

# invest CARE

UNIT LINKED PRODUCTS FROM SBI LIFE INSURANCE CO. LTD.

## 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-Dec-21	30-Nov-21	Change (%)	31-Mar-21	Change (%)
₹/\$	74.34	75.17	▶ 1.10%	73.11	▶ -1.68%
Forex Res.(Bn- 1 Wk Lag)	\$ 635.08	\$ 637.69	▶ -0.41%	\$ 579.29	▶ 9.63%
Oil Price (\$/Barrel)	\$ 77.94	\$ 66.17	▶ 17.79%	\$ 64.04	▶ 21.71%
Gold (₹/10 gm)	47,860	47,917	▶ -0.12%	44,106	▶ 8.51%
<b>FII inflows (Net) - Crs (₹)</b>					
Equity (monthly)	-19026	-5261	▶ -261.64%	16968	▶ -212.13%
Debt (monthly)	-11799	-1059	▶ -1014.16%	-3429	▶ 244.09%

### **Indices**











Particulars	31-Dec-21	30-Nov-21	Change (%)	31-Mar-21	Change (%)
BSE Sensex	58,253.82	57,064.87	▶ 2.08%	49,509.15	▶ 17.66%
S&P CNX Nifty	17,354.05	16,983.20	▶ 2.18%	14,690.70	▶ 18.13%
Dow Jones Industrial Avg	36,338.30	34,483.72	▶ 5.38%	32,981.55	▶ 10.18%
FTSE 100	7,384.54	7,059.50	▶ 4.60%	6,713.60	▶ 9.99%
Hang Seng Index	23,397.67	23,475.26	▶ -0.33%	28,378.35	▶ -17.55%
Nikkei 225	28,791.71	27,821.76	▶ 3.49%	29,178.80	▶ -1.33%
B S E Information Technology Index	37,844.49	34,382.15	▶ 10.07%	26,543.24	▶ 42.58%
B S E Capital Goods Index	28,750.72	26,892.79	▶ 6.91%	21,095.75	▶ 36.29%
B S E Metal Index	19,245.75	18,217.79	▶ 5.64%	14,350.61	▶ 34.11%
B S E Auto Index	24,817.60	23,989.17	▶ 3.45%	22,252.21	▶ 11.53%
B S E Healthcare Index	26,205.73	25,501.80	▶ 2.76%	21,328.21	▶ 22.87%
B S E Realty Index	3,841.12	3,799.90	▶ 1.08%	2,670.31	▶ 43.85%
B S E Power Index	3,481.71	3,456.56	▶ 0.73%	2,475.13	▶ 40.67%
B S E FMCG Index	13,784.58	13,689.37	▶ 0.70%	12,875.40	▶ 7.06%
B S E Oil & Gas Index	17,508.03	17,502.48	▶ 0.03%	14,820.46	▶ 18.13%
B S E Bankex	40,408.50	40,779.11	▶ -0.91%	37,547.91	▶ 7.62%




### Primary Key Rates

Particulars	31-Dec-21	30-Nov-21	Change (%)	31-Mar-21	Change (%)
Repo Rate*	4.00%	4.00%	 0.00%	4.00%	 0.00%
Reverse Repo Rate**	3.35%	3.35%	 0.00%	3.35%	 0.00%
CRR#	4.00%	4.00%	 0.00%	3.00%	 1.00%
SLR *#	18.00%	18.00%	 0.00%	18.00%	 0.00%
Call money rate	3.45%	3.25%	 0.20%	2.75%	 0.70%
Current Inflation Rate (WPI)	14.23%	12.54%	 1.69%	4.17%	 10.06%
Current Inflation Rate (CPI) (Nov 21)	4.91%	4.48%	 0.43%	5.03%	 -0.12%
IIP (WPI) % y-o-y (Oct 21)	3.20%	3.10%	 0.10%	-1.60%	 4.80%
AAA spread (bps)	40.00	43.00	 -6.98%	57.00	 -29.82%

