

# invest care

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



August, 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-Aug-24	31-Jul-24	Change (%)	31-Mar-24	Change (%)
₹/\$	83.87	83.72	▶ -0.18%	83.40	▶ -0.56%
Forex Res.(Bn- 1 Wk Lag)	\$ 681.69	\$ 667.39	▶ 2.14%	\$ 642.63	▶ 6.08%
Oil Price (\$/Barrel)	\$ 76.45	\$ 81.77	▶ -6.51%	\$ 86.84	▶ -11.96%
<b>FII inflows (Net) - Crs ( ` )</b>					
Equity (monthly)	7732	32635	▶ -76.31%	35098	▶ -77.97%
Debt (monthly)	17953	22363	▶ -19.72%	13602	▶ 31.99%

### Indices

Particulars	31-Aug-24	31-Jul-24	Change (%)	31-Mar-24	Change (%)
BSE Sensex	82,365.77	81,741.34	▶ 0.76%	73,651.35	▶ 11.83%
S&P CNX Nifty	25,235.90	24,951.15	▶ 1.14%	22,326.90	▶ 13.03%
Dow Jones Industrial Avg	41,563.08	40,842.79	▶ 1.76%	39,807.37	▶ 4.41%
FTSE 100	8,376.63	8,367.98	▶ 0.10%	7,952.62	▶ 5.33%
Hang Seng Index	17,989.07	17,344.60	▶ 3.72%	16,541.42	▶ 8.75%
Nikkei 225	38,647.75	39,101.82	▶ -1.16%	40,369.44	▶ -4.26%
B S E Healthcare Index	43,177.32	40,519.01	▶ 6.56%	35,052.84	▶ 23.18%
B S E Information Technology Index	43,486.56	41,706.91	▶ 4.27%	35,644.77	▶ 22.00%
B S E FMCG Index	23,022.21	22,507.43	▶ 2.29%	19,318.40	▶ 19.17%
B S E Oil & Gas Index	32,978.10	32,563.42	▶ 1.27%	27,644.48	▶ 19.29%
B S E Bankex	58,311.51	58,865.99	▶ -0.94%	53,515.19	▶ 8.96%
B S E Metal Index	32,455.81	32,771.06	▶ -0.96%	28,196.08	▶ 15.11%
B S E Auto Index	59,040.86	60,185.44	▶ -1.90%	49,142.11	▶ 20.14%
B S E Power Index	8,231.68	8,442.07	▶ -2.49%	6,701.74	▶ 22.83%
B S E Capital Goods Index	73,169.37	75,640.12	▶ -3.27%	60,943.12	▶ 20.06%
B S E Realty Index	8,233.53	8,540.17	▶ -3.59%	7,108.37	▶ 15.83%

### Primary Key Rates

Particulars	31-Aug-24	31-Jul-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	6.40%	6.50%	▶ -0.10%	6.10%	▶ 0.30%
Current Inflation Rate (WPI)	2.04%	3.36%	▶ -1.32%	0.20%	▶ 1.84%
Current Inflation Rate (CPI) (July 24)	3.54%	5.08%	▶ -1.54%	5.09%	▶ -1.55%
IIP (WPI) % Y-O-Y (June 24)	4.20%	5.90%	▶ -1.70%	3.80%	▶ 0.40%
AAA spread (bps)	36.00	38.00	▶ -5.26%	29.00	▶ 24.14%

Particulars	2020-21	2021-22	2022-23	Q1 FY24	Q3 FY24
Real GDP % (New Growth No. by CSO)	-7.30%	9.10%	7.20%	7.80%	8.40%

### Interest Rates (FIMMDA)

Particulars	31-Aug-24	31-Jul-24	Change (%)	31-Mar-24	Change (%)
91 days T - Bill	6.64%	6.68%	▶ -0.04%	7.00%	▶ -0.36%
364 days T - Bill	6.72%	6.80%	▶ -0.08%	7.07%	▶ -0.35%
5 Years G - Sec (Annualized)	6.75%	6.83%	▶ -0.08%	7.05%	▶ -0.30%
10 Years G - Sec (Annualized)	6.90%	6.97%	▶ -0.07%	7.08%	▶ -0.19%
30 Years G - Sec (Annualized)	7.00%	7.05%	▶ -0.06%	7.12%	▶ -0.12%

