



Trust | Process | Performance



MARKET OUTLOOK

January 2026





Section 1:

Global Markets



All asset classes except Bitcoin have delivered positive returns in CY25

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%
VWO	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	DBC
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	71%	10%	95%	95%	95%	95%	95%

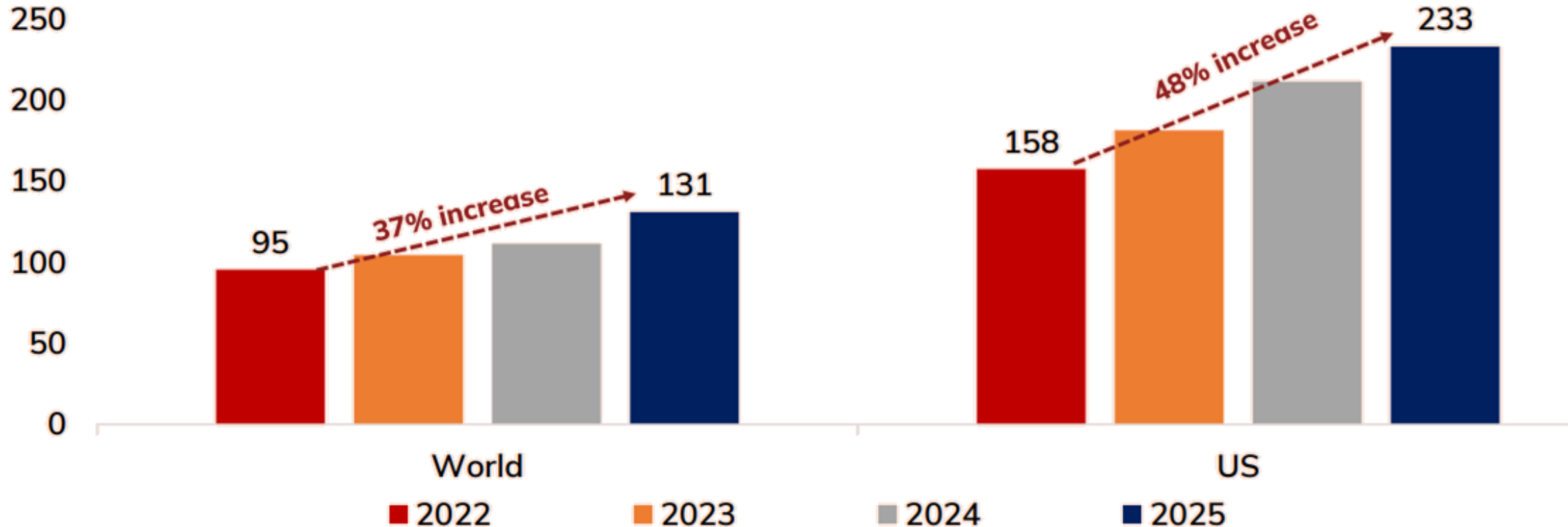
All major stock markets in the green!

Global Equity ETFs – 2025 Total Returns in USD

Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR
South Korea	EWY	95.4%	Canada	EWC	35.9%	Japan	EWJ	25.9%
Peru	EPU	86.8%	Europe	VGK	35.8%	Kuwait	KWT	25.4%
Spain	EWP	78.0%	Germany	EWG	35.8%	Total World	VT	22.4%
Poland	EPOL	77.4%	Belgium	EWK	35.4%	UAE	UAE	21.3%
Greece	GREK	76.1%	United Kingdom	EWU	35.0%	US	SPY	17.7%
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%	World ex-USA	ACWX	32.6%	Denmark	EDEN	10.6%
Chile	ECH	65.4%	Emerging Markets	IEMG	32.6%	Qatar	QAT	8.8%
Italy	EWI	55.7%	Norway	NORW	32.6%	Indonesia	EIDO	4.9%
Mexico	EWV	53.7%	EAFE	IEFA	32.1%	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%
Eurozone	EZU	40.0%	Ireland	EIRL	28.8%	Turkey	TUR	-1.5%
Sweden	EWD	36.5%	Taiwan	EWT	28.4%	Saudi Arabia	KSA	-8.2%

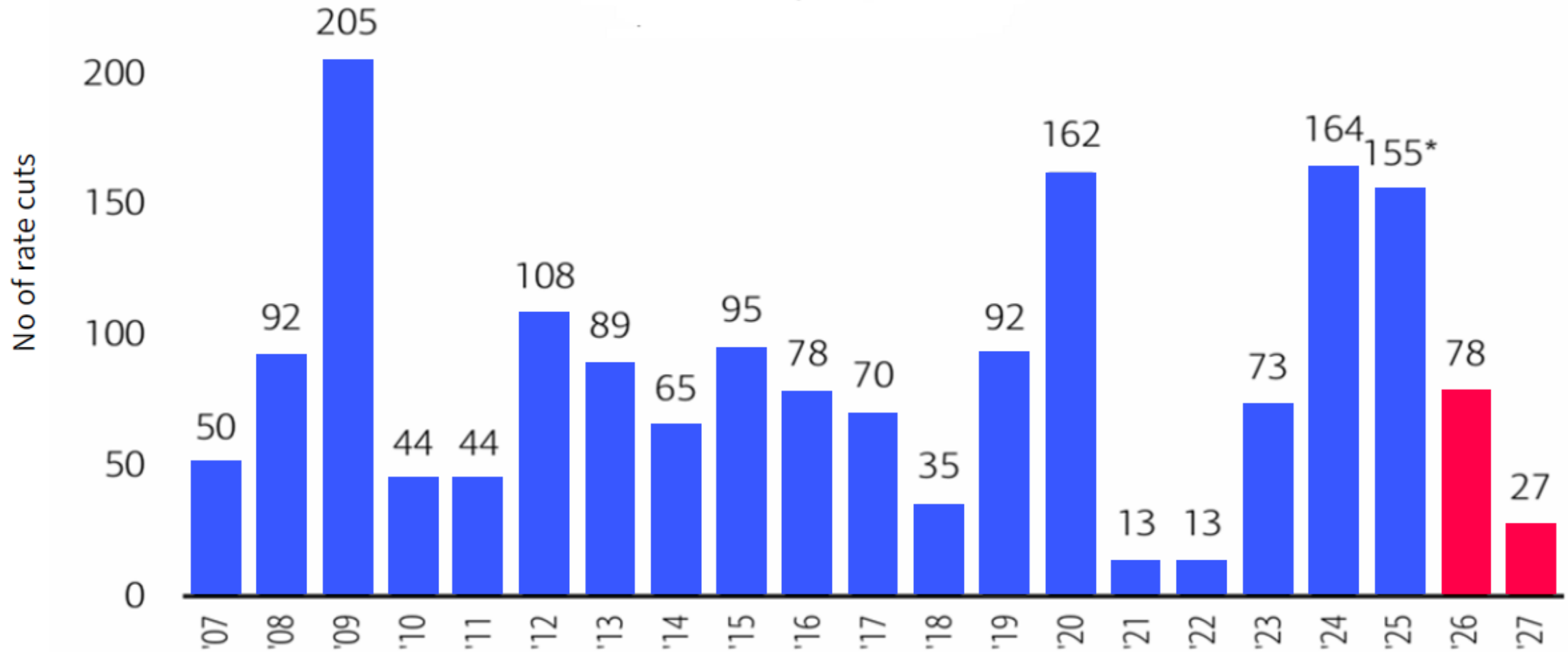
Global market valuations – walking on thin ice

Market Cap to GDP (%)



Global Central Banks on a rate cut spree

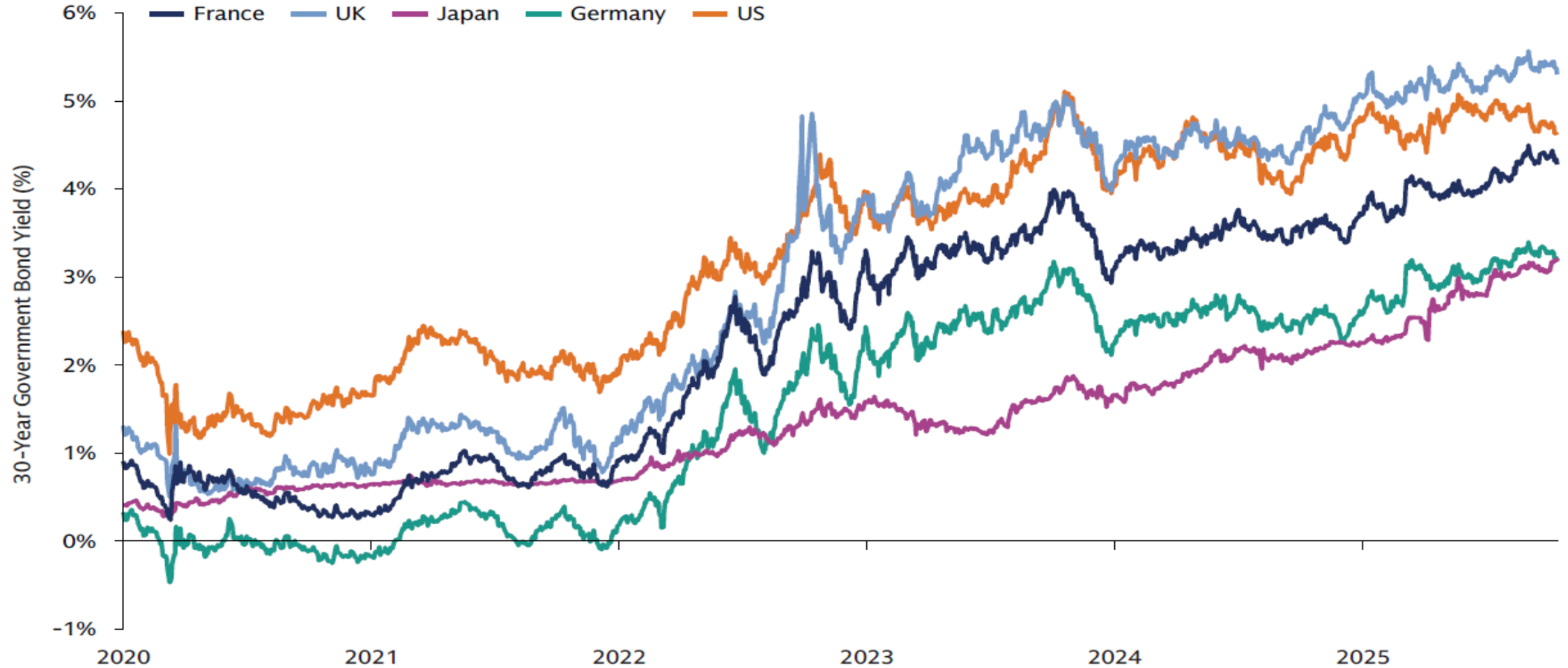
Annual Central Bank Policy Rate Cuts



Source: BofA Global Research, BofA Global Investment Strategy. Projections for 2026 and 2027 reflective of BofA Global Economics team policy rates forecasts for year-end 2026 & 2027.
Note: Data as of 20 Nov 2025

But bond markets are not convinced...

30-year bond yields – Rising yields reflect concerns on global debt sustainability



US long term treasury 10-year rolling returns negative in CY25

US 15-year+ Treasuries: 10-year rolling annualized returns since 1936



US National Debt up by \$2Tn since debt ceiling increased in July'25

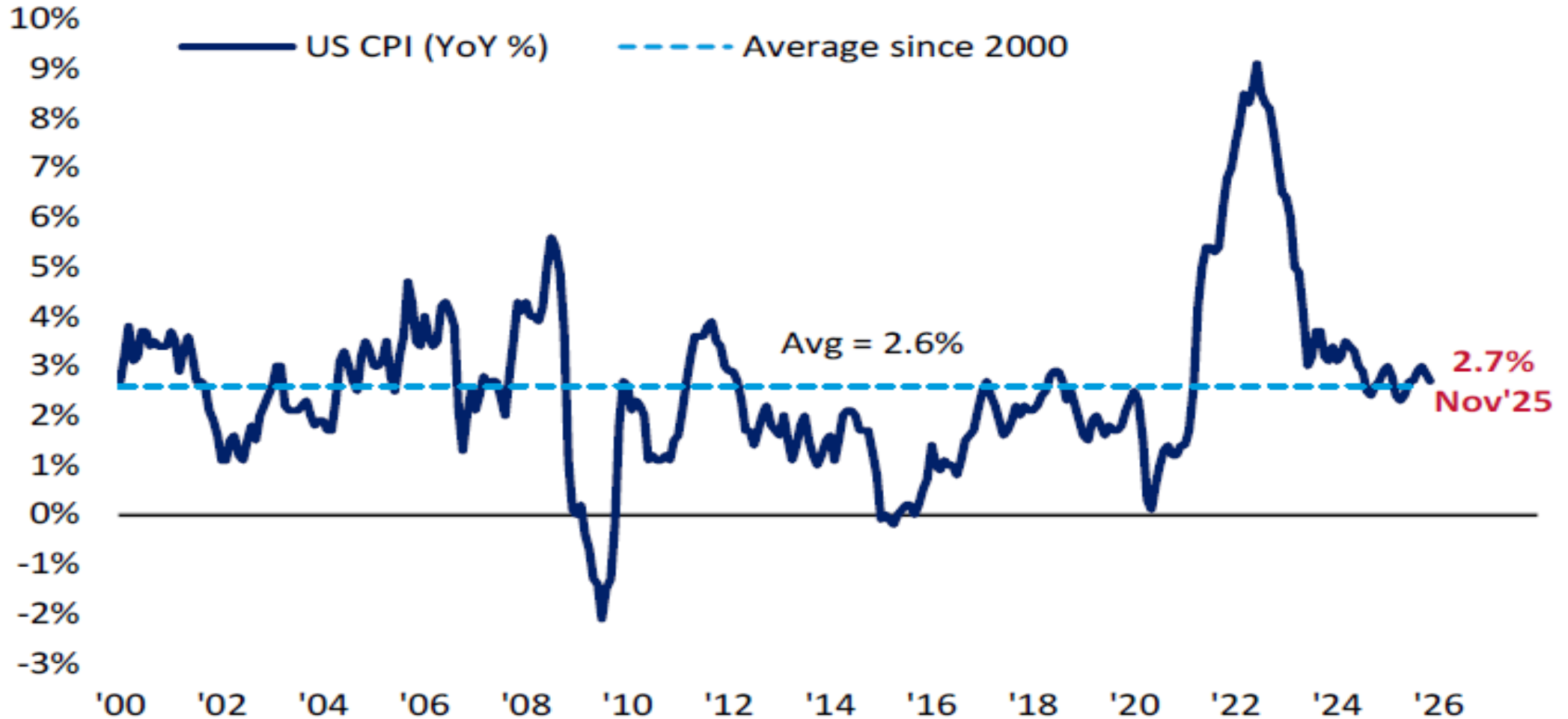


S&P 500 makes new ATHs in 2025



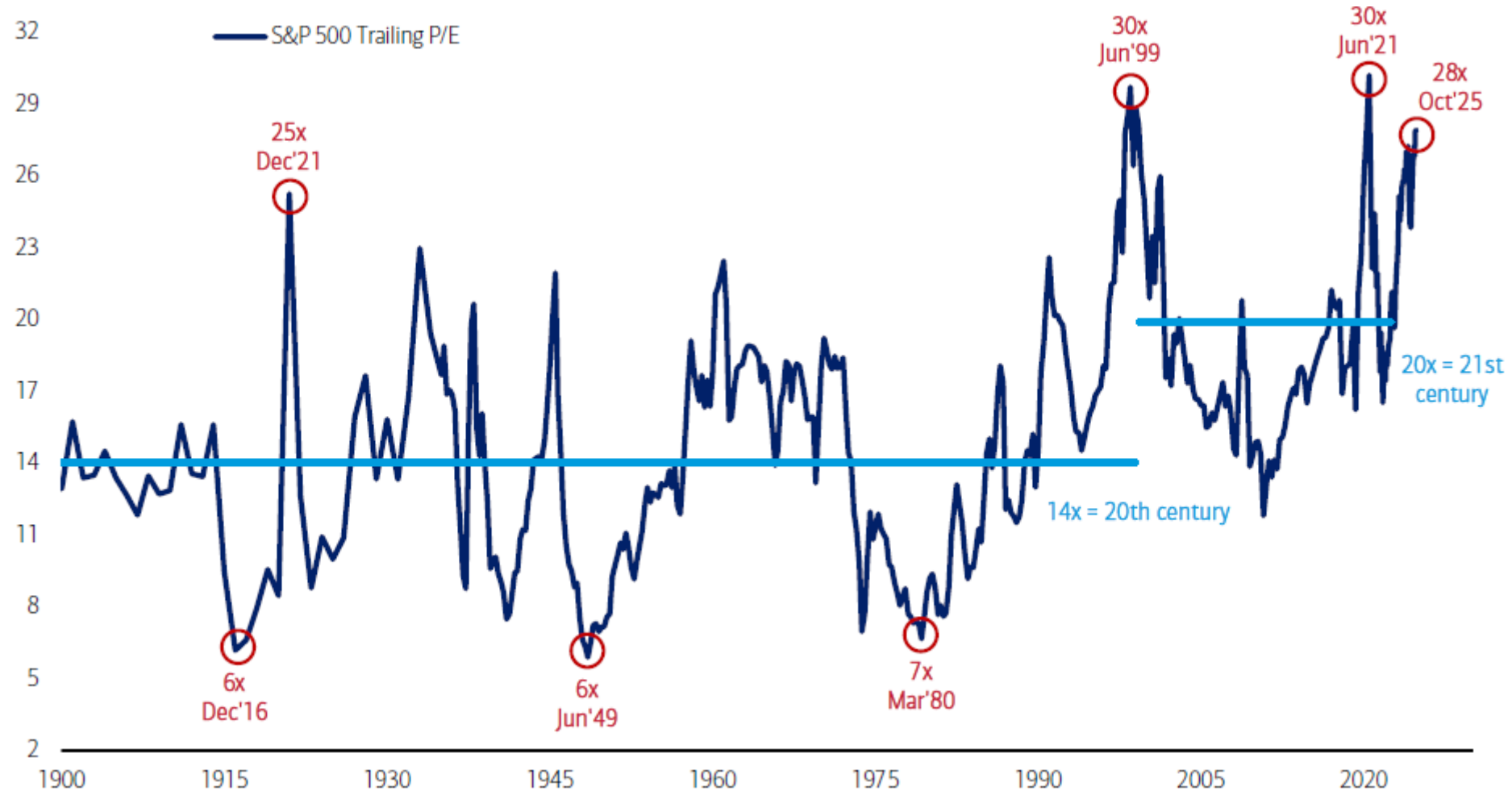
US CPI trending toward 2%

US CPI inflation YoY % since 2000

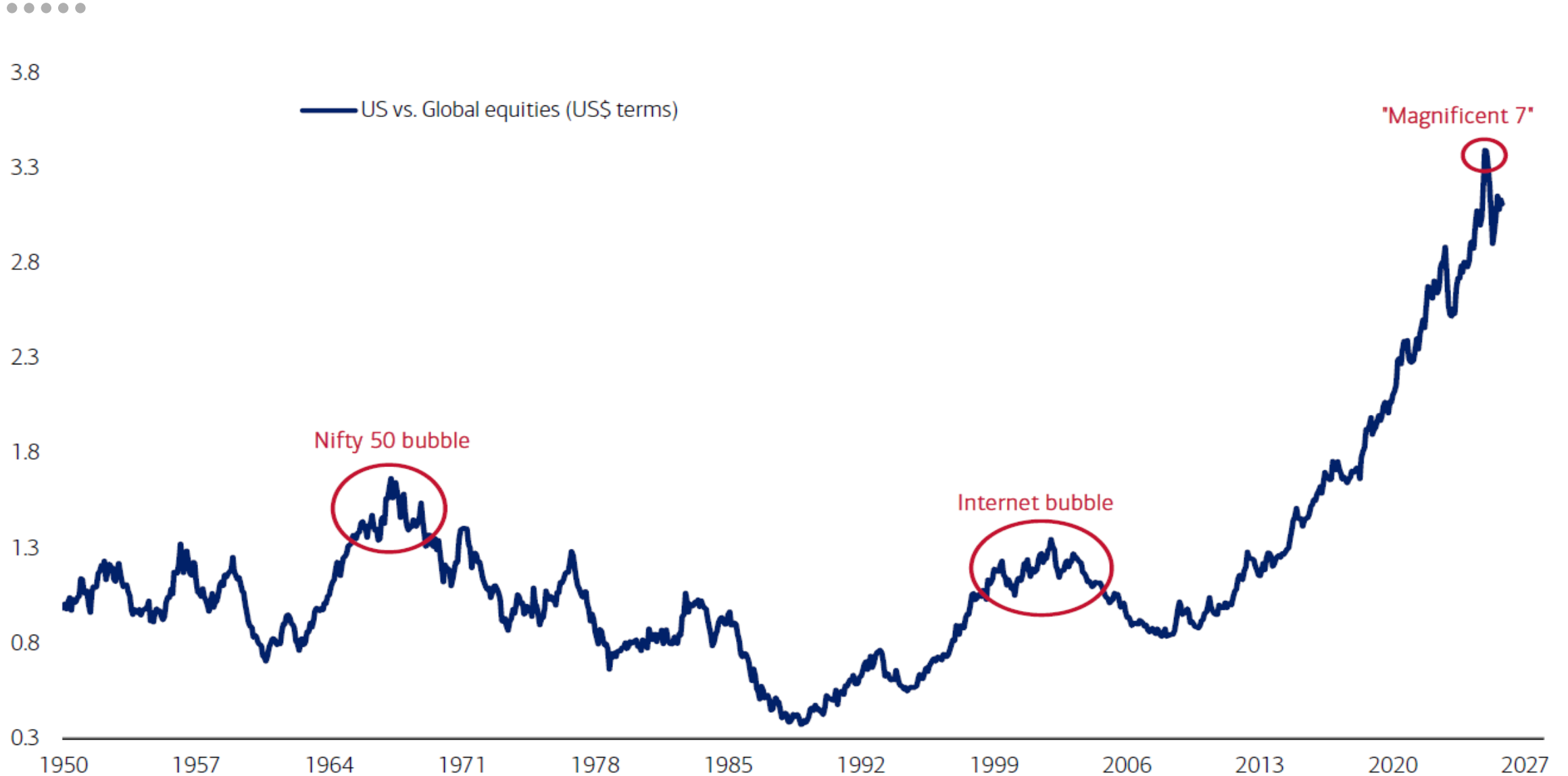


“US Exceptionalism” Exceptionally Expensive...

