

invest care

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

 **SBI Life**

Apne liye. Apno ke liye.

July, 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-Jul-24	30-Jun-24	Change (%)	31-Mar-24	Change (%)
₹/\$	83.72	83.39	▶ -0.40%	83.40	▶ -0.38%
Forex Res.(Bn- 1 Wk Lag)	\$ 667.39	\$ 653.71	▶ 2.09%	\$ 642.63	▶ 3.85%
Oil Price (\$/Barrel)	\$ 81.77	\$ 86.17	▶ -5.11%	\$ 86.84	▶ -5.84%
FII inflows (Net) - Crs (`)					
Equity (monthly)	32635	26565	▶ 203.83%	35098	▶ -7.02%
Debt (monthly)	22363	14955	▶ 49.54%	13602	▶ 64.41%

Indices

Particulars	31-Jul-24	30-Jun-24	Change (%)	31-Mar-24	Change (%)
BSE Sensex	81,741.34	79,032.73	▶ 3.43%	73,651.35	▶ 10.98%
S&P CNX Nifty	24,951.15	24,010.60	▶ 3.92%	22,326.90	▶ 11.75%
Dow Jones Industrial Avg	40,842.79	39,118.86	▶ 4.41%	39,807.37	▶ 2.60%
FTSE 100	8,367.98	8,164.12	▶ 2.50%	7,952.62	▶ 5.22%
Hang Seng Index	17,344.60	17,718.61	▶ -2.11%	16,541.42	▶ 4.86%
Nikkei 225	39,101.82	39,583.08	▶ -1.22%	40,369.44	▶ -3.14%
B S E Information Technology Index	41,706.91	36,951.36	▶ 12.87%	35,644.77	▶ 17.01%
B S E Oil & Gas Index	32,563.42	29,473.40	▶ 10.48%	27,644.48	▶ 17.79%
B S E FMCG Index	22,507.43	20,549.55	▶ 9.53%	19,318.40	▶ 16.51%
B S E Healthcare Index	40,519.01	37,110.33	▶ 9.19%	35,052.84	▶ 15.59%
B S E Power Index	8,442.07	7,954.50	▶ 6.13%	6,701.74	▶ 25.97%
B S E Auto Index	60,185.44	57,293.11	▶ 5.05%	49,142.11	▶ 22.47%
B S E Capital Goods Index	75,640.12	72,324.41	▶ 4.58%	60,943.12	▶ 24.12%
B S E Metal Index	32,771.06	33,050.57	▶ -0.85%	28,196.08	▶ 16.23%
B S E Realty Index	8,540.17	8,634.76	▶ -1.10%	7,108.37	▶ 20.14%
B S E Bankex	58,865.99	59,640.90	▶ -1.30%	53,515.19	▶ 10.00%

Primary Key Rates

Particulars	31-Jul-24	30-Jun-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	6.50%	6.24%	▶ 0.26%	6.10%	▶ 0.40%
Current Inflation Rate (WPI)	3.36%	2.61%	▶ 0.75%	0.20%	▶ 3.16%
Current Inflation Rate (CPI) (Jun 24)	5.08%	4.75%	▶ 0.33%	5.09%	▶ -0.01%
IIP (WPI) % Y-O-Y (May 24)	5.90%	5.00%	▶ 0.90%	3.80%	▶ 2.10%
AAA spread (bps)	38.00	35.00	▶ 8.57%	29.00	▶ 31.03%

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-Jul-24	30-Jun-24	Change (%)	31-Mar-24	Change (%)
91 days T - Bill	6.68%	6.81%	▶ -0.13%	7.00%	▶ -0.32%
364 days T - Bill	6.80%	6.96%	▶ -0.16%	7.07%	▶ -0.27%
5 Years G - Sec (Annualized)	6.83%	6.98%	▶ -0.15%	7.05%	▶ -0.23%
10 Years G - Sec (Annualized)	6.97%	7.06%	▶ -0.09%	7.08%	▶ -0.11%
30 Years G - Sec (Annualized)	7.05%	7.06%	▶ 0.00%	7.12%	▶ -0.07%

* 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

Jul 2024 - The cuts are coming!

Benchmark 10-year treasury yields fell to 6.92% in July 2024 from 7% in June 2024. The US 10-year yield is at 4.03% at the end of July 2024 (-37 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, 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 (Purchasing Managers Index) moved to 58.1 from 58.3 in the former and from 60.5 to 60.3 in the latter.

