Investment risk in Investment portfolio is borne by the policyholders.

A Quarterly Newsletter by Reliance Nippon Life Insurance

INVESTMENT BULLETIN

APRIL 2025

Content

From the Desk of CIO

Amidst first glance, India appears better positioned in the global tariff landscape, as the supply chain strategy evolves from 'China + One' to 'Minus China and Plus One'. However, as growth shows signs of slowing, investor sentiment and capital flows may come under pressure. Amidst the headwinds of global trade wars, India macro economic situation continues to be resilience and stability. GDP growth for Q3 FY25 stood at 6.2% year-on-year, underscoring robust domestic demand, primarily driven by government and private consumption. With expectations of a normal monsoon and healthy agricultural output, we anticipate a gradual pickup in rural demand, which will further support overall consumption momentum.

On the fiscal front, the central government has maintained its consolidation path without compromising on growth. The fiscal deficit for the April–February period came in at INR 13.5 trillion, putting it on course to achieve the budgeted target of 4.8% of GDP for FY25. The Union Budget for FY26 continues to strike a prudent balance—it reduces the fiscal deficit target to 4.4%, below the medium-term glide path of 4.5%, largely by moderating revenue expenditure while retaining a healthy capital expenditure allocation at 3.1% of GDP. A key budget highlight from a macro-consumption lens was the increase in the income tax exemption limit to INR 12 lakh, up from INR 7 lakh, alongside changes in tax slabs. This move is expected to enhance household disposable income and provide a positive boost to discretionary consumption in the coming quarters.

On the inflation front, we are seeing clear signs of easing. Headline CPI fell to 3.3% in March, supported by declining food prices, particularly vegetables and pulses. However, core inflation rose slightly to 4.1%, driven by elevated prices in gold and silver. With real interest rates now above 2%, the monetary policy stance was turning restrictive.

Acknowledging these dynamics, the RBI's Monetary Policy Committee (MPC) implemented two consecutive 25 bps rate cuts in February and April 2025, bringing the repo rate down to 6%, while shifting its stance to 'accommodative'. With inflation now consistently below 4%, there is further room for monetary easing, should global conditions remain supportive.

Externally, India's current account deficit narrowed to 1.1% of GDP in Q3, largely driven by a lower trade deficit. Services exports, especially in software and professional services, continued to perform strongly, contributing to a robust surplus of US$51.2 billion.

The global macro landscape remains nuanced. Recent tariff policy statements by Donald Trump have reintroduced trade-related uncertainty, impacting sentiment across risk assets. However, the US Fed has held rates steady, taking a cautious stance amid global volatility.

Against this backdrop, Indian equity markets appear reasonably valued post the recent correction. However, the current rally seems to be driven by a mix of fundamentals and sentiment, rather than earnings alone. Investors have adopted a defensive posture, with flows favouring FMCG, pharmaceuticals, capital goods, and power T&D—sectors with relatively stable earnings profiles.

While FPI flows into emerging markets may remain subdued in the near term, India continues to stand out, supported by a strong macro framework—resilient growth, manageable external balances, progress on fiscal consolidation, and a benign inflation outlook. Additionally, the expectation of a normal monsoon could catalyze a rural recovery, strengthening the broader consumption cycle.

In conclusion, while global risks warrant vigilance, India's fundamentals remain solid, offering a compelling medium-term investment case. Our portfolio strategy remains grounded in quality, risk-adjusted returns, and selectivity, as we continue to navigate this evolving macro and market environment.

Equity Market Outlook:

The current global economy is navigating a complex landscape marked by heightened uncertainty stemming from various interrelated factors, including trade policy tensions, fluctuating markets, currency volatility, and geopolitical risks. The United States remains a focal point in these dynamics, as its unpredictable trade policies continue to have far-reaching implications on a global scale. Foreign inflows in the second half of March and strengthening of INR led to rally in broader markets with Mid-cap and small-cap indices gained by 7.5% and 9.5% respectively. Inflation for February came in as a positive surprise at 3.6% v/s 4.3% in Jan. The investor sentiment buoyed after the Federal Reserve indicated two rate cuts this year and improvement in foreign inflows. The future trajectory of major economies will largely hinge on governmental policy responses, effective monetary strategies, and the overall resilience of key markets.

