TRU INSIGHTS

February 2026

Contents

From the MD & CEO's desk

"Indian equities faced early volatility (January 2026) as global geopolitical tensions and U.S. trade uncertainties initially pressured markets. Despite headwinds from higher STT and cross-asset fluctuations, sentiment was buoyed by the India–EU and India–U.S. trade deals alongside a capex-heavy Union Budget. With corporate earnings showing resilience in industrials and banking, the long-term outlook remains supported by structural fundamentals."

Dear Investors,

January proved to be a volatile month for global financial markets as geopolitics, policy uncertainty, and cross-asset movements intersected sharply. Markets were unsettled by escalating geopolitical tensions following U.S. President Donald Trump's rhetoric around Greenland, renewed strains between the U.S. and Iran, and his public backing of a Russia sanctions bill - moves that collectively raised concerns over global stability and energy security.

Adding to the uncertainty was the U.S. Supreme Court's decision to defer judgement on the legality of Trump-era tariffs. This postponement prolonged ambiguity around global trade rules and supply chains, keeping investors cautious and risk appetite constrained through much of the month.

Domestically, however, there were meaningful offsets. The signing of the India–EU Free Trade Agreement marked a significant strategic milestone, reinforcing India's position as a preferred global manufacturing and export partner. This was followed by a capex - focused Union Budget, which reiterated the government's commitment to infrastructure, manufacturing, defence, and energy transition - providing long-term visibility to the investment cycle.

That said, near-term market sentiment was not without friction. The increase in Securities Transaction Tax (STT) on F&O in the Union Budget had a negative impact on Indian markets. Additionally, a sharp correction in gold and silver prices on the final trading day of the month triggered cross-asset volatility, spilling over into equities and prompting short-term de-risking.

Encouragingly, sentiment has improved meaningfully with the announcement of the India–U.S. trade deal on 2nd February. This development is expected to provide a strong tailwind for export-oriented sectors, technology, manufacturing, and capital goods, while also strengthening bilateral investment flows.

On the corporate front, the ongoing earnings season remains a key market driver. While results have been mixed, pockets of resilience are visible-particularly across banks, industrials, select consumption themes, and infrastructure-linked sectors. Margin pressures appear to be stabilising, and management commentary has generally pointed towards improving demand visibility into the next few quarters. Markets are increasingly differentiating between balance-sheet strength and earnings durability, reinforcing the case for quality and selectivity.

Looking ahead, volatility may persist in the near term given global uncertainties and policy transitions. However, India's structural fundamentals-strong domestic demand, improving capex momentum, policy continuity, and deepening domestic participation-continue to provide a stable foundation for long-term investors.

In this edition of Tru Insights, we assess the evolving global risk landscape, decode the implications of recent policy developments, analyse earnings trends, and highlight key opportunities across asset classes.

We thank you for your continued trust and remain committed to guiding your investment journey with clarity and conviction.

Warm Regards,
Dhiraj Relli
MD and CEO – HDFC Securities

Budget Highlights

Union Budget 2026-27: Key Figures and Fiscal Assumptions

Union Budget marks a clear return to long-term growth priorities, with stabilising consumption allowing the government to refocus on strengthening the economy's foundation through sustained investment in infrastructure, manufacturing, and strategic sectors. Capital-market reforms complement this by curbing speculative activity, simplifying taxes, and fostering more stable participation steps that collectively support a healthier, more disciplined market environment.

Budget Highlights

	Rs. lakh cr				% Growth		% GDP	
	FY25	FY26BE	FY26RE	FY27BE	FY26RE	FY27BE	FY26RE	FY27BE
1. Total Non Debt Receipts (A+B+C)	**30.8**	**35.0**	**34.1**	**36.5**	**10.7**	**7.0**	**9.5**	**9.3**
A. Net tax revenue	25.0	28.4	26.7	28.7	7.0	7.2	7.5	7.3
Gross tax revenue	38.0	42.7	40.8	44.0	7.4	8.0	11.4	11.2
Direct tax	22.2	25.2	24.2	27.0	9.0	11.4	6.8	6.9
Corporate tax	9.9	10.8	11.1	12.3	12.4	11.0	3.1	3.1
Income tax	12.4	14.4	13.1	14.7	6.2	11.7	3.7	3.7
Indirect Tax	15.6	17.4	16.4	16.8	5.2	2.3	4.6	4.3
Custom duties	2.3	2.4	2.6	2.7	10.8	5.0	0.7	0.7
Excise Duties	3.0	3.2	3.4	3.9	12.1	15.6	0.9	1.0
GST	10.3	11.8	10.5	10.2	1.9	-2.6	2.9	2.6
B. Non-tax Revenue	5.4	5.8	6.7	6.7	24.4	-0.2	1.9	1.7
Dividends & Profits (RBI, Banks, PSUs)	3.1	3.3	3.8	3.9	21.8	4.1	1.1	1.0
Economic services receipts	1.5	1.6	2.1	1.9	42.5	-10.1	0.6	0.5
C. Non Debt Capital Receipts	0.4	0.8	0.6	1.2	53.1	84.9	0.2	0.3
Disinvestment	0.2	0.5	0.3	0.8	96.7	136.4	0.1	0.2
2. Total Expenditure (A+B)	**46.5**	**50.7**	**49.6**	**53.5**	**6.7**	**7.7**	**13.9**	**13.6**
A. Revenue Expenditure	36.0	39.4	38.7	41.3	7.4	6.6	10.8	10.5
B. Capital Expenditure	10.5	11.2	11.0	12.2	4.2	11.5	3.1	3.1
Fiscal Deficit (2-1)	**15.7**	**15.7**	**15.6**	**17.0**				
Nominal GDP	330.7	357.0	357.1	393.0	8.0	10.0		
Fiscal Deficit (as % of GDP)	**4.8**	**4.4**	**4.4**	**4.3**				
Debt to GDP (as % of GDP)	**56.2**	**56.1**	**56.1**	**55.6**				

Source: *Budget Note, BE – Budgeted Estimates, RE – Revised Estimates*
Note: *FY27BE figures are based on FY26RE*

Growth and Macro Assumptions

- The FY27 Union Budget assumes 10% nominal GDP growth, compared to 8% in FY26 RE. We believe this growth assumption is conservative.
- In absolute terms, nominal GDP is projected at INR 393 lakh crore (USD 4.3 tn, based on a USD/INR exchange rate of 92).

Fiscal Deficit and Debt Position

- The fiscal deficit target for FY27 is set at 4.3% of GDP, marginally lower than 4.4% in FY26.
- In absolute terms, the FY27 fiscal deficit is budgeted at INR 17.0 lakh crore, implying an 8.8% increase over FY26 RE.
- The budget targets a reduction in the debt-to-GDP ratio from 56.1% in FY26 to 55.6% in FY27. This represents a slower pace of consolidation than market expectations.
- The government targets a debt-to-GDP ratio of 49-51% by FY31, indicating that faster consolidation will be required in later years.

Revenue Receipts

- Total non-debt receipts in FY27 are budgeted at INR 36.5 lakh crore, a 7% growth over FY26 RE.
- Gross tax revenue is estimated to grow by 8.0% over FY26 RE, which is considered conservative.
- Lower tax growth is driven by weak indirect tax collections, mainly due to GST rate cuts and lower growth in customs duties.
- Direct tax collections are assumed to grow by 11.4% in FY27. Indirect tax collections are expected to grow by only 2.3%.
- Gross tax buoyancy is projected to decline to 0.8 in FY27 from 0.9 in FY26, largely due to lower buoyancy in indirect taxes following GST cuts.
- Non-tax revenues are expected to remain largely flat at INR 6.7 lakh crore.
- The RBI dividend transfer is estimated at around INR 2.7-2.9 lakh crore, broadly in line with or slightly higher than FY26.

Expenditure and Capital Spending

- Total expenditure in FY27 is budgeted at INR 53.5 lakh crore, reflecting a 7.7% growth over FY26.
- Revenue expenditure is expected to grow by 6.6%. Capital expenditure (capex) is budgeted to grow by 11.5%.
- Capex is budgeted at INR 12.2 lakh crore in FY27. Including government grants, effective capex is estimated at INR 17.1 lakh crore. This implies a 22.1% growth in effective capex over FY26 RE.

Market Borrowings

- To finance the fiscal deficit, the government plans gross market borrowings of INR 17.2 lakh crore in FY27. This is higher than market expectations of INR 16-16.5 lakh crore.
- Net market borrowings (adjusted for redemptions) are budgeted at INR 11.7 lakh crore.
- Net market borrowings including T-bills are estimated at INR 13.0 lakh crore.

Capital Markets – Key Takeaways from Union Budget

- **Speculative Derivatives Trading Discouraged: STT on derivatives increased - futures to 0.05% (from 0.02%), options to 0.15% (**sell-side premium from **0.10%**, buyer-side exercise from **0.125%), while cash-market STT remains unchanged,** the move aligns SEBI data showing **~90% of retail F&O traders lose ~₹1 lakh+ annually**, signalling intent to curb excessive speculation.

- **STT Impact on Arbitrage, Equity Savings & SIF Strategies:** The STT hike on futures is expected to create a **headline drag of ~20–40 bps for arbitrage funds, ~5–15 bps for equity savings funds**, and **~5–20 bps for derivatives-heavy SIFs, as per industry estimates**; however, **most of the arbitrage impact is expected to be passed on to long futures participants over time,** keeping the steady-state return impact materially lower than the theoretical maximum.

- **Sovereign Gold Bond (SGB) Tax Benefit Restricted:** Tax-free maturity gains only for original holders, likely diverting secondary market demand toward Gold ETFs and mutual funds.

- **Higher Overseas Investor Limits (PROI / NRI):** Individual PROI limit increased from **5% to 10%** and aggregate limit from **10% to 24%**, supporting higher foreign equity inflows.

- **TDS / TCS Rationalisation:** Simplified TDS on manpower services and revised TCS on **scrap, minerals and overseas tours** ease working-capital pressure for listed firms.

