



Trust | Process | Performance



MARKET OUTLOOK

February 2026





Section 1:

Global Markets



2026 started on a noisy note with US targeting both Venezuela and Greenland



Trump cancels tariff threat over Greenland, says NATO agreed to 'framework' of future Arctic deal

The implications of his remarks were enormous, potentially rupturing an alliance that has held firm since the dawn of the Cold War and seemed among the globe's most unshakable pacts.



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Iran Iran crises since 1979 Iran says 'ready for war' What to know about Iran protests Which are Iran's

News | Military

Trump says talks with Iran continuing as US shoots down an Iranian drone

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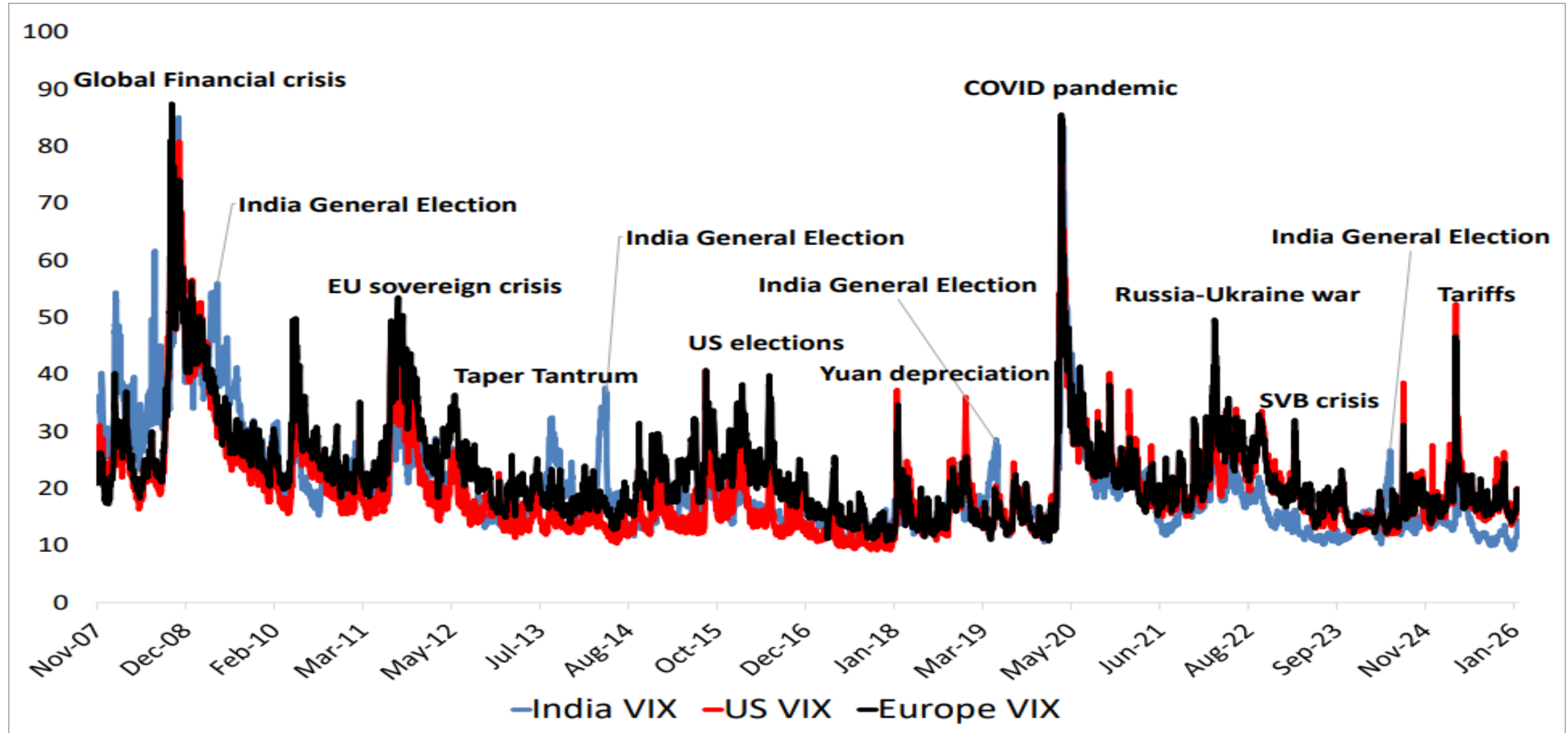
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World

As Trump slams America's NATO allies, they practice chasing Russian nuclear armed subs in the Arctic

Despite geopolitical uncertainty, global equity volatility indices remain low. Are markets prepared for a negative surprise?



Equities, bonds and gold all held ground in Jan'26

Asset Class Total Returns Since 2011 (in \$ terms)

ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 YTD	2011-26 Cumulative	2011-26 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%	7.8%	208%	7.7%
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%	5.7%	308%	9.8%
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%	5.3%	1%	0.1%
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%	3.8%	359%	10.6%
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%	4.7%	304%	9.7%
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%	5.6%	81%	4.0%
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%	3.2%	0.7%	190%	7.3%
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%	4.6%	373%	10.8%
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%	1.3%	94%	4.5%
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%	5.1%	173%	6.9%
BTC	Bitcoin (\$BTC)	1473.0%	186.0%	5507.0%	-58.0%	35.0%	125.0%	1331.0%	-73.0%	95.0%	301.0%	66.0%	-65.0%	156.0%	121.0%	-6.0%	-10.5%	26886292%	128.8%
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%	0.1%	108%	5.0%
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%	4.2%	0.0%	22%	1.3%
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%	-0.5%	41%	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%	0.3%	50%	2.7%
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%	-0.5%	73%	3.7%
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%	-0.2%	82%	4.1%
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%	4.3%	-1.5%	39%	2.2%
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%	2.0%	623%	14.0%
QQQ	US Nasdaq100	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%	1.9%	1213%	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%	-2.0%	851%	16.1%
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	GLD	GLD	BTC	BTC
Lowest Return		VWO	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	BTC	BTC	DBC	DBC
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	71%	10%	95%	95%	95%	62%	100%	100%

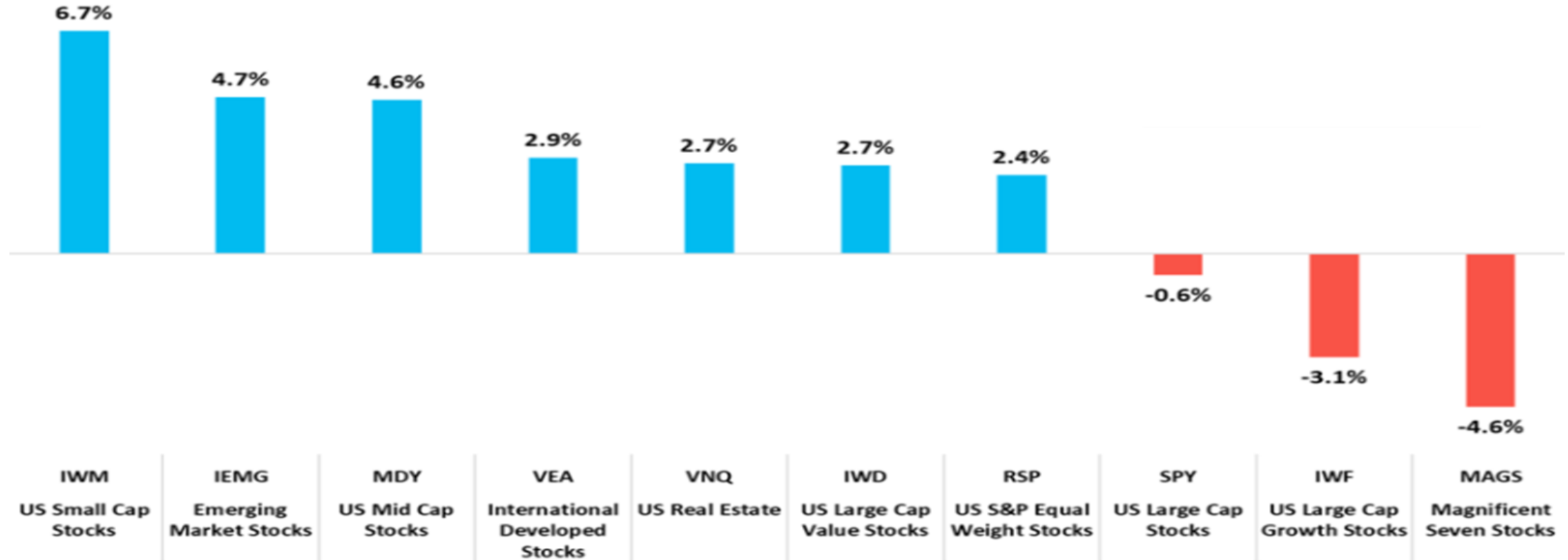
Despite this, US markets have done well in Jan'26



However early cracks in AI trade have started to emerge

Mag-7 are all down on the year

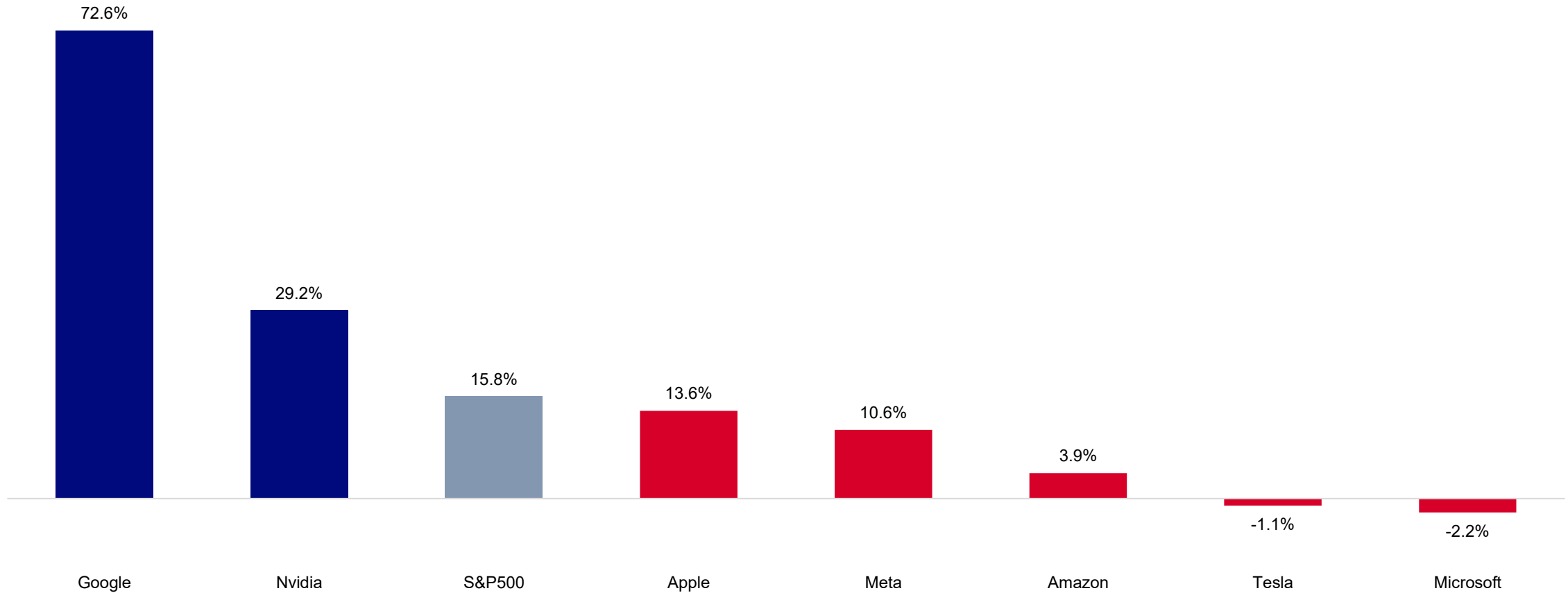
2026 Year-to-Date Total Returns



Concentration remains a worry within Mag-7 as well

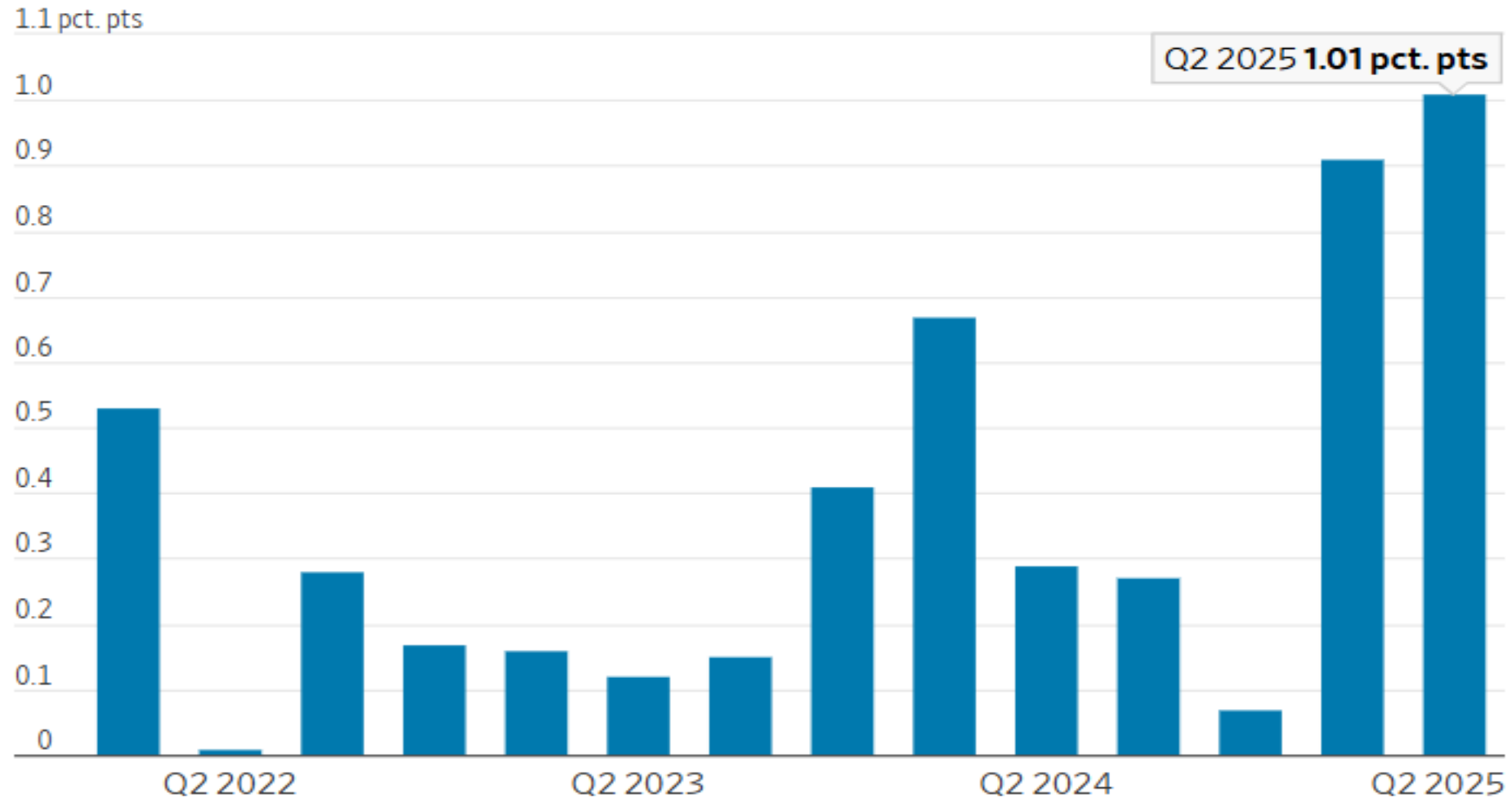
5 out of 7 stocks are actually underperforming the S&P500 since start of 2025

The Magnificent Seven - 2025-26 YTD Returns



AI capex contributed to large part of US GDP growth

AI-related investment impact on US GDP growth (%)



US CPI remains higher than Fed's 2% target

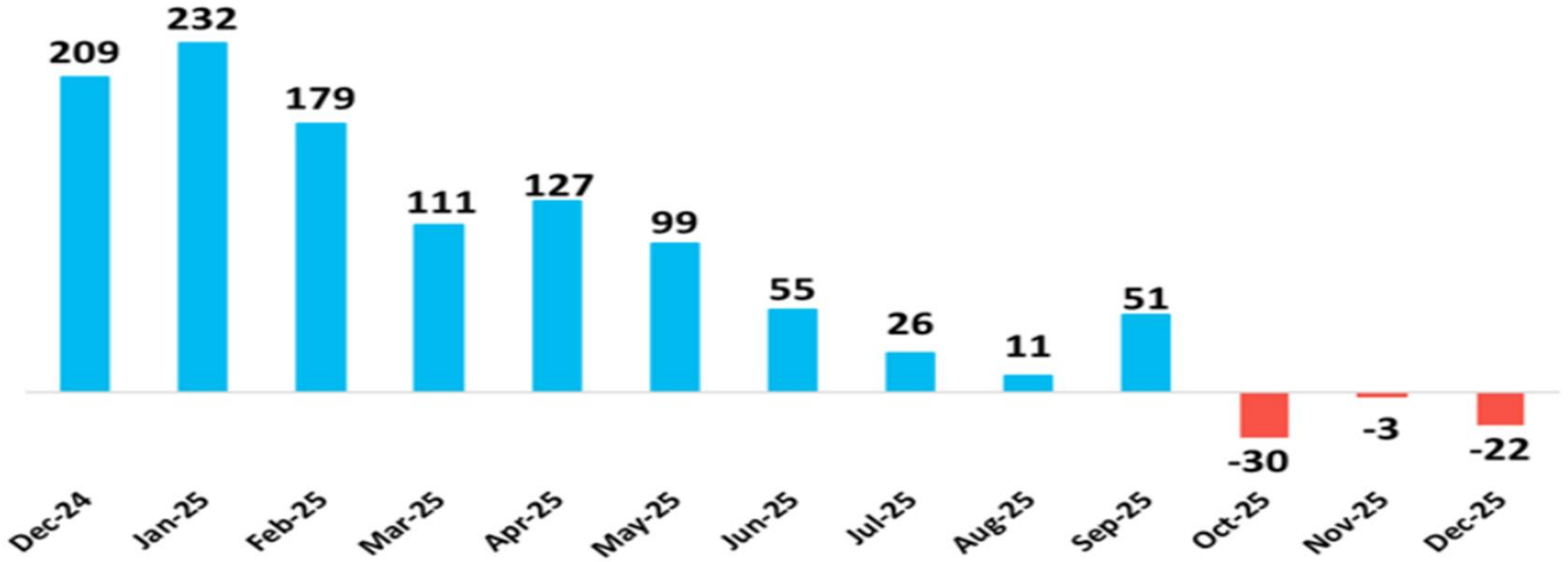
US 1-Year Inflation Rates (%)



