

DC INVESTMENTS

WEALTH INSIGHTS

Fortnightly Market Note | Issue — 22 April 2026

AT A GLANCE

Constructive, but selective. Indian equities have absorbed a year of muted returns against a benign domestic backdrop. Valuations have reset, rates have turned supportive, and domestic systematic flows remain resilient. Near-term volatility is likely to stay elevated owing to global factors — crude, the rupee, and foreign flows. Our stance favours allocation discipline over directional bets, a quality tilt within equity, meaningful debt and strategic gold exposure. This issue sets out where we stand, how we are positioning portfolios, and the category-level working list we are discussing with clients.

From the Desk of Devjeet Chakraborty

Dear Investor,

The four months that define the start of 2026 have been a patient market — headline indices are essentially flat over a year even as the underlying landscape has evolved in important ways. Valuations have reset. Monetary conditions have turned supportive. Domestic systematic flows remain a structural anchor. Offsetting these, the global backdrop has become noisier: crude has re-rated, the rupee has weakened, and foreign flows have turned decisively negative.

This edition lays out how we are reading the environment, how we are positioning portfolios, and the category-level working list we are discussing with clients. The working principle is consistent: discipline, diversification, and a clear alignment between capital and time horizon.

Market Snapshot — 20 April 2026

A consolidated view of the indicators that matter most to portfolio construction today:

Indicator	Current	1M Ago	1Y Ago	1Y Change
BSE Sensex	78,520	76,842	78,548	-0.04%
Nifty 50	24,365	23,844	23,853	+2.15%
Nifty Midcap 100	59,791	57,511	52,666	+13.55%
Nifty Smallcap 100	17,487	16,762	16,410	+6.56%
Nifty 50 Fwd P/E	~18.7x	—	~21.5x	Cooled

Indicator	Current	1M Ago	1Y Ago	1Y Change
10-Yr G-Sec Yield	6.89%	6.74%	7.37%	-48 bps
Repo Rate	5.25%	5.25%	6.00%	-75 bps
CPI Inflation	3.40%	3.21%	~5.0%	Benign
INR / USD	93.07	93.35	85.57	-8.8%
Brent Crude (\$/bbl)	93.80	109.36	67.62	+38.7%
Gold (₹/10g)	1,51,582	1,46,638	94,629	+60.2%
Silver (₹/kg)	2,50,429	2,30,506	94,832	+164.1%

Three anchors for the current read

- **Valuations have cooled.** The Nifty 50 12-month forward P/E has moved to approximately 18.7x, from near 21.5x at the end of 2025, bringing the benchmark closer to long-term averages as earnings have continued to grow.
- **Monetary conditions are supportive.** CPI at 3.40%, a repo rate at 5.25% after 75 bps of cumulative cuts, and a 10-year G-Sec yield at 6.89% together represent the most accommodative domestic policy backdrop since 2021.
- **Safe-haven assets have re-rated sharply.** Gold and silver are up approximately 60% and 164% in rupee terms over the year. This is a defining feature of the cycle and has meaningful implications for portfolio construction.

Capital Flows

Foreign flows have turned materially negative this year, while domestic flows have been remarkably steady. The divergence is the single most important structural feature of the Indian market today:

Participant	CY 2026 YTD Flow (₹ Cr)	Observation
FIIIs (Equity)	-1,72,472	Sustained outflows linked to dollar strength and global risk-off
Domestic Mutual Funds	+1,68,112	SIP book at a record ₹32,087 crore monthly (AMFI, March 2026)
DIIIs (Total)	+2,77,022	Institutional domestic flows supplementing retail participation

AMFI reported March 2026 monthly SIP contributions at a record ₹32,087 crore, with active SIP accounts crossing 9.72 crore. The scale and regularity of these flows provide a stabilising undercurrent, but they do not insulate the market from short-term volatility driven by foreign selling and currency pressure.

Market Outlook

We are working with three parallel scenarios for the balance of the year. These are not mutually exclusive; each reflects a distinct channel through which the next six months may unfold.

