

State of the Market & Outlook

July 2025



Backdrop

Global Equity Market Performance

Global Indices	1M Returns (%) - USD Terms	1M Returns (%) - Local Currency Terms	12M Returns (%) - USD Terms	12M Returns (%) - Local Currency Terms
MSCI World Index	4.2	4.2	14.7	14.7
MSCI Emerging Markets Index	5.7	5.7	12.6	12.6
MSCI EM Asia Index	5.9	5.9	12.7	12.7
MSCI EM BRIC USD	3.5	3.5	15.6	15.6
MSCI India Index	3.2	3.4	1.1	3.9
Dow Jones Industrial Average	4.3	4.3	12.7	12.7
NASDAQ Composite Index	6.6	6.6	14.9	14.9
Nikkei 225	6.4	6.6	14.1	2.3
CAC 40	2.5	-1.1	12.5	2.5
FTSE 100 Index	1.7	-0.1	16.4	7.3
Deutsche Boerse AG German Stock Index DAX	3.3	-0.4	43.9	31.1
Ibovespa Brasil Sao Paulo Stock Exchange Index	6.5	1.3	14.8	12.1
Shanghai Shenzhen CSI 300 Index	3.0	2.5	15.3	13.7
Hang Seng Index	3.2	3.4	35.1	35.9
NSE Nifty 50 Index	2.9	3.1	3.4	6.3
NIFTY Midcap 100	3.9	4.0	4.3	7.2
NIFTY Smallcap 100	6.5	6.7	1.3	4.1

Source: Bloomberg, Data as of June 2025.

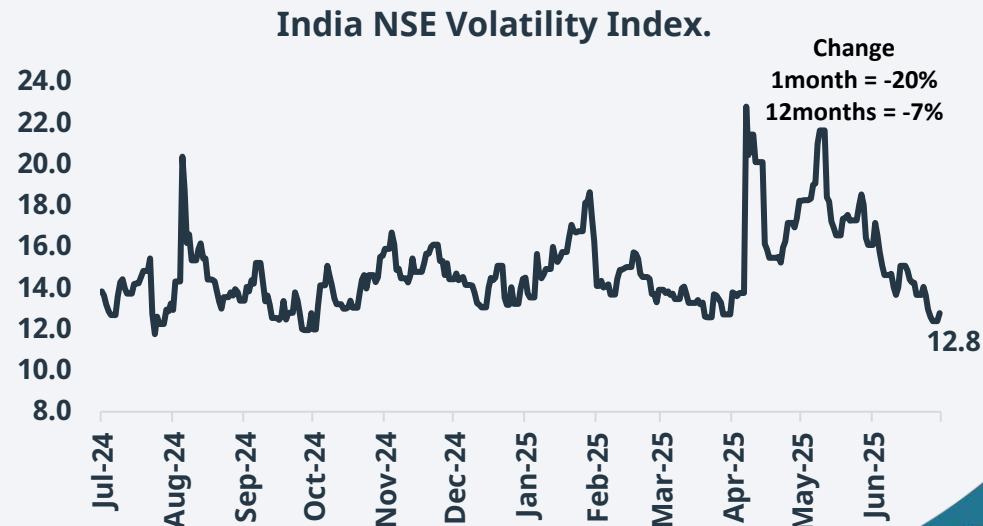
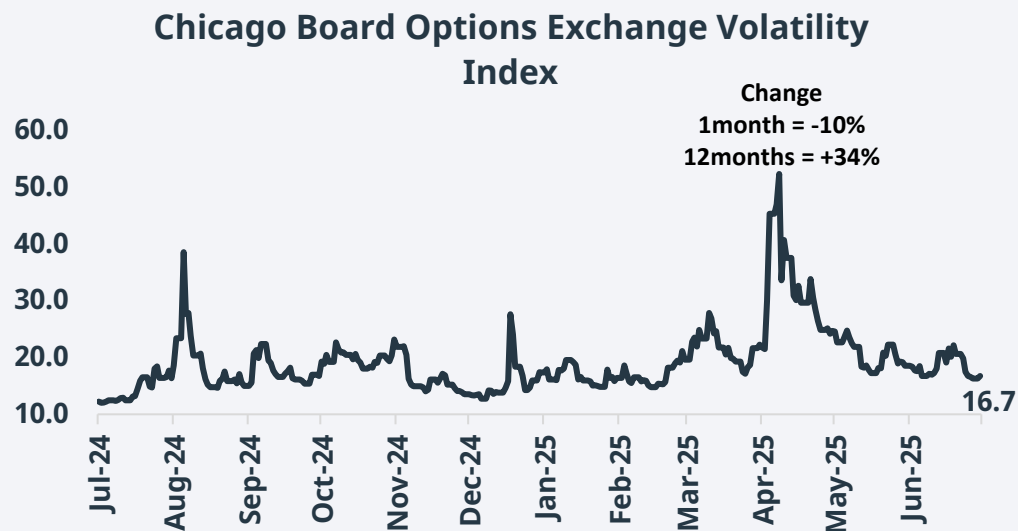
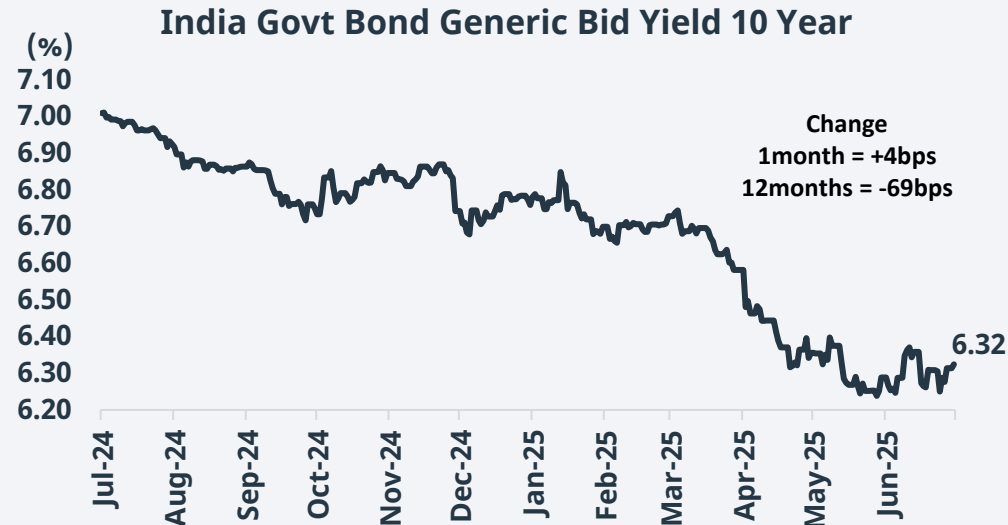
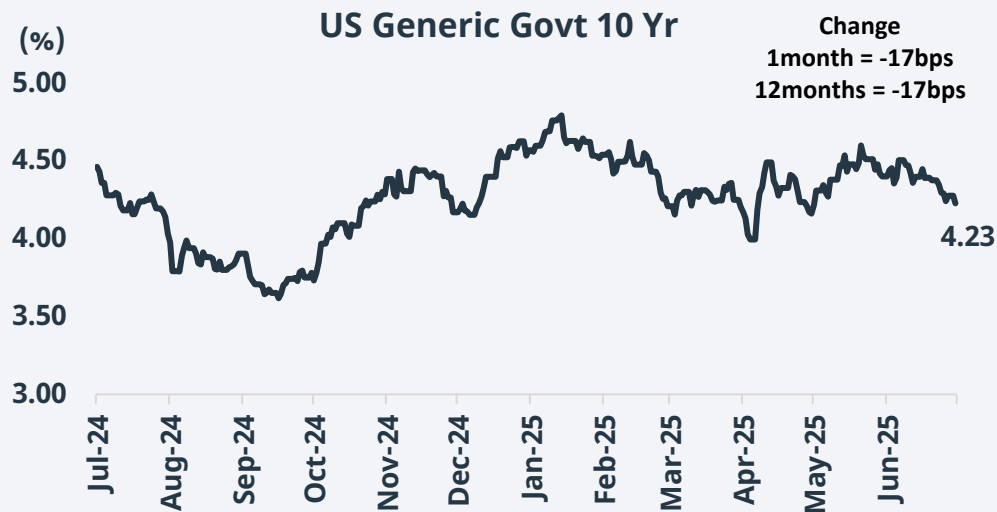
Past performance may or may not be sustained in future.
The Above-mentioned returns should not be construed as any indication of future returns.

Indian Equity Market Performance

Index	MoM (%)	YoY (%)
NSE Nifty 50	3.1	6.3
Auto	2.2	-6.6
Bankex	1.6	7.6
Capital Goods	1.7	0.0
Consumer Durables	3.2	1.6
Financial Services	3.4	13.1
FMCG	-0.3	-1.5
Healthcare	3.9	19.3
Industrials	1.9	-2.7
IT	3.3	3.2
Metal	3.0	-4.1
Oil & Gas	3.1	-5.5
Realty	3.8	-11.5
Telecom	6.1	1.8
Utilities	3.0	-13.0

Note: BSE Sectoral Indices, Data as of June 30, 2025.

Key Trends

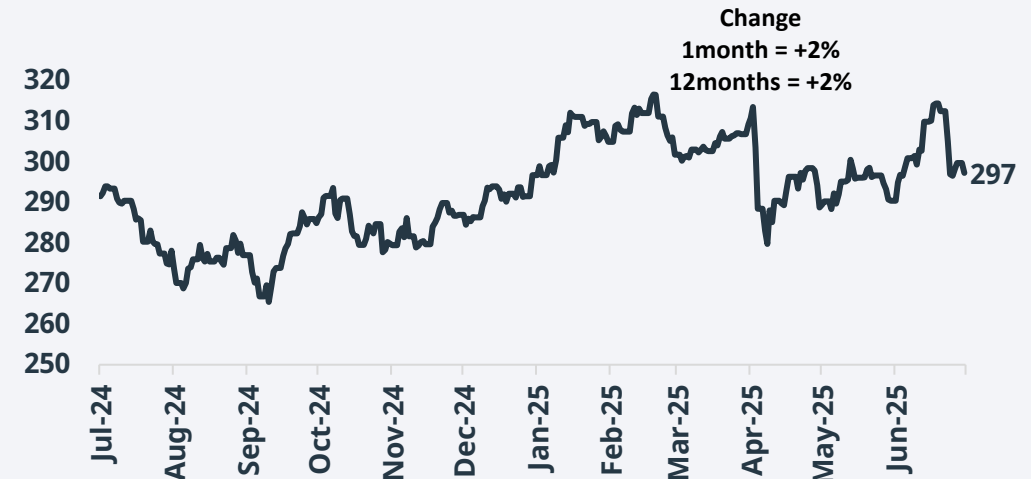


Key Trends

Crude Oil Dated Brent FOB NWE



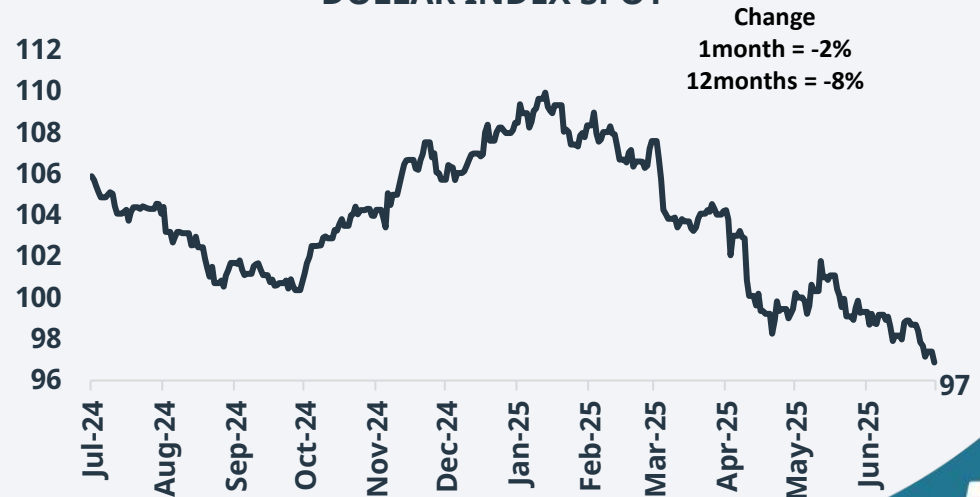
FTSE/CoreCommodity CRB Excess Return Index



