IKIGAI Asset Manager

Trust. Process. Performance.

Market Outlook

March 2026

Section 1:

Iran – US/Israel Conflict

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Geopolitical turmoil continues - 2026 starts on a noisy note

Donald J. Trump
@realDonaldTrump

The United States of America has successfully carried out a large scale strike against Venezuela and its leader, President Nicolas Maduro, who has been, along with his wife, captured and flown out of the Country. This operation was done in conjunction with U.S. Law Enforcement. Details to follow. There will be a News Conference today at 11 A.M., at Mar-a-Lago. Thank you for your attention to this matter! President DONALD J. TRUMP

7.06k ReTruths **24.5k** Likes 1/3/26, 4:21 AM

Donald J. Trump
@realDonaldTrump

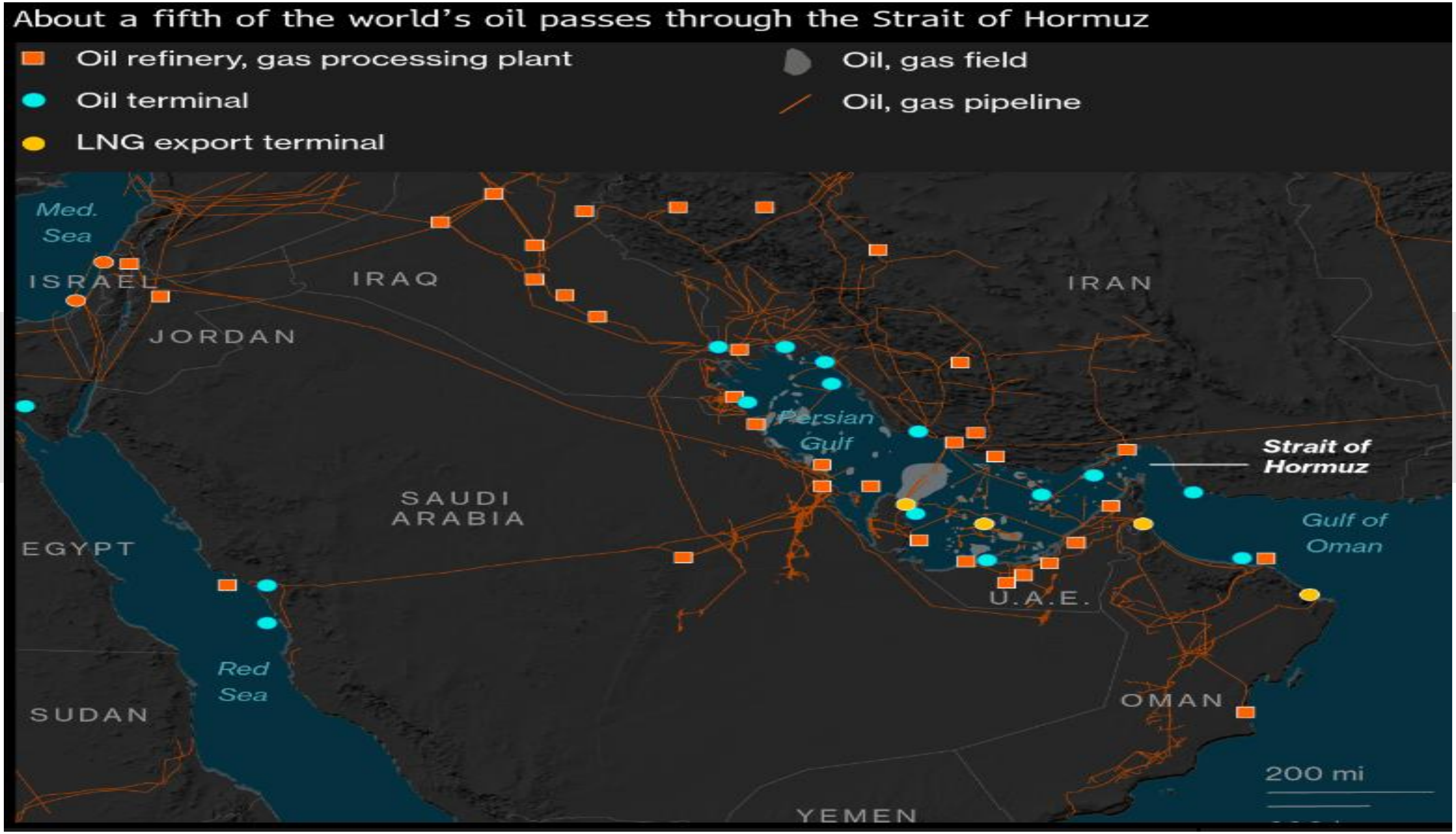
Iran just stated that they are going to hit very hard today, harder than they have ever hit before. THEY BETTER NOT DO THAT, HOWEVER, BECAUSE IF THEY DO, WE WILL HIT THEM WITH A FORCE THAT HAS NEVER BEEN SEEN BEFORE! Thank you for your attention to this matter! President DONALD J. TRUMP

1.97k ReTruths **6.93k** Likes Mar 01, 2026, 6:25 AM

Thousands attend a funeral ceremony for those killed in Israeli strikes on Iran, including high-ranking military officials, on June 28 2025 in Tehran.

Source: Media articles

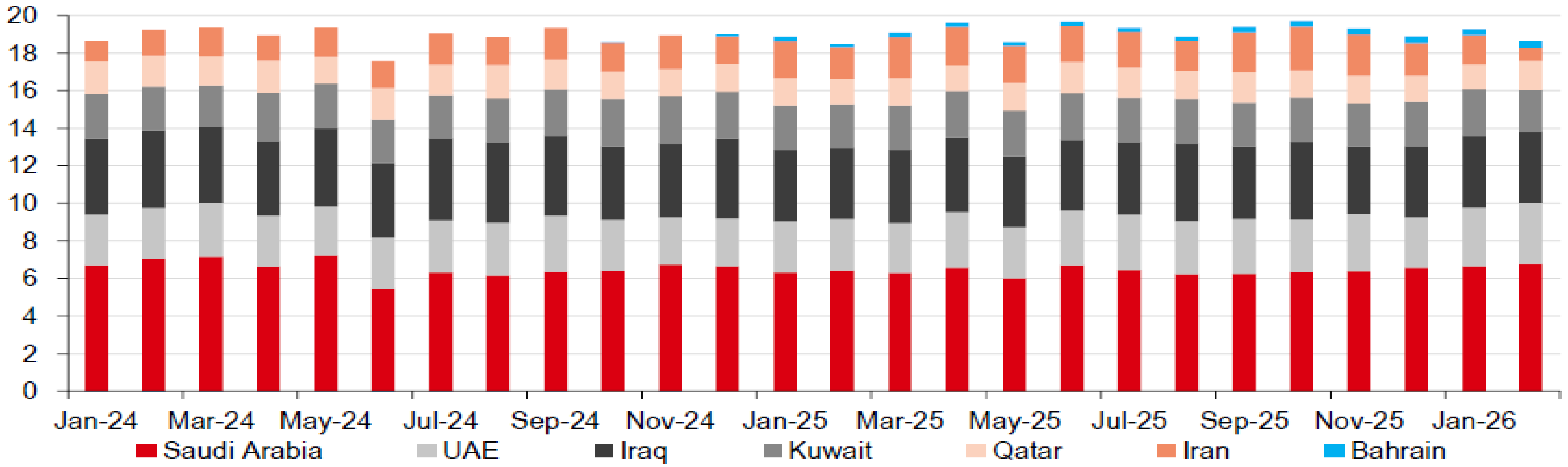
US-Iran conflict could aggravate crude inflation due to Strait of Hormuz



Source: Refinitiv

Iran conflict is different – 20% of global crude flows through chokepoint

Strait of Hormuz total liquid flows, monthly average by country (mbd)



~19mbd

Oil flows handled via the Strait of Hormuz

~20%

Global oil and LNG supply flows through Hormuz

~16%

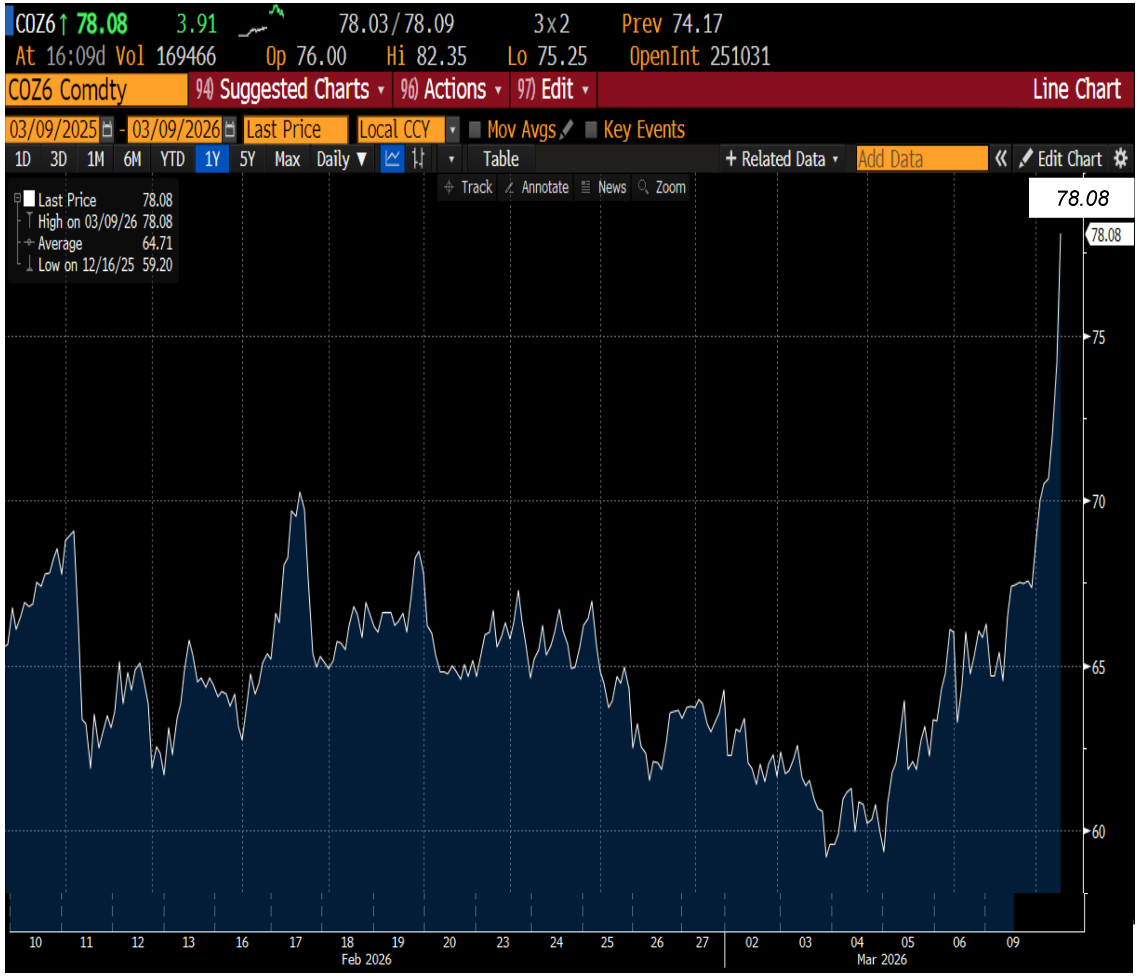
Rise in crude prices seen post the blocking of Hormuz

Source: HSBC, IKIGAI
Note: Data as of 03 Mar 2026

Spot crude prices have jumped but forward is still in backwardation

Crude prices jumped most since March 2022, in wake of Russian invasion of Ukraine

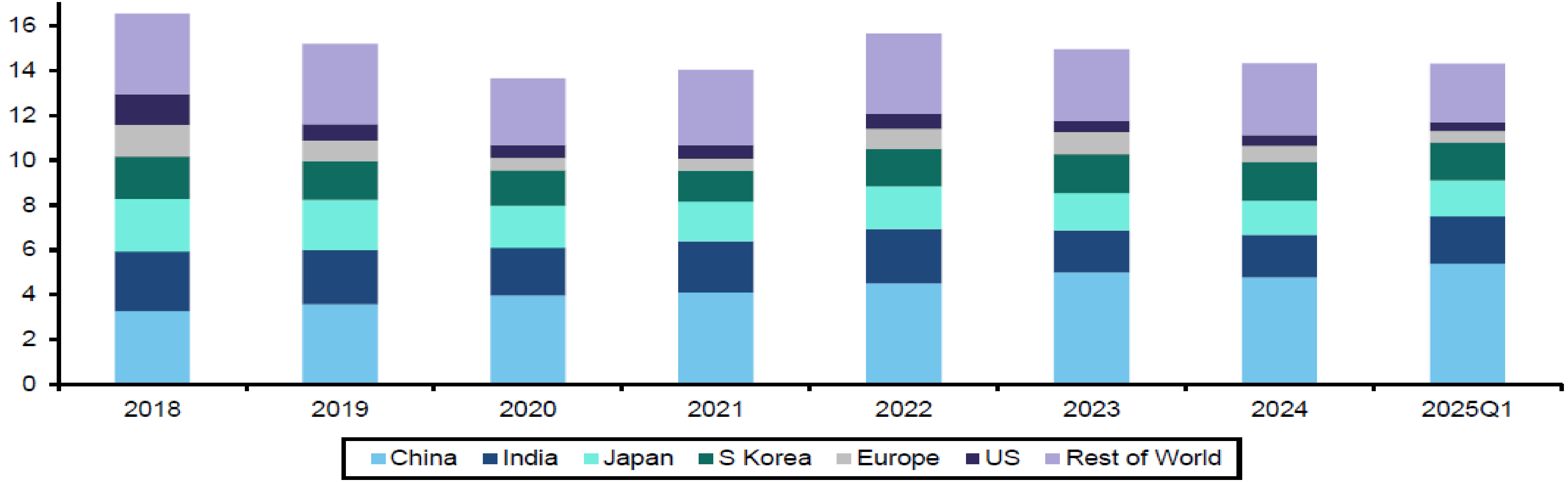
But the futures market remains in backwardation implying a reasonable medium-term outlook



Source: HSBC, IKIGAI
Note: Data as of 03 Mar 2026

India’s has been structurally vulnerable to Oil…

India is the second most exposed to the Strait of Hormuz after China, with about half of its crude imports passing through it



~85%

of Indian crude requirement is imported

~50%

of India crude import flows through the Strait

~12-13bn

impact on India’s import bill with $10/bbl rise

Source: Bernstein, IKIGAI
Note: Data as of 03 Mar 2026

…but India's Oil tolerance threshold has increased

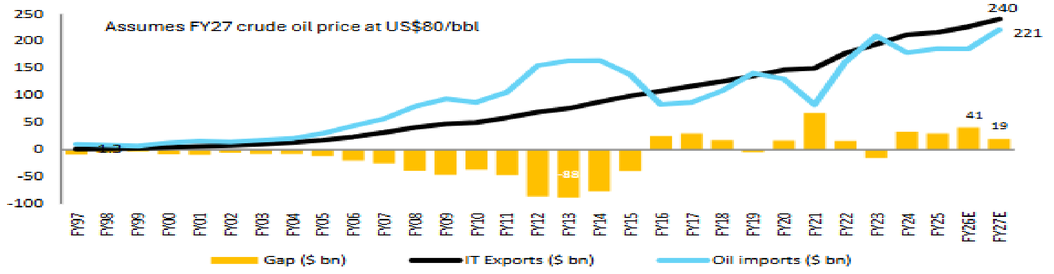
Surge in the tolerance threshold

India BoP outlook

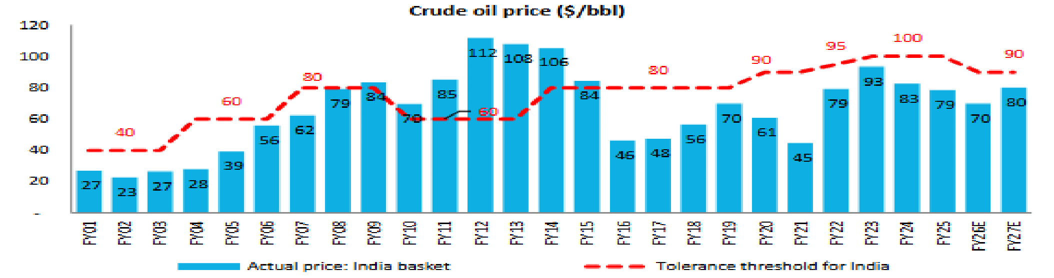
Three scenarios for FY27E

Crude oil assumption	$78/bbl	$67/bbl	$70/bbl	$70/bbl	$80/bbl	$100/bbl
CAD (US$ bn)	FY25	9M Y26	FY26E	FY27E	FY27E	FY27E
Total imports (a)	**720**	**579**	**780**	**815**	**848**	**900**
- Oil imports	186	135	186	193	221	276
- Gold imports	58	49	70	67	71	74
- Non-oil & non-gold imports	477	394	524	556	556	550
Total Exports (b)	**437**	**330**	**449**	**471**	**484**	**499**
- Oil exports	63	42	62	65	75	93
- Non-oil exports	374	288	386	406	410	406
Trade balance (b-a) = i	**-283**	**-249**	**-331**	**-344**	**-364**	**-401**
	FY25	**9M Y26**	**FY26E**	**FY27E**	**FY27E**	**FY27E**
Invisibles (ii)	**264**	**221**	**300**	**293**	**311**	**315**
- Software exports	160	132	179	179	184	186
- Business Services	41	40	53	54	55	56
- Other Businesses	5	4	5.1	5	6	6
- Remittances	125	103	136	129	139	141
- Other services	-66	-58	-72	-74	-74	-74
CAD (i+ii) = a	**-23**	**-30**	**-31**	**-51.4**	**-52.8**	**-86.2**
CAD (% of GDP)	**-0.6**	**-1.0**	**-0.8**	**-1.2**	**-1.2**	**-2.0**
Capital account (US$ bn)	**FY25**	**9M Y26**	**FY26E**	**FY27E**	**FY27E**	**FY27E**
Foreign Direct Investment	1	3.0	8	16	16	14
Portfolio Investment	4	-4.3	-8	17	12	-5
- Equity	-10	-5.5	-10	12	8	-5
- Debt	14	1.1	2	5	4	0
Commercial Borrowings	15.9	6.7	10	12	12	12
NRI Deposits	16.2	11.1	14	14	15	15
External Assistance	6.3	1.0	2	2	2	2
Short Term Credit	7.2	15.3	16	16	16	18
Others	-33.1	-32.8	-26	-10	-14	-14
Capital account (b)	**17**	**0.1**	**16**	**67**	**59**	**42**
Errors and Omissions (c)	1.4	-0.7	0	0	0	0
Balance of Payment (a+b+c)	**-5.0**	**-30.8**	**-15**	**16**	**6**	**-44**

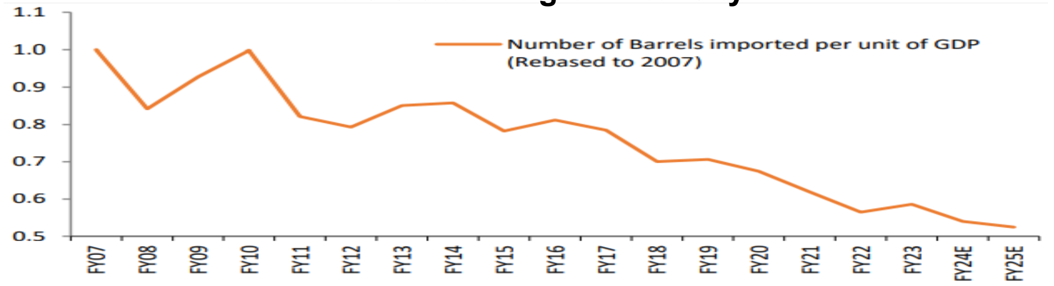
Higher services export have reduced India's vulnerability



India CAD remains <2% of GDP upto $90/bbl crude price



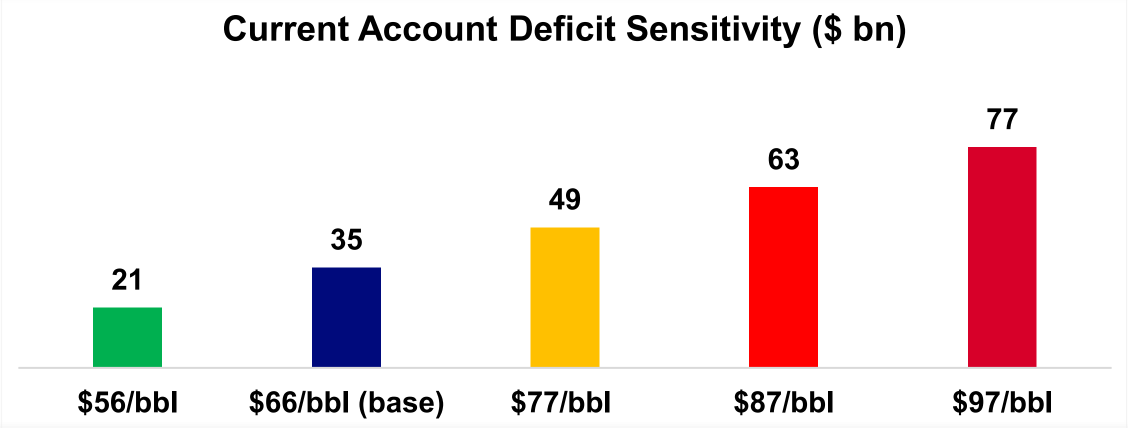
India's declining oil intensity

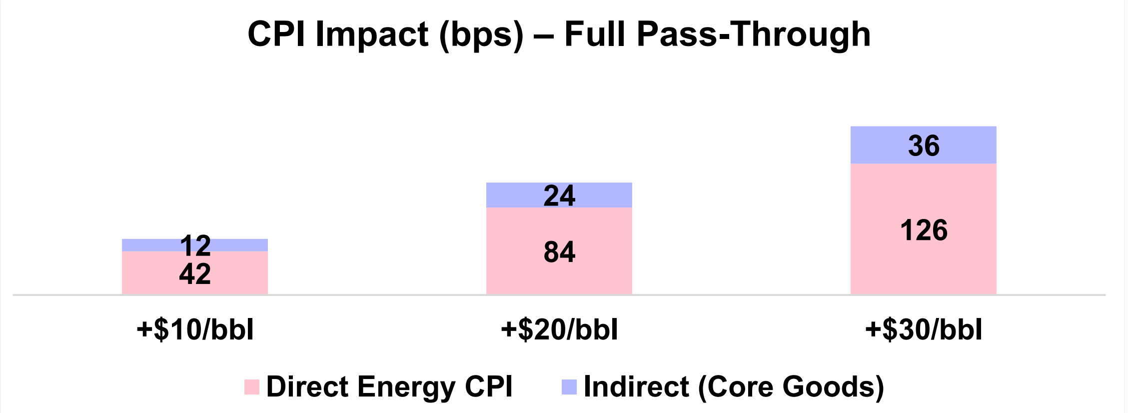


Source: Spark, IKIGAI
Note: Data as of 03 Mar 2026

Oil needs to stay high for the rest of the year to have meaningful impact

Implications for India: Inflation, CAD & Markets





External Account & BoP

- CAD widens ~$18bn per $10/bbl rise
- FY26E CAD: >$35bn (0.9% GDP) – upside risk is prices persist
- FY27E CAD: >$45bn (1.0% GDP) on elevated import bill
- FPI outflows likely on global risk-off; BoP outlook weakens

