

TEMPO

Trends | Economy | Markets | Performance | 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.

What we think about 2026

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

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.

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

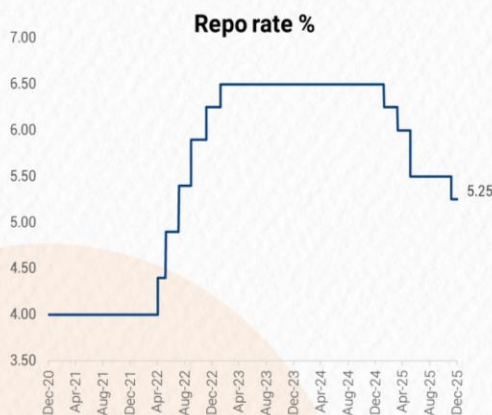
We expect bullishness in government securities (IGBs) to continue in 2025 as growth will take precedence over inflation.

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.

RBI rate cycle in 2026

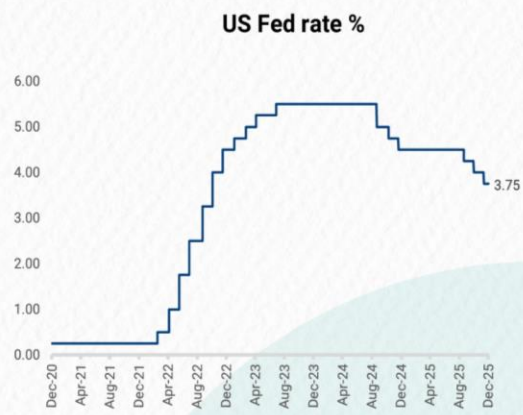
RBI has room for 1 rate cut. We expect RBI to use it judiciously.



Source: Bloomberg. Data as on 30th December 2025

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 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.



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.

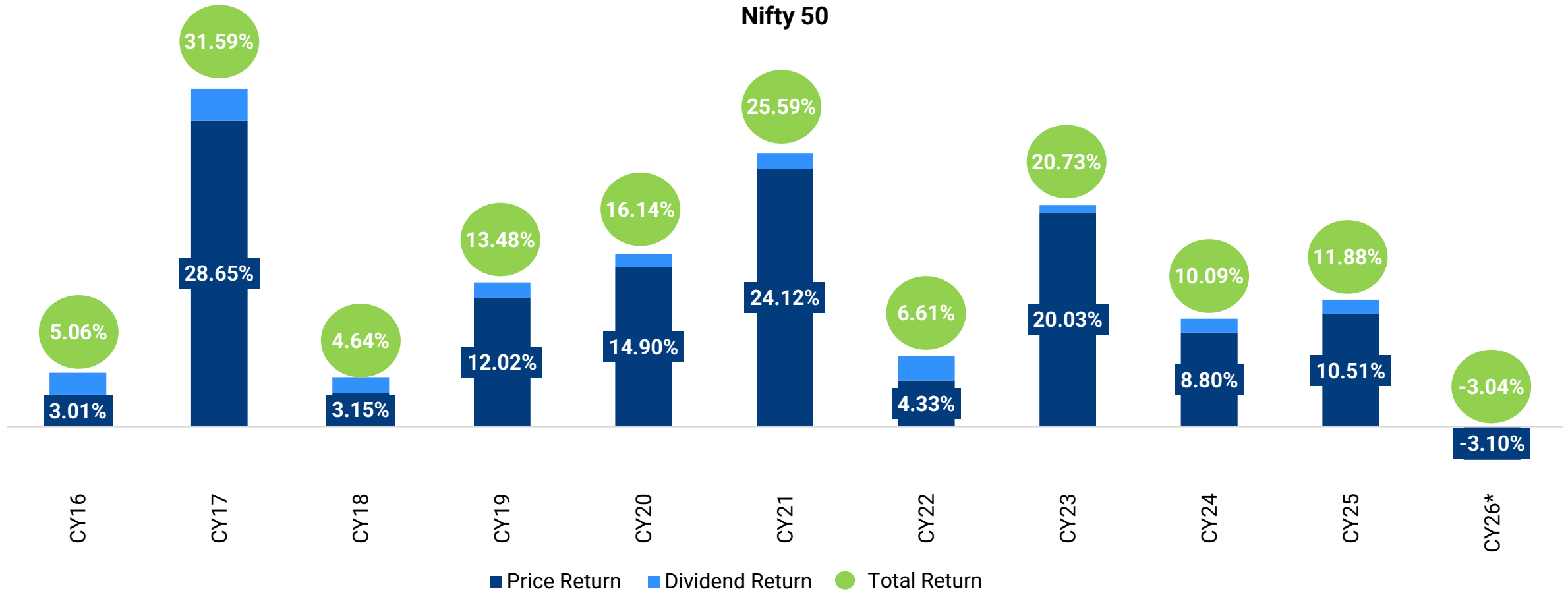


Key factors and their attributes

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%



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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	6,939	21.9	15.2	4.7	2.4	21.5	1.2%	1.4%	11.2%	14.9%
	USA	Nasdaq	23,462	26.5	18.5	5.4	2.4	20.3	1.0%	-1.1%	13.6%	19.5%
	Europe	STOXX 600	611	15.5	13.2	2.2	1.6	13.9	2.5%	6.8%	14.0%	13.2%
	UK	FTSE 100	10,224	13.8	12.5	2.1	1.7	15.4	2.7%	5.2%	12.7%	17.9%
	Germany	DAX	24,539	15.5	12.0	1.9	1.4	12.0	-1.6%	2.4%	4.8%	12.9%
	France	CAC 40	8,127	15.2	12.5	1.9	1.3	12.3	-0.8%	0.1%	7.7%	2.2%
	Japan	Topix	53,323	23.0	16.7	2.4	1.4	10.4	5.9%	1.7%	30.7%	34.7%
	Australia	ASX 200	8,869	18.1	14.2	2.2	1.8	12.3	1.6%	-0.1%	2.4%	3.9%
	Singapore	STI Index	4,905	14.9	13.3	1.6	1.3	10.6	5.3%	10.8%	18.1%	27.2%
	Hong Kong	Hang Seng	27,387	11.9	10.8	1.3	1.2	11.0	4.0%	5.7%	11.7%	35.4%
Emerging Market	India	Sensex	80,723	20.2	15.7	3.0	2.5	14.9	-5.2%	-3.8%	0.2%	4.2%
	China	Shanghai Composite	4,118	13.9	11.2	1.4	1.5	9.9	3.8%	4.1%	15.7%	26.7%
	Brazil	Bovespa	1,81,364	10.5	11.5	1.5	1.4	13.8	13.0%	21.3%	36.9%	43.8%
	Korea	KOSPI	5,224	9.6	9.5	1.6	1.0	16.1	21.2%	27.2%	67.5%	107.5%
	Mexico	IPC	67,599	13.2	16.3	2.3	2.4	17.1	5.0%	7.5%	17.8%	29.9%
	Philippines	PCOMP	6,329	9.3	16.2	1.2	2.2	12.5	3.2%	6.7%	0.4%	8.0%
	Turkey	XU100	13,838	4.1	8.6		1.2	0.4	20.3%	26.1%	28.8%	38.3%
	Thailand	SET	1,326	13.7		1.2		9.1	5.2%	1.2%	8.8%	0.8%
	Vietnam	VN30	2,030	12.0	11.0	1.9	1.8	15.5	-0.4%	7.7%	25.8%	51.8%
	Indonesia	JCI	8,330	13.1	14.7	1.7	2.5	13.2	-4.8%	2.0%	10.5%	17.2%

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	20%	4	13%	1	15%	2	12%	2	12%	2	9%	2
USA	Nasdaq	27%	1	12%	3	18%	1	15%	1	16%	1	12%	1
Europe	STOXX 600	14%	9	9%	10	9%	7	6%	8	4%	8	3%	13
UK	FTSE 100	13%	10	10%	8	6%	13	5%	13	3%	11	2%	18
Germany	DAX	21%	3	12%	4	12%	3	9%	4	8%	3	8%	3
France	CAC 40	8%	12	8%	11	8%	9	7%	7	4%	9	2%	16
Japan	Topix	15%	7	6%	14	7%	11	5%	11	5%	6	2%	17
Australia	ASX 200	5%	17	4%	15	6%	15	4%	14	2%	14	3%	15
Singapore	STI Index	14%	8	12%	5	7%	10	6%	9	3%	10	5%	7
Hong Kong	Hang Seng	8%	13	-1%	18	0%	18	2%	18	1%	18	3%	14
India	Sensex	7%	14	7%	12	9%	6	8%	5	5%	5	7%	4
China	Shanghai Composite	7%	15	2%	17	6%	14	3%	16	2%	12	7%	5
Brazil	Bovespa	16%	6	10%	7	4%	16	5%	12	-1%	19	4%	12
Korea	KOSPI	22%	2	6%	13	9%	5	7%	6	4%	7	5%	9
Mexico	IPC	10%	11	13%	2	8%	8	6%	10	2%	16	4%	11
Philippines	PCOMP	-6%	19	-5%	20	-5%	20	-3%	20	1%	17	5%	8
Turkey	XU100	5%	16	10%	9	7%	12	3%	15	-1%	20	0%	19
Thailand	SET	-6%	20	-3%	19	-3%	19	-1%	19	2%	13	4%	10
Vietnam	VN30	18%	5	11%	6	11%	4	11%	3	7%	4	-	-
Indonesia	JCI	3%	18	4%	16	1%	17	2%	17	2%	15	7%	6

Indian equity markets at a glance

Market cap and Sector performance – Trailing period

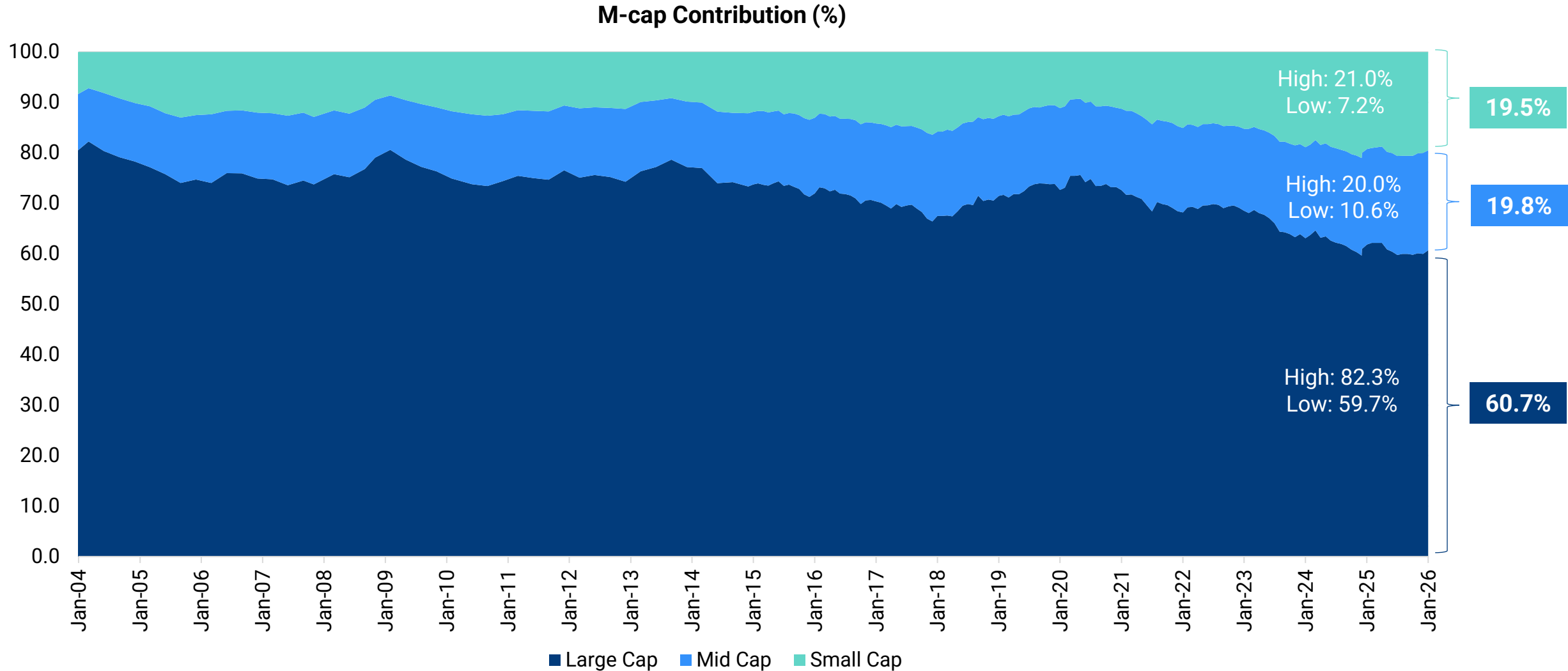
	Segment	Absolute Performance (%)				CAGR (%)		
		1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Market-cap	Large-cap (NIFTY 50)	-3.04%	-1.45%	2.64%	8.97%	14.08%	14.54%	14.24%
	Large-cap (NIFTY Next 50)	-2.17%	-2.78%	1.47%	8.39%	20.94%	17.34%	15.14%
	Large-cap (NIFTY 100)	-2.90%	-1.67%	2.45%	8.89%	14.99%	14.80%	14.32%
	Midcap (NIFTY Midcap 150)	-3.50%	-2.41%	0.85%	8.90%	23.55%	23.10%	18.76%
	Large & Midcap (NIFTY Large Midcap 250)	-3.20%	-2.04%	1.65%	8.98%	19.34%	19.01%	16.65%
	Small-cap (NIFTY Smallcap 250)	-5.50%	-8.88%	-7.77%	0.01%	20.14%	21.66%	15.30%
	Multicap (NIFTY 500)	-3.27%	-2.56%	1.08%	7.98%	16.72%	16.54%	15.06%
	Micro-cap (NIFTY Microcap250)	-5.66%	-10.54%	-10.93%	-6.03%	25.69%	30.29%	19.32%
Themes/Sector	Auto (NIFTY AUTO)	-5.10%	-0.19%	13.48%	18.06%	27.18%	23.36%	14.57%
	Banks (NIFTY Bank)	0.05%	3.17%	6.75%	21.17%	14.56%	15.14%	15.10%
	Commodities (NIFTY Commodities)	1.42%	2.68%	10.88%	20.39%	20.18%	22.62%	17.41%
	Consumption (NIFTY India Consumption)	-6.66%	-7.55%	-2.07%	4.20%	17.10%	15.79%	14.40%
	Energy (NIFTY Energy)	-0.52%	-2.96%	0.81%	4.94%	15.40%	18.89%	17.54%
	Healthcare (NIFTY Healthcare)	-5.10%	-5.44%	-6.59%	1.34%	21.79%	14.92%	8.81%
	Infrastructure (NIFTY Infrastructure)	-4.81%	-4.20%	1.26%	10.54%	22.81%	21.31%	15.77%
	Information Technology (NIFTY IT)	0.89%	7.06%	9.10%	-8.74%	10.91%	11.35%	15.30%
	Manufacturing (NIFTY India Manufacturing)	-2.30%	-1.29%	6.05%	13.90%	22.84%	21.72%	15.46%
	Oil & Gas (NIFTY Oil & Gas)	-3.59%	-1.56%	5.20%	12.57%	16.80%	18.68%	17.21%
	Pharma (NIFTY Pharma)	-4.44%	-2.06%	-4.57%	1.98%	21.57%	13.11%	7.05%
	Realty (NIFTY Realty)	-10.80%	-17.35%	-14.07%	-14.73%	24.32%	21.08%	18.19%
	Transportation (NIFTY Transportation & Logistics)	-5.24%	-4.37%	4.82%	15.28%	26.46%	23.42%	15.96%

Indian equity markets at a glance

Factor performance – Trailing period

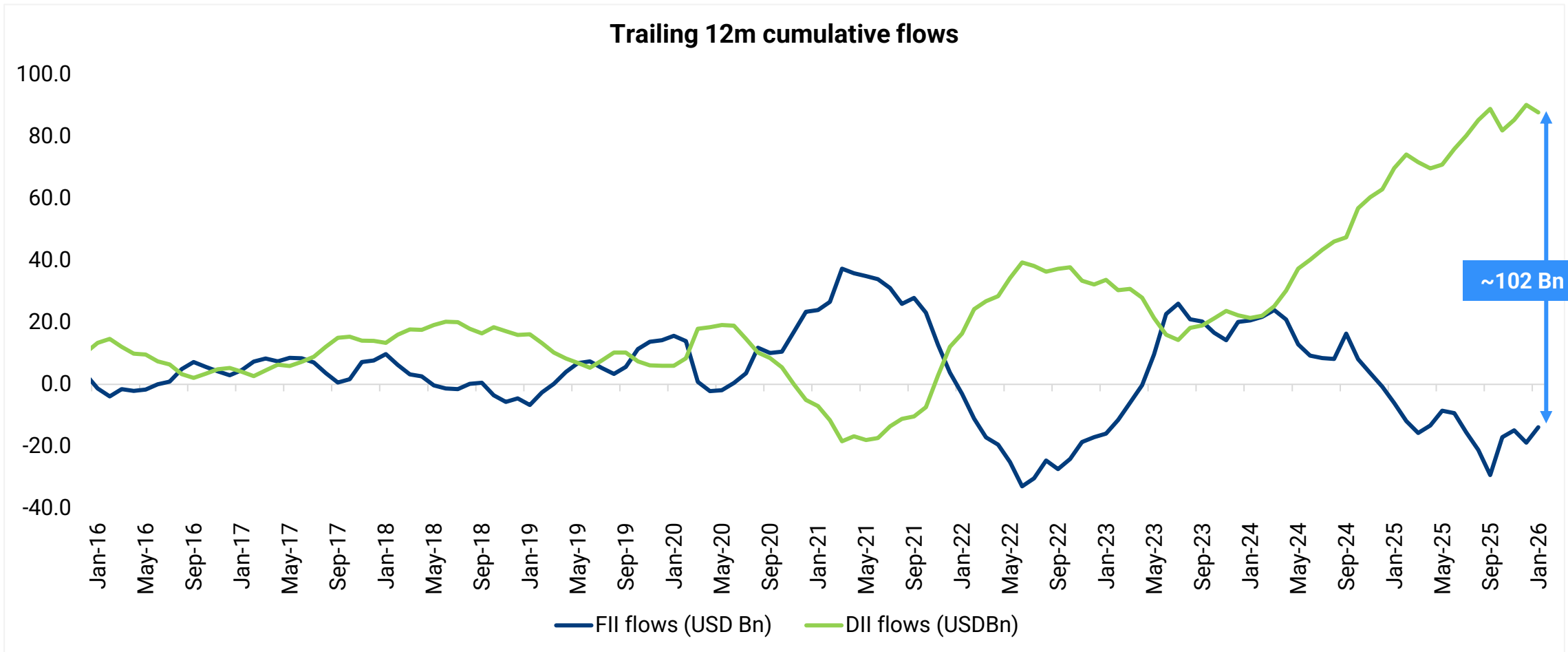
	Segment	Absolute Performance (%)				CAGR (%)		
		1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Single Factor	Value (NIFTY 50 Value 20 Index)	-0.21%	2.42%	6.51%	1.99%	14.50%	16.40%	16.84%
	Quality (NIFTY 100 Quality 30 Index)	-0.79%	1.49%	6.11%	6.56%	16.21%	14.02%	12.83%
	Low Vol (NIFTY 100 Low Vol 30 Index)	-3.16%	-0.85%	2.66%	7.27%	17.26%	15.51%	14.87%
	Alpha (NIFTY 100 Alpha 30)	-2.94%	-5.30%	-2.97%	3.29%	17.33%	15.96%	16.79%
	Alpha (NIFTY 200 Alpha30)	-2.33%	-3.46%	-1.85%	4.88%	24.82%	22.73%	20.46%
	Momentum (NIFTY 200 Momentum30)	-2.63%	-3.54%	0.46%	3.20%	18.62%	19.15%	18.65%
	Quality (NIFTY 200 Quality30)	-1.76%	-0.13%	4.68%	4.17%	15.95%	13.63%	14.00%
	Value (NIFTY 200 Value30)	3.38%	7.77%	19.55%	28.14%	35.48%	36.14%	21.06%
	Momentum (NIFTY Midcap150 Momentum50)	-2.24%	-2.20%	-1.04%	6.31%	25.18%	27.91%	22.02%
	Quality (NIFTY Midcap150 Quality50)	-3.86%	-4.24%	-5.15%	1.07%	14.26%	13.41%	15.18%
	Quality (NIFTY Smallcap250 Quality50)	-5.35%	-9.14%	-10.20%	-4.22%	17.70%	21.48%	17.10%
	Momentum (NIFTY500 Momentum 50)	-3.65%	-5.03%	-2.17%	2.36%	20.25%	22.44%	19.17%
	Value (NIFTY500 Value 50)	2.81%	5.72%	16.07%	22.69%	32.58%	34.88%	20.48%
Multi- Factor	Alpha Low Vol (NIFTY Alpha Low Vol 30)	-2.88%	-1.84%	-0.18%	1.64%	17.38%	15.72%	15.53%
	Quality Low Vol (NIFTY Quality Low Vol 30)	-3.54%	-1.95%	1.19%	2.02%	13.19%	12.33%	12.22%
	Momentum Quality (NIFTY500 Multicap Momentum Quality 50)	-1.63%	-4.57%	-1.18%	1.11%	21.46%	19.68%	18.25%
	Momentum Quality (NIFTY MidSmallcap 400 Momentum Quality 100)	-1.53%	-3.80%	-3.34%	2.03%	20.64%	20.83%	18.49%
	Momentum Quality (NIFTY Smallcap 250 Momentum Quality 100)	-4.29%	-8.27%	-7.53%	-2.85%	15.93%	19.44%	17.80%

Trends in % share to total M-cap



Trends in FII & DII flows

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



Restructuring of FIIs/DIIs ownership

Foreign/Domestic investors appear to be selectively reallocating portfolios, trimming large-cap exposure while adding to mid- and small-cap segments, with exposure in midcaps reaching to multi-year high

FIIs Holding (incl. ADR & GDR)	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
NSE Midcap 150	14.70%	15.00%	15.60%	15.40%	15.10%	14.50%	14.80%	15.40%	15.70%	15.40%	15.90%	16.10%	16.40%
NSE Smallcap 250	13.80%	14.30%	14.50%	13.90%	14.00%	12.90%	13.10%	13.40%	14.10%	14.20%	14.70%	14.30%	14.20%
Nifty 50	26.50%	26.50%	25.30%	26.20%	26.10%	25.50%	25.30%	25.40%	25.20%	25.20%	25.80%	25.60%	25.50%

DIIs Holding (incl. MF & Insurance)	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
NSE Midcap 150	15.30%	16.00%	16.00%	16.10%	16.40%	16.00%	16.40%	16.70%	16.40%	16.30%	16.20%	16.60%	17.30%
NSE Smallcap 250	11.80%	12.50%	13.00%	12.80%	13.20%	12.30%	12.70%	13.60%	15.00%	14.60%	13.90%	14.50%	14.60%
Nifty 50	15.70%	15.60%	16.80%	16.60%	17.10%	16.90%	16.70%	15.80%	15.80%	15.80%	15.60%	16.00%	16.00%

Equity flows

FPI Flows (USD Mn)

Months	India	Brazil	Indonesia	Malaysia	Philippines	S.Korea	Taiwan	Thailand	Vietnam
FYTD*	(9,302)	7,150	545	(2,628)	(449)	2,743	13,557	(1,789)	(3,987)
Apr-25	1,271	25	(1,233)	(417)	(54)	(6,955)	(170)	(432)	(512)
May-25	1,738	1,873	337	237	(259)	887	7,567	(488)	18
Jun-25	2,373	970	(511)	(305)	(72)	2,009	4,963	(244)	(44)
Jul-25	(2,852)	(1,141)	(511)	(221)	(29)	4,517	8,274	499	298
Aug-25	(4,314)	221	676	(813)	(74)	(1,060)	(2,246)	(670)	(1,543)
Sep-25	(2,132)	994	(235)	19	46	5,105	7,335	(373)	(937)
Oct-25	1,255	(228)	782	(647)	(100)	4,207	(2,588)	(136)	(842)
Nov-25	40	408	730	(271)	78	(9,735)	(11,047)	(386)	(266)
Dec-25	(2,633)	(55)	732	(502)	(210)	1,849	(1,599)	191	80
Jan-26	(4,048)	4,083	(222)	292	225	1,919	3,068	250	(239)

FPI & DII Flows in India (USD Mn)

Months	FPI (India)	DII (India)
FYTD*	(9,302)	75,834
Apr-25	1,271	3,286
May-25	1,738	7,924
Jun-25	2,373	8,463
Jul-25	(2,852)	7,048
Aug-25	(4,314)	10,822
Sep-25	(2,132)	7,396
Oct-25	1,255	5,972
Nov-25	40	8,675
Dec-25	(2,633)	8,853
Jan-26	(4,048)	7,395

- * **Jan-26 marked an outflow from the Indian market** for the second consecutive month.
- * Malaysia, Philippines, South Korea, and Thailand witnessed inflow in Jan-26, while Indonesia had outflow after three months of inflows.
- * **DII's continued to maintain their leadership in market flows**, with cumulative inflow of ~\$75,834 Mn. in FY26TD.

Trends in the Commodity market

	Current Rate	1M	3M	6M	1Y
Gold (USD/oz)	4,894	13.3%	22.3%	48.8%	74.9%
Silver (USD/oz)	85	18.9%	75.0%	132.1%	172.2%
Brent Crude (USD/bbl)	73	16.5%	11.5%	-1.3%	-5.5%
Aluminium (USD/ton)	3,117	5.0%	8.3%	20.0%	20.3%
Copper (USD/ton)	13,068	4.9%	20.2%	35.4%	46.4%
Lead (USD/ton)	1,963	-0.2%	-1.4%	0.4%	2.6%
Zinc (USD/ton)	3,394	10.1%	8.0%	21.9%	26.1%

Key Highlights

- * While **Gold and Silver** saw a sharp correction in Jan-26, they continued to post low double-digit returns overall
- * **Crude oil prices moved higher in Jan-26**, driven by tight supply conditions and elevated geopolitical tensions.
- * **Broad-based strength was seen in base metals**, with copper, zinc, and aluminum posting gains across periods over the past year.

