



# Quarterly Newsletter

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## IKIGAI Emerging Equity Fund

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*“The investor’s edge is not found in predicting the unpredictable, but in the discipline to stay the course when others are distracted by the noise.”*

–Benjamin Graham





Dear Investors,

**We are delighted to share the 7<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.

In our January 2026 newsletter, we had highlighted geopolitical instability as one of the key risk’s investors needed to be prepared for. While we recognised the possibility of such an event, we did not anticipate that it would **materialise so quickly or with such intensity**.

The past quarter has been marked by a sharp escalation in the Middle East. On February 28, 2026, the Iran-US/Israel conflict-long viewed as a distant tail risk-finally materialised. The impact was immediate and far-reaching: oil prices surged, shipping through the Strait of Hormuz was disrupted, and global equity markets corrected, with India among the more affected markets.

What makes this even more interesting is how quickly the global narrative has shifted. Over the past year, markets have moved from concerns around trade disputes and US tariffs, to the excitement around artificial intelligence, and now to geopolitical tensions in West Asia.

These developments serve as a reminder of how complex and inherently unpredictable the world we invest in can be.

In such an environment, our approach remains firmly anchored in what we can control-**owning strong businesses, backed by capable and trustworthy management teams, acquired at sensible valuations, with the ability to compound earnings over time.**

Encouragingly, as markets begin to digest recent developments, we have turned constructive on Indian Equity markets and believe the medium-term **risk-reward** is increasingly in **favour of disciplined, long-term investors**.

This newsletter reflects what we’ve learned, what we’re seeing, and how we are positioning for the road ahead.

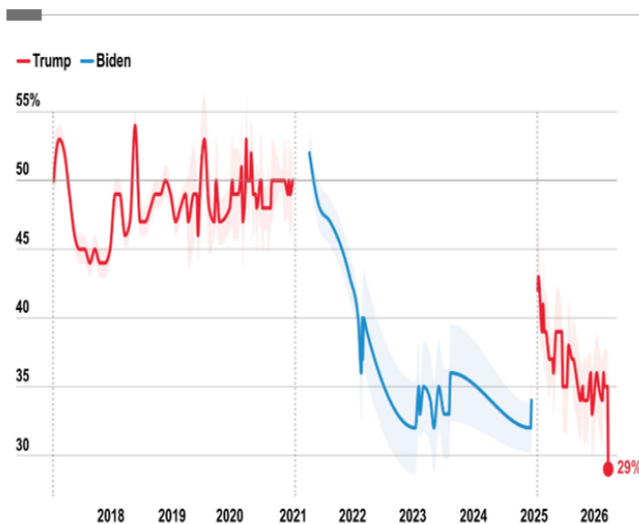
*“In the middle of every difficulty lies opportunity.” -- Albert Einstein*

**One Month into the War- Uncertainty Remains Elevated**

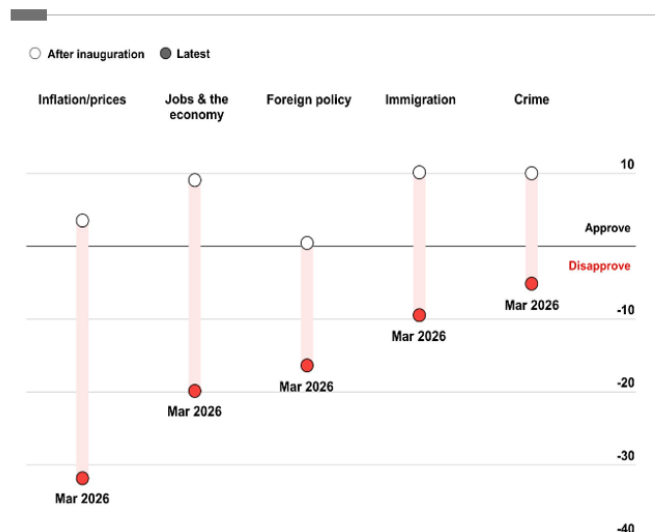
The Iran-US/Israel conflict has now been underway for over a month, and markets are still grappling with its potential trajectory. However, one thing does stand out: **regardless of whether this situation escalates further or eventually de-escalates, it is unlikely that the world returns to the way it was before late February 2026.**

Politically, **President Trump's approval has fallen to 29%** - its lowest since he took office - and the probability of a **Democratic Senate sweep in November 2026 midterms has risen to 52%**. A war-fatigued electorate and midterms on the horizon create real incentives for an off-ramp. **The question is when, not if.**

Reuters polls responses from nationwide adults



Net approval rating by issue





## Energy Markets - A Deeper Structural Shift

The Strait of Hormuz-through which nearly **20% of the world's oil supply flows**-witnessed a sharp decline in tanker activity in early March, with only a partial recovery seen recently. This disruption has been significant enough for Goldman Sachs to describe it as the **largest oil shock in modern history**, even surpassing the 1973 OPEC crisis.

Naturally, this has pushed **spot crude prices higher to ~\$108/bbl.**, although interestingly, the futures market remains relatively anchored around **~\$80/bbl.**-suggesting that markets continue to expect some eventual normalization.

However, the impact extends beyond crude alone. LNG flows from Qatar-the world's **second-largest exporter**-have also been affected, with damage to key infrastructure that may take **4-5 years to fully recover**.

## Beyond the Conflict - A Structural Reality

While it is tempting to view the current spike in oil prices as a temporary consequence of geopolitical tensions, we believe that may be an incomplete assessment.

The recent events have exposed a deeper and long-standing issue-**global oil supply vulnerability**. For decades, the world has relied heavily on **aging oilfields**, many located in geopolitically sensitive regions. This dependence, combined with declining investment in new exploration, is now beginning to show.

