

RESILIENT INDIA

OVERCOMING

Geopolitical Tensions | Elevated Oil Prices | Rupee Depreciation

WAR

HIGH OIL PRICES

RUPEE DEPRECIATION

AI BOOM

MACRO STRENGTH

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Foreword

A message from our
Managing Director & CEO



Mr. Rajiv Sabharwal

*Managing Director & CEO,
Tata Capital Limited*

“Thank you for being
an integral part of the
Tata Capital family.”

As we move into the second half of 2026, the global economy continues to adapt to an environment marked by geopolitical developments, evolving trade relationships, and rapid technological transformation. While these factors have contributed to uncertainty across markets, they have also highlighted the importance of economic resilience, self-reliance and adaptability.

Amidst this backdrop, India continues to stand out as one of the world's most promising growth stories. Strong domestic demand continued infrastructure development, policy-led reforms, and a vibrant entrepreneurial ecosystem are reinforcing the country's long-term growth potential. As India progresses on its journey toward becoming a larger and more influential global economy, new opportunities are emerging across sectors and industries.

At the same time, sustaining this momentum will require continued efforts to attract long-term global capital, accelerate quality employment generation, deepen manufacturing competitiveness, and enhance productivity. These priorities, coupled with a continued focus on ease of doing business and innovation, will be instrumental in strengthening India's position in an increasingly competitive global landscape. While challenges remain, India's structural strengths and reform-oriented approach provide confidence in its ability to deliver sustainable and inclusive growth over the long term.

I am pleased to share our Mid-Year Newsletter 2026, which brings together perspectives from our team on key developments shaping the economy and financial markets. I hope the insights shared in this edition help you stay informed and confident as you pursue your financial aspirations.



Institutional Treasury

MYTHS

Surplus funds should always go into Liquid Funds.

AAA-rated instruments are always the best strategy.

Laddering complicates treasury planning.

Idle funds in savings accounts are safest.

FACTS

The right choice depends on cash flow, horizon and liquidity needs.

Ratings matter, but so do diversification, duration and yield.

Laddering can help balance liquidity with return potential.

Safety matters, but idle funds may limit treasury efficiency.

No single solution fits every treasury.

The right answer depends on your institution's



Cash flow
needs



Investment
horizon



Liquidity
requirements



Risk
appetite

Whether you're a

Corporate Treasury | Trust | Society | Educational Institution | NGO | Foundation

Tata Capital Wealth helps you structure your institutional treasury with:



Tailored investment
solutions



Laddering strategies



Liquidity planning

Because institutional treasury deserves a strategy, not assumptions.

Trusted by a growing community of investors, our team is here to help you navigate your wealth journey.

Contact your Relationship Manager.

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PROLOGUE

The first half of 2026 reaffirmed that markets are being shaped by a complex interplay of geopolitical conflicts, shifting trade policies, technological disruption, central bank actions and volatile commodity prices. Escalating regional conflicts and evolving global alliances have kept investors on edge, while rapid advances in Artificial Intelligence continue to redefine industries and create new investment opportunities. In such an environment, disciplined investing and a long-term perspective remain more important than reacting to short-term market movements.

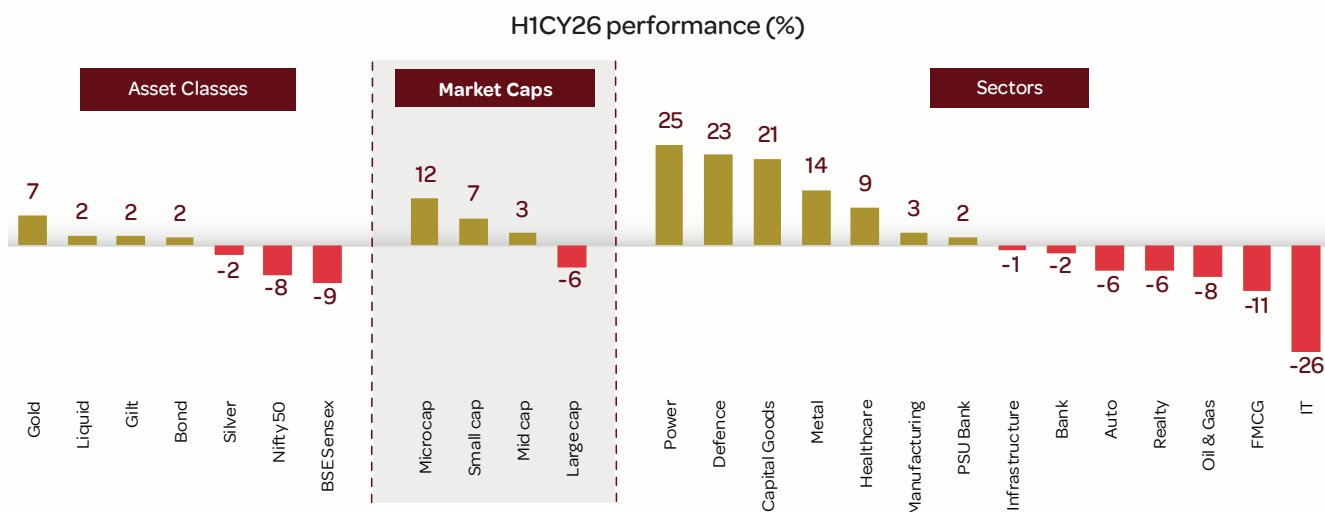
Despite global uncertainties, India continues to stand out as one of the world's strongest structural growth stories, supported by resilient domestic demand, improving corporate earnings, sustained infrastructure spending and favourable demographics. While global events will continue to influence market sentiment and capital flows, India's long-term growth fundamentals remain intact.

Key Themes to Watch in H2 2026

- 
- ▶ **Geopolitical developments** and their impact on global growth, inflation and energy markets.
 - ▶ **Central bank policy** and the trajectory of interest rates across major economies.
 - ▶ **India's earnings and economic growth**, supported by domestic consumption and investments.
 - ▶ **US-India trade negotiations** and evolving global trade policies.
 - ▶ **US policy developments**, including trade, tariffs & fiscal measures, and their implications for global markets.
 - ▶ **Commodity and currency movements**, particularly crude oil, gold and the US dollar.
 - ▶ **Global capital flows**, influencing equity, fixed income and emerging markets.
 - ▶ **Artificial Intelligence adoption** and its implications across sectors and businesses.

MARKET PERFORMANCE

The Half-Year Gone By - Market Performance in H1CY26



Performance shown from Jan 01, 2026 to June 24, 2026. Returns are absolute. Total Returns Index. Nifty market, sectoral and debt indices.

- With global uncertainty remaining elevated, **gold extended its rally in H1CY26**, supported by geopolitical tensions, central bank buying, and its appeal as a safe-haven asset.
- Among market caps, the Microcap, Smallcap & Midcap index outperformed Largecap.
- **Power, Defence, and Capital Goods emerged as the top-performing sectors in H1CY26**, driven by strong policy support, government capital expenditure, and robust order inflows. **In contrast, IT, FMCG, and Oil & Gas were among the laggards**, impacted by weaker earnings momentum and sector-specific headwinds.

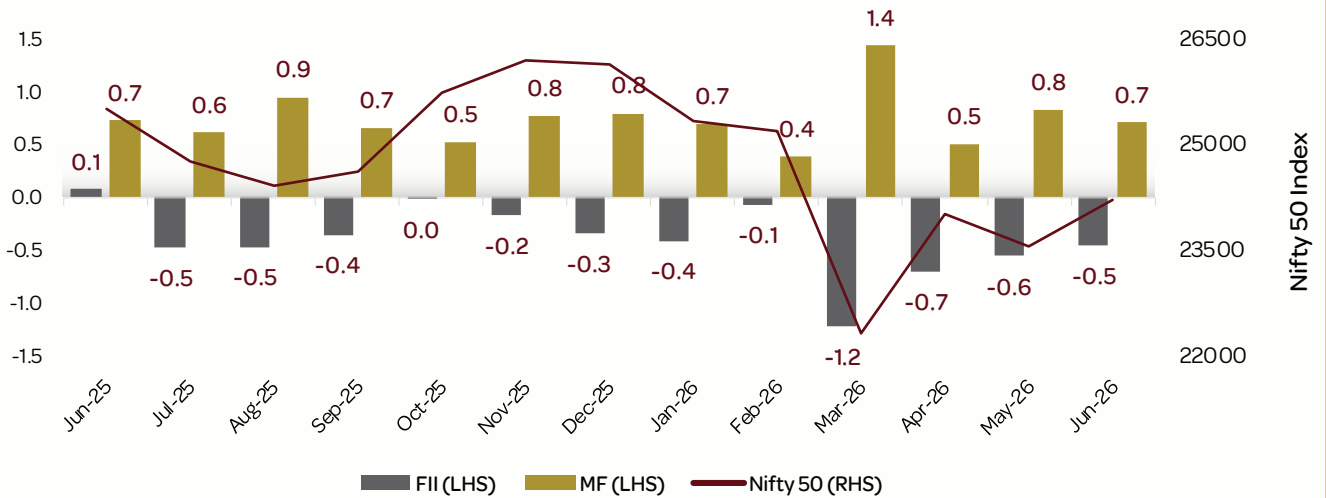
H1CY26 Global Equity Performance (%)



Returns are absolute. Index used: South Korea - KOSPI, Taiwan - Taiwan Capitalization Weighted Stock Index, Japan - Nikkei, Singapore - Strait Times, US - Russell 1000, U.K. - FTSE 100, China - SSE Composite, Germany - DAX, India - Nifty 100 TRI, Hong Kong - Hang Seng, Indonesia - Jakarta Composite. Performance shown from Jan 01, 2026 to June 24, 2026.

Among global equity markets, South Korea was the top performer followed by Taiwan, Japan and Singapore in H1CY26, supported by strong technology-led earnings, resilient economic growth, and positive investor sentiment. However, Indonesia, Hong Kong and India underperformed, weighed down by elevated valuations, profit booking, and relatively weaker market performance during the period.

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



Source: MFI 360 Explorer (<http://www.icraanalytics.com/legal/standard-disclaimer.html>). Data as on June 24, 2026

- In H1CY26, the negative FII (Foreign Institutional Investors) flows were largely correlated to the negative movement of Nifty. In CY26, they have sold equities worth ₹3.4 lakh crore so far (till 24-Jun-26).
- DIIs (Domestic Institutional Investors) have consistently backed the market, with their net purchases approaching ~₹4.5 lakh crore since the beginning of the year (till 24-Jun-26).