- **MAT Simplified and Reduced:** MAT converted into a **final tax** and rate cut to **14%**, No new MAT credit from FY27; existing credits usable only under the new regime, capped at 25% of annual tax, improving earnings visibility and nudging regime shift.

- **Income Tax Act, 2025 (Effective 1 April 2026):** Replaces the 1961 Act with **25–30% fewer sections**, clearer capital-gains definitions, and reduced interpretational ambiguity, lowering the scope for tax disputes.

- **Centralised Form 15G / 15H Filing:** Single Form 15G/15H submission via depositories reduces excess TDS for investors holding **multiple dividend-paying stocks**.

- **One-Time Foreign Asset Disclosure Scheme: 6-month window** to regularise undisclosed foreign assets with tax and penalty, offering **full immunity from prosecution**.

- **Interest Deduction on Leveraged Investments Removed:** Deduction of interest (earlier capped at 20% of income) on borrowings for MF or dividend income withdrawn, improving tax neutrality.

Equity Market Outlook and Sectoral Impact

- The Government's primary goal was on reviving a weak consumption demand in FY26 through tax cuts which led to a slowdown in capex. With consumption demand showing signs of revival post GST cut in Sep-25 the FY27 the Union budget shifted its focus back towards charting a growth-oriented roadmap for "Viksit Bharat." It unequivocally reflected in the highest-ever effective capex allocation of INR 17.17trn (+22% YoY) while maintaining a fiscal deficit target of 4.3% (-10bps YoY) for FY27BE. The budget prioritized manufacturing growth through special programmes for semiconductors, rare earth metals, biopharma, electronics manufacturing and MSMEs.

- The Union Budget FY27 reflects the government's undeterred focus on uplifting economy through long term sustainable investments, while adhering to the fiscal glide path. Increased allocation to housing (PMAY), railways, roads, defence and PLI for Auto & Electronics is positive for industrials, EMS, mining, infrastructure, and pharmaceuticals sectors.

Sectoral Announcements

Sector	Announcement	Impact
Automobiles	Allocation to PLI for automobile and auto components significantly increased to Rs 59.5bn, well above the FY26BE of Rs 28.2bn and FY26RE of Rs 20.9bn	Beneficial for auto OEM and ancillaries who have qualified for PLI related schemes. Lower support in terms of demand incentives for Evs which is negative for leading new age EV companies.
	Allocation to PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) Scheme stands at Rs 15.0bn, which is much below the FY26BE of Rs 40.0bn though above the FY26RE of Rs 13.0bn.	
BFSI	Provision for credit guarantee scheme cover for MSEs (GECL) at INR90bn for FY27BE vs. INR90bn for FY26BE (FY26RE: Nil).	Positive for SME focused lenders and affordable-focused HFCs in rural segment. Increase in STT on F&O is negative for capital market players.
	Increase in outlay for Pradhan Mantri Aawas Yojna to Rs. 765bn in FY27BE from Rs. 403bn in FY26RE.	
	Increase in STT rates for Futures to 0.05% (vs. 0.02% earlier) and for Options to 0.15% (vs 0.1%/ 0.125% earlier).	

Sector	Announcement	Impact
Industrials & Infrastructure	Overall increase in allocation for capital expenditure by 11.5% YoY to Rs. 12.2 lakh cr while effective capex to increase by 22.1% YoY from the revised estimate to Rs. 17.1 lakh cr in FY27 driven by 55.1% YoY increase in grants.	Positive for the sector as capex had suffered in FY26 largely on account of lower grants to states due to slowdown in states capex. Continued increased allocation to defence is positive for defence companies. Increased allocation for roads and railways is positive for construction companies. The cloud and data center tax incentive would likely spur significant investment in data centers in India. This along with increased outlay for RE would be positive for electrical equipment manufacturers.
	Capital outlay on defence to increase by 17.6% YoY in FY27BE to Rs. 2.19 lakh Cr on back of a 17% YoY growth in capex in FY26RE over FY25RE	
	Outlay on roads to increase by 8.1% YoY in FY27BE to Rs. 2.94 lakh Cr post a flattish outlay in FY26E	
	Outlays for railways budgeted to increase by 10.3% YoY to Rs. 2.78 lakh cr post a meager 4% increase in outlay between FY24-26	
	Total capital outlay for Ministry of New and Renewable Energy at INR 428.9bn for FY27BE vs. INR 360.6bn during FY26RE; an increase of 19% YoY	
	Grant of tax holidays to foreign companies offering cloud services globally using Indian data centers until 2047.Related Entities providing data center services from India to get a safe-harbor of 15% on cost	
IT	Buybacks will now be taxed as capital gains for all shareholders. To curb tax arbitrage misuse, promoters face an additional buyback tax, resulting in an effective rate of 22% for corporate promoters and 30% for non-corporate promoters.	Buybacks likely to increase as it becomes more tax-efficient option specially for retail shareholders. Tax exemption on data center services incentivizes data center expansion for most IT services firms.
	Grant of tax holidays to foreign companies offering cloud services globally using Indian data centers until 2047	
Travel and Tourism	The TCS rate on overseas tour program packages has been slashed to a **flat 2%**. This replaces the earlier, much higher slabs of 5% and 20%.	Positive as this reduces the upfront cash outflow for international travelers, making foreign travel packages more affordable.

Sector	Announcement	Impact
Healthcare and Pharma	Allocation for Department of Health and Family Welfare increased by ~10% YoY to Rs. 1,017bn. Budget allocation for Department of Pharmaceuticals increased by 36% YoY to Rs. 59 bn. Healthcare and biopharma Allocation of Rs. 100 bn over the next five years for development of BioPharma hubs under Biopharma SHAKTI	Allocation towards creation of Biopharma hubs aims to make India a global hub for biologics and biosimilar would be positive for pharma companies with Biologics portfolio
Cement, Metals, Building Materials	Increase in outlays on roads (+8% YoY), metro/ MRTS (+7% YoY), PMAY scheme and Gram Sadak Yojna	Higher allocation towards highways to boost cement, steel and building materials demand both directly and indirectly. Lower spends in FY24/ 25/ 26 under PMAY has already slowed cement / building materials demand in the past 2-3 years. Increased allocation should boost demand in coming years.

Macro Economic Highlights

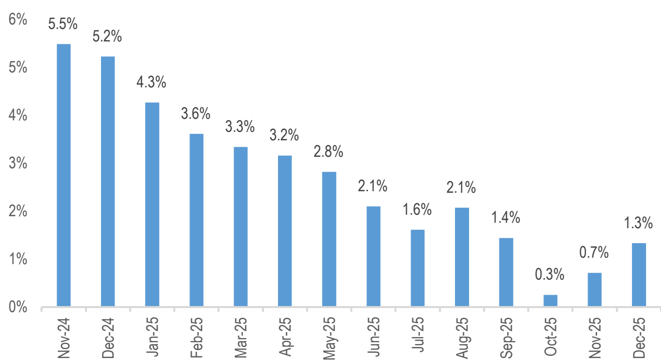
Domestic Strength and Global Trade Breakthroughs

India's economy displayed strong resilience with record-low inflation of 1.7% and robust GST collections reaching ₹1.93 trillion in January. The private sector gained momentum as the Services PMI hit 59.3, while the Economic Survey forecasted steady GDP growth of up to 7.2% for FY27. Landmark trade agreements with the U.S. and EU slashed key tariffs, opening new markets for Indian exports and luxury imports. On the global front, the IMF upgraded 2026 growth projections to 3.3% even as the U.S. Federal Reserve maintained a steady interest rate policy.

Domestic Macro Highlights

Inflation: India's headline inflation rose to 1.33% YoY in December 2025 from 0.71% YoY in November, yet the April-December 2025 average remained at a record low of 1.7% (against 5.5% over the previous three years). Food inflation (CFPI) stood at -2.71% YoY in December, up from -3.91% YoY in November, while urban inflation reached 2.03% YoY compared to 1.40% YoY in the previous month. Despite the December uptick, the Economic Survey 2025-26 highlights among major Emerging Markets & Developing Economies (EMDEs), India has recorded one of the sharpest declines in headline inflation in 2025, amounting to a sharp annual decline of 1.8 percentage points, coinciding with a robust 8% GDP growth in H1 FY2026.

India CPI Inflation



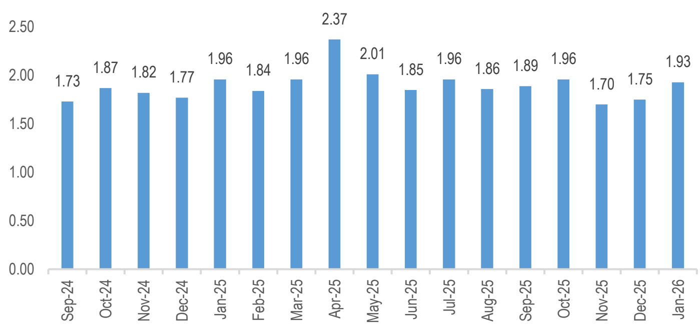
Source: *MoSPI*

India's Private Sector Growth Accelerates in January: The HSBC India Services PMI rebounded to 59.3 in January 2026 from 58.0 in December 2025 (the softest expansion in 11 months), driven by faster output and new order growth across global markets. Simultaneously, the HSBC India Manufacturing PMI rose to 56.8 from 55.0 in December, marking the strongest improvement in operating conditions in three months with new orders hitting a four-month high. While service employment remained stable, manufacturing saw modest hiring for junior- and mid-level roles to meet rising workloads. On the price front, both sectors faced sharp increases in input costs (materials like food, fuel, and steel), leading firms to raise output prices to protect margins. Overall business confidence hit a three-month high, bolstered by efficiency gains and robust domestic and international demand

India's Economic Survey Projects Steady Growth: The Economic Survey 2025-26 tabled in Parliament on January 29, 2026, projects India's real GDP to grow at 6.8-7.2% YoY in FY27, following an estimated 7.4% YoY expansion in FY26. Domestic inflation (CPI) declined to 1.7% during April-December 2025, significantly lower than the RBI's 4% target, while nominal GDP growth for FY26 is pegged at 8.0% YoY (against a budgeted 10.1%). Central capital expenditure increased to ₹11.21 trillion in FY26 (3.1% of GDP) from ₹5.93 trillion in FY22 (2.5% of GDP). Despite global uncertainty, the Survey maintains a sustainable medium-term growth potential of 7%, supported by stable macro fundamentals and a push for private sector investment.

