



OCTOBER 2026

Agile with Growth. Patient with Value.

THEME FOR THE QUARTER: CONSUMPTION

India's consumption story is entering a new phase. Private consumption, the single largest engine of the economy, stood at INR 49.08 lakh crore in Q1 FY27, accounting for 55.6% of GDP.¹ Supported by several prevailing enablers like GST rationalisation, income tax relief and lower interest rates, India is poised to capture one in eight incremental global consumption dollars over the next five years² The opportunity is expected to benefit organised retailers, e-commerce and quick-commerce platforms, consumer durables manufacturers, and premium brands.

Why is consumption important now?

The policy push: After years of supply-side reform, policy has pivoted firmly towards the consumer. GST rates were cut from 22 September 2025, lowering prices by 6–7% for lifestyle products and 7–8% for large appliances, while personal income tax relief added USD 10–12 billion of annual disposable income.⁷ The impact was visible almost immediately - festive retail sales grew ~25% YoY during the October 2025 Diwali sales, compared with ~15% in 2024.⁸ Lower inflation and cheaper credit have further improved household purchasing power.

The scale of spending

Household consumption driving India's growth: After a period of moderation post-Covid, consumption reaccelerated in 2025. Private consumption growth rose to ~10.5% in 2025 from ~8% during 2022–24 while real private consumption grew 7.7% and household vehicle registrations rose 17.4%.³ In Q1 FY27, real private consumption grew a steady 7.1%, even as investment took the lead with 11.9% growth.⁴ Spending has also broadened across the country. Average Monthly Per Capita Consumption Expenditure (MPCE) has nearly tripled in rural India and grown ~2.7x in urban India since 2011-12, while the urban-rural gap has narrowed from 84% to 70%.⁵

The channel shift: Where India shops is changing as fast as what it buys. In Apr–Jun 2026, traditional trade volumes fell 6%, while modern trade grew 17.5% and e-commerce grew 34.8%.⁹ Quick commerce has scaled to USD 10–11 billion in GMV and is projected to reach USD 65–70 billion by 2030, contributing 45–50% of incremental e-retail GMV.¹⁰ As a result, organised and digital channels are fast becoming the most important gateway to the Indian consumer. Interestingly, a recent study by NIQ³ (at a pan-India level) reveals that e¹⁰ commerce now accounts for 7% of FMCG sales nationally (somewhat edging into the traditional kirana store domain), narrowing the gap with modern trade. In the top eight metros, e-commerce's share has already reached 21%.¹¹

Exhibit 1: Per capita spending has risen sharply across rural and urban India⁶

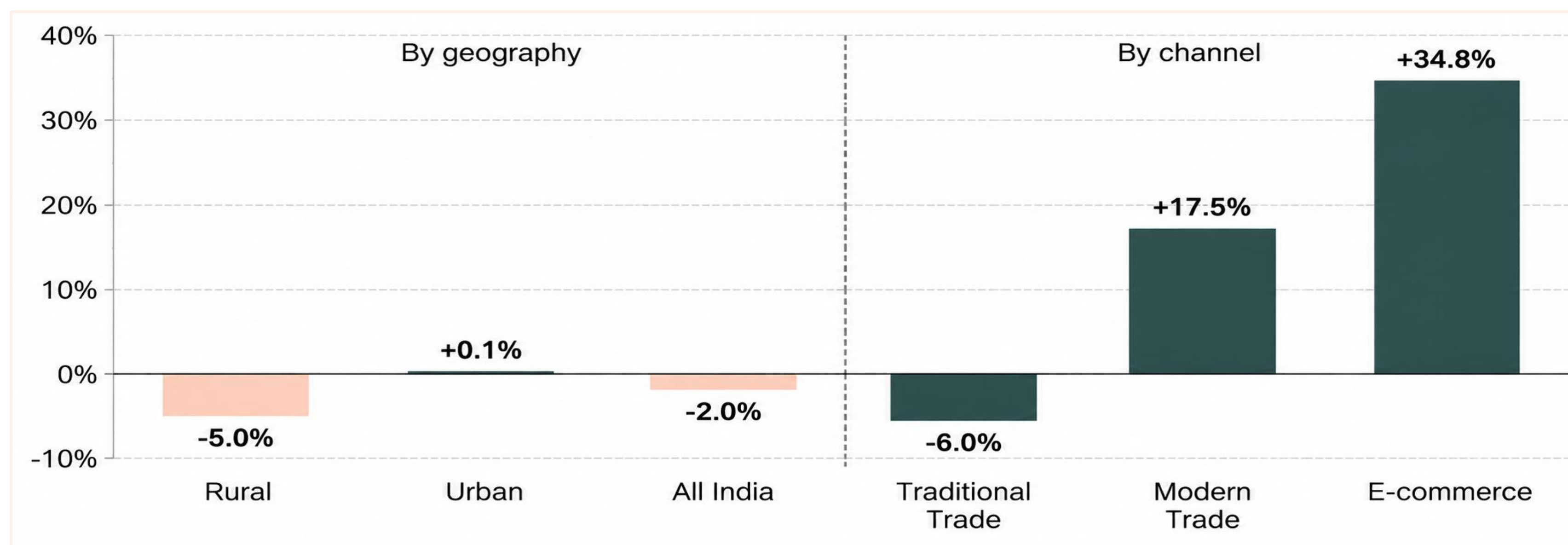
Year	Rural MPCE (INR/month)	Urban MPCE (INR/month)	Urban–Rural Gap
2011–12	1,430	2,630	84%
2022–23	3,773	6,459	71%
2023–24	4,122	6,996	70%