According to the September 2025 International Energy Agency (IEA) report, which studied 15,000 global oil and gas fields:

- Conventional oilfields are declining at an average rate of **~5.6% annually**
- Even large "super-giant" fields are declining at **~2.7% per year**
- To maintain current production levels, the world will need over **45 mn barrels per day of new supply by 2050**

At the same time:

- New discoveries have been **below 10 billion barrels annually**
- Upstream investment has **fallen by more than 50% (in real terms) since 2015**

In 2024, more than half of global oil production came from fields that are less than 20 years old, while about one-quarter came from fields that are over 50 years old.

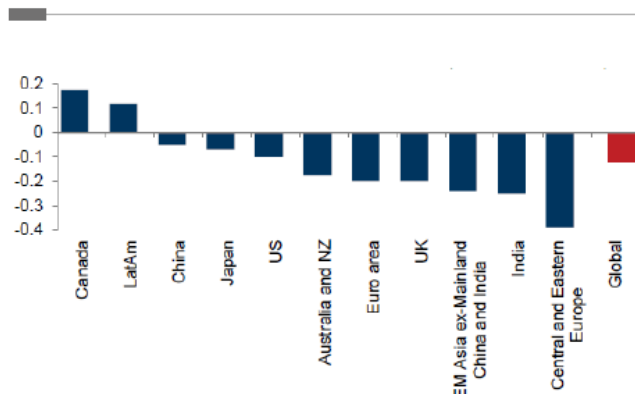
The rise in newer fields is largely due to growth in shale and unconventional oil, while older fields continue to contribute significantly because they are low-cost and have been upgraded to sustain production.

However, this also highlights an important risk. Newer oilfields tend to be **more expensive and decline faster**, especially shale, which requires continuous reinvestment. Over time, this makes maintaining supply more challenging and increases the risk of tighter oil markets.

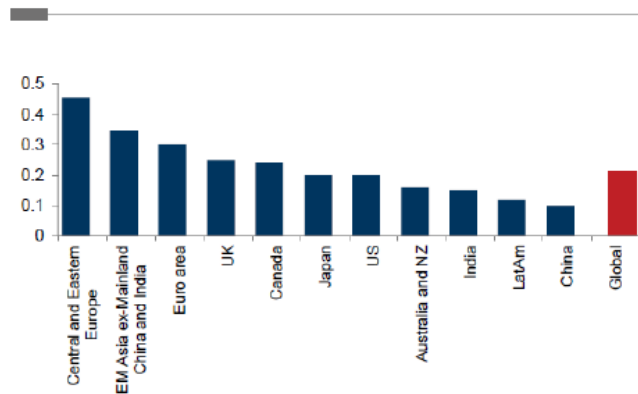
**In summary**, while the Iran conflict may be the immediate trigger, it has brought to light a much larger theme-**a world where energy supply may remain tighter than previously assumed**.

**The broader economic risk is clear: every 10% increase in oil prices is estimated to lower global GDP by 0.1% while boosting global headline inflation by 0.2%.**

Each 10% increase in oil prices lowers global GDP by 0.1%...



...and boosts global headline CPI by 0.2%



Source: Goldman Sachs GIR



## The Commodity Shock: By the Numbers

The “war premium” is no longer restricted to energy. A broad basket of commodities has seen prices surge since the start of the Iran war, with heating oil up 77%, European natural gas up 71%, and Brent crude up 58%.

Commodity	Price Change Since Feb 28
Heating Oil	+77%
European Natural Gas	+71%
Brent Crude Oil	+58%
Urea	+48%
Diesel	+44%
Sulfur	+43%
Gasoline	+42%
Fertilizer (broad)	+29%
Coal	+21%
China Tungsten	+129%

After a decade of underinvestment, are commodities gearing up for a comeback? The Middle-East accounted for a large part of global supplies in Oil, Gas, Aluminium, Fertilisers, select bulk chemicals (ammonia, methanol etc.) and even niche materials like Helium. Supply disruptions in the past such as Covid-19 led to significant reshuffling of supply chains globally to improve robustness and build alternatives. This time should not be different either.

## Why Hard Assets Deserve a Place in Portfolios

In an environment marked by geopolitical uncertainty and rising inflation risks, **hard assets are once again coming into focus.**

Recent weakness in gold prices has led to **questions around its role as a store of value.** However, this misses an important context-gold had already **rallied over 20% in the weeks leading up to the conflict,** and the subsequent correction appears more like a “**sell on the news**” reaction than a breakdown in fundamentals. Historically, gold has often corrected in the early stages of major crises-only to recover strongly and move to new highs over time.

Historical Event	Gold Correction	Recovery
1973 OPEC Embargo	-29%	+117% within 1 year
1978 Iran Revolution	-22%	+300% within 2 years
2000 Internet Crash	-18%	+35% within 2 years
2008 Global Financial Crisis	-34%	+180% within 2 years

What makes the current setup even more compelling is that the opportunity extends beyond gold-**silver and other hard assets are now seeing strong structural tailwinds.**

Silver has been in a **persistent structural deficit for five consecutive years.** The underlying dynamics are quite striking:

- Mine supply has remained largely **flat at ~810-815 mn ounces,** still **80-90 mn ounces below its 2016 peak**
- Recycling has only partially filled the gap, adding **~40 mn ounces** over the same period
- Meanwhile, industrial demand has surged by **~174 mn ounces since 2016-more than twice the decline in mine supply.** In simple terms, **demand has significantly outpaced supply for several years now**

Looking ahead, these pressures are only likely to intensify:

- The push towards **renewable energy,** especially solar, is highly silver-intensive
- Ongoing geopolitical tensions are increasing demand for **defence-related applications**
- Energy disruptions, particularly in the Middle East, are likely to accelerate investments in **energy security and transition**



Beyond precious metals, the broader case for hard assets is strengthening. A decade of underinvestment, combined with rising demand for **critical minerals and non-ferrous metals like copper, aluminium** etc is creating structural tightness across commodities.

