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A Quarterly Newsletter by Reliance Nippon Life Insurance

# INVESTMENT BULLETIN

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# From the Desk of CIO

The US economy has started showing signs of slowing with inflation easing notably over the past year and unemployment moving higher to 4.1%. Geopolitical tensions in the Middle East seem to be subsiding with initiation of ceasefire negotiations.

Meanwhile, the Indian economy exhibits strong fundamentals, together with financial stability and growth momentum. India continues to lead in economic growth, with FY24 GDP expanding by 8.2%, supported by strong private capital expenditures, and robust demand in the services sector. Despite subdued core inflation of 3.1% in May 2024, the Monetary Policy Committee (MPC) remains cautious, keeping policy rates and stance unchanged due to elevated food prices. The Current account recorded a surplus at USD 5.7bn (0.6% of GDP) in Q4FY24.

The continuity of the Government at the Centre bodes well for the investors' confidence in the economy and the market. The government outperformed on its fiscal target, by achieving 5.6% of GDP in FY24 and aims for faster fiscal consolidation to 5.1% in FY25. India's inclusion in the JP Morgan Emerging Markets Bond Index has boosted confidence in the economy, attracting approximately USD 11 billion in fixed-income securities since the announcement. With headline inflation expected to stabilize around 4.5% and strong projected growth of over 7% next year, the inflation-growth dynamics in the Indian economy are anticipated to remain favorable, ensuring smooth progress ahead.

## Equity Market Outlook:

The Indian equity market demonstrated robust performance during April-June 2024, due to improved earning visibility, optimism on domestic front with strong flows, led by higher average GST collection, lower fiscal deficit (5.6% for FY24), further fuelled by upward revision in India's GDP forecast by fitch Rating for FY2025 to 7.2% vs earlier estimate of 7%, reflecting optimism in economic growth. However, markets witnessed heightened volatility on back of election results and then stabilised by delivering strong Nifty gain of 6.6% in June month with record high close on formation of BJP-led NDA government reassuring investors of policy continuity and political stability. Meanwhile, the Federal Reserve opted to maintain its policy rate and revised its forecast to a single rate cut for the year, down from three previously anticipated cuts. Domestically, the RBI's MPC maintained the repo rate at 6.5%, signalling stability in monetary policy. Domestic Institutional Investors (DIIs) showed strong confidence by investing US\$15.3 billion in equities whereas Foreign Institutional Investors (FIIs) sold nearly US\$1 billion during the quarter. Additionally, economic indicators such as a 5% growth in Index of Industrial Production (IIP) in April and moderate May CPI inflation at 4.75% further contributed to the favourable market environment. Overall, Indian equity showcased resilience and optimism across various sectors, driven by supportive policy measures and strong investor participation.

## Debt Market Outlook:

The debt market was influenced by several factors, including the moderation of domestic core Consumer Price Index (CPI) inflation, a surprising election outcome at Lok Sabha, and robust Foreign Portfolio Investor (FPI) flows during the previous quarter.

Internationally, US 10-year Treasury yields eased to around 4.30% as investors processed the soft economic data and adjusted their expectations regarding interest rates. Meanwhile, Brent crude oil prices moderated to \$85 per barrel as concerns about supply disruptions subsided. Domestically, core inflation decreased to 3.1%, driven by a broad-based slowdown in both goods and services.

The upcoming Union Budget would be crucial as market would focus on the fiscal deficit and expenditure pattern. A normal monsoon is expected to help keep food inflation in check. Demand supply equation stands favourable as government sticks to fiscal consolidation and government securities attract FPI investments following inclusion in the JP Morgan EM Bond Index.

