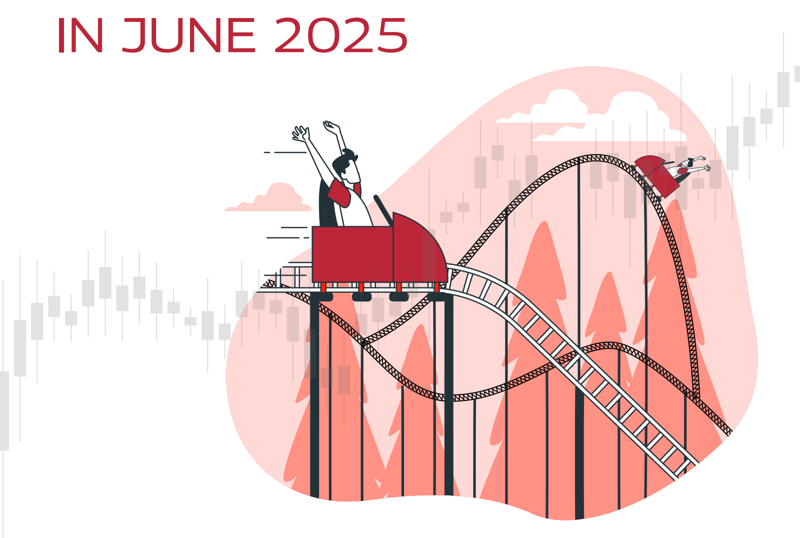
mahindra Manulife MUTUAL FUND

MARKETS RIDE *A ROLLERCOASTER* IN JUNE 2025



FROM TURMOIL TO FED CUTS:

Geopolitical shocks, bold central bank moves, and resilient market performance marked June 2025. A brief but intense conflict between Israel and Iran spiked crude prices before a US-brokered peace deal brought relief. Back home, the RBI surprised with a 50-bps rate cut and a neutral policy stance, aiming to support growth amid cooling inflation. Despite global uncertainties, Indian equities rallied strongly, with Foreign Portfolio Investors (FPIs) seems continuing to buy and domestic macros remaining broadly supportive.

MOMENT OF THE MONTH

- **War & Truce in Middle East:** Israel attacked Iran on 13th June on for protecting themselves against a possible nuclear attack by Iran. Iran too retaliated and war scenario played out between two countries. USA too joined with an attack on the nuclear facilities of Iran on 22nd June. The war time led to heightened volatility in crude oil as there were fears of Iran shutting down of Strait of Hormuz. USA announced having brokered a peace deal between Iran and Israel on 24th June. The crude oil prices reacted sharply falling nearly 14% on peace deal.
- A tragic event that specifically struck India was the crash of Air India Flight from Ahmedabad to London immediately post takeoff.
- Global trade environment & financial markets await the timeline of 9th July set by President of USA on the reciprocal tariffs. In this rush for bilateral agreements with too many countries, USA definitely has the leeway to extend timelines selectively and extend global trade uncertainties. Tariffs may have a potential to disrupt nations and corporates on areas of global supply chain and capital allocations.
- While global risk markets stabilized, US$ continued to decline, DXY fell ~3% in June to sub 97 levels clearly signaling an outflow from USD assets. Gold tends to be stable around 3300$ levels. INR has been relatively stable between 85-86 vis a vis US$ but has seen a sharp depreciation against many other currencies.
- US revised Q1 GDP estimates, showing a 0.5% contraction versus earlier estimates of 0.3%. The biggest swing came from consumer spending which slowed down from 1.2% growth to 0.5%. This resulted in a sharp rally in US 10yr of ~4.5% this month. Fears of economic slowdown led to economists polling nearly a 99% probability of Fed rate cut in the September policy meet.
- India CPI eased further to 2.82% in May 2025 as compared to 3.16% in April 2025 as food prices cool further. Core inflation inched up to 4.2%
- RBI cut repo rate by a higher than estimated 50bps to 5.5% and signalled a change in policy stance back to neutral. RBI has taken decisive steps in H1CY25 to support growth by rate cuts and liquidity infusion. The upfronting of monetary easing is likely to help grow credit and revive the economic growth.

Source: Bloomberg/RBI

WHO MOVED MARKETS

- FPIs continued to be buyers in June after April & May with inflows at ~2.3bn$.

