

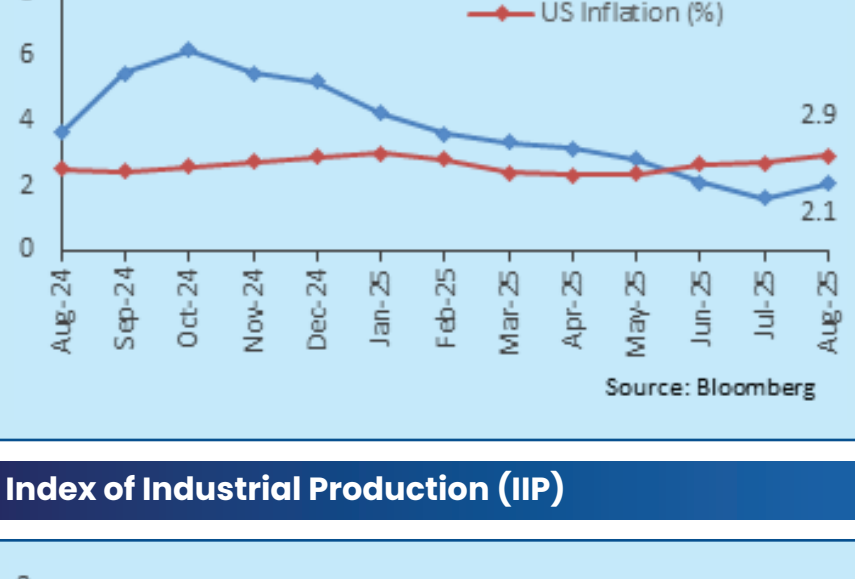
Market Outlook

HDFC Pension – Monthly update (September 2025)



