Monthly Investment Update:
Volume 16, Issue 07
October, 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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CIN: L99999MH2000PLC129113

SBI Life
Apne liye. Apno ke liye.

Major Economic Indicators

Economic Indicators

Particulars	31-Oct-23	30-Sep-23	Change (%)	31-Mar-23	Change (%)
₹/$	83.26	83.04	-0.26%	82.18	-1.31%
Forex Res.(Bn- 1 Wk Lag)	$ 586.11	$ 590.70	-0.78%	$ 578.78	1.27%
Oil Price ($/Barrel)	$ 86.77	$ 97.80	-11.28%	$ 79.94	8.54%
Gold (₹/10 gm)	61,018	57,574	5.98%	59,530	2.50%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-24548	-14768	-66.22%	7936	-409.32%
Debt (monthly)	888	938	-5.33%	-2505	-135.45%

Indices

Particulars	31-Oct-23	30-Sep-23	Change (%)	31-Mar-23	Change (%)
BSE Sensex	63,874.93	65,828.41	-2.97%	58,991.52	8.28%
S&P CNX Nifty	19,079.60	19,638.30	-2.84%	17,359.75	9.91%
Dow Jones Industrial Avg	33,052.87	33,507.50	-1.36%	33,274.15	-0.67%
FTSE 100	7,321.72	7,608.08	-3.76%	7,631.74	-4.06%
Hang Seng Index	17,112.48	17,809.66	-3.91%	20,400.11	-16.12%
Nikkei 225	30,858.85	31,857.62	-3.14%	28,041.48	10.05%
B S E Realty Index	4,776.55	4,605.93	3.70%	3,101.56	54.00%
B S E FMCG Index	18,518.38	18,679.41	-0.86%	16,487.02	12.32%
B S E Auto Index	36,172.00	36,628.82	-1.25%	28,246.92	28.06%
B S E Information Technology Index	31,060.45	32,065.34	-3.13%	28,478.99	9.06%
B S E Bankex	48,448.07	50,174.68	-3.44%	46,031.95	5.25%
B S E Capital Goods Index	45,784.43	47,729.02	-4.07%	34,369.70	33.21%
B S E Oil & Gas Index	18,233.06	19,025.66	-4.17%	17,383.40	4.89%
B S E Metal Index	22,238.64	23,206.33	-4.17%	19,184.87	15.92%
B S E Healthcare Index	27,271.79	28,497.52	-4.30%	21,883.50	24.62%
B S E Power Index	4,431.42	4,659.60	-4.90%	3,605.80	22.90%

Primary Key Rates

Particulars	31-Oct-23	30-Sep-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	6.75%	6.50%	0.25%	6.20%	0.55%
Current Inflation Rate (WPI)	-0.26%	-0.52%	0.26%	3.85%	-4.11%
Current Inflation Rate (CPI) (Sept 23)	5.02%	6.83%	-1.81%	6.44%	-1.42%
IIP (WPI) % Y-O-Y (Aug 23)	10.30%	5.70%	4.60%	5.20%	5.10%
AAA spread (bps)	24.00	28.00	-14.29%	22.00	9.09%

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Particulars	2019-20	2020-21	2021-22	2022-23	Q1 FY24
Real GDP % (New Growth No. by CSO)	4.20%	-7.30%	9.10%	7.20%	7.80%

Interest Rates (FIMMDA)

Particulars	31-Oct-23	30-Sep-23	Change (%)	31-Mar-23	Change (%)
91 days T - Bill	6.93%	6.86%	0.07%	7.28%	-0.35%
364 days T - Bill	7.15%	7.08%	0.07%	7.30%	-0.15%
5 Years G - Sec (Annualized)	7.35%	7.24%	0.11%	7.18%	0.17%
10 Years G - Sec (Annualized)	7.39%	7.25%	0.15%	7.31%	0.08%
30 Years G - Sec (Annualized)	7.51%	7.40%	0.12%	7.39%	0.12%

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

October 2023 – Will markets turn red or green?

Benchmark 10-year treasury yields averaged at 7.34% in October 2023 versus 7.19 % in September2023. On month-end values, the 10-year yield was higher and ended the month at 7.35% (up 14bps month on month). The US 10-year yield is at 4.83% (+26bps month on month, +100bps year on year). INR depreciated over the month (down 0.3% month on month) and ended the month at US $ 83.26 in October 2023.

