TATA CAPITAL WEALTH

EDGE

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RESILIENT INDIA:
Staying Strong Amid Global Headwinds

FOREWORD

Mr. Rajiv Sabharwal

Managing Director & CEO,
Tata Capital Limited

India today stands at the forefront of global transformation. Even as the world grapples with economic uncertainty, rising geopolitical tensions, and shifting alliances, India's growth story continues to strengthen. Our economy is not only demonstrating resilience – it is emerging as a key driver of global progress.

Backed by structural reforms, robust domestic demand, and a thriving entrepreneurial ecosystem, India is well-positioned to navigate global volatility while unlocking new opportunities for investors and businesses alike.

At Tata Capital, we are committed to building on this momentum – delivering innovative, diversified financial solutions across Consumer, SME, Corporate Lending, Private Equity, and Wealth Management.

Our focus remains unwavering: empowering our customers, fostering responsible growth, and contributing to India's development journey.

In this edition of the EDGE Mid-Year Wealth Newsletter, industry experts decode market developments, share actionable insights, and provide perspectives to help investors stay focused on long-term wealth creation amidst changing global dynamics.

Tata Capital Wealth Management continues to play a critical role in this endeavour – helping customers stay aligned to their financial objectives with prudent strategies, deep expertise, and an unwavering commitment to their evolving needs.

Thank you for your continued trust in Tata Capital. We are committed to being your trusted wealth partner, guiding you through every phase of your financial journey.

Happy Investing!

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Prologue

The first half of 2025 has been defined by **uncertainty and change**. Global markets continue to grapple with rising geopolitical tensions, trade disruptions, and evolving policy landscapes. The surge in tariffs across sectors and regions, coupled with concerns around the US fiscal position and subdued global demand, has heightened volatility across asset classes.

Yet, amidst this global flux, India remains a standout story. With strong macro resilience, robust domestic demand, and structural reforms in play, **India is set to break into the world's top four economies by 2025** – underscoring its long-term growth potential. Fiscal consolidation, a proactive RBI, and supportive government policies have further cushioned domestic markets from global headwinds.

Looking ahead, the second half of 2025 presents both risks and opportunities. Key aspects to monitor include:

- The **One Big Beautiful Bill (OBBA)** in the US, with its potential $3-5 trillion debt impact and consumption drag on low-income segments.
- The **Fed's Dilemma,** balancing weak private demand with sticky inflation and rate cut expectations.
- Persisting **Tariff Volatility,** with uncertainties around sector-specific and reciprocal tariffs shaping global trade and supply chains.
- **India's continued macro strength,** with falling input costs, capex momentum, and improving rural consumption setting the stage for a broader domestic recovery.
- The global trend of **'The Great Diversification',** where investors increasingly seek alternatives beyond traditional US assets – **favouring emerging markets like India.**

Against this backdrop, the importance of diversification, tactical asset allocation, and a long-term investment lens becomes paramount.

In this edition of the EDGE Mid-Year Wealth Newsletter, we bring together expert perspectives to help you navigate these evolving dynamics, stay aligned with your financial goals, and make informed investment decisions in an increasingly complex world.

News in Numbers

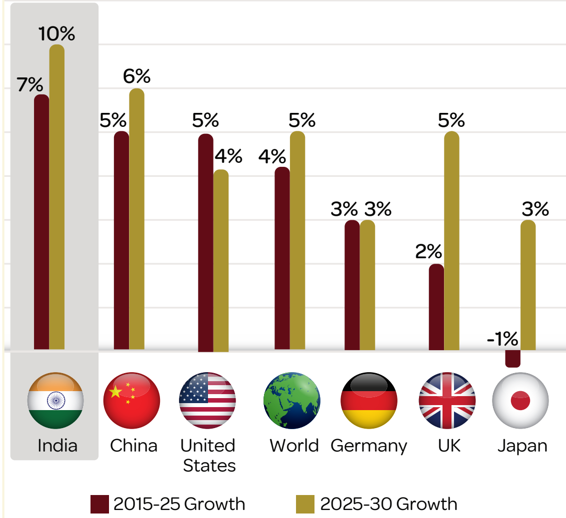
India Growth Story Remains Robust

India has risen through ranks in the world

	2019	2021	2025E	2028E
USA	1	1	1	1
China	2	2	2	2
Japan	3	3	5	5
Germany	4	4	3	4
UK	5	6	6	6
India	6	5	4	3

India is set to enter the Top 4 in 2025, backed by macro resilience and strong long-term fundamentals despite global volatility.

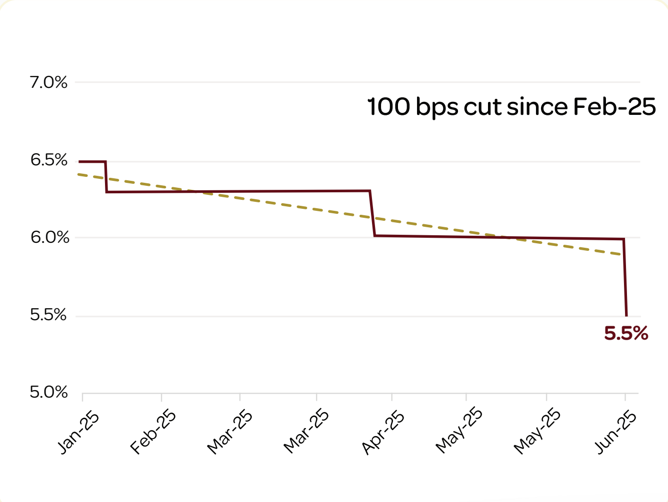
Growth rates in GDP in US$ terms



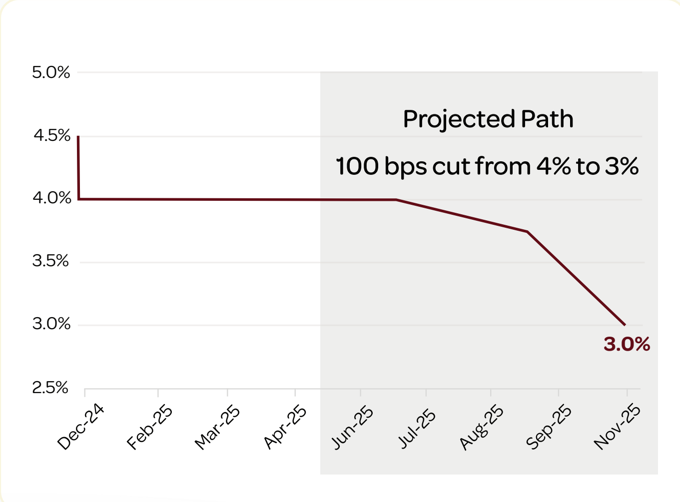
India remains the fastest-growing major economy, with relative upgrades in growth outlook.

Source: IMF World Economic Outlook, April 2025. IMF estimates for CY25 use FY26 estimates for India and CY2025 for other countries

Repo Rate (%)



Cash Reserve Ratio (%)



Since the start of 2025, the RBI has actively supported domestic growth by using multiple monetary tools. The measures by the central bank are supportive to growth and picking up credit spending.

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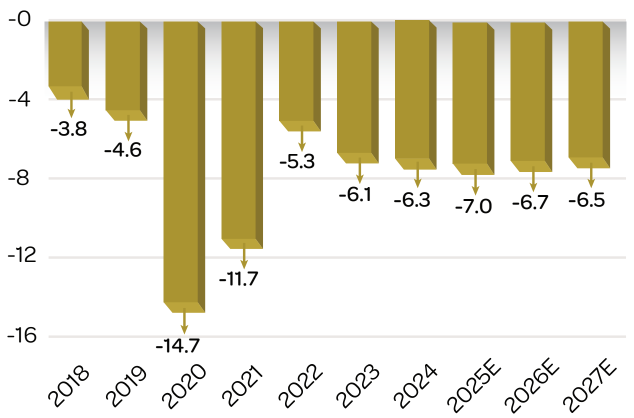
News in Numbers

Global Uncertainty Persist

US growth looks gloomy amid rising uncertainty

US Federal Deficit/GDP (%)



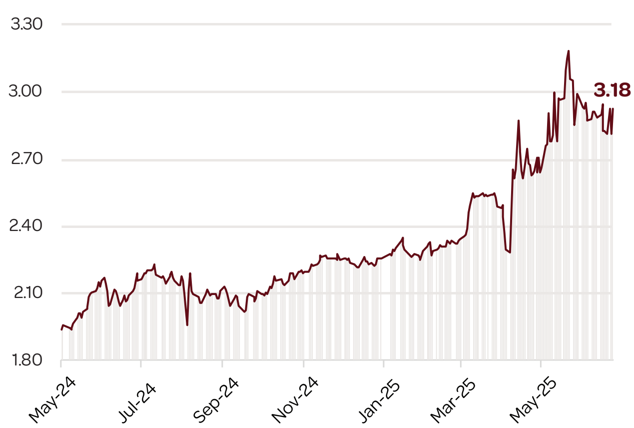
Source: FRED, IMF, Bloomberg

US federal deficit as a percentage of GDP remains elevated. High deficits can potentially impact long-term economic growth and stability.

