SBI Life INSURANCE
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Monthly Investment Update:
Volume 14, Issue 08
November, 2021

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-Nov-21	31-Oct-21	Change (%)	31-Mar-21	Change (%)
₹/$	75.17	74.88	-0.39%	73.11	-2.82%
Forex Res.(Bn- 1 Wk Lag)	$ 637.69	$ 640.10	-0.38%	$ 579.29	10.08%
Oil Price ($/Barrel)	$ 66.17	$ 83.72	-20.96%	$ 64.04	3.33%
Gold (₹/10 gm)	47,917	47,794	0.26%	44,106	8.64%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-5261	-3358	-56.67%	16968	-131.01%
Debt (monthly)	-1059	-17034	93.78%	-3429	-69.12%

Indices

Particulars	30-Nov-21	31-Oct-21	Change (%)	31-Mar-21	Change (%)
BSE Sensex	57,064.87	59,306.93	-3.78%	49,509.15	15.26%
S&P CNX Nifty	16,983.20	17,671.65	-3.90%	14,690.70	15.61%
Dow Jones Industrial Avg	34,457.00	35,800.00	-3.75%	32,981.55	4.47%
FTSE 100	7,059.50	7,237.60	-2.46%	6,713.60	5.15%
Hang Seng Index	23,475.26	25,377.24	-7.49%	28,378.35	-17.28%
Nikkei 225	27,821.76	28,892.69	-3.71%	29,178.80	-4.65%
B S E Power Index	3,456.56	3,337.70	3.56%	2,475.13	39.65%
B S E Information Technology Index	34,382.15	33,491.39	2.66%	26,543.24	29.53%
B S E Healthcare Index	25,501.80	25,033.89	1.87%	21,328.21	19.57%
B S E Capital Goods Index	26,892.79	26,673.33	0.82%	21,095.75	27.48%
B S E FMCG Index	13,689.37	14,002.76	-2.24%	12,875.40	6.32%
B S E Oil & Gas Index	17,502.48	18,142.94	-3.53%	14,820.46	18.10%
B S E Realty Index	3,799.90	3,985.28	-4.65%	2,670.31	42.30%
B S E Auto Index	23,989.17	25,338.29	-5.32%	22,252.21	7.81%
B S E Bankex	40,779.11	44,650.66	-8.67%	37,547.91	8.61%
B S E Metal Index	18,217.79	20,017.34	-8.99%	14,350.61	26.95%

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Primary Key Rates

Particulars	30-Nov-21	31-Oct-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	3.25%	3.40%	-0.15%	2.75%	0.50%
Current Inflation Rate (WPI)	12.54%	10.66%	1.88%	4.17%	8.37%
Current Inflation Rate (CPI) (Oct 21)	4.48%	4.35%	0.13%	5.03%	-0.55%
IIP (WPI) % y-o-y (Sept 21)	3.10%	11.86%	-8.76%	-1.60%	4.70%
AAA spread (bps)	43.00	60.00	-28.33%	57.00	-24.56%

	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	30-Nov-21	31-Oct-21	Change (%)	31-Mar-21	Change (%)
91 days T - Bill	3.50%	3.52%	-0.02%	3.25%	0.25%
364 days T - Bill	4.15%	4.02%	0.13%	3.75%	0.40%
5 Years G - Sec (Annualized)	5.65%	5.76%	-0.11%	5.70%	-0.06%
10 Years G - Sec (Annualized)	6.33%	6.39%	-0.06%	6.18%	0.15%
30 Years G - Sec (Annualized)	6.93%	7.07%	-0.14%	6.77%	0.16%

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

<u>Data Sources</u>
NSE
BSE
RBI
FIMMDA
Bloomberg & Reuters

DEBT MARKET REVIEW AND OUTLOOK

Market Review

November 2021 – Oh My God - Omicron!

Benchmark 10-year treasury yields averaged 6.35% in November 2021 (2bps higher versus October 2021 average). On month-end values, the 10Y yield was up and ended the month at 6.33%. US 10Y yield is at 1.44% (-11bps month on month, +61bps year on year). INR declined marginally (down 0.4% month on month) and ended the month at US $ 75.17 in November 2021. The JEM FX Index was down 4.5% in November 2021. In the last 12 months, INR (-1.5%) has performed better than the broader EM FX (Emerging Market Foreign currencies) (-7%). DXY (US Dollar index) gained 2% in November 2021 (following a 0.1% decrease in October 2021) and ended the month at 95.99 (+4.5% in the last 12 months).

