



# Quarterly Newsletter

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## IKIGAI Emerging Equity Fund

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*“The stock market is a device for transferring money  
from the impatient to the patient.”*

– Warren Buffett





Dear Investors,

**We are delighted to share the 6<sup>th</sup> quarterly update of IKIGAI Emerging Equity Fund.**

Thank you for entrusting us with your hard-earned savings and allowing us to play a role in your financial journey. Your support has been pivotal to our progress, and we remain profoundly grateful for the trust you have placed in us.

The past year has not just been a test of markets - it has been a test of temperament. 2025 has been marked by global uncertainty and sharp market swings. One word that best captures 2025 is **“unpredictable”**.

Unpredictability remained the dominant theme through the year. Much of this volatility came from events few could have fully anticipated. a trade war between the world’s two largest economies, a 50% US tariff on India, \$18 Bn of foreign selling in Indian markets, AI leaping ahead at breathtaking speed, a short but intense military conflict with Pakistan, or one of the largest tax cuts in India’s history.

These events remind us that the world we invest in is complex and often impossible to predict. This is why our focus remains on what we can control: **owning strong businesses, managed by honest and passionate promoters, bought at sensible prices, with the ability to grow earnings over time.**

**Thank you for your trust, your patience, and your belief in our philosophy.** In this newsletter, we share what we have learned from the past year, how we see the current environment, and how we are positioning the portfolio for the future.

**A changing global order**

Over the past year, global markets appeared calm on the surface. Most asset classes except Bitcoin delivered positive returns, stock markets across the world touched new highs, and volatility remained low. Yet beneath this stability, the world has been going through one of the most important transitions in decades.

**Asset Class Total Returns Since 2011**

ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2011-25 Cumulative	2011-25 Annualized
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	12.7%	26.7%	63.7%	186%	7.2%
EFA	Developed International	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	18.4%	3.5%	31.6%	159%	6.6%
VWVO	Emerging Markets	-18.7%	19.2%	-4.9%	0.0%	-15.8%	12.2%	31.5%	-14.8%	20.8%	15.2%	1.3%	-18.0%	9.3%	10.6%	25.6%	71%	3.6%
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	54.9%	25.6%	20.8%	1187%	18.6%
IWF	US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	42.6%	33.1%	18.3%	871%	16.4%
SPY	US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	26.2%	24.9%	17.7%	609%	13.9%
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	14.5%	10.1%	16.6%	286%	9.4%
IWD	US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	11.4%	14.2%	15.7%	352%	10.6%
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	10.6%	5.5%	13.9%	82%	4.1%
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	16.8%	11.4%	12.7%	286%	9.4%
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	11.5%	8.0%	8.6%	107%	5.0%
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-6.2%	2.2%	8.1%	-4%	-0.3%
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	9.4%	0.9%	7.9%	74%	3.7%
MDY	US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	16.1%	13.6%	7.2%	342%	10.4%
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	5.7%	1.4%	7.1%	42%	2.3%
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	3.8%	1.7%	6.8%	50%	2.7%
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	9.2%	7.2%	4.9%	91%	4.4%
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.8%	-8.1%	4.2%	41%	2.3%
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	4.9%	5.2%	4.1%	22%	1.3%
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	11.8%	4.8%	3.3%	188%	7.3%
N/A	Bitcoin (\$BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65%	156%	121%	-6.0%	29256314%	131.4%
	Highest Return	BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	GLD	BTC	BTC
	Lowest Return	EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	BTC	DBC	
	% of Asset Classes Positive	62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	71%	10%	95%	95%	95%	95%	95%

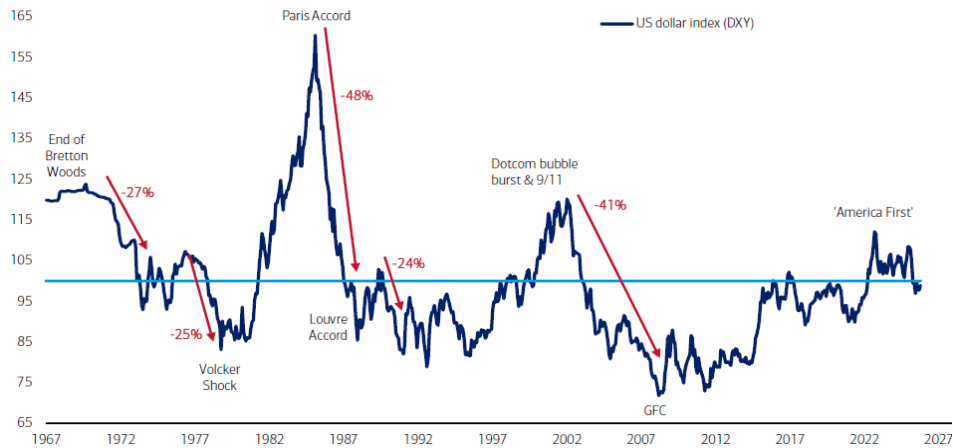
Source: Charlie Bilello  
 Note: Data as of Dec 31, 2025

The era of smooth globalisation is fading. Trade is becoming more regional. Politics is shaping economics. And capital is beginning to shift away from a single dominant centre toward a more multipolar system.

The U.S. dollar - the backbone of global trade and finance for decades - is slowly losing its dominance. America’s share of **global trade has fallen from one-third in 2000 to about one-quarter today**. The dollar’s share of **central-bank reserves has dropped from 72% in 1999 to 58% today**. Countries are trading more with each other and increasingly settling in non-dollar currencies.



### Dollar Index



Source: BofA Global Investment Strategy, Bloomberg

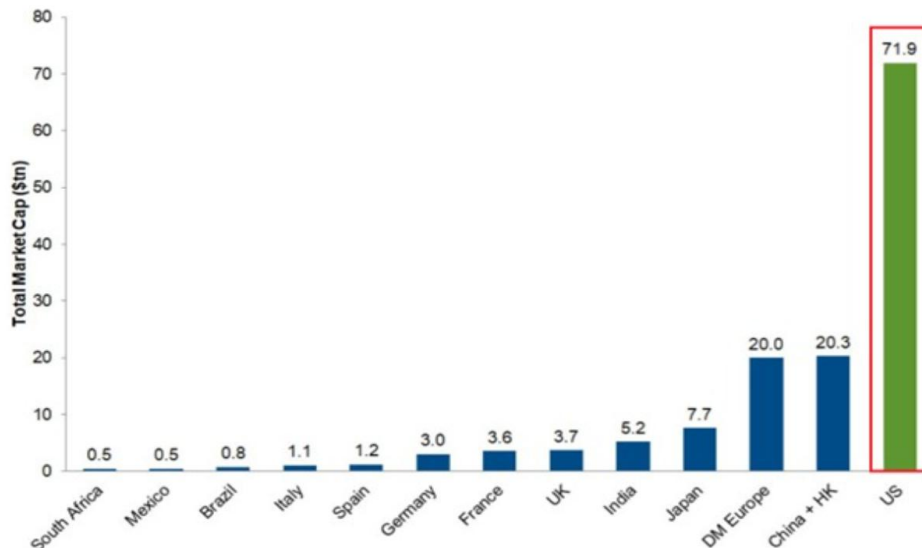
At the same time, US public finances are under strain. **The fiscal deficit is at levels last seen during World War II, government debt is approaching \$40 Trn, and annual interest costs are nearing \$1 Trn.** This is growth financed increasingly by borrowing - and that only works if the rest of the world is willing to fund it.

While the dollar remains the world’s dominant currency, these structural pressures are beginning to show. The dollar Index (DXY) declined **9%** in 2025, reflecting these structural pressures as much as cyclical factors.

And yet - despite tariffs, rising unemployment, and fiscal stress - U.S. equities have been remarkably resilient. **The S&P 500 has rallied 37% from the April lows, recording 38 all-time highs this year.** It is one of the most surprising comebacks in market history.

The size of the US stock market is at historic levels: **Total US public equity market capitalization is now up to a record \$72 Trn. This is now more than 3.5 times the size of developed Europe’s market and over 3.5 times China and Hong Kong combined.**

### Total Market Caps by Geography (\$ Trn)



Source: Goldman Sachs

**It is also larger than the combined market value of Europe, China, Hong Kong, Japan, India, France, and the UK. This comes as the Nasdaq’s market cap has more than doubled since 2022, to a record \$38 Trn.**

As Mark Twain quipped, **“History doesn’t repeat itself, but it often rhymes.”** The resilience of markets in the face of weak fundamentals feels like a rhyme we’ve heard before.