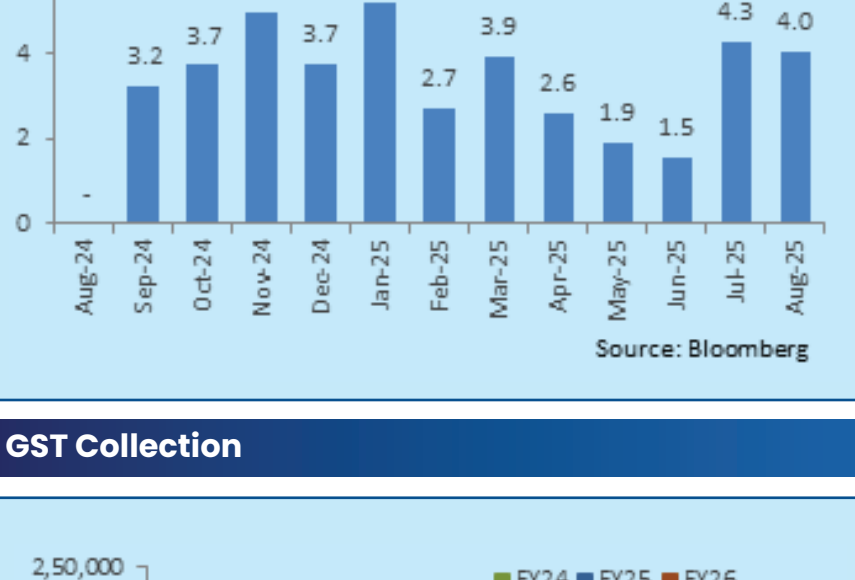
Economic Overview

Inflation %



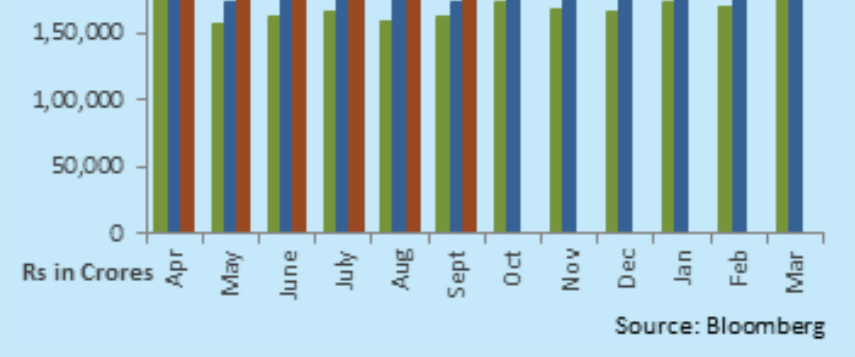
- Inflation (CPI) for August 2025 rose to 2.1% (1st increase after 9 months of decline) compared to the previous reading of 1.6%, however came inline with market expectation. RBI's average inflation for Q2FY2025-26 is estimated at 2.1%.
- Core inflation (i.e. excluding food and fuel) printed flat at 4.1% as compared to the previous month.
- Globally, US inflation rose marginally further to 2.9% in August 2025, however, came inline with market expectation.

Index of Industrial Production (IIP)



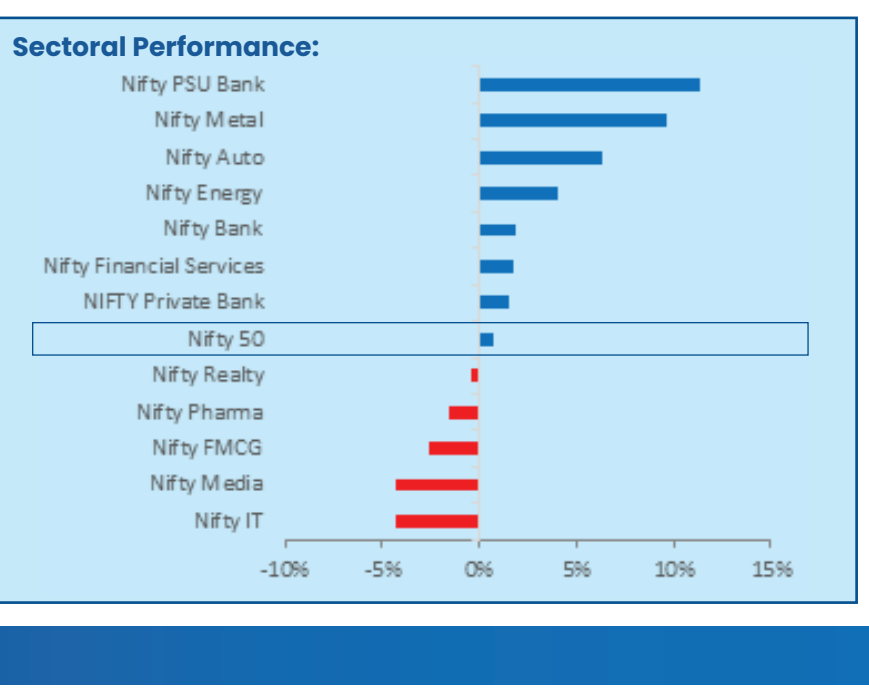
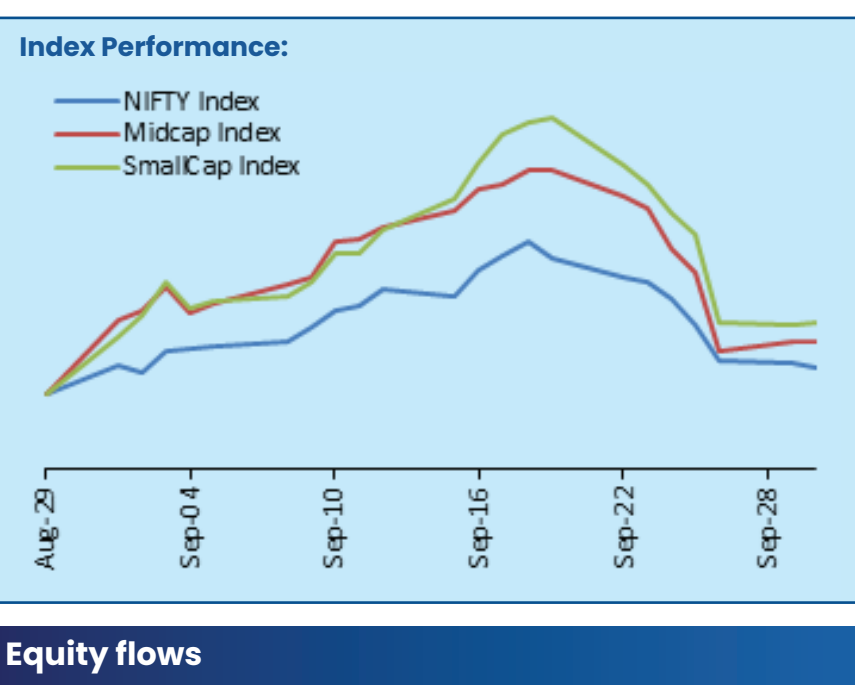
- Index of Industrial Production (IIP) for August 2025 came at 4%, lower than both previous month's 4.3% and market expectations of 5%.
- While growth in manufacturing moderated (3.8% vs 6% in previous month), electricity segments saw marginal increase (4.2% vs 3.7%) & the mining segment rose to 6% vs 7.2% declined seen in August 2025.
- Out of 23 manufacturing sub-segments, 10 sub-segments witnessed an increase in YoY growth.

