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MARKET OUTLOOK

June 2026

Agenda

01

SECTION 1

Global Markets

02

SECTION 2

India Macro

03

SECTION 3

Indian Markets

Section 1:

Global Markets

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Three months into US-Iran war — confusion continues despite ceasefire talks

Donald J. Trump
@realDonaldTrump

I had a very productive call with Prime Minister Bibi Netanyahu, of Israel, and there will be no Troops going to Beirut, and any Troops that are on their way, have already been turned back. Likewise, through highly placed Representatives, I had a very good call with Hezbollah, and they agreed that all shooting will stop — That Israel will not attack them, and they will not attack Israel. President DONALD J. TRUMP

Donald J. Trump
@realDonaldTrump

If Iran surrenders, admits their Navy is gone and resting at the bottom of the sea, and their Air Force is no longer with us, and if their entire Military walks out of Tehran, weapons dropped and hands held high, each shouting "I surrender, I surrender" while wildly waving the representative White Flag, and if their entire remaining Leadership signs all necessary "Documents of Surrender," and admit their defeat to the great power and force of the magnificent U.S.A., The Failing New York Times, The China Street Journal (WSJ!), Corrupt and now Irrelevant CNN, and all other members of the Fake News Media, will headline that Iran had a Masterful and Brilliant Victory over The United States of America, it wasn't even close. The Dumacrats and Media have totally lost their way. They have gone absolutely CRAZY!!! President DJT

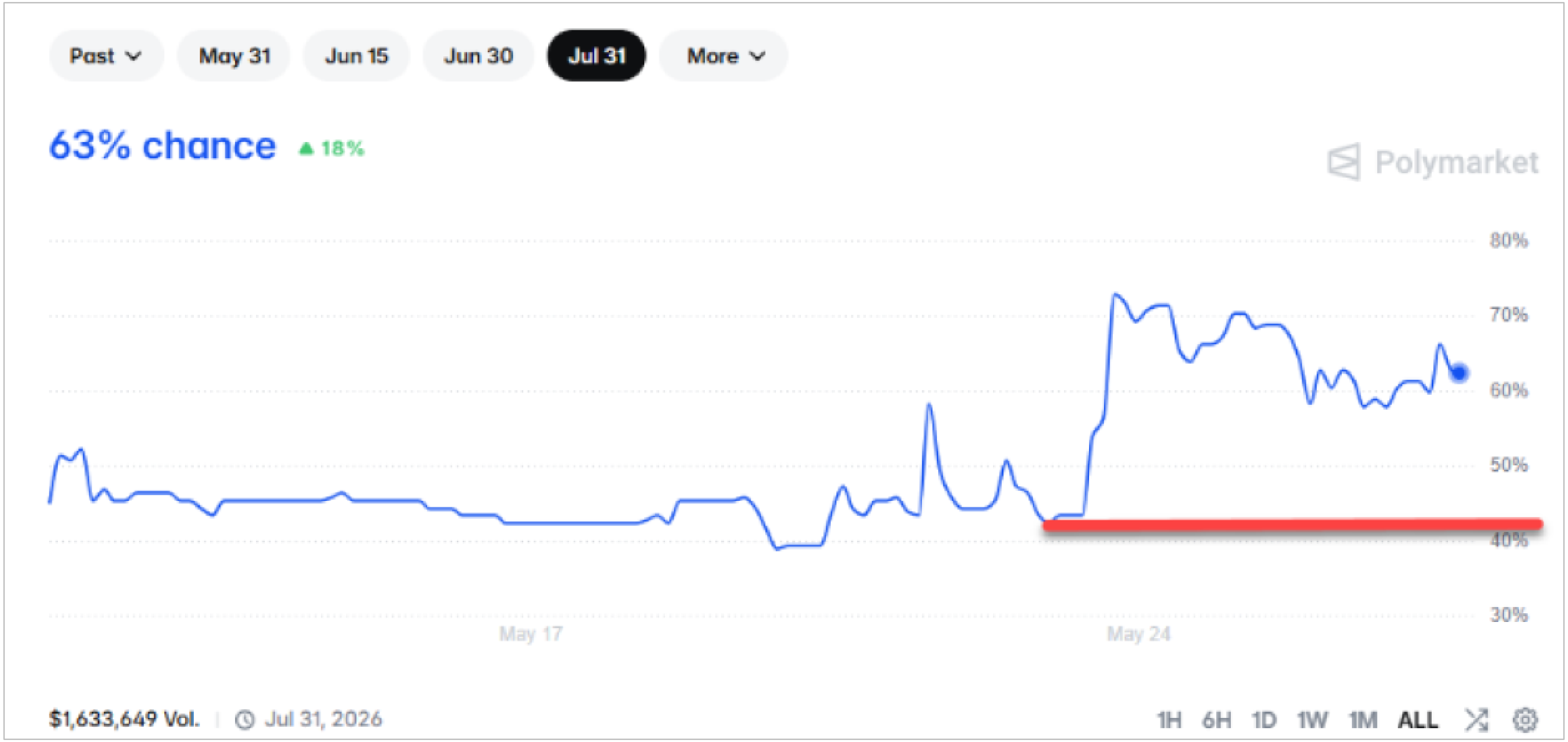
399 ReTruths 1.37k Likes 6/1/26, 9:29 PM

Key Sticking Points in US-Iran Talks Over Interim Deal

	Iran position	US position
Traffic through Hormuz strait	Wants to control maritime traffic	Insists on free passage for vessels
Iran's frozen financial assets	Iran media says government wants $12bn unfrozen with an interim deal	Unclear; pressure on Trump from Iran hawks not to release funds
Lebanon	Ceasefire must include Lebanon	Ally Israel reluctant to have its operations in Lebanon restricted
Iran's highly-enriched uranium	Says it wants to keep possession of its stocks; may accept them being sent to Russia or China	Trump wants HEU destroyed or sent to US

Source: Twitter, Truth Social, News Articles, Bloomberg

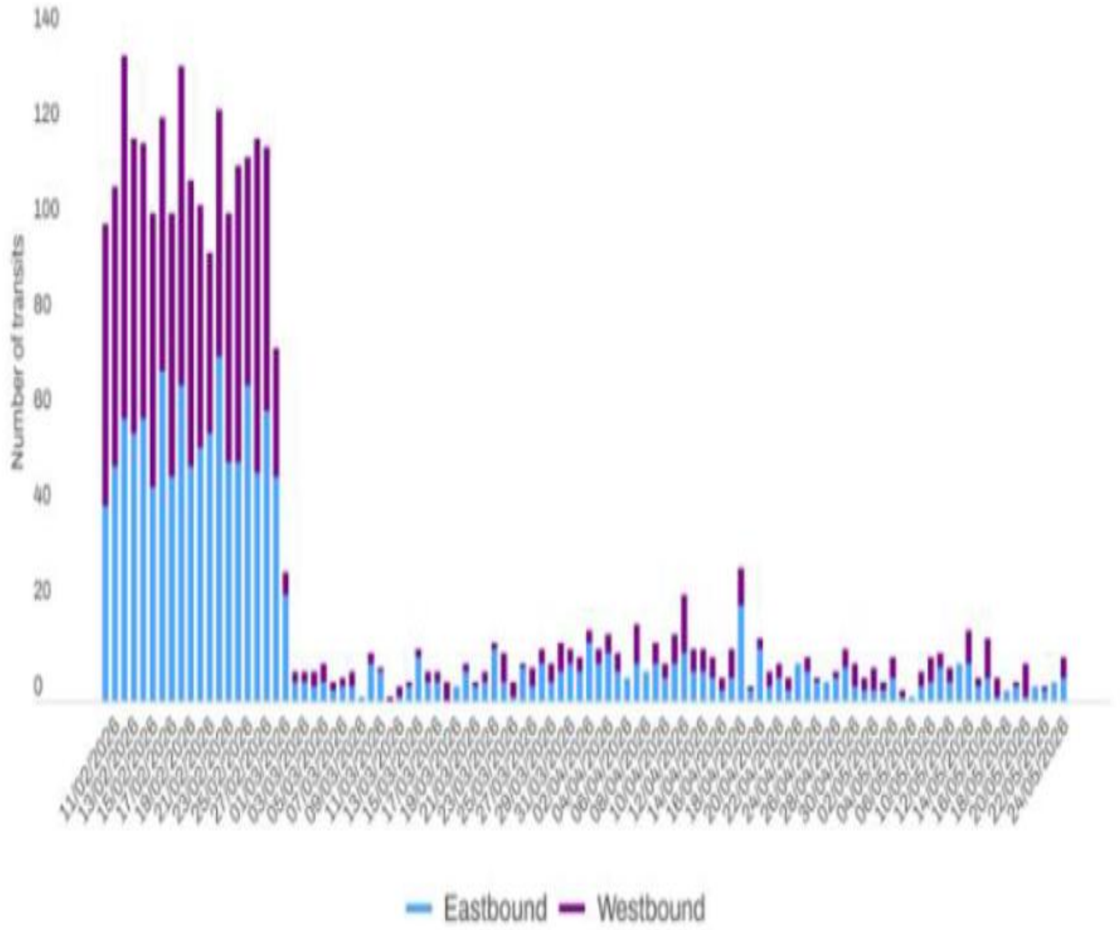
Polymarket at 63% chance of SoH traffic normalisation by July 31



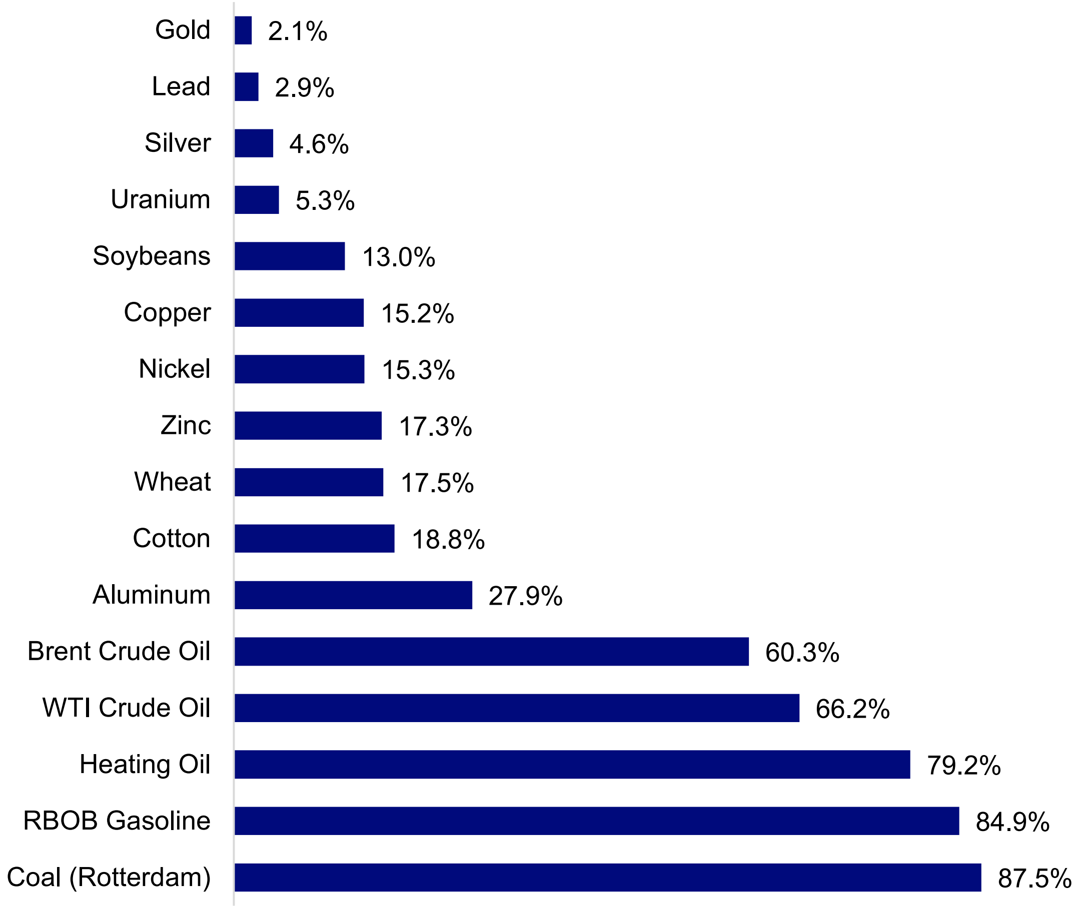
Source: CLSA

But current blockage of the Strait continues to impact commodity prices

Strait of Hormuz daily transits by direction



YTD 2026 commodity prices have seen major brunt

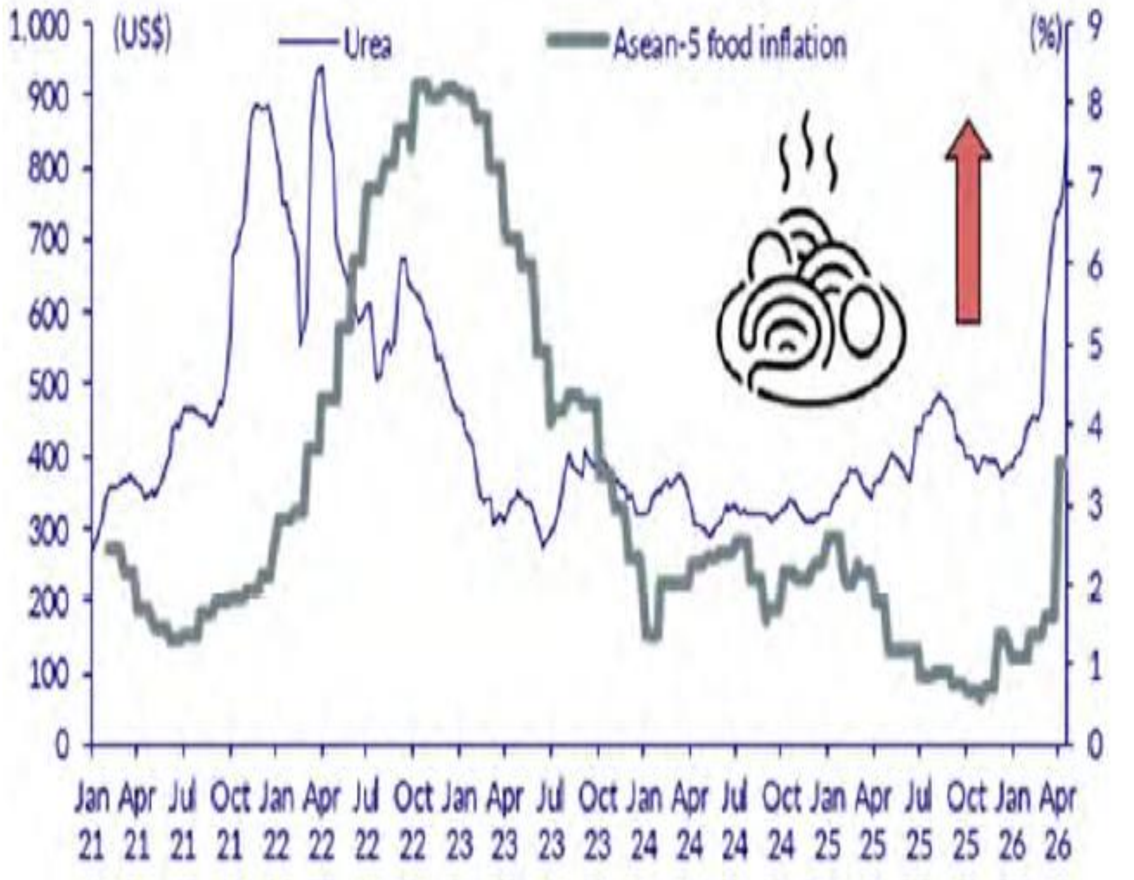


Source: CLSA, Ikigai
Note: Data as of 3 Jun 2026

First derivative impact of crude being felt across sectors

Airlines have cancelled 2mn seats and 12,000 flights in May

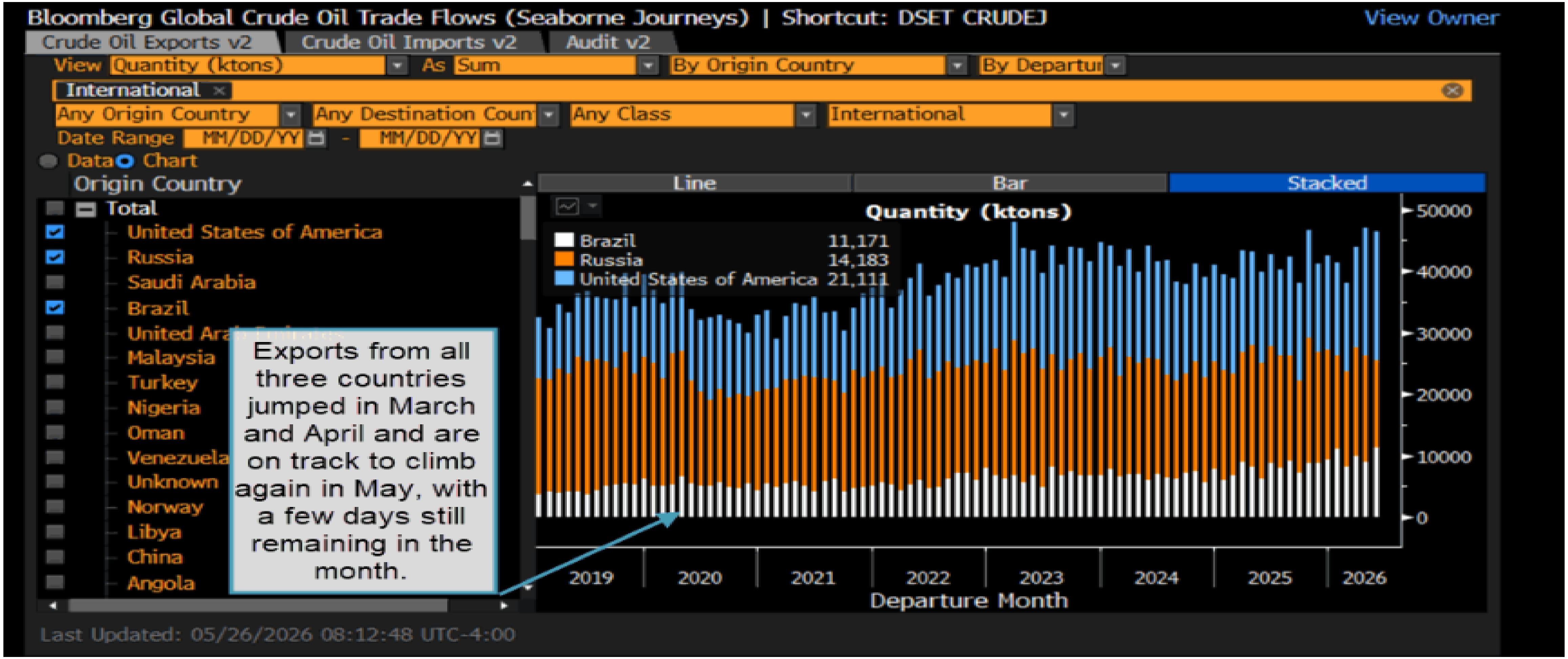
Urea prices have shot up also impacting food inflation



Source: CLSA

US, Russia & Brazil become beneficiaries of higher crude price

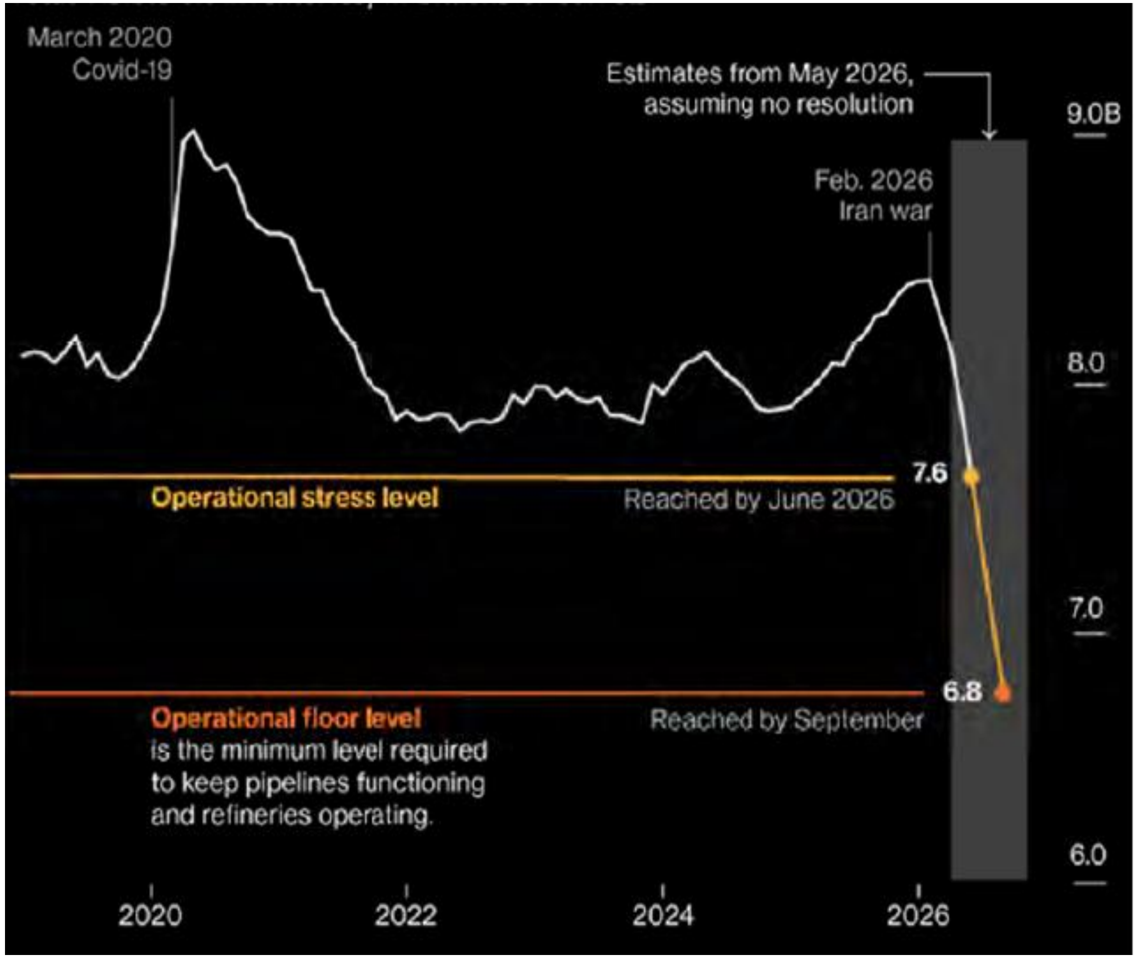
Bloomberg seaborne crude trade flow - US, Russia, Saudi exports March / April



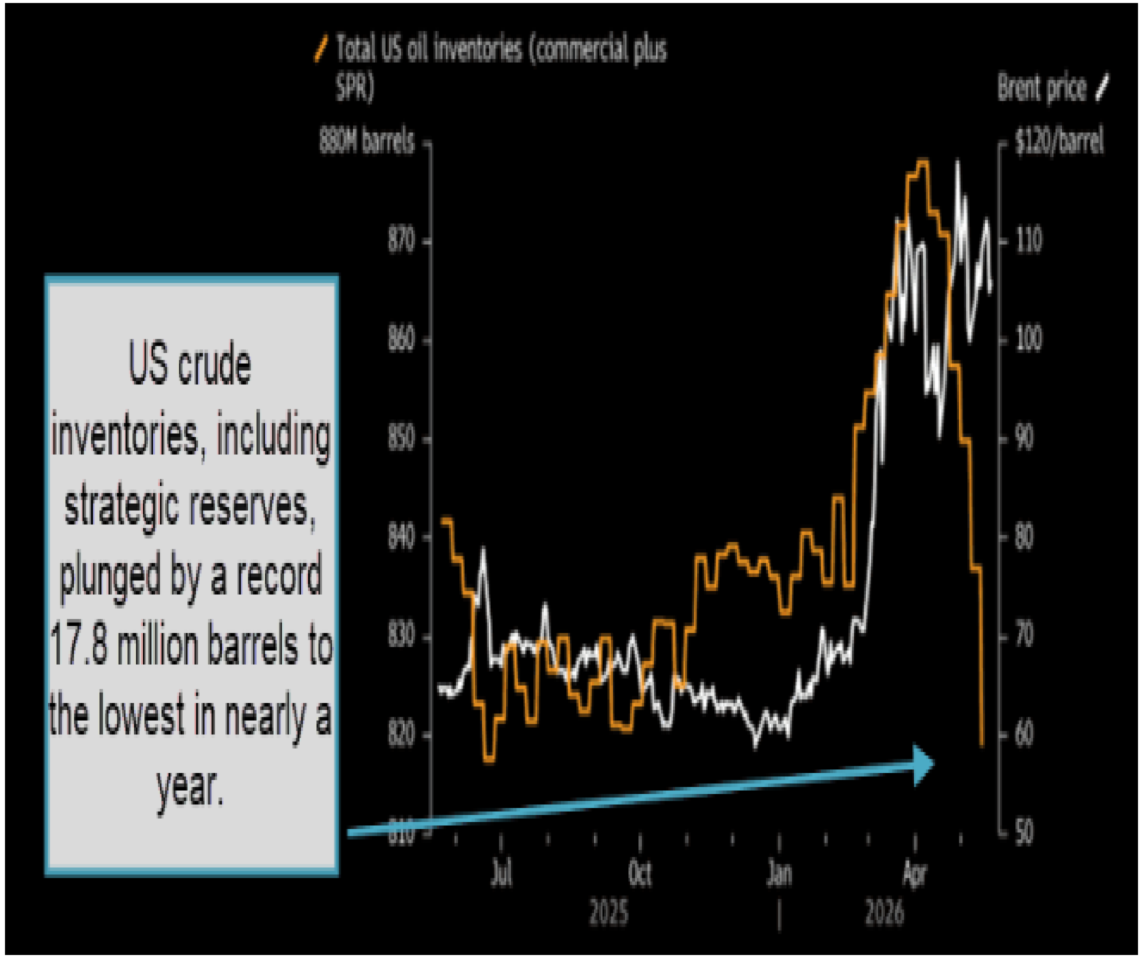
Source: Bloomberg, CLSA
Note: Data as of 26 May 2026

