

# invest care

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



October, 2024



UNIT LINKED PRODUCTS FROM SBI LIFE INSURANCE CO. LTD.

# Content

	<i>Page</i>
<i>Investment Objectives And Vision</i>	3
<i>Major Economic Indicators</i>	4
<i>Debt Market Review And Outlook</i>	5
<i>Equity Outlook</i>	8
<i>Risk Management Practice For Unit Linked Portfolios</i>	12

## 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-Oct-24	30-Sep-24	Change (%)	31-Mar-24	Change (%)
₹/\$	84.08	83.78	▶ -0.36%	83.40	▶ -0.82%
Forex Res.(Bn- 1 Wk Lag)	\$ 684.81	\$ 704.89	▶ -2.85%	\$ 642.63	▶ 6.56%
Oil Price (\$/Barrel)	\$ 72.24	\$ 71.35	▶ 1.25%	\$ 86.84	▶ -16.81%
<b>FII inflows (Net) - Crs ( ` )</b>					
Equity (monthly)	-94017	57724	▶ -262.87%	35098	▶ -367.87%
Debt (monthly)	-3632	32850	▶ -111.06%	13602	▶ -126.70%

## Indices

Particulars	31-Oct-24	30-Sep-24	Change (%)	31-Mar-24	Change (%)
BSE Sensex	79,389.06	84,299.81	▶ -5.83%	73,651.35	▶ 7.79%
S&P CNX Nifty	24,205.35	25,810.85	▶ -6.22%	22,326.90	▶ 8.41%
Dow Jones Industrial Avg	41,763.46	42,330.15	▶ -1.34%	39,807.37	▶ 4.91%
FTSE 100	8,110.10	8,236.95	▶ -1.54%	7,952.62	▶ 1.98%
Hang Seng Index	20,317.33	21,133.68	▶ -3.86%	16,541.42	▶ 22.83%
Nikkei 225	39,081.25	37,919.55	▶ 3.06%	40,369.44	▶ -3.19%
B S E Metal Index	31,280.43	34,608.57	▶ -9.62%	28,196.08	▶ 10.94%
B S E Power Index	7,829.12	8,651.98	▶ -9.51%	6,701.74	▶ 16.82%
B S E Realty Index	7,808.73	8,592.66	▶ -9.12%	7,108.37	▶ 9.85%
B S E Auto Index	53,539.83	61,050.69	▶ -12.30%	49,142.11	▶ 8.95%
B S E FMCG Index	21,663.37	23,787.61	▶ -8.93%	19,318.40	▶ 12.14%
B S E Bankex	58,663.55	60,038.09	▶ -2.29%	53,515.19	▶ 9.62%
B S E Healthcare Index	43,914.98	44,235.58	▶ -0.72%	35,052.84	▶ 25.28%
B S E Capital Goods Index	69,105.80	73,107.00	▶ -5.47%	60,943.12	▶ 13.39%
B S E Information Technology Index	40,428.31	42,369.66	▶ -4.58%	35,644.77	▶ 13.42%
B S E Oil & Gas Index	27,457.79	31,835.31	▶ -13.75%	27,644.48	▶ -0.68%

## Primary Key Rates

Particulars	31-Oct-24	30-Sep-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 #	4.50%	4.50%	▶ 0.00%	4.50%	▶ 0.00%
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)	1.84%	1.31%	▶ 0.53%	0.20%	▶ 1.64%
Current Inflation Rate (CPI) (July 24)	5.49%	3.65%	▶ 1.84%	5.09%	▶ 0.40%
IIP (WPI) % Y-O-Y (June 24)	-0.10%	4.80%	▶ -4.90%	3.80%	▶ -3.90%
AAA spread (bps)	27.00	33.00	▶ -18.18%	29.00	▶ -6.90%

