Monthly Investment Update:
Volume 15, Issue 09
December, 2022

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

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Major Economic Indicators

Economic Indicators

Particulars	31-Dec-22	30-Nov-22	Change (%)	31-Mar-22	Change (%)
₹/$	82.74	81.70	-1.27%	75.79	-9.17%
Forex Res.(Bn- 1 Wk Lag)	$ 562.81	$ 550.14	2.30%	$ 617.65	-8.88%
Oil Price ($/Barrel)	$ 83.67	$ 84.44	-0.91%	$ 109.24	-23.41%
Gold (₹/10 gm)	54,656	53,000	3.12%	51,317	6.51%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-745	7812	-109.54%	-41123	-98.19%
Debt (monthly)	908	1282	-29.17%	-5632	-116.12%

Indices

Particulars	31-Dec-22	30-Nov-22	Change (%)	31-Mar-22	Change (%)
BSE Sensex	60,840.74	63,099.65	-3.58%	58,568.51	3.88%
S&P CNX Nifty	18,105.30	18,758.35	-3.48%	17,464.75	3.67%
Dow Jones Industrial Avg	33,147.25	34,589.77	-4.17%	34,678.35	-4.42%
FTSE 100	7,451.74	7,573.05	-1.60%	7,515.68	-0.85%
Hang Seng Index	19,781.41	18,597.23	6.37%	21,996.85	-10.07%
Nikkei 225	26,094.50	27,968.99	-6.70%	27,821.43	-6.21%
B S E Metal Index	20,855.59	20,257.70	2.95%	22,368.34	-6.76%
B S E Bankex	48,906.28	49,348.18	-0.90%	41,753.80	17.13%
B S E Oil & Gas Index	20,409.11	20,610.00	-0.97%	18,741.19	8.90%
B S E Capital Goods Index	33,342.22	33,846.25	-1.49%	27,506.04	21.22%
B S E FMCG Index	16,075.30	16,525.65	-2.73%	13,334.89	20.55%
B S E Healthcare Index	23,033.66	23,945.61	-3.81%	24,303.83	-5.23%
B S E Realty Index	3,446.85	3,586.77	-3.90%	3,681.83	-6.38%
B S E Auto Index	28,923.14	30,375.40	-4.78%	24,049.98	20.26%
B S E Information Technology Index	28,671.86	30,511.10	-6.03%	36,402.74	-21.24%
B S E Power Index	4,381.29	4,698.99	-6.76%	4,043.63	8.35%

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SBI Life
Apne liye. Apno ke liye.

Primary Key Rates

Particulars	31-Dec-22	30-Nov-22	Change (%)	31-Mar-22	Change (%)
Repo Rate*	6.25%	5.90%	0.35%	4.00%	2.25%
Reverse Repo Rate**	3.35%	3.35%	0.00%	3.35%	0.00%
CRR #	4.50%	4.50%	0.00%	4.00%	0.50%
SLR *#	18.00%	18.00%	0.00%	18.00%	0.00%
Call money rate	6.21%	5.65%	0.56%	3.87%	2.34%
Current Inflation Rate (WPI)	5.85%	8.39%	-2.54%	13.11%	-7.26%
Current Inflation Rate (CPI) (Nov 22)	5.88%	6.77%	-0.89%	6.07%	-0.19%
IIP (WPI) % Y-O-Y (Oct 22)	-4.00%	3.10%	-7.10%	1.30%	-5.30%
AAA spread (bps)	15.00	15.00	0.00%	14.00	7.14%

Particulars	2019-20	2020-21	2021-22	Q4 FY22	Q2 FY23
Real GDP % (New Growth No. by CSO)	4.20%	-7.30%	8.70%	4.10%	6.30%

Interest Rates (FIMMDA)

Particulars	31-Dec-22	30-Nov-22	Change (%)	31-Mar-22	Change (%)
91 days T - Bill	6.31%	6.40%	-0.09%	3.84%	2.47%
364 days T - Bill	6.88%	6.87%	0.01%	4.58%	2.30%
5 Years G - Sec (Annualized)	7.23%	7.13%	0.10%	6.02%	1.21%
10 Years G - Sec (Annualized)	7.32%	7.29%	0.04%	6.86%	0.46%
30 Years G - Sec (Annualized)	7.36%	7.31%	0.05%	7.27%	0.09%

No change
Negative change
Positive change

*** w.e.f Dec 07, 2022**
**** w.e.f May 22, 2020**
 # w.e.f May 21, 2022
***# 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

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DEBT MARKET REVIEW AND OUTLOOK

Market Review

December 2022 – A year of rate hikes?

