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Monthly Investment Update:
Volume 14, Issue 12
March, 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-Mar-22	28-Feb-22	Change (%)	31-Mar-21	Change (%)
₹/$	75.79	75.34	-0.60%	73.11	-3.67%
Forex Res.(Bn- 1 Wk Lag)	$ 617.65	$ 631.53	-2.20%	$ 579.29	6.62%
Oil Price ($/Barrel)	$ 109.24	$ 101.17	7.98%	$ 64.04	70.58%
Gold (₹/10 gm)	51,317	50,479	1.66%	44,106	16.35%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-41123	-35592	-15.54%	16968	-342.36%
Debt (monthly)	-5632	-3073	-83.27%	-3429	64.25%

Indices

Particulars	31-Mar-22	28-Feb-22	Change (%)	31-Mar-21	Change (%)
BSE Sensex	58,568.51	56,247.28	4.13%	49,509.15	18.30%
S&P CNX Nifty	17,464.75	16,793.90	3.99%	14,690.70	18.88%
Dow Jones Industrial Avg	34,678.35	33,892.60	2.32%	32,981.55	5.14%
FTSE 100	7,515.68	7,458.25	0.77%	6,713.60	11.95%
Hang Seng Index	21,996.85	22,713.02	-3.15%	28,378.35	-22.49%
Nikkei 225	27,821.43	26,526.82	4.88%	29,178.80	-4.65%
B S E Information Technology Index	36,402.74	33,502.75	8.66%	26,543.24	37.15%
B S E Oil & Gas Index	18,741.19	17,315.45	8.23%	14,820.46	26.45%
B S E Metal Index	22,368.34	20,783.75	7.62%	14,350.61	55.87%
B S E Realty Index	3,681.83	3,466.04	6.23%	2,670.31	37.88%
B S E Power Index	4,043.63	3,854.35	4.91%	2,475.13	63.37%
B S E Healthcare Index	24,303.83	23,356.48	4.06%	21,328.21	13.95%
B S E FMCG Index	13,334.89	13,007.67	2.52%	12,875.40	3.57%
B S E Bankex	41,753.80	41,635.83	0.28%	37,547.91	11.20%
B S E Capital Goods Index	27,506.04	27,658.04	-0.55%	21,095.75	30.39%
B S E Auto Index	24,049.98	24,615.63	-2.30%	22,252.21	8.08%

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Primary Key Rates

Particulars	31-Mar-22	28-Feb-22	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	3.87%	3.25%	0.62%	2.75%	1.12%
Current Inflation Rate (WPI)	13.11%	12.96%	0.15%	4.17%	8.94%
Current Inflation Rate (CPI) (Feb 22)	6.07%	6.01%	0.06%	5.03%	1.04%
IIP (WPI) % y-o-y (Jan 22)	1.30%	0.40%	0.90%	-1.60%	2.90%
AAA spread (bps)	14.00	28.00	-50.00%	57.00	-75.44%

Particulars	2017-18	2018-19	2019-20	2020-21	Q3 FY22
Real GDP % (New Growth No. by CSO)	6.70%	6.80%	4.20%	-7.30%	5.40%

Interest Rates (FIMMDA)

Particulars	31-Mar-22	28-Feb-22	Change (%)	31-Mar-21	Change (%)
91 days T - Bill	3.84%	3.73%	0.11%	3.25%	0.59%
364 days T - Bill	4.58%	4.58%	0.00%	3.75%	0.83%
5 Years G - Sec (Annualized)	6.02%	5.97%	0.05%	5.70%	0.31%
10 Years G - Sec (Annualized)	6.86%	6.77%	0.09%	6.18%	0.68%
30 Years G - Sec (Annualized)	7.27%	7.16%	0.11%	6.77%	0.50%

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

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DEBT MARKET REVIEW AND OUTLOOK

Market Review

March 2022 – Ending things with pressure!

Benchmark 10-year treasury yields averaged 6.83% in March 2022 (7 bps higher versus February 2022 average). On month end values, the 10 Year yield was up and ended the month at 6.84% (up 7 bps month on month). US 10 Year yield is at 2.34% (+51 bps month on month, +60 bps year on year).