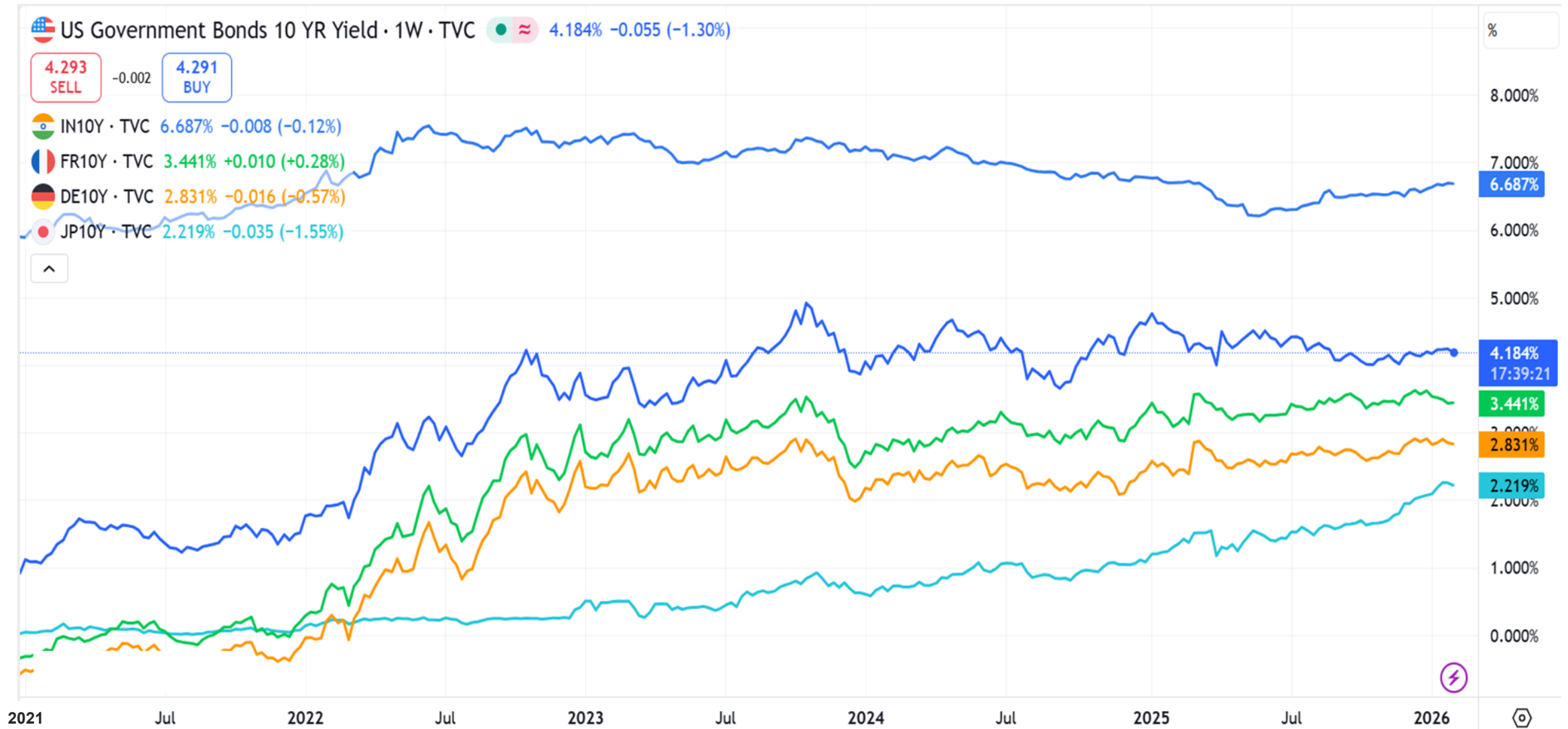
US labor market is facing lower rates of hiring

US lost an average of 22k jobs per month over the last 3 months, the 3rd straight month with a negative 3-month moving average

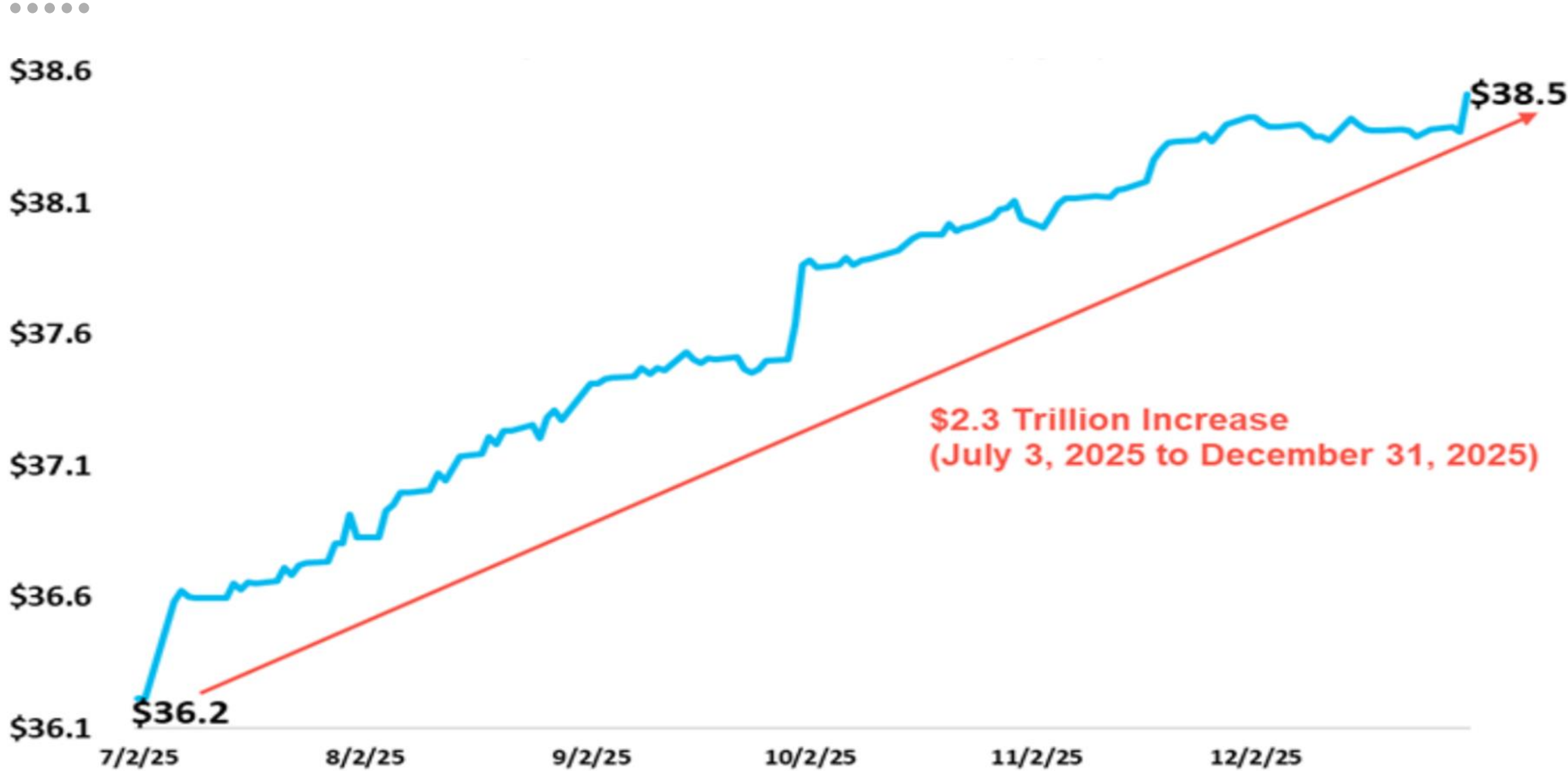
US Nonfarm Payrolls, in Thousands
(Rolling 3-Month Average – Data via YCharts)



Despite rate cuts, Global yields remain high



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



Is Dollar depreciation the next big theme?

\$ US Dollar Index · 1W · Capital.com ≈ 97.489 +0.624 (+0.64%)

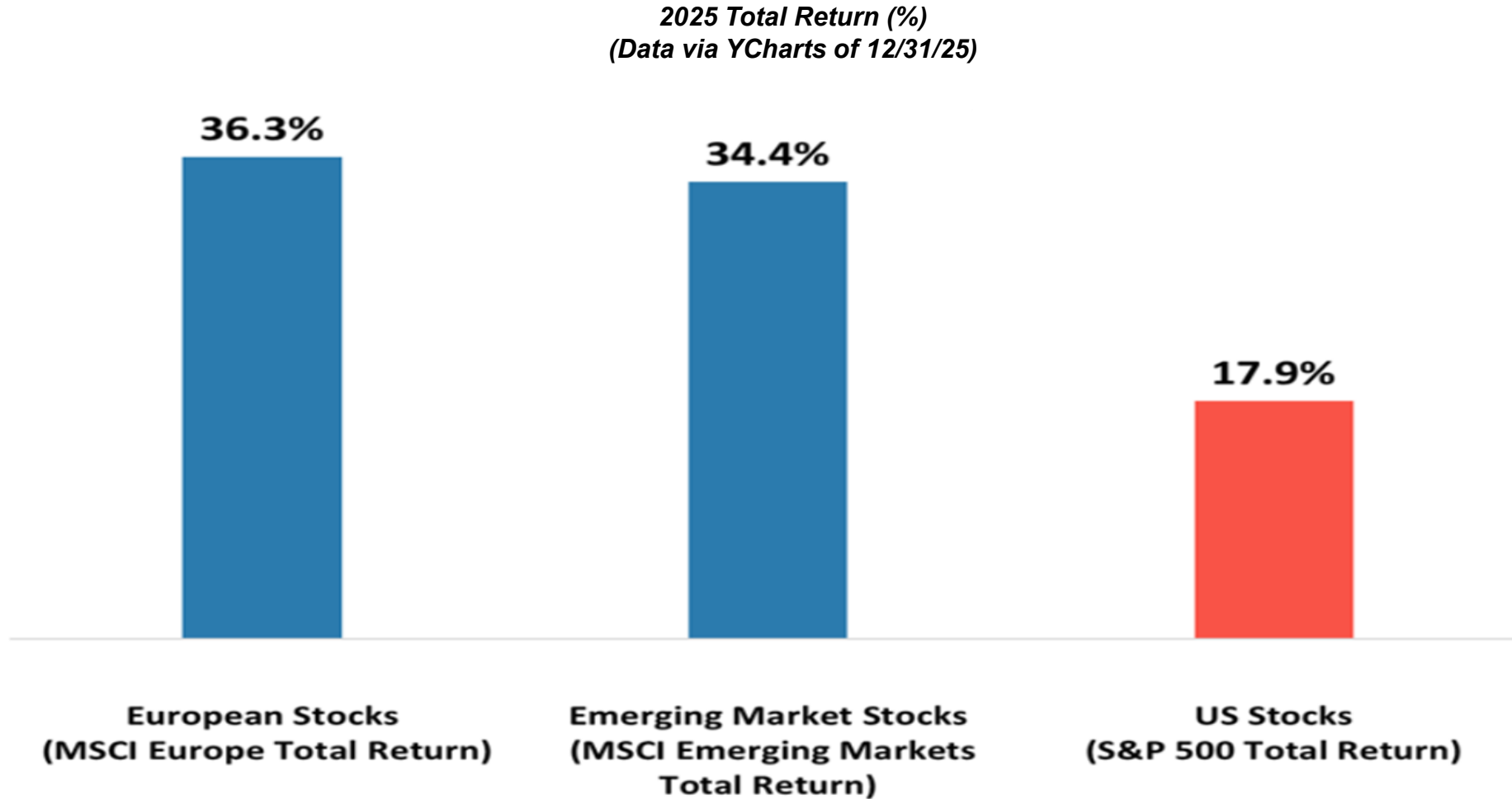
97.489 SELL 0.058 97.547 BUY



Is the world moving towards non-dollar assets?



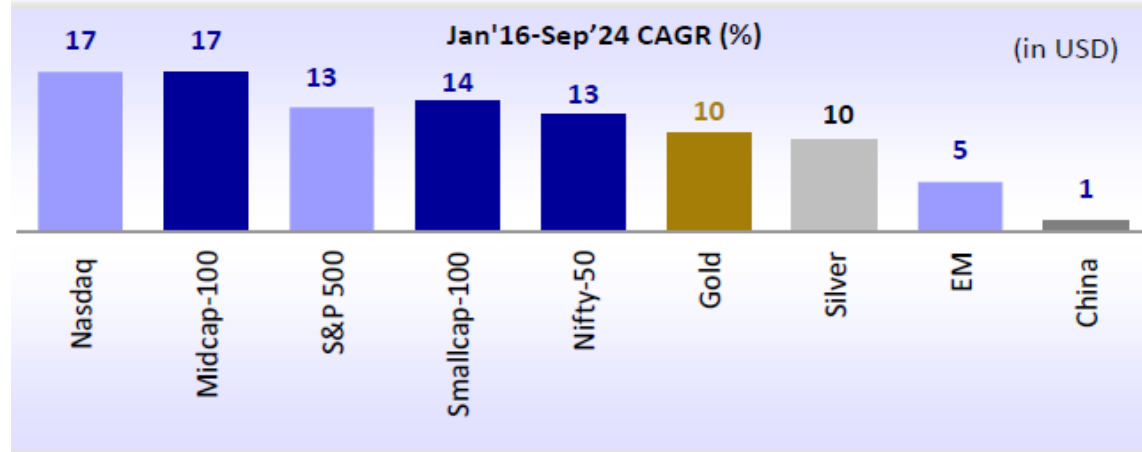
Returns in 2025 (in \$ terms)



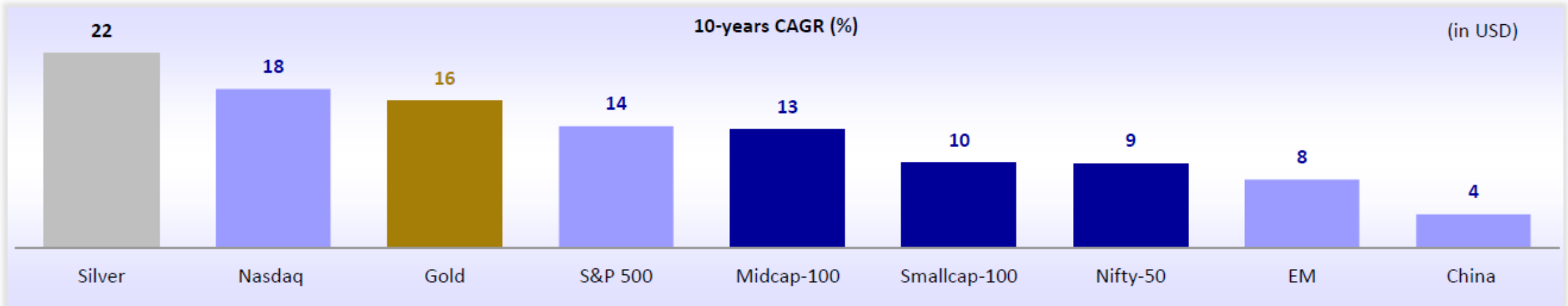
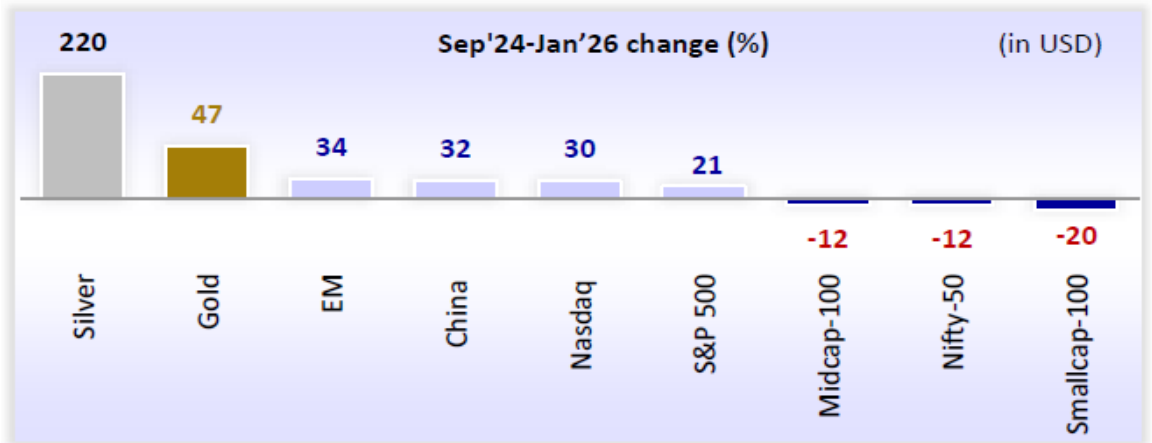
Gold and silver have strongly outperformed equities since Sep'24 high

Gold and silver lead in returns over the decade; US tops, while China and EMs lag among equity markets (Jan'16-Jan'26 CAGR)

Equities outperformed gold and silver during Jan'16-Sep'24...



