

TEMPO

Trends | Economy | Markets | Performance | Outlook



January 2026

Equity market outlook

What we said in 2025

We anticipate a significant shift in equity markets as we transition from the "politics of elections" in 2024 to the "politics of earnings" in 2025.

Earnings Growth

Year	Nifty 50	Nifty Midcap 150	Nifty Smallcap 250
FY27E	16%	23%	25%
FY28E	16%	21%	21%

Source: Bloomberg

Early signs of an earnings upgrade cycle point to a more durable market rally beyond index highs.

What we think about 2026

India heads into 2026 stronger than most emerging markets, with improving domestic earnings and improving balance sheets driving confidence

Valuations

	Nifty 50	Nifty Midcap 150	Nifty Smallcap 250
1Y Forward PE	20.24	27.69	24.75
10Y Average	17.56	23.45	16.85

Source: Bloomberg

Large caps are trading at ~20x while Mid and Small caps are trading at~24-27x translating into ~37% and ~22% premiums over the Nifty 50

View on Indian currency

India's improving external fundamentals and robust capital flows should limit downside.

View on Gold & Silver

Precious metals remain portfolio stabilizers, not return chasers. As equities regain leadership, gold and silver outperformance is likely to moderate in 2026.

Opportunities of a potential India-US bilateral trade deal

India-US bilateral trade deal will likely be a meaningful sentiment booster for the market.

Sectors to watch out for in 2026



Financials



Consumer
Discretionary



Defense



IT

Key triggers for 2026

- Indo-US trade deal progress and 8th Pay Commission clarity are key market triggers.
- Earnings upgrades and domestic liquidity to shape sector leadership.

Key risks to look at

Economic repercussions of non-resolution of tariffs globally.

Advice for investors in 2026

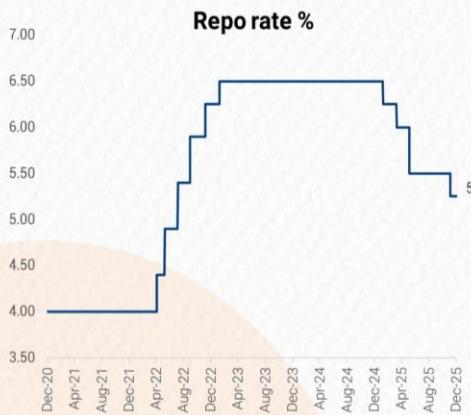
From medium-term perspective, we would advise investors to gradually increase their exposure to Indian equities as it offers a potential combination of reasonable valuations and start of the earnings upgrade cycle.

What we said in 2025

We expect bullishness in government securities (IGBs) to continue in 2025 as growth will take precedence over inflation.

RBI rate cycle in 2026

RBI has room for 1 rate cut. We expect RBI to use it judiciously.



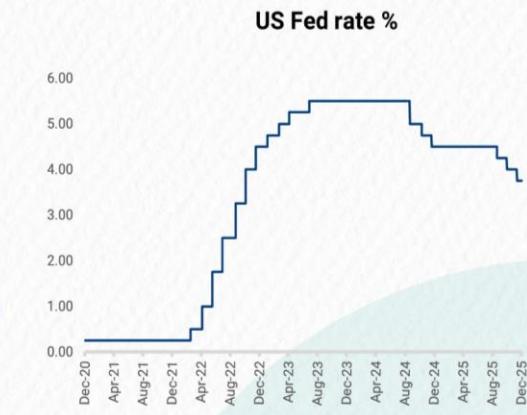
Source: Bloomberg. Data as on 30th December 2025

Our outlook for 2026

After a recent divergence between policy rates and bond yields in H2CY25, we expect bond yields to trend lower in 2026 amid supportive RBI, surplus liquidity and lower inflation.

US Fed rate

FOMC is expected to cut rate for at least one time in 2026 despite strong economy and sticky inflation.



Source: Bloomberg. Upper Band considered. Data as on 30th December 2025

Key factors to watch out for in the bond market



Inflation

Headline inflation is expected to average 3.5% in 2026, may surprise on the lower side if monsoon is normal and crude oil prices remain below \$65 per barrel.



Yield Curve

Yield curve had turned steeper in 2025. We expect the yield curve to flatten in 2026.



Banking System Liquidity

Banking system liquidity is expected to remain in surplus for most of the year.



Credit Spreads

AAA credit spreads have widened at the short-end. We expect credit spreads to tighten in 2026.



Currency Outlook

The INR has depreciated sharply against the USD in 2025. We expect the INR to stabilize in 2026.



Commodities

We expect prices of gold, silver and other precious metals along with copper to remain firm amid higher demand and lower supply in 2026.

Opportunities of a potential India – US bilateral trade deal

An early and mutually-beneficial trade deal with the US will improve India's trade deficit and support the INR against the USD. This will be positive for the sentiment.

Where should debt investors look in 2026 – Credit or Duration?

With rate cut cycle nearing its end, we recommend investors to focus on accrual strategy as the main investment theme. There could be some sporadic opportunities for duration strategies in the first-half of 2026.

Factor investing outlook



Factor Fundamentals

- Momentum:** Volatility tempered gains in 2025. Strong earnings visibility and a valuation reset should support better performance going forward.
- Quality:** IT and Consumption, which remain core sectors for the Quality factor, continue to lag, driven by weakness in earnings.
- Growth:** The portfolio is led by Capital Goods and Healthcare sector. Earnings continue to remain robust. However, valuations have capped returns.
- Value:** The portfolio tilt is towards Commodity, making it sensitive to the macro environment and price movements.

PE (2Y Fwd)	Dec-24	Dec-25	2Y EPS CAGR	Dec-24	Dec-25	ROE %	Dec-24	Dec-25
Momentum	38.5	19.7	Momentum	23%	20%	Momentum	21%	16%
Quality	39.3	25.6	Quality	15%	14%	Quality	26%	20%
Growth	37.8	31.4	Growth	24%	24%	Growth	21%	19%
Value	11.0	10.5	Value	11%	11%	Value	15%	15%

Source: Bloomberg, Internal Research. Data as of 30th December 2025.



Style Tilts

- Momentum factor portfolios have shifted more toward Value in H2 CY25 resulting in a balanced mix of Growth, Quality and Value.
- Financial sector dominated across factors, leading to higher overlap.

Overlap of Momentum Portfolio

	H1CY25	H2CY25
Quality	20%	28%
Growth	36%	22%
Value	2%	24%

% of stocks which are common with Momentum portfolio.
Source: Bloomberg, internal. Data as on 30th December 2025.



Sector Tilts

- Weightage to the Financial sector showed an increasing trend across factors during the year.
- Momentum & Quality factors saw sectoral rotation during CY25.
- Momentum favored Healthcare & Consumer sectors in H1CY25 before shifting towards the Auto & Capital Goods later in the year.
- Sector tilts remained unchanged for Growth & Value portfolios during the year.



How factors fared in 2025

- Factor performance in 2025 was marked by sharp swings – a weak first quarter, a strong rebound in Q2, and moderation through the second half of the year.
- Weak factor performance was driven by event led news flow during the year, coupled with weakness in earnings.
- Value emerged as the clear leader (+15% CY25), outperforming the index for 5 consecutive years.
- Momentum, after a stellar six-year run since 2019, delivered +3% in 2025, trailing the broader index.



What we think about 2026

We expect factor performance in 2026 to improve versus 2025, supported by better earnings visibility, easing of foreign outflows and a strong macro backdrop. Valuations for broader factors have corrected meaningfully, signaling scope for factor normalization ahead. In a risk-off, consolidating market environment, large caps outperformed in 2025; we expect mid- and small-caps to perform reasonably well in 2026, led by improved PEG ratios. We are optimistic towards Growth and Momentum for participation in recovery, while anchoring with Value factor for valuation discipline.

Factor investing outlook



Key risks to look at

A firm dollar or a renewed rise in global yields (incl. US/Japan 10Y) could compress EM risk appetite, leading to higher outflows.

Value faces crowding risk; Growth remains vulnerable to rich valuations and recent EPS trims; Momentum may whipsaw amid delayed earnings recovery & adverse news flow.



Change in sector exposure in factor portfolios

	H1CY25	H2CY25
Momentum	Healthcare, Consumer	Autos, Capital Goods
Quality	Autos & IT	Capital Goods, FMCG
Growth	Healthcare & Capital Goods	
Value	Oil & Gas, Metals	

Source: Bloomberg, internal. Data as on 30th December 2025.



Investment opportunities in factors

When markets are volatile, strategies that deploy multi-factors tend to do better than single factor funds. An overlay of momentum with other factors such as Growth or Value could be a good alternative to manage downside protection while maintaining market exposure for potential gains.



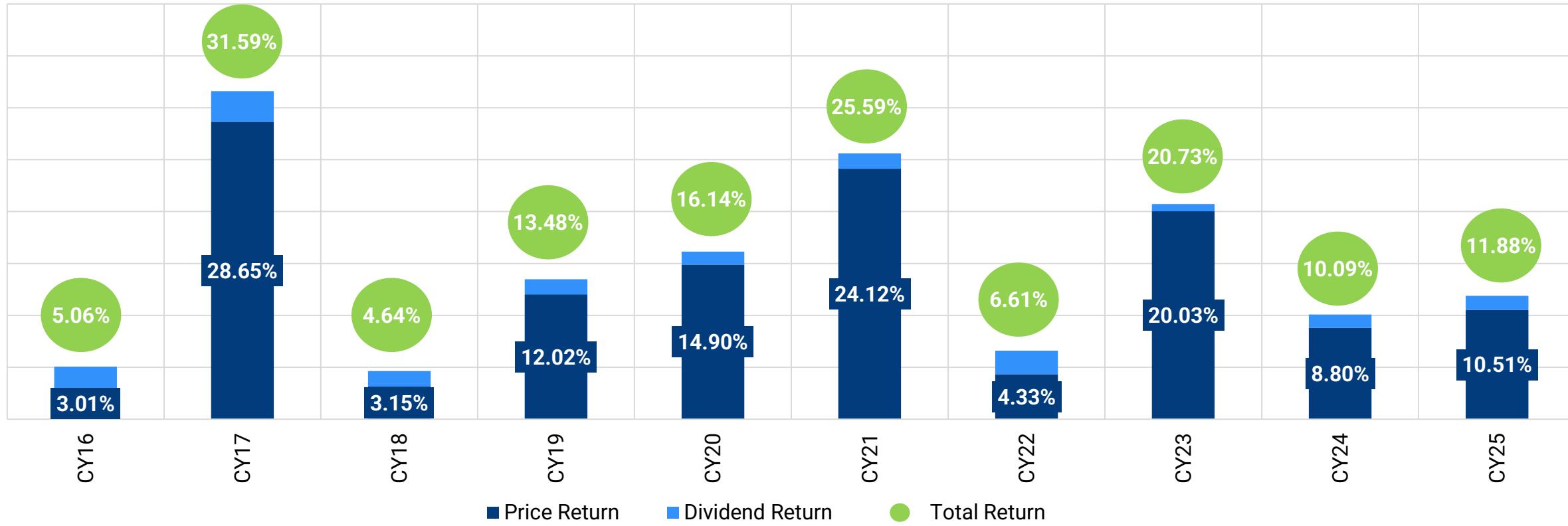
Key factors and their attributes

Factors	Quality	Growth	Value	Momentum
Features	Sound financials	High growth with future potential	Relatively inexpensive stocks	Rising stocks
Metrics	ROE, ROCE, Standard Deviation	EPS, Operating Profit and Sales growth	P/E, P/B and Dividend Yield	Price performance of last 3 and 12 months

A decade of positive returns for Indian market

Over the past decade, median price returns were 11.27%, with dividends adding another 1.47%

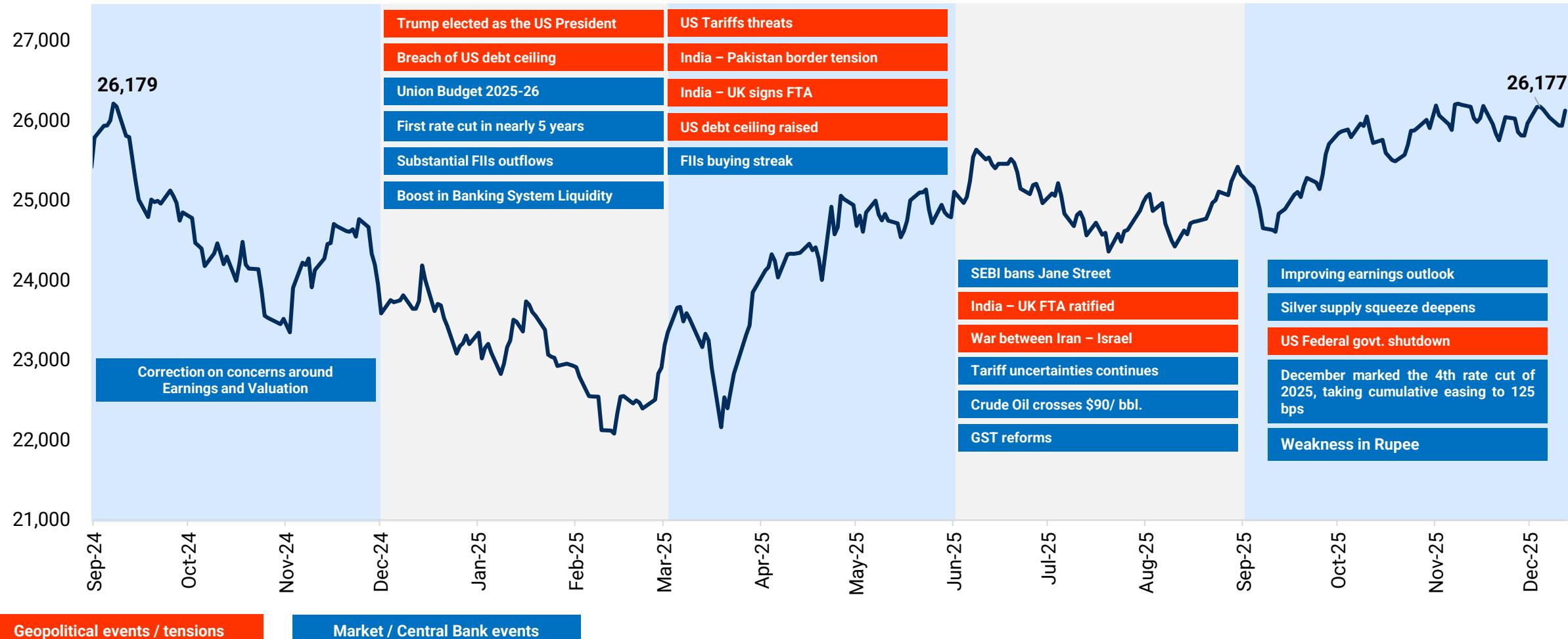
Nifty 50



Market at all time high despite a year full of uncertainties



SIP Return (XIRR) : 9.5% | Trailing Return (Absolute) : 3.4%



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Global equity markets at a glance

	Countries	Exchange Name	Index Level	Valuation (12-month forward)					Absolute Performance (%)			
				P/E	P/E 10yr Avg	P/B	P/B 10yr Avg	ROE	1 Month	3 Months	6 Months	1 Year
				(x)	(x)	(x)	(x)	(%)				
Developed Market	USA	S&P500	6,846	22.0	15.2	4.7	2.4	21.3	0.2%	1.9%	9.9%	16.6%
	USA	Nasdaq	23,242	27.4	18.5	5.4	2.4	19.8	-0.7%	1.7%	14.0%	20.5%
	Europe	STOXX 600	595	15.1	13.2	2.1	1.6	14.0	3.4%	4.8%	10.0%	16.5%
	UK	FTSE 100	9,987	13.3	12.5	2.1	1.7	16.0	2.9%	5.9%	13.8%	20.9%
	Germany	DAX	24,549	15.7	12.0	1.9	1.4	11.9	3.5%	0.5%	3.2%	22.6%
	France	CAC 40	8,175	15.3	12.5	1.9	1.3	12.2	1.2%	1.5%	5.6%	10.6%
	Japan	Topix	50,339	22.5	16.7	2.3	1.4	10.2	-0.3%	10.0%	26.4%	26.2%
	Australia	ASX 200	8,728	18.3	14.2	2.2	1.8	11.9	1.7%	-2.4%	1.5%	6.4%
	Singapore	STI Index	4,656	14.2	13.3	1.5	1.3	10.6	2.6%	5.9%	16.1%	22.5%
	Hong Kong	Hang Seng	26,338	11.3	10.8	1.2	1.2	11.0	0.9%	-3.5%	8.7%	34.2%
Emerging Market	India	Sensex	85,762	21.0	15.7	3.2	2.5	15.4	-0.6%	6.2%	1.9%	9.1%
	China	Shanghai Composite	3,969	13.8	11.2	1.3	1.5	9.6	1.7%	2.2%	14.3%	23.6%
	Brazil	Bovespa	1,61,125	9.1	11.5	1.3	1.4	14.0	0.0%	11.9%	15.9%	34.1%
	Korea	KOSPI	4,310	10.0	9.5	1.3	1.0	13.0	7.9%	21.4%	40.1%	79.6%
	Mexico	IPC	64,308	12.8	16.3	2.2	2.4	16.8	0.8%	3.4%	10.2%	29.2%
	Philippines	PCOMP	6,135	9.0	16.2	1.1	2.2	12.6	2.3%	1.6%	-4.4%	-6.3%
	Turkey	XU100	11,387	3.3	8.6	0.5	1.2	15.9	2.4%	2.7%	11.8%	14.3%
	Thailand	SET	1,260	13.0	-	1.2	-	9.1	-1.1%	-2.6%	12.5%	-9.0%
	Vietnam	VN30	2,031	12.5	11.0	2.1	1.8	16.8	2.8%	9.2%	36.4%	53.8%
	Indonesia	JCI	8,748	13.3	14.7	1.7	2.5	13.1	1.5%	8.4%	27.1%	22.1%

Source: IIFL Securities, Bloomberg estimates. Data as of 31st December, 2025. Performance in home currency. All foreign indices are price returns. Returns are in home currency.

Global equity markets at a glance

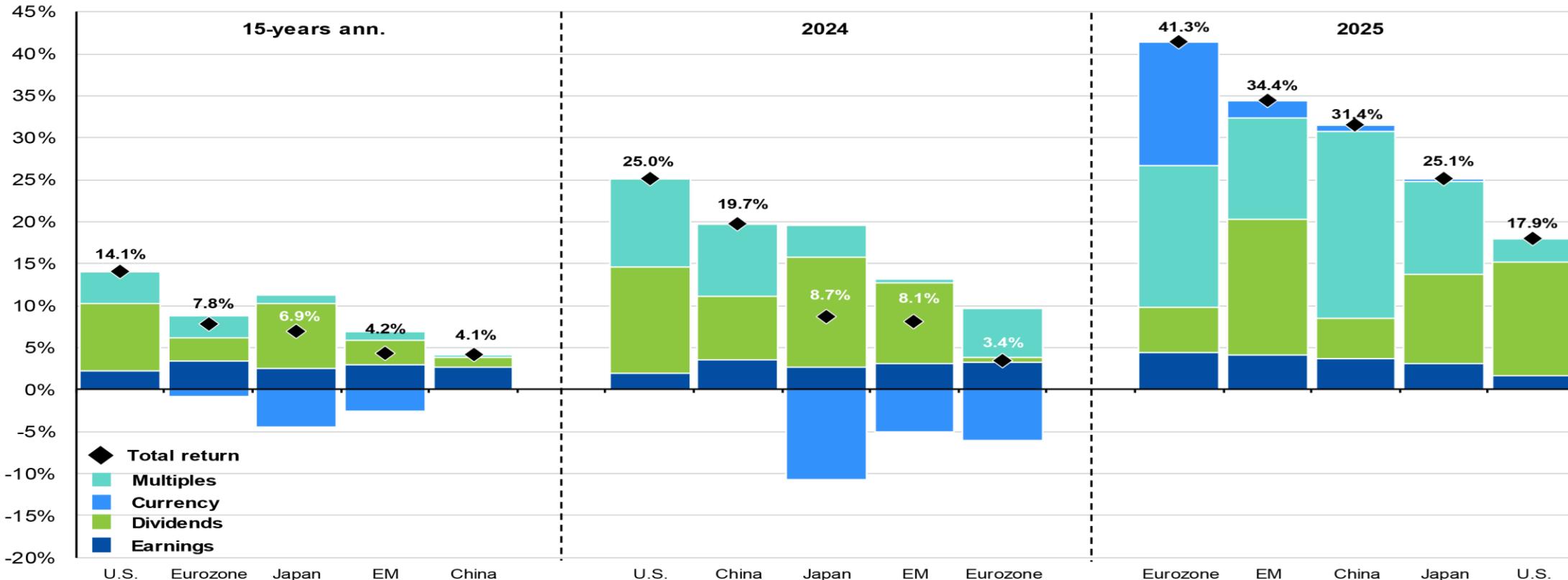
Countries	Exchange Name	CAGR Performance (%, in USD)											
		3Y	Rank	5Y	Rank	7Y	Rank	10Y	Rank	15Y	Rank	20Y	Rank
USA	S&P500	21.2%	4	12.7%	1	15.4%	2	11.8%	2	11.9%	2	8.9%	2
USA	Nasdaq	30.4%	1	12.5%	2	19.6%	1	15.7%	1	15.6%	1	12.5%	1
Europe	STOXX 600	15.1%	6	7.3%	9	8.7%	6	6.2%	7	4.3%	7	3.2%	13
UK	FTSE 100	14.0%	9	8.7%	7	6.5%	13	4.2%	13	2.5%	11	1.6%	18
Germany	DAX	24.5%	2	11.3%	3	13.2%	3	9.0%	5	7.9%	3	7.8%	4
France	CAC 40	11.3%	12	7.1%	10	8.5%	7	6.4%	6	4.3%	8	2.7%	15
Japan	Topix	14.7%	7	4.5%	13	7.0%	9	5.3%	10	4.7%	6	2.2%	17
Australia	ASX 200	6.6%	16	2.8%	15	5.6%	15	3.6%	14	1.2%	14	2.6%	16
Singapore	STI Index	14.1%	8	10.9%	4	7.0%	10	6.1%	8	2.5%	10	5.0%	7
Hong Kong	Hang Seng	9.1%	13	-1.3%	18	0.0%	18	1.5%	18	0.7%	17	2.7%	14
India	Sensex	8.8%	14	7.7%	8	9.0%	5	9.2%	4	5.0%	5	7.9%	3
China	Shanghai Composite	8.2%	15	1.3%	17	6.6%	12	2.4%	16	1.9%	12	7.1%	6
Brazil	Bovespa	12.3%	11	5.0%	12	3.8%	16	4.7%	12	-2.3%	19	3.6%	12
Korea	KOSPI	18.2%	5	2.1%	16	6.9%	11	5.7%	9	3.2%	9	3.9%	10
Mexico	IPC	12.8%	10	10.1%	6	7.7%	8	4.9%	11	0.9%	16	3.8%	11
Philippines	PCOMP	-4.4%	19	-7.1%	20	-4.5%	20	-2.9%	20	0.5%	18	4.9%	8
Turkey	XU100	-3.8%	18	5.7%	11	6.2%	14	1.7%	17	-3.2%	20	-0.6%	19
Thailand	SET	-5.9%	20	-3.7%	19	-2.5%	19	-0.7%	19	1.1%	15	4.3%	9
Vietnam	VN30	22.0%	3	10.7%	5	11.1%	4	10.8%	3	7.4%	4	-	-
Indonesia	JCI	5.4%	17	4.0%	14	2.8%	17	2.8%	15	1.5%	13	7.7%	5

What has driven global equity returns?

Much of this year's international outperformance has been driven by multiple expansion—valuation gains led more by sentiment and macro factors than by earnings growth

Sources of global equity returns*

Total return, USD



Indian equity markets at a glance



Market cap & Sector performance – Trailing period

	Segment	Absolute Performance (%)				CAGR (%)		
		1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Market-cap	Large-cap (NIFTY 50)	-0.28%	6.33%	2.92%	11.88%	14.31%	14.67%	14.02%
	Large-cap (NIFTY Next 50)	0.33%	2.33%	1.02%	2.90%	18.88%	17.29%	14.45%
	Large-cap (NIFTY 100)	-0.18%	5.66%	2.62%	10.24%	14.70%	14.90%	14.03%
	Midcap (NIFTY Midcap 150)	-0.53%	5.99%	1.65%	5.98%	24.00%	24.03%	18.31%
	Large & Midcap (NIFTY Large Midcap 250)	-0.36%	5.82%	2.13%	8.19%	19.41%	19.51%	16.29%
	Small-cap (NIFTY Smallcap 250)	-0.28%	0.04%	-5.89%	-5.48%	21.46%	23.30%	14.76%
	Multicap (NIFTY 500)	-0.26%	5.13%	1.54%	7.76%	16.69%	16.87%	14.76%
	Micro-cap (NIFTY Microcap250)	-2.46%	-1.43%	-6.54%	-9.55%	26.79%	31.80%	18.77%
Themes/Sector	Auto (NIFTY AUTO)	1.49%	6.23%	18.91%	24.59%	31.78%	26.28%	14.23%
	Banks (NIFTY Bank)	-0.29%	9.05%	4.29%	18.08%	12.42%	14.60%	14.10%
	Commodities (NIFTY Commodities)	3.31%	6.00%	7.13%	18.42%	17.95%	21.71%	16.67%
	Consumption (NIFTY India Consumption)	-1.47%	1.94%	4.24%	9.22%	18.71%	17.01%	14.30%
	Energy (NIFTY Energy)	-0.63%	1.10%	-2.63%	1.84%	12.29%	17.94%	17.50%
	Healthcare (NIFTY Healthcare)	-2.60%	3.55%	1.52%	-1.50%	23.08%	14.82%	9.11%
	Infrastructure (NIFTY Infrastructure)	-0.39%	6.88%	2.72%	14.64%	23.30%	22.65%	14.81%
	Information Technology (NIFTY IT)	1.28%	13.43%	-1.67%	-10.44%	12.05%	11.53%	15.25%
	Manufacturing (NIFTY India Manufacturing)	0.70%	4.38%	6.40%	12.28%	24.00%	22.49%	14.95%
	Oil & Gas (NIFTY Oil & Gas)	1.64%	8.54%	4.35%	15.25%	14.10%	18.94%	17.38%
	Pharma (NIFTY Pharma)	-1.19%	5.94%	3.49%	-2.25%	22.62%	12.79%	7.34%
	Realty (NIFTY Realty)	-2.79%	1.20%	-10.74%	-16.30%	27.07%	23.21%	18.16%
	Transportation (NIFTY Transportation & Logistics)	-1.14%	1.72%	11.53%	16.95%	29.52%	26.40%	15.65%

Source: NSE. Performance up to 1 year is absolute and above 1 year is CAGR. Data as of 31st December, 2025. The above indices are TR Indices.

