

WHAT WILL DRIVE THE INDIAN MARKET IN 2026?

Mike Sell's view from the ground

5th March 2026

Alquity



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Introducing the Alquity Group

We offer a comprehensive range of investment solutions

The Alquity Group was founded in 2012 by **Paul Robinson** (CEO)

\$427m in AUM

21 team members

Avg experience: 18 years

Avg tenure: 10 years



Source: Alquity, as of 20th February 2026.

**Emerging Markets
Equities**

**India, Asia & Global
Emerging Markets**

**Model Portfolio
Solutions**

Tailored to client needs

**Developed Markets
Equities**

**Global Impact,
Global, Small &
Micro-Cap US
Equities**

Multi-Asset

**Cautious, Balanced and
Growth Funds**

The Alquity Team

Today's Speaker



Mike Sell,
Head of Global Emerging
Markets

Over 30 years of experience
investing in Emerging Markets

Joined Alquity in 2014



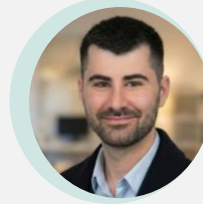
Kieron Kader,
Associate Portfolio Manager

10 years investing in Emerging Markets
Joined Alquity in 2019



Daniel Billis,
Associate Portfolio Manager

7 years investing in Emerging Markets
Joined Alquity in 2018



Francisco Gala,
Business Analyst

ESG Analysis & Reporting
Joined Alquity in 2020

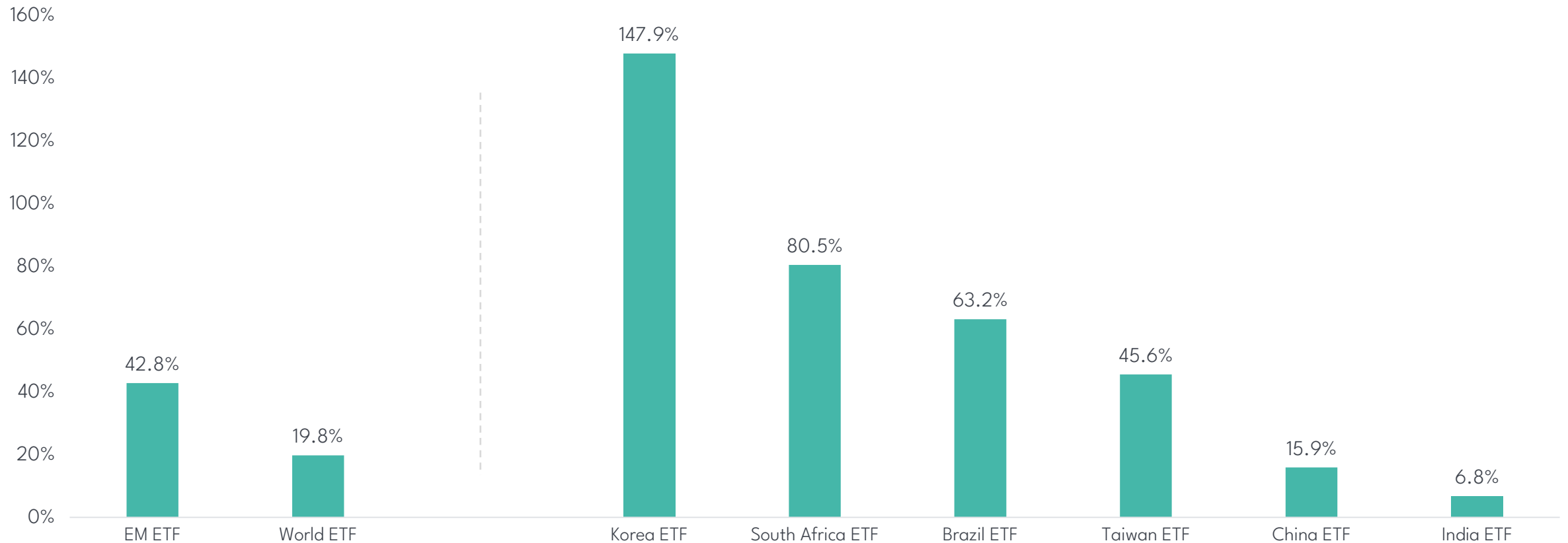


Vikas Kumar,
Business Analyst

Based in Chandigarh, outside Delhi
Part of Alquity since 2023

Recap of market performance

Performance across major Emerging Markets over the last 12 months in USD terms

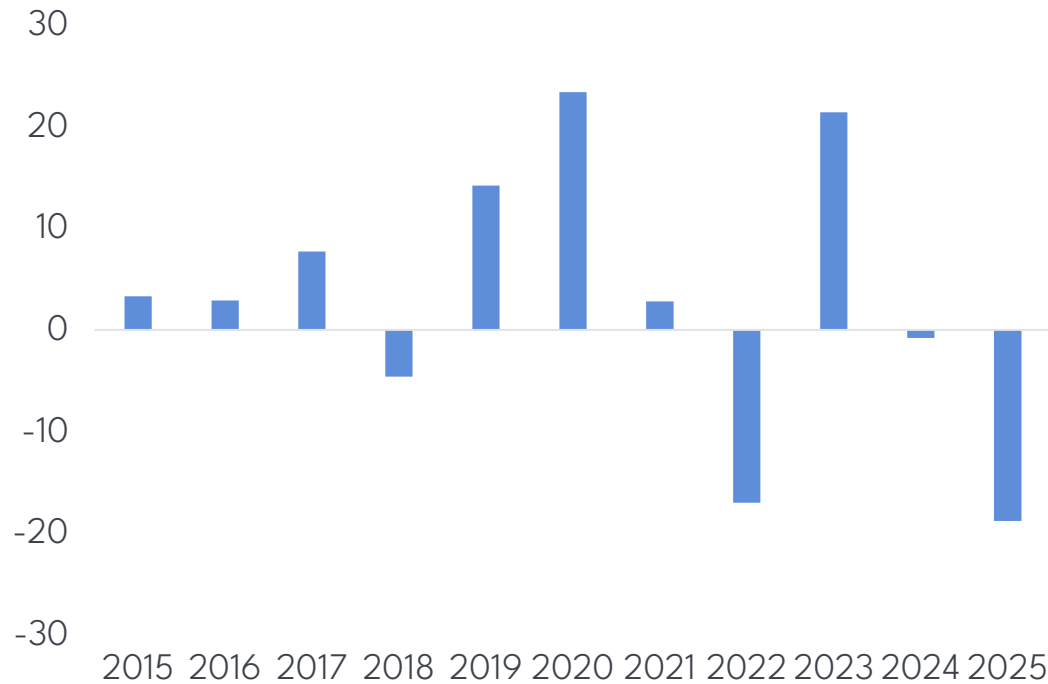


Source: Alquity, Bloomberg, as of 23rd February 2026. Returns shown are for representative market indices in each country. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, expressed or implied is made regarding future performance.

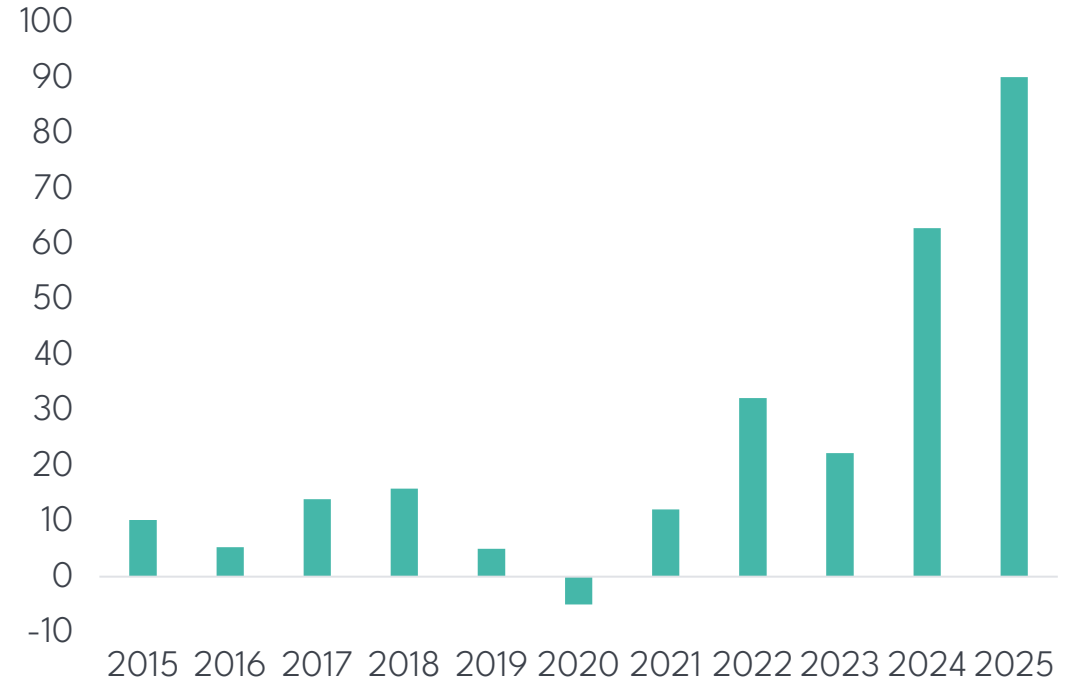
Active fund allocations to India are at a decade low

Broker upgrades beginning

Foreign outflows for equities were the highest ever in 2025
(in USD bn)

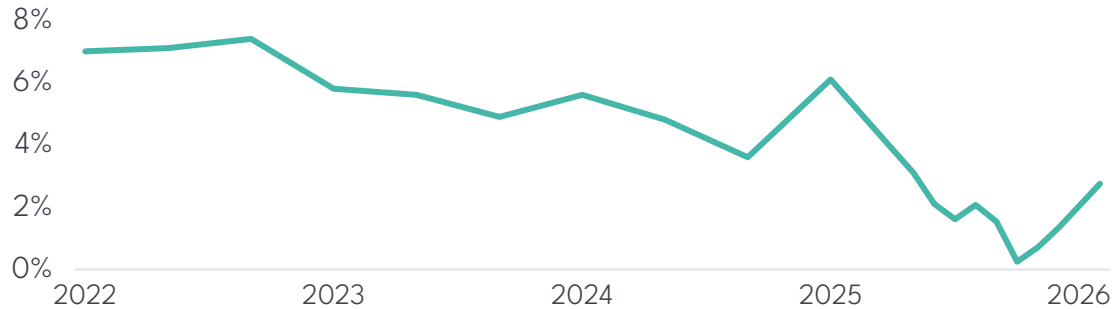


Domestic inflows into equities were the highest ever in 2025
(in USD bn)

