

invest care

In unit linked policies, the investment risk in investment portfolio is borne by the policyholder



December, 2024



UNIT LINKED PRODUCTS FROM SBI LIFE INSURANCE CO. LTD.

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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

Major Economic Indicators

Economic Indicators

| Particulars | 31-Dec-24 | 30-Nov-24 | Change (%) | 31-Mar-24 | Change (%) |
|--------------------------------------|-----------|-----------|--------------|-----------|------------|
| ₹/\$ | 85.61 | 84.49 | ▶ -1.33% | 83.40 | ▶ -2.65% |
| Forex Res.(Bn- 1 Wk Lag) | \$ 644.39 | \$ 656.58 | ▶ -1.86% | \$ 642.63 | ▶ 0.27% |
| Oil Price (\$/Barrel) | \$ 75.04 | \$ 72.83 | ▶ 3.03% | \$ 86.84 | ▶ -13.59% |
| FII inflows (Net) - Crs (`) | | | | | |
| Equity (monthly) | 15446 | -21612 | ▶ -171.47% | 35098 | ▶ -55.99% |
| Debt (monthly) | 12512 | -36 | ▶ -34855.56% | 13602 | ▶ -8.01% |

Indices

| Particulars | 31-Dec-24 | 30-Nov-24 | Change (%) | 31-Mar-24 | Change (%) |
|------------------------------------|-----------|-----------|------------|-----------|------------|
| BSE Sensex | 78,139.01 | 79,802.79 | ▶ -2.08% | 73,651.35 | ▶ 6.09% |
| S&P CNX Nifty | 23,644.80 | 24,131.10 | ▶ -2.02% | 22,326.90 | ▶ 5.90% |
| Dow Jones Industrial Avg | 42,544.22 | 44,910.65 | ▶ -5.27% | 39,807.37 | ▶ 6.88% |
| FTSE 100 | 8,173.02 | 8,287.30 | ▶ -1.38% | 7,952.62 | ▶ 2.77% |
| Hang Seng Index | 20,059.95 | 19,423.61 | ▶ 3.28% | 16,541.42 | ▶ 21.27% |
| Nikkei 225 | 39,894.54 | 38,208.03 | ▶ 4.41% | 40,369.44 | ▶ -1.18% |
| B S E Metal Index | 28,892.21 | 30,536.66 | ▶ -5.39% | 28,196.08 | ▶ 2.47% |
| B S E Power Index | 6,965.68 | 7,489.62 | ▶ -7.00% | 6,701.74 | ▶ 3.94% |
| B S E Realty Index | 8,234.10 | 7,959.82 | ▶ 3.45% | 7,108.37 | ▶ 15.84% |
| B S E Auto Index | 51,662.98 | 52,897.87 | ▶ -2.33% | 49,142.11 | ▶ 5.13% |
| B S E FMCG Index | 20,771.92 | 21,213.42 | ▶ -2.08% | 19,318.40 | ▶ 7.52% |
| B S E Bankex | 57,741.99 | 59,298.07 | ▶ -2.62% | 53,515.19 | ▶ 7.90% |
| B S E Healthcare Index | 45,276.58 | 43,665.51 | ▶ 3.69% | 35,052.84 | ▶ 29.17% |
| B S E Capital Goods Index | 67,779.50 | 70,700.26 | ▶ -4.13% | 60,943.12 | ▶ 11.22% |
| B S E Information Technology Index | 43,187.78 | 42,783.48 | ▶ 0.94% | 35,644.77 | ▶ 21.16% |
| B S E Oil & Gas Index | 26,064.59 | 26,812.75 | ▶ -2.79% | 27,644.48 | ▶ -5.72% |

