



**ASSET
MANAGEMENT**

BUILT ON RULES

Equity Market Update

February 2026



TOPIC

Global vs. Domestic Market Performance Snapshot

Factor Strategy Analysis

Valuation Analysis: P/E and P/B Ratios

Institutional Flows: FII vs. DII Behavior

Key Insights and Strategic Takeaways



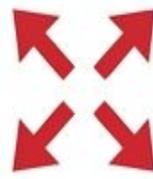
Performance

Global and domestic market performance snapshot



Factors

Analysis of key factor strategy models



Deepening

Market depth and capital concentration trends



Valuations

Current P/E and P/B ratio analysis



Liquidity

Institutional flows and retail investor trends

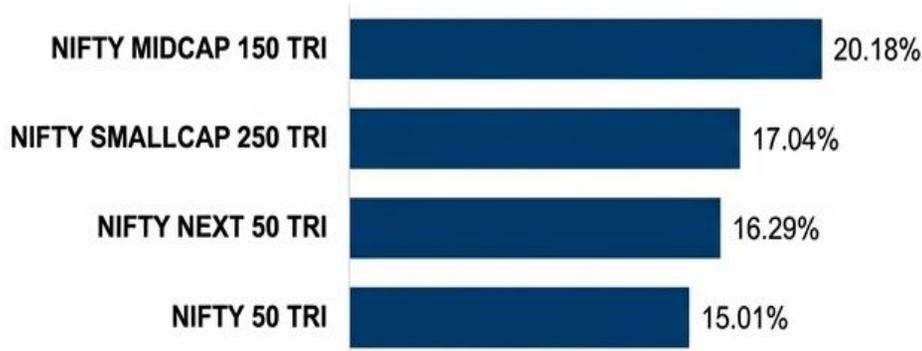
A Decade of Indian Equities: Leadership Rotates Across Market Caps

Annual Performance Heatmap: Shifting Market Leadership (2016–2026)

	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26
NIFTY 50 TRI	28.9%	19.8%	4.3%	5.0%	31.3%	17.0%	4.3%	28.5%	1.9%	15.1%
NIFTY NEXT 50 TRI	44.6%	22.7%	-8.8%	1.1%	30.2%	18.0%	-6.0%	59.3%	-2.5%	23.2%
NIFTY MIDCAP 150 TRI	45.1%	27.1%	-11.4%	5.7%	41.8%	21.7%	8.3%	57.3%	0.1%	23.9%
NIFTY SMALLCAP 250 TRI	49.3%	28.9%	-26.8%	-0.5%	44.3%	30.1%	1.4%	68.8%	-6.9%	15.4%

Market leadership is highly cyclical. Mid and Small caps exhibit higher volatility during corrections but capture significant upside during bull phases.

Average 10-Year Annualized Returns: A Risk-Reward Snapshot



Key Highlights

- **↑ Midcap Dominance:** NIFTY Midcap 150 delivered the highest 10-year CAGR at 20.18%, outperforming all other indices.
- **↓ Short-Term Volatility:** Small and Midcaps saw steep corrections (e.g., 2018-19), underscoring the necessity of a long-term holding period.
- **Rotation is Constant:** No single index consistently leads year-over-year, making diversification across market caps essential.

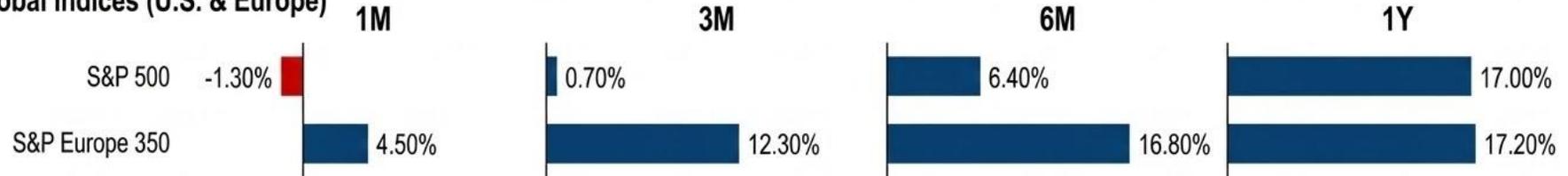
Source: Smart Beta | 28th February 2016 - 28th February 2026

Note: Past performance is not indicative of future results and is presented solely for illustrative purposes.

Global vs. Domestic Indices Performance

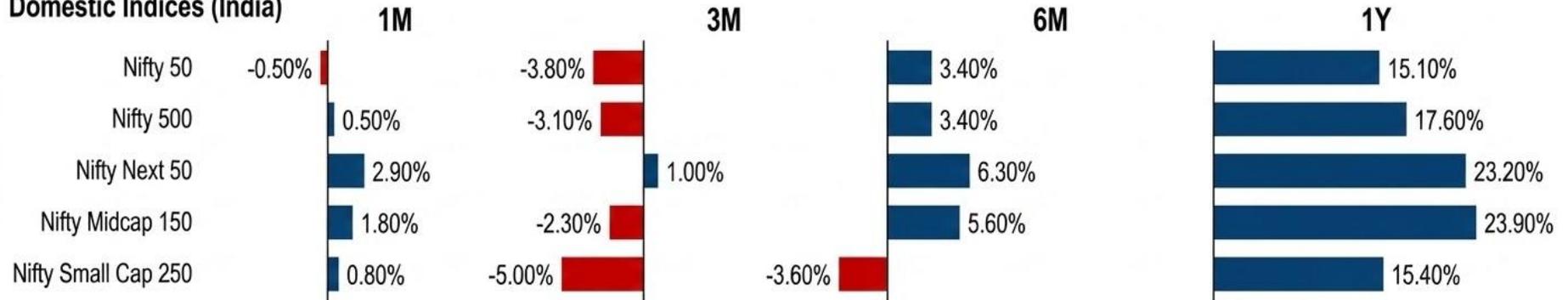
■ Positive Returns ■ Negative Returns

Global Indices (U.S. & Europe)



Global markets demonstrate resilient upward momentum, driven by S&P Europe 350's consistent outperformance and strong 1Y gains across both indices.

Domestic Indices (India)



Domestic markets reflect short-term consolidation with notable 3M pullbacks, though long-term 1Y trajectories remain robustly positive, particularly in Mid and Next 50 segments.

Key Highlights

- **Global Leadership:** S&P Europe 350 exhibited uninterrupted growth, peaking at a steady 17.20% (↑) over 1Y, significantly outpacing short-term U.S. volatility.
- **Domestic Short-Term Pressure:** Domestic indices experienced a broad consolidation phase in the 3-month period, led by a sharp decline in Nifty Small Cap 250 at -5.00% (↓).
- **Strong 1Y Recovery:** Despite near-term negative returns, all tracked indices delivered double-digit positive growth over the 1-year horizon, highlighted by Nifty Midcap 150's dominant 23.90% (↑) surge.

Source: Bloomberg | As on 28th February 2026

Note: Past performance is not indicative of future results and is presented solely for illustrative purposes.

Comparative Returns: 1M, 3M, 6M, and 1Y



While global indices demonstrated steady upward momentum across all periods, domestic and NJ-specific indices experienced short-term corrections before rebounding with strong double-digit growth over the 1-year horizon.