GOLD SPOT \$/OZ

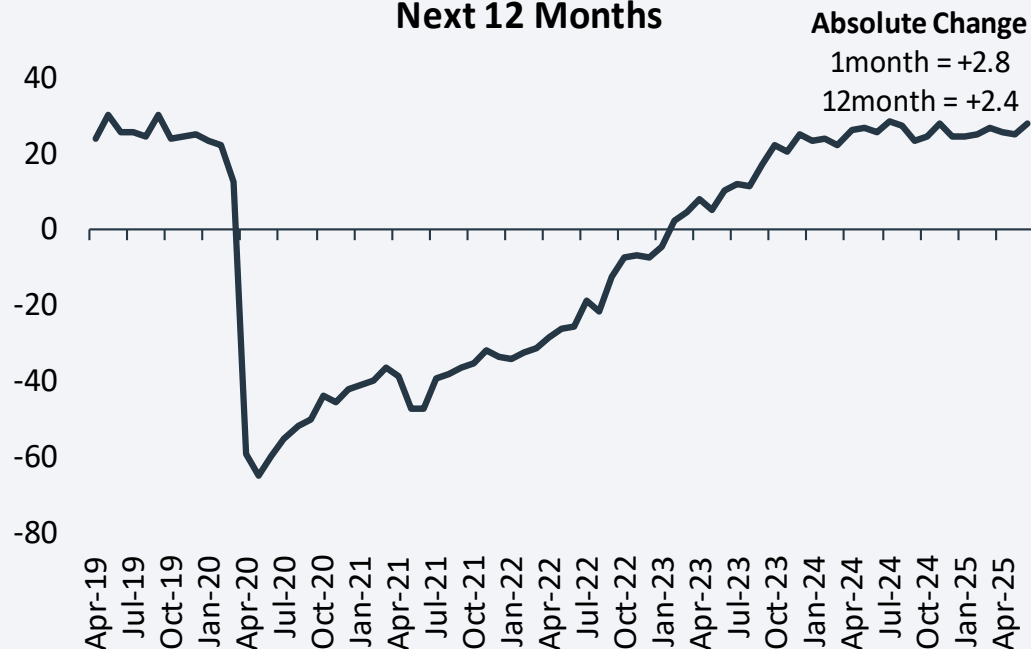


DOLLAR INDEX SPOT



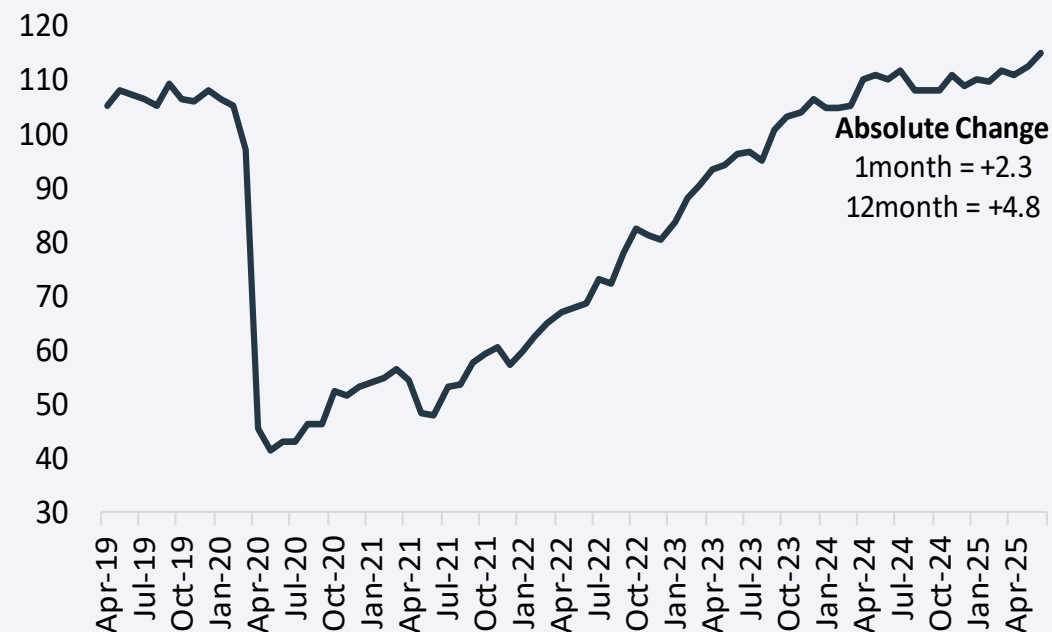
Indian Business Expectations & Consumer Sentiment

**Financial And Business Conditions In Country In
Next 12 Months**



Business Conditions - 'Net response' is the difference between the percentage of respondents reporting optimism and those reporting pessimisms. It ranges between -100 and 100. Any value greater than zero indicates expansion/ optimism and values less than zero indicate contraction/ pessimism.

Index consumer sentiments



Consumer Sentiment Indices (Base Sep-Dec 2015 = 100)

Outlook

Key Positives & Risks

POSITIVES

- ✓ India's solid relative macro-economic fundamentals
- ✓ High sustainable potential growth rate
- ✓ Robust balance sheets of corporates & banks
- ✓ Likely demand boost from tax concessions, broadening welfare payments and good expected monsoon
- ✓ Government and RBI focused on inducing growth
- ✓ Resilient domestic flows

RISKS

- x Increased supply in response to upturn in equity market can potentially cap returns
- x Volatile geopolitics
- x Competitive welfarism, compulsion of coalition politics
- x Likely growth deceleration in pockets of infrastructure investments due to altered government priorities
- x Weakness in urban consumption and corporate capex

We are likely past the worst in this cycle.

Key Sectoral Positioning

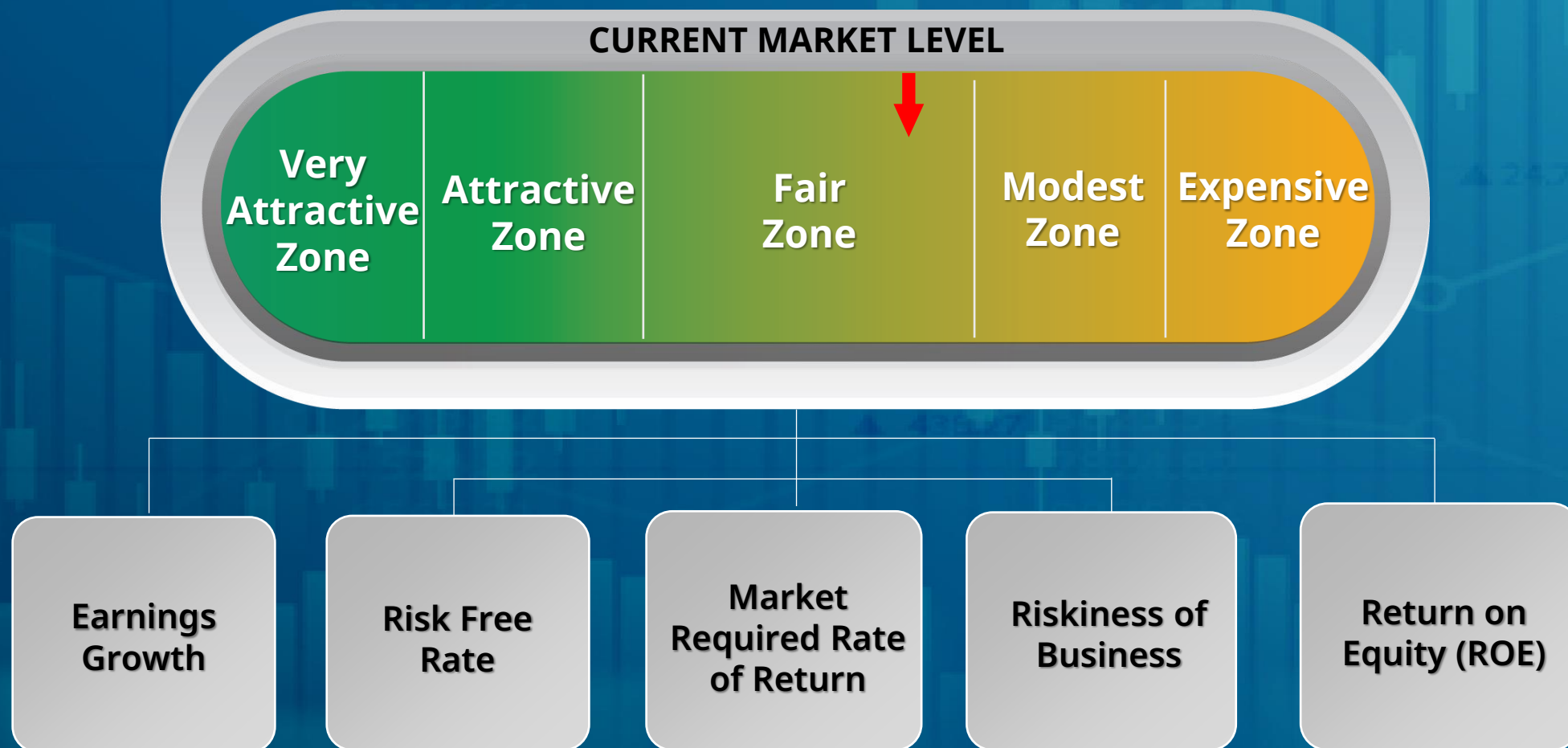
OVERWEIGHT

- ❑ **Consumer Discretionary:** Budget incentives through tax-cuts and improving demand provides attractive risk-reward for the sector
- ❑ **Telecom:** Expected Average Revenue Per User increases may lead to higher accruals in profitability and cashflows
- ❑ **Capital Goods/Industrials:** Significant under-investing in the past in select sub-segment has exacerbated demand-supply imbalance. Pockets of Defense, Power T&D sector look attractive.
- ❑ **Real Estate:** Continuity of robust sales numbers, lower interest rates may help demand ahead

UNDERWEIGHT

- ❑ **Energy:** Weak global demand environment leading to uncertainty in prices
- ❑ **Consumer Staples:** Limited improvement visible in the overall demand scenario. Quick commerce may put pressure on margins.
- ❑ **Information Technology:** Uncertainty in macro environment and currency levels are key risks though valuations have seen correction.