Inflation Dynamics

- Energy weight in CPI at 6.8%(up from 3.6%) – bigger pass through risk
- Direct impact: ~40-45 bps per $10/bbl
- Domestic fuel prices remain regulated – near-term CPI buffer intact

Fiscal & Subsidiary Pressure

- Petroleum & fertilizer subsidies rise if prices stay elevated
- Fiscal cost estimated at ~0.2% of GDP at current price levels
- Risk of fiscal slippage if government absorbs price increase
- Fuel decontrol incomplete – diesel & petrol partial

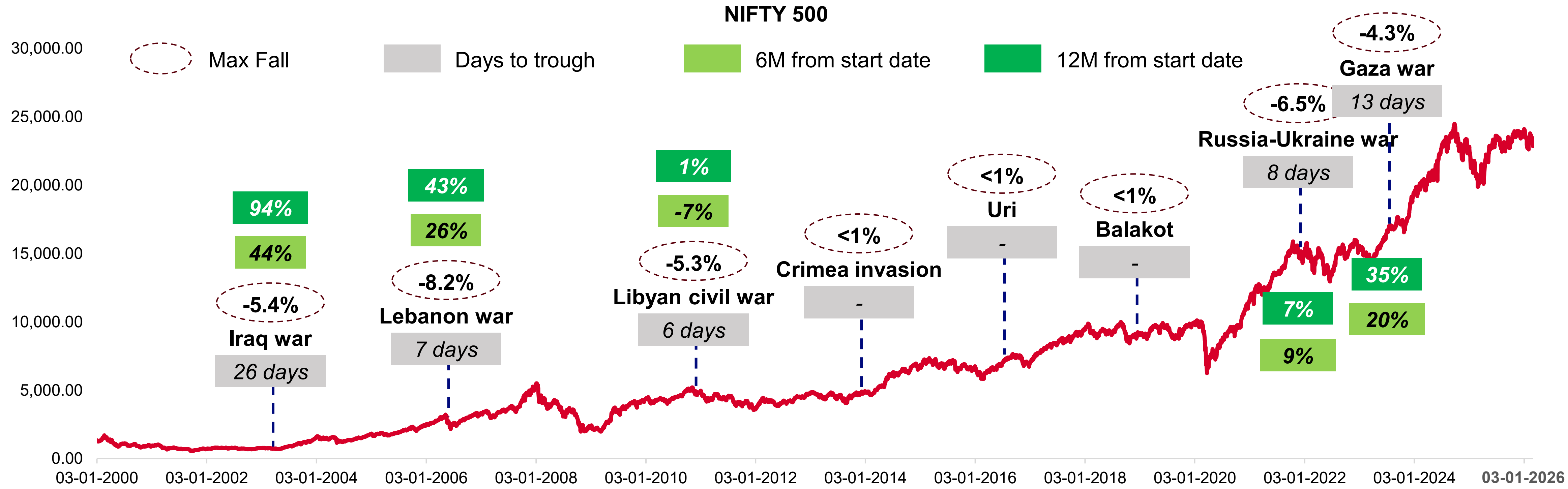
Currency & Financial Markets

- USD/INR seen in 90.5-92.5 range with upside bias on CAD hit
- INR 10yr G-Sec to trade 6.6-6.8% on oil inflation concerns
- MPC likely on long pause – limited scope to cut amid uncertainities

Source: ICICI Sec, IKIGAI
Note: Data as of 03 Mar 2026

Is US/Israel – Iran conflict a major concern for Indian markets?

How have Indian Markets reacted to geopolitical conflicts in the past?



Impact of wars prior to 2000 on Indian Markets*

War/Event	Period	Max Fall	Days to trough	1M return	3M return
Yom Kippur War & Arab Oil Embargo	1973-74	NA	NA	NA	NA
Iranian Revolution	1978-80	NA	NA	NA	NA
Iran-Iraq War	1980-81	-9.4%	58 days	-4.4%	9.6%
Gulf War	1990-91	-8.0%	7 days	13.6%	17.9%

Source: NSE, BSE
Note: Data as of 03 Mar 2026, **Sensex taken as proxy because Nifty was not formed*

Markets usually look past geopolitical shocks over time

Indian markets performance: 2 years post-conflict (2000-2026)

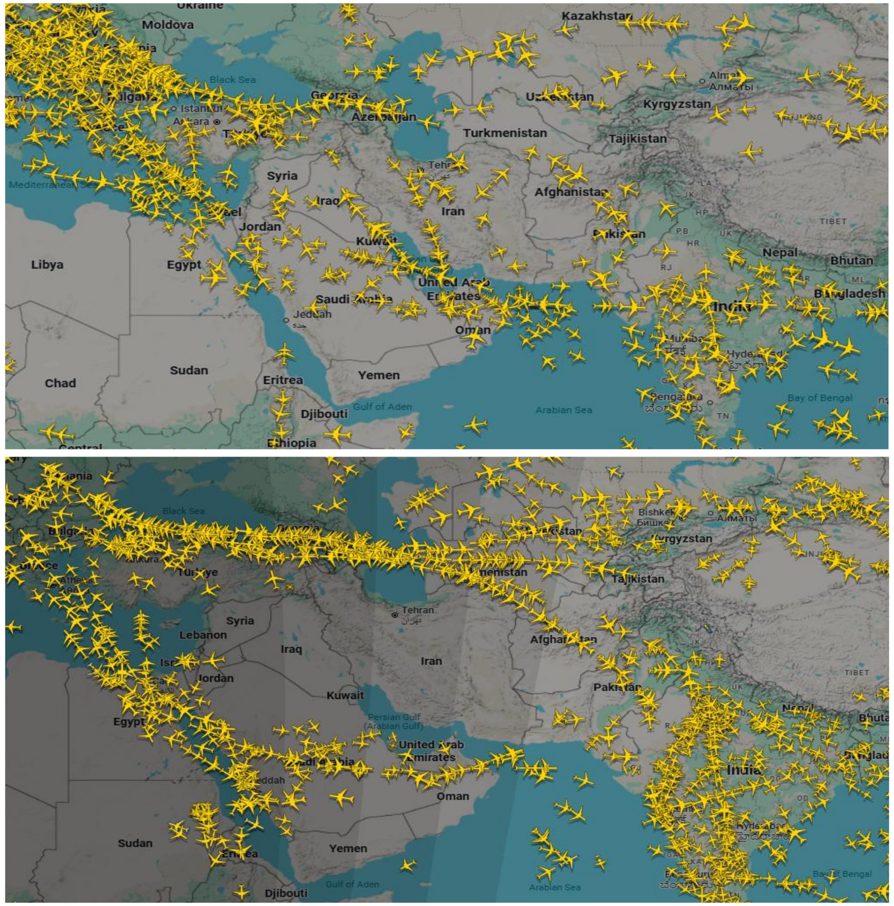
Event	Start date	Nifty 50 Return (2Y)	Midcap 100 Return (2Y)	Smallcap 100 Return (2Y)	Market context
Iraq War	Mar 2003	**110.2%**	**218.5%**	**248.1%**	Post dot-com recovery + capex cycle start
Russia-Ukraine	Feb 2022	**30.5%**	**62.0%**	**58.4%**	Post-COVID liquidity + earnings growth
Israel-Hamas	Oct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

Historical conflicts have caused temporary volatility but have rarely derailed medium-term equity returns

Source: NSE, BSE, Twitter
Note: Data as of 03 Mar 2026

Which Indian Sectors Are Most Exposed?

Airspace pre and post 27th February, 2026



Sector	Risk	Impact
OMCs		Margin pressure if retail prices capped
Airlines		Higher ATF + Longer routes
Chemicals		Higher feedstock costs
Logistics		Freight cost inflation
Infrastructure		MENA project delays

Airlines face **three simultaneous shocks**

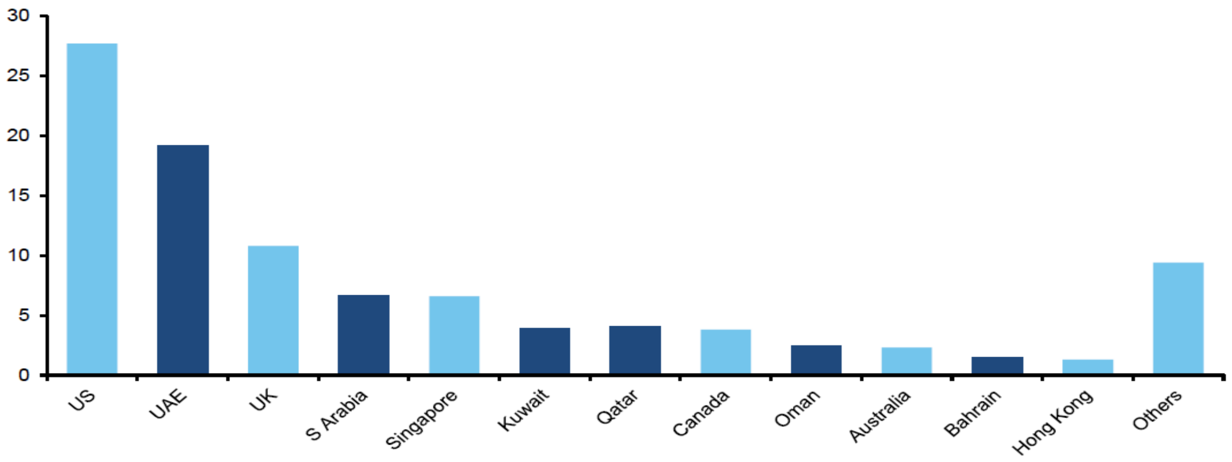
Oil price spike → **Airspace closure** → **Tourism slowdown**

Source: Bernstein, IKIGAI
Note: Data as of 03 Mar 2026

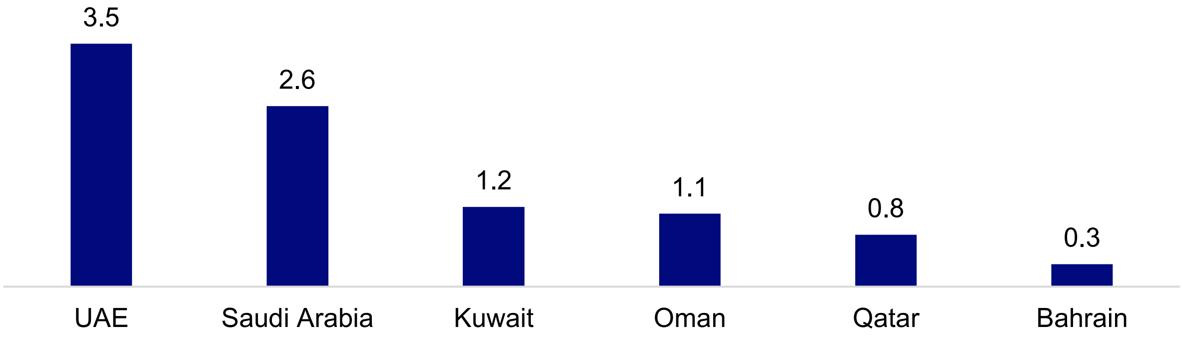
Secondary risks: Trade & remittances

Secondary economic risks for India

Remittance to India from different source regions (FY24)



Indians living in GCC (mn)



Remittance Exposure

- **9mn** — Indians live in the Gulf region
- **~40%** — Indian remittance flows from GCC
- **~$47bn** — Remittance ~1.2% of GDP worth from GCC

Trade Exposure

- **$40-50bn** — worth of exports are routed through the Hormuz corridor
- **Flow delays** — Shipping disruptions may delay trade flows

Currency Risk

Oil shock + **CAD pressure** = **Potential INR depreciation**

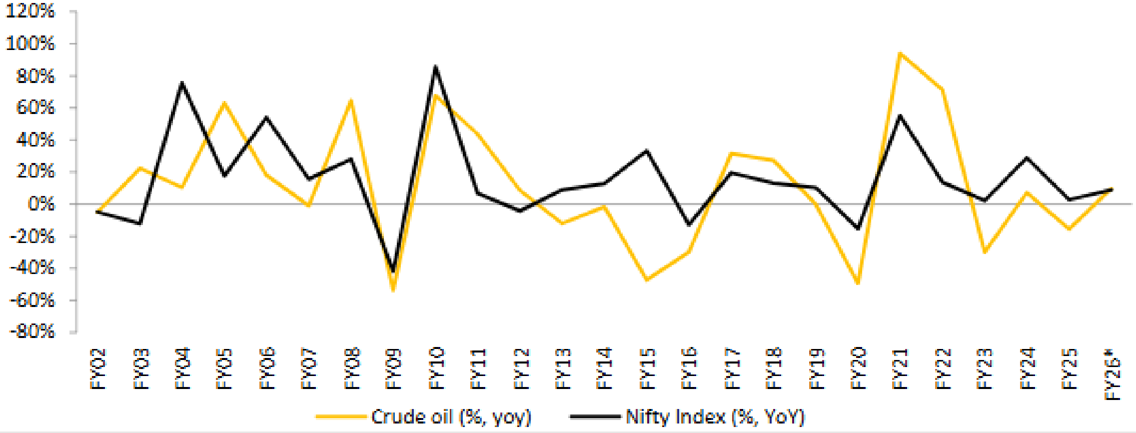
Source: Bernstein, IKIGAI
Note: Data as of 03 Mar 2026

Indian markets: Scenario analysis

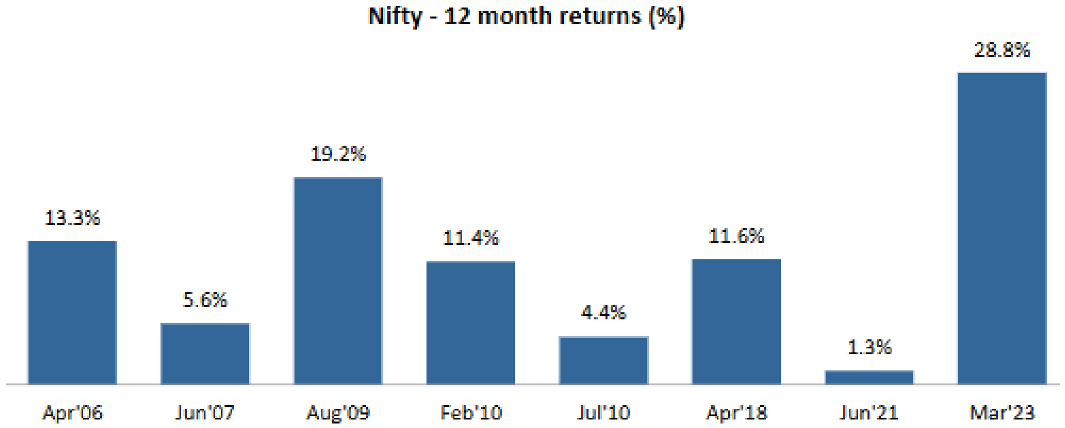
Scenario	Supply shock	Oil price	Market impact
Short Conflict	**2-3 mb/day** tightening	**$75-85**	Limited macro impact
Medium Escalation	**5-7 mb/day** shock	**$80-95**	Inflation and INR pressure
Hormuz Disruption	**15-20 mb/day** risk	**>$100**	CAD shock and fiscal stress

Duration of oil disruption will determine the macro impact but historically markets have seen good performance

Jump in crude oil prices is not bad for equity markets as Nifty and crude have a positive correlation of 0.6



In fact Nifty has given positive returns in 12M post crude crossing $70/bbl in last 20 years



Source: Spark, Bernstein, IKIGAI
Note: Data as of 03 Mar 2026

Section 2:

Global Markets

Tariffs continue to be a point of confusion

US to stop collecting tariffs deemed illegal by Supreme Court on Tuesday

Donald J. Trump
@realDonaldTrump

It is my Great Honor to have just signed, from the Oval Office, a Global 10% Tariff on all Countries, which will be effective almost immediately. Thank you for your attention to this matter! PRESIDENT DONALD J. TRUMP

Donald J. Trump
@realDonaldTrump

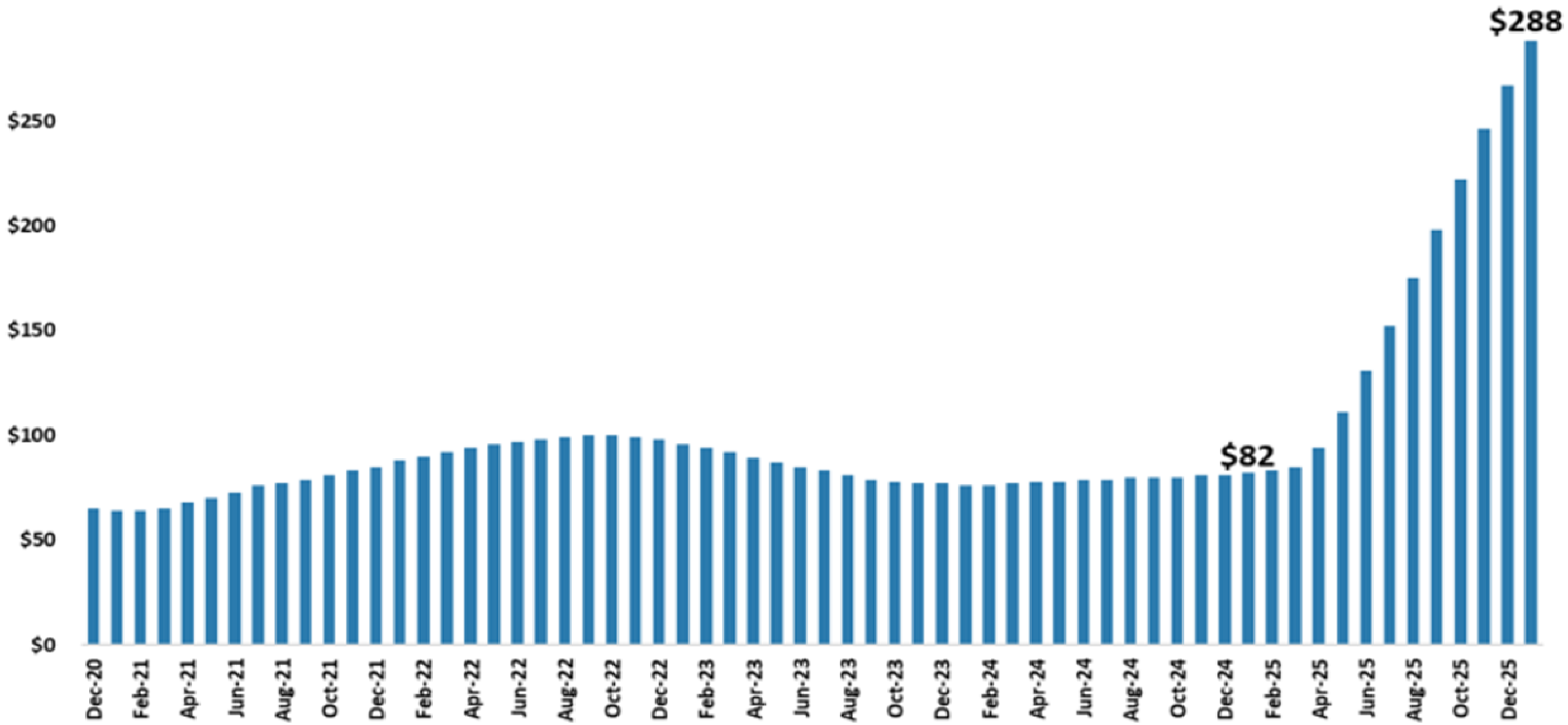
Based on a thorough, detailed, and complete review of the ridiculous, poorly written, and extraordinarily anti-American decision on Tariffs issued yesterday, after MANY months of contemplation, by the United States Supreme Court, please let this statement serve to represent that I, as President of the United States of America, will be, effective immediately, raising the 10% Worldwide Tariff on Countries, many of which have been "ripping" the U.S. off for decades, without retribution (until I came along!), to the fully allowed, and legally tested, 15% level. During the next short number of months, the Trump Administration will determine and issue the new and legally permissible Tariffs, which will continue our extraordinarily successful process of Making America Great Again - GREATER THAN EVER BEFORE!!! Thank you for your attention to this matter. President DONALD J. TRUMP

154 ReTruths **475** Likes Feb 21, 2026, 4:59 PM

Source: Media Articles

Collected tariff in past year may have to be refunded with >2000 cos. suing

US Customs Duties, Trailing 12 Month Total (in USD Bn)



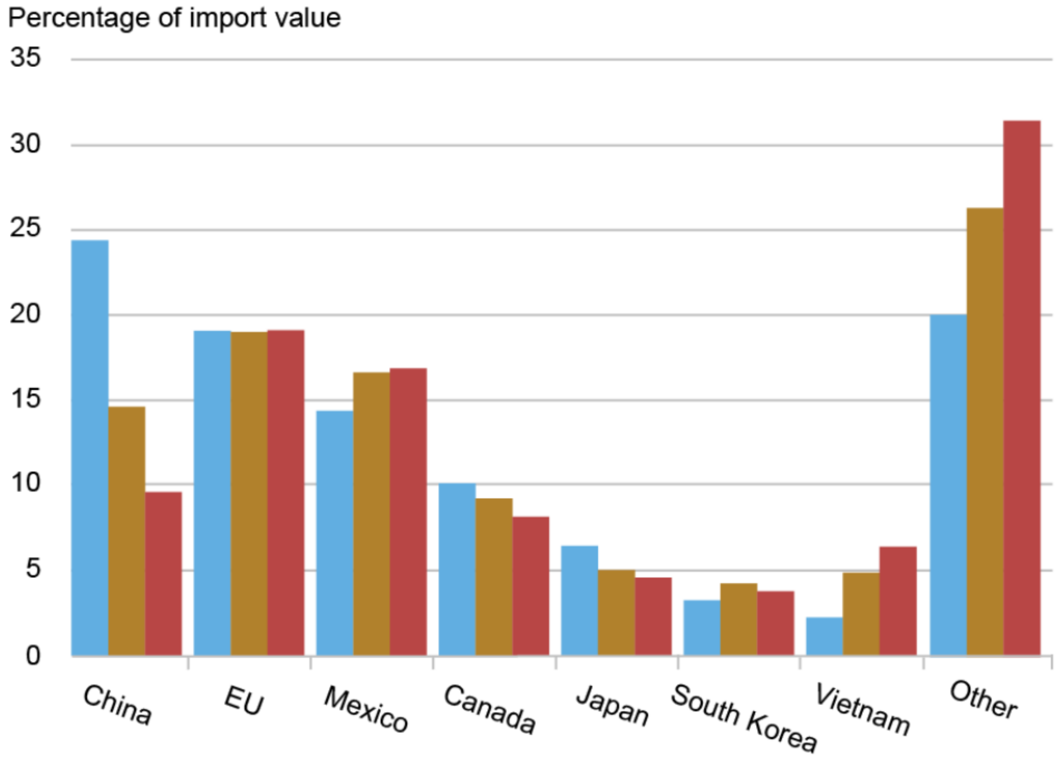
Source: Charlie Bilello
Note: Data as of 03 Mar 2026

Were the tariffs effective to begin with?

US trade deficit widened by 2% over 2024 levels, hitting a record high

Widening of trade deficit by 2%

Imports were routed through lower tariff countries



Source: Axis Capital
Note: Data as of 03 Mar 2026

Is Dollar depreciation the next big theme?