Indian equity markets at a glance

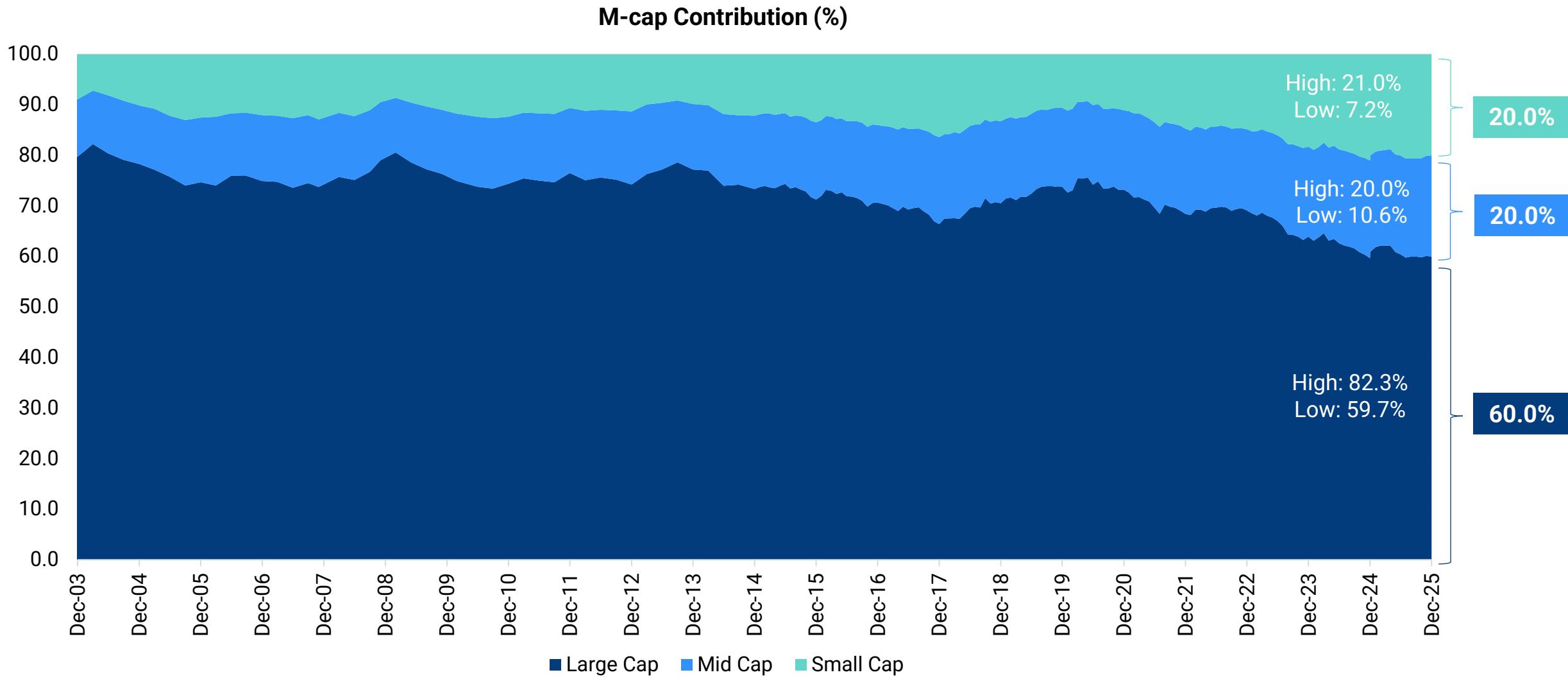


Factor performance – Trailing period

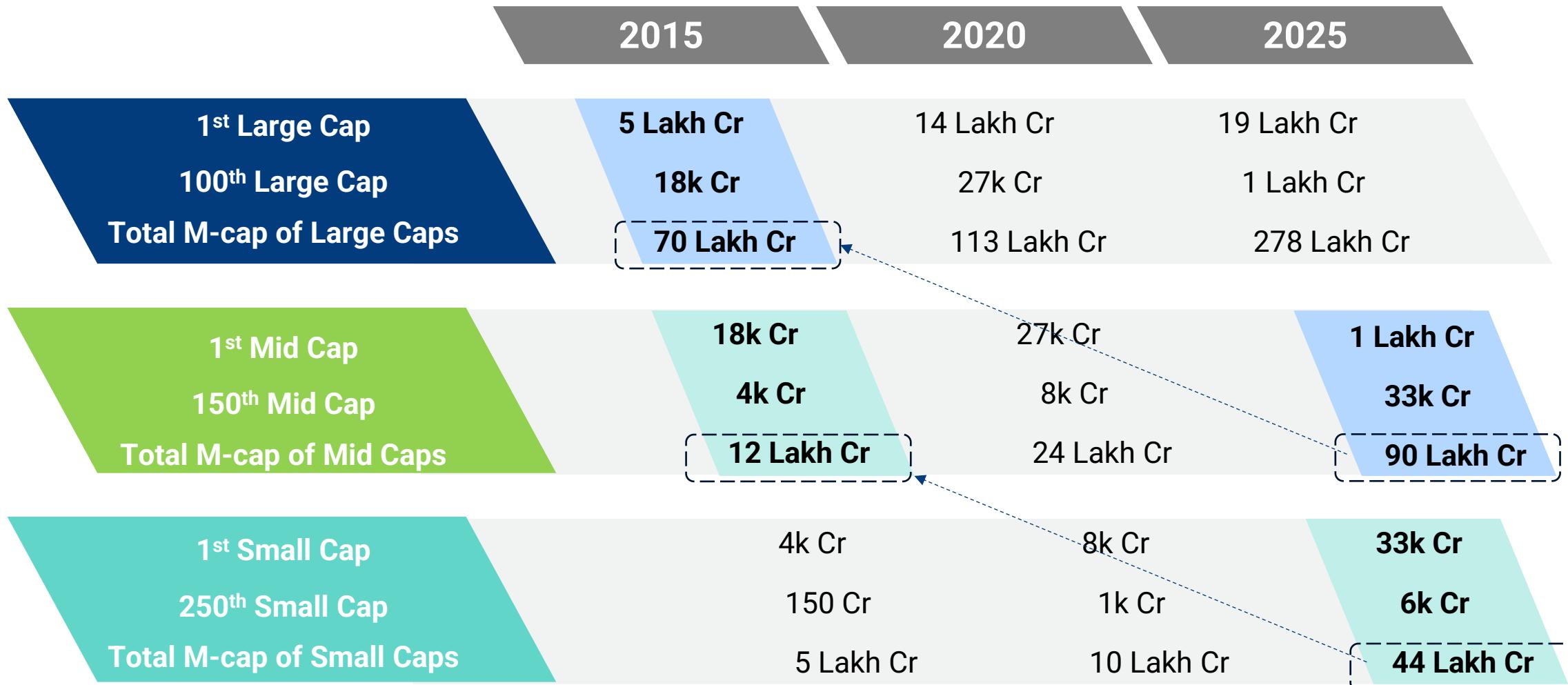
	Segment	Absolute Performance (%)				CAGR (%)		
		1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Single Factor	Value (NIFTY 50 Value 20 Index)	1.11%	6.77%	3.23%	0.94%	15.57%	16.60%	16.37%
	Quality (NIFTY 100 Quality 30 Index)	0.51%	5.45%	4.23%	7.28%	16.38%	13.81%	12.60%
	Low Vol (NIFTY 100 Low Vol 30 Index)	0.40%	6.20%	5.43%	11.45%	18.19%	15.91%	14.71%
	Alpha (NIFTY 100 Alpha 30)	-1.99%	0.35%	-2.87%	-1.21%	14.08%	15.67%	16.33%
	Alpha (NIFTY 200 Alpha30)	-3.55%	3.83%	-3.41%	-4.75%	24.13%	22.20%	19.86%
	Momentum (NIFTY 200 Momentum30)	-3.11%	4.38%	-2.13%	-4.57%	17.93%	18.99%	18.28%
	Quality (NIFTY 200 Quality30)	0.37%	5.55%	2.61%	4.68%	16.39%	13.72%	13.76%
	Value (NIFTY 200 Value30)	4.23%	11.02%	11.47%	20.30%	33.90%	34.79%	19.17%
	Momentum (NIFTY Midcap150 Momentum50)	-2.64%	5.50%	-3.01%	-3.46%	24.85%	28.34%	21.73%
	Quality (NIFTY Midcap150 Quality50)	-0.98%	2.13%	-3.71%	-0.56%	15.43%	14.09%	14.94%
	Quality (NIFTY Smallcap250 Quality50)	-1.21%	-0.96%	-8.70%	-11.48%	19.72%	23.42%	16.65%
	Momentum (NIFTY500 Momentum 50)	-3.78%	4.24%	-4.60%	-7.61%	20.16%	23.45%	18.90%
	Value (NIFTY500 Value 50)	3.71%	7.70%	9.02%	16.93%	31.70%	34.48%	18.77%
Multi-Factor	Alpha Low Vol (NIFTY Alpha Low Vol 30)	0.25%	4.46%	0.12%	0.33%	17.99%	15.82%	15.32%
	Quality Low Vol (NIFTY Quality Low Vol 30)	-0.34%	4.20%	3.25%	6.19%	14.07%	12.85%	12.13%
	Momentum Quality (NIFTY500 Multicap Momentum Quality 50)	-3.17%	1.84%	-5.97%	-7.79%	20.90%	19.67%	17.62%
	Momentum Quality (NIFTY MidSmallcap 400 Momentum Quality 100)	-3.38%	1.94%	-6.92%	-6.80%	20.55%	21.20%	17.92%
	Momentum Quality (NIFTY Smallcap 250 Momentum Quality 100)	-1.45%	-0.95%	-8.96%	-11.56%	17.35%	21.19%	17.17%

Source: NSE. Performance up to 1 year is absolute and above 1 year is CAGR. Data as of 31st December, 2025. The above indices are TR Indices.

Trends in % share to total M-cap

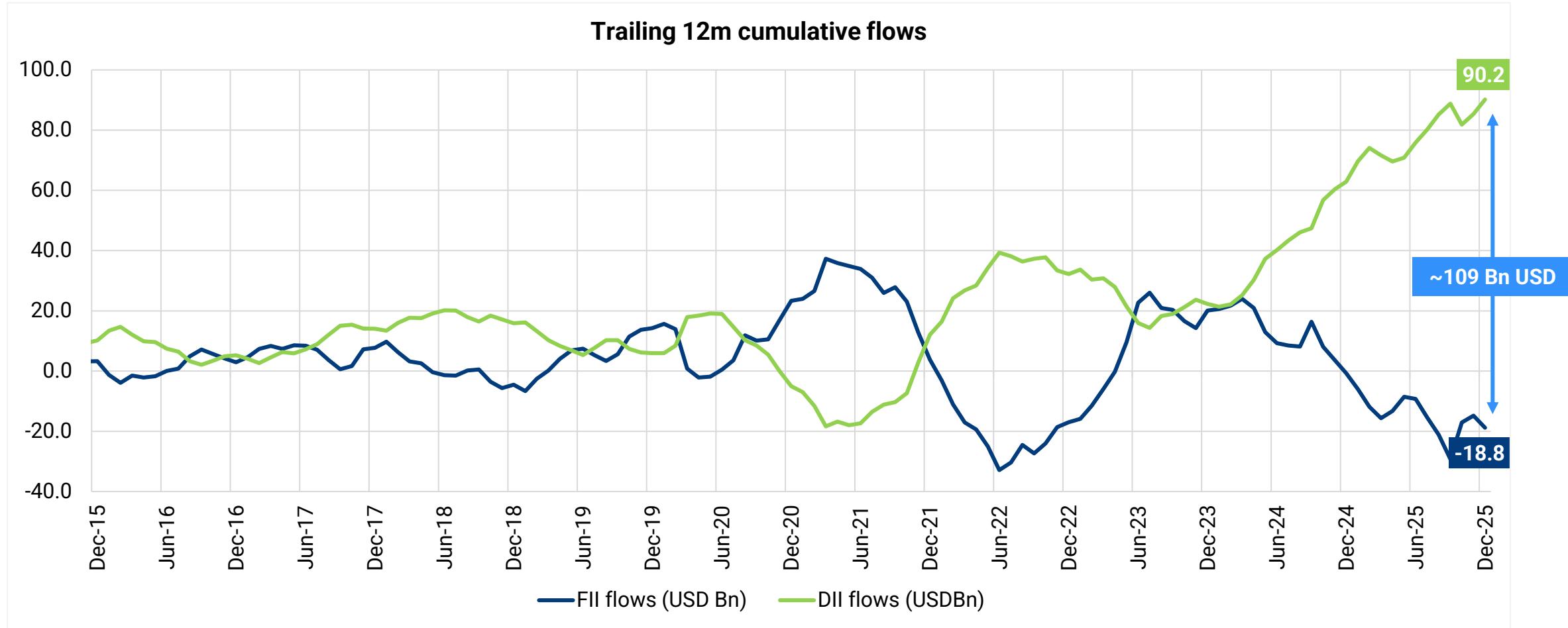


How does the investible universe keep changing?



Small cap Bucket in 2025 is ~4x of Midcap Bucket in 2015 & Midcap bucket in 2025 is 1.3x of Large cap bucket in 2015

Tug of war between FIIs & DIIs has been the story of Indian markets



Equity flows

FPI Flows
 (USD Mn)

Months	India	Brazil	Indonesia	Malaysia	Philippines	S.Korea	Taiwan	Thailand	Vietnam
FYTD*	(5,254)	3,067	767	(2,920)	(674)	824	10,489	(2,039)	(3,748)
Apr	1,271	25	(1,233)	(417)	(54)	(6,955)	(170)	(432)	(512)
May	1,738	1,873	337	237	(259)	887	7,567	(488)	18
Jun	2,373	970	(511)	(305)	(72)	2,009	4,963	(244)	(44)
Jul	(2,852)	(1,141)	(511)	(221)	(29)	4,517	8,274	499	298
Aug	(4,314)	221	676	(813)	(74)	(1,060)	(2,246)	(670)	(1,543)
Sept	(2,132)	994	(235)	19	46	5,105	7,335	(373)	(937)
Oct	1,255	(228)	782	(647)	(100)	4,207	(2,588)	(136)	(842)
Nov	40	408	730	(271)	78	(9,735)	(11,047)	(386)	(266)
Dec	(2,633)	(55)	732	(502)	(210)	1,849	(1,599)	191	80

FPI & DII Flows in India
 (USD Mn)

Months	FPI (India)	DIs (India)
FYTD*	(5,254)	68,439
Apr	1,271	3,286
May	1,738	7,924
Jun	2,373	8,463
Jul	(2,852)	7,048
Aug	(4,314)	10,822
Sept	(2,132)	7,396
Oct	1,255	5,972
Nov	40	8,675
Dec	(2,633)	8,853

- * Dec-25 marked an outflow from the Indian market after two months of inflows
- * Outflows remained a consistent trend for Malaysia, and Taiwan, while Indonesia, Thailand and Vietnam witnessed modest inflow
- * DIIs continued to maintain their leadership in market flows, with Dec-25 seeing the highest inflows in the last 4 months

Trends in the Commodity market

	Current Rate	1M	3M	6M	1Y
Gold (USD/oz)	4,319	1.9%	11.9%	30.8%	64.6%
Silver (USD/oz)	72	26.8%	53.6%	98.5%	148.0%
Brent Crude (USD/bbl)	62	-3.0%	-8.0%	-8.1%	-15.7%
Aluminium (USD/ton)	2,968	4.4%	10.8%	14.3%	17.5%
Copper (USD/ton)	12,453	10.9%	21.8%	23.9%	43.9%
Lead (USD/ton)	1,968	1.5%	1.1%	-2.5%	2.2%
Zinc (USD/ton)	3,082	-6.0%	2.2%	12.4%	4.3%

Key Highlights

- * **Silver rally** has been **supported** by a fundamental **supply shortfall** and growing industrial demand. The metal is now entering its **5th consecutive year of deficit**, resulting in a tighter market
- * **Crude oil prices have trended lower over the past year**, influenced by geopolitical tensions
- * **Copper** has gained traction as the copper market in 2025 was characterized by **tightening supply** while having **robust demand**

Trends in the Forex market

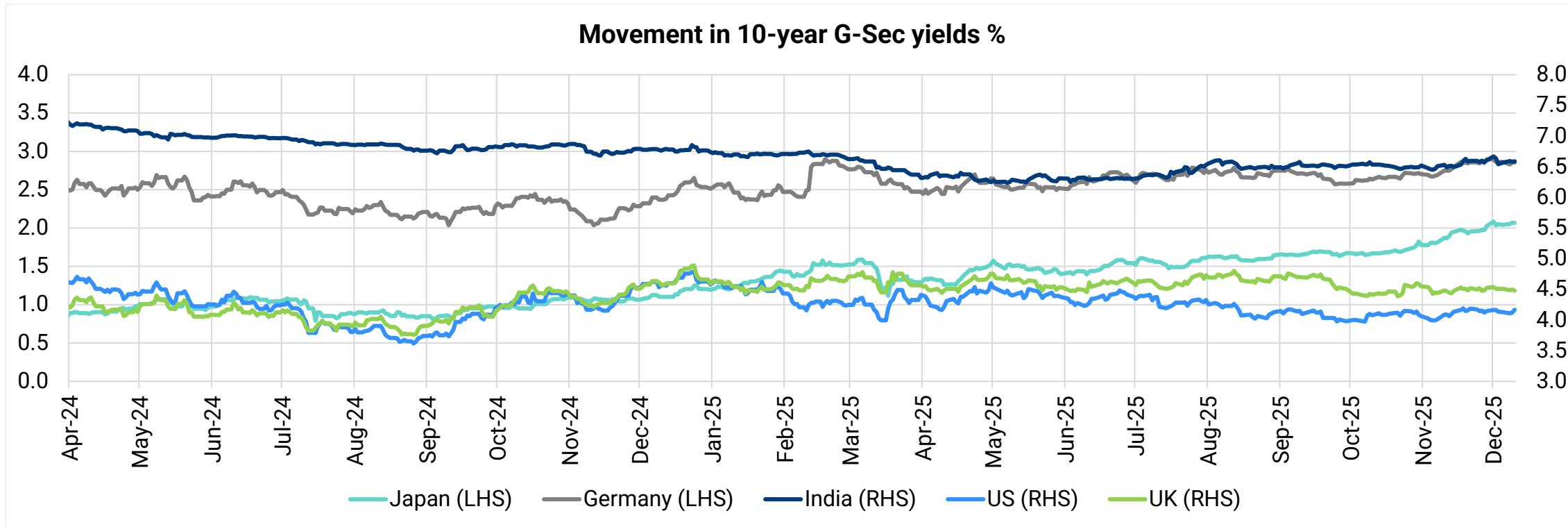
Performance of currencies against the USD

	1M	3M	6M	1Y	Currency Rate
INR	-0.11%	-0.86%	-4.23%	-4.40%	89.56 (USDINR)
Euro	0.10%	-1.06%	-1.50%	12.13%	0.86 (USDEURO)
GBP	-0.17%	-1.73%	-3.78%	5.57%	0.76 (USDGBP)
JPY	0.46%	-4.86%	-7.35%	1.12%	155.46 (USDJPY)
CNY	0.03%	0.71%	1.30%	3.21%	7.07 (USDCNY)
DXY	-0.05%	1.68%	2.62%	-8.36%	99.41
CAD	-0.15%	-0.56%	-2.79%	2.76%	1.40 (USDCAD)
AUD	-0.09%	-1.04%	-0.56%	5.75%	1.53 (USDAUD)
CHF	-0.09%	-1.02%	-1.44%	12.77%	0.80 (USDCHF)

Key Highlights

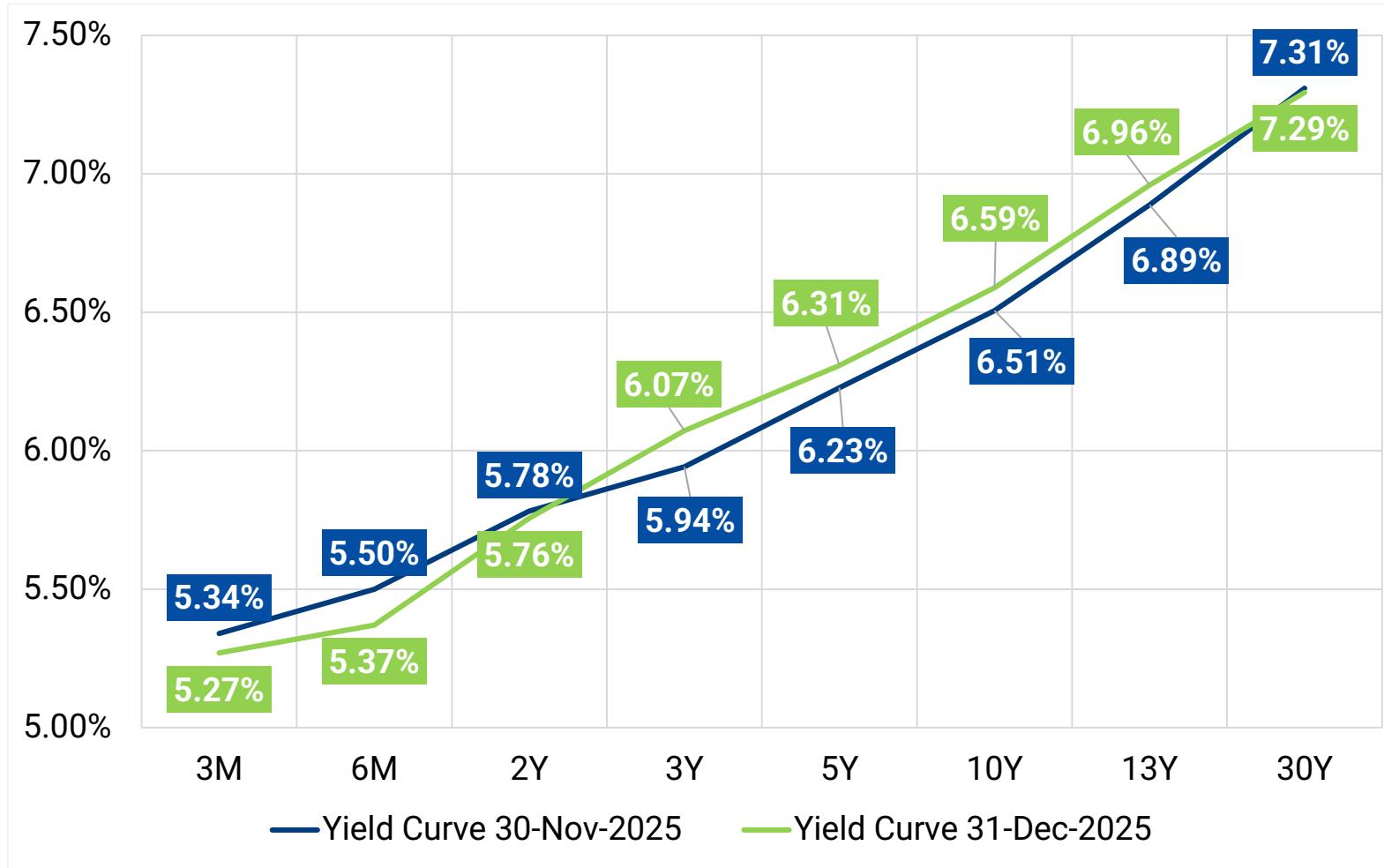
- * The **INR** has **weakened** across periods in the last 1 year
- * The **Dollar Index** continued to slip in **Dec-25** as well, after a brief uptick in Oct-25
- * **Japanese Yen** appreciated the most in Dec-25

Tracking the 10-year G-sec yields



	India	US	Japan	UK	Germany
Current YTM	6.59%	4.17%	2.07%	4.48%	2.86%
M-o-M (bps)	8.20	15.38	25.40	3.90	16.60
Q-o-Q (bps)	1.10	1.67	41.80	(22.00)	14.40
Y-o-Y (bps)	(17.20)	(40.20)	96.50	(8.90)	48.80

Tracking India's yield curve



Key Highlights

- * Short tenor yields softened while mid-long-end yields remained stable to marginally higher
- * Despite the rate cut and OMO bond purchase news, sentiment in bond market continues to remain fragile, largely driven by factors like weakening rupee, demand-supply mismatch in bonds, and FPI net outflows

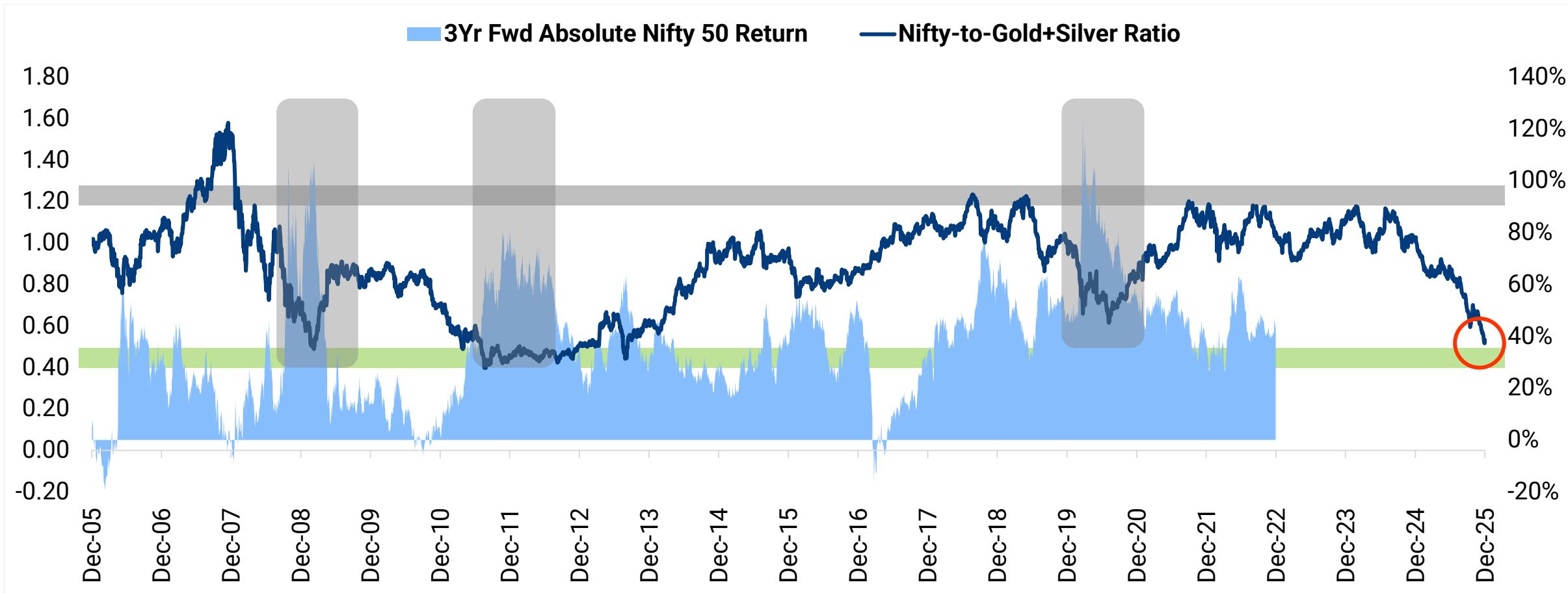
Asset class returns

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	CYTD*	
8.66%	19.57%	41.29%	7.91%	31.49%	44.40%	31.60%	13.90%	26.91%	25.02%	167.27%	Silver (Domestic Price)
8.63%	14.97%	37.65%	6.65%	23.79%	27.97%	28.71%	9.74%	26.29%	22.93%	74.73%	Gold (Domestic Price)
7.39%	12.94%	21.83%	6.03%	21.75%	18.40%	4.38%	4.25%	15.37%	20.61%	32.51%	China Equity
1.38%	11.96%	6.05%	5.91%	13.04%	17.89%	3.44%	3.59%	7.82%	17.57%	17.88%	US Equity
0.22%	11.35%	5.11%	-0.21%	10.72%	12.29%	1.35%	2.51%	7.73%	16.24%	7.76%	ST Bonds
-3.92%	9.85%	4.71%	-2.14%	10.46%	10.42%	-4.21%	0.46%	7.29%	9.57%	7.76%	India Equity
-6.65%	5.12%	-0.05%	-4.38%	9.53%	9.26%	-8.20%	-12.55%	7.26%	8.95%	6.82%	Corporate Bond
-9.68%	4.30%	-2.76%	-10.54%	8.97%	-0.29%	-11.83%	-18.11%	-10.46%	7.96%	6.37%	G-Secs

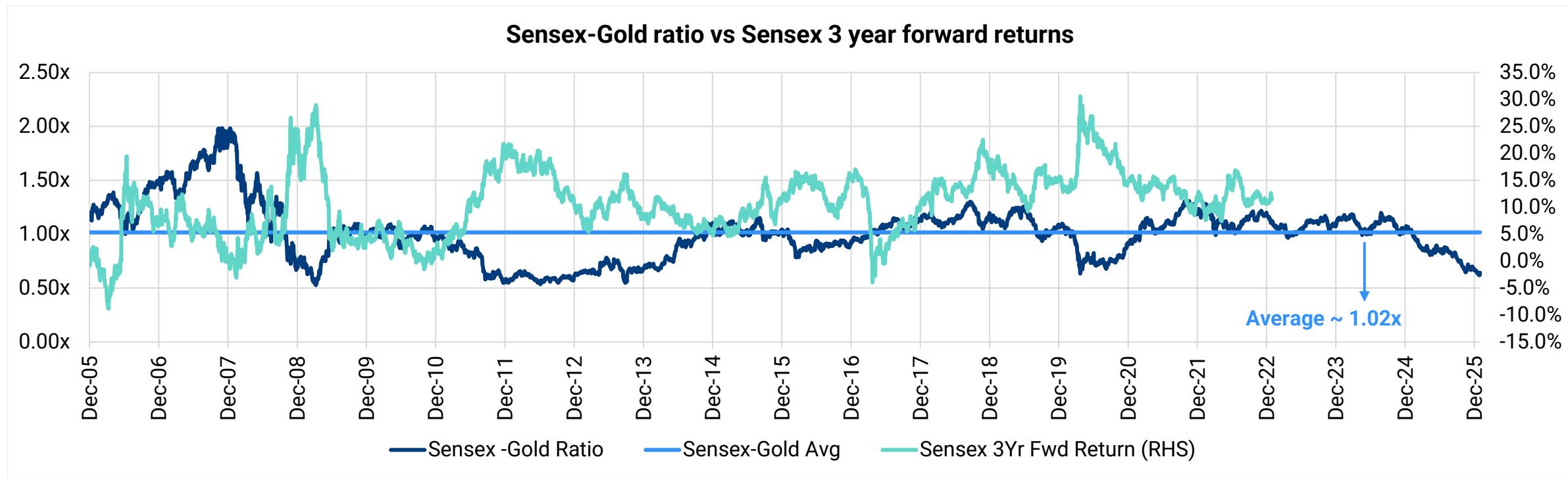
Note: ST Bonds: CRISIL Short Term Bond Index, G-Sec: CRISIL 10 Year Gilt Index, India Equity: NSE 500 TRI, China Equity: Hang Seng TRI, US Equity: S&P 500 TRI, Gold: Domestic Gold Prices, Silver: Domestic Silver Prices, Corporate Bond: CRISIL Composite Bond Index

What looks attractive – Equities or precious metals?