The Fair Value Spectrum- 5 years view



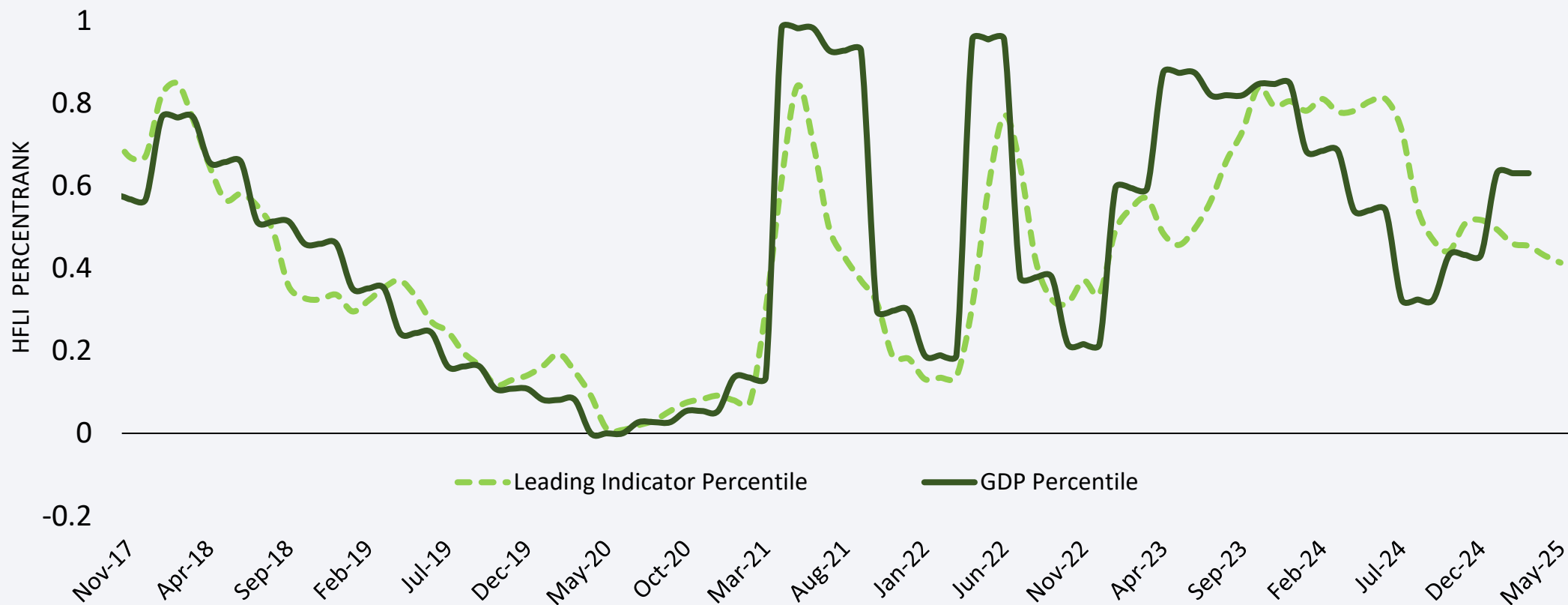
Source: Union AMC Internal Research, Bloomberg; Data as on June 30, 2025

Disclaimer: Past performance may or may not be sustained in future. The Fair Value Spectrum only depicts our Fund House view on the current equity market environment, and should not be construed as any indication of guaranteed returns or future returns. This information alone is not sufficient and should not be used for the development or implementation of an investment strategy. While utmost care has been exercised while preparing the data, the Sponsors/ Asset Management Company/ Trustee Company/ their associates/ any person connected with it, do not warrant the completeness or accuracy of the information and disclaim all liabilities, losses and damages arising out of the use of this information. The recipients of this material should rely on their investigations and take their own professional advice.

Fixed Income Outlook

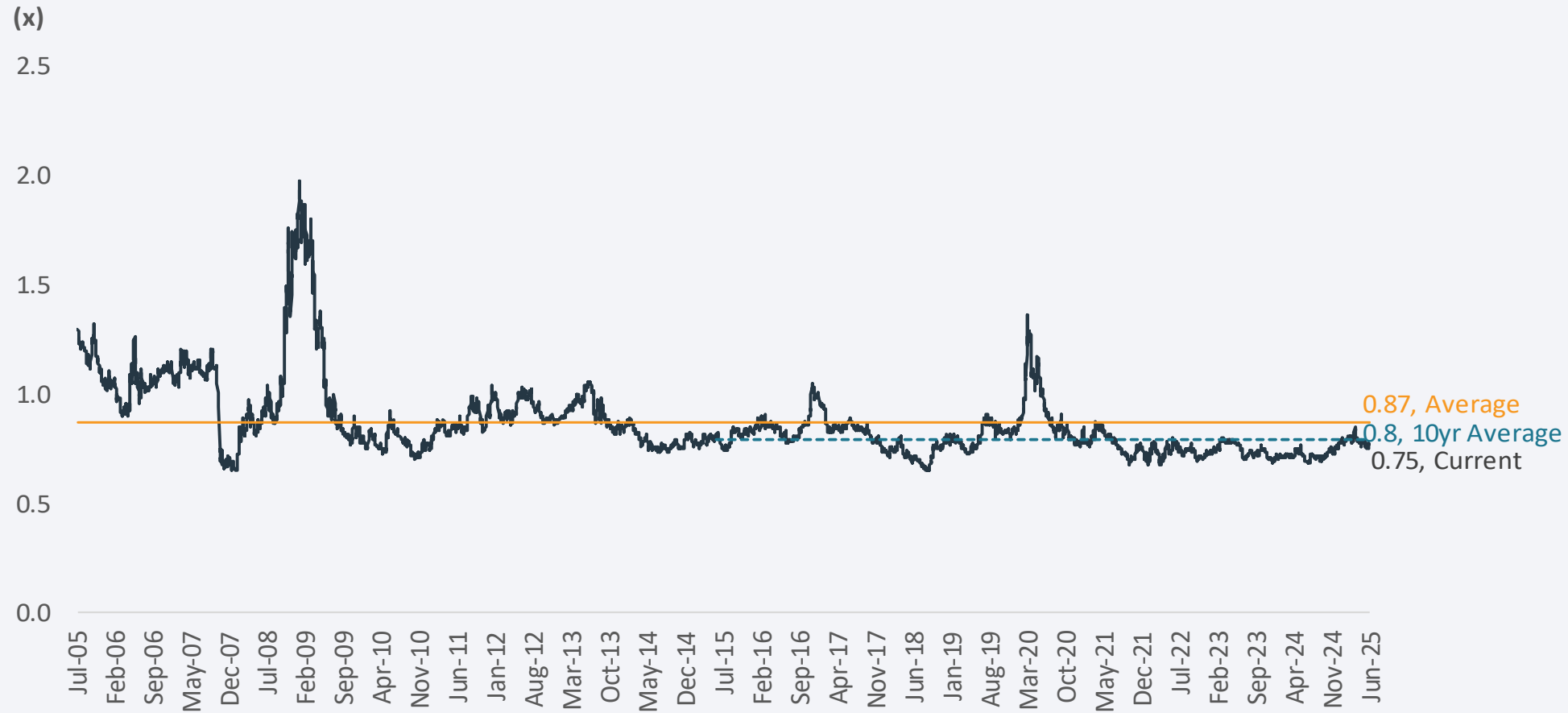
- ✓ In the recent Monetary Policy committee, Repo rate was reduced by 50 bps to 5.50%, stance was changed back to “neutral” from “accommodative” and CRR rate was reduced by 100 bps to 3.0%,
- ✓ Growth inflation dynamics have turned favorable with lower inflation expectations and GDP growth less than potential. The recent repo rate cut shall aid in holding up growth.
- ✓ Real policy rate is expected to remain positive (Repo Rate@5.5%, Projected inflation at 3.7% for FY26)
- ✓ Fiscal deficit to reduce from 4.8% of GDP last fiscal year to 4.4% this fiscal year (Source: Budget documents); latent demand from Banks, growing demand from insurance and pension funds, higher FII inflows from global bond indices inclusion will further support bond prices
- ✓ The Reserve Bank shall continue liquidity management operations in alignment with the monetary policy stance, ensuring that system liquidity remains sufficient to meet the demands of the productive sectors of the economy.
- ✓ The announcement of various liquidity management measures by RBI gives assurance that the liquidity needs of the system shall be addressed adequately.
- ✓ The CRR cut by 100 bps to 3.0%, in four tranches of 25bps each between September and November 2025 will infuse liquidity, aid in rate transmission and support bond markets.
- ✓ Globally other major central bank have already started cutting rates
- ✓ Geopolitical risks, uncertainty from new US administration, global inflation trajectory, extreme weather conditions, fiscal health of states, sustained elevated food prices remain key risks
- ✓ Actual transmission of rates yet to happen. There is scope for further spread compression.
- ✓ Absolute yield levels and spreads seem attractive from a medium to long-term investment horizon. Term spreads have turned attractive. MTM gains to accrue as rates continue to soften and spreads compress over a period of time.

Macro Economic State: In House High Frequency Leading Indicator



- **In House High Frequency Leading Indicator:** While the GDP numbers are released with a lag of 2 months, our inhouse model created based on leading economic indicators provides information on the state and trajectory of domestic economy with a lead time of about 1-2 months
- This tool acts a guiding tool for fixed income investments.

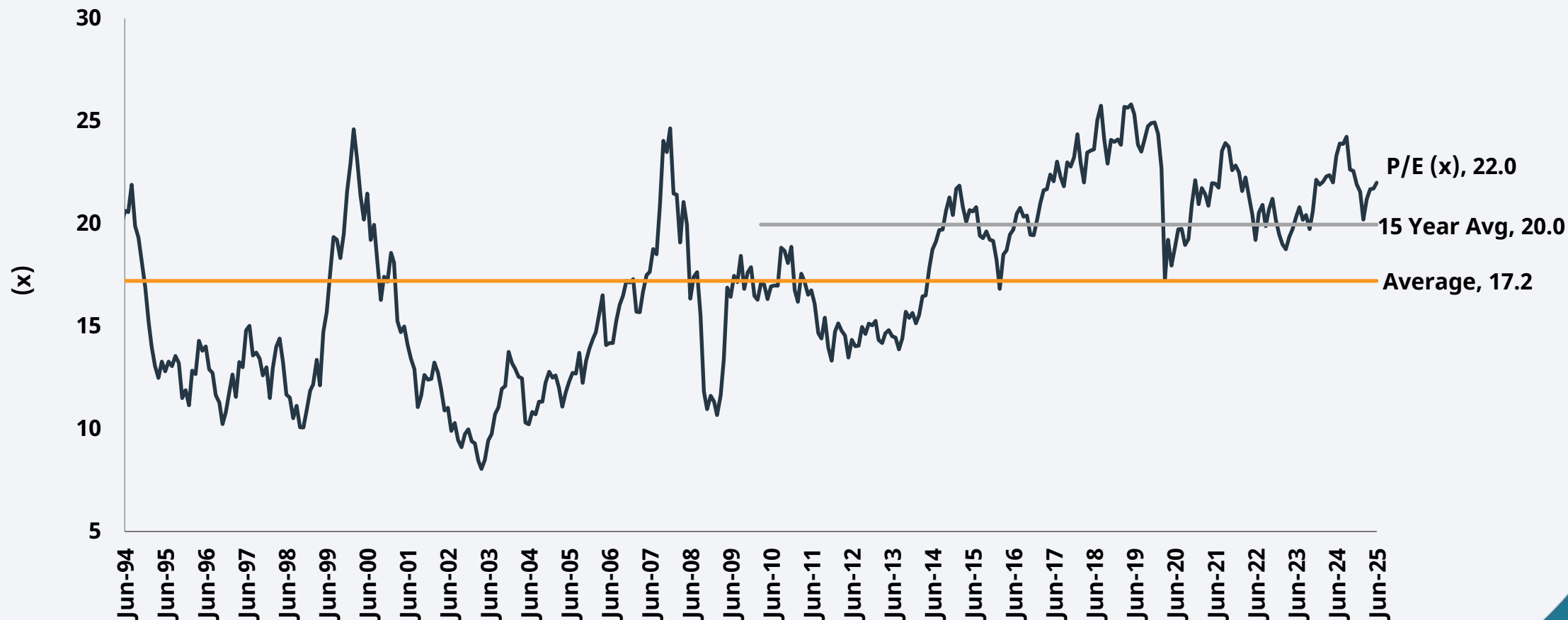
Earnings Yield of Nifty 50 vs 10 Year Gov Bond Yield



Source: Bloomberg; The chart represents the Earnings Yield of Nifty 50 divided by 10 Year Gov Bond Yield
Past performance may or may not be sustained in future.

