ANNUAL NEWSLETTER

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SOWILO
WEALTH ENHANCER

"Sowilo symbolises the energy of the sun. It is the recognition of victory and the continuing pursuit to be victorious."

A letter to our investors

Anchored Through the Storm

A year of global headwinds and disciplined bottom-up investing

Dear Investor,

We are pleased to share that the Sowilo PMS strategy, launched in June 2023, has now **completed three years**.

The last twelve to eighteen months have been quite eventful for global markets. Geopolitical developments, including the **Russia-Ukraine and Israel-Hamas conflicts**, later followed by tensions involving the US, Iran and Israel, created uncertainty across regions. Alongside this, **US tariff actions** and concerns around global supply chains added to investor caution.

Markets also had to contend with volatility in energy prices, particularly due to concerns around **the Strait of Hormuz**, one of the world's most important oil supply routes. At the same time, global capital continued to gravitate toward markets with a more visible **artificial intelligence theme**, particularly Korea, Taiwan, China and the US.

This global preference for AI-led opportunities, combined with higher oil-price concerns and currency sensitivity, contributed to meaningful foreign institutional outflows from Indian equities. **Net FII equity outflows reached about $30 billion for CY26 as of mid-June 2026**, already exceeding the entire $19 billion of net selling in CY25, while **FPI ownership of NSE-listed companies fell to 15.8%, a 17-year low**. Our key investment thesis, of structural tailwinds like a growing population, rising per capita income, a demographic dividend and an underpenetrated market, could not stop the flight of capital toward the global AI markets of Korea, Taiwan, China and the US.

Encouragingly, as we write, **the environment appears to be stabilising**. The easing of tensions around the US-Iran-Israel conflict, the reopening of the Strait of Hormuz and some moderation in the highly concentrated global AI trade are welcome developments. These could help investors reassess the relative opportunity in broader, under-owned markets such as India. Even as US tariffs created near-term uncertainty, India has continued to strengthen its external position by broadening trade partnerships beyond the US, including the **recently concluded FTA with the UK**, ongoing negotiations with Europe, deeper engagement with the Middle East and encouraging progress in trade discussions with the US.

While returns are the reason we invest, we believe **earnings ultimately drive the return scoreboard**. We view our portfolio as a collection of businesses in which we are vigilant partners. On that front, FY26 was a constructive year for the companies we own: across our covered universe, **roughly two-thirds met or exceeded our FY26 estimates**, with most misses attributable to timing or one-off factors rather than any deterioration in the underlying investment thesis.

Global headwinds and the absence of a large AI-led theme compressed Indian market multiples, but **earnings continued to do the heavy lifting** in our portfolio. A portfolio that compounds through profit growth rather than relying solely on re-rating is better placed to navigate periods of uncertainty. FY26 was a clear test of that philosophy, and we believe our companies responded well.

We remain confident that **capital is relative**. As global investors look beyond crowded trades and reassess growth, valuation and earnings durability, **India's breadth and depth should regain attention**. Over time, this could support a return of multiples and further strengthen long-term returns.

Against this backdrop, our focus remains unchanged: to identify **companies aligned with enduring structural themes**, supported by strong micro stories and available at reasonable valuations. We continue to look for businesses that are not merely beneficiaries of broad macro trends, but are also executing well on **company-specific opportunities**, such as capacity expansion to capture demand-supply gaps, operating leverage, market-share gains or balance-sheet improvement, offering the right combination of **growth visibility, earnings resilience and valuation comfort**.

Regards,
Team Sowilo

Performance snapshot

We run two schemes, reported net to clients in our factsheets and benchmarked to the S&P BSE 500 TRI. The tables below show **each scheme** across standard periods as on 25 June 2026; for the full history, please refer to your latest factsheet.

SIML • Sowilo Multi Cap Fund Scheme

Diversified equity across large, mid and selective small-caps. As on 25 June 2026, net of fees.

