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Monthly Investment Update:
Volume 15, Issue 03
June, 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

Major Economic Indicators

Economic Indicators

Particulars	30-Jun-22	31-May-22	Change (%)	31-Mar-22	Change (%)
₹/$	78.97	77.64	-1.71%	75.79	-4.20%
Forex Res.(Bn- 1 Wk Lag)	$ 593.32	$ 601.36	-1.34%	$ 617.65	-3.94%
Oil Price ($/Barrel)	$ 117.62	$ 122.94	-4.33%	$ 109.24	7.67%
Gold (₹/10 gm)	50,699	50,986	-0.56%	51,317	-1.20%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-50203	-39993	-25.53%	-41123	22.08%
Debt (monthly)	-1414	-5506	74.32%	-5632	-74.89%

Indices

Particulars	30-Jun-22	31-May-22	Change (%)	31-Mar-22	Change (%)
BSE Sensex	53,018.94	55,566.41	-4.58%	58,568.51	-9.48%
S&P CNX Nifty	15,780.25	16,584.55	-4.85%	17,464.75	-9.65%
Dow Jones Industrial Avg	30,775.43	32,990.12	-6.71%	34,678.35	-11.25%
FTSE 100	7,169.28	7,607.66	-5.76%	7,515.68	-4.61%
Hang Seng Index	21,859.79	21,415.20	2.08%	21,996.85	-0.62%
Nikkei 225	26,393.04	27,279.80	-3.25%	27,821.43	-5.13%
B S E Auto Index	26,768.23	26,453.68	1.19%	24,049.98	11.30%
B S E FMCG Index	13,766.10	14,166.70	-2.83%	13,334.89	3.23%
B S E Oil & Gas Index	18,021.93	18,606.99	-3.14%	18,741.19	-3.84%
B S E Power Index	4,067.00	4,226.34	-3.77%	4,043.63	0.58%
B S E Healthcare Index	21,605.93	22,466.60	-3.83%	24,303.83	-11.10%
B S E Capital Goods Index	26,025.50	27,144.60	-4.12%	27,506.04	-5.38%
B S E Bankex	38,475.94	40,907.30	-5.94%	41,753.80	-7.85%
B S E Information Technology Index	28,313.08	30,128.59	-6.03%	36,402.74	-22.22%
B S E Realty Index	3,068.27	3,278.26	-6.41%	3,681.83	-16.66%
B S E Metal Index	15,552.22	18,100.16	-14.08%	22,368.34	-30.47%

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Primary Key Rates

Particulars	30-Jun-22	31-May-22	Change (%)	31-Mar-22	Change (%)
Repo Rate*	4.90%	4.40%	0.50%	4.00%	0.90%
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	4.80%	4.27%	0.53%	3.87%	0.93%
Current Inflation Rate (WPI)	15.88%	15.08%	0.80%	13.11%	2.77%
Current Inflation Rate (CPI) (May 22)	7.04%	7.79%	-0.75%	6.07%	0.97%
IIP (WPI) % y-o-y (Apr 22)	7.10%	1.90%	5.20%	1.30%	5.80%
AAA spread (bps)	19.00	18.00	5.56%	14.00	35.71%

Particulars	2018-19	2019-20	2020-21	2021-22	Q4 FY22
Real GDP % (New Growth No. by CSO)	6.80%	4.20%	-7.30%	8.70%	4.10%

Interest Rates (FIMMDA)

Particulars	30-Jun-22	31-May-22	Change (%)	31-Mar-22	Change (%)
91 days T - Bill	5.15%	4.89%	0.26%	3.84%	1.31%
364 days T - Bill	6.28%	5.91%	0.37%	4.58%	1.70%
5 Years G - Sec (Annualized)	7.24%	7.21%	0.03%	6.02%	1.22%
10 Years G - Sec (Annualized)	7.44%	7.42%	0.02%	6.86%	0.58%
30 Years G - Sec (Annualized)	7.70%	7.68%	0.02%	7.27%	0.43%

No change
Negative change
Positive change

*** w.e.f June 08, 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

June 2022 – Inflation or Recession, what will central banks choose ?