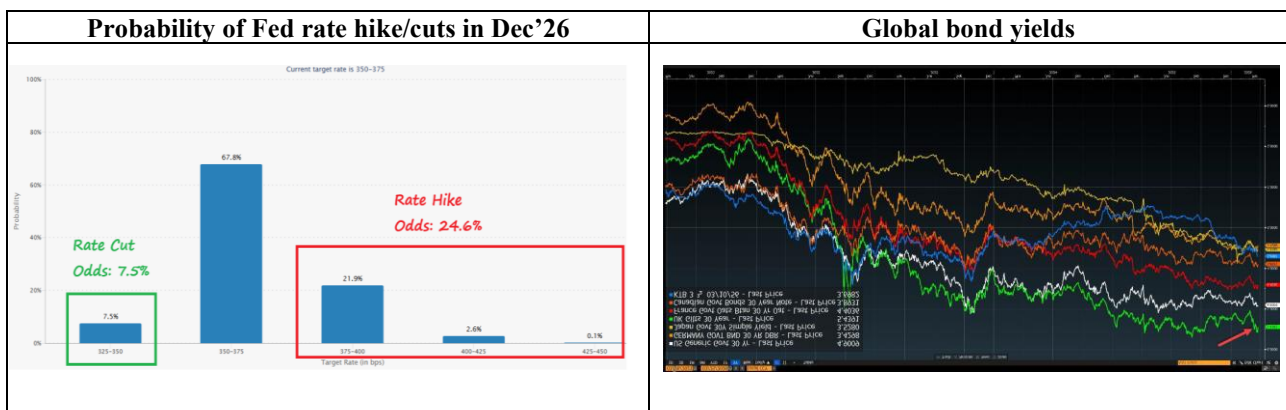
**In summary, hard assets are evolving from being tactical hedges to strategic allocations-supported by both macro uncertainty and deep-rooted supply-demand imbalances.**

**Cracks in global financial system emerging:**

War has historically been inflationary-and this time is no different. What makes the current situation more challenging is that **inflationary pressures were already building even before the events of February 28.**

The recent escalation has only added to these concerns. As a result, **global bond yields have moved sharply higher**, reflecting both inflation risks and tightening financial conditions. The US 30-year yield has risen to ~4.9%, while UK gilt yields have climbed to ~5.4%.

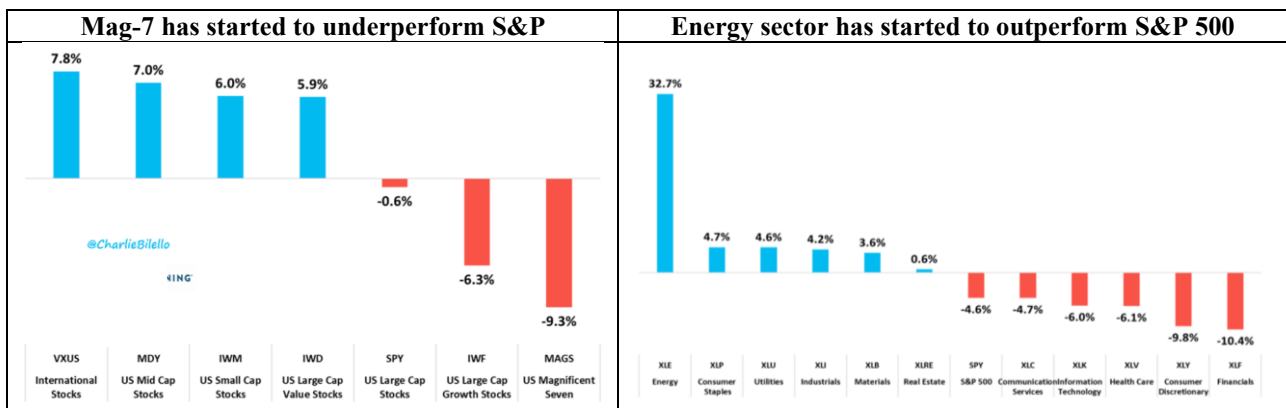
In parallel, market expectations have shifted meaningfully. Where just weeks ago the consensus was tilted towards rate cuts, markets are now **increasingly pricing in the possibility of rate hikes**, with nearly a **25% probability of a Fed hike by late 2026.**



Source: Charlie Bilello, Bloomberg

**Has market leadership has started to change?**

In 2026 YTD, Mag-7 have started to underperform the S&P-500, while the Energy Index has outperformed. Similarly, we have seen significant corrections in regional indices like S. Korea, Japan and Nasdaq. World ex-US outperformance is at 3-decade highs.



Source: Charlie Bilello

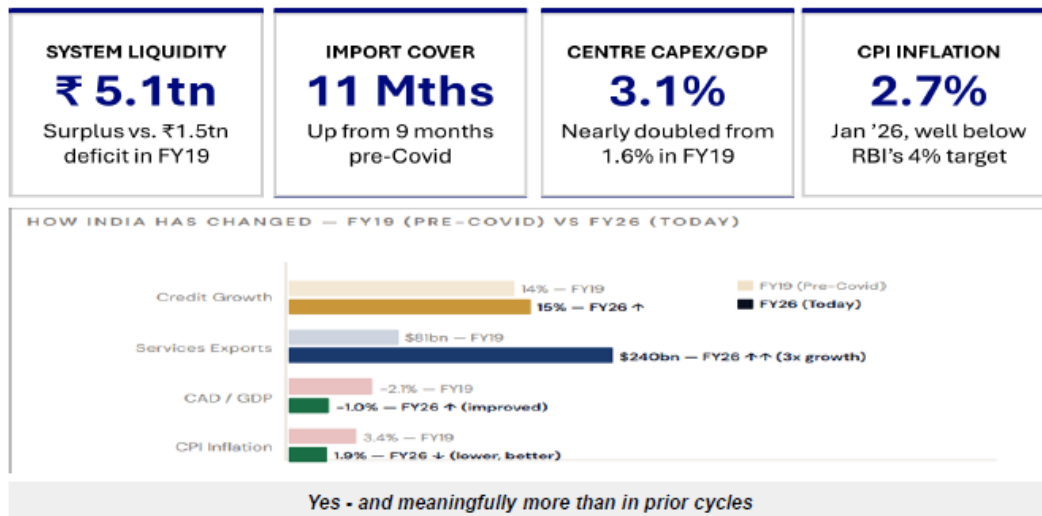


## India Fundamentals - Tested but not Broken

India is not immune to a war in the Middle East - but our endurance has definitely improved over the years. Pre-covid to now, Indian govt finances and corporate balance sheets have improved and can sustain temporary shocks like the ongoing Iran-US war and its impact on energy prices and availability.