\* 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

#### August 2024 - The central banks are beginning to agree about the slowdown!

Benchmark 10-year treasury yields fell to 6.86% in August 2024 from 6.92% in July 2024. The US 10-year yield is at 3.90% at the end of August 2024 (-12 bps month on month). INR was weaker at around 83.73 against 83.39 in June 2024.

### India Macro Movers

Retail inflation rose to 5.08% in June 2024, from May's 4.75%. It is the highest number since February 2024 and the main culprit was Vegetables inflation. Core CPI has been steadily heading down and it came in last month at an all-time low of 3.1%, in this series that began in 2012. It rose to 3.15% but still is it a very soft level making rate cuts possible later in 2024.

India IIP came in higher in May 2024 at 5.9% against last month's 5%. GST (Goods & Services Tax) collections have been rising like mercury, and the June 2024 number came in at a strong Rs. 1.82 lac crs, against last month's 1.74 lac crs. PMIs (Purchasing Managers Index) mildly moved lower in July 2024 for both manufacturing and Services sectors as PMI moved to 58.1 from 58.3 in the former and from 60.5 to 60.3 in the latter.

### Global News

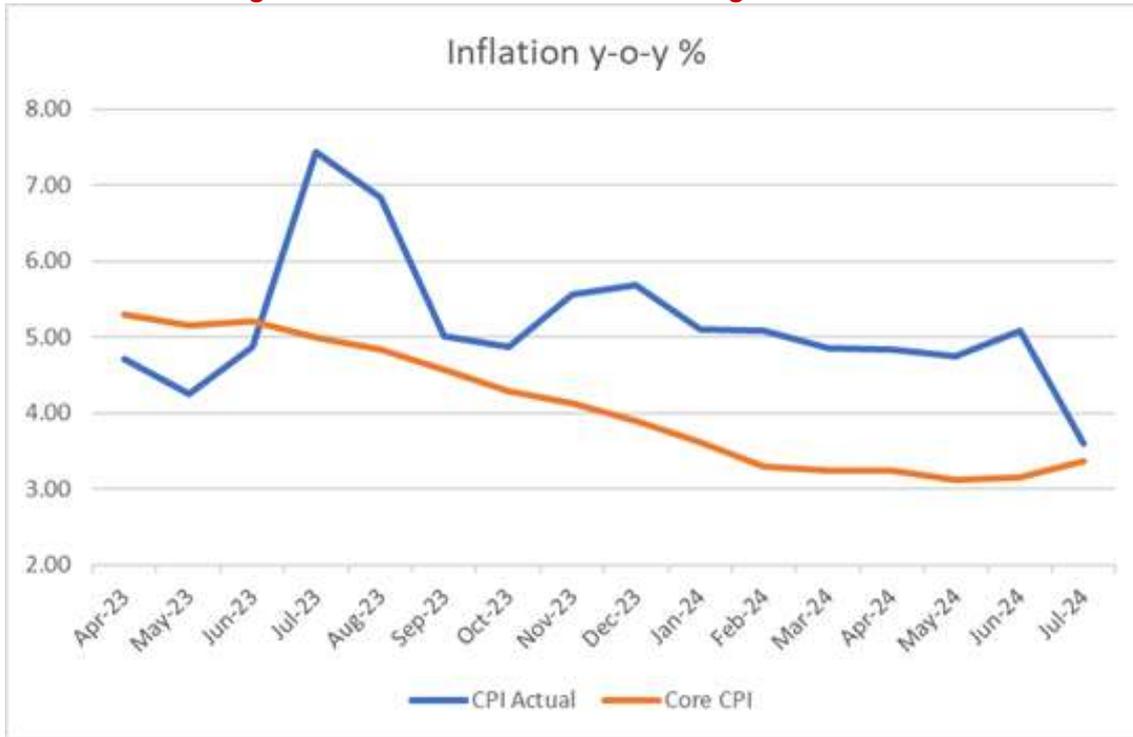
Economic data in the US, continues to moderate with the Citi US economic surprise index falling below Zero to -25 since a high seen back in February 2024 of +40. This is now a 2-year low. US CPI came in at the lowest level in 12 months at 3% against expectations of 3.1%. More importantly sequentially CPI contracted at -0.1% against +0.1% expected. Unemployment rate gave a pleasant surprise as it rose to 4.3% against expectations of 4.1%. This is the highest since October 2021. The Federal Reserve has been quite vocal in as Chairman Powell hinted that one cut in September 2024 is probably a done deal and multiple cuts are possible if data is soft. ECB (European Central Bank) meanwhile reduced rates by 25 bps as promised in early June 2024, but it could be a while before the next cut. BOE (Bank of England) cut rates recently thanks to softening CPI. We have Bank of Japan on tightening mode, but maybe they will be thinking twice before hiking twice.

