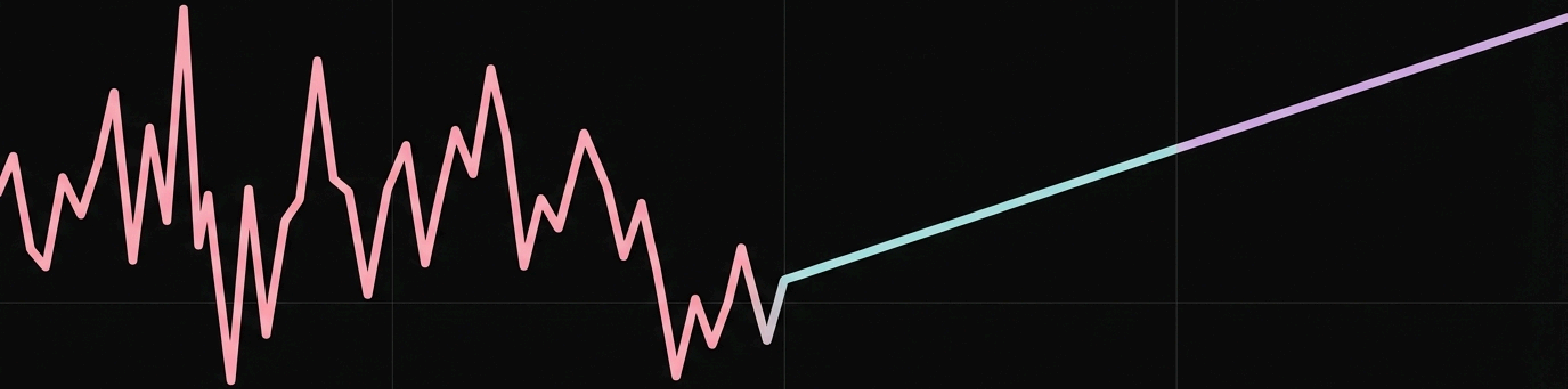

Navigating the Turbulence

The Macro Impact of Geopolitical Conflict & Our Tactical Defense Strategy

WRIGHT RESEARCH | INVESTOR NEWSLETTER

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Executive Summary

The Macro Shock

Escalation in the Middle East is pressuring global energy arteries. Surging crude and LNG prices are reviving imported inflation risks, particularly for India, complicating central bank easing paths.

The Historical Precedent

Despite sharp initial drawdowns, history shows markets possess a profound capacity to absorb geopolitical shocks. Across major conflicts since 1970, equities historically recover an average of +7.0% within one year.