Benchmark 10-year treasury yields averaged at 7.28% in December 2022 (5bps lower vs. November 2022 average). On month end values, the 10-year yield was up and ended the month at 7.33% (down 5bps month on month). The US 10-year yield is at 3.87% (+27 bps month on month, +236 bps year on year). INR depreciated over the month (down 1.6% month on month) and ended the month at US $ 82.74 in December 2022.

India Macro movers

India's year-end data dump was way off expectations but, largely, because it was accompanied with a lot of noise. On the positive side, November 2022 CPI softened almost a percentage point to 5.9% (from 6.8% in October 2022) and came-in much below expectations (Consensus: 6.4%). But weaker inflation was accompanied by much weaker activity data, with October 2022 IP contracting 4% year-on-year (the weakest in 26 months), much deeper than had been expected (Consensus: -1%). Both downside surprises, however, come with large caveats. IP was always expected to be weak in October 2022 because of fewer working days on account of the festival of Diwali (which standard seasonal accounting techniques cannot control for because it falls in different months each year).

Global News

Economic data in the US has been quite robust with employment generation, IP, durable goods manufacturing and PMIs (Purchasing Managers Index) surprising markets positively. Unemployment rate has just marginally moved up by 20 bps in Quarter 4, 2022 and it is still at multi-decadal low. The PMI's on manufacturing have just slightly dipped from 50.9 in September 2022 to 49 in November 2022. Services PMI has fallen much more from 49.3 to 46.2 in the same period. There are early signs of a slowdown in growth but markets could be wrong in their dovish assumptions, as long as jobs market remains tight. There are still 1.7 job opening for every unemployed person, against a pre-pandemic level of 1.1, and that is why Fed (Federal Reserve) Chairman always keeps saying there is more to be done. Inflation has eased for sure from 9.1% in June 2022 and 8.2% in September 2022 to 7.1% in November 2022. This is one reason why US yields have fallen by more than 100 bps in the 10-year segment but the Fed will only look at this moderation in CPI as a validation for their continued and unswaying hawkishness, especially with growth not falling off the cliff.

DM (Developed Market) bond yields saw massive volatility with US 10-year yield touching 3.4% after a high of 4.5% in this quarter. This was owing to some positive surprise in month on month CPI both in October and November 2022, on headline as well as Core CPI. The markets are expecting peak FFR to be

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lower than FED DOTS (Federal Reserve's Dot Plot) by 25 bps and also are pricing in 50 bps of rate cuts in 2023 while the FED DOTS suggest a status quo. So there is a 75 bps gap between Fed and market pricing for 2023. UK CPI is much higher at 10.7%, but it has fallen off the peak of 11.1% last month. This is why markets are pricing more hawkish central banks in EU (European Union) and UK compared to US.

China continued with its zero Covid policy and rising fears emerged for another lockdown as the covid cases continued to rise. However, as the quarter progressed US Fed's raised interest rates and better than expected US GDP (Gross Domestic Product) data signaled for more such hikes. The festive season ended on a somber note and the narrative changed to how inflation is hurting demand.

Outlook

The month saw the Indian central bank raise rates another 35 bps from 5.90% to 6.25% on Repo, and the government too walking with RBI in controlling inflation. Various measures by the government have also addressed price pressures through the external sector like India's imported inflation especially in edible oils and agriculture products. Despite the war between Russia and Ukraine not easing, Brent crude oil has been moving between US $ 87 and $ 97 per barrel. This is well below RBI's assumption of US $ 105 and hence gives the rate setting committee some breathing space.