Global crude inventories drop at record pace - supply-side tightness is real

Global visible Oil inventories, in billions of barrels



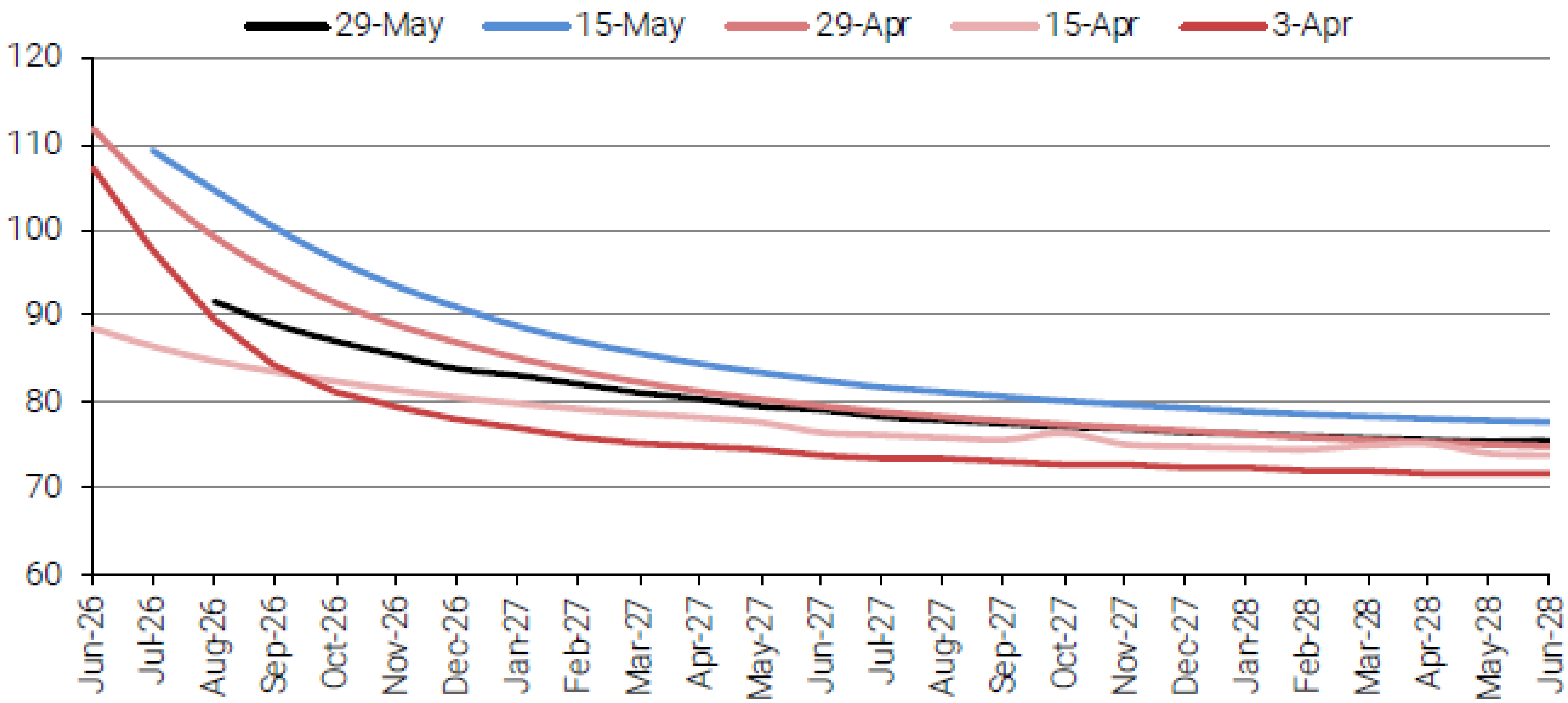
US Oil inventories are below 820mn barrels



Source: Bloomberg, CLSA
Note: Data as of 26 May 2026

However, oil markets have been pricing in the end of West Asian conflict for a while

Brent crude futures curve, April-May 2026 (USD/bbl)



Source: Factset, KIE

Despite of geopolitical crisis S&P 500 continues to make new highs

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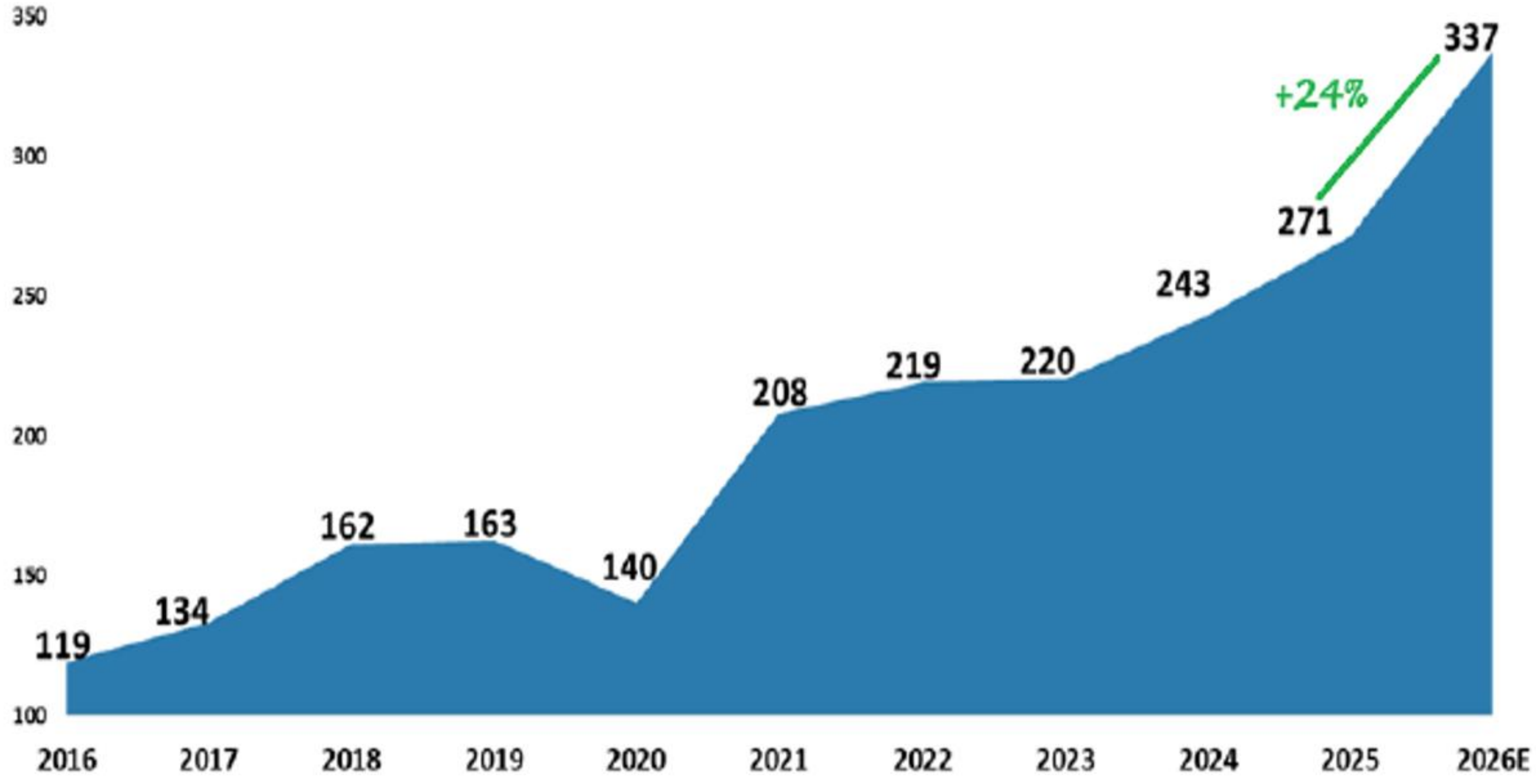
S&P 500 Index: Number of All-Time Highs (1929-2026)

Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH
1929	45	1949	0	1969	0	1989	13	2009	0
1930	0	1950	0	1970	0	1990	6	2010	0
1931	0	1951	0	1971	0	1991	22	2011	0
1932	0	1952	0	1972	32	1992	18	2012	0
1933	0	1953	0	1973	3	1993	16	2013	45
1934	0	1954	27	1974	0	1994	5	2014	53
1935	0	1955	49	1975	0	1995	77	2015	10
1936	0	1956	14	1976	0	1996	39	2016	18
1937	0	1957	0	1977	0	1997	45	2017	62
1938	0	1958	24	1978	0	1998	47	2018	19
1939	0	1959	27	1979	0	1999	35	2019	36
1940	0	1960	0	1980	24	2000	4	2020	33
1941	0	1961	53	1981	0	2001	0	2021	70
1942	0	1962	0	1982	2	2002	0	2022	1
1943	0	1963	12	1983	30	2003	0	2023	0
1944	0	1964	65	1984	0	2004	0	2024	57
1945	0	1965	37	1985	43	2005	0	2025	39
1946	0	1966	9	1986	31	2006	0	**2026**	**22**
1947	0	1967	14	1987	47	2007	9		
1948	0	1968	34	1988	0	2008	0		

Source: Charlie Billelo
Note: Data as of 29 May 2026

Led by strong Q1 US corporate earnings up 29% YoY vs 13% expected

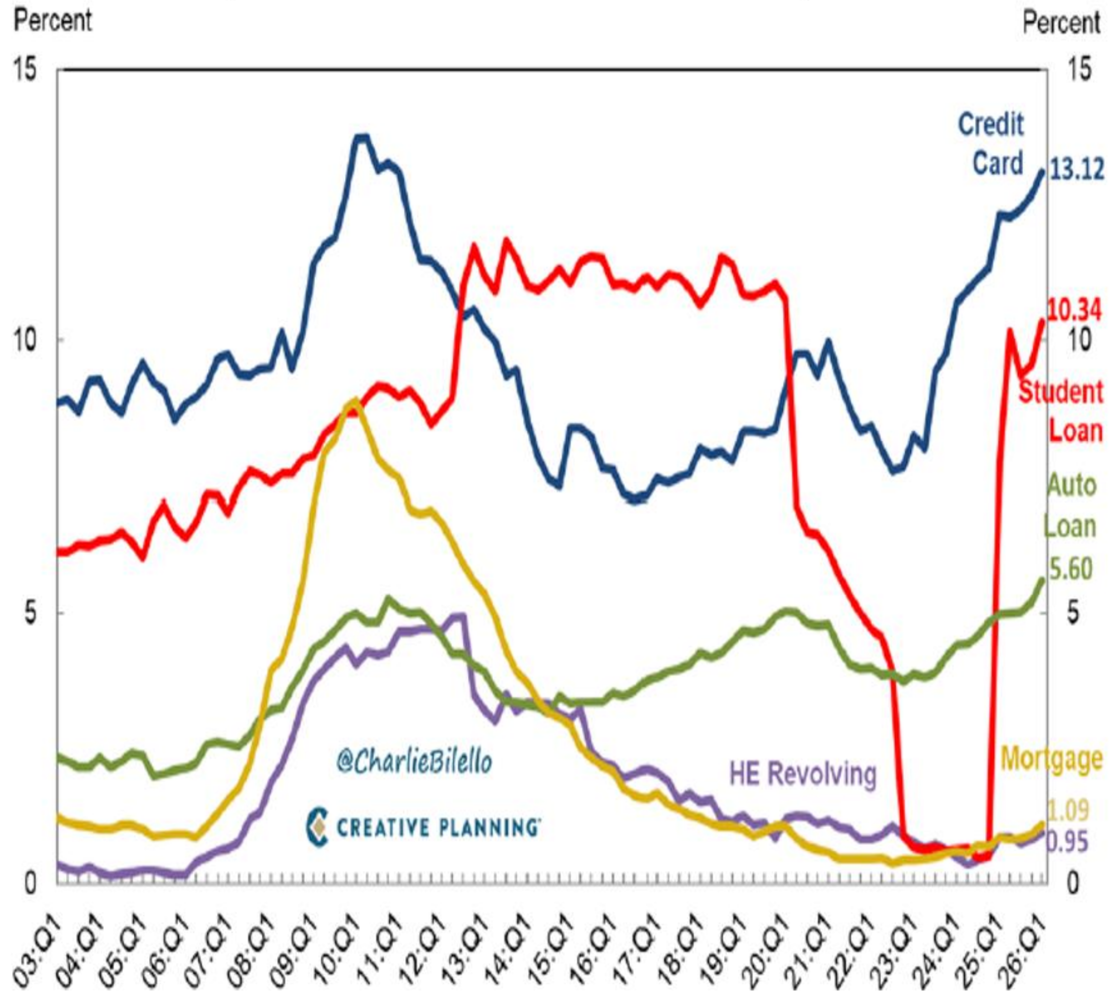
S&P 500 EPS growth expected at 24% for the year now



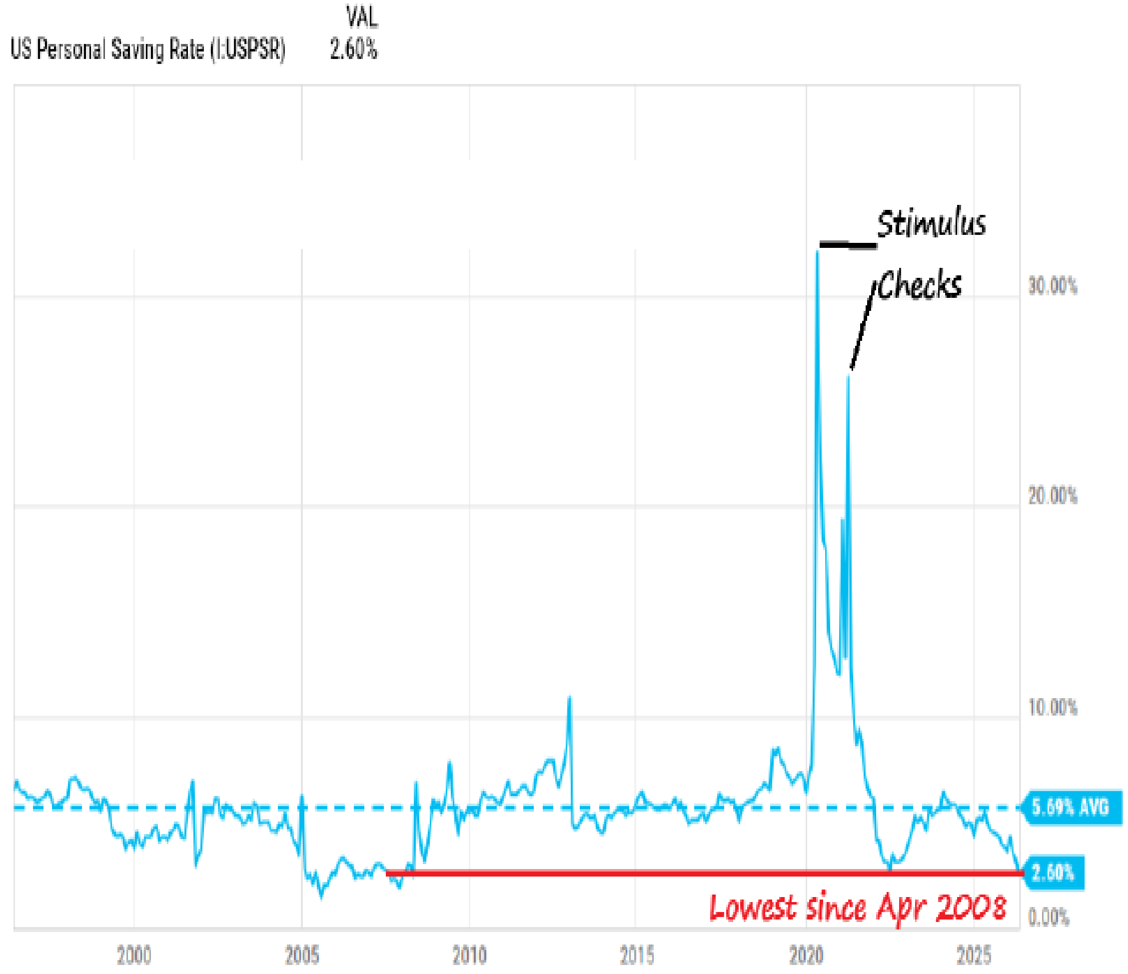
Source: Charlie Billelo

But US consumer seems to be cracking as delinquencies reach multi-year highs

Percent of balance 90+ days delinquent by loan type



Personal Savings Rate in the US is at 2.6% lowest since Apr' 08



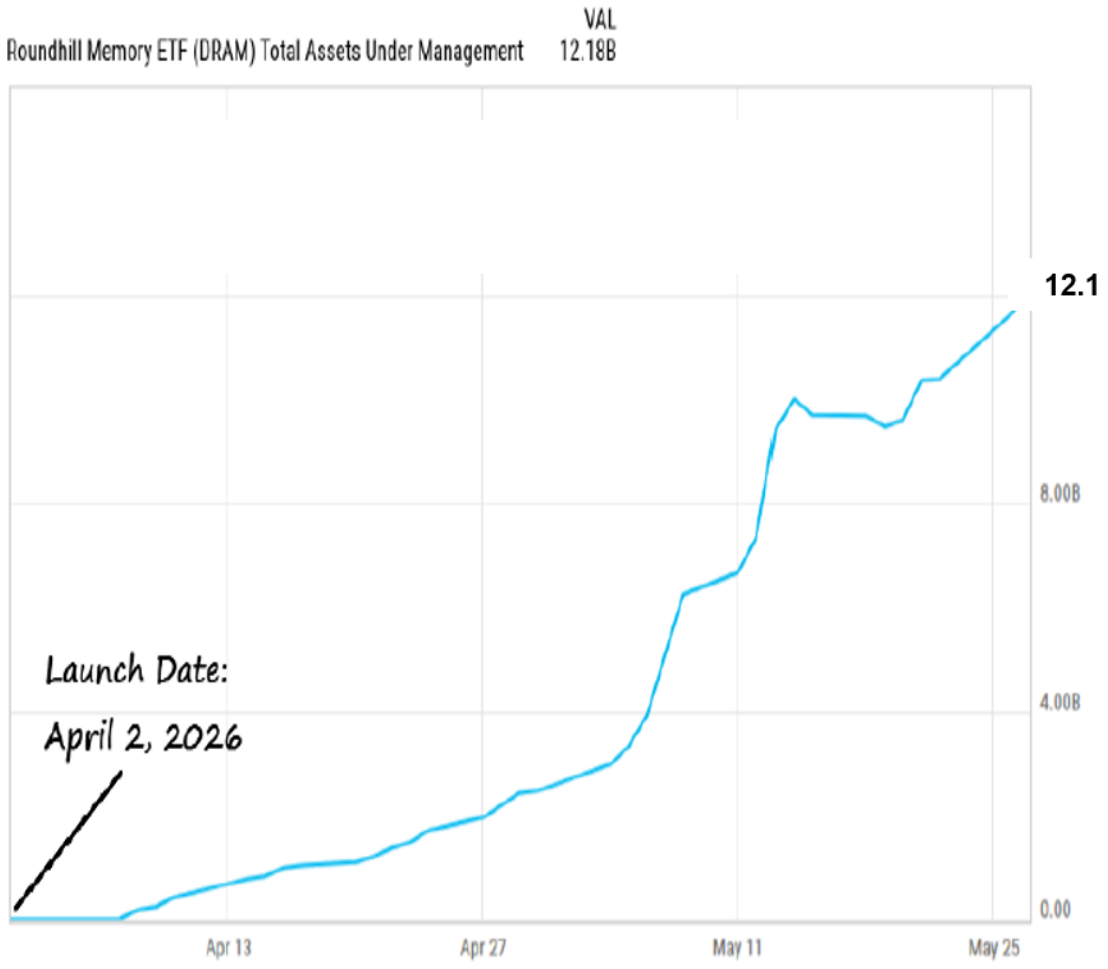
Source: Charlie Billelo

AI narrative continues to drive global markets, is it time for caution? (1/2)

SK Hynix and Samsung have aided South Korea grow 4x in 17m

Country/Region	Ticker	2025-26	Country/Region	Ticker	2025-26	Country/Region	Ticker	2025-26
South Korea	**EWY**	**314.8%**	Vietnam	VNM	63.1%	France	EWQ	31.8%
Peru	EPU	119.7%	Netherlands	EWN	58.4%	**US**	**SPY**	**30.6%**
Taiwan	EWT	106.8%	Total International	VXUS	51.0%	Kuwait	KWT	25.4%
Poland	EPOL	104.7%	Eurozone	EZU	50.2%	Australia	EWA	25.4%
Austria	EWO	98.3%	Belgium	EWK	50.8%	Thailand	THD	27.0%
Greece	GREK	98.0%	Canada	EWC	47.6%	Malaysia	EWM	21.8%
Spain	EWP	90.8%	Hong Kong	EWH	46.0%	China	MCHI	20.0%
Colombia	COLO	86.0%	Sweden	EWD	46.1%	UAE	UAE	24.5%
Finland	EFNL	83.8%	Europe	VGK	45.4%	Argentina	ARGT	17.2%
Israel	EIS	81.3%	United Kingdom	EWU	44.2%	Qatar	QAT	12.1%
South Africa	EZA	77.5%	EAFE	IEFA	44.6%	Turkey	TUR	10.2%
Mexico	EWW	74.7%	Japan	EWJ	44.5%	Denmark	EDEN	8.6%
Norway	NORW	69.5%	Singapore	EWS	40.5%	New Zealand	ENZL	5.2%
Brazil	EWZ	69.2%	Germany	EWG	38.9%	Philippines	EPHE	-0.7%
Italy	EWI	69.8%	Switzerland	EWL	39.4%	Saudi Arabia	KSA	-2.4%
Chile	ECH	71.9%	Total World	VT	37.3%	India	INDA	-7.5%
Emerging Markets	IEMG	64.8%	Ireland	EIRL	33.5%	Indonesia	EIDO	-27.5%

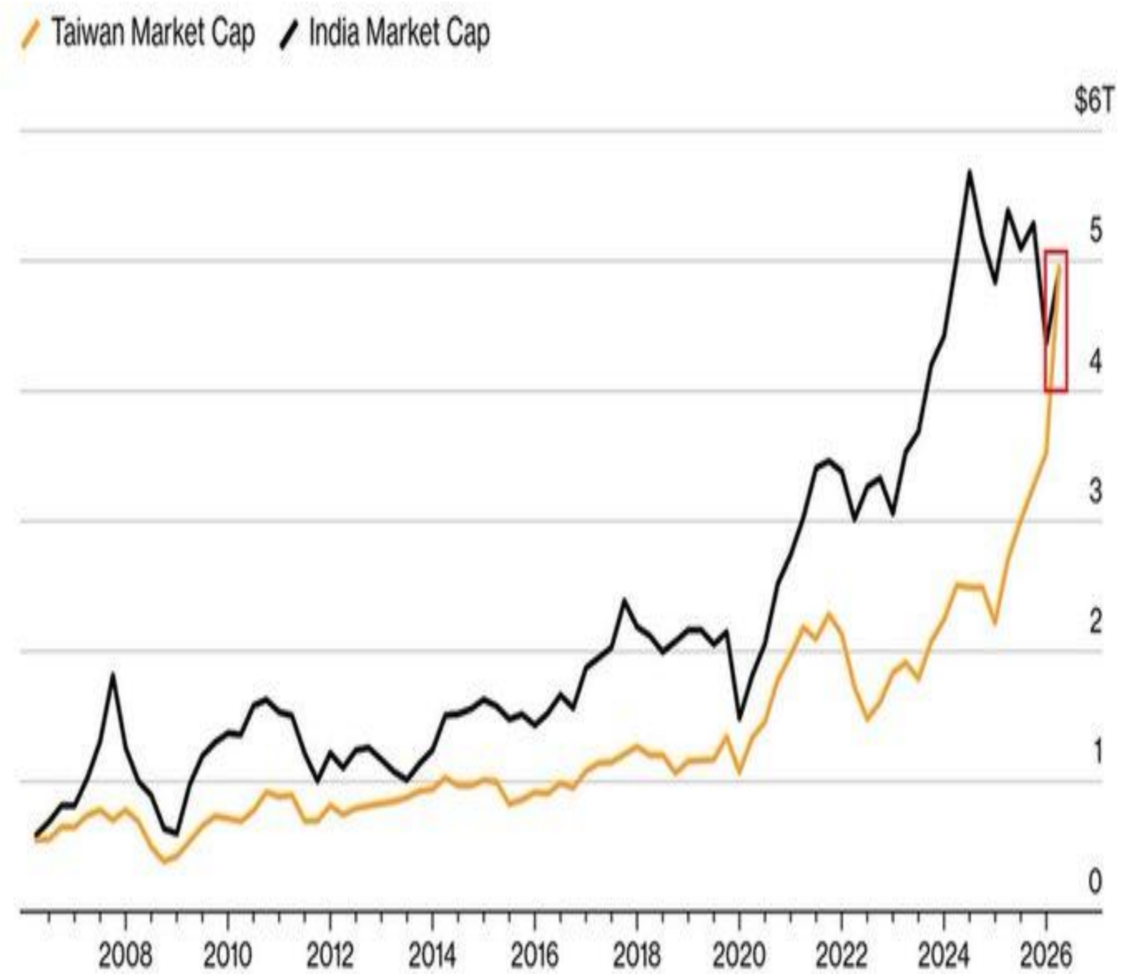
DRAM ETF becomes fastest ETF in history to cross $10bn AUM



