Volume 18, Issue 02

invest care

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

Apne liye. Apno ke liye.

May, 2025

UNIT LINKED PRODUCTS FROM SBI LIFE INSURANCE CO. LTD.

CIN: L99999MH2000PLC129113
IRDAI Regn. No. 111

Apne liye. Apno ke liye.

Content

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	31-May-25	30-Apr-25	Change (%)	31-Mar-25	Change (%)
₹/$	85.58	84.50	-1.28%	85.46	-0.14%
Forex Res.(Bn- 1 Wk Lag)	$ 692.72	$ 686.15	0.96%	$ 658.80	5.15%
Oil Price ($/Barrel)	$ 62.45	$ 62.33	0.19%	$ 73.63	-15.18%
FII inflows (Net) - Crs (`)					
Equity (monthly)	19860	4223	370.28%	-3973	-599.87%
Debt (monthly)	12155	-24384	-149.85%	37789	-67.83%

Indices

Particulars	31-May-25	30-Apr-25	Change (%)	31-Mar-25	Change (%)
BSE Sensex	81,451.01	80,242.24	1.51%	77,414.92	5.21%
S&P CNX Nifty	24,750.70	24,334.20	1.71%	23,519.35	5.24%
Dow Jones Industrial Avg	42,270.07	40,669.36	3.94%	42,001.76	0.64%
FTSE 100	8,772.38	8,494.85	3.27%	8,582.81	2.21%
Hang Seng Index	23,289.77	22,119.41	5.29%	23,119.58	0.74%
Nikkei 225	37,965.10	36,045.38	5.33%	35,617.56	6.59%
B S E Metal Index	30,760.36	29,050.51	5.89%	30,824.72	-0.21%
B S E Power Index	6,804.84	6,647.59	2.37%	6,588.41	3.29%
B S E Realty Index	7,359.43	6,864.71	7.21%	6,601.58	11.48%
B S E Auto Index	52,321.56	49,960.45	4.73%	47,704.03	9.68%
B S E FMCG Index	20,308.16	20,453.82	-0.71%	19,447.48	4.43%
B S E Bankex	63,154.98	62,622.04	0.85%	59,542.38	6.07%
B S E Healthcare Index	42,604.29	42,211.32	0.93%	41,421.50	2.86%
B S E Capital Goods Index	71,089.64	62,780.39	13.24%	62,724.28	13.34%
B S E Information Technology Index	36,893.53	35,050.61	5.26%	36,122.71	2.13%
B S E Oil & Gas Index	27,030.06	26,491.20	2.03%	25,133.51	7.55%

Primary Key Rates

Particulars	31-May-25	30-Apr-25	Change (%)	31-Mar-25	Change (%)
Repo Rate*	6.00%	6.00%	0.00%	6.25%	-0.25%
Reverse Repo Rate**	3.35%	3.35%	0.00%	3.35%	0.00%
CRR #	4.00%	4.00%	0.00%	4.00%	0.00%
SLR *#	18.00%	18.00%	0.00%	18.00%	0.00%
Call money rate	5.50%	6.00%	-0.50%	5.80%	-0.30%
Current Inflation Rate (WPI)	0.85%	2.05%	-1.20%	2.38%	-1.53%
Current Inflation Rate (CPI)	3.16%	3.34%	-0.18%	3.61%	-0.45%
IIP (WPI) % Y-O-Y	2.70%	2.90%	-0.20%	5.00%	-2.30%
AAA spread (bps)	50.00	55.00	-9.09%	40.00	25.00%

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	31-May-25	30-Apr-25	Change (%)	31-Mar-25	Change (%)
91 days T - Bill	5.62%	5.90%	-0.28%	6.45%	-0.83%
364 days T - Bill	5.62%	5.91%	-0.29%	6.54%	-0.92%
5 Years G - Sec (Annualized)	5.88%	6.12%	-0.24%	6.63%	-0.75%
10 Years G - Sec (Annualized)	6.29%	6.45%	-0.16%	6.78%	-0.49%
30 Years G - Sec (Annualized)	6.82%	6.78%	0.04%	7.12%	-0.30%