As we entered July 2022, a lot of things changed on the ground. A recent fall in energy and commodities globally could slowly start having an impact in bringing CPI lower. Bloomberg commodity index is down 20% from the highs seen in early June 2022 and even though a smaller weightage of our CPI is linked to global commodities we still could see at least the MPC (Monetary Policy Committee) toning down their hawkishness. Terminal rates across spectrum of economists have been brought down to 6% or below from whoever was closer to 6.5%. This windfall softening in US yields from 3.4% to 2.9% priding in quicker recession scenario and lower agricultural, base metals and energy commodities will mean that India govt. bond yields also could find it hard to comfortably breach the earlier level of 7.61% seen two weeks ago.

India Macro movers

India's headline CPI prices surged by 1% sequentially for a third successive month as it touched 7.04% after touching 7.8% in May 2022 which was a 8 year high.

Trade deficit widened in May 2022 to US $ 23 billion from US $ 20 billion in April 2022.

The Government has become quite active and responsive to various pressures the economy is facing and it began with measures to control inflation like cuts in excise duty on petrol and diesel, ban on exports of wheat and reduced taxes on edible oil imports as well.

The windfall taxes on oil companies, export duty on steel and refined products reduces pressure on its finances, thereby wiping away fears of extra market borrowings for now in the second half of FY 23.

The Indian economy has continued to gather momentum as reflected by GST (Goods & Services Tax) and other fiscal revenue numbers. Most high frequency indicators, PMIs (Purchasing Managers Index), non-oil and no-gold imports all point to one reality that the growth on the ground is in-tact in India though growth projections by the central bank is getting lowered as time passes. The growth projections for CPI and GDP enclosed herewith.

RBI forecast	GDP % Year on Year		CPI % Year on Year	
	Apr-22	Jun-22	Apr-22	Jun-22
Q1 FY 23	16.2	16.2	6.3	7.5
Q2 FY 23	6.2	6.2	5.8	7.4
Q3 FY 23	4.1	4.1	5.4	6.2
Q4 FY 23	4	4	5.1	5.8
FY 23	7.2	7.2	5.7	6.7

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Global News

Economic data in the US has been weaker this quarter with industrial activity, consumer sentiment, PMIs all coming in lower than expectations. The GDP Nowcast by Atlanta Fed (Federal Reserve) shows that US could have another quarter of negative GDP taking it into a technical recession. These factors along with the hawkish pricing and guidance of FED have pushed recession expectations within the next 12 months to a meaningful 40%. The markets are now pricing 60 bps lower rate hikes in 2022, but only the FED's language and action in July 2022 end can guide us better.

Outlook

RBI might reduce the growth and inflation estimates down owing to the bleak growth outlook in the DM (Developed Market) economies and lower commodity prices seen over the last 20 days. A softer rate hike trajectory by the Federal Reserve could also ease pressure on MPC. The point to consider is however that with EM (Emerging Market) currencies continuing to weaken against the USD, Rupee too will remain under pressure. Many economists have got 81 as a target on USDINR over the next 6 months, and rate hikes by MPC might be needed to save the currency more than address inflation.

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Equity Outlook

Equity Outlook for the Month of July, 2022

Sensex and Nifty closed at 53019 (-4.6%) and 15780 (-4.8%) mainly with concerns on accelerated hike in interest rate by the central banks, especially the Fed and the RBI. The prolonged war, and as a result elevated prices of energy inputs like gas and crude together with increase in prices of Wheat, Corn etc. in International markets have made things worse.

The NSE Mid Cap and the NSE Small Cap indices too fell 6.5% and 8.3% on much lower cash market volumes with more sellers on the street amidst poor volumes. Our markets fared better compared to Korea (-13.2%) Brazil (-11.8%) Taiwan (-11.8%) & Dow Jones (-7.2%).

Un winding of excess supply of liquidity, aggressive hike in interest rate & recession fears have sent commodity markets like Steel and Aluminum going down & Automobile as a sector found buyers. Automobile sector index outperformed by clocking a return of 1.2% while BSE Metals index fell 14.1% during the month.

US Fed did increase the Fed fund rates by 75 basis points. Fed fund rates now stand in between 1.5% and 1.75%. US 10 year and 2 year papers have moved 1.50% and 2.22 % in the last 6 months. Raise in interest rates may hurt growth. However, the central bankers have little choice.