GST Collection



- Gross GST Collection for the month of September 2025 was at Rs.1.89 Lac crores, registering +1.5% MoM & +9% YoY growth.
- E-way bill generation hit a record ~13.2 crore in September 2025, up ~21% YoY & ~2% MoM, highlighting robust goods movement into the festive quarter.
- Higher GST collections continue to imply strong underlying demand & strength in domestic economy.

Market Review – September 2025

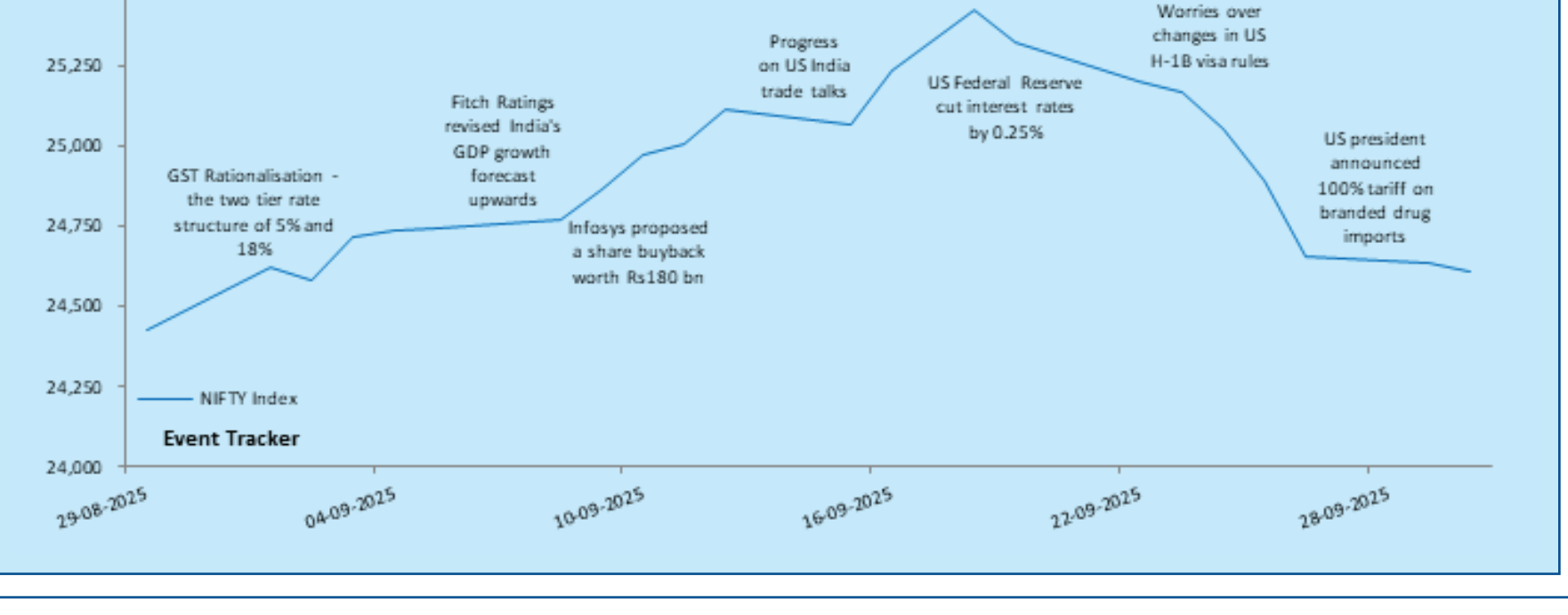


Equity flows



Commodity tracker

Commodity	1M	3M	6M	1Y
Gold	11.0%	15.6%	23.9%	44.9%
Silver	14.6%	29.4%	38.4%	48.3%
Crude	-1.7%	-0.1%	-10.0%	-8.9%