GST Collections: India's gross GST collections reached ₹1,93,384 crore in January 2026, marking a 6.2% YoY increase compared to ₹1,82,094 crore in January 2025. On a year-to-date basis (April–January 2025–26), gross collections rose to ₹18,43,423 crore, an 8.3% YoY growth from ₹17,01,891 crore in the previous period. Net GST revenue for January stood at ₹1,70,719 crore, up 7.6% YoY, while domestic GST grew 4.8% YoY to ₹1,41,132 crore (against ₹1,34,641 crore in January 2025).

India's GST Collections increased from Rs. 1.82 lakh crore in December-25 to Rs. 1.93 lakh crore in January-26.



Source: *gst.gov.in*

Core Sector Growth Rebounds to 3.7% in December: India's eight core infrastructure sectors expanded by 3.7% YoY in December 2025, marking a four-month high and accelerating from the 2.1% YoY growth recorded in November. While this reflects a slowdown from the 5.1% YoY growth seen in December 2024, cumulative output for April - December 2025-26 rose 2.6% YoY. Growth was spearheaded by a 13.5% YoY surge in cement and a 6.9% YoY rise in steel, alongside gains in electricity (5.3% YoY), fertilisers (4.1% YoY), and coal (3.6% YoY). However, the hydrocarbons segment remained a drag, with crude oil contracting 5.6% YoY and natural gas declining 4.4% YoY during the month.

India to Slash Luxury Car Tariffs Under EU Deal: India will immediately reduce import duties on high-end European cars to 30%, a significant cut from previous rates that ranged between 70% and 110%. This move, finalized on January 27, 2026, as part of a landmark trade deal with the EU, targets vehicles with an import price above €15,000 ($17,963), with tariffs projected to eventually fall to 10% over time. As the world's third-largest car market, India's decision opens a previously protected sector to luxury manufacturers like BMW and Mercedes-Benz while providing a strategic hedge against global trade tensions.

Global Macro Highlights

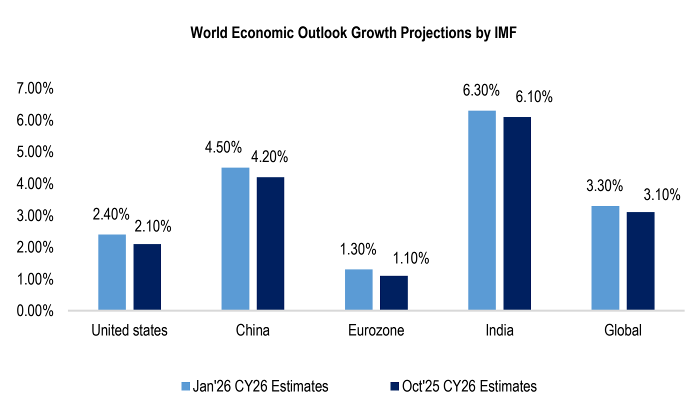
Trade & Tariff Implications

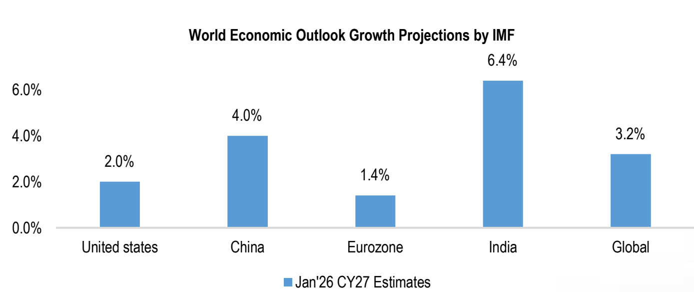
Trump Escalates Trade War with Canada: President Trump threatened to decertify all Canadian-made aircraft and impose a 50% tariff on planes sold to the US, specifically targeting Bombardier's Global Express jets. This follows a dispute where Canada allegedly refused to certify Gulfstream jets, prompting Trump to demand immediate correction. The escalation follows a previous threat of a 100% tariff on Canadian goods if a trade deal with China proceeds.

Landmark India-US Trade Deal Finalized: US President Donald Trump and Prime Minister Narendra Modi announced a breakthrough trade agreement on February 2, 2026, slashing reciprocal tariffs on Indian goods to 18% YoY (effective immediately), down from the 25% YoY baseline. This "historic" deal, which follows a similar "mother of all deals" with the EU, sparked a massive rally on Dalal Street, with the Sensex soaring over 3,600 points (+4.5%) intraday and the Rupee strengthening to 90.40 against the dollar.

Global Growth Projections

IMF Raises 2026 Global Growth Outlook: The International Monetary Fund (IMF) raised its 2026 global growth forecast to 3.3% YoY in its January 2026 update, a 0.2 percentage point increase from the 3.1% YoY projected in October 2025. This resilience is attributed to a surge in AI-led investment and business adaptability, which offset trade headwinds. Regionally, the US 2026 forecast was upgraded to 2.4% YoY (up from 2.1% YoY) and China to 4.5% YoY (up from 4.2% YoY), while India's CY2026 growth was hiked to 6.3% YoY from the earlier 6.1% YoY. Global headline inflation is expected to decline to 3.8% YoY in 2026, down from an estimated 4.1% YoY in 2025, supported by falling energy prices.





Source: *IMF World Economic Outlook update Jan 2026*

US Job Market Mixed Amid Shutdown Distortions: The US labor market showed signs of cooling in late 2025 as the economy added 64,000 jobs in November, rebounding from a significant loss of 105,000 jobs in October. The October decline was largely driven by a sharp reduction in federal government employment, which shed 162,000 positions due to administrative cutbacks and the impact of a 43-day federal government shutdown. Despite the November gains, the unemployment rate rose to 4.6% (up from 4.4% in September), reaching its highest level since late 2021.

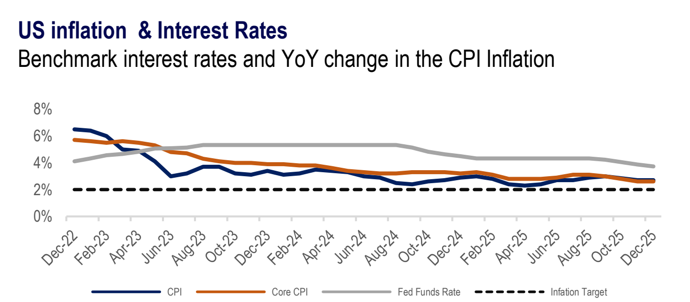
China Q4 GDP rises slightly more than expected, meets 5% growth target in 2025: China's economy grew slightly more than expected in the fourth quarter of 2025, gross domestic product product data showed, as continued economic support from Beijing helped underpin otherwise laggard growth. GDP grew 1.2% quarter-on-quarter in the three months to December 31, more than expectations of 1.1%. GDP grew 4.5% year-on-year, in line with expectations but slightly weaker than the 4.8% seen in the prior quarter.

Foreign direct investment in China slides 9.5% in 2025: Foreign direct investment in China totalled 747.7 billion yuan ($107.38 billion) in 2025, down 9.5% year-on-year, data from the commerce ministry showed. Despite the overall fall, investment from Switzerland, the United Arab Emirates and Britain into China last year increased by 66.8%, 27.3% and 15.9% respectively, according to the ministry. Foreign direct investment in China in 2024 stood at 826.3 billion yuan.

Monetary Strategies & Inflationary Pressures

Fed Holds Rates Steady Amid Transition Drama: The US Federal Reserve concluded its first meeting of 2026 on January 28 by keeping the benchmark interest rate unchanged at 3.50%–3.75%, following three consecutive cuts in late 2025. The decision was not unanimous, as Governors Christopher Waller and Stephen Miran dissented in favor of a 25 bps cut. Two days later, on January 30, President Trump officially nominated former Fed Governor Kevin Warsh to succeed Powell as the next Fed Chair.

US Inflation and Interest Rates



Source: *Trading Economics, Federal Reserve*

US Inflation Rate Steady at 2.7% in December 2025: The US annual inflation rate remained at 2.7% YoY in December 2025, matching November's figure and coming in below the 3.0% YoY reported for September. While energy inflation eased to 2.3% YoY (against 4.2% YoY in November), food prices accelerated to 3.1% YoY (from 2.6% YoY) and shelter costs rose to 3.2% YoY (versus 3.0% YoY). Core inflation held steady at 2.6% YoY, the lowest since March 2021 and below the 3.24% YoY recorded in December 2024. On a monthly basis, the CPI edged up 0.3% MoM, with shelter costs rising 0.4% MoM, while core prices rose a soft 0.2% MoM.

Equity Market

Tariff Breakthroughs sparks a new Bull Run

Indian equities hit record milestones in early 2026 before an STT hike and pre-budget anxiety triggered sharp January volatility. A historic trade deal slashing tariffs to 18% sparked a massive 3,600-point Sensex rally, supported by record DII holdings of 18.7%. While the S&P 500 breached 7,000, precious metals saw a violent correction as gold and silver crashed following a shift in US Fed leadership. Low inflation at 1.7% provides the RBI flexibility as India remains well-positioned to bridge the performance gap with global peers.

Equity Outlook

"Indian indices touched record milestones in early 2026 before an STT hike and pre-budget jitters triggered sharp January volatility. A 'historic' February trade deal between President Trump and PM Modi slashed tariffs to 18%, fueling a massive 3,600-point Sensex rally. Domestic stability is at an all-time high as DII holdings reached a record 18.7%, surpassing FPIs for the first time due to steady SIP inflows. While the S&P 500 breached 7,000, precious metals saw a violent correction as gold and silver crashed from peaks following a hawkish shift in US Fed leadership."