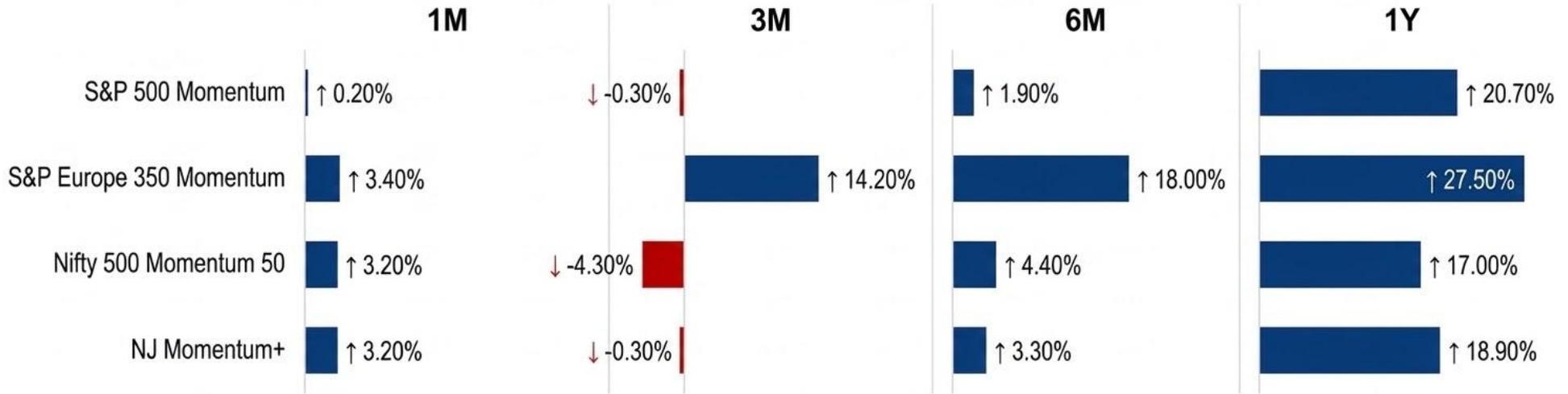
Key Highlights

- **Global Consistency vs. Domestic Volatility:** U.S. and European indices maintained positive growth across all measured timeframes, peaking at 16.70% ↑ for the U.S. at 1 Year.
- **Strong 1-Year Recovery Arc:** Despite short-term downside declines (up to -4.80% ↓ at 3M), both Nifty 500 Quality 50 and NJ Quality+ reversed trend to deliver robust 1-Year positive returns (15.40% ↑ and 12.00% ↑ respectively).
- **Peak Growth Metrics:** S&P U.S 500 Quality led the 1-Year timeframe (16.70% ↑), closely followed by the Nifty 500 Quality 50 (15.40% ↑).

Source: Bloomberg, NSE, Smart Beta | As on 28th February 2026

Note: Past performance is not indicative of future results and is presented solely for illustrative purposes.

■ Positive Returns ■ Negative Returns

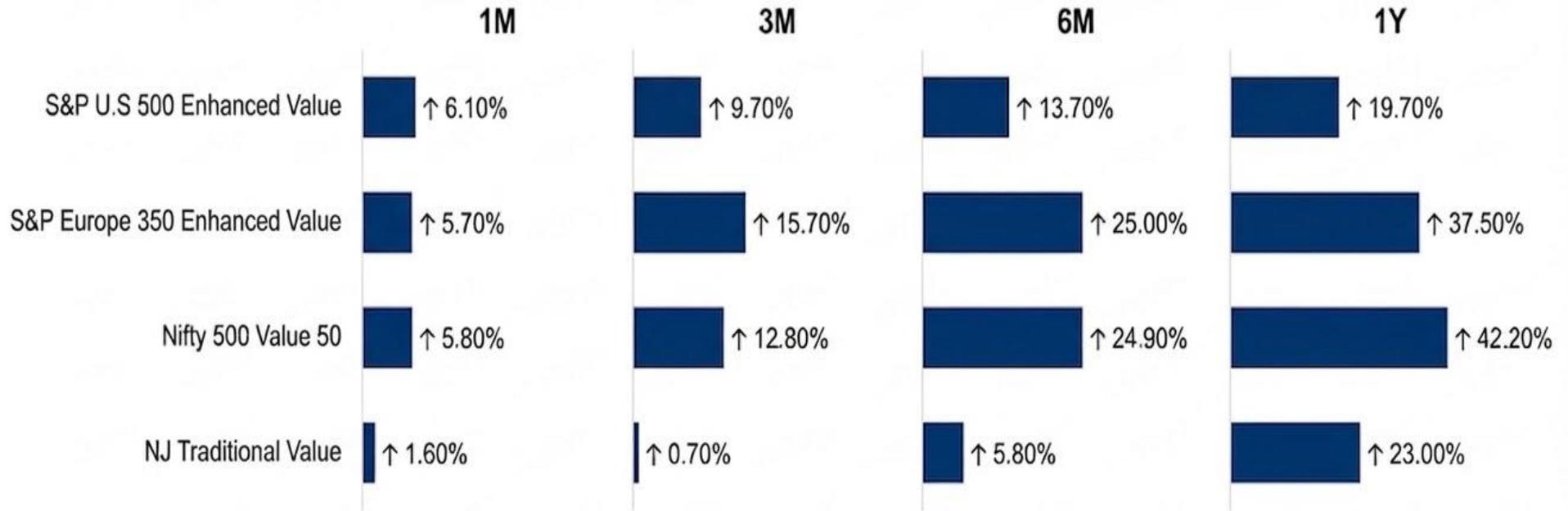


Key Highlights

- The Momentum Factor Model demonstrates high efficacy over extended horizons, delivering a robust ↑ 18.90% 1-year upward growth, tightly tracking established global benchmarks.
- During the 3-month period, standard domestic indices like Nifty 500 Momentum 50 experienced significant downside decline (↓ -4.30%). In contrast, the NJ Momentum+ Model showcased superior resilience, limiting its drawdown to a marginal ↓ -0.30%.
- S&P Europe 350 Momentum remained a strong outlier, consistently capturing positive upward growth across all measured timeframes, peaking at an impressive ↑ 27.50% at 1Y.

Source: Bloomberg, NSE, Smart Beta | As on 28th February 2026

Note: Past performance is not indicative of future results and is presented solely for illustrative purposes.



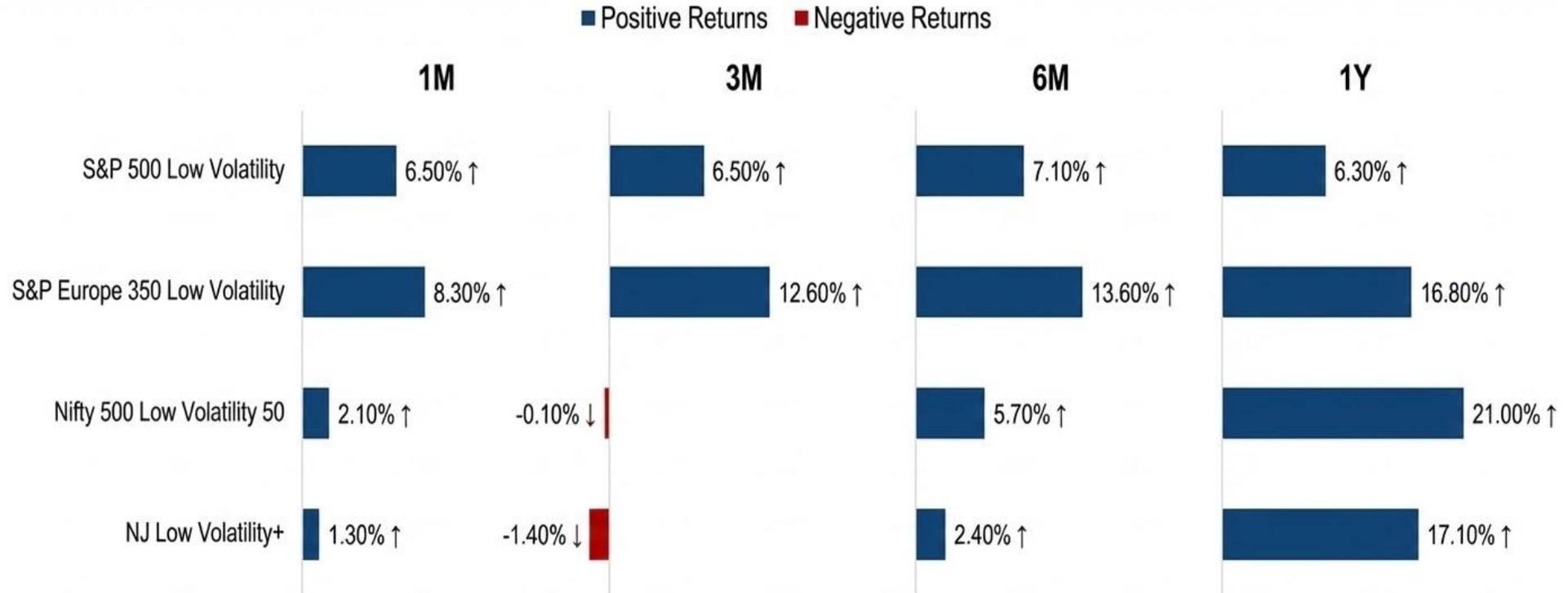
All evaluated indices and the NJ factor model demonstrated positive growth across all measured timeframes, with significant acceleration visible in the 6-month and 1-year periods.

Key Highlights

- The Nifty 500 Value 50 leads aggregate long-term growth, peaking at an impressive ↑ 42.20% over the 1-year period.
- The NJ Traditional Value Model displays strong late-stage momentum, scaling rapidly from ↑ 0.70% at 3 months to ↑ 23.00% at 1 year.
- Global indices maintain steady upward trajectories, with the S&P Europe 350 Enhanced Value capturing ↑ 37.50% 1-year growth.