India Macro movers

The level of GDP (Gross domestic product) in 3Q was still a shade below pre-pandemic levels (99.5%) and therefore has still not recovered to 1qr 2021 levels (101.5% of pre-pandemic levels) before the second wave. Of course, all this pre-dates the current scare from the Omicron variant. The elevated uncertainty currently surrounding its impact precludes any useful assessment for now of the damage it may inflict on growth prospects. Even as the percent of the population that is double vaccinated is about 32%, case counts have been falling consistently for months and serological surveys reveal antibody presence far higher than vaccination count, suggestive of infection-acquired antibodies. These dynamics have spurred a faster re-opening of the economy in recent months. This momentum has continued in recent weeks even post the festival period, reflected in strong advances in mobility and our composite monthly index.

PMI (Purchasing Managers Index) services at a decade high, cost pressures continue to intensify (link). In October 2021, services activity continued to gain momentum, taking the services PMI to a 10-year high of 58.4. Mobility indicators were already signaling a sharp pickup in services activity in October 2021. The PMI details were unambiguously positive. Forward looking new orders reached a decade high at 58.3. The services employment index, which has been in the contraction zone below 50 for the last 18 months, rose above 50 for the first time in October 2021, increasing to 51.5.

October 2021 CPI prints at 4.5%, November 2021 tracking above 5% (link). October 2021 CPI came in line with the expectations, printing at 4.5% on year ago. On a sequential basis, headline CPI rose sharply by 1.1% month on month, seasonally adjusted on account of higher food prices, underpinned by the volatile vegetable price category (+14.2% m/m, sa). Vegetable prices have continued to climb in November, such that November CPI is tracking above 5% -- one month earlier than had been anticipated. The hope, however, is that these sharp increases will reverse in the coming months. Recall, as the base effects fade, CPI was always expected to gap up above 5% from December onwards.

September 2021 IP disappoints, contracts sequentially for a second month – link) Industrial Production contracted sequentially for a second successive month, with the September 2021 decline (-2.7% month on month, seasonally adjusted) larger than had been anticipated.

India's FX (Foreign Exchange) reserves are close to its all-time peak, standing at US $ 640 billion currently. FX reserves have increased by US $ 0.3 billion in the last four weeks. GST collections (Goods & Services Tax) second highest since implementation and grew 24% year on year in October 2021 (₹ 1.3 trillion from ₹ 1.17 trillion in September 2021). This was the 12th month with collections of more than ₹ 1 trillion starting October 2020 last year (exception of June 2021). Fiscal deficit for April - October 2021 came at ₹ 5.47 trillion or 36.3% of the budgeted FY22 deficit (at ₹.15.1 trillion or 6.8% of GDP).

Global News

Global equities corrected by 2.5% in November 2021. The recent correction can be pegged to uncertainty over the impact of new COVID-19 variant Omicron. Supply chain pressures are easing and should allow equities to continue to deliver strong revenue growth and record margins. Even for the cohort that faces meaningful disruptions, we expect these issues largely to abate by 2nd Half Year 2022, resulting in delayed revenues rather than demand destruction (link). The global expansion is in the midst of its first resiliency test, but we remain positive on growth. Supply pressures have intensified, while a new COVID wave depressing European mobility has prompted a downward revision to our Euro area growth forecast (link). Looking ahead, we continue to see market upside, though more moderate, on better-than-expected earnings growth with supply shocks easing, China/EM backdrop improving, and normalizing consumer spending habits (e.g. spending broadening to services) (link).

Outlook

CPI has sequentially become stronger owing to food, and unfavorable base will take it close to 6% or even in 4th quarter. Growth target in FY 2022 has been maintained at 9.5% by RBI and other major institutions. 1st half year suggest growth recovery is solid looking at tax collections, imports and other activity. MPC (Monetary Policy Committee) will want to ascertain that growth is stable and more broad-based before announcing any hawkish comments. Reverse Repo hike also has been postponed owing to uncertainties surrounding Omicron. RBI continues to slowly increase liquidity suction through the VRRR mode, now from 6 lac crs to 7.5 lac crs by year end. Fiscal gains could be limited but Govt. would be able to stick to 6.8% Fiscal Deficit / GDP target.

Crude oil close to 85/bbl, UST 10 year heading towards 1.75% could apply pressure on IGB yields. We expect yields to trade between 6.30% and 6.5% in the near term.

Equity Outlook

Equity Market Outlook for the Month of December, 2021

Nifty and Sensex were down 3.8% and 3.9% during the month of November 2021 with tapering of stimulus in US almost becoming a reality, new variant of Virus Omicron being detected in a few countries, FPI's (Foreign Portfolio Investors) booking profits & failure of Paytm fiasco at local end.

Sensex ended at 57065 and Nifty at 16983. Surprisingly the Mid Cap and Small Cap indices were down less than the large caps. NSE Mid cap at 29651 and NSE Small cap at 10661 was down 2.7% and 1.0% respectively. The fall was in line with all the other emerging markets, though Indian markets did well compare to Russia & Hong Kong that fell 10.7% and 7.5%. Other developed markets fell lesser than EM's (Emerging Markets). Metals and Banking fell the most.