Trends in the Forex market

Performance of currencies against the USD

	1M	3M	6M	1Y	Currency Rate
INR	-2.64%	-3.50%	-4.77%	-5.84%	91.11 (USDINR)
Euro	2.08%	2.72%	3.82%	14.37%	0.84 (USDEURO)
GBP	3.58%	4.06%	3.63%	10.42%	0.73 (USDGBP)
JPY	0.44%	-0.51%	-2.60%	0.26%	154.78 (USDJPY)
CNY	0.46%	2.34%	3.50%	4.14%	6.96 (USDCNY)
DXY	-2.44%	-2.82%	-2.98%	-10.50%	96.99
CAD	2.83%	2.91%	1.79%	6.82%	1.36 (USDCAD)
AUD	6.42%	6.40%	8.39%	12.00%	1.44 (USDAUD)
CHF	4.09%	4.08%	5.08%	17.84%	0.77 (USDCHF)

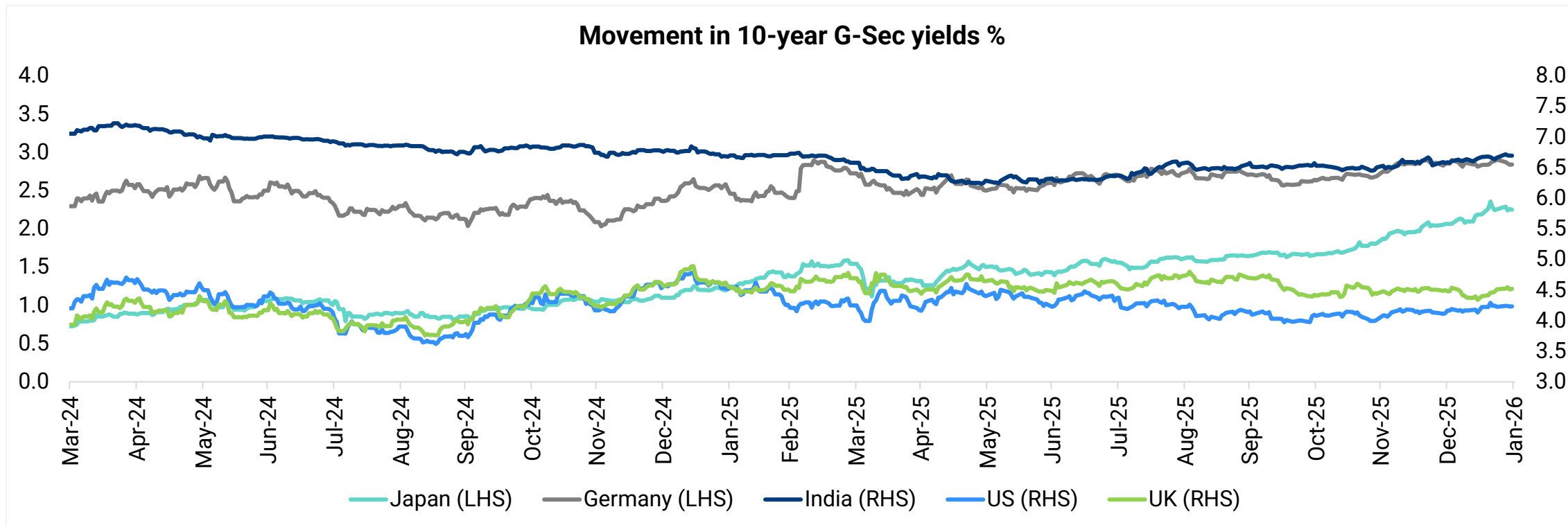
Key Highlights

- * **INR continues to weaken against USD** and has weakened across periods in the last 1 year.
- * The **Dollar Index continued to slip** in Jan-26 as well.
- * The **Australian Dollar and Swiss Franc appreciated the most in Jan-26**, while the Japanese Yen was the sole currency to appreciate in the previous month.

Source: Bloomberg. Data as on 30th January, 2026.

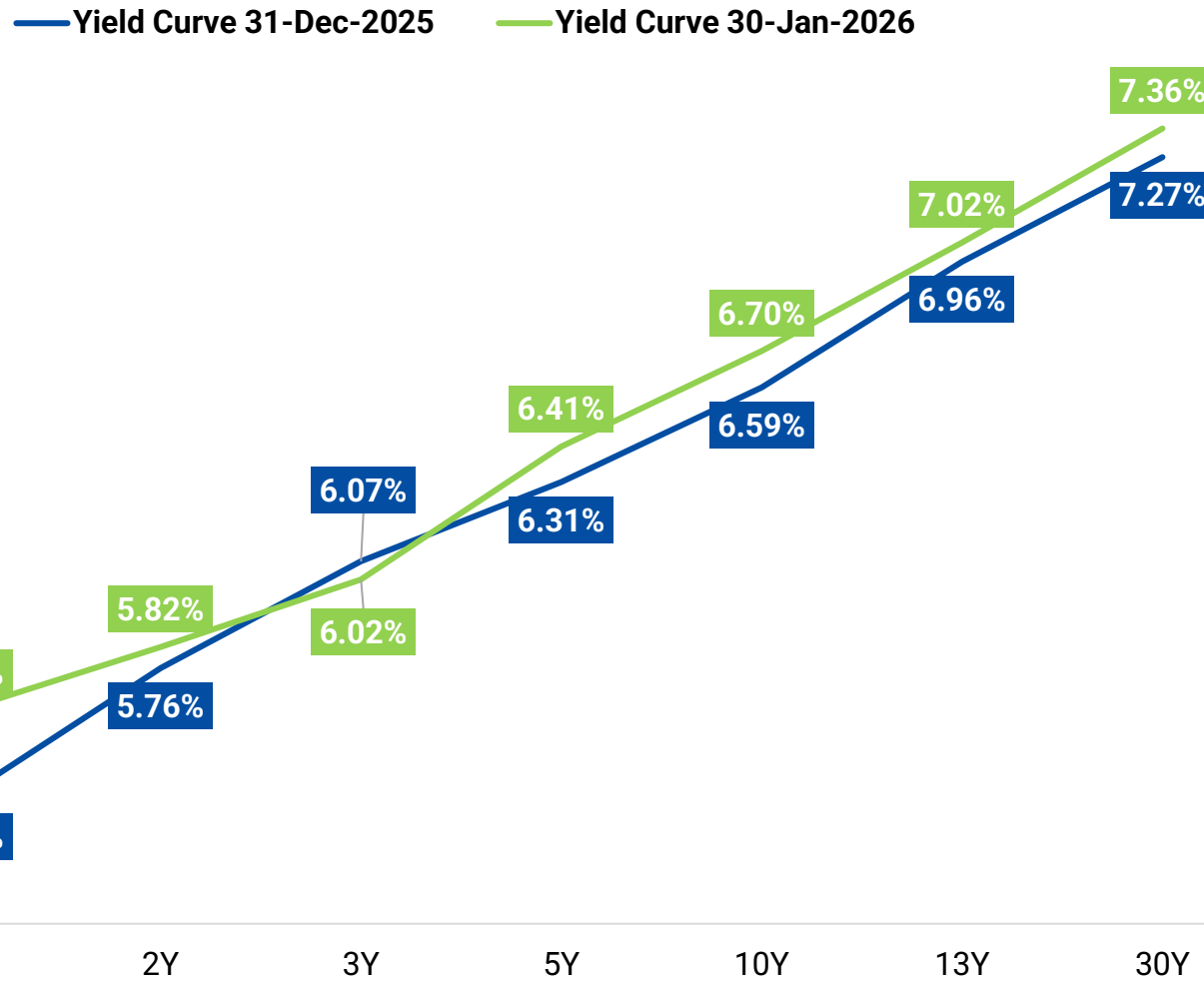
GBP-Great Britain Pound, JPY-Japanese Yen, CNY-Chinese Yuan. DXY-US Dollar Index, CAD-Canadian Dollar, AUD-Australian Dollar, CHF-Swiss Franc

Tracking the 10-year G-sec yields



	India	US	Japan	UK	Germany
Current YTM	6.70%	4.24%	2.25%	4.52%	2.84%
M-o-M (bps)	10.80	6.85	18.60	4.30	(1.20)
Q-o-Q (bps)	16.40	15.80	58.30	11.30	21.00
Y-o-Y (bps)	(0.40)	(30.32)	100.70	(1.60)	38.30

Tracking India's yield curve



Key Highlights

- * Yields edged higher across the curve, rising by 6–26 bps at the short-end and 6–21 bps at the long-end.
- * Market sentiment weakened amid higher borrowings, with bond market participants pricing in a further uptick in yields due to an adverse demand–supply outlook for government bonds in FY27.

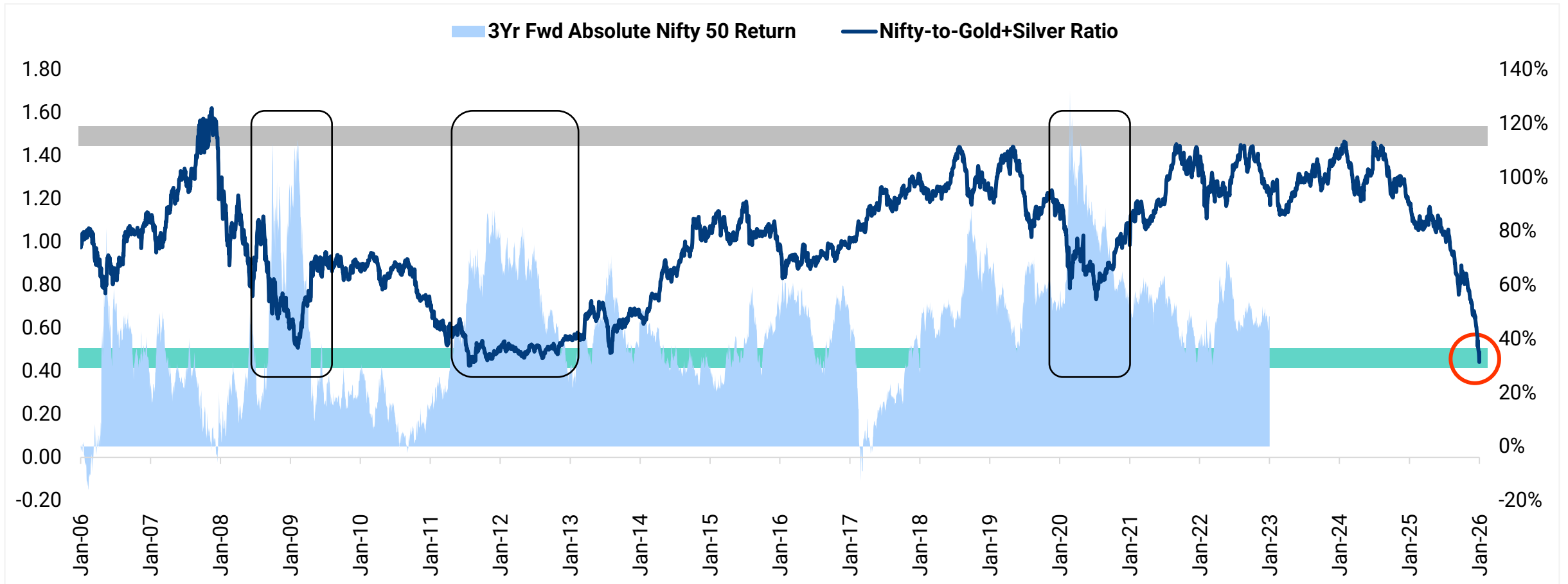
Asset class returns

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026*	
8.66%	19.57%	41.29%	7.91%	31.49%	44.40%	31.60%	13.90%	26.91%	25.02%	167.27%	45.26%	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%	23.94%	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%	6.88%	China Equity
1.38%	11.96%	6.05%	5.91%	13.04%	17.89%	3.44%	3.59%	7.82%	17.57%	17.88%	1.45%	US Equity
0.22%	11.35%	5.11%	-0.21%	10.72%	12.29%	1.35%	2.51%	7.73%	16.24%	7.76%	0.08%	ST Bonds
-3.92%	9.85%	4.71%	-2.14%	10.46%	10.42%	-4.21%	0.46%	7.29%	9.57%	7.76%	-0.14%	G-Sec
-6.65%	5.12%	-0.05%	-4.38%	9.53%	9.26%	-8.20%	-12.55%	7.26%	8.95%	6.82%	-0.15%	Corporate Bond
-9.68%	4.30%	-2.76%	-10.54%	8.97%	-0.29%	-11.83%	-18.11%	-10.46%	7.96%	6.37%	-3.27%	Indian Equity

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?

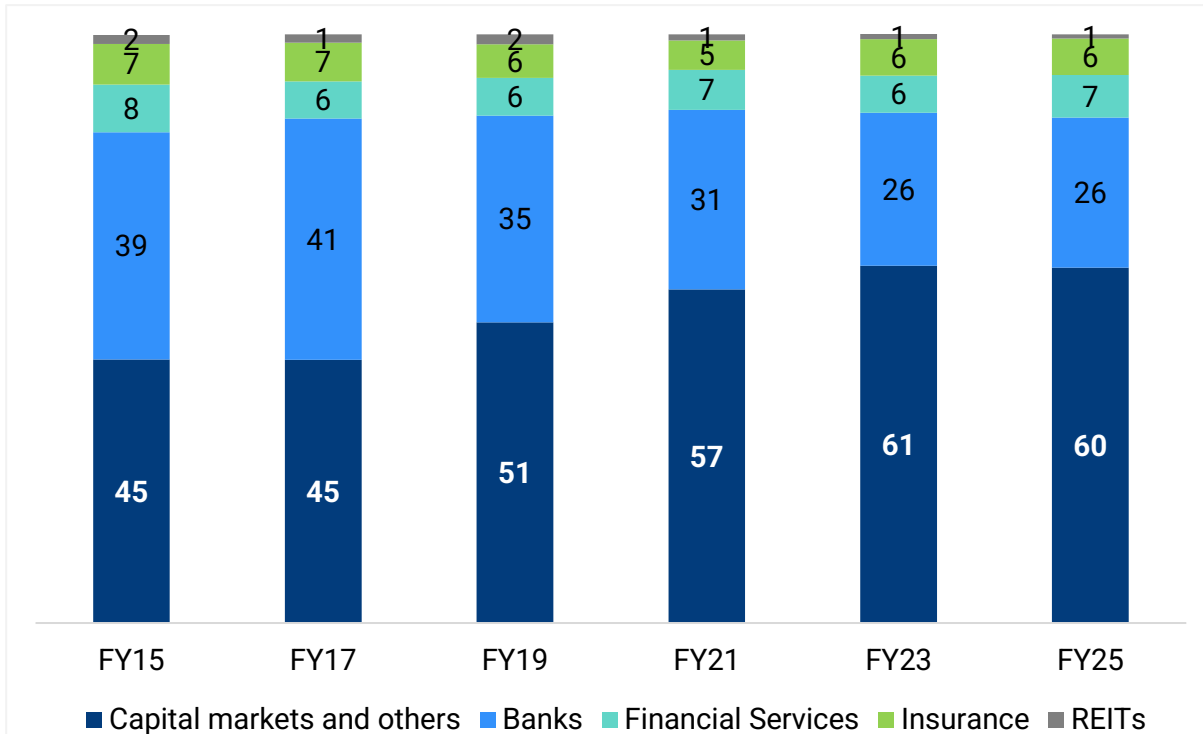
The Nifty-to-Gold+Silver ratio is around its long-term support, a level that in the past has often marked a shift in relative performance between equities and precious metals



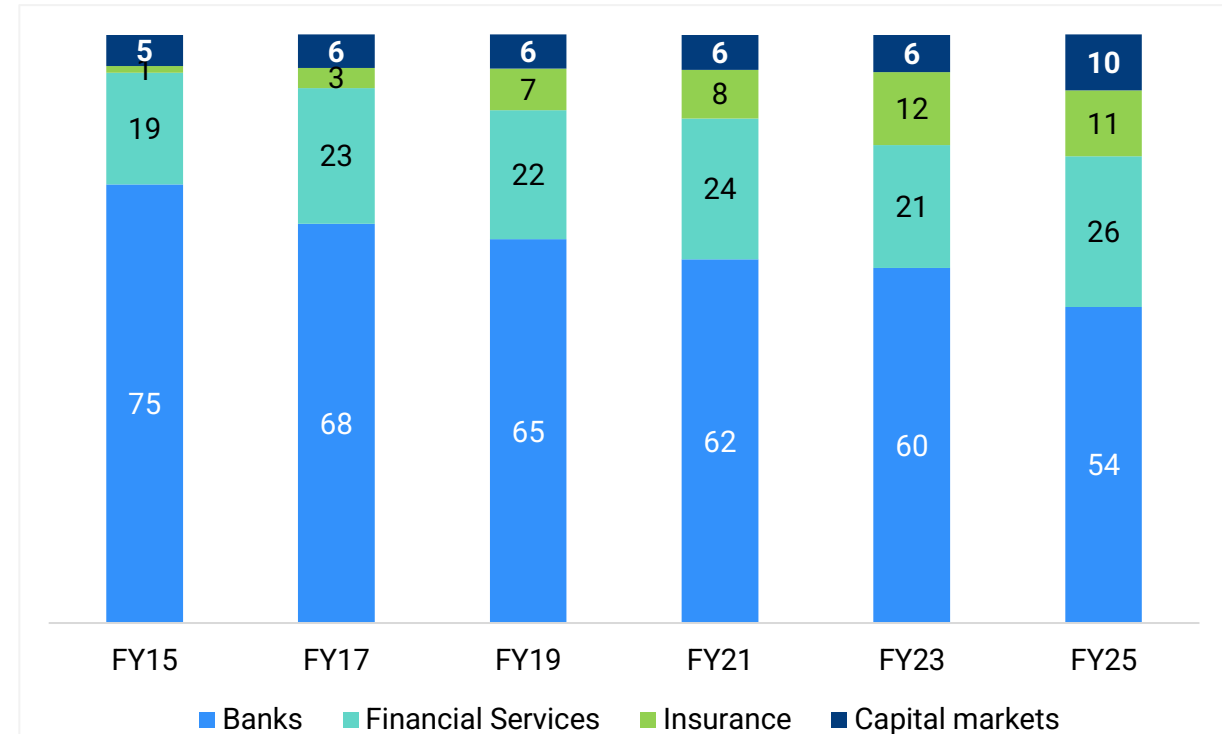
Investment opportunity set expanding

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

US BFSI: Market cap share (%)



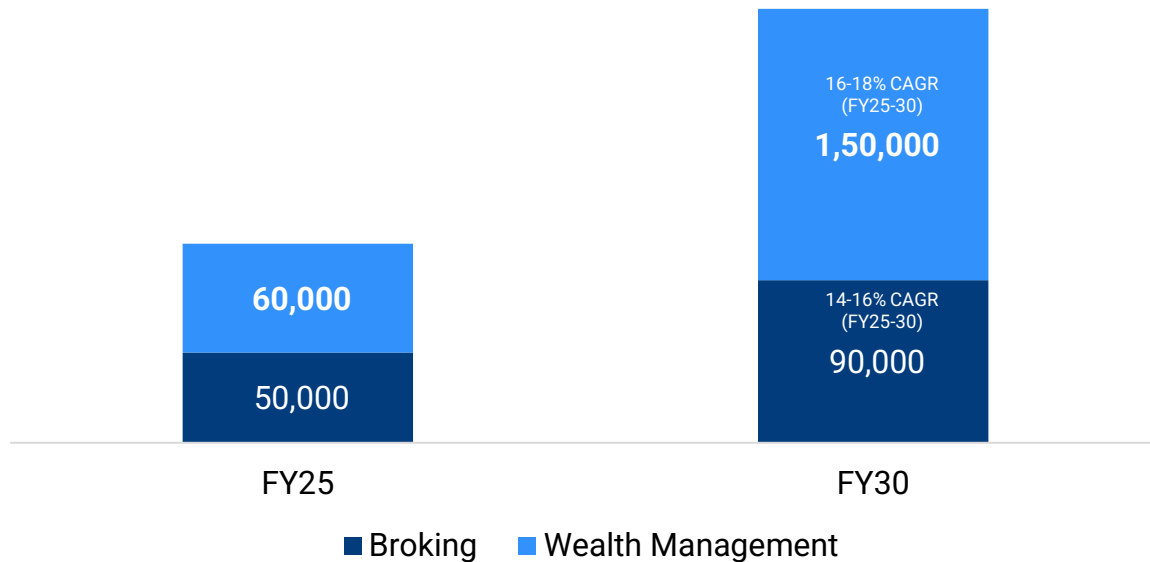
India BFSI: Market cap share (%)



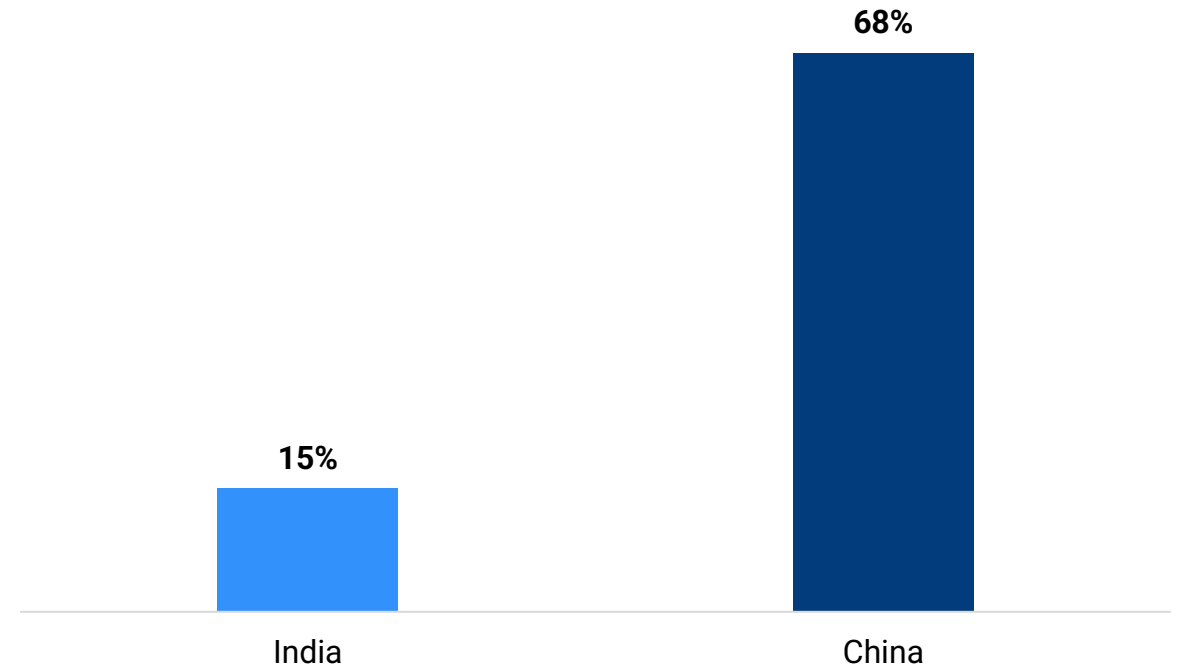
India's wealth management story has only begun

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)

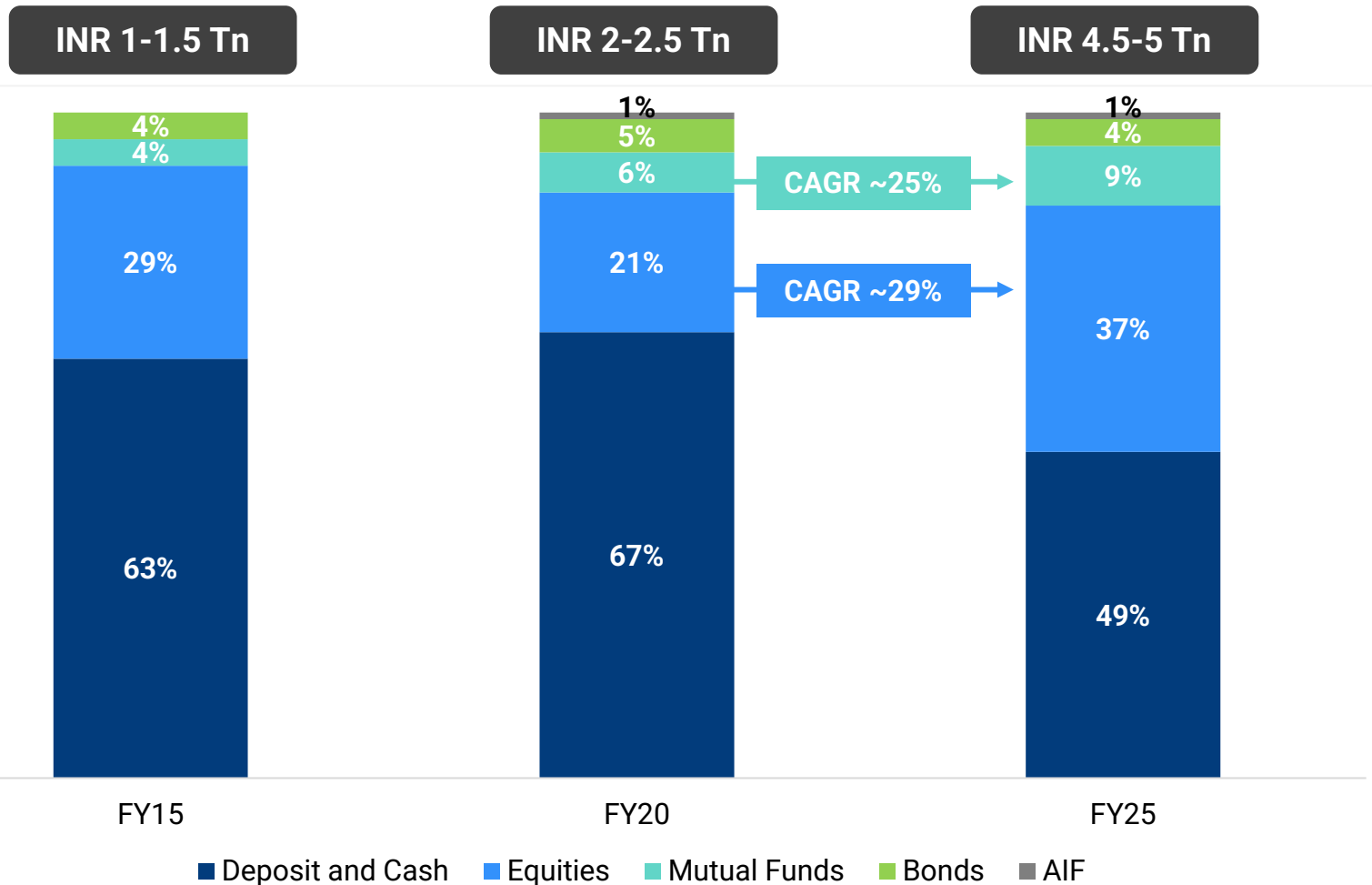


Wealth under professional advice (%)