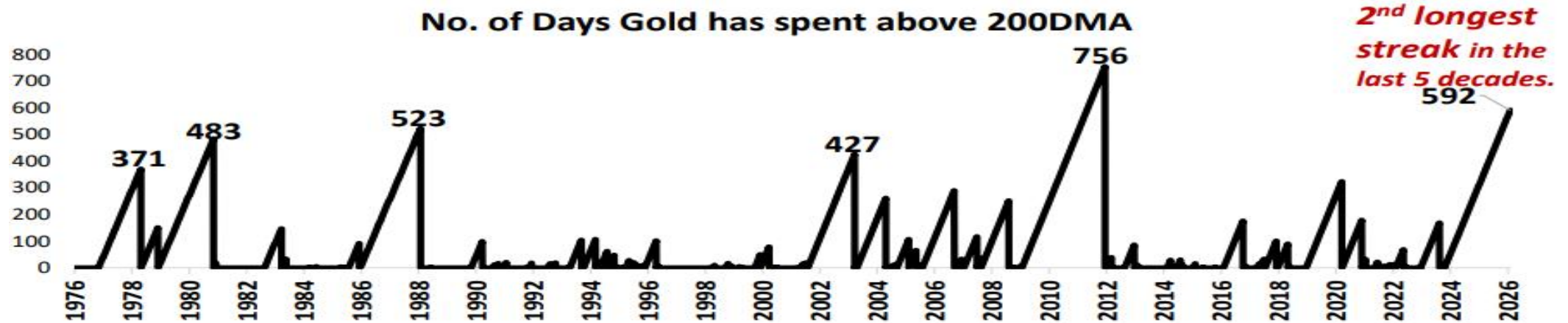
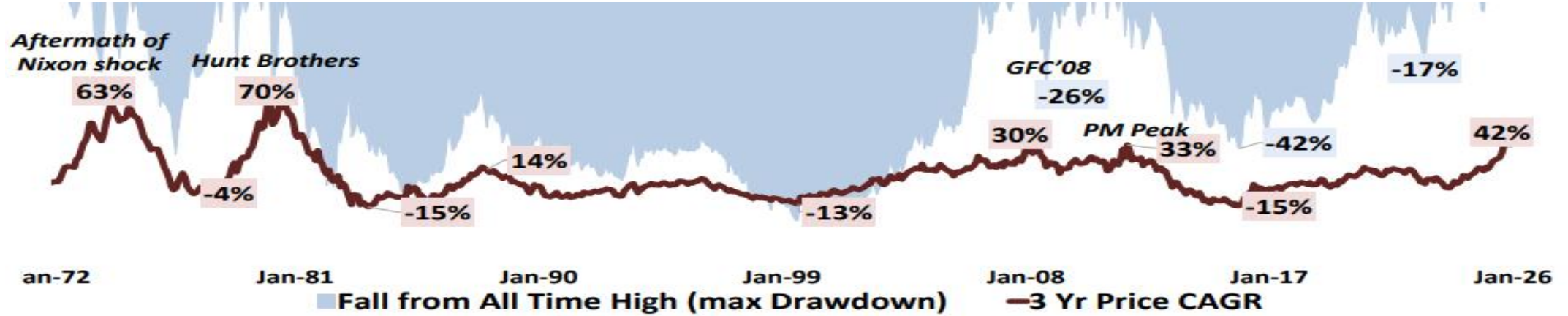
...however, they underperformed since Sep'24 highs



Gold has seen sharp drawdowns in the past

Gold Prices see large drawdowns even during Bull Markets

Since Nov'22 the max drawdown has been less than 8%



Decadal run of Gold – Gold beat every market in the 21st century



Developed Markets (returns in 21 st Century)	Equity Market Returns (In Local Currency)	Gold Returns (in Local Currency)	Gold's Excess Returns over Equity Market
Japan	5.40%	13.00%	7.60%
UK	4.90%	11.90%	7.10%
France	4.20%	10.50%	6.30%
USA	8.10%	11.10%	3.00%
Canada	8.10%	10.90%	2.80%
Australia	9.80%	11.10%	1.30%

Country	Index	Gold Returns in 20 Years	No. of stocks outperforming Gold	% of stocks outperforming Gold
India	NSE 500	15%	115	24%
USA	S&P 500	11%	25	5%
UK	FTSE 100	13%	1	1%
Japan	Nikkei 225	13%	4	2%
China	CSI 300	11%	80	29%

Emerging Markets (returns in 21 st Century)	Equity Market Returns (In Local Currency)	Gold Returns (In Local Currency)	Gold Excess Returns over Equity Market
Turkey	20.9%	31.5%	10.6%
Argentina	39.5%	47.0%	7.5%
Brazil	9.1%	16.0%	6.9%
Malaysia	5.0%	11.4%	6.4%
Poland	5.5%	10.5%	5.0%
South Korea	7.8%	12.3%	4.5%
Chile	9.0%	13.5%	4.5%
China	6.2%	10.4%	4.2%
Mexico	11.0%	13.9%	2.9%
India	13.3%	14.3%	1.0%

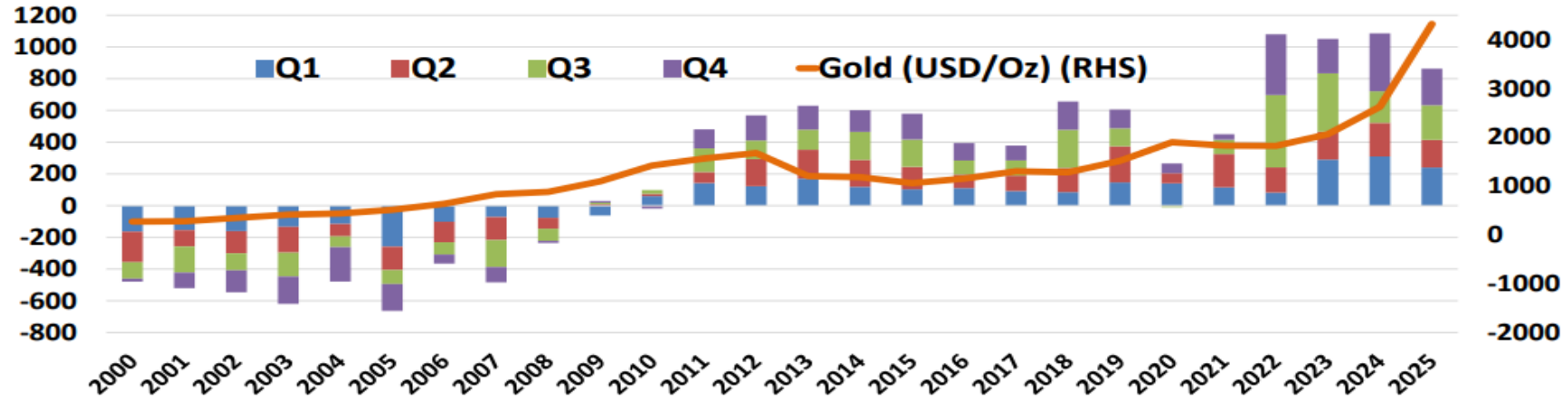
Source: Bloomberg, DSP.

Note: Data as on Dec 2025. All Market returns are TRI using TRA Function on BBG.

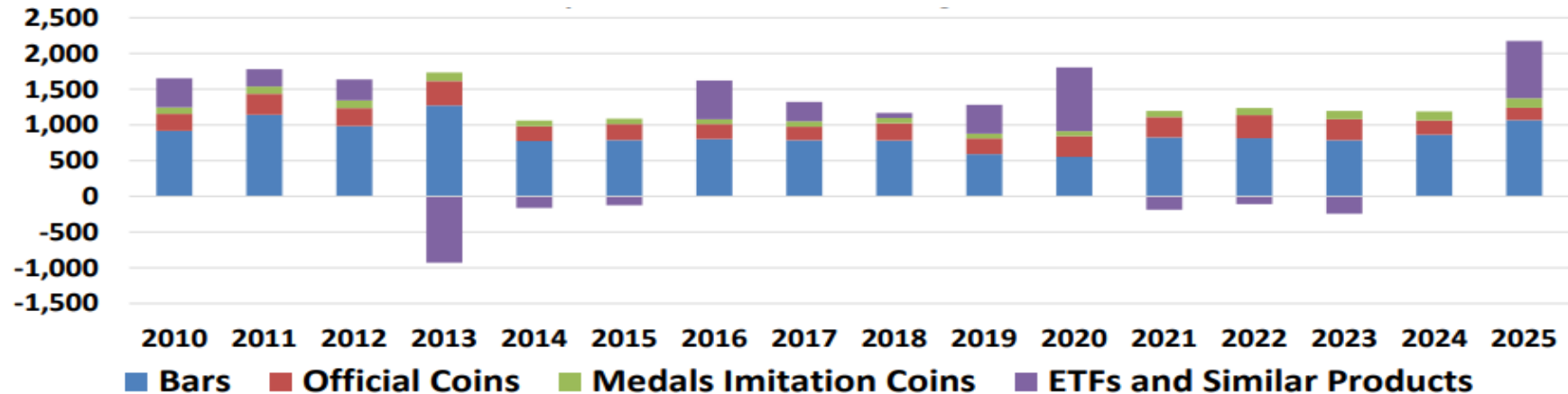
*Data since 31 Dec 1999

Central Bank purchases lower in 2025, Speculative interest higher

Central Bank Gold Purchases Fell 21% in 2025



Gold ETF Purchases Top 800 tons, Second Largest Annual Total Ever



Gold & Silver Are Over & Above Their Theoretical Value



How To Value Gold		
Total mined Gold (above-ground stock in tonnes) <i>(Dec 2025 estimate)</i>	1	2,19,865
Total mined Gold (Bn troy ounce)	2	7.07
US M2 Money Supply (USD Bn)	3	22,411.0
Value of total mined Gold per troy ounce w.r.t US M2	4 = 3 ÷ 2	3170
Additional EU Money Supply (taken at 50% of total) (USD Bn)	5	9499
Value of total mined Gold per troy ounce w.r.t EU M2	6 = 5 ÷ 2	1344
Final Value of total mined Gold per troy ounce	7 = 6 + 4	4514
Current Price Premium To Theoretical Price		12.1%

How To Value Silver		
Current Gold Silver Ratio (GSR)	1	58
Historical Gold to Silver Ratio	2	
The Roman Empire		12:1
Medival Europe		9.4:1
US Coinage Act of 1792		15:1
US Decision To Raise Gold price to \$35 in 1939		98:1
Abandonment of Gold standard & aftermath		97.5:1
Average Gold to Silver Ratio in 21st Century		69:1
Assuming a Gold to Silver Ratio of 60:1	3	
Lower band		53
Upper band		75
Derived price range for silver based on GSR of 60	4	\$53 to \$75
Current Price Premium To Theoretical Price		16.4%

Section 2:

Indian Macro





UNION
BUDGET

Budget FY27 - Highlights

FY26 Budget	Indicator	FY27 Budget
▪ 8% growth	1 Nominal GDP Growth	▪ Nominal GDP: 10%
▪ FY26E: 4.4% of GDP	2 Fiscal Deficit	▪ Estimated at 4.3% of GDP
▪ Rs. 11.5tn	3 Net Market Borrowings	▪ Rs. 11.7tn
▪ Debt/GDP stabilizing	4 Debt Trajectory	▪ budgeted at 55.6% of GDP ▪ Glide path to reduce it to ~ 50% of GDP by FY31.
▪ Strong GST and direct tax buoyancy	5 Revenue Growth	▪ Sustained growth in direct tax with GTR estimated at 11.2% of GDP
▪ Capex target at Rs. 10.9tn	6 Capex Led Growth	▪ Budgeted at Rs. 12.2tn

<p>Focus Areas</p> <p>Rural resilience and urban growth hubs, SMRs Regional Airports, Shipbuilding and MSMEs</p>	<p>Focus Areas</p> <p>Strategic Manufacturing and logistics, CCU and Biogas blend CNG Rail and Waterways, Biopharma and Electronics</p>
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Given revenue constraints, the government may explore high-elasticity revenue levers:



STT Hike

STT on Futures up from 0.02% to 0.05%
STT on options premium up from 0.1% to 0.15%
tax on the exercise of options also rises to 0.15%



Buyback Tax for Promoters

Promoters required to pay additional buyback tax; effective tax 22% for corporate promoters and 30% for non-corporate promoters



TCS Rationalization

TCS rate of alcoholic liquor, scrap, and minerals (coal, lignite, iron ore) and tendu leaves rationalized to 2%



CPSE Recycling

accelerate the recycling of real estate assets by setting up dedicated Real Estate Investment Trusts (REITs)



Foreign Asset Disclosure Scheme

undisclosed income or assets up to Rs. 10mn, taxpayers pay 30% tax plus an additional 30% income tax in lieu of penalty to receive immunity from prosecution



Customs Tariff Modifications

Lapse long-standing customs duty exemptions for items now manufactured in India, raising duty on potassium hydroxide to 7.5% and implementing a minimum floor tax on umbrellas and its parts

Fiscal Math realistic – Budget has been a balancing act

	Absolute Values (INR bn)			Growth % (YoY)		
	FY26BE	FY26RE	Delta	FY27BE	FY26RE	FY27BE
Gross Tax Revenue	42,702	40,778	-1,924	44,041	7.4%	8.0%
Direct taxes	25,200	24,210	-990	26,970	9.0%	11.4%
Corporation tax	10,820	11,090	270	12,310	12.4%	11.0%
Income tax	14,380	13,120	-1,260	14,660	6.2%	11.7%
Indirect taxes	17,502	16,568	-934	17,071	5.2%	3.0%
CGST + IGST + Cess	11,780	10,465	-1,315	10,190	1.9%	-2.6%
Custom duty	2,400	2,583	183	2,712	10.8%	5.0%
Excise duty	3,170	3,366	196	3,889	12.1%	15.6%
(-) Devolvement to States	14,328	14,031	-297	15,372	8.2%	9.6%
Net tax revenue (i)	28,374	26,747	-1,627	28,669	7.0%	7.2%
Non-tax revenue (ii)	5,830	6,677	847	6,662	24.4%	-0.2%
Disinvestment of PSUs (iii)	470	338	-132	800	96.7%	136.4%
TOTAL REVENUES (i+ii+iii) = A	34,964	34,064	-900	36,515	10.7%	7.2%
Revenue expenditure (a)	39,443	38,691	-752	41,255	7.4%	6.6%
Interest payment	12,763	12,743	-20	14,040	14.2%	10.2%
Salary and Pensions	7,724	7,724	0	7,984	3.8%	3.4%
Major Subsidies	3,834	4,297	463	4,105	11.6%	-4.5%
Food	2,034	2,282	248	2,276	14.2%	-0.2%
Fertilizer	1,679	1,865	186	1,708	9.2%	-8.4%
Oil	121	151	30	121	4.4%	-20.1%
Rural & Agri spend	3,842	2,986	-856	4,229	-3.4%	41.6%
Other revex	10,528	10,940	412	10,897	4.5%	-0.4%
Capex (b)	11,211	10,958	-253	12,218	4.2%	11.5%
TOTAL EXPENDITURE (a+b) =	50,653	49,648	-1,005	53,473	6.7%	7.7%
Fiscal deficit (B-A)	15,689	15,585	-104	16,958	-1.0%	8.8%
Fiscal deficit (% of GDP)	4.4%	4.4%	0.0%	4.3%
Net market borrowings	11,538	11,328	-210	11,732	-2.6%	3.6%

#1: Realistic Tax assumptions for FY27

- The gross tax growth assumption of 8% is quite realistic in FY27.
- Corporate tax collections growth of 11% and Personal income tax collections growth of 11.7% are assumed based on the expectation of a revival in nominal GDP growth from 8% in FY26 to 10% in FY27.
- The nominal GDP growth target of 10% in FY27 is in line with our expectation assuming 6.5% real GDP growth and 3.5% GDP deflator.
- **The tax buoyancy factor has been assumed at 0.8x in FY27 vs. 1.1x in FY24.**

#2: Reasonable assumption from RBI+PSUs dividends and Telecom sector

- **Dividends and Profits from PSUs** have been budgeted at Rs. 750bn in FY27 vs. Rs.710bn in FY26RE.
- **Dividends from the RBI** have been budgeted at ~Rs. 2.8tn vs. Rs. 2.7tn in FY26. This is possible as the RBI has higher gains this year.
- **Assumption from the telecom sector is on the higher side:** Revenue from the telecom sector has been budgeted at Rs. 1.17tn in FY27BE vs. Rs. 1.4tn in FY24RE.

#3: Pay commission related salary hike not budgeted in FY27BE: Salary and Pension bill has been budgeted to increase by 3.4% in FY27, which means 8th Pay Commission could be postponed to FY28.

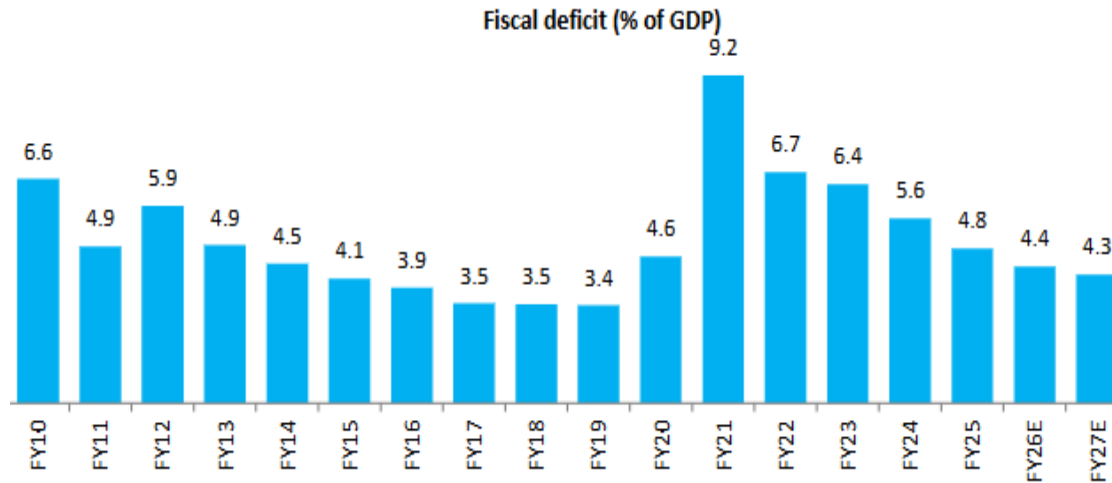
#4: Disinvestment target assumption at Rs. 800bn in FY27BE vs. Rs. 338bn in FY26RE. It is notable that disinvestment has been a consistent disappointment for the Govt. in recent years.

#5: We expect govt. capex to be upfront in 1H FY27; but 2H capex momentum would depend on growth recovery in FY27

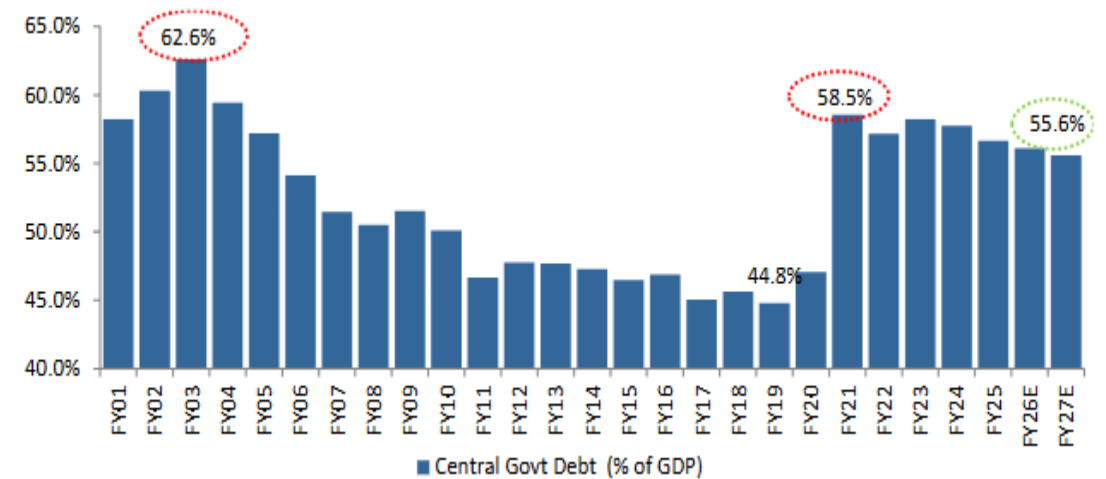
- It means Govt. will upfront capex in 1HY FY27, which is positive for public capex proxies.
- The momentum in 2H Capex would depend on actual tax buoyancy, which will come only if the Govt. upfront the Capex.

