

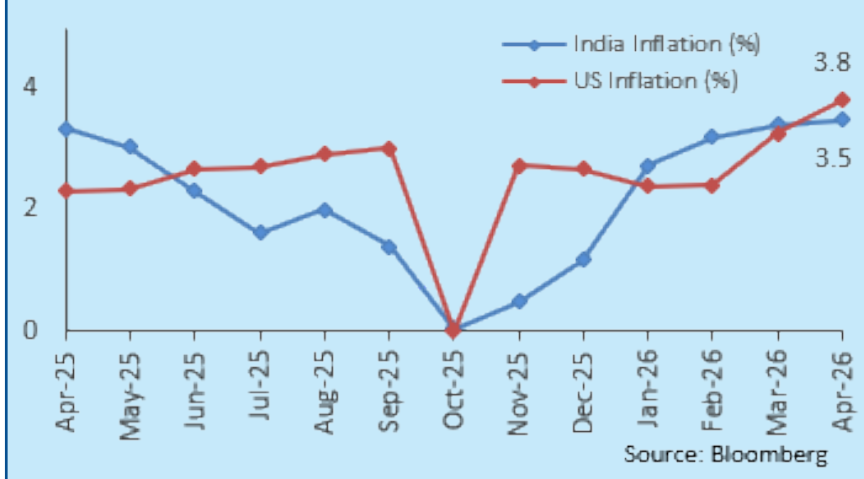
Market Outlook

HDFC Pension – Monthly update (May 2026)



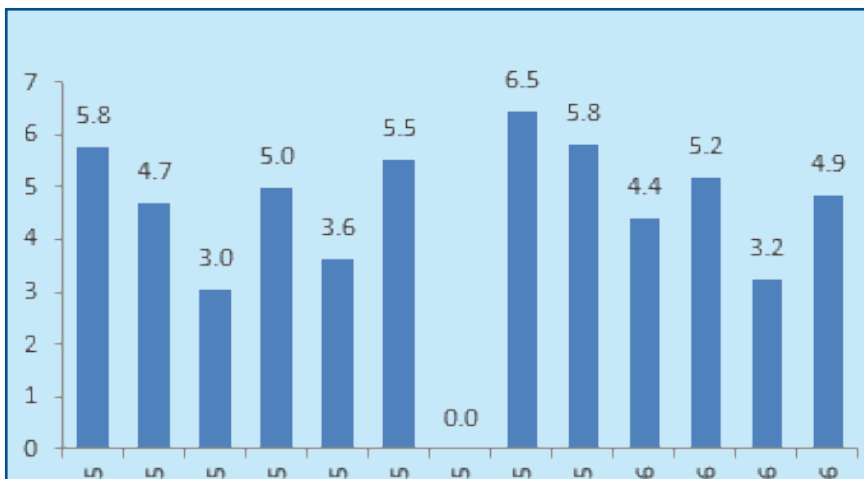
Economic Overview

Inflation %



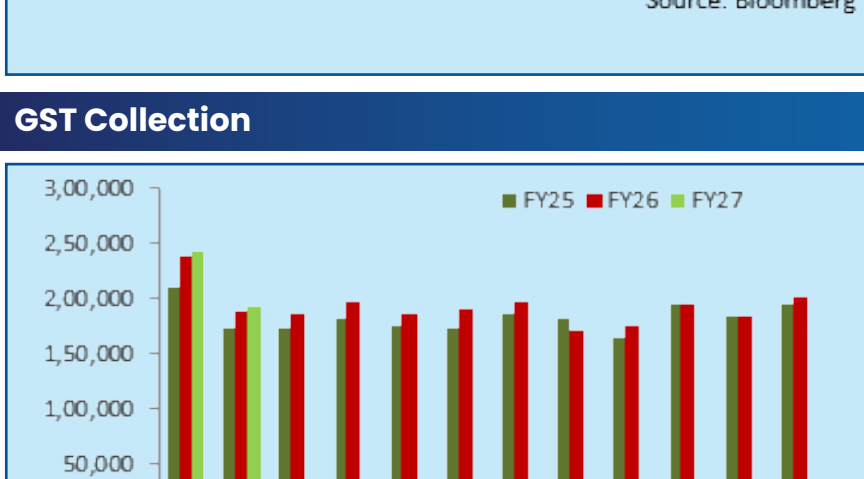
- Headline inflation (CPI) for April 2026 inched up to 3.5% vs 3.4% last month, broadly in line with market expectations. The rise in headline CPI was largely driven by higher food prices.
- Core inflation i.e. (CPI Ex Food and Ex-Fuel) increased to 3.6% as compared to 3.5% in the previous month.
- Globally, U.S. inflation firmed up at 3.8% in April 2026, driven mainly by higher energy prices amid geopolitical tensions in the Middle East.