S&P 500 trailing P/E since 1900

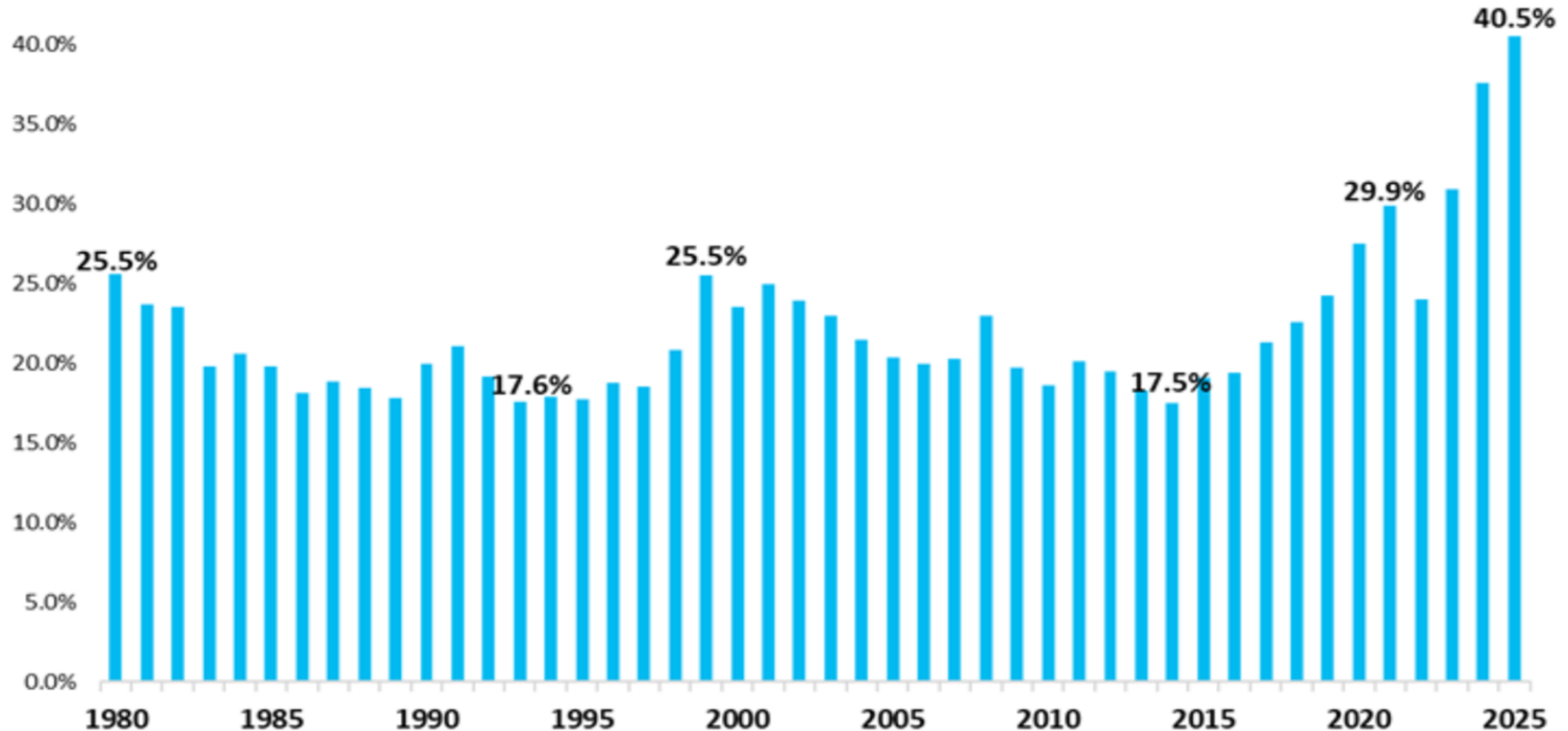


Sharp outperformance of US Equities led by Mag 7 stocks



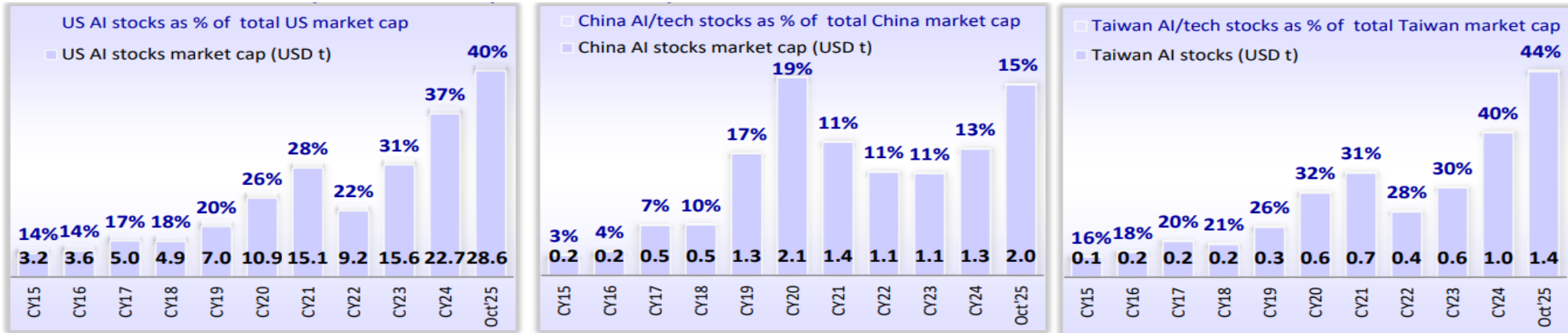
High concentration risk: Top 10 US companies are >40% of S&P 500

S&P 500 – Weight of top 10 holdings



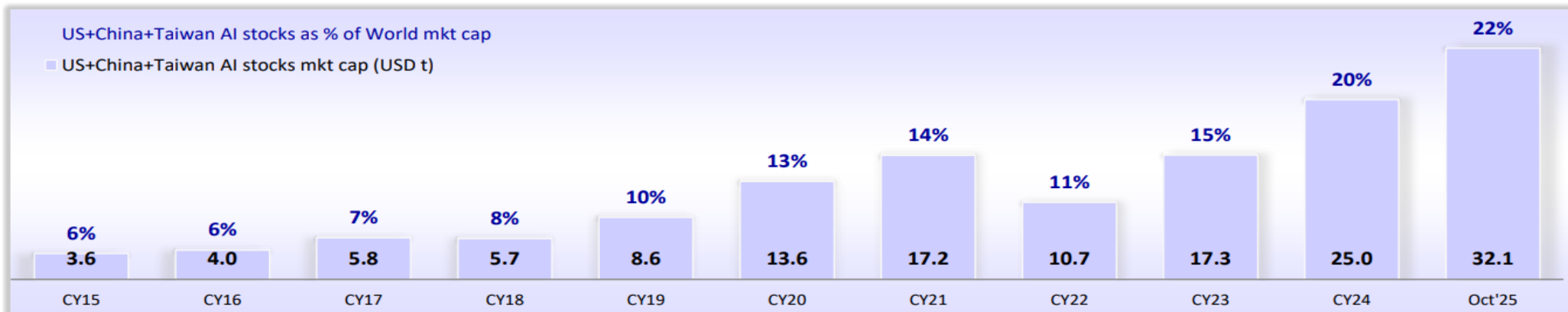
Are AI stocks globally moving in the excess territory?

US, China, and Taiwan see sharp rise in market cap of AI-linked companies



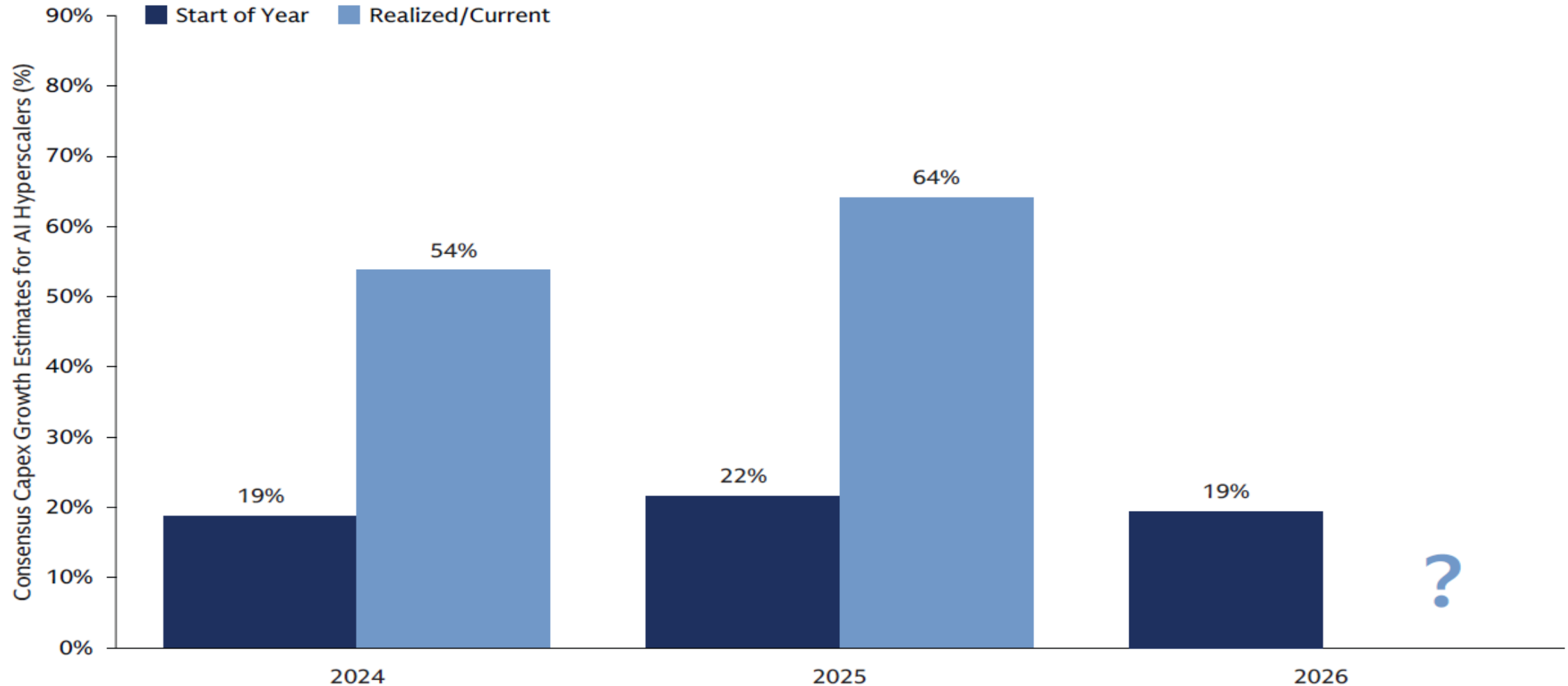
Note: We have considered key AI, big tech, semiconductor, and chip manufacturing companies from the US (41 companies), China (17 companies), and Taiwan (9 companies).

Global share of Key AI stocks in total market capitalization



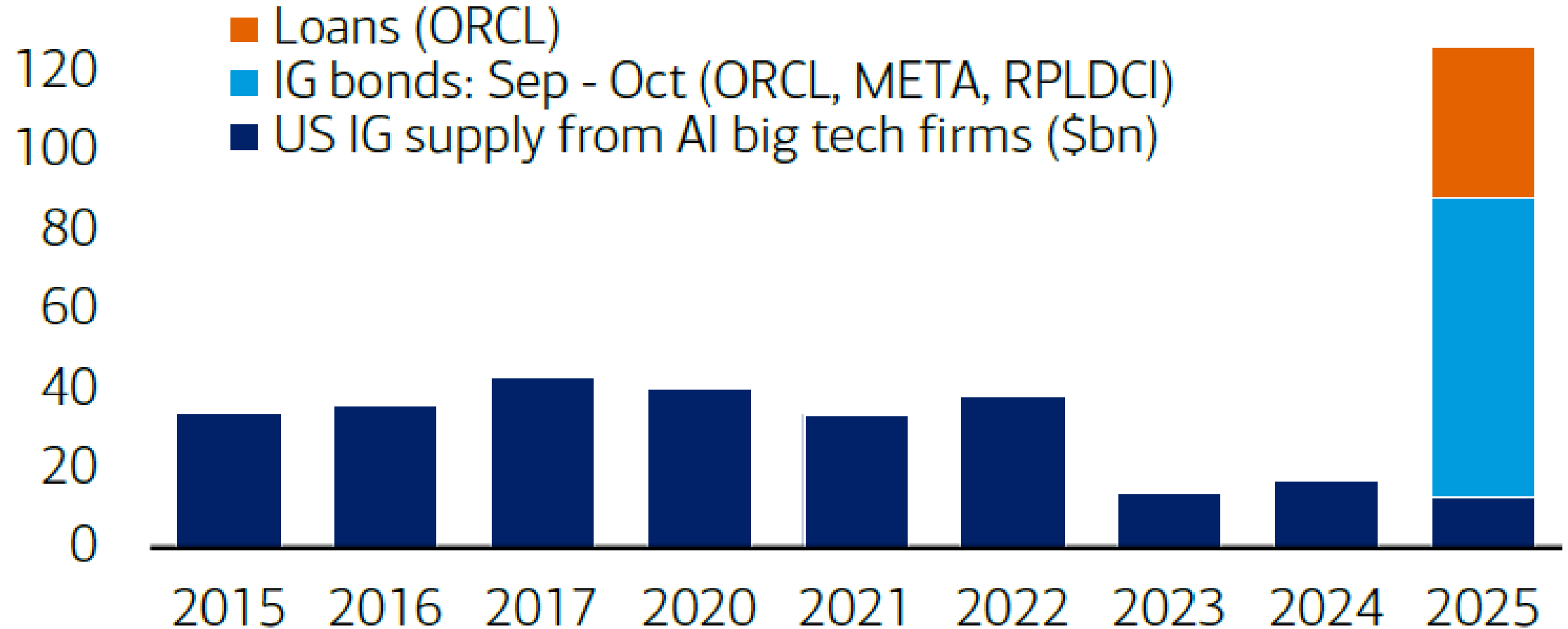
Consensus has been underestimating AI capex

Consensus capex growth for AI Hyperscalers

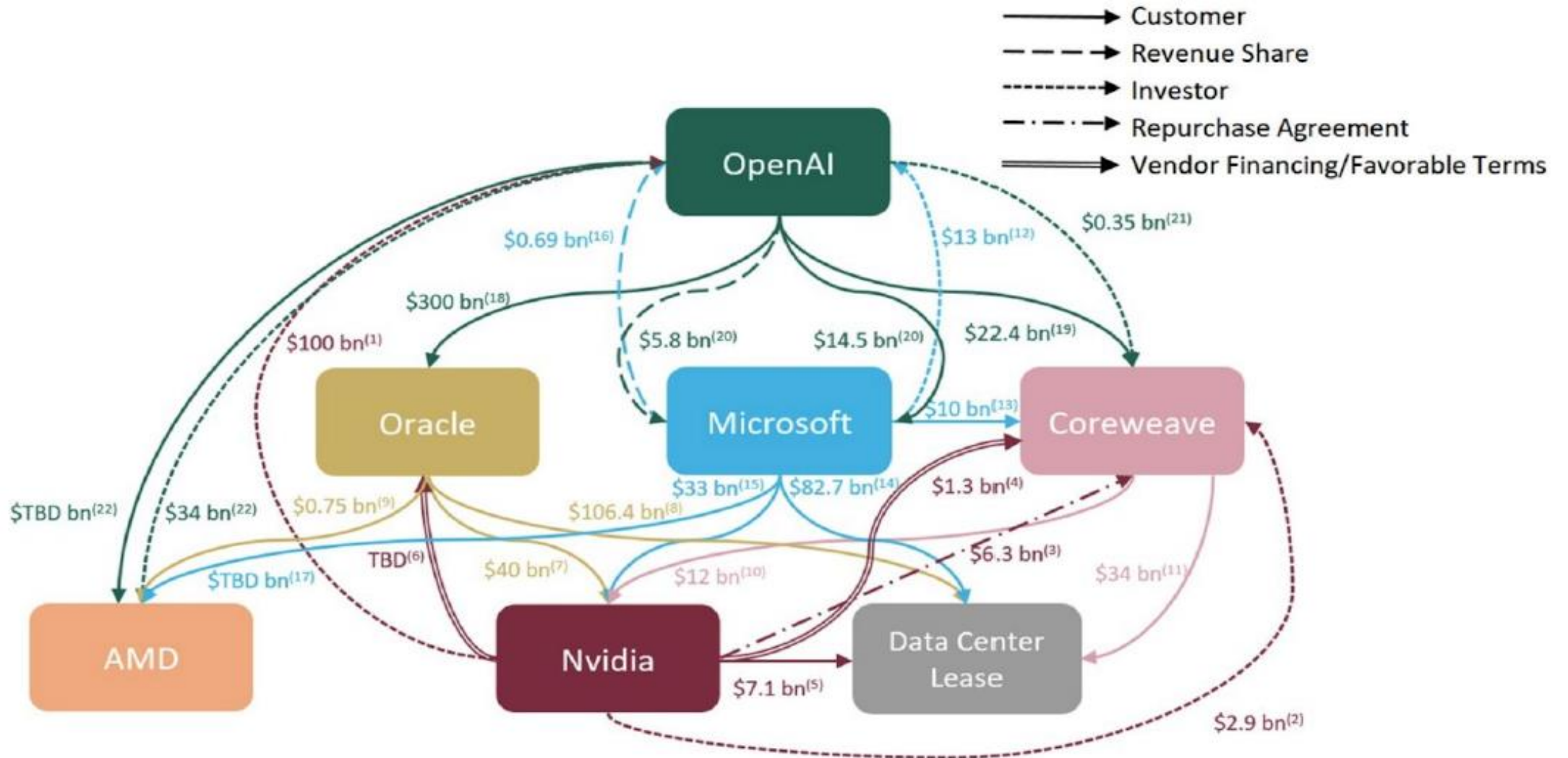


Borrowing to fund AI datacenter spending has exploded

Bond Market Supply by AI Companies

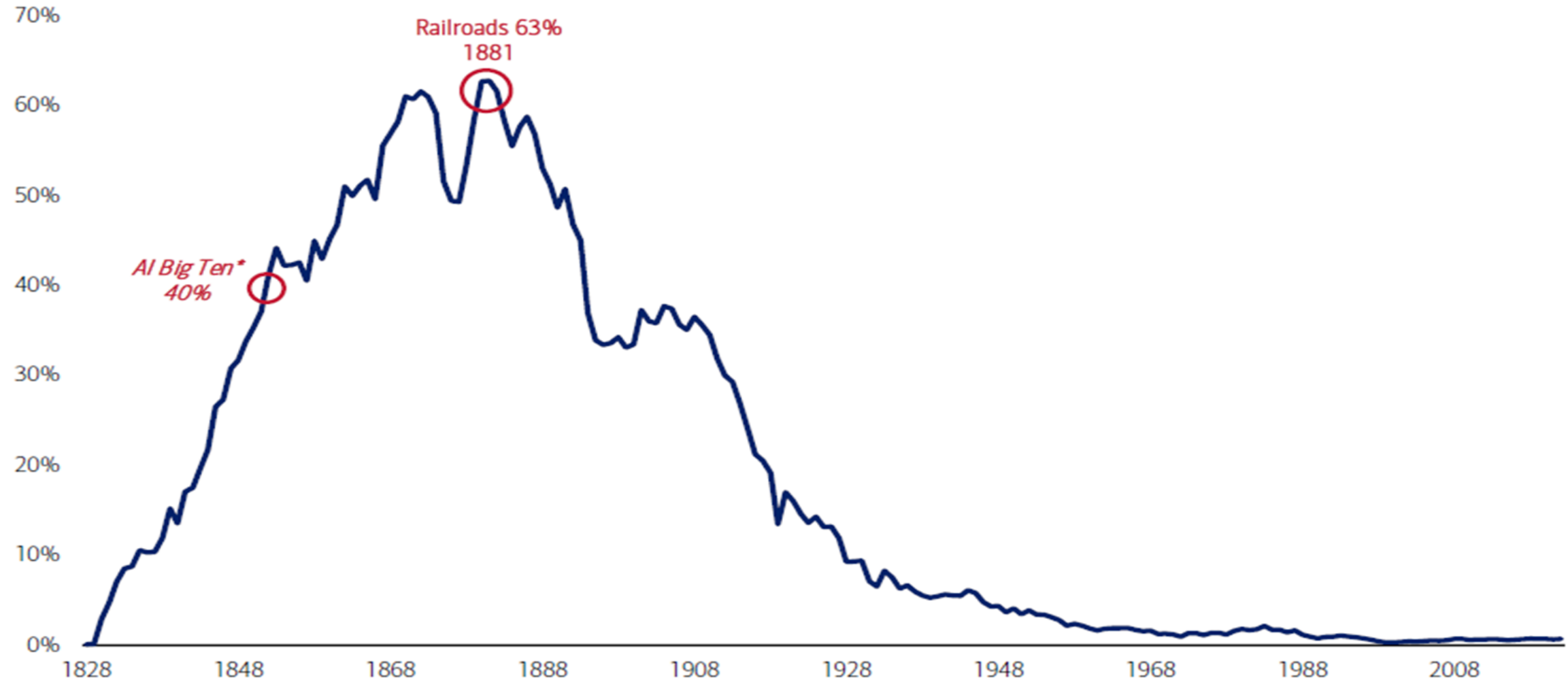


Circular economy emerging within the AI ecosystem



Can AI meet the same fate as Railroads & Dotcom for financial investors?

Railroads as a % of US stock market cap since 1828



Source: BofA Global Investment Strategy, Global Financial Data, Bloomberg
 Note: *AI Big Ten % of S&P 500 market cap in Aug 2025
 (AI BigTen = AAPL, AMZN, AVGO, GOOGL, META, MSFT, NVDA, ORCL, PLTR, TSLA)

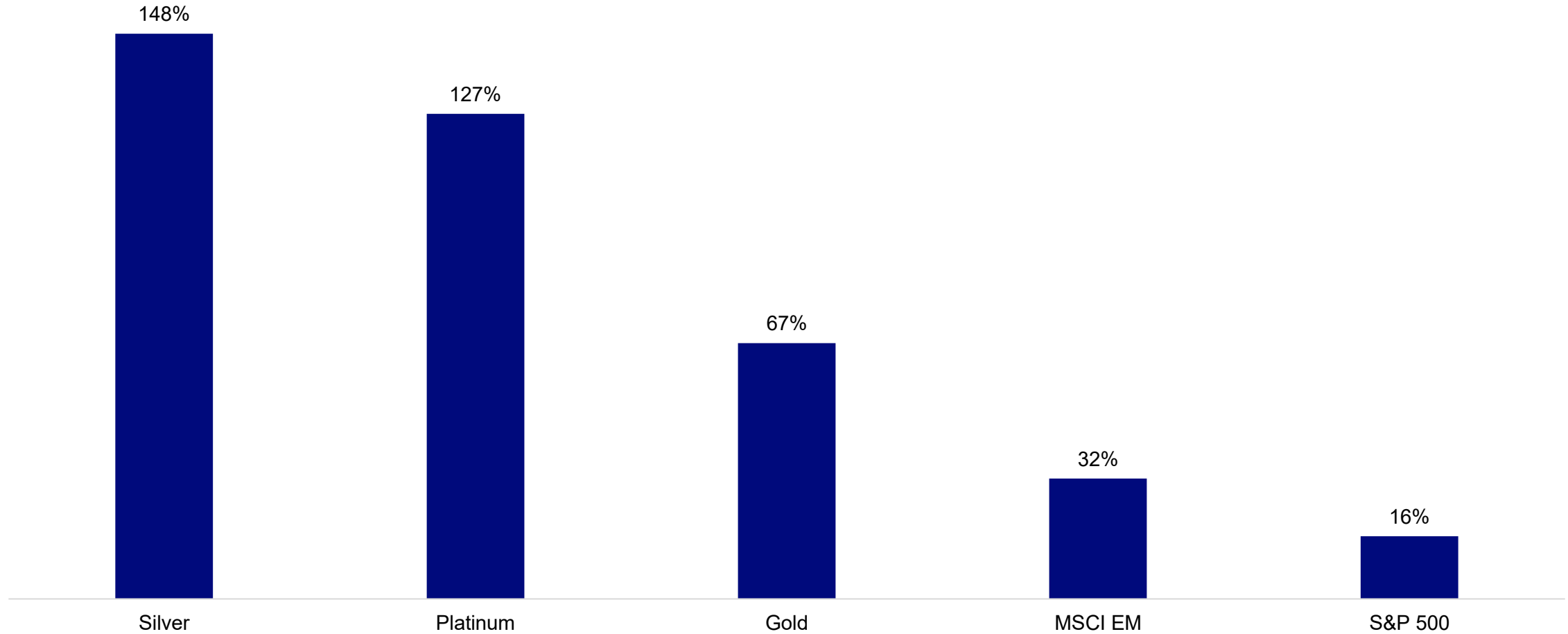
Is Dollar depreciation the next big theme?



