



MARKET OUTLOOK

September 2025



Section 1:

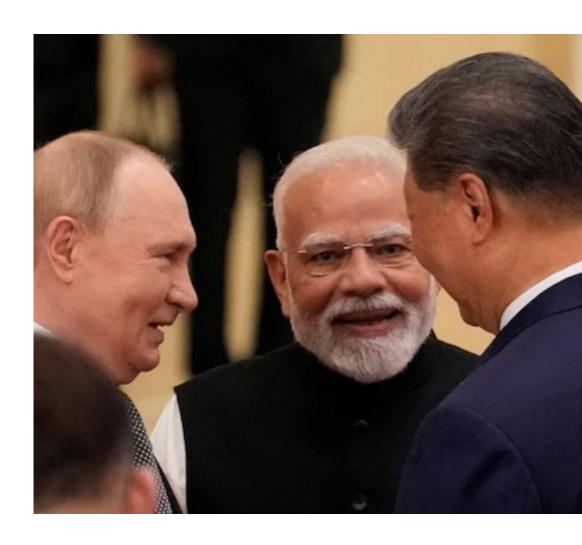


US's protectionism is pushing others together





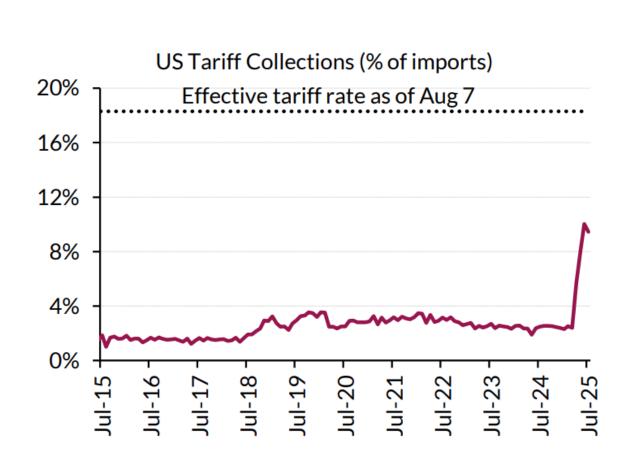


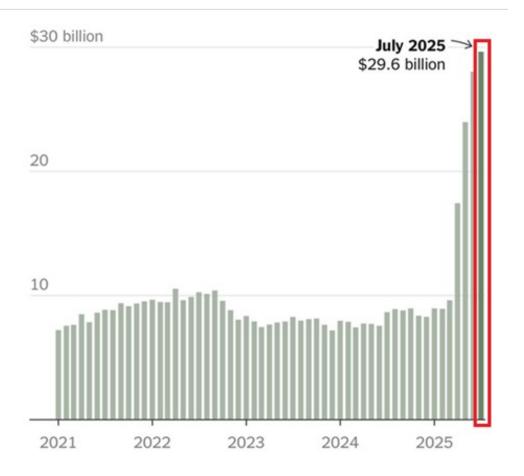






Tariffs can rake in incremental \$400-500Bn; Monthly tariff collected rose to \$30Bn in July'25



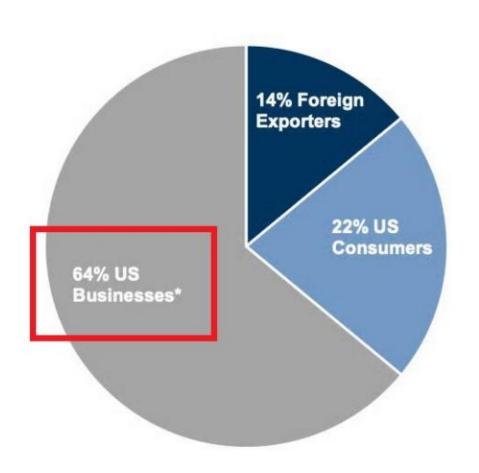


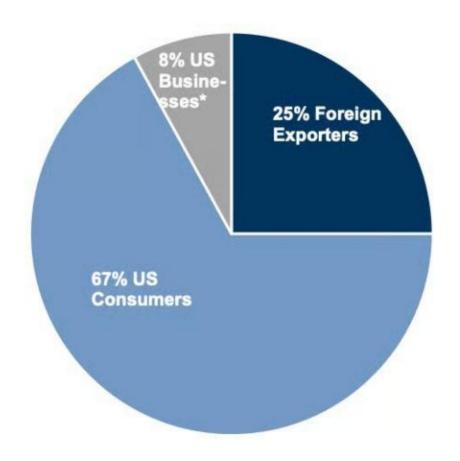
Since Apr'25 large part of tariffs have been absorbed by importers — we believe final tariffs will be borne by US consumer



Division of Tariff Costs as of June

Tariff Costs Divided by October after Four Months of Announced Tariffs

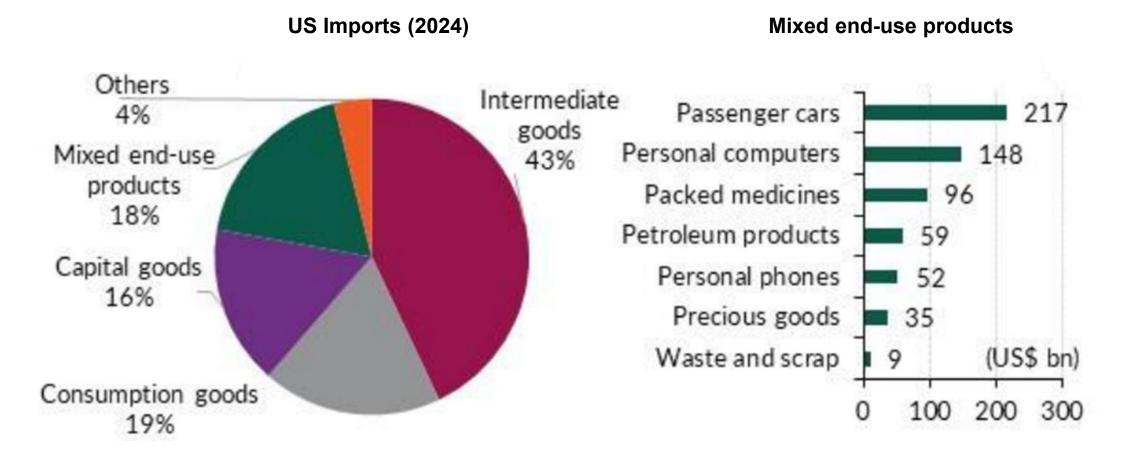






As 60% of imports are intermediate/capital goods shielding consumers

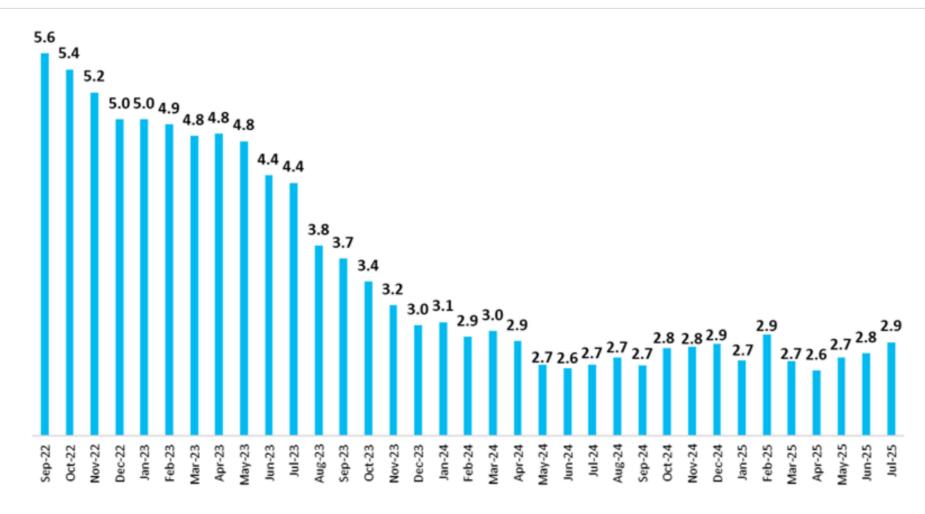
~60% of imports are intermediate (43%) and capital goods (16%): to show up in CPI in a few months





US inflation up, growth down – stagflation risk?

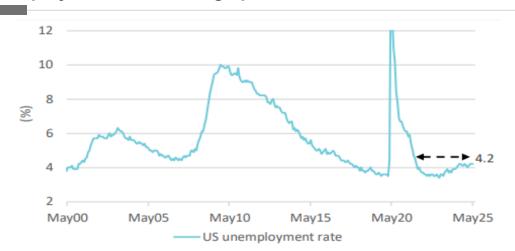
US Core PCE Inflation Rate (YoY %)



US is facing multiple macro challenges



Unemployment rate inching up



New home inventories back at 2008 recession highs



Hiring rate close to recessionary troughs



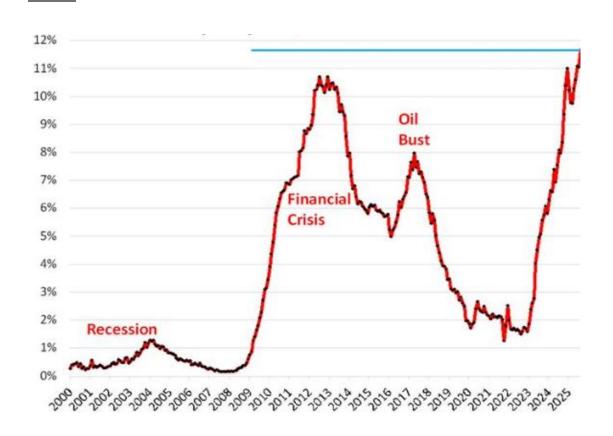
Resulting in falling housing prices...



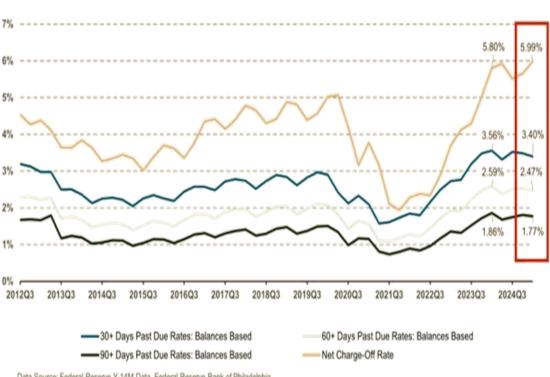




Office Commercial Mortgage-Backed Securities Delinquencies



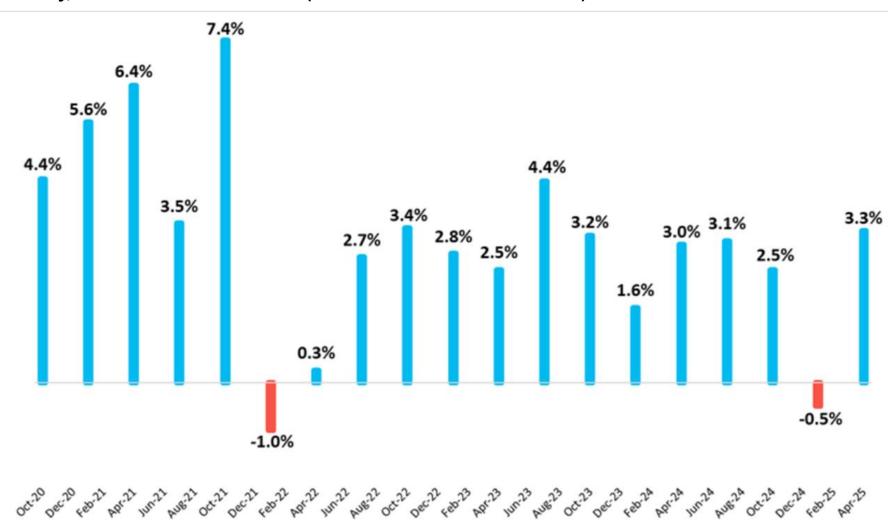
Credit Card Delinquencies and Net Charge-Off Rate







US Real GDP (Quarterly, Annualized as of Q2 2025 (Data via Y-Charts as of 8/28/25)



