pmsbazaar
MILLION to BILLION

Newsletter

AUG 2026. Issue 95

THE ESSENCE OF INVESTMENT MANAGEMENT IS THE MANAGEMENT OF RISKS, NOT THE MANAGEMENT OF RETURNS.

— Benjamin Graham

Exclusive Coverage

CHANAKYA capital

Global Economy

July 2026 saw heightened volatility as the Middle East ceasefire was cancelled, pushing crude oil prices toward USD 100. However, diplomatic progress and strong corporate earnings supported global equities. Meanwhile, the IMF lowered its 2026 global growth forecast slightly to 3.0% from 3.1%, reflecting a softer growth outlook.

In the United States, business activity strengthened in July 2026, with the S&P Global Manufacturing PMI holding at 53.9, while the Composite PMI rose sharply to 54.5 from 51.9 and the Services PMI climbed to 54.6 from 51.2, indicating a broad-based expansion. Despite the stronger economic activity, U.S. equity markets delivered mixed performance, with the Dow Jones rising 0.34% and the S&P 500 gaining 0.09%, while the Nasdaq Composite declined 2.56%, weighed down by weakness in technology stocks.

In Europe, economic activity strengthened in July 2026, with the S&P Global Eurozone Manufacturing PMI rising to 51.9 from 51.4, the Composite PMI improving to 52.0 from 50.0, and the Services PMI increasing to 51.7 from 49.4, marking its highest level in five months. The improving business sentiment was reflected in equity markets, where the FTSE 100 led regional gains with a 3.72% increase, followed by the DAX (2.35%) and the CAC 40 (2.07%). The Euro Stoxx 50 also advanced 1.20%, indicating broad-based strength across major European markets.

In Asia, economic indicators painted a mixed picture in July 2026. In China, business activity moderated as the RatingDog Manufacturing PMI eased to 50.9 from 51.7, while the Services PMI fell to 50.4 from 54.1 and the Composite PMI declined to 50.8 from 53.6. Reflecting the softer macroeconomic backdrop, the Shanghai Composite fell 6.81%, although the Hang Seng Index outperformed regional peers with a 12.27% gain.

In Japan, the S&P Global Manufacturing PMI was revised down to 54.5, while the Composite and Services PMIs eased to 52.7 and 51.2, respectively, indicating slower but continued expansion in business activity. The weaker sentiment was reflected in equity markets, with the Nikkei 225 declining 8.67%. Elsewhere in the region, the Taiwan TWII fell 8.29%, while South Korea's Kospi recorded the sharpest decline among major Asian indices, dropping 20.57%.

Indian Economy

July 2026 brought heightened uncertainty as the cancelled Middle East ceasefire pushed Brent crude higher, stoking import-inflation fears. However, sentiment revived quickly whenever fresh peace talks emerged. Backed by strong corporate earnings and solid macro fundamentals, India demonstrated impressive overall resilience throughout the turmoil.

The Reserve Bank of India (RBI) kept the repo rate unchanged at 5.25% for the fourth consecutive meeting, with the Monetary Policy Committee (MPC) unanimously retaining its neutral policy stance, in line with market expectations. The decision reflects the RBI's preference for policy continuity until clearer signs of sustained disinflation emerge. Inflation remains within the RBI's 2–6% tolerance band, although headline CPI rose to 4.4% in June, above the 4% target, and is projected at 5.0% for FY2026–27.

Despite inflationary pressures, India's growth outlook remains resilient. The RBI projects real GDP growth at 6.7% for FY2026-27, with momentum expected to remain strong as growth is forecast at 7.3% in the first quarter of FY2027-28.

Economic activity moderated slightly in July, with the HSBC Manufacturing PMI easing to 53.5 from 54.2 in June. The Services PMI was revised to 53.3, while the Composite PMI stood at 54.3, its lowest level since March 2022. Despite the moderation, all three indices remained above the 50-mark, signalling continued economic expansion.

Indian equity markets delivered positive returns in July 2026, led by large-cap stocks. The Nifty 100 emerged as the best-performing benchmark with a gain of 2.49%, followed by the Nifty 50 (2.36%) and the Sensex (2.28%). The broader Nifty 500 advanced 2.20%, while the Nifty Midcap 150 and Nifty Smallcap 250 gained 1.73% and 1.28%, respectively, highlighting the relative outperformance of large-cap equities during the month.

