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A Quarterly Newsletter by Reliance Nippon Life Insurance

INVESTMENT BULLETIN

OCTOBER 2025

CONTENT

FROM THE DESK OF CIO

India's macroeconomic environment continues to display robust resilience amid global uncertainty. GDP growth of 7.8% YoY in Q1 FY26, a five-quarter high, was driven by healthy services activity, government spending, and improving private investment. In a big boost to consumption, Government has merged the GST rates of 12% and 28% slab with 5% and 18% slab in a broad-based rationalisation of rates.

A major positive development was S&P Global Ratings' upgrade of India's sovereign credit rating-from BBB-to BBB (and short-term from A-3 to A-2)-marking the first improvement in 18 years. The agency cited India's sustained economic growth, strong monetary policy credibility, and fiscal consolidation progress as key factors. Importantly, the impact of U.S. tariff measures is expected to remain limited, given India's domestic demand-driven economy.

The RBI's Monetary Policy Committee (MPC), decided unanimously to keep the policy repo rate unchanged at 5.50%, while maintaining a neutral stance. This decision reflects a balanced approach-acknowledging improved domestic fundamentals while allowing time for the full transmission of recent front-loaded rate cuts and fiscal measures. The MPC's downward revision in inflation projections for FY26 to 2.6%, signals comfort with the evolving disinflation trend. At the same time, the upward revision in growth forecasts to 6.8% underscores confidence in India's economic momentum, led by a resilient services sector and broad-based demand recovery.

On the fiscal side, the April-August FY26 fiscal deficit stood at ₹5.98 trillion, supported by buoyant non-tax revenues and the elevated RBI dividend. This performance reinforces confidence in achieving the FY26 fiscal deficit target of 4.4% of GDP. The government's 43% YoY rise in capital expenditure continues to emphasize its focus on productive infrastructure spending and long-term growth sustainability.

Inflation trends remain encouraging. Headline CPI moderated sharply to 2.1% in August, led by broad-based easing in food prices-particularly pulses, eggs, and meat & fish. While core inflation remains steady at 4.1%, driven largely by elevated gold prices, the overall inflation trajectory appears firmly anchored within the target band.

Domestic demand conditions are expected to strengthen further. An above-normal monsoon, healthy kharif sowing, and comfortable reservoir levels have brightened prospects for rural consumption. Moreover, the government's two-slab GST structure-with rate reductions on mass consumption and aspirational goods-should provide an additional boost to household demand.

The macroeconomic environment is evolving favourably, with stable inflation, improving fiscal metrics, and strong growth fundamentals. The RBI's prudent pause supports a sustainable monetary policy path, allowing past rate cuts to transmit through the system. Overall, India remains well-positioned among major economies, combining strong growth prospects with policy stability and macroeconomic resilience.

Equity Market Outlook:

The Indian equity market appears to be on a firmer footing, supported by multiple positive domestic developments. The rollout of GST 2.0 with rate cuts, coupled with festive season-driven consumption and comfortably low inflation, is expected to aid in corporate earnings recovery. The monsoon season also ended on a positive note, with rainfall coming in 8% above normal, which bodes well for the rural economy and agri-driven demand. Following a period of relative underperformance versus global equities over the past year, India is now well-positioned to attract renewed FII inflows, especially as earnings visibility improves and pro-reform policy momentum remains strong.

The Indian economy remains fundamentally strong, with robust GDP growth and notable resilience in absorbing external shocks. Though Indian markets have remained range-bound recently, we believe any resolution or signs of easing in India-US trade relations could act as a key catalyst for market sentiment. On the domestic front, most macroeconomic indicators are showing signs of improvement, alongside a positive trajectory in corporate earnings. India's IIP growth stood at 4% for Aug'25. Real GDP growth for Q1 was also strong at 7.8%. After a period of consolidation, Indian equities are well-positioned for the next leg of structural growth. FII sold $9.3bn of equities in the last 3 months while DII bought $25.3bn during the period.

Nifty is trading at comfortable valuations of 21x one-year forward earnings and on back of improving corporate earnings, low interest rates, ample liquidity, and a reviving capex cycle-creates a conducive backdrop for potential market upside. Continued government support through reforms and policy initiatives is expected to further reset the corporate earnings trajectory, while any resolution of the India-US tariff stalemate would serve as a significant external catalyst for sentiment and capital flows.