Index of Industrial Production (IIP)



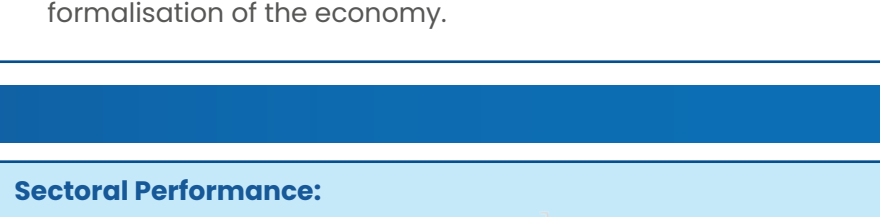
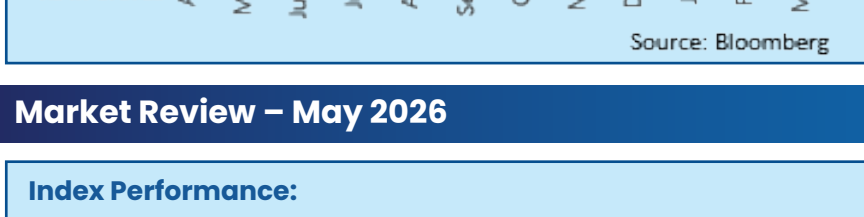
- Industrial Production (IIP) growth for April 2026 came in at 4.9%, higher than the previous month's 4.1%, led by strong manufacturing activity.
- Manufacturing segment growth improved to 6.2% in April 2026 from 4.3% in the previous month on an annual basis. Among manufacturing sub-components, 17 out of 23 segments registered positive YoY growth.
- Electricity & gas supply growth improved to 4.9% from 0.8% previously.
- Mining & quarrying contracted by 5.1% in April 2026 compared to 5.0% growth in the previous month.