With global markets expected to remain volatile along with uncertainty in US, we expect Indian markets to be a beneficiary. Benign inflationary environment augurs well for interest rates in India. We remain optimistic on Indian equities in medium to long term. Improving earnings outlook, positive economic indicators and market volatility provides an opportunity for long-term investors to capitalize on India's evolving economic landscape and its strategic positioning in global markets.

Currently, the Nifty is trading at a P/E ratio of 19x on a one-year forward basis, providing good opportunity to accumulate. Consumer Discretionary, Defense, EMS and BFSI sectors are crucial for driving economic growth in India.

Debt Market Outlook:

Central banks globally adopted a cautious stance amid economic uncertainty. The Federal Reserve held rates at 4.25%–4.50%, pausing its 2024 easing cycle in response to inflation concerns from new Trump-era tariffs. It also downgraded growth projections and slowed balance sheet reduction. The Bank of Japan kept its rate at 0.5%, focusing on growth over inflation amid rising trade tensions. The European Central Bank cut rates by 25 basis points to counter disinflation and weak eurozone growth. Meanwhile, the Bank of England held steady at 4.5%. These moves reflect a coordinated effort to balance inflation control with economic stability.

The RBI implemented several monetary policy measures to address economic challenges and promote financial stability. In February, the RBI's Monetary Policy Committee (MPC) reduced the policy repo rate by 25 basis points each in February & April 2025 to 6.0% and changed the stance to accommodative, aiming to stimulate growth amid moderating inflation. However, for the purpose of monetary policy transmission, RBI injected liquidity into the system through OMO's and buy sell swaps. As inflation risks remain contained and growth prospects subdued, further rate cuts are anticipated in the accommodative monetary environment. We also expect banking system durable liquidity to remain in surplus. Lower policy rates and improved liquidity conditions are likely to support demand for bonds, reduce borrowing costs for the government and corporates and foster overall market stability.

Mr. Yadnesh Chavan
Chief Investment Officer

Key Fund Performance:

Funds	1 year	2 year	3 year	5 year	Since Inception
Life Equity Fund 3	1.33%	15.59%	9.80%	21.20%	10.66%
Nifty 50 Index	5.34%	16.40%	10.43%	22.29%	10.35%
Life Pure Equity Fund 2	2.57%	22.38%	15.16%	24.44%	11.27%
Benchmark	-0.65%	20.23%	12.77%	23.99%	10.42%
Life Infrastructure Fund 2	3.00%	26.16%	16.70%	29.25%	7.76%
Benchmark	3.19%	26.36%	14.39%	29.09%	6.77%
Life Energy Fund 2	1.74%	33.36%	24.15%	33.41%	11.39%
Benchmark	-3.77%	29.78%	18.29%	32.63%	10.33%
Life Midcap Fund 2	5.30%	28.09%	18.22%	31.82%	13.56%
Benchmark	7.65%	31.14%	21.18%	35.56%	11.55%
Life Balanced Fund 1	7.29%	9.59%	7.33%	9.04%	7.92%
Composite Benchmark*	8.12%	10.09%	7.73%	9.73%	8.05%
Life Money Market Fund 1	5.78%	5.79%	5.22%	4.09%	5.85%
Crisil 91 day T bill Index	7.07%	7.14%	6.60%	5.44%	6.77%
Life Corporate Bond Fund 1	8.36%	8.08%	6.55%	5.98%	7.27%
Crisil Composite Bond Index	8.79%	8.53%	6.93%	6.58%	7.80%
Life Gilt Fund 1	8.70%	8.34%	6.89%	5.86%	6.87%
Crisil Dynamic Gilt Index	9.91%	9.27%	7.58%	6.67%	8.18%

*Composite Benchmark comprising of Crisil Composite Bond Index with 80% weight and Sensex 50 with 20% weight
As on 31-Mar-2025
Note – Returns more than one year are CAGR returns.

Fund Strategy and Outlook - Equity

Equity Fund Strategy and Positioning:

The Indian stock market witnessed correction of 16% from its peak in September 2024. This downturn is primarily attributed to ongoing trade tensions, particularly those initiated by the US, a weak earnings outlook, and continued selling by Foreign Institutional Investors (FIIs), although they showed some buying interest in March 2025. These largely being global specific issues may lead to revival in domestic market once global uncertainty subsides. As a result, markets are valued attractively for medium to long term perspective and is likely to favour domestic-facing sectors due to relatively resilient nature.