In the past 12 months, the INR (-2.0% year on year) has been marginally stronger and has outperformed the broader EM FX (Emerging market foreign currencies) (-2.9% year on year). DXY (Dollar Index) rose (0.5%) in October 2023 (following a -2.5% decline in September 2023).

India Macro movers

Retail inflation eased to four month-low print of 4.9% in October 2023. More importantly, core inflation dropped to 4.3%, lowest since April 2020. Both the prints are supported by favorable base of last year. In annual terms, the broad-based moderation across all the major components is comforting; however, the sequential momentum has picked up across headline, food, fuel, and core inflation. After two consecutive months of negative growth, food inflation grew by 1.1% month on month mainly driven by the pickup in vegetable prices to 3.4% month on month.

IIP growth for September 2023 printed at 5.8%, significantly lower than the revised reading of 10.3% in August 2023, on a year-on-year basis. Manufacturing segment grew by 4.5% in September 2023 as compared to a growth of 9.3% in August 2023.

Global News

Global equities fell sharply across regions. Among major regions, MSCI India (Morgan Stanley Capital International) was the best performing region (+1.7% month on month), being the only country that delivered positive returns while all other MSCI country indices ended in the red month on month. MSCI US was the weakest performer with -4.8% month on month returns, while all others expect Brazil were lower month on month by more than 2.5%. Despite the strong early-summer rally, our framework continues to point to challenging macro fundamentals and headwinds for risky assets. Over the past 6 months, the headwinds for risks in our framework are stronger, and tailwinds weaker, in our view. Interest rates and QT (quantitative tightening) headwinds are now stronger with tightening also in Europe and Japan.

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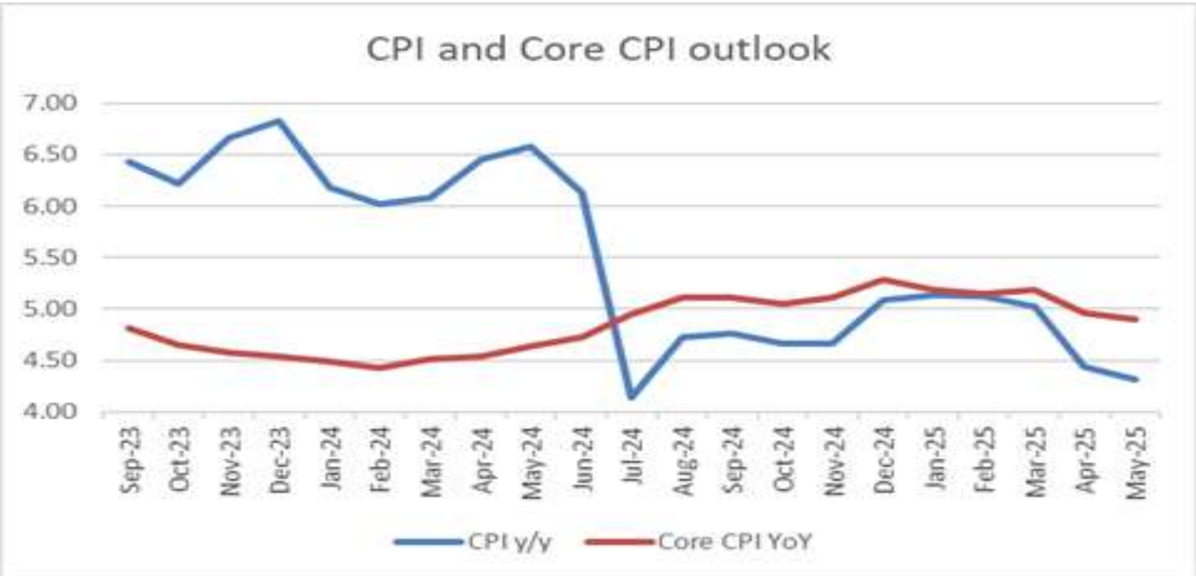
Oil eased with Brent crude settling at US $ 87/bbl versus US $ 95/bbl in September 2023. The situation in Gaza strip is sort of easing and with weakening China economic data oil should stay in the US $ 80-85/bbl range. US data moderated a bit with Citi Economic surprise index easing and thus markets are pricing no more rate hikes in this cycle by Fed (Federal Reserve). The FOMC (Federal Open Market Committee) meeting on 1st November 2023 did not rule away hikes but talked dovishly about moderating CPI. Data in Eurozone is weakening as well as shown by PMI (Purchasing Managers Index) numbers and UK CPI has started moderating.