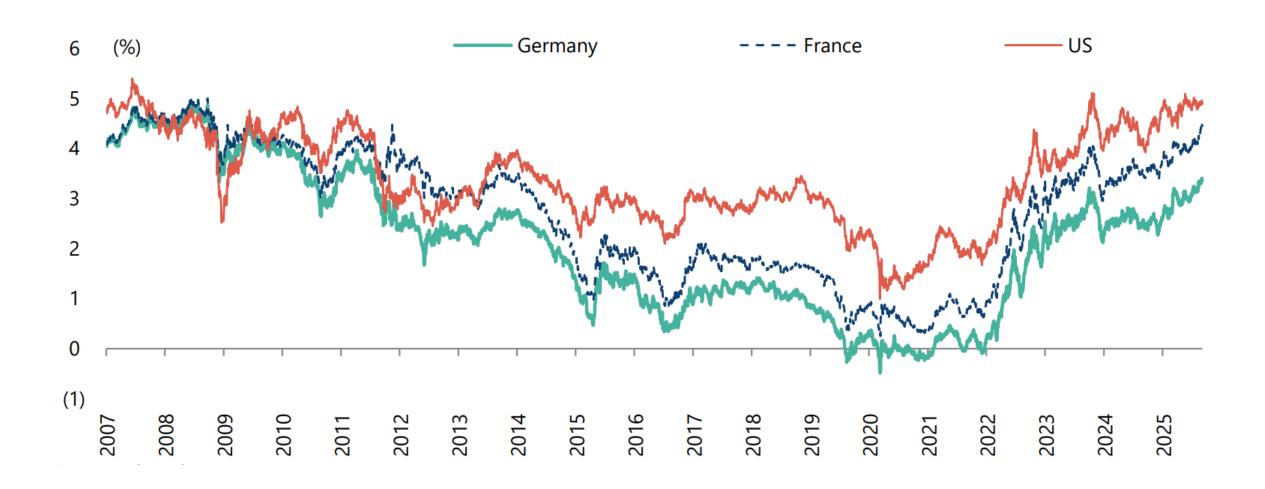


US markets are pricing in lower odds of recessions in recent months





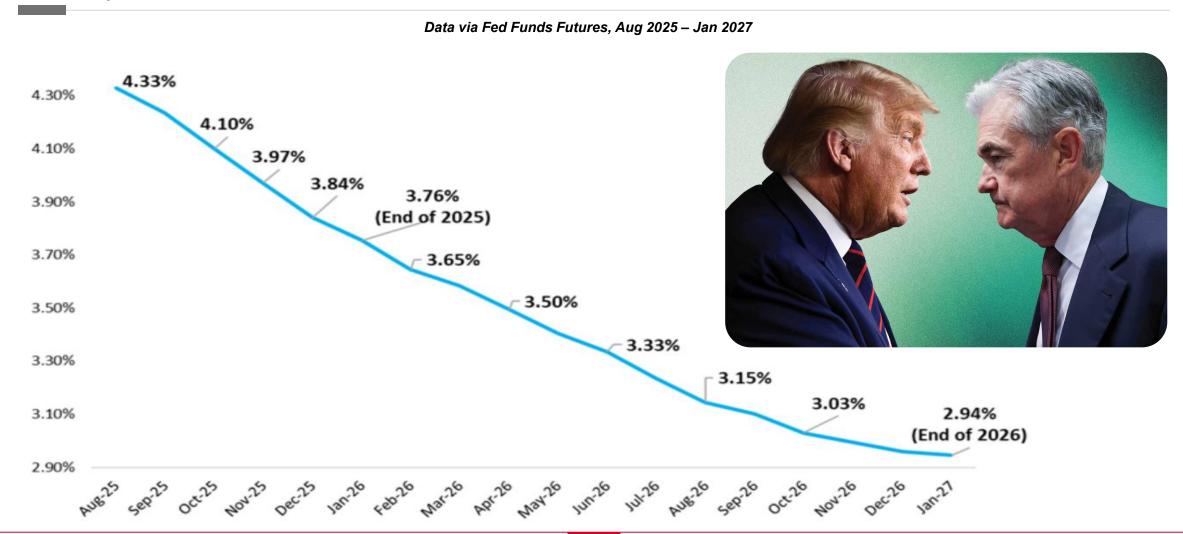






Rate cut expectations keep getting revised downwards...

Market Expectations for Fed Funds Rate



DXY has weakened meaningfully







Expect the unexpected - Despite macro challenges, S&P hits all time highs!





Expect the unexpected - S&P 500 has now hit 20 all-time highs this year

S&P 500 Index: Number of All-Time Highs (1929 - 2025)									
Year	#ATH	Year	#ATH	Year	#ATH	Year	# ATH	Year	# ATH
1929	45	1949	0	1969	0	1989	13	2009	0
1930	0	1950	0	1970	0	1990	6	2010	0
1931	0	1951	0	1971	0	1991	22	2011	0
1932	0	1952	0	1972	32	1992	18	2012	0
1933	0	1953	0	1973	3	1993	16	2013	45
1934	0	1954	27	1974	0	1994	5	2014	53
1935	0	1955	49	1975	0	1995	77	2015	10
1936	0	1956	14	1976	0	1996	39	2016	18
1937	0	1957	0	1977	0	1997	45	2017	62
1938	0	1958	24	1978	0	1998	47	2018	19
1939	0	1959	27	1979	0	1999	35	2019	36
1940	0	1960	0	1980	24	2000	4	2020	33
1941	0	1961	53	1981	0	2001	0	2021	70
1942	0	1962	0	1982	2	2002	0	2022	1
1943	0	1963	12	1983	30	2003	0	2023	0
1944	0	1964	65	1984	0	2004	0	2024	57
1945	0	1965	37	1985	43	2005	0	2025	20
1946	0	1966	9	1986	31	2006	0		
1947	0	1967	14	1987	47	2007	9		
1948	0	1968	34	1988	0	2008	0		
Note: Closing Prices as of 8/28/25. Data Sources: S&P Dow Jones, YCharts									

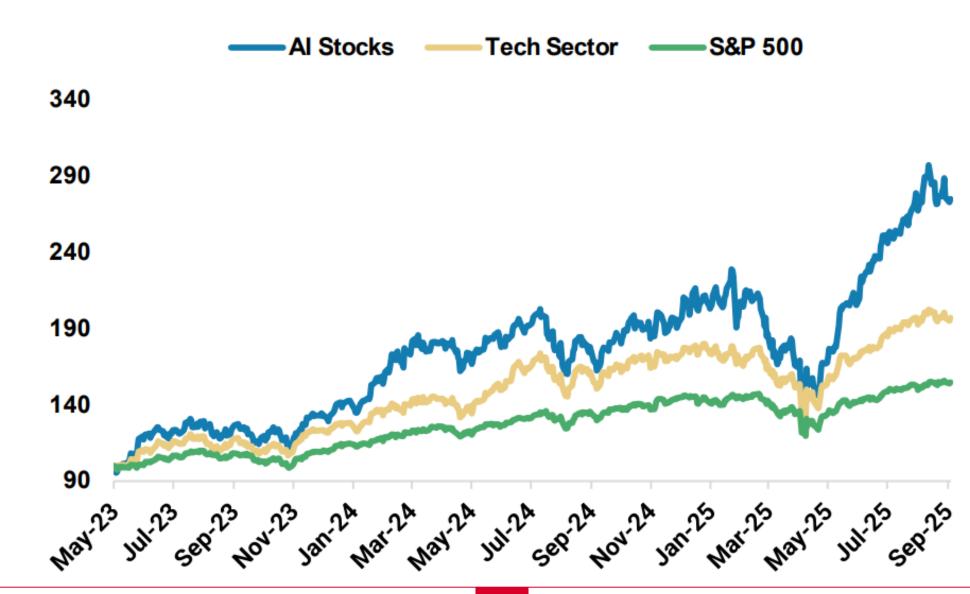


Expect the unexpected – Global markets roar while Uncertainty hits the roof

Global Equity ETFs: 2025 Total Returns (in US \$)										
Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR		
Greece	GREK	74.8%	China	MCHI	30.5%	Ireland	EIRL	18.0%		
Poland	EPOL	66.1%	Brazil	EWZ	27.5%	Taiwan	EWT	17.9%		
Spain	EWP	56.2%	Europe	VGK	26.2%	Israel	EIS	17.7%		
Austria	EWO	54.9%	Sweden	EWD	26.1%	Qatar	QAT	17.4%		
Vietnam	VNM	52.1%	Norway	NORW	26.0%	Total World	VT	14.7%		
South Korea	EWY	46.8%	Belgium	EWK	25.7%	Australia	EWA	14.5%		
Italy	EWI	44.5%	Kuwait	KWT	25.3%	US	SPY	10.7%		
Colombia	COLO	41.1%	UAE	UAE	25.2%	Philippines	EPHE	8.0%		
South Africa	EZA	40.9%	United Kingdom	EWU	24.5%	Malaysia	EWM	5.2%		
Germany	EWG	35.4%	EAFE	IEFA	24.0%	Indonesia	EIDO	4.6%		
Mexico	EWW	34.8%	France	EWQ	23.4%	Argentina	ARGT	3.9%		
Peru	EPU	34.2%	World ex-USA	ACWX	22.4%	Denmark	EDEN	2.8%		
Finland	EFNL	33.4%	Netherlands	EWN	21.5%	New Zealand	ENZL	2.4%		
Chile	ECH	32.8%	Emerging Markets	IEMG	21.5%	India	INDA	0.1%		
Hong Kong	EWH	32.2%	Switzerland	EWL	20.2%	Thailand	THD	-0.2%		
Singapore	EWS	30.9%	Japan	EWJ	19.1%	Turkey	TUR	-2.4%		
Eurozone	EZU	30.7%	Canada	EWC	19.0%	Saudi Arabia	KSA	-6.8%		



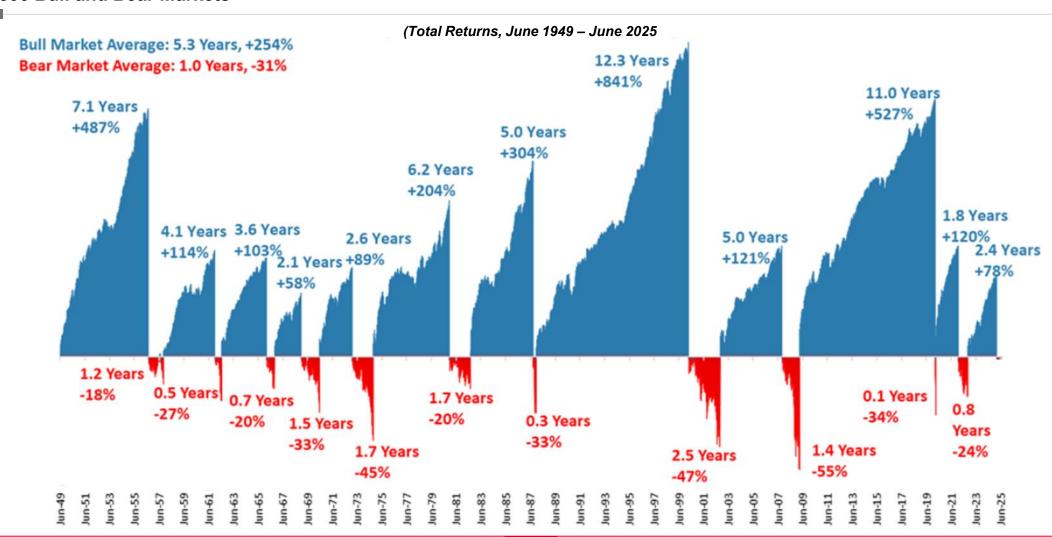








S&P 500 Bull and Bear Markets







S&P 500 Price to Peak Earnings Ratio







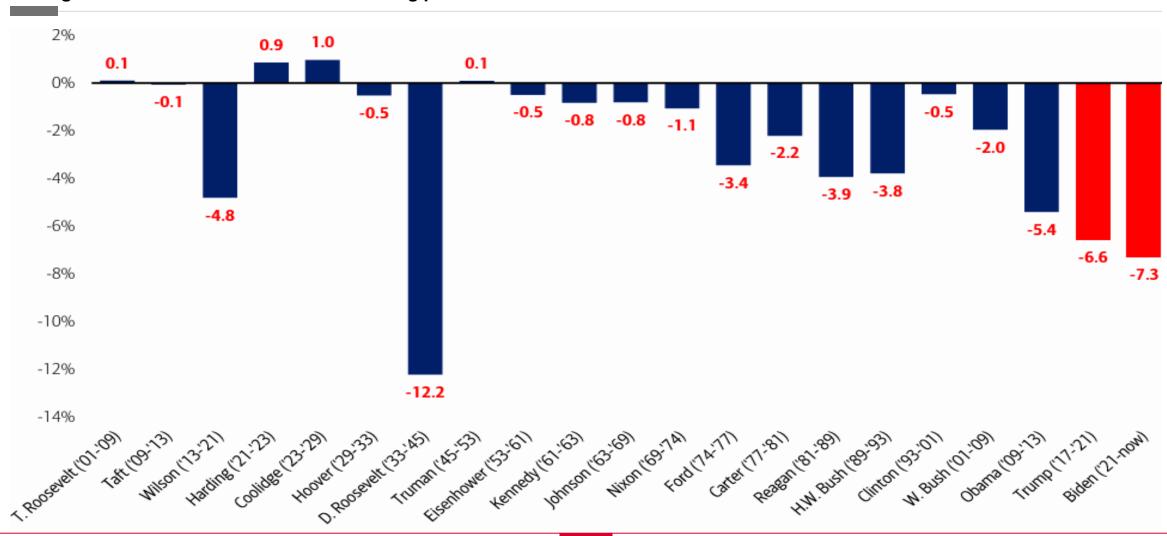
10 largest companies as share of S&P 500 total







