Monthly Investment Update:
Volume 15, Issue 07
October, 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-Oct-22	30-Sep-22	Change (%)	31-Mar-22	Change (%)
₹/$	82.79	81.35	-1.77%	75.79	-9.24%
Forex Res.(Bn- 1 Wk Lag)	$ 524.52	$ 537.52	-2.42%	$ 617.65	-15.08%
Oil Price ($/Barrel)	$ 93.41	$ 86.15	8.43%	$ 109.24	-14.49%
Gold (₹/10 gm)	50,117	50,074	0.09%	51,317	-2.34%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-8	-7624	99.90%	-41123	-99.98%
Debt (monthly)	-3532	4012	-188.04%	-5632	-37.29%

Indices

Particulars	31-Oct-22	30-Sep-22	Change (%)	31-Mar-22	Change (%)
BSE Sensex	60,746.59	57,426.92	5.78%	58,568.51	3.72%
S&P CNX Nifty	18,012.20	17,094.35	5.37%	17,464.75	3.13%
Dow Jones Industrial Avg	32,732.95	28,725.51	13.95%	34,678.35	-5.61%
FTSE 100	7,094.53	6,893.81	2.91%	7,515.68	-5.60%
Hang Seng Index	14,687.02	17,222.83	-14.72%	21,996.85	-33.23%
Nikkei 225	27,587.46	25,937.21	6.36%	27,821.43	-0.84%
B S E Bankex	47,398.64	44,179.79	7.29%	41,753.80	13.52%
B S E Capital Goods Index	33,266.16	31,217.82	6.56%	27,506.04	20.94%
B S E Metal Index	19,024.82	18,015.22	5.60%	22,368.34	-14.95%
B S E Auto Index	30,719.01	29,177.76	5.28%	24,049.98	27.73%
B S E Information Technology Index	28,930.65	27,488.42	5.25%	36,402.74	-20.53%
B S E Oil & Gas Index	19,487.91	18,559.11	5.00%	18,741.19	3.98%
B S E Realty Index	3,492.70	3,376.90	3.43%	3,681.83	-5.14%
B S E Healthcare Index	23,924.28	23,340.50	2.50%	24,303.83	-1.56%
B S E Power Index	4,866.96	4,748.88	2.49%	4,043.63	20.36%
B S E FMCG Index	16,131.19	16,180.06	-0.30%	13,334.89	20.97%

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Primary Key Rates

Particulars	31-Oct-22	30-Sep-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	6.00%	5.65%	0.35%	3.87%	2.13%
Current Inflation Rate (WPI)	10.70%	12.41%	-1.71%	13.11%	-2.41%
Current Inflation Rate (CPI) (Sept 22)	7.41%	7.00%	0.41%	6.07%	1.34%
IIP (WPI) % Y-O-Y (Aug 22)	-0.80%	2.40%	-3.20%	1.30%	-2.10%
AAA spread (bps)	12.00	13.00	-7.69%	14.00	-14.29%

Particulars	2019-20	2020-21	2021-22	Q4 FY22	Q1 FY23
Real GDP % (New Growth No. by CSO)	4.20%	-7.30%	8.70%	4.10%	13.50%

Interest Rates (FIMMDA)

Particulars	31-Oct-22	30-Sep-22	Change (%)	31-Mar-22	Change (%)
91 days T - Bill	6.40%	6.15%	0.25%	3.84%	2.56%
364 days T - Bill	6.95%	6.78%	0.17%	4.58%	2.37%
5 Years G - Sec (Annualized)	7.38%	7.32%	0.06%	6.02%	1.36%
10 Years G - Sec (Annualized)	7.44%	7.38%	0.06%	6.86%	0.58%
30 Years G - Sec (Annualized)	7.61%	7.53%	0.08%	7.27%	0.34%

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

October 2022 – higher for longer?

Benchmark 10-year treasury yields averaged at 7.44% in October 2022 (21bps higher versus September 2022 average). On month end values, the 10-year yield was up and ended the month at 7.45% (up 5bps month on month). US 10-year yield is at 4.05% (+22bps month on month, +250bps year on year)

India Macro movers

Core momentum reaccelerates; IP disappoints. India's September 2022 CPI printed in line with expectations coming in at 7.4% accelerating from 7.0% in August 2022. On a sequential basis, prices rose 0.4% month on month, in September 2022 just a tick-down from 0.5% in August 2022. Importantly, however, core CPI momentum reaccelerated to 0.5% month on month, in September 2022 from 0.4% in August 2022. This represents the reversal of a five-month softening trend wherein the momentum eased from 0.7% in March 2022 to 0.4% in April 2022.