Institutional flows remained divergent in July 2026. FIIs were net sellers, purchasing over ₹328,000 crore and selling over ₹334,000 crore, resulting in a net outflow of nearly ₹5,800 crore. In contrast, DIIs remained strong net buyers, purchasing over ₹407,000 crore against sales of over ₹372,000 crore, leading to a net inflow of over ₹35,000 crore. Strong domestic buying more than offset foreign selling, supporting the Indian equity markets.

Happy Investing!!

PMS Bazaar Research Team.

About Chanakya Capital and Fund Management Team

Chanakya Capital is a SEBI registered Portfolio Management Service, founded in 2018 and focused on high conviction, research driven equity investing. The firm has managed investor capital in its equity strategy since August 2018 and is headquartered in Mumbai.

Chanakya manages capital for High-Net-Worth Individuals, family offices, and sophisticated investors seeking long term wealth creation through disciplined portfolio construction. The firm operates across two lines of business: a SEBI registered Portfolio Management Service in India, and Chanakya Growth Fund, an open-ended Category III Alternative Investment Fund at GIFT IFSC for non-resident and overseas investors.

The founding team brings over 80 years of combined experience advising institutions in India and globally, and the senior team together carries more than 100 years of leadership experience across equity research, banking, investment banking, and institutional fundraising. A high percentage of the fund managers' own net worth is invested alongside that of investors.

Chanakya's evolution has been steady and milestone driven. The firm received its SEBI Portfolio Manager registration, INP000006040, and has managed investments in the strategy since 13 August 2018. It subsequently established a branch at GIFT IFSC, from which it operates Chanakya Growth Fund with a dedicated Principal Officer and Compliance Officer for the GIFT branch.

Investment Team

Rajesh Tiwari [Chief Investment Officer and Principal Officer]
Chanakya Capital Services Private Limited
Rajesh brings over 30 years of experience in banking, credit, and equity investments, and has held senior leadership roles at UTI and Axis Bank. He has advised global institutional investors on their India allocation. As Chief Investment Officer, he leads the firm's research and stock selection process and is a Fund Manager for Chanakya Growth Fund. He holds an MBA from IIM Ahmedabad and a PhD in Finance from the University of North Texas.

Gautami Desai [Fund Manager and Chief Operating Officer]
Chanakya Capital Services Private Limited
Gautami has over 20 years of experience in equity research and portfolio management, and has managed multi-billion rupee equity portfolios. She brings extensive experience in bottom-up fundamental research and is a Fund Manager for Chanakya Growth Fund, alongside responsibility for the firm's operations. She holds a BE and an MMS in Finance.

Varsha Valecha [Senior Vice President, Investments]
Chanakya Capital Services Private Limited

Varsha has over 30 years of experience in investment banking and Indian equities, and has managed fundraising mandates and M&A for organisations such as Infosys, Hindalco, and HCL Technologies. She was previously associated with Enam, Royal Bank of Scotland, and Edelweiss. She holds a B.Com and a Masters in Management Studies from Mumbai University.

Venkat [Chief Business Officer (Sales) & Principal Officer, GIFT Branch]
Chanakya Capital Services Private Limited

Venkat has 25 years of experience in institutional fundraising and alternatives across PMS, AIF, private equity, and portfolio advisory, and has raised over Rs. 500 crore from family offices, corporates, NBFCs, and institutional pools. He was previously associated with TIW Capital Group, ICICI Securities, and L&T Mutual Fund, and brings deep relationships with UHNIs, family offices, and institutional allocators. He holds an MBA from ICFAI Business School and a Strategic Management qualification from IIM Kashipur.

Vivek Jain [Equity Research Analyst and Compliance Officer]
Chanakya Capital Services Private Limited

Vivek has 7 years of experience in equity research, business finance, audit and taxation, and was previously associated with Bharat Petroleum and Chaturvedi & Shah. His expertise spans valuation, financial due diligence, company law, taxation, and accounting and auditing standards. He is a Chartered Accountant (ICAI) and holds a B.Com from MDSU University.

Avish Bhansali [Equity Research Analyst & Compliance Officer, GIFT Branch]
Chanakya Capital Services Private Limited

Avish has 5 years of experience in equity research, auditing, taxation, business finance and management, and focuses on the auto ancillaries, capital goods, power, and bearing industries. He is a Chartered Accountant (ICAI) and holds a B. Com from Gujarat University.