Moody's downgraded the US Credit rating

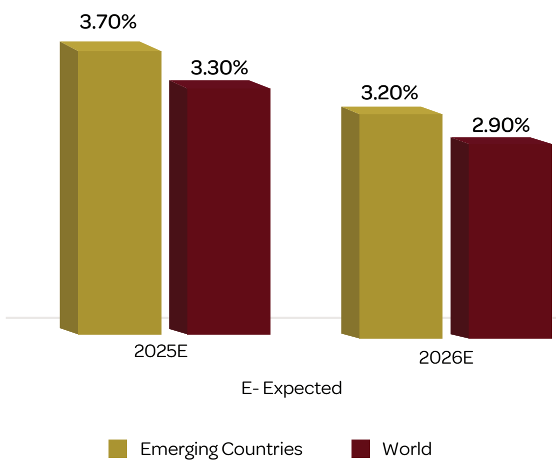
In May 2025, Moody's downgraded the US rating from Aaa to Aa1, citing prolonged failure to manage rising debt.

Japan 30Y Yield (%)



Japanese bond yields rose in H1CY25 as the BOJ (Bank of Japan) exited ultra-loose policy amid persistent inflation and yen weakness.

Inflation (CPI) Forecast, YoY %

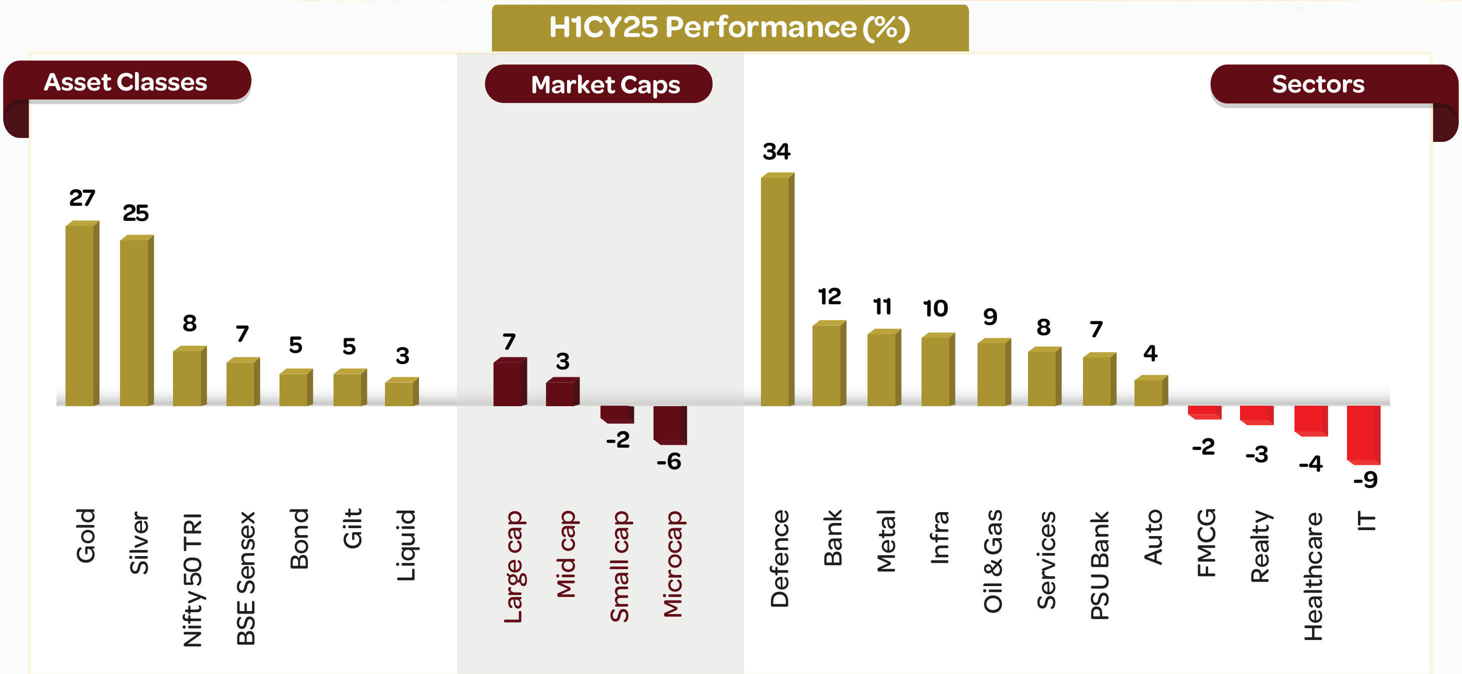


With inflation cooling across regions, 2026 sets the stage for improved macro stability, especially in Emerging Markets.

Common source: IMF, Bloomberg and Investing.com

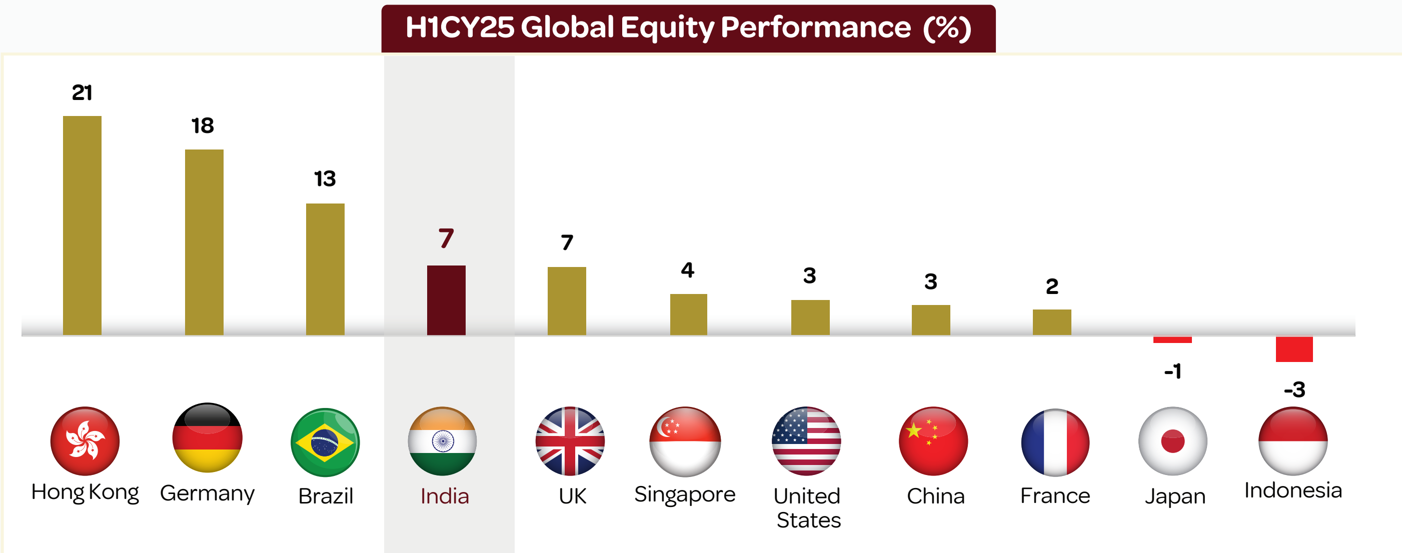
Market Performance

The Half-Year Gone By - Market Performance in H1CY25



Performance shown from Jan 01, 2025 to June 26, 2025. Returns are absolute. Total Returns Index.ICRA Debt indices, NSE market and Sectoral indices.

- With global uncertainty at its peak, it's no surprise that **gold continued its rally in H1CY25.** Gold rose on back of tariff worries and rising geopolitical tensions.
- Among market caps, the Large cap index outperformed Mid & Small caps.
- **Defence sector has been the top performer in H1CY25**. Defence stocks experienced sharp investor interest, surging on the crest of policy support, strategic clarity, and a rising defence outlay.



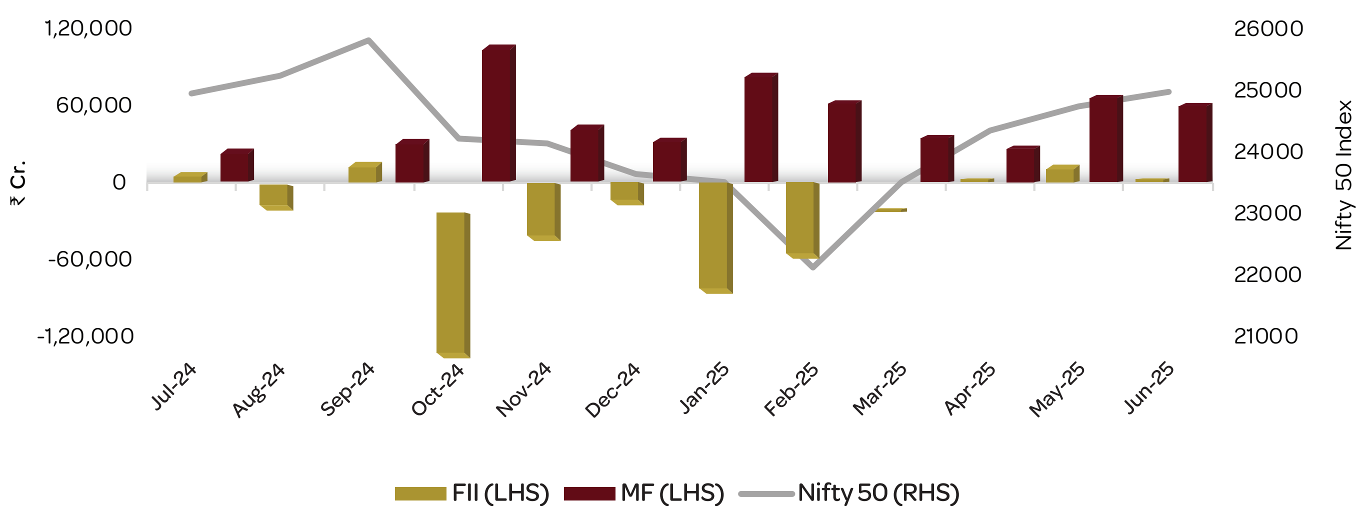
Returns are absolute. Index used: Hong Kong - Hang Seng, Germany – DAX, Brazil - Ibovespa Sao Paulo, India - Nifty 100 TRI, U.K. - FTSE 100, Singapore - Strait Times, US - Russell 1000, China - SSE Composite, France - CAC, Japan - Nikkei, Indonesia - Jakarta Composite. Performance shown from Jan 01, 2025 to June 26, 2025.