In a decision that was widely anticipated by the markets, India's MPC (Monetary Policy Committee) last month raised policy rates by 50 bps to 5.9% and pledged to "remain focused on withdrawal of accommodation," suggesting more hikes were likely. While both decisions were 5-1 and therefore not unanimous, less expected was the robust debate that ensued within the MPC, captured in the recently-released minutes. Two external members pushed back strongly, but on different dimensions. One believed the terminal rate had been reached (~6 %) after the September 2022 hike, and therefore a pause was warranted. Another external member believed that, even though the terminal rate may not have been reached, the case for further front-loading was tenuous given the expected growth slowdown and therefore voted for a 35bps hike – against the consensus – to signal a tapering of action. The strength of the push-back discernibly influenced markets.

Global News

Global equities improved across regions (+6% month on month & -22.3% YTD). All major Emerging Market / Developed Market regions were in the green barring China (-16.8% month on month). International markets are expected to see a relative boost from a strong USD. A strong dollar can be helpful for the earnings of non-US markets such as Japan, Eurozone, and the UK's FTSE100. Oil prices rallied following OPEC+ (Organization of the Petroleum Exporting Countries) cuts announced. With investors fleeing almost every asset class this year, the amount of cash sitting on the sidelines has reached a 10-year high according to our estimates, indicating a support for not only equities but also bonds going forward. We trim the size of both our equity overweight and bond underweight but remain overall overweight equities and commodities versus underweight bonds. We expected the ECB (External

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Commercial Borrowing) to hike 75bp at its upcoming meeting and they did. The FOMC (Federal Open Market Committee) made it clear that it will raise rates higher and keep them there for longer.

Outlook

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 with the latest September MPC meeting bringing down FY 22 estimates from 7.2% to 7%.

MPC met in September 2022 raising the Repo rate by 50 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 22 by RBI and we do not expect 10-year yield to be below 7.25%, and there will be continuous pressure from CPI, Fed (Federal Reserve) hikes and fiscal supply to keep pushing 10-year yield beyond 7.5%.

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Equity Outlook

Equity Outlook for the Month of November, 2022

Nifty and Sensex gained considerably for the month of October 2022 on the back of hopes that Fed may slow its pace of increase in interest rates and in line with the increase in Global indices. Nifty and Sensex closed for the month at 18012 & 60747 up 5.4% and 5.8% respectively.

Our indices have done well however, other markets / indices like US gained much more. US Dow Jones index gained 14.4%, US S&P 500 had gained 8.8%, Mexico had gained 10% so on and so forth. Rally was led by Large cap index. NSE Mid Cap 100 index gained 2.5% and NSE Small Cap index gave a return of 2.6%.

It was an all-round performance. In all the sectors. Sector indices like Banking gained 6.9%, IT gained 6.5%, Infra gained 5.6% & Auto gained 5.4%. The only sector index that lost was Staples which went down 0.2%.

FPI's (Foreign Portfolio Investors) and Indian institutions were at logger heads. While Domestic Institutional Investors bought stocks worth US $ 1.4 billion, the Foreigners sold stocks worth US $ 186 million.

September 2022 CPI inflation increased to 7.4% from 7%. The WPI fell for the same period from 12.4% to 10.7%.

World Bank cut India's GDP (Gross Domestic Product) from 7.5% to 6.5% for FY 23. For the same period IMF (International Monetary Fund) has cut the GDP forecast from 7.4% to 6.8%.

On the international front we saw Fed hiking its interest rates at 0.75% in line with expectations and US GDP came in at an annualized rate of 2.4% for 3rd quarter of CY 22.

We hold a negative outlook in the short term for the markets as we cruise through -

- The impact of several rate hikes is yet to seek in into the system
- The impact of exchange rate too is yet to seek in into the system
- Government revenue collections may be impacted with WPI slowing
- We see input cost pressures yet to ease in for corporates who declared results
- Going forward some sectors may face demand pressures as festive seasons is off