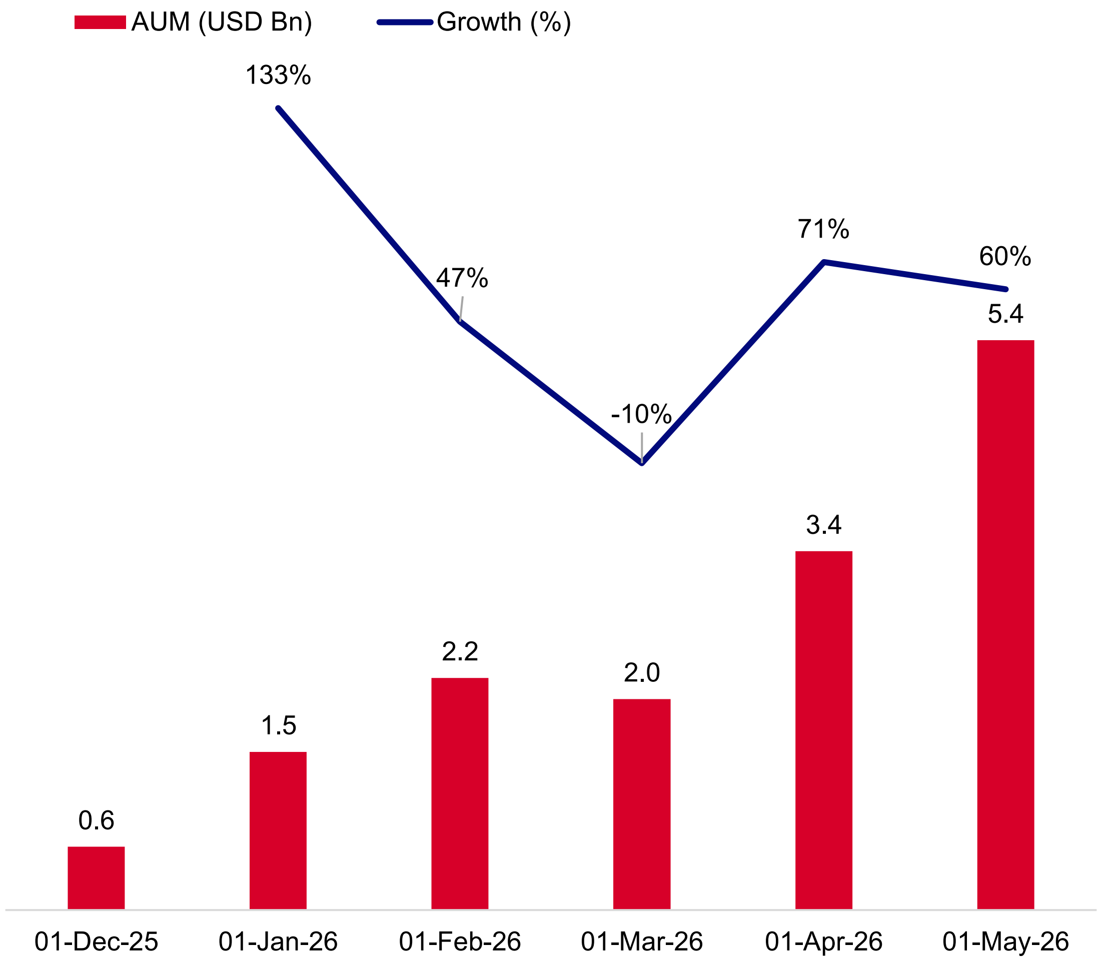
Source: Charlie Billelo, CLSA

AI narrative continues to drive global markets, is it time for caution? (2/2)

Taiwan overtakes India's Mcap with TSMC contributing >40%



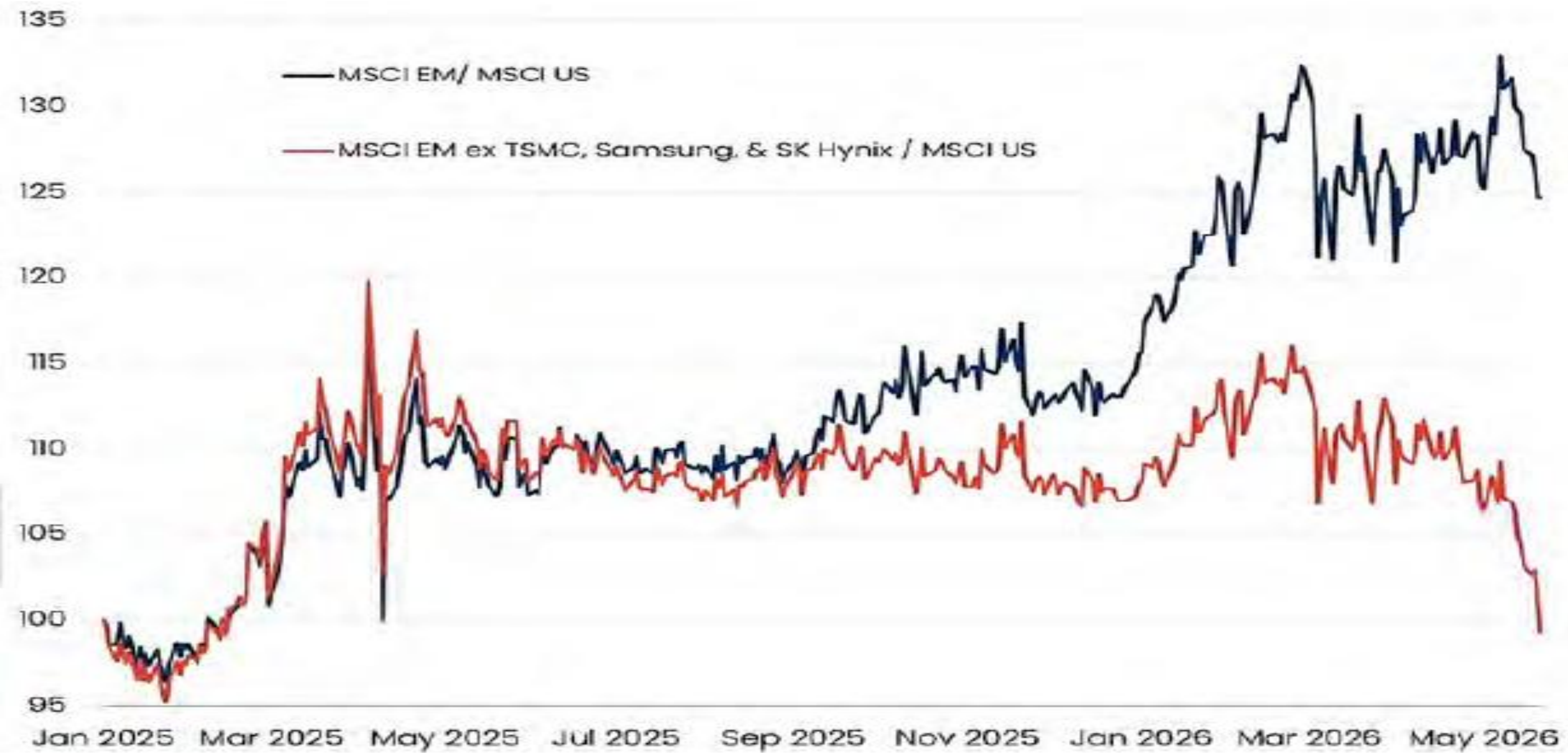
2x levered ETF on SK Hynix crosses USD 5 Bn AUM



Source: Twitter

What happens to EM relative performance if the Big 3 are removed?

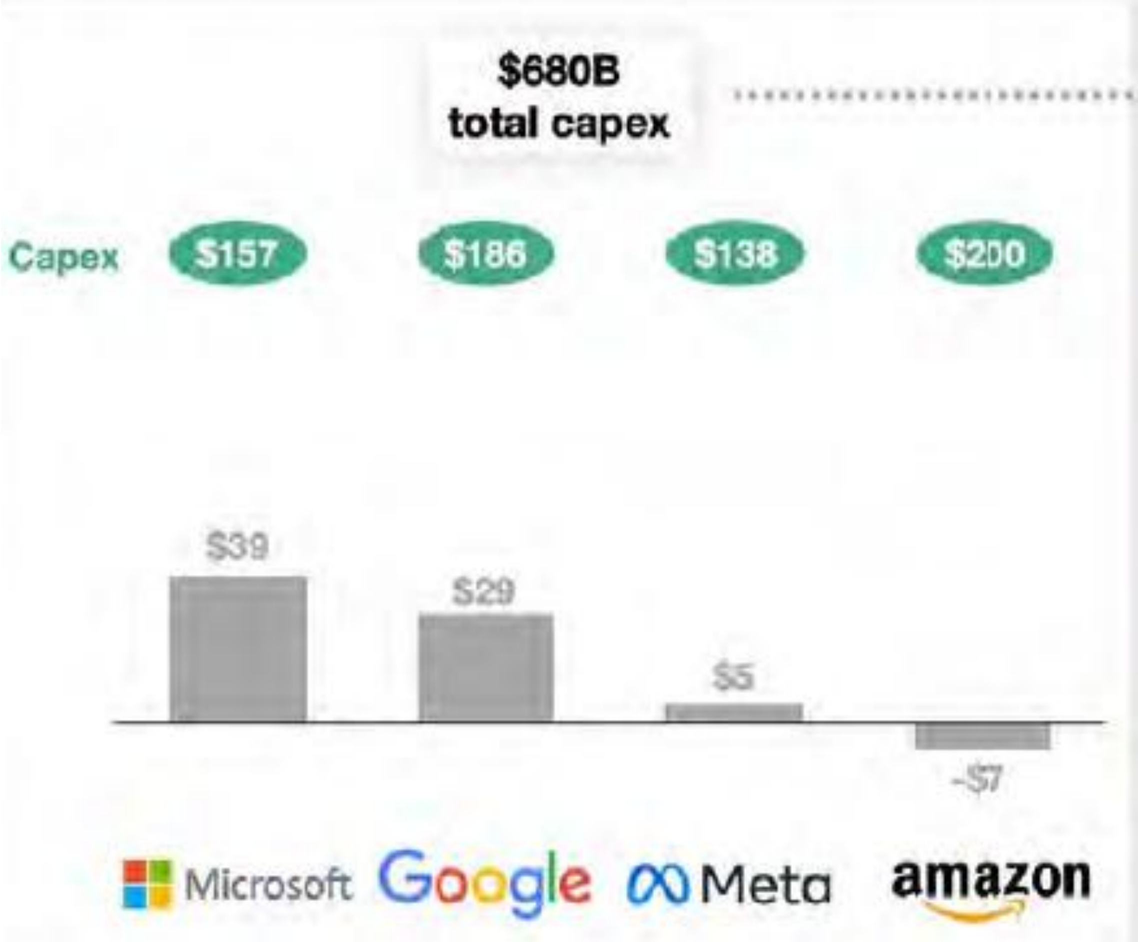
EM relative returns of EM MSCI to US MSCI



Source: CLSA, Bloomberg

FCF is shifting from hyperscalers to AI infrastructure & semis

Hyperscaler consensus 2026E FCF + Capex (USD Bn)

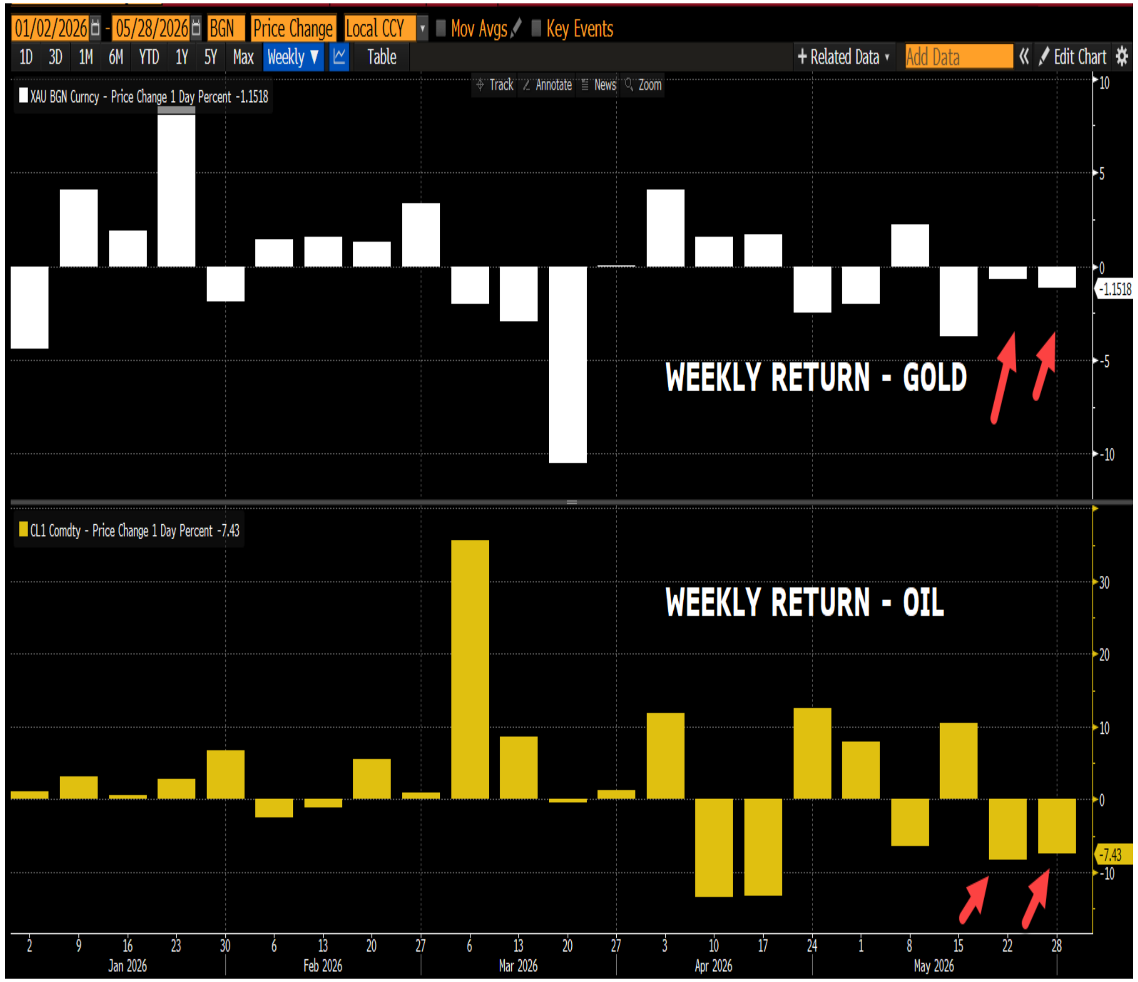


Semis consensus 2026E FCF (USD Bn)

Source: CLSA

Gold in consolidation after a sharp run as India and Malaysia hike duties

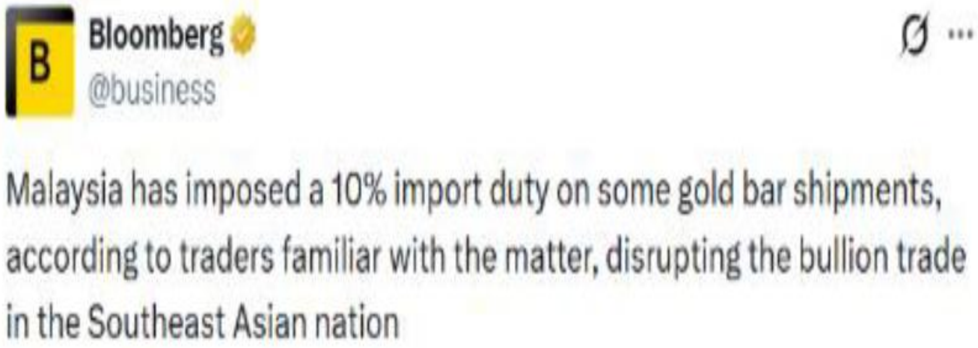
Gold has traded lower in the last few days even as crude corrected



India and Malaysia hiked import duty on gold


Krishan Gopaul @KrishanGopaul · May 22

Indian #gold import duty was hiked from 6% to 15% – a record jump – amid tighter regulations. Despite this, the local gold price is not yet fully reflecting the hike amid weak demand and ample supply. Read more in the latest blog from Kavita Chacko: gold.org/goldhub/gold-f...

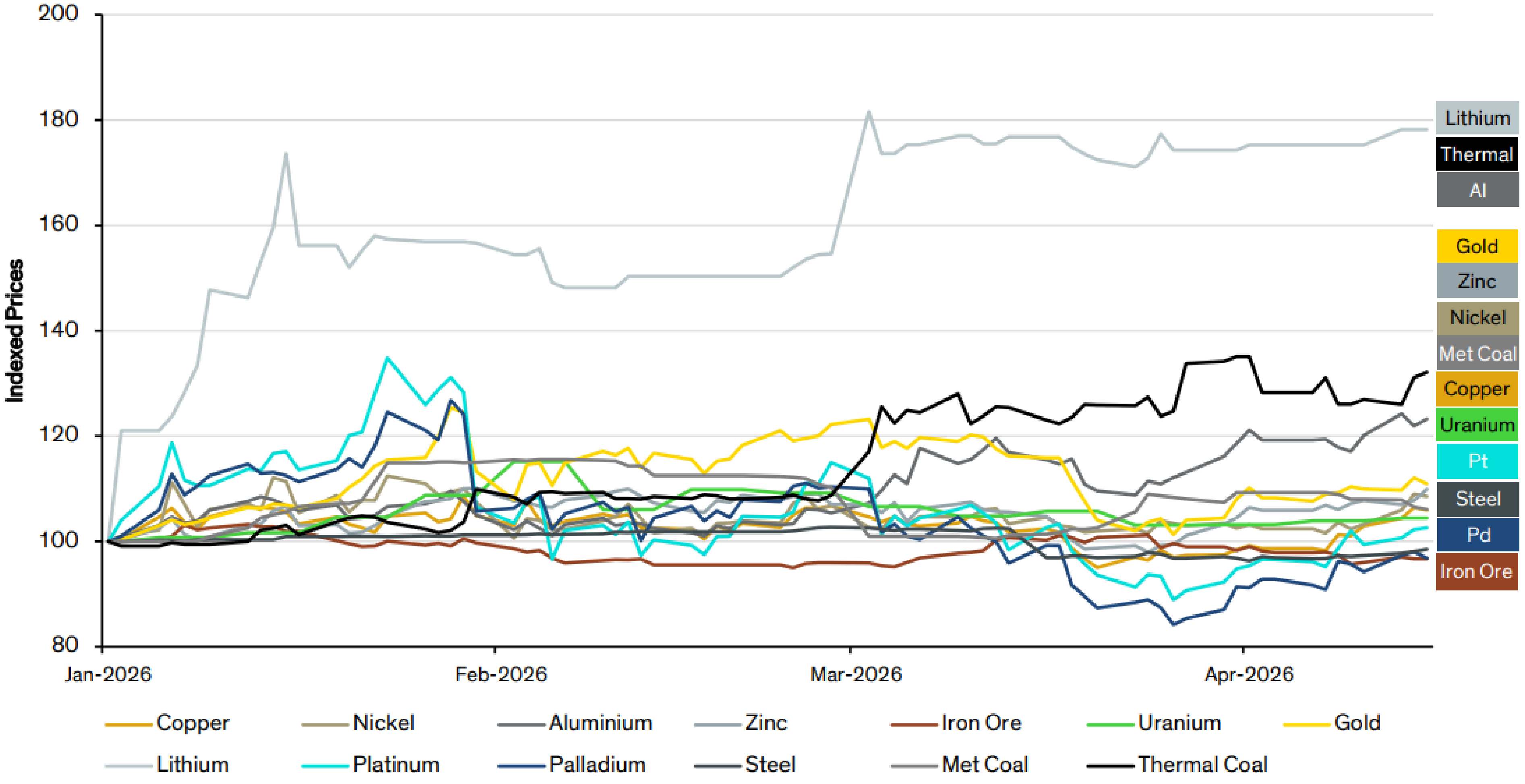

Bloomberg @business

Malaysia has imposed a 10% import duty on some gold bar shipments, according to traders familiar with the matter, disrupting the bullion trade in the Southeast Asian nation

Source: CLSA

Lithium, thermal coal, and aluminium are the top performers this year

Commodity Prices YTD 2026 – Indexed at 100



Source: Bloomberg, AME, Bernstein analysis

Section 2:

India Macro

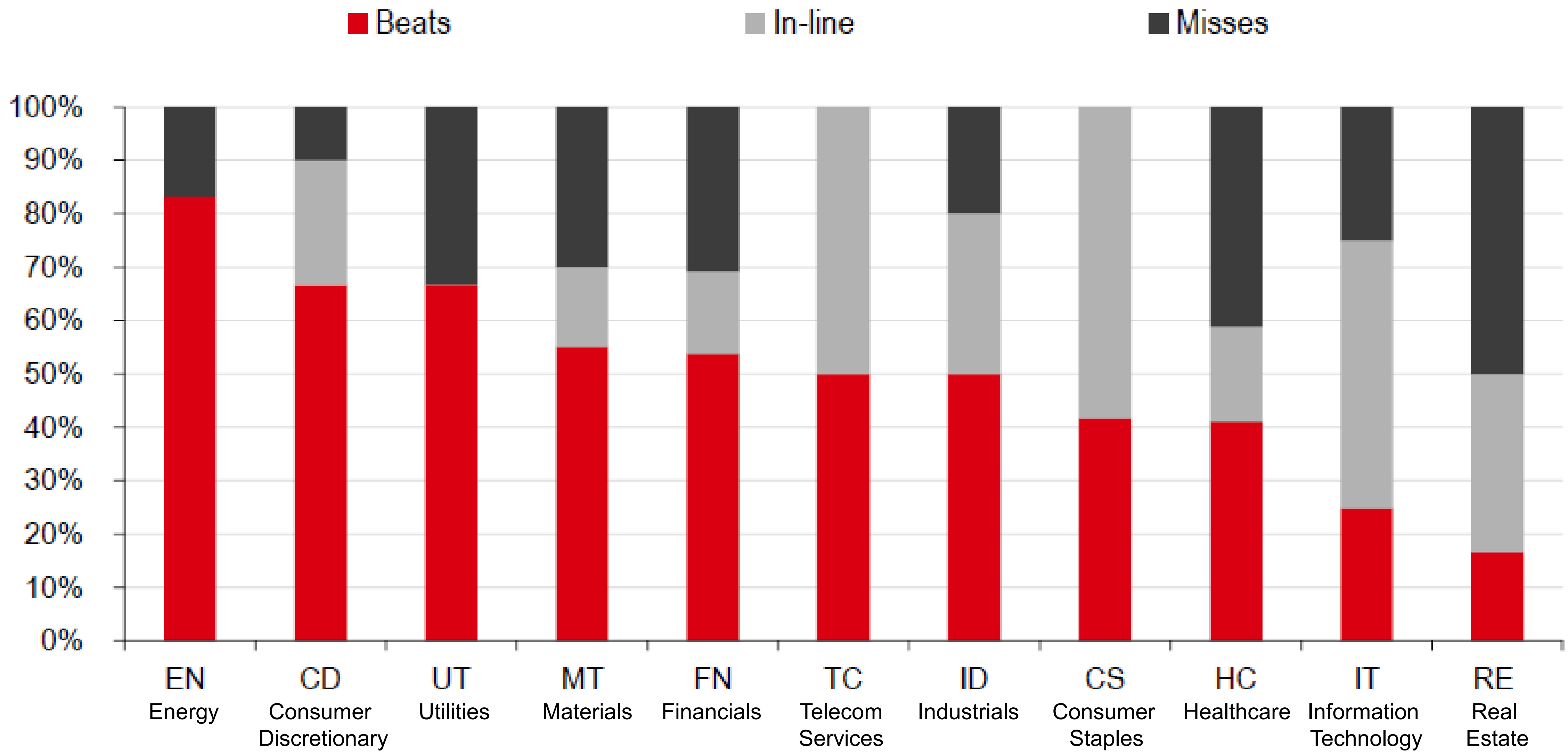
Q4FY26 - India Inc has kept an upbeat guidance with manageable headwinds