About Investment Philosophy, Investment Approach and Process

Investment Philosophy

Chanakya's purpose is to enable its investors to become wealthy. The firm's investment philosophy is to partner with innovative companies to create wealth for investors. Innovation takes many forms, including product innovation and organisational innovation, but the most meaningful and lasting innovation centres around trust, among customers and employees, in the long-term future of the company. Chanakya makes money for its investors by developing a deep understanding of the quotient of trust and the process of innovation in its investee companies.

This translates into a concentrated, high conviction portfolio in which the top 15 companies typically comprise around 80 per cent of holdings, because positions are taken only after complete clarity and on assumptions the team is convinced about.

Investment Process

Every Chanakya investment runs through the same five stage process:

- **Idea Generation -** Identifying turnarounds and companies shifting orbits, and understanding innovation in products and services through ground research.
- **Ground Research -** Every company is observed closely for at least two years before any investment is made, giving a 360-degree view of the business.
- **Valuation -** Discounted cash flow valuation over a very long term, weaving the qualitative aspects of a business into the numbers.
- **Margin of Safety -** No investment is made without a sufficient margin of safety; however attractive a company may appear on the outside.
- **Optimisation -** A proprietary, empirical algorithm times entries and invests gradually to ensure better pricing across market cycles. Portfolio weights are a function of the quality of management and the margin of safety, that is the long-term return estimated by the team, with risk limits derived from both. Mathematics is used to analyse past investment data and continuously refine these parameters.

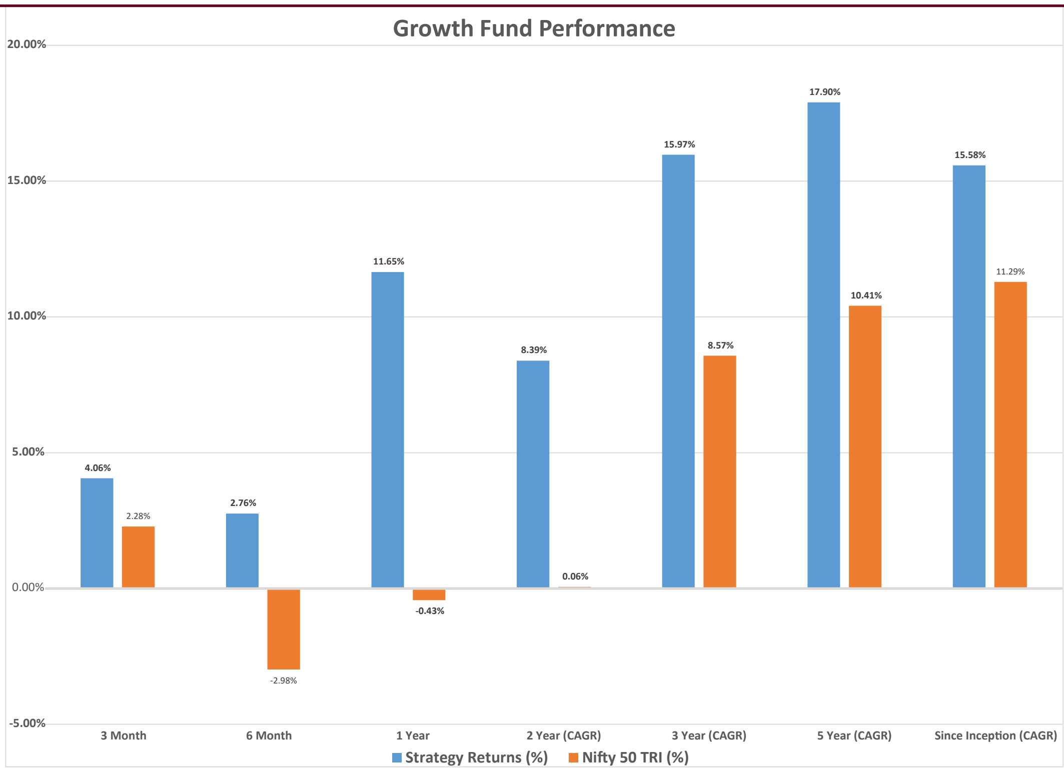
CHANAKYA PMS: INVESTMENT APPROACH & PORTFOLIO SNAPSHOT

As on 31st JULY, 2026

About the Investment Approach: Chanakya's PMS is a long only, high conviction Indian equity strategy. Stocks are valued on the first principles of quality of ownership and management, value system and vision, and business model and long-term competitiveness. The firm never invests in a company that short changes minority investors or makes other financial or governance transgressions. The result is a balanced mix of good businesses with quality management and turnaround companies available at great value, with easy liquidity and no exit load.

