Monthly Investment Update:
Volume 16, Issue 06
September, 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	30-Sep-23	31-Aug-23	Change (%)	31-Mar-23	Change (%)
₹/$	83.04	82.78	-0.31%	82.18	-1.05%
Forex Res.(Bn- 1 Wk Lag)	$ 590.70	$ 594.86	-0.70%	$ 578.78	2.06%
Oil Price ($/Barrel)	$ 97.80	$ 86.30	13.33%	$ 79.94	22.34%
Gold (₹/10 gm)	57,574	59,143	-2.65%	59,530	-3.29%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-14768	12262	-220.44%	7936	-286.09%
Debt (monthly)	938	7733	-87.87%	-2505	-137.45%

Indices

Particulars	30-Sep-23	31-Aug-23	Change (%)	31-Mar-23	Change (%)
BSE Sensex	65,828.41	64,831.41	1.54%	58,991.52	11.59%
S&P CNX Nifty	19,638.30	19,253.80	2.00%	17,359.75	13.13%
Dow Jones Industrial Avg	33,507.50	34,721.91	-3.50%	33,274.15	0.70%
FTSE 100	7,608.08	7,439.13	2.27%	7,631.74	-0.31%
Hang Seng Index	17,809.66	18,382.06	-3.11%	20,400.11	-12.70%
Nikkei 225	31,857.62	32,619.34	-2.34%	28,041.48	13.61%
B S E Power Index	4,659.60	4,351.96	7.07%	3,605.80	29.23%
B S E Metal Index	23,206.33	21,817.72	6.36%	19,184.87	20.96%
B S E Capital Goods Index	47,729.02	45,215.72	5.56%	34,369.70	38.87%
B S E Oil & Gas Index	19,025.66	18,446.17	3.14%	17,383.40	9.45%
B S E Auto Index	36,628.82	35,513.33	3.14%	28,246.92	29.67%
B S E Realty Index	4,605.93	4,468.16	3.08%	3,101.56	48.50%
B S E Healthcare Index	28,497.52	27,894.79	2.16%	21,883.50	30.22%
B S E Information Technology Index	32,065.34	31,528.24	1.70%	28,478.99	12.59%
B S E Bankex	50,174.68	49,371.95	1.63%	46,031.95	9.00%
B S E FMCG Index	18,679.41	18,464.75	1.16%	16,487.02	13.30%

Primary Key Rates

Particulars	30-Sep-23	31-Aug-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	6.50%	6.60%	-0.10%	6.20%	0.30%
Current Inflation Rate (WPI)	-0.52%	-1.36%	0.84%	3.85%	-4.37%
Current Inflation Rate (CPI) (Aug 23)	6.83%	7.44%	-0.61%	6.44%	0.39%
IIP (WPI) % Y-O-Y (July 23)	5.70%	3.70%	2.00%	5.20%	0.50%
AAA spread (bps)	28.00	29.00	-3.45%	22.00	27.27%

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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	30-Sep-23	31-Aug-23	Change (%)	31-Mar-23	Change (%)
91 days T - Bill	6.86%	6.82%	0.04%	7.28%	-0.42%
364 days T - Bill	7.08%	7.03%	0.05%	7.30%	-0.22%
5 Years G - Sec (Annualized)	7.24%	7.16%	0.08%	7.18%	0.06%
10 Years G - Sec (Annualized)	7.25%	7.17%	0.08%	7.31%	-0.06%
30 Years G - Sec (Annualized)	7.40%	7.33%	0.07%	7.39%	0.00%

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

September 2023 – Into the second half

Benchmark 10-year treasury yields averaged at 7.19% in September 2023 (flat month on month versus the August 2023 average). On month-end values, the 10-year yield was higher and ended the month at 7.22% (up 5bps month on month). The US 10-year yield is at 4.57% (+46bps month on month, +74bps year on year). INR depreciated over the month (down 0.3% month on month) and ended the month at US$ 83.04 in September 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 (+2.5%) in September 2023 (following a -1.7% decline in August 2023) and ended the month at 106.2 (-5.3% in the last 12 months).

