



IndusInd Nippon Life

Investment risk in Investment portfolio is borne by the policyholders.

A Quarterly Newsletter by IndusInd Nippon Life Insurance

# INVESTMENT BULLETIN

JANUARY 2026

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India's macroeconomic environment continues to demonstrate strong resilience amid an uncertain global backdrop. Real GDP growth accelerated to 8.2% YoY in Q2 FY26, marking a six-quarter high, driven by robust performance across services, manufacturing, and investment activity. High-frequency indicators suggest sustained momentum, with underlying demand conditions remaining broad-based and resilient.

Global growth remained resilient in 2025 amid elevated uncertainties, with conditions easing further by December as economic activity expanded steadily, commodity prices remained broadly stable, and inflation in advanced economies remained sticky while converging closer to targets across emerging markets. Financial conditions witnessed intermittent volatility, and although most central banks held rates in November, December underscored growing policy divergence. The US Federal Reserve reduced the federal funds rate by 25 bps to 3.5%–3.75%, on unemployment concerns. The ECB maintained policy rates for a fourth consecutive meeting under a data-dependent approach, while the Bank of Japan indicated the possibility of policy tightening, reflecting an evolving global macroeconomic landscape.

Domestically, the RBI's Monetary Policy Committee (MPC), in its December 2025 review, unanimously reduced the policy repo rate by 25 bps to 5.25%, while retaining a neutral stance. Additionally, Q3 FY26 witnessed a phased reduction in the Cash Reserve Ratio (CRR) by 100 bps, from 4.0% to 3.0%, alongside OMO purchases and USD/INR swap operations by the RBI, cumulatively injecting approximately ₹4.75 trillion of durable liquidity into the banking system. This decision reflects continued support for growth amid benign inflation conditions. The MPC also lowered its CPI inflation projection for FY26 to around 2.0% and raised the GDP growth forecast to approximately 7.3%, underscoring confidence in India's growth momentum, supported by resilient demand and strong services activity. While inflation remains comfortably below target, the RBI continues to remain cautious in navigating the evolving macroeconomic environment.

On the fiscal front, the April–November FY26 fiscal deficit widened to ₹9.77 trillion, accounting for approximately 62.3% of the FY26 Budget Estimate, primarily due to higher capital expenditure and softer tax receipts. Nevertheless, strong non-tax revenues—particularly elevated RBI dividend transfers—continue to support confidence in achieving the FY26 fiscal deficit target of around 4.4% of GDP. The government's capital expenditure push remains robust, reinforcing the sustained emphasis on infrastructure creation and long-term growth sustainability.

Inflation has edged up modestly from recent lows but remains well below the RBI's comfort threshold, preserving policy flexibility. CPI inflation rose to 1.33% YoY in December 2025, from 0.25% in October, reflecting easing food deflation and higher prices in select categories such as vegetables, eggs, meat, spices, and pulses. Core inflation increased marginally to 4.6%, largely driven by elevated precious metal prices, while overall inflation remains firmly anchored within the target band.

Domestic demand is expected to strengthen further, supported by above-normal monsoon rainfall and improved kharif sowing, which have bolstered crop prospects and rural sentiment. The government's two-slab GST structure (5% and 18%), with lower rates on mass-consumption and aspirational goods, is improving household affordability and should further support consumption across both urban and rural segments. Moreover, the monetary stimulus provided by the RBI

during 2025 is expected to witness complete transmission and support demand conditions in 2026.

Overall, India's macroeconomic environment continues to evolve favourably, characterised by benign inflation, improving fiscal discipline, and strong growth fundamentals. Following the December 2025 rate cut, the RBI has adopted a more calibrated approach—supporting growth while allowing earlier monetary easing and fiscal measures to transmit through the economy. India remains well-positioned among major global economies, underpinned by robust domestic demand, credible policymaking, and sustained macroeconomic resilience amid global uncertainty.

