



CIO Connect: Market Insights

June 2026



Impact of Middle East Conflict Continues

Global Macro Update

Domestic Macro Update

Healthy Domestic Flows

Attractive Valuations

Moderately Positive Market Outlook

Proven Track Record; ULIPs in Focus

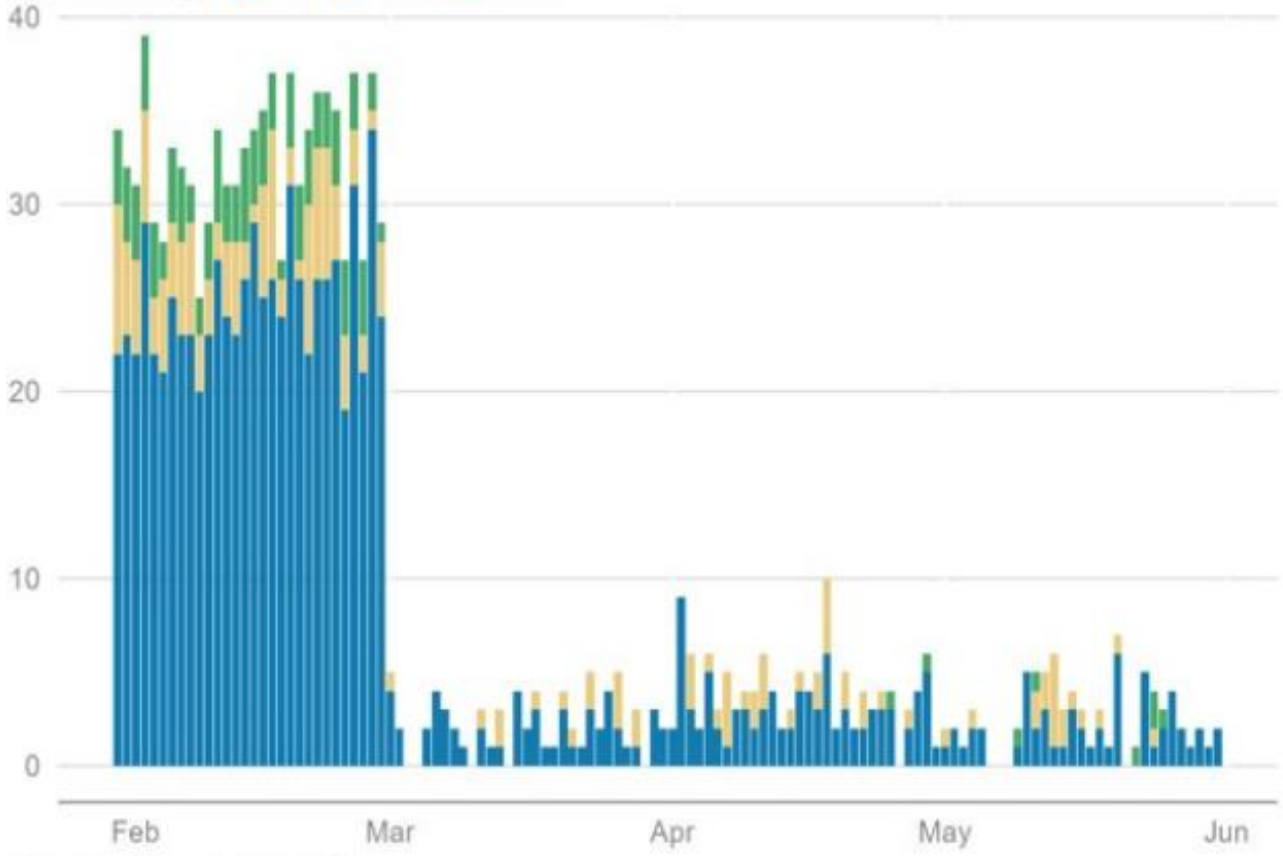
Impact of Middle East Conflict Continues

Strait of Hormuz remains largely blocked

Strait of Hormuz

Daily number of transits, out of the Middle East Gulf (count)

Vessels exiting: Oil LPG LNG



Note: chart shows data to 31 May
Source: Vortexa, Morgan Stanley Research

Number of vessels leaving MEG via the Strait of Hormuz

By vessel type; latest value as per 02 Jun 2026

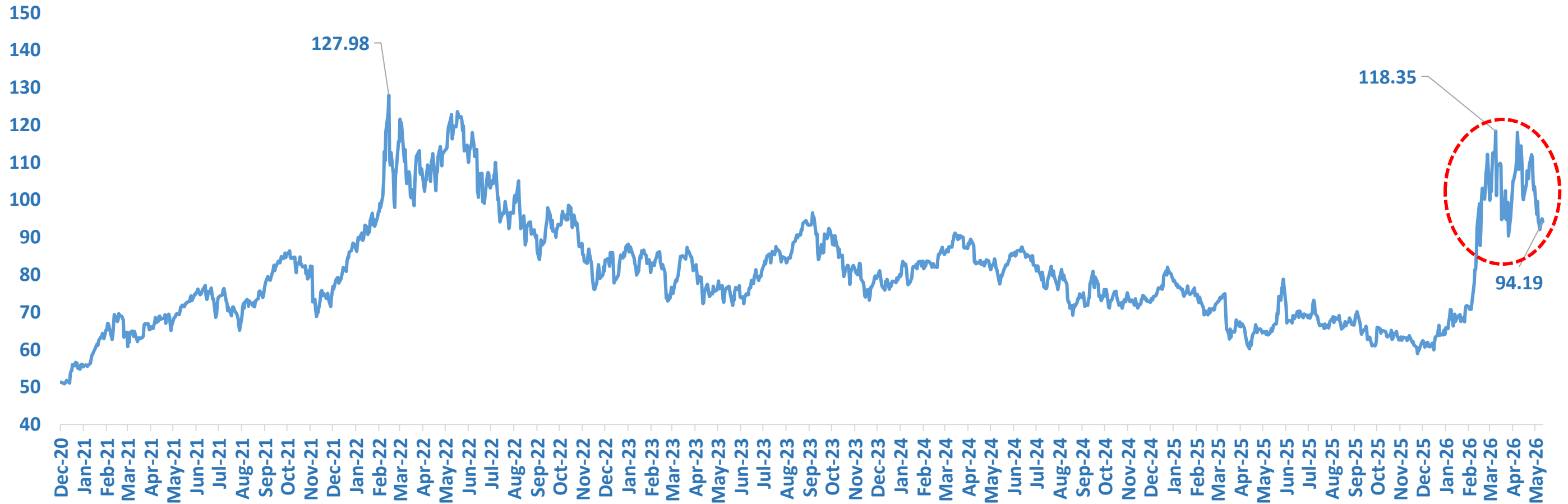
| Date | Oil | LPG | LNG | Total |
|--------|-----|-----|-----|-------|
| 02 Jun | 0 | 0 | 0 | 0 |
| 01 Jun | 0 | 0 | 0 | 0 |
| 31 May | 2 | 0 | 0 | 2 |
| 30 May | 1 | 0 | 0 | 1 |
| 29 May | 2 | 0 | 0 | 2 |
| 28 May | 1 | 0 | 0 | 1 |
| 27 May | 2 | 0 | 0 | 2 |
| 26 May | 4 | 0 | 0 | 4 |
| 25 May | 2 | 0 | 1 | 3 |
| 24 May | 1 | 1 | 2 | 4 |

Source: Vortexa, Morgan Stanley Research

- Vessel traffic through the Strait of Hormuz has fallen sharply since late February, with oil, LPG and LNG shipments dropping from ~30–40 vessels per day to low single digits, resulting significant supply chain disruptions and heightened energy security risks amid geopolitical tensions.

Crude Oil prices stay elevated due to supply disruptions

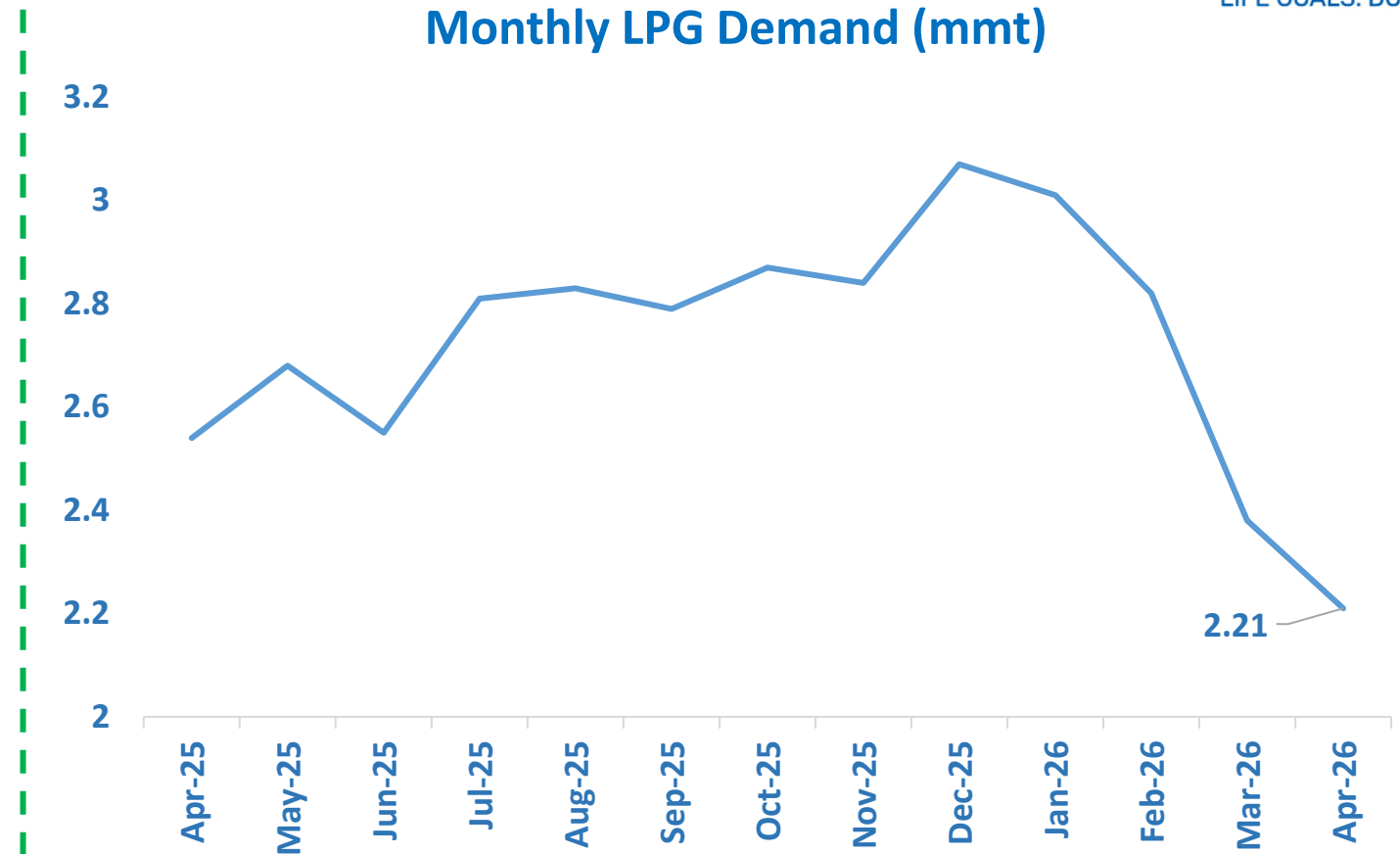
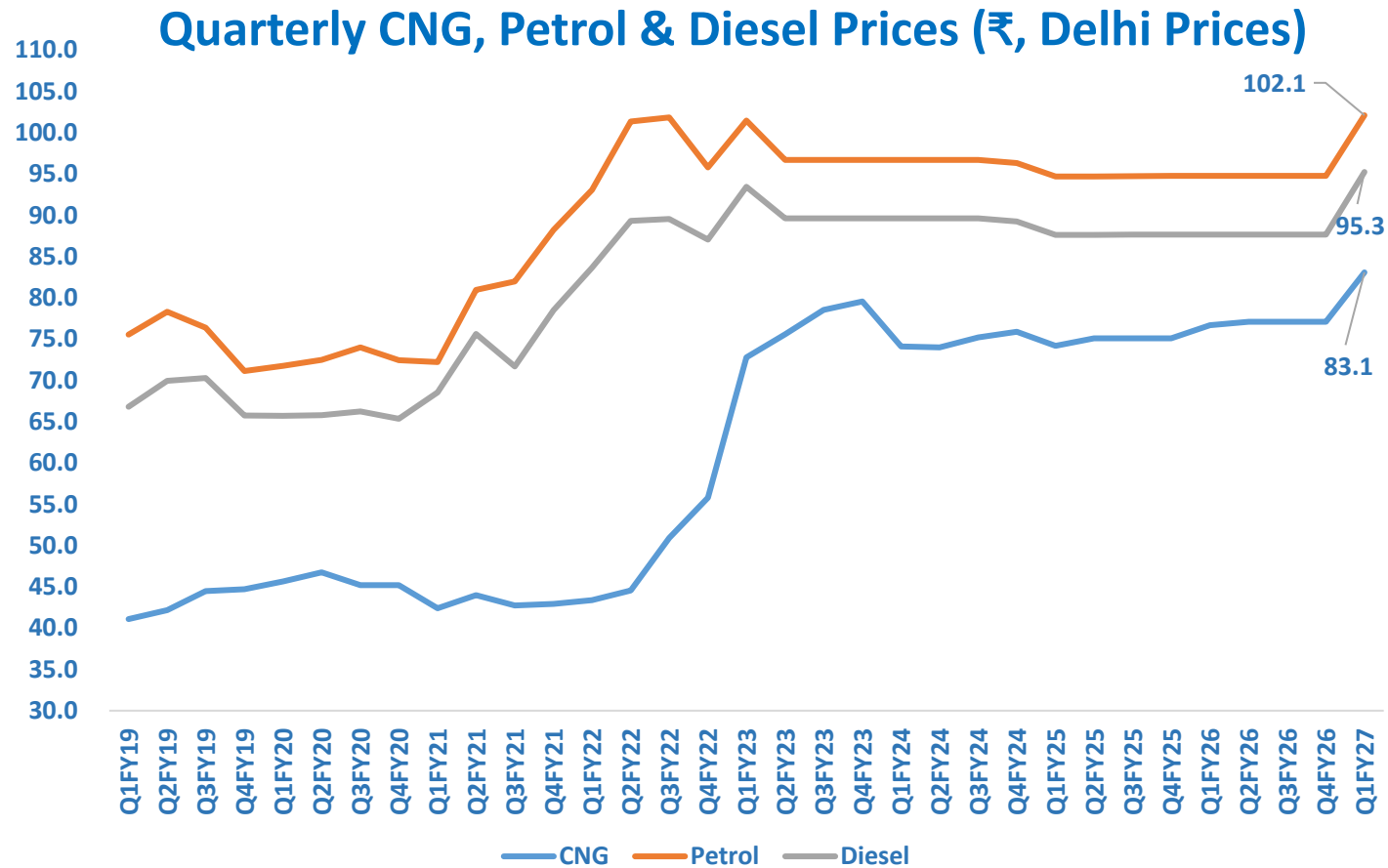
Brent Crude Price (\$/bbl)



Source: Bloomberg | As on 2nd June 2026

- Crude has been highly volatile and remained high, driven by West Asia conflict which triggered supply disruption.

Retail fuel price increase has started



Source: Petroleum Planning & Analysis Cell (PPAC) | Bajaj Life Research | BPCL & IGL website

- Geopolitical tensions and energy supply disruptions have driven fuel prices higher, with CNG, petrol, and diesel prices up 7%, 7%, and 8%, respectively, vs Q4FY26.
- Gas (LPG) demand declined by nearly 20% in March before partially recovering in April, as LNG supply disruptions led to allocation cuts under the pooled-gas mechanism, resulting in higher fuel costs, supply curtailments, operational disruptions, and production shutdowns across industrial, manufacturing, and chemical sectors.

Scenario analysis for FY2027 depending on the extent of the West Asia crisis

| | Pre-war scenario | Base scenario (mid-June) | Adverse scenario (beyond mid-June) |
|------------------------------------|--------------------------------------|--|---|
| Average crude oil price (US\$/bbl) | 65 | 95 | 105 |
| CAD/GDP (%) | 1.0 | 2.5 | 3.0 |
| | | Assuming lower exports and non-oil imports, lower remittances | Assuming lower exports and non-oil imports, lower remittances |
| BOP (US\$ bn) | 7 | (76) | (95) |
| | | Assuming FPI outflows | Assuming FPI outflows |
| USD-INR (Range, #) | 91.0 | 93-97 | 94-99 |
| | | Widening goods trade deficit and FPI outflows | Widening goods trade deficit and FPI outflows |
| Center's GFD/GDP (%) | 4.3 | 4.5 | 4.6-4.8 |
| | | Higher subsidies/lower excise duties | Higher subsidies/lower excise duties/lower tax collections |
| CPI inflation (average, %) | 4.1 | 5-5.3 | 5.5-6 |
| | Minimal change in retail fuel prices | Retail fuel price hike and subsequent reduction, spillovers across domestic activity; imported inflation | Retail fuel price hike, spillovers across domestic activity; imported inflation |
| Real GDP growth (%) | 7.0 | 6-6.25 | 5.5-6 |
| | Minimal impact on growth | Input price pressures, investment uncertainty | Global growth slowdown, input price pressures, investment uncertainty |
| Liquidity | Comfortably in surplus | Likely tightening in 2HFY27 | Likely tightening from 2QFY27 |
| Repo rate | Status quo | Possibility of shallow rate hike cycle | 50-100 bps of rate hikes from October |

Source: Bajaj Life Research | KIE

- India's dependency on Middle east likely to create headwinds in case of prolonged disruption to war-impacted trade routes.

Global Macro Update

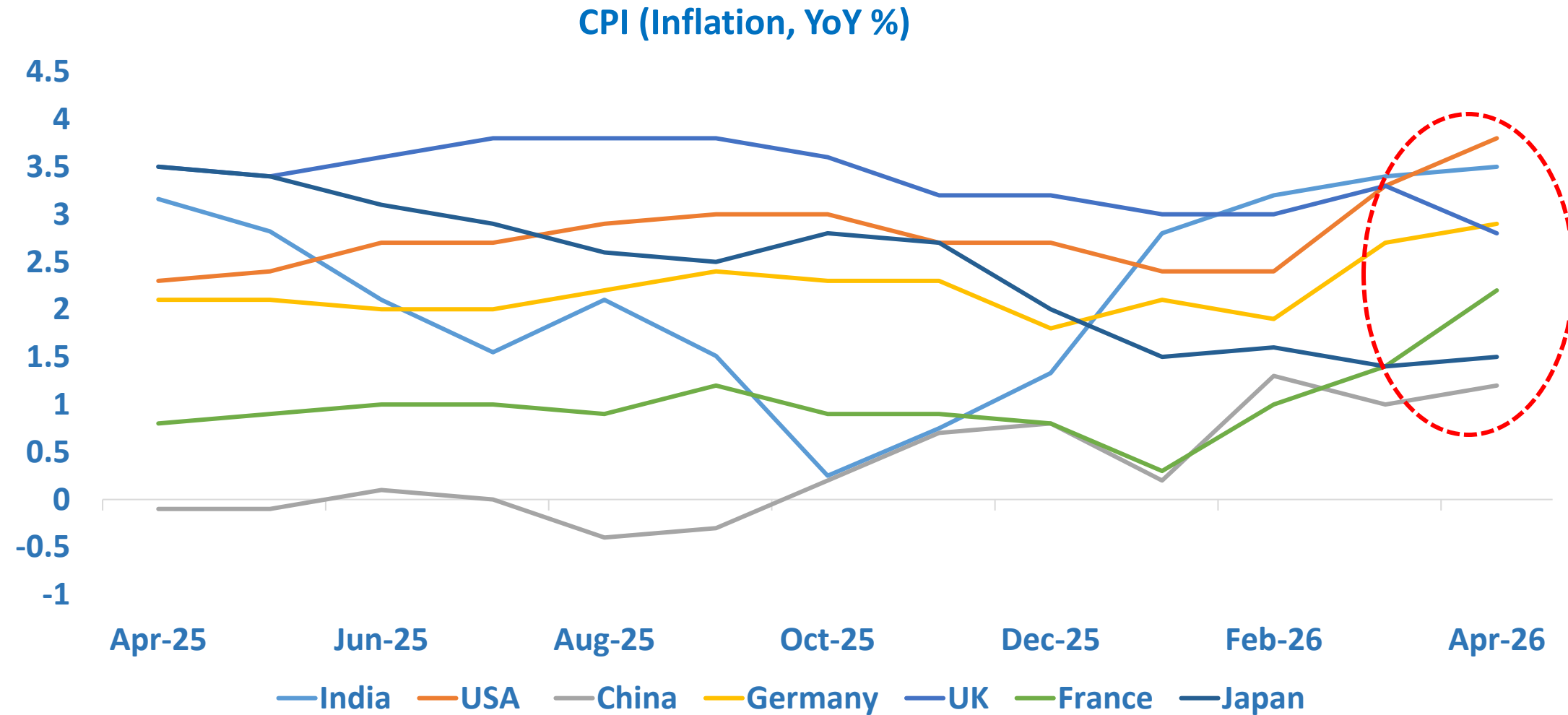
Growth outlook steady for now, but new concerns emerging (AI, Job less growth...)

Real GDP growth projections for 2025, 2026 and 2027 (YoY%)

| | 2025 | Projections | |
|---|------------|-------------|------------|
| | | 2026 | 2027 |
| World Output | 3.4 | 3.1 | 3.2 |
| Advanced Economies | 1.9 | 1.8 | 1.7 |
| United States | 2.1 | 2.3 | 2.1 |
| Euro Area | 1.4 | 1.1 | 1.2 |
| Germany | 0.2 | 0.8 | 1.2 |
| France | 0.9 | 0.9 | 0.9 |
| Italy | 0.5 | 0.5 | 0.5 |
| Spain | 2.8 | 2.1 | 1.8 |
| Japan | 1.2 | 0.7 | 0.6 |
| United Kingdom | 1.3 | 0.8 | 1.3 |
| Canada | 1.7 | 1.5 | 1.9 |
| Other Advanced Economies ² | 3.0 | 2.6 | 2.2 |
| Emerging Market and Developing Economies | 4.4 | 3.9 | 4.2 |
| Emerging and Developing Asia | 5.5 | 4.9 | 4.8 |
| China | 5.0 | 4.4 | 4.0 |
| India ³ | 7.6 | 6.5 | 6.5 |
| Emerging and Developing Europe | 2.0 | 2.0 | 2.1 |
| Russia | 1.0 | 1.1 | 1.1 |
| Latin America and the Caribbean | 2.4 | 2.3 | 2.7 |
| Brazil | 2.3 | 1.9 | 2.0 |
| Mexico | 0.6 | 1.6 | 2.2 |
| Middle East and Central Asia | 3.6 | 1.9 | 4.6 |
| Saudi Arabia | 4.5 | 3.1 | 4.5 |
| Sub-Saharan Africa | 4.5 | 4.3 | 4.4 |
| Nigeria | 4.0 | 4.1 | 4.3 |
| South Africa | 1.1 | 1.0 | 1.3 |

- The global growth is expected at 3.1% & 3.2% in 2026 & 2027, respectively.
- Growth in advanced economies is projected to be **1.8% in 2026 and 1.7% in 2027**. In the United States, the economy is projected at 2.3% & 2.1% in CY26 & CY27, respectively.
- China's is expected to register 4.4% & 4% in CY26 & CY27, respectively.
- **Despite uncertain economic environment, India is projected to remain the fastest growing economy among peers, 6.5% real GDP growth is anticipated for both in FY26 & FY27.**

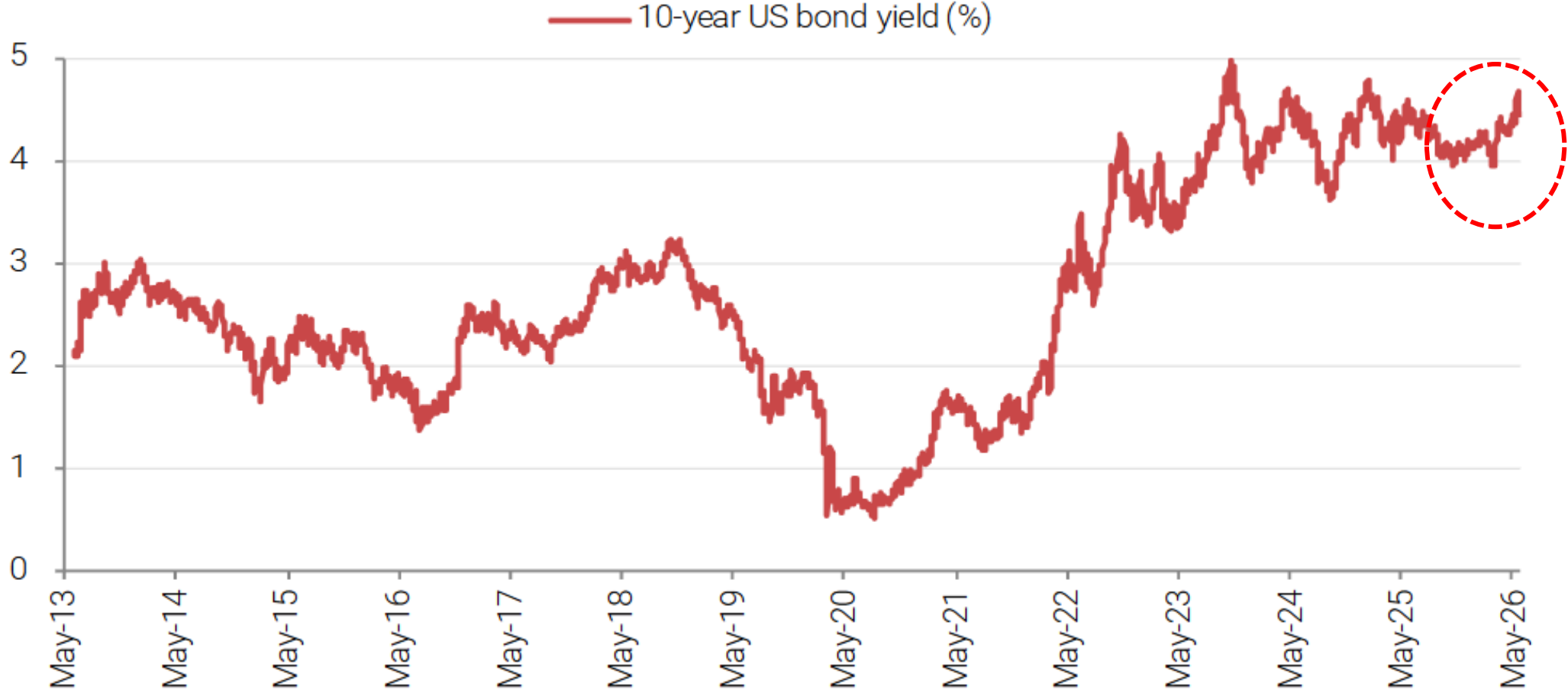
Higher Energy Prices Are Driving An Uptick in Inflation Across The Globe



Source: Bloomberg

- Following a prolonged period of disinflation, several major economies have started witnessing a modest uptick in inflation, partly driven by the lingering effects of the West Asia conflict through higher crude oil prices and supply-chain disruptions.