- **Global equity markets upheld its upside momentum in H1CY25** barring Indonesia and Japan.
- The uncertainty around Trump-era tariffs seems to be easing with positive development in trade talks and new deals. However, **despite easing tensions, long-term impacts on global supply chains and trade dynamics remain uncertain.**

Common source: MFI 360 Explorer (http://www.icraanalytics.com/legal/standard-disclaimer.html)

Market Performance

Equity - Net FII & MF Flow (Cash) in ₹ cr. vs Nifty 50



Source: MFI 360 Explorer (http://www.icraanalytics.com/legal/standard-disclaimer.html). Data as on June 26, 2025

- In H2 FY25, the negative FII (Foreign Institutional Investors) flows were largely correlated to the negative movement of Nifty. In CY25, they have sold **equities worth ₹1.2 lakh crore** so far (till 26-Jun-25).
- DIIs (Domestic Institutional Investors) have consistently backed the market, with their net purchases **approaching ₹3.5 lakh crore** since the beginning of the year (till date).

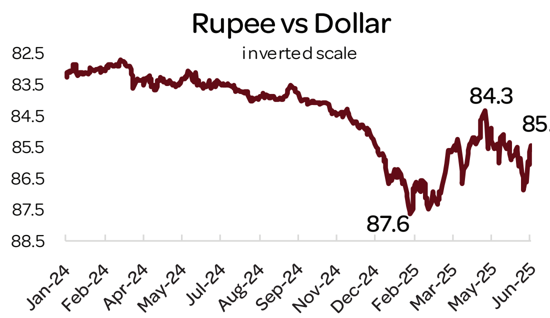
Overview of market valuations

		Historical Data	
Index	Current PE	1Y Ago	5Y Avg
Sensex	23.98	23.94	25.87
Nifty 50	22.96	22.69	24.80
Nifty 500	25.22	26.03	27.00
Nifty Midcap 150	34.79	42.00	51.66
Nifty Smallcap 250	33.27	30.42	29.14

Source: BSE and NSE India. Data as on 26th June 2025

- Based on the current valuation landscape, **large caps are trading below 5-year average.**
- Small caps are trading well above 5-year average.

Movement of Rupee vs USD



Data as on 27th June 2025. Source: Investing.com

- In H1CY25, the **Indian Rupee posted marginal gains, supported by broad-based weakness in the US Dollar amid political uncertainty** and softer economic data from the US.
- The Rupee also benefited from sustained FII inflows, strong equity market performance, and a decline in global crude oil prices.

Cover Story

Will the Indian Markets Revive in H2CY25?

Mr. Anand Radhakrishnan
Managing Director, Sundaram Asset Management Company Limited

'Second half recovery' is a clichéd narrative ingrained in the psyche of all market participants. However, this time around the narrative appears to have more legs than normally perceived, with credible inherent drivers.

Recency bias of the markets tend to repeatedly bring focus back to India's stiff valuations and elevated global uncertainties. The recent earnings season for the Mar'25 quarter saw low single digit net profit growth just above expectations and a high single digit EBITDA growth, marginally below expectations. Domestic growth headwinds were noticed in consumption and outsourcing sectors. Delayed orders through the year led to bunching up of investment orders and companies were noticed to be guarded in their commentary, on any recovery ahead.

"India stands differentiated within its EM peers for a second time in the last five years as the China+1 derisking gathers renewed momentum."

India's domestic cushion

India's growth is largely driven by domestic variables, with appreciable feedback loops from global growth. While increased global uncertainties should ideally exert more pressure on India growth, the very nature of these existing uncertainties appear to limit India's negative externalities. The **ongoing uncertainty stems largely from the US' tariff policy and its cascading impact on investments and business decisions worldwide.** India stands differentiated within its EM peers for a second time in the last five years as the China+1 derisking gathers renewed momentum.

Eight drivers for H2

Outside of a lacklustre earnings season, 2025 has been seamlessly dotted with forward looking drivers for consumption. Alongside delivering a surprise fiscal consolidation and keeping the capex narrative alive, the Union budget delivered an unexpected boost for consumption in Feb'25 through sizeable **changes to its income tax slabs,** alongside better progression in tax rates.

The RBI followed this up with the start of its **rate cut cycle**. Alongside rate cuts, the RBI also **cut the risk weights** it had earlier imposed on loans to NBFCs and MFIs. Into March, the RBI brought about a concerted effort to **ease liquidity tightness** in the system, through FX swaps and sizeable OMOs. By end March, domestic liquidity turned positive and started pulling down call rates much lower.

Fiscal year FY26 started with **crude prices dropping** to well below $70/bbl and sustained around these levels, both easing pressure on the fiscal and most importantly lowering input costs of Indian corporates. **Retail inflation** saw a welcome drop alongside an appreciable fall in rural retail prices. This drove up real **rural wage growth** well into positive territory. Adding another layer of positivity to this are expectations of an above normal monsoon that has witnessed an early onset.

At the very start of H2 (2025), the RBI delivered more front-ended rate cuts and a large CRR cut that is set to keep systemic rates well below the Repo rate for a large part of H2 2025. As the real impact of the above variables gradually start to show in domestic macro variables, the markets would have all their eyes glued to yet another structural boost in the form of the **8th pay commission** recommendations.

Cover Story

Consumption skew

The last few quarters of GDP growth have seen private consumption account for and contribute a larger share than that of investment. Back to the drawing board on the drivers of growth, consumption appears to clearly stand out as an incremental driver, over that of investment, government spending or net exports. Remember here that **global uncertainty is likely to work as a relative drag on capex,** the centre's continued focus on fiscal consolidation would weigh down on government spends and global trade uncertainties to weigh down exports in the near term.

Tax and rate cuts to aid urban consumption

Urban consumption has been weak over the last year, reflecting in an appreciable drop in non-financial corporate wage growth to 7.2% (real growth: 2.8%) for the Mar'25 quarter from 13% seen in Mar'23. The government's tax cuts from Feb'25 are probably underway, and the RBI's short and sizeable 100bps of rate cuts would help augur demand for credit. With the festive season set to start in another quarter, the start of a gradual urban consumption revival appears on the cards. Remember here that nearly 60% of banks' o/s floating rate rupee loans are linked to the EBLR system that started in 2019. This would imply that the pace of rate transmission would be much faster than earlier cycles.

"It seems likely that India would see a pickup in its underlying macro variables; followed by market acknowledgement in H2 this year."

Rural consumption skew

Within consumption, data appears to indicate a clear skew towards rural. Alongside monsoon and a pickup in real rural wage growth, MGNREGA demand is seen moderating and tractor/ 2W sales growth has remained elevated. The recent NielsenIQ survey shows a clear and continued pickup in rural FMCG volumes. The recent increase in cash transfer schemes for women and reported pickup in government procurement are added positives for rural India.

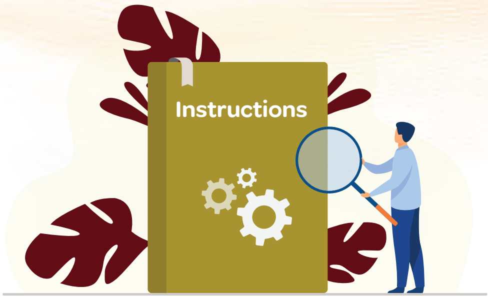
Consumption skew does not mean Capex is out

it is important to note that corporate leverage is at decadal lows; which would continue to incentivise private capex all new areas with policy push. Further increasing global uncertainties are leading to a heightened focus on self-sufficiency and localisation, which would be yet another boost for private capex. And lastly, the housing market has held up well, with steady supply. Improved rate transmission would then help extend this cycle further.

On the whole, if the global backdrop does not witness untoward uncertainties, it seems likely that India would see a pickup in its underlying macro variables; followed by market acknowledgement in H2 this year. While a balanced asset allocation approach to shorter term portfolios is a must, increasing visibility into the above macro trends would warrant larger and probably longer consumption exposures to benefit from a H2 recovery.

How Financially Prepared Are You – Really?