India's evolving financial behavior

AUM split by asset classes

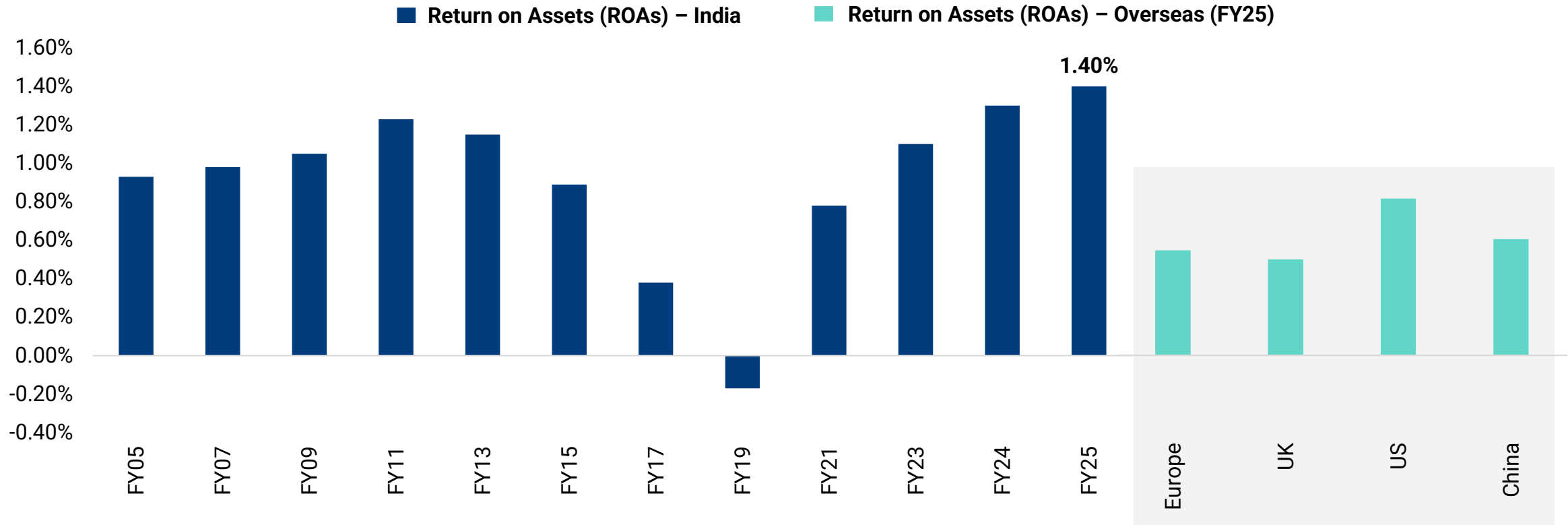


Key Highlights

- * 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

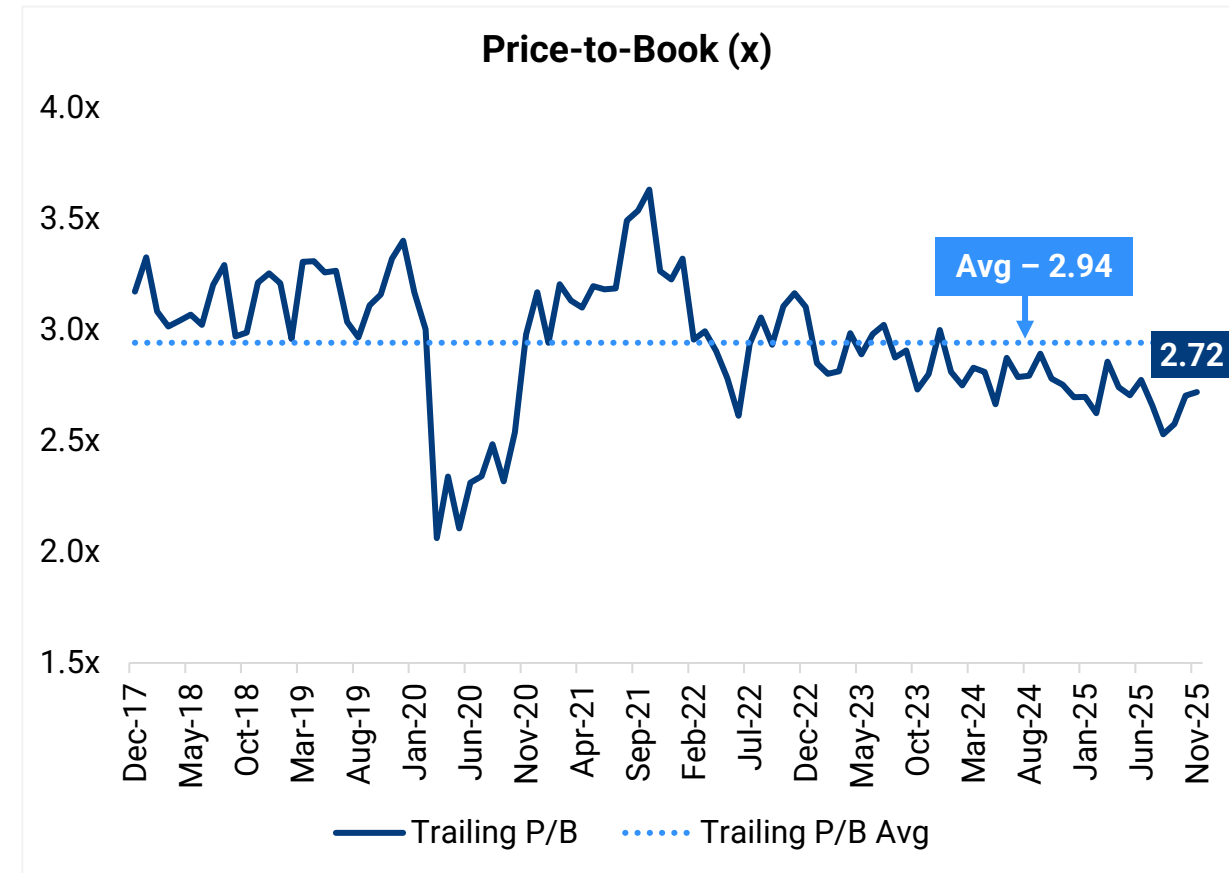
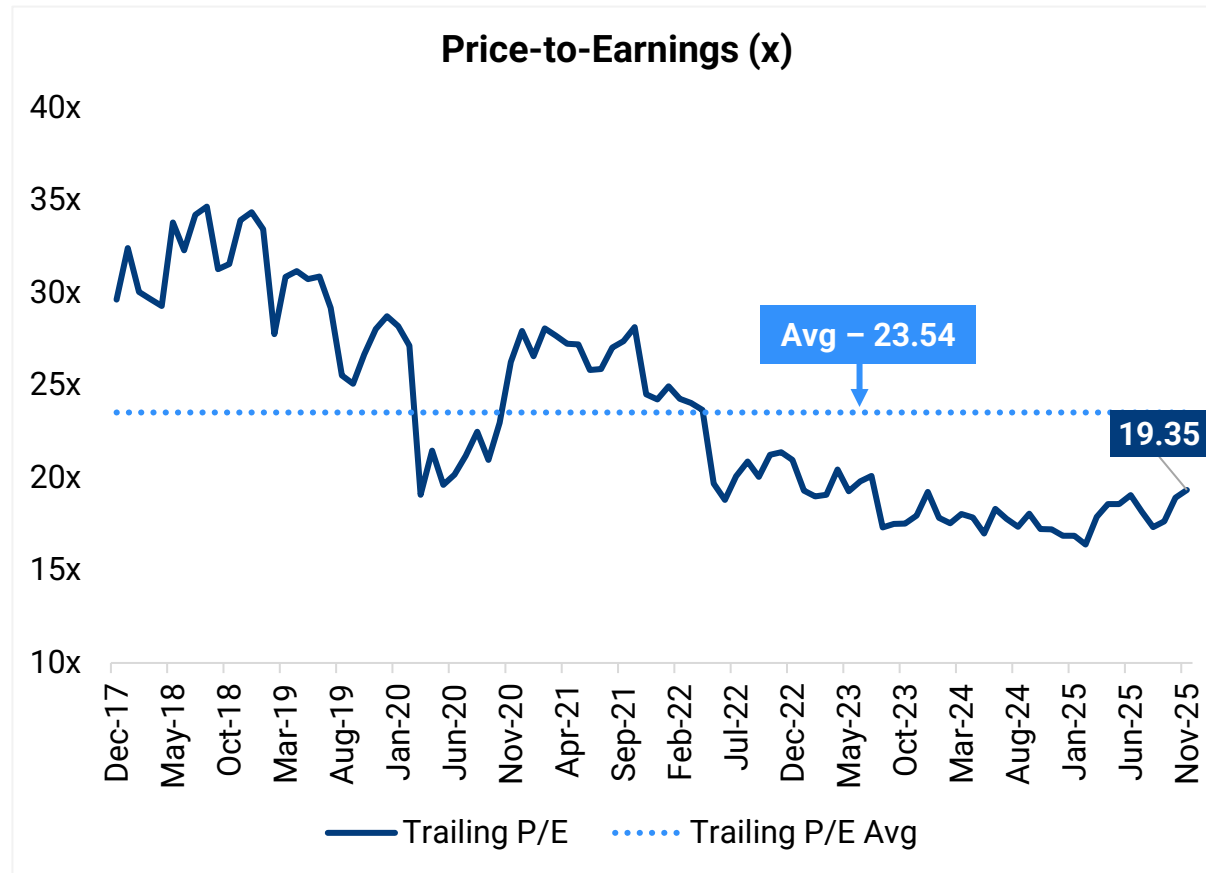
Strong profitability places Indian banks ahead of advanced economy peers

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

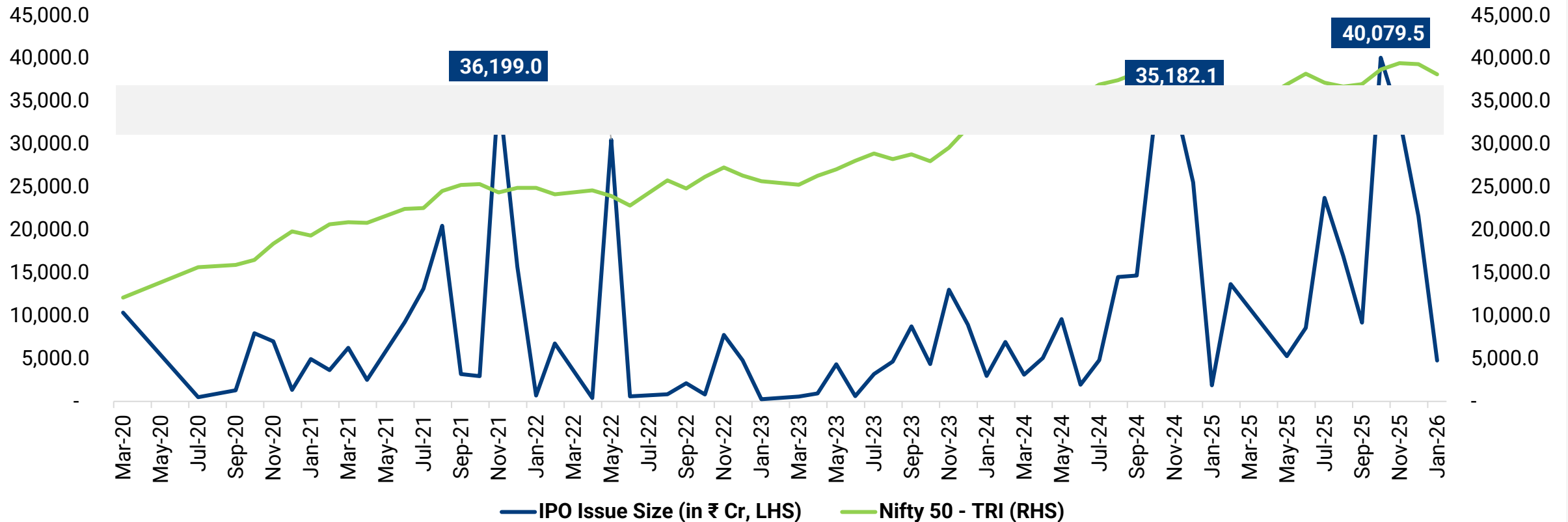
Valuations are currently below their long-term averages, offering a relatively attractive entry point



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

Correlation between monthly IPO activity and Nifty 50 TRI stands at -0.16



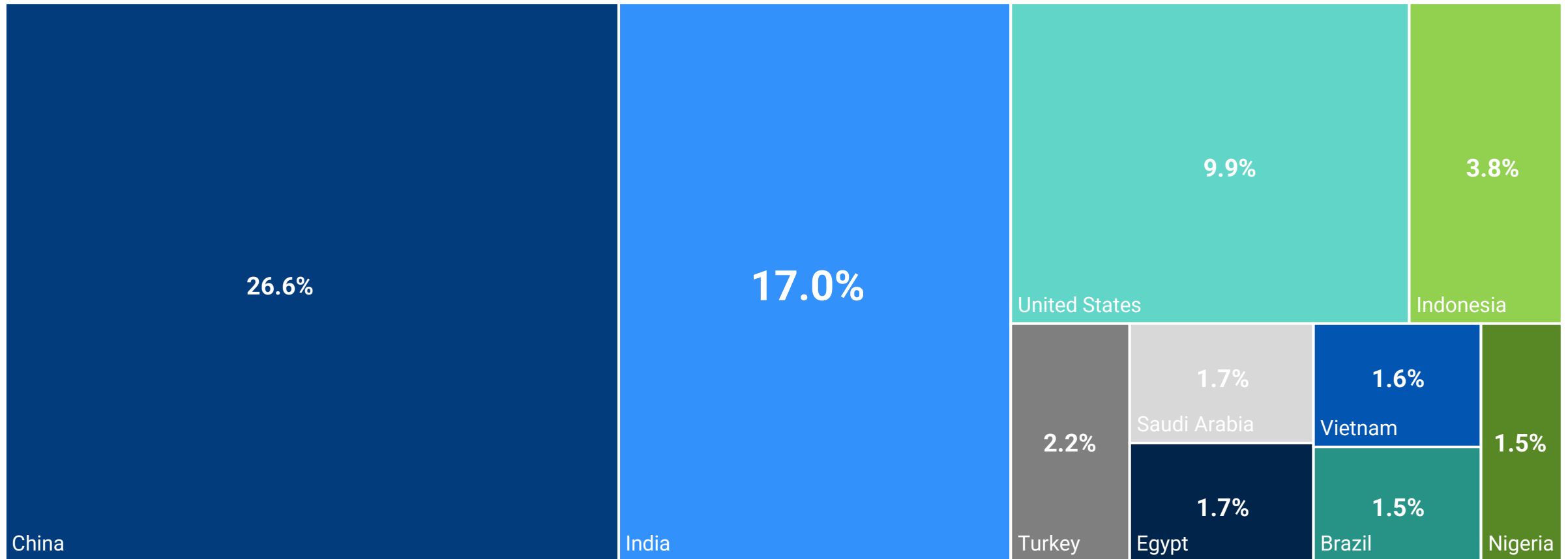
Trends | **Economy** | Markets | Performance | Outlook



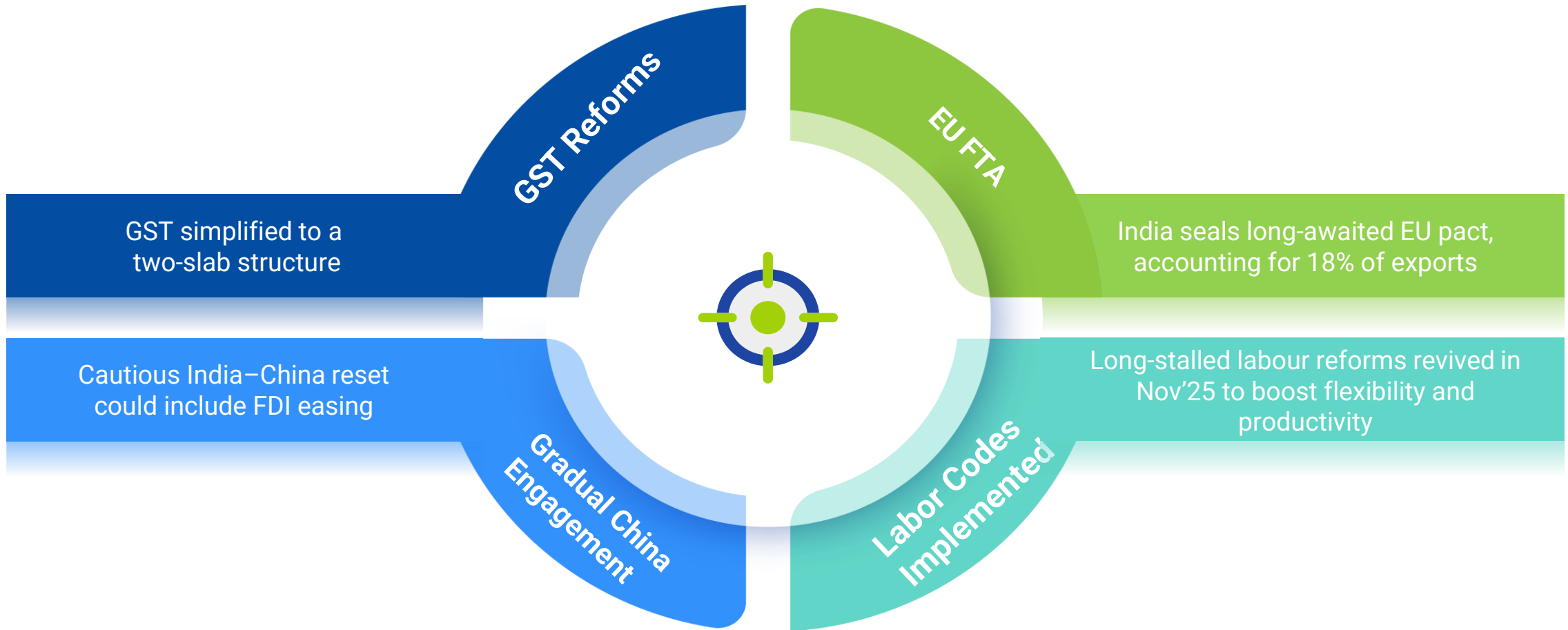
India at the heart of global growth

China and India are expected to lead global growth in the year ahead, together accounting for over 40% of incremental real GDP

Top 10 Contributors to Global Real GDP Growth (2026)



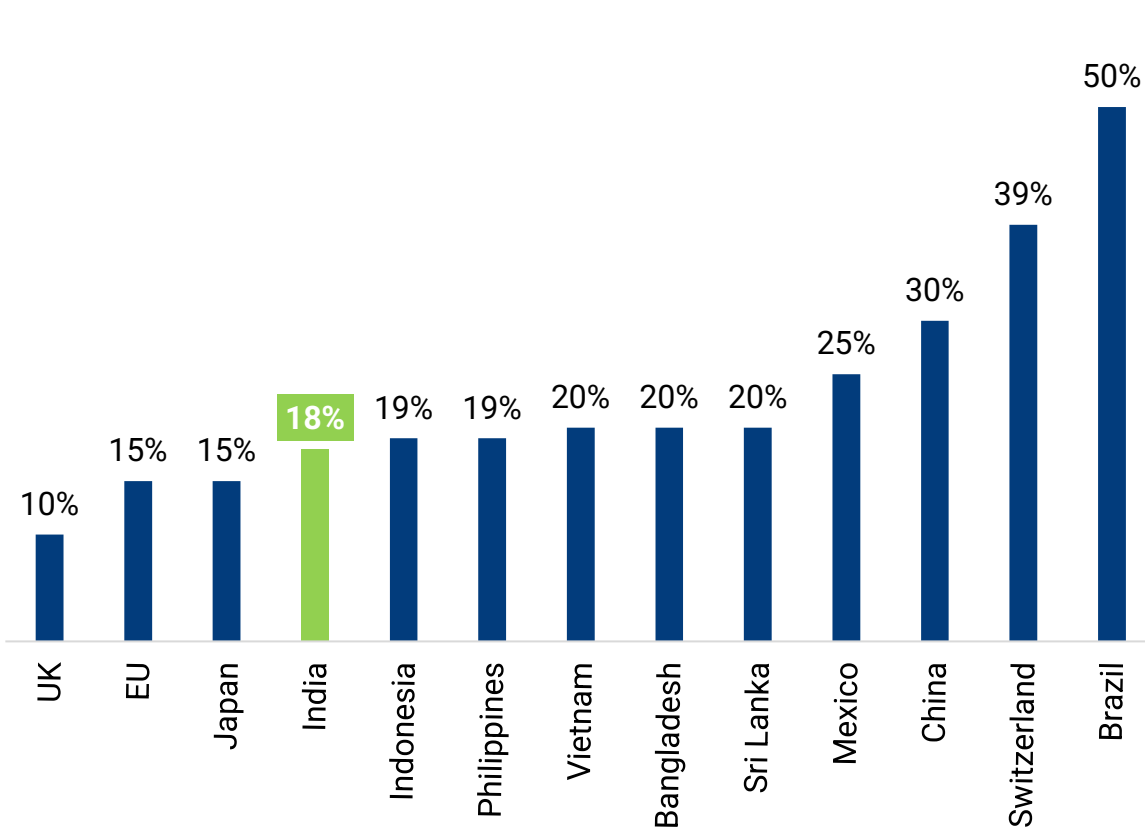
Delay in India-US trade deal – A blessing in disguise



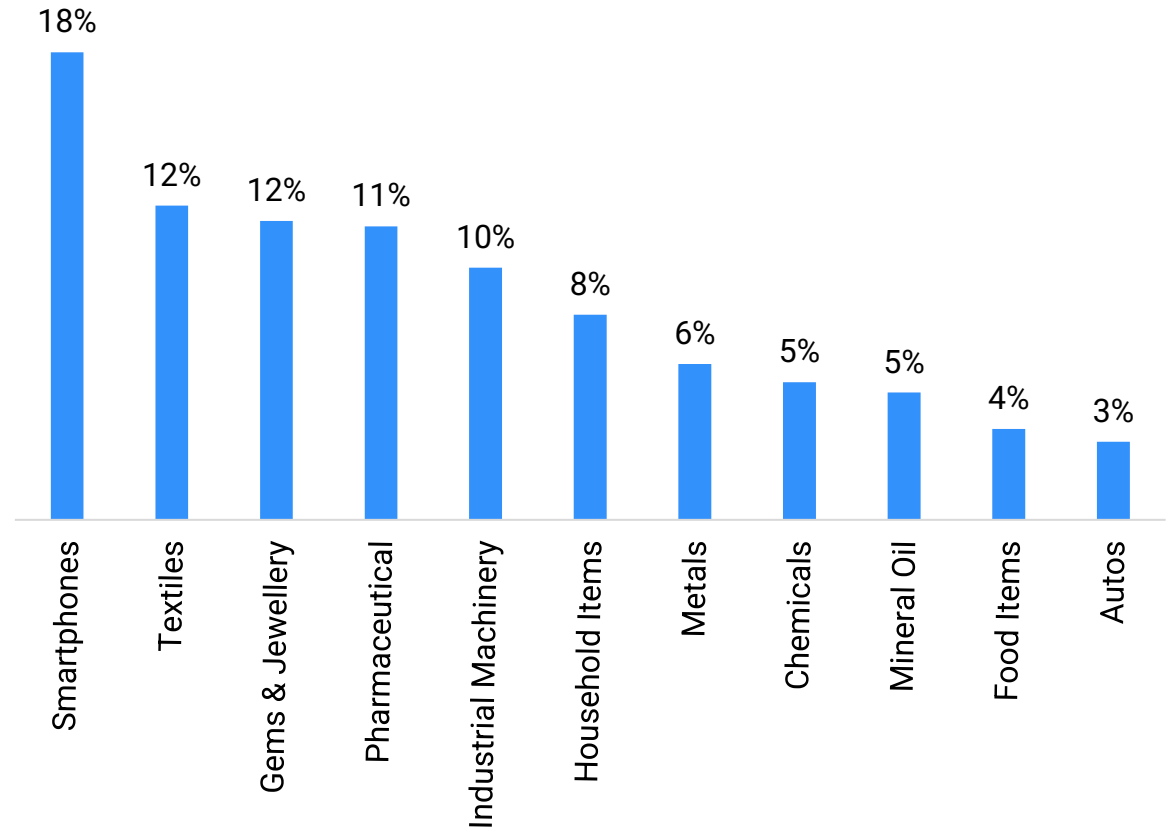
India-US trade deal: From tariff tensions to triumph

India is now in a favourable position vis-a-vis its EM Asian peers

Tariffs imposed by the US on various countries



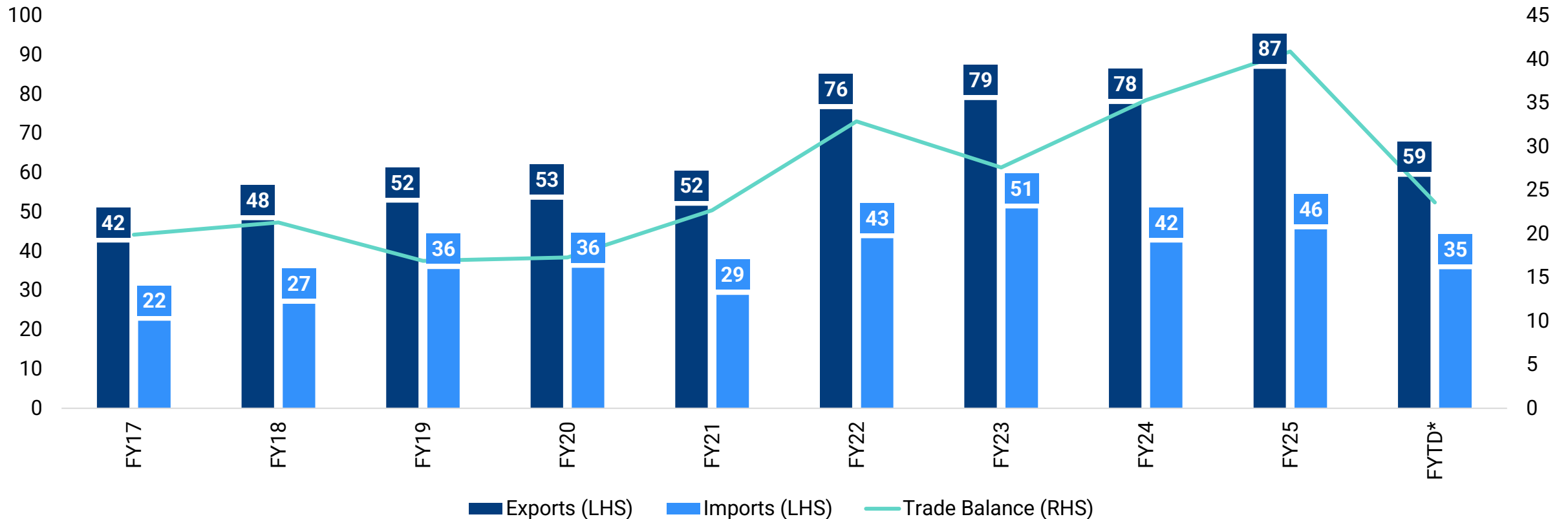
India exports to the US by sectors (% of total exports)



Tariff cuts could boost India-US trade surplus

US-India trade deal should enhance dollar flows to India, which should improve India's Balance of Payments (BoP), potentially driving INR appreciation

India's trade balance with the US (USD Bn)