Outlook

- MPC (Monetary Policy Committee) kept rates steady in October 2023, Growth and Inflation projections maintained.
- Food price shocks and geopolitical shock is keeping RBI worried on Inflation Domestic economy is doing well and is expected to get boost from festival season, but outlook seem choppy with PMIs off their peaks
- Sharp rise in UST along with curve steepening, supply-demand imbalances. This can continue for another 2 quarter at least. Slower CPI could bring down yields the way UST 10-year has fallen from 5% to 4.5%
- OMO (Open Market Operations) sale expectations range from 30k-70k crs. till March of FY 2024 could prevent yields from sharp fall inspite of Index Inclusion of Indian Bonds
- We expect 10-year to range between 7.20% and 7.40% in the near term, and Q4 FY 2024 could see rates coming down if growth moderates amid stable inflation.

India headline and Core CPI will see moderation in 2024



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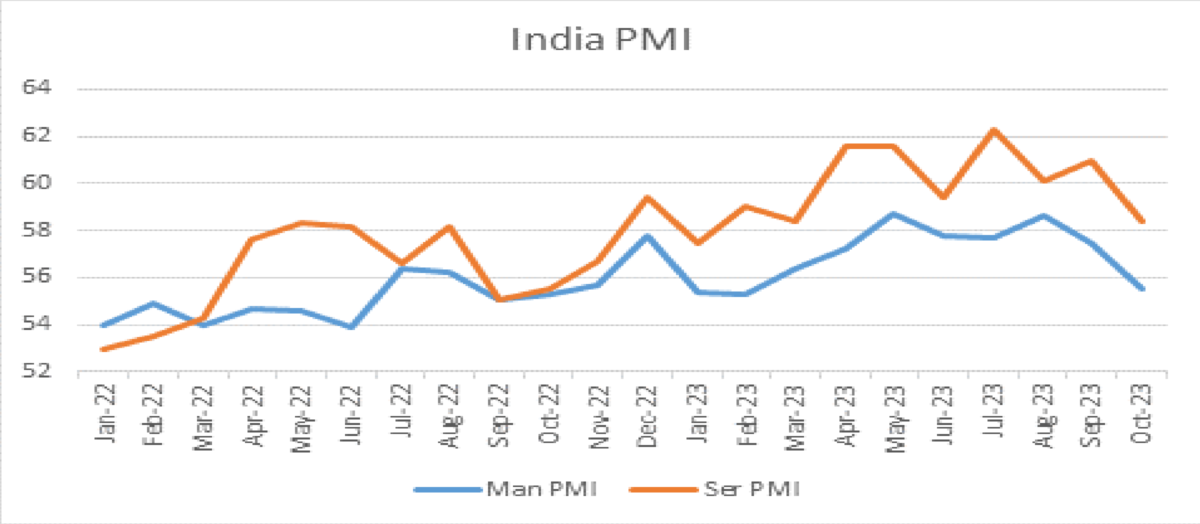
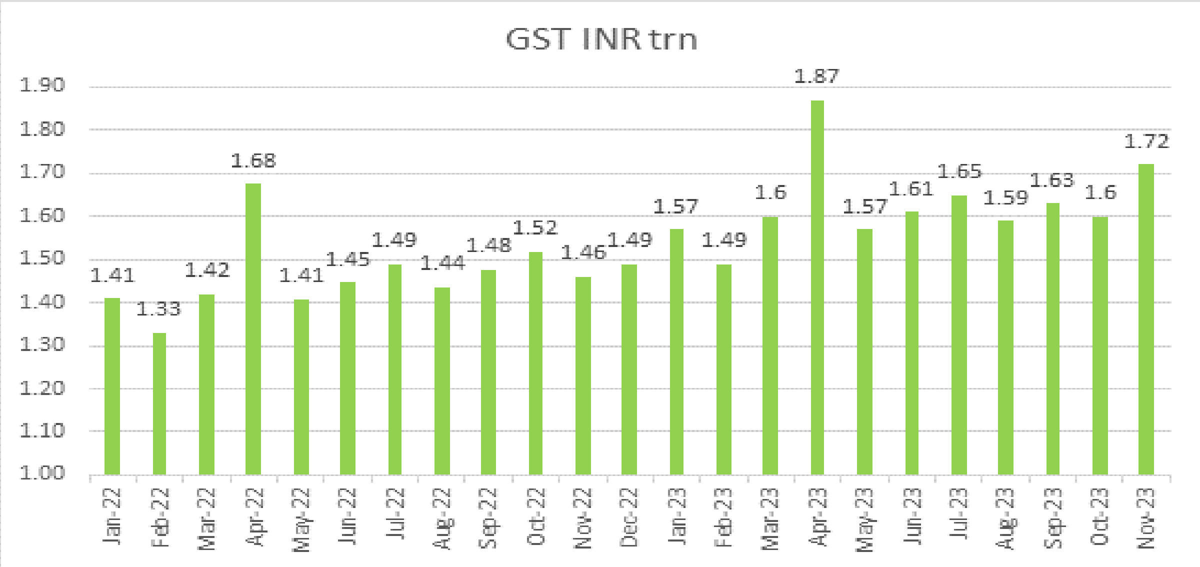