**Mr. Yadnesh Chavan**  
**Head – Investments**



## Key Fund Performance:

| Funds                       | 6 month | 1 year | 2 year | 3 year | 5 year | Since Inception |
|-----------------------------|---------|--------|--------|--------|--------|-----------------|
| Life Equity Fund 3          | 13.00%  | 29.99% | 25.56% | 15.79% | 15.74% | 11.75%          |
| Nifty 50 Index              | 10.49%  | 25.13% | 23.35% | 15.16% | 15.29% | 11.07%          |
| Life Equity Fund 2          | 12.58%  | 28.61% | 24.73% | 15.35% | 15.51% | 11.85%          |
| Nifty 50 Index              | 10.49%  | 25.13% | 23.35% | 15.16% | 15.29% | 10.95%          |
| Make In India Fund          | 11.74%  | 28.08% | 25.00% | 16.28% | 15.24% | 13.20%          |
| Nifty 50 Index              | 10.49%  | 25.13% | 23.35% | 15.16% | 15.29% | 15.49%          |
| Life Large Cap Equity Fund  | 11.90%  | 28.89% | 25.09% | 15.20% | NA     | 15.67%          |
| Nifty 50 Index              | 10.49%  | 25.13% | 23.35% | 15.16% | 15.29% | 16.07%          |
| Life Pure Equity Fund 2     | 16.40%  | 41.38% | 31.06% | 22.32% | 20.61% | 12.25%          |
| Benchmark                   | 14.56%  | 39.28% | 28.25% | 20.78% | 19.27% | 11.49%          |
| Life Infrastructure Fund 2  | 21.13%  | 55.38% | 38.42% | 25.65% | 22.00% | 8.64%           |
| Benchmark                   | 20.00%  | 55.45% | 33.79% | 23.96% | 21.50% | 7.55%           |
| Life Energy Fund 2          | 39.94%  | 84.84% | 50.68% | 37.57% | 28.22% | 12.98%          |
| Benchmark                   | 36.50%  | 87.83% | 43.15% | 37.16% | 26.93% | 12.29%          |
| Life Midcap Fund 2          | 20.06%  | 53.47% | 43.36% | 27.28% | 25.61% | 15.04%          |
| Benchmark                   | 19.52%  | 55.14% | 46.73% | 28.10% | 26.39% | 12.77%          |
| Life Balanced Fund 1        | 5.54%   | 10.56% | 10.38% | 7.44%  | 7.86%  | 7.99%           |
| Composite Benchmark*        | 5.87%   | 11.08% | 11.09% | 7.66%  | 8.92%  | 8.11%           |
| Life Money Market Fund 1    | 2.85%   | 5.81%  | 5.36%  | 4.35%  | 3.92%  | 5.85%           |
| Crisil 91 day T bill Index  | 3.55%   | 7.19%  | 6.79%  | 5.76%  | 5.29%  | 6.76%           |
| Life Corporate Bond Fund 1  | 4.11%   | 6.99%  | 7.16%  | 5.14%  | 6.03%  | 7.18%           |
| Crisil Composite Bond Index | 4.53%   | 7.62%  | 8.04%  | 5.64%  | 6.95%  | 7.74%           |
| Life Gilt Fund 1            | 4.51%   | 7.47%  | 7.77%  | 5.10%  | 5.87%  | 6.75%           |
| Crisil Dynamic Gilt Index   | 4.97%   | 8.24%  | 8.72%  | 5.83%  | 6.76%  | 8.07%           |

\* Composite Benchmark comprising of Crisil Composite Bond Index with 80% weight and Sensex 50 with 20% weight  
As on 30-Jun-2024

Note – Returns more than 1 year are CAGR returns.

# Fund strategy and Outlook - Equity

## Equity Fund Strategy and Positioning:

The outlook for the Indian market remains optimistic over the long term. Key upcoming factors include the anticipated acceleration of monsoon activity, the eagerly awaited budget announcement in July, and ongoing reforms set to pave the way for robust earnings growth in FY25. These elements are poised to bolster investor confidence and sustain market buoyancy. The Indian market's forward-looking indicators are encouraging, with the Nifty currently trading at a forward P/E ratio of 21x for the next year.

