SBI Life
Apne liye. Apno ke liye.

Monthly Investment Update:
Volume 15, Issue 06
September, 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-Sep-22	31-Aug-22	Change (%)	31-Mar-22	Change (%)
₹/$	81.35	79.46	-2.38%	75.79	-7.34%
Forex Res.(Bn- 1 Wk Lag)	$ 537.52	$ 561.05	-4.19%	$ 617.65	-12.97%
Oil Price ($/Barrel)	$ 86.15	$ 100.35	-14.15%	$ 109.24	-21.14%
Gold (₹/10 gm)	50,074	50,986	-1.79%	51,317	-2.42%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-7624	51204	-114.89%	-41123	-81.46%
Debt (monthly)	4012	3845	4.34%	-5632	-171.24%

Indices

Particulars	30-Sep-22	31-Aug-22	Change (%)	31-Mar-22	Change (%)
BSE Sensex	57,426.92	59,537.07	-3.54%	58,568.51	-1.95%
S&P CNX Nifty	17,094.35	17,759.30	-3.74%	17,464.75	-2.12%
Dow Jones Industrial Avg	28,725.51	31,510.43	-8.84%	34,678.35	-17.17%
FTSE 100	6,893.81	7,284.15	-5.36%	7,515.68	-8.27%
Hang Seng Index	17,222.83	19,954.39	-13.69%	21,996.85	-21.70%
Nikkei 225	25,937.21	28,091.53	-7.67%	27,821.43	-6.77%
B S E Healthcare Index	23,340.50	23,013.78	1.42%	24,303.83	-3.96%
B S E FMCG Index	16,180.06	15,954.27	1.42%	13,334.89	21.34%
B S E Bankex	44,179.79	45,295.67	-2.46%	41,753.80	5.81%
B S E Capital Goods Index	31,217.82	32,224.78	-3.12%	27,506.04	13.49%
B S E Auto Index	29,177.76	30,334.18	-3.81%	24,049.98	21.32%
B S E Information Technology Index	27,488.42	28,914.80	-4.93%	36,402.74	-24.49%
B S E Metal Index	18,015.22	19,166.08	-6.00%	22,368.34	-19.46%
B S E Realty Index	3,376.90	3,690.82	-8.51%	3,681.83	-8.28%
B S E Oil & Gas Index	18,559.11	20,289.83	-8.53%	18,741.19	-0.97%
B S E Power Index	4,748.88	5,227.96	-9.16%	4,043.63	17.44%

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Primary Key Rates

Particulars	30-Sep-22	31-Aug-22	Change (%)	31-Mar-22	Change (%)
Repo Rate*	5.90%	5.40%	0.50%	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%	5.45%	0.20%	3.87%	1.78%
Current Inflation Rate (WPI)	12.41%	13.93%	-1.52%	13.11%	-0.70%
Current Inflation Rate (CPI) (Aug 22)	7.00%	6.71%	0.29%	6.07%	0.93%
IIP (WPI) % Y-O-Y (July 22)	2.40%	12.30%	-9.90%	1.30%	1.10%
AAA spread (bps)	13.00	13.00	0.00%	14.00	-7.14%

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	30-Sep-22	31-Aug-22	Change (%)	31-Mar-22	Change (%)
91 days T - Bill	6.15%	5.62%	0.53%	3.84%	2.31%
364 days T - Bill	6.78%	6.32%	0.46%	4.58%	2.20%
5 Years G - Sec (Annualized)	7.32%	6.99%	0.33%	6.02%	1.30%
10 Years G - Sec (Annualized)	7.38%	7.16%	0.22%	6.86%	0.52%
30 Years G - Sec (Annualized)	7.53%	7.44%	0.09%	7.27%	0.26%