Is the world moving towards non-dollar assets?



Returns in 2025 (in \$ terms)



We have been talking about gold/silver in past 12 months – returns have been significant YTD

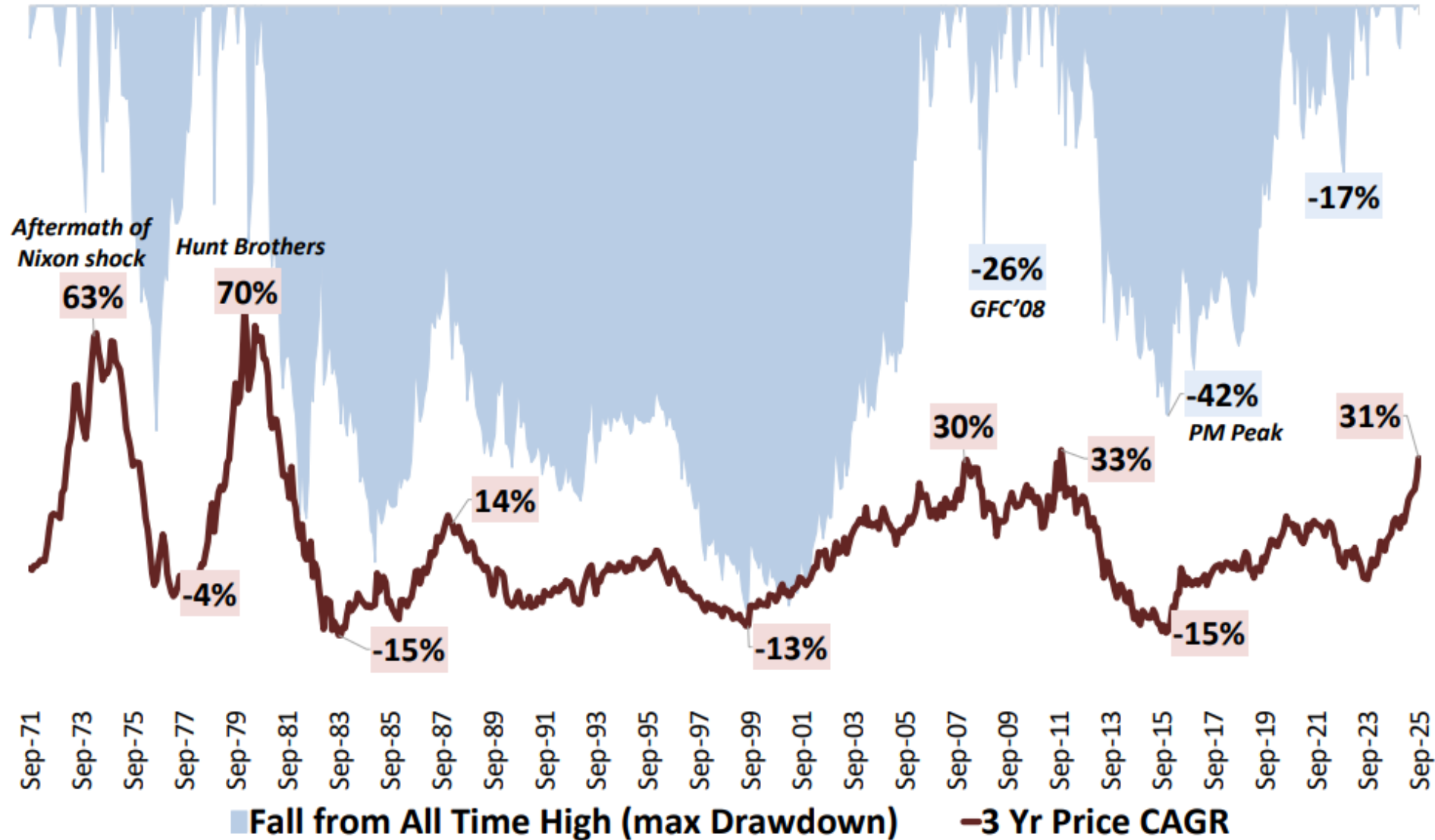
Gold price (\$/oz)



Silver (\$/oz)



Is the gold rally behind us? Gold has seen significant drawdowns in past

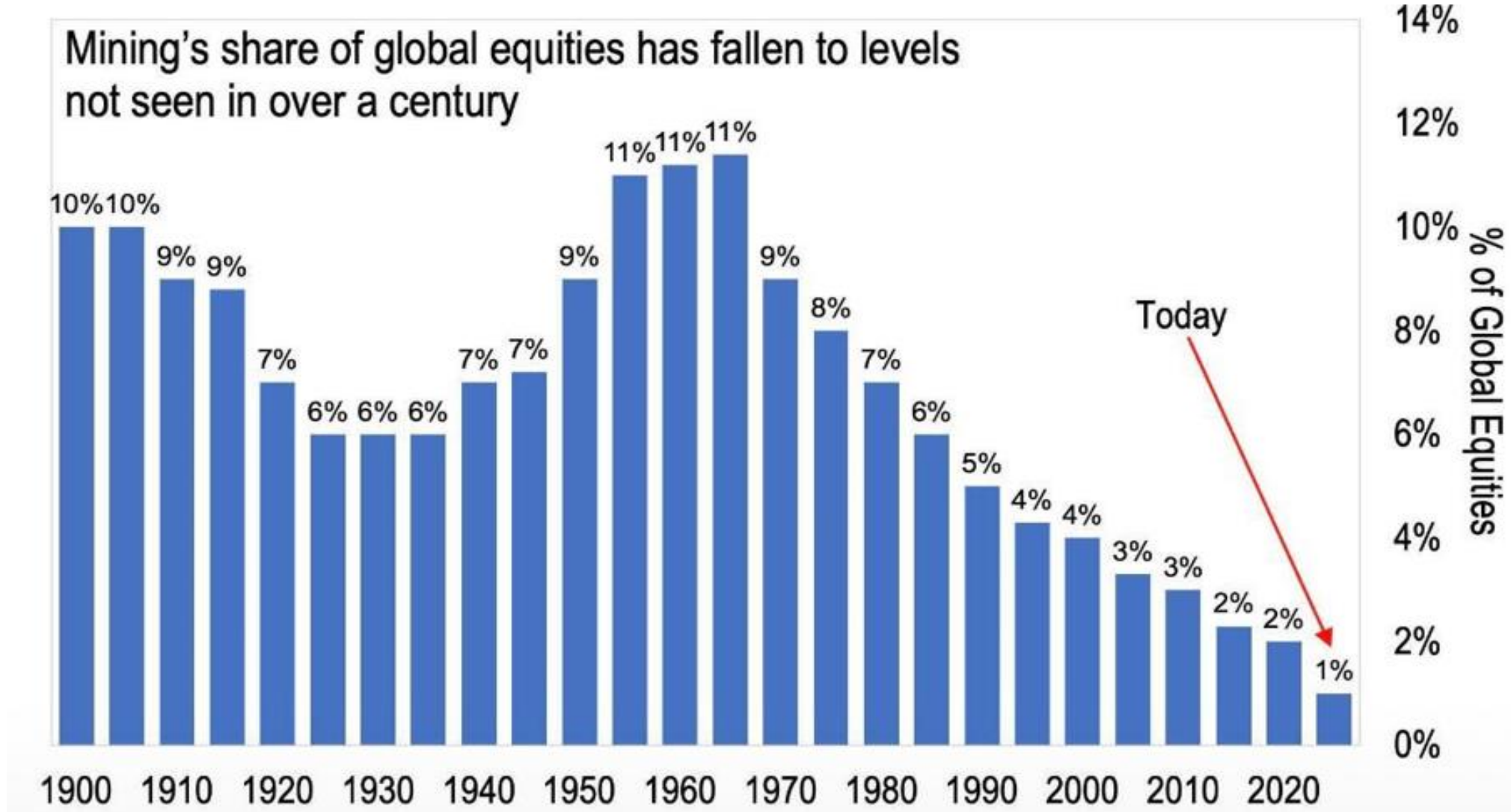


Speculative and investment buying continues in silver ETFs

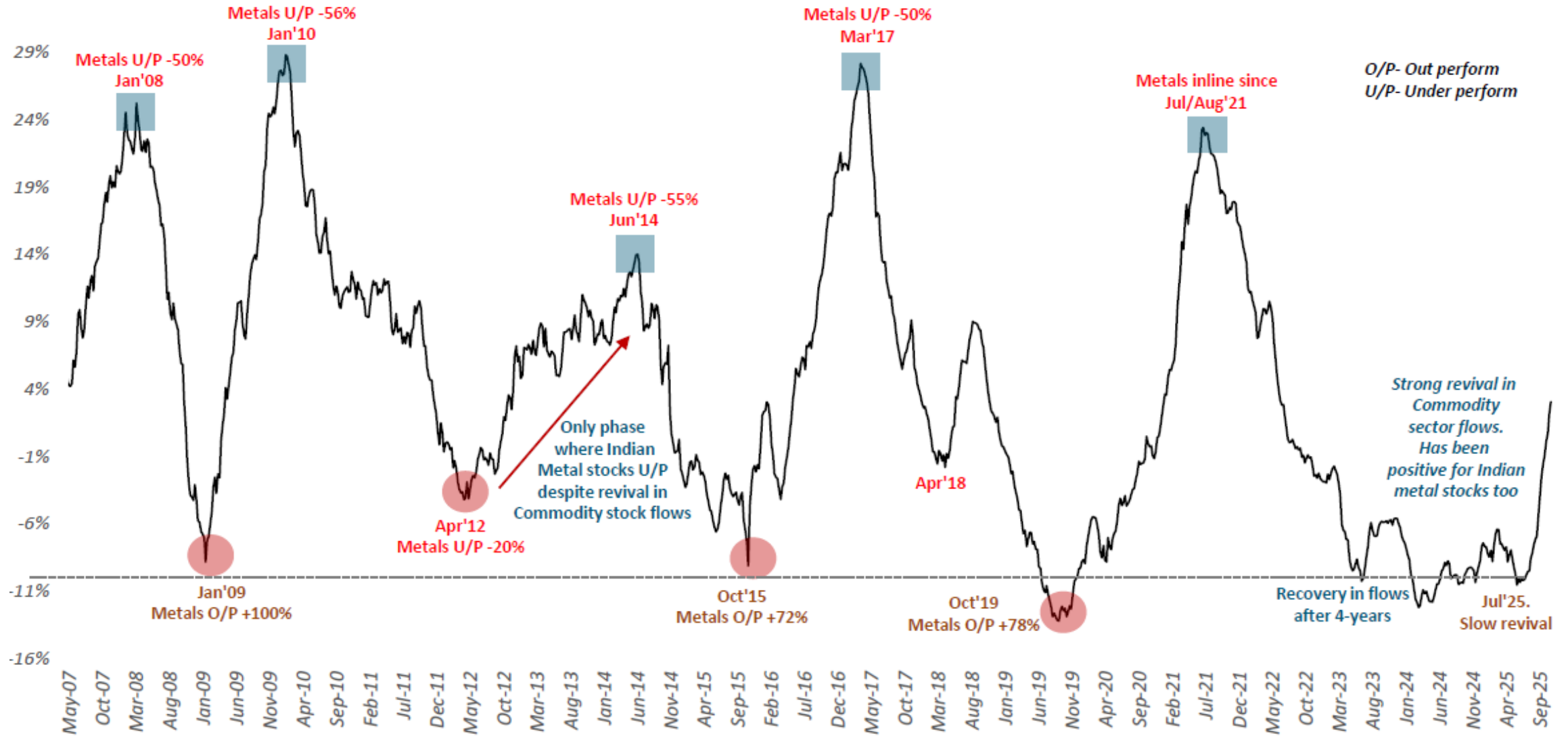
iShares Silver ETF – Total silver tonnage



After gold and silver, can metals and mining make a comeback?



Global Commodity ETFs showing revival in inflows after long time



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

Metals & Mining begin outperforming US equities after 5-years



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

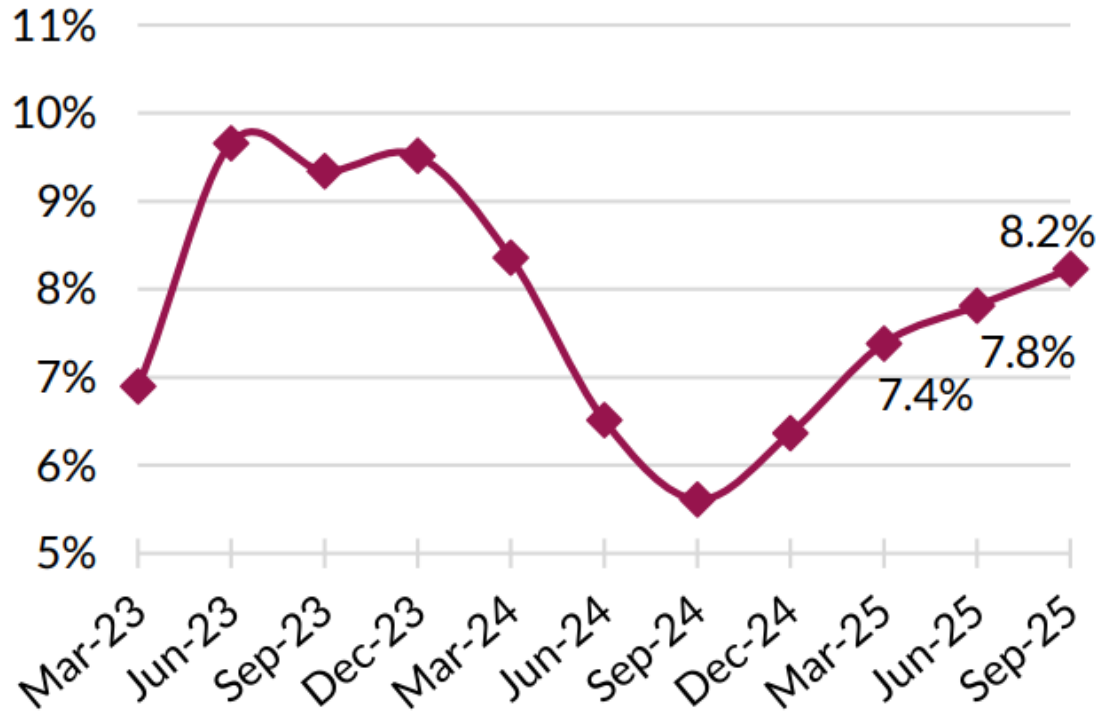
Section 2:

Indian Macro

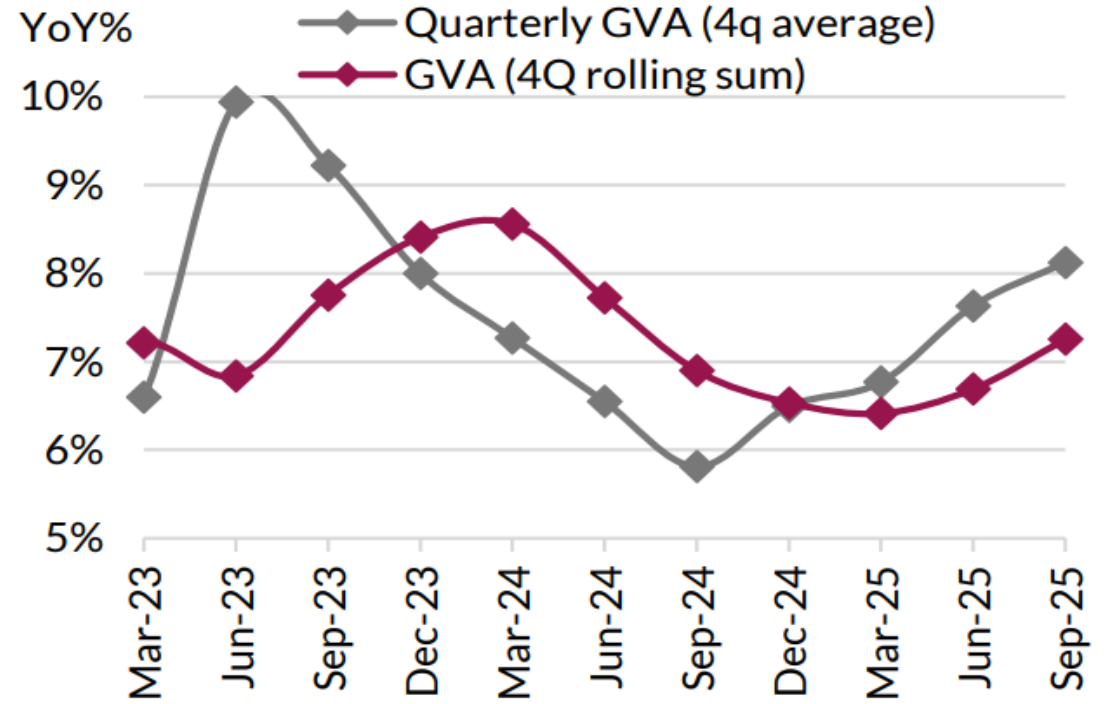


Q2 FY26 GDP surprises positively

Quarterly (qtr.) GDP improved to 8.2% YoY

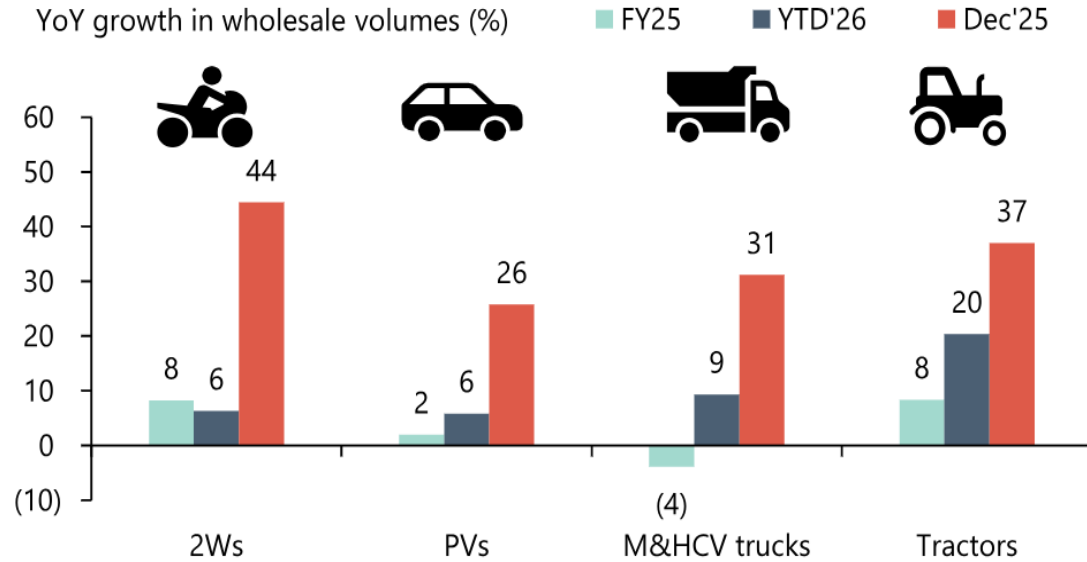


With qtr. GVA growth at 8.1% YoY

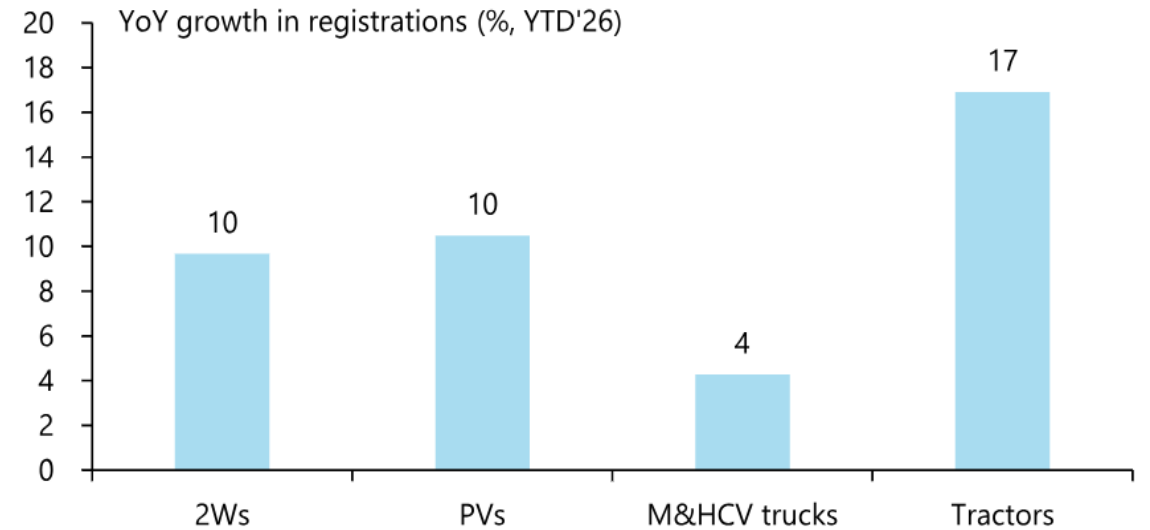


GST cuts supporting auto sales

Strong YoY growth in registrations in Q3FY26



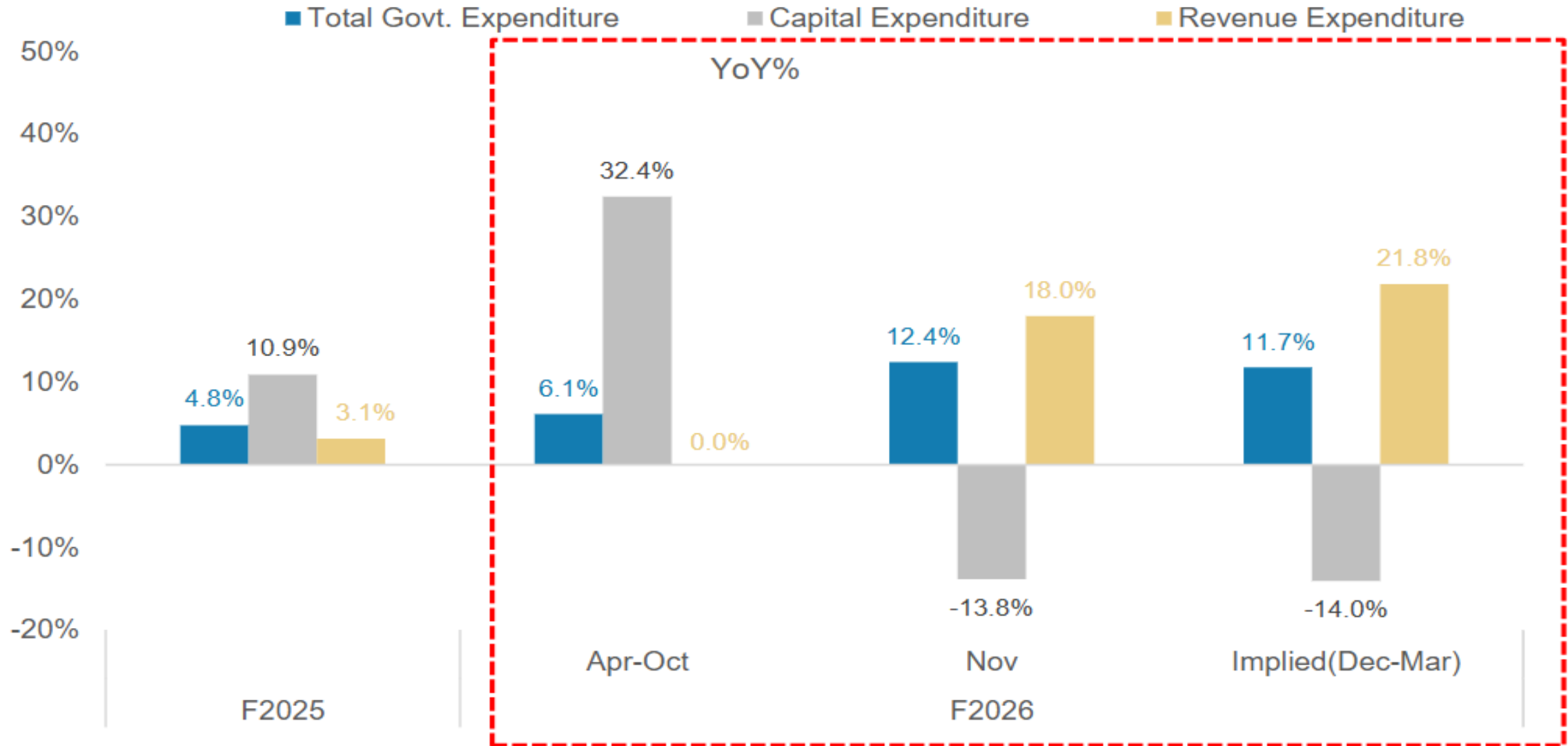
Growth rates improved across segments post GST cut