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-Oct-24	30-Sep-24	Change (%)	31-Mar-24	Change (%)
91 days T - Bill	6.51%	6.55%	▶ -0.04%	7.00%	▶ -0.49%
364 days T - Bill	6.60%	6.50%	▶ 0.10%	7.07%	▶ -0.47%
5 Years G - Sec (Annualized)	6.77%	6.66%	▶ 0.11%	7.05%	▶ -0.28%
10 Years G - Sec (Annualized)	6.86%	6.75%	▶ 0.12%	7.08%	▶ -0.22%
30 Years G - Sec (Annualized)	6.97%	6.89%	▶ 0.08%	7.12%	▶ -0.15%

\* 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 &amp; Reuters

## DEBT MARKET REVIEW AND OUTLOOK

### Market Review

#### October 2024 – Hotchpotch data

Benchmark 10-year treasury yields rose to 6.84% in September from 6.75% in September 2024. The US 10-year yield was at 4.28% at the end of October (+50 bps MoM). INR was weaker at around 84.08 against 83.80 in September 2024.

#### India Macro Movers

Retail inflation came in at 6.21% in October 2024, from September's 5.49%. Core CPI has been steadily remaining under 4%. The latest month saw Core CPI at 3.7%. The latest spike in CPI headline is thanks to the rise in food prices, mainly led by veggies, oils, fats, eggs, and meat.

India IIP came in higher at 3.1% year on year in September 2024 compared to last month. GST collections have been steadily easing with latest figures at 1.75 lac crs in September 2024 versus 1.82 lac crs back in August 2024. But a recent pick up to 1.87 lac crs could be just a blip. PMIs are mixed with Manufacturing PMI (Purchasing Managers' Index) dropping from 57.5 to 57.3 while services PMI rising from 58.5 to 59.2

#### Global News

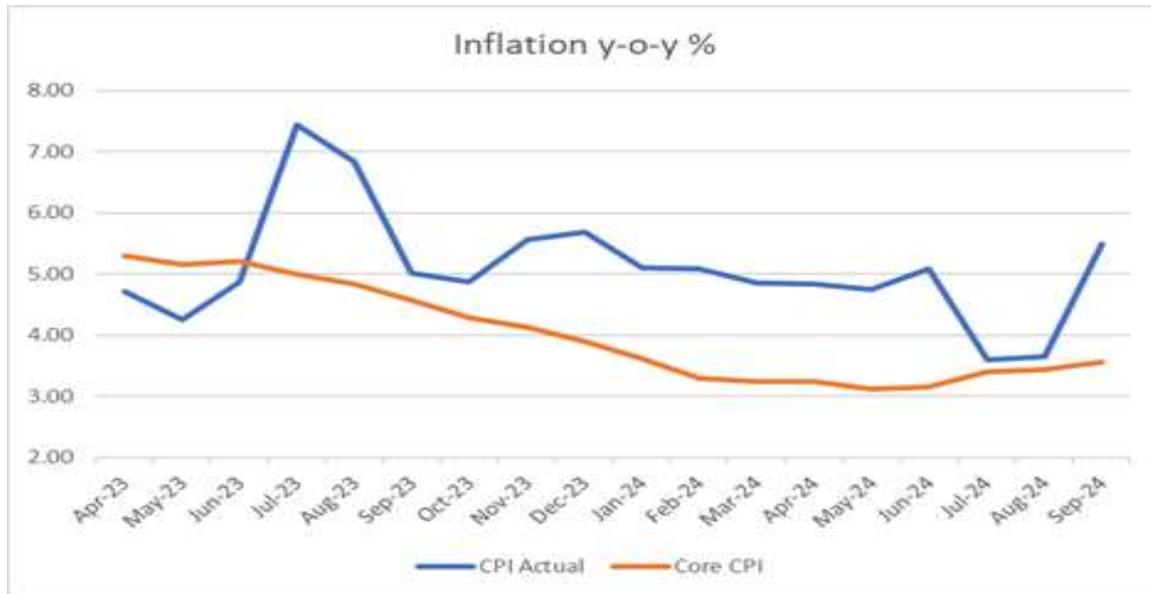
Economic data in the US, is a mixed bag and with Trump Winning the Presidential Elections, inflationary upticks could reduce pace. FED (Federal Reserve) could keep rates at status quo in December 2024. The markets are expecting 3 cuts in 2025 instead of the original 4 and in coming data will determine the new FED DOTS in December 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