Source: TradingView

Non-US markets have outperformed significantly in past 15 months

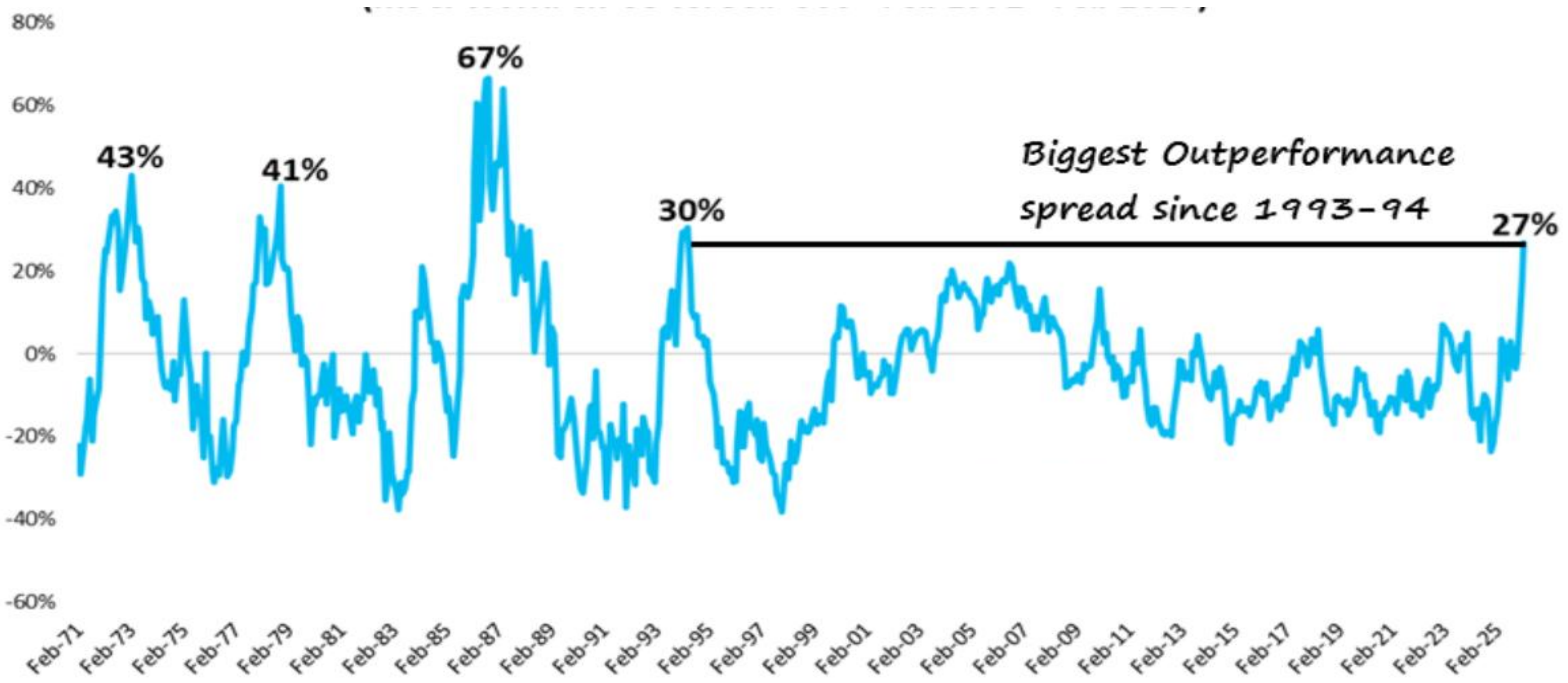
Global equity ETFs – 2025-2026 YTD Total Returns ($ terms)

Country/Region	Ticker	2025-26	Country/Region	Ticker	2025-26	Country/Region	Ticker	2025-26
South Korea	EWY	204.2%	Taiwan	EWT	52.9%	Ireland	EIRL	31.8%
Peru	EPU	142.3%	Sweden	EWD	51.8%	Australia	EWA	30.2%
South Africa	EZA	107.8%	**Emerging Markets**	**IEMG**	**51.4%**	China	MCHI	28.8%
Poland	EPOL	92.2%	**Eurozone**	**EZU**	**49.8%**	Thailand	THD	28.8%
Spain	EWP	89.0%	United Kingdom	EWU	49.4%	**Total World**	**VT**	**28.3%**
Greece	GREK	88.9%	Netherlands	EWN	48.5%	Kuwait	KWT	24.4%
Austria	EWO	86.0%	Belgium	EWK	48.0%	Malaysia	EWM	23.6%
Colombia	COLO	84.7%	**Total International**	**VXUS**	**47.0%**	**US**	**SPY**	**18.4%**
Brazil	EWZ	81.5%	**Europe**	**VGK**	**46.5%**	Turkey	TUR	16.2%
Mexico	EWW	79.4%	Canada	EWC	46.1%	Philippines	EPHE	13.7%
Chile	ECH	78.1%	**EAFE**	**IEFA**	**45.2%**	Qatar	QAT	12.5%
Vietnam	VNM	66.5%	Switzerland	EWL	44.3%	Argentina	ARGT	9.5%
Italy	EWI	64.3%	Japan	EWJ	44.0%	New Zealand	ENZL	7.4%
Finland	EFNL	64.2%	Germany	EWG	41.6%	Denmark	EDEN	4.6%
Norway	NORW	57.8%	Singapore	EWS	37.3%	Indonesia	EIDO	0.0%
Israel	EIS	56.6%	France	EWQ	37.1%	India	INDA	-0.7%
Hong Kong	EWH	53.2%	UAE	UAE	35.4%	Saudi Arabia	KSA	-6.3%

Source: Charlie Bilello
Note: Data as of 28 Feb 2026

World ex-US outperformance at 3-decade highs

Rolling 14-month total returns – MSCI World ex-US vs S&P 500



Source: Charlie Bilello
Note: Data as of 28 Feb 2026

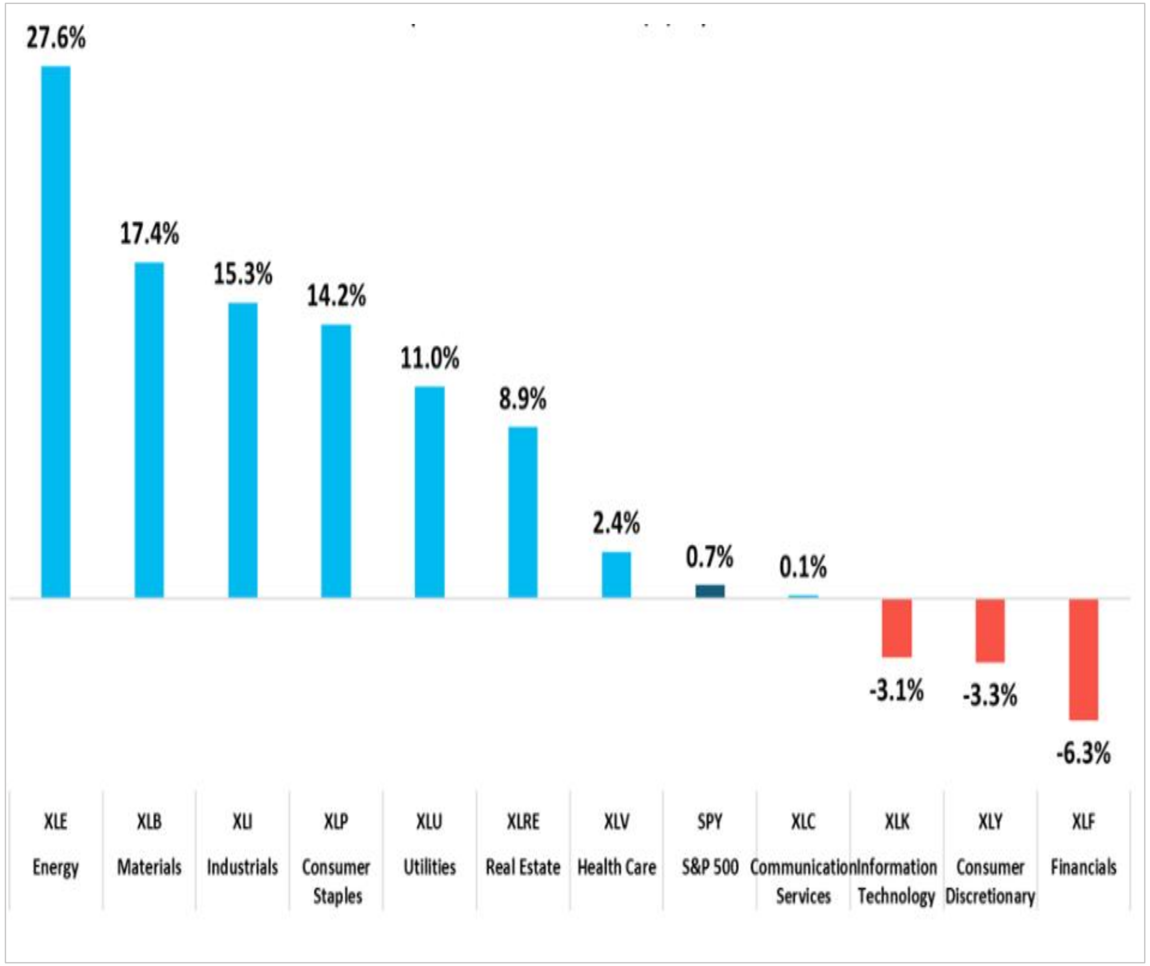
Recent weeks have seen significant volatility in AI driven markets

Source: TradingView
Note: Data as of 5 Mar 2026

Even within US, money is rotating out of AI trades

Magnificent Seven – YTD Returns

S&P 500 Sector ETFs – YTD Total Returns (%)



Source: Charlie Bilello
Data as of March 2, 2026

Is there trouble brewing in credit markets

Leveraged Loans ended February down over 3% from their January high

BlackRock caps redemptions from $26 billion private credit fund after investor withdrawals spike

LONDON, March 3 (Reuters Breakingviews) - Redemption has become a dirty word for private credit's most sophisticated pioneers. Blackstone (BX.N) on Monday said it had reached into its own pocket to help its $82 billion loan fund meet $3.7 billion of cash calls from investors. It's a sign of how the practice of

Source: Charlie Bilello, Media Articles
Data as of March 2, 2026

US Bond market has now been a drawdown for 67 months, longest in history

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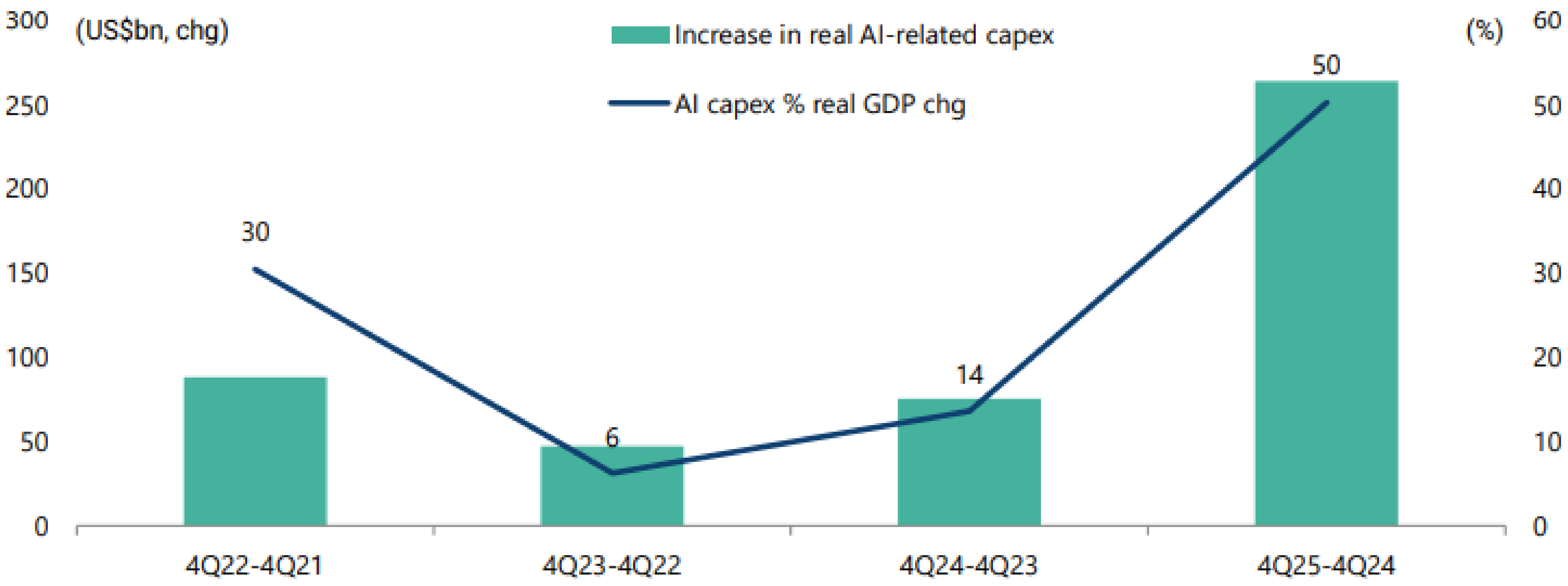
Bloomberg US Aggregate Bond Index: Longest Drawdowns (Monthly Data via YCharts, January 1976 - February 2026)			
Start of Drawdown	End of Drawdown	# Months	Max Drawdown During Period (Monthly)
Aug-20	**?**	**67**	**-17.2%**
Jul-80	Oct-81	16	-9.0%
May-13	Apr-14	12	-3.7%
Aug-16	Jul-17	12	-3.3%
Feb-94	Jan-95	12	-5.1%
Mar-87	Nov-87	9	-4.9%
Aug-79	Apr-80	9	-12.7%
Apr-08	Nov-08	8	-3.8%
Feb-96	Sep-96	8	-3.2%
Jun-03	Nov-03	6	-3.6%
Feb-84	Jun-84	5	-4.9%
May-83	Aug-83	4	-3.5%

Source: Charlie Bilello
Data as of March 2, 2026

AI capex contributed to >50% of US GDP growth in Q4CY25

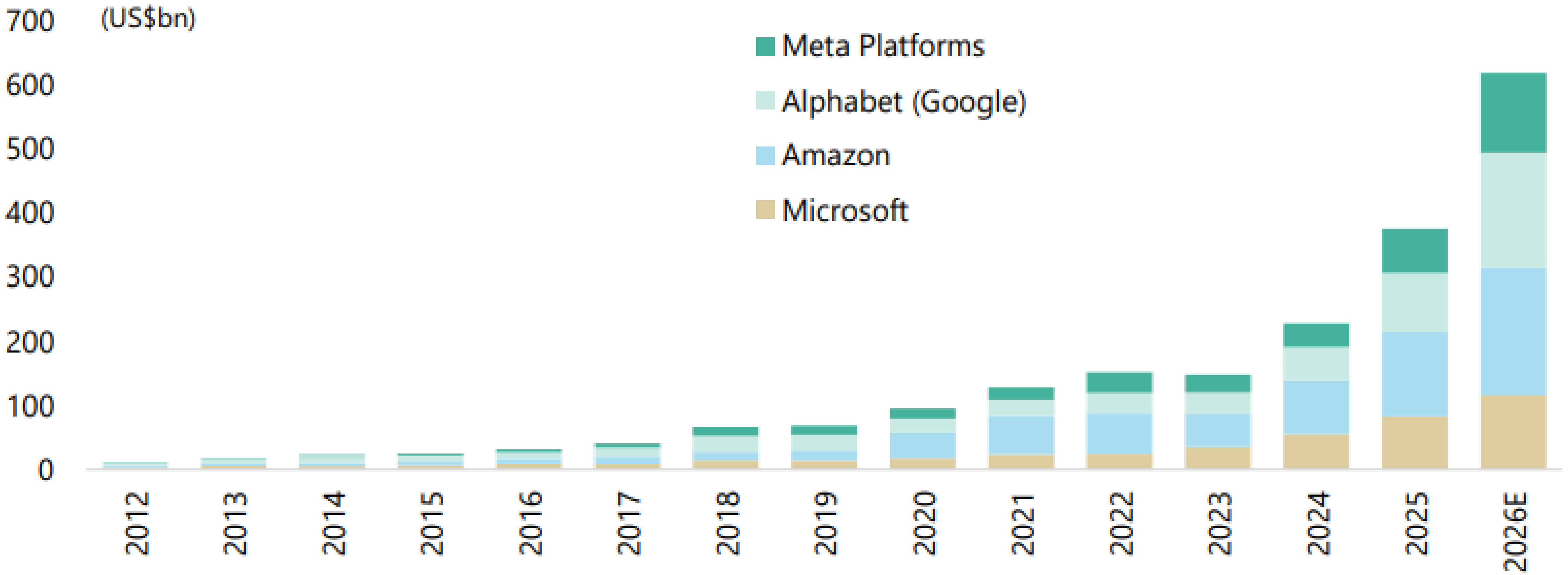
AI-related investment impact on US GDP growth (%)



Note: AI-related capex = Non-residential private fixed investment in information processing equipment, software and data center construction. Source: Bureau of Economic Analysis, Jefferies

AI capex going on in full swing – capex as % of cash flow approaching 80%

Four major US hyperscalers' capex trend

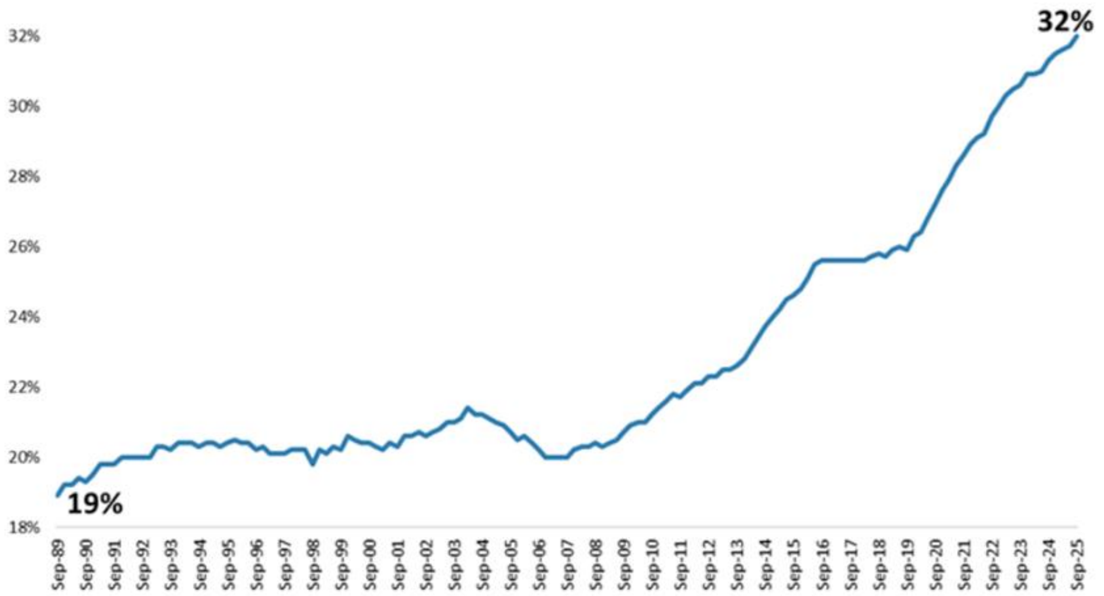


Note: Capex forecasts for 2026 are based on the midpoint of latest company guidance for Amazon, Alphabet and Meta, and consensus estimates for Microsoft. Source: Bloomberg, Companies, Jefferies

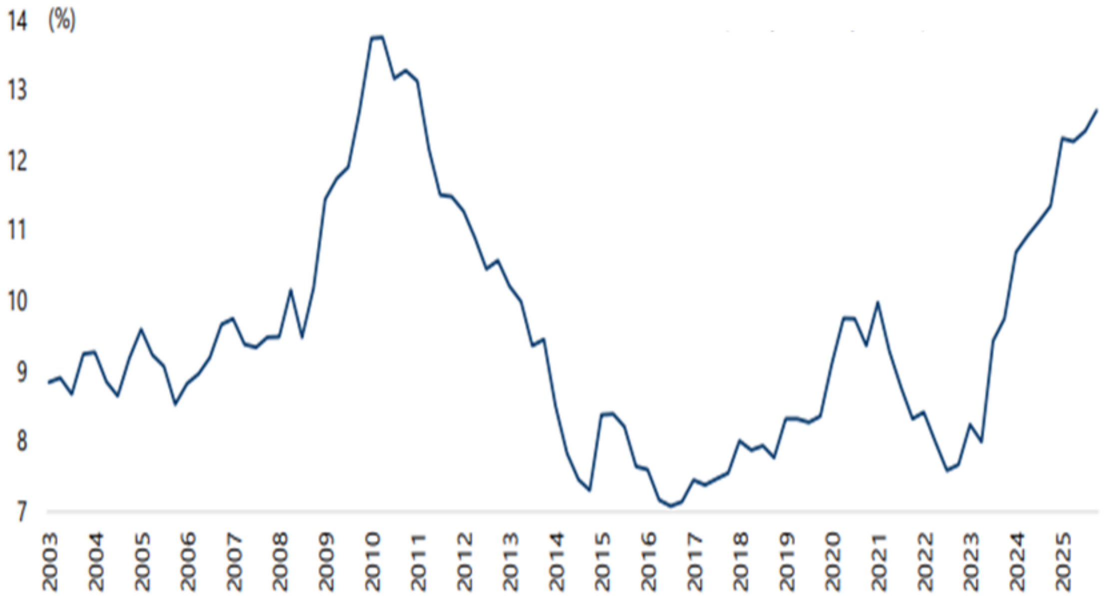
US Consumer/Households are not doing all that great

US household wealth concentration by age and credit card delinquency

Share of household wealth held by Americans 70yrs and up



Percent of credit card loans balance in serious delinquency (90D+)

