

NATIONAL PENSION SYSTEM
(NPS)

RE-LIVE

When you Retire.

Investing + Tax Saving + Pension

MARKET OUTLOOK – AUGUST 2026



INVESTMENT PHILOSOPHY & PORTFOLIO APPROACH

EQUITY INVESTMENT PHILOSOPHY – GROWTH AT REASONABLE PRICE

DEEP VALUE

*Valuation is right,
timing may or may not be*

GROWTH AT REASONABLE PRICE

(Combining Best of Both
Value & Growth)

GROWTH AT ANY PRICE

*Typically associated with
high perceived quality*



PORTFOLIO POSITIONING

CURRENT PORTFOLIO POSITIONING – EQUITY

Medium Term Portfolio positioning

- **Multiple Themes around India Growth Story –**

- Remain optimistic on India's medium-term growth, supported by financialization of savings, private capex revival, rising consumption, real estate growth, and expanding infrastructure.

- **Focus on 3 P's –**

- Production: Manufacturing growth.
- Penetration: Rising consumption.
- Premiumization: Growth in premium services.
- These themes offer long-term investment opportunities across India's evolving economy.



PORTFOLIO POSITIONING

CURRENT PORTFOLIO POSITIONING – EQUITY

Current Portfolio positioning

- Steady demand and credit growth signal continued business confidence.
- Rising commodity prices may pressure FY27 earnings.
- Remain cautiously optimistic, focusing on companies with strong earnings visibility.
- Prefer domestic consumption over export-led sectors amid market volatility.
- Favour Auto, Financial Services, Construction Materials, Power & Capital Goods.
- Remain underweight on Metals & FMCG and neutral on IT given valuation comfort.



DOMESTIC RESILIENCY AMIDST CONTINUED EXTERNAL RISK

Resiliency in Domestic Growth critical for Markets

- Domestic demand remains healthy, supported by 7.8% Q1FY27 GDP growth.
- Structural formalization, premiumization, and improving discretionary spending support growth.

Capex and Credit demand

- Strong capex across sectors reflects confidence in India's long-term growth.
- Rising private capex is driving credit demand, while improved FCNR(B) collections support liquidity.



DOMESTIC RESILIENCY AMIDST CONTINUED EXTERNAL RISK

Earnings outlook in FY27

Higher input costs may limit earnings growth, but recovery remains visible.

Key Risk

- Commodity inflation, energy costs, and geopolitical uncertainties.
- Growth slowdown due to war-related risks and deficient monsoons.
- Volatile FPI flows may pressure markets, though RBI and government measures provide support.



SECTORAL EXPOSURE

EQUITY

Sector	Portfolio weights (%)	Benchmark weights (%)	OW/UW
Financial Services	33.61	31.98	1.63
Oil, Gas & Consumable Fuels	7.13	7.87	-0.74
Automobile and Auto Components	8.02	7.58	0.44
Capital Goods	9.10	6.15	2.94
Information Technology	5.74	7.02	-1.29
Fast Moving Consumer Goods	3.41	5.44	-2.02
Healthcare	5.94	6.04	-0.10
Power	3.96	3.51	0.44
Consumer Services	4.58	4.04	0.54
Telecommunication	3.62	4.08	-0.45
Metals & Mining	2.30	4.15	-1.85
Construction	3.40	2.90	0.49
Construction Materials	2.96	1.90	1.06
Consumer Durables	0.70	3.00	-2.29
Services	1.42	1.73	-0.31
Realty	0.78	1.12	-0.35
Chemicals	-	1.34	-1.34
Textiles	-	0.13	-0.13
Grand Total	96.66	100.00	

Data as on 31st August 2026

EQUITY TIER 1 SCHEME – MARKET CAP EXPOSURE

Market Cap	Tata	Benchmark
Large Cap	84.17	80.23
Mid Cap	12.49	19.77
Grand Total	96.66	100.00