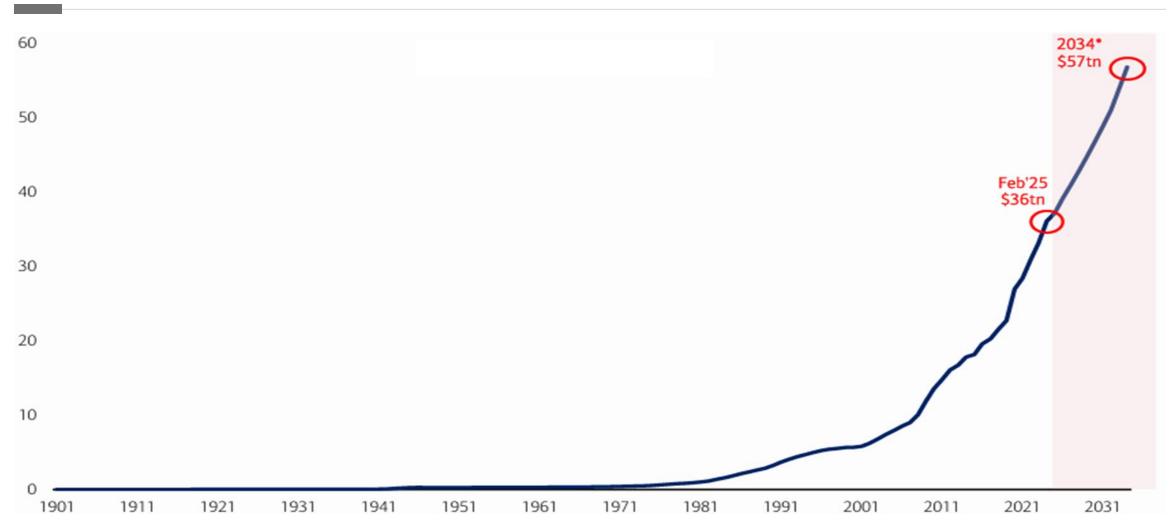
Average US federal deficit as % of GDP during presidential terms since 1900







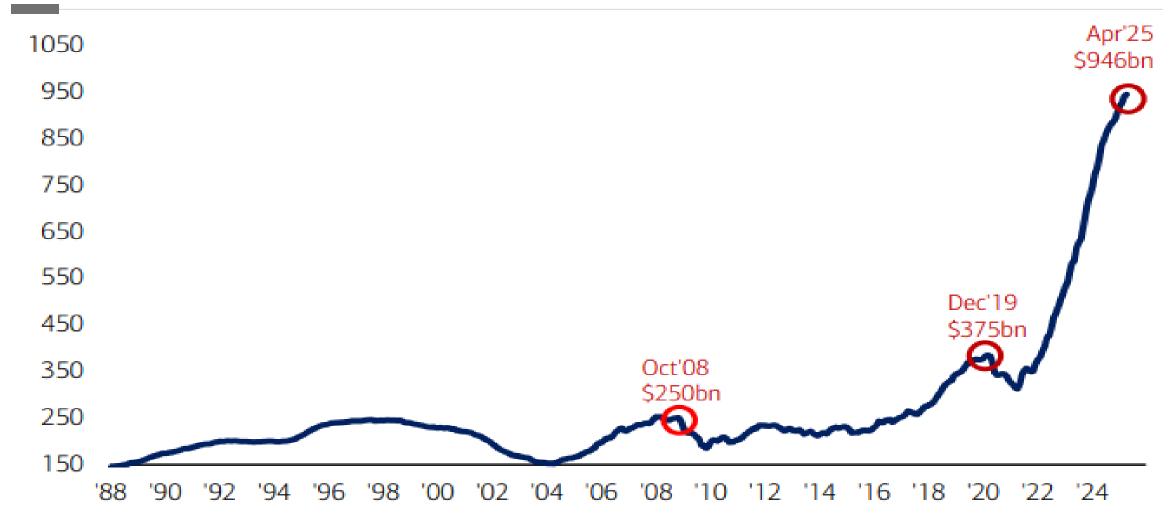
US Public Debt Outstanding & CBO Projections







US Treasury interest payments (net, 12m cumulative, \$ bn)



China changing stance – Focus on anti-deflation!





my**NEWS**

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China unveils new oversight guidelines seen as a strategic 'anti-involution effort'

Amid cutthroat competition, China's economic planner takes aim at how government-backed investment funds are being spent, especially in crowded industries

Reading Time: 2 minutes Why you can trust SCMP

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Forbes

MONEY > INVESTING

China Market Update: State Council Focuses Anti-Involution Campaign On EV Industry

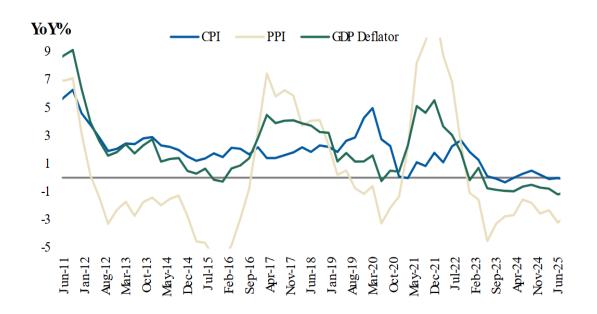
By <u>Brendan Ahern</u>, Senior Contributor. ① I am the CIO of KraneShares, a Chi...

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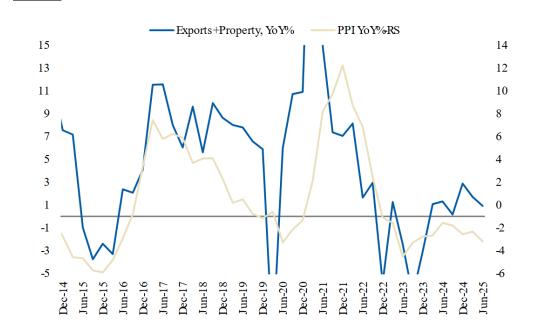
Deflation has been entrenched in China



Deflation has persisted for past couple of years



With supply rationalization, demand revival is also needed

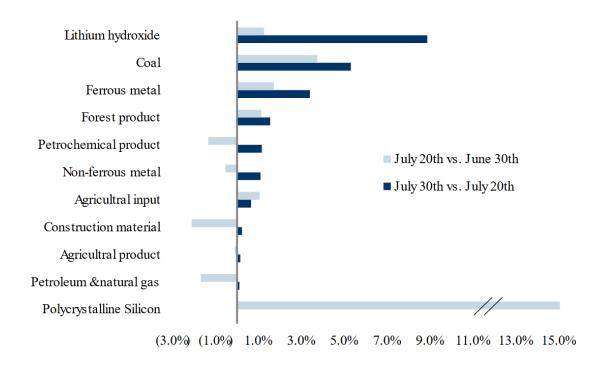




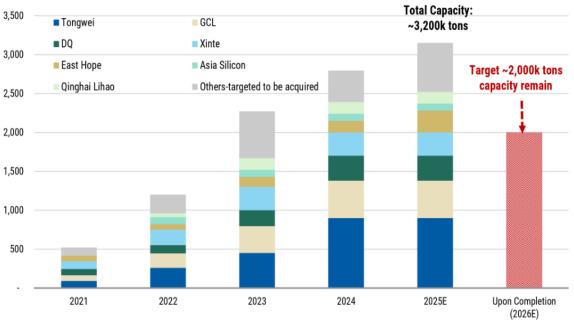
Commodities and chemicals: the next dark horse as China cuts overcapacity?

Price improvement already visible across sectors

(Change in prices by sector)



Major capacity cuts planned in polysilicon industry

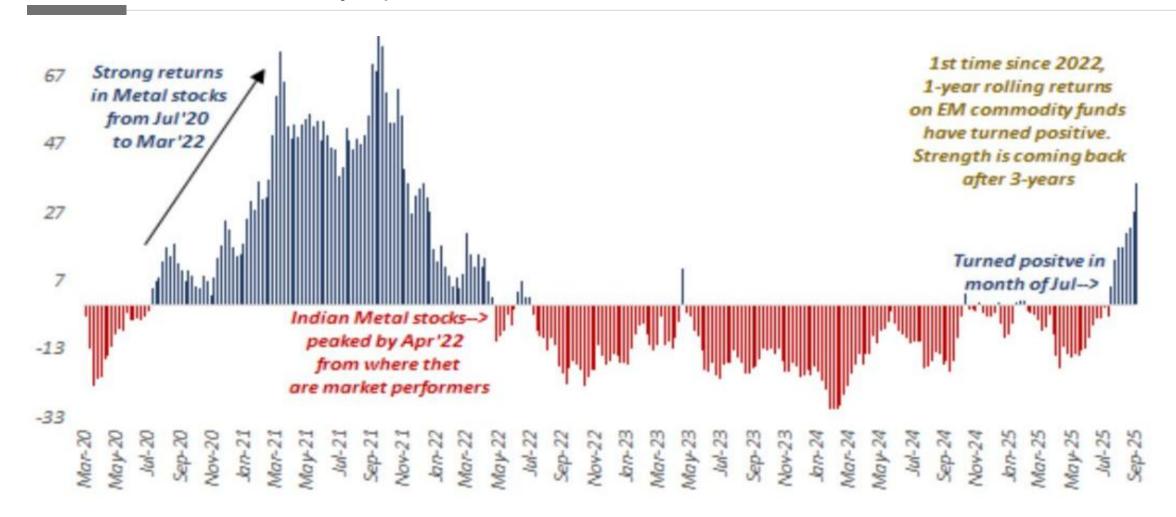


Market Outlook





EM Commodities/Material Funds, 1 year performance





Geo-political risks are on the rise





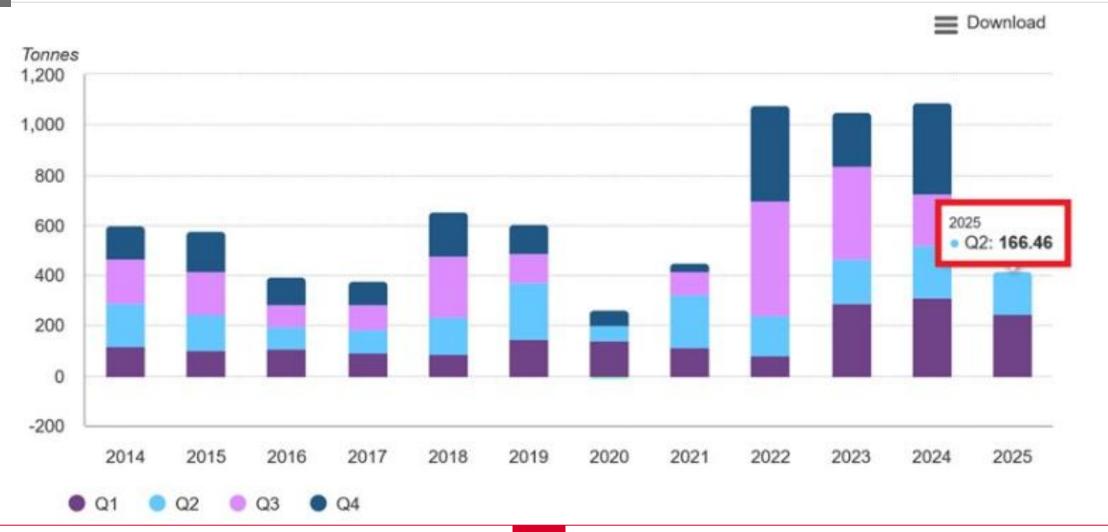






Central bankers purchase of gold in last 3 yrs = last 21 yrs

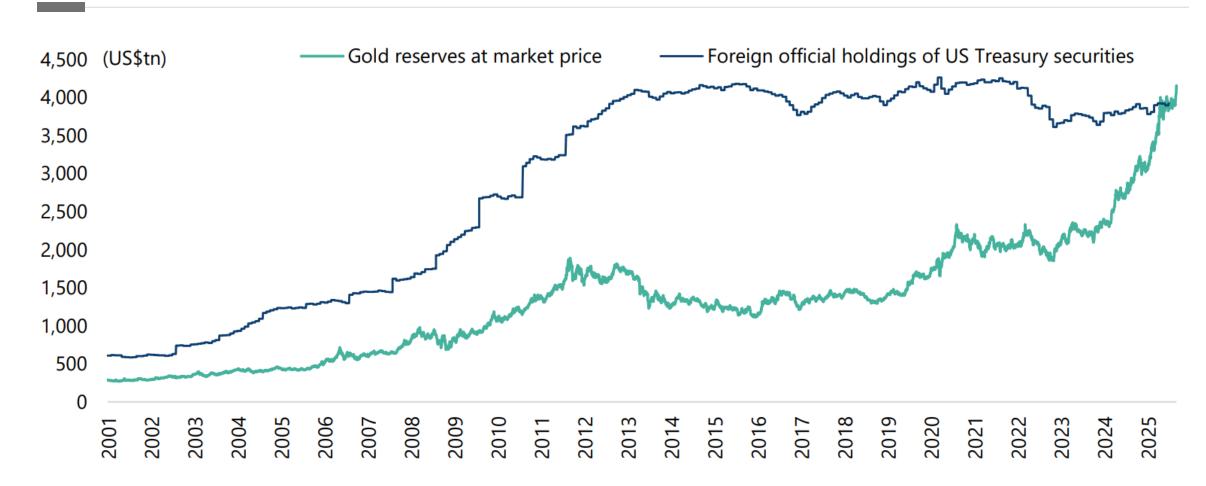
Central Bank's quarterly net gold purchases in tonnes







