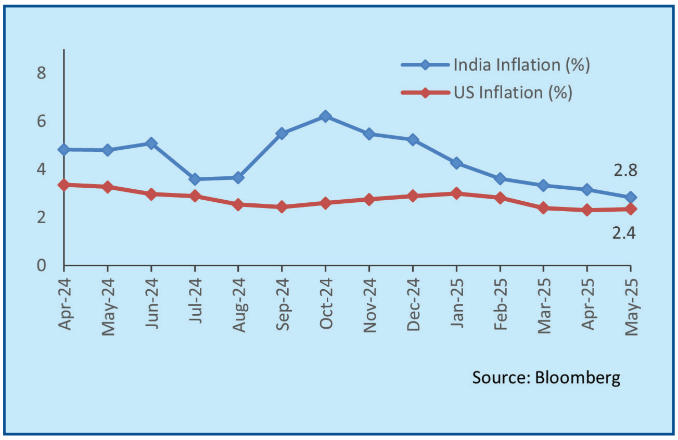
Market Outlook

HDFC Pension – Monthly update (June 2025)

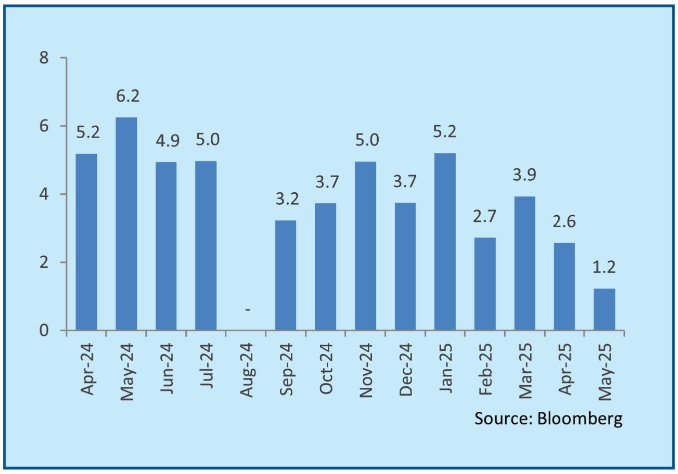
Economic Overview

Inflation %



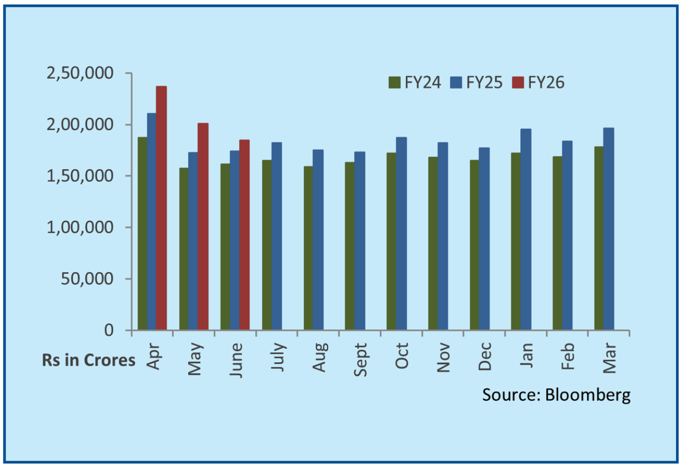
- Inflation (CPI) softened further in May 2025 to 2.8%, lower than both previous month's reading of 3.2% & market expectation of 3%, majorly on account of decline in food inflation.
- Overall inflation print remained lower than RBI target inflation rate of 4% for 4th consecutive month.
- However, Core inflation (i.e. excluding Food and Fuel inflation) remained unchanged at 4.1% MoM.
- Globally, US inflation came at 2.4% in May 2025 compared to 2.3% previous month & inline with market expectation.

Index of Industrial Production (IIP)



- Index of Industrial Production (IIP) print for May 2025 came at 9-month low of 1.2%, also much lower than market expectation of 2.4%.
- Among the three major sub-groups, manufacturing segment witnessed slower growth 2.6% vs 3.1%, mining and electricity segments contracted by 0.1% and 5.8%, respectively, as compared to a 0.2% decline and 1.7% growth seen in April 2025, on an annual basis, leading to a broad-based moderation in the overall index growth.
- Out of 23 manufacturing sub-segments, 13 sub-segments witnessed an increase in YoY growth.