Gross tax revenues trail budget targets due to weak indirect tax collections

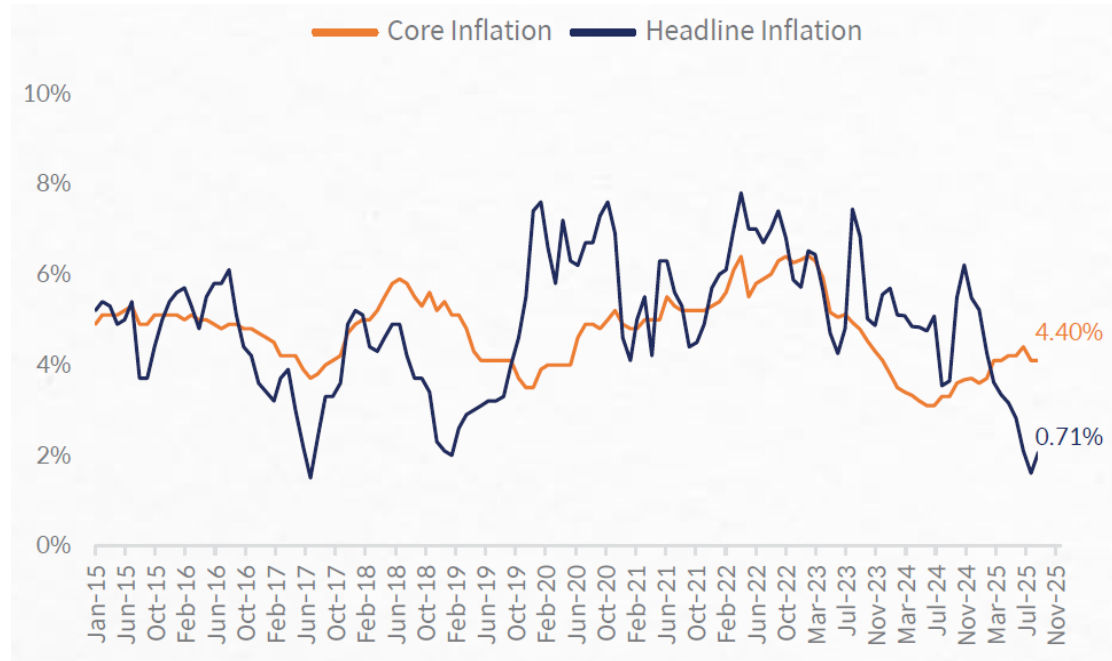
	Rs. Bn							Growth (% , yoy)	
	FY26BE	8M FY25	8M FY26	Nov-24	Nov-25	Current Rate	Req. Run Rate	FY26BE	8M FY26
Gross Tax Revenue	42,702	22,610	23,364	2,283	1,170	2,921	4,835	10.8%	3.3%
Direct Tax	25,200	12,124	12,998	981	1,170	1,625	3,051	12.7%	7.2%
Corporate Tax	10,820	5,116	5,515	238	383	689	1,326	10.4%	7.8%
Income Tax	14380	7,008	7,483	743	787	935	1,724	14.4%	6.8%
Indirect Tax	17,350	10,074	9,976	1,244	999	1,247	1,844	8.3%	-1.0%
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%
Net Tax Revenue	28,374	14,434	13,939	1,385	1,196	1,742	3,609	11.0%	-3.4%
Non-tax revenue	5,830	4,270	5,164	277	273	645	167	45.1%	20.9%

Capex slows in recent months – required to preserve fiscal math

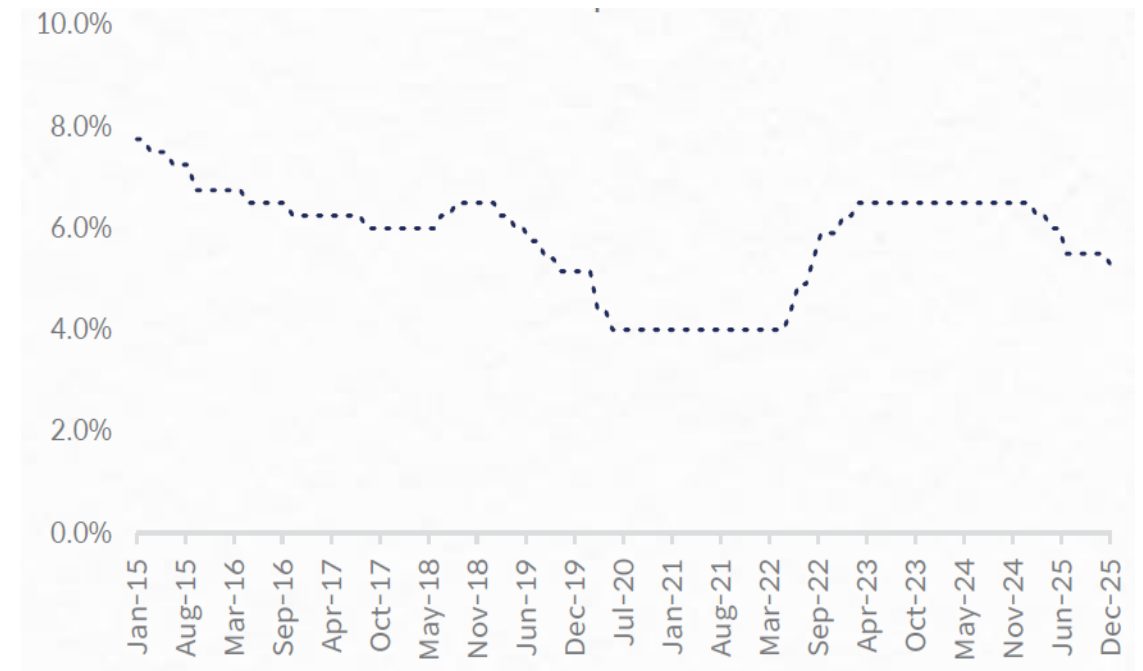


With inflation under control, RBI likely to deliver more rate cuts

Inflation remains benign

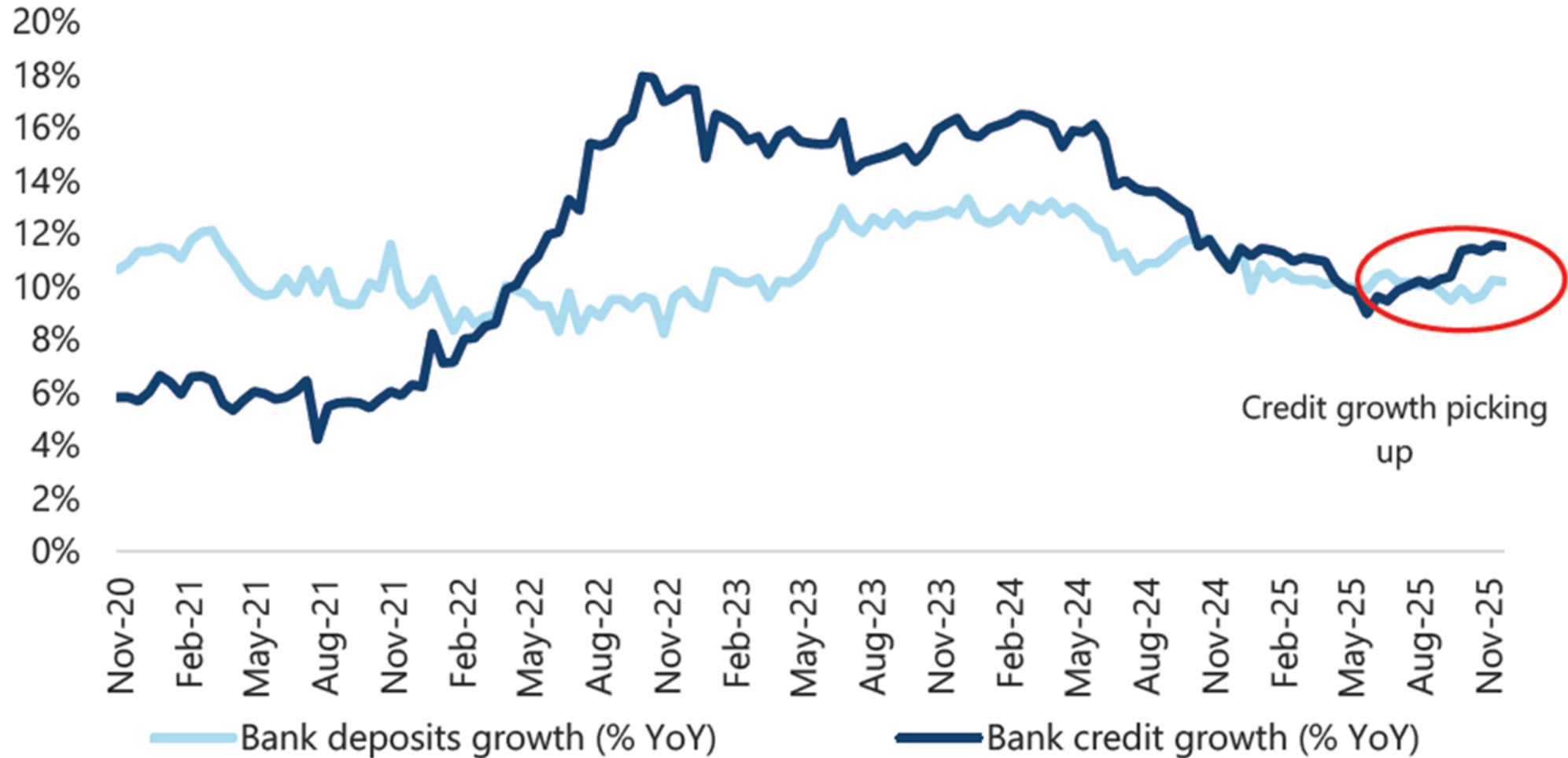


Repo rate cut by 25bps in Dec'25



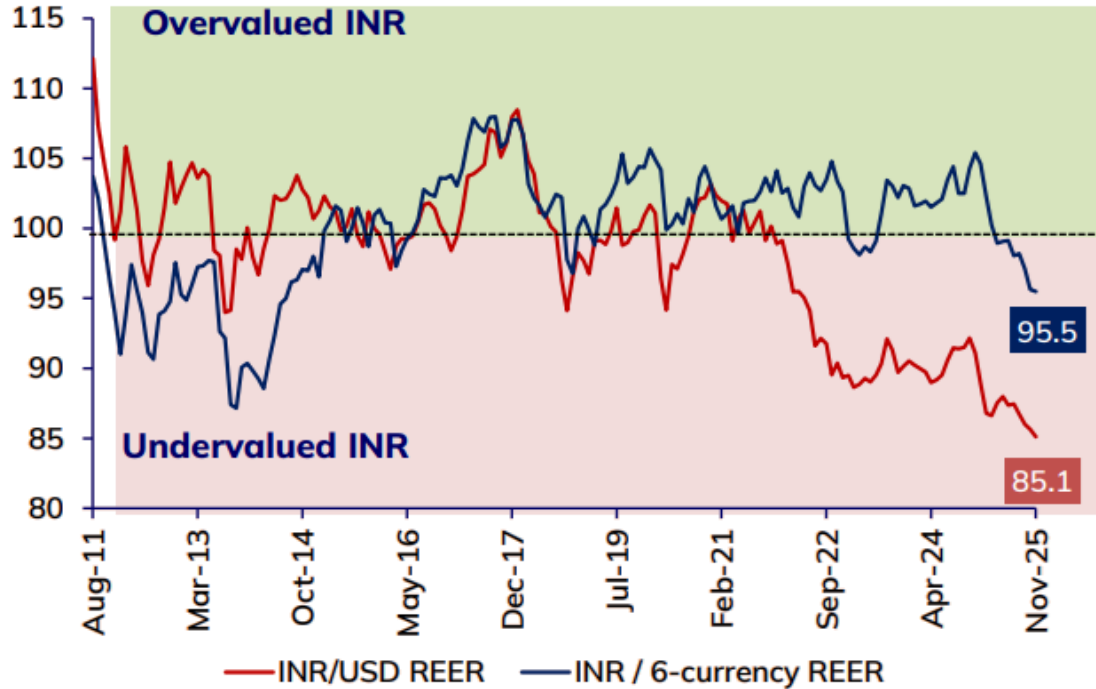
Credit and deposit growth picking up

System Credit and Deposit Growth Rates (% YoY)

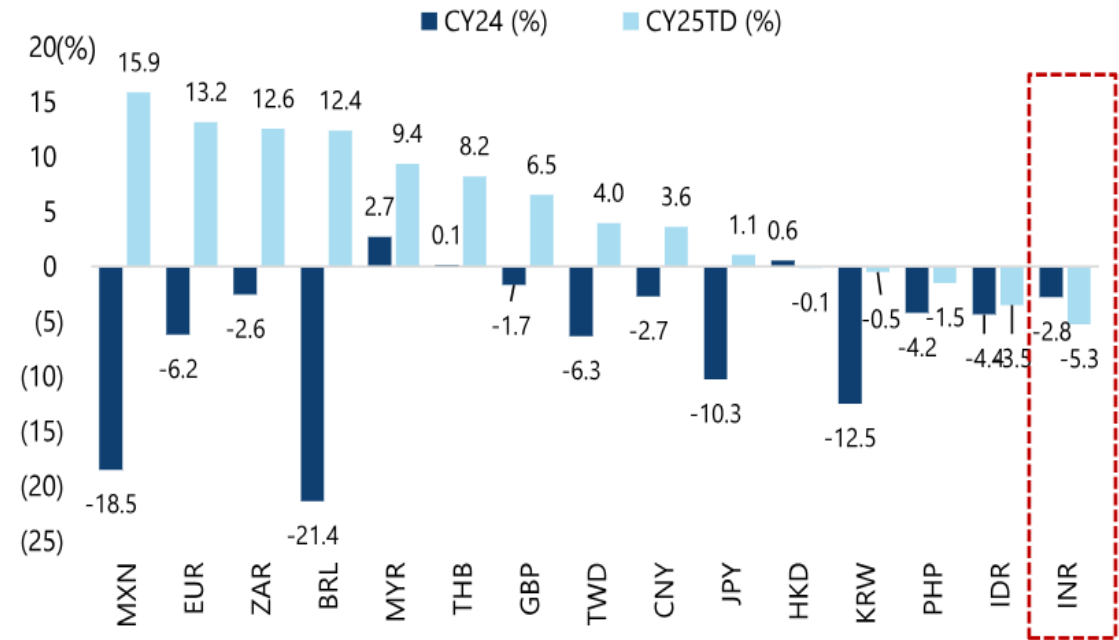


INR faced a tough time despite India's macro strength – seems undervalued

INR and DXY Indices

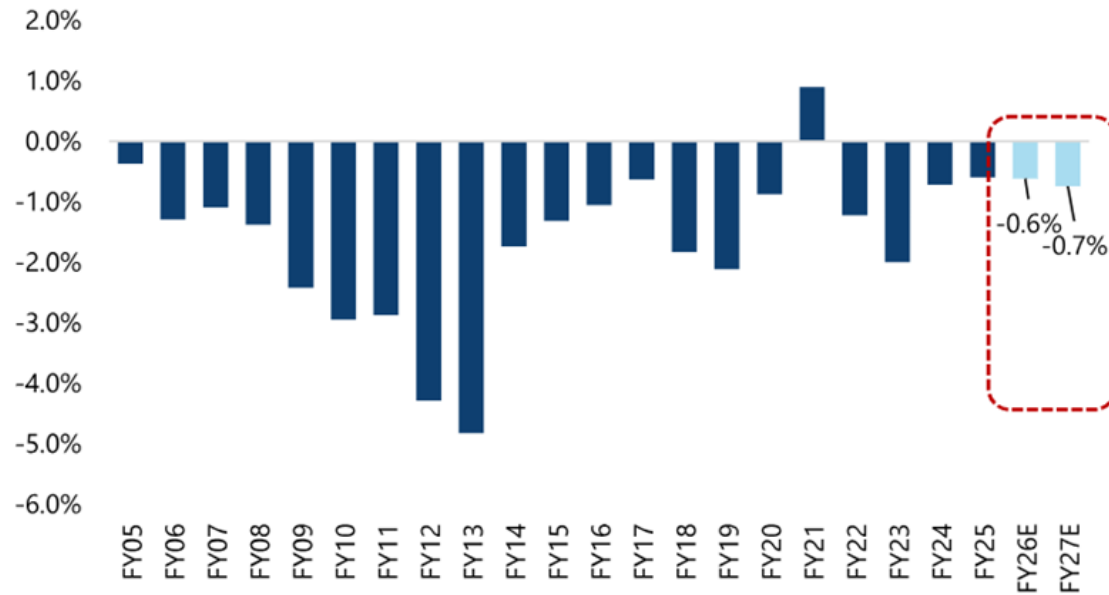


Currency Performance vs USD

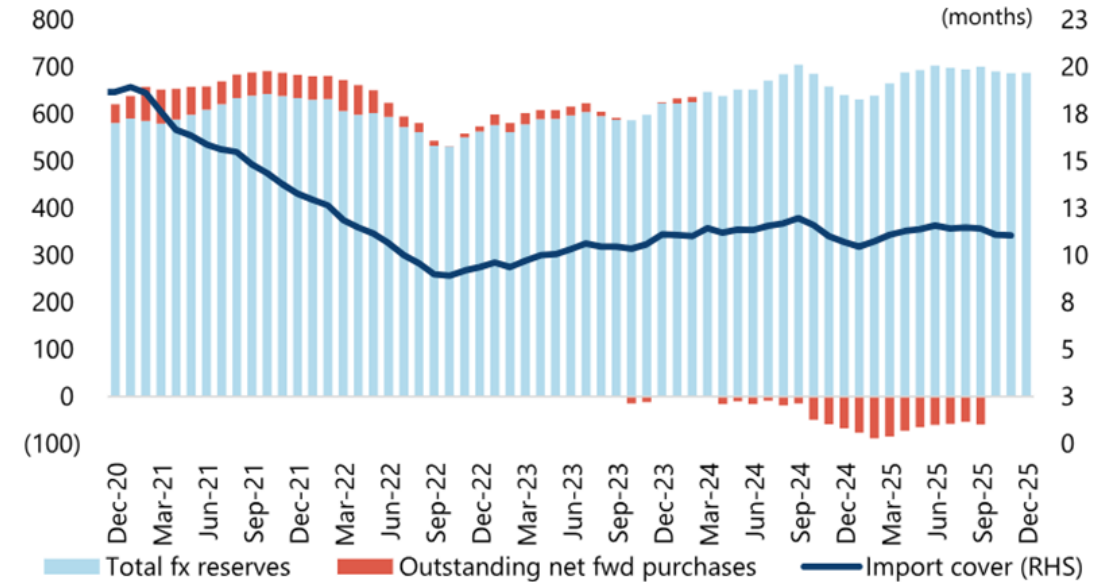


Despite comfortable Current account and Forex balances

Current Account Balance (% of GDP)

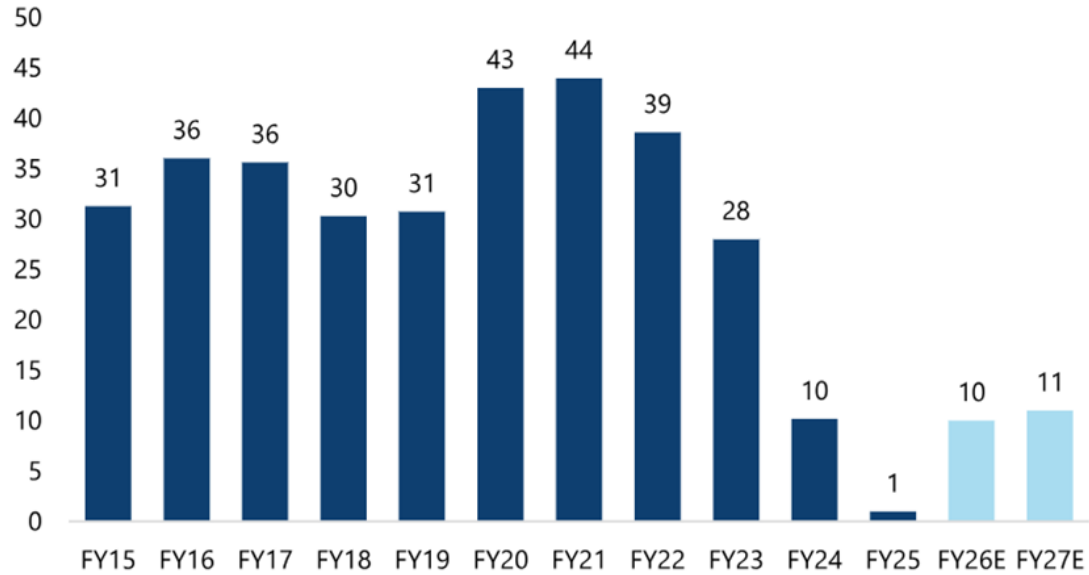


Forex Reserves (\$ Bn)

