Volume 18, Issue 04

invest care

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

SBI Life
Apne liye. Apno ke liye.

July, 2025

UNIT LINKED PRODUCTS FROM SBI LIFE INSURANCE CO. LTD.

CIN: L99999MH2000PLC129113
IRDAI Regn. No. 111

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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

Particulars	31-Jul-25	30-Jun-25	Change (%)	31-Mar-25	Change (%)
`/$	87.60	85.75	-2.16%	85.46	-2.50%
Forex Res.(Bn- 1 Wk Lag)	$ 698.19	$ 697.94	0.04%	$ 658.80	5.98%
Oil Price ($/Barrel)	$ 72.36	$ 66.88	8.19%	$ 73.63	-1.72%
FII inflows (Net) - Crs (`)					
Equity (monthly)	-17741	14590	-221.60%	-3973	346.54%
Debt (monthly)	11812	-22527	-152.43%	37789	-68.74%

Indices

Particulars	31-Jul-25	30-Jun-25	Change (%)	31-Mar-25	Change (%)
BSE Sensex	81,185.58	83,606.46	-2.90%	77,414.92	4.87%
S&P CNX Nifty	24,768.35	25,517.05	-2.93%	23,519.35	5.31%
Dow Jones Industrial Avg	44,130.98	44,094.77	0.08%	42,001.76	5.07%
FTSE 100	9,132.81	8,760.96	4.24%	8,582.81	6.41%
Hang Seng Index	24,773.33	24,072.28	2.91%	23,119.58	7.15%
Nikkei 225	41,069.82	40,487.39	1.44%	35,617.56	15.31%
B S E Metal Index	30,885.69	31,695.95	-2.56%	30,824.72	0.20%
B S E Power Index	6,698.21	6,937.59	-3.45%	6,588.41	1.67%
B S E Realty Index	7,082.26	7,642.29	-7.33%	6,601.58	7.28%
B S E Auto Index	52,901.32	53,495.02	-1.11%	47,704.03	10.89%
B S E FMCG Index	20,567.26	20,241.32	1.61%	19,447.48	5.76%
B S E Bankex	62,099.81	64,177.72	-3.24%	59,542.38	4.30%
B S E Healthcare Index	45,372.03	44,259.41	2.51%	41,421.50	9.54%
B S E Capital Goods Index	68,236.66	72,332.77	-5.66%	62,724.28	8.79%
B S E Information Technology Index	34,808.58	38,121.71	-8.69%	36,122.71	-3.64%
B S E Oil & Gas Index	26,796.97	27,866.79	-3.84%	25,133.51	6.62%

Primary Key Rates

Particulars	31-Jul-25	30-Jun-25	Change (%)	31-Mar-25	Change (%)
Repo Rate*	5.50%	5.50%	0.00%	6.25%	-0.75%
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	5.05%	5.25%	-0.20%	5.80%	-0.75%
Current Inflation Rate (WPI)	-0.13%	0.39%	-0.52%	2.38%	-2.51%
Current Inflation Rate (CPI)	2.10%	2.82%	-0.72%	3.61%	-1.51%
IIP (WPI) % Y-O-Y	1.50%	1.20%	0.30%	5.00%	-3.50%
AAA spread (bps)	53.00	64.00	-17.19%	40.00	32.50%

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-Jul-25	30-Jun-25	Change (%)	31-Mar-25	Change (%)
91 days T - Bill	5.40%	5.37%	0.03%	6.45%	-1.05%
364 days T - Bill	5.57%	5.55%	0.02%	6.54%	-0.97%
5 Years G - Sec (Annualized)	6.15%	6.11%	0.04%	6.63%	-0.48%
10 Years G - Sec (Annualized)	6.51%	6.44%	0.07%	6.78%	-0.27%
30 Years G - Sec (Annualized)	7.18%	7.05%	0.13%	7.12%	0.06%

* 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

DEBT MARKET REVIEW AND OUTLOOK

Market Review

July 2025 – The misery piles on!

Benchmark 10-year treasury yields was higher at 6.37% in July from 6.32% in June 2025. The US 10Y yield was at 4.22% at the end of June and it ended much higher at 4.37% in June. INR was hit hard this month thanks to all the tariff confusion and stringer dollar, giving way to a 2.15% depreciation from 85.75 to 87.6.

India Macro Movers:

Retail inflation came in at 1.55% in July 2025, this is a multi-year low, falling close to 500 bps from last year. But a large part of this is because of a favourable base. The CPI will slowly start heading back now but should be under control at least on y-o-y basis. Core inflation continues to move above 0.4% month on month, if we leave aside gold prices.