Zinc	5.9%	11.9%	7.6%	-3.3%
Copper	4.4%	1.7%	6.0%	3.9%
Nickel	-1.3%	0.3%	-5.3%	-13.7%
Lead	-0.7%	-3.0%	-0.8%	-5.5%
Aluminum	2.4%	3.1%	7.7%	1.5%
Tin	1.0%	5.5%	-6.1%	4.5%



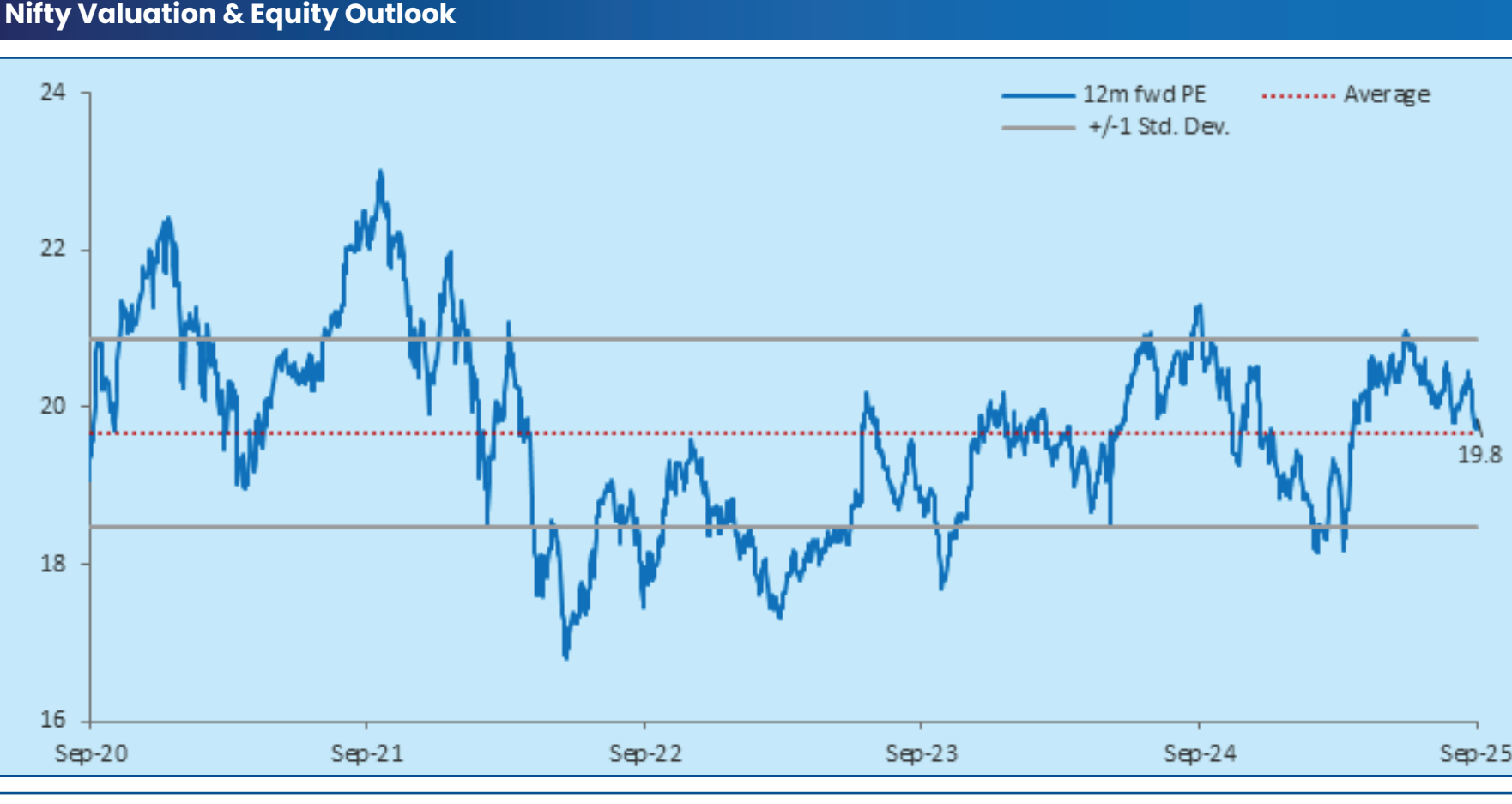
Nifty index gained +75basis points in September 2025, ending two straight months of negative close. Market sentiment remained cautiously optimistic amid new US new visa rules & a 100% tariff on imports of branded drugs, however supported by GST rate rationalization & central bank's rate cut expectations. Broader market outperformed large caps, with mid cap and small cap indices gaining ~1.4% and ~2%, respectively.