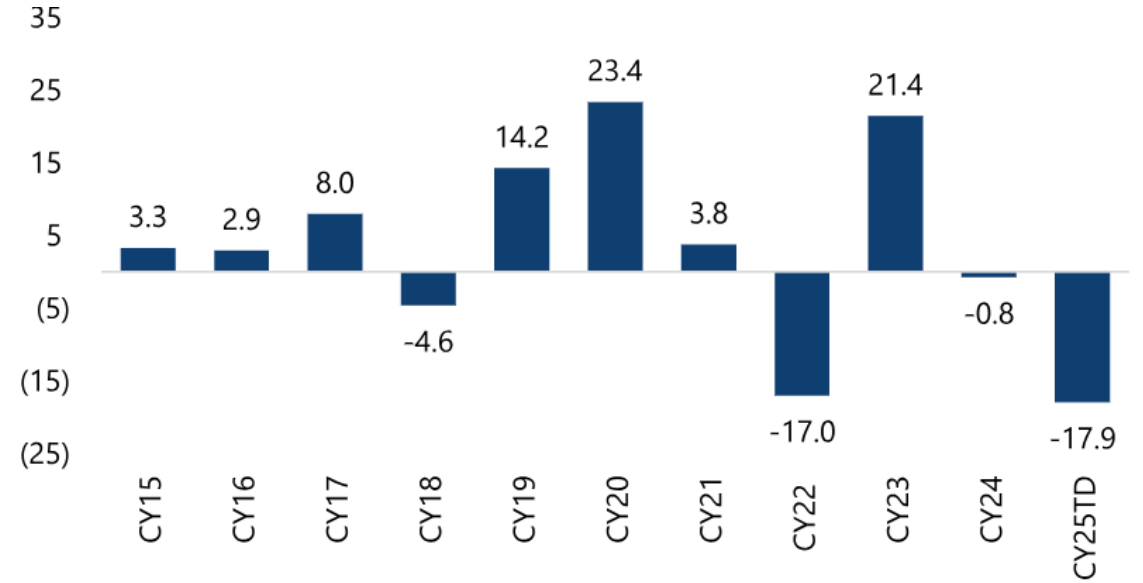


Led by net foreign flows

Net FDI Flows (\$Bn)

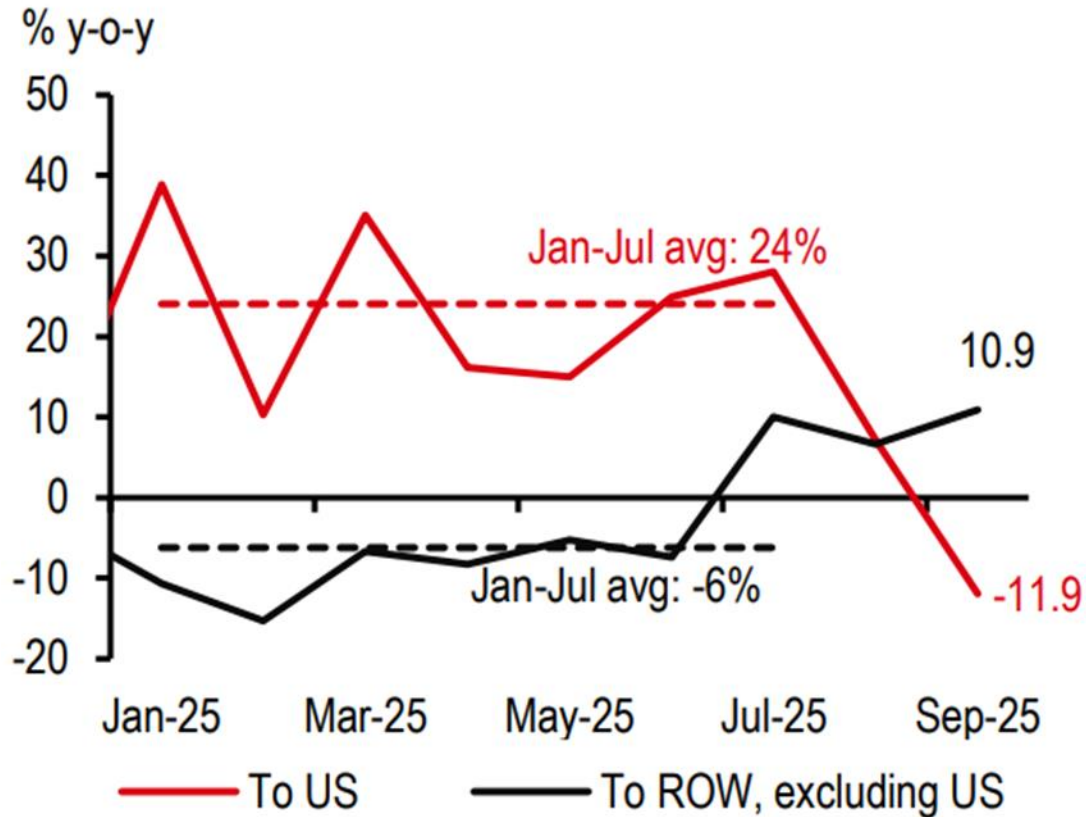


Net FPI Flows into India Equities (\$Bn)

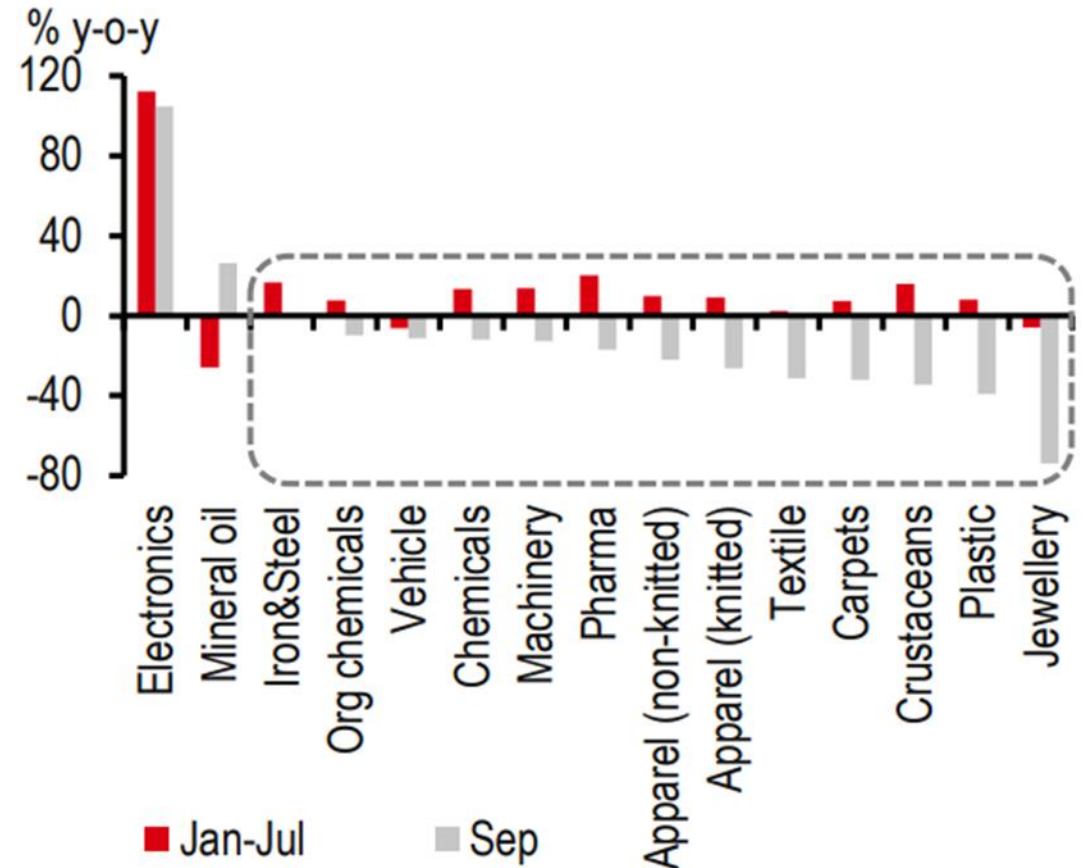


Tariff resolution is the key for exports revival

India Exports



India Exports to the US (Major export categories)





Are Valuations and Flows Turning Supportive?



2025 in a nutshell

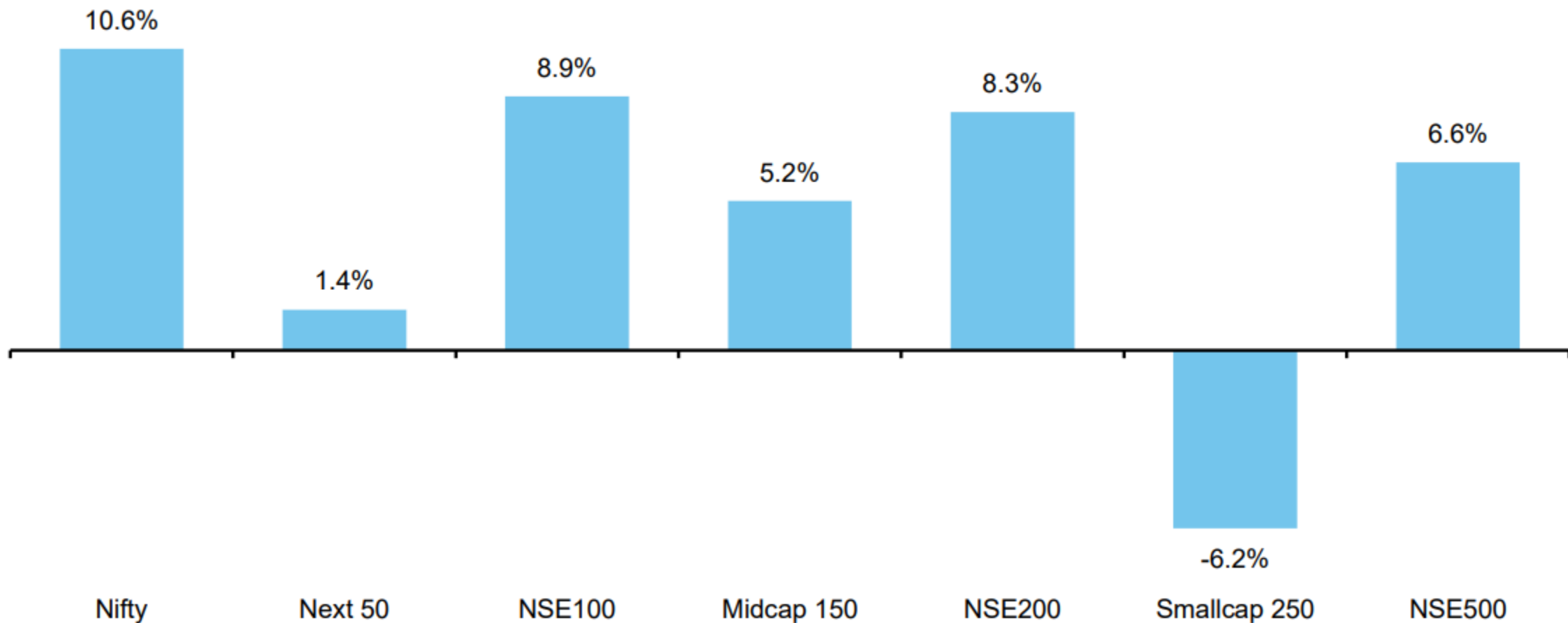


	Start of 2025	End of 2025	% Change
Nifty 50	23,743	26,130	10.1%
Nifty 100	24,596	26,689	8.1%
Nifty Midcap 150	21,247	22,277	4.4%
Nifty Smallcap 250	17,909	16,685	-7.2%
Nifty 500	22,482	23,872	5.8%
Nifty Microcap 250	25,339	22,546	-11.5%
US S&P 500	5,882	6,896	17.3%
Nasdaq	21,012	25,463	21.2%
CCIL Bond Index	4,471	4,792	7.2%
Gold	80,539	1,35,519	68.3%
Silver	95,697	2,37,317	148.0%
Bitcoin	94,757	88,556	6.5%
USD/INR	85.60	89.80	-4.9%

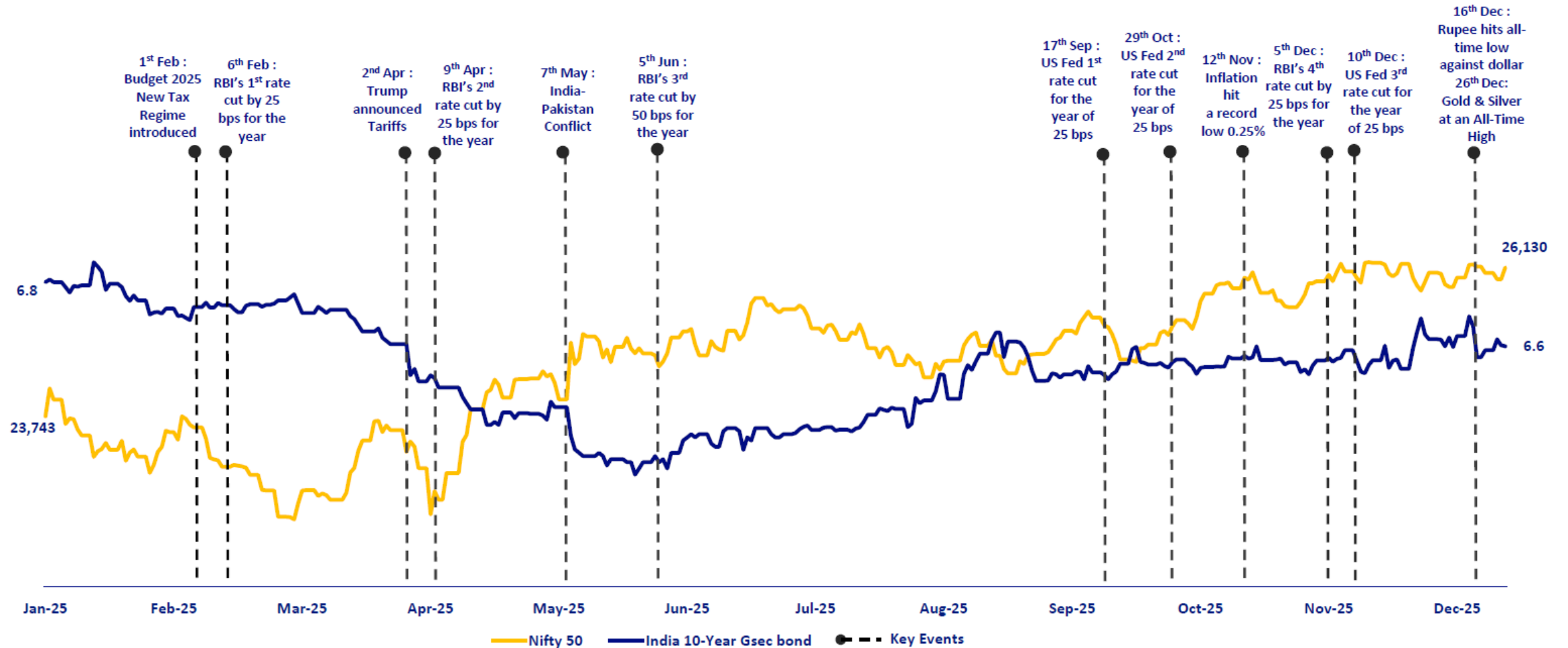
	Start of 2025	End of 2025	% Change
India Repo Rate	6.50	5.25	1.25
2 Year India Gsec	6.73	5.77	0.97
10 Year India Gsec	6.78	6.57	0.21
CPI	4.30	0.30	4.00
US Fed Fund Rate	4.50	3.75	0.75
2 Yr US Gsec	4.24	3.45	0.80
10 Yr US Gsec	4.56	4.11	0.45
PCE Inflation	2.40	2.80	-0.40
India's GDP (in USD Tn)	3.90	4.19	7.4%

2025 was the first year since 2022 where Nifty outperformed the Midcap index

Index-wise returns in CY25

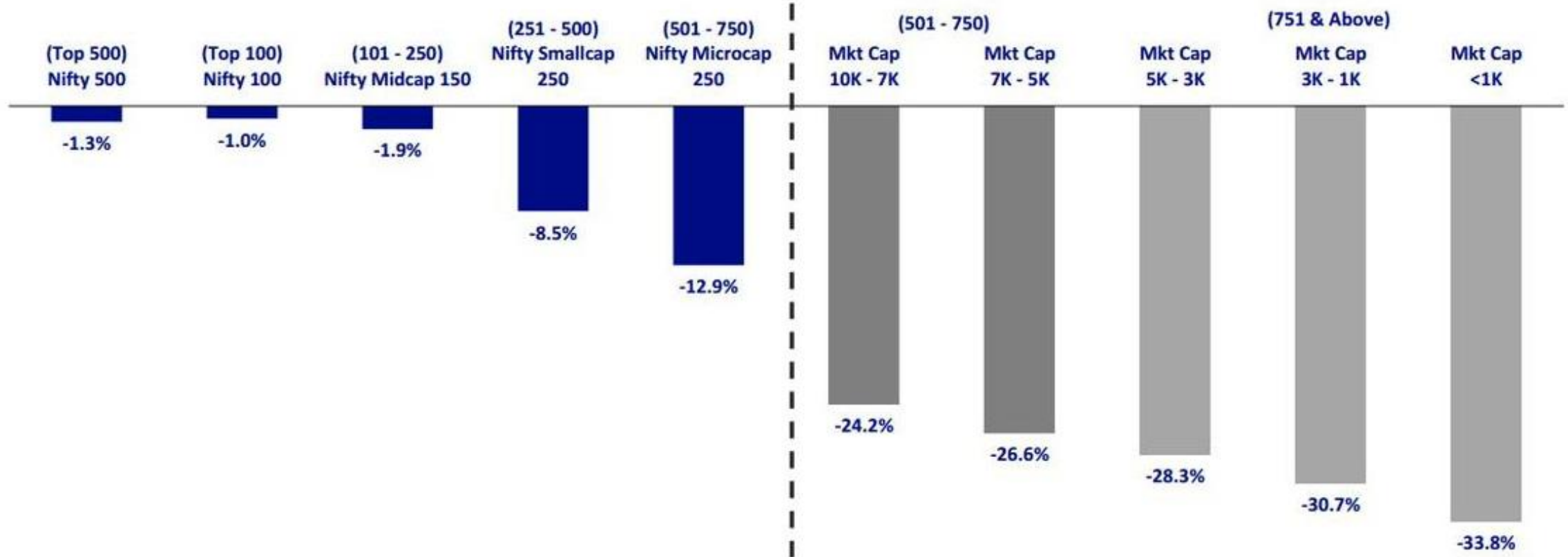


Key events that shaped markets this year



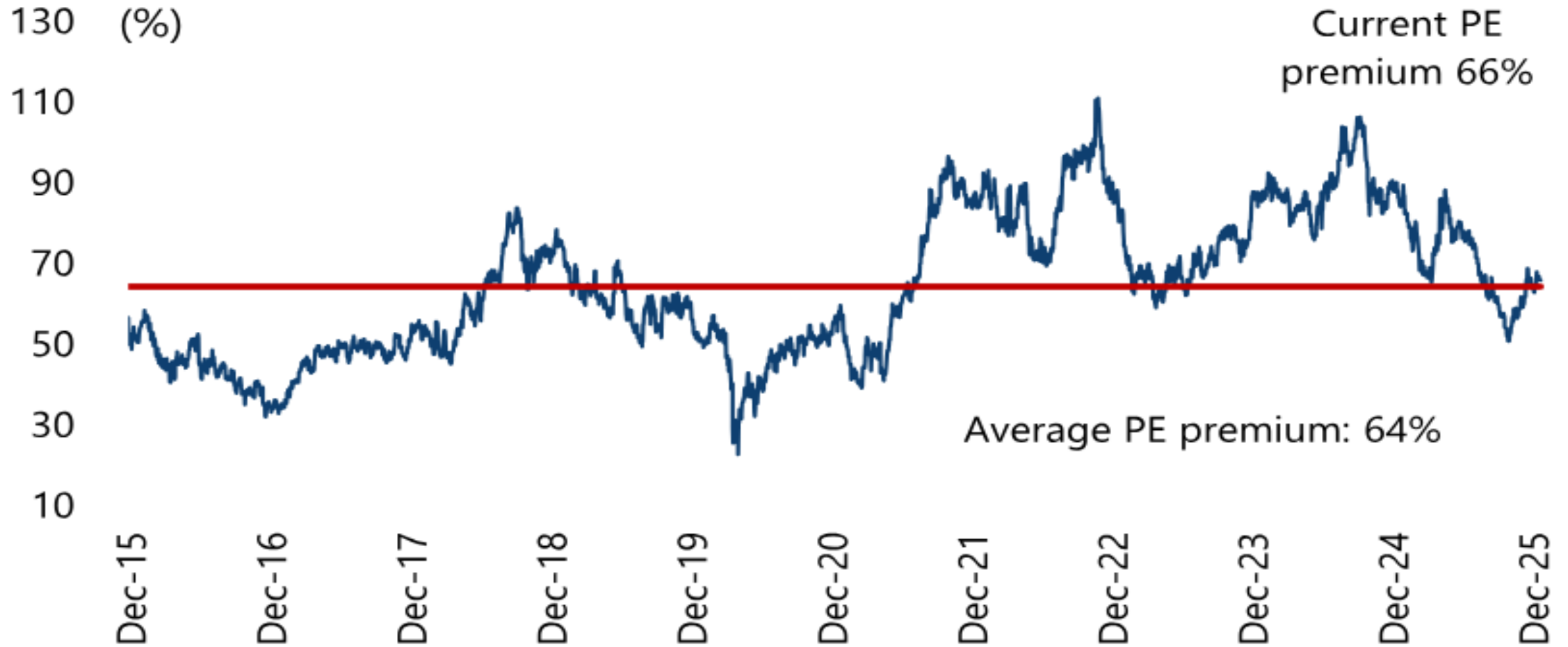
Breadth weaker as we go down the market cap curve

How far is 52-week high?