Data as on June 30, 2025

SENSEX P/E – 1 Year Forward



(x) represents times.

Source: Motilal Oswal Financial Services Limited

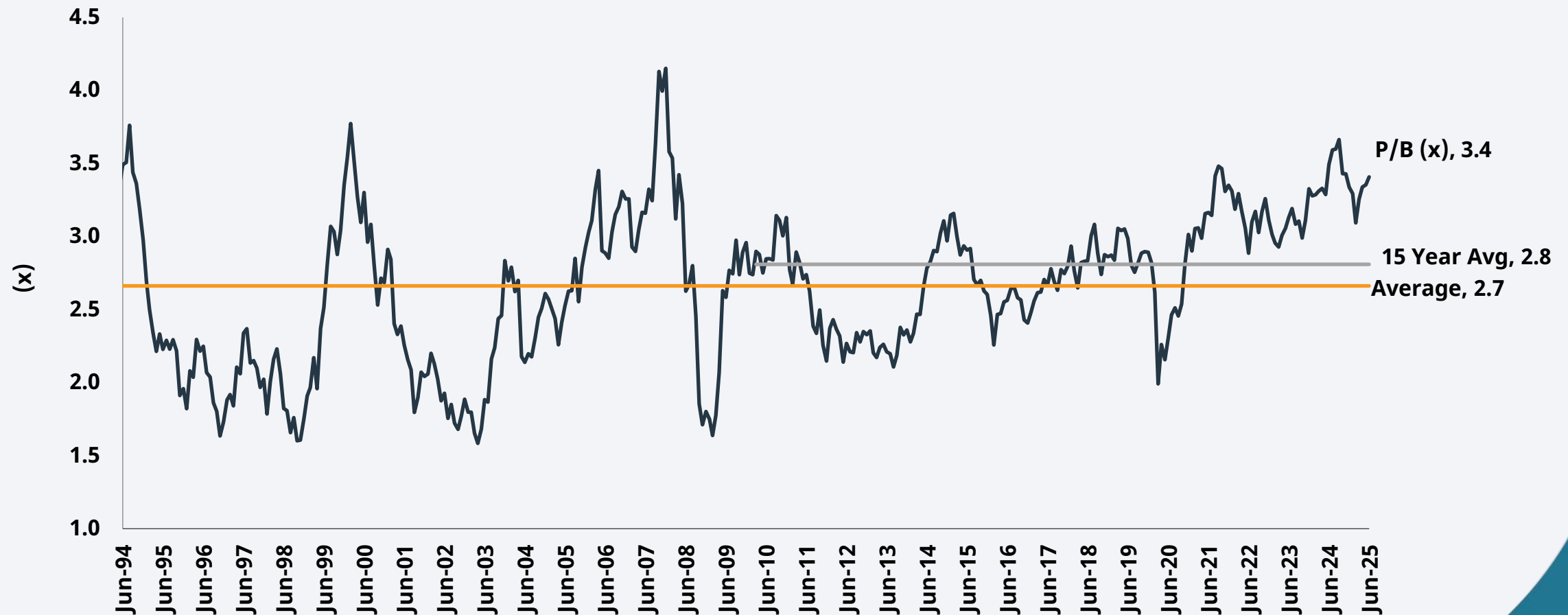
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Data as on June 30, 2025



SENSEX P/B – 1 Year Forward



(x) represents times.

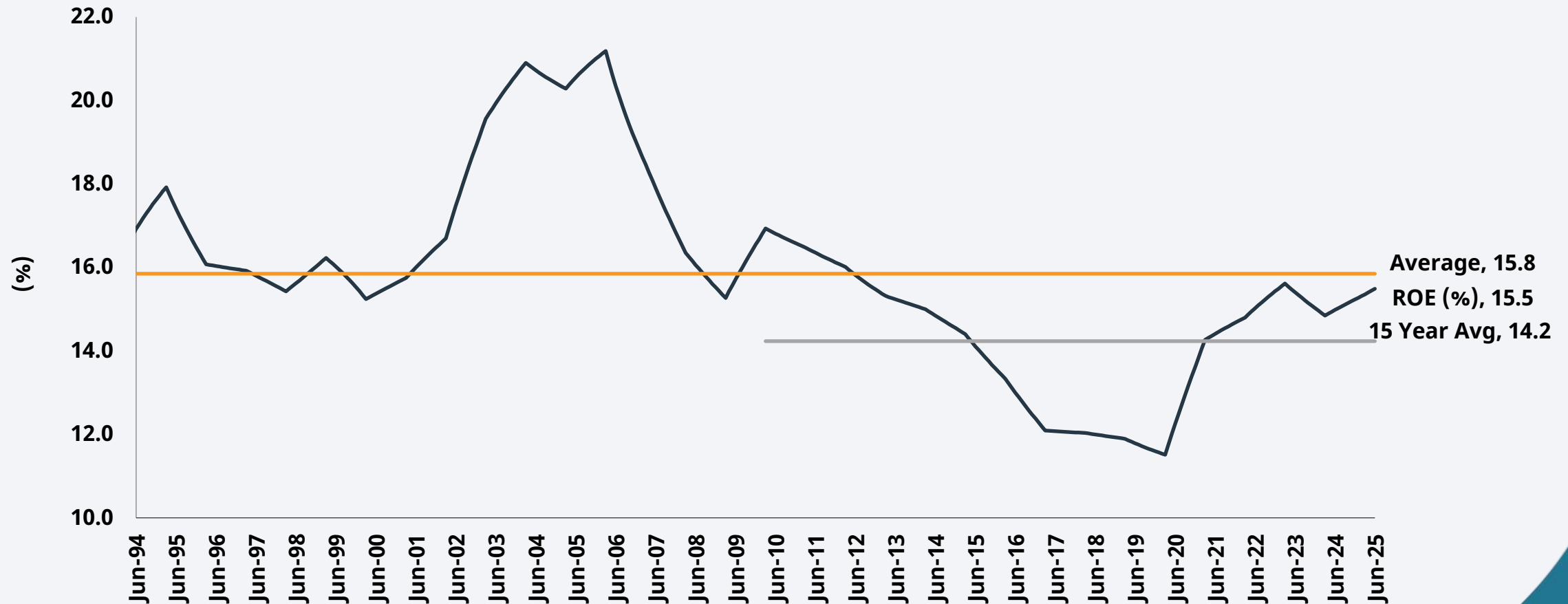
Source: Motilal Oswal Financial Services Limited

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Data as on June 30, 2025

SENSEX ROE (%) – 1 Year Forward



Source: Motilal Oswal Financial Services Limited

Past performance may or may not be sustained in future.

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Data as on June 30, 2025

Breakup of Returns – Nifty 50

	Nifty	% change	EPS 1yr Rolling Forward	% change	P/E 1yr Rolling Forward	% change
Now	25,517		1,217		21.0	
1m ago	24,751	3%	1,215	0%	20.4	3%
3m ago	23,519	8%	1,221	0%	19.3	9%
6m ago	23,645	8%	1,221	0%	19.4	8%
1yr ago	24,011	6%	1,190	2%	20.2	4%
3yr ago	15,780	62%	915	33%	17.2	22%
5yr ago	10,302	148%	568	114%	18.1	16%

The above table shows the breakup of Historical Nifty Returns in EPS change and Valuation change

Source: Bloomberg, Data as of June 30, 2025.

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Breakup of Returns - Nifty 50: Historical Perspective



Source: Bloomberg, Data as of June 30, 2025.

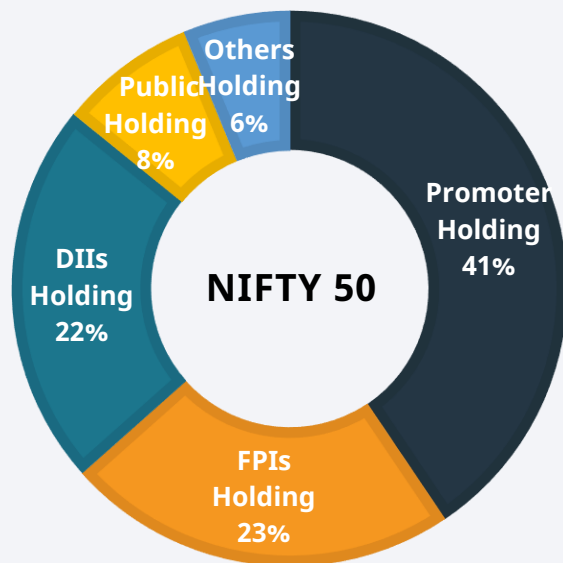
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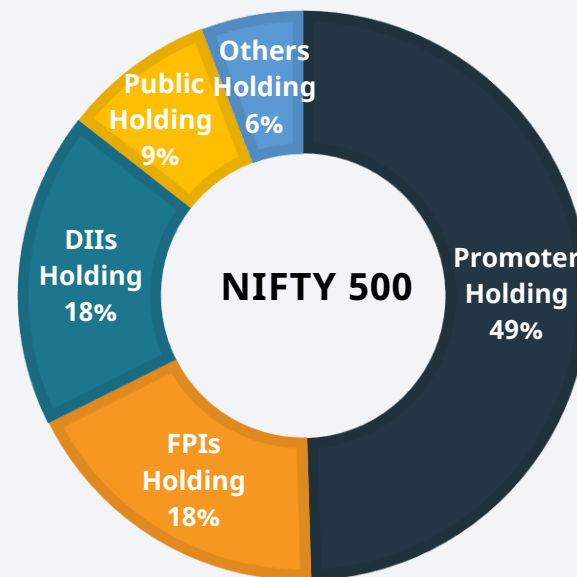
Demand & Supply of Equities

Who Owns Corporate India?