* 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

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DEBT MARKET REVIEW AND OUTLOOK

Market Review

May 2025 – the interest rate cycle rolls

Benchmark 10-year treasury yields fell to 6.28% in May from 6.36% in March 2025. The US 10Y yield was at 4.140% at the end of May (24 bps MoM). INR was a rank underperformer in May 2025, ending at a 85.58 versus 84.49 in the end of April 2025 (weaker by 1.3%)

India Macro Movers:

Retail inflation came in at 3.16% in April 2025, falling more than 300 bps from October's 6.21%. Core CPI has been steadily remaining under 4%, but it has slowly moved to 4.2%. Core inflation continues to move 0.3% month on month, if we leave aside gold prices. The next few months could see CPI fall closer to 2.5%.

India IIP came in lower at 3.9% year on year March 2025 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 trillion in September to 2.2 trillion as of May 2025. PMIs are a mixed bag, with Manufacturing PMI down 58.2 to 57.6 in May while services PMI rising from 58.7 to 61.2

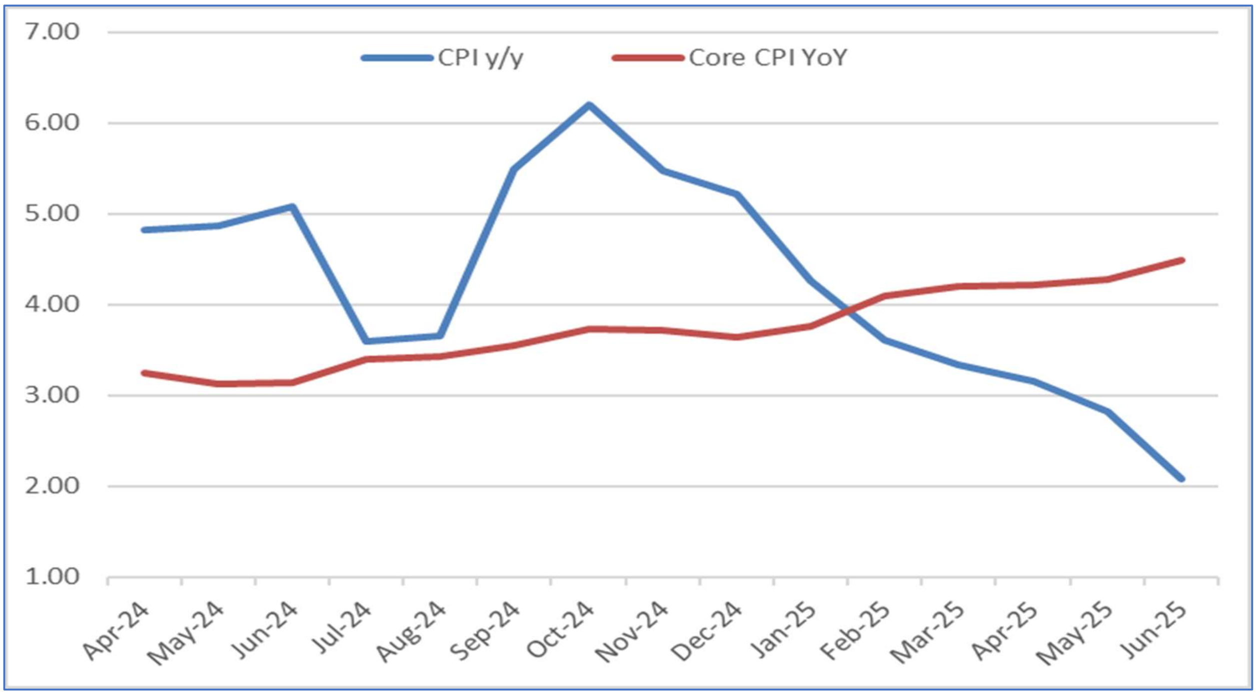
Global:

Economic data in the US started weakening in the months of April 2025 and May 2025 with the Citi US economic surprise index falling from positive to negative in each month. 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 the month of May 2025, owing to the weak data and potential impact of tariffs. US CPI has fallen from 3% in January 2025 to 2.4% in May 2025. The data in Euro are and UK continues to be that of weakness with centrals banks looking to do more cuts than FED in 2025. 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 and more geopolitical uncertainties

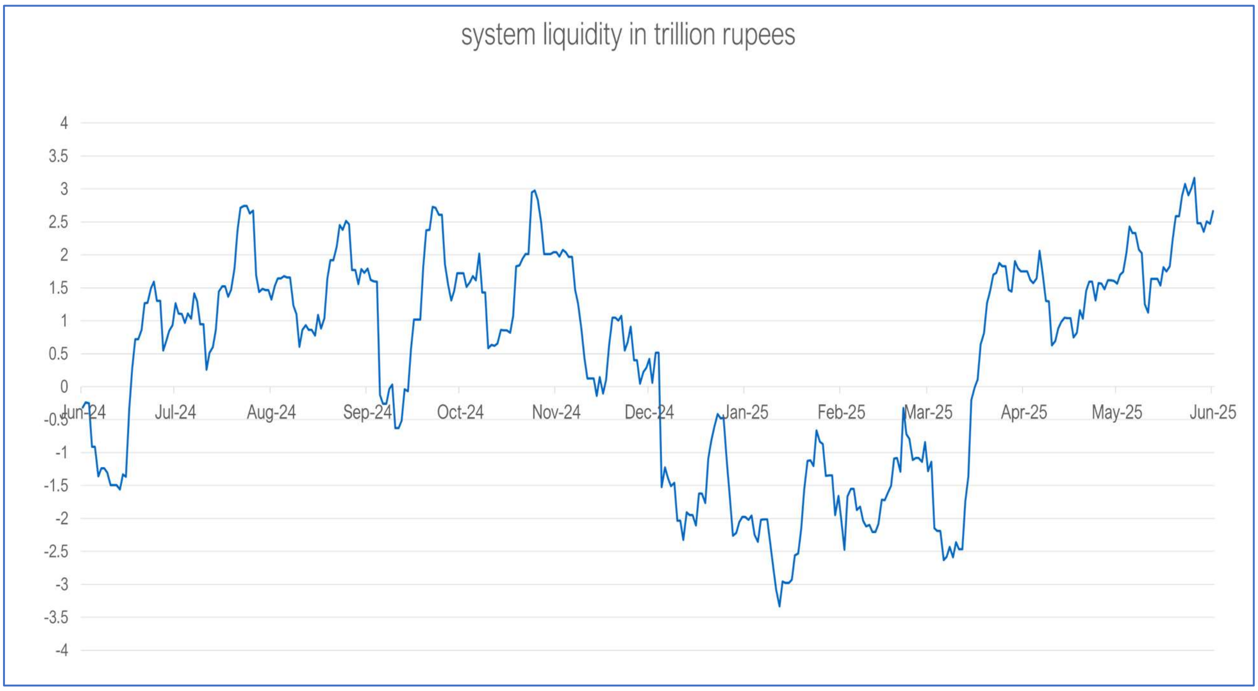
Outlook

- RBI has done 100 bps of rate cuts with 50 bps done on June 6th, along with 100 bps of CRR cuts (effective Sept-Nov)
- RBI stance changed back in June to neutral from accommodative, after just making the change in April 2025, from accommodative to neutral
- Stance change rules out any chances of cuts in 2025, and if CPI rises amidst solid growth and global uncertainties, rate hikes are also on the table
- We think 10 y has hit a low of 6.11 in this cycle (on policy day) and yields will remain in 6.35-6.15% over the next few months based on growth and macro data
- Lack of monetary easing and OMO buybacks will keep yields from falling across the curve below June 6th 2025 (intraday lows)
- Yield curve has already steepened and further chances of steepening amidst low demand for long end G-sec,

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



RBI infuses liquidity, turning system into surplus



Equity Outlook

Equity Market Outlook for the Month of June 2025

Nifty and Sensex ended at 24,751 and 81,451 respectively, up 1.7% and 1.5% for the month of May 2025. We saw the equity markets stabilise after the geopolitical uncertainty regarding Operation Sindoor, after both the nations agreed to a ceasefire.