## Capital is quietly rotating

One of the less noticed but important developments of 2025 was that **non-US markets and commodities including precious metals like Gold, Silver etc outperformed US equities**. Europe, Japan and parts of Asia delivered stronger returns as capital began to look beyond crowded US trades.

- **MSCI Global Total Return Index (Ex US)** was up nearly **32%** in 2025
- **MSCI Emerging Market Index up nearly 30%**
- Compared to just **16% total return** for the S&P 500 in 2025.

### Global Equity ETFs – 2025 Total Returns in \$

South Korea	EWY	95.4%	Canada	EWC	35.9%	Japan	EWJ	25.9%
Peru	EPU	86.8%	<b>Europe</b>	<b>VGK</b>	<b>35.8%</b>	Kuwait	KWT	25.4%
Spain	EWP	78.0%	Germany	EWG	35.8%	<b>Total World</b>	<b>VT</b>	<b>22.4%</b>
Poland	EPOL	77.4%	Belgium	EWK	35.4%	UAE	UAE	21.3%
Greece	GREK	76.1%	United Kingdom	EWU	35.0%	<b>US</b>	<b>SPY</b>	<b>17.7%</b>
South Africa	EZA	75.2%	Netherlands	EWN	34.9%	Malaysia	EWM	15.7%
Austria	EWO	74.1%	Hong Kong	EWH	34.5%	Australia	EWA	13.4%
Colombia	COLO	69.1%	Switzerland	EWL	32.9%	Argentina	ARGT	11.5%
Vietnam	VNM	66.5%	<b>World ex-USA</b>	<b>ACWX</b>	<b>32.6%</b>	Denmark	EDEN	10.6%
Chile	ECH	65.4%	<b>Emerging Markets</b>	<b>IEMG</b>	<b>32.6%</b>	Qatar	QAT	8.8%
Italy	EWI	55.7%	Norway	NORW	32.6%	Indonesia	EIDO	4.9%
Mexico	EWX	53.7%	<b>EAFE</b>	<b>IEFA</b>	<b>32.1%</b>	India	INDA	2.7%
Finland	EFNL	53.5%	Singapore	EWS	31.3%	New Zealand	ENZL	2.4%
Brazil	EWZ	48.9%	China	MCHI	31.0%	Thailand	THD	2.4%
Israel	EIS	45.1%	France	EWQ	28.9%	Philippines	EPHE	1.5%

Source: Charlie Bilello Data as of 31 Dec 2025

A key driver of this trend? **The falling U.S. Dollar Index**, which has made global assets more attractive to international investors.

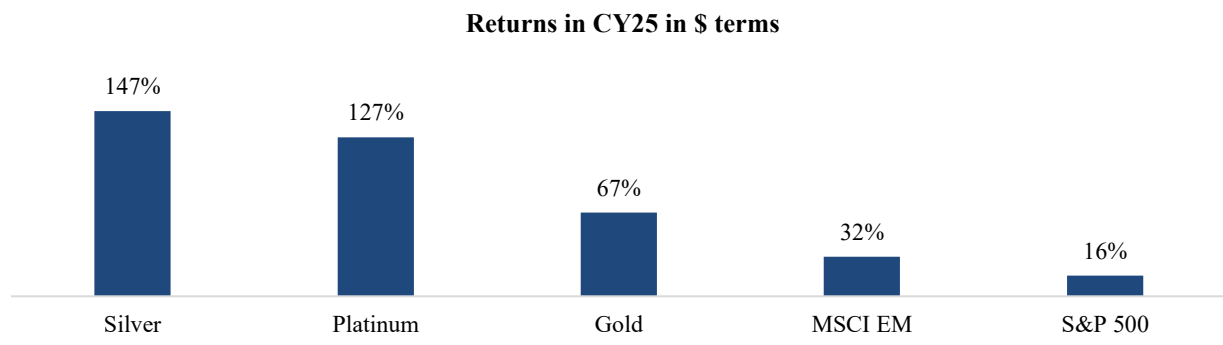
U.S. equities make up **68% of global equity indices**, while its economy is just **15% of world GDP**. Europe's share has halved to **11% in global indices**, despite contributing **14% of global GDP**.

With global markets outperforming the U.S. this year, a natural question arises: **Could the next decade belong to international and emerging markets like India?**

## Gold, silver and the return of hard assets

In a world filled with uncertainty, **gold and silver stood out as the clear safe havens in 2025**.

Gold touched new highs, delivering returns of about **67%**, while silver surged nearly **147% in USD terms**, its strongest performance since 2007. Investors across the world turned to precious metals as protection against currency weakness, rising debt and growing geopolitical tensions.



Source: IKIGAI Research

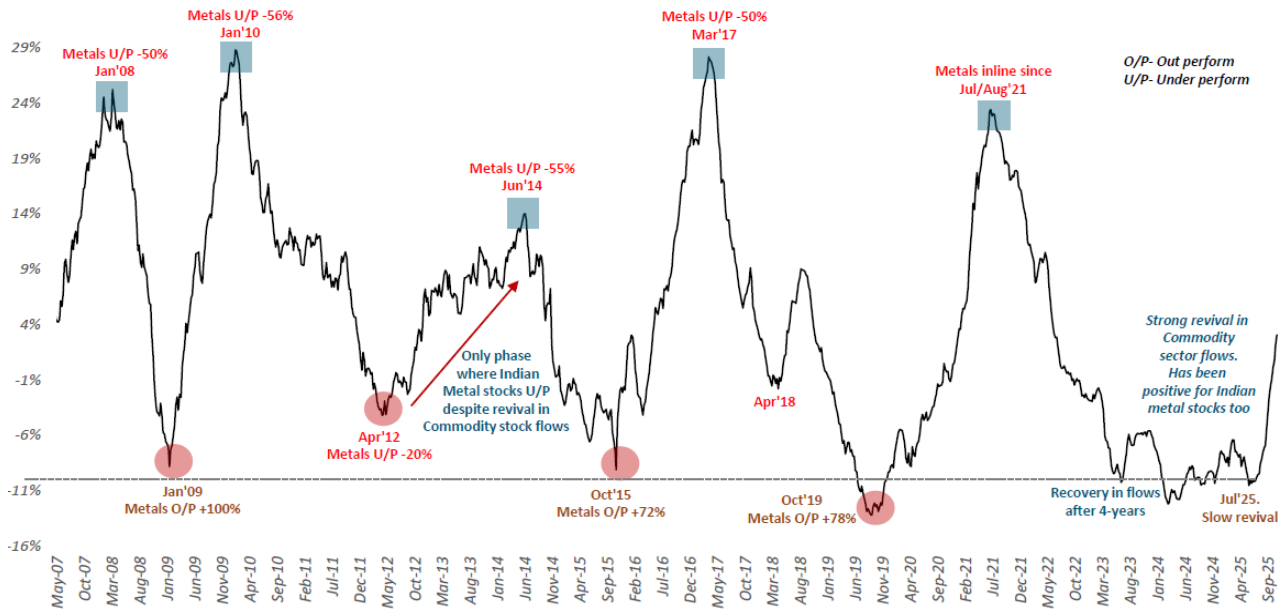
Central banks have also been strong buyers. Over the past year, they have been adding an average of **66 tonnes of gold every month** - almost **four times** the pace seen before 2022. This steady demand reflects a desire to reduce reliance on any one currency and to hold more tangible stores of value.



At IKIGAI, we had encouraged some allocation to gold and silver as part of asset allocation through our monthly outlooks during 2025. After such a strong rally, prices may see periods of volatility and pullbacks in 2026 - and investors should be prepared for that. But the longer-term case for precious metals remains intact.

Beyond gold and silver, the broader commodities cycle also appears to be turning. After years of underperformance, metals and mining stocks are beginning to attract fresh interest. This is not just a cyclical story - it is also geopolitical.

### Global Commodity ETFs showing revival in inflows after long time



Source: EPFR, Elara Securities, Research, Bloomberg, Capital Line, ACE MF

The race between the US and China for technological leadership, especially in areas like AI, clean energy and advanced manufacturing, is deeply tied to control over key raw materials. China today dominates the refining of several critical minerals - including lithium, copper and aluminium - all essential for power generation, electric vehicles, data centres and modern grids.

With such a high concentration of supply and rising geopolitical tensions, commodities are increasingly being used as strategic tools. This raises the risk of supply disruptions and makes real assets more valuable in a fragmented world.