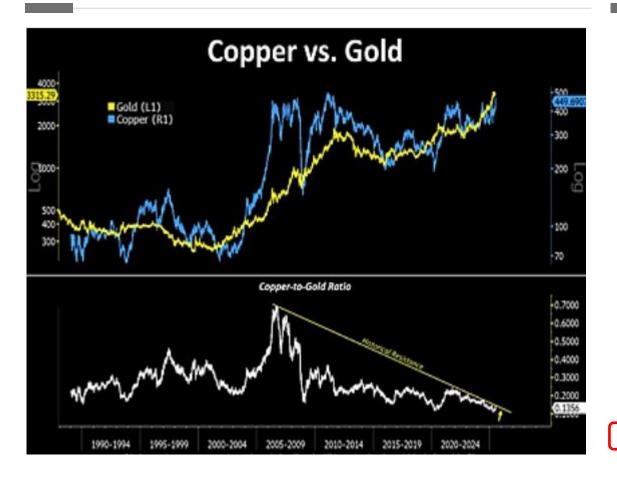
Gold reserves at market price and foreign official holdings in US Treasuries







Copper vs Gold



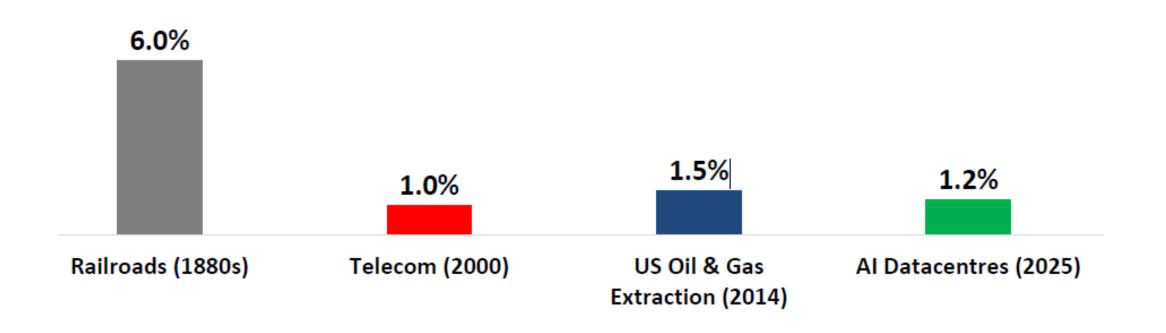
How to Value Silver

Current Gold Silver Price Ratio	1	93
Historical Gold to Silver Ratio	2	
The Roman Empire		12:1
Medival Europe		9.4:1
US Coinage Act of 1792		15:1
US Decision To Raise Gold price to \$35 in 1939		98:1
Abandonment of Gold standard & aftermath		97.5:1
Average Gold to Silver Ratio in 21st Century		69:1
Assuming a Gold to Silver Ratio of 60:1	3	
Lower band		52
Upper band		74
Derived price range for silver	4	\$52 to \$74
Midpoint		\$ 63



Did you know? AI capex now exceeding telecom capex during dot-com bubble

Capex as % of world GDP



At ~1.2% of GDP, it's already 20% of the 19th-century railroad investment frenzy (which peaked at 6% of GDP), one of history's most extreme buildouts.

Section 2:







Real GDP and components growth, March fiscal year-ends, 2019-26 (%)

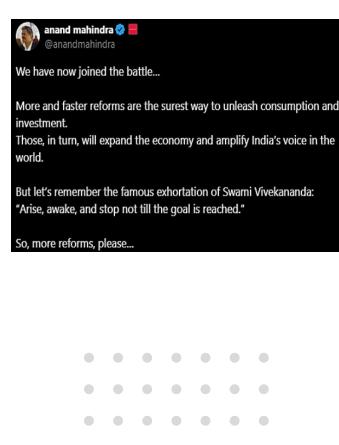
	2019	2020	2021	2022	2023	2024	2025	1QFY25 2	OFY25	30FY25	40FY25	1QFY26
Real GDP	6.5	3.9	(5.8)	9.7	7.6	9.2	6.5	6.5	5.6	6.4	7.4	7.8
Private consumption	7.1	5.2	(5.3)	11.7	7.5	5.6	7.2	8.3	6.4	8.1	6.0	7.0
Government consumption	6.7	3.9	(0.8)	0.0	4.3	8.1	2.3	(0.3)	4.3	9.3	(1.8)	7.4
Gross fixed capital formation	11.2	1.1	(7.1)	18	8.4	8.8	7.1	6.7	6.7	5.2	9.4	7.8
Inventory	27	(59)	(76)	525	24	53	4.5	7.5	2.1	3.5	4.8	5.9
Valuables	(9.7)	(14.2)	30	33	(17)	14.4	0.6	(23)	26	(0.5)	(30)	(23)
Exports	11.9	(3.4)	(7.0)	30	10.3	2.2	6.3	8.3	3.0	10.8	3.9	6.3
Imports	8.8	(8.0)	(12.6)	22	8.9	13.8	(3.7)	(1.6)	1.0	(2.1)	(12.7)	10.9

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Real GVA	6.5	5.8	6.5	6.8	7.6
Agriculture and allied	1.5	4.1	6.6	5.4	3.7
Industry	8.5	3.8	4.8	6.5	6.3
Mining	6.6	(0.4)	1.3	2.5	(3.1)
Manufacturing	7.6	2.2	3.6	4.8	7.7
Electricity	10.2	3.0	5.1	5.4	0.5
Construction	10.1	8.4	7.9	10.8	7.6
Services	6.8	7.2	7.4	7.3	9.3
Trade, hotel, transport, communication	5.4	6.1	6.7	6.0	8.6
Financial, real estate, professional services	6.6	7.2	7.1	7.8	9.5
Public admin, defence, and others	9.0	8.9	8.9	8.7	9.8
Real GDP	6.5	5.6	6.4	7.4	7.8

GST rate cuts are here – Diwali bonanza!



Products/services	Current GST rate	Proposed GST rate
Items currently taxed at 28%		
Air Conditioners	28%	18%
Commercial vehicles	28%	18%
Cement	28%	18%
Dish washing machines	28%	18%
Forestry	28%	18%
Motorcycles (<350 cc)	28%	18%
Three wheelers	28%	18%
Tractors	28%	18%
TVs (over 32 inches)	28%	18%
Items currently taxed at 18%		
Chocolates and any other food containing cocoa	18%	5%
Hair oil, Shampoo, Toothpaste, Shaving cream, Toilet soap	18%	5%
Health and individual life insurance	18%	5%
ce cream	18%	5%
Sulphuric acid, Nitric acid, Ammonia	18%	5%
Tractor tyres and parts	18%	5%
Individual health & life insurance	18%	Ni
Items currently taxed at 12%		
All other drugs and medicines	12%	5%
Condensed Milk, Cheese, Butter, Milk beverages	12%	5%
Footwear (<inr2500 pair)<="" per="" td=""><td>12%</td><td>5%</td></inr2500>	12%	5%
Handicraft handbags, sports gloves, handmade shawls	12%	5%
Hotel accomodation (<inr7500 day)<="" per="" td=""><td>12%</td><td>5% (without ITC)</td></inr7500>	12%	5% (without ITC)
Leather	12%	5%
Medical grade oxygen, diagnostic kits, Glucometer	12%	5%
Pre-packaged foods, namkeens	12%	5%
Solar cells, modules	12%	5%
Certain textile products and articles	12%	5%
Tractors, Agri equipments	12%	5%
33 life saving drugs and medicines	12%	Ni
Items currently taxed at 5%		
3 lifesaving drugs & medicines used for treatment of cancer, rare	5%	Ni
diseases and other severe chronic diseases		
Items currently taxed at 28% + cess		
Motor cars (Petrol/LPG/CNG <1200cc, diesel<1500cc)	29%-31% (28% + cess)	18%
Cigarettes, Tobacco, Pan masala	~45% (28% + cess)	40%
Motor cars (Petrol/LPG/CNG >1200cc, diesel>1500cc)	43%-50% (28%+ cess)	40%
Carbonated / Caffeinated beverages	40% (28% + cess)	40%







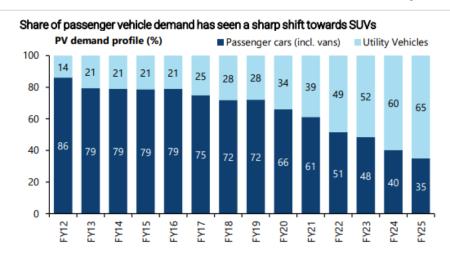
GST re-design a significant structural reform – ~1 pp lower effective GST rate

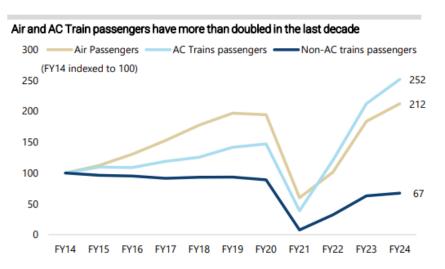


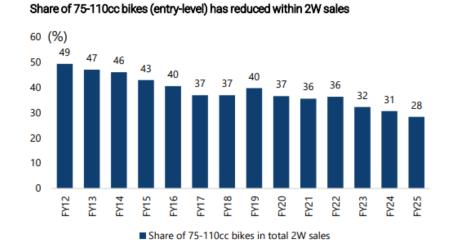


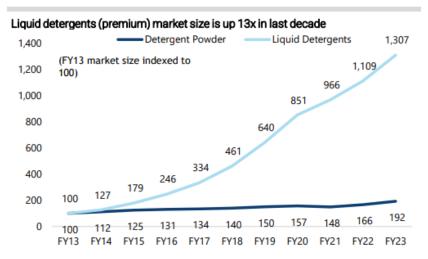


Premiumisation has been the theme across sectors in the past few years – can it change now?











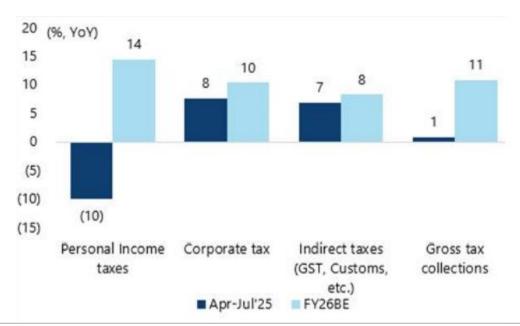
5 yrs industrials up – will consumption return?