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

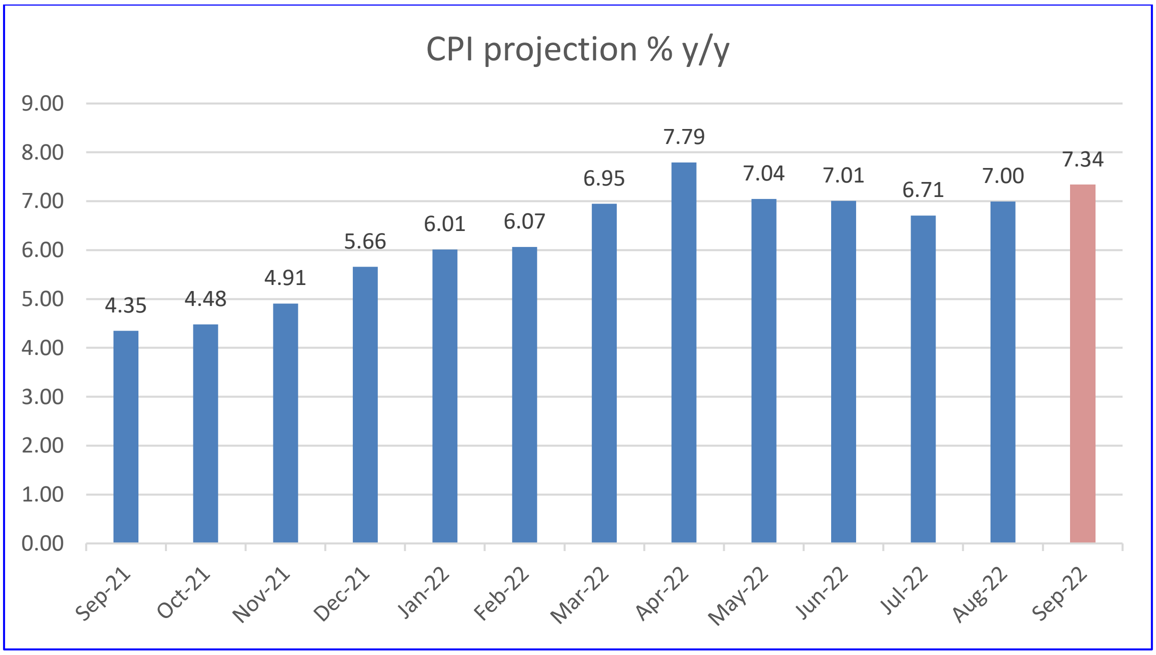
Market Review

September 2022 – Things take a turn for worse!

Benchmark 10-year treasury yields averaged at 7.23% in September 2022 (2 bps lower versus August 2022 average). On month end values, the 10 Year yield was up and ended the month at 7.4% (down 21 bps month on month). US 10 Year yield is at 3.83% (+64 bps month on month, +234 bps year on year). INR depreciated sharply over the month (down 2.3% month on month) and ended the month at US $ 81.35 in September 2022.

India Macro movers

August 2022 CPI comes in close to expectations; next MPC (Monetary Policy Committee) review is a close call (report) August 2022 CPI printed close to expectations coming in at 7.0 % vis-à-vis consensus and our expectations of 6.9%. On a sequential basis, prices re-accelerated 0.5% month on month– after averaging just 0.15% month on month, over the previous two months – but this was largely because food prices re-accelerated discernably after declining in July 2022. Importantly, the momentum of underlying core-core inflation continues to soften, as we have been expecting, slowing to 0.4% month on month, -- an annualized rate of less than 5% for the first time in seven months – vis-à-vis a monthly momentum of 0.5% month on month in June 2022 and 0.7% in March 2022.



2nd Quarter GDP (Gross Domestic Product) in line with expectations; growth headwinds likely to build going forward (report). Helped by a very favorable base effect from last year, India's GDP (April-June 2022) printed at a buoyant 13.5%, in line with our expectations but below that of the consensus.

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Global News

Economic data in the US has been quite robust with employment generation, Industrial Production, durable goods manufacturing and PMIs (Purchasing Managers Index) all surprising markets positively. The weak numbers in quarterly GDP for Q2 current year 2022 was not given too much of heed by markets owing to inventory and import led anomalies. The Federal Reserve raised rates by 75 bps in July 2022, another 75 bps in August 2022 and 75 more in September 2022. The hawkish comments kept coming especially with CPI touching 9% and then remaining above 8% without any moderation on a sequential basis. The fall in commodities and energy did benefit but housing and food inflation continued to be worrisome.

DM (Developed Market) bond yields saw massive volatility with US 10-year yield touching 2.6% after a high of 3.45%. This was owing to some misinterpreted fears of recession and the FED (Federal Reserve) pivoting in its rate hike stance in 2022 itself. With incoming strong data and higher inflation, the yields bounced back to 3.9% by September 2022 end. UK Gilt yields faced anther issue altogether owing to tax cuts, higher bond supply and inflation with yields jumping from 3% to 4% in 2 days. Central banks in Sweden, Canada all surprised by taking hawkish steps and BoE (Bank of England) and ECB (European Central Bank) too followed with the same rhetoric as double digit inflation continued to hit UK and Eurozone.

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, 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 2022 MPC meeting bringing down FY 2022 estimates from 7.2% to 7%.

