

2026

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SETTING THE DIRECTION
FOR THE JOURNEY AHEAD.

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Annual Market Outlook 

May your 2026 be Happy and Prosperous.

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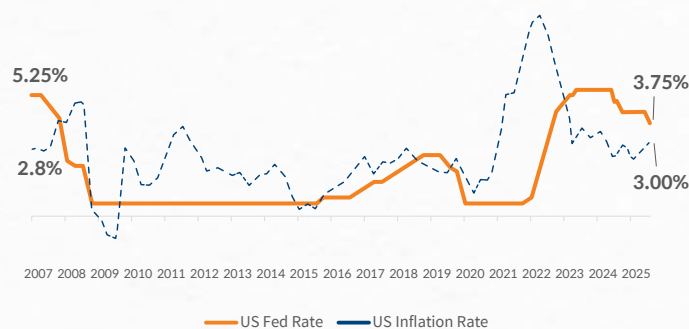
Economy Update

Global Economy

2025 proved to be a policy-driven and volatile year for global markets, shaped by tariff-related disruptions, shifting interest rate expectations, and heightened geopolitical risks.

- The US Federal Reserve pivoted decisively towards growth support, cumulatively cutting rates by 75 bps as labour market weakness outweighed inflation concerns and fiscal stress, even as the US witnessed its longest government shutdown. US 10-year softened by ~40 bps to 4.17% during the year (as of November 28)

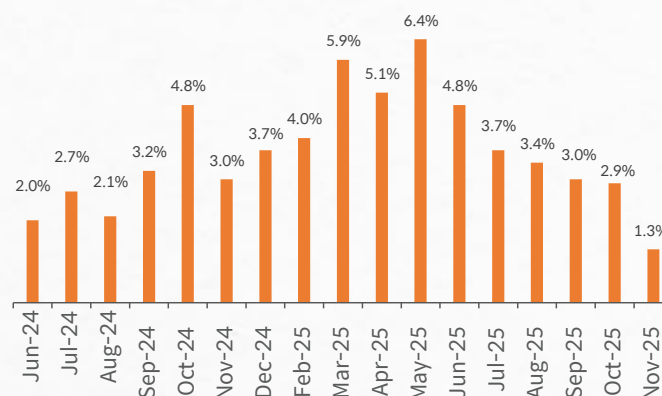
Historical US Fed Rates (%)



Source: US Federal website, Bloomberg. Data as on 11th December 2025.
FOMC: Federal Open Market Committee

- Despite tariff implementation, inflation pass-through in the US has been gradual, while trade deficit improvement remained limited with front-loading effects peaking in March 2025. On the other hand, home inventory signalled softening demand and potential drag on growth
- China's recovery remained uneven with weak retail sales growth, PPI stuck in deflation for over three years and overall economic growth constrained by prolonged property sector stress. US Reciprocal tariffs have led China to redirect exports toward Asia-Pacific markets

China Retail Sales (%YoY)



Source: Bloomberg. Data as on 14th December 2025

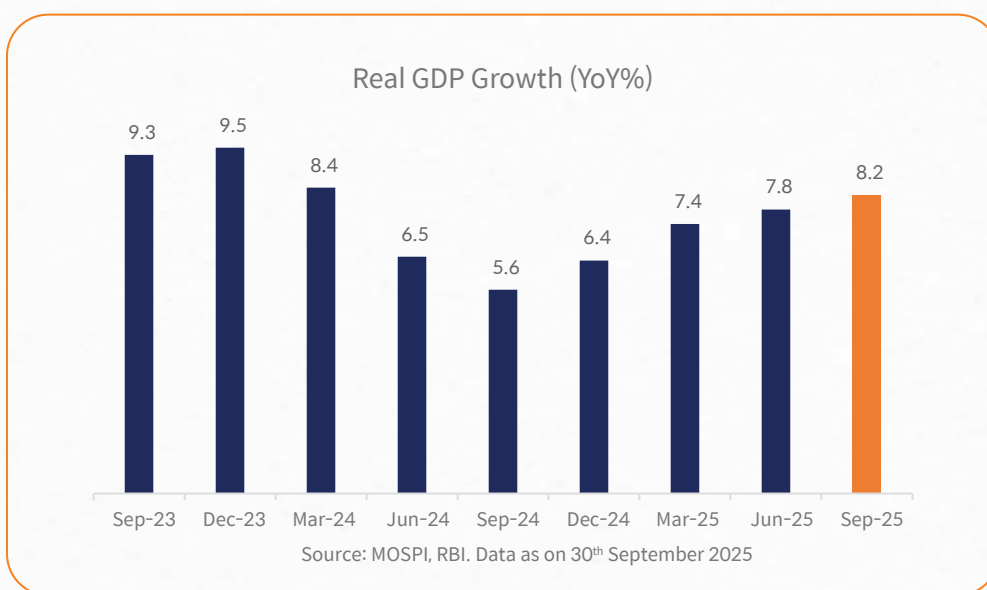
- Global growth is expected to remain broadly stable but tariffs and trade negotiations can pose headline risks. Monetary easing by major central banks should support growth but it may remain sensitive to geopolitical and trade-related developments
- On the commodity front, Brent crude softened to ~\$62/bbl due to favourable supply-demand dynamics, while Gold surged 64% this year (as of December 15), driven by sustained central bank buying and geopolitical uncertainty

Indian Economy– Resilience Reinforced by Policy Support

India’s fundamentals stayed resilient despite weakness in consumption demand. Macro momentum improved meaningfully aided by supportive policy environment – lower interest rates, improving liquidity conditions and lower taxes.

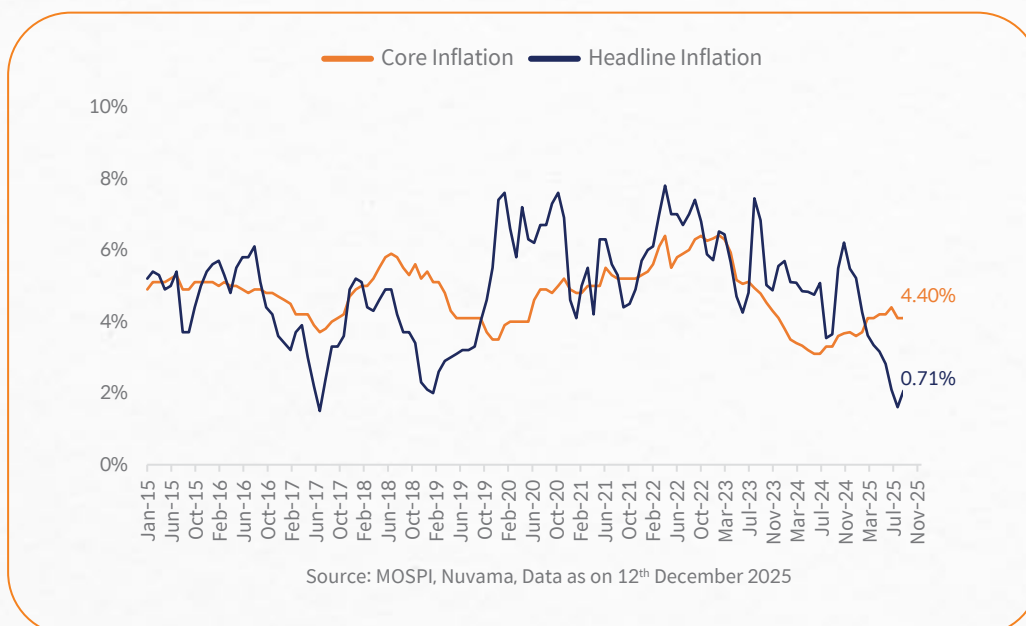
GDP Growth Rebounds:

India’s macro fundamentals demonstrated remarkable resilience amid global volatility. GDP growth improved on a sequential basis during the year, with Q2 FY26 real GDP growth at 8.2%, a six-quarter high, supported by private consumption and benign inflation. Reflecting this strength, the RBI raised its FY26 growth estimate to 7.3%.