The Wright Defense

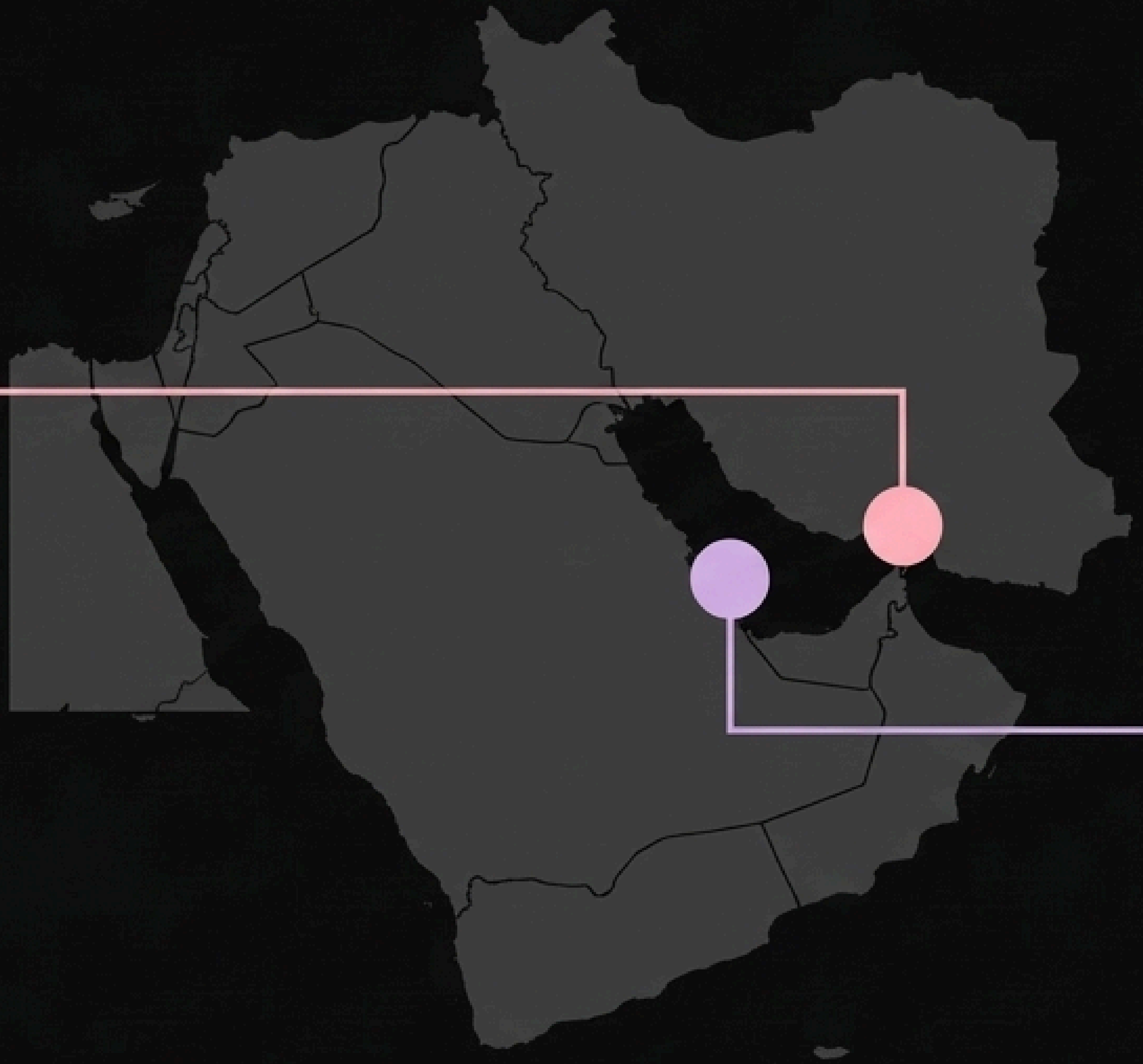
Recognizing stretched current valuations, we executed a strict tactical hedge from the 4th to the 17th. We actively shifted 10-15% into cash and allocated 10% to gold to preserve capital during peak uncertainty.

The Catalyst – Geopolitics & Energy Chokepoints

The Primary Chokepoint

Direct military confrontation threatens the Strait of Hormuz, the transit corridor for roughly 20% of global seaborne oil.

Markets are shifting from pricing ‘geopolitical risk’ to actual ‘physical supply disruption,’ pushing Brent crude toward ~$100/bbl.



Asian Supply Squeeze

Qatar contributes 20% of global LNG trade, with 80% flowing to Asia. Disruption fears have pushed Asian spot LNG prices from $10.8 to peaks of ~$25.4/mmbtu.

The Economic Ripple – Inflation & Macro Vulnerability

Energy Supply Shock
(Crude & LNG spikes)

→

Imported Inflation
(India imports ~90% of its crude and ~50% of its natural gas)

→

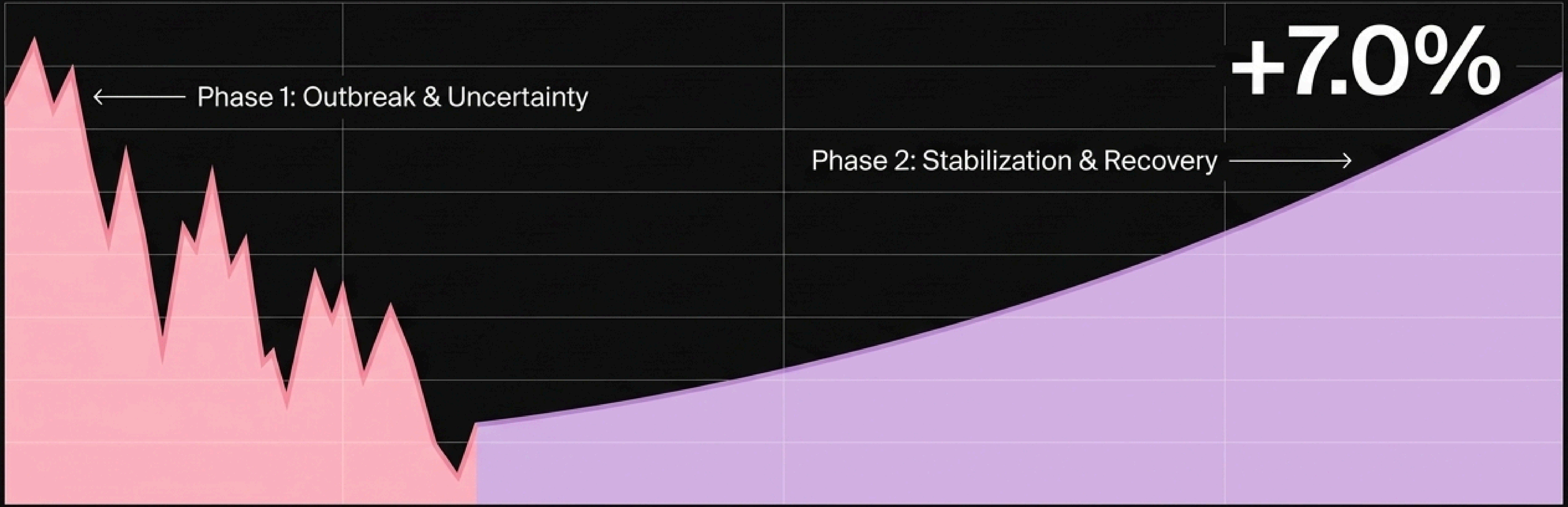
Delayed Rate Cuts
(Sticky inflation complicates the RBI's monetary easing path)