Fiscal prudence continues – Debt to GDP target of 55% by FY27

FY26/27 deficit in line with expectations



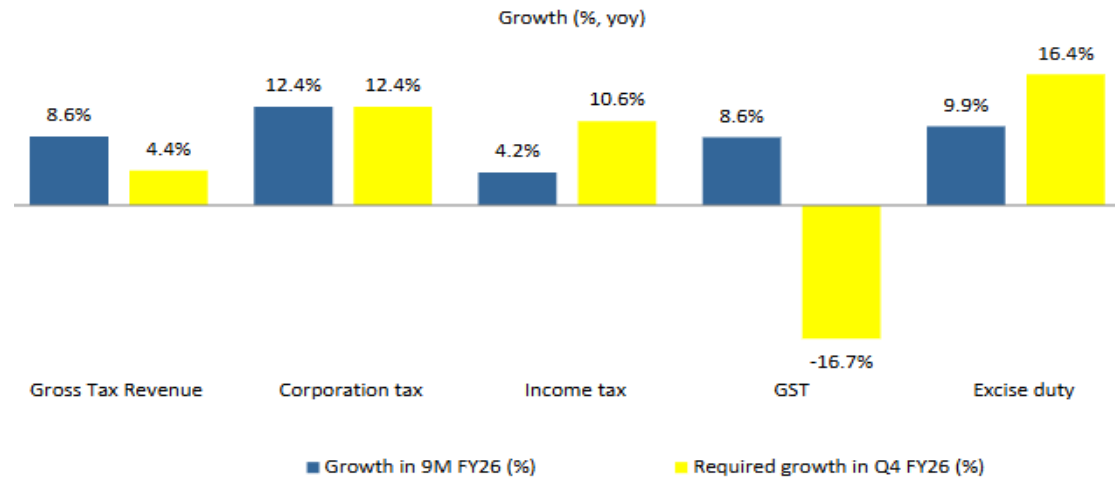
FY27 nominal GDP growth assumptions reasonable



- Higher gross borrowing of Rs. 17.2tn due to a decline in other capital receipts is negative for G-sec bond yields in short term.
- India's debt-to-GDP ratio expected to reduce by 50bps to 55.6% in FY27BE following 56.1% in FY26RE and fiscal deficit budgeted to reduce by 10bps to 4.3% of GDP
- The target is to reduce the central government's debt-to-GDP ratio to 50% (+/- 1%) by FY31, down from an estimated 56.1% in FY26.
- The government is expected to follow a gradual, predictable debt reduction path over FY26-31, keeping fiscal credibility as the anchor while allowing targeted capex and growth support.

Fiscal prudence continues – Debt to GDP target of 55% by FY27

High growth required in personal and corporate taxes



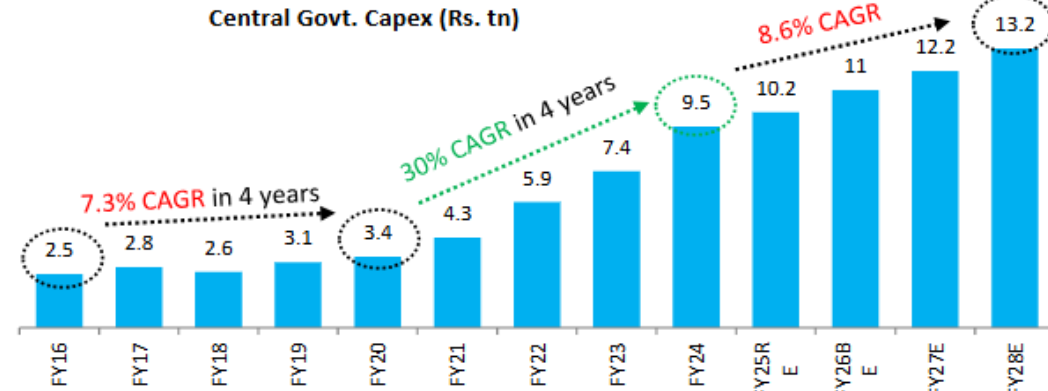
- Personal income tax collections need to grow at 10.6% in Q4 FY26 vs. 4.2% growth in Apr-Dec FY26, to meet the full-year revised target of Rs. 13.1tn in FY26. The original target was Rs. 14.4tn given in Budget FY26.
- Corporate tax collections need to grow 12.4% in Q4 FY26 to meet the full-year revised target of Rs. 11.1tn in FY26. It has been increased from Rs. 10.8tn targeted earlier.
- Central Govt. Capex for FY26 has been cut to Rs. 10.9tn, Rs. 253bn lower than budgeted. If there is any shortfall in revenue, we see Capex getting further trimmed.

Risk of further cut in capex in FY26

(Rs. Bn)	Q4 FY25	Q4 FY26	Growth in 9M FY26 (%)	Required growth in remaining 3months (%)
Gross Tax Revenue	10,861	11,337	8.6%	4.4%
Direct taxes	6,432	7,155	8.0%	11.2%
Corporation tax	2,458	2,762	12.4%	12.4%
Income tax	3,974	4,393	4.2%	10.6%
Indirect taxes	4,429	4,182	9.5%	-5.6%
CGST + IGST + Cess	2,711	2,257	8.6%	-16.7%
Custom duty	630	626	15.0%	-0.7%
Excise duty	1,006	1,171	9.9%	16.4%
Net tax revenue (i)	6,971	7,756	5.3%	11.3%
Non-tax revenue (ii)	889	1,278	20.6%	43.7%
Non debt capital receipts (iii)	145	180	68.7%	23.8%
Disinvestment of PSUs (iii)	82	60	209.3%	-26.7%
TOTAL REVENUES (i+ii+iii) = A	8,006	9,214	9.1%	15.1%
Revenue expenditure (a)	10,542	12,760	1.8%	21.0%
Interest payment	3,073	3,633	12.7%	18.2%
Major Subsidies	780	1,122	3.4%	43.8%
Food	362	770	-7.7%	112.9%
Fertilizer	343	289	15.5%	-15.8%
Capex (b)	3,666	3,078	15.0%	-16.0%
TOTAL EXPENDITURE (a+b) = B	14,208	15,838	4.6%	11.5%
Fiscal deficit (B-A)	6,202	6,624	-6.1%	6.8%

Govt. target to balance Consumption + Capex push

#1: Central govt. focus seems to be back on Capex in FY27 with 11.5% growth in Capex



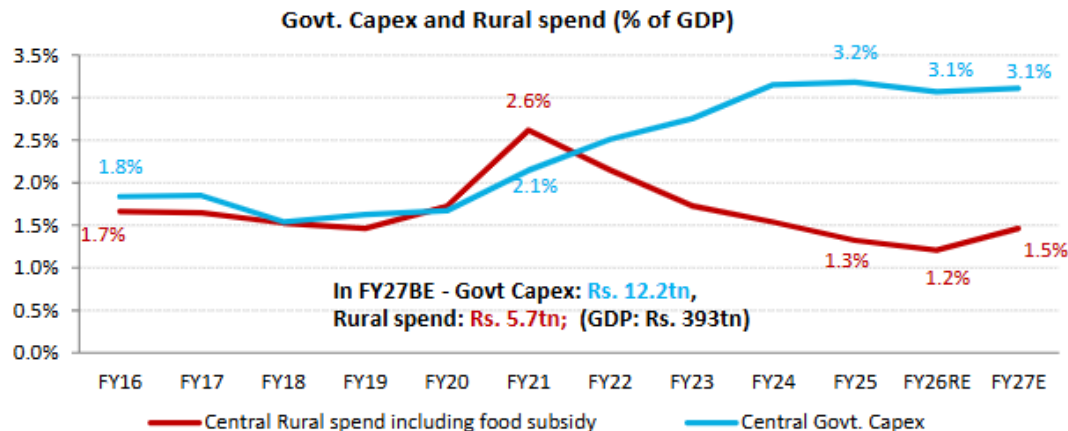
Source: Govt, Aventus Spark Research

#2: Adjusted for the capex through extra budgetary sources, total capex has been budgeted to grow 11% yoy in FY27BE, following moderate growth of 1.9% in FY26RE

(Rs. tn)	FY23	FY24	FY25	FY26RE	FY27BE
Through Budgetary Support	7.4	9.5	10.5	11.0	12.2
- Growth (% yoy)	24.8%	28.3%	10.8%	4.2%	11.5%
Through external sources (IEBR)	2.6	2.7	3.1	3.0	3.2
- Growth (% yoy)	-19.7%	3.3%	17.3%	-5.7%	9.5%
Total Capex incl. IEBR	10.0	12.2	13.7	13.9	15.5
- Growth (% yoy)	9.1%	21.8%	12.2%	1.9%	11.1%

Source: Govt, Aventus Spark Research

#3: Divergence on Govt. rural spend and capex has started narrowing after reaching an all-time high in FY24

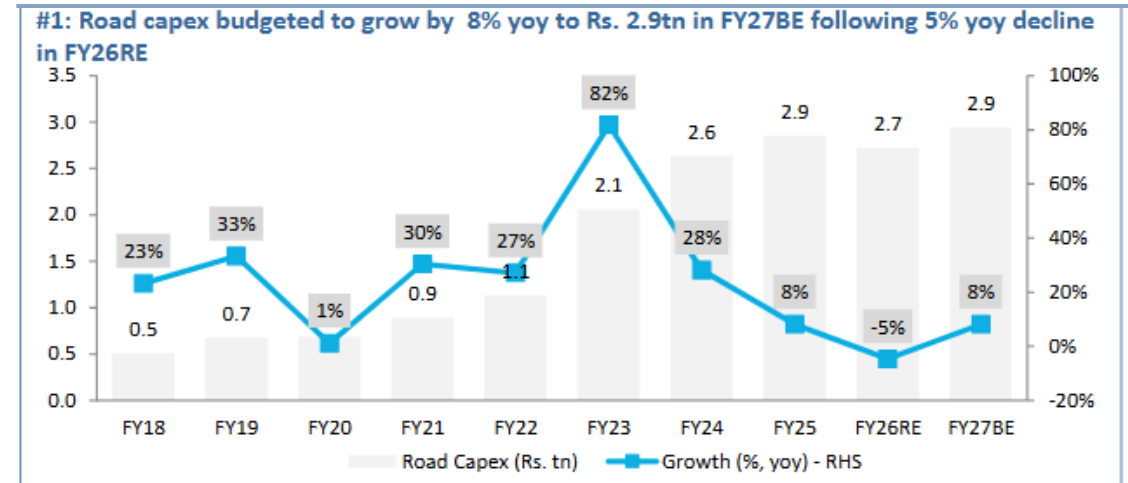
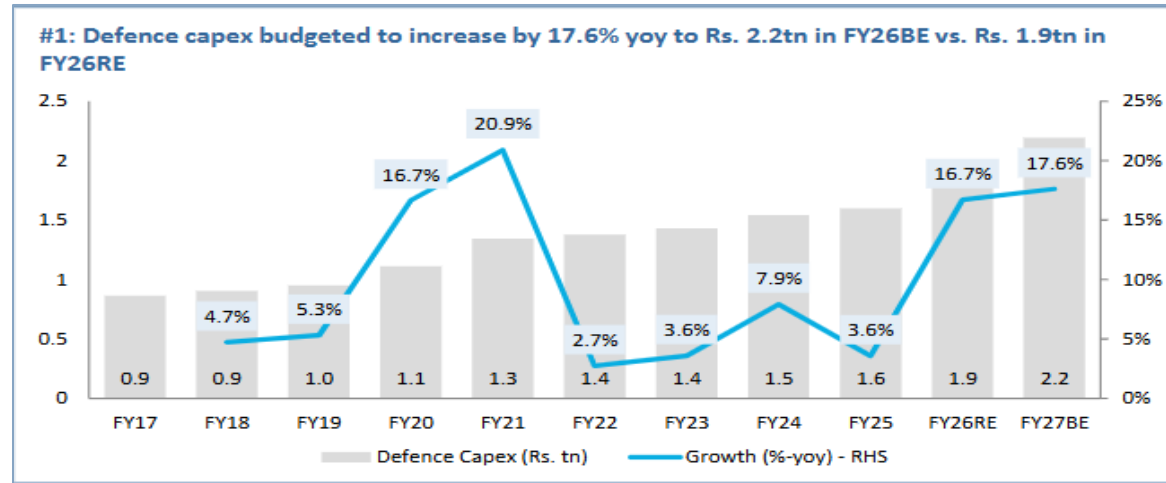


Source: Aventus Spark Research

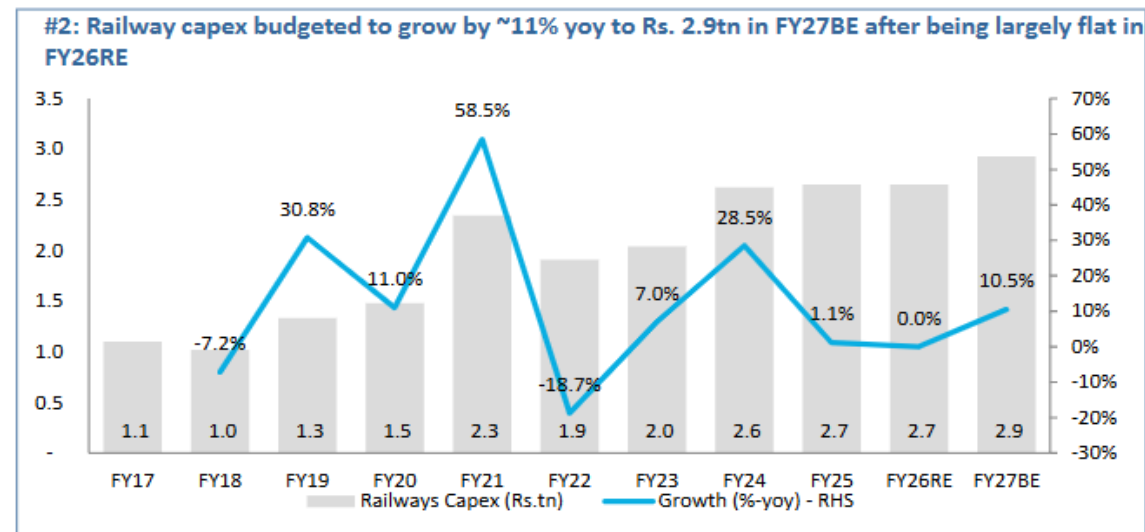
#4: Total capex could still be moderate led by a pullback in capex by states whereas Centre, CPSEs and private capex are likely to maintain a positive momentum

(Rs. tn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
State Capex	4.1	5.3	6.0	8.7	8.4	8.2	8.3
Centre Capex	4.3	5.9	7.4	9.5	10.2	11.2	12.1
Private Project Completion	1.2	3.0	2.8	3.5	4.1	5.0	6.3
CPSEs	4.6	5.6	6.5	8.1	9.4	10.7	11.4
Total	14.2	19.8	22.7	29.8	32.0	35.1	38.1
Growth (% yoy)	...	39.6%	14.7%	31.2%	7.7%	9.7%	8.3%

Focus on defence spending continues, while roads capex also grows



Source: Govt, Avendus Spark Research



#3: Allocations for most sub-categories in Railway capex have been kept largely same as last year

Rs. Bn	Share	FY25	FY26RE	FY27BE	FY27BE (%-yoy)
New Lines (Construction)	12.5%	334	306	367	19.9%
Gauge Conversion	1.6%	52	43	46	7.4%
Doubling	12.9%	328	290	378	30.1%
Traffic Facilities	2.7%	73	79	79	0.3%
Rolling Stock	17.8%	478	500	521	4.2%
Road Safety Works (Road Over/Under Bridges)	2.8%	70	77	82	6.3%
Track Renewals	7.8%	234	252	229	-9.2%
Signalling and Telecom	2.6%	56	65	75	15.4%
Electrification Projects	1.7%	42	45	50	11.1%
Investment in PSU/JV	5.9%	254	216	173	-20.1%
Metropolitan Transportation Projects	1.0%	14	24	29	22.5%
Payment of Capital Component	13.5%	227	282	397	40.8%
Others	12.1%	357	342	354	3.6%
Railways (Budgetary support)	94.9%	2520	2520	2778	10.3%
IEBR	5.1%	130	130	150	15.4%
Total	100.0%	2650	2650	2928	10.5%

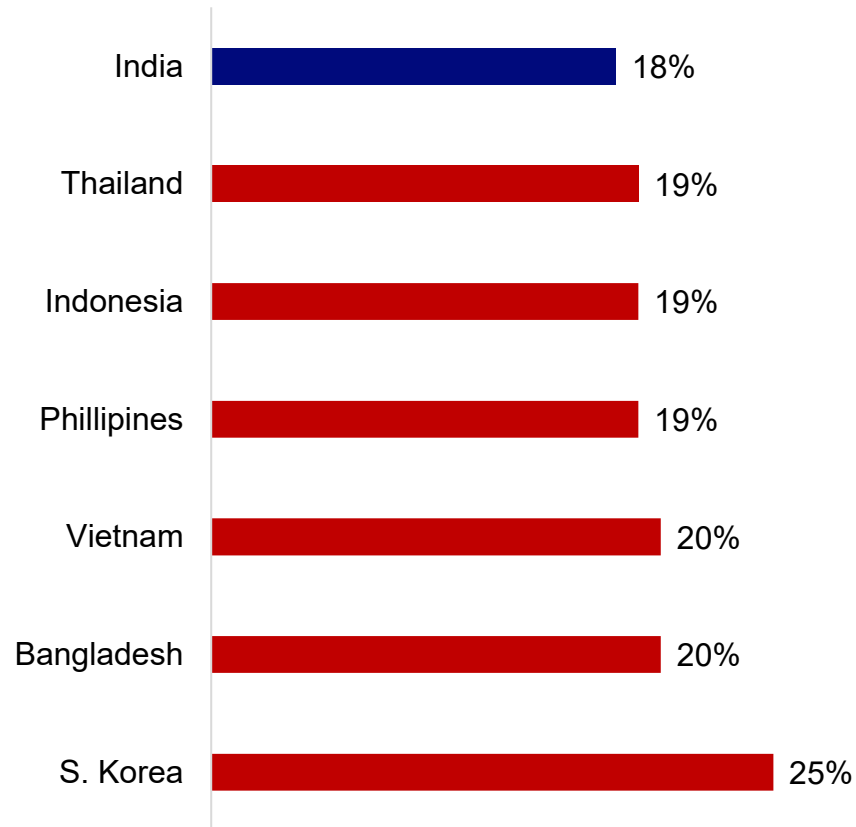
There are decades where nothing happens; and there are weeks where decades happen – India signs deals with both US and EU



