

invest care

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



June, 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	30-Jun-24	31-May-24	Change (%)	31-Mar-24	Change (%)
₹/\$	83.39	83.46	▶ 0.08%	83.40	▶ 0.01%
Forex Res.(Bn- 1 Wk Lag)	\$ 653.71	\$ 646.67	▶ 1.09%	\$ 642.63	▶ 1.72%
Oil Price (\$/Barrel)	\$ 86.17	\$ 80.79	▶ 6.66%	\$ 86.84	▶ -0.77%
FII inflows (Net) - Crs (`)					
Equity (monthly)	26565	-25586	▶ 203.83%	35098	▶ -24.31%
Debt (monthly)	14955	8761	▶ 70.70%	13602	▶ 9.95%

Indices

Particulars	30-Jun-24	31-May-24	Change (%)	31-Mar-24	Change (%)
BSE Sensex	79,032.73	73,961.31	▶ 6.86%	73,651.35	▶ 7.31%
S&P CNX Nifty	24,010.60	22,530.70	▶ 6.57%	22,326.90	▶ 7.54%
Dow Jones Industrial Avg	39,118.86	38,686.32	▶ 1.12%	39,807.37	▶ -1.73%
FTSE 100	8,164.12	8,275.38	▶ -1.34%	7,952.62	▶ 2.66%
Hang Seng Index	17,718.61	18,079.61	▶ -2.00%	16,541.42	▶ 7.12%
Nikkei 225	39,583.08	38,487.90	▶ 2.85%	40,369.44	▶ -1.95%
B S E Information Technology Index	36,951.36	33,198.71	▶ 11.30%	35,644.77	▶ 3.67%
B S E Realty Index	8,634.76	7,979.82	▶ 8.21%	7,108.37	▶ 21.47%
B S E Auto Index	57,293.11	53,026.17	▶ 8.05%	49,142.11	▶ 16.59%
B S E Bankex	59,640.90	55,771.72	▶ 6.94%	53,515.19	▶ 11.45%
B S E Healthcare Index	37,110.33	34,889.53	▶ 6.37%	35,052.84	▶ 5.87%
B S E FMCG Index	20,549.55	19,528.82	▶ 5.23%	19,318.40	▶ 6.37%
B S E Power Index	7,954.50	7,699.46	▶ 3.31%	6,701.74	▶ 18.69%
B S E Capital Goods Index	72,324.41	70,055.57	▶ 3.24%	60,943.12	▶ 18.68%
B S E Oil & Gas Index	29,473.40	28,639.87	▶ 2.91%	27,644.48	▶ 6.62%
B S E Metal Index	33,050.57	32,713.24	▶ 1.03%	28,196.08	▶ 17.22%

Primary Key Rates

Particulars	30-Jun-24	31-May-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	6.24%	6.20%	▶ 0.04%	6.10%	▶ 0.14%
Current Inflation Rate (WPI)	2.61%	1.26%	▶ 1.35%	0.20%	▶ 2.41%
Current Inflation Rate (CPI) (May 24)	4.75%	4.83%	▶ -0.08%	5.09%	▶ -0.34%
IIP (WPI) % Y-O-Y (Apr 24)	5.00%	4.90%	▶ 0.10%	3.80%	▶ 1.20%
AAA spread (bps)	35.00	40.00	▶ -12.50%	29.00	▶ 20.69%

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	30-Jun-24	31-May-24	Change (%)	31-Mar-24	Change (%)
91 days T - Bill	6.81%	6.85%	▶ -0.04%	7.00%	▶ -0.19%
364 days T - Bill	6.96%	7.03%	▶ -0.07%	7.07%	▶ -0.11%
5 Years G - Sec (Annualized)	6.98%	7.05%	▶ -0.08%	7.05%	▶ -0.08%
10 Years G - Sec (Annualized)	7.06%	7.07%	▶ 0.00%	7.08%	▶ -0.02%
30 Years G - Sec (Annualized)	7.06%	7.14%	▶ -0.08%	7.12%	▶ -0.06%

* 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

June 2024 - LOOKING FOR A BETTER HALF IN 2024

Benchmark 10-year treasury yields rose to 7% in June 2024 from 6.98% in May 2024. The US 10-year yield is at 4.40% at the end of June 2024 (-10 bps month on month). INR was stronger at around 83.39 against 83.46 in May 2024.

