Monthly Investment Update:
Volume 16, Issue 02
May, 2023

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-May-23	30-Apr-23	Change (%)	31-Mar-23	Change (%)
₹/$	82.73	81.83	-1.10%	82.18	-0.67%
Forex Res.(Bn- 1 Wk Lag)	$ 589.14	$ 584.25	0.84%	$ 578.78	1.79%
Oil Price ($/Barrel)	$ 71.46	$ 79.39	-9.99%	$ 79.94	-10.61%
Gold (₹/10 gm)	60,269	59,903	0.61%	59,530	1.24%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	43838	11631	276.91%	7936	452.39%
Debt (monthly)	3276	8	40545.16%	-2505	-230.78%

Indices

Particulars	31-May-23	30-Apr-23	Change (%)	31-Mar-23	Change (%)
BSE Sensex	62,622.24	61,112.44	2.47%	58,991.52	6.15%
S&P CNX Nifty	18,534.40	18,065.00	2.60%	17,359.75	6.77%
Dow Jones Industrial Avg	32,908.27	34,098.16	-3.49%	33,274.15	-1.10%
FTSE 100	7,446.14	7,870.57	-5.39%	7,631.74	-2.43%
Hang Seng Index	18,234.27	19,894.57	-8.35%	20,400.11	-10.62%
Nikkei 225	30,887.88	28,856.44	7.04%	28,041.48	10.15%
B S E Auto Index	32,732.08	30,325.51	7.94%	28,246.92	15.88%
B S E Realty Index	3,833.16	3,560.04	7.67%	3,101.56	23.59%
B S E Information Technology Index	29,346.42	27,503.49	6.70%	28,478.99	3.05%
B S E FMCG Index	18,253.41	17,238.74	5.89%	16,487.02	10.71%
B S E Healthcare Index	23,681.37	23,033.93	2.81%	21,883.50	8.22%
B S E Bankex	50,017.52	48,981.83	2.11%	46,031.95	8.66%
B S E Power Index	3,819.30	3,743.87	2.01%	3,605.80	5.92%
B S E Capital Goods Index	37,220.98	36,738.88	1.31%	34,369.70	8.30%
B S E Oil & Gas Index	17,972.15	18,271.28	-1.64%	17,383.40	3.39%
B S E Metal Index	19,542.69	20,134.69	-2.94%	19,184.87	1.87%

Primary Key Rates

Particulars	31-May-23	30-Apr-23	Change (%)	31-Mar-23	Change (%)
Repo Rate*	6.50%	6.50%	0.00%	6.50%	0.00%
Reverse Repo Rate**	3.35%	3.35%	0.00%	3.35%	0.00%
CRR #	4.50%	4.50%	0.00%	4.50%	0.00%
SLR *#	18.00%	18.00%	0.00%	18.00%	0.00%
Call money rate	6.30%	6.30%	0.00%	6.20%	0.10%
Current Inflation Rate (WPI)	-0.92%	1.34%	-2.26%	3.85%	-4.77%
Current Inflation Rate (CPI) (Apr 23)	4.70%	5.66%	-0.96%	6.44%	-1.74%
IIP (WPI) % Y-O-Y (Mar 23)	1.10%	5.60%	-4.50%	5.20%	-4.10%
AAA spread (bps)	26.00	15.00	73.33%	22.00	18.18%

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Particulars	2019-20	2020-21	2021-22	2022-23	Q4 FY23
Real GDP % (New Growth No. by CSO)	4.20%	-7.30%	9.10%	7.20%	6.10%

Interest Rates (FIMMDA)

Particulars	31-May-23	30-Apr-23	Change (%)	31-Mar-23	Change (%)
91 days T - Bill	6.78%	6.82%	-0.04%	7.28%	-0.50%
364 days T - Bill	6.89%	7.00%	-0.11%	7.30%	-0.41%
5 Years G - Sec (Annualized)	6.92%	6.99%	-0.07%	7.18%	-0.26%
10 Years G - Sec (Annualized)	6.99%	7.12%	-0.13%	7.31%	-0.32%
30 Years G - Sec (Annualized)	7.15%	7.26%	-0.11%	7.39%	-0.24%