1. [PIB Gov Press Release](#) 2. [Bain & Co](#) 3. [PIB Gov Press Release](#) 4. [PIB Gov Press Release](#) 5. [MOSPI](#) 6. [MOSPI](#) 7. [Bain & Co](#) 8. [Bain & Co](#) 9. [NielsenIQ](#) 10. [Bain & Co](#) 11. [NielsenIQ](#)

Premiumisation and organised retail – the bastion of growth

India is not just consuming more; it is consuming better. Household spending is shifting away from staples towards mobile phones, automobiles, rent, eating out and education, while premium categories continue to outgrow mass segments.¹² Legacy categories such as FMCG are growing at ~5–10%, whereas digital-first categories such as OTT, e-commerce and quick commerce have seen 40–95% growth trajectories.¹³

Exhibit 3: Consumption shifts toward organised channels (Apr–Jun 2026, volume growth YoY)¹⁴



The two-speed problem

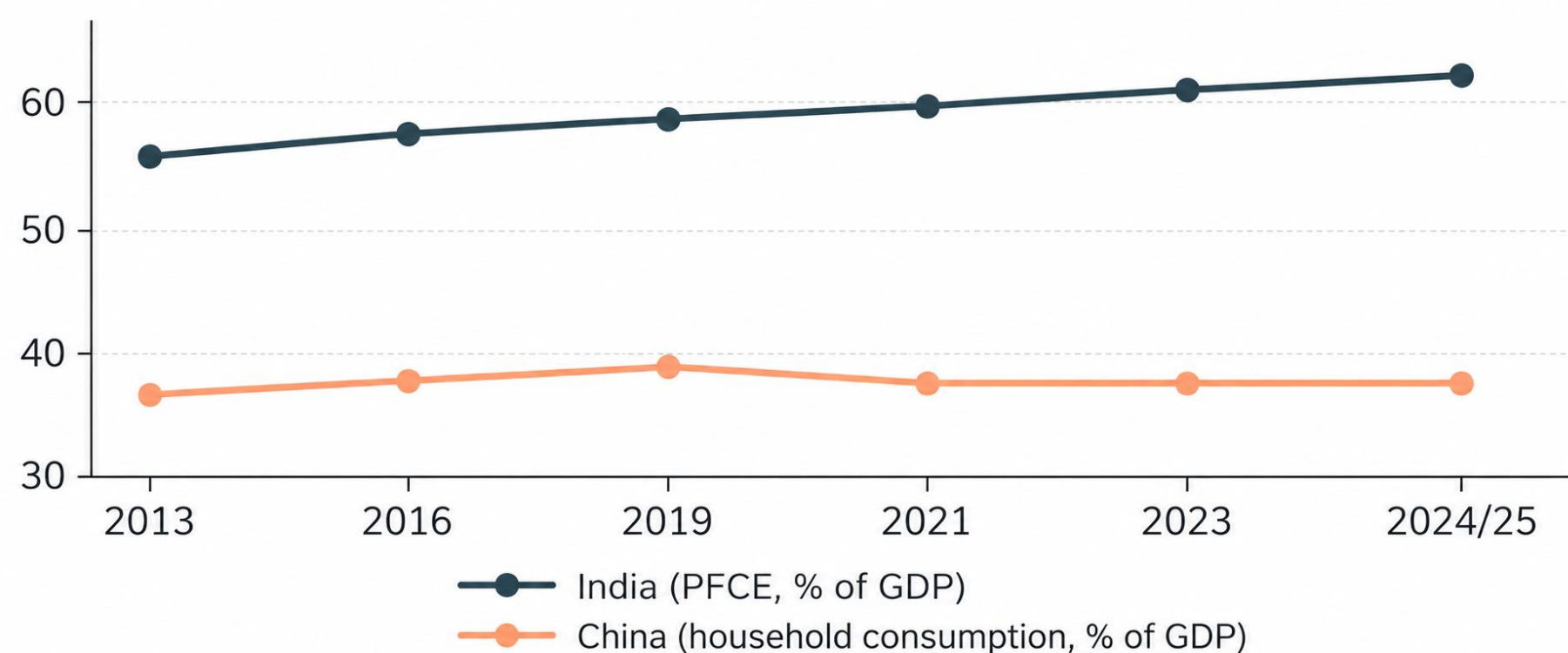
The recovery, however, is not evenly spread. Incomes of urban affluent households have grown at **~18% CAGR**, compared with only ~6% for the broader urban mass segment.¹⁵ In Apr–Jun 2026, FMCG volumes fell 2% YoY: rural volumes declined 5% while urban volumes were flat, as higher fuel and input costs, a 40% June rainfall deficit and consumer confidence at its lowest level since Covid weighed on demand.¹⁶ As a result, mass consumption remains patchy even as premium spending accelerates.