GST collections have been steadily dropping falling from INR 2.36 trn to INR 1.96 trn in the last 4 months. PMIs have either been rising or been steady, manufacturing rising from 58.4 to 59.1 in the latest month and services stead at 60.5 from 60.4 last month.

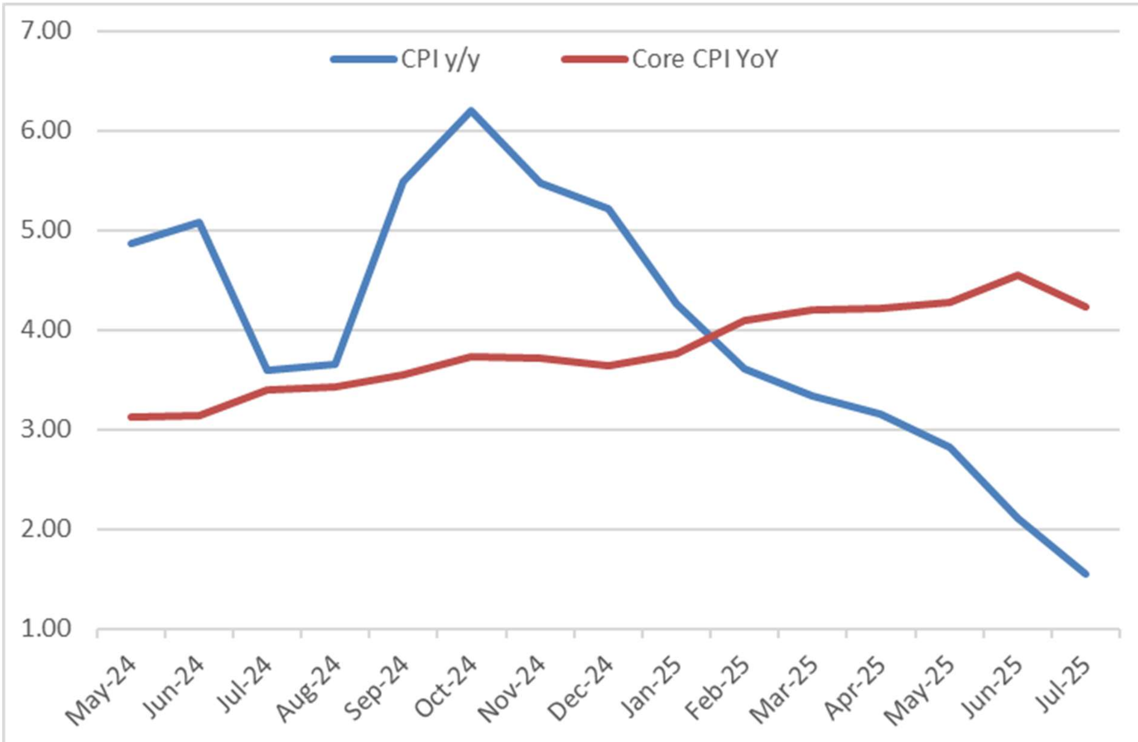
Global:

Economic data in the US started weakening in the months of June and July but the tariffs will keep pushing inflation higher in the coming months. The Bloomberg index for tracking potential rate cuts in the US puts 2 cuts this year and 3 for next year. But as the volatility and uncertainties of trade keep moving, rate cuts now are back to 2 in 2025 and maybe 3 in 2026. US CPI had fallen from 3% in January 2025 to 2.3% in April, but is back to 2.7% in July. The data in Euro are and UK continues to be that of weakness with centrals banks looking to do more cuts 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 emerge.