In such an environment, **hard assets - from precious metals to industrial commodities - are likely to remain an important part of the global investment landscape.**



## Risks investors should be prepared for in 2026

1. **Geopolitical instability:** From the U.S.–China rivalry to conflicts in Eastern Europe and the Middle East, geopolitics is becoming more volatile, not less. The year has already begun with a dramatic escalation – **the detention of Venezuela’s sitting president**, an event that would have been unthinkable a few years ago is a clear risk.
2. **A sharp correction in AI and U.S. mega-cap valuations. Concentration of top 10 stock in S&P now at 35% poses significant risks.**
3. **The global debt and Deficit:** Global debt has surged to **\$346 Trn by Q3 2025**, increasing by nearly **\$677 Bn every week**. This is unprecedented. At some point, markets will question sustainability-not just of individual countries, but of the global financial system’s ability to roll, refinance, and service this mountain of liabilities.
4. **The surge in precious metals:** The powerful rise in gold and silver is not random. It reflects a growing lack of faith in fiat currencies, government finances, and financial stability. Historically, this is a warning signal-not a comfort.
5. **Sticky inflation and the bond market’s breaking point:** Jamie Dimon has warned that a loss of confidence in the “risk-free rate” could trigger panic. If bond investors begin demanding higher compensation for inflation and fiscal risk, **bond vigilantes could re-emerge**, pushing yields sharply higher and destabilizing financial markets
6. **Financial ‘cockroaches’ coming into the light:** Periods of abundant liquidity hide weak balance sheets. As conditions tighten, more highly leveraged and structurally fragile entities-corporates, funds, or even sovereigns-may be exposed. History tells us crises don’t start with the strongest players, but with the weakest ones finally breaking.

Today’s world is grappling with three structural problems at once: excess debt, geopolitical fragmentation, and asset-price inflation built on cheap money. History tells us that when these forces collide, capital stops chasing the fastest stories and starts searching for **durability**.

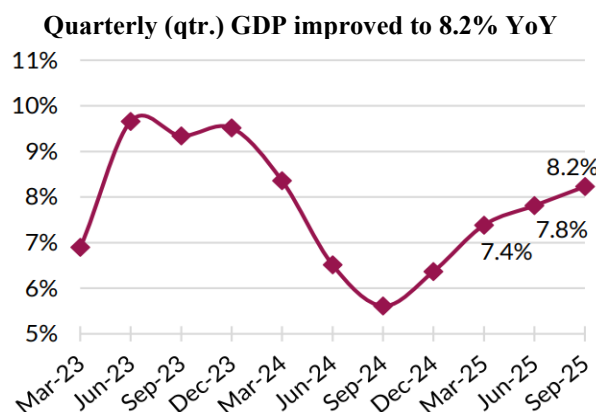
This is where **India** becomes interesting.

## India Macro: So where does India stand in this global storm.

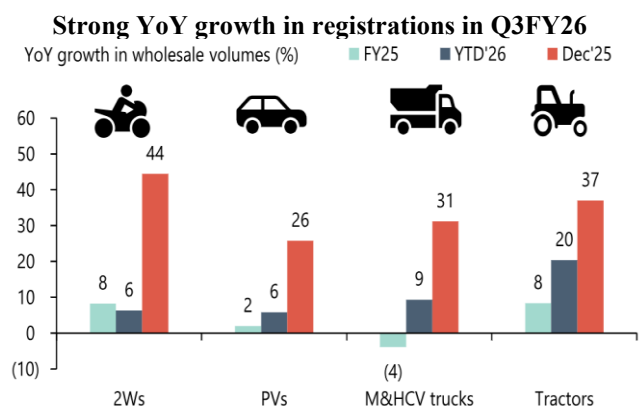
*“In a world of noise, India’s quiet resilience is starting to speak louder than ever”*

The Indian economy has kicked off 1HFY26 on a strong note. **GDP grew 8.2% in Q2**, ahead of expectations, with services, manufacturing, and public investment all contributing.

Add to this, a healthy monsoon, rising rural wages, and the government’s **GST rate cuts worth ₹2 Trn** - which lowered the effective tax burden by almost 1%- have all helped build momentum. Everyday goods from FMCG to autos have become cheaper, helping household confidence and spending.



Source: MOSPI, Axis Bank Research



The RBI has joined in with support: **125 bps of rate cuts** this year and **₹11 lakh crore in liquidity infusion**. Together, these measures mark a clear shift from a cautious, stability-first stance to a **policy pivot towards growth**.



But the important question is: **Can this pace of growth hold?** Let's explore:

### 1. Does the Government Have Fiscal Room? Can 2HFY26 see capex slowdown?

- The FY26 Budget assumed 11.5% nominal GDP growth and 11% tax buoyancy. With nominal GDP likely closer to 8-9%, revenues will fall short.
- We estimate a ₹2.2 Trn shortfall for the Centre, and ₹1.3 Trn for states (0.37% of GDP).
- In the first 8month of FY26, net tax revenue receipt was down 3.4% vs 11% budgeted. Indirect tax collection declined by 1% led by lower custom duties and GST.
- **Capital expenditure has increased by 28% in 8MFY26 against 10% budgeted. To meet 4.4% fiscal deficit target, govt might restore to sharp capex cuts in the remaining 4MFY26.**
- A weak capital market adds to the challenge: capital gains tax (CGT) and STT together contribute ~20% of personal income tax collections. With FPI outflows (\$18 bn in 2025) and muted capital gains, this revenue stream could disappoint.
- Unless disinvestment or other tax inflows -surprise, capex cuts or delayed payments may become unavoidable in 2H FY26

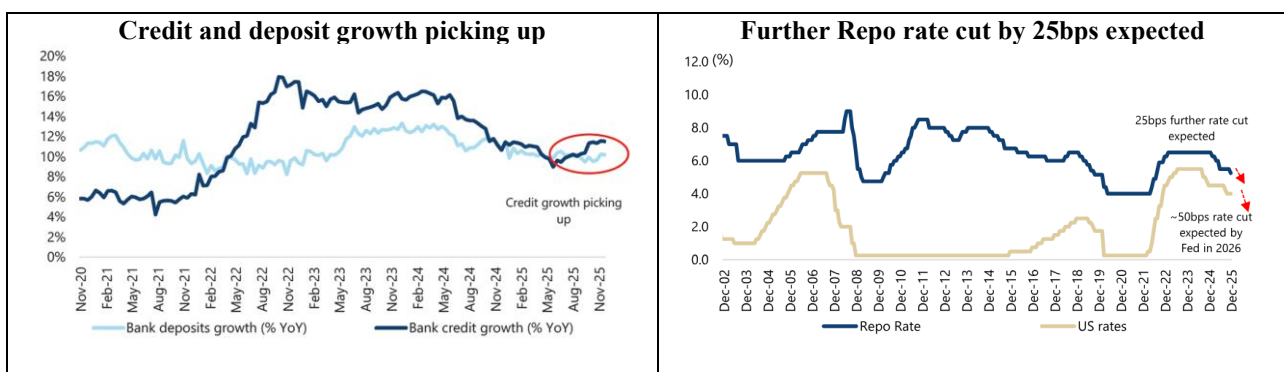
### Govt. tax revenues trail budget targets in FY26

	Rs. Bn						Growth (% yoy)		
	FY26BE	8M FY25	8M FY26	Nov-24	Nov-25	Current Rate	Req. Run Rate	FY26BE	8M FY26
<b>Gross Tax Revenue</b>	<b>42,702</b>	<b>22,610</b>	<b>23,364</b>	<b>2,283</b>	<b>1,170</b>	<b>2,921</b>	<b>4,835</b>	<b>10.8%</b>	<b>3.3%</b>
<b>Direct Tax</b>	<b>25,200</b>	<b>12,124</b>	<b>12,998</b>	<b>981</b>	<b>1,170</b>	<b>1,625</b>	<b>3,051</b>	<b>12.7%</b>	<b>7.2%</b>
Corporate Tax	10,820	5,116	5,515	238	383	689	1,326	10.4%	7.8%
Income Tax	14380	7,008	7,483	743	787	935	1,724	14.4%	6.8%
<b>Indirect Tax</b>	<b>17,350</b>	<b>10,074</b>	<b>9,976</b>	<b>1,244</b>	<b>999</b>	<b>1,247</b>	<b>1,844</b>	<b>8.3%</b>	<b>-1.0%</b>
Customs duty	2,400	1,541	1,429	220	140	179	243	2.1%	-7.3%
Excise Duties	3,170	1,751	1,913	239	281	239	314	3.9%	9.3%
GST	11,780	6,780	6,646	785	578	831	1,284	10.9%	-2.0%
<b>Net Tax Revenue</b>	<b>28,374</b>	<b>14,434</b>	<b>13,939</b>	<b>1,385</b>	<b>1,196</b>	<b>1,742</b>	<b>3,609</b>	<b>11.0%</b>	<b>-3.4%</b>
<b>Non-tax revenue</b>	<b>5,830</b>	<b>4,270</b>	<b>5,164</b>	<b>277</b>	<b>273</b>	<b>645</b>	<b>167</b>	<b>45.1%</b>	<b>20.9%</b>