### **Equity Market Outlook:**

Geo-political risks and tariff talks have impacted investor sentiments temporarily. Early Q3FY26 earnings show strong traction for Indian corporates. Strong demand in the festive season due to the benefit of GST 2.0 rate cuts, Income Tax cut benefit, lower 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. Geo-political risks and lack of clarity on trade deal with US has impacted investor sentiment and consolidation in domestic markets. 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 consolidated recently led by increasing geo-political uncertainty, 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 2y high of 6.7% for Nov'25 while CPI inflation increased to 1.3% for Dec'25. Real GDP growth for Q2 was also strong at 8.2%. After a period of consolidation, Indian equities are well-positioned for the next leg of structural growth. FII sold \$1.3bn of equities in the last 3 months while DII bought \$23.5bn during the period.

At current levels, valuations appear reasonable, with the Nifty trading at 20.0x one-year forward earnings, in line with its long-term average. The broader environment—marked by 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. Any resolution of the India-US tariff stalemate would serve as a significant external catalyst for sentiment and capital flows while the current geo-political uncertainty will be the key monitorable.

### **Debt Market Outlook:**

On the global front, monetary policy actions remained mixed, shaped by persistent uncertainties stemming from the Trump administration's tariff policies. The U.S. Federal Reserve delivered cumulative rate cuts of 50 bps in quarter ending Dec 2025 and has guided toward an additional 25 bps of easing in CY2026.

Domestically, the RBI's Monetary Policy Committee (MPC) reduced the policy repo rate by 25 bps in December, lowering it to 5.25%, after maintaining status quo in October. The rate cut was delivered against the backdrop of fiscal support through GST rationalisation, strong Q2 FY26 GDP growth, and a sustained phase of benign inflation, underscoring the RBI's intent to support growth amid emerging concerns over momentum in the second half of FY26. Additionally, Q3 FY26 witnessed a phased reduction in the Cash Reserve Ratio (CRR) by 100 bps, from 4.0% to 3.0%, alongside OMO purchases and USD/INR swap operations by the RBI, cumulatively injecting approximately ₹4.75 trillion of durable liquidity into the banking system. This has supported credit growth and improved monetary transmission.

We believe that the rate cut cycle is largely behind us, a view reinforced by the MPC's decision to retain a neutral stance despite the December rate reduction. From an investment perspective, we remain constructive on fixed income, with bond yields expected to remain range-bound, supported by a favourable inflation outlook and liquidity support from RBI. Looking ahead, cues from the Union Budget 2026–27, particularly on fiscal consolidation and borrowing plans, will remain key monitorables for the debt markets.

**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	4.71% 10.51%	8.29% 9.65%	12.54% 13.01%	12.84% 13.32%	10.85% 10.56%
Life Pure Equity Fund 2 Benchmark	9.62% 10.26%	11.71% 9.96%	17.74% 15.44%	17.07% 15.98%	11.52% 10.73%
Life Infrastructure Fund 2 Benchmark	8.57% 11.42%	11.30% 12.35%	19.40% 17.09%	20.32% 19.86%	7.95% 7.16%
Life Energy Fund 2 Benchmark	0.19% 0.76%	13.11% 9.43%	24.02% 17.59%	25.25% 23.38%	11.07% 10.17%
Life Midcap Fund 2 Benchmark	3.29% 8.01%	13.85% 14.57%	23.28% 25.39%	23.22% 24.05%	14.08% 12.16%
Life Balanced Fund 1 Composite Benchmark*	6.76% 7.52%	7.77% 8.34%	8.24% 8.79%	6.98% 7.39%	7.88% 8.04%
Life Money Market Fund 1 Crisil 91 day T bill Index	5.21% 6.16%	5.52% 6.65%	5.56% 6.77%	4.43% 5.72%	5.81% 6.73%
Life Corporate Bond Fund 1 Crisil Composite Bond Index	6.11% 6.82%	7.42% 7.88%	7.17% 7.69%	5.27% 5.77%	7.17% 7.71%
Life Gilt Fund 1 Crisil Dynamic Gilt Index	5.58% 6.43%	7.26% 8.15%	7.06% 7.99%	5.12% 5.76%	6.73% 8.02%

\* Composite Benchmark comprising of Crisil Composite Bond Index with 80% weight and Sensex 50 with 20% weight  
As on 31-Dec-2025