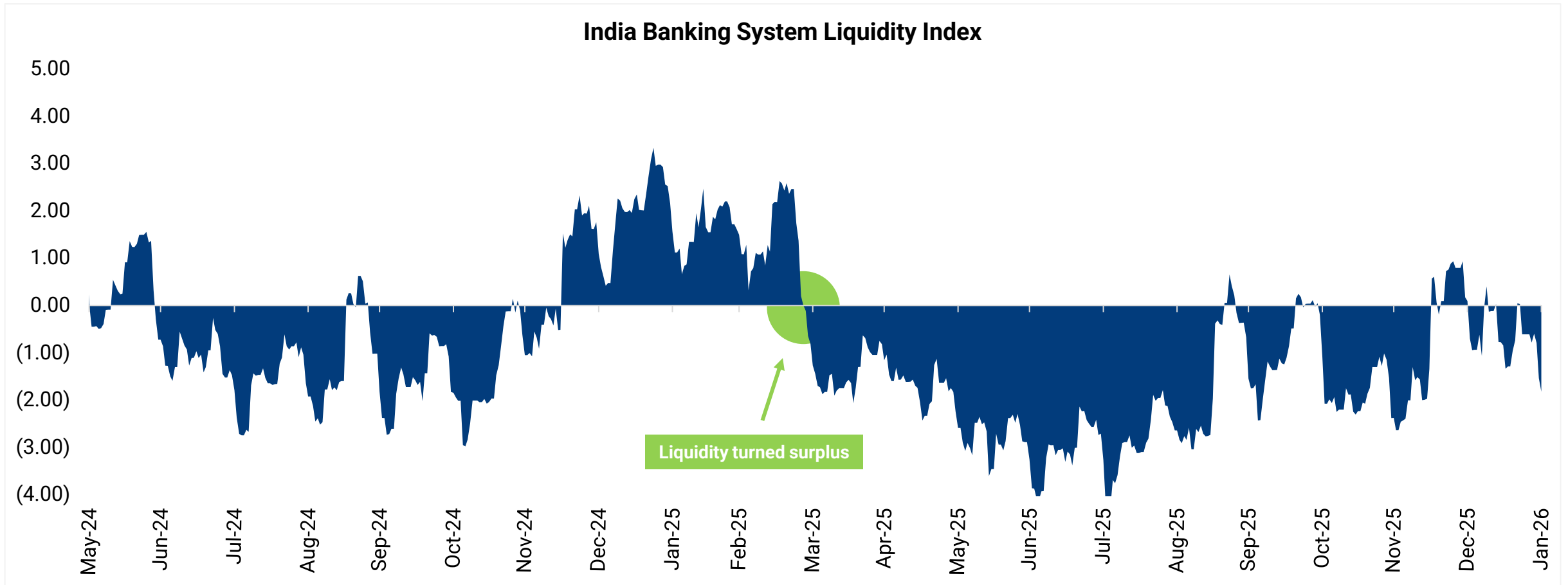


Key macro indicators

Indicator	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
CPI Inflation (YoY %)	4.3	3.6	3.3	3.2	2.8	2.1	1.6	2.1	1.5	0.3	0.7	1.3
Crude Indian Basket (\$)	80.2	77.3	72.5	67.7	64.0	69.8	71.0	69.1	69.6	65.1	64.3	62.2
GST Collection (lakh Crs.)	2.0	1.8	2.0	2.4	2.0	1.9	2.0	1.9	1.9	2.0	1.7	1.7
FX Reserve (\$ bn)	631.0	639.0	665.0	688.0	691.0	703.0	698.0	694.0	700.0	690.0	686.0	697.0
Trade Balance (\$Bn)	-23.1	-14.1	-21.5	-26.4	-21.9	-18.8	-27.4	-26.5	-32.1	-41.7	-24.6	-25.1
Bank Credit %	11.4	11.0	11.0	10.3	9.0	9.5	10.0	10.0	10.4	11.3	11.5	14.5
Bank Deposit %	10.3	10.3	10.3	10.2	9.9	10.1	10.2	10.2	9.5	9.7	10.2	12.7
Manufacturing PMI	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0
Services PMI	56.5	59.0	58.5	58.7	58.8	60.4	60.5	62.9	60.9	58.9	59.8	59.1

Banking system liquidity in surplus

Banking system liquidity turned into surplus around March-end in 2025 and has stayed broadly surplus in FY26-to-date, supported by proactive liquidity infusion by the RBI



Indian debt market indicators

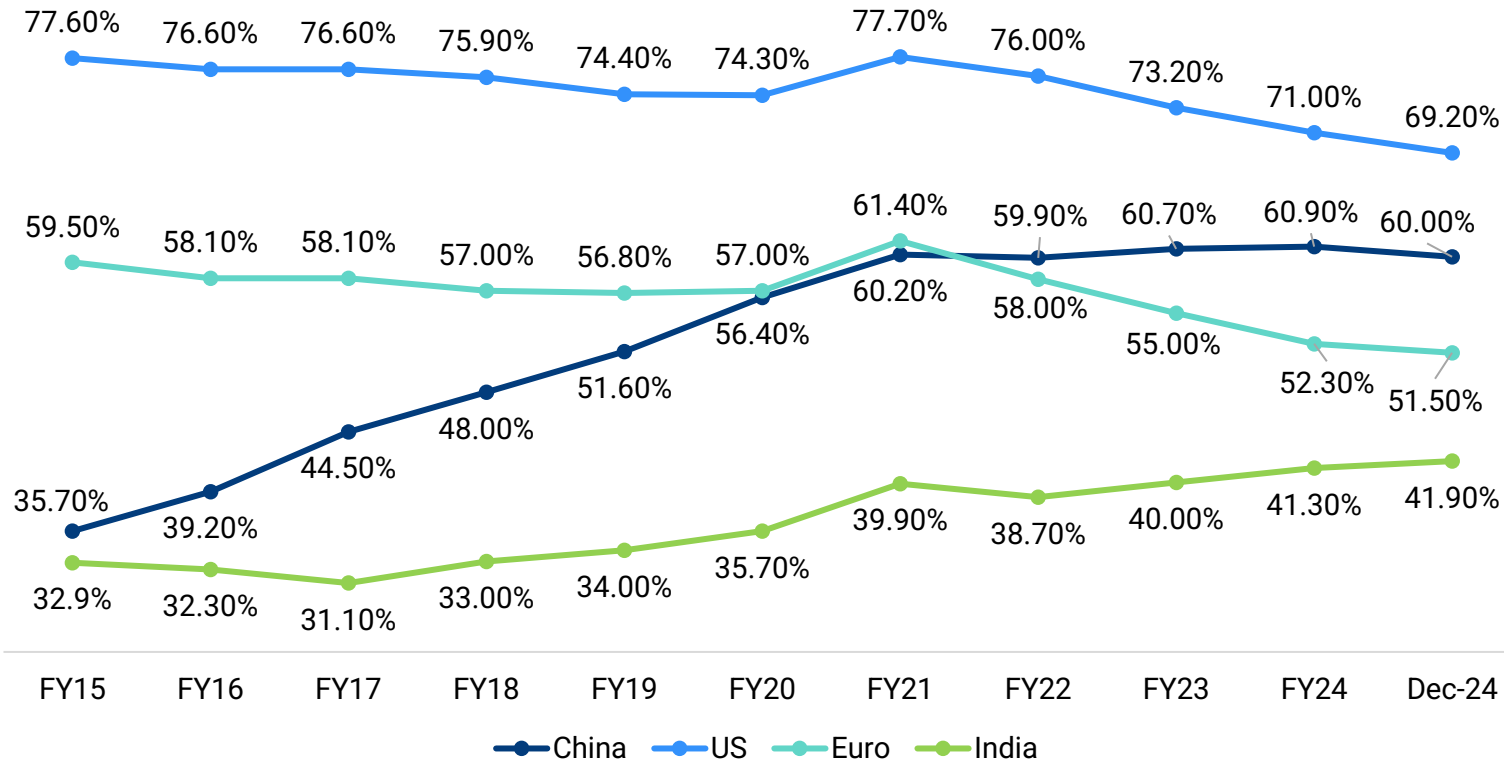
Compared to a month ago, yield have hardened across the curve driven by rupee depreciation pressures, elevated government borrowing and persistent global uncertainty

Broad Indices	06-Feb-2026	Week Ago	Month Ago	6M Ago	Year Ago
1 Year AAA Corporate Bond	7.10%	7.06%	7.04%	6.85%	7.64%
3 Year AAA Corporate Bond	7.17%	7.12%	7.05%	6.88%	7.47%
5 Year AAA Corporate Bond	7.18%	7.17%	7.15%	7.02%	7.37%
10 Year AAA Corporate Bond	7.47%	7.42%	7.34%	7.14%	7.21%
1 Year G-Sec	5.74%	5.70%	5.67%	5.63%	6.52%
3 Year G-Sec	6.12%	6.14%	6.10%	5.93%	6.59%
5 Year G-Sec	6.54%	6.37%	6.35%	6.15%	6.59%
10 Year G-Sec	6.74%	6.70%	6.62%	6.41%	6.66%

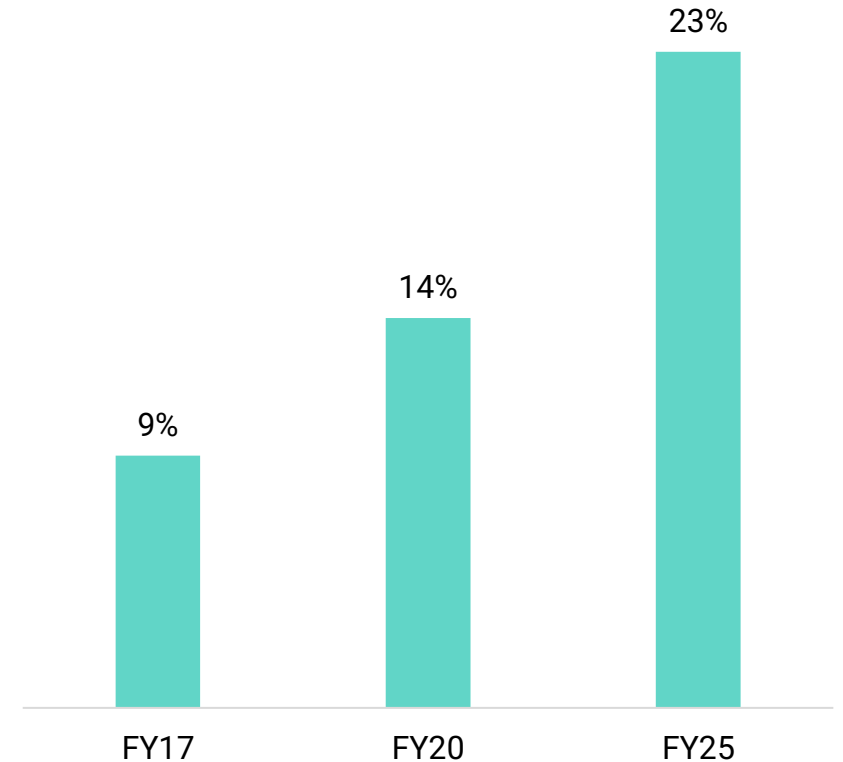
India's untapped retail lending opportunity

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

Household debt as % of GDP across major economies



Retail borrowers as % of working age population stands at ~23%

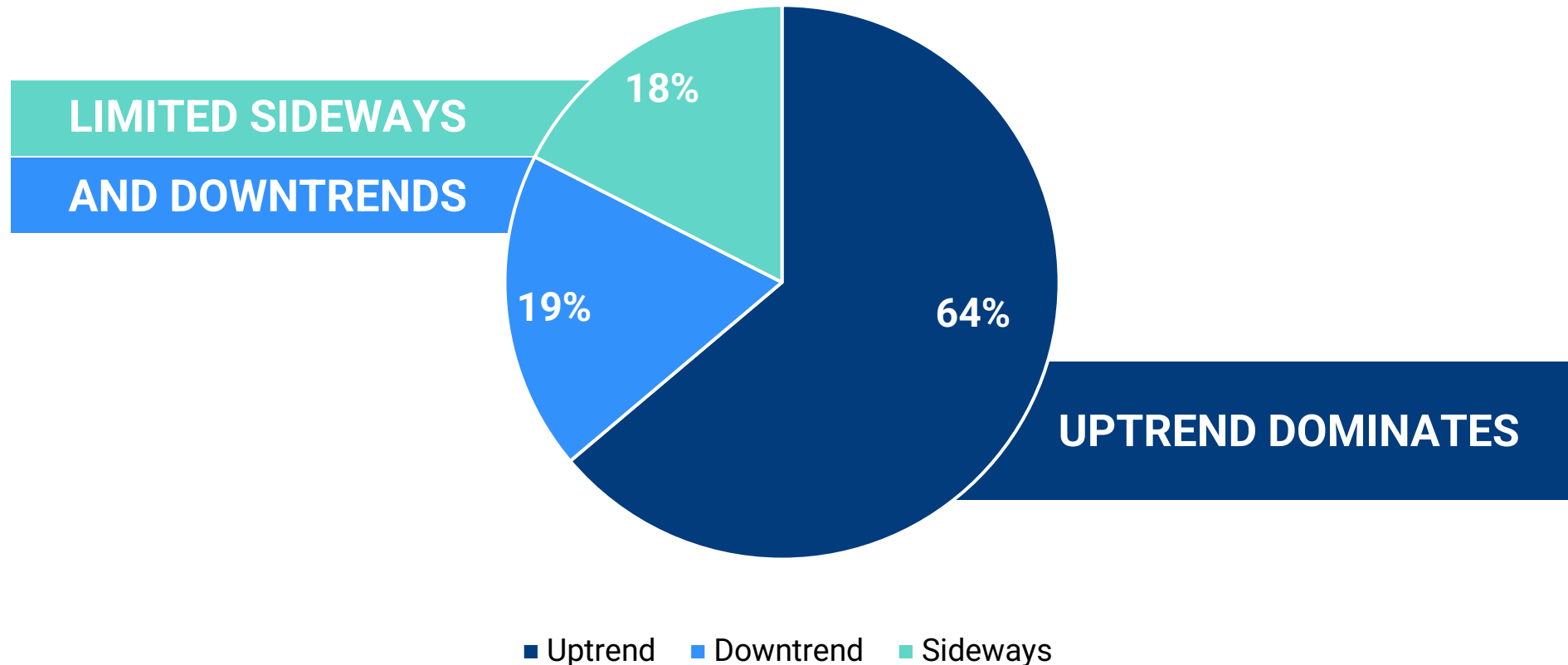


Trends | Economy | **Markets** | Performance | Outlook



Markets rise more often than they fall

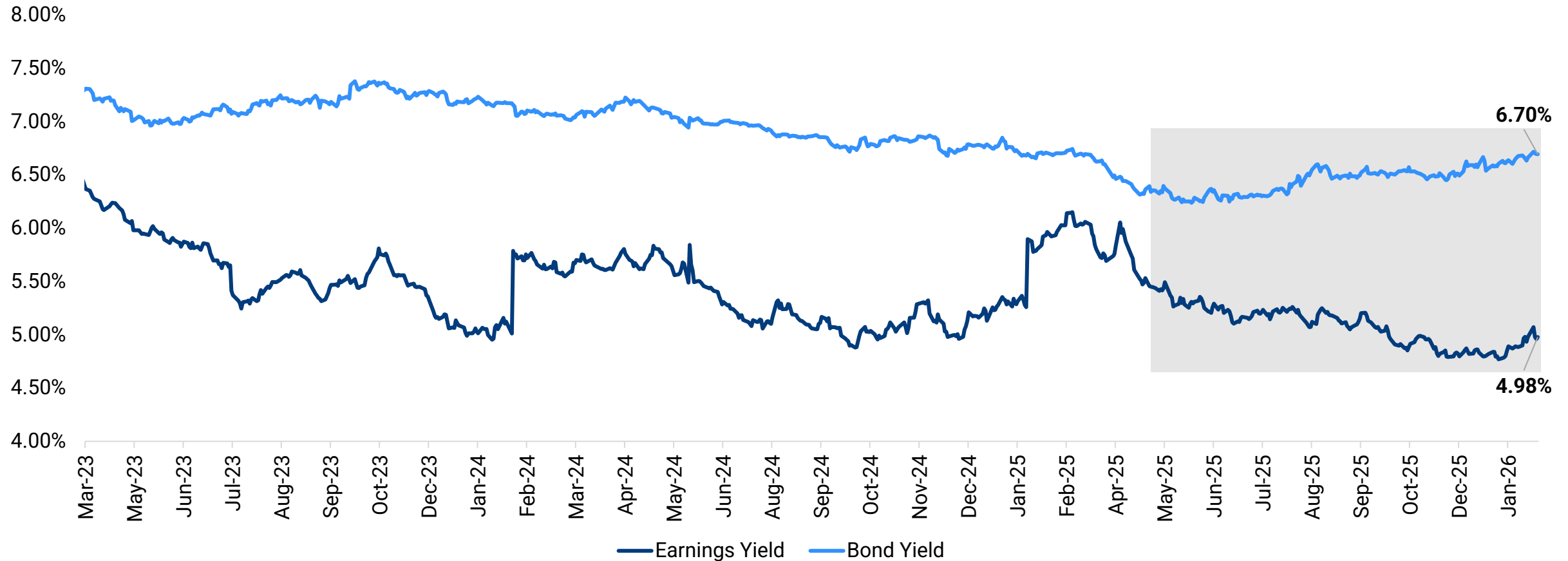
With Indian markets trending up nearly two-thirds of the time, a **trend-based model** naturally aligns with long-term market behavior



Source: BSE, Internal Analysis. Data as on 30th January, 2026. Period considered from Apr 01, 1979 to Jan 30, 2026. 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%.

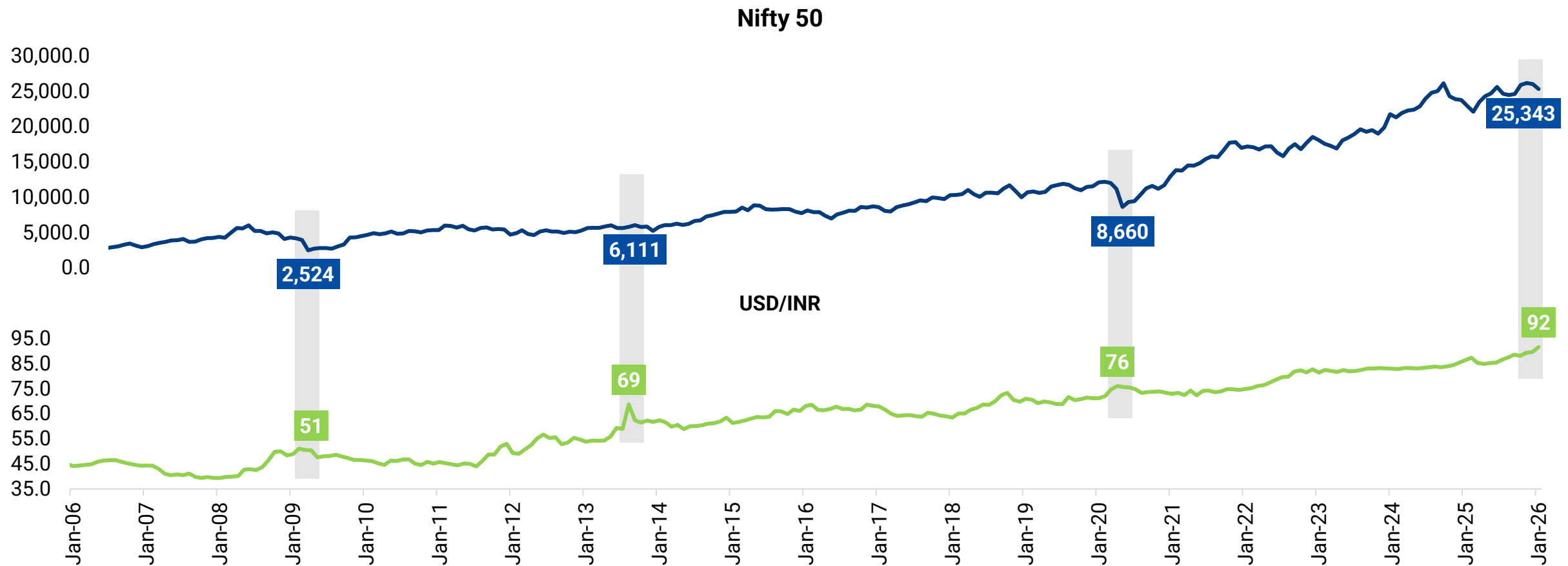
Bond-Equity Earnings Yield continues to widen

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



Currency at highs, an emerging opportunity for Indian equities?

Historical patterns suggest that rupee at peaks has been followed by a rebound in Indian equities, indicating an inverse relationship at market extremes



Midcaps are more consistent than you think

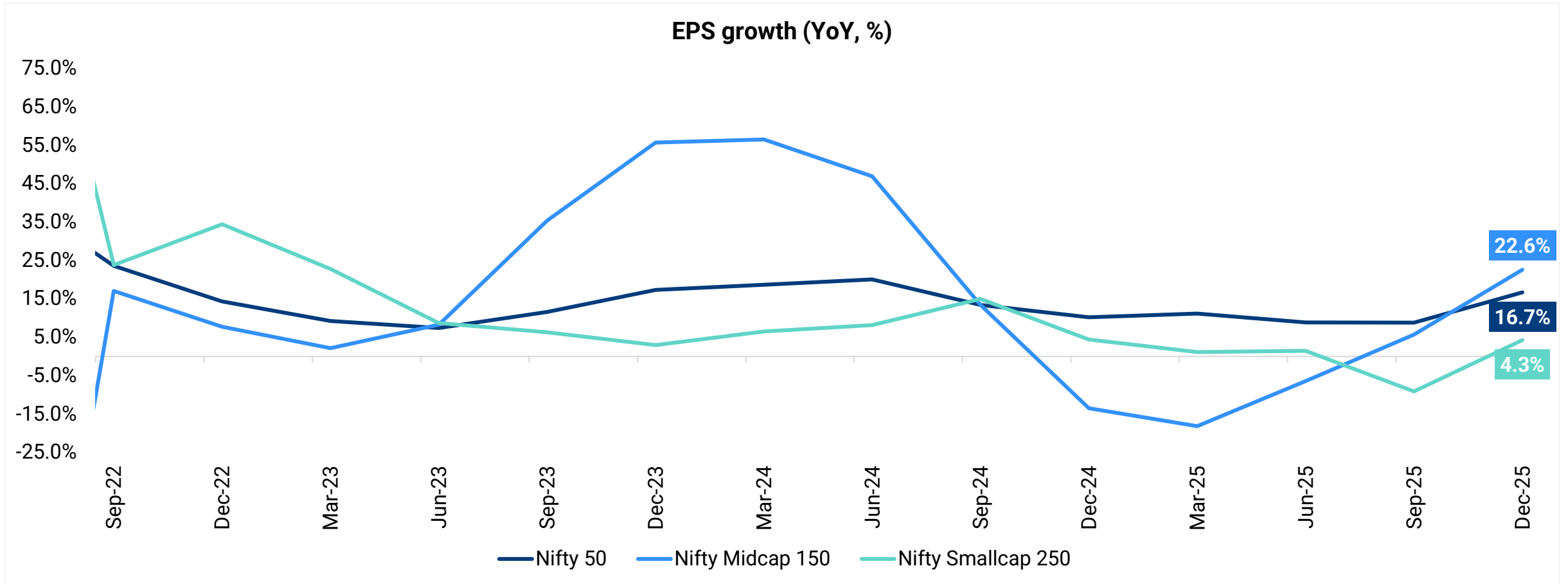
3 Year Absolute Return at the end of each CY	Large Cap	Mid Cap	Small Cap	All Cap
2025	51%	91%	79%	59%
2024	44%	87%	85%	54%
2023	61%	124%	139%	75%
2022	53%	94%	102%	61%
2021	64%	87%	92%	69%
2020	33%	10%	-13%	26%
2019	52%	37%	9%	47%
2018	43%	45%	19%	42%
2017	39%	85%	83%	46%
2016	40%	92%	95%	47%
2015	44%	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

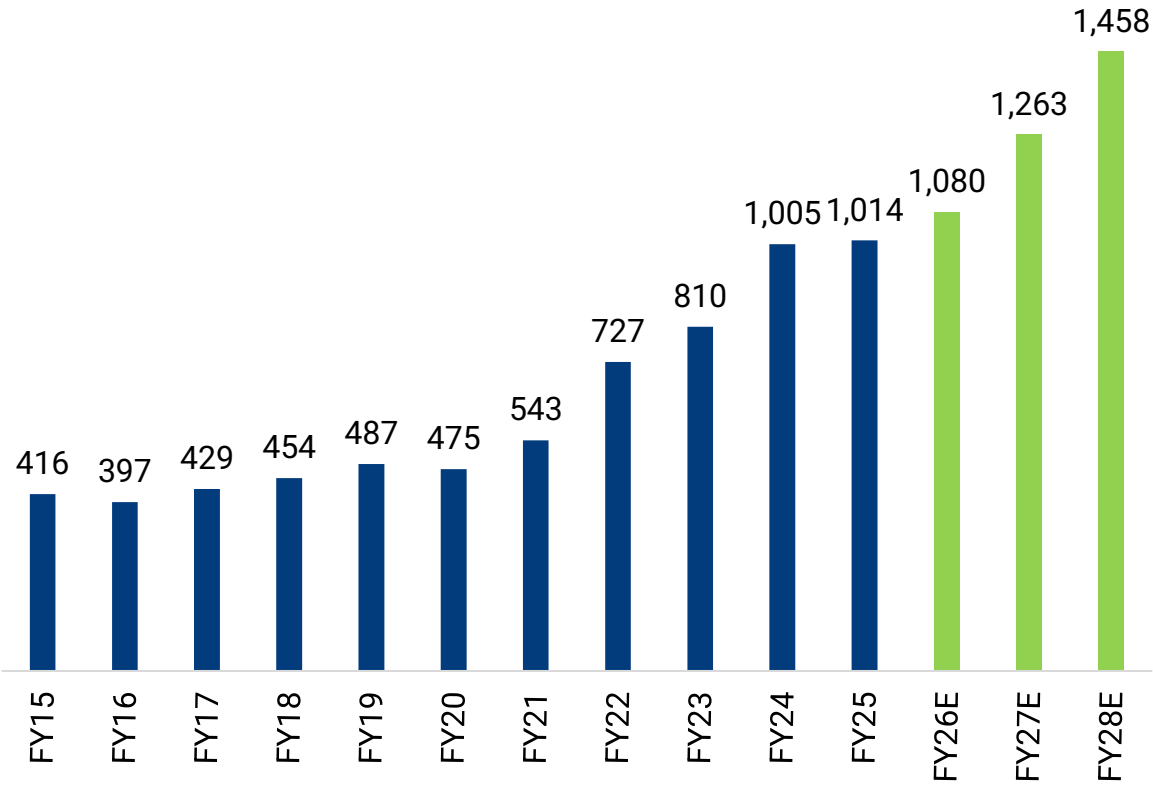
Earnings pulse: Mid-caps lead; Large-caps in line; Small-caps shows early sign of recovery

Midcap earnings led FY26TD, outperforming large caps, while small caps record a modest recovery in earnings