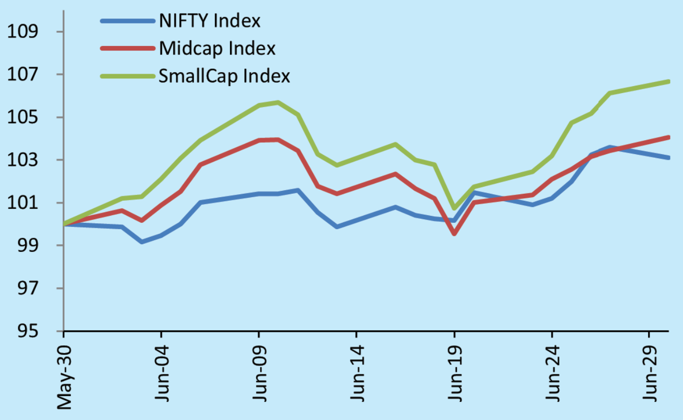
GST Collection



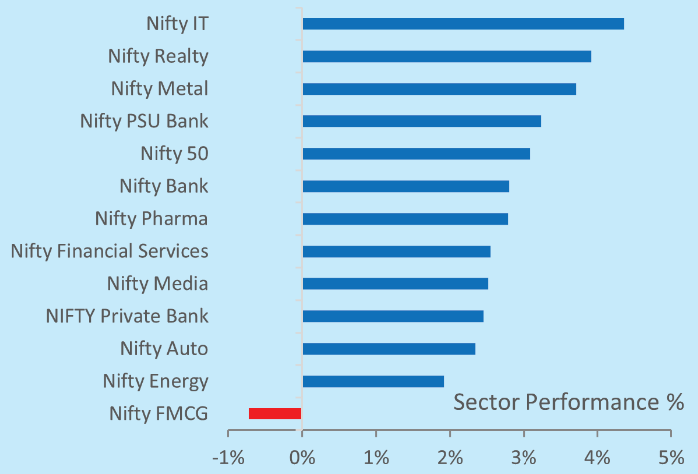
- Gross GST Collection for the month of June 2025 was at Rs.1.85 Lac crores, registering 6% YoY growth, however declined of ~8% MoM basis .
- Higher GST collections continue to imply strong underlying strength in domestic economy

Market Review – May 2025

Index Performance:



Sectoral Performance:

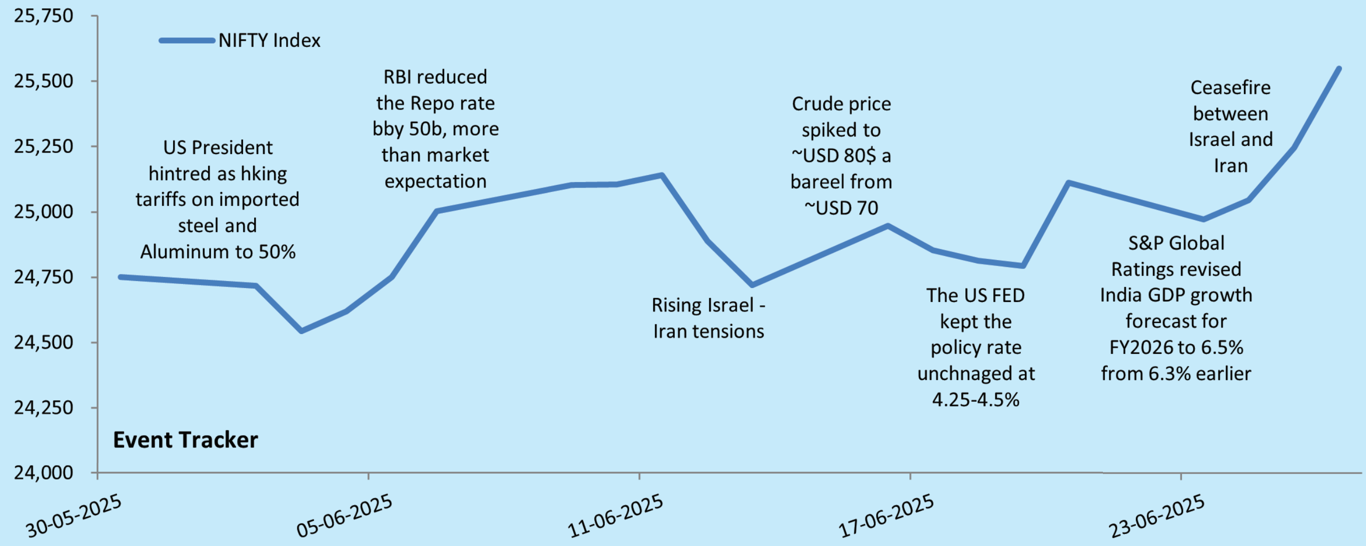


Equity flows

Equity flows

Commodity tracker

Commodity	1M	3M	6M	1Y
Gold	0.4%	5.7%	25.9%	42.0%
Silver	9.5%	5.9%	24.9%	23.9%
Crude	5.8%	-9.5%	-9.4%	-21.8%
Zinc	5.6%	-3.3%	-7.2%	-4.8%
Copper	5.3%	4.1%	16.2%	6.3%
Nickel	-0.1%	-4.3%	-0.6%	-11.9%
Lead	4.3%	1.7%	4.8%	-7.3%
Aluminum	6.5%	3.1%	2.8%	4.4%
Tin	11.6%	-8.1%	17.3%	4.2%



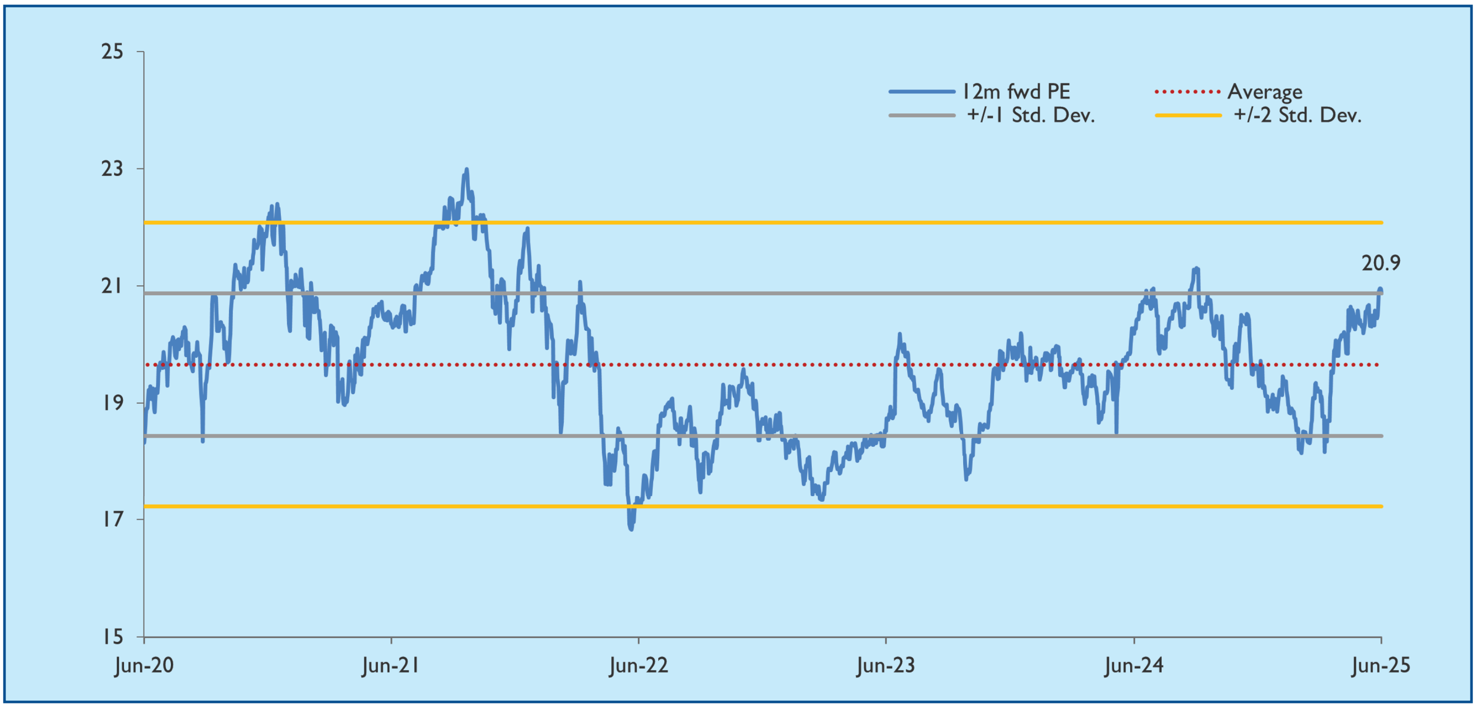
Nifty gained for the fourth consecutive month, giving 3.1% returns during the month of June 2025. Mid and small cap index outperformed large cap index, gaining 4% & 6.7% respectively.

