

## 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-May-22	30-Apr-22	Change (%)	31-Mar-22	Change (%)
₹/\$	77.64	76.43	▶ -1.58%	75.79	▶ -2.44%
Forex Res.(Bn- 1 Wk Lag)	\$ 601.36	\$ 600.42	▶ 0.16%	\$ 617.65	▶ -2.64%
Oil Price (\$/Barrel)	\$ 122.94	\$ 106.58	▶ 15.35%	\$ 109.24	▶ 12.54%
Gold (₹/10 gm)	50,986	51,773	▶ -1.52%	51,317	▶ -0.65%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-39993	-17144	▶ -133.28%	-41123	▶ -2.75%
Debt (monthly)	-5506	-4439	▶ -24.04%	-5632	▶ -2.24%

### Indices

Particulars	31-May-22	30-Apr-22	Change (%)	31-Mar-22	Change (%)
BSE Sensex	55,566.41	57,060.87	▶ -2.62%	58,568.51	▶ -5.13%
S&P CNX Nifty	16,584.55	17,102.55	▶ -3.03%	17,464.75	▶ -5.04%
Dow Jones Industrial Avg	32,990.12	32,977.21	▶ 0.04%	34,678.35	▶ -4.87%
FTSE 100	7,607.66	7,544.55	▶ 0.84%	7,515.68	▶ 1.22%
Hang Seng Index	21,415.20	21,089.39	▶ 1.54%	21,996.85	▶ -2.64%
Nikkei 225	27,279.80	26,847.90	▶ 1.61%	27,821.43	▶ -1.95%
B S E Auto Index	26,453.68	25,210.17	▶ 4.93%	24,049.98	▶ 9.99%
B S E FMCG Index	14,166.70	14,082.17	▶ 0.60%	13,334.89	▶ 6.24%
B S E Capital Goods Index	27,144.60	27,370.68	▶ -0.83%	27,506.04	▶ -1.31%
B S E Bankex	40,907.30	41,533.91	▶ -1.51%	41,753.80	▶ -2.03%
B S E Oil & Gas Index	18,606.99	19,497.83	▶ -4.57%	18,741.19	▶ -0.72%
B S E Information Technology Index	30,128.59	31,989.90	▶ -5.82%	36,402.74	▶ -17.24%
B S E Realty Index	3,278.26	3,528.96	▶ -7.10%	3,681.83	▶ -10.96%
B S E Healthcare Index	22,466.60	24,340.88	▶ -7.70%	24,303.83	▶ -7.56%
B S E Power Index	4,226.34	4,775.51	▶ -11.50%	4,043.63	▶ 4.52%
B S E Metal Index	18,100.16	21,654.75	▶ -16.41%	22,368.34	▶ -19.08%

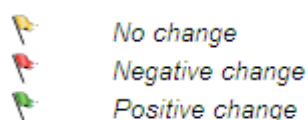
### Primary Key Rates

Particulars	31-May-22	30-Apr-22	Change (%)	31-Mar-22	Change (%)
Repo Rate*	4.40%	4.00%	▶ 0.40%	4.00%	▶ 0.40%
Reverse Repo Rate**	3.35%	3.35%	▶ 0.00%	3.35%	▶ 0.00%
CRR#	4.50%	4.00%	▶ 0.50%	4.00%	▶ 0.50%
SLR *#	18.00%	18.00%	▶ 0.00%	18.00%	▶ 0.00%
Call money rate	4.27%	3.94%	▶ 0.33%	3.87%	▶ 0.40%
Current Inflation Rate (WPI)	15.08%	14.55%	▶ 0.53%	13.11%	▶ 1.97%
Current Inflation Rate (CPI) (Apr 22)	7.79%	6.95%	▶ 0.84%	6.07%	▶ 1.72%
IIP (WPI) % y-o-y (Mar 22)	1.90%	1.70%	▶ 0.20%	1.30%	▶ 0.60%
AAA spread (bps)	18.00	12.00	▶ 50.00%	14.00	▶ 28.57%

