IndusInd Nippon Life

Investment risk in Investment portfolio is borne by the policyholders.

A Quarterly Newsletter by IndusInd Nippon Life Insurance

INVESTMENT BULLETIN

JULY 2026

CONTENT

From the Desk of CIO

The first quarter of FY27 was characterised by elevated global uncertainty, with geopolitical tensions in West Asia driving a sharp rise in energy prices during April and May before easing towards the end of June. While the subsequent correction in crude oil prices has reduced immediate external risks, the earlier supply disruptions are expected to continue feeding into domestic production costs over the near term. In addition, uncertainties surrounding the spatial and temporal distribution of the southwest monsoon remain an important monitorable for the inflation outlook.

Despite these external headwinds, the Indian economy demonstrated notable resilience. Real GDP growth of 7.8% in Q4 FY26 provided strong momentum entering the new fiscal year, supported by healthy domestic demand, sustained investment activity and robust banking sector credit growth of 17.1%. Industrial production remained resilient, led by capital goods, while strong automobile sales of 26% and GST collections reflected continued strength in consumption. Although some high-frequency indicators moderated towards the end of the quarter, overall economic activity remained on a firm footing.

Inflation moved higher during the quarter to 3.9% as elevated commodity prices and supply-chain disruptions translated into higher input costs. However, the recent decline in crude oil prices is expected to gradually moderate imported inflation, even as food prices remain vulnerable to weather-related developments. Against this backdrop, the Reserve Bank of India maintained the policy repo rate at 5.25% and retained its neutral stance, balancing resilient domestic growth against persistent supply-side inflation risks.

Policy initiatives during June were directed towards strengthening India's external position. Measures to facilitate foreign capital inflows, including relaxation of External Commercial Borrowing (ECB) norms, incentives for FCNR(B) deposits and tax-related measures for foreign investors, helped improve investor sentiment and support financial market stability. These developments, together with easing geopolitical tensions and expectations surrounding India's potential inclusion in the Bloomberg Global Aggregate Bond Index, contributed to an improvement in capital flows and greater stability in the rupee.

Looking ahead, India's macroeconomic fundamentals remain favourable, underpinned by resilient domestic demand, healthy corporate and banking sector balance sheets, and continued public and private investment. While the external environment remains fluid, easing geopolitical risks and supportive policy measures have strengthened the near-term outlook. At the same time, inflation dynamics, monsoon developments and global monetary policy will continue to shape the domestic interest rate and market outlook.

Equity Market Outlook:

Indian markets were resilient in 1QFY27 with Nifty giving a return of ~7% in 1QFY27 indicating the market ability to withstand global shock arising from war in Middle East. While the quarter was volatile, we ended the quarter on a positive note as signing of peace deal in Middle East resulted in prices of crude and other commodities declining.

The market returns were driven by healthy 4QFY26 results despite the impact of war in Middle East. Moreover, management commentary suggested that the companies were well prepared to absorb any input cost inflation in near term. Early indication for 1QFY27 suggests that growth likely to remain strong even in 1QFY27.

During the quarter domestic flows remained strong with DII buying equities worth ~US$23bn in the quarter. While the FII outflow continued, the intensity of selling declined towards the end of the quarter post the deal in Middle East. FIIs sold equities worth US$15bn in the quarter.

We believe the Indian growth story remains intact, with improving credit growth, green shoots of private sector capex, strong auto sales and GST collection numbers. The earnings of Indian companies have remained resilient despite the global commodity shock created by war in Middle East. However, with the peace deal being signed and commodities including crude correcting, earnings are likely to remain strong in the quarters ahead. Price increases taken by the companies over the past three months is likely to aid revenue as well as earnings growth for the rest of FY27.

Nifty is currently trading at ~18.5x one yr forward earnings, which is at a discount to its 5year average, and the recent market correction offers an attractive entry point for investors.

Debt Market Outlook:

The domestic fixed income market witnessed heightened volatility during the quarter, driven by geopolitical tensions, uncertainty over global monetary policy, inflation concerns, and evolving capital flow dynamics. Market sentiment improved towards the end of the quarter as easing geopolitical tensions led to a sharp correction in crude oil prices, alleviating concerns around imported inflation. Measures announced by the RBI and the Government to encourage foreign capital inflows—including incentives for FCNR(B) deposits, relaxation in external commercial borrowing norms, and tax exemptions for foreign investors in Indian government securities—provided further support. Consequently, foreign investor participation rebounded strongly during June, driving a rally in domestic bonds and a decline in government bond yields.

