

Investment risk in Investment portfolio is borne by the policyholders.

A Quarterly Newsletter by Reliance Nippon Life Insurance

INVESTMENT BULLETIN

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From the Desk of CIO

India's economic journey in 2024 has been a story of resilience and recovery, marked by robust GST collections averaging ₹1.8 trillion between April and December—an impressive 9.4% increase over the previous year. This growth underscores the strength of domestic demand even as global uncertainties loomed large. However, the second quarter of FY25 saw GDP growth moderate to 5.4%, reflecting softer private consumption and restrained government spending. Despite this, the Government remains optimistic, forecasting overall GDP growth at 6.4% for FY25. Signs of recovery are visible across the board, driven by festive season activities and a revival in rural demand. Investments are gaining momentum, supported by strong non-food bank credit growth, higher capacity utilization, healthier corporate and bank balance sheets, and the government's unwavering commitment to infrastructure development.

On the fiscal front, India is treading a path of faster consolidation, targeting a reduced fiscal deficit of 4.9% of GDP for FY25. The current account deficit, however, widened to 1.2% of GDP in Q2 FY25 due to a larger trade deficit. Inflation offered a silver lining, with headline figures easing to 5.5% in November. A good kharif harvest and promising rabi prospects are expected to tame food inflation further by the end of the fiscal year. Meanwhile, the RBI projects an average inflation rate of 4.8% for FY25, providing confidence in the overall stability of prices.

The global stage, however, paints a contrasting picture with moderate economic activity in developed economies. The US Federal Reserve reduced interest rates by 25 basis points in December, signaling cautious optimism but hinting at a slower pace of easing in the coming year. Similarly, the ECB followed suit, cutting rates by 25 basis points in response to sluggish economic conditions. Adding to the complexity, geopolitical tensions in the Middle East have injected volatility into global markets.

Back home, the Reserve Bank of India is balancing growth and inflation adeptly. The Monetary Policy Committee kept the repo rate steady at 6.5%, maintaining a neutral stance, while a 50 basis-point cut in the Cash Reserve Ratio (CRR) to 4% provided relief from liquidity tightness. These measures aim to support the economy while ensuring inflation aligns with targets.

As 2025 unfolds, shifting political dynamics in the US bring with them the rising specter of protectionism, potentially inflating costs and reshaping global trade dynamics. On the domestic front, India's continued focus on fiscal consolidation could lower bond yields, enhancing investor confidence. If sustained, these efforts might even pave the way for a coveted sovereign rating upgrade. India enters the new year with challenges and opportunities alike. With resilient fundamentals and a proactive policy framework, the nation stands poised to navigate uncertainties and script another chapter of economic progress.

Equity Market Outlook:

Indian Equity market is buoyed by domestic investor confidence despite external pressures, while the US economy remains on solid footing, though facing inflationary risks and potential global market challenges. The Nifty declined 2% in December but gained 8.8% in CY2024. In the later end of year (Oct-Dec), markets faced selling pressure, declining by 5.4%. A combination of global and domestic factors contributed to the pullback, including heavy selling by FPIs, low government expenditure, lacklustre earnings and global geopolitical tensions, led to a decline in the later part of the year.

FII's sold stocks worth US\$36.3bn in CY24, of which US\$21bn in the Dec 2024 quarter alone. Domestic institutional investors' (DIIs) inflow continued with US\$22bn during the quarter (Oct-Dec 2024) and US\$63bn in CY24. The outlook for Indian markets remains robust and optimistic, underpinned by 3QFY25 corporate earnings.

Overall, while near-term growth might be constrained by weak economic data, the combination of supportive fiscal policies and attractive valuations presents a favourable environment for long-term investors. To be watchful on upcoming budget with expectation of reforms to support economic growth. A positive earnings surprise or any shift in economic momentum could provide an additional boost to market performance.

Debt Market Outlook:

The global debt market experienced a significant pullback in yields, following a notable decline in the previous quarter. This shift was largely driven by central banks worldwide adjusting their monetary policies to address ongoing inflationary pressures. The Federal Reserve adopted a cautious approach, signalling that only two rate cuts would be pursued in 2025, down from the previously anticipated four. These policy adjustments across various regions reflect a global effort to balance inflation control with economic support, as central banks navigate the complex challenges of inflationary pressures, recession risks, and a volatile economic landscape.