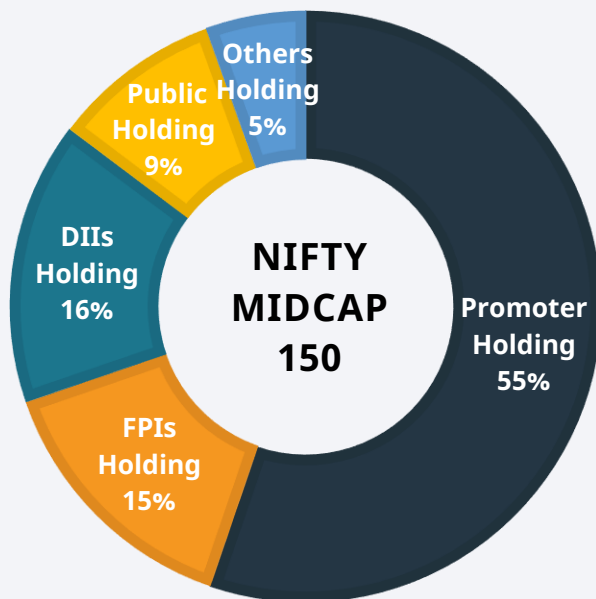
**Market
Capitalisation:
USD 2.2 trillion**



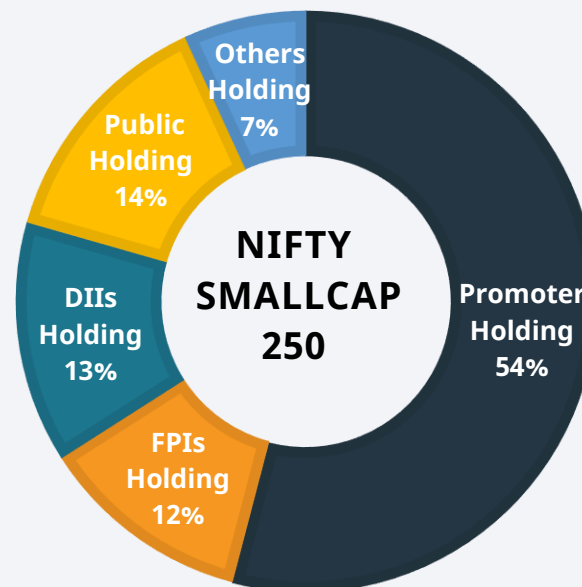
**Market
Capitalisation:
USD 4.4 trillion**



**Market
Capitalisation:
USD 0.9 trillion**

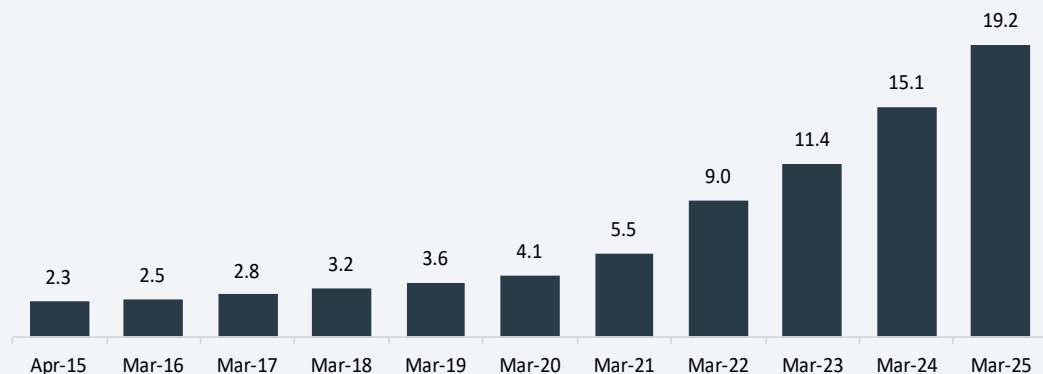


**Market
Capitalisation:
USD 0.5 trillion**

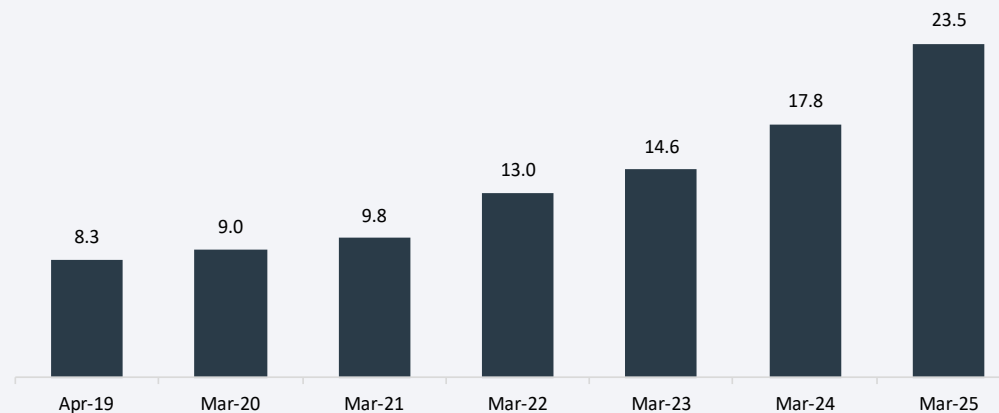


Growing Saliency of Domestic Investors

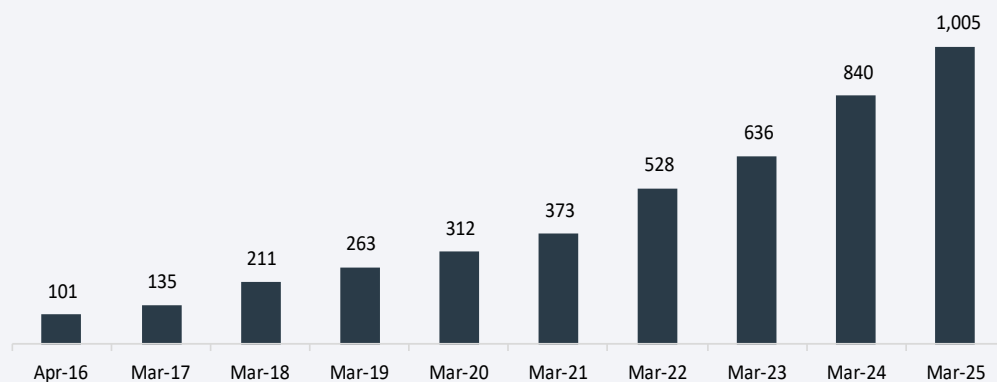
Number of Investors Accounts - Demat Accounts (in Crs)



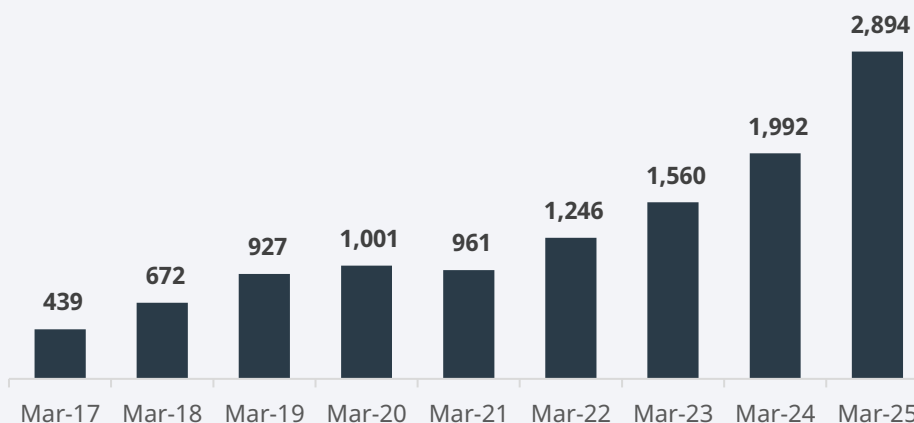
MF - No. of Folios (in Crs)



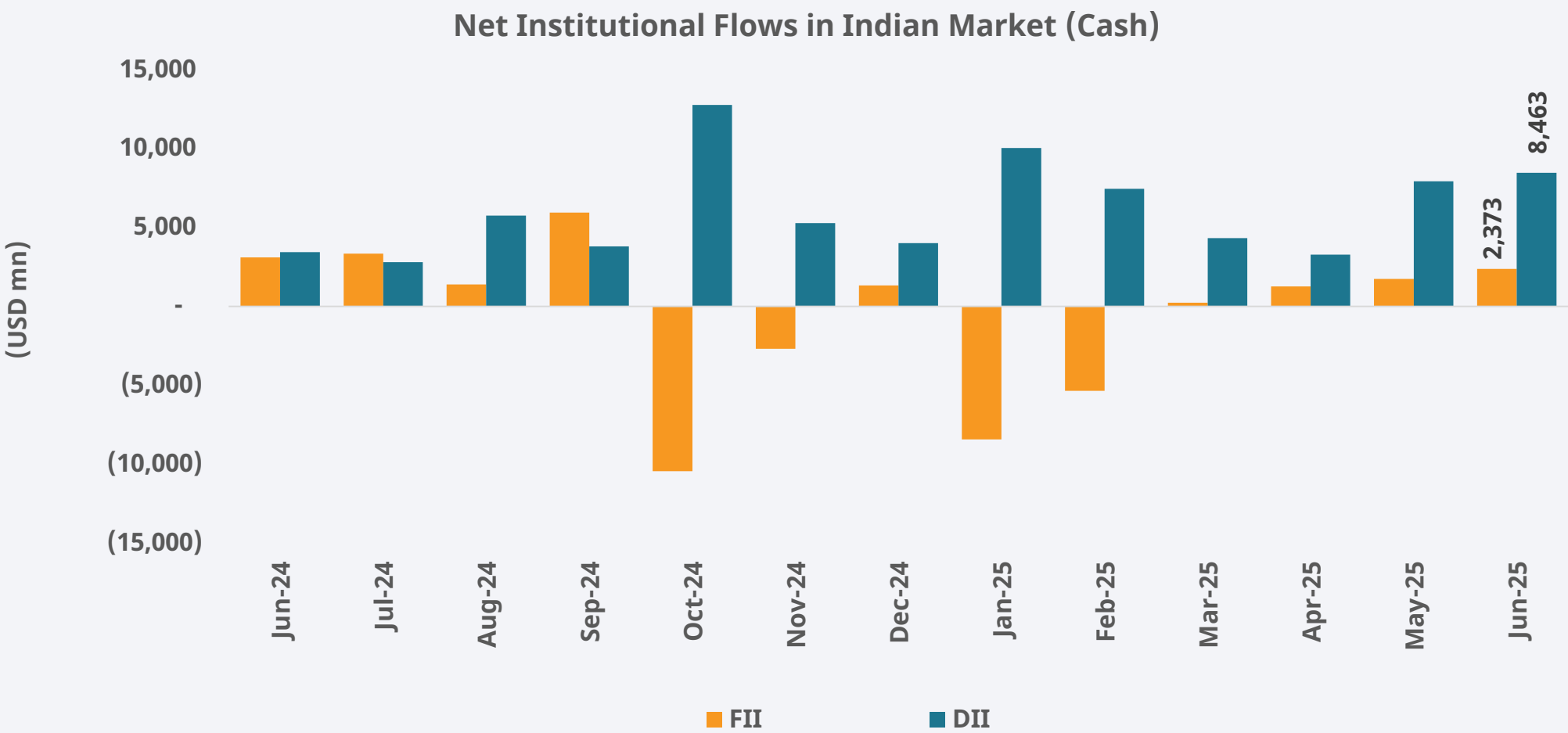
No. of SIP Accounts in Lakhs



Annual - SIP Contribution (Rs. bn)