Overview of Market Valuations

Index	Historical Data		
	Current PE	1Y AVG	5Y AVG
Sensex	20.90	23.45	23.97
Nifty 50	20.72	22.51	22.33
Nifty 500	22.82	24.79	24.07
Nifty Midcap 150	29.27	34.42	31.05
Nifty Smallcap 250	35.21	32.66	26.94

Source: BSE and NSE India. Data as on 24th June 2026



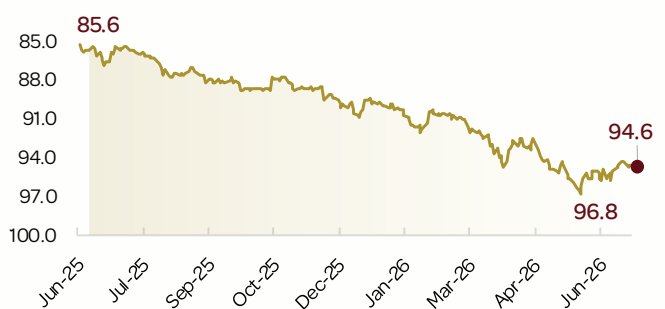
Based on the current valuation landscape, **large caps are trading below 5-year average**.



Small caps are trading well **above 5-year average**.

Movement of Rupee vs USD

Rupee vs Dollar inverted scale



Data as on 25th June 2026. Source: Investing.com



In H1CY26, the Indian Rupee was among the weaker-performing currencies, depreciating against the US Dollar amid persistent foreign capital outflows, geopolitical uncertainties, and elevated crude oil prices.



Strong domestic fundamentals and DII inflows provided support, but external headwinds kept the currency under pressure.

MACRO OVERVIEW

India's Growth Story Remains Intact Amid Global Turbulence

Mirae Asset Mutual Fund -SEBI/MF/055/07/03



Mr. Ankit Jain

Sr. Fund Manager - Equity
Mirae Asset Investment
Managers (India) Pvt. Ltd.

US-Iran war impact

The US-Israel war on Iran that began on 28th Feb'26 is the single biggest external variable for India today, and it transmits almost entirely through oil. Disruption to the Strait of Hormuz – which normally moves around 20mn barrels per day, roughly 27% of

global seaborne oil trade and about 20% of LNG pushed Brent from an average of \$71/bbl in Feb to >\$100/bbl, before easing to <\$90/bbl as ceasefire talks advanced. For India - which imports the bulk of its crude, much of it via Hormuz this means a larger import bill, imported inflation, rupee pressure and wider current-account/fiscal risk.

Every \$10/bbl increase in crude prices do increase CAD by 70-80bps and inflation by 60bps. However, India's sensitivity to some of these parameters has meaningfully improved given rise in services exports over time.

Crude oil assumption (\$/bbl)	108	105	84	68	80	90	100
CAD (US\$ bn)	FY13	FY14	FY15	FY26	FY27E	FY27E	FY27E
Trade balance (b-a) = I	-190	-136	-138	-333	-350	-372	-394
CAD (i+ii) = a	-88	-32	-27	-25	-31	-63	-91
CAD (% of GDP)	-4.8	-1.7	-1.3	-0.7	-0.7	-1.5	-2.2
Capital account (US\$ bn)	FY13	FY14	FY15	FY26	FY27E	FY27E	FY27E
Capital account (b)	89	49	89	2	68	64	57
Balance of Payment (a+b+c)	4	16	61	-24	37	1	-34

Source: Avendus Spark research

GDP growth, inflation, and interest-rate outlook

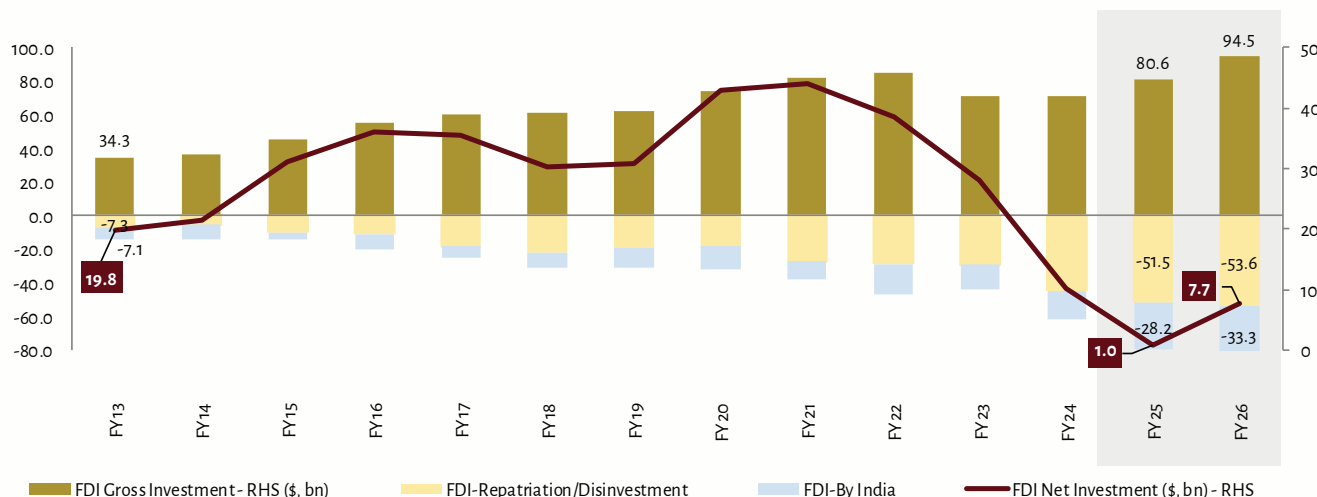
Domestic momentum has stayed strong despite the shock. Real GDP grew an estimated 7.7% in FY26, with Q4 (Jan-Mar 2026) at 7.8%; nominal GDP was around ₹357 tn.

We expect the RBI and the Government to focus on measures aimed at attracting capital inflows to support the currency, rather than going for aggressive rate hike, which could hurt demand, private investment and the broader growth cycle.

We continue to see optimal policy mix, where the Govt maintains fiscal discipline and keeps inflation in check, while the RBI preserves an accommodative stance to support the capex cycle and economic growth.

FDI flow

RBI's broader measure, gross inward FDI rose to \$94.5bn (from \$80.6bn in FY25), and net FDI jumped to \$7.7bn from just \$958mn a year earlier – but the recovery in net flows was capped because repatriation and disinvestment by foreign investors stayed elevated at \$53.6bn. India is still attracting strong gross capital, but high repatriation and rising outward FDI mean net FDI, while improving, remains a fraction of gross.



Source: Aventus Spark research

Government spending, fiscal position, and reforms

While the ongoing West Asia conflict could impose an estimated fiscal burden of approximately Rs. 3.5 tn (around 1% of GDP), we believe the Government can still achieve its FY27 fiscal deficit target of 4.3% of GDP. The potential shortfall is likely to be offset through stronger tax and non-tax revenue collections, windfall gains from higher nominal growth, and calibrated expenditure rationalisation.

India's positioning versus other major economies

In the IMF's April 2026 World Economic Outlook, India's FY27 growth was raised to 6.5%, citing lower US tariffs and a strong 2025 base – keeping it the fastest-growing major economy. By contrast, global growth is projected at just 3.1% in 2026, with China at 4.4% and the US at 2.3% and advanced economies at 1.8%. The war is a relative tailwind for India's positioning: the biggest forecast downgrades fell on oil exporters like Saudi Arabia, while India's services-led, domestic-demand-driven economy is comparatively insulated – its vulnerability is the import-price channel, not export dependence.

Upcoming US trade deal

After US tariffs on Indian goods peaked at 50% in 2025, the Russian-oil penalty was removed in Feb 2026 and the effective rate brought down to 18%, under an interim agreement tied to the broader Bilateral Trade Agreement (BTA) and the "Mission 500" goal of doubling bilateral trade to \$500 bn by 2030 from about \$191 bn. A US Supreme Court ruling on 20 Feb 2026 struck down the reciprocal duties, after which Washington moved to a 15% universal rate under Section 122, though India's preferential BTA rate preserves an edge over competitors.

FTAs Partners (\$, bn)	Exports			Share in Imports		Potential Increase per year
	2025	2026E	2029E	2026E	2029E	
 EU	88	92	183	1.10%	1.80%	30.2
 USA	93	97	144	2.60%	3.40%	15.8
 UK	14	14	25	1.50%	2.20%	3.6
 UAE	39	41	51	8.70%	9.50%	3.5
Total	233	244	404	1.80%	2.50%	53

Source: Avendus Spark research

Conclusion

While global uncertainties are likely to persist, India's growth story remains firmly intact. Supported by resilient domestic demand, improving capital flows, and a favourable policy environment, India continues to stand out as one of the most compelling long-term investment opportunities among major economies.

**Disclaimer:**

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

EQUITY OUTLOOK

Global Conflict Ripples and India's Resilience



Mr. Harsha Upadhyaya

President - Chief Investment
Officer (CIO), Kotak Mahindra
Asset Management Company

The recent escalation in the Middle East is not just another localized disturbance—it carries meaningful global economic implications. The disruption of shipping through the Strait of Hormuz, a transit route for nearly one-fifth of global oil supply, triggered sharp volatility in global energy markets and supply chains. In the early

phase, crude oil prices spiked to the \$110–\$120 per barrel range, reviving concerns of a sustained supply shock and a potential return to stagflation-like conditions.

Financial markets reacted swiftly. **Global equities corrected amid heightened risk aversion, while bond yields moved higher on rising inflation expectations and tighter financial conditions.** Since then, however, conditions have partially stabilized. Alternative supply routes, releases from strategic reserves, and increased U.S. exports have helped prevent a more severe oil shock. Ongoing diplomatic engagement also offers cautious hope of de-escalation and eventual normalization of market conditions.

India: Navigating External Pressures with Domestic Stability

For India, the impact has been more pronounced given its structural dependence on imported energy. With nearly 85% of crude oil requirements sourced externally, elevated oil prices translate quickly into macroeconomic pressure. This shock comes against an already challenging backdrop of persistent foreign portfolio outflows and a higher-for-longer global interest rate environment. **Rising crude prices have widened the trade deficit and introduced a fresh inflation impulse, just as domestic inflation had begun to moderate.** Higher fuel and commodity costs are feeding into broader input inflation across sectors—from industrial production to agriculture. If sustained, this could weigh on consumption and compress corporate margins. Policymakers face a delicate balancing act. The RBI has held policy rates steady but remains vigilant, highlighting risks from commodity prices, supply disruptions, and weather uncertainties. On the fiscal side, elevated fuel costs raise concerns about subsidy burdens and potential pressure on deficit targets.