India Macro Movers

Retail inflation fell to a print of 4.75% in May 2024, from April's 4.83%. It is the lowest figure in 12 months and it gives the central bank enough hope of the disinflation trajectory. Core CPI has been steadily heading down and it came in all time low of 3.1%, in this series that began in 2012. At this rate, it is expected that headline CPI will fall below 4% in July-August 2024.

India IIP came in marginally higher in April 2024 at 5.0% against last month's 4.9%. GST (Goods & Services Tax) collections have been rising like mercury, and the May 2024 number came in at a strong Rs. 1.73 lac crs against last month's Rs. 2.1 lac crs.

PMIs (Purchasing Managers Index) mildly moved up in June 2024 after moderating in May 2024 for both manufacturing and Services sectors as PMI moved to 58.3 from 57.5 in the former and from 60.2 to 60.5 in the latter.

Global News

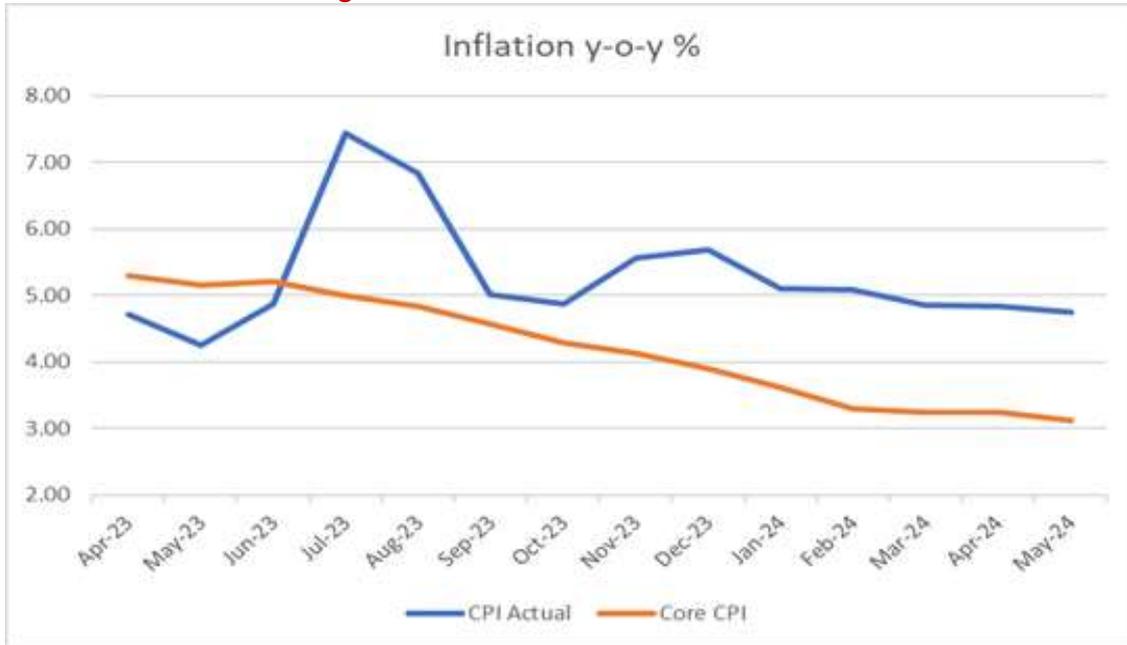
Economic data in the US, continues to moderate with the Citi US economic surprise index falling below Zero to -45 since a high seen back in April 2024 of +40. This is now a two-year low. Unemployment rate has been steady with monthly job numbers still being above 250000 on average in the latest quarter. But the latest number unemployment rose to 4.1%. This is the highest since January 2022. The Federal Reserve has been quite vocal in saying that inflation is at a level which is not quite making them comfortable to cut rates, but they also have confirmed that waiting for inflation to fall to 2% is not necessary. Infact, in the latest FOMC (Federal Open Market Committee) the Fed (Federal Reserve) reduced the number of cuts from 3 to 1 for 2024. 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) also could stay away from cutting in August 2024 based on the trajectory of CPI.

