Monthly Investment Update:
Volume 15, Issue 08
November, 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	30-Nov-22	31-Oct-22	Change (%)	31-Mar-22	Change (%)
₹/$	81.70	82.79	1.32%	75.79	-7.80%
Forex Res.(Bn- 1 Wk Lag)	$ 550.14	$ 524.52	4.88%	$ 617.65	-10.93%
Oil Price ($/Barrel)	$ 84.44	$ 93.41	-9.60%	$ 109.24	-22.70%
Gold (₹/10 gm)	53,000	50,117	5.75%	51,317	3.28%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	7812	-8	97750.00%	-41123	-119.00%
Debt (monthly)	1282	-3532	136.30%	-5632	-122.76%

Indices

Particulars	30-Nov-22	31-Oct-22	Change (%)	31-Mar-22	Change (%)
BSE Sensex	63,099.65	60,746.59	3.87%	58,568.51	7.74%
S&P CNX Nifty	18,758.35	18,012.20	4.14%	17,464.75	7.41%
Dow Jones Industrial Avg	34,589.77	32,732.95	5.67%	34,678.35	-0.26%
FTSE 100	7,573.05	7,094.53	6.74%	7,515.68	0.76%
Hang Seng Index	18,597.23	14,687.02	26.62%	21,996.85	-15.46%
Nikkei 225	27,968.99	27,587.46	1.38%	27,821.43	0.53%
B S E Metal Index	20,257.70	19,024.82	6.48%	22,368.34	-9.44%
B S E Oil & Gas Index	20,610.00	19,487.91	5.76%	18,741.19	9.97%
B S E Information Technology Index	30,511.10	28,930.65	5.46%	36,402.74	-16.18%
B S E Bankex	49,348.18	47,398.64	4.11%	41,753.80	18.19%
B S E Realty Index	3,586.77	3,492.70	2.69%	3,681.83	-2.58%
B S E FMCG Index	16,525.65	16,131.19	2.45%	13,334.89	23.93%
B S E Capital Goods Index	33,846.25	33,266.16	1.74%	27,506.04	23.05%
B S E Healthcare Index	23,945.61	23,924.28	0.09%	24,303.83	-1.47%
B S E Auto Index	30,375.40	30,719.01	-1.12%	24,049.98	26.30%
B S E Power Index	4,698.99	4,866.96	-3.45%	4,043.63	16.21%

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Primary Key Rates

Particulars	30-Nov-22	31-Oct-22	Change (%)	31-Mar-22	Change (%)
Repo Rate*	5.90%	5.90%	0.00%	4.00%	1.90%
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	5.65%	6.00%	-0.35%	3.87%	1.78%
Current Inflation Rate (WPI)	8.39%	10.70%	-2.31%	13.11%	-4.72%
Current Inflation Rate (CPI) (Oct 22)	6.77%	7.41%	-0.64%	6.07%	0.70%
IIP (WPI) % Y-O-Y (Sept 22)	3.10%	-0.80%	3.90%	1.30%	1.80%
AAA spread (bps)	15.00	12.00	25.00%	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	30-Nov-22	31-Oct-22	Change (%)	31-Mar-22	Change (%)
91 days T - Bill	6.40%	6.40%	0.00%	3.84%	2.56%
364 days T - Bill	6.87%	6.95%	-0.08%	4.58%	2.29%
5 Years G - Sec (Annualized)	7.13%	7.38%	-0.25%	6.02%	1.12%
10 Years G - Sec (Annualized)	7.29%	7.44%	-0.16%	6.86%	0.42%
30 Years G - Sec (Annualized)	7.31%	7.61%	-0.30%	7.27%	0.04%

No change
Negative change
Positive change

*** w.e.f Sept 30, 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

November 2022 – Will the Pivot happen ?

Benchmark 10-year treasury yields averaged at 7.25% in November 2022 (14bps lower versus October 2022 average). On month end values, the 10-year yield was up and ended the month at 7.19% (down 13bps month on month). US 10-year yield is at 3.62%. INR appreciated decently over the month (up 1.7% month on month) and ended the month at US $ 81.43 in November 2022. In the last 12 months, INR (-7.7%) has been weaker and has under-performed the broader EM FX (Emerging Markets FX Indices) (-4.1%). DXY (U.S. Dollar Index) gained (-5.0%) in November 2022 (following a -0.5% fall observed in October2022 and ended the month at 105.95 (+10.4% in the last 12 months).

