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A Quarterly Newsletter by Reliance Nippon Life Insurance

# INVESTMENT BULLETIN

J U L Y 2 0 2 5

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In the June 2025 Monetary Policy Committee (MPC) meeting, the Reserve Bank of India (RBI) delivered a surprise 50 basis points cut in the repo rate, bringing it down to 5.50%. The policy stance was also shifted to 'neutral', signaling a balanced approach going forward. In a significant move to improve liquidity, the RBI announced a staggered and durable infusion of ₹2.5 trillion through a 100 basis points reduction in the Cash Reserve Ratio (CRR), now at 3.00%. These actions underline the central bank's strong focus on enhancing monetary transmission and supporting economic growth. With this decision, the RBI has now reduced the repo rate by a cumulative 100 basis points over three consecutive MPC meetings. When liquidity measures are considered, the effective rate cut stands at 125 basis points. The RBI's steps are clearly aimed at reviving demand and credit flow amidst slowing economic momentum, while remaining watchful of inflation dynamics.

Global central banks continued to tread cautiously amidst persistent geopolitical and trade-related uncertainties. The U.S. Federal Reserve held policy rates steady at its June meeting, citing a solid pace of economic activity and resilient labour market conditions. Mirroring the Fed's decision, both the Bank of Japan (BoJ) and the Bank of England (BoE) also kept their benchmark rates unchanged, as global financial markets remained sensitive to the volatility induced by the US administration's evolving tariff policies and broader economic headwinds.

India's macroeconomic landscape continues to reflect strength and resilience, even as global uncertainties persist. India's growth trajectory is back with Q4 FY25 GDP expanding by 7.4% YoY and full year at 6.5%, led by a meaningful uptick in investment activity underscoring the underlying momentum. Looking ahead, expectations of an above-normal monsoon and improving agricultural output point toward a gradual recovery in rural demand, which should lend further support to household consumption—a key pillar of India's growth story.

From a fiscal perspective, the government has made a strong start to FY26 with fiscal deficit for April–May contained at INR 0.13 trillion, aided by robust non-tax revenues, including the elevated RBI dividend, and steady tax collections adding confidence to India's ability to meet its FY26 fiscal deficit target of 4.4% of GDP. Importantly, capital expenditure rose nearly 54% YoY, reinforcing the government's commitment to productivity-enhancing investments.

On the inflation front, we're encouraged by the sharp moderation in headline CPI to 2.8% in May, the lowest in over six years. The easing has been broad-based, particularly within food categories such as cereals, pulses, and spices. That said, core inflation edged up to 4.2%, driven commodity-linked components like gold and transport.

India's external position remains stable, with the current account turning to a surplus in Q4FY25, aided by a sharp narrowing in trade deficit and sustained strength in services exports. Importantly, the current account deficit for FY25 remained manageable at 0.6% of GDP.

## Equity Market Outlook:

Indian equity market exhibits a cautiously optimistic outlook, driven by robust domestic factors and tempered by global uncertainties. Indian domestic landscape remains highly supportive for investors with strong domestic growth, falling inflation, policy support from RBI and supportive weather conditions. FII have turned buyers in the past 3 months while DII continues to be buyers. Nifty moved by +8.5% in Q1FY26 while the broader markets of Nifty Midcap 100/ Smallcap 100 grew by 15.6/18.5% respectively.

Indian macro outlook continues to remain favorable, supported by easing of geopolitical tensions, accommodative macroeconomic measures, easing liquidity by RBI and above average monsoons. Earnings are also likely to bottom out in FY25 and expected to revive in H2FY26. RBI's liquidity infusion is likely to support private capex and consumption.

Decent sowing till date, low inflationary pressure and hope of US-India trade deal will make India as a preferred investment place and drive equities ahead. The Nifty is currently trading at a one-year forward P/E of 21x. Recovery in domestic cyclical sectors, pick-up in capex and defence theme and discretionary spendings will drive Indian economy to the next leg of growth. Key sectors such as FMCG, Consumer Discretionary, NBFC, PSU Banks, and industrials remains in limelight.

