Monthly Investment Update:
Volume 14, Issue 06
September, 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

CIN : L99999MH2000PLC129113
IRDAI Regn. No. 111

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Major Economic Indicators

Economic Indicators

Particulars	30-Sep-21	31-Aug-21	Change (%)	31-Mar-21	Change (%)
₹/$	74.15	73.09	-1.45%	73.11	-1.42%
Forex Res.(Bn- 1 Wk Lag)	$ 638.65	$ 616.90	3.53%	$ 579.29	10.25%
Oil Price ($/Barrel)	$ 78.51	$ 71.70	9.50%	$ 64.04	22.60%
Gold (₹/10 gm)	45,912	47,090	-2.50%	44,106	4.09%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	8348	7454	11.99%	16968	-50.80%
Debt (monthly)	10246	3226	217.61%	-3429	-398.80%

Indices

Particulars	30-Sep-21	31-Aug-21	Change (%)	31-Mar-21	Change (%)
BSE Sensex	59,126.36	57,552.39	2.73%	49,509.15	19.43%
S&P CNX Nifty	17,618.15	17,132.20	2.84%	14,690.70	19.93%
Dow Jones Industrial Avg	33,843.92	35,360.73	-4.29%	32,981.55	2.61%
FTSE 100	7,086.40	7,119.70	-0.47%	6,713.60	5.55%
Hang Seng Index	24,575.64	25,878.99	-5.04%	28,378.35	-13.40%
Nikkei 225	29,452.66	28,089.54	4.85%	29,178.80	0.94%
B S E Realty Index	4,103.77	3,084.98	33.02%	2,670.31	53.68%
B S E Power Index	3,198.73	2,921.29	9.50%	2,475.13	29.23%
B S E Oil & Gas Index	18,301.57	17,083.96	7.13%	14,820.46	23.49%
B S E Auto Index	23,865.88	22,571.39	5.74%	22,252.21	7.25%
B S E Capital Goods Index	25,966.72	24,973.86	3.98%	21,095.75	23.09%
B S E Bankex	42,727.61	41,469.62	3.03%	37,547.91	13.79%
B S E FMCG Index	14,862.21	14,580.82	1.93%	12,875.40	15.43%
B S E Information Technology Index	34,418.54	34,180.47	0.70%	26,543.24	29.67%
B S E Healthcare Index	26,092.64	26,569.77	-1.80%	21,328.21	22.34%
B S E Metal Index	20,182.06	20,579.75	-1.93%	14,350.61	40.64%

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Primary Key Rates

Particulars	30-Sep-21	31-Aug-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	3.20%	3.14%	0.06%	2.75%	0.45%
Current Inflation Rate (WPI)	11.39%	11.16%	0.23%	4.17%	7.22%
Current Inflation Rate (CPI) (Sept 21)	5.30%	5.59%	-0.29%	5.03%	0.27%
IIP (WPI) % y-o-y (Aug 21)	11.50%	13.60%	-2.10%	-1.60%	13.10%
AAA spread (bps)	55.00	60.00	-8.33%	57.00	-3.51%

	2017-18	2018-19	2019-20	2020-21	Q1 FY22
Real GDP % (New Growth No. by CSO)	6.70%	6.80%	4.20%	-7.30%	20.10%

Interest Rates (FIMMDA)

Particulars	30-Sep-21	31-Aug-21	Change (%)	31-Mar-21	Change (%)
91 days T - Bill	3.45%	3.29%	0.16%	3.25%	0.20%
364 days T - Bill	3.81%	3.62%	0.19%	3.75%	0.06%
5 Years G - Sec (Annualized)	5.66%	5.65%	0.01%	5.70%	-0.04%
10 Years G - Sec (Annualized)	6.22%	6.21%	0.01%	6.18%	0.05%
30 Years G - Sec (Annualized)	6.97%	7.10%	-0.13%	6.77%	0.20%

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

September 2021 – Tapering is here, with growth and inflation back!

Benchmark 10-year treasury yields averaged at 6.18% in September 2021 (5bp lower versus August 2021 average). On month end values, the 10Yr yield was flat and ended the month at 6.22%. US 10Yr yield is at 1.49% (+18 bps month on month, +80 bps year on year). INR lost (down 1.7%) and ended the month at US $ 74.24 in September 2021. The JPMorgan EM FX Index was down 2.9% in September 2021 too. In the last 12 months, INR (-0.6%) has underperformed the broader EM FX (+1.3%). DXY gained 1.7% in September 2021 (following a 0.5% increase in August2021) and ended the month at 94.23 (+0.4% in the last 12 months).

