

EQUITY UPDATE

- Indian equities closed higher in September after two consecutive months of decline. Nifty 50 gained 0.8% while Nifty Midcap 150 and Nifty Small Cap 250 gained 1.4% and 1.1% respectively.
- Sector Indices witnessed a divergent performance with PSU Banks (11.4%), Metals (9.6%), Auto (6.3%) & Power (5.0%) gaining the most while Consumer Durables (-4.9%), IT (-4.3%) and Media (-4.3%) gaining during the month.
- Global Equity Indices gained during the month with South Korea, Taiwan, Japan, US (S&P 500), Brazil, Europe and China gaining 7.5%, 6.6%, 5.2%, 3.5%, 3.4%, 3.3% and 0.6% respectively.
- Global Macros**
 - Tariffs & Non-Tariff Barriers on Pharma & IT Sectors:** US administration decided to impose a one-time fee of US\$100,000 on new H-1B visa petitions and a 100% tariff on branded drug imports. Lingered uncertainty over trade negotiations has impacted the market sentiment over the past few months with latest moves impacting the IT and Healthcare sector.
 - US Fed** as widely expected reduced the policy rate by 25 bps to 4.25% at its FOMC meeting on 17th September – its first rate cut in CY 2025 in order to provide support to the weakening labor market even as inflation remains elevated and above its 2 percent target threshold. There are expectations of two more rate cuts in this calendar year.
 - Bond yield:** The US 10-year bond yield eased to 4.15% in September vs 4.23% in August amid reduction in US Fed policy rate by 25 bps.
 - Crude (Brent) spot prices** increased marginally to \$67.9 in September from \$67.6 in August amid increased supply and expectations of further output hikes from OPEC+.
- Domestic Macros**
 - Index of Industrial Production (IIP):** IIP grew at 4.0% in August vs 4.3% (revised upwards from 3.5%) in July, driven by strong mining activity. While the manufacturing sector recorded growth of 3.8%, electricity sector grew by 4.1%, and the mining sector registered 6.0% growth during the month. Based on Use based classification, Consumer durables (3.5%) expanded while consumer non-durables segment contracted (-6.3%) YoY.
 - September 2025 GST collection** stood at Rs 1.89 trillion growing by 9.1% YoY vs Rs 1.86 trillion (+6.5% YoY growth) in August 2025. GST collections during Apr-Aug 2025 grew by 9.8% to Rs 12.1 trillion.
 - Credit growth** for fortnight ending September 19, 2025 inched up to 10.3% YoY vs 10.2% in August 8, 2025. Deposit growth stood moderated to 9.5% from 10.1% during the same period. Supportive regulatory measures like - policy rate cuts, improving liquidity conditions, expected improvement in consumption demand and easing of regulatory norms on the lending side should help revive weak credit growth.
 - Inflation (CPI)** CPI inflation rose by 2.1% in August 2025 vs 1.6% in July 2025 amid food prices staying flat after two consecutive months of contraction. Food inflation remained unchanged during the month vs a moderation of 0.8% in July. Core inflation also remained unchanged at 4.1% during the month.
 - Currency:** INR depreciated further to close at Rs 88.8/US\$ in September compared to 88.2/US\$ in August as FPIs continued to be net sellers in Indian equities amid imposition of higher tariffs on Indian goods.
 - Monsoon:** India recorded above-average rainfall during the June to September monsoon season for a second consecutive year in 2025. The country received 8% more rainfall than average, boosted by heavy downpours in September.
- Regulatory, policy & market developments**
 - Supportive Monetary Policy:** The RBI MPC unanimously kept the policy repo rate unchanged at 5.5% at its October policy while maintaining the stance at “neutral” as it awaits transmission of 100 bps rate cut before reducing the policy rate further. Notably, 2 out of 6 MPC members voted for a change in stance to accommodative. Monetary Policy remains quite supportive with cumulative reduction of 100 bps in repo rate in 2025 (so far) and easing of liquidity conditions which augurs well for transmission of lower interest rates.
 - Equity trading trends:** FPIs continued to be net sellers in Indian equities for third straight month with net outflows of US\$1.7 bn in September 2025 vs US\$4.3 bn in August 2025. DIIs continued to be the major support for Indian equities and were net buyers to the tune of US\$6.2 bn in September vs US\$10.8 bn in August.

