NETRA

Early Signals Through Charts

January 2026

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Stubborn Market Myths Debunked by Data

Myth 1: Yielding Assets Like Stocks Are ALWAYS Better Than 'Pet Rocks' Like Gold

Gold has beaten every major equity market over the 21st Century.
Yes, there's start/end point bias. But living through this era with zero gold allocation would've been a real-world mistake.

Developed Markets (returns in 21st century)	Equity Market Returns (In Local currency)	Gold Returns (in Local Currency)	Gold's Excess Returns over Equity Market
Japan	5.4%	13.0%	7.6%
UK	4.9%	11.9%	7.1%
France	4.2%	10.5%	6.3%
USA	8.1%	11.1%	3.0%
Canada	8.1%	10.9%	2.8%
Australia	9.8%	11.1%	1.3%

Country	Index	Gold Returns in 20 Years	No. of stocks outperforming Gold	% of stocks outperforming Gold#
India	NSE 500	15%	115	24%
USA	S&P 500	11%	25	5%
UK	FTSE 100	13%	1	1%
Japan	Nikkei 225	13%	4	2%
China	CSI 300	11%	80	29%

 # Percentage of stocks outperforming gold, excluding adjustments for mergers and acquisitions.
Note: Change in market cap is considered for stock's outperformance. Indices portfolio taken from Bloomberg.

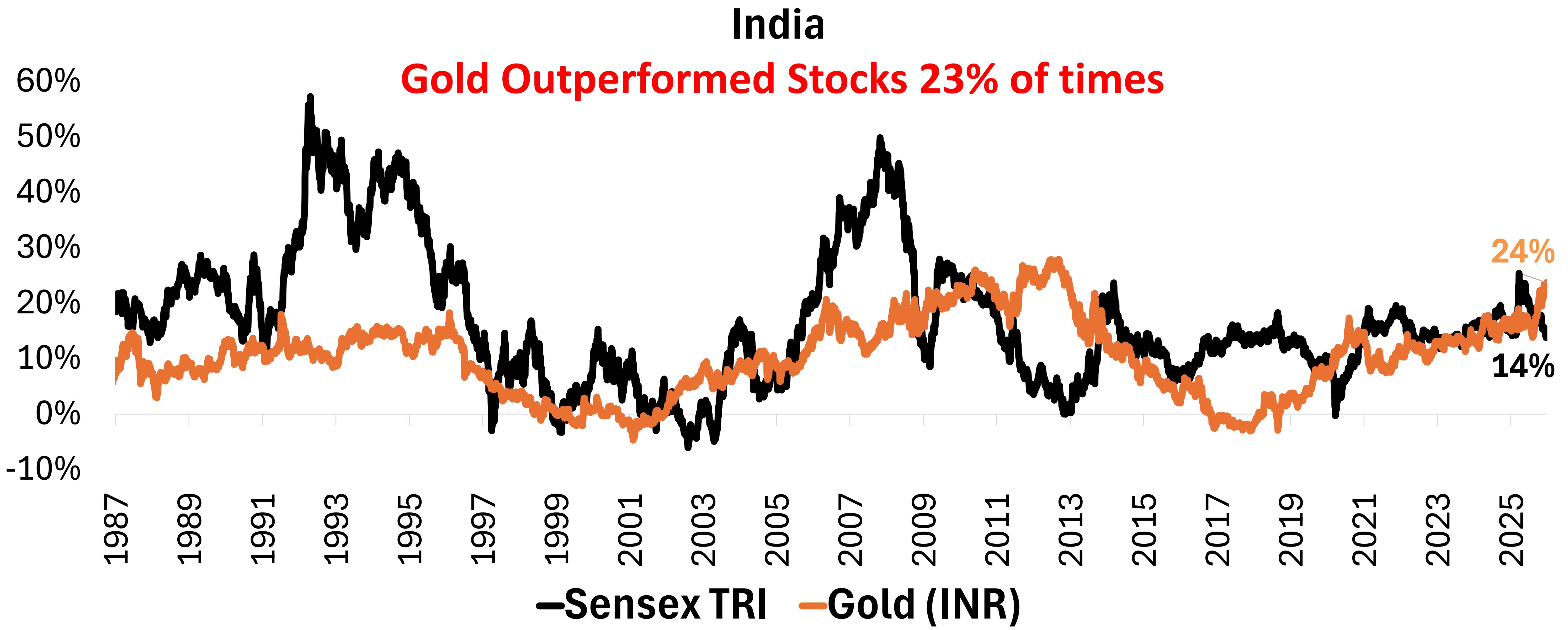
Emerging Markets (returns in 21st century)	Equity Market Returns (In Local currency)	Gold Returns (In Local currency)	Gold Excess Returns over Equity Market
Turkey	20.9%	31.5%	10.6%
Argentina	39.5%	47.0%	7.5%
Brazil	9.1%	16.0%	6.9%
Malaysia	5.0%	11.4%	6.4%
Poland	5.5%	10.5%	5.0%
South Korea	7.8%	12.3%	4.5%
Chile	9.0%	13.5%	4.5%
China	6.2%	10.4%	4.2%
Mexico	11.0%	13.9%	2.9%
Hungary	10.2%	12.3%	2.1%
South Africa	14.3%	15.5%	1.2%
India	13.3%	14.3%	1.0%