### 1. Do we have enough shock absorbers across macro parameters and compared to FY19 how is the macro setup?

- **Liquidity & external strength improved sharply:** System liquidity has swung to a ₹5.1 tn surplus (vs. ₹1.5 tn deficit in FY19), while import cover rose to 11 months (up from 9 months pre-COVID), indicating a much stronger buffer against external shocks.
- **Growth and external balance strengthened:** Services exports tripled to ~\$240bn in FY26 (from ~\$81bn in FY19), and the current account deficit improved from -2.1% of GDP to -1.0%, reflecting healthier external accounts.
- **Macro stability with higher investment:** CPI inflation eased to 3.9% (from 3.4% FY19, and below RBI's 4% target at 2.7% currently), while central capex doubled to 3.1% of GDP (from 1.6%), supporting growth without overheating.



Source: Avendus Spark research

### 2. What is India's new tolerance levels?

India's oil price vulnerability has structurally improved, for two key reasons:

- **India's oil consumption intensity** has dropped from 1,161 mn barrels per \$1 trillion of GDP to just 450 mn barrels over the past 20 years - a 61% reduction.
- **Services exports now generate a massive buffer.** India's CAD remains below 2% of GDP until crude reaches \$90/bbl - up from a \$70/bbl threshold just a few years ago.

At current futures prices of ~\$80/bbl, India remains well within its comfort zone. Even in an adverse scenario where the war drags on and crude averages \$100/bbl, our analysis suggests India's CAD would widen to only 2.5% of GDP - uncomfortable but manageable.

### Scenario Analysis: Base vs. Adverse

Metric	Base Scenario (War ends April/May)	Adverse Scenario (War extends beyond May)
Avg. Crude Oil	\$85/bbl	\$100/bbl
CAD/GDP	2.2%	2.5%
USD-INR Range	92-96	92-98
CPI Inflation	4.7%	5.0-5.5%
Real GDP Growth	6.5%	6.0%
RBI Repo Rate	Status quo	Early rate hikes (2H FY27)

Source: Kotak Institutional Equities



### 3. What does elevated oil do to India's current account and Balance of Payments?

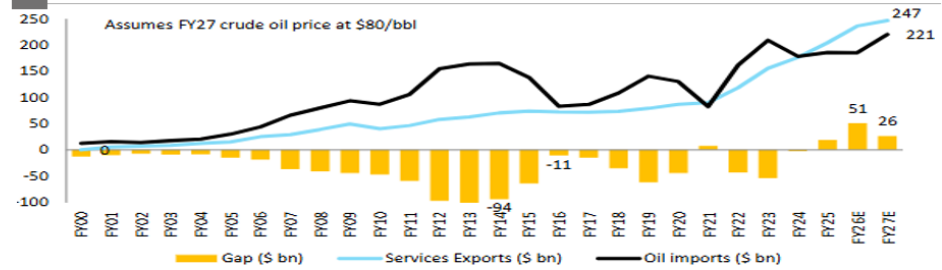
Every \$10/bbl rise in crude widens India's CAD by \$18bn (0.4% of GDP). CAD remains under 2% of GDP until \$90/bbl crude. Higher services export have reduced India's oil price vulnerability till \$90/bbl price.

**NEW TOLERANCE THRESHOLD**  
**\$ 90/bbl**  
 CAD stays under 2% of GDP up to this level – up from \$70/bbl

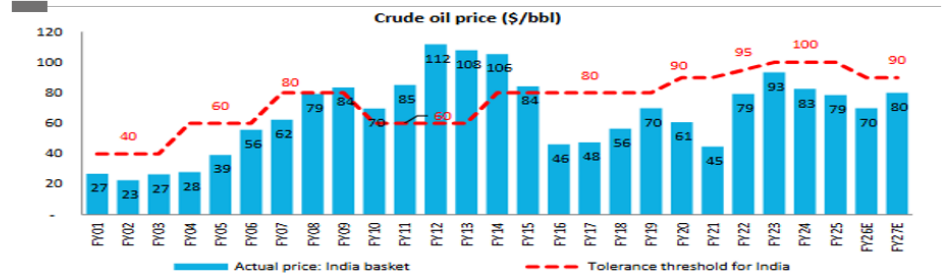
**CAD IMPACT PER \$10/BBL**  
**\$18bn**  
 0.41% of GDP widening for every \$10/bbl crude rise

**CPI IMPACT Per \$10/BBL**  
**~50 bps**  
 With full retail price pass-through to customers

#### Higher services export have reduced India's oil price vulnerability till \$90/bbl price



#### India's CAD remains under 2% of GDP until \$90/bbl crude



Source: Aventus Spark research

### 4. Where's the rupee headed and should we worry?

- The rupee is currently undervalued by ~5% compared to historical REER average.
- India's likely **inclusion** in the Bloomberg Global Aggregate Bond Index (~\$3tn AUM) could bring in ~\$25bn of FPI debt inflows.
- The **bond yield differential** between India and the US has risen to 2.6%, and **inflation differentials are low** - both supportive of the currency.
- **Once geopolitical tensions ease, we expect the rupee to rebound to 88-90/USD in FY27E.**