India Macro movers

CPI sub 7%, to fall further but all eyes on the rains (report). August 2023 CPI undershot expectations, softening to 6.8% from 7.4% in July 2023, as volatile vegetable prices that had pressured the July 2023 print corrected in the other direction. On its part, CPI ex-vegetable-prices – which is a more stable measure of where the headline is – inched up to 5.5% in August 2023 from 5.4% in July 2023. To be sure, vegetable prices continue to correct in September 2023 and, in conjunction with the ~20% cut in LPG prices announced by authorities a few weeks ago, should pull down September 2023 CPI to the 5-5.5% handle.

June 2023 IP printed below expectations at 3.7% (Consensus: 5.0%) as the global goods slowdown, begins to weigh on exports and industrial activity, as we have been highlighting. On a sequential basis IP contracted 0.4% month on month in June 2023, though on the back of 3.0% increase in April 2023 followed by a 1.0% rise in May 2023. In the coming months, capital goods production and imports will be closely watched to gauge if private investment is gaining ground.

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

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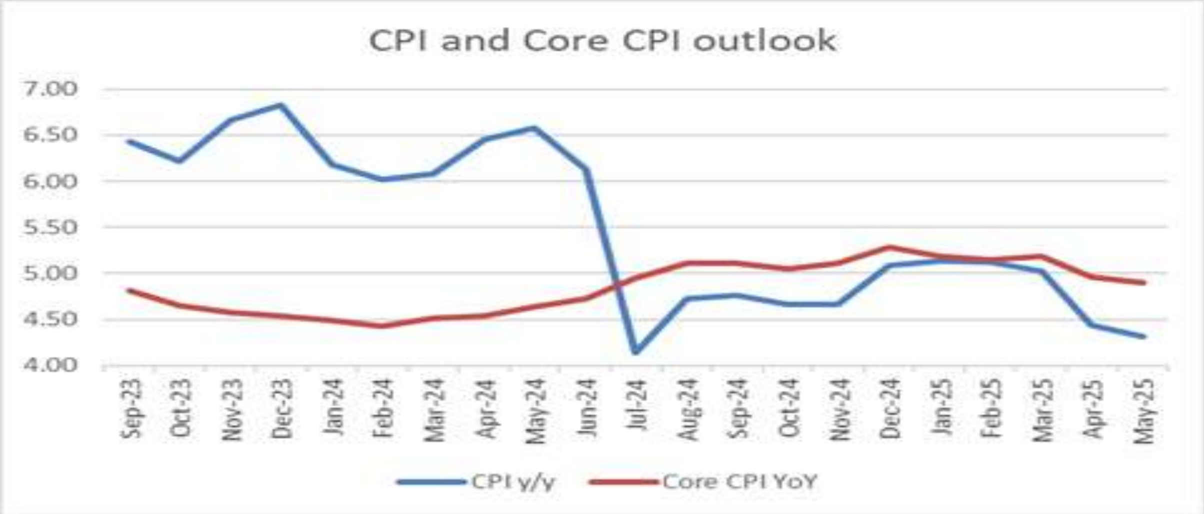
continues to point to challenging macro fundamentals and headwinds for risky assets. Over the past 6 months, the headwinds for risks in our framework are stronger, and tailwinds weaker, in our view. Interest rates and Quantitative Tightening headwinds are now stronger with tightening also in Europe and Japan.

Geopolitical factors deteriorated and Valuations are now also worse. Tailwinds that were sustaining risk sentiment are also weaker. China reopening has now turned into a slight headwind, positioning is now above average, low levels of VIX (Volatility Index) could change going forward, and consumers' large cash cushion is now being eroded. While fiscal policy is still supportive, it is moderating. While we are not saying that the situation now is the same as in 2007-08, there are enough similarities to warrant caution. What we find remarkable is that going into the crisis in 2007, investors were discussing the exact same topics as today: Fed pause, consumer resiliency, soft landing, strong jobs, etc. Brent and USD rally should be seen as concerning for stocks. Most of the Brent up move is supply driven. Historically, strengthening USD was almost always met with risk-off in equities. The current move up in bond yields could be seen as a sign that "higher for longer" will deliver pain. In China, we see more signs of improving fundamentals. Japanese equities to outperform as global markets begun to further price in a "higher for longer" scenario. We are turning bullish once again on the global energy complex. While our base case is for an US $ 86/bbl year-end level, risks are skewed to the upside for oil over both the near and long-term.