Primary Key Rates

| Particulars | 31-Dec-24 | 30-Nov-24 | Change (%) | 31-Mar-24 | 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 # | 4.00% | 4.50% | ▶ -0.50% | 4.50% | ▶ -0.50% |
| SLR *# | 18.00% | 18.00% | ▶ 0.00% | 18.00% | ▶ 0.00% |
| Call money rate | 6.00% | 6.25% | ▶ -0.25% | 6.10% | ▶ -0.10% |
| Current Inflation Rate (WPI) | 1.89% | 2.36% | ▶ -0.47% | 0.20% | ▶ 1.69% |
| Current Inflation Rate (CPI) (July 24) | 5.48% | 6.21% | ▶ -0.73% | 5.09% | ▶ 0.39% |
| IIP (WPI) % Y-O-Y (June 24) | 3.50% | 3.10% | ▶ 0.40% | 3.80% | ▶ -0.30% |
| AAA spread (bps) | 37.00 | 35.00 | ▶ 5.71% | 29.00 | ▶ 27.59% |

| Particulars | 2020-21 | 2021-22 | 2022-23 | Q1 FY24 | Q3 FY24 |
|------------------------------------|---------|---------|---------|---------|---------|
| Real GDP % (New Growth No. by CSO) | -7.30% | -7.30% | 7.20% | 7.80% | 8.40% |

Interest Rates (FIMMDA)

| Particulars | 31-Dec-24 | 30-Nov-24 | Change (%) | 31-Mar-24 | Change (%) |
|-------------------------------|-----------|-----------|------------|-----------|------------|
| 91 days T - Bill | 6.59% | 6.50% | ▶ 0.09% | 7.00% | ▶ -0.41% |
| 364 days T - Bill | 6.25% | 6.55% | ▶ -0.30% | 7.07% | ▶ -0.82% |
| 5 Years G - Sec (Annualized) | 6.72% | 6.70% | ▶ 0.02% | 7.05% | ▶ -0.33% |
| 10 Years G - Sec (Annualized) | 6.82% | 6.82% | ▶ 0.00% | 7.08% | ▶ -0.27% |
| 30 Years G - Sec (Annualized) | 7.02% | 7.01% | ▶ 0.01% | 7.12% | ▶ -0.10% |

* w e f Feb 08, 2023

** w e f May 22, 2020

w e f May 21, 2022

*# w e f Apr 09, 2020

CSO (CHIEF STATISTICAL OFFICE)

CPI – Consumer Price Index

WPI – Wholesale Price Index

IIP – Index of Industrial Production

Data Sources

NSE

BSE

RBI

FIMMDA

Bloomberg & Reuters

DEBT MARKET REVIEW AND OUTLOOK

Market Review

December 2024 – Will the new year bring easing?

Benchmark 10-year treasury yields rose to 6.76% in December from 6.74% in November 2024. The US 10- Year yield was at 4.56% at the end of December 2024(+40 bps Month on Month). INR was weaker at around 85.6 against 84.5 in September 2024.

India Macro Movers

Retail inflation came in at 5.5% in November 2024, from October's 6.21%. Core CPI has been steadily remaining under 4%. The latest month saw Core CPI at 3.72%. Food prices have been easing with core CPI growing only 0.3% month on month. Core CPI has below 4% for 12 straight months.

India IIP came in higher at 3.5% year on year in October 2024 compared to last month. GST collections have been steadily easing with latest figures at 1.76 lac crs in December 2024 versus 1.82 lac crs in November 2024. PMIs are mixed with Manufacturing PMI dropping from 56.4 to 57.5 in 2 months while services PMI rising from 58.5 to 59.3

Global News

Economic data in the US, is a mixed bag and with Trump Winning the Presidential Elections, inflationary upticks could reduce pace. FED(Federal Reserve) could keep rates at status quo in the next few meetings, with markets expecting next cut only in June 2025. The markets are expecting 1-2 cuts in 2025 instead of the original 4 and in coming data will determine the new FED DOTS in March meeting. Euro Area and UK inflation and growth have been lower and hence we could see faster cuts in these regions compared to US.