Indian financial markets have mirrored these dynamics. **Equities corrected sharply in the initial phase of the conflict, before recovering part of the losses—consistent with India's historical resilience following geopolitical shocks.** Bond yields have edged higher, reflecting inflation expectations and global risk premia. **Despite near-term volatility, underlying domestic fundamentals—particularly a stable banking system and resilient core demand—remain supportive.**

“**Despite near-term volatility, underlying domestic fundamentals—particularly a stable banking system and resilient core demand—remain supportive.**”



Looking Ahead: Structural Themes Beyond the Near-Term Noise

While near-term uncertainty persists, the broader investment case for India remains intact. In fact, the current environment reinforces several structural themes that could drive medium-term returns beyond the well-known consumption, financialization & digitization themes.

01

**Reform Momentum and Ease of Doing Business**

India continues to make steady progress on regulatory simplification and improving the business environment. Ongoing efforts to reduce compliance burdens and streamline approvals are gradually enhancing capital efficiency and encouraging private sector investment. This reform trajectory will be a key pillar of long-term growth.

02

**Manufacturing Scale-Up and Supply Chain Diversification**

The Production Linked Incentive (PLI) framework is accelerating India's emergence as a credible manufacturing alternative. Sectors such as electronics, auto components, and specialty chemicals are seeing tangible capacity and capability additions. As global companies diversify supply chains in response to geopolitical risks, India is well positioned as a stable and scalable destination.

03

**Energy Security and Strategic Self-Reliance**

The recent conflict underscores India's vulnerability to external energy shocks, reinforcing the importance of diversification and domestic capability building. Efforts to expand renewable energy, invest in green hydrogen, and strengthen energy infrastructure are gaining urgency. Parallel initiatives in defence, electronics, and critical materials further align with broader goals of economic resilience and national security.

“From an investment standpoint, it is important to look beyond immediate volatility. India's structural growth drivers remain firmly in place.”

**Conclusion: Stay Disciplined, Focus on Structural Opportunities**

The ongoing geopolitical conflict has introduced a layer of uncertainty—elevated oil prices, renewed inflation risks, and potential pressure on global growth call for caution in the near term.

However, from an investment standpoint, it is important to look beyond immediate volatility. India's structural growth drivers remain firmly in place. A balanced approach is warranted: managing near-term risks prudently, while staying committed to structural themes that continue to offer attractive long-term compounding potential.



FUND MANAGER VIEWS

Equity Market Outlook - A Look Ahead

QUESTIONS

**Mr. Rohit Tandon***Executive Vice President - Fund Management Equity, Kotak Mahindra Asset Management Company***Mr. Lalit Kumar***Senior Fund Manager, ICICI Prudential AMC***Mr. Ankit Jain***Sr. Fund Manager - Equity, Mirae Asset Investment Managers (India) Pvt Ltd*

After the sharp correction & recovery in Indian markets, where are valuations still attractive today?

At index level, valuations are in fair value range. **Large caps valuations are inline with long term average and offer relatively better risk-reward.** Midcaps are at modest premium and small caps valuations are still at meaningful premium to their long term averages and hence, one would need bottom up approach in this space.

In terms of valuations, we believe large caps is better placed than mid and smallcaps.

We continue to see earnings trajectory improving (notwithstanding impact in H1FY27 due to high crude prices and supply chain impact), in that context markets are reasonable, particularly Large-caps are trading at an attractive valuation. Midcap and smallcap do offer higher earnings visibility, but are trading at 20-25% premium to historical averages.



Which sectors are you currently overweight (OW) and underweight (UW)?

OW: On Financials given strong credit growth and from asset quality standpoint and valuations are also favourable. Consumer discretionary, e-commerce, Healthcare and select capital goods also offer good investment opportunities. **UW:** Commodities and IT services.

Constructive on cement, textiles, chemicals, agrochemicals, metals, capital goods and manufacturing. Defence also remains favourably positioned.

Positive on; 1) Large private sector banks and insurance; 2) Pharmaceuticals (including CRO & CDMO); 3) Some of the exports play like chemical, auto ancillaries and industrial consumables; 4) New age businesses across logistics and discretionary consumption. **UW:** FMCG, utilities, oil & gas, capital goods and IT



What is your outlook on Indian equity markets over the next 12-18 months? (Positive, Neutral, or Cautious)

From 12-18 months timeframe, outlook is constructively positive, though there could be phases of volatility and consolidation. Earnings growth remains the key driver and hence, the delivery of the same is essential. In near term, returns are likely to be more moderate and stock-specific rather than broad-based.

We remain constructive on Indian equities over the next 12-18 months as valuations are reasonable today as compared to a year ago.

Positive

One Gateway. Two Worlds. Unlimited Opportunities.

Experience GIFT City, India's global financial hub, which connects Indian and international opportunities in one ecosystem.

NRI

Resident Indian (RI)

GIFT CITY
INDIA'S GLOBAL
FINANCIAL HUB

NRI

Resident Indian (RI)

Gateway to Investing in India

Expand Beyond Borders



Seamless repatriation of funds



Access India-centric investment opportunities



Efficient cross-border wealth management



Global diversification opportunities



Access international investment strategies



USD and multi-currency investment options

Trusted by a growing community of investors, our team is here to help you navigate your wealth journey.

Contact your Relationship Manager.

DEBT OUTLOOK

The Road Ahead for Fixed Income



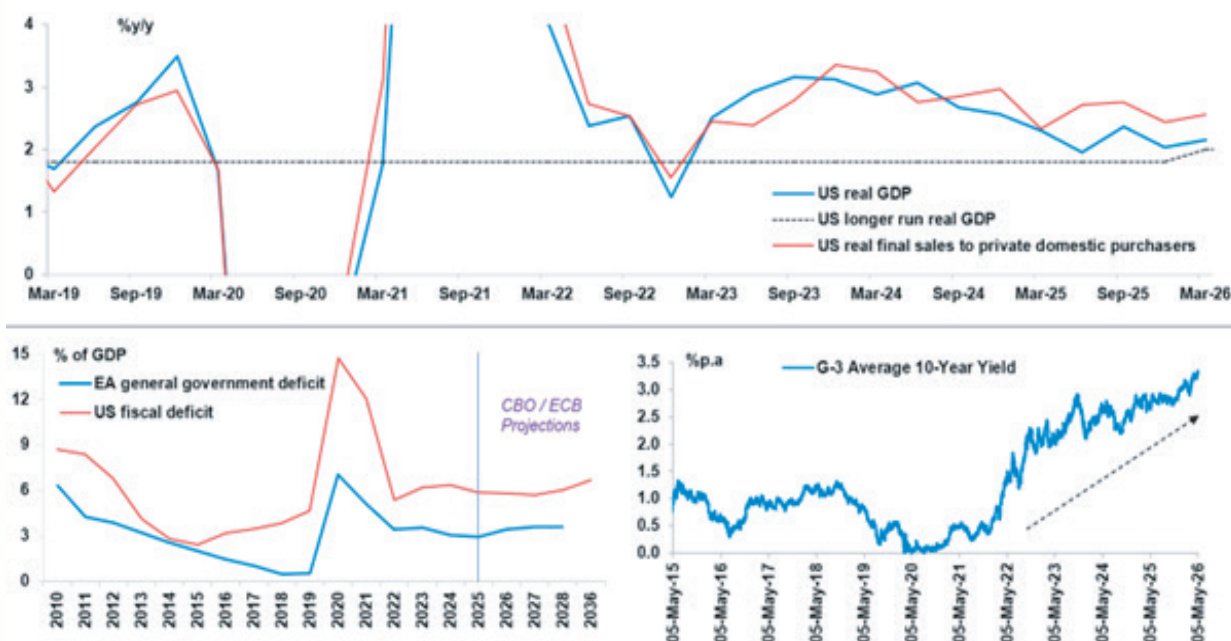
Mr. Suyash Choudhary

Chief Investment Officer - Fixed Income- Bandhan Mutual Fund

The first half of CY26 felt like a period where the debt market was constantly trying to find its footing in the middle of shifting global currents. Geopolitical tensions, beginning with US-led tariff actions and later intensifying through the West Asia conflict, kept investors cautious across global markets. At the same time, elevated global interest rates (refer Figure 1 below)

and the strong pull of alternative investment themes such as artificial intelligence weighted on capital flows despite India's relatively strong macro fundamentals and as a result net inflows moderated, contributing to a sustained Balance of Payments (BoP) deficit and funding stress in the system.

Figure 1: Higher Global Neutral Rates



Source: CEIC, US Federal Reserve, US Congressional Budget Office (CBO), European Central Bank (ECB), Bloomberg, Bandhan MF Research. Note: 1) Real final sales to private domestic purchasers is the sum of personal consumption expenditure and private domestic fixed investment. 2) G-3 includes the US, Euro Area and Japan.

RBI Stance

In the middle of this uncertain backdrop, the RBI continued to adopt a calibrated and flexible policy approach during H1-CY26, with a clear focus on managing liquidity conditions and ensuring orderly market functioning amid global uncertainties. Moreover, the RBI and the government announced a series of steps to address the alleviating stress on our Balance of Payments (BoP). Government has notified that foreign portfolio investor (FPI) investments in government securities will be exempt from income tax on any interest or capital gain. This is effective 1st April 2026.

On its part the RBI has also unveiled **meaningful measures including:**

- 01  Expanding list of **FAR securities** to include new issuances of 15-, 30-, and 40-year govt bonds,
- 02  **Concessional forex swap** till 30th Sep 2026 to incentivize ECB by PSUs,
- 03  **A similar facility** for bearing the full hedging cost till 30th Sep 2026 to AD banks for raising fresh 3–5-year FCNR (B) deposits, and
- 04  Restore the time for **realisation** of export proceeds to nine months.