The Indian economy has continued to gather momentum as reflected by GST (Goods & Services Tax) which has constantly hit a run rate of 1.45 lac crore every month. Most high frequency indicators, PMIs, credit growth point to a solid growth story on the ground for India despite Repo rate being at 6.25% against 4.9% just 4 months ago.

MPC (Monetary Policy Committee) met in December 2022 raising the Repo rate by 35 bps, as CPI continued to be well ahead of RBI's target of 4% and upper band of 6%. CPI is projected at 6.7% for FY 22 by RBI and we do not expect 10-year yield to be below 7.25% for some time. The lower end would be owing to slight easing of rate hike fears as we might be close to the terminal rate, but with Union Budget just under a month away, extra borrowings in FY 23 and a higher than expected spending and borrowing for FY 24 borrowing still pending could move yields higher closer to the 7.4-45% mark. The budget will be immediately followed by the MPC February 2023 meeting and looking at inflation and growth dynamics it is safe to assume another repo rate hike taking Repo to 6.5%.

DXY (US Dollar Index) has fallen from 114 to just above 105 in this quarter owing to variation in central bank tightening assumptions on either side of the Atlantic Ocean. If this actually transpires as expected then DXY could face further downward pressure. The USD-JPY was helped by a huge boost to JGB yields (Japanese Government Bond Yield) this month and this too has helped DXY fall, with the Yen falling from

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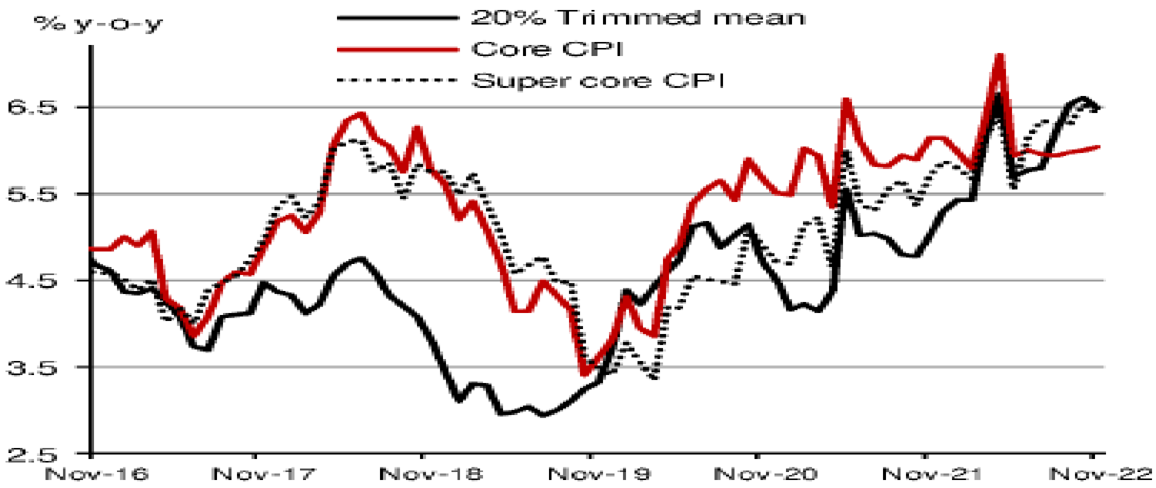
148 to 129 against the USD. All these could also keep the INR stay stable between 81 and 83 in the coming quarter versus the USD.

The inflation headline and Core have peaked, but still quite high and can remain sticky. The 20% trimmed mean number being high shows inflation is broad based



The table below shows 4.96% to be mkt expectation of Fed Funds rate, while FED DOTS show 5.25%. Also FED is not looking at cutting rates in 2023, but market expects rates to drop to 4.34% by year end –

Show Models »