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	31-May-22	30-Apr-22	Change (%)	31-Mar-22	Change (%)
91 days T - Bill	4.89%	4.00%	▶ 0.89%	3.84%	▶ 1.05%
364 days T - Bill	5.91%	4.80%	▶ 1.11%	4.58%	▶ 1.33%
5 Years G - Sec (Annualized)	7.21%	6.50%	▶ 0.71%	6.02%	▶ 1.20%
10 Years G - Sec (Annualized)	7.42%	7.18%	▶ 0.24%	6.86%	▶ 0.56%
30 Years G - Sec (Annualized)	7.68%	7.42%	▶ 0.26%	7.27%	▶ 0.41%



\* w.e.f May 04, 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

## DEBT MARKET REVIEW AND OUTLOOK

### Market Review

#### May 2022 – Rate hikes galore with higher inflation and stronger growth!

Benchmark 10-year treasury yields averaged at 7.34% in May 2022 (26 bps higher versus April 2022 average). On month-end values, the 10-year yield was up and ended the month at 7.42% (up 28 bps month on month). US 10-year yield is at 2.84% (-10 bps month on month, +124 bps year on year).

The INR depreciated sharply over the month (down 1.6% month on month) and ended the month at US \$ 77.64 in May 2022. In the last 12 months, INR (-6.5%) though weaker, has performed better than the broader EM FX (Emerging Market Forex) (-9.0%). The DXY (US Dollar Index) declined (-0.8%) in May 2022 (following a +4.7% rise observed in April 2022) and ended the month at 102.13 (+13.7% in the last 12 months).

### India Macro movers

India's headline CPI prices surged 1% sequentially for a second successive month, underpinning April 2022 CPI to print at an 8-year high of 7.8% on year ago, discernably above market expectations (J.P. Morgan and Consensus: 7.4%). This reinforces our call of the RBI delivering a 50 bps hike in June 2022 policy, on the back of last week's 40 bps inter-meeting hike, which revealed an appropriately-hard pivot by the RBI towards inflation management, against growing risks of entrenched inflationary pressures and expectations. Proof of this was visible in the continued firming of underlying inflation. Core-core prices (standard core adjusted for diesel and petrol) rose another 0.6% month on month, seasonally adjusted in April 2022 on the back of the 0.7% increase in March 2022.

India's 4Q21 GDP (Gross Domestic Product) grew 4.1%, but was well below expectations. This translated into year-on-year growth of 5.4%. Recall, this was the quarter that was expected to witness a meaningful re-opening of the services economy, and residual pent up demand for goods during the festival season, prompting expectations of more robust underlying momentum. In the event, growth disappointed across the board. As we have been highlighting recent IP prints have shown a worrying plateauing of industrial activity.

Trade deficit widened in April 2022 to US \$ 20.07 billion from US \$ 18.51 billion in March 2022. While exports rose by +24.2% year on year, imports rose by +26.6% year on year.

Fiscal measures will modestly ease price pressures, accentuate budgetary trade-offs (report). As April's CPI inflation print surged to an eight-year high of 7.8%, authorities kicked into action, announcing a series of fiscal measures to help buffer the external commodity shock. The measures included: (1) A cut in the

gasoline and diesel excise duty by ₹ 8 and ₹ 6 per liter, respectively, which should result in a 7-8% reduction in pump prices. With these cuts, the government has now fully rolled-back the excise duty hikes imposed during the pandemic. These cuts were undertaken by the Central Government, and some State Governments have complemented these central cuts with additional cuts in state taxes; (2) Provision of ₹ 200 per cylinder (~20%) subsidy for 12 LPG cylinders annually to the beneficiaries of the PM Ujjwala Yojana scheme; (3) A doubling of the fertilizer subsidy outlay in the Budget from ₹ 1.05 trillion to ₹ 2.15 trillion on account of the sharp increase in fertilizer prices; (4) A cut in import duties on coal from 2.5% to 0% and the imposition of export duty on various items in the ferrous value chain (ores, pellets and steel products) to help cut domestic steel prices by ~7-8%.