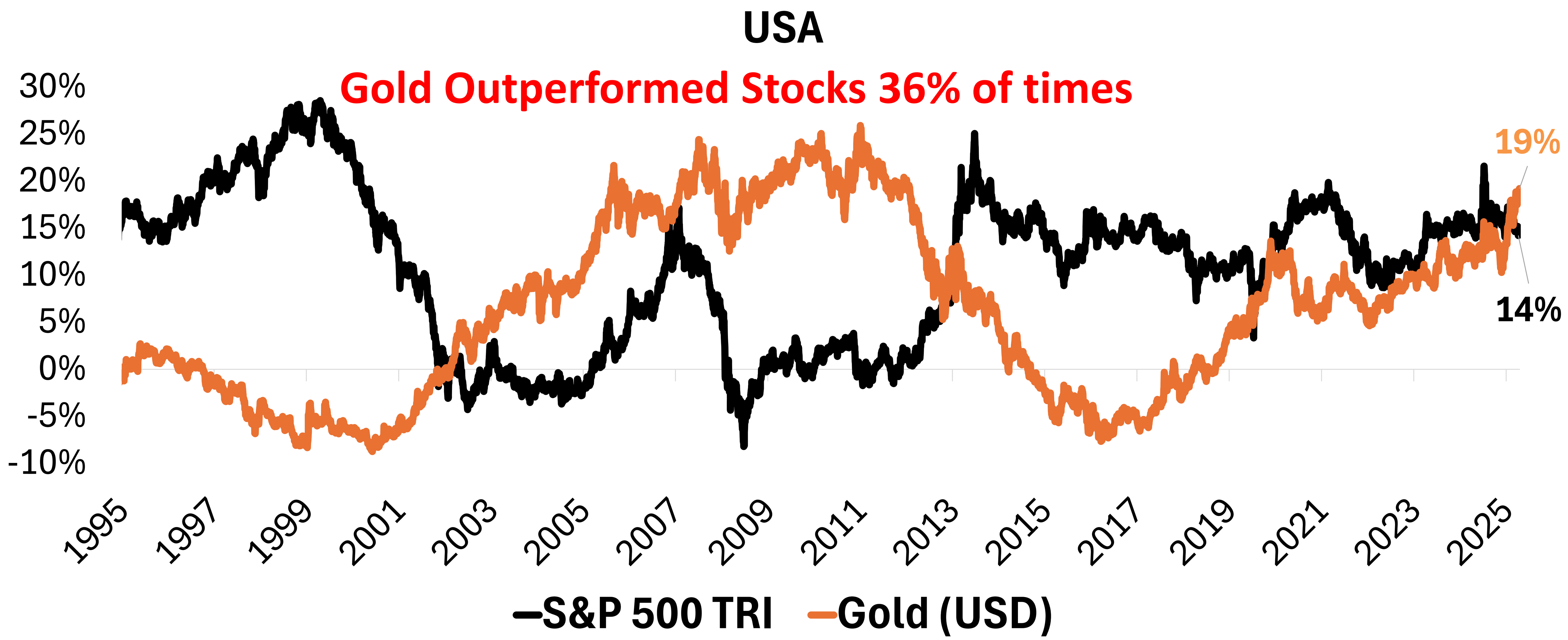
DSP

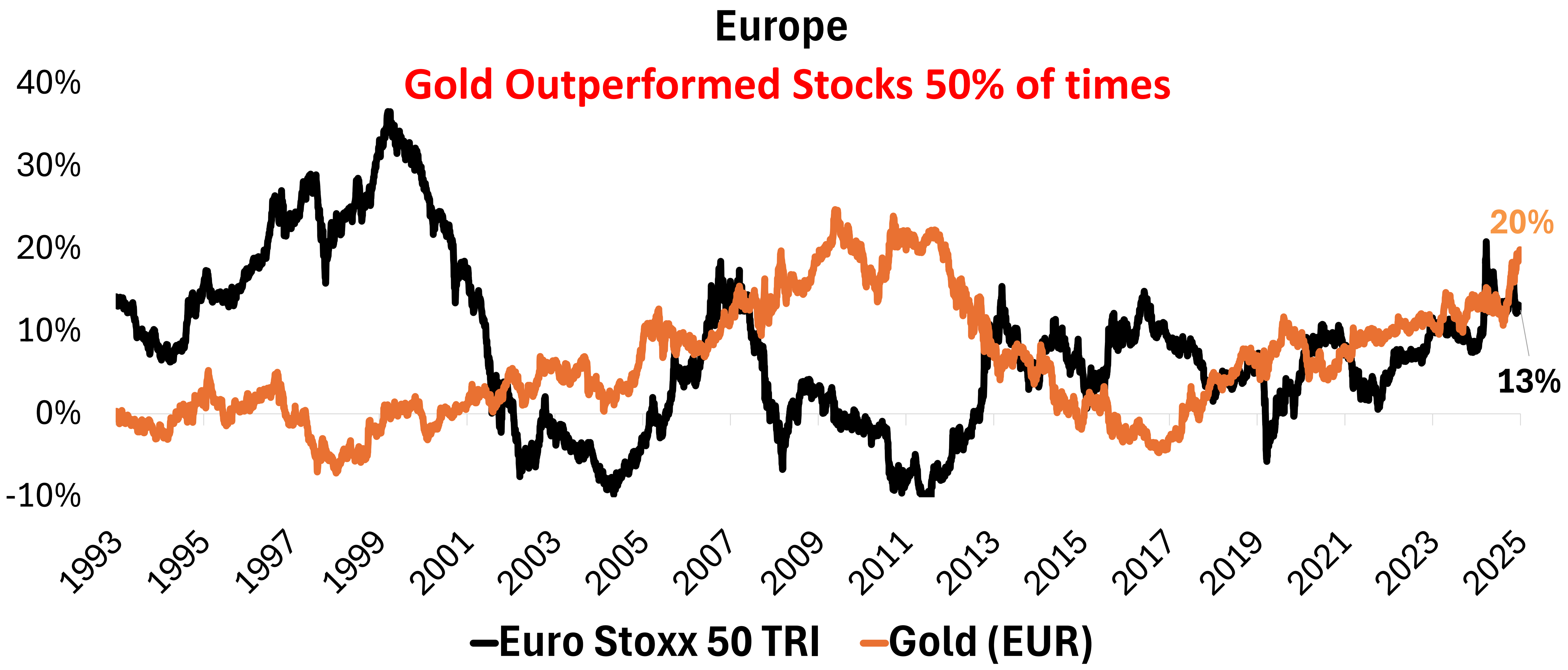
Source: Bloomberg, DSP. Data as on Dec 2025. All Market returns are TRI using TRA Function on BBG. *Data since 31-12-1999

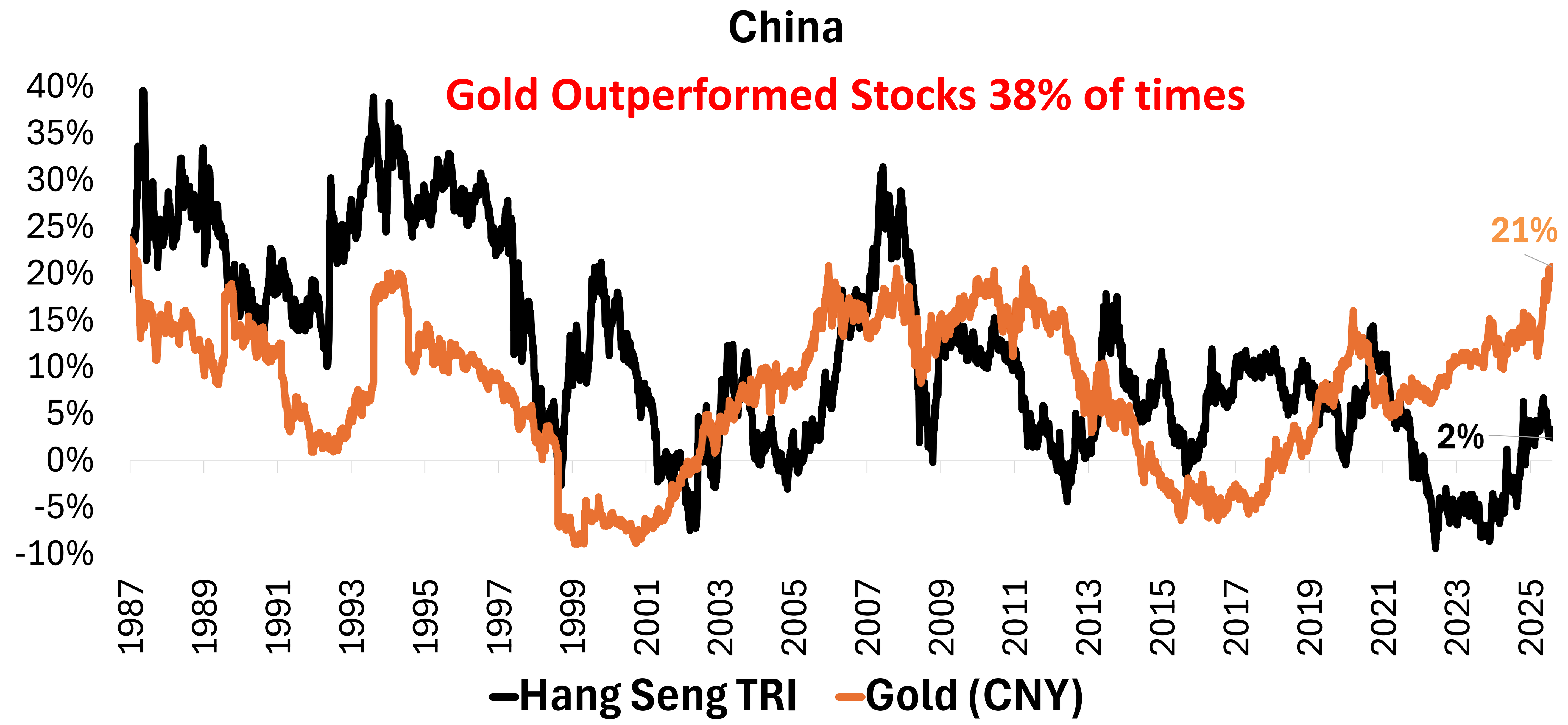
Myth 2: Gold Is 'The Only Game In Town'

Over 5-Year Rolling Periods Gold Doesn't Outperform Too Often









DSP

Source: Bloomberg, DSP. Data as of Dec 2025. Prior to 1996 Sensex TRI is calculated assuming 1.5% dividend yield. Prior to 2004 Hang Seng TRI is calculated assuming 3% dividend yield

Myth 3: Di-worse-fication

Equity investors believe stocks are the best investments. Those who have made money in Gold or real estate only focus on their wins. The reality is mixed.

The multi-asset strategy has been successful across various markets, with possibility of delivering equity-like returns but with lower volatility.

The table highlights the performance of major developed and emerging markets. Across all these markets, the multi-asset strategy has consistently delivered optimal results. Except for USA, Multi-Asset has outperformed domestic equities in local currency terms, across all these markets.

