

Executive Summary of the 88th Global Investment Advisory Committee (GIAC) Meeting

8th December 2025

Current stance

The committee has maintained a cautious and largely unchanged stance, reflecting continuing uncertainty across global and domestic markets. Equity allocations remain overweight driven primarily by large cap exposure, with mid and small cap allocations continuing to be underweight, a call that has contributed positively to performance given the recent sell off in those segments. The portfolios are fully deployed, with no incremental cash to be allocated.

Given their hedging characteristics Gold and Silver allocations have provided diversification benefits due to the low correlation with other assets. Allocation to Gold, Silver, REITs and InvITs have been retained which have provided a significant alpha to the portfolios.

Key variables to monitor:

- Mid and Small cap Volatility: Weak earnings trend, FPI selling, along with lack of catalysts, have further increased the selling pressure.
- Domestic Earnings Recovery: Corporate top line, employee cost growth, capex trends weakening; recovery likely only post March 2026.
- GST & Fiscal Health: Gross tax collections continue to undershoot estimates, risking spending cuts by the government.
- Rate Cuts & Liquidity: The RBI has begun to ease and inject liquidity, but rate cuts alone may not revive growth in the absence of parallel fiscal expansion or export recovery.
- External Sector Risks: Narrowing US trade deficit and shifting export flows from China, Korea to ASEAN, EU; could affect manufacturing competitiveness in Asia.
- Global Flows into India: Passive EM funds may rotate USD 8 to 10 billion into India on account of its underperformance in 2024; inflow likely concentrated in large caps.
- Redemption Pressure: PMS and mutual funds are facing redemptions on account of negative alpha across portfolios.
- Currency & Macro Risks: INR depreciation, yen carry trade unwinding, and high US-Japan yields are likely to be added to volatility.
- AI-led Liquidity Concentration: Large global capital rotation into US AI stocks continues to drain liquidity away from EMs, including India.
- Real Assets: REITs and InvITs are doing well; new opportunities are considered only post listing

What's changed since our last meeting:

US

The US Federal Reserve introduced its last rate cut for the year, cutting its benchmark interest rate by 25 basis points to a target range of 3.50% to 3.75%. The move reflects the signs of labour market cooling, with job creation losing momentum and unemployment inching higher through September. Recent data has continued to reflect the softening trend. At the same time, inflation has increased from earlier levels and stands at a level that is considered moderately elevated. The cut in rates is supposed to support the slowing economy while remaining vigilant on price pressures.

India

A unanimous vote by the Monetary Policy Committee of the Reserve Bank of India on December 5, 2025 cut the policy repo rate by 25 basis points, down to 5.25%. The move comes in the wake of a sharp improvement in the set of macroeconomic indicators. Real GDP growth accelerated to 8.2% in the second quarter, which underlined strong economic momentum, while headline inflation considerably eased to an average of 1.7%, lower than the RBI's lower tolerance band of 2%.

Viewpoints

The members of the committee reiterated a defensive posture. With the recent Q2FY26 corporate results continuing to be modest, the concerns on sustainable earnings growth remain. Growth portfolios are trailing because of exposure to mid and small cap, while conservative and balanced ones performed better due to exposure to Gold, Silver, REITs and InvITs and lower exposure to mid and small cap.

The broader discussion reflected deepening concerns about India's near term growth trajectory. Weak government tax collections, together with a sharp slowdown in corporate revenue and wage growth, along with deceleration in capex indicate broad based economic softening. Export trends, especially the shift in Chinese and Korean exports toward ASEAN and Europe, point to external pressures could weigh on India's manufacturing sector and FX stability.

While the recent RBI rate cut and liquidity infusion were welcomed, the members maintained that monetary easing alone cannot revive the cycle unless accompanied by either export recovery or fiscal expansion. Indeed, rate cut cycles have only worked in the past when accompanied by growth catalysts, neither of which is present currently.

On the equity front, the committee said that India does not have an imminent near term catalyst. FPIs are still significantly underweight on India, and while passive inflows are possible, conviction among active managers remains weak. Even if passive inflows happen, they will be largely beneficial for the large caps, and only on an earnings recovery will the spillover happen to the mid and small cap segments. Members also pointed out that there is a risk of further selling pressure if redemptions continue across PMS and mid / small cap mutual funds.

The global environment remains highly fluid. AI (Artificial Intelligence) led gains in the US markets continue to suck liquidity, leaving the EMs (Emerging Markets) starved of flows. The Fed action, like a modest 25 bps cut, may not lead to any meaningful rally, particularly if the markets interpret it as an acknowledgement that US economic conditions are weakening. While insulated from the AI related volatility, India would join the broad global downturn.

Real assets continue to be a core positive theme. REITs and InvITs have done well, and though existing allocations are fully deployed, the committee will seek to participate in new opportunities within this space by rebalancing weights within securities. Exposures to Gold and Silver remains unchanged and their return outlook is positive moving into 2026. The meeting ended with all in agreement that portfolio adjustments were not required for the time being.

Co-Chair Committee member



Shiv Sehgal
President & Head
Institutional Securities



Alok Saigal
President & Head
Nuvama Private

Other Committee members

- ▶ Ajay Marwaha, Head, Nuvama Fixed Income Advisory
- ▶ Ajay Vora, Head, Equities, Nuvama Asset Management
- ▶ Kapil Gupta, Executive Director, Equity Research, Nuvama Institutional Equities
- ▶ Onkarpreet Singh Jutla, Chief Investment Officer, Nuvama Private
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