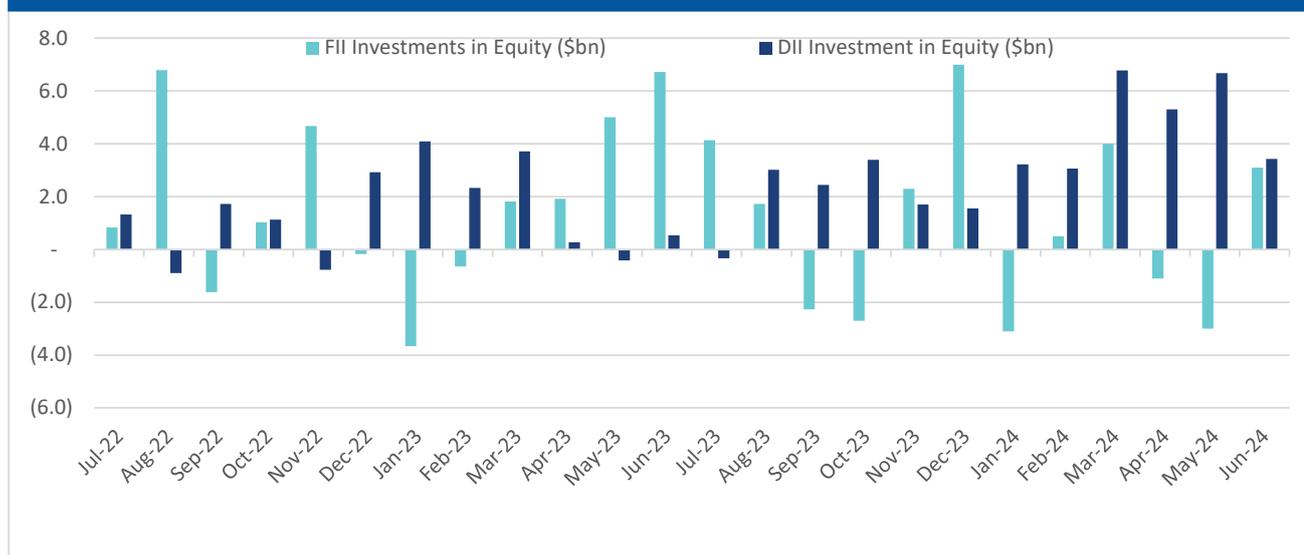
Sector-wise, momentum is expected to persist particularly in financials and capital goods, supported by emerging themes such as data centers, defense, green energy, and the power sector, all of which promise significant growth prospects. These sectors are likely to attract increased investor interest and contribute positively to market performance moving forward. Overall, with favourable domestic drivers and promising sectoral trends, the Indian market outlook remains robust and poised for continued growth.

## Indian Equity Market Performance

### Index performance

| Return %                   | 3 Month | 6 Month | 1 Year | Return %                       | 3 Month | 6 Month | 1 Year |
|----------------------------|---------|---------|--------|--------------------------------|---------|---------|--------|
| <b>Broad Based Indices</b> |         |         |        | <b>Sectoral Indian Indices</b> |         |         |        |
| Sensex                     | 7.3     | 9.4     | 22.1   | Auto                           | 17.7    | 35.4    | 66.4   |
| Nifty                      | 7.5     | 10.5    | 25.1   | Bankex                         | 11.1    | 8.4     | 17.0   |
| Defty                      | 7.6     | 10.3    | 23.1   | Capital Goods                  | 18.7    | 30.0    | 77.6   |
| BSE 100                    | 9.0     | 13.5    | 29.8   | Consumer Durables              | 12.5    | 17.7    | 37.3   |
| BSE 200                    | 10.0    | 15.2    | 34.2   | FMCG                           | 5.2     | -0.4    | 8.7    |
| BSE 500                    | 11.2    | 16.0    | 36.6   | Pharma                         | 3.9     | 17.2    | 43.3   |
| BSE Mid cap                | 17.4    | 25.3    | 60.4   | IT                             | 3.6     | 1.8     | 22.3   |
| NSE Mid cap                | 15.9    | 20.7    | 55.9   | Metal                          | 18.9    | 23.0    | 58.1   |
| BSE Small cap              | 20.8    | 22.2    | 59.9   | Oil & Gas                      | 7.1     | 24.9    | 69.2   |
|                            |         |         |        | Power                          | 18.7    | 36.7    | 98.3   |
|                            |         |         |        | PSU (State Owned Enterprises)  | 16.0    | 36.3    | 97.5   |
|                            |         |         |        | Realty                         | 22.7    | 41.1    | 112.5  |