US Bond Yields retracing back to recent highs

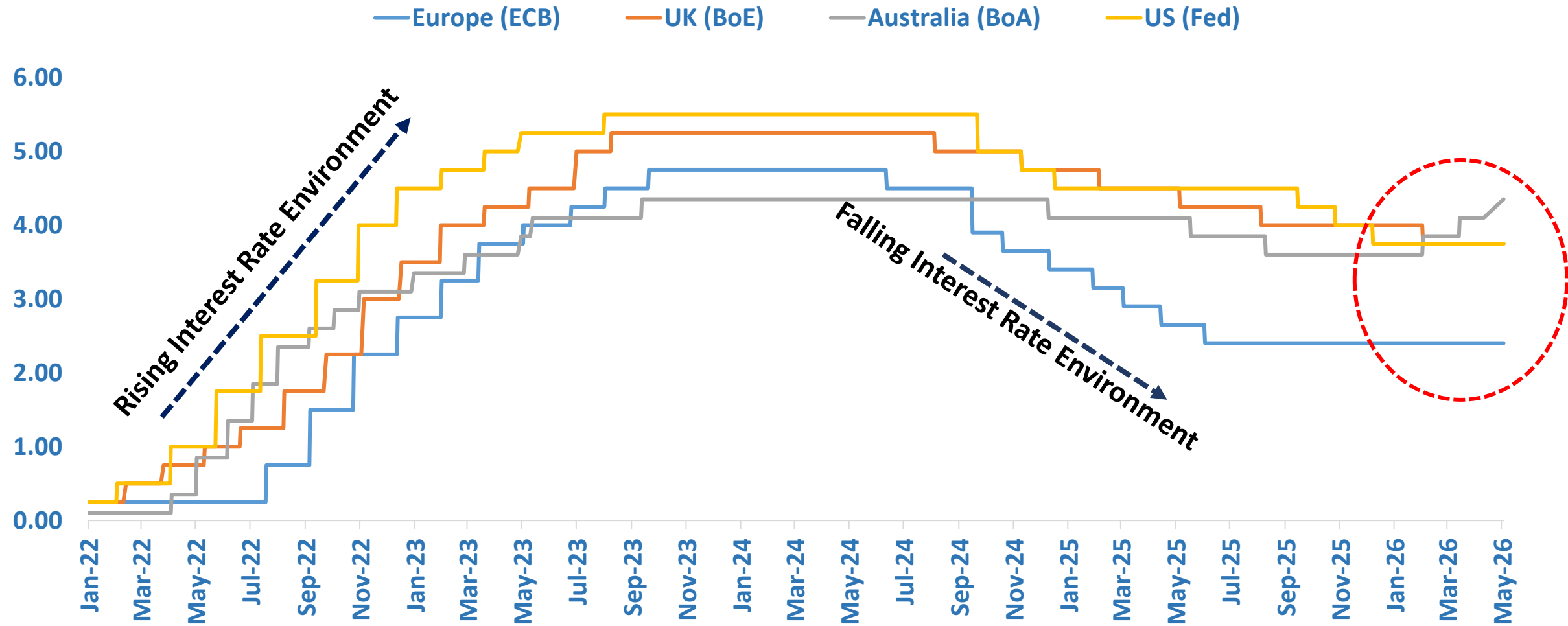


Source: Bloomberg, Kotak Institutional Equities

- The US bond market is not pricing in any rate cut for CY2026 and most of CY2027 in the US federal funds rate. US bond yields have risen after being fairly stable in 2HCY26 on account of higher inflation and likely increase in the US’s fiscal deficit and public debt.

Central Banks' Action May Diverge Going Ahead

Major Central Banks Interest Rates Trend

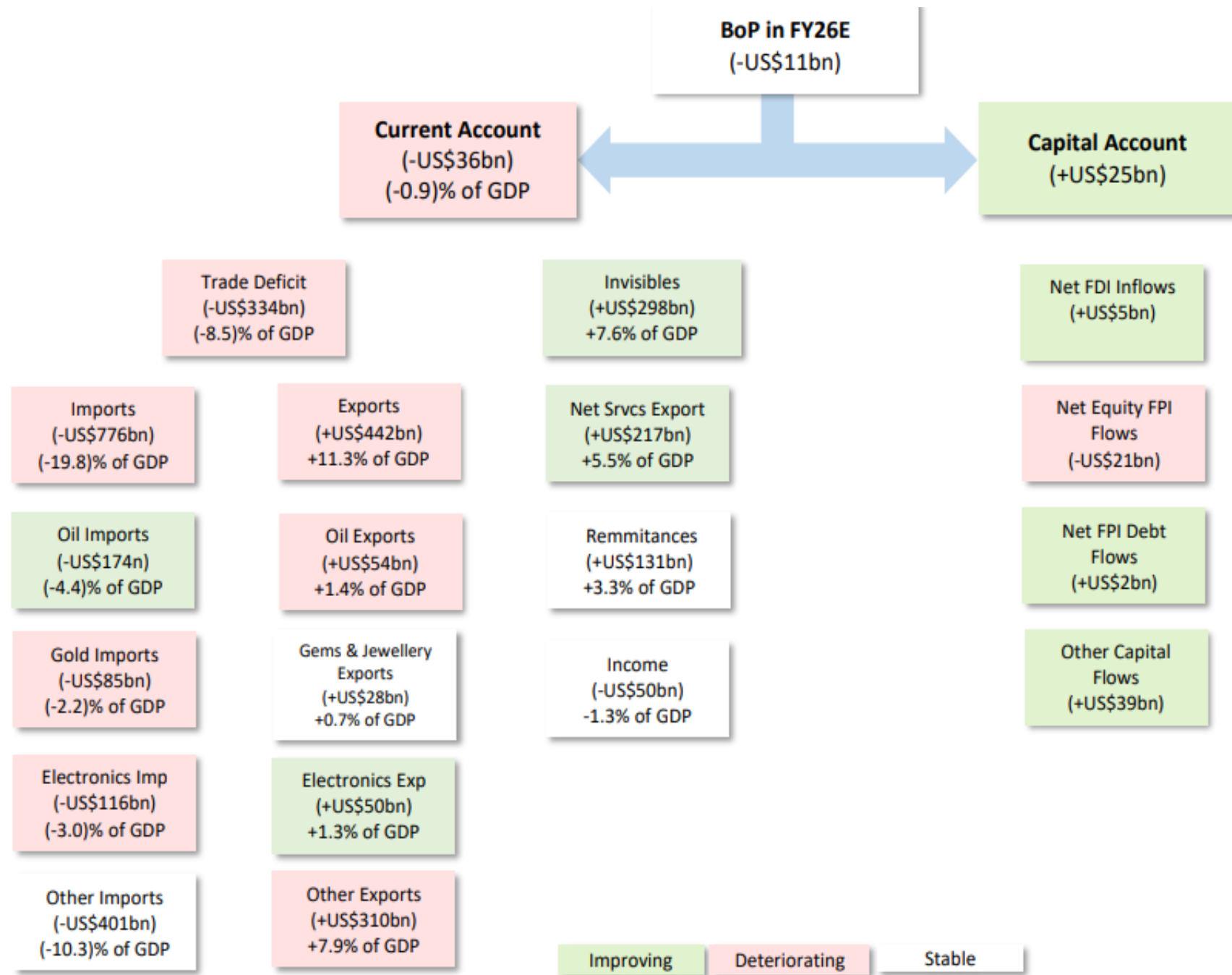


Source: Bloomberg

- Most of the central banks globally are signalling caution, awaiting clearer signs of economic slowdown or inflationary impact due to the war before further rate action.

Domestic Macro Update

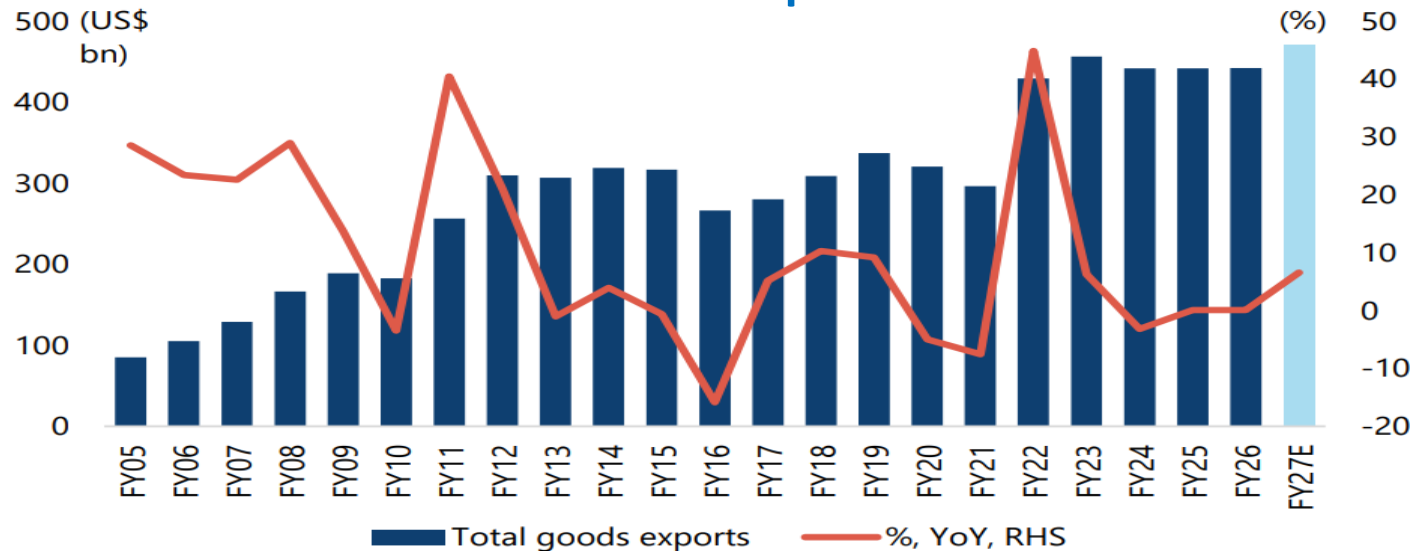
India's Balance of Payments Remains Manageable Despite Trade Headwinds



- India's external balance remains resilient despite global uncertainties, with a modest current account deficit (0.9% of GDP) largely supported by strong services exports and robust remittance inflows.
- The widening trade deficit, driven by high import dependence on crude oil, gold, and electronics, highlights India's vulnerability to rising commodity prices and geopolitical disruptions.

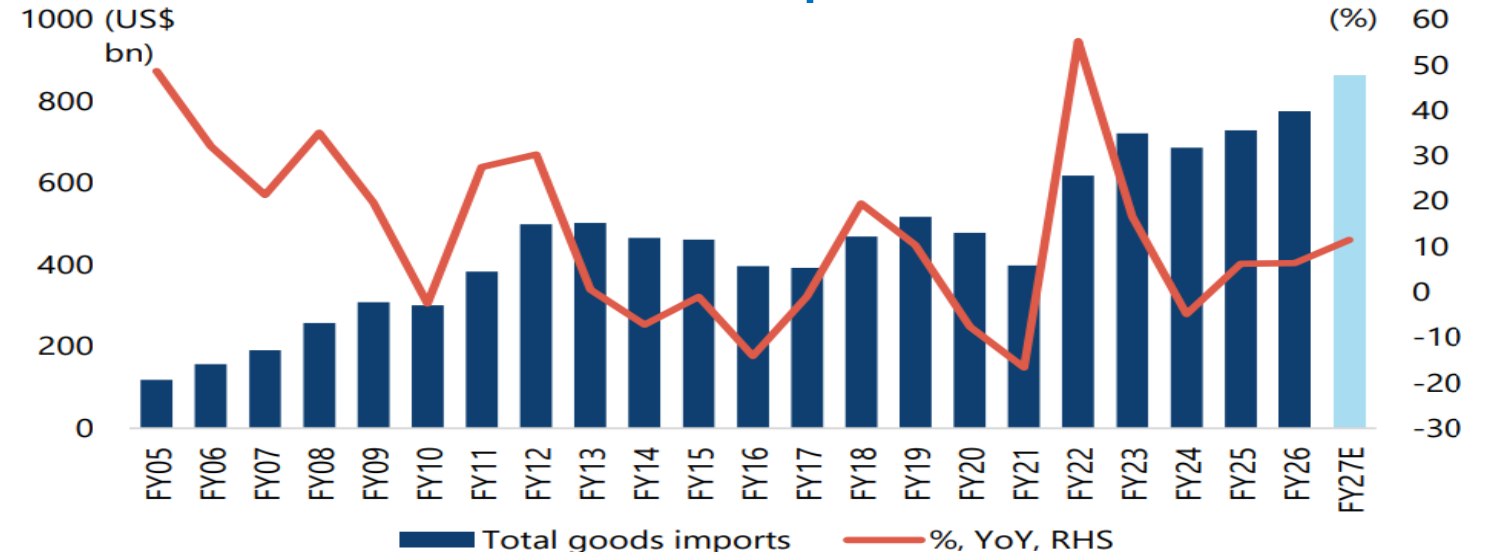
Current Account Deficit (CAD) Still Manageable

Total Goods Exports



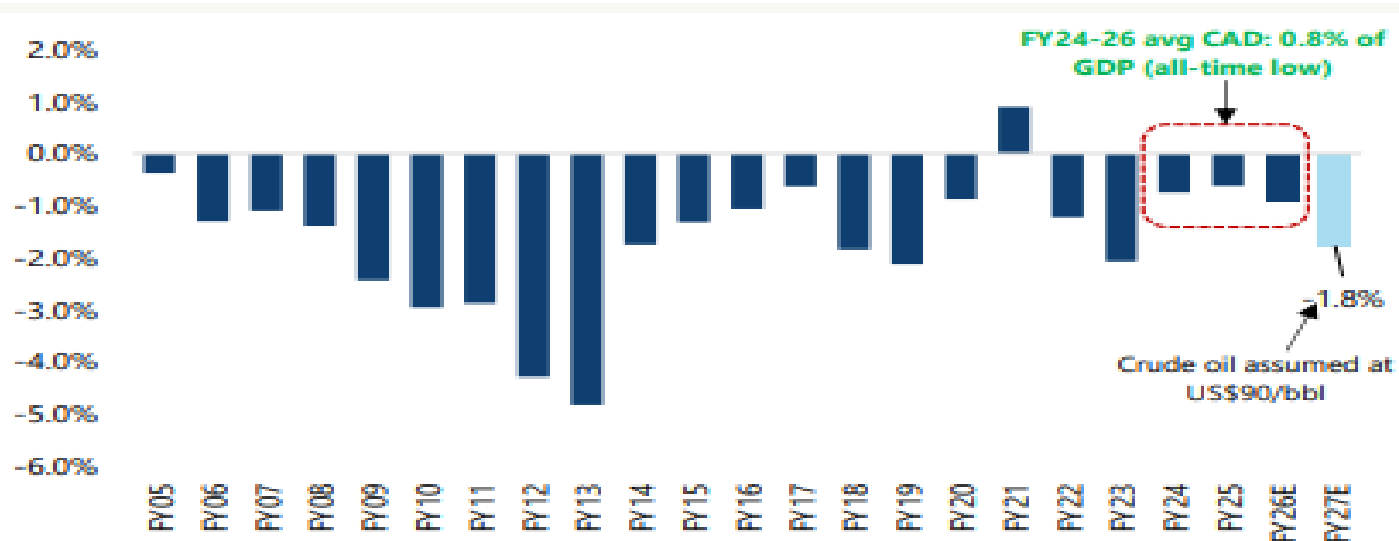
Goods export expected to grow by 7% in FY27E led by higher oil exports and electronics exports

Total Goods Imports



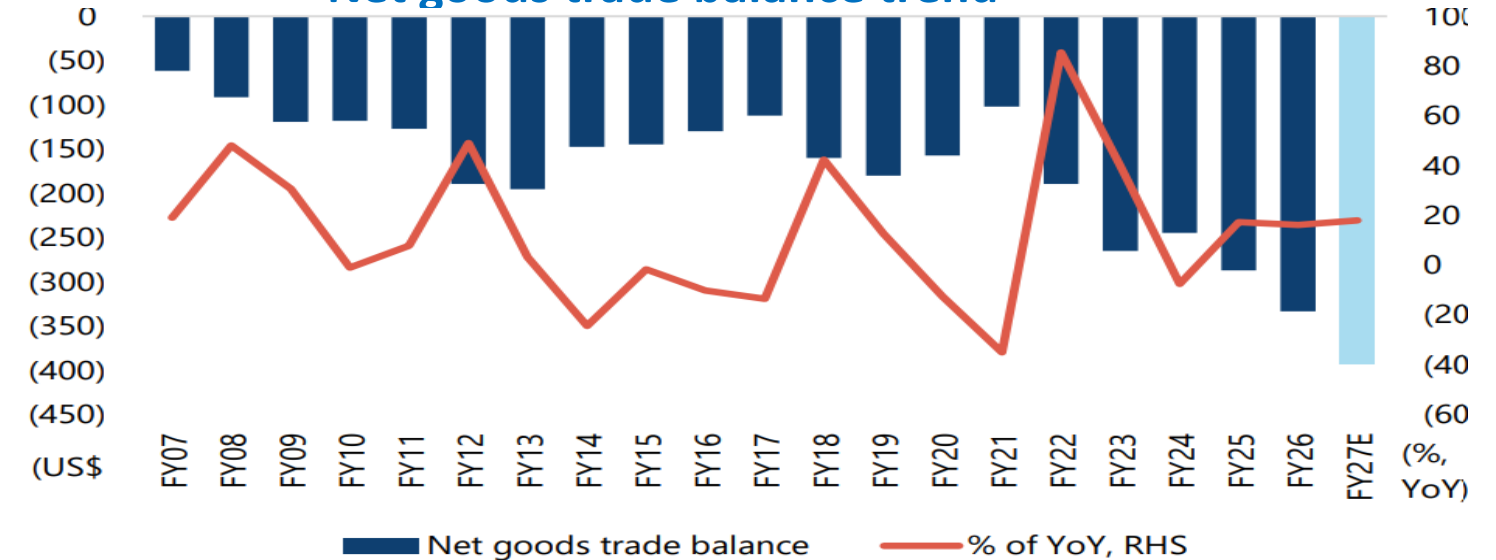
Total goods imports expected to grow by 11% YoY in FY27E majorly led by higher oil imports

Current Account Balance as a % of GDP



In the last three years (FY24-26), India's current account deficit has averaged at 0.8% of GDP - the lowest ever. Source: RBI, Jefferies

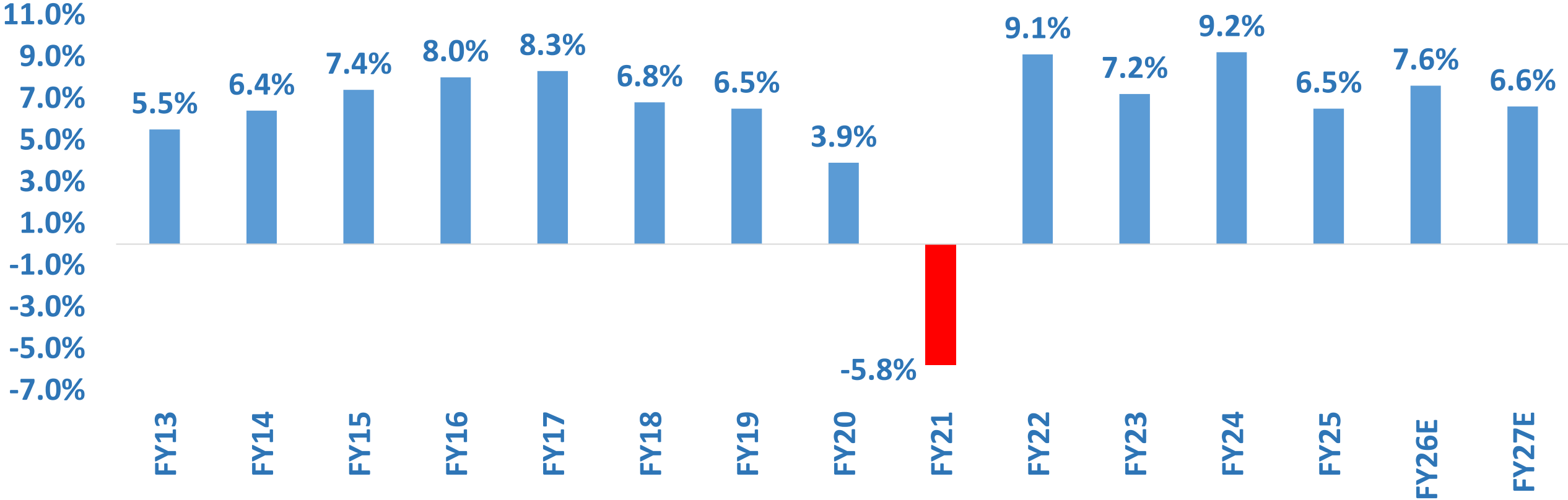
Net goods trade balance trend



Total goods imports expected to grow by 11% YoY in FY27E majorly led by higher oil imports

RBI revises downwards India's FY27 Growth Forecast to 6.6% vs 6.9%

India Fiscal Year-Wise Real GDP Growth (% YoY)