Taken together, these are meaningful steps and stronger than market expectations. This will also make more likely inclusion of Indian government bonds in global indices. Equally important to us is the signalling effect: government and RBI are now actively working towards shoring up the BoP. **From a valuation perspective, we continue to prefer the longer end of the government bond curve (14 years onwards) and money market / corporate bonds up to the 3–4 year segment.**

Outlook

The outlook for debt investors is relatively constructive. Recent measures by the RBI and government, exceeded market expectations and provided a credible floor to BoP risks and aimed to revive capital inflows. **Initiatives such as tax incentives and steps to attract FPI participation are likely to ease funding pressures for banks and strengthen the case for inclusion of Indian government bonds in global indices, supporting demand and valuations.** Equally important is the signalling effect of coordinated policy action, which reinforces confidence in macroeconomic stability. If these domestic tailwinds are complemented by favourable global developments, such as a de-escalation in geopolitical tensions and moderation in competing global investment themes, the benign bond market environment could persist longer than currently anticipated.

“ **From a valuation perspective, we continue to prefer the longer end of the government bond curve (14 years onwards) and money market / corporate bonds up to the 3–4 year segment.** ”



However, this outlook remains contingent on evolving global conditions, including inflation trends, geopolitical risks and capital flow dynamics, which continue to pose potential risks to the trajectory of yields and liquidity.

PRECIOUS METALS OUTLOOK

Why Gold and Silver Remain Strategic Assets for Investors

Gold and Silver: Consolidation Within a Structural Bull Market?

After an extraordinary five-year run, gold and silver have entered a period of consolidation. Recent weakness has coincided with stronger than expected inflation data, higher interest rate expectations, and a rotation of capital from defensive assets into risk assets such as equities.

While gold ETFs have witnessed outflows, these do not necessarily reflect weakening investor confidence. During periods of tight physical supply, ETF holdings often serve as a source of physical gold for institutional participants, meaning outflows may be driven by supply dynamics rather than a decline in long-term demand.

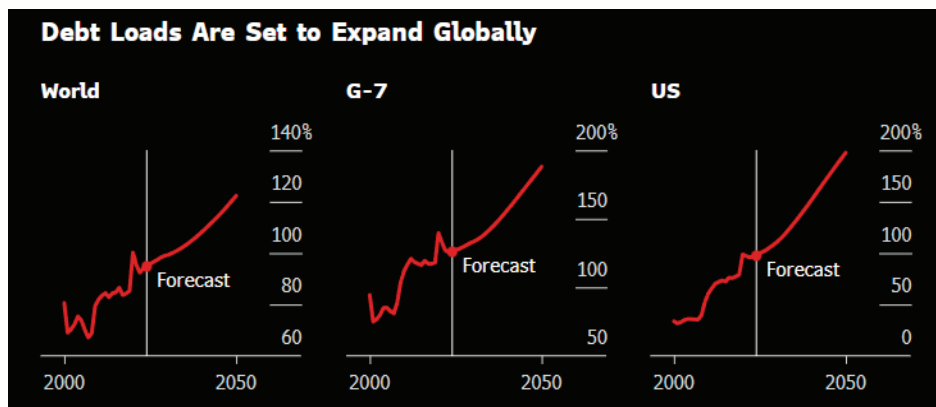
The more important question for investors is whether the structural drivers behind the precious metals bull market remain intact. The evidence suggests they do.

“Gold remains one of the few financial assets that carries neither credit risk nor counterparty risk, making it an attractive store of value in an environment of expanding fiscal obligations.”

Gold: The Case for Strategic Ownership

The long-term investment case for gold rests on several structural foundations. The first is the continued expansion of sovereign debt. Across developed and emerging economies alike, government debt burdens continue to rise. Gold remains one of the few financial assets that carries neither credit risk nor counterparty risk, making it an attractive store of value in an environment of expanding fiscal obligations.

Illustration 1: Rising Global Debt Burdens



Government debt is projected to keep rising across the world, the G7 and the United States (debt as a share of GDP). Source: Bloomberg

The chart highlights one of the most important secular trends supporting gold.

- 1 Government debt is projected to continue rising as a share of GDP across major economies, increasing concerns about fiscal sustainability and the long-term purchasing power of fiat currencies.
- 2 A second pillar of support remains central bank demand. **Despite record prices, central banks continue to accumulate gold reserves as part of a broader diversification away from the US dollar.** This trend has remained remarkably resilient and suggests that official institutions continue to view gold as a strategic reserve asset.
- 3 A third support comes from macroeconomic uncertainty. **Gold has historically performed well during periods of financial stress, inflation uncertainty, geopolitical tension, and declining confidence in conventional reserve assets.** It continues to play an important role as portfolio insurance against outcomes that are difficult to forecast.

Risks to the Gold Outlook

Investors should remain aware of several important risks. **Jewellery demand has softened, particularly in India, where record prices have reduced affordability.** Higher real interest rates also remain a meaningful headwind because gold generates no income. If real yields remain elevated for an extended period, institutional demand could weaken.

Periods of market stress can also create temporary selling pressure. During liquidity events, investors often sell profitable positions to raise cash, causing gold to decline even when its longer-term fundamentals remain unchanged.

Silver: The Higher Beta Precious Metal

Silver offers exposure to many of the same monetary themes that support gold, but with an additional source of demand.

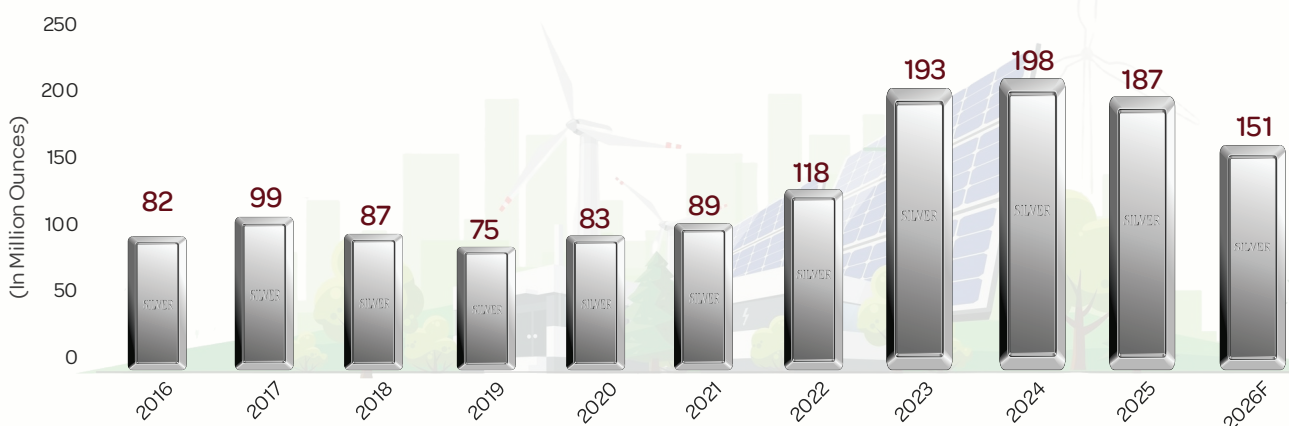
Unlike gold, a significant portion of silver consumption comes from industrial applications including solar panels, electronics, electric vehicles, power infrastructure, and increasingly artificial intelligence related data centres. This gives silver a unique dual identity as both a monetary asset and an industrial commodity.

“Gold has historically performed well during periods of financial stress, inflation uncertainty, geopolitical tension, and declining confidence in conventional reserve assets.”



Illustration 2: Solar Demand for Silver

Silver Demand from solar (photovoltaics)



Silver demand from solar panels, in million ounces (2026 is a forecast). Source: Metals Focus, World Silver Survey 2026.



Solar demand for silver expanded dramatically over the past decade, rising from approximately 82 million ounces in 2016 to nearly 200 million ounces at its peak. Although silver usage per panel has declined through technological improvements, the overall scale of global solar deployment continues to provide an important source of demand.

The Silver Deficit Story

Perhaps the strongest fundamental argument for silver is the persistence of supply deficits. Most silver production occurs as a byproduct of mining copper, lead, and zinc. As a result, higher silver prices do not immediately translate into higher mine supply. New mining projects require years of development, limiting the market's ability to respond quickly to demand growth. At the same time, demand continues to benefit from electrification, renewable energy investment, electronics manufacturing, and investment demand.

Risks to the Silver Outlook

Silver's industrial exposure is both a strength and a risk. A slower global economy could reduce industrial demand, particularly from manufacturing and renewable energy sectors. High prices may also encourage further thrifting and substitution, reducing silver intensity in certain applications.

Investors should also recognize that silver is typically more volatile than gold. It often delivers larger gains during bull markets but can experience deeper drawdowns during corrections.

“For investors with multiyear horizons, they may ultimately prove to be opportunities to build strategic exposure rather than reasons to abandon the asset class.”



Investment Implications

Current market pricing suggests that precious metals are focused less on geopolitical headlines and more on the broader macroeconomic consequences of higher inflation, elevated debt levels, and changing monetary conditions.

For long term investors, the key question is whether the structural drivers behind the precious metals bull market remain intact. Central bank diversification, rising sovereign debt burdens, geopolitical fragmentation, concerns about fiat currency purchasing power, and persistent silver supply deficits all suggest that the answer remains yes.

Periods of consolidation are a normal feature of secular bull markets. For investors with multiyear horizons, they may ultimately prove to be opportunities to build strategic exposure rather than reasons to abandon the asset class.



CURRENCY OUTLOOK

The Indian Rupee: A Phoenix Rise?



Mr. Rahul Pal

CIO-Debt at Mahindra
Manulife Mutual Fund

There is a mythological legend of Phoenix, a scared bird. According to mythology, when the bird reached the end of its life, it would build a nest of twigs, ignite it, and be entirely consumed by the flames. It would then be spectacularly reborn from the resulting ashes to live another.

Modern usage of the “Phoenix rise” is commonly used to describe bouncing back from a severe setback.

The Indian Rupee had a terrible run in the last year and attracted an intense debate around the vulnerability of the currency. This article dwells on:

- a** What probably caught the Rupee on the wrong foot
- b** Are the reasons Structural or Cyclical
- c** The actions of the Government and RBI
- d** The difficult part: Crystal gazing at a possible Phoenix rise!

A Tale of Two dates

REER (Real Effective exchange rate RBI 40 currency trade weighted). Two dates; December 2024 and May 2026 my mind ruminates on Charles Dickens legendary opening “It was the best of times; it was the worst of times .. it was the spring of hope; it was the winter of despair.”

The Indian REER was almost at an all-time high of 105 in December 2024 cratered to a near all-time low of around 89 creating larger doubts about the vulnerability of the Indian rupee.



How did we get there so quickly

A host of reasons possibly we list down a few

- a** A high trade deficit led by oil prices and gold imports turned our trade deficit to 8.6% of our GDP.
- b** Weak FDI and FPI outflows contributed largely to the capital pressure.
- c** A possible RBI Policy Preference for competitiveness resulting in a weaker currency to help exports.

