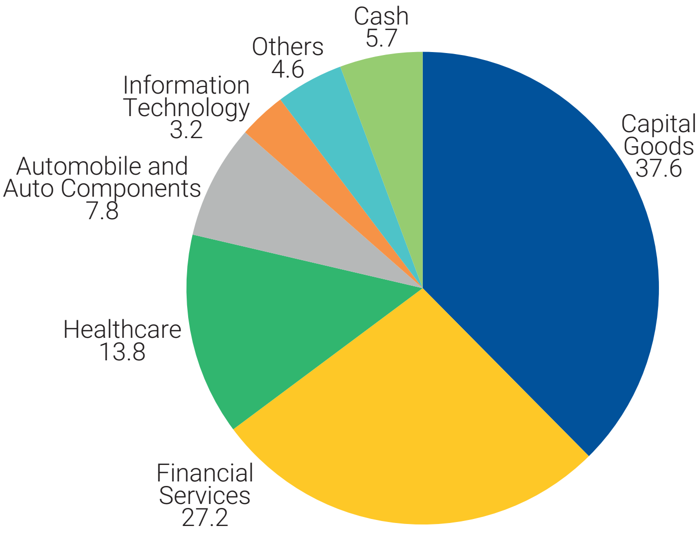
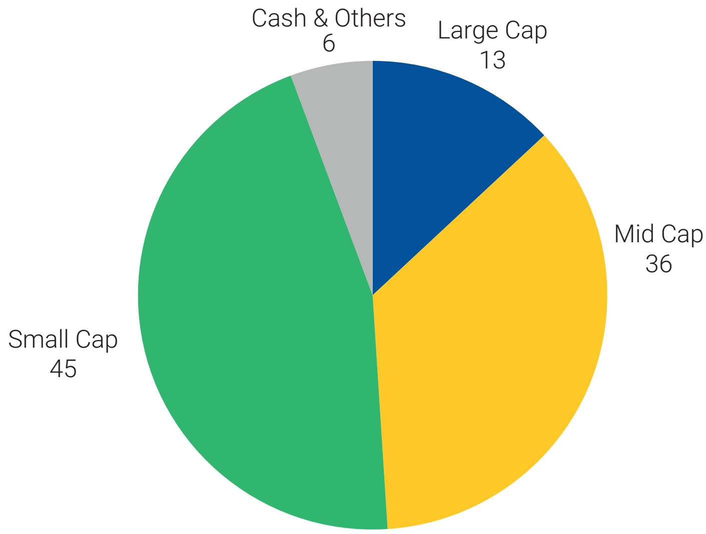
Sector Allocation (%)



Note: Numbers may not add up due to rounding

Market Capitalization (%)



Note: Numbers may not add up due to rounding

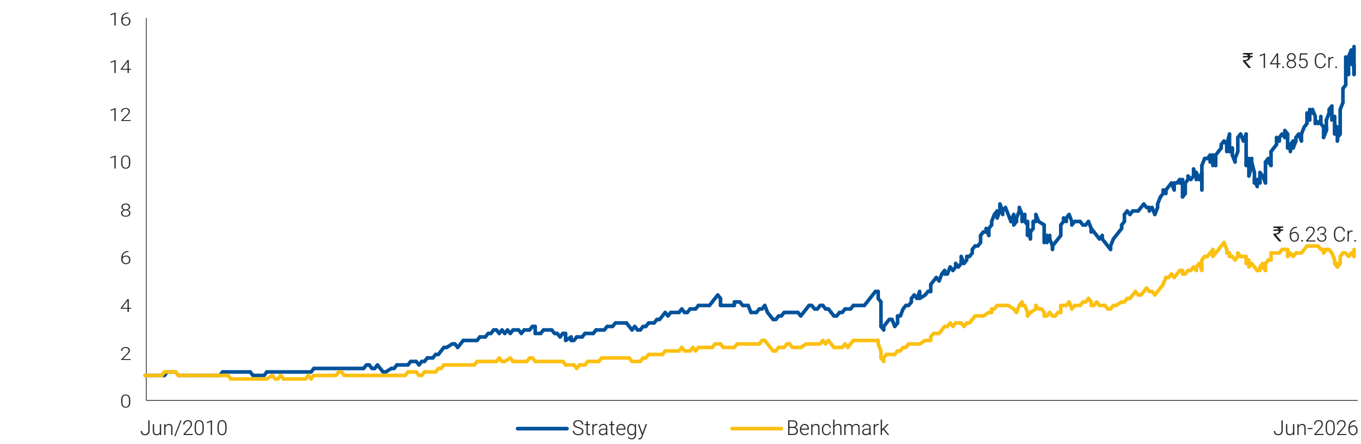
SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK

Weighted Average Market Cap	₹ 67,500 Cr.