Particulars	2017-18	2018-19	2019-20	2020-21	Q2 FY22
Real GDP % (New Growth No. by CSO)	6.70%	6.80%	4.20%	-7.30%	8.40%

### Interest Rates (FIMMDA)

Particulars	31-Dec-21	30-Nov-21	Change (%)	31-Mar-21	Change (%)
91 days T - Bill	3.56%	3.50%	 0.06%	3.25%	 0.31%
364 days T - Bill	4.34%	4.15%	 0.19%	3.75%	 0.59%
5 Years G - Sec (Annualized)	5.79%	5.65%	 0.14%	5.70%	 0.09%
10 Years G - Sec (Annualized)	6.45%	6.33%	 0.13%	6.18%	 0.28%
30 Years G - Sec (Annualized)	7.06%	6.93%	 0.14%	6.77%	 0.30%

 No change  
 Negative change  
 Positive change

\* w.e.f May 22, 2020

\*\* w.e.f May 22, 2020

# w.e.f May 22, 2021

\*# w.e.f Apr 09, 2020

**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

#### December 2021 – The year after Covid , but will 2022 be year of OMICRON?

Benchmark 10-year treasury yields averaged at 6.41% in December 2021 (6bp higher versus the November 2021 average). On month-end values, the 10Yr yield was up and ended the month at 6.45%. US 10Yr yield is at 1.51% (+7bps month on month, +60bps year on year). INR appreciated over the month (up 1.1% month on month) and ended the month at US \$ 74.34 in December 2021.

### India Macro movers

India's November 2021 CPI: Headline undershoots but core jumps (link). November 2021 CPI came in below expectations, printing at 4.9% on year ago (J.P. Morgan: 5.2% and Consensus: 5.1%) led by downward surprises in both food and fuel. However, the main highlight of report was core-core prices (core ex petrol and diesel) jumping 0.6% month on month, seasonally adjusted in November 2021 – the highest in six months.

October 2021 IP disappoints reinforcing a plateauing around pre-pandemic levels – link) Industrial Production disappointed again, growing by just 1.1% month on month, seasonally adjusted in October 2021 on the back of two successive declines, thereby coming in at odds with the more buoyant anecdotal narrative in some quarters of a sharp pick-up of goods in October 2021.

India's FX reserves are close to an all-time peak, standing at US \$ 635 billion currently. FX reserves have declined by US \$ 4.7 billion in the last 4 weeks. GST (Goods & Services Tax) collections hit a 3-month low in December 2021 coming in at Rs. 1.3 trillion (marginally lower than levels seen in November 2021), up 13% year on year while also being +26% from December 2019. This was the sixth consecutive month with collections of more than Rs. 1 trillion. Fiscal deficit for April – November 2021 came at Rs. 6.96 trillion or 46.2% of the budgeted FY22 deficit (at Rs. 15.1 trillion or 6.8% of GDP).

### Global News

Global equities climbed higher, up 4% in December 2021. The year 2022 is expected to see global recovery and an end to the pandemic, owing to broad global population immunity. Release of pent-up demand from consumers and corporates should support a strong cyclical recovery, against the backdrop of an easy monetary policy. Certain risks would need to be monitored in the year ahead – geopolitical tensions, a possible energy crisis, uncertainty around high inflation and normalization of monetary policy (link). Despite the recent panic around the Omicron variant, global COVID deaths have been at their lowest points in the year and hence the market sentiment around this may turn.