Global News

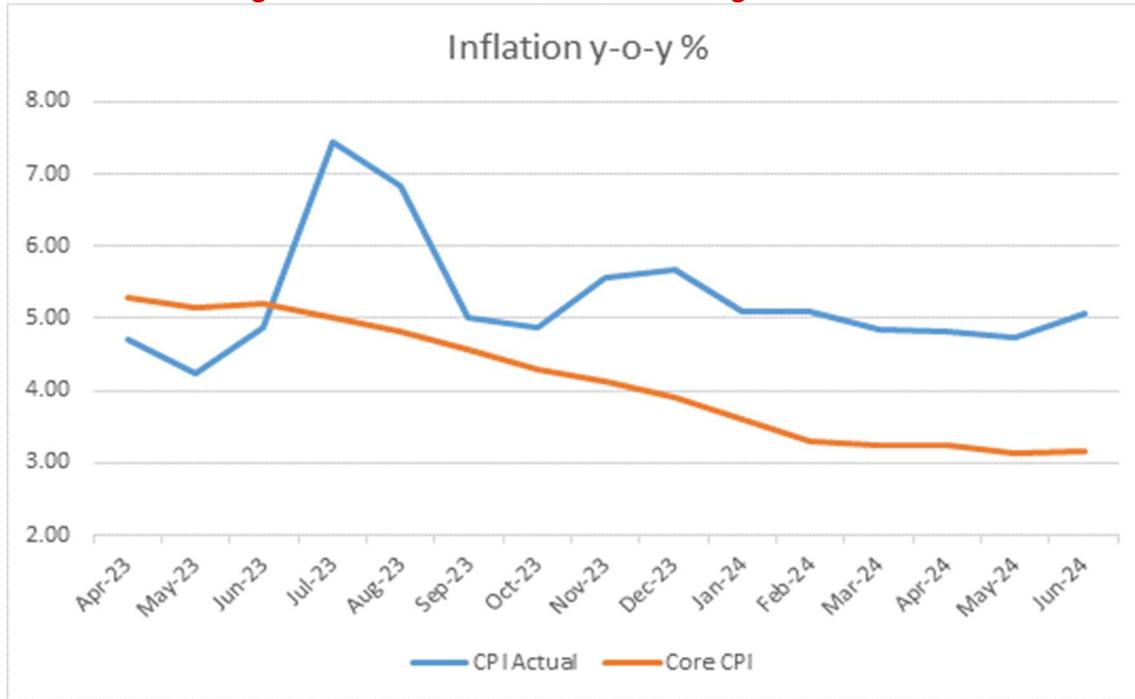
Economic data in the US, continues to moderate with the Citi US economic surprise index falling below Zero to -25 since a high seen back in February 2024 of +40. This is now a 2-year low. US CPI came in at the lowest level in 12 months at 3% against expectations of 3.1%. More importantly sequentially 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

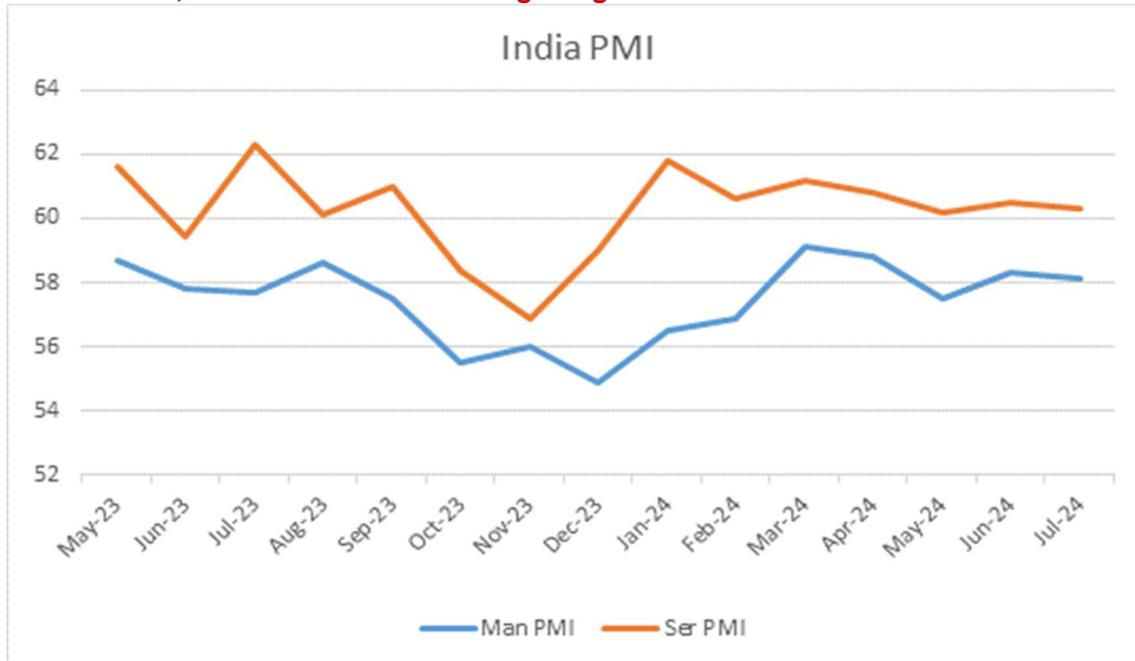
MPC (Monetary Policy Committee) kept rates steady in August 2024, Growth upped to 7.2% from 7% in FY 2025, and Inflation projection has been maintained at 4.5%. We expect the RBI to cut rates in October 2024 if FED (Federal Reserve) cuts rates in September 2024 and indicates more in 2024. It is also 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.