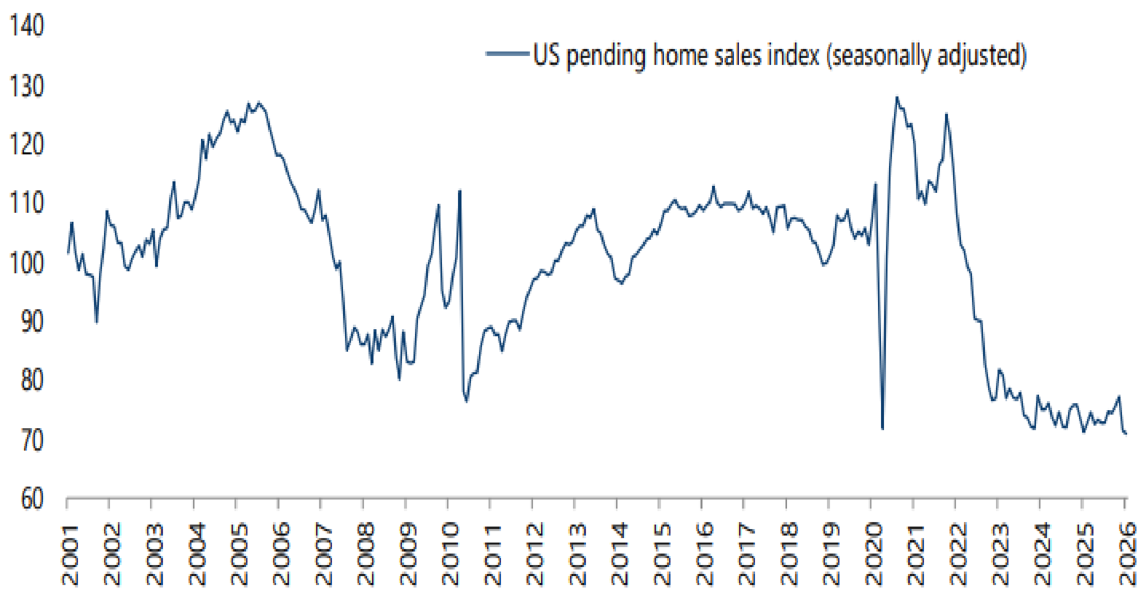


Source: Federal Reserve Bank of New York, Jefferies

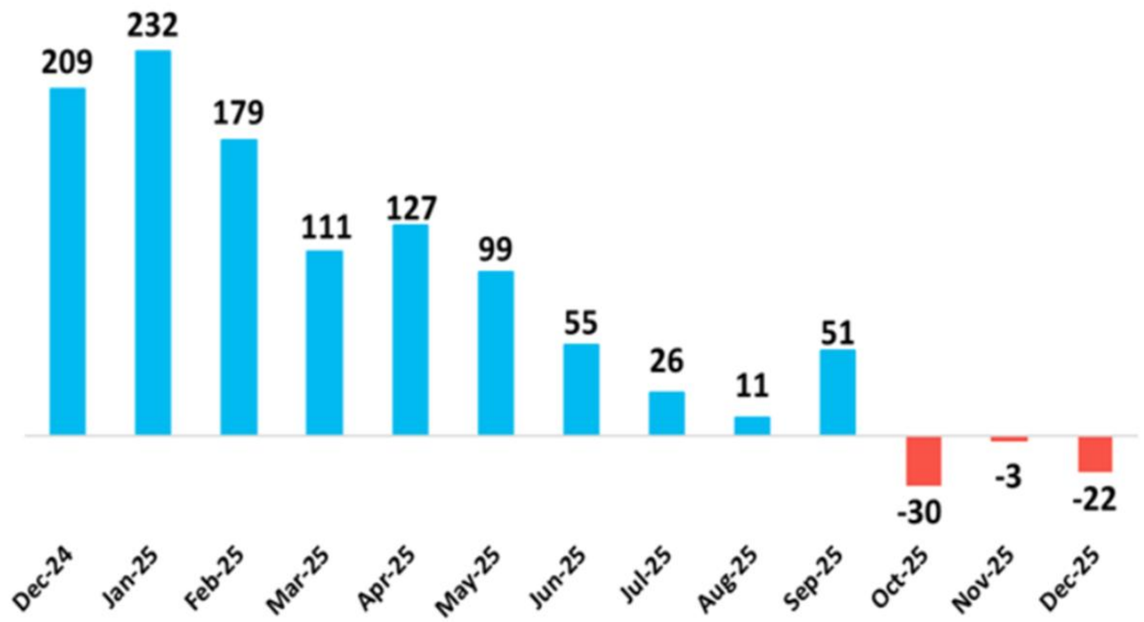
Housing and labour market are not in great shape either

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 pending home sales index



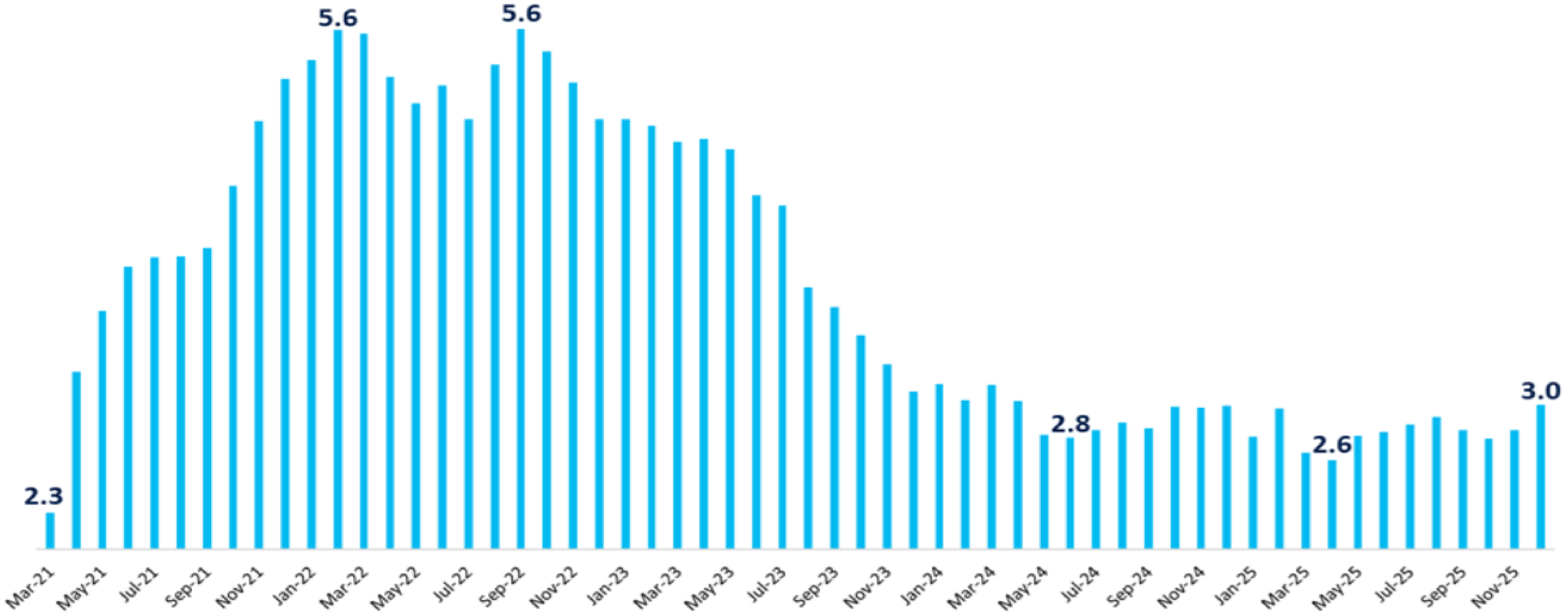
US Nonfarm Payrolls, in Thousands
(Rolling 3-Month Average – Data via YCharts)



Note: Based on existing home sales with contracts signed but not yet closed.
Source: National Association of Realtors (NAR), Jefferies

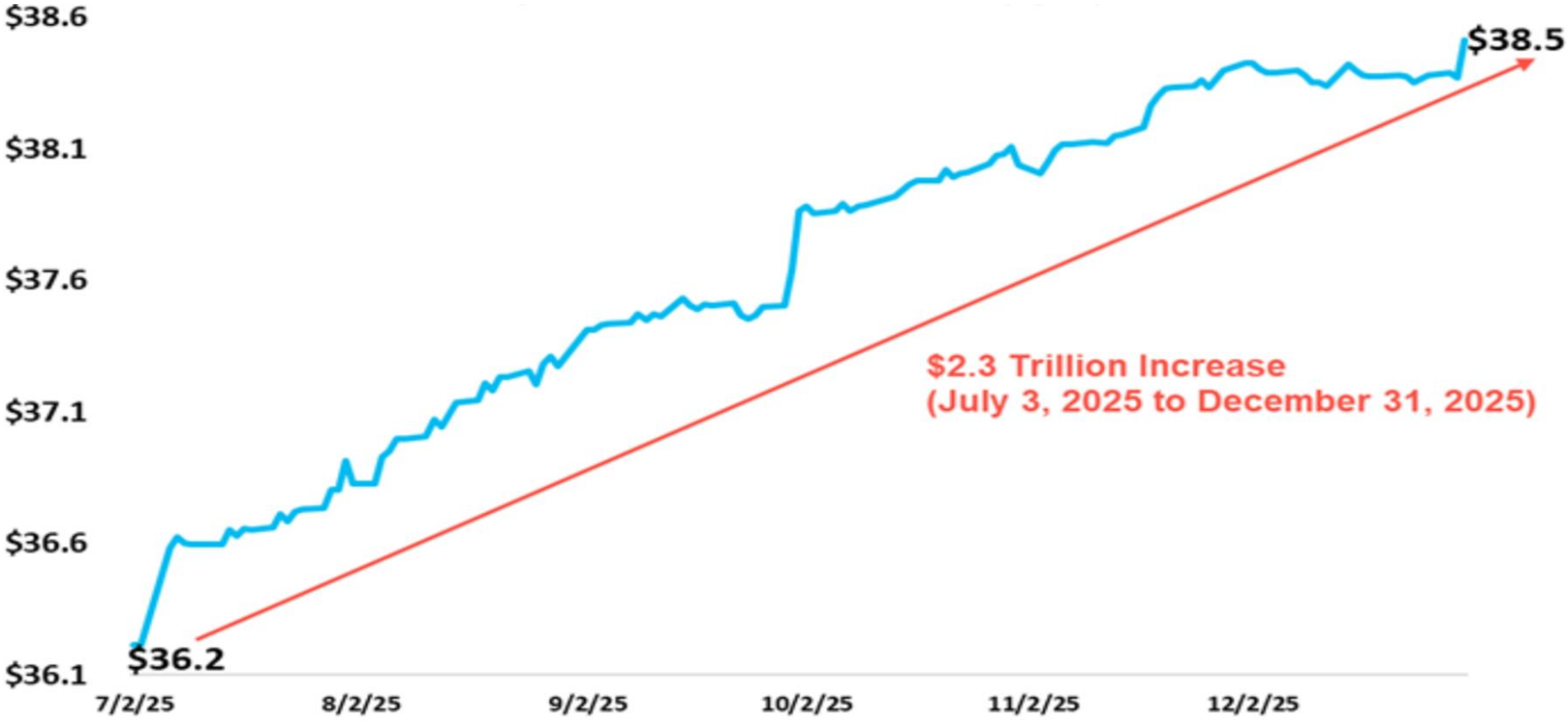
Inflation in US running ahead of targets

US Core PCE Inflation Rate (% YoY)



Source: Charlie Bilello

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

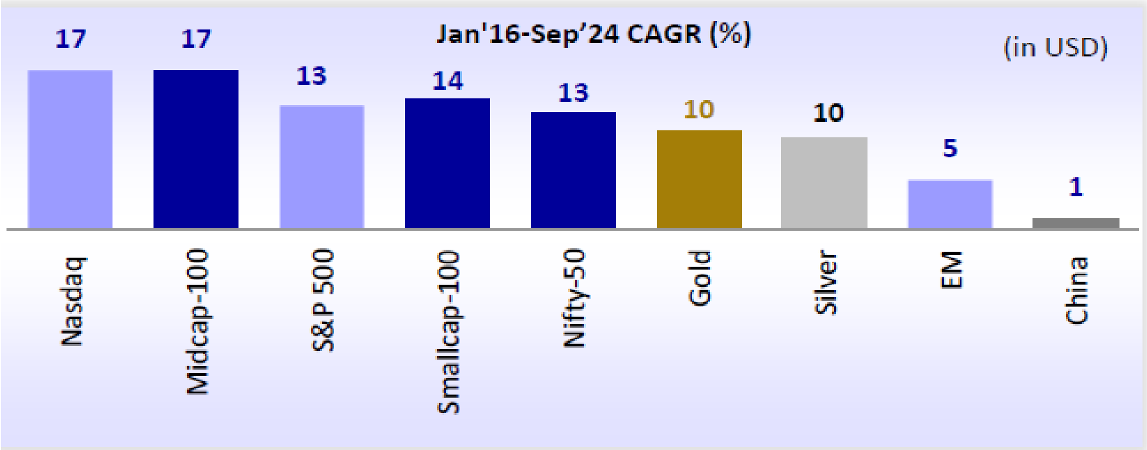


Source: Charlie Bilello

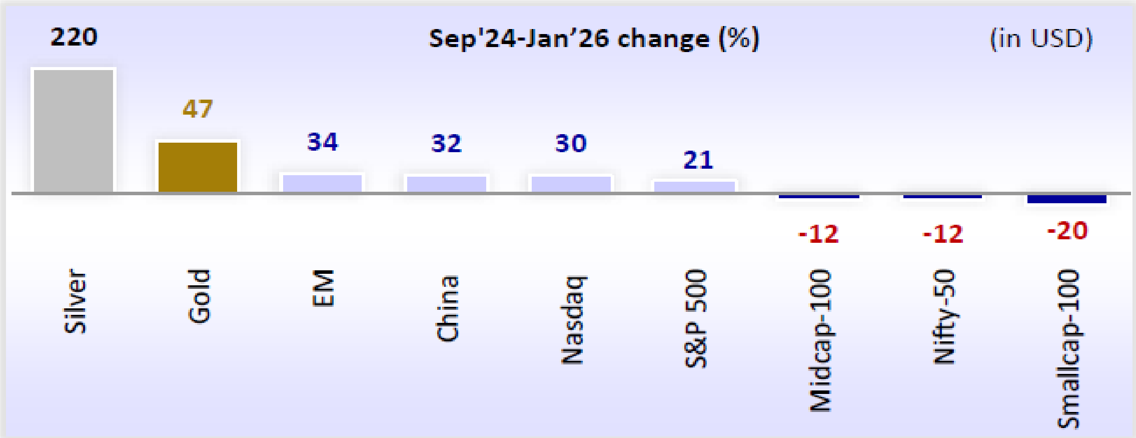
Gold and silver have strongly outperformed equities since Sep’24 high

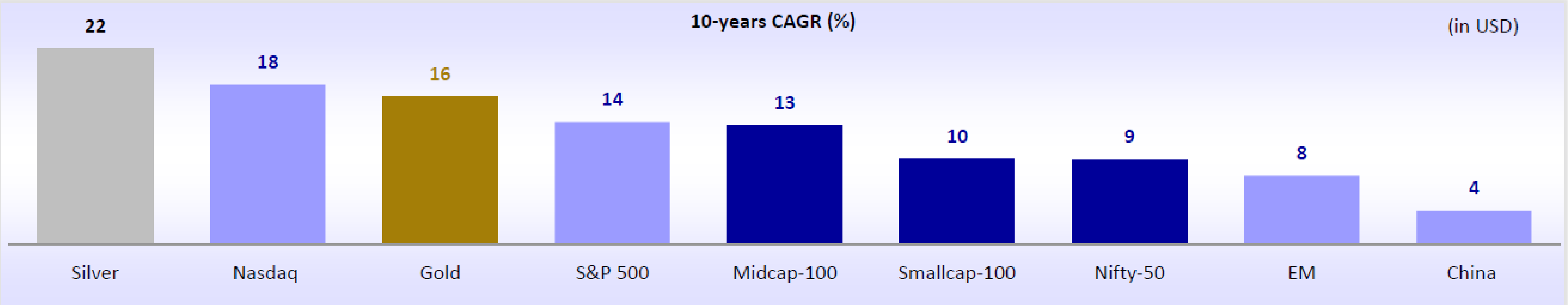
Gold and silver lead in returns over the decade; US tops, while China and EMs lag among equity markets (Jan’16-Jan’26 CAGR)

Equities outperformed gold and silver during Jan’16-Sep’24…



…however, they underperformed since Sep’24 highs



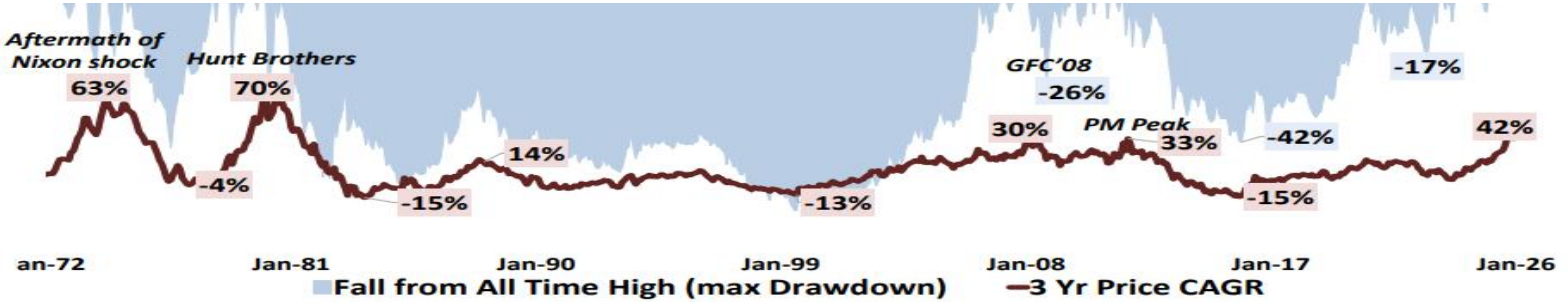


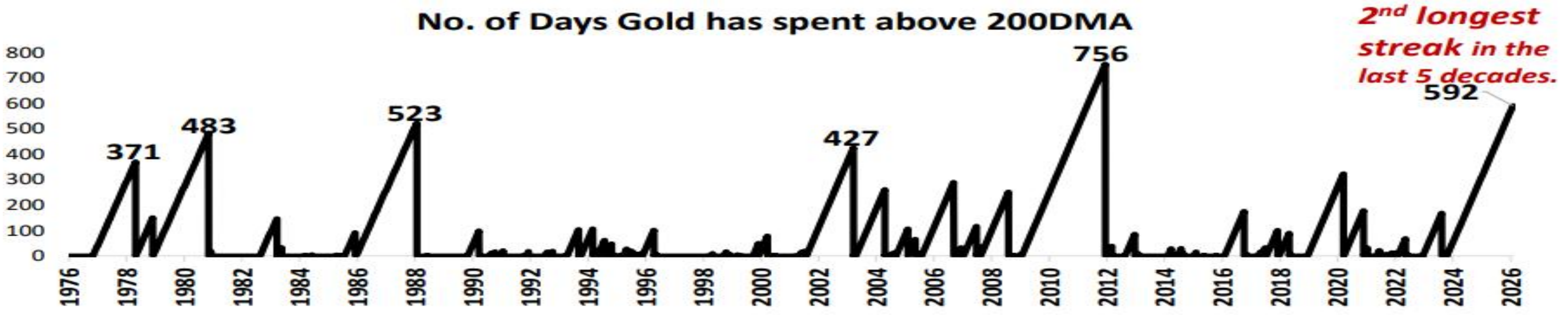
Source: MOFSL
Note: Data as of 31 Jan 2026

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%



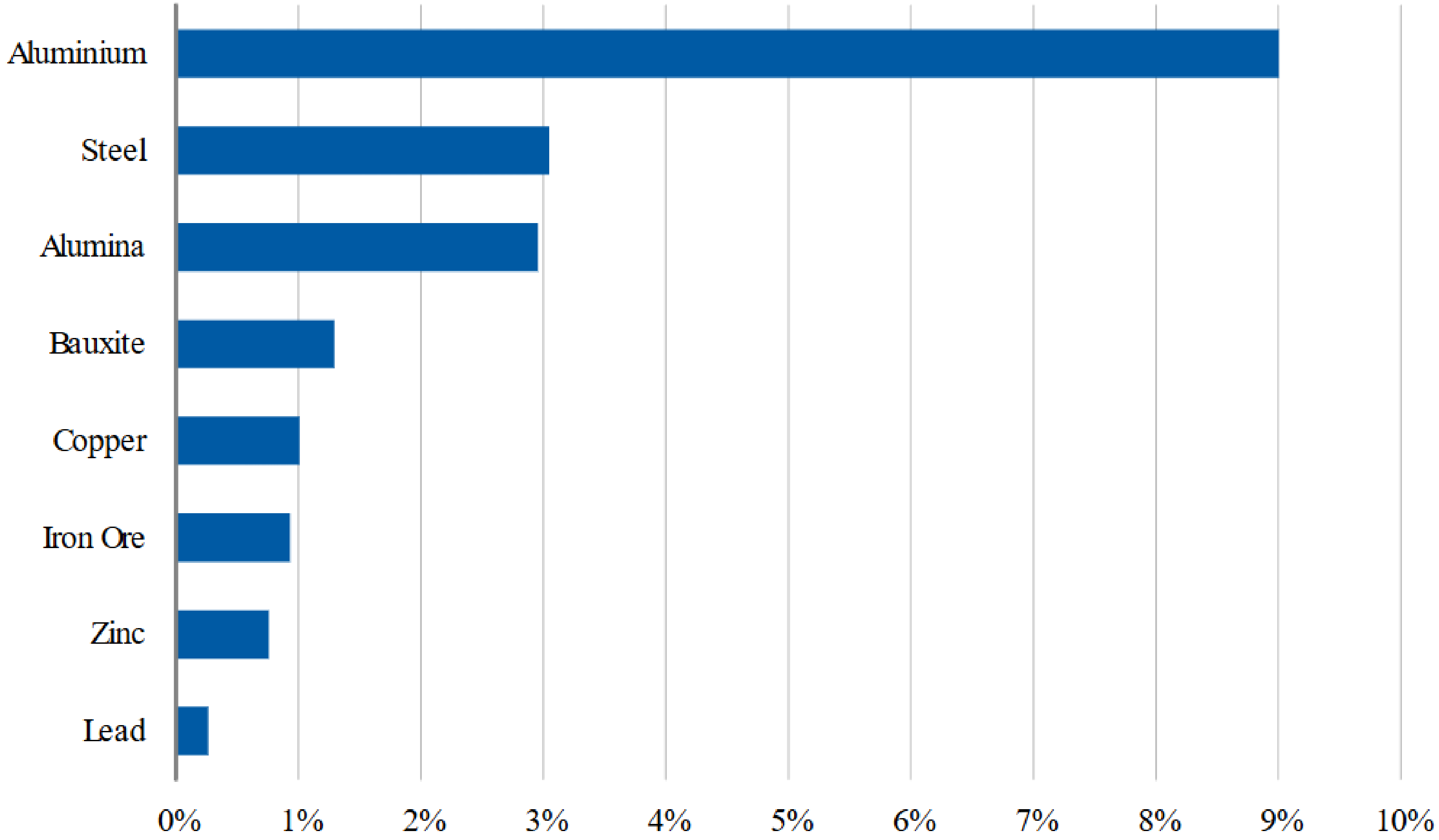


Source: DSP

Other commodities also facing supply disruptions

Middle East share of global production by metal (%)