No change
Negative change
Positive change

*** w.e.f Feb 08, 2023**
**** 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

May 2023 – Markets May get worse before getting better

Bond yields in the month of May 2023 moved lower but barring a drop seen in the early days of the month, markets had with very low volatility. 10 Year G-sec saw yields drop from 7.11% to 6.99% and the positive performance of bonds continued with momentum, the way FY 2024 began in April 2023 with yields falling by 20 bps. The yield curve saw a parallel shift with short end yields falling by as much for e.g. 5 year benchmark G-sec dropped from 7.00% to 6.91% which is around 9 bps. This was after drop in global commodities, as well crude oil traded lower in May 2023 and pulled the yield curve lower.

Markets started pricing in a quicker rate cut shift by Fed (Federal Reserve) especially under the fallout from the debt-ceiling debate and stand-off in the US. The 10 sessions of May 2023 however saw noticeable hardening in US yields with a potential deal being signed, but Indian bonds remained resilient without any negative spill-over. The 30 year long G-sec also fell by 8 bps during the month as May 2023 also was helped by more than 1 lac crs of G-sec redemptions and hence lower net supply compared to the scheduled borrowing for the rest of Half 1 FY 2024. INR weakened from 81.8 to 82.7 per USD with a resumption of DXY (US Dollar Index) strength.

India Macro movers

On May 26, 2023 IMD (India Meteorological Department) updated its forecast for the upcoming Southwest Monsoon season (June 2023– September 2023). While maintaining its earlier forecast (released on April 11, 2023) that rainfall is expected to be normal, the release did have additional caveats around El-Nino, weaker spatial distribution (drier weather in North-western belt which is the key agriculture region) and a weak start with below normal rainfall in June 2023. Given that El-Nino trends if intensify will progress from July 2023 onwards, this raises the probability of an El-Nino impact later this year. Overall, outlook for inflation while under normal conditions is around 5 – 5.2%, it remains clouded with upside risks.

March 2023 quarter GDP growth (6.1% year on year) was boosted by manufacturing and construction on the supply side. On the demand side, the growth was led by investments and net exports. The steep fall in input costs and improvement in exports and domestic demand have contributed to stronger value-added estimates, particularly in manufacturing and construction. In the quarters ahead, sharp growth in activity should sustain as both real income and financial conditions improve.

Credit growth in April 2023 remained healthy at 1.3% month on month versus ~2% month on month in March 2023 driven by steady credit demand across segments.

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Global News

Global equities were mixed across regions (MSCI (Morgan Stanley Capital International) World -1.3% month on month / +6.8% Year Till Date). MSCI China had a weak showing again (-8.7% month on month) while the US registered some gains (+0.5% month on month). India was again the leader across regions (+2.8% month on month) with Japan next (+1.8% month on month), attracting global attention as benchmarks reached post-1990 highs. The market is projecting a sharp Fed pivot in 2nd Half, with nearly 50 bps of rate cuts priced in by January 2024, with a USD bounce expected if that does not happen.

Economic data in the US has been quite robust with employment generation beating estimates again, durable goods manufacturing and PMIs (Purchasing Managers Index) all surprising markets positively. Unemployment rate has just marginally moved down by 10 bps it is still at multi-decadal low. There are still 1.8 job openings for every unemployed person, against a pre-pandemic level of 1.1. Inflation could moderate in the coming months but Core services inflation is sticky. Euro area CPI has moderated in the last 2 months. We don't see any chance of rate cuts by any of the G4 and other DM (Develop Market) central banks in 2023.

Outlook

May 2023 CPI inflation numbers to come will be under 4.5%, giving MPC (Monetary Policy Committee) no room to hike, but language can continue to be neutral to hawkish. And as expected the MPC sounded hawkish with focus on inflation. Strong growth fundamentals mean that rate cut hopes in current year 2023 will be low, and this too has been met with MPC giving no hope of a cut anytime soon.

Guv Das has kept mentioning that inflation war is not yet won, and even in the June 2023 MPC both Das and Dr. Patra mentioned that inflation has to be aligning towards 4% and not just hit the level in the short term. The end of rate hike cycle by Fed and MPC is still not a done deal mean that interest rates will be having a floor at around 7%, and RBI did say that if needed to bring inflation down, further monetary policy action will be taken. This will mean that short end yields will find little reason to move lower.