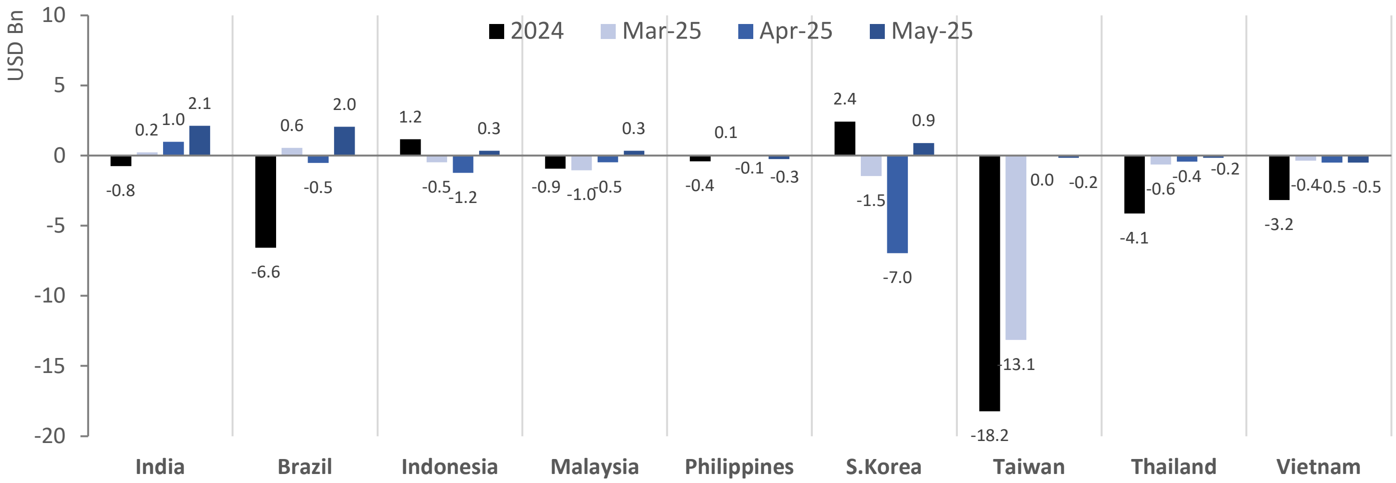
Broader markets in India also rose in May, with the NSE Mid-cap 100 index and NSE Small-cap 100 index up 6.1% and 8.7% respectively. Our markets, however, underperformed US equity indices with the S&P 500 rising by 6.2% in May. In India, Capital Goods was the best performing sector with returns of 13%, while FMCG sector underperformed the most with returns of -1.0%.

Fig 1. 3M returns are in double digits across sectors, with the notable exception of FMCG

Index	1M		3M		6M		9M		12M	
	Returns	Rank	Returns	Rank	Returns	Rank	Returns	Rank	Returns	Rank
Midcap	6%	-	17%	-	2%	-	-2%	-	9%	-
Smallcap	9%	-	18%	-	-4%	-	-7%	-	5%	-
Auto	5%	5	10%	7	-1%	6	-11%	7	-4%	7
Banking	1%	10	14%	6	7%	2	8%	1	12%	3
Capital Goods	13%	1	26%	1	1%	5	-2%	4	1%	6
FMCG	-1%	11	8%	10	-4%	9	-12%	8	2%	5
Healthcare	1%	9	9%	8	-2%	8	0%	3	20%	1
IT	5%	4	-4%	11	-14%	11	-15%	9	6%	4
Metal	6%	2	9%	9	1%	4	-5%	5	-8%	8
Oil & Gas	2%	8	17%	3	1%	3	-18%	11	-8%	10
Power	2%	7	15%	4	-9%	10	-17%	10	-12%	11
Financials	3%	6	15%	5	8%	1	8%	2	16%	2
PSU	5%	3	20%	2	-1%	7	-10%	6	-8%	9