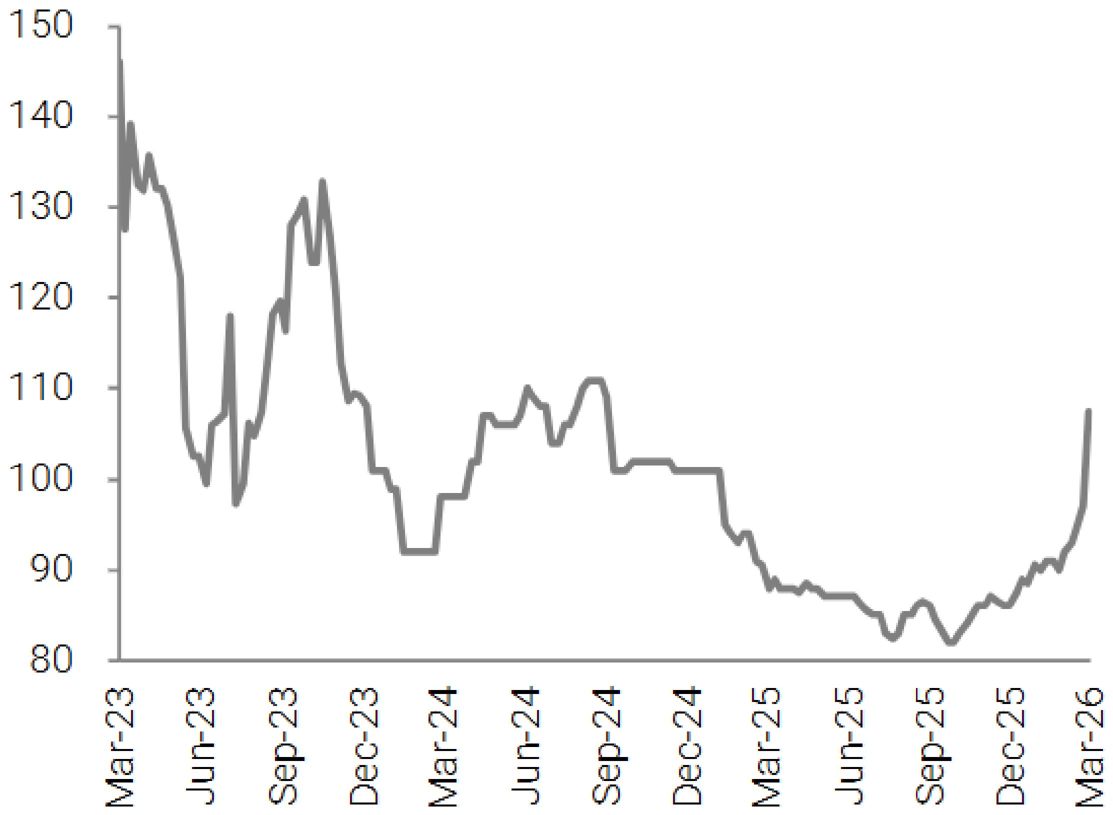
Other than the direct impact on local output, the Middle East conflict threatens shipping disruptions to supplies from other geographies as well



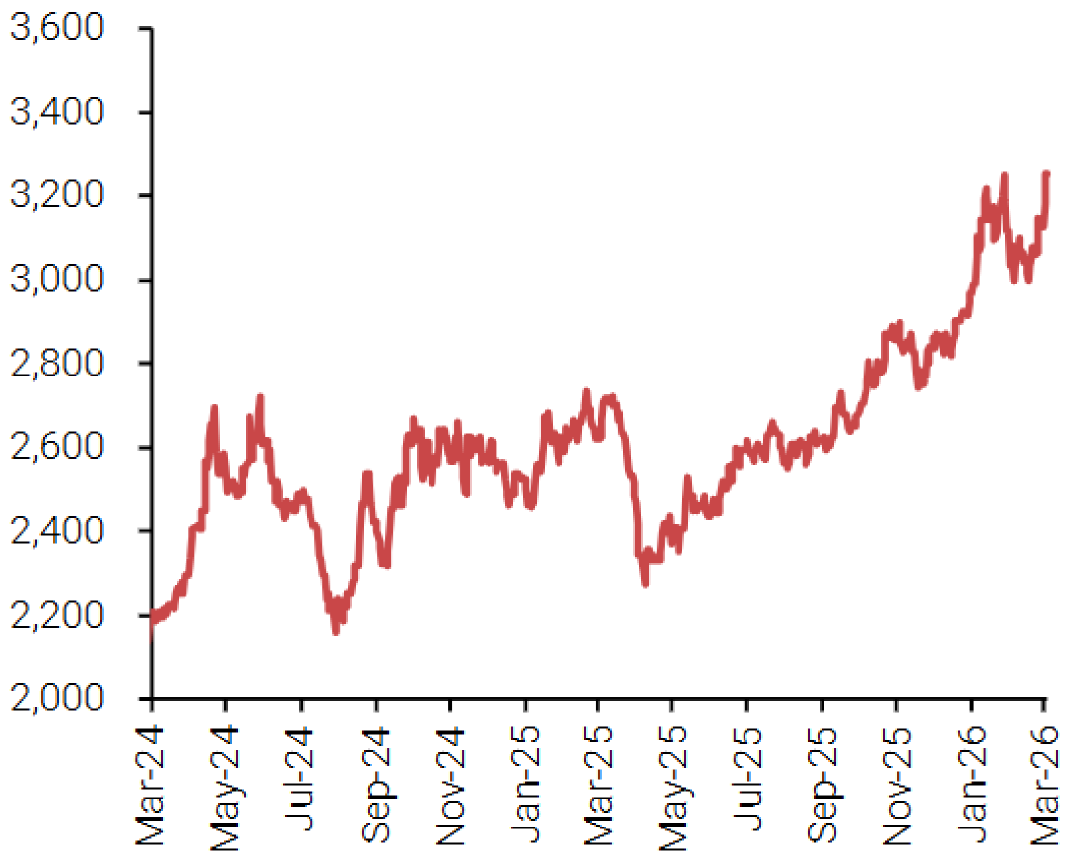
Source: Morgan Stanley Research. Note: Copper represents refined copper production.

Spot prices have already run up reflecting availability constraints

Thermal coal prices ($/ton)



Aluminum prices ($/ton)



Source: Bloomberg, Kotak Institutional Equities

Section 3:

Indian Macro & Markets

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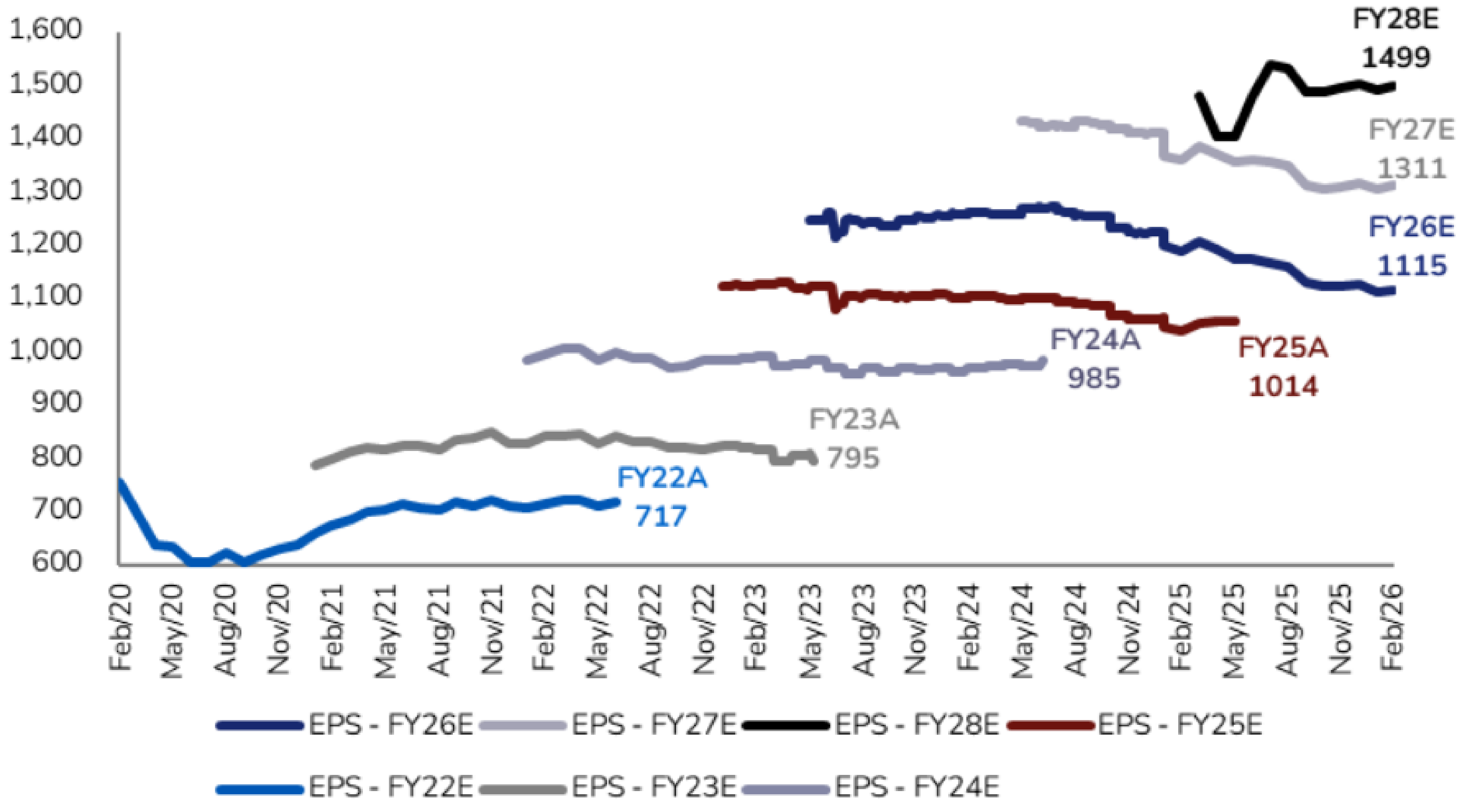
Q3FY26 results season was better than expected

		Q3FY26					
Rs in Trillion	No of Cos	Revenue	YoY	Reported PAT (Parent's share)	YoY	Adj PAT (Parent's share)	YoY
NIFTY500	**500**	43.04	10.9%	4.20	7.7%	4.30	16.2%
BFSI	**91**	11.79	14.2%	1.66	9.9%	1.68	11.8%
Non-BFSI	**409**	31.25	9.7%	2.54	6.4%	2.63	19.2%
Non-BFSI Exc Cement, O/G, Metal/Mining	**365**	20.30	11.6%	1.78	-2.7%	1.88	9.8%
Commodities: Cement, O/G, Metal/Mining	**44**	10.95	6.4%	0.75	36.4%	0.75	52.2%
Nifty 500 Excl Commodities	**456**	32.09	12.5%	3.45	3.0%	3.55	10.7%

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%
Total	**500**	**14.4%**	**3.9%**	**-1.3%**	**6.2%**	**8.8%**	**9.9%**	**14.3%**	**16.2%**

Source: Amsec
Note: Data as of 03 Mar 2026, **Sensex taken as proxy because Nifty was not formed*

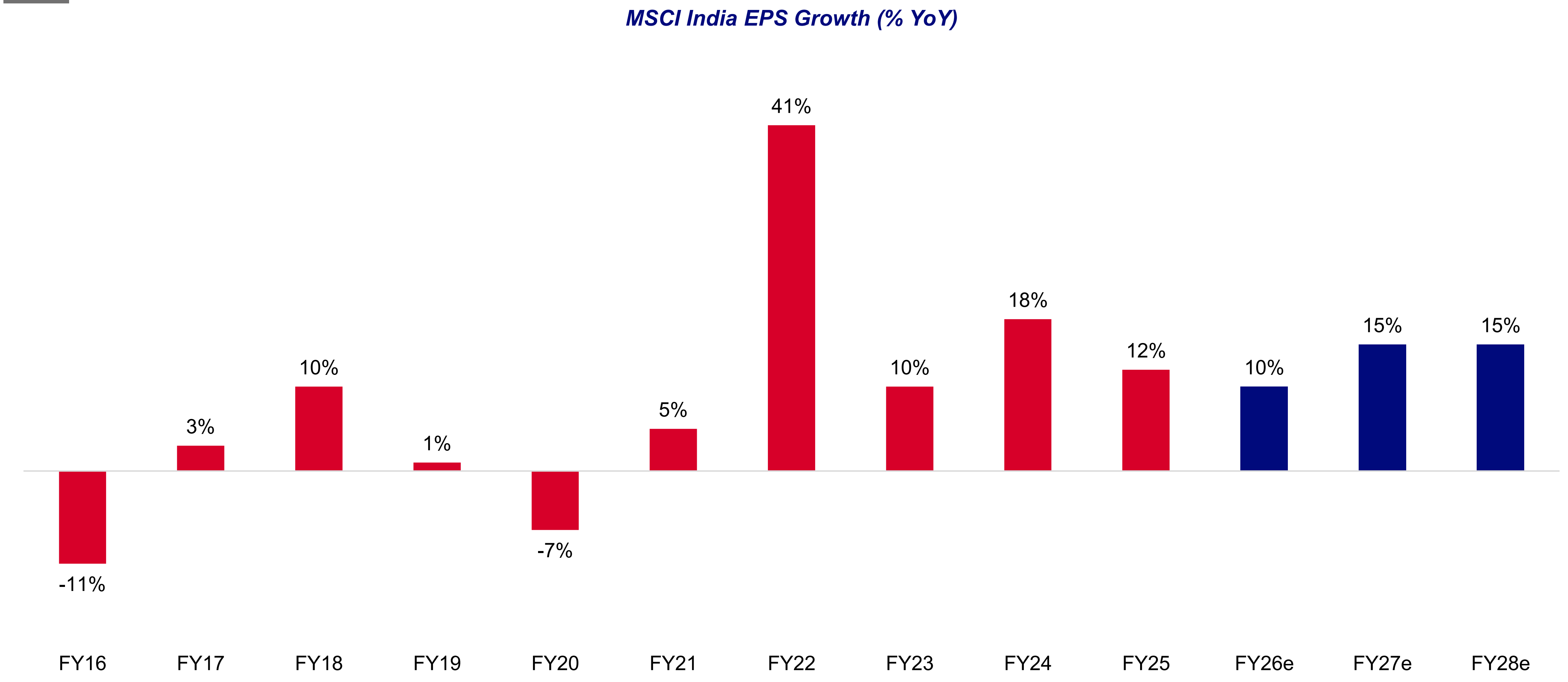
FY27 Nifty 50 EPS estimates have been stable this earnings season



Source: Bloomberg, JM Financial.
Note: FY27E and FY28E estimates - generally introduced in 1QFY25 and 1QFY26 respectively

Growth expected to accelerate going ahead

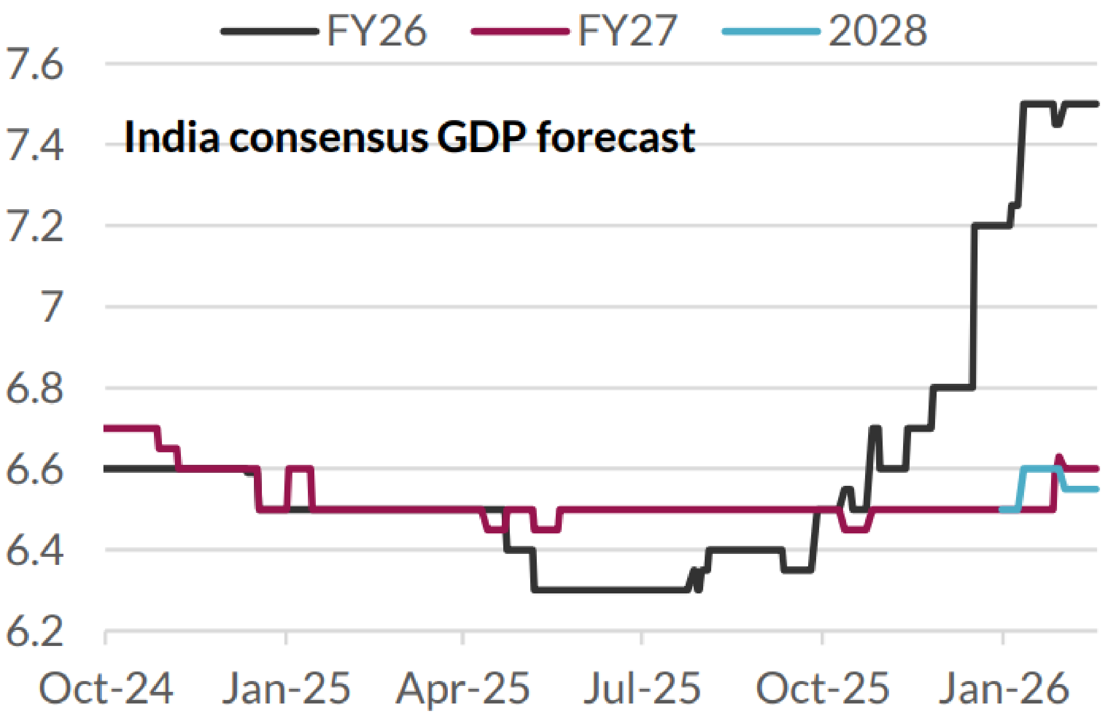
MSCI India earnings growth expected to accelerate 5ppt to 15% in FY27E



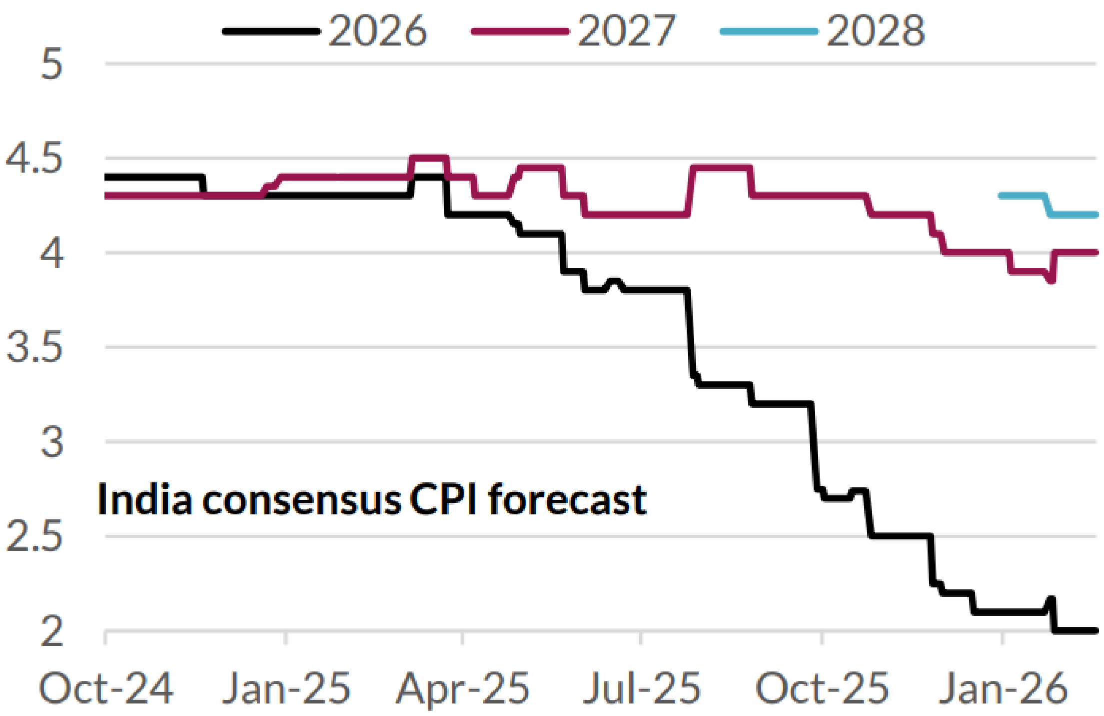
Source: Bloomberg, Jefferies

Economic growth and inflation indicators are favourable

GDP growth expectations remains above 6%



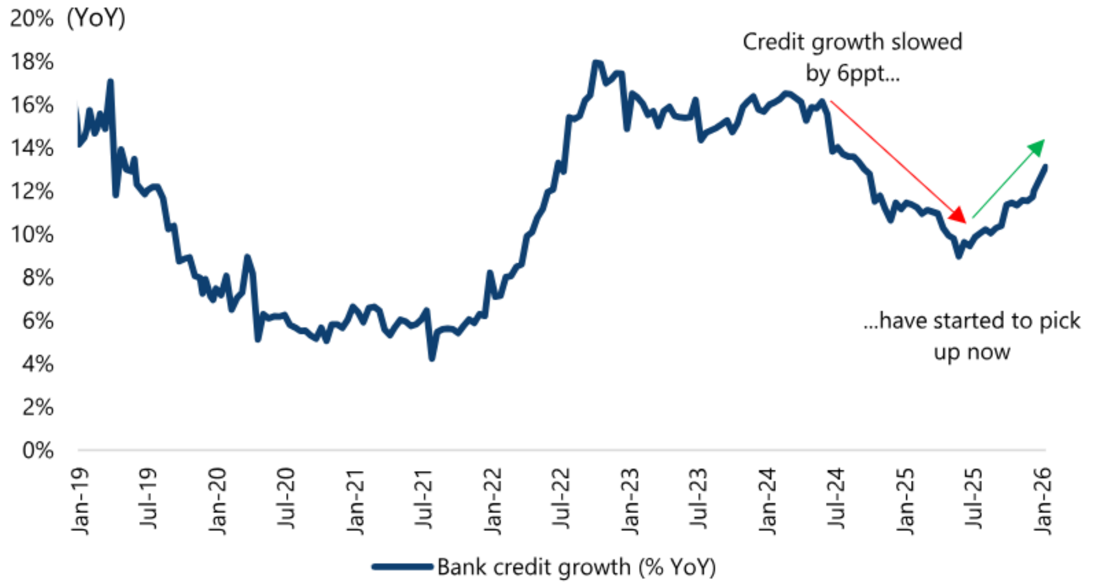
Inflation expectations muted at 4.0-4.5%



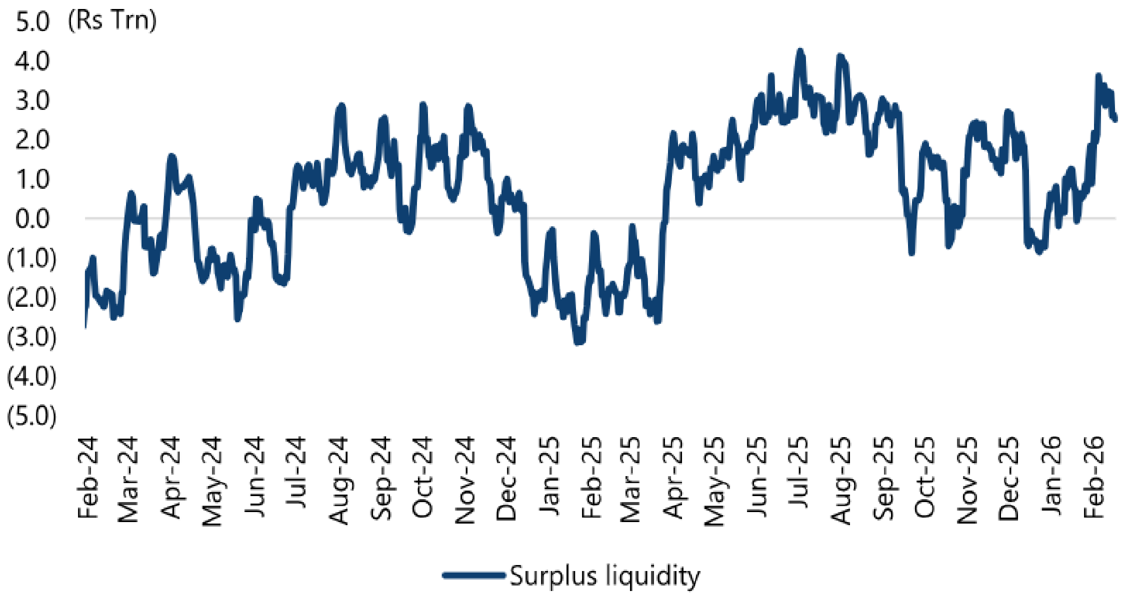
Source: Bloomberg, Axis Capital

Credit growth has started to pick up well

Bank credit growth (% yoy)