Market Cap Wise Grouping	Tata	Benchmark
Top 50	69.11	65.17
Next 50	15.06	15.06
Midcap 150	12.49	19.77
Grand Total	96.66	100.00

Data as on 31st August 2026



DEBT INVESTMENT PHILOSOPHY

Approach to Debt Investments :

Focus on safety / capital preservation
while optimizing returns

DEBT INVESTMENT PHILOSOPHY



PORTFOLIO POSITIONING

CURRENT PORTFOLIO POSITIONING – DEBT

Debt Portfolio Positioning

- Oil, trade disruptions and weak monsoons may fuel inflation, keeping rates elevated.
- Strong banking liquidity should limit pressure on short-term yields.
- With yields range-bound, accrual income remains the key return driver.
- Rising rate-hike risks favour high-carry, accrual-focused strategies over aggressive duration.

Duration Preference

- Maintain moderate duration across G-sec and Corporate Bond portfolios.

Accrual Focus –

- Focus on a balanced mix of instruments to enhance portfolio carry and yield.

Quality of Portfolio –

- Maintain a bias towards high-quality issuers, while optimizing the issuer mix to improve accrual income and manage duration risk.



TIME FOR MODERATION IN DURATION

- Indian economy continued to grow at buoyant 7.8% yoy amidst war and deficient rains backdrop.
- RBI's FX measures (FCNR deposits) received record inflows (US\$136 bn), thereby improving INR and BoP outlook, increasing deposit flows and record system and durable liquidity.
- Jul'26 CPI inflation increased marginally to 4.45% yoy (Jun 2026: 4.38% yoy. Inflation risk rising due to increasing commodity prices amidst geopolitical concerns and weak monsoon due to rising El-Nino risk thereby, reducing scope for any further easing by the RBI
- Dovish Monetary policy was followed by a hawkish minutes of the meeting increasing the probability of a rate hike
- The timing of the next rate hike may likely depend on the evolving geopolitical dynamics, inflation outlook and global Central Bankers rate hike cycle
- Ample provision of Liquidity and balanced supply of papers will be critical for the yields to moderate and we expect RBI to provide support on both the parameters.
- Overall, with growth and inflation outlook concerns, we prefer a moderation in duration bias in the portfolio from the medium-term perspective

PORTFOLIO POSITIONING – DEBT

DEBT – G1

Duration and Yields	Scheme G Tier 1
Modified Duration	8.78
Yield to Maturity (%)	7.54
Instruments	
G-Sec	67.27
SDL	28.24
Govt. Guaranteed Bonds	0.55
Total	96.05

DEBT – C1

Duration and Yields	Scheme C Tier 1
Modified Duration	3.91
Yield to Maturity (%)	7.91
Ratings Wise Exposure	
AAA	76.82
AA+	15.85
Total	92.67

Data as on 31st August 2026

FUND PERFORMANCE

1-YEAR RETURNS

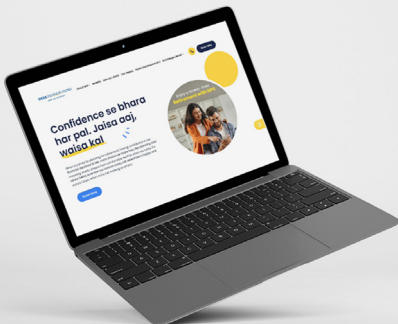
Schemes	Portfolio Returns(%)	Benchmark Return (%)	Out/Under performed over Benchmark
Scheme-E Tier I	5.16	3.54	1.62
Scheme-E Tier II	4.62	3.54	1.08
Scheme-C Tier I	5.22	5.14	0.08
Scheme-C Tier II	4.86	5.14	-0.28
Scheme-G Tier I	4.61	5.16	-0.55
Scheme-G Tier II	4.79	5.16	-0.37
Tax Saver Tier-II	3.02	4.98	-1.96

Source : NPS Trust website. Data as on 31st August 2026



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