Are the reasons Structural or Cyclical

The Structural positives in the currency complex:

- a** India remains one of the fastest growing large countries in the world with growth estimates at around 7%.

- b** Service exports, including GCC (Global Capability Center) related inflows have emerged as a strong factor in our flow dynamics.
- c** Transition to Non-Fossil based energy including a gradual shift towards Electric Vehicles can hasten the already falling oil intensity.
- d** A healthy Forex Reserve measured by import cover and external liabilities coverage ratio.

The Possible Weak links

- a** Lack of high Research & Development spending makes the country vulnerable to technology leadership.
- b** Manufacturing share in GDP has remained low; resulting in a hesitant FDI flows.

“ We believe that as the world gradually moves from an AI building stage to an AI implementation stage the FPI equity flow dynamics may change. ”

The Cyclical flow

- a** The equity-based flows in FPI have witnessed outflows in the previous two years leading to pressure on the currency.
- b** We believe that as the world gradually moves from an AI building stage to an AI implementation stage the FPI equity flow dynamics may change.

The Interplay between Rupee REER on equity and 10-year Gilt rates

REER Versus NSE 500

While it remains difficult to pinpoint to an exact correlation, it has been observed that a rising REER has generally meant a stronger equity markets and a falling REER resulting in a stable to marginal downwards equity markets.

India 10 year Gilt rate versus REER



Source: Bloomberg

The Correlation appears a bit more pronounced as a rising REER generally leads to a falling interest rates and reverse move on the opposite direction.

The RBI and Government in action

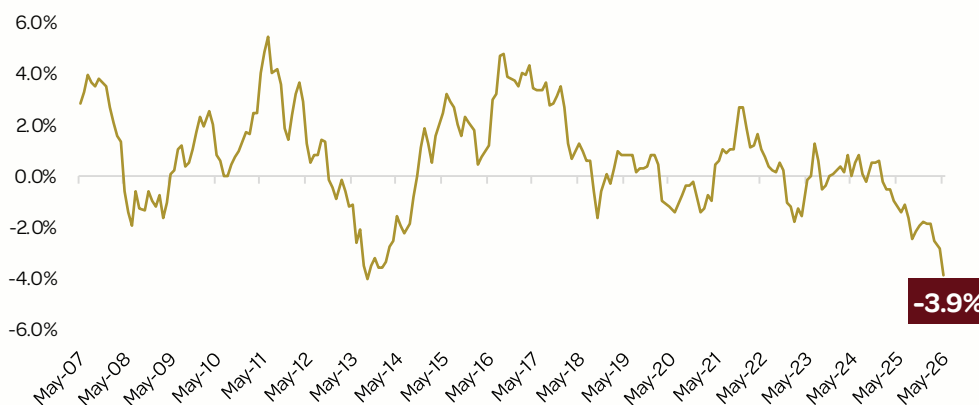
The June Monetary policy date the RBI and the Government swung into action and announced a series of actions to attract foreign capital and other income-tax ordinance measures.

The Difficult part: Crystal gazing at a possible Phoenix rise!

As trite as I may sound Crystal Gazing in financial markets is a difficult act; and yet we soldier along to attempt it.

But before the difficult act, we look at the return cycle of the REER.

3 year monthly rolling return of INR 40 currency REER



Source: Bloomberg

A look the rolling return pattern (refer graph) of the INR REER points to a near bottom of returns. As a firm believer in asset return cycles and the iron clad rule of return to the mean, we believe that REER may start moving up and thereby climbing up in the mean return journey.

- a** What helps the journey are RBI and the GoI measures for bringing in dollars via FCNR(B) deposits, ECB borrowings by corporates and FPI buying in gilts.
- b** We think there exists a possibility of stable/lower commodity prices including crude prices which helps the trade deficit numbers.
- c** A rising REER generally bodes well for both equity and the fixed income markets.

“ A RISING REER generally bodes well for both equity and the fixed income markets. ”



Thankfully in the financial markets no one can say the phrase “The Last word”.; do know that; it never was, and it never will be.



COVER STORY

Beyond Market Returns – The Behaviour Gap that Shapes Wealth



Mr. Gaurav Talwar

Product Head,
Tata Capital Wealth

The past year has been a meaningful test - not just for markets, but for investors.

The past year tested not just markets, but investors. After two years of strong equity returns, 2025-26 brought moderation in earnings, elevated valuations, selective FII flows and stronger global market performance. Yet, despite volatility, SIP contributions remained robust and equity mutual funds continued to see healthy inflows, reflecting

growing investor maturity and a long-term investment mindset. However, while investors passed one behavioural test, another behavioural bias quietly emerged.

The Evolution of Investor Behaviour

Behavioural finance has consistently shown that investors rarely make decisions based solely on facts and fundamentals. Emotions often influence investment decisions more than valuations or earnings.

Nobel Prize-winning psychologist Daniel Kahneman demonstrated through his work on **Loss Aversion** that investors experience the pain of losses far more intensely than the satisfaction of equivalent gains. Encouragingly, the past year suggests that Indian investors have become more resilient to this bias. Unlike previous market corrections, they largely resisted the temptation to exit equities during periods of uncertainty and instead continued with systematic investing. Yet behavioural biases never disappear - they simply evolve.



From Home Bias to Performance Bias

Indian investors have long favoured domestic markets, a behavioural trait known as **Home Bias**. Strong recent returns from US technology and AI stocks, however, shifted sentiment towards global markets. This illustrates **Recency Bias** - chasing yesterday's winners in the belief they will remain tomorrow's leaders.

Calendar Year Returns

Rank	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)	2025 (%)	CYTD (%)
1	Hong Kong 36	India 3.2	U.S 34.2	U.S 36.9	U.S 25	India 4.3	U.S 40	U.S 31.6	Hong Kong 27.8	Japan 31.8
2	India 28.7	U.S -3.3	Germany 25.5	Japan 16	India 24.1	U.K. 0.9	Japan 28.2	Japan 19.2	Japan 26.2	U.S 8.5
3	U.S 27.8	Japan -12.1	China 22.3	India 14.9	Germany 15.8	Japan -9.4	Germany 20.3	Germany 18.9	Germany 23	U.K. 4.8
4	Japan 19.1	U.K. -12.5	Japan 18.2	China 13.9	U.K. 14.3	Germany -12.4	India 20	Hong Kong 17.7	U.K. 21.5	China 2.5
5	Germany 12.5	Hong Kong -13.6	U.K. 12.1	Germany 3.6	Japan 4.9	China -15.1	U.K. 3.8	China 12.7	China 18.4	Germany 2.5
6	U.K. 7.6	Germany -18.3	India 12	Hong Kong -3.4	China 4.8	Hong Kong -15.5	China -3.7	India 8.8	U.S 17.5	Hong Kong -1.8
7	China 6.6	China -24.6	Hong Kong 9.1	U.K. -14.3	Hong Kong -14.1	U.S -29.6	Hong Kong -13.8	U.K. 5.7	India 10.5	India -9.9

Data as on 30th May'26. Index used for each of the Equity Markets: U.S. - Russell 3000, China - SSE Composite, Germany - DAX, Hong Kong - Hang Seng, India Nifty 50, U.K. - FTSE 100, Japan - Nikkei 225

The lesson is not that global investing is inappropriate. On the contrary, international diversification remains an important component of long-term portfolio construction. The lesson is that strategic asset allocation should drive investment decisions - not recent performance.

The Growing Gap Between Market Returns and Investor Returns

One of the most fascinating observations in investment research is that investor returns are often materially lower than the returns generated by the investments themselves.

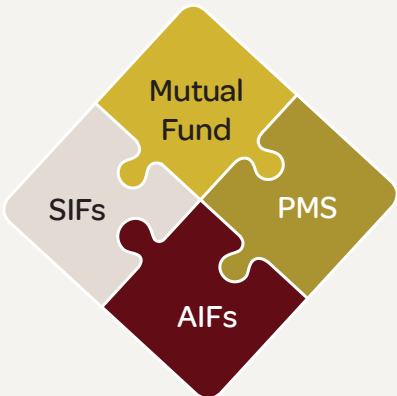
The biggest obstacle to long-term wealth creation is often not market volatility, but investor behaviour.

Eg: Two investors owning the same fund may experience very different outcomes - not because they selected different investments, but because they behaved differently.

 Market Phase	 Typical Investor Behaviour	 Behavioural Bias	 Preferred Action
Strong Rally	Increase equity allocation	Overconfidence / FOMO	Rebalance portfolio
Market Peak	Chase recent winners	Recency Bias	Stay diversified
Market Correction	Pause SIPs or reduce exposure	Loss Aversion	Continue systematic investing
Recovery	Wait for clarity before investing	Regret Aversion	Invest according to strategic asset allocation

Beyond Product Selection: The Shift Towards Portfolio Construction

As market leadership rotates across geographies, sectors and asset classes, successful investing is becoming less about chasing the next outperformer and more about building resilient, well-diversified portfolios. While diversified mutual funds remain the core of long-term investing, investors are increasingly complementing them with Specialized Investment Funds (SIFs), Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs) to access differentiated strategies and broader diversification.



What This Means Going Forward

The past year reaffirmed a simple truth: long-term wealth creation is driven not by predicting every market cycle, but by maintaining discipline and avoiding the temptation to chase recent winners. In an increasingly complex investment landscape, investor behaviour remains one of the strongest determinants of long-term outcomes.



BEYOND RETURNS: A SMARTER PORTFOLIO VIEW

Portfolio performance is about more than just returns.

It is also about identifying:

-  Missed opportunities
-  Overlooked risks
-  Hidden tax inefficiencies
-  Emerging market shifts



Our research-led portfolio review helps keep your wealth aligned with your goals.



Uncover hidden portfolio gaps



Enhance portfolio resilience and efficiency



Enhance diversification and risk balance



Respond proactively to market shifts

Trusted by a growing community of investors, our team is here to help you navigate your wealth journey.
Contact your Relationship Manager.