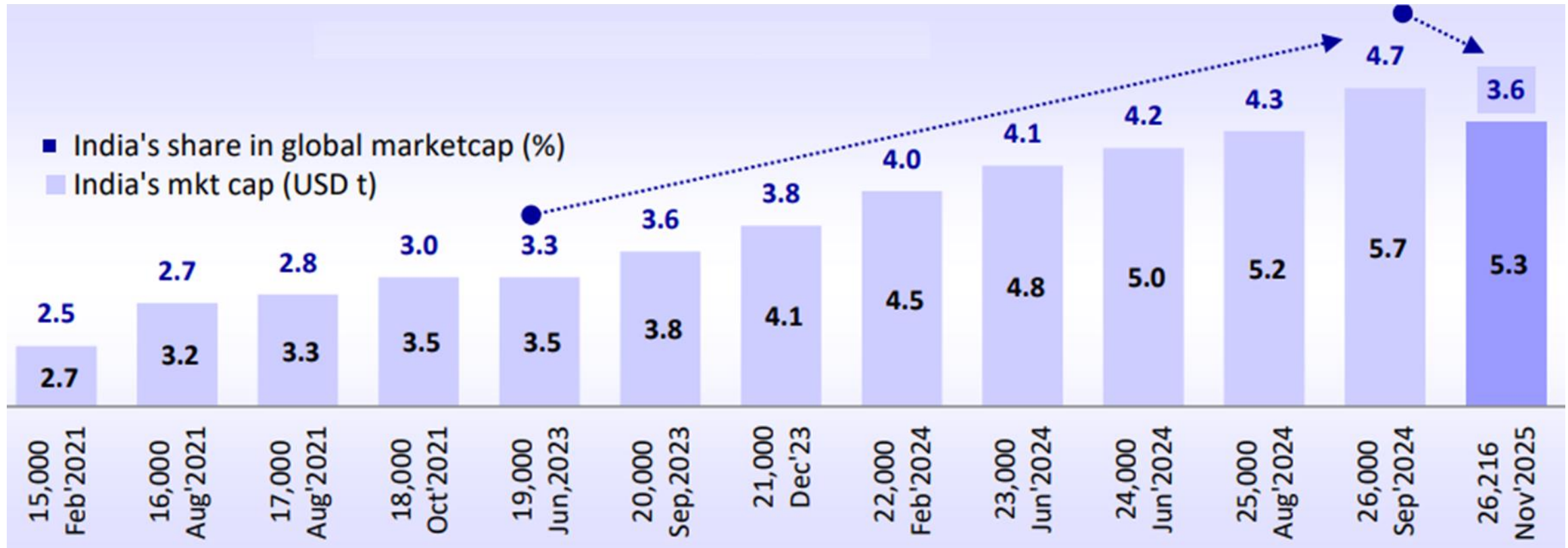
Valuation premium to MSCI EM has come off substantially

MSCI India PE Premium/(Discount) over EMs



While Nifty is hitting ATHs – share in global mkt cap has reduced

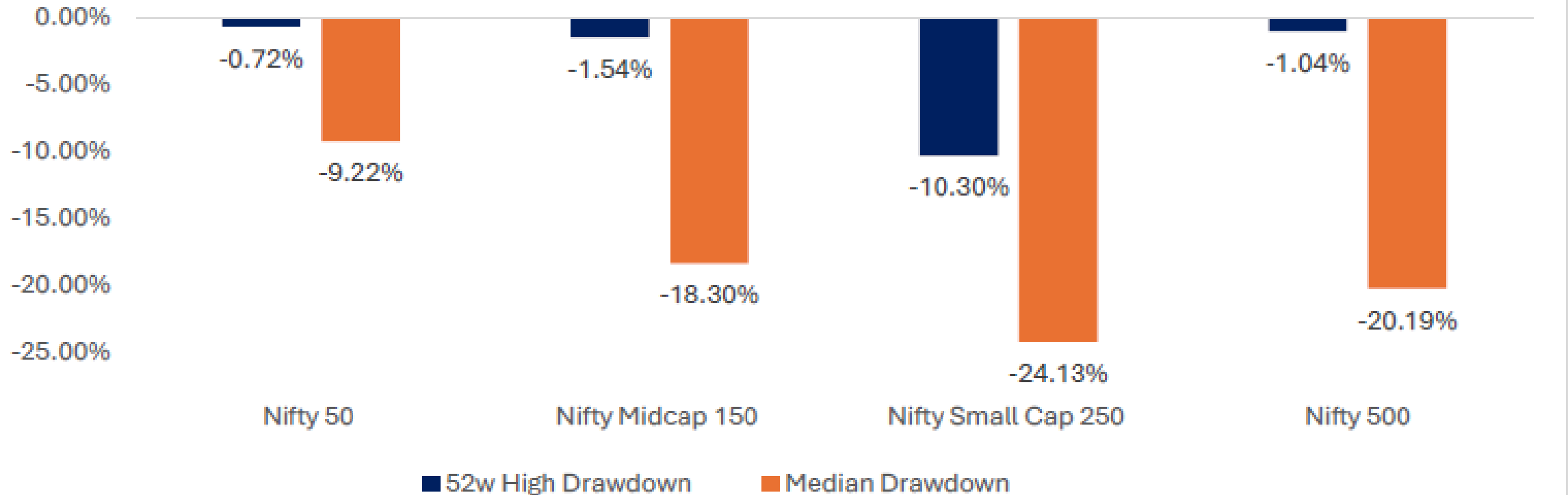
India's Total Market Cap (USD Trn)



Broader markets have not fared well

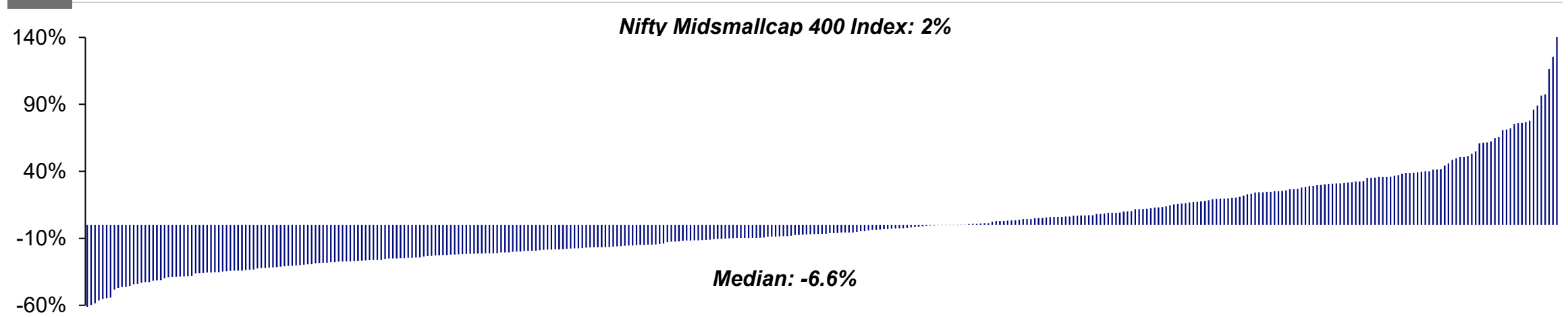
Median Drawdown from 52-week Highs

Index and its constituents



Broader markets have not fared well

Nifty Midsmallcap400 index - Return distribution since Oct'24



Return distribution since Oct'24

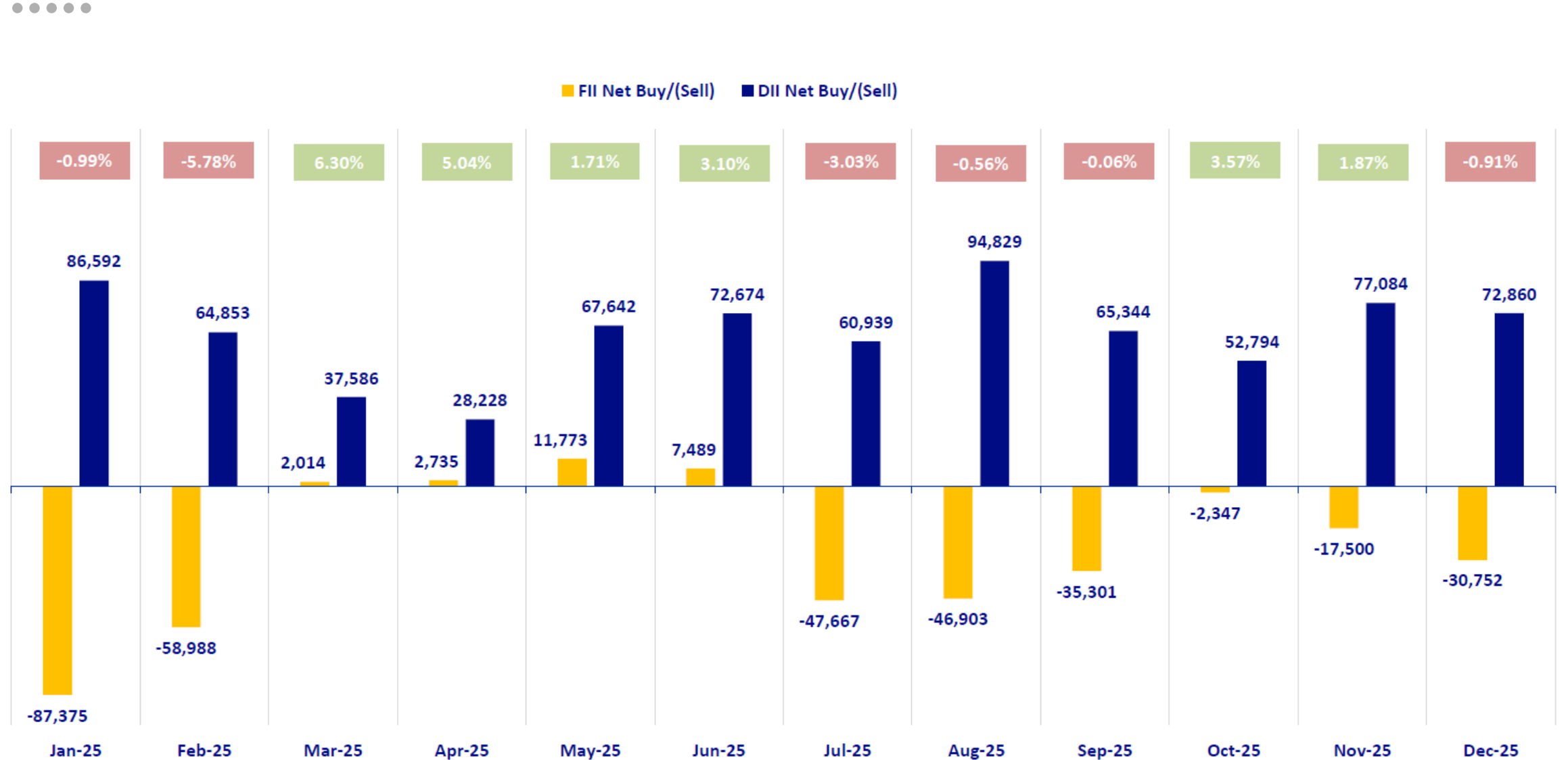
	Nifty Midcap 150 index	Nifty Smallcap 250 index	Nifty Midsmallcap 400 index
Index return	6.7%	-6.0%	2.0%
Median return	-0.05%	-9.7%	-6.6%
Divergence	-6.8%	-3.7%	-8.6%
% +ve returns	49.7%	35.2%	40.7%

Momentum and value have outperformed in recent quarters

Factor Performance



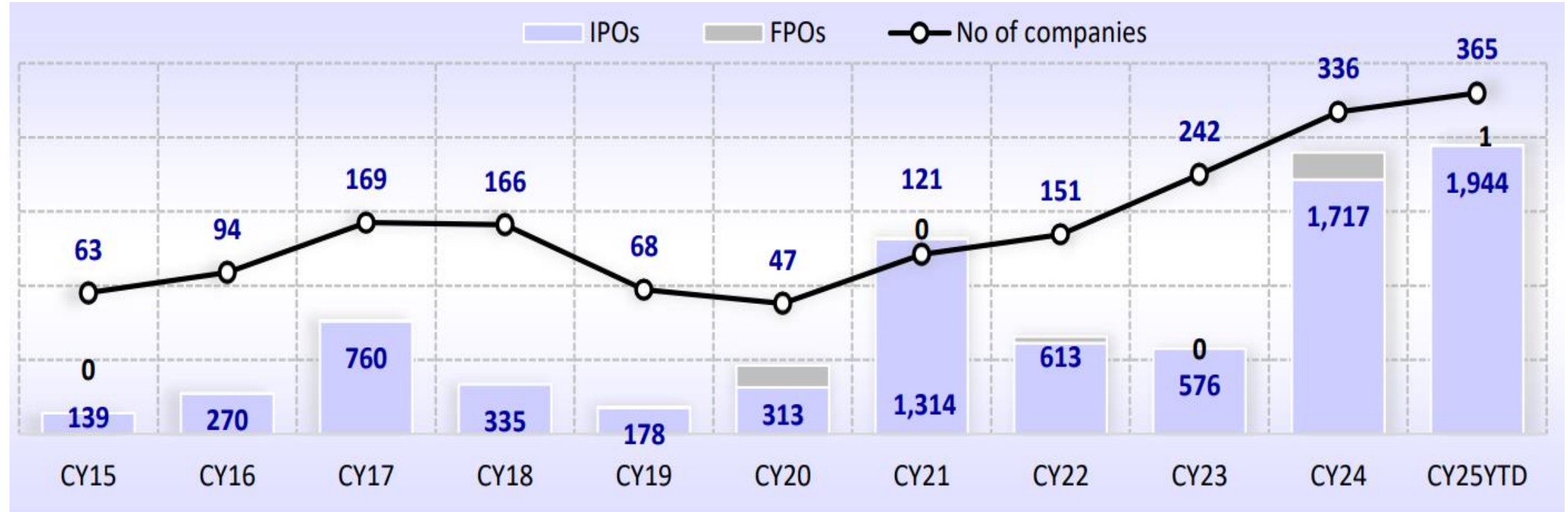
FII selling continued while domestic liquidity served as a shock absorber



Source: Stockedge
 Note: Data of DII & FII activity in secondary & Cash Markets only | All data is provisional
 Data as on 31 Dec 2025

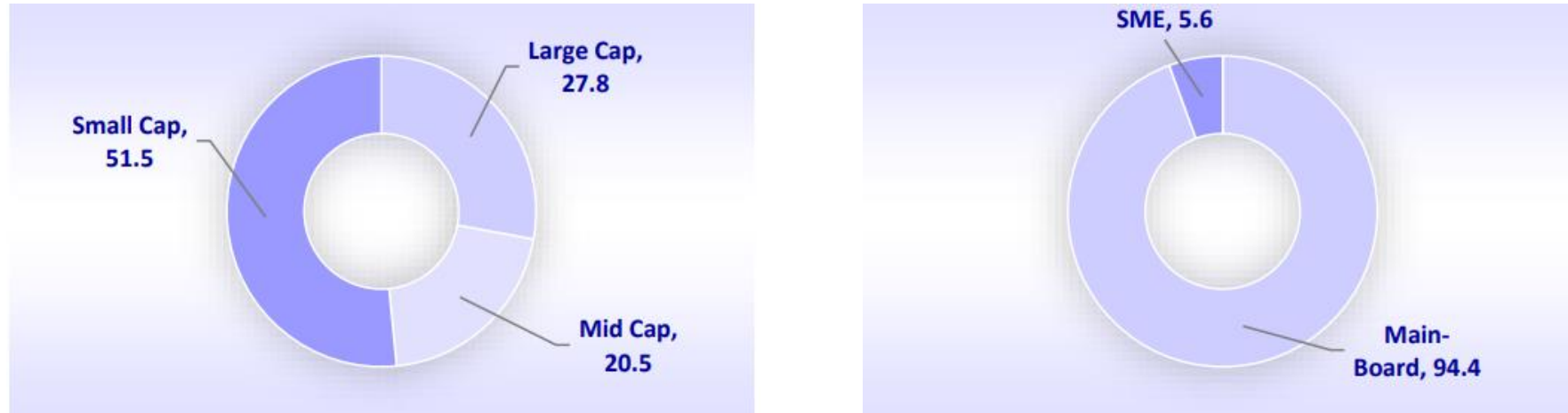
2025 – A year of supply

Majority of supply coming from Promoters lately

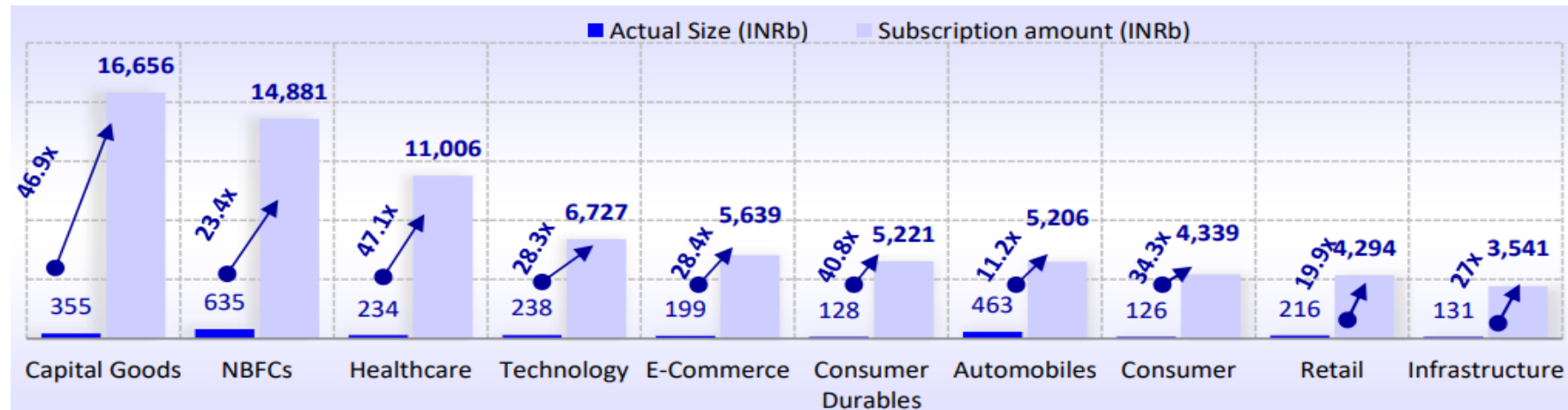


Small caps contributed >50% of IPOs in last 2 years

Contribution of various categories of IPOs by issue size in the last two years – smallcap contributed ~51%

