NIPPON LIFE INSURANCE

A RELIANCE CAPITAL COMPANY

A Quarterly Newsletter by Reliance Nippon Life Insurance

INVESTMENT BULLETIN

April 2022

Content

From the Desk of CIO

After witnessing two years of turbulent pandemic waves, the fiscal year 2021-22 concluded and the new fiscal year 2022-23 began with an overhang and continued uncertainty arising from the geopolitical risk posed by the Russia-Ukraine conflict. The ongoing conflict has a spiral and lasting impact on the global economy in terms of higher than anticipated inflation, high commodity prices, spike in global bond yields and business disruption, leading to a sluggish economic growth globally. The current geo-political conflict is turning out to be more inflationary, compelling central bankers of major economies to be more hawkish with respect to accelerating the liquidity unwinding process and hiking interest rates in CY2022. The global economic recovery is hinged on the earliest resolution of the Russia-Ukraine conflict and not followed by another pandemic wave leading to lockdowns. Some economies, such as China are witnessing a surge in COVID cases leading to lockdowns impacting its recovery and growth.

Global Economy:

On the macro-economic front, global inflation remains persistently high with risks skewed to the upside because of the current Russia-Ukraine conflict. This conflict has resulted in a high human toll, increasing energy and commodity prices and macroeconomic uncertainty. In the coming months, inflation will be higher, and we see a direct drag from higher commodity prices and possibly a further drag arising out of uncertainty. We have observed an improvement in business sentiment at the end of 2021 and beginning of 2022, as reflected in the composite Purchasing Managers Index (PMI). We have also witnessed improvement in the consumer sentiment as reflected in increasing home sales and auto sales globally, but the same is likely to dampen in the near-term especially for economies which are highly reliant on Russia and Ukraine for their trade operations. With this, central bankers are faced with a trade-off between higher inflation and weakened growth prospects. So far, it is observed that central bankers of major developed economies are not likely to derail liquidity unwinding and the interest rate reversal cycle process. For energy importing emerging countries, higher inflation will erode real disposable income and may push for policy tightening, doubling the economic hit.

Domestic Economy:

In terms of domestic economic activity, with restrictions post the third COVID wave being relaxed, high frequency growth indicators in February 2022 are exhibiting broad-based momentum even as inflation inches up above 6.00%. Since the onset of the pandemic, meaningful recoveries are being observed in mobility index, power consumption, rail freight and air traffic in February 2022. While unemployment has decelerated a tad, the performance of automobile registration remains lackluster. Headline CPI rose to 6.07% YoY in February 2022 from 6.01% in January 2022 driven by an increase in food and beverages prices on a YoY basis. Core (ex food and fuel) remained sticky at 5.95% in February 2022. On the other hand, WPI remained in double-digit zone at 13.1% YoY in February 2022 as global commodity prices feed into input price pressures. Within the WPI index, fuel and global commodity prices are rising at the fastest pace. Hence, domestically, inflation is expected to be high in the near-term considering supply side bottlenecks and high commodity prices globally. Also, on the back of the hawkish stance taken by Fed and the current geo-political issue, aggressive Foreign Portfolio Investment (FPI) outflows have been witnessed in the last few weeks as investors prefer to stay invested in low-risk markets and low-risk assets. FPI outflows for February-March 2022have been USD 11.6 billion and with the current global situation, the same is likely to continue in the near-term. In the last one month, the rupee has depreciated by ~2% and forex reserves have depleted by ~USD13.9 billion. With Fed indicating total seven rate hikes in CY2022, the dollar is expected to strengthen, while commodity prices and geo-political issues are likely to put pressure on the domestic currency.