Demand: Monthly Institutional Flows Data



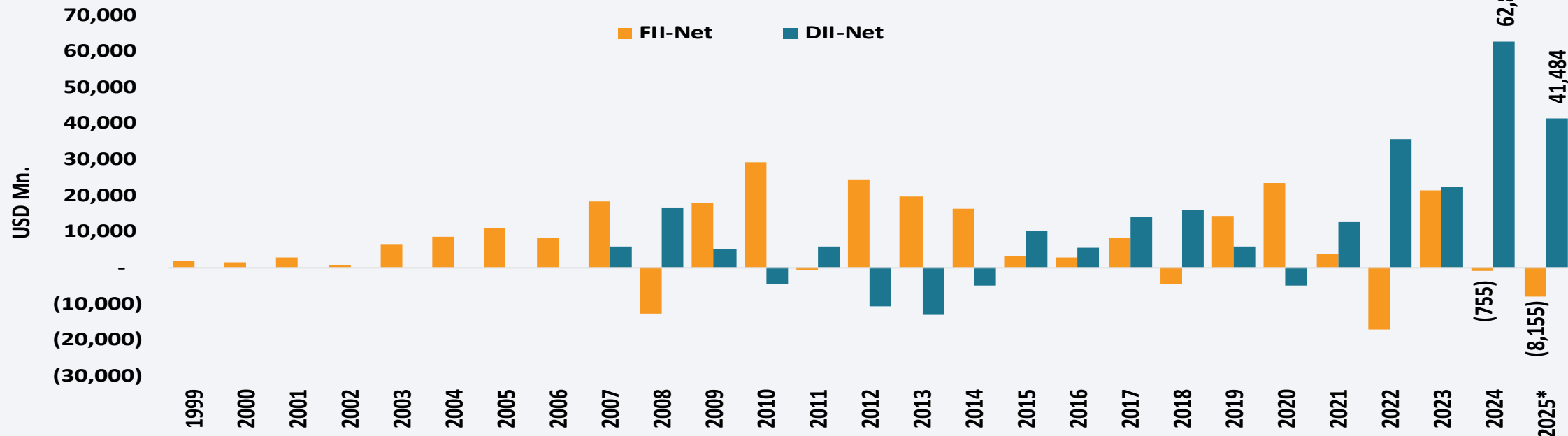
Source: NSDL, BSE, NSE, Bloomberg.

Data as on June 30, 2025



Demand: Annual Institutional Flows Data

Net Institutional Flows in Indian Market (Cash)



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
FII % of Mkt cap**	NA	0.8%	2.1%	0.6%	4.2%	3.3%	2.7%	1.4%	1.8%	-1.2%
DII % of Mkt cap**	NA	NA	NA	NA	NA	NA	NA	NA	0.6%	1.6%
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
FII % of Mkt cap**	2.0%	2.1%	0.0%	2.1%	1.8%	1.2%	0.2%	0.2%	0.4%	-0.2%
DII % of Mkt cap**	0.6%	-0.3%	0.4%	-0.9%	-1.2%	-0.4%	0.7%	0.4%	0.7%	0.7%
	2019	2020	2021	2022	2023	2024	2025*			
FII % of Mkt cap**	0.7%	1.2%	0.1%	-0.5%	0.6%	0.0%	-0.3%			
DII % of Mkt cap**	0.3%	-0.2%	0.4%	1.1%	0.6%	1.2%	1.7%			

** Calendar Year Average and annualised for 2025
Source: NSDL, BSE, NSE, Bloomberg; * upto 30-Jun-2025.

New Supply

Year	IPOs (\$ bn)	FPO (\$ bn)	QIPs (\$ bn)	OFS (\$ bn)	Right issue (\$ bn)	India Promoter/VC/PE Sell downs* (\$ bn)	Total (\$ bn)
2012	1	0	1	5	1	0	8
2013	0	1	1	4	1	1	9
2014	0	0	5	1	1	3	10
2015	2	0	3	6	2	6	18
2016	4	0	1	2	0	3	9
2017	10	0	9	5	1	13	38
2018	5	0	3	5	3	6	21
2019	2	0	5	9	8	11	34
2020	4	2	11	3	9	16	44
2021	16	0	6	3	4	15	44
2022	8	0	1	1	1	10	21
2023	6	0	6	2	1	20	36
2024	19	2	16	4	3	32	76
2025**	5	0	3	2	1	14	25

Source: Prime database, Kotak Institutional Equities, IIFL Alternative Research. *Data is an indicative but not exhaustive set.

**Data upto Jun 2025.

Supply & Institutional Demand

Year	Institutional Demand (FII & DII) (\$ bn)	New Supply (\$ bn)
2012	14	8
2013	7	9
2014	11	10
2015	13	18
2016	8	9
2017	22	38
2018	11	21
2019	20	34
2020	18	44
2021	16	44
2022	19	21
2023	44	36
2024	62	76
2025 (upto Jun 2025)	33	25

Source: NSDL, Bloomberg, Prime database, Kotak Institutional Equities, IIFL Alternative Research.
Data upto Jun 2025.



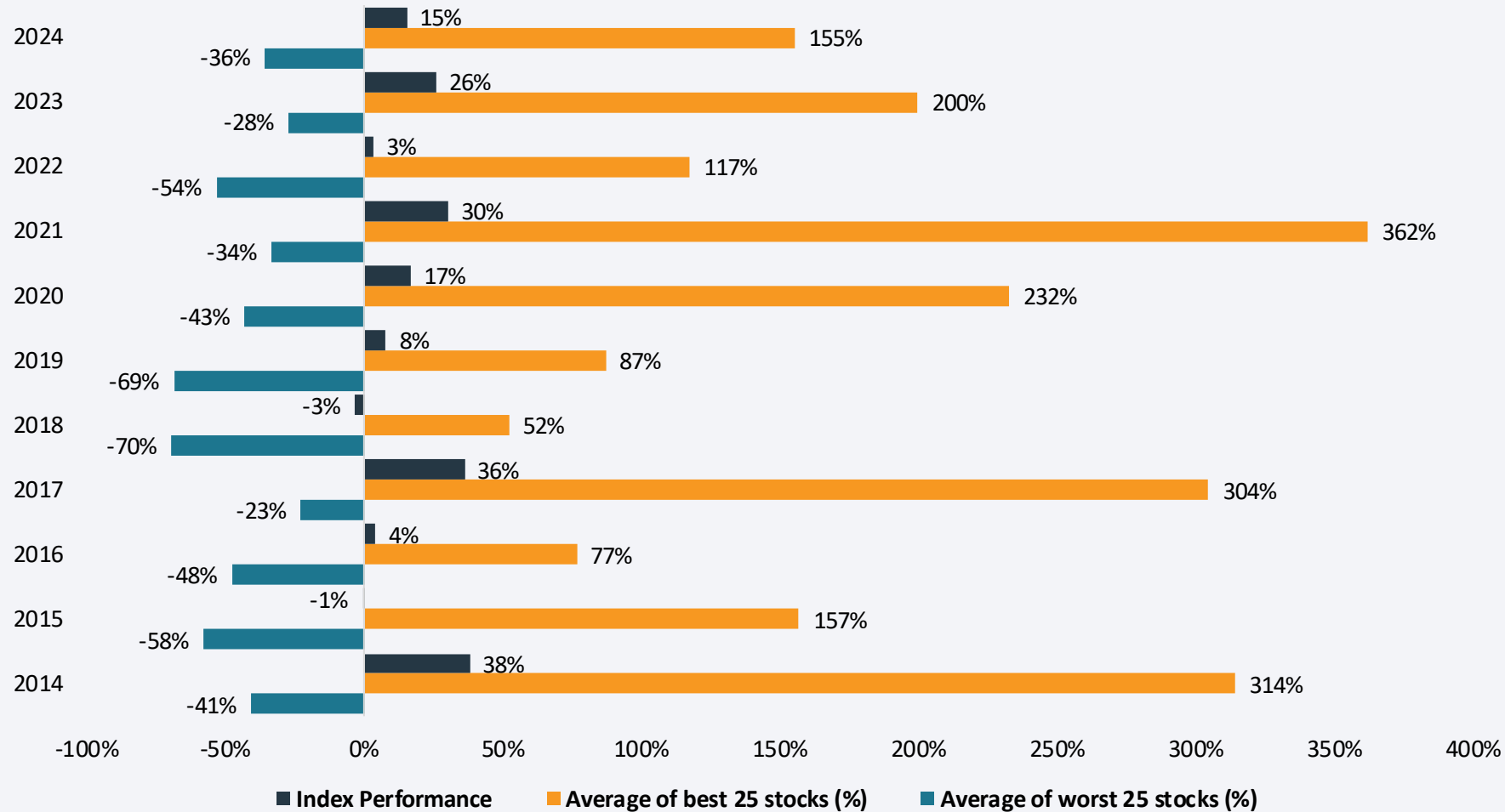
Long Term Historical Market Trends

Evolution Of Sensex

1986 (January)	1996 (March)	2006 (March)	2016 (March)	2024 (March)
ACC	ACC	ACC	Adani Ports & Special Economic Zone	Asian Paints
Ballarpur Industries	Aditya Birla Nuvo	Ambuja Cements	Asian Paints	Axis Bank
Bharat Forge	Ballarpur Industries	Bajaj Holdings & Investment (Bajaj Auto)	Axis Bank	Bajaj Finance
Bombay Dyeing	Bharat Forge	BHEL	Bajaj Auto	Bajaj Finserv
Ceat	Bombay Dyeing	Bharti Airtel	Bharti Airtel	Bharti Airtel
Century Textiles	Ceat	Cipla	BHEL	HCL Technologies
Grasim Industries	Century Textiles	Dr Reddy's Laboratories	Cipla	HDFC Bank
Great Eastern Shipping	Cummins India	Grasim Industries	Coal India	Hindustan Unilever
GSK	Futura Polyesters	HDFC Bank	Dr Reddy's Laboratories	ICICI Bank
Guj. State Fertilizers	Glaxosmithkline	Hero MotoCorp	GAIL India	IndusInd Bank
Hindustan Aluminium	Grasim Industries	Hindalco Industries	HDFC	Infosys
Hindustan Lever	Great Eastern Shipping	Hindustan Unilever	HDFC Bank	ITC
Hindustan Motors	Gujarat State Fertilizers & Chem	HDFC	Hero MotoCorp	JSW Steel
Indian Hotels Co	Hindalco Industries	ICICI Bank	Hindustan Unilever	Kotak Mahindra Bank
Indian Organics	Hindustan Motors	Infosys	ICICI Bank	Larsen & Toubro
Indian Rayon	Hindustan Unilever	ITC	Infosys	Mahindra & Mahindra
ITC	Indian Hotels Co	Larsen & Toubro	ITC	Maruti Suzuki India
Kirloskar Cummins	ITC	Maruti Suzuki India	Larsen & Toubro	Nestle India
Larsen & Toubro	Larsen & Toubro	NTPC	Lupin	NTPC
Mahindra & Mahindra	Mahindra & Mahindra	ONGC	Mahindra & Mahindra	Power Grid Corp of India
Mukand Iron	Mukand	Ranbaxy Laboratories	Maruti Suzuki India	Reliance Industries
Nestle	Nestle India	Reliance Industries	NTPC	State Bank of India
Peico Electronics	Philips Electroics India	Reliance Infrastructure	ONGC	Sun Pharmaceutical Industries
Premier Auto	Premier	Satyam Computer Services	Reliance Industries	Tata Consultancy Services
Reliance Industries	Reliance Industries	State Bank of India	State Bank of India	Tata Motors
Siemens	Siemens	Tata Consultancy Services	Sun Pharmaceutical Industries	Tata Steel
Tata Motors	Tata Motors	Tata Motors	Tata Motors	Tech Mahindra
Tata Power	Tata Power	Tata Power	Tata Steel	Titan
Tata Steel	Tata Steel	Tata Steel	Tata Consultancy Services	UltraTech Cement
Voltas	Voltas	Wipro	Wipro	Wipro