Base case — domestic resilience intact

India's growth premium remains intact. Real GDP growth tracked at 7.80% for Q3 FY 2025-26 under the new series, IIP growth was 5.2% in February 2026, and corporate earnings have continued to compound through the cycle. With valuations reset, rates supportive, and a healthy domestic saver base, the medium-term compounding case for Indian equities remains sound. This is the scenario we assign the highest probability to.

Risk case — global variables keeping volatility elevated

Crude oil at \$93.80 per barrel, a rupee at 93.07 to the dollar, and the continued US–Iran diplomatic uncertainty represent the dominant sources of near-term volatility. A sustained move in crude above \$100, a further leg of rupee weakness, or an acceleration of foreign outflows could each trigger meaningful drawdowns even in an otherwise stable domestic backdrop.

Market case — selective, not broad-based, leadership

Even within the base case, we expect leadership to remain narrow rather than uniform. Large caps offer the clearest combination of valuation comfort and liquidity. Mid and small caps are likely to deliver strong outcomes only in pockets, with wider dispersion between winners and laggards. This is a market in which scheme selection and allocation discipline matter appreciably more than broad beta exposure.

Geopolitics: A Focused Perspective

Geopolitical developments are not a peripheral risk this quarter; they are actively shaping Indian asset prices through three distinct, identifiable transmission channels. Each warrants attention in portfolio construction.

1. Crude oil volatility and the current-account channel

Brent has traded in a \$90–100 band through April, closing at \$93.80 on the reference date. Prices remain highly sensitive to the US–Iran diplomatic track, with the current ceasefire framework under active renegotiation. Every sustained \$10-per-barrel move in crude translates to a material swing in India's import bill, current account deficit, and fiscal arithmetic. At the sectoral level, a sustained move above \$100 would pressure margins in downstream oil, aviation, paints, chemicals and logistics; prolonged weakness would relieve pressure on the rupee and the import-heavy segments of the consumption basket.

2. Currency weakness and the sectoral mix channel

The rupee at 93.07 per dollar represents an 8.8% year-on-year depreciation — the sharpest annual move since 2013. This is as much a reflection of dollar strength and elevated US yields as it is of domestic factors. The currency move has two portfolio-level implications: a tailwind for export-oriented sectors such as pharmaceuticals, IT services, and select speciality chemicals, and a headwind for import-dependent categories and dollar-denominated debt servicing. Within equity allocations, a measured tilt towards exporters has become worth considering on the margin.

3. Safe-haven reallocation and the gold channel

The combined re-rating of gold (+60%) and silver (+164%) over one year is unusual both in magnitude and in breadth. It reflects a confluence of central bank gold accumulation, sticky US inflation expectations, and longer-term questions

around the dollar's reserve status. We are treating this as a structural, multi-year theme rather than a cyclical trade, and are incorporating a 5–10% strategic precious-metals allocation into long-term portfolios through Multi Asset or Gold/Silver Fund-of-Funds vehicles — positioned as portfolio insurance rather than momentum exposure.

Portfolio implication

Geopolitical risk is a variable to position around, not a reason to step away from equities. A quality tilt within the equity sleeve, a meaningful debt allocation in the 25–40% range for most balanced profiles, and a strategic gold weighting together provide the most resilient portfolio construction for the current environment. We are applying this framework consistently across client mandates this quarter.