A key point to note is the difference in standard deviation. Typically, a poor performance in one asset class is balanced by stronger results in another, reducing the overall risk.

Stocks, Gold, Real Estate: Winners Remember Wins. Reality Is Mixed

20-Year CAGR Returns In Local Currency By Asset Class and For Multi Asset Allocation Strategy

Nominal Local Currency 20-Yr CAGR	Inflation	Equity returns	Debt returns	International equity returns	Gold returns	Multi Asset returns	Standard Deviation (Domestic Equities)	Standard Deviation (Multi Asset)
Emerging Markets (USD)	6.1%	3.5%	5.5%	6.1%	11.2%	6.1%	19.6%	12.6%
India	**6.5%**	**11.7%**	**7.6%**	**9.9%**	**15.3%**	**12.3%**	**21.1%**	**11.2%**
China	2.1%	8.4%	3.9%	7.6%	10.4%	10.0%	25.3%	13.8%
Thailand	1.6%	2.9%	2.9%	4.7%	9.8%	5.1%	18.3%	10.3%
Pakistan	10.2%	15.6%	10.7%	14.6%	20.3%	16.9%	19.6%	11.2%
Japan	0.9%	3.7%	0.4%	7.7%	12.8%	5.6%	21.3%	12.7%
USA	**2.5%**	**8.9%**	**2.8%**	**2.9%**	**11.2%**	**7.7%**	**19.5%**	**11.3%**
UK	2.8%	2.9%	2.3%	7.4%	12.6%	4.9%	17.9%	10.3%

Source: Bloomberg, DSP. Data as of Dec 2025. All returns are in local currency except for Emerging Market (USD). For equity price return indices are considered. Multi Asset is based on Annual rebalancing and the weights are: Domestic Equity – 50%; Debt – 20%; International Equity – 15%, Gold – 15%. Indices used For Equity: Emerging Markets (USD) – MSCI EM Index, India – Nifty 50, China – CSI300, Thailand – SET Index, Pakistan – KSE 100 Index, Japan – TOPIX, USA – S&P500, UK- FTSE 100 Index. For Debt, we have used: Emerging Markets (USD) – Bloomberg EM Sovereign Index, India – Crisil Short Term Bond, China - Bloomberg China Treasury, Thailand – Thai BMA Govt Bond Index, Pakistan - Bloomberg emerging fixed income – Pakistan, Japan - FTSE Japan Gov Bond, USA - Bloomberg US treasury bond index, UK - Bloomberg UK Gilt 1-5 year Index. International Equity for Emerging Markets (USD), India, Thailand, Pakistan, Japan, UK – MSCI ACWI and for China – MSCI ACWI ex China and for USA – MSCI ACWI ex US. Gold returns are in local currency except for Emerging Markets(USD). For all disclaimers refer slide 35.

DSP

Myth 4: If GDP Rises, So Would The Stock Market

A common misconception across markets is "strong economic growth equals equity returns, therefore buy stocks." This narrative is flawed.

Case in point: Despite being among the faster-growing economies, Malaysia and the Philippines have delivered negative equity returns over the past 30 years. China reinforces the disconnect. While its GDP has grown the fastest in the group, equity market returns have compounded at barely half that pace.

Why?
Stock returns depend on earnings growth. Companies that consistently create value for shareholders (above their cost of capital) deliver long-term gains, exceeding bonds. This is rarer than most people believe. In many countries and companies, events outside the control of authorities can derail or stop growth.

The Takeaway: Don't be fooled by economic growth alone. Focus on a company's earnings and the price you pay for them.

Economic Growth May Or May Not Result In Commensurate Equity Returns

30 Year Returns For Frontline Equity Indices In Local Currency & Adjusted For Inflation

Country		Real GDP Growth (in LCU)	Real Equity Mkt Returns (in LCU)*	
China	**Fast-growing economies** **Real GDP Growth > 3%**	8.8%	3.2%	Equity Market Returns < GDP Growth
India		**6.1%**	**4.7%**	
Korea, Rep.		5.4%	1.4%	
Malaysia		5.3%	-0.7%	
Indonesia		4.7%	1.5%	
Philippines		4.1%	-1.7%	
China (HK Listed)		3.6%	1.1%	
Australia		3.1%	2.2%	
United States	**Slow-growing Economies** **Real GDP Growth < 3%**	2.6%	5.9%	Equity Market Returns > GDP Growth
Brazil		2.4%	3.7%	
Canada		2.3%	4.4%	
United Kingdom		2.2%	0.9%	
Mexico		2.0%	3.5%	
France		1.8%	3.4%	
Japan		1.4%	2.7%	

Countries shaded in green -> Real returns higher than Real GDP growth

DSP

Source: Bloomberg, World Development Indicators, DSP; Data as of Dec 2025. LCU - Local Currency Units

Myth 5: GDP Will Grow To $30 Trillion By 2050

For India to reach $30 trillion GDP, assuming a stable exchange rate regime (rupee depreciation), it would need to grow at a CAGR of 8.9% for the next 25 years.

History shows how demanding that is. India has crossed 8% year-on-year growth rarely. When growth is smoothed over longer periods, it becomes even rarer. **Over any 5-year window, India has come close to 8% real growth only once, in FY08.** Even when headline growth has touched 8%, it has often been a rebound, compensating for sharp slowdowns in prior years. **Growing at even 8% isn't easy.** India today is growing slower relative to its own history and potential. This means all the stories of superlative growth lack support of the base rates.

Assume a scenario where India doubles it's GDP every 10 years (rule of 72), by 2050 GDP would be close to $20 trillion and not $30 trillion.

But what is the historical base rate? India's long term real GDP growth rate is close to 6% and not 7% or 8%. Can we grow faster, at a higher base?

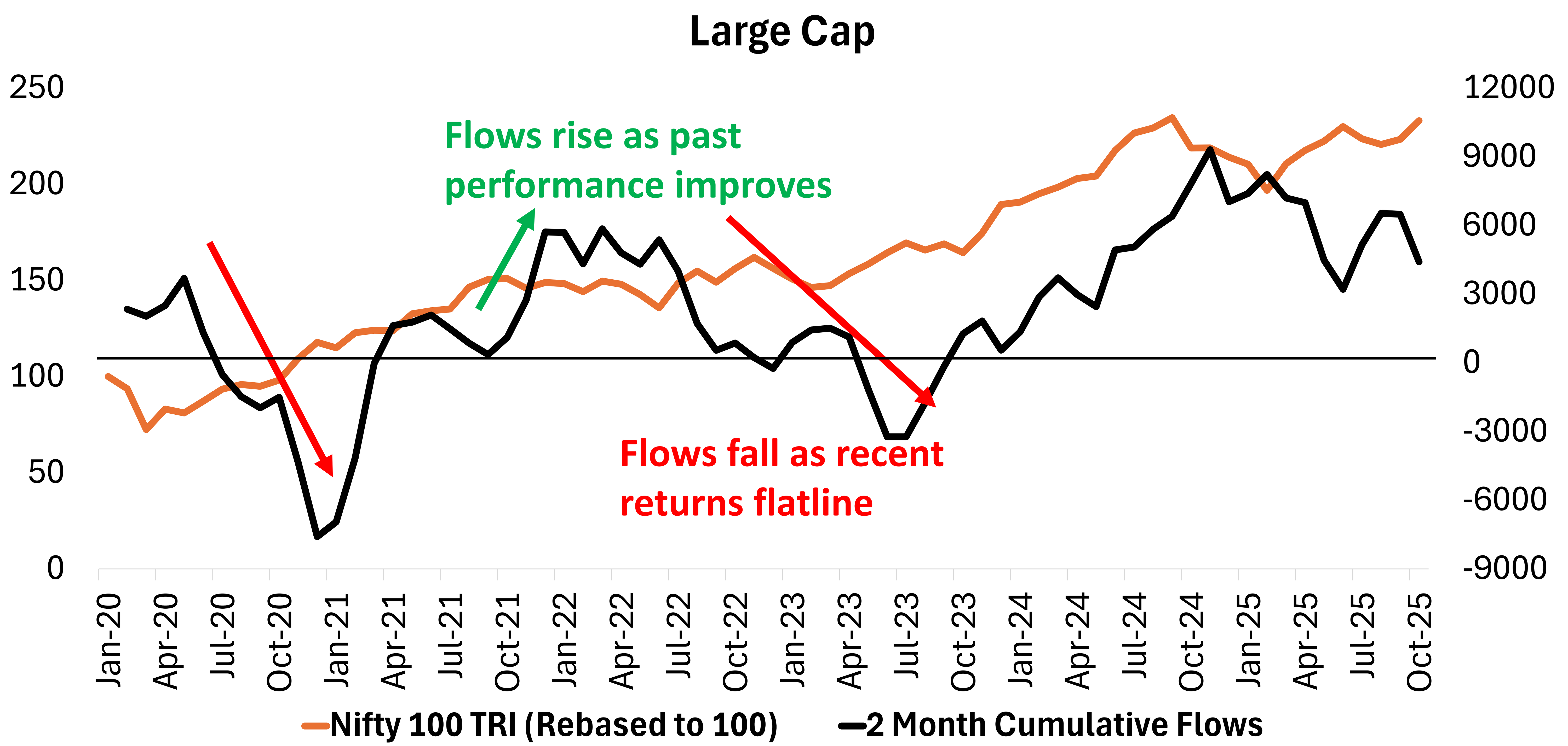
This Is How Often India Has Grown at 8% YoY GDP Growth