Source: Bloomberg

MOVERS AND SHAKERS

	S&P Bse Sensex Index	Nifty 50	Nifty Auto	Nifty Bank	Nifty Financial Services	Nifty FMCG	Nifty IT	Nifty Media	Nifty Metal	Nifty Commodities	Nifty Realty	Nifty Pharma	Nifty Energy	BSE Midcap	BSE Small Cap	Nifty Midcap 100	Nifty Small Cap 100	BSE 250 Small Cap
1 Mth Performance	2.6%	3.1%	2.3%	2.8%	2.5%	-0.7%	4.4%	2.5%	3.7%	4.1%	3.9%	2.8%	1.9%	3.8%	4.3%	4.0%	6.7%	5.3%
1 Yr Performance	5.8%	6.3%	-5.3%	9.5%	16.0%	-3.3%	7.7%	-11.9%	-2.8%	-3.5%	-10.7%	11.7%	-12.5%	1.5%	4.9%	7.2%	4.1%	2.7%

Source: Bloomberg; Data as on June 30, 2025; Performance - Absolute returns.
Past performance may or may not be sustained in future.

	Dow Jones Indus. Avg	S&P 500 Index	Nasdaq Composite Index	Ftse 100 Index	Cac 40 Index	Dax Index	Nikkei 225	Hang Seng Index	Nifty 50
1 Mth Performance	4.3%	5.0%	6.6%	-0.1%	-1.1%	-0.4%	6.6%	3.4%	3.1%
1 Yr Performance	12.7%	13.6%	14.9%	7.3%	2.5%	31.1%	2.3%	35.9%	6.3%

Source: Bloomberg; Data as on June 30, 2025; Performance - Absolute returns.
Past performance may or may not be sustained in future.

PERFORMANCE SNAPSHOT OF SECTORAL INDICES - MoM

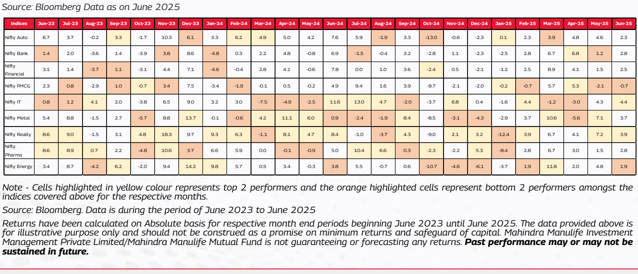
Indices	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Nifty 50	3.5	2.9	-2.5	2.0	-2.8	5.5	7.9	0.0	1.2	1.6	1.2	-0.3	6.6	3.9	1.1	2.3	-6.2	-0.3	-2.0	-0.6	3.1	6.3	3.5	1.7	3.1
Nifty Midcap 100	5.9	5.5	3.7	3.6	-4.1	10.4	7.6	5.2	-0.5	-0.5	5.8	1.6	7.8	5.8	0.5	1.5	-6.7	0.5	1.4	-6.1	4.0	7.8	4.7	6.1	4.0
Nifty Small Cap 100	6.6	8.0	4.6	4.1	-0.8	12.0	6.9	5.8	-0.3	-4.4	11.4	-1.9	9.7	4.5	0.9	-0.7	-3.0	0.3	0.6	-9.9	6.7	9.5	2.2	8.7	6.7

Note - Yellow highlighted cells represent highest returns amongst the 3 indices provided above; pink highlighted cells represent lowest returns amongst the 3 indices for the respective month end periods. Performance - Absolute returns. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/ Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns.
Past performance may or may not be sustained in future.
Source: Bloomberg Data as on June 2025