Source: CGA, Aventus Spark Research

### 2. Liquidity and Credit turning supportive. Can the RBI Cut rates further and bank credit growth accelerate?

- CPI inflation excl. Gold & Silver has already slipped into deflation, the lowest level in over a decade. **CPI inflation likely to be 3.5% in FY27E, undershooting RBI's target by 50bps**
- RBI's Rs. 11.3tn injection (\$125bn) via OMOs, Dollar Swaps and CRR Cuts since Jan'25 led to surplus core liquidity of Rs. 3.5tn in Nov'25.
- RBI has cut repo rates by 125bps since Jan25 providing a strong monetary policy push. Low inflation creates room for another **25-50 bps of rate cuts by**, while keeping real rates positive.
- **With overnight yields falling below average cost of funds, lazy banking is not an option now. We see banks seeking growth and taking more risk in 2026. It means credit growth should gain further traction in 2026.**

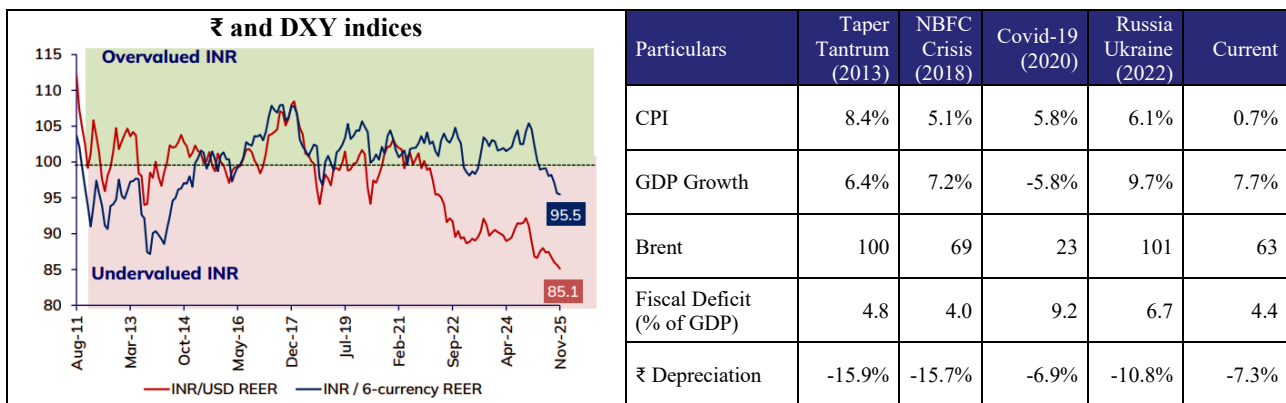


Source: Jefferies



### 3. India's External Position Is Stronger Than It Looks and Worst for ₹ could be behind.

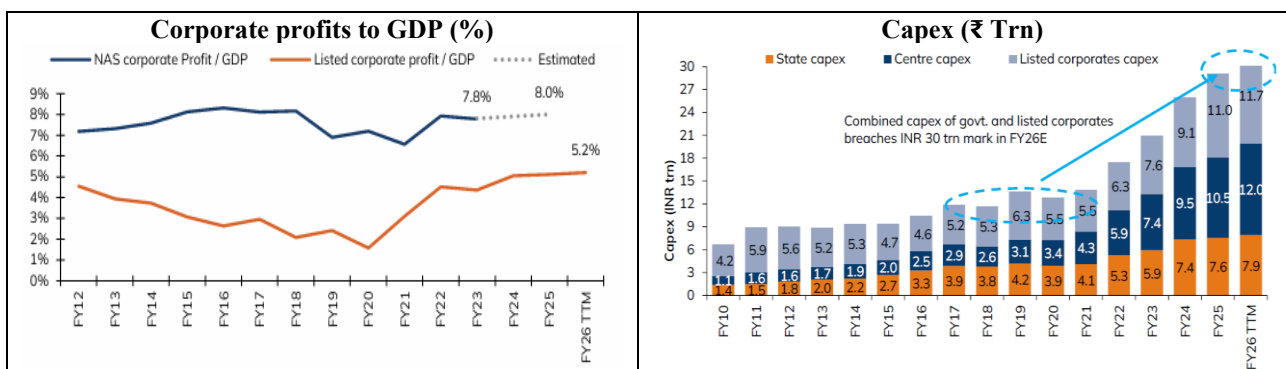
- ₹ depreciated against \$ by almost 6% and against Euro by almost 15% during CY25. ₹/\$ is one the worst performing currencies in CY25 on FPI outflows and highest ever monthly trade deficit of \$41 Bn in Oct'25.
- CAD (Current account deficit) at 0.6%/0.7% of GDP for FY26/FY27 is among the lowest in the last 20 years helped by lower oil & strong services exports (driven by GCC).
- Remittances have jumped from \$74 bn in FY21 to \$136 Bn in FY26E, providing another strong support to India's external position
- **On REER basis, ₹ is undervalued now** by almost 2-3%.
- Gross FDI is on its way to touch \$100 Bn this year, so as and when foreign promoter / PE selling eases - net FDI can surge in a meaningful way.
- **Lower oil intensity is a long-term positive: India's oil consumption intensity, i.e., oil usage per unit of GDP, has dropped significantly, from 1,161 mn barrels per \$1 trn of GDP to just 450 mn barrels over past 20 years which should help rupee from medium term perspective.**
- **Once the US tariff uncertainty is resolved, we expect Rupee to stabilize at 88-90 per \$.**



Source: ICICI Prudential MF

### 4. Is Private Sector investment finally picking up?

- Corporate capex of the listed space, over the trailing twelve months (TTM) ending Sep'25, continues to expand and has reached ₹11.7 Trn.
- Consequently, the combined capex of listed corporates, centre and state has reached an all-time high of ₹31.6 Trn on a TTM basis.
- More encouragingly, capex expansion is becoming broad based – the count of companies with >\$ 100mn annual capex has grown to 169 (vs. 135 in FY24).
- The capex to depreciation is at 1.8 in Sep 2025 which is meaningfully higher than 1 – indicating transition from maintenance capex to discretionary.
- Profits of listed companies now amount to **5.2% of GDP**, and when we include unlisted firms, total corporate profits are close to **8% of GDP** - levels last seen in the US during its strong growth phase around the turn of the century.



Source: I-Sec Research



**5. Household Balance sheet: HHs Have Partially deleveraged their Balance Sheet.**

- After peaking last year, household debt has started to come down. **Financial liabilities have fallen from 6.2% of GDP to about 4.7%**
- At the same time, rising gold prices have added nearly **\$1.3 Trn to household wealth** over the last year.
- This combination - lower debt and higher asset values - gives families more room to spend and borrow again. **Retail loans against Gold and Jewellery growing in triple digits.**

**6. The Missing Piece: Jobs**

- The one area where India still needs improvement is formal **job creation**.
- We expect India’s favourable demographics, with 96mn people reaching the working-age population between FY25 and FY35
- The share of working-age population in total population rising from 68% in FY2025 to 69% FY2035, to provide the human capital for the next phase of India’s growth.
- However, it would be crucial for India to (1) generate a sufficient number of quality jobs and (2) invest in human and physical capital for higher productivity (value-add/capita or GDP/capita).
- India needs 7.5 Mn jobs annually
- From a low base, hiring for white collar jobs have shown improvement in 8M FY26, but it remains below the double-digit growth mark
- High-quality, formal job creation remains patchy. Without it, consumption momentum may not sustain.