Going forward, we expect investor participation to remain strong, supported by favourable policy measures, stable macroeconomic conditions, and improving foreign inflows. The progress and spatial distribution of the South-West monsoon, the trajectory of crude oil prices, global interest rate developments and foreign capital flows will continue to influence market direction. In addition, the potential inclusion of Indian government bonds in the Bloomberg Global Aggregate Bond Index could attract substantial passive inflows, providing further support to the domestic bond market over the medium term.

Mr. Yadnesh Chavan
Chief Investment Officer

KEY FUND PERFORMANCES

Funds	1 year	2 year	3 year	5 year	Since Inception
Life Equity Fund 3	-4.32%	-1.52%	8.03%	8.53%	10.05%
Nifty 50 Index	-6.47%	-0.30%	7.54%	8.71%	9.63%
Life Pure Equity Fund 2	-1.52%	0.33%	12.48%	13.00%	10.73%
Benchmark	-3.66%	-1.54%	10.53%	11.30%	9.82%
Life Infrastructure Fund 2	-3.51%	-1.62%	14.57%	13.93%	7.34%
Benchmark	-0.75%	0.35%	16.12%	13.92%	6.65%
Life Energy Fund 2	4.21%	-2.04%	21.05%	20.09%	11.04%
Benchmark	11.12%	-1.21%	22.38%	20.28%	10.56%
Life Midcap Fund 2	7.35%	5.67%	19.67%	18.15%	13.86%
Benchmark	4.44%	5.83%	20.22%	18.67%	11.90%
Life Balanced Fund 1	2.45%	4.88%	6.74%	6.41%	7.70%
Composite Benchmark*	2.73%	5.62%	7.41%	6.84%	7.88%
Life Money Market Fund 1	4.94%	5.33%	5.49%	4.74%	5.79%
Crisil 91 day T bill Index	5.41%	6.18%	6.52%	5.93%	6.69%
Life Corporate Bond Fund 1	4.69%	6.78%	6.85%	5.79%	7.13%
Crisil Composite Bond Index	4.95%	7.03%	7.23%	6.20%	7.66%
Life Gilt Fund 1	4.39%	6.62%	6.90%	5.70%	6.73%
Crisil Dynamic Gilt Index	4.14%	7.04%	7.43%	6.31%	7.95%

* Composite Benchmark comprising of Crisil Composite Bond Index with 80% weight and Sensex 50 with 20% weight
As on 30-Jun-2026

Note – Returns more than one year are CAGR returns.

FUND STRATEGY AND OUTLOOK - EQUITY

Fund Strategy and Positioning - Equity:

Indian policymakers over the past three months have taken steps to mitigate the impact of war in Middle East on Indian economy. Despite the global shocks, Nifty increased ~7% in 1QFY27 indicating the resilience of Indian markets. 4QFY26 earnings were also healthy aided by the fiscal steps taken by the government last year. 1QFY27 pre quarter release by Banks/NBFC and consumer companies suggest that there is no slowdown in growth. Moreover, with crude and other commodity prices correcting post the peace deal, the concern around the margins have also abated. We therefore expect the growth to sustain going forward.

Looking ahead, the outlook for FY27 appears more constructive. While revenue and earnings growth are likely to sustain, valuations have become favourable for Indian markets. Nifty at ~18.5x one year forward earnings is not expensive given expectation of double-digit earnings growth for the next two years. The domestic liquidity remains strong with DIIs continuing to provide stability. Reduction in selling intensity by FII post the peace deal is a good sign and any reversal in FII flows could act as a catalyst for India markets going forward.