Source: Aventus Spark research

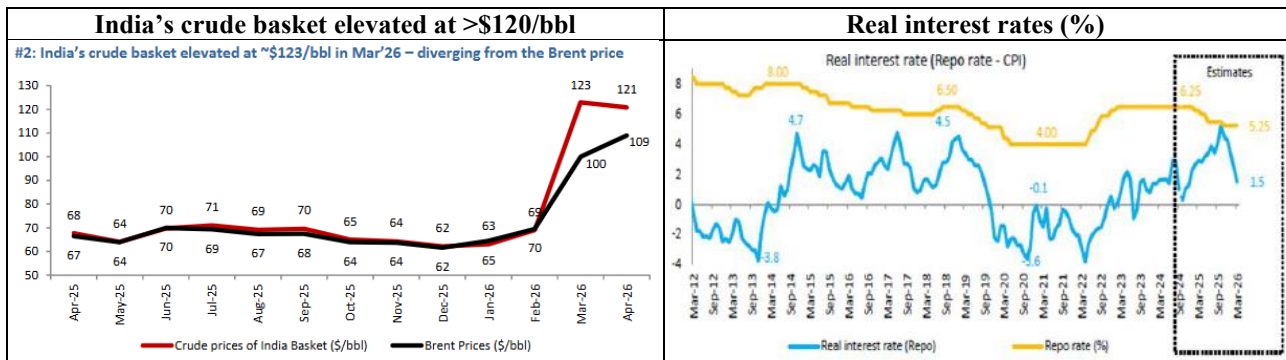
### 5. Is credit growth enough to sustain economic recovery?

- Total credit grew 15% in 10M FY26, led by banks, corporate bond issuances, and ECBs. Adjusted for CPI, real bank credit growth has nearly doubled - from 6.4% in Mar '25 to 12.2% in Jan '26.
- The credit multiplier has risen to 1.7x. A mild deposit lag exists (partly structural, partly cyclical), but ample system liquidity at ₹5.1tn and an expected ~₹3tn RBI dividend in May '26 are set to ease any constraints.



## 6. What happens to inflation and interest rates if crude stays elevated?

Every US\$10/bbl rise in crude oil prices increases CPI by ~50bps. Given unprecedented rise in crude oil prices over the past two months, RBI could take a pause on rate cuts and monitor inflation volatility.



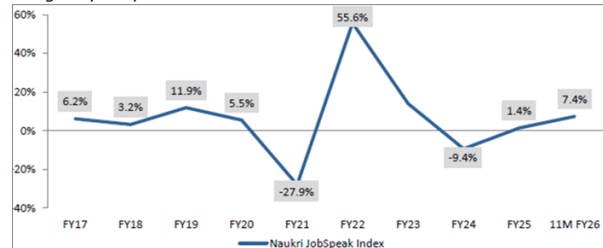
Source: Aventus Spark research

## 7. What are hiring trends telling us about urban consumption?

- **Hiring activity grew 7.4% in 11M FY26** - a significant improvement from -9.4% in FY24 and +1.4% in FY25.
- **GCCs continue to clearly outpace** traditional IT in net additions. Incremental hiring is healthy from product companies, fintech, BFSI analytics, e-commerce, and manufacturing.
- Entry-level IT hiring is stable to slightly better vs 2025, though still below historical peaks. White-collar job creation remains the key monitorable for sustained urban consumption recovery.

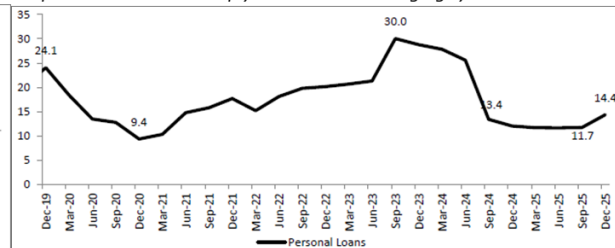
Hiring activities grew by 7.4% during 11M FY26 vs.

marginal pickup to 1.4% in FY25 and 9.4% contraction in FY24



Retail loans have started inching up again, which can support the leverage

consumption that was hit sharply in the HH deleveraging cycle over the last 18 months



Source: Aventus Spark research

## 8. Is the private sector capex cycle genuinely recovering?

- **Large-ticket capex has moderated** somewhat, while **mid and small-ticket capex is growing** in double digits.
- Listed company capex (3000 cos.) grew 9% YoY to ₹5tn in 1H FY26.
- Private sector share in capex has risen from 21% in Mar '25 to 36% in Dec '25 (L&T data).
- Power, Pharma, Chemicals, and Services are leading the acceleration. Corporate commentary across Thermax, Polycab, ELGI, and others is constructively positive.

Sectoral Capex	% share	FY24	FY25	1H FY25	1H FY26	6Y-CAGR	2Y CAGR	YoY
<b>Large sectors</b>	73%	6,992	7,806	3,490	3,672	11.7%	18.0%	11.6%
Oil & Gas	19%	2,860	2,709	1,150	950	7.4%	1.9%	-5.3%
Power	20%	1,226	1,866	748	1,002	18.1%	57.4%	52.2%
Metals & Mining	12%	981	1,086	554	587	18.0%	18.0%	10.7%
Auto OEMs/Ancs	7%	596	668	307	345	5.9%	18.3%	12.2%
Telecom	5%	433	464	263	274	5.1%	28.1%	7.0%
Cement	5%	500	514	244	247	21.3%	14.0%	2.9%
Capital Goods	5%	397	500	225	268	17.2%	27.0%	26.0%
<b>Mid sectors</b>	12%	1,088	1,165	483	621	9.5%	4.1%	7.1%
Pharma	4%	292	321	138	189	7.4%	5.1%	10.0%
Chemicals	3%	316	324	132	176	10.2%	-2.0%	2.7%
Services	3%	229	265	111	154	11.2%	7.7%	15.8%
FMCG	2%	251	255	101	102	9.8%	8.1%	1.4%
<b>Small sectors</b>	6%	599	606	266	323	2.8%	5.7%	1.2%
Construction	1%	166	170	63	73	-4.5%	6.3%	2.5%
Consumer Services	2%	137	167	72	94	14.4%	21.6%	21.6%
IT	2%	127	131	66	91	-1.1%	-5.7%	3.4%
Consumer Durables	1%	169	138	66	66	10.6%	2.3%	-18.2%
Others	9%	881	911	398	430	10.0%	9.2%	3.5%
<b>Total</b>	100%	9,560	10,489	4,637	5,047	10.6%	14.6%	9.7%
<b>Private</b>	76%	7,362	7,936	3,659	4,050	11.5%	14.2%	7.8%
Reliance	13%	1,529	1,400	691	581	6.9%	-0.4%	-8.4%
Private excluding Reliance	62%	5,833	6,536	2,968	3,469	12.7%	18.2%	12.0%
PSU	24%	2,198	2,553	977	997	8.1%	15.8%	16.2%