## Debt Market Outlook:

Global central banks continued to tread cautiously amidst persistent geopolitical and trade-related uncertainties. On the domestic front, the Monetary Policy Committee (MPC) of the Reserve Bank of India took a proactive approach by frontloading rate cuts, reducing the Repo Rate by 75 basis points to 5.50% during the April–June quarter. Despite the aggressive rate easing, the RBI revised its policy stance to 'Neutral' from 'Accommodative' during the June review, signalling limited room for further monetary easing in the current cycle. While food inflation remains soft, core inflation is projected to stay above 4%, warranting a cautious policy approach.

In this backdrop of cautious policy signalling and a still-fragile global economic environment, we expect Indian bond yields to remain rangebound in the near term, with intermittent volatility driven by external developments and domestic inflation surprises.

► **Mr. Yadnesh Chavan**  
Chief Investment Officer



## KEY FUND PERFORMANCES

Funds	1-Year	2-Year	3-Year	5-Year	Since Inception
Life Equity Fund 3 Nifty 50 Index	1.36% 6.27%	14.79% 15.32%	16.91% 17.37%	18.91% 19.89%	11.05% 10.76%
Life Pure Equity Fund 2 Benchmark	2.21% 0.63%	20.21% 18.39%	20.64% 18.29%	21.51% 20.59%	11.58% 10.75%
Life Infrastructure Fund 2 Benchmark	0.31% 1.47%	24.85% 25.60%	24.33% 22.01%	26.24% 25.49%	8.08% 7.15%
Life Energy Fund 2 Benchmark	-7.92% -12.18%	30.46% 28.43%	27.87% 21.63%	30.90% 29.24%	11.50% 10.52%
Life Midcap Fund 2 Benchmark	4.01% 7.22%	26.34% 28.98%	28.82% 32.16%	30.77% 32.70%	14.29% 12.40%
Life Balanced Fund 1 Composite Benchmark*	7.37% 8.59%	8.96% 9.83%	9.37% 10.25%	8.32% 8.97%	7.96% 8.13%
Life Money Market Fund 1 Crisil 91 day T bill Index	5.73% 6.97%	5.77% 7.08%	5.48% 6.85%	4.19% 5.52%	5.84% 6.77%
Life Corporate Bond Fund 1 Crisil Composite Bond Index	8.92% 9.16%	7.95% 8.39%	7.74% 8.41%	5.50% 6.19%	7.28% 7.82%
Life Gilt Fund 1 Crisil Dynamic Gilt Index	8.90% 10.01%	8.18% 9.12%	8.15% 9.15%	5.50% 6.22%	6.87% 8.18%

\*Composite Benchmark comprising of Crisil Composite Bond Index with 80% weight and Sensex 50 with 20% weight

As on 30<sup>th</sup> June, 2025

Note - Returns more than one year are CAGR returns.

# FUND STRATEGY AND OUTLOOK - EQUITY

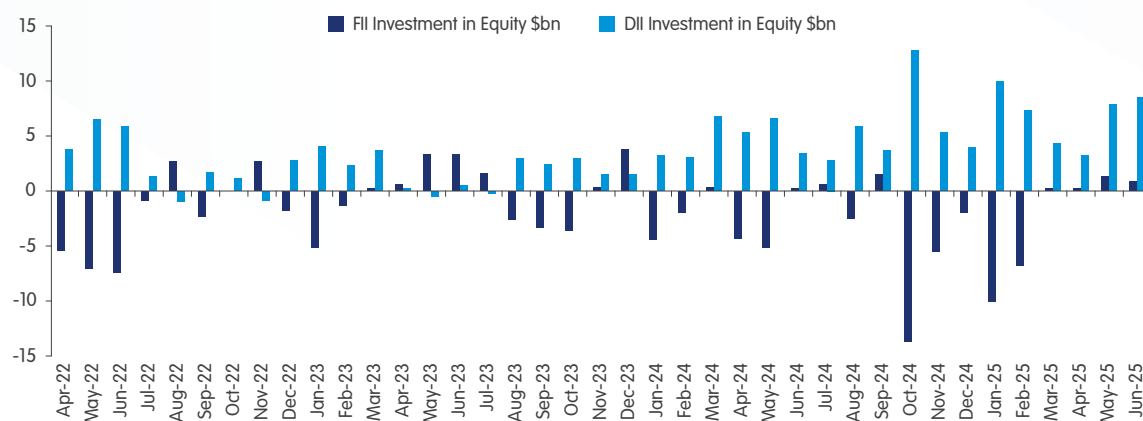
## Equity Fund Strategy and Positioning:

The market chosen to look beyond the near-term geopolitical haze and focus more on long-term market cycles. Amidst the pall of geopolitical gloom, the Indian economy is standing out for its relative economic stability, with several macro parameters turning favorable and corporate earnings expected to be on a progressively improving cycle going forward. The flows into Indian equity mutual funds have continued unabated despite all the worries of the past five months, serving as a cornerstone of the Indian equity markets. For 1H CY25, DII inflows have reached USD42bn, as retail investors have maintained their confidence in Indian equities. In addition, the FII flows, which had turned sharply negative in the first few months of CY25 due to the then strength of USD and expectations of US economic resilience, have also reversed course.

### INDEX PERFORMANCE

Return%	3 Months	6 Months	1 Year	Return%	3 Months	6 Months	1 Year
Broad Based Indices				Sectoral Indian Indices			
Sensex	8.0%	7.0%	5.8%	Auto	12.1%	3.5%	-6.6%
Nifty	8.5%	7.9%	6.3%	Bankex	7.8%	11.1%	7.6%
Deffy	8.1%	7.7%	3.3%	Capital Goods	15.3%	6.7%	0.0%
BSE 100	8.9%	6.8%	5.4%	Consumer Durables	9.9%	-7.2%	1.6%
BSE 200	9.3%	6.1%	4.4%	FMCG	4.1%	-2.6%	-1.5%
BSE 500	10.3%	5.3%	4.0%	Pharma	6.9%	-2.2%	19.3%
BSE Mid cap	12.8%	0.9%	1.5%	IT	5.5%	-11.7%	3.2%
NSE Mid cap	15.6%	4.4%	7.2%	Metal	2.8%	9.7%	-4.1%
BSE Small cap	17.3%	-0.9%	4.9%	Oil & Gas	10.9%	6.9%	-5.5%
				Power	5.3%	-0.4%	-12.8%
				PSU (State Owned Enterprises)	10.3%	6.1%	-5.6%
				Realty	15.8%	-7.2%	-11.5%

## Institutional Flows



Source: NSE, BSE, Data as on 30th June 2025

# FUND STRATEGY AND OUTLOOK - DEBT

## Debt Fund strategy and Positioning

The RBI's decision to frontload rate cuts during the first quarter of FY26 has delivered an important boost to market sentiment and liquidity conditions. However, the shift to a 'Neutral' policy stance in June indicates that we may be nearing the terminal phase of the current rate cycle.

In this evolving environment, our debt investment strategy remains firmly grounded in capital preservation and credit quality. At present, 100% of our fixed income portfolios are allocated to sovereign and AAA-rated securities, ensuring strong downside protection and minimal credit risk. We are also actively evaluating state development loans (SDLs) and select high-grade corporate bonds, particularly where spreads offer an attractive risk-adjusted return relative to G-Secs.