### Outlook

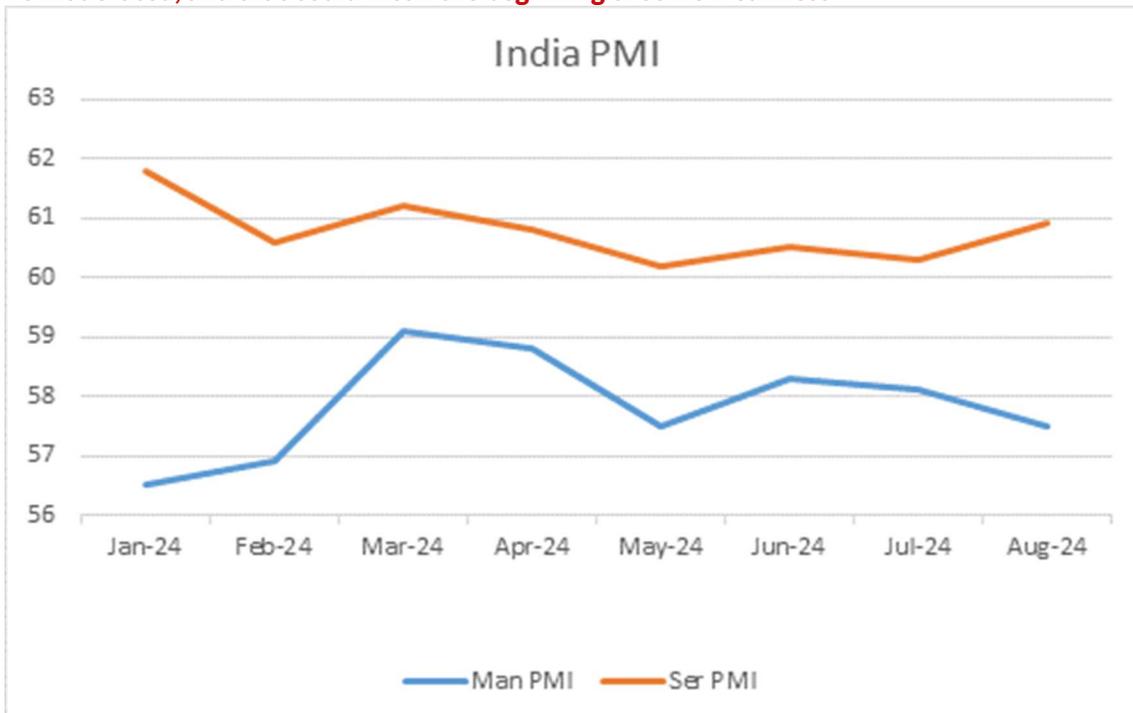
MPC (Monetary Policy Committee) kept rates steady in August 2024, Growth upped to 7.2% from 7% in FY 2025, and Inflation projection has been maintained at 4.5%. We expect the RBI to cut rates in October 2024 if FED (Federal Reserve) cuts rates in September 2024 and indicates more in 2024. It is also possible for MPC to postpone any rate cut December 2024 because we will still have Dr. Shaktikanta Das in charge in October 2024, and his language doesn't give too much confidence to expect a cut in October 2024.