FPI flows into Indian equities remained positive during May at 2.1 Bn USD, while DIIs pumped 6.4 Bn USD into Indian equities. This has been the third consecutive month of positive FII flows.

Fig 2. Global flows are coming back to EMs after the large quantum of outflows up to March

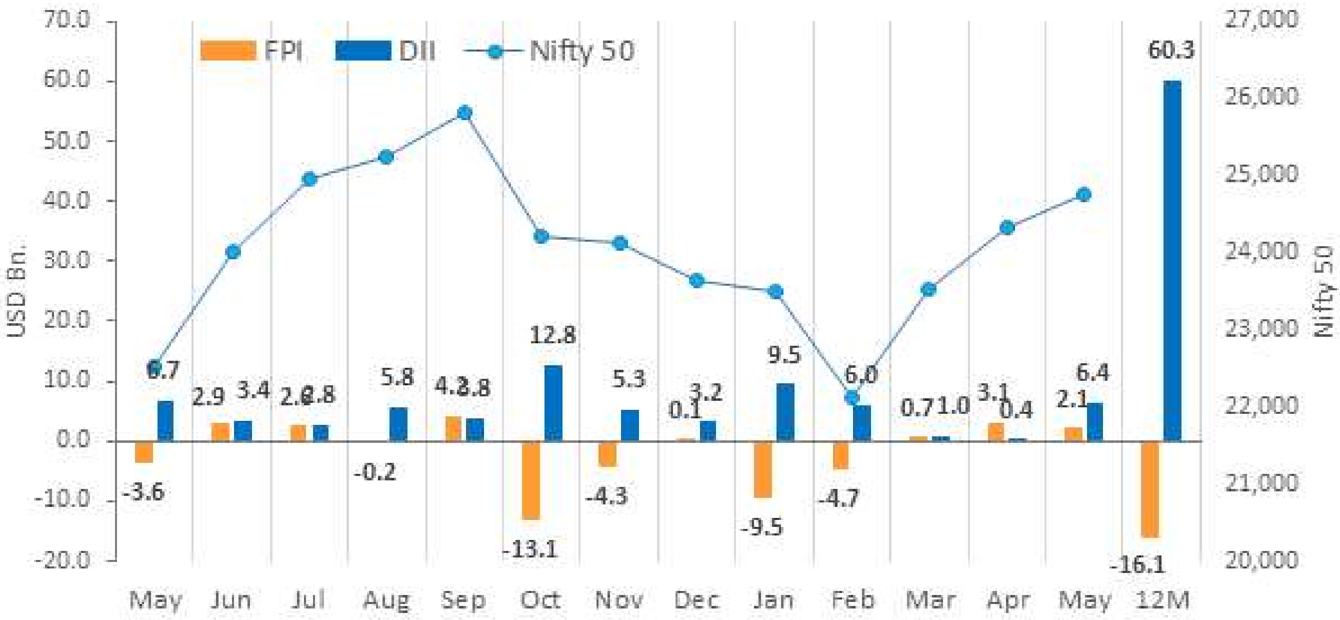


The month of May saw the trend in global flows reverse, with more realisation on the ground about the uncertainty in US policies and the shift of money from treasuries. Many articles are written on whether the US Dollar can hold on. US 10-year treasury yields have been flat during the month at 4.45% & the Dollar Index has hovered around the 99 levels.