India Macro movers

Trade deficit remains elevated in October 2022. India's monthly merchandise trade deficit continues to remain uncomfortably high, with the October 2022 deficit widening further to US $ 26.9 billion from US $ 25.7 billion in September 2022. However, the details of the report were puzzling with non-oil exports contracting 13.9% sequentially (month on month) and non-oil-non-gold (NONG) imports 12.6% month on month. Oil exports collapsed to US $ 4.8 billion from US $ 7.4 billion n September 2022 even as oil imports were unchanged. We believe that the large contractions across most components has to do with a lower number of working days in October 2022 due to the festival of Diwali. Because Diwali falls either in October or November 2022 (Lunar calendar), typical seasonal adjustment is unable to fully control for it. We therefore expect mean reversion in both exports and imports in November 2022.

Headline CPI softens but the real story is core. Helped by large favorable base effects, India's October 2022 CPI expectedly fell below 7% in October 2022, coming in at 6.8% (Consensus: 6.7%). On a sequential basis, headline price momentum eased to 0.2% month on month from 0.4% last month on softer food prices. But the relief from this will be tempered by the dynamics of core inflation, which was the real story in the November 14, 2022 report. Recall, core-core monthly momentum re-accelerated to 0.5% month on month in September 2022, reversing a five-month softening trend.

September 2022 IP rose sequentially by 0.8% month on month, higher than expectations, translating into a year-on-year print of 3.1% (consensus: 2%). While the upside surprise is encouraging, it needs to be placed in context: The sequential gain is still a very incomplete payback to large sequential declines in previous months (July 2022 (-4.6% month on month) and August 2022 (-2.6%).

India's October 2022 PMI (Purchasing Managers Index) was eagerly awaited to get a first read of how activity fared in the Diwali festive season. While the headline Composite PMI rose to 55.5 (from 55.1 in

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September 2022), the internals were much more nuanced. For starters, there are divergences across goods and services. While services activity improved in October 2022 (55.1 in October 2022 from 54.3 in September 2022) manufacturing output softened (56.8 in October 2022 from 57.3 in September 2022). A similar divergence was witnessed in forward-looking new orders.

Global News

Global equities strengthened across regions, Brazil was the only outlier while all other regions improved. We expect risky assets to stay under pressure until Fed (Federal Reserve) cuts rates. While this will likely happen at some point next year, it is not likely near term. As long as central banks raise rates or keep them at current high levels, we believe assets will be range bound with a more pronounced downside risk. China reopening and stalling USD are tactical supports for EM (Emerging Market) equities given easy comps, negative sentiment, and cheap valuations in the region. USD typically had an inverse correlation with equities, and any stabilization there would be a support. The potential shift in USD fortunes would in particular be relevant for EM equities, as these historically had a strong inverse correlation to the USD. In addition, while the longer-term picture for China looks challenging given the structural growth downtrend, corporate decoupling and geopolitical uncertainty, the reopening is likely to be an important trade.

Outlook

Inflation still rose at a monthly pace faster than the previous 2 months and core CPI at 0.6% month on month is quite sticky. MPC (Monetary Policy Committee) seems concerned on upside risks on CPI and stickiness of Core and hence want to focus on bring headline CPI to closer to 4% than be happy with 5.4% target. MPC is confident of string growth indicators across sectors. Another 25 bps of Repo hike seems to be the base case when MPC meets in February 2023. 10-year yield could range, between 7.2% and 7.4%, with both rate hike assumptions and lower crude oil and UST declines considered. Faster FED tightening and upside India surprises, and extra borrowings after Union budget could be risks that could push yields higher.

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, credit growth all point to one reality that the growth on the ground is in-tact. MPC 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 2023 by RBI with GDP (Gross Domestic Product) growth at 6.8%.