Key Contributors

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain/Loss (%)
MTAR Technologies Limited	1,754	7,621	335
TD Power Systems Ltd	310	1,238	299
Hitachi Energy India Limited	9,727	34,920	259

Value of ₹ 1 Crore Invested at Launch



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SUNDARAM Voyager

Objective: To seek long-term capital appreciation by investing in stocks across the cap curve

Key Features

- Flexible cap curve allocation
- Diversified target portfolio with 20-25 stocks
- Two Buckets of Stocks
  1. Structural Stories
  2. Cyclical & turnaround opportunities

  Wealth Multiplier Themes
  1. Financialisation of the economy
  2. Consumption Czars
  3. Phygital Bluechips
  4. Export Voyagers
  5. Manufacturing Maestro

Investment Horizon

Above 3 years

Benchmark

S&P BSE 500 TRI

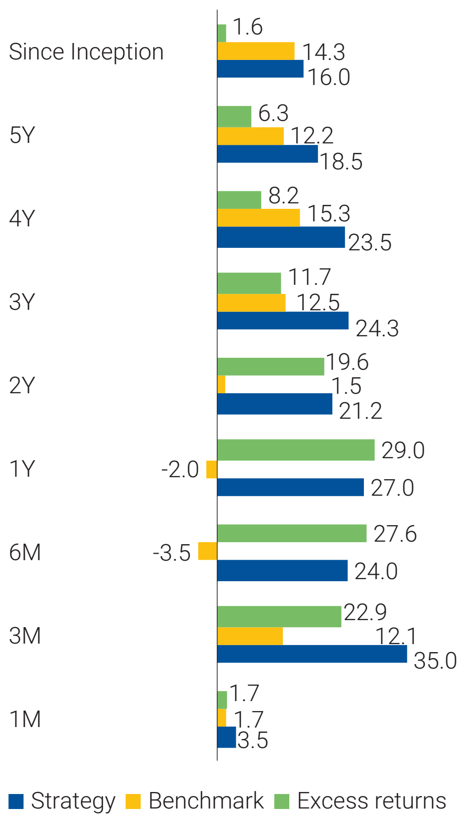
Inception

November 2016

Fund Manager

Mr. Darshan Engineer

Voyager vs S&P BSE 500 TRI (%)



PORTFOLIO & STOCK PERFORMANCE

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Draggers to portfolios were **Hitachi Energy & Persistent Systems**, down ~9.2% & ~16.7% respectively. **Hitachi Energy** underperformed following profit booking after its sharp rally and rich valuation, despite a strong long-term business outlook. Investor sentiment remained cautious amid concerns over elevated execution expectations and stretched earnings multiples, leading to near-term pressure on the stock. While the company continues to benefit from robust order inflows, expanding transmission infrastructure investments and favourable power sector demand, the market largely shifted its focus toward valuation comfort, making the stock a relative dragger for the month despite its fundamentally healthy growth trajectory. **Persistent Systems** corrected sharply during the month as investor sentiment was negative post its acquisition of Nagarro, a European ERD company, and uncertainty relating to the broader disruption from AI on IT services industry. The broader IT sector is under pressure due to cautious global technology spending and delays in discretionary digital transformation projects. While it continues to maintain a healthy deal pipeline, robust execution capabilities, and strong growth visibility over the medium term, sector-wide weakness weighed on stock performance during the month.

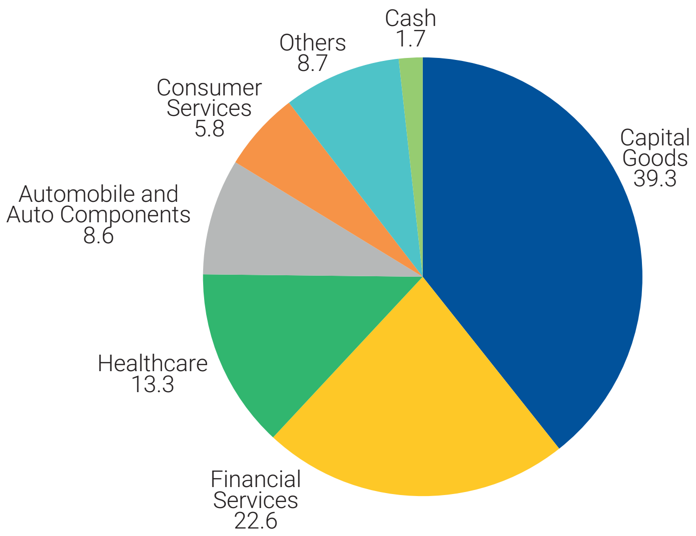
Entry :