	1M	3M	6M	1Y	2Y	3Y	SINCE INCEP.
SIML portfolio	**2.83%**	**20.27%**	**8.18%**	**7.51%**	**7.74%**	**20.47%**	**20.47%**
S&P BSE 500 TRI	0.99%	7.74%	-2.99%	-0.06%	2.20%	13.69%	**13.69%**
Nifty Smallcap 250 TRI	4.34%	18.64%	6.57%	2.02%	2.47%	20.34%	**20.34%**

20.5%
CAGR · SINCE INCEPTION
Inception 26 Jun 2023

+6.8pp
VS S&P BSE 500 TRI
Since inception

98.8%
EQUITY ALLOCATION
Cash & equiv. 1.2%

3 yrs
TRACK RECORD
Since June 2023

STRA • Sowilo Target Return Aggressive Scheme

Higher-risk: tactical allocation, sector rotation and alpha-focused selection. As on 25 June 2026, net of fees.

	1M	3M	6M	1Y	2Y	3Y	SINCE INCEP.
STRA portfolio	**4.21%**	**20.67%**	**7.75%**	**2.96%**	**4.58%**	**18.17%**	**18.12%**
S&P BSE 500 TRI	0.99%	7.74%	-2.99%	-0.06%	2.20%	13.69%	**13.35%**
Nifty Smallcap 250 TRI	4.34%	18.64%	6.57%	2.02%	2.47%	20.34%	**19.86%**

18.1%
CAGR · SINCE INCEPTION
Inception 23 Jun 2023

+4.8pp
VS S&P BSE 500 TRI
Since inception

96.5%
EQUITY ALLOCATION
Cash & equiv. 3.5%

3 yrs
TRACK RECORD
Since June 2023

Source: Sowilo scheme performance appraisals as on 25 June 2026: SIML (inception 26 June 2023) and STRA (inception 23 June 2023). Returns net of fees and expenses; periods over one year are annualized (CAGR). Past performance is not indicative of future results.

FY26: The Year at a Glance

FY26 was a year that **tested both conviction and temperament**. The market narrative was shaped by geopolitics, oil-price uncertainty, tariff actions, currency concerns and the sharp concentration of global capital around the artificial intelligence theme. For Indian equities, fundamentals had to compete with flows, sentiment and shifting global allocations. Yet beneath the volatility, **the underlying picture was far more resilient**. **India's structural story remained intact**: consumption broadened, formalisation progressed, manufacturing ambitions gained momentum, sector balance sheets stayed healthy and **domestic flows, led by steady household participation through SIPs**, provided an important cushion against foreign selling.

For us, the year reinforced the importance of **looking beyond the index and staying focused on businesses**. While market multiples came under pressure, many of the companies we own continued to execute well. Several benefited from **company-specific drivers**: capacity expansion, improving demand-supply dynamics, operating leverage, market-share gains and better capital efficiency. These are precisely **the micro stories we seek**: businesses where earnings growth is driven not by market mood, but by identifiable progress on the ground. The year's operating performance gave us confidence that **the portfolio's earnings engine remained intact**, with deviations from our expectations largely reflecting delays or isolated events rather than any change in the long-term opportunity.

The year also sharpened our discipline on valuation. Volatile markets often tempt investors into fear or excitement; **our approach is to choose neither**. We remain focused on **buying growth at reasonable valuations**, while avoiding businesses where the price already discounts too much perfection. As we enter FY27, we remain **patient, selective and anchored to businesses rather than headlines**, with a continued focus on structurally supported companies capable of **compounding earnings through cycles**.

Market Dynamics & The House view

The overall market setup appears **increasingly constructive**, with several macro headwinds faced last year now beginning to subside. A resolving geo-political situation, improving liquidity conditions, steady capex momentum and healthy corporate balance sheets should support earnings visibility while **the structural tailwinds remain intact**. On the inflation front, while pressure from higher crude oil prices and precious metals should gradually fade, **a deficit monsoon poses a key risk** as it could trigger higher food inflation, which might cascade into higher borrowing costs for corporates.