Outlook

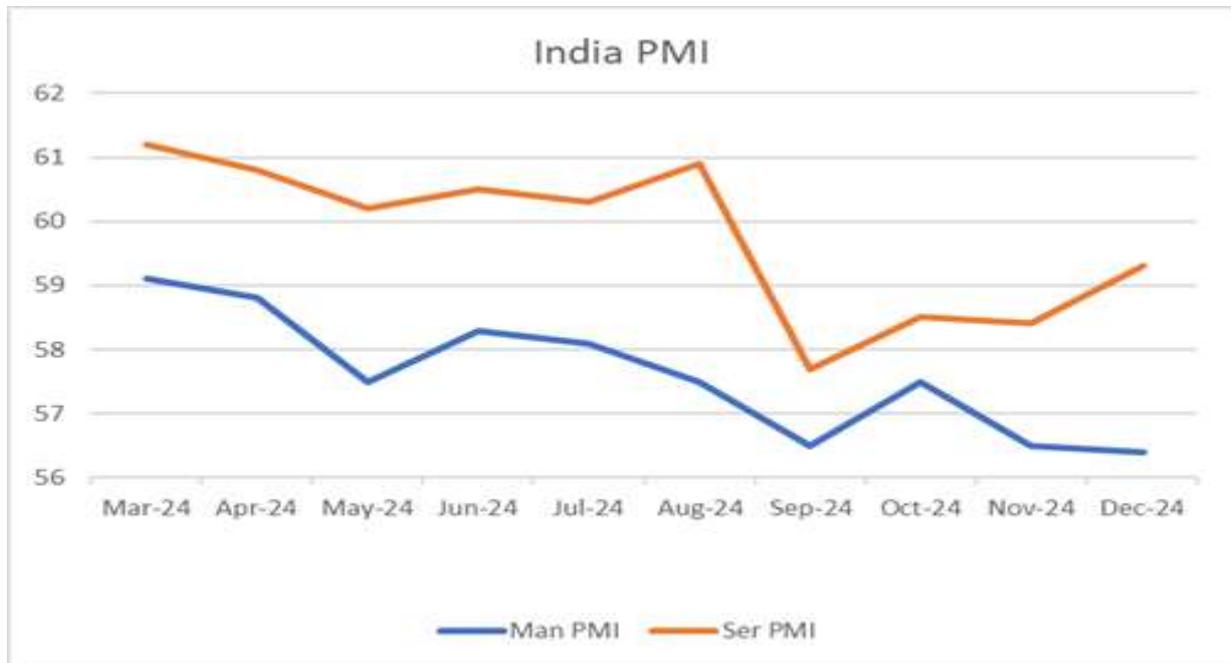
MPC kept rates steady in December 2024, Growth brought down to 6.6% from 7.2% in FY 25, and Inflation projection has been pushed up to maintained at 4.8%. The surprise was the change in stance from tight to neutral. We expect the RBI to cut rates in February 2025 based on the trajectory of growth and inflation in the coming months.

The benchmark 10y could go to 6.50% and below gradually in next one year due to policy rate cuts, Fiscal consolidation and Bond index inclusion. Fall in G-sec rates most likely to be gradual move rather than fast. We expect 30 year- 10 year spreads to remain in range of 15-30 bps for the H1 part of the 2026.