AI STRATEGY INSIGHTS

The Year AI Went Mainstream



Ms. Meeta Shetty

Fund Manager,
Tata Asset Management

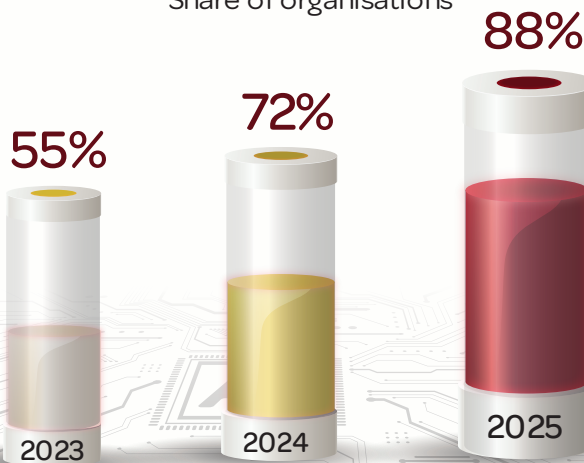
Global Technology · Adoption Trends

Artificial intelligence has crossed from novelty to infrastructure. The race now is not to adopt it – but to profit from it.

Three years ago, generative AI (artificial intelligence) was a curiosity. Today it is infrastructure. The defining question of the global technology landscape is no longer whether artificial intelligence will be adopted, but how fast – and the numbers are staggering.

Enterprise Adoption : Organizations Using AI in ≥1 Business Function (%)

Share of organisations



Sources: McKinsey, The State of AI (Nov 2025); Federal Reserve Bank of St. Louis, Real-Time Population Survey (Nov 2025); Gartner AI spending forecast (Sep 2025); OpenAI usage figures as reported.

Consumers have folded AI into daily life with frictionless ease. But enterprises are weighed down by legacy systems, governance, and the hard graft of redesigning ‘how work actually happens’ – they are realising that buying intelligence is easy and operationalising it is not.

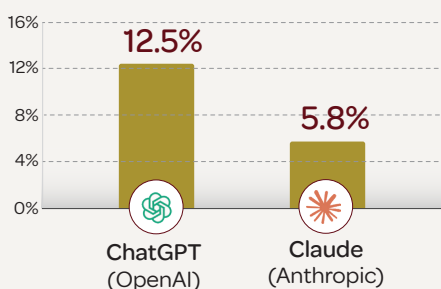
The winners of the next phase will not be those who adopted AI first, but those who rewired their organisations to use it well. The tools are now everywhere. The advantage will belong to those who turn ubiquity into productivity.

India · The Competitive Question

Can India Build – Not Just Use?

If the first chapter of the AI story belongs to adoption, India is its breakout star. The country is now ChatGPT’s second-largest market, with 100 million weekly users – roughly one in eight users worldwide.

India's Share of Global Usage (each platform's #2 market)



By sheer demand, India has already arrived. But building an AI is a totally different contest. And a sharper picture emerges, when we look across the entire AI stack.

“India has the world’s fastest-growing AI user base, so far. But whether it becomes a creator or remains a consumer is the trillion-dollar question.”

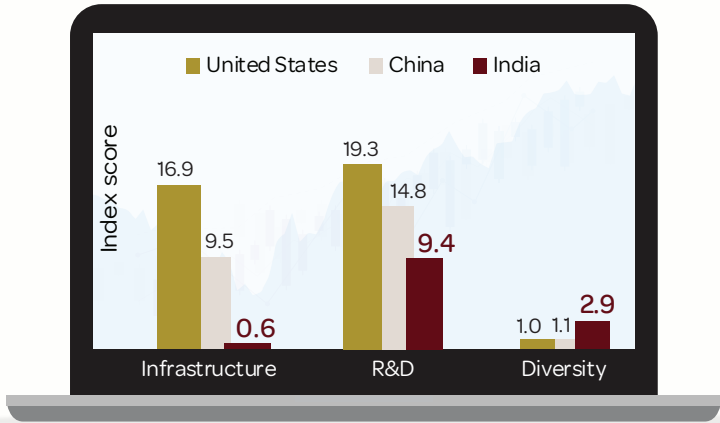
Source: Open AI (100M of 800M weekly users); Anthropic Economic Index, Nov 2025. Gemini: India among the largest markets (no global share disclosed)

The AI stack: India vs the United States and China

Layer	India	United States	China
Compute / infrastructure	IndiaAI Mission: ~\$1.2B, 38,000 GPUs pooled	Hundreds of \$B/yr (~\$69B in Q4 2025 alone)	2nd-largest infra market; domestic-GPU push
Foundation models	Sarvam-105B (sovereign), Krutrim; 12 firms co-funded – 1 sovereign model	40 notable models in 2024 – GPT, Claude, Gemini (est. trillion-parameter scale)	15 notable models; DeepSeek-V3 at 671B parameters, Qwen near parity
Applications	890+ GenAI startups – fintech, agri, health; 56 unicorns	Global platform leaders; 853 unicorns	Super-apps and vertical scale; 330 unicorns
Private AI investment (2024)	\$1.16B	\$109.1B	\$9.3B
Global usage	#2 on ChatGPT (100M/wk) and Claude (5.8%)	#1 across all major tools	Walled domestic ecosystem (Ernie, Doubao)
AI Index rank (2025)	4th – infrastructure the key gap	1st	2nd

Sources: Stanford HAI AI Index 2025; IndiaAI Mission (PIB, Oct 2025); IDC; company disclosures.

Where India leads & lags :
AI Index pillar scores



Source: Stanford HAI, AI Index 2025 (Global VI Vibrancy Pillars)

So where is India's edge? Not in out-spending Silicon Valley or out-building Shenzhen, but in three things money cannot quickly buy:

- (1) an unmatched and fast-deepening talent base;
- (2) a thriving application economy built on frugal engineering; and
- (3) a genuine data advantage across 22 official languages, riding a billion-person-digital-public-infrastructure stack – UPI, Aadhaar, DigiLocker – on which AI can be deployed at population scale.

The Long View- Growth & Investment

The Trillion-Dollar Question

AI's economic prize is almost too large to imagine. The harder question for investors is who actually collects it – and when.

The numbers attached to AI's economic promise are staggering. PwC puts the technology's potential contribution to global GDP at \$15.7 trillion by 2030; newer estimates from NITI Aayog and McKinsey reach \$17–26 trillion over the coming decade. If even the conservative case holds, AI would be the largest single addition to global wealth in modern history.

But a prize this size is never shared evenly. The IMF estimates that 40% of jobs worldwide – and 60% in advanced economies – are exposed to AI; roughly half of those roles could be enhanced, the other half displaced. Goldman counts up to 300 million jobs touched by automation. That leaves a paradox investors must price: AI is at once deflationary, cheapening cognitive labour, and inflationary, demanding trillions in power, chips and data centres. Where the productivity gains ultimately land – in wages, in margins, or in shareholder returns – will define the next decade of markets.

“The market is funding a build-out of historic scale on the promise of profits that, so far, most companies cannot locate.”

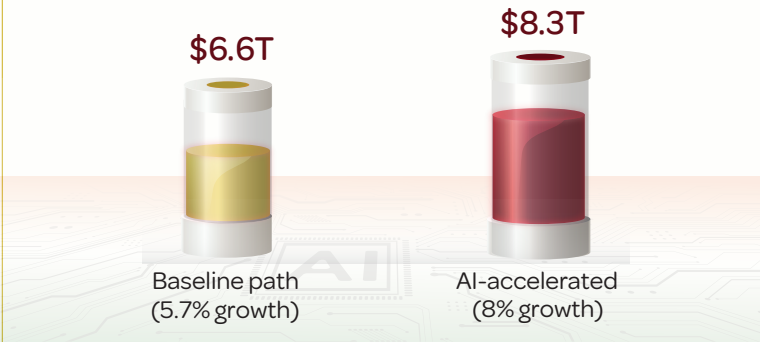
And here is the uncomfortable gap. Global AI spending is on track to pass \$2 trillion in 2026, with data-centre capital expenditure alone topping \$1 trillion. Yet the returns remain elusive: McKinsey finds only 39% of firms report any enterprise-level earnings impact, and an MIT study of enterprise deployments found that **95% of generative-AI pilots delivered no measurable return at all**. The market is funding a build-out of historic scale on the promise of profits that, so far, most companies cannot locate. That is either the foundation of a productivity supercycle – or the anatomy of a bubble. Probably, in different places, both.

Following the money: the AI value chain

Value-chain layer	What it is	Signal (2025–26)	Investment read
Compute & infrastructure	Chips, servers, data centres, power – the “picks and shovels”	>\$1T data-centre capex in 2026; AI infrastructure doubled to \$318B in 2025	Where profits are landing first – but capital-intensive and cyclical
Models & platforms	Frontier labs and cloud “AI factories”	Hundreds of \$B in spend; winner-take-most, heavy cash burn	High burn, uncertain moats; circular financing a watch-item
Applications & software	Tools that embed AI to lift productivity	Adoption near-universal, yet 95% of pilots show no P&L return	The value gap – reward the few that truly operationalise
Adopters & AI-exposed sectors	BFSI, pharma, manufacturing, IT services	India alone: \$50–100B of value per sector by 2035	The durable, under-priced upside – value accrues to deployers

Sources: Gartner; Dell’Oro; IDC; McKinsey, The State of AI (2025); MIT, State of AI in Business (2025); NITI Aayog (2025).

India's projected 2035 GDP :
The AI Dividend



Source: NITI Aayog, AI For Viksit Bharat (Sep 2025)

Nowhere is the upside clearer than in India. NITI Aayog estimates AI could add \$1.1–1.7 trillion to the economy by 2035 – the difference between a \$6.6 trillion economy on its current path and an \$8.3 trillion one on an AI-accelerated 8% trajectory – with India capturing an estimated 10–15% of all global AI value. Banking stands to gain \$50–55 billion, manufacturing \$85–100 billion; AI-driven drug discovery could cut pharmaceutical R&D costs by up to 30%. **For an economy with India’s demographics, AI is less a threat to jobs than a lever on growth** – PwC sees it adding nine million new ones by 2035.

For investors, three lessons run through this story

- 1 Adoption is not value – the winners will be the operators who convert ubiquity into earnings, not the loudest early adopters.
- 2 In a gold rush, the steadiest profits often go to the sellers of picks, shovels and power – but those trades are crowded and cyclical.
- 3 The most durable, least-priced upside may sit not with the model-builders at all, but with the economies and enterprises disciplined enough to deploy AI at scale.

The technology’s trajectory is no longer in question. The returns are. And in that gap between certainty and profit lies the entire opportunity.

Sources: PwC, ‘Sizing the Prize’; Goldman Sachs; IMF (2024); NITI Aayog, ‘AI for Viksit Bharat’ (Sep 2025); McKinsey; MIT, State of AI in Business (2025); Gartner; Dell’Oro; IDC.