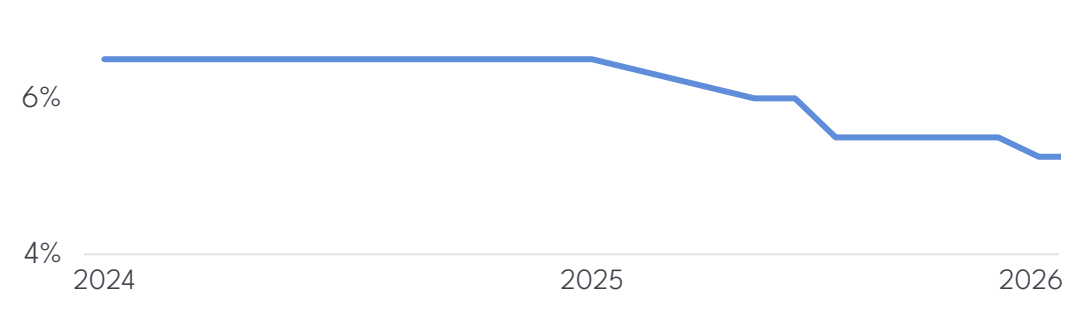


But, the macro-economic environment is positive

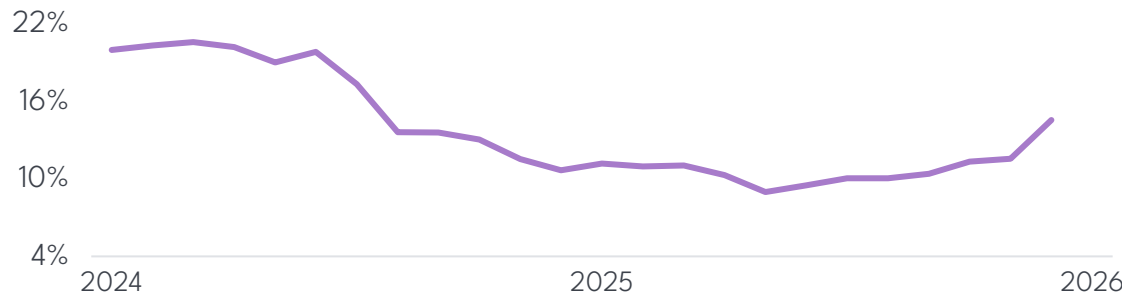
Inflation remains well-controlled



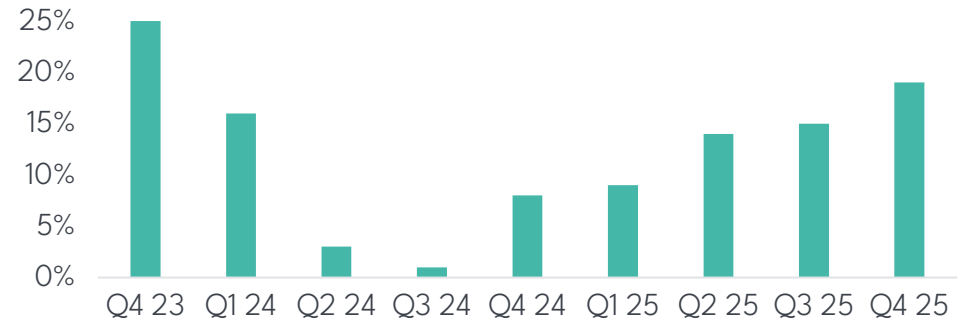
Significant interest rate cuts



Bank credit growth is finally accelerating



Strongest BSE 500 net profit growth for 8 quarters



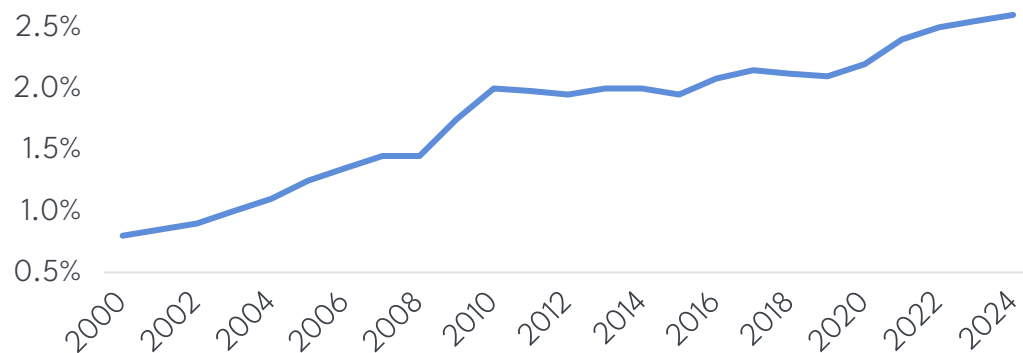
Plus significant tax cuts

Sources: Alquity, Bloomberg, Spark, as of February 2026. Bank credit, earnings growth and inflation data are YoY.