The Indian equity markets entered 2026 with a surge in volatility, as the Nifty 50 and Sensex experienced sharp swings in January. While the indices touched new milestones early in the month-with the Nifty scaling the 26,300 mark and Sensex crossing 85,700 - the momentum was checked late in the month by pre-budget anxiety and a significant hike in the Securities Transaction Tax (STT) proposed in the Union Budget 2026. Sectoral performance saw a reversal: IT and Pharma showed resilience as defensive bets, while the high-flying Auto and Banking sectors faced pressure due to margin concerns and profit booking.

US President Donald Trump and Prime Minister Narendra Modi announced a breakthrough trade agreement on February 2, 2026, where the U.S. and India agreed to slash reciprocal tariffs from 25% to 18%, dismantling punitive measures that had previously peaked at 50%. This "historic" deal sparked a massive rally on Dalal Street, with the Sensex soaring over 3,600 points (+4.5%) and the Rupee strengthening to 90.40 against the dollar. Simultaneously, the conclusion of the India-EU Free Trade Agreement on January 27th-labeled the "mother of all deals"-opened zero-duty access for 97% of Indian exports. These twin breakthroughs catalyzed a rally in export-oriented sectors like Textiles, IT, and Auto, which had previously been weighed down by trade uncertainty.

Domestically, the Q3FY26 earnings season delivered a mixed bag. Heavyweights like Infosys and L&T Technology Services reported steady revenue growth but faced pressure on net profits due to rising operational costs and labor impacts. Conversely, the financial sector showed "selective strength," with profit surges of over 20%. The Economic Survey 2026 highlighted a structural shift in ownership: DII holdings reached a record 18.7% within NSE-listed equities, surpassing FIIs for the first time as of 30th September 2025, as consistent SIP inflows of over ₹28,000 crore per month (April'25-November'25) provided a vital cushion against erratic foreign outflows.

With retail inflation averaging just 1.7% for the first nine months of the fiscal year, the Reserve Bank of India (RBI) enters its February 4–6 policy meeting with significant flexibility. While some analysts expect a "wait-and-watch" stance to monitor the impact of the recent trade deals, the combination of fiscal discipline in the 2026 Budget and newfound access to European and American markets sets a bullish tone. As corporate earnings begin to reflate and domestic liquidity remains at record highs, India remains well-positioned to bridge the performance gap with global peers in the coming months.

Global equities maintained a cautious but upward trajectory. The S&P 500 breached the historic 7,000 level for the first time, fueled by stellar earnings from the "Magnificent Seven" and AI-driven growth. Precious metals reached unprecedented heights; Gold shattered the $5,500/oz barrier, and Silver peaked near $120/oz, marking their strongest monthly gains in decades as investors sought safety amid global uncertainty. A massive correction hit precious metals as optimism around U.S. interest rate cuts collided with a sudden reassessment of Federal Reserve leadership after President Donald Trump nominated former Fed Governor Kevin Warsh to succeed Chair Jerome Powell after his term ends in May which led to Silver crashing nearly 42% from its peak and Gold falling 24% from its peak on the MCX, cooling off after record highs. On January 28, the U.S. Federal Reserve held interest rates steady at 3.50-3.75%, signaling a more cautious approach as the economy showed "solid" growth.

Debt Market

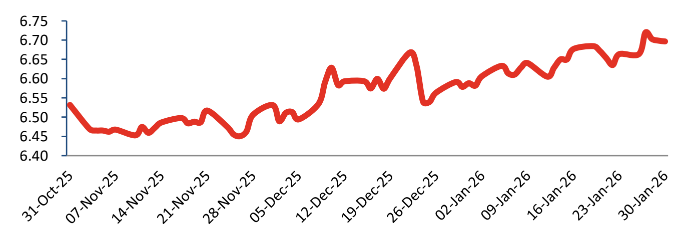
Liquidity Strain and Rising Yields Pressure Bond Markets

Domestic bond yields moved higher due to tight banking system liquidity, currency volatility, and elevated global yields despite proactive intervention by the central bank. Market sentiment was further impacted by the deferral of Indian bonds from global indices and concerns over elevated government borrowing for the upcoming fiscal year. While domestic inflation remains at record lows, global pressures and a steep yield curve suggest a cautious outlook for long-duration strategies. Moving forward, the focus remains on ensuring smooth monetary policy transmission through adequate liquidity support to stabilize the banking system.

Fixed Income Outlook

India's 10-year G-sec yield rose by 11 bps in January 2026 to close at 6.70%, up from December's 6.59%. The bond yields remained under pressure due to tight banking system liquidity (despite RBI's OMOs and forex swaps), continued INR volatility against USD, elevated global yields, and higher supply of state government bonds. Bloomberg's deferral of Indian bonds' Global Aggregate Index inclusion - due to operational hurdles - also dented the fixed income market sentiment.

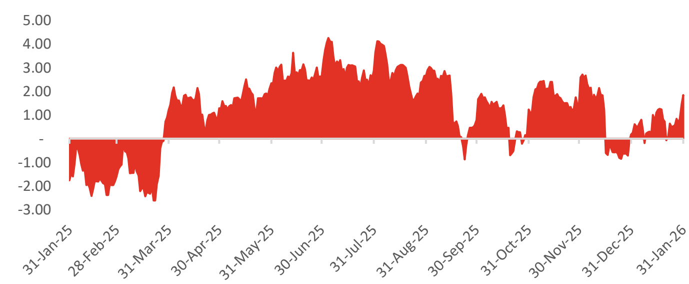
India's 10-Year G-Sec Yield rose in January 2026
Indian 10 Year G-Sec Movement (For last 3 months)



Source: *CCIL*

RBI had proactively infused about INR 4.5 lakh crore of durable liquidity since the December monetary policy meeting through open market operation (OMO) purchases and forex swaps. Despite this sizeable injection over a short span, banking system liquidity remains below the levels needed for effective monetary policy transmission. This is primarily due to RBI's forex intervention to contain sharp rupee depreciation, a high credit deposit ratio, increased leakage through currency in circulation, elevated government cash balances, and continued FII outflows - all of which have tightened liquidity conditions.

Banking system liquidity dropped in January 2026
India's banking system liquidity (Rs Lakh cr)

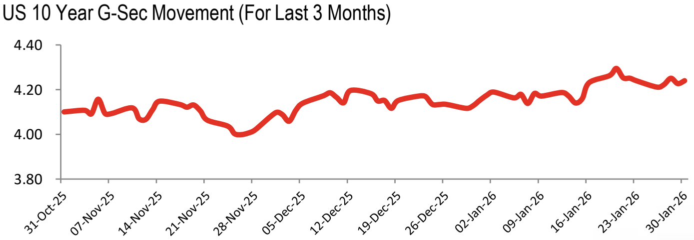


Source: *RBI*

From an FY27 Union Budget perspective, we expect elevated gross market borrowings of INR 17.2 lakh crore to remain a key overhang for the bond market, especially with SDL supply already high in Q4 FY26. The sharp rise in net market borrowings (including T bills) to 76.9% of the fiscal deficit in FY27 BE (from 66.8% in FY26 RE and 58.1% in FY25) is supply negative, though stronger than assumed small savings or other financing sources could partially offset this pressure.

The US 10-year Treasury yield closed January at 4.24%, up 9 bps from 4.15% in December led by fading hopes for aggressive monetary policy easing, ballooning fiscal deficit, tariffs threats pushing inflation expectations higher, and rising Japanese bond yields. The US Fed voted 10-2 to keep the policy rate unchanged at 3.5-3.75%. During the press briefing, Chair Powell highlighted that the US economy is expanding at a solid pace and risks to inflation and job market are diminishing. He further added that the current policy stance is appropriate, and the policy rate now is within the plausible range of the estimated neutral interest rate.

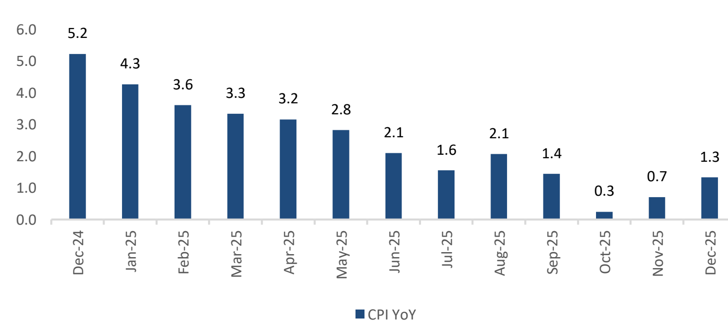
US Yields rose to 4.24% in January 2026
US 10 Year G-Sec Movement (For Last 3 Months)



Source: *Investing.com*

India's CPI inflation edged higher to 1.33% y-o-y in December vs 0.71% y-o-y in November as the favorable base effect waned and with a pick-up in core inflation. The print came below market expectation of 1.50%. With December print, CPI inflation for Q3 FY26 averaged at 0.77% marginally higher than the RBI's estimate of 0.6%. In FY26 YTD, CPI inflation averaged at 1.7% vs 4.9% for the same period last year. Ministry of Statistics and Programme Implementation (MoSPI) has released the weights and details for the new CPI series. In the new CPI 2024 series, the item basket will comprise of 354 items. Of these, the share of food and beverages is expected to come down to 40.1% from 45.9% in the current series. There is a likelihood of upside for inflation of about 50 bps for FY26 (our current forecast of 2%) and 20 bps for FY27 (our current forecast of 4%).