Source: Aventus Spark research



## Market Review & Outlook

Markets, like life, move in cycles of excitement and pause. **Since Sep 2024 (coincidentally just after our fund launch), markets have seen almost 10-15% correction.** MSCI India has underperformed MSCI EM by almost 30% in last one year (\$), highest since 1994.

Indian indices performance from Sep-24 highs to 2 Apr 2026

Security	Price Change	Total Return	Annual Eq
Nifty 50	-12.44%	-10.86%	-7.28%
Nifty Midcap 150	-11.95%	-11.00%	-7.38%
Nifty Smallcap 250	-20.77%	-19.99%	-13.64%
Nifty Midsmall 400	-15.16%	-14.28%	-9.63%

Indian indices performance for FY26

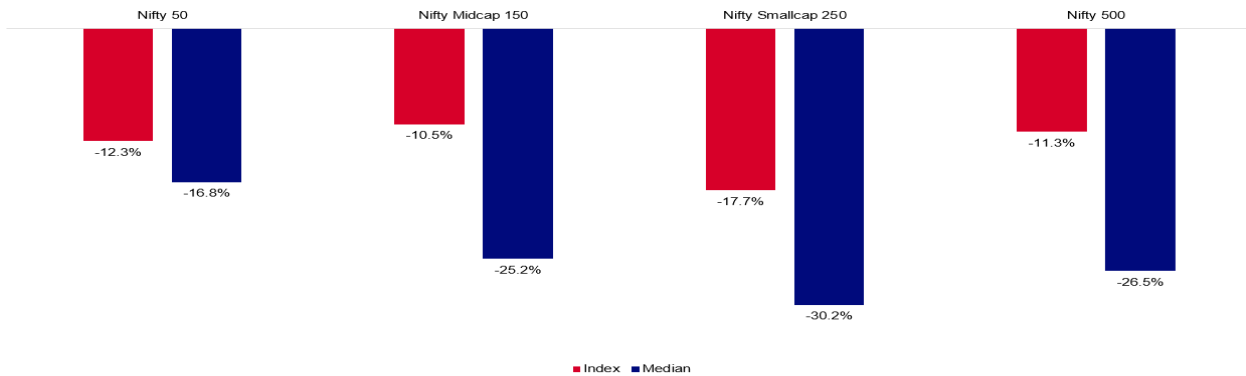
Security	Price Change	Total Return	Annual Eq
Nifty 50	-5.05%	-3.81%	-3.79%
Nifty Midcap 150	1.62%	2.48%	-2.47%
Nifty Smallcap 250	-5.40%	-4.71%	-4.69%
Nifty Midsmall 400	-0.87%	-0.07%	-0.07%

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.

### How Bad Has It Been? Worse Than the Headlines Suggest

India's headline indices tell one story. The real story, told in the median stock, is far more brutal.



Source: Ikigai Research, Data as of March 30, 2026

In simple terms: while the Nifty 500 has fallen roughly 11%, the median stock in the Nifty 500 is down 27% from its 52-week highs. This is not a market correction - for the average investor holding mid and small cap stocks, this has been a full-blown bear market.

And yet this is precisely the kind of environment where long-term wealth is made, not lost. History is unambiguous on this point.

### While markets corrected, earnings grew:

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.

Nifty 500 Earnings		202403	202406	202409	202412	202503	202506	202509	202512
Rs in Trillion	No of Cos	Last 8 Quarters Adjusted PAT Growth % YoY							
Large Caps	100	14.9%	0.1%	-0.5%	2.3%	6.5%	8.2%	8.3%	13.9%
Mid Caps	150	9.5%	14.7%	4.7%	29.1%	18.1%	19.9%	32.3%	19.5%
Small Caps	250	18.7%	23.6%	-19.5%	1.7%	13.4%	5.2%	34.9%	32.1%
<b>Total</b>	<b>500</b>	<b>14.4%</b>	<b>3.9%</b>	<b>-1.3%</b>	<b>6.2%</b>	<b>8.8%</b>	<b>9.9%</b>	<b>14.3%</b>	<b>16.2%</b>

Source: Amsec. Note: Data as of 31 Mar 2026



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.

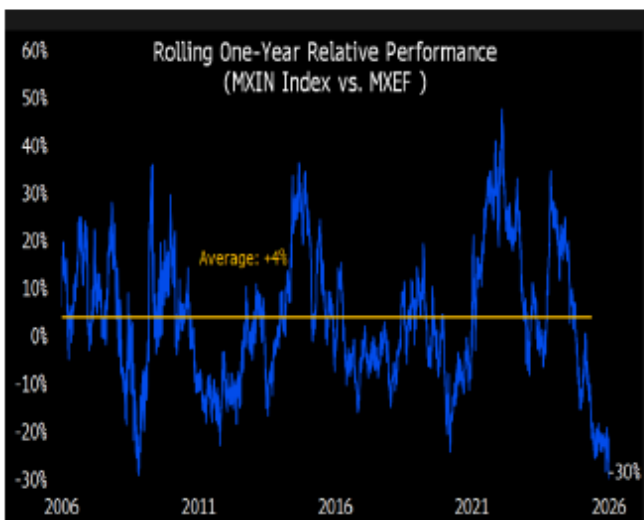
This reminds us that in unsettled markets, emotions and positioning often dominate in the short run. **But over time, it is the steady growth of earnings that ultimately drives long-term returns - and that is where we keep our focus.**

**Taking above into account, is India's underperformance close to a bottom?**

**MSCI India Index has underperformed EM peers by ~30% over the past year vs. MSCI Emerging Markets Index.** Rolling 1-year relative performance has fallen to ~-30% vs. a long-term average of +4%, indicating a sharp reversal. The median BSE 500 Index stock is ~35% below its 5-year peak.