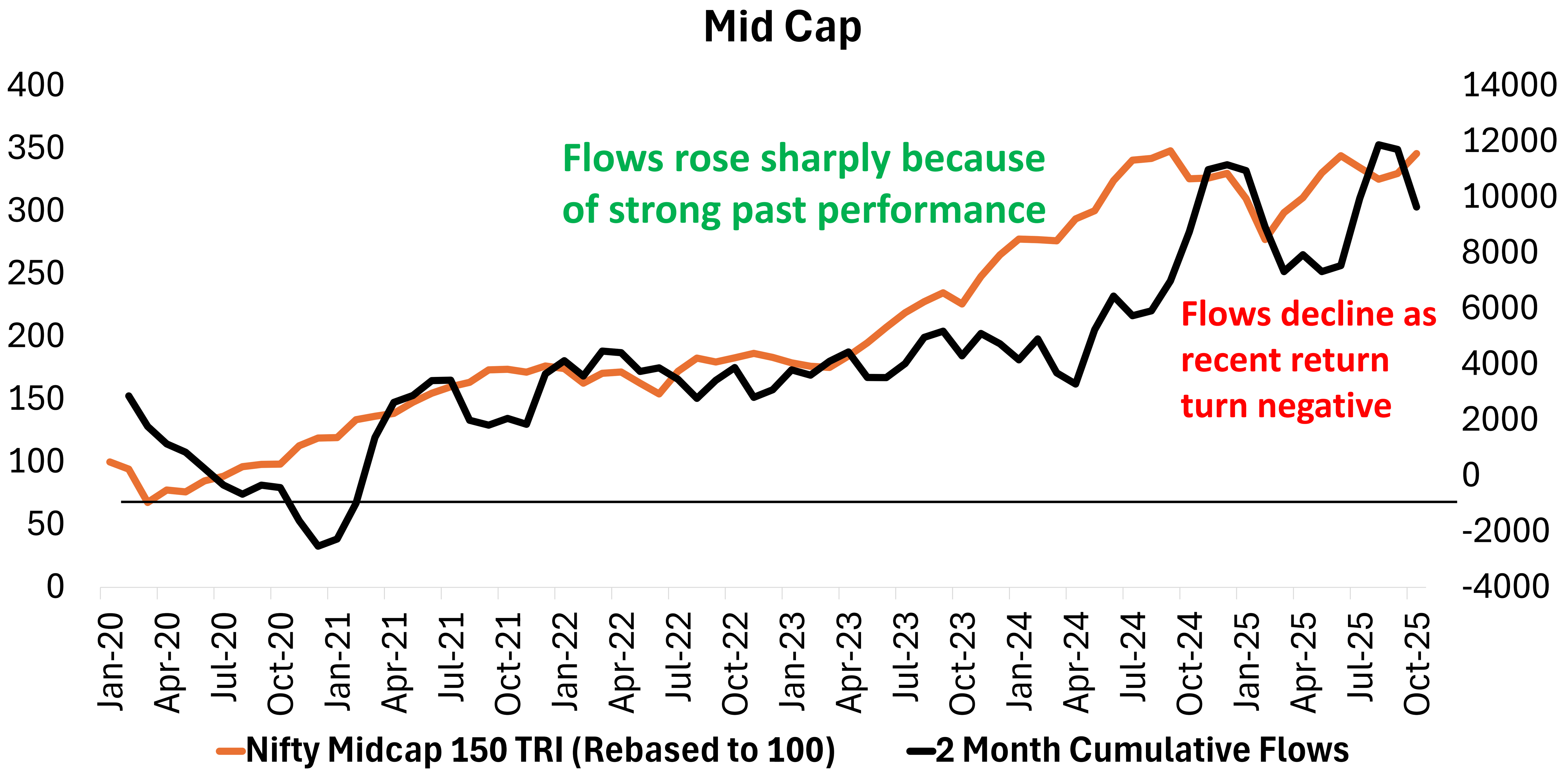
FY71	5.2%	FY81	6.7%	FY91	5.5%	FY01	3.8%	FY11	**8.5%**	FY21	-5.8%
FY72	1.6%	FY82	6.0%	FY92	1.1%	FY02	4.8%	FY12	5.2%	FY22	**9.7%**
FY73	-0.6%	FY83	3.5%	FY93	5.5%	FY03	3.8%	FY13	5.5%	FY23	7.6%
FY74	3.3%	FY84	7.3%	FY94	4.8%	FY04	7.9%	FY14	6.4%	FY24	**9.2%**
FY75	1.2%	FY85	3.8%	FY95	6.7%	FY05	7.9%	FY15	7.4%	**FY25**	**6.5%**
FY76	**9.1%**	FY86	5.3%	FY96	7.6%	FY06	7.9%	FY16	**8.0%**		
FY77	1.7%	FY87	4.8%	FY97	7.5%	FY07	**8.1%**	FY17	**8.3%**		
FY78	7.3%	FY88	4.0%	FY98	4.0%	FY08	7.7%	FY18	6.8%		
FY79	5.7%	FY89	**9.6%**	FY99	6.2%	FY09	3.1%	FY19	6.5%		
FY80	-5.2%	FY90	5.9%	FY00	**8.8%**	FY10	7.9%	FY20	3.9%		