MPC met in August 2022 and September 2022 raising the Repo rate each time 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 2022 by RBI and we do not expect 10-Year yield to be below 7.25% for some time. The lower end would be owing to slight easing of rate hike fears as we might be close to the terminal rate, but with 2nd Half borrowing still pending and global bond index inclusion not in sight, yields could move higher.

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RBI Growth & Inflation Outlook for India					
CPI Inflation (%)	**Q2 FY23**	**Q3 FY23**	**Q4 FY23**	**FY23**	**Q1 FY24**
Sep'22	7.1	6.5	5.8	6.7	5.0
Aug'22	7.1	6.4	5.8	6.7	5.0
Jun'22	7.4	6.2	5.8	6.7	-
Real GDP (%)	**Q2 FY23**	**Q3 FY23**	**Q4 FY23**	**FY23**	**Q1 FY24**
Sep'22	6.3	4.6	4.6	7.0	7.2
Aug'22	6.2	4.1	4.0	7.2	6.7
Jun'22	6.2	4.1	4.0	7.2	-
Source: RBI, SBI Research					

Continued pressure on INR, from DXY (Dollar Index) strength and a more hawkish Fed can apply pressure on IGB (Indian Government Bond) yields. INR is projected to be between 81 and 83 per USD in the last quarter of 2022. Fiscal health seems fine for now but the impact of rate hikes could slacken growth and hit tax revenues in 2nd Half. High WPI and its moderation next year will also play a role here. This could widen the fiscal deficit against the targeted 6.4% of GDP and bond markets will be wary of extra borrowings especially since next year will be an election year and spending cuts can very well be ruled out. FY 2024 will be the third consecutive year of incremental borrowing.

Fig. 5: Import cover over time

	Import cover in 2013	Import cover in 2021	Latest import cover
	No. of months		
China	22.7	16.2	13.3
Hong Kong	6.9	9.2	7.3
India	6.3	14.7	8.3
Indonesia	5.9	9.6	6.1
Malaysia	7.4	5.8	4.1
Philippines	13.9	10.2	6.8
Singapore	8.1	13.0	8.5
South Korea	7.5	9.9	6.9
Taiwan	17.7	19.8	15.1
Thailand	7.7	12.0	7.7

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Equity Outlook

Equity Market Outlook for the Month of October, 2023

Sensex and Nifty lost 3.5% and 3.7% to end at 57427 and 17094 with more hawkish comments from Fed Chair. NSE Mid Cap 100 and the NSE Small Cap 100 lost 2.6% and 1.9% outperforming the larger indices and ended at 30668 and 9442. A snapshot of how markets performed across is annexed below.

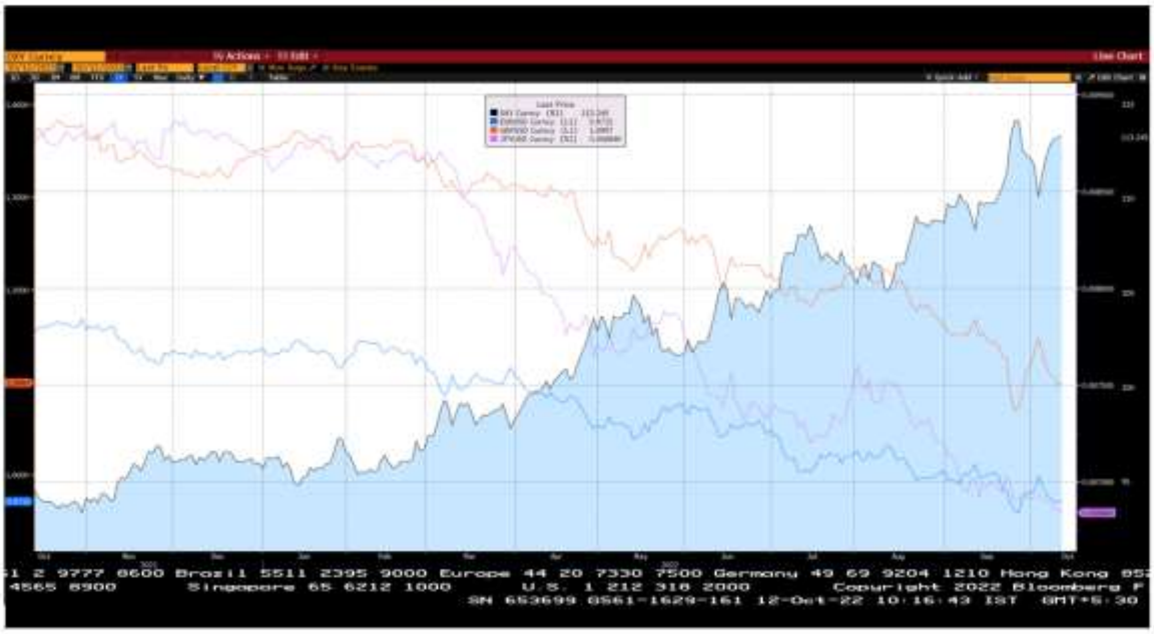
Nifty outperformed many other global markets. Performance of Nifty versus other markets on local currency basis for different time period.

