

Volume 17, Issue 11

invest care

In unit linked policies, the investment risk in investment portfolio is borne by the policyholder



February, 2025



UNIT LINKED PRODUCTS FROM SBI LIFE INSURANCE CO. LTD.

Content

	<i>Page</i>
<i>Investment Objectives And Vision</i>	3
<i>Major Economic Indicators</i>	4
<i>Debt Market Review And Outlook</i>	5
<i>Equity Outlook</i>	8
<i>Risk Management Practice For Unit Linked Portfolios</i>	12

INVESTMENT OBJECTIVES AND VISION

(A) Investment Objectives:

The investment objectives of the Company are to maximize the risk adjusted returns and ensure reasonable liquidity at all times. Management of the investment portfolio is a crucial function as investment risk and returns, inter alia, determine the ability of the Company to competitively price its products, ensure solvency at all times and earn the expected profitability. The investment policy outlined in this document seeks to set the direction and philosophy for the Company's investment operations. The Policy outlined below conforms to the IRDAI Investment Regulations and the Insurance Act. The Policy covers investment parameters, exposure norms and other relevant factors that will assist in taking prudent investment decisions. The Policy framework also takes into account asset liability management, market risks, portfolio duration, liquidity considerations, and credit risk. To summarize the investment policy aims to achieve the following Investment Objectives:

- a. To acquire and maintain quality assets that will meet the liabilities accepted by the Company;
- b. To be able to meet the reasonable expectations of the policyholders taking into account the safety of their funds with optimum Return;
- c. To adhere to all Regulatory provisions;
- d. To conduct all the related activities in a cost effective and efficient manner; and
- e. To achieve performance in line with benchmarks identified for the different investment portfolios.

The Company has also defined the Investment Objectives for each Fund separately, on the basis of aforesaid broader Investment objectives.

(B) Investment Vision:

"To invest the funds on the prudent principles of Safety, Liquidity & Returns, with an overall vision of meeting reasonable expectations of policy holders".

Source: SBI Life Investment Policy

Major Economic Indicators

Economic Indicators

Particulars	28-Feb-25	31-Jan-25	Change (%)	31-Mar-24	Change (%)
₹/\$	86.64	86.64	▶ 0.00%	83.40	▶ -3.89%
Forex Res.(Bn- 1 Wk Lag)	\$ 640.48	\$ 629.56	▶ 1.73%	\$ 642.63	▶ -0.33%
Oil Price (\$/Barrel)	\$ 72.81	\$ 75.04	▶ -2.97%	\$ 86.84	▶ -16.16%
FII inflows (Net) - Crs (`)					
Equity (monthly)	-34574	-78027	▶ -55.69%	35098	▶ -198.51%
Debt (monthly)	10517	9598	▶ 9.57%	13602	▶ -22.68%

Indices

Particulars	28-Feb-25	31-Jan-25	Change (%)	31-Mar-24	Change (%)
BSE Sensex	73,198.10	77,500.57	▶ -5.55%	73,651.35	▶ -0.62%
S&P CNX Nifty	22,124.70	23,508.40	▶ -5.89%	22,326.90	▶ -0.91%
Dow Jones Industrial Avg	43,840.91	44,544.66	▶ -1.58%	39,807.37	▶ 10.13%
FTSE 100	8,809.74	8,673.96	▶ 1.57%	7,952.62	▶ 10.78%
Hang Seng Index	22,941.32	20,225.11	▶ 13.43%	16,541.42	▶ 38.69%
Nikkei 225	37,155.50	39,572.49	▶ -6.11%	40,369.44	▶ -7.96%
B S E Metal Index	28,004.41	28,569.54	▶ -1.98%	28,196.08	▶ -0.68%
B S E Power Index	5,763.16	6,553.29	▶ -12.06%	6,701.74	▶ -14.01%
B S E Realty Index	6,191.16	7,150.59	▶ -13.42%	7,108.37	▶ -12.90%
B S E Auto Index	45,859.68	51,526.85	▶ -11.00%	49,142.11	▶ -6.68%
B S E FMCG Index	18,382.82	20,555.27	▶ -10.57%	19,318.40	▶ -4.84%
B S E Bankex	54,852.37	56,257.36	▶ -2.50%	53,515.19	▶ 2.50%
B S E Healthcare Index	38,211.72	41,802.57	▶ -8.59%	35,052.84	▶ 9.01%
B S E Capital Goods Index	55,241.12	64,529.77	▶ -14.39%	60,943.12	▶ -9.36%
B S E Information Technology Index	36,679.01	41,955.58	▶ -12.58%	35,644.77	▶ 2.90%
B S E Oil & Gas Index	22,573.53	25,428.97	▶ -11.23%	27,644.48	▶ -18.34%