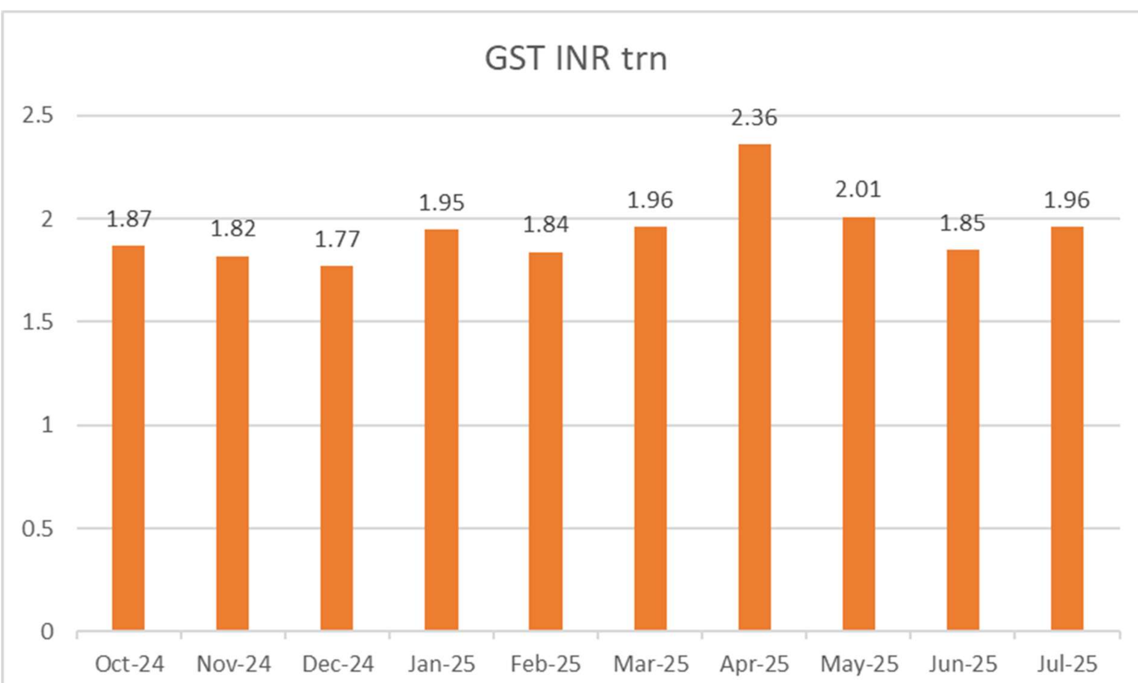
Outlook:

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). The RBI stance changed back in June to neutral from accommodative, after just making the change in April, from accommodative to neutral. A 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 6.30-6.50% over the next few months based on growth, inflation, US trade tariffs related news and so on. Lack of monetary easing and OMO buybacks will keep yields from falling across the curve below June6th (intraday lows. Yield curve has already steepened and further chances of steepening amidst low demand for long end G-sec, but the risk to the view is potentially some demand owing to good levels and spreads on the long end, slower India growth leading to more bond market dovishness and more accelerated rate cuts by Fed in 2025

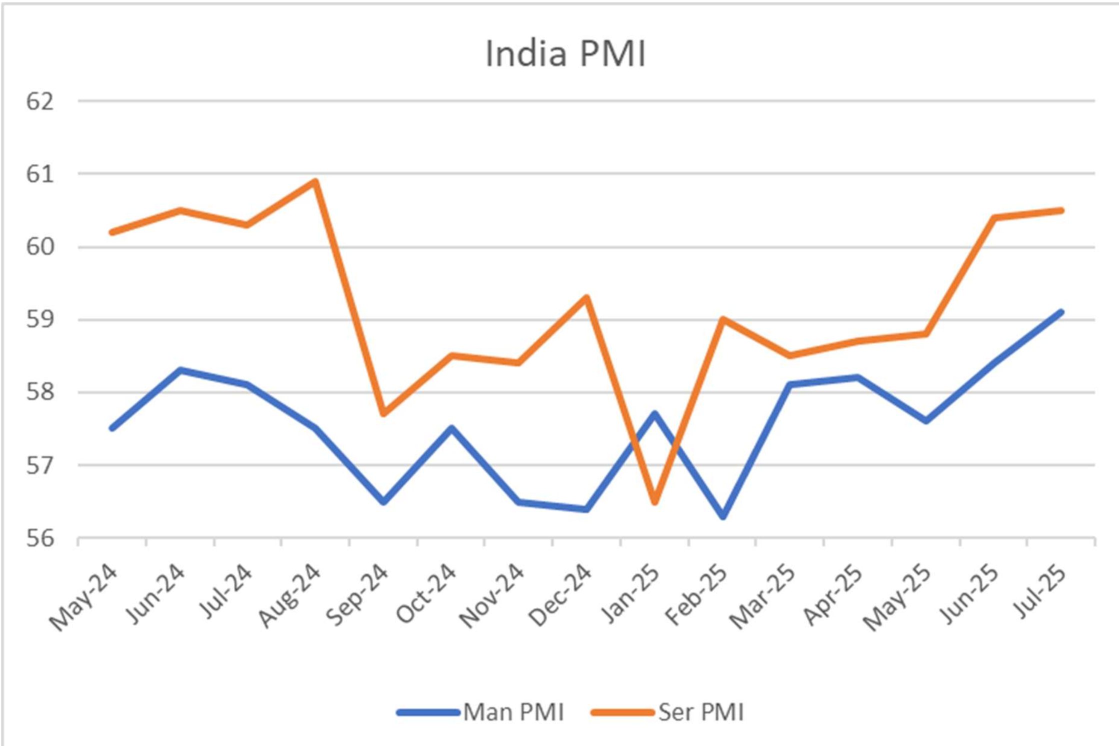
India CPI has hit a multi-year low, but helped largely by base effects,



GST collections have slowed of late



PMIs don’t show any sign of a slowdown



Equity Outlook

Equity Market Outlook for the Month of July 2025

Nifty and Sensex ended at 25,517 and 83,606 respectively, up 3.1% and 2.6% for the month of June 2025. Geopolitical conflict took centre stage during the month, due to the Israel-Iran war which began from 13th June and there was a ceasefire from 24th June.