### Institutional flows



Source: NSE, BSE, Data as on 30th June, 2024

# ■ Fund Strategy and Outlook - Debt ■

## ■ Debt Fund Strategy and Positioning:

Major central banks around the world are nearing the pivot in their policy rate cycle with the ECB leading by delivering a 25 basis points rate cut, reflecting significant progress in inflation containment. The RBI's MPC kept the Repo Rate and stance unchanged with a vote split of 4-2.

In the US, weaker economic indicators have led markets to anticipate a potential 25-50 basis points of Federal Reserve rate cuts in 2024. Domestically, factors such as a forecasted normal monsoon, fiscal discipline by the central government, and Foreign Portfolio Investor (FPI) interest driven by inclusion in the JP Morgan Emerging Markets Bond Index, have enhanced the attractiveness of domestic bond yields. Our portfolios are currently positioned towards the short & middle segment of the yield curve, which are attractive from a medium-term perspective. We are overweight to benchmark in terms of overall duration and a lower exposure to corporate bonds. Additionally, we would increase exposure to state government securities at favourable 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                     | 7.12 | -58            | 7.40 | -60            |
| 6M                     | 7.45 | -15            | 7.70 | -35            |
| 12M                    | 7.60 | 0              | 7.90 | -15            |

| Debt market indicators |       |                |        |                |
|------------------------|-------|----------------|--------|----------------|
| Bond market (%)        |       |                |        |                |
|                        |       | Change (Q-o-Q) |        | Change (Q-o-Q) |
| Tenure                 | G-Sec | (bps)          | AAA CB | (bps)          |
| 3Y                     | 6.99  | -6             | 7.67   | 7              |
| 5Y                     | 7.02  | -4             | 7.59   | 4              |
| 10Y                    | 7.01  | -5             | 7.46   | 2              |

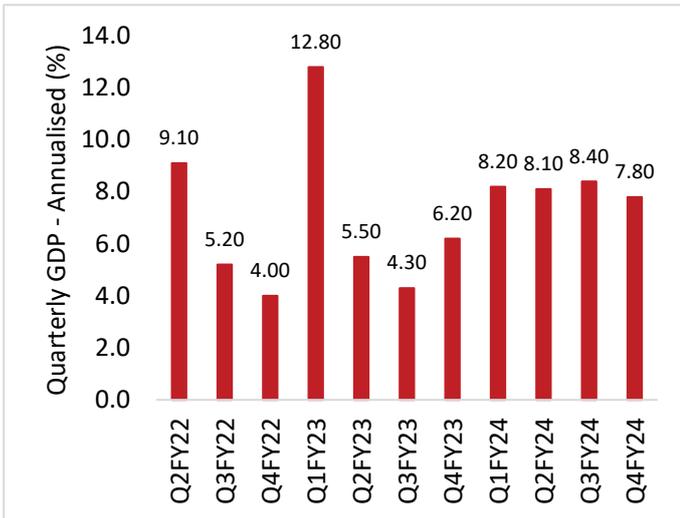
**Note** – Q-o-Q change is over Mar 2024 to Jun 2024