Debt Market Outlook:

With respect to the Bond Markets, during the last quarter, domestically as well as globally, we witnessed bond yields moving north in response to an increasing hawkish stance by central bankers and due to the factors mentioned above. Fed raised the target fed fund rate by a quarter point to 0.25% - 0.5%, in line with market expectations with the forward guidance pointing to a rapid hiking pace in the meetings to come and simultaneously looking to reduce the balance sheet size. Fed also projected federal fund rate to be at 1.9% in CY2022, from its December-2021 policy projection of 0.9%. With this, six more 25 bps rate hikes are expected this year. Fed Chair Jerome Powell added that the committee is of the opinion and intends to reduce Fed's balance sheet holdings and the implementation layout will be announced in the May 2022 policy meeting; this could be a bigger concern for emerging markets including India. Bank of England also raised its key bank rate by 25bps to 0.75%. The bank acknowledged that the current geo-political crisis is likely to put an upward pressure on inflation and will have an adverse impact on economic activity. The central bank expects inflation to spike to ~8% in Q2CY2022 or perhaps even higher, later this year. Based on its current assessment of the economic situation, the central bank emphasized that some further modest tightening in monetary policy may be appropriate in the coming months. Domestically, the 10-Year benchmark Government Security yield increased from 6.45% in December 2021 to 6.84% in March 2022, led by higher US Treasury yields. Hence, the policy normalisation by Reserve Bank of India, going forward, will be a function of global and domestic inflation trajectory, growth sustainability, Fed's action on rate hikes and liquidity.

Equity Market Outlook:

From an Equity Markets standpoint, the current geo-political situation and upcoming rate hikes by most Central Banks globally may result in near term volatility in equity markets around the globe. As companies pass on the increase in cost of raw material to consumers, both margin and demand are likely to get impacted negatively in the short term. Specifically, sectors like Cement, Consumer Staple and Consumer Durables could face margin pressures leading to downward revision in expected earnings growth for Nifty50 from 15-20% to 10-12% in FY2023. However, a double-digit earnings growth for Nifty in FY2023 is respectable considering it is on the base of a significant earnings growth of around 30% in FY2022. Any sharp correction due to the impact of Russia-Ukraine conflict, as seen in the month of March, should be utilized to add quality stocks in the portfolio as history shows that market corrections due to geo-political issue are short-lived and results in a strong bounce back in markets. On this backdrop, we remain constructive on equities as an asset class and advise investors to participate in the long-term potential of India by staying invested in equity markets.

Key Fund Performance:

Funds	6 month	1 year	2 year	3 year	5 year	Since Inception
Life Equity Fund 3	-1.10%	18.19%	40.55%	13.77%	12.62%	10.87%
Nifty 50 Index	-0.87%	18.88%	42.52%	14.53%	13.74%	10.33%
Life Equity Fund 2	-1.18%	18.43%	40.61%	13.73%	12.65%	11.19%
Nifty 50 Index	-0.87%	18.88%	42.52%	14.53%	13.74%	10.28%
Make In India Fund	-0.10%	18.80%	36.49%	12.19%	10.21%	11.86%
Benchmark	-0.87%	18.88%	42.52%	14.53%	13.74%	15.61%
Life Large Cap Equity Fund	-1.96%	15.53%	38.37%	n.a.	n.a.	14.71%
Nifty 50 Index	-0.87%	18.88%	42.52%	n.a.	n.a.	16.99%
Life Pure Equity Fund 2	1.07%	22.11%	39.79%	16.65%	12.55%	10.34%
Benchmark	2.09%	23.15%	42.94%	16.04%	13.17%	9.85%
Life Infrastructure Fund 2	3.29%	28.59%	50.66%	17.56%	11.26%	5.67%
Benchmark	4.89%	32.06%	54.75%	19.57%	12.93%	4.98%
Life Energy Fund 2	2.02%	33.65%	48.62%	17.10%	12.60%	8.46%
Benchmark	9.22%	41.89%	57.48%	18.84%	12.89%	8.46%
Life Midcap Fund 2	0.55%	25.67%	55.21%	17.57%	12.47%	12.44%
Benchmark	-1.15%	20.85%	60.41%	17.24%	13.30%	9.30%
Life Balanced Fund 1	-0.02%	7.54%	11.66%	7.16%	6.66%	8.03%
Composite Benchmark*	0.79%	7.45%	12.81%	9.93%	8.86%	8.11%
Life Money Market Fund 1	1.19%	2.24%	2.41%	3.25%	2.85%	5.98%
Crisil 91 day T bill Index	1.88%	3.70%	3.73%	4.56%	5.42%	6.81%
Life Corporate Bond Fund 1	0.17%	3.95%	5.12%	6.24%	5.26%	7.43%
Crisil Composite Bond Fund Index	1.05%	4.48%	6.07%	8.22%	7.29%	7.99%
Life Gilt Fund 1	-0.26%	2.95%	4.34%	6.60%	5.91%	6.86%
Crisil Dynamic Gilt Index	0.39%	4.17%	5.32%	7.74%	6.78%	8.31%