Debt Market Outlook:

On the global front, monetary policy actions remained mixed, shaped by the uncertainties arising from the Trump administration's tariff policies. The U.S. Federal Reserve delivered a cautious "risk management" rate cut of 25 bps in September, while projecting an additional 50 bps of easing in 2025. The Fed cited a softer labour market as justification, even as it revised growth and inflation forecasts upward, highlighting a delicate balance between supporting growth and managing inflation risks.

Back home, the Monetary Policy Committee (MPC) of the RBI maintained the policy repo rate at 5.50%, choosing to assess the transmission of earlier easing measures, the impact of GST rate rationalisation, and the evolving global trade environment. The phased reduction in the Cash Reserve Ratio (CRR) by 100 bps, from 4% to 3%, beginning September 2025 is expected to inject nearly ₹2.5 trillion of durable liquidity into the banking system, supporting credit growth and improving transmission.

The prevailing macroeconomic conditions have opened policy space for a further 25 bps of monetary easing, should growth require additional support. From an investment standpoint, we remain constructive on fixed income, with bond yields expected to remain range-bound within a supportive inflation environment. The lower supply of state government securities is likely to keep spreads contained, thereby driving stronger investor demand for longer-maturity bonds.

Mr. Yadnesh Chavan
Chief Investment Officer

KEY FUND PERFORMANCES

Funds	1-Year	2-Year	3-Year	5-Year	Since Inception
Life Equity Fund 3	-9.40% -4.65%	10.81% 11.95%	11.92% 12.92%	16.13% 16.95%	10.59% 10.32%
Life Pure Equity Fund 2 Benchmark	-7.81% -10.11%	15.45% 13.45%	16.60% 13.68%	19.74% 18.44%	11.28% 10.41%
Life Infrastructure Fund 2 Benchmark	-8.93% -8.06%	16.73% 18.14%	20.28% 17.06%	24.48% 23.75%	7.71% 6.82%
Life Energy Fund 2 Benchmark	-14.86% -17.74%	21.97% 19.97%	25.26% 17.96%	30.62% 28.70%	11.20% 10.26%
Life Midcap Fund 2 Benchmark	-8.01% -5.56%	14.84% 17.18%	20.82% 24.15%	26.11% 27.86%	13.63% 11.80%
Life Balanced Fund 1 Composite Benchmark*	3.26% 4.45%	8.36% 8.93%	8.25% 8.98%	7.79% 8.33%	7.86% 8.02%
Life Money Market Fund 1 Crisil 91 day T bill Index	5.41% 6.48%	5.63% 6.88%	5.55% 6.86%	4.29% 5.63%	5.83% 6.75%
Life Corporate Bond Fund 1 Crisil Composite Bond Index	5.71% 6.86%	7.81% 8.06%	7.29% 7.95%	5.49% 6.11%	7.21% 7.74%
Life Gilt Fund 1 Crisil Dynamic Gilt Index	5.53% 6.40%	8.04% 8.59%	7.45% 8.38%	5.47% 6.13%	6.80% 8.07%

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

As on 30-Sep-2025

Note - Returns more than one year are CAGR returns.

FUND STRATEGY AND OUTLOOK - EQUITY

Fund Strategy and Positioning - Equity:

India stands at a critical juncture in shaping its economic and geopolitical trajectory through a path of strategic self-determination. Over the past six months, the country has faced multiple external challenges-including U.S. tariff actions, global geopolitical uncertainties, and the ongoing kinetic conflict-which have tested its macroeconomic resilience. In response, Indian policymakers have demonstrated a firm commitment to reform, seizing the moment to transform adversity into opportunity. Their proactive approach is laying the foundation for stronger, more sustainable long-term economic outcomes. This quarter is particularly significant, as it will begin to reflect the initial and partial impact of GST 2.0 reforms on select sectors. Provisional Q2FY25 loan growth by banks and revenue by select consumer companies are encouraging. Additionally, corporate commentaries alongside earnings releases will provide critical insights into how these structural changes are influencing demand dynamics and earnings visibility across the board. India's ability to navigate near-term challenges while staying focused on long-term structural improvements reinforces its potential as a compelling investment destination amid a complex global landscape.