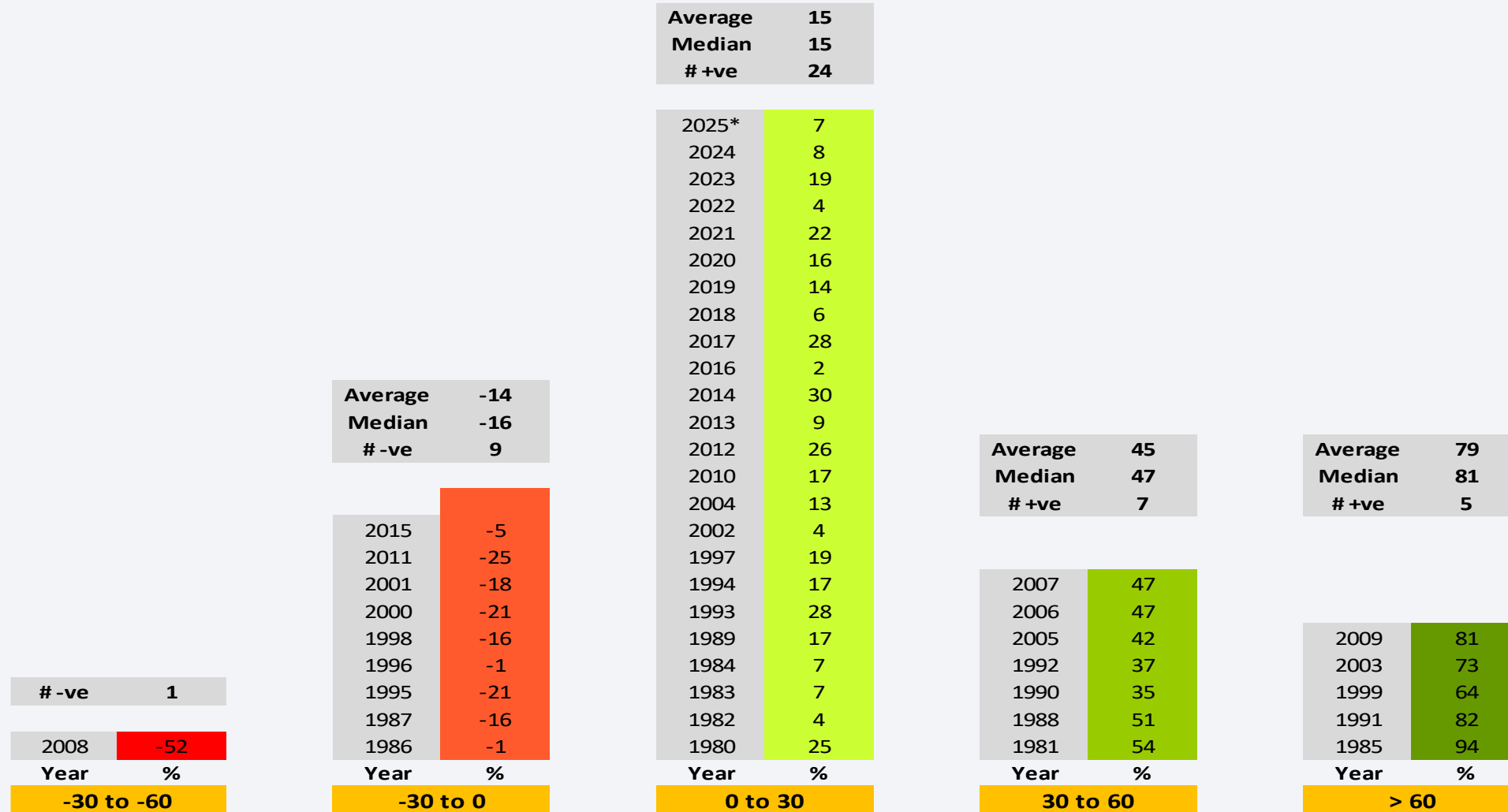
Source: Bloomberg, BSE, SEBI, MOSL, Business Insider. The above data represents constituents of the Sensex Index over a period of time. The above mentioned data is for information purpose only and should not be considered as recommendation to buy, sell or hold any securities mentioned above. Union Mutual Fund may or may not have any future position in the stocks and it does not classify as any recommendation.

Dispersion of Stocks Returns



Return Distribution - Sensex

Historically, Indian Equities (represented by Sensex) have delivered positive returns in 35/45 years.

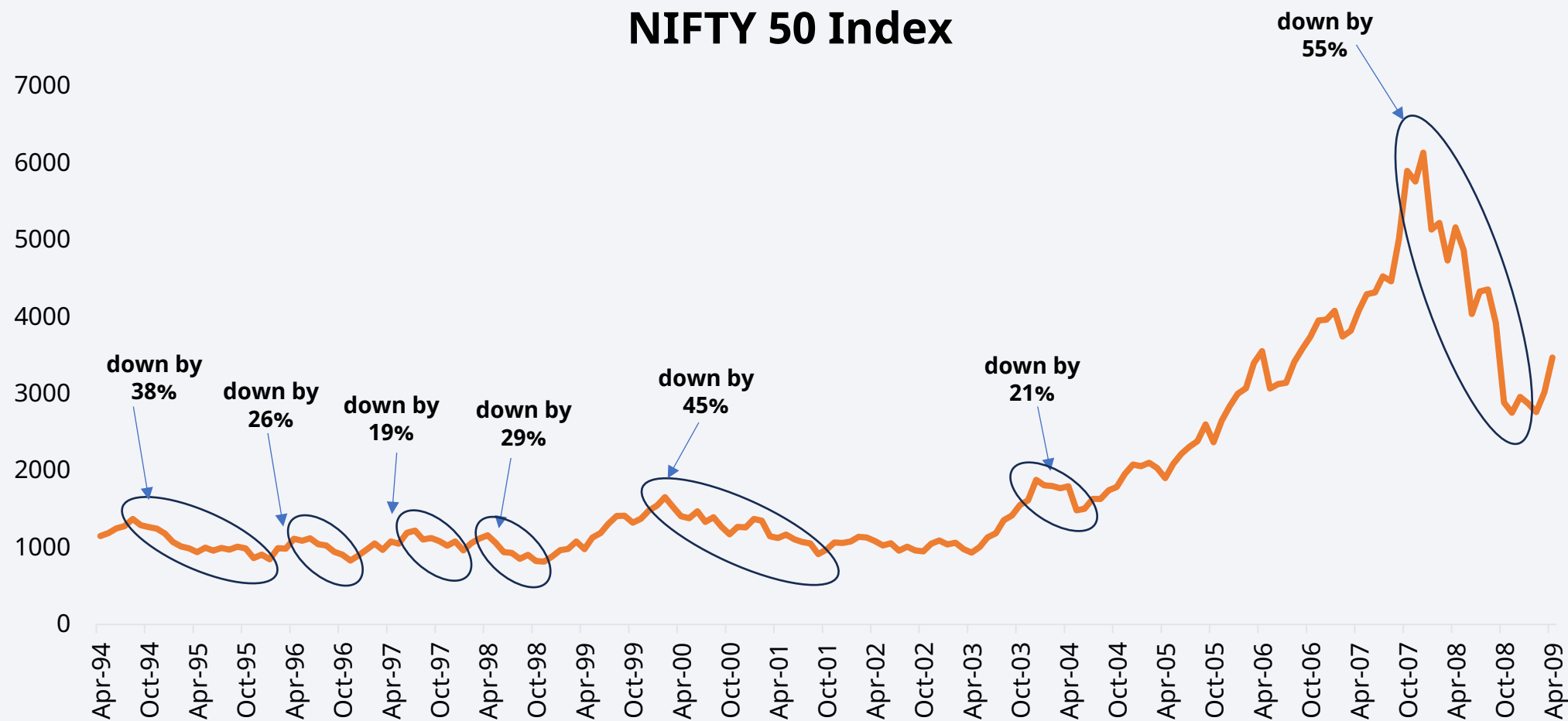


Source: Bloomberg, Internal Research; *Data till June 30, 2025.

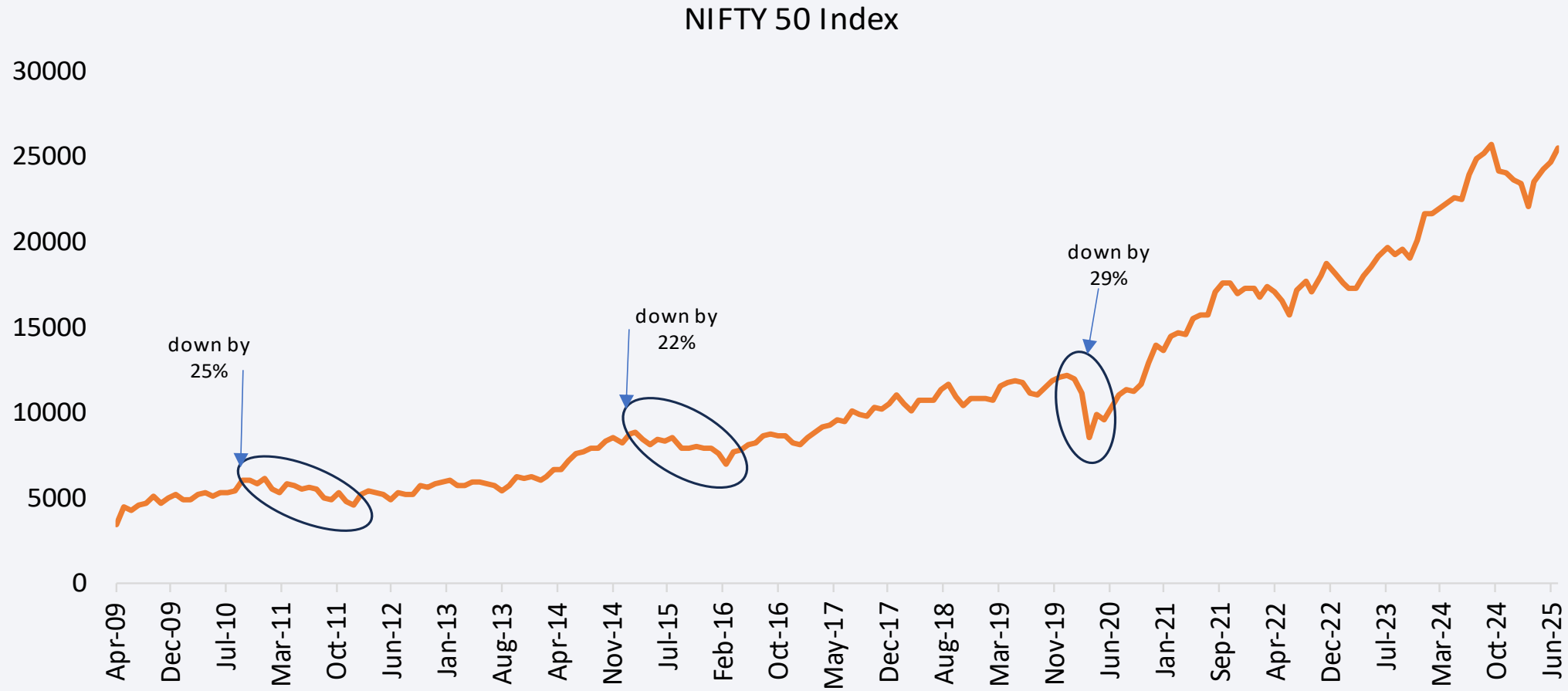
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Drawdown of NIFTY 50 Index (1994 - 2009)