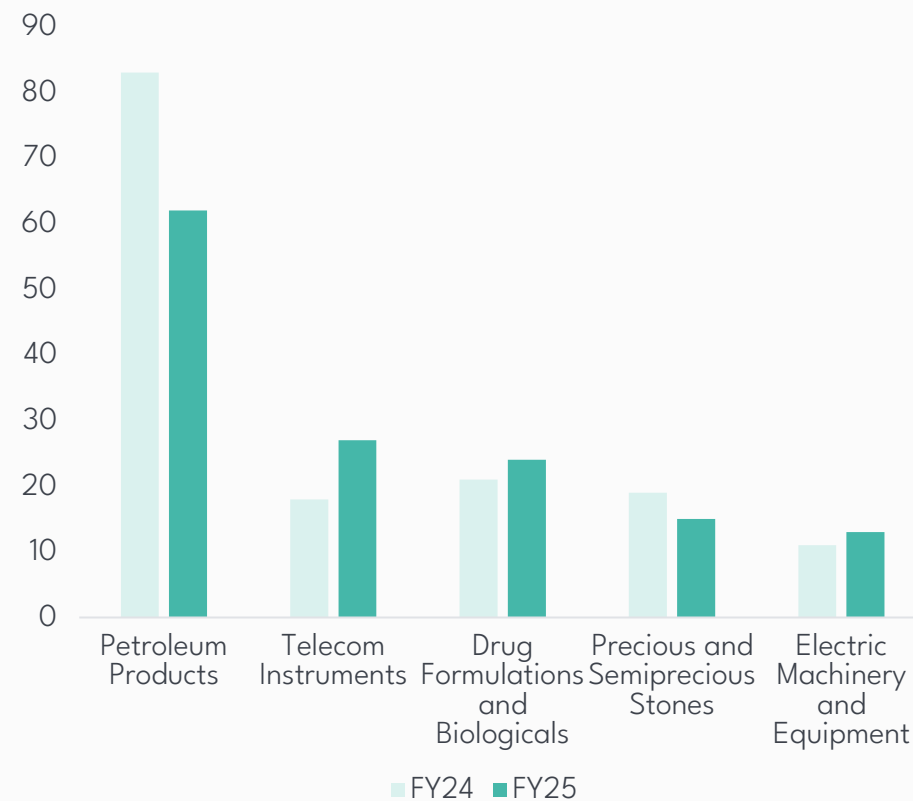
We believe rupee weakness is only temporary

- **In 2025, the rupee fell 4.8% vs USD**, driven by record equity outflows and stalled US trade talks; not structural weakness
- **The India-US trade deal** cut reciprocal tariffs from 25% to 18% and scrapped the 25% levy on Russian oil
- The January 2026 **India-EU FTA** creates a ~\$27tn market, targeting \$200bn in bilateral trade by 2030, building on India's ~\$15bn EU surplus

India's share in global exports

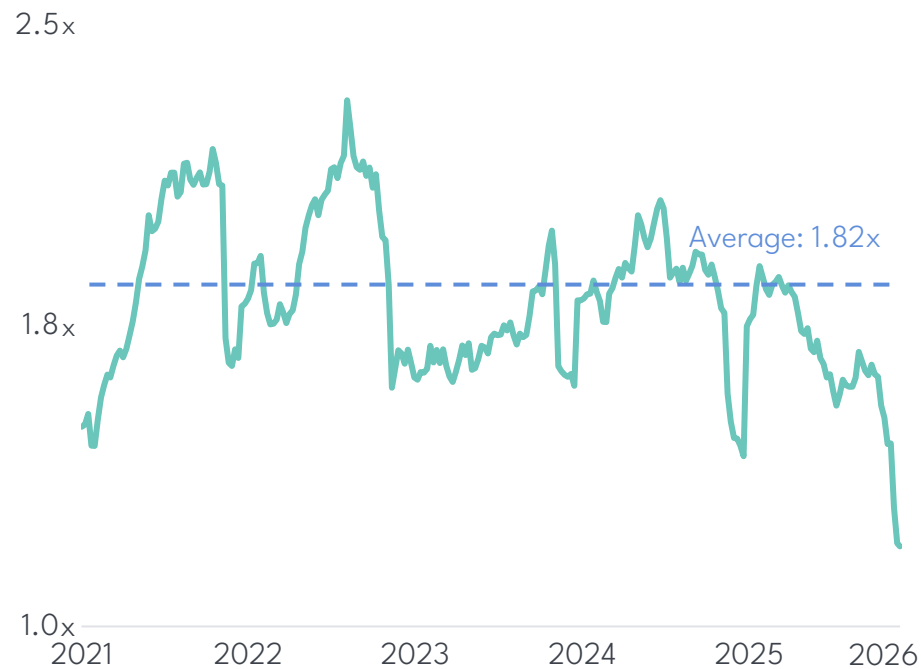


Key exports
(in USD billion)