Disinflation emerged as a key tailwind.

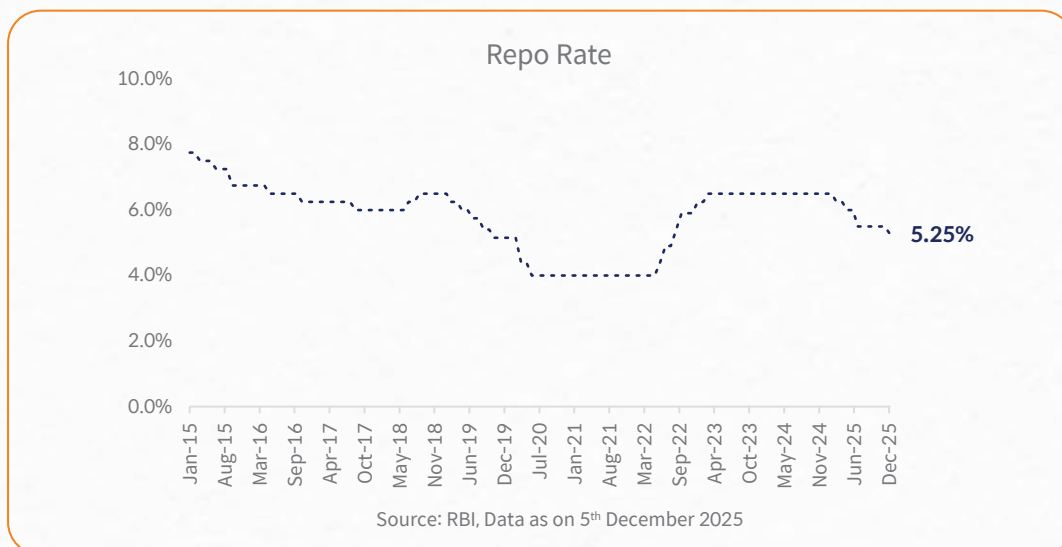
CPI inflation fell sharply below RBI’s lower tolerance band - trending below 2% (October & November 2025) driven by significant decline in food prices and reduction in indirect taxes via GST. While Core inflation (excluding food, beverages, and fuel) has stayed sticky around 4% levels.



Policy support turned decisively growth-oriented:

- Monetary policy:**

RBI reduced the repo rate cumulatively by 125 bps to 5.25%, complemented by liquidity-enhancing measures such as OMOs, CRR cut and USD/INR swaps, etc. RBI rate cuts and liquidity measures are aimed at improving transmission, supporting credit demand, and enabling a healthier growth-inflation balance. RBI's record dividend of ₹2.7tn earlier this year also continues to aid fiscal consolidation



- Fiscal policy:**

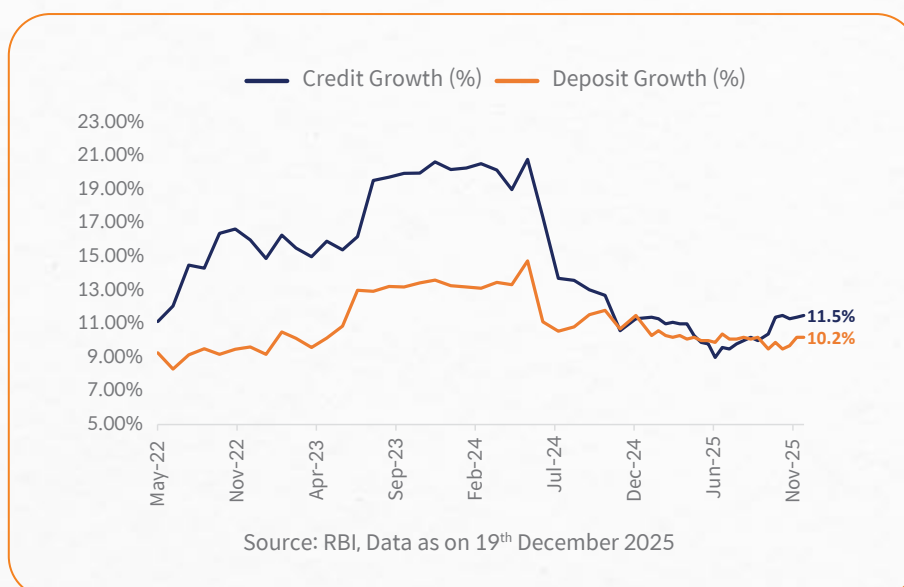
Government announced ₹2.3 trillion stimulus, led by personal income tax cuts and GST rate reductions, aimed at reviving consumption

Consumption-Improving odds:

Government rolled out a ₹2.3 tn stimulus package, led by ₹1 tn of personal income tax cuts and ₹1.3 tn of GST rate reduction. These measures, alongside lower interest rates, rural demand revival and the 8th Pay Commission (FY27) provide significant tailwinds. In addition, healthy real rural wage growth and higher government spending should further underpin demand. A supportive policy stance (including GST rationalisation) and better rural/rabi dynamics can broaden demand recovery across various pockets of the economy.

Credit growth rebounds in H2:

Credit growth rebounded in H2 of the year after witnessing a sharp slowdown in H1. It grew at 11.5% (November 28) driven by normalisation of regulatory norms, policy rate cuts and easing liquidity conditions. While, Deposit growth remained range bound during the year and stood at 10.2% - creating significant divergence. Policy measures by RBI may help sustain credit growth improvement in CY 2026.



Benign CAD:

India's Current Account Deficit (CAD) remained benign (~1%), aided by lower crude prices and strong services exports, although the INR weakened due to FPI outflows and trade-related uncertainties

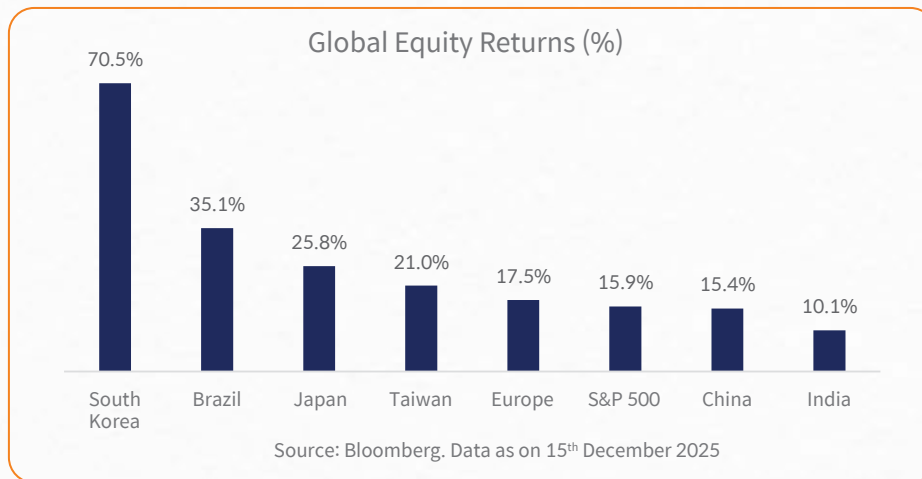
INR Weakened:

INR weakened to ₹90.73 per US\$ on December 15, 2025 from ₹85.61 on December 31, 2024 driven by persistent FPI outflows amid delays in the US-India trade deal and limited RBI intervention in the forex market