Jindal Stainless Limited (JDSL) is India's largest stainless steel (SS) producer, holding ~40-45% domestic market share on a 4.2 MTPA melting capacity base — up ~40% after the recent commissioning of a 1.2 MTPA Indonesia melt shop (49% JV with Tsingshan, 100% offtake) — with deepening downstream integration (HRAP/CRAP) and one of the stronger balance sheets among Indian flat-steel producers. India remains among the most structurally underpenetrated stainless-steel markets globally — per-capita SS consumption is just ~2.8 kg versus a ~5.5-6 kg global average and only 15-30% of US/China levels — even as demand has compounded at ~8% CAGR over last 15 years (1.3x real GDP growth). JDSL's volume mix is skewed toward faster-growing, higher-value ABC (architecture / building / construction), ART (auto / rail / transport) and process-industry segments (~80% of volumes), vs a broader Indian SS market that still derives ~43% of volumes from lower-value consumer durables (down from 80% in 1998, but still a drag for commodity-grade competitors). JDSL also exhibits materially lower EBITDA/t volatility and a stronger balance sheet than India's frontline carbon-steel players (Tata Steel, JSW Steel) — a differentiator that has historically supported a valuation premium for global stainless steel producers (European SS names trade at a ~25% average EV/EBITDA premium to EU carbon steel over the last decade). However, JDSL trades at ~8-9x EV/EBITDA — below recent multiples and a discount to Indian steel producers.

No exit during the month.

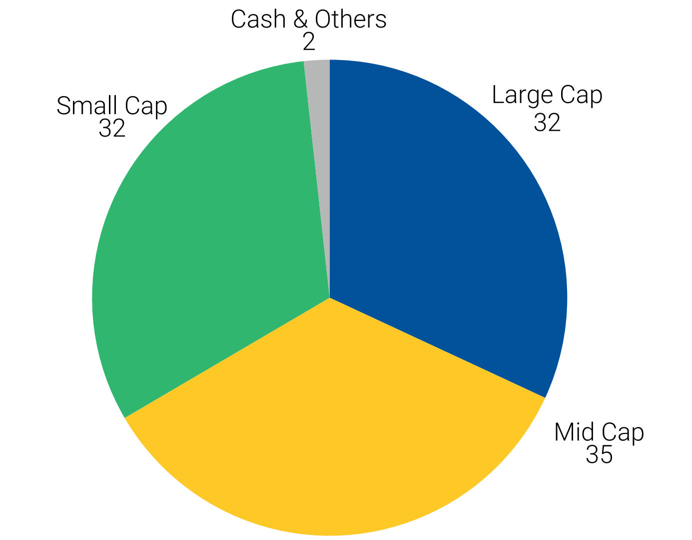
Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

Sector Allocation (%)



Note: Numbers may not add up due to rounding

Market Capitalization (%)



Note: Numbers may not add up due to rounding

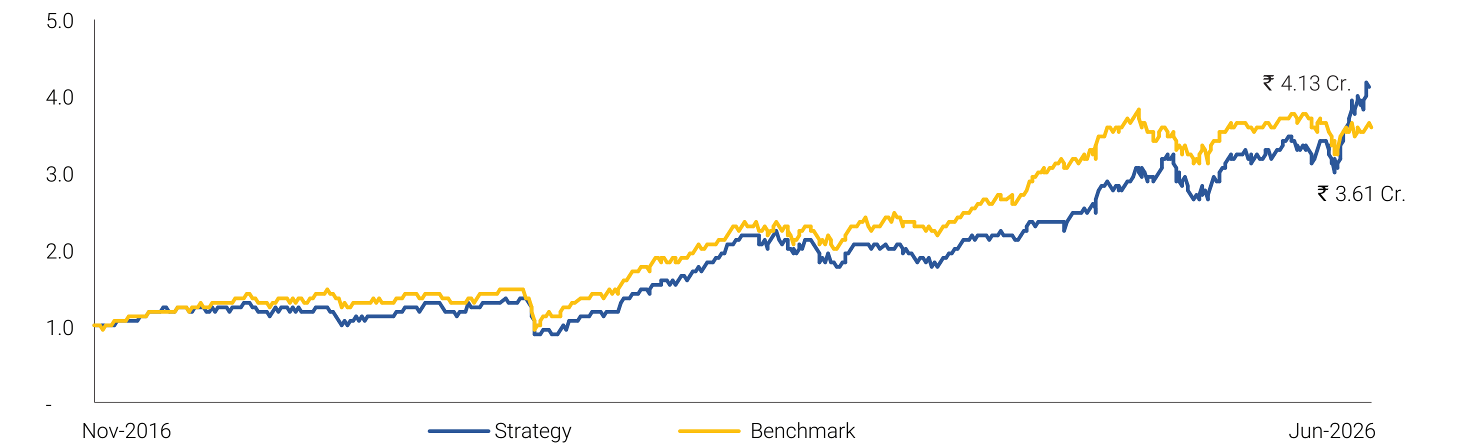
SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK

Weighted Average Market Cap ₹ 1,41,821 Cr.