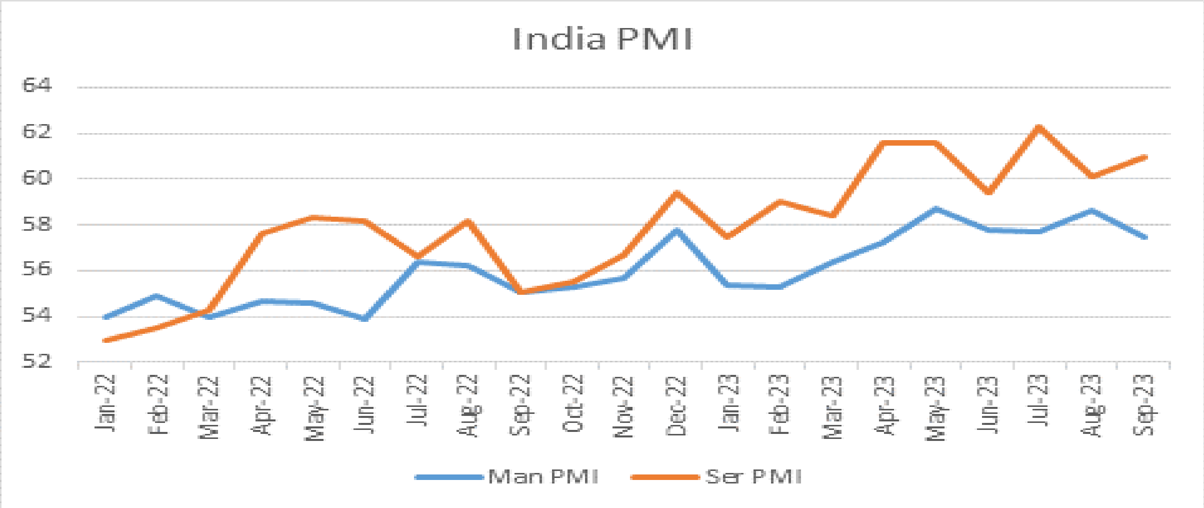
Outlook

- MPC kept rates steady in October 2023
- Growth and Inflation projections maintained
- RBI Govt. mentioned that OMO (Open Market Operations) sales could be a preferred tool for keeping liquidity withdrawal in place, pushing yields higher by 20 bps
- Brent crude heading above 90/bbl is a risk, and this looks likely with the new production cuts by OPEC (Organization of the Petroleum Exporting Countries), which will be extended till December 2023, plus the emergence of Hamas-Israel conflict
- US Fed rate hikes are still not done, but presently only 30% chance of a final hike
- We expect 10-year to range between 7.20% and 7.40% in the near term, and Q4 FY 24 could see rates coming down if growth moderates amid stable inflation, and also a much smoother Bond supply