Rs in Trillion	No of Cos	Q4FY26					
		Revenue	YoY	Reported PAT (Parent's Share)	YoY	Adj PAT (Parent's Share)	YoY
NIFTY500	**500**	45.9	10.3%	5.6	24.7%	4.9	14.9%
BFSI	**96**	11.8	4.0%	1.8	10.1%	1.9	13.1%
Non-BFSI	**404**	34.1	12.7%	3.7	33.3%	3.0	16.1%
Non-BFSI Exc Cement, O/G, Metal/Mining	**359**	22.4	14.5%	2.7	24.6%	2.1	9.0%
Commodities: Cement, O/G, Metal/Mining	**45**	11.7	9.5%	1.1	61.4%	0.9	37.8%
Nifty 500 Excl Commodities	**455**	34.3	10.6%	4.5	18.3%	4.0	10.9%

Nifty 500 Earnings	No of Cos	202406	202409	202412	202503	202506	202509	202512	202603
Rs in Trillion		Last 8 Quarters Adjusted PAT Growth % YoY							
Large Caps	100	3.8%	3.1%	5.4%	6.8%	9.4%	8.0%	12.0%	9.5%
Mid Caps	150	9.3%	2.9%	39.4%	15.9%	20.7%	28.1%	17.6%	35.9%
Small Caps	250	22.1%	-1.2%	-1.4%	4.4%	3.4%	24.9%	29.5%	14.4%
Total	**500**	6.0%	2.7%	8.9%	7.8%	10.5%	12.3%	14.3%	**14.9%**

Source: Amsec

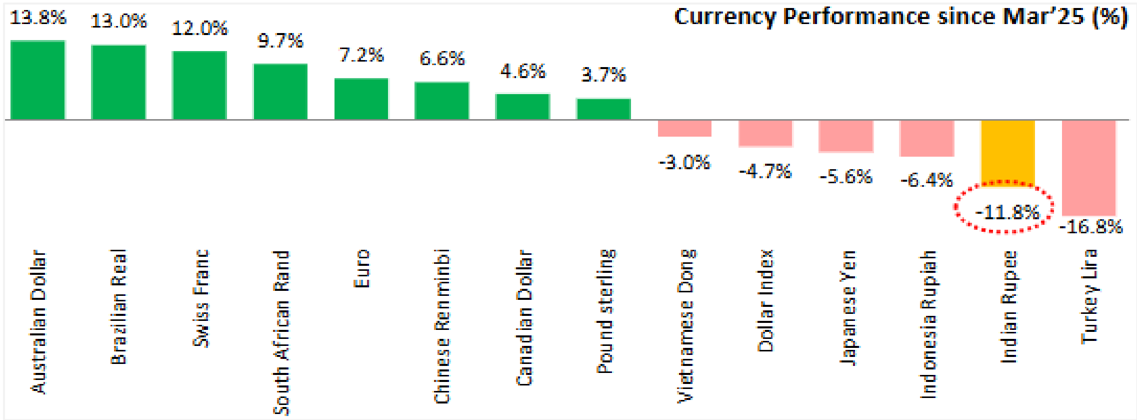
Energy, Consumer Discretionary and Utilities saw the most beats; IT, Real Estate take a backseat



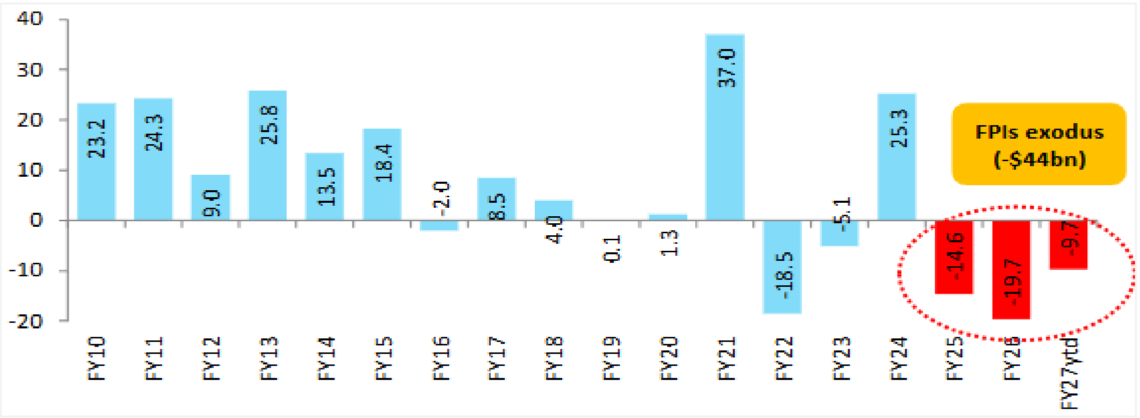
Source: HSBC

INR has been worst performing currency YTD' 26, are headwinds peaking?

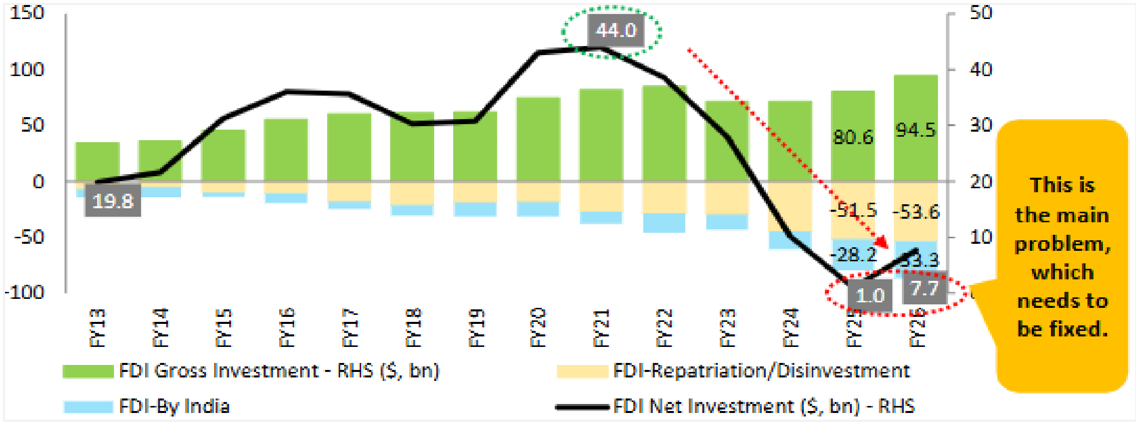
INR has depreciated ~12% since Mar'25



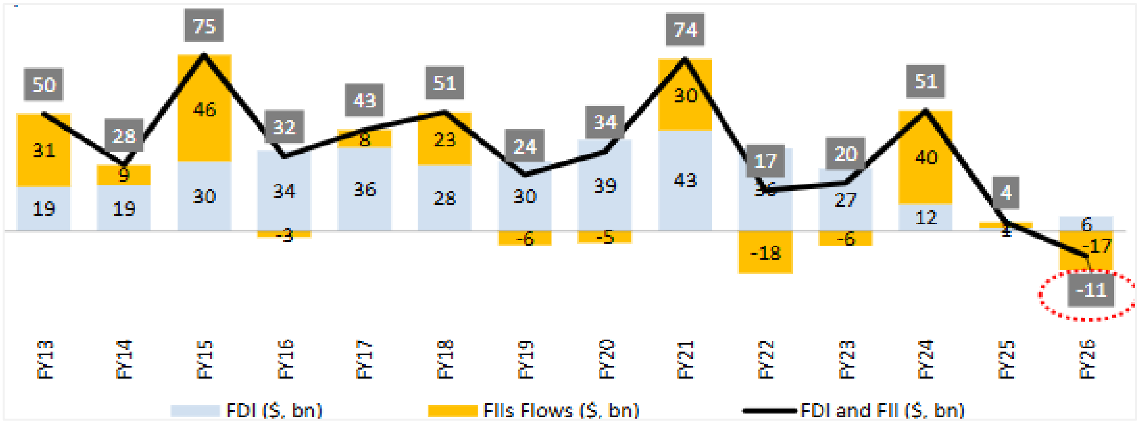
Historic FII exodus from India equities - $44bn sold since Apr'24



Net FDI flows, have collapsed from $44bn in FY21 to $8.7bn



INR weakness has been driven more by shrinking FDI and FII flows



Source: Avendus Spark

The INR fall is not a CAD story but the Capital Account Surplus collapse from $90bn to near zero is the real culprit

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India's BOP problem shifted from CAD to Capital a/c weakness resulting in sharp fall in INR

CAD (US$ bn)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	9MFY26
Total imports (a)	489	491	450	448	381	384	466	514	475	394	613	716	678	721	580
Total Exports (b)	306	300	314	310	262	276	304	330	313	292	422	451	437	438	330
Trade balance (b-a) = I	-183	-190	-136	-138	-119	-109	-162	-184	-161	-103	-191	-265	-241	-284	-251
Invisibles (ii)	112	107	115	118	108	98	111	123	133	126	151	198	219	264	221
- Software exports	61.0	63.5	67.0	70.4	71.5	70.8	72.2	78	85	90	110	131	142	160	132
- Business Services	-0.9	-1.9	1.3	0.8	-2.1	0.6	0.7	-1	-1	0	7	21	29	41	40
- Other Businesses	-2.0	1.3	2.2	3.1	3.0	0.7	0.8	3	3	1	2	4	5	5	4
- Remittances	63	64	65	66	63	57	63	71	76	74	81	102	107	125	103
- Other services	-10	-20	-21	-22	-28	-31	-25	-27	-30	-39	-49	-59	-64	-66	-58
CAD (i+ii) = a	-78	-88	-32	-27	-22	-14	-49	-57	-25	24	-39	-67	-26	-23	-30
CAD (% of GDP)	-4.3	-4.8	-1.7	-1.3	-1.1	-0.6	-1.8	-2.1	-0.9	0.9	-1.2	-2.1	-0.7	-0.6	-1.0

High CAD → India became part of Fragile Five; INR fell 21%

High CAD → Liquidity crisis; INR fell 14%

High CAD → Tight Liquidity; INR fell 11%

Low CAD & Surplus Liquidity; INR fell 13.5%

Capital account (US$ bn)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	9MFY26
Foreign Direct Investment	22	20	22	31	36	36	30	31	43	44	39	28	10	1	3
Portfolio Investment	17	27	5	42	-4	8	22	-1	1	36	-17	-5	44	4	-4
Capital account (b)	68	89	49	89	41	36	91	54	83	64	86	59	90	17	0.1
Balance of Payment (a+b+c)	-13	4	16	61	18	22	44	-3	59	87	48	-9	64	-5	-31

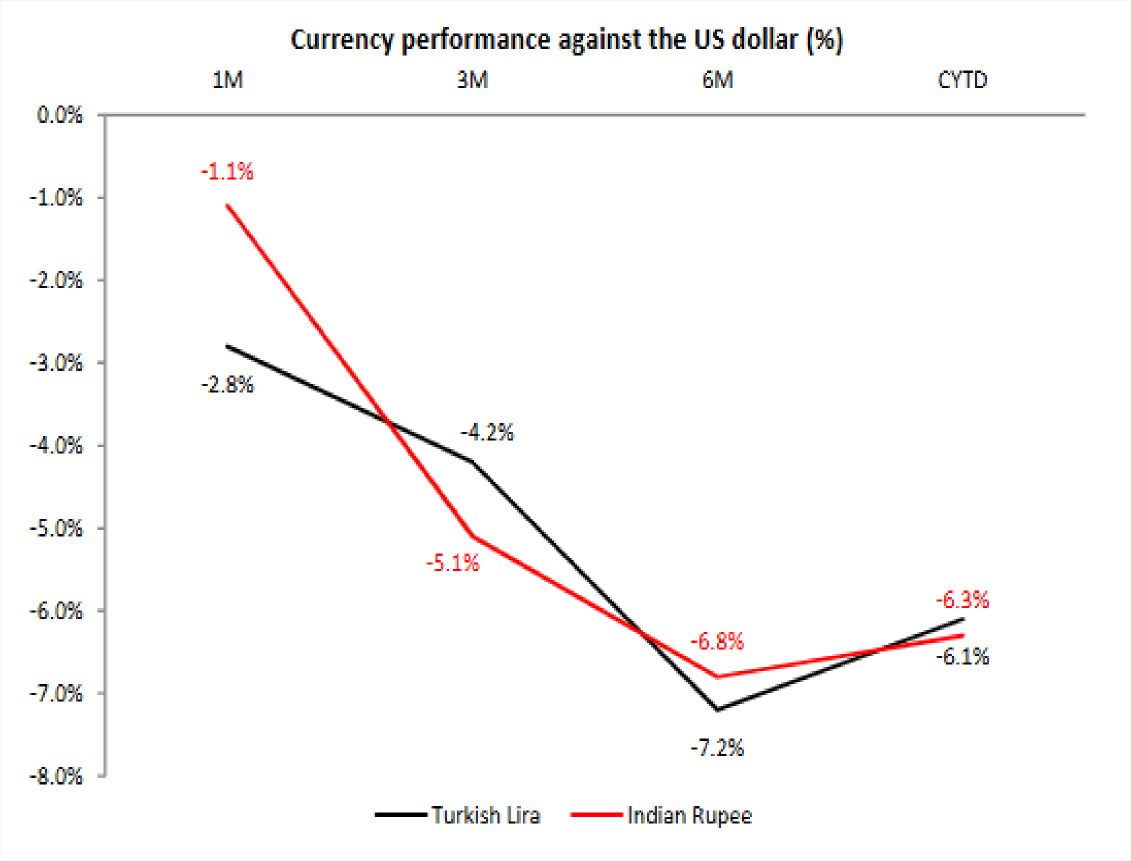
Capital a/c surplus was strong

Capital a/c surplus shrank from $90bn in FY24

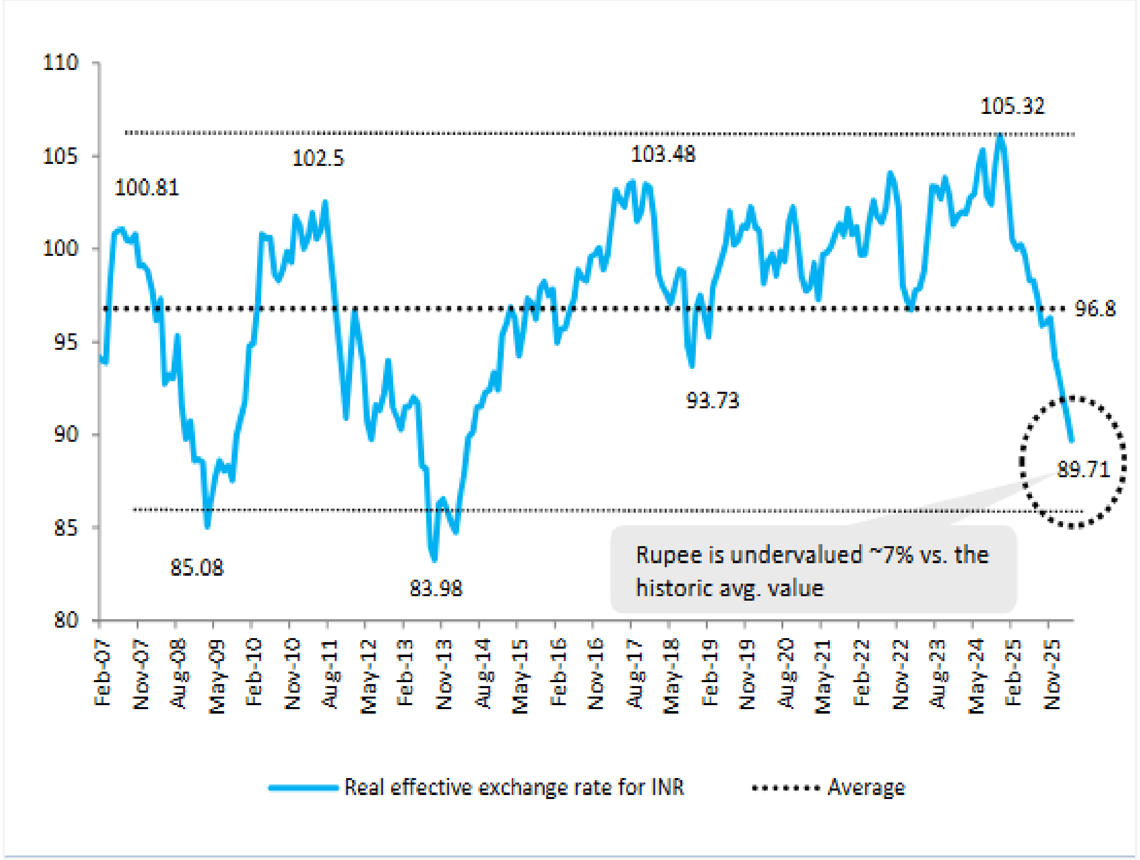
Source: Avendus Spark

INR fall mirrors Turkish Lira – but India is no Turkey

INR is mirroring Turkish Lira but India remain macro stable, while Turkey is facing hyper inflation with junk rating by agencies

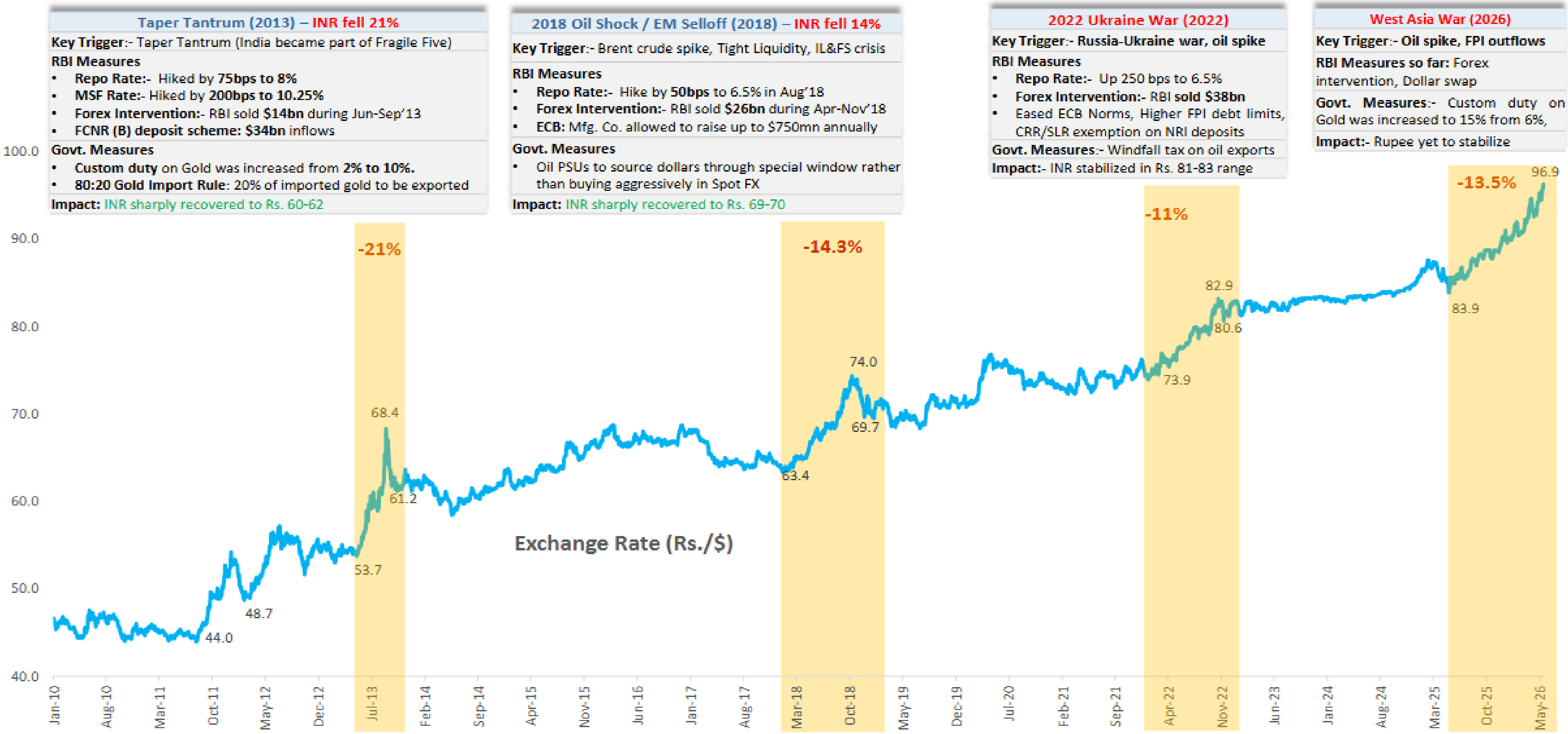


Real effective value suggests the INR is ~7% undervalued, indicating scope for a reversal



Source: Avendus Spark

History shows sharp INR falls are often followed by strong recoveries post actions by Government/RBI

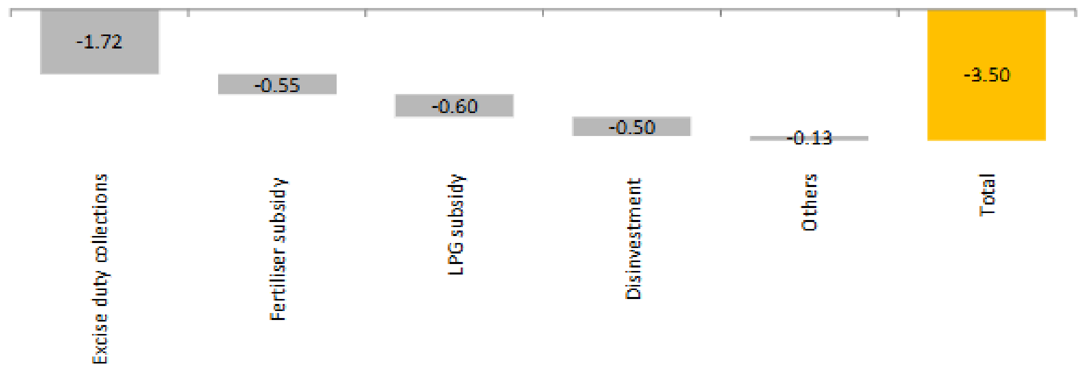


Source: Avendus Spark

Revenue gains and spending cuts may offset the INR 3.5tn impact, likely surprising bond market and supporting lower 10Y yields to ~6.75%

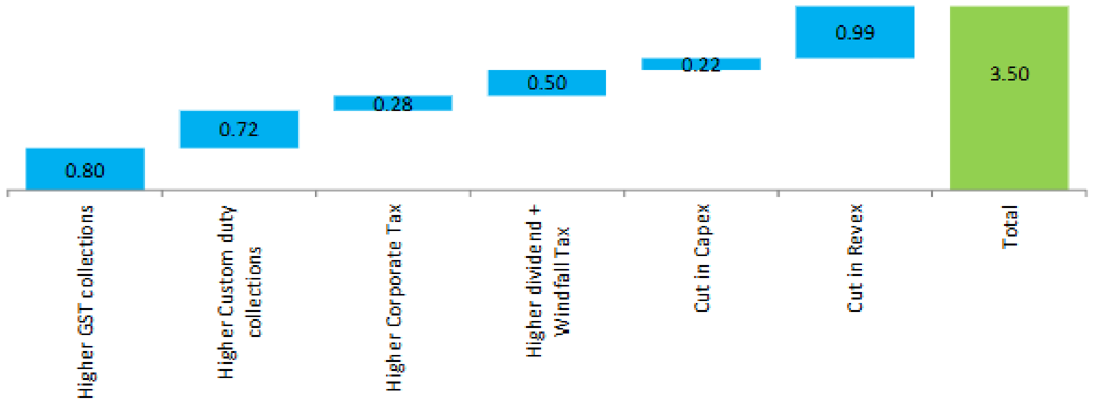
Impact of West Asia war on govt. finances likely to be INR 3.5tn..