Universe: Listed Indian equities, including holding companies available at a 50 to 80 per cent discount to NAV.

TRAILING RETURNS VS BENCHMARK (Nifty 50 TRI)



Since Inception is 13.08.2018

Portfolio performance shown above is as on 31st July 2026 and is net of all expenses and fees. Returns for one year or less are on an absolute basis, while returns for periods longer than one year are annualised using the Time Weighted Rate of Return (TWRR) methodology. Past performance is not indicative of future results and returns are not verified by SEBI.

CHANAKYA GROWTH FUND, GIFT IFSC: INVESTMENT APPROACH

About the Investment Approach: Chanakya Growth Fund is an open ended, Category III Alternative Investment Fund at GIFT IFSC, managed by Chanakya Capital Services Private Limited (IFSC Branch) and benchmarked to the NIFTY 50 TRI. At least 85 per cent of the portfolio is invested in listed Indian equities, with a maximum of 15 per cent in unlisted Indian equities and a maximum of 15 per cent in global equities. The open-ended structure necessitates investment in low impact cost stocks, achieved through appropriate portfolio structure and stock selection. Selective allocations are made to high quality global stocks in knowledge and service businesses at an adequate margin of safety, and to Indian stocks very close to IPO.

The fund carries zero external leverage, so investors will never receive a margin call. Principal and profits are withdrawable at any time, investments are highly liquid, and there is no exit load. The fund is based in a strong jurisdiction, giving investors powerful legal recourse.

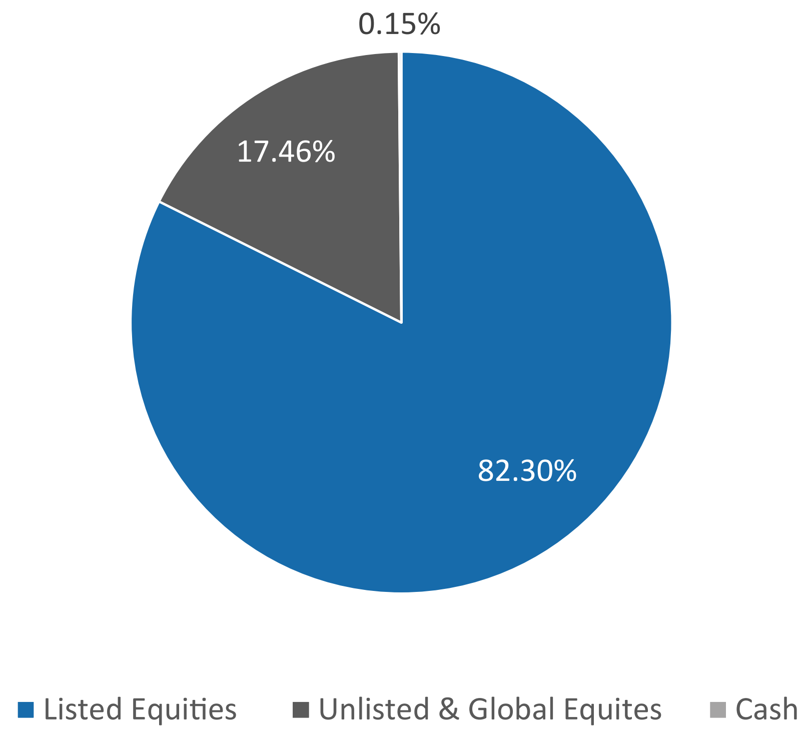
Universe: Listed Indian equities, selective unlisted Indian equities, and selective global equities.

Who can Invest: Targeted investors include, but are not limited to, sophisticated and private investors such as non resident Indians, family offices, government institutions, corporates, public sector undertakings, private banks, insurance companies, global development financial institutions, multilateral organisations, institutional investors, and accredited investors, in each case from FATF compliant jurisdictions. The fund is not available for subscription by resident Indians, and for investors based in the UAE only reverse solicitation is permitted.