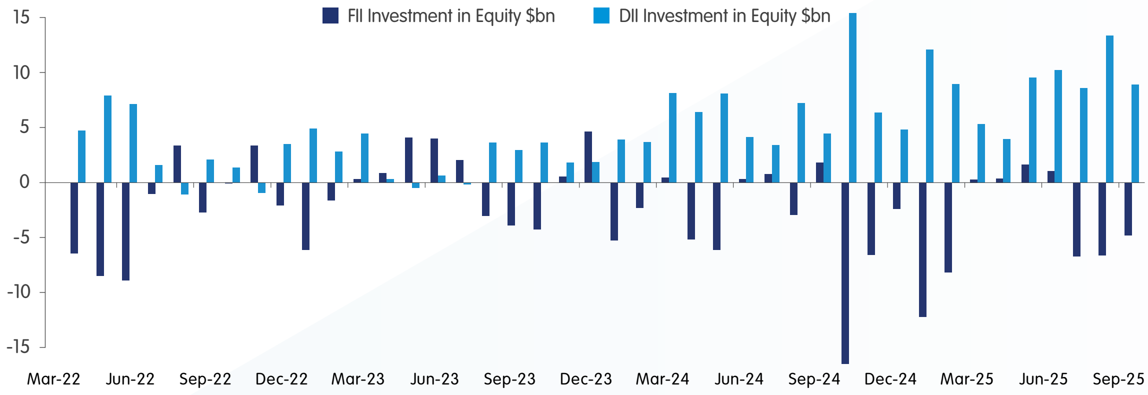
Hope of US-India trade deal will make India as a preferred investment place and drive equities ahead. Recovery in domestic cyclical sectors, discretionary spending, pick-up in capex and defence theme will drive Indian economy to the next leg of growth. Key sectors such as FMCG, Consumer Discretionary, NBFC, PSU Banks, and industrials remains in limelight.

INDEX PERFORMANCE

Return%	3 Months	6 Months	1 Year
Broad Based Indices			
Sensex	-4.0%	3.7%	-4.8%
Nifty	-3.6%	4.6%	-4.6%
Defty	-6.8%	0.7%	-10.0%
BSE 100	-3.6%	5.0%	-5.6%
BSE 200	-3.6%	5.4%	-6.3%
BSE 500	-3.6%	6.4%	-6.6%
BSE Mid cap	-4.1%	8.2%	-9.0%
NSE Mid cap	-5.4%	9.4%	-6.0%
BSE Small cap	-4.6%	11.9%	-8.6%

Return%	3 Months	6 Months	1 Year
Sectoral Indian Indices			
Auto	10.8%	24.2%	-2.9%
Bankex	-4.2%	3.3%	2.5%
Capital Goods	-5.6%	8.9%	-6.6%
Consumer Durables	-3.5%	6.1%	-14.7%
FMCG	-0.7%	3.4%	-15.5%
Pharma	-2.7%	4.0%	-2.6%
IT	-13.0%	-8.1%	-21.7%
Metal	4.9%	7.9%	-3.9%
Oil & Gas	-3.4%	7.1%	-15.5%
Power	-3.2%	1.9%	-22.4%
PSU (State Owned Enterprises)	-1.3%	8.8%	-7.7%
Realty	-11.8%	2.1%	-21.6%

Institutional Flows



Source: NSE, BSE, Data as on 30 September 2025

FUND STRATEGY AND OUTLOOK - DEBT

Debt Fund strategy and Positioning

The U.S. Federal Reserve has signaled the likelihood of additional monetary easing, reflecting the impact of a weaker labour market. Domestically, the RBI's Monetary Policy Committee (MPC) revised its inflation projection for FY26 downward to 2.6%, indicating growing confidence in the ongoing disinflation trend. The prevailing macroeconomic environment has consequently created room for a potential 25 bps rate cut, should growth conditions warrant further policy support.