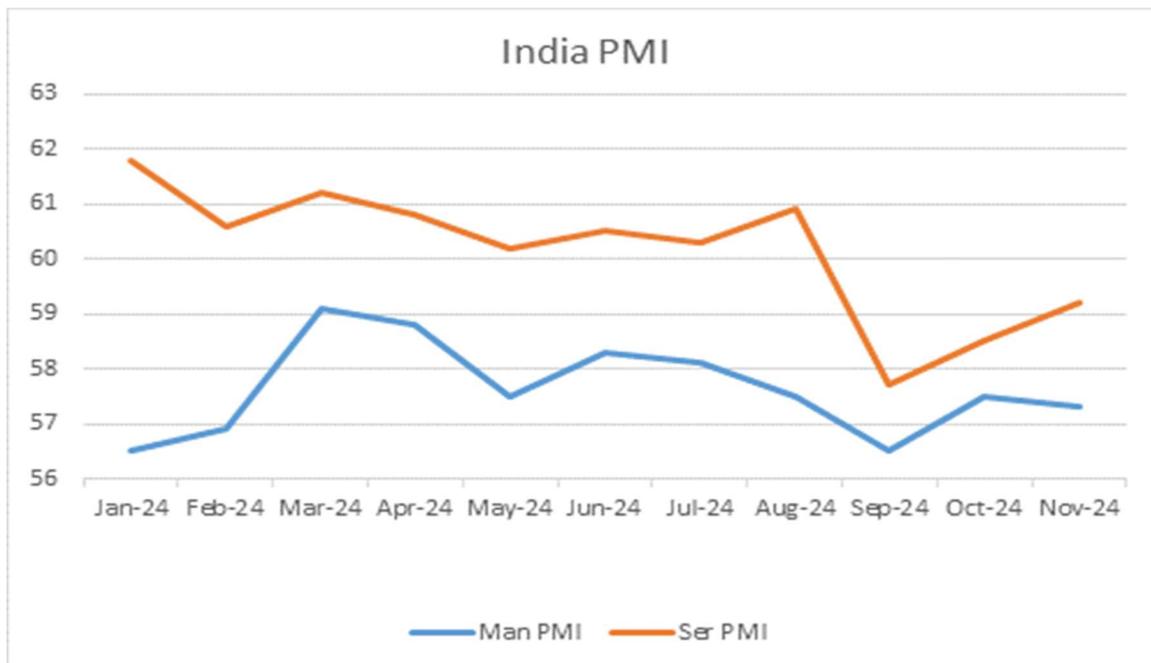
MPC kept rates steady in October 2024, Growth maintained at 7.2% from 7% in FY 2025, and Inflation projection has been maintained at 4.5%. The surprise was the change in stance from tight to neutral. We expect the RBI to cut rates in December 2024 or February 2025 based on the trajectory of growth in the coming months.

The benchmark 10 year 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 10-25 bps for major part of the FY 2025 year unless RBI tweaks borrowing calendar.