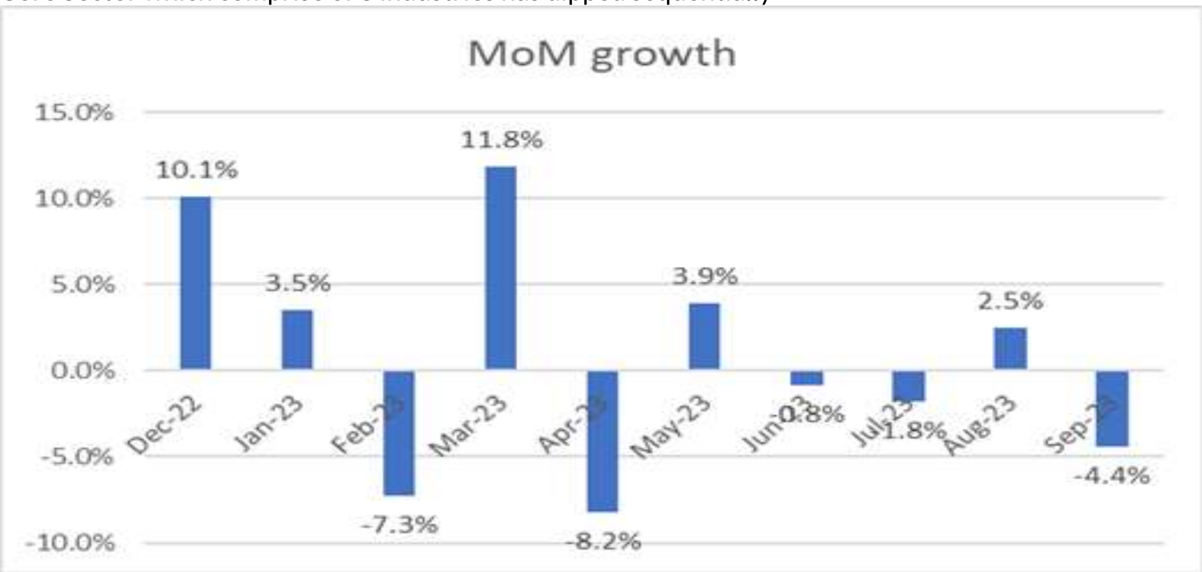
PMIs stay high, but dip for the first time in many months



GST collections remain solid and at around 1.6 lac crs, will be higher than the budget estimates



Core Sector which comprise of 8 industries has dipped sequentially



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US is all set for a soft landing with moderate growth, slowing inflation and narrow twin deficits

US	2021	2022	2023	2024e	2025e
Real GDP % y-o-y	5.8	1.9	2.1	1	1.9
CPI % y-o-y	4.7	8	4.1	2.7	2.3
Fiscal balance/GDP %	-11	-5.4	-5.9	-5.9	-6
Policy rate %	0.25	4.5	5.5	4.25	3.25
Curr. Acc. Balance/GDP %	-3.5	-3.8	-3.2	-3.1	-3

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Equity Outlook

Equity Market Outlook for the Month of November, 2023

Nifty and Sensex moved down 2.8% and 3.0% to end at 19080 and 63875 at the end of October 2023. Sentiments were bad with FPI's (Foreign Portfolio Investors) booking profits ahead of 5 state elections this month, uncertain environment on Israel Hamas conflict and rising bond yields in US.