Revenue shortfall + cost overrun in FY27E (Rs tn)



..shortfall likely to be fully offset by higher tax and non- tax revenue

Estimated change in Govt. revenues and spending in FY26E (Rs. tn)



Despite GDP restatement can expect govt. to meet deficit target

	Absolute values (Rs. bn)				Growth (%, yoy)	
	FY26RE	FY27BE	FY27E	Delta	FY27BE	FY27E
Gross Tax Revenue	40,778	44,041	44,112	71	8.0%	8.2%
Direct taxes	24,210	26,970	27,242		11.4%	12.5%
Corporation tax	11,090	12,310	12,587	277	11.0%	13.5%
Income tax	13,120	14,660	14,655		11.7%	11.7%
Indirect taxes	16,568	17,071	16,870		3.0%	1.8%
CGST + IGST + Cess	10,465	10,190	10,990	800	-2.6%	5.0%
Custom duty	2,583	2,712	3,431	719	5.0%	32.8%
Excise duty	3,366	3,889	2,171	-1,718	15.6%	-35.5%
(-) Devolvement to States	14,031	15,372	15,397	25	9.6%	9.7%
Net tax revenue (i)	26,747	28,669	28,716	46	7.2%	7.4%
Non-tax revenue (ii)	6,677	6,662	6,802	140	-0.2%	1.9%
Non debt capital receipts (iii)	640	1,184	684		84.9%	6.8%
Disinvestment of PSUs (iii)	338	800	300	-500	136.4%	-11.5%
TOTAL REVENUES (i+ii+iii) = A	34,064	36,515	36,201	-314	7.2%	6.3%
Revenue expenditure (a)	38,691	41,255	41,309	54	6.6%	6.8%
Interest payment	12,743	14,040	13,890	-149	10.2%	9.0%
Salary and Pensions	7,724	7,984	8,033	49	3.4%	4.0%
Major Subsidies	4,297	4,105	5,260	1,155	-4.5%	22.4%
Food	2,282	2,276	2,277	1	-0.2%	-0.2%
Fertilizer	1,865	1,708	2,258	550	-8.4%	21.1%
Oil	151	121	725	604	-20.1%	379.5%
Rural & Agri spend	2,986	4,229	3,733	-497	41.6%	25.0%
Other revex	10,940	10,897	10,393	-504	-0.4%	-5.0%
Capex (b)	10,958	12,218	12,000	-219	11.5%	9.5%
TOTAL EXPENDITURE (a+b) = B	49,648	53,473	53,309	-164	7.7%	7.4%
Fiscal deficit (B-A)	15,585	16,958	16,507	-450	8.8%	5.9%
Fiscal deficit (% of GDP)	4.51%	4.46%	4.34%	-0.12%	...	...
Net market borrowings	11,328	11,732	11,720		3.6%	3.5%

Source: Avendus Spark

What can policymakers do to arrest the INR weakness?

Key options available for policy makers to manage the vicious cycle of weak sentiment against the INR

Three options for policy makers

The RBI/Govt. have three key options to manage the BoP

Option	Short-Term Actions	Long-term Actions
Dollar borrowings by PSUs	▪ PSUs to be asked to get dollar money to the tune of $50bn and the hedging cost to be funded by the RBI	▪ Cut Withholding tax for foreign debt investors. ▪ Facilitate India's inclusion in the Bloomberg Global bond index (~ $30bn inflows).
CRR/SLR waiver on NRI deposits	▪ Waive CRR/SLR requirements on incremental NRI deposits and allow banks to offer higher deposit rates (~10bn inflows).	▪ More PLI scheme for FDI inflow
A 2020-style FDI push by Corporates	▪ A 2020-style FDI push could revive dollar inflows – Reliance had raised $20bn+ via stake sales in Jio Platforms.	▪ Source based taxation to move to Residence based taxation on capital gain tax.

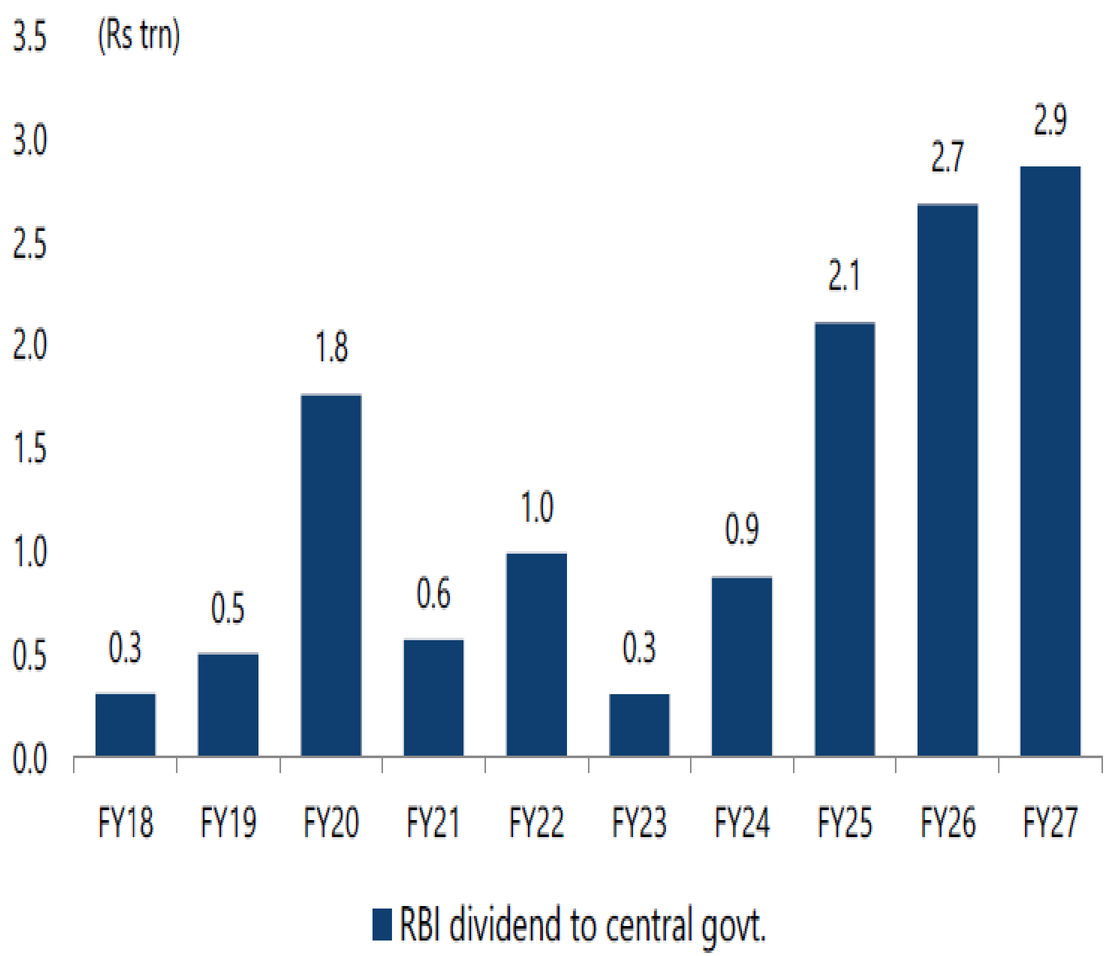
What Should Be Avoided?

- **Avoid Capital Controls:** Any move towards capital controls could severely hurt investor confidence, trigger panic among FPIs and NRIs, and damage India's long-term credibility as a stable investment destination. Such measures may provide temporary relief to the INR but could worsen capital outflows over time.
- **Avoid Policy Rate Hikes to Defend the INR:** There is no need for the RBI to rush into rate hikes merely to defend the currency. India's CPI inflation projections for FY27 still remain within the RBI's 6% upper tolerance band, while economic growth has only recently started recovering after sustained policy support over the last year.
- Using rate hikes as a currency defence tool could hurt growth, weaken domestic demand, and keep FPIs away from India for longer. Hence, we do not expect any RBI rate hike over the next six months.
- Some comparisons are being made with economies like Indonesia, which recently raised rates. However, unlike India, Indonesia had cut rates aggressively earlier and is now partly reversing those moves (Indonesia's policy rate is now at 5.25% after the 50bps increase in May'26; India's repo rate is already at 5.25%)

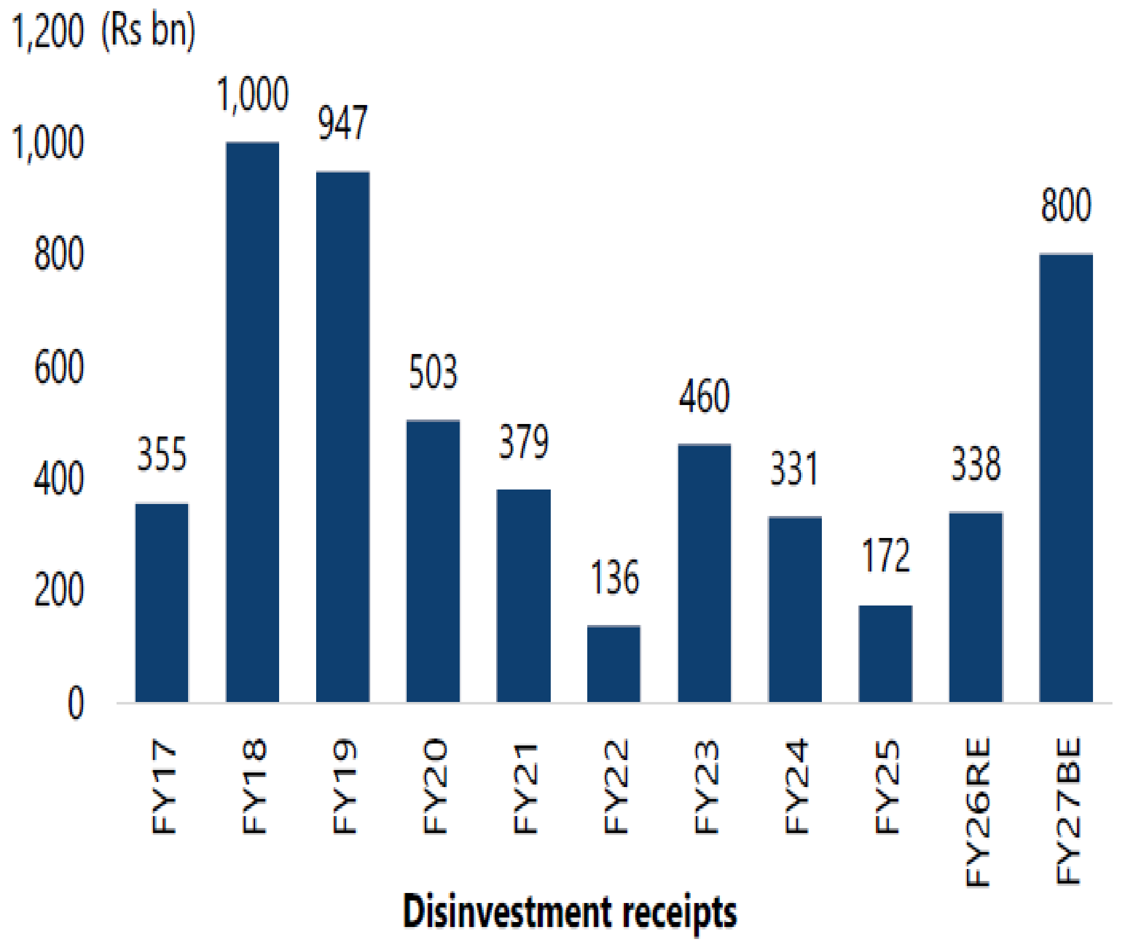
Source: Avendus Spark

RBI dividend bounty + disinvestment ramp can help government on fiscal deficit

RBI dividend was +6.7% YoY broadly inline with the BE



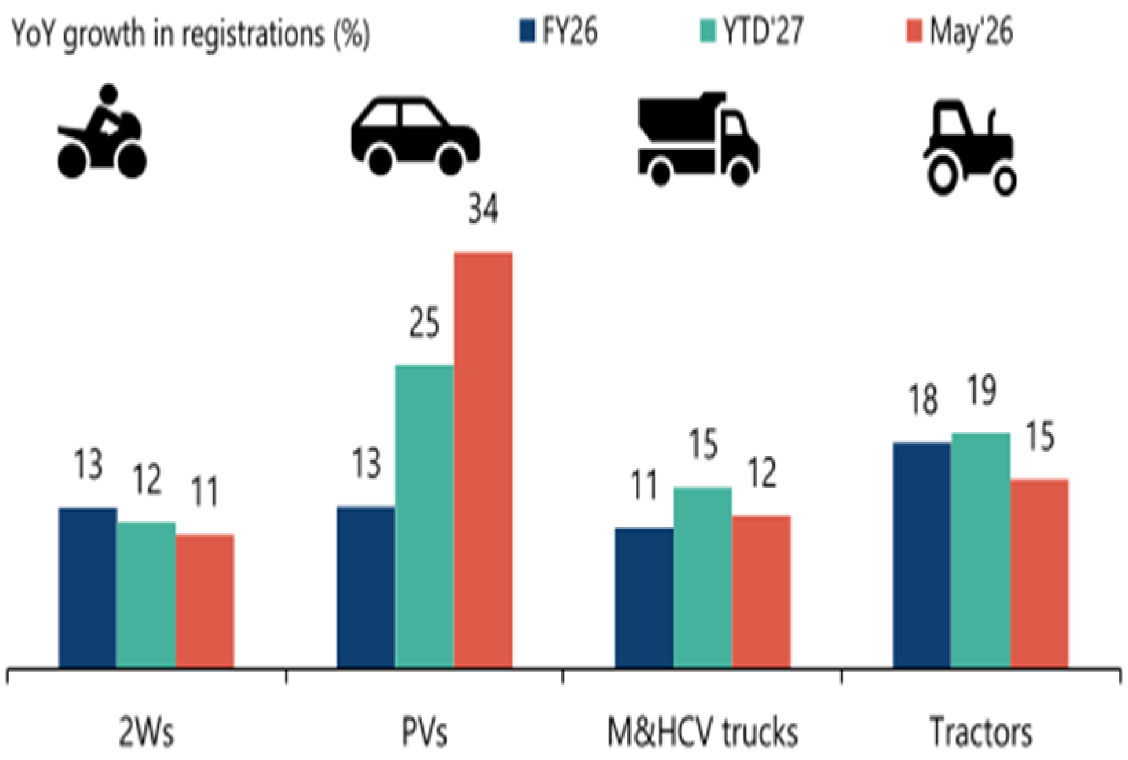
Budgeted disinvestment to more than double vs. FY26RE



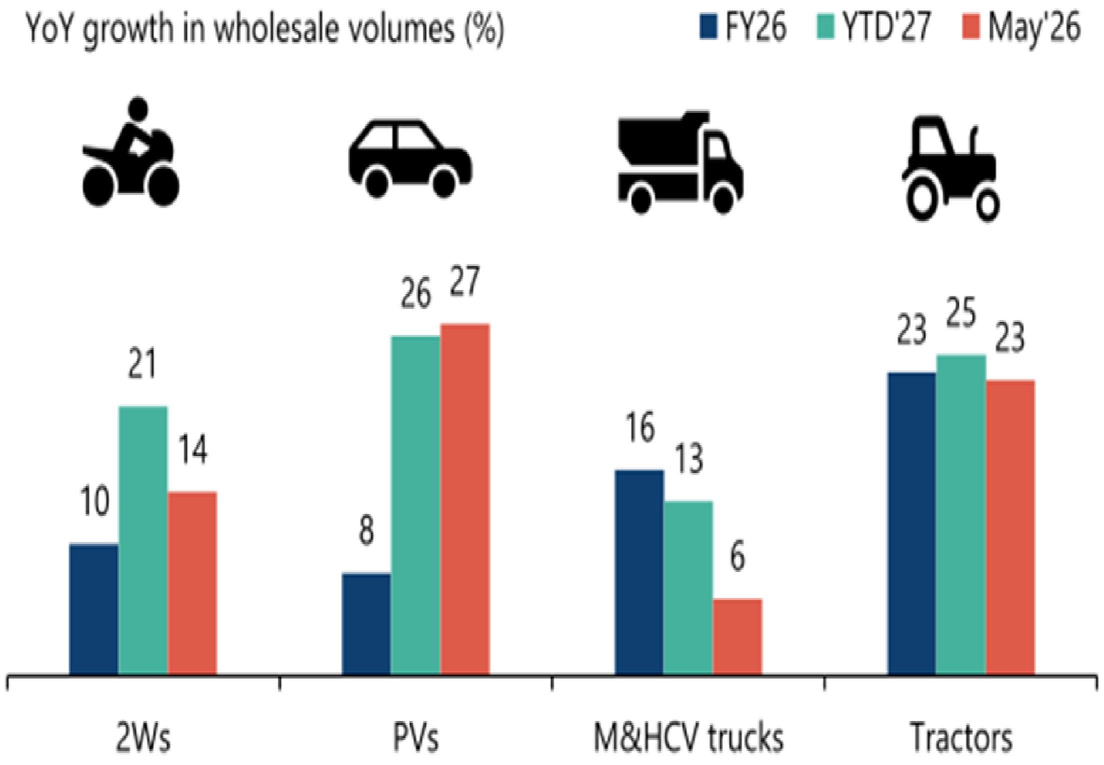
Source: Jefferies

Auto sales remain robust within consumption

Double digit registrations growth can be seen across segments



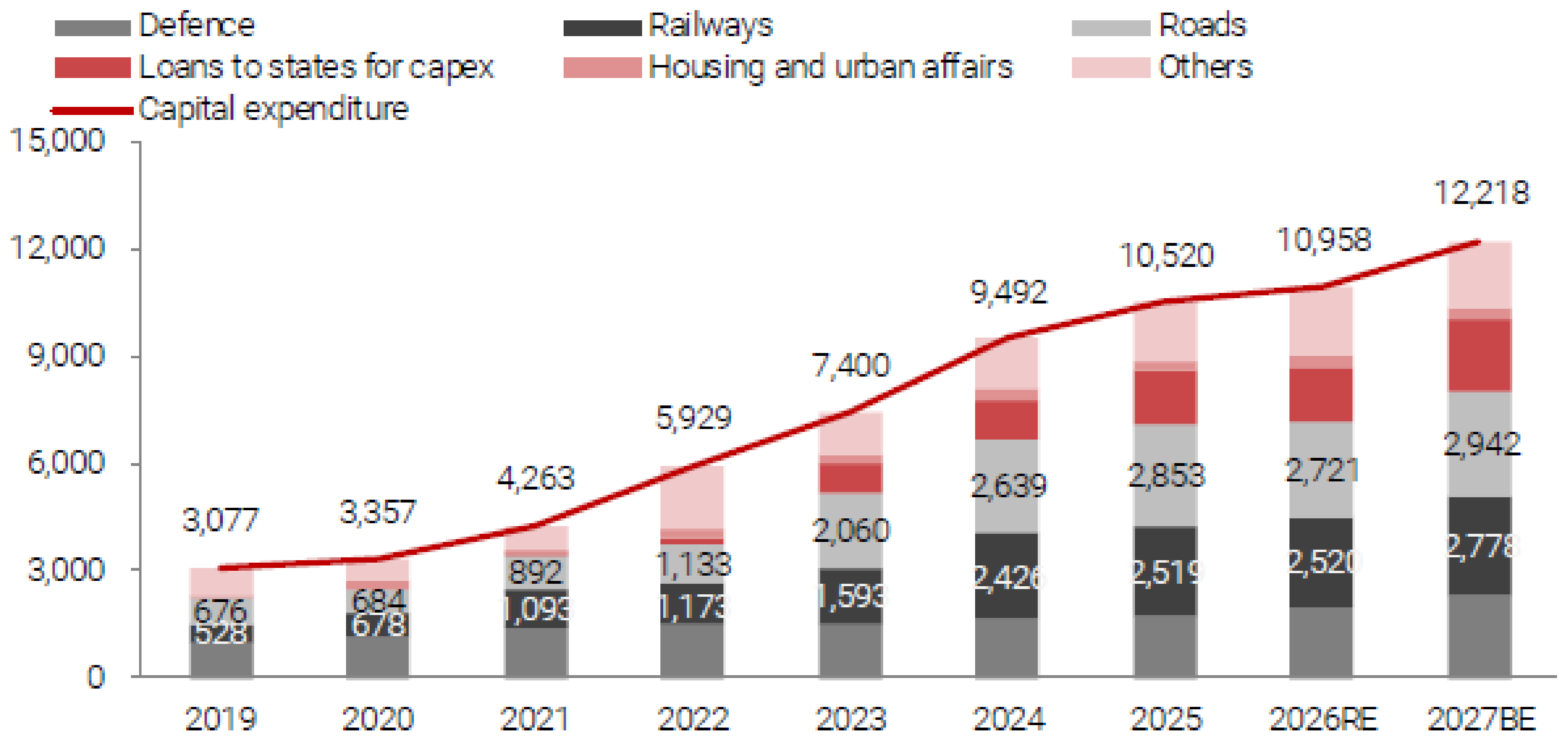
Double digit volumes growth across PVs, 2Ws & tractors in May



Source: Jefferies, SIAM

Moderate pickup in central government capex in FY2027BE

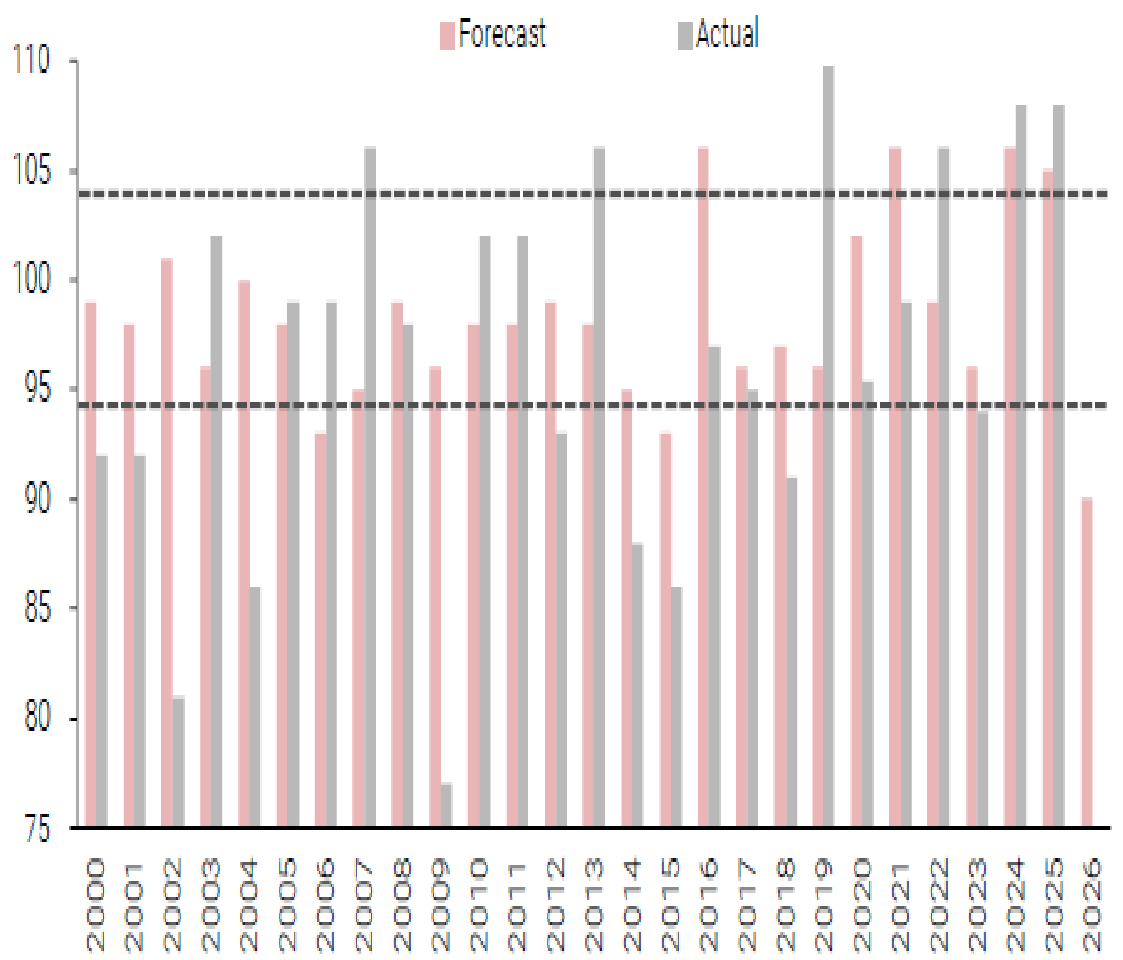
Trend in central government budgetary capital expenditure, March fiscal year-ends, 2019-27BE (INR bn)