Primary Key Rates

Particulars	28-Feb-25	31-Jan-25	Change (%)	31-Mar-24	Change (%)
Repo Rate*	6.25%	6.50%	▶ -0.25%	6.50%	▶ -0.25%
Reverse Repo Rate**	3.35%	3.35%	▶ 0.00%	3.35%	▶ 0.00%
CRR #	4.00%	4.00%	▶ 0.00%	4.50%	▶ -0.50%
SLR *#	18.00%	18.00%	▶ 0.00%	18.00%	▶ 0.00%
Call money rate	6.40%	6.25%	▶ 0.15%	6.10%	▶ 0.30%
Current Inflation Rate (WPI)	2.31%	2.37%	▶ -0.06%	0.20%	▶ 2.11%
Current Inflation Rate (CPI)	4.31%	5.22%	▶ -0.91%	5.09%	▶ -0.78%
IIP (WPI) % Y-O-Y	3.20%	5.20%	▶ -2.00%	3.80%	▶ -0.60%
AAA spread (bps)	54.00	40.00	▶ 35.00%	29.00	▶ 86.21%

Particulars	2021-22	2022-23	2023-24	Q1 FY25	Q2 FY25
Real GDP % (New Growth No. by CSO)	-7.30%	7.20%	7.76%	6.65%	5.36%

Interest Rates (FIMMDA)

Particulars	28-Feb-25	31-Jan-25	Change (%)	31-Mar-24	Change (%)
91 days T - Bill	6.45%	6.56%	▶ -0.11%	7.00%	▶ -0.55%
364 days T - Bill	6.54%	6.63%	▶ -0.09%	7.07%	▶ -0.53%
5 Years G - Sec (Annualized)	6.63%	6.63%	▶ 0.00%	7.05%	▶ -0.42%
10 Years G - Sec (Annualized)	6.78%	6.75%	▶ 0.04%	7.08%	▶ -0.30%
30 Years G - Sec (Annualized)	7.12%	7.02%	▶ 0.10%	7.12%	▶ 0.00%

* w e f Feb 08, 2023

** w e f May 22, 2020

w e f May 21, 2022

*# w e f Apr 09, 2020

CSO (CHIEF STATISTICAL OFFICE)

CPI – Consumer Price Index

WPI – Wholesale Price Index

IIP – Index of Industrial Production

Data Sources

NSE

BSE

RBI

FIMMDA

Bloomberg & Reuters

DEBT MARKET REVIEW AND OUTLOOK

Market Review

February 2025 – Here comes the cut!

Benchmark 10-year treasury yields rose to 6.72% in February from 6.70% in January 2025. The US 10Y yield was at 4.21% at the end of February 2025 (-32 bps Month on Month). INR was weaker at around 87.51 in February 2025 against 86.6 in January 2025, weakening by more than 1%

India Macro Movers

Retail inflation came in at 4.31% in January 2025, falling almost 200 bps from October's 6.21%. Core CPI has been steadily remaining under 4%. The latest month saw Core CPI at 3.74%. Food prices have been easing with core CPI growing only 0.3% month on month. Core CPI has below 4% for 14 straight months.

India IIP came in lower at 3.2% year on year in December 2024 compared to last month's 5%. GST collections have been steadily picking up with the 3-month moving average of collections up from 1.76 in September to 1.84 as of February. PMIs are mixed with Manufacturing PMI dropping from 57.7 to 57.1 while services PMI rising from 56.5 to 61.1

Global News

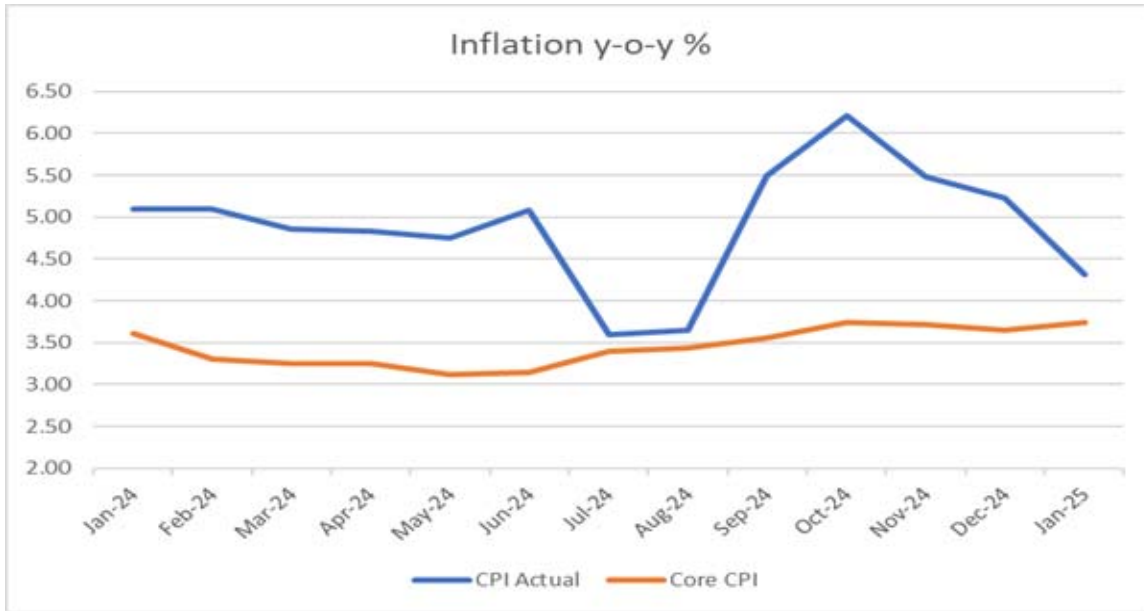
Economic data in the US started weakening in the month of February, with the Citi US economic surprise index falling from above 12.0 to -16 in February end. This shows that data has been below par suggesting a slightly moderating economy. The Bloomberg index for tracking potential rate cuts in the US in 2025 has gone from 1 to more than 2 in just 2 week's time owing to the weak data in February. The data in Euro are and UK continues to be that of weakness with central banks looking to do more cuts than FED in 2025. This has given Dollar Index a lot of impetus. US yields, Global bond yields, currencies and markets will continue to be volatile in the short term as Trump Administration continues to unveil more tariff measures.