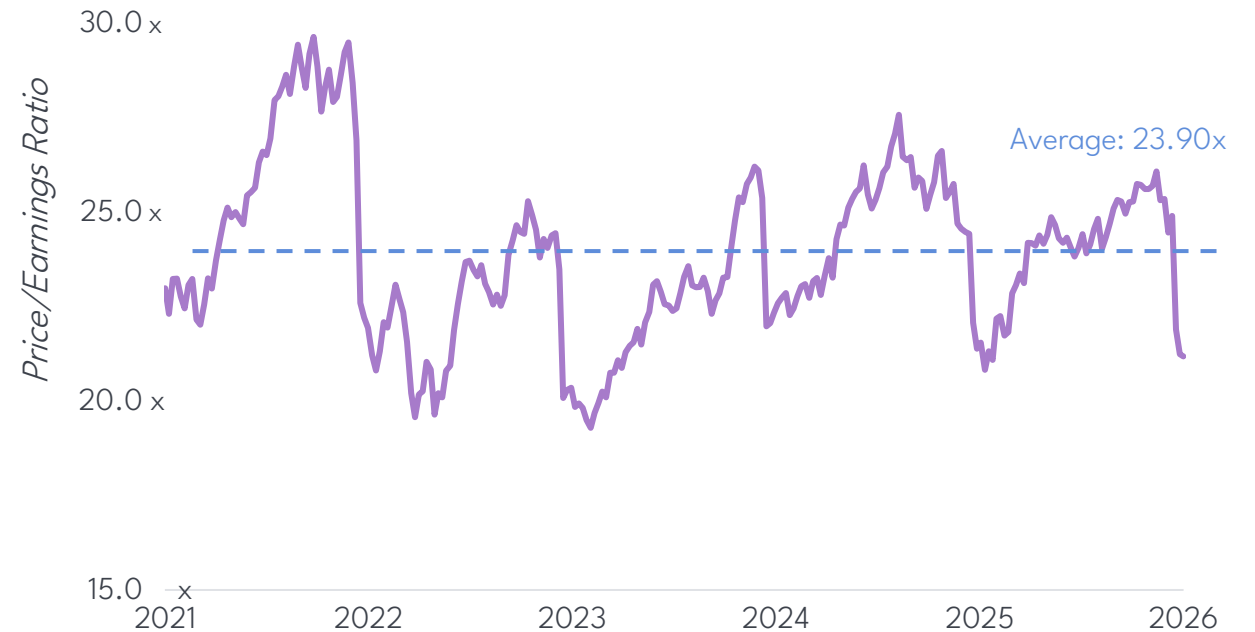


The market seems to be ignoring India's fundamentals

India's P/E premium over Emerging Markets has reversed



Indian valuations are at a discount to their own history

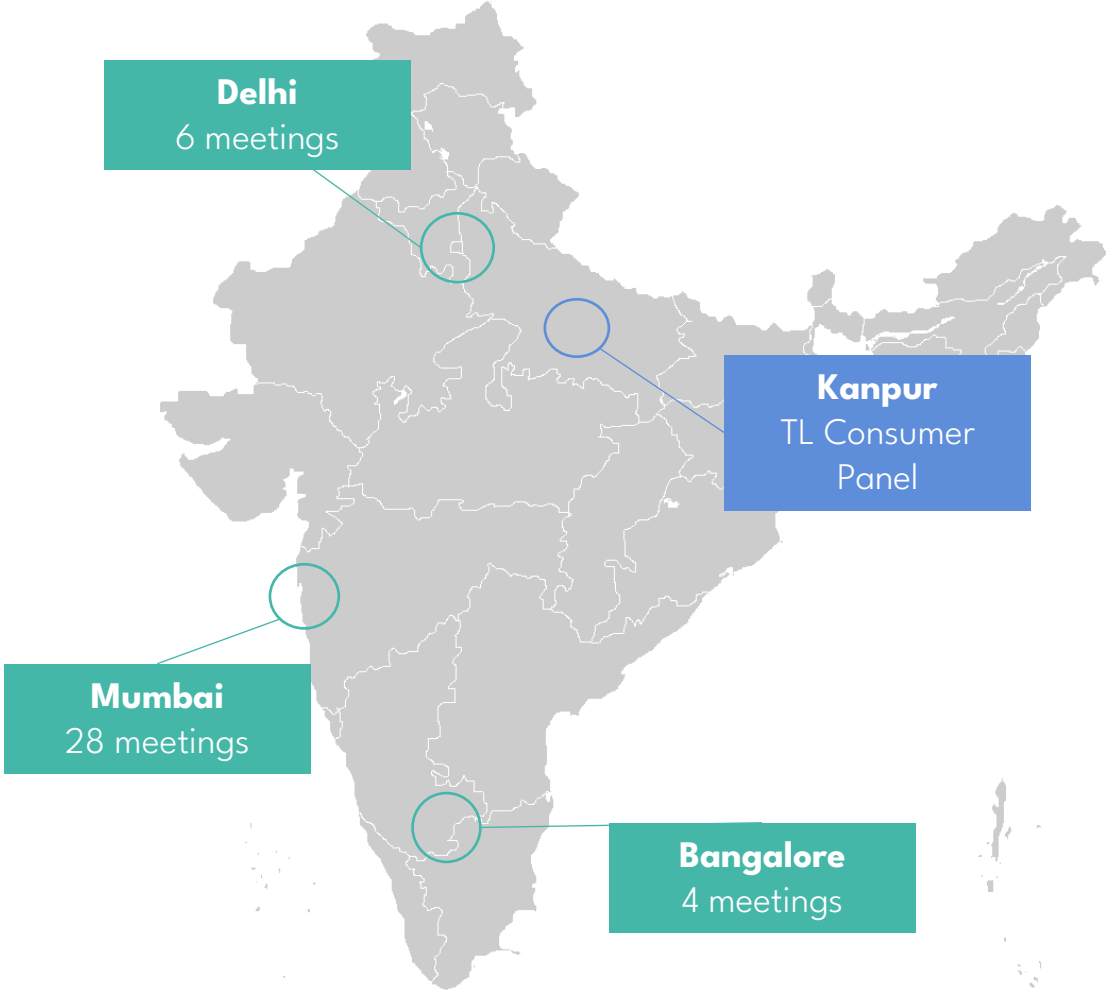


2025 was the weakest year for Indian equities versus Emerging Markets in three decades¹

Source: Bloomberg, as of 20th February 2026. Data based on the Indian and Emerging Markets indices (trailing 12-month P/E ratios); ¹ Source: Goldman Sachs, as of January 2026
The valuations presented in this slide are for informational purposes only and should not be solely relied upon for investment or financial decisions.