India's CPI inflation continued to moderate with a print of 3.2% in April 2025, down from 3.3% in March 2025. WPI inflation for April 2025 dropped to 0.9% against 2% for March 2025. Food inflation further cooled, measuring at 1.78 % in April 2025 from 2.69% in March 2025 and is expected to remain benign given the early onset of monsoons and forecast of it being above normal as per IMD. GST collections for May 2025 stood at INR 2.01 lakh crore, a YoY increase of 16.4%, following a record high for the month of April 2025.

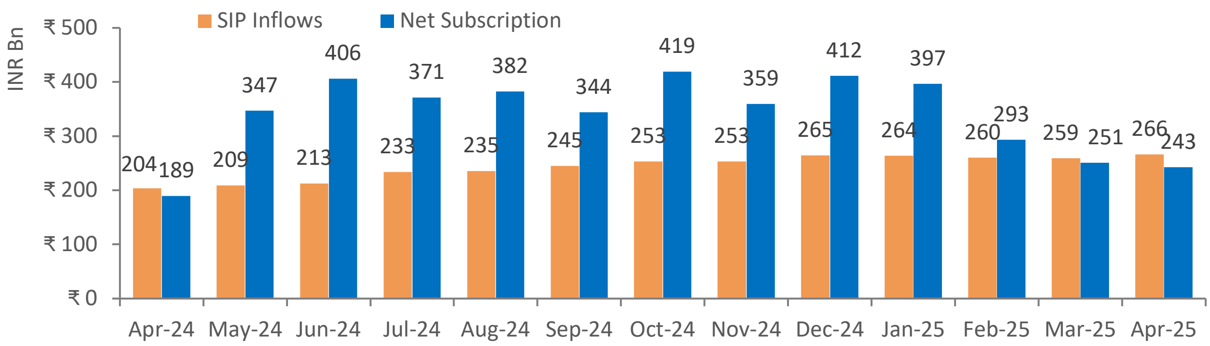
GDP growth for Q4 2025 measured at 7.4% driven by industrial growth and construction activity, a positive surprise in the backdrop of tariff and trade uncertainty. FY2025 growth stood at 6.5%. In late May 2025, the RBI transferred a record dividend of INR 2.7 Tn to the Central Government for FY2025. With inflation in control and credit growth tapering off in recent quarters, the RBI was widely expected to continue cutting rates to stimulate the economy, in line with their accommodative stance. In their early-June meeting, however, the RBI front loaded its policy actions with a 50-bps repo rate cut, 100 bps rate cut and a change in policy stance to neutral. This is widely seen as the end of the rate cut cycle for the time being.

Fig 3. DII and FII flows from May '24 to Apr '25



Mutual fund inflows into equity-oriented funds in April rose marginally from March levels, standing at 266 Bn INR, while SIP inflows at INR 243 Bn continued the gradual downward trend seen in recent months.

Fig 4. Total Net subscription to domestic equity-oriented mutual funds and monthly SIP flows



US tariff policy continued to throw a wrench in global trade during May. Developments in tariff policy have however seen a rebound in US equities, with the S&P 500 up 6% during the month. The key developments were announcement of a trade deal between the US and the UK in early May, followed by a mutual pause in tariffs between the US and China. Amidst all, a US Federal Court ruled that Trump's Liberation Day tariffs were illegal and halted the same, only to be overruled by an appeals court the next day. Trump has taken aim at the European Union with a proposed 50% tariff set to kick in from 9th July in lieu of a trade deal being struck. Further, tariffs on steel and aluminium imports into the US have been doubled to 50% on all exporting countries except the UK.

As an outcome of tariff policy, US imports have fallen 19.8% quarter on quarter during April 2025, the largest quarter on quarter drop since 1992. Dollar weakness continued - the Dollar Index ended May at 99.33, and Moody's joined other major ratings agencies in downgrading US Sovereign Debt to AA1, one notch below AAA on the back of rising debt levels.