Category Read: What the Data Is Telling Us

Category-level returns across the mutual fund universe tell a consistent story when read as a set. The table below summarises 1-year to 7-year category CAGRs alongside our reading of what each number indicates for fresh allocation decisions:

Category	1 Yr	3 Yr	5 Yr	7 Yr	Read
Large Cap	3.55%	14.33%	12.62%	12.17%	Valuation comfort — base for fresh allocation
Flexi Cap	5.43%	16.18%	14.16%	13.64%	Manager discretion across market caps
Large & Mid Cap	7.69%	18.48%	16.27%	15.32%	Risk-adjusted sweet spot
Multi Cap	7.34%	18.94%	16.96%	16.39%	Structurally allocated — long-term compounding
Mid Cap	12.30%	21.93%	18.72%	18.26%	Selective; dispersion has widened
Small Cap	8.63%	19.53%	19.58%	19.57%	SIP-preferred; one-time entry not advised
Aggressive Hybrid	5.19%	14.03%	12.55%	12.10%	Balanced core with debt buffer
Dynamic Allocation	4.19%	11.56%	9.61%	9.79%	Conservative core — rule-based reallocation

Source: Category data as of 15 April 2026 (MFI 360 Explorer, Prudent CAS).

Three themes emerging from the data

First, the longer-term compounding thesis remains intact. Over 5- to 7-year horizons, most equity categories have compounded in the 12–19% range annually. The muted one-year print is a normalisation after the 2023–2024 run, not a structural break. Investors with three-plus year horizons have been rewarded for staying invested.

Second, dispersion within mid and small-cap categories has widened meaningfully. The gap between top-quartile and bottom-quartile funds is at multi-year highs. Scheme selection and manager quality matter considerably more in this part of the market than they did two years ago; indiscriminate exposure is materially less attractive.

Third, multi-asset categories have quietly outperformed. With gold contributing a ~60% tailwind, several Multi Asset and Dynamic Allocation funds have delivered 15–25% one-year returns at materially lower volatility than pure equity.

For conservative mandates, first-time investors, and clients approaching goal dates, this has been the risk-adjusted standout of the year.

Our Positioning Framework

Four principles anchor how we are building and adjusting portfolios through the current cycle. Individual client portfolios vary with horizon, liquidity needs and risk profile, but the underlying framework is consistent.

1. Allocation discipline over market timing

We are not asking clients to wait for a better entry level. For lumpsum capital, we are structuring staggered Systematic Transfer Plans over six to nine months from Liquid or Ultra-Short Duration funds into equity, rather than full deployment at any single level. Ongoing SIPs are being continued — and where possible, stepped up — through any near-term volatility.

2. Quality tilt within the equity sleeve

Within equity, the core allocation is tilted towards Large Cap, Flexi Cap and Large & Mid Cap categories. These offer the best combination of valuation comfort and liquidity in a market where global risks remain elevated. Mid and small cap allocations are treated as satellite, selective, and preferably SIP-based rather than lumpsum.

3. A meaningful debt allocation — not a placeholder

With the rate-cut cycle active and CPI benign, debt is materially more interesting than it has been in several years. Short Duration, Corporate Bond and Banking & PSU Debt categories offer 6–7% running yields with scope for capital gains as rates compress further. For most balanced profiles, we are running debt allocations in the 25–40% range, matched to the time horizon of each goal bucket.

4. Strategic, not tactical, precious-metals exposure

A 5–10% allocation to gold (and, where appropriate, silver) is being built into long-term portfolios — either through Multi Asset vehicles or direct Gold/Silver Fund-of-Funds. This is positioned as structural portfolio insurance against currency and geopolitical risk, not as a momentum allocation. Clients who already hold this exposure are being advised to maintain it; those who do not are being guided to build it gradually via monthly SIPs.

SCHEDULE A PORTFOLIO REVIEW

If the positioning framework above differs materially from how your portfolio is currently structured, we would be glad to walk you through a personalised review — covering asset allocation, scheme overlap, expense drag, tax efficiency and the rebalancing steps that make sense for your specific horizon. Reply to this newsletter or write to us directly; we will revert within two working days to schedule a 30-minute review.

Recommended Funds by Category

The table below sets out our current working list across categories. These are not one-size-fits-all recommendations. The right combination depends on your horizon, risk profile, existing allocation and tax situation. The list is intended as a starting point for conversation.