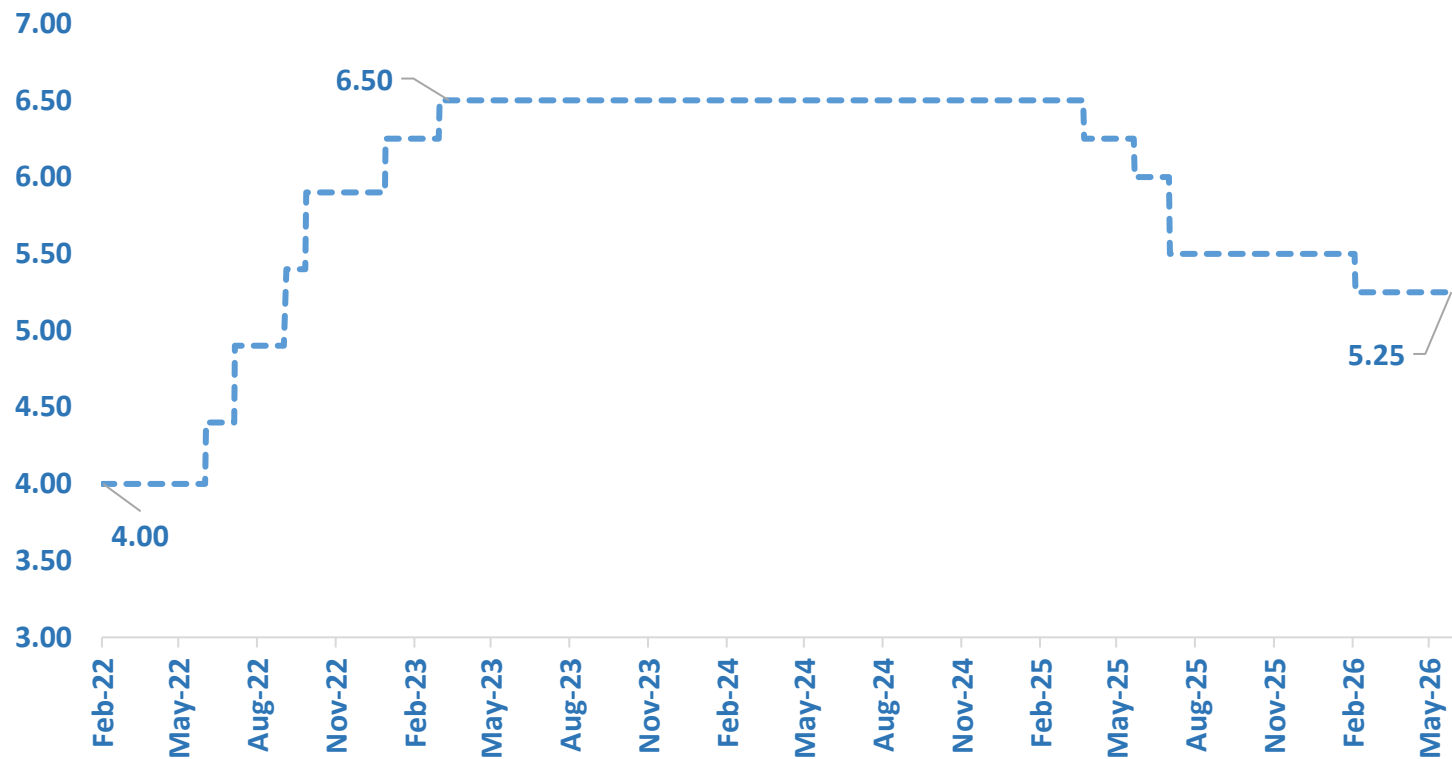


Source: RBI, MoSPI, Jefferies

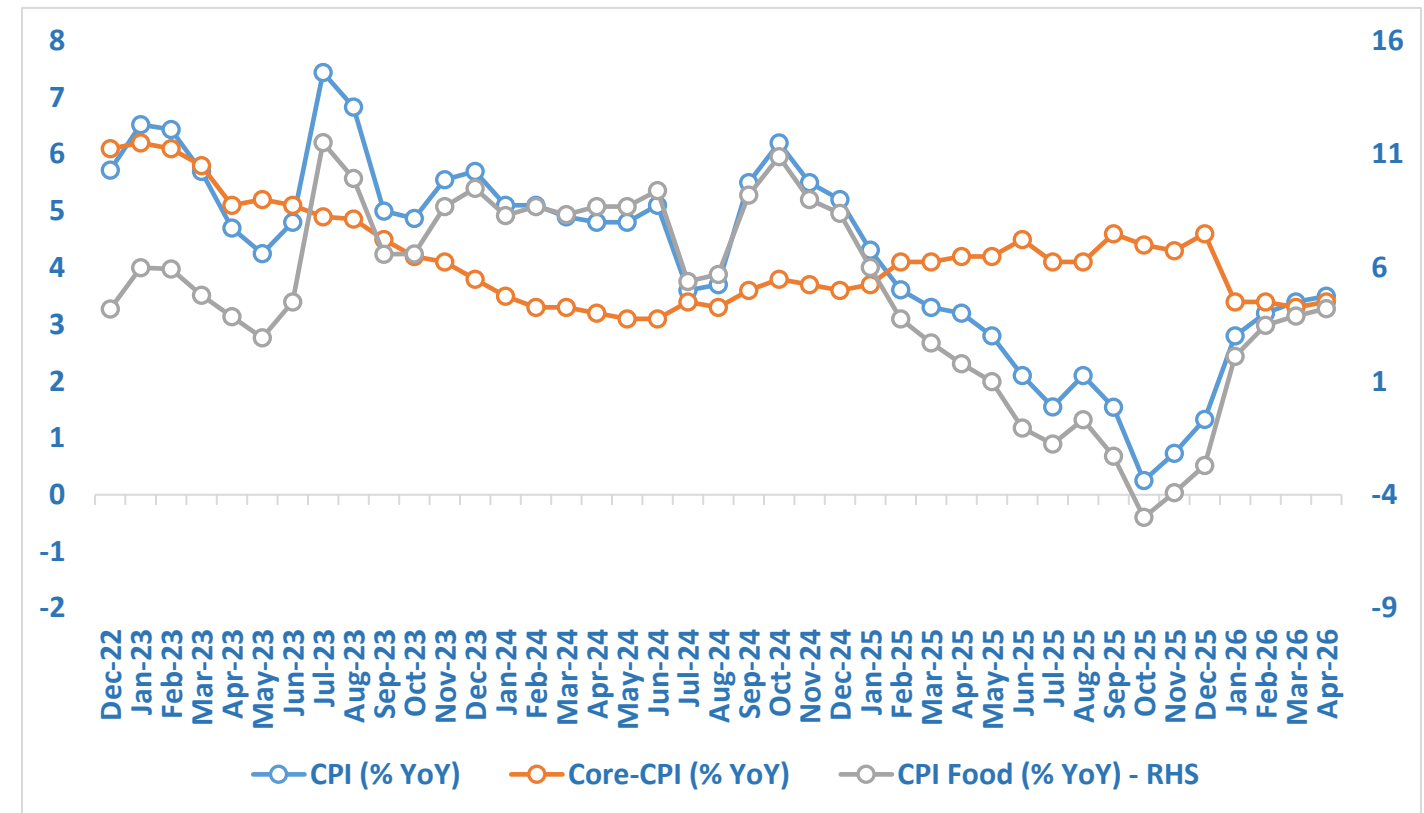
- The outlook for FY2026–27 has been moderated, with GDP growth projected at 6.6% in Q1 (vs 6.8% earlier), 6.3% in Q2 (vs 6.7%), 6.5% in Q3, and 6.8% in Q4, resulting in a full-year growth estimate of **6.6% vs 6.9% earlier (April policy)**.
- The downgrade reflects concerns around higher energy prices, supply-chain disruptions, elevated logistics costs and the risk of a below-normal monsoon.

CPI continued to be below the lower band of RBI's target,

Repo Rate Trend (in %)



Inflation Trend YoY (in %)



Source: Bloomberg, MOSPI, RBI

- The Reserve Bank of India's Monetary Policy Committee (MPC) unanimously kept the policy repo rate unchanged at **5.25%** and **maintained its neutral stance**.
- The decision reflects RBI's preference to preserve policy flexibility amid heightened geopolitical tensions, elevated energy prices, supply chain disruptions and growing uncertainty over the global growth-inflation outlook.
- On account of this outlook, RBI has raised its FY2026-27 inflation forecast to **5.1% from 4.6%** projected in April. Quarterly inflation is expected at 4.2% in Q1, 5.1% in Q2, 5.9% in Q3 and 5.4% in Q4.

10 Year G-Sec Remained Elevated

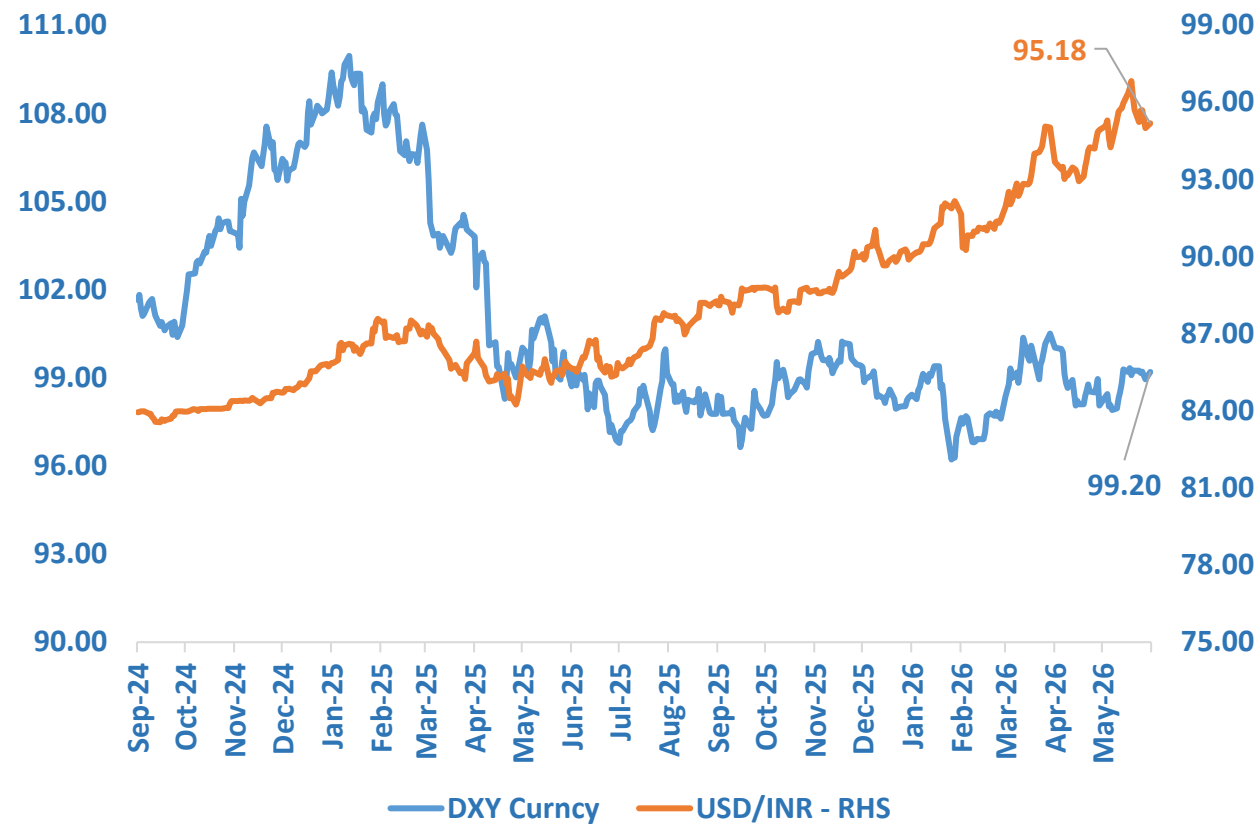


Source: Bloomberg I As on 2nd June 2026

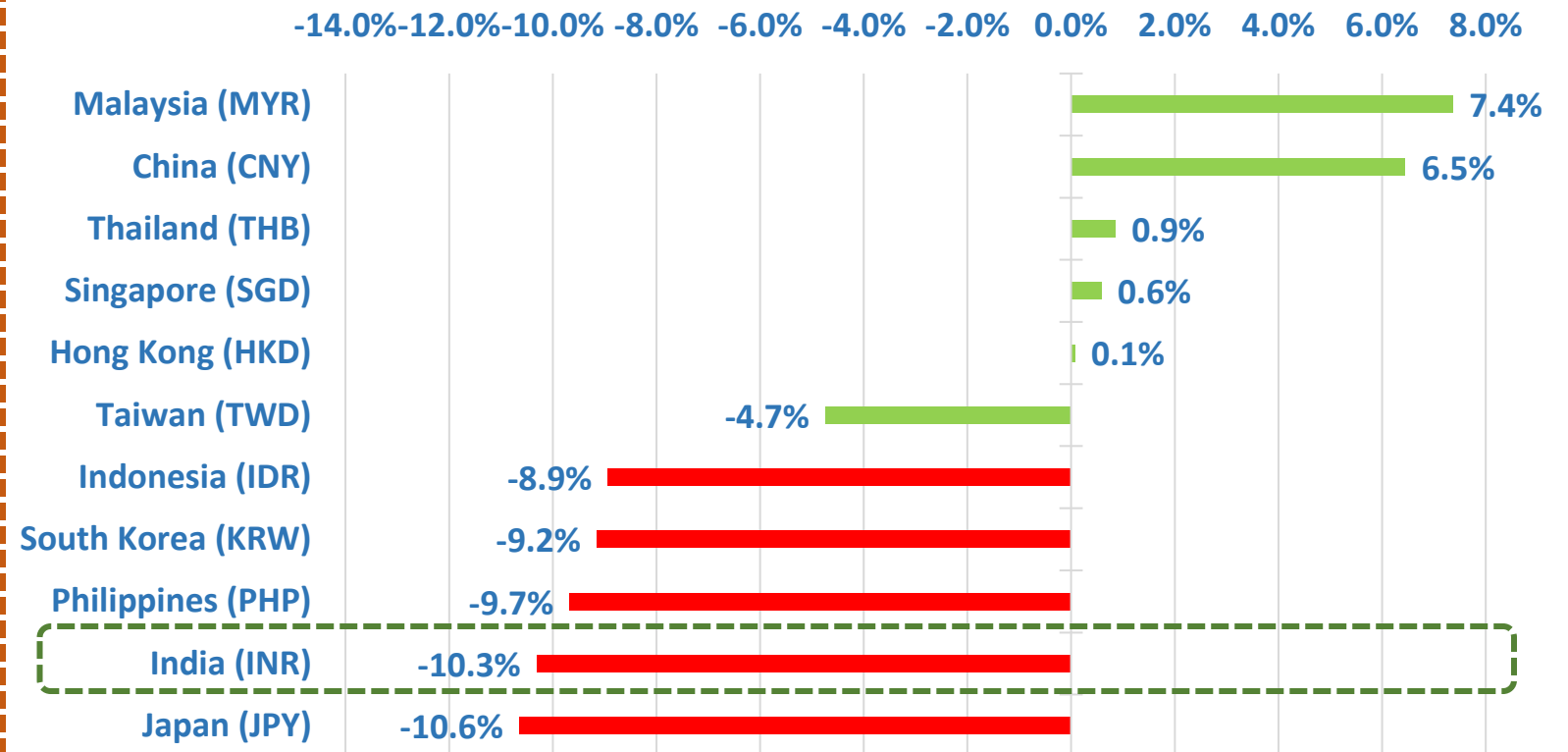
- After touching a multi-year low of ~6.25% in mid-2025, the 10-year G-Sec yield has rebounded sharply as markets reassess inflation and interest-rate expectations amid higher crude oil prices and rising geopolitical uncertainty.

INR has Significantly depreciated against the weak US dollar

INR vs DXY Index



Currency Spot Return%

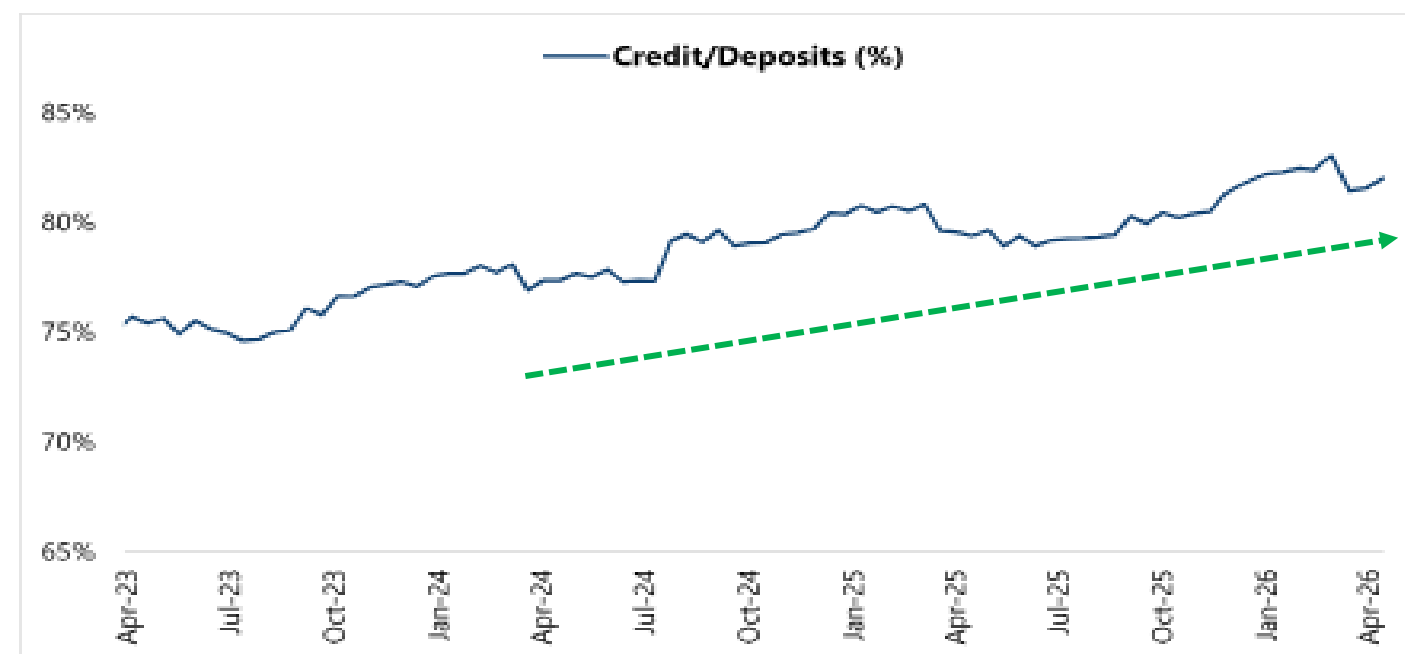
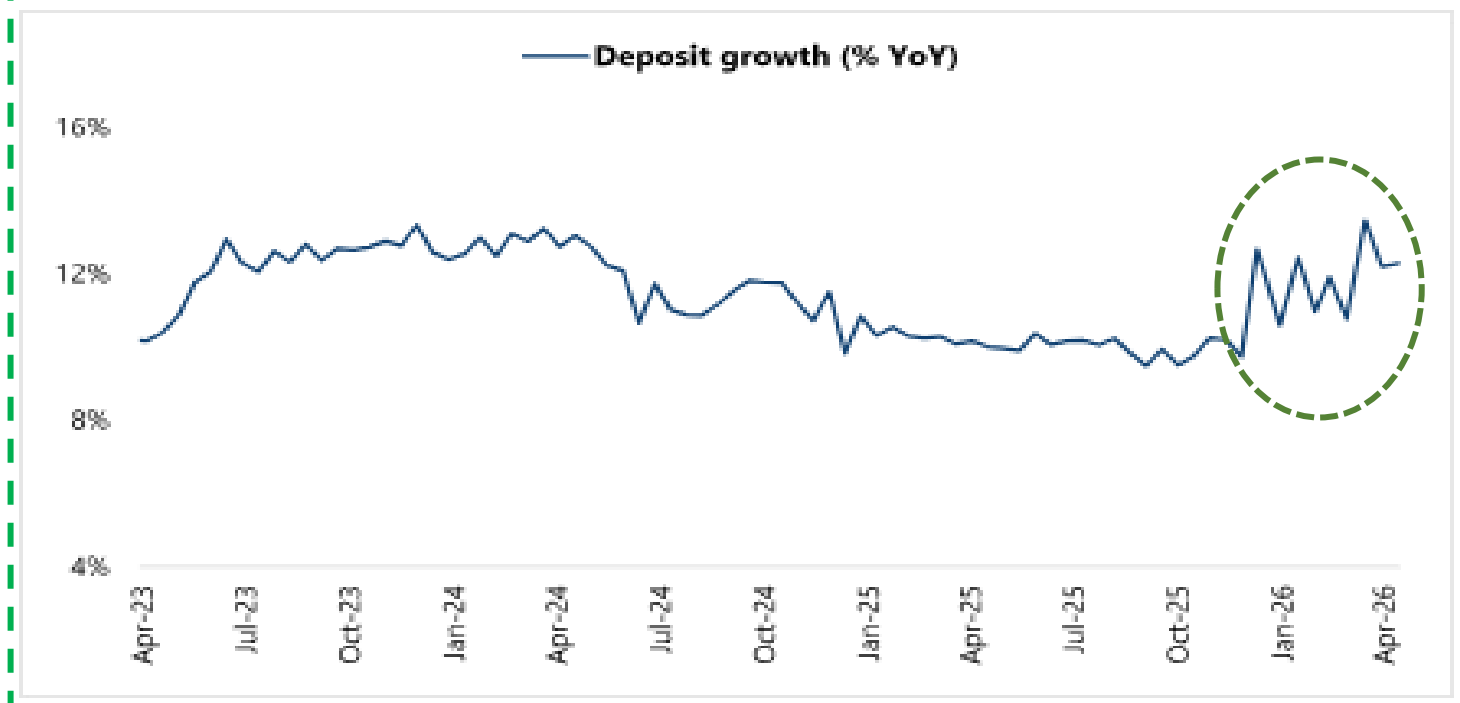
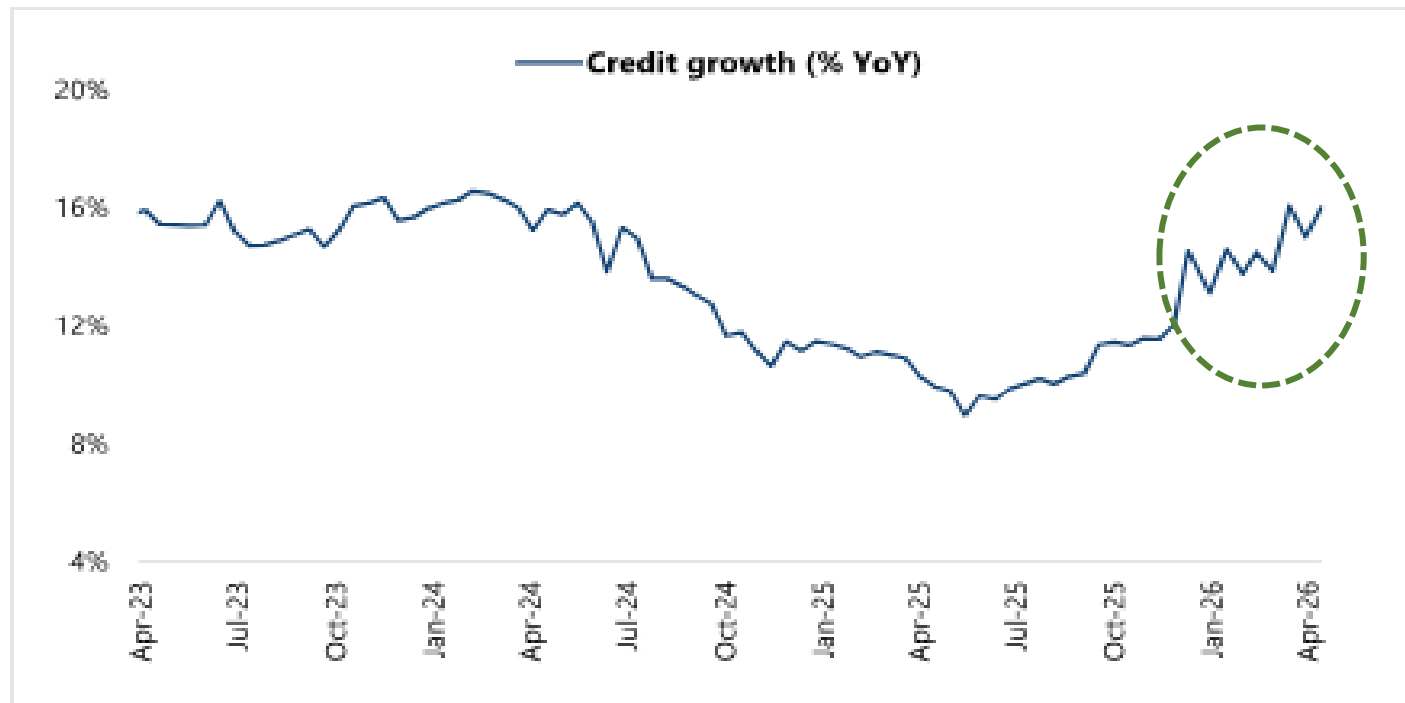


Source: Bloomberg | As on 2 June 2026

- The INR has depreciated by approximately 10% against the USD over the past 12 months, despite a relatively weak US Dollar environment (DXY below 100).
- Among major emerging-market currencies, the INR has been one of the weakest performers against the USD over the past 12 months.