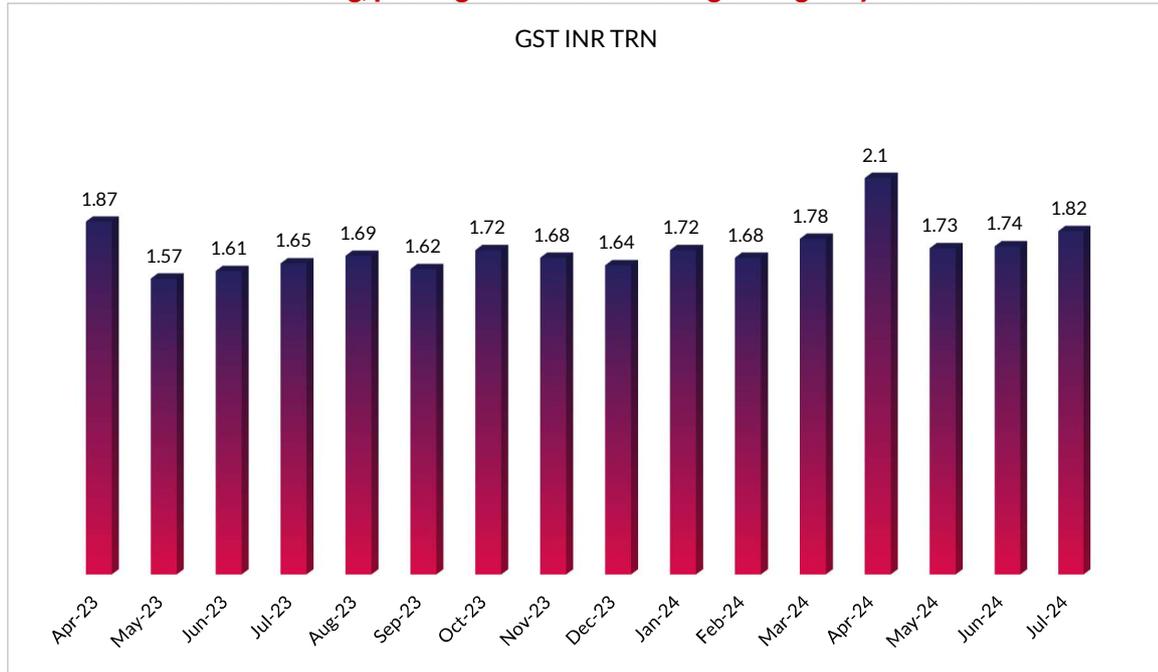
India headline rose due to higher food inflation but Core CPI is seeing moderation



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 August, 2024

Nifty and Sensex ended at 81,741 and 24,951, up 3.4% and 3.9% for the month of July 2024. This was amid a turbulent month for global markets that saw volatility in tech-heavy global indices on the back of mixed views on results of US tech stocks and poor outlook on Chinese economic growth.

Markets continued their march as the budget announced was fairly neutral. There was emphasis on infrastructure growth with an increase in Capex. Path for reduction in Fiscal Deficit was in line with FY 2025 Fiscal Deficit projected at 4.9%, aided by a good dividend from RBI. An increase in Long Term Capital Gains tax & the STT initially was taken as a blow. However, markets recovered since this was a marginal increase, and holding equities for the long term was incentivized with STCG (Short Term Capital Gain) increased more than the LTCG (Long Term Capital Gain). Overall, Capital gains taxes were rationalized and there was a boost to affordable housing. Broad markets showed strength, with the NSE Small-cap 100 index moving up 4.5% and NSE Mid-cap 100 index moving up 5.8% in the month. A chart providing details of index movements is provided in the Annexure.