→

Corporate Margin Squeeze
(Higher input costs risk demand destruction and earnings downgrades)

For India, a prolonged Middle Eastern conflict poses direct risks to supply security and affordability, threatening the post-Covid margin-led earnings recovery.

Historical Precedent – Do Wars Derail Markets?



The Precedent

Across 8 major conflicts since 1970, the S&P 500 often experiences sharp initial volatlility as markets price in economic spillover.

The Reality

However, one year after the onset of hostilities, the index is up an average of 7.0%.

The Takeaway

Long-term equity returns are driven by earnings and business durabiiity, not geopolitical headlines. Markets consistently look through the fog of war once the scope of disruption is priced in.

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Comparison Matrix – Why This Time Warrants Caution

	Historical Conflict Averages	2026 Market Realities
Valuations	Historically varied.	**Highly Stretched.** Nifty 1Y Fwd PE sits at 18x; **India Valuation Index** is elevated at 165. The margin of safety is incredibly low.
Market Breadth	Broad participation.	**Narrow.** Global returns are heavily concentrated in an AI-capex cycle showing eerie parallels to the 1990s dot-com era.
Liquidity	Accommodating central banks.	**Fragile.** The $2Tn private credit market is facing redemption pressures, and benchmark bond yields remain elevated despite easing cycles.

Takeaway: We cannot blindly rely on history. Current starting valuations and systemic fragility demand an active, defensive posture.

Our Tactical Defense: Hedging the Storm

The Catalyst

Recognizing the dual threat of imminent geopolitical escalation and stretched Indian equity valuations.

The Action

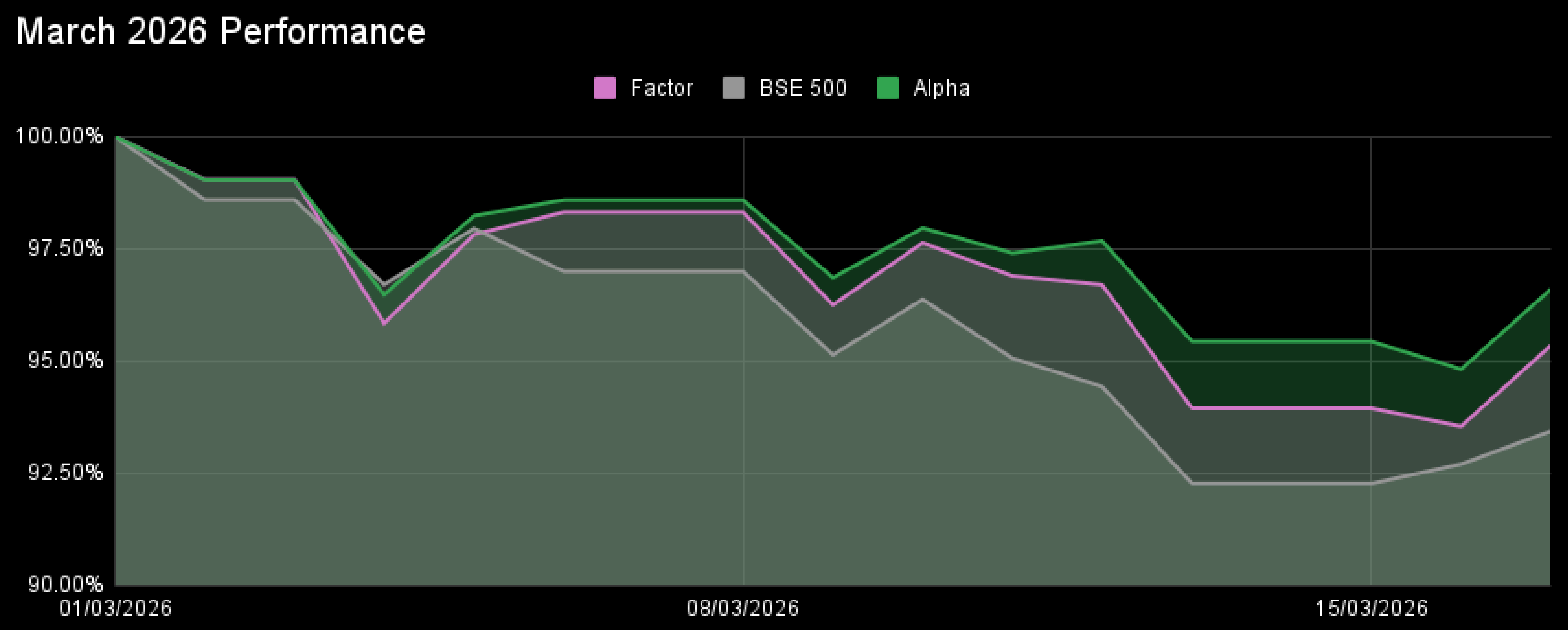
Wright Research executed a strict tactical hedge across portfolios.