India's consumption cycle is creating a multi-year growth opportunity, but one that rewards selectivity. In the near term, mass demand, particularly in rural India, remains under pressure from higher costs and a weak June monsoon, making the festive season and upcoming consumer confidence readings key indicators to watch. Over the longer term, rising affluence, low penetration of consumer durables, and the rapid shift to organised and digital channels position premium consumer brands, organised retailers, consumer durables manufacturers, and e-commerce enablers to deliver sustained revenue growth, margin expansion, and long-term earnings visibility.

12. [Kotal ME](#) 13. [Kotal ME](#) 14. [NielsenIQ](#) 15. [Kotak ME](#) 16. [NielsenIQ](#)

One Chart. One Minute. One Insight

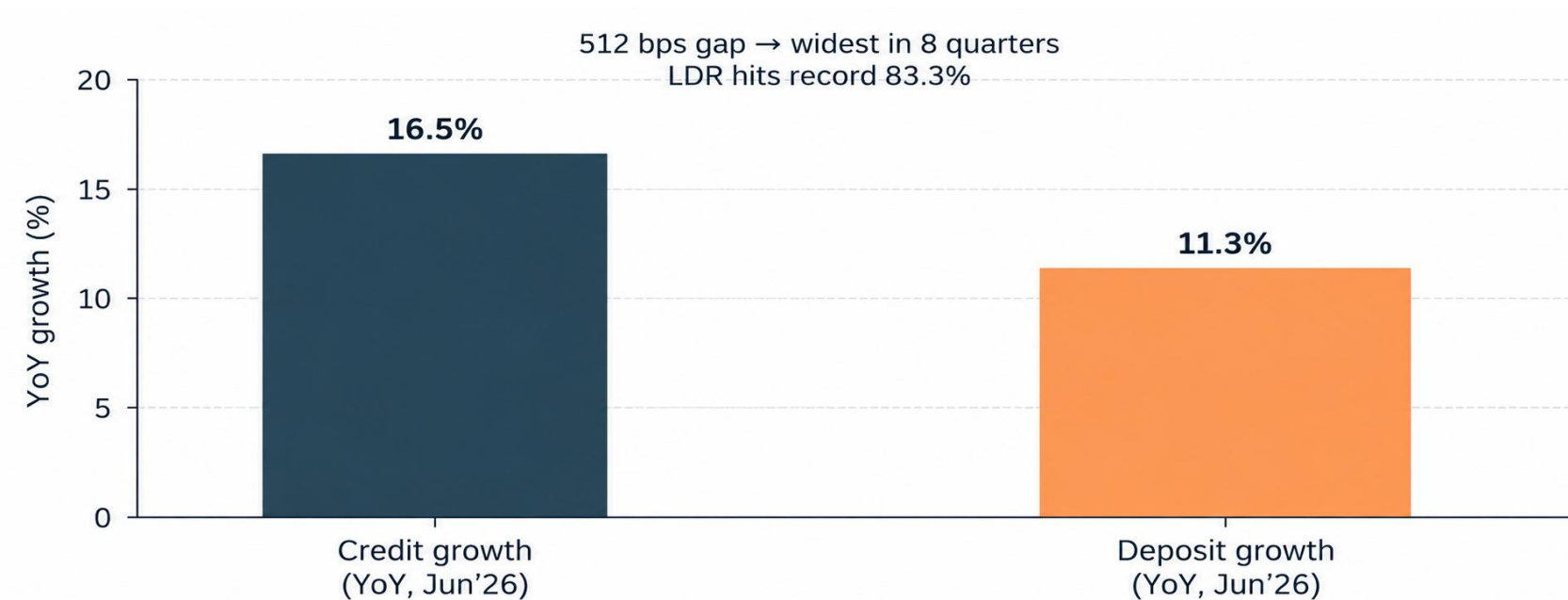
China vs India - Two large, but distinct consumption engines¹⁷



1 Minute Read: India's private consumption now accounts for roughly 56% of GDP, the highest share since FY2003, while China's has been stuck at 37-40% of GDP¹⁸ for over a decade despite its economy being ~4x larger. India's household spending nearly doubled from about \$1.0 trillion in 2013 to \$2.1 trillion in 2024,¹⁹ growing at an annual rate of around 7.2%, outpacing consumption growth in the United States, China, and Germany over the same period.²⁰ China's consumer class is older (median age 39) and more urban, while India's is younger (median age 30) and still building out; by 2030, India will have 357 million consumers below the age of 30,²¹ the largest young-consumer market in the world.