Meanwhile, the lower supply of State Government Securities (SDLs) in Q3 FY26 is expected to keep spreads contained, enhancing investor appetite for longer-maturity bonds. In this evolving landscape, our debt investment strategy remains firmly anchored in high credit quality. Currently, 100% of our fixed income portfolios are invested in sovereign and AAA-rated instruments, ensuring minimal credit risk exposure. We are also evaluating incremental allocations to SDLs and select high-grade corporate bonds, as current spreads offer attractive risk-adjusted returns relative to Government Securities.

India's Debt Market Performance

DEBT MARKET INDICATORS

Money Market

		Change (Q-o-Q)		Change (Q-o-Q)
Tenure	CD	(bps)	CP	(bps)
3M	5.87	-11	6.20	5
6M	6.12	-2	6.65	27
12M	6.35	2	6.75	12

Bond Market

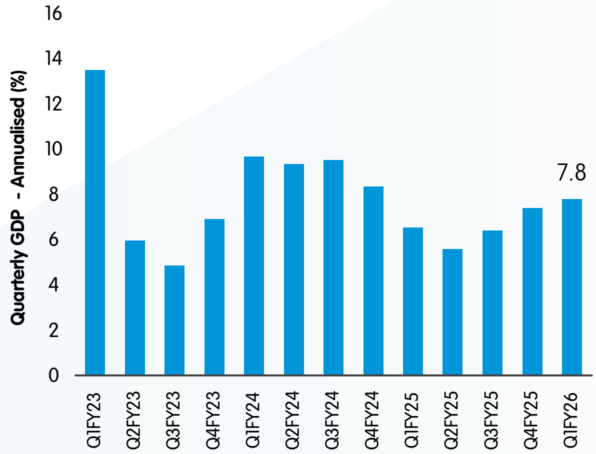
		Change (Q-o-Q)		Change (Q-o-Q)
Tenure	G-Sec	(bps)	AAA CB	(bps)
3Y	5.93	-	6.81	9
5Y	6.20	9	7.00	14
10Y	6.58	26	7.10	15

Note - Q-o-Q change is over Jun 2025 to Sep 2025

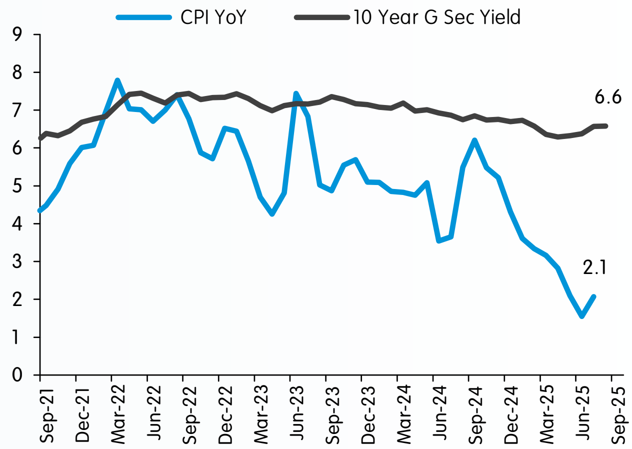
Data Source - Bloomberg

OTHER MARKET AND ECONOMIC INDICATORS

GDP for Q1FY26 grew 7.8% YoY supported by a lower deflator and strong performance of the service sector and lower deflator.