*Composite Benchmark comprising of Crisil Composite Bond Fund Index with 80% weight and Sensex 50 with 20% weight
As on 31-March-2022
Note – Returns more than 1 year are CAGR returns

Fund strategy and Positioning

Equity:

In the last six months, the Indian equity markets have experienced greater volatility on the back of a rise in FII outflows, sharp commodity inflation due to the Russia-Ukraine conflict and weak global cues. As we enter a rate hike cycle globally, we may encounter muted FII flows into Indian markets for some more time. However, the economic situation domestically is better placed than many other emerging markets given relatively higher growth and lower inflation. We remain constructive on the Indian equity markets over medium to long term as we see very few large economies outside India offering good risk-reward opportunity for foreign investors.

We remain positive on various pockets in the Indian markets which are either positively impacted or relatively insulated from the current situation of rising rate and high inflation. There are tailwinds for sectors like Technology, Pharmaceuticals and Metals, where earnings should improve. Sectors like Banking should benefit from higher credit growth and lower credit cost. Any sharp correction due to FII outflow should be utilized to add quality stocks in the sectors where visibility of earnings growth remains robust.

Our investment focus remains on staying overweight on sectors where there are visible tailwinds and in companies which have a strong corporate governance model in place. Also, we look for companies which enjoy moat around their business model, have improved their balance sheet during the pandemic and have meaningful earnings visibility over the next few years. We actively monitor our portfolio positioning and constantly employ tools such as sector rotation, bottom-up approach in stock selection and finding the best proxies to play our investment thesis.

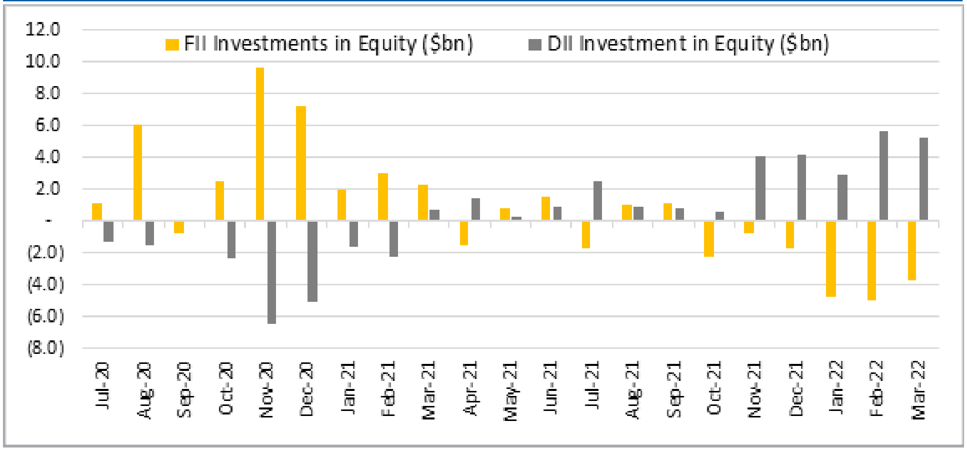
Indian Equity Market Performance

Index performance

Return %	3 Month	6 Month	1 Year
Broad Based Indices			
Sensex	0.5	-0.9	18.3
Nifty	0.6	-0.9	18.9
Defty	-1.3	-2.9	14.7
BSE 100	0.6	-0.9	19.2
BSE 200	-	-1.0	19.9
BSE500	-0.5	-1.0	20.9
Nifty Jr	-2.6	-3.0	20.3
Bse Mid Cap	-3.5	-4.5	19.5
Nse Mid Cap	-2.5	-2.3	25.3
BSE Small Cap	-4.2	0.5	36.6