India's CPI Inflation edged higher in December 2025 Driven by favorable base effect
CPI Inflation YoY%



Source: *MoSPI*

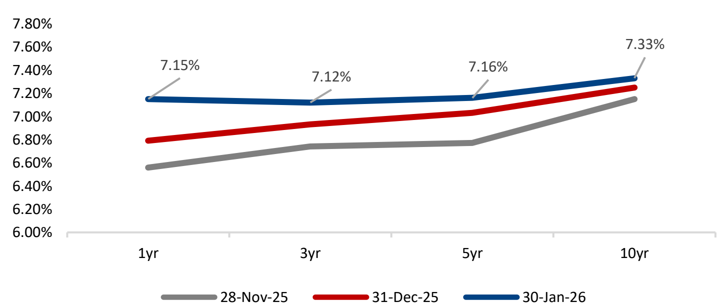
Fixed Income Outlook

In the upcoming RBI's monetary policy meeting (6th Feb), we expect a status quo on policy rate and instance. We believe the RBI will focus on transmission of rate cuts done so far by providing adequate liquidity to the banking system.

With the demand-supply outlook for long tenure bonds turning less favorable and reducing scope for further fiscal consolidation, the case for further rally in long-end yield has likely diminished. Hence, investors should remain cautious on long duration strategies.

We believe, currently spreads in 3-5yr AAA PSU and NBFC corporate bond segment over corresponding G-secs are healthy in the range of 75-130 bps, offering an attractive opportunity from an accrual perspective.

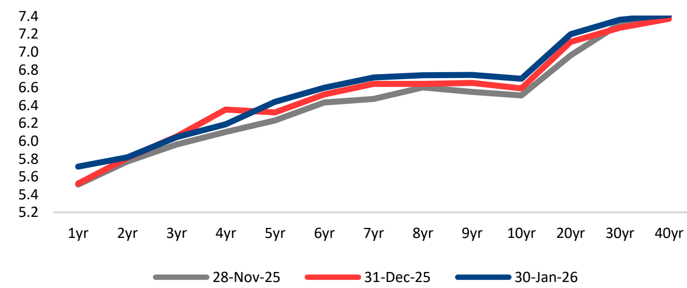
AAA PSU Corporate Bond Yield Curve



Source: *Bloomberg*

The G-sec yield curve continues to remain steep, with a term spread of about 170 bps between the 1-year and 40-year G-sec, and 100 bps between the 1-year and 10-year G-sec. We expect the yield curve to bear flatten in the medium term.

India's G-Sec Yield Curve continues to remain steep
G-Sec Yield Curve



Source: *Bloomberg*

At this stage, we assess that a liquidity surplus of at least 1-1.5% of net demand and time liabilities (NDTL), equivalent to INR 2.5-3.75 lakh crore, is essential for smooth policy transmission. In comparison, the average liquidity surplus in January was only about INR 66,000 crore. To address this, RBI has recently announced additional liquidity measures totaling INR 2.2 lakh crore, to be infused in phases by 5th February. Given the typical year end funding pressures, we expect the RBI to continue providing adequate liquidity support in the near term, ensuring stability through the fiscal end busy season.

Deep Dive

An Introduction to Real Estate Investment Trusts

Real Estate Investment Trusts (REITs) offer a liquid and tax-efficient way to invest in commercial property without the burdens of physical ownership. They provide professional management, regulatory protection under SEBI, and attractive distribution yields (5-6% for listed REITs in India). While they offer low correlation to equity markets, investors should remain mindful of risks like market volatility and shifting interest rates.

An Introduction to Real Estate Investment Trusts

Executive Summary:

- REITs are an important asset class for diversification of investments with low correlation to equity markets.
- They provide the benefits of investment in commercial real estate without the hassles of physically owning and managing a real estate asset and are a tax efficient structure.
- Listed REITs typically hold a diversified portfolio of real estate assets and have low concentration risks.
- REITs have much higher liquidity than physical real estate. Units of REITs can be purchased or sold on the stock exchanges. Entry and exit from REITs is easily achieved without the burden of large stamp duties.
- Physical real estate requires immense effort from an investor for finding tenants, managing operations, payment of relevant taxes, other compliances etc. These functions are carried out by professional management in REITs.
- REITs are governed by SEBI regulations which provide significant investor protection to unitholders.
- Listed REITs in India currently offer distribution yields of 4.9-6.0%. Total returns will be influenced by completion of under construction assets, increase in rentals and increase/decrease in valuation of underlying assets.
- REIT valuations may increase or decrease based on supply-demand dynamics and lease rentals earned by the underlying asset.
- Key risks in REITs include higher market volatility, interest rates, supply-demand dynamics.

Background:

India's Real Estate Investment Trusts (REITs) are specialized vehicles:

- Own, operate, and manage income-generating assets like premium offices, malls, and hospitality properties.
- Revenue (derived primarily from lease rentals and operational income) is distributed back to unit holders as distribution.
- Units of REITs can be bought and sold on NSE/BSE (much like shares).

Much like a mutual fund for real estate, a REIT raises capital by issuing units to investors, which is then used to acquire real estate assets either directly or through Special Purpose Vehicles (SPVs).

History of REITs:

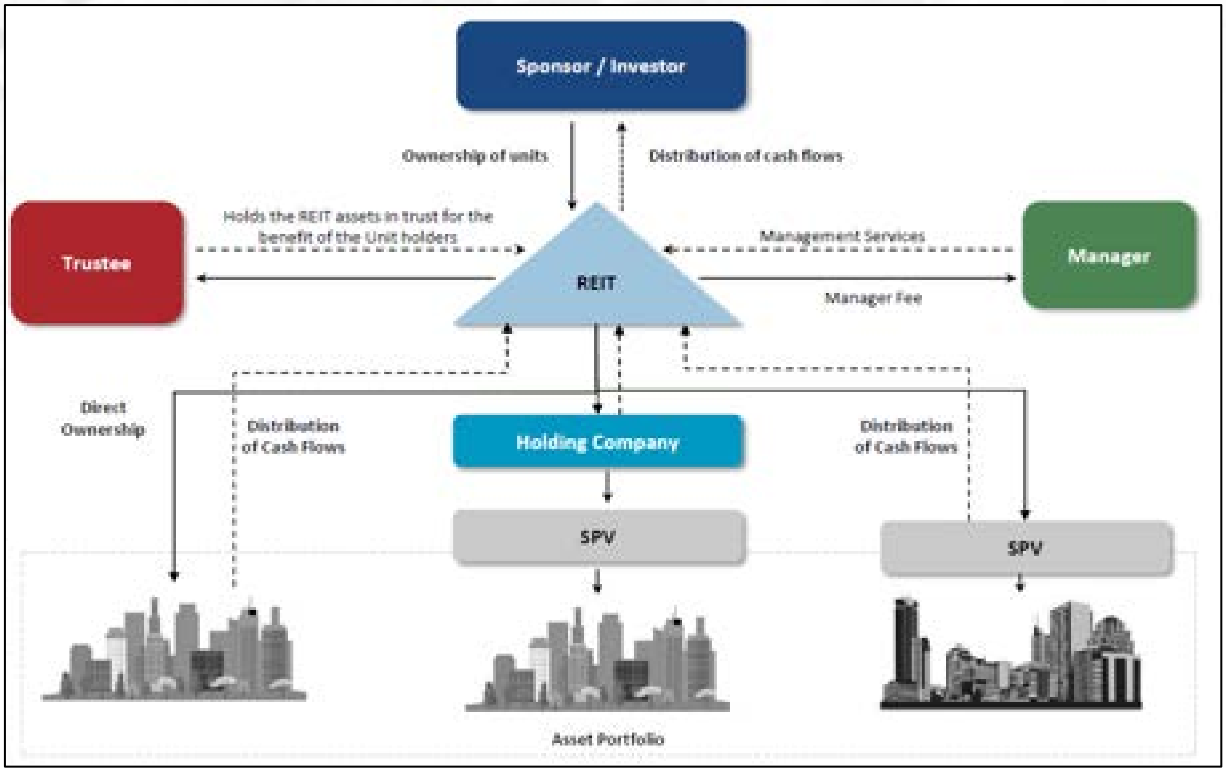
Since their inception in the U.S. in the 1960s, REITs have expanded to over 40 countries, with the global developed index now valued at over $1.8 trillion.

In India, the market is growing rapidly with five publicly traded entities: Embassy REIT, Mindspace REIT, Brookfield REIT, Nexus Select Trust, and Knowledge Realty Trust. The market cap of the five listed REITs has crossed INR1.6 tn. The potential for expansion is immense. JLL estimates that the REIT sector is poised for an additional INR 10.8 tn expansion opportunity across office and retail in just India's top 7 cities by 2029. In addition, CBRE estimates that Small and Medium REITs (SM REITs) market potential is expected to exceed USD 75 bn, drawing from a pool of more than 500 mn sq. ft. of eligible office, retail and logistics space.

Structure of a REIT

Key stakeholders in a REIT:

- **Unit holder/ Investor** – Subscribes to REIT units and receives interest, dividend and debt repayment from REIT.
- **Sponsor -** Responsible for setting up the REIT and appointment of trustee.
- Sponsor(s) should collectively hold at least 25% of the units issued by REIT for at least 3 years and 10% after that. Sponsor(s) holdings above 25% have a lock-in period of one year from listing date.
- **Trustee -** Oversees the activities of REIT and is registered with SEBI as a debenture trustee.
- **Manager -** Manages assets of REIT and is responsible for day-to-day activities.