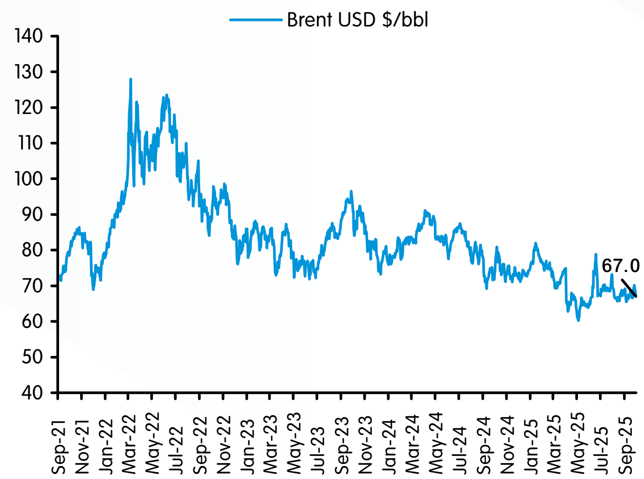


10 Year G-Sec Yield rose to 6.6% in Sep 2025 while CPI inflation declined to 2.1% YoY in Aug 2025 on lower food prices.

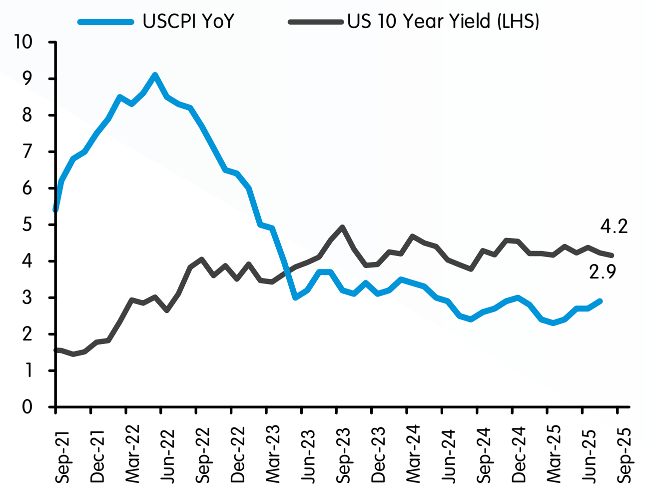


Source: Bloomberg, MOSPI

Brent crude oil prices remained benign on increased global production and concerns over demand.



US 10-year treasury yield stood at 4.2% in Sep 2025 influenced by weaker labour market. CPI inflation increased to 2.9% YoY in Aug 2025 on higher food, energy and core goods prices.



Source: Bloomberg

ECONOMIC INDICATORS HEAT MAP

Economic indicators heat map													
Indicators	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24
Industrial Sector													
Manufacturing PMI	59.3	59.1	58.4	57.6	58.2	58.1	56.3	57.7	56.4	56.5	57.5	56.5	57.5
8 Core Industries (YoY)	6.27%	3.75%	2.20%	1.19%	0.99%	4.51%	3.36%	5.08%	5.09%	5.78%	3.84%	2.44%	-1.45%
IIP Index (YoY)	4.05%	4.27%	1.52%	1.87%	2.57%	3.94%	2.72%	5.30%	3.74%	4.96%	3.73%	3.23%	0.00%
Consumer Economy													
Passenger Vehicle Sales (in thousands)	322	341	313	345	349	381	378	399	315	348	391	357	353
Two-Wheeler Sales (in thousands)	1,834	1,567	1,560	1,656	1,459	1,657	1,385	1,526	1,106	1,605	2,164	2,026	1,712
Tractor Sales (in thousands)	73	73	122	99	90	91	68	70	59	78	152	108	59
Domestic Air Passenger Traffic (in thousands)	12,947	12,605	13,604	14,055	14,315	14,542	14,118	14,702	14,926	14,250	13,657	13,027	13,131
Inflation													
CPI inflation (YoY)	2.07%	1.61%	2.10%	2.82%	3.16%	3.34%	3.61%	4.26%	5.22%	5.48%	6.21%	5.49%	3.65%
WPI inflation (YoY)	0.52%	-0.58%	-0.13%	0.39%	0.85%	2.25%	2.45%	2.51%	2.57%	2.2%	2.8%	1.9%	1.3%
Deficit Statistic													
Trade Balance (USD billion)	-26.49	-27.35	-18.77	-21.88	-26.40	-21.54	-14.05	-23.00	-21.90	-34.20	-27.10	-20.80	-29.60
Fiscal Deficit (Rs Billion)	1,297	1,877	2,676	-1,732	1,863	2,304	1,773	2,555	675	958	2,763	393	1,582
GST													
GST collections (Rs Trillion)	1.9	2.0	1.8	2.0	2.4	2.0	1.8	2.0	1.8	1.8	1.9	1.7	1.7

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

- The September Manufacturing PMI stood at 57.7 on higher new export orders reflecting strong business activity.
- The economic growth momentum persists, with rural demand, evident in the robust performance of tractor sales and Two-Wheeler sales.
- Consumer Price Index inflation in Aug 2025 remain subdued 2.1%, due to favourable base effect and muted 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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