Take this 2-minute diagnostic quiz to assess whether your wealth strategy is truly future-ready.
Designed for seasoned investors like you—answer honestly for insights that matter.



Choose one option per question.
Tally your score at the end to understand where you stand.

1 If your core business or income stream paused for 12 months, how well are your personal and family expenses covered?

A) Less than 3 months of cover (0 points)
B) 3–6 months, through liquid assets (1 point)
C) 6–12 months, across multiple buffers (2 points)
D) Over 12 months, with structured emergency provisioning (3 points)

2 Are your personal financial goals clearly defined?

A) Not really (0 points)
B) Somewhat, verbally discussed but not documented (1 point)
C) Yes, goals are defined but need periodic review (2 points)
D) Fully documented, reviewed, and mapped to action plans (3 points)

3 How frequently do you review your overall wealth strategy with your financial advisor?

A) Rarely or only during market events (0 points)
B) Once a year, at best (1 point)
C) Half-yearly with basic updates (2 points)
D) Quarterly, with detailed reviews and strategy rebalancing (3 points)

4 Is your family's insurance and risk cover in line with your current lifestyle and succession needs?

A) I'm not sure (0 points)
B) Some coverage, but not tailored (1 point)
C) Adequate, but may not fully reflect current lifestyle and needs (2 points)
D) Comprehensive and overall wealth and succession planning (3 points)

5 Is your portfolio diversified across equity, debt, gold, international, etc. as per your risk profile?

A) Not diversified and no formal risk assessment done (0 points)
B) Some diversification, based on past choices (1 point)
C) Mostly aligned, but not actively rebalanced (2 points)
D) Fully aligned with current risk profile and rebalanced regularly (3 points)

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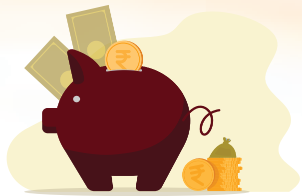
How Financially Prepared Are You – Really?

6 Have you invested in structured products, alternates, or private investments?

A) Not yet explored (0 points)
B) Heard of them, but not invested (1 point)
C) Limited exposure (2 points)
D) Actively using them for diversification and alpha generation (3 points)



7 Have you considered drafting a Will, creating a trust, and planning how your wealth will be passed on?

A) Not yet created a Will or trust (0 points)
B) Basic Will in place (1 point)
C) Will and nominee details updated, but no clear succession roadmap (2 points)
D) Succession plan, trust structures, and legacy planning fully in place (3 points)

Your Score: _____ / 21

0–6 pts

Red Zone – Major gaps in your financial framework. Time to reassess and take immediate action.

7–13 pts

Caution Zone – You've made a start, but there is scope to improve and strengthen your financial strategy.

14–18 pts

Progress Zone – You're on the right track. Now focus on optimisation, diversification, and long-term impact.

19–21 pts

Secure Zone – A strong foundation is in place. With the right steps, you're well-positioned to grow and protect your wealth.

Next Step

Whether you're in the Red Zone or the Secure Zone, a trusted wealth partner can help optimize and future-proof your portfolio.

Connect with your Tata Capital Wealth Relationship Manager to realign, restructure, or elevate your strategy.

wealth@tatacapital.com 022 50061355 7506596060

Scan to get in touch

What our clients say defines who we are

Discover why discerning investors trust Tata Capital Wealth - in their own words.

“ Tata Capital Wealth is definitely a good experience, thanks to the guiding force, management, employees, and wealth managers who help create wealth in the current market conditions-it's a recommended experience. ”

“ The service with the reports is very good and informative. really like it. ”

“ I really appreciate my Relationship Manager for understanding my financial goals, and his personalized approach made me feel valued as a client. Also, timely update and advice helped me make informed decisions. ”

“ I have been associated with my Relationship Manager for last 10 years, and I truly appreciate his professionalism and expertise in investment banking. He has a strong understanding of financial markets and has provided valuable insights that have helped me make well-informed decisions. ”

“ TATA means a lot to me. The RM is my contact point for all the services provided. I have an excellent RM & this gives my double comfort in investments. He is very knowledgeable which further helps. Thanks ”

“ Good Services and research report. ”

“ I have been a customer of Tata Capital for a few years now and I am extremely happy with the level of service, promptness in assistance, knowledge on products shared etc. I would like to especially mention my Relationship Manager who does a phenomenal job. While I am a banker myself, I also deal with many other banks, and I would like to state that the level of service and quality offered by him is brilliant. Wishing him the best always. He is the main reason I opt to invest with Tata Capital Wealth. ”

“ My Relationship Manager constantly keeps in touch and updates on the proceedings. His insight on market is good and always an approachable person. He stretches beyond his capacity to explain naive queries from me and steps in for any sort of financial advice. A resourceful resource to be retained and nurtured in any financial organization. ”

Exclusive Interview

We Don't Chase Momentum—We Chase Value: Thakkar on Staying True to Fundamentals

Mr. Rajeev Thakkar

Chief Investment Officer & Equity Fund Manager, PPFAS Mutual Fund

*We conducted an exclusive interview with **Mr. Rajeev Thakkar,** PPFAS Mutual Fund to know the investment process in depth and emerging investment themes to enable the investors make informed decisions. The questions and answers are reproduced here:*

01 Which sectors, in your view, appear well-positioned in the near to medium term, and which ones may face structural or valuation-driven headwinds?

The banking sector is looking attractive. The RBI has had steep cuts in the Repo Rate and has also infused a large amount of liquidity into the system. In the near term, there may be a pressure on margins of the banks as the loans may re-price faster than the deposits. However, **the stage is set for credit growth to pick up down the road and for margins to normalise.**

Consumption orientated sectors like FMCG business or retailing companies have been seeing a lot of competition and consequently, have been seeing margin pressures. The valuation levels in these companies are also elevated. This is one space where we see headwinds.

> "Equity valuations have been a bit elevated for a while now."

02 What's your call on equity valuations, especially in mid and small caps? How are you positioning your portfolio in such an environment?

Equity valuations have been a bit elevated for a while now. Mid cap funds and small cap funds have seen a lot of inflows and consequently, attractive investment opportunities in that space have been hard to come by. We at all points in time keep looking for opportunities across the market capitalisation spectrum and if we find something attractive, we invest in that opportunity. **Given the current environment and the difficulty in finding attractive opportunities, we have some amount of cash and money market investments in the portfolio.**

03 Do you believe tariff risks or global trade tensions still pose a threat to Indian equities? What are the key risks or challenges you foresee for the rest of FY26?

Broadly, the global environment is not conducive for export led growth. While global trade will continue in areas of severe competitive advantage and disadvantage between countries, overall, there is a rise in protectionist tendencies. Given this environment, the key challenges will be subdued growth, currency and capital flow volatility. Along with these factors, elevated valuations, high competitive intensity and a high amount of capital raising in the equity markets will also be challenges.

04 Parag Parikh Flexi Cap Fund has maintained a cash holding of over 20%, which cushioned the impact of the correction we saw from September 2024 to February 2025 but may have missed gains in the recent rally. What factors drive your decision to hold such a high cash allocation and going forward, what would prompt a more aggressive deployment?

We are not holding cash for any particular macro event or a particular index level. We keep evaluating the stocks under our coverage universe in terms of their fundamental performance and the valuation at which those companies trade relative to their intrinsic worth. If we find attractive opportunities, we deploy money in those investments. Whenever we are not getting high conviction ideas to invest in, we stay in cash for the residual amount.

While overall, the results were not very good, we did manage to invest in a few companies based on the future outlook for them. Deployment will depend on the opportunities that come our way.

Exclusive Interview

05 As a long-term, valuation-focused investor, how do you balance patience with market momentum when clients expect performance every quarter?

We actively discourage potential investors who expect quarterly performance from equities from investing with us. We want investors who have a minimum investment horizon of 5 years for equity funds to invest with us.

We are clear in our communication to clients that we invest only on the basis of fundamental value and that we do not chase momentum.

"The question of whether to invest or not should be decided based on a carefully planned asset allocation rather than the emotions of greed and fear."

06 What would be your advice to long-term investors who are concerned about missing out in the current rally but are hesitant to invest at these levels?

The question of whether to invest or not should be decided based on a carefully planned asset allocation rather than the emotions of greed and fear. The ups and downs of the market will continue as usual and as long as the investor is disciplined and sticks to her / his plan, there is no need to worry.

The views expressed in this article are solely of the author and do not necessarily reflect the views of Tata Capital Wealth.

Debt View

Beyond the Stance Shift - The case for Duration still holds

Mr. Suyash Choudhary

Head – Fixed Income,
Bandhan AMC Limited

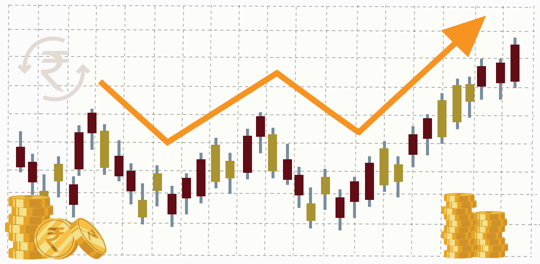
The RBI recently cut the repo rate by 50 Bps, double what the market was expecting. It also announced a phased 100 bps cut in the CRR, set to inject about ₹2.5 lakh Cr. of liquidity into the banking system by the end of the year. These steps clearly signal the central bank's intent to support growth and to ensure no roadblocks to transmission since, presumably, lenders will already have future visibility on liquidity over the so-called 'busy' season on credit.