Age wise, education wise of India population					Preference more toward contractual jobs															
Employment Situation (avg. Mn)		Age (18-23Y)	Students in 11-12 Class	Under Graduate	Job Creation Required	Top 1000 listed companies employees (In '000)		Employees		Incremental Employees		Growth (% yoy)								
	Total	25	13.8	10.6	7.5															
	Male	13.2	6.9	5.5	5.5	FY23	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25						
	Female	12	6.9	5.1	2	Permanent	8,101	8,346	8,494	245	148	3.0%	1.8%	Contractual	3,448	4,100	4,535	652	435	18.9%
	Total Employees	11,550	12,446	13,029	896	583	7.8%	4.7%												

Source: Avendus Spark Research

The last nine months mark a clear **policy pivot: double rate cuts, CRR reduction, liquidity infusion, front-loaded capex, and nearly ₹2 Trn in GST cuts (skewed to mass consumption) - all of which set India up for a growth surprise in the months ahead.**

But the “riders” are equally clear: fiscal limits, tariff risks, and the need for stronger job creation. For investors, this means India remains a **stock picker’s market** - rich with opportunity, but demanding discipline.

**A Special Section: How 100-Baggers Are Really Created and how to Spot them.**

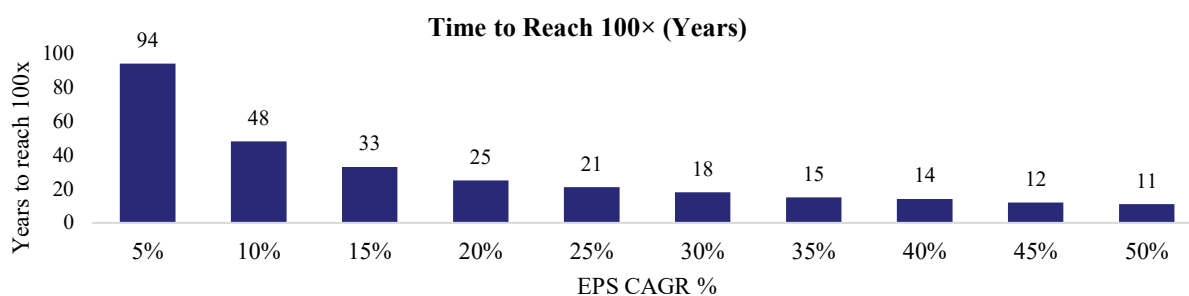
Most people think great investing is about spotting the next big event, but the biggest fortunes in the stock market were built in a far quieter way.

They came from owning **ordinary-looking businesses** that quietly compounded year after year.

Take a simple example.

A company that grows its profits at **20% a year** does not look exciting in any single year. But if that growth continues for **25 years**, the business becomes **100 times bigger**. And over time, the stock price tends to follow.

That is what we call a **100-bagger**.



Over the last 25 years, **multiple Indian companies** have delivered **100× returns**. These include names like **Titan, Bajaj Finance, Pidilite, SRF, Shree Cement and TVS Motor**. They did not become 100-baggers because of one big event. They became 100-baggers because they kept growing steadily for decades. **India has produced more 100-baggers than the US and China combined.**

The fascinating part is this: most of these companies **never looked extraordinary** in the beginning.

### What all 100-baggers have in common?

When we studied India's and the world's biggest wealth creators, we found that they look very different on the surface - some are banks, some are chemical companies, some are consumer brands, and some are technology firms.

But underneath, they share a surprisingly similar DNA. Below is illustrative list of domestic and global 100 bagger over last 25yrs.

Domestic		Global (US)	
Company Name	Sub-Industry (GICS)	Company Name	Sub-Industry (GICS)
SRF	Specialty Chemicals	Amazon.com	Broadline Retail
Pidilite Industries	Adhesives & Sealants	Apple	Technology Hardware
Torrent Pharmaceuticals	Pharmaceuticals	NVIDIA	Semiconductors
TVS Motor Company	Motorcycle Manufacturers	Intuitive Surgical	Medical Instruments
Titan Company	Jewellery	HEICO	Aerospace Components
Shree Cement	Cement	Monster Beverage	Soft Drinks
Coromandel International	Fertilizers	Alphabet (Class A/C)	Internet Services & Infrastructure
GE Vernova T&D India	Power Transmission Equipment	Booking Holdings	Internet & Direct Marketing Retail (Travel Services)
Bajaj Finance	Consumer Finance	Netflix	Movies & Entertainment
Balkrishna Industries	Tires & Rubber Products	Tesla	Automobile Manufacturers

#### 1. They start small, in very big markets (Small fish in a large pond)

Every 100-bagger begins life as a **small company with a long runway** for growth.

They operate in industries that are large and still growing, but they start with a tiny share. Over time, they slowly capture more customers, sell more products, and expand into new areas.

That is how compounding stays alive for decades.

Bajaj Finance is a great example. In FY08, it had just **0.1% of India's credit market**. Even after becoming one of the largest financial companies in the country, it still has only around **2.3% share** today. The opportunity never ran out- and that is what allowed it to grow for so long.

Metric	FY08	FY25	6M FY26
Product Lines	4	27	27
Loans Disbursed (Mn)	1	43	26
Customer Franchise (Mn)	0.8	101.8	110.6
AUM (₹ Cr)	2,500	4.17 lakh	4.62 lakh
PBT (₹ Cr)	30	22,080	12,976
<b>Share of total credit (%)</b>	<b>0.10%</b>	<b>2.19%</b>	<b>2.32%</b>



## 2. Earnings do the real work

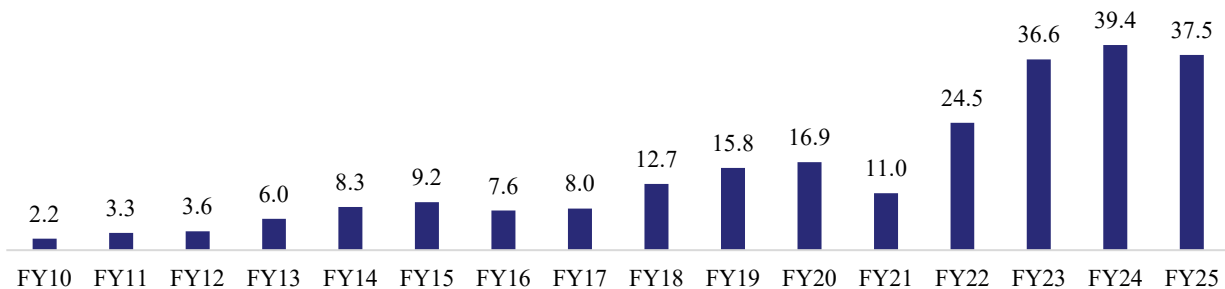
In the short run, stock prices move on news and events. In the long run, they move on **profits**.

Every 100-bagger has one thing in common: its earnings kept growing for 15–25 years. Some years were great. Some years were bad. But the long-term direction was always up.

Titan is a good example. It started as a watch company. Then it built a jewellery business. Then eyewear, wearables, and now even luxury. There were many years when growth slowed or margins fell - but the company kept expanding its profit base.

And that is what made it a long-term winner.

Titan's EPS growth trajectory (₹)



## 3. They earn high Returns on Capital Employed (ROCE)- and reinvest them

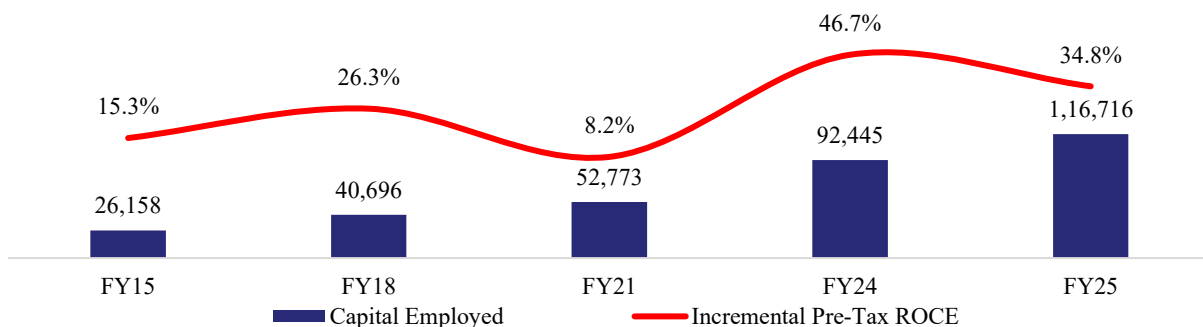
This is where the magic really happens. 100-baggers consistently deliver **high returns** and then **reinvest it back into the business**.