Domestically, yields have remained stable due to a prudent fiscal situation and favourable supply-demand dynamics for debt instruments. The Reserve Bank of India (RBI) maintained the status quo on policy rates but has normalized the Cash Reserve Ratio (CRR) to 4%, marking the first step towards easing of monetary policy. The RBI revised its headline growth forecast for FY2024-25 down to 6.6%, from the earlier expected growth rate of 7.2%. However, inflation forecasts for FY2025 have been revised upward to 4.8%, from a previous estimate of 4.5%, as food inflation continues to disrupt the RBI's inflation projections.

Looking ahead, we anticipate that inflation will gradually decrease toward the target of 4%, driven by stable core inflation and a correction in food prices due to seasonality and a better Rabi prospects. We believe the upcoming budget will continue to signal fiscal consolidation and will remain supportive of the debt markets. However, the potential policy changes in the U.S. under the newly elected President Donald Trump introduce significant uncertainty across global markets, which remains a key factor to monitor for timely portfolio adjustments.

Mr. Yadnesh Chavan
Chief Investment Officer



Key Fund Performance:

Funds	6 month	1 year	2 year	3 year	5 year	Since Inception
Life Equity Fund 3	-0.90%	11.99%	16.67%	12.12%	15.58%	11.27%
Nifty 50 Index	-1.52%	8.80%	14.28%	10.86%	14.21%	10.57%
Life Equity Fund 2	-1.63%	10.75%	15.48%	11.25%	15.11%	11.35%
Nifty 50 Index	-1.52%	8.80%	14.28%	10.86%	14.21%	10.57%
Make In India Fund	-1.52%	10.04%	15.79%	12.28%	15.38%	12.21%
Nifty 50 Index	-1.52%	8.80%	14.28%	10.86%	14.21%	10.57%
Life Large Cap Equity Fund	-1.48%	10.25%	15.98%	11.73%	NA	13.63%
Nifty 50 Index	-1.52%	8.80%	14.28%	10.86%	14.21%	10.57%
Life Pure Equity Fund 2	-2.20%	13.84%	22.02%	16.30%	19.80%	11.65%
Benchmark	-4.27%	9.66%	18.11%	13.96%	18.17%	10.76%
Life Midcap Fund 2	4.52%	25.48%	34.69%	22.74%	27.10%	14.84%
Benchmark	1.67%	21.52%	35.10%	23.84%	27.72%	12.44%
Life Balanced Fund 1	3.07%	8.78%	8.99%	6.84%	8.08%	7.94%
Composite Benchmark*	3.12%	9.17%	9.43%	7.31%	8.60%	8.06%
Life Money Market Fund 1	2.89%	5.82%	5.74%	4.95%	4.00%	5.85%
Crisil 91 day T bill Index	3.47%	7.15%	7.07%	6.34%	5.39%	6.77%
Life Corporate Bond Fund 1	4.46%	8.75%	7.70%	5.74%	6.28%	7.23%
Crisil Composite Bond Index	4.23%	8.95%	8.12%	6.22%	6.84%	7.76%

*Composite Benchmark comprising of Crisil Composite Bond Index with 80% weight and Sensex 50 with 20% weight
As on 31-Dec-2024

Note – Returns more than 1 year are CAGR returns.

Fund Strategy and Outlook - Equity

Equity Fund Strategy and Positioning:

The outlook for 2025 remains optimistic, with moderate global growth, easing inflation and stabilizing monetary policies providing a supportive environment for equities. The rural economy is showing signs of a turnaround, bolstered by indicators such as healthy Kharif harvest and expectation of strong rabi season ahead. EMS, Power, Infra, Capital Goods and PSU banks are likely to benefit from India's push to become a key player in the global supply chain shift, attracting investment and pickup in overall capital expenditure.

Currently, the Nifty is trading at a P/E ratio of 20x on a one-year forward basis, this is viewed as a relatively attractive entry point for long-term investors looking to accumulate positions, given that valuations are reasonable compared to historical levels, suggesting potential for future gains as earnings grow with view of long-term fundamentals of Indian equities are intact.