Equity Market Update

Global Equities rallied:

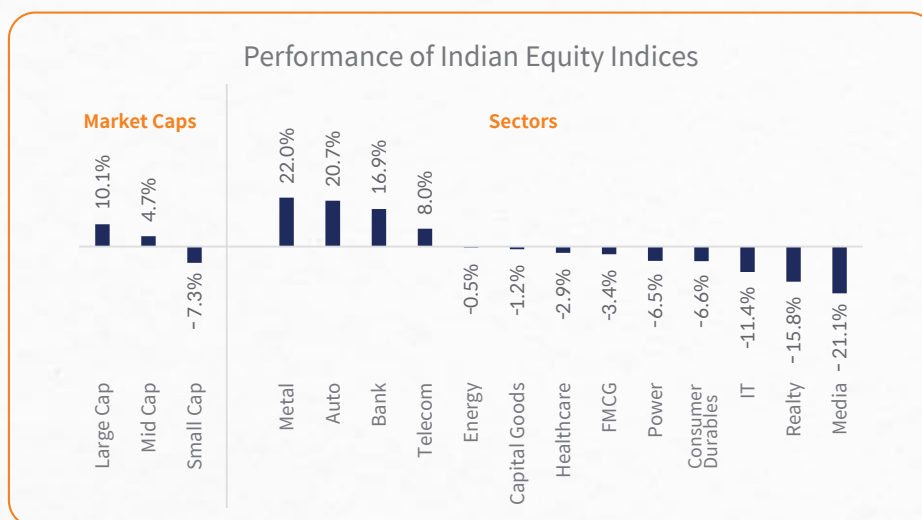
Global equities delivered strong returns in 2025 supported by AI driven rally, valuation re-rating and local policy support. Markets such as South Korea, Brazil and Japan gained the most. China, US (S&P 500) and Europe also delivered higher double digit returns. On a global basis, tariff concerns receded as the year ended.



Past Performance may or may not be sustained in future. The above is performance of the Index and does not in any manner indicate the performance of any individual scheme of Mutual Fund. China: Shanghai Composite Index, South Korea: Korea Composite Stock Price Index (KOSPI), Europe: EURO STOXX 50; Brazil: Bovespa Index, Japan: Nikkei Index, Taiwan: TAIEX Index.

Domestic Equities

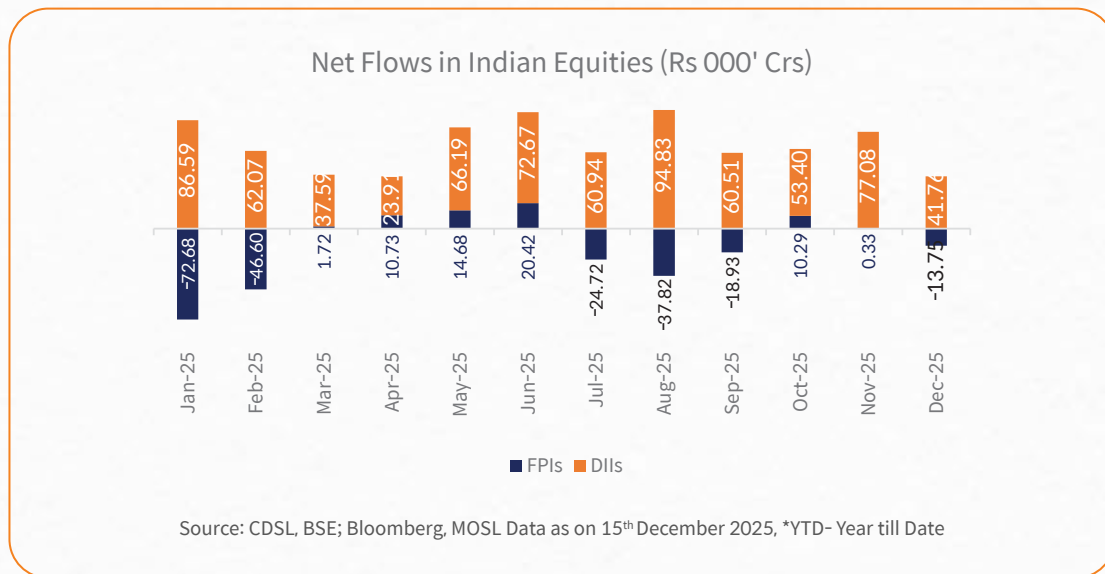
Indian equities underperformed global peers in 2025. Large and Mid caps were relatively resilient, while small caps corrected meaningfully, reflecting valuation normalisation and earnings downgrades. Nifty 50 and Nifty Midcap 150 gained 10.1% and 4.7% respectively while Nifty Smallcap 250 lost 7.3% respectively (as on December 15, 2025). Among sectors – Auto, Metals and Bank were the top performers while Media, Realty and IT underperformed.



Source: Bloomberg, ACEMF. Data as on 15th December 2025. Past Performance may or may not be sustained in future. The above is performance of the Index and does not in any manner indicate the performance of any individual scheme of Mutual Fund. Large Cap: Nifty 50, Mid Cap: Nifty Midcap 150, Small Cap: Nifty Small Cap 250, Auto: Nifty Auto Index, Bank: Nifty Bank Index, Consumer Durables: BSE Consumer Durables Index, Capital Goods: BSE Capital Goods Index, Energy: Nifty Energy Index, FMCG: Nifty FMCG Index, Healthcare: BSE Healthcare Index, IT: Nifty IT Index, Media: Nifty Media Index, Metal: Nifty Metal Index, Power: BSE Power Index, Realty: Nifty Realty Index, Telecom: BSE Telecommunication Index.

Domestic investors remain the key stabilising force:

- DIIs recorded net equity buying of ~₹7.38 lakh crore (December 15) - helping absorb volatility and sustain market depth
- SIP inflows crossed ₹29,000 crore per month, highlighting deepening retail participation. Notably, MFs contributed to ~65% of net flows by DIIs in 2025 on a CYTD basis
- FPIs remained net sellers to the tune of ~₹1.56 lakh crores (December 15) amid global risk-off phases



Primary market supply - IPOs, FPOs, QIPs & OFS - remained robust (₹2.9 lakh crores) for Jan-Dec 2025 period. Strong issuance pipeline likely to continue into 2026.

Source: CDSL, BSE; Bloomberg, MOSL Data as on 22nd December 2025, *YTD- Year till Date

Outlook for 2026 – India’s Long-Term Equity Story Remains Intact

India enters 2026 with supportive monetary-fiscal alignment, improving consumption visibility, and stable external balances. Consumption remains the key swing factor for 2026 - GST rationalisation (“GST 2.0”) and affordability-supportive measures can improve demand visibility, with second-order benefits across discretionary categories, lending financials, and logistics.

CPI headline inflation is expected to trend below 4%, though RBI may watch for the new CPI series data due to be released in February next year and an unfavourable base effect before reducing policy rate further.

On the fiscal front, Government is likely to meet its fiscal deficit target of 4.4% of GDP for FY26. However, going ahead, the target will shift from fiscal deficit to Debt to GDP metric as announced in 2025 Union Budget. On the external front, CAD is likely to remain around 1% of GDP supported by robust services exports and benign commodity prices.

Earnings & Valuations

The earnings downgrade cycle appears to be largely behind us. The cavalry of measures by the government will help to reset the trajectory of corporate earnings as domestic reforms are expected to continue, while any resolution of the tariff stalemate will be a key external catalyst for the markets.

The Nifty 50 trades at ~20x FY27E earnings, with aggregate valuations appearing reasonable, barring select pockets. Earnings growth of ~13% CAGR over FY25–27 is expected, led by Banking & Financial Services, Metals, Telecom and Discretionary Consumption.