However, just as markets were adjusting to the surprise, **the RBI also shifted its policy stance back to "neutral," after having moved to "accommodative" only in its previous meeting.** This sent mixed signals. On one hand, the RBI is actively supporting growth with rate and liquidity measures. On the other, it seems to be limiting future room for similar support, saying monetary policy now has "very limited space" left.

Why This Matters

This change in stance created some confusion in the market. Bond yields moved sharply – especially at the longer end of the curve – as investors began to doubt whether there would be any further rate cuts. The sharp steepening in the yield curve shows that investors are now more comfortable with short-term bonds and less confident about long-term ones.

But this knee-jerk reaction may be overdone.



India's Macro Story Is Still Solid

Despite the policy confusion, the bigger picture remains strong. **Inflation is well under control, the rupee is relatively stable, and the government's fiscal stance has been conservative and credible.** Global conditions are also turning more favourable. The US dollar is weakening, and US bond yields are likely to come down as US growth slows, which could increase foreign investor appetite for Indian bonds – particularly at the longer end.

Also, while the liquidity boost from CRR cuts may look aggressive at first, it's a timely move considering the upcoming busy season for credit. The RBI has also been managing currency risks well, reducing its forward dollar positions, which helps balance rupee liquidity.

Duration - Still Attractive

Given the sharp rise in the yield spread between **5 Yr.** and **30 Yr.** government bonds

now at over
100 bps

VS

historical average of
~45 bps
the long end of the curve is offering attractive risk premiums.

Debt View

Building on the macro stability, several key factors continue to support the case for duration, even as markets adjust to the recent stance shift-

While the bar is high, further rate cuts are possible if global growth slows **further** – a scenario increasingly likely given ongoing uncertainties.

Even if the terminal repo rate has been reached, we expect the current loose monetary and liquidity conditions to sustain for a prolonged period.

The dollar has already started weakening. As US economic data softens further, US treasury yields are expected to follow. This could revive FPI demand for Indian bonds – especially longer duration – enhancing price support.

The abrupt move to 'neutral' dampens the expectation channel temporarily, but it doesn't change the fundamental appeal of duration.

India's fiscal stance remains conservative, liquidity is abundant, and the overnight rate is below 5.5% – all supporting the case for long-end demand.

Despite near term market overhang due to the stance shift, the cycle is far from over. The current setup presents a compelling case for duration, particularly at the longer end of the curve.

Straight Talk

On How to Invest When Everything Seems Expensive

Mr. S Naren
ED & CIO,
ICICI Prudential Asset Management Company

01 What in your view are the key drivers of market momentum and economic growth in the second half of 2025?

The market rally in the first half of 2025 has been largely liquidity-driven. This is especially true in the small- and mid-cap segments, where valuations have rebounded sharply despite slowing earnings. At the same time, **India's macro backdrop remains stable, supported by moderating inflation, policy continuity, and improved liquidity following recent measures by the Reserve Bank of India.** While these factors create a constructive environment, the second half of the year will need earnings to play catch-up if market momentum is to be sustained meaningfully.

02 Do you expect global supply chain realignments to benefit India in a meaningful way? How should investors interpret this from a sector allocation perspective?

There is increasing recognition globally that India is emerging as an alternative destination in global supply chains. This shift has been supported by several structural reforms, including improvements in logistics infrastructure, digitisation of tax systems through GST, and formalisation efforts via UPI and labour code reforms. The Production-Linked Incentive (PLI) schemes are also supporting manufacturing expansion across key sectors. While this presents a long-term opportunity, sector allocation in the short term needs to be tempered with valuation discipline.

> “The second half of the year will need earnings to play catch-up if market momentum is to be sustained meaningfully.”

03 Do you believe Foreign institutional flows (FII) inflows will sustain through FY26? What's your outlook on domestic flows, especially retail SIP momentum in the face of rising valuations?

FIIs have historically been influenced more by global liquidity conditions than by India's domestic macro. In 2025, we have already seen phases of aggressive selling by FIIs not necessarily because of domestic concerns but due to global risk aversion. When global conditions ease and the dollar weakens, these investors tend to return.

On the domestic side, SIP flows remain structurally strong. With increasing awareness about the benefits of long-term equity investing Indian investors have matured over the years. Hence, **despite high valuations, retail SIP flows have remained steady, serving as a crucial stabiliser during times of volatility.**

04 Given the current global macro setup, do you believe emerging markets, particularly India, are well-positioned to outperform developed markets over the next 12–18 months?

India's macroeconomic fundamentals ranging from fiscal discipline and external account stability to a consumption-driven growth engine continue to distinguish it from many developed and emerging market peers. Also, India has seen structural reforms across taxation, financial inclusion, and digitalisation, all of which contribute to more sustainable growth. This is in contrast to a global backdrop which is marked by debt-heavy developed markets, ongoing geopolitical tensions, and a reset in global interest rates. **While relative valuations remain elevated in India, its consistency in earnings delivery and economic stability may still allow it to deliver stronger relative performance over the medium term.**

TATA CAPITAL WEALTH

Straight Talk

05 Gold has seen a sharp rally over the past 2–3 years. Do you believe it still holds value as a portfolio hedge, or should investors wait for a correction before increasing allocation?

Going forward, the outlook for gold is likely to depend on macro triggers and geopolitical developments. While it remains a valid long-term hedge in diversified portfolios, valuation wise, as an asset class, gold is no longer as attractive as it was before.

> "The second half of the year will need earnings to play catch-up if market momentum is to be sustained meaningfully."

06 With valuations elevated in many segments, how should investors approach equity investing today? Are there still pockets of value worth exploring? How does one go about investing in this market because on a monthly basis you are getting inflows and now FIIs have also started buying, so there are no sellers in the market, only buyers?

Valuations, particularly in small- and mid-cap stocks, remain stretched even after the recent correction. The rally in these segments has been largely driven by flows rather than fundamentals. In this scenario, large-cap stocks offer reasonable valuation comfort. **With both foreign and domestic investors acting as net buyers, it all the more important to maintain valuation discipline.** In such times, a prudent approach involves using hybrid or dynamic asset allocation strategies that can adjust exposure across asset classes and market capitalisations depending on relative valuations. Systematic investment plans and staggered deployment remain useful tools, as they ensure investing discipline.

07 Are there any under-owned or contrarian sectors/themes you believe are being overlooked by investors today?

Currently, there are very few sectors that are attractive, since most of them have been driven up by strong market flows. Despite this broad-based rise, quality-oriented sectors continue to offer relatively safer opportunities. Still, if one were to choose a sector today, it might be more prudent to consider those that are completely out of favour with investors such as oil and gas.

08 The RBI's recent policy delivered a surprise 50 bps repo rate cut and a phased 100 bps CRR reduction. How should investors allocate fixed income money now—stick to duration or consider accrual strategies?

Given the RBI's decisive measures to infuse liquidity and support growth, interest rates have likely peaked. However, the term spreads on the yield curve are currently flat, and longer-duration instruments may not offer a favourable risk-reward ratio. In such an environment, investors can focus on accrual-oriented strategies with exposure to the 2-year and shorter part of the curve. The steepening of the yield curve going forward will also provide further opportunities in the short-to-medium part of the curve. **Short-term fund, corporate bond fund, and floating rate are some of the categories investors can consider in the current environment.**

Straight Talk

08 If someone asked you how to construct a portfolio for the next 5 years, what would your advice be?

The starting point for a portfolio construction is putting together a clear asset allocation framework in place, combining various asset classes like equities, fixed income, commodities etc. However, **one has to be mindful that investment returns are assessed relative to risk-free rate,** which is typically benchmarked to the 10-year Government Security yield. Back in 2013-2014, this yield was considerably higher at 8.8%. Currently, the 10-year Government Security rate stands at 6.26%. This decline implies that even with disciplined asset allocation, return expectations must be adjusted accordingly. In such a scenario, a realistic approach to enhance long-term returns is by increasing allocation to riskier asset class such as equity particularly when they go through periods of underperformance. However, accurately predicting the timing of such opportunities is virtually impossible.

Given the current valuation landscape, the equity allocation can be large-cap and flexi-cap strategies. Hybrid and multi-asset strategies can act as core allocations, offering a blend of growth and downside protection. Overall, portfolio construction must reflect flexibility, valuation sensitivity, and long-term discipline.

> "For Fixed Income, Short-term fund, corporate bond fund, and floating rate are some of the categories investors can consider in the current environment."

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Maharashtra RERA	Karnataka	Haryana (Panchkula)	Delhi NCT	Tamil Nadu	Telangana
A041172401166	PRM/KA/RERA/1251/309/ AG/180524/000937	HRERA-PKL-REA-3211-2024	DLRERA2024A0229	TN/Agent/0202/2024	A02500003969

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New Category

Income Plus Arbitrage FOF – Blending Stability with Tax Efficiency

What is it?