Key Contributors

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain/Loss (%)
MTAR Technologies Limited	1,494	7,621	410
Hitachi Energy India Limited	12,407	34,920	181
GE Vernova T&D India Limited	2,019	4,944	145

Value of ₹ 1 Crore Invested at Launch



Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

SUNDARAM
Rising Stars

Objective: To seek long term capital appreciation by investing in companies that can be termed as smallcaps.

Target Investors: Ideal for long-term investors seeking returns through investments predominantly in small-cap stocks and are comfortable with short-term volatility.

Investment Horizon

Above 5 years

Primary Benchmark

S&P BSE 500 TRI

Secondary Benchmark

Nifty Smallcap 250

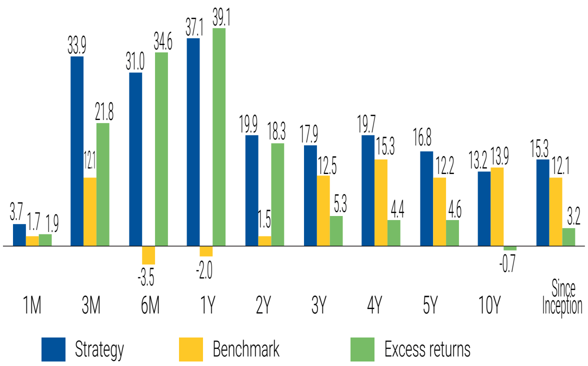
Inception

November 2009

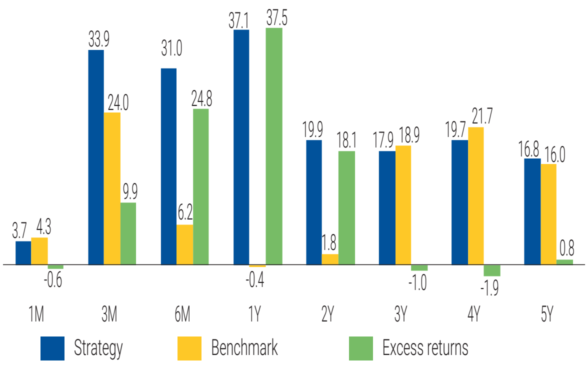
Fund Manager

Mr. Darshan Engineer

Rising Stars Vs S&P BSE 500 TRI (%)



Rising Star vs Nifty Smallcap 250 (%)



PORTFOLIO & STOCK PERFORMANCE

Top performers in the portfolio are **Acutaas Chemicals & Shriram Pistons & Rings Ltd**, up ~12.6% & ~25.4% respectively**. Acutaas Chemicals** continued its re-rating journey driven by sustained earnings momentum, healthy margin expansion, and improving execution across its specialty chemicals and pharmaceutical intermediates businesses. It continues to benefit from robust demand, a diversified product portfolio, and increasing contribution from high-value specialty segments. Its strong balance sheet, capacity expansion initiatives, and growing opportunities in advanced chemistries provide confidence in long-term growth. Continued operational discipline and favourable industry tailwinds support a positive outlook, reinforcing its position as a preferred specialty chemicals play. **Shriram Pistons & Rings Ltd** remained a strong performer with robust Q4FY26 execution and sustained business momentum. It delivered healthy growth in revenue and profitability, aided by strong demand across the automotive value chain and meaningful contributions from recently acquired businesses. Record annual performance, improving scale benefits, and integration-led synergies are expected to strengthen earnings visibility. Its diversified product portfolio, disciplined execution, and expanding presence in high-value automotive components continue to support a constructive medium-term outlook.

Draggers to portfolios were **Td Power Systems & R Systems International Ltd**, down ~6% & ~11.3% respectively. **TD Power Systems** was a dragger as it saw profit booking after its strong rally and relatively muted near-term triggers. Investor sentiment also remained cautious amid valuation concerns despite a healthy order pipeline. While the company continues to benefit from robust demand across industrial and export markets, high valuations weighed on short-term expectations. Nevertheless, its strong balance sheet, improving operating efficiency, export-focused business mix, and sustained capex opportunities support a constructive long-term growth outlook. **R Systems International Ltd** corrected sharply during the month as investor sentiment was negative post Persistent's acquisition of Nagarro, a European ERD company, and uncertainty relating to the broader disruption from AI on IT services industry. The broader IT sector is under pressure due to cautious global technology spending and delays in discretionary digital transformation projects. While it continues to maintain a healthy deal pipeline, robust execution capabilities, and strong growth visibility over the medium term, sector-wide weakness weighed on stock performance during the month.