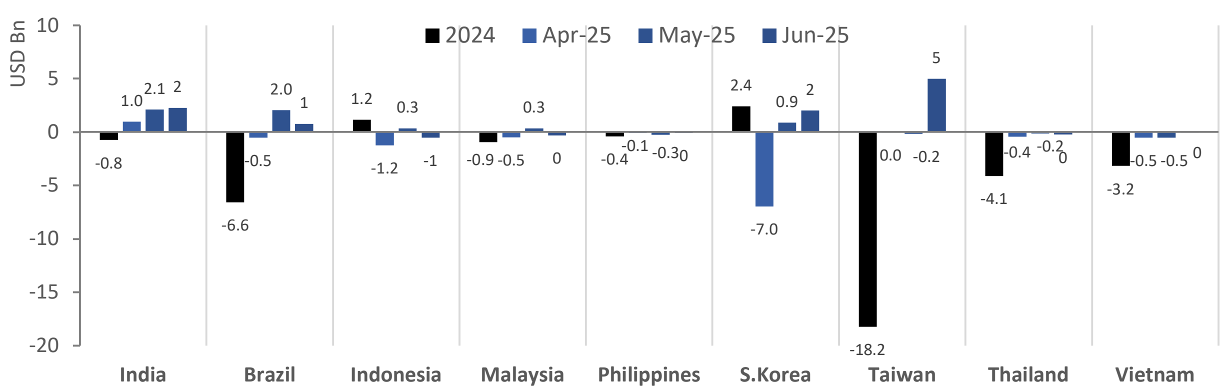
Broader markets in India rose this month, with the NSE Mid-cap 100 index and NSE Small-cap 100 index up 4% and 6.7% respectively. Our markets, however, underperformed US equity indices with the S&P 500 rising by 4.6% in June. In India, Healthcare was the best performing sector with returns of 3.9%, while FMCG, the only sector in the red this month, delivered returns of -0.33%.

Fig 1. FMCG was the only sector to deliver negative returns in June

	1M		3M		6M		9M		12M	
	Returns	Rank	Returns	Rank	Returns	Rank	Returns	Rank	Returns	Rank
Midcap	4%	-	16%	-	4%	-	-1%	-	7%	-
Smallcap	7%	-	19%	-	2%	-	-1%	-	4%	-
Auto	2%	6	12%	2	4%	7	-12%	8	-7%	10
Banking	2%	10	8%	6	11%	2	7%	2	8%	3
Cap Goods	2%	9	15%	1	8%	4	-1%	4	0%	5
FMCG	0%	11	4%	10	-2%	10	-15%	10	-1%	6
Healthcare	4%	1	7%	7	-2%	9	0%	3	19%	1
IT	3%	3	6%	8	-13%	11	-10%	7	3%	4
Metal	3%	5	3%	11	11%	3	-8%	6	-4%	7
Oil & Gas	3%	4	11%	4	8%	5	-12%	9	-5%	8
Power	2%	7	5%	9	0%	8	-20%	11	-13%	11
Financials	3%	2	12%	3	13%	1	8%	1	13%	2
PSU	2%	8	10%	5	7%	6	-6%	5	-6%	9

FPI flows into Indian equities remained positive during May at 1.9 Bn USD, while DIIs pumped 8.5 Bn USD into Indian equities. This has been the fourth consecutive month of positive FII flows.

Fig 2. Global flows into India have steadily recovered from outflows during Jan-Feb