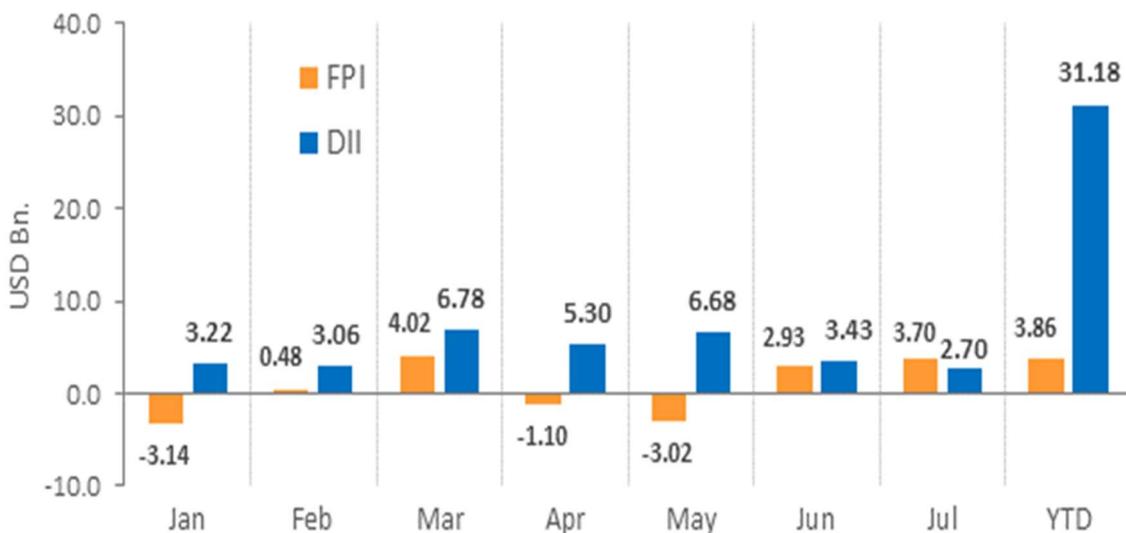
Our markets outperformed. S&P 500 gave a return of 1.1%. IT and Pharma did well, moving 13% and 10.4% during the month and outperforming significantly, while Metals and Banks underperformed, falling 2.4% and 1.5% respectively. Overall, defensive sectors have outperformed this month.

FOMC (Federal Open Market Committee) did not change interest rates in their meeting held during July 2024, with Fed Funds Rate staying at 5.25% to 5.50%. However, Fed commentary has turned accommodative with Governor Powell acknowledging slowness reflected by recent US unemployment, PMI and inflation numbers. Markets have priced in 2 rate cuts in the coming months of 2024 (one of these in September 2024), with a possibility of this extending to 3 cuts. On 1st August 2024, Bank of England cut interest rates by 25 bps to 5.0%.

India's CPI inflation for June was at 5.08%, up from 4.8% for May 2024, while WPI for June 2024 increased to 3.36% against 2.6% for May 2024.

FPI's (Foreign Portfolio Investors) bought stocks worth US \$ 3.7 billion while locals bought stocks worth US \$ 2.7 billion. Global equity indices saw volatility with the Nasdaq-100 (USA) and Nikkei-225 (Japan) falling 1.6% and 1.2% respectively in the month, and down 6.3% and 7.4% respectively from their mid-month highs. This was due to a mix of factors, including mixed views on results of US tech stocks, weakness in US macroeconomic indicators and a weak Chinese economy. Major commodities have also fallen during July 2024, with Brent crude down 6.0%, aluminium prices down 10.4% and steel down 5.9%.

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



In India, Mutual Fund flows have been robust. Flows garnered in terms of new IPOs have also been good. 64 Equity/Growth oriented schemes have been floated by Mutual Funds houses in the 12 months up to June 24, that garnered INR 60,028 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.