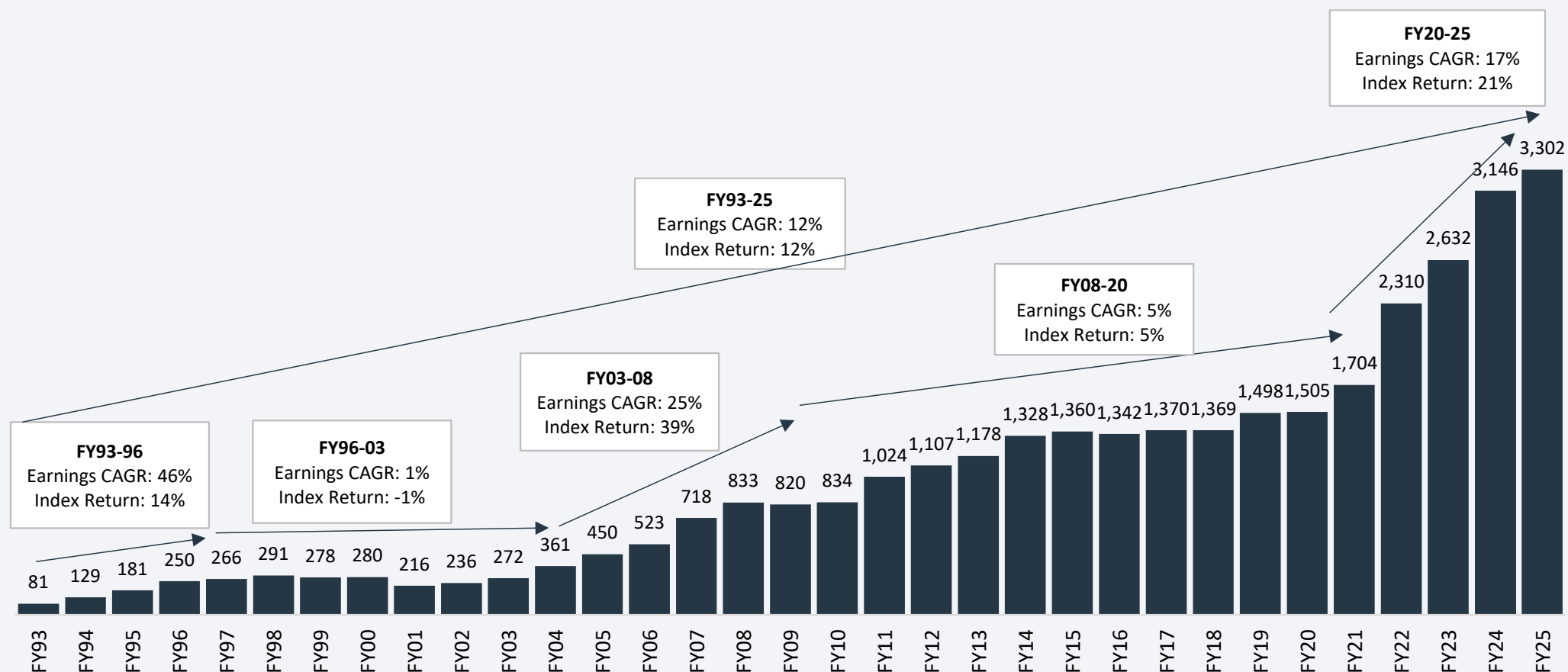


Drawdown of NIFTY 50 Index (2009 – 2025)



Source: NSE; Period 2009 to 2025 (upto June 2025).

S&P BSE Sensex EPS Trend



Source: Motilal Oswal Financial Services Limited, Internal Research

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Indian Equity Market Performance- Rolling

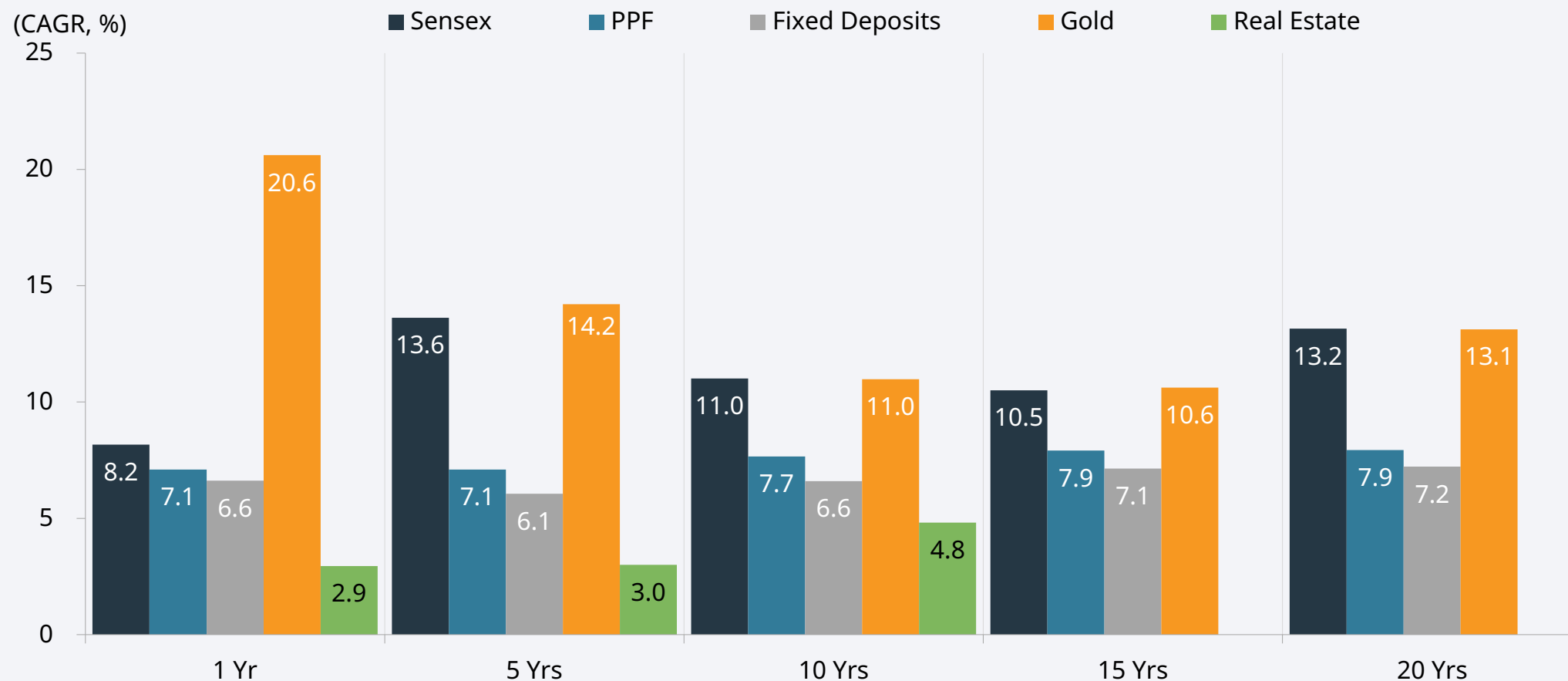
Sensex data since inception

Period	Minimum Returns	Average Returns	Standard Deviation	+ve Returns	-ve Returns	Return to Risk Ratio (Average Returns/Standard Deviation)
1 Year Rolling	-56.1%	18.5%	31.9%	73.8%	26.2%	0.58
3 Year Rolling	-18.5%	15.6%	15.4%	89.2%	10.8%	1.01
5 Year Rolling	-7.9%	15.3%	11.7%	92.9%	7.1%	1.31
7 Year Rolling	-7.6%	15.0%	9.0%	94.9%	5.1%	1.65
10 Year Rolling	-2.8%	14.8%	7.1%	99.2%	0.8%	2.08

Longer the investment is held, lesser the probability of negative returns.

Source: Union AMC Internal Research & Bloomberg; Daily rolling returns are calculated for the period 03-04-1979 to 30-06-2025 by the CAGR approach. Example: For 1 Year Return, the first data point will be CAGR between 01-04-1979 to 01-04-1980, similarly the next data point would be CAGR between 02-04-1979 to 02-04-1980. The last data point would be CAGR between 30-06-2024 to 30-06-2025. Returns are calculated in a similar manner for other time frames (3, 5, 7, and 10 Years). The Index used is BSE Sensex. **Past Performance may or may not be sustained in the future.** Index performance does not signify the performance of any schemes of Union Mutual Fund.

What Returns Did Different Asset Classes Give In The Last 20 Years?



Source: CEIC, Bloomberg, IIFL Research; Data as of December 31, 2024

Fixed Deposits = Source: RBI (*top 5 major banks*) and Maturity is 1year deposit.

*Note: The House Price Index as released by RBI on a quarterly basis is used for real estate prices. The data is available from 2010 onwards and the latest available data is for Dec 2024.

Note: Bank Fixed deposits upto Rs. 5 lakhs are being insured by Deposit Insurance and Credit Guarantee Corporation (DICGC).

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The Above-mentioned returns should not be construed as any indication of future returns and it is only for illustration purpose, should not be compared with Union Mutual Funds Scheme performance.

Disclaimers & Statutory Details

Disclaimers: The information, opinions and facts in this document are as of 30th June 2025 unless stated otherwise, and may change without notice. The information, opinions and facts in this document alone are not sufficient and should not be used for the development or implementation of an investment strategy. Neither the Sponsors/the AMC/ the Trustee Company/ their associates/ any person connected with it, accepts any liability arising from the use of this information. The sectors mentioned herein do not constitute any recommendation and Union Mutual Fund may or may not have any future position in these sectors.

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Statutory Details: Constitution: Union Mutual Fund has been set up as a Trust under the Indian Trusts Act, 1882; **Sponsors:** Union Bank of India and Dai-ichi Life Holdings, Inc.; **Trustee:** Union Trustee Company Private Limited, [Corporate Identity Number (CIN): U65923MH2009PTC198198], a company incorporated under the Companies Act, 1956 with a limited liability; **Investment Manager:** Union Asset Management Company Private Limited, [Corporate Identity Number (CIN): U65923MH2009PTC198201], a company incorporated under the Companies Act, 1956 with a limited liability • **Registered Office:** Unit 503, 5th Floor, Leela Business Park , Andheri Kurla Road, Andheri (East), Mumbai – 400059 • **Toll Free No.** 18002002268/18005722268 • **Non Toll Free.** 022-67483333 • **Fax No:** 022-67483402 • **Website:** www.unionmf.com • **Email:** investorcare@unionmf.com.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

THANK YOU