The Nifty-to-Gold+Silver ratio is nearing its long-term support, a level that in the past has often marked a shift in relative performance between equities and precious metals



Gold vs Equity: The relative valuation game

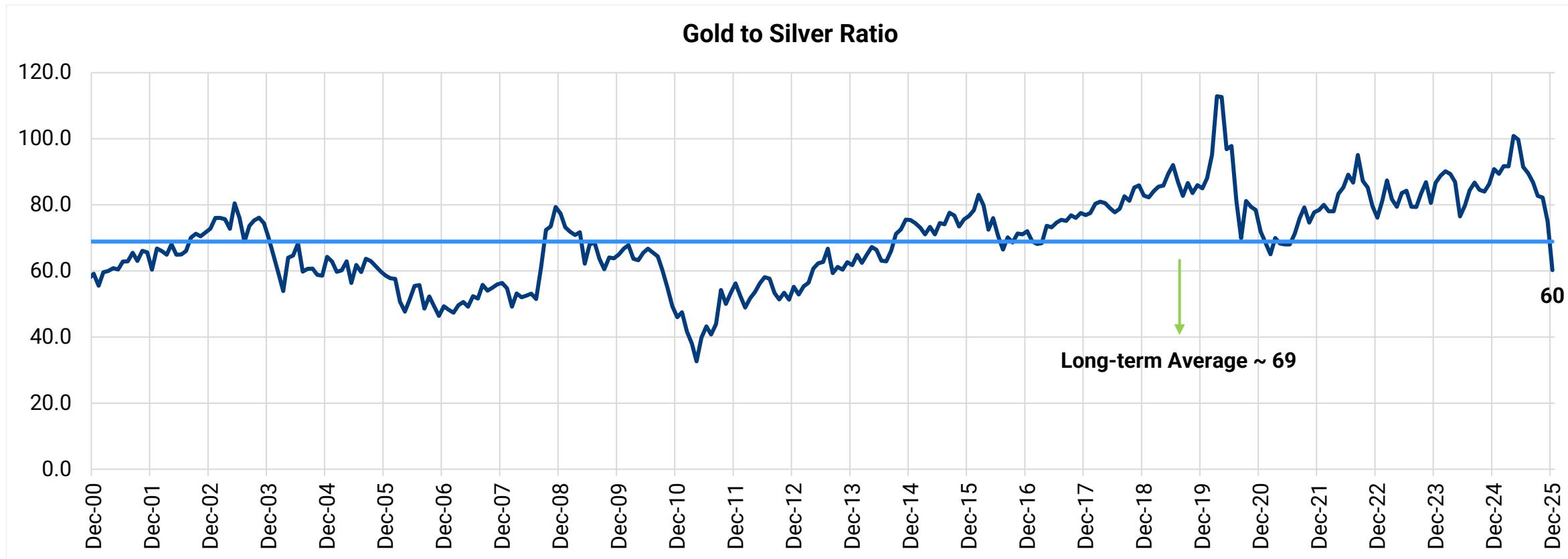


Sensex-Gold Ratio	Equity 3Y Forward Returns			Gold 3Y Forward Returns		
	Average	Min	Max	Average	Min	Max
> 1.40	4.95%	-3.10%	11.98%	24.38%	18.45%	30.12%
1.20 to 1.40	8.07%	-8.82%	23.97%	20.12%	12.13%	36.55%
1 to 1.20	9.78%	-3.96%	22.53%	16.11%	1.89%	37.38%
0.80 to 1	9.86%	-0.28%	23.30%	10.34%	-1.83%	34.90%
< 0.80	15.62%	5.44%	30.64%	3.43%	-7.93%	35.01%

* The current ratio is **0.64x**, below the long-term average of 1.02x, indicating that **equity is now undervalued compared to gold** based on historical trends

* The chart shows that when the **ratio is low**, equities tend to stage a **comeback**

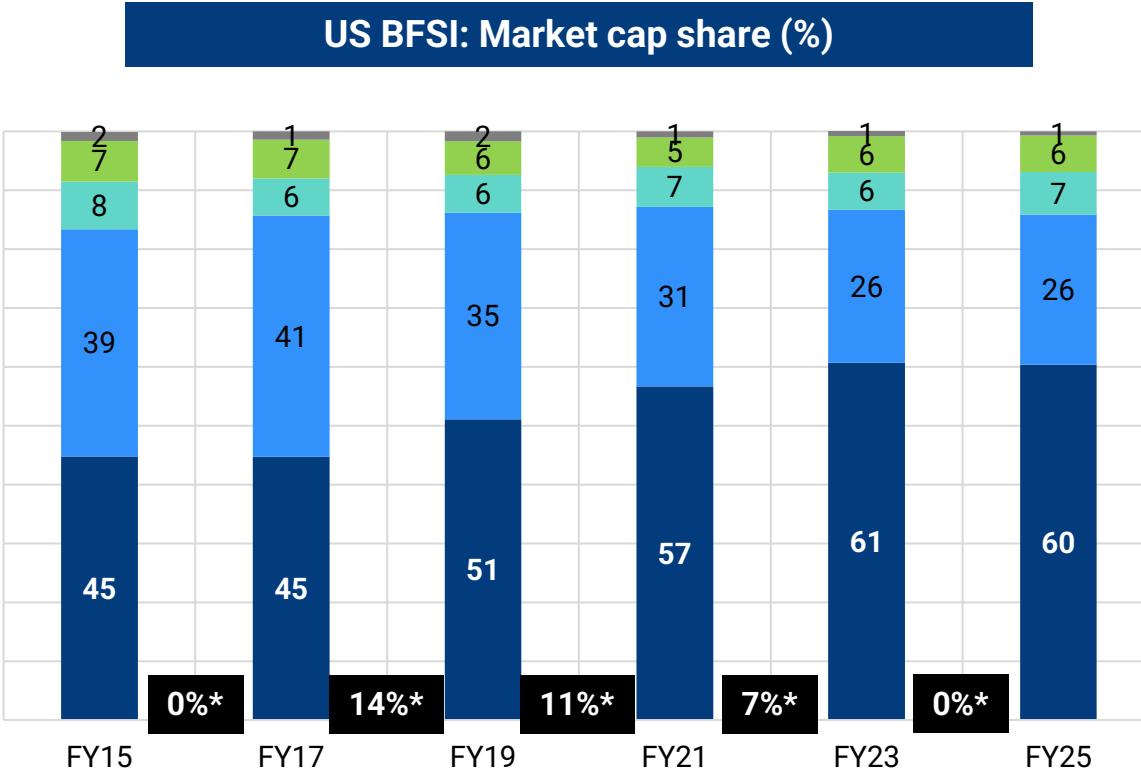
Gold vs Silver: The relative valuation game



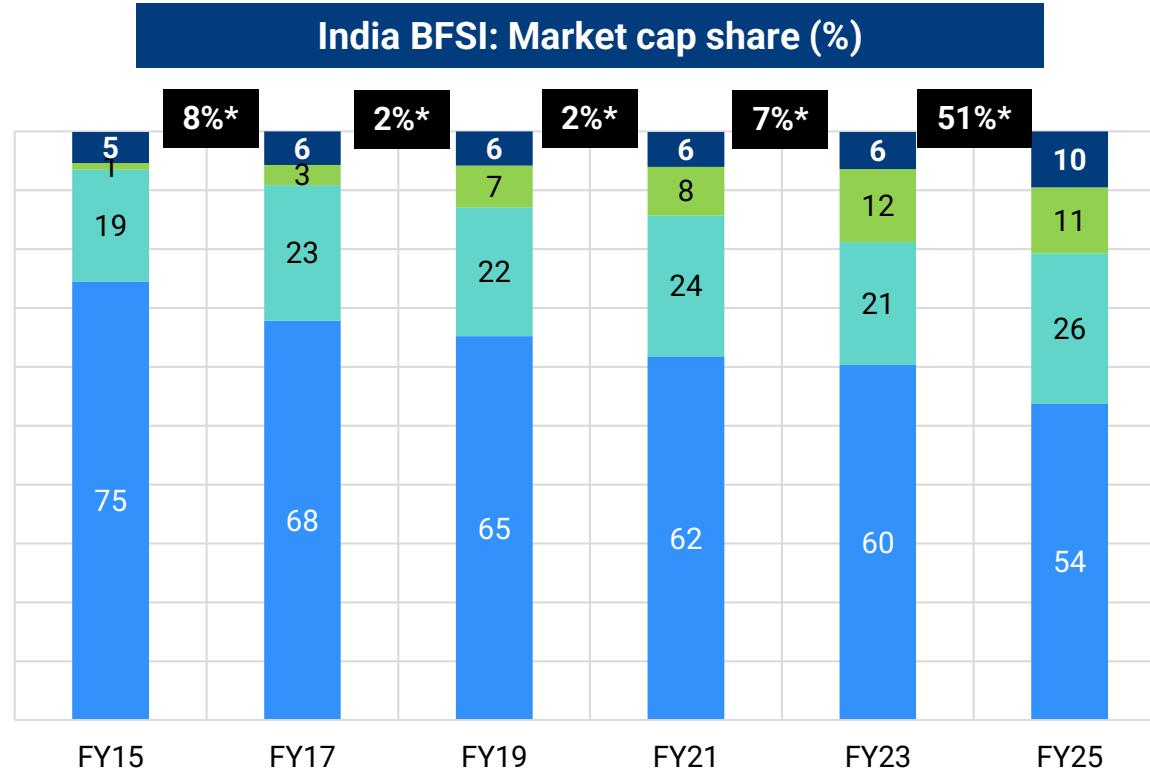
- * A sharp rise in silver prices in CY2025 has pulled the **Gold–Silver ratio down to ~60, significantly below its historical average**
- * Silver outperformed Gold across all periods in the last 1 year, when the ratio was high

Investment opportunity set expanding

India has witnessed a fast-paced transition of value within Financial services –
from banks to capital markets in the last decade



■ Capital markets and others ■ Banks ■ Financial Services ■ Insurance ■ REITs



■ Banks ■ Financial Services ■ Insurance ■ Capital markets

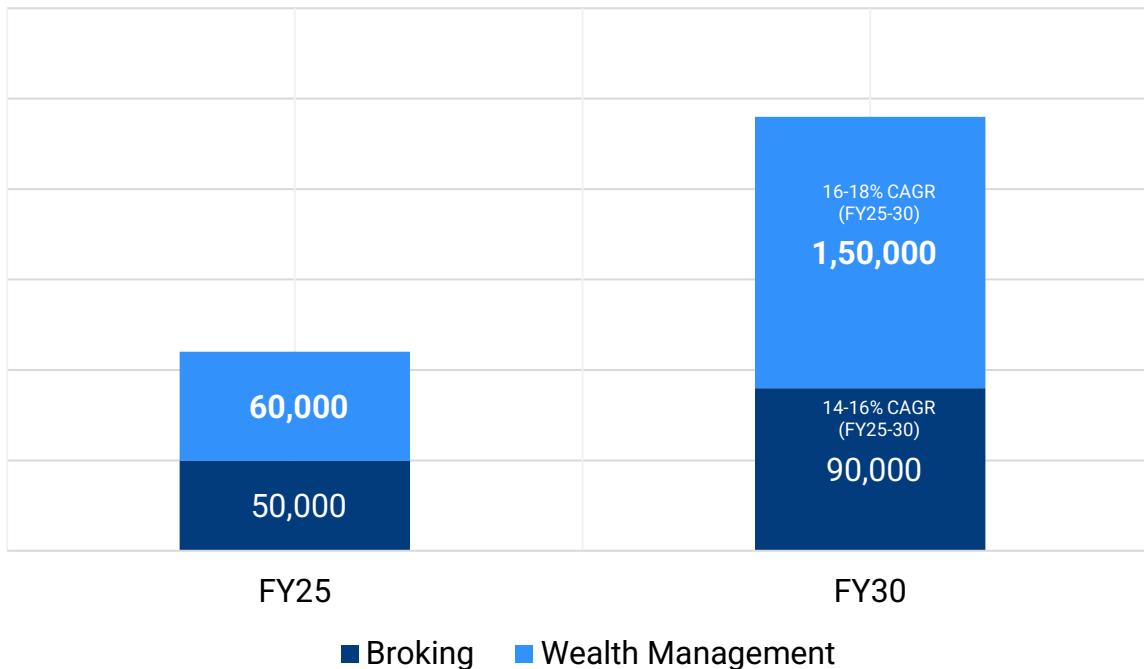
Note: *Figures indicate absolute growth in the Market cap share of capital market segment only

India's wealth management story has only begun

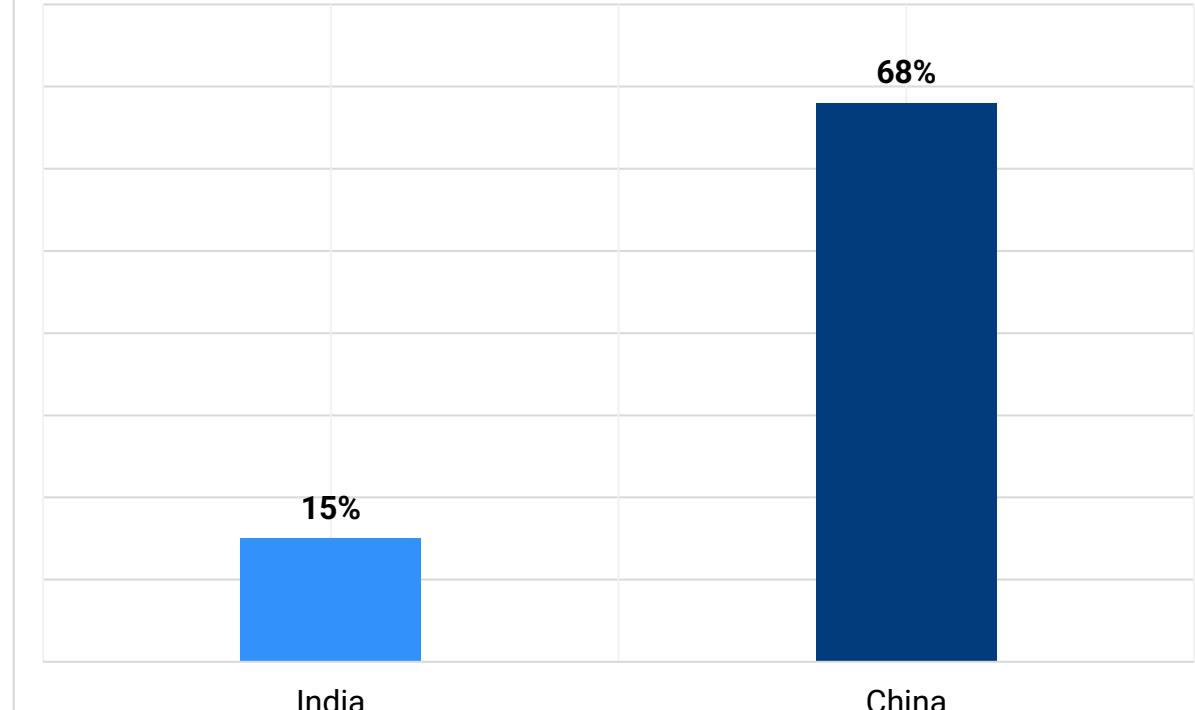


India's investment & wealth management market is poised to double by FY30, growing at 15–17% annually driven by rising investor participation and higher per-user revenues

Revenue pool for Investment & Wealth Management (INR Cr)

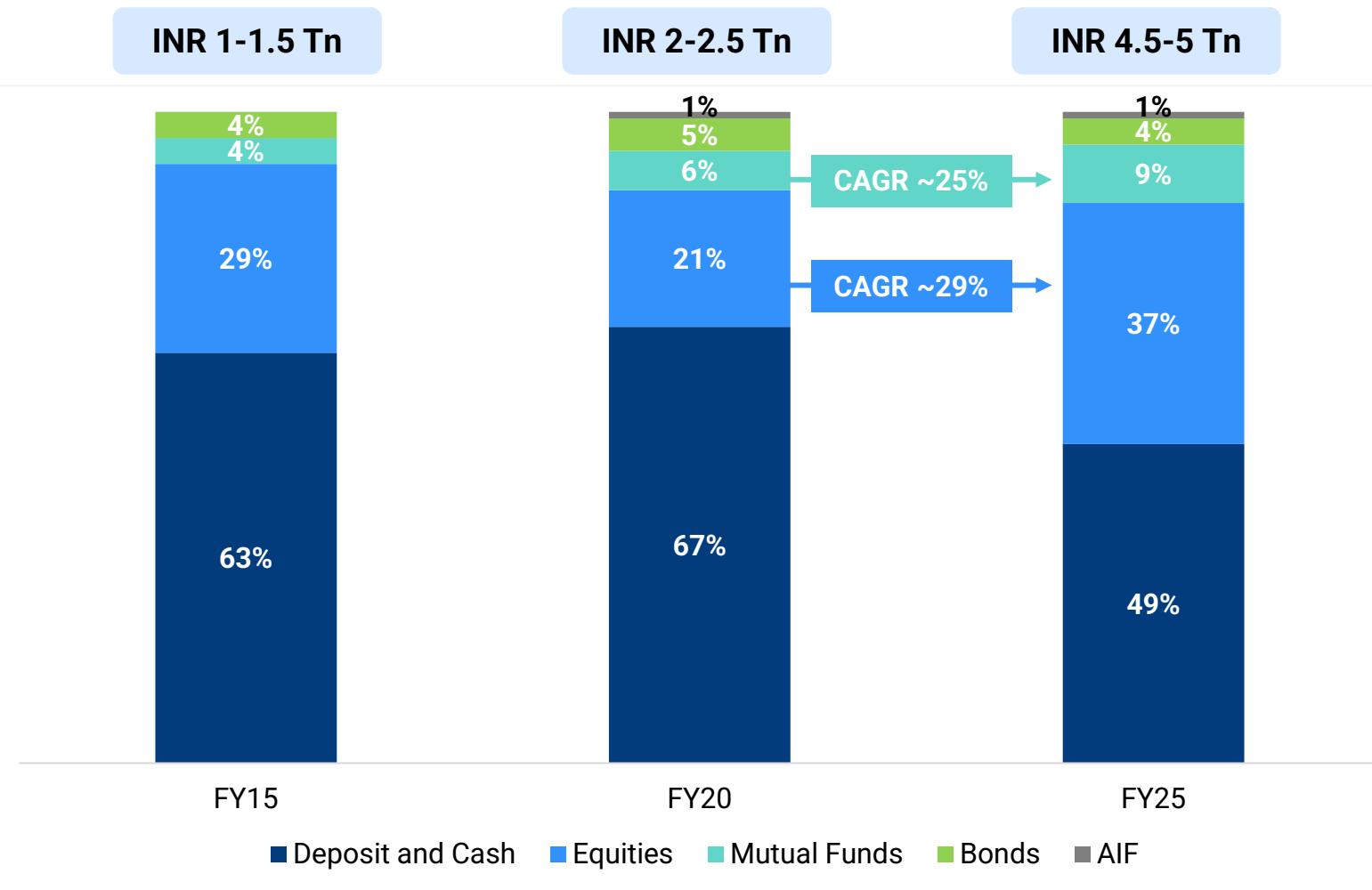


Wealth under professional advice (%)



India's evolving financial behavior

AUM split by asset classes



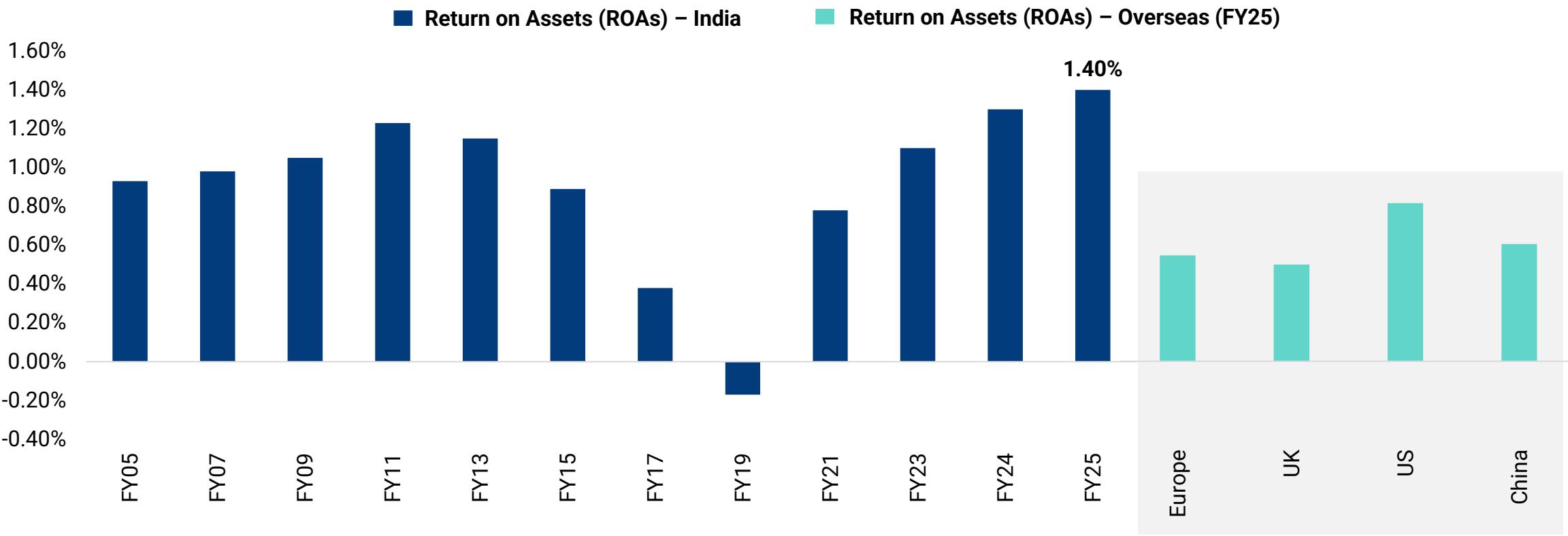
Key Highlights

- * Low real deposit returns and improved access are pushing households toward mutual funds and equities
- * **MF AUM has surged 6x over the past decade**, reflecting deeper and broader investor participation.
- * **India's market cap has jumped 4x since FY20**, powered by strong earnings, a vibrant IPO cycle, and rising investor confidence

Strong profitability places Indian banks ahead of advanced economy peers



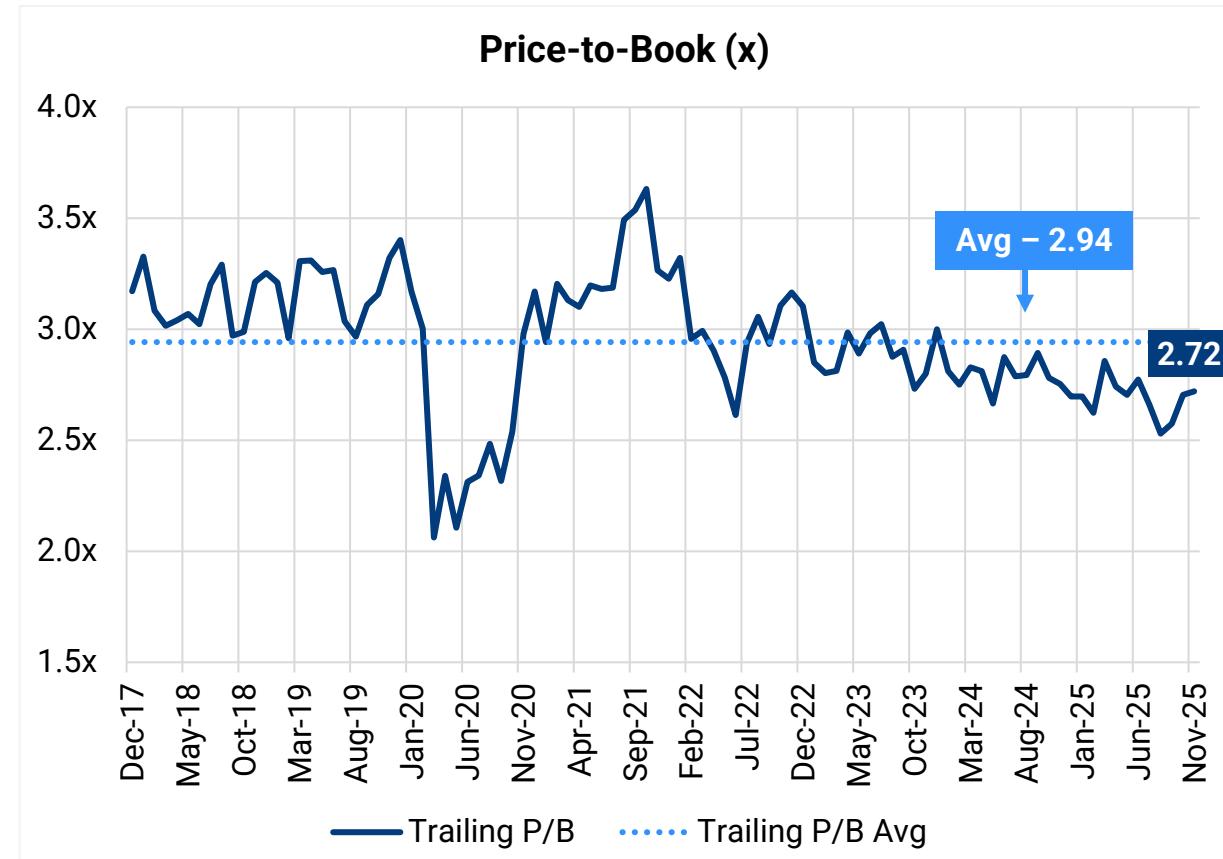
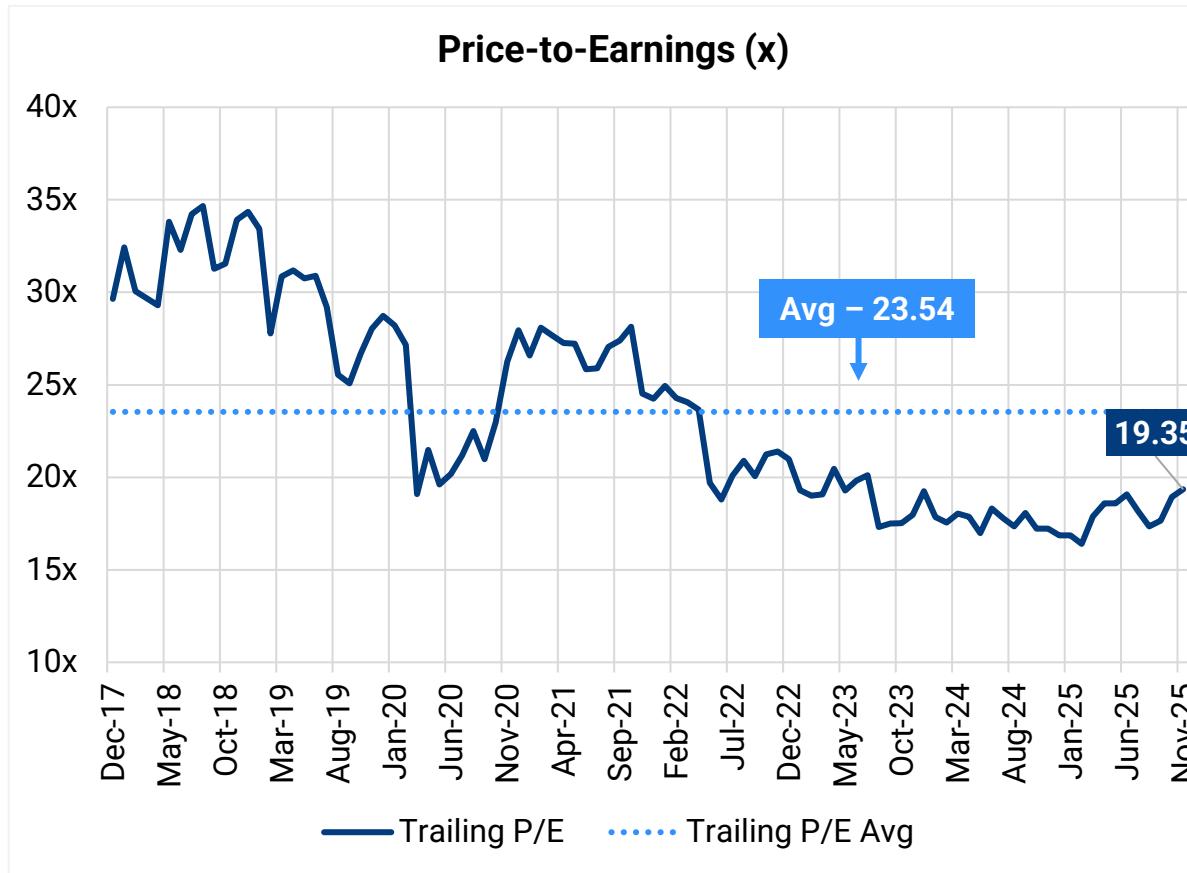
Backed by strong Capital Adequacy Ratio, low NPAs, and robust profitability, Indian banks are well-positioned to scale up and emerge as global leaders