Outlook

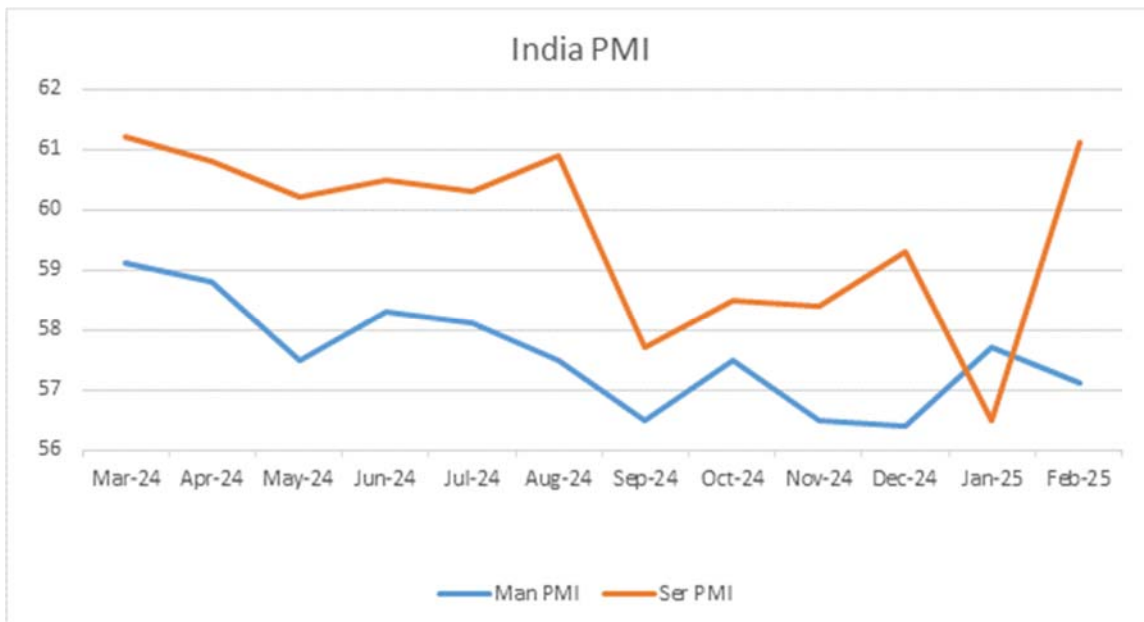
The MPC cut Repo rate by 25 bps in the February meeting with around 60% of market participant expecting such an action. It was a 6-0 vote on the rate cut and there were definite signs of dovishness in the language as the members talked about the need to push growth up and also exhibited confidence in headline inflation moderating.

The benchmark 10y has been steady at 6.7% and not reacting favourably to any of the positive events or data. We have seen around 1 lacs crs of OMO buybacks by RBI, a rate cut of 25 bps, lower than expected CPI data and falling US yields, yet the yields in G-sec markets remain unperturbed. This does not bode well for markets in FY 26, as fresh G-sec and SDL issuances will surely spook markets and prevent a fall in yields. The only way yields can head lower are if RBI reduces pressure on the longer end by tweaking the supply structure, and we see chances of further rate cuts in April 2025 and beyond.