The benchmark 10-year could go to 6.50%. 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. We expect RBI to cut policy rates by 50 bps this calendar year starting October 2024 policy, or at least in FY 2025.

**India headline rose due to higher food inflation but Core CPI is seeing moderation**



**PMIs have moderated, and that could mean the beginning of some weakness**



**GST collections continue to be strong, pushing the 3-month moving average beyond 1.8 trillion**



## Equity Outlook

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

Nifty and Sensex ended at 82,366 and 25,236 respectively, up 0.8% and 1.1% for the month of August 2024. This month saw volatility across global markets on the back of slowdown fears in the US economy and fallout of Bank of Japan's late July 2024 rate hike.

Broad markets in India showed strength, with the NSE Small-cap 100 index moving up 0.9% and NSE Mid-cap 100 index moving up 0.5% in the month.

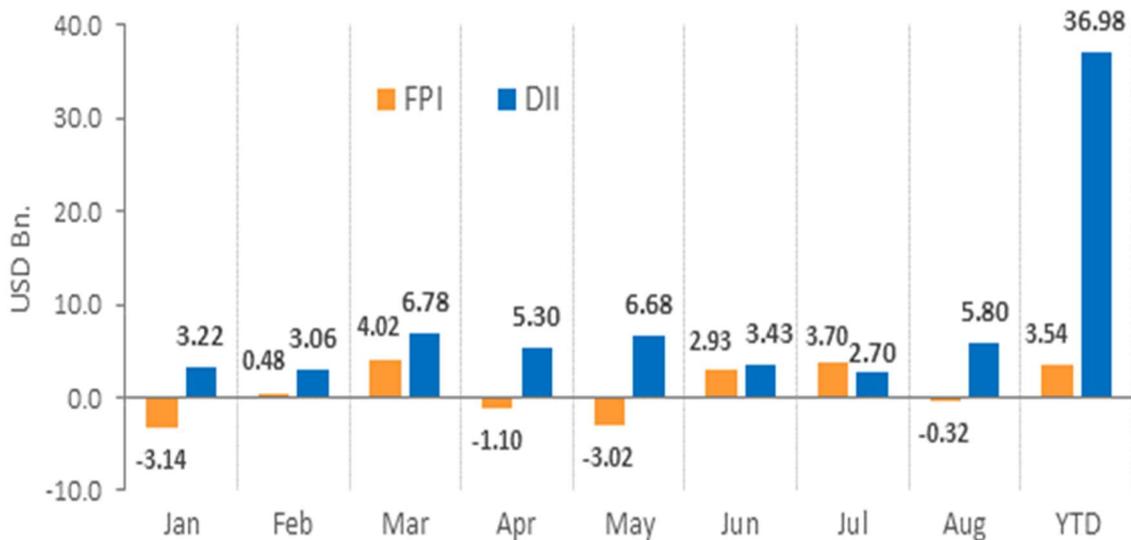
Our markets underperformed the US equity indices, as S&P 500 gave a return of 2.3% in August 2024. Outperformance of defensive sectors has continued into August 2024, with Pharma and IT moving 6.6% and 4.7% during the month and outperforming significantly, while Auto and Realty underperformed, falling 1.9% and 3.7% respectively.

US Fed commentary has turned accommodative as per the latest FOMC (Federal Open Market Committee) meeting minutes and observations in the Jackson Hole meeting in August 2024. Markets widely anticipate a rate cut in the upcoming FOMC meeting in September 2024. The Fed Funds Rate currently stands at 5.25% to 5.50%.