Outlook

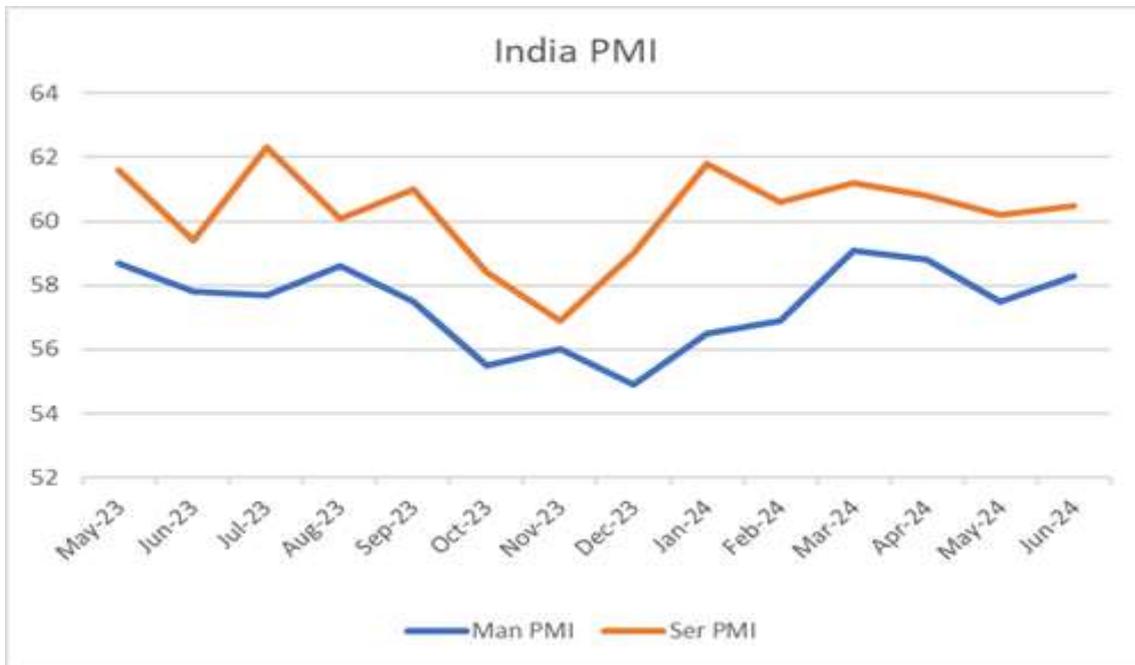
MPC (Monetary Policy Committee) kept rates steady in June 2024, Growth was upped by 20 bps, and Inflation projection has been maintained. We expect the RBI to remain on hold till August 2024 and maybe begin easing rates from October 2024, especially if FED cuts in September 2024. This would be to wait for headline CPI to ease below 4% and also let the Fed take the first shot at monetary easing. If the Fed postpones, then RBI also could wait till December 2024.

The benchmark 10y 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 30y- 10y spreads to remain in range of 10-25 bps for major part of the FY 25 year unless RBI tweaks borrowing calendar. We expect RBI to cut policy rates by 50 bps this calendar year starting October policy