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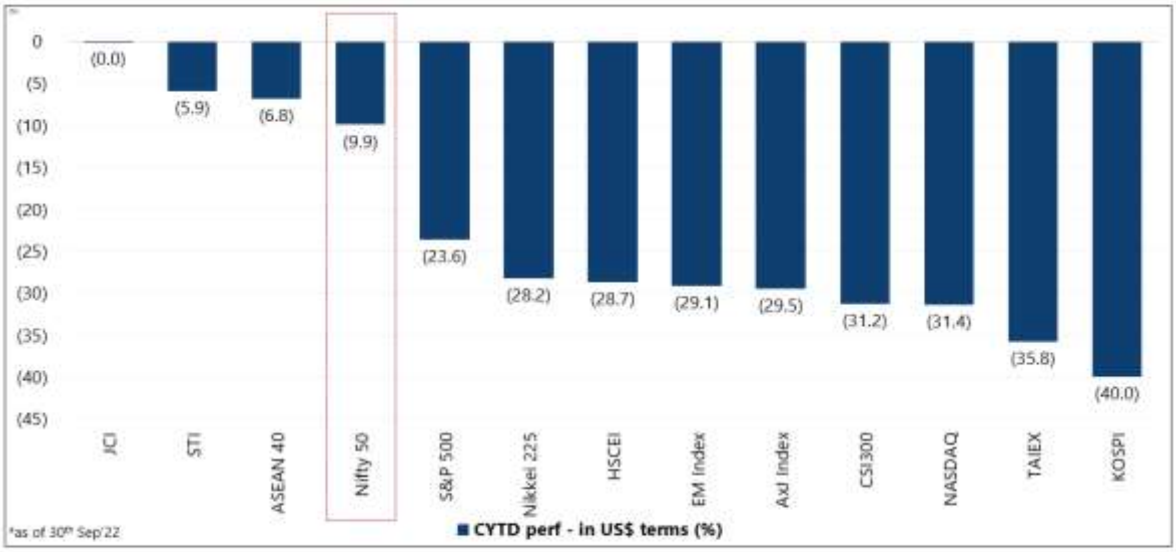
However, the long-term fundamentals are intact -

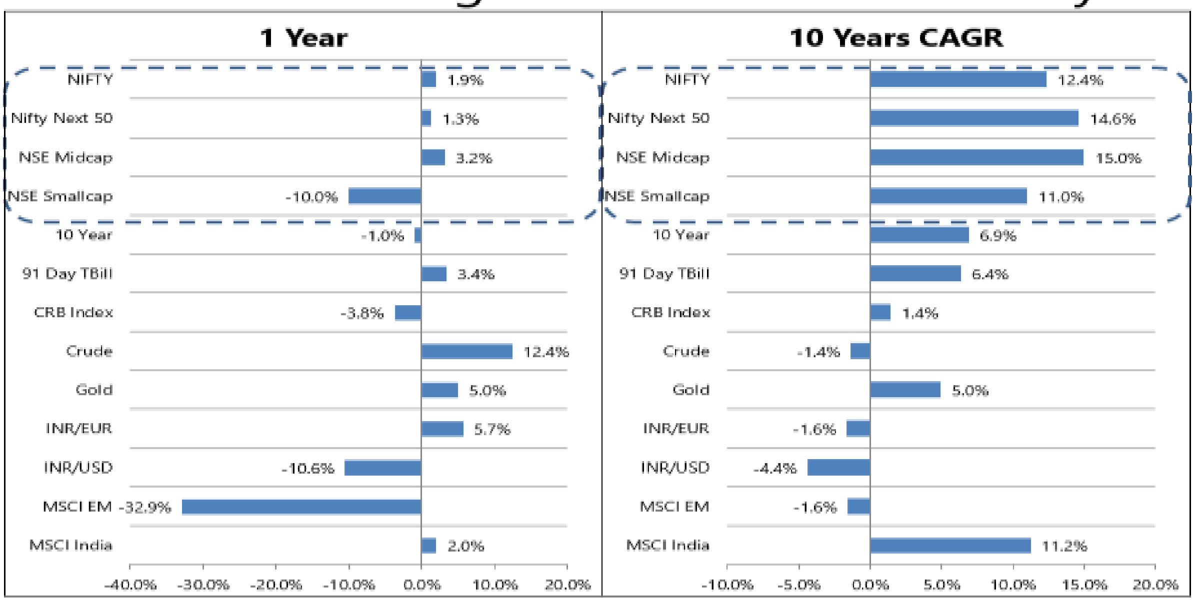
- Our economic indicators are in expansionary mode despite the slowdown across globe
- Strong stable government and policies indicate conducive investment climate
- Liquidity does flow, in a steady manner in domestic markets
- Internationally many fund managers prefer India most of the time and therefore keep investing here
- Some of the other economies of the world like Russia and China have slipped which indirectly helps

This is well depicted by the slide that shows our relative outperformance.

India market performance vs major global markets



Asset Return- Long Term returns are healthy



As on 31st Oct 2022

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BSE Sensex (since 1980): Yearly performance +ve in October (+ve 30 out of 43 years)

-30 and below	-30 to -20	-20 to 0	0 to +20	20 to 40	40 to 60	60 and above
			2017			
			2019			
			2004			
			2013			
		2020	1984			
		2002	1989			
		2015	1983		1994	
		1993	1982		1981	
		1996	1980	2005	1999	1985
		2011	2016	2014	2007	1990
		2000	2012	2010	1988	2003
	1987	2001	2018	1986	1992	2006
2008	1998	1995	**2022**	1997	1991	2009

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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1) This newsletter only gives an overview of economy and should not be construed as financial advice
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