• Outlook

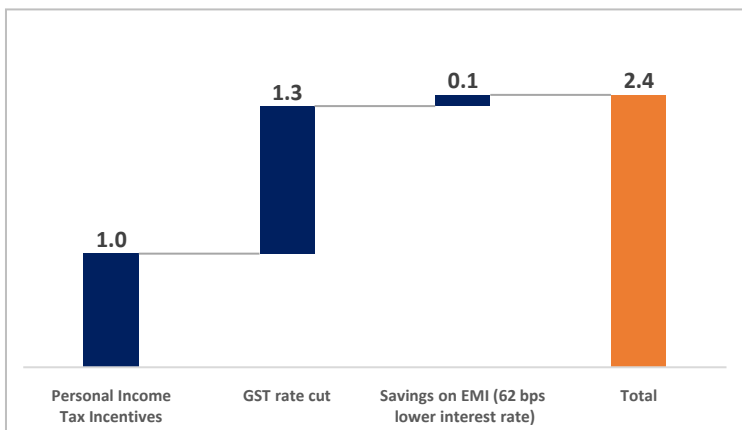
- Corporate earnings in India should see a cyclical recovery in 2HFY26**
 - India's macroeconomic fundamentals remain strong**, although growth has seen a cyclical slowdown in FY25 (7% sales growth for Nifty 50 companies) and 1HFY26. This was driven by lower government capex and inflation impacting consumption.
 - Global trade dynamics continue to face heightened uncertainty**, with recent policy measures announced by the US administration under President Trump creating renewed headwinds for Indian markets. Negotiations are ongoing and any resolution may help improve the market sentiments.
 - Both fiscal stimulus and monetary stimulus** are working in tandem to stimulate consumption. Govt. has rolled out a Rs. 2.3tn stimulus package, led by Rs. 1tn of personal income tax cuts and Rs. 1.3tn of GST rate reduction. These measures, alongside lower EMIs on fresh loans, prospective rate cuts from RBI, rural 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. The auto sector is already reflecting early signs of improvement ahead of the festive season. We expect these benefits to cascade into other discretionary categories and FMCG over time.
 - The earnings cut cycle has already started to ease**, with the latest quarterly cuts at a more modest ~1-2% range. 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.
- India long-Term Story Intact:** While near term concerns have risen and could weigh on investor sentiments, medium to long term India story remains intact driven by the following:
 - India's macros remain robust (Fiscal consolidation, Strong Balance Sheets, Recovery in Consumption etc) amidst slowing global growth.
 - India's long-term growth prospects steady, projected at 6.5% real GDP growth and 10-11% nominal GDP growth.
 - Strong Balance Sheets: The strength of bank (NPAs below 1%) and corporate balance sheets is notable. India Inc.'s profits are growing strong, but they are also generating large amounts of free cashflows – in sharp contrast to 2003-2008, where free cashflows were in deficit. Household debt levels are also reasonable compared to global standards. India's aggregate debt to GDP is lower than in 2010, while it has risen globally.

India's Key things to watch out are (a) Bilateral trade agreements with US and eventual tariff rates (b) Rate trajectory by major central banks, (c) Oil price trend, (d) Geopolitical tensions, and (e) Revival in consumption during festive session.

Valuation and view: The Nifty 50 Index's valuation is trading at ~19x FY27E P/E. Earnings growth is expected to be around ~12% over the next 2 years led by BFSI, Metals, Telecom and Discretionary consumption. Valuations at an aggregate level seem reasonable barring few pockets which are still trading at elevated valuations. Mean reversion is expected in these segments.