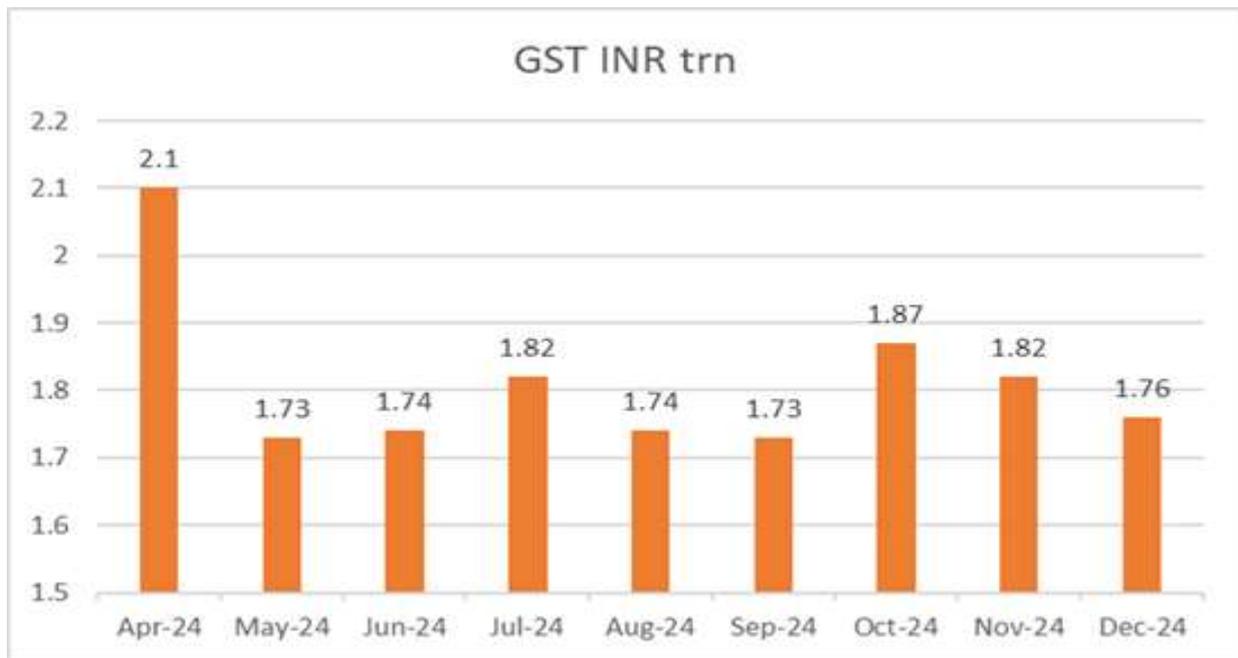
India headline rose owing to higher food prices, Core CPI is seeing moderation ON MONTH ON MONTH BASIS

| | CPI mom % | Core CPI mom % |
|--------|-----------|----------------|
| Jul-24 | 1.47 | 0.65 |
| Aug-24 | 0.00 | 0.38 |
| Sep-24 | 0.62 | 0.27 |
| Oct-24 | 1.34 | 0.53 |
| Nov-24 | -0.15 | 0.21 |

PMIs have moderated, but never too much to create any concern



GST collections continue to soften, with collections falling below Rs. 1.8 trillion



Equity Outlook

Equity Market Outlook for the Month of January, 2025

Nifty and Sensex ended at 78,139 and 23,645 respectively, down 2.1% and down 2% for the month of December 2024. There was momentary respite from FPI outflows in the first half of the month, which resumed post a mid-December rate cut and hawkish commentary from the US Fed.