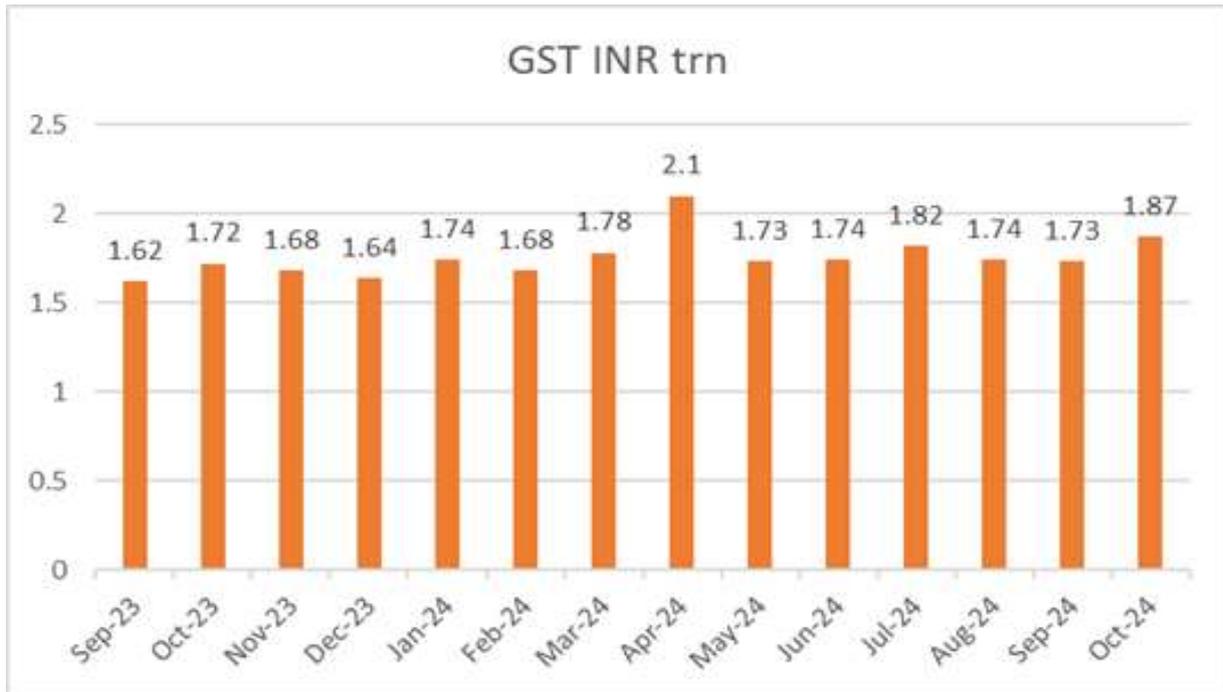
India headline rose owing to higher food prices, Core CPI is seeing moderation



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



GST collections continue to soften, with collections falling below Rs. 1.8 trillion for the second consecutive month, but a sudden blip was seen in the latest month



## Equity Outlook

### Equity Market Outlook for the Month of November, 2024

Nifty and Sensex ended at 79,389 and 24,205 respectively, down 5.8% and 6.2% for the month of October 2024. Markets were driven by FPI (Foreign portfolio investment) outflows from India equities to the tune of 12 billion USD, on the back of Fed's September 2024 rate cut and global uncertainties including the US Presidential elections and tensions in the Middle-East. This was mitigated to some extent by domestic fund inflows.

Broad markets in India largely mirrored the performance of large cap stocks, with the NSE Small-cap 100 index falling 3% and NSE Mid-cap 100 index falling 6.7% in the month.