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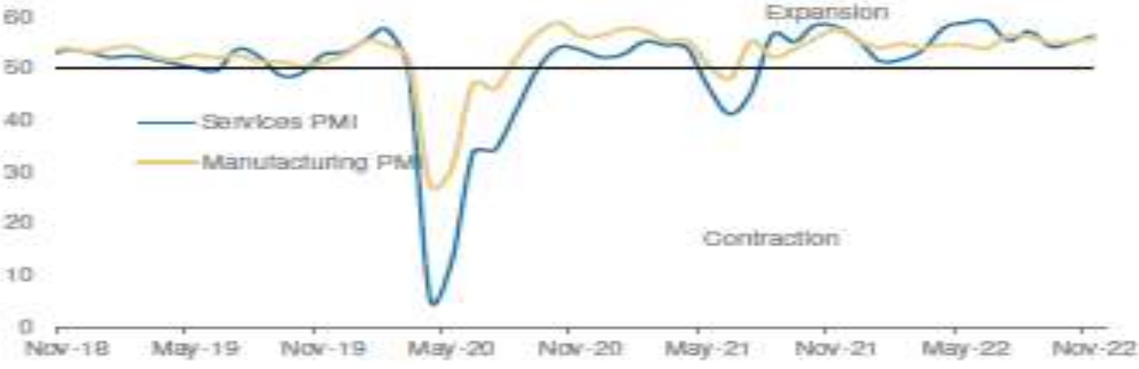
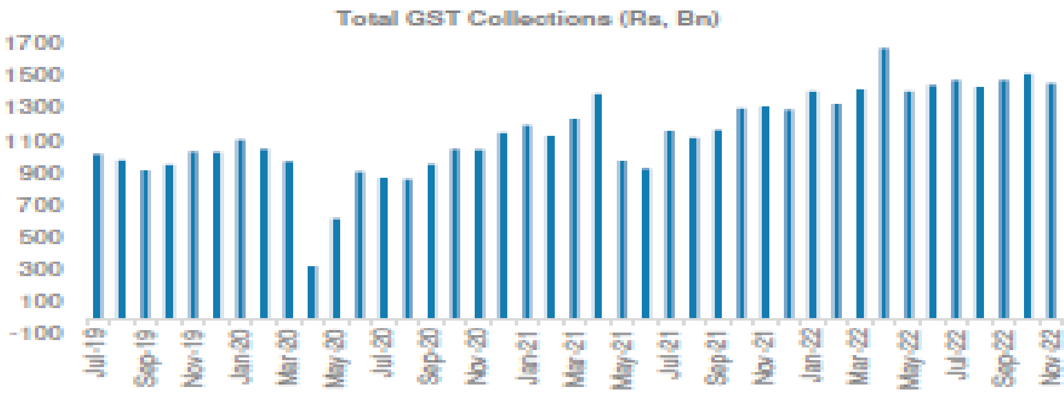
SBI Life
Apne liye. Apno ke liye.

Exhibit 11: Trend in PMIs



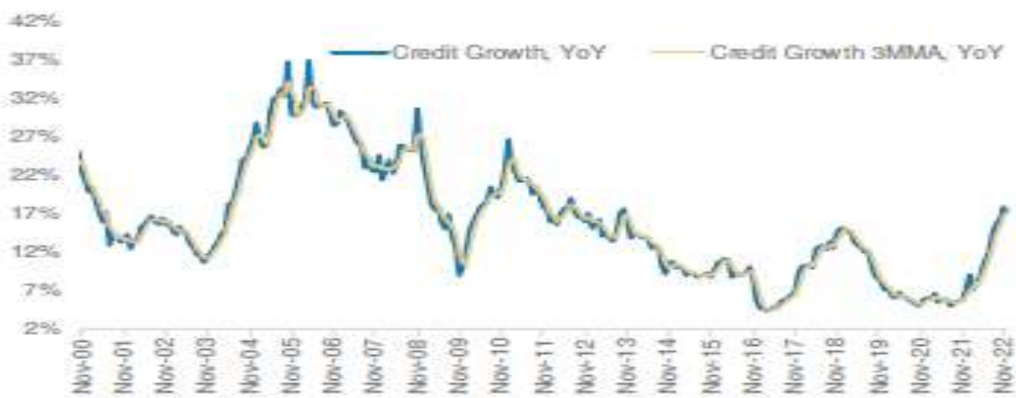
Source: Haver Analytics, Morgan Stanley Research.

Exhibit 9: GST Collection Remains Robust



Source: Ministry of Finance, Morgan Stanley Research.

Exhibit 8: Credit Growth Remains Strong



Source: CEIC, Morgan Stanley Research. Note: Data for November is as of 18 November.