India's CPI inflation for July 2024 was at 3.5%, down from 5.1% for June 2024, while WPI for July 2024 decreased to 2% against 3.4 % for June 2024.

FPIs (Foreign Portfolio Investors) sold Indian stocks worth US \$ 320 million while locals bought stocks worth US \$ 5.8 billion. Global equity indices saw extreme market movements this month with the Nikkei 225 falling 19.5% and Nasdaq 100 falling 7.9% in the first 5 days of August 2024 following weak US unemployment data and a rise in the Japanese Yen following BoJ's (Bank of Japan) rate hike on July 31, 2024. These indices have recovered since, with Nasdaq up 0.65% and Nikkei down 1.16% by the end of August 2024. Prices of some major commodities have continued to moderate during July 2024, with Brent crude down 2.4% and steel prices down 7.1%.

Fig 1. DII and FII flows from Jan '24 to Aug '24 (Kotak, Morgan Stanley)



In India, Mutual Fund flows have been robust. Flows garnered in terms of new IPOs have also been good. 62 Equity/Growth oriented schemes have been floated by Mutual Funds houses in the 12 months up to July 2024, that garnered INR 70,349 crores. Retail participation has also increased. Schemes floated and money raised and the monthly subscriptions for the same period is given in the annexure.

Ownership patterns have changed, and FPI ownership of Indian Corporates are at historic lows.

**Fig 1. FPI, Retail and Domestic Institutional holdings in India Inc. (Nuvama)**

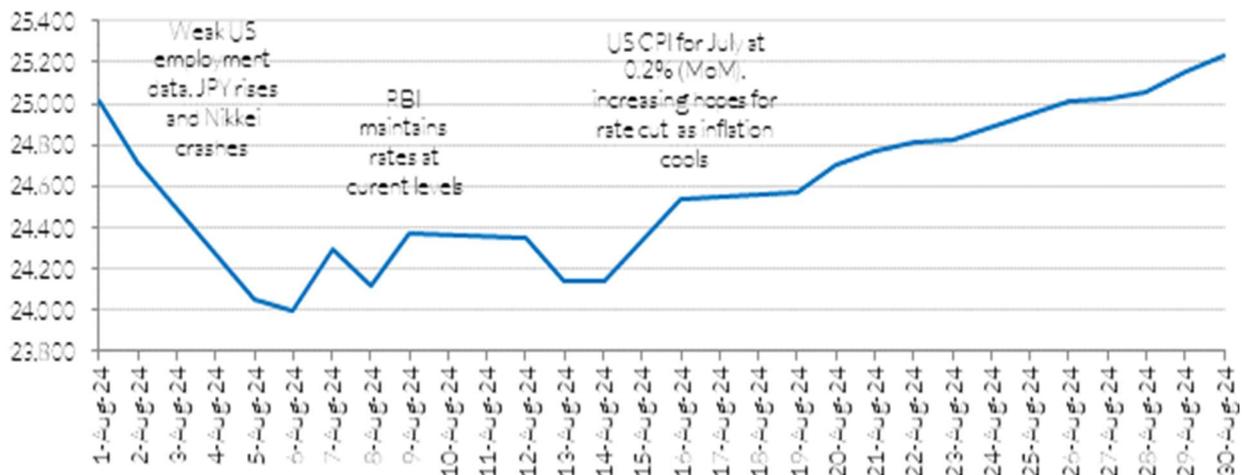
Category	Ownership
<b>FPI</b>	18.3%
<b>DII</b>	14.3%
<i>Mutual Funds</i>	9.1%
<i>Insurance</i>	5.1%
<b>Promoter</b>	51.7%
<b>Others</b>	15.8%

Earnings season is over and most of the earnings are out. Top 100 companies have shown a Revenue growth of 1% and a PAT growth too of 1%. With valuations at the top FM's (Fund Managers) have no option but to buy as flows are continuing unabated.