Source: Embassy REIT, HDFC Tru

REIT Regulations

REITs in India are governed by the SEBI (REIT) Regulations, 2014. The regulations build in some key features for investor protection:

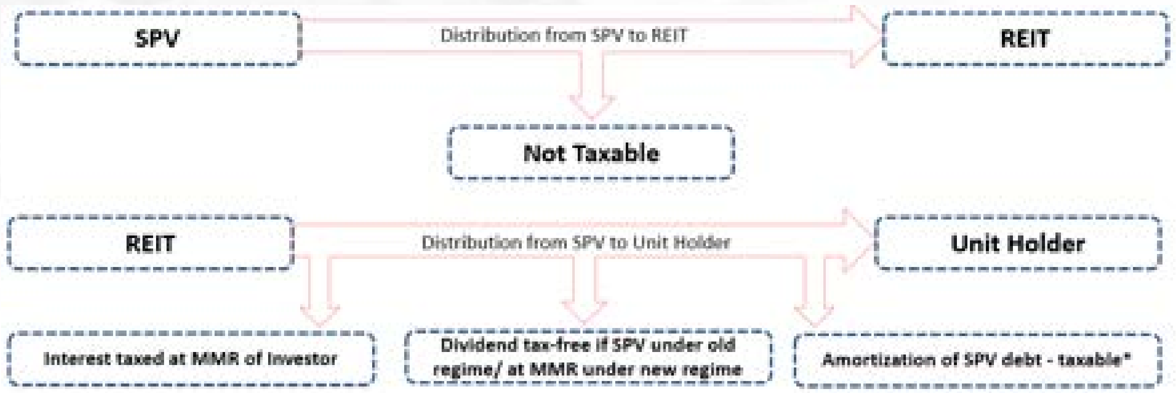
- Minimum 80% of total value of assets to be invested in completed and income generating properties.
- Net Debt to not exceed 49% of total asset value.
- REITs must pay out at least 90% of their net distributable cash flows (NDCF).
- Sponsors cannot vote on any transactions involving the Sponsor group entities.

Taxation of REITs:

- REITs generally do not have to pay taxes on receipts from SPVs and thus avoids taxation at multiple levels.
- Distribution from REITs to unitholders are taxable in the hands of the unitholder.
- Generally, REITs distribute cash to the unitholder in three forms:
  - Interest
  - Dividend
  - Repayment of capital

Distribution to the unitholders is in the same form and proportion in which REITs receive the money from SPVs. REITs therefore function as a pass through trust for the purpose of taxation.

Each investor should consult his tax advisor for detailed advice on taxation. The following is for illustration purpose only. The taxation for a resident Indian individual unit holder of a REIT is shown below:



Other key points:

- Distribution from SPV to Unit holder in the form of debt/capital repayment is adjusted against the cost of acquisition.
- TDS for resident individuals @10% for both interest and dividend (if taxable)
- Sale of units by unit holders on exchange:
  - LTCG are taxed at 12.5% (plus cess and surcharge)
  - STCG are taxed at 20% (plus cess and surcharge)
  - Period for gains to be considered long term is 1 year or more.

<u>Key Advantages of investment in REITs as an asset class:</u>

- **Diversified asset class:** Returns from REITs typically are not correlated to broader equity markets. REITs therefore provide real asset diversification and would lower the volatility of the overall portfolio of the investor.
- **Diversified basket of Real estate assets:** REITs allow investors to gain exposure to a diversified basket of real estate assets without directly owning property. They typically invest in a portfolio of properties, reducing risk compared to owning a single property.
- **Inflation Hedge:** Real estate often appreciates over time and rents tend to rise with inflation, providing a natural hedge.
- **Liquidity:** Unlike physical real estate, REITs are traded on stock exchanges, making them easy to buy and sell like stocks without having to pay high stamp duties on every purchase.
- **Regular Income:** In India REITs are required by law to distribute a significant portion of their income (90% of Net distributable cash flows (NDCFs)) to unitholders. This makes them attractive for income-focused investors and provides a cushion to the total returns from the investment.
- **Lower Capital Requirement-** Investing in REITs requires much less capital than buying physical property, making real estate accessible to small investors.
- **Professional Management:** Properties in REITs are managed by experienced professionals, saving investors from operational hassles. Investors avoid the hassles associated with maintaining a physical property like finding tenants, maintaining property, paying local and central taxes etc.

<u>Key Risks associated with REITs</u>

- **Oversupply risks:** REIT valuations are impacted by supply-demand fluctuations in the underlying asset class. Rentals as well as occupancy levels in real estate could decline in case of excess supply relative to demand thereby negatively impacting REIT valuations.
- **Market volatility:** Unit prices of REITs have historically been more volatile than conditions in the underlying asset class. This volatility has historically been influenced by Covid, "work-from-home" trends, supply vs demand dynamics and changes in taxation related to REITs. Therefore, it is recommended that investors have a long-term horizon while investing in REITs.

- **Sector Concentration Risk:** Some REITs focus on specific sectors (e.g., retail, office, hospitality). If that sector faces downturns, the REIT's performance can suffer.
- **Interest rates:** Any substantial increase in interest rates may adversely impact the valuation of REITs.

Factors impacting valuation of REITs

- **Interest Rates:** Lower rates reduce borrowing costs and make REITs more attractive compared to bonds.
- **Economic Growth:** Strong GDP growth boosts demand for commercial spaces (offices, retail, industrial).
- **Inflation:** Moderate inflation can benefit REITs as rents and property values rise.
- **Property Sector Performance:** Different sectors (retail, office, industrial, data centers) perform differently based on market trends.
- **Management Quality:** Efficient property management and strategic acquisitions improve returns.
- **Leverage:** REITs often use debt; prudent leverage can amplify returns, but excessive debt increases risk.

Valuation of REITs: A few important points regarding valuation of REITs

- **Independent Valuation:** As per SEBI regulations (for Indian REITs), an independent valuer must be appointed to conduct a valuation of the REIT's assets every six months. This ensures transparency and accuracy in determining property values. The valuation report is disseminated to investors through exchanges/ REIT website. Typically, the valuer would use one or more methods for valuation including discounted cash flows (DCF), market replacement value etc. to arrive at the valuation.
- **Net Asset Value (NAV):** REITs declare their unit NAV every six-month based on the above independent valuation. The NAV is computed as the fair market value of all underlying properties minus liabilities.
- **Market Price vs NAV:** While NAV may give an indication of the value of the REIT's assets, the market price of REIT units can differ from the NAV due to demand-supply projections, rental growth estimates, interest rates, and investor sentiment.
- **Commonly used valuation terms:**
    - **Price-to-NAV Ratio:** Indicates whether the REIT is trading at a premium or discount to its NAV.
    - **Yield Analysis:** Distribution yield is a key metric for income-focused investors.
    - **Capitalization rate:** Capitalization rate (cap rate) is a real estate metric showing a property's potential annual return, calculated by dividing its Net Operating Income (NOI) by its current Market Value (or purchase price) as a percentage (Cap Rate = NOI / Value x 100)

Key datapoints for Listed REITs in India

The unit price, market cap and ADTO of listed REITs is summarized below:

Particulars	CMP 13-01-26	Market Cap (₹ Cr)	NAV (Sept'25)	52W H/L	Daily Avg Liquidity (Rs. Cr)
Embassy Office Parks REIT	440	41,696	445.9	454/342	8.01
Mindspace Business Parks REIT	480	29,227	483.7	502/353	4.83
Brookfield India REIT	345	26,705	349	357/280	5.23
Nexus Select REIT	163	24,645	159	169/120	3.89
Knowledge Realty Trust	125	55,426	118	129/103	1.06

*(**Source:** Company Website, BSE, screener.in)*

Select operating level data points of key REITs is summarized below:

	CMP (Rs./Unit)	NAV as on Sept 31, 2025 (Rs. Per unit)	Distribution Yield (TTM) (%)	Distribution Per Unit (TTM, in Rs.)	Break-up of Total Distributions	Dividend Status
Embassy Office Parks REIT	440	445.9	5.40%	23.9	Interest 10% Dividend 30% Principal Repayment 60%	Tax Free
Mindspace Business Parks REIT	480	483.7	4.90%	23.4	Interest 1% Dividend 52% Principal Repayment 47%	Tax Free
Brookfield India REIT	345	349	6.20%	20.7	Interest 35% Dividend 16% Principal Repayment 49%	Tax Free
Nexus Select REIT	163	159	5.10%	8.2	Interest 29% Dividend 57% Principal Repayment 14%	Tax Free
Knowledge Realty Trust	125	118	1.90%	1.56*	Interest 1.9% Dividend 89.2% Principal Repayment 8.9%	Tax Free

*For Sept quarter only as Knowledge Realty got listed in August 2025

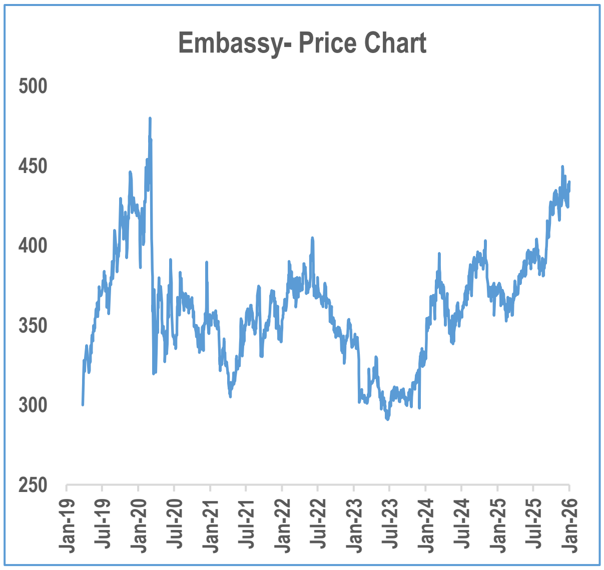
(***Source:*** *Company Website, BSE, screener.in)*