**Note** – Returns more than one year are CAGR returns.

# FUND STRATEGY AND OUTLOOK - EQUITY

## Fund Strategy and Positioning - Equity:

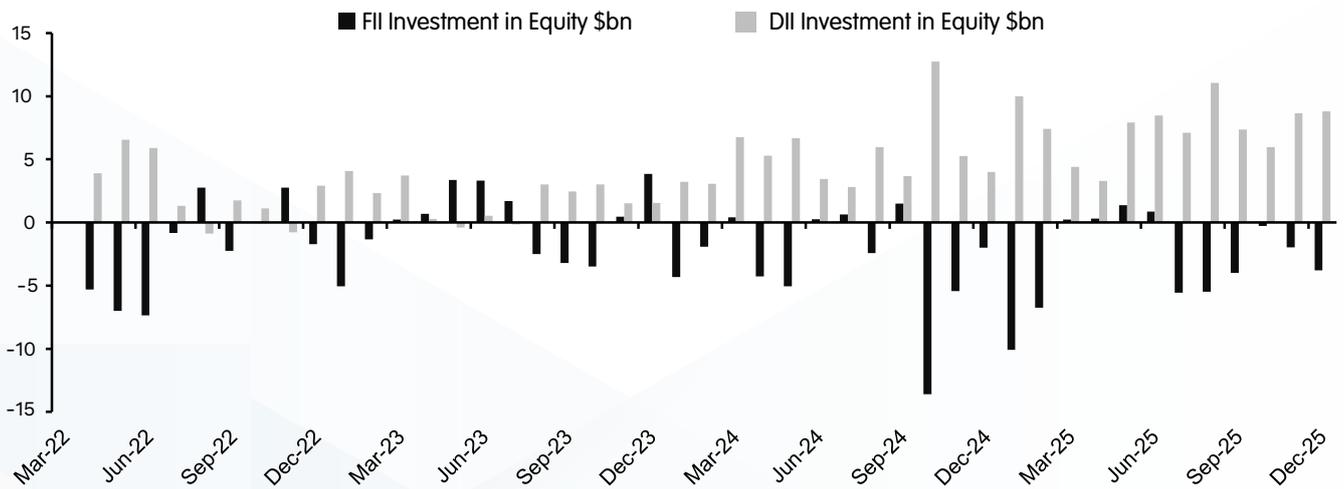
India stands at a critical juncture in shaping its economic and geopolitical trajectory through a path of strategic self-determination. Over the past 6-9 months, the country has faced multiple external challenges—including U.S. tariff actions, global geopolitical uncertainties, and the ongoing kinetic 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. Q3FY26 earnings have kick started with a firm footing as results from banks, NBFCs and IT companies are encouraging. Additionally, corporate commentaries alongside earnings releases seems to be encouraging about increasing private capex and consumption. 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. The upcoming budget is also expected to boost investor sentiments.

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 20x. 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.

### 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	6.2%	1.9%	9.1%	Auto	5.6%	16.9%	21.1%
Nifty	6.2%	2.4%	10.5%	Bankex	8.5%	4.0%	15.6%
Defty	4.9%	-2.3%	5.3%	Capital Goods	-1.7%	-7.2%	-1.0%
BSE 100	5.9%	2.2%	9.1%	Consumer Durables	4.0%	0.4%	-6.9%
BSE 200	5.6%	1.9%	8.0%	FMCG	1.2%	0.5%	-2.1%
BSE 500	4.8%	1.1%	6.4%	Pharma	1.7%	-1.0%	-3.3%
BSE Mid cap	4.5%	0.2%	1.1%	IT	10.7%	-3.6%	-14.9%
NSE Mid cap	7.0%	1.2%	5.7%	Metal	10.7%	16.1%	27.4%
BSE Small cap	-1.3%	-5.8%	-6.6%	Oil & Gas	6.7%	3.0%	10.1%
				Power	-3.2%	-6.3%	-6.6%
				PSU (State Owned Enterprises)	4.1%	2.7%	9.0%
				Realty	1.0%	-10.9%	-17.3%

## ► Institutional Flows



Source: NSE, BSE, Data as on 31 December 2025

## FUND STRATEGY AND OUTLOOK - DEBT

### Fund Strategy and Positioning - Debt:

Following a 25-bps rate cut in December 2025, the U.S. Federal Reserve has signalled the possibility of further 25bps monetary easing in 2026, reflecting its cautious approach. Domestically, the RBI's Monetary Policy Committee (MPC) delivered a 25-bps rate cut in December 2025, lowering the repo rate to 5.25%, and sharply revised its FY26 inflation projection to 2.0%. Additionally the OMO purchases and USD/INR swap operations by the RBI provided durable liquidity to banking system and balance to the demand supply dynamics of Government securities.