Mike's recent trip to India



Transforming Lives Consumer Panel

Key takeaways

- Electronic and white goods now have high levels of penetration (versus only 2-3 years ago)
- Travel remains aspirational, with minimal participation at present
- All consumers now shop online
- 20% use “quick delivery” for online grocery shopping
- Vmart and Vishal Megamart have high brand recognition
- Fast food restaurants are typically visited once per month



Key messages from company meetings

Retail



Accelerating store growth as management becomes more positive



Sales recovery over the last few quarters continues

Autos



Buoyant demand, especially at the entry level



Increasing adoption of electric scooters

Leisure



Strong demand persists



Digitalisation

Retail, stockbroking, restaurant/grocery delivery, travel, and transportation continue to grow at pace

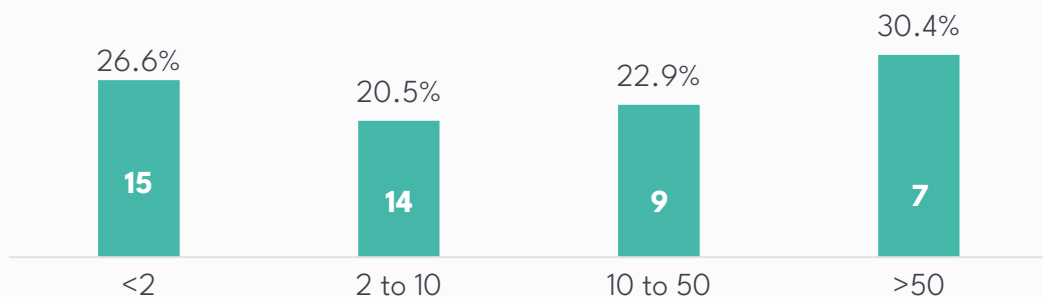
Concerns

- Increasing competition in retail and online delivery
- Commodity cost pressure
- Impact of AI

Our conviction is our differentiation

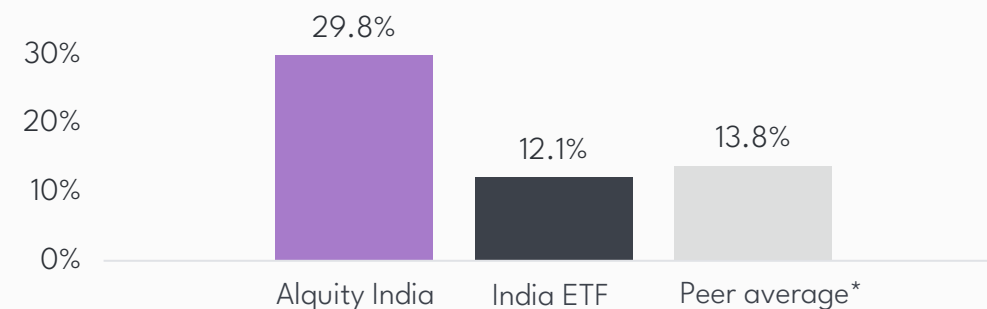
We focus on New India

Market capitalisation split (in \$ bn)
and number of holdings by market capitalisation



- 22/45 holdings are out of index
- 53% of our holdings are entrepreneurial-driven
- Disciplined long-term approach, but our size provides the ability to be nimble