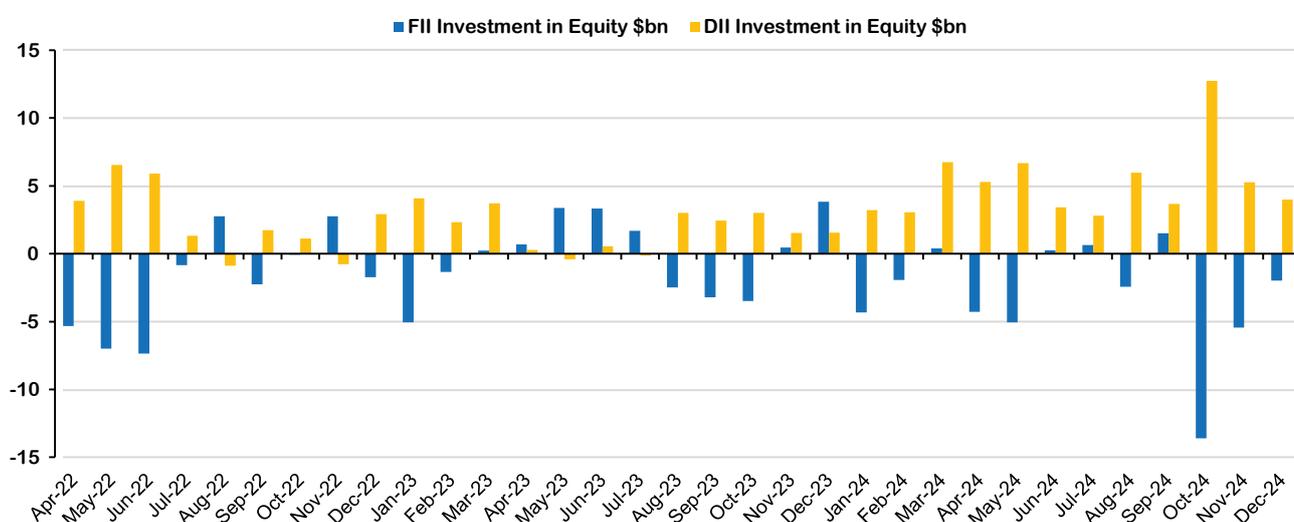
Indian Equity Market Performance

Index performance

Return %	3 Month	6 Month	1 Year
Broad Based Indices			
Sensex	-7.3	-1.1	8.2
Nifty	-8.4	-1.5	8.8
Defty	-10.3	-4.1	5.8
BSE 100	-8.3	-1.3	12.0
BSE 200	-8.3	-1.6	13.4
BSE 500	-7.9	-1.2	14.5
BSE Mid cap	-5.9	0.6	26.1
NSE Mid cap	-4.9	2.6	23.9
BSE Small cap	-3.4	5.9	29.3

Return %	3 Month	6 Month	1 Year
Sectoral Indian Indices			
Auto	-15.5	-9.4	22.6
Bankex	-4.0	-2.8	5.3
Capital Goods	-7.3	-6.3	21.8
Consumer Durables	-4.8	9.5	28.9
FMCG	-13.3	0.1	-0.3
Pharma	0.6	18.7	39.1
IT	3.3	19.9	22.0
Metal	-15.2	-11.9	8.4
Oil & Gas	-20.1	-15.8	5.1
Power	-19.5	-12.4	19.7
PSU (State Owned Enterprises)	-11.8	-11.0	21.3
Realty	-4.2	-4.7	34.4

Institutional flows



Source: NSE, BSE, Data as on 31st Dec 2024

■ Fund Strategy and Outlook - Debt ■

■ Debt Fund Strategy and Positioning:

Indian debt markets have demonstrated remarkable resilience compared to developed markets, driven by favourable domestic factors such as supply-demand dynamics, slower government spending, low core inflation and favourable monsoon conditions. We expect these factors to continue improving as we move into the new financial year. We also anticipate the RBI will implement an introductory rate cut in the upcoming MPC meeting; however, we expect the rate easing cycle to be gradual and measured. As widely indicated by the finance ministry, the upcoming budget is expected to maintain the fiscal consolidation trajectory.