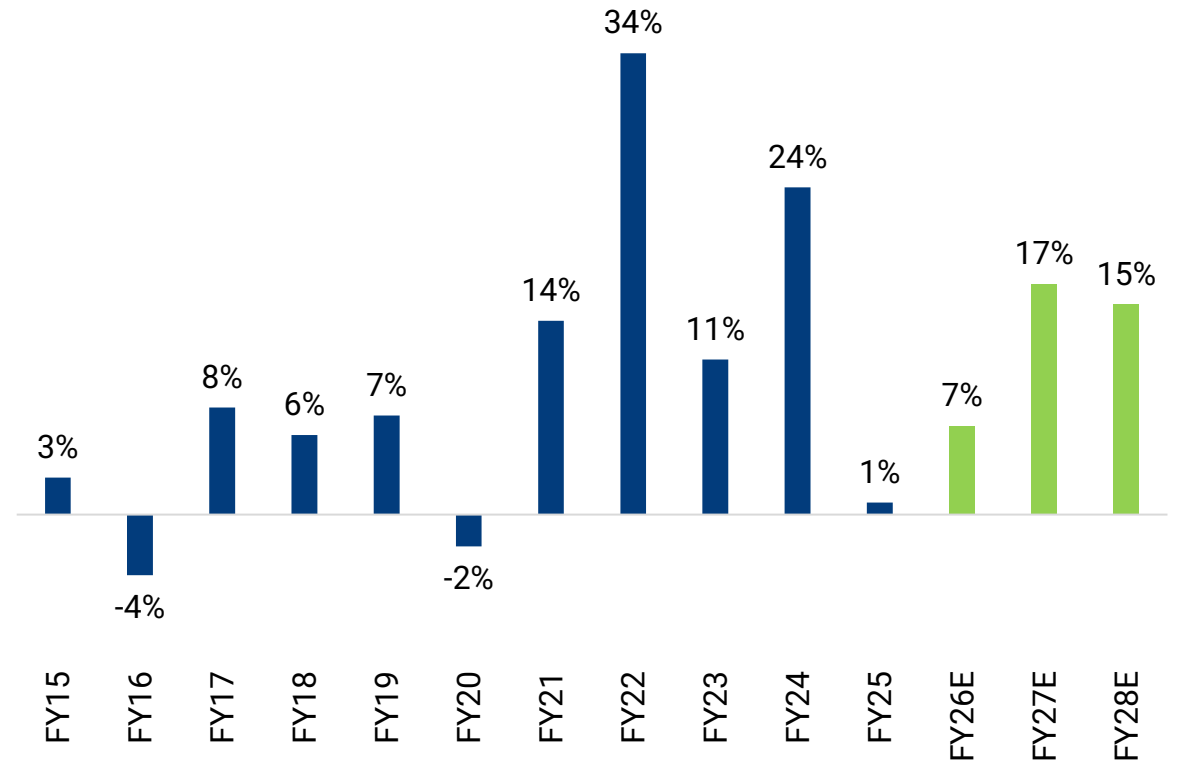


Earnings growth

Nifty50 EPS (₹)

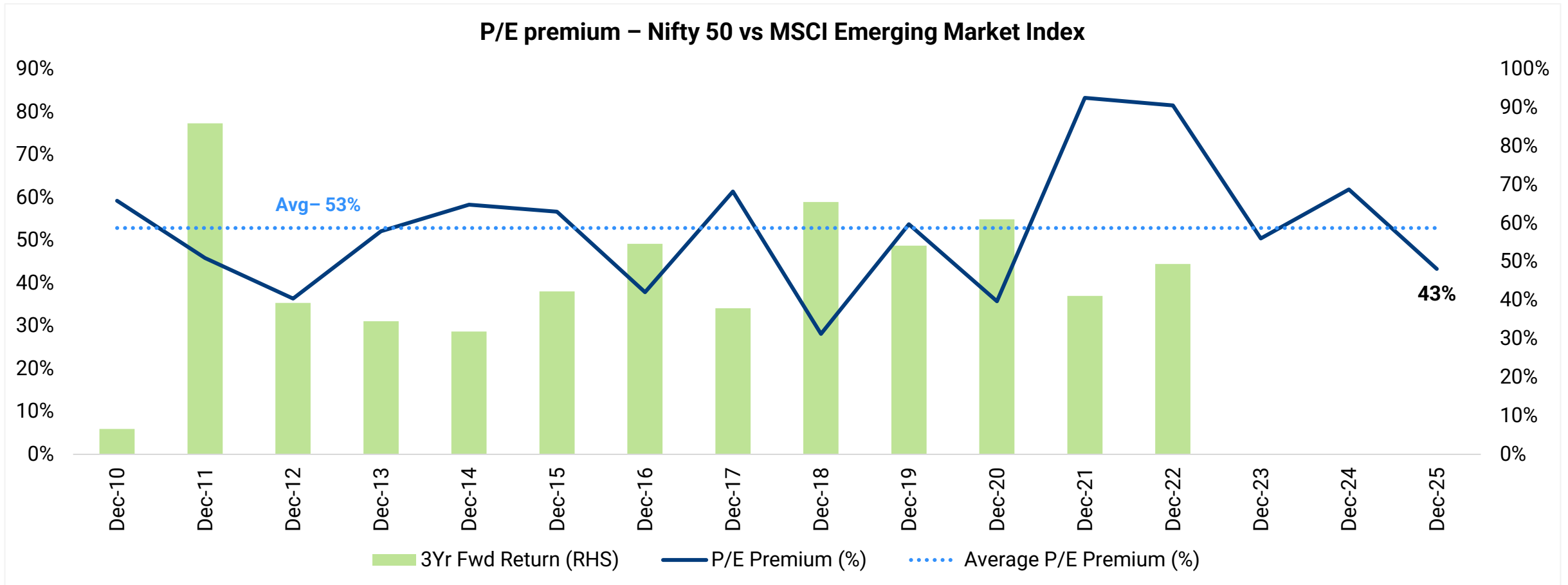


Nifty50 EPS Growth (%)



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: Reasonably valued in global context

Trading below its 15-year average P/E premium, India appears relatively better positioned

Chart 1: MSCI India vs MSCI World P/E premium at 3% vs 15Y average of 22%

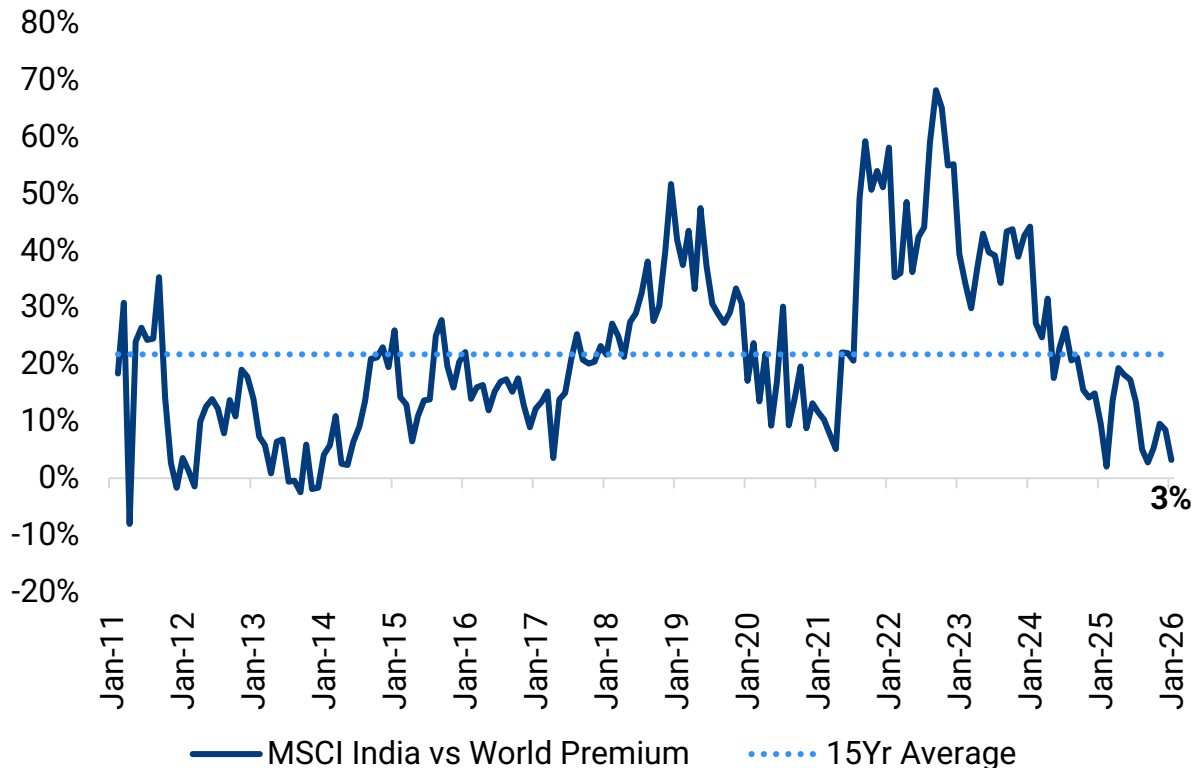
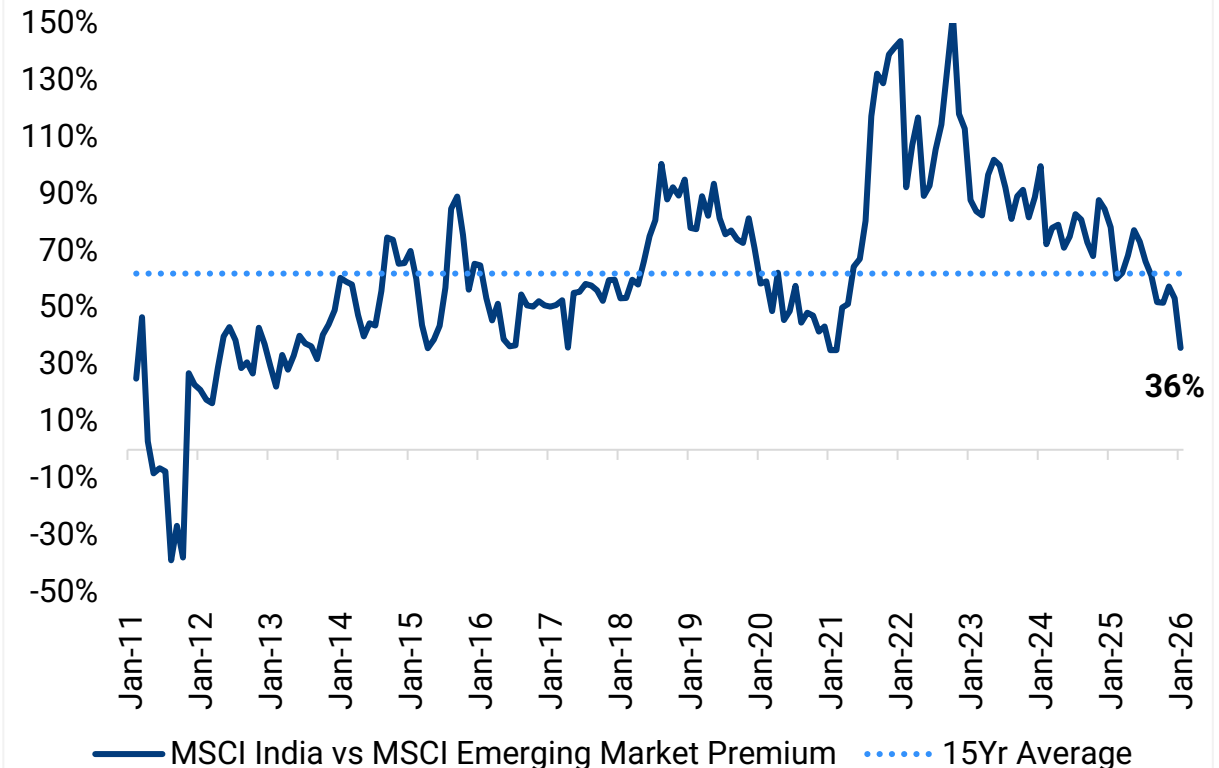


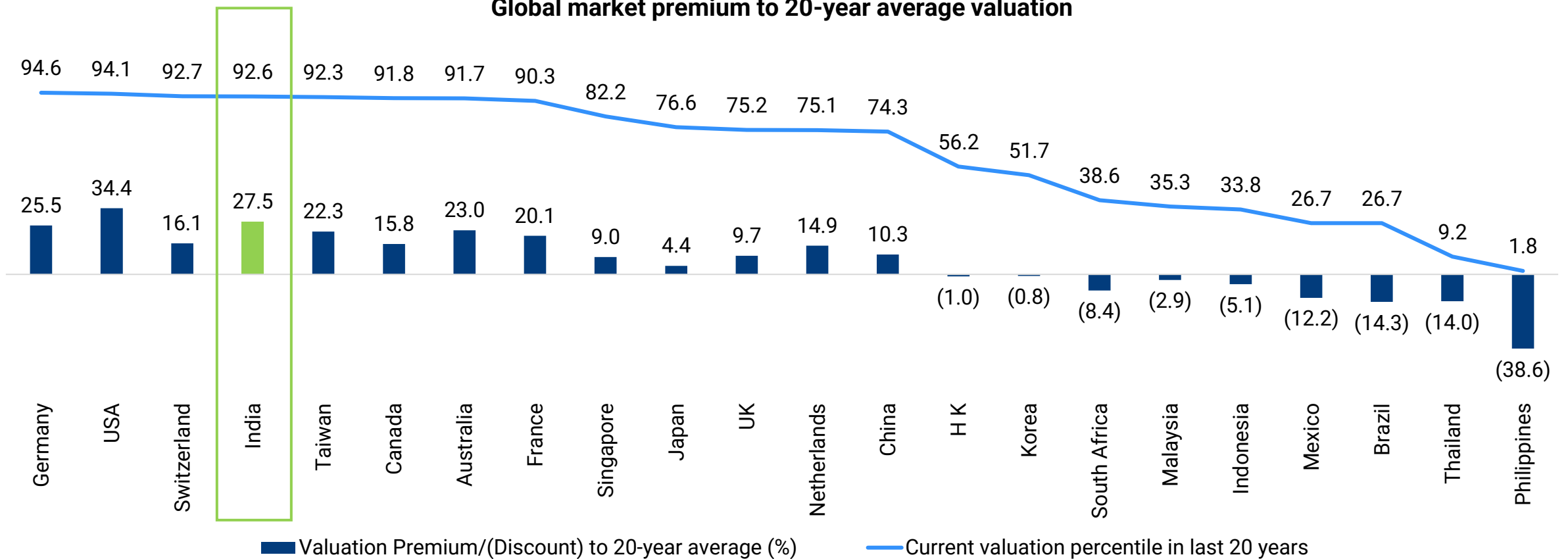
Chart 2: MSCI India vs MSCI EMs P/E Premium stands at 36% vs 15Y average of 62%



India alone is no longer the most expensive market

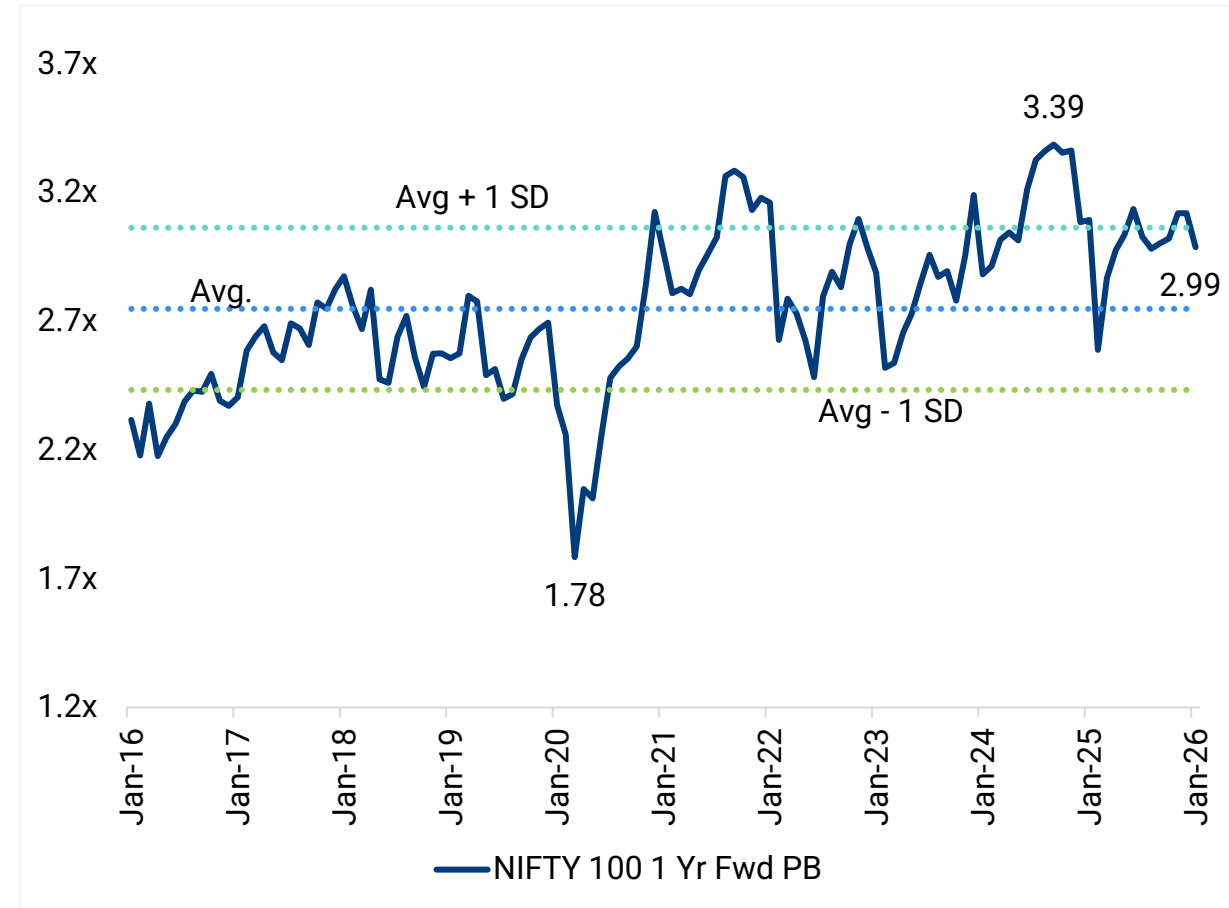
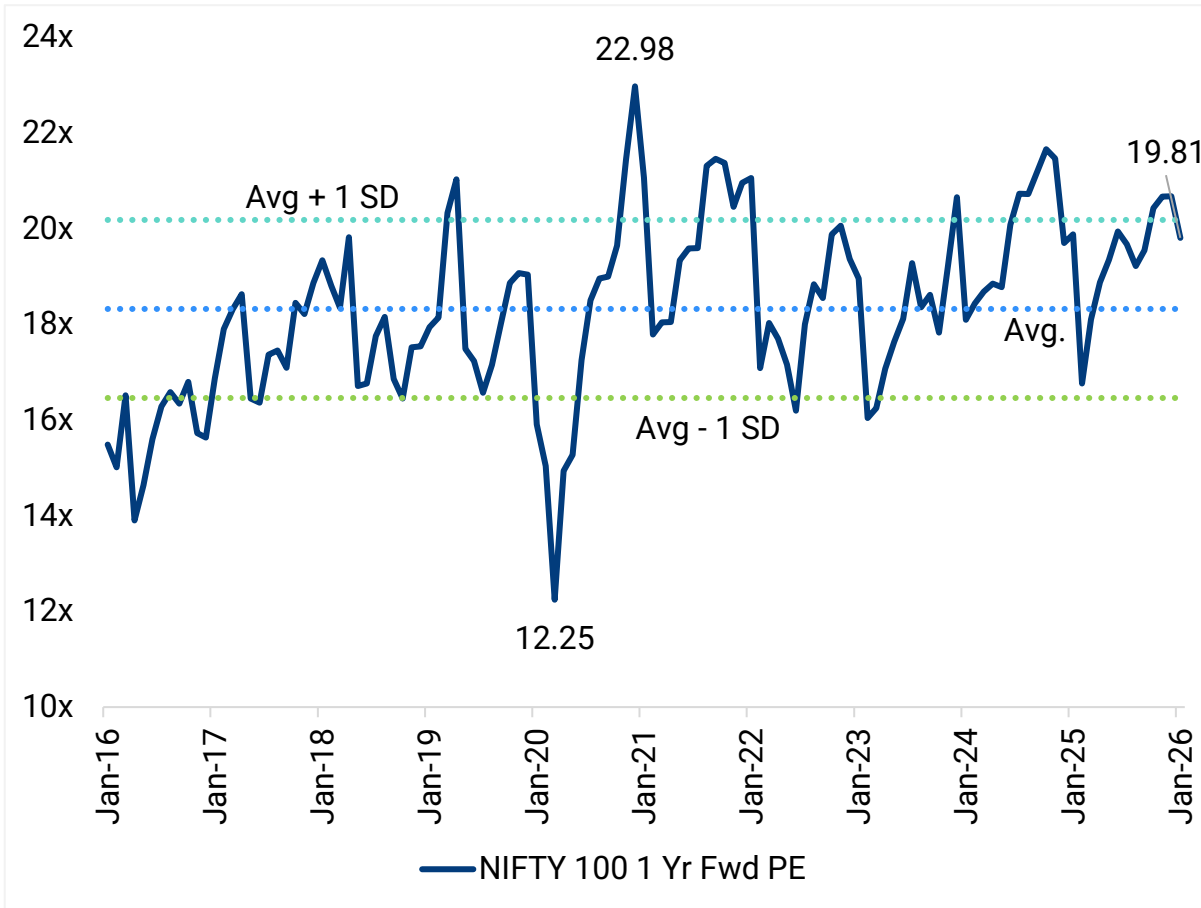
India's premium valuations reflect a broader global pattern, with a handful of markets also trading near the upper end of their historical valuation ranges

Global market premium to 20-year average valuation



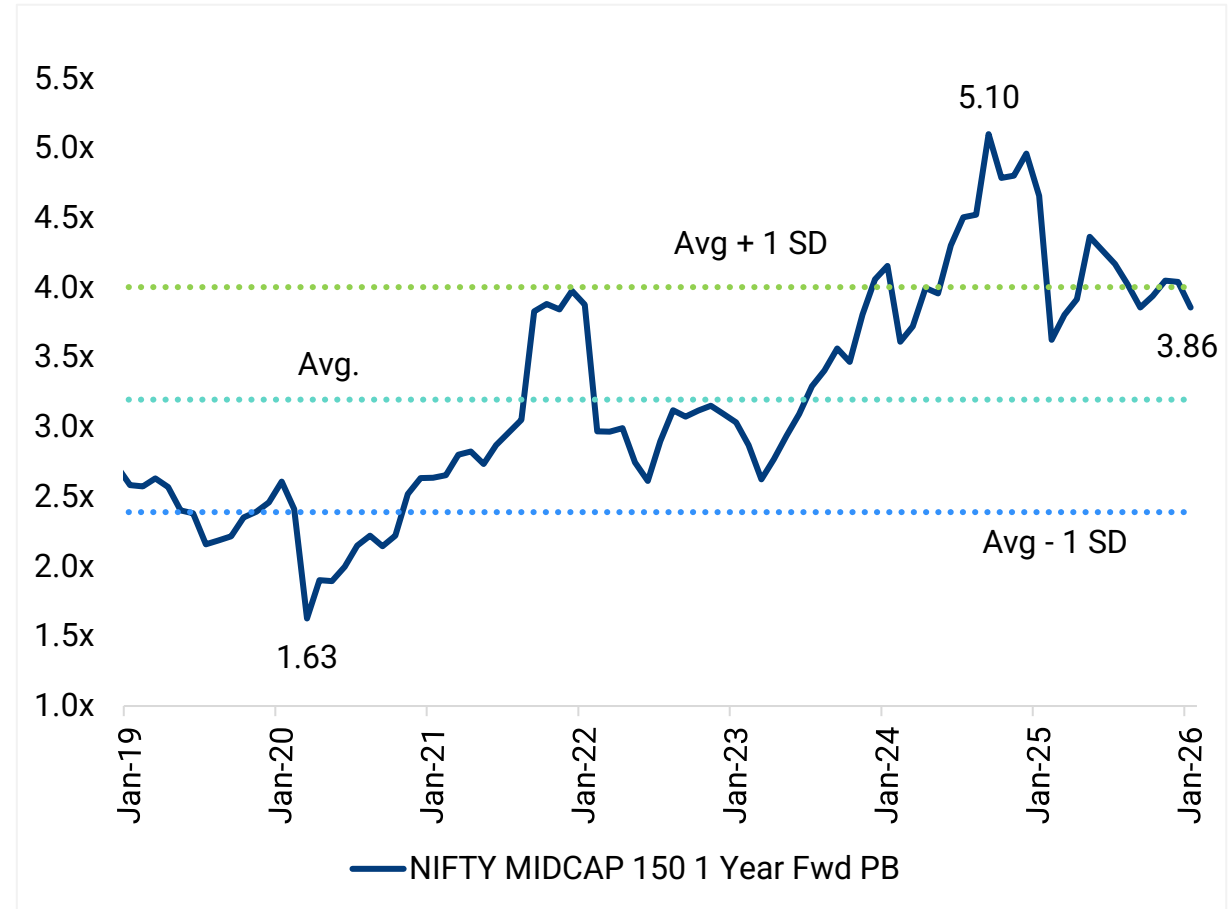
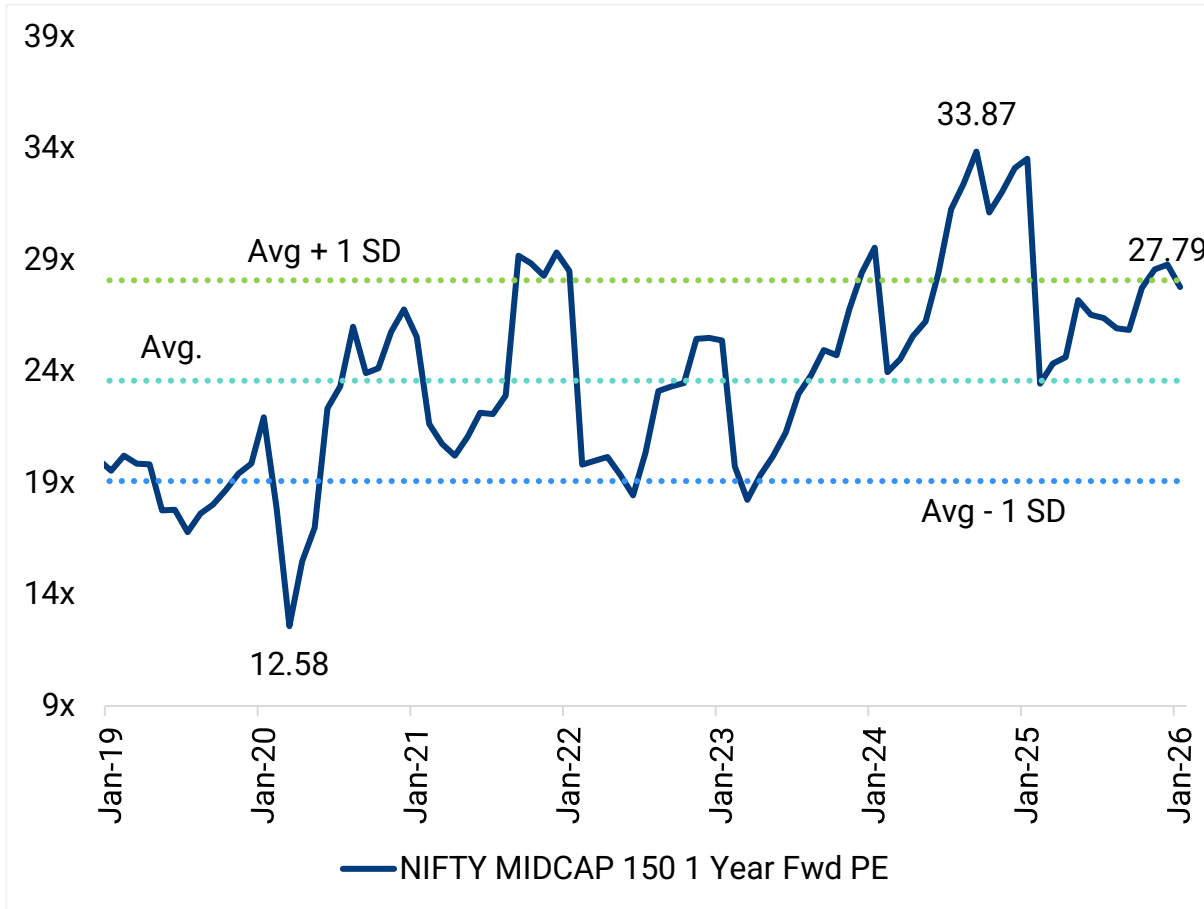
Valuations – Large Cap