Think of it like this: If a company earns 20% on every rupee it invests, and can keep finding ways to invest more, its value will grow very fast.

No business can create long-term value if there is no growth. However, not all growth is good growth. If a company's return on capital invested (ROCE) remains below the cost of equity for long periods, high growth is toxic and destroys the value of the firm as the company needs to constantly raise capital to meet its growth needs.

TVS Motor is a good example. Over the last decade, it kept investing heavily in new bikes, electric vehicles and premium segments. Because those investments earned good returns, the company became much more valuable, even though the auto industry itself was not booming.

TVS Motors Capital Employed (₹ Mn) and Incremental Pre-Tax ROCE



**High returns on capital + ability to reinvest = powerful compounding.**



#### 4. They are run by passionate and honest promoters and management teams who think long-term

Many 100-baggers are led by **founders or owner-operators**.

These leaders don't think in terms of the next quarter. They think in terms of the **next decade**. They are willing to invest when times are tough, avoid short-term tricks, and focus on building strong businesses.

When management has "skin in the game," decisions are usually more disciplined, and that helps compounding survive.

Company	Owner / Operator	10-yr Market Cap CAGR
Bajaj Finance	Sanjeev Bajaj (Owner) + Rajiv Jain (CEO)	34%
CG Power	Vellayan Subbiah (Owner) + Natarajan Srinivasan (ex-CEO)	24%
Balkrishna Industries	Arvind Poddar (Owner and Operator)	22%
Bharti Airtel	Sunil Mittal (Owner) + Gopal Vittal (Operator)	21%
Torrent Pharma	Samir Mehta (Owner and Operator)	18%
Pidilite Industries	Madhukar Parekh (Owner) / Bharat Puri (ex-CEO)	18%
Kotak Mahindra Bank	Uday Kotak (Owner and Operator)	12%

#### 5. They have a strong competitive advantage or Moat which protects the business and helps them earn High Returns on Invested Capital.

Almost every 100-bagger has some kind of **moat**.

It could be:

- A strong brand (like Titan or Pidilite)
- Cost advantage (like Shree Cement)
- Distribution and data analytics (like Bajaj Finance)
- Or a niche leadership position

These advantages allow the company to protect margins, keep customers, and reinvest at high returns; even when competition increases.

#### A few Global 100 Baggers

Extraordinary wealth creators are not limited to India. Many of the world's greatest companies, across very different industries, share the same qualities that define 100-baggers. A few prominent examples are:

##### Alphabet (Google)

Google built a powerful search and digital advertising franchise, supported by unmatched data, distribution and software scale. Over time, it reinvested these profits into new growth engines such as YouTube, Cloud, Maps and AI. With high returns on capital, strong competitive advantages and a long runway for reinvestment, Alphabet has compounded earnings for decades - a classic 100-bagger profile.

##### Monster Beverage

Monster helped create the global energy drink category. Strong branding, pricing power and an efficient, asset-light model allowed it to generate very high returns on capital and convert profits into cash. Starting from a small base, it steadily expanded around the world, delivering long-term earnings growth and becoming a textbook 100-bagger.

##### Amazon

Amazon began as a simple online bookstore and grew into the world's largest e-commerce and cloud computing company. Its massive market opportunity, strong founder-led culture and ability to keep reinvesting cash into new businesses - especially through AWS - allowed it to grow for decades and create extraordinary shareholder value.

These companies may look very different, but they all followed the same playbook.



## 6. The hardest part: holding on

This is the part most investors underestimate.

Even the greatest wealth-creating stocks in history were **extremely uncomfortable to own**. They tested patience, confidence and temperament again.

Some famous examples:

- **Apple** became a ~**2,700×** stock - but along the way, it suffered **three crashes of more than 50%**
- **NVIDIA** turned into a **4,700×** winner - yet fell **75% twice**, including a **50% drop in 2022**
- **Amazon** delivered about **2,600×** returns - but collapsed **90%** during the dot-com crash
- **Netflix** rose **1,100×**, while going through **three separate 50% drawdowns**
- **Berkshire Hathaway** compounded **4,800×**, despite experiencing **multiple 50% declines**

These companies were not easy to hold. They were emotional rollercoasters. Many investors sold them multiple times and missed the real wealth creation.

**The lesson is simple:**

**The stock market does not reward intelligence alone.**

**It rewards patience, resilience and the ability to stay invested when it feels hardest.**

In the long run, **temperament matters more than IQ.**

**IKIGAI Portfolio Companies Also Demonstrate some of these Characteristics**

At IKIGAI, our process focuses on identifying companies which demonstrate characteristics similar to 100 baggers. While the end outcome could be different, we hope over a period the market will also see the potential in these companies.

Attribute	% of Portfolio Cos
Long runway for Growth in the Future	70%
Ability to Reinvest Incremental Capital at High Returns*	72%
Founder Led or High Owner-Operator Alignment (Skin in the Game)	77%
Strong Earnings Compounding <sup>#</sup>	65%

Note: \* - non-financial companies with average 10-year pre-tax ROCE of 20% or financial companies with a 10-year average ROE of 15%

# - companies with 15% PAT compounding over the last 10 years



## Market Review & Outlook

Markets, like life, move in cycles of excitement and pause. **Since July 2024 (coincidentally along with our fund launch), markets have been almost flat.** MSCI India has underperformed MSCI EM by almost 28% in last one year (\$), highest since 1994. 2025 was the first year since 2022 where Nifty outperformed the Midcap index.

Index	Nifty 50	Nifty Midcap 150	Nifty SmallCap 250	Nifty MidSmall 400
Returns (Jul'24-Dec'25)	5.1%	2.4%	-7.2%	-1.1%

This prolonged **18-month time correction** and relative underperformance can be traced back to a few key factors:

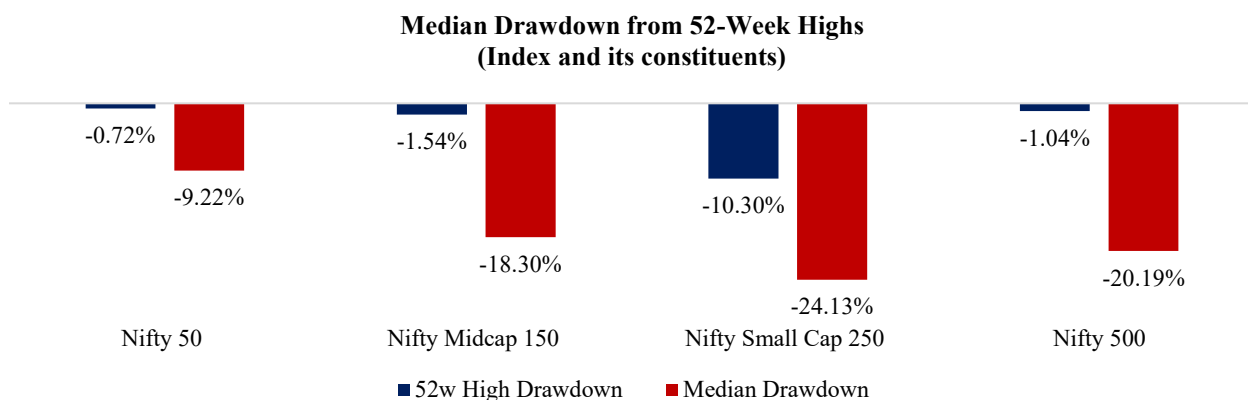
- **Elevated expectations:** Earnings forecasts had run well ahead of reality.
- **Rich valuations:** India's premium to EMs reached unsustainable highs, prompting foreign investors to book profits.
- **Heavy supply:** A large pipeline of IPOs and secondary sales absorbed liquidity.

### Index Masks the Damage in the broader Markets:

Last year has been marked by a growing dichotomy in India's equity markets: The headline indices like the Nifty 50, are close to all-time highs, but that doesn't tell the full story.

Beneath the surface, a large part of the market has gone through a meaningful correction. While the NIFTY 500 index is near its 52-week high, the **median stock in the index is down more than 20% from its peak.** In small caps, even though the index is only about 10% below its highs, the median stock within it has dropped more than 24%. Mid-caps show a similar pattern, with most stocks down far more than what the index suggests.

As the chart shows, index levels often hide what is really happening across individual stocks - and today, that gap is unusually wide.



This has been a true **time correction** - frustrating for many, but also healthy. Because it has quietly reset the expectations.

