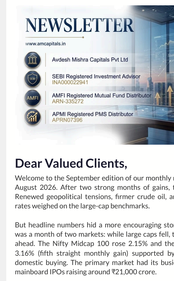
Avdesh Mishra CAPITALS



Dear Valued Clients,

Welcome to the September edition of our monthly newsletter, where we review August 2026. After two strong months of gains, the market took a breather. Renewed geopolitical tensions, firmer crude oil, and worries over US interest rates weighed on the large-cap benchmarks.

But headline numbers hid a more encouraging story beneath the surface. This was a month of two markets: while large caps fell, the broader market powered ahead. The Nifty Midcap 100 rose 2.15% and the Nifty Smallcap 100 gained 3.16% (fifth straight monthly gain) supported by solid earnings and steady domestic buying. The primary market had its busiest month of 2026, with 21 mainboard IPOs raising around ₹21,000 crore.

Foreign investors stayed constructive, deploying roughly ₹20,000 crore for the second month running. The RBI held the repo rate steady in its August meeting.

In this edition, we break down August with data, and in AMC Ki Paathshala we explain "defensive" sectors – why they matter, and why even they aren't a guaranteed safe harbour.

Market Pulse:

August was a mixed month. The divergence between large caps and the broader market was the story of August. Domestic investors continued to find value in mid and small-cap names even as the heavyweight indices paused.

Nifty 50 (Aug)	Nifty Midcap 100	Nifty Smallcap 100
-1.24%	+2.15%	+3.16%
Snapped 3-month winning streak	5th straight monthly gain	Broader market outperformed

On the sector map the standout laggard was FMCG, which tumbled 6.27% as input-cost inflation in palm oil, crude derivatives and sugar squeezed margins, pushing HUL, ITC, Dabur, Emami and Godrej Consumer to 52-week lows.



Key Macro Indicators – August 2026

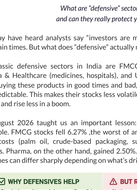
Key Macro Indicators – August 2026

Indicator	August 2026	Trend
RBI Repo Rate	5.25%	Held; next MPC Oct-D-I
CPI Inflation (Jul print)	4.45%	Highest since Dec 2024
Brent Crude (range)	~$90 / bbl	+27% above pre-war levels
INR / USD	~84	Under pressure from crude
GDP Forecast (FY27)	6.6%	RBI estimate
Inflation Forecast (FY27)	5.0%	Peak seen in Oct-Dec quarter

Source: AMFI · Note: Figures as applicable and subject to revision ahead of August 2026

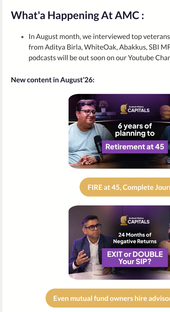


CPI inflation has now risen for six straight months off February's low of 3.21%, reaching 4.45% in July, above the RBI's 4% target. The rise has been driven by food (5.32%) and the delayed pass-through of higher crude oil into transport costs (4.43%). Encouragingly, the July increase was the smallest of the six-month run, and the RBI expects inflation to peak in the October-December quarter before easing. Even so, a near-term rate cut now looks off the table.



On the domestic flows front, SIP contributions have stayed above ₹30,000 crore for seven consecutive months and Aug'26 recorded the highest SIP inflows ever!

AMC View On Market :



Continue your SIPs without interruption, They are working exactly as designed through this choppy phase. For fresh allocation, we favour flexi-cap/Multicap funds where valuations are more comfortable; we remain cautious on small-caps, which still trade well above long-term average valuations. Given the inflation and geopolitical backdrop, a gold allocation of around 10% continues to make sense as portfolio insurance.

AMC Ki Paathshala:

What are "defensive" sectors,
and can they really protect you?

You may have heard analysts say "investors are moving to defensives" during uncertain times. But what does "defensive" actually mean?

The classic defensive sectors in India are FMCG (soaps, food, toothpaste), Pharma & Healthcare (medicines, hospitals), and Utilities (power, gas). People keep buying these products in good times and bad, so their earnings are stable and predictable. This makes their stocks less volatile i.e. they typically fall less in a crash and rise less in a boom.

But August 2026 taught us an important lesson: defensive does NOT mean invincible. FMCG stocks fell 6.27% ,the worst of any sector, because a surge in input costs (palm oil, crude-based packaging, sugar) squeezed their profit margins. Pharma, on the other hand, gained 2.56%. So even within "defensives," outcomes can differ sharply depending on what's driving the market.

WHY DEFENSIVES HELP

- Steady demand – people buy soap & medicine in any market
- Lower volatility – they fall less when markets drop
- Dividends – many pay regular, reliable dividends

BUT REMEMBER

- Not immune – FMCGs fell 6.27% in Aug on cost inflation
- Slower growth – they lag in strong bull markets
- Valuations matter – even defensives can get expensive

Key takeaway: Defensive sectors are a useful shock-absorber in a diversified portfolio, but they are not a magic shield. The real protection comes from diversification across sectors, market caps and asset classes which your diversified mutual fund and SIP already provide.

What's Happening At AMC :

- In August month, we interviewed top veterans of Mutual Fund Industry from Aditya Birla, WhiteOak, Abakkus, SBI MF etc for our Podcast. The full podcasts will be out soon on our Youtube Channel.

New content in August'26:



FIRE at 45, Complete Journey.



Even mutual fund owners hire advisors. Here is why.

Our podcast series "Financial Freedom with AMC", "The Architects Room" and "Beyond MF" are live on our YouTube channel @AvdeshMishraCapitals.

These help our audience learn clear, actionable strategies to achieve Financial Independence and understand products beyond mutual funds (SIF, PMS, AIF, UCITS). DO subscribe and like our channel, and let us know your feedback.

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