Large cap valuations are above its long-term average



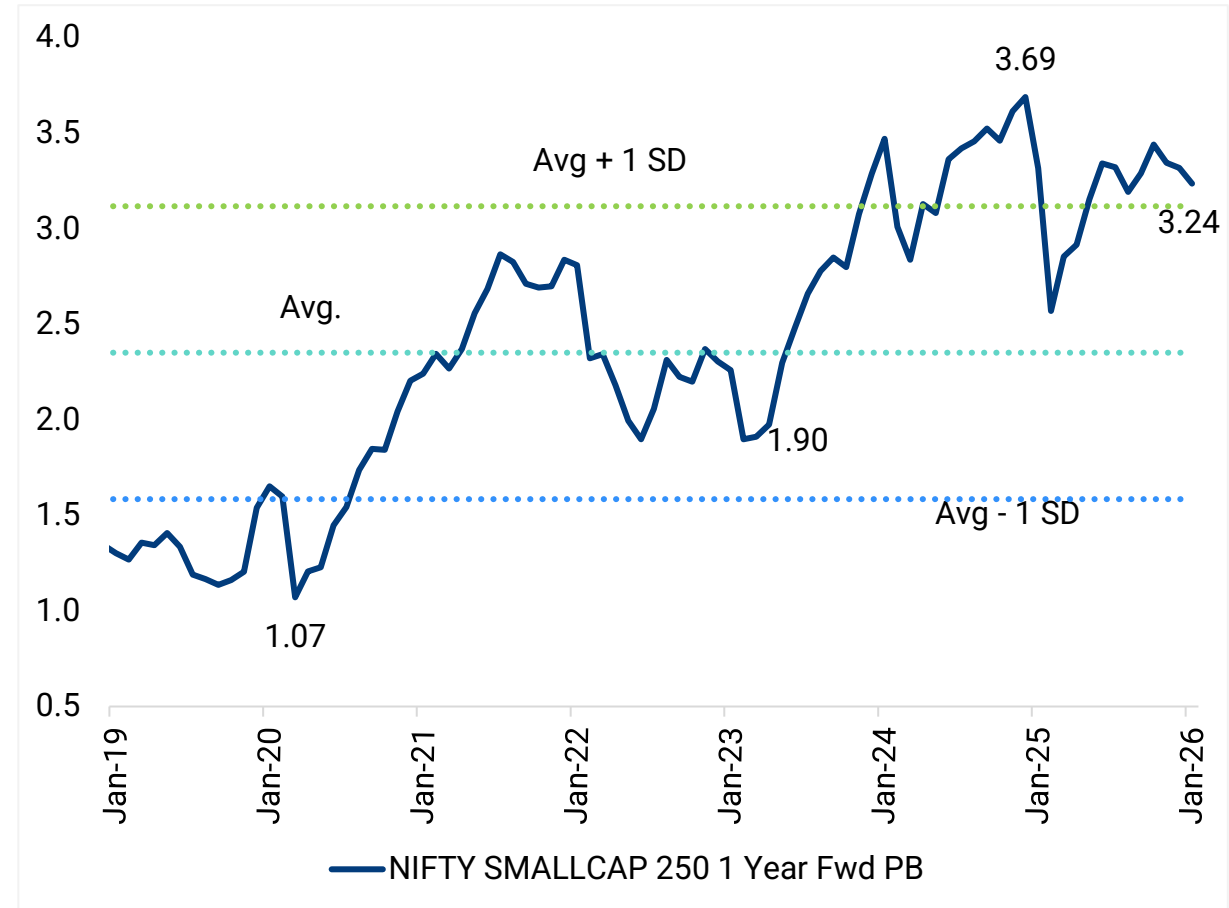
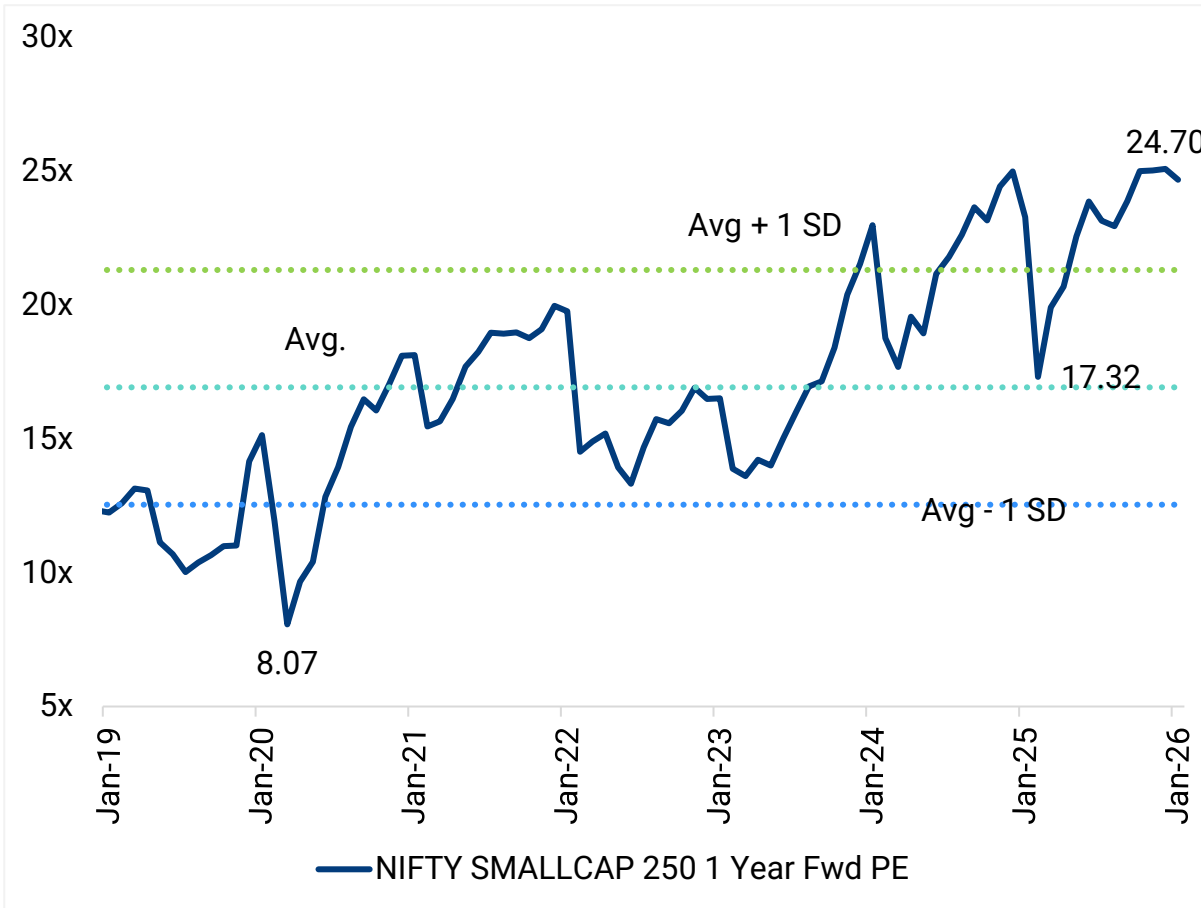
Valuations – Mid Cap

Midcap valuations remain elevated

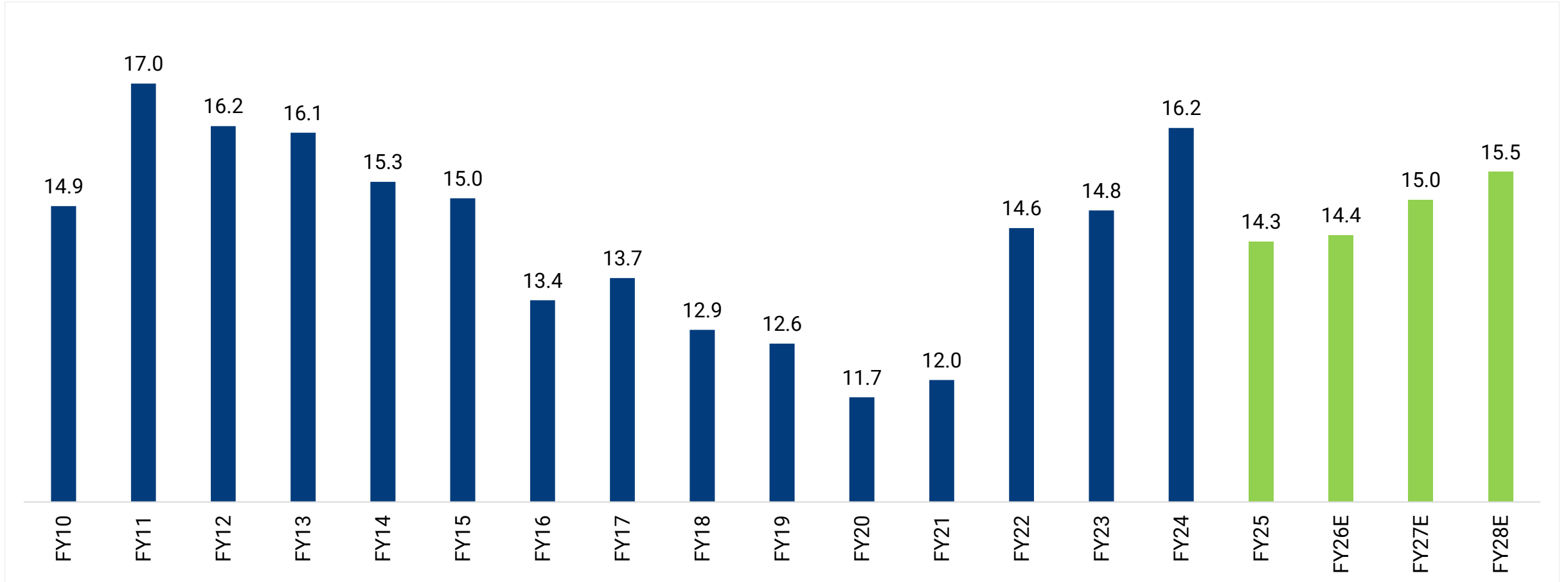


Valuations – Small Cap

Smallcap valuations have become expensive

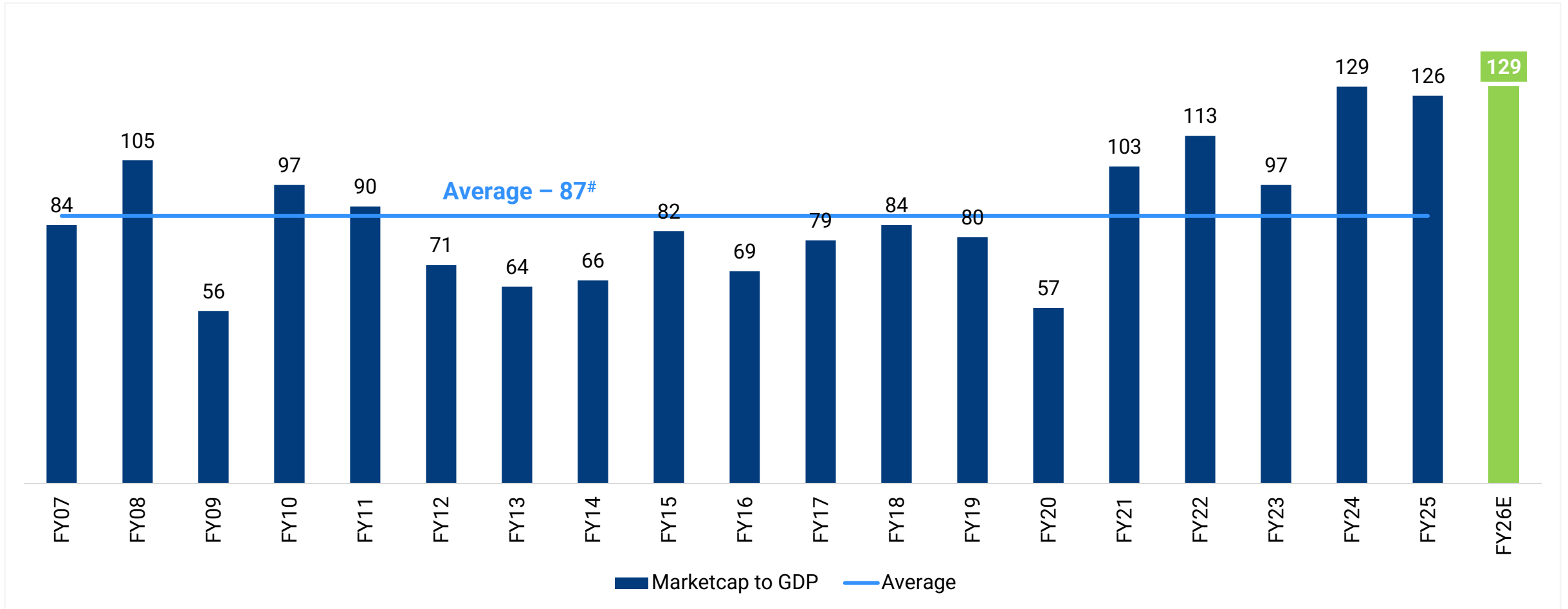


Nifty50 ROE continues to register strong double-digit growth



Indian Market cap to GDP

FY26E market cap-to-GDP ratio stands at 129, well above its long-term average of 87



Sectoral valuation

Sector	Current P/E	10-year Average	Current P/B	10-year Average
Auto	25.3	23.0	4.2	3.6
Banks – Private	16.7	21.0	2.2	2.5
Banks – Public	9.0	10.8	1.4	0.9
Capital Goods	35.0	25.8	6.6	4.1
Consumers	39.7	42.5	9.5	10.0
Healthcare	30.2	27.2	4.2	3.8
Infrastructure	15.3	13.9	1.1	1.2
Metals	12.9	10.4	2.4	1.7
NBFCs	14.5	12.6	2.2	1.8
Oil & Gas	15.5	13.0	1.6	1.5
Real Estate	26.3	31.2	3.1	2.4
Technology	22.1	21.6	7.1	6.0

Analysis of sector-wise FPI holdings

Sectors	Portfolio Share		Change
	Jan-26	Jan-25	
Financials	32.3%	29.0%	3.3%
Auto & Ancillary	7.5%	7.3%	0.2%
IT	7.5%	10.3%	-2.8%
Oil & gas	7.4%	7.0%	0.4%
Healthcare	6.2%	6.9%	-0.7%
Industrials	6.2%	5.5%	0.7%
Service	5.9%	6.2%	-0.3%
Telecom & Media	5.5%	4.3%	1.2%
FMCG	4.7%	5.8%	-1.1%
Metals & Mining	3.8%	2.7%	1.1%
Construction Material	3.5%	3.7%	-0.2%
Utilities	3.1%	3.7%	-0.6%
Durables	2.4%	2.9%	-0.5%
Agriculture & Chemicals	1.8%	1.8%	0.0%
Realty	1.6%	2.2%	-0.6%
Others	0.8%	0.8%	0.0%

Key Highlights

- * **FPIs continued its selling for 3rd consecutive month** as they sold \$3.9 bn in Jan'26 vs \$2.5 bn in Dec-25.
- * **Financials led FPI outflows in Jan-26 (~\$0.9 bn)**, maintaining it's outflow streak since Nov-25.
- * **FMCG is seeing selling since Aug-25**, and outflows in Jan-26 was (~\$0.8 bn), **Services (~\$0.8 bn)**.
- * Other sectors such as **Realty, Construction Materials, IT, Durables, Oil & Gas** also witnessed **selling** in Jan-26.
- * **Highest inflow was observed in Metals and Mining (~\$1.3bn)**, followed by **Industrials (~\$0.3 bn)**.

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



How do different asset class respond to each other?

Correlation between asset class over 10Y period

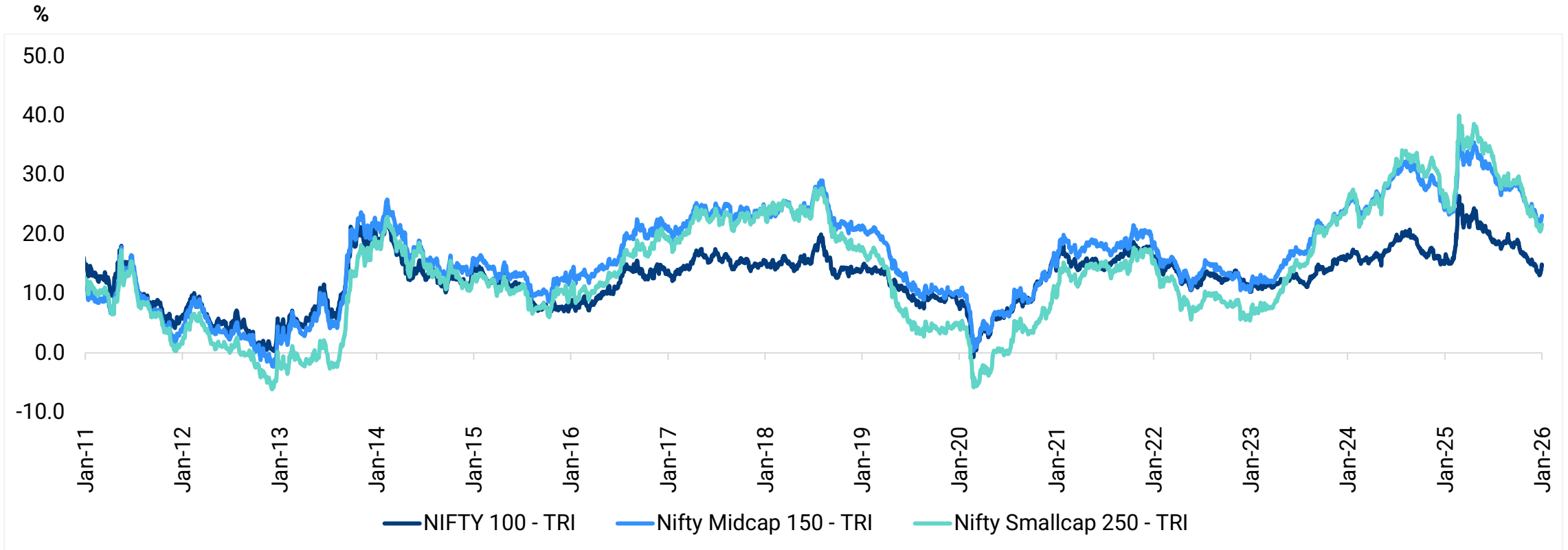
	Nifty 50 TRI	Gold	Silver	Gold + Silver	USD/INR	Nifty 10Y G-sec	S&P 500 TRI	Hang Seng TRI	Crude Oil	10-Yr SD
Nifty 50 TRI	1.00	(0.06)	0.09	0.03	(0.38)	0.07	0.30	0.39	0.11	16.08%
Gold	-	1.00	0.77	0.90	0.12	0.03	(0.02)	0.01	0.03	13.25%
Silver	-	-	1.00	0.97	(0.02)	0.01	0.07	0.14	0.07	25.83%
Gold + Silver	-	-	-	1.00	0.03	0.02	0.04	0.10	0.06	18.05%
USD/INR	-	-	-	-	1.00	(0.17)	(0.12)	(0.27)	(0.03)	4.67%
Nifty 10Y G-sec	-	-	-	-	-	1.00	(0.03)	(0.01)	(0.12)	4.17%
S&P 500 TRI	-	-	-	-	-	-	1.00	0.20	0.26	17.89%
Hang Seng TRI	-	-	-	-	-	-	-	1.00	0.13	21.80%
Crude Oil	-	-	-	-	-	-	-	-	1.00	42.45%

Large, mid and small cap performance

In 9 of the past 15 CY, mid and small caps have outperformed large caps

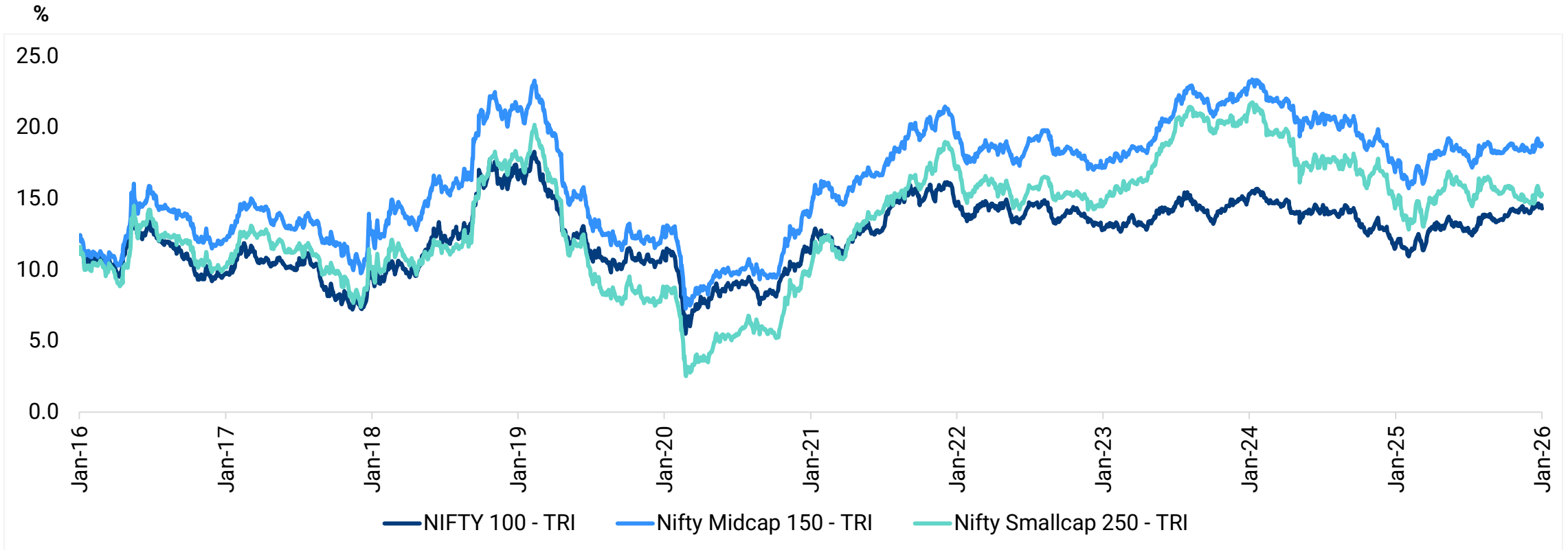
Period	Large Cap	Mid Cap	Small Cap
CY 2011	-24.93%	-31.01%	-35.07%
CY 2012	32.51%	46.69%	40.39%
CY 2013	7.89%	-1.28%	-6.44%
CY 2014	34.88%	62.67%	71.66%
CY 2015	-1.26%	9.70%	11.27%
CY 2016	5.01%	6.53%	1.39%
CY 2017	32.88%	55.73%	58.47%
CY 2018	2.57%	-12.62%	-26.15%
CY 2019	11.83%	0.62%	-7.26%
CY 2020	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%
CY 26TD	-2.90%	-3.50%	-5.50%

5 year rolling returns



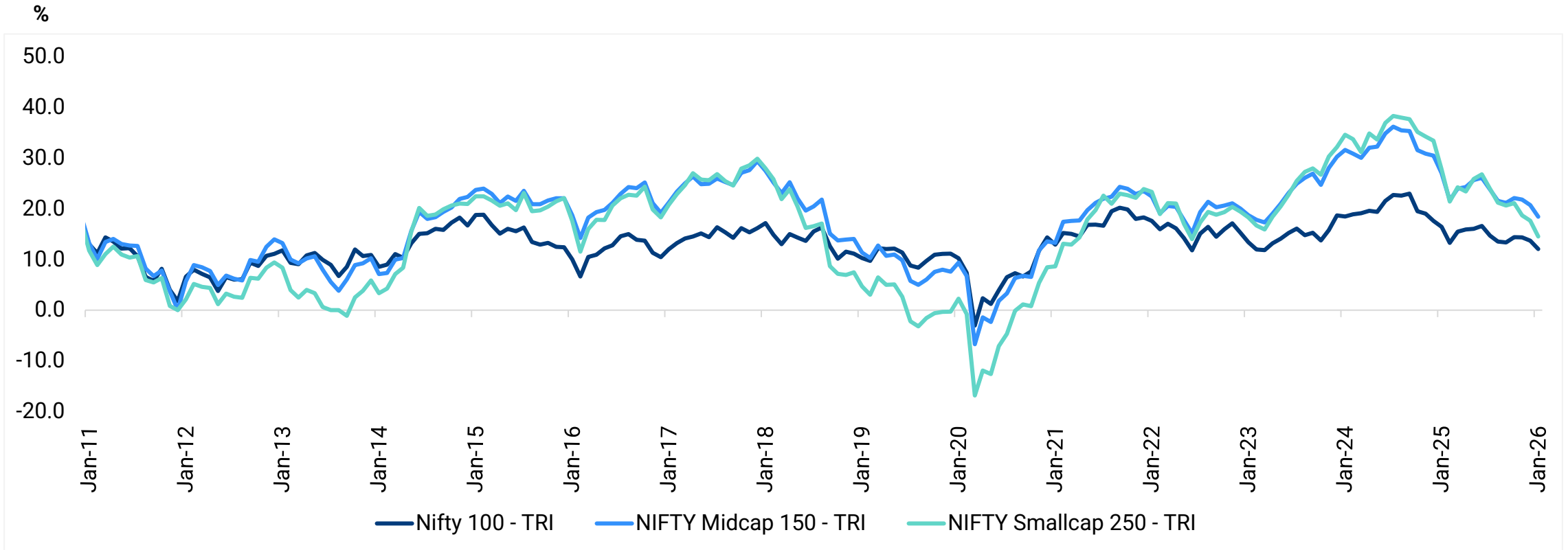
Return Range	NIFTY 100 – TRI	Nifty Midcap 150 – TRI	Nifty Smallcap 250 – TRI
Min (%)	-0.75	-2.34	-6.16
Max (%)	26.45	36.76	40.03
Average (%)	13.01	16.39	14.03