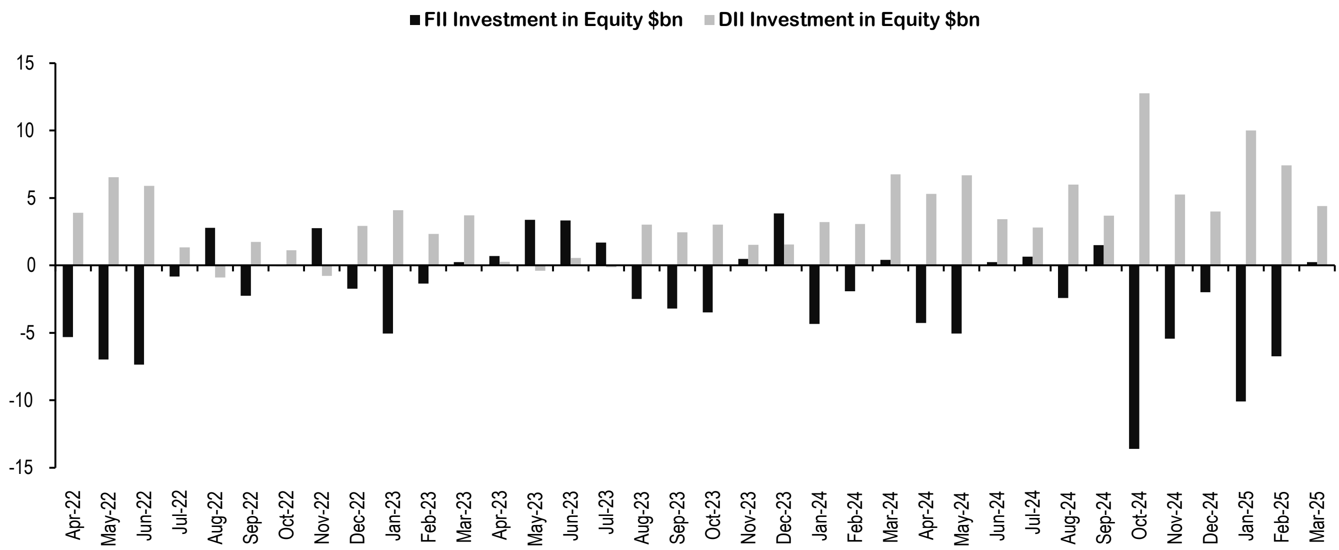
Indian Equity Market Performance

Index performance

Return %	3 Month	6 Month	1 Year
Broad Based Indices			
Sensex	-0.9%	-8.2%	5.1%
Nifty	-0.5%	-8.9%	5.3%
BSE 100	-1.9%	-10.1%	5.5%
BSE 200	-3.0%	-11.1%	5.0%
BSE 500	-4.6%	-12.2%	4.8%
BSE Mid cap	-10.6%	-15.8%	5.6%
NSE Mid cap	-9.7%	-14.1%	7.5%
BSE Small cap	-15.5%	-18.4%	8.0%

Return %	3 Month	6 Month	1 Year
Sectoral Indian Indices			
Auto	-7.7%	-21.9%	-2.9%
Bankex	3.1%	-0.8%	11.3%
Capital Goods	-7.5%	-14.2%	2.9%
Consumer Durables	-15.6%	-19.6%	4.0%
FMCG	-6.4%	-18.2%	0.7%
Pharma	-8.5%	-6.4%	18.2%
IT	-16.4%	-14.7%	1.3%
Metal	6.7%	-10.9%	9.3%
Oil & Gas	-3.6%	-21.1%	-9.1%
Power	-5.4%	-23.9%	-1.7%
PSU	-3.8%	-15.2%	-0.7%
Realty	-19.8%	-23.2%	-7.1%

Institutional flows



Source: NSE, BSE, Data as on 31st March 2025

Fund Strategy and Outlook - Debt

Debt Fund Strategy and Positioning:

The downward trajectory of CPI inflation, coupled with a record Rabi output and a fiscally prudent Union Budget, may prompt the RBI's Monetary Policy Committee (MPC) to further ease policy rates. Additionally, the RBI to ensure transmission of policy easing is likely to continue its efforts to maintain comfortable liquidity in the system through open market operations (OMO) purchases. The inclusion of Indian debt in global indices is also expected to bolster the demand-supply dynamics for government securities, attracting greater investor interest. However, RBI's policy stance will also remain responsive to external developments to ensure macroeconomic stability.