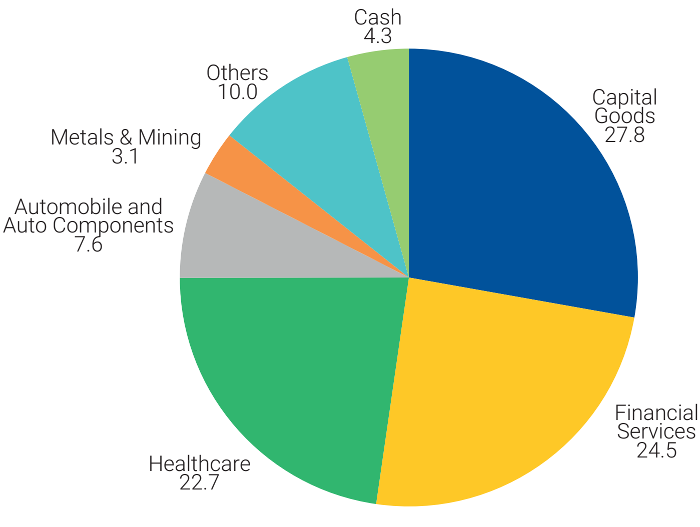
Entry:

South Indian Bank (SIB) is approaching an important inflection point in its multi-year transformation. After nearly a decade of balance-sheet repair following the corporate asset-quality cycle, it has largely finished the heavy lifting and is entering a new phase, scaling growth from a position of strength. Unlike the previous cycle, where profitability was driven by rapid corporate-led expansion and elevated risk appetite, today's franchise is being built on stronger underwriting standards, lower concentration risk, improved operating capabilities, and a more granular retail and MSME-led business mix. Credit costs have normalised from over 250 bps during stress period to around 40–45 bps, while ROA has recovered from just near zero in FY20-FY22 to ~ 1.1% in FY26. SIB's earnings profile is transitioning from turnaround-driven profitability to structurally-sustainable returns. Its benign ~50 bps credit costs, gradual NIM recovery to above 3%, robust loan growth of ~15% (led by granular, higher-yielding segments), improving fee income, and positive operating jaws should enable the bank to sustainably deliver ~ 1.2% ROA through the cycle. Current financial profile is marked by a cleaner balance sheet, stronger liability franchise, enhanced technology capabilities, and a more resilient operating model. As confidence builds around the sustainability of returns and the durability of a transformed franchise, SIB is well positioned for a valuation rerating.

No exit during the month.

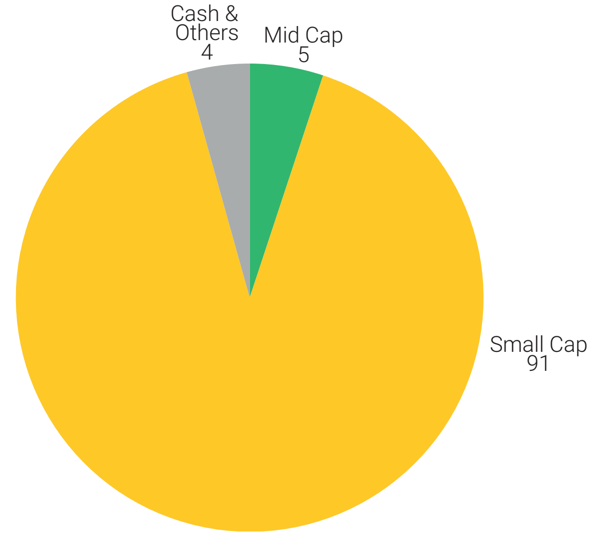
Peer performance is available under the following link of Association of Portfolio Managers in India (APMI): https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

Sector Allocation (%)



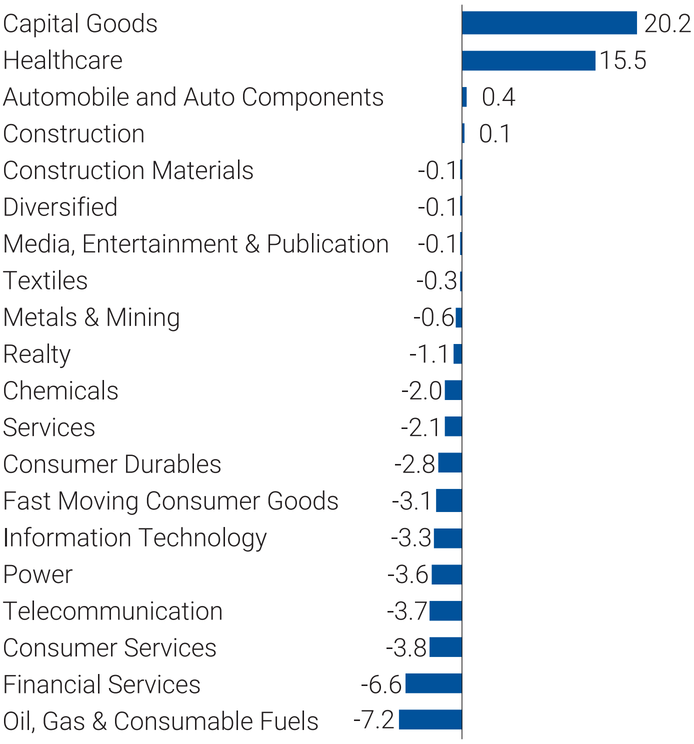
Note: Numbers may not add up due to rounding