India Macro movers

India's August 2021 CPI printed slightly below expectations coming in at 5.3%. While the surprise was driven by volatile vegetable prices, food prices, more generally, continue to be soft (contracting 0.3% month on month, in August 2021 and remaining moderate so far in September 2021), thus bucking food inflation increases seen across other developed markets and emerging markets.

August 2021 PMI (Purchasing Managers Index) was a mixed bag. As India's economy continued to open in August 2021, services PMIs bounced back but to varying degrees. The manufacturing index fell 3pts to print at 52.3 while the services index rose buoyantly by 11pts to 56.7—climbing significantly above 50 level - reflecting the relaxation of restrictions, fading risk-aversion and improved vaccine access. All told, the composite index rose smartly from 49.2 to 55.4 (ending a 3mth period of downturn), and climbed above the expansionary threshold of 50.

IP printed above expectations at 11.5% in August 2021. That said, the buoyant year-on-year print is on account of very favorable base effects from last year. Sequentially, IP grew at 2.9% month on month, in July 2021 on the back of an 8.7% increase in June 2021 as the economy continued to recover from the second-wave wherein May 2021 IP contracted 11%. Within the internals, barring consumer non-durables, all the sub-components grew sequentially in July 2021. The fall in consumer non-durables is not concerning, as it contracted relatively modestly in May 2021 (consumer non-durables -8% month on month, versus consumer durables -30%), and made up for the loss in June 2021 (+10.2%).

GST (Goods & Services Tax) collections grew 30% year on year in August 2021 (₹ 1.12 trillion, from ₹ 1.16 trillion in July 2021). This was the 10th consecutive month with collections of more than ₹ 1 trillion starting October 2021 last year (exception of June 2021).

Global News

Global equities fell 4.3% in September 2021. We believe the market sell-off to be primarily driven by technical selling flow and some concerns over downward shift in economic and business cycle momentum. However, we remain confident that strong growth lies ahead and activity is bound to re-accelerate. Oil prices gained a whopping 10.6% in September 2021, closing at US $ 79/barrel. Oil prices rose helped by growing fuel demand and a fall in U.S. crude inventories as production remained hampered in the Gulf of Mexico after two hurricanes.

Outlook

RBI has marked down its CPI estimate for FY 22 by 40 bps, from 5.7% to 5.3%, which is in line with our expectations as well, while growth target in FY 22 maintained at 9.5%. This growth-inflation outlook tells us that RBI is expecting inflation to ease and stabilise throughout FY 22, and growth impact from second wave of virus also to be minimal. Lower than budgeted fiscal deficit and borrowing, and Global bond index inclusion could keep yields stable as fiscal deficit could be ₹ 50k crs lower than BE thanks to massive collection surprises. RBI continues to slowly increase liquidity suction through the VRRR mode and no GSAP3.0 announced has push yields higher past 6.3%. Net borrowing for October - November period only ₹ 1.2 lac crs – so no pressure from supply. Faster pace of vaccinations, stronger recover of growth and sustained CPI pressure can push the MPC (Monetary Policy Committee) into quicker and earlier withdrawal of the monetary stimulus. Global crude oil, commodity price pressures and US yields rise have pushed 10 Y yield from 6.15% to 6.25% but none of these to impact MPC decision making. We expect 10-year bond yields to remain in the range of 6.20% to 6.40%

Equity Outlook

Equity Market Outlook for the month of October, 2021

Sensex and Nifty showed resilience, marched ahead leaving many other countries behind. Last month showed signs of de coupling with the Global Markets.

Sensex and Nifty gained 2.7% and 2.8% to end at 59126 and 17618 aided by news on US Fed saying it will not be in a hurry to raise the interest rate even after the Taper, additional news on government pushing forward reforms in banking by forming a bad bank for taking over the bad assets of banking system and also forming a debt resolution company.

Our rally was broad based. NSE Mid Cap and Small Cap indices went up 6.9% and 6.1%. Our indices also showed resilience, in the sense that it performed better compared to many other emerging markets like Hong Kong (-5%), Taiwan (-3%) etc. Many developed markets reacted on Fed stands that it would look at withdrawing the bond buying soon. Fed does bond buying @ US $ 120 billion month. It is together with this expected that Fed may also consider hiking interest rates. This expectation is brought forward to CY 22 from CY 23 earlier. This would be big test for continuity and sustenance of Equity markets at current levels.