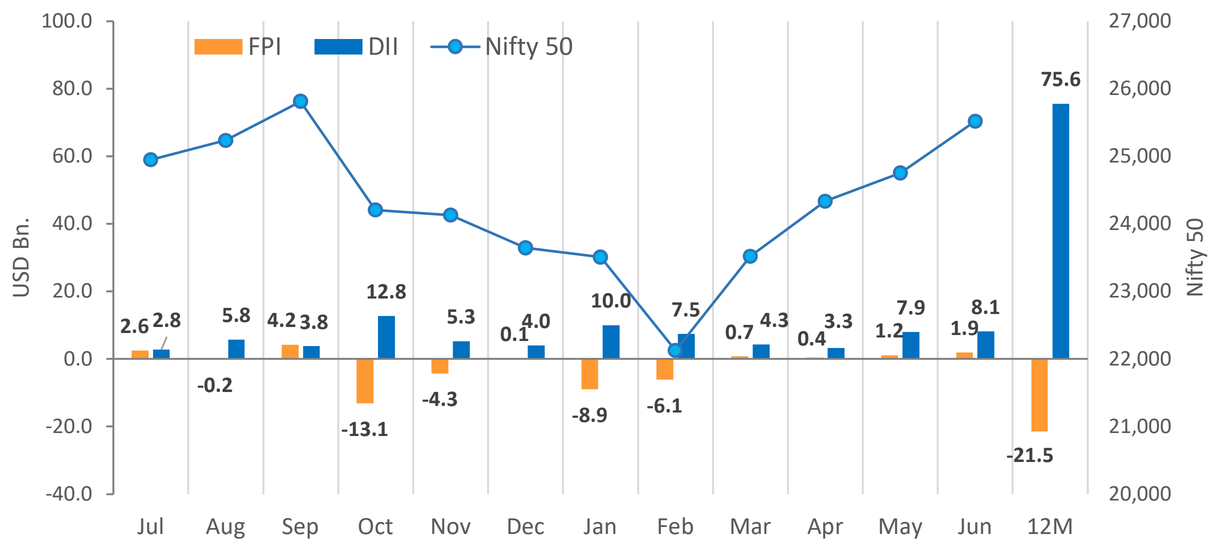


US markets performed well last month with Dow Jones moving up 4% and S&P 500 4.6% with more news on likely ceasefire on war between Isreal and Iran. 10 year yields in US is off to 4.2% (decline from 4.4% at the beginning of the month) with growth numbers falling to minus 0.5% seasonally adjusted. DXY with the trend has moved lower to 96 from 99 during the same period.

India's CPI inflation continued to moderate with a print of 2.8% in May 2025, down from 3.2% in April. WPI inflation for May dropped to 0.4% against 0.9% for April. Food inflation continued its downward trajectory, measuring at 0.99 % in May from 1.78% in April. GST collections for May 2025 stood at INR 1.85 lakh crore, a YoY increase of 6.2%, and GST collections for FY25 year to date have shown 9.4% YoY growth.

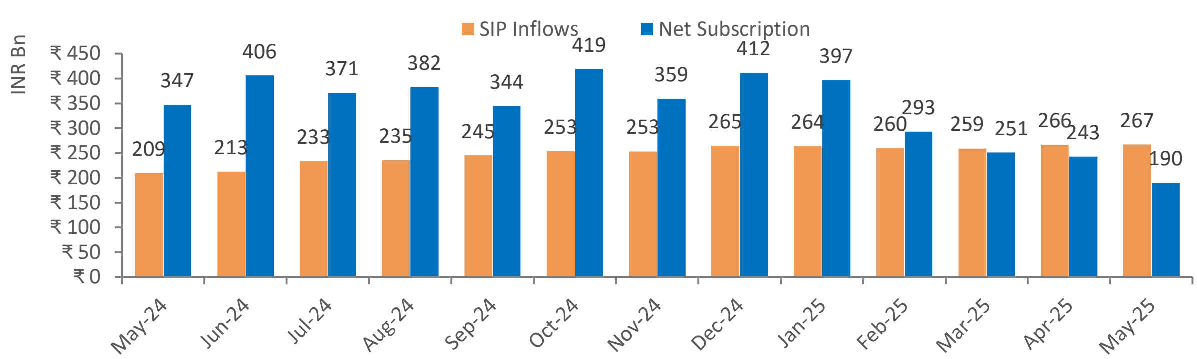
In their early-June meeting, the RBI front loaded its accommodative policy actions with a 50-bps repo rate cut, 100 bps CRR cut beginning from September and a change in policy stance to neutral. This is widely seen as the end of the rate cut cycle for the time being. During June, the RBI relaxed norms for project financing - a positive move which is expected reduce capital pressure on banks and NBFCs.

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



Mutual fund inflows into equity-oriented funds in May dropped from April levels, standing at 190 Bn INR. A clear downward trend is now visible. SIP inflows in May remained steady at INR 267 Bn.