Annexure 1: **World Market Performance over different time period for past 12 months**

World Markets	1M	3M	6M	9M	12M
Nifty 50	-3.7%	8.3%	-2.1%	-1.5%	-3.0%
BRAZIL	0.5%	11.7%	-8.3%	5.0%	-0.8%
Dow	-8.8%	-6.7%	-17.2%	-20.9%	-15.1%
NASDAQ	-10.5%	-4.1%	-25.6%	-32.4%	-26.8%
S&P 500	-9.3%	-5.3%	-20.9%	-24.8%	-16.8%
HANG SENG	-13.7%	-21.2%	-21.7%	-26.4%	-29.9%
SHANGHAI	-5.6%	-11.0%	-7.0%	-16.9%	-15.2%

Fed increasing the rates by 75 basis and its hawkish commentary was the key for markets to fall last month. In the last few months Dollar Index had roiled the currency markets across globe. Some select currency depreciation that took place during this period together with DXY is as follows:

Annexure 2: **DXY INDEX -Black Line , Euro –Blue Line ,GBP –Red Line , JPY Magenta Line**



As data on un employment and wage growth unfolds fear of more rate hikes is now haunting the markets. Tax cuts announced in UK (reversed since) created a havoc into forex markets where pound went below parity. The move confused market participants (rate hike on one side and tax cuts on the other). The move had hence had to be reversed.

There were forecasts cut. Moody's cut India GDP forecast to 7.7% (8.8% earlier) for current year 2022 and 5.2% for current year 2023. ADB (Asian Development Bank) cut India growth forecast from 7.2% to 7%. RBI has cut the growth forecast for us. Some of historical RBI's projections are enclosed for reference.

India Inflation no change / Growth revised down

Forecast	Period	Sept MPC	Aug MPC
GDP	Q2 FY23	6.30%	6.20%
GDP	Q3 FY23	4.60%	4.10%
GDP	Q4 FY23	4.60%	4.00%
GDP	FY23	7.00%	7.20%
GDP	Q1 FY24	7.20%	6.70%
CPI	Q2 FY23	7.10%	7.10%
CPI	Q3 FY23	6.50%	6.40%
CPI	Q4 FY23	5.80%	5.80%
CPI	FY23	6.70%	6.70%
CPI	Q1 FY24	5.00%	5.00%

With another 50 basis increase in repo rate by RBI, we are at 5.9% in Repo which now is at well above pre Covid levels.

FPI's (Foreign Portfolio Investors) sold to the extent of US $ 1.67 Billion whereas DII's (Direct Institutional Investors) bought Equities to the extent of US $ 1.76 Billion in month of September 2022.

CPI India in August 2022 came at 7% versus 6.7% and WPI moderated for the same period from 13.9% in July 2022 to 12.4%. CAD (Current Account Deficit) numbers released for the 1st quarter were at US $ 23.9 Billion negative, at 2.8% of GDP from US $ 13.4 Billion negative at 1.4% of the GDP for the 4th quarter of FY 2022.

A sharp correction in markets with so much of uncertainty is not something that's not known.

Events especially in the economic front (UK tax cuts) or on commodity side (where OPEC + decided to cut oil production) when world is going through a grind because of Russia Ukraine war are more difficult to handle.