DSP

Source: CMIE, DSP; Data as on Dec 2025

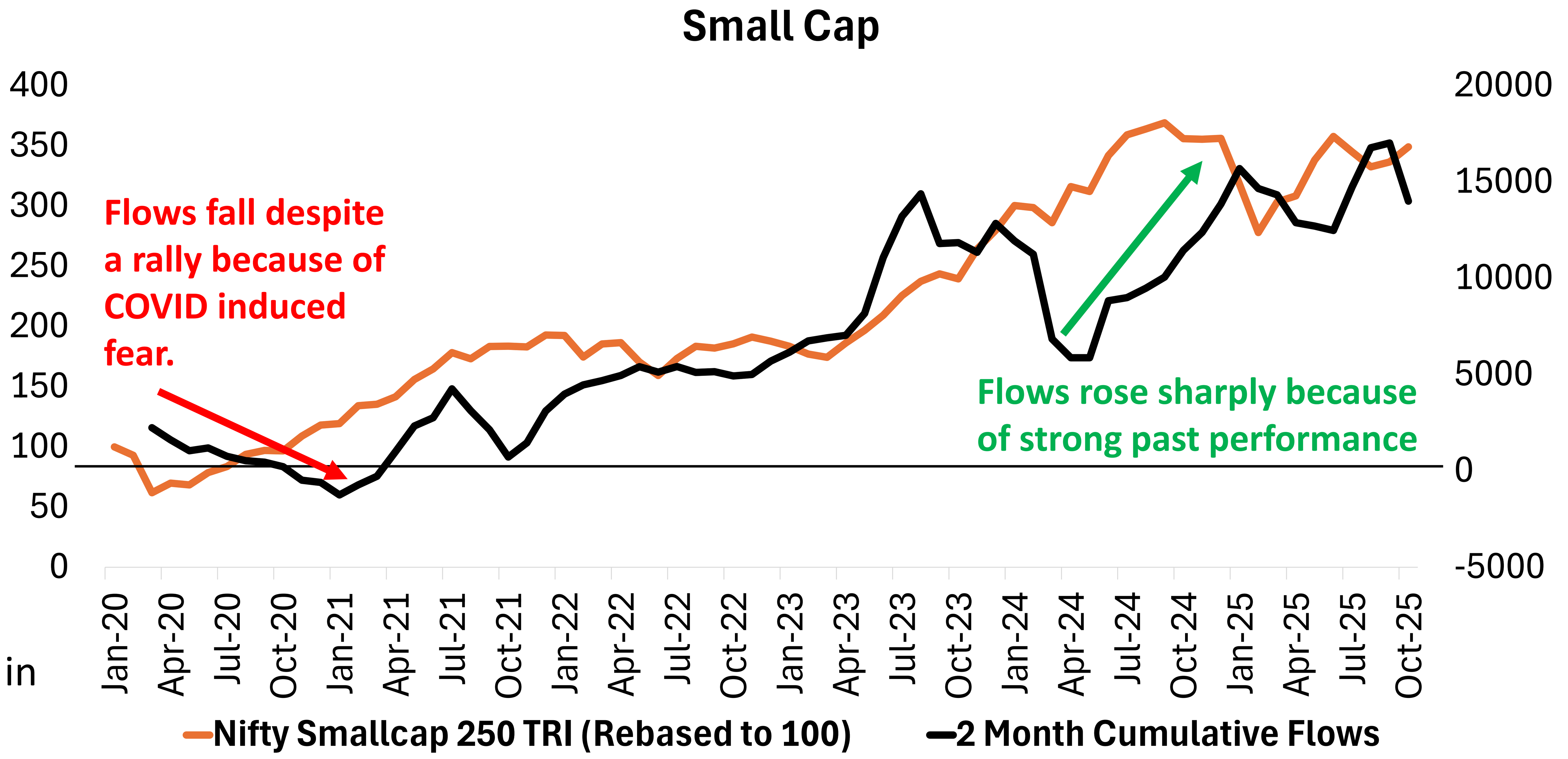
Myth 6: “There Is So Much Domestic Money, Stocks Will Keep Rallying”





If flows were the primary driver of returns, the Indian equity market should have delivered strong performance since September 2024, given cumulative FII/DII inflows of ~₹4.9 lakh crore over this period. However, despite these substantial inflows, market returns have remained largely flat.

Investors often assume that incremental capital deployed into the same set of stocks will continue to push prices higher through increased buying pressure. **Flows tend to be reactive rather than predictive;** they largely follow performance. Therefore, the maxim – **Flows follow returns; they don’t cause returns.**



Source: MFIE, DSP. Data as of Nov 2025. For Flows All Active and Passive MF schemes in that category are considered. For Large Caps Nifty 50 and BSE Sensex is excluded because of EPFO Flows.

Myth 7: The Best Funds Of Today Are The Best For The Future

Investment selection (be it stocks, mutual funds, gold, silver, or real estate) still revolves primarily around past performance. Why? Because past performance is easily available, simple to understand, and is a quick, quantifiable way to make investment decisions. But is this the right approach?

Nearly 60-80% of the mutual fund schemes that ranked in the top quartile (read: top 25% of the funds) during 01-Jan-20 and 31-Dec-22 **slipped into lower quartiles in the next 3 years** (01-Jan-23 to 31-Dec-25).

This pattern of slipping into underperformance persists across all 3-year periods over the past decade. Most top quartile funds have struggled to retain their top position in the subsequent 3 years, and in a notable number of instances, the 'failure' rate is as much as 100%.

Some investors make the mistake of looking at past performance from the lens of the mileage on a scooter. If the scooter manufacturer says it will deliver 70kmpl, they assume that they will get at least 50kmpl. Applying such logic to funds which have delivered, say 20% CAGR, some investor make the mistake of using that as an anchor expecting at least 15% to 18%. Don't.

Percentage of Top Quartile Funds That Slipped To Lower Quartiles

Top Quartile Period (3 Years)	2013-15	2014-16	2015-17	2016-18	2017-19	2018-20	2019-21	2020-22
Subsequent 3 Year Period	2016-18	2017-19	2018-20	2019-21	2020-22	2021-23	2022-24	2023-25
Large Cap	67%	67%	100%	67%	67%	100%	83%	67%
Mid Cap	80%	80%	100%	80%	100%	80%	83%	67%
Small Cap	67%	67%	67%	100%	100%	75%	75%	60%
Large & Mid Cap	80%	60%	80%	80%	60%	100%	80%	83%
Flexi Cap	75%	100%	100%	100%	100%	80%	83%	67%

How to read the table? 67% (first data point on top left) of the top quartile large cap funds (based on past 3-year returns) slipped from the top quartile in the next 3 years.

Source: DSP. NAV data sourced from MFI Explorer. Data as of 31 Dec 2025.

Myth 8: What Is Your Index Target For 2026!

Every year end, market participants and institutions publish their targets for the year ahead. These targets are often shaped by the phase of the market cycle at that point in time. When markets are in a strong bull phase, forecasts tend to become increasingly optimistic; when conditions are weaker, expectations are dialed down.

A familiar example is 2007–08. Markets were in a euphoric phase, and there was a widespread belief that prices would keep moving higher. What followed wasn't some unknowable shock, but a normalization of excesses that had built up over time, later described as an "unforeseen event."

Looking at the last 25 years, the median year-ahead target for the S&P 500 has never been negative. In other words, most forecasts expected markets to rise. Yet, during this same period, 7 out of those 25 years ended with negative returns.

The reality is that no one truly knows what markets will do next. Yet we continue to make and listen to forecasts, even though forecasters are often just as uncertain as the rest of us.

	USA (S&P 500)			India (Nifty 50)		
Year	Price Target	Actual Price	Difference	Price Target	Actual Price	Difference
2005	1302	1248	-4%	2148	2837	32%
2006	1413	1418	0%	2911	3966	36%
2007	1544	1468	-5%	4096	6139	50%
2008	1690	903	-47%	6117	2959	-52%
2009	1103	1115	1%	3546	5201	47%
2010	1246	1258	1%	5117	6135	20%
2011	1388	1258	-9%	6516	4624	-29%
2012	1451	1426	-2%	5760	5905	3%
2013	1608	1848	15%	6095	6304	3%
2014	1944	2059	6%	6809	8283	22%
2015	2215	2044	-8%	9089	7946	-13%
2016	2337	2239	-4%	9205	8186	-11%
2017	2455	2674	9%	9471	10531	11%
2018	2876	2507	-13%	11396	10863	-5%
2019	3119	3231	4%	12396	12168	-2%
2020	3402	3756	10%	13459	13982	4%
2021	3977	4766	20%	14251	17354	22%
2022	5214	3840	-26%	20517	18105	-12%
2023	4513	4770	6%	20690	21731	5%
2024	5124	5882	15%	22661	23645	4%
2025	6672	6845	3%	27533	26129	-5%