Despite near-term volatility, India's medium to long-term investment case remains compelling:

- **Strong macro stability and fiscal consolidation**
- **Healthy corporate and banking balance sheets**
- **Reasonable household leverage**
- **Sustainable long-term growth outlook (6.5% real GDP; 10–11% nominal GDP)**

Key Monitorable for 2026

- **US–India trade negotiations and tariff clarity**
- **Major trade deals such as EUFTA**
- **Global rate trajectories**
- **Geopolitical developments**
- **Sustainability of consumption and credit growth upcycle**

PPI: Producer Price Index, PLI: Production Linked Incentive Scheme, IPO: Initial Public Offering, FPO: Follow-on Public Offering, QIP: Qualified Institutional Placement, OFS: Offer For Sale.

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Fixed Income Market Update - A year of Policy Loosening, Transmission Missing

2025 proved to be a distinctive year for global fixed income markets. Despite multiple rounds of rate cuts, transmission into broader economic activity remained limited. Elevated debt burdens, persistent inflationary pressures, and uncertainty around fiscal stimulus constrained the effectiveness of monetary easing.

Geopolitical tensions and tariff risks added further complexity to the macroeconomic landscape. Yet, lower commodity prices provided unexpected relief, helping to anchor inflation and stabilise conditions.

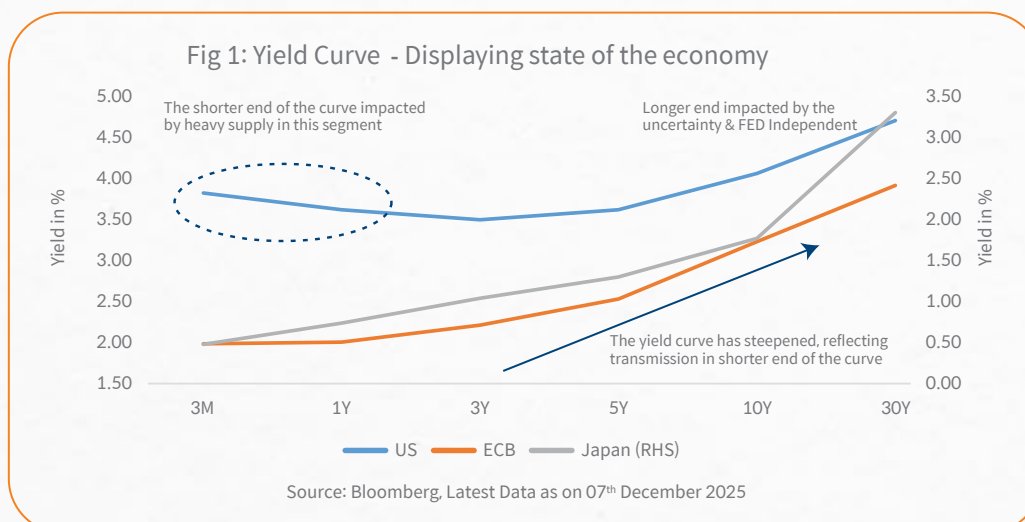
Looking ahead, the foundation for structural adjustment has been laid, but the coming year is expected to be characterized by a prolonged pause in policy action and the potential introduction of quantitative easing. Key uncertainties remain around the Federal Reserve's independence, the trajectory of tariff policies, and evolving geopolitical dynamics, all of which will shape the fixed income environment in 2026.

Rate Cuts, Rising Risks: The Fixed Income Paradox

Pegging to the historic patterns, 2025 was to be a year of high inflation and low growth and definitely a year of rate cuts. While the rate cut story played out in 2025, what surprised the market was steady inflation and better than expected growth. This outcome was largely driven by frontloaded exports, corporates refraining from passing on price increases amid policy uncertainty, and the relief provided by lower commodity prices.

The long-term rates have remained higher not just on account of sticky inflation but also on account of structural challenges in the developed markets. Investors in developed markets are increasingly finding hard to digest the inflated debt situation. Major developed nations which are considered safe haven have high debt to GDP rate US (124%), Euro zone (80.7%) and Japan (237%). While this ratio has been increasing since covid an added level of complexity is ageing population which will require higher levels of social security services and geopolitics which is pushing economies to become protectionist and spend more on their defence and security. Both cases are pushing for fiscal stimulus (Euro area & Japan already announced). This is creating strain on already high debt levels.

In the US, the Treasury's preference for issuing shorter-term securities has led to an inverted yield curve (up to 3 years), short-end rates elevated by oversupply, while thereafter the yield curve is steepened. Other developed economies show steeper curves, with short-end transmission priced in but limited confidence in the long-term outlook. (Refer Fig 1)



Looking ahead, 2026 is shaping up as a year of prolonged pause, with potential quantitative easing aimed at short-end transmission and modest relief at the long end. However, these are likely to be temporary fixes, as structural challenges persist. Tariff uncertainty will remain, though trade deals may offer some guidance. Risks from geopolitical tensions and questions around central bank independence will continue to weigh on the fixed income landscape.

India: Strong start, lost in uncertain markets

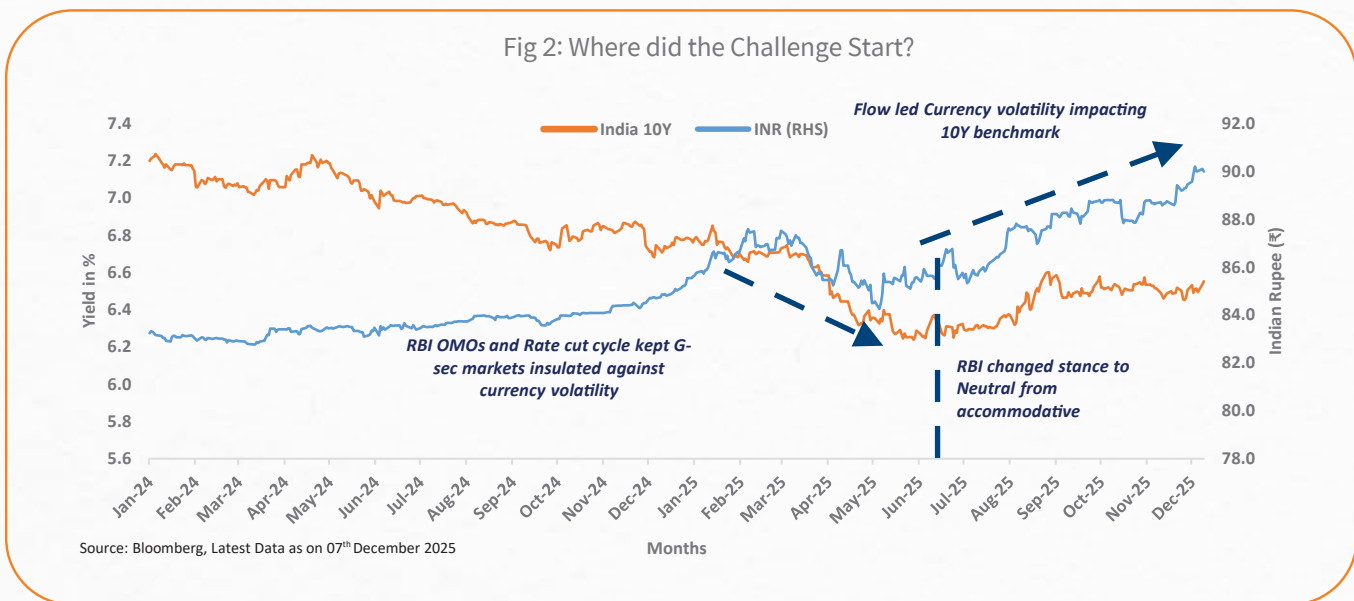
At the start of 2025, India stood out as one of the few economies with a clear head start. Global macros were not only stable but improving, inflation was expected to remain within target, fiscal consolidation was on track, government expenditure was capex-driven, and the current account deficit was declining.