## ► India's Debt Market Performance

### DEBT MARKET INDICATORS

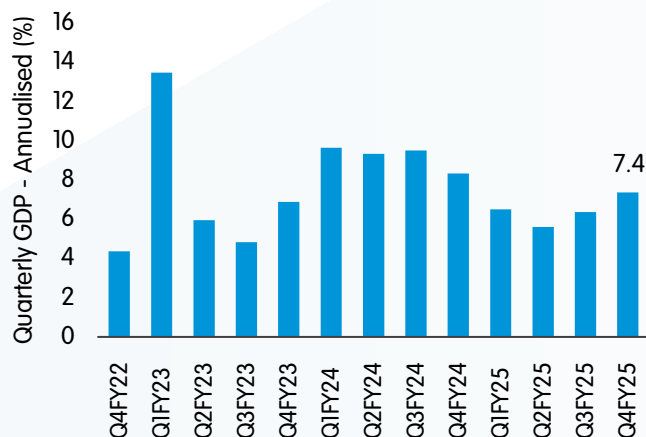
Money Market					Bond Market				
		Change (Q-o-Q)		Change (Q-o-Q)		Change (Q-o-Q)		Change (Q-o-Q)	
Tenure	CD	(bps)	CP	(bps)	Tenure	G-Sec	(bps)	AAA CB	(bps)
3M	5.98	-133	6.15	-150	3Y	5.93	-51	6.72	-51
6M	6.14	-113	6.38	-119	5Y	6.11	-34	6.86	-34
12M	6.33	-92	6.63	-94	10Y	6.32	-26	6.95	-20

**Note** - Q-o-Q change is over March 2025 to June 2025

**Data Source** - Bloomberg

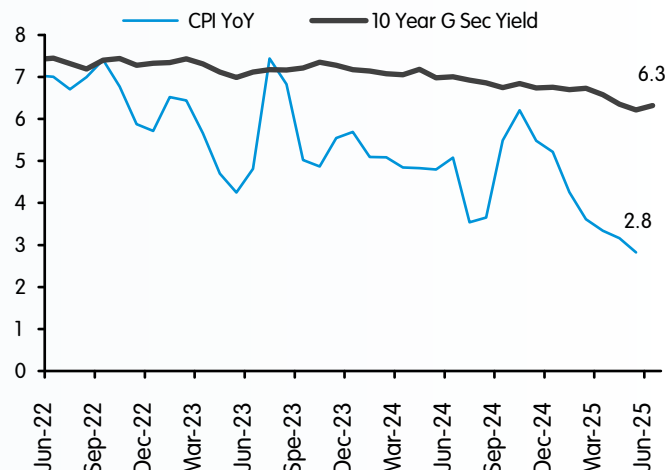
# KEY MARKET AND ECONOMIC INDICATORS

GDP for Q4FY25 grew 7.4% YoY driven by a pickup in investment demand.