Source: Bloomberg, NSE, Smart Beta | As on 28th February 2026

Note: Past performance is not indicative of future results and is presented solely for illustrative purposes.



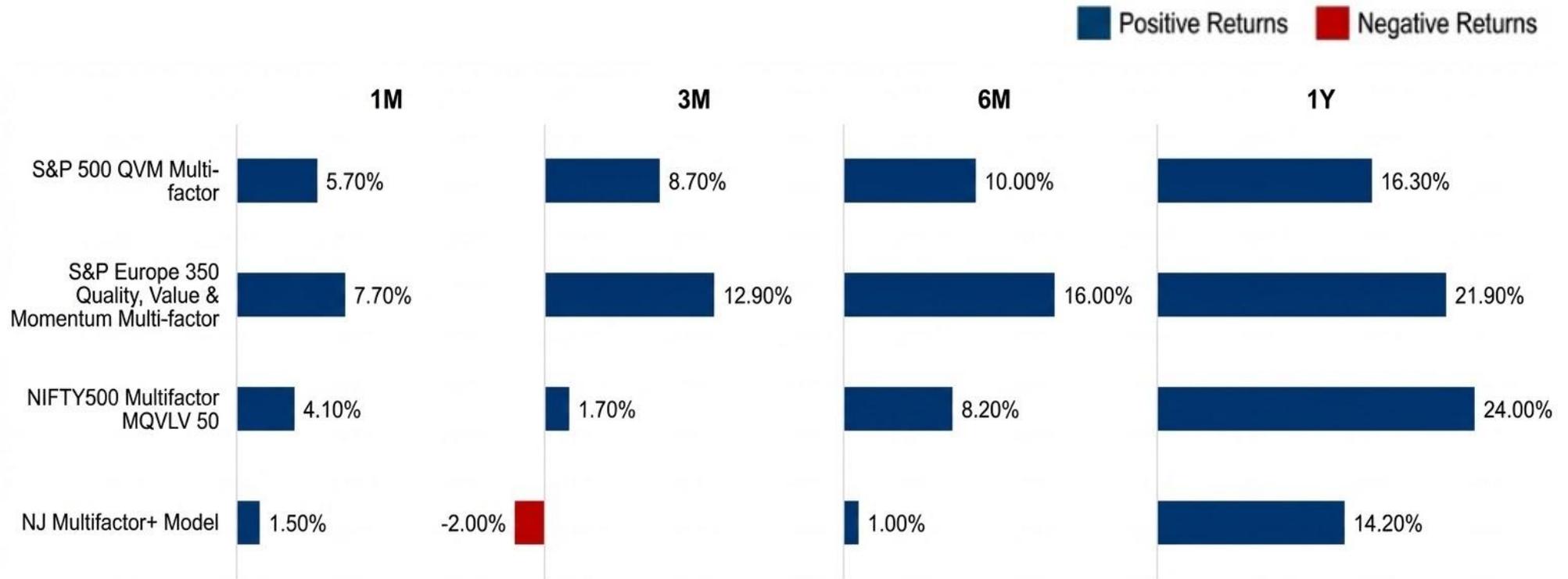
Global low volatility indices demonstrate consistent short-to-mid-term stability, while domestic factors and the NJ Low Volatility + Model capture dominant 1-year momentum.

Key Highlights

- S&P Europe 350 led short-to-mid-term growth, peaking at 13.60% (↑) over 6 months.
- The NJ Low Volatility + Factor Model experienced a minor 3M contraction (-1.40% ↓) but rebounded to deliver an impressive 17.10% (↑) 1-year return.

Source: Bloomberg, NSE, Smart Beta | As on 28th February 2026

Note: Past performance is not indicative of future results and is presented solely for illustrative purposes.

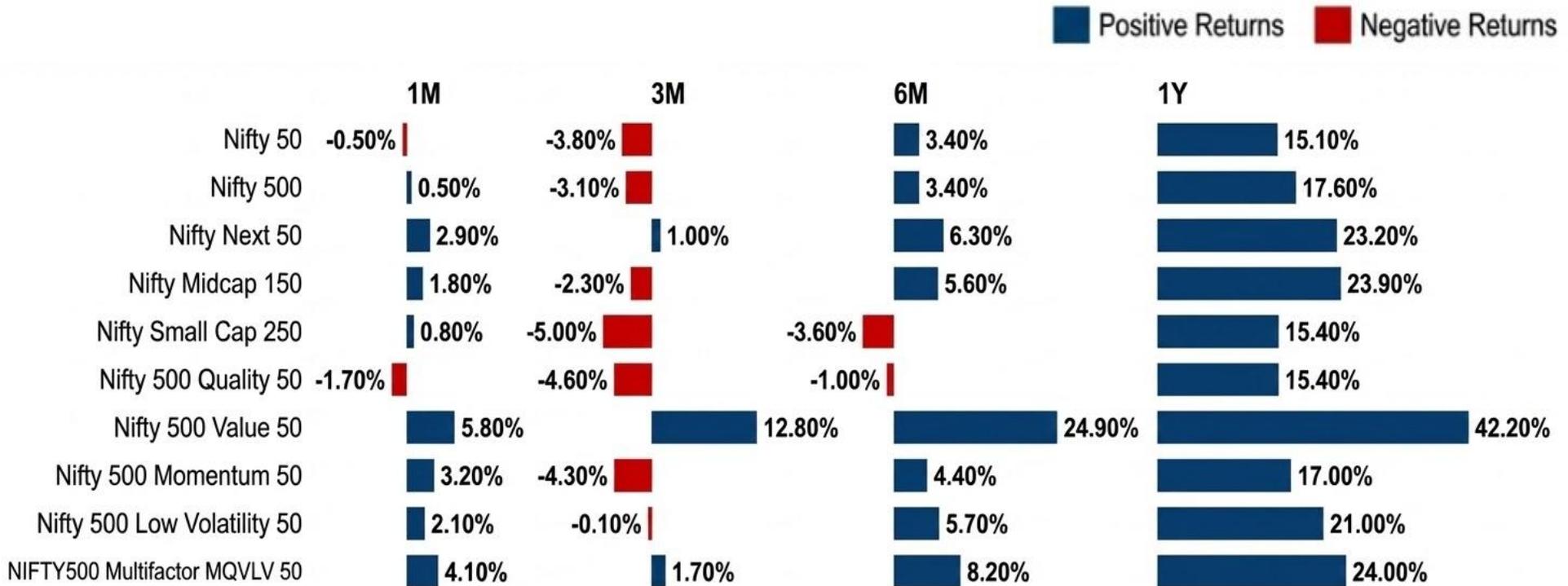


Key Highlights

- NIFTY500 Multifactor MQVLV 50 demonstrated the most significant long-term momentum, concluding the period with an exceptional $\uparrow 24.00\%$ 1Y growth.
- The NJ Multifactor+ Model experienced a localized short-term decline ($\downarrow -2.00\%$ at 3M) but exhibited strong structural recovery to capture a solid $\uparrow 14.20\%$ return over the 1-year horizon.

Source: Bloomberg, NSE, Smart Beta | As on 28th February 2026

Note: Past performance is not indicative of future results and is presented solely for illustrative purposes.



Nifty 500 Value 50 dramatically outperforms across all horizons, while broader markets navigate short-term volatility to secure double-digit 1Y gains.