The Window

We remained fully hedged between the 4th and the 17th, insulating our investors from the sharpest initial shockwaves and volatility spikes.

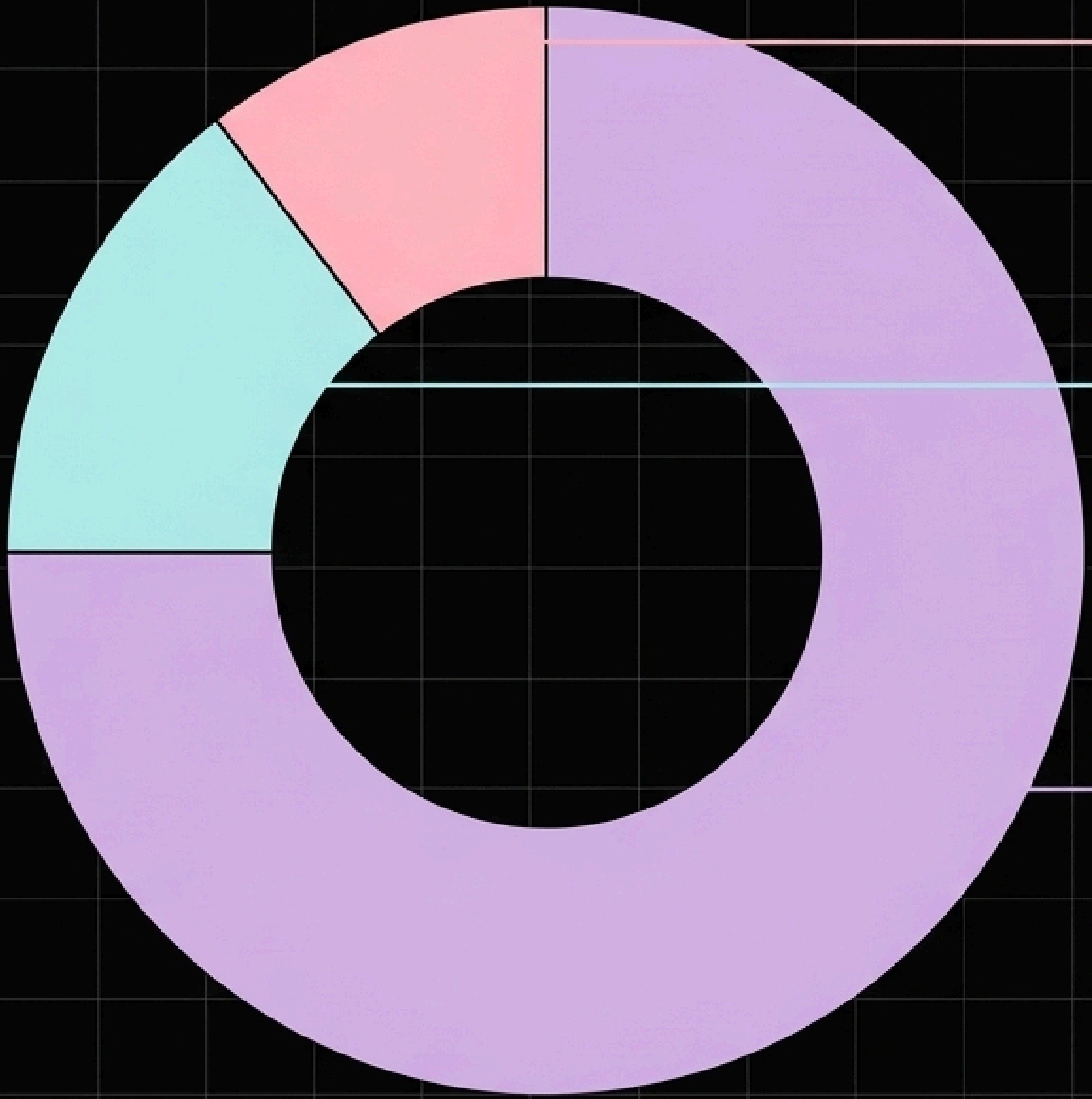
The Outcome

Preserved capital during peak uncertainty, allowing us to reposition with strength rather than facing forced liquidations.



Our portfolio allocations have held up well during the correction, and the deallocation and hedging have led to much better performance than the benchmark. Alpha outperformed by 3%, and factors outperformed by around 2%