Enable Overrides

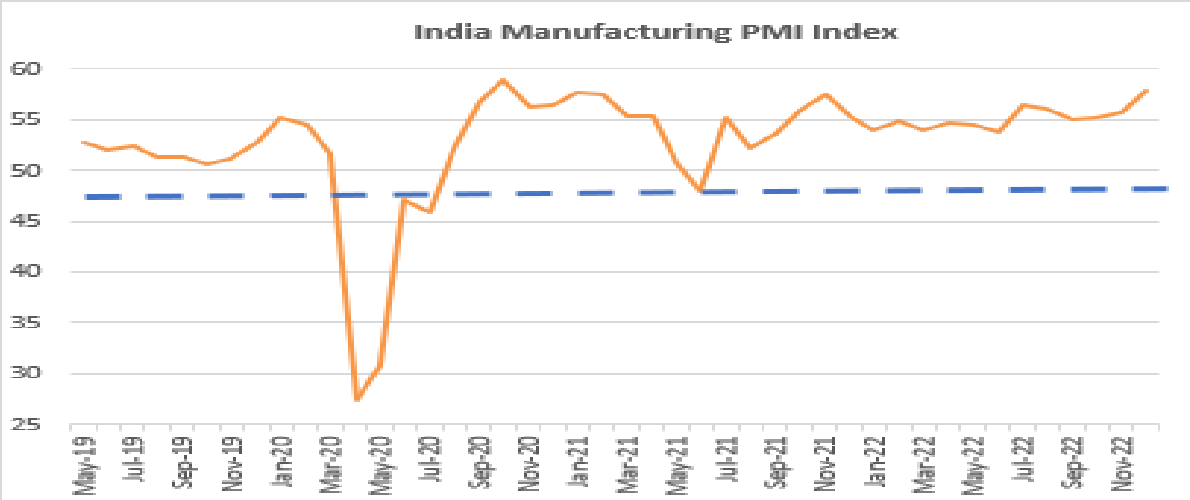
Region: United States »

Instrument: Fed Funds Futures »

Target Rate	4.50	Pricing Date	01/04/2023
Effective Rate	4.33	Cur. Imp. O/N Rate	4.331

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
02/01/2023	+1.342	+134.2%	+0.336	4.667	0.250
03/22/2023	+2.085	+74.3%	+0.521	4.852	0.250
05/03/2023	+2.484	+39.9%	+0.621	4.952	0.250
06/14/2023	+2.545	+6.1%	+0.636	4.967	0.250
07/26/2023	+2.285	-26.0%	+0.571	4.903	0.250
09/20/2023	+1.905	-38.0%	+0.476	4.807	0.250
11/01/2023	+1.387	-51.8%	+0.347	4.678	0.250
12/13/2023	+0.751	-63.7%	+0.188	4.519	0.250
01/31/2024	+0.065	-68.6%	+0.016	4.347	0.250

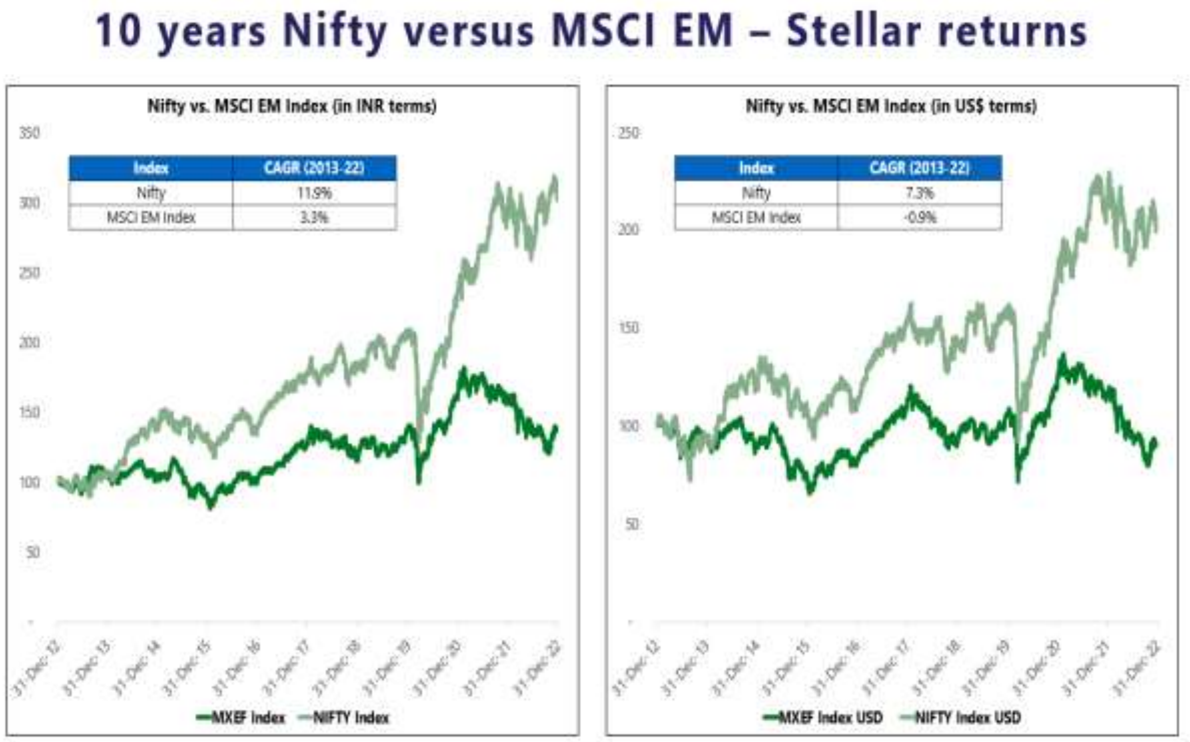
High frequency indicators show a strong growth in India, one primary factor being manufacturing PMI which has been steadily rising of late –