We are maintaining an overweight position in longer end of the curve, based on expectations of a deeper rate cut cycle and supportive domestic factors. Our investment approach remains rooted in credit prudence and a strong commitment to high-quality assets. Nearly 100% of our Fixed Income investments are allocated to sovereign and AAA-rated instruments, ensuring low-risk exposure and robust credit quality. We continue to monitor the market closely for opportunities to add exposure to state government securities and corporate bonds at attractive spreads.

India's Debt Market Performance:

Debt Market Indicators				
Money Market (%)				
		Change (Q-o-Q)		Change (Q-o-Q)
Tenure	CD	(bps)	CP	(bps)
3M	7.31	3	7.65	5
6M	7.27	-18	7.57	3
12M	7.25	-35	7.57	-33

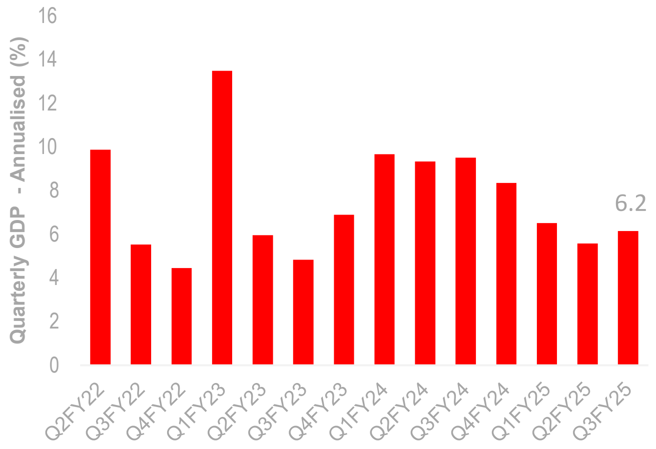
Debt Market Indicators				
Bond Market (%)				
		Change (Q-o-Q)		Change (Q-o-Q)
Tenure	G-Sec	(bps)	AAA CB	(bps)
3Y	6.44	-28	7.23	-32
5Y	6.45	-28	7.20	-28
10Y	6.58	-18	7.15	-13

Note – Q-o-Q change is over Dec 2024 to Mar 2025
Data Source – Bloomberg

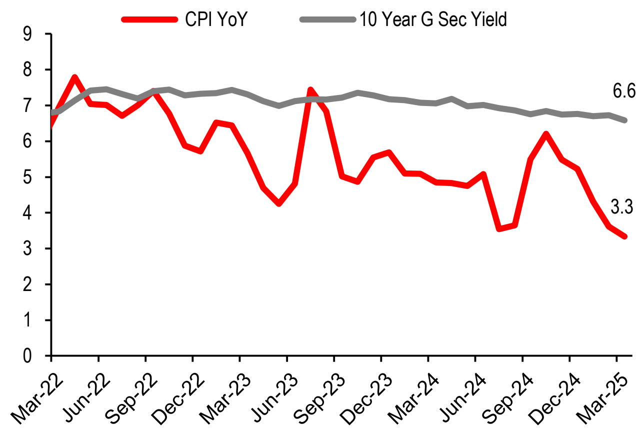
Key Economic Indicators

Other Market and Economic Indicators:

GDP for Q3FY25 grew 6.2% YoY up from 5.6% YoY in Q2FY25 driven by a boost in private and government consumption.

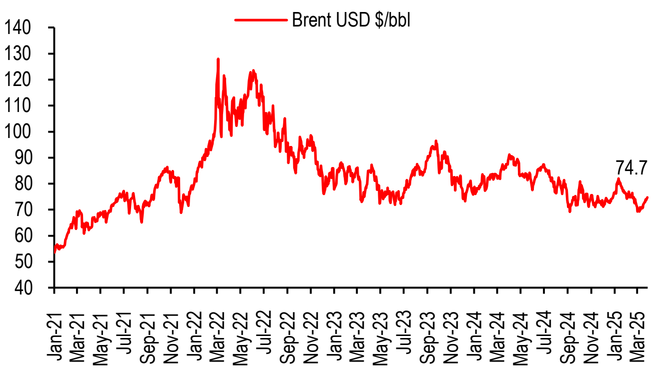


10 Year G-Sec Yield fell to 6.6% in Mar 2025 as CPI inflation declined to 3.3% YoY in Mar 2025 on sharp sequential moderation in food prices.