Market Capitalization (%)



Note: Numbers may not add up due to rounding

SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK

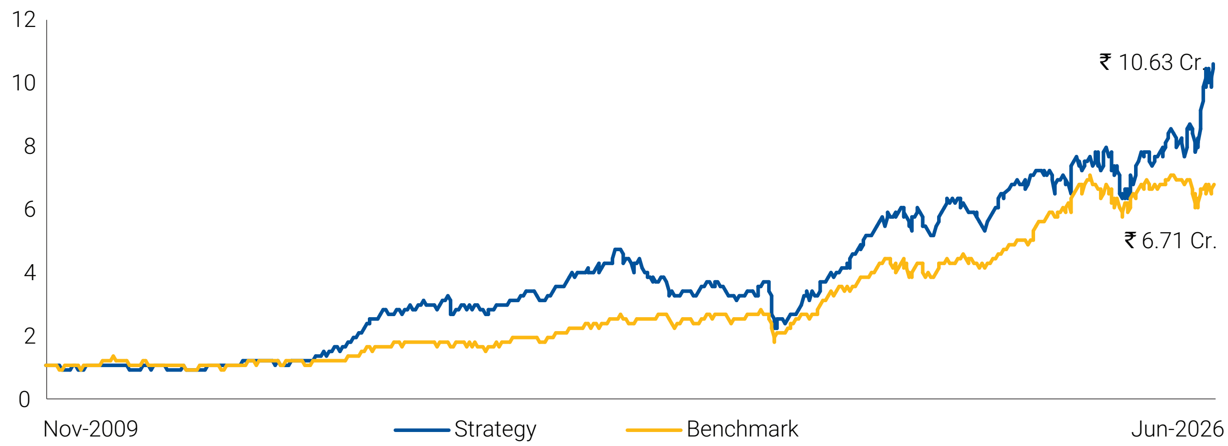


Weighted Average Market Cap	₹ 20,165 Cr

Key Contributors

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain/Loss (%)
MTAR Technologies Limited	1,622	7,621	370
Acutaas Chemicals Limited	883	3,526	299
TD Power Systems Ltd	370	1,238	234

Value of ₹ 1 Crore Invested at Launch



Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

CALENDAR YEAR PERFORMANCE (%)

SISOP

	Strategy	Benchmark	Excess return
2010	58.3	24.9	33.4
2011	1.5	-26.4	27.9
2012	25.4	33.4	-8.0
2013	6.0	4.9	1.1
2014	66.1	38.9	27.2
2015	-2.0	0.4	-2.4
2016	4.2	5.2	-1.0
2017	24.0	37.6	-13.6
2018	-4.3	-1.8	-2.4
2019	15.4	9.0	6.5
2020	25.2	18.4	6.8
2021	36.2	31.6	4.6
2022	-6.9	4.8	-11.6
2023	19.6	26.5	-6.9
2024	31.4	15.8	15.6
2025	10.9	7.6	3.2
2026 YTD	23.8	-3.5	27.3

Source: Inhouse computation

Calendar Year Performance Since Inception February 2010

S.E.L.F.

	Strategy	Benchmark	Excess return
2010	9.2	13.9	-4.7
2011	-2.9	-26.4	23.6
2012	28.7	33.4	-4.7
2013	18.3	4.9	13.4
2014	69.9	38.9	31.0
2015	3.4	0.4	3.0
2016	6.1	5.2	1.0
2017	41.8	37.6	4.2
2018	-11.6	-1.8	-9.8
2019	6.5	9.0	-2.4
2020	31.4	18.4	13.0
2021	46.3	31.6	14.7
2022	-6.8	4.8	-11.6
2023	22.8	26.5	-3.7
2024	23.2	15.8	7.3
2025	6.8	7.6	-0.8
2026 YTD	27.4	-3.5	30.9

Source: Inhouse computation

Calendar Year Performance Since Inception June 2010

Voyager

	Strategy	Benchmark	Excess return
2016	-0.9	-1.4	0.5
2017	26.1	37.6	-11.5
2018	-8.4	-1.8	-6.6
2019	15.2	9.0	6.3
2020	10.3	18.4	-8.1
2021	44.4	31.6	12.8
2022	-5.6	4.8	-10.3
2023	18.4	26.5	-8.1
2024	34.0	15.8	18.2
2025	5.8	7.6	-1.8
2026 YTD	24.0	-3.5	27.6