Return %	3 Month	6 Month	1 Year
Sectoral Indian Indices			
Auto	-3.1	0.8	8.1
Bankex	3.3	-2.3	11.2
Capital Goods	-4.3	5.9	30.4
Consumer Durables	-5.6	2.3	28.8
FMCG	-3.3	-10.3	3.6
Health Care	-7.3	-6.9	14.0
IT	-3.8	5.8	37.1
Metal	16.2	10.8	55.9
Oil & Gas	7.0	2.4	26.5
Power	16.1	26.4	63.4
PSU (State Owned Enterprises)	5.7	1.6	28.4
Realty	-4.1	-10.3	37.9

Institutional flows



Source: NSE, BSE, Data as on 31st March 2022

Fund Strategy and Outlook - Debt

Debt Fund Strategy and Positioning:

In its April Monetary Policy Committee (MPC) meeting, the Reserve Bank of India (RBI) kept the repo rate and reverse repo rate unchanged at 4% and 3.35% respectively and maintained its accommodative stance, but with a pivot in the language. In effect, the policy was more hawkish as RBI introduced an uncollateralized Standing Deposit Facility at 3.75% – 40 bps above the current reverse repo rate – to serve as the new floor of the policy corridor. RBI has revised its inflation estimates upwards from 4.5% to 5.7% for FY2023.

On the global front, the US 10Y bond yield witnessed an upward trend during the quarter on the back of hawkish guidance from the Fed. High volatility was observed in Crude oil prices amid the geopolitical issue.

We expect bond yields to remain elevated. Portfolios are maintaining underweight in terms of overall duration and credit exposure sighting lower credit spreads. We continue to hold good quality Government securities and AAA corporate bonds. We maintain taking no exposure in lower than AAA issuers.

India’s Debt Market Performance:

Debt market indicators

Money market (%)				
		Change (Q-o-Q)		Change (Q-o-Q)
Tenure	CD	(bps)	CP	(bps)
3M	3.78	16	4.25	12
6M	4.43	30	4.78	30
12M	4.78	35	5.15	15

Debt market indicators

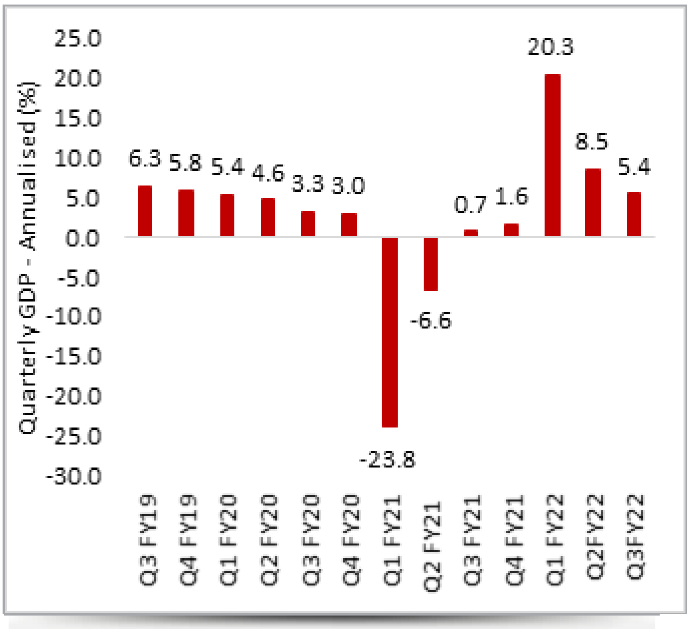
Bond market (%)				
		Change (Q-o-Q)		Change (Q-o-Q)
Tenure	G-Sec	(bps)	AAA CB	(bps)
3Y	5.84	54	5.85	25
5Y	6.33	54	6.40	25
10Y	6.84	38	7.12	22