Insight: These aren't two versions of the same growth story. They're structurally different engines. China converts investment and exports into GDP; India converts household spending into GDP. That means India's consumption story has a much longer runway (a 30-year-old consumer base still building spending power) versus China's, which is aging into its peak. For portfolios, this favours a longer holding horizon on India's discretionary consumption and formalisation themes rather than treating them as a cyclical trade.

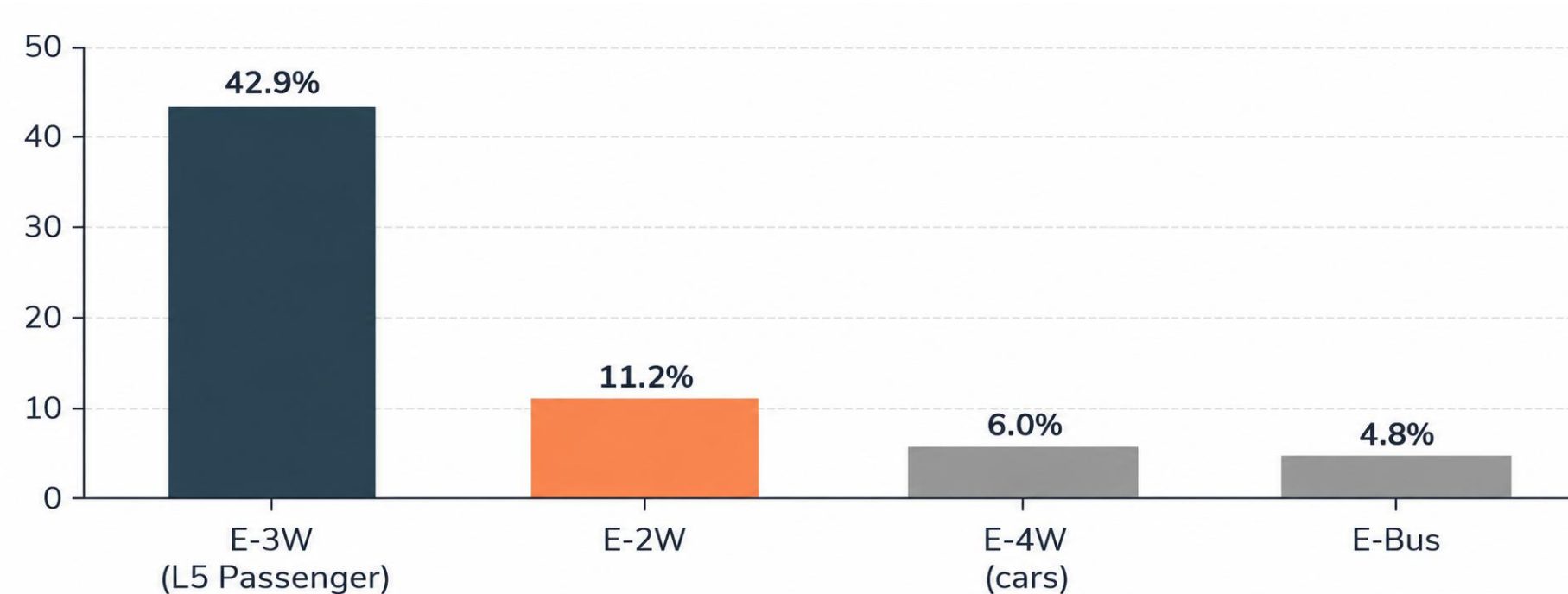
Financials - The credit-deposit gap is the widest in two years²²



1 Minute Read: Credit outstanding rose to ₹213.6 lakh crore as of June 30, 2026, while deposits stood at ₹256.5 lakh crore. Bank credit grew 16.5% year-on-year while deposits lagged at just 11.3% - a 512-basis-point gap, the widest in eight quarters, pushing the system's loan-to-deposit ratio to a record 83.3%.²³

Insight: Headline credit growth looks like a bull case for banks, but the deposit shortfall behind it is the more important number. Banks' funding a record share of that credit book through costlier CDs and bulk deposits face a structural squeeze on net interest margins - even in a "strong credit growth" narrative. Within financials, this argues for favouring banks with sticky, low-cost CASA franchises over pure credit-growth/NBFC-style stories right now.

India's EV transition is wildly uneven by vehicle type²⁴



1 Minute Read: India's overall EV market grew 43% YoY in H1 2026, with blended penetration rising to 11.43% from 8% a year earlier, however that headline masks a huge spread across categories. Electric three-wheelers (L5 passenger) have reached 42.9% penetration, electric two-wheelers sit at 11.2%, while electric cars remain at just 6% and electric buses at 4.8%, as of the seven months to July 2026.