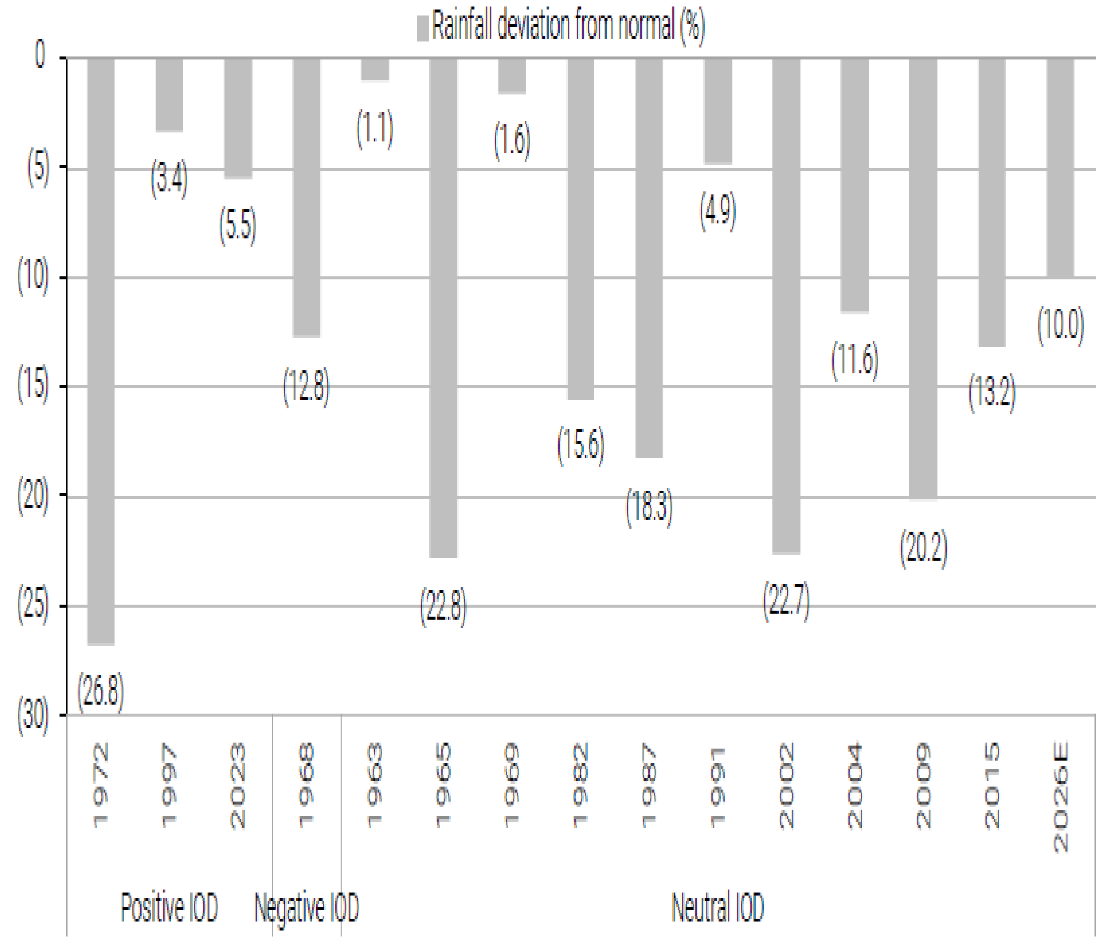
Source: KIE

El-Nino remains a near-term risk for the economy

IMD forecasts a below-normal monsoon in 2026



El Nino with neutral IOD results in significantly weaker rainfall



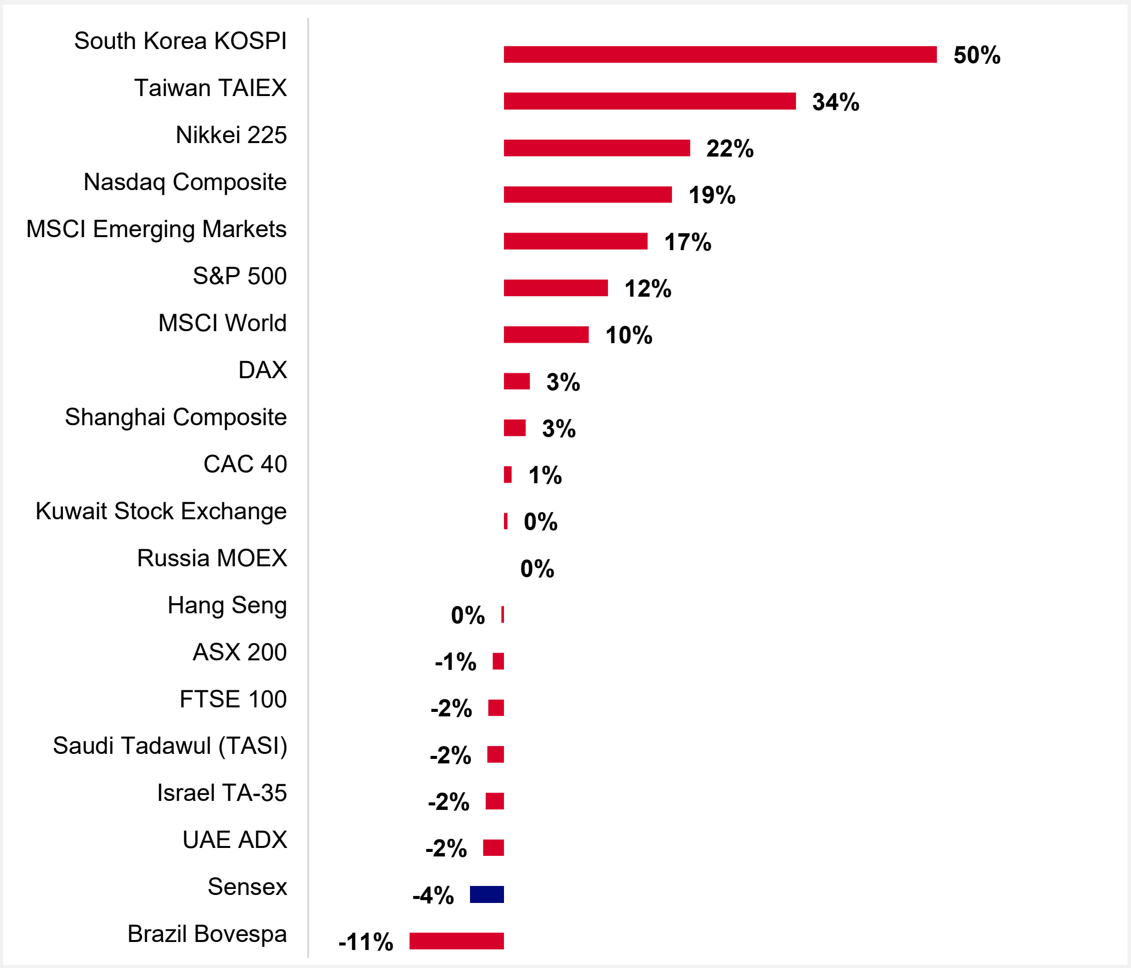
Source: Kotak

Section 3:

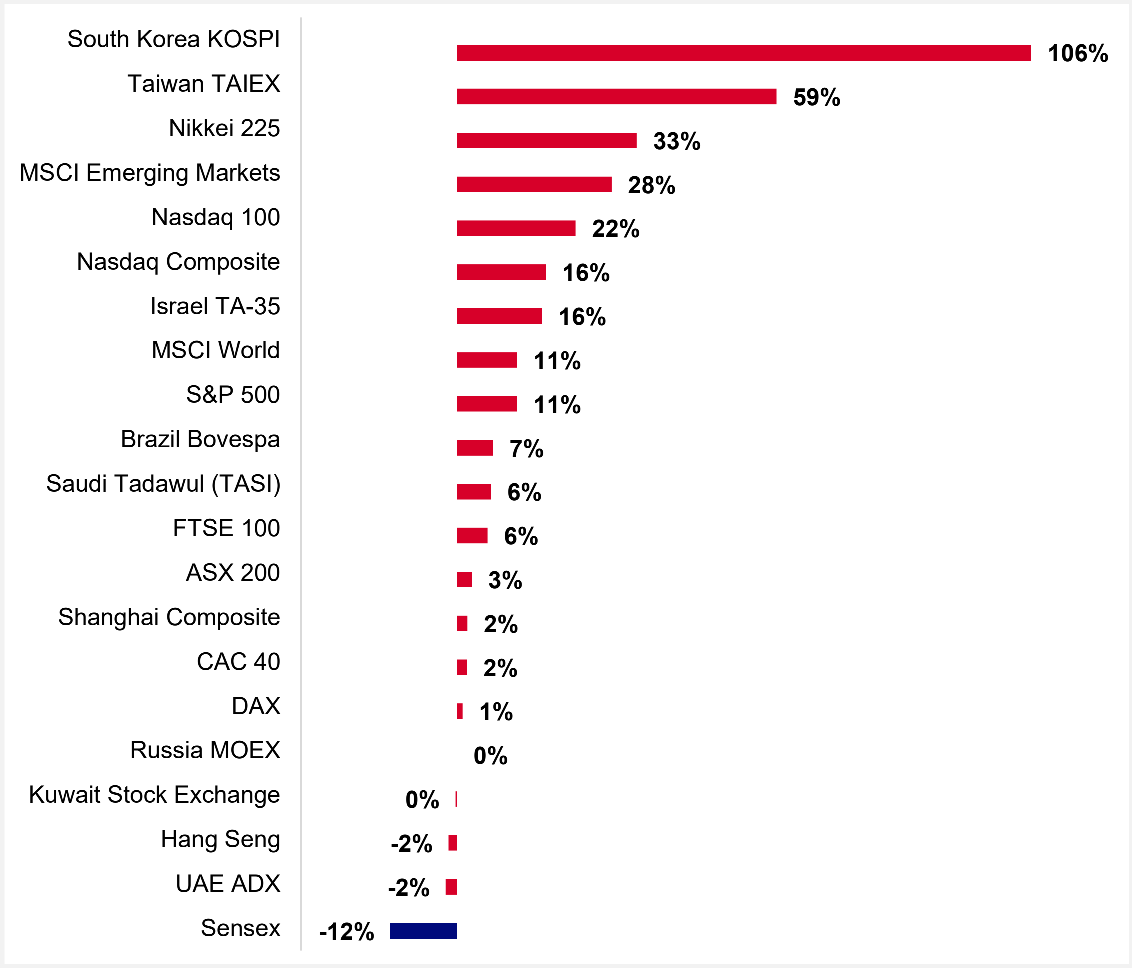
Indian Markets

India has been an underperformer until now in CY2026

Total returns since start of West Asia war, %



Total returns for CY 2026, %

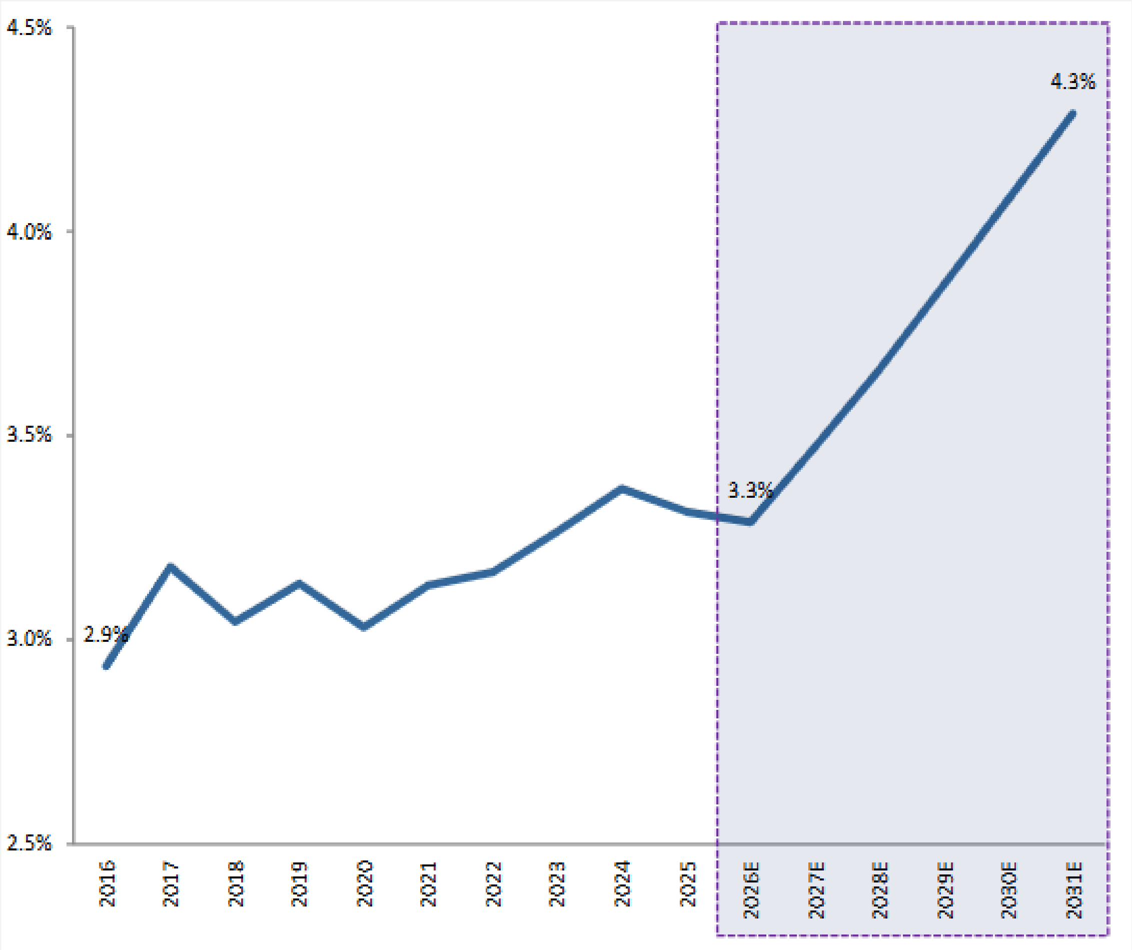


Source: Bloomberg

India's underperformance looks to be stretched

India's share of world market cap (%)

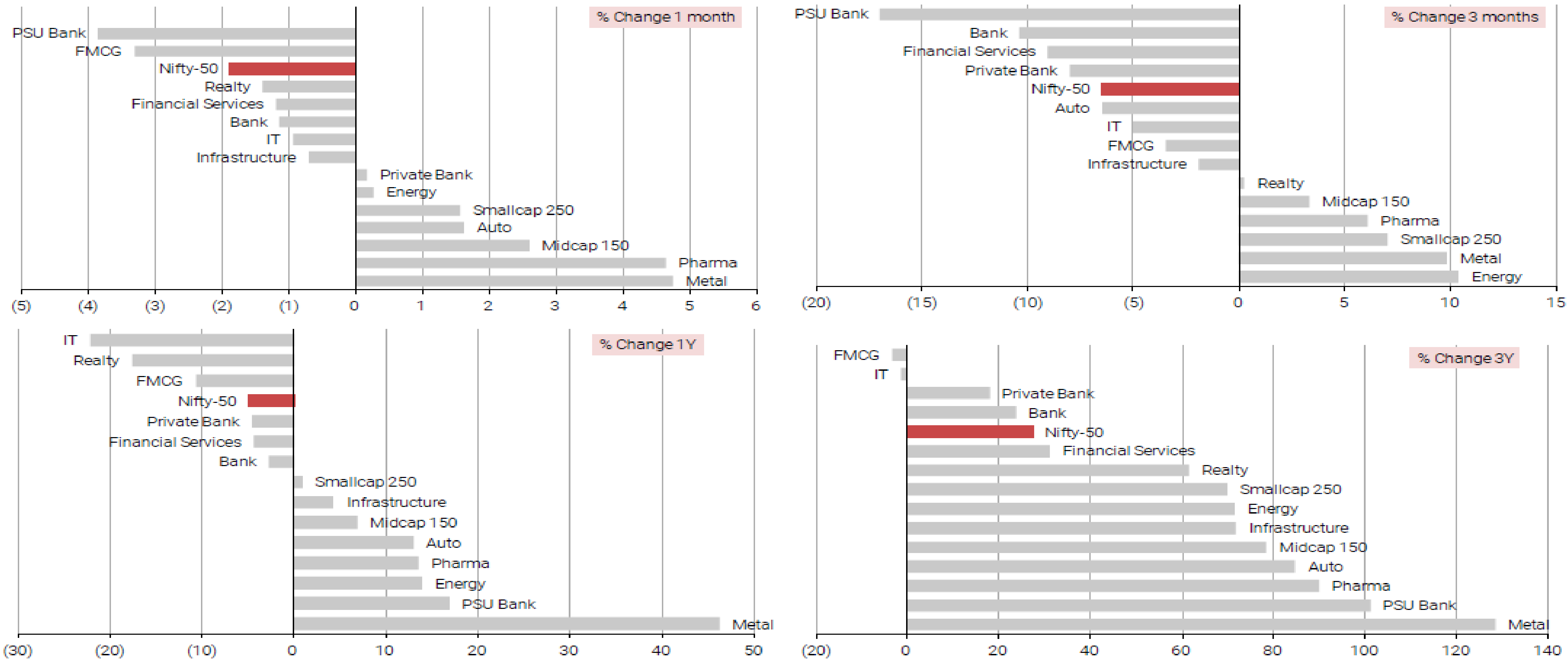
India's contribution to World GDP



Source: Avendus Spark

Energy, Metals and Pharma have outperformed the market in the last 3m

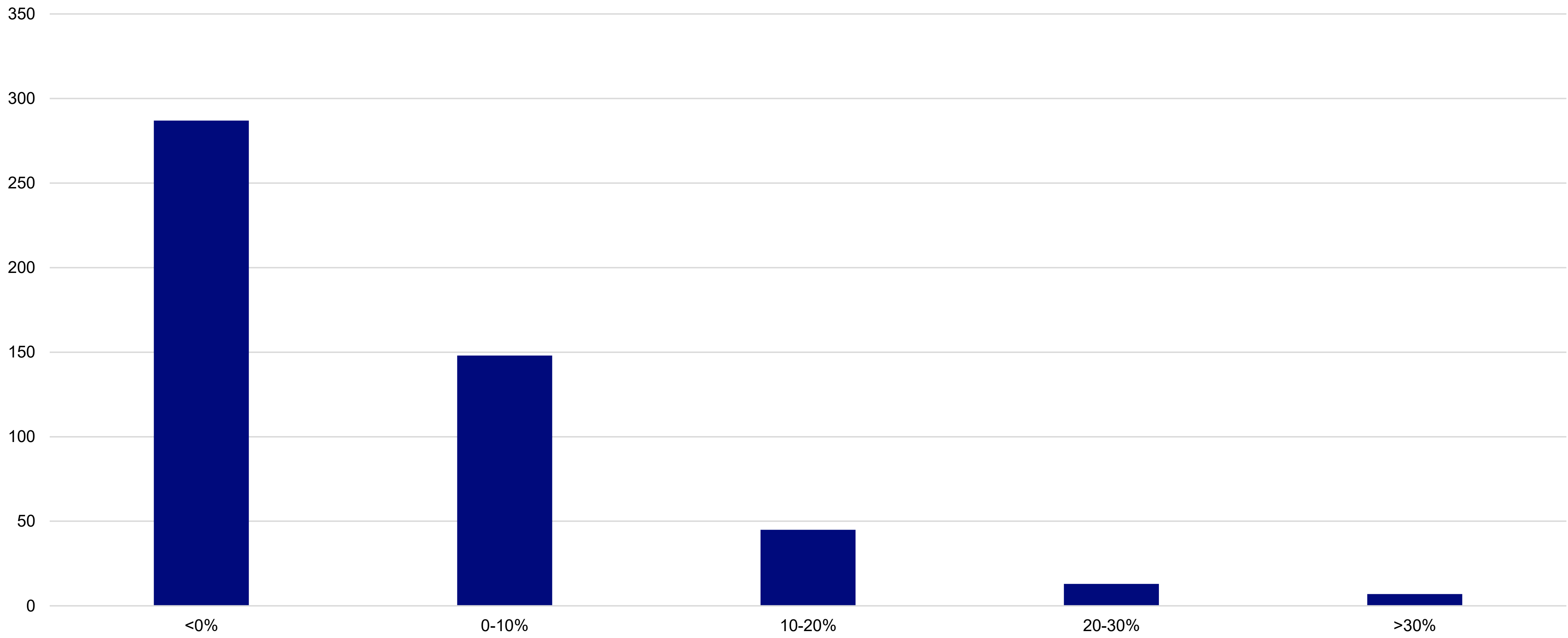
Performance of various sectors (%)



Source: KIE
Note: Data as of 29 May 2026

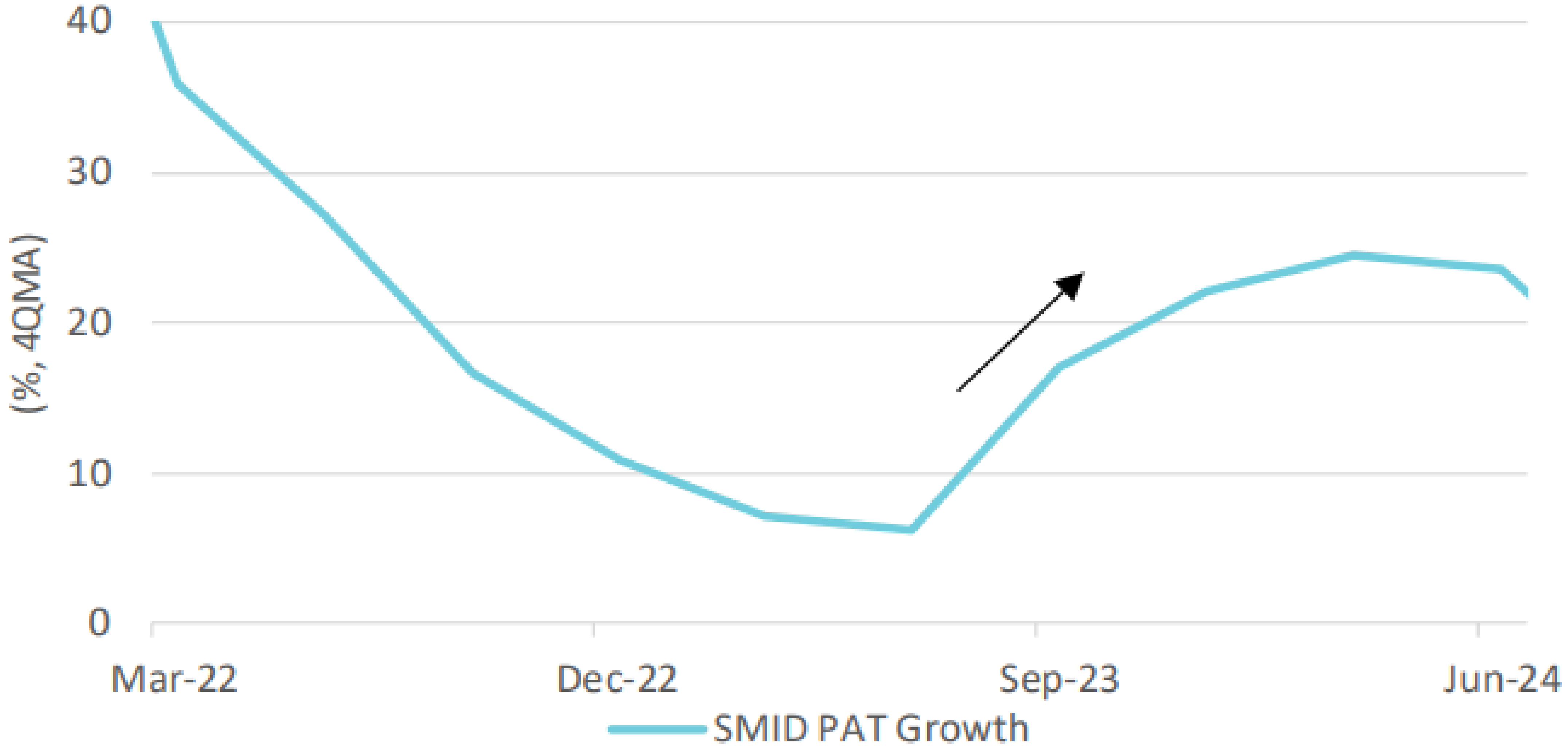
However, performance in May'26 has been extremely selective

Market breadth based on last 1m stock performance



Source: Bloomberg

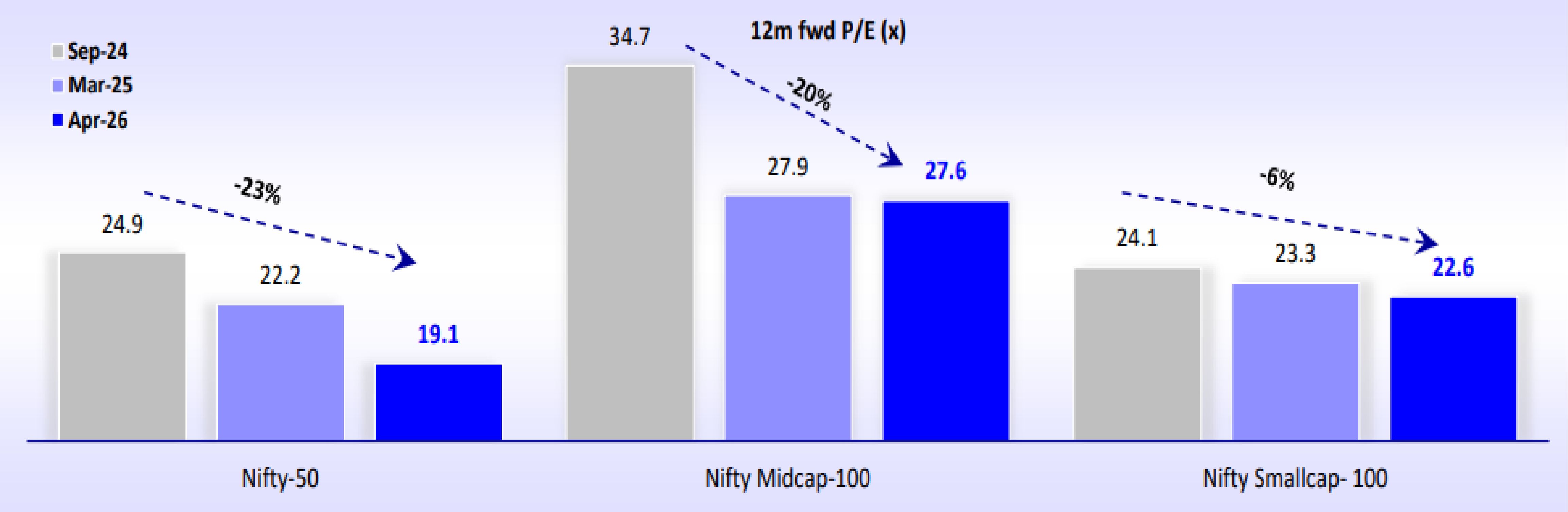
SMID profit growth rebounded post the Russia-Ukraine war – can it repeat this time?