## Global News

Global equities ended flat in May 2022 (-0.1% month on month). Markets continue battling three key concerns: China, geopolitics, and the FED (Federal Reserve). With ~90% of S&P 500 companies having reported, 76% have beaten 1Q earnings. EM equities should outperform, driven by upward bias to consensus EPS and downward bias to equity risk premium. We are overweight China equities. Energy demand is expected to exceed supply by 20% and would require US \$ 1.3 trillion of incremental capital to close the gap by 2030. Amid tightness in the oil market, Saudi and Iraq raise capacity growth on the back of strong oil demand.

## Outlook

MPC (Monetary Policy Committee) met for 2022 June scheduled policy meeting and hiked Repo rate by 50 bps in a move that was more or less expected. Bond yields remained steady after some wild swings with short ends falling. RBI avoided any hikes in CRR like they did in May 2022. The CPI projection for year has been pushed by 100 bps from 5.7% to 6.7% without altering the real GDP growth at 7.2%. We expect 10-Year yield to head to 7.75 slowly as supply pressure worsen in July 2022 and MPC doing another hike in early August 2022.

## Equity Outlook

### Equity Outlook for the month of June, 2022

Nifty and Sensex continued to correct as worries on inflation and increased fears of slowing growth. The indices gave up 3% and 2.6% to end at 16,585 and 55,566. Energy prices globally along with higher food prices have meant that the inflation expectations have kept on increasing. The market incrementally fears that the central banks would have to raise rates sharply to taper these expectations and this would have its implications on growth. Earnings expectations would also require adjustments and globally markets have corrected based on the same.

The Indian markets saw a sharper correction than its emerging market peers after having outperformed considerably through the year. Crude prices continued to surge and was up 12% during the month. However, other commodities saw sharp corrections from their peaks as growth challenges emerged. INR depreciated by 1.6% during the month. DXY moved up during the month to a high of ~ 104 before settling at close to 101.75.

NSE Mid and Small caps corrected sharper than the larger fears on expectations that inflation would hurt their earnings more. NSE Mid cap index was down 5.33% and Small cap came down sharply by 10.2%

CPI has surged to 7.79% for April, 2022 as against expectations of 7.42%. The Reserve Bank of India raised the repo rates by 40 basis points to 4.4% and the CRR rate by 50 bps.

FPI's (Foreign Portfolio Investors) sold stocks worth US \$ 5.7 billion and Domestic Institutions bought stocks worth US \$ 6.3 billion.

IMD (India Meteorological Department) forecasts a normal monsoon and this could help support the rural economy.

It's the fear of increase in interest rate and withdrawal of liquidity that is haunting the market participants. It's the uncontrollable CPI which is worrying the Central Bankers across the globe.

We foresee increase in rates at a faster pace. Withdrawal of liquidity may also happen at the same time. We continue to recommend to be on the safer side.

We will continue to recommend Bond Optimizer and Balance Fund to limit the risk.

## **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

**BEWARE OF SPURIOUS PHONE CALLS AND FICTIOUS / FRADULENT OFFERS**

IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

*Trade logo displayed above belongs to State Bank of India and is used by SBI Life under license.*

**To know more about us**

Visit us at [www.sbilife.co.in](http://www.sbilife.co.in) or Call Toll Free No. 1800 267 9090 (9.00 a.m. to 9.00 p.m.)

SBI Life Insurance Co. Ltd.

Registered Office and Corporate Office: "Natraj", M.V Road & Western Express Highway Junction,  
Andheri (E), Mumbai-400069

CIN: L99999MH2000PLC129113

Email: [info@sbilife.co.in](mailto:info@sbilife.co.in)

**IRDAI Regn. No. 111**

For more details on Risk Factors, Terms & Conditions, please read the sales brochure carefully before concluding a sale