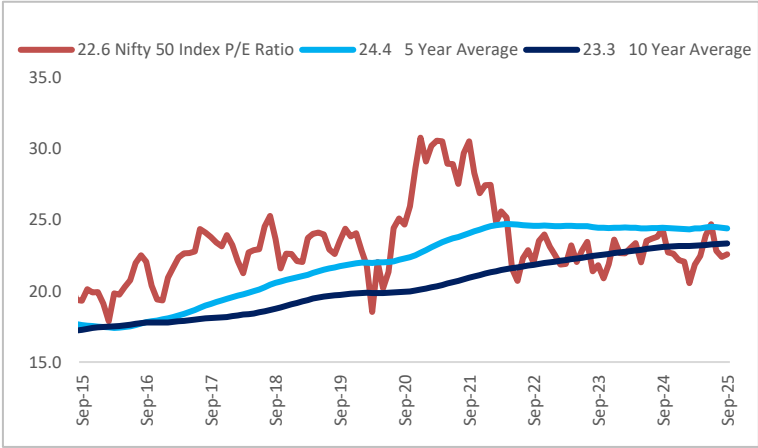
Broad based strategies like – Flexi Cap and Multi Cap may be preferred in the current market environment. One may also look at investing in thematic offerings focused on Consumption and BFSI space as they offer better risk-reward at the current juncture. Conservative investors may consider investing in Hybrid Funds to navigate through the market volatility.

Chart of the month: Recent Government actions to boost Consumption (Rs trillion)