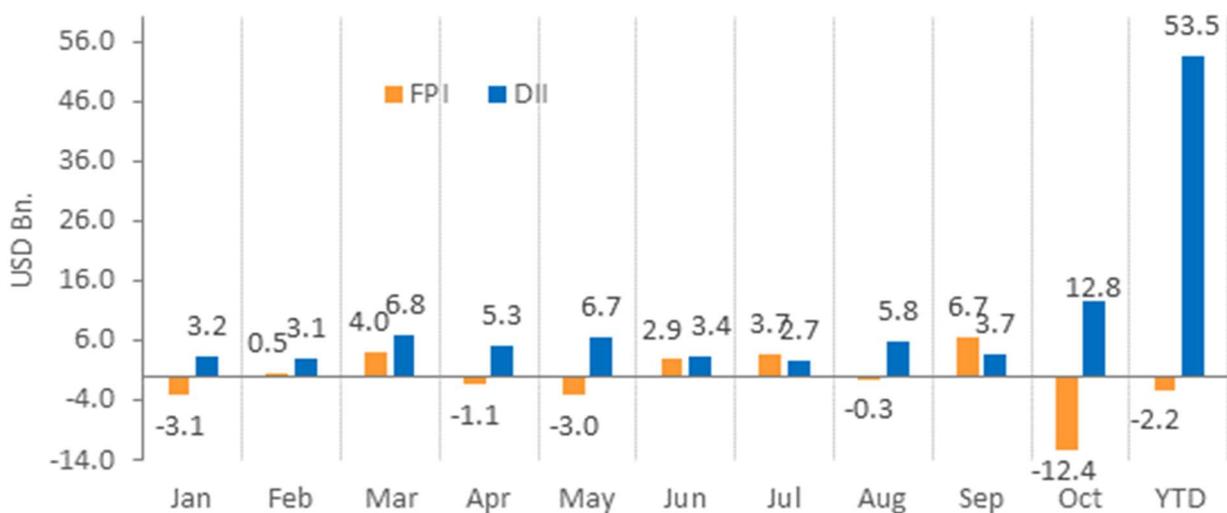
Our markets underperformed the US equity indices, as S&P 500 gave a return of -0.7% in October. While all sector returns in India were in the red for the month, Pharma and Banks outperformed with returns of -2.3% and -2.8% respectively. Auto and Oil & Gas were underperformers, sliding 13% and 10.7% respectively.

Since the Fed's aggressive 50 bps cut on 18th September 2024, global bond markets have slumped during October 2024, driven by conflicting US macroeconomic data that has led to doubts on the Fed's rate cut path. Moreover, uncertainties on the outcome of the US elections and concerns of rising US fiscal deficit weigh on traders' minds.

India's CPI inflation for September 2024 was at 5.5%, up from 3.7% for August 2024, while WPI for September 2024 rose to 1.8% against 1.3% for August 2024. The nine-month high CPI Inflation was driven by persistent food inflation, which stood at 9.24% in September 2024.

FPIs sold Indian stocks worth 12.4 billion USD while locals bought stocks worth 12.8 billion USD. The beginning of October 2024 saw the continuation of China's equity market rally, followed by an equally sudden fall as Chinese policymakers failed to deliver big-bang fiscal stimulus post their week-long National Day celebrations. This saw the Shanghai Composite fall 6% from its October 2024 mid-month highs, finally ending the month down 1.7%. In commodities markets, steel prices fell 1.9% in September 2024, and are now down YTD by 11.7%. Brent crude rose by 1.8% in October 2024, and will likely be volatile in upcoming months with tensions rising in the Middle East.

Fig 1. DII and FII flows from Jan '2024 to Oct '2024



Broadly, a Trump victory is considered positive for US markets and their currency. This is on account of the expected tariff protection he promises. Money therefore is following the US economy. Broad economic policy guidelines expected to be rolled out by Democratic and Republicans are given below.

Republicans	Democrats
<ul style="list-style-type: none"> <li>• Tariffs</li> <li>• Extension of Tax Cuts &amp; Jobs Act</li> <li>• Restrictive immigration reforms</li> <li>• Limiting of Inflation Reduction Act</li> <li>• De-regulatory agenda</li> </ul>	<ul style="list-style-type: none"> <li>• Continued rollout of clean tech bills</li> <li>• Partial extension of Tax Cuts &amp; Jobs Act</li> <li>• Immigration reforms</li> <li>• Climate Change regulation</li> </ul>

Q2 results of India Inc. have disappointed. Aggregates of reported growth of Nifty 50 companies versus expectations are as follows:

Fig 2. Reported growth numbers for Nifty 50 stocks reported till now vs expectations

	Revenue	EBITDA	Profits
Estimate	4.10%	-1.90%	2.50%
Actual	2.20%	-8.20%	-2.40%
Miss	-1.90%	-6.30%	-4.90%

For markets, Oil being tamed in spite of escalation of Middle East tensions is a big positive and more so for Countries like India. Slowdown in Vehicle sales, hit on Micro Finance lending and compression of margins for banking sector will be cycles that need to be passed through. As mentioned earlier in our notes, the main worry was high valuations that did not support market returns in the near term.