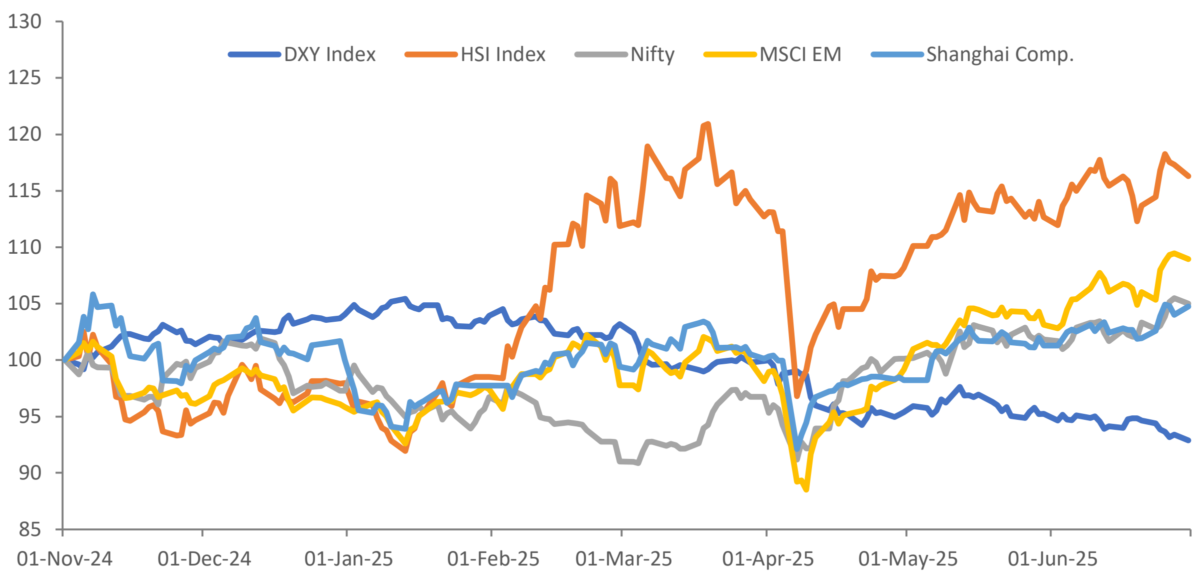
Fig 4. Total Net subscription to domestic equity-oriented mutual funds and monthly SIP flows



June saw the sudden escalation of conflict between Israel and Iran, following the breakdown of negotiations between the US and Iran on the latter's nuclear programme. In the days that followed, we saw volatility in Crude Oil prices, as the markets reflected the uncertainty on how the conflict might impact supply. It is noteworthy that despite drones and missiles targeting military as well as civilian establishments, all parties avoided damage to critical oil and shipping infrastructure – this is a testament to the immense pressure faced by aggressors in respecting the continuity of global trade, and the desire for regional stability by the Middle Eastern powers. Markets largely expected Israel and Iran to play by these rules, and thus Brent crude rose from 61.41 at the close of May to a high of 75.48 and promptly fell to 66.17 once ceasefire was declared. Amid fears that Iran may close the Strait of Hormuz, (a crucial shipping corridor for oil) actual closure of the strait did not materialize despite Iranian parliamentary approval for the same.

In the midst of this, the Federal Reserve kept rates unchanged in their June meeting, and the focus has now shifted back on Trump towards Fed conservatism in the face of fears of tariff-related inflation. Further, the July 9 deadline for USA's Liberation Day tariffs loom close, and all eyes are on trade deals being struck between the US and major economies before the deadline passes.

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



Market euphoria is going by the fact that a trade deal with US & India will be struck, war will stop. It is also fuelled by the liquidity in the markets that is flowing out of domestic investors and cash levels at mutual fund industry. Increase in prices have resulted in earnings yield going below the bond yields.

Clearly the earnings, the economic growth amidst geo political turmoil and the other high frequency indicators does not show a earnings growth that does justify the multiples. Liquidity and lack of avenues to invest possibly fuelling the rally. That said, we like funds that has higher equity allocation, with a view of staying invested for beyond 3 years. At the same time movement in yields after the rate cuts north wards coupled with stance change by RBI makes us view bond fund returns need to be encashed.

Fig 6. Spread between Nifty 50 earnings yield and 10 Yr Govt Bond Yield has narrowed

