

NATIONAL PENSION SYSTEM
(NPS)

RE-LIVE

When you Retire.

Investing + Tax Saving + Pension

MARKET OUTLOOK – MAY 2025



INVESTMENT PHILOSOPHY & PORTFOLIO APPROACH

EQUITY INVESTMENT PHILOSOPHY – GROWTH AT REASONABLE PRICE

DEEP VALUE

*Valuation is right,
timing may or may not be*

GROWTH AT REASONABLE PRICE

(Combining Best of Both
Value & Growth)

GROWTH AT ANY PRICE

*Typically associated with
high perceived quality*



EQUITY PORTFOLIO POSITIONING

Prefer Top-down over Bottom-Up Stock Picking –

- Focus on getting Sector selection right to provide greater margin of safety to portfolio
- Sectors would be selected on the basis of macro economic factors along with growth potential and positioning in business cycles.

Types of Stocks in the Portfolio –

- Fund Manager would prefer companies which are low debt, high free cash flows & higher efficiency ratios etc. and have potential for growth.

Prefer Stocks with higher sustainable Growth –

- Prefer companies that have high growth, sustainable business models (businesses that have long shelf life and relevance), low debt and market leadership etc. among other factors.



EQUITY PORTFOLIO POSITIONING

Allocation across market caps

- Portfolio shall be biased towards large caps. We may make tactical allocation decision between Large and Mid caps depending upon the market cycle & growth opportunities.
- Investment Universe of Top 200 Stocks.

Sectors Avoided

- Portfolio may avoid sectors with potential for high debt with low return ratios and high regulatory risks.
- Sectors facing business growth risk due to changing business cycle.

Portfolio Turnover

- Prefer Low churn in the portfolio and biased towards a buy and hold approach.

Reasonable Active Share

- The Portfolio shall have reasonable proportion of active bets as compared to the relevant benchmark



MARKET OUTLOOK

PUSH FOR DOMESTIC GROWTH AMIDST RISING EXTERNAL RISK

KEY POSITIVES

- India expected to be the fastest growing large economy in FY26
- Inflation on a downtrend provides comfort for consumption revival in the economy
- RBI frontloading rate cuts and liquidity surplus supportive of growth in credit supply in the economy
- Government capex to continue with private capex expected to pick up after a subdued FY25
- Early signs of revival in mass and rural consumption positive for revenue growth for consumption-oriented sectors

KEY RISK AREAS

- Increased risk of Global slowdown
- Softer GDP growth due to subdued global demand growth
- Concerns over earnings slowdown in FY26
- Volatile FPI flows continue to put pressure on markets
- Rising global uncertainty and market volatility due to ongoing Trade related conflicts
- Domestic War escalation risk depressing the investor sentiment.



PORTFOLIO POSITIONING

CURRENT PORTFOLIO POSITIONING – EQUITY

Multiple Themes around India Growth Story

- We remain optimistic on the medium- term India story and expect these trends to strengthen with multiple themes at play (financialization of savings, private capex revival, rising discretionary consumption, strengthening of real estate cycle, and the massive creation of digital and physical infrastructure).

Playing the Consumption growth along with Capex Beneficia

- Our equity portfolio is oriented towards domestic consumption oriented & capex cycle plays with our key overweight exposure being Banks, Capital goods, Consumer services, Construction materials & Healthcare.

Focus on 3 P's

- Investment strategy to focus on capturing the 3 Ps viz. Production (Manufacturing), Penetration (Consumption) and Premiumization (Services) as medium to long term theme for India.