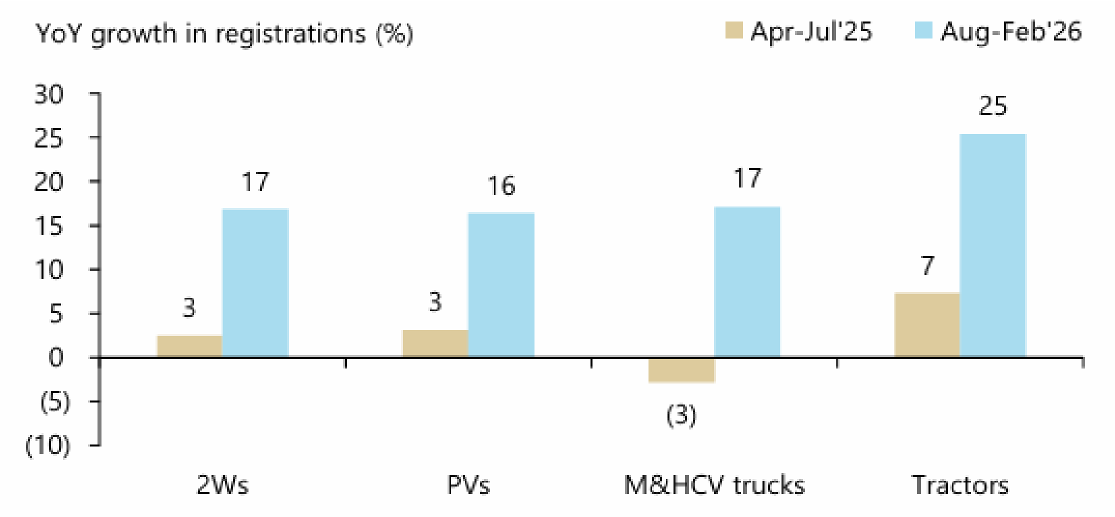
Healthy surplus in overnight liquidity position



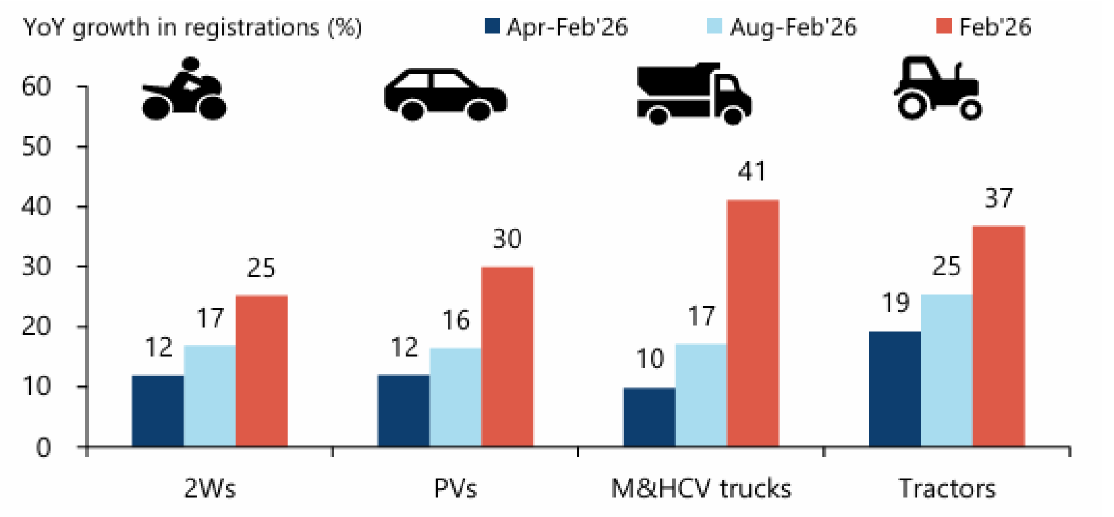
Source: RBI, Jefferies

Healthy growth seen in auto registrations across segments

YoY growth in registrations (%)



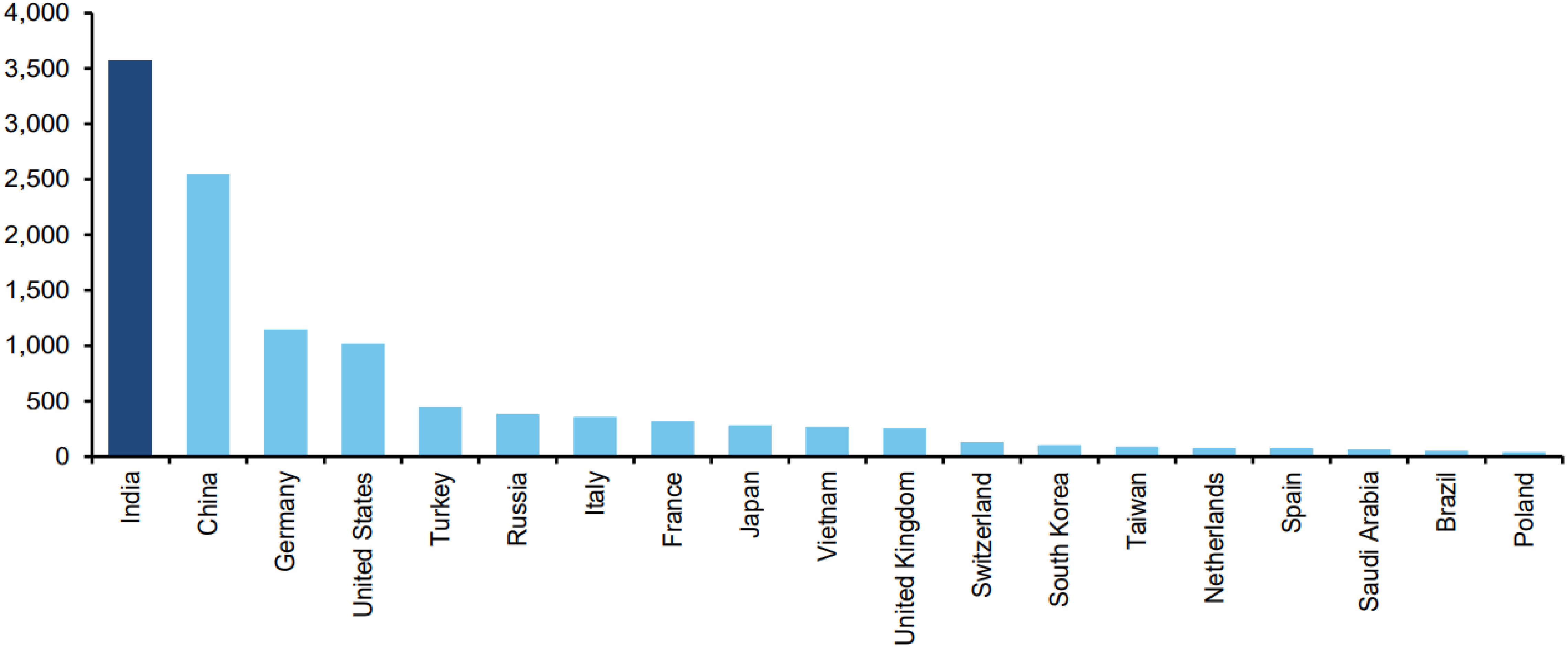
YoY growth in registrations (%)



Source: CGA, Jefferies

Markets not factoring in the wealth effect from Gold in India (1/2)

Gold in tonnes held by households across countries



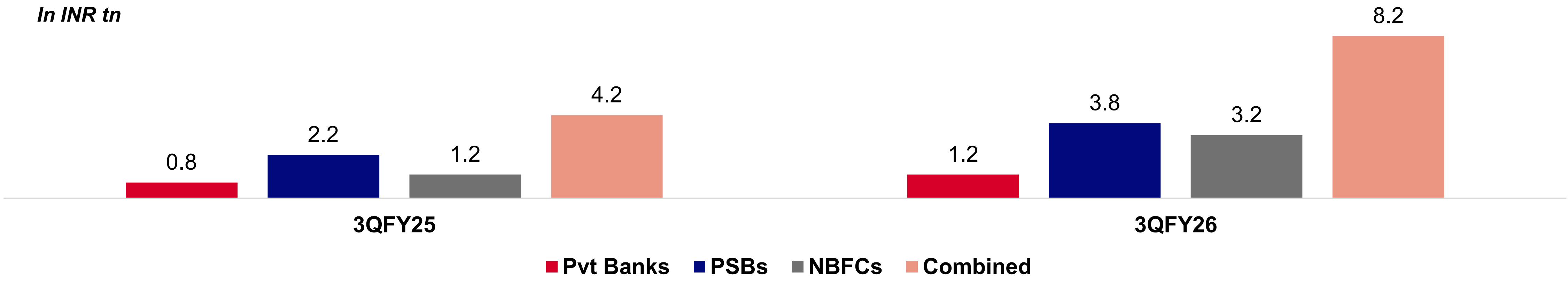
Source: Bernstein Analysis

Markets not factoring in the wealth effect from Gold in India (2/2)

Illustrative demand effect that can be created by using wealth stored in gold for consumption

Gold (gms)	Value	Durables in the price range
1 gm	~₹ 15,000	Bicycle, Entry-Smartphone, Microwave Oven, Budget Washing Machine
5 gm	~₹ 75,000	Premium Smartphone, Laptop, Smart TV, High-end Fridge, Scooter
10 gm	~₹ 1,50,000	Motorcycle, High-end Laptops, Premium Refrigerator
30 gm	~₹ 4,50,000	Entry Four-Wheeler

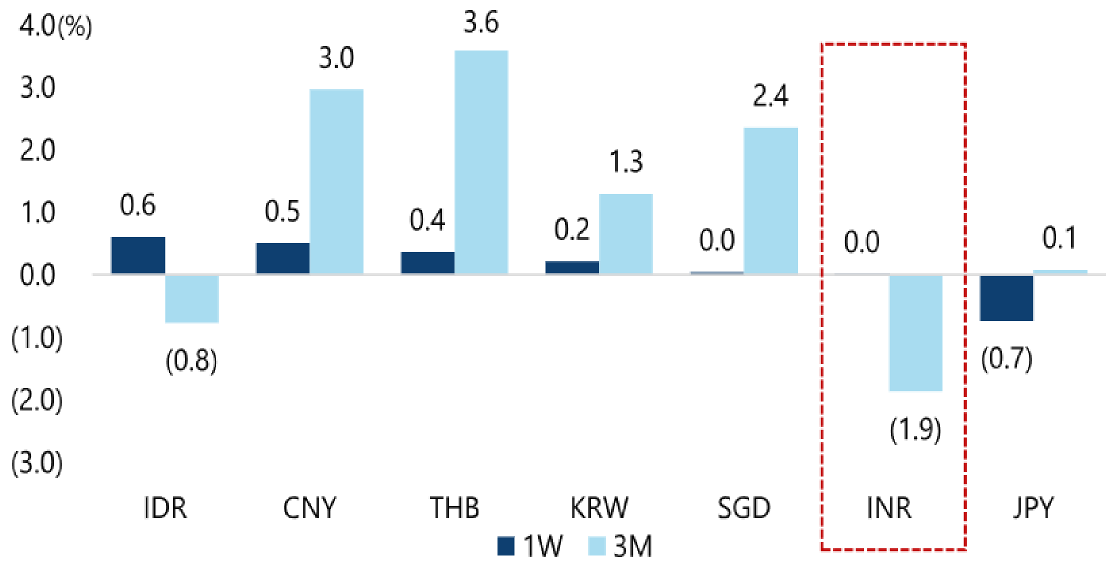
Gold Loan disbursements grew 94% YoY in 3QFY26



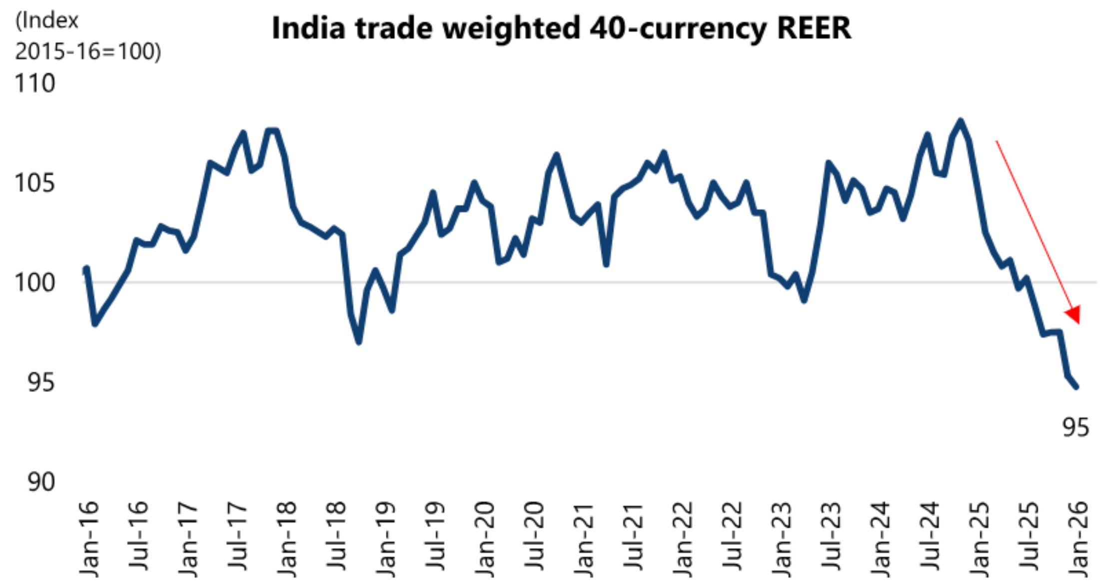
Source: IKIGAI

Markets are correlated to rupee – which now seems undervalued

INR and regional currencies performance vs. the USD



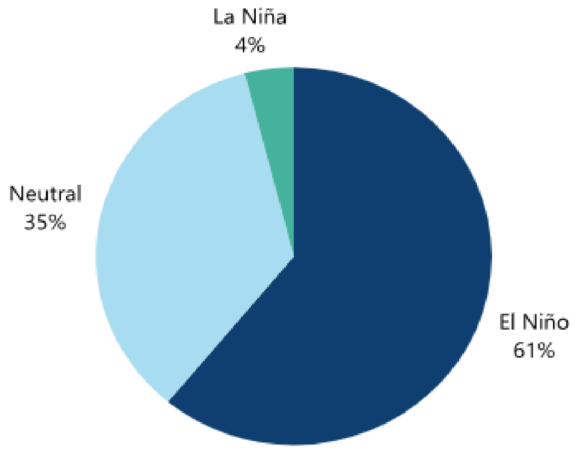
India trade weighted 40-currency REER



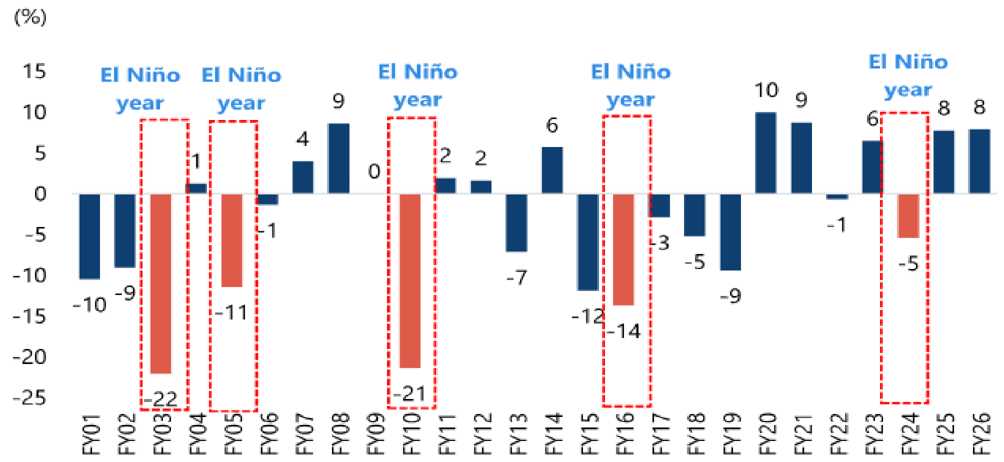
Source: Bloomberg, RBI, Jefferies

High probability of El Nino is a risk

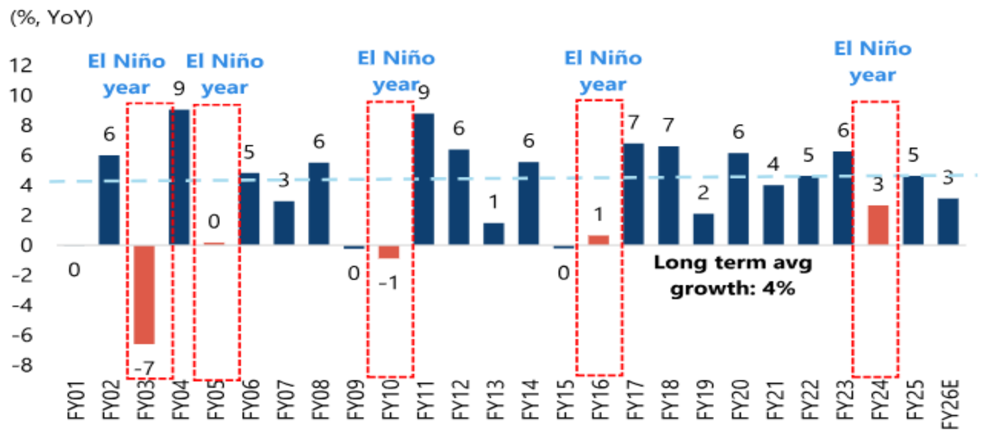
El Nino Southern Oscillation (ENSO) probabilities



Southern monsoon deviation from normal



India real agri GVA



Source: Columbia Climate School IRI, NOAA, IMD, MoSPI, Jefferies

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How big is the AI risk?

IT is facing the highest drawdown since the dot-com bubble in 2000

Nifty IT index has fallen 35% from recent highs

Source: Bloomberg, DSP. Data as of Feb 2026. *Green highlight means where the stock is currently trading at below 33 rd percentile of valuation, #Green highlight is where cash as a % of Mcap is greater than 5%, @ Green highlight is where the company is generating FCF Yield of higher than 3%

Indian markets, particularly IT stocks, have been impacted by AI

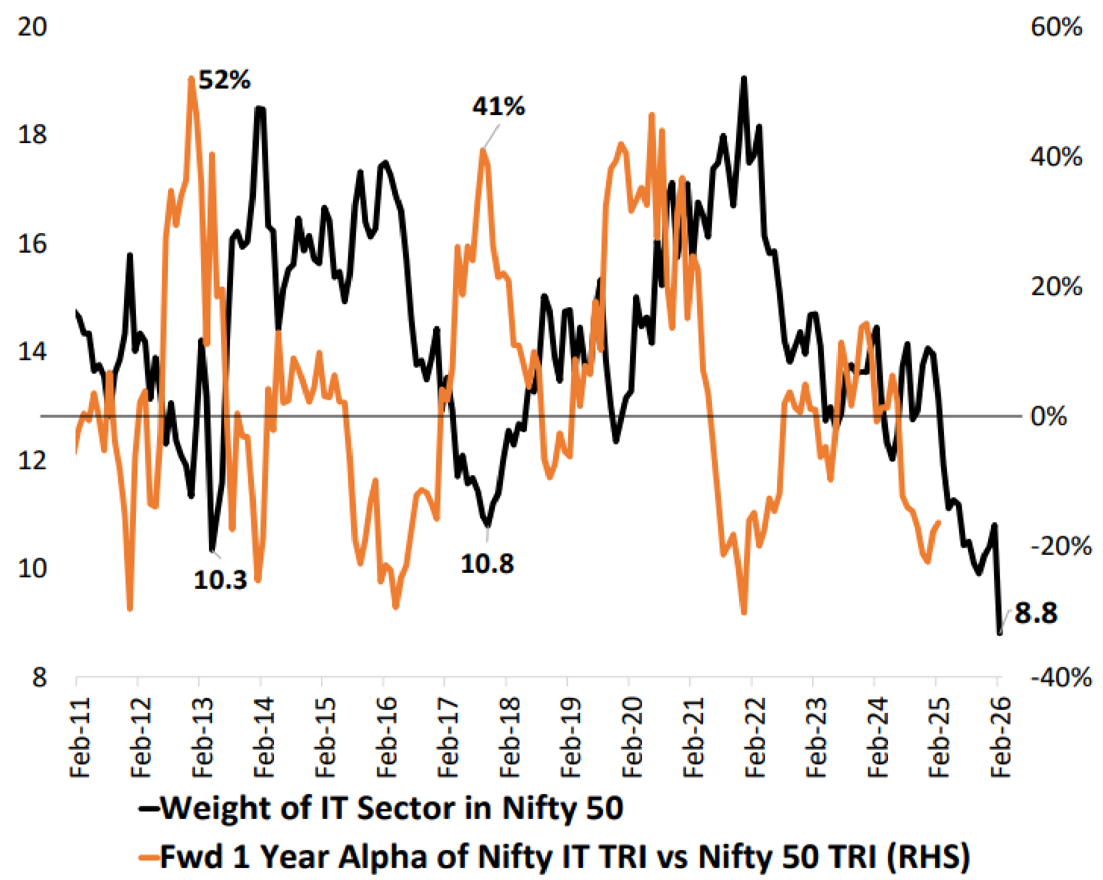
~60% of the index (weight by Mcap) is trading below the 33rd percentile of historical valuations

Stock Name	Weight (%)	Current Percentile of Valuation*	Valuation (P/E)	ROE	Cash as a % of Mcap#	FCF Yield@
Infosys Ltd.	28.9	25%	18.2	29%	5%	6%
Tata Consultancy Services Ltd.	21.9	13%	18.5	52%	6%	5%
HCL Technologies Ltd.	11.9	69%	21.8	25%	9%	6%
Tech Mahindra Ltd.	10.1	82%	27.7	15%	5%	5%
Wipro Ltd.	6.7	24%	15.8	17%	27%	8%
Persistent Systems Ltd.	6.0	77%	41.5	24%	2%	1%
LTIMindtree Ltd.	4.8	44%	25.5	22%	11%	3%
Coforge Ltd.	4.6	78%	31.4	16%	1%	2%
Mphasis Ltd.	3.1	69%	24.0	18%	6%	4%
Oracle Financial Services Software Ltd.	1.9	61%	24.7	29%	8%	4%
Nifty IT Index	**100.0**		**21.5**	**26%**	**8%**	**5%**