In this 15-month time correction, FIIs have been net sellers to the tune of \$ 18bn. Even prior to this, FII flows have been weak. FII ownership of India continues to move lower and FIIs are presently underweight India compared to a generally overweight stance in the past.



## Divergence between the Index Return and Median return of the Index.

Return dispersion within the broader mid–small-cap universe has widened materially, with index-level returns masking significant underlying weakness in the median stock.

What this means is that a small group of stocks is holding up the index, while many others are falling behind. This has led to weaker market participation and a growing gap between what the index shows and what investors are really experiencing.

For example, the **Nifty MidSmallcap 400 Index** which represent the mid-small universe, is up about **2%**, but the **average stock in the index is down 6.6%**. Only **41% of the stocks** in this index have delivered positive returns. In simple terms, fewer than half the companies have made money for investors, even though the index looks almost flat.

Return distribution – Oct'24 to Dec'25			
	Nifty Midcap 150 index	Nifty Smallcap 250 index	Nifty Midsmallcap 400 index
Index return	6.7%	-6.0%	2.0%
Median return	-0.05%	-9.7%	-6.6%
<b>Divergence</b>	<b>-6.8%</b>	<b>-3.7%</b>	<b>-8.6%</b>

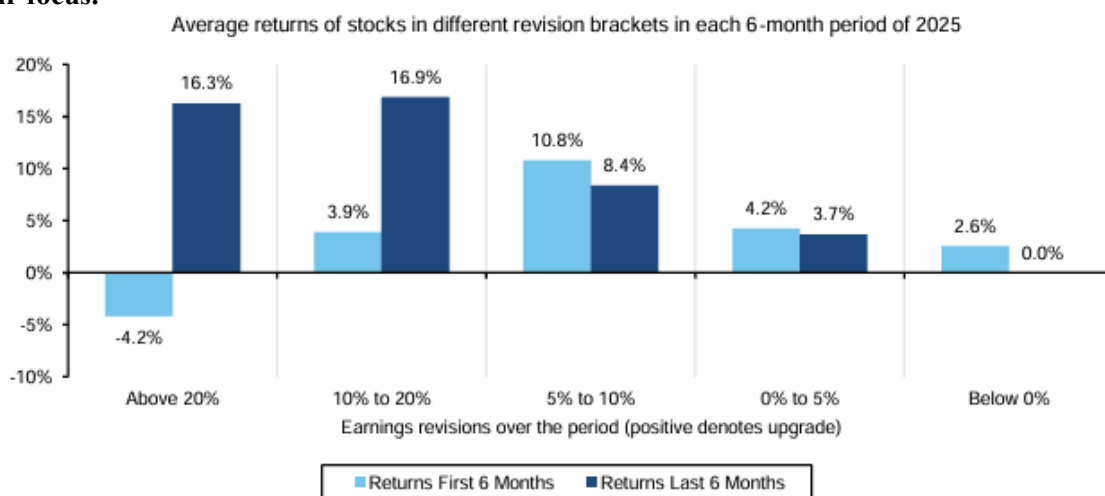
## When markets stopped listening to earnings

One of the most striking features of the past year was how disconnected stock prices became from earnings revision.

For much of the year, share prices moved more on headlines, flows, and short-term sentiment than on how companies were doing. In the first half of CY25, changes in earnings estimates had almost no impact on stock prices. Even when the market began to recover in the second half, this gap remained unusually wide.

Perhaps most surprising was that **many companies delivered healthy earnings growth, yet their share prices went nowhere - or even fell**. Investors were focused less on today's results and more on shifting narratives about the future.

This reminds us that in unsettled markets, emotions and positioning often dominate in the short run. **But over time, it is the steady growth of earnings that ultimately drives long-term returns - and that is where we keep our focus.**

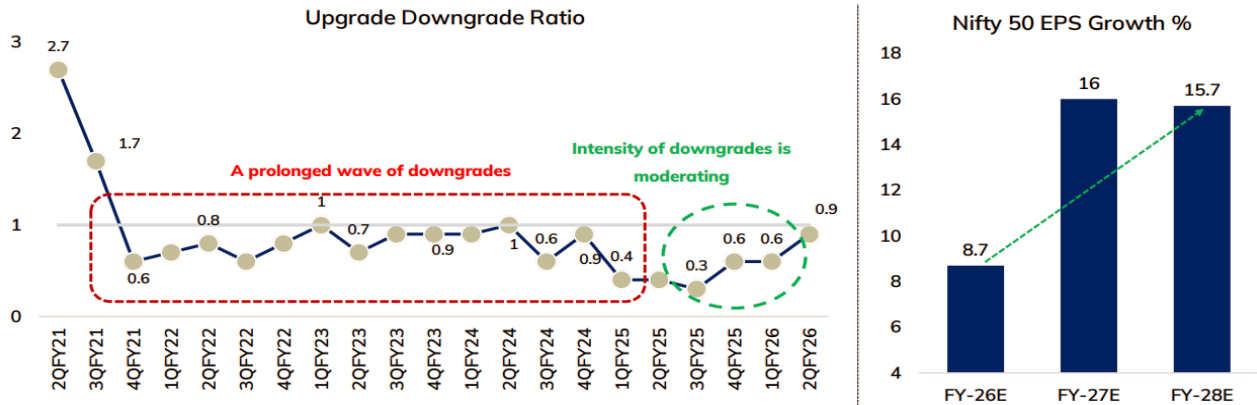


Source: Bloomberg, Bernstein Analysis



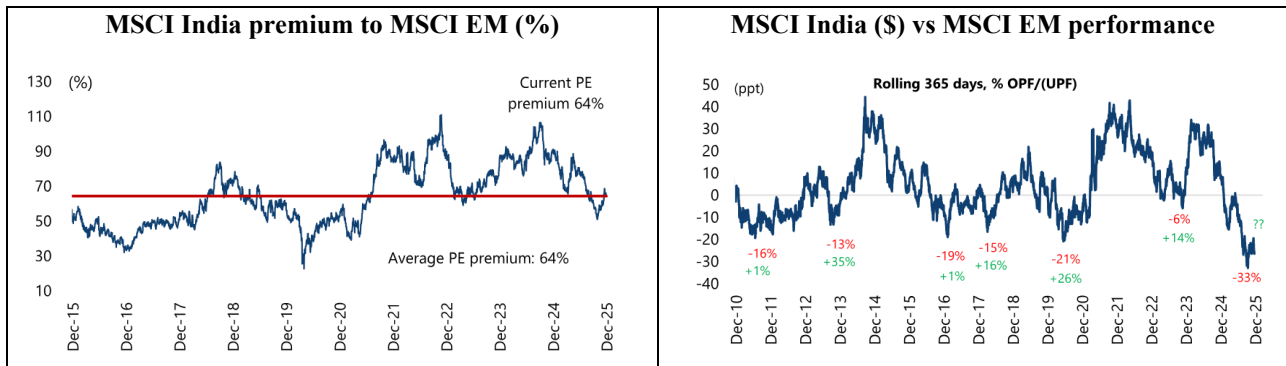
We believe post consolidation/correction in the last 15 months, **the risk reward looks favourable now and we explore the reasons:**

**Earnings Expectations Reset and Valuations Have Cooled:** Forecasts are now realistic. **In the past, there was a prolonged wave of downgrades as earnings were running ahead of fundamentals. Earnings expectations are re-setting to reality as reflected in moderating downgrades.** We expect earnings to rebound and by FY27 we expect **double-digit Nifty earnings growth** to return. **Markets today trade at ~20x FY27 and 18x FY28 earnings.** Yes, that's still above the long-term average, but far more reasonable after 15 months of flat return.