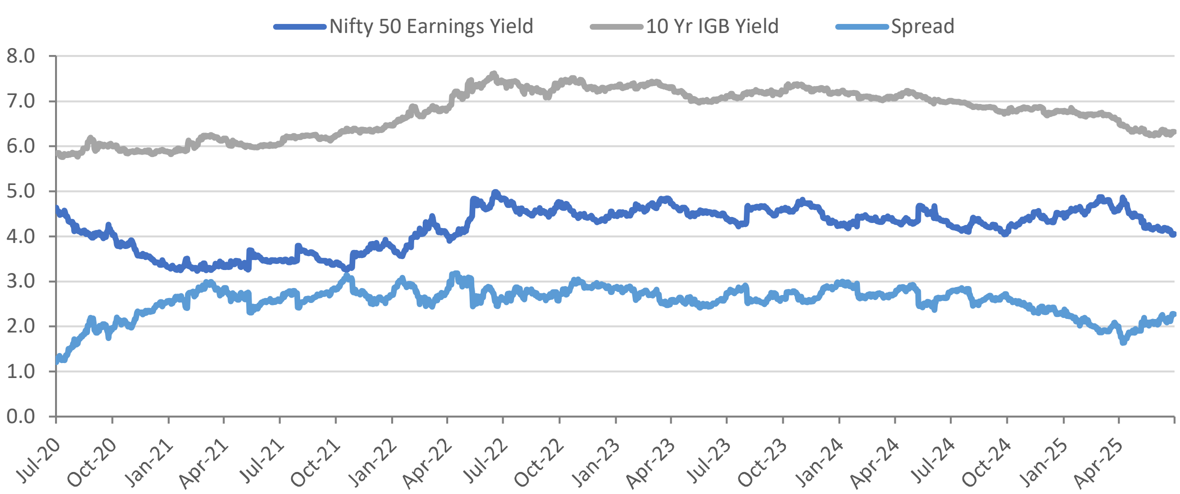


Fig 7. Forward P/E levels across Large-Caps, Mid-Caps and Small-Caps – Small-caps back in overvalued zone