Note – Q-o-Q change is over Dec 2021 to Mar 2022
Data Source – Reuters, Bloomberg, CRISIL

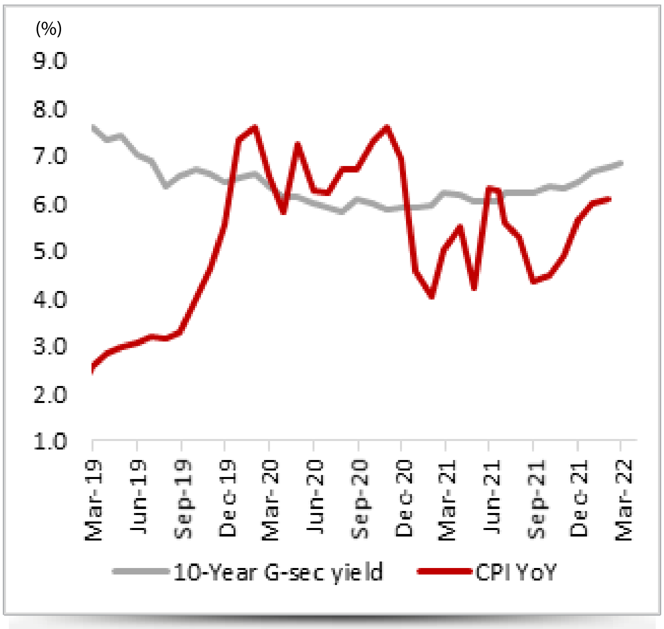
Key Economic Indicators

Other market and economic indicators:

National Statistical Office revised its GDP forecast for FY22 to 8.9% y/y from 9.2% y/y earlier.

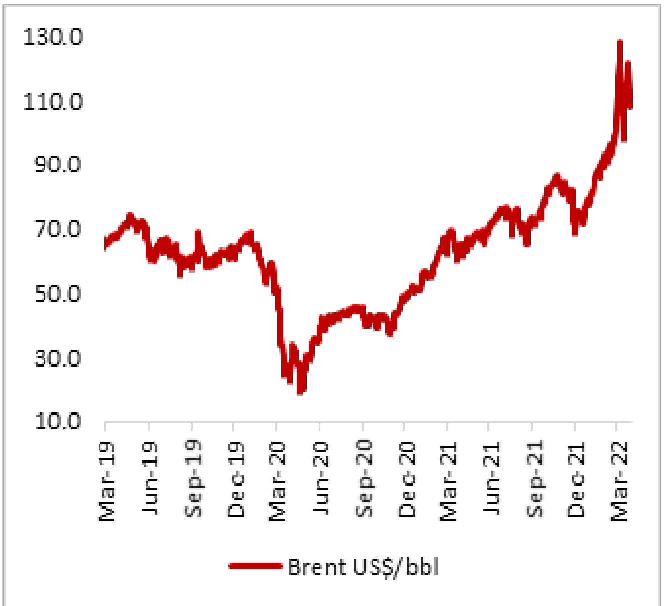


Inflation remained above 6% level for Jan-2022 and Feb-2022. With surge in global commodity prices, CPI is likely to overshoot RBI's inflation projection of 5.7% y/y for Q4 FY22.