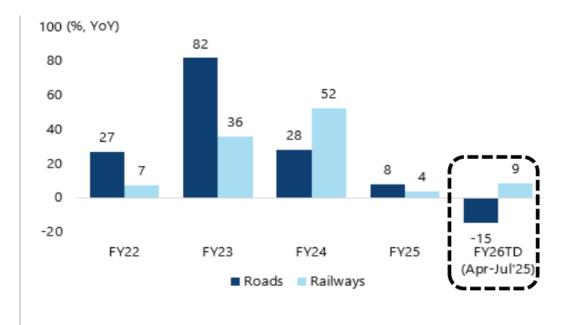


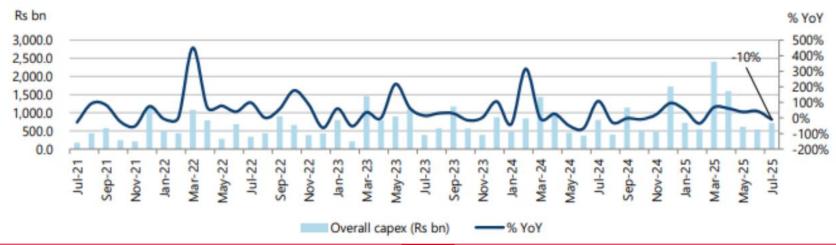










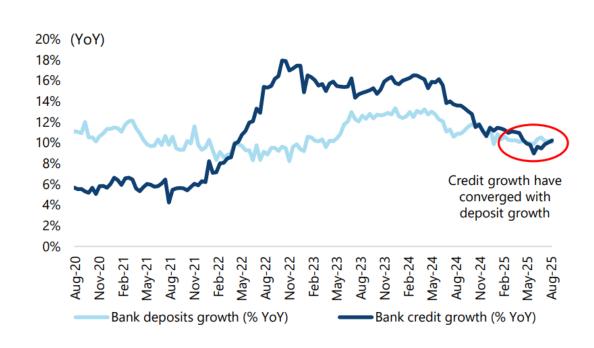






Credit and deposit growth trend for banks

Interest rates expected to reduce going ahead

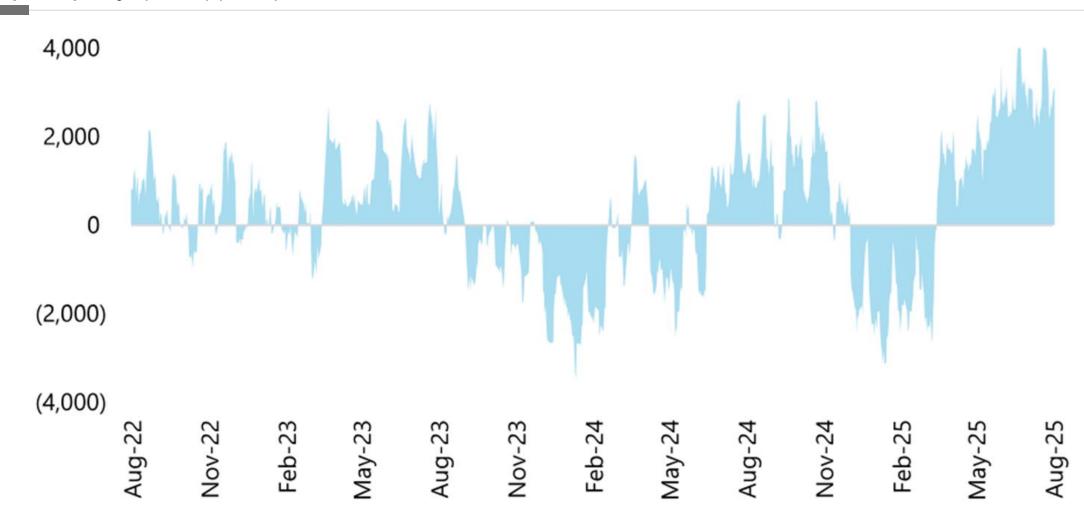








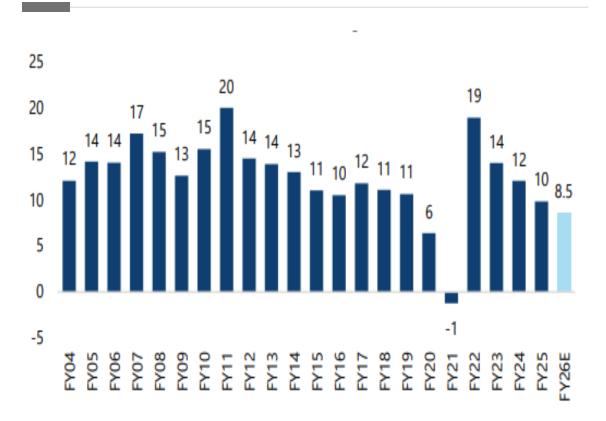
Surplus liquidity / (Deficit) (Rs bn)



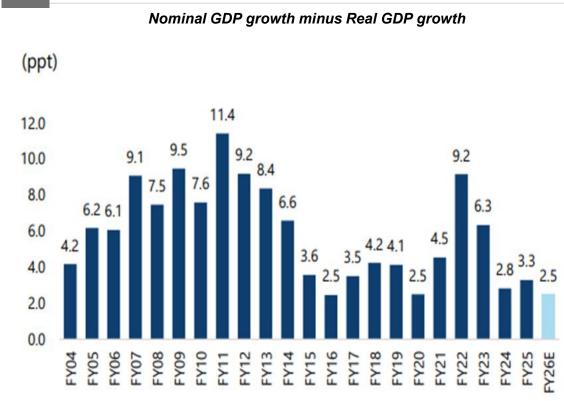




India Nominal GDP Growth

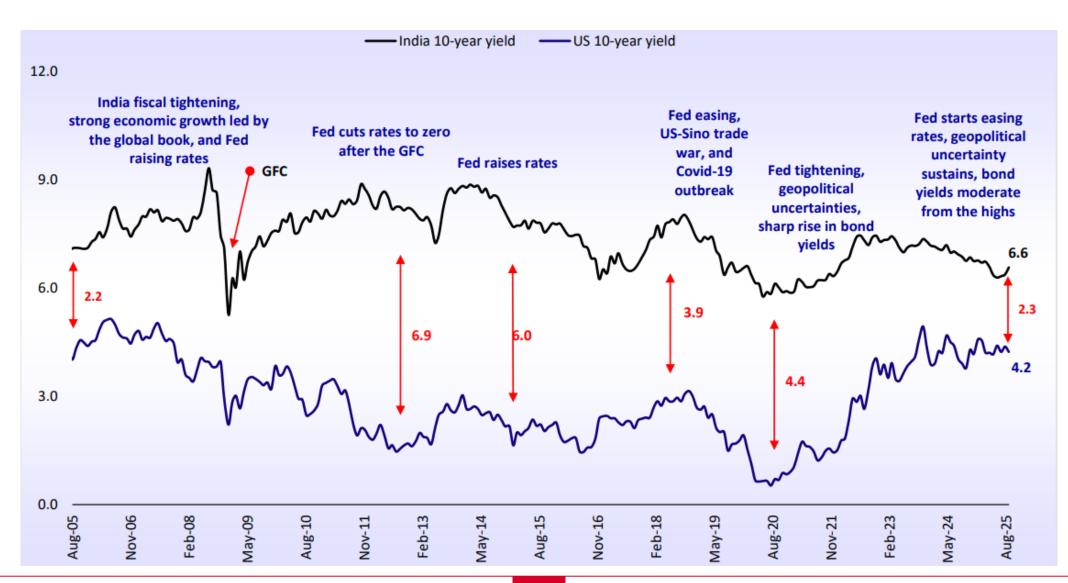


India GDP Deflator





Macro stability resulting in lowest spreads with US bond yields

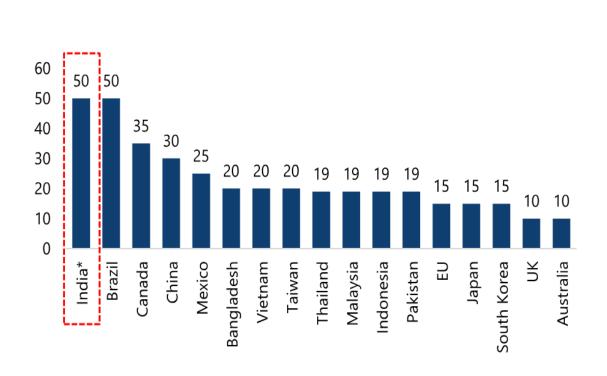




Tariff risks - India was First in queue in April; Now its Last!

India faces one of the highest tariffs from US

India's merchandise goods trade surplus with US (\$Bn)

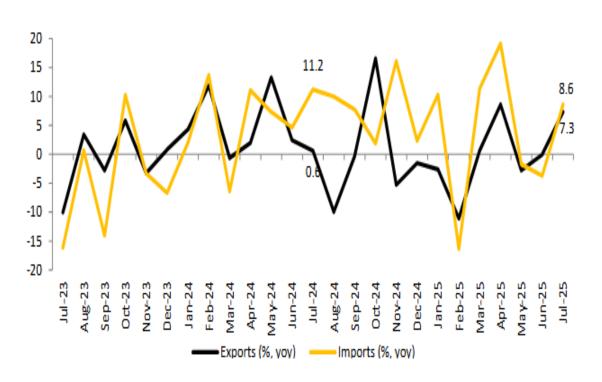




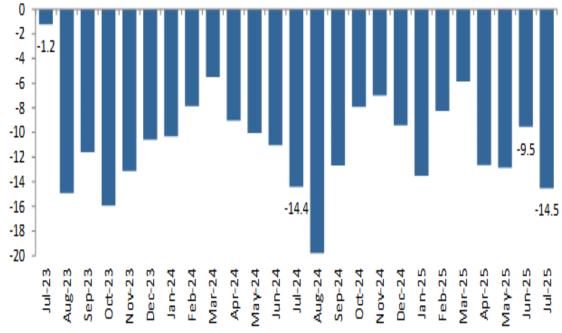




Merchandise imports growing faster than exports



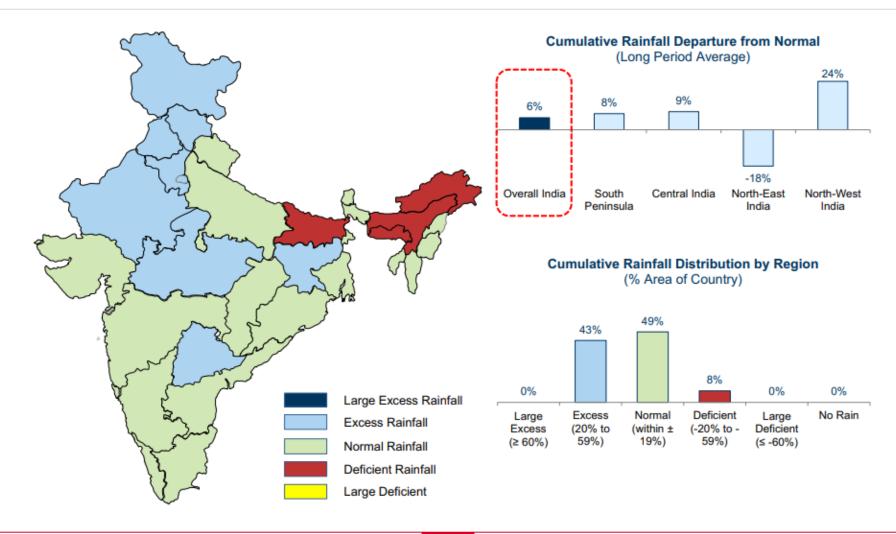
Non-oil & gold trade deficit widening





Monsoon well-distributed; reservoir levels healthy across regions

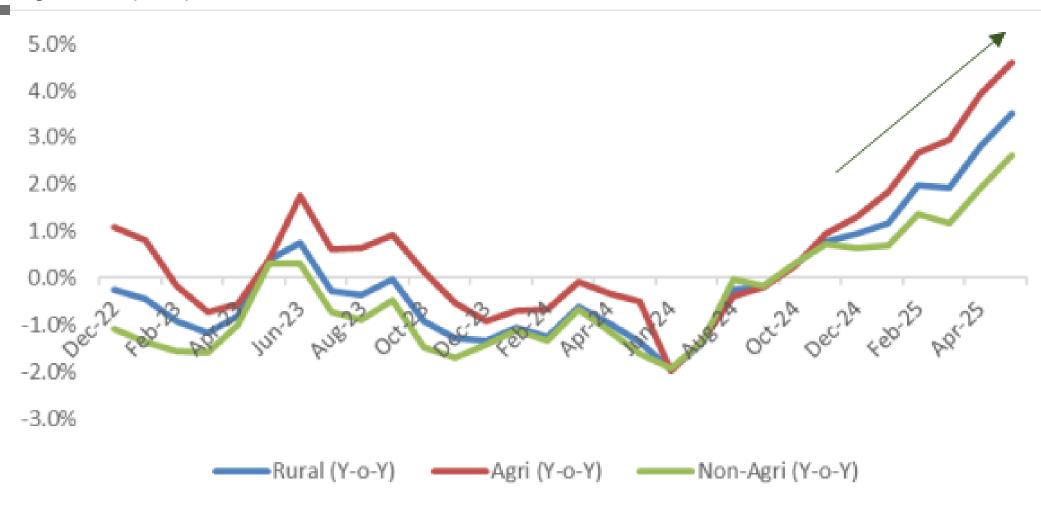
India Cumulative Rainfall from June 1 to August 28 2025





Rural recovery is clearly visible supported by wage growth

Real Wage Growth (Y-o-Y)







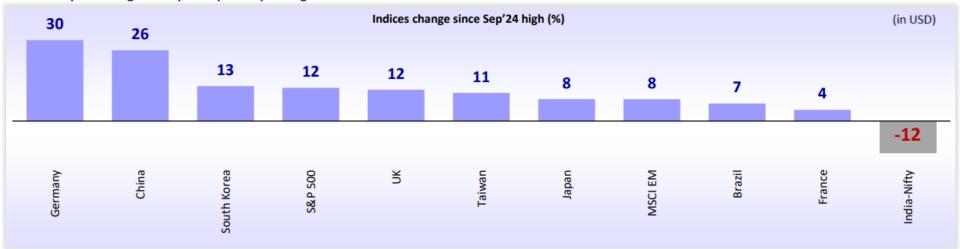
Are Valuations and Flows Turning Supportive?