Consumer Discretionary
% within the portfolio



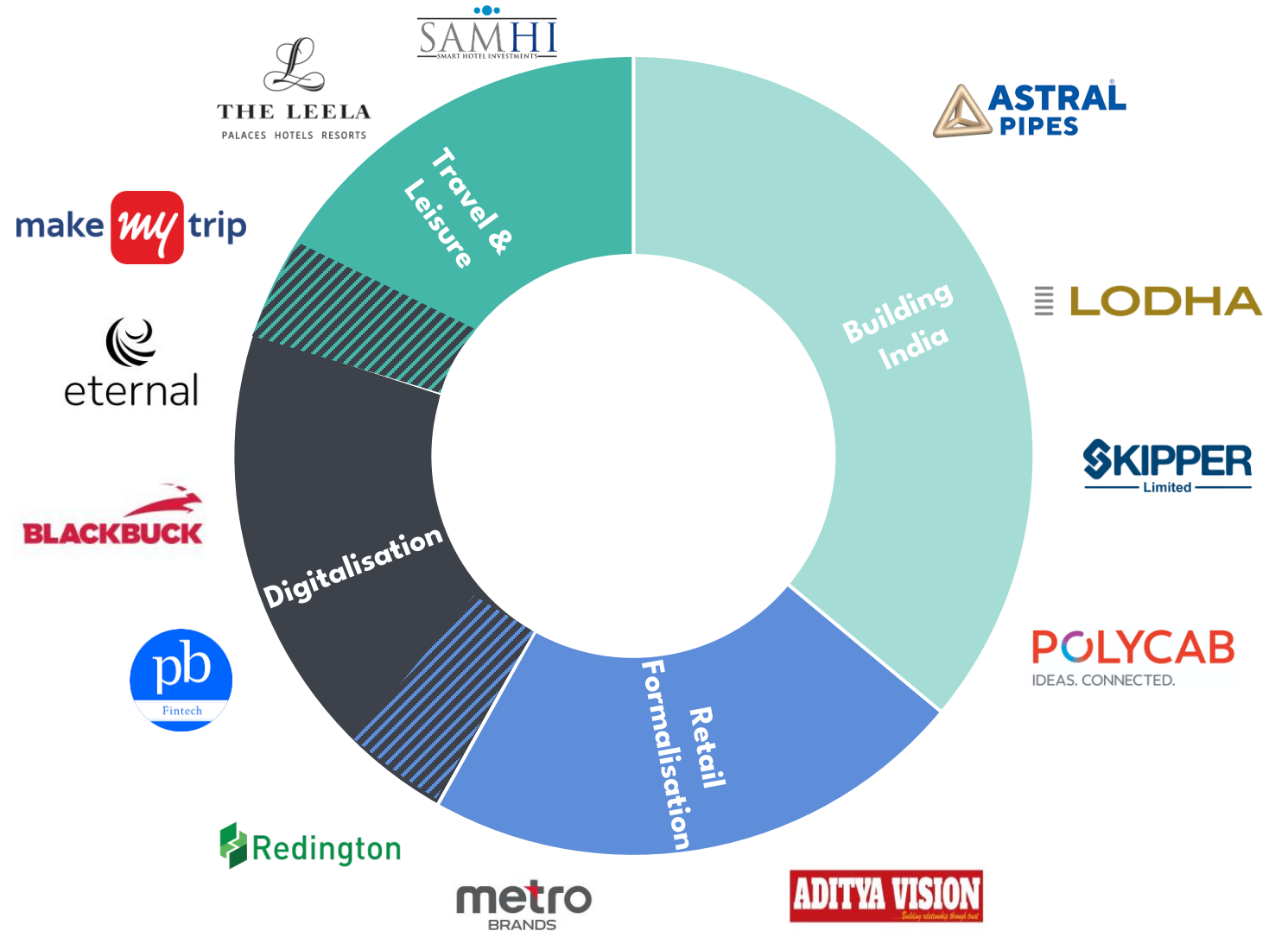
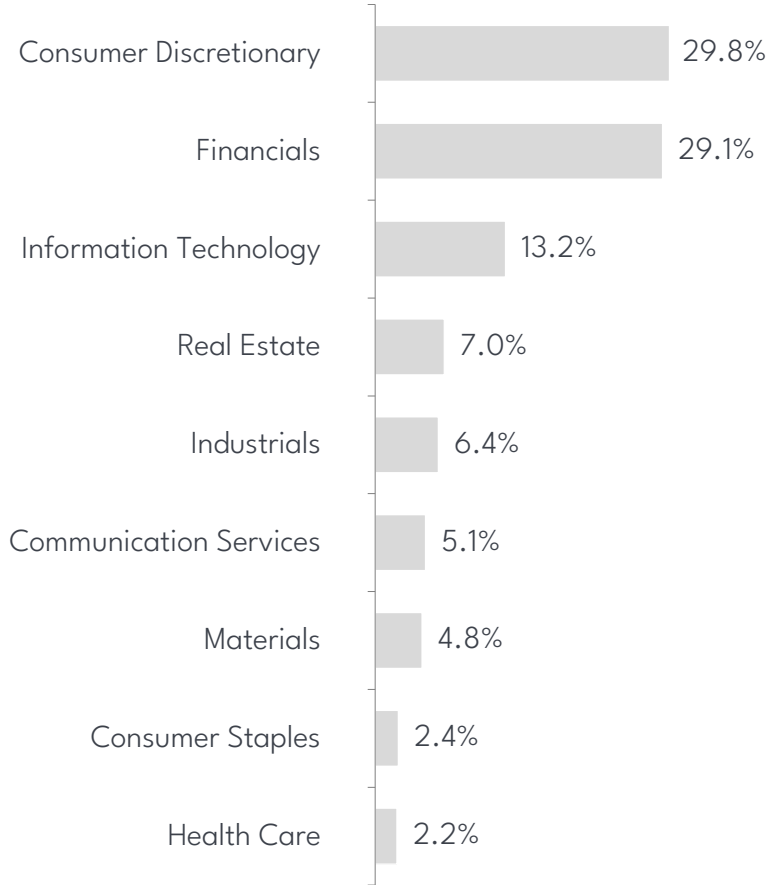
- Las Vegas has more hotels than India; we have a strong focus on travel and leisure
- Digitalisation is democratising India
- We avoid conglomerates, state-owned banks, and oil refineries (“Old India”)

Source: Alquity, Bloomberg, Hilton, as of 31st January 2026.

*The peers' average is composed of five Indian funds from our more relevant competitors.

We concentrate on India's dynamism and domestic growth

Sector allocation



Source: Alquity, Bloomberg, as of 31st January 2026. For the purposes of reporting, the unrealised capital gains have been removed from the portfolio calculations, however, remain part of the NAV calculation. Fund weightings adjusted for cash holding. The companies discussed above are provided for information only, are subject to change and are not a recommendation to buy or sell them.

We offer cheaper valuations, higher ROE and faster earnings growth

	2026 P/E ratio	2027 P/E ratio	2026 ROE	2027 ROE	5-year avg EPS growth	Fwd 1yr EPS (YoY)	Fwd 2yr EPS (YoY)
Alquity India	35.3x	28.1x	20.4%	21.8%	67.0%	22.5%	21.2%
India ETF	37.3x	28.6x	20.3%	21.4%	38.5%	20.8%	18.2%
India Small-Cap ETF	48.8x	32.6x	17.9%	18.3%	52.1%	34.0%	21.1%

Source: Bloomberg, as of 31st December 2025.