10 year rolling returns



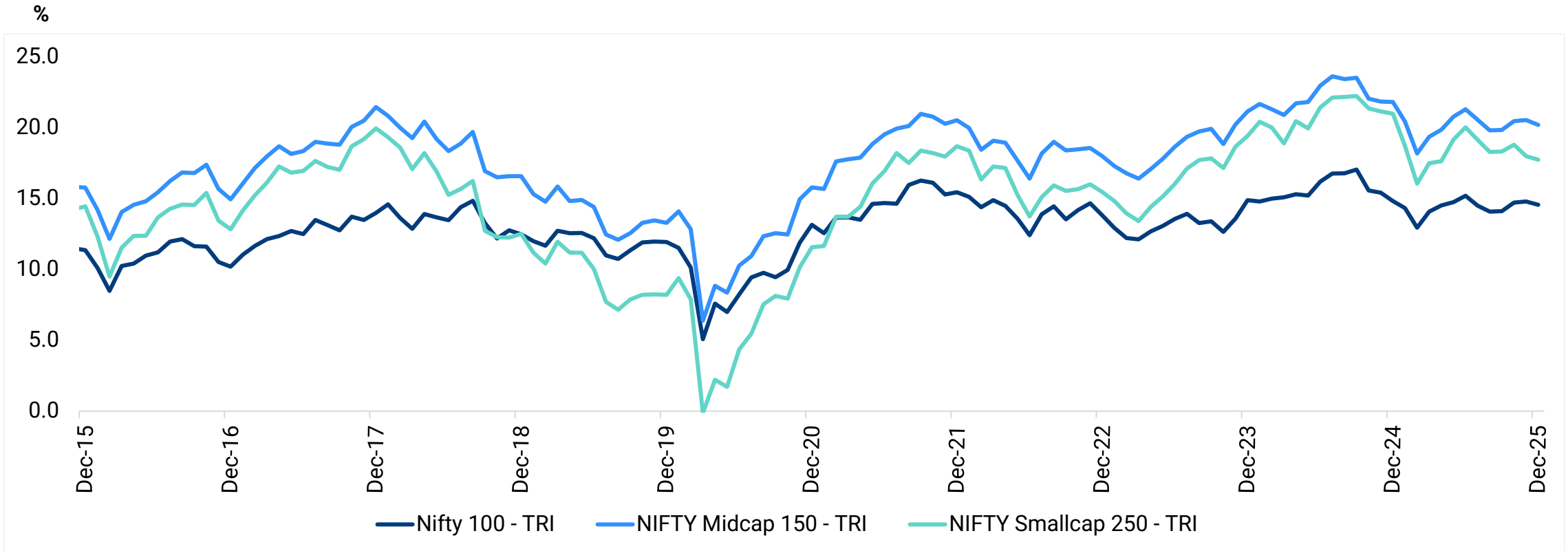
Return Range	NIFTY 100 – TRI	Nifty Midcap 150 – TRI	Nifty Smallcap 250 – TRI
Min (%)	5.50	7.27	2.53
Max (%)	18.29	23.37	21.77
Average (%)	12.60	16.24	13.55

5 year SIP rolling returns



Return Range	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



Return Range	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 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%
CY 26TD	-4.98%	-7.06%	-9.07%

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



- * We remain constructive on Indian equities over the medium to long term, as lower oil prices, easing inflation, fiscal support and a pickup in public and private capex are improving macro conditions and setting the stage for earnings upgrades. As macro headwinds fade, market focus is shifting back to earnings growth. Fiscal prudence in the Union Budget and improving macro stability suggest the INR has likely formed a near-term bottom.
- * Improving earnings visibility and reasonable valuations position 2026 as a potential inflection year, led by consumption, financials, and capex-linked sectors. Rising real incomes, GST rationalisation and premiumisation support discretionary demand; rate cuts benefit real estate; and financials remain well placed on strong credit growth, healthy asset quality, and operating leverage.
- * December quarter earnings indicate improving breadth, with mid-caps leading on profit growth and operating metrics, while select large- and small-cap stocks highlight emerging sector-specific opportunities. SMID valuations have moderated meaningfully, narrowing from a 20–30% premium to long-term averages to around 10–15%. While premiums persist, current valuations appear far more reasonable.
- * Near-term volatility remains a risk, particularly amid geopolitical developments and currency realignments, but the medium-term risk–reward remains favourable for long-term investors.
- * A focused, bottom-up approach within growth-oriented segments is preferred, as earnings upgrades are likely to become more visible through CY26.

- * The Union Budget for FY27 revealed higher-than-expected government gross borrowing of Rs. 18.5 trillion even as the fiscal deficit for FY27 is forecast to trend lower at 4.3% of GDP. Nominal GDP growth is assumed at 10% y/y, total receipts is expected to grow at 7% y/y while total expenditure is expected to grow at 8% y/y in FY27. We believe GOI has been conservative in its budget estimates.
- * Benchmark 10-year IGB yield rose to 6.78% as market sentiment weakened on higher borrowing. Bond market participants expect further uptick in yields amid forecast of adverse demand-supply outlook for government bonds in FY27.
- * We expect the MPC to keep the Repo rate unchanged in the upcoming review on Feb 6, 2026 as MPC members await clarity on recently concluded trade deals and their impact on the economy.
- * Bond market participants await the launch of revamped CPI and GDP indices with revised base years later this month. Weight of food items is expected to be lower in the new CPI index while weight of core goods will be raised commensurately.
- * 3M Bank CD yields have been trending up in Jan 2026 despite RBI injecting liquidity in the banking system. Term premium between March CD and April CD has risen to ~50 bp amid mismatch in maturity preference.

- * Macro environment remains supportive: Easing inflation (CPI ~1.3%), stable FX reserves, and robust PMI readings (Manufacturing ~55, Services ~59) underpin a selective risk-on stance despite near-term volatility.
- * We expect factor performance in 2026 to improve versus 2025, supported by better earnings visibility, easing of foreign outflows and a strong macro backdrop.
- * Growth and Momentum geared towards cyclical recovery opportunities. Value provides valuation comfort and downside protection, while Quality offers stable exposure for investors prioritizing balance-sheet strength amid global uncertainty.
- * Optimal allocation: A barbell approach—tilting toward Growth & Momentum while anchored by Value—remains well-suited as markets digest earnings and await new catalysts.
- * Maintain a tilt towards Growth & Momentum to capture recovery opportunities, while anchoring with Value for valuation discipline.
- * 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.

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.)	13,802			5,369			1,038			4,442		
Market Cap Allocation	Large 14%	Mid 75%	Small 11%	Large 0%	Mid 29%	Small 71%	Large 74%	Mid 26%	Small 0%	Large 51%	Mid 38%	Small 11%
Over-Weight Sectors	<ul style="list-style-type: none"> Financial Services Metals and Mining Chemicals 			<ul style="list-style-type: none"> Automobile and Auto Components Chemicals Financial Services 			<ul style="list-style-type: none"> Financial Services Construction Consumer Durables 			<ul style="list-style-type: none"> Capital Goods Information Technology Consumer Durables 		
Under-Weight Sectors	<ul style="list-style-type: none"> Capital Goods Consumer Durables Power 			<ul style="list-style-type: none"> Healthcare Oil, Gas & Consumable Fuels Power 			<ul style="list-style-type: none"> Telecommunication Chemicals Fast Moving Consumer Goods 			<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.)	440			3,110			3,128		
Market Cap Allocation	Large 63%	Mid 20%	Small 17%	Large 67%	Mid 27%	Small 6%	Large 48%	Mid 27%	Small 25%
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 Metals and Mining Services 			<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 (%)	20.5	19.5	20.2	21.0	23.4	27.1	25.6
FY28E EPS growth (%)	18.7	18.0	19.6	19.6	21.3	21.3	22.2
PEG (x)	0.9	1.0	0.9	0.9	1.0	0.9	0.8
FY27E ROE (%)	21.0	19.6	20.6	20.8	21.8	18.9	26.9
FY28E ROE (%)	21.3	20.1	21.1	21.1	22.0	19.6	23.7
PER FY27E (x)	21.2	22.8	22.3	23.0	28.1	24.8	24.1
PER FY28E (x)	17.8	19.3	18.6	19.2	23.2	20.8	20.0

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 30th January, 2026. 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"> National Aluminium Company Ltd 	<ul style="list-style-type: none"> National Aluminium Company Ltd JSW Cement Ltd SBFC Finance Ltd 	<ul style="list-style-type: none"> Oil India Ltd Tata Motors Ltd 	<ul style="list-style-type: none"> AU Small Finance Bank Ltd Bharat Dynamics Ltd Tata Motors Ltd 	<ul style="list-style-type: none"> Bharat Dynamics Ltd Tata Motors Ltd IDFC First Bank Ltd AU Small Finance Bank Ltd 	<ul style="list-style-type: none"> Equitas Small Finance Bank Ltd 	<ul style="list-style-type: none"> National Aluminium Company Ltd Blue Star Ltd
Exits	<ul style="list-style-type: none"> Godrej Properties Ltd Mazagon Dock Shipbuilders Ltd Home First Finance Company India Anthem Biosciences Ltd 	<ul style="list-style-type: none"> Shree Cement Ltd HDB Financial Services Ltd 	<ul style="list-style-type: none"> Meesho Ltd 	<ul style="list-style-type: none"> Tata Capital Ltd Polycab India Ltd Mazagon Dock Shipbuilders Ltd Meesho Ltd 	<ul style="list-style-type: none"> Cholamandalam Financial Holdings Ltd Mazagon Dock Shipbuilders Ltd 	NIL	<ul style="list-style-type: none"> Titagarh Rail Systems Ltd

Active stock exposure across equity funds

Edelweiss Mid Cap Fund		Edelweiss Small Cap Fund		Edelweiss Large & Mid Cap Fund	
Multi Commodity Exch. of India Ltd	2.51	City Union Bank Ltd	2.76	Federal Bank Ltd	1.41
Solar Industries India Ltd	1.81	Indian Bank Ltd	2.47	Multi Commodity Exch. of India Ltd	1.41
Radico Khaitan Ltd	1.41	UNO Minda Ltd	2.36	Indian Bank Ltd	1.34
Max Healthcare Institute Ltd	1.41	APL Apollo Tubes Ltd	2.11	Phoenix Mills Ltd	1.22
CreditAccess Grameen Ltd	1.39	KEI Industries Ltd	2.08	Aether Industries Ltd	1.17
Marico Ltd	1.30	Century Plyboards India Ltd	1.82	UNO Minda Ltd	1.13
Bharat Electronics Ltd	1.27	Equitas Small Finance Bank Ltd	1.72	Ather Energy Ltd	1.13
Oil India Ltd	1.25	Gabriel India Ltd	1.71	Can Fin Homes Ltd	1.11
Indian Bank Ltd	1.20	Ajanta Pharma Ltd	1.67	Max Healthcare Institute Ltd	1.08
Canara Bank Ltd	1.19	Fortis Healthcare Ltd	1.64	Power Mech Projects Ltd	1.06

Active stock exposure across equity funds

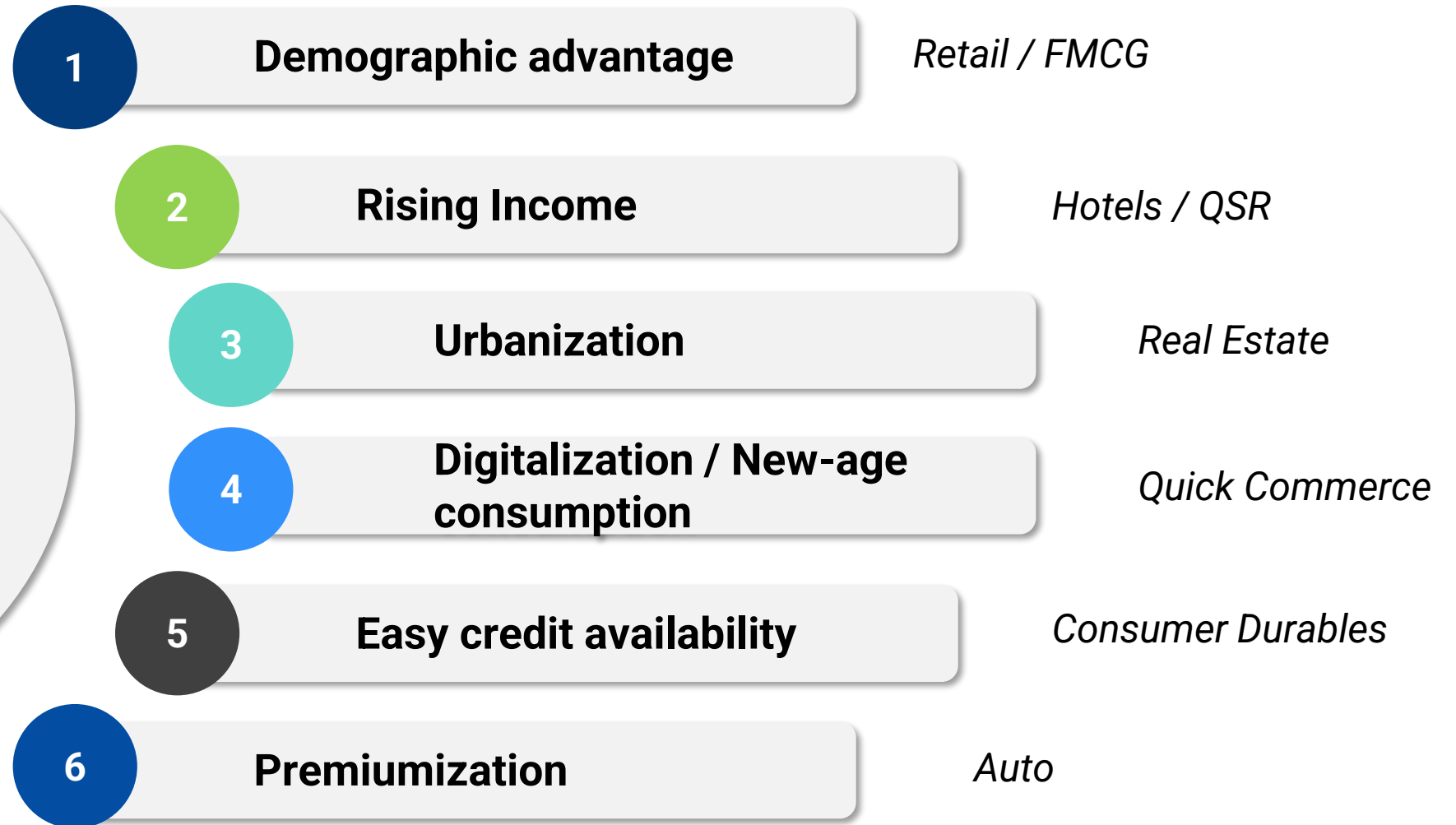
Edelweiss Flexi Cap Fund		Edelweiss ELSS Tax Saver Fund		Edelweiss Focused Fund		Edelweiss Multi Cap Fund	
NTPC Ltd	1.65	Muthoot Finance Ltd	2.27	Shriram Finance Ltd	4.20	Navin Fluorine International Ltd	1.97
Multi Commodity Exch. Of India Ltd	1.61	Multi Commodity Exch. Of India Ltd	2.12	Marico Ltd	3.95	NTPC Ltd	1.83
Oil India Ltd	1.45	Karur Vysya Bank Ltd	1.49	Tata Steel Ltd	3.71	Bikaji Foods International Ltd	1.69
Ultratech Cement Ltd	1.40	Bharat Electronics Ltd	1.42	Coforge Limited	3.38	Multi Commodity Exch. Of India Ltd	1.67
Tata Steel Ltd	1.34	City Union Bank Ltd	1.31	KEI Industries Ltd	3.25	Radico Khaitan Ltd	1.65
Fortis Healthcare Ltd	1.18	Gabriel India Ltd	1.25	Larsen & Toubro Ltd	3.23	Karur Vysya Bank Ltd	1.46
Persistent Systems Ltd	1.13	CreditAccess Grameen Ltd	1.23	Ultratech Cement Ltd	2.69	CEAT Ltd	1.38
Muthoot Finance Ltd	1.13	BSE Ltd	1.13	State Bank of India Ltd	2.63	Tata Steel Ltd	1.24
L&T Finance Ltd	1.09	Torrent Pharmaceuticals Ltd	1.10	NTPC Ltd	2.39	Craftsman Automation Ltd	1.19
Marico Ltd	1.07	Ather Energy Ltd	1.09	Mankind Pharma Ltd	2.35	Chalet Hotels Ltd	1.19

Why We Own What We Own



India's Consumption

USD 4.2 trillion
consumer spending
by 2030, up from
USD 2.4 trillion in
2024



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)

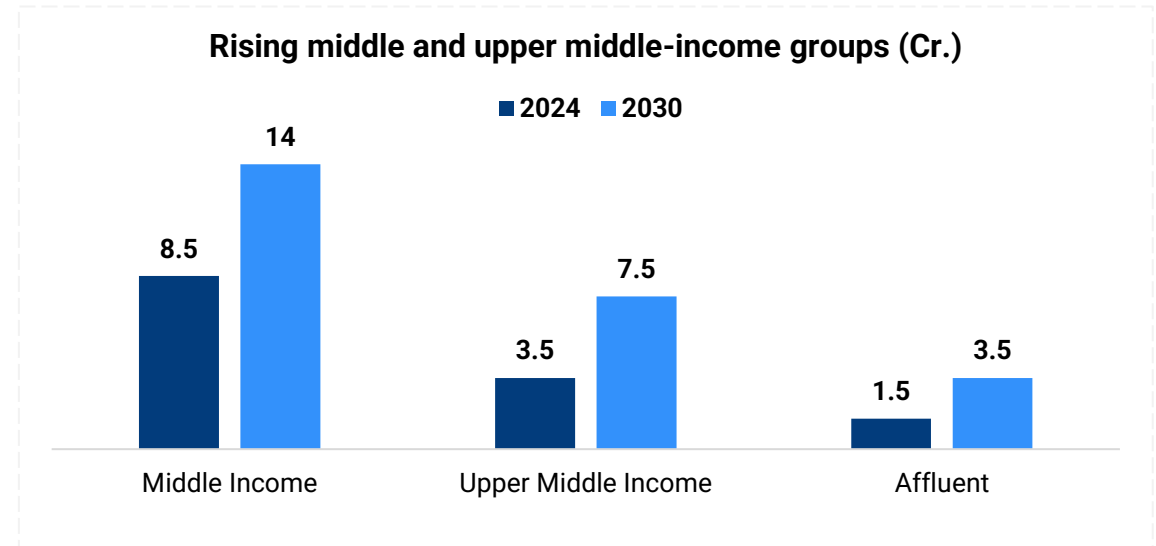
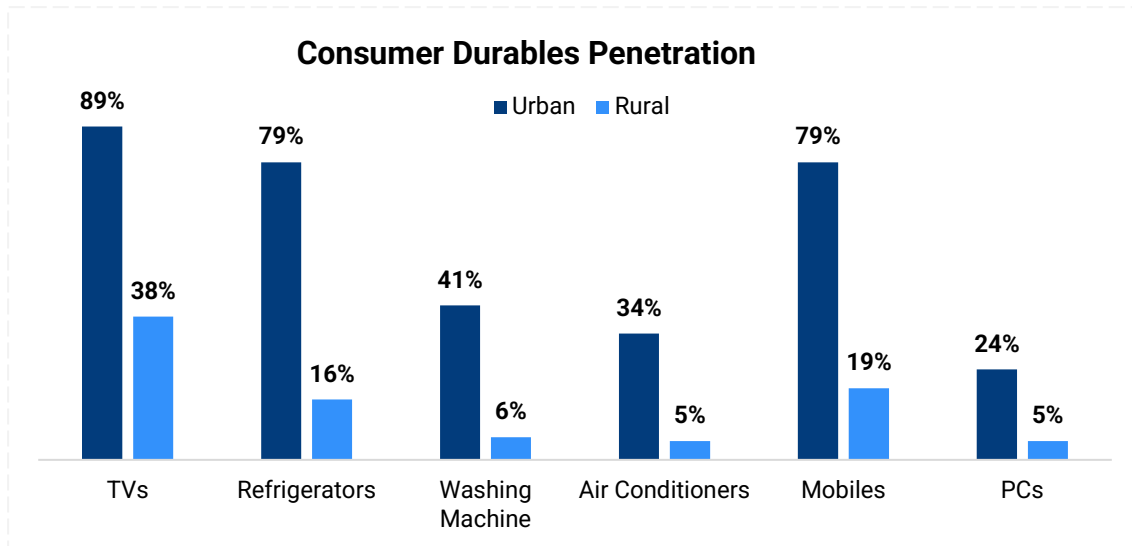
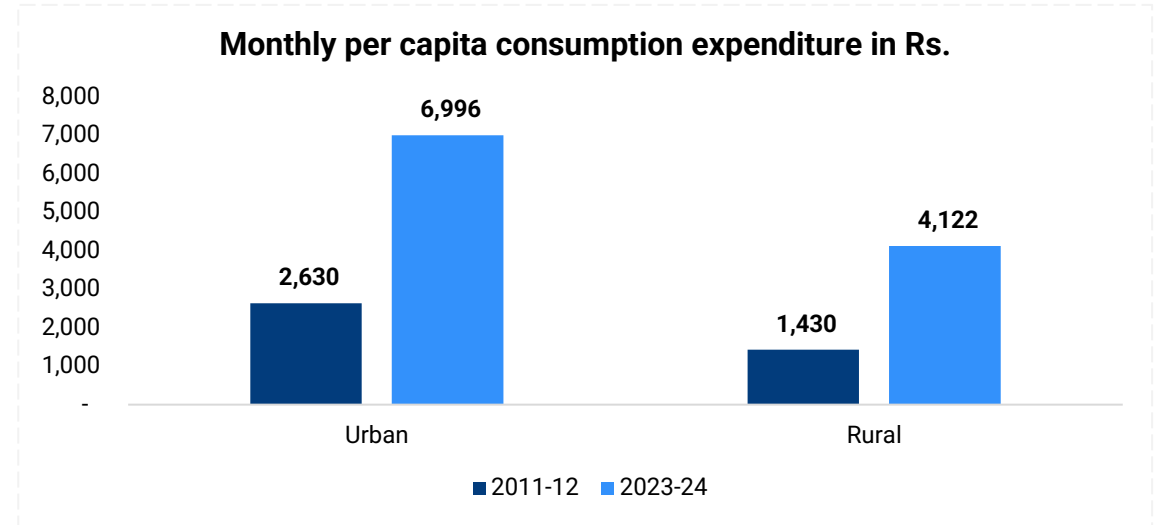
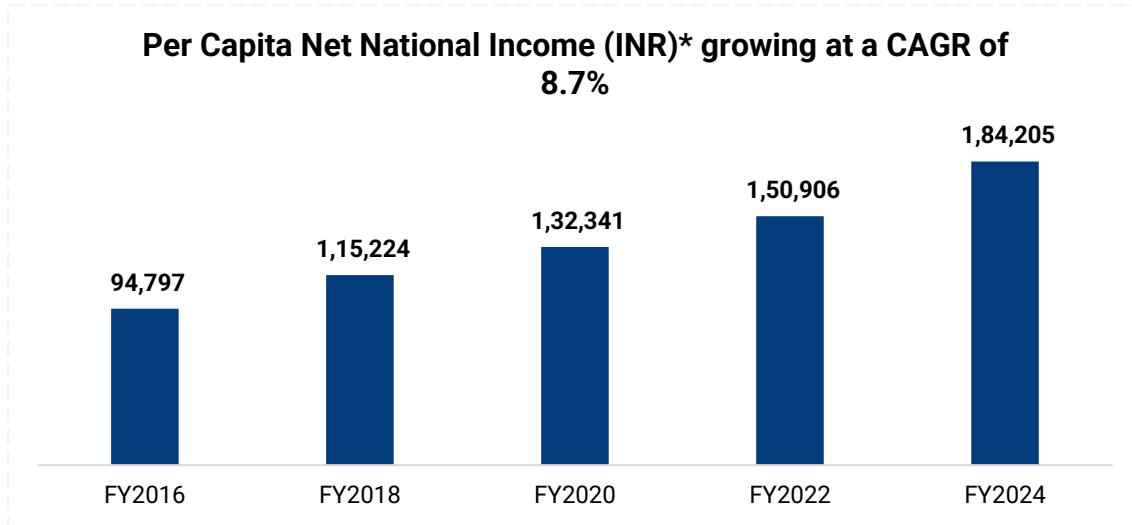
- ❖ The shift to a simplified two-slab GST structure of 5% and 18% (from the earlier four slabs of 5%/12%/18%/28%)
- ❖ This is expected to unlock benefits of around ₹1 lakh crore in the hands of individuals