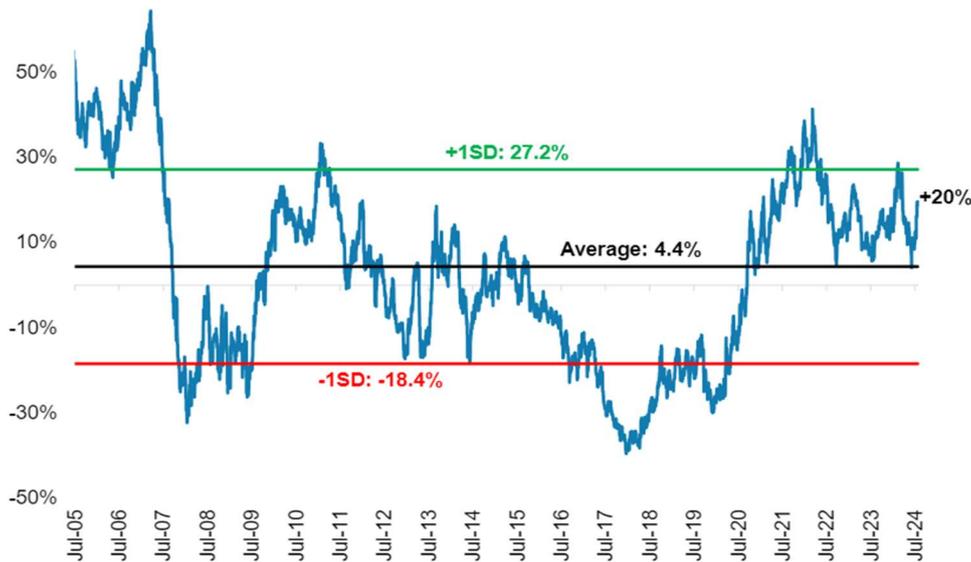
Category	Ownership
FPI	18%
DII	14%
<i>Mutual Funds</i>	9%
<i>Insurance</i>	5%
Promoter	52%
Others	16%

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

Markets have moved against earnings; as quarterly estimates are expected to show no growth in earnings for Nifty as a whole.

Liquidity flows are going in towards sector rotation. Shift in sector flavour this Financial Year before and after budget is given in the Annexure. Small positive surprises are being treated with a red carpet – the rise in valuations of IT companies' earnings, which is not in sync with earnings, is given below.

Fig 2. P/E premium for top 4 IT stocks over Sensex – has moved up, contrary to earnings revisions



With moderation in earnings (around 11% growth expected for FY 2025 and 14% for FY 2026) we see markets not able to accelerate further. However, the fuel is coming in the form of liquidity from Retail, PMS, AIF and other Institutional money. This may ensure that any fall in markets is protected. We keep a watch on Regulators clamp down on leveraged position (derivatives). There are press reports giving money being lost by investors here.

Declining interest rates should give a good fillip to Fixed Income. At the same time there are some pockets to grow in Equity and hence we prefer Balance Fund and Bond Optimiser Fund to be ideal for Investments for those who look for partial equity exposure. Pure Equity funds have given above average returns versus fixed income below average. It may be ideal to consider a pure Fixed Income portfolio to in place of Equity.

Investors in purely Fixed Income Funds like Bond Fund & Equity Pension II should stay invested. Paying renewal premiums on time will help returns on a longer run. With inflation moderated, we may see some cuts in our markets too together with US markets. Fixed income investors should stand to gain.