Indices	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Nifty Auto	6.7	3.7	-0.2	3.3	-1.7	10.3	6.1	3.3	6.2	4.9	5.0	4.2	7.6	5.9	-1.9	3.3	-13.0	-0.6	-2.3	0.1	2.3	3.9	4.8	4.6	2.3
Nifty Bank	1.4	2.0	-3.6	1.4	-3.9	3.8	8.6	-4.8	0.3	2.2	4.8	-0.8	6.9	-1.5	-0.4	3.2	-2.8	1.1	-2.3	-2.5	2.8	6.7	6.8	1.2	2.8
Nifty Financial	3.1	1.4	-3.7	1.1	-3.1	4.4	7.1	-4.6	-0.4	2.8	4.1	-0.6	7.8	0.0	1.0	3.6	-2.4	0.5	-2.1	-1.2	2.5	8.9	4.1	1.5	2.5
Nifty FMCG	2.3	0.8	-2.9	1.0	-0.7	3.4	7.5	-3.4	-1.9	-0.1	0.5	-0.2	4.9	9.4	1.6	3.9	-9.7	-2.1	-2.0	-0.2	-0.7	5.7	5.3	-2.1	-0.7
Nifty IT	0.8	1.2	4.1	2.0	-3.8	6.5	9.0	3.2	3.0	-7.5	-4.9	-2.5	11.6	13.0	4.7	-2.0	-3.7	6.8	0.4	-1.6	4.4	-1.2	-3.0	4.3	4.4
Nifty Metal	5.4	8.8	-1.5	2.7	-5.7	8.8	13.7	-0.1	-0.6	4.2	11.1	6.0	0.9	-2.4	-1.9	8.4	-8.5	-3.1	-4.3	-2.9	3.7	10.6	-5.6	7.1	3.7
Nifty Realty	8.6	9.0	-1.5	3.1	4.8	18.3	9.7	9.3	6.3	-1.1	8.1	4.7	8.4	-1.0	-3.7	4.3	-9.0	2.1	3.2	-12.4	3.9	6.7	4.1	7.2	3.9
Nifty Pharma	8.6	8.9	0.7	2.2	-4.8	10.6	3.7	6.6	5.9	0.0	-0.1	-0.9	5.0	10.4	6.6	0.3	-2.3	-2.2	5.3	-8.4	2.8	6.7	3.0	1.5	2.8
Nifty Energy	3.4	8.7	-4.2	6.2	-2.0	9.4	14.2	9.8	5.7	0.5	3.4	-0.3	3.8	5.5	-0.7	0.6	-10.7	-4.6	-6.1	-3.7	1.9	11.8	2.0	4.8	1.9

Note - Cells highlighted in yellow colour represents top 2 performers and the orange highlighted cells represent bottom 2 performers amongst the indices covered above for the respective months.
Source: Bloomberg. Data is during the period of June 2023 to June 2025
Returns have been calculated on Absolute basis for respective month end periods beginning June 2023 until June 2025. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. ***Past performance may or may not be sustained in future.***

MARKET CAPITALIZATION- PERFORMANCE SNAPSHOT



Source: ICRA. Data period: January 1, 2006, till June 30, 2025. Returns are absolute returns (1 year) calculated as of the last business day of every calendar year end. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. ***Past performance may or may not be sustained in future.***

FIXED INCOME OUTLOOK

BOND AND MONEY MARKET

Shown below is a matrix detailing movement in some key markets (domestic and global) and key events:

Parameters	30-June-2025	30-May-2025	30-June-2024
RBI Repo Rate %	5.50	6.00	6.50
5Y AAA PSU %	6.88	6.65	7.64
1 year CD %	6.33	6.55	7.62
10Y Gsec %	6.32	6.29	7.01
CPI (%)	2.82	3.16	4.75
IIP (Year-on-year) %	1.2	2.7	4.98
US 10Y %	4.23	4.40	4.40
Dollar Rupee	85.75	85.58	83.39

Source: Bloomberg; Data as on June 30, 2025

THE FIXED INCOME GLANCE

The June 2025 RBI's Monetary Policy Committee (MPC) meeting outcome was unexpected on all possible counts: a larger than expected repo rate cut of 50 basis points (bps), a totally unexpected 100 bps Cash Reserve Ratio cut and the final surprise; a change in Monetary policy stance to neutral from accommodative!

For the domestic fixed income markets, the change in the policy stance seems like a killjoy and the benchmark 10-year gilt moved up by around 3 basis points (bps) to close 6.32%. The benchmark 5-year gilt also moved up much more sharply at around 20 bps to close at 6.10%. The money market rates continued its easing bias through the month as RBI's liquidity measures flowed into the system with 1 year Certificate of Deposit (CD) levels dropping by around 22 bps to close at 6.33%.

India CPI inflation for the month of May 2025 eased to 2.82 %, the lowest since February 2019 with food inflation declining to 0.99%. A large part of the decline in food inflation continued to be a drop in vegetable and pulses inflation.

The US 10-year treasury remained moved down by around 17 bps to close at 4.23%. While the US Fed kept all the benchmark rates unchanged, it marginally upped its inflation projections considering the impact on tariffs. However, with uncertainty around the economy and a lower current inflation, yields trended lower.

Despite the Dollar index weakness, the Rupee depreciated by around 0.20% against the USD and tends to remain one of its worst performing currencies against a basket of major currencies.

Source: Bloomberg

WHAT NEXT?