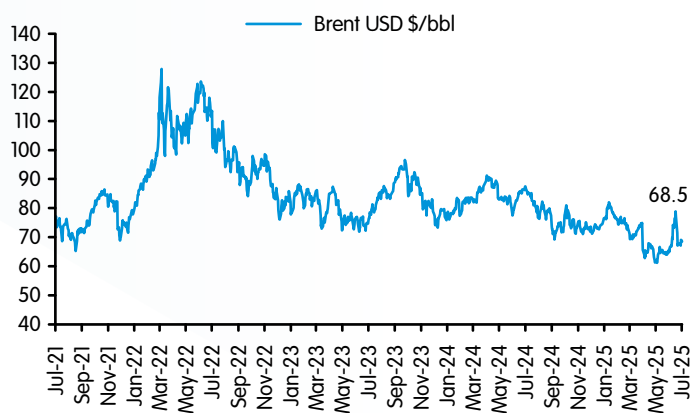


Source: Bloomberg, MOSPI

10 Year G-Sec Yield fell to 6.3% in Jun 2025 as CPI inflation declined to 2.8% YoY in May 2025 on lower food prices.

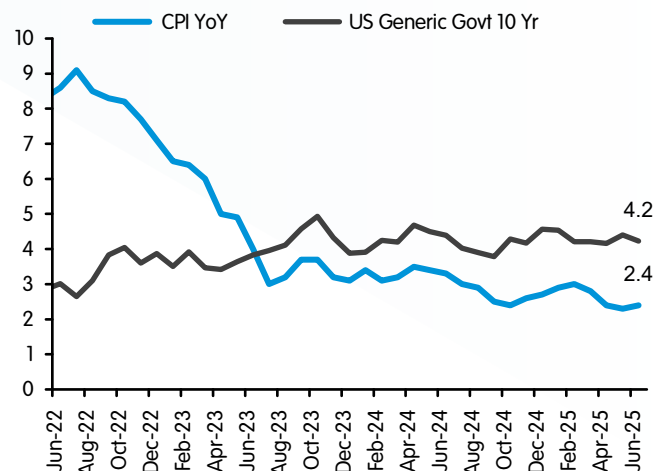


Brent crude oil prices remained volatile due to geopolitical tensions.



Source: Bloomberg

US 10-year treasury yield stood at 4.2% in Jun 2025 with CPI inflation at 2.4% YoY in May 2025 amid cheaper gasoline and used motor vehicles.



# KEY MARKET AND ECONOMIC INDICATORS

## ECONOMIC INDICATORS HEAT MAP

Indicators	May-25	Apr-25	Mar-25	Feb-25	Jan-25	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24
<b>Industrial Sector</b>													
Manufacturing PMI	57.6	58.2	58.1	56.3	57.7	56.4	56.5	57.5	56.5	57.5	58.1	58.3	57.5
8 Core Industries (YoY)	0.71%	0.49%	4.63%	3.36%	5.08%	5.09%	5.78%	3.84%	2.44%	-1.45%	6.82%	5.07%	7.07%
IIP Index (YoY)	1.23%	2.57%	3.94%	2.72%	5.30%	3.74%	4.96%	3.73%	3.23%	0.00%	4.98%	4.93%	6.25%
<b>Consumer Economy</b>													
Passenger Vehicle Sales (in thousands)	345	349	381	378	399	315	348	391	357	353	342	343	347
Two-Wheeler Sales (in thousands)	1,656	1,459	1,657	1,385	1,526	1,106	1,605	2,164	2,026	1,712	1,442	1,614	1,620
Tractor Sales (in thousands)	99	90	91	68	70	59	78	152	108	59	68	110	92
Domestic Air Passenger Traffic (in thousands)	14,055	14,315	14,542	14,118	14,702	14,926	14,250	13,657	13,027	13,131	12,986	13,206	13,795
<b>Inflation</b>													
CPI inflation (YoY)	2.82%	3.16%	3.34%	3.61%	4.26%	5.22%	5.48%	6.21%	5.49%	3.65%	3.54%	5.14%	4.75%
WPI inflation (YoY)	0.39%	0.85%	2.25%	2.45%	2.51%	2.57%	2.20%	2.80%	1.90%	1.30%	2.10%	3.40%	2.70%
<b>Deficit Statistic</b>													
Trade Balance (USD billion)	-21.9	-26.4	-21.5	-14.1	-23	-21.9	-34.2	-27.1	-20.8	-29.6	-23.5	-21	-22.1
Fiscal Deficit (Rs Billion)	-1,732	1,863	2,304	1,773	2,555	675	958	2,763	393	1,582	1,412	851	-1,595
<b>GST</b>													
GST collections (Rs Trillion)	2	2.4	2	1.8	2	1.8	1.8	1.9	1.7	1.7	1.8	1.7	1.7

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

- The June Manufacturing PMI rose to 58.4 reflecting strong business activity.
- The economic growth momentum persists, with rural and urban consumption leading the way, evident in the robust performance of tractor sales and Goods and Services Tax (GST) collections.
- Consumer Price Index inflation in May 2025 declined to 2.8%, 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
ULIF04101/01/10LEENERGYF02121	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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