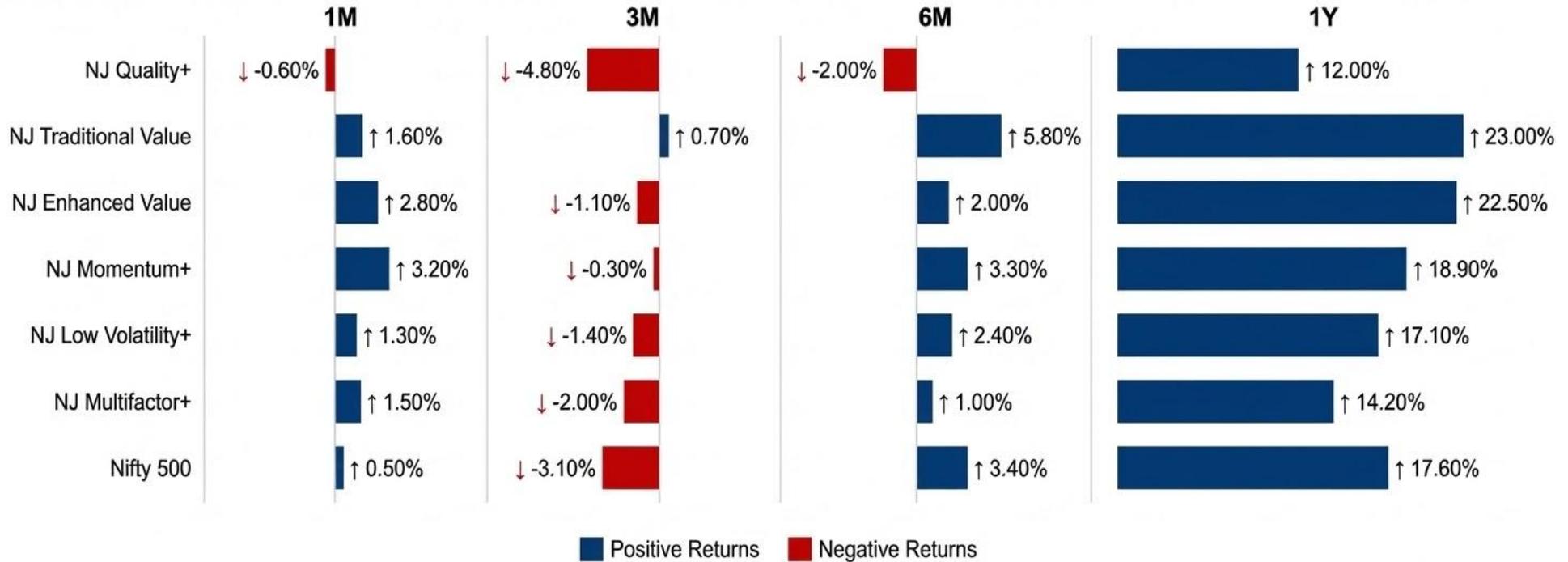
Key Highlights

- Broad market resilience is evident, with the baseline Nifty 500 securing a solid \uparrow 17.60% growth over 1Y despite a \downarrow -3.10% dip at 3M.
- Factor divergence is massive at the 1-year mark, creating a 26.80% delta between the highest and lowest performing indices.

Source: Bloomberg | As on 28th February 2026

Note: Past performance is not indicative of future results and is presented solely for illustrative purposes.

Factor Performance Review: NJ Factor Models



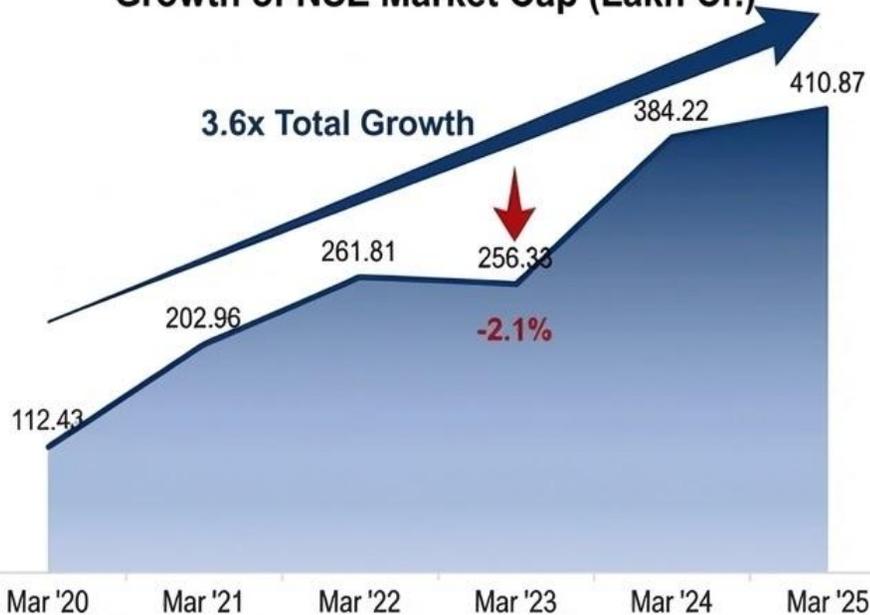
Key Highlights

- Traditional Value (↑ 23.00%) and Enhanced Value (↑ 22.50%) established massive 1-Year dominance, significantly outperforming the Nifty 500 benchmark (↑ 17.60%).
- Despite the broad market pullback in the 3-Month window (Nifty 500 ↓ -3.10%), Traditional Value remained exceptionally resilient with positive growth (↑ 0.70%).
- Momentum+ delivered robust immediate returns, leading the 1-Month performance (↑ 3.20%) against a flat benchmark (↑ 0.50%).

Source: SmartBeta, CMIE, Bloomberg | As on 28th February 2026

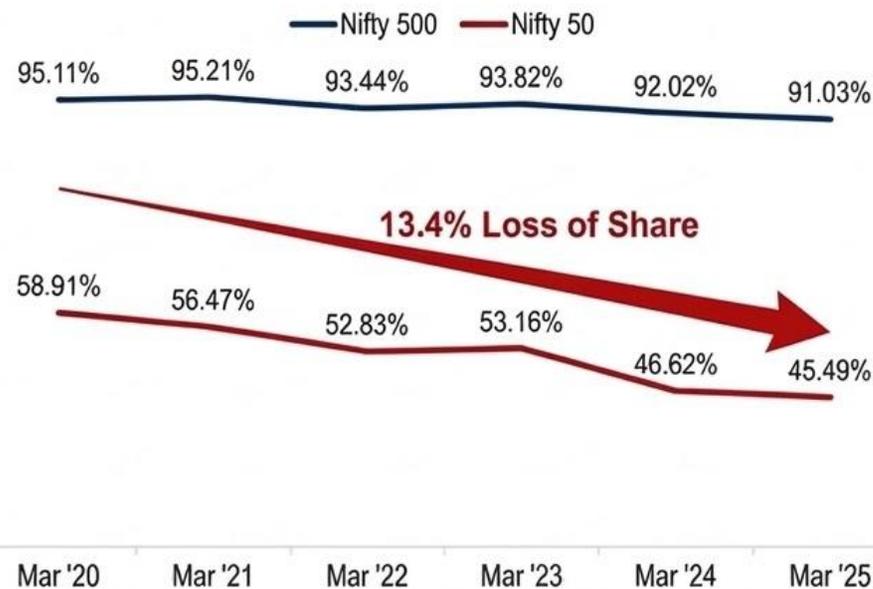
Note: Past performance is not indicative of future results and is presented solely for illustrative purposes.

Growth of NSE Market Cap (Lakh Cr.)



The aggregate growth of all listed equities reached a staggering 410.87 Lakh Cr., significantly outpacing the multipliers of the top 50 and 500 indices.

Nifty 50 & Nifty 500 as a % of NSE Market Cap



Despite record-high absolute valuations, the percentage share of the top indices is steadily declining, highlighting a dilution of large-cap dominance.

Key Highlights

- The Indian equity market has fundamentally broadened; total market wealth is accelerating faster than the top 50 heavily-weighted companies.
- The persistent decline in Nifty 50's market share (dropping from 58.91% to 45.49%) reveals an explosive outperformance and wealth generation in the mid, small, and micro-cap segments.
- Investors heavily concentrated in pure large-cap indices may miss the diversification benefits and growth velocity of the expanding broader NSE universe.

Source: Bloomberg. Between 31 Mar 2020 - 31 Mar 2025

Source: Bloomberg, NSE. The percentage share for Nifty 50 and Nifty 500 is calculated by dividing respective index market capitalisation by NSE market capitalisation. Between 31 Mar 2020 - 31 Mar 2025

Growth of Nifty 50 Market Cap (Lakh Cr.)



Nifty 50 expanded by nearly 3x from its 2020 lows, staging a rapid recovery following the brief 2023 consolidation.

Growth of Nifty 500 Market Cap (Lakh Cr.)



The broader top-500 segment delivered a robust 3.5x multiplier over the 5-year period, demonstrating immense aggregate value creation.

Key Highlights

- Top equity indices reflect historic, uninterrupted structural wealth creation from 2020 to 2025, multiplying aggregate investor value by 2.8x to 3.5x.
- While March 2023 saw a minor, temporary contraction across both indices (highlighted in red), the overarching macroeconomic trajectory remains steeply positive.