## Outlook

RBI stays patient and very focused on growth in the December MPC (Monetary Policy Committee) meeting. Belying market pricing of a reverse repo rate hike for a second successive meeting, the RBI kept all policy rates on hold, maintained its accommodative stance, and continued with its voluntary liquidity draining strategy, in line with what we had expected. Our conviction that the RBI would remain patient at this meeting had increased in recent weeks on the back of the Omicron scare, and the Governor alluded to this right up front. That said, we had expected the RBI to gradually start laying the groundwork for some policy rate normalization, conditional on OMICRON risks not fructifying, in subsequent meetings. The bond yields have started rising from around 6.35% to 6.55% owing to higher CPI expected in Q4, strong growth recovery despite OMICRON, liquidity withdrawal in the coming policies and a massive borrowing program in FY 23. US 10 year yields touching 1.8% and Brent crude back above US \$ 80/bbl only are adding pressure on our bond yields. We expect 10-year bond yields to remain in the range of 6.45% to 6.6% till union budget gets over.

## **Equity Outlook**

### **Outlook for the month of January, 2021**

A very happy, healthy and joyous new year to all our readers.

Increasing incidence of Covid 19 new variant, inflationary head winds, faster Tapering of US \$ 120 billion of cash flows into US economy by Fed (Federal Reserve) and indications of increasing input prices indices did not dither the markets. Sensex ended at 58254 and Nifty at 17354, each one of them gaining 2%. Improving high frequency indicators indicating growth and good performance by one of the IT majors (not listed in Indian bourses indicating good prospects) made the markets buoyant.

IT sector index gained 10%, Capital Goods index 7% and metals 6%. Despite good head winds of worst of NPA (Non-Performing Assets) cycle being behind, Banking index recorded a negative gain. Partially owing to FPI's (Foreign Portfolio Investors) positioning. FPI's booked profits in Indian bourses. Money shifted to more attractive and fallen Chinese Markets. HSI Hong Kong's main index had fallen from 31000 to 23000 during the CY. It made its peak in February 2021.

More risk appetite was seen. NSE Mid Cap 100 index went up 2.7% (30443) and NSE Small Cap index went up 5.9% (11289). Globally equity markets were stronger. Dow Jones clocked 5.4% gains, US S&P 500 4.4% and UK 4.6%.

FPI's have sold stocks worth US \$4.2 billion, while DII's (Domestic Institutional Investors) have bought stocks worth US \$ 4.16 billion during the month. This figure is net of investments they made in IPO.

RBI maintained its accommodative stance supporting the system with required cash and not hiking the interest rate. More than 7 banks across the globe have increased interest rates during last year indicating fight against inflation and restoring confidence on growth coming back. Bank of England was the major bank to increase interest rates last month.

CPI inflation came in at 4.91% in October 2021 against 4.48% the previous month. November 2021 WPI was strong at 14.23%. The current account registered a deficit of 1.3% of GDP (Gross Domestic Product) for 2Q of FY22 at US \$ 9.6 billion.

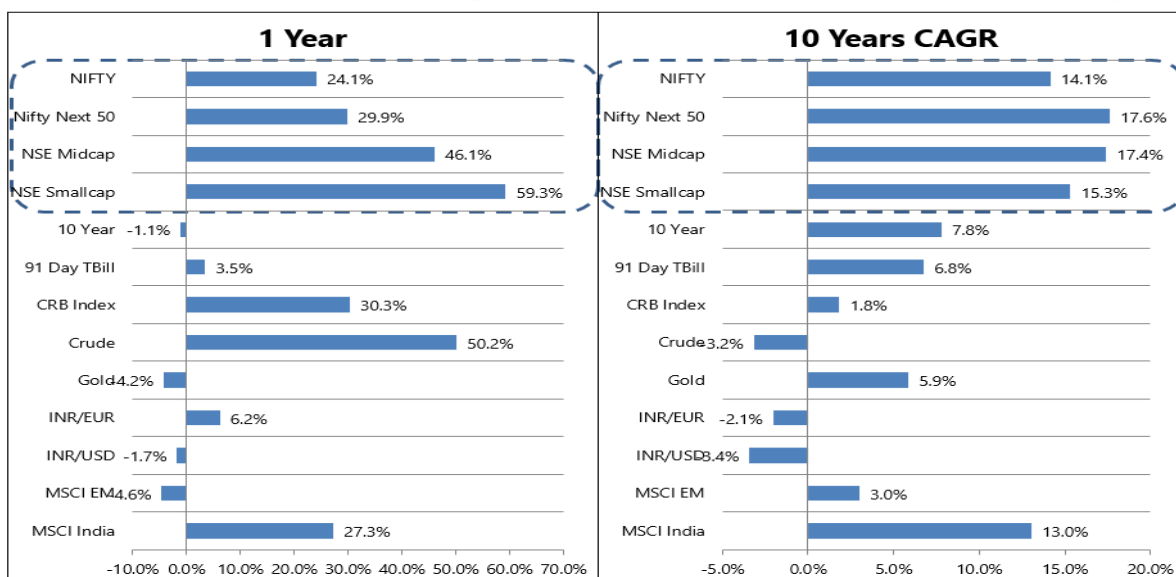
Calendar Year was a healthy one for the capital markets with a gain of 24% in Nifty. This was on the back of big second wave that took a toll on economy during May 21, accelerated taper coming in, almost doubling of crude prices and a possibility of 3 rate hikes in CY 2022 in US.