Valuations making financial services attractive



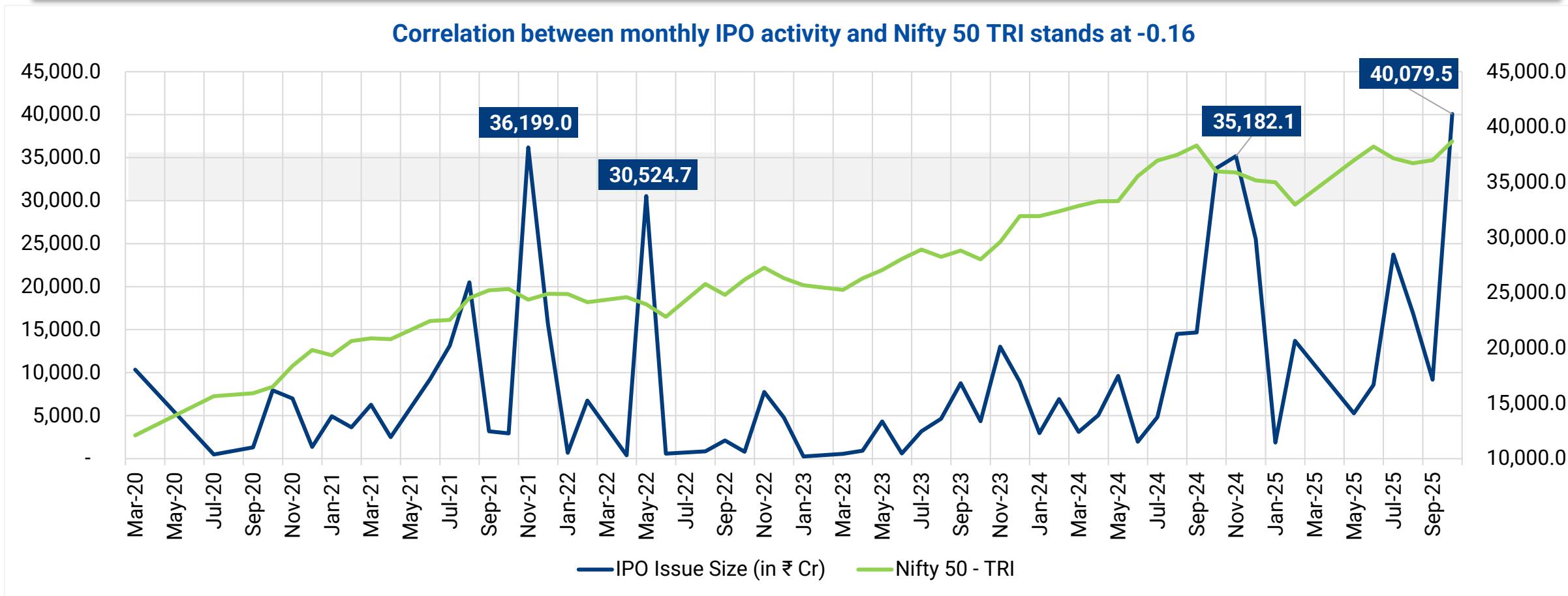
Valuations are currently below their long-term averages, offering a relatively attractive entry point



Tracking market trends around IPO activity



Monthly IPO mobilization above ~₹30,000 crore has historically triggered short-term market pullbacks due to liquidity diversion from secondary to primary market, but have rebounded in long term



Trends | **Economy** | Markets | Performance | Outlook

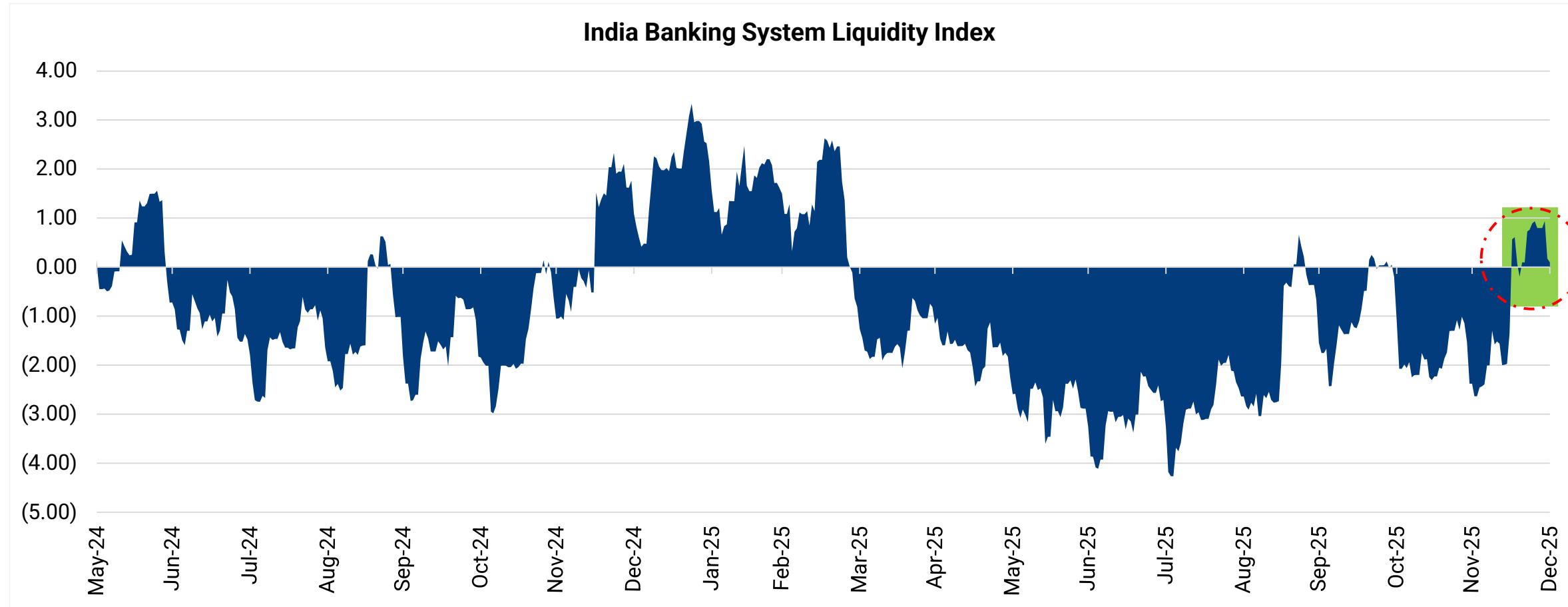


Key macro indicators

Indicator	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
CPI Inflation (YoY %)	5.2	4.3	3.6	3.3	3.2	2.8	2.1	1.6	2.1	1.5	0.3	0.7
Crude Indian Basket (\$)	73.3	80.2	77.3	72.5	67.7	64.0	69.8	71.0	69.1	69.6	65.1	64.3
GST Collection (lkh Crs.)	1.8	2.0	1.8	2.0	2.4	2.0	1.9	2.0	1.9	1.9	2.0	1.7
FX Reserve (\$ bn)	640	631	639	665	688	691	703	698	694	700	690	686
Trade Balance (\$Bn)	-22.0	-23.1	-14.1	-21.5	-26.4	-21.9	-18.8	-27.4	-26.5	-32.1	-41.7	-24.6
Bank Credit %	11.2	11.4	11.0	11.0	10.3	9.0	9.5	10.0	10.0	10.4	11.3	11.5
Bank Deposit %	9.8	10.3	10.3	10.3	10.2	9.9	10.1	10.2	10.2	9.5	9.7	10.2
Manufacturing PMI	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6
Services PMI	59.3	56.5	59.0	58.5	58.7	58.8	60.4	60.5	62.9	60.9	58.9	59.8

Banking system liquidity in surplus

India's banking system liquidity turned deficit in Dec-25, primarily driven by driven by advance tax outflows, sustained currency leakage and year-end balance sheet adjustments

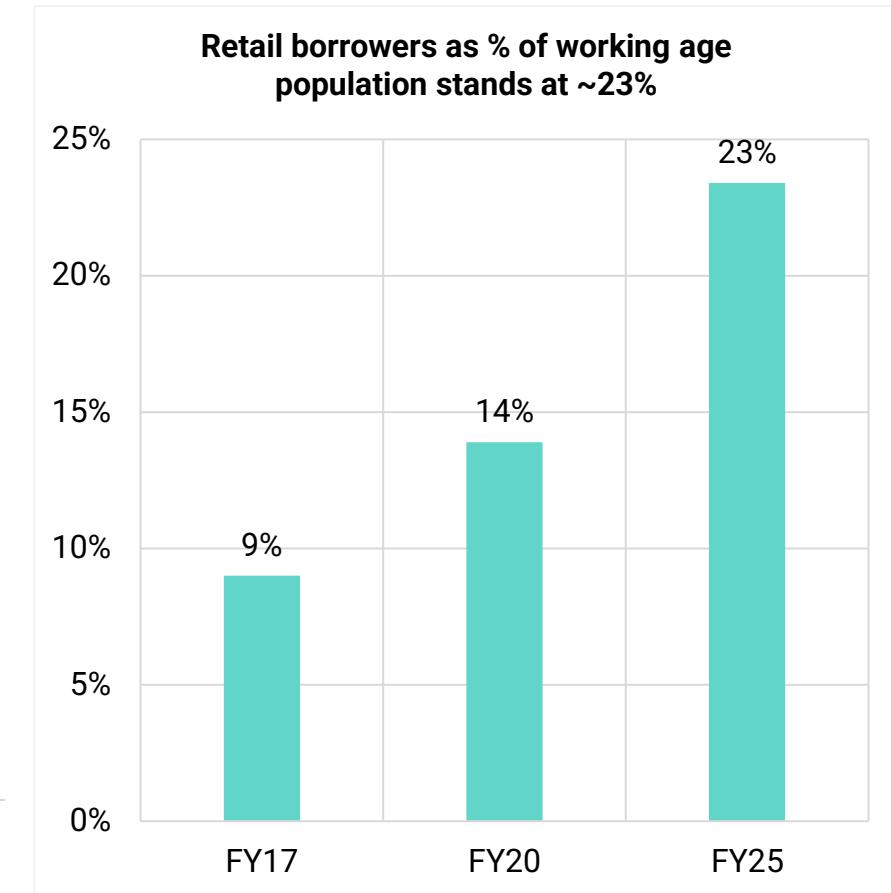
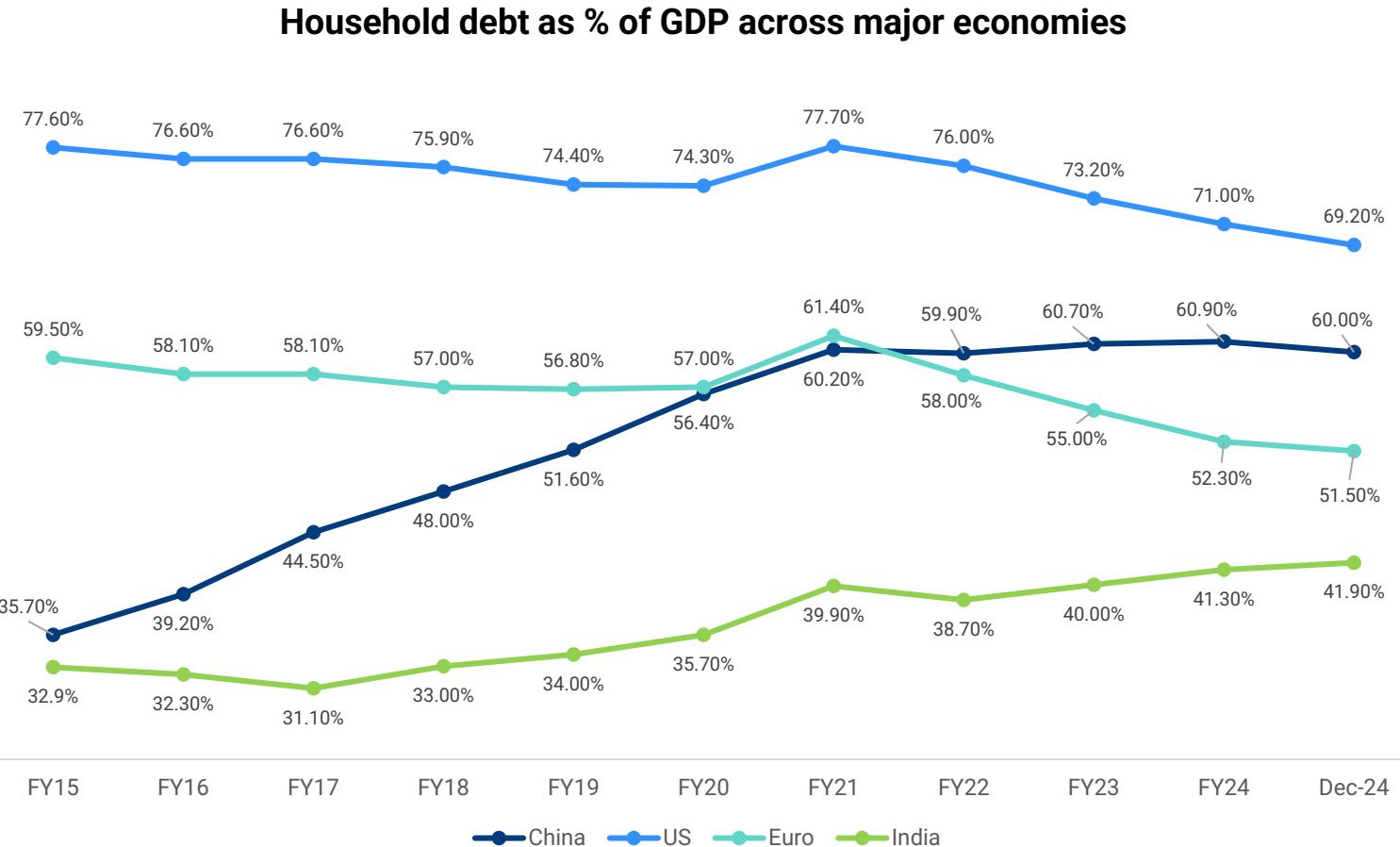


Compared to a month ago, yield have hardened across the curve driven by rupee depreciation pressures, elevated government borrowing and persistent global uncertainty

Broad Indices	02-Jan-2026	Week Ago	Month Ago	6M Ago	Year Ago
1 Year AAA Corporate Bond	7.01	6.97	6.94	6.70	7.61
3 Year AAA Corporate Bond	7.04	7.04	6.79	6.87	7.58
5 Year AAA Corporate Bond	7.14	7.15	6.97	6.96	7.47
10 Year AAA Corporate Bond	7.32	7.27	7.20	7.08	7.26
1 Year G-Sec	5.67	-	5.54	5.58	6.67
3 Year G-Sec	6.08	6.07	5.58	5.84	6.72
5 Year G-Sec	6.34	6.34	6.21	6.08	6.72
10 Year G-Sec	6.61	6.57	6.52	6.29	6.79

India's untapped retail lending opportunity

India's low household debt-to-GDP and modest retail borrower base offer ample room for retail loan growth

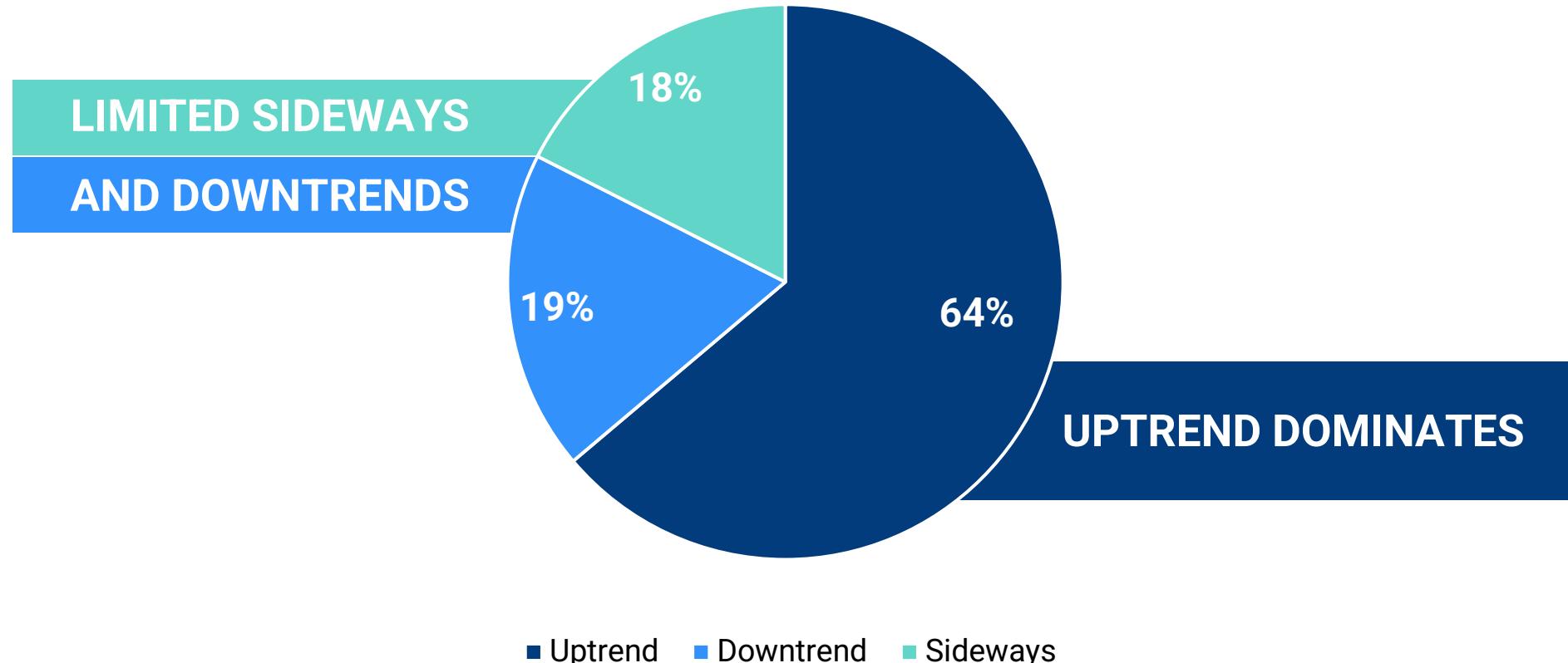


Trends | Economy | **Markets** | Performance | Outlook



Markets rise more often than they fall

With markets trending up nearly two-thirds of the time, a trend-based model naturally aligns with long-term market behavior

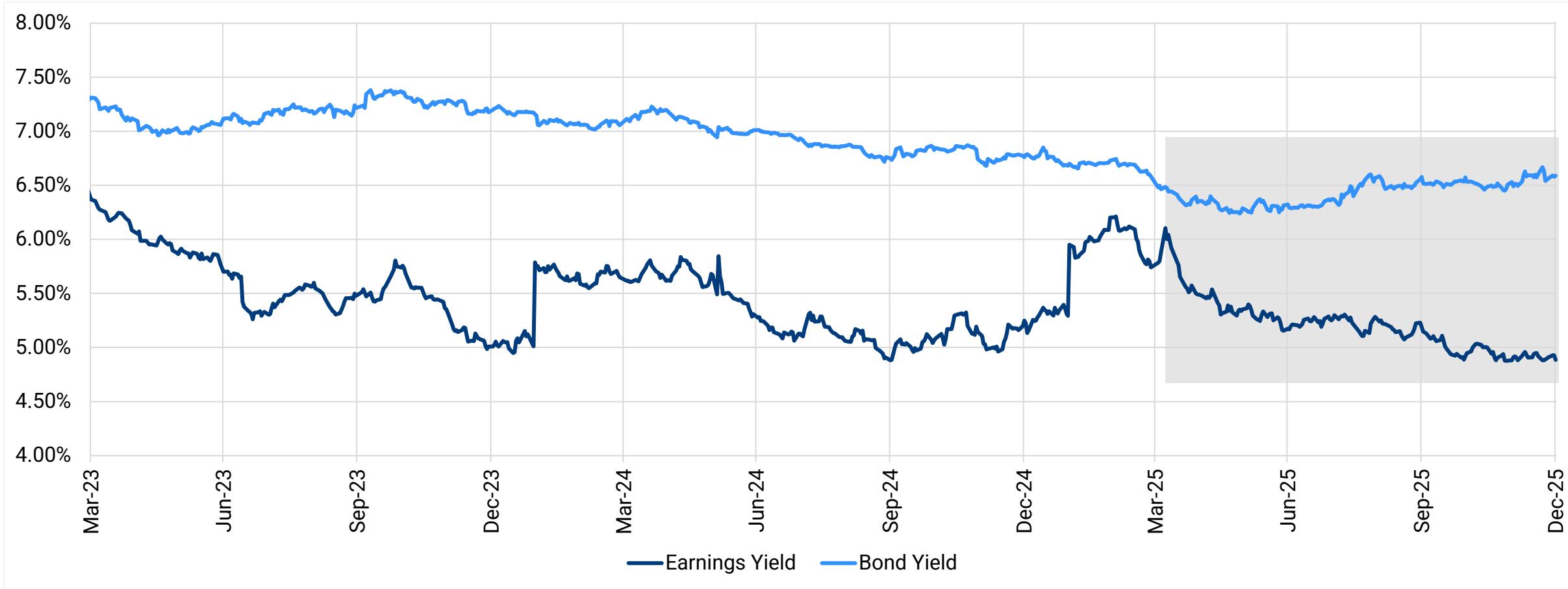


Source: BSE, Internal Analysis. Data as on 31st December, 2025. Period considered from Apr 01, 1979 to Dec 31, 2025. Past performance may or may not be sustained in the future. Note: Market phases are classified using 1Y rolling returns—uptrend (>6%), downtrend (<-6%), and sideways (-6% to +6%). This level is assumed for illustration and reflects a conservative inflation rate of 6%.