An innovative hybrid structure that blends:

- ☑ Debt Mutual Funds (≤ 65% allocation) for steady income
- ☑ Arbitrage Funds (≥ 35% allocation) for market-neutral returns

Comparison of Income Plus Arbitrage FOF with Debt and Arbitrage Funds

Particulars	Debt Funds	Arbitrage Funds	Income Plus Arbitrage FOF
Flexibility in Asset Allocation	Limited to Debt Allocation Only	Hedged Equity allocation is >65%	Mix of Debt Oriented Schemes & Arbitrage Schemes
Operational Convenience	Single Transaction, Single Scheme		Single Transaction, Multiple Schemes
Key Factors in Fund Selection	Investor takes fund selection call		(Expert Professional) Fund Manager takes the call basis the market
Taxation on Switch	Switching between schemes triggers taxation each time for investors		No Tax Liability when the FOF schemes switches between the schemes
Reinvestment Risk	High to low, depending on maturity of the fund	High	Low
Tax Rate^	Individual Marginal Tax Rate	• STCG (<12 months): 20% • LTCG (>12 months): 12.5%	• STCG (<24 months): Marginal Taxation • LTCG (>24 months): 12.5%

Taxation Efficiency

Type of Fund	Traditional deposits/ Debt oriented funds	Income Plus Arbitrage FOF
Period	**2 years**	**2 years**
Type of tax^	as per tax slab irrespective of holding period	LTCG (> 2 years)
Rate of tax (%)	30.00%	12.50%
Invested amount (₹)	1,00,000	1,00,000
Assumed yield (%)	6.6%	6.6%
Pre-tax returns (₹)	1,13,636	1,13,636
Gains (₹)	13,636	13,636
Tax on Gains# (₹)	4,091	1,704
Post-tax returns (₹)	1,09,545	1,11,931
Post-tax yield (%)	**4.62%**	**5.78%**

Alpha of 1.16% at same assumed yield. Higher Post Tax Returns

#Gains are added to the investor's taxable income and taxed as per their tax slab. Assuming investor is in the 30% tax slab. The above example is used to explain the tax calculation only and is not an indication of past/ future performance. The above illustration does not account for Cess and surcharge in the tax calculation. ^Source: As Per New Finance Bill 2024, announced on 23rd July 2024.

Who Should Consider This?

- Conservative investors looking for stable, lower-risk alternatives
- HNIs aiming for tax-efficient returns
- Corporates parking treasury funds
- Investors seeking flexibility without frequent tax triggers

Explore how Income Plus Arbitrage FOF can complement your portfolio.

Reach out to your Tata Capital Wealth Relationship Manager

Upcoming Category

All About Specialised Investment Funds (SIFs)

The Securities and Exchange Board of India (Sebi) has recently introduced a new investment avenue -**Specialised Investment Fund (SIF)**– marking a significant milestone in the evolution of India's capital markets and investor maturity.
With a minimum investment threshold of ₹10 lakh, SIFs aim to provide access to more sophisticated strategies compared to traditional mutual funds.

SIFs bridge the gap between traditional Mutual Funds and Portfolio Management Services/ Category III AIFs with more investment flexibility under regulatory oversight.

1 Who can launch SIFs?

Not every fund house can offer SIFs. SEBI has created two pathways for eligibility.

A registered MF can establish SIF under the following 2 Routes

Route 1 (Sound Track Record)

A Mutual Fund

- In operation for minimum **3 yrs**. **AND** has an avg AUM of ₹10,000 cr in the immediately preceding 3 years.

Route 2 (Alternative Route)

An AMC

- Appoints a CIO with 10+ yrs of FM experience and managed an avg AUM of ₹5,000 cr+. **AND** appoints an additional FM with 3+ years of FM experience and managed an avg AUM of ₹500 cr+.

The AMC may share resources for operations across MF and SIF

2 Minimum Investment Threshold, Subscription and Redemption

Minimum Investment Threshold (MIT):

- The SIF shall accept aggregate investments of ₹ 10 Lakhs or more across all strategies offered by SIF at PAN level.
- The requirement of minimum investment amount shall not apply to an accredited investor.
- The AMC may offer SIP, SWP, and STP for SIF strategies, ensuring compliance with the MIT
- Passive breaches, such as NAV declines, shall not be considered a violation of the MIT

Subscription and Redemption frequencies:

The subscription frequency and redemption frequency of an investment strategy may be distinct from each other. *(Eg: An investment strategy may permit daily subscriptions, while offering weekly redemptions)*

3 Investment Strategies

The following investment strategies are allowed under SIF at this stage

Equity Oriented Investment Strategies

- Equity Long-Short Fund
- Equity Ex-Top 100 Long-Short Fund
- Sector Rotation Long-Short Fund

Debt Oriented Investment Strategies

- Debt Long-Short Fund
- Sectoral Long-Short Fund

Hybrid Oriented Investment Strategies

- Active Asset Allocator Long-Short Fund
- Hybrid Long-Short Fund

Only one investment strategy under each sub-category shall be permitted to be launched.

Upcoming Category

Equity Oriented Investment Strategies

Equity Long-Short Fund
- An open ended/interval equity investment strategy
- **Min** investment in **equity & equity** related instrument: **80%**

Equity Ex-Top 100 Long-Short Fund
- An **open ended/interval equity** investment strategy
- Min investment in **equity & equity** related instrument of stocks **excluding top 100 stocks** by market capitalization: **65%**

Sector Rotation Long-Short Fund
- An **open ended/interval equity** investment strategy
- Min investment in equity & equity related instrument of **max 4 sectors: 80%**

Note: For all the above strategies, Max short exposure through unhedged derivative positions in equity and equity related instruments: 25%

For Sector Rotation Long-Short Fund: Short exposure shall apply at the sector level, covering all stocks within that sector held in the portfolio. For instance, if the fund takes a short position in the Auto sector, all Auto sector stocks in the portfolio must be held as short positions.

Debt Oriented Investment Strategies

Debt Long-Short Fund
- An **interval debt** investment strategy
- Investment in **debt instruments** across duration, including unhedged short exposure through exchange traded debt derivative instruments

Sectoral Long-Short Fund
- Investment in **debt instruments** of at least **two sectors,** with **max** investment of **75%** in a **single sector**

For all the above strategies, **Max short exposure through unhedged derivative positions in debt instruments: 25%.**
For Sectoral Long-Short Fund: Short exposure shall be across the sector, applicable for all the instruments of that particular sector held in the portfolio.

Example: If the fund is short on Auto sector, then all debt instruments of the Auto sector, held in portfolio, shall be held as short positions

Hybrid Oriented Investment Strategies

Active Asset Allocator Long-Short Fund
- An **interval** investment strategy dynamically investing across **equity, debt,** equity and debt **derivatives, REITs/InVITs** and **commodity** derivatives incl. limited short exposure

Sectoral Long-Short Fund
- **Interval investment strategy** investing in **equity** and **debt** securities
- Min investment in **equity** and equity related instruments: **25%**
- Min investment in **debt** instruments: **25%**

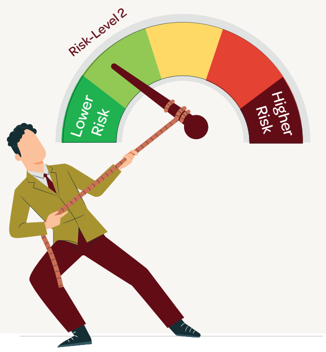
For all the above strategies, **Max short exposure** through **unhedged derivative positions** in equity and debt instruments: 25%.
For All: Investment strategies with subscription and/or redemption frequency other than daily shall be classified as 'Interval investment strategies' for the purpose of SIF.

Upcoming Category

4 Risk-Band

The SIF investment strategies' potential risk will be shown using a "Risk-band" pictorial risk meter The Risk Band level shall be assigned based on the portfolio characteristics of the investment strategy, using a standardized evaluation methodology. The Risk Band provides investors with a clear and consistent view of the risk level associated with each investment strategy, aiding informed investment decisions.

The Risk-band shall have above five levels of risks for investment strategies of SIF.



5 Difference between SIF vs MF vs PMS/AIF

Parameters	SIF	MF	PMS	AIF
Nomenclature	Investment Strategy	Scheme	Portfolio	Fund
Minimum Investment	₹10 Lakh (Across SIF strategies)	₹100	₹50 Lakh	₹1 Crore
Investor Type	HNI	Retail/HNI	HNI	HNI/Ultra HNI
Taxation at Investor level	Equity - LTCG at 12.5% (after 12m) Debt – Slab rate Other – LTCG @ 12.5% (after 24 m)	Equity - LTCG at 12.5% (after 12m) Debt – Slab rate Other – LTCG @ 12.5% (after 24 m)	Taxed to investor at each transaction level	NIL
Taxation at Fund Level	Nil as per Section 10 (23D)	Nil as per Section 10 (23D)	NIL	Cat III - Capital gains @12.5% + Business Income @ MMR
Expense Ratio*	Max at 2.25% and 2%	Max at 2.25% and 2%	Management Fee + Performance Fee	Management Fee + Performance Fee
Leverage	NA	NA	NA	Allowed – Gross exposure upto
Derivatives	Naked shorts upto 25% + Hedging	Only for Hedging	Only for Hedging	Allowed

* Excluding Additional Expenses under Regulation 52 (6A) (c) & 52 (6A) (b). STCG for SIF and Mutual fund: Equity (upto 12 months) – 20%; Debt – slab rate; Others (upto 24 months) – slab rate.