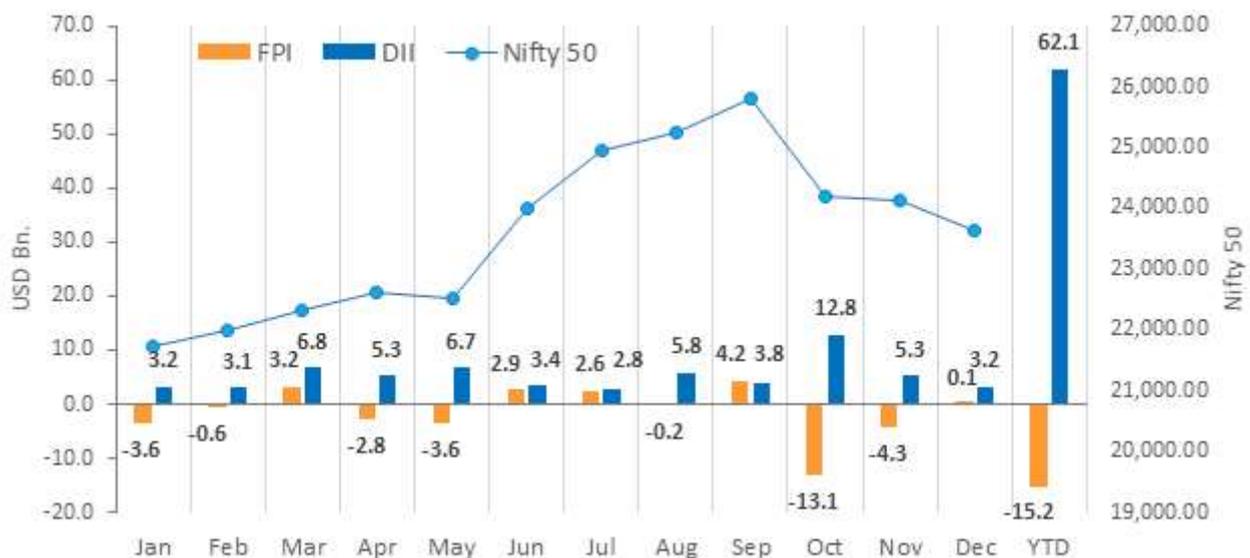
Broad markets in India rose marginally, with the NSE Small-cap 100 index up by 0.6% and NSE Mid-cap 100 index up 1.4% in the month.

Our markets performed at par with US equity indices, with the S&P 500 falling by 2.4% in December. The Pharma sector outperformed with returns of 5.3%, while Energy was the top under-performer, falling 6.1%.

India's CPI inflation returned within RBI's tolerance band during November, standing at 5.5%, down from 6.2% for October 2024. WPI inflation for November eased to 1.9% against 2.4% for October. Food inflation, although still high, eased to 9.04% in November from 10.87% in October 2024. Last month, RBI revised its FY2025 inflation estimates up by 30 bps to 4.5% and FY2025 GDP growth estimates down 60 bps to 6.6%. While rates were kept unchanged in their December 2024 meeting, the RBI has reduced the CRR by 50 bps to 4%. Sanjay Malhotra took charge as the next RBI Governor, following the end of former Governor Mr. Shaktikanta Das' two-term tenure.

FPIs sold Indian stocks worth 296 million USD while locals bought stocks worth 3.2 billion USD. The US Fed cut rates by 25 bps on 18th December 2024 sparking a rally in US Dollar which had taken a short pause. As of 31st December 2024, the Dollar Index stands at 108.48, and S&P 500 at 5881.63, up 6.1% and 23.5% respectively in 2024.

Fig 1. DII and FII flows from Jan '24 to Dec '24



Mutual fund inflows remained robust in November 2024. Monthly inflows to mutual funds are provided in the Annexure along with net flows through SIPs.

In the wake of Trump’s election, political uncertainty has spread globally in related and unrelated developments – South Korea is facing turmoil over the impeachment of its President after he imposed martial law in a bid to consolidate power, the German Parliament has been dissolved to trigger snap elections in Feb 2024, the French Government has collapsed after a successful no-confidence vote and the Canadian Government has seen high-level cabinet resignations that threaten its stability. Amid this, a 60-day ceasefire between Israel and Hezbollah was brokered by the US, leading to some respite after months of trading blows that added uncertainty to an already fragile Middle-Eastern political environment.

This year has once more belonged to the US markets. S&P 500 has given a return of 23.3% for CY 2024, over and above 24.2% in 2023. This is the fourth year in the last 6 years that the S&P500 has given more than 20% return. This has been the best 2 years performance during the century (FT). This year the rally is narrow. In addition to FAANG stocks, we had NVidia this year which gave a return of 172%. Returns were driven by companies who have invested in AI.

Indian Markets gave up towards the end of the year to clock a final return of 8.8% in CY24. Slowing GDP figures, rupee weakening, stubborn inflation, slowing credit growth, weak profitability & FPI selling impacted the markets overall. Domestic savings channelized by institutions towards Equity markets set off some of this selling.