Source: Bloomberg, Nuvama Research

Valuations of SMIDs have corrected from Sep’24 highs

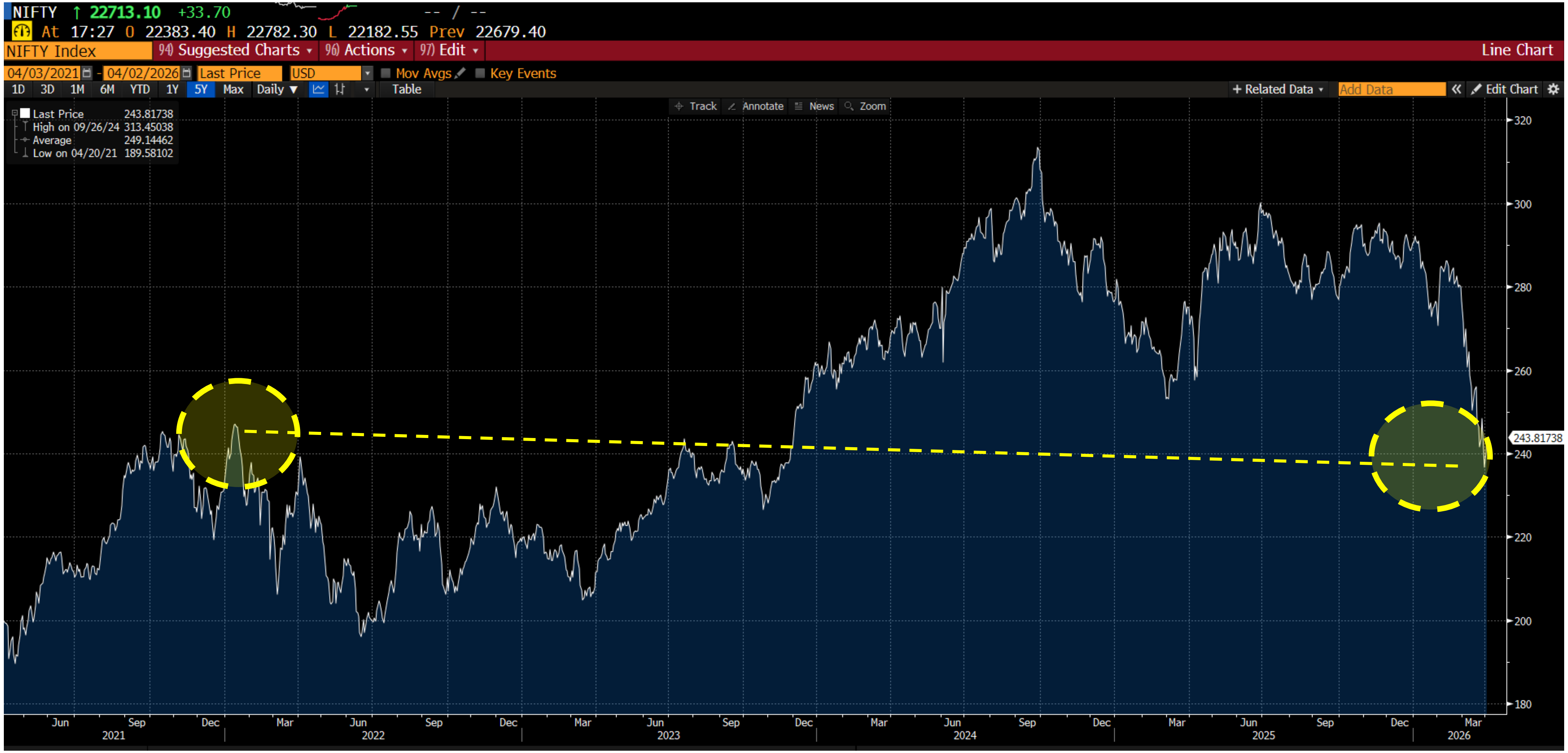
Valuations of key benchmark indices corrected significantly from their Sep’24 highs



Source: MOSL

Nifty in Dollar terms is back to 2021 levels

Nifty 50 in USD terms



Source: Bloomberg

Buybacks have resumed after favourable tax change

FY27 YTD Buyback announcements

Company	Sector	Size (INR Cr)
Wipro Ltd.	IT Services	15,000
Bajaj Auto	Automobile	5,633
Zydus Lifesciences	Pharma	1,100
Aurobindo Pharma	Pharma	800
Cyient	ERD	720
Kajaria Ceramics	Building Materials	297
Welspun Living	Home Textiles	252
Teamlease Services	Recruitment	238
Rolex Rings	Auto - Anc	180
CMS Infosystems	Cash Management	167

Company	Sector	Size (INR Cr)
Garware Technical Fibres	Technical Textiles	110
Dhanuka Agritech	Agro Chemical	70
Windlas Biotech	Pharma	47
Sarla Performance Fibers	Specialty Textiles	44
Jagsonpal Pharma	Pharma	40
Puretrop Fruits	Food Processing	22
Onward Technologies	IT Services	18
Cybertech Systems and Software	IT Services	14
Ema Partners India	Recruitment	7

Source: NSE

After record supply, Promoters have turned buyers

List of companies where promoters have increased stake

Name	Sector	Mcap (US$bn)	Method	Net promoter buying since 01st Jan, 2026 (US$mn)	% stake added
Adani Enterprises	Industrials	31.3	Rights issue	2,048	
GMR Airports*	Consumer Discretionary (ex-Autos)	10.6	Stake purchase + FCCB buyback (from foreign promoter)	1,085	7.3
JSW Energy	Utilities	10.2	Preferential allotment (incl. warrants)	317	1.0
Godrej properties	Real Estate	5.7	Market purchase	258	4.5
Adani Energy Solutions	Utilities	18.2	Market purchase	197	1.5
Maruti	Autos	43.7	Market purchase	123	0.2
Grasim Industries	Chemicals	19.9	Market purchase	108	0.5
Jindal Stainless	Metals & Mining	6.7	Market purchase	58	0.8
Lodha	Real Estate	9.0	Market purchase	44	0.4
Indus Towers	Telecom	11.2	Market purchase	29	0.2
Gateway	Industrials	0.3	Market purchase	3	0.9
Total				**4,269**	

Source: NSE, BSE, Ace Equity, Jefferies.
Note: *In case of GMR Airports, the Indian promoter group has purchased stake from foreign promoter group

FIIs have sold almost similar to 2025 and 2024 in only 5 months of 2026

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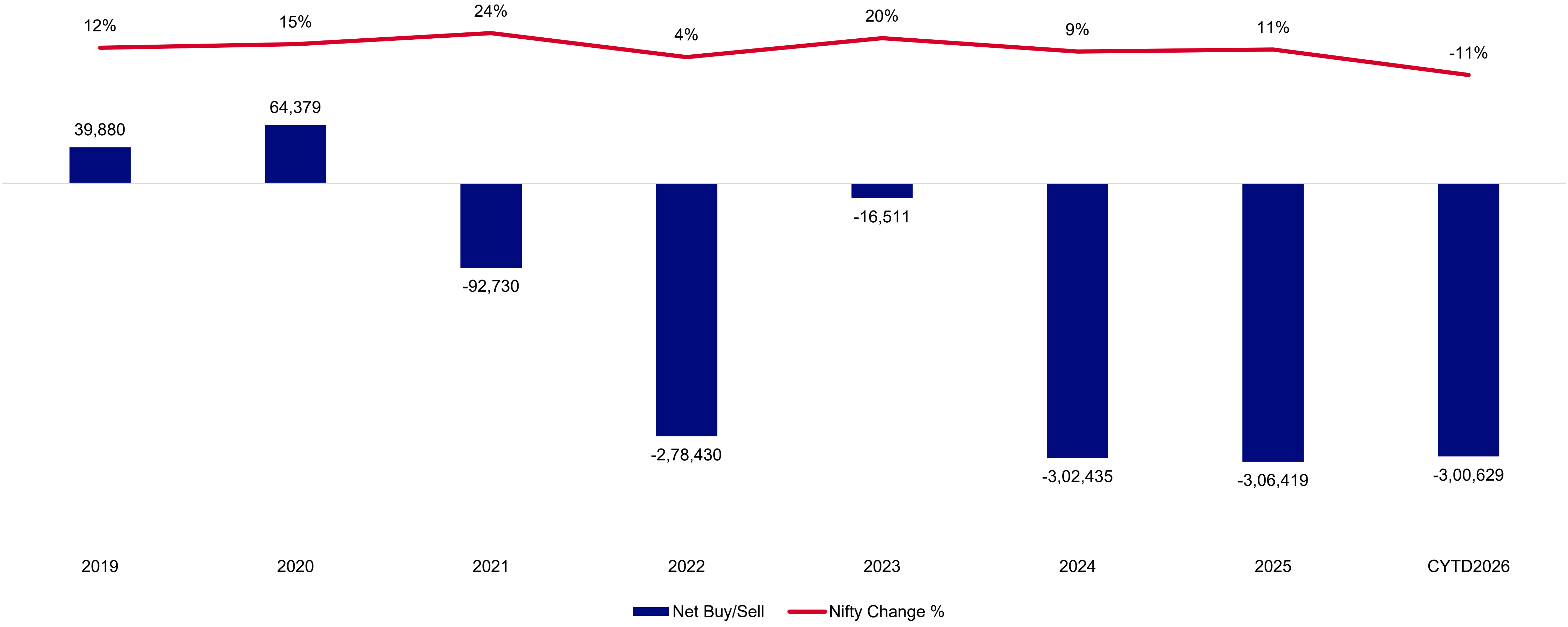
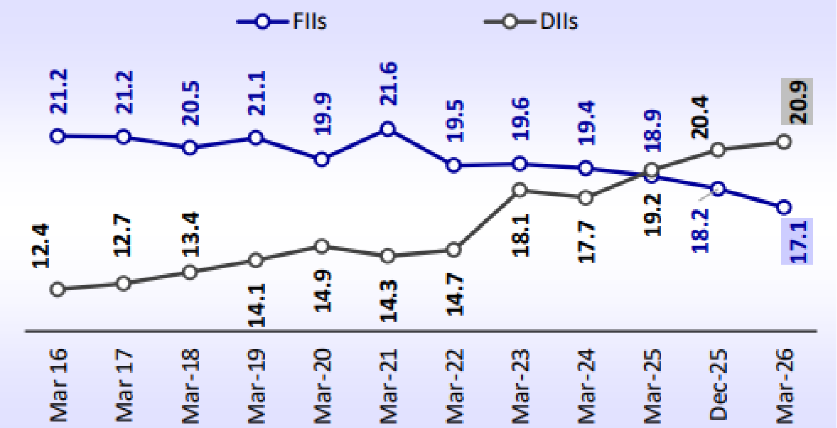
FPI net flows into equity



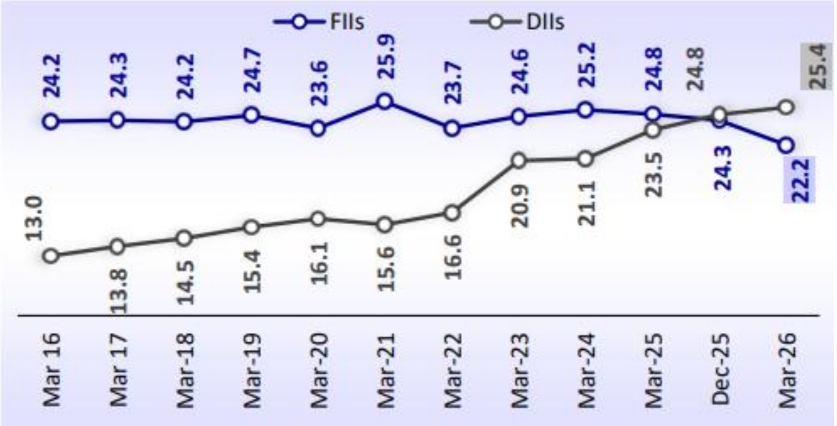
Source: NSE

FPI underweight on India at all time highs

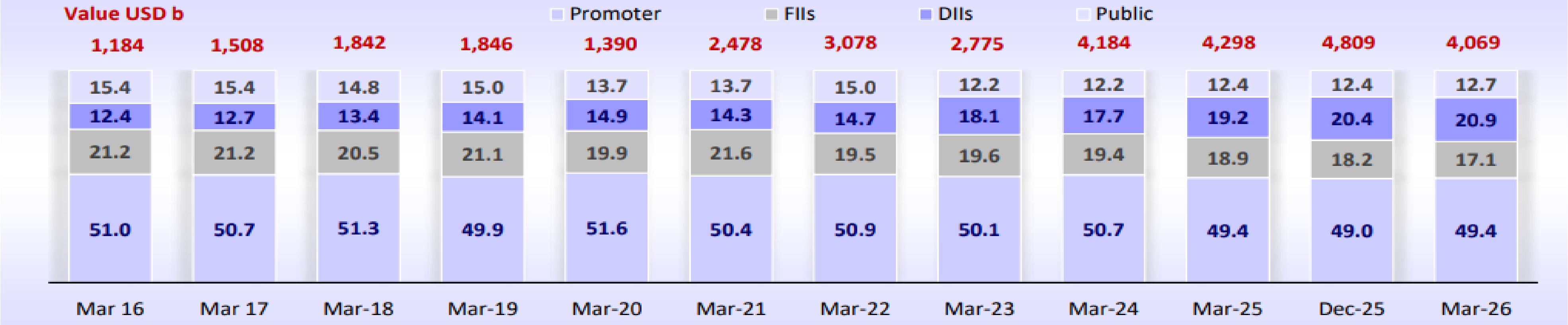
Trends in FII/DII holdings for Nifty-500 (%)



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



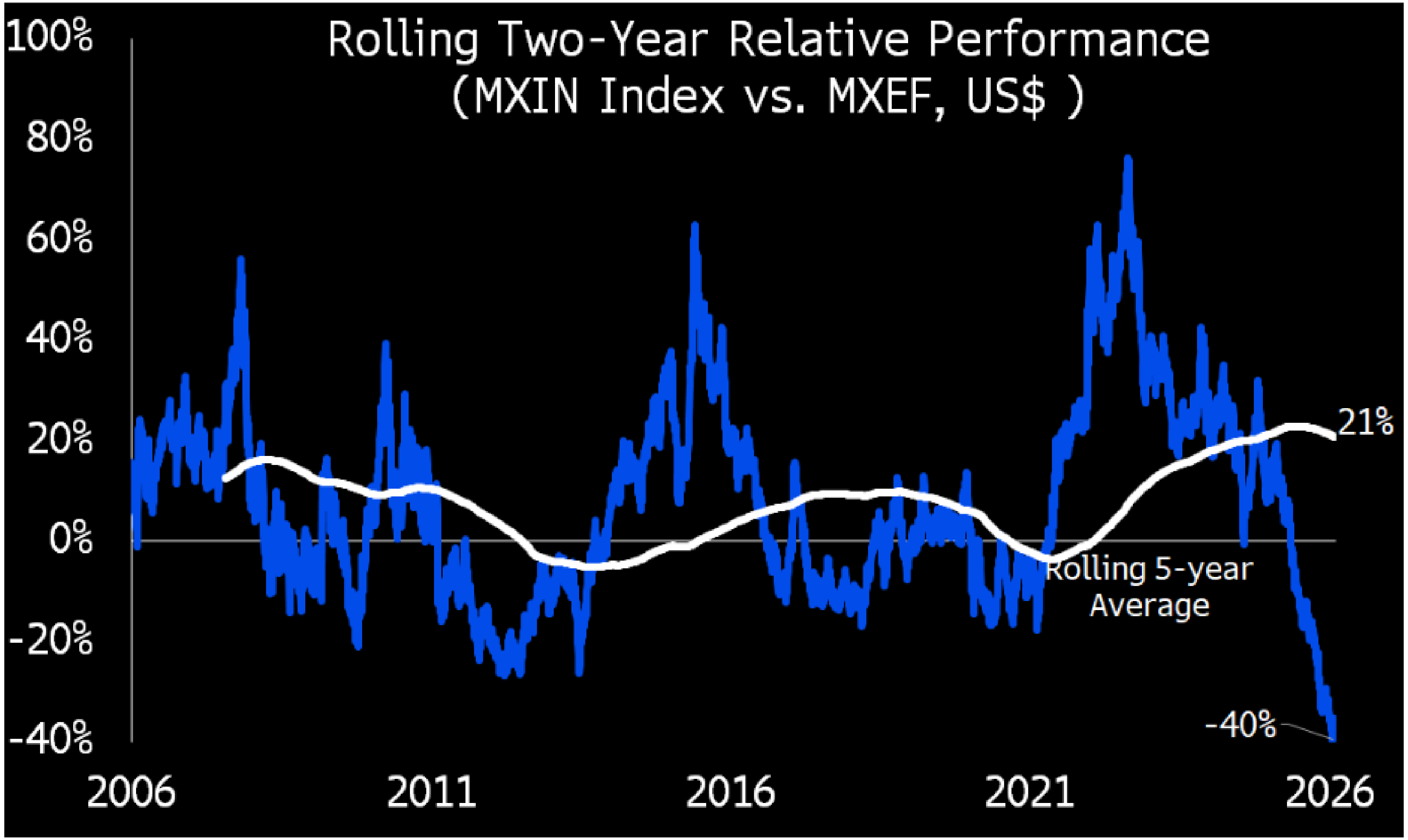
Nifty-500 holding pattern (%) – DIIs continue to raise their stakes to an all-time high, while FIIs reduce to an all-time low



Source: Bloomberg, MOSL

India’s underperformance vs. EMs is close to historical troughs

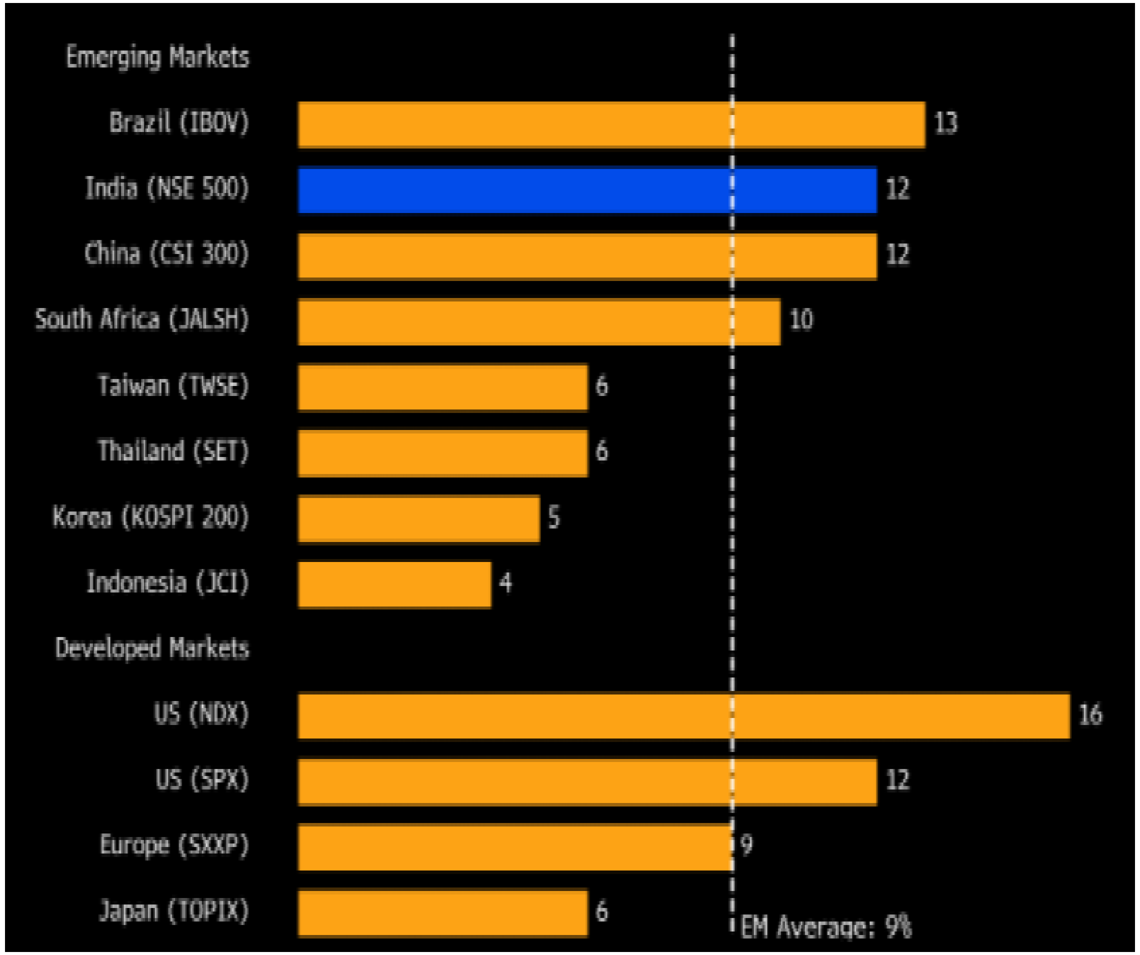
MSCI India lags by 40% vs. EM over past 2 years



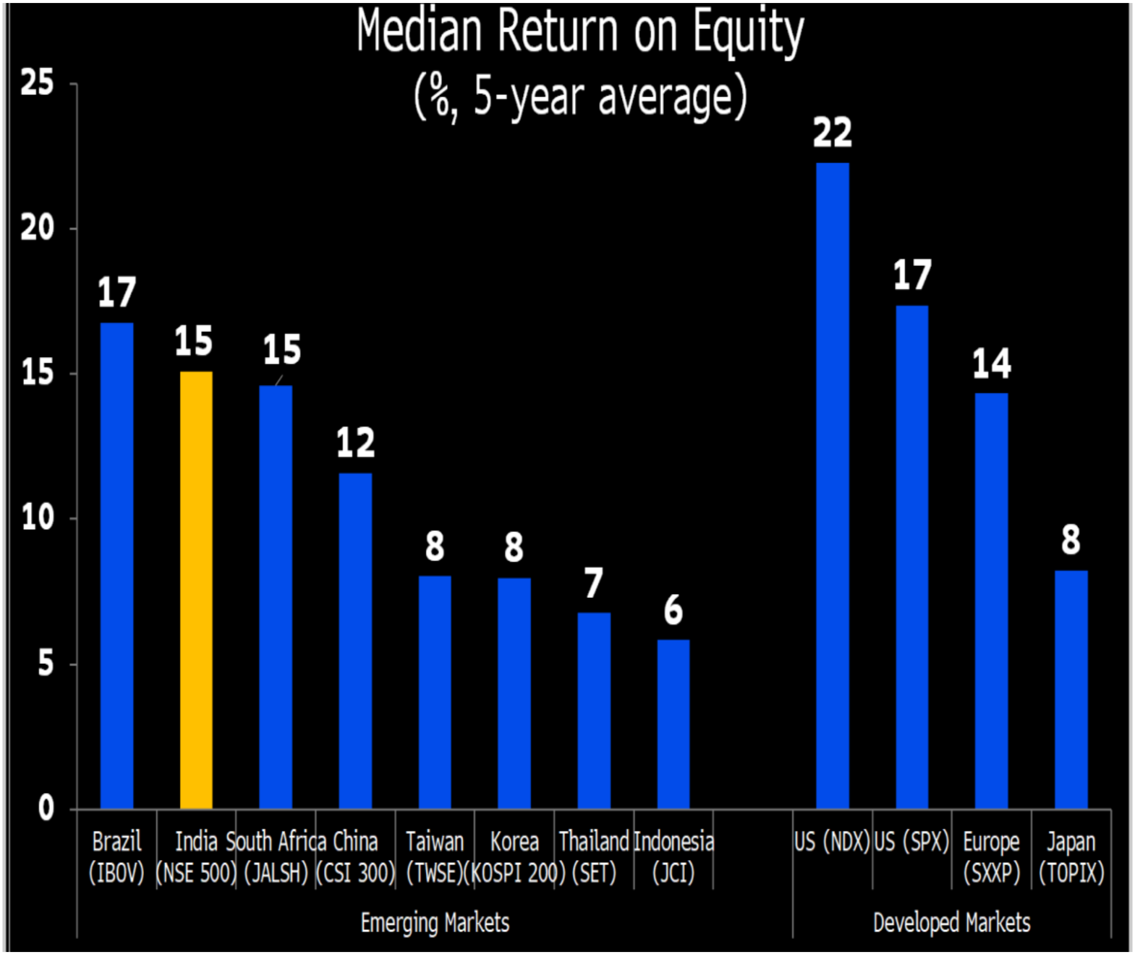
Source: Bloomberg Intelligence

But fundamentals stand firm vs. others

Median Net Profit Margin (%, 3-yr average)