Bond-Equity Earnings Yield continues to widen



With the earnings–bond yield gap widening, markets are increasingly focused on earnings growth



Midcaps are more consistent than you think

3 Year Absolute Return at the end of each CY	Large Cap	Mid Cap	Small Cap	All Cap
2025	51%	91%	79%	59%
2024	44%	87%	85%	54%
2023	61%	124%	139%	75%
2022	53%	94%	102%	61%
2021	64%	87%	92%	69%
2020	33%	10%	-13%	26%
2019	52%	37%	9%	47%
2018	43%	45%	19%	42%
2017	39%	85%	83%	46%
2016	40%	92%	95%	47%
2015	44%	76%	79%	46%
2014	93%	136%	125%	95%
2013	7%	0%	-15%	3%
2012	19%	22%	7%	13%
2011	65%	78%	68%	61%
2010	3%	-10%	-20%	-4%
Average	44%	66%	58%	46%

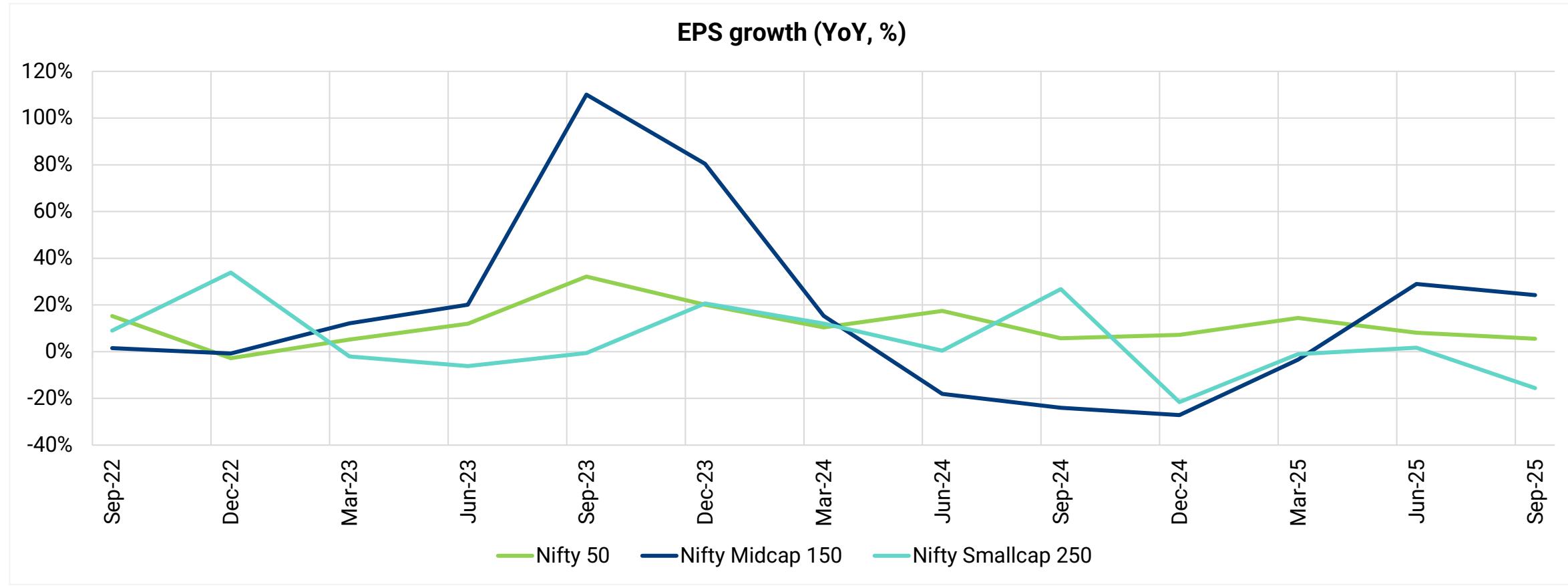
Key Highlights

- Better consistency:** Midcaps have delivered steadier returns than both large caps and small caps over the past 15 years
- Stronger earnings growth:** Midcap earnings growth has outpaced large caps, underpinning long-term returns

Earnings pulse: Mid-caps lead; Large-caps in line; Small-caps fall short

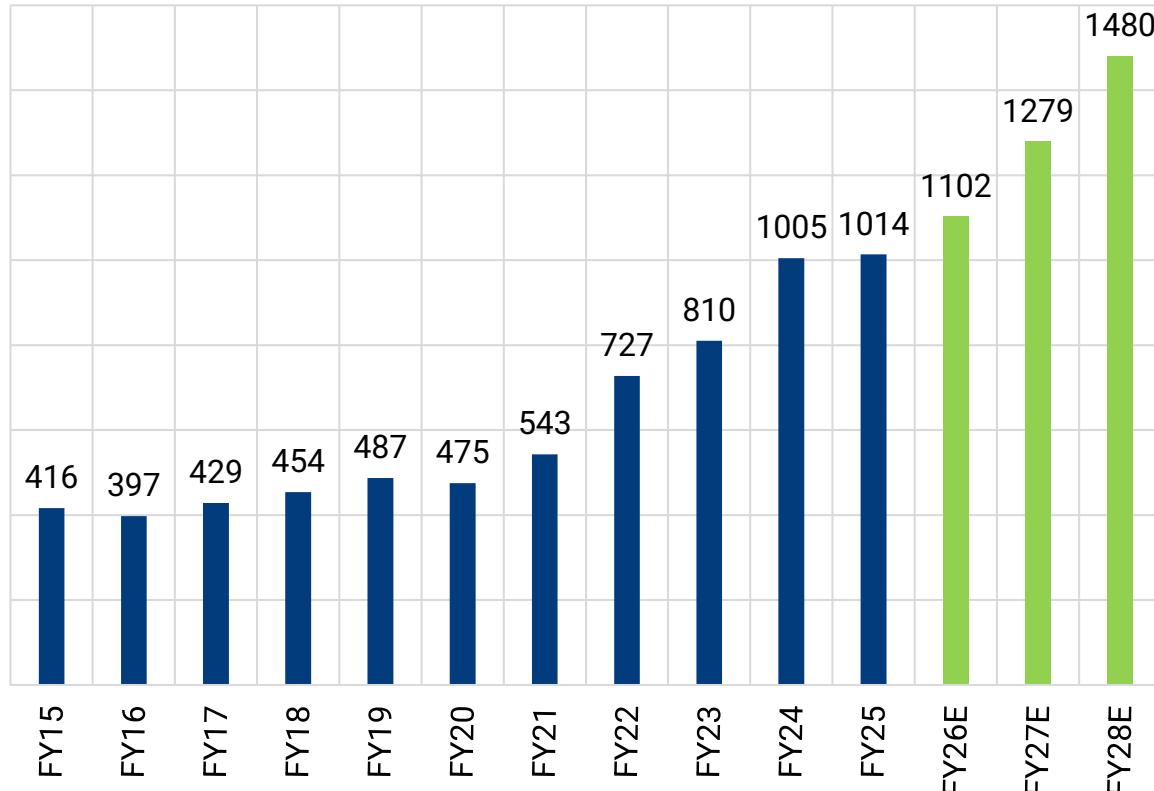


Midcap earnings led FY26TD, outperforming large caps, while small caps record a modest decline driven largely by base effects

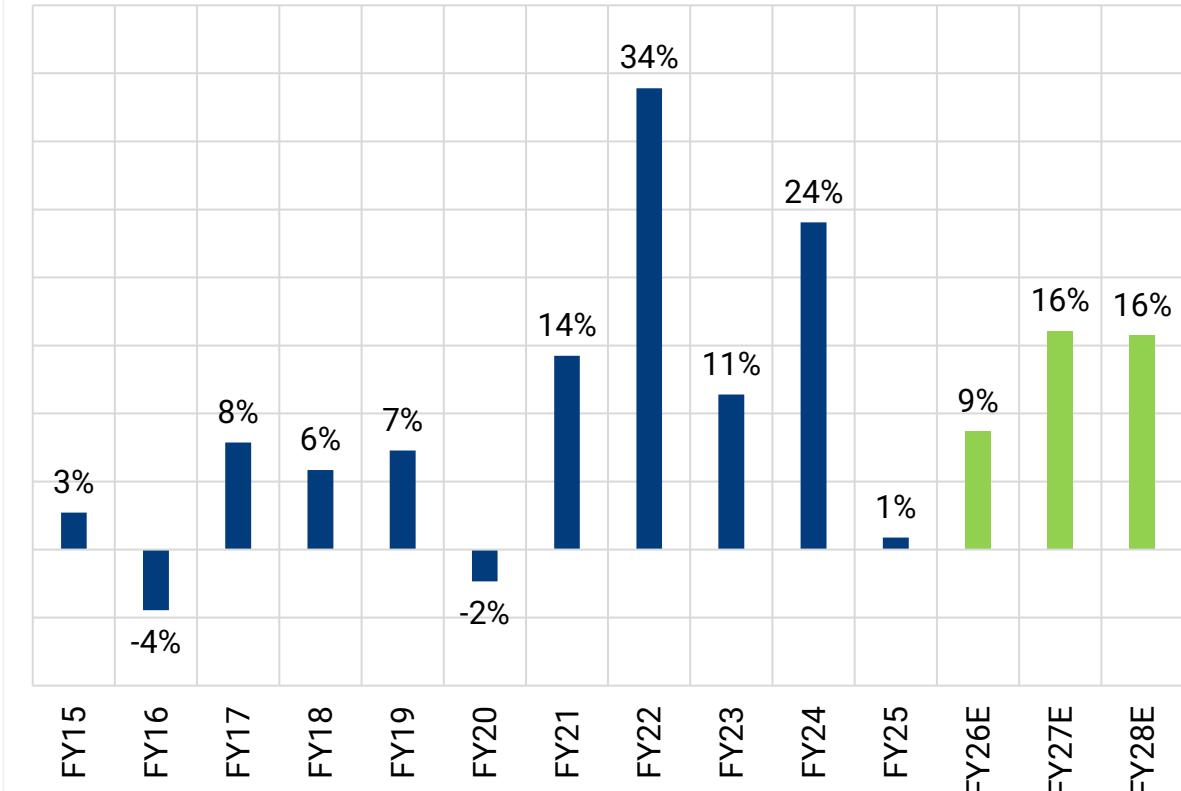


Earnings growth

Nifty50 EPS (₹)



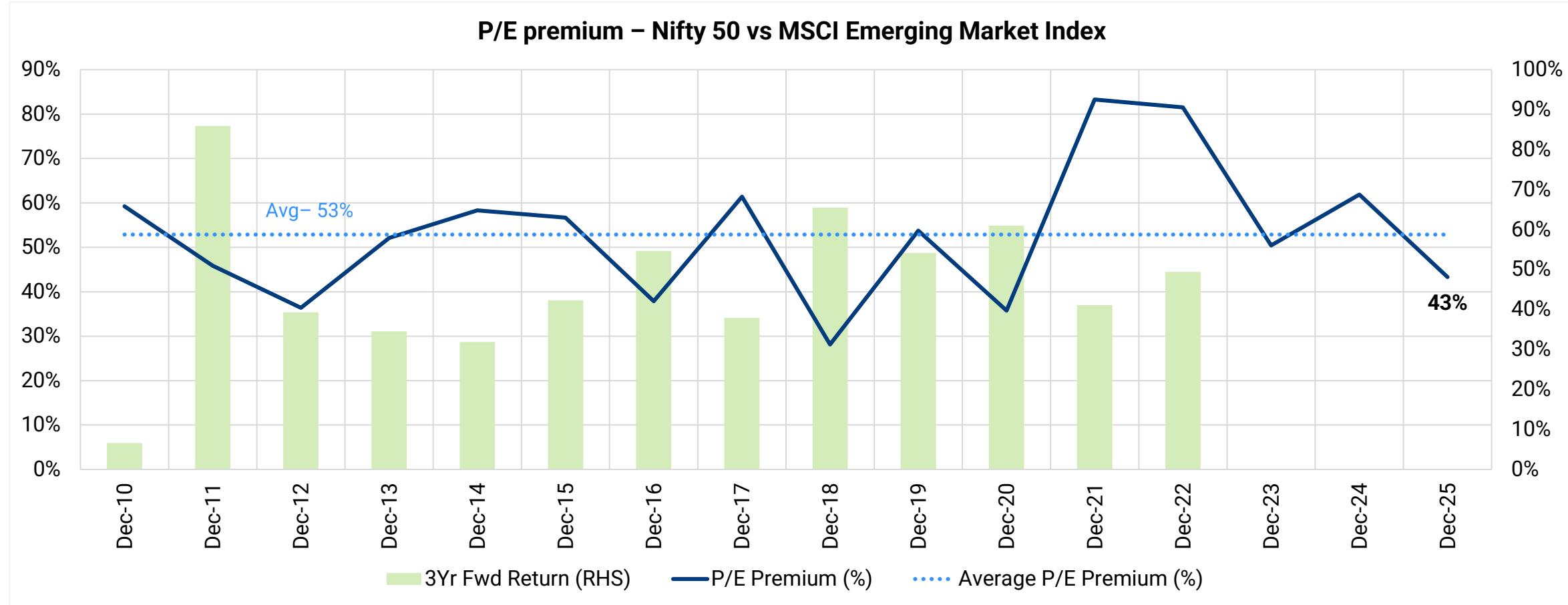
Nifty50 EPS Growth (%)



Premium drops, opportunity pops in Indian equities

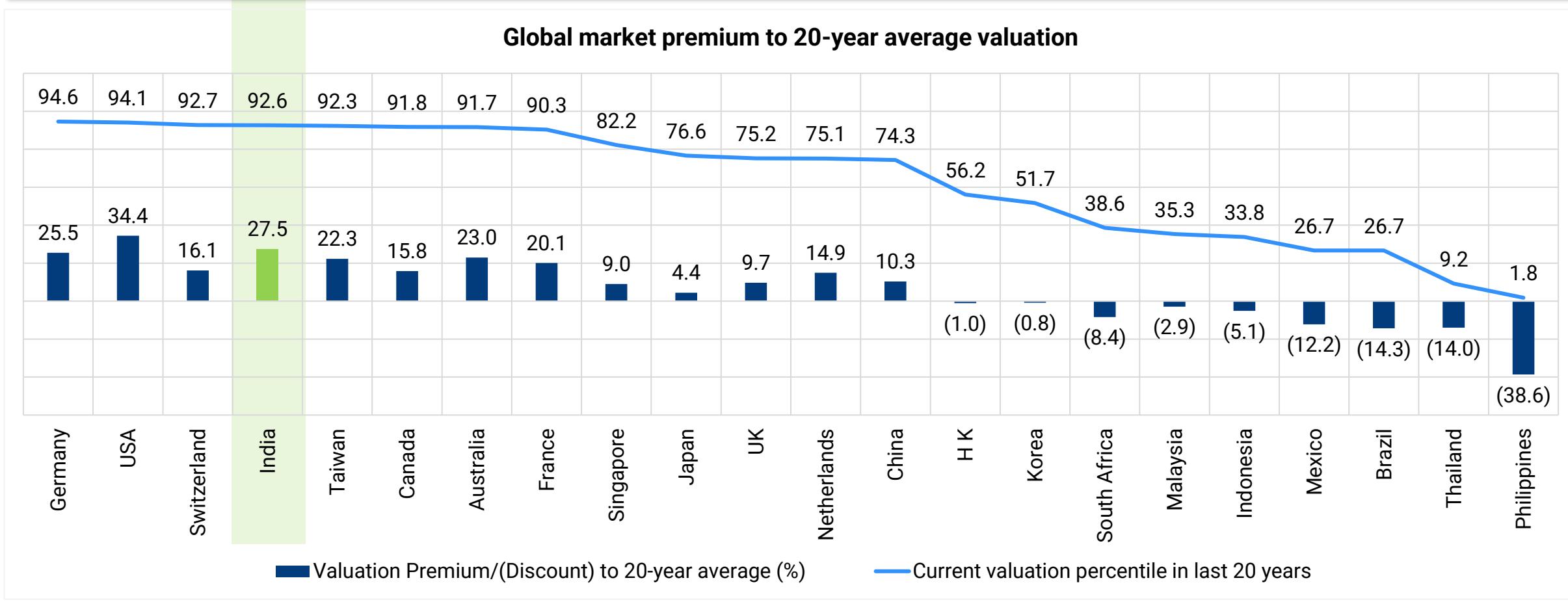


With the premium now under its historical mean, past data suggest a constructive return outlook for Indian equities in the medium-term



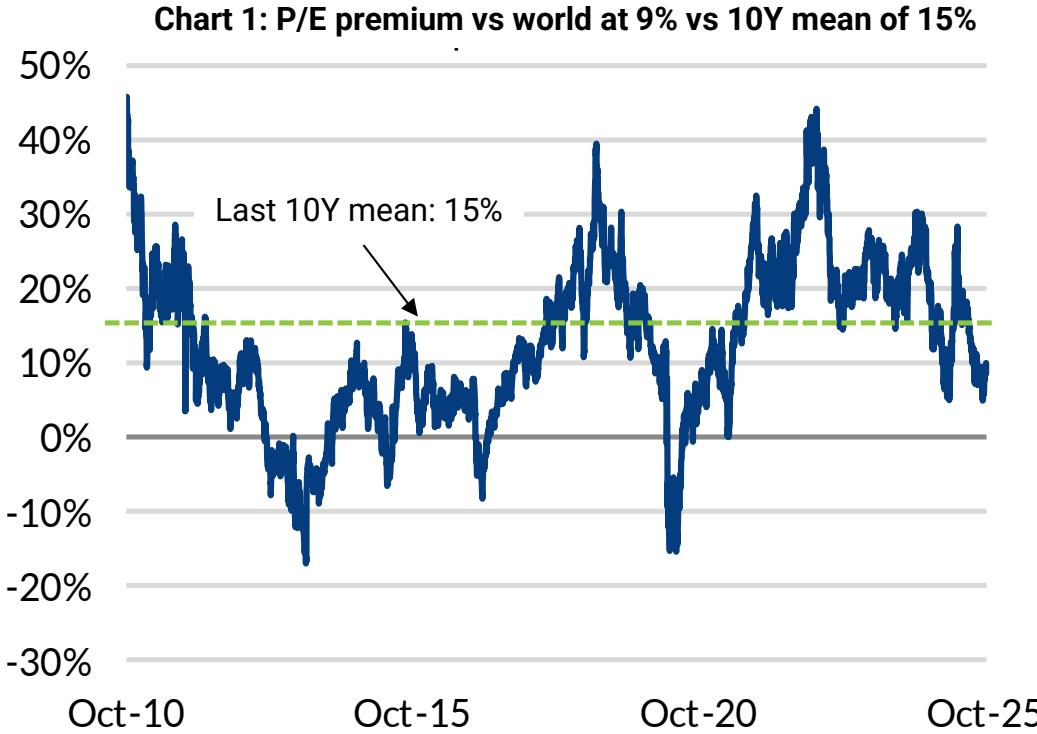
India alone is no longer the most expensive market

India's premium valuations reflect a broader global pattern, with a handful of markets also trading near the upper end of their historical valuation ranges

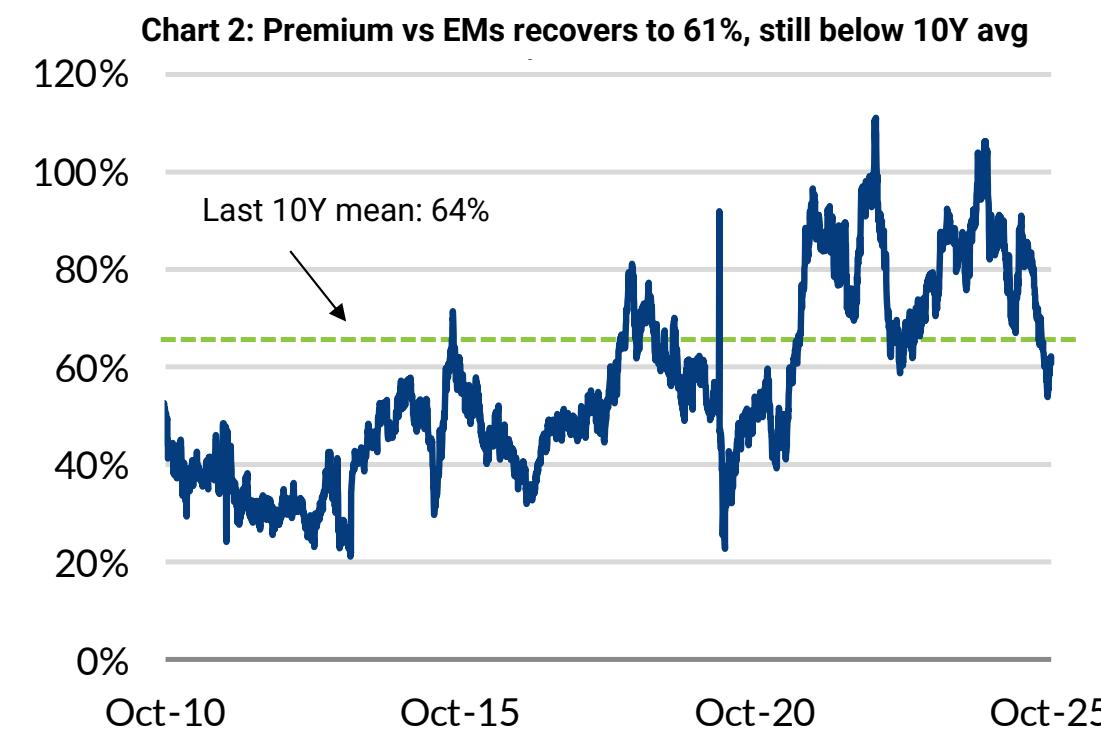


Trading below its 10-year average P/E premium, India appears relatively better positioned

India P/E vs World P/E

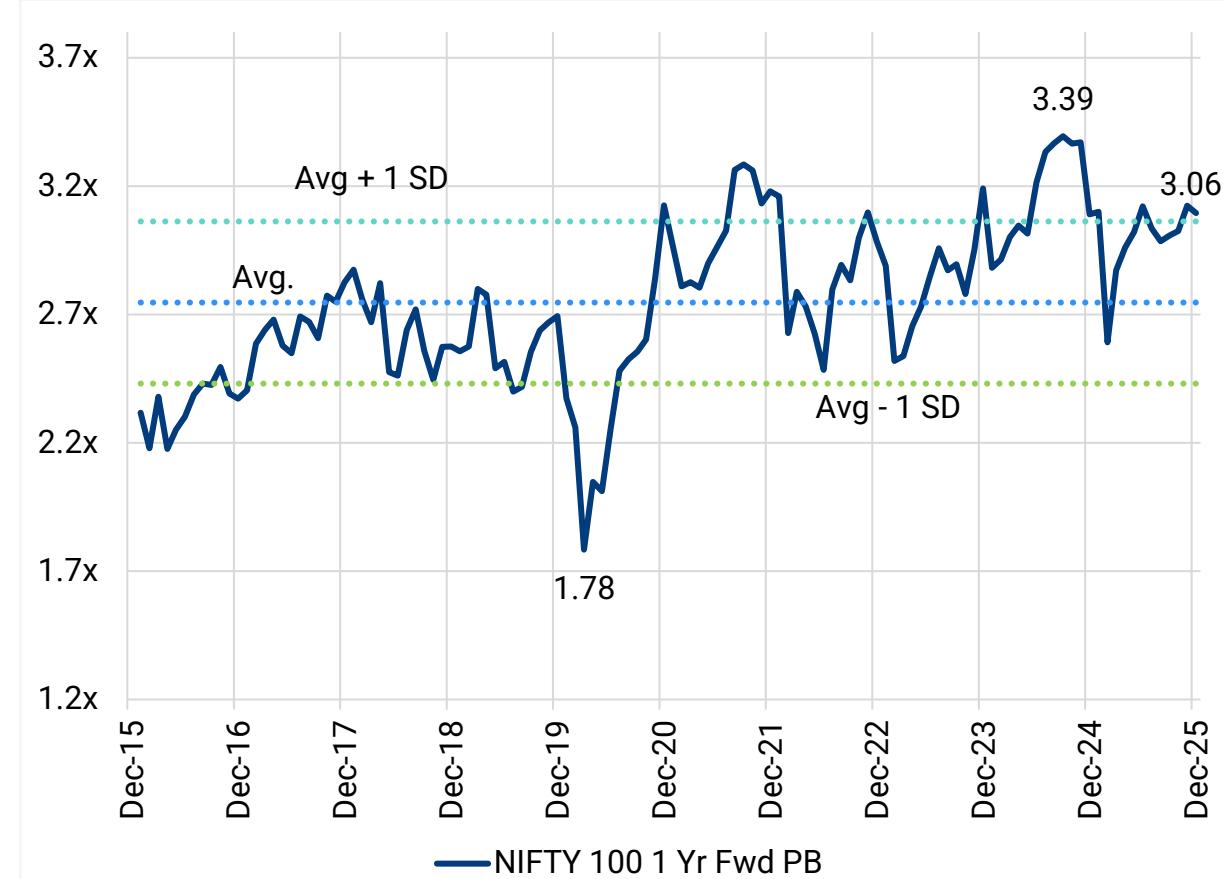
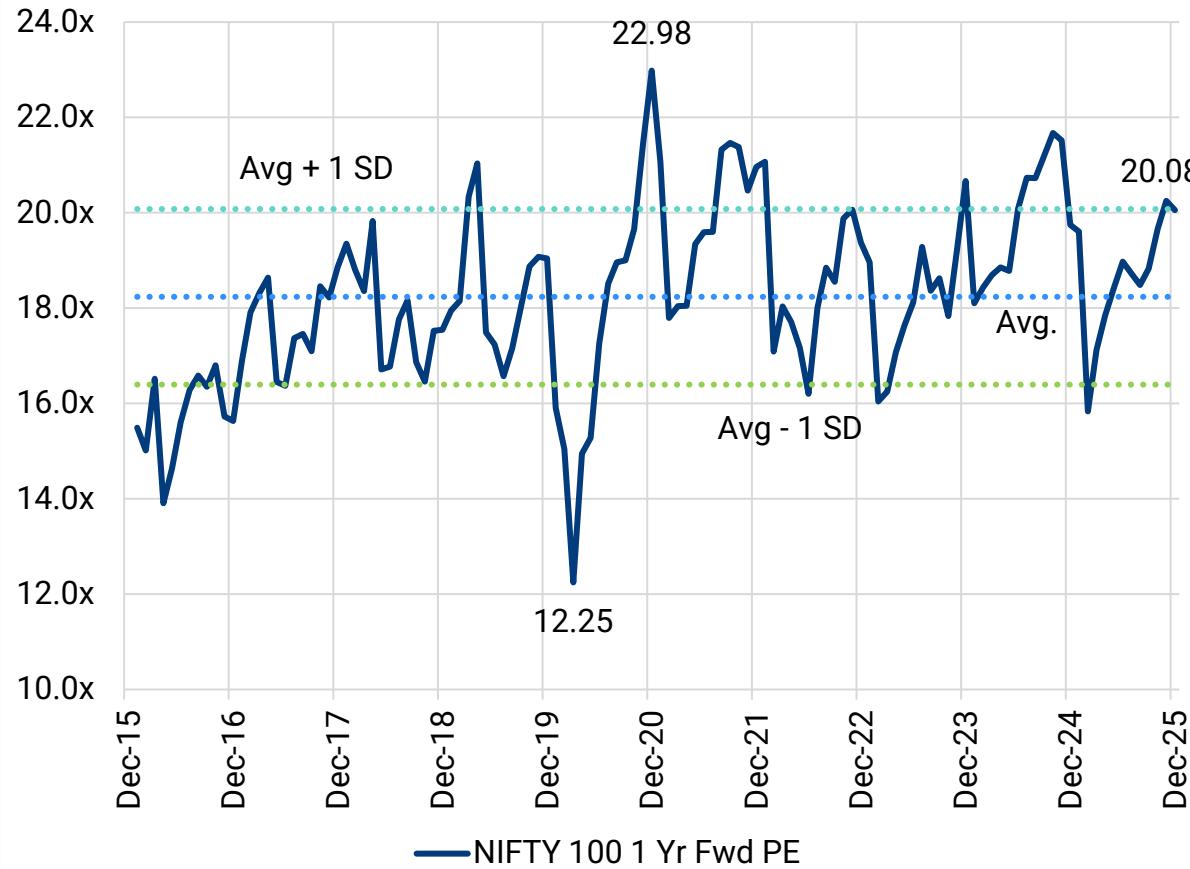