Government spending may pick up now that government formation is through. Inflation has started to moderate and we will keenly watch the developments and views actions from the central bank towards weakening growth. Measures like change in stance and CRR cuts were in the direction of easing. Brokerages do expect FY 2026 to be a better year compared to FY 2025 with growth in earnings expected to be in mid to high teens for Nifty. Domestic savings channelizing towards institutions (without meaningful withdrawals) will also play a key role for the coming year to hold the markets.

We are positive and recommend fresh flows be directed to investing in Mid Cap Fund looking at its strength while large cap stocks gave up. The fact that FPI investments are concentrated in large caps may be giving respite for Mid Cap stocks. The Index itself is expensive, however opportunities within are to be exploited. Followed by Mid Cap, we are positive on the Equity and Bond Fund. After returning 8.8% return last calendar year Equity may bounce back. On a 3 year horizon as a asset class it should perform. We expect rate cuts to materialize this year with growth falling off and as a result we expect Bond fund to give good returns over and above CY 2024 which was decent.

Fig 2. Major events and Nifty50 movements during December 2024

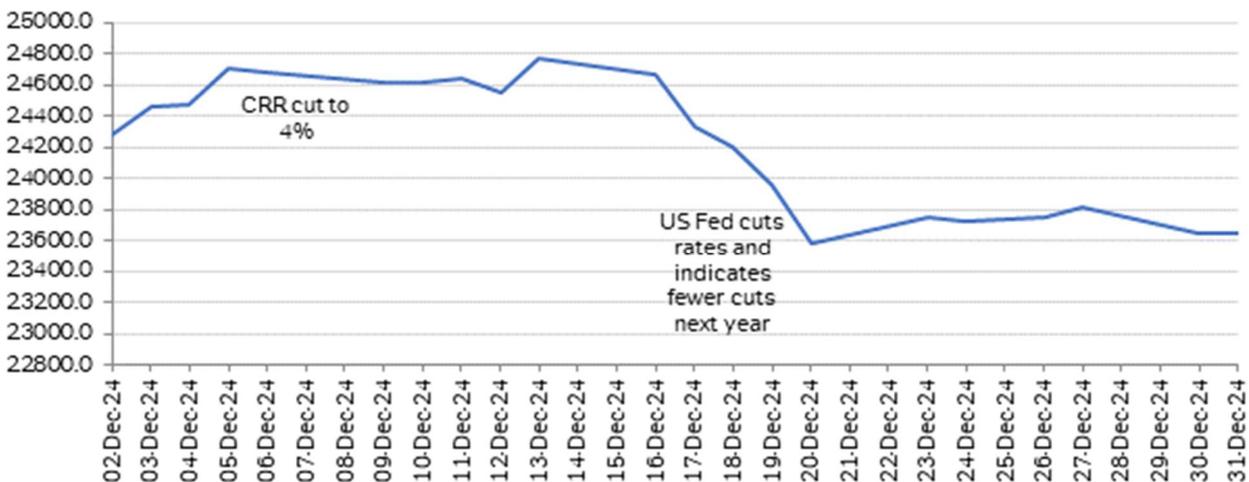


Fig 3. Total Net subscription to domestic mutual funds and net SIP flows

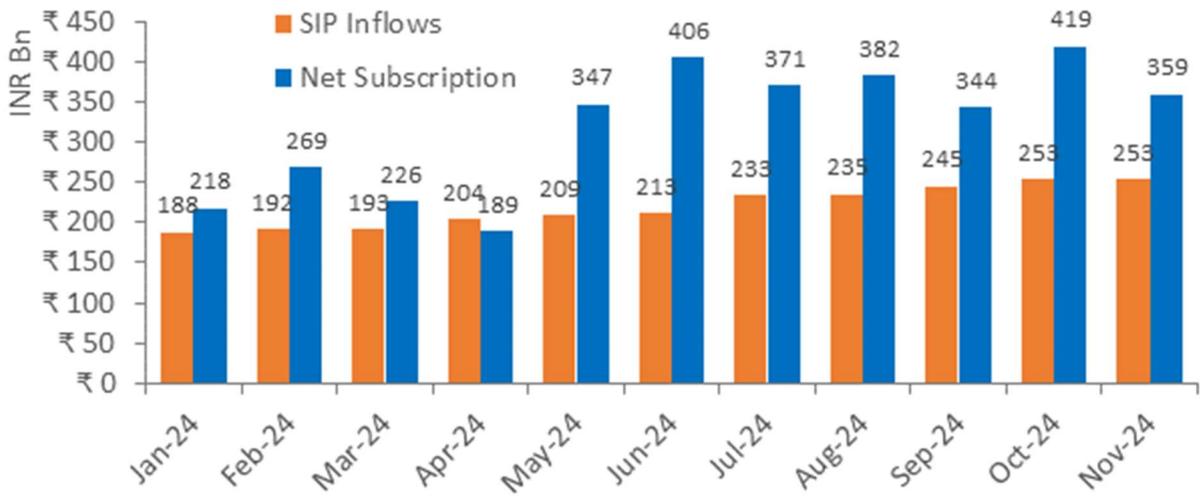


Fig 4. Fund Returns – AUM Mix and Performance (CAGR)

| | Equity % in Fund | 1M | 1Y | 3Y | 5Y |
|-------------|------------------|---------|---------|---------|---------|
| Midcap Fund | 95% | 0.20 % | 28.00 % | 21.75 % | 26.20 % |
| Benchmark | | 1.43 % | 23.86 % | 23.40 % | 27.31 % |
| Bond Fund | 0% | 0.43 % | 8.69 % | 5.71 % | 6.18 % |
| Benchmark | | 0.50 % | 8.95 % | 6.22 % | 6.84 % |
| Equity Fund | 99% | -1.60 % | 15.60 % | 12.97 % | 15.32 % |
| Benchmark | | -2.02 % | 8.80 % | 10.86 % | 14.21 % |