India underperforming global markets in the past year





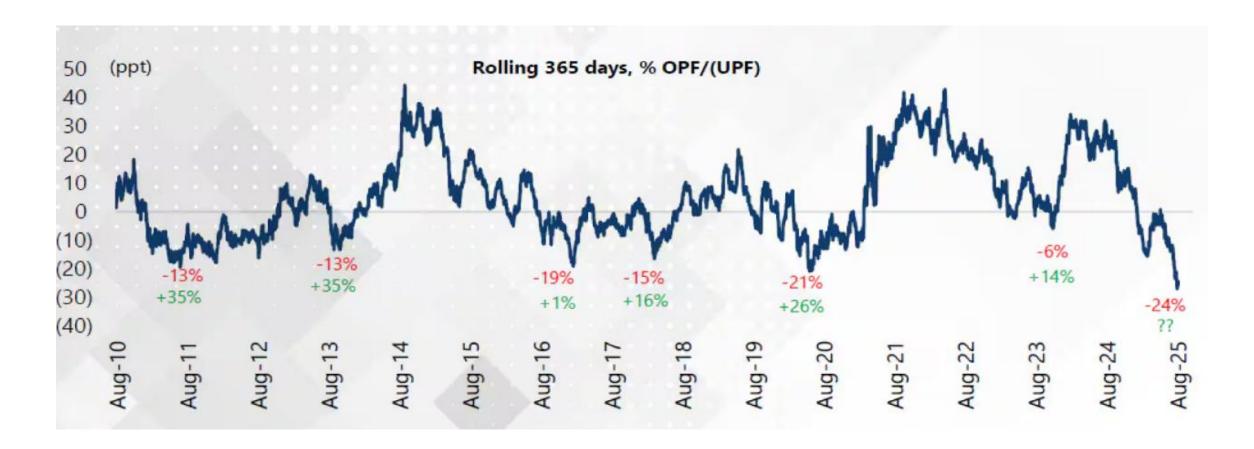
CY25YTD performance of global equity indices in USD terms (%)







MSCI India (USD) vs MSCI Emerging Markets

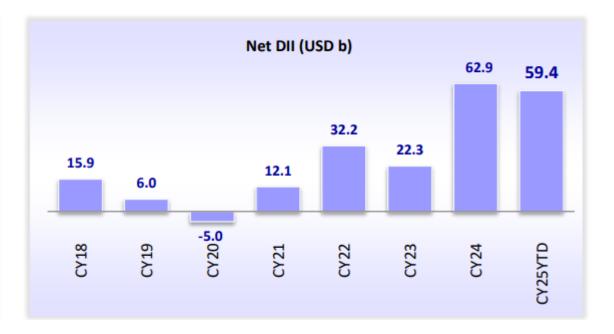






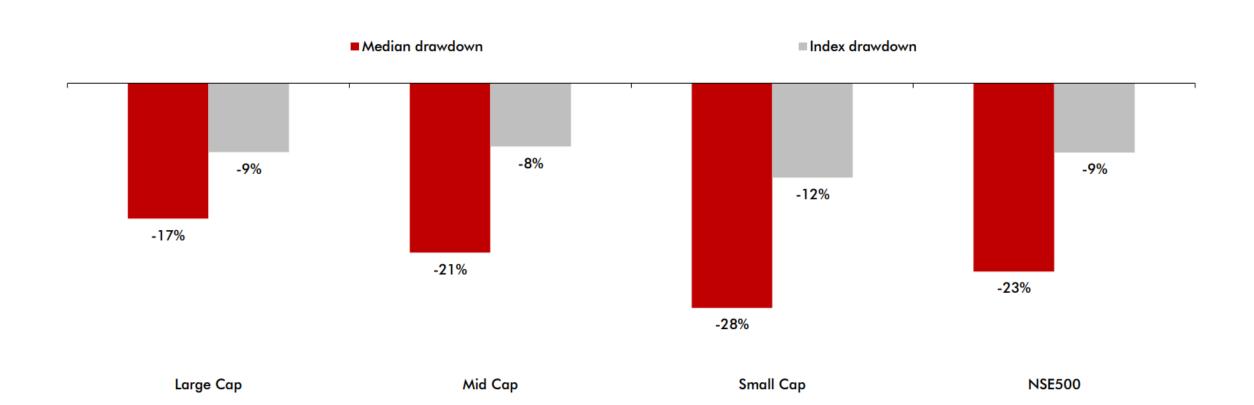
Yearly institutional flows (USD b)





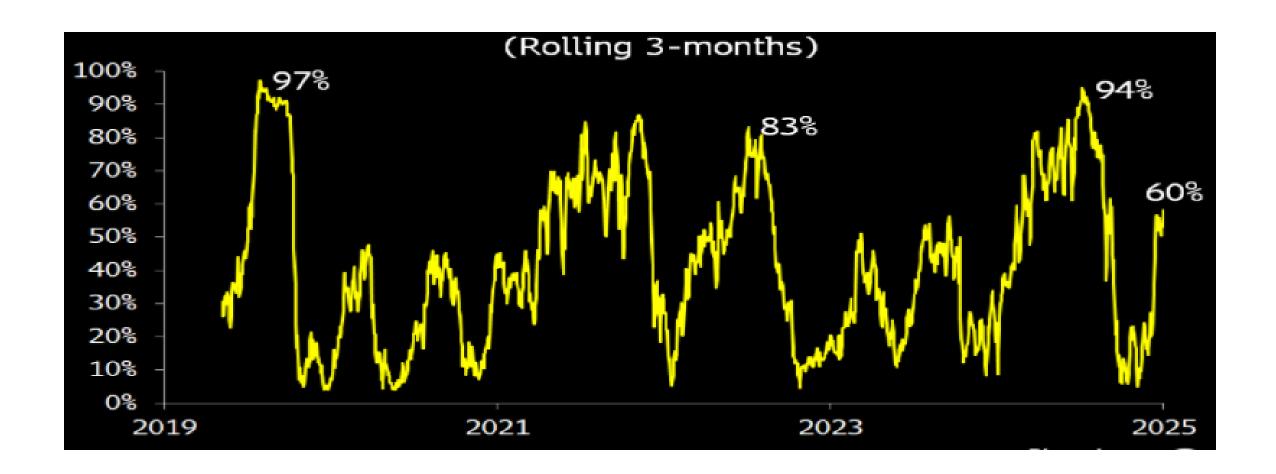
Index masks damage – broader markets extremely weak! Median drawdowns from 52w highs across market caps at 15-20%





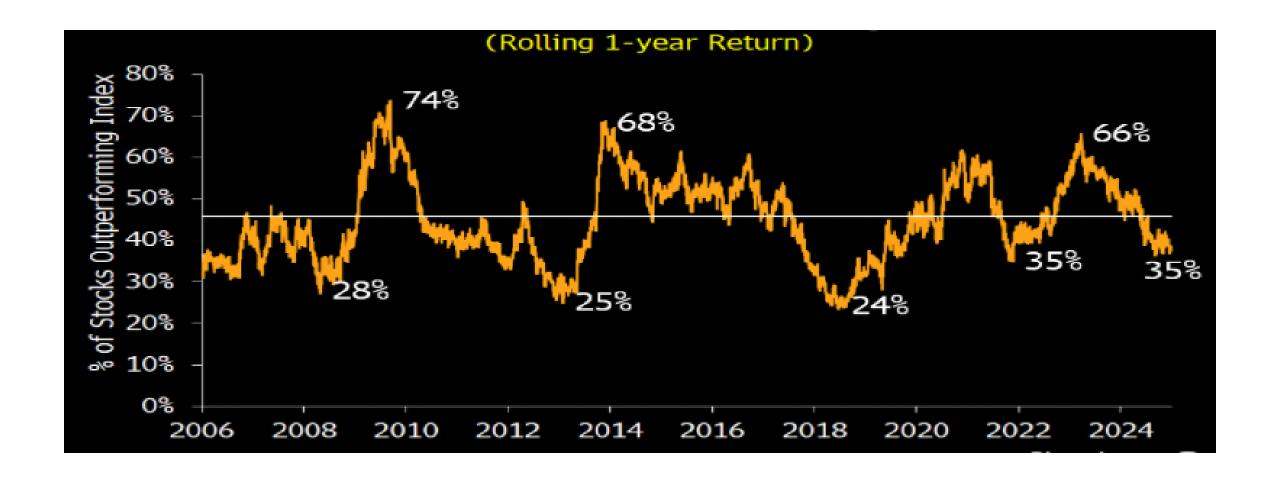


6 in 10 BSE500 stocks with negative returns in 3 months





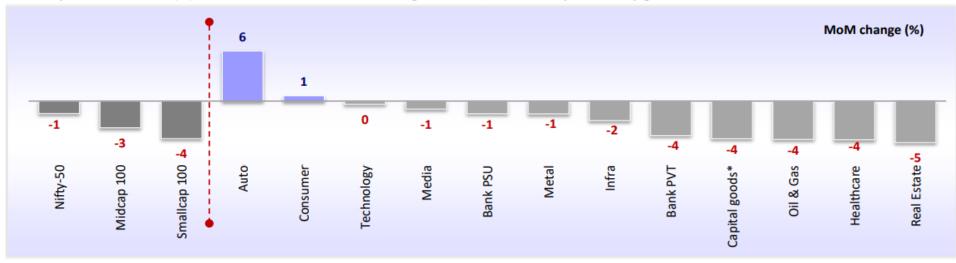
Only 3 in 10 BSE500 stocks outperforming the index



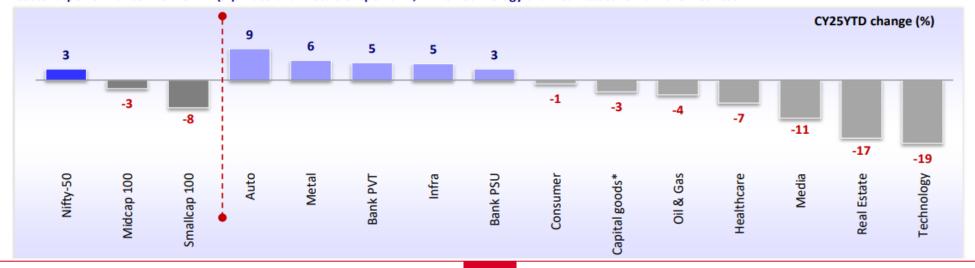


Broad-based market decline; Auto leads, Consumer sees modest gains MoM





Sectoral performance in CY25YTD (%): Auto and Metals outperform, while Technology and Real Estate remain the weakest



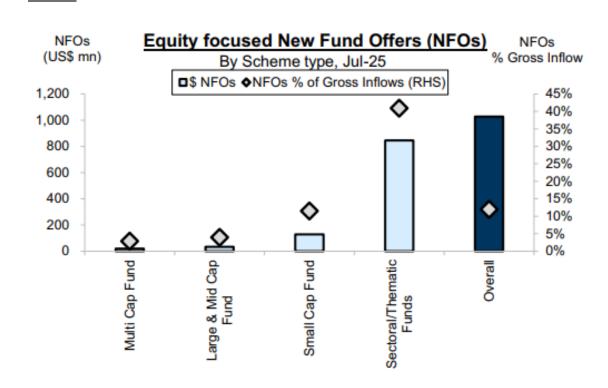




Sectoral/thematic funds and SMID funds saw largest inflows

Net Inflows in Equity Mutual Funds in Jul-25							
Scheme type	Net Monthly Inflows (US\$ mn)	Share of flows as % of overall flows	Change in net monthly inflows (m/m, US\$ mn)				
Sectoral/Thematic Funds	+1076	22%	+1021				
Flexi Cap Fund	+874	18%	+205				
Small Cap Fund	+740	15%	+271				
Mid Cap Fund	+592	12%	+154				
Large & Mid Cap Fund	+575	12%	+167				
Multi Cap Fund	+456	9%	+130				
Large Cap Fund	+243	5%	+45				
Focused Fund	+183	4%	+71				
Value Fund/Contra Fund	+168	3%	+33				
Dividend Yield Fund	+11	0%	+6				
Others	+0	0%	+0				
ELSS	-45	(1%)	+22				
Equity MFs	4,871	100%	+2123				

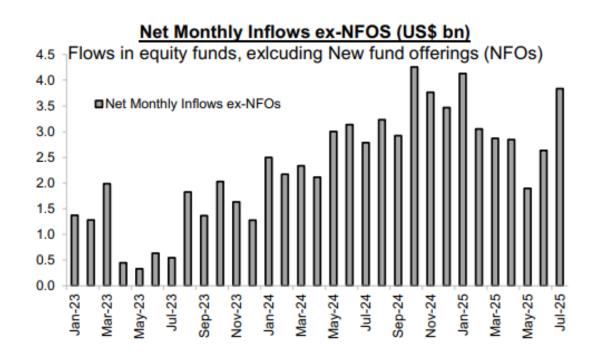
About 10% of the gross inflows were through NFOs (US\$1bn)



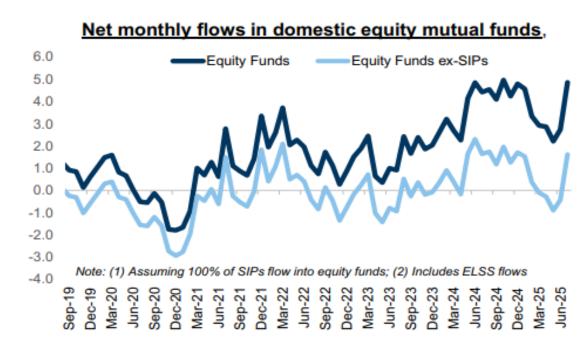
Inflows in domestic funds surged in July

Asset Manager Trust Process, Performance.