US deal removes tariff disadvantage vs other Asian countries

A deal with the US removes India's tariff disadvantage vs. Asia

US Tariffs on Asian exports



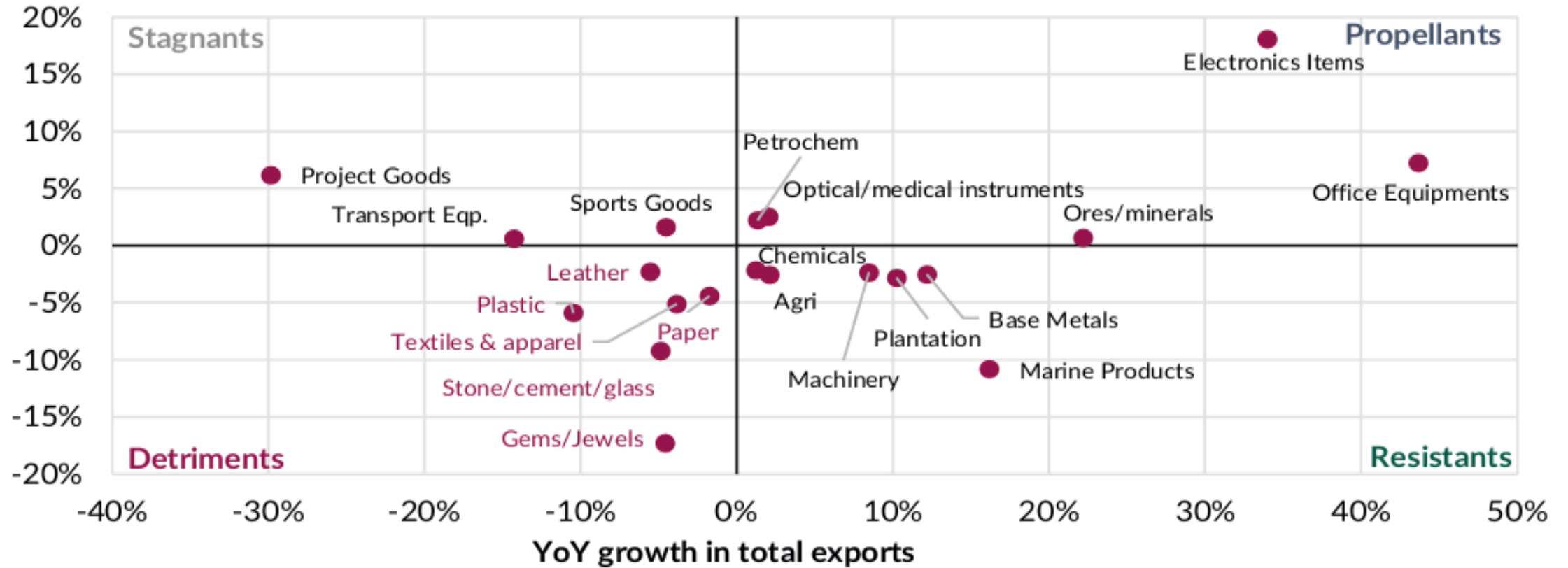
Export Product	India Merchandise Exports					
	To USA			To Rest of the World		
	2026	2023	2025	2025		
			\$83.6 Bn	\$438 Bn		
	Tariff (Feb'26)*	Tariff (2023)	Tariff (Jul'25)	Export Revenue (2024)**	Tariff (2024)^	Export Revenue (2024)
Petroleum products	0%	0%	1%	3	1%	60
Agricultural & allied products	18%	2%	36%	4	4%	47
Ores & minerals	0%	0%	40%	0	1%	5
Manufactured goods	15%	3%	35%	61	3%	251
Leather & leather manufactures	18%	8%	56%	0	3%	4
Chemicals & related products	18%	1%	24%	16	2%	46
Engineering goods	18%	1%	36%	17	3%	93
Electronic goods	0%	0%	16%	11	2%	30
Textiles (ex readymade garments)	18%	7%	56%	5	4%	14
Readymade garments	18%	12%	64%	4	6%	12
Other manufactured goods	18%	3%	51%	7	3%	23
Gems & jewellery	18%	2%	52%	11	2%	18
Other commodities	--	0%	34%	4	1%	3

Textiles and Gems and Jewelry to be biggest beneficiaries

US tariffs hit textiles & apparels, gems/jewelry, leather and plastics; electronics, office equipment and ore/minerals led growth

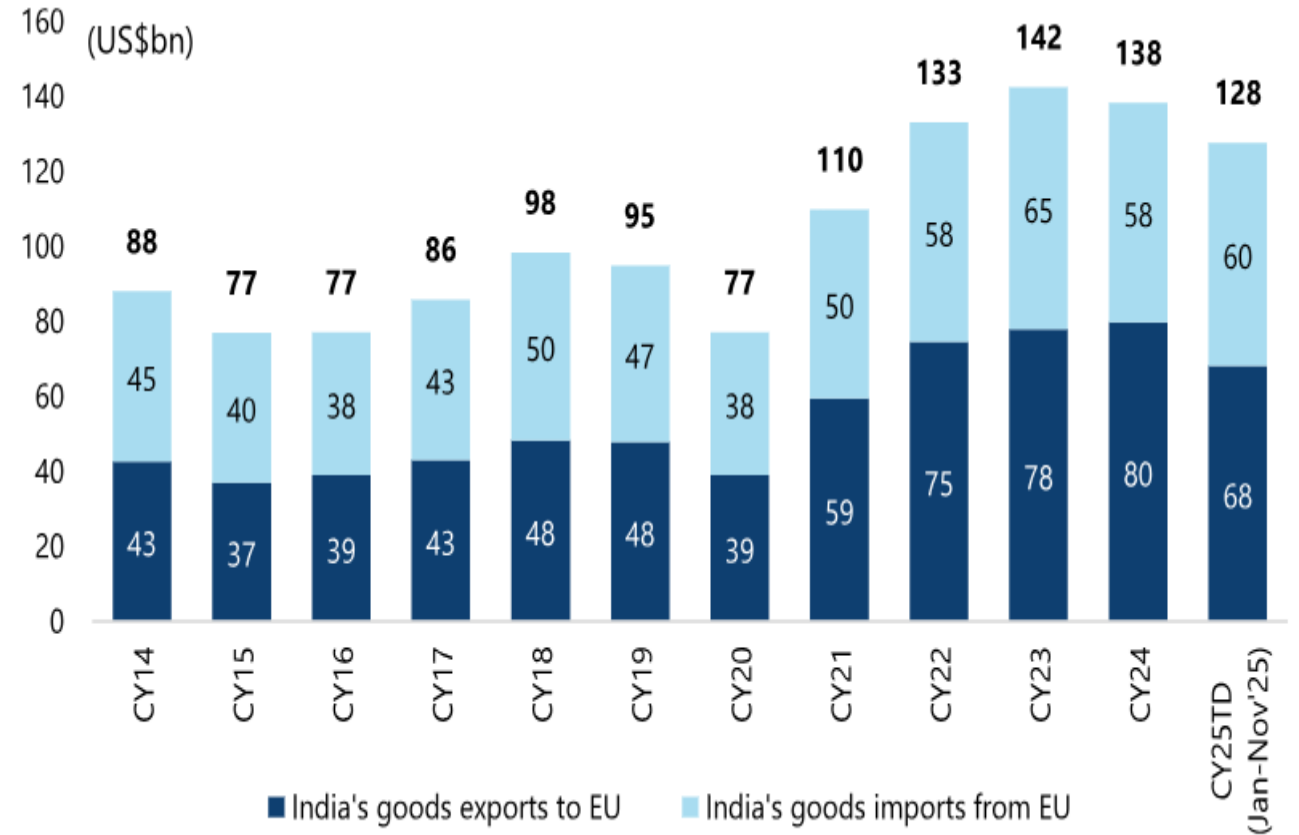
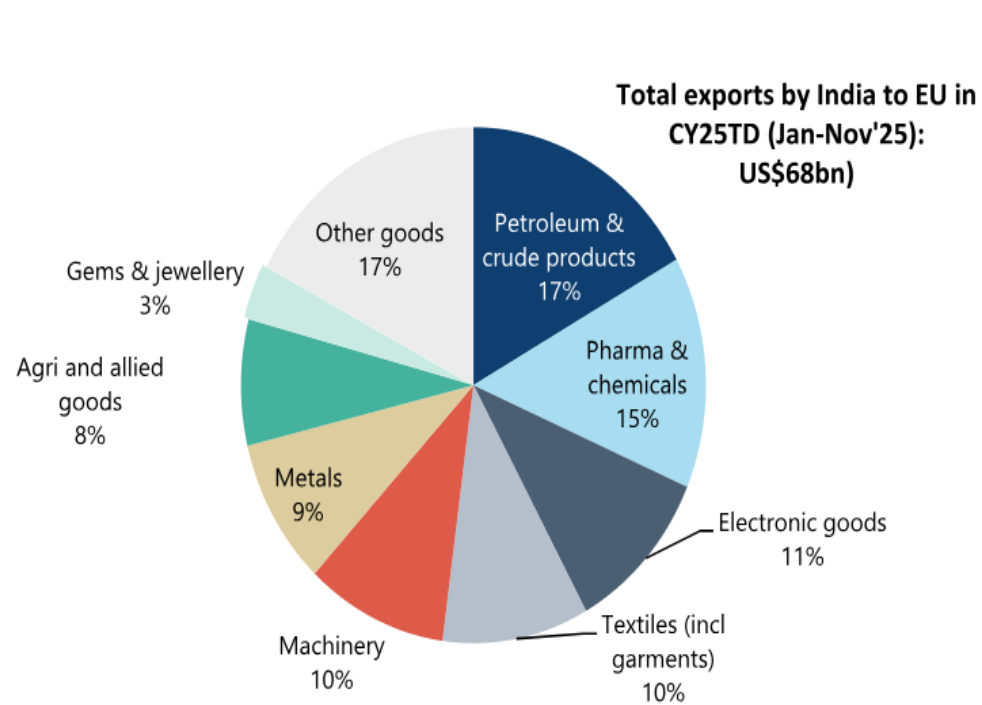
YoY change in US share

Sep-Nov 2025 (3 months of 50% US tariffs)



EU deal should help India on exports front

India bilateral trade with EU (\$Bn)





**Are we at a trough in
the market cycle?**



India markets underperformed developed and emerging markets

Emerging Markets – CY25 Return by Country

Country	Return
Colombia	116%
Korea	101%
Greece	83%
Hungary	79%
South Africa	79%
Poland	76%
Czech Rep.	74%
Chile	74%

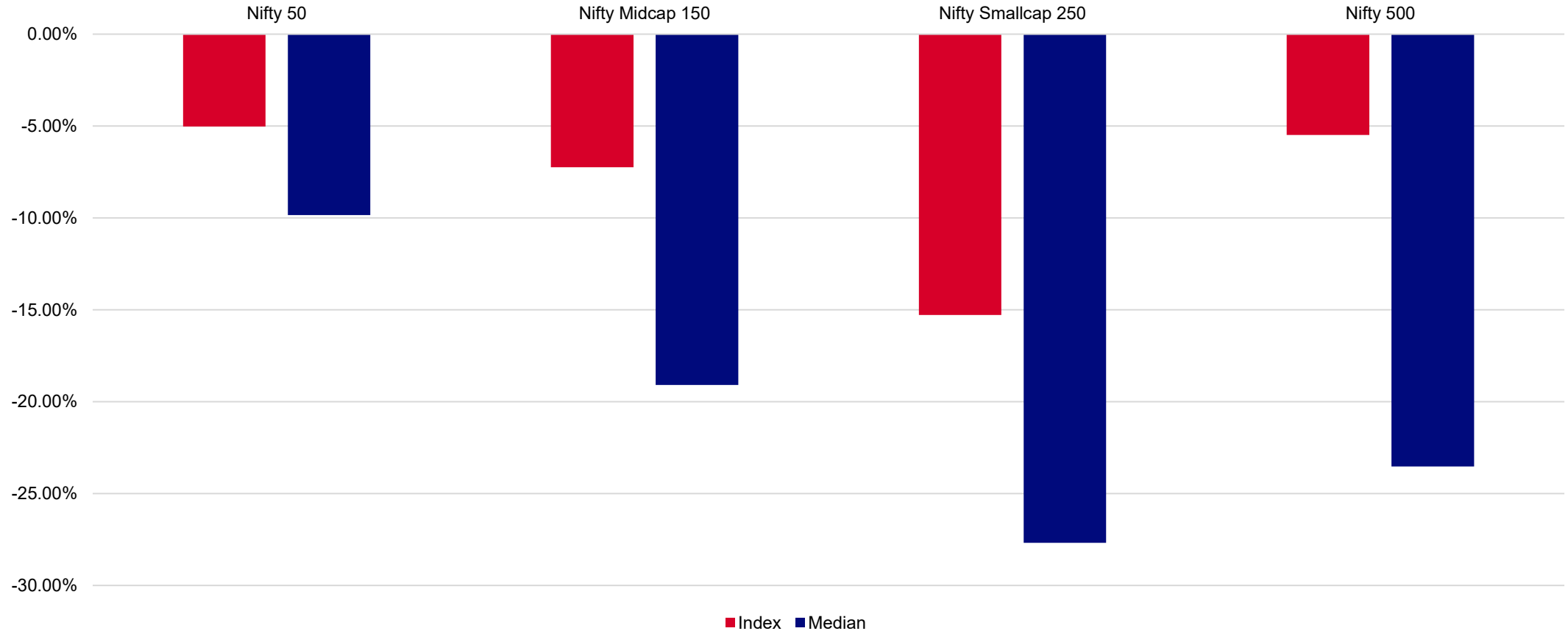
Country	Return
Peru	74%
Mexico	57%
Egypt	55%
Brazil	50%
Taiwan	40%
China	31%
UAE	27%
Kuwait	23%

Country	Return
Malaysia	15%
Qatar	8%
Thailand	7%
India	4%
Philippines	1%
Indonesia	-2%
Turkey	-2%
Saudi Arabia	-5%

Median stock in Nifty 500 down >20% from 52-week highs

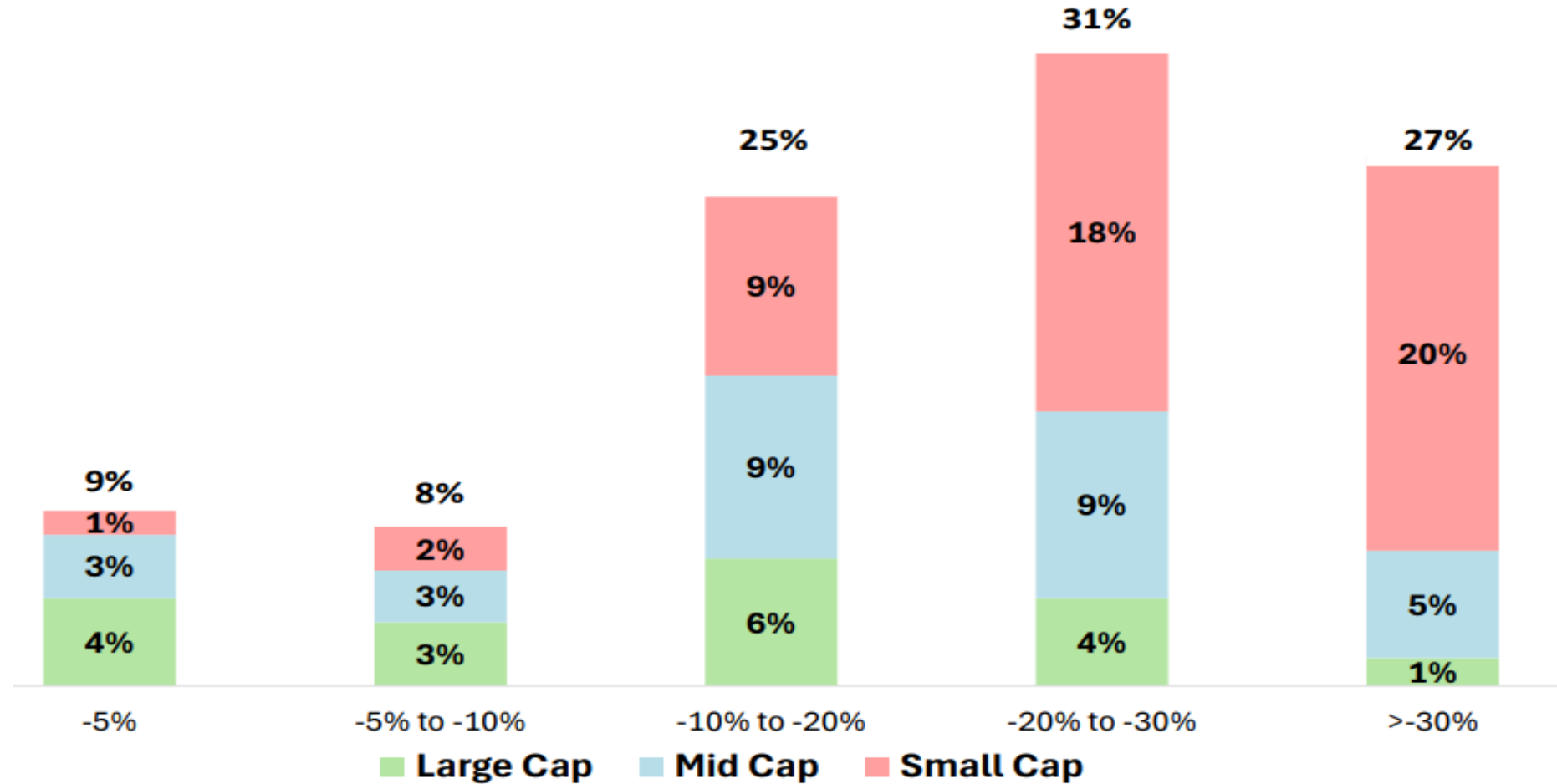


Drawdown from 52-week high (%)



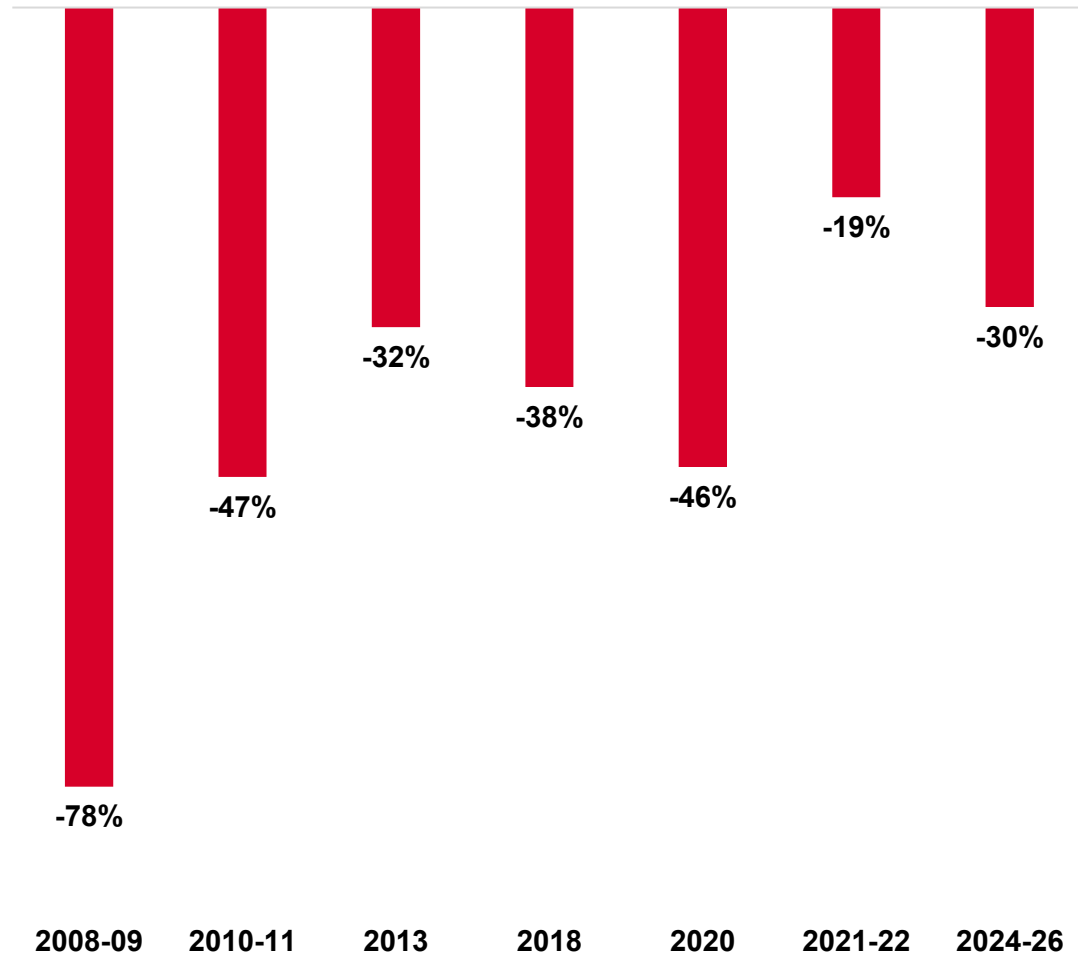
83% stocks in Nifty 500 have fallen >10% from 52-week high

% of NSE 500 Stocks, Fall from 52W High



We have seen sharp correction in broader markets

Median Market Drawdowns across major cycles



Main Indices

Nifty 50	-4.3%
BSE 500	-7.8%
Equal Weighted BSE 500	-11.7%
Median of BSE 500 co. returns	-16.3%

Mid Small Cap Index

BSE MidSmall Index	-14.4%
Equal Weighted BSE MidSmall	-20.2%
Median of BSE MidSmall co. returns	-28.5%


Barely 11% of Nifty500 stocks above the 20-day SMA

% abv 20 SMA



% abv 50 SMA





***Post 16 months of time
and price correction, it is
time to be overweight
equities.***

We explore reasons why...