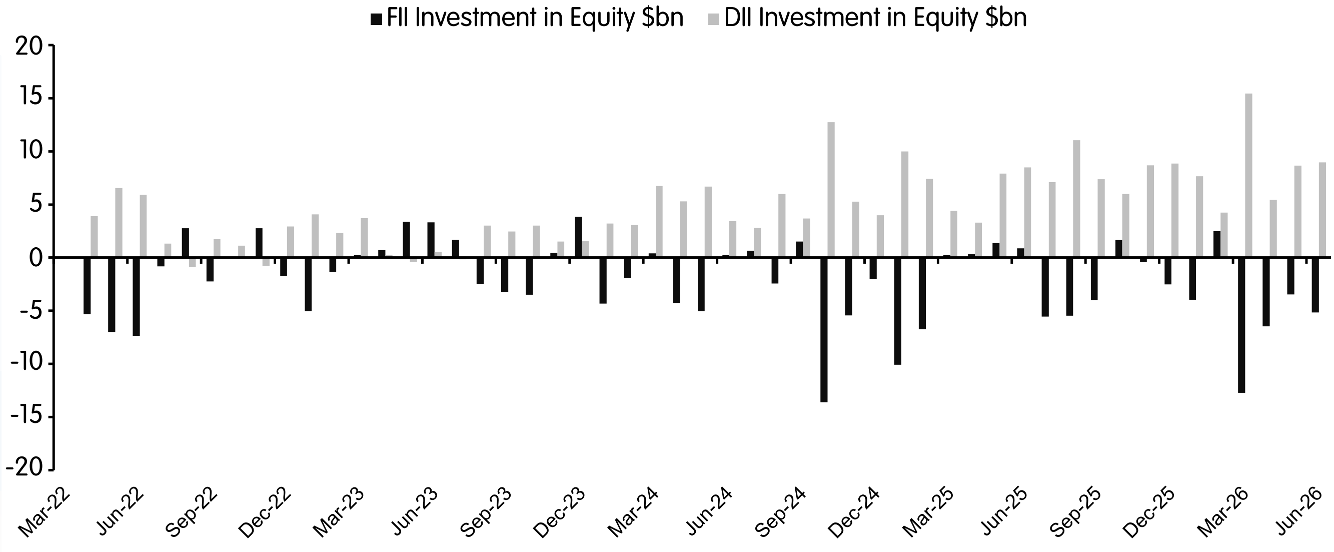
We expect domestic consumption to remain strong and sectors like consumer discretionary, staples and banks are likely to remain in focus. Continuation of capex spending by government and pick up in private capex is likely to keep the momentum in industrial sector earnings intact. While we believe that the Indian economy is in a structural uptick and remain constructive over medium to long term, weak monsoon is the risk in near term.

Index performance

Return %	3 Month	6 Month	1 Year
Broad Based Indices			
Sensex	6.3%	-10.3%	-8.5%
Nifty	6.9%	-8.7%	-6.5%
Nifty Next 50	18.7%	3.3%	3.8%
NSE 100	8.9%	-6.6%	-4.7%
NSE 200	10.5%	-5.0%	-3.2%
NSE 500	12.0%	-3.7%	-2.6%
NSE Mid cap	17.4%	2.0%	4.4%
NSE Small cap	25.0%	8.4%	1.6%

Return %	3 Month	6 Month	1 Year
Sectoral Indian Indices			
Auto	11.4%	-6.1%	10.9%
Bankex	14.5%	-3.4%	0.4%
FMCG	7.1%	-12.0%	-11.1%
IT	-9.5%	-30.6%	-32.5%
Pharma	13.9%	11.5%	14.9%
Metal	12.4%	12.1%	31.3%
Energy	14.0%	12.5%	8.7%
PSU (State Owned Enterprises)	4.4%	1.3%	-1.1%
Chemical	18.8%	1.9%	-7.1%
Realty	27.4%	-5.5%	-15.9%
Oil & Gas	2.2%	-9.8%	-6.5%

Institutional Flows



FUND STRATEGY AND OUTLOOK - DEBT

Fund Strategy and Positioning - Debt:

While the medium-term outlook for domestic fixed income remains constructive, inflation continues to be the key monitorable. The progress of the South-West monsoon, crude oil prices, global interest rate developments, and foreign capital flows will remain the primary drivers of market direction. Although domestic liquidity conditions are supportive, persistent global uncertainties and inflation risks may limit the RBI's policy flexibility. Accordingly, we expect the benchmark 10-year Government Security yield to remain broadly range-bound, guided by incoming inflation data, global bond yields, and capital flows.

Against this backdrop, our fixed income strategy remains focused on maintaining high credit quality, adequate liquidity, and disciplined duration management. The portfolio continues to be predominantly invested in sovereign securities and AAA-rated instruments, providing resilience across market cycles while minimizing credit risk. We also remain selectively positive on high-quality spread assets, particularly State Development Loans (SDLs) and AAA-rated corporate bonds, where supportive liquidity conditions and sustained foreign inflows through FCNR(B) deposits and External Commercial Borrowings (ECBs) could drive further spread compression.