Asset Allocation – The ‘Shield’ Portfolio



10% Gold (The Ultimate Hedge)

A non-correlated safe haven that historically thrives during inflationary energy shocks, currency volatility, and regional crises.

10-15% Cash (The Dry Powder)

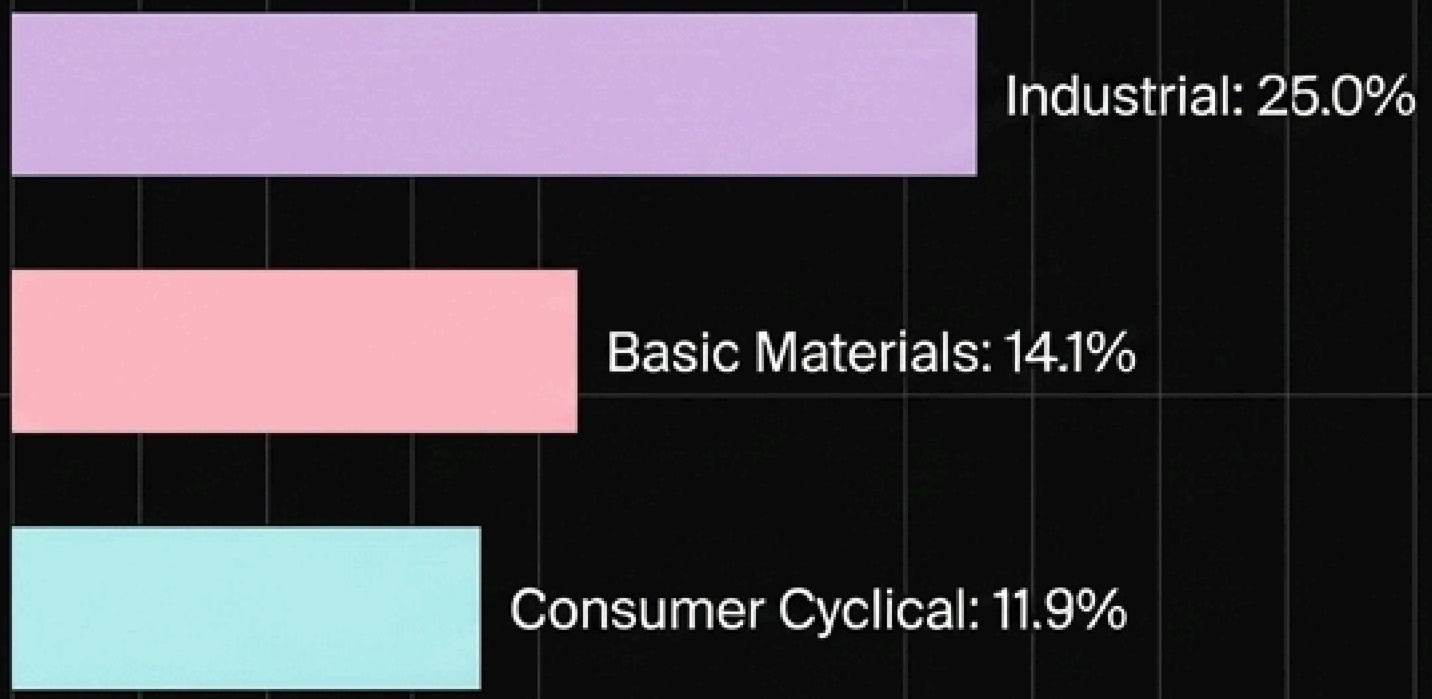
Provides absolute capital protection. Ensures liquidity and optionality to aggressively deploy into high-quality equities once the geopolitical dust settles and valuations compress.