Though final remedy for inflation to come down may be in bringing the input costs (cost of energy, food and fertilizers) down, it is well said than done. RBI too in its June 2022 policy meeting increased repo rate by 50 basis points to 4.9%. Please find enclosed forecast by central bank on GDP and Inflation expectations over a period of time. Increasingly Inflation & GDP forecasts both have worsened.

India will be affected by a global slowdown as well

RBI's estimates on growth and inflation in the past few policies

	GDP growth (%)						CPI inflation (%)					
	Aug policy	Oct Policy	Dec Policy	Feb Policy	Apr Policy	Jun Policy	Aug policy	Oct Policy	Dec Policy	Feb Policy	Apr Policy	Jun Policy
1QFY22	21.4											
2QFY22	7.3	7.9					5.9	5.1				
3QFY22	6.3	6.8	6.6				5.3	4.5	5.1			
4QFY22	6.1	6.1	6.0				5.8	5.8	5.7	5.7		
FY2022	**9.5**	**9.5**	**9.5**				**5.7**	**5.3**	**5.3**	**5.3**		
1QFY23	17.2	17.2	17.2	17.2	16.2	16.2	5.1	5.2	5.0	4.9	6.3	7.5
2QFY23			7.8	7.0	6.2	6.2			5.0	5.0	5.8	7.4
3QFY23				4.3	4.1	4.1				4.0	5.4	6.2
4QFY23				4.5	4.0	4.0				4.2	5.1	5.8
FY2023				**7.8**	**7.2**	**7.2**				**4.5**	**5.7**	**6.7**

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FPI's (Foreign Portfolio Investors) continued their selling spree. Sold stocks worth US $ 6.3 billion during the month. DII's (Direct Institutional Investors) bought US $ 5.1 billion worth of stock in Cash markets. This is the first time ever in the last 10 years that FPI's have sold stocks worth us $ 28 billion in the first six months of the year. Please find enclosed details on the same.

FPI selling over last decade

In USD MN

Month	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
JAN	2183	4096	-13	2880	-1702	-6	2039	-75	1373	1978	-4817
FEB	4687	4143	420	1433	-1169	1564	-1931	2153	414	3016	-5020
MAR	1806	2144	3192	1687	4085	5141	2057	4768	-7886	2563	-4837
APR	-356	951	1691	1212	585	-345	-983	2922	-531	-1720	-2671
MAY	-273	3771	2781	-67	386	1542	-1427	1423	1719	749	-4871
JUN	718	-1561	1840	-961	771	610	-377	149	2473	1498	-6342
Subtotal	**8764**	**13544**	**9910**	**6185**	**2956**	**8506**	**-621**	**11339**	**-2438**	**8084**	**-28559**
JUL	1321	-1191	1939	882	1674	389	208	-1934	1153	-1706	
AUG	1753	-944	1038	-2598	1463	-1732	-278	-2199	6096	1012	
SEP	3845	1994	904	-861	1399	-1656	-1314	955	-775	1139	
OCT	1967	2927	145	777	-746	296	-3753	2062	2506	-2271	
NOV	2001	1128	2320	-1149	-2611	2951	868	3150	9559	-756	
DEC	4508	2527	-117	35	-1250	-739	332	862	7267	-1741	
subtotal	**15395**	**6440**	**6229**	**-2913**	**-70**	**-492**	**-3936**	**2896**	**25807**	**-4323**	**0**
total	**24160**	**19984**	**16139**	**3271**	**2885**	**8014**	**-4557**	**14234**	**23369**	**3761**	**-28559**

CPI inflation moderated to 7.04% in May 2022 from 7.79% in April 2022. WPI is at a much higher level of 15.9%. What is more important though is the inflation in US and the trajectory. Likely to moderate on a high base from beginning of next year as per Fed. Fed expects US inflation to be at 2.2% on an average for CY 2023

We will go back to normalcy from high liquidity available at a cheap cost.

Price correction in the markets are not completely done. A 5% cut in Earning estimated, for FY 23 and FY 24 is still a good possibility. Therefore, on a broader index a correction largely in line or more is expected. A rate hike of 75 basis points in by Fed and 50 basis points in by the RBI is on the cards in the forthcoming meetings of August 2022 followed by smaller hikes till December 2022. This is factored in the pricing.

Markets are also beginning to price in a possible recession and as a result we are seeing prices of many of the commodities going below January 2022 (prewar). Crude is nearing here. Some commodity prices having melted down is provided herein.