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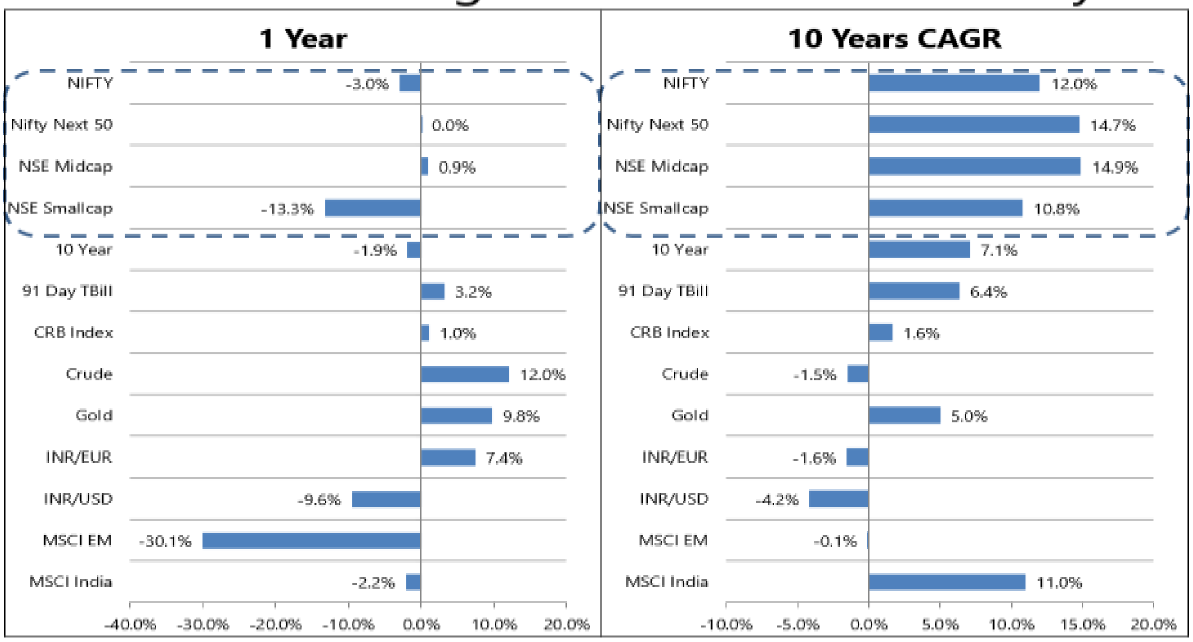
Economic forecasts made on the basis of estimates in currency & interest rates may now need to be revisited. In the process many corporates may possibly see who is swimming naked.

Uncertain times are times of volatility and good for investment managers with a long term view.

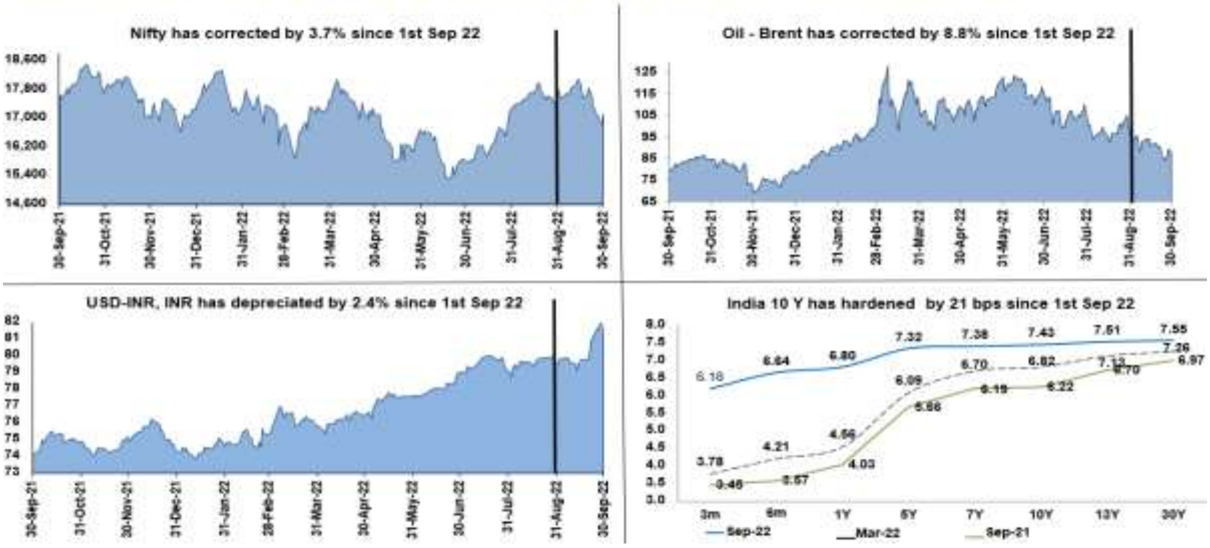
Though our long term view remains intact and positive we will use such gyrations to accumulate good investment opportunities. As we cruise, we are likely to find more institutions from within and from outside to find good investment opportunities here. We prefer Bond Optimizer and Balance Fund as fund of choice as of now.

Asset Return- Long Term returns are healthy



As on 30th Sep 2022

Markets – Nifty, Currency corrects Yield is up



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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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