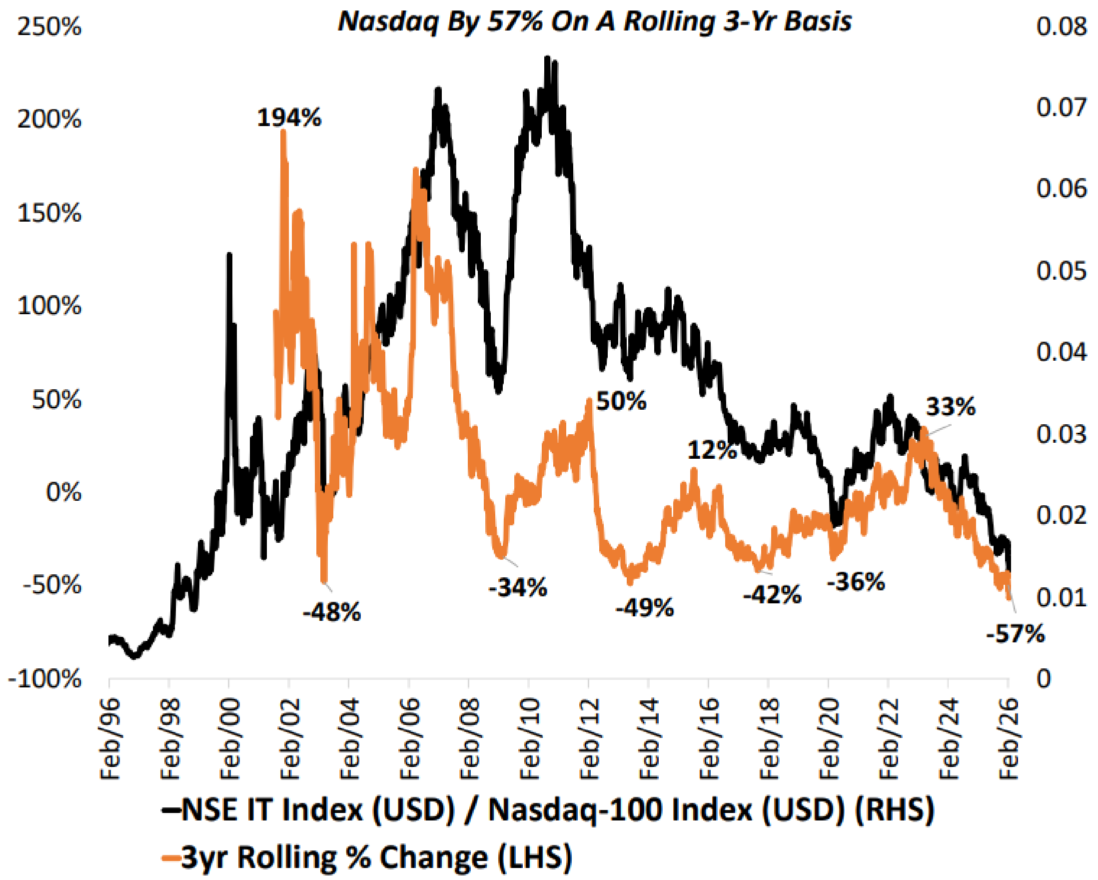
Source: Bloomberg, DSP. Data as of Feb 2026. *Green highlight means where the stock is currently trading at below 33 rd percentile of valuation, #Green highlight is where cash as a % of Mcap is greater than 5%, @ Green highlight is where the company is generating FCF Yield of higher than 3%

IT Sector Weight Is Close To Decadal Lows – Underowned, Underperforming

Weight of IT Sector in Nifty 50 at All time Low



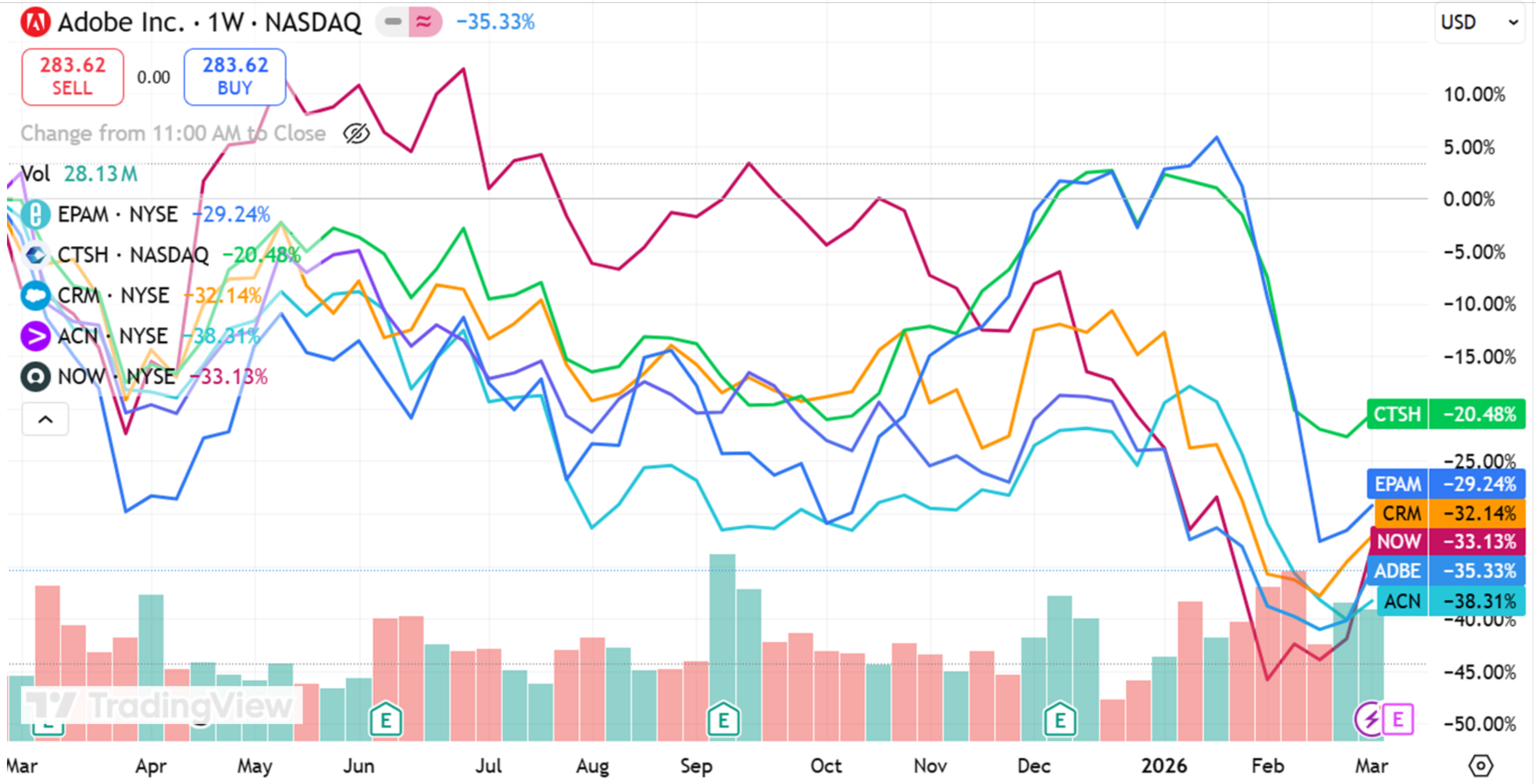
Indian IT Stocks are now underperforming



Source: Bloomberg, NSE, DSP. Data as of Feb 2026.

Indian IT companies are not alone in facing sharp corrections

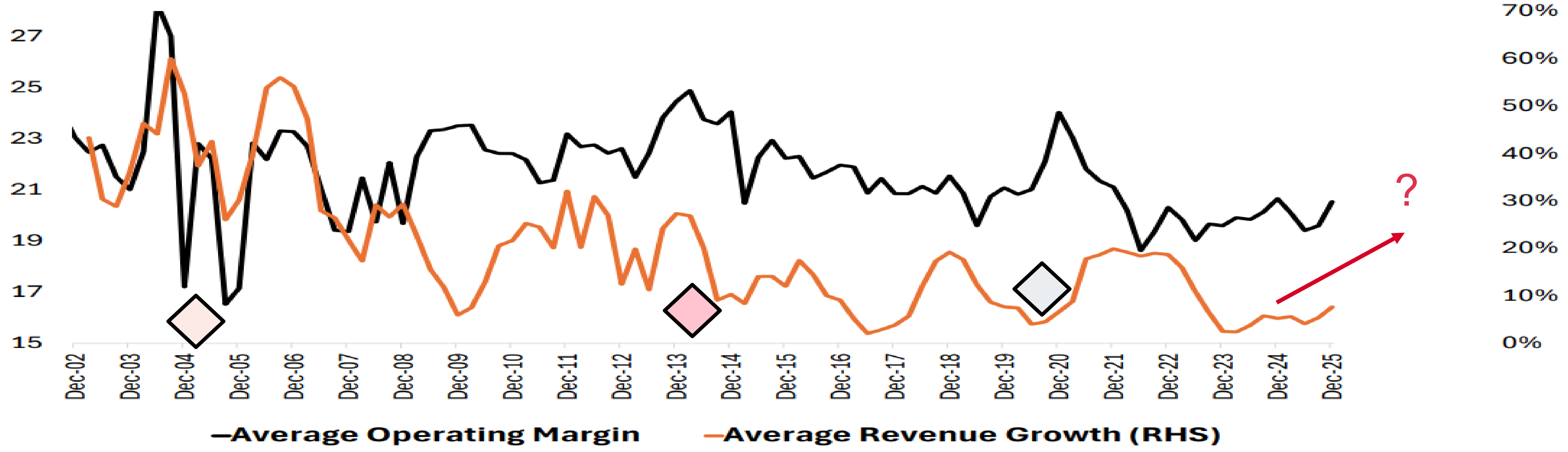
Major listed IT and SaaS companies have seen high drawdowns in the past 12 months



Source: Tradingview

Can AI become a boon rather than bane?

Currently, large-cap IT companies are undergoing a rough business cycle.



Dot-com Bubble (1999-2002)	Cloud Computing (2009-13)	SaaS/Automation Fear (2016-20)
Fears started to go-away around 2003-04 when global corporations began cutting costs and outsourcing heavily **benefitting Indian IT companies**	Argument was it would reduce demand for traditional IT services, but cloud adoption required migration, modernization, infra management **all provided by Indian IT**	Here fear was that SaaS would eliminate IT service providers & product cos. would replace service firms but again **Indian IT was required in implementation**

Source: Bloomberg, DSP. Data as on Feb 2026. Companies considered for average are Infosys, TCS, HCL Tech and Wipro.

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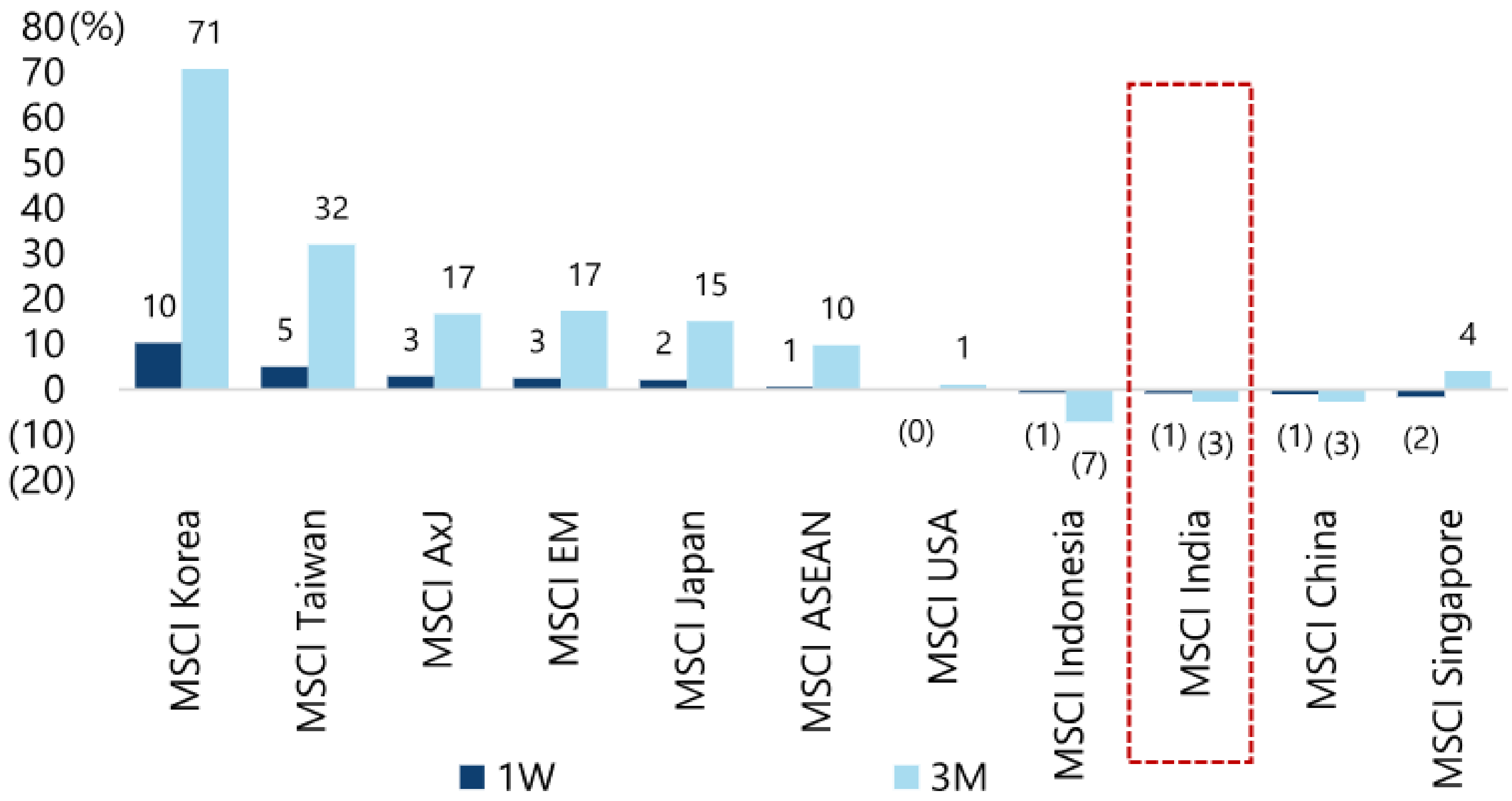
Are we at a trough in the market cycle?

India markets continue to underperform developed and emerging markets

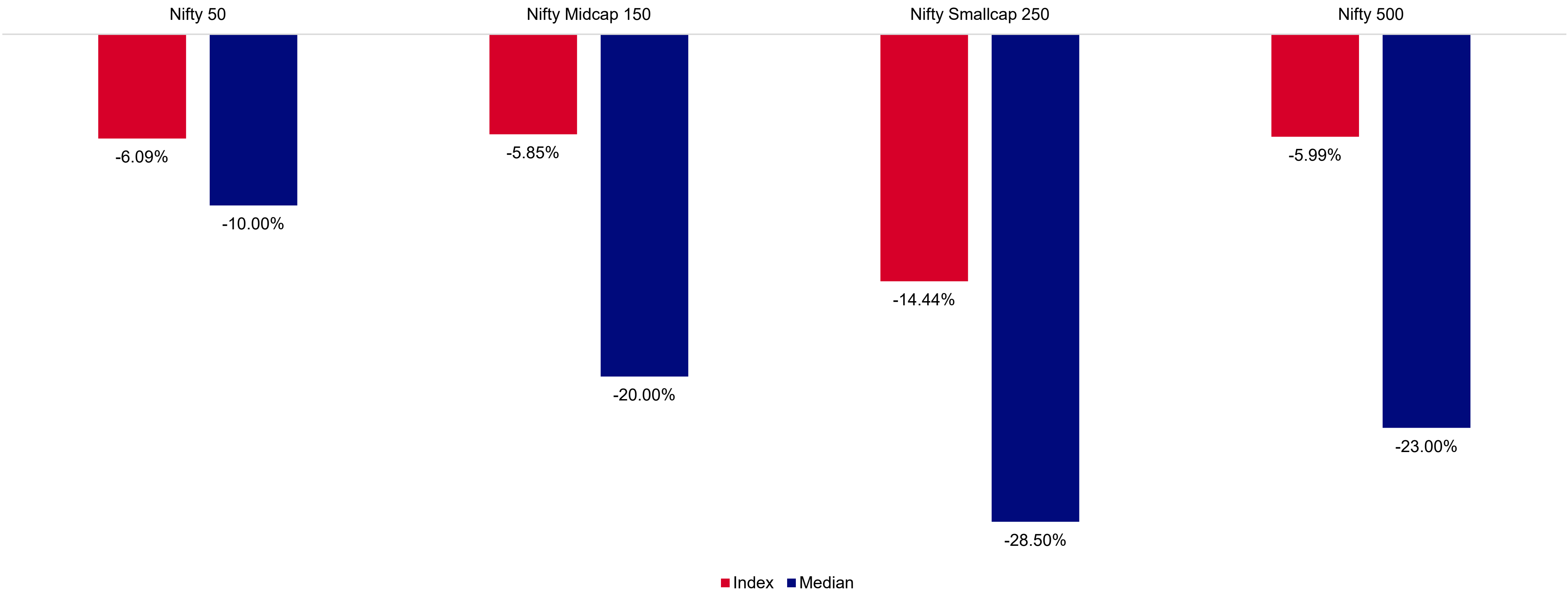
MSCI India performance vs. regional indices



Source: Bloomberg, Jefferies. *in local currency, Data as of Feb 27, 2026

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

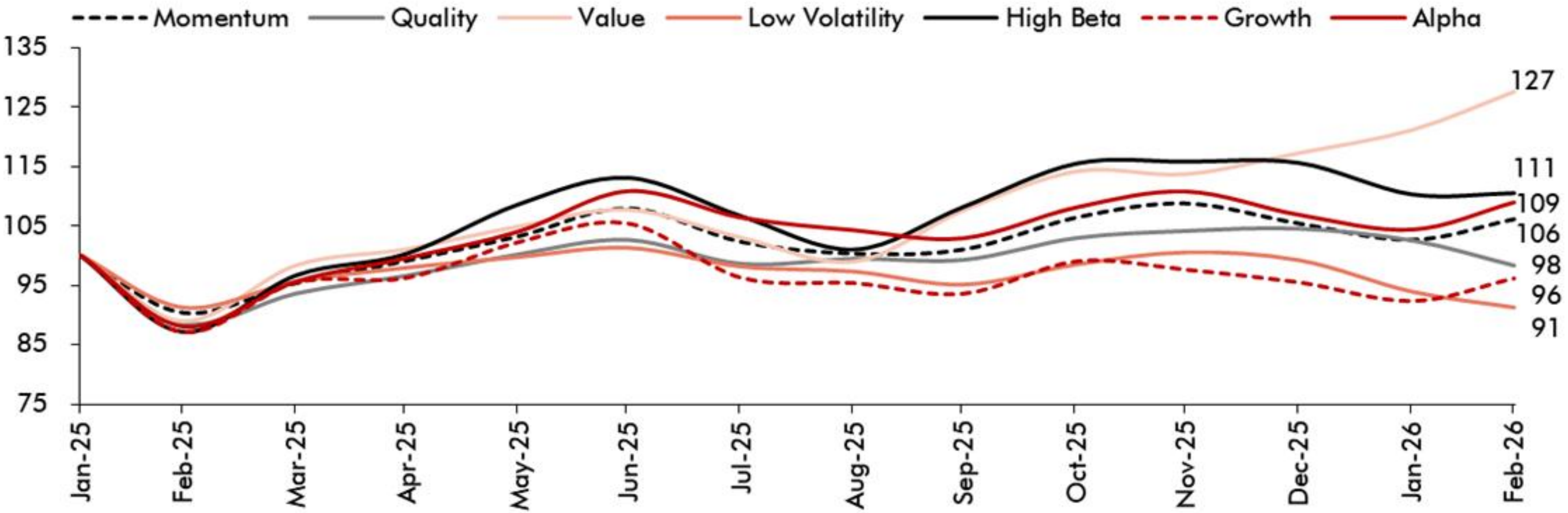
Drawdown from 52-week high (%)



Source: IKIGAI Research
Note: Data as of 5 Mar 2026

Value has been the best-performing factor since Jan-25

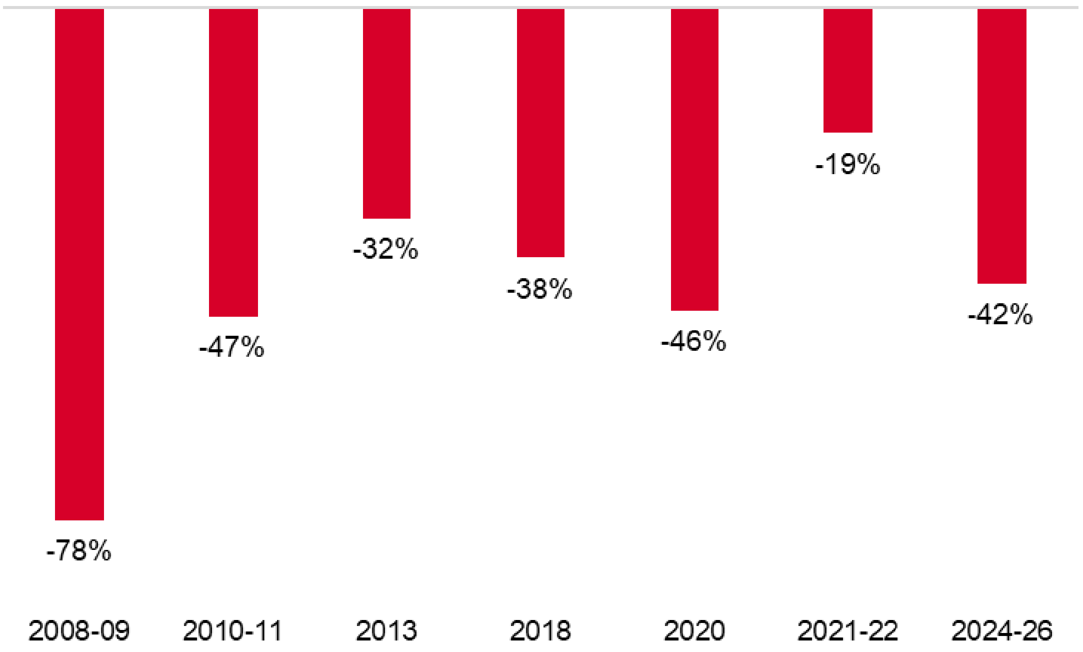
Performance by factor since Jan-25



Source: Ambit
Note: Data as of 5 Mar 2026

We have seen sharp correction in broader markets

Median Market Drawdowns across major cycles



Indices – Returns over Sep'24 to Mar'26	
Nifty 50	-6.6%
BSE 500	-8.8%
Equal Weighted BSE 500	-14.2%
Median of BSE 500 co. returns	-15.0%

Mid Small Cap Index	
BSE MidSmall Index	-14.5%
Equal Weighted BSE MidSmall	-20.4%
Median of BSE MidSmall co. returns	-29.8%

Source: Ace Equity
Note: Data as of 06 Mar 2026

Along with price correction the valuations becoming reasonable

Mid & Small Cap Indices have corrected over 34-39% in the last 18 months

Date	Nifty 50	P/E	EPS Change	Total Correction
Sep – 24	26178	24.4	1073	-15.7%
Mar – 26	24865	21.8	1141	
Change %	-5.0%	-10.7%	6.3%	

Date	Nifty Midcap 150	P/E	EPS Change	Total Correction
Sep – 24	22360	45.8	488	-34.1%
Mar – 26	21476	32.0	671	
Change %	-4.0%	-30.1%	37.5%	

