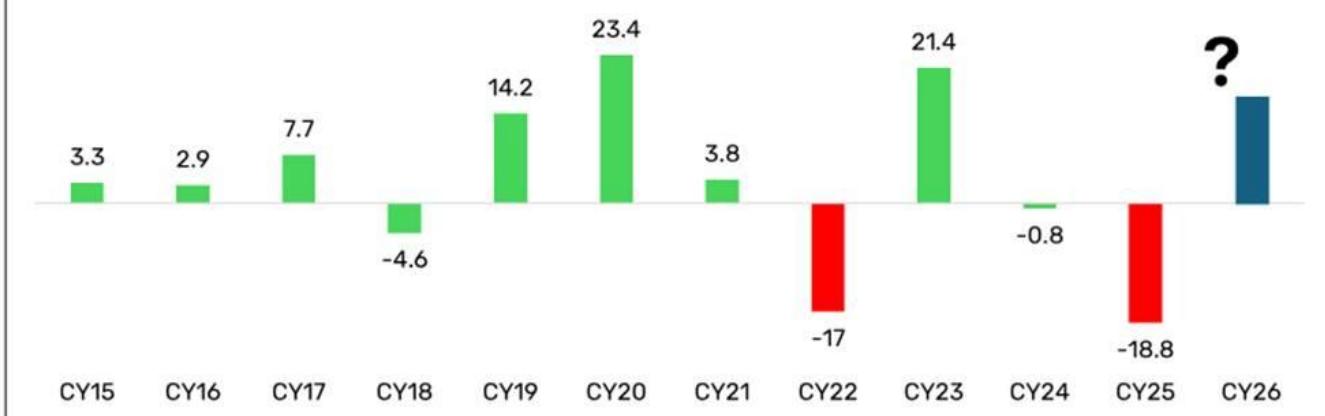




WILL FIIs MAKE A COMEBACK?

DECADE-LOW FII OWNERSHIP COULD LIMIT FURTHER DOWNSIDE

FII outflows for equities in CY25 were the highest ever (in USD bn)



REASONS FOR OUTFLOWS

Indian equities trading at valuation premium led FPIs to rotate to cheaper emerging markets.

Global risk-off environment due to trade and tariff uncertainty weakened Emerging Markets equity flows.

Global capital rotation toward AI-heavy markets diverted flows away from India.

FPIs exited via secondary markets while selectively participating in primary issuances.

CASE FOR RETURN



Source: NSDL, CEIC, JM Financial

- FII ownership of Indian equities is at a decade low of **15.6%**, indicating that FIIs are meaningfully under-invested and suggesting limited downside from further positioning-led selling.
- From this low base, even a small increase in ownership (for example, from 15.6% to 16.6%) would require incremental buying.
- Such buying would represent a relatively large percentage increase in FII exposure and add fresh demand to the market, potentially pushing the price upwards.
- Therefore, any stabilization or modest return of FPI inflows could have a disproportionately positive impact on equity prices.

Source: JM Financial, mint, NSE Indices. Data as on 31st December 2025.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.