The momentum was further supported by the RBI, which frontloaded rate cuts and ensured ample liquidity in the system. Despite volatility in the INR, markets remained buoyant under RBI’s guidance. During this period, the 10-year benchmark yield touched a low of 6.25%, with expectations of approaching 6%. However, the optimism proved short-lived. In June-2025, the RBI delivered a 50bps cut but simultaneously shifted its stance, effectively pausing the easing cycle. This abrupt change dampened sentiment, signaling that the bond market rally had ended. (Refer Fig 2)

Negative pressures were compounded by deteriorating trade negotiations with the US, currency volatility, and heavy supply of State Development Loans (SDLs). States borrowed ~₹5.01 trillion between April and September 2025, significantly higher than ~₹3.86 trillion in H1 FY2025, adding to supply-side strain.

Other pain points were, negligible FPI flows and change in Provident Fund regulation to increase equity allocation further hit the Government Securities (G-Sec) demand.

While the RBI continued to act pre-emptively through CRR adjustments, OMOs, and VRRR operations to maintain liquidity, the central government contributed to growth via GST rationalisation and income tax cuts. These measures boosted credit growth but, with lower interest rates, deposit growth slowed, creating a funding gap in the system.



How did Spreads payout

While transmission was clearly visible in Treasury bills, other segments of the money market experienced slower pass-through. Elevated issuances of Certificates of Deposit (CDs) and Commercial Papers (CPs) to bridge funding gaps weighed on transmission. As a result, the spread between T-bills and the Repo rate remained contained at 20–25bps through the year, whereas the spread between 3-month CDs and Repo widened by nearly 30bps, rising from ~70bps to close to 100bps.

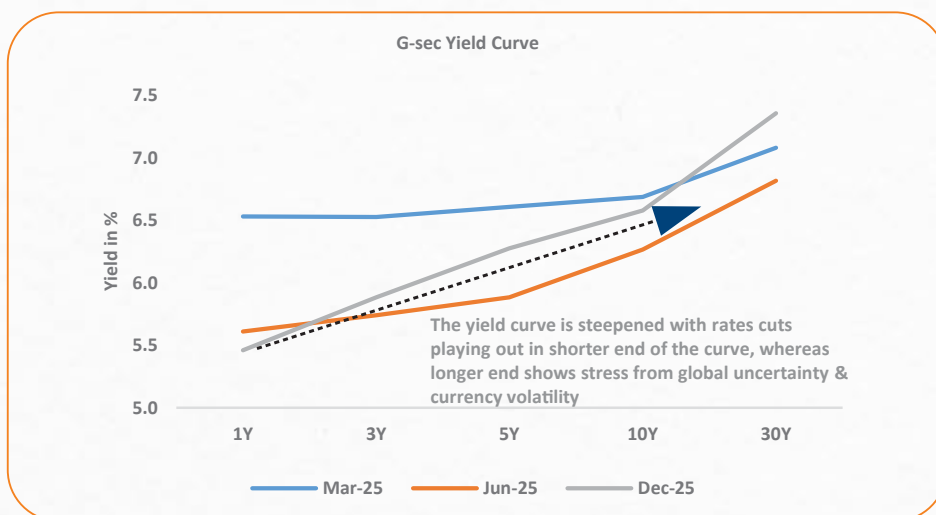
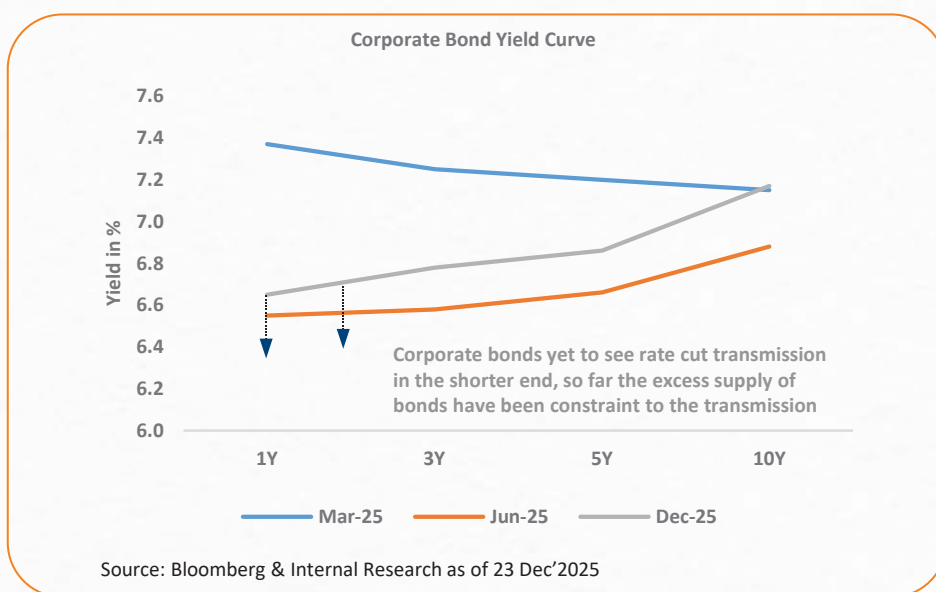
A similar trend was observed in the corporate bond market, where transmission lagged due to sustained issuance activity, keeping spreads elevated and limiting the impact of policy easing.

Outlook on Yield Curves and Strategy

In last year's outlook, we anticipated that the inverted corporate bond yield curve would steepen and that sovereign yields would offer attractive spread opportunities. While our call on corporate bond steepening proved correct, the sovereign curve was challenged by evolving macroeconomic headwinds.

Looking forward, domestic fundamentals appear resilient. Inflation is projected to remain within the target range over the coming year, and while fiscal consolidation may decelerate, its overall trajectory remains on course. The period is likely to be characterised by a prolonged policy pause, supported by liquidity measures that should enhance transmission. Although the possibility of rate cuts could emerge under conditions of subdued inflation or weaker growth, the threshold for such action remains considerably high. Against this backdrop, we continue to favor an accrual strategy.

Fig 3: Spreads remain at historical highs



Key for Abbreviations: CAD: Current Account Deficit, GDP: Gross Domestic Product, FPI: Foreign Portfolio Investors, BOJ: Bank of Japan, ECB: European Central Bank, BOE: Bank of England, BOC: Bank of China

Source for all the Data used in Fixed Income Update & Outlook: Mirae Asset Internal Research, Bloomberg, Latest Available; Data as on 10th December 2025.

Portfolio Strategy & Fund Recommendation:

Equity:

- Bottom-up stock selection will be critical as earnings dispersion rises
- Goal-based asset allocation aligned to risk profile and time horizon remains essential
- Flexi-cap and multi-cap strategies may be preferred in the current environment
- Hybrid funds can help smooth portfolio volatility
- Investors with higher risk appetite may consider Consumption, Banking & Financial Services, and Infrastructure, where risk-reward appears favourable

Fixed Income:

On the Fixed Income side, we continue to favor an accrual strategy.

Mutual Fund categories which could be looked at could be:

- Low Duration Category
- Short Duration Category
- Corporate Bond Category

However, a tactical shift may be warranted if any of the following materialise:

- India's inclusion in the Bloomberg bond indices
- A favorable outcome in trade negotiations with the US or
- Large-scale quantitative easing by global central banks, driving down overall interest rates

Should these developments occur, they could open a brief window for duration opportunities, in which case a barbell strategy may be adopted.