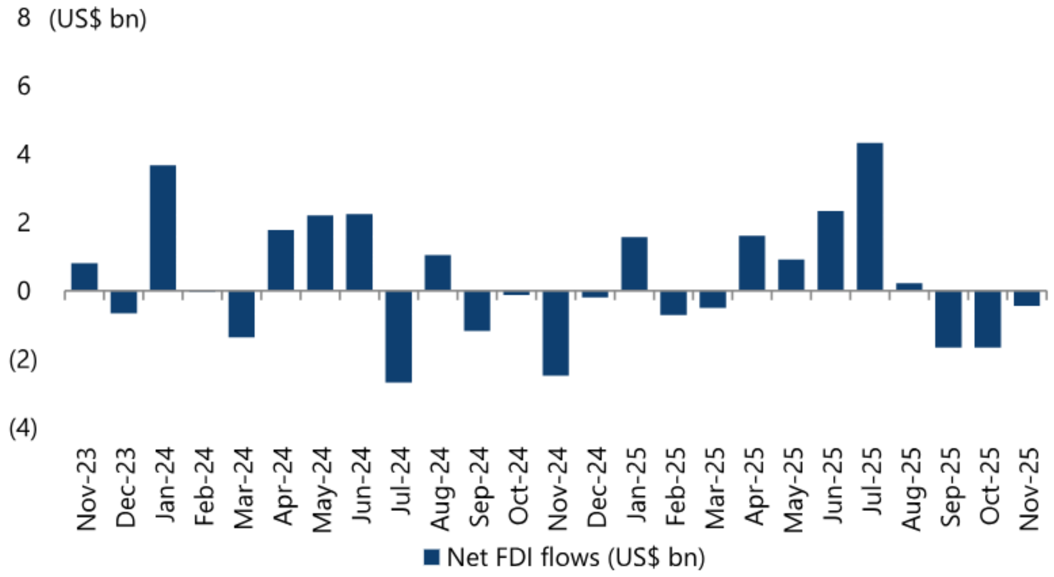
Date	Nifty Smallcap 250	P/E	EPS Change	Total Correction
Sep – 24	18399	33.5	549	-38.9%
Mar – 26	15580	25.6	609	
Change %	-15.3%	-23.6%	10.8%	

Source: Edelweiss AMC
Note: Data as of 03 Mar 2026

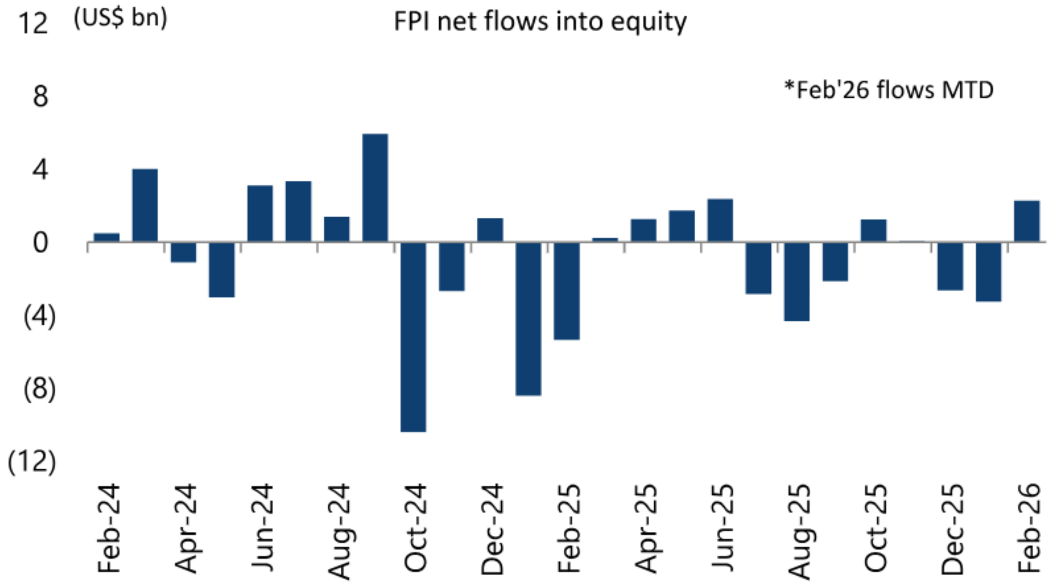
The big question remains – when will FIIs return to Indian markets

FII flows have been negative for most part of past 12 months

Net FDI flow

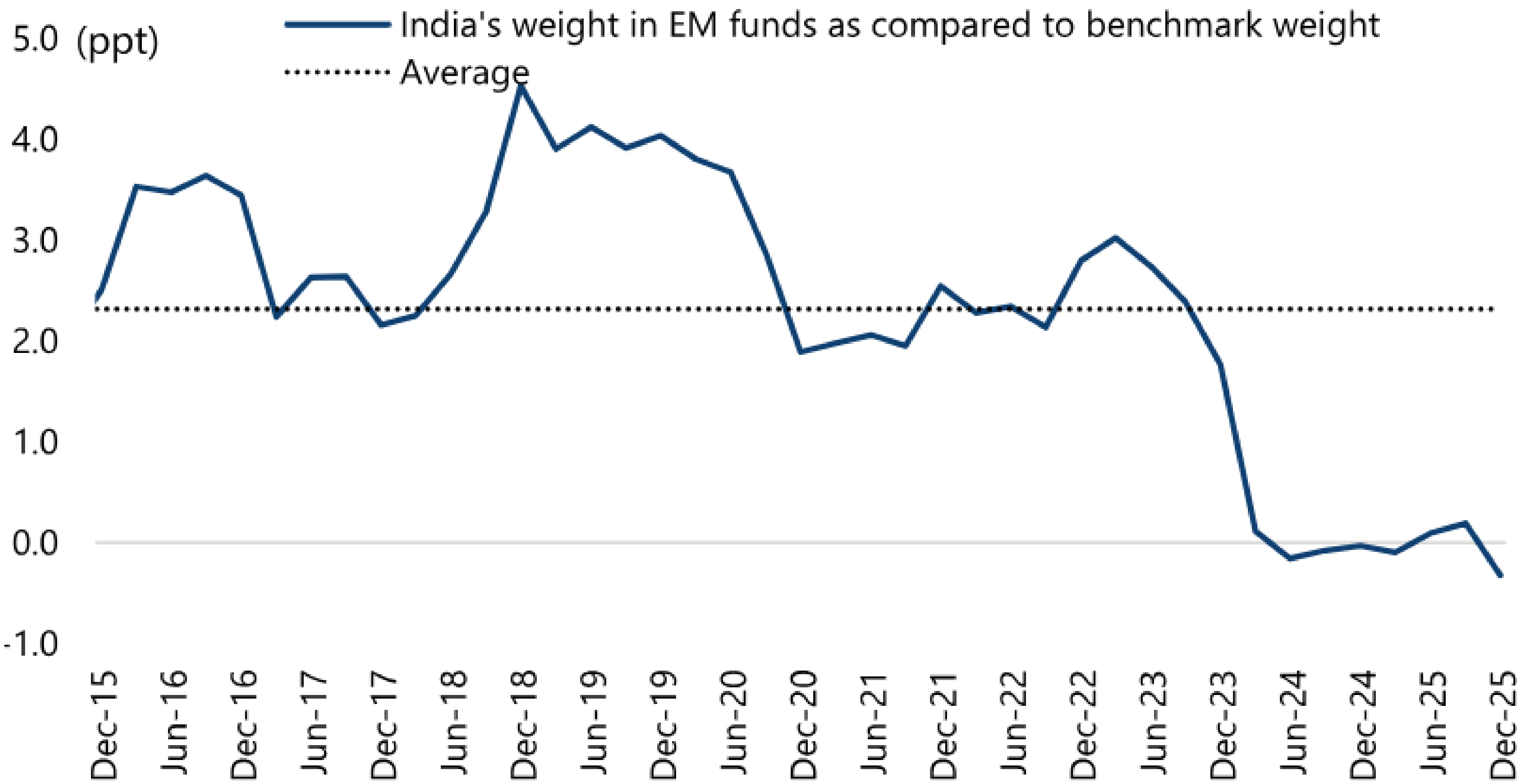


Net FPI flows in Indian equities



Source: Bloomberg, MoSPI, Jefferies

FPI underweight on India at all time highs



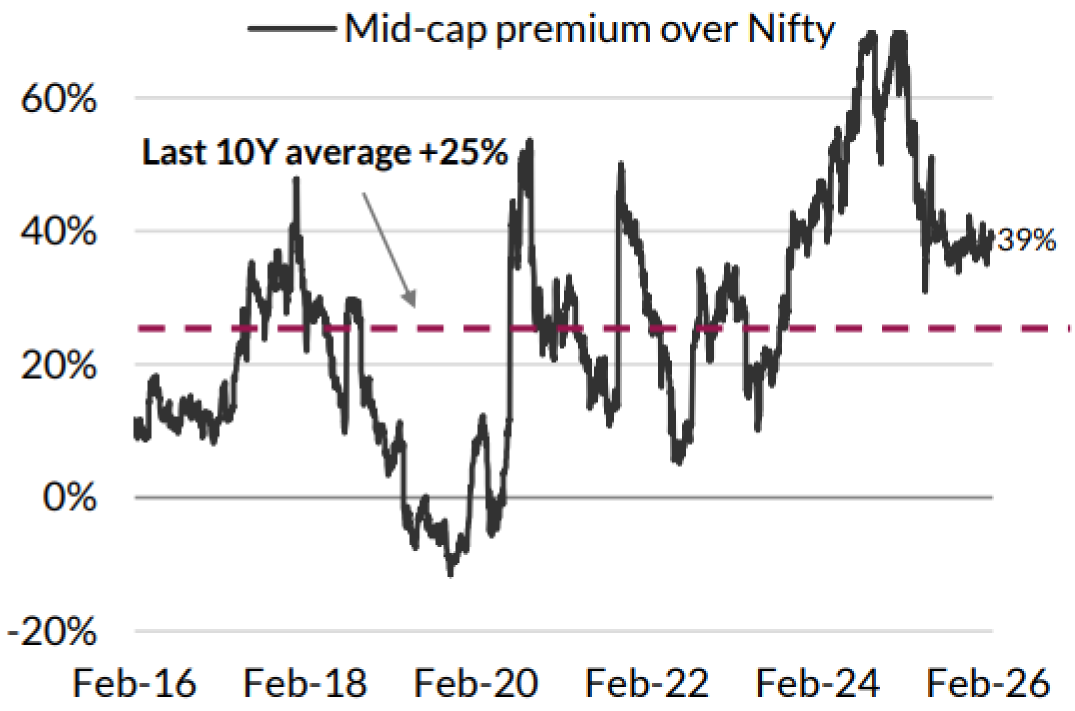
Source: Bloomberg, Jefferies

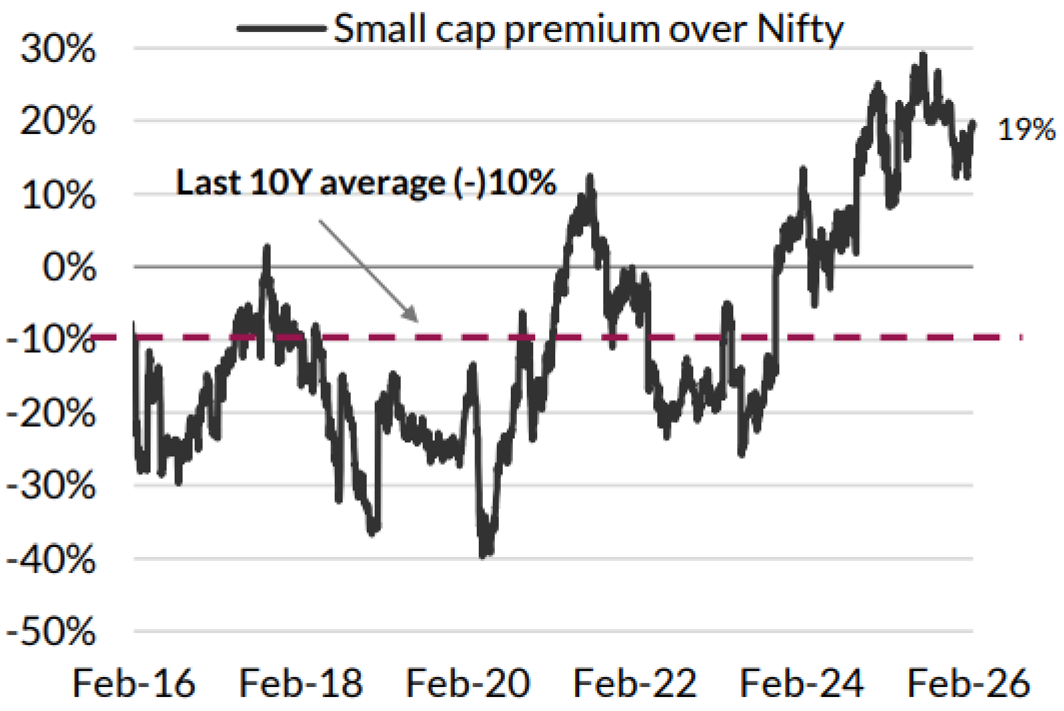
With some unwinding of the AI trade globally – can India be the anti-AI trade?

Source: TradingView

Meaningful time and price correction has happened in all indices

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

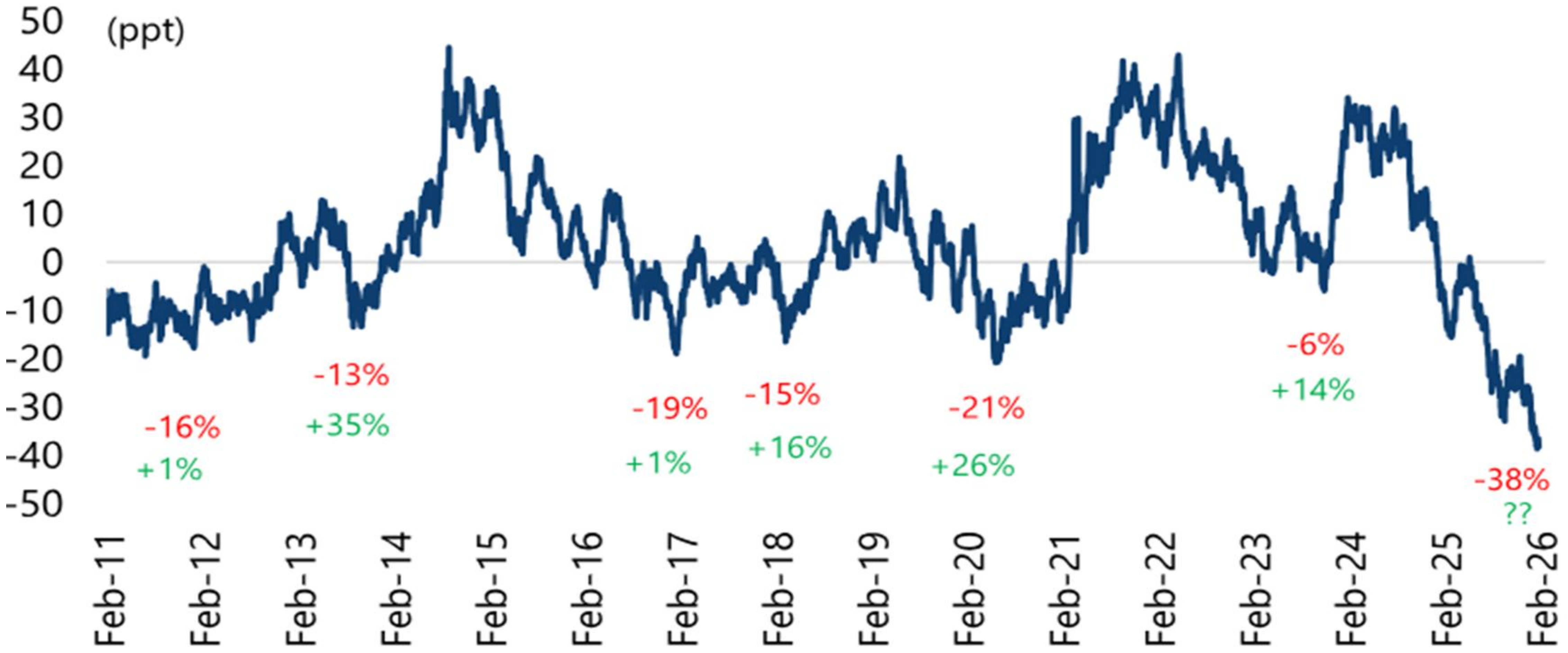




Source: Bloomberg, Axis Capital

MSCI India trails MSCI EM – close to historical troughs

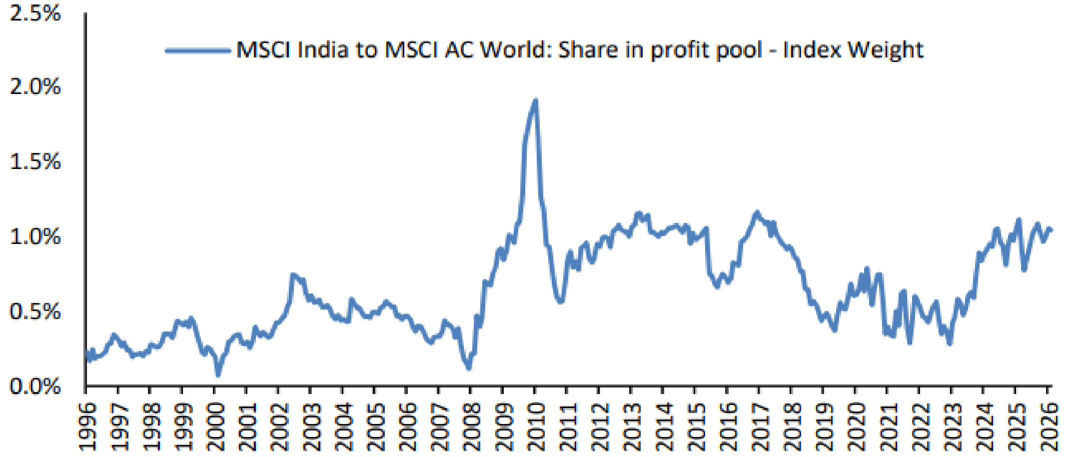
Rolling 365 days, % OPF/(UPF)



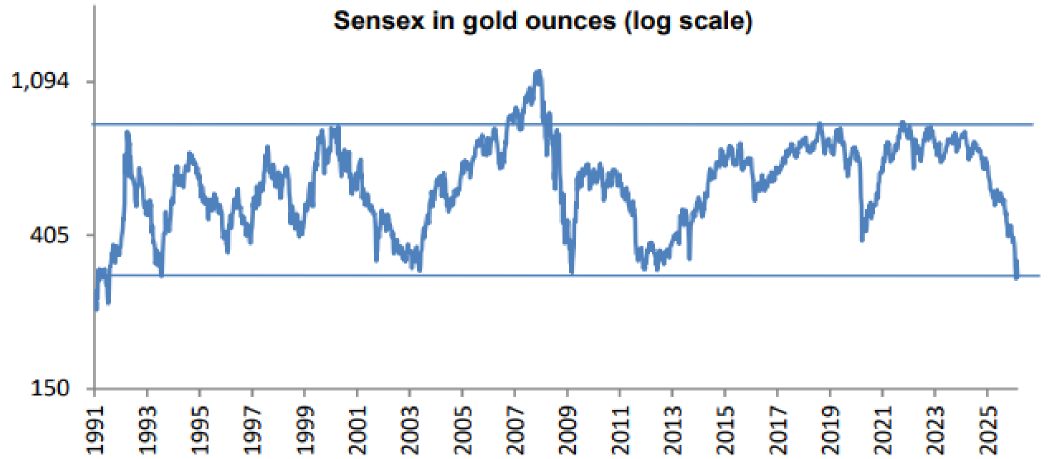
Source: Jefferies

Indian markets look attractive on all metrics

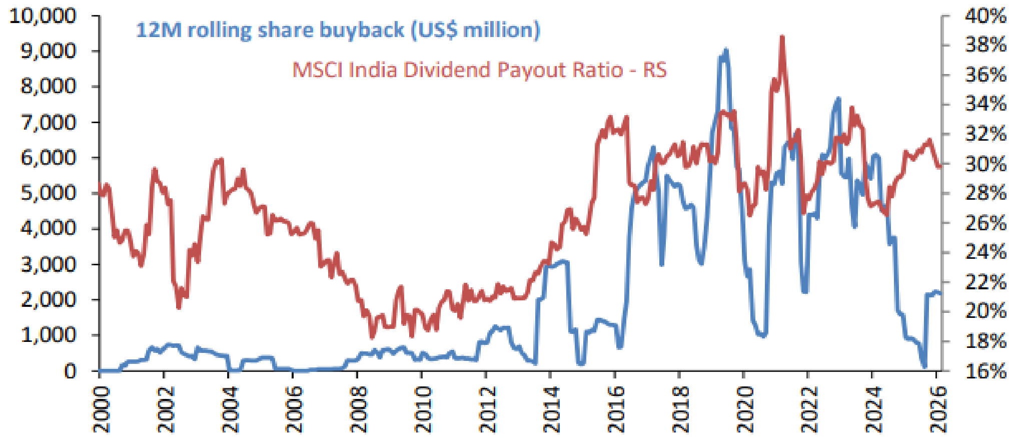
India's profit share at its highest relative to Index weight



Sensex is the cheapest ever in gold terms



Corporate buybacks likely to form new highs from April 2026



Source: Jefferies

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%

What should Investors do?

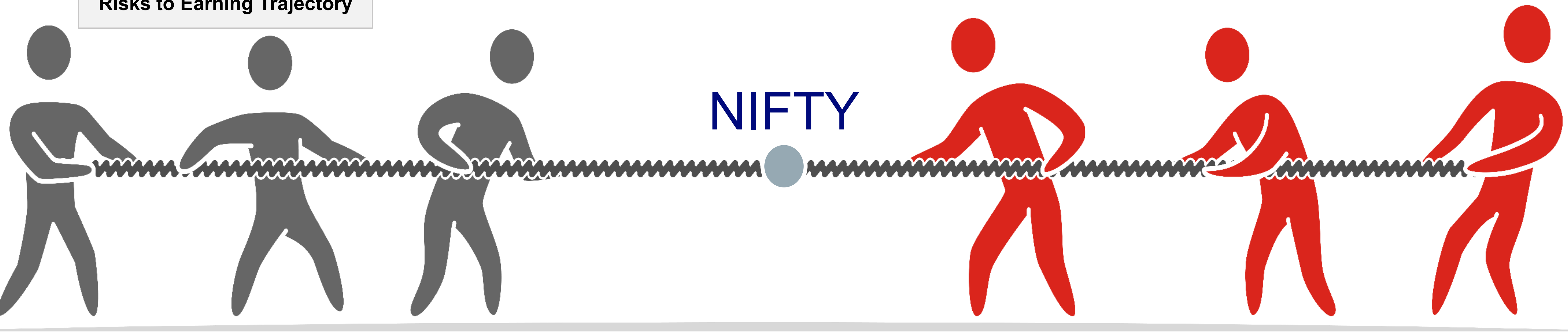
- Shifted from a conservative/cautious to a constructive stance recently
- Would recommend to raise equity exposure with higher upfront investment post this correction:
  - ✓ Top up allocations/SIPs
  - ✓ Sectors that can do well - Metals, healthcare, chemicals, cement, private sector financials and NBFCs, consumer discretionary, auto ancillaries

Be Ready For Volatility

Events: US Tariff war, Energy Prices and Geopolitical uncertainty

23K — 24K — 26K

23K side		26K side	
Extended Middle-East war	Supply of Paper	Earnings Pickup	Favourable India Macros
Global Liquidity Tightening	External Shocks	Yield Softening	FII Flows Returning
Risks to Earning Trajectory			



Thank You