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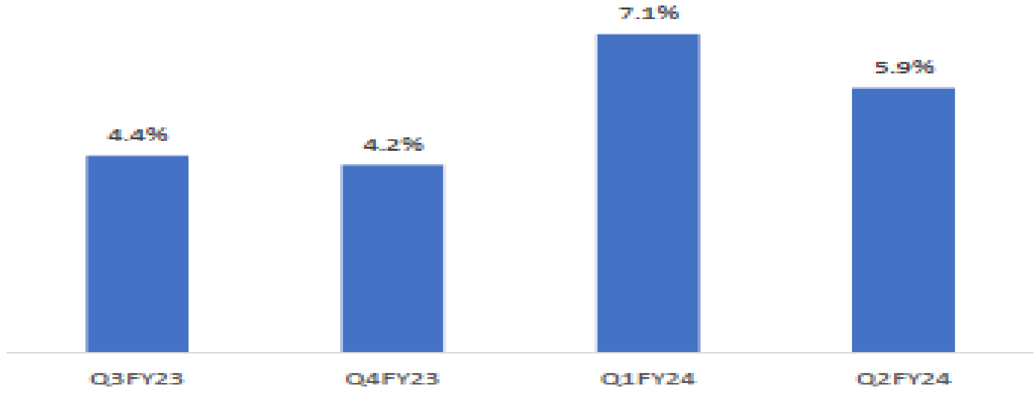
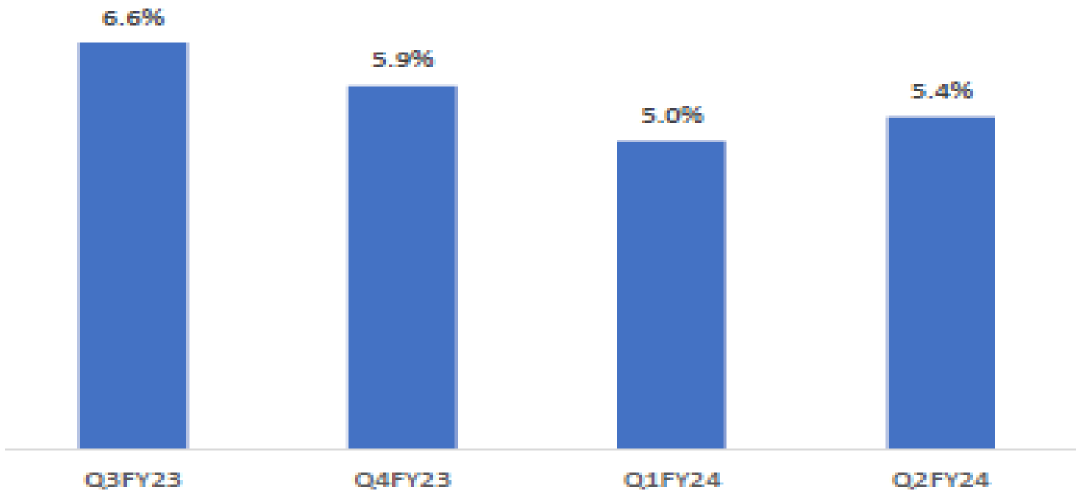
Apne liye. Apno ke liye.

Projected real GDP (in %y/y) trajectory as per RBI



Projected CPI (y/y in %) trajectory as per RBI



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Equity Outlook

Equity Market Outlook for the month of December, 2022

Both Sensex and Nifty gave a return of 3.9% and 4.1% to end at 63100 and 18758 mainly driven by comments by Fed, falling crude prices and inflation print coming lesser than expected in US. Rally was basically large cap led as we see NSE Mid Cap index and NSE Small Cap index moving 1.9% and 3.0%.

November 2022 saw huge buying into Chinese markets as they looked attractive & in anticipation of opening up. Hong Kong index was up 26% for the month. Our benchmark Nifty underperformed many other markets last month but on a year till date basis there is a good outperformance.

News on cooling off inflation helped IT stocks emerge as winners. IT index moved 5.8% during the month followed by Banking index that moved 4.7%.

S&P Global rating agencies has lowered India Ratings to 7% from 7.3% during the month. During the month Mutual Funds bought equity to the extent of US $ 543 million while DII's (Direct Institutional Investors) (other than MF's) sold equity to the extent of US $ 719 million. FPI's (Foreign Portfolio Investors) bought equity to the extent of US $ 4 billion.