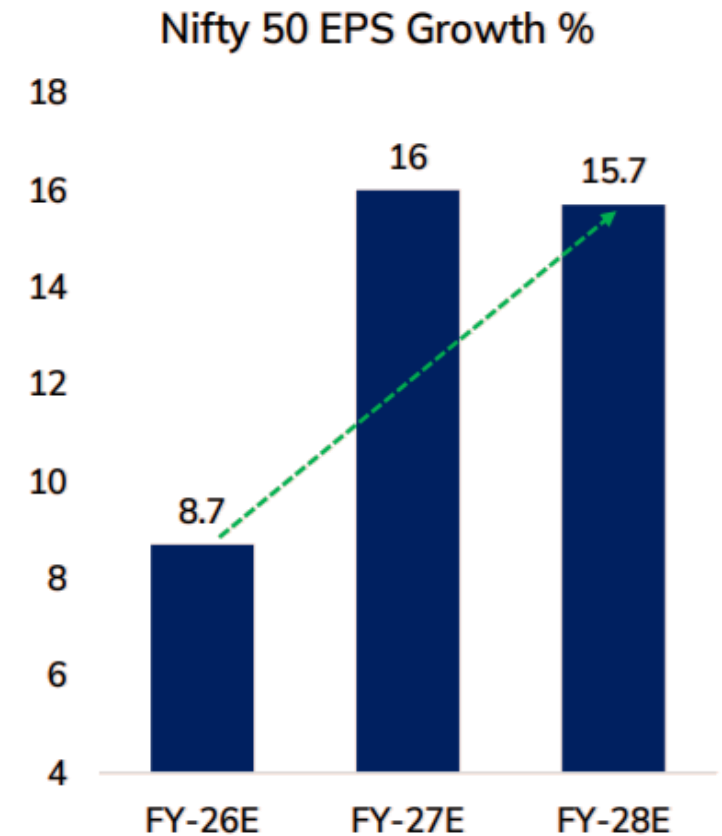
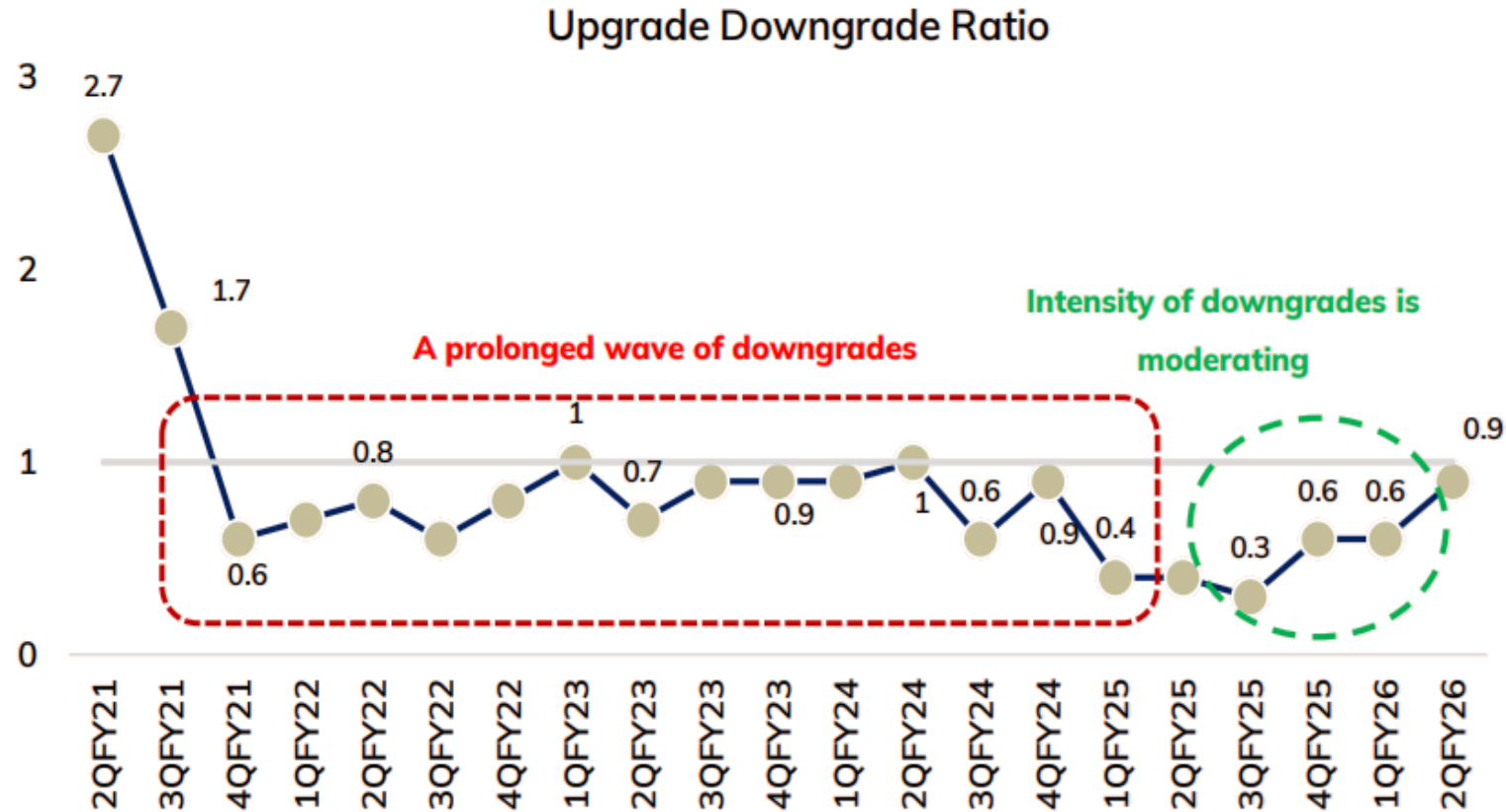
Halfway through Q3 FY26 results have been better than expectation

Rs in Trillion	No of Cos	Q3FY26								
		Revenue	YoY	QoQ	Reported PAT (Parent's share)	YoY	QoQ	Adj PAT (Parent's share)	YoY	QoQ
NIFTY500	263	23.54	12.1%	6.5%	2.50	8.1%	3.9%	2.56	12.2%	6.3%
BFSI	73	6.73	14.6%	8.0%	1.10	8.0%	4.8%	1.10	9.5%	5.0%
Non-BFSI	190	16.82	11.2%	6.0%	1.40	8.2%	3.2%	1.46	14.4%	7.3%
Non-BFSI Exc Cement, O/G, Metal/Mining	165	11.71	12.4%	4.5%	1.06	3.6%	-1.0%	1.15	9.1%	7.1%
Commodities: Cement, O/G, Metal/Mining	25	5.11	8.3%	9.4%	0.34	26.1%	19.2%	0.31	40.1%	8.1%

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	59	11.9%	3.8%	3.5%	6.8%	8.4%	8.2%	6.1%	8.7%
Mid Caps	87	0.1%	2.9%	3.4%	45.9%	25.6%	26.6%	40.1%	17.8%
Small Caps	117	10.7%	17.9%	-11.4%	8.9%	25.0%	-0.6%	26.5%	39.9%
Total	263	10.0%	4.6%	2.4%	12.0%	12.0%	10.2%	12.5%	12.2%

Earnings expectations reset and incrementally earnings growth to be better

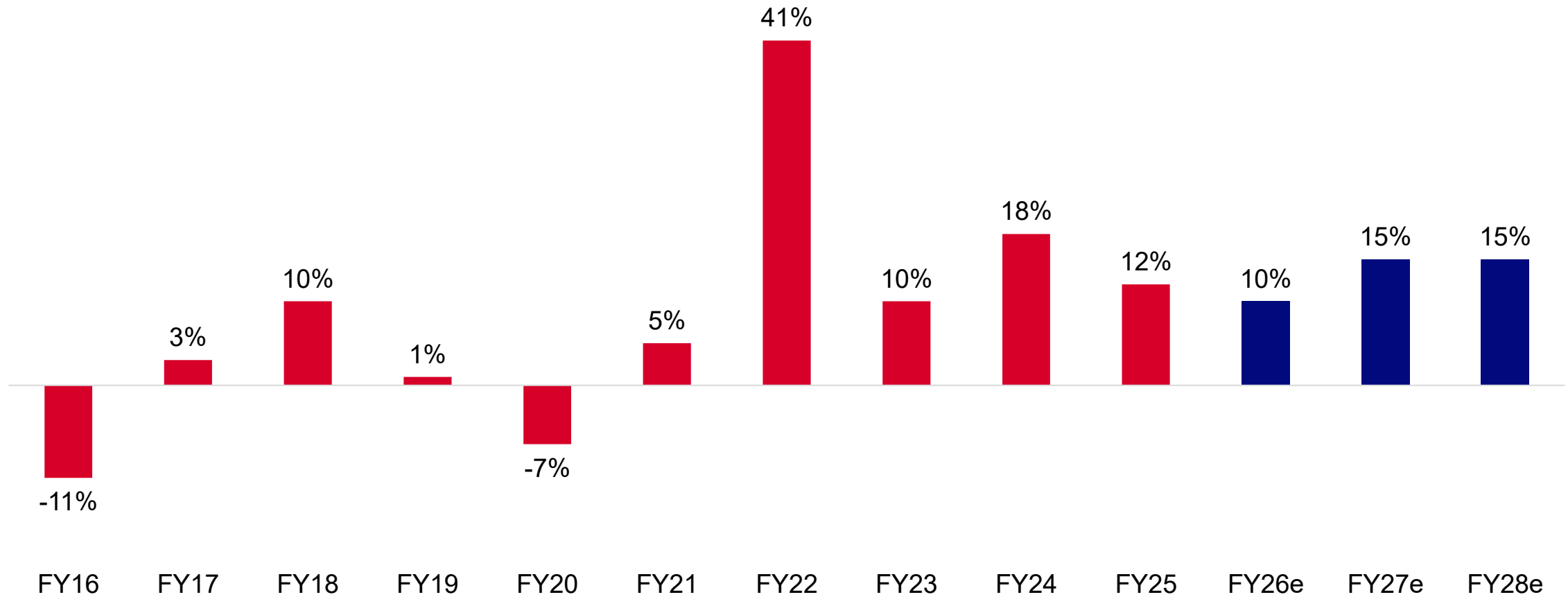
Earnings cuts cycle seems to have abated – with upgrades seen in H1FY26



Growth expected to accelerate going ahead

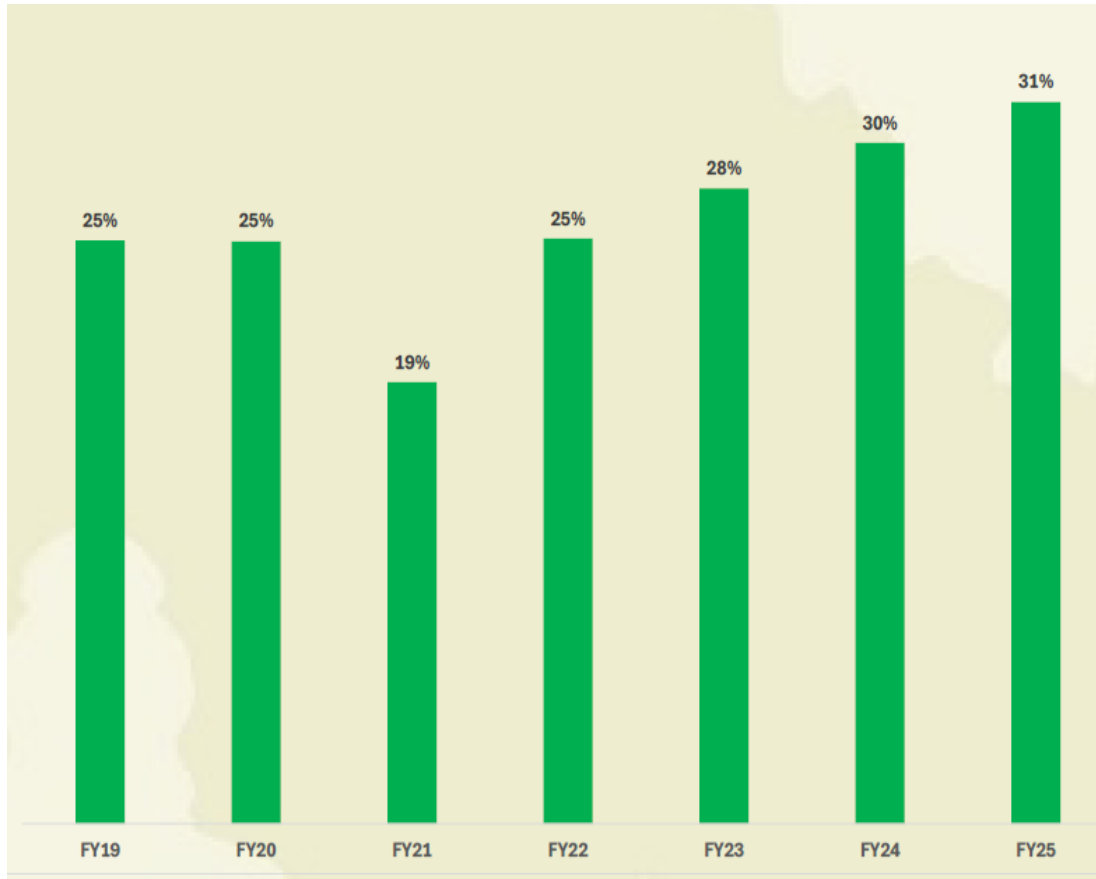
MSCI India earnings growth expected to accelerate 5ppt to 15% in FY27E

MSCI India EPS Growth (% YoY)

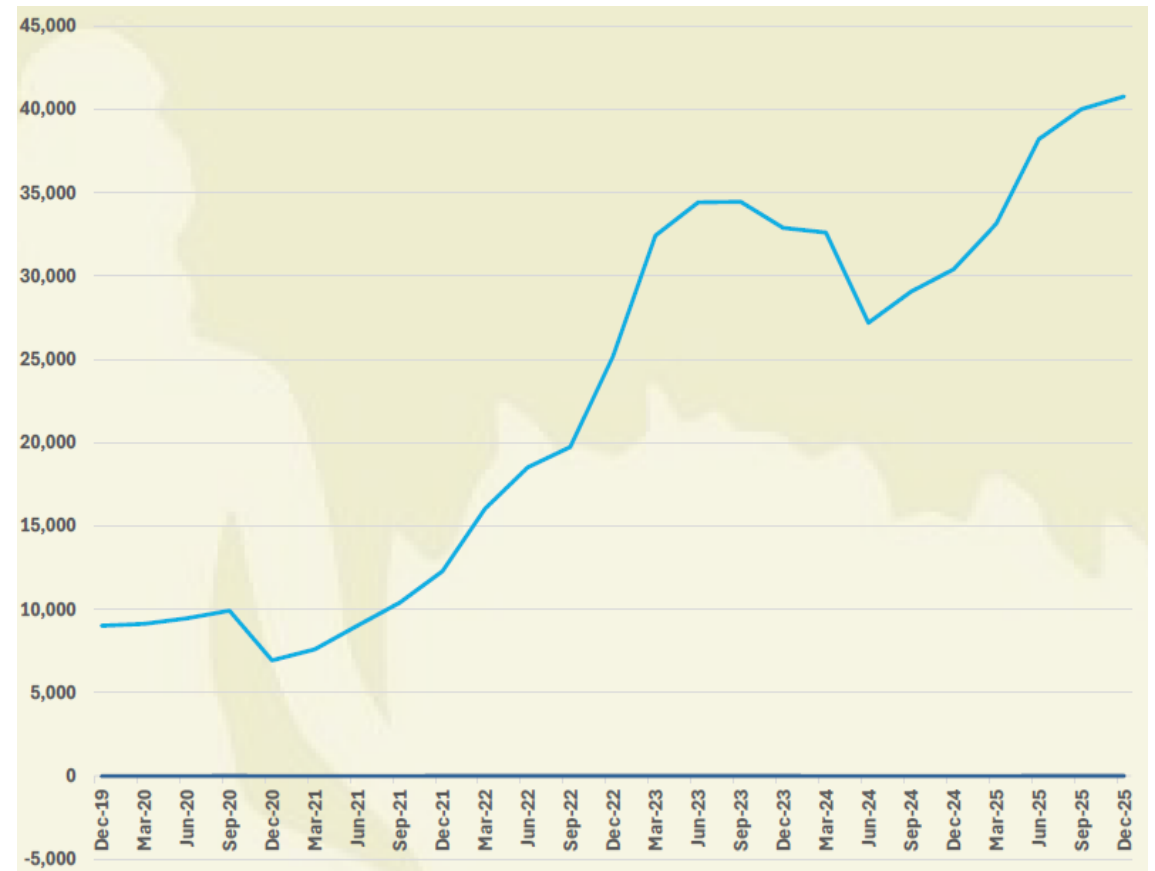


Private sector has been increasing capex

Capex as % of net block for listed companies (>1000 cr mcap)



Trailing Twelve Months (TTM) Capex Announcements (Rs. Bn)