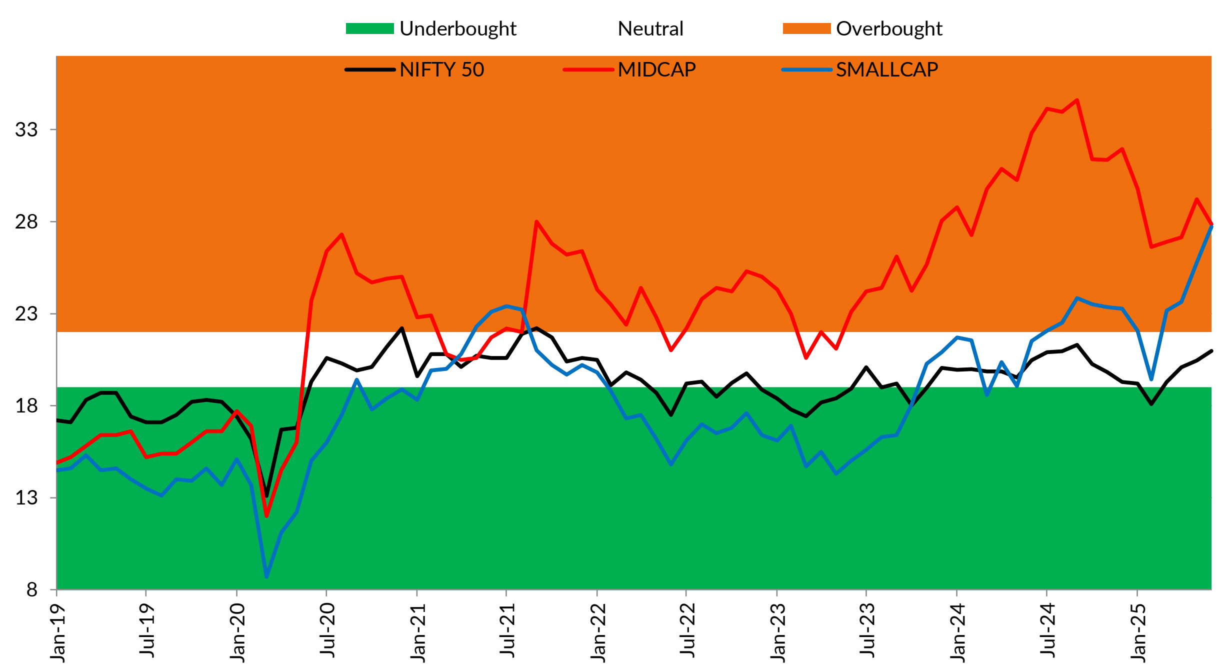


Fig 8. Major events and Nifty50 movements during June 2025

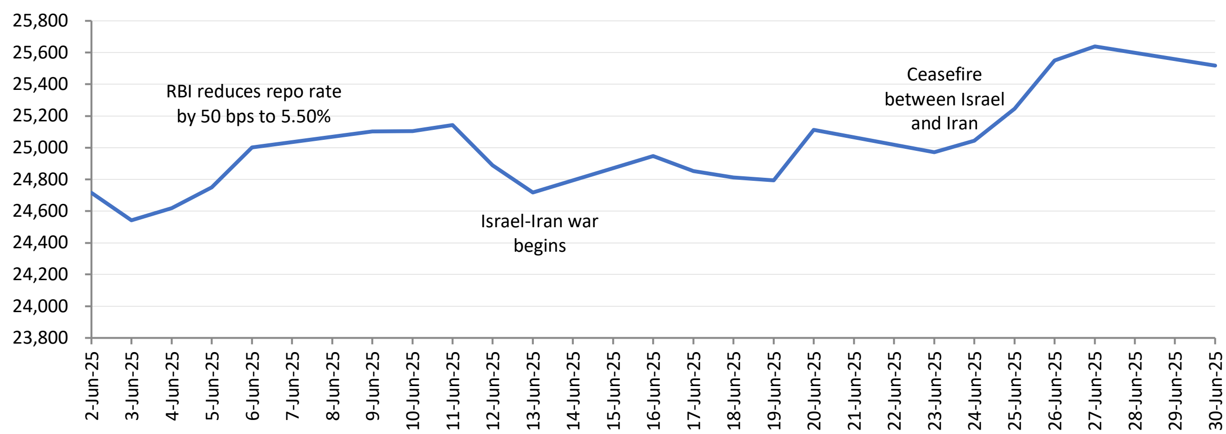


Fig 9. Fund Returns – AUM Mix and Performance (CAGR)

	Equity % in Fund	1M	1Y	3Y	5Y
Midcap Fund	95%	4.97 %	6.45 %	28.75 %	29.05 %
Benchmark		*4.04 %*	*7.18 %*	*31.20 %*	*32.36 %*
Bond Fund	0%	-0.64 %	8.77 %	7.85 %	5.69 %
Benchmark		*-0.44 %*	*9.16 %*	*8.41 %*	*6.19 %*
Equity Fund	99%	3.36 %	5.70 %	19.29 %	20.00 %
Benchmark		*3.10 %*	*6.27 %*	*17.37 %*	*19.89 %*
Balance Fund	51%	1.39 %	7.21 %	12.84 %	12.61 %
Benchmark		*1.44 %*	*7.94 %*	*13.02 %*	*13.13 %*

Fig 10. Major Index and Asset Class Returns

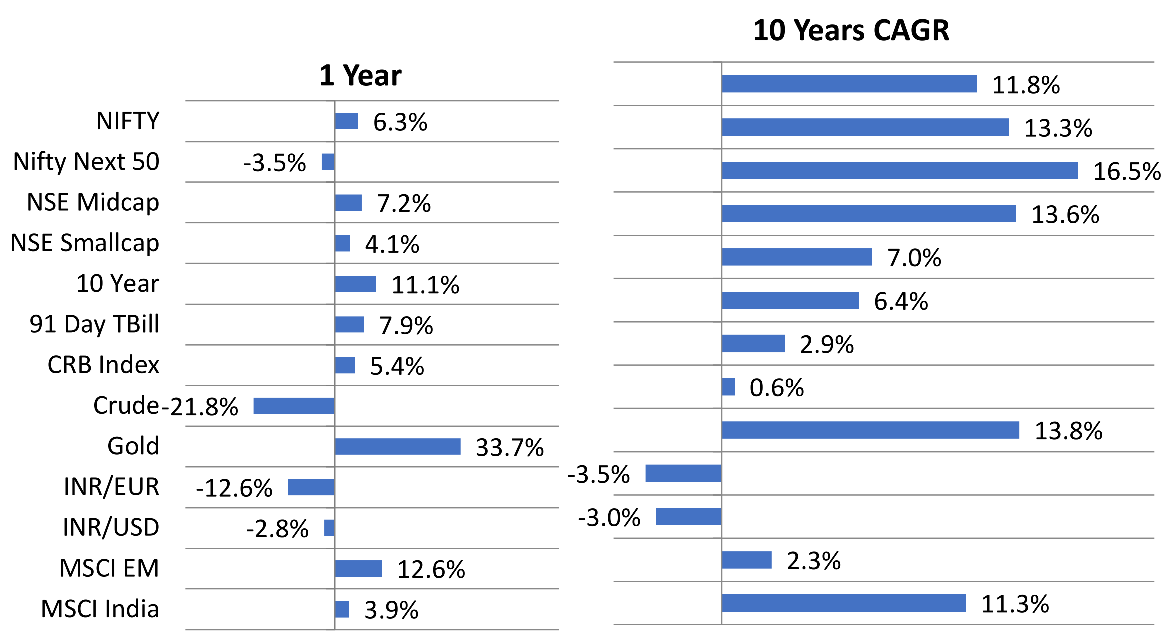


Fig 11. Sensex yearly Performance in June (percent)

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

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