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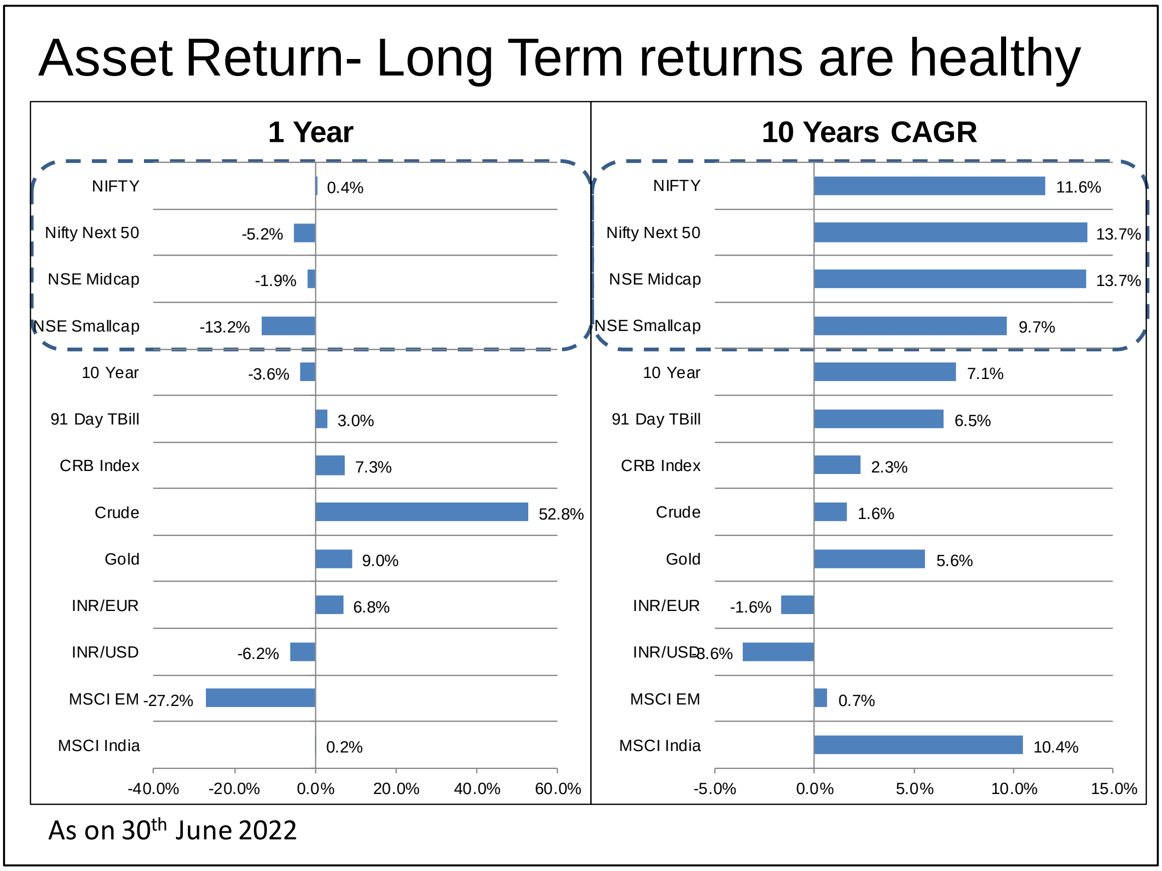
	India Steel Price	Coal Price	Brent Crude	Copper	Aluminium	Zinc	Iron Ore
% Fall from the peak	-7.7%	-3.1%	-5.0%	-7.9%	-28.0%	-15.3%	-7.0%

It may be too soon to take a call and be constructive. Recession in what form and how deep is not yet known. A possible recession in US is likely to hit global demand and as a result may hurt exports. It may also hurt company's earnings which are based on global demand. Roughly 45% of Nifty earnings are linked to global demand/prices. At the same time Nifty has large part of its earnings that depend on local / internal demand which is one of the inherent strength.

Till the dust settles, we prefer to be with Bond Optimizer and Balance Fund with a 25% and a 50% allocation to Equities yet.



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BSE Sensex (since 1980): Yearly performance +ve in June (+ve 31 out of 43 years)

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

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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.

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