Broader markets felt the tremor. NSE Midcap index was down 4.1% at 38877 and NSE Small Cap Index was down 0.8% to end at 12650. Stocks that moved the most were feeling the heat. Power sector stocks that moved, fell the most, together healthcare, metals, oil and Capital goods sector stocks and the respective sector indices fell the most. All these sector indices lost almost 4% plus.

Almost all the major global indices fell with 2 year and 10 year yields in US fixed income markets firming up. US 10 year yields clocked highs that it saw in 2008. Hong Kong was down 3.9%, UK 3.7%, Dow Jones 1.7% and US S&P 500 2.8%.

Foreign Institutional Investors sold stocks worth US $ 2.7 billion whereas Domestic Institutional Investors led by mutual funds bought stocks worth US $ 3.4 billion.

On the economic front CPI inflation fell to 5% for August 2023 versus 6.8% (increase led by sharp increase in food prices). WPI inflation fell to -0.26% for the same period. RBI kept rates unchanged in their policy when they met in between October 4th to 6th 2023. Inflation target is kept at 4%. 5 of the 6 members voted to keep it unchanged at 6.5%. They also kept their stance of withdrawing the accommodation to tame the inflation to targeted levels.

Results season has not come to an end but last slog overs are pending. Nifty companies have reported good numbers. A report mentions 42 Nifty companies' earnings are up 35% compared to expectations of 30%. This is phenomenal. Most of the earnings beat is due to costs coming off.

Despite Israel Hamas conflict Brent Crude prices have started to come off. India stands out in terms of growth compared to any other part of globe. Interest rates have not been hiked and inflation is listening to the central bankers in India and in the US. US inflation peaked at 9.1% and is now at 3.7%. Though things like wage hike and un employment numbers are yet to respond. The resilience of equity markets in India is surprising but is well supported by corporate bottom-line.

As Indian Equity indices have digested all the pain of interest rate hikes and is holding on due to good flow of liquidity ably supported by corporate earnings, we have changed our stance to be into equities especially in Nifty or Large cap indices last month. Benchmark Nifty has given a return of 5.93% for past 12 months as we speak.

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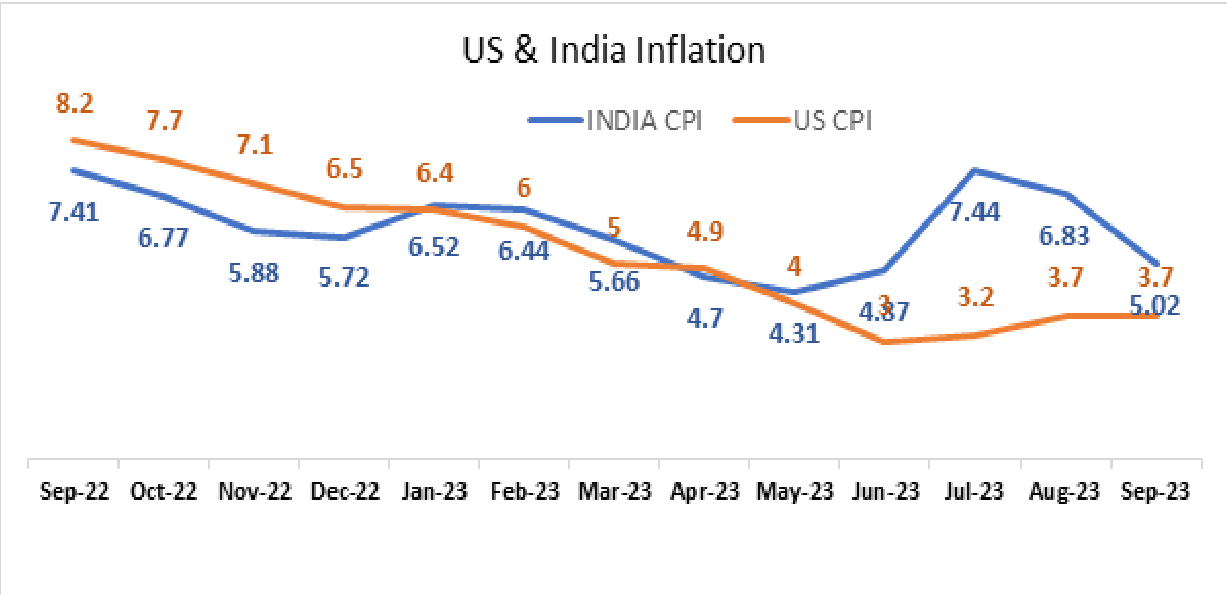
However, we are yet continuing to support our argument in favour of Fixed Income markets and funds. We like Bond Fund, Balance fund, Bond Optimizer and Equity fund in that order.