Monitoring Sectors with signs of growth recovery

- A revival in consumption due to tax incentives and lower interest rates would be positive for Consumption oriented stocks
- Constructive on Telecom and Auto sector as the demand conditions improve



SECTORAL EXPOSURE

Sector	Portfolio weights (%)	Benchmark weights (%)	OW/UW
Automobile and Auto Components	6.54	6.90	-0.36
Capital Goods	6.62	4.31	2.31
Construction	3.04	2.81	0.23
Construction Materials	4.22	2.05	2.17
Consumer Durables	1.79	2.40	-0.61
Consumer Services	3.88	3.41	0.48
Fast Moving Consumer Good	5.06	6.98	-1.92
Financial Services	31.64	32.34	-0.71
Healthcare	5.36	5.16	0.21
Information Technology	6.89	9.30	-2.41
Metals & Mining	2.58	3.57	-0.99
Oil, Gas & Consumable Fuels	8.33	8.92	-0.58
Power	3.54	3.47	0.07
Realty	1.42	1.22	0.20
Services	1.59	1.67	-0.08
Telecommunication	3.53	3.61	-0.08
Chemicals	-	1.65	-1.65
Diversified	-	0.05	-0.05
Textiles	-	0.18	-0.18
Grand Total	96.04	100.00	

Data as on 31st May 2025

EQUITY TIER 1 SCHEME – MARKET CAP EXPOSURE

Market Cap	Tata	Benchmark
Large Cap	85.37	82.23
Mid Cap	10.67	17.77
Grand Total	96.04	100.00

Market Cap Wise Grouping	Tata	Benchmark
Top 50	66.07	67.07
Next 50	19.30	15.16
Midcap 100	10.67	17.77
Grand Total	96.04	100.00

Data as on 31st May 2025



DEBT INVESTMENT PHILOSOPHY

Approach to Debt Investments :

Focus on safety / capital preservation
while optimizing returns

DEBT INVESTMENT PHILOSOPHY

S

Safety

Safety of the
portfolio

L

Liquidity

Adequate Liquidity
in the portfolio

R

Returns

Providing higher
risk adjusted
Returns

DEBT PORTFOLIO POSITIONING



Duration / Interest Rate risk:

Positioning portfolio risk based on outlook on rates.

01



Issuer Selection:

Focus on fundamentally strong issuers with low credit risk.

02



Security Selection:

Liquidity, pricing, demand & supply dynamics.

03



Risk Monitoring:

Independent risk department monitoring risk guidelines real time basis.

04

TIME FOR DURATION

- Inflation seen moderating over the medium term
- Continued government focus on fiscal consolidation
- Rate cuts and improved liquidity to reduce pressure on interest rates on the upside
- With front loaded rate cuts, scope for further easing depend on growth trajectory of the economy and inflation
- Expect increased volatility in yields due to global uncertainty related to global trade related disruptions and domestic war escalation risk
- Overall, with improving liquidity conditions and rate cuts, we prefer a duration bias strategy in the portfolio from a medium-term perspective.



PORTFOLIO POSITIONING

CURRENT PORTFOLIO POSITIONING – DEBT

Duration preference

- Current Portfolio is geared towards moderate to high duration in both the G-sec and Corporate Bond Portfolios.

Accrual Focus

- Portfolio targets a judicious mix of instrument to enhance the carry/ yield of the portfolio.

Quality of Portfolio

- Corporate Bond Portfolio remains biased towards high quality issuers and on optimizing the mix of issuers to enhance accrual income to the portfolio.