**Data Source** – Bloomberg, CRISIL

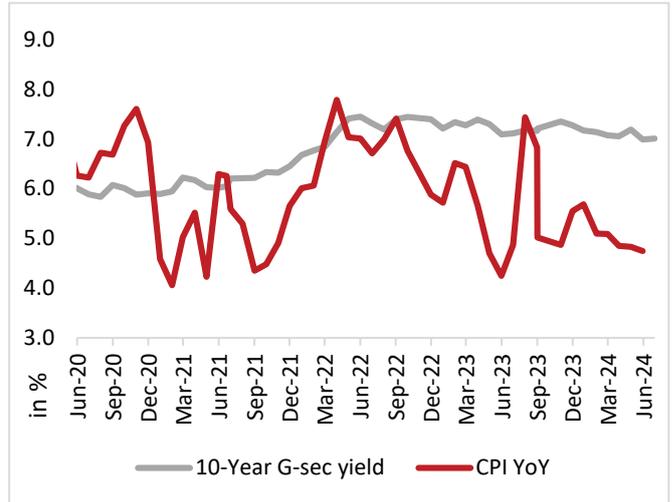
# Key Economic Indicators

## Other market and economic indicators:

Real GDP grew by 7.80% y/y in Q4 FY24, driven by stronger services and robust private consumption and investments.

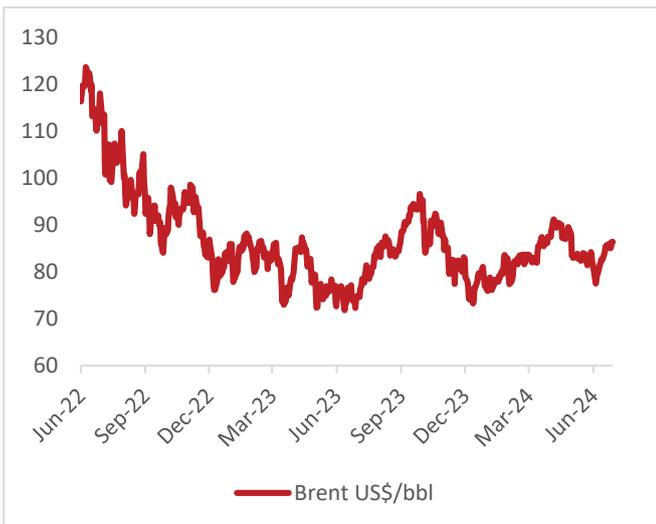


CPI inflation eased to 4.75% y/y in May-24, led by softer core inflation at 3.1% y/y and decline in fuel prices.

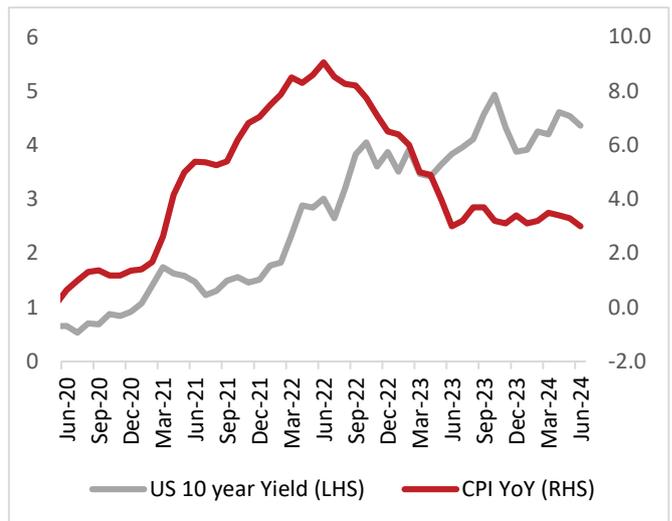


Source: Bloomberg, MOSPI

Brent Crude oil prices eased to \$85/bbl in June 2024 on subsiding middle east tensions.



US 10-year treasury yield fell to 4.30% on easing inflation and rising unemployment.