75-80% Quality Equities (The Core Engine)

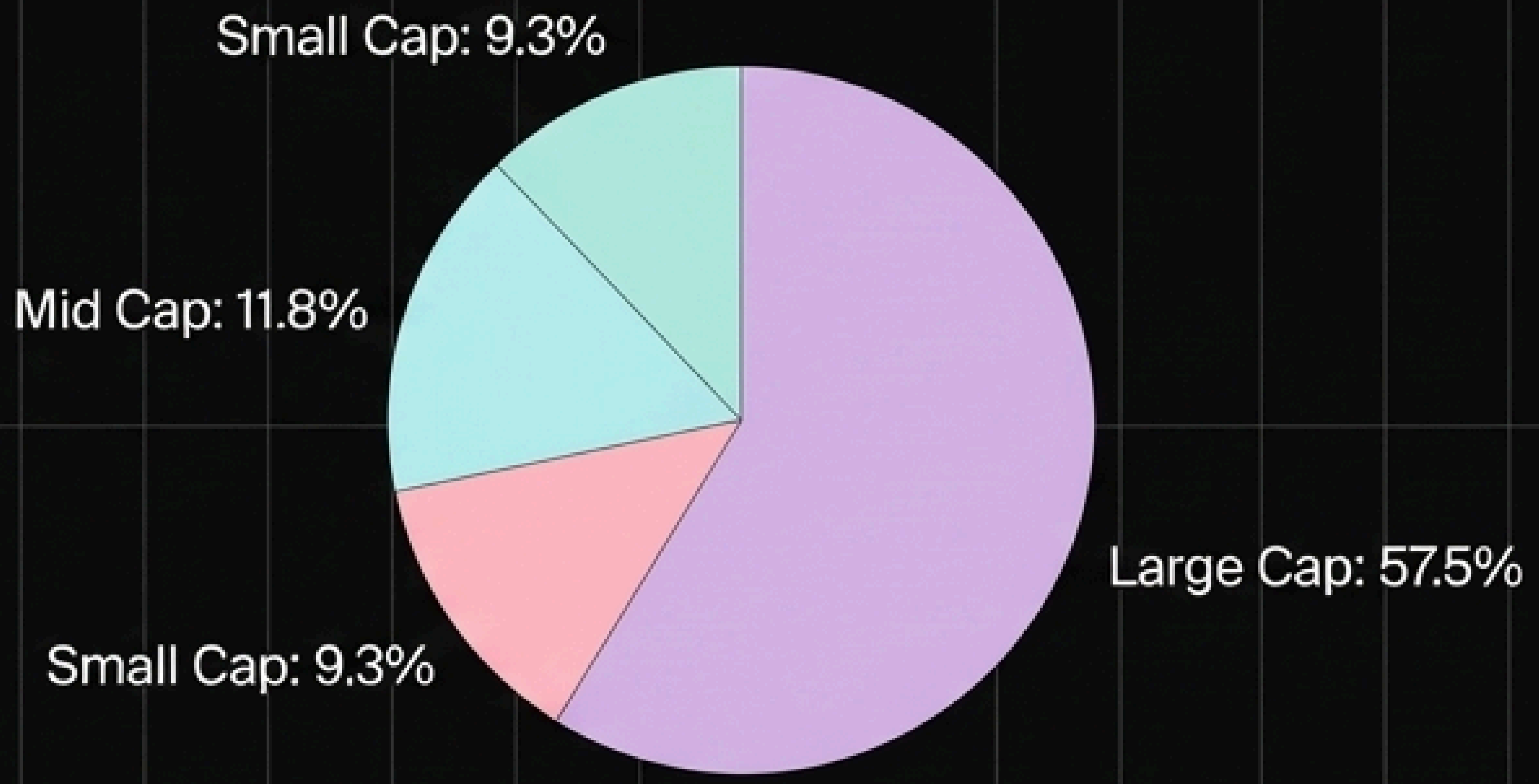
Maintained exposure to resilient, clean-balance-sheet companies to capture the eventual +7% historical recovery cycle.