2026 is likely to reward disciplined investors who remain focused on asset allocation, while navigating near-term volatility with a long-term perspective.

Category of the Schemes is in line with Chapter 2, PART IV – Categorisation and Rationalisation of Mutual Fund Schemes of SEBI Master Circular dated June 27, 2024

All the data/performance provided in the document is pertaining to the Index and does not in any manner constitute performance of any scheme of Mirae Asset Mutual Fund. There is no guarantee or assurance of returns/income generation/capital protection in any scheme of the Fund. Past performance may or may not sustain in future.

The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report/recommendation of the same and the Fund may or may not have any future position in these sector(s)/stock(s)/issuer(s).

Past Performance May or May not sustain in future

Statutory Details: Trustee:

Mirae Asset Trustee Company Private Limited; Investment Manager: Mirae Asset Investment Managers (India) Private Limited (AMC); Sponsor: Mirae Asset Global Investments Company Limited.

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Please consult your financial advisor or Mutual Fund Distributor before investing

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

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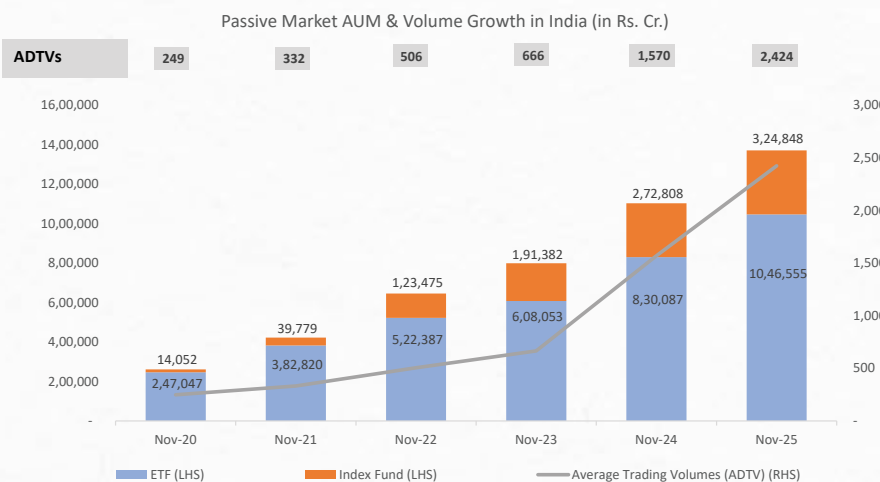
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Passive market update:

The strong momentum in passive market continued in 2025, with AUM reaching ₹13.7 lakh crore as of Nov 2025. Passive schemes now account for 17.0% of total Mutual Fund industry AUM in Nov 2025, up from 9.0% in Nov 2020. The number of passive schemes in India has grown to 649, offering investors greater choice and diversification. Passive inflows remained robust at ₹1.33 lakh crore over the past 1-year, Broad-based ETFs and Index Funds attracted ₹83,000+ crore, while Commodity ETFs saw inflow of ₹52,000+ crore. Smart Beta ETFs and Index Funds got ₹10,700 crore+ & Sectoral & Thematic ETFs and Index funds got around ~₹8,700 crore. Differential products continued to gain traction, supported by rising investor awareness and a sharp increase in participation, with passive folios more than doubling to 4.72 crore.



Source: Data as on Nov 30, 2025; Bloomberg; AMFI, ACE MF

Additionally, ETF market liquidity in India has strengthened significantly, with average daily traded volumes rising to ₹2,400 crore in 2025, up from ₹1,550 crore in 2024 and just ₹250 crore in 2020, reflecting deeper participation and improved price efficiency.

Domestic market update

A key contributor to the slowdown in Indian equity markets during 2025 was a prolonged and broad-based earnings downgrade cycle, which dampened Sentiments and valuations through much of the year. Quarterly results through FY25 and early FY26 consistently fell short of initial expectations, leading to sequential cuts to forward earnings across multiple quarters.

Broad-Market Indices

Index Name	3 Months	6 Months	YTD 2025	1 Year	2 Years	3 Years	5 Years	10 Years
Nifty 50	1.7%	4.8%	10.5%	8.0%	11.1%	13.5%	14.8%	14.2%
Nifty Next 50	-2.1%	2.1%	0.6%	-3.9%	14.8%	17.2%	17.1%	14.4%
Nifty Midcap 150	0.1%	2.9%	4.2%	1.8%	14.4%	22.7%	23.7%	18.4%
Nifty Smallcap250	-7.3%	-5.2%	-8.3%	-10.1%	8.7%	19.2%	23.1%	14.8%
Nifty 500	0.0%	3.1%	6.0%	3.5%	11.8%	15.6%	16.8%	14.9%
Nifty Total Market	-0.3%	2.7%	5.3%	2.8%	11.7%	15.8%	17.2%	15.0%

Thematic & Sectoral Indices

Index Name	3 Months	6 Months	YTD 2025	1 Year	2 Years	3 Years	5 Years	10 Years
Sectoral Indices								
Nifty Bank	5.7%	6.2%	16.8%	13.9%	11.9%	11.8%	14.8%	14.2%
Nifty PSU Bank	14.0%	21.1%	28.1%	23.3%	21.5%	25.1%	37.7%	11.8%
Nifty Financial Services	2.2%	4.0%	17.1%	13.8%	13.9%	13.7%	13.9%	15.7%
Nifty FMCG	-3.3%	0.8%	-2.1%	-1.5%	2.4%	8.2%	12.0%	12.5%
Nifty Auto	0.0%	18.0%	20.8%	18.6%	24.0%	29.8%	25.6%	14.1%
Nifty Metal	5.7%	15.5%	22.3%	16.9%	17.1%	17.1%	28.5%	21.9%
Nifty Energy	-2.6%	-2.6%	-0.7%	-2.8%	4.4%	10.7%	17.0%	17.7%
Nifty Healthcare	-2.0%	4.0%	-2.1%	1.6%	19.3%	22.6%	14.9%	9.3%
Nifty Realty	-5.2%	-13.5%	-17.0%	-21.5%	7.4%	25.9%	23.8%	18.4%
Nifty IT	5.9%	0.1%	-8.7%	-13.1%	6.3%	12.7%	12.9%	15.6%
Thematic Indices								
Nifty EV & New Age Auto	-4.2%	6.1%	3.9%	1.4%	13.8%	21.3%	27.9%	-
Nifty India Manufacturing	-1.2%	6.9%	9.7%	7.3%	19.1%	22.5%	22.1%	15.0%
Nifty New Age Consumer	-5.5%	2.9%	0.1%	-1.8%	18.2%	23.9%	20.6%	13.6%
Nifty India Internet	-4.6%	6.3%	-2.1%	-4.9%	25.8%	30.7%	-	-

Smart Beta Indices

Index Name	3 Months	6 Months	YTD 2025	1 Year	2 Years	3 Years	5 Years	10 Years
Nifty 100 Low Vol 30	1.0%	6.8%	10.3%	8.9%	13.1%	17.3%	15.9%	14.8%
Nifty 200 Alpha 30	-2.7%	-0.2%	-5.3%	-6.7%	10.1%	23.2%	22.4%	20.1%
Nifty Smallcap250 MQ100	-7.7%	-7.9%	-13.2%	-16.4%	3.6%	15.6%	21.5%	17.3%
Nifty MidSmallcap400 MQ 100	-4.5%	-5.0%	-7.3%	-10.9%	8.4%	19.4%	21.6%	18.1%
Nifty 200 Value 30	7.1%	11.3%	15.2%	11.6%	20.1%	32.1%	33.5%	18.9%
Nifty 50 Equal Weight	0.9%	5.9%	12.7%	10.8%	13.0%	17.5%	19.3%	14.8%

Source: Data as on Dec 18, 2025; Bloomberg; NSE Indices. Returns above 1 year are CAGR returns and less than or equal to 1 year are absolute returns. Past Performance may or may not be sustained in future. The above is performance of the Index and does not in any manner indicate the performance of any individual scheme of Mutual Fund MQ stands for Momentum Quality

Encouragingly, the intensity of earnings downgrades has moderated now. The bulk of the earnings reset appears to be behind us, setting the stage for a more stable and potentially improving earnings environment going forward. As earnings visibility improves, market performance is likely to transition toward an earnings-driven recovery over the next year. Earnings recovery is going to be the perhaps most important factor for Indian markets in 2026.