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



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

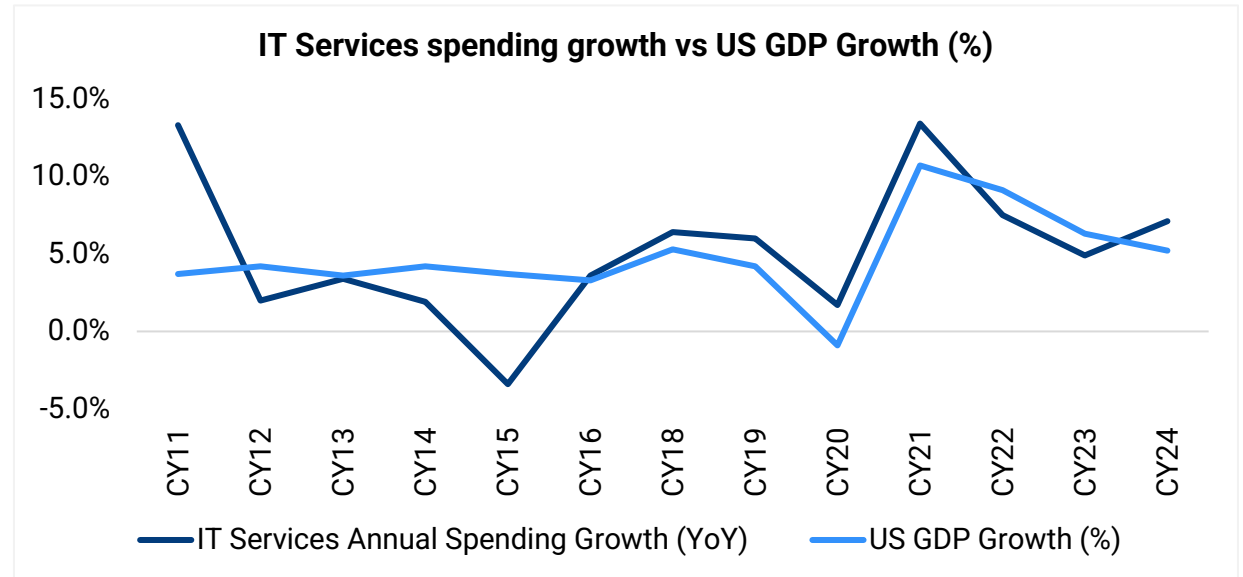
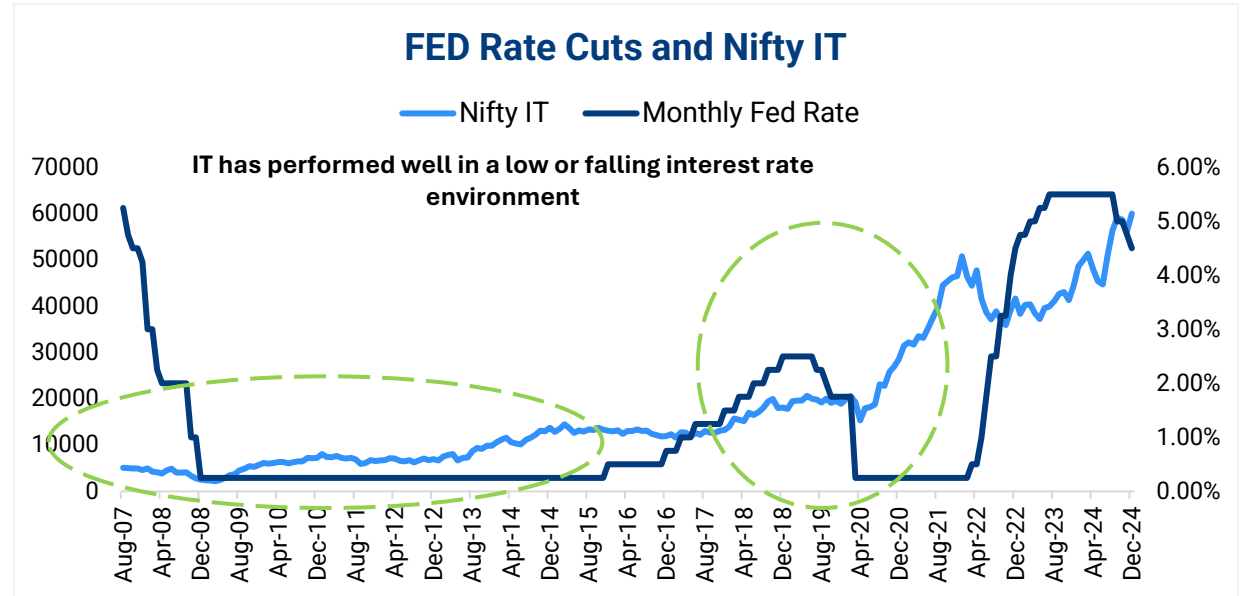
India's IT industry is set to grow from US\$ 254 bn to US\$ 350 bn by 2026, contributing 10% to the nation's GDP

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

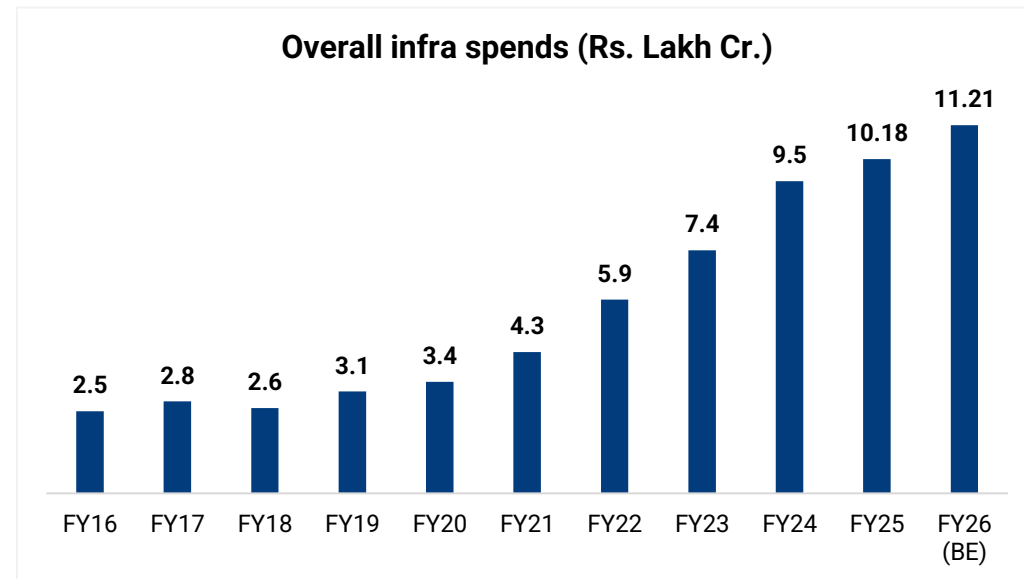
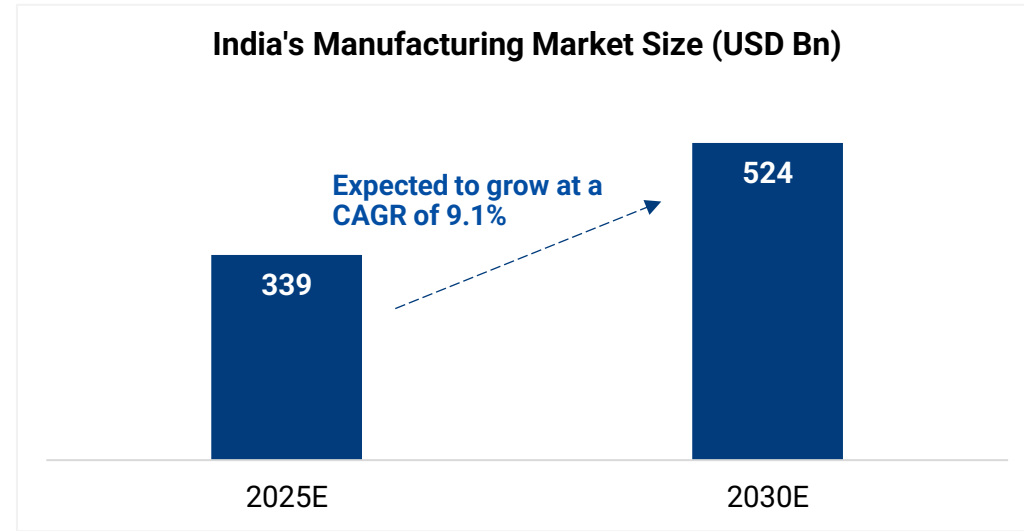
IT export revenue grew from \$59 bn in 2010 to \$199 bn in 2024, with an estimated 20% CAGR to reach \$600 bn by 2030



India's Manufacturing

India is poised to become a \$10T+ economy over the next decade with manufacturing contributing over 32% to incremental GVA by 2034

- 1 Policy push for self-reliance and local production (Make in India and Atmanirbhar Bharat)
- 2 PLI schemes across 14 sectors incentivizing domestic manufacturing
- 3 China+1 Strategy and Positive FDI cues. Global supply chain diversification driving investment in India
- 4 India positioning itself as a global manufacturing hub and boosting exports supported by trade agreements
- 5 India's CAPEX cycle in an uptrend ~ further room for growth. Capacity utilization in Private sector at 12 year high.



Defence – Built for Bharat, Ready for the World

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

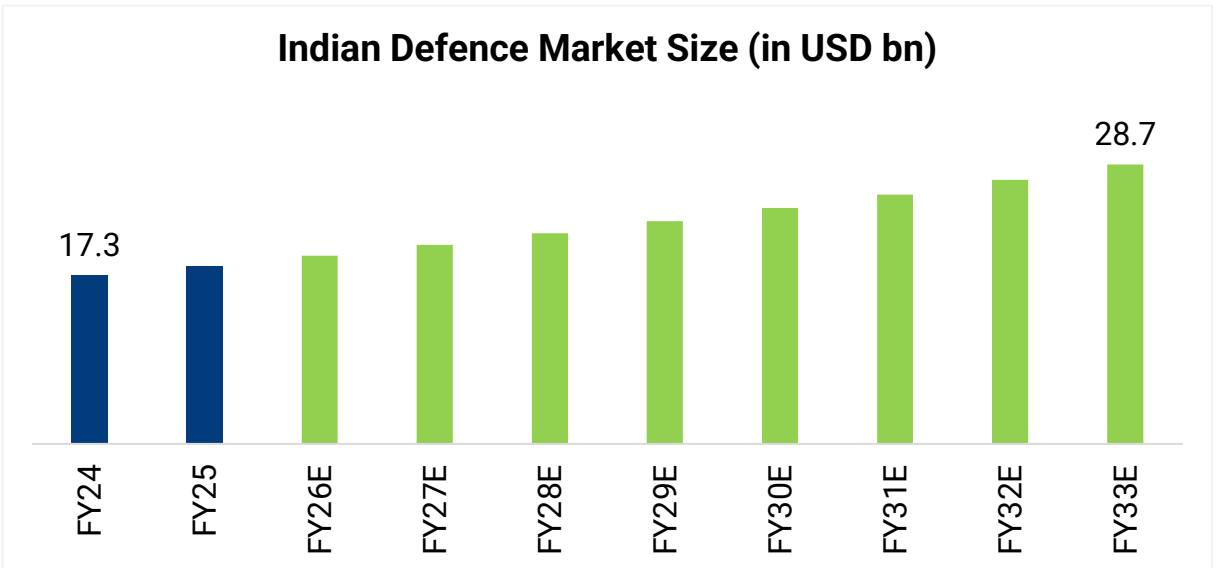
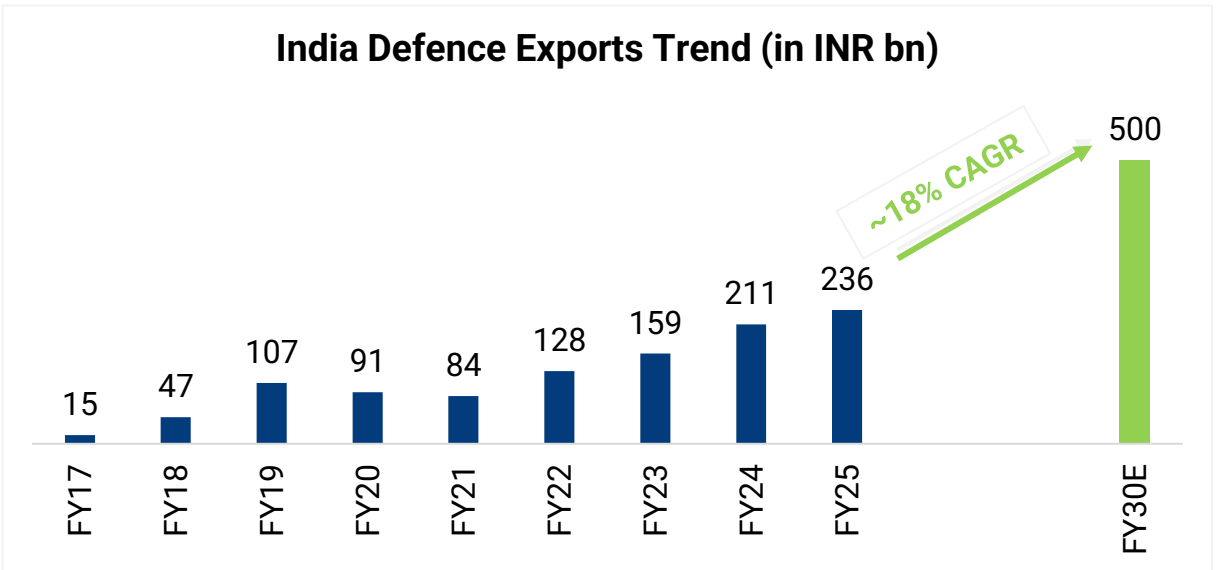
- Capex-driven shift to drones, missiles, radars & submarines; HAL, BDL, BEL leading with strong order books

Import Substitution + Export Boost = Make in India success

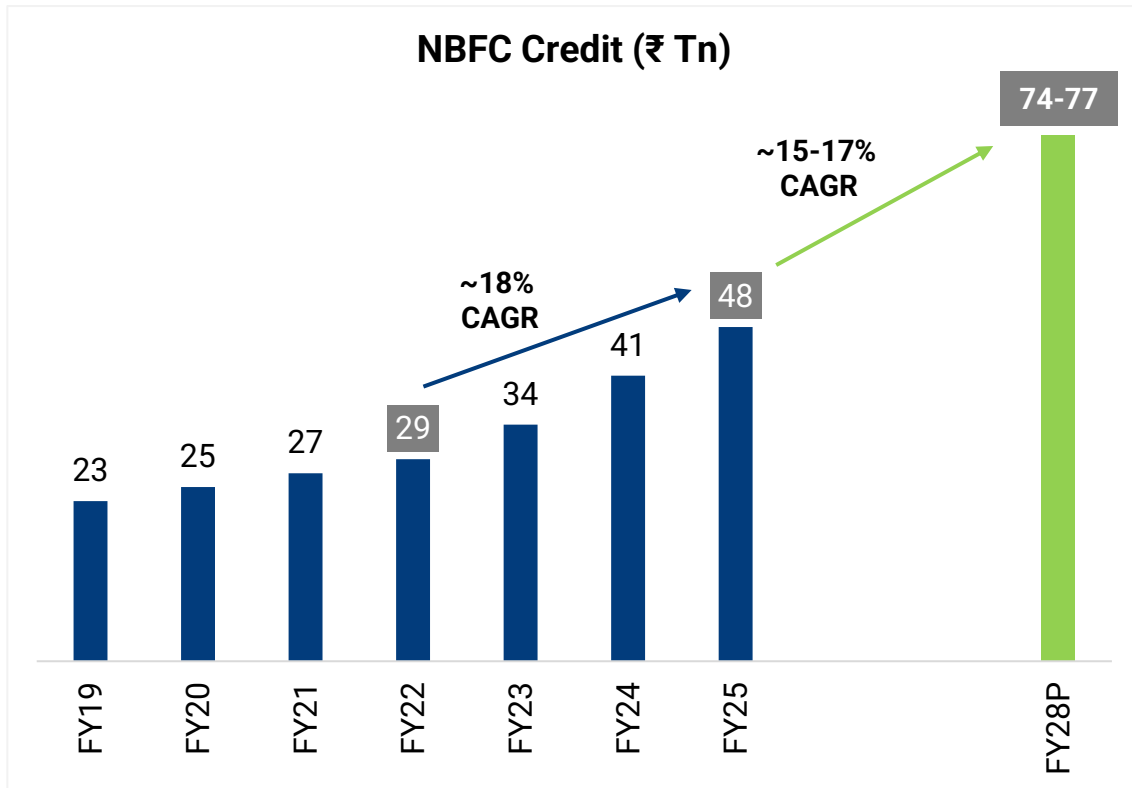
- Driven by Defence Procurement Policy (DPP), import embargoes, and the Make in India initiative, India is transitioning from a historically import-heavy defence ecosystem to a self-reliant, indigenous manufacturing powerhouse.

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.



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

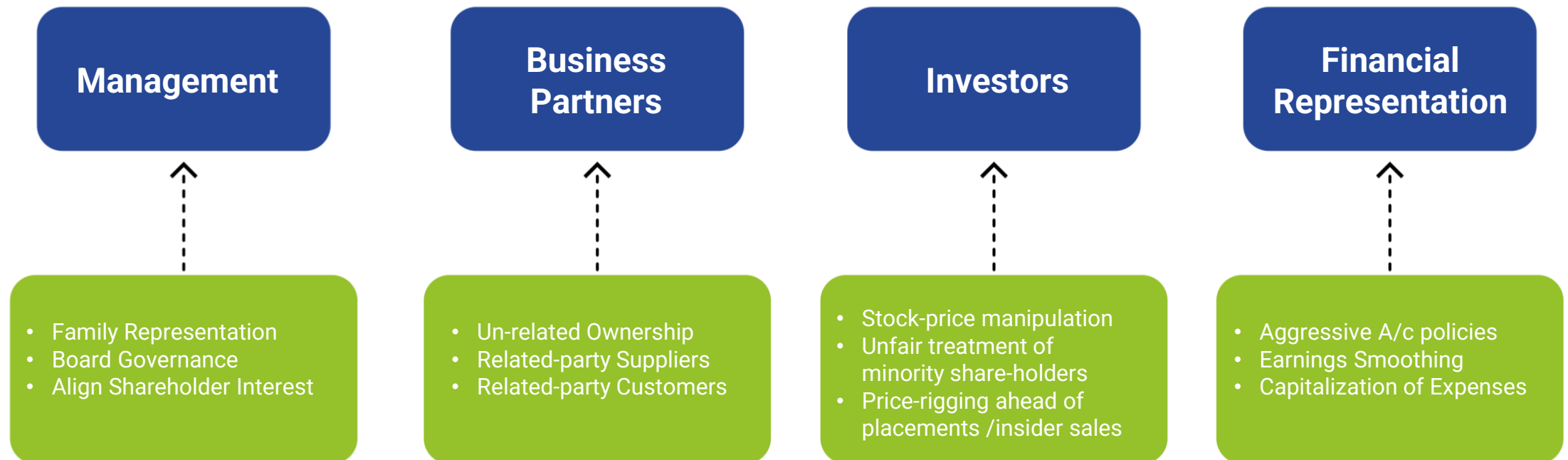
Pick well managed businesses having scalable opportunities and superior return on capital employed

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
 - Discounted Value stocks
 - Compounding Value stocks
 - 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

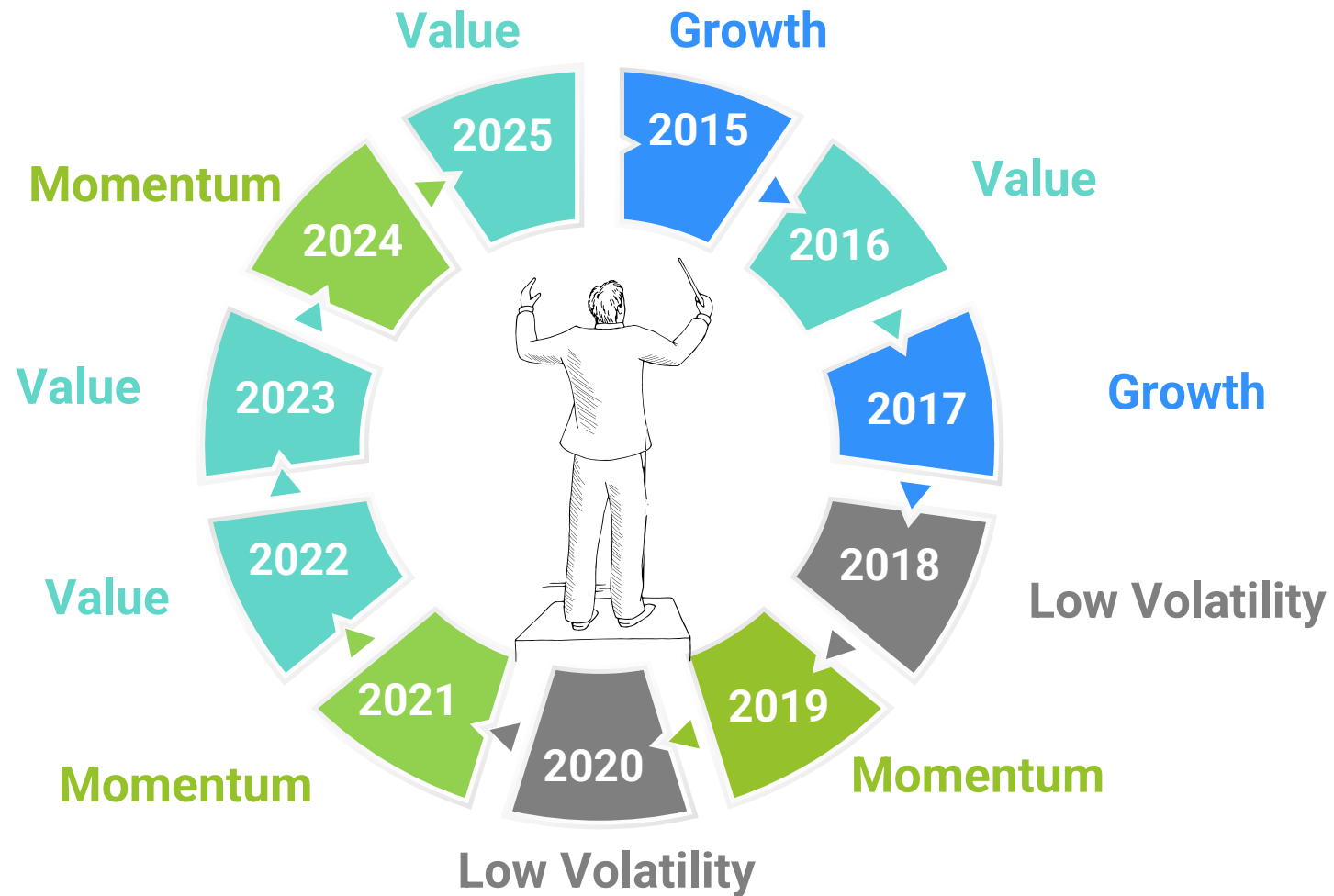
- * We derive discounted value based on % discount compared to intrinsic value of the stock
- * This bucket includes event driven, deep Value and turn-around businesses
- * Current Examples of businesses with static value – SBI and Indian Bank

Compounding Investment Value

- * 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.

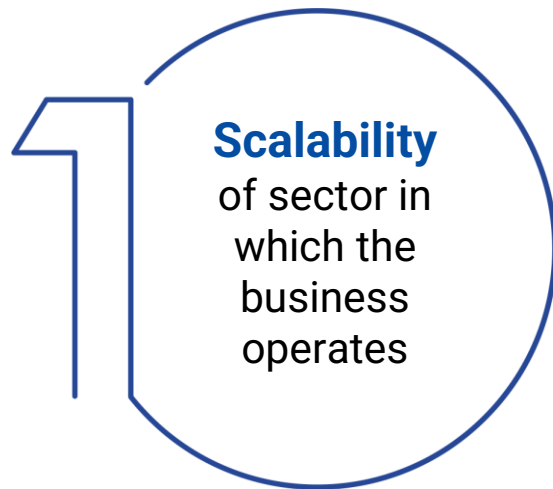
Investment Style Agnostic

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

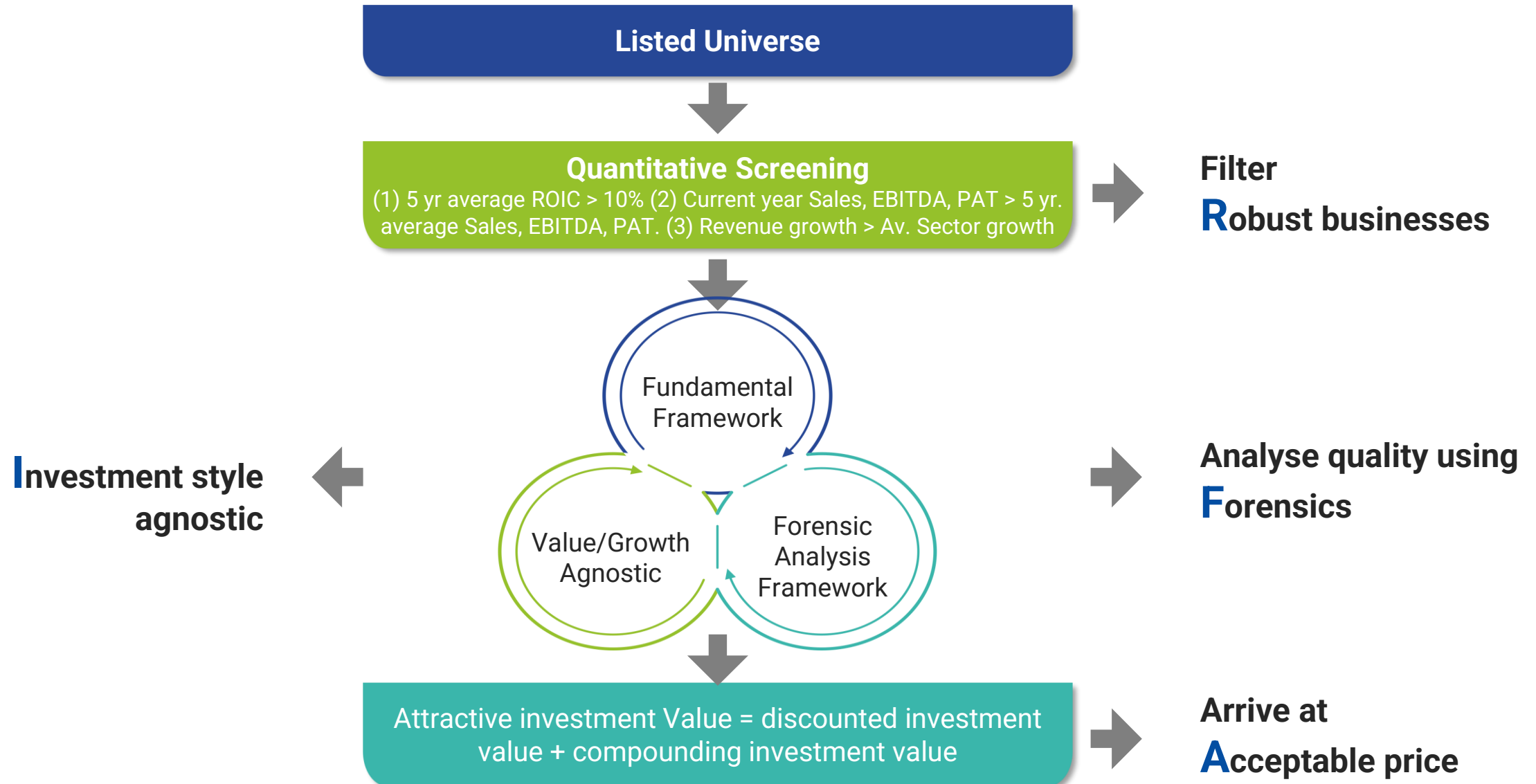
Risk
Management

- * 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

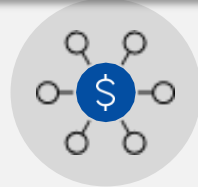
02 Macro calls

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

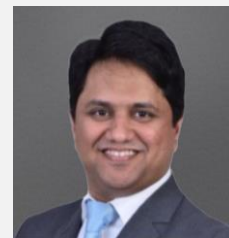


Mr. Dhruv Bhatia
Fund Manager



Mr. Raj Koradia
Asst. Fund Manager

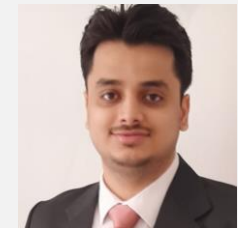
Centralized Research Team



Mr. Aniruddha Kekatpure
Head - Research



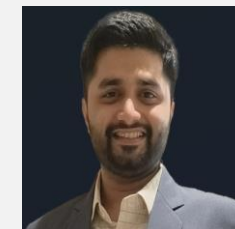
Mr. Mehul Dalmia
Research Analyst



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



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)

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