Equity Outlook

Equity Outlook for the Month of January, 2023

Indices fell during the month of December 2022. Nifty fell by 3.5% and Sensex by 3.6%. Sensex ended at 60841 and Nifty at 18105. We have seen benchmark indices giving positive returns for the last 7 years beating MSCI (Morgan Stanley Capital International) hands down for last 10 years (including in $ terms). This was possibly because of the profit booking that investors had to do during the month of December 2022 that it went down and as the year draws to an end.



Global markets were very weak during the month with Dow Jones loosing 4%, UK loosing 1.6%, Russia loosing 13.7%, Korea loosing 9.6% & Japan 6.7%. Hong Kong gained 6.4% on the back of China opening up story.

Events during the month all were positive or at least in line with expectation. During the month RBI increased the Repo rate, BJP won elections in Gujarat and US GDP came in better than expected. The only negative news was with reference to surge in Covid 19 cases in China coupled with their opening up. Therefore, the reason for reaction in index could be possibly attributed to profit booking especially by Retailers.

Equally good buying has also taken place. NSE Mid Cap 100 index ended 31509 down 1.7% and NSE Small Cap 100 index fell by 2.5% much lower than the large cap indices. It has been a great performance for Nifty for CY 22. MSCI EM (Morgan Stanley Capital International Emerging Market) index is down 22% for the year and against this Nifty is up 4%.