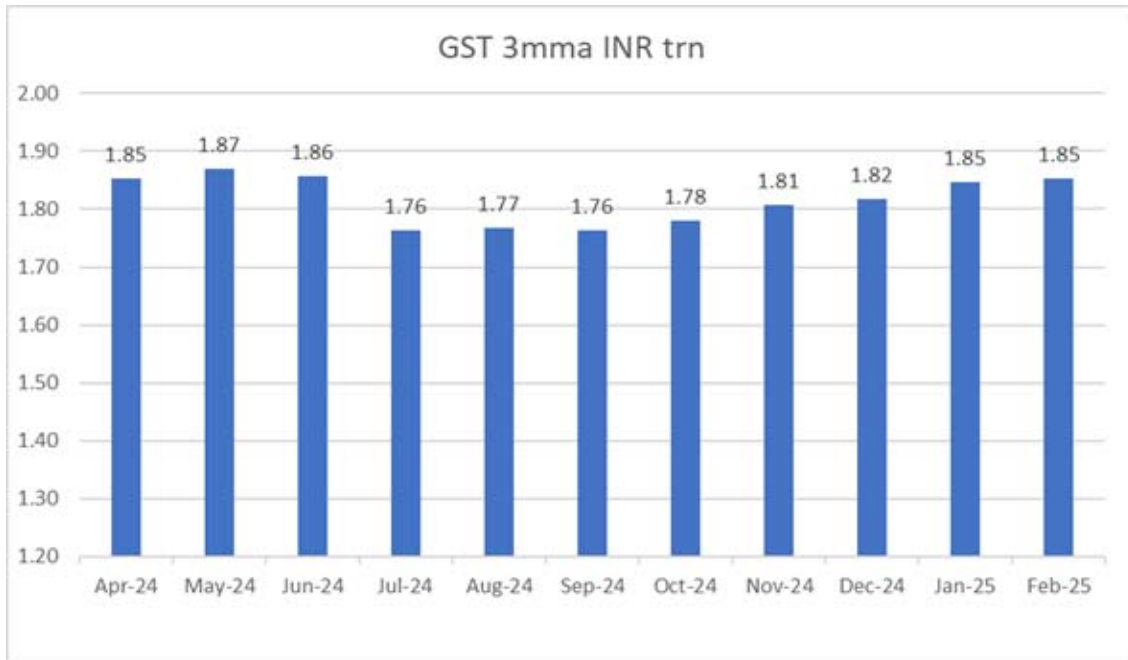
India headline rose easing back down due to lower food prices, Core CPI is stable



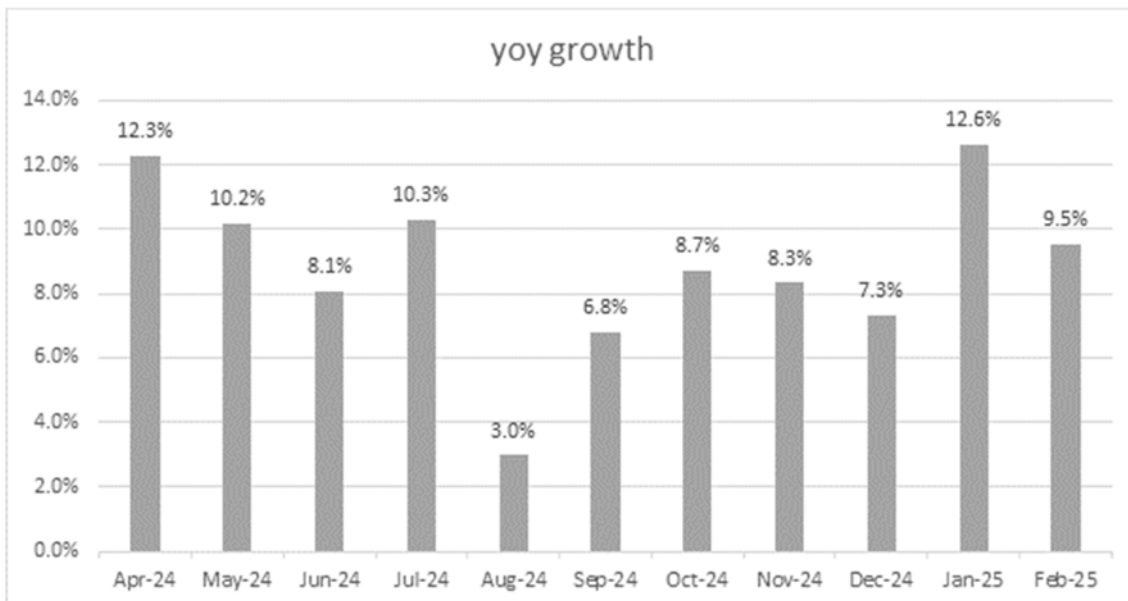
PMIs show mixed signals, with manufacturing dipping, and services suddenly showing a spike