India's Debt Market Performance

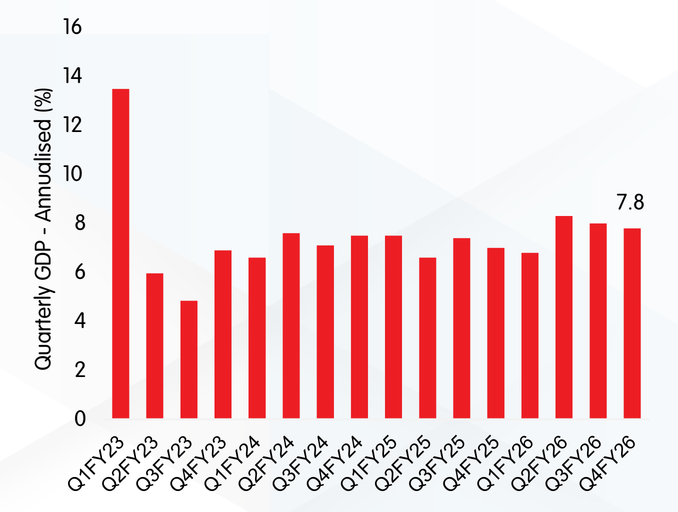
Debt market indicators				
Money Market				
	Change (Q-o-Q)		Change (Q-o-Q)	
Tenure	CD	(bps)	CP	(bps)
3M	6.44	-86	6.50	-105
6M	6.72	-60	6.85	-80
12M	6.98	-21	7.10	-65

Debt market indicators				
Bond Market				
	Change (Q-o-Q)		Change (Q-o-Q)	
Tenure	G-Sec	(bps)	AAA CB	(bps)
3Y	6.17	-36	7.18	-42
5Y	6.42	-33	7.22	-35
10Y	6.75	-29	7.45	-20

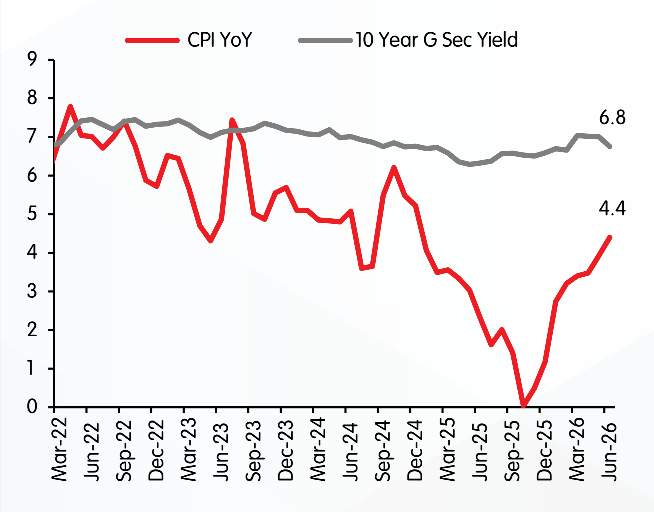
Note – Q-o-Q change is over Apr 2026 to Jun 2026
Data Source – Bloomberg

OTHER MARKET AND ECONOMIC INDICATORS

GDP for Q4FY26 grew 7.8% YoY supported by robust growth in services sector.