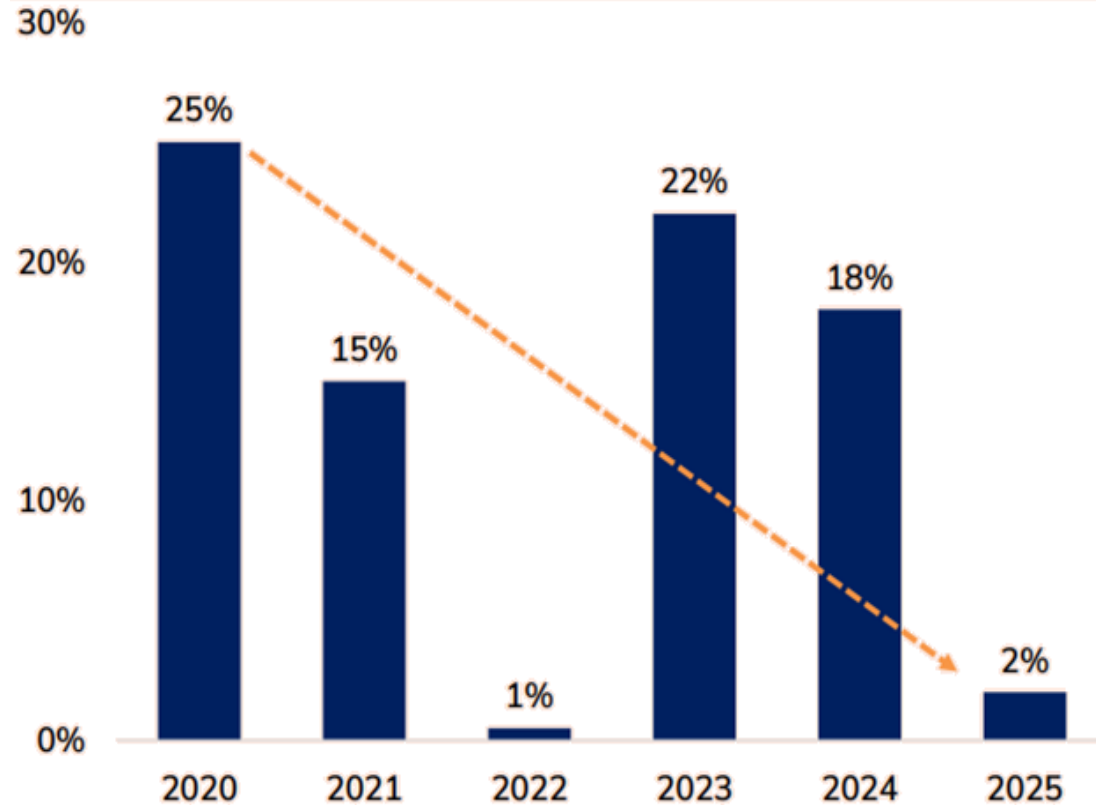


Top sectors that experienced massive subscription against their offer sizes

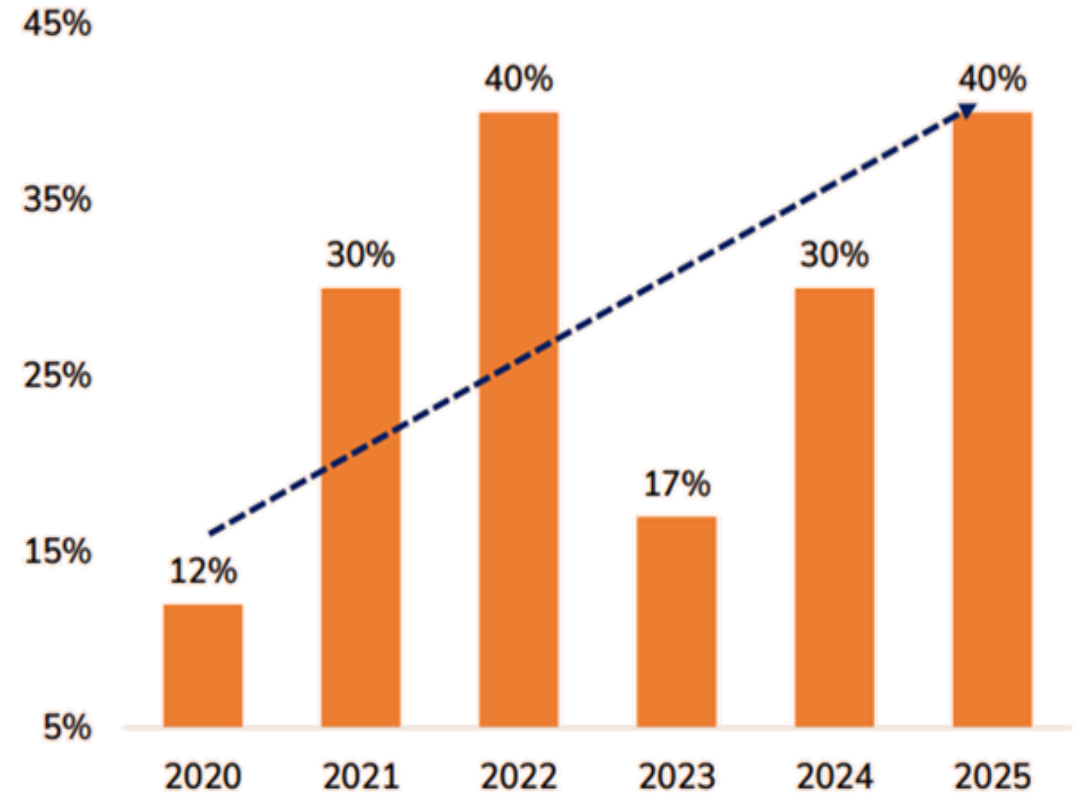


Too Many IPOs, Too Little Alpha

Median one month return post IPO



% of stocks with negative one month returns

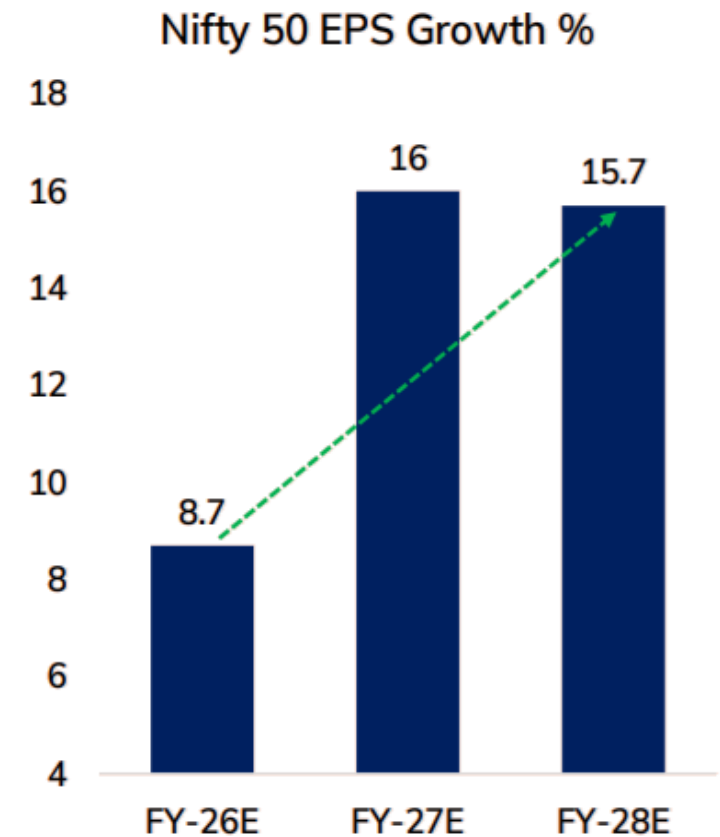
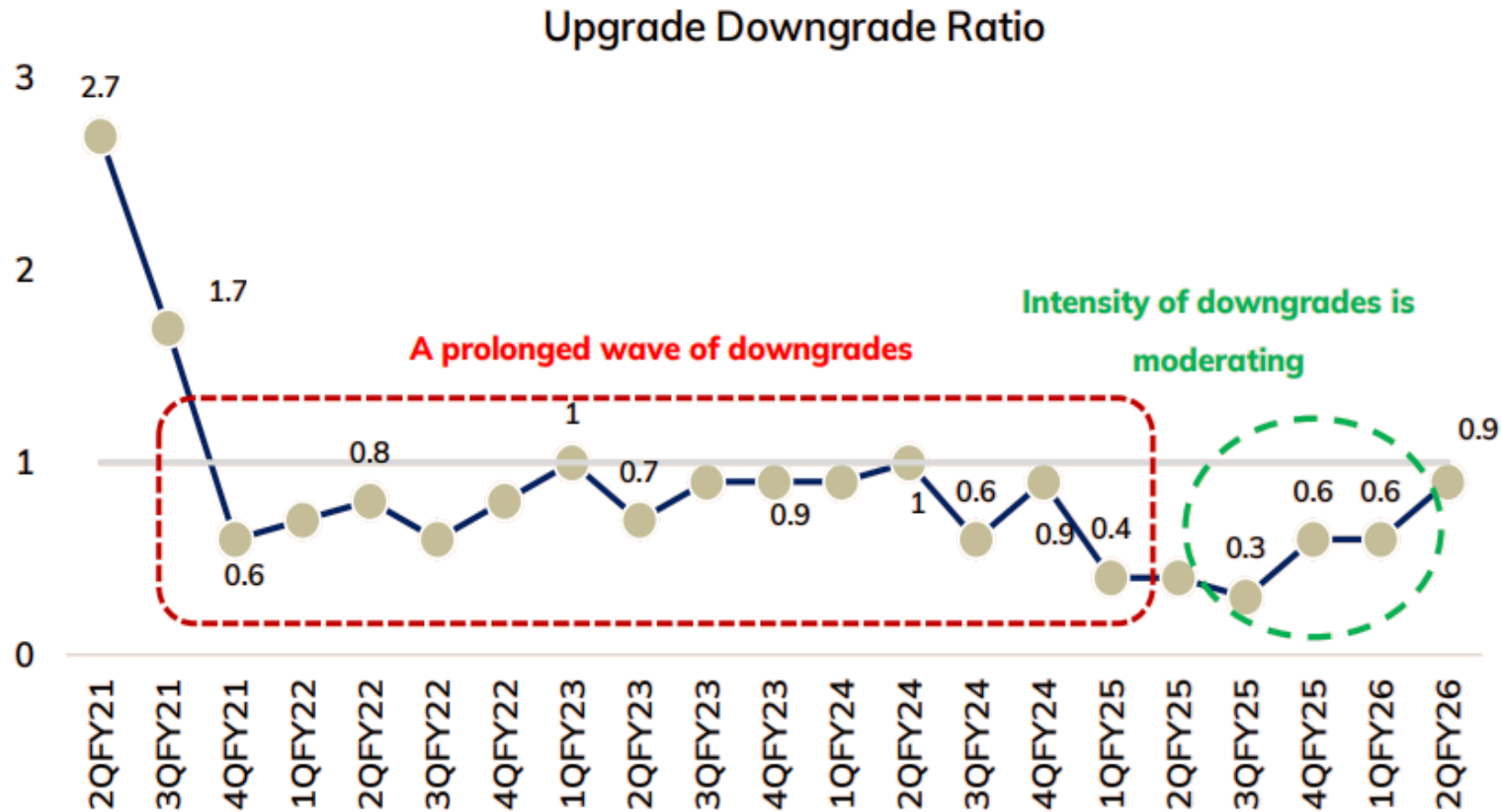




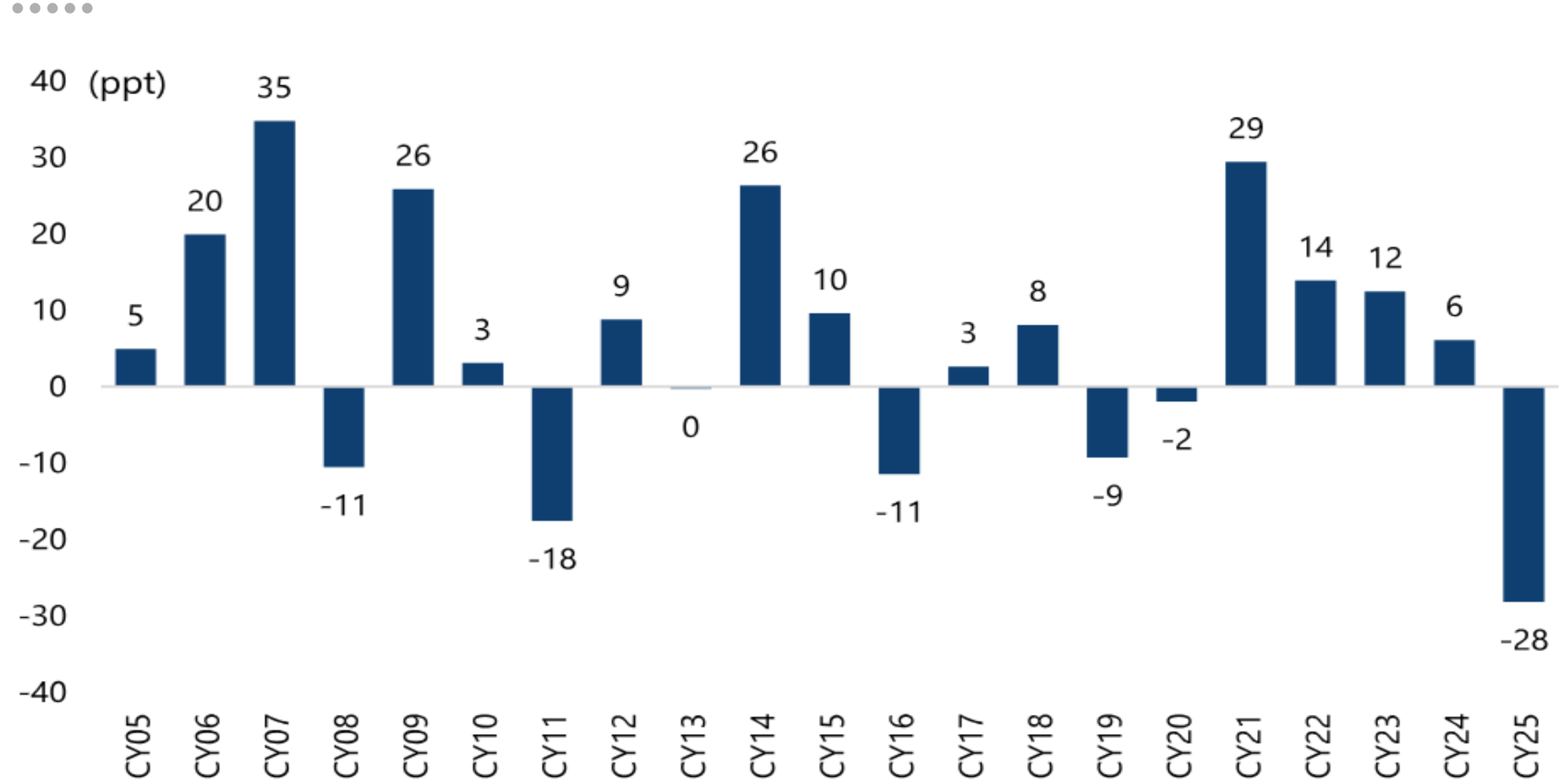
How does 2026 look like?

1. Earnings expectations reset and incrementally earnings growth to be better

Earnings cuts cycle seems to have abated – with upgrades seen in H1FY26



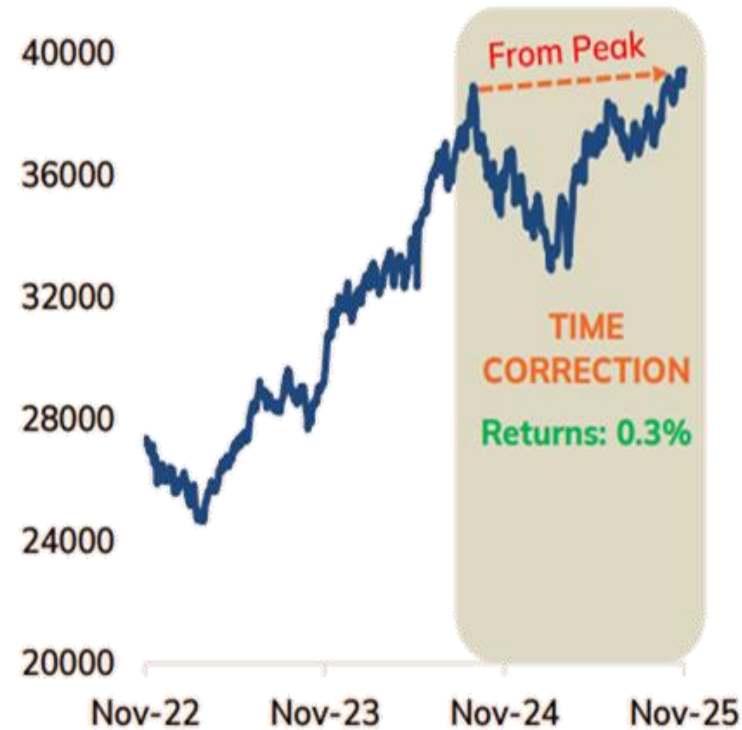
2. India underperforms MSCI EM by highest margin since 1994



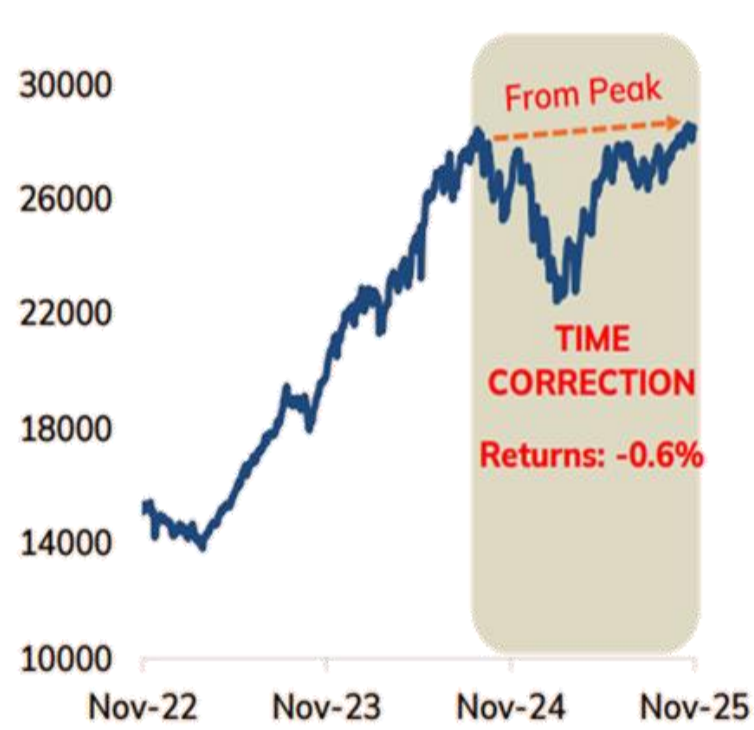
Source: Bloomberg, Jefferies

Meaningful time and price correction already done in indices

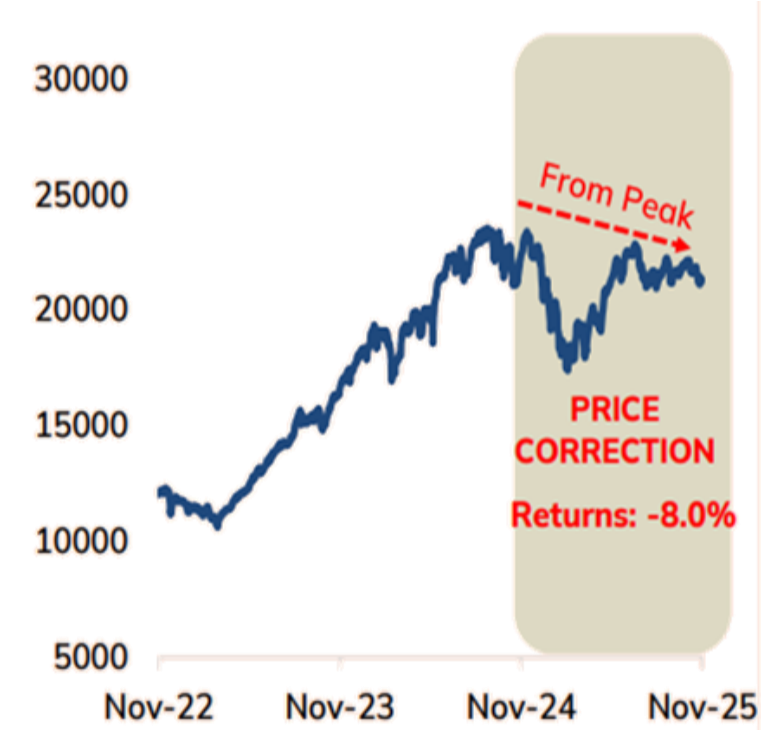
Nifty 50 TRI



Nifty Midcap 150 TRI



Nifty Smallcap 250 TRI

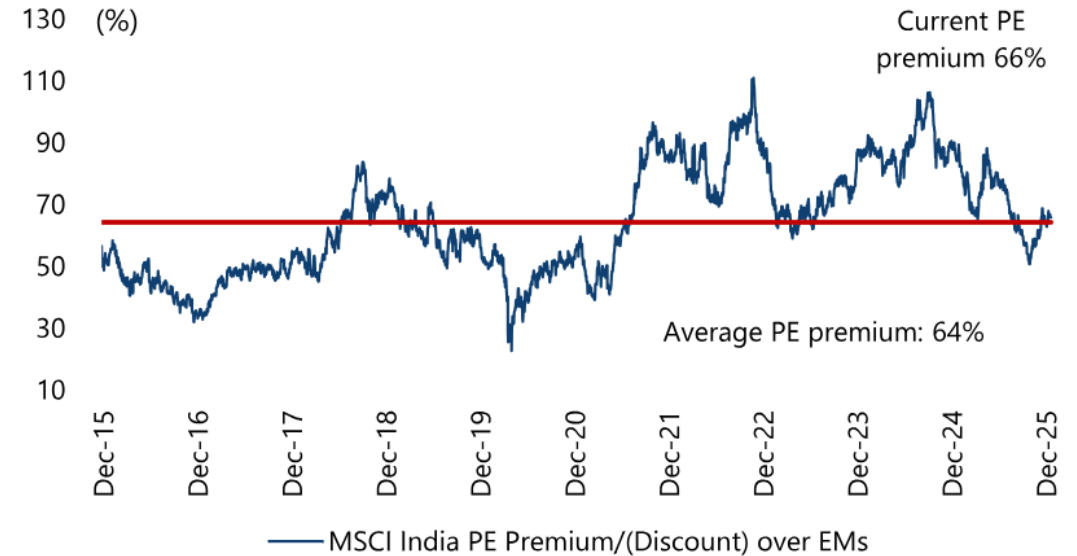


MSCI India's PE premium vs EM is close to the 20-year average of 50%

Longer term, India outperforms other EMs



MSCI India trades at premium to EM but below long-term avg.

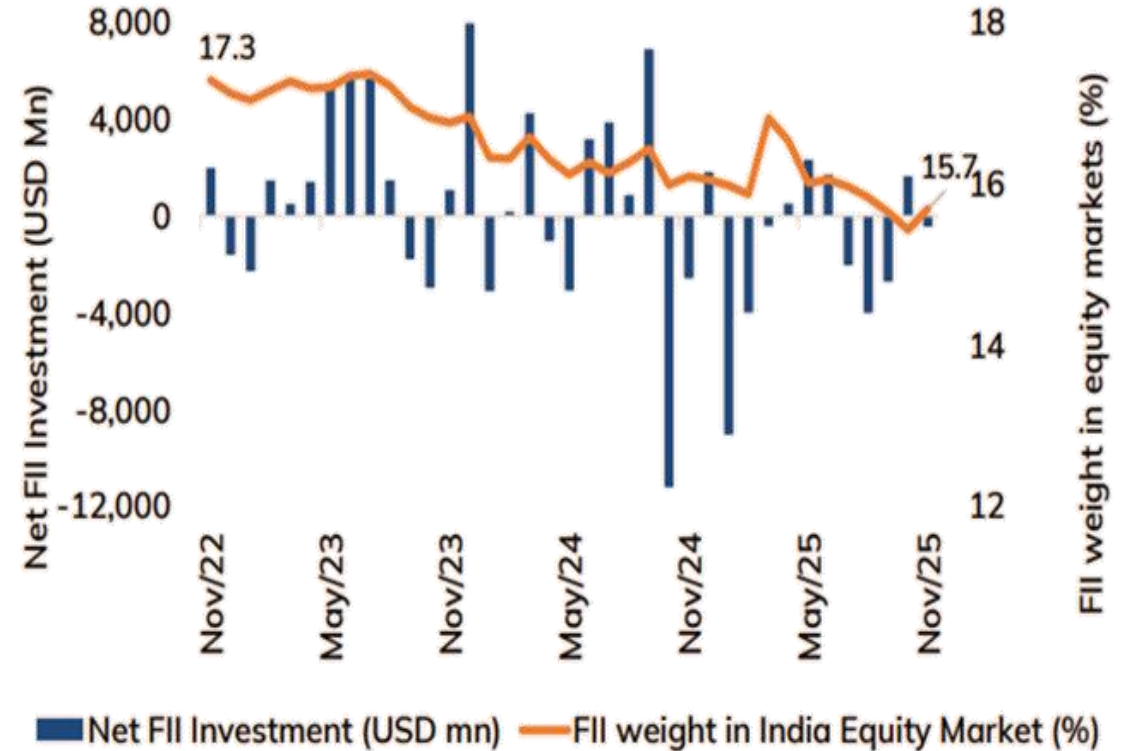


3. FIIs light on India weightage

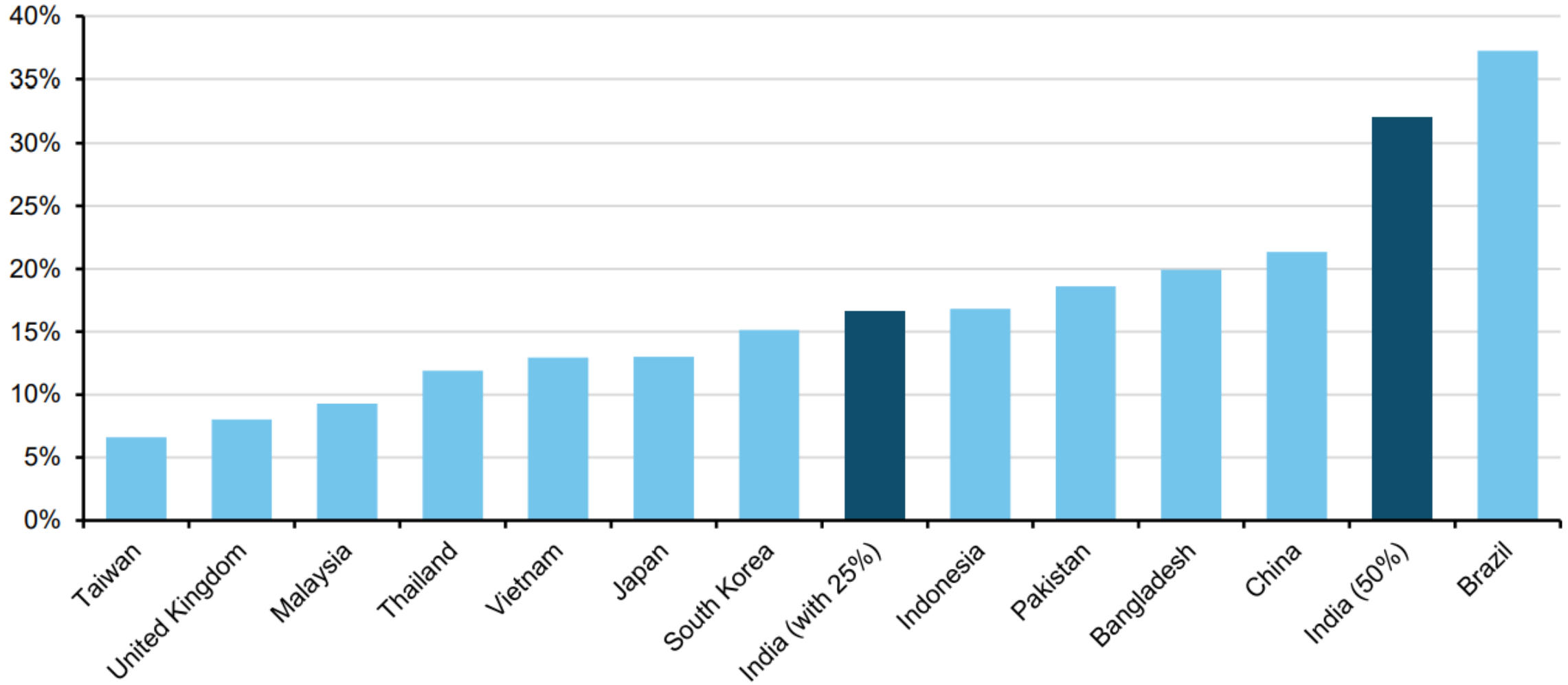
Weight of India in MSCI EM Index (%)