GST collections continue to recover from the lows



GST collections growth also seems to have picked up of late

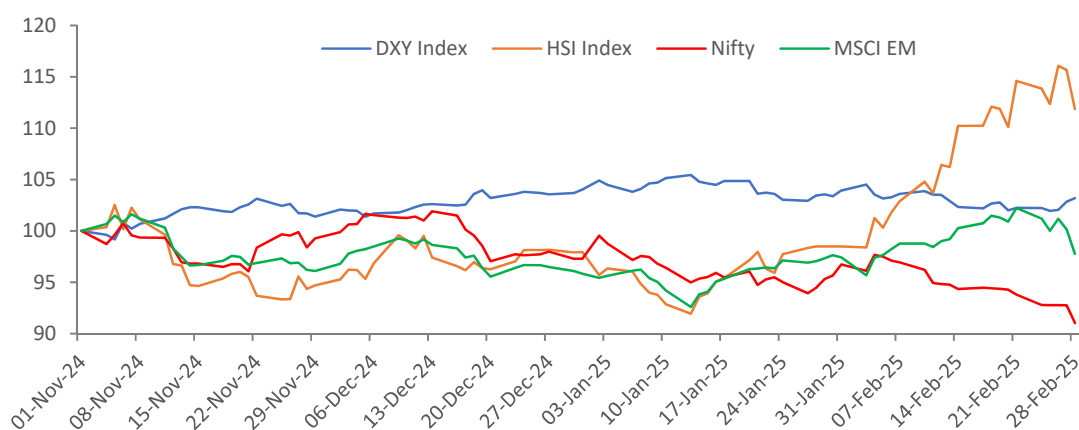


Equity Outlook

Equity Market Outlook for the Month of March, 2025

Nifty and Sensex ended at 22,125 and 73,198 respectively, down 5.9% and 5.6% for the month of February 2025. FPI outflows from secondary markets continued unabated, with 4.7 billion USD of Indian equities sold by FPIs during February 2025 amid weak Q3 earnings and global market volatility. DIIs have continued to support markets on the back of sustained retail inflows, buying 6 billion USD of equities in February 2025.

Fig 1. Performance of selected global assets since 2024 US elections – HK indices, Dollar have outperformed



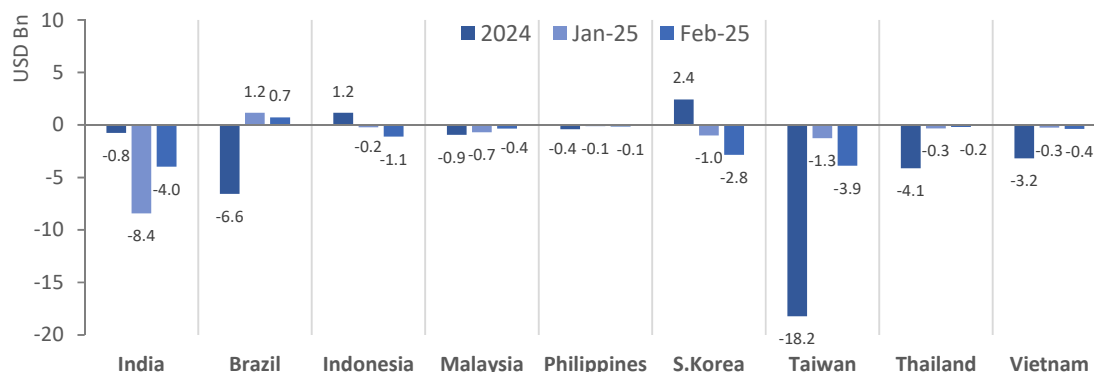
Broad markets in India continued to bleed, with the NSE Small-cap 100 index down by 13.1% and NSE Mid-cap 100 index down 10.8%. Sales and earnings of BSE-500 index stocks grew 7% YoY in Q3 – Small-caps have notably lagged large-caps in quarterly performance, and have seen cuts to their FY 2025 and FY2026 earnings estimates.

Fig 2. Sectoral Returns show all sectors in the red over a 6M trailing period

	1M		3M		6M		9M		12M	
	Returns	Rank	Returns	Rank	Returns	Rank	Returns	Rank	Returns	Rank
Auto	-11%	6	-13%	5	-22%	7	-14%	6	-2%	5
Banking	-2%	2	-7%	2	-6%	1	-2%	4	5%	3
Capital	-14%	11	-22%	10	-25%	8	-21%	8	-4%	6
FMCG	-11%	5	-13%	6	-20%	6	-6%	5	-5%	8
Healthcare	-9%	4	-12%	4	-12%	3	10%	2	9%	1
IT	-13%	9	-14%	7	-16%	5	10%	1	-5%	7
Metal	-2%	1	-8%	3	-14%	4	-14%	7	4%	4
Oil & Gas	-11%	7	-16%	8	-32%	11	-21%	9	-18%	11
Power	-12%	8	-23%	11	-30%	10	-25%	11	-13%	9
Financials	-3%	3	-7%	1	-7%	2	1%	3	5%	2
PSU	-14%	10	-20%	9	-28%	9	-24%	10	-13%	10