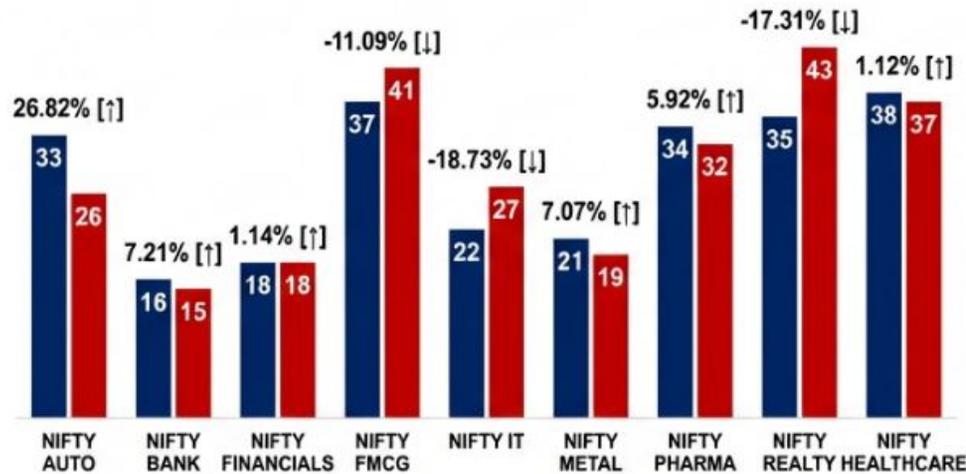
Source: NSE. Between 31 Mar 2020 - 31 Mar 2025

Source: Bloomberg. Between 31 Mar 2020 - 31 Mar 2025

Current P/E Ratio vs 1-Year Median P/E (Sector-wise)

As of: February 2026

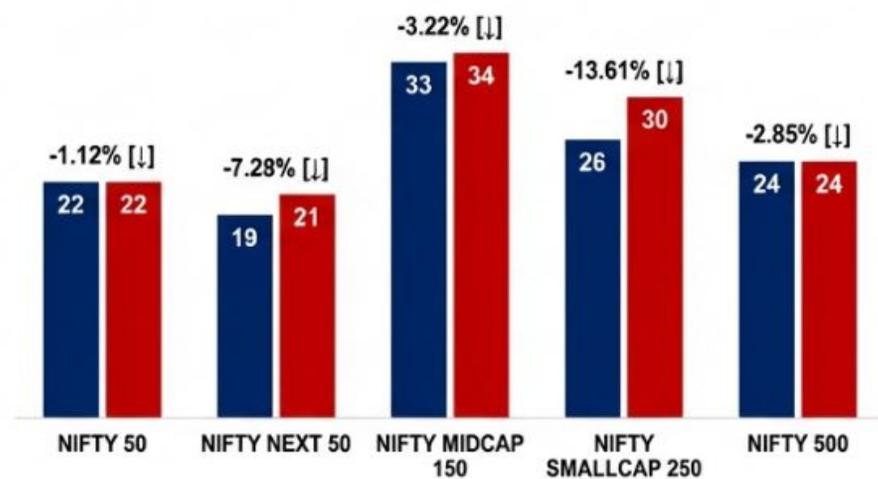
■ Current P/E ■ 1-Year Median P/E



Current P/E Ratio vs 1-Year Median P/E (Index-wise)

As of: February 2026

■ Current P/E ■ 1-Year Median P/E



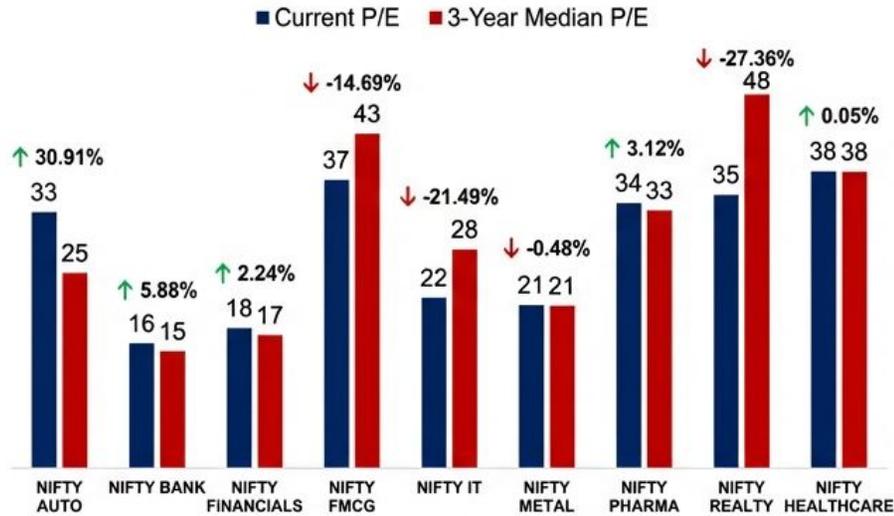
Key Highlights

- Broader market indices are universally trading below their 1-year median P/E, with the NIFTY Smallcap 250 experiencing the most significant valuation contraction (-13.61% ↓).
- Sectoral valuations show extreme divergence: NIFTY Auto trades at a massive premium (+26.82% ↑), while NIFTY IT (-18.73% ↓) and NIFTY Realty (-17.31% ↓) offer the deepest relative discounts.
- Core sectors like Financials (+1.14% ↑) and Healthcare (+1.12% ↑) remain highly stable, trading nearly flat against their 1-year historical medians.

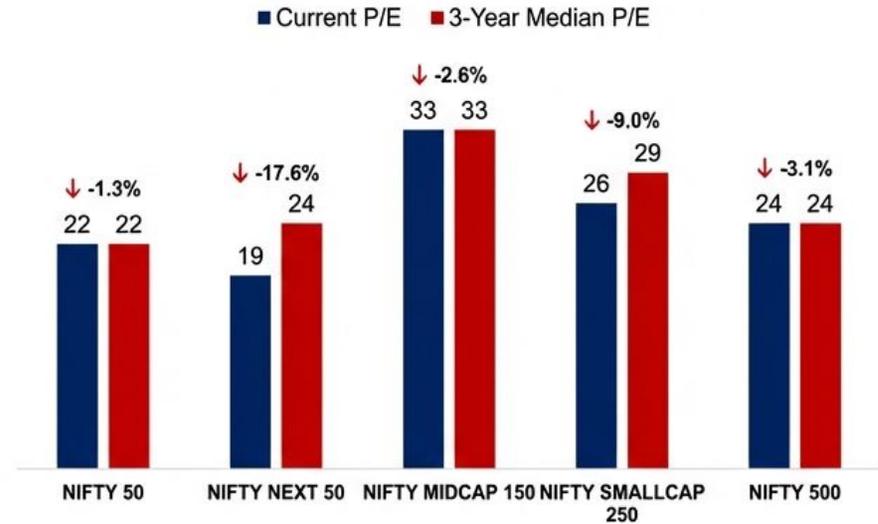
Source: NSE. Current P/E is as of February 2026. 1 Year Median PE is calculated by taking the Median of P/E data for 1 year period of respective indices.

Note: The values shown on the bars are rounded to the nearest whole number, while the percentage change is calculated using actual values. As a result, minor differences may occur compared with calculations based on rounded figures.

Current P/E Ratio vs 3-Year Median P/E (Sector-wise) | As of: February 2026



Current P/E Ratio vs 3-Year Median P/E (Index-wise) | As of: February 2026



Key Highlights

- **Broad Market Discount:** Major indices are currently trading below their 3-year historical medians, led by a significant undervaluation in the NIFTY NEXT 50 (↓ 17.6%) and NIFTY SMALLCAP 250 (↓ 9.0%).
- **Sector Volatility Divergence:** Sector valuations show extreme polarization; NIFTY AUTO has seen aggressive multiple expansion (↑ 30.91%), while previously high-valuation sectors like REALTY (↓ 27.36%), IT (↓ 21.49%), and FMCG (↓ 14.69%) have experienced sharp multiple contractions.
- **Financials & Healthcare Remain Anchored:** Despite wild swings in specific sectors, heavyweights like Banking (↑ 5.88%), Financials (↑ 2.24%), and Healthcare (↑ 0.05%) remain remarkably close to their 3-year median P/E, stabilizing the broader NIFTY 50 index (↓ 1.3%).

Source: NSE. Current P/E is as of February 2026. 3 Year Median PE is calculated by taking the Median of P/E data for 3 year period of respective indices.