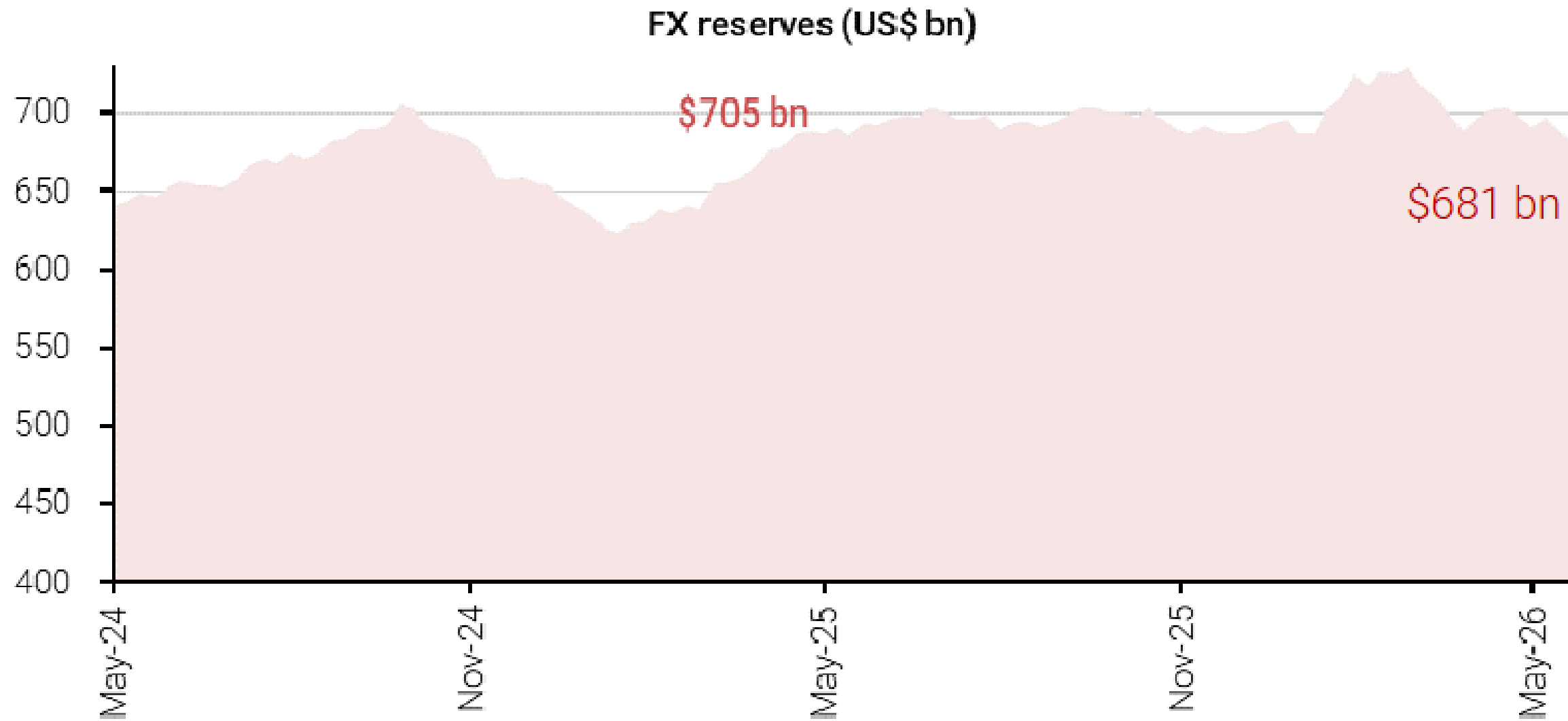
Dollar Index (DXY) is a weighted measure of the U.S. dollar's value relative to a basket of major foreign currencies, reflecting its overall strength or weakness.

Improvement in Credit growth continues, deposit growth still trailing



- Credit growth remained robust at 16%, while deposit growth moderated to 12% YoY in April 2026.
- The gap between credit and deposit growth pushed the C/D ratio up to 82%.
- Strong credit demand and a shift in household savings towards capital markets have caused deposit growth to lag loan growth, pushing the C/D ratio higher.
- Banks continued to supplement funding through short-term Certificate of Deposit (CD) issuances.

Forex Reserves – Depleting at the margin



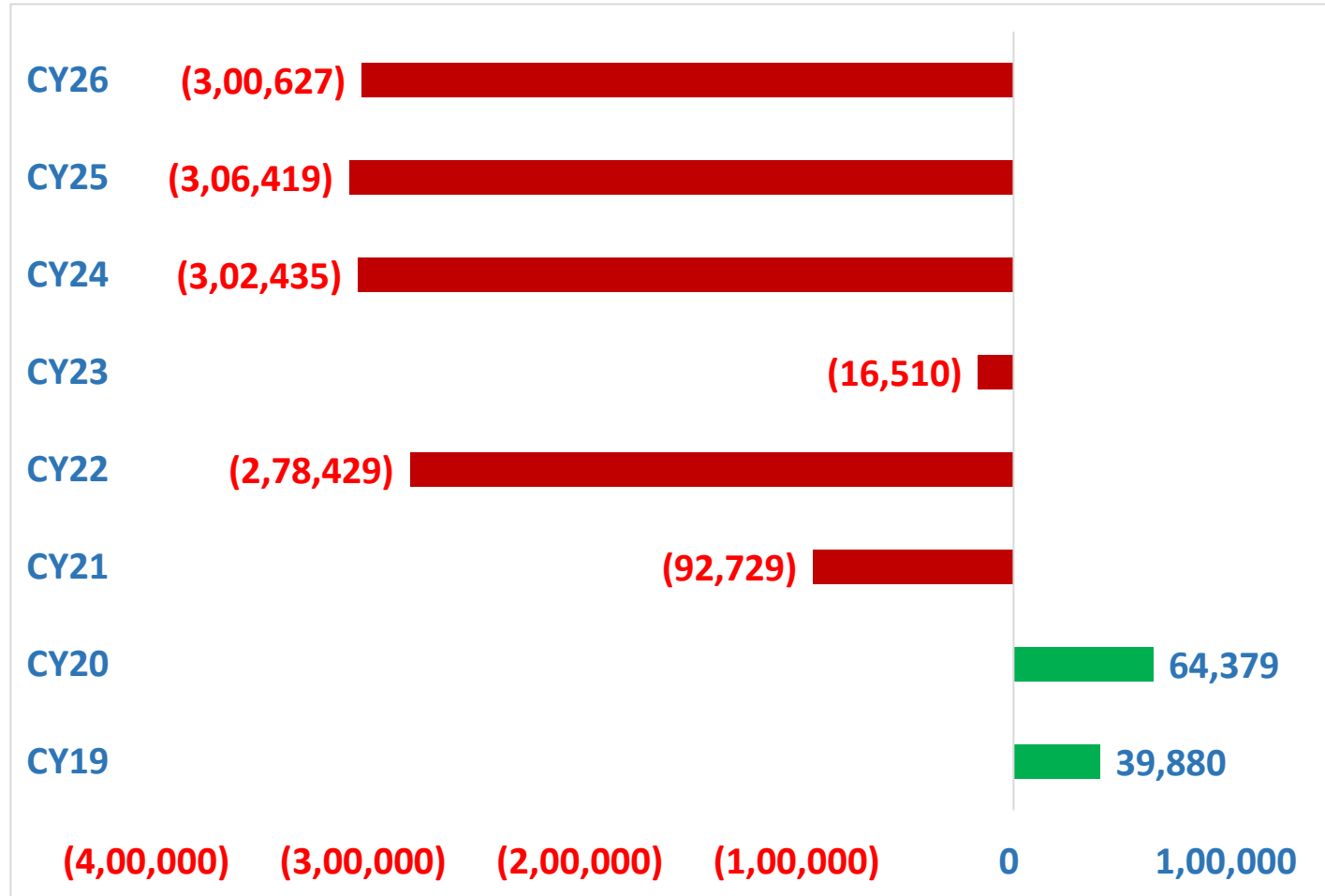
Source RBI, CEIC, Kotak Economics Research

- India's forex reserves remain at comfortable levels despite a recent decline, easing from a peak of US\$697 billion to around US\$681 billion currently.

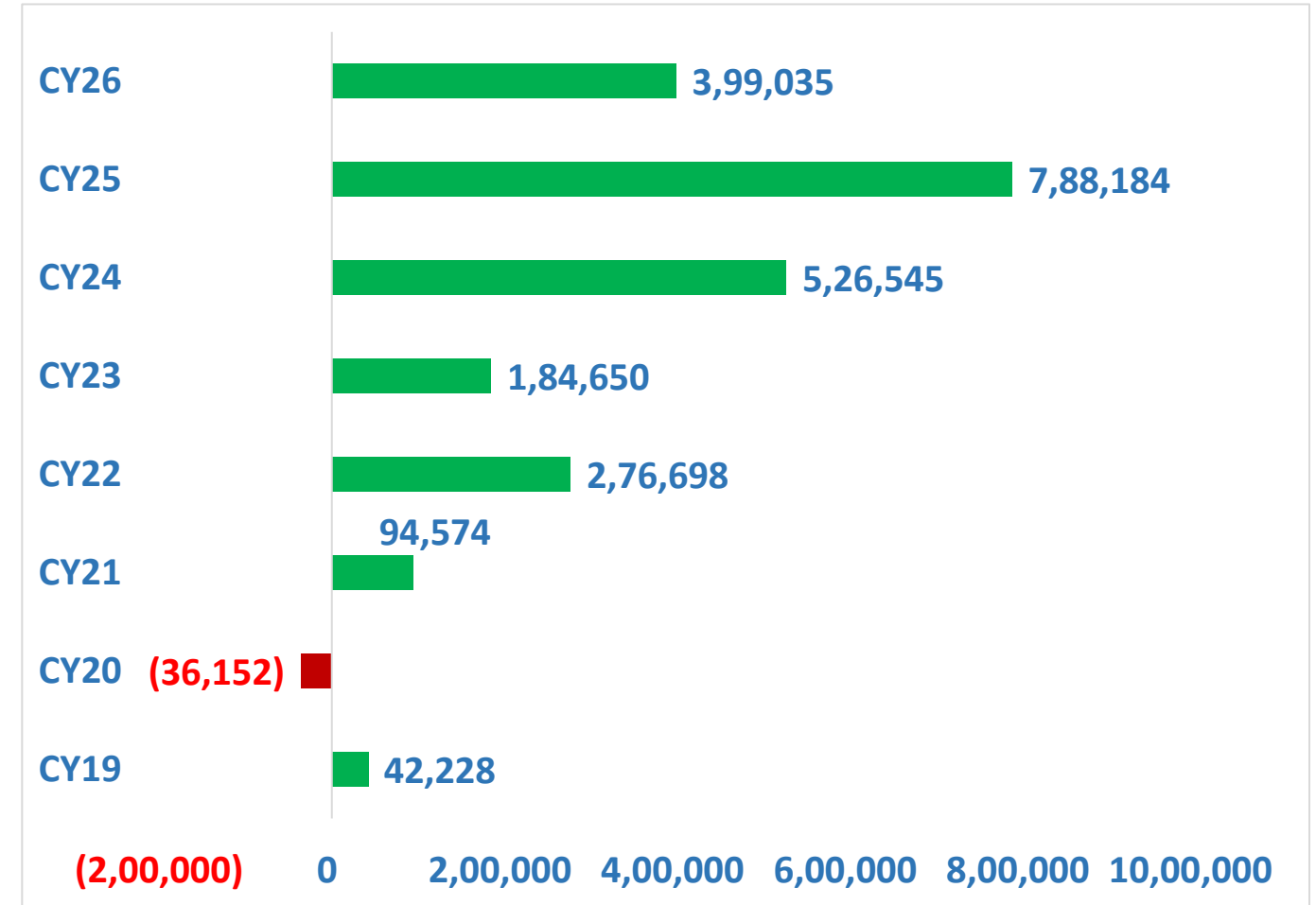
Flows

Flows – FPI selling continues

FPIs Activity (Cr.)



DIs Activity (Cr.)

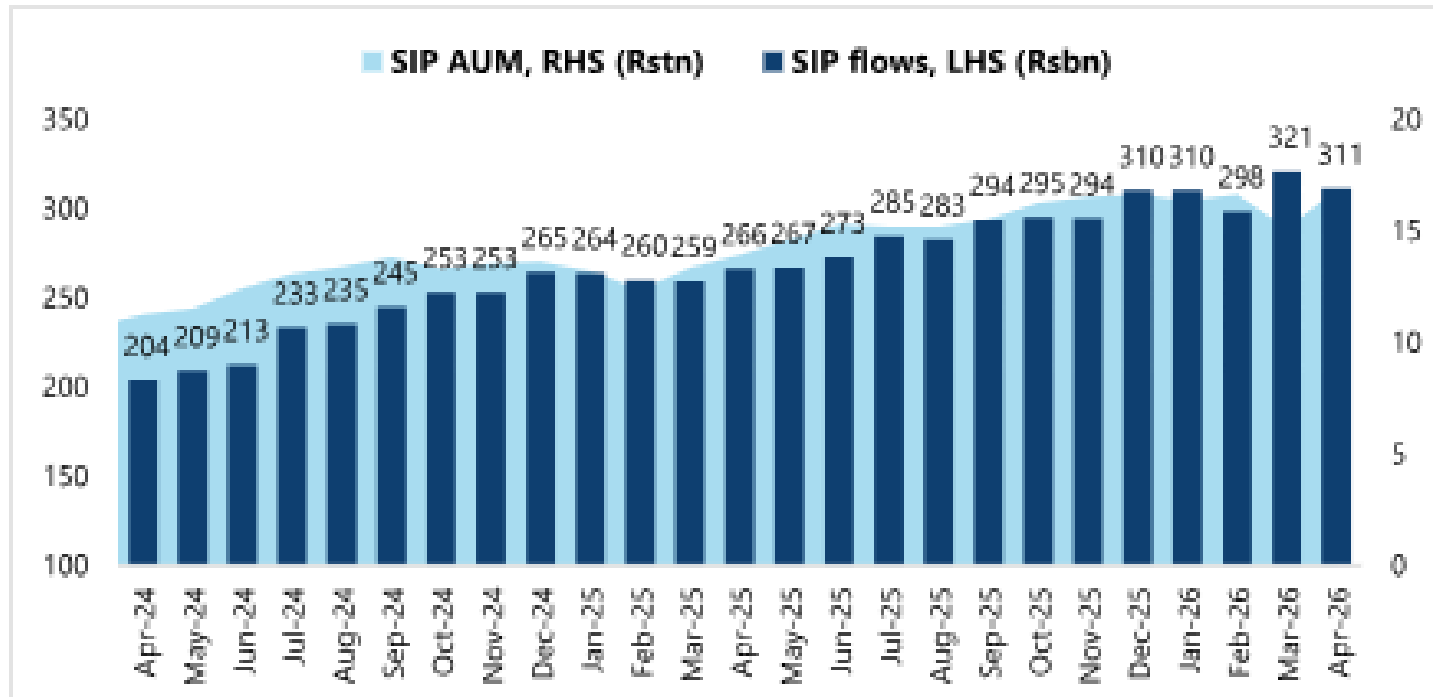


Source: SEBI, NSDL, * Till May 2026 ended

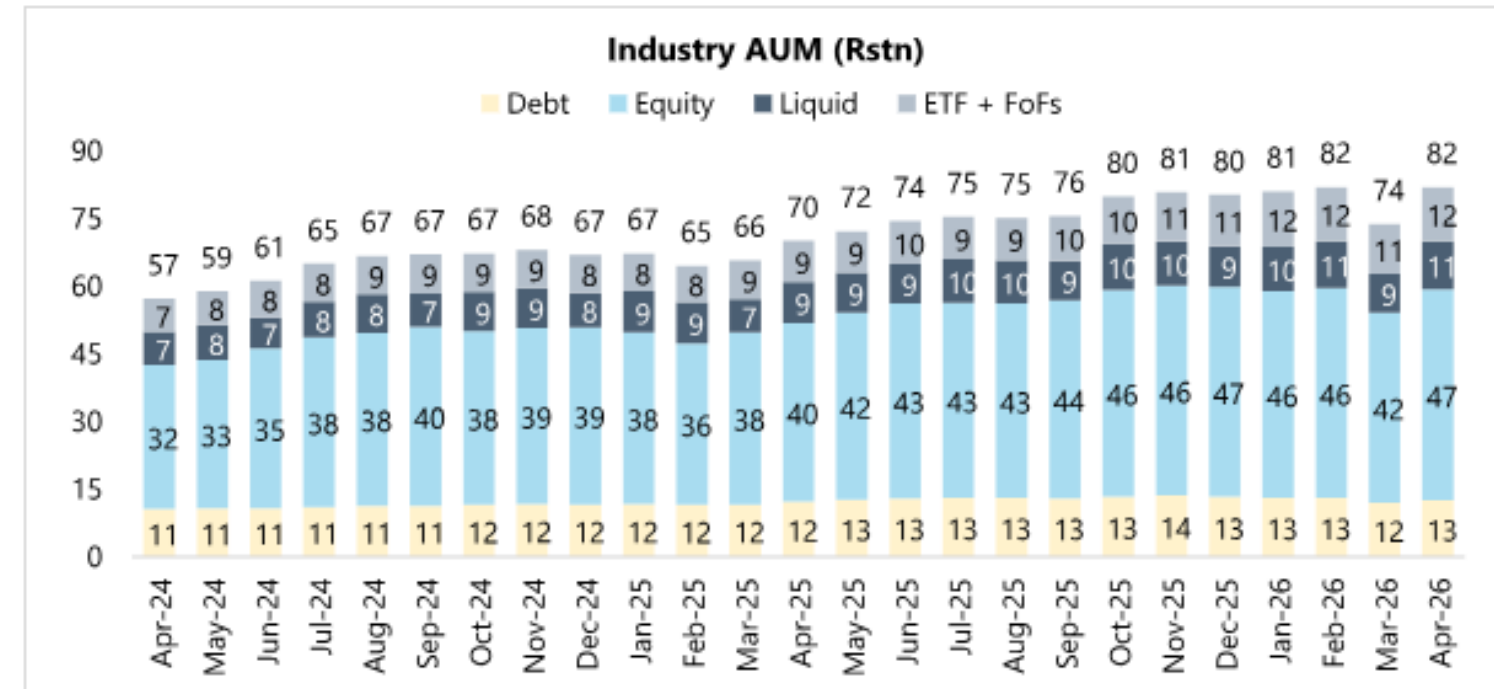
- FPIs have sold over ₹ 1 lac crores of Indian equities in just 2 months of the current financial year (FY27).
- Strong domestic participation continues to provide support, with DIs recording net inflows of over ₹93,000 crore so far in FY27, largely offsetting FPI selling pressure.

MF April - SIPs Steady; Lump-Sum Flows Elevated

Equity MFs net inflows (ex-arbitrage) (INR bn)



Overall Mutual Fund Aum (INR trn)



Source: Source: AMFI, Jefferies; Note: Equity includes arbitrage

- In Apr '26, net equity flows (ex arb & NFOs) rose 13% MoM to Rs542bn (1.4% of op AUM). SIP flows were up 17% YoY to Rs311bn, with contributing a/cs up 15%. Lump-sum flows remained elevated post the Mar '26 market correction.
- The overall Mutual Fund AUM was up 17% YoY/ to Rs 82tn, with equity AUM up 18% YoY.

Valuations

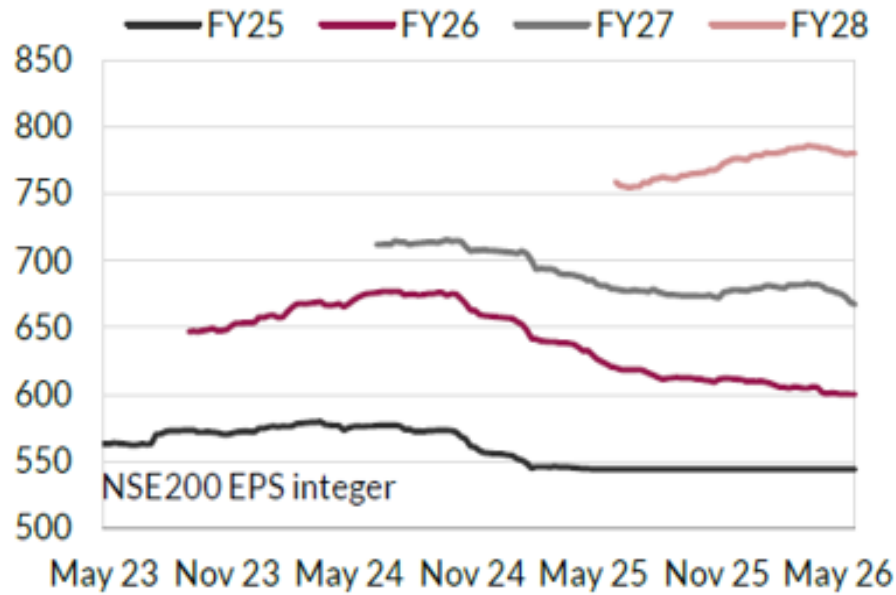
Earnings growth reasonably strong for the broader markets

| Rs in Trillion | No of Cos | Q4FY26 | | | FY26 | |
|---|------------|--------------------------------|-------|-------|---------|-------|
| | | Adj PAT (Parent's share) | YoY | QoQ | Adj PAT | YoY |
| NIFTY500 | 430 | 4.64 | 16.0% | 15.6% | 16.21 | 15.4% |
| BFSI | 92 | 1.85 | 14.5% | 10.2% | 6.62 | 10.2% |
| Non-BFSI | 338 | 2.79 | 17.1% | 19.5% | 9.59 | 19.4% |
| Non-BFSI Exc Cement, O/G, Metal/Mining | 297 | 2.03 | 11.7% | 18.2% | 7.13 | 12.0% |
| Commodities: Cement, O/G, Metal/Mining | 41 | 0.75 | 34.5% | 23.0% | 2.46 | 47.7% |
| Nifty 500 Excl Commodities | 389 | 3.89 | 13.0% | 14.3% | 13.75 | 11.1% |

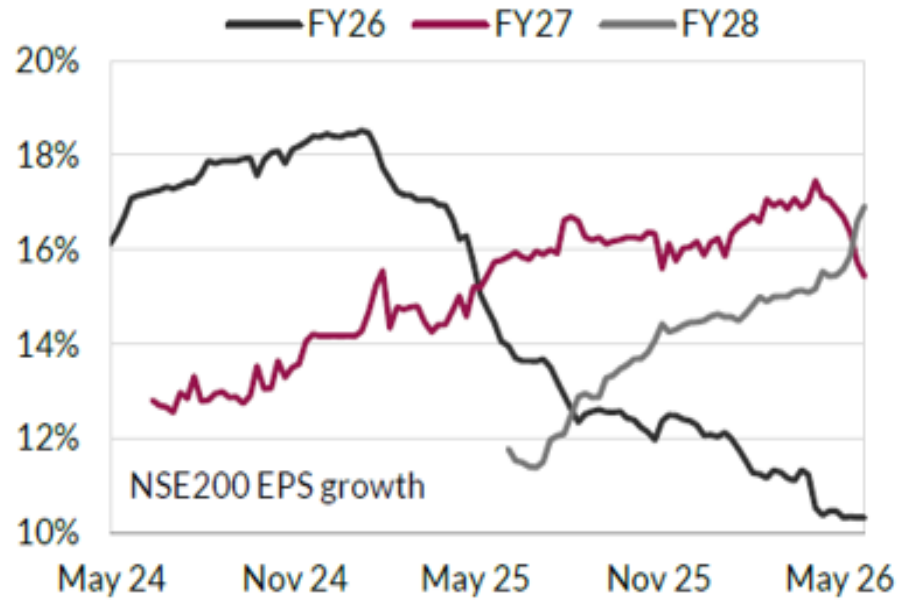
Source: Bloomberg | Capitaline

- Broader markets (Nifty500) have reported a decent 16% earnings growth in FY26 as well as Q4FY26
- However, Nifty50 companies reported earnings growth of only ~5% in FY26. This was the second successive year of single digit earnings growth.

FY27 earnings are getting revised downwards, more to come



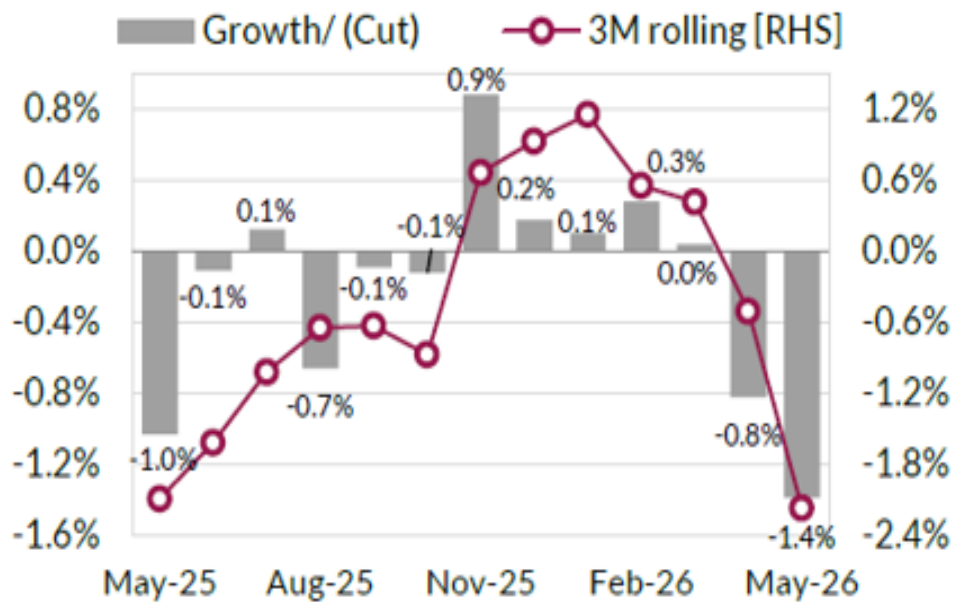
Source: Refinitiv, Axis Capital; 196 companies from NSE200



Source: Refinitiv, Axis Capital; 196 companies from NSE200

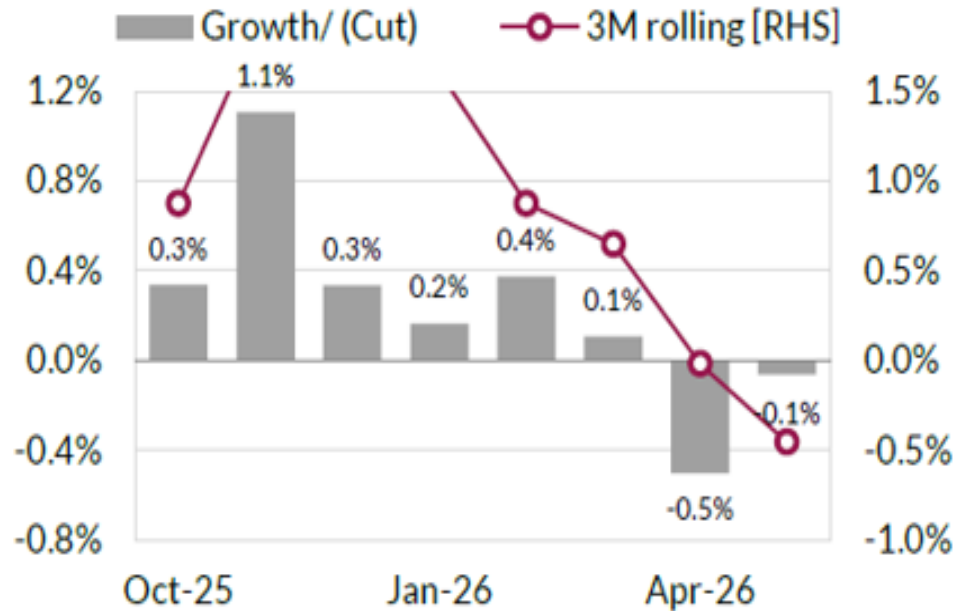
- FY27 earnings have been revised downwards by 2-3% since the start of the war.
- We believe there is further downside risk to these estimates as the war prolongs.