PRINCIPAL TERMS – CHANAKYA GROWTH FUND (GIFT IFSC)

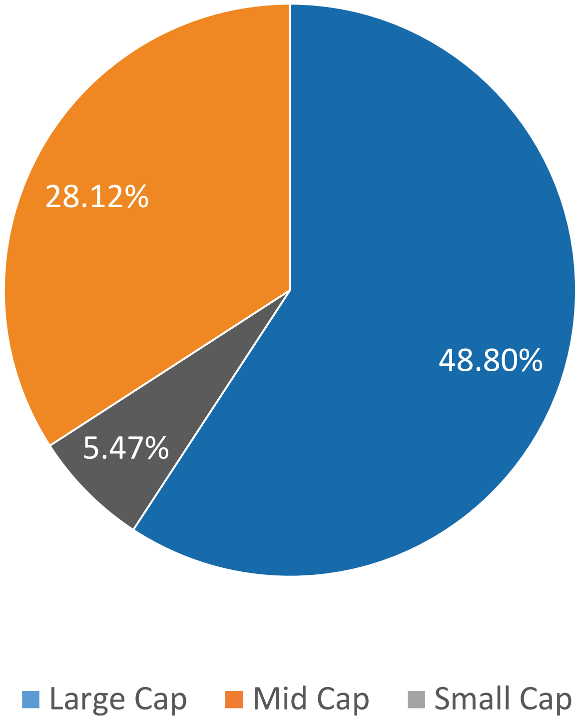
Particulars	Details
Type of Scheme	Open-ended, Category III AIF
FME	Chanakya Capital Services Pvt. Ltd. (IFSC Branch)
Benchmark	NIFTY 50 TRI
Minimum Commitment	USD 150,000
Management Fee	2% p.a.
Performance Fee	20%, subject to an 8% hurdle rate
Lock-in / Exit Load	Nil

PORTFOLIO COMPOSITION



Rounded off to nearest decimal place.

MARKET CAPITALISATION



FINANCIAL METRICS

Financial Metric	June 30, 2026
Average Market Cap (₹ lakh Crore)	2.59
Average P/E	19.75
Weighted Average Margin of Safety – Chanakya's Estimate(%)	300%

IMPORTANT RATIOS (3 YEARS)

Ratios (3Y)	June 30, 2026
Standard Deviation	17.70
Jensen's Alpha (%)	17.66%
Beta	9.64
Sharpe Ratio	0.79
Correlation	0.68

Conservative risk parameters overall. In light of return measures such as absolute return or risk adjusted active return, these numbers place Chanakya in the top league of portfolio managers in India. Statutory disclaimer: performance figures are not verified by SEBI.

Exclusive
Interview

Rajesh Tiwari
Chief Investment Officer
and Principal Officer
Chanakya Capital

> **"We invest in Businesses through stocks. We do not Invest in Stocks per se."**

Excerpts from the interview:

Short-term performance can be noisy, but a five-year track record tells the real story. Your strategy has generated over 18% annualised returns compared with just over 9% from the benchmark. What are the core drivers behind this long-term alpha? *(As of 30^{th} JUNE 2026)*

We value a stock based on the first principles of:

- Quality of ownership and management.
- Value system and vision.
- Business model and long-term competitiveness.

We are students of management thinking. Our focus is on the cash flows of businesses, integrating the qualitative aspects of a company with discounted cash flow (DCF) valuation. We do not invest in a company if there is an insufficient margin of safety, regardless of how attractive it may appear, and we use quantitative analysis to evaluate historical investment data and continuously refine our investment parameters.

We offer our investors a balanced portfolio of high quality businesses led by strong management teams, along with carefully selected turnaround opportunities available at attractive valuations. Returns from our investment portfolio are driven by:

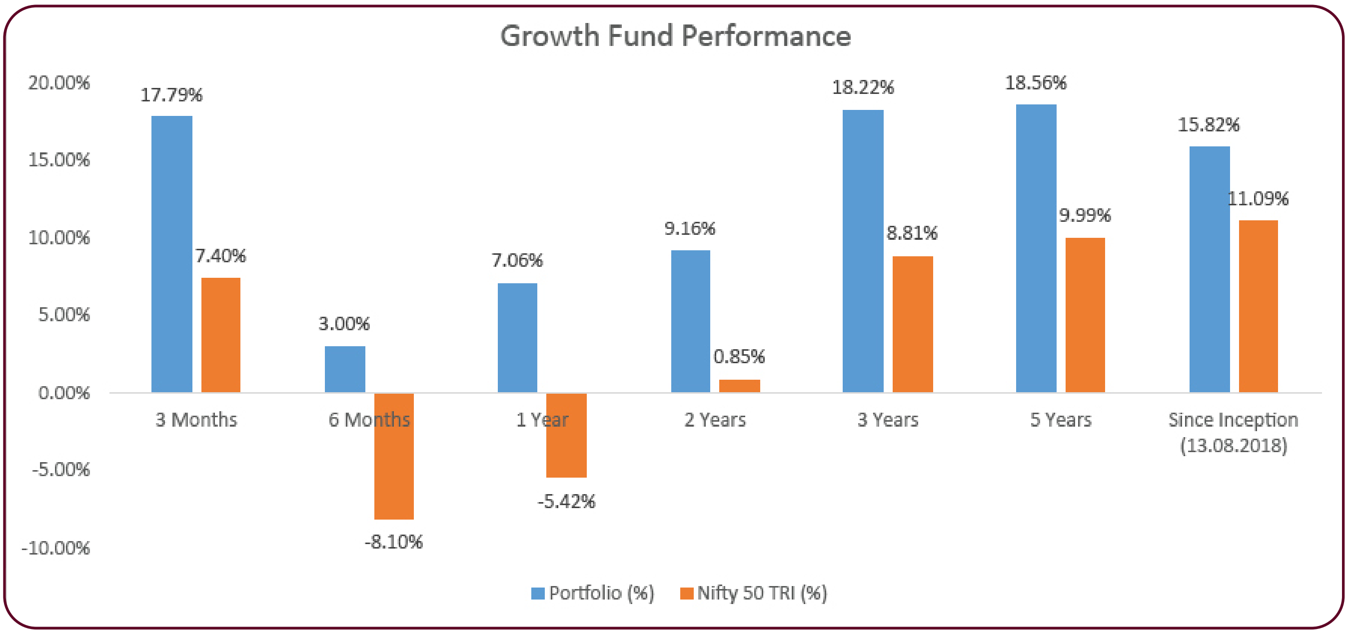
- In-depth research and a disciplined investment methodology.
- Strong research based conviction, enabling us to identify opportunities before the broader market recognises their true potential.
- Extensive ground level research, providing a 360 degree view of the company and helping minimise judgment errors.

We invest in innovative companies. We at Chanakya make money for our investors by having a deep understanding of the quotient of trust and the process of innovation in our investee companies.

How would you evaluate your Q1 FY27 performance, and in what ways did the market environment shape the portfolio's returns?

In Q1 FY27, almost all of our investee companies surprised us with their business and financial performance. To us, the most satisfying aspect was the validation of our core assumptions, which underlie the long-term business model and the competitive advantage of our investee companies. A highly volatile market provided us with very good investment opportunities in our selected stocks at our desired prices. This has helped us to achieve steady performance across time.

CHANAKYA CAPITAL PMS – Q1 FY27 PORTFOLIO PERFORMANCE:



Portfolio performance shown above is as on 30th June 2026 and is net of all expenses and fees. Returns for one year or less are on an absolute basis, while returns for periods longer than one year are annualised using the Time Weighted Rate of Return (TWRR) methodology. Past performance is not indicative of future results and returns are not verified by SEBI.

A common perception is that PMS portfolios are more concentrated. Your strategy has over 190 holdings, so what unique value does your PMS offer compared with a mutual fund?

Compared to mutual funds, our PMS is not benchmarked to any market index. We benchmark ourselves against the Nifty 50 only to meet the criteria stipulated by SEBI. As such, we focus on absolute returns, reflected in our performance fee, which is linked to absolute performance rather than to any benchmark. Due to this, we are incentivised to identify and invest in businesses that are expected to enhance net cash generation over time. In fact, in the case of any of our investee companies, 95% or more of the total value of the firm arises from its long-term terminal value.

In simple terms, we invest in companies that are likely to grow sustainably over the long term, remain competitive, and remain profitable at the cash generation level over the very long term.

A typical mutual fund is incentivised to outperform a market index and is therefore less incentivised to focus on the process of innovation and transformation over the long term in its investee companies.
Hence, it is no surprise that almost every mutual fund in a given category holds similar stocks in its portfolio, with their weightings not varying significantly across schemes. We invest in businesses through stocks. We do not invest in stocks per se.

A designated portfolio has around 190 holdings only because we keep one share in many other companies where we would like to attend the AGM. Investment in such companies is meant for interaction with the management of these companies. These companies operate in businesses that interest us and have a meaningful market presence. Hence, the very large number of companies in our portfolio is designed primarily for information gathering rather than for making meaningful investments in such a large number of stocks.