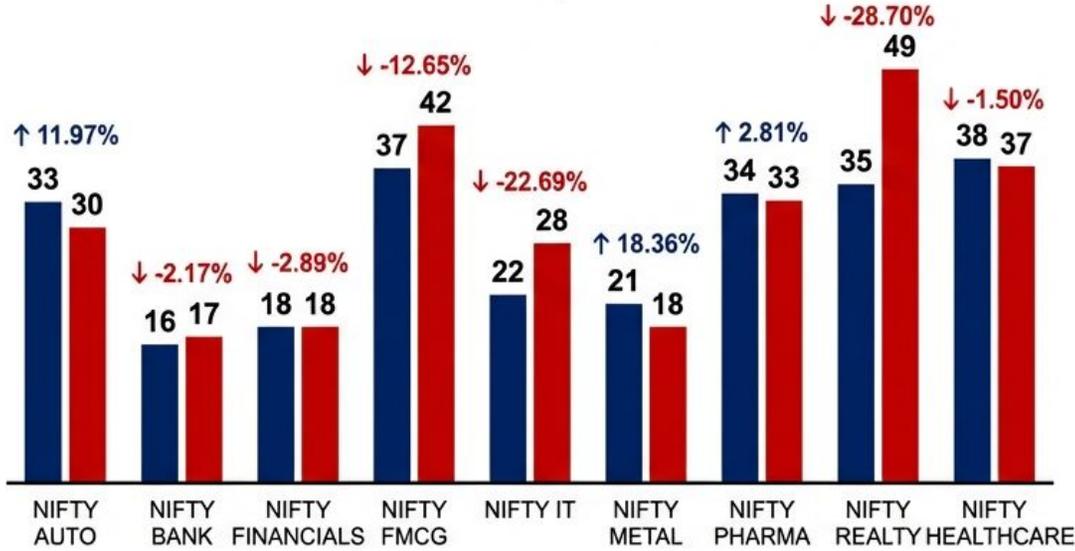
Note: The values shown on the bars are rounded to the nearest whole number, while the percentage change is calculated using actual values. As a result, minor differences may occur compared with calculations based on rounded figures.

Market Valuations: Current P/E Ratios vs. 5-Year Historical Median

■ Current P/E ■ 5-Year Median P/E

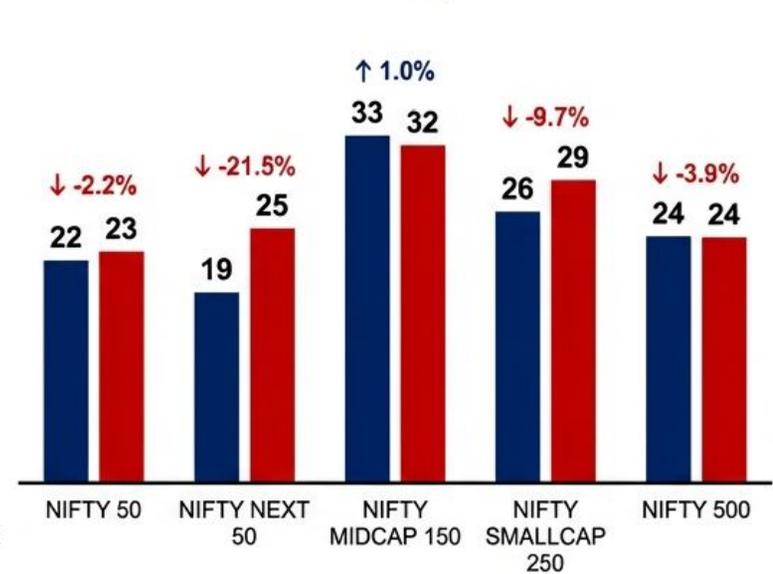
Current P/E Ratio vs 5-Year Median P/E (Sector-wise)

As of: February 2026



Current P/E Ratio vs 5-Year Median P/E (Index-wise)

As of: February 2026



Key Highlights

- **Broad Valuation Contraction:** The majority of sectors and broad market indices are trading at a discount to their 5-year medians, led by sharp valuation corrections in NIFTY REALTY (↓ -28.70%), NIFTY IT (↓ -22.69%), and NIFTY NEXT 50 (↓ -21.50%).
- **Pockets of Premium Growth:** Distinct upward momentum is isolated to specific sectors, with NIFTY METAL (↑ 18.36%) and NIFTY AUTO (↑ 11.97%) commanding significant valuation premiums compared to their historical baselines.

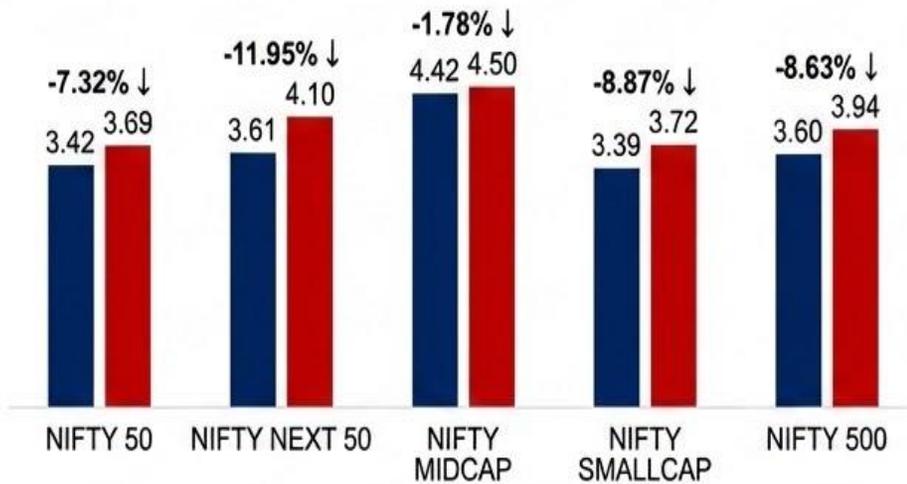
Source: NSE. Current P/E is as of February 2026. 5 Year Median PE is calculated by taking the Median of P/E data for 5 year period of respective indices.

Note: The values shown on the bars are rounded to the nearest whole number, while the percentage change is calculated using actual values. As a result, minor differences may occur compared with calculations based on rounded figures.

Current P/B vs 3-Year Median P/B

As of: February 2026

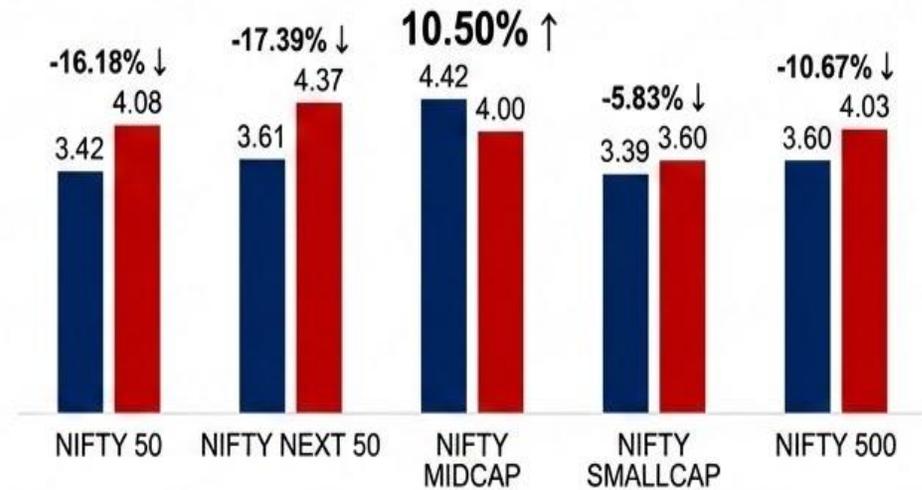
■ Current P/B ■ 3-Year Median P/B



Current P/B vs 5-Year Median P/B

As of: February 2026

■ Current P/B ■ 5-Year Median P/B



Key Highlights

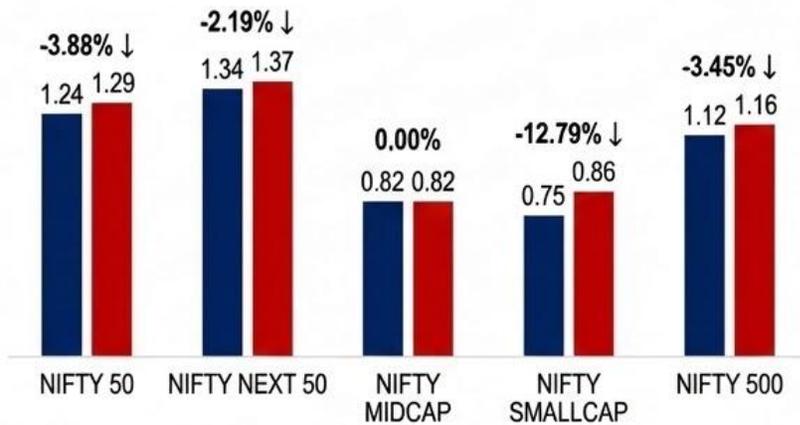
- Broad trend of negative growth in P/B valuations against both 3-year and 5-year medians across large-cap and small-cap indices (↓).
- NIFTY MIDCAP presents a notable upward anomaly, currently trading at a 10.50% premium (↑) over its 5-year median P/B.