Monthly earnings cuts - FY27



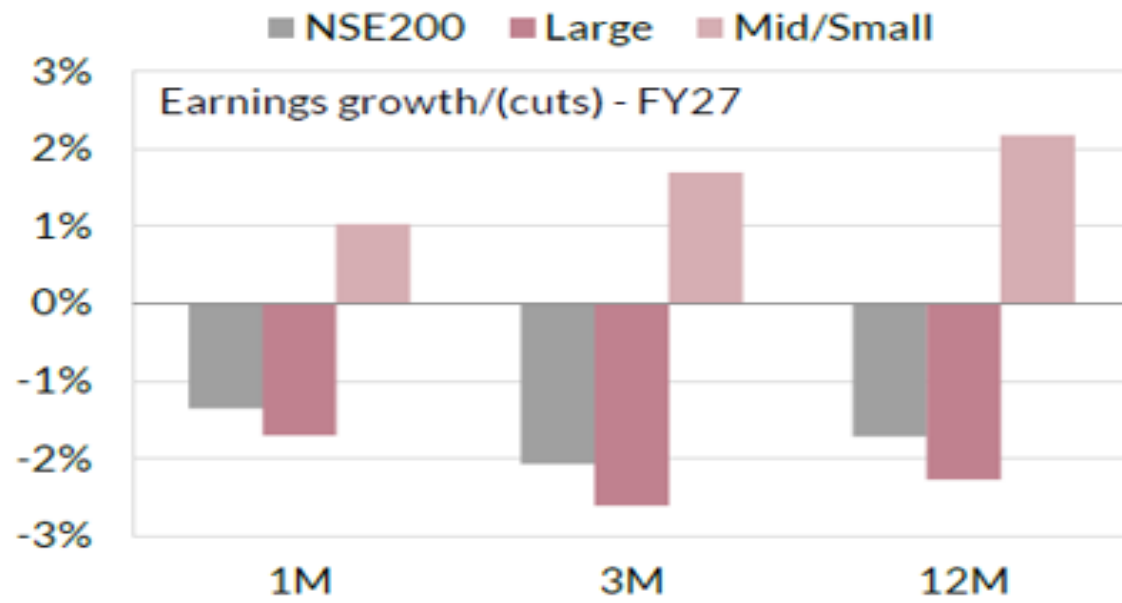
Source: Refinitiv, Axis Capital; 196 companies from NSE200

Monthly earnings cuts - FY28

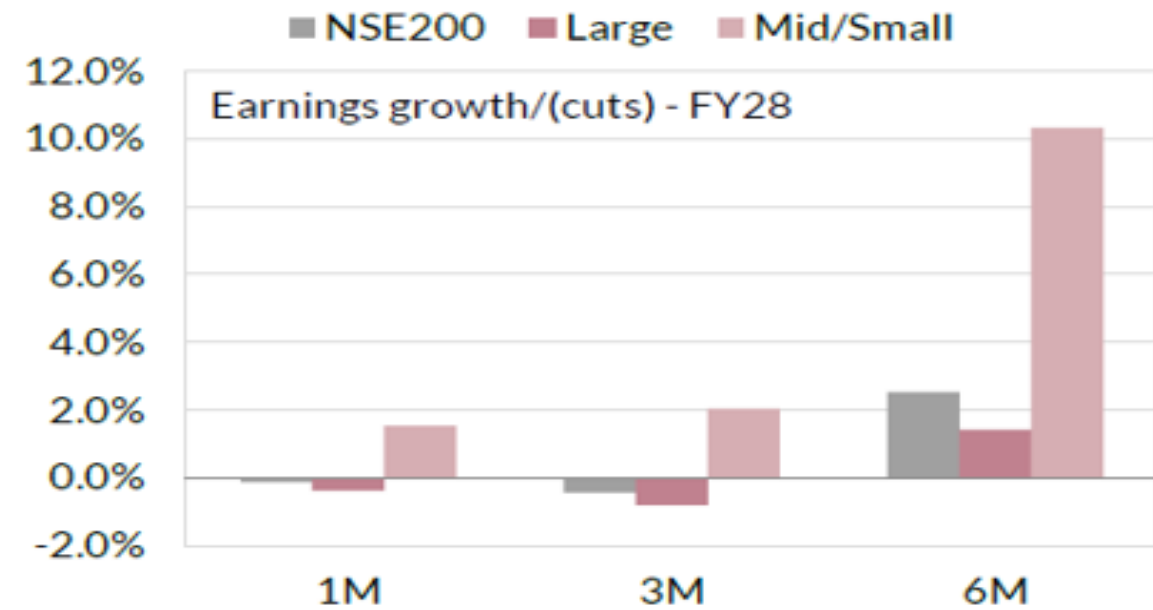


Source: Refinitiv, Axis Capital; 196 companies from NSE200

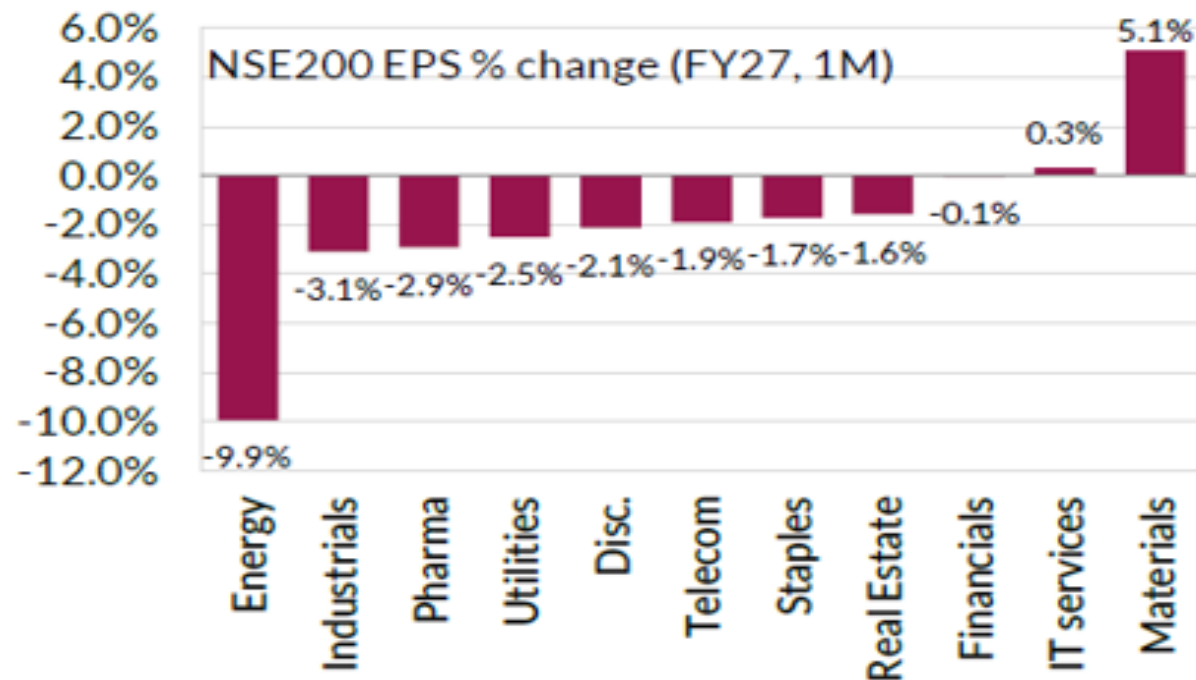
Large Caps Led Cuts to FY27 in May



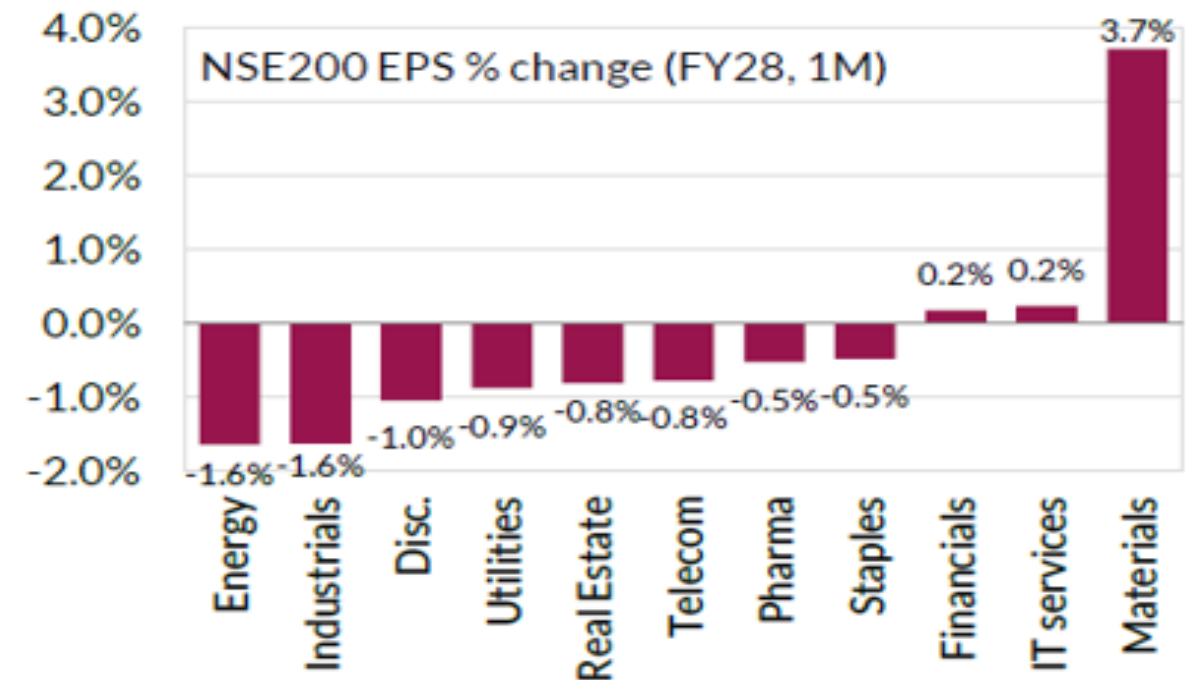
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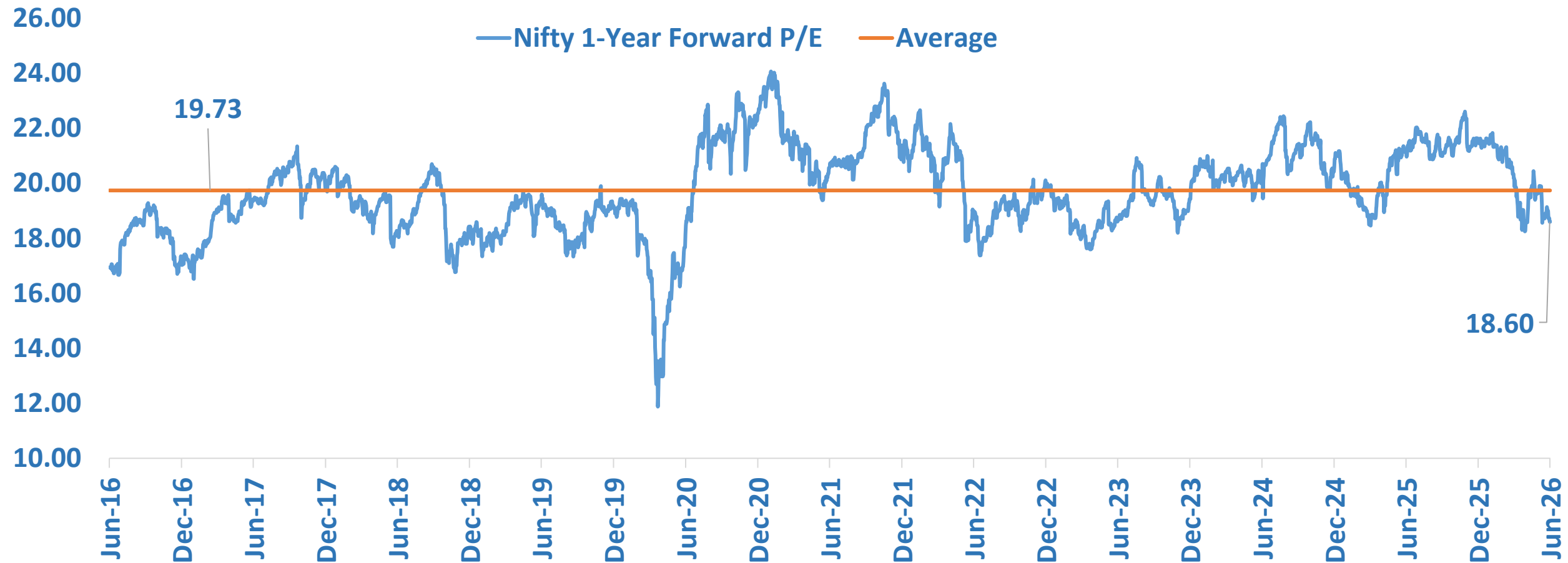


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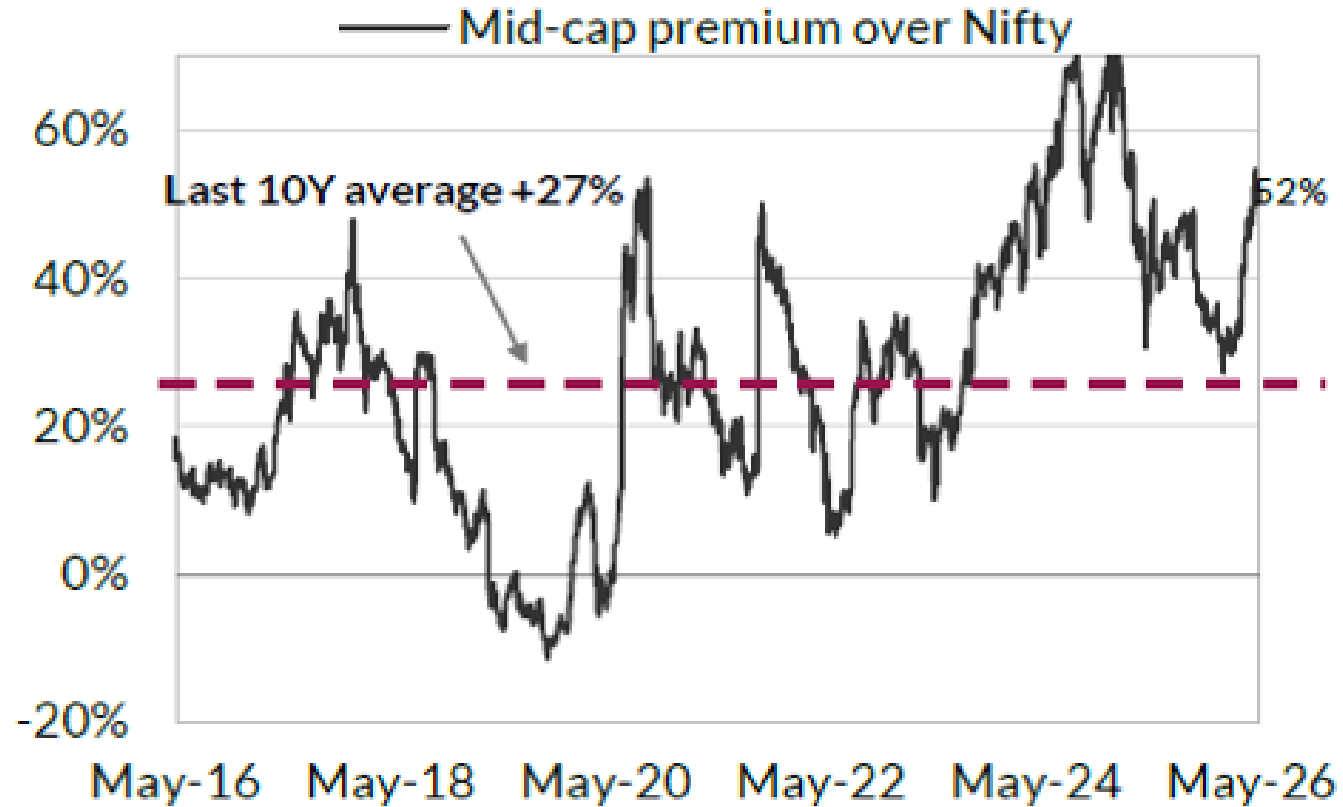
Large cap (Nifty50) Valuations Are Reasonable



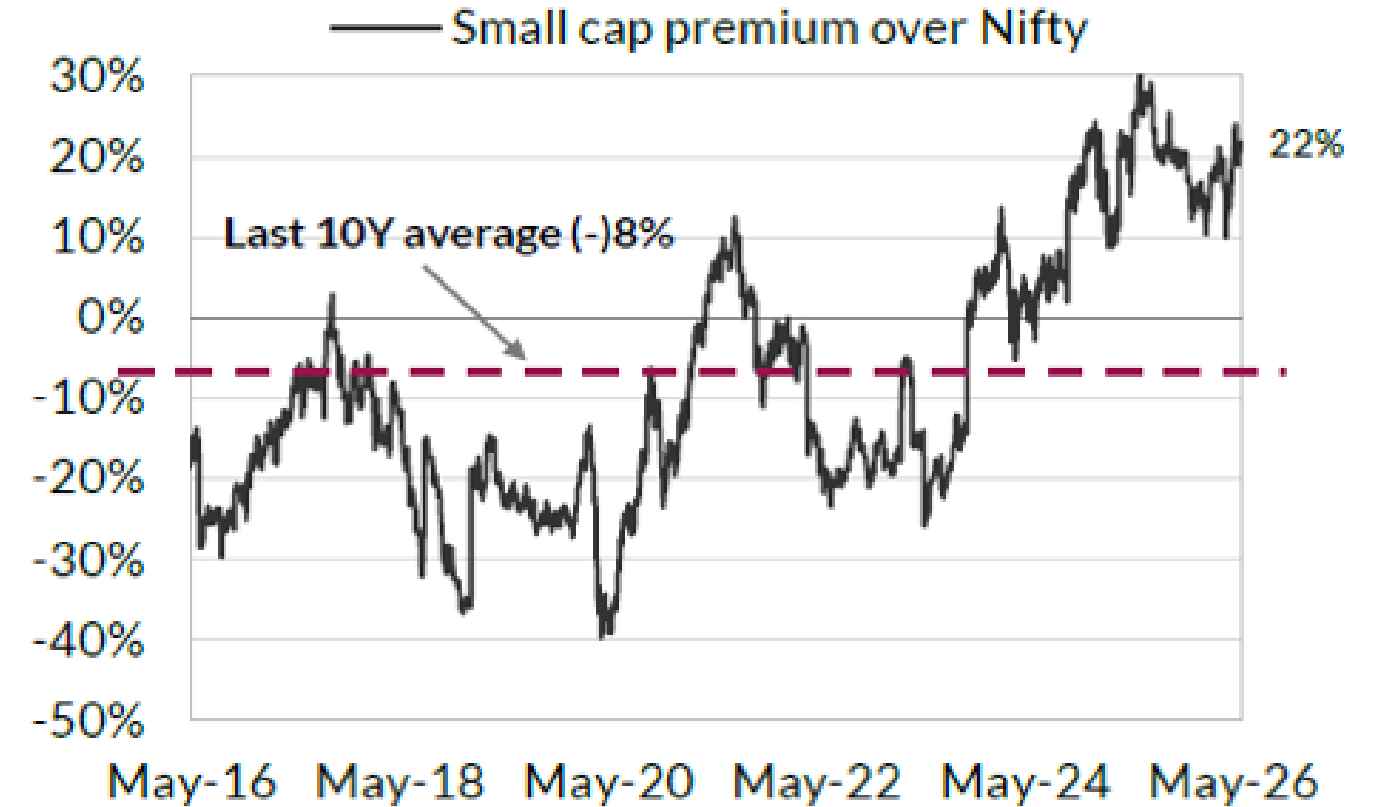
Source: Bloomberg | Bajaj Life Research

- The Nifty is trading at a 12-month forward P/E ratio of 18.60x, the valuations are reasonable, lower than its long term average of 19.73 x.

Mid & Small Cap Premium Rose



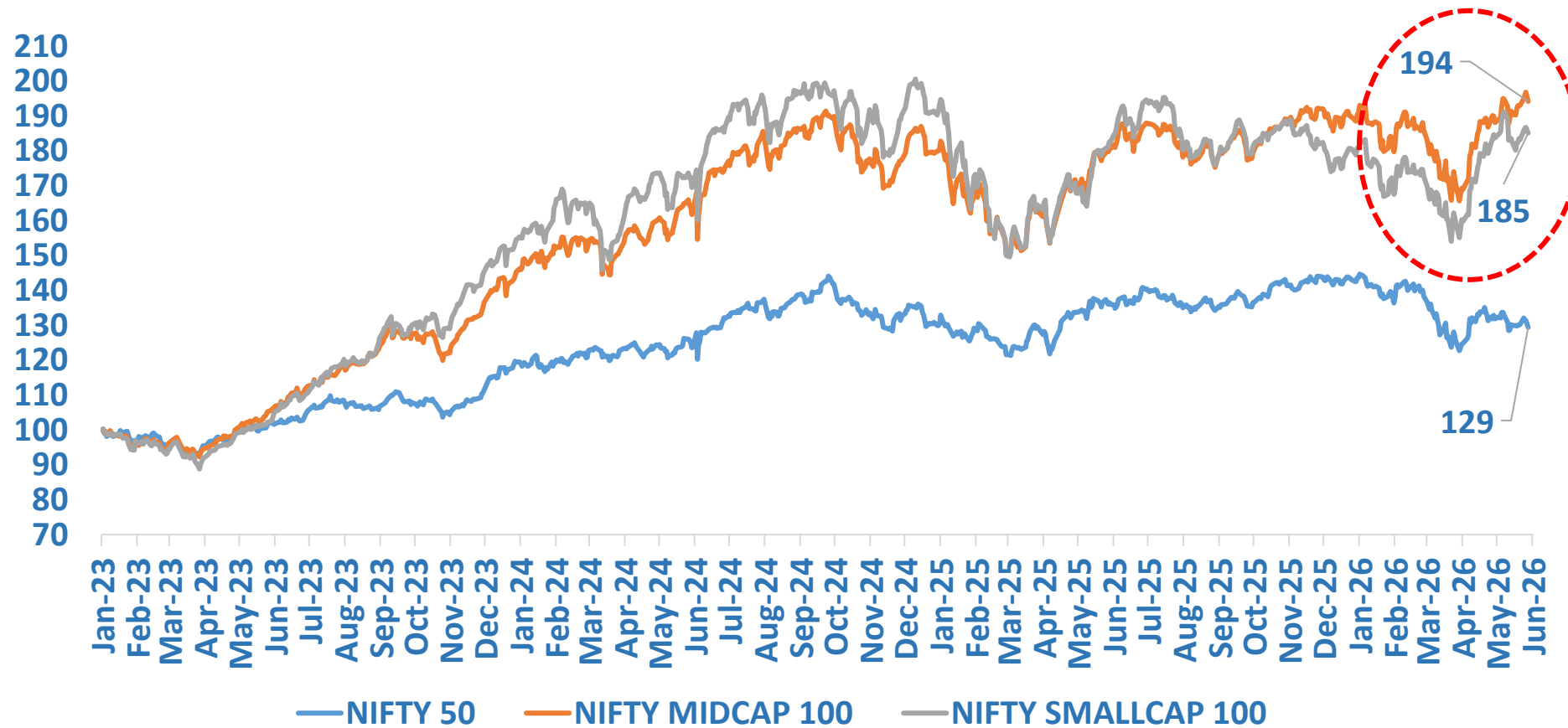
Source: Bloomberg, Axis Capital



Source: Bloomberg, Axis Capital

- Post the outperformance in recent months, valuations of Mid & Small caps have again risen well beyond their historical averages.