DSP

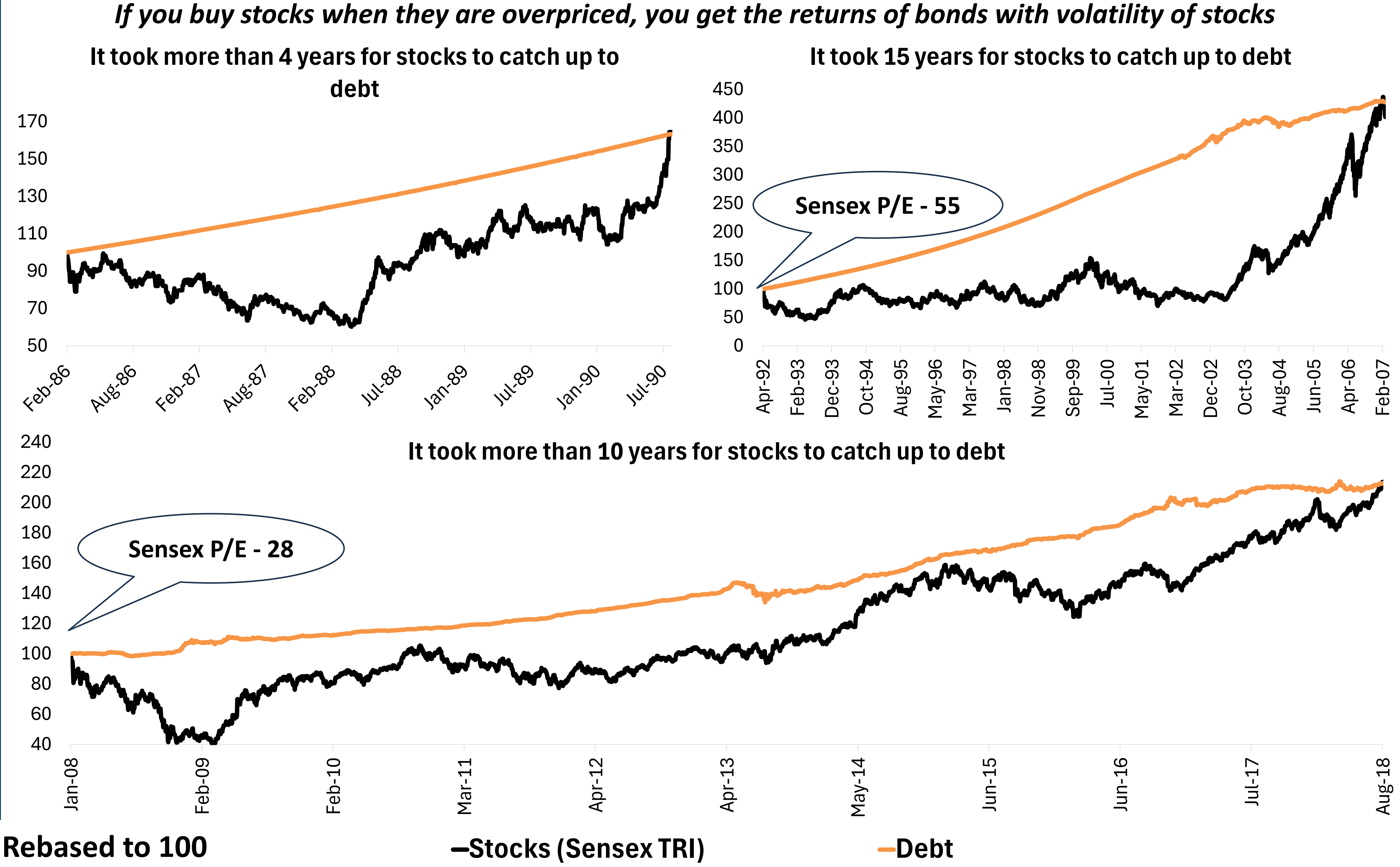
Source: Bloomberg, DSP. Data as of Dec 2025. Price Targets are Bloomberg Estimated Price Target for that year. Red Highlight are where the difference between Price Target and Actual Price is more than +/- 10%

Myth 9: Over The Long-Term, Today's Valuations Wouldn't Matter

Many investors believe entry valuations don't matter because equities always outperform in the long run. This is a misconception. Equities can underperform for extended periods, and entry valuations significantly affects outcomes.

While Indian equities have beaten debt over time, returns vary widely based on when one invests. The charts show prolonged phases, like the early 1990s and 2007–08, where equities lagged debt. These periods were often preceded by excessive optimism, but corporate performance failed to meet expectations.

The common thread: high starting valuations. When stocks are priced for perfection, even slight disappointments can lead to sharp corrections, making debt the better performer.



Source: Bloomberg, National Savings Institute, DSP. Data as of Dec 2025. Prior to 1996 Sensex TRI is calculated assuming 1.5% dividend yield. For Debt since 2002 Crisil Composite bond Index is considered and prior to that 5 year national savings rate is considered.

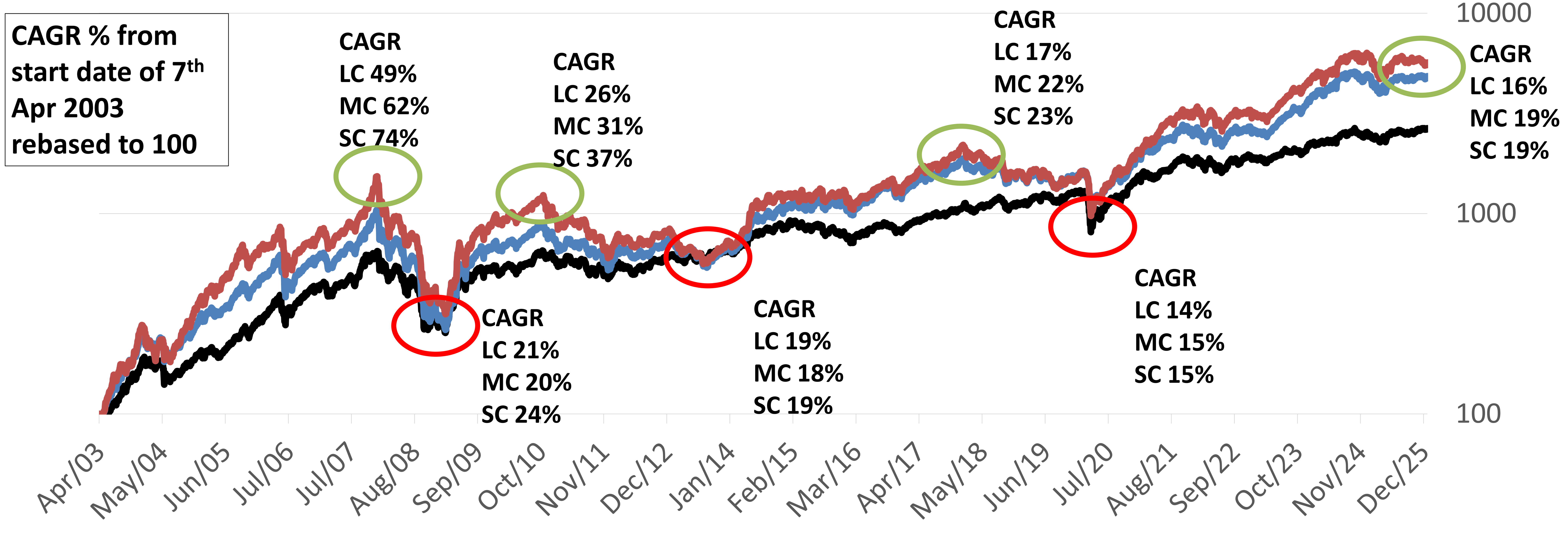
Myth 10: Small & Midcap Stocks Always Outperform Large Cap Stocks

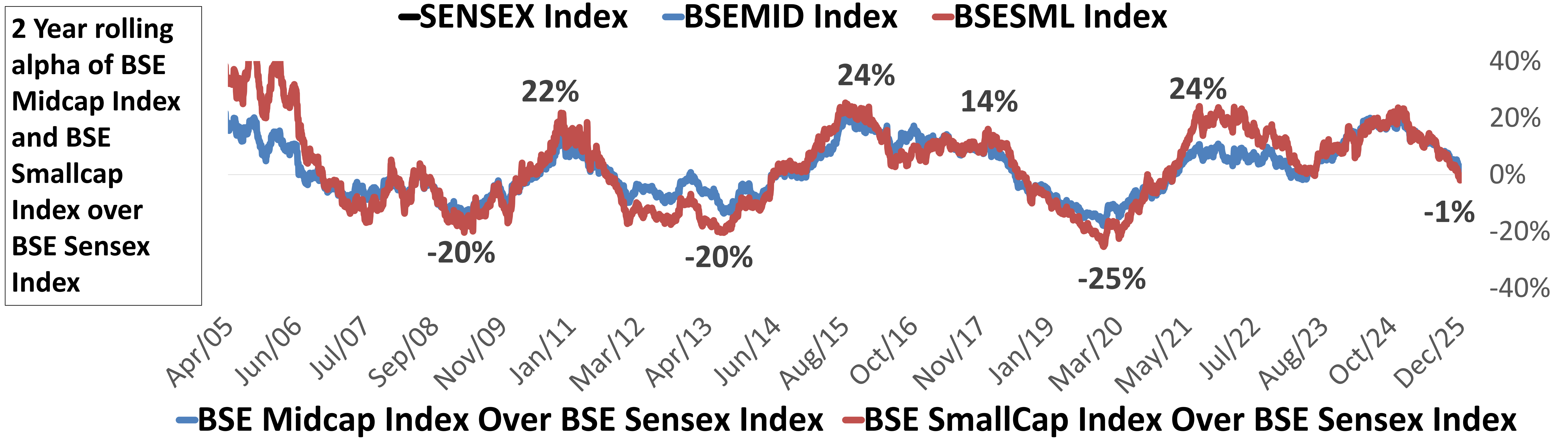
In each upcycle, smaller firms from the mid and small-cap space exhibit stellar performance. This is marked by the significant outperformance of SMIDs (Small & Midcaps) over large caps (LCs) in every upcycle bull market.