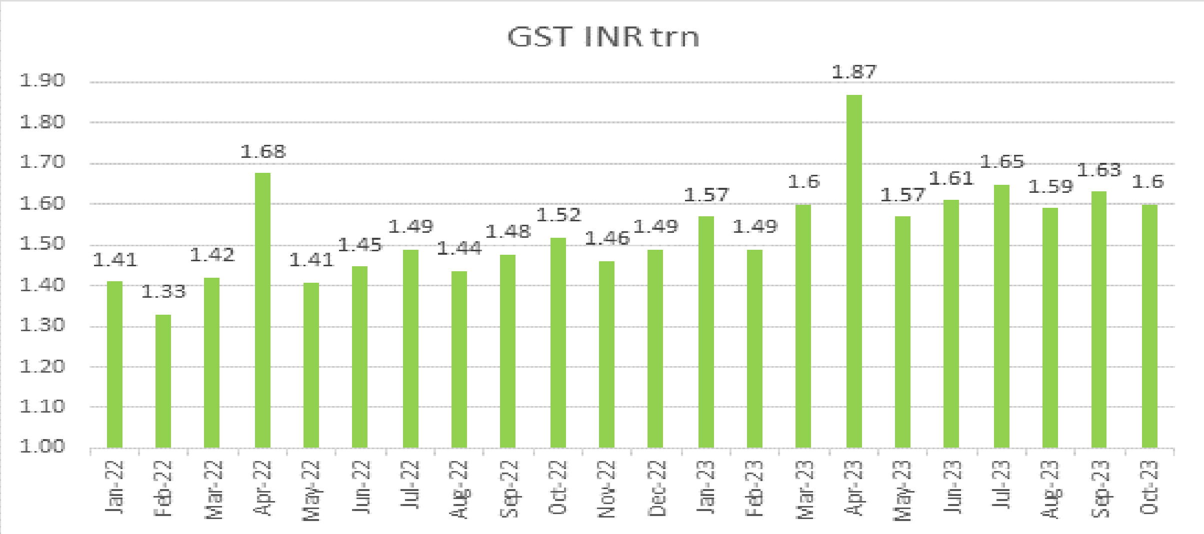
India headline and Core CPI will see moderation in 2024



PMIs stay high, one of the best in the World showing strong sentiments and outlook



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



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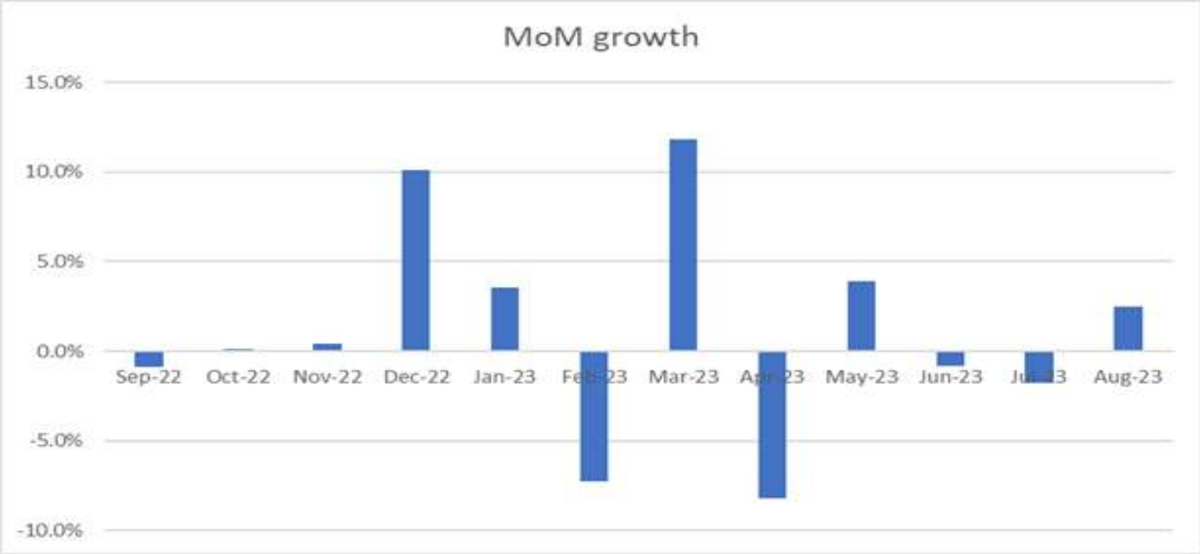
Core Sector which comprise of 8 industries has once again seen some mild revival