Insight: Treating "EV adoption" as one theme misses where the real disruption is actually happening. Three-wheelers and two-wheelers, dominated by domestic players like Bajaj Auto, TVS Motor, and Mahindra's last-mile mobility unit, are already deep into electrification and structurally advantaged. Passenger cars are a much longer, more capital-intensive transition - investors chasing a single "India EV story" should instead be underwriting two very different adoption curves with two very different sets of winners.

17. [BSE India](#) 18. [Unicommerce](#) 19. [IBEF](#) 20. [Deloitte](#) 21. [Brookings](#) 22. [CareEdge Ratings](#); RBI data, Q1 FY27 (June 2026). 23. [CareEdge Ratings](#); RBI data, Q1 FY27 (June 2026). 24. [EVreporter](#)

Fund Strategy, Objective and Theme

- Q To generate long term capital appreciation and **superior Risk Adjusted Returns** for clients in the long run by creating alpha through selection of a basket of high-quality listed companies across small and mid cap space.
- Q The AIF strategy would be small and mid cap focused as defined by their market capitalizations and would also take tactical cash calls from time to time.
- Q It would be a sector and theme agnostic portfolio and invest via a bottom-up approach. It would be a diversified portfolio of up to 20 - 25 stocks.
- Q The portfolio is suited for clients who have a **minimum of 4 - 5 years investment horizon**

Key Terms

Inception Date:	13 th Sep 2024
Benchmark Index:	NSE 500
Minimum Investment:	Rs 1 Crore

Fund Manager

Mr. RAKESH VYAS
 Chief Investment Officer and Portfolio Manager

Mr. Rakesh Vyas has been active in capital markets for last 20 years of which more than 14 years were with HDFC Mutual fund where he was part of Fund Management and Research Team. Over these years he has actively researched more than 150 companies across various sectors like Cement, Infrastructure, Utilities, Metals/Minerals, Chemicals, Real estate etc. Prior to joining Quest, he was managing HDFC Infrastructure Fund and HDFC Housing opportunities fund since Jan-20 till Jan-24. HDFC Infrastructure fund was awarded Platinum award in Infrastructure fund category by Navbharat BFSI Awards 2023.

He also served as Member of SEBI appointed advisory committee on Hybrid Securities (chaired by Mr KV Kamath). The committee has been responsible for providing recommendations on development and regulation of primary and secondary markets of Hybrid Securities (i.e., REIT, InvIT, etc.) in India.

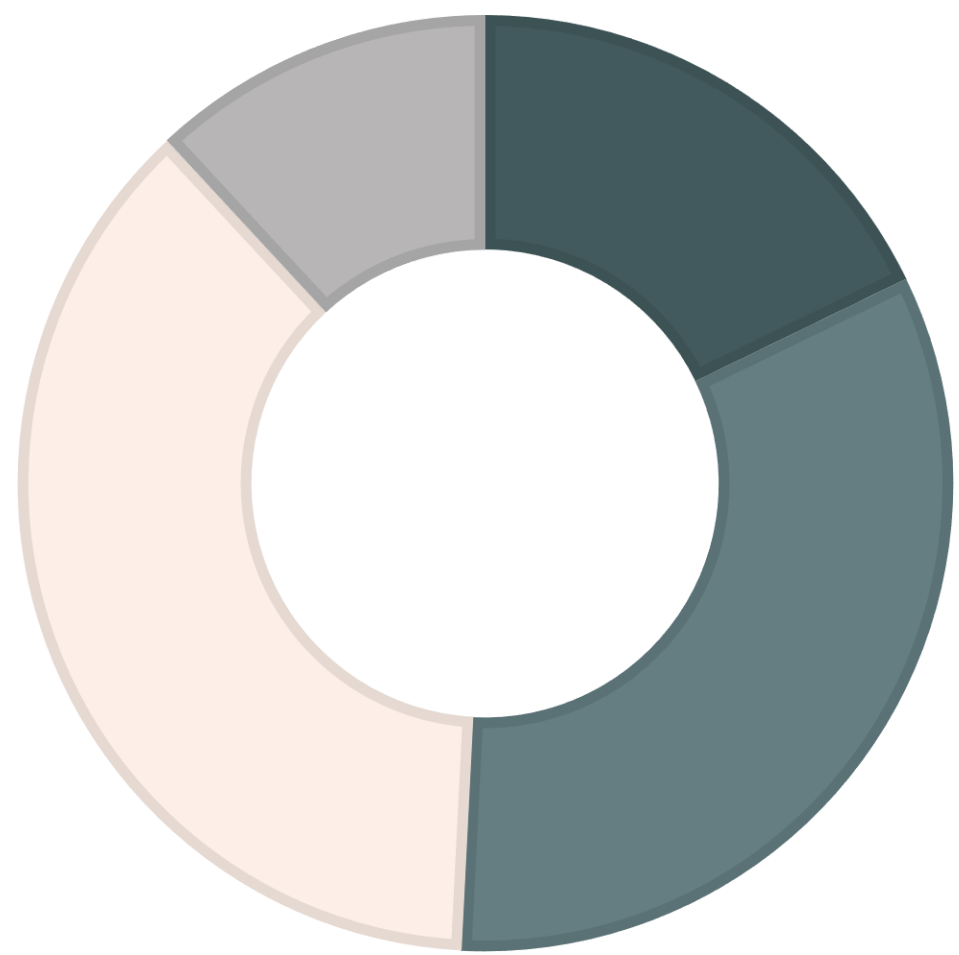
He has done Post Graduate Diploma in Management from XLRI Jamshedpur and Bachelor of Electrical Engineering from MBM Engineering college Jodhpur.