Market move during the month was largely influenced by:

- Isarael – Iran war situation & later ceasefire announcements,
- US decision to hike tariffs on steel and aluminum imports from 25% to 50%,
- US Fed FOMC keeping the policy rate unchanged at 4.25-4.5%,
- Reserve Bank of India's surprise 50 basis points rate cut and shift of stance to neutral, with CRR reduced by 100 bps to 3.0%, in four tranches of 25 bps each between September and November,
- RBI relaxing project finance norms, primarily by reducing provisioning requirements for banks and NBFCs lending to infrastructure and real estate projects.
- FPI inflow - FPIs net bought ~Rs.146bn during the month of June 2025. During the month, sectorally major inflows were seen in Financials, Oil & Gas, Autos, Telecom & Chemicals. On flip side major outflows were seen in Power, FMCG, Consumer Durables, Capital Goods & Healthcare (Source: NSDL). Domestic institutions remained buyers & have bought stocks worth ~Rs.774bn during the month. Domestic institutions remained buyers & have bought stocks worth ~Rs.774bn during the month.

Most Global markets gave positive return, where Korea, Japan & US SPX were up 13.9%, 6.6% & 5% respectively, on the flip side, Indonesia & Thailand declined 3.5% & 5.2% respectively.

Nifty Valuation & Equity Outlook



With Nifty gaining ~8.5% during the quarter with Nifty underling earning remaining flat, the Nifty valuations as on 30th June 2025 inched up to ~20.9x 12m forward earning, which is slightly above +1SD.

Going ahead, we expect market returns to be driven by earnings growth rather than any immediate re-rating in market multiples. Also with external linkages, the near-term trajectory of the markets is expected to be influenced by ongoing geopolitical tensions & tariff uncertainties and its impact on global inflation & growth momentum.

Key growth catalysts include a cyclical economic uptick leading to improved capacity utilization and lower interest rates, and consequent earnings growth from increased asset utilization and operating leverage, though expensive valuations and domestic growth headwinds in consumption, investment, and outsourcing sectors may act as constraints.

From a long-term perspective, the outlook for Indian equities remains positive, and we continue to invest in stocks with a focus on stocks offering reasonable valuations and stronger growth prospects.

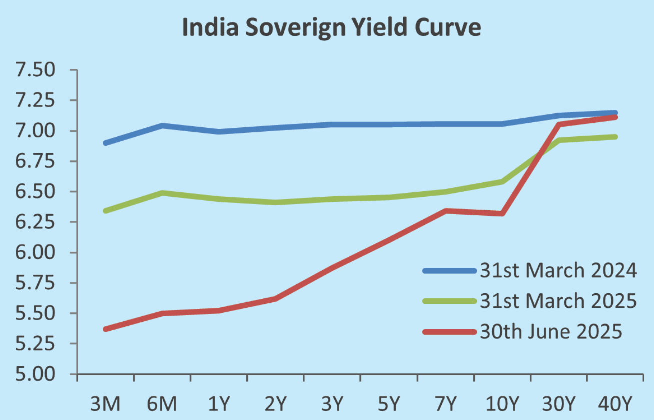
Debt outlook and positioning

Global Macros

Global markets faced pressure from various trade deals and tariff announcements by President Trump. July 9 is pivotal: failure to reach trade deals means sharp tariff escalations could kick in. U.S. pursuing bilateral arrangements to lock in exceptions before the deadline. The US Fed kept its policy rate unchanged at 4.25-4.5% for the fourth consecutive policy meeting, on expected lines. While inflation and unemployment trends have raised stagflation concerns, the Fed has adopted a wait-and-watch approach, keeping rate cut expectations alive for later in the year. U.S. inflation softened further in May, at 2.4% with moderate increases in food and housing balanced by cooling energy prices. US ADP's June report showed a loss of 33,000 private-sector jobs, while the official NFP report recorded a gain of 147,000 jobs, driven largely by government hiring. Labor market remains resilient overall, but private-sector softness and low participation suggest risks to sustainable growth and inflation.