Debt ceiling deal means more backlog of issuances and more hawkish Fed, keeping US yields high amidst a tight labor market. The ₹ 2000 note withdrawal could induce ₹ 1 lac crs, pushing OMO (Open Market Operations) purchase possibilities further out into quarter 4 FY 2024. This can push yields higher in the belly, 10 year and long end. Our Range for 10 year G-sec is 6.95%-7.15%. Risks like El Nino and rate hikes by Fed, and higher crude oil along with China stimulus should be closely monitored.

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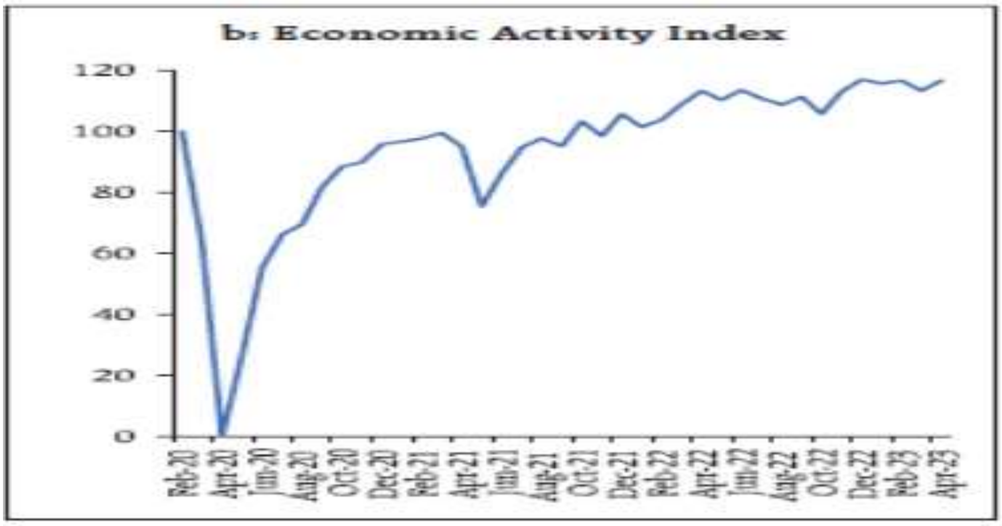
El Nino risks are worsening -

RBIs' economic activity index has been rising steadily -



PMIs reach 3 year highs -

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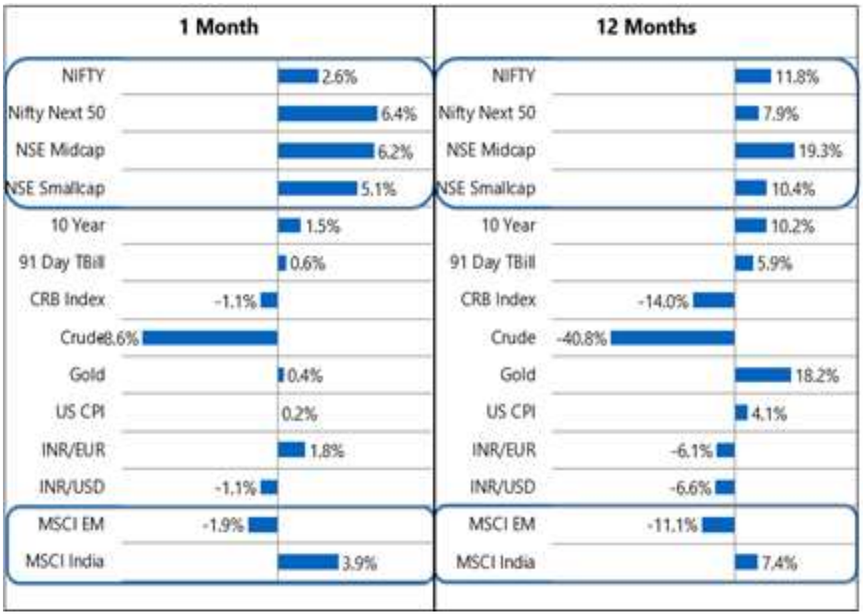
Equity Outlook

Equity Market Outlook for June 2023

Nifty and Sensex gave a return of 2.6% and 2.5% for the month of May 2023 with FPI's (Foreign Portfolio Investors) continuing to pump in money and earnings season holding up well against expectations.