A chart on quarterly progress of corporate profitability for Nifty companies (in terms of Revenue, EBIDTA and PAT for last 4 quarters), inflation in India and US for last 12 months and FPI and Domestic flows for last 5 years is enclosed for reference.

Chart on quarterly progress of corporate profitability of Nifty companies (Source Kotak Securities Ltd)-

	Net sales growth (YoY)				EBITDA growth (YoY)				PAT growth (YoY)			
Nifty 50- Sector-wise	Sep-22	Dec-22	Mar-23	Jun-23	Sep-22	Dec-22	Mar-23	Jun-23	Sep-22	Dec-22	Mar-23	Jun-23
Automobiles & Components	32.8%	22.1%	28.0%	30.5%	34.0%	39.5%	48.3%	118.3%	741.6%	167.1%	177.8%	-5042.5%
Banks	19.1%	27.2%	33.3%	35.5%	51.4%	54.5%	49.8%	48.1%	21.2%	39.2%	39.1%	63.1%
Capital Goods	68.7%	25.2%	15.4%	-4.4%	68.8%	22.6%	25.5%	23.6%	37.1%	61.1%	25.8%	45.8%
Commodity Chemicals	18.8%	1.7%	10.9%	6.7%	35.7%	4.5%	38.6%	38.5%	31.3%	5.6%	34.2%	49.9%
Construction Materials	19.6%	18.1%	16.9%	13.0%	-16.3%	-1.3%	13.3%	3.6%	-31.0%	4.5%	-38.0%	-7.2%
Consumer staples	19.7%	10.1%	10.2%	2.1%	16.9%	18.9%	16.7%	12.2%	21.3%	19.6%	20.5%	16.0%
Diversified Financials	19.7%	25.5%	27.6%	43.8%	45.1%	35.5%	34.2%	44.4%	66.6%	40.6%	30.8%	37.7%
Electric Utilities	29.7%	27.7%	18.3%	0.1%	11.2%	13.5%	13.1%	8.5%	0.2%	8.1%	1.2%	9.5%
Fertilizers & Agricultural Chemicals	18.4%	21.1%	4.5%	-17.2%	25.5%	19.8%	-16.2%	-43.3%	26.7%	12.5%	-46.1%	-95.6%
Health care services	14.4%	17.2%	21.3%	16.4%	-10.2%	-17.6%	5.4%	6.3%	-17.7%	-32.8%	60.3%	-47.5%
IT Services	22.1%	21.5%	18.3%	10.3%	10.6%	14.8%	14.0%	9.3%	8.4%	12.1%	9.7%	10.2%
Insurance	13.3%	11.3%	19.1%	17.7%	73.4%	-78.5%	7656.1%	26.4%	35.1%	-3.0%	-3.4%	27.8%
Metals & Mining	12.4%	0.2%	-3.6%	-3.1%	-61.7%	-62.4%	-32.2%	-36.3%	-89.4%	-96.5%	-56.2%	-57.3%
Oil, Gas & Consumable Fuels	39.7%	19.1%	6.6%	-6.8%	0.3%	14.2%	-1.7%	51.6%	-26.5%	6.4%	12.5%	48.4%
Pharmaceuticals	8.5%	9.7%	9.2%	13.4%	12.3%	9.9%	765.1%	21.5%	6.8%	2.7%	40.0%	8.7%
Retailing	18.3%	12.8%	26.8%	20.9%	28.8%	-6.6%	47.2%	-5.9%	30.0%	-10.0%	33.4%	-4.1%
Telecommunication Services	21.9%	19.9%	14.3%	14.1%	27.4%	18.4%	16.6%	-2.1%	226.2%	156.3%	124.4%	154.9%
Transportation	32.8%	17.5%	40.0%	23.5%	35.9%	3.7%	-2.9%	76.6%	26.0%	-16.0%	108.5%	82.6%
Total	**28.5%**	**18.5%**	**14.0%**	**7.0%**	**12.3%**	**16.0%**	**17.1%**	**29.9%**	**-5.6%**	**9.7%**	**16.6%**	**38.4%**