Median Return on Equity (%, 5-yr average)



Source: Bloomberg

India's valuation premium moderates, while earnings stay in double digits

12-month forward P/E of global indices

EPS growth of indices

YoY earnings growth (%)	Brazil	Korea	Indonesia	MSCI EM	UK	China	Taiwan	Japan	India	S&P-500	Nasdaq
FY27/CY26 YoY change (%)	36.8	230.7	50.5	56.9	28.9	38.0	57.2	11.7	16.0	31.5	50.1
FY28/CY27 YoY change (%)	7.7	28.8	14.5	20.2	6.6	11.5	23.6	1.9	16.0	15.3	22.7
FY26-28E: 2 year CAGR (%)	21.4	106.4	31.3	37.3	17.2	24.0	39.4	6.6	13.8	23.1	35.7

Source: Bloomberg, MOSL

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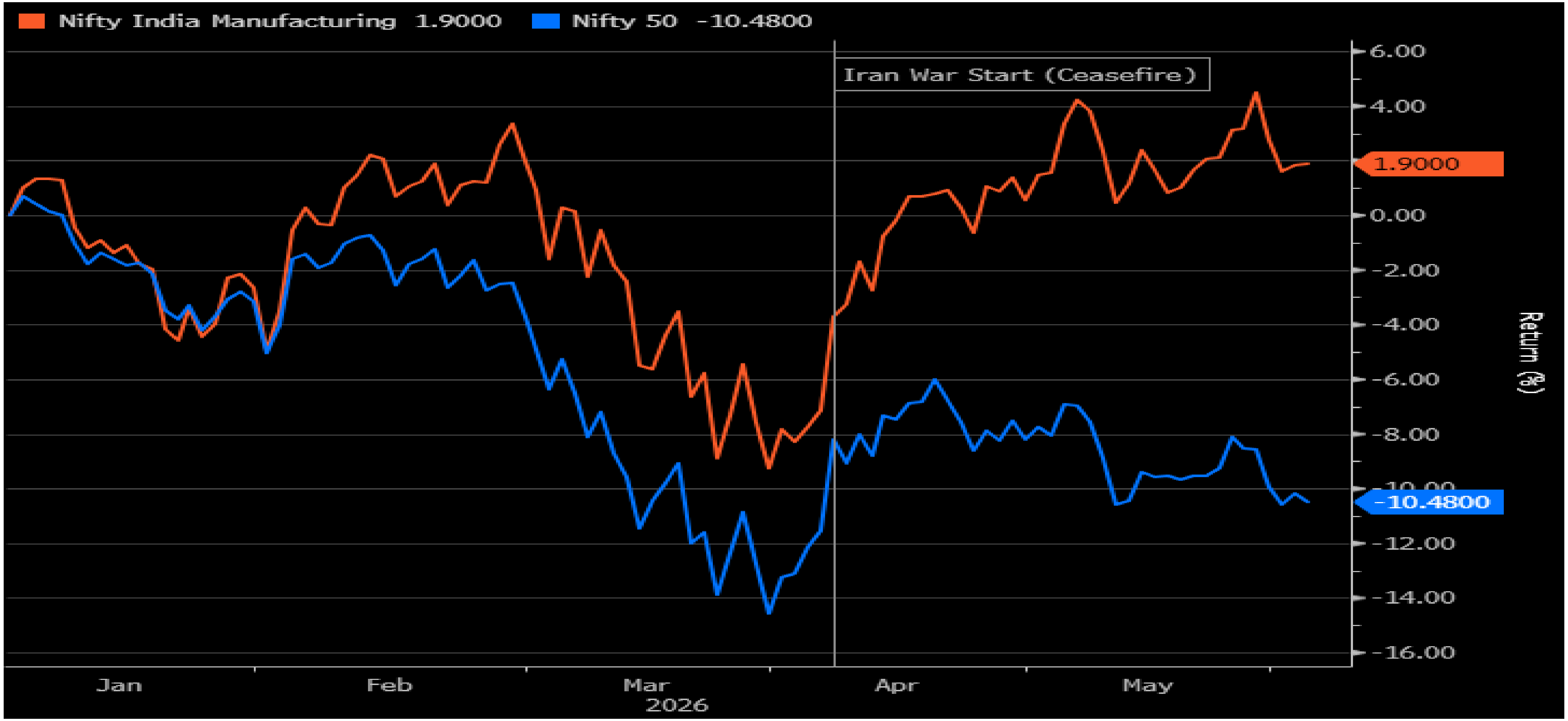
Themes we like

INR weakness + CNY appreciation + Import substitution could lead to India manufacturing gaining with early signs visible

Nifty Manufacturing is up 1.9% in CY26 vs. a 10.5% drop in Nifty 50



Source: Bloomberg

Sectors that could benefit from INR weakness

Sector	Primary Benefit Mechanism	Key Risk
Information Technology	USD revenue, INR cost base; direct EPS uplift	AI disruption and pricing renegotiation
Pharmaceuticals (Exporters)	Export realisations in USD/EUR	Imported API cost inflation
Specialty Chemicals	Export competitiveness, higher INR realisations	Import-dependent raw material costs
Auto & Auto Ancillaries	Translation gains on US/Europe exports	Imported component cost pass-through
Upstream Oil & Gas	USD-billed crude/gas revenue, INR opex	Global oil price volatility
Textiles & Apparel	Price competitiveness in global markets	US tariff headwinds

Source: TradingView

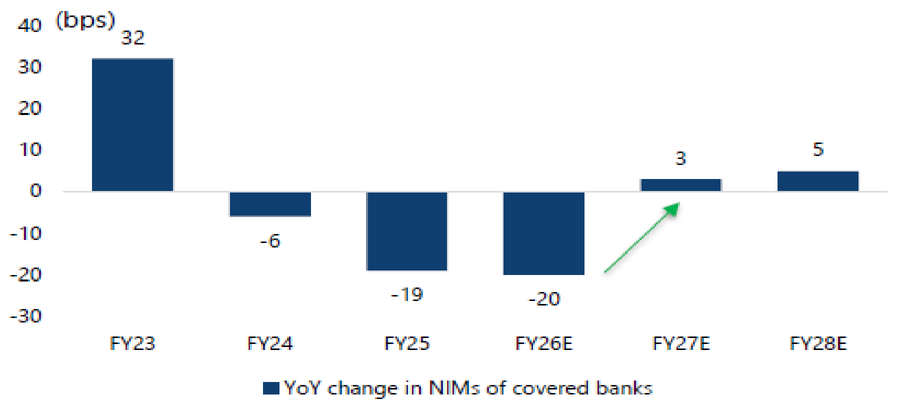
Sectors that could benefit from CNY appreciation helping import substitution

Sector	CNY Appreciation Benefit	Import Substitution	Key Risk
Specialty & Bulk Chemicals	Direct — competes with Chinese exporters	Agrochemicals, dyes, fluorochemicals	China excess capacity, aggressive pricing
Capital Goods & Industrial	Raises landed cost of Chinese equipment	Power T&D, cables, conductors	Execution risk on domestic capacity
Telecom Equipment	Displaces Chinese network hardware	Already demonstrating export growth	Technology gap vs. Chinese incumbents
Consumer Durables & Electronics	Raises cost of Chinese finished goods	PLI-driven domestic assembly	Component import dependency
Metals & Steel	Raises floor on Chinese export pricing	Domestic capacity additions	Global demand slowdown
Textiles & Apparel	Order diversion from China	Labor-intensive manufacturing	US tariff headwinds
Pharma — API & CDMO	Raises cost of Chinese API imports	PLI for domestic API manufacturing	Scale-up timeline, quality compliance

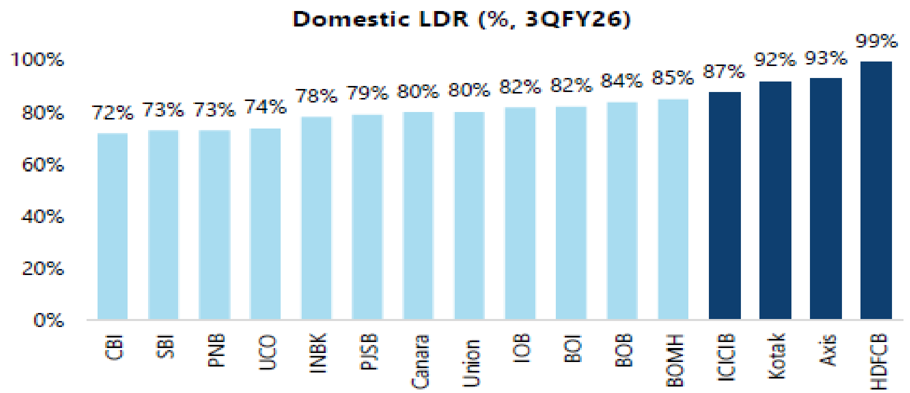
Source: TradingView

Why we believe financials are in a sweet spot

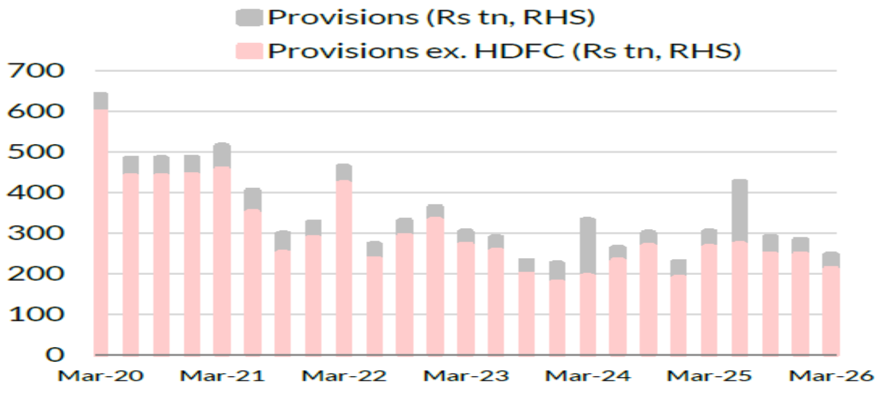
NIM compression behind now



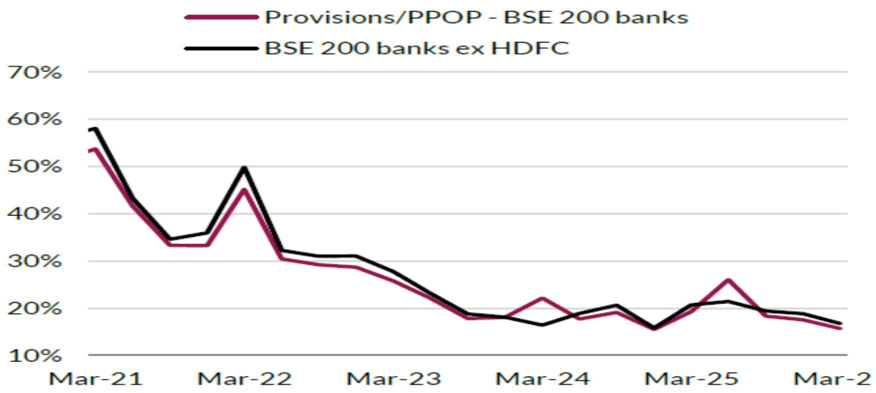
PSU banks' LDR relatively lower than Pvt banks



Slowdown in provisions in Q4FY26…



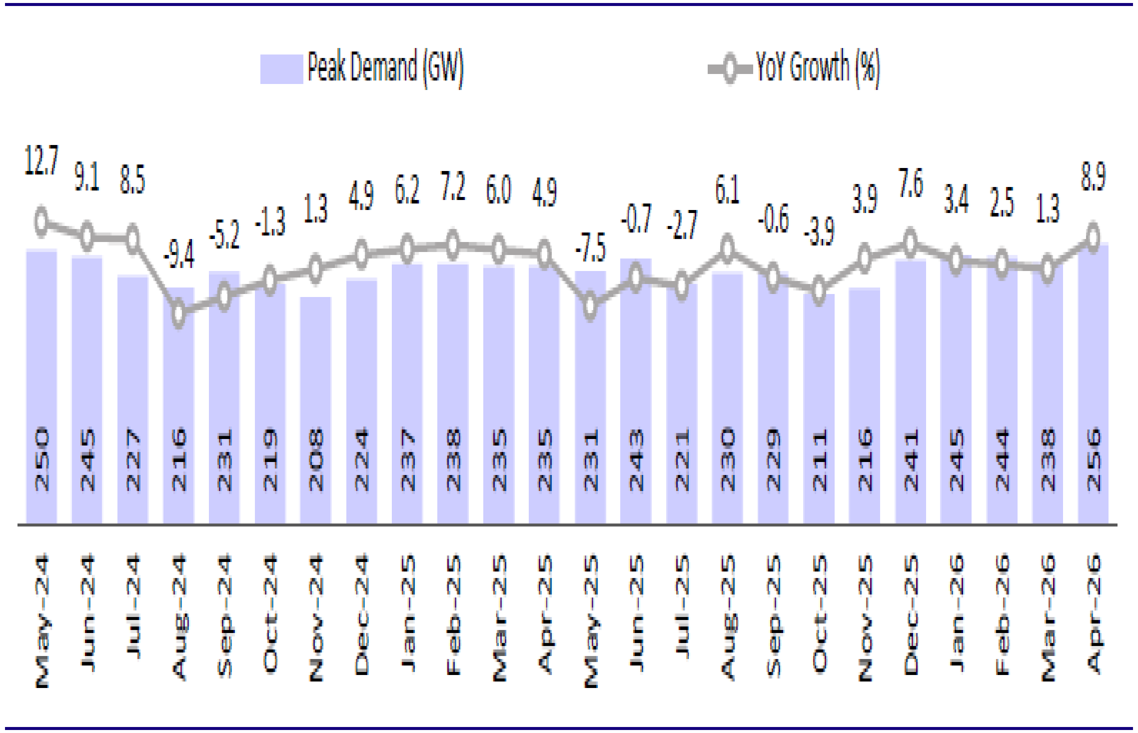
… implies limited pressure for asset quality



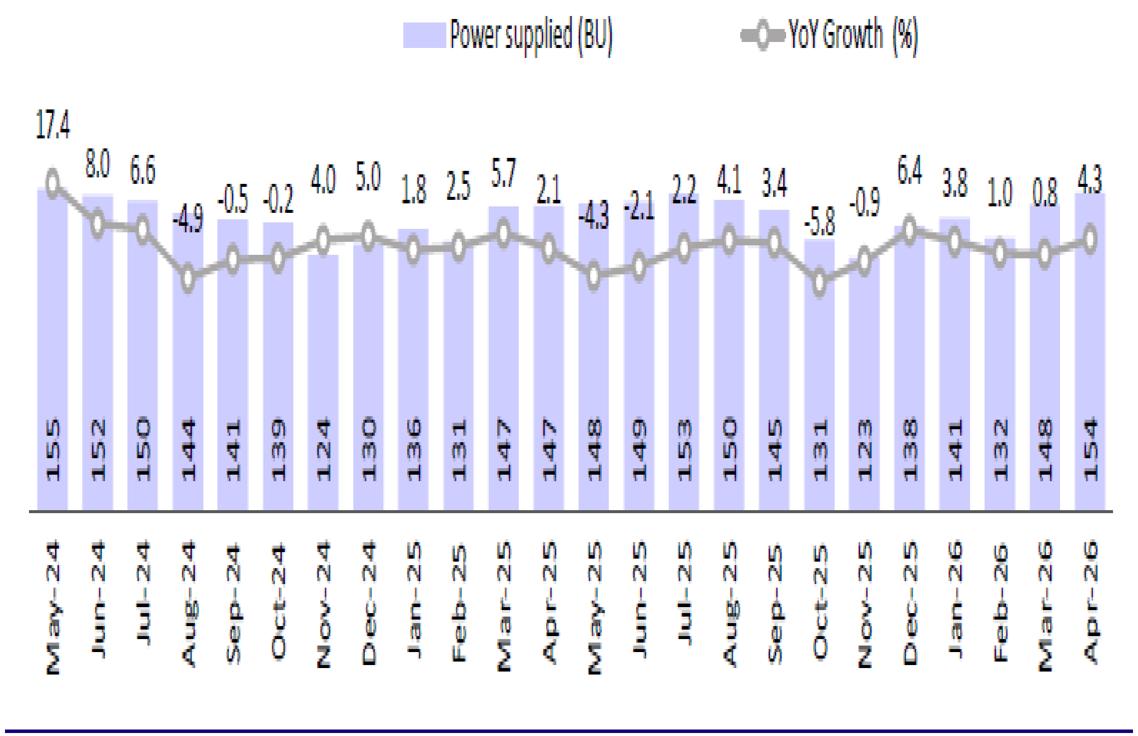
Source: Bloomberg, Jefferies, Axis Capital

Hot summers and deficit monsoon to keep power demand high

India's peak power demand (GW)



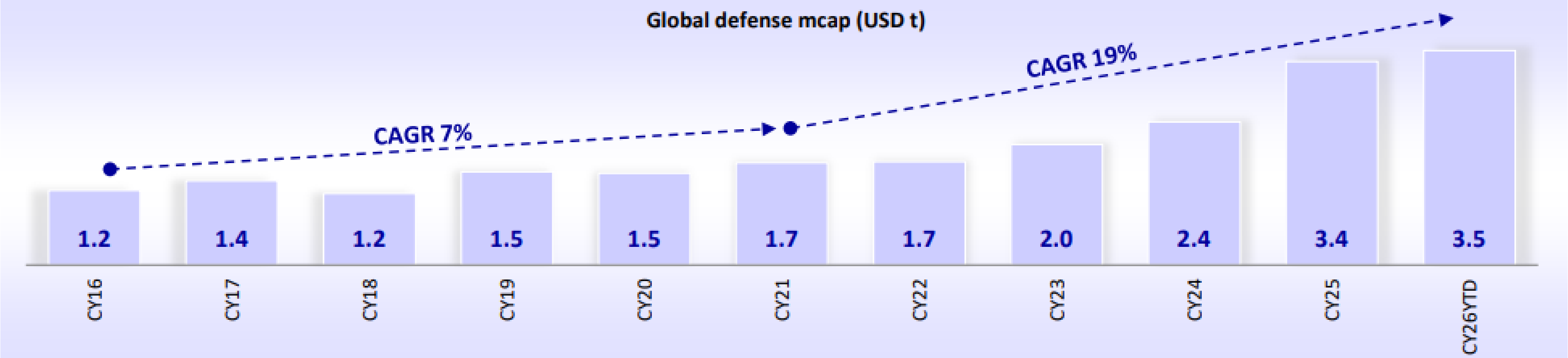
India's power supplied (BU)



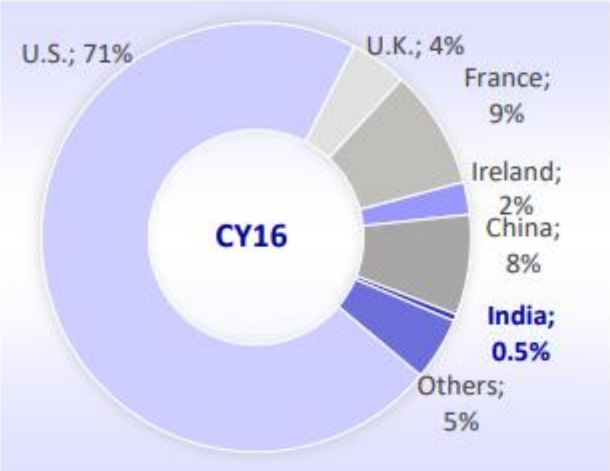
Source: MOSL

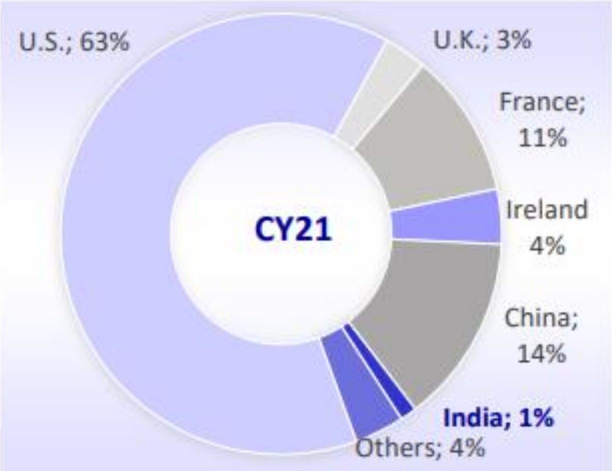
Rising geopolitical tensions can lead to accelerating Defence spend

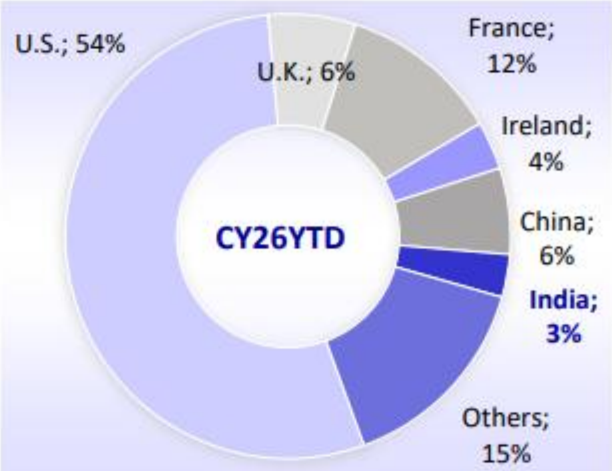
Aggregate market cap of global defense names (USD trn)



Contribution of key countries to global defense market cap (%)







Source: MOSL

What should Investors do?

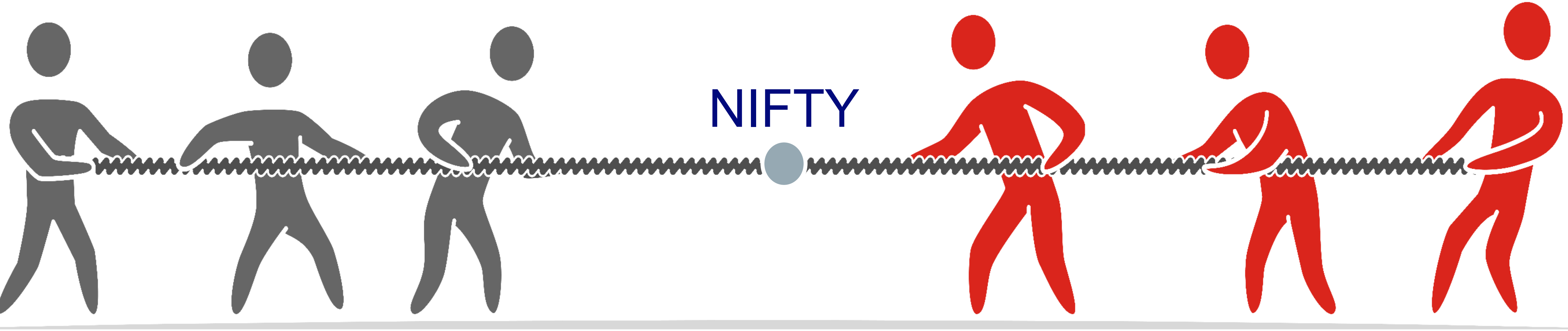
- We are constructive on the markets. After the rally, we believe bottom-up stock picking should be rewarded.
- We recommend to raise equity exposure in a staggered manner from hereon:
  - ✓ Top up allocations/SIPs
  - ✓ Sectors that can do well - Metals, healthcare, chemicals, power, auto ancillaries, private sector, financials and NBFCs, consumer discretionary.

Be Ready For Volatility

Events: US Tariff war, Energy Prices and Geopolitical uncertainty

22K — 23K — 25K

Extended Middle-East war	Risks to Earning Trajectory	Earnings Pickup	Favourable India Macros
Global Liquidity Tightening	External Shocks	Yield Softening	FII Flows Returning



Thank You