We believe FY27 should continue to offer **strong bottom-up opportunities across sectors**, supported by steady earnings delivery in the broader markets. **Valuation re-rating is possible** in businesses where growth remains strong, valuations are still reasonable, with minimal FII supply overhang. In case FIIs start to diversify beyond the AI-concentrated markets to more diversified markets like India, **renewed FII interest can lead to a sharp surge in momentum**, and midcaps and smallcaps will also benefit, though we cannot ascertain the timing for this to play out.

Sectoral views

IT sector outlook

AI-led disruption in IT services, through effort reduction and higher efficiency, is real, and **we have been cognizant of it for nearly two years**. Like past technology disruptions, it has arrived with force, drawing capital, focus and time towards it; creating windfalls for infrastructure providers such as GPU players; rewarding product and platform companies that commercialize the technology; and eventually benefiting those who can implement and manage it at scale.

Technology disruptions often work like a **relay race**, with each stage passing the baton to the next, even as multiple stages may run in parallel for some time. We are seeing this today: hardware and AI product companies are performing strongly, while **IT services companies, the mass-scale implementers, remain on the sidelines**. We believe spending intensity will gradually shift from infrastructure and products towards **adoption and implementation** over the next few quarters. This is where Indian IT services are well positioned, with AI-led deflationary pressure largely behind us, and **INR depreciation and margin improvement potentially supporting strong profit growth, even as revenue growth remains structurally modest**.

Banking: the PSU vs private debate

Private sector banks have been at the receiving end despite remaining a consensus buy, largely due to **relentless FII selling and market-share gains by PSU banks**. Data suggests **PSU banks (ex-SBI) saw around 12% loan-book growth in FY26**, with strong traction across retail, housing and vehicle loans, indicating that private banks face **a sharper market-share battle** than earlier anticipated.

For private banks the choices are increasingly difficult: **reduce ROA expectations, sacrifice market share, or compromise on credit quality**, each of which would narrow the valuation gap with PSU banks. We continue to focus on **names where FII holding is quite low** (reducing incremental supply risk), with reasonable valuations and a stronger FY27 outlook, **though we have not taken any big bets yet** here.

Manufacturing & capital goods: an all-time favourite

We have long believed India must keep **moving up the value chain** in **capital goods** (heavy machinery, ancillaries), given the logistics complexity and cost of importing and installing. Several industrial hubs have emerged on these lines across Tamil Nadu, Karnataka, Gujarat and other states. Operating margins and pricing power should stay lucrative for a long while unless economic growth falters sharply, and the **rebuilding of Iran and oil assets across the Gulf region** after the conflict will further accentuate demand. We are positioned **across the value chain**.

Pharma outlook

Following the post-pandemic market normalization and ongoing margin compression in standard generic drug portfolios, Indian biopharmaceutical companies are **shifting their strategic focus toward operational efficiency and quality enhancements**. To drive future growth, the industry is increasingly **pivoting away from low-margin vanilla generics and bulk drug manufacturing toward deeper structural investments in innovation capital**. While Indian-origin medications currently command a staggering **65% of global prescription volumes**, they account for a mere **3% of global market value, at approximately $57 billion**. This value-to-volume disparity is expected to narrow as the sector leans into higher-value innovative therapeutics, emerging markets and enterprise AI adoption.

This structural pivot is projected to accelerate the industry's historical growth rate of **9 to 10% up to a 13% CAGR** over the next decade. Under this trajectory, the Indian biopharma sector is anticipated to see a nearly four-fold increase, reaching a market size of approximately **$195 billion by 2035**, an incremental $140 billion of value with the vast majority, **roughly $126 billion, driven by new innovation-led revenues**, versus a modest $12 billion from traditional APIs and generics. Forward-looking leaders that execute this transition are positioned to capture **substantial outperformance**, marking a clear inflection point for long-term investors.

NBFC: good times ahead

NBFCs (ex-gold financiers) have been out of favour for quite some time, but we believe the trio of **rural recovery, cooling credit costs and a turning of the cycle** will mean growth returning with better profitability over the next few years. We have been constructive on the space, playing it through a combination of **gold and home financiers**. We have also taken reasonable bets in the **micro-finance and small-finance segment**, where we believe we are at the **bottom of the cycle** and the probability of decent returns from here remains high.