6 Branding & Advertisement

- The AMC shall ensure SIF has a distinct brand name and logo, separate from its regular Mutual Fund
- The AMC shall maintain a **separate website** or dedicated **webpage exclusively** for the SIF

Upcoming Category

7 Who Should Invest in SIFs?

Investors with a higher risk appetite seeking diversification beyond traditional assets and MFs may consider SIFs, which offer differentiated strategies, including exposure to derivatives for enhanced return potential and risk management.

About Altiva SIF

Altiva SIF (Specialized Investment Fund) represents Edelweiss AMC's strategic foray into the SIF space, aiming to cater to the needs of investors seeking more agile and innovative investment solutions. The platform is designed to offer a middle ground between the simplicity of mutual funds and the customization of PMS/AIFs, providing a balanced approach to portfolio construction. Altiva SIF will offer differentiated investment solutions across equity, hybrid and fixed income categories, catering to evolving investor needs.

TATA CAPITAL WEALTH

Commodity Overview

Gold & Silver: Outshining Equities Amid Global Uncertainty

Gold and silver have delivered standout performances in 2025, with gold rallying ~30% and silver up ~25% year-to-date (till 25th June 2025), outpacing major equity indices across market caps. This surge underscores their resilience as real assets in times of global instability.

The rally is being driven by a confluence of macroeconomic uncertainty, geopolitical tensions, and **rising industrial demand—particularly for silver.** In the case of gold, such strong returns have historically been seen only during major global events like the dot-com crash, the 2008 financial crisis, and the Covid-19 shock of 2020—all periods marked by heightened risk aversion and a flight to safety.

Against this backdrop, **gold and silver are once again asserting their place as essential components of a well-diversified portfolio—offering both protection and potential.**

Gold and Silver Price Chart (US$/Oz.)

	CY00	CY01	CY02	CY03	CY04	CY05	CY06	CY07	CY08	CY09	CY10	CY11	CY12
Gold	-5.5%	2.5%	24.8%	19.4%	5.5%	17.9%	23.2%	30.9%	5.8%	24.4%	29.6%	10.1%	7.1%
Silver	-14.5%	0.4%	3.5%	24.3%	14.9%	29.2%	46.4%	14.6%	-22.9%	48.0%	83.2%	-9.9%	9.0%

	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25*
Gold	-28.3%	-1.4%	-10.4%	8.1%	13.5%	-1.6%	18.3%	25.1%	-3.6%	-0.3%	13.1%	27.2%	28.9%
Silver	-35.8%	-19.3%	-11.9%	15.0%	6.3%	-8.5%	15.2%	47.9%	-11.7%	2.8%	-0.7%	21.5%	25.2%

Source: Investing.com. *Data as of June 25, 2025. For calendar year returns table, returns highlighted for more than 20%.

What's fuelling Gold's run?

Central Banks Continue to Anchor Gold Demand in 2025

Commodity Overview

How does Gold/Silver fare against other asset classes?

Gold tends to exhibit significantly lower volatility compared to most major asset classes, while maintaining a near-zero correlation with equities—making it an effective diversifier in a portfolio.

	Nifty 50 TRI	Gold	Silver	S&P 500 TRI	10-Yr SD
Nifty 50 TRI (Indian index)	1	-0.08	0.10	0.32	16.63%
Gold		1	0.78	-0.01	12.23%
Silver			1	0.07	24.08%
S&P 500 TRI (US index)				1	17.93%

Note: Correlation over a 10-year period. Data as on April 30, 2025

Silver: A Strategic Long-Term Investment Opportunity

Silver continues to enjoy strong, multi-sector demand—from jewellery and electronics to electric vehicles and solar energy. As per estimates in the World Silver Survey 2025, silver industrial demand rose 4% in 2024 to 681 million ounces, reaching a new record high for the fourth consecutive year. **Clean energy requirements such as investment in grid infrastructure, vehicle electrification, and solar applications were key drivers for growth. AI is another driver for silver demand, as consumer electronics shipments increased.** Moreover, risks to global growth outlook from tariff related uncertainties translate to risks to silver demand.

Dual strength: Investing in Both Gold and Silver

Diversification within commodities

- Gold has traditionally been the metal of choice for wealth preservation, providing portfolio stability and acting as a hedge against inflation, currency fluctuations, and economic uncertainty.
- Silver offers dual characteristics – functioning both as a precious metal and as an industrial commodity with exposure to global growth cycles.

Balanced Risk and Return Profile

- Gold often acts as a defensive asset during market volatility and geopolitical uncertainties.
- Silver tends to have higher price swings but offers growth potential driven by industrial demand, making it attractive during economic expansion.

Optimising Commodity Allocation

- A combined allocation to gold and silver allows investors to optimise their precious metals exposure, balancing stability with growth potential while enhancing overall portfolio resilience.

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Category Overview

Beat Volatility with Hybrid Strategies

Mr. Harshad Borawake
Head of Research & Fund Manager
Equity Mirae Asset Investment Managers (India) Pvt.

Volatility in financial market remains a persistent challenge for investors. From geopolitical tensions to economic cycles, market fluctuations can derail even the most carefully constructed portfolios. However, hybrid investment strategies can prove to be powerful tools to mitigate volatility while balancing risk and return. **This article explores how hybrid funds can combat market turbulence.**

Behavioural Biases: How emotions can harm investment objectives

Investor psychology plays a pivotal role in amplifying market volatility. During **bull markets,** characterized by sustained price rallies of 20% or more, greed often dominates decision-making. Conversely, **bear markets**—marked by declines of 20% or more from recent peaks, trigger panic-driven selloffs. This **"loss aversion" bias, where the pain of losses outweighs the pleasure of gains, often results in premature exits, missed recovery opportunities or worse, permanent loss.** Diversifying your portfolio across asset classes limits downside risk when a particular asset class underperforms. Asset allocation can curb behavioural biases and keep you disciplined.

> "Studies show that over 90% of return variability stems from allocation decisions rather than security selection or market timing."

Asset Allocation: The bedrock of risk management

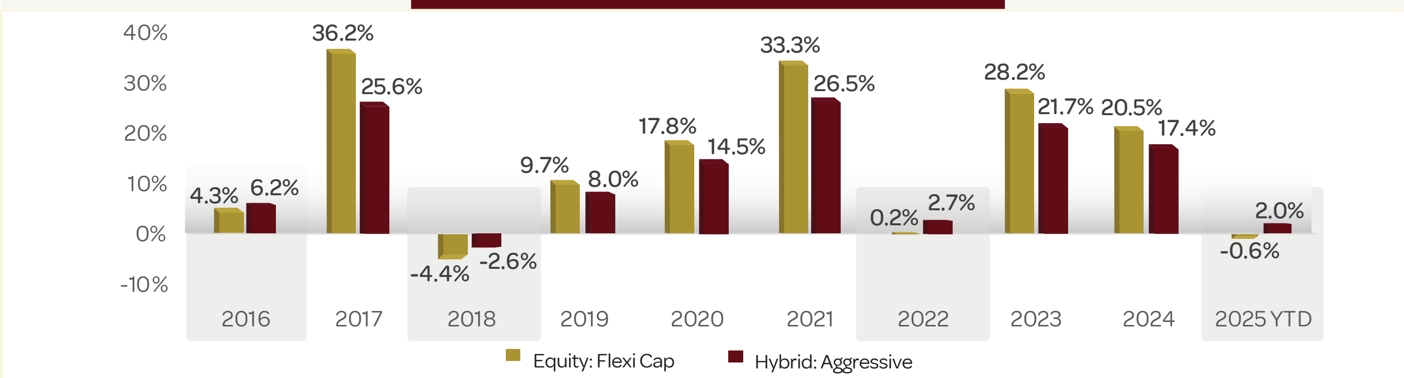
Different asset classes perform different roles in your portfolio, e.g. equity provides capital appreciation, debt provides portfolio stability, gold provides inflation protection, etc. Asset allocation helps you balance risk and returns. Studies show that over 90% of return variability stems from allocation decisions rather than security selection or market timing. (Brinson, Hood, and Beebower 1986 study titled "Determinants of Portfolio Performance").