India P/E vs Emerging Market P/E



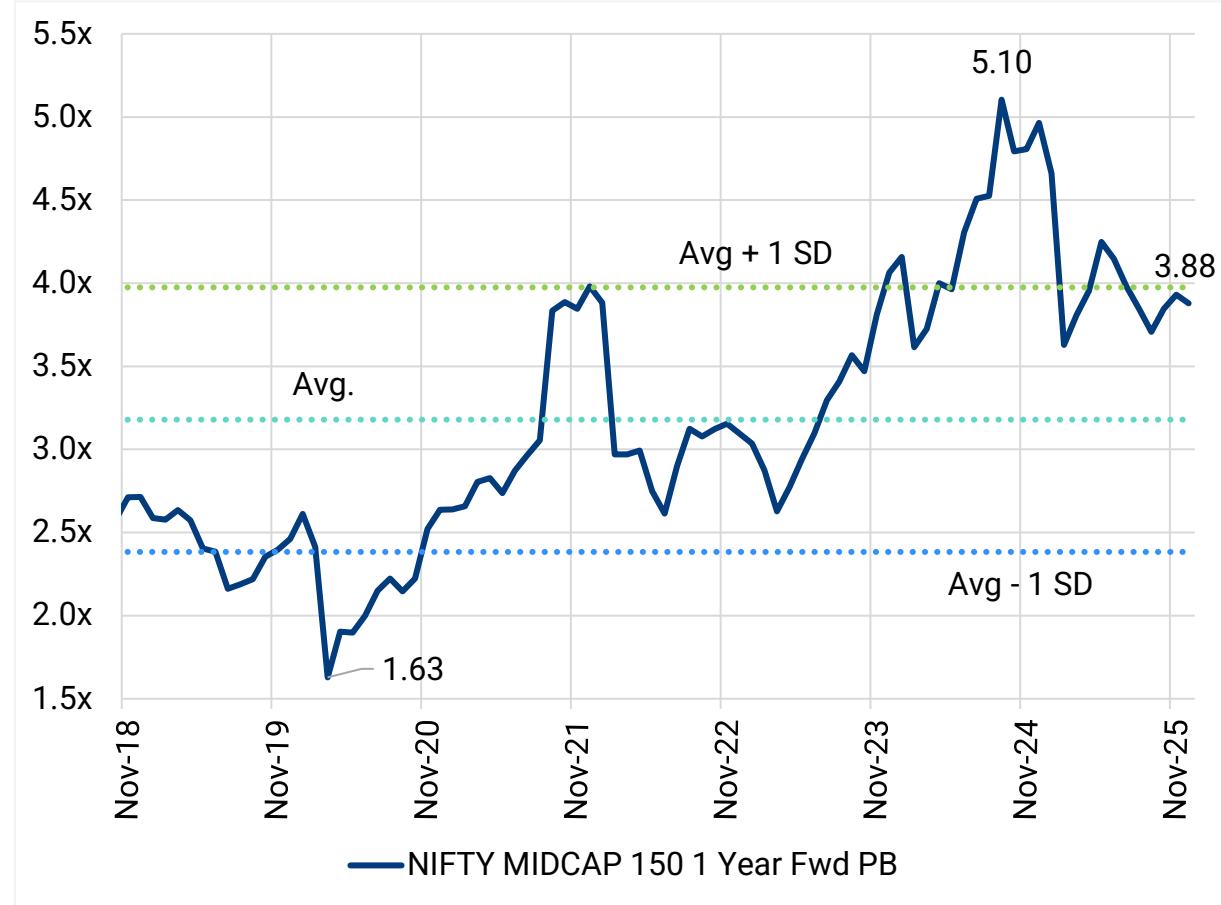
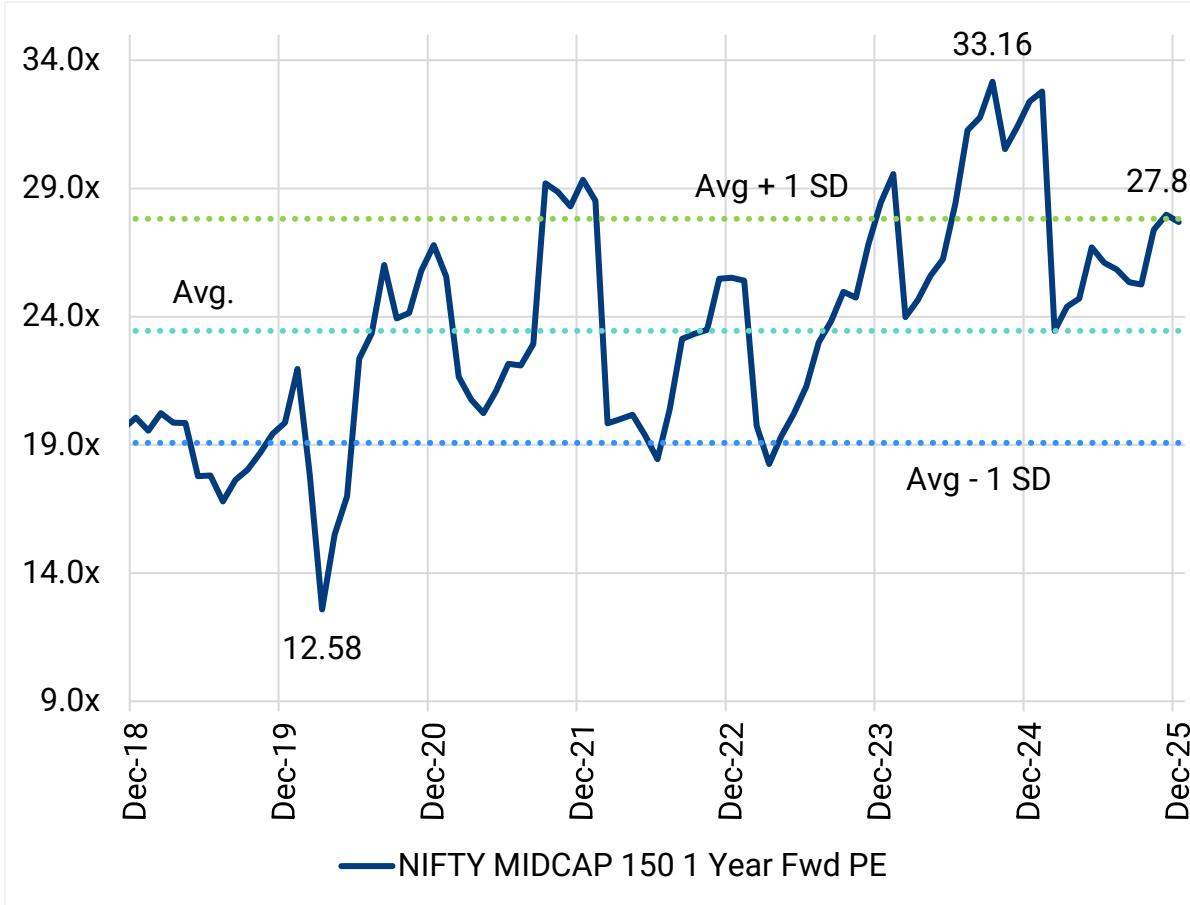
Valuations – Large Cap

Large cap valuations are above its long-term average



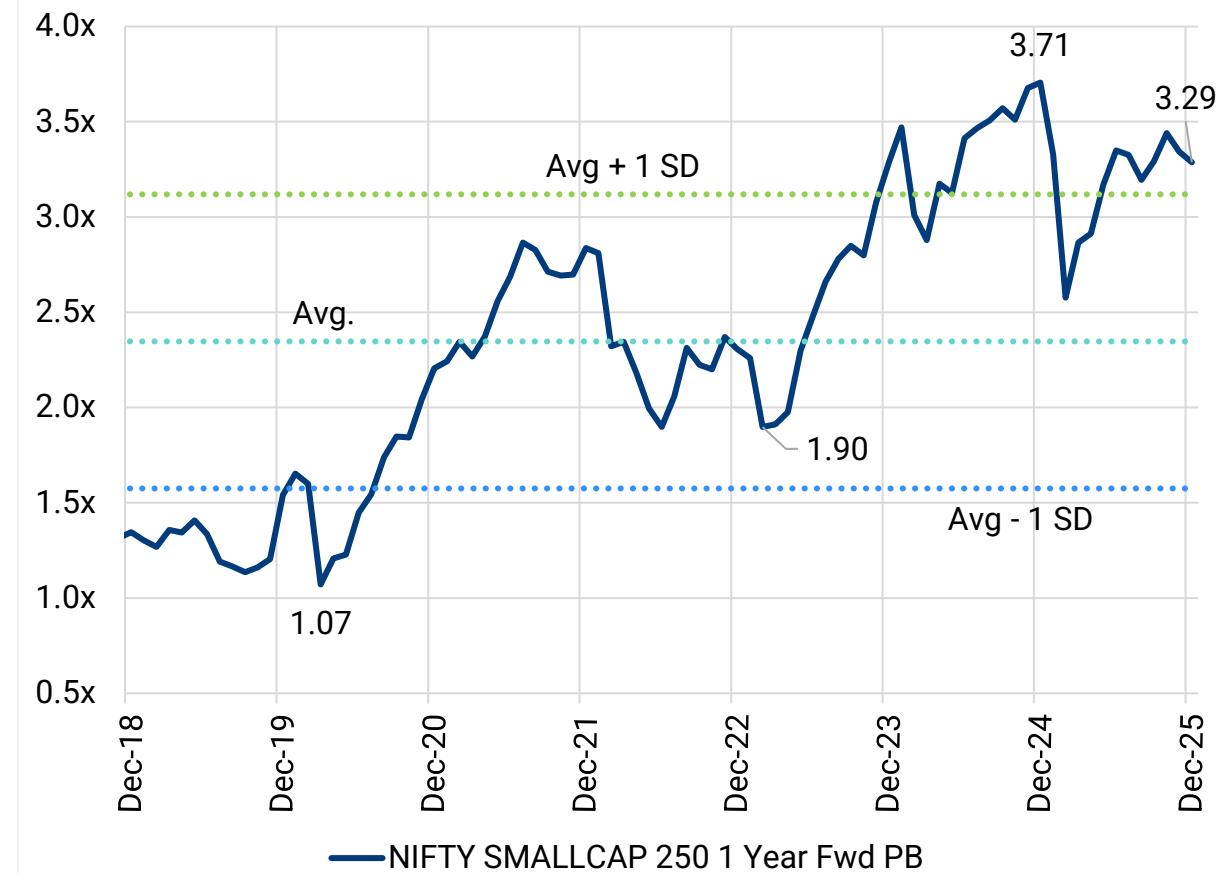
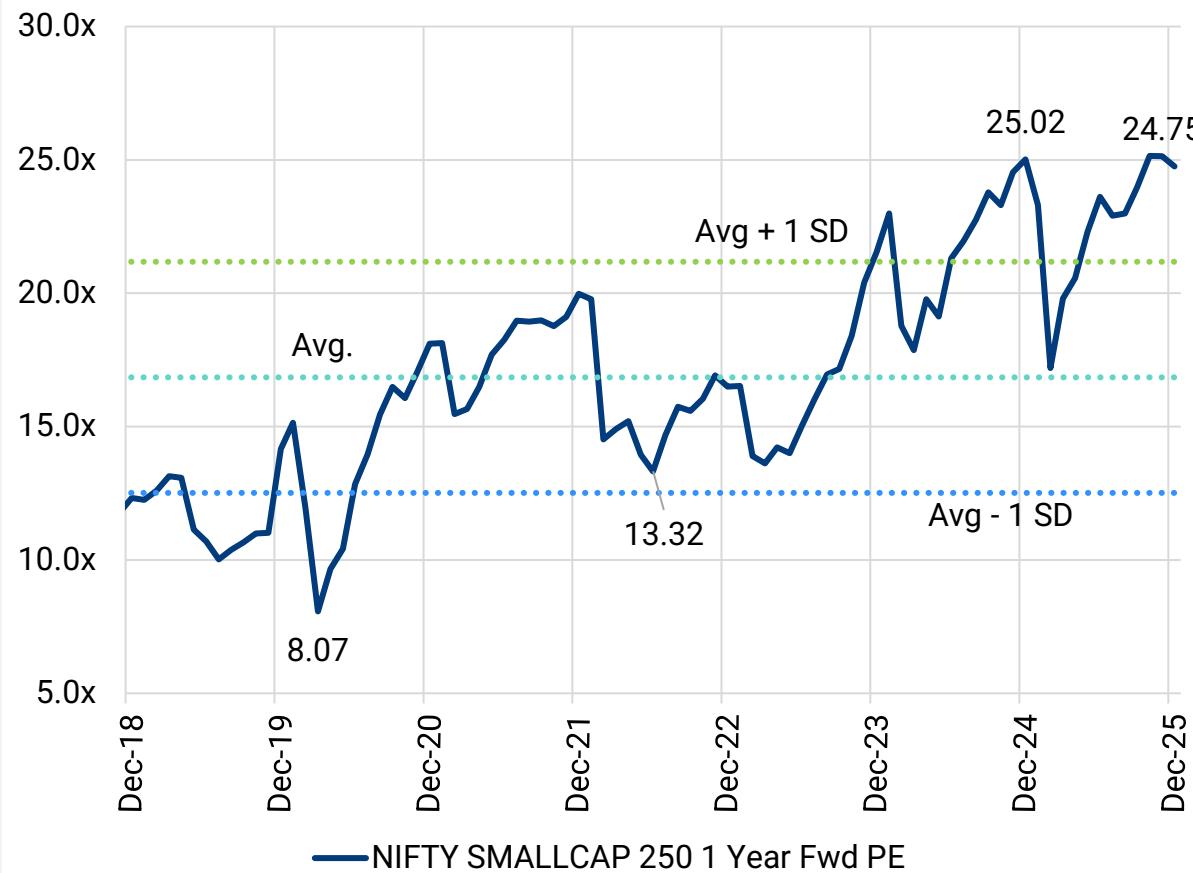
Valuations – Mid Cap

Midcap valuations remain elevated



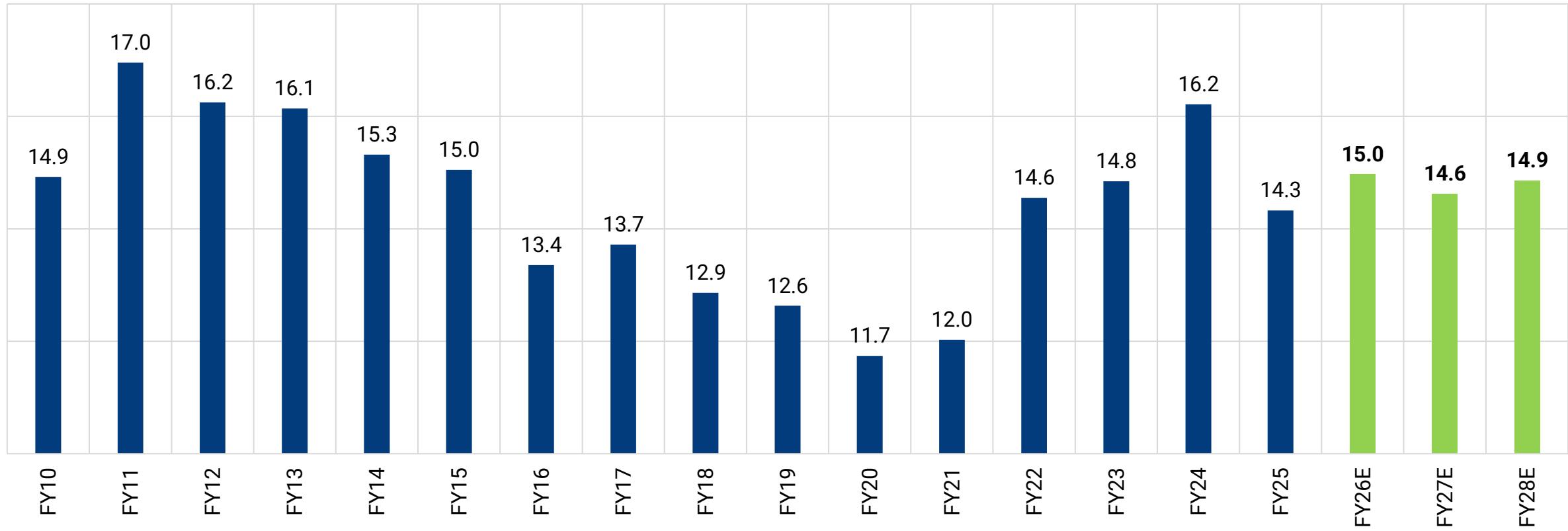
Valuations – Small Cap

Smallcap valuations have become expensive

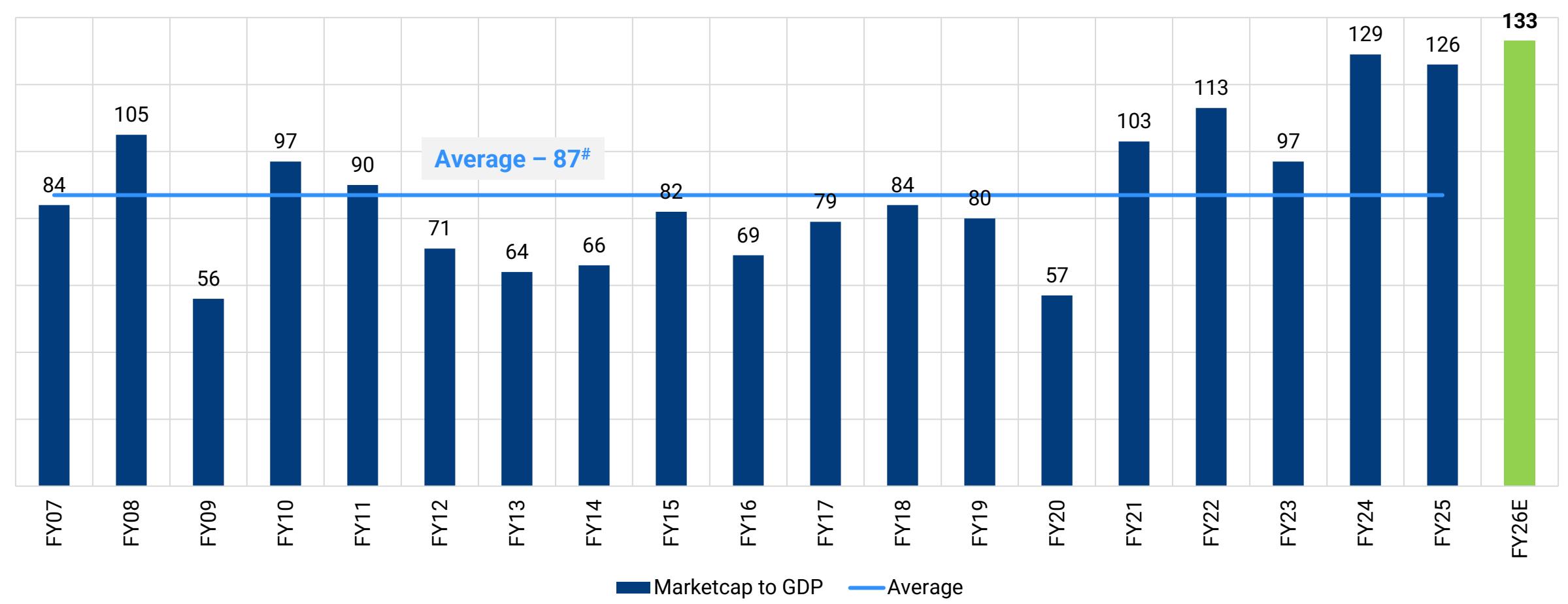


Nifty50 ROE continues to register strong double-digit growth

Nifty 50 ROE (%)



FY26E market cap-to-GDP ratio stands at 133, well above its long-term average of 87



Sectoral valuation

Sector	Current P/E	10-year Average	Current P/B	10-year Average
Auto	27.0	23.0	4.5	3.6
Banks – Private	17.1	21.0	2.3	2.5
Banks – Public	8.4	10.7	1.3	0.9
Capital Goods	34.9	25.7	6.5	4.0
Consumers	40.6	42.4	10.2	10.2
Healthcare	31.6	27.2	4.4	3.8
Infrastructure	14.2	13.2	1.1	1.2
Metals	12.7	10.4	2.3	1.7
NBFCs	15.0	12.6	2.3	1.8
Oil & Gas	16.4	13.0	1.7	1.5
Real Estate	29.2	31.2	3.5	2.4
Technology	22.8	21.6	7.2	5.9

Analysis of sector-wise FPI holdings

Sectors	Portfolio Share		Change
	Dec-25	Dec-24	
Financials	31.9%	28.8%	3.1%
Auto & Ancillary	7.7%	7.1%	0.6%
Oil & gas	7.6%	6.6%	1.0%
IT	7.3%	10.2%	-2.9%
Healthcare	6.4%	7.1%	-0.7%
Service	6.3%	6.8%	-0.5%
Industrials	5.8%	5.8%	0.0%
Telecom & Media	5.6%	4.0%	1.6%
FMCG	5.0%	5.7%	-0.7%
Construction Material	3.4%	3.6%	-0.2%
Metals & Mining	3.2%	2.7%	0.5%
Utilities	3.1%	3.7%	-0.6%
Durables	2.5%	3.1%	-0.6%
Agriculture & Chemicals	1.8%	1.6%	0.2%
Realty	1.7%	2.4%	-0.7%
Others	0.8%	0.5%	0.3%

Key Highlights

- * **FPIs continued its selling for 2nd consecutive month** as they sold \$2.5 bn in Dec-25.
- * **Financials led FPI outflows in Dec-25 (~\$1.2 bn)**, maintaining it's outflow streak for the second consecutive month.
- * **FMCG is seeing selling since Aug-25**, and outflows in Dec-25 was (~\$0.6 bn), while **Industrial and Healthcare (~\$0.3 bn each)**, with both sectors witnessing selling since Apr-25.
- * **Highest inflow was observed in Metals and Mining (~\$0.3bn)**, followed by Oil & Gas (~\$0.2 bn) and IT (~\$0.1 bn) after five months of selling.

Trends | Economy | Markets | **Performance** | Outlook



How do different asset class respond to each other?



Correlation between asset class over 10Y period

	Nifty 50 TRI	Gold	Silver	Gold + Silver	USD/INR	Nifty 10Y G-sec	S&P 500 TRI	Hang Seng TRI	Crude Oil	10-Yr SD
Nifty 50 TRI	1.00	(0.07)	0.09	0.03	(0.39)	0.08	0.30	0.40	0.12	16.14%
Gold	-	1.00	0.77	0.90	0.11	0.03	(0.02)	(0.01)	0.02	12.65%
Silver	-	-	1.00	0.97	(0.04)	0.01	0.07	0.13	0.07	24.44%
Gold + Silver	-	-	-	1.00	0.01	0.02	0.04	0.09	0.05	16.97%
USD/INR	-	-	-	-	1.00	(0.19)	(0.13)	(0.28)	(0.03)	4.73%
Nifty 10Y G-sec	-	-	-	-	-	1.00	(0.02)	(0.00)	(0.11)	4.13%
S&P 500 TRI	-	-	-	-	-	-	1.00	0.21	0.28	17.85%
Hang Seng TRI	-	-	-	-	-	-	-	1.00	0.13	21.89%
Crude Oil	-	-	-	-	-	-	-	-	1.00	42.44%

Large, mid and small cap performance

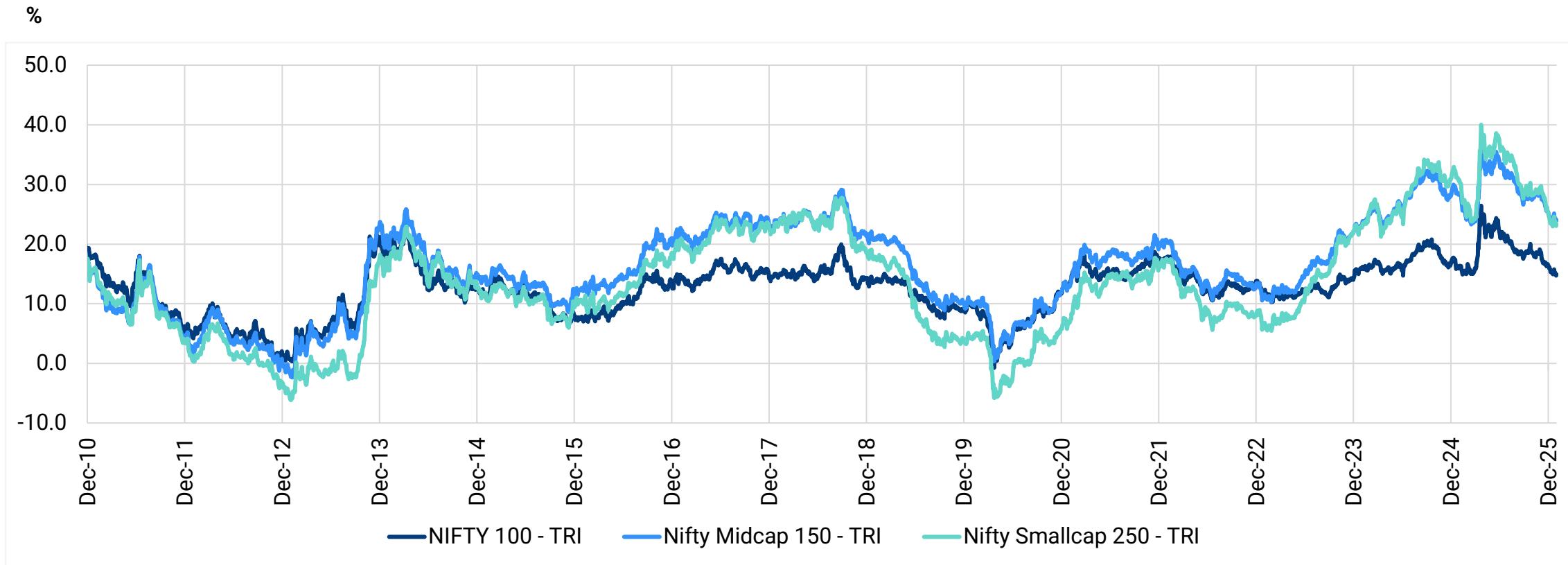


In 11 of the past 17 CY, mid and small caps have outperformed large caps

Period	Large Cap	Mid Cap	Small Cap
CY 2008	-53.07%	-64.94%	-68.58%
CY 2009	84.88%	113.87%	117.37%
CY 2010	19.28%	20.07%	17.63%
CY 2011	-24.93%	-31.01%	-35.07%
CY 2012	32.51%	46.69%	40.39%
CY 2013	7.89%	-1.28%	-6.44%
CY 2014	34.88%	62.67%	71.66%
CY 2015	-1.26%	9.70%	11.27%
CY 2016	5.01%	6.53%	1.39%
CY 2017	32.88%	55.73%	58.47%
CY 2018	2.57%	-12.62%	-26.15%
CY 2019	11.83%	0.62%	-7.26%
CY 2020	16.08%	25.56%	26.46%
CY 2021	26.45%	48.16%	63.34%
CY 2022	4.94%	3.91%	-2.64%
CY 2023	21.24%	44.61%	49.09%
CY 2024	12.95%	24.46%	27.21%
CY 2025	10.24%	5.98%	-5.48%

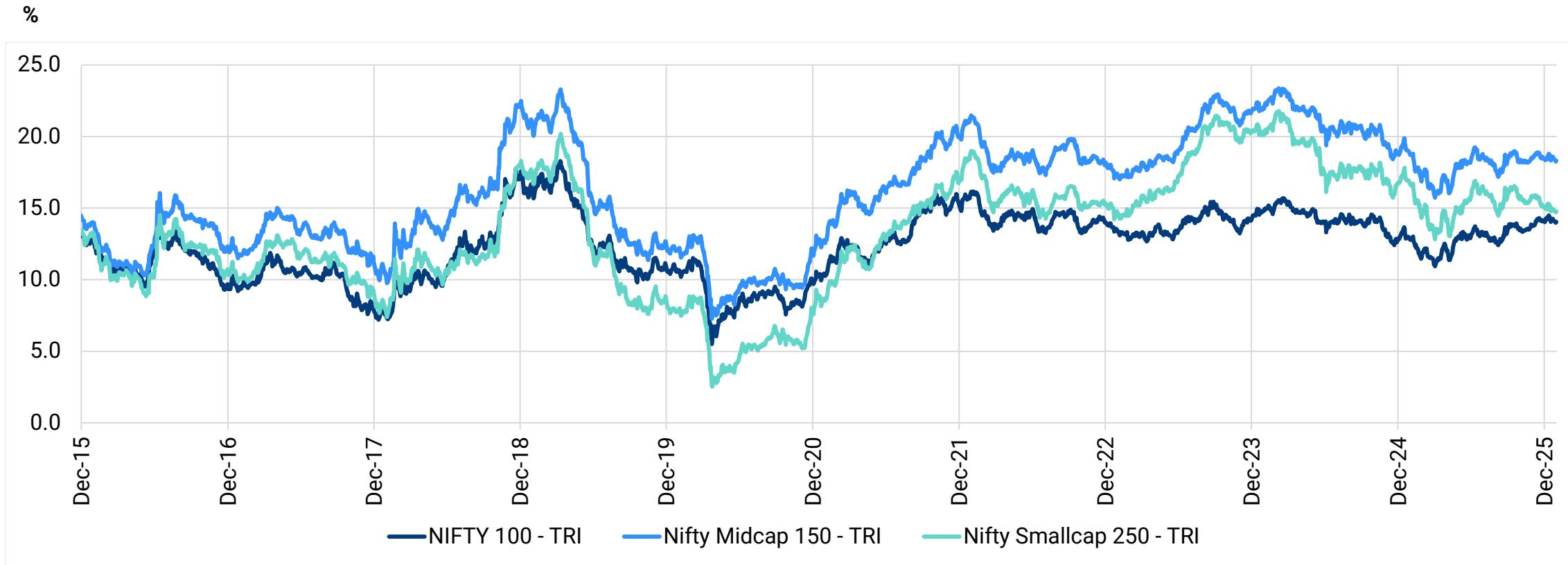
Source: ACEMF. Large-cap – Nifty 100 TRI, Midcap – Nifty Midcap 150 TRI, Small cap – Nifty Smallcap 250 TRI. Data as on 31st December, 2025. Past performance may or may not sustain in future.