Your portfolio had over 60% exposure to financials as of June 30, 2026. What is the investment thesis behind this significant overweight position?

Our portfolio is highly concentrated. The top 15 stocks account for around 85% of our portfolios. Since we go deep into the process of transformation and innovation while investing in companies, we focus on a select number of firms. Our client portfolios include around 25 shares. We develop a deep understanding of the management and assess the margin of safety for each of our investee companies on a continuous basis.

Our 60% concentration in stocks of financial companies is less by design and much more a result of our DCF based investment criteria. As of now, a good bank or highly focused NBFC in India represents a leveraged bet on the growth story of India. We believe that with rising income and increasing sophistication of Indian consumers and businesses, the scope for well designed financial services, as well as other types of services, would increase significantly in the long term in India. In any sophisticated market, the percentage of services keeps increasing over time, and even many products get transmuted into services. Based on our discussions with various managements in India, we can also see that the top Indian financial companies have the best management teams and operating staff compared with any other business in India.

If FIIs are rotating out of India into AI-heavy developed markets, is that a signal that Indian equities are becoming structurally less relevant globally, or just a cyclical valuation call that will reverse once the AI trade cools?

We evaluate the long-term global competitiveness of any of our investee firms. While analysing the future prospects of a company, we also analyse the journey of the current global leaders over the last 10 to 15 years, in order to understand what could be the future path of a good Indian firm in the same business. In this process, we have realised that only rarely does an Indian company invest adequately in cutting-edge R&D. If FIIs are rotating out of markets like India into AI heavy developed markets focused on meaningful and big innovations, it is rational and thereby structural, not cyclical. Because of this insight, our exposure to Indian pharma and IT stocks has been zero for many years.

We see that Indian services companies, especially in the financial sector, have been among the best users of technology over time. Any meaningful advancement due to AI would help a good bank or NBFC to strengthen its business processes and customer service at significantly lower cost. We find Indian banks actually improving their internal systems and processes by using technology all the time. This is the primary reason why 60% of our overall portfolio has been invested in the best Indian financial stocks.

Over time, many existing Indian companies outside the services space could lose their global relevance. At the same time, some Indian global suppliers of engineering components could become more competitive in the time to come, if the management has the right type of understanding and capability. In our portfolio, we have also invested selectively in such stocks. We have designed our portfolio in a way that it would benefit from the future evolution of artificial intelligence and related technology anywhere in the world. We are not waiting for the AI trade to cool. If that happens, our investee companies in India would be able to access cutting-edge technology at lower cost.

In order to be able to invest in the finest technology and life sciences companies across the globe, we have just launched Chanakya Growth Fund, an offshore fund through GIFT City.

Your strategy has the flexibility to invest across large, mid and small caps. Looking ahead over the next 12 months, where do you see the sweet spot for alpha, and what is driving that view?

We never look ahead merely over the next 12 months. We always look at the long term. We invest in companies which are characterised by both turnaround and innovation. It has been our experience that a turnaround reaches meaningful fruition in a period of two to five years. The process of innovation also gets manifested in concrete outcomes in a period of three to seven years. Consequently, whenever we invest in a choice company of ours, significant upside usually becomes visible after a period of two to three years. We are prepared to see our investee stocks even underperform during the initial two to three years of our first investment.

We also believe that size is going to be increasingly important for any firm to be able to attract the right type of resources. Hence, we like to invest in those firms which have significant potential to emerge as respected and meaningfully larger companies in their respective business space. We invest in select small firms which are currently significantly undervalued based on our margin of safety criteria, and are likely to be able to switch to the higher midcap orbit during the next five years. Similarly, we choose to invest in midcaps which are similarly significantly undervalued, and have the potential of switching to the large cap space in the next five years.

We analyse our sweet spot based upon margin of safety across the large, mid and small cap spaces. As our risk management strategy, we prefer to invest 60% of our portfolio in large caps, 10 to 15% in midcaps, and 20 to 30% in small caps. In case the Indian economy picks up sufficient pace, with a GDP growth rate of 7% and higher, we would expect large caps to be better positioned where they are globally competitive or very well positioned within the Indian marketplace. Future returns from any midcap or small cap company would be a function more of the current degree of undervaluation and their innovativeness.

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Chanakya Capital Services Private Limited is a Portfolio Manager with SEBI Registration no INP000006040.

Please read and refer to : https://chanakyacapital.in/

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