The Union Budget 2026–27 remains a key monitorable. We expect the Central Government to continue on its fiscal consolidation path, albeit at a more gradual pace. Government securities yields are likely to remain volatile but range-bound, constrained by demand-supply dynamics.

Against this backdrop, 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 selectively evaluating incremental allocations to State Development Loans (SDLs) and high-grade corporate bonds, where prevailing spreads offer attractive risk-adjusted returns relative to Government Securities.

### India's Debt Market Performance

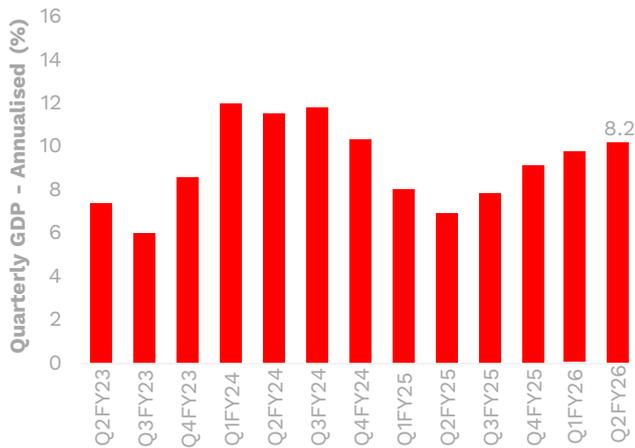
Debt market indicators					Debt market indicators				
Money Market (%)					Bond Market (%)				
		Change (Q-o-Q)		Change (Q-o-Q)		Change (Q-o-Q)		Change (Q-o-Q)	
Tenure	CD	(bps)	CP	(bps)	Tenure	G-Sec	AAA CB	(bps)	(bps)
3M	5.98	11	6.40	20	3Y	6.07	6.92	14	11
6M	6.60	48	6.80	15	5Y	6.31	7.00	11	-
12M	6.71	36	7.02	27	10Y	6.59	7.28	1	18

Note – Q-o-Q change is over Sep 2025 to Dec 2025

Data Source – Bloomberg

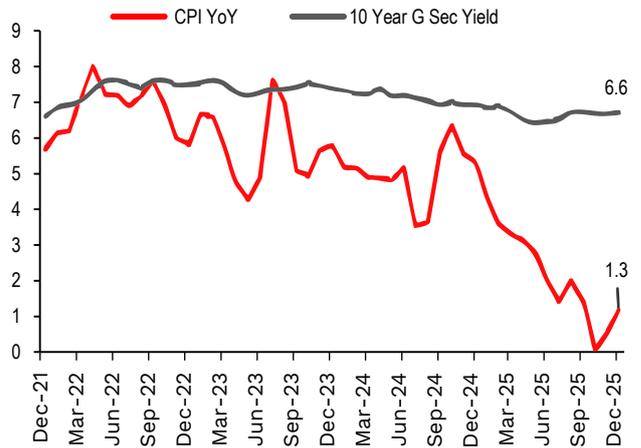
# OTHER MARKET AND ECONOMIC INDICATORS

GDP for Q2FY26 grew 8.2% YoY supported by a growth in both Manufacturing and Services sector

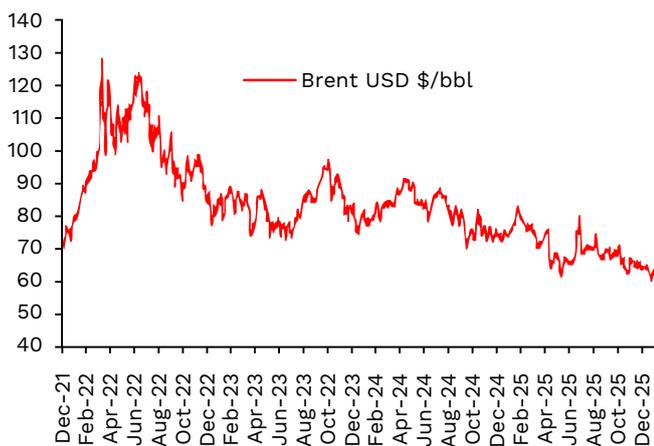


Source: Bloomberg, MOSPI

10 Year G-Sec Yield remained stable at 6.59% in Dec 2025 while CPI inflation declined to 1.33% YoY in Dec 2025 on lower food prices.