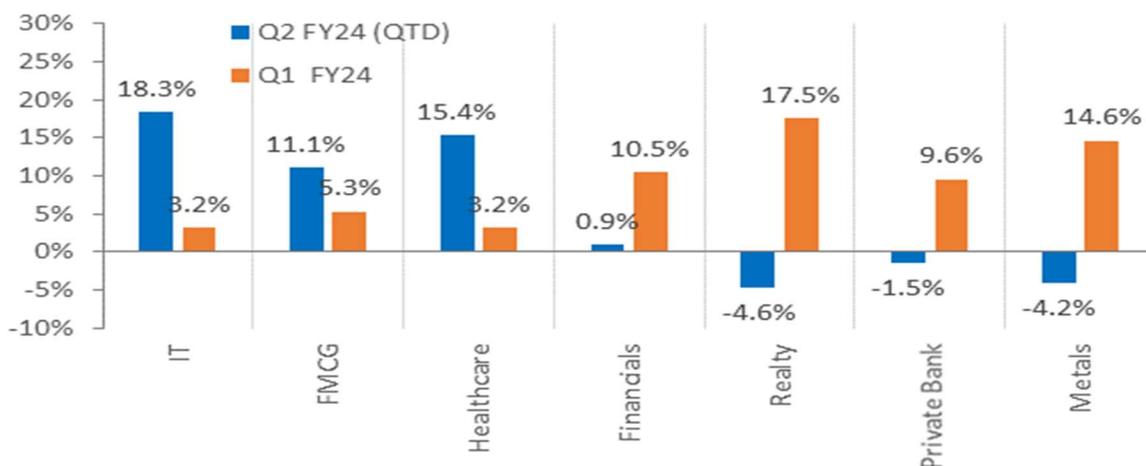
Markets are definitely showing shift towards defensive and sectors that were laggards like Pharma and IT.

We continue our preference to Balance funds as there is trigger in interest rate declining which is evident from the 10 year yields. Next to Balance we prefer Bond Optimiser who look for partial Equity Exposure.

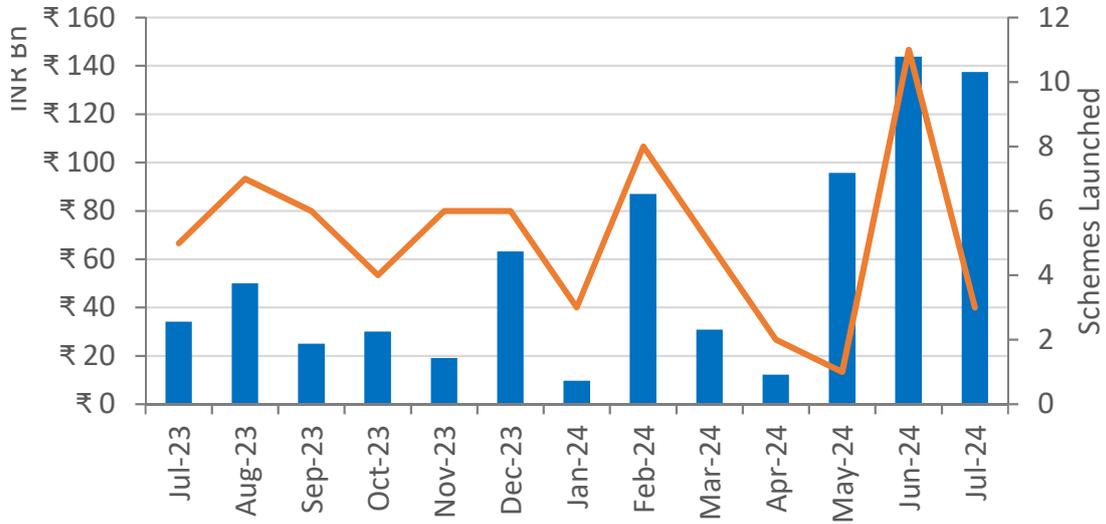
**Fig 1. Major events and Nifty50 movements during July 2024**