These indicators are close to historical troughs, making us believe that we should be closer to the bottom now.

**MSCI India lags 30% vs. EM over past year**

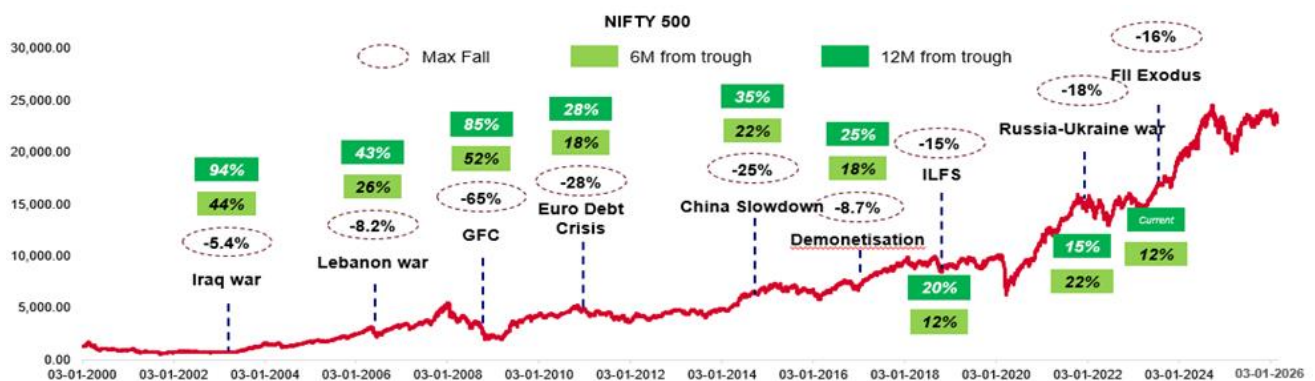


**Median BSE 500 stock down 35% from five-year peak**



Source: Bloomberg, Data as of April 2, 2026

**Nifty 50 performance in major conflicts in the past:**



Event	Start date	Nifty 50 Return (2Y)	Midcap 100 Return (2Y)	Smallcap 100 Return (2Y)	Market context
Iraq War	Mar 2003	110.2%	218.5%	248.1%	Post dot-com recovery + capex cycle start
Russia-Ukraine	Feb 2022	30.5%	62.0%	58.4%	Post-COVID liquidity + earnings growth
Israel-Hamas	Oct 2023	28.2%*	45.6%	39.1%	*Returns as of March 2026

Source: Bloomberg, Jefferies, Data as of 30 Mar 2026



Also notable: in March 2026, Nifty recorded its fourth consecutive month of negative returns. Since 2009, there have been only seven instances of 4+ month negative streaks. In those prior episodes, the average 1-year forward return from the bottom was 40.7%.

### Valuations: From Expensive to Attractive

The correction has done something important: it has reset valuations. The Nifty 50's 1-year forward P/E now stands at 17.3x, below the 10-year average of 18.6x. This is the first time since 2020 that Indian large-cap valuations are below their long-term average.

Index	P/E: Sep 2024	P/E: Mar 2026	P/E Correction
Nifty 50	24.4x	21.8x	-10.7%
Nifty Midcap 150	45.8x	32.0x	-30.1%
Nifty Smallcap 250	33.5x	25.6x	-23.6%

Midcap and smallcap valuations have corrected 23-30% in P/E terms - even as underlying earnings have grown. This combination of price compression and earnings growth is the hallmark of an attractive entry point. India's corporate balance sheets are also the strongest in decades, with Nifty 50 ex-financials carrying a net debt-to-equity ratio of -0.06x (net cash) and ROE of 16.9%.

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 18 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 entered this turbulent period with a fully invested portfolio, concentrated in businesses we understand deeply and believe in strongly. We have not panicked. We have not sold. And we have **used the volatility to selectively add to our highest-conviction positions** at prices that have become genuinely attractive.

Our portfolio continues to reflect our core philosophy - owning companies with strong competitive advantages, founder-led management with skin in the game, long runways for growth, and the financial discipline to compound capital through cycles. Our approach remains **bottom-up and stock-specific**, guided by earnings visibility, competitive advantage, and prudent capital allocation.

**Portfolio posted a profit growth of 32% in 9M FY26. For FY27, the expected earnings growth across the portfolio stands at ~29%, with a forward P/E of 25x - implying a PEG ratio of <1x.** A PEG ratio of 1x - where we are growing at the same rate as our forward P/E multiple - represents what we consider the sweet spot of Growth at a Reasonable Price (GARP) investing. We are not paying for growth; we are being offered it at fair value.

Over **70% of our portfolio companies are domestically focused businesses**, offering insulation from global volatility while riding India's structural growth story. In the current environment, we are particularly constructive on financials (NIM compression is now behind us), specialty chemicals (destocking cycle ending, China margins collapsing creates opportunity), healthcare (strong CDMO pipeline), and select consumer discretionary names where valuations have become compelling.