5 year rolling returns



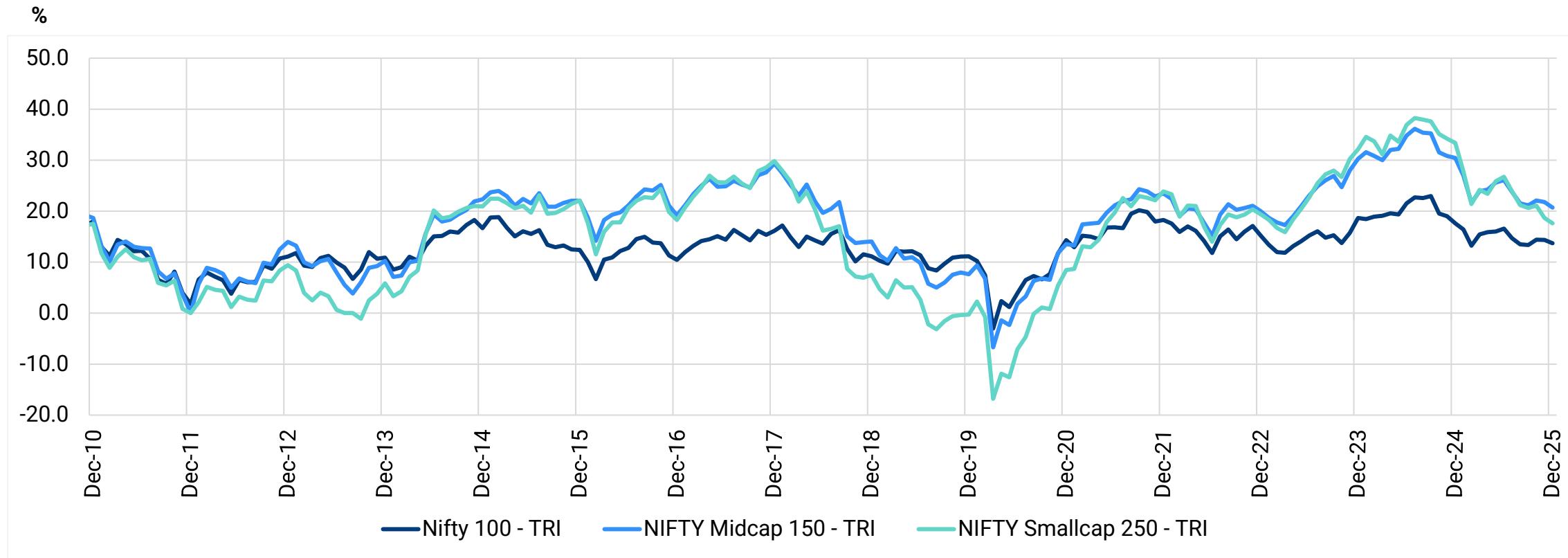
Since 2010	NIFTY 100 – TRI	Nifty Midcap 150 – TRI	Nifty Smallcap 250 – TRI
Min (%)	-0.75	-2.34	-6.16
Max (%)	26.45	36.76	40.03
Average (%)	13.01	16.36	13.99

10 year rolling returns



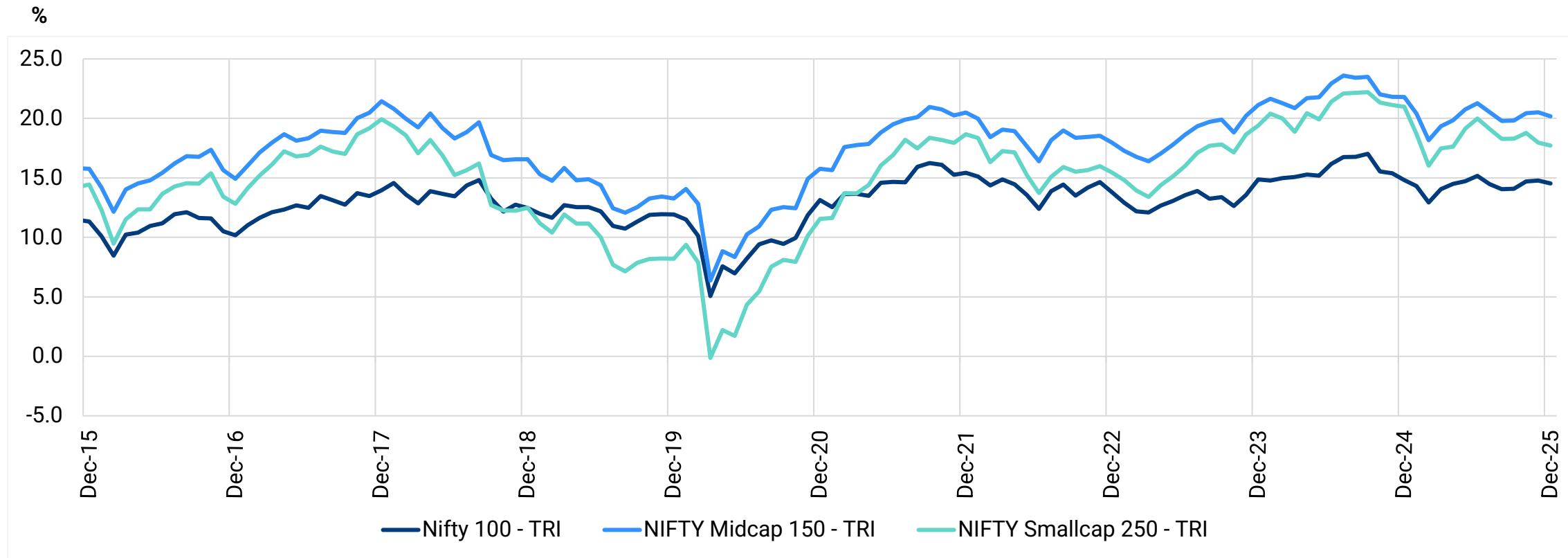
Since 2015	NIFTY 100 – TRI	Nifty Midcap 150 – TRI	Nifty Smallcap 250 – TRI
Min (%)	5.50	7.27	2.53
Max (%)	18.29	23.37	21.77
Average (%)	12.58	16.22	13.54

5 year SIP rolling returns



Since 2010	NIFTY 100 – TRI	Nifty Midcap 150 – TRI	Nifty Smallcap 250 – TRI
Min (%)	-3.03	-6.71	-16.81
Max (%)	22.95	36.14	38.26
Average (%)	13.21	17.68	15.52

10 year SIP rolling returns



Since 2015	NIFTY 100 – TRI	Nifty Midcap 150 – TRI	Nifty Smallcap 250 – TRI
Min (%)	5.07	6.37	-0.13
Max (%)	17.02	23.60	22.20
Average (%)	13.00	17.53	14.88

Drawdowns

Period	Large Cap (%)	Mid Cap (%)	Small Cap (%)
CY 2008	-61.08%	-71.75%	-72.80%
CY 2009	-18.67%	-23.51%	-24.88%
CY 2010	-10.30%	-16.26%	-20.13%
CY 2011	-26.35%	-32.29%	-36.26%
CY 2012	-13.69%	-12.21%	-13.89%
CY 2013	-14.69%	-24.05%	-31.48%
CY 2014	-6.44%	-7.82%	-8.59%
CY 2015	-13.68%	-11.92%	-14.81%
CY 2016	-12.96%	-16.96%	-22.49%
CY 2017	-4.42%	-6.79%	-8.03%
CY 2018	-14.85%	-23.50%	-35.69%
CY 2019	-10.49%	-14.28%	-21.42%
CY 2020	-37.92%	-38.45%	-43.48%
CY 2021	-9.86%	-10.30%	-9.19%
CY 2022	-16.10%	-20.30%	-26.61%
CY 2023	-8.51%	-7.72%	-10.92%
CY 2024	-11.33%	-11.00%	-12.39%
CY 2025	-9.99%	-17.25%	-23.54%

Our Long-Only Equity Funds



Equity funds overview

Scheme	Edelweiss Mid Cap Fund			Edelweiss Small Cap Fund			Edelweiss Focused Fund			Edelweiss Large & Mid Cap Fund		
AUM (Rs Cr.)	13,659			5,461			1,045			4,517		
Market Cap Allocation	Large 12%	Mid 77%	Small 11%	Large 1%	Mid 30%	Small 69%	Large 75%	Mid 23%	Small 2%	Large 51%	Mid 38%	Small 11%
Over-Weight Sectors	<ul style="list-style-type: none"> Financial Services Consumer Services Fast Moving Consumer Goods 			<ul style="list-style-type: none"> Automobile and Auto Components Chemicals Construction Materials 			<ul style="list-style-type: none"> Construction Consumer Durables Financial Services 			<ul style="list-style-type: none"> Capital Goods Consumer Durables Information Technology 		
Under-Weight Sectors	<ul style="list-style-type: none"> Power Consumer Durables Oil, Gas & Consumable Fuels 			<ul style="list-style-type: none"> Healthcare Power Oil, Gas & Consumable Fuels 			<ul style="list-style-type: none"> Telecommunication Fast Moving Consumer Goods Chemicals 			<ul style="list-style-type: none"> Fast Moving Consumer Goods Oil, Gas & Consumable Fuels Services 		

Equity funds overview



Scheme	Edelweiss ELSS Tax Saver Fund			Edelweiss Flexi Cap Fund			Edelweiss Multi Cap Fund		
AUM (Rs Cr.)	451			3,105			3,173		
Market Cap Allocation	Large 62%	Mid 21%	Small 18%	Large 65%	Mid 28%	Small 7%	Large 47%	Mid 27%	Small 26%
Over-Weight Sectors	<ul style="list-style-type: none"> Financial Services Information Technology Automobile and Auto Components 			<ul style="list-style-type: none"> Financial Services Consumer Durables Capital Goods 			<ul style="list-style-type: none"> Financial Services Chemicals Automobile and Auto Components 		
Under-Weight Sectors	<ul style="list-style-type: none"> Fast Moving Consumer Goods Services Metals and Mining 			<ul style="list-style-type: none"> Oil, Gas & Consumable Fuels Services Telecommunication 			<ul style="list-style-type: none"> Oil, Gas & Consumable Fuels Construction Materials Telecommunication 		

Portfolio return ratios

	Edelweiss ELSS Tax Saver Fund	Edelweiss Large & Mid Cap Fund	Edelweiss Flexi Cap Fund	Edelweiss Multi Cap Fund	Edelweiss Mid Cap Fund	Edelweiss Small Cap Fund	Edelweiss Focused Equity Fund
FY27E EPS growth (%)	19.1	19.6	19.8	20.7	24.1	28.0	19.7
FY28E EPS growth (%)	18.8	19.0	19.3	19.3	20.8	23.3	19.3
PEG (x)	1.0	1.1	1.0	1.0	1.1	0.9	1.0
FY27E ROE (%)	20.7	19.6	20.4	20.4	21.7	18.5	20.5
FY28E ROE (%)	21.0	20.3	20.9	20.8	22.2	19.4	20.9
PER FY27E (x)	21.9	24.0	23.6	23.4	29.4	26.0	23.1
PER FY28E (x)	18.5	20.5	19.7	20.0	25.5	21.9	19.3

Note: These are estimates of the underlying portfolio based on available information and is not indicative of any present or future performance of the fund. Portfolio of the fund would depend on asset allocation and investment strategy as stated in Scheme Information Document and prevailing market conditions and is subject to change without any notice. Sectors/ Stocks mentioned here should not be construed as a recommendation. Stock in are part of the portfolio of Edelweiss Mutual fund schemes as on the latest available portfolio as on 31st December, 2025. Performance of the above sectors/stocks should not be construed as indicative yield of any of the schemes of Edelweiss Mutual Fund. Edelweiss Mutual Fund may or may not hold any position in these sectors/stocks in future.

New entries and exits in fund portfolio



	Edelweiss Mid Cap Fund	Edelweiss Small Cap Fund	Edelweiss Focused Fund	Edelweiss Flexi Cap Fund	Edelweiss Multi Cap Fund	Edelweiss ELSS Tax Saver Fund	Edelweiss Large & Mid Cap Fund
Entry	<ul style="list-style-type: none"> Mahindra & Mahindra Finance Services Ltd Polycab India Ltd SAIL Ltd Meesho Ltd Wakefit Innovations Ltd 	<ul style="list-style-type: none"> SRF Ltd Wakefit Innovations Ltd 	<ul style="list-style-type: none"> MCX India Ltd IDFC First Bank Ltd Meesho Ltd 	<ul style="list-style-type: none"> Polycab India Ltd Mahindra & Mahindra Finance Services Ltd ICICI Pru AMC Ltd Prestige Estate Project Ltd 	<ul style="list-style-type: none"> R R Kabel Ltd Asian Paints Ltd Ujjivan Small Finance Bank Ltd Aadhar Housing Finance Ltd Britannia Industries Ltd 	<ul style="list-style-type: none"> Craftsman Automation Ltd Neuland Laboratories Ltd Kwality Walls India Ltd 	Nil
Exits	<ul style="list-style-type: none"> Astral Ltd Kaynes Technologies Ltd 	<ul style="list-style-type: none"> Cartrade Tech Ltd Dixon Technologies Ltd 	<ul style="list-style-type: none"> Dixon Technologies Ltd Kotak Mahindra Bank Ltd Godrej Properties Ltd GE Vernova T&D India Ltd 	<ul style="list-style-type: none"> Godrej Properties Ltd Trent Ltd Kaynes Technologies Ltd Astral Ltd Kajaria Ceramics Ltd 	<ul style="list-style-type: none"> Cohance Lifesciences Ltd Angel One Ltd Trent Ltd Kajaria Ceramics Ltd 	<ul style="list-style-type: none"> Abbott India Ltd Power Finance Corporation Ltd Concord Biotech Ltd 	<ul style="list-style-type: none"> Power Finance Corporation Ltd

Active stock exposure across equity funds



Edelweiss Mid Cap Fund		Edelweiss Small Cap Fund		Edelweiss Large & Mid Cap Fund	
Max Healthcare Institute Ltd	1.82	City Union Bank Ltd	2.63	Ather Energy Ltd	1.35
Solar Industries India Ltd	1.62	UNO Minda Ltd	2.52	Federal Bank Ltd	1.29
Radico Khaitan Ltd	1.61	KEI Industries Ltd	2.27	Indian Bank Ltd	1.22
Marico Ltd Coforge Limited	1.35	Indian Bank Ltd	2.23	UNO Minda Ltd	1.21
UNO Minda Ltd	1.29	APL Apollo Tubes Ltd	1.94	Max Healthcare Institute Ltd	1.16
Canara Bank Ltd	1.23	Century Plyboards India Ltd	1.85	Can Fin Homes Ltd	1.09
CG Power & Industrial Solutions Ltd	1.22	Gabriel India Ltd	1.82	Phoenix Mills Ltd	1.09
Persistent Systems Ltd	1.16	Fortis Healthcare Ltd	1.67	Century Plyboards India Ltd	1.06
CreditAccess Grameen Ltd	1.12	Max Financial Services Ltd	1.64	Cholamandalam Investment and Finance Company Ltd	1.00
City Union Bank Ltd	1.12	Ajanta Pharma Ltd	1.63	Aether Industries Ltd	0.99

Active stock exposure across equity funds

Edelweiss Flexi Cap Fund		Edelweiss ELSS Tax Saver Fund		Edelweiss Focused Fund		Edelweiss Multi Cap Fund	
NTPC Ltd	1.55	Muthoot Finance Ltd	2.20	Shriram Finance Ltd	4.09	Navin Fluorine International Ltd	1.95
Persistent Systems Ltd	1.29	Gabriel India Ltd	1.32	Marico Ltd	4.03	Radico Khaitan Ltd	1.94
Tata Steel Ltd	1.27	Ather Energy Ltd	1.30	KEI Industries Ltd	3.58	Bikaji Foods International Ltd	1.92
Muthoot Finance Ltd	1.13	Karur Vysya Bank Ltd	1.28	Tata Steel Ltd	3.45	NTPC Ltd	1.77
Marico Ltd	1.04	Bharat Electronics Ltd	1.23	Larsen & Toubro Ltd	3.39	CEAT Ltd	1.41
City Union Bank Ltd	1.01	City Union Bank Ltd	1.23	Coforge Limited	3.38	Karur Vysya Bank Ltd	1.34
Radico Khaitan Ltd	0.98	Bikaji Foods International Ltd	1.21	Ultratech Cement Ltd	2.50	Craftsman Automation Ltd	1.28
Fortis Healthcare Ltd	0.97	CreditAccess Grameen Ltd	1.16	State Bank of India Ltd	2.42	Chalet Hotels Ltd	1.25
Shriram Finance Ltd	0.96	L&T Finance Ltd	1.07	Mankind Pharma Ltd	2.42	Tata Steel Ltd	1.21
Divi's Laboratories Ltd	0.95	Bharti Airtel Ltd	1.06	Max Healthcare Institute Ltd	2.35	Shriram Finance Ltd	1.19

Why We Own What We Own



**USD 4.2 trillion
consumer
spending by 2030
Up from USD 2.4
trillion in 2024**

- 01  **Demographic advantage** *Retail/FMCG*
- 02  **Rising Income** *Hotels/QSR*
- 03  **Urbanization** *Real estate*
- 04  **Digitization/ new-age consumption** *Quick commerce*
- 05  **Easy Credit Availability** *Consumer durables*
- 06  **Premiumization** *Auto*

Policy tailwinds poised to boost consumption



Direct Tax Benefit

- ❖ Under the new tax regime for FY 2025-26, tax on income up to ₹12 lakh is effectively NIL
- ❖ An estimated ₹1 lakh crore benefit is expected to flow to individuals, and this contributes around 0.3% of the GDP

Interest Rate Cuts

- ❖ The RBI has reduced policy rates by about 100 bps over the past year
- ❖ With ₹100 lakh crore in retail loans, this cut translates into potential annual EMI savings of roughly ₹1 lakh crore for households

Revision in GST (i.e., GST 2.0)

- ❖ The shift to a simplified two-slab GST structure of 5% and 18% (from the earlier four slabs of 5%/12%/18%/28%)
- ❖ This is expected to unlock benefits of around ₹1 lakh crore in the hands of individuals

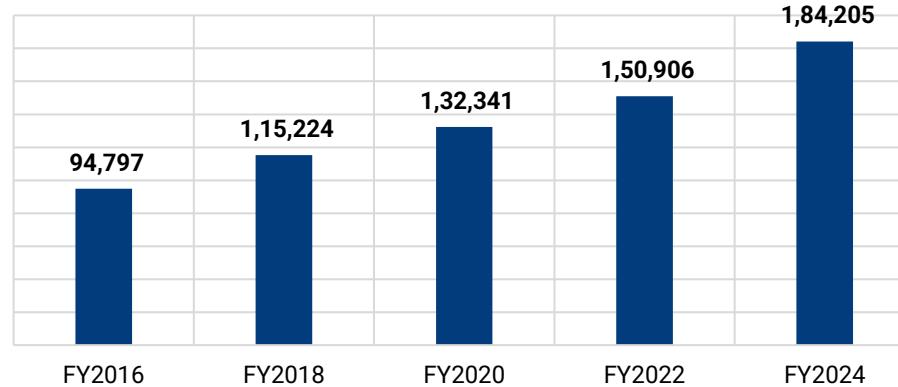
8th Pay Commission

- ❖ Effective January 1, 2026, the change takes effect, benefiting around 11 million people, though the government has yet to announce the percentage increase
- ❖ The impact should be visible in the latter part of CY26

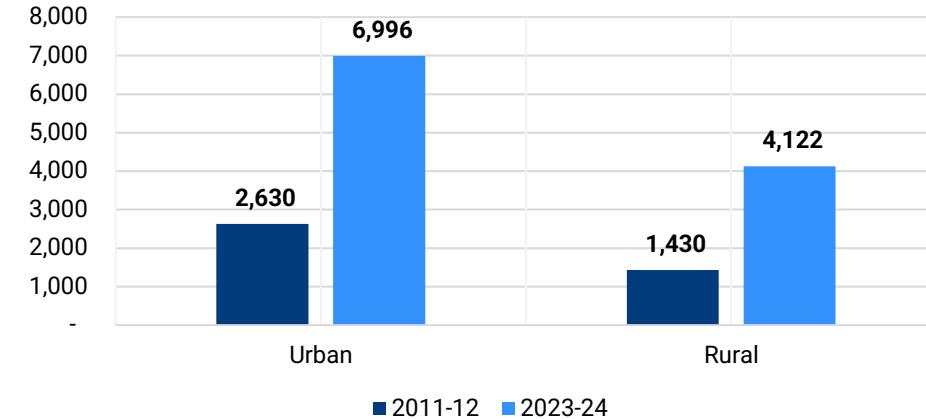
Together, the four measures amount to a benefit of ~₹5.5 lakh crore (~1.6% of GDP), expected to unfold over the next 18–24 months, with some impact already visible

Charts supporting India's Consumption story

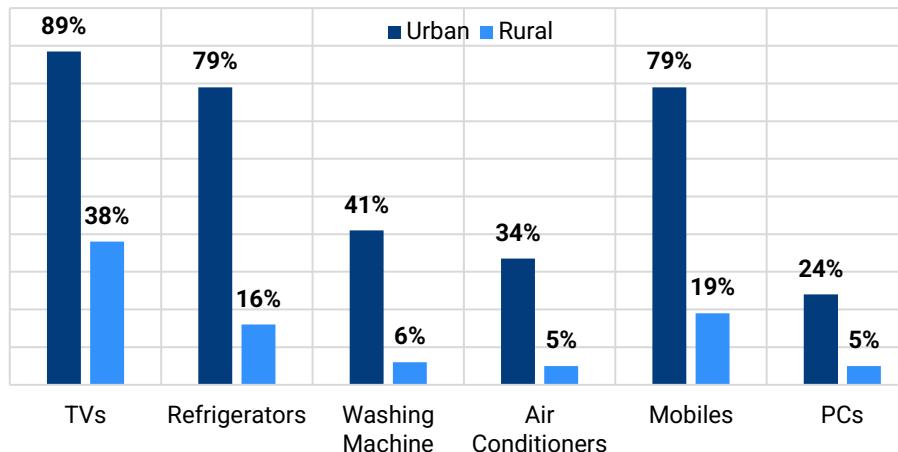
Per Capita Net National Income (INR)* growing at a CAGR of 8.7%



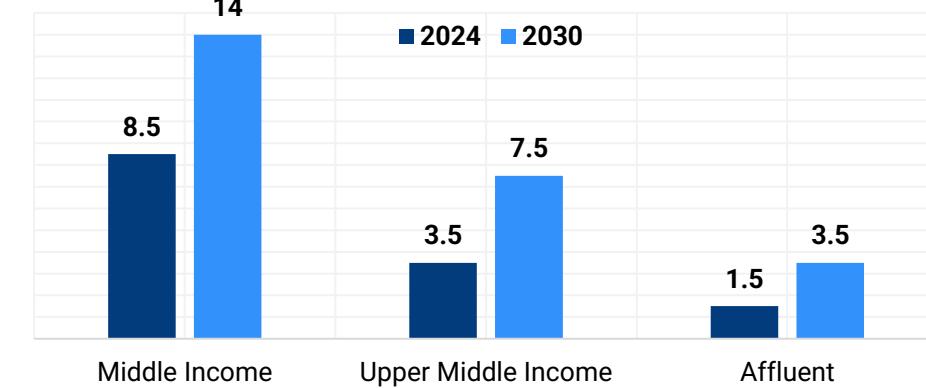
Monthly per capita consumption expenditure in Rs.



Consumer Durables Penetration



Rising middle and upper middle-income groups (Cr.)



Source: Crisil Research, Centrum Broking, Statista, DAM Capital Research, MoSPI. Middle Income- INR 7.5L- 15L, Upper Middle Income- INR 15L-30L, Affluent- >INR 30L.

*Per capita Net National Income at current price considered.

India's Information Technology

Key Drivers and Trends

India's IT industry is set to grow from US\$ 254 bn to US\$ 350 bn by 2026, contributing 10% to the nation's GDP

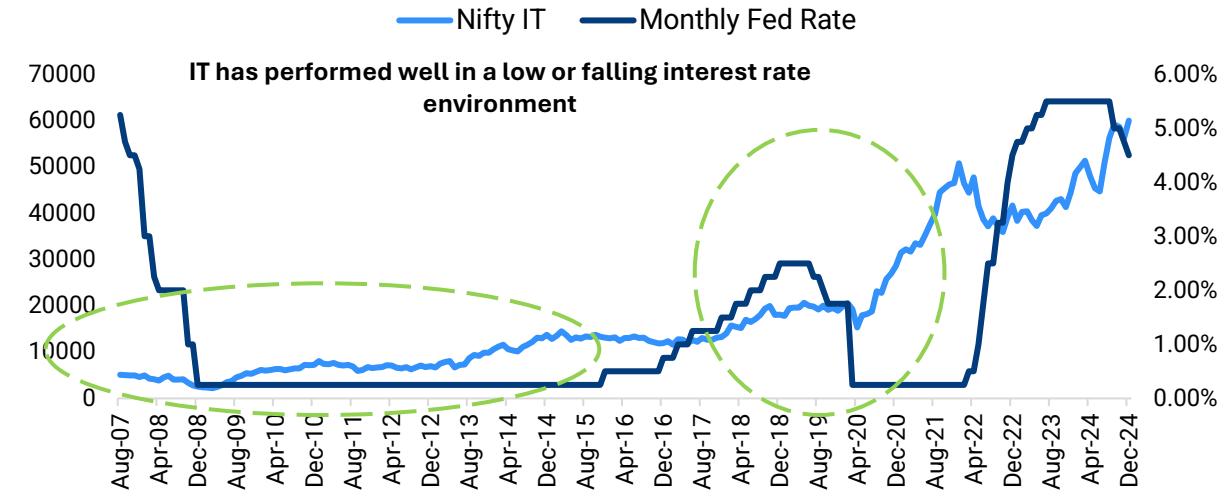
Global spending surpassing US\$ 200bn by 2025 and India's share hitting US\$ 5bn in Cloud services

Rise in India's Global Capability Centers (GCC) market is set to surpass \$100 bn. by 2030, with 2,500 centers and 4.5 mn. professionals

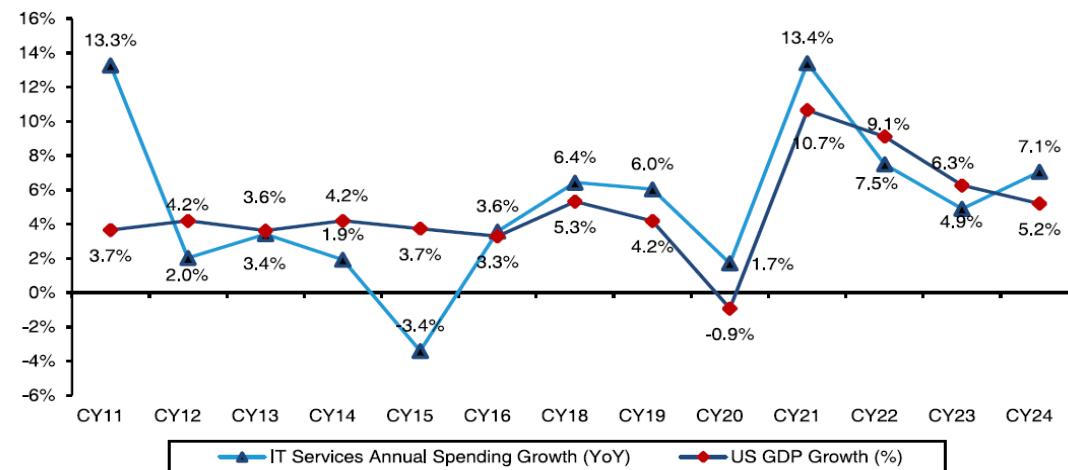
Reduced dependency on H1B Visas from 11% in FY15 to 3% in FY23