Liquidity was good. FPI's (Foreign Portfolio Investors) bought stocks worth US $ 1.2 Billion & DII's (Direct Institutional Investors) bought stocks worth US $ 789 million.

On the economic front the news was good. CPI moderated to 5.3% from 5.59% in July 2021. Current account for the 1Q of FY 22 was surplus of US $ 6.5 billion. GST (Goods & Services Tax) collections at ₹ 1.12 lakhs came at near to pre pandemic levels. Moody's changes our outlook to Stable from Negative maintains rating at Baa3. It mentioned large diversified economy with high growth potential and strong external position are India's strengths.

Government is taking right steps towards encouraging manufacturing & helping the ailing sectors. It announced PLI schemes in textile sector, automobile sector and emerging sectors like drone manufacturing. A possibility of relief package to telecom sector was also made available.

Indices are cruising along with no signs of nervousness. This is despite one year forward multiple of 22 versus 10 year average of 16. Numbers are expected to be strong. For the Quarter ending September, 2021 estimates have Revenues to grow 25%, EBIDTA 26% and Net Profit 31%. But the whole point is in price.

We maintain our neutral stand on the Equity. Recommend to invest in Bond Optimizer or Balance Fund. We also recommend switch from Equity and Mid Cap fund to Bond Optimizer and Balance Fund.

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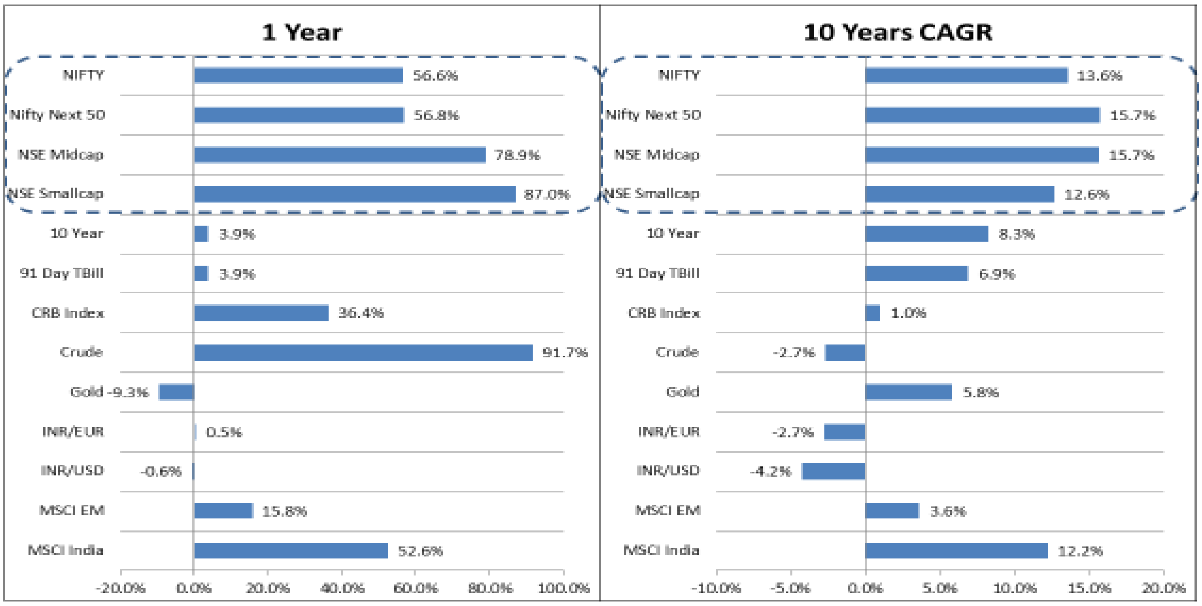
Asset Return- Long Term returns are healthy



As on 30st Sep 2021

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

			2010			
			2018			
			2012			
			1989			
			1984			
			2017		1994	
		2020	1980	2007	2021	
		2015	1982	2014	2005	
		1996	2019	2009	1999	
		2000	2016	1991	1981	
	1998	1993	2002	2004	2003	1990
	1987	2011	1983	1986	1988	1992
2001	2008	1995	2013	1997	2006	1985
-30 and below	**-30 to -20**	**-20 to 0**	**0 to +20**	**20 to 40**	**40 to 60**	**60 and above**

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.

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

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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

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