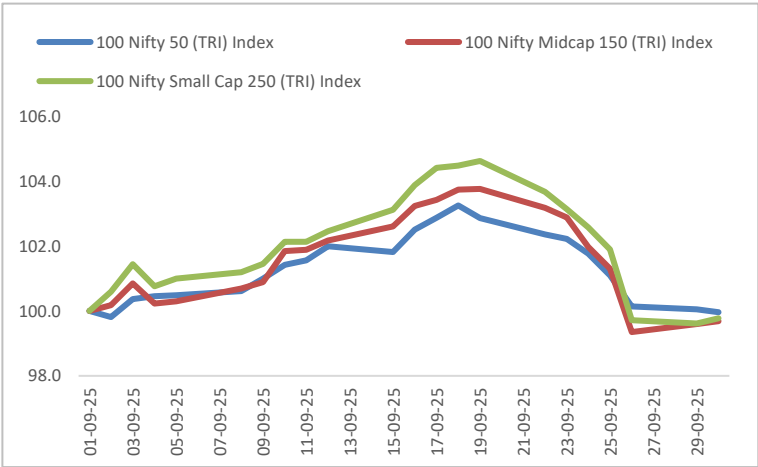
Source: Aventus Spark Research

Nifty 50 Index Valuation Chart



Source: NSE Values as on 30th September 2025

Index Movement Last Month



Source: NSE Values as on 30th September 2025

High Frequency Indicators

	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Industry																								
PMI manufacturing	57.5	55.5	56.0	54.9	56.5	56.9	59.1	58.8	57.5	58.3	58.1	58.1	56.5	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.8
Credit growth (industry)	7.1	5.9	6.6	8.6	7.3	9.3	8.5	7.4	9.4	8.1	10.1	9.7	8.9	7.9	8.0	7.2	8.0	7.1	7.8	6.6	4.8	5.5	6.0	6.5
Petroleum products consumption (industrials)	12.2	(2.9)	(2.0)	10.2	13.7	11.1	(4.0)	15.5	(0.7)	3.9	21.6	(10.8)	(13.4)	7.2	16.0	(8.7)	(1.3)	(16.4)	(14.7)	(11.4)	(6.8)	(7.9)	(20.2)	(1.3)
Bitumen consumption	37.5	26.6	(19.6)	10.9	10.5	0.9	(1.0)	(4.8)	8.8	3.7	(20.5)	(42.9)	(16.6)	(14.6)	13.5	3.8	1.4	(5.6)	(6.2)	3.2	(14.3)	(6.0)	12.8	47.1
Diesel consumption	3.8	9.3	(3.0)	2.6	8.1	8.2	1.7	7.8	1.9	2.7	4.5	(2.5)	(1.9)	0.1	8.5	5.9	4.2	(1.3)	0.9	4.2	2.2	1.5	2.4	1.2
Core infrastructure	9.2	12.7	7.9	4.9	4.1	7.1	6.0	6.7	6.3	5.1	6.1	(1.6)	2.4	3.7	5.8	5.1	5.1	3.4	4.5	1.0	1.2	2.2	3.7	6.3
IIP mining	11.5	13.1	7.0	5.2	5.9	8.1	1.3	6.8	6.6	10.3	3.8	(4.3)	0.2	0.9	1.9	2.7	4.4	1.6	1.2	(0.2)	(0.1)	(8.7)	(7.2)	6.0
IIP manufacturing	4.9	10.2	1.2	4.5	3.6	4.9	5.8	3.9	5.0	2.6	4.4	1.1	3.9	4.4	5.5	3.7	5.8	2.8	4.0	3.1	2.6	3.7	6.0	3.8
IIP electricity	9.9	20.4	5.8	1.2	5.6	7.5	8.6	10.2	13.7	8.6	7.9	(3.7)	0.5	2.0	4.4	6.2	2.4	3.6	7.5	1.7	(5.8)	(1.2)	3.7	4.1
IIP coal	16.0	18.4	10.9	10.7	10.2	11.6	8.7	7.5	10.2	14.7	6.8	(8.1)	2.6	7.8	7.5	5.3	4.6	1.7	1.6	3.5	2.8	(6.8)	(12.3)	11.4
Railways freight traffic	4.2	8.5	4.3	6.4	6.4	10.1	NA	1.4	3.7	10.1	4.5	0.0	NA	1.5	1.4	1.7	0.0	(3.0)	3.0	3.6	2.7	0.9	0.0	
Steel production	14.6	14.1	18.5	12.9	6.4	13.5	7.2	5.7	6.2	1.0	10.0	3.9	1.6	4.1	4.0	3.3	7.6	7.5	8.6	5.1	8.3	11.1	13.7	12.9
Services																								
PMI services	61.0	58.4	56.9	59.0	61.8	60.6	61.2	60.8	60.2	60.5	60.3	60.3	57.7	58.5	58.4	59.3	56.5	59.0	58.5	58.7	58.8	60.4	59.8	62.9
Credit growth (services)	25.0	23.6	25.4	22.9	24.9	23.6	23.5	21.7	23.2	17.4	14.0	13.9	13.7	12.7	13.0	11.7	12.5	12.0	12.4	10.5	8.7	9.0	10.6	10.6
Airport passenger traffic	18.4	10.8	9.0	8.3	4.6	4.8	3.7	2.4	4.4	5.8	7.3	5.7	6.4	8.1	11.9	8.2	11.3	11.0	8.8	8.4	1.9	3.0	(2.9)	(1.4)
Airport cargo	4.8	11.5	14.0	11.5	10.3	13.9	2.9	0.0	7.6	7.2	5.2	2.3	9.6	11.4	(4.5)	5.4	6.1	(7.7)	4.0	11.5	5.0	0.2	4.4	5.5
Foreign tourist arrivals	17.5	19.8	16.8	7.8	10.4	15.8	8.0	7.7	0.3	9.0	(1.3)	(4.2)	0.4	(1.4)	(0.1)	(3.7)	(2.5)	(11.3)	(16.9)	(6.9)				
Demand																								
Credit growth (personal loans)	30.3	29.7	30.1	28.5	28.8	28.3	27.5	27.1	28.7	25.6	15.0	13.9	13.4	12.9	13.3	12.0	11.8	11.7	11.6	11.9	11.1	12.1	11.9	11.8
Center's expenditure (net of interest payment)	(1.5)	(22.2)	(17.1)	9.3	(22.2)	25.5	(10.1)	15.2	(21.1)	(29.3)	(2.6)	25.2	4.1	31.0	5.2	30.4	19.3	(26.3)	16.9	26.1	10.6	15.3	5.3	(15.9)
Fuel consumption (retail)	4.9	7.2	0.5	(0.9)	5.7	7.4	4.8	5.6	2.6	2.1	7.1	2.3	0.2	3.8	8.4	6.9	5.0	0.1	2.6	4.9	5.2	4.3	3.9	3.2
Passenger vehicle sales	17.7	33.9	21.0	21.7	31.9	27.0	26.0	1.3	4.0	3.1	(2.5)	(1.8)	(1.4)	0.9	4.0	10.0	1.6	1.9	3.6	3.9	(0.8)	(7.4)	(0.2)	(8.8)
Two wheeler sales	0.8	20.2	31.3	16.0	26.2	34.6	15.3	30.8	10.1	21.3	12.5	9.3	15.8	14.2	(1.1)	(8.8)	2.1	(9.0)	11.4	(16.7)	2.2	(3.4)	8.7	7.1
Non-oil imports	(11.6)	13.8	(2.7)	3.4	2.4	17.8	(6.6)	6.9	(0.2)	0.5	4.6	15.9	5.8	(6.0)	19.7	6.3	19.9	(11.3)	9.4	16.3	10.0	(2.0)	9.0	(14.3)