Fig 5. Performance of selected global assets since 2024 US elections – HK indices have outperformed

India corporate results for most of the company were announced by the end of the month. The results did not show much variance in terms of revenue and profitability - earnings for Nifty 50 companies grew 3.7% in Q4, which was above expectations by 3.8% as per a leading brokerage. Expectations were already low, and thus, small beat in earnings were reported in some sectors. Results therefore did not hold anything to cheer.

With a rally in both Equity and fixed Income markets, we think the markets are fairly valued.

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

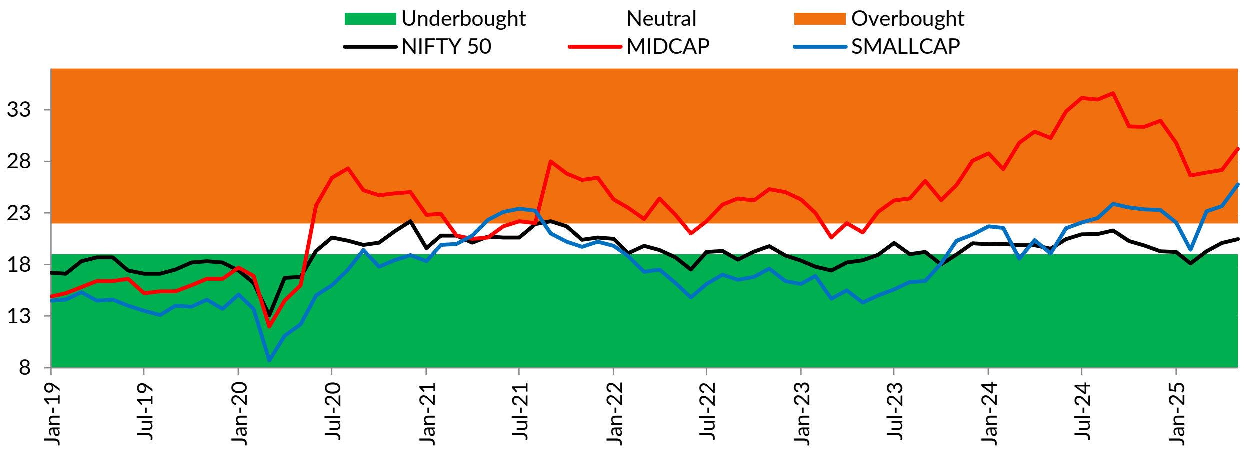


Fig 7. Major events and Nifty50 movements during May 2025

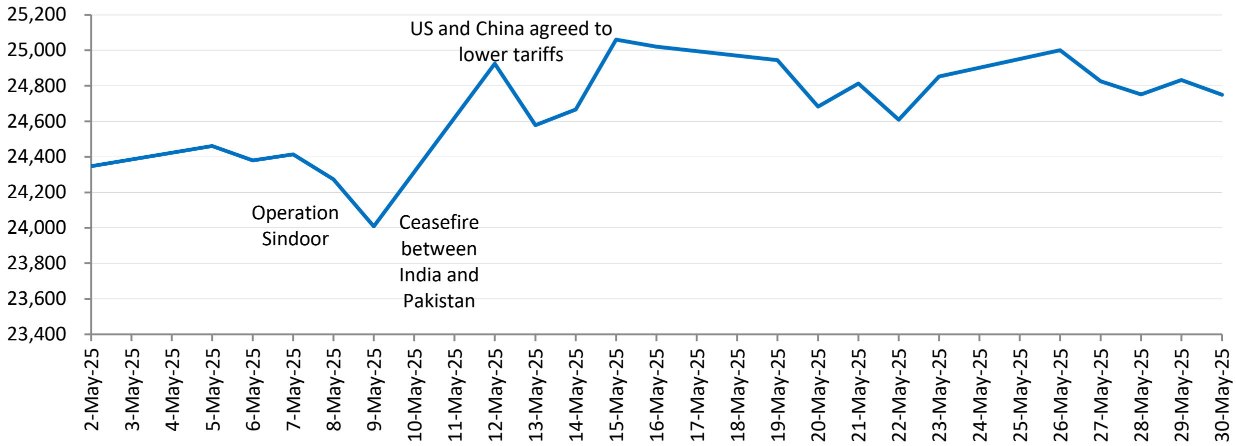


Fig 8. Fund Returns – AUM Mix and Performance (CAGR)