ECONOMY CHECK

- Center's fiscal deficit for the initial 2 months of FY 2025-26 stood at 13,163 crore rupees, or 0.8% of annual estimates versus 3.1% reported last year. Although the capital expenditure surged by 54% in April-May 2025, this was believed to be on a low base, Tax revenues grew at 10% yoy and non-tax revenues jumped 54% YoY due to RBI dividend.
- Tax collections for June stood at 4.4% YoY as personal income tax collections grow 20% YoY but corporate tax collections showed a sharp decline due to refunds.
- India's Core sector (eight key infrastructure industries) rose a miniscule 0.7% in May signaling continued slowdown from the 0.8% in April and a 4.6% reported in March 2025. The growth in May was led by the cement sector (9.2%, followed by steel (6.7 %) and coal (2.8%). However, output declined in crude (1.8%), natural gas (3.6%) and fertilisers (5.9%), electricity (5.8%)
- India's GST collections slowed to Rs 1.85 lakh Crore in June 2025 versus a Rs. 2.01 lakh crore in May, marking a 6.2% increase over last year. The net GST collections in June 2025 post refunds grew at 3.3% yoy at Rs 1.59 lakh Crore.

MARKETS

- Indian markets continue to be volatile with geopolitical uncertainty related pullbacks followed by sharp relief rallies. For the month of June 2025, Nifty 50, Nifty Midcap & Nifty Small cap indices rallied by 3.1%, 4% and 6.7% respectively.
- Global markets were divergent with US markets continuing to be strong and Nasdaq making a new high, but European markets were subdued. Japan & China markets were strong.
- Among the Nifty sectoral indices, Nifty IT & Nifty Commodities outperformed while FMCG & Energy underperformed Nifty.
- Domestic Investors: Net flows for May 25, in core equity schemes declined MoM to Rs 242bn possibly due to global uncertainty and strong rally in markets. Monthly gross Systematic Investment Plan (SIP) remains steady. Flows into Midcap schemes softened to Rs 28bn while in small-cap schemes softened to Rs 32bn.

Source: Bloomberg Data as on June 2025

OUTLOOK

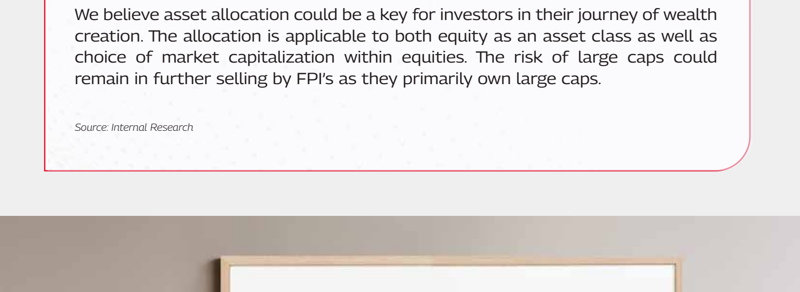
On global tariff front, all countries are racing against the 9th July deadline for the 90 days pause on tariffs announced by Mr. Trump. China has raced ahead on a trade deal with US as it used leverage by banning exports of rare earth magnets impacting global auto production. India is expected to announce a trade deal with USA soon.

India macro continues to look bright. RBI has cut rates aggressively and restored domestic liquidity supporting healthy economic growth going forward. Also, with geopolitical uncertainties at peak we may expect crude to remain in the 60-70$ range, sweet spot for Indian macro. As lower interest rates and tax cuts feed into the economy along with government capex, we may expect GDP growth to start improving from second half of the FY 2025-26.

Markets have rebounded strongly from the lows made in March 2025 and this has led to promoters resuming selling. Markets remained quite firm despite record secondary offering by promoters, PEs and primary capital raise in the month of June 2025. The heightened supply possibly risks the market balance though for now supply has been absorbed by foreign Institutional Investors (FIIs) having turned strong buyers. Incrementally the flows will need to be monitored as valuations might be rich.

We believe asset allocation could be a key for investors in their journey of wealth creation. The allocation is applicable to both equity as an asset class as well as choice of market capitalization within equities. The risk of large caps could remain in further selling by FPI's as they primarily own large caps.

Source: Internal Research



SUMMARIZING OUR THOUGHTS

- We believe that a large part of the downward trend in domestic rates have already happened. Any large rate downward movement may be a result of an exogenous shock or the domestic economy moving to an extremely slow growth
- While the Trump tariff has created uncertainties around the market direction; usually such uncertainties lead to softening of US rates as market participants seek the safety-first approach. However, with higher US fiscal deficit and the impact of tariffs could make bond investors in US cautious.
- We have reduced duration across our duration-oriented funds and intend to gradually shift to have a larger mix of corporate bonds and longer dated gilts while adjusting for an overall lower duration.
- We would be wary of inflation, predominately the commodities basket to potentially move up possibly moving up the wholesale inflation numbers and possibly feeding into core inflation

Source: Internal Research

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