Mid & Small Caps Continue to Outperform Large Cap



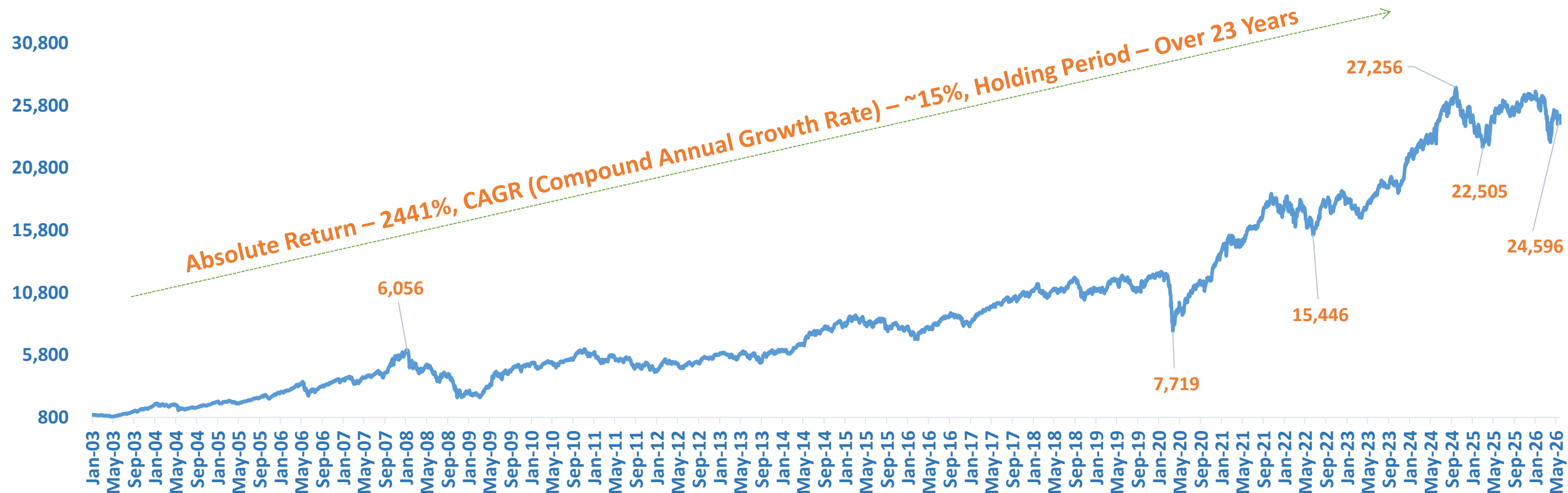
Source: Bloomberg, NSE, Bajaj Life Research, As on 2st June 2026

| Index | P/E (Price/Earnings Per Share) |
|---------------------|--------------------------------|
| Nifty 50 | 20.27 |
| Nifty Mid Cap 100 | 29.76 |
| Nifty Small Cap 100 | 30.54 |

Source: NSE Factsheet as on 29-May-2026

- **Mid- and Small-caps have rebounded strongly in the past two months after a steep correction in Mar'26.**
- **Sustained Mid & Small Cap Outperformance:** Since January 2023 (3 years plus), Mid and Small Cap indices have significantly outperformed the Nifty 50. Mid Caps are up 94% and Small Caps 85%, compared to a 29% return for the Nifty 50.
- Mid and Small Cap indices continue to trade at historically high Price-to-Earnings (P/E) ratios, suggesting further room for correction.

Equity remains best asset class from a risk, return, liquidity construct

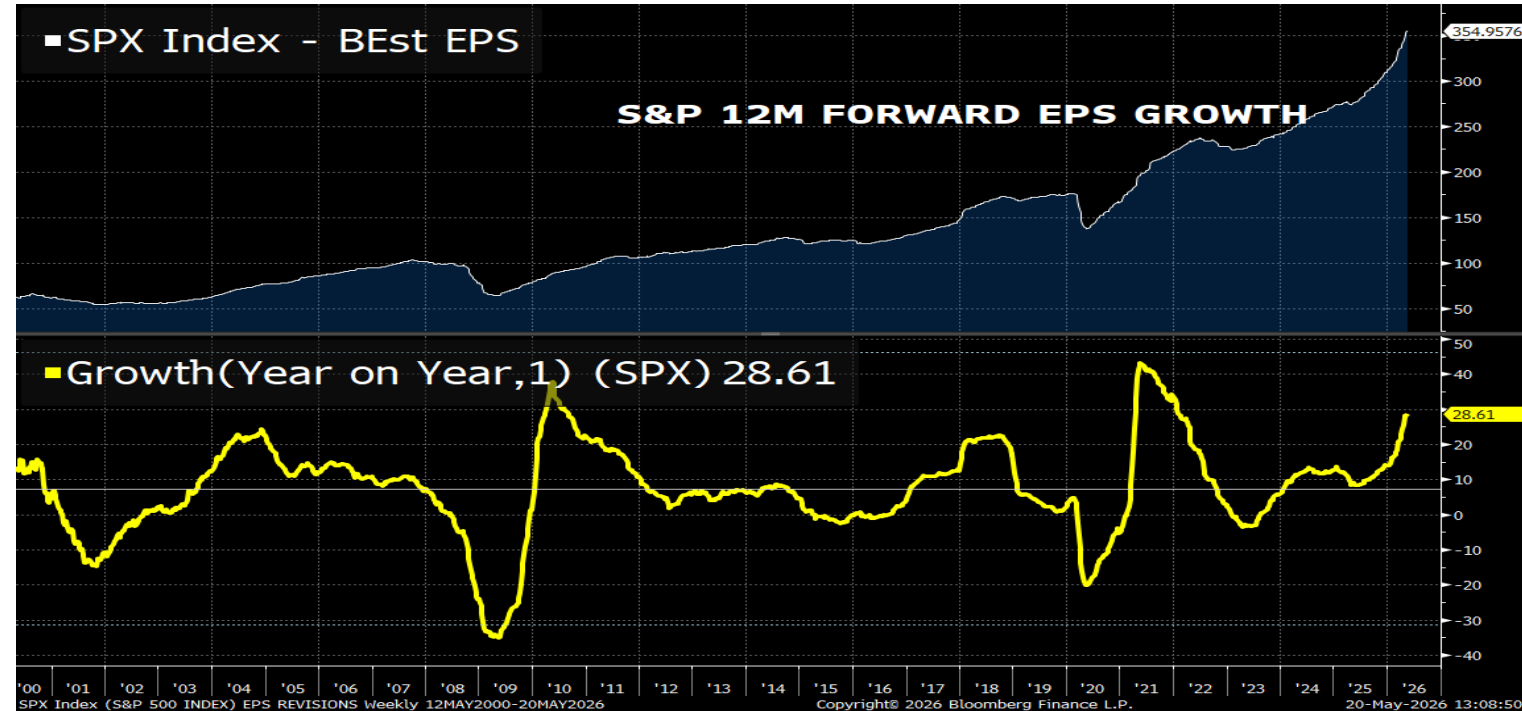
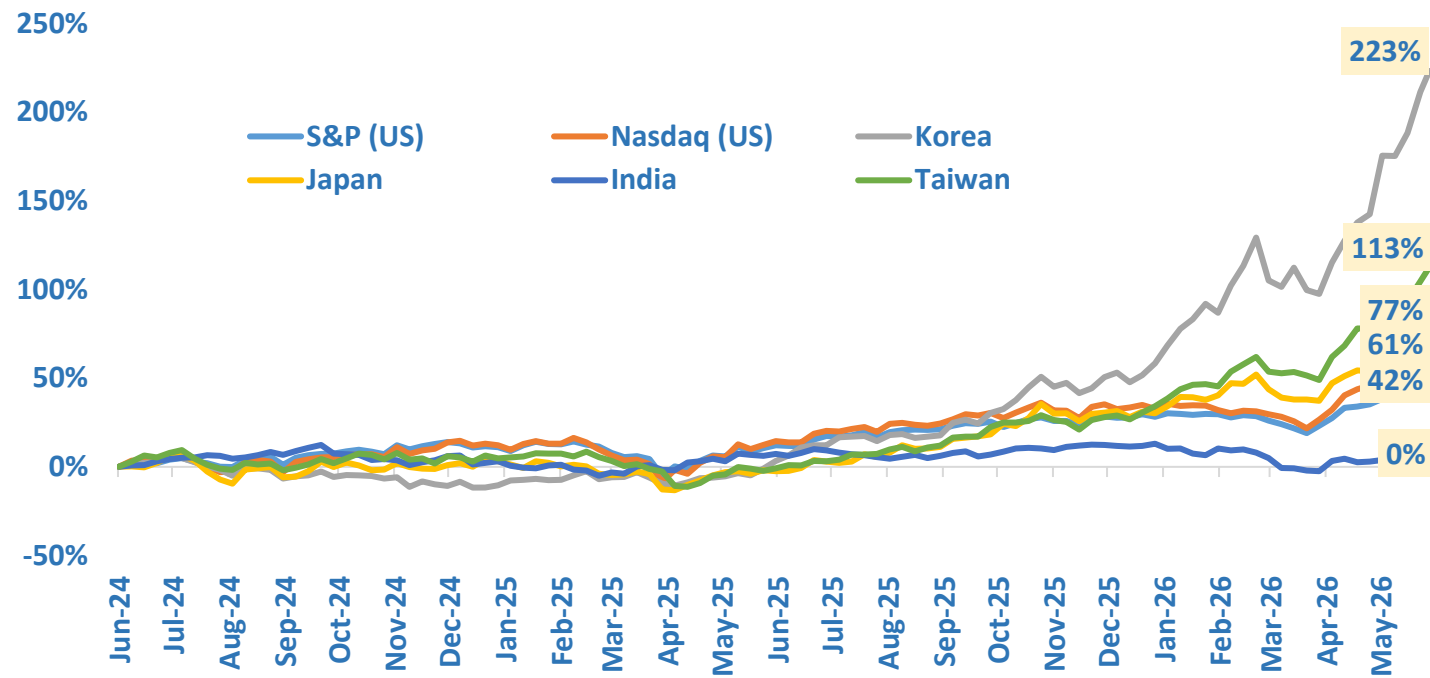


Source: NSE | Bajaj Life Research, As on 2 June 2026

- Equities (Nifty 100 Index) continue to outperform other asset classes (Debt, Hybrid, Real Estate) over the long term.
- Despite short-term volatility, the Nifty 100 Index has consistently recovered from major downturns, highlighting the potential of long-term investing.

Market Outlook & View

Global Equity Leadership Is Being Driven by the AI Investment Cycle



| Company | 2025 Capex | 2026 Capex | YoY Growth | Key Driver | Notable Detail |
|---|------------|------------|------------|---------------|---------------------------|
|  AWS | \$131B | \$200B | ~53% | AWS AI Infra | \$142B ARR Run Rate |
|  Google | \$91B | \$175-185B | ~100% | Cloud/AI | \$240B+ Cloud Backlog |
|  Microsoft | \$65B* | \$120B+ | ~85% | Azure AI | \$80B Unfulfilled Backlog |
|  Meta | \$72B | \$115-135B | ~73% | AI Clusters | 5 GW Facility Planned |
|  ORACLE | \$21B | \$50B | ~136% | OCI Expansion | \$523B Perf. Obligations |

Microsoft FY ends June; figure is FY2025. FY2026 estimate based on quarterly run rate.

Source: Futurum Research, February 2026

- Global AI beneficiaries have outperformed India, led by Korea, Taiwan and the US technology sector.
- The US equity rally is increasingly earnings-led, with S&P 500 forward EPS growth accelerating to ~29%, supporting market performance.
- ~\$700 billion of hyperscaler AI CapEx is driving the next leg of technology-led growth.

Many Emerging markets witnessing earnings resurgence

| Market | MSCI EM | | Index Level 5/28/2026 | EPS Growth (%) | |
|-----------------|------------|----------------|--------------------------|----------------|------------|
| | Weight (%) | Index | | CY2026 | CY2027 |
| China | 20.6% | MXCN | 77 | 12% | 14% |
| Korea | 22.5% | KOSPI | 8,185 | 130% | 12% |
| Brazil* | 3.9% | IBOV | 175,063 | 20% | 10% |
| South Africa | 3.0% | JSE 40 | 107,235 | 33% | 9% |
| Greece | 0.5% | ASE | 2,348 | 13% | 9% |
| Hungary* | 0.3% | BUX | 131,453 | 13% | 8% |
| Taiwan | 26.3% | TWSE | 43,636 | 28% | 22% |
| India | 11.0% | NIFTY | 23,907 | 8% | 13% |
| Saudi Arabia | 2.4% | SASEIDX | 11,028 | 5% | 10% |
| Mexico | 1.8% | MEXBOL | 68,866 | 11% | 6% |
| UAE | 1.1% | DFMGI | 5,757 | -2% | 15% |
| Malaysia | 1.0% | FBMKLCI | 1,685 | 8% | 8% |
| Chile* | 0.4% | IPSA | 10,897 | -7% | 6% |
| Turkey | 0.4% | XU100 | 13,663 | 18% | 33% |
| Colombia | 0.1% | COLCAP | 2,183 | 2% | 8% |
| Egypt | 0.1% | EGX30 | 52,659 | -1% | 8% |
| Poland* | 1.0% | WIG | 136,224 | 3% | 9% |
| Thailand | 1.0% | SET | 1,569 | -2% | 6% |
| Indonesia | 0.6% | JCI | 6,130 | 6% | 8% |
| Kuwait | 0.5% | MSCI Kuwait | 992 | -5% | 5% |
| Qatar | 0.5% | DSM | 10,592 | -6% | 6% |
| Philippines | 0.3% | PCOMP | 5,860 | 2% | 9% |
| Peru | 0.4% | MSCI Peru | 3,649 | 18% | 3% |
| Czech Rep. | 0.1% | PX | 2,522 | 7% | -2% |
| EM (USD) | | MSCI EM | 1,725 | 45% | 19% |

Headline index level EPS integer continues to be revised higher

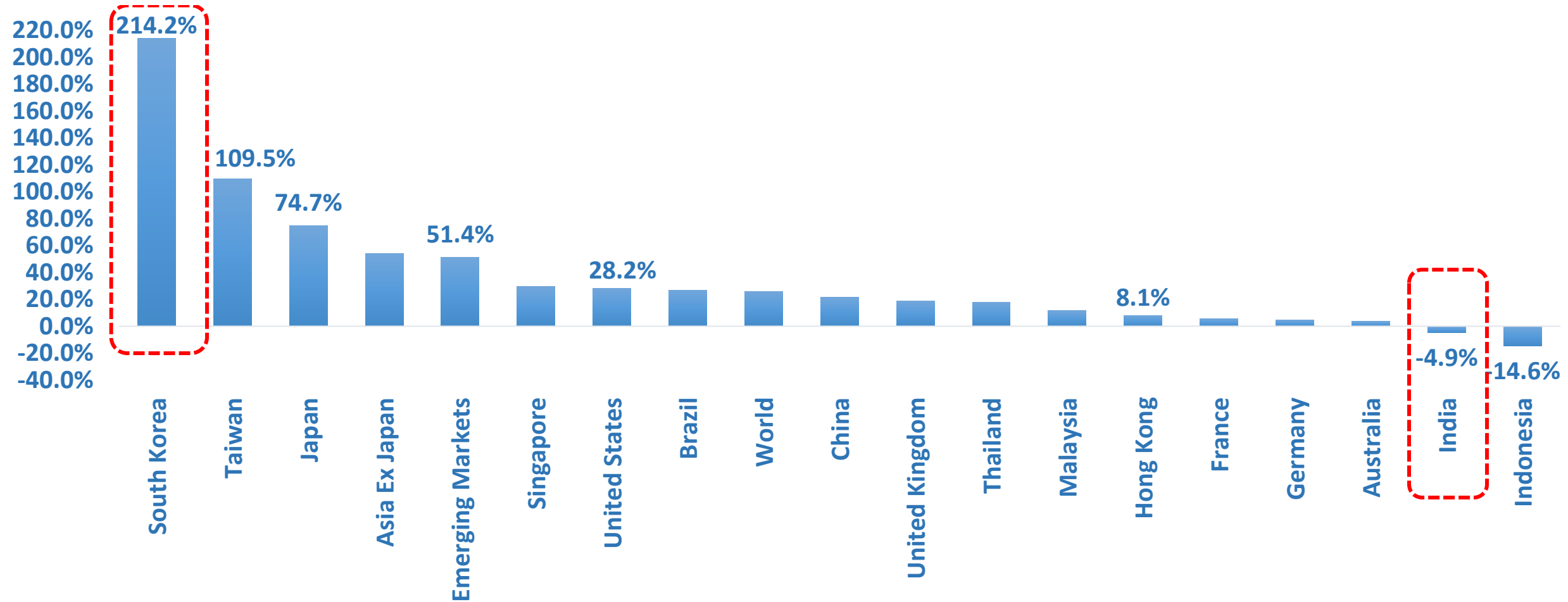


Source: FactSet, I/B/E/S, MSCI, Goldman Sachs Global Investment Research

- Many emerging markets are witnessing sharp earnings growth driven by AI/semiconductor related companies.
- South Korea & Taiwan are expected to report 130% & 28% earnings growth in 2026 respectively.

Equities Have Done Well Globally in Last 12 Months, India Underperformed

1 Year Performance (Local Currency) of Major Global Equity Markets



Source: Bloomberg, As on 29 May 2026

- **Global Equity Outperformance:** Major global equity markets have delivered robust returns over the last 12 months.
- Significant diversion in returns as South Korea delivered over 214% where as India delivered -4.9%.
- In contrast to the global trend, Indian equity markets have significantly underperformed during this same period.

The Recent Market Correction Led Indian Equity Returns to Moderate

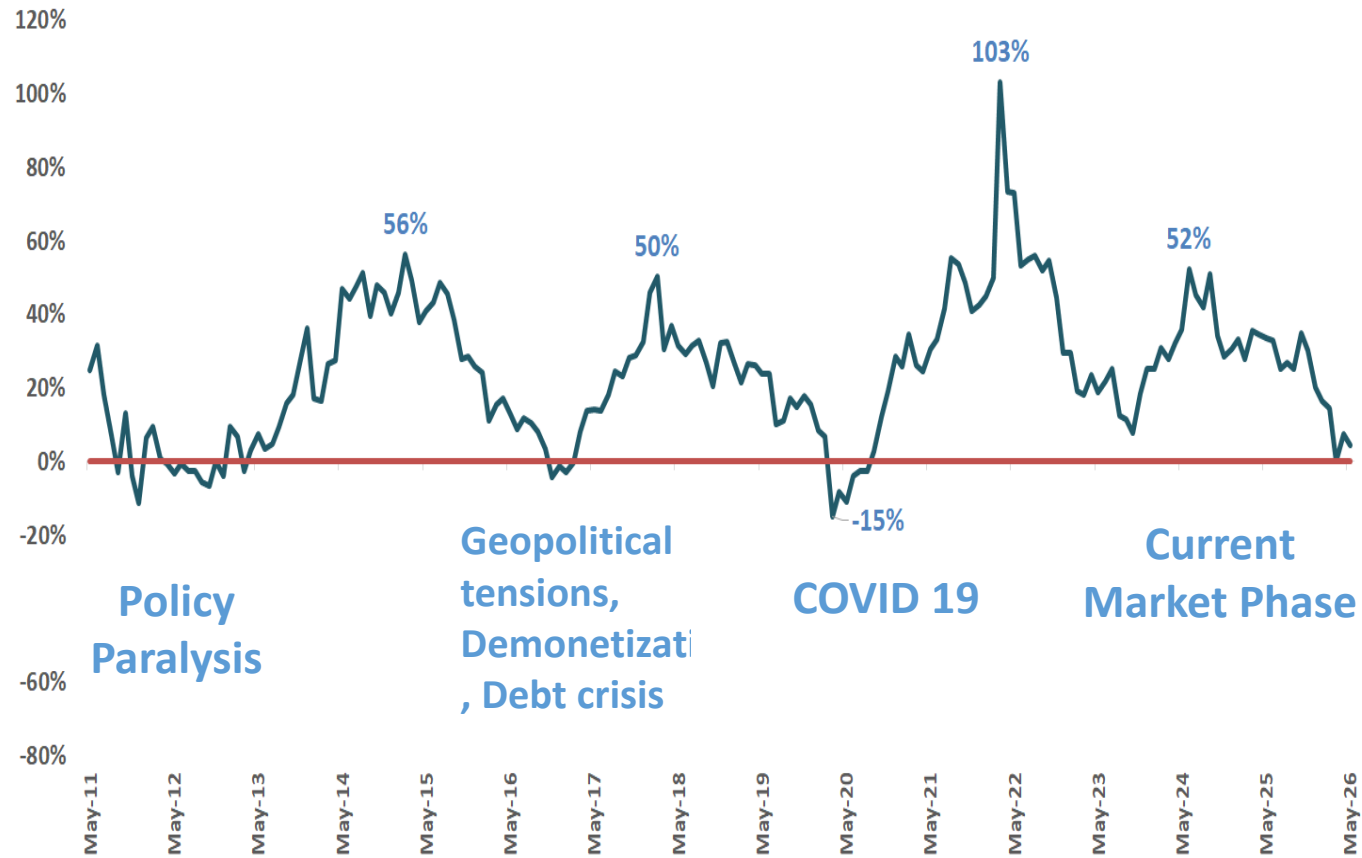
| Performance as on 29th May 2026 | | | | | | | | |
|---------------------------------|------------------|--------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Index Name | Country / Region | 1 Yr | 2 Yrs | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs | 15 Yrs. |
| KOSPI | South Korea | 214.2% | 79.6% | 48.8% | 21.5% | 22.6% | 15.6% | 9.6% |
| TSEC TAIEX | Taiwan | 109.5% | 45.5% | 39.3% | 21.3% | 23.0% | 18.0% | 11.3% |
| Nikkei 225 Average | Japan | 74.7% | 31.4% | 29.0% | 18.1% | 18.2% | 14.4% | 13.7% |
| S&P 500 | United States | 28.2% | 19.9% | 22.0% | 12.5% | 15.6% | 13.7% | 12.2% |
| MSCI World | World | 25.9% | 18.9% | 20.2% | 10.3% | 13.2% | 11.3% | 8.9% |
| FSE DAX TR | Germany | 4.6% | 16.5% | 17.0% | 10.2% | 11.5% | 9.4% | 8.6% |
| FTSE/SGX STI | Singapore | 29.4% | 22.9% | 16.9% | 9.8% | 7.1% | 6.1% | 3.2% |
| Nifty 50 | India | -4.9% | 2.2% | 8.3% | 8.6% | 10.2% | 11.2% | 10.1% |
| FTSE 100 | United Kingdom | 18.7% | 12.2% | 11.8% | 8.2% | 5.5% | 5.3% | 3.8% |
| FTSE SET All Share | Thailand | 17.7% | 11.4% | 11.3% | 6.9% | 5.2% | 5.0% | 4.0% |
| BOVESPA TR | Brazil | 26.8% | 19.4% | 17.1% | 6.6% | 8.7% | 13.6% | 6.8% |
| MSCI AC Asia Ex Japan | Asia Ex Japan | 54.1% | 31.7% | 23.5% | 5.4% | 9.5% | 8.9% | 4.7% |
| MSCI EM | EM | 51.4% | 29.3% | 22.3% | 5.0% | 8.4% | 8.1% | 2.7% |
| CAC 40 | France | 5.6% | 1.2% | 4.9% | 4.9% | 6.7% | 6.1% | 4.9% |
| S&P/ASX 200 | Australia | 3.5% | 6.5% | 7.2% | 4.0% | 4.5% | 5.0% | 4.2% |
| Shanghai Composite | China | 21.5% | 14.8% | 8.3% | 2.4% | 5.0% | 3.4% | 2.7% |
| FTSE Bursa Malaysia KLCI | Malaysia | 11.6% | 2.7% | 6.7% | 1.2% | 0.3% | 0.3% | 0.5% |
| JSX Composite | Indonesia | -14.6% | -6.3% | -2.6% | 0.6% | -0.2% | 2.5% | 3.2% |
| Hang Seng | Hong Kong | 8.1% | 18.1% | 11.4% | -2.9% | -0.9% | 1.9% | 0.4% |

- On a 5 Year basis, the continued correction in since Mar'26 led Indian equity markets to close with high single-digit returns, versus moderate double-digit returns prior to the decline.
- **Due to this correction, over the 7-, 10-, and 15-year returns have also moderated compared with global peers.**

Source : Bloomberg. Returns are in local currency of index, and returns greater than 1 year are CAGR Date Sorted on the basis of 5 Yrs. return in descending order

Investing post a period of correction can be rewarding

Nifty50 – 2 Years Rolling returns



Returns experience of investing after a prolonged period of correction

| | |
|--|------|
| Total number of months | 181 |
| # months with negative Nifty50 returns on 2-year basis | 22 |
| Average absolute returns in the next 5 years | 102% |
| Lowest absolute returns in the next 5 years | 70% |
| Maximum absolute returns in the next 5 years | 174% |

- Nifty50 is currently marginally up (4.5%) on a 2 years Rolling Return basis.
- This is a relatively infrequent occurrence and has happened a few times in the past 15-years due to specific reasons (COVID19, demonetization, policy paralysis etc.)
- Interestingly, the experience of investing after such periods of correction has been fairly rewarding.
- The average absolute returns over the next 5-years has been ~102% with the lowest return being 70%.