Source: Inhouse computation

Calendar Year Performance since November 2016

Rising Stars

	Strategy	Benchmark	Excess return
2009	-0.4	2.6	-3.1
2010	3.6	17.9	-14.3
2011	-14.7	-26.4	11.8
2012	41.6	33.4	8.2
2013	28.6	4.9	23.7
2014	75.8	38.9	36.9
2015	7.5	0.4	7.1
2016	3.9	5.2	-1.2
2017	48.6	37.6	11.0
2018	-26.9	-1.8	-25.1
2019	-1.3	9.0	-10.3
2020	13.6	18.4	-4.8
2021	54.7	31.6	23.1
2022	-0.2	4.8	-5.0
2023	19.5	26.5	-7.1
2024	7.9	15.8	-7.9
2025	6.2	7.6	-1.5
2026 YTD	31.0	-3.5	34.6

Source: Inhouse computation

Calendar Year Performance Since Inception November 2009

TOP HOLDINGS

SISOP

Polycab India Limited	Large Cap
Cholamandalam Invest. & Fin. Co. Ltd.	Large Cap
Titan Industries Limited	Large Cap
GE Vernova T&D India Limited	Mid Cap
KEI Industries Limited	Mid Cap
Bharat Heavy Electricals Ltd	Mid Cap
MTAR Technologies Limited	Small Cap
TD Power Systems Ltd	Small Cap
Neuland Laboratories Ltd	Small Cap

S.E.L.F.

Cholamandalam Invest. & Fin. Co. Ltd.	Large Cap
Polycab India Limited	Large Cap
Bharat Heavy Electricals Ltd	Mid Cap
KEI Industries Limited	Mid Cap
Hitachi Energy India Limited	Mid Cap
TD Power Systems Ltd	Small Cap
MTAR Technologies Limited	Small Cap
Acutaas Chemicals Limited	Small Cap

Voyager

Cholamandalam Invest.& Fin. Co. Ltd.	Large Cap
Polycab India Limited	Large Cap
Mahindra & Mahindra Ltd	Large Cap
GE Vernova T&D India Limited	Mid Cap
Bharat Heavy Electricals Ltd	Mid Cap
KEI Industries Limited	Mid Cap
MTAR Technologies Limited	Small Cap
Acutaas Chemicals Limited	Small Cap
Neuland Laboratories Ltd	Small Cap

Rising Stars

KEI Industries Limited	Mid Cap
Acutaas Chemicals Limited	Small Cap
Td Power Systems Ltd	Small Cap
MTAR Technologies Limited	Small Cap

Performance Measures – Since Inception

SISOP

Instruments	Strategy	Benchmark
Arithmetic Mean	18.6	13.1
Annualised Standard Deviation	16.2	16.0
Beta	0.8	-
Sharpe Ratio	0.7	0.4
Correlation	0.8	-
Alpha	6.6	-
Tracking Error	9.7	-
Up capture Ratio	105.2	-
Down capture Ratio	76.1	-

S.E.L.F.

Instruments	Strategy	Benchmark
Arithmetic Mean	18.1	12.8
Annualised Standard Deviation	15.6	16.0
Beta	0.8	-
Sharpe Ratio	0.7	0.4
Correlation	0.8	-
Alpha	6.5	-
Tracking Error	9.5	-
Up capture Ratio	107.2	-
Down capture Ratio	80.1	-

Voyager

Instruments	Strategy	Benchmark
Arithmetic Mean	16.3	14.7
Annualised Standard Deviation	17.0	16.1
Beta	0.9	-
Sharpe Ratio	0.6	0.5
Correlation	0.9	-
Alpha	2.1	-
Tracking Error	8.0	-
Up capture Ratio	111.6	-
Down capture Ratio	112.2	-

Rising Stars

Instruments	Strategy	Benchmark
Arithmetic Mean	15.5	12.8
Annualised Standard Deviation	15.8	16.0
Beta	0.7	-
Sharpe Ratio	0.5	0.4
Correlation	0.7	-
Alpha	4.4	-
Tracking Error	11.9	-
Up capture Ratio	96.8	-
Down capture Ratio	78.6	-

1 Sectoral concentration

Across all strategies, as on June 2026, we are overweight on Capital goods, especially the power sector value chain, where there is strong earnings visibility for the next 3-5 years.

Thereafter, we have an overweight stance on NBFCs where we believe there is an improvement in asset quality and earnings growth profiles in the coming years.