India Macro movers

Sticky inflation meets growing pressures. India's February 2022 CPI printed at 6.1%, close to inching up from 6.0% in January 2022. While unfavorable base effects pushed up year-on-year inflation, CPI prices also firmed another 0.5% month on month, in February 2022, close to the average over the last three months, suggesting that underlying headline momentum is also 6%. We have long worried that firms – faced with sustained input cost pressures—will be forced to pass on these prices and the stickiness of core inflation suggests those risks may be getting materialized. Events of the past few weeks have significantly increased inflationary risks with oil prices firmly above US $ 100/barrel and a host of agriculture and basic commodities rising sharply due to the Russia-Ukraine conflict. While the government has kept gasoline and diesel pump prices unchanged from November, it remains to be seen if the fiscal would bear the entire burden, apart from the fact that inflation would be impacted by other items like wheat, oilseeds, and metals.

After a series of disappointments, IP surprised sharply to the upside in January 2022, growing by 1.8% month on month despite the hit from the Omicron wave. On a year-on-year basis January 2022 IP printed at 1.3%, much above our expectations. The surprise manifested most acutely on the capex side with both volatile capital goods and Infra. In the event, most components of IP grew sequentially suggesting that Omicron wave's impact on activity was much more muted than expected. However, two caveats are in order.

India's FX (Forex) reserves came in at US $ 620 billion. FX reserves have declined by US $ 13.3 billion in the last 4 weeks. Fiscal deficit for April-February 2022 came at Rs. 13.16 trillion or 82.7% of the budgeted FY22 deficit (at Rs.15.1 trillion or 6.8% of GDP (Gross Domestic Product)).

Trade deficit widened in February 2022 to US $ 21.19 billion from US $ 17.42 billion in January 2022. While exports (+22.4% year on year) declined on month on month basis by 2%, imports rose by 5.9% month on month / +35% year on year.

Global News

In Equities, geopolitics dominate the narrative, as we face binary risk from spiking commodity prices, which would be especially damaging for the European economy. Given that stocks are already down substantially, this drawdown is akin to a probability of recession, which we think is overdone given buoyant labor markets, healthy consumer, strong bank balance sheets, and policy pivot in China. That being said, elevated geopolitical risk has broad impacts on our sector and regional positioning, posing a challenge for a long Financials tilt while reinforcing the Energy sector. The Russia/Ukraine conflict should have low immediate earnings risk for corporates, but much bigger effect on consumer spending, with the drag of high energy prices compounded by central bank normalization Markets have been absorbing significant macro and geopolitical shocks amid an aggressive central bank pivot. Most EM (Emerging Market) countries have attractive earnings yields versus bond yields currently.

The economic data in the US like industrial activity, employment numbers or survey of consumer confidence etc. for the quarter have beaten expectations. FED (Federal Reserve) raised rates by 25 bps and has indicated another 6 hikes in 2022. Other DM (Developed Market) central banks also have started raising.

Outlook

CPI has sequentially softened owing to food, but core CPI remains sticky. HFI (High Frequency Indicators) suggest growth recovery is solid looking at tax collections, imports and other activity, Nomura's NIBRI is at all-time high compared to February 2020 level. GST (Goods & Services Tax) collections point to a healthy and broad-based recovery. MPC (Monetary Policy Committee) will want to ascertain that growth is stable and more broad-based before announcing any hawkish comments, especially now with Russia-Ukraine crisis and impact on GDP. We expect first rate hike in H2 of FY 23 only. Fiscal Revenue could 1 lac crs more than budgeted in RE FY 22, but postponement of LIC IPO and excise cuts in fuel could deplete most of these savings. Crude oil persisting close to US $ 90/bbl on average this year itself could push up CPI higher by 70 bps, and higher USTs (US Treasury Yield) also can be a risk to IGB (Indian Government Bond) yields. We expect 10-year bond yields to remain in the range of 6.85% to 7% for the next month till new supply pressure stars building up.

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Equity Outlook

Equity Market Outlook for the month of April, 2022

Nifty & Sensex showed yet again strong resilience and gave a stellar return of 4% and 4.1% during the month of March, 2022. The Ruling BJP won 4 out of 5 states during the month removing the uncertainty on elections which included the big state of UP. This indicated stability in policy and brought the confidence back. Slowly but steadily nation saw decline in Covid cases. The most surprising part though has been the positive returns that markets gave despite concerns over rising rates across the globe especially in China, the uncertainty over energy and other commodity costs in EU (European Union) and the spill over across the globe.