NSE Mid and NSE Small Cap index continued to rally sharper than the larger peers with 6.2% and 5.1% returns. India performed strongly against its emerging market peers and covered up for some of the underperformance of recent months.



Market returns for 12 Months (in US$ terms)	
BRAZIL IBOVESPA INDEX	-10%
DOW JONES INDUS. AVG	0%
NASDAQ COMPOSITE	7%
S&P 500 INDEX	1%
KOSPI INDEX	-10%
HANG SENG INDEX	-15%
SHANGHAI SE COMPOSITE	-6%
Nifty 50	5%

Sectoral moves were sharper in sectors which saw margins trend up along with a normalized growth. Sectors that performed well on improved earnings were Automobile and FMCG. IT saw some improvement based on better performance from US markets after the fall it had seen in last few months. Commodities, oil and other metals, were underperformers on expectations of slower global growth and China recovery not playing out.

	1M		3M		6M		9M		12M	
	Returns	Rank	Returns	Rank	Returns	Rank	Returns	Rank	Returns	Rank
Auto	8%	1	12%	3	8%	3	8%	4	24%	3
Banking	2%	4	10%	5	1%	4	10%	3	22%	4
Capital Goods	1%	6	10%	4	10%	2	16%	2	37%	1
FMCG	7%	2	14%	2	12%	1	16%	1	32%	2
Healthcare	1%	7	8%	6	-4%	7	0%	7	1%	6
IT	6%	3	-1%	9	-4%	5	3%	5	-1%	7
Metal	-3%	9	3%	8	-4%	6	2%	6	8%	5
Oil & Gas	-2%	8	6%	7	-13%	8	-11%	8	-3%	8
Power	2%	5	16%	1	-19%	9	-27%	9	-10%	9

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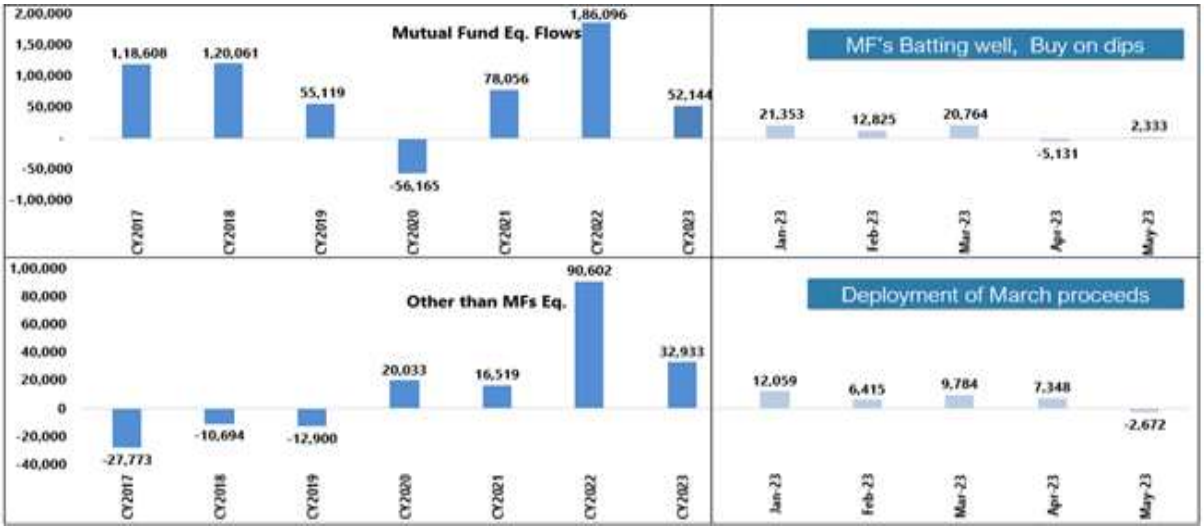
Bond yields in the month of May 2023 moved with 10 Year G-sec yields dropping from 7.11% to 6.99%. The yield curve saw a parallel shift with short end yields falling by as much. The market drew comfort from drop in global commodities and crude oil and benign inflation prints against expectations. The market also had a support from a lower net supply for the month compared to the scheduled borrowing for the rest of half 1 FY 2024. Markets started pricing in a quicker rate cut shift by Fed especially under the fallout from the debt-ceiling debate and stand-off in the US. INR weakened from 81.8 to 82.7 per USD with a resumption of DXY strength