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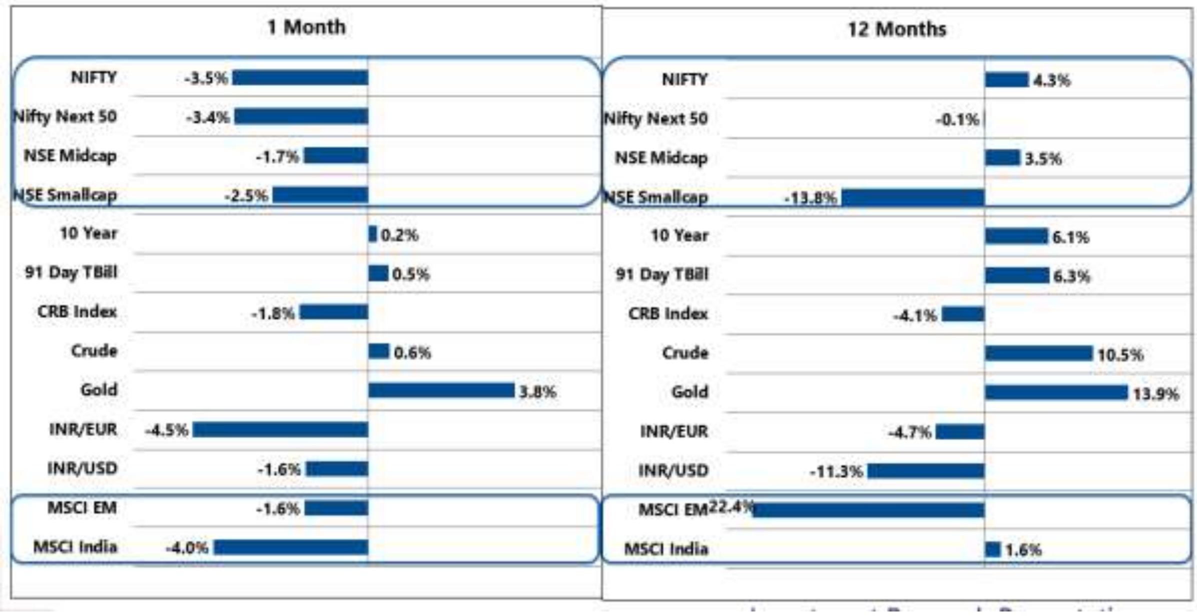
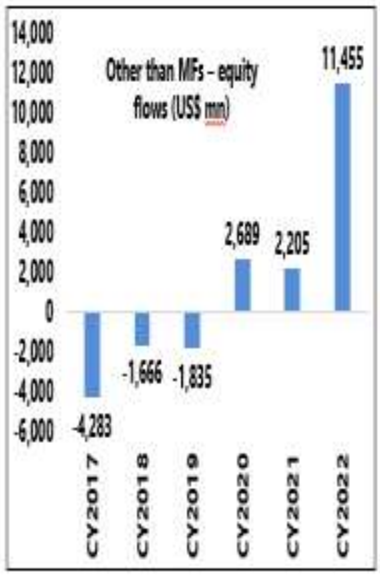
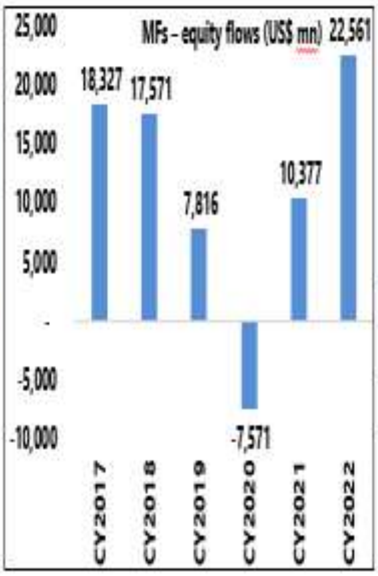
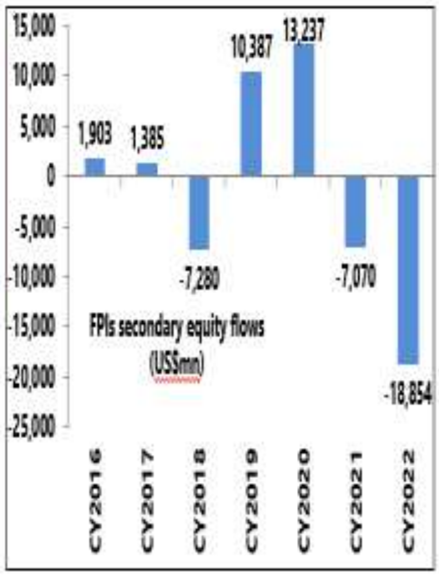
Asset returns : Nifty corrects, returns better MSCI EM



In the fall, Institutions bought in a big way. DIII's (Direct Institutional Investors) bought stocks worth US % 1.9 billion and domestic institutions bought stocks worth US $ 767 million. Indian tigers roar -







On the economic front RBI increased the repo rate by 35 basis points. The repo now stands at 6.25%, MSF (Marginal Standing Facility) @ 6.5% and the reverse repo rate at 3.35%. CPI inflation for November 2022 was a better number, it stood at 5.88% versus 6.77% for October 2022. The WPI has fallen massively from around 15.8% in June 2022 to 5.85% in November 2022, a sharp contraction. CAD (Current Account Deficit) was a cause of worry. This time around its at one of its highest. It's at US $ 36.4 billion & this is at 4.4% of the GDP.