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

INVESTOR INSIGHTS

The Art of Simplicity in Portfolio Construction



Ms. Rachna Gurnani

Head – Research & Communication,
Tata Capital Wealth

The Problem with Complexity

As someone who has spent almost a decade and a half in personal finance, I've come to believe the industry has an image problem. A discipline meant to improve lives often feels unnecessarily complicated. Financial jargon, endless data and daily market commentary can make investing appear far more intimidating than it really is.

Yet, when I step back and think about some of the best products and businesses I have encountered, a different pattern emerges. The most enduring ideas are rarely the most complicated. They are often built on clarity, purpose and simplicity.

When Great Design Removes More Than It Adds

That thought struck me over the weekend while binge-watching *The Titan Story* (pun intended), which narrates how Xerxes Desai and his team, against all odds, built one of India's most successful watch brands.

One of the more fascinating insights from the series is that Titan's founders were not simply trying to make a better watch. They were trying to change the way India thought about watches altogether.

The series highlights how Titan's early designers drew inspiration from global design movements, particularly the Bauhaus philosophy that emerged in Germany during the early twentieth century. Bauhaus championed a deceptively simple idea: form should follow function. The result was elegant products that remained intuitive and timeless.

What made this philosophy powerful was that it transcended industries. Decades later, Apple embraced the same philosophy. The iPhone became iconic not because it added more features than its competitors, but because it removed what wasn't essential. Across industries, the lesson remains unchanged: simplicity is often the highest form of sophistication.

“Simplicity is not about having less. It is about ensuring that everything that remains serves a purpose.”



“Good design removes the unnecessary”.

Good investing does the same.

Portfolio Construction: Every Portfolio Needs a Blueprint

What fascinated me while watching the series was how transferable this idea is. A watch dial, a smartphone interface and a financial portfolio may appear unrelated, yet all three face the same challenge: deciding what deserves a place and what does not.

Over the years, I have come to realise that the same principle applies to building wealth. **The best portfolios are rarely the most complicated.** Therefore, let us try and look at portfolio construction the way Bauhaus and perhaps Xerxes Desai might have.

The first step in portfolio construction is deciding what the portfolio is supposed to accomplish. A retiree seeking income and capital preservation requires a very different design from a young professional accumulating wealth over the next three decades. This is where risk profiling comes in. Just as Titan's designers first had to understand who they were building watches for before sketching the first design, investors must first understand their goals, time horizon and risk appetite before selecting investments. Asset allocation is therefore not merely a technical exercise. It is the blueprint from which every other decision flows.

**One Philosophy. Different Designs**

Interestingly, *The Titan Story* shows how this philosophy extended beyond individual watches and into the company's broader strategy. Titan recognised that different customers required different designs. Whether through Titan, Sonata or Fastrack, the products changed but the design philosophy remained consistent.

Portfolio construction follows a similar path. A conservative investor, a balanced investor and an aggressive investor may all follow the same principles of diversification, discipline and long-term investing. Yet their portfolios can look very different. A conservative investor may have little or no exposure to small-cap funds, while an aggressive investor may allocate a larger portion to growth-oriented assets. The philosophy remains the same; the blueprint changes according to the individual.

The same discipline applies while evaluating new investment products. Every market cycle brings a fresh wave of New Fund Offers (NFOs), specialised strategies and investment themes. But new does not always mean necessary. **Every investment should have a clearly defined role within the overall portfolio.**

**Before Investing, Ask Yourself**

- ✓ Does it align with my financial goals?
- ✓ Does it fit my asset allocation?
- ✓ Do I understand the underlying investment strategy?
- ✓ Am I comfortable with the associated risks and market cycles?
- ✓ Am I investing because it is suitable...or simply because it is new?

**Diversification: When Diversification Becomes Clutter**

In watchmaking, an hour marker exists to improve legibility. Similarly, in portfolio construction, an equity fund exists to generate growth, debt provides stability and liquidity, while gold may offer diversification during periods of uncertainty.

Problems arise when investors begin adding products simply because they are available rather than because they are necessary. The objective is not to own the highest number of investments but to own the right investments. A broad-based diversified fund may often achieve the desired objective more effectively than a collection of overlapping strategies. Much like the watches showcased in The Titan Story, elegance is often achieved not by adding more elements but by exercising the discipline to leave certain things out.

Liquidity: The Value of Empty Space

In fact, one of the most overlooked principles of good design is the intelligent use of empty space. Designers deliberately leave portions of a dial uncluttered. Those spaces are not wasted; they create balance, improve readability and draw attention to what truly matters. Investing has its own version of empty space. Investors often view cash allocations as a "wasted allocation" that should be immediately deployed. Yet **strategic liquidity can play an important role in a portfolio**. It provides flexibility during periods of market stress, creates the ability to capitalise on opportunities and helps meet unforeseen requirements without disrupting long-term investments. Just as empty space improves design, liquidity can improve portfolio resilience.

Another hallmark of Bauhaus thinking is durability. Good design should remain relevant years after it is created. It should not require constant reinvention. One of the reasons Titan became successful was that it resisted the temptation to chase every passing trend. The company focused on building enduring brands and timeless products rather than constantly reinventing itself. Investing demands a similar mindset.

“

Cash isn't an idle asset. It is optionality. It provides resilience during uncertainty and flexibility when opportunities emerge.

”



Markets continuously present reasons to act. Every week brings a new forecast, a new narrative and a new source of anxiety. Investors often mistake activity for intelligence, believing that frequent portfolio changes indicate sophisticated management. **In reality, some of the most successful portfolios are remarkably uneventful. They are built thoughtfully, monitored carefully and altered only when the underlying objectives change.**

Conclusion

That does not imply neglect. Like a well-crafted watch, portfolios need periodic servicing. **Reviews should preserve the original investment blueprint, not reinvent it after every market headline.**

Perhaps that is the most enduring lesson from both Bauhaus and **The Titan Story**. Simplicity is not about having less for the sake of having less. It is about ensuring that everything that remains serves a purpose. A portfolio does not need to be crowded to be effective. It needs direction, balance, discipline and patience.

In many ways, JRD Tata's memorable line in the series "We're not building watches. We're building confidence that India can create world-class products"—captures the essence of investing as well.



Building Trust, Not Just Returns

At Tata Capital, we strive to build portfolios that thoughtfully balance risk and return, aligned to each investor's goals, time horizon and risk appetite. More importantly, we strive to build trust. Trust that a child's education will be funded, retirement will be comfortable, and life's important goals will be achieved despite the inevitable ups and downs of markets.

And just like a well-designed watch, the most successful portfolios are rarely remembered for how complicated they were. They are remembered for how effortlessly they fulfilled their purpose.



Build a Portfolio with Purpose.

Connect with **Tata Capital Wealth** to create an investment strategy aligned to your goals and risk profile



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to get in touch



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Contact your Relationship Manager.*

CATEGORY OVERVIEW

Specialised Investment Funds: Addressing the Evolving Needs of Investors



Mr. Mittul Kalawadia

Senior Fund Manager,
ICICI Prudential AMC

India's investment landscape has evolved significantly over the past decade. As investor participation has broadened and awareness has increased, the need for a wider range of investment solutions has also grown. Investors today are increasingly looking beyond traditional choices and seeking approaches that can help them navigate different market environments efficiently over the long term.

Since markets move through different phases, there will always be periods when returns can vary from being strong, moderate or flat while the market volatility persists. Investors who have experienced multiple market cycles understand that different environments require different approaches and that long-term investing is not merely about participating in favourable periods but also about navigating periods of uncertainty.

It is against this backdrop that Specialised Investment Funds (SIFs) have emerged. Introduced by the Securities and Exchange Board of India (SEBI), SIFs seek to bridge the gap between traditional mutual funds and more specialised structures such as Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs). With a minimum investment threshold of ₹10 lakh, the framework broadens the range of solutions available to investors and reflects the increasing maturity of India's investment ecosystem. Below is the comparison:

Feature	Mutual Funds	SIFs	PMS/AIFs
Regulation	SEBI (Mutual Funds) Regulations, 1996	Chapter VI-C of SEBI (Mutual Funds) Regulations, 1996	SEBI (Portfolio Managers) Regulations, 2020 SSEBI (Alternative Investment Funds) Regulations, 2012
Investor Base	Retail and HNIs	HNIs	HNIs and Ultra HNIs
Minimum Investment	₹500	₹10 lakh [^] (waived for accredited investors)	₹50 Lakhs for PMS, ₹1 cr for AIF
Derivatives	For Hedging and Portfolio Re-balancing	Unhedged Derivatives + Hedging + Portfolio Re-balancing	- PMS: For Hedging & Portfolio Re-balancing - Cat III AIF: Unhedged and Hedged Derivatives Allowed
Single Issuer Limit for Instruments (% of AUM)	Upto 10%	Upto 20%	- PMS: No Limit - AIF Cat I & II: Upto 25% - AIF Cat III: Upto 10%
Taxation at Investor level*	- Equity / Hybrid - LTCG at 12.5% (after 12m) - Debt - Slab rate	- Equity: LTCG @ 12.5% (>12m) - Debt- Slab Rate - Others: LTCG @12.5% (>24m)	- PMS - Taxed to investor at each transaction level - Cat I & II AIF - Taxed at investor level - Cat III AIF - Nil (taxed at fund level)

*The tax details are as per existing tax laws. Please consult a tax advisor for better understanding and taxation applicable to specific investment. [^]The Minimum Investment Threshold of ₹10 lakh shall apply exclusively to investments under SIF across the strategies offered by an AMC (at a PAN level).

Where do SIFs Fit?

SIFs are designed for investors who understand market cycles, appreciate the concept of risk-adjusted returns and are prepared to remain invested over the long term. They are not intended to replace existing investment avenues. Rather, they occupy a space between traditional mutual funds and more specialised investment structures. Consequently, SIFs are best viewed as part of the broader investment ecosystem rather than in isolation. Their role is to provide investors with another avenue to pursue their long-term financial objectives through strategies that offer greater flexibility. SIF products can be designed to offer better risk adjusted returns or increase returns with risk.