As shown in the chart in the upper panel, during each downcycle, SMIDs lose almost all the alpha generated during the upcycle. This is consistent with the volatility readings for SMIDs, where the higher variation results in larger drawdowns and crashes during bear markets compared to the relatively shallower declines in large caps.

Therefore, to capture the extra alpha offered by the small and mid-cap segments, investors are better off focusing on the margin of safety rather than relying on recent outperformance. In fact, it makes enormous sense to be aggressive in SMIDs when their alpha over large caps has vanished. Currently, SMIDs have a large alpha over LCs, so investors might be better served by focusing more on large caps as an option.

In every cycle, Small & Midcap lose all their alpha over large caps and then build back gains in the next cycle.





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Source: Bloomberg, BSE, DSP Data as of Dec 2025.

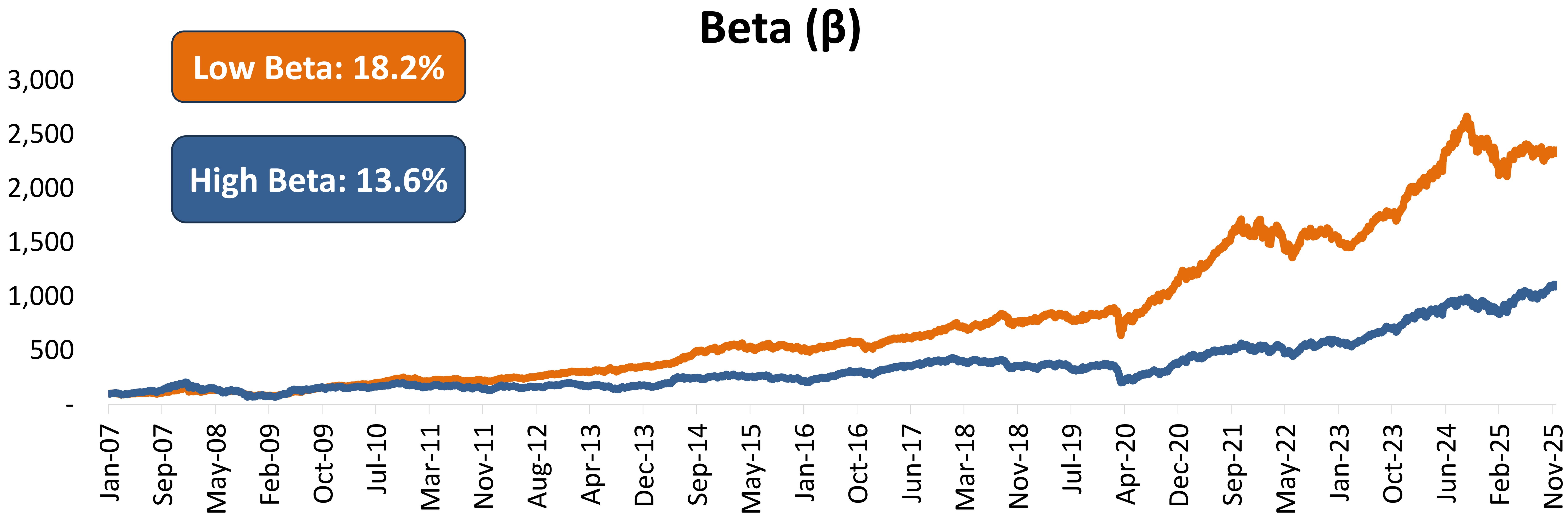
Myth 11: High Risk Means Higher Returns

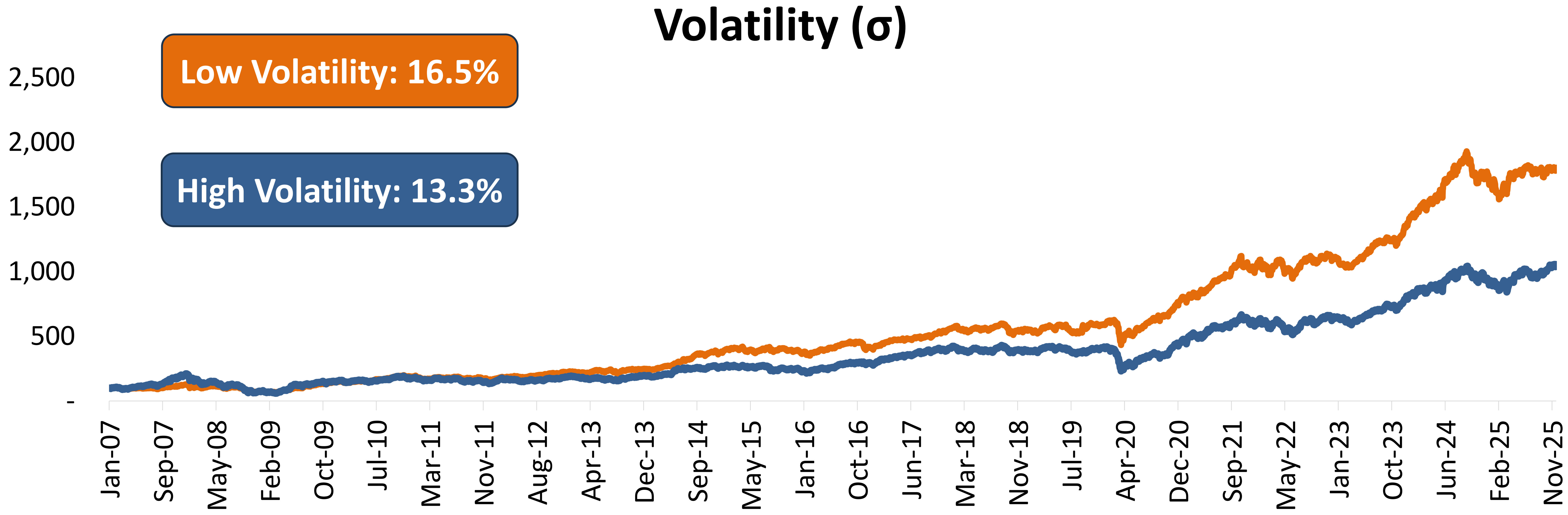
The charts challenge the assumption that higher risk consistently leads to higher returns. Empirical evidence across market cycles suggests that portfolios with lower volatility reflected in smoother return trajectories and smaller drawdowns have often delivered returns comparable to, or exceeding, those of higher-risk portfolios.

While higher risk strategies may exhibit strong performance during bull phases, they are also prone to sharper drawdowns during periods of market stress, which can materially impair long-term compounding. In contrast, portfolios with controlled volatility tend to preserve capital more effectively and recover faster following market downturns.

Over longer investment horizons, managing downside risk has proven to be as important as capturing upside participation.

These patterns align with well-documented market anomalies, including the low-beta (beta anomaly) and low-volatility (volatility anomaly) effects, which we have sought to illustrate through these charts.





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Source: NSE, DSP. Data as of Nov 2025. The calculations are based on internal analysis, without using any existing index.