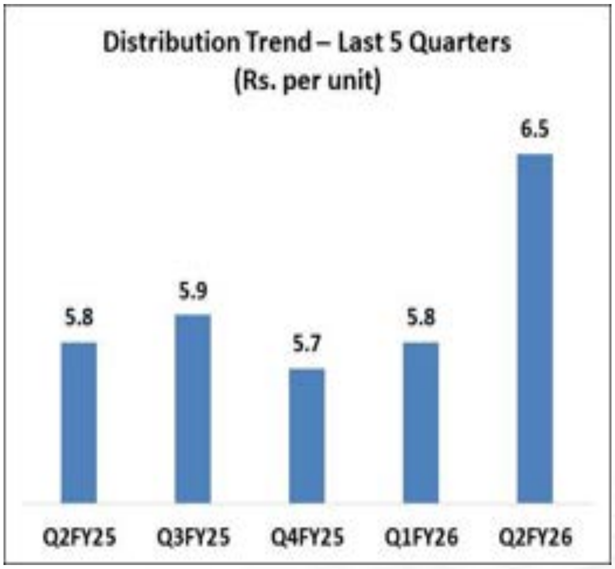
Embassy Office Parks REIT

- Embassy Office Parks REIT (Embassy REIT) is India's first publicly listed REIT.
- It is sponsored by Blackstone Sponsor Groups / Embassy Sponsor Entity
- Sponsor and Sponsor Group held 8%, Institutional investors held 74% and non-Institutional investors held 18% stake in the REIT as of Sept 30, 2025
- Embassy REIT owns and operates a 51 million square feet ("msf") portfolio of ten infrastructure-like office parks and four city-center office buildings.
- Of the total leasable area, 78% was completed area, 12% was under construction and 10% was proposed development area as of Sept 30, 2025 . 75% of its total leasable is in Bengaluru, 9% is in Mumbai, 7% in Pune and 6% in Noida
- Embassy REIT's portfolio comprised of total leasable area of 51 msf, of which 40.4 msf was completed area and had an occupancy of 91% as of Sept 30, 2025
- The Weighted Average Lease Expiry (WALE) of the portfolio was of 8.5 years; re-leasing spread stood at 1.0% and it had an in-place rent (psf) of Rs. 92.0 as of Sept 30, 2025. The MTM opportunity was 10% as of Sept 30, 2025
- Global capability centres (GCCs) accounted for 64% of annual leasing.
- Management guidance of DPU of Rs. 24.5 to 26.0 per unit for FY 26

Financial Overview							
Particulars (Rs. In Cr)	FY21	FY22	FY23	FY24	FY25	Q1FY26	Q2FY26
Revenue	2,360	2,963	3,420	3,685	4,039	1,059	1,124
EBITDA	1,969	2,425	2,689	2,972	3,309	872	899
PAT	698	888	506	964	1,624	155	232
Distribution per Unit (in Rs.)	21.5	21.7	21.7	21.3	23	5.8	6.5
NDCF	2,009	2,064	2,061	2,024	2,184	702.5	806
NAV (in Rs. Per unit)	387.5	393.9	394.9	401.6	423.2	-	445.9

(*Source:* Company Website, BSE, screener.in)





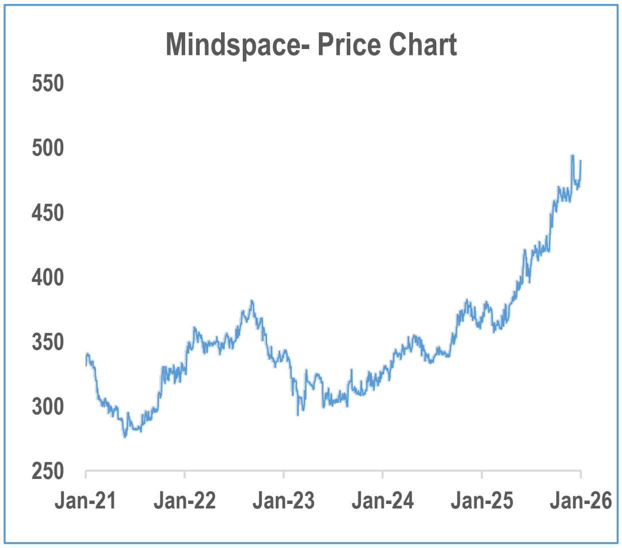
(*Source:* Company Website, BSE, screener.in)

Mindspace Business Parks REIT

- Mindspace Business Parks REIT (Mindspace) is set up and sponsored by K Raheja Group
- The REIT owns IT and office spaces, located in established micro-markets with proximity and/or connectivity to major business, social, and transportation infrastructure.
- Sponsor and Sponsor Group held 64.5%, Institutional investors held 26% and non-Institutional investors held 9.5% stake in the REIT as of Sept 30, 2025
- Mindspace's portfolio comprises of 6 integrated business parks and 5 independent offices.
- Total leasable area comprises of 38.2 msf, of which 31 msf is completed area, 3.7 msf is under-construction and 3.5 msf is future development area as of Sept 30, 2025
- Of the total leasable area, 38.3% is in Mumbai region, 14.4% in Pune, 44.3% in Hyderabad and 3.0% in Chennai
- The Weighted Average Lease Expiry (WALE) of the portfolio was of 7.4 years, committed occupancy stood at 92.1% on completed area and it had an in-place rent (psf) of Rs. 73.5 as of Sept 30, 2025
- The MTM opportunity was 18.7% as of Sept 30, 2025
- Mindspace's portfolio is well diversified with more than 200 tenants and no single tenant contributing more than 5.0% of its Gross Contracted Rentals.

Particulars (Rs. In Cr)	FY22	FY23	FY24	FY25	Q1FY26	Q2FY26
Revenue	877	1,197	1,780	2,386	641	671
Adj NOI	738	1,017	1,506	1,953	498	465
EBITDA	660	935	1,327	1,911	482	482
Distribution per Unit	22.1	20.2	17.8	19.3	5.3	5.3
NDCF	690	677	733	1,055	337	354
NAV	333.8	332.1	332.6	336.4	-	349

*(**Source:** Company Website, BSE, screener.in)*



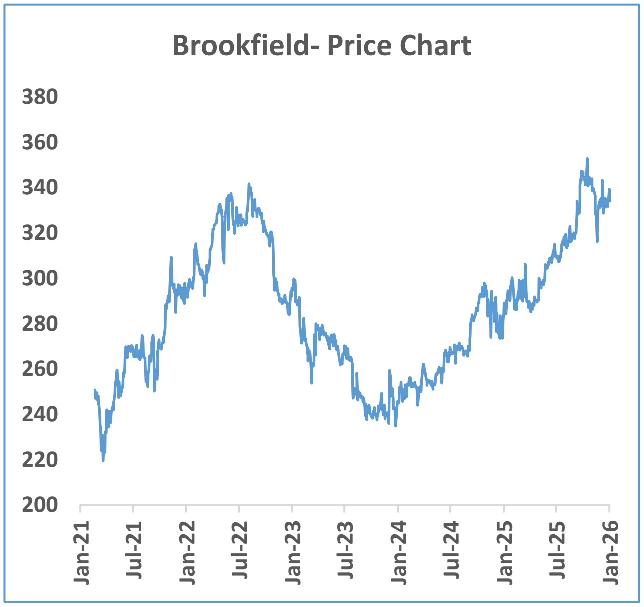
*(**Source:** Company Website, BSE, screener.in)*

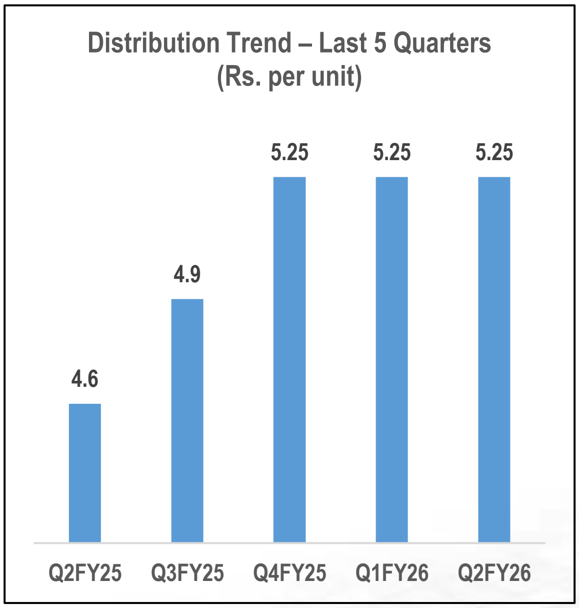
Brookfield India REIT

- The Brookfield India Real Estate Trust (Brookfield REIT) is India's only institutionally managed public commercial real estate vehicle.
- It is sponsored by an affiliate of Brookfield Asset Management
- Sponsor and Sponsor Group held 43.9%, Institutional investors held 38.7% and non-Institutional investors held 17.4% stake in the REIT as of Sept 30, 2025
- Brookfield REIT's portfolio comprises 4 grade-A commercial assets located in four major cities – Mumbai, Gurgaon, Noida and Kolkata.
- Total completed leasable area is of 24.5 msf, 0.6 msf is under construction area and 4.0 msf is future development area as of Sept 30, 2025
- Of the total leasable area, 28.0% is in Mumbai region, 63% is in NCR region and 8% is in Kolkata.
- The Weighted Average Lease Expiry (WALE) of the portfolio was of 7.0 years, committed occupancy stood at 88.0% and it had an in-place rent (psf) of Rs. 97.0 as of Sept 31, 2025
- Portfolio has a well staggered lease expiry profile with only 35% of the contracted rentals due for expiry till FY2029.
- The REIT has Strong inorganic growth pipeline through Identified Assets and ROFO Properties within the Brookfield Group

Particulars (Rs. In Cr)	FY22	FY23	FY24	FY25	Q1FY26	Q2FY26
Revenue	877	1,197	1,780	2,386	641	671
Adj NOI	738	1,017	1,506	1,953	498	465
EBITDA	660	935	1,327	1,911	482	482
Distribution per Unit	22.1	20.2	17.8	19.3	5.3	5.3
NDCF	690	677	733	1,055	337	354
NAV	333.8	332.1	332.6	336.35	-	349