US and India CPI over last 12 months-

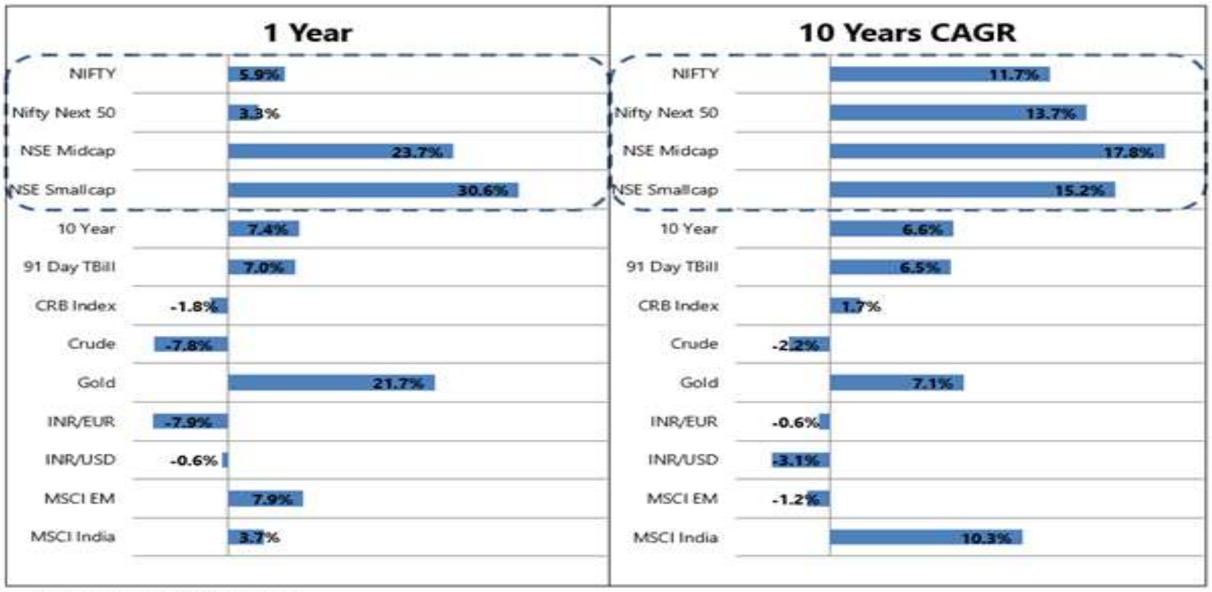


FPI and DII Flows Since 2018-

	In USD Bln	
Year	FII Equity Flows	DII equity flows
CY2018	-7.28	-6.93
CY2019	10.39	3.75
CY2020	13.24	-14.06
CY2021	-7.07	-1.40
CY2022	-18.85	-1.88
CY2023*	9.57	4.31

*Data Till Oct 2023

Asset Return- Long Term returns are healthy



As on 31st Oct 2023

BSE Sensex (since 1980): Yearly performance +ve in Oct (+ve 31 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			
			1984			
		2020	1989			
		2002	1983		1994	
		2015	1982		1981	
		1993	1980		1999	
		1996	2023	2005	2007	1985
		2011	2016	2014	1998	1990
		2000	2012	2010	1991	2003
	1987	2001	2018	1986	2021	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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