FED (Federal Reserve) started its unwinding of stimulus (@ US $ 15 billion a month) during the month of November 2021. Stimulus was coming @ US $ 120 billion a month. Tapering will go @ US $ 10 billion a month of treasuries and US $ 5 billion a month of mortgage backed securities. The virus, Omicron as of today is found in 24 countries.

Government has been responsive to the needs of economy. Government rolled back excise duty on petrol by ₹10 per litre and diesel by ₹.5 per litre. Government also repealed the 3 Farm Laws in response to the agitation by farmers that was going on for last 12 months.

Corporate developments included a surprise rate hike by all telecom companies which gave relief to many lenders. Paytm IPO failed to cross the issue price, which was a big disappointment to the market participants. Though not many local investors participated in the IPO, the stock falling by almost 40% since listing was un expected.

FPI's sold US $ 3.8 billion worth of stocks while DII's (Direct Institutional Investors) bought US $ 4.1 billion worth of stock. CPI inflation increased to 4.48% in the month of October 2021 while WPI was at 12.5%. September 2021 IIP grew 3.1%. Real GDP for June 2021 quarter came at a healthy 8.4% near to where many analysts expected.

Some of the key indices and commodity prices are included in the annexure. Also included is the yearly returns of index with its historical trend.

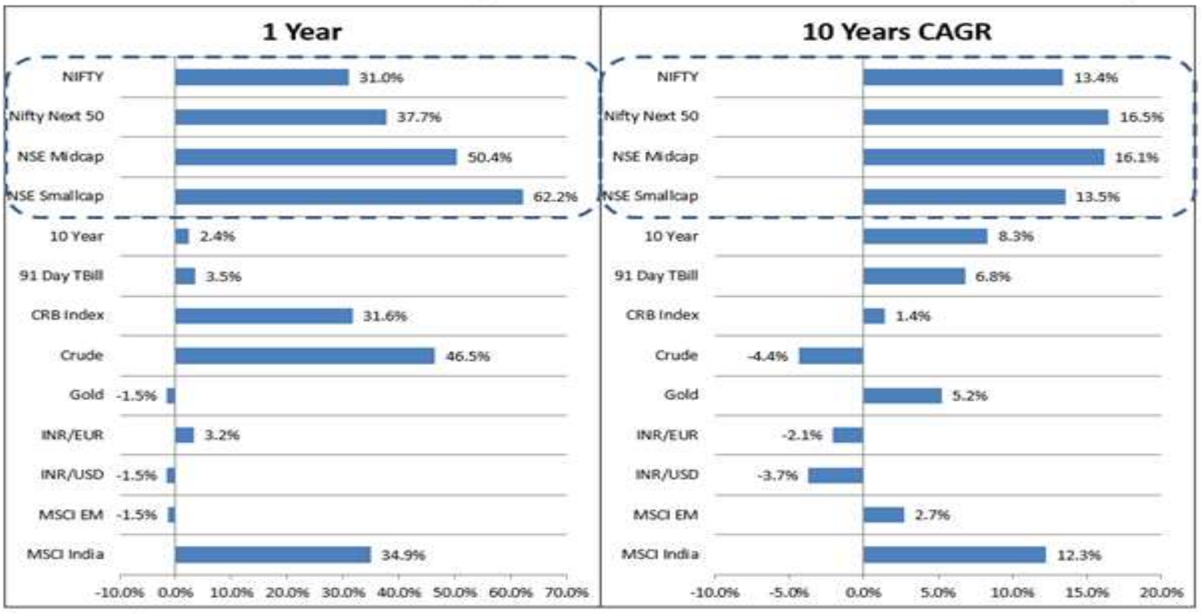
Investors will closely look for December quarter results which are being compared with the best ever December quarter of 2020. Here we presume the results for quarter ending December 2020 have been outstanding because of major cost cutting exercise the companies in India took. To show a great growth in profitability over those results may be challenging.

From the estimates, it appears that Metals and Banking may show good growth over last year's profitability however its risk of concentration increases. Metal price corrections show us there is help it got from stimulus. Growing inflation is a risk to input costs and hence the profitability in the near term unless it is passed on. Cost push has been at a rate far higher than ability of companies to increase the prices.

On the other hand, strong inflow of $ this year and China plus one strategy has played out well and it does not seem to be stopping here. Some economists have expected growth to be 8.5% plus for Current Year 2022. Some of the actions by Chinese government on laws relating to education and listings in US has made more money flow into India which may continue.

We still are neutral on the markets and continue to recommend Bond Optimizer and Balance fund.

Asset Return- Long Term returns are healthy



As on 30th Nov 2021

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BSE Sensex (since 1980): Yly performance +ve in Oct (+ve 31 out of 42 years)

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

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