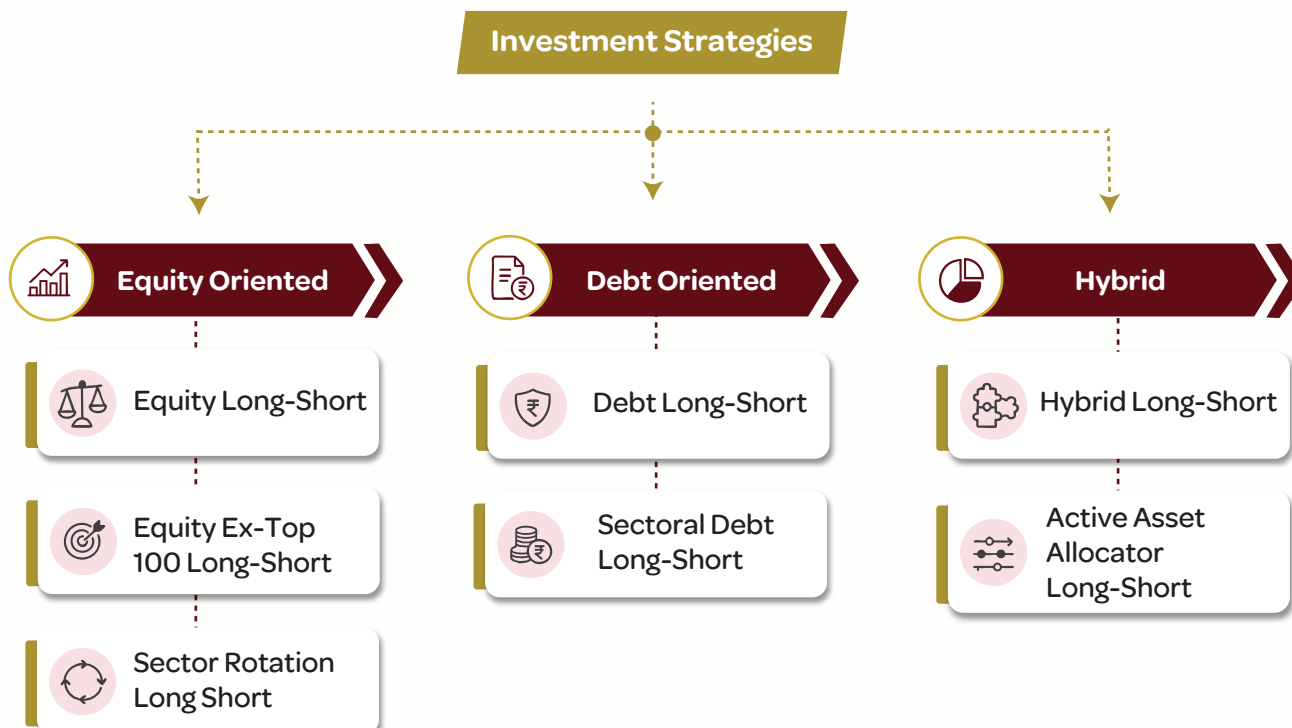
“SIFs are designed for investors who understand market cycles, appreciate the concept of risk-adjusted returns and are prepared to remain invested over the long term.”



Enabling Diversification and Risk-Adjusted Returns

Flexibility is one of the defining characteristics of the SIF framework. Unlike traditional investment categories operate within certain allocation limits, under SIF, there is greater flexibility of investing across market capitalizations, asset classes, and instruments. This enables the fund manager to construct portfolios more dynamically and potentially deliver better outcomes over the long term.

7 Investment Strategies Permitted



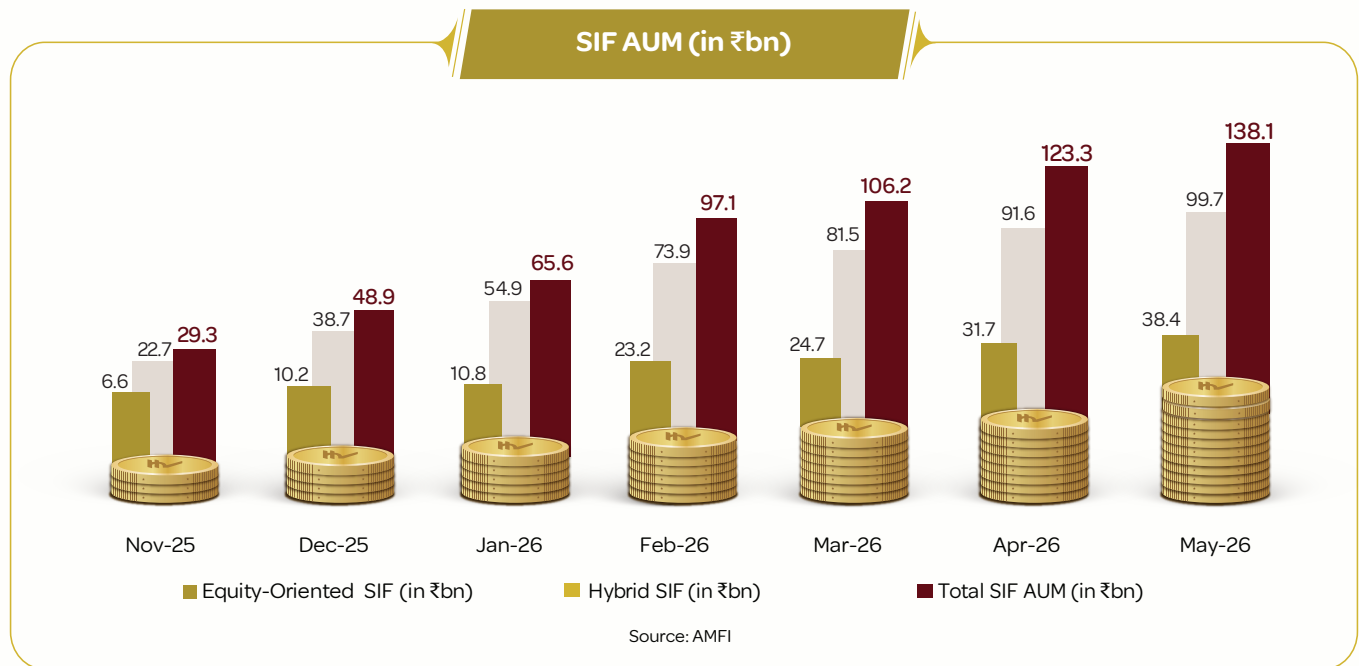
Products that offer such flexibility can be attractive long-term investment options because they are not compelled to operate within predetermined allocations. The objective is not necessarily to generate the highest possible return, but to deliver a better risk-adjusted return experience.

SIFs can cater both to investors who are comfortable with higher risk in pursuit of higher returns and to those looking for lower-risk solutions with better risk-adjusted outcomes.

“The objective is not necessarily to generate the highest possible return, but to deliver a better risk-adjusted return experience.”

Growing Investor Adoption

As of May 2026, 21 SIF schemes are active in India, with net assets under management of ₹ 138.13 billion. Investor interest in the category is being driven by changing expectations. The strong returns witnessed over the last few years have raised the base for future growth, making it increasingly important for investors to focus not only on return potential but also on managing risk and maintaining a long-term perspective.



Corporate profits as a percentage of GDP are already near multi-year highs, and sustaining the pace of earnings growth seen in recent years becomes progressively more challenging as the base expands. In such an environment, investors are increasingly recognising the importance of remaining invested across market cycles and are showing interest in solutions that seek to manage volatility while pursuing long-term outcomes.

To conclude, **the emergence of SIF** as a category reflects the increasing maturity of the market. It also aids in expanding the choices available to investors as they navigate **market cycles** and pursue **long term financial goals**.

Financial Goals



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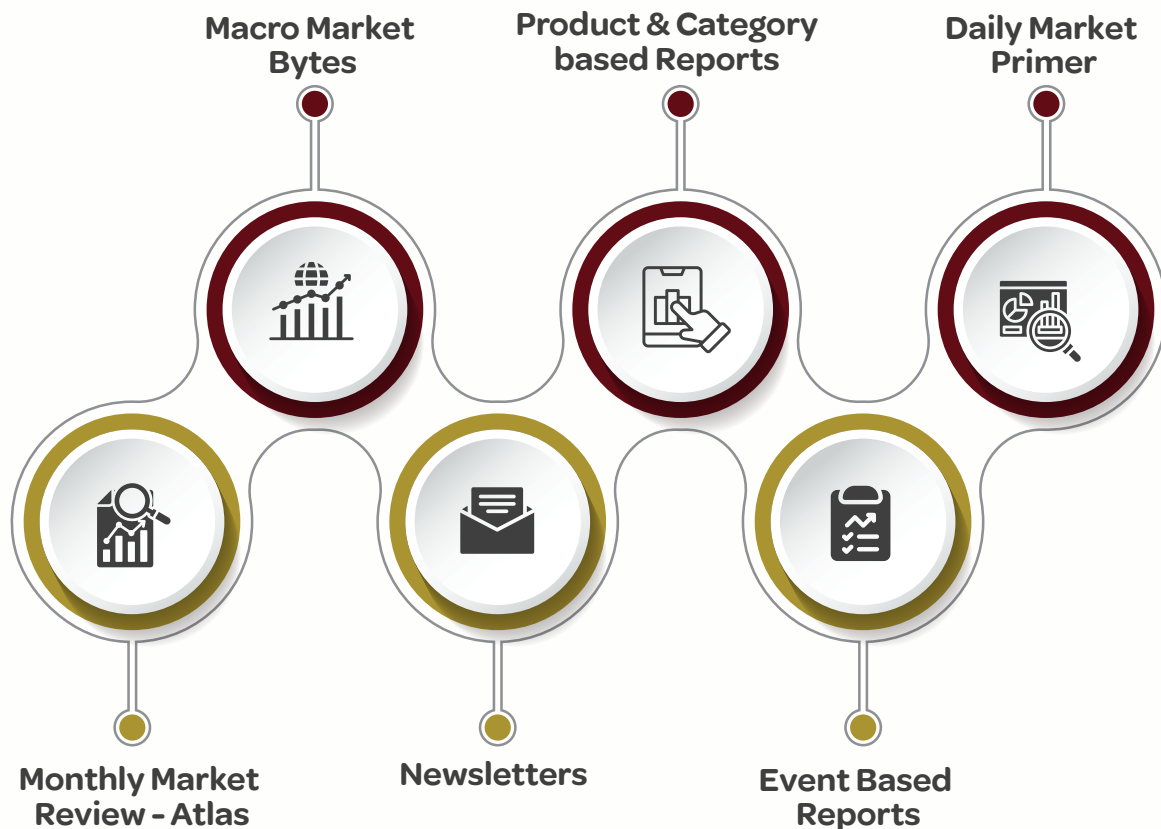
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