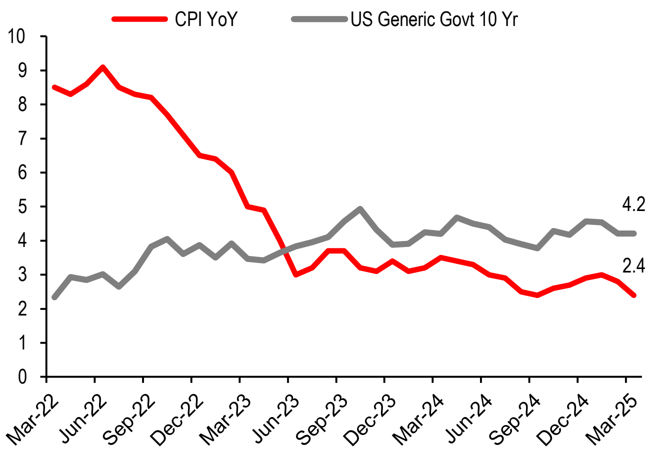


Source: Bloomberg, MOSPI

Brent crude oil prices declined to US$74.7/bbl in Mar 2025 on weak demand outlook



US 10-year treasury yield fell to 4.2% in Mar 2025 with CPI inflation declining to 2.4% YoY in Mar 2025 amid cheaper gasoline and used motor vehicles.



Source: Bloomberg

Key Economic Indicators

Other Market and Economic Indicators:

Economic Indicators Heat Map													
Indicators	Feb-25	Jan-25	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24	Feb-24
Industrial Sector													
Manufacturing PMI	56.3	57.7	56.4	56.5	57.5	56.5	57.5	58.1	58.3	57.5	58.8	59.1	56.9
8 Core Industries (YoY)	2.90%	5.10%	4.80%	5.80%	3.80%	2.40%	-1.80%	6.10%	4.00%	6.30%	6.20%	5.20%	6.70%
IIP Index (YoY)	2.90%	5.40%	3.40%	5.20%	3.70%	3.10%	-0.10%	4.70%	4.90%	6.30%	5.30%	4.90%	5.60%
Consumer Economy													
Passenger Vehicle Sales (in thousands)	378	399	315	348	391	357	353	342	343	347	336	368	371
Two -Wheeler Sales (in thousands)	1,385	1,526	1,106	1,605	2,164	2,026	1,712	1,442	1,614	1,620	1,751	1,487	1,521
Tractor Sales (in thousands)	59	62	51	71	145	103	50	60	103	83	78	65	52
Domestic Air Passenger Traffic (in thousands)	14,044	14,611	14,926	14,252	13,690	13,078	13,182	13,043	13,263	13,870	13,250	13,424	12,648
Inflation													
CPI inflation (YoY)	3.60%	4.30%	5.20%	5.50%	6.20%	5.50%	3.70%	3.50%	5.10%	4.80%	4.80%	4.90%	5.10%
WPI inflation (YoY)	2.40%	2.30%	2.60%	2.20%	2.80%	1.90%	1.30%	2.10%	3.40%	2.70%	1.20%	0.30%	0.20%
Deficit Statistic													
Trade Balance (USD billion)	-263	-269	-262	-259	-249	-255	-260	-255	-252	-250	-249	-244	-248
Fiscal Deficit (Rs Billion)	1,773	2,555	675	958	2,763	393	1,582	1,412	851	-1,595	2,101	1,523	3,988
GST													
GST collections (Rs Trillion)	1.8	2.0	1.8	1.8	1.9	1.7	1.7	1.8	1.7	1.7	2.1	1.8	1.7

Source: Bloomberg, MOSPI, S&P Global, PIB, SIAM, TMA, DGCA, CGA

- The March Manufacturing PMI increased to 58.1 reflecting strong business activity.
- India's trade deficit in FY 2025 widened to US$283bn driven by higher petroleum products and gems & jewellery imports.
- The economic growth momentum persists, with rural and urban consumption leading the way, evident in the robust performance of passenger vehicle sales and Goods and Services Tax (GST) collections.
- Consumer Price Index inflation in Mar 2025 declined to 3.3%, due to sequential moderation in food inflation.
- Overall indicators depict a positive trajectory for domestic growth, primarily driven by robust consumption and infrastructure development.

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

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