Our portfolios are currently positioned toward the belly and long segments of the yield curve, which appear attractive from a medium-term perspective. We are overweight relative to the benchmark in terms of overall duration, while maintaining lower exposure to corporate bonds due to currently narrower spreads in the market. Additionally, we remain vigilant and plan to increase exposure to spread assets, such as state government securities and corporate bonds, at attractive spreads. We are also closely monitoring policy changes in the West, particularly with the resumption of office by U.S. President Donald Trump, which could introduce additional uncertainties.

■ India's Debt Market Performance:

Debt Market Indicators				
Money market (%)				
		Change (Q-o-Q)		Change (Q-o-Q)
Tenure	CD	(bps)	CP	(bps)
3M	7.28	8	7.60	35
6M	7.45	5	7.54	-1
12M	7.60	10	7.90	20

Debt Market Indicators				
Bond market (%)				
		Change (Q-o-Q)		Change (Q-o-Q)
Tenure	G-Sec	(bps)	AAA CB	(bps)
3Y	6.72	4	7.55	7
5Y	6.73	6	7.48	11
10Y	6.76	1	7.28	8

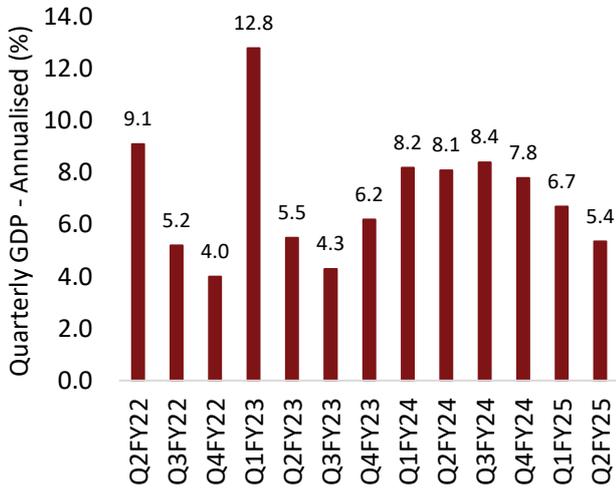
Note – Q-o-Q change is over Oct 2024 to Dec 2024

Data Source – Bloomberg, CRISIL

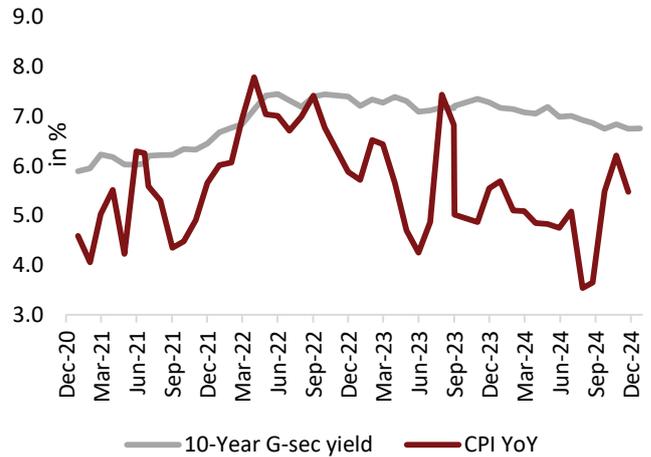
Key Economic Indicators

Other Market and Economic Indicators:

Real GDP grew by 5.4% y/y in Q2 FY25, due to lower private consumption and government spending.

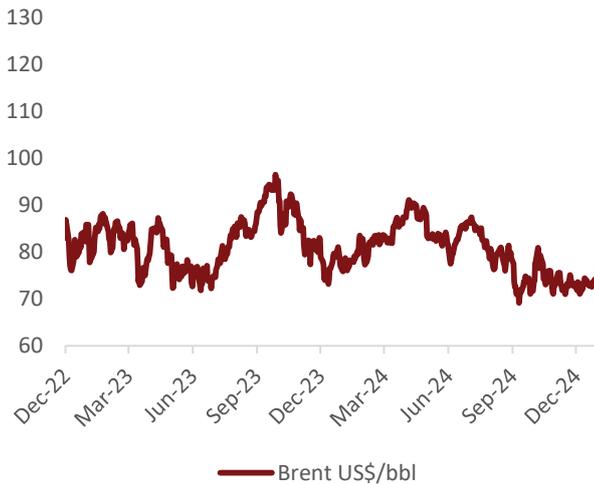


CPI inflation stood at 5.48% y/y in Nov-24 and core inflation at 3.6% y/y, amid lower food prices.