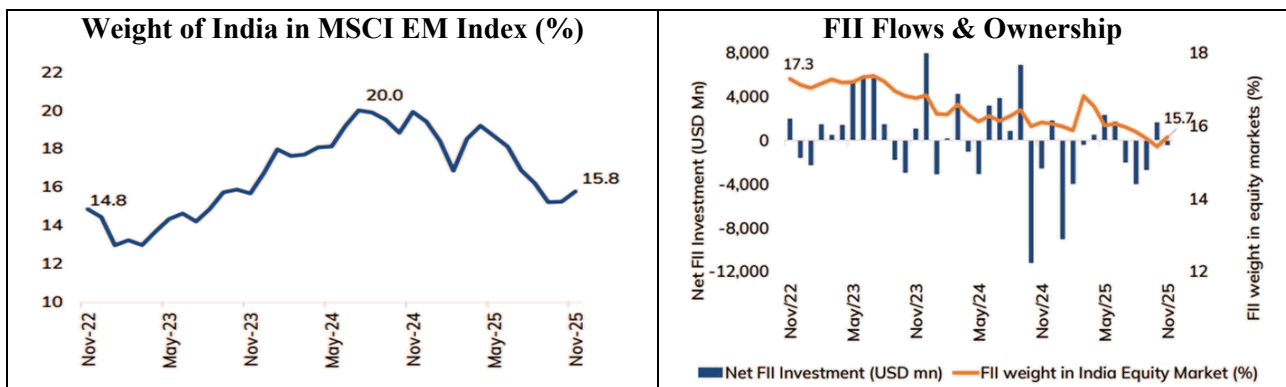
Source: ICICI Prudential MF

- **MSCI India's PE premium vs EM is close to the 20-year average of 50%** and MSCI India has underperformed MSCI EM by more than 25% in last one year. **Historical trends suggest that following a significant (15-20%+) of underperformance, MSCI India tends to bounce relatively speaking.** This underperformance is the highest since 1994 on a trailing 12-m basis.



Source: Jefferies

- **FII's are underweight India:** Most large emerging-market funds are significantly underweight India. This means that even a modest improvement in sentiment or fundamentals could lead to meaningful inflows. Currently, India lacks catalysts for strong returns, but it is well-positioned to outperform if there is any bust in the AI narrative this year or slowdown in the EM rally later this year.



Source: ICICI Prudential MF, JM Financial, Data as of Nov 30, 2025



History suggests that when markets consolidate for long stretches in a growing economy, the eventual break is **upwards, not downwards**. Today, with valuations moderate, expectations sensible, and local flows steady, the odds are tilting in favour of a positive breakout.

That is why we believe investors with a **medium-to-long term horizon** should **increase their equity allocations over the next 1–2 quarters**, rather than wait. In our view, the “pause” of the past 15 months has created the very conditions for the next leg of compounding.

As we wrote earlier this year, this is still a **stock picker’s market**. Narrow breadth makes index investing less rewarding, but it also creates fertile ground for disciplined managers to find quality businesses at the right valuations.

Our **strategy remains clear**: invest in **quality businesses** with **strong earnings potential** and **sound governance**, while staying disciplined on valuations. This approach has worked well for us in the past, and we are confident it will continue to deliver over the long term.

## Portfolio Strategy and Positioning

We are fully invested, with a portfolio carefully constructed around companies that hold **strong or leadership positions** in their respective sectors backed by strong management teams/promoters. These are businesses we believe can not only withstand the current environment but also **grow or maintain their market share over time**.

The portfolio remains **well diversified**, typically spread across **40–50 strong franchise**, striking a balance between resilience and opportunity.

As you know, the **IKIGAI Emerging Equity Fund follows a Mid and Small Cap mandate**. At present, **87% of the portfolio is allocated to mid and small caps**, almost equally split between the two. The remaining **11% is in select large-cap opportunities**.

Our approach remains **bottom-up and stock-specific**, guided by earnings visibility, competitive advantage, and prudent capital allocation. **For FY27, the expected earnings growth across the portfolio stands at ~27%, with a forward P/E of 27x - implying a PEG ratio of 1x**. This reflects our core philosophy of **Growth at a Reasonable Price (GARP)**.

We are also mindful of thematic balance. The portfolio is well diversified across sectors, with an overweight position in materials (including specialty chemicals), healthcare, industrials, and consumer discretionary. Notably, over 70% of our portfolio companies are domestically focused, which offers some insulation from global volatility while aligning with India’s structural growth story.

In short, we remain focused on quality, discipline, and long-term value creation.

The key portfolio characteristics of IKIGAI Emerging Equity Fund as of Dec 31, 2025, are presented below:

Exposure By Sector (GICS)	(%)	Period Ended	IKIGAI Emerging Equity Fund*
Materials	27.4%	EPS Growth - FY26	28%
Financial	16.1%	EPS Growth – FY27	27%
Industrials	15.8%	Return On Capital	17%
Consumer Discretionary	15.4%	Debt/equity	0.52
Health Care	10.2%	EBITDA Margin	12%
Others	9.6%	Free Cash Yield	2%
Information Technology	3.6%	Forward P/E (FY28)	27x
Cash and Cash Equivalents	1.0%		
Energy	0.8%		

Notes: \* Based on our Internal Estimates for our investee companies (including BFSI companies)



Period	Fund Return	Nifty SmallCap 250	Nifty MidSmall 400	Nifty Midcap 150
Last 1 Month	0.14%	-0.29%	-0.45%	-0.53%
Last 3 Months	2.64%	-0.05%	3.77%	5.89%
Last 6 Months	-1.64%	-6.25%	-1.41%	1.31%
1 Year	-0.98%	-6.01%	1.20%	5.37%
Since Inception (XIRR)	0.47%	-1.24%	2.47%	4.54%

Note: Pre-Tax Return for Class D1, as of Dec 31, 2025

\*Inception Date 19th June 2024

Index Closing Value for 18<sup>th</sup> June 2024 has been considered

The last year hasn't been easy for markets. Over the past 18 months, markets have seen it all - **euphoria, correction, resilience, and recovery**. We've lived through **three mini cycles** but through it all, we've stayed true to our investment process. While the broader market saw sharp corrections early in the year, our decision to turn positive during the March quarter, especially in mid and small caps, helped us participate meaningfully in the recent recovery.

Our **portfolio has been relatively resilient** in these turbulent times. Despite higher weightage to smallcaps we have managed to **outperform the Nifty Smallcap 250** index meaningfully in the last 12 months. However given the poor breadth of the market, we have **underperformed the Nifty MidSmall 400** index marginally.

Our approach has always been rooted in consistency - focusing on **high-quality businesses with resilient cash flows, strong governance, and long-term compounding potential**. Periods of consolidation and volatility are inevitable, especially in mid- and small cap investing. In fact, they often present opportunities to accumulate quality businesses at better prices. As custodians of your capital, our focus remains unwavering:

- Avoiding short-term noise and momentum-driven traps.
- Staying disciplined on valuations.
- Building a portfolio of durable businesses that can deliver across cycles.

We believe that over time, this approach will **translate into steady, superior compounding**, even if the near-term journey has a few bumps along the way. As Peter Lynch once said, *"The real key to making money in stocks is not to get scared out of them."* Our philosophy remains the same - stay invested in quality, stay patient, and let compounding do its work.

Our advice remains simple: **invest steadily, think long-term, focus on asset allocation and let time and discipline do the heavy lifting**. We remain patient and focused-backing businesses built for cycles, not headlines.

We're deeply grateful - for your trust, your patience, and your belief in our philosophy of **Trust. Process. Performance**. Thank you for being part of this journey with us. We're just getting started - and we're excited about what lies ahead.

*"The stock market is filled with individuals who know the price of everything, but the value of nothing."*

- Philip Fischer

Regards,

**PANKAJ TIBREWAL**

Founder & CIO

9<sup>th</sup> January 2026



## Risk Disclosures

<b>1.</b>	<b>Concentration Risk</b>	The portfolio is well diversified across sectors and key economic variables.
<b>2.</b>	<b>Interest - rate Risk</b>	Fund invests in listed equities and these businesses in turn may be linked to interest rates which are well analysed by the investment team before making investments.
<b>3.</b>	<b>Foreign Investment Risk</b>	The Fund has no investments in foreign entities.
<b>4.</b>	<b>Leverage</b>	The Fund has no leverage. Lending businesses of the portfolio have capital above regulatory norms. Other companies with high leverage are a small portion of portfolio.
<b>5.</b>	<b>Realization Risk</b>	All the investments are in listed entities.
<b>6.</b>	<b>Strategy Risk</b>	The Fund portfolio is in line with the Investment Managers stated strategy. Investment philosophy and strategy is explained in detail in the Private Placement Memorandum (PPM) provided to all investors. There is no change in the strategy mentioned in PPM.
<b>7.</b>	<b>Reputation Risk</b>	All the investments are in listed entities; Portfolio Managers endeavour to invest in sustainable and reasonably valued businesses.
<b>8.</b>	<b>ESG Risk</b>	We adhere to standard ESG practices at Fund level. We believe the portfolio companies also follow good ESG practices.
<b>9.</b>	<b>Fees</b>	The fees ascribed to the Manager/Sponsor by the fund is as mentioned in the PPM.