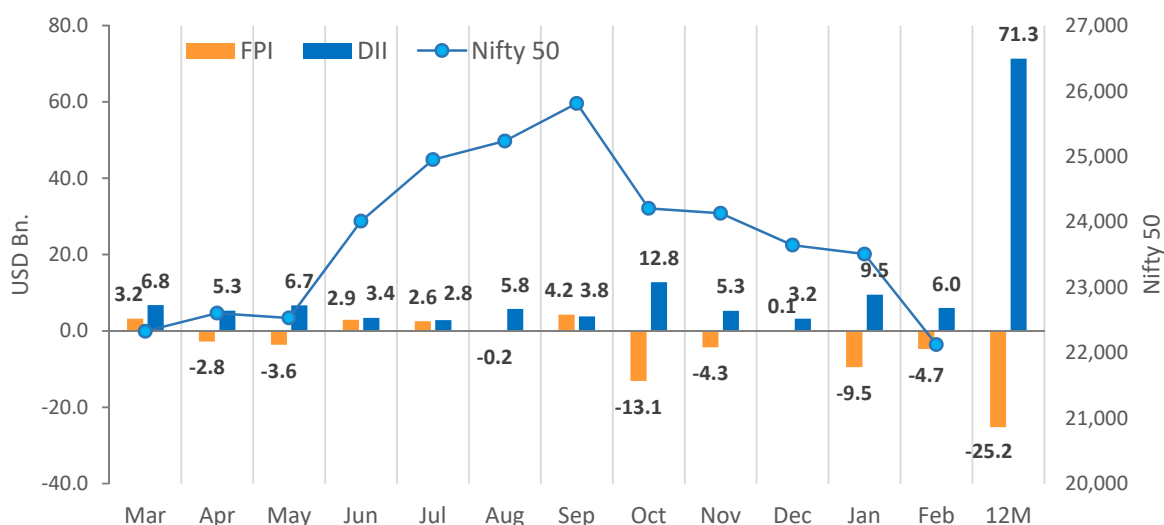
Our markets underperformed US equity indices amid a global selloff that saw the S&P 500 falling by 2.7% in February 2025. In India, Metal stocks and Banks outperformed other sectors, with returns of -2.0% and -2.5% respectively, while Capital Goods and PSUs underperformed with returns of -14.4% and -13.5% respectively.

Fig 3. India has seen the largest quantum of FPI outflows in CY 2025 among Ems



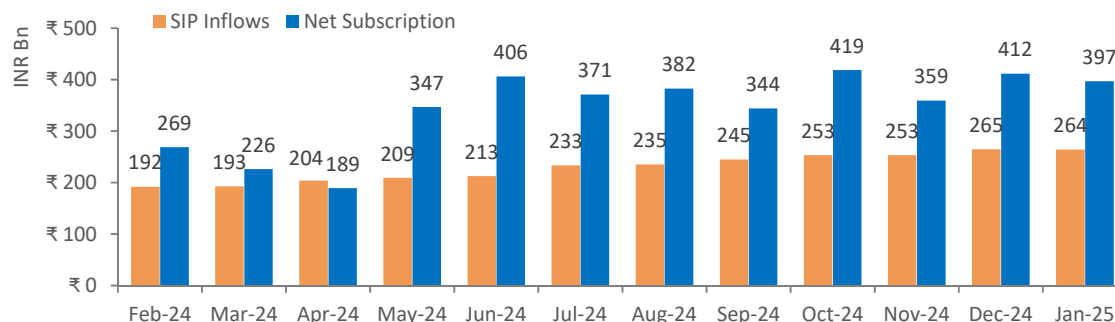
India's CPI inflation cooled to 4.3% in January 2025, down from 5.2% in December 2024. WPI inflation for January 2025 eased to 2.3% against 2.4% for December 2025. Food inflation continued its downward trajectory, measuring at 6.02% in January from 8.39% in December. The Indian Rupee saw volatility during the month, falling dramatically before the meeting between PM Narendra Modi and Donald Trump to an intraday low of 87.99. This provoked intervention by the RBI, pulling the Rupee back below 87, where it remained until global trade war concerns further pressured the currency to end the month at 87.46. The RBI MPC made their first rate cut this year in a unanimous vote in their 7th Feb meeting, marking the start of a widely expected shallow rate cut cycle.

Fig 4. DII and FII flows from March 2024 to February 2025



Mutual fund inflows remained robust in January despite broad market underperformance.