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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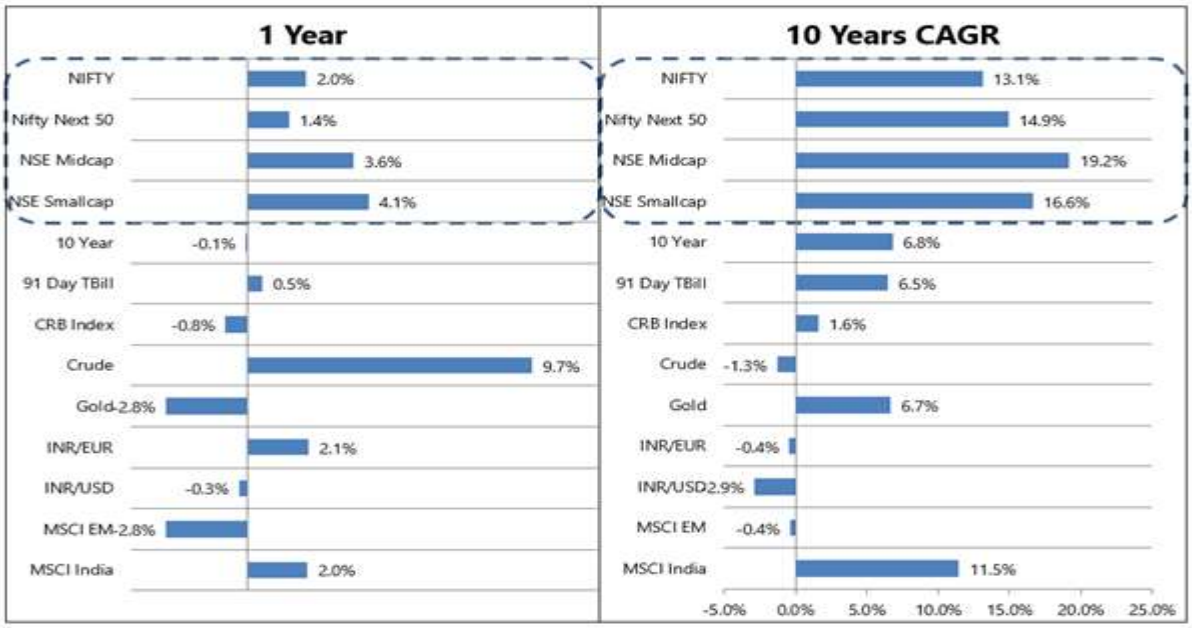
Equity Outlook

Equity Outlook for the Month of October, 2023

Sensex gained 1.5% and Nifty 2% last month to end at 65828 and 19638. Optimism was all around with successful completion of G20 Summit locally and no rate hike in US. Equity markets brushed aside a sharp rise of 10% in Brent crude last month which ended at US $ 95.31/bbl.

On a one year basis our markets have fared well in USD terms with a return of 13%. Against this Brazil has provided 14%, Dow clocked 17%, Nasdaq 25%, S&P 500 US 20%, Kospi 21% & shahghai 4%. Good amount of interest here in the local markets.

Broader markets were stronger. NSE Mid Cap 100 index and the NSE Small Cap 100 Index ended at 40537 and 12749 up 3.6% and 4.1% respectively for the month and 28.7% and 31% YTD despite warnings & reports from many of the experts including us that they are expensive and vulnerable to events like Russia Ukraine stand-off, hike in rates, slowdown and recession. Energy & Infrastructure stocks led the rally. CNX energy gave a return of 6.2%, Infrastructure 5%.



Domestic institutions were buyers to the extent of US $ 1.3 billion. FPI's (Foreign Portfolio Investors) sold stocks worth US $ 1.8 billion. Indices showed strength. FPI's have sold across all the markets. In the month of September 2023 FPI's sold stocks worth US $ 5.8 billion in Taiwan and US $ 1.6 billion in S Korea. They were sellers in other Asian markets too. Mortgage bonds in US went up to 7% and may be this is one of the reasons for the sell off.