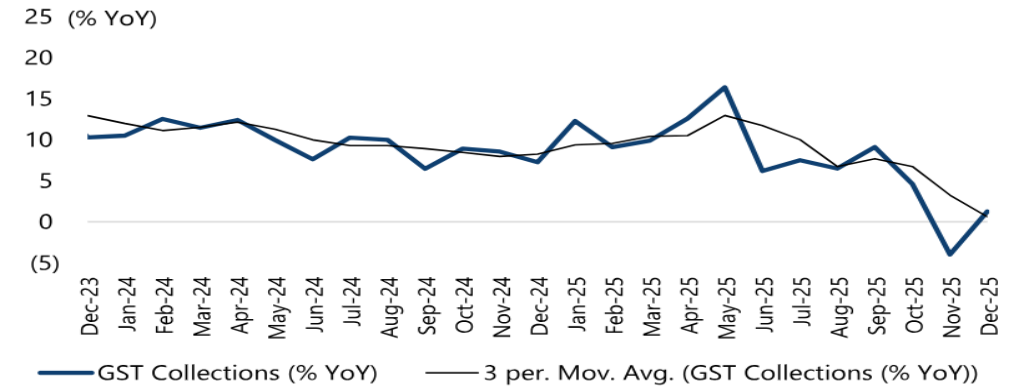


Macro indicators showing improving trends in economy

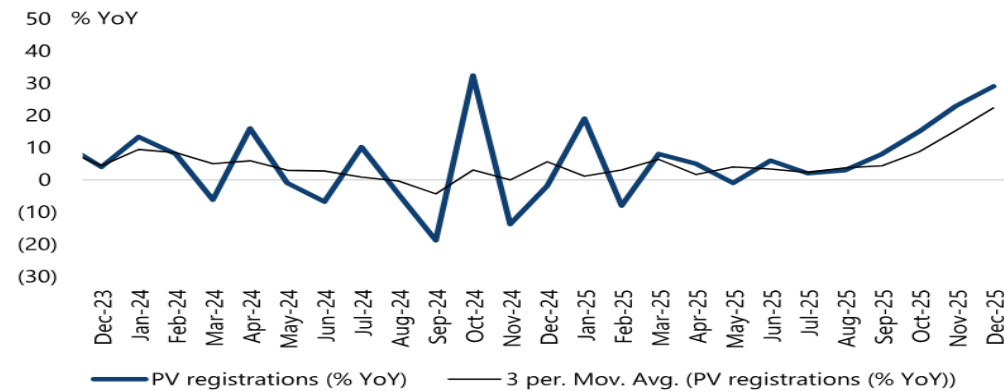
Credit and deposit growth trend for banks



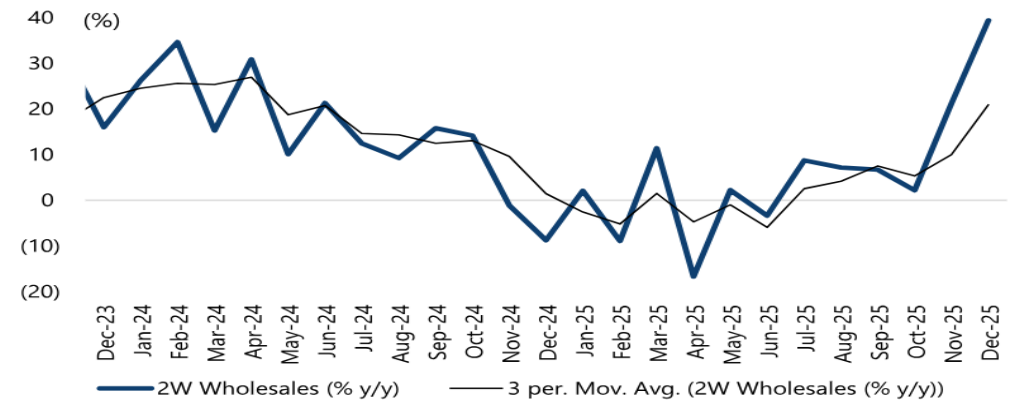
India trade weighted 40-currency REER



PV monthly registration trends

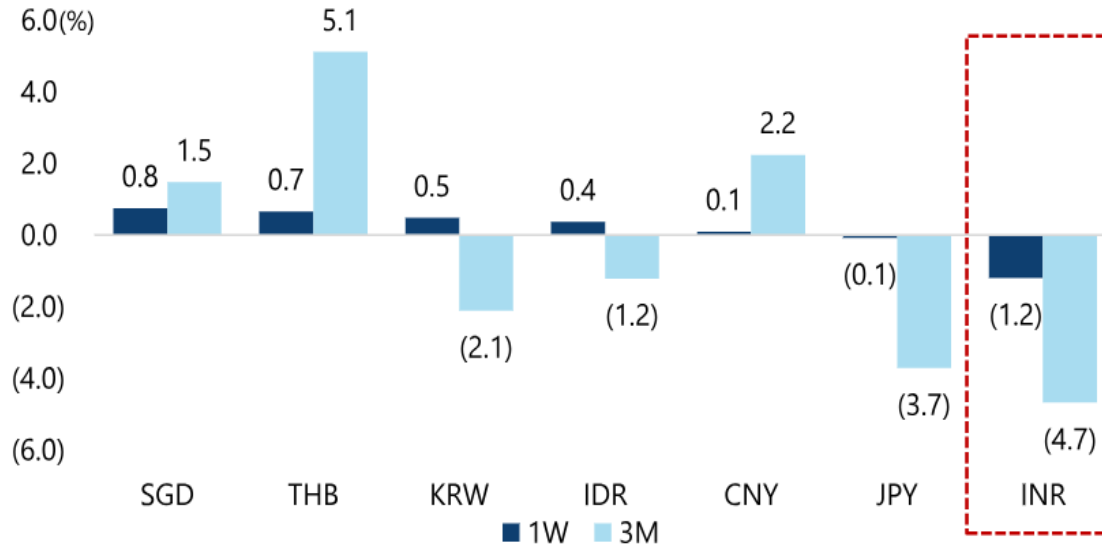


Two-wheeler sales

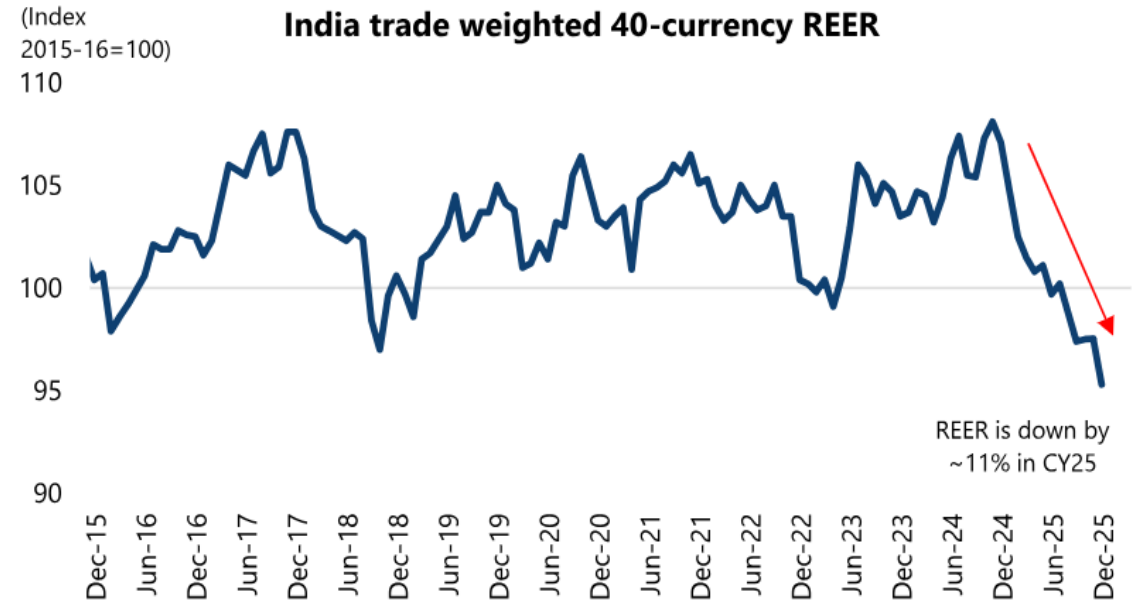


Markets are correlated to rupee – which is now undervalued

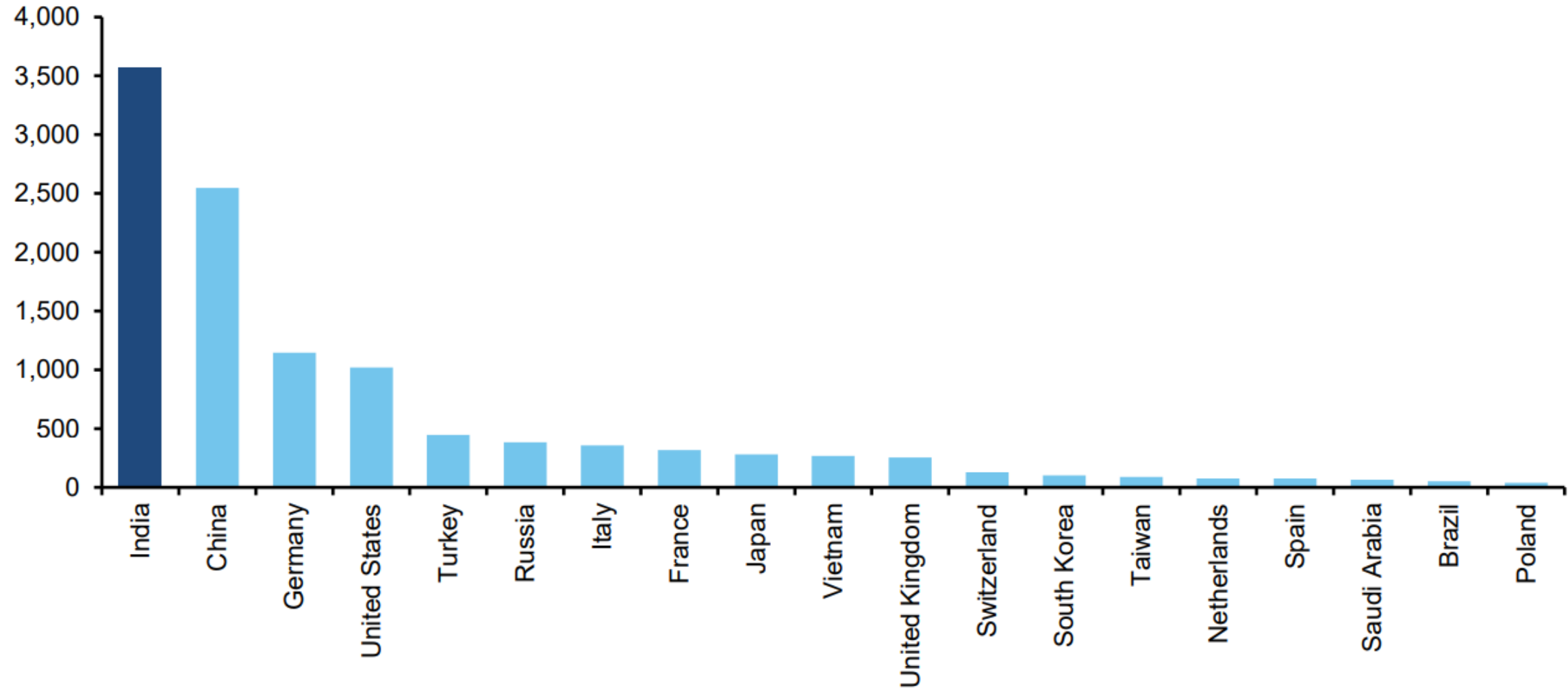
INR and regional currencies performance vs. the USD



India trade weighted 40-currency REER

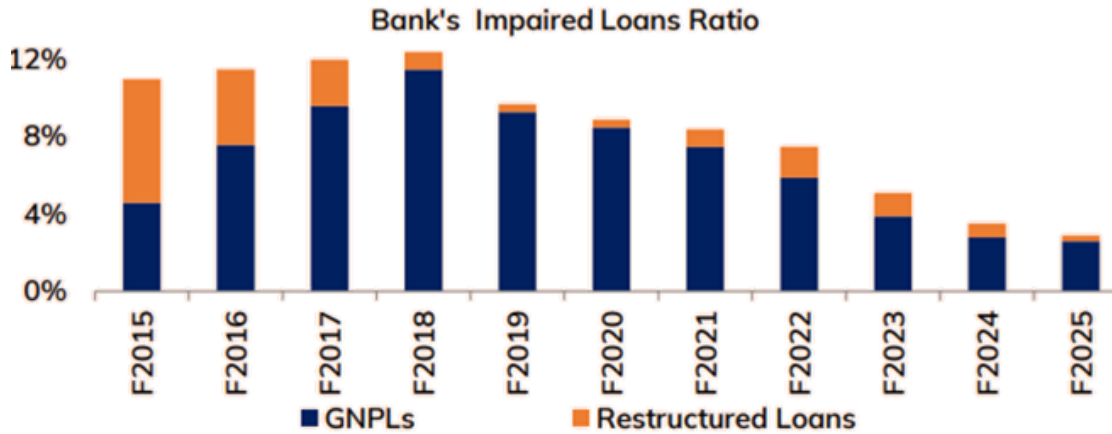


Markets not factoring in the wealth effect from Gold in India

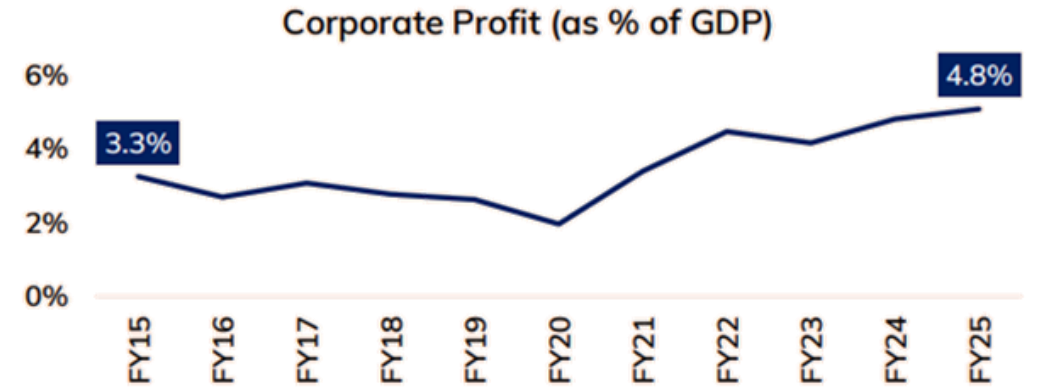


Household and Corporate Balance Sheets in good shape

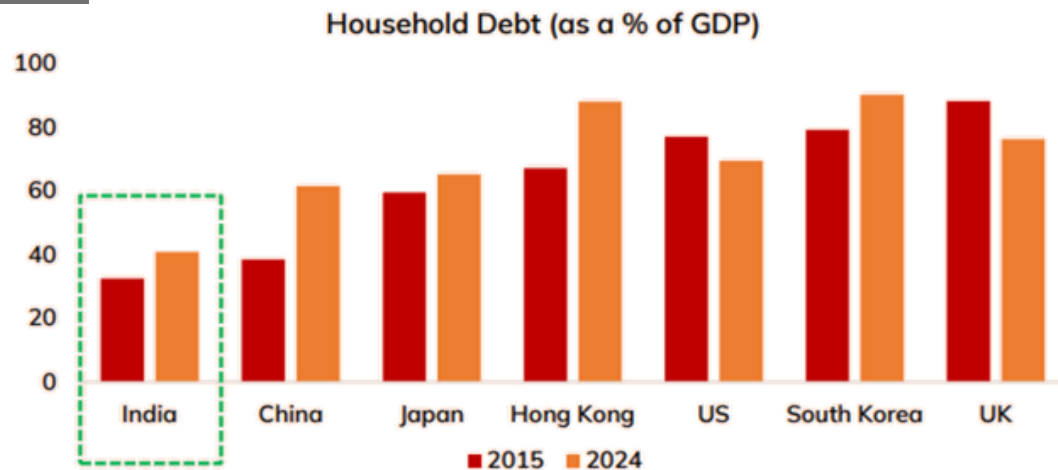
Asset quality of Banks getting better



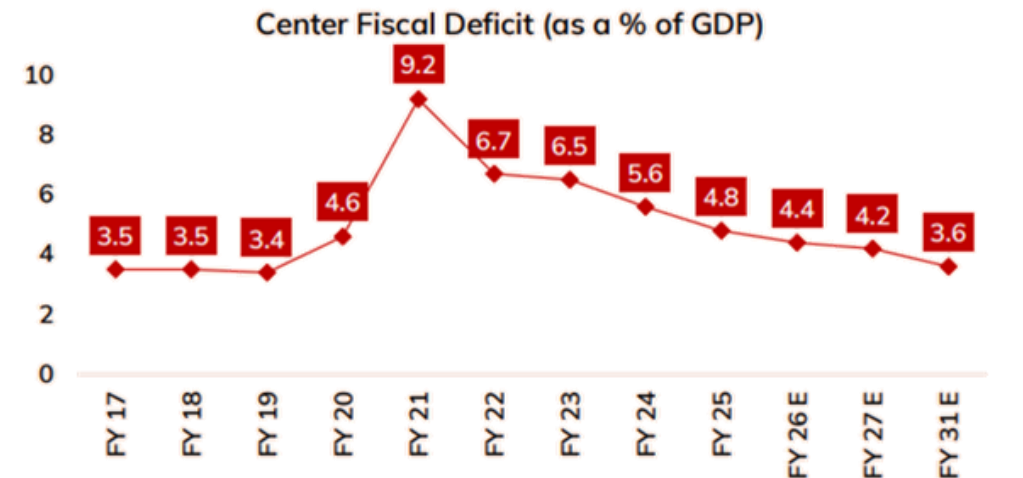
Profitability of the companies improving