Mutual Funds have been net buyers for the month deploying some of the cash. Domestic Institutions other than MF sold and booked some profits in the last month. FPI's on the other hand were aggressive in deployment and have bought stocks worth ₹ 38,000 crores. A large part of the deployment is based on some disappointment on recovery in the Chinese markets.



Nifty One year forward multiple has inched up to 20.3. The markets have priced in the economic and earnings recovery and also a pause in interest rate hike cycle on peaking inflation. Monsoon and its spread will play a crucial role in farm output and food inflation. Interest rate movements globally would also determine asset allocation strategies.

Debt markets have seen some softening in yields and we think that we should see yields trade in a narrow band as we expect a long pause. We continue to like and recommend investors to prefer Balance Fund, Bond Optimizer fund followed by Bond Fund.

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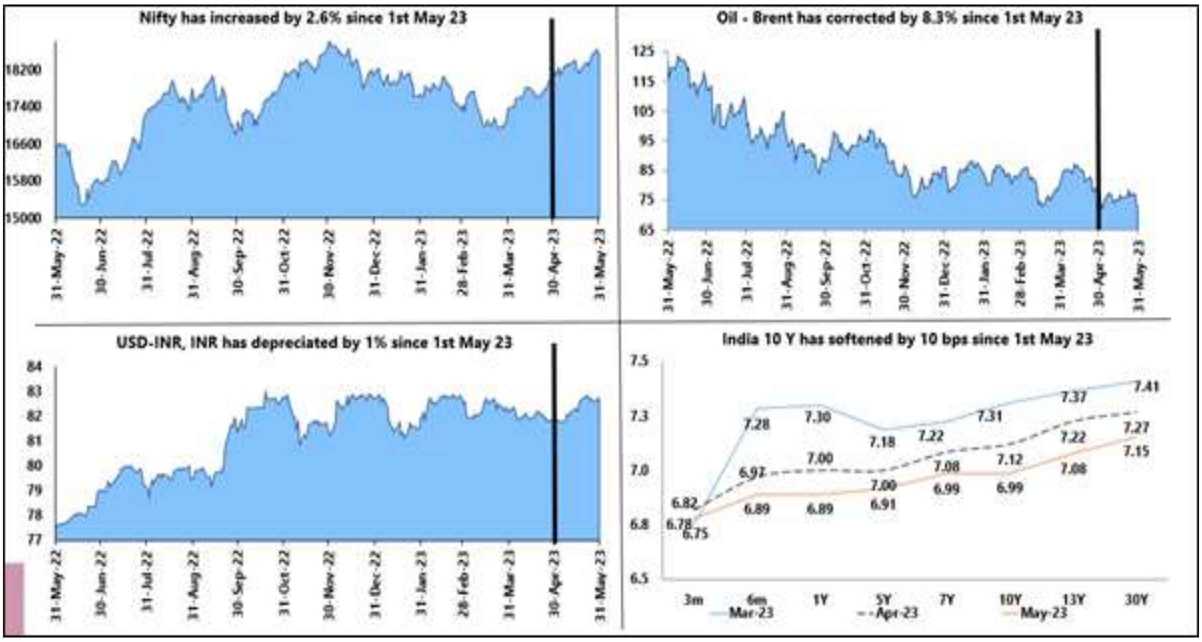

Nifty has increased by 2.6% since 1st May 23
Oil - Brent has corrected by 8.3% since 1st May 23
USD-INR, INR has depreciated by 1% since 1st May 23
India 10 Y has softened by 10 bps since 1st May 23
Mar-23
Apr-23
May-23

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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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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