(***Source:*** *Company Website, BSE, screener.in)*





(***Source:*** *Company Website, BSE, screener.in)*

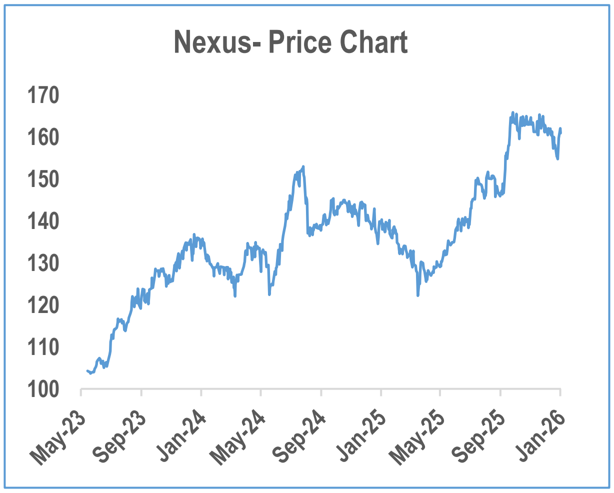
Nexus Select Trust

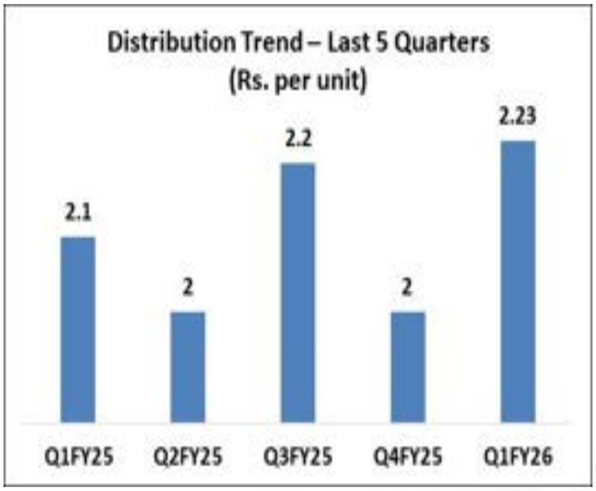
- Nexus Select Trust REIT (Nexus REIT) is the owner of India's leading consumption platform of high-quality mall assets that serve as essential consumption infrastructure for India's growing middle class (by completed area).
- It is sponsored by Wynford Investments Limited , a portfolio company of Blackstone Inc.
- Sponsor and Sponsor Group held 47.2%, Mutual funds held 15.9%, Insurance companies held 5.8%, Foreign Portfolio Investors held 29.9% and others held 31.1%.
- Nexus REIT Portfolio comprises 18 best-in-class 'Grade A' urban consumption centers with a total Leasable Area of 10.6 msf, two complementary hotel assets (450 keys) and three office assets (1.3 msf) as of Sept 30, 2025
- Nexus REIT's Portfolio had a tenant base of 1,000+ domestic and international brands with ~3,000 stores as of Sept 30, 2025.
- While Nexus REIT Portfolio is highly stabilized with leased occupancy of 96.9% and 4.7-year WALE as of Sept 30, 2025, its Portfolio enjoys strong embedded growth prospects.

- Nexus REIT is well-positioned for strong organic growth through a combination of contractual rent escalations, increased tenant sales leading to higher Turnover Rentals and re-leasing at higher market rents.

Particulars (Rs. In Cr)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26
Revenue	558	547	601	584	2,293	613	632
Net operating Income	413	410	442	447	1,711	460	468
EBITDA	396	388	442	426	1,652	445	450
Distribution per Unit	2.15	2.01	2.196	2.00	8.36	2.23	2.20
NDCF	316	313	333	303	1,265	338	333
NAV	-	147	-	-	151.83	-	159

(**Source:** *Company Website, BSE, screener.in*)





(**Source:** *Company Website, BSE, screener.in*)

Knowledge Realty Trust

- Knowledge Realty Trust (KRT), formed in October 2024 and backed by Blackstone and Sattva
- Knowledge Realty Trust (KRT) got listed on 18th August 2025.
- Its portfolio comprises 29 Grade A office assets across 6 city-center offices and 23 business parks/centers, totaling 46 msf as of Sept'25, with 37.1 msf of completed area, 1.2 msf of under construction area and 8.0 msf of future development area as of 30th Sept 2025.
- Portfolio assets are spread across 6 cities, namely Hyderabad, Mumbai, Bengaluru, Chennai, Gurugram and GIFT City, Ahmedabad. Approximately 96% of the portfolio assets are located in Bengaluru, Mumbai and Hyderabad.
- The portfolio includes marquee properties like One BKC, Sattva Knowledge City, and Cessna Business Park, along with 4 ROFO assets offering 7 msf of development potential.
- 91.4% committed occupancy and 8.4 years WALE as on 30th Sept 2025.

Particulars (Rs. In Cr)	FY23	FY24	FY25	Q2FY26
Revenue	2,900	3,339	3,930	671
EBITDA	2,278	2,581	3,076	571
PAT	219	339	222	134.8
NAV	-	-	-	118

(***Source:*** *Company Website, BSE, screener.in)*

(***Source:*** *Company Website, BSE, screener.in)*

Reading Room

The Return of Active Management – Why Market Breadth Matters Again

- **Market Breadth Is Improving**: After years of extreme concentration in a handful of mega-cap stocks, equity market drivers are beginning to broaden. This shift creates a more favorable environment for active managers to identify differentiated opportunities.
- **Active Management Has Long-Term Value:** Over 10-, 15-, and 20-year periods ending March 2025, global large-cap equity managers have historically delivered excess returns of 0.5%–1% on average, with top-quartile managers generating 1.5%–2% and elite performers achieving 3%–4% annually.
- **High Active Risk Has Been Poorly Rewarded Recently:** Over the past decade, strategies with tracking error above 6% failed to consistently compensate investors, showing lower success rates and greater dispersion of outcomes, with fewer than half outperforming benchmarks.
- **Recent Years Have Been Unusually Difficult:** The last five years marked the weakest period for global active managers in two decades, driven by narrow market leadership, low breadth, and dominance of a small group of US mega-cap technology stocks.
- **US vs Non-US Equity Divergence:** While US large-cap active managers have struggled to beat benchmarks for over a decade, non-US large-cap managers have delivered excess returns above long-term averages, reflecting broader opportunity sets outside the US.
- **Breadth Drives Alpha Potential:** According to the Fundamental Law of Active Management, alpha depends on skill and breadth. Narrow markets limit opportunities for active bets, while broader markets improve the odds of consistent excess returns.

- CLICK HERE TO READ THE FULL ARTICLE

How an AI Analyst Outperformed Human Fund Managers for 30 Years

- **AI significantly outperformed humans:** A Stanford GSB study found an AI analyst beat 93% of active U.S. mutual fund managers from 1990–2020, delivering roughly six times higher benchmark-adjusted returns.
- **Extraordinary alpha generation:** While human fund managers generated about $2.8 million in quarterly alpha, the AI added an additional $17.1 million per quarter by optimizing the same portfolios.
- **Used only public information:** The AI relied exclusively on publicly available data—financial metrics, trading activity, and sentiment from earnings calls—showing how much value humans leave untapped.
- **Small portfolio tweaks, large impact:** Rather than overhauling portfolios, the AI made minor quarterly adjustments while maintaining similar risk and diversification, dramatically boosting performance.
- **Processing power was the key edge:** The AI extracted predictive insights from simple variables using advanced machine-learning techniques, overcoming human limits in analyzing massive datasets.
- **Human role still important:** Researchers caution the advantage would shrink if widely adopted and expect humans to remain essential for strategic judgment and innovation.

CLICK HERE TO READ THE FULL ARTICLE

Disclaimer

This communication is being sent by the Investment Advisory Group of HSL IA., registered under SEBI (Investment Advisors) Regulations, 2013 under the Registration number INA000011538.

This note has been prepared exclusively for the benefit and internal use of the recipient and does not carry any right of reproduction or disclosure. Neither this note nor any of its contents maybe used for any other purpose without the prior written consent of HSL IA, Investment Advisory Group (HSL IA). In preparing this note, we have relied upon and assumed, without any independent verification, accuracy and completeness of all information available in public domain or from sources considered reliable. This note contains certain assumptions and views, which HSL IA considers reasonable at this point in time, and which are subject to change. Computations adopted in this note are indicative and are based on current market prices and general market sentiment. No representation or warranty is given by HSL IA as to the achievement or reasonableness or completeness of any idea and/or assumptions. This note does not purport to contain all the information that the recipient may require. Recipients should not construe any of the contents herein as advice relating to business, financial, legal, taxation, or other matters and they are advised to consult their own business, financial, legal, taxation and other experts / advisors concerning the company regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this note and should understand that statements regarding future prospects may not be realized. It may be noted that investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds unless they can afford to take the risk of losing their investment. Investors are advised to undertake necessary due diligence before making an investment decision. For making an investment decision, investors must rely on their own examination of the Company including the risks involved. Investors should note that income from investment in such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Neither HSL IA nor any of its employees shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. This note does not constitute an offer for sale, or an invitation to subscribe for, or purchase equity shares or other assets or securities of the company and the information contained herein shall not form the basis of any contract. It is also not meant to be or to constitute any offer for any transaction. HSL IA and its affiliates, officers, directors, key managerial persons and employees, including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein. HSL IA may at any time solicit or provide commercial banking, credit, advisory or other services to the issuer of any security referred to herein. Accordingly, information may be available to HSL IA, which is not reflected in this material, and HSL IA may have acted upon or used the information prior to, or immediately following its publication.

HSL IA neither guarantees nor makes any representations or warranties, express or implied, with respect to the fairness, correctness, accuracy, adequacy, reasonableness, viability for any particular purpose or completeness of the information and opinions. Further, HSL IA disclaims all liability in relation to use of data or information used in this report which is sourced from third parties.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the HSL IA team and all its activities are segregated from HSL IA activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

This information is for educational/information purposes only.

Thank You!

HDFC securities Ltd.

Registered Address: I Think Techno Campus, Building, B, Alpha, Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai - 400 042.
Tel: +91-22-30753400 Fax: +91-22-30753435 www.hdfcsec.com.

Member of NSE, BSE, MSEI, MCX | Reg No.: INZ000186937 | Member: CDSL | Reg No.: IN-DP-372-2018 | Research Analyst: INH000002475 |
Investment Adviser: INA000011538 | PFRDA: POP-11092018 | AMFI: ARN13549 | Corporate Identity Number (CIN) - U67120MH2000PLC152193
Compliance Officer: Mr. Murli V Karkera. Ph: 022-3045 3600, Email: complianceofficer@hdfcsec.com.
For any complaints / grievance: services@hdfcsec.com