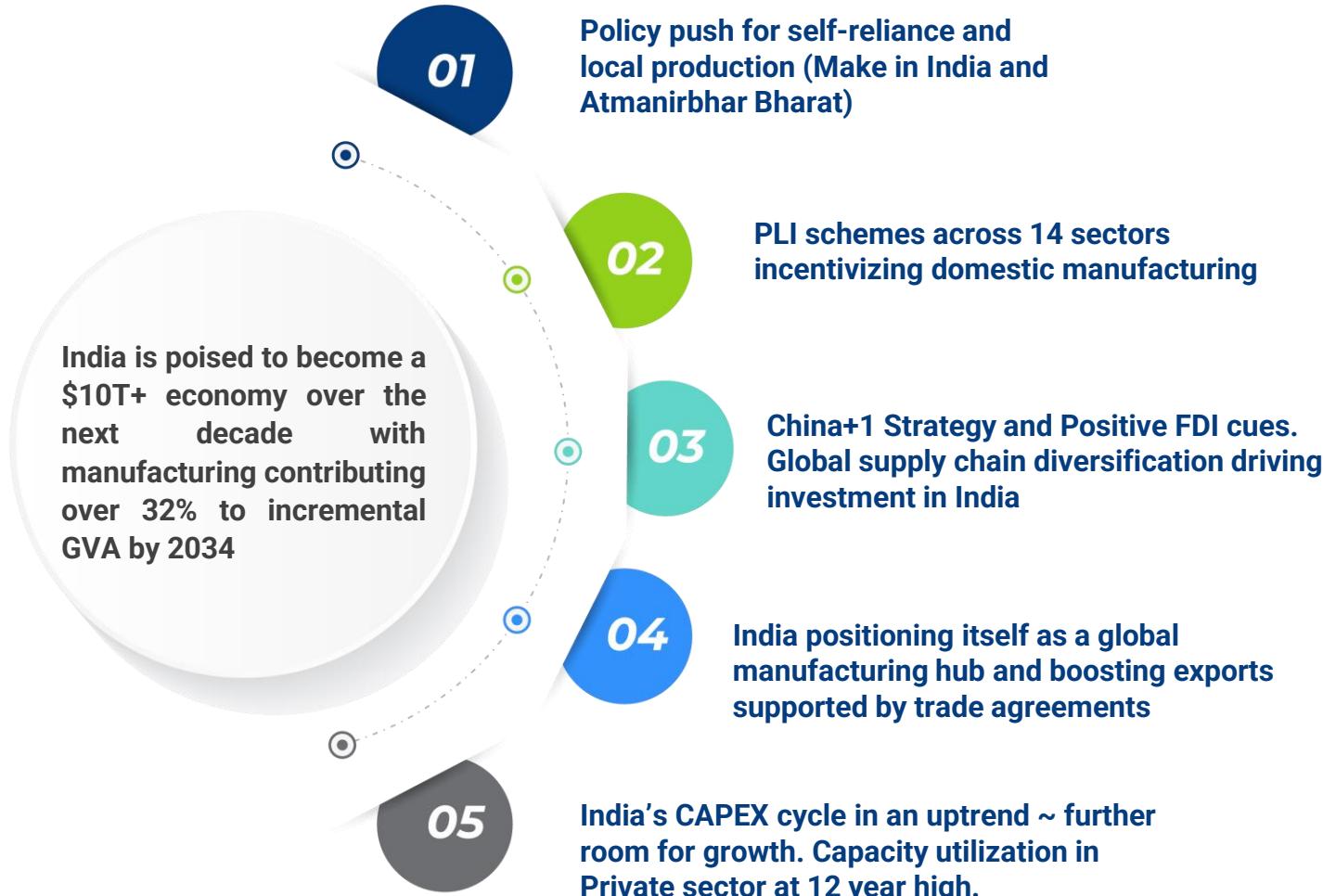
IT export revenue grew from \$59 bn in 2010 to \$199 bn in 2024, with an estimated 20% CAGR to reach \$600 bn by 2030

FED Rate Cuts and Nifty IT

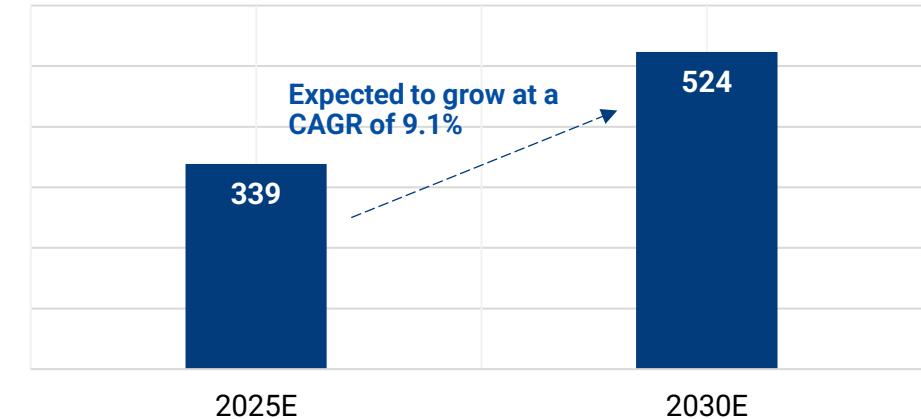


IT Services spending growth vs US GDP Growth (%)

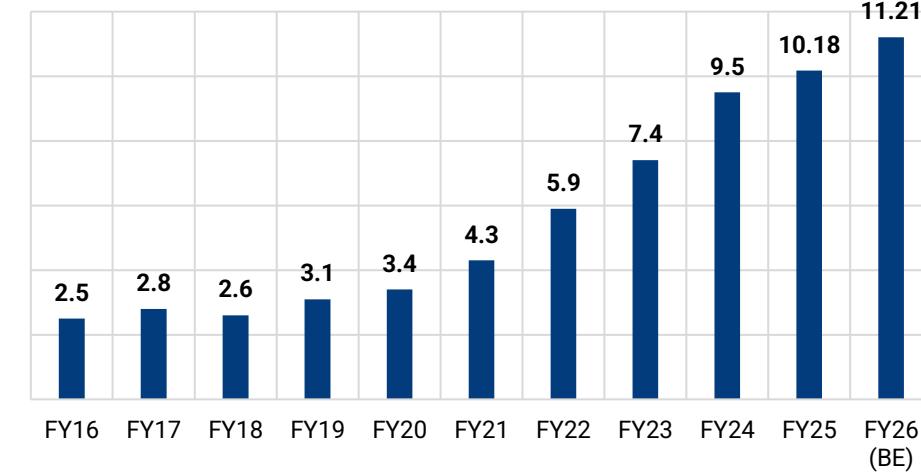




India's Manufacturing Market Size (USD Bn)



Overall infra spends (Rs. Lakh Cr.)



The Union Budget for 2025-26 envisaged an outlay of Rs. 6.81 lakh crore, represents an enhancement of 9.5% over the Budget of 2024-25

Modernization-led CAPEX opportunity

- Capex-driven shift to drones, missiles, radars & submarines; HAL, BDL, BEL leading with strong order books

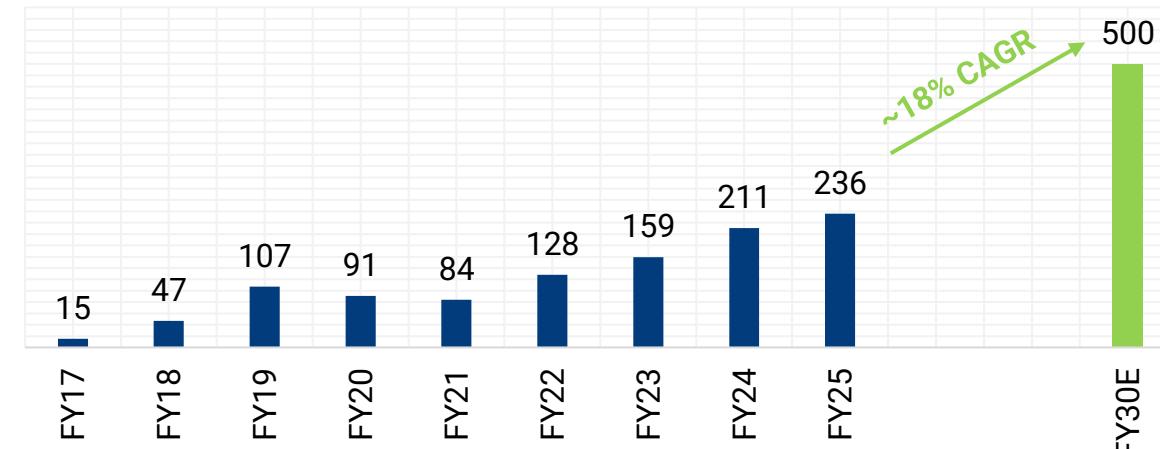
Import Substitution + Export Boost = Make in India success

- Driven by Defence Procurement Policy (DPP), import embargoes, and the Make in India initiative, India is transitioning from a historically import-heavy defence ecosystem to a self-reliant, indigenous manufacturing powerhouse.

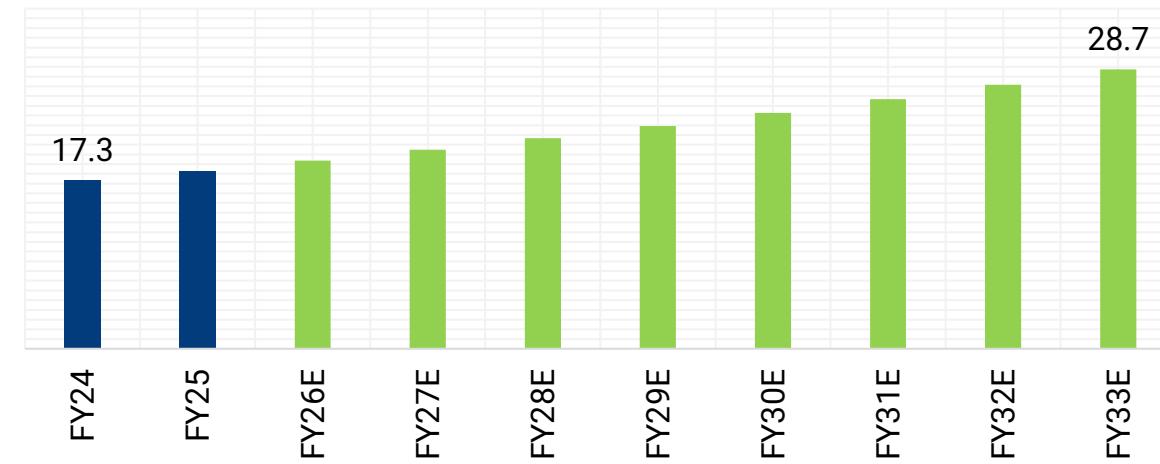
Strong Policy & Strategic Tailwinds

- Localization push via import bans, defence corridors, and incentives; supported by tech tie-ups, private sector entry, and rising strategic relevance amid China-Pakistan threats and Quad dynamics.

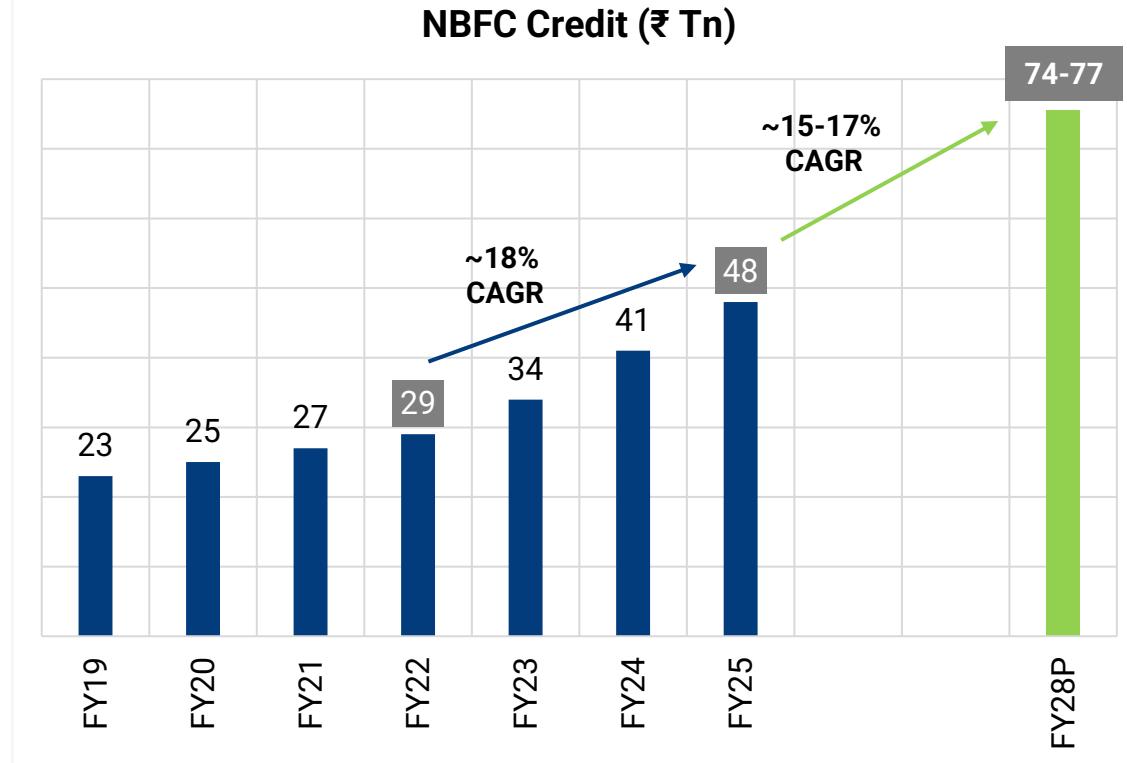
India Defence Exports Trend (in INR bn)



Indian Defence Market Size (in USD bn)



Easy availability of credit score, use of data analytics, product innovation has led to improvement in NBFC customer penetration



Factors to watch out

- 01 Huge under penetration in the unorganized SME & MSME sector
- 02 Retail and consumer finance supported by digital lending
- 03 Easing liquidity and falling interest rates leading to more credit growth
- 04 Evolution of newer business models and products
- 05 Capital positioning of NBFCs remain healthy, with CRAR of 27% (as of FY25), well above min. requirement of 15%
- 06 Better regulatory oversights and pro-active actions

Investment Process



Our philosophy while managing your money



Our **FAIR** investment framework helps in identifying robust and clean businesses available at acceptable prices without being biased toward either value or growth investing styles.



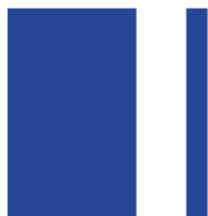
Forensics

Use forensic framework to check accounting quality, board governance standards and ownership background



Acceptable Price

Emphasize reasonably priced businesses with earnings power over the medium term, rather than focusing on the short term



Investment Style Agnostic

Emphasize investing in strong businesses capable of delivering long-term returns, while remaining agnostic to value or growth investing styles



Robustness

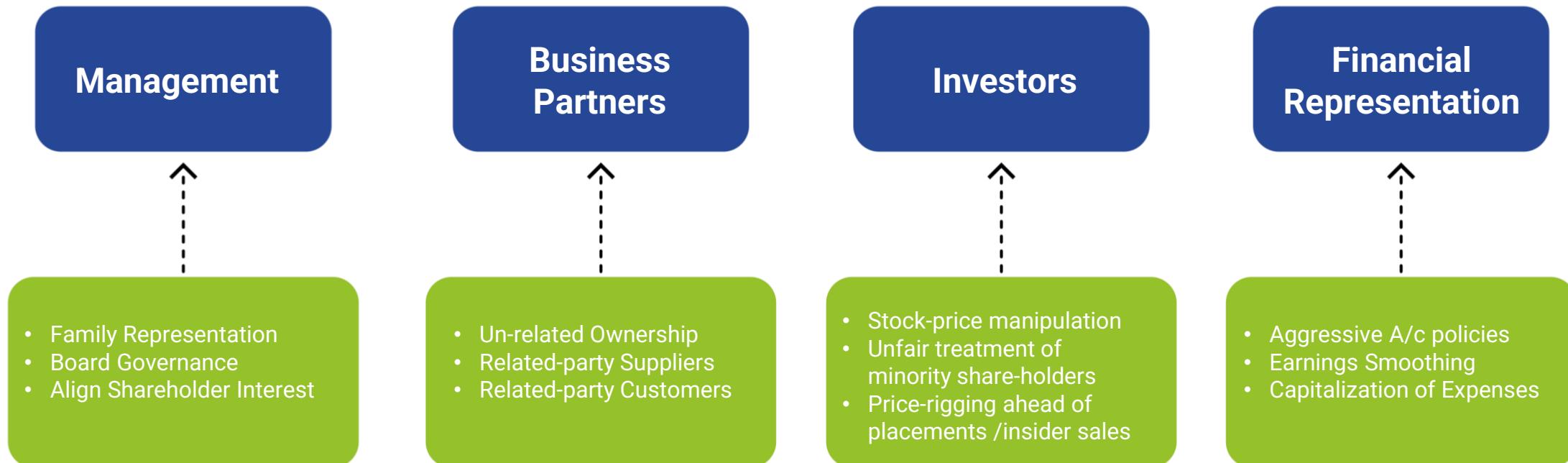
Pick well managed businesses having scalable opportunities and superior return on capital employed

We use a forensic analysis to pick only clean and quality businesses from the available universe

We do forensic analysis in 4 key areas before we like any business

Accounting quality | Board governance | Ownership checks | Management integrity

Forensic Analysis Framework



Focus on reasonably priced businesses with medium term earnings power

Investment Value Analysis Framework

Discounted Investment Value

- * We analyse stocks and categorise them under 3 buckets
 - i. Discounted Value stocks
 - ii. Compounding Value stocks
 - iii. Risk-management stocks – Stocks we own due to their presence in benchmark
- * A combination of Discounted and compounding value makes us Value/Growth style agnostic

Compounding Investment Value

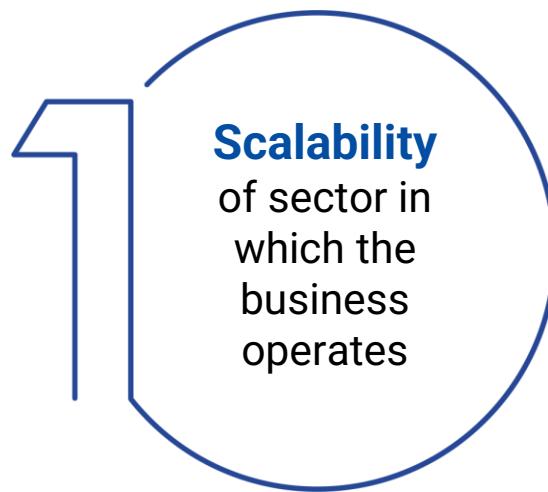
- * We derive discounted value based on % discount compared to intrinsic value of the stock
- * This bucket includes event driven, deep Value and turn-around businesses
- * Current Examples of businesses with static value – SBI and Indian Bank
- * We derive compounded value based on estimated growth in intrinsic value over the next 2 years.
- * This bucket includes consistent compounders that are sector leaders and market share gainers
- * Current Examples of businesses with dynamic value – Titan Company Ltd.

Style agnostic approach is an evergreen way of wealth creation



Pick well managed businesses having scalable opportunities & superior return on capital employed

Qualitative factors:



Quantitative factors:

1. 5-year average core business returns more than 10% to ensure company is earning higher than its cost of capital
2. Current year Sales, EBITDA, PAT should be more than 5-year average Sales, EBITDA, PAT to ensure we leave out de-growing companies
3. Higher cash-flow conversion compared to sector peers over last business cycle

Risk Management at each level of investment process



Risk management is core to our strategy at each level of investment process

**Investment
Process**



**Idea Generation/
Research**



**Portfolio Construction/
Monitoring**



Trading

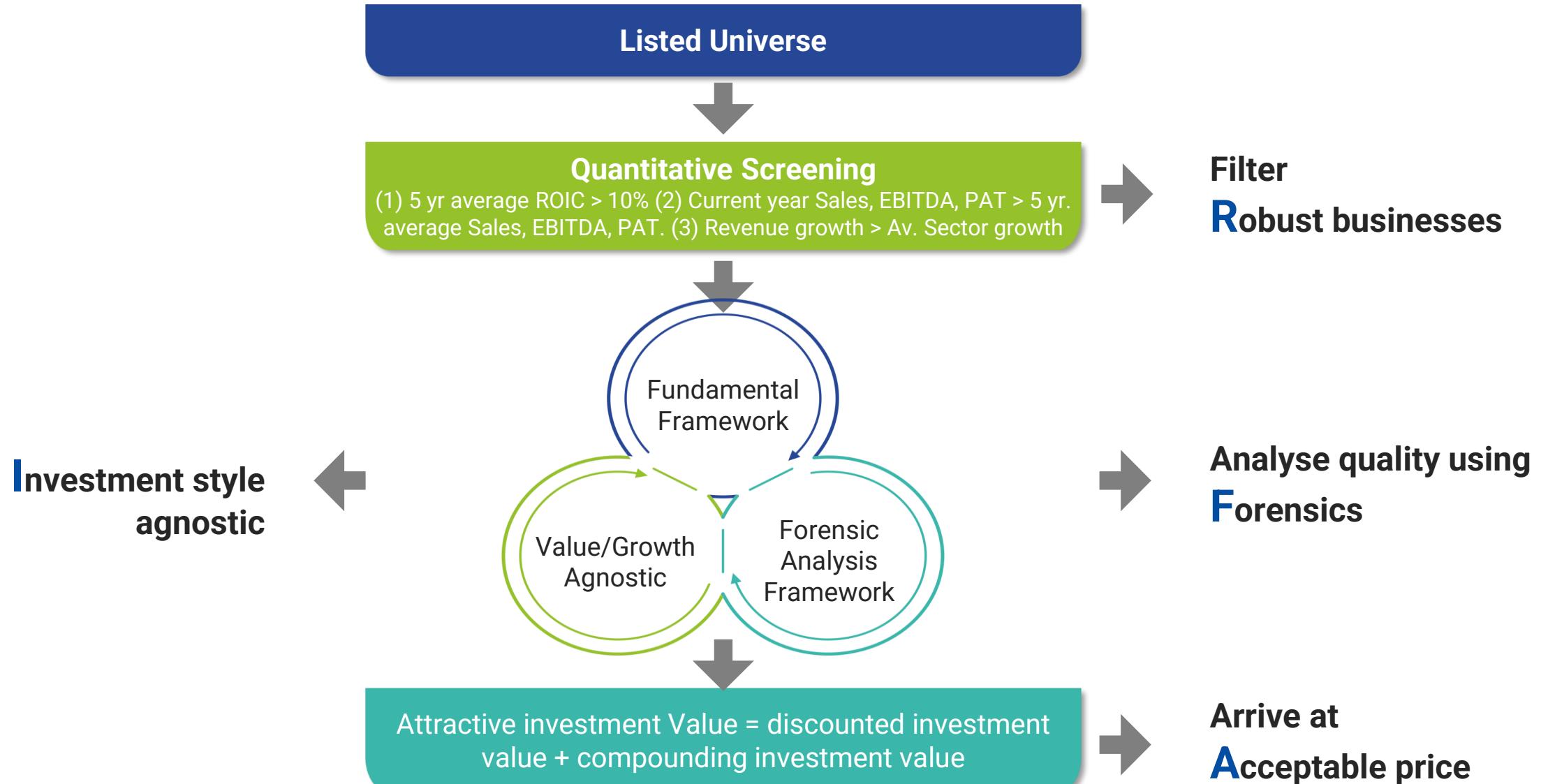
**Risk
Management**

- * Quality
- * Corp. Governance
- * Price
- * Liquidity

- * Reg. Guidelines
- * Sell Discipline
- * Portfolio Risk
- * Residual Macro Bets

- * Best Price Monitoring
- * Liquidity Monitoring

Our investment process



Not doing something is an active call and very important factor in investing

01

Take out-sized sector bets

Earnings of every sector goes through cycles and over longer period it is in-line with broader market earnings. Hence, we avoid out-sized sector bets unless it is mandate of the fund

02

Macro calls

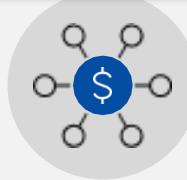
Macro calls may not work all the time given dynamic nature of our markets today compared to what they were in the past

03

Cash-calls

Timing the market is difficult and hence, we keep our portfolios fully invested

Buy/sell discipline



BUY

- * At FAIR estimate of intrinsic value
- * Seeing catalyst/s for a high double-digit upside to the stock price.

SELL

- * At narrowing of discount to full value (Either due to deterioration of fundamentals or rising valuations)
- * Seeing extremely buoyant investor sentiment overriding fundamentals.
- * When Corporate/Management actions violate the stock thesis.

Stock weight/sizing



- * Guided by allocation of risk rather than allocation of money.
- * Based on size of the portfolio and the liquidity of the universe.
- * To achieve balance between return participation and risk control.
- * To space out portfolio to accommodate emerging opportunities.

Fundamental Equity Team



Mr. Trideep Bhattacharya, Chief Investment Officer (CIO) – Fundamental Equities

- * Two decades of experience in equity investing across Indian and Global markets.
- * PGDBM in Finance from SP Jain Institute of Management & Research, Mumbai and B.Tech in Electrical Engineering from IIT, Kharagpur.

Fund Management Team



Mr. Ashwani Kumar Agarwalla
Fund Manager



Mr. Sumanta Khan
Fund Manager



Mr. Dhruv Bhatia
Fund Manager

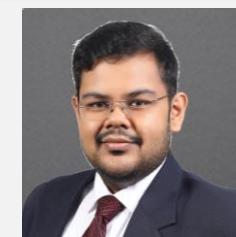


Mr. Raj Koradia
Asst. Fund Manager

Centralized Research Team



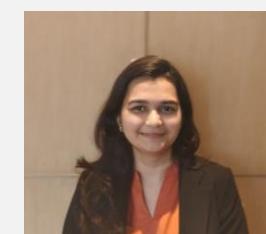
Mr. Aniruddha Kekatpure
Head - Research



Mr. Mehul Dalmia
Research Analyst



Mr. Ashish Sood
Research Analyst



Ms. Tejal Nagmoti
Research Analyst



Mr. Gnyan Thaker
Research Analyst

Fixed Income Investment Team



Mr. Dhawal Dalal Chief Investment Officer (CIO), Fixed Income

- * Experience of 28 years and is responsible for the overall growth of fixed income assets through a healthy mix of retail and institutional clients.
- * MBA from University of Dallas (USA)

Fund Management Team



Mr. Kedar Karnik
Senior Fund Manager



Mr. Rahul Dedhia
Fund Manager



Ms. Pranavi Kulkarni
Fund Manager & Credit Analyst



Mr. Hetul Raval
Dealer and Fund Manager



Ms. Riya Shah
Analyst and Junior Dealer

Factor Investing team



Mr. Bhavesh Jain
Co-Head- Factor investing

Over 17 years of rich experience in the financial markets. He joined in the Low-Risk Trading team and today, he's the Fund Manager with us managing several funds which are part of Risk Adjusted Returns Strategies in addition to ETFs.



Mr. Bharat Lahoti
Co-Head- Factor investing

Bharat has over 18 years of experience in areas of portfolio management, macro and sector research. He has earlier worked with marquee investment banks and asset management companies. In his last assignment, he was with a global hedge fund, as a senior manager working on fundamental and quantitative research ideas.

Fund Management Team



Mr. Dishant Garg
(Quant Analyst)



Ms. Manasi Jalgaonkar
(Research Analyst)



Mr. Mayan Pahwa
(Research Analyst)

INSIGHTS THAT INSPIRE ACTION

TEMPO CURVE

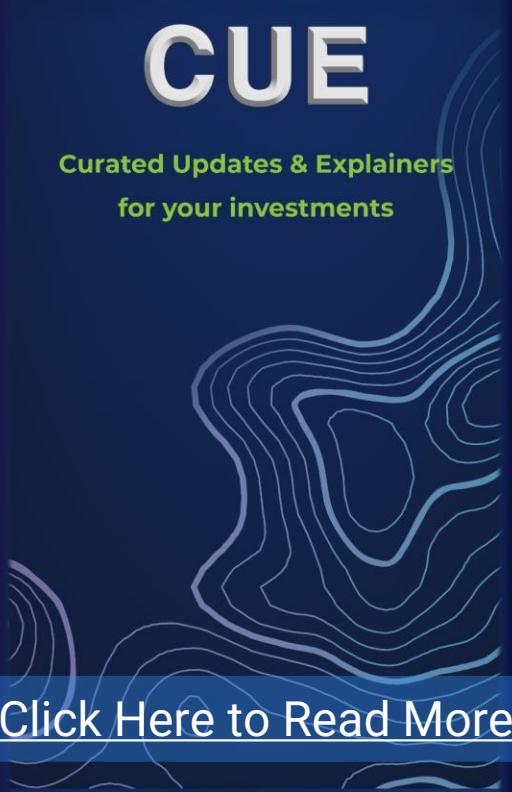
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