Market move during the month was largely influenced by:

- The GST Council announcing a broad rationalization in GST rates to 5% and 18%, effective from September 22,
- Fitch Ratings revising India's GDP growth outlook for FY2026 upward to 6.9% from 6.5% earlier,
- The Fed FOMC reducing the Federal Fund rate by 25 bps to 4-4.25%,
- The US imposing a US\$100,000 fee on new H-1B visa petitions,
- The US President announcing a 100% tariff on branded drug imports and
- The monsoon season ending with 8% above normal rainfall.
- FPI outflows - FPIs were sellers for third consecutive month, they net sold ~Rs.234bn during the month of September2025. During the month, sectorally major outflows inflows were seen in Healthcare, FMCG, IT, Consumer durables & Consumer services. On flip side major inflows were seen in Autos, Capital goods, Metals, Financial services & Construction (Source: NSDL). Domestic institutions remained buyers & have bought stocks worth ~Rs.464bn during the month.

Most Global markets gave average ~3% positive returns, while India (Nifty) among the worst performer, gaining (+0.8%), Singapore (+0.7%), Australia (-1.4%) & Philippines (-3.3%). On flip side Korea (+7.5%), Mexico (+7.2%) & Hongkong (+7.1%) were best performing markets during the month September 2025.

Nifty Valuation & Equity Outlook



Nifty gained ~75basis during the month with underlying earnings seeing slight improvement, attributable to greater weights to the next year's stable earnings expectations. Nifty valuations contracted from ~20.9x to 19.8x, with 12m forward earnings multiple normalizing to its ~5-year average, as on 30th September 2025.

Going ahead, we expect near-term market returns will be primarily driven by corporate earnings growth, rather than expansion in market valuation / multiple. Also with external linkages, the near-term market outlook will be influenced by global tariff scenarios, alongside the impact of potential Federal Reserve rate cuts on global earnings, which, combined with geopolitical tensions, will influence worldwide inflation and economic growth.

We believe that equity markets could remain volatile in near term and may see consolidation. From a long-term perspective, the outlook for Indian equities remains positive, and we continue to invest in stocks with relatively reasonable valuations & better growth prospect.