PORTFOLIO POSITIONING – DEBT

PORTFOLIO POSITIONING – DEBT – G1

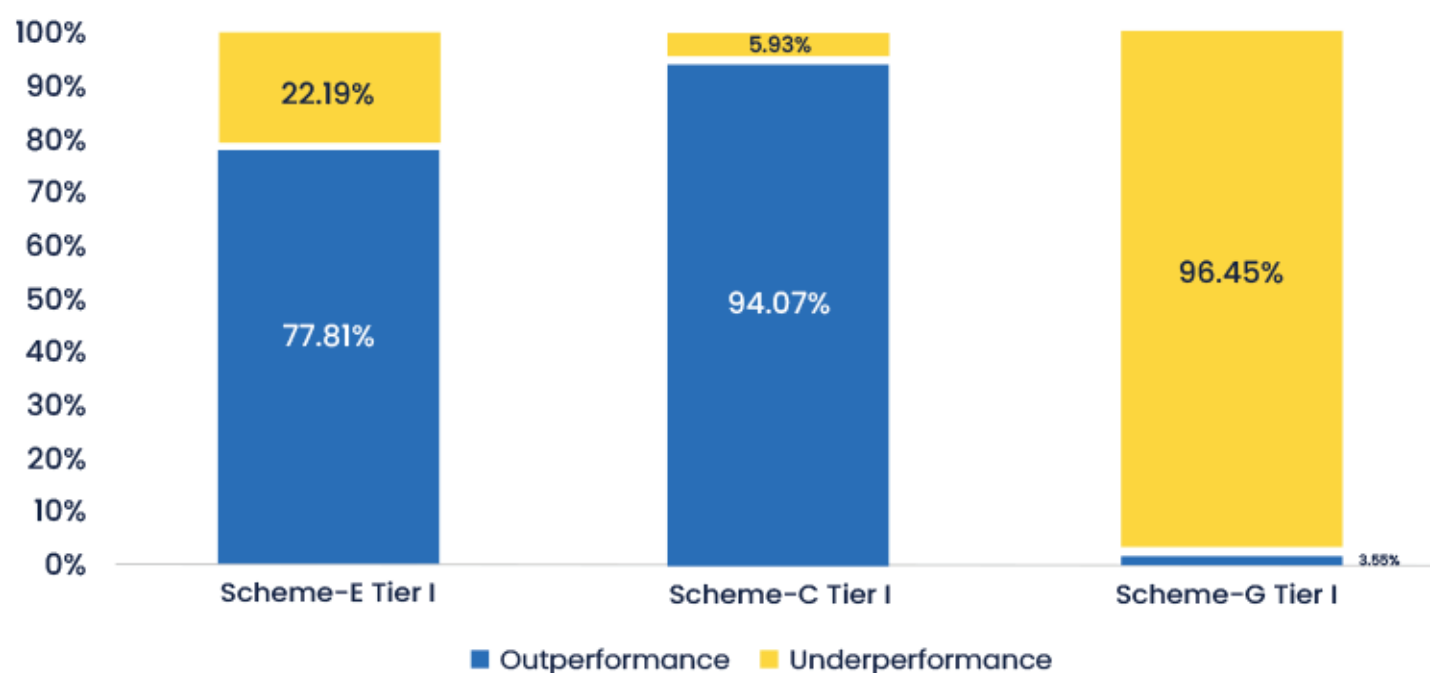
Duration and Yields	Scheme G Tier 1
Modified Duration	10.54
Yield to Maturity (%)	6.80
Instruments	
G-Sec	75.12
SDL	20.28
Govt. Guaranteed Bonds	1.14
Total	96.54

PORTFOLIO POSITIONING – DEBT – C1

Duration and Yields	Scheme C Tier 1
Modified Duration	5.02
Yield to Maturity (%)	7.09
Ratings Wise Exposure	
AAA	74.71
AA+	18.34
Total	93.05

Data as on 31st May 2025

1 Year Daily Rolling Returns of our Funds as on May 2025 end vis-à-vis the benchmark



Asset Classes :

E – Equity
C – Corporate Bond
G – Government Securities

Benchmark Indices :

E Tier I : NPS Equity Index
C Tier I : NPS Corporate Bond Index
G Tier I : NPS Government Securities Index