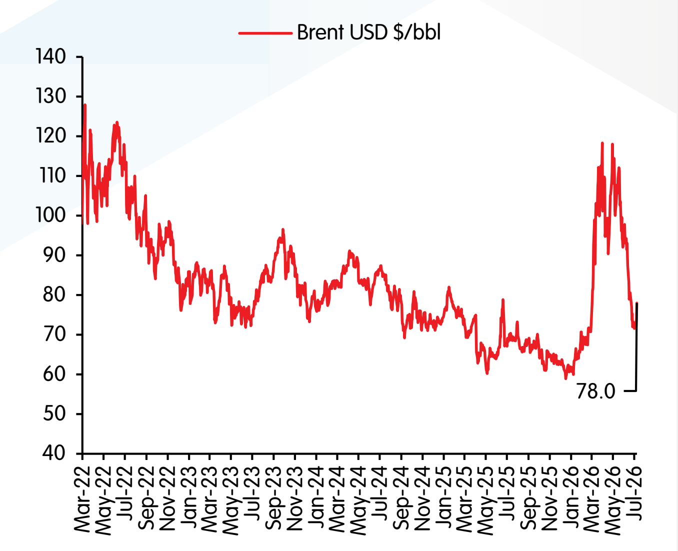


10 Year G-Sec Yield eased to 6.75% in June 2026 on lower crude prices, CPI surged to 4.4% led by higher food inflation.

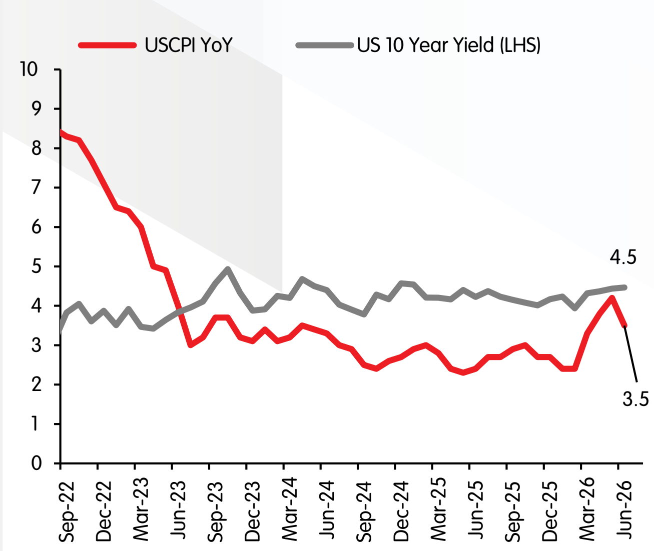


Source: Bloomberg, MOSPI

Brent crude oil prices slowed during June amidst easing middle east crisis.



US 10-year treasury yield rose to 4.5% in Jun 2026 on higher policy rate expectations whereas CPI inflation eased to 3.5% YoY on softening of energy prices.



Source: Bloomberg

ECONOMIC INDICATORS HEAT MAP

Economic indicators heat map													
Indicators	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25
Industrial Sector													
Manufacturing PMI	55.00	54.70	53.90	56.90	55.40	55.00	56.60	59.20	57.70	59.30	59.10	58.40	57.60
8 Core Industries (YoY)	0.47%	1.78%	1.20%	2.76%	4.72%	4.66%	2.07%	-0.06%	3.28%	6.53%	3.75%	2.20%	1.19%
IIP Index (YoY)	5.10%	4.88%	4.15%	4.43%	4.15%	6.74%	7.00%	-0.89%	6.10%	4.67%	5.41%	2.23%	3.37%
Consumer Economy													
Passenger Vehicle Sales (YoY)	27.33%	25.36%	14.10%	10.59%	12.58%	26.76%	18.67%	17.17%	4.40%	-8.81%	-0.22%	-7.37%	-0.82%
Two-Wheeler Sales (YoY)	14.87%	28.37%	19.26%	35.16%	26.17%	39.39%	21.17%	2.15%	6.66%	7.14%	8.71%	-3.36%	2.21%
Tractor Sales (YoY)	19.07%	27.08%	24.03%	30.69%	40.07%	34.94%	30.34%	14.41%	42.94%	24.63%	7.13%	10.21%	8.36%
Domestic Air Passenger Traffic (YoY)	9.50%	-3.49%	-1.18%	-0.41%	3.72%	-4.15%	6.92%	2.72%	-2.95%	-1.39%	-2.93%	3.02%	1.88%
Inflation													
CPI inflation (YoY)	3.90%	3.50%	3.40%	3.21%	2.74%	1.17%	0.49%	0.04%	1.41%	2.01%	1.62%	2.31%	3.03%
WPI inflation (YoY)	9.68%	8.26%	3.98%	2.18%	1.19%	0.30%	-0.31%	-1.21%	0.13%	0.52%	-0.58%	-0.13%	0.39%
Deficit Statistic													
Trade Balance (USD billion)	-28.2	-28.4	-20.7	-27.1	-34.7	-25.0	-24.5	-41.7	-32.2	-26.5	-27.4	-25.7	-22.3
Fiscal Deficit (Rs Billion)	-1,999	3,623	2,665	2,712	1,256	-1,208	1,515	2,520	-250	1,297	1,877	2,676	-1,732
GST													
GST collections (Rs Trillion)	1.9	2.4	2.0	1.8	1.9	1.7	1.7	2	1.9	1.9	2	1.8	1.9

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

- Manufacturing PMI rose to 55 in May 2026, signalling resilient activity with precautionary stockpiling amid the Middle East crisis and strong domestic demand.
- Auto demand remained robust in May 2026, with strong growth across passenger vehicles, two-wheelers, and tractors, reflecting resilient demand across both urban and rural markets.
- Retail inflation increased to 3.9% YoY in May 2026, driven by higher fuel prices and rising food inflation.
- The fiscal deficit reached 9.6% of the full-year budget estimate during April–May 2026, driven by higher revenue expenditure amid the crisis. GST collections remained resilient, supported by strong import-related revenues.

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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