US governments announcement of US \$ 1.9 trillion worth of infrastructure spend, RBI's stance on liquidity and interest rates, India getting included in the global debt indices, much awaited LIC IPO, other public sector disinvestments and the 5 state elections are events that would keep the investors on the edge.

Since the pandemic began central banks around the world have pumped in US \$ 32 trillion of money @ US \$ 800 million an hour for the past 20 months and Market cap across bourses have soared US \$ 60 trillion reports FT.

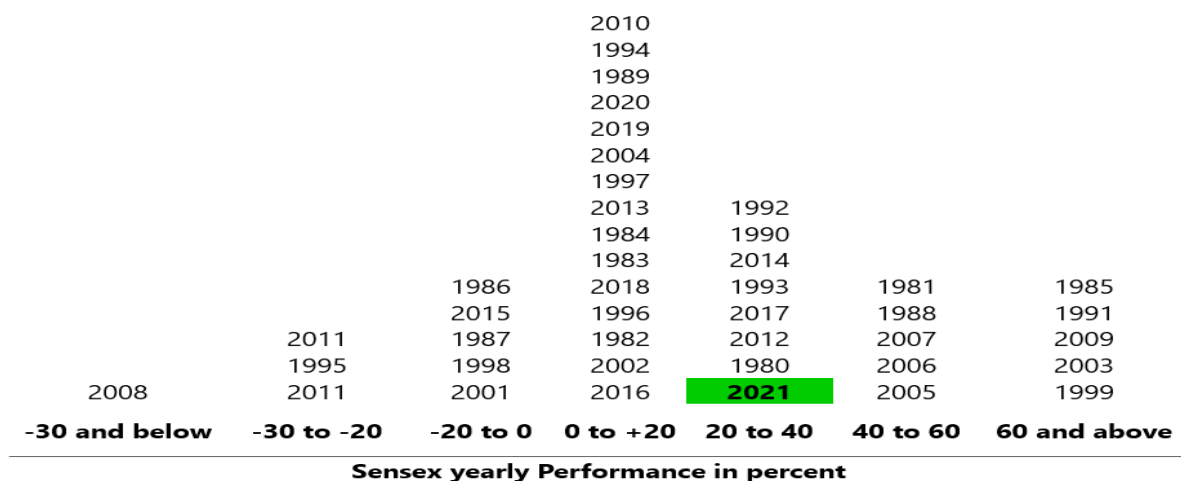
We continue our neutral stance on the Equity markets and advice looking at Bond Optimizer and Balance fund as best assets to play with. Enclosed are some charts indicating

## Asset Return- Long Term returns are healthy



As on 31<sup>th</sup> Dec 2021

## BSE Sensex (since 1980): Yly performance +ve in Dec (+ve 33 out of 42 years)



## **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 fulfillment 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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