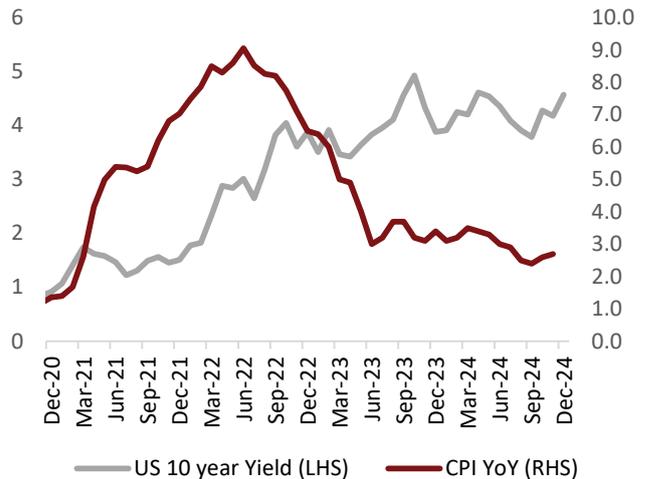


Source: Bloomberg, MOSPI

Brent Crude oil prices fell to \$75/bbl in Dec 2024 on global economic concerns.



US 10-year treasury yield increased to 4.57% on sticky inflation and easing unemployment.



Source: Bloomberg

Key Economic Indicators

Other Market and Economic Indicators:

Economic indicators heat map													
Indicators	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24	Feb-24	Jan-24	Dec-23	Nov-23
Industrial Sector													
Manufacturing PMI	56.5	57.5	56.5	57.5	58.1	58.3	57.5	58.8	59.1	56.9	56.5	54.9	56
8 Core Industries (YoY)	4.3%	3.7%	2.4%	-1.6%	6.7%	5.1%	7.1%	6.9%	6.3%	7.1%	4.2%	4.9%	7.9%
Rail Freight Traffic (Loading in million tonnes)	130	131	123	121	130	135	139	128	157	137	143	139	128
Consumer Economy													
Passenger Vehicle Sales in thousands	348	393	357	353	342	338	347	336	368	371	393	286	334
Two-Wheeler Sales in thousands	1605	2164	2026	1712	1442	1614	1620	1751	1488	1521	1495	1212	1623
Tractor Sales in thousands	78.3	151.8	108.0	58.7	68.0	110.3	91.8	84.4	74.5	51.8	62.8	52.1	79.0
Domestic Air Passenger Traffic in thousands	35,460	33,706	32,180	32,690	26,174	26,582	27,902	26,515	26,905	25,441	26,207	27,432	25,378
Inflation													
CPI inflation, % y/y	5.48%	6.21%	5.49%	3.65%	3.54%	5.08%	4.75%	4.83%	4.85%	5.09%	5.10%	5.69%	5.50%
WPI inflation, % y/y	1.9%	2.4%	1.8%	1.3%	2.0%	3.4%	2.6%	1.3%	0.5%	0.2%	0.3%	0.7%	0.3%
Deficit Statistic													
Trade Balance, USD billion	37.8	27.1	20.8	29.7	23.5	21.0	23.8	19.1	15.6	18.7	17.5	19.8	20.6
Fiscal Deficit (Rs Billion)	958	2,763	393	1,582	1,412	851	1,595	2,101	1,523	3,988	1,203	757	1,029
GST													
GST collections (Rs Trillion)	1.8	1.9	1.7	1.7	1.8	1.7	1.7	2.1	1.8	1.7	1.7	1.6	1.7

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

- S&P Global India Manufacturing PMI remain robust and steady at 56.5.
- India's trade deficit widened to USD 37.8 billion as exports declined 5.3% y-o-y to \$32.12 billion and imports increased by 28.4% to \$69.95 billion on high gold imports.
- Economic growth momentum persists as evident in the robust performance of GST collections at Rs. 1.8 tn.
- CPI inflation for Nov'24 fell to 5.5% due to lower food inflation.
- Overall indicators depict a positive trajectory for domestic growth, primarily driven by rural consumption recovery 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
ULIF04601/01/10LPUEQUITY02121	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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