In an environment marked by improving earnings visibility and a gradual recovery in consumption, new-age consumption themes offer targeted exposure to demand revival in discretionary consumption, services and emerging lifestyle categories. Financial services remain well-positioned to benefit from BFSI-led earnings upcycle, supported by credit growth, improving asset quality and operating leverage.

Within broad-based equity exposure, a multi-cap allocation appears better suited for 2026. This approach allows participation across large, mid and small-cap segments and helps capture a more broad-based earnings recovery as market recovery potentially widens. In the smart-beta space, given the absence of a strong and persistent market trend, a diversified factor approach is preferable at the current juncture. Factor strategies such as alpha and momentum may continue to see relatively subdued performance in the initial phase of the cycle, although volatility is expected to be lower compared to CY 2025.

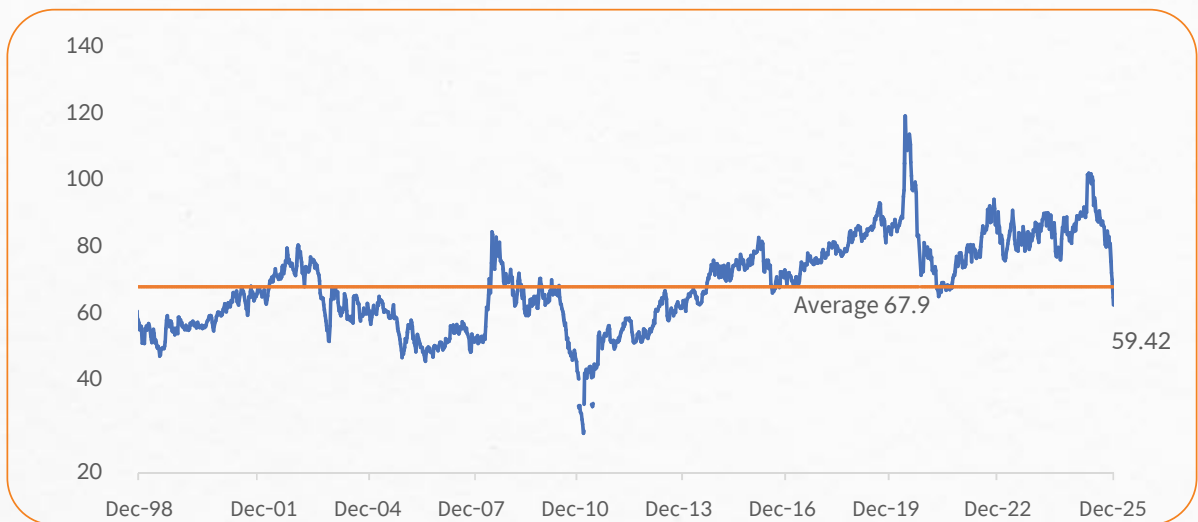
Gold & Silver Outlook

Gold enters 2026 against a backdrop of continuing geo political uncertainty, sticky inflation in US, rate cut cycle and weak dollar echoing the dynamics of 2025. While recent price movements have elevated the risk, several macroeconomic and geopolitical factors continue to point towards a supportive environment for gold rather than headwinds. Central bank buying, uncertainty over trade disputes, and unresolved geopolitical tensions are expected to reinforce gold's role as a safe-haven asset and support gold prices. Investment demand, which was a key driver of gains in 2025, retains significant potential. Even in a bearish scenario, investors are likely to maintain exposure to gold as a hedge against unpredictable global dynamics and elevated equity valuations.

In 2025, silver surge was driven by a multiple factor, a deepening structural supply deficit, relentless industrial demand and tightening physical availability as COMEX registered inventories fell nearly 70% from 2020 levels. Adding to the squeeze, China announced stringent export licensing rules effective January 2026, curbing global supply from the world's largest refiner and fuelling fears of delivery stress. Meanwhile, speculative positioning and ETF inflows amplified momentum once silver broke key price thresholds.

Following sharp price gains in 2025, prices are now at elevated levels, increasing the likelihood of higher volatility and intermittent downside risk. While near-term positioning appears stretched and silver is in overheated territory, Industrial demand growth and tight inventories continue to provide a supportive backdrop, suggesting any corrections are likely to occur within a broader positive long-term trend.

Gold Silver Ratio



Source: Bloomberg data as on December 26, 2025. Past performance may or may not sustain in the future

The gold-silver ratio currently stands at 59.42, which is below its long-term average of 67.9 (since March 1998), indicating that silver is now looking relatively expensive. Historically, the ratio has surged to as high as 120 in the year 2020 and was over 100 in H1 2025.

While it is difficult to call out the top, one can expect returns to moderate significantly. We expect Silver to have higher drawdown risk than gold, as Gold may find support from central banks at lower levels. Currently, within commodities, a balanced allocation between precious metals remains appropriate, with an equal emphasis on gold and silver at this stage. A gradual tilt towards gold may be warranted if the silver rally shows signs of exhaustion, in order to manage risk along with an intent to book profits after this historic rally. Any fresh investments should now be ready for higher volatility, should come for longer horizon and seek to avoid excessive allocation at this stage.

China Outlook

China's economy in 2025 has largely stabilised after several years of structural adjustment, with real GDP growth holding around 5% to 5.2% year-to-date, keeping the economy broadly on track to meet the official full-year target of "around 5%." This stabilisation marks a clear shift away from the volatility of the earlier adjustment phase. However, the recovery remains uneven, shaped by lingering deflationary pressures, continued weakness in the property sector, and subdued domestic demand, even as industrial activity, exports, and high-tech manufacturing show renewed momentum.

The composition of growth continues to shift deliberately away from leverage-driven real estate activity toward manufacturing, exports, and technology-linked sectors. While the property sector remains a drag, its declining share of GDP has reduced its systemic importance to the broader economy. This transition, though growth-moderating in the near term, has helped contain financial stability risks and improve the quality of growth.

The recovery since the 2022 trough has been meaningful but incomplete. Major China equity indices have rallied by roughly 80% from their lows, yet remain well below prior cycle peaks, highlighting that much of the rebound to date has been driven by valuation normalisation rather than a return to peak earnings expectations. This distinction is critical. Markets have repriced lower tail risks, but they have not fully priced in a renewed growth premium.

Leadership within the market has evolved alongside policy signals. Early phases of the recovery were driven by liquidity support and expectations of macro easing, while more recent gains have coincided with structural narratives around AI, industrial upgrading, and margin discipline. The "anti-involution" campaign and shareholder-friendly reforms have further reinforced confidence that profitability, not just scale, is becoming a policy priority. Market leadership has increasingly shifted toward industrials, semiconductors, AI hardware, EV supply chains, and advanced manufacturing, aligning with policy priorities under the upcoming 15th Five-Year Plan.