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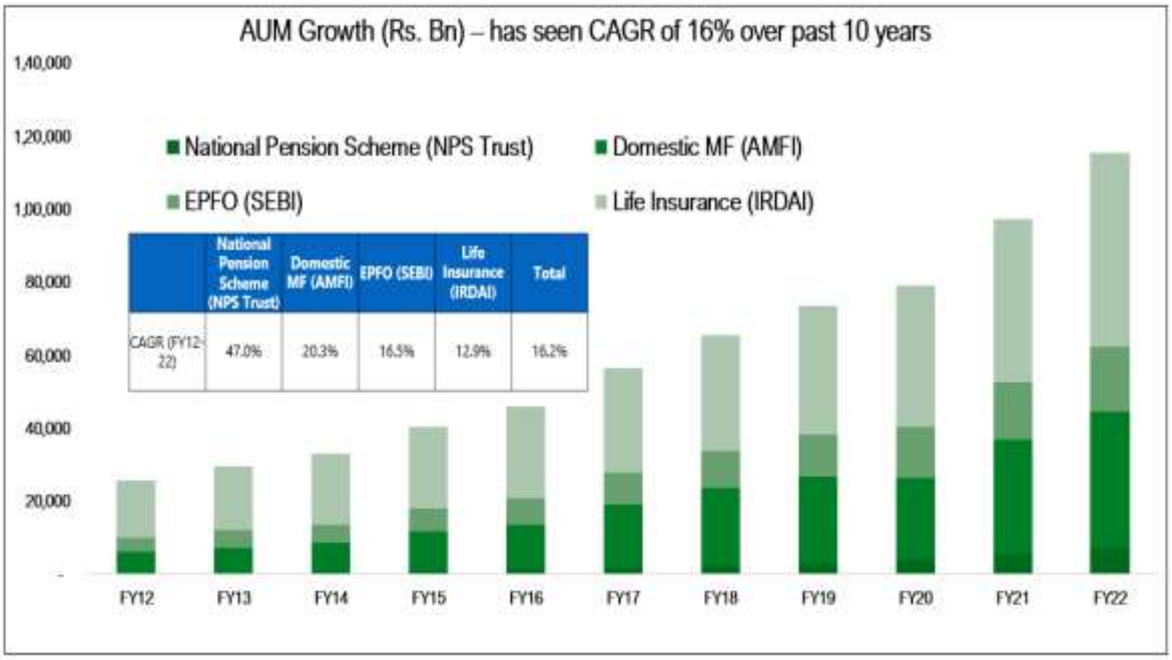
On an annual basis from the lows it made on June 20, 2022 of 15183 the markets have given a return of 19%. For the year as a whole the returns are at 4.3% and comparatively & they stand tall across other emerging markets. These returns are amidst big rise in interest rates that happened in line with anticipation and big rise in inflation which happened without anticipation at the beginning of the year (before the Russia Ukraine war). The ruling party BJP won 4 out of 5 states in March 2022 and the most important Gujarat elections in December 2022. Investors will be more assured of the policies that are likely in the economy going forward.

Government has clearly directed savings towards all channels like Banking, NBFC, Mutual Funds, Pension products and Insurance companies. The assets that stand within this and the CAGR (Compounded Annual Growth Rate) of these assets over last 10 years is given here below. The numbers give us the confidence that things are stable as we stand and liquidity is good here to drive away the volatility.

AUM Growth



After seeing a sharp correction and the out performance, yet our view on Equity is cautious. However, the comfort that inflation has peaked and interest rate hikes will top in the first quarter of CY 2023 is strong. On the back of this we would urge investors to now look at Bond Fund. Existing investors may also switch to Bond fund if options are available in the product.

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BSE Sensex (since 1980): Yearly performance +ve in November (+ve 34 out of 43 years)

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

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 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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