GST Collection

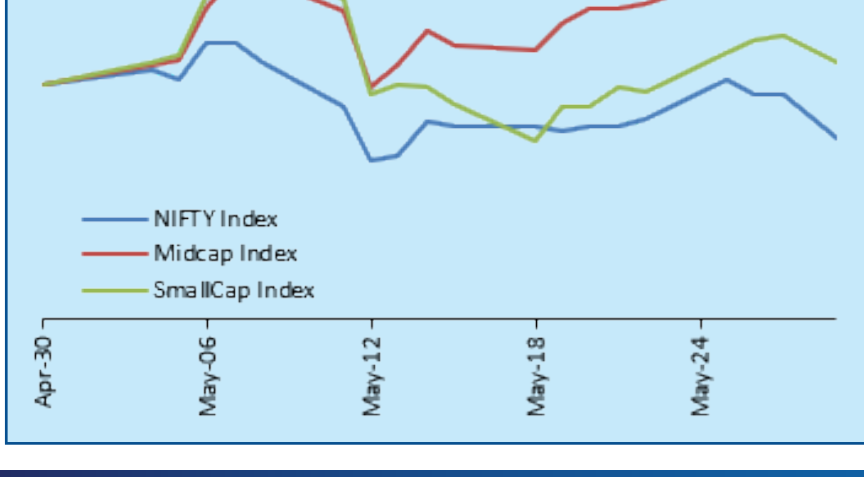


- Gross GST collections stood at Rs.1.94 lakh crore in May 2026, registering a 3.2% YoY increase from Rs.1.88 lakh crore in May 2025, reflecting continued economic resilience and steady compliance trends.
- Import-related IGST collections rose 19.1% YoY to Rs.59,654 crore, significantly outpacing domestic collections and supporting overall GST growth amid strong import demand.
- Despite global uncertainty and volatile commodity prices, GST trends continue to reflect stable consumption and ongoing formalisation of the economy.

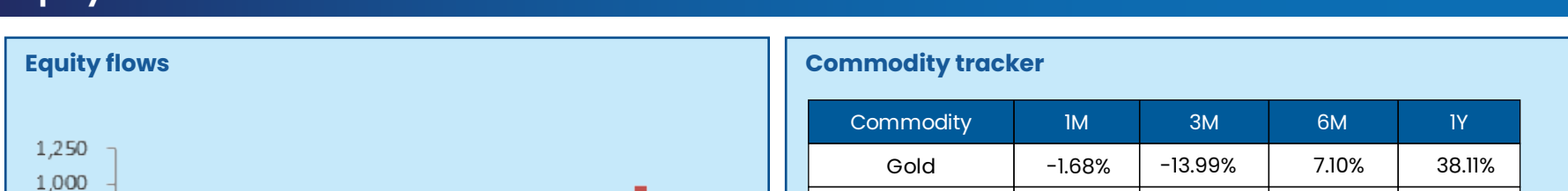
Market Review – May 2026



Equity flows



Commodity	1M	3M	6M	1Y
Gold	-1.68%	-13.99%	7.10%	38.11%
Silver	2.10%	-19.71%	33.27%	128.28%
Crude	-19.26%	27.00%	45.65%	41.83%
Zinc	4.72%	6.66%	7.27%	31.93%
Copper	5.34%	2.30%	21.06%	41.52%
Nickel	-2.16%	6.95%	28.94%	27.34%
Lead	3.37%	4.71%	3.57%	2.16%
Aluminum	6.73%	20.45%	32.57%	52.60%
Tin	12.63%	-4.36%	40.59%	74.88%



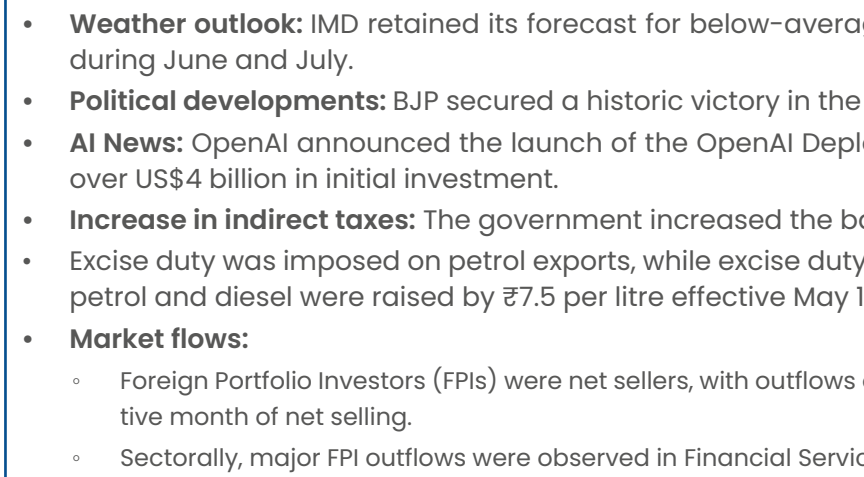
Following a sharp recovery in April 2026, Nifty moderated 1.9% during the month May 2026, amid uncertainty surrounding a potential US-Iran peace deal. Meanwhile, mid-cap and small-cap indices outperformed the large-cap index, gaining 3.2% and 0.7%, respectively. However, sentiment turned negative for most part of the month as peace negotiations failed to progress.