Source: Bloomberg

# Key Economic Indicators

## Other market and economic indicators:

| Economic indicators heat map                     |        |        |        |        |        |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Indicators                                       | May-24 | Apr-24 | Mar-24 | Feb-24 | Jan-24 | Dec-23 | Nov-23 | Oct-23 | Sep-23 | Aug-23 | Jul-23 | Jun-23 | May-23 |
| <b>Industrial Sector</b>                         |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Manufacturing PMI                                | 57.5   | 58.8   | 59.1   | 56.9   | 56.5   | 54.9   | 56     | 55.5   | 57.5   | 58.6   | 57.7   | 57.8   | 58.7   |
| 8 Core Industries (YoY)                          | 6.5%   | 6.7%   | 6.0%   | 7.1%   | 4.1%   | 4.9%   | 7.9%   | 12.7%  | 9.4%   | 13.4%  | 8.5%   | 8.4%   | 5.2%   |
| Rail Freight Traffic (Loading in million tonnes) | 139.2  | 128.3  | 157.2  | 136.6  | 142.7  | 139.0  | 128.4  | 129.0  | 123.5  | 127.0  | 124.0  | 123.1  | 134.2  |
| <b>Consumer Economy</b>                          |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Passenger Vehicle Sales in thousands             | 347.5  | 335.6  | 368.1  | 370.8  | 393.1  | 286.4  | 334.1  | 389.7  | 361.7  | 359.2  | 350.1  | 280.3  | 288.4  |
| Two Wheeler Sales in thousands                   | 1620.1 | 1751.4 | 1487.6 | 1520.8 | 1495.2 | 1212.0 | 1623.4 | 1895.8 | 1749.8 | 1566.6 | 1282.1 | 1330.8 | 1471.6 |
| Tractor Sales in thousands                       | 91.8   | 84.4   | 74.5   | 51.8   | 62.8   | 52.1   | 79.0   | 125.4  | 105.5  | 62.1   | 67.0   | 106.6  | 91.3   |
| Domestic Air Passenger Traffic in thousands      | 27,902 | 26,515 | 26,905 | 25,441 | 26,207 | 27,432 | 25,378 | 25,089 | 24,436 | 24,828 | 24,336 | 24,861 | 26,339 |
| <b>Inflation</b>                                 |        |        |        |        |        |        |        |        |        |        |        |        |        |
| CPI inflation, % y/y                             | 4.75%  | 4.83%  | 4.85%  | 5.09%  | 5.10%  | 5.69%  | 5.50%  | 4.80%  | 5.02%  | 6.83%  | 7.44%  | 4.80%  | 4.25%  |
| WPI inflation, % y/y                             | 2.6%   | 1.3%   | 0.5%   | 0.2%   | 0.3%   | 0.7%   | 0.3%   | -0.3%  | -0.3%  | -0.5%  | -1.4%  | -4.1%  | -3.5%  |
| <b>Deficit Statistic</b>                         |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Trade Balance, USD billion                       | -23.8  | -19.1  | -15.6  | -18.7  | -17.5  | -19.8  | -20.6  | -31.5  | -19.3  | -24.2  | -20.7  | -20.1  | -22.1  |
| Fiscal Deficit (Rs Billion)                      | -1,595 | 2,101  | 1,523  | 3,988  | 1,203  | 757    | 1,029  | 1,018  | 590    | 372    | 1,542  | 2,411  | 767    |
| <b>GST</b>                                       |        |        |        |        |        |        |        |        |        |        |        |        |        |
| GST collections (Rs Trillion)                    | 1.7    | 2.1    | 1.8    | 1.7    | 1.7    | 1.6    | 1.7    | 1.7    | 1.6    | 1.6    | 1.7    | 1.6    | 1.6    |

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

- S&P Global India Manufacturing PMI stood high at 57.5 driven by fast export order growth.
- India's trade deficit widened to USD 23.8 billion. Exports soared 9.1% y-o-y to \$38.13 billion, boosted by sales of engineering, and electrical goods. Imports rose 8.4% to \$61.91 billion, as domestic demand remains strong and crude prices went up.
- Economic growth momentum persists with urban consumption and capital expenditure leading the way, evident in the robust performance of PV sales and GST collections. Meanwhile, rural demand appears to be robust, as indicated by higher tractor sales.
- CPI for May'24 eased to 4.75% on Core CPI easing to 3.1% with broad-based deceleration and still elevated 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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