Wright Factor Fund – Positioning & Profile

Top Sectors



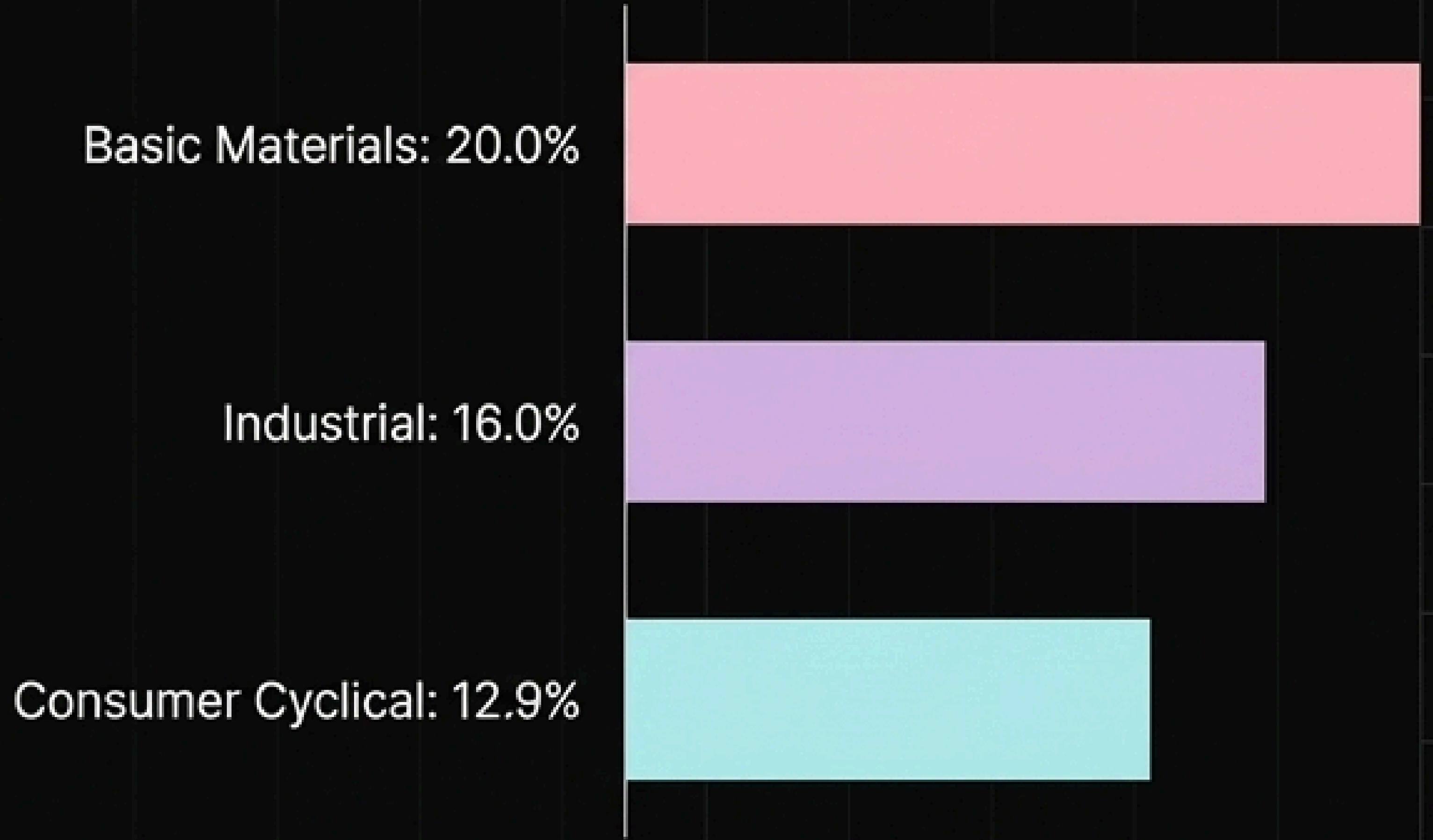
Market Cap Distribution



The Factor Fund is anchored by a heavy tilt toward robust Large Caps (57.5%) and essential Industrials/Materials, structurally positioning it to weather macro volatility vastly better than broad, speculative indices. Top holdings include GoldBees (6.0%) and LiquidBees (10.9%) to enforce our hedge.