EVALUATING OUR FUND PERFORMANCE

1-YEAR RETURNS

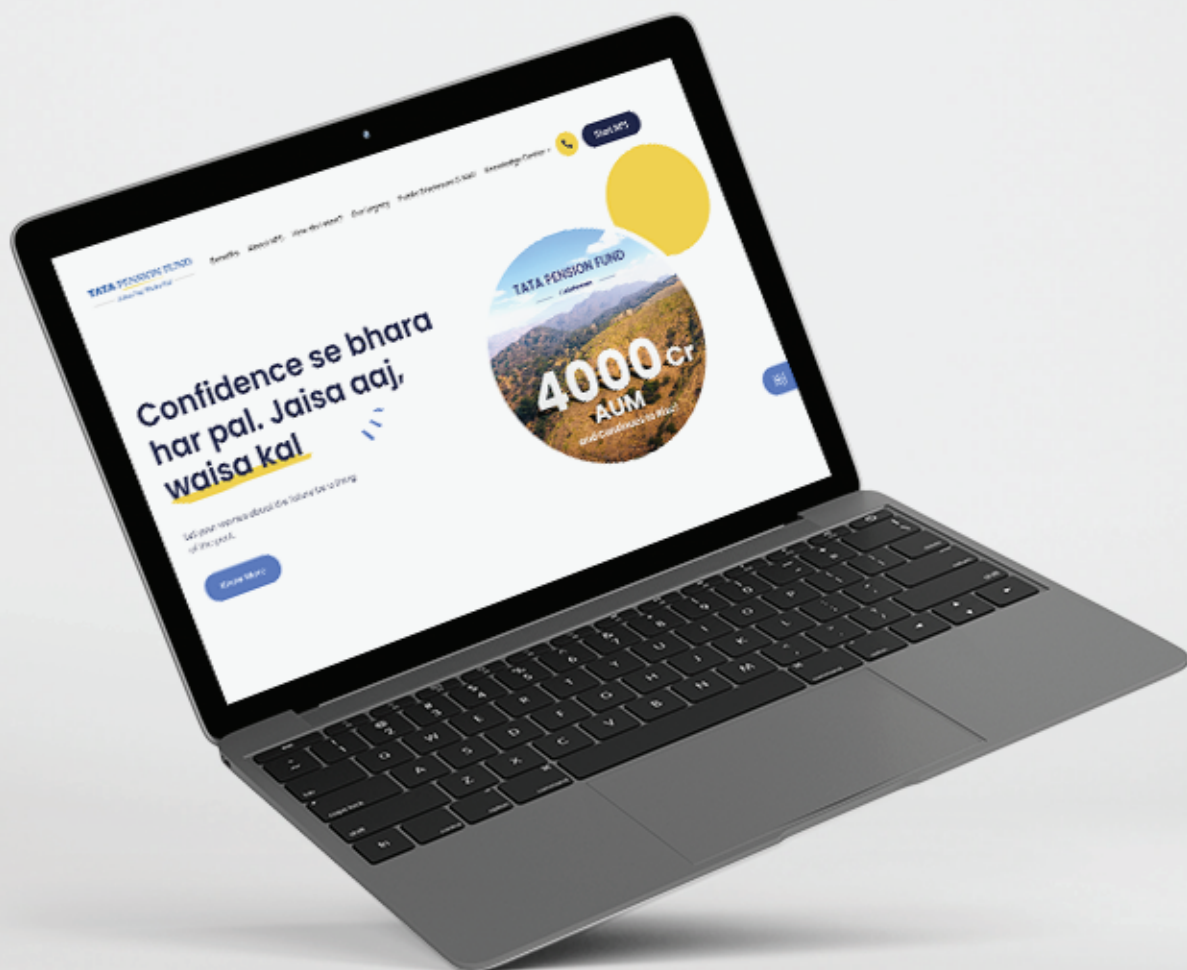
Schemes	Portfolio Returns(%)	Benchmark Return (%)	Out/Under performed over Benchmark
Scheme-E Tier I	6.09%	8.88%	-2.79%
Scheme-E Tier II	6.21%	8.88%	-2.67%
Scheme-C Tier I	11.19%	10.14%	1.05%
Scheme-C Tier II	11.24%	10.14%	1.10%
Scheme-G Tier I	11.53%	12.35%	-0.82%
Scheme-G Tier II	11.42%	12.35%	-0.93%
Scheme A - Tier I	13.90%	-	NA
Tax Saver Tier - II	8.30%	10.84%	-2.54%

Source : NPS Trust website. Data as on 31st May 2025

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022 6969 8006 / 99308 69181



service@tatapfm.com

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