FII Flows & Ownership

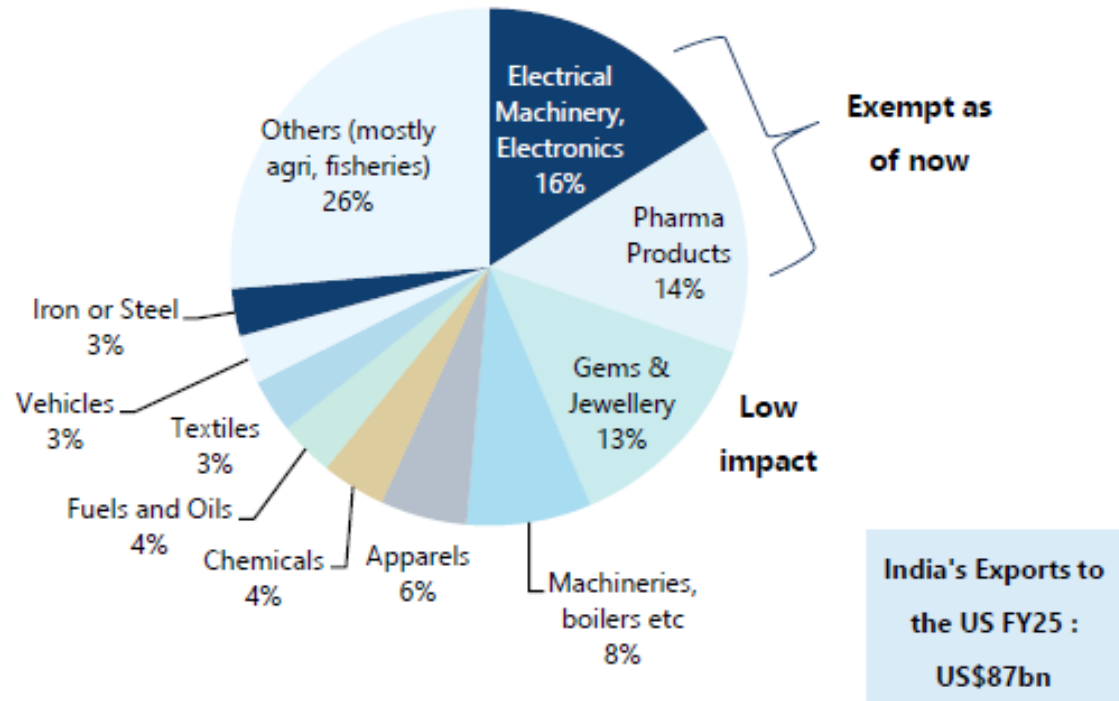


4. Any resolution of trade tariffs with US is not priced in

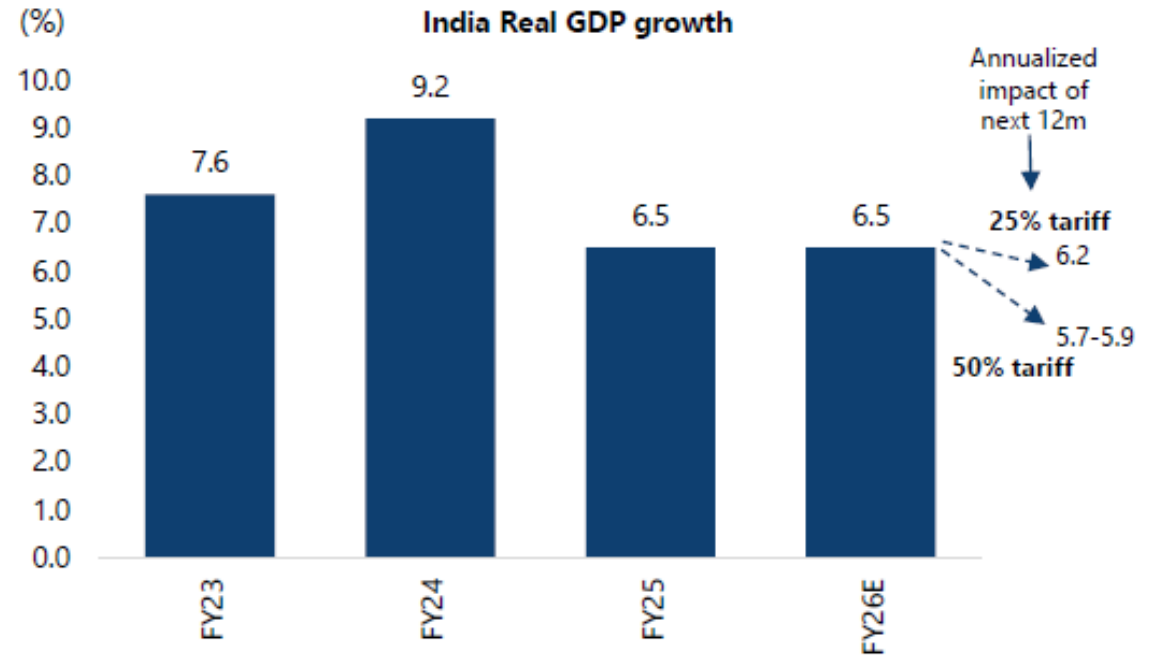


We don't build in 50% US tariffs to last long

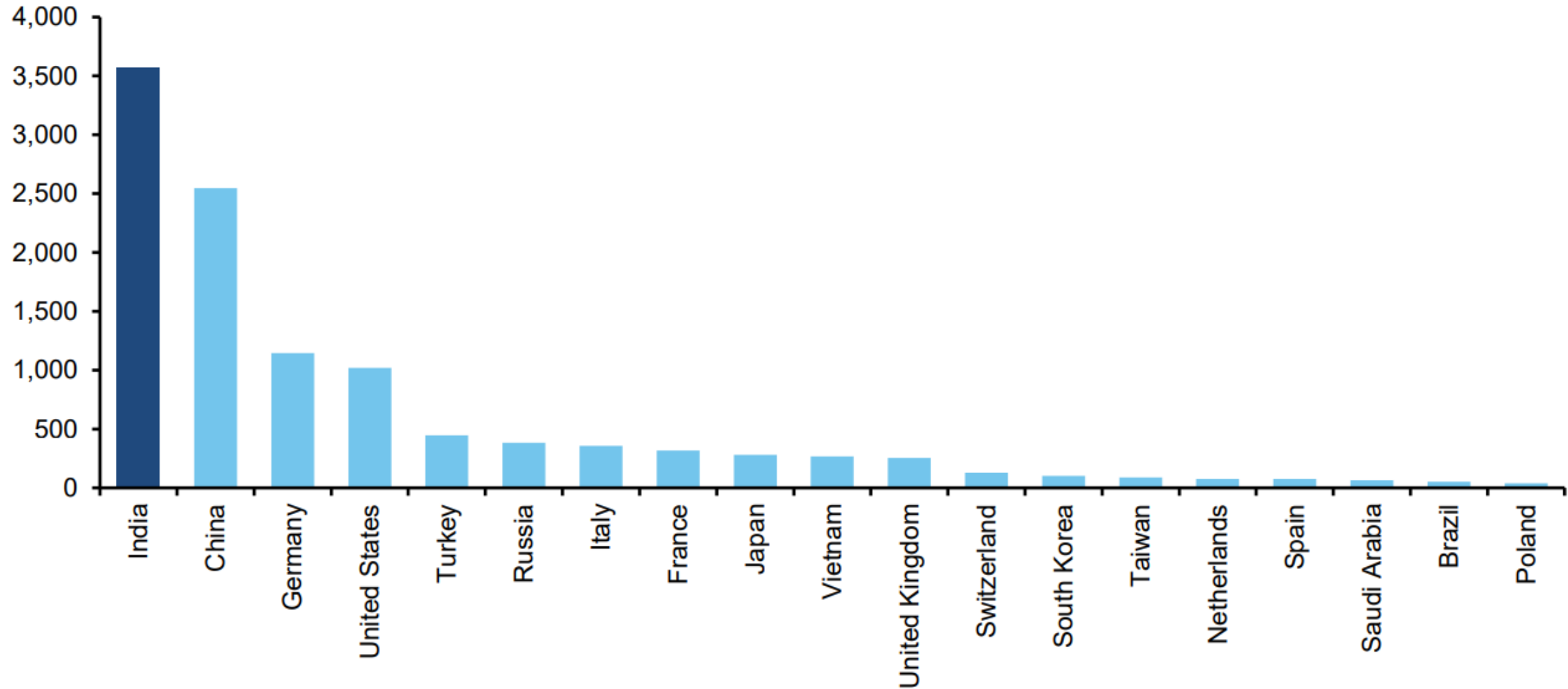
India's exports to US by category



Likely impact on GDP growth of tariffs

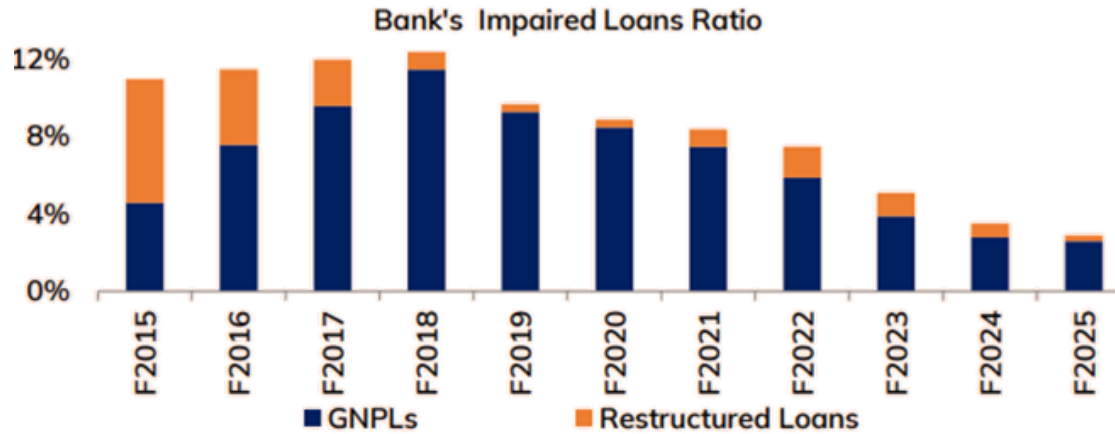


5. Markets not factoring in the wealth effect from Gold in India

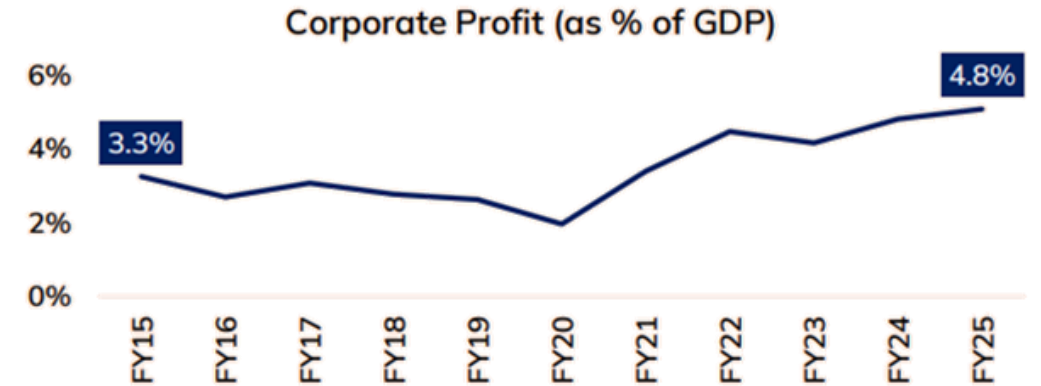


6. Household and Corporate Balance Sheets in good shape

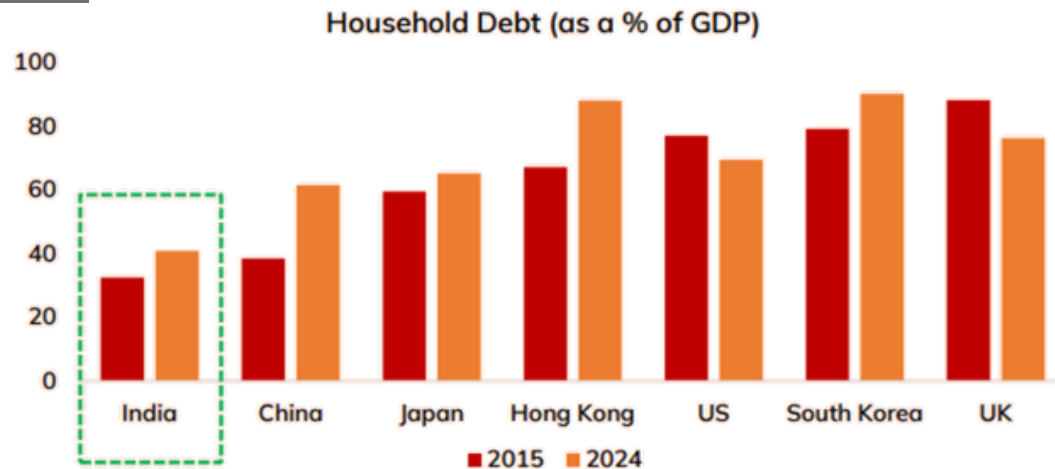
Asset quality of Banks getting better



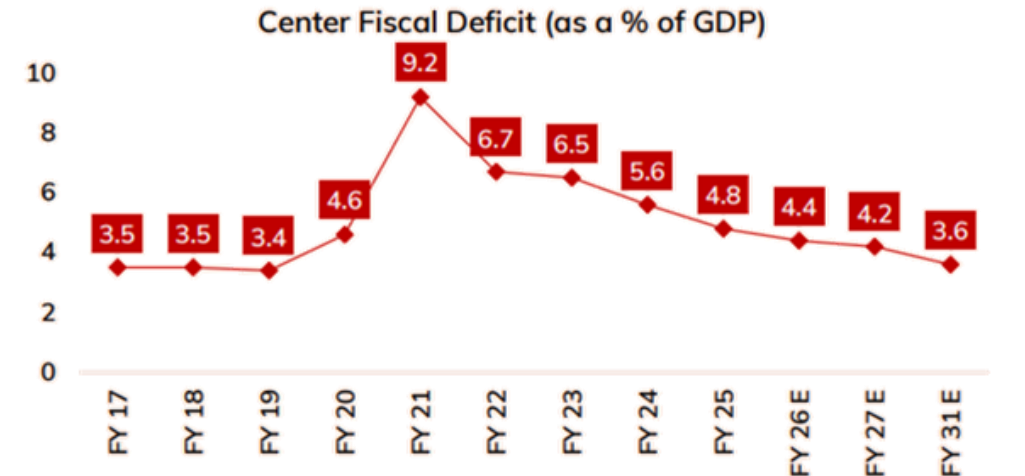
Profitability of the companies improving



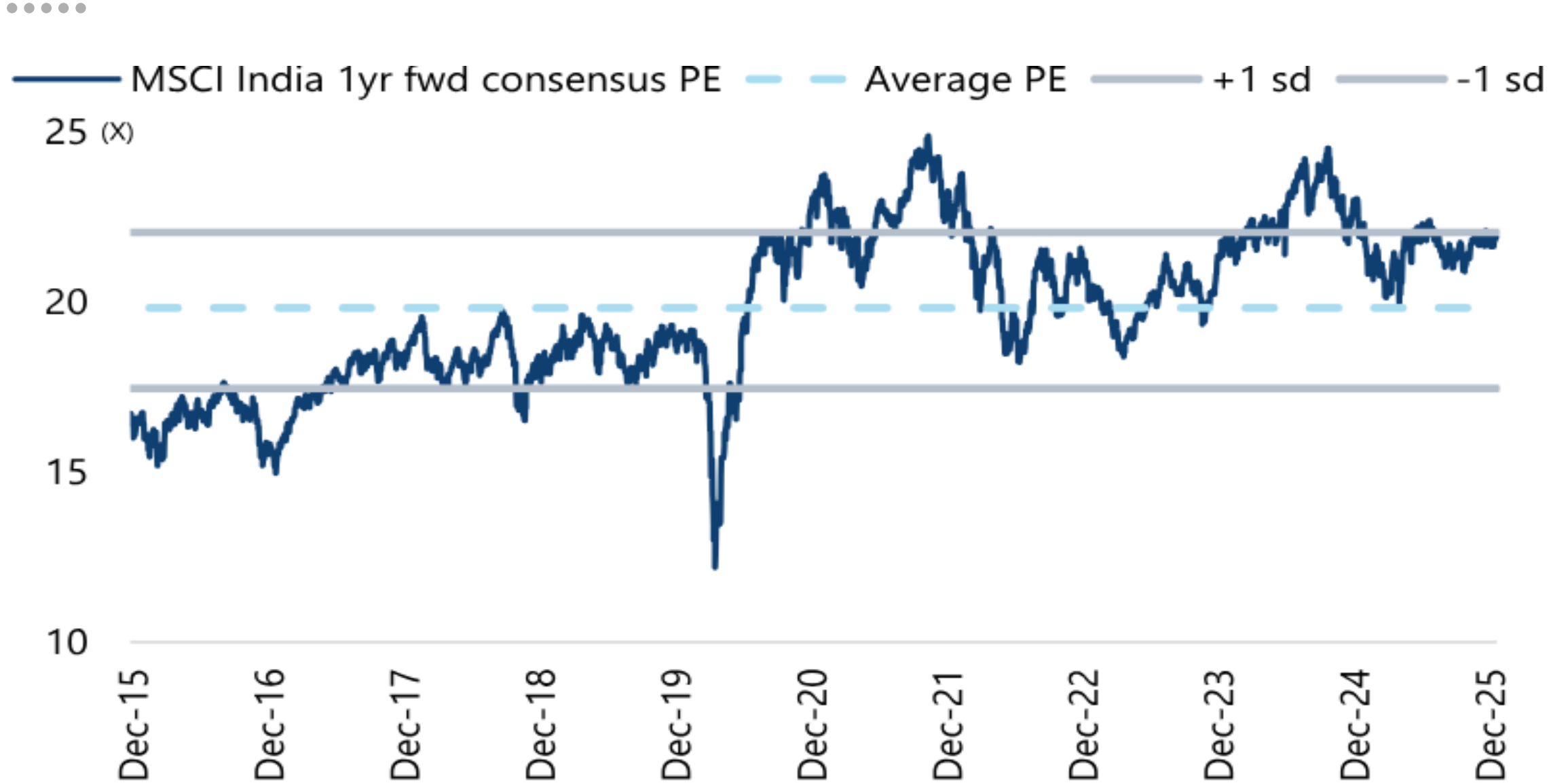
India's Household Debt remains benign



Fiscal Prudence in check



7. Nifty 50 valuation slightly above long-term average



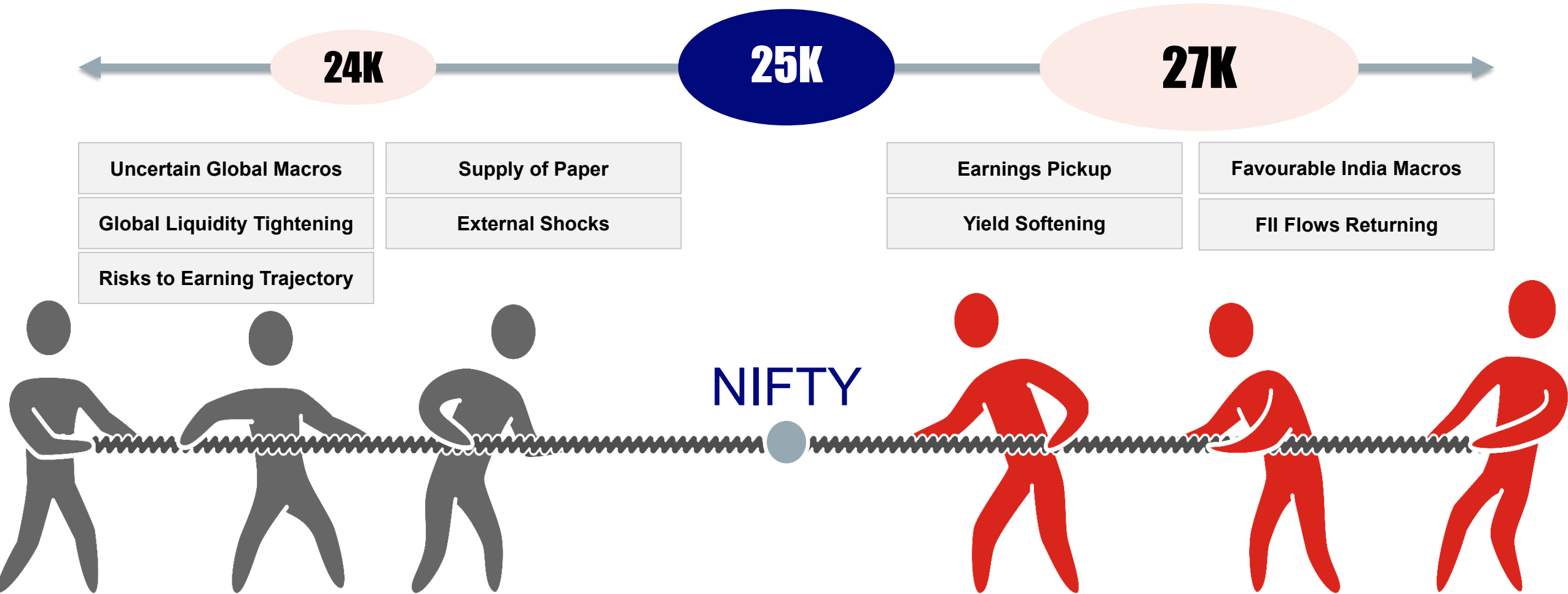
What should Investors do?



- Shifted from a conservative/cautious to a constructive stance recently
- Would recommend to raise equity exposure in a staggered manner post last 15 months of consolidation and price correction:
 - ✓ 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 ancillaries

Be Ready For Volatility

Events: US Tariff war, Energy Prices and Geopolitical uncertainty



Thank You

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