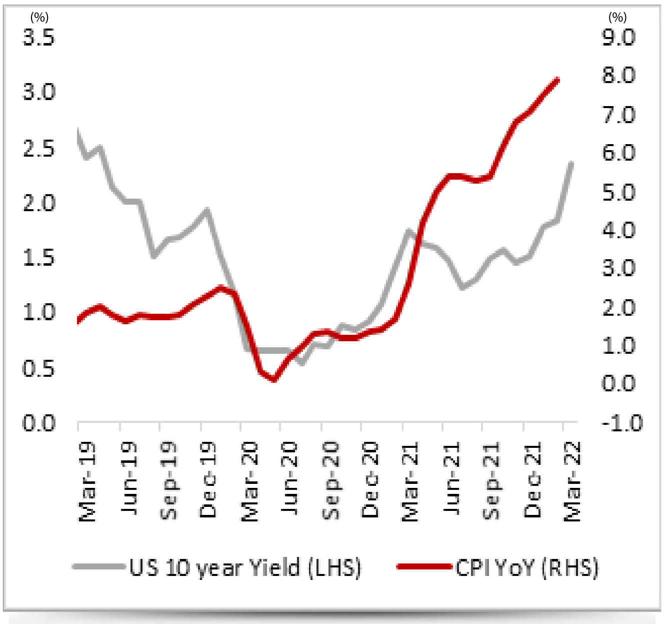


Source: Bloomberg , MOSPI, Reuters

Brent Crude oil prices surged as high as 127 USD/bl in March-2022 mainly due to Russia Ukraine conflict.



US 10-year benchmark yield traded above 2% level following FOMC's hawkish move in March-2022 policy. Inflationary pressures in US are likely to persist given the current geo-political dynamics.



Source: Reuters

Key Economic Indicators

Other market and economic indicators:

Economic indicators heat map

Indicators	Feb-22	Jan-22	Dec-21	Nov-21	Oct-21	Sep-21	Aug-21	Jul-21	Jun-21	May-21
Industrial Sector										
Manufacturing PMI	54.9	54.0	55.5	57.6	55.9	53.7	52.3	55.3	48.1	50.8
8 Core Industries (YoY)	5.8%	4.0%	4.1%	3.2%	8.7%	5.4%	12.2%	9.9%	9.4%	16.4%
Rail Freight Traffic (Loading in million tonnes)	119.7	129.0	126.8	116.8	117.4	106.0	110.6	112.7	112.7	114.8
Rail Passenger Traffic (in million)	413.8	345.2	397.1	377.0	344.4	294.5	256.0	191.9	142.1	86.1
Consumer Economy										
Passenger Vehicle Sales in thousands	263.0	254.3	219.4	215.6	226.4	160.1	232.2	264.4	231.6	88.0
Two Wheeler Sales in thousands	1,038	1,128	1,006	1,050	1,542	1,529	1,331	1,254	1,056	353
Tractor Sales in thousands	62.3	63.3	55.6	74.6	127.8	105.2	65.5	76.4	120.4	63.3
Domestic Air Passenger Traffic in thousands	7,696	6,408	11,202	10,516	8,985	7,066	6,701	5,007	3,113	2,115
Inflation										
CPI inflation, % y/y	6.1%	6.0%	5.7%	4.9%	4.5%	4.4%	5.3%	5.6%	6.3%	6.3%
WPI inflation, % y/y	13.1%	13.0%	14.3%	14.9%	13.8%	11.8%	11.6%	11.6%	12.1%	13.1%
Deficit Statistic										
Trade Balance, USD billion	-20.9	-17.4	-21.7	-23.2	-19.9	-22.9	-13.8	-10.9	-9.4	-6.3
Fiscal Deficit (₹ Billion)	3787.3	1785.0	637.5	1485.9	201.8	588.4	1468.7	469.0	1510.7	444.8
GST										
GST collections (₹ Billion)	1,330	1,409.9	1,297	1,315	1,301	1,170	1,120	1,163	928	978

Source: Bloomberg, MOSPI, Reuters, IHS Markit, PIB, CEIC, SIAM, TMA, DGCA, CGA

Key Economic Indicators

- Rising geopolitical tensions have led to surge in global commodity prices like edible oil, crude, chemicals etc, transmitting into domestic economy through import inflation and high input cost pressures.
- CPI remained above 6% level for first 2 months in Q4 FY22 and is likely to overshoot RBI's projection of 5.7% for Q4 FY22.
- India`s trade deficit has widened to ~USD 20.9 bn for February 2022 mainly on account of elevated crude oil imports driven by high international oil prices.
- GST collection continue to remain robust, with a monthly pace at an average of Rs.1.2 trillion. GST collection in March at record high at Rs.1.42 lakh crore.
- Economic indicators continue to show uneven progress, price pressures in the economy can further dampen the sentiment and possess downside risk to growth if remained persistent.