Wright Alpha Fund – Positioning & Profile

Top Sectors



Strategic Holdings Callout

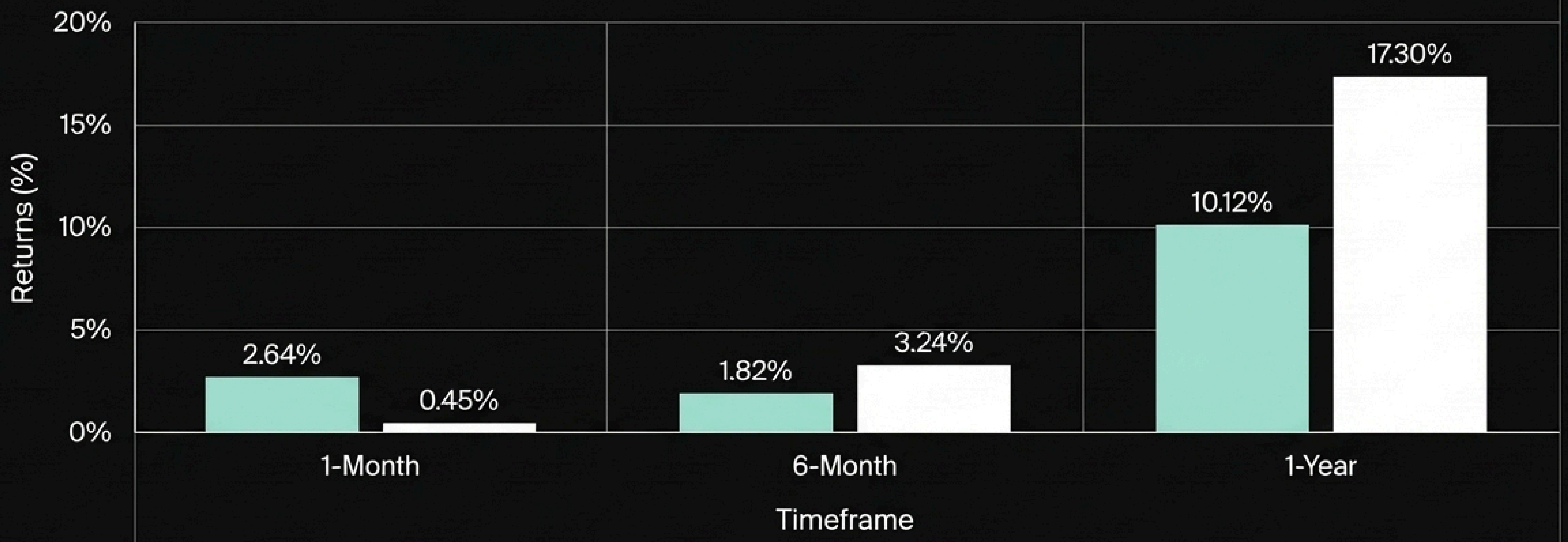
Liquid BeES (15.2%) – Reflects our aggressive defensive cash stance.

Hindalco (10.3%) – Concentration in materials that possess pricing power.

GE Vernova (10.2%) – Utilities exposure to pass on inflationary energy costs.

The Alpha fund reflects peak active agility—holding significant liquid reserves (15.2%) while concentrating equity exposure in materials that benefit from supply-side constraints.

Performance Dashboard – The Proof of Process



(Note: Alpha Fund 1M is -1.23%, 1Y is -9.20%)

The Factor Fund generated massive **relative outperformance** in the **short term** (1-month: 2.64% vs Benchmark 0.45%). This is the direct mathematical result of our **tactical hedging from the 4th to the 17th,** proving the **efficacy** of proactive capital protection during **market shocks.**

Extreme Fear - Right Time to Top Up

The fear and greed index is at the extreme fear level right now, inching up, and this might actually be the right time to allocate to our portfolios. Given that the market is recovering from a period of extreme fear, people can get good average prices and upside from these levels.

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Horizon Strategy: Navigating What's Next

Stay Vigilant, Stay Liquid

We continue to monitor Middle Eastern energy chokepoints daily. Our 10-15% cash reserves remain ready for immediate deployment when valuations normalize.

Favor Quality & Value

As the global concentration cycle plays out and private credit risks simmer, we actively avoid expensive cyclicals, preferring large-caps and low-volatility balance sheets.

Trust the Process

Geopolitics create temporary noise; fundamentals create permanent wealth. Our systematic, data-driven approach removes panic, focusing purely on durable earnings and proactive risk management.