Debt outlook and positioning

Global Macros

The Federal Reserve cut the Fed Funds Rate by 25 basis points to 4.00–4.25%, marking the first rate cut in 2025 and projected two more rate cuts by year-end. The move was described as “risk management”, aimed at addressing labor market weakness and moderating inflation. US 10-year yields traded in the 4.15%–4.35% range, reflecting fiscal concerns, resilient growth, and sticky inflation. After several cuts, the ECB held rates steady, emphasizing a data-driven approach to targeting inflation. UK long term gilt yields remain elevated, pressured by fiscal uncertainty, political risk, and persistent inflation above 4%. Bank of Japan held rates at 0.50% but signaled tightening ahead, with two board members voting for a hike and plans to divest ETF and J-REIT holdings. U.S. inflation rose to 2.9% YoY, up from 2.7% in July and rose 0.4% MoM. U.S. Nonfarm payrolls increased by an estimated 50,000 jobs, slightly better than September's 22,000, but still well below the 124,000. The unemployment rate held steady at 4.3%, reflecting a cooling labor market. Headline CPI inflation in India rose to 2.07% YoY, up from 1.61% in July, marking the first increase after nine months of decline. RBI absorbed excess liquidity via VRRR auctions to keep the Weighted Average Call Rate (WACR) its operative target closely aligned with the policy repo rate. We expect RBI to hold rates at 5.50% in its October Policy while retaining the stance to neutral along with a downward revision to CPI forecasts. The Council approved a new three slab GST regime 5% for essentials and 18% for most standard goods, while increasing tax on luxury and sin goods to 40%. The situation remains fluid, with ongoing U.S.–India trade discussions. The US 10 Year closed at 4.16% as on 30th September vs 4.23% on 29th August 2025. The U.S. Dollar Index (DXY) rose from 97.80 to 98.51 in September 2025, a gain of 0.7%, due to a combination of seasonal strength, safe-haven demand, and relative economic resilience.

Debt Outlook

India Sovereign Yield Curve

Maturity	31st March 2024	31st March 2025	30th September 2025
3M	5.25	5.25	5.25
6M	5.25	5.25	5.25
1Y	5.25	5.25	5.25
2Y	5.25	5.25	5.25
3Y	5.25	5.25	5.25
5Y	5.25	5.25	5.25
7Y	5.25	5.25	5.25
10Y	5.25	5.25	5.25
30Y	5.25	5.25	5.25
40Y	5.25	5.25	5.25

Source: Bloomberg

Scheme G:

The US 10 Year closed at 4.23% as on 29th August 2025 vs 4.37% on 31st July 2025. 10y Gsec moved from 6.37% on 31st July to 6.59% on 29th August 2025. Gsec yield curve spread for 10x30 widened to ~75 bps on 29th August 2025. Yields climbed significantly amid fiscal concerns, neutral RBI outlook, and reduced institutional demand. The yield curve steepened driven by GST-related fiscal concerns, supply-demand imbalances, and heightened market volatility. A 25bps rate cut is likely between October and March 2026, contingent on a slowdown in growth, as inflation is expected to remain under control throughout the year. We expect long bonds to outperform on a total return basis.

AAA PSU Yield Curve

Maturity	31st March 2024	31st March 2025	30th September 2025
3M	6.00	6.00	6.00
6M	6.00	6.00	6.00
1Y	6.00	6.00	6.00
2Y	6.00	6.00	6.00
3Y	6.00	6.00	6.00
4Y	6.00	6.00	6.00
5Y	6.00	6.00	6.00
6Y	6.00	6.00	6.00
7Y	6.00	6.00	6.00
8Y	6.00	6.00	6.00
9Y	6.00	6.00	6.00
10Y	6.00	6.00	6.00
15Y	6.00	6.00	6.00

Source: Bloomberg

Scheme C:

Yields across the curve declined by ~5bps with 10y+ AAA PSU underperforming the curve. 5 Year NABARD traded at 7.02%, 10 Year NABARD at 7.22% and 15 Year at 7.25%. Corporate bond yields steepen further with surplus liquidity. Corporate bond yields declined gradually through September, largely to lock in higher short-term yields before further rate cuts. We expect 3y–5y segment AA and AA+ bonds to outperform, while 7y–15y segment 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. We will continue to look to add new names to diversify the portfolio.

Performance Indicator (as on 30th September 2025)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	15.67%	19.35%	14.29%	14.74%
Scheme Corporate Bond (C)	8.61%	7.35%	9.05%	9.27%
Scheme Government Bond (G)	8.13%	6.15%	8.79%	8.81%

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 September 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 September 2025 (in Rs)	13,77,325	12,54,841	11,30,742

- * 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.