India's Household Debt remains benign



Fiscal Prudence in check

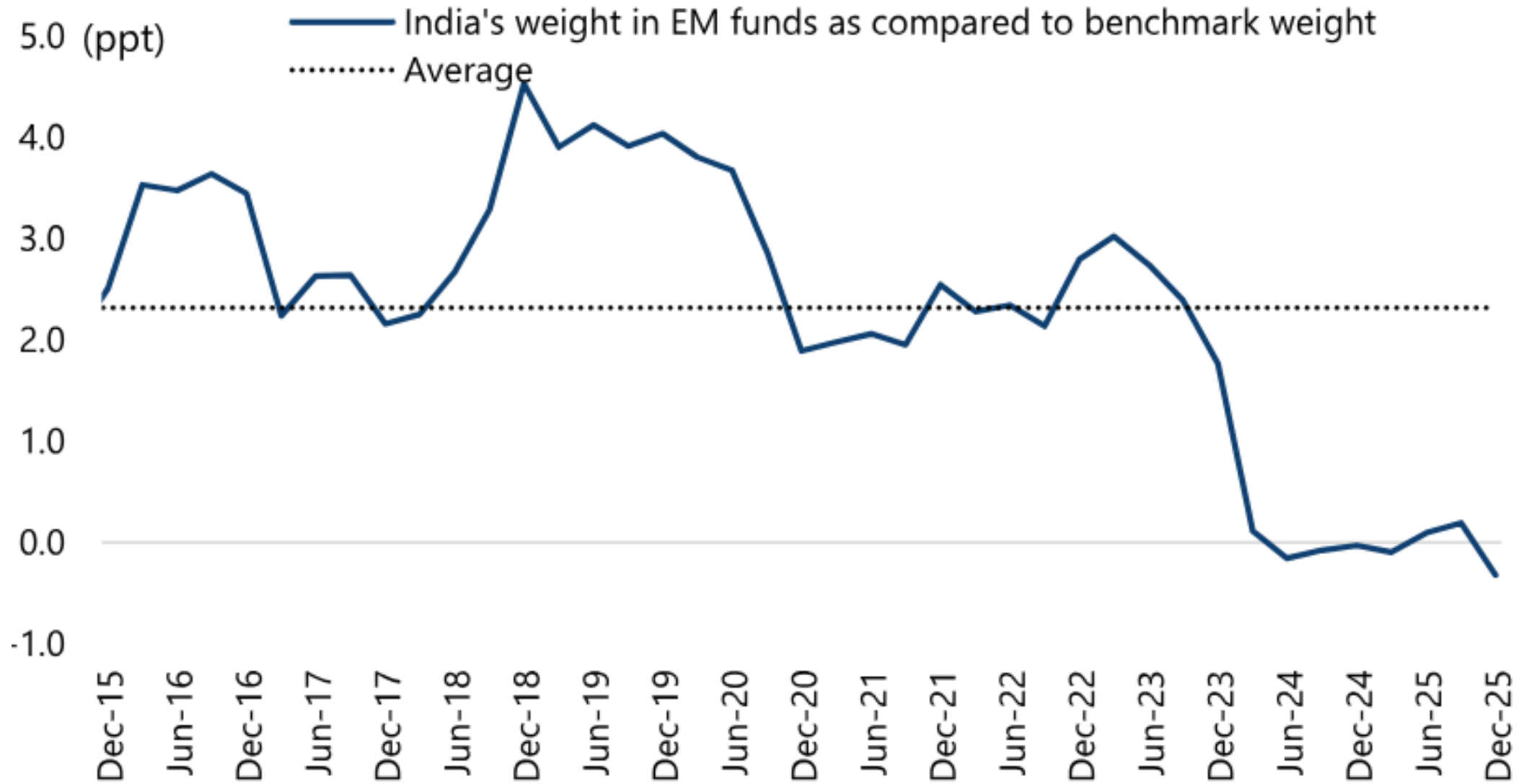


Historically Jan-Feb have been weakest months with rebounds seen later

Nifty Small 100	Drawdown during Jan-March	Date of Bottom	Bounce Back within the Next Fiscal Year	Peak Date	Bounceback Time (months)
2009	-24%	09-Mar-09	176%	18-Jan-10	11
2011	-21%	10-Feb-11	19%	07-Apr-11	2
2013	-21%	26-Mar-13	20%	31-Mar-14	12
2016	-24%	12-Feb-16	60%	31-Mar-17	14
2018	-20%	23-Mar-18	9%	30-Apr-18	1
2020	-47%	24-Mar-20	154%	04-Mar-21	12
2022	-22%	24-Feb-22	17%	08-Apr-22	1
2023	-11%	27-Mar-23	90%	07-Feb-24	11
2025	-23%	03-Mar-25	31%	16Jul.25	5
2026	-9%	?	?	?	?
Average	-24%		64%		8

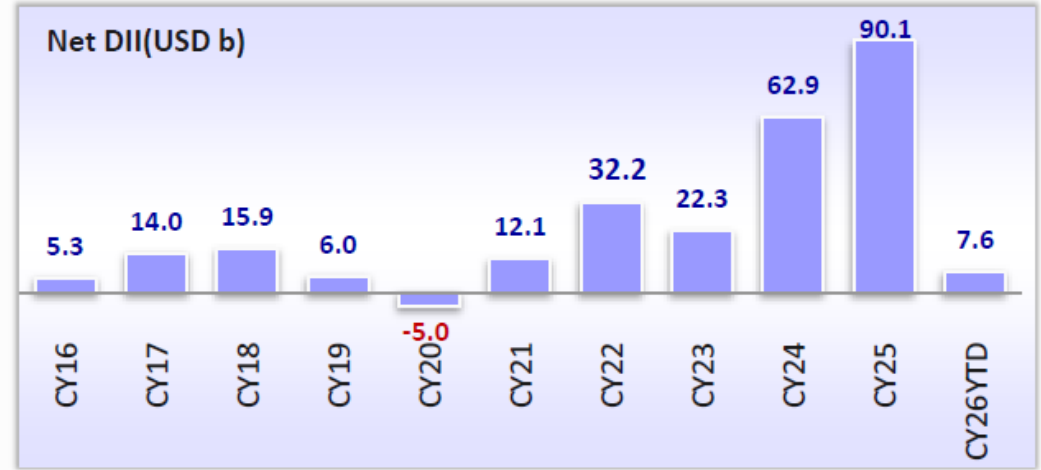
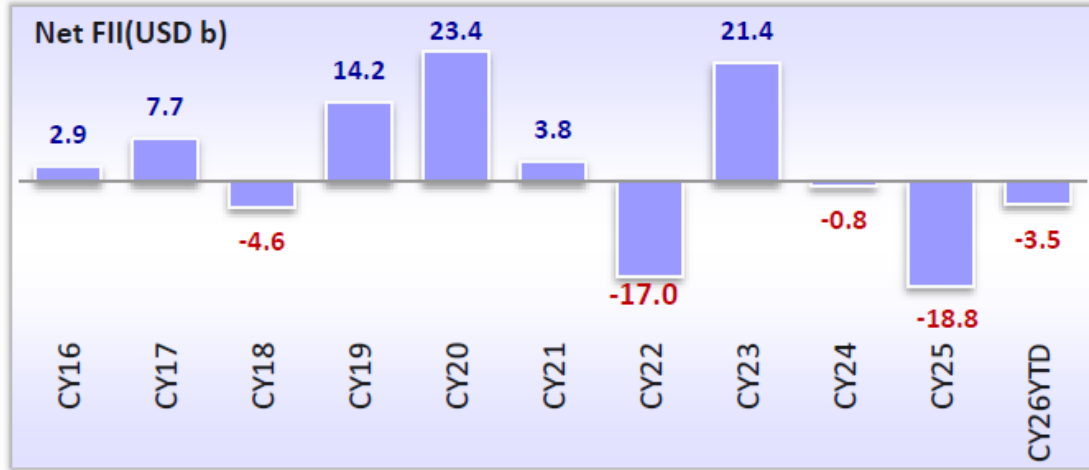
Month (Jan 2009 to Jan 2026)	Average Returns for Nifty Smallcap 100
January	-1.3%
February	-3.1%
March	1.5%
April	5.3%
Ma	3.1%
June	2.4%
July	2.1%
August	0.4%
September	1.2%
October	2.6%
November	1.0%
December	2.2%

FPI underweight on India at all time highs

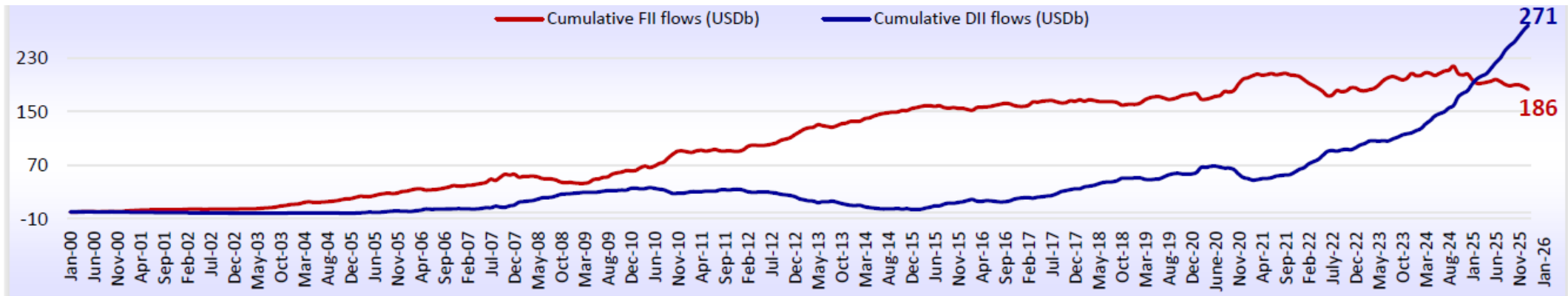


Cumulative FII flows negative for last 5 years – will they return?

Annual institutional flows (USD bn)

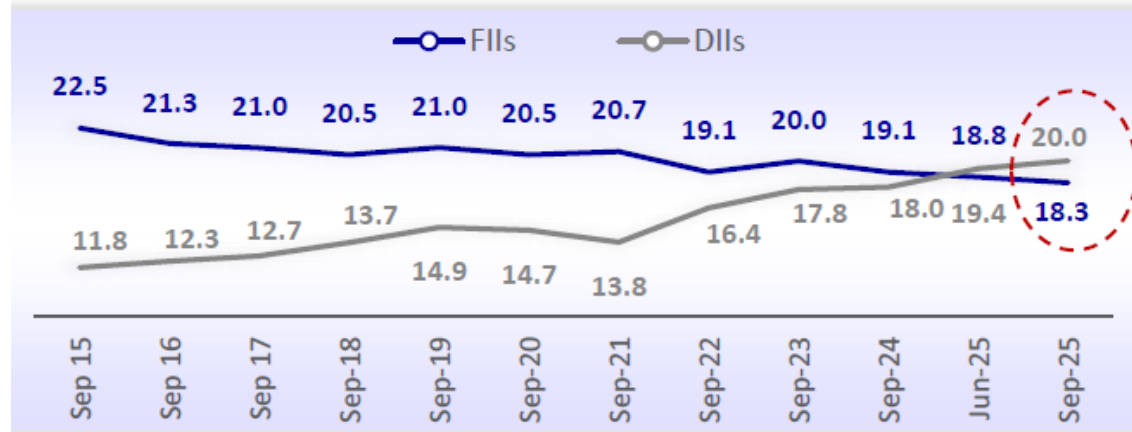


Annual institutional flows (USD bn)

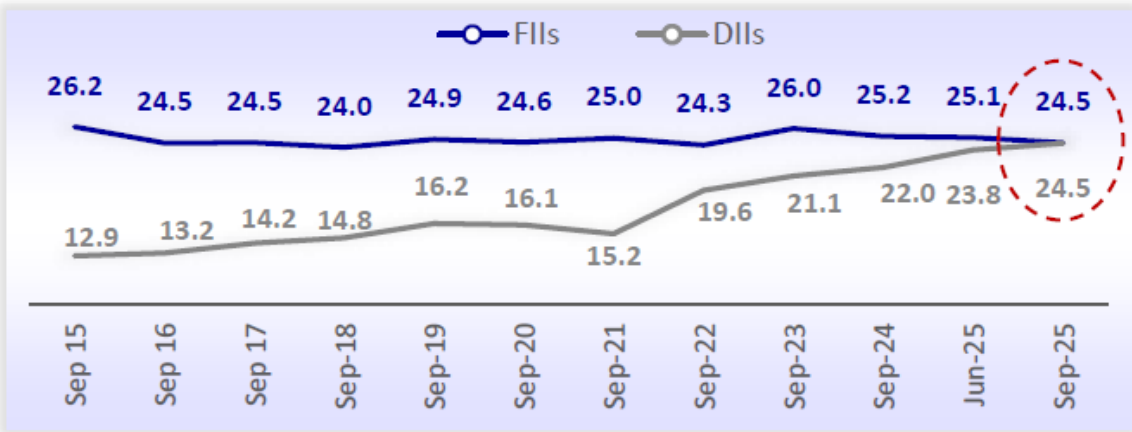


DIIs are now larger holders of Indian equities than FIIs

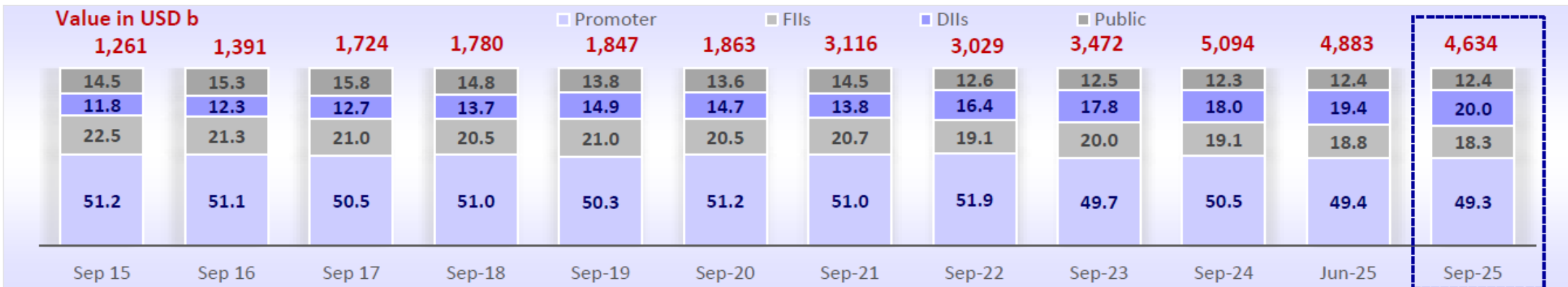
Trends in FII/DII holdings for Nifty-500 (%)



Trends in FII/DII holdings for Nifty-50 (%)



FII and promoter holdings in NSE-500 at an all-time low, while DII holdings at an all-time high



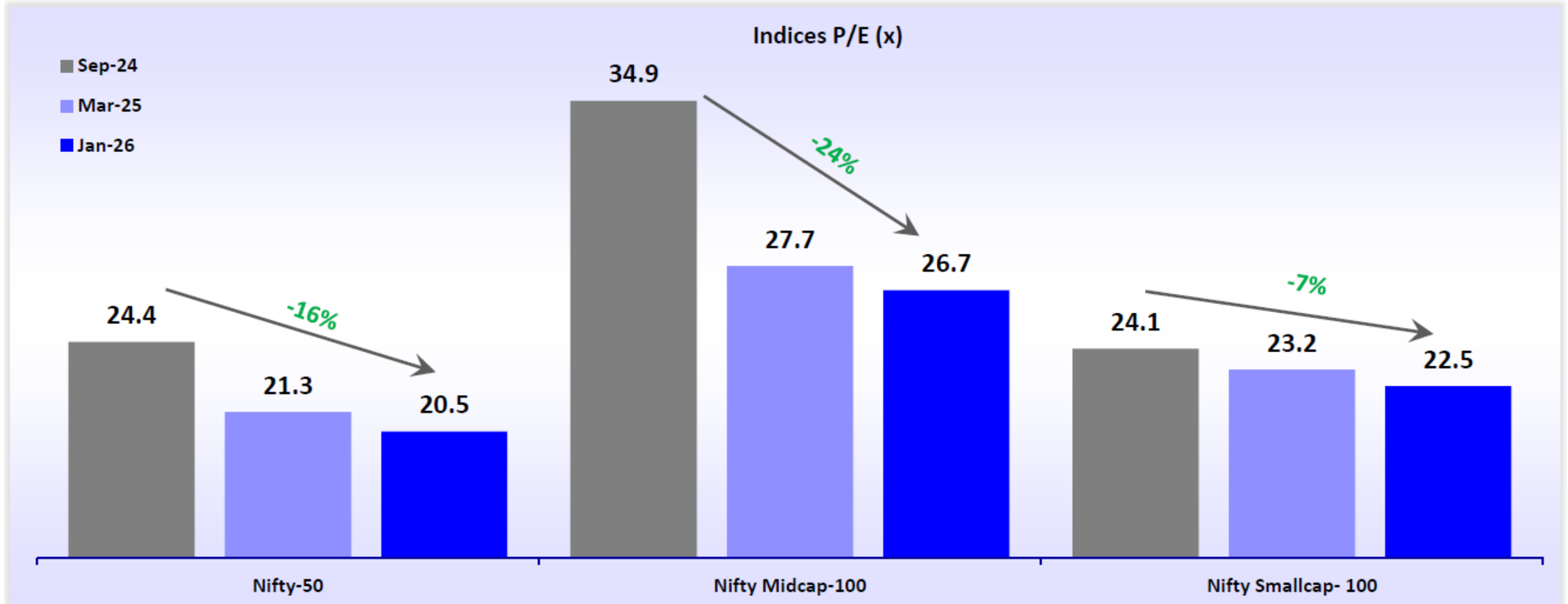
MSCI India trails MSCI EM – close to historical troughs

Rolling 365 days, % OPF/(UPF)



Meaningful time and price correction has happened in all indices

Nifty 50 vs. Nifty Midcap vs. Nifty Smallcap 12-month forward P/E



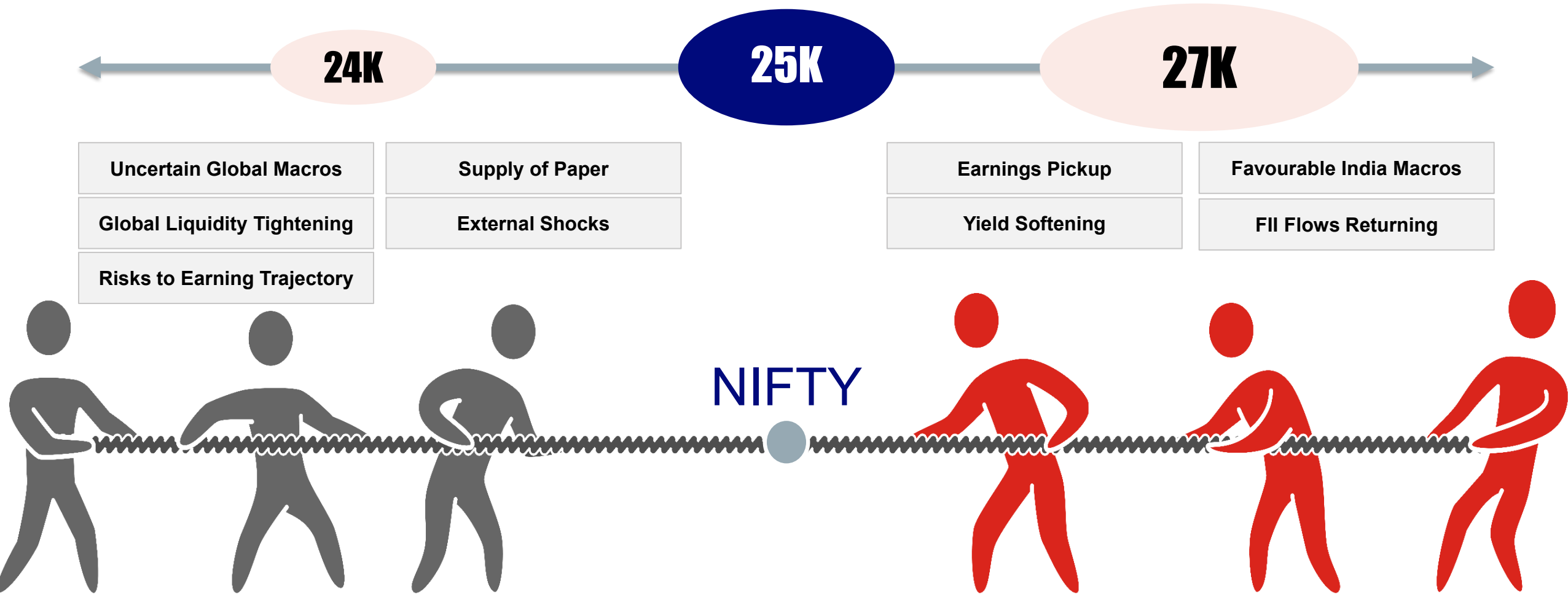
What should Investors do?



- 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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