Category	Portfolio Role	Schemes on the Working List
EQUITY		
Large Cap	Core allocation — valuation comfort and drawdown resilience	Nippon India Large Cap, ICICI Prudential Large Cap, SBI Large Cap, Kotak Large Cap
Flexi Cap	Core allocation — manager-driven rotation across market caps	Parag Parikh Flexi Cap, HDFC Flexi Cap, Kotak Flexicap, ICICI Prudential Flexicap
Large & Mid Cap	Core-satellite — growth with balance	Mirae Asset Large & Midcap, ICICI Prudential Large & Mid Cap, Kotak Large & Midcap, SBI Large & Midcap
Multi Cap	Core-satellite — structural weighting across caps	ICICI Prudential Multicap, Nippon India Multi Cap, Mahindra Manulife Multi Cap
Mid Cap	Tactical — long horizon, staggered entry	HDFC Mid Cap, Nippon India Growth Mid Cap, Kotak Midcap, Edelweiss Mid Cap
Small Cap	Tactical — SIP-only for clients with high risk tolerance	Nippon India Small Cap, DSP Small Cap, Axis Small Cap, Bandhan Small Cap
HYBRID & MULTI-ASSET		
Aggressive Hybrid	Balanced core — equity-led with debt buffer	ICICI Prudential Equity & Debt, SBI Equity Hybrid, Kotak Aggressive Hybrid, Mirae Asset Aggressive Hybrid
Dynamic Allocation	Conservative core — valuation-driven equity-debt shifts	HDFC Balanced Advantage, ICICI Prudential Balanced Advantage, Edelweiss Balanced Advantage
Multi Asset	Diversifier — equity, debt and gold in a single vehicle	ICICI Prudential Multi-Asset, Nippon India Multi Asset Allocation, SBI Multi Asset Allocation
TAX-SAVER (ELSS)		
ELSS	Section 80C equity exposure with 3-year lock-in	Mirae Asset ELSS Tax Saver, Motilal Oswal ELSS Tax Saver, Bank of India ELSS Tax Saver
DEBT		
Corporate Bond	2–4 year horizon — AAA accrual with moderate duration	ICICI Prudential Corporate Bond, HDFC Corporate Bond, Aditya Birla SL Corporate Bond
Banking & PSU	Bank and PSU paper — high credit quality, stable yield	ICICI Prudential Banking & PSU Debt, Kotak Banking and PSU Debt, Aditya Birla SL Banking & PSU Debt
Short Duration	1–3 year horizon — moderate duration, positioned for rate compression	ICICI Prudential Short Term, HDFC Short Term Debt, Bandhan Short Duration
CASH AND PARKING		

Category	Portfolio Role	Schemes on the Working List
Money Market	3–12 month horizon — near-term goals	HDFC Money Market, ICICI Prudential Money Market, Aditya Birla SL Money Manager
Liquid	0–3 month horizon — emergency corpus and STP source	HDFC Liquid, Axis Liquid, Aditya Birla SL Liquid

What We Are Watching

Our monitoring framework over the coming months centres on five variables. Each has the potential to meaningfully shift short-term market direction, though the medium-term compounding case remains intact:

- Crude oil trajectory and the outcome of ongoing US–Iran diplomacy, given direct transmission to the rupee and corporate margins
- RBI commentary and liquidity guidance at the June MPC, with specific attention to terminal rate and stance signalling
- Q4 FY 2025-26 corporate earnings quality, particularly in financials, capital goods, manufacturing and domestic consumption
- The pace of foreign flows and the continued absorption capacity of domestic systematic inflows
- IMD's refinement of the 2026 southwest monsoon forecast (initial outlook: 92% of long-period average) and the corresponding read-through to rural demand

Closing Thought

The current environment is neither the euphoria of early 2024 nor the fear of mid-2022. It is a measured, selective market — one that rewards allocation discipline, diversification, and patience. For most long-term portfolios, the right action is not dramatic repositioning; it is the consistent execution of a thoughtful plan, refined for the realities of where we stand today.

We look forward to partnering with you on that execution.

Warm regards,

Devjeet Chakraborty

Founder and Principal MFD

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