Negatives for the markets are FPI's selling. The real test for retail money in India will be sustained buying in this scenario. It will be interesting to know if retail wisdom to buy yet prevails in the face of market corrections. Events unfolding include US election results and the Fed Policy meeting - one rate cut in US looks given as the Fed policy meeting is close to election results.

With this in mind, we continue to prefer Balance Fund as a choice followed by Bond Optimizer.

Fig 3. Major events and Nifty50 movements during October 2024

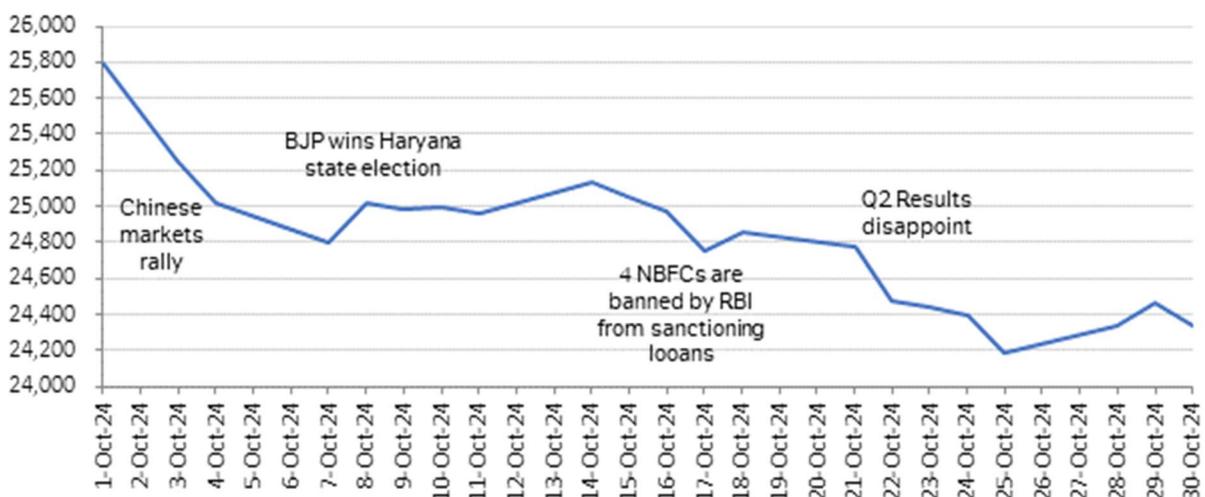


Fig 4. Net Subscriptions to Equity/Growth Mutual Fund Schemes (AMFI)