Source: NSE. Current P/B is as of February 2026. 3 Year Median P/B is calculated by taking the Median of P/B data for 3 year period of respective indices.

Source: NSE. Current P/B is as of February 2026. 5 Year Median PB is calculated by taking the Median of P/B data for 5 year period of respective indices.

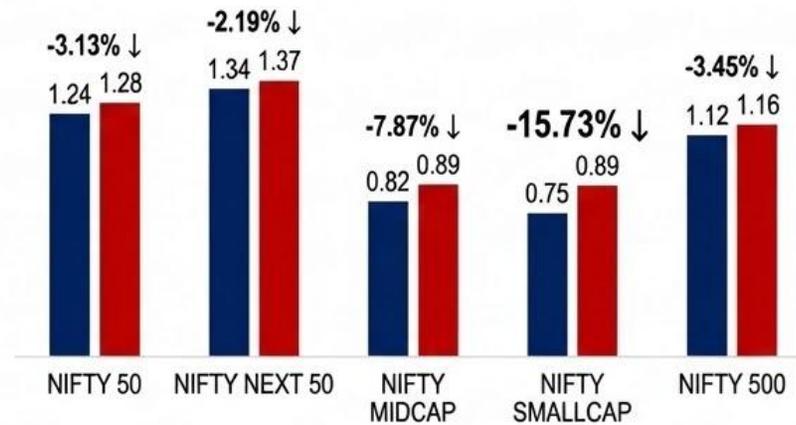
Current Dividend Yield vs 3-Year Median Dividend Yield
As of: February 2026

■ Current Dividend Yield ■ 3-Year Median Dividend Yield



Current Dividend Yield vs 3-Year Median Dividend Yield
As of: February 2026

■ Current Dividend Yield ■ 5-Year Median Dividend Yield



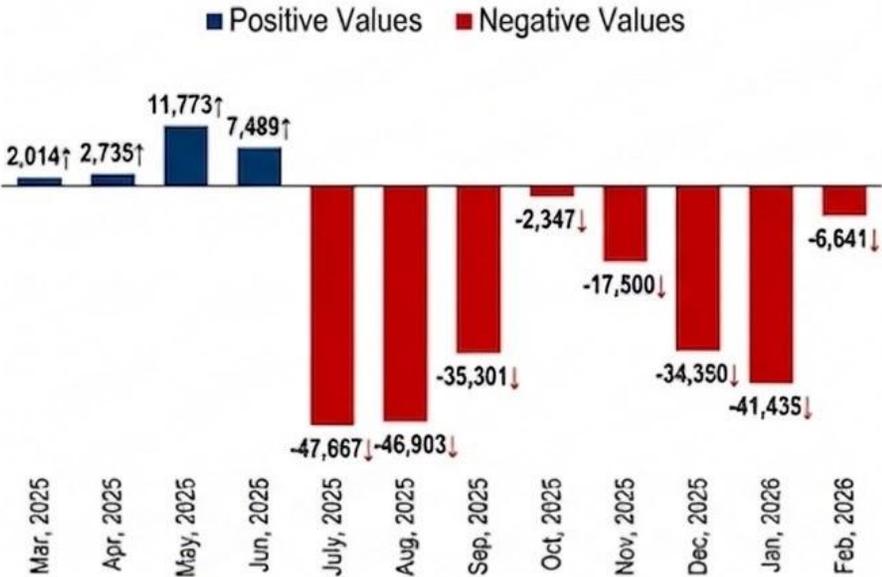
Key Highlights

- A universal trend of yield compression (↓), with current dividend yields remaining below or flat against historical medians across all five major indices.
- The steepest decline is evident in the NIFTY SMALLCAP segment, showing a significant drop in yield versus both the 3-year (-12.73% ↓) and 5-year (-15.73% ↓) medians.

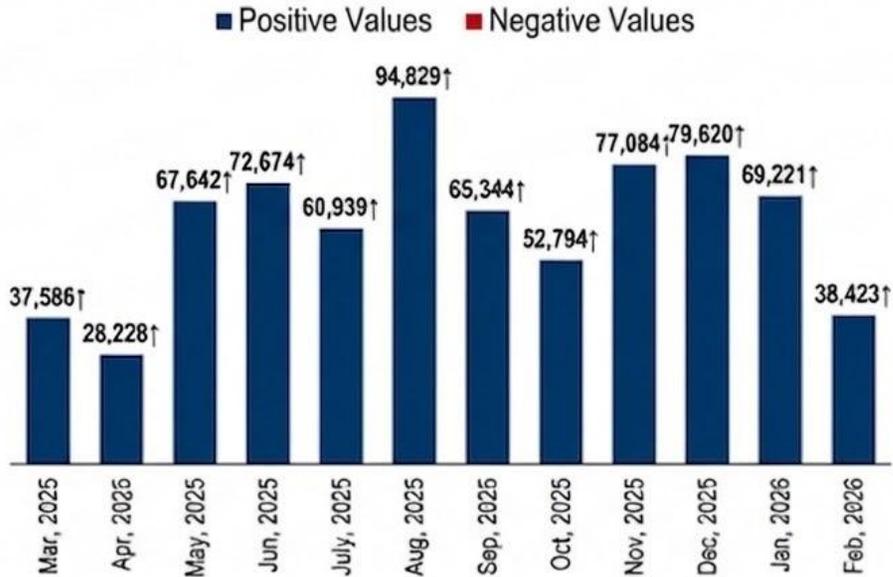
Source: NSE. Current Dividend Yield is as of February 2026. 3 Year Median Dividend Yield is calculated by taking the Median of Dividend Yield data for 3 year period of respective indices.

Source: NSE. Current Dividend Yield is as of February 2026. 5 Year Median Dividend Yield is calculated by taking the Median of Dividend Yield data for 5 year period of respective indices.

FII Net Investment (INR in Cr.)



DII Net Investment (INR in Cr.)