	Equity % in Fund	1M	1Y	3Y	5Y
Midcap Fund	95%	5.12 %	8.86 %	24.21 %	29.30 %
Benchmark		*6.09 %*	*11.65 %*	*26.56 %*	*34.04 %*
Bond Fund	0%	0.98 %	10.22 %	8.14 %	6.00 %
Benchmark		*0.93 %*	*10.46 %*	*8.64 %*	*6.54 %*
Equity Fund	99%	2.34 %	9.24 %	15.78 %	20.93 %
Benchmark		*1.71 %*	*10.06 %*	*14.10 %*	*20.90 %*
Balance Fund	51%	1.50 %	9.85 %	11.38 %	13.19 %
Benchmark		*1.35 %*	*10.57 %*	*11.56 %*	*13.80 %*

Fig 9. Major Index and Asset Class Returns

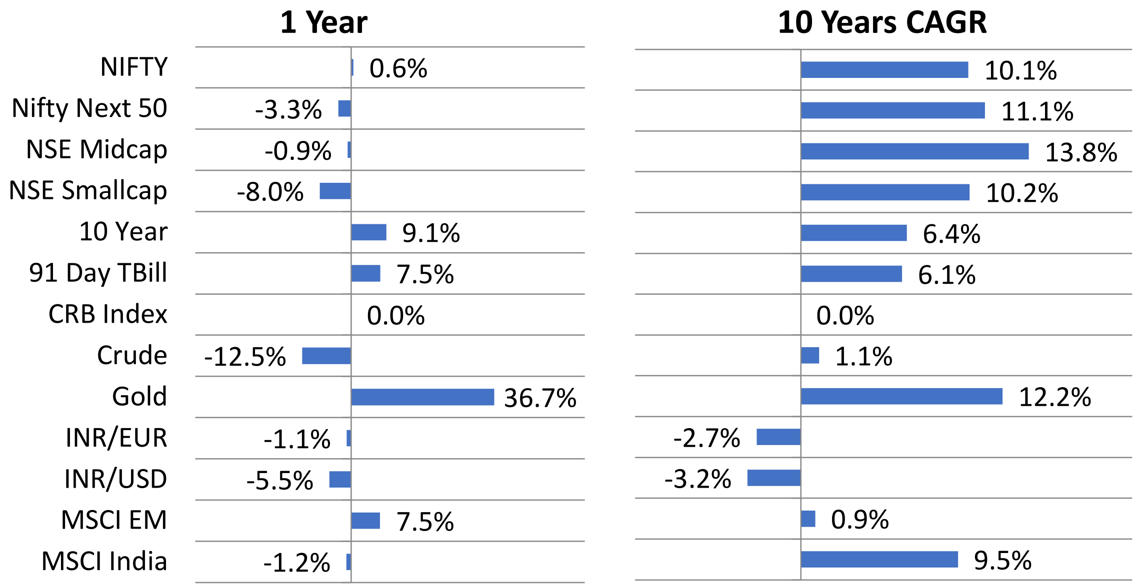


Fig 10. Sensex yearly Performance in May (percent)

-30 and below	-30 to -20	-20 to 0	0 to +20	20 to 40	40 to 60	60 and above
			1997			
			1984			
			1983			
			1980			
			2003			
			2022			
			1999			
			2011			
			2025			
			1996			
			2000			
			2019			
		2020	2023			
		2001	1990			
		2002	2008	1988		
		2012	2018	2013	1981	2021
		1995	2015	2014	2005	1991
		2009	2010	1989	2004	1985
	1993	2016	2017	1982	2006	1994
	1987	1998	2024	2007	1986	1992

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

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