Hybrid strategies to tame volatility

a) Aggressive Hybrid Funds:

Cushioned Volatility: SEBI mandates at least 20 - 35% debt exposure in these funds which contributes to reducing downside risk compared to pure equity funds. The chart below shows the category average returns of flexicap and aggressive hybrid funds over the last 10 years. While aggressive hybrid funds gave slightly lower returns (on a relative basis) in the years in which the market was up, **it was able to outperform the equity fund category, in the years when the market was flat or down.**

Category Average Calendar Year Returns



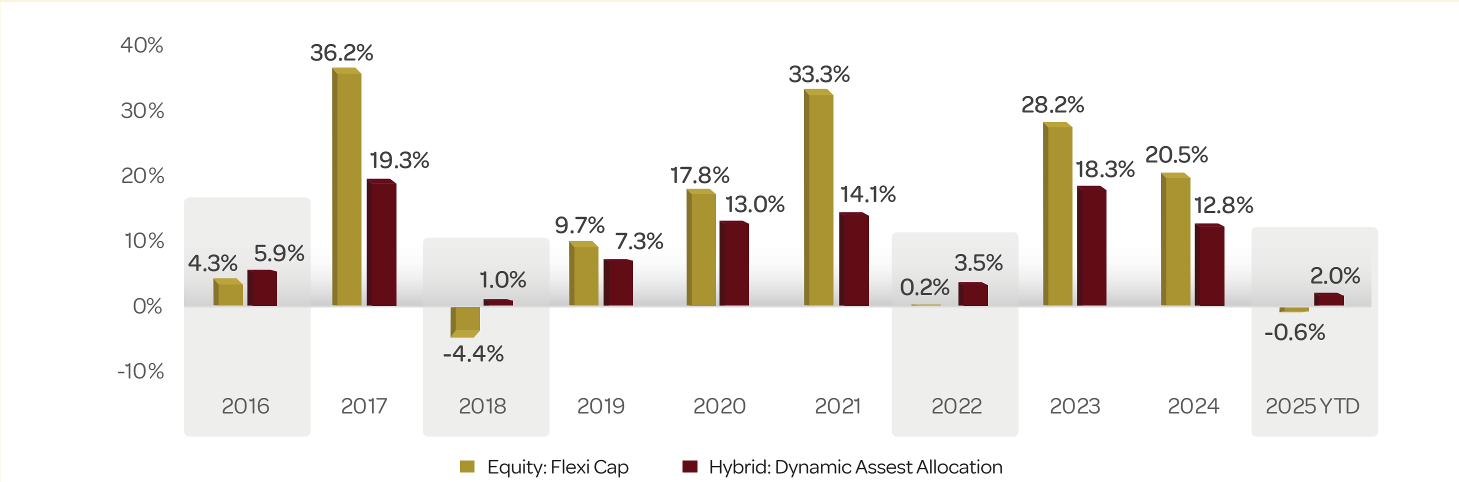
Source: Advisorkhoj Research as on 05/06/2025. Disclaimer: Past performance may or may not be sustained in the future.

Category Overview

b) Balanced Advantage Funds (BAF): Dynamic Defence

BAFs adjust equity-debt ratios based on various parameters like – P/E, P/B, Bond Yield and Earnings Spread, Momentum, etc. Funds which follow valuation parameters, will reduce exposure when valuations are high (market tops). When market falls, impact of volatility is lower since equity exposure is low. When valuations are low (market lows), fund will again increase exposure to equity. The chart below shows the category average returns of flexicap and BAFs/ dynamic asset allocation funds over the last 10 years. **Even though the returns of BAFs were relatively lower compared to equity, it provided more downside risk limitation in volatile markets.**

Category Average Calendar Year Returns



Source: Advisorkhoj Research as on 05/06/2025. Disclaimer: Past performance may or may not be sustained in the future.

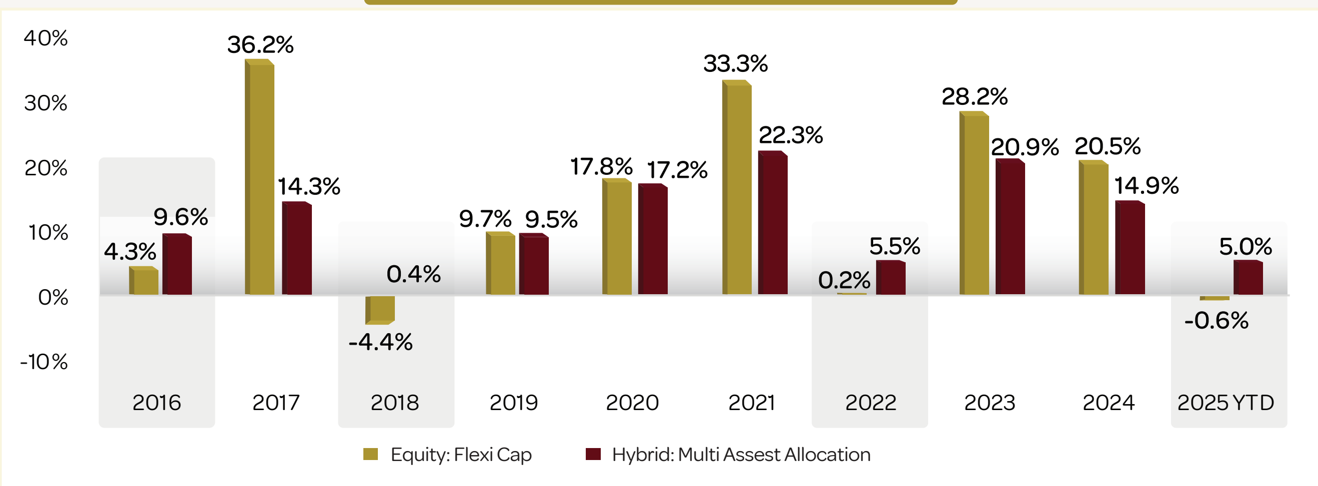
c) Multi-Asset Allocation Funds (MAAFs): Counter-Cyclical Stability

Along with Equity and debt portions, MAAFs also invest in commodities. As per SEBI's mandate multi asset funds must have minimum 10% portfolio in at least 3 asset classes. Different asset classes have low correlation of returns in different market conditions. Gold's inverse correlation with equities makes it a potent volatility hedge.

The chart below shows the category average returns of flexicap and MAAFs over the last 10 years. You can see that MAAFs produced relatively better returns in the years in which equity underperformed.

> "Gold's inverse correlation with equities makes it a potent volatility hedge."

Category Average Calendar Year Returns



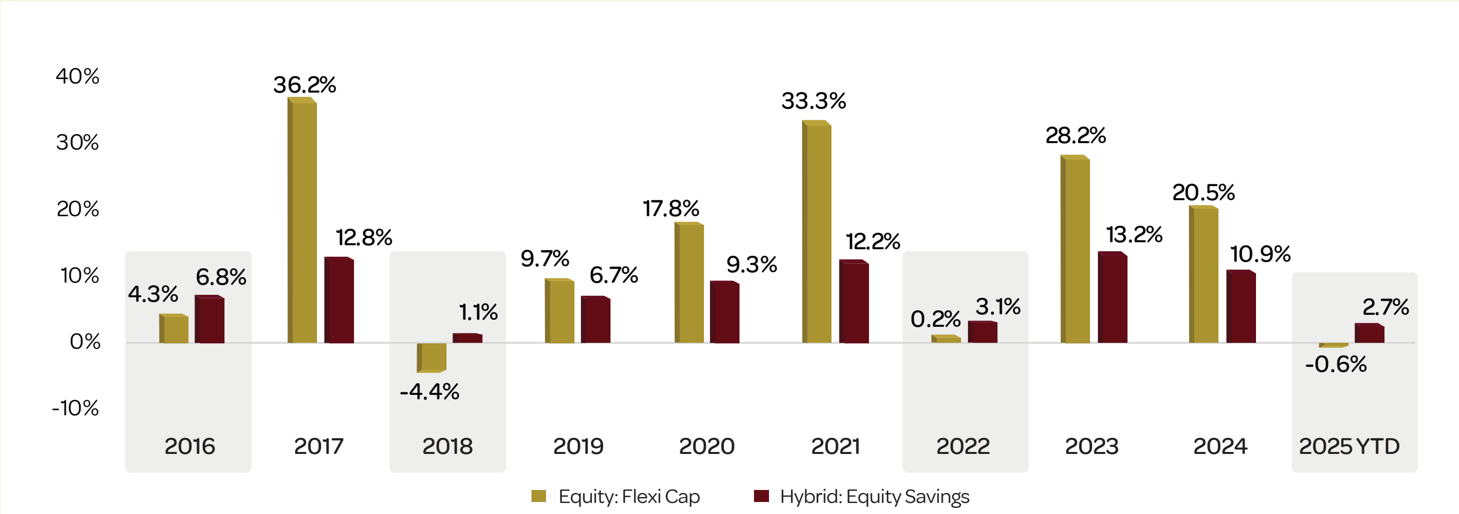
Source: Advisorkhoj Research as on 05/06/2025. Disclaimer: Past performance may or may not be sustained in the future.

Category Overview

d) Equity Savings Funds (ESFs): Arbitrage Advantage

This fund uses arbitrage to reduce net equity exposure. The gross equity exposure (including arbitrage) should be minimum 65%. The debt and arbitrage portion of the portfolio is not affected by volatility. Higher volatility can lead to wider price discrepancies of the same underlying asset in different market segment and can yield higher arbitrage profits. The chart below shows the category average returns of flexicap and ESFs over the last 10 years. You can see that, even though returns of ESFs are not comparable with equity funds, they provide relatively stable returns even in volatile market conditions. **A major appeal of ESFs lies in their tax efficiency – these funds enjoy equity taxation.**

Category Average Calendar Year Returns



Source: Advisorkhoj Research as on 05/06/2025. Disclaimer: Past performance may or may not be sustained in the future.

Conclusion: Building an all-weather portfolio

Different hybrid funds have different asset allocation strategies and hence, offer varying risk-reward outcomes. Investors should select hybrid funds based on their risk appetite and investment needs. Investors should consult with their financial advisors or mutual fund distributors to select the right fund for their specific needs.

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