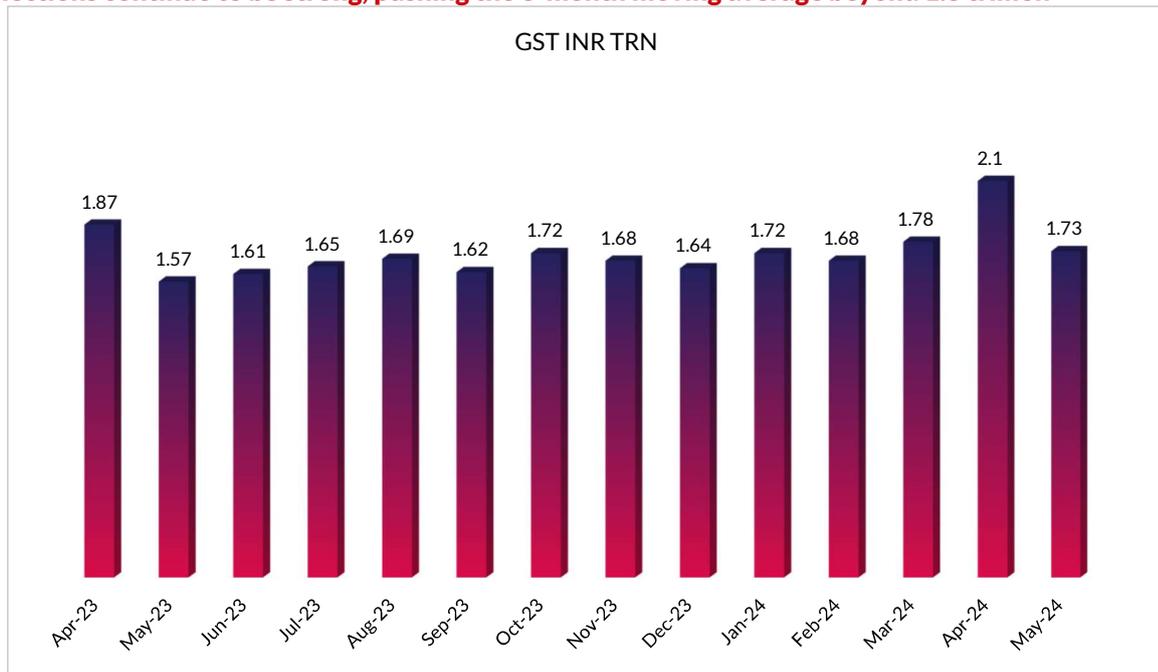
India headline and Core CPI is seeing moderation



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



Here is a scenario analysis done by us to show how the new Budget on July 23rd could affect our economy

Outcome in FY 25 and FY 26	status quo	Tendency to please coalition	in-fighting and instability
<i>Fiscal deficit</i>	4.9% and 4.5%	5.1% and 4.7%	5.2% and 5%
<i>growth</i>	6.50%	6.70%	7%
<i>CPI</i>	4-4.5%	5-5.5%	5.5-6%
<i>monetary policy</i>	6%	6.50%	7%
<i>10 Y</i>	6.50%	6.75%	7.25%

Equity Outlook

Equity Market Outlook for the Month of July, 2024

Nifty and Sensex ended at 79,032 and 24,010, up 6.9% and 6.6% for the month of June 2024. This was mainly on the back of FPIs (Foreign Portfolio Investors) re-entering Indian markets post the election results on the June 04, 2024.

This was an exceptional month. Election results were satisfactory. NDA retained control to form the Government. BJP could not secure majority of seats in the parliament against expectations and exit polls.