Ex-NFO inflows also rose to US\$3.8bn, up 46% m/m



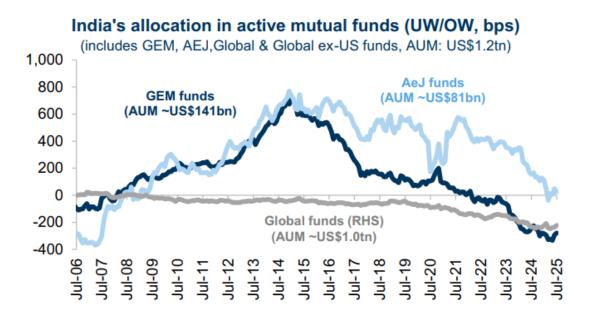
Discretionary flows (ex-SIPs) turned positive after 4 months







India's allocation in active MFs globally near 2-decade low



Global funds underweight India by ~215bps

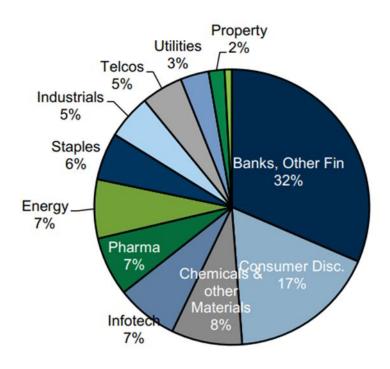
		India allocation			
Equity Mutual Funds	Total Assets (US\$ bn)	Avg. Fund allocation (%)	Benchmark (MSCI)	OW/UW (bp) vs. MSCI	
Global ex-USA funds	345	1.4%	5.0%	-365 bp	
EM Funds	140	14.1%	16.9%	-280 bp	
Global funds	625	0.3%	1.8%	-145 bp	
AEJ Regional funds	80	19.3%	19.1%	25 bp	
Overall (AUM wgt.)	\$1,190 bn	3.5%	5.7%	-215 bp	



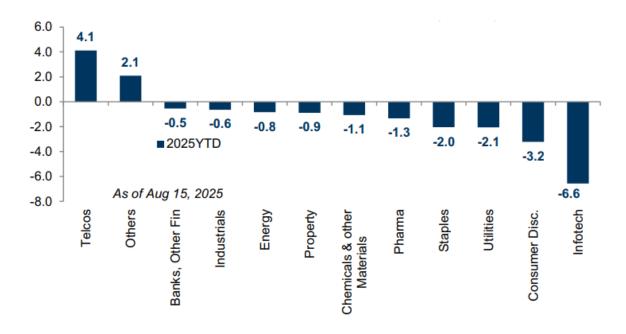


Current FII holdings across sectors

AUM: USD 814Bn (as of 15, Aug 2025)



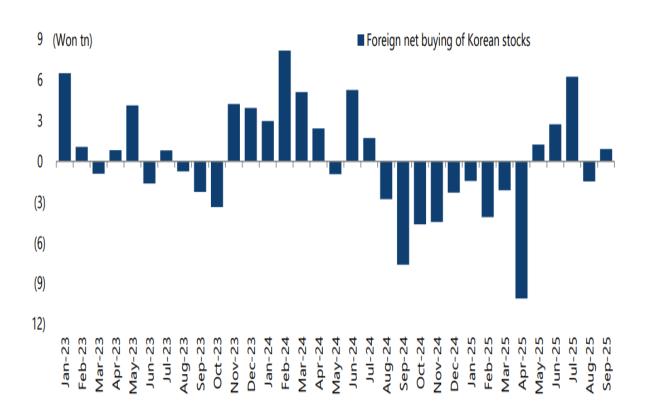
YTD FII flows across sectors (USD Bn)







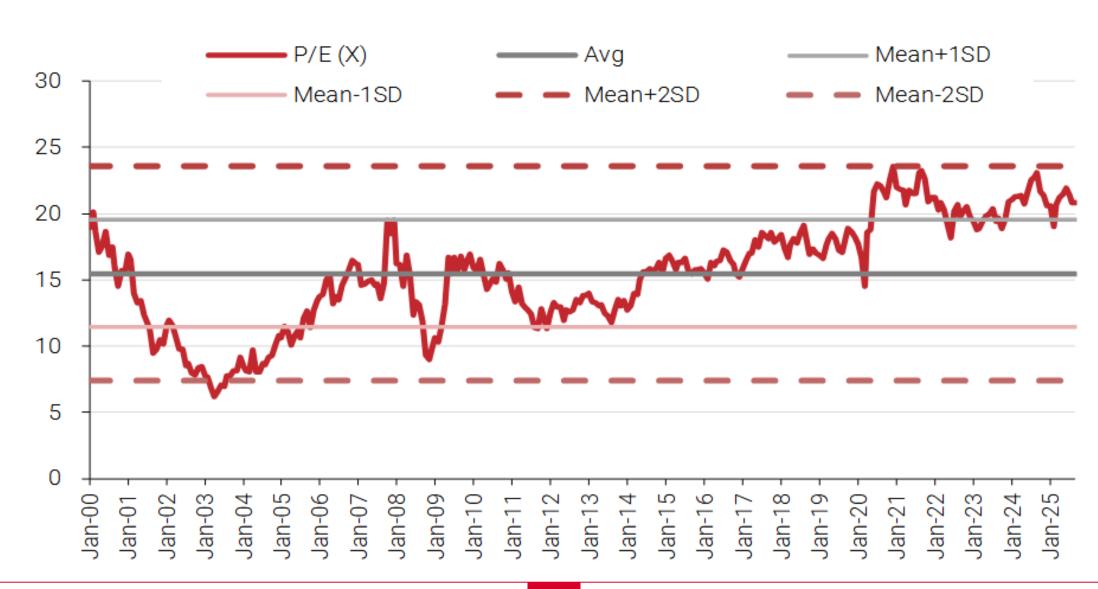
Rest of the Asian markets are doing better than India



China	31MAR2025	+4,271.5
India	25JUL2025	-1,016.6
Indonesia	28JUL2025	-370.4
Japan	18JUL2025	+11,104.5
4alaysia	28JUL2025	-159.7
Philippines	28JUL2025	-24.3
5. Korea	29JUL2025	+3,538.4
Sri Lanka	28JUL2025	-18.8
「aiwan	28JUL2025	+7,843.8
Thailand	25JUL2025	+386.0
/ietnam	28JUL2025	+371.7







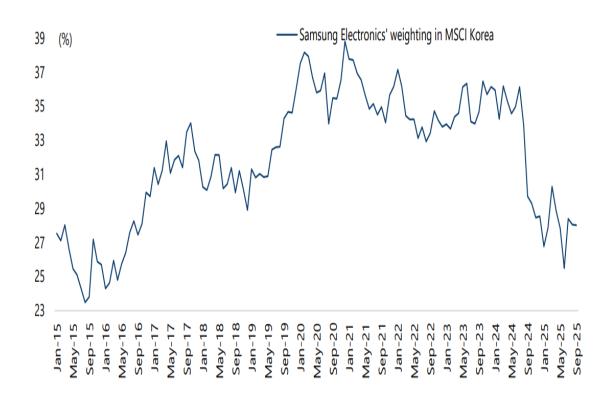


However India is expensive for a reason – Higher ROEs

Index	PE*	20 Year Avg PE	ROE	Earnings Yield	
Brazil	10.5	15.0	12.2	9.6%	
Argentina	11.2	20.3	9.5	8.9%	
Philippines	11.2	17.5	12.3	8.9%	
UK	13.9	14.5	10.1	7.2%	
Korea	14.6	14.9	7.3	6.8%	
Mexico	14.9	17.3	13.8	6.7%	
Vietnam	15.5	16.1	12.8	6.4%	
Eurozone	16.0	14.0	12.2	6.2%	
France	16.2	14.4	10.2	6.2%	
Asia Ex-Japan	16.6	14.1	14.4	6.0%	
China	16.9	17.7	10.1	5.9%	
Indonesia	17.5	18.3	12.3	5.7%	
China Mainland	17.6	17.3	8.3	5.7%	
South Africa	18.8	16.1	12.9	5.3%	
Taiwan	19.1	17.5	13.1	5.2%	
Japan	19.4	21.6	10.1	5.2%	
Canada	19.5	18.2	10.4	5.1%	
Australia	21.4	17.7	11.1	4.7%	
India	24.6	20.2	14.9	4.1%	
USA	27.0	18.9	18.4	3.7%	