Fig 5. Total Net subscription to domestic mutual funds and net SIP flows

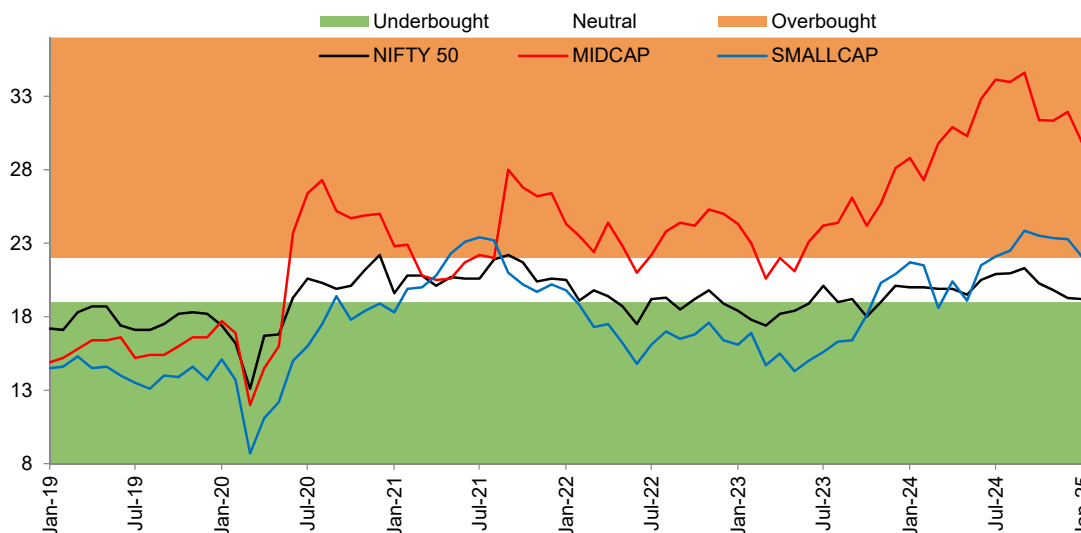


Uncertainties on US tariff policy drove market volatility throughout the month. Equities suffered globally, with the exceptions of European (Euro Stoxx up 3.34%), Chinese (Shanghai Composite up 2.16%) and Hong Kong (Hang Seng up 13.4%) equities. Earlier in February 2025, the US administration placed blanket tariffs of 25% on all steel and aluminium imports into the US and as of early March, US tariffs of 25% have officially come into force on Canadian and Mexican imports, provoking reciprocal tariffs by Canada. Simultaneously, tariffs on Chinese imports have been raised to 20%, to which China has announced retaliatory tariffs. These events have turned the looming prospect of a global trade war into a reality. Trump has frequently claimed that India charges 100% tariffs on US imports and has announced reciprocal tariffs set to begin on April 2nd.

Geopolitical uncertainties have been a mixed bag – while the fragile ceasefire between Israel and Hamas has persisted, tensions remain high with both sides making additional demands. The latest development of Israel demanding an alternative plan and halting the inflow of supplies to Gaza has left the second phase of the armistice in limbo. On the Russo-Ukrainian war, the US administration is departing from traditional US foreign policy to pressure Ukrainian leadership into entering a peace agreement, and it remains to be seen whether this will produce results.

Reality bites have started with Tariffs on Canada, Mexico and China kicking off on 2nd of March 2025. The on/off on Tariffs and its impact on growth and inflation is reflected in spiralling DXY, Bond Yields in US & the S&P500 with EM indices. Indices are clearly coming to attractive valuation zone especially on the Large Cap side. Stocks that will see business impact because of tariffs have fallen, and so have stocks that remain un-impacted by tariffs. Earnings yield is clearly below the bond yields.

Fig 6. Forward P/E levels across Large Caps, Mid-Caps and Small Caps – Large caps attractive now



While we grapple with clarity on tariffs and their impact on global trade, every market comes down with a reason and provides opportunities. Herein we seek these opportunities. There are gaps which can be exploited. Large Cap oriented funds have reacted well and Bond yields are nearing bottom. In that sense Equity fund and Balanced Fund are good.

Fig 7. Major events and Nifty50 movements during February 2025

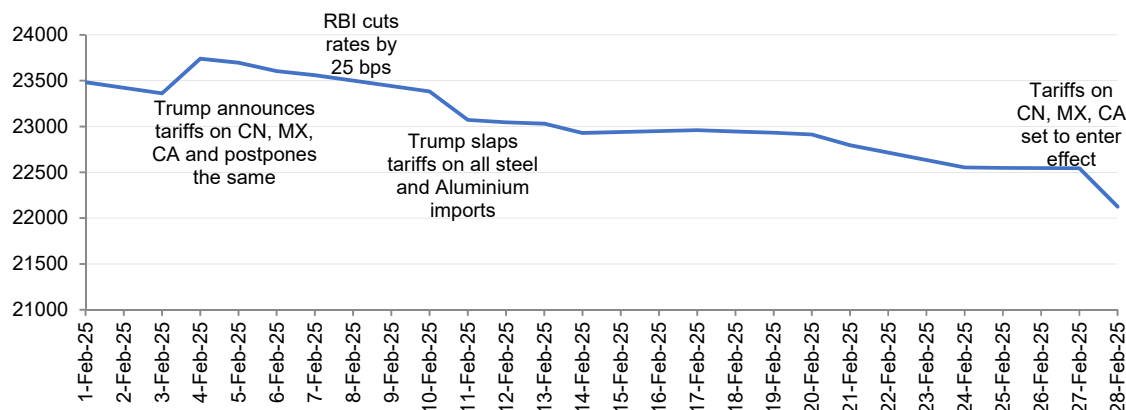


Fig 8. Fund Returns – AUM Mix and Performance (CAGR)