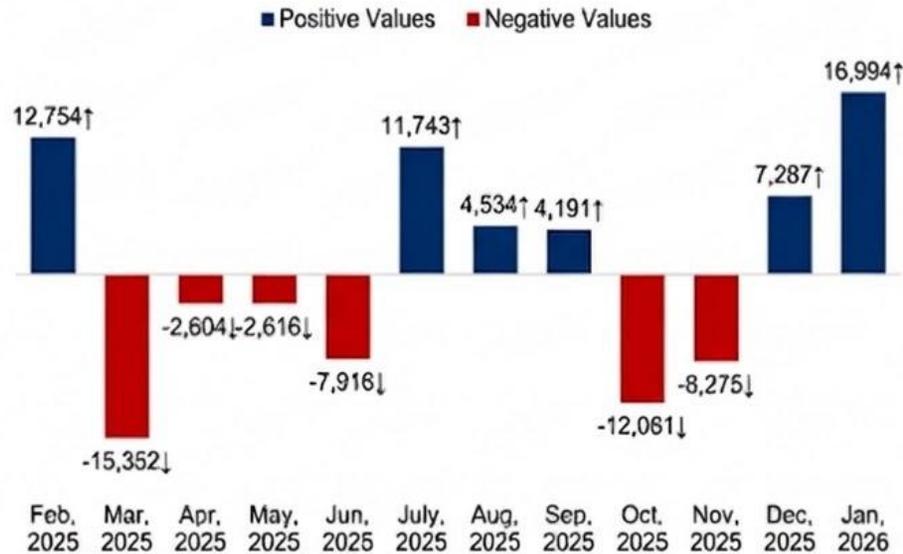


Key Highlights

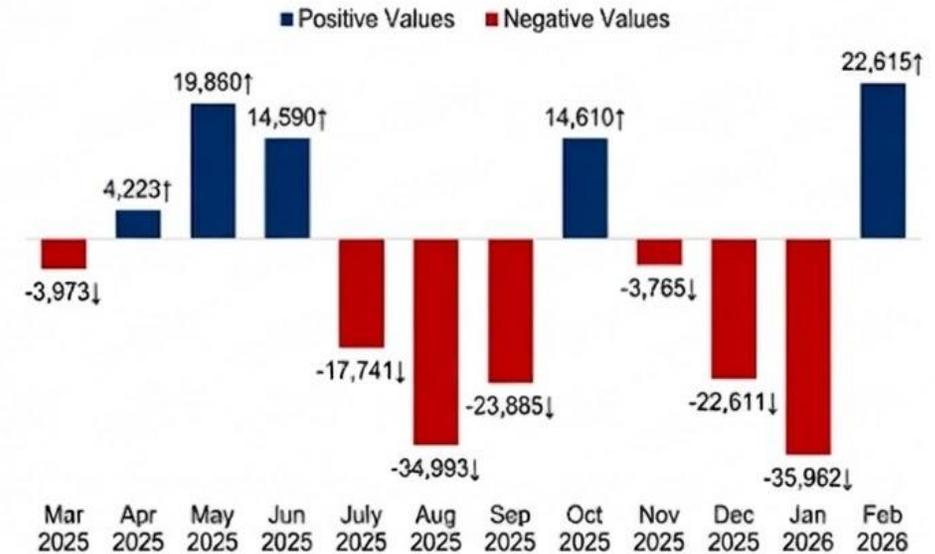
- A massive structural divergence began in July 2025, triggering eight consecutive months of severe FII outflows peaking at -47,667 Crs.
- DIIs acted as an unyielding market counterweight, maintaining uninterrupted positive inflows throughout the 12-month period.
- Domestic liquidity successfully absorbed the foreign shock, with DII inflows reaching a towering peak of 94,829 Crs in August 2025 amidst heavy institutional selling.

Source: Bloomberg | March 2025 - February 2026

Individual Investors Net Inflows in NSE CM Segment



FPI Net Investment



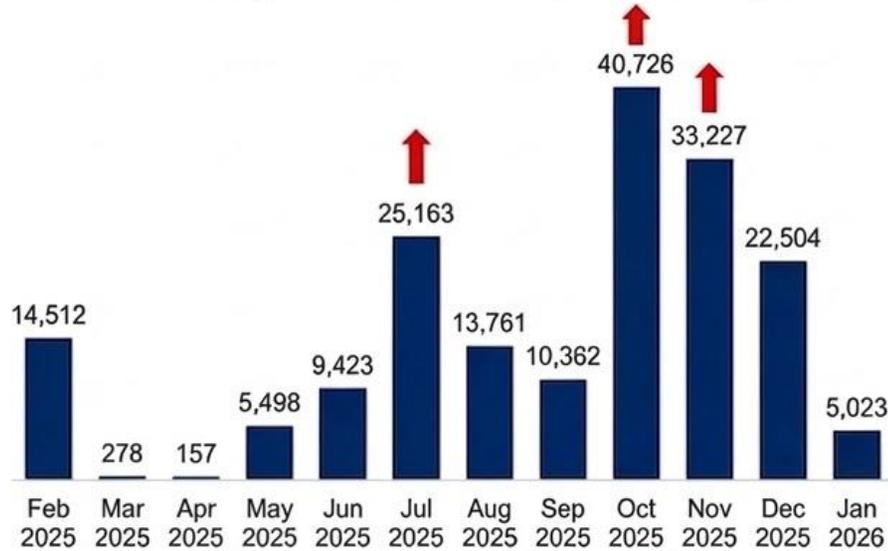
Key Highlights

- Retail investor sentiment displayed high volatility, swinging between sharp exits (-15,352 Crs in Mar 2025) and aggressive buying phases, culminating in a strong localized recovery of 16,994 Crs by Jan 2026.
- Broader FPI flows mirrored the institutional FII exodus, sustaining heavy outflows through the second half of the year, interrupted only by isolated recoveries like Oct 2025 (14,610 Crs).
- The contrasting behavior reveals a market landscape where domestic retail optimism frequently absorbed the volatility left behind by exiting foreign portfolios.

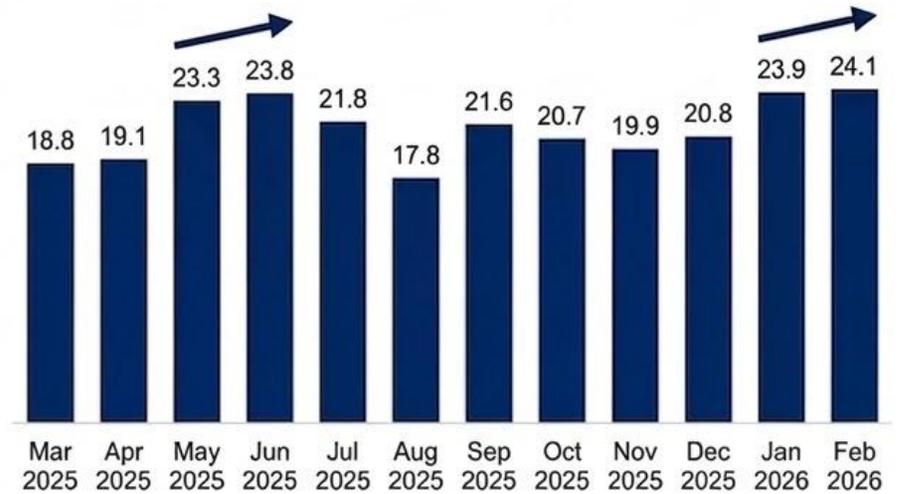
Source: NSE Market Pulse | February 2025 - January 2026

Source: NSDL India | March 2025 - February 2026

Monthly IPO Collection (INR Crores)



NSE Cash Market Segment Turnover (INR Lac Crores)



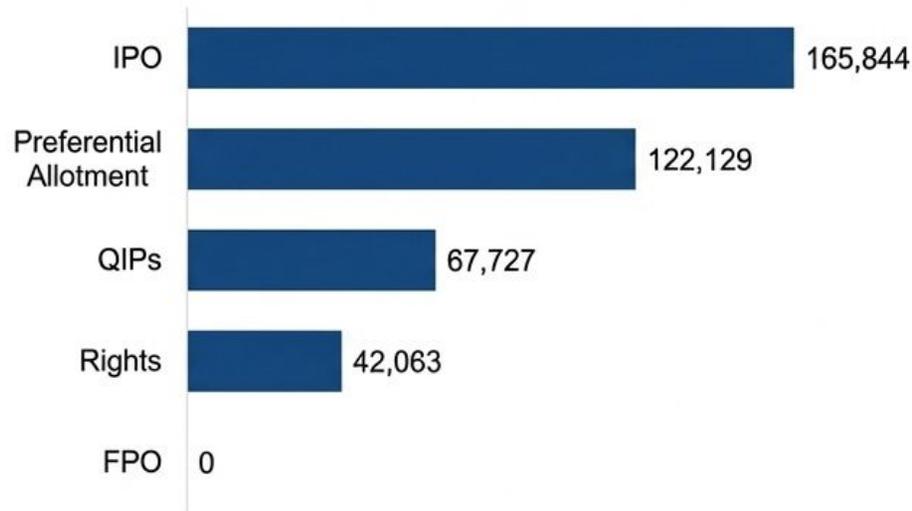
Key Highlights

- Primary markets absorbed massive liquidity in Q4 2025, with IPO collections surging to an incredible ₹40,726 Cr in October alone (↑).
- Despite immense capital being locked into IPOs, secondary market liquidity remains structurally robust, consistently sustaining ₹20–24 Lac Crores in monthly turnover.

Source: NSE Market Pulse | February 2025 - January 2026

Source: NSE | March 2025 - February 2026

Fund Mobilisation through Equity (INR Crores)



No. of Active Demat Accounts



Key Highlights

- Corporate India successfully mobilized enormous capital, driven primarily by IPOs (₹1.65L Cr) and Preferential Allotments (₹1.22L Cr).
- This capital formation is structurally underpinned by an unprecedented explosion in retail participation, with total CDSL Demat accounts scaling geometrically from 2.11 Cr in FY20 to 17.26 Cr in FY26TD (↑).

Source: NSE Market Pulse Report | Data is for FY 2025-26TD as of January 2026. Only open-ended schemes are considered.

Source: Annual reports of NSDL and CDSL respectively | FY 2019-20 - FY 2025-26TD. FY 2025-26TD data is as of December 2025



Growth

Mid and small caps drive wealth



Outperformance

Value and Momentum factors strongly outperform



Expansion

Market growth broadens beyond top 50



Value

Broad indices offer deep valuation discounts



Resilience

Domestic inflows easily absorb foreign selling



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