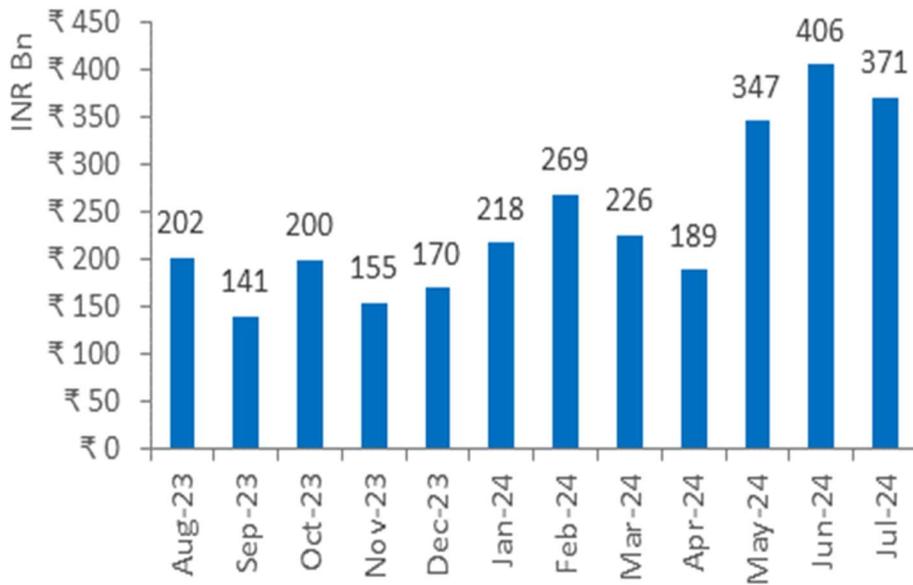
**Fig 2. Select Sectoral returns for FY24 - Underperformers in Q1 turn outperformers so far in Q2**



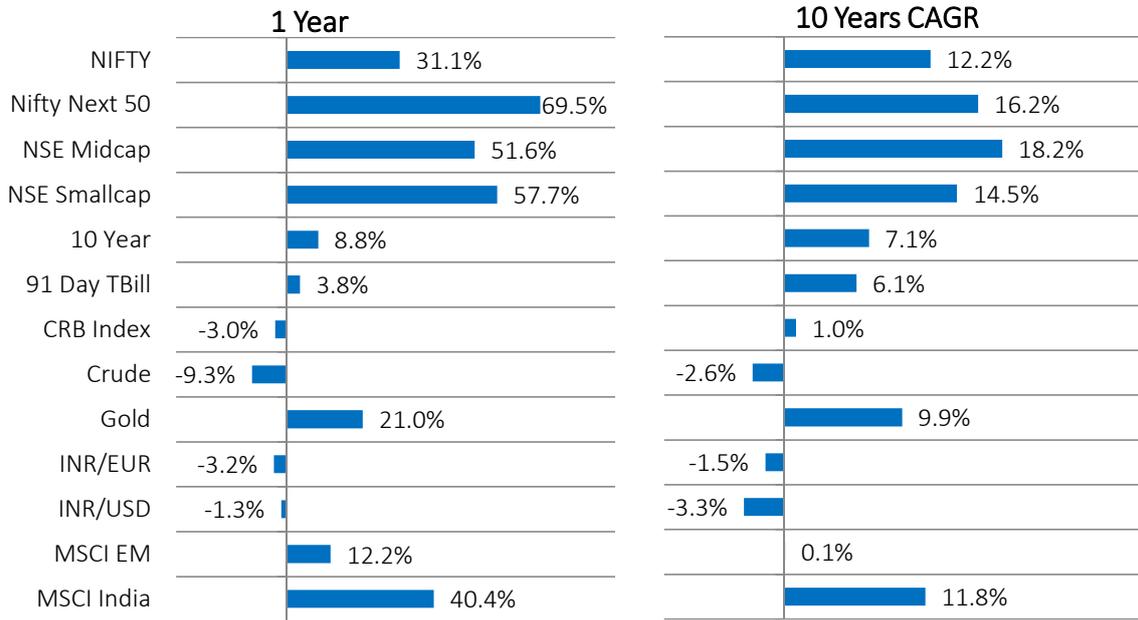
**Fig 3. Mutual Fund Equity/Growth Schemes launched and funds raised (AMFI)**