PERFORMANCE SUMMARY POST TAXES (As on 30th September 2026)

Particulars	3 M	6 M	1 YR	Since Inception
Quest Smart Alpha – Sector Rotation Series II Class A1	3.54%	23.31%	6.63%	1.10%
Quest Smart Alpha – Sector Rotation Series II Class A2	5.58%	25.93%	8.74%	2.23%
NSE 500	-4.02%	7.52%	-2.91%	-3.83%

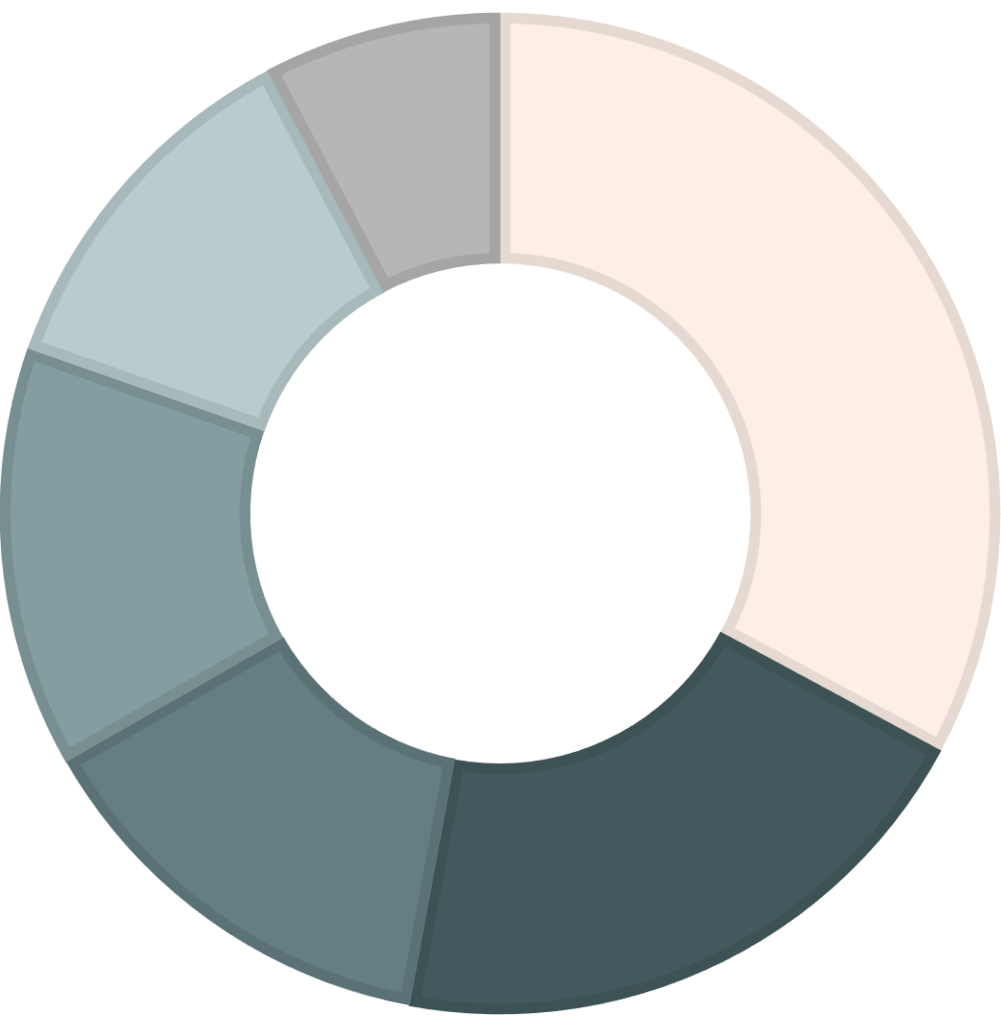
Note: The above returns are unaudited and computed on TWRR basis post all fees & expenses and post taxes paid on all realized gains. Returns less than 1 year are on absolute basis. Client returns could vary depending on their dates of investment and subsequent drawdowns