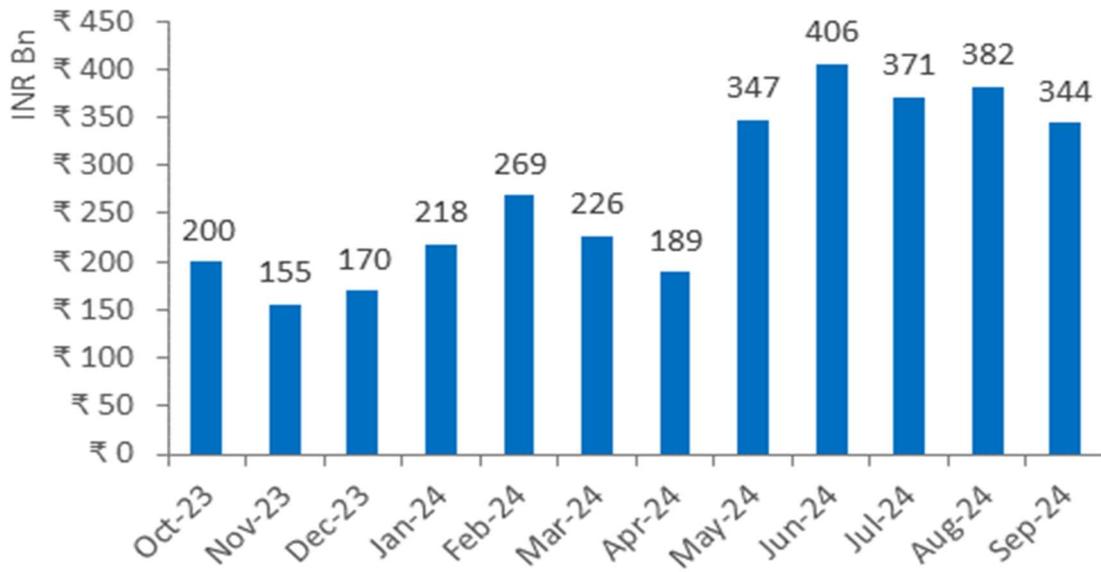


Fig 5. Fund Returns – AUM Mix and Performance (CAGR)

	Equity:Non Equity	1M	1Y	3Y	5Y
Balance Fund		-3.25%	18.73%	8.77%	11.12%
<i>Benchmark</i>	50:50	-3.01%	18.21%	8.81%	11.46%
Bond Optimizer		-1.32%	14.70%	8.45%	9.73%
<i>Benchmark</i>	20:80	-1.05%	13.07%	7.23%	8.75%
Equity Fund		-5.78%	33.57 %	13.03%	16.09%
<i>Benchmark</i>	100:0	-6.40%	26.87%	11.06%	15.30 %