Myth 12: Timing Your SIPs Matter

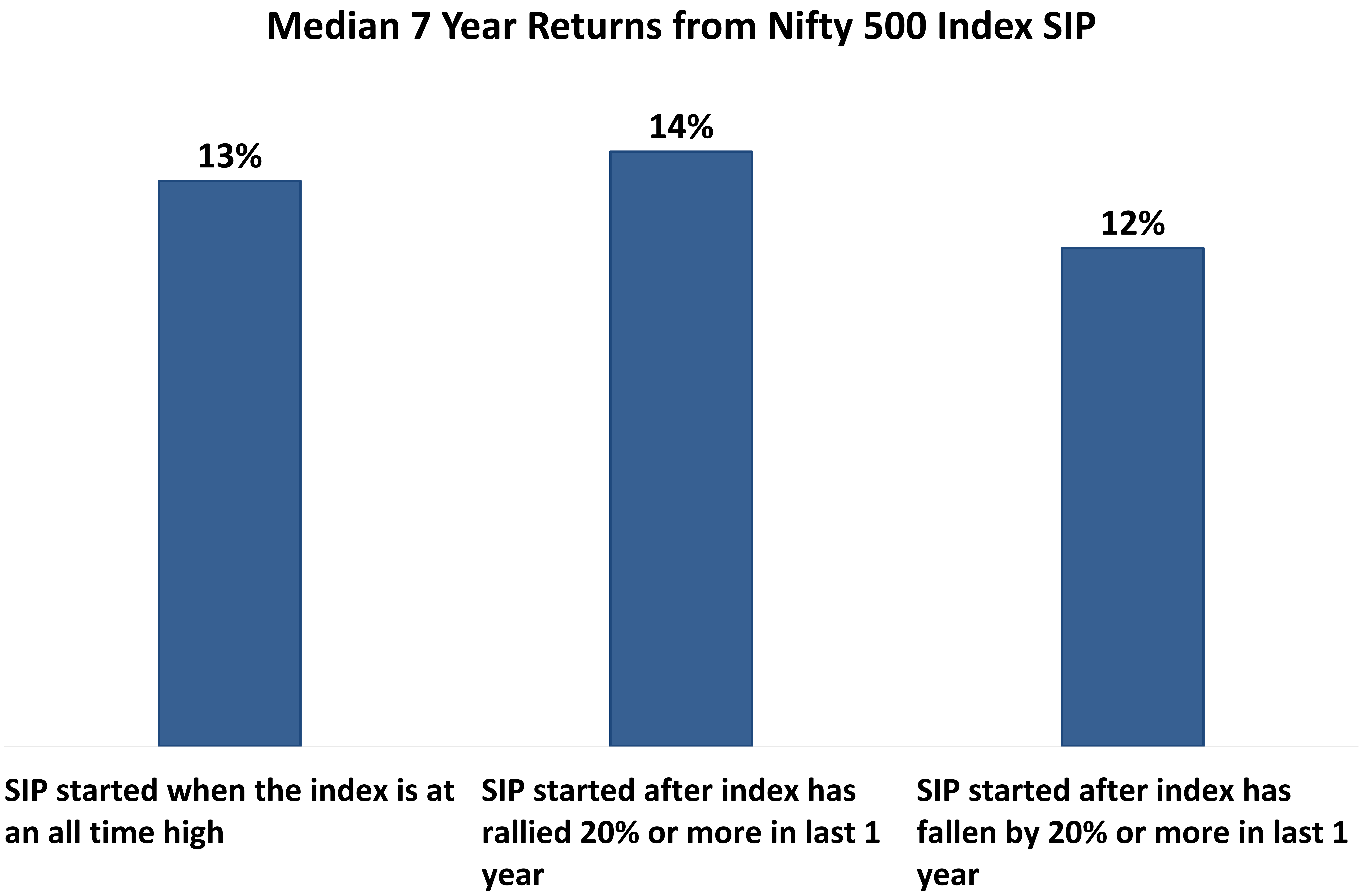
This chart illustrates the behavior of rolling 7-year SIP returns for the index across different market environments.

Irrespective of whether SIPs were initiated following sharp market corrections, extended rallies, or at market highs, the dispersion in long-term outcomes has remained relatively limited.

When investments are aligned with the investor's risk profile and held over a medium- to long-term horizon, the impact of entry timing diminishes materially.

Historical evidence shows that rolling 7-year SIP returns have clustered within a narrow range, typically within approximately ±1% across varying start points.

This underscores the role of disciplined, systematic investing and sustained participation in the market, where time and consistency play a more significant role in determining outcomes than short-term market conditions or attempts to optimize entry timing.



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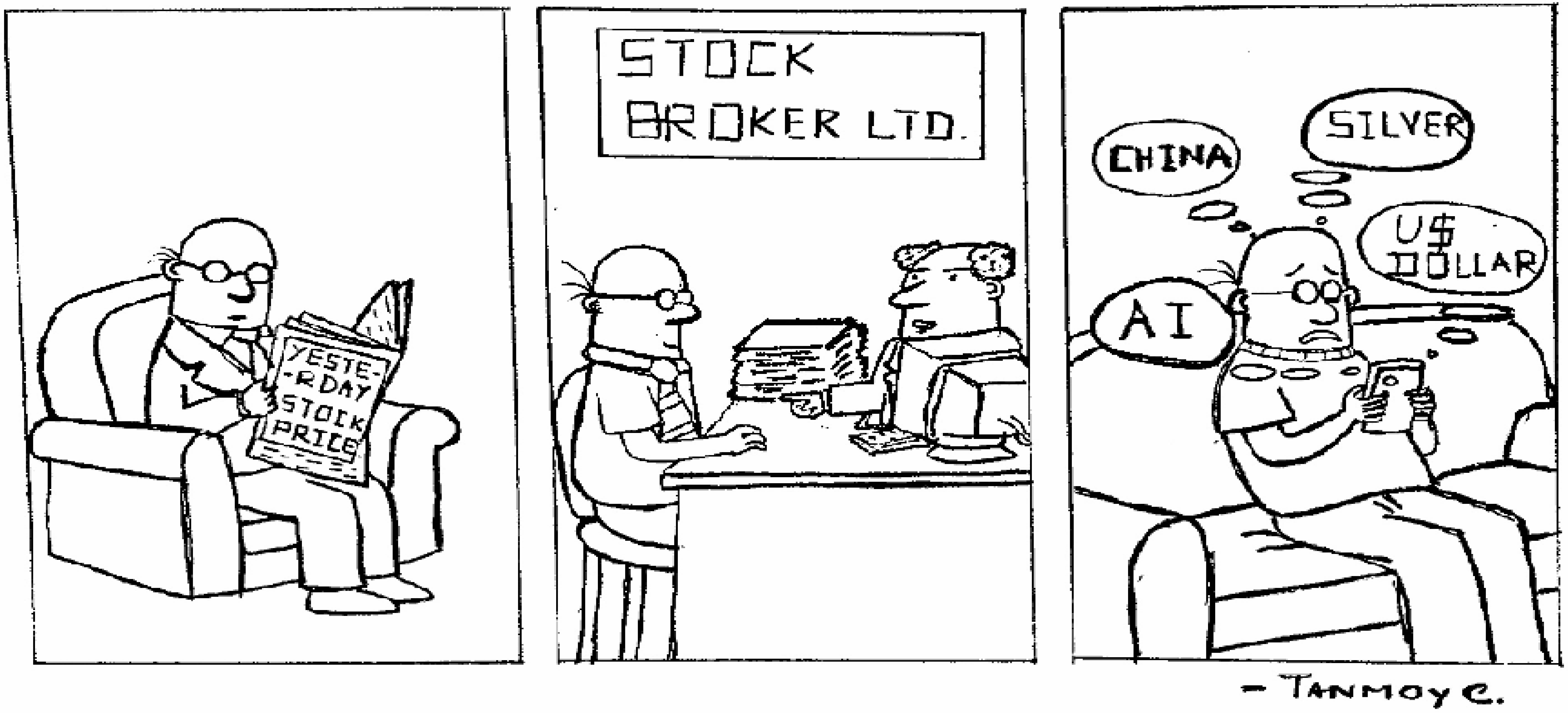
Source: NSE, DSP. Data As of 30 Nov 2025.

Cut Noise.

A little bit of 'Noise' is Hormetic

Too much noise is 'Toxic'



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