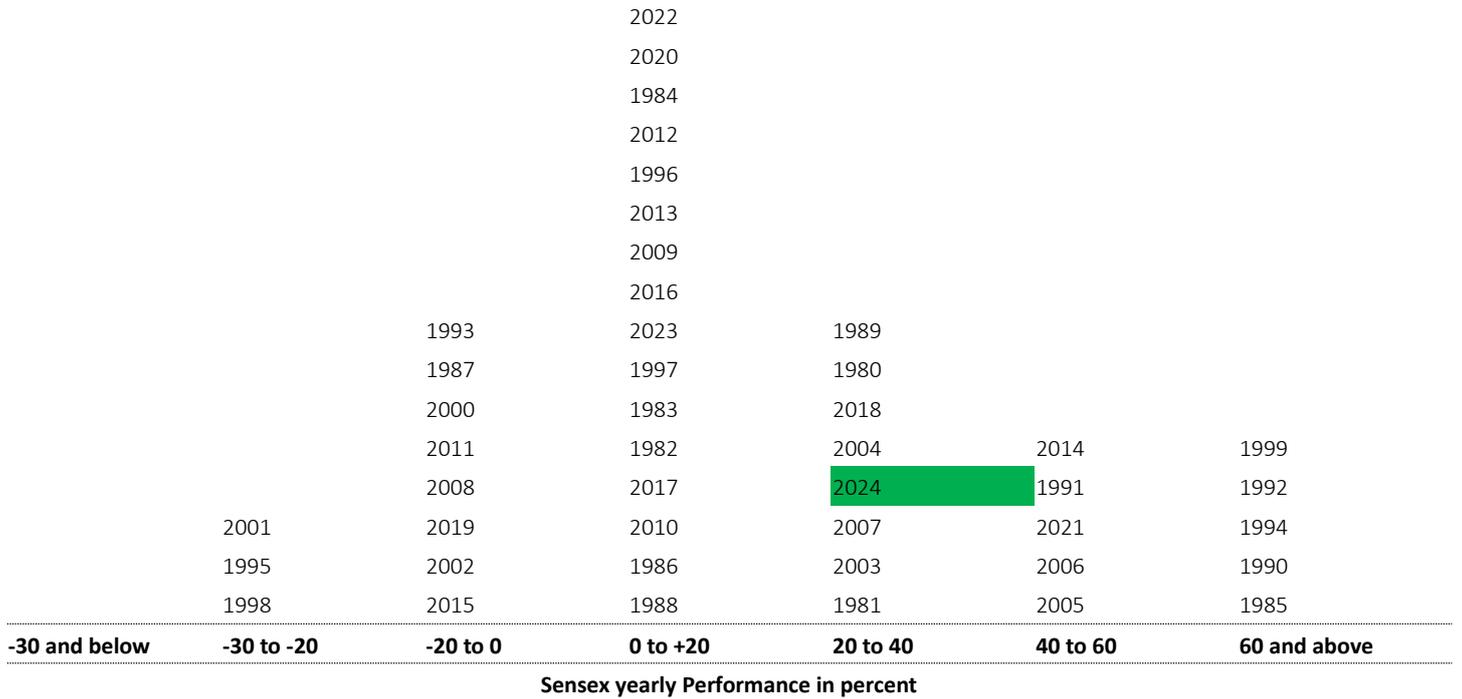
**Fig 4. Net Subscriptions to Equity/Growth Mutual Fund Schemes (AMFI)**



**Fig 5. Major Index and Asset Class Returns**



**Fig 6. Sensex yearly Performance in 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 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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- 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

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