Fig 1. Major events and Nifty50 movements during July 2024

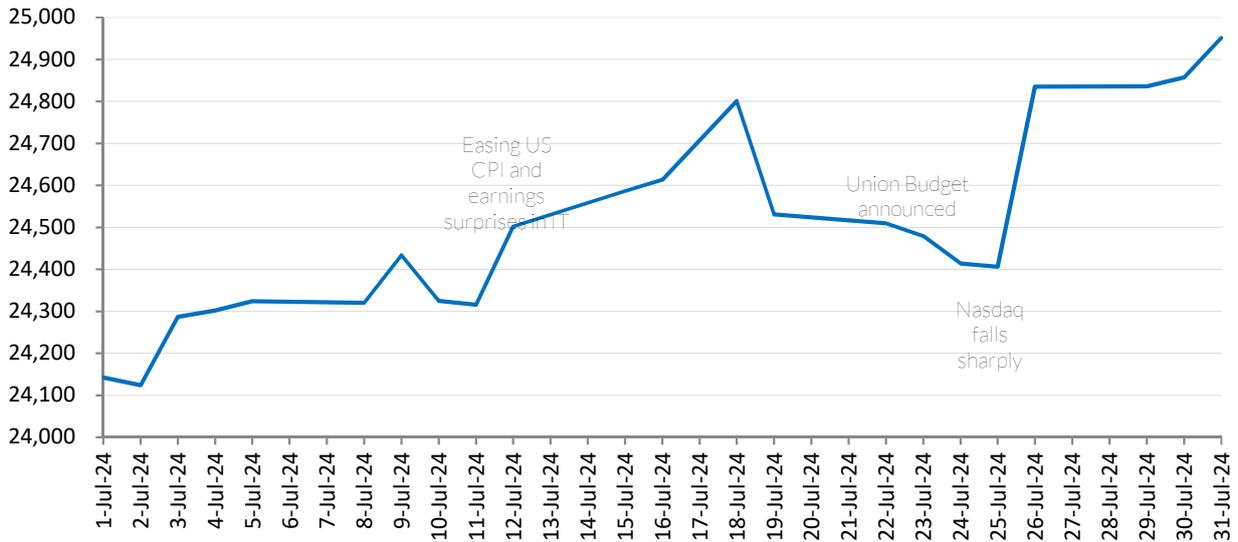


Fig 2. Select Sectoral returns for FY24 - Underperformers in Q1 turn outperformers so far in Q2

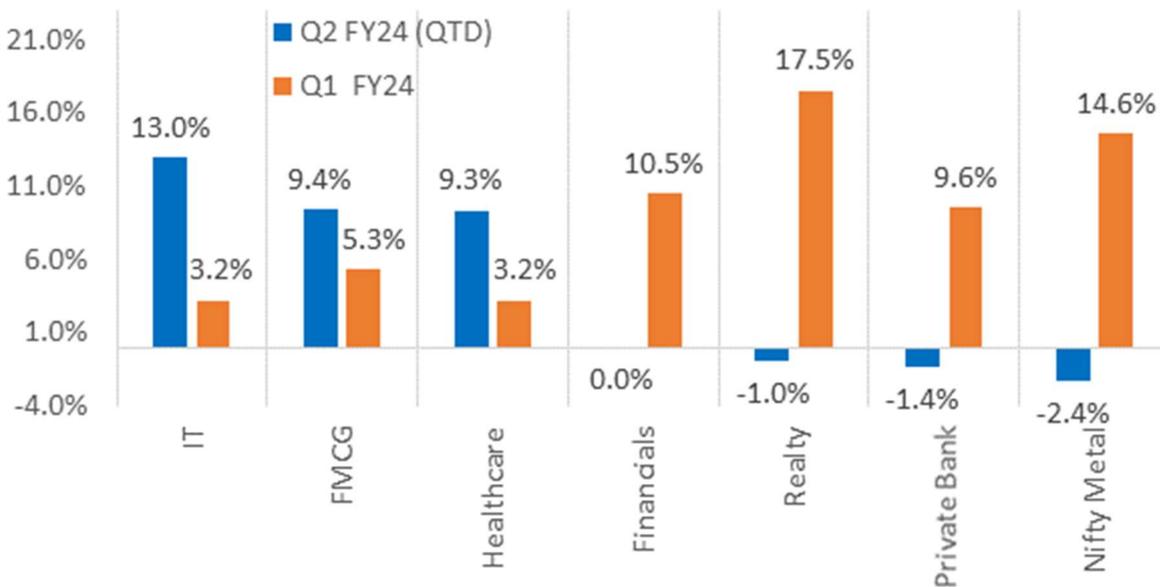


Fig 3. Mutual Fund Equity/Growth Schemes launched and funds raised (AMFI)