Fig 5. Major Index and Asset Class Returns

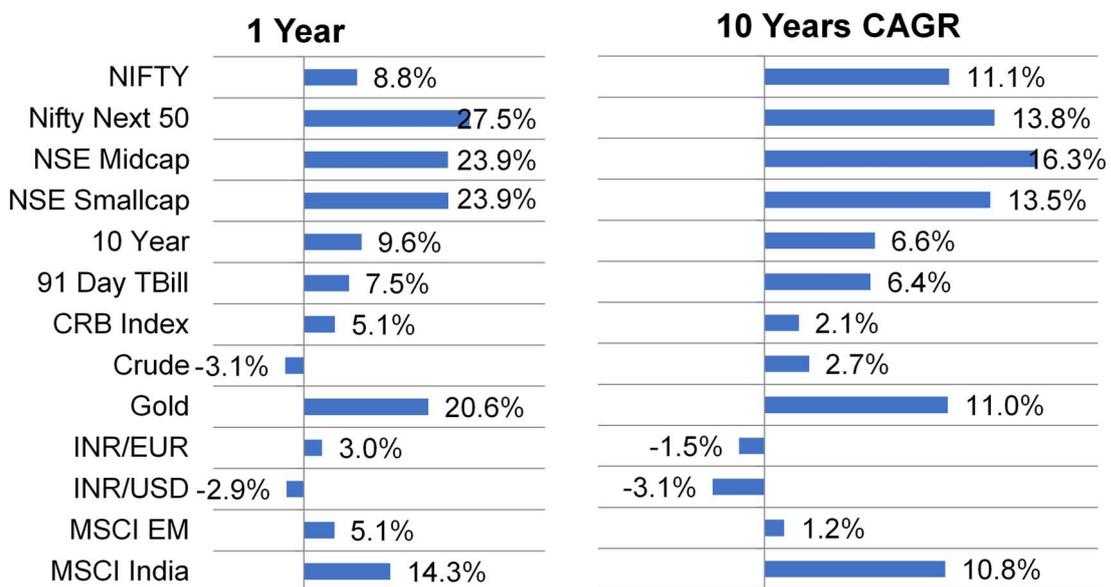
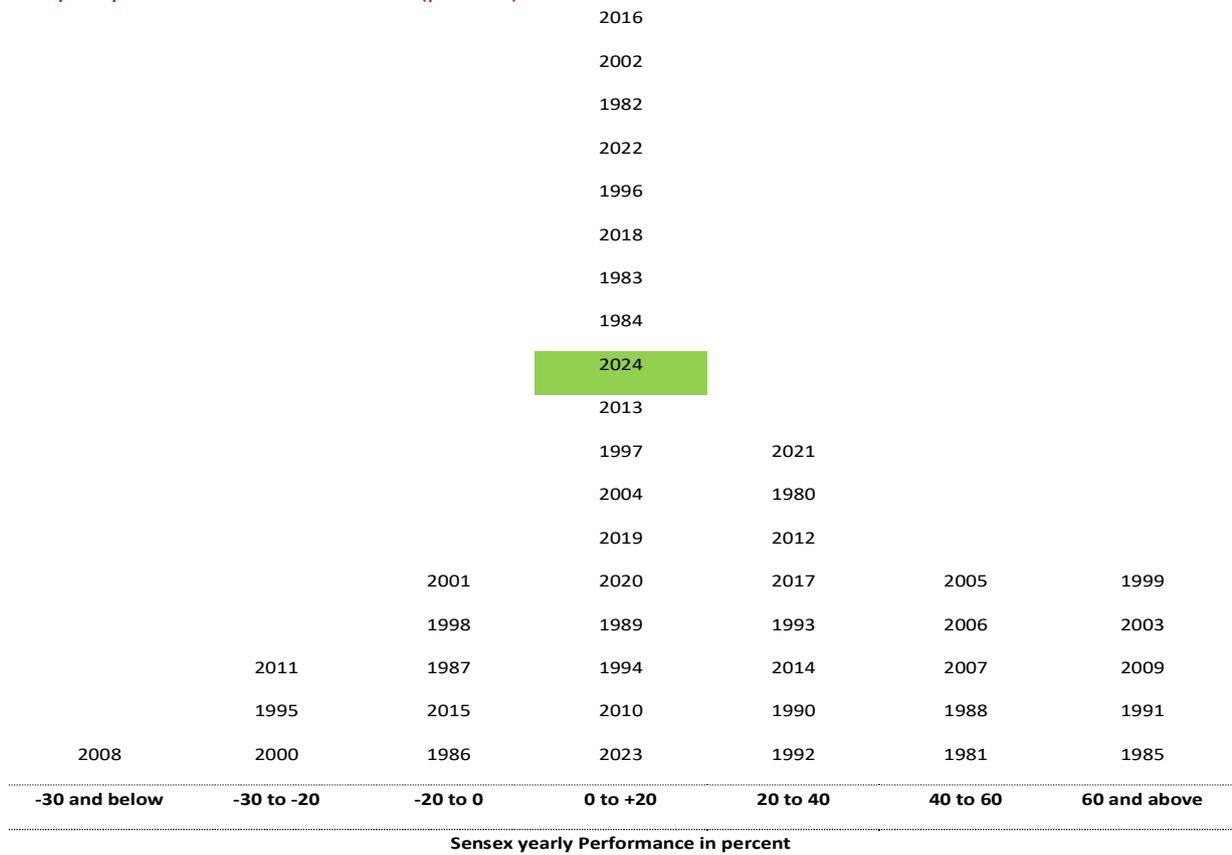


Fig 6. Sensex yearly Performance in December (percent)



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 fulfilment 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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- 1) This newsletter only gives an overview of economy and should not be construed as financial advice
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