Fig 6. Major Index and Asset Class Returns

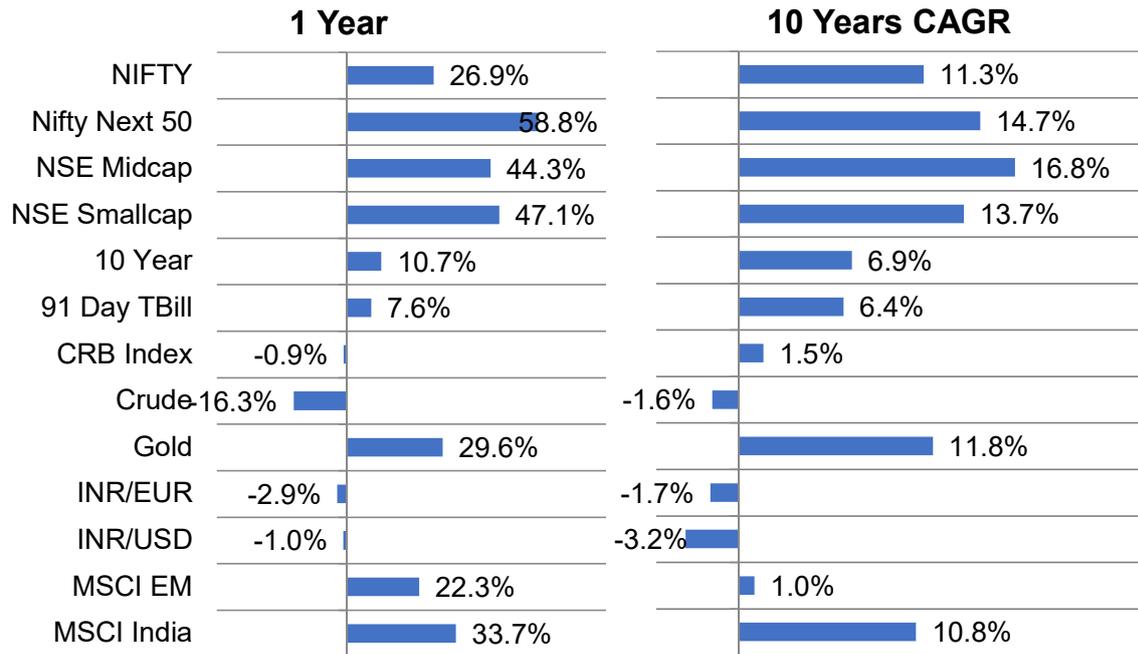
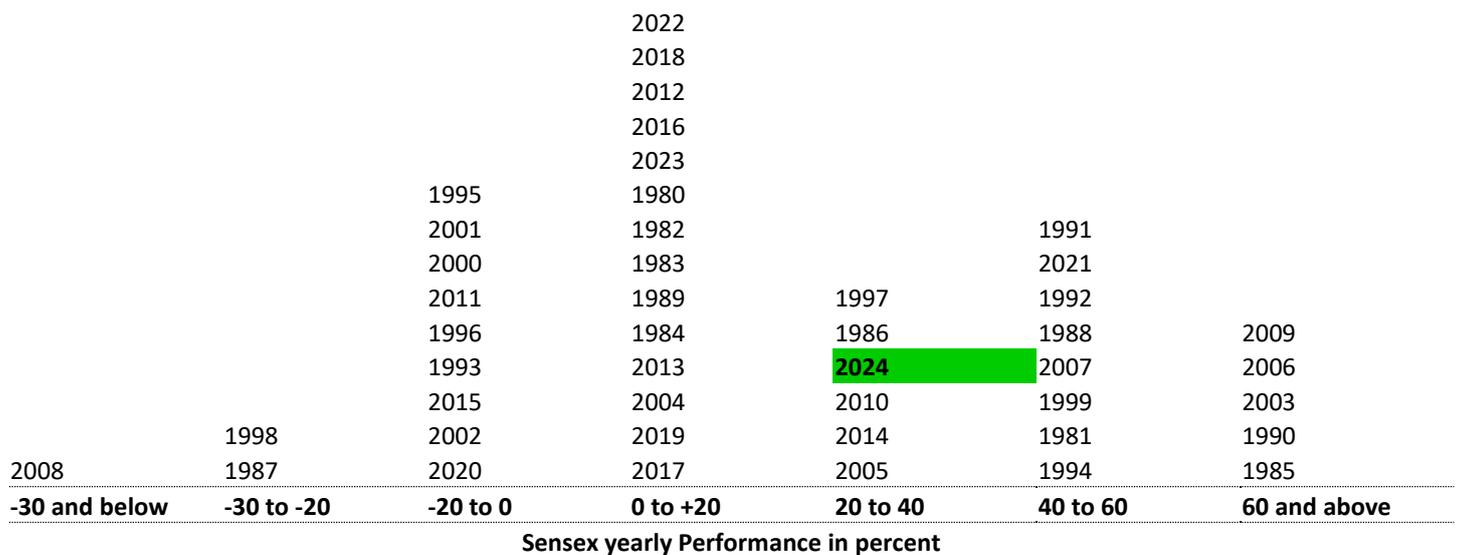


Fig 7. Sensex yearly Performance in October (percent)



## 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.



**Disclaimer:**

- 1) This newsletter only gives an overview of economy and should not be construed as financial advice
- 2) SBI Life Insurance Co. Ltd however makes no warranties, representations, promises or statements that information contained herein are correct and accurate. Please consult your Advisor/Consultant before making the investment decision

**BEWARE OF SPURIOUS  
PHONE CALLS AND FICTIOUS /  
FRADULENT OFFERS**

IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

Trade logo displayed above belongs to State Bank of India and is used by SBI Life under license.

**SBI Life Insurance Co. Ltd.**

**To know more about us**

Visit us at [www.sbilife.co.in](http://www.sbilife.co.in) or

Call Toll Free No. 1800 267 9090 (24x7)

Registered Office and Corporate Office: "Natraj", M.V Road & Western Express Highway Junction, Andheri (E), Mumbai-400069

CIN: L99999MH2000PLC129113

Email: [info@sbilife.co.in](mailto:info@sbilife.co.in)

IRDAI Regn. No. 111

For more details on Risk Factors, Terms & Conditions, please read the sales brochure carefully before concluding a sale