MONTHLY NEWSLETTER

Mid-Year Markets and Allocation Wisdom

July 2025

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Market Data & Macros

MARKET SNAPSHOT

BSE Sensex: 83,606 (2.65% MoM)
Nifty 50: 25,517 (3.10% MoM)
Nifty Bank: 57,313 (2.80% MoM)
Nifty Midcap: 59,741 (4.04% MoM)
Nifty Small-Cap: 19,075 (6.66% MoM)
Nifty PE Ratio: 22.97

*" MoM" an abbreviation for "Month on Month Performance".
Data as on 30th June, 2025.

Brent Crude: $66.74/barrel
USD/INR: 85.54
Gold (Rs/10 gms): ₹95,886
10-year G-sec yield: 6.32%

Data as on 30th June, 2025.

June 2025 delivered another month of gains for Indian equities, with the Nifty 50 climbing 3.10% and the Sensex rising 2.65%, sustaining a multi-month positive streak despite increasing global uncertainty. Markets were supported by a healthy domestic macro backdrop, robust liquidity from mutual funds and domestic institutions, and broadly stable foreign flows even as investors remained vigilant about geopolitical risks and trade tensions.

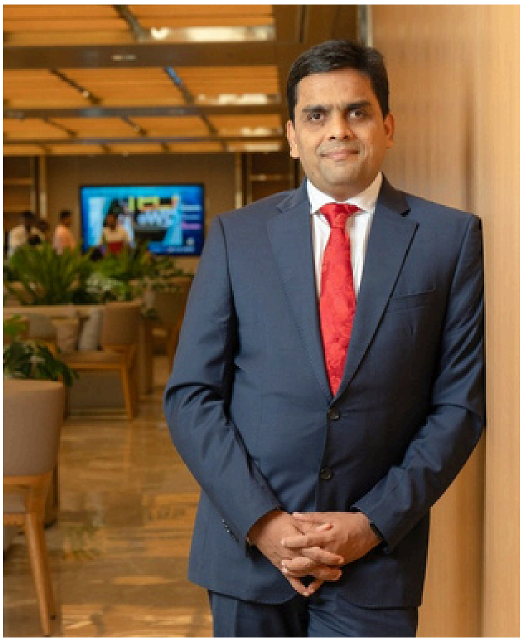
Market breadth was once again a highlight. The Nifty Midcap 100 gained 4.04% and the Nifty SmallCap 100 surged 6.66%, driven by persistent retail interest and selective institutional buying in fundamentally strong names. Select Sectors faced renewed tariff concerns after the U.S. administration confirmed no extension of the July 9 deadline for new trade deals—adding near-term uncertainty for export-focused segments.

On the macro front, India's underlying momentum remained resilient but signalled moderation. Industrial Production growth slowed to 1.2% in May (reported in June), from 2.6% in April, highlighting a mixed investment cycle and cautious private capex. However, inflation data was a bright spot: headline CPI cooled to 2.82%—the lowest in over two years—helping anchor rate expectations and supporting real purchasing power. WPI inflation also eased to 0.39%, reinforcing disinflationary trends.

With market breadth still supportive but valuations in select segments increasingly demanding, a disciplined, large-cap oriented, quality-focused multi-asset approach will be helpful. Emphasis should remain on companies with robust earnings visibility and sectoral tailwinds, while maintaining allocations to debt and gold for portfolio resilience. As we move into July, monsoon dynamics, rural demand recovery, government spending momentum, and clarity on global trade negotiations will be key drivers to monitor.

In The News:

1. India's Industrial Production expanded 1.2% in May, slower than the previous month's 2.6%.
2. Fiscal Deficit for April-May stood at Rs 13,163 crore (0.8% of FY26 target).
3. RBI forecasts bank NPAs rising to 2.5% by March 2027.
4. SEBI permitted intermediaries to use NPCI's 'e-KYC Setu System' for digital KYC.
5. U.S. Dallas Fed Manufacturing Index rose to -12.7 in June, showing slight improvement.
6. UK GDP growth eased to 1.3% year-on-year in Q1 2025.
7. China Caixin Manufacturing PMI improved to 50.4 in June from 48.3, indicating modest expansion.



From Director's Desk

Portfolios That Endure, Not Chase

The Only Free Lunch in Investing… Still Comes With a Bill.

One of the most enduring truths in investing is this: chasing returns rarely builds lasting wealth. But thoughtful asset allocation does. And yet, many investors, especially in buoyant markets, focus on the latest fund, the hottest stock, or timing the next correction. It's understandable. But over time, it's not clever timing or selection that delivers outcomes; it's strategy.

Nobel laureate Harry Markowitz called diversification "the only free lunch in investing." What he meant was simple: when we spread our investments across u0ncorrelated asset classes, we reduce risk without necessarily compromising returns. But here's what most overlook: even the free lunch comes with a bill. Not in returns lost, but in the discipline it demands: clarity, patience, rebalancing, and the willingness to stay steady even when others sprint.

In other words, diversification isn't just a strategy; it's a commitment.

A landmark global study found that nearly 90% of a portfolio's return variability is explained by asset allocation, not the choice of individual securities. Closer to home, recent data tells the same story. In FY 2024–25, gold returned 30% over 12 months (and 41% in USD terms); proof positive that including uncorrelated assets can transform a portfolio's journey.

And this isn't a one-off. Over the past decade, Indian investors who maintained balanced exposure across asset classes outperformed those chasing single-asset trends during market rotations. We saw a real-time example between September and November 2024, when Indian equity markets experienced a sharp correction and the Nifty 50 declined around 8–10%, with mid and small-cap indices falling even more. The pullback was driven by global risk-off sentiment, elevated US bond yields, FPI outflows, and domestic uncertainties around state elections. Yet, clients who were well-diversified, with non-concentrated allocations, saw far less portfolio stress. In fact, many who rebalanced during the dip were positioned to benefit from the market's recovery.

True asset allocation means thinking in layers: domestic and international diversification, large-cap and mid-cap balance, credit quality in debt, and smart inclusion of alternatives like REITs, gold, etc. For our NRI clients, this also helps manage home bias and currency risks.

Volatility isn't risk, unless you're overexposed or underprepared.

Asset allocation is your investment helmet; it doesn't offer speed, but it does keep you safe in the race when things go downhill. More importantly, it fosters discipline and removes emotion from decision-making. As we move into the second half of the year, I encourage you to ask not just where your money is invested, but how well it's working together.