MARKET CAPITALISATION (As on 30th September 2026)



Asset Class	(%)
Large Cap	17.8
Mid Cap	33.0
Small Cap	37.3
Cash & Cash Equivalent	11.9
Total	100.0

THEMATIC ALLOCATION (As on 30th September 2026)



Sector	(%)
Urban Consumption	32.8
Financials	20.0
Industrials & Capex	13.8
Pharma & Healthcare	13.6
Cash	11.9
IT & ITeS	7.7
Total	100.0

Holdings as on 30th September 2026

Company Name	Weightage (%)
SANSERA ENGINEERING LIMITED	9.69%
ONE 97 COMMUNICATIONS LIMITED	8.14%
VISHAL MEGA MART LTD	6.99%
ETERNAL LIMITED	5.37%
PIRAMAL PHARMA LIMITED	5.11%
AVALON TECHNOLOGIES LIMITED	4.98%
COFORGE LIMITED	4.93%
SWIGGY LIMITED	4.72%
VIYASH SCIENTIFIC LIMITED	4.45%
BIOCON LTD	4.09%
HITACHI ENERGY INDIA LIMITED	4.06%
CITY UNION BANK LIMITED	3.57%
CHEMPLAST SANMAR LIMITED	3.21%
PERSISTENT SYSTEMS LTD	2.79%
SAMHI HOTELS LIMITED	2.58%
BSE LIMITED	2.57%
AXIS BANK LIMITED	2.03%
TATA CAPITAL LIMITED	2.00%
TVS HOLDINGS LIMITED	1.98%
NATIONAL STOCK EXCHANGE OF INDIA LTD	1.73%
M & B ENGINEERING LIMITED	1.57%
LG ELECTRONICS INDIA LIMITED	1.34%
TVS HOLDINGS LIMITED NCRPS	0.15%
CASH AND EQUIVALENT	11.95%

Summary financials of investee companies

Company Name	Revenue CAGR FY26-28(E)	PAT CAGR FY26-28 (E)	FY 27 PE (E)
SANSERA ENGINEERING LIMITED	27.67%	44.25%	53.34
ONE 97 COMMUNICATIONS LIMITED	26.24%	70.57%	88.48
VISHAL MEGA MART LTD	19.08%	23.33%	46.68
ETERNAL LIMITED	62.42%	206.70%	205.15
PIRAMAL PHARMA LIMITED	13.01%	L2P	199.18
AVALON TECHNOLOGIES LIMITED	32.48%	46.44%	85.92
COFORGE LIMITED	34.12%	43.35%	32.57
SWIGGY LIMITED	27.12%	NEG	NEG
VIYASH SCIENTIFIC LIMITED	12.61%	71.16%	23.28
BIOCON LTD	16.11%	87.20%	65.44
HITACHI ENERGY INDIA LIMITED	34.42%	45.73%	101.31
CITY UNION BANK LIMITED	15.13%	12.31%	14.79
CHEMPLAST SANMAR LIMITED	11.53%	L2P	NEG
PERSISTENT SYSTEMS LTD	21.99%	19.84%	37.03
SAMHI HOTELS LIMITED	12.37%	56.09%	19.74
BSE LIMITED	19.30%	24.46%	37.19
AXIS BANK LIMITED	11.41%	17.44%	13.07
TATA CAPITAL LIMITED	23.33%	32.40%	20.29
TVS HOLDINGS LIMITED	12.00%	13.50%	12.44
NATIONAL STOCK EXCHANGE OF INDIA LTD	8.71%	10.20%	38.89
M & B ENGINEERING LIMITED	19.16%	29.95%	11.68
LG ELECTRONICS INDIA LIMITED	13.85%	32.10%	49.18

INVESTMENT RATIONALE AND SWOT

National Stock Exchange Of India Ltd



Primer

- Q NSE is India's largest multi-asset exchange, operating an integrated platform across cash equities, futures, options, mutual funds, commodities, currency derivatives, wholesale debt and interest-rate products, alongside listing, clearing, data and licensing services.
- Q NSE is the dominant exchange across key segments: ~93% cash-market share and ~100% stock/index futures share in YTD FY27. Its index-options premium market share has declined to ~65% in YTD FY27 from ~97% in FY24.
- Q The platform benefits from a deep liquidity pool and network effect. NSE had 129.1mn unique registered investors and 1,325 trading members in FY26, with 2,978 listed entities and aggregate listed market capitalization of ₹411.3tn.
- Q NSE is the world's largest derivatives exchange by contract volume and retained the top position for the seventh consecutive calendar year in 2025. In FY26, it accounted for ~51.2% of global equity-derivative contracts and ~11.4% of global cash-equity trades.