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



The key portfolio characteristics of IKIGAI Emerging Equity Fund as of Mar 31, 2026, are presented below:

Exposure By Sector (GICS)	(%)	Period Ended	IKIGAI Emerging Equity Fund*
Materials	25.70%	EPS Growth FY27 E	29%
Industrials	22.10%	EPS Growth FY28 E	28%
Consumer Discretionary	14.30%	Return On Capital	17%
Financial	14.30%	Debt/equity**	0.2
Others	10.20%	EBITDA Margin	12%
Health Care	7.80%	Free Cash Yield	2%
Information Technology	3.70%	Forward P/E (FY28)	25x
Consumer Staples	1.10%		
Energy	0.60%		
Cash and Cash Equivalents	0.20%		

Notes: \* Based on our Internal Estimates for our investee companies, \*\*Ex-GICS Financials

Period	Fund Return	Nifty SmallCap 250	Nifty MidSmall 400	Nifty Midcap 150
Last 1 Month	-9.74%	-10.03%	-10.72%	-11.06%
Last 3 Months	-10.42%	-14.36%	-13.32%	-12.78%
Last 6 Months	-8.05%	-14.40%	-10.05%	-7.64%
1 Year	-0.28%	-5.40%	-0.87%	1.62%
Since Inception (XIRR)	-5.62%	-9.33%	-5.76%	-3.78%

Pre-Tax Return for Class D1, as of 30th March 2026

\*Inception Date 19th June 2024

Index Closing Value for 18th 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.

Despite the recent market volatility, the portfolio has demonstrated **relative resilience and effective downside protection** across most time periods. Over the last 1 and 3 months-periods marked by sharp corrections across broader markets-the fund has **outperformed key benchmarks**. This reflects our continued focus on **quality, discipline, and risk management**, especially in challenging market conditions. Over a **1-year horizon also**, the fund has **significantly outperformed broader mid-small cap index**, navigating a difficult environment with relatively better stability.

### What should Investors do? We are positive and constructive on Indian markets - and Here Is Why

Our constructive stance on Indian equities is anchored in a meaningful improvement in valuations and a favourable medium-term earnings outlook. The recent correction in the Nifty, along with an extended period of time correction over the past 18 months, has led to a **~21% decline in valuations from peak levels**. At current levels of ~17-18x one-year forward earnings, valuations appear **reasonable**, with room for gradual re-rating.

More importantly, we believe the core driver of returns will continue to be **earnings growth**, which we estimate at a sustainable **~12% CAGR over the medium to long term**. This is further supported by a relatively **lower cost of capital**, aided by stable inflation and reduced volatility in Indian markets-creating a conducive environment for healthy compounding.

### Here is the bull case in plain language:

- Valuations are at or below long-term averages for the first time since 2020.
- Earnings growth is accelerating - not slowing. India Inc. delivered 16% adjusted PAT growth in Q3 FY26.
- FIIs are at an all-time high underweight. Mean reversion alone could drive significant inflows.
- Domestic flows remain robust at \$4+ billion per month - a structural, not cyclical, phenomenon.
- India's macro fundamentals are the strongest in two decades across inflation, fiscal position, and external balances.
- Historical patterns suggest 4+ month negative streaks on the Nifty are followed by average 1-year returns of 40.7%.
- The Nifty in USD terms is back to 2021 levels - creating a compelling entry for dollar-denominated capital.

Wars are terrifying. They always have been. But they end. And when they do, the investors who stayed disciplined - who trusted their process, topped up their allocations, and refused to panic-sell quality businesses - are the ones who look back and wonder why they ever hesitated.



## Sectors We Favour for the Recovery

- Financials (Private banks and NBFCs): NIM compression is over; credit costs are declining; credit growth is re-accelerating. The setup is as good as it has been in five years.
- Specialty Chemicals: Margins are at decade lows, destocking is nearly complete, and commodity inflation may act as an unexpected tailwind. Stocks have de-rated 30-40% from peak P/BV.
- Healthcare / CDMO: Global pharmaceutical supply chain reshoring continues to benefit Indian CDMO players. Secular, non-cyclical growth.
- Cement: Industry consolidation (Ultratech, Ambuja, Shree now control over 60% capacity) is bringing pricing discipline. EBITDA/tonne is on an upward trajectory.
- Defence: India's defence spend at 1.9% of GDP is among the lowest of major powers - far below Pakistan (2.7%) and the US (3.4%). Capital expenditure on defence is budgeted to double by FY31.
- Consumer Discretionary & Auto Ancillaries: Rural demand is strong, urban hiring is recovering, and the GST cuts of FY26 have put real money in consumers' pockets.

## Our Recommendation:

For investors with a 3-5-year horizon - which we believe all equity investors should have - the current moment is one for action, not paralysis:

- Top up your SIPs or make lump-sum additions to quality equity funds. Time in market will matter more than timing the market.
- Increase equity allocation if you have been underweight. The risk-reward in Indian equities today is the most attractive it has been since March 2020.
- Do not exit existing quality positions. The businesses we own are growing their earnings. The stocks are cheaper than three years ago. Selling now would be precisely the wrong move.

## The Patient Investor's Moment

We began this newsletter with Einstein's observation that difficulty contains opportunity. We close with a reminder of what the greatest investors of our era have learned through their own difficult moments.

**Apple became a 2,700x stock - but suffered three crashes of more than 50% along the way. Amazon delivered 2,600x returns - but collapsed 90% in the dotcom bust. Berkshire Hathaway compounded 4,800x - through multiple 50% drawdowns and every major geopolitical crisis of the 20th and 21st centuries.**

The common thread is not intelligence. It is not even insight. It is **temperament** - the ability to hold quality businesses through the moments when every instinct screams to sell.

India is going through its own version of that test right now. A war we did not choose, a sell-off we did not deserve, and a market that has temporarily lost sight of the fundamentals. But the fundamentals have not lost sight of themselves. India is growing. Corporate balance sheets are clean. Earnings are recovering. And the businesses in our portfolio are compounding their intrinsic value, day by day, quarter by quarter - regardless of what the Sensex does on any given morning.

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

Regards,

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**PANKAJ TIBREWAL**

Founder & CIO

9<sup>th</sup> April 2026