Notes:
(a) Petroleum products consumption comprise naphtha, NGL, LDO, furnace oil, LSHS, etc.
(b) Fuel consumption comprise LPG, kerosene, gasoline and diesel.

Source: CEIC, Kotak Institutional Equities

The above chart shows a heat map for various indicators from September 2023 to August 2025 where greener cells signify positive movement, and negative as it moves to red.

Source: Bloomberg. All the above data is as on 30th September 2025 unless stated otherwise. 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.

Past Performance May or May not sustain in future

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Performance of Global and Regional Indices

Name	Performance (%)			
	1m	3m	6m	1Yr
Global and regional indices				
Brazil (Bovespa)	3.4%	5.3%	12.3%	10.9%
Shanghai (SHCOMP)	3.2%	17.9%	19.4%	15.5%
Germany (DAX)	-0.1%	-0.1%	7.7%	23.6%
Hong Kong - HSI	7.1%	11.6%	16.2%	27.1%
Japan (Nikkei)	5.2%	11.0%	26.2%	18.5%
Korea (Kospi)	7.5%	11.5%	38.0%	32.1%
UK (FTSE)	1.8%	6.7%	8.9%	13.5%
US (Dow Jones)	1.9%	5.2%	10.5%	9.6%

Source: Bloomberg; Data as on 30th September 2025



Performance of Major Indian Indices

Major Indian Indices	Aug-25	Sep-25	Performance %			
			1m	3m	6m	1yr
BSE SENSEX - TRI	125013.4	125751.8	0.6	-3.7	4.6	-3.6
NIFTY 50 - TRI	36709.0	36992.7	0.8	-3.2	5.5	-3.5
Nifty Midcap 150 - TRI	26356.5	26732.2	1.4	-4.1	10.4	-5.2

Source: MF1360; Data as on 30th September 2025



Performance of Indian Sector Indices

Name	Performance (%)			
	1m	3m	6m	1Yr
NSE Sector Indices				
NIFTY AUTO - TRI	6.3	11.9	25.7	-0.9
NIFTY BANK - TRI	1.8	-4.4	6.8	3.9
NIFTY ENERGY - TRI	4.2	-3.7	4.9	-19.3
NIFTY FMCG - TRI	-2.5	-0.1	3.3	-14.8
Nifty Infrastructure - TRI	1.6	-3.9	7.1	-5.1
NIFTY IT - TRI	-4.3	-13.3	-7.8	-18.0
NIFTY MEDIA - TRI	-4.3	-11.9	4.8	-27.3
NIFTY METAL - TRI	9.7	5.6	11.0	-0.7
NIFTY PHARMA - TRI	-1.6	-2.3	2.0	-7.2
NIFTY REALTY - TRI	-0.3	-11.8	2.2	-20.8

Source: AceMF; Data as on 30th September 2025