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Our long-term perspective and in-depth knowledge, delivers results

Annual performance

Performance (in USD)	2021	2022	2023	2024	2025
Alquity India Fund	44.5%	-10.1%	19.9%	10.8%	-3.4%
India ETF	22.4%	-9.4%	17.5%	9.0%	2.5%
India Small-Cap ETF	44.7%	-14.0%	34.8%	17.3%	-6.8%

5 years	10 years	Since Inception (30/04/14)
66.6%	144.8%	200.4%
45.6%	119.4%	135.1%
83.0%	152.0%	246.3%

- A greater focus on **New India**, structural themes and domestic growth
- We look for the **'Best of India'**, regardless of capitalisation and index inclusion
- A portfolio with a **lower environmental footprint**
- **ESG** is a critical risk mitigation tool

The Fund typically performs best when small cap, quality growth and fundamentals are in favour and lags when deep value leads and poor governance is overlooked.

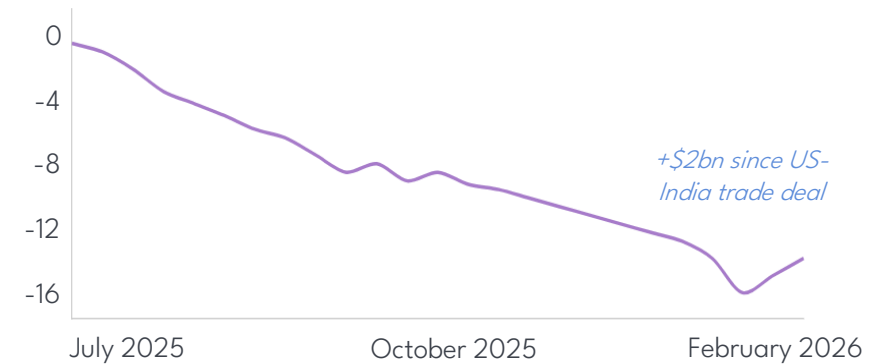


Why we expect Small Cap to outperform again

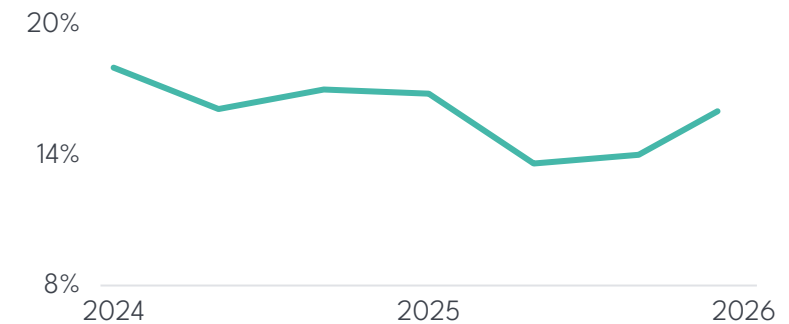
6/7 key factors are supportive

- ✓ **Equity flows have finally turned positive**
 - ✓ Domestic flows remain strong
 - ✓ Foreign investors have flipped from sellers to buyers
- ✓ This is in addition to **lower interest rates** and **accelerating credit and GDP growth**
- ✓ **Earnings revisions** are now positive
- ✓ **Valuations** are below long-term averages
- ? What's missing? Large cap to deliver positive market returns
 - This can happen simultaneously

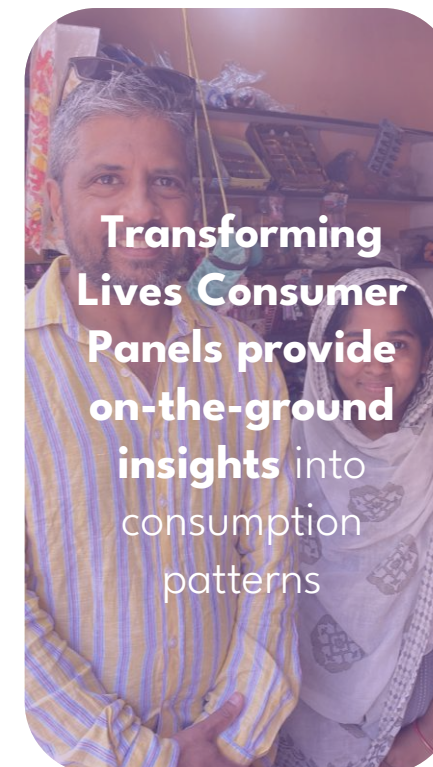
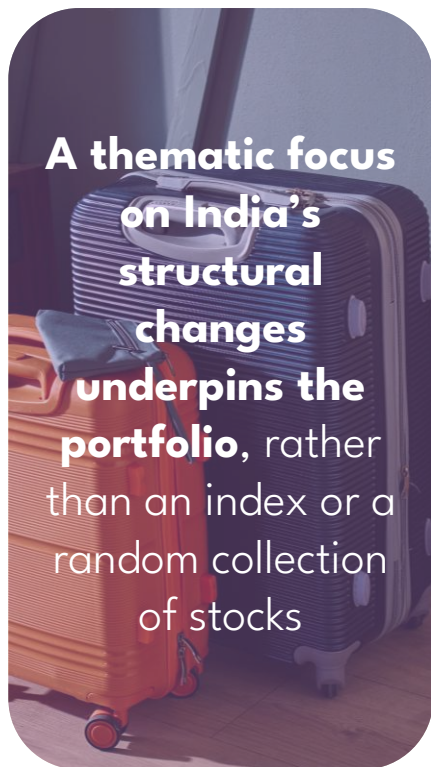
Foreign Flows in Indian Equities
(in USD billion)



India's earnings growth forecast (12mth fwd)



Conclusion



Under researched small caps are a source of alpha



Q&A

If you have any further questions, please reach out to us at:

investors@alquity.com

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