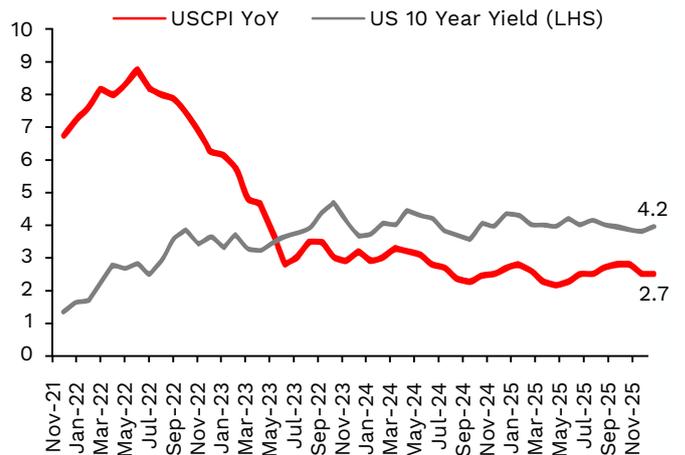


Brent crude oil prices remained benign on increased global production and concerns over demand amid global uncertainty.



Source: Bloomberg

US 10-year treasury yield stood stable at 4.17% in Dec 2025. CPI inflation eased to 2.7% YoY in Dec 2025 on easing price pressures in energy sector



## ECONOMIC INDICATORS HEAT MAP

Economic indicators heat map													
Indicators	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	Dec-24	Nov-24
<b>Industrial Sector</b>													
Manufacturing PMI	56.6	59.2	57.7	59.3	59.1	58.4	57.6	58.2	58.1	56.3	57.7	56.4	56.5
8 Core Industries (YoY)	1.80%	0.00%	3.30%	6.50%	3.75%	2.20%	1.19%	0.99%	4.51%	3.36%	5.08%	5.09%	5.78%
IIP Index (YoY)	6.70%	0.40%	4.60%	4.05%	4.27%	1.52%	1.87%	2.57%	3.94%	2.72%	5.30%	3.74%	4.96%
<b>Consumer Economy</b>													
Passenger Vehicle Sales (in thousands)	412	461	372	322	341	313	345	349	381	378	399	315	348
Two-Wheeler Sales (in thousands)	1,944	2,210	2,160	1,834	1,567	1,560	1,656	1,459	1,657	1,385	1,526	1,106	1,605
Tractor Sales (in thousands)	102	173	154	73	73	122	99	90	91	68	70	59	78
Domestic Air Passenger Traffic (in thousands)	15,236	14,028	12,643	12,947	12,605	13,604	14,055	14,315	14,542	14,118	14,702	14,926	14,250
<b>Inflation</b>													
CPI inflation (YoY)	0.70%	0.25%	1.54%	2.07%	1.61%	2.10%	2.82%	3.16%	3.34%	3.61%	4.26%	5.22%	5.48%
WPI inflation (YoY)	-0.32%	-1.21%	0.13%	0.52%	-0.58%	-0.13%	0.39%	0.85%	2.25%	2.45%	2.51%	2.57%	2.2%
<b>Deficit Statistic</b>													
Trade Balance (USD billion)	-24.53	-41.68	-32.15	-26.49	-27.35	-18.77	-21.88	-26.40	-21.54	-14.05	-23.00	-21.90	-34.20
Fiscal Deficit (Rs Billion)	1,515	2,520	-250	1,297	1,877	2,676	-1,732	1,863	2,304	1,773	2,555	675	958
<b>GST</b>													
GST collections (Rs Trillion)	1.7	2.0	1.9	1.9	2.0	1.8	2.0	2.4	2.0	1.8	2.0	1.8	1.8

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

- The November Manufacturing PMI stood at 56.6 indicating slower but continued growth with concerns about tariffs.
- 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 Nov 2025 saw marginal pick-up to 0.71% from a series low of 0.25% in Oct led by food prices recording a positive momentum led by veggies, eggs, meats & fish.
- 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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