Index Name	3 Months	6 Months	YTD 2025	1 Year	2 Years	3 Years	5 Years	10 Years
Hang Seng Index (INR)	-1.2%	14.9%	38.7%	41.3%	34.6%	17.1%	7.0%	8.5%
Hang Seng TECH Index (INR)	-11.5%	9.7%	28.9%	30.0%	27.1%	13.4%	-3.6%	9.4%
MSCI China Index (INR)	-3.6%	17.2%	37.5%	38.8%	31.0%	14.7%	1.0%	8.8%
CSI 300 Index (INR)	5.0%	27.2%	29.5%	30.1%	25.9%	10.1%	3.0%	6.4%
S&P 500 Index (INR)	4.8%	19.0%	22.8%	24.0%	26.2%	25.9%	19.3%	18.5%
Nifty 50 Index (INR)	1.5%	4.0%	9.2%	6.7%	9.8%	12.2%	13.4%	12.8%
USD-INR	2.3%	4.4%	5.3%	6.1%	4.2%	2.9%	4.2%	3.1%
HKD-INR	2.4%	5.3%	5.2%	6.1%	4.3%	2.9%	4.1%	3.1%

Source: Bloomberg data as on Dec 18, 2025. Exchange rate of FBIL are used for conversion of index value from USD to INR. Past performance may or may not sustain in future. The index returns are in Total Return Variant. The data shown above pertains to the Index and does not in manner indicate performance of any scheme of the Fund. Positive currency return implies that INR has depreciated v/s USD/HKD and has added to the returns of the funds Negative currency return implies that INR has appreciated v/s USD/HKD and has depleted the returns of the funds

We remain optimistic on Chinese equities for 2026 but prefer some segments more than the other. While the broader market continues to face headwinds, albeit reduced, related to property normalisation and the pace of consumption recovery, our conviction remainshigher in Chinese technology and innovation-linked companies, where earnings visibility is stronger and growth is less directly dependent on domestic demand cycles. Valuations, policy direction and improving earnings dynamics argues for participation in Chinese markets.

However, China's risk asymmetry remains unique, periodic regulatory shifts, external trade frictions, and geopolitical volatility can still reset sentiment abruptly. As such, aggressive over-allocation should be avoided. A disciplined approach focusing on quality balance sheets, earnings visibility, and structural themes finding favour of current policies, remains the most appropriate way to engage with China's evolving opportunity set.

US Market Update:

US equity markets delivered another strong year of returns in 2025, extending gains from the prior year, though the nature of performance became increasingly selective. In USD terms, the S&P 500 Index rose 16.6% year-to-date, reflecting solid headline performance, while leadership remained skewed toward Artificial Intelligence (AI) theme driven & growth-oriented segments. Technology-heavy indices outperformed, with the NASDAQ 100 Index gaining 19.9% and the NYSE FANG+ index rising 19.9%, underscoring continued investor preference for AI play & large, highly profitable companies with durable earnings visibility.

Index Name	3 Months	6 Months	YTD 2025	1 Year	2 Years	3 Years	5 Years	10 Years
S&P 500 Index (INR)	4.8%	19.0%	22.8%	24.0%	26.2%	26.5%	19.2%	18.5%
S&P 500 Top 50 (INR)	5.0%	22.3%	24.3%	25.4%	31.1%	33.7%	22.0%	20.7%
NYSE FANG+ (INR)	-1.6%	15.7%	26.2%	27.5%	40.1%	56.1%	25.4%	33.5%
IAIQ Index (INR)	4.6%	4.6%	36.5%	35.8%	33.5%	40.2%	18.6%	24.7%
SOLDRIV Index (INR)	7.8%	7.8%	35.2%	36.7%	16.6%	17.7%	10.7%	X
USD-INR	2.3%	4.4%	5.3%	6.1%	4.2%	2.9%	4.2%	3.1%

Source: Bloomberg data as on Dec 18, 2025. Exchange rate of FBIL are used for conversion of index value from USD to INR. Past performance may or may not sustain in future. The index returns are in Total Return Variant. The data shown above pertains to the Index and does not in manner indicate performance of any scheme of the Fund. Positive currency return implies that INR has depreciated v/s USD and has added to the returns of the funds Negative currency return implies that INR has appreciated v/s USD and has depleted the returns of the funds

Index Attribution (YTD 2025)	S&P 500 Index		NASDAQ 100 Index	
	% Weight	Contribution to Return	% Weight	Contribution to Return
Total (%)	100.0	16.8	100.0	19.9
Communication Services	9.8	2.9	15.4	3.7
Consumer Discretionary	10.6	0.6	13.7	0.9
Consumer Staples	5.4	0.2	5.3	-0.2
Energy	3.1	0.2	0.5	0.0
Financials	13.8	2.2	0.4	-0.2
Health Care	9.8	1.2	5.0	0.8
Industrials	8.4	1.6	4.5	-0.4
Information Technology	32.7	7.2	52.3	14.0
Materials	1.9	0.2	1.3	0.0
Real Estate	2.0	0.1	0.2	0.0
Utilities	2.4	0.4	1.4	0.5

Source: Bloomberg data as on December 18, 2025. Past performance may or may not sustain in the future. The sector(s)/stock(s)/issuer(s) mentioned in this note do not constitute any research report/recommendation of the same and the Fund may or may not have any future position in these sector(s)/stock(s)/issuer(s). The Sum won't add up to total figures due to rounding off differences"

Corporate earnings remained a key anchor for US equities through 2025, with quarterly results consistently exceeding expectations. Over the course of the year, the S&P 500 delivered four consecutive quarters of double-digit year-on-year earnings growth. In the most recent reporting season, around 80–85% of S&P 500 companies reported earnings above analyst expectations, well above long-term averages. Big Techs continued to deliver in spite of higher expectations and concerns on AI spending.

Profitability remained robust. Aggregate net profit margins for the S&P 500 stayed in the 12.5–13% range, comfortably above long-term averages. Operating margins also remained elevated, supported by pricing power, scale efficiencies, productivity gains, and early benefits from automation and AI adoption. Margin resilience was particularly visible in technology, financials, utilities, and selected industrial sectors, despite ongoing wage pressures and higher interest costs.

Looking ahead to 2026, the outlook for US equities remains constructive. Corporate earnings are expected to remain a key anchor for markets in 2026. Analysts expect the S&P 500 to report double-digit earnings growth for the 3rd straight year in CY 2026. The estimated (year-over-year) earnings growth rate for CY 2026 is 15.0%, which is above the trailing 10-year average (annual) earnings growth rate of 8.6% (2015 – 2024). Overall, analysts expect the “Magnificent 7” companies will report earnings growth of 22.7% for CY 2026, which is slightly above the estimated earnings growth rate of 22.3% for CY 2025. On the other hand, analysts predict the other 493 companies will report earnings growth of 12.5% for CY 2026, which is above the estimated earnings growth rate of 9.4% for CY 2025. Market corrections, if any, are therefore more likely to present selective opportunities for long-term investors rather than signal a fundamental deterioration in the equity outlook. We continue to remain positive on Big tech and segments like AI and AI infrastructure. We may see a broader participation across sectors and market cap segments in the performance of US markets in 2026. US equities remain well-placed to deliver reasonable compounding for disciplined, long-term investors.

Source: ACE MF , NSE and BSE Indices, Mirae Asset Internal Research, Global X, Bloomberg, FactSet Quarterly Earnings Update 2025; Bloomberg NEF (BNEF), International Energy Agency (IEA) and other publicly available reports. Performance Data is as on Dec 18, 2025. All other datapoints are as on Nov 30, 2025 or latest data available in public sources.

Please Note:

1. Past performance may or may not sustain in future.

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