Market movements during the month were largely influenced by the following factors:

- Weather outlook:** IMD retained its forecast for below-average monsoon rainfall in 2026 and warned of likely El Niño conditions during June and July.
- Political developments:** BJP secured a historic victory in the West Bengal Assembly elections.
- AI News:** OpenAI announced the launch of the OpenAI Deployment Company, a new enterprise-focused AI venture backed by over US\$4 billion in initial investment.
- Increase in indirect taxes:** The government increased the basic customs duty on gold and silver imports from 5% to 10%.
- Excise duty** was imposed on petrol exports, while excise duty on ATF and high-speed diesel exports was reduced. Retail prices of petrol and diesel were raised by ₹7.5 per litre effective May 15, 2026.
- Market flows:**
 - Foreign Portfolio Investors (FPIs) were net sellers, with outflows of approximately ₹330 billion during the month, marking the third consecutive month of net selling.
 - Sectorally, major FPI outflows were observed in Financial Services, Oil & Gas, FMCG, Automobiles and Consumer Services.
 - In contrast Services, Metals, Capital goods and Healthcare witnessed net inflows (Source: NSDL).
 - Domestic institutional investors remained supportive, purchasing equities worth approximately ₹631 billion during the month.

Among global markets, South Korea (+28%), Taiwan (+15%), and Japan (+12%) were the top-performing markets during the month. In contrast, Indonesia (-12%), Brazil (-8%), and Hong Kong (-2%) were among the weakest-performing markets.

Nifty Valuation & Equity Outlook



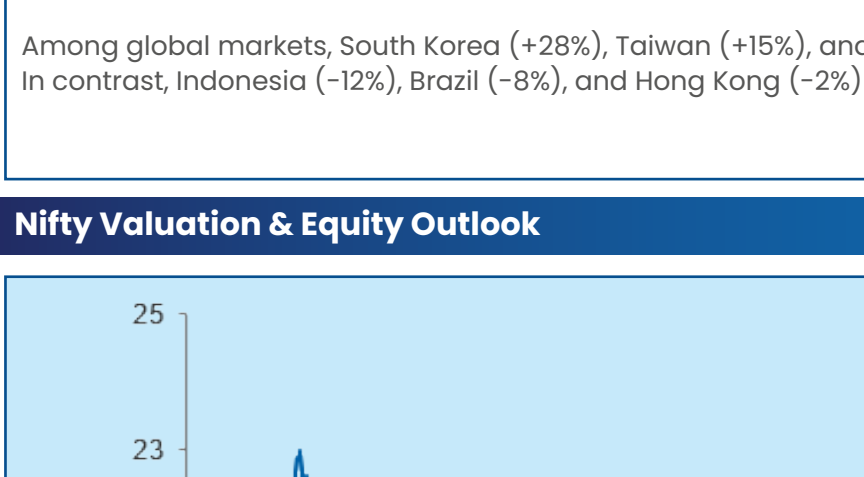
Nifty's 12 month forward P/E improved to 18.1x in May 2026 from 18.5x in April 2026, despite continued moderation in forward earnings estimates.

Investor sentiment remained cautious globally amid persistent geopolitical uncertainties and elevated crude oil prices, which continue to pose near term inflation and margin risks across sectors.

At the same time, the recent valuation correction has helped moderate excess froth in the market, improving the overall risk reward profile. However, elevated energy prices and global supply chain disruptions remain key risks for FY27 earnings estimates in the coming quarters.

Going ahead, market returns are expected to be driven largely by earnings growth rather than valuation re-rating. While near term volatility may persist due to global uncertainties, the long term outlook for Indian equities remains constructive, supported by resilient domestic fundamentals and selective opportunities at reasonable valuations.