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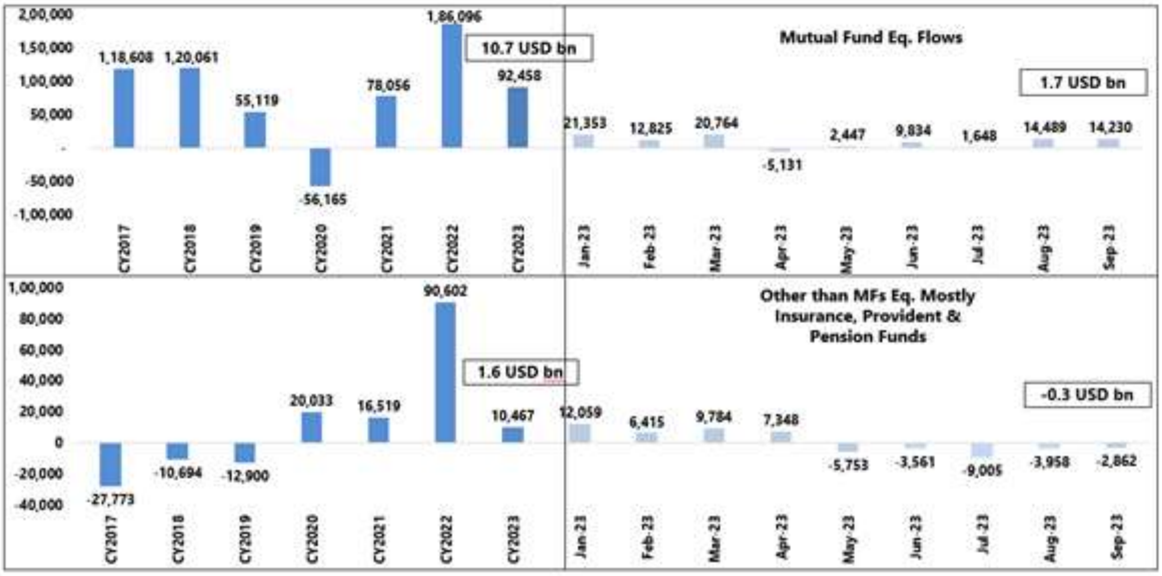

Source: SEBI, BSE

August 2023 CPI came in at 6.8% down 0.6% month on month. WPI increased by 90 basis to -0.5%. Index of Industrial production came in at 5.7% for July 2023 versus 3.8% for June 2023. CPI increase is on expected lines as Food and Vegetable prices moved during the month sharply. Inclusion of India in the JP Morgan EM Bond Index is a big win for the country. Based on size right now its estimated to get inflows of over US $ 20 billion on an annual basis.

On an average rainfall as on September 2023 end was deficient by 6% led primarily by regions in North East and Eastern parts of the country.

Markets expect Nifty Revenue, EBIDTA and PAT growth for the quarter ending September 2023 @ 6.5%, 20.4% and 22.9%. Slow pace of revenue growth indicates margin expansion led by costs decreasing as a main cause for profitability.

BSE Sensex (since 1980): Yearly performance +ve in Sep (+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
			2010			
			2018			
			2023			
			2012			
			1989			
			1984			
		2020	2017			
		2015	1980	2007	1994	
		2022	1982	2014	2021	
		1996	2019	2009	2005	
		2000	2016	1991	1999	
	1998	1993	2002	2004	2003	1990
	1987	2011	1983	1986	1988	1992
2001	2008	1995	2013	1997	2006	1985

Sensex yearly Performance in percent

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Markets have shown resilience despite head winds of hardening interest rates, recession in certain parts of globe, Russia Ukraine standoff last year, un-precedent increase commodity prices in Euro Zone then and Israel conflict this month together with high and falling crude prices.

It is interesting to view the outcome of rising rates in US and an accommodative stance taken by China, two major economies of the world.

It will start discounting the outcome of 5 state elections in the coming month. A correction may come through before exit polls next month. Depending on what the outcome of 5 state elections is. There may be one more correction before the general elections likely in 1st quarter of the FY 2025.

We hold cautious stance on equity. With rising inflation (led by food) an expectation of flat to downward sloping interest rate is also reviewed. Rates may not soften it least for a couple of quarters now.

We still would advice investments in Bond fund, Balance fund, Corporate Bond fund.

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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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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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