Crude oil reversal trade

We are taking a reasonable bet on the **reversal of the crude trade**: we want to buy companies that, on the sharp jump in crude prices, have been hammered, as we believe **crude supplies will outrun demand** and prices are bound to fall from current levels. We are positioning in the **tyre, aviation, resins and PVC space** through well-managed companies.

Auto ancillaries: navigating towards battery

India's ecosystem around Autos, **akin to IT and Pharma**, provides a substantial edge to compete on the global stage, and logistics costs make near-sourcing natural. We believe **forgings and battery will be areas of growth** in the coming years and have positioned ourselves in that space.

Who we are

Sowilo Investment Managers LLP is a boutique asset and wealth management firm for **Corporate, UHNI and HNI investors**, in India and offshore, running discretionary equity portfolios built on **independent, in-house research**. We believe India's next two to three decades, an emerging economy maturing into a developed one, are a **generational opportunity to build wealth through equities**.

What drives us

VISION

Investment opportunity across asset classes, with equity as a superior proxy, through knowledge, experience and ethics.

MISSION

Help clients own the country's most efficient businesses and share in their value creation, through scale, returns, technology, leadership and governance.

We understand the language of numbers

Our team has spent over two decades on internal, statutory, business-viability, cost and tax audits across a wide range of sectors. That background gives us a forensic instinct and a candid, inside-out read of any business: we stumble, deliberately, at every number, ratio or outcome that does not reconcile, and we read the wider economy through a handful of reliable proxies.

Banking	Technology	Infrastructure	Consumption
↓	↓	↓	↓
GROWTH	DISRUPTION	CYCLES	DEMOGRAPHICS

Strong DNA of understanding and reconciling compliance, risk and accounting.

Investment philosophy

Every business we own must clear five filters.

SCALE	RETURN	TECHNOLOGY	LEADERSHIP	GOVERNANCE
Size · leadership · growth	Sustainable · high ROCE	Edge over peers	Founder-led · compliant	Clean books

Our principles

01 **PRUDENCE**
We invest only in good businesses.

02 **PATIENCE**
Unfazed by short-term dips.

03 **OPPORTUNISTIC**
Happy to hold cash when value is thin.

04 **AGILE**
Clear-minded; we embrace change.

05 **PERFORMANCE**
Focused on long-term compounding.

06 **ANALYTICAL**
Research, reconciled to the filings.

Portfolio strategy

We invest through three buckets, Structural, Sectoral and Alpha, with the balance held for opportunity.

STRUCTURAL

The consistent performer

Strong businesses emerging from India's unorganised economy that compound across cycles and gain share through disruption, as the big get bigger. We hold these and let them run.

SECTORAL

Well run, but cyclical

Metals, infrastructure and commodities carry deep cycles driven by policy, rates, global commodity prices and currency. We buy near the bottom, without breaching our five filters.

ALPHA

High risk, high return

Our opportunistic sleeve. The universe here is open and dynamic, and we reverse a position that does not work within its predefined timeline.

Our offerings

OFFERING 01

Portfolio Management

Discretionary multi-cap equity PMS, benchmarked to the BSE 500 TRI, via our Structural, Sectoral and Alpha framework.

OFFERING 02

Investment Banking

Through Sowilo Capital Advisors, a SEBI Cat-1 Merchant Banker (INM000013235): capital markets, private placements and M&A.

In-house research

- We build every financial model ourselves, and read each annual report and earnings call.
- We weigh management, moat durability and accounting quality against our five filters.
- Pre-result estimates marked to actuals every quarter, variance written up line by line.
- Nothing enters a portfolio without a written thesis and the Fund Manager's sign-off.

Why it matters to you. Independent research means our conviction is our own. We do the primary work ourselves, name by name, and stand behind it, so when the market panics we act with conviction rather than react to the tape.

Milestones & Key Wins

INDUSTRY STANDING

Ranked in year one

Within our very first year, Sowilo reached 164th in India by AUM among PMS providers (August 2024), on the table alongside far older managers.