In addition, we are positive on auto and auto ancillaries. However, our exposure is limited right now to a few companies which have done well for us. On healthcare, we have limited exposure to a few companies.

We face risk from high concentration on a few sectors like capital goods and NBFCs.

In case of Capital Goods, valuations have run up and hence there is increased risk in terms of downside amid emerging sector headwinds such as regulations or increased competition from Chinese firms in future. Similarly, we have high exposure to NBFCs. If a new round of adverse asset quality issues emerge, there can be significant downside risk to our positions in this sector.

Our exposure to auto and healthcare is limited right now. However, they can see risks from increased competition and higher raw material prices of steel, copper, chemicals, etc. hence, they face a risk of higher RM cost which they may not be able to pass on to their customers.

2. Market cap risk

We currently are tilted more towards mid-cap and small-caps. During volatile times seen in last 2 months, small and mid-caps tend to correct more than large-caps. Hence, our portfolios are accordingly at higher risk of drawdowns compared to benchmarks which is more large-cap oriented.

3. Macro risks

INR has been under continuous pressure since the initial tariff announcement in Apr 2025 and has depreciated against the USD from 84 to 90+ now over the past 1 year. This INR weakness is now getting reflected in domestic liquidity. Already, bond yields have strengthened from 6.2% in May 2025 to 6.6% now. Aggravated by worries around fiscal deficit, this has led to a prolonged bear market in bonds which is now percolating to the equity markets as well.

FPIs have been net sellers for a while now and seen cumulative net outflows of USD 16+ bn in YTD CY25. While DIIs have held up and seen cumulative net inflows of USD 136 bn in YTD CY25. A big part of this flow is the one-way rise in SIPs which are reaching ~ USD 3.5-4 bn every month. However, as these SIPs don't see returns for 12 months and more, they also turn circumspect. Local investors spooked by liquidity stress are also in a risk-off mode.

The RBI's efforts to bring stability through liquidity enhancing measures and rate cuts are temporary solutions, as CAD and BoP pressures remain intact. India-US trade deal remains critical to the INR stability. Till that deal is not signed, the markets are likely to remain muted and volatile in the short-term.

Steps to mitigate risks

A majority of our portfolio companies' results were strong with above-consensus earnings and a positive outlook on future earnings growth in Q2FY26. Hence, we remain positive on our longer-term portfolio performance and not exiting from them, which is what our strategies are designed to do in the medium-to-long-term. In addition, even early Q3FY26 trends indicate that the portfolio holding companies continue to report strong financials.

We have been cautious when it comes to deploying incremental capital. For old clients, we have gradually exited from some positions where the investment thesis was not playing out. At the same time, we trimmed weights in some of our winning positions as a part of risk management. However, since we continue to hold a positive long-term view on them, we have not completely exited from those positions. For new clients, we have been slow in deploying capital and using such corrections to increase weights in our positions.

During the last few months, we have also deliberately avoided certain sectors that promised high growth but where valuations were too expensive.

We continue to maintain the following tenets while managing portfolios for our clients –

- Maintain our long-term positioning, as a majority of our portfolio companies continue to deliver strong earnings and supportive management commentary.
- Gradually reduce weights in select names where valuations have become elevated, to manage potential de-rating risk.
- Move out of positions whose investment thesis are not working out.
- Add new stocks to the portfolio, which meet our risk-reward criteria and offer similar medium-term earnings-led growth profile.
- Thus, we expect steady churn in our portfolios to keep the performance stable. Over time, aim is to create a resilient portfolio which is diversified in terms of sectors and market caps.
- We believe that bottom-up stock selection is the way forward. Hence, it would be appropriate to create a portfolio in a bottom-up manner identifying stocks with good risk-reward metrics and margin of safety in terms of valuations, across sectors. That said, tactically, there are emerging opportunities in small and mid-cap space, now that they have corrected meaningfully from their highs.

CUSTOMER SERVICES

Reporting Statements and Servicing: Monthly performance Statements Transactions, Holding & Corporate action reports, Annual CA certified Statement of the account & Online access

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DISCLAIMER

Performance numbers for a period less than 1 year are absolute returns.

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SUNDARAM ALTERNATES
Sundaram Finance Group

Sundaram Alternate Assets Limited

SEBI Registration No.: INP00000627

CIN: U65990TN2018PLC120641 | **Registered Office:** 21, Patullos Road, Chennai 600 002

Corporate Office: Alamelu Terrace, 3rd floor, 163, Anna Salai, Mount Road, Chennai 600 002.

Phone no: +91 7305529179 / +91 7305744425

Mumbai Office: Unit No. 002, Ground floor, B (West) Wing, Satellite Gazebo, Andheri Ghatkopar Link Road, Chakala, Andheri East, Mumbai – 400093.

Email: support@sundaramalternates.com | www.sundaramalternates.com