Performance of Major Indian Indices

| | Apr-26 | May-26 | Performance (%) | | | | |
|--|--------|--------|-----------------|-------|--------|--------|-------|
| | | | 1m | 3m | 6m | YTD | 1Y |
| Major Indian indices | | | | | | | |
| Sensex | 76,914 | 74,776 | (2.8) | (8.0) | (12.8) | (12.3) | (8.2) |
| Nifty | 23,998 | 23,548 | (1.9) | (6.5) | (10.1) | (9.9) | (4.9) |
| BSE-100 | 25,393 | 25,059 | (1.3) | (5.2) | (8.6) | (8.4) | (3.4) |
| CNX-100 | 24,896 | 24,608 | (1.2) | (5.0) | (8.0) | (7.8) | (2.9) |
| BSE-500 | 35,516 | 35,418 | (0.3) | (2.5) | (5.6) | (5.4) | (1.1) |
| CNX-500 | 22,684 | 22,657 | (0.1) | (2.2) | (5.3) | (5.1) | (0.6) |
| Mid-cap. and small-cap. indices | | | | | | | |
| BSE Mid-cap | 46,134 | 46,861 | 1.6 | 2.7 | (0.7) | (0.2) | 3.8 |
| BSE Small-cap | 51,693 | 52,981 | 2.5 | 9.2 | 1.8 | 2.8 | 1.1 |
| NSE Mid-cap 100 | 59,785 | 61,724 | 3.2 | 4.4 | 1.1 | 2.0 | 7.5 |
| NSE Small-cap 100 | 18,007 | 18,139 | 0.7 | 7.1 | 1.7 | 2.4 | 1.4 |

Source: Bloomberg | Kotak Institutional Equities | As on 29 May 2026

- Indian equity markets in March 2026 were dominated by heightened global uncertainty, sharp swings in crude oil prices, and sustained FPI outflows.
- Nifty declined 1.9% in the month amid uncertainty over a US-Iran peace deal. Mid-cap and small-cap indices outperformed the large-cap index and gained 3.2% and 0.7%.
- Sectoral indices ended mixed. Healthcare (+4.9%), capital goods (+4.7%) and metals (+3.7%) were the top gainers, whereas PSU (-4.3%), oil & gas (-3.4%) and FMCG (-3.3%) were the top losers.

| | | Equity Returns | | |
|----------------------|-------------------|------------------------|---------------------------|------------------------|
| | | <3% below Fixed Income | +/-3% versus Fixed Income | >3% above Fixed Income |
| Fixed Income Outlook | Rising Yields | 1 | 2 | 3 |
| | Flat Yields | 4 | 5 | 6 |
| | Falling Yields | 7 | 8 | 9 |
| | | | | |
| Scenarios | Equity Allocation | Debt Allocation | Equity Positioning | Debt positioning |
| 1 | Lowest | Highest | Low active share | Low duration |
| 2 | Above benchmark | Below benchmark | Average active share | Low duration |
| 3 | Above benchmark | Below benchmark | High active share | Low duration |
| 4 | Below benchmark | Above benchmark | Low active share | Average duration |
| 5 | Benchmark | Benchmark | Average active share | Average duration |
| 6 | Above benchmark | Below benchmark | High active share | Average duration |
| 7 | Below benchmark | Above benchmark | Low active share | High duration |
| 8 | Below benchmark | Above benchmark | Average active share | High duration |
| 9 | Highest | Lowest | High active share | High duration |
| | | | | |
| Previous View | Scenario 3 | May'26 | | |
| Revised View | Scenario 3 | Jun'26 | | |

- Our TAA framework is currently in Scenario 3 which implies an Overweight in Equities versus Fixed Income in a hybrid portfolio.
- This view is driven by our expectation of 'Rising yields' in Fixed Income and double-digit returns in Equity.

| Meeting Month | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-26 | Feb-26 | Mar-26 | Apr-26 | May-26 | Jun-26 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| TAA | 5 | 5 | 5 | 5 | 8 | 8 | 8 | 8 | 3 | 3 | 3 | 3 | 3 |
| | | | | | | | | | | | | | |
| PP - Equity | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 9 | 9 | 8 | 8 |
| | | | | | | | | | | | | | |
| PP - Debt | 6 | 6 | 6 | 6 | 9 | 9 | 9 | 9 | 3 | 3 | 3 | 3 | 3 |

- Despite the geopolitical concerns, our model is indicating on OW on Equities from a 12-months perspective.
- **Within Equities, we expect Small & Midcaps to deliver returns inline with the Large caps.**

- Equity markets were mixed during the month of May with the Nifty50 down 2% while Midcap and Smallcap indices were up 3% and 1%, respectively.
- Amongst sectors, Metals (+5%) and Pharma (+5%) were the key outperformers. while Oil & Gas (-4%), PSU Banks (-4%) and FMCG (-3%) underperformed.
- In the first two months of FY27, while equity markets have seen a broader recovery from March lows, there is a sharp divergence in performance of Large (+5%) and Mid (+17%) and Small caps (+19%).
- In FY27 so far, Metals (+21%), Real Estate (+20%) and Energy (+17%) are the key outperformers.

Global macro

- Geopolitical uncertainty has prevailed in the last few months as a durable peace deal between US & Iran remains elusive even after two months of the initial cease fire announcement in April.
- However, Global equities have shrugged off these concerns, and the AI rally has resumed vigorously post a brief hiatus in March. Markets aligned with the AI trade (US, Korea, Taiwan etc.) have continued to make new highs supported by robust earnings delivery by corporates.
- Crude oil prices have come off from the highs of ~USD 120/bbl but they remain elevated compared to the pre-war levels as the 'Strait of Hormuz' remains largely blocked
- Elevated crude oil prices continues to be the key source of concern for countries (such as India) that are dependent on energy imports.
- Global markets are keenly awaiting the actions by the newly elected US Fed Governor – Kevin Warsh in the next meeting of the FOMC scheduled in Mid-June.
- Renewed concerns of an energy prices driven inflation spike, continued strength of the US economy and rising US bond yields would make it harder for the new Fed Governor to cut rates as demanded / expected by President Trump.

Domestic macro

- The transmission of higher crude oil prices has started in May as Petrol & Diesel prices were increased by ~6% in tranches. Besides fuel, prices have been increased across products in recent weeks as companies try to pass on the impact of higher raw material prices to the end consumer.
- Though current inflation readings remain steady (Apr'26 CPI inflation = 3.5%) they are bound to increase meaningfully as the full impact of these price increases is absorbed.
- A sustained period of higher oil prices (average of \$100/bbl) is likely to result in a 100-150bps spike in CPI inflation and 50-100bps impact on GDP growth. It will also lead to higher Current Account and Fiscal Deficits and create additional pressure on the Currency front.
- Overall, the domestic macro situation has worsened dramatically post the war with the final impact dependent on the length of time for which crude prices remain at elevated levels.

Valuations & View

- Indian equity markets have now been flat for 2-years and have significantly underperformed its global peers. Overall market valuations have come down to some extent due to this time correction but the risk to earnings growth in FY27 & FY28 persists.
- March quarter earnings were better than expected as commodity producers enjoyed higher realizations, however, managements have sounded cautious on margins and growth due to the uncertain geopolitical environment.
- Flows – FPI selling continues and have now equaled the overall selling in 2025 in just the first 5 months of 2026, DII flows remain strong.
- Nifty50 is currently trading at ~18x one-year forward earnings which is slightly lower than the historical average.
- We maintain our moderately positive outlook for equities despite the risks associated with a prolonged phase of higher energy prices as valuations have turned attractive in many segments of the market.
- Further worsening of the current geopolitical situation and slowdown in retail flows are the key risks to our moderately positive view on equities.

- We continue to prefer largecaps vs small & midcaps due to better relative valuations of largecaps.
- Small and Midcaps have significantly outperformed Large caps in the last 3-years and are trading at a premium to their historical averages.
- Higher valuations of small and midcaps continue to be supported by significantly higher earnings growth expectations from them over the next 12-24months. However, we believe that earnings risk due to the war would be far more severe for companies in the small and midcap space as has been the case in past such episodes.

Sector preferences

- **Banks** – Credit growth has improved; asset quality continues to be benign. Most banks are well capitalized and are trading at attractive valuations.
- **Pharma** – Sector enjoys strong global competitive advantage. Valuations attractive post the recent time correction.
- **Telecom** – Strong operating environment for the incumbents allowing them to take price hikes translating in higher ARPUs.
- **Autos** – Distinct beneficiary of the GST rate cut, robust earnings' visibility over the next 12-18months.
- **Consumer discretionary** – Expect a much better summer season which can act as a catalyst for stock prices which have corrected sharply post the failed summer last year. Valuations are reasonably attractive now.

Fixed Income Market Outlook

- **Growth Outlook:**
 - Amidst the ongoing geopolitical tensions, trade frictions and volatile global financial conditions, India's **domestic fundamentals remain resilient**.
 - Nevertheless, **growth is expected to moderate from an estimated 7.6% in FY26 to 6.2-6.7% in FY27**
- **Inflation Outlook:**
 - With **crude at elevated levels** (war impact) and possibility of **below-average monsoon** (threat of El Nino), India's Inflation will firm up in FY27
 - As the base effects dissipate, **Inflation expected to rise from an estimated 2.1% in FY26 to 5.0-5.25% in FY27 which will still be within the MPC's tolerance band**
- **Banking System Liquidity Outlook: Systemic liquidity has been in surplus since the start of FY27** and is currently estimated at ~ Rs 0.85 Trn (as on Jun 1, 2026)
 - Even as wider CAD (due to high import bill) will require RBI to undertake higher FX interventions, we **expect RBI to remain accommodative** in FY27
- **Monetary Policy Outlook: Expected RBI to stay on pause and provide adequate liquidity to support the economy in FY27.** However, in case the crude stays elevated for longer, there is a possibility of a back-ended hike in H2 FY27
 - RBI MPC held the repo rate at 5.25% and continued with a neutral stance in its first MPC meeting for FY27
 - For FY27, GDP growth is projected at 6.9% with risks to the downside while Inflation is projected to rise to 4.6% with risks to the upside
- **Demand Supply Outlook:**
 - Union budget already projected higher supply from Centre in FY27- with the global headwinds, we **expect some fiscal slippage resulting in a further increase in supply**. Based on **our assessment of State finances, SDL supply should also be higher than projected for FY27**
 - **Demand from Banks/pensions and insurance is likely to revive- however, the extent of this revival and RBI's OMO support will be a critical monitorable**
- **Rates/ Spreads Outlook and Our Positioning:**
 - Gsec yields have marginally cooled off in Apr 26 and May 26 after a sharp surge in Mar 26. PSU and corporate spreads widened m-o-m on account of higher supply.
 - We expect **10-year G-Sec in 6.9%-7.2% range and spreads on long Gsec bonds and short corporate bonds to compress from currently elevated levels**
 - Based on the above outlook, we continue to **prefer 3/5 Year corporate & 30-50 Year G-Sec bonds, given attractive yield (Barbell strategy)**
- **Key risks:** Length and intensity of geopolitical tensions, second round impact on inflation, fiscal discipline of state governments and El Nino impact on quantum and distribution of rainfall

- We currently have a moderately positive outlook on equities.
- In the long run, equities have delivered superior returns compared to other asset classes thereby resulting in substantial wealth creation.
- We expect this trend to persist even going ahead. However, we also acknowledge that ‘equities’ are an asset class with reasonably high risks which can result in intermittent periods of subpar returns.
- The Nifty 50 has delivered positive returns for 10 consecutive years through 2025—an outcome that is atypical for inherently volatile equity markets.
- While our current equity outlook remains moderately positive, such an extended period of uninterrupted gains increases the likelihood of a drawdown in the near term.

Some of the key risks to our current equity outlook

- **Worsening of Geopolitical conditions** – The spike in crude oil prices post the onset of the US/Israel-Iran war has already resulted in sharp deterioration in Indian macros. Further worsening of geopolitical conditions resulting in a prolonged period of higher oil prices would be detrimental for the Indian economy and result in further weakness in Indian equities.
- **Global correction** – Though Indian markets did not participate meaningfully in the recent AI-driven global rally, a deeper global correction triggered by the unwinding of the AI-trade might negatively impact Indian markets as well.
- **Slowdown in retail flows** – Domestic flows into equity markets have been robust in the last 2-3 years however, with the market being flat for ~2years now, patience of retail investors is getting tested. In the backdrop of continued foreign selling, any slowdown in retail flows would create demand-supply imbalance and can adversely impact equity performance.

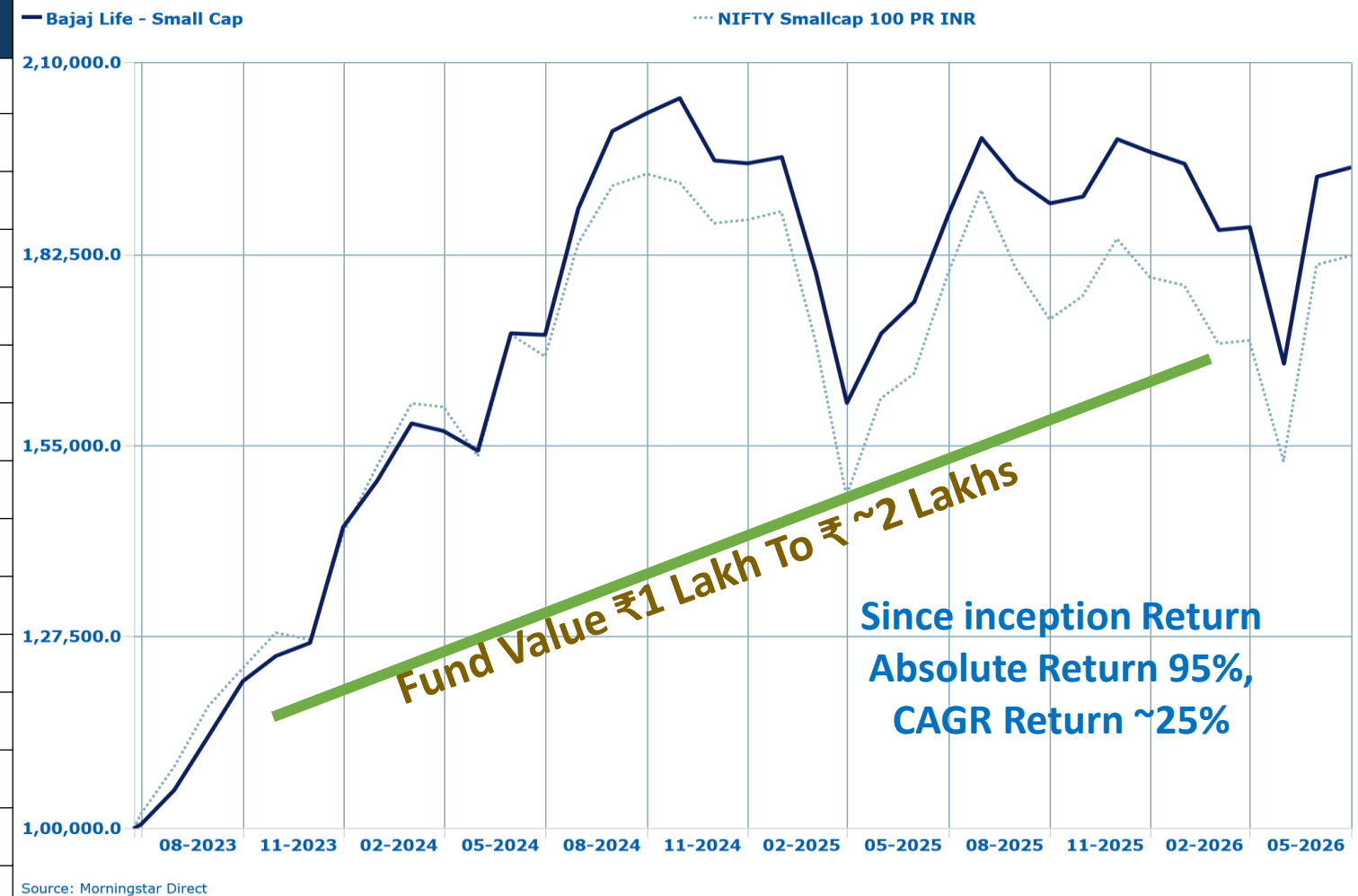
Active ULIP Funds – Proven Track Record

Performance of recently launched active ULIP funds

| Fund Name | Inception Date | No. of Months Since Launched | AUM (Cr.) | Since Inception |
|---------------------------|----------------|------------------------------|-----------|-----------------|
| Small Cap Fund | 23-May-23 | 37 | 4,397 | 24.75% |
| Nifty Small Cap 100 Index | | | | 22.01% |
| Alpha | | | | 2.73% |
| Focused 25 Fund* | 20-Mar-25 | 15 | 314 | 4.04% |
| Nifty 100 Index | | | | 3.09% |
| Alpha | | | | 0.94% |
| Flexi Cap Fund | 20-May-22 | 49 | 3,493 | 12.87% |
| Nifty 200 Index | | | | 12.19% |
| Alpha | | | | 0.68% |
| Sustainable Equity Fund | 16-Feb-23 | 40 | 337 | 11.96% |
| Nifty 100 ESG Index | | | | 11.76% |
| Alpha | | | | 0.20% |

Investment Growth of 1 Lakh Since Inception
Time Period: 25-05-2023 to 31-05-2026

Bajaj Life - Small Cap Fund Performance



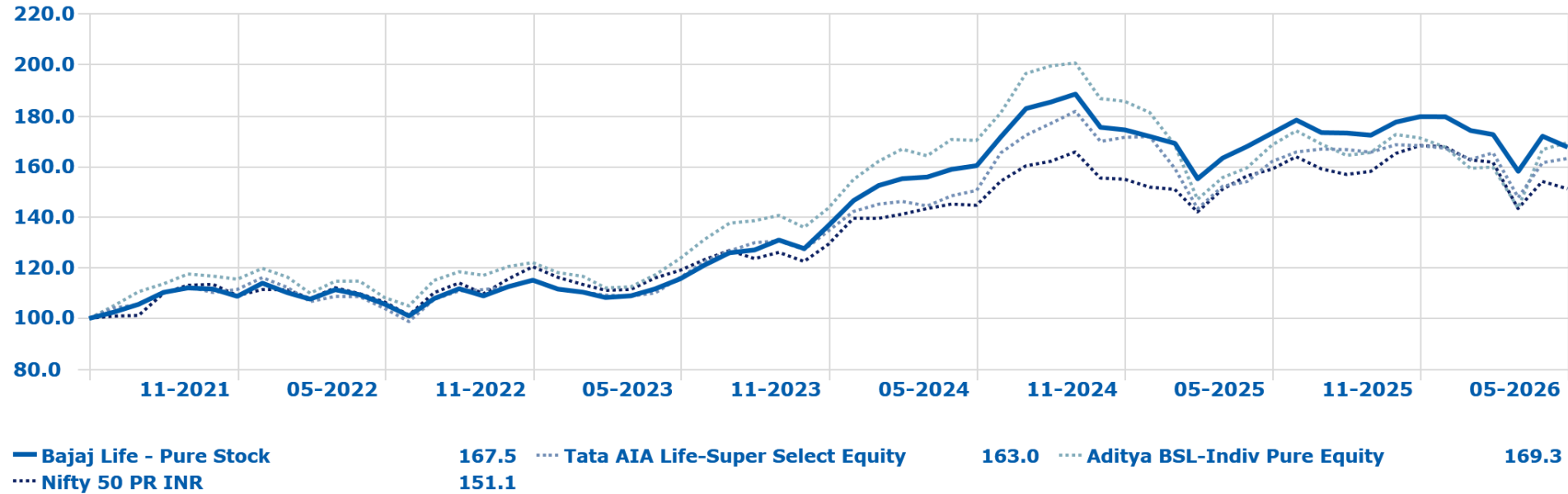
Source: Bloomberg | Morningstar Direct | Bajaj Life Research | Performance Data as on 29th May 2026 | * Absolute Return

- In last four years, our newly launched actively managed funds have outperformed their benchmarks by a considerable margin.
- Our Small Cap Fund — the first of its kind in the insurance industry — has delivered significant returns in just 36 months since launch.
 - It has almost doubled the wealth since inception (3 Years) vs benchmark.
 - ₹1 lakh investment has grown to almost ₹ 2 Lakhs

Why Bajaj Life Pure Stock Wins !!

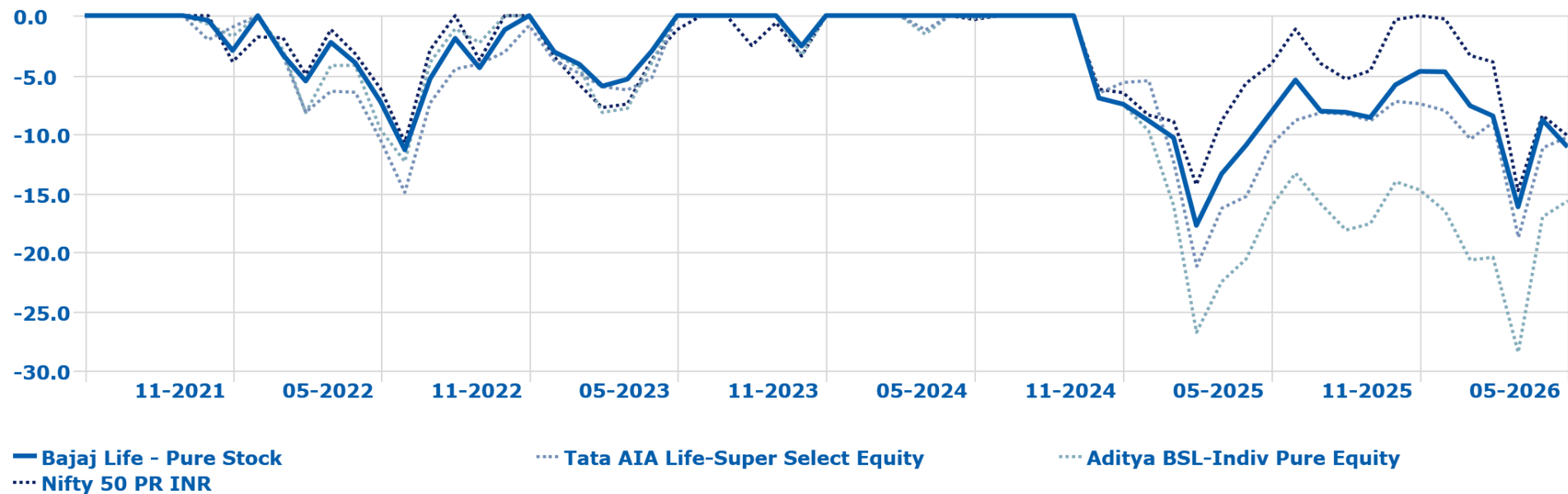
Steady Long-Term Wealth Creation Across Market Cycles

Time Period: 01-06-2021 to 31-05-2026



Better Downside Management During Market Corrections

Time Period: 01-06-2021 to 31-05-2026



Consistent Performance Across Cycles

- Bajaj Life Pure Stock Fund consistently matches or outperforms peers across market phases, capturing upside effectively.
- Shallower dips and smoother return trends highlight stronger resilience and stable alpha generation.