SFIN	Fund Name
ULIF04201/01/10LEQUITYF03121	Life Equity Fund 3
ULIF07101/12/19LLARGCAPEQ121	Life Large Cap Equity Fund
ULIF02510/06/08LEQUITYF02121	Life Equity Fund 2
ULIF04601/01/10LPUEQUTY02121	Life Pure Equity Fund 2
ULIF04401/01/10LINFRAST02121	Life Infrastructure Fund 2
ULIF04101/01/10LENERGYF02121	Life Energy Fund 2
ULIF04501/01/10LMIDCAPF02121	Life Midcap Fund 2
ULIF06924/03/15LMAKEINDIA121	Make In India Fund
ULIF00128/07/04LBALANCE01121	Life Balanced Fund 1
ULIF02910/06/08LMONMRKT01121	Life Money Market Fund 1
ULIF02310/06/08LCORBOND01121	Life Corporate Bond Fund 1
ULIF02610/06/08LGILTFUN01121	Life Gilt Fund 1

Providing smart service

Easy chat on WhatsApp

Get all your policy-related information at your fingertips. Just ping us on **(+91) 7208852700.**

Customer-friendly web portal

Your policy-related details and other desired information are just a few clicks away. Visit our website: www.reliancenipponlife.com

Visit our **Customer Portal**

Reni chatbot

Clear all your queries, make service requests and get policy/premium payment details instantly. Find **RENI** on our website.

Feel free to dial our Toll-Free number

Get answers to all your policy-related questions by contacting us at **18001021010** from Monday to Saturday between **9 am and 6pm**

For your comfort, we accept premium payments via multiple platforms

Online | IVR | Branch

NACH/ECS | PayTM | Partner Branches

To know more visit our website www.reliancenipponlife.com

When it comes to *You* nothing else matters

A FRIEND YOU CAN RELY ON

Anytime, anywhere.

FRIEND FOR LIFE

The **All-New Customer Portal,** accessible at your convenience.

Visit Now

Follow us on: reliancenipponlife.com @relnipponlife /RelianceNipponLifeInsurance /reliancenipponlife

NIPPON LIFE INSURANCE

Please note: Past performance is not an indicator of future performance.

Reliance Nippon Life Insurance Company Limited. IRDAI Registration No: 121. Registered & Corporate Office: Unit Nos. 401B, 402, 403 & 404, 4th Floor, Inspire-BKC, G Block, BKC Main Road, Bandra Kurla Complex, Bandra East, Mumbai - 400051. India. T +91 22 6896 5000. For more information or any grievance, 1. Call us between 9am to 6pm, Monday to Saturday (except public holidays) on our Toll Free Number 1800 102 1010 or 2. Visit us at www.reliancenipponlife.com or 3. Email us at: rnlife.customerservice@relianceada.com. 4. Chat with us on our WhatsApp number (+91) 7208852700. The newsletter is intended for communication to existing policyholders of RNLIC and not meant for general public. Linked insurance products are different from the traditional insurance products and are subject to the risk factors. The Premium paid in Linked Insurance policies are subject to investment risks associated with capital markets and the NAVs of the units may go up or down based on the performance of fund and factors influencing the capital market and the insured is responsible for his/her decisions. The newsletter is intended for communication to existing policyholders of RNLIC and not meant for general public.

If you wish to stop receiving emails from us, please click on the link below to unsubscribe from the mailing list.

Beware of Spurious / Fraud Phone calls: IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint

CIN: U66010MH2001PLC167089.