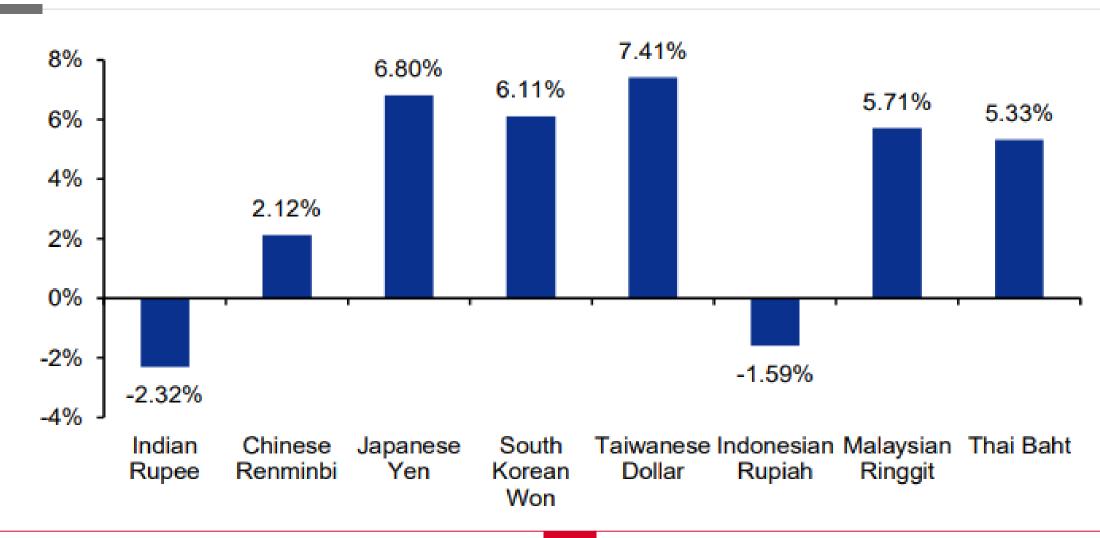








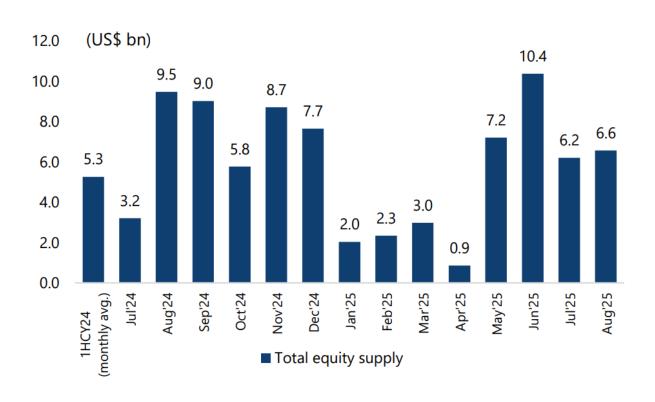
Performance against USD in CY25TD

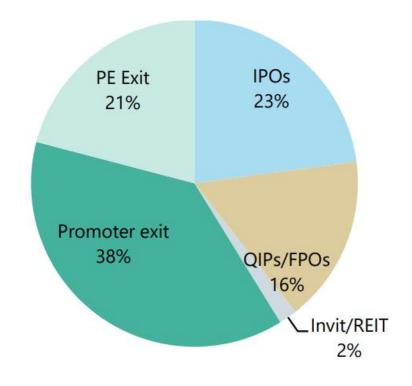


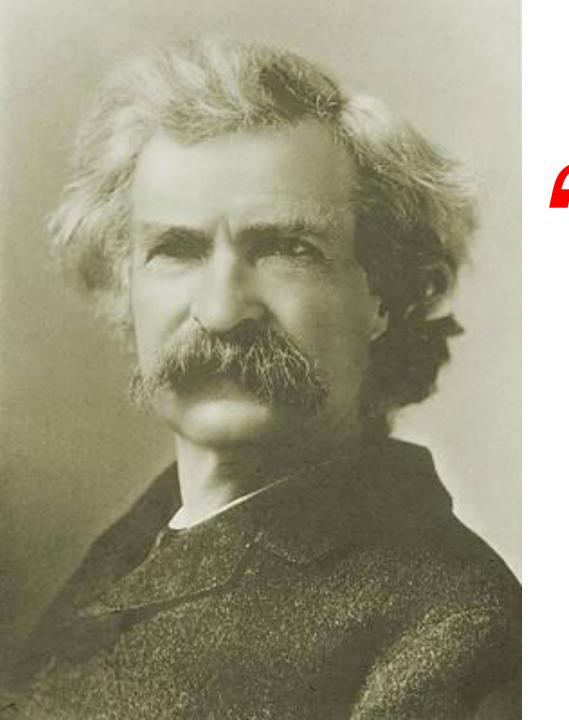




Majority of supply coming from Promoters lately





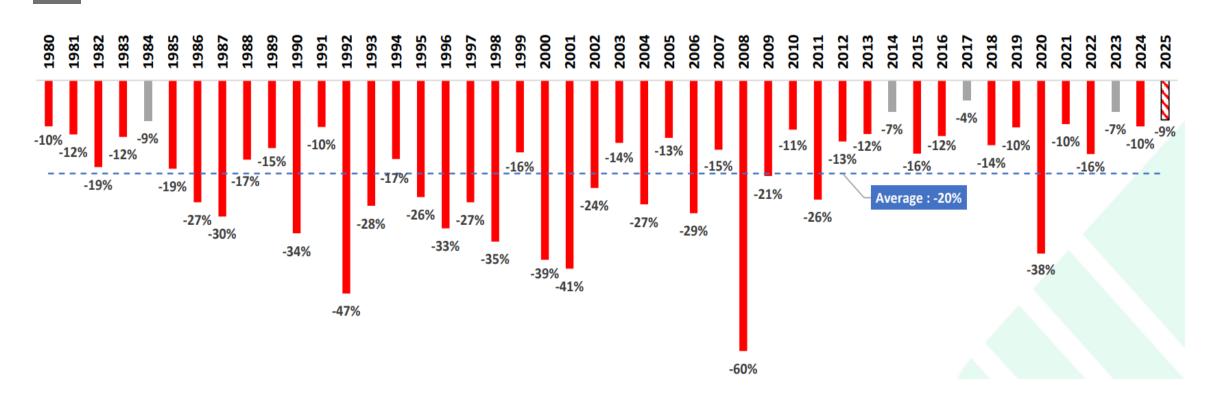


History does not repeat itself but it rhymes



Equity Markets witness 10-20% temporary declines almost every year

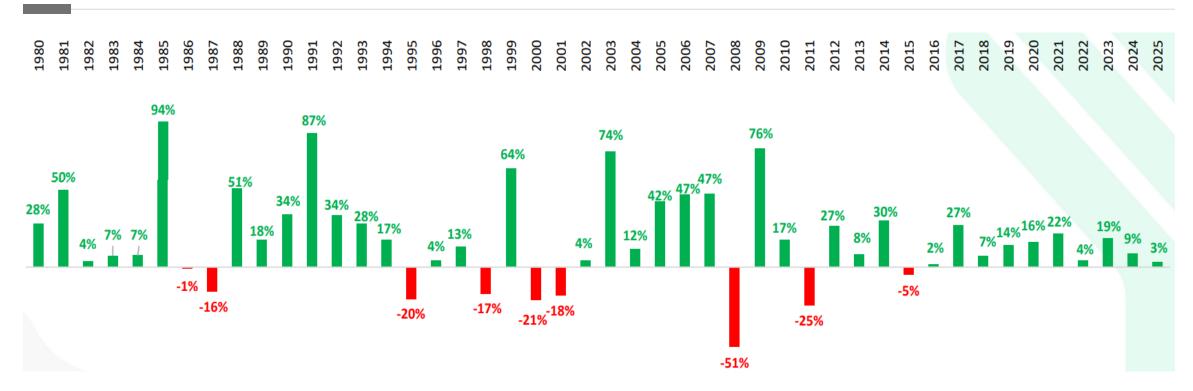
Sensex: Year-wise Drawdown (1980 to 2025 YTD)





Despite yearly 10% drops, 75% of years still ended positive!

Sensex (1980 to 2025 YTD) - Calendar Year Returns vs Drawdown



Despite the markets having intra-year declines every year, 36 out of 45 years ended with positive returns

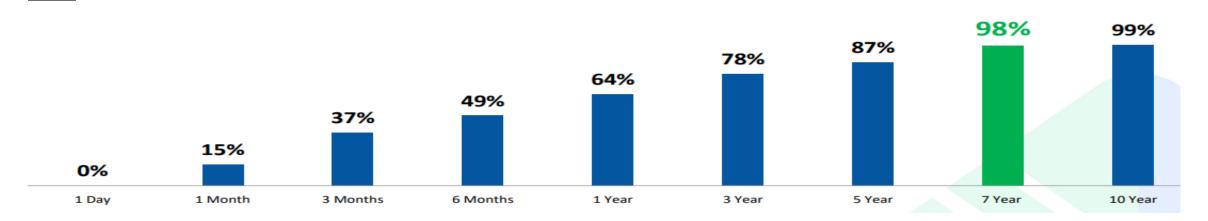
Market Outlook

September 2025

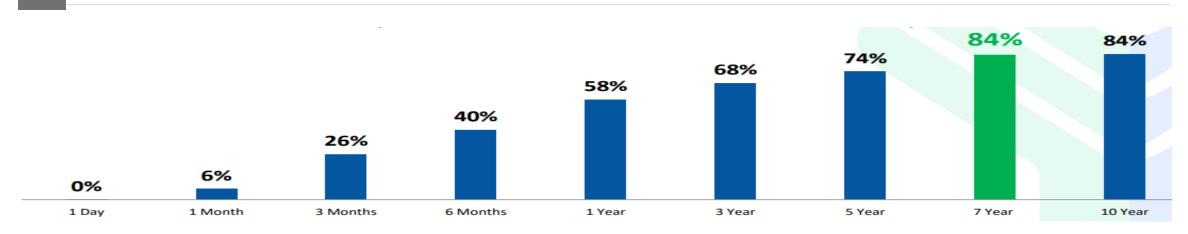


Longer the time frame, higher the odds of better returns

Nifty 50 TRI - % Instances of Returns > 7% since Inception



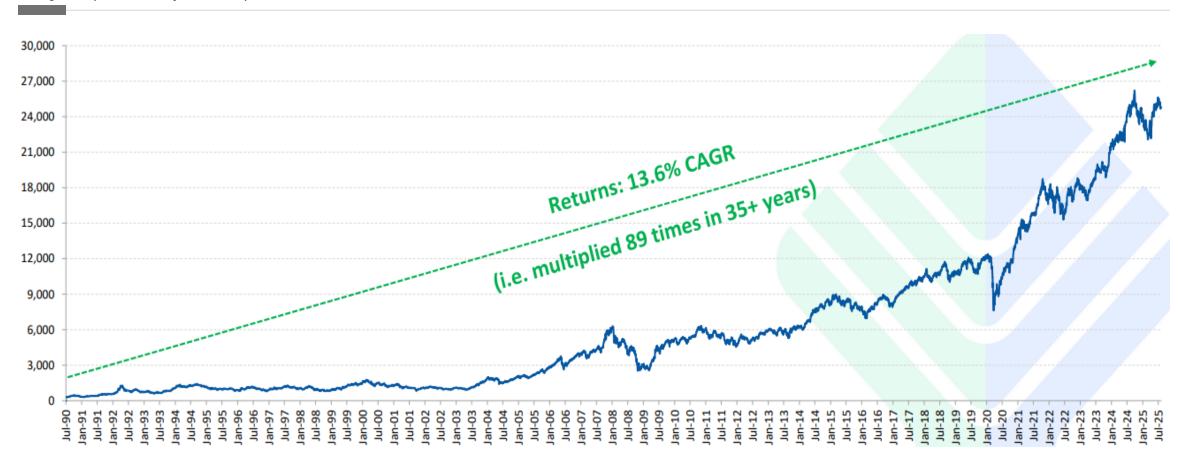
Nifty 50 TRI - % Instances of Returns > 10% since Inception







Nifty 50 (Since July – 1990)





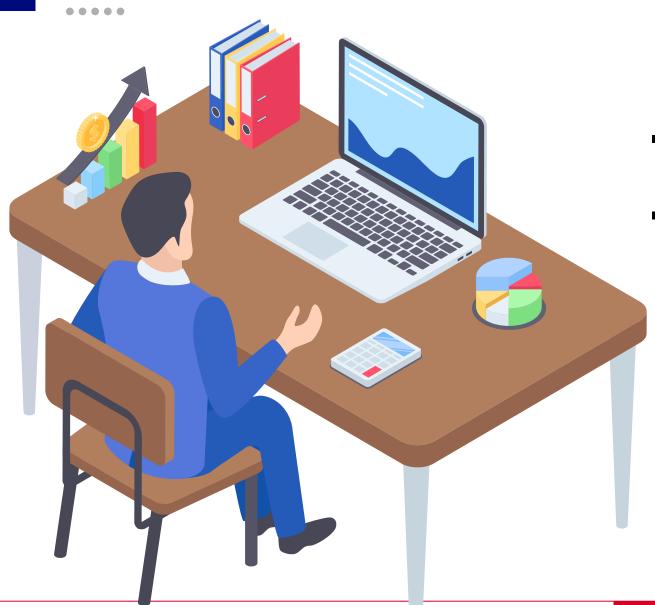
Disciplined asset allocation improves performance in the long term

20-Year CAGR Returns In Local Currency By Asset Class and For Multi Asset Allocation Strategy

Nominal Local Currency 20-Yr CAGR	Inflation	Equity returns	Debt returns	International equity returns	Gold returns	Multi Asset returns	Standard Deviation (Domestic Equities)	Standard Deviation (Multi Asset)
Emerging Markets (USD)	6.1%	3.9%	5.5%	6.1%	10.7%	6.2%	19.4%	12.6%
India	6.5%	13.0%	7.5%	9.8%	14.5%	12.7%	21.3%	11.3%
China	2.2%	7.8%	4.1%	7.5%	9.9%	9.7%	25.3%	13.7%
Thailand	1.8%	2.4%	2.8%	4.8%	9.3%	4.8%	18.1%	10.1%
Pakistan	10.2%	15.2%	10.2%	14.7%	19.6%	16.5%	19.7%	11.5%
Japan	0.8%	4.5%	0.6%	7.5%	12.1%	5.9%	21.0%	12.5%
USA	2.5%	8.6%	2.6%	3.1%	10.7%	7.5%	19.2%	11.1%
UK	2.8%	2.7%	2.3%	7.5%	12.1%	5.0%	17.6%	10.4%

What should Investors do?



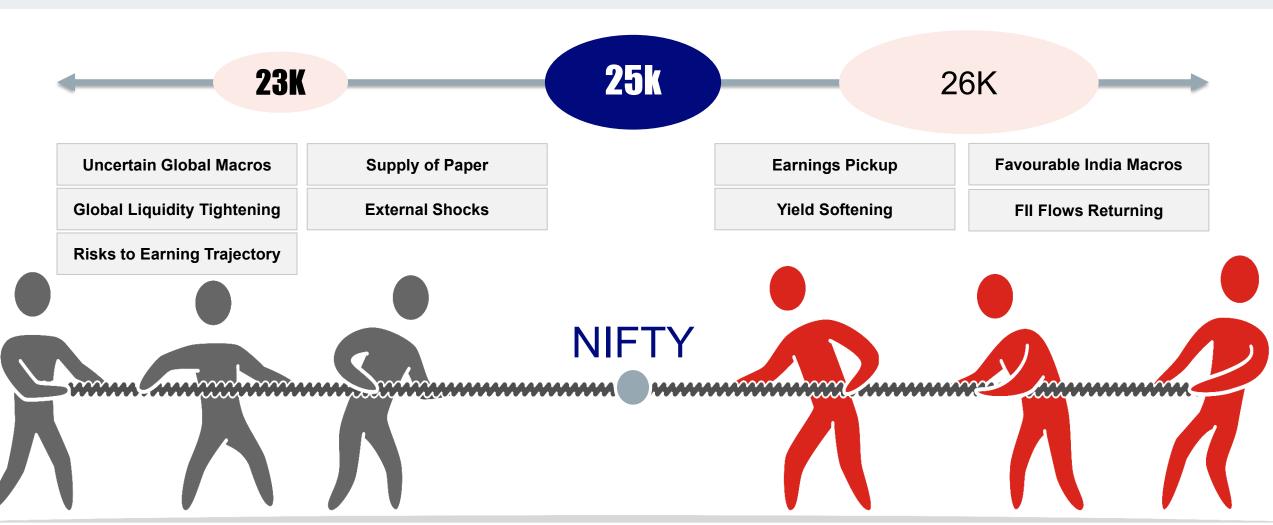


- • • •
- Shifted from a conservative/cautious to a constructive stance in Feb end
- Would recommend to raise equity exposure in staggered manner in next 3-6 months post consolidation :
 - ✓ Top up allocations/SIPs
 - ✓ Focus on staggered purchases though some front ending can be done now
 - ✓ Sectors that can do well Metals, healthcare, chemicals, cement, private sector financials and NBFCs, consumer discretionary, auto and auto ancillaries

Be Ready For Volatility



Events: US Tariff war, Energy Prices and Geopolitical uncertainty





Thank You

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