On the economy side CPI for September 2022 fell sharply to 6.8% (fuel contributed) versus 7.4%. WPI too fell sharply to 8.4% versus 10.7% during the same period. Core inflation has been steady at 6.3%. Real GDP has grown 6.3% for second quarter driven by private consumption which grew 9.7%, Gross fixed capital formation that grew 10.4% and exports that grew 11.5%.

First visible signs of inflation coming down were seen in the last month. Together we saw yields giving way. Our markets have started performing better during this quarter, thanks to weights of Russia and China coming off. Russia because of Ukraine issue and China partly due to Zero Covid policy. With reference to China things may improve.

Nifty earnings have topped the estimates (3Q numbers):

Revenue	% Gr YOY	Var vs Est	EBIDTA	% Gr YOY	Var Vs Est	PAT	% Gr YOY	Var Vs Est
13229	28%	7.3%	2915	9.4%	5.6%	1465	9.3%	9.4%

Source: Motilal Oswal

Our markets have outperformed the World markets on YTD basis. The contribution has been from all around. Companies listed, Governments, Investors from all across the Globe, Retail Investors within the

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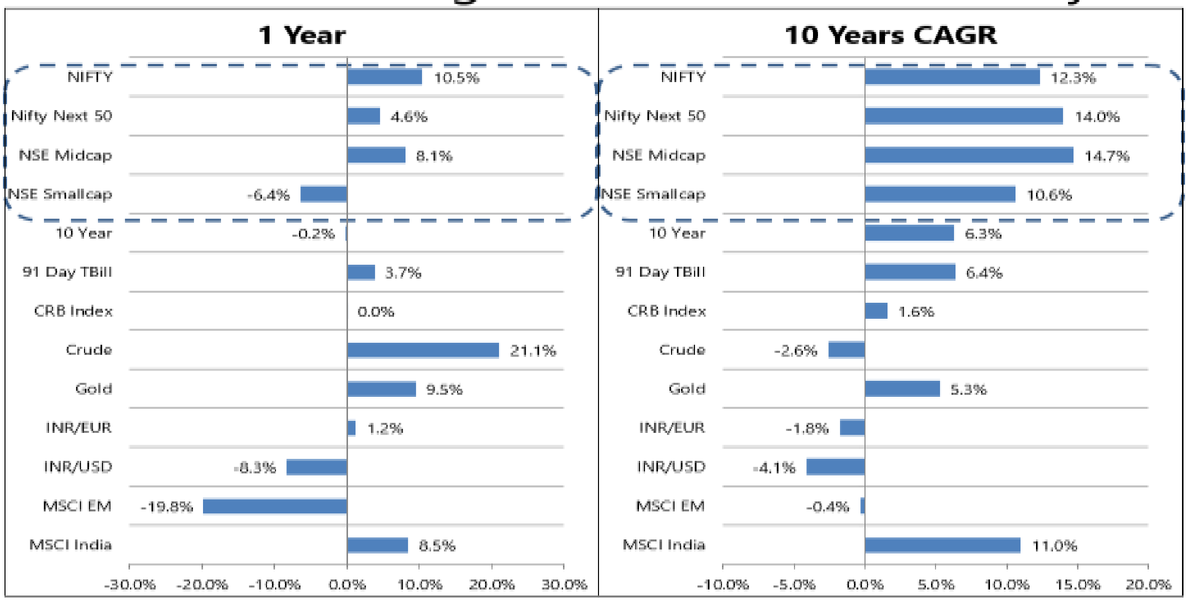
country, the fund houses (Mutual Funds, Insurance, Provident & Pension funds). It is also helped because of weight in the index MSCI (Morgan Stanley Capital International) moving up.

There are triggers for further boost to markets in the form of end of rate hike, back to normal demand, credit pick up being strong etc where profitability for corporate will stabilize. In all on a long term basis there are levers for a sustained return. From the risk side Global rescission, core inflation, and risk emerging from geo political side cannot be ignored.

We remain cautious and continue to recommend investment in Bond Optimizer and Balance Fund. With rate hike cycle coming near to its end, we also recommend Bond fund to be considered for good returns from a 3 year prospective.

Asset Return- Long Term returns are healthy



As on 30th Nov 2022

BSE Sensex (since 1980): Yearly performance +ve in November (+ve 32 out of 43 years)

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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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