Investment Thesis

- Q **Dominant market position creates a powerful liquidity moat:** NSE has maintained ~93% share in cash equities and ~100% in stock and index futures in YTD FY27. The deep order book, broad participant base and Nifty ecosystem reinforce liquidity and execution quality, making the platform difficult for competitors to displace. NSE processed ~8bn cash-equity trades annually and had 129.1mn registered investors in FY26.
- Q **Structural financialization provides a long runway for volume growth:** India's increasing shift towards financial assets, rising retail participation and digital adoption support long-term capital-market growth. NSE's unique registered investor base increased from 39.9mn in FY21 to 129.1mn in FY26, while annualized SIP inflows reached ~₹3.5tn. Emkay expects cash turnover to compound in the high teens over the medium term.
- Q **Non-transaction businesses offer a second earnings engine:** Transaction charges still contribute ~79% of operating revenue, but colocation, data feeds, index licensing and listing services provide recurring revenue opportunities. PL Capital expects these segments to grow at ~14% CAGR over FY26-29E versus ~9% for transaction income. Emkay estimates data, technology and connectivity were only ~13% of FY26 operating revenue versus 20-30% for global exchange groups, indicating monetization headroom.
- Q **New products provide optionality beyond traditional equity trading:** NSE is expanding its product universe through commodities, electricity futures, electronic gold receipts and Brent crude futures. Commodity derivatives' turnover crossed ₹234bn in FY26, while electricity futures generated ₹111bn of turnover in their first year. These businesses are still small but can add incremental growth as liquidity and participation build.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Near-monopoly market position: ~93% cash-market share and ~100% stock/index futures share in YTD FY27	High earnings concentration in transaction income: ~79% of operating revenue in FY26	Continued financialization of household savings and rising retail participation	Regulatory intervention can materially affect derivatives volumes through expiry rules, lot sizes, STT, Closing Auction Session and proprietary-trading regulations
Global scale: ~51.2% of global equity-derivative contracts and ~11.4% of global cash-equity trades in FY26	Index options remain the center of gravity, contributing ~₹99bn or ~60% of operating revenue in FY26	Monetization of data, analytics, connectivity, index licensing and colocation can diversify earnings; non-transaction businesses are expected to grow faster than transaction income	Further loss of index-options market share to BSE remains risk given the segment's ~60% contribution to operating revenue
Deep liquidity/network effect supported by 129.1mn registered investors, 1,325 trading members and 2,978 listed entities in FY26	Non-transaction revenue remains relatively underdeveloped: data, technology and connectivity were ~13% of FY26 operating revenue versus 20-30% for global exchange groups	Commodity derivatives, electricity futures, electronic gold receipts and Brent crude futures can create new growth verticals as liquidity develops	Lower market volumes or volatility

Risk Management

(Disclosures Under Regulation 22 (g) of SEBI (Alternative Investment Funds) Regulations, 2012)

Parameters	Level	Mitigants
Concentration Risk	Fund	Fund shall not invest more than 10% of the NAV in any single Investee Company.
Foreign Exchange Risk	Fund	Fund has invested only in Indian securities hence the fund's investments do not face any Foreign Exchange Risk.
Leverage Risk	Fund	The fund hasn't taken any borrowings or invested in derivatives till 30th Sep 2026 nor does it plan to do so in the future.
Leverage Risk	Investee Company	Strong Balance Sheet is one of the key investment parameters and hence most investments are likely to be in companies where the Debt Equity ratio is very comfortable.
Realization Risk	Company/Fund	We will be investing only into listed equities which shall mitigate realization risk to a large extent. Till the funds are invested, they may be parked in overnight / liquid funds.
Reputation Risk	Company	- The fund prefers to invest in high quality businesses run by capable management teams that have a clear focus on growth and cash flows. - The strategy attempts to invest in companies with improving business fundamentals. Periodic evaluation of management decision/strategy and company financials is being undertaken.
Extra Financial Risk	Company/Fund	- The fund aspires to manage satisfactory liquidity at all times for better management of any financial emergency. - All expenses and financial obligations are well managed and provided for. - For any investment in smaller companies, liquidity may be a risk. The Fund manager endeavours to take these risks by relying extensively on primary research. For such stocks, risk- reward trade-off between liquidity and long-term prospects is considered before investing and is also reviewed periodically post investments. - Portfolio construction will be post considering the overall macro environment, valuations and risk reward equation at that point in time and reviewing each of the investment.
Regulatory Risk	Fund	There have been no instances of any inquiries/ legal actions by legal or regulatory bodies against the Fund, Sponsor, Investment Manager or Trustees to the Fund.
Strategy Risk	Company/Fund	The investment philosophy and strategy has been discussed in detail earlier. The fund will perform reasonable due diligence/research and seeks to make Fund Investments in Investee Companies that have the potential to earn superior returns vis-a-vis the broader markets.

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