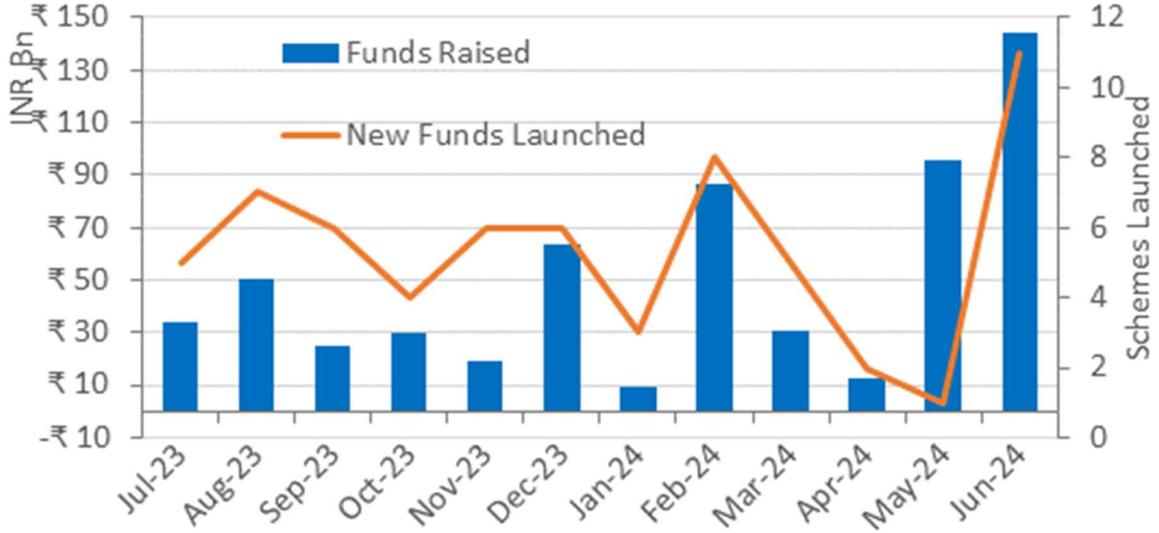


Fig 4. Net Subscriptions to Equity/Growth Mutual Fund Schemes (AMFI)