Debt outlook and positioning



Global Macros

US Fed maintained rates unchanged at 3.50-3.75% in its April 2026 meeting, but the stance turned more data-dependent with 10Y yield internal divergence, as policymakers balanced persistent inflation risks against early signs of growth moderation. US 10Y yield was volatile in May 2026, spiking sharply mid-month on inflation and oil concerns before retracing, ending marginally higher by -5-7 bps around 4.45%. The ECB broadly maintained its cautious stance, signalling potential policy tightening bias amid upward revisions to inflation forecasts, even as growth risks increased due to elevated energy costs and geopolitical uncertainty. BoE held rates at 3.75% but shifted to a cautious hawkish stance, highlighting rising inflation risks from energy shocks and reopening the possibility of rate hikes despite weak growth. The US-Iran conflict remained in a fragile ceasefire phase during May 2026, with intermittent strikes, drone incidents, and the closure of the Strait of Hormuz, highlighting geopolitical risks elevated. The two sides made some progress toward extending the truce (around 60 days), but a final agreement was not concluded, sustaining uncertainty over oil supply routes and regional stability. US CPI rose to 3.8% YoY in April 2026, driven by energy shocks, with core inflation sticky around 2.8%, reinforcing a higher-for-longer policy narrative. US ADP showed -110K private job additions in May 2026, indicating a stable but moderate pace of hiring, consistent with a cooling yet resilient labour market. India's CPI rose to 3.48% YoY in April 2026 (vs. 3.40% in March), remaining below the RBI's 4% target. The uptick was driven by food inflation at 4.2%. While inflation risks in India remain contained in the near term, the outlook is skewed to the upside due to potential imported inflation from crude, even as growth risks persist. RBI is widely expected to hold rates in June with a neutral stance, while maintaining a hawkish bias amid rising inflation risks, signalling a continued wait-and-watch approach. The US-Iran war since late February 2026 with disruptions in shipping lane at the Strait of Hormuz, driving crude till \$114/bbl and reviving global inflation concerns. Higher oil prices and risk-off flows weakened the rupee and lifted the 10-year G-sec above 7%. The US 10 Year closed at 4.45% as on 29th May 2026 vs 4.35% on 30th April 2026. DXY traded in a 97.60-99.50 band in May and closed at 98.95, supported by higher US yields, delayed Fed easing expectations, and safe-haven flows.



Debt Outlook

Scheme G:

The US 10 Year closed at 4.45% as on 29th May 2026 vs 4.35% on 30th April 2026. 10-year G-Sec ranged between 6.86% and 7.14% in May 2026, closing at 7.00% on 29th May 2026. Despite intermittent volatility driven by global cues and liquidity conditions, the 10y segment remained largely range-bound and well anchored, reflecting steady demand from long-term investors. The 10y-30y G-Sec spread increased to 64 bps vs 56 bps earlier. Short end outperformed due to surplus liquidity and stable near-term rate expectations, while long-end was constrained by supply and term premium. RBI is widely expected to hold rates in June with a neutral stance, while maintaining a hawkish bias amid rising inflation risks, signalling a continued wait-and-watch approach.

Scheme C:

Yields at the shorter end spiked by 15-20 bps, while the 10-year remained relatively anchored, resulting in a front-end inversion of the yield curve. 5 Year NABARD traded at 7.85%, 10 Year NABARD at 7.78% and 15 Year at 7.80%. We expect the 3-5 y segment to outperform and increase exposure in quality AA and AA+ credits and increase exposure in expanded universe (Invit's, AIF). We will look to deploy tactically to achieve optimum (Invit's, AIF) 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 29th May 2026)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	11.93%	11.31%	12.71%	13.81%
Scheme Corporate Bond (C)	7.44%	6.61%	7.88%	8.97%
Scheme Government Bond (G)	5.78%	5.56%	6.91%	8.38%

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 29th May 2026 would have been:

Asset Allocation*	Aggressive	Moderate	Conservative
Invested Amount (in Rs)	6,50,000	6,50,000	6,50,000
Corpus as on 29th May 2026 (in Rs)	14,16,996	13,04,058	11,88,607

* 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.