The ECB cut rates 25 bps as expected during the month, lowering 2026 inflation projections but indicating that inflation was around the 2% target. BoE expectedly kept policy rates unchanged at 4.25%. The Bank of Japan (BoJ) also held its policy steady while lowering inflation projections, primarily due to softening energy prices, and deferred its timeline for meeting the inflation target. The RBI reduced rates by 50 bps in its June policy meeting, bringing cumulative rate cuts to 100 bps since February 2025. The stance was shifted to 'neutral', indicating a more data-dependent approach ahead. Additionally, a phased 100 bps reduction in the Cash Reserve Ratio (CRR) will inject ₹2.5 lakh crore into the banking system, enhancing liquidity. With most rate cuts and liquidity measures now behind us, we anticipate limited room for further policy easing, though we expect one more 25 bps cut this fiscal year due to lower growth expectations.

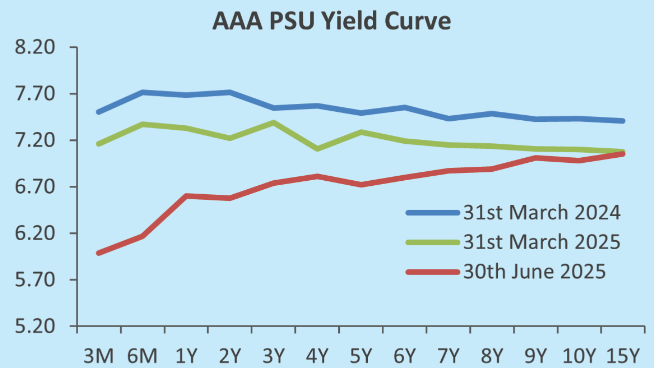
Debt Outlook



Source: Bloomberg

Scheme G:

The US 10 Year closed at 4.23% as on 30th June 2025 vs 4.40% on 30th May 2025. Indian GSEC market remained supported by liquidity measures. 10y Gsec moved from 6.28% on 30th May to 6.32% on 30th June 2025. Gsec yield curve spread for 10X30 further increased to ~70 bps on 30th June 2025, driven by lack of demand from long only investors and global uncertainty. We reduced the weights in 10y-20y segment as the spreads in the same segment were relatively low compared to the rest of the curve. We expect the RBI to maintain status quo in its August and October meetings. Further rate cut is likely but contingent on a slowdown in growth, as inflation is expected to remain under control through the year. The rate cut cycle is likely not over, and with fiscal consolidation in place, we expect long bonds to outperform on a total return basis.



Source: Bloomberg

Scheme C:

Yields across the curve increased by 15-20 bps with 10y+ AAA PSU underperforming the curve. 5 Year NABARD traded at 6.85%, 10 Year NABARD at 7.00% and 15 Year at 7.05%.Corporate bond yields may decline and steepen further with surplus liquidity. We expect 3y-5y AA and AA+ bonds to outperform, while 7y-15y AAA PSU bonds may underperform. We will look to deploy tactically to achieve optimum risk reward on the portfolio to take advantage of both capital gains and accruals.

Performance Indicator (as on 30th June 2025)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	20.26%	21.95%	14.89%	15.32%
Scheme Corporate Bond (C)	8.87%	7.51%	8.99%	9.36%
Scheme Government Bond (G)	9.08%	6.36%	9.01%	9.03%

If a subscriber had invested Rs.50,000 on the last day of each year since March 2014, the corpus of the subscriber as on 30th June 2025 would have been:

Asset Allocation*	Aggressive	Moderate	Conservative
Invested Amount (in Rs)	6,00,000	6,00,000	6,00,000
Corpus as on 30th June 2025 (in Rs)	14,04,871	12,70,417	11,35,135

* Note: Asset Allocation
1. Aggressive: E-75%; C- 10%; G-15%
2. Moderate: E-50%; C- 30%; G-20%
3. Conservative: E-25%; C- 45%; G-30%

Thus, over long term, investment with higher equity proportions tends to give better returns and helps to accumulate bigger retirement corpus for the subscribers.

HDFC PENSION

Returns under NPS are subject to market risk and fluctutations based on the state of the financial market.

Tax Laws are subject to change.

HDFC Pension Fund Management Limited (formerly known as HDFC Pension Management Company Ltd)

Registered Office Address: 1st Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai – 400011.

CIN:U66020MH2011PLC218824.Telephone No.: +91 22 6751 7777. Email id: contactus@hdfcpension.com.

Website: www.hdfcpension.com. POP Registration No.: 246022019