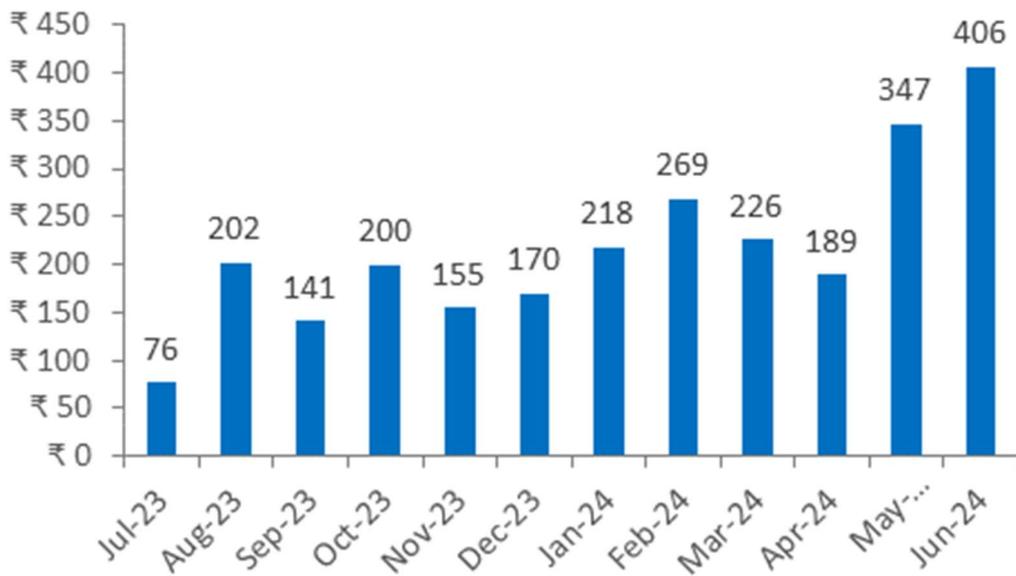


Fig 5. Major Index and Asset Class Returns

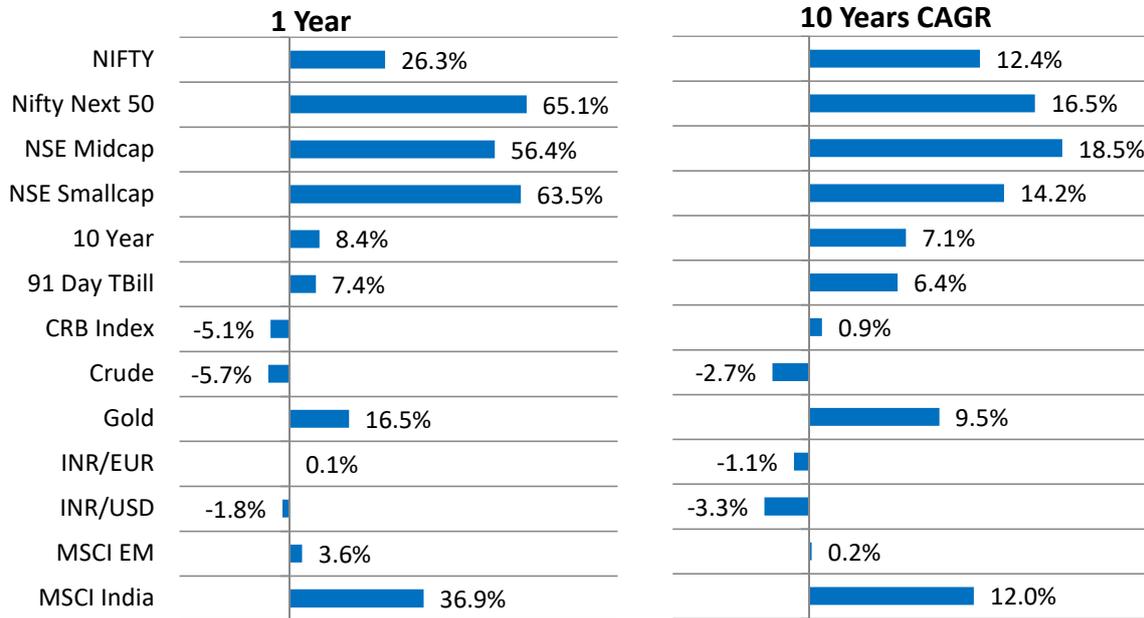
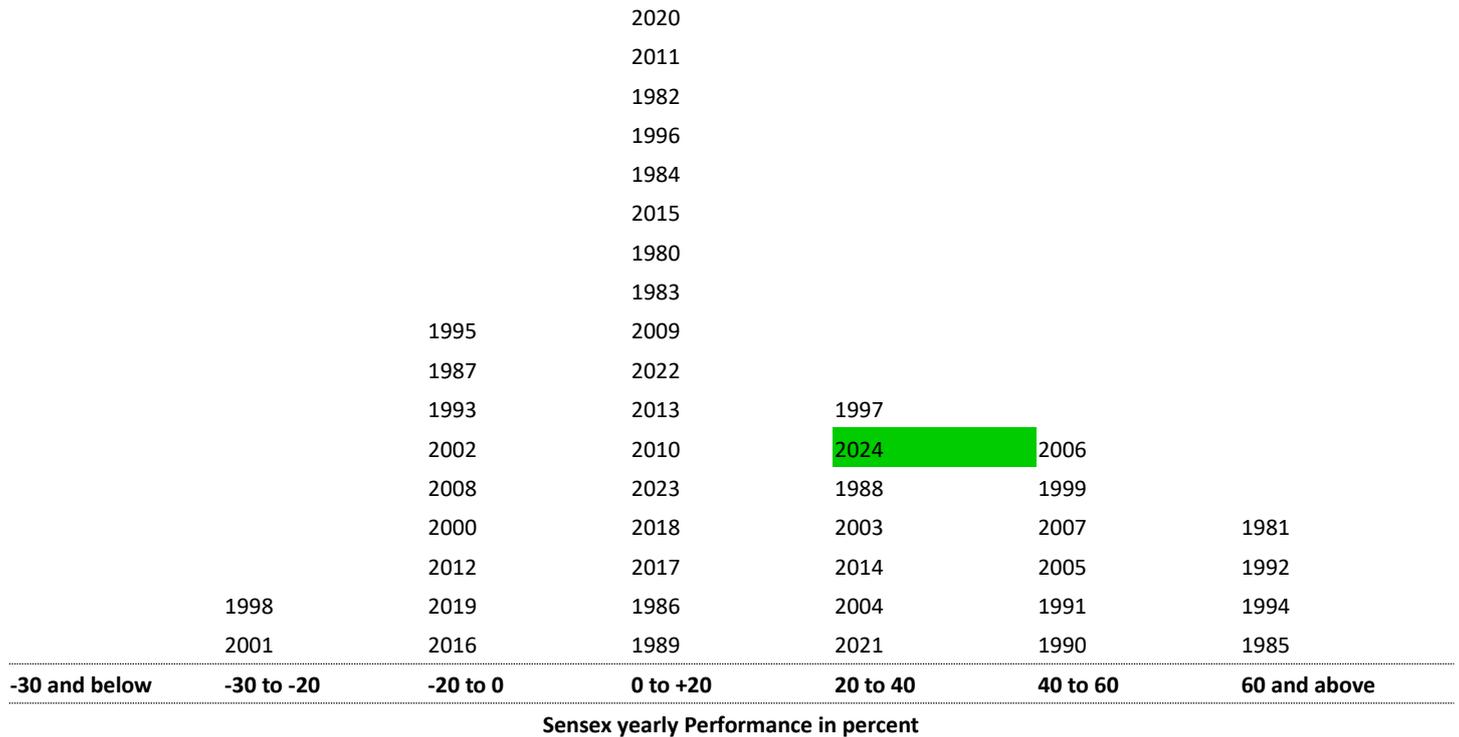


Fig 4. Sensex yearly Performance in percent



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
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