Shanghai and Hong Kong went down 6% and 3% over measures taken by the government. Other markets like Russia (recovered +7.2%), Australia (+6.4%) and Brazil (+6.3%) did relatively well. Russian ruble back to where it was before the war. Good exports, high internal interest rates (increased from 9.5% to 20%), restrictions on conversion of currencies into $ and demand for paying in rubble for gas supplies to EU are few reasons for the currency to come back. Refer annexure.

Ruling party won elections in 4 out of 5 states. Most importantly it won in UP which was an important state, as it represents 80 of the 544 Lok Sabha seats. CPI inflation rose to 6.07% from 6.01% in January 2022. CAD (Current Account Deficit) slipped to 2.7% of GDP in 3Q FY 2022.

Local institutions displayed strength. FPI's (Foreign Portfolio Investors) sold stocks worth US $ 4.7 billion during the month. This was countered by locals who bought to the extent of US $ 5.2 billion. Till date we have a staggering US $ 14.6 billion worth of selling by FPI's against which the DII's (Direct Institutional Investors) have mopped up US $ 13.7 billion worth of stocks.

Index has given 18.3% return in FY22 over 68% returns in FY21 and a fall of 23.8% in FY20 despite head winds in terms of taper, higher interest rates coming up and increase in commodity prices impacting the profitability. Record high borrowing is also affecting the markets and interest rates.

Asking for bigger returns over FY22 and FY21 would be demanding. Commodity prices have increased to an extent that it can destroy demand. GDP growth has been cut by many rating agencies (annexure enclosed).

In view of the above our cautious stance on equities continues. We continue to recommend Bond Optimizer Fund and Balance Fund for investments as they have very limited equity exposure. Our view of bonds is also negative for shorter term.

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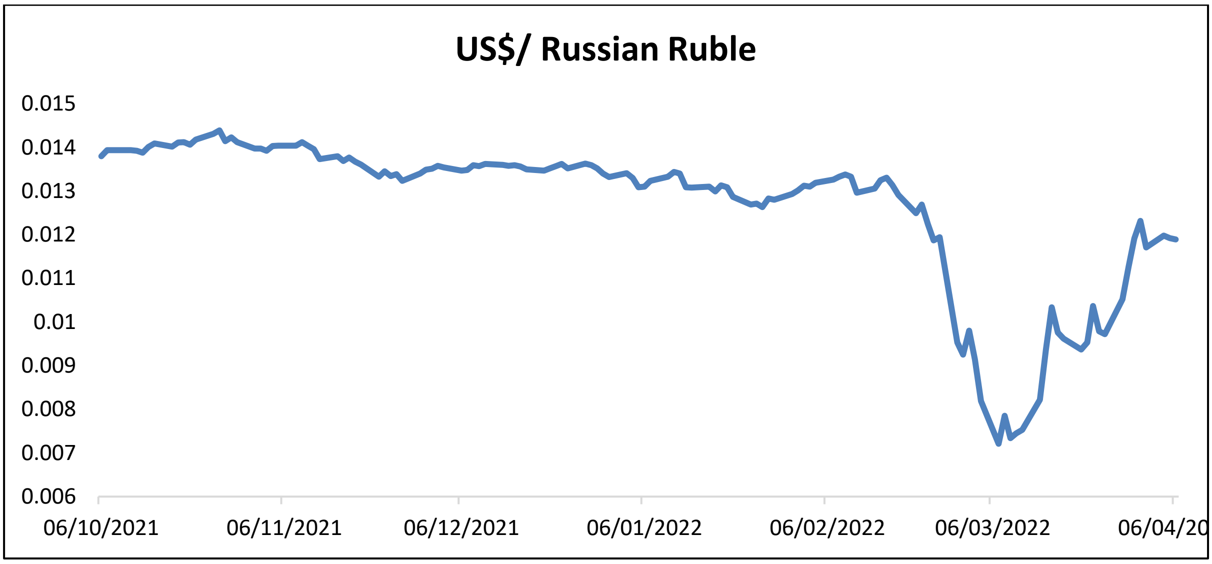
Annexure: GDP growth cut for CY22 by rating agencies in recent past

Name of the rating agency	Old	New
Fitch	10.3%	8.5%
Moody	9.5%	9.2%
ICRA	8.0%	7.2%
India Ratings	7.6%	7.2%



Annexure: Russian Ruble has seen sharp recovery post the share fall

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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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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