PEER RECOGNITION

PMS AIF World

Recognised for process, discipline and performance across 15 months (Apr 2024 to Jun 2025), maturing from the Sub-One-Year to the Two-Year-Plus peer group.

Featured by Finance Outlook

Top 10 Most Promising PMS Providers · 2024

Top 10 Most Promising PMS Providers, Mumbai · 2025

Insights & Engagements

Investor webinars

Jul 4, 2026 Upcoming	**Three-year anniversary webinar**
Sep 19, 2025 Webinar	**The Rise of India's Big Tech ↗**
Aug 22, 2025 Webinar	**Signals in the Noise: Slowdown, Stimulus & Strategic Shifts ↗**
Jul 19, 2025 Webinar	**Tariffs, Tesla, Jane Street, Inflation and More ↗**
Jun 21, 2025 Webinar	**Chaos to Clarity: Stocks, Strategy and Outlook ↗**
Apr 18, 2025 Webinar	**Investing in Uncertainty: What Winners Do Differently ↗**

Research Diary & Media Spotlight

We also published investor notes on a **quarterly portfolio earnings review**, the **West Asia conflict** as a buying opportunity, **India's diversification advantage**, **NVIDIA's move into the PC market**, and the **foreign-investor sell-down**. Our Fund Manager **Sandip Agarwal** was also a regular voice across business media through the year.

Sonia Shenoy Interview	**Navigating the changing landscape of tech & AI ↗**
CNBC-TV18 Finding Alpha	**Sandip Agarwal on the market outlook and stock ideas ↗**

More of the Fund Manager's interviews are on our **YouTube channel ↗**.

On the road

May 8-10, 2026
Expo

SGCCI & JITO Wealth Expo 2026, Surat

"Connecting Capital with Ideas." We exhibited our PMS at SIECC, Sarsana.

Regulatory & compliance

We operate as a **SEBI Registered Portfolio Manager (INP000008127)** and hold ourselves to the documentation discipline the mandate demands. Every position carries a written rationale and every exit a written reason. Client reporting, factsheets and transaction records are issued on schedule, and our compliance posture is reviewed continuously as the regulatory framework for portfolio managers evolves.

Adequate controls are in place across information security, data protection, risk management, system monitoring and regulatory compliance, in line with SEBI's CSCRF requirements. We ensure that AI-assisted processes remain subject to human oversight, accountability and investor-protection safeguards.

The team behind the work

"The collective sight of a focused team is a must for driving toward a defining future."

A research-led firm is only as good as its people. Our strength lies in the experience, integrity and strategic insight of our team, and FY26 was a year of deliberate investment in that bench.

Sandip Agarwal

Partner · Principal Officer & Fund Manager

Chartered Accountant (AIR 31, CA Final) with 22+ years across research, advisory and fund management. Formerly Executive Director and lead IT, telecom and internet analyst at Edelweiss (2012-2022); ranked No. 1 and No. 2 in AsiaMoney's technology analyst awards, and a regular voice on CNBC, Bloomberg and ET Now.

Padmavati Udecha

Head of Research

Chartered Accountant (AIR 8) with 5+ years in equity research. Formerly on the Economy & Strategy team at Edelweiss, now Nuvama, and covering autos and consumer durables at Macquarie Capital. Leads the Sowilo research team and its bottom-up process.

Arvind Chirania

Partner · Advisory & Operations

Chartered Accountant with 22+ years across accounts, audit, compliance, investments, financial planning, taxation and regulatory advisory. Formerly with KPMG, PwC and KCPL & Associates, known for tailored solutions to complex transactions.

Nitesh Dhandharia

Partner · Marketing & Sales

Chartered Accountant with 24+ years in financial services, in asset management since 1999. Specialises in wealth strategy for high-net-worth families and corporates; formerly with HDFC AMC, Aditya Birla Sun Life AMC and ASK Investment Managers.

Behind our partners sits a growing research bench covering our universe company by company and sector by sector. Internally the culture is candid and collegiate: original thinking, intellectual honesty, open debate, and ownership of every call, with a steady focus on capital preservation and sustainable growth.

Regards,
Team Sowilo

Connect with us www.sowilo.co.in

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