	Equity % in Fund	1M	1Y	3Y	5Y
Midcap Fund	95%	-9.73 %	3.16 %	17.00 %	21.35 %
Benchmark		-10.79 %	-0.36 %	19.29 %	23.34 %
Bond Fund	0%	-0.15 %	7.08 %	5.85 %	5.80 %
Benchmark		-0.18 %	7.87 %	6.43 %	6.40 %
Equity Fund	99%	-6.75 %	1.76 %	10.63 %	14.54 %
Benchmark		-5.89 %	0.79 %	9.62 %	14.58 %
Balance Fund	51%	-3.35 %	4.03 %	8.00 %	10.34 %
Benchmark		-2.89 %	4.51 %	8.24 %	10.90 %

Fig 9. Major Index and Asset Class Returns

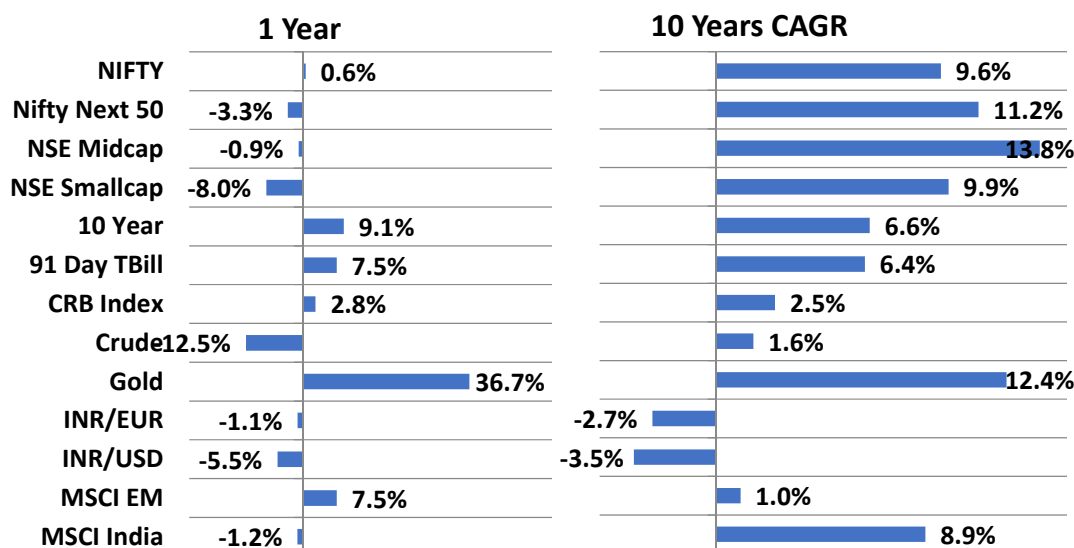


Fig 10. Sensex yearly Performance in February (percent)

			1990			
			2025			
			2023			
			2019			
		2002	2013			
		1987	2020	2024		
		1999	1997	1981		1989
		2003	2011	1985		2000
		1983	1984	2017		2004
	1988	1996	2014	2007		1991
	2001	1998	2022	2021	1982	2010
	2016	1993	2005	2008	1994	1986
2009	1995	2012	2018	2015	2006	1992
-30 and below	-30 to -20	-20 to 0	0 to +20	20 to 40	40 to 60	60 and above
Sensex yearly Performance in percent						

RISK MANAGEMENT PRACTICE FOR UNIT LINKED PORTFOLIOS

Company's investment exposure to any sector is as per limits prescribed by IRDAI under Investment Regulations and the same is monitored on a daily basis. In addition, the company also follows stringent asset allocation metrics as per policy features communicated to the policy holder and the same is adhered to while making investment decisions. In case of guaranteed products, investments are made in suitable asset classes taking into account market and credit risk, and liquidity of the investment to ensure fulfilment of guarantee promised. There is an efficient stop loss policy in place, which is triggered every time the stock price breaches a specific threshold level. This warrants review of investment decision and establishes the rationale for continuance or discontinuance of the specific investment thus preventing sharp fall in value of our holdings and prolonged underperformance of the portfolio. Significant importance is given to asset liability management and accordingly, portfolios are reviewed on a monthly basis to ensure adherence.



Disclaimer:

- 1) This newsletter only gives an overview of economy and should not be construed as financial advice
- 2) SBI Life Insurance Co. Ltd however makes no warranties, representations, promises or statements that information contained herein are correct and accurate. Please consult your Advisor/Consultant before making the investment decision

**BEWARE OF SPURIOUS
PHONE CALLS AND FICTIOUS /
FRADULENT OFFERS**

IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

Trade logo displayed above belongs to State Bank of India and is used by SBI Life under license.

SBI Life Insurance Co. Ltd.

To know more about us

Visit us at www.sbilife.co.in or

Call Toll Free No. 1800 267 9090 (24x7)

Registered Office and Corporate Office: "Natraj", M.V Road & Western Express Highway Junction, Andheri (E), Mumbai-400069

CIN: L99999MH2000PLC129113

Email: info@sbilife.co.in

IRDAI Regn. No. 111

For more details on Risk Factors, Terms & Conditions, please read the sales brochure carefully before concluding a sale