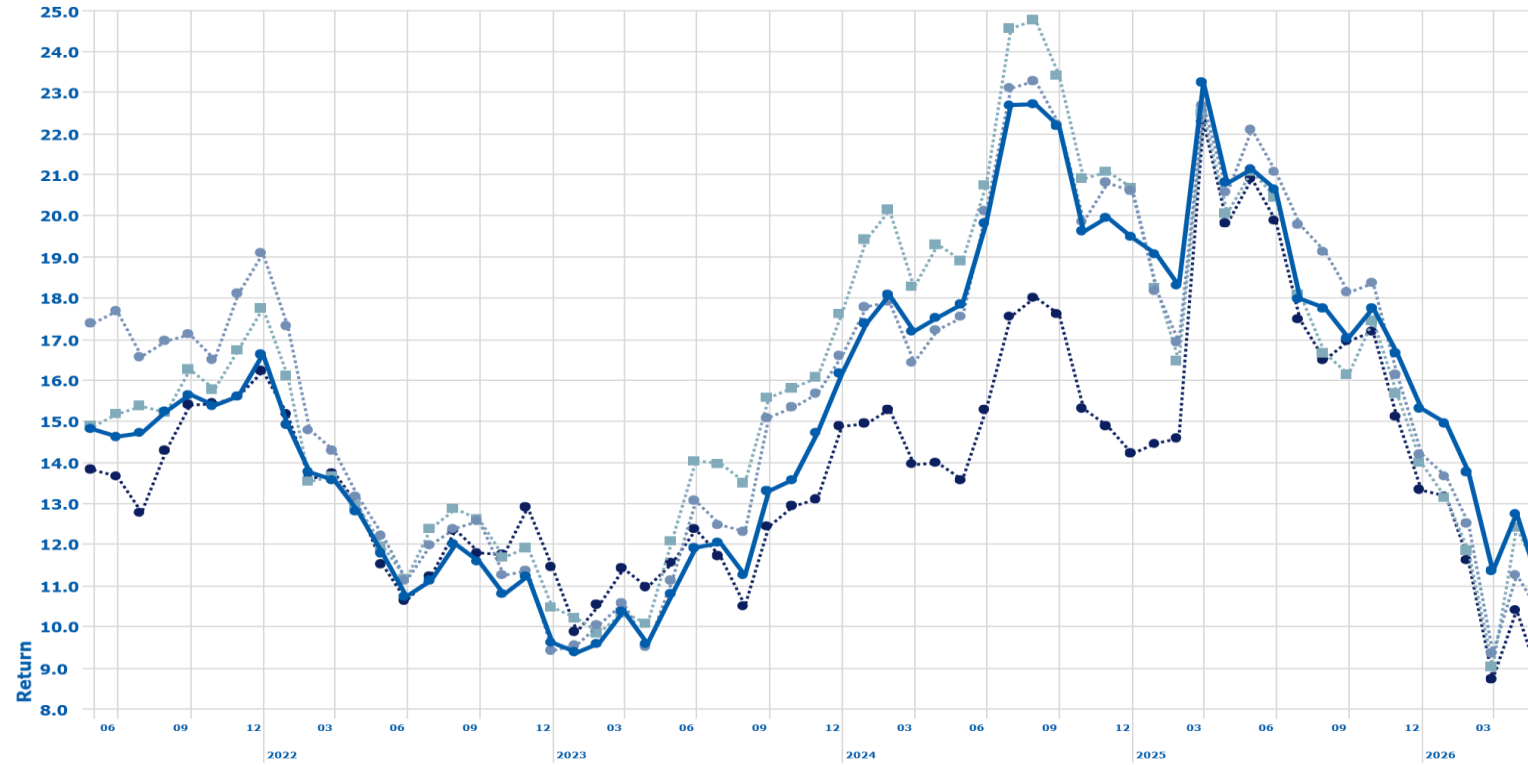
Better Downside Management

- Smaller drawdowns versus aggressive peers indicate superior downside protection.
- Quicker rebounds and lower risk reinforce better capital preservation.

Why Bajaj Life Pure Stock Wins !!

Consistent Performance Across Different Market Periods

Rolling Window: 5 Years 1 Month shift

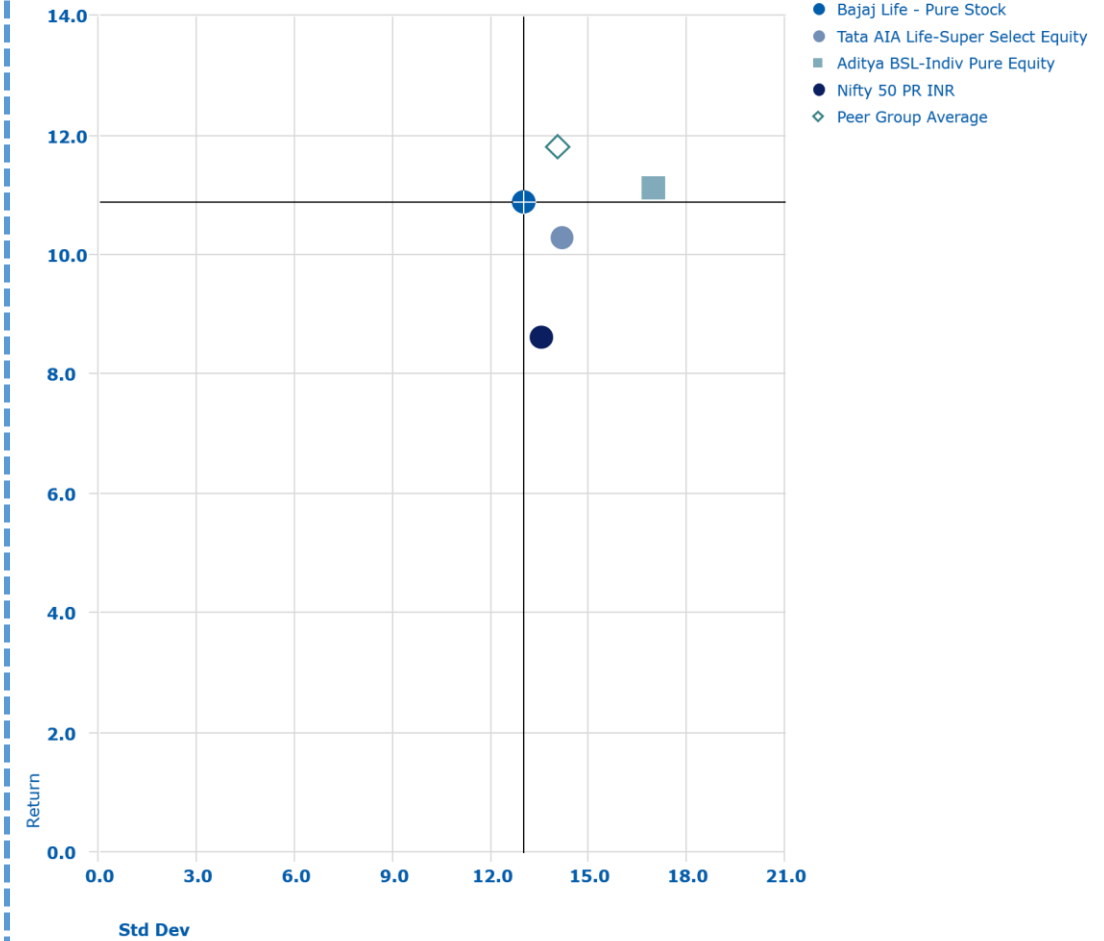


— Bajaj Life - Pure Stock Tata AIA Life-Super Select Equity Aditya BSL-Indiv Pure Equity
 Nifty 50 PR INR

Source: Morningstar Direct

Balanced risk-reward positioning compared to aggressive peers

Time Period: 01-06-2021 to 31-05-2026



Source: Morningstar Direct

Steady Long-Term Wealth Creation

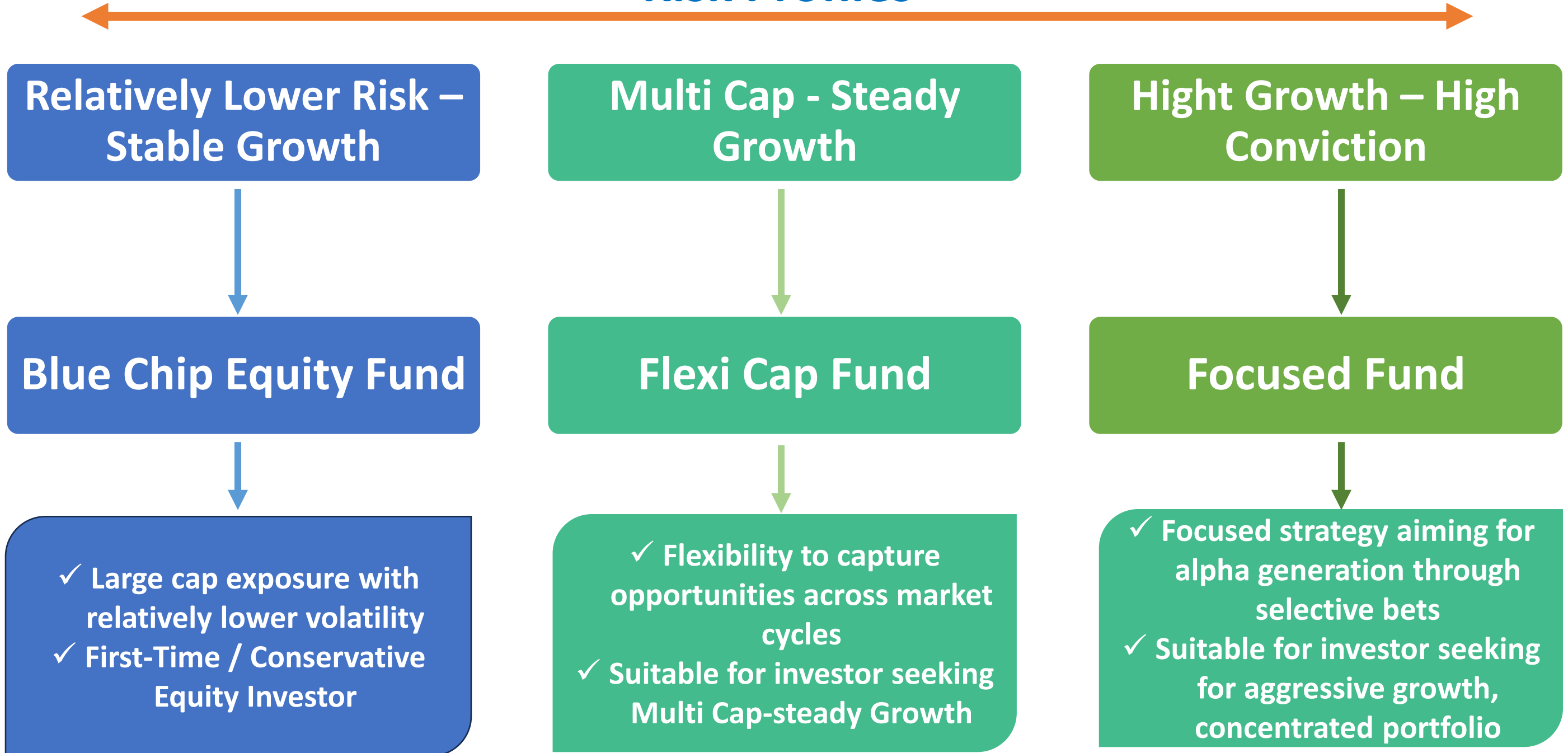
- Bajaj Life Pure Stock Fund delivers comparable or superior long-term wealth creation versus peers over the 5-year period. Faster recovery after drawdowns supports stronger compounding through cycles.

Balanced Risk-Reward Profile

- Bajaj Life delivers competitive returns with lower volatility than key peers. Stronger risk-adjusted positioning supports market-level upside with controlled risk.

Key Active Funds for Consideration

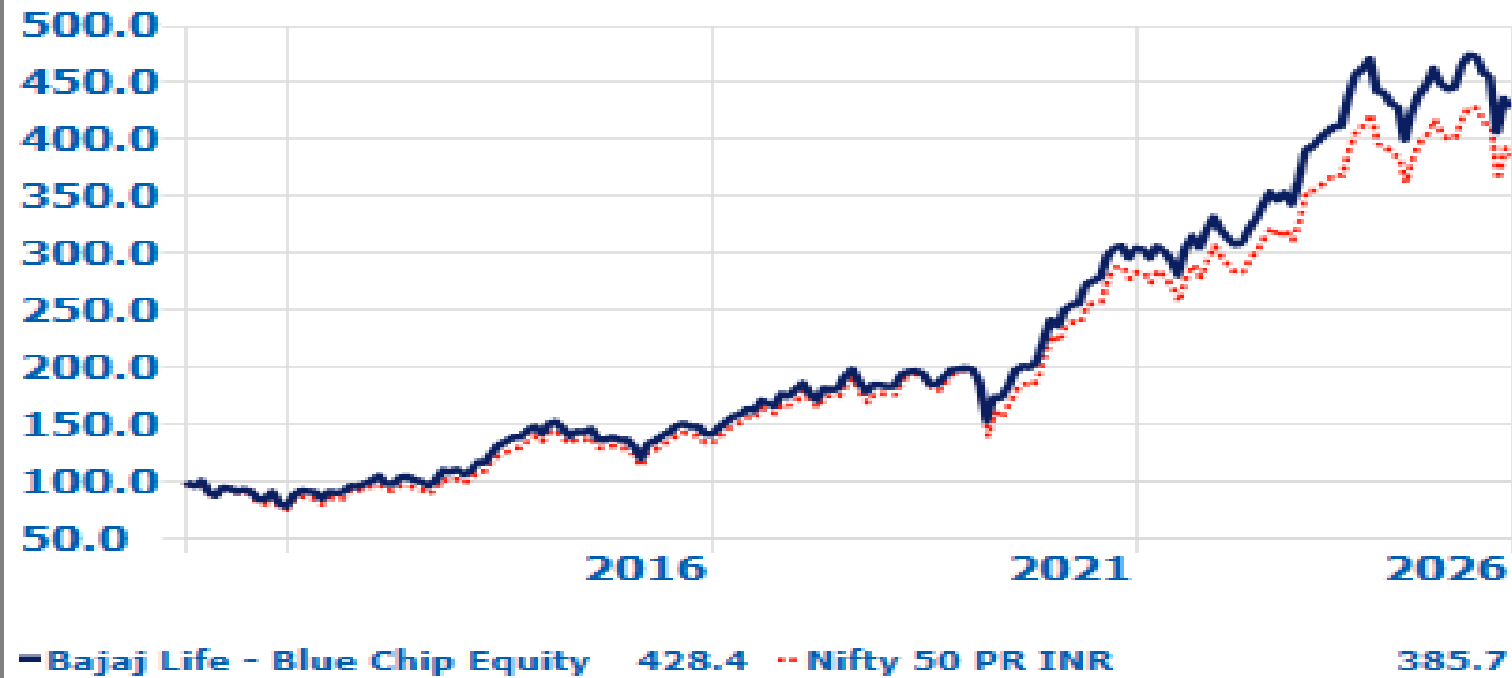
Risk Profiles



Bajaj Life – Blue Chip Equity Fund (Large Cap Index Fund)

Investment Growth of ₹ 100 Since Inception

Time Period: 26-10-2010 to 31-05-2026



Data as on 29 May 2026. Past performance is not indicative of future performance.

| Time Period | Blue-Chip Equity Fund | Nifty 50 Index | Alpha |
|-----------------|-----------------------|----------------|-------|
| 1M | -1.8% | -1.9% | 0.1% |
| 3M | -6.0% | -6.5% | 0.5% |
| 6M | -9.7% | -10.1% | 0.5% |
| 1Y | -4.3% | -4.9% | 0.5% |
| 2Y | 1.9% | 2.2% | -0.3% |
| 3Y | 9.0% | 8.3% | 0.7% |
| 4Y | 9.8% | 9.2% | 0.7% |
| 5Y | 9.4% | 8.6% | 0.8% |
| 7Y | 11.8% | 10.2% | 1.5% |
| 10Y | 11.8% | 11.2% | 0.6% |
| Since Inception | 9.8% | 9.0% | 0.8% |

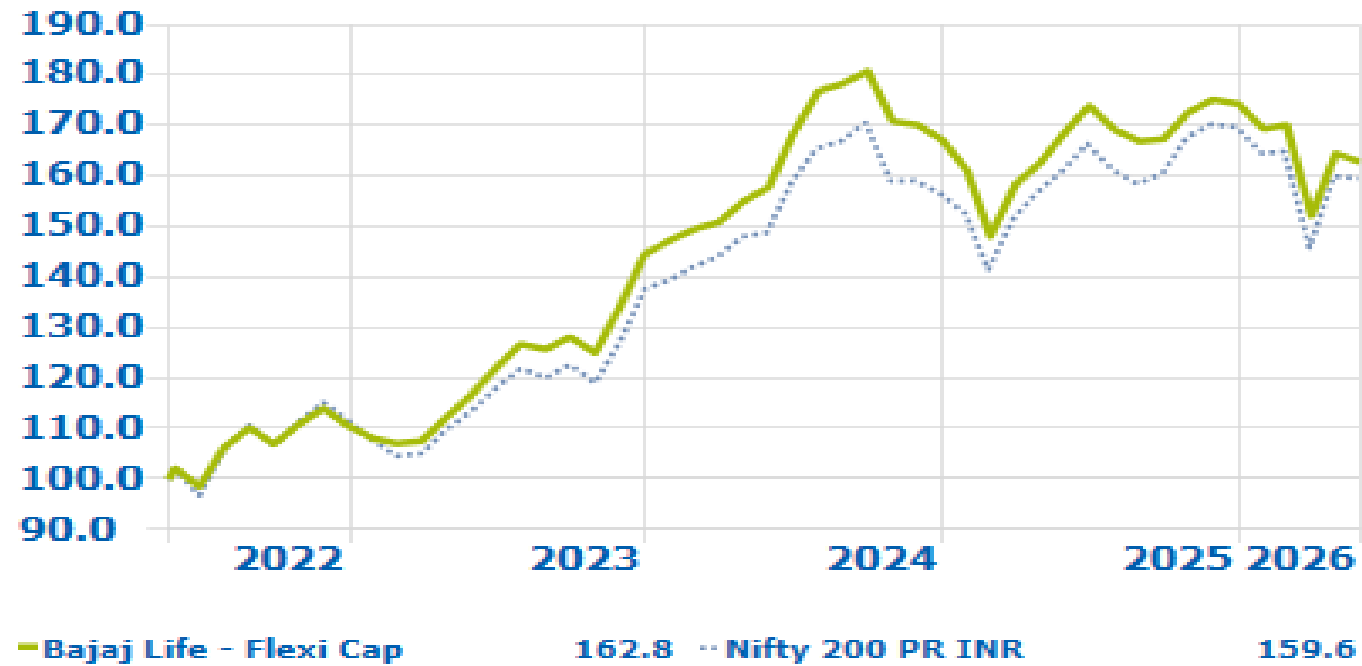
Blue-Chip Equity Fund – Stable Large Cap Participation with Consistent Long-Term Wealth Creation

- In a volatile market environment, the fund offers disciplined large-cap exposure with efficient benchmark participation and relatively better stability versus broader markets.
- With valuation comfort in large caps compared to mid/small caps and continued support from domestic flows, the fund remains well positioned for long-term investors.
- The fund has delivered consistent long-term outperformance, generating positive alpha across most medium- to long-term periods. ₹100 invested since inception would have grown to ₹436 vs ₹393 in the benchmark, delivering over 4x wealth creation over the long term.
- Suitable for first-time equity investors and relatively lower risk appetite investors seeking long-term equity participation with comparatively lower volatility.

Bajaj Life – Flexi Cap Fund (A Multi Cap Approach)

Investment Growth of ₹ 100 Since Inception

Time Period: 24-05-2022 to 31-05-2026



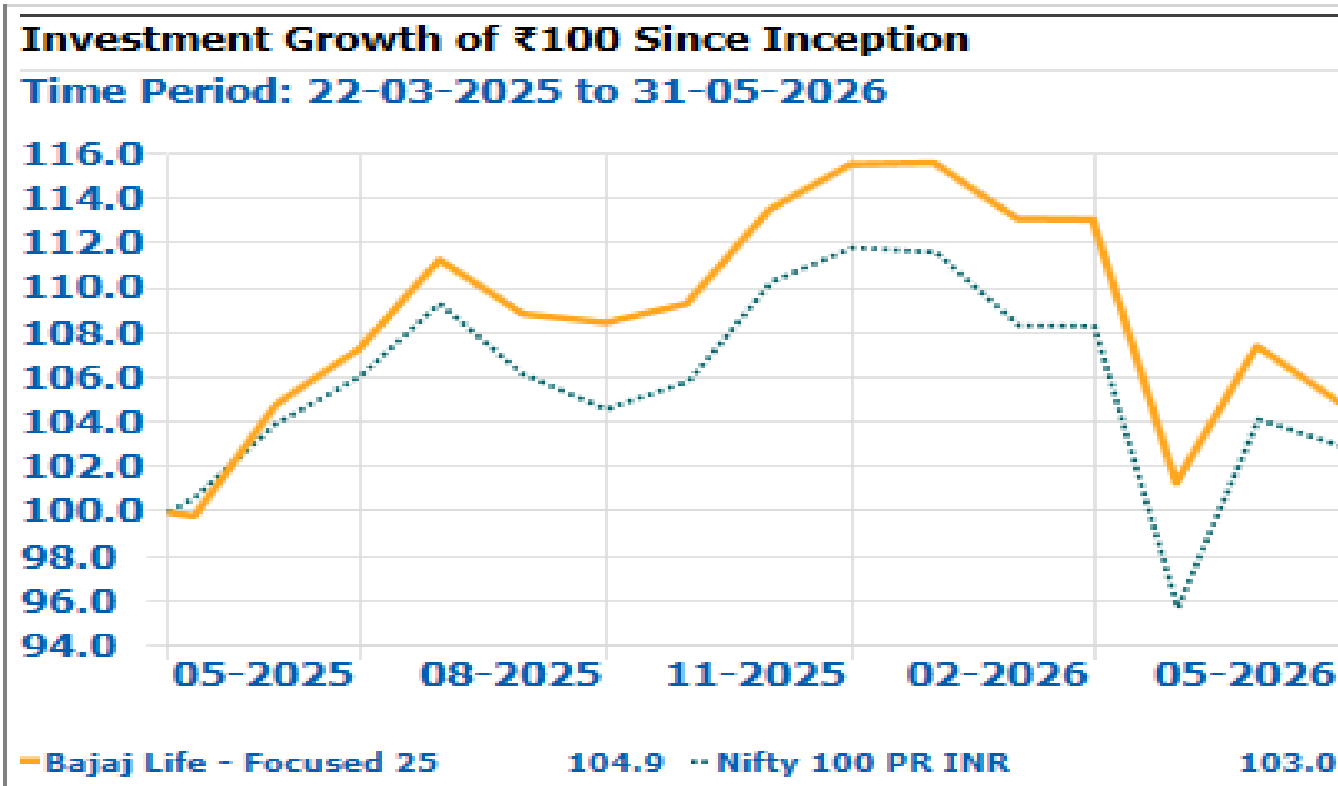
Source: Morningstar Direct, Bajaj Life in house research, data as on 29 May 2026

| Fund Name | Since Inception (20-May-2022) | | |
|-----------------|-------------------------------|--------------|----------------|
| | Return | Sharpe Ratio | Std Dev (Risk) |
| Flexi Cap Fund | 12.87 | 0.65 | 15.27 |
| Nifty 200 Index | 12.19 | 0.50 | 19.55 |
| Alpha | 0.68 | 0.16 | -4.28 |

Key Advantages:

- **Proven Performance:** A ₹1 lakh investment in the Bajaj Life Flexi Cap Fund in May 2022 has delivered steady growth (Fund Value became ₹1.6 Lakhs) , outperforming its benchmark.
- **Superior Risk Adjusted Return:** The fund maintains a high Sharpe ratio, indicating better returns for the level of risk taken.
- **Dynamic Allocation Strategy:** High valuation dispersion across market caps creates opportunity. Our flexi-cap structure allows managers to dynamically shift capital between large, mid, and small caps to capture the best relative value without constraints.

Bajaj Life – Focused 25 (High Conviction Fund)



| Month | Cumulative Return Since Inception | | |
|---------|-----------------------------------|-----------------|-------|
| | Focused 25 Fund | Nifty 100 Index | Alpha |
| May'25 | 7.20% | 6.80% | 0.40% |
| June'25 | 11.30% | 10.20% | 1.10% |
| July'25 | 8.80% | 7.00% | 1.90% |
| Aug'25 | 8.40% | 5.40% | 3.10% |
| Sep'25 | 9.30% | 6.60% | 2.70% |
| Oct'25 | 13.50% | 11.10% | 2.40% |
| Nov'25 | 15.50% | 12.70% | 2.90% |
| Dec'25 | 15.60% | 12.50% | 3.10% |
| Jan'26 | 6.60% | 4.40% | 2.20% |
| Feb'26 | 13.10% | 9.10% | 3.90% |
| Mar'26 | 1.20% | -3.50% | 4.70% |
| Apr'26 | 6.60% | 4.40% | 2.20% |
| May'26 | 4.04% | 3.09% | 0.94% |

Focused on High-Conviction Strategy, Delivering Consistent Alpha Since Launch

- Invest in a high-conviction portfolio designed for targeted wealth creation through a concentrated approach.
- **Consistently outperformed the Nifty 100 Index on a MoM Since Inception basis despite volatile market conditions since launch.**
- Focused on high-quality large caps with better valuation comfort versus mid/small caps, balancing growth opportunities with risk management.
- High-conviction exposure to long-term growth themes such as Consumption, EV, Power, Hospitals, CDMO and Defence through selective sector leaders.
- **Suitable for investors seeking focused long-term wealth creation through a concentrated yet relatively stable large-cap oriented equity strategy.**

Backdrop / Setup

- ❖ Outlook on domestic macro has worsened in the last three months due to oil price spike.
 - ❖ As a result, Equity markets have corrected and bond yields have spiked.
- ❖ If oil prices remain elevated for longer the situation can incrementally worsen even from here on.
 - ❖ Indian markets continue to underperform global markets as the AI rally marches on.
 - ❖ FPI selling continues unabated, countered by DII buying.
 - ❖ Market valuations have corrected from highs and are now closer to historical average.

CIO View

In the current environment, a balanced and slightly conservative approach may be the most sensible way forward. While near-term uncertainty in equity markets has increased, prolonged phases of muted returns have historically created stronger long-term opportunities for disciplined investors who stayed invested.

We continue to believe equities remain one of the most effective avenues for long-term wealth creation, though caution is warranted in areas where valuations appear stretched, including select Indian midcap and small cap stocks. Within equities, we prefer large-cap Indian companies, while fixed income is also becoming increasingly attractive with 10-year government bond yields above 7%.

Thank you