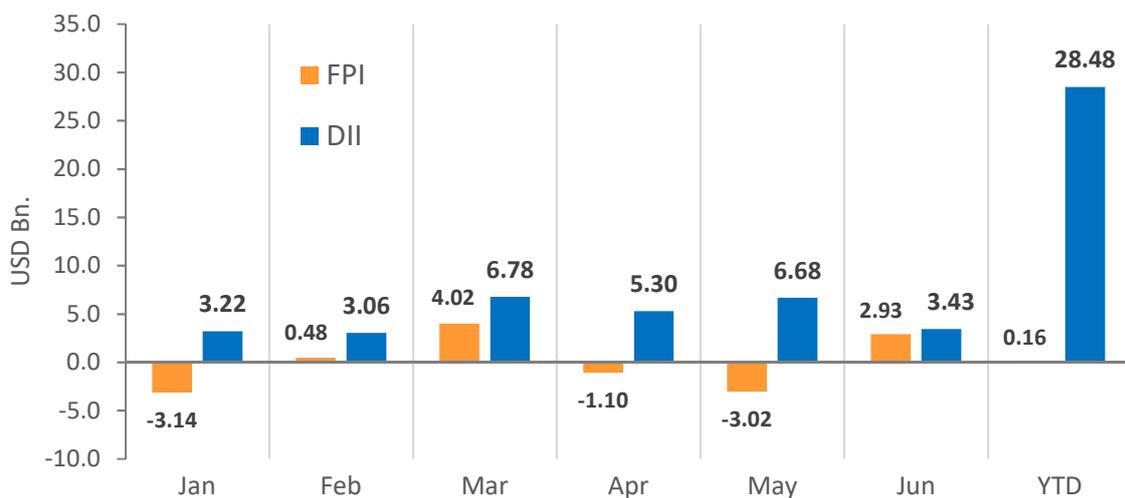
Our markets outperformed. S&P 500 gave a return of 1.1%. Construction materials and Banks did well, moving 13% and 7% during the month and outperforming significantly, while Capital Goods and Retail underperformed, falling 5% and remaining flat respectively.

Broader markets showed strength, with the NSE Small-cap 100 index moving up 9.7% and NSE Mid-cap 100 index moving up 7.8%.

FOMC did not change interest rates in their meeting held during June 2024, with Fed Funds Rate staying at 5.25% to 5.50%. Further, the outlook for rate cuts by the Fed in 2024 has been reduced to one rate cut, down from three as expected earlier this year. The RBI MPC also decided to maintain the repo rate at 6.5% in their June 2024 meeting, citing risks from heightened levels of food inflation. India's CPI inflation for May 2024 was at 4.75%, marginally down from April 2024, while WPI for May increased to 2.6% against 1.3% for April 2024.

FPI's (Foreign Portfolio Investors) bought stocks worth US \$ 2.9 billion while locals bought stocks worth US \$ 3.4 billion. Despite the recent trend of constant buying in Chinese stocks by FPIs, Shanghai and Hong Kong indices have fallen 3.9% and 2.0% in June 2024. For the same period, India has been among a select few emerging markets to see FPI inflows, along with Taiwan and South Korea.

Fig 1. DII and FII flows from Jan '24 to Jun '24 (Kotak)



Mutual Fund flows have been robust. Flows also in terms of new IPO's that the industry is garnering is good. 59 Equity/Growth oriented schemes have been floated by Mutual Funds houses in the 12 months up to May 2024, that garnered 48,696 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	17%
DII	14%
<i>Mutual Funds</i>	9%
<i>Insurance</i>	5%
Promoter	51%
Others	17%

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

Fitch Ratings has raised India's GDP forecast to 7.2% for FY25, up from 7.0% earlier.

Agency	FY25 Growth Estimate
Moody's	6.6%
S&P	6.8%
Fitch	7.2%

On June 28, 2024 India entered the JP Morgan Government Bond Index – Emerging Market, as announced in September 2023. However, there have been no major movements in bond markets since the inclusion, as 50-60% of the inflows had already been priced in. In the coming months, the weightage to Indian bonds will rise by 1% each month, up to an anticipated 10% weightage – this could lead to substantial FPI inflows into Indian Gsecs in the coming quarters.

We wait for India budget 2024. We do not predict major changes in policy decisions. With moderation in earnings (around 13% growth expected for FY 2025 and 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 well protected. Government allocation and boosts towards infrastructure will be keenly watched.

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.

Investors in purely Fixed Income Funds like Bond Fund should stay invested and pay their renewal premiums. Interest rates in some economies like the European Union, Switzerland, Canada and Mexico have been reduced by their respective central banks. With inflation under control, we may see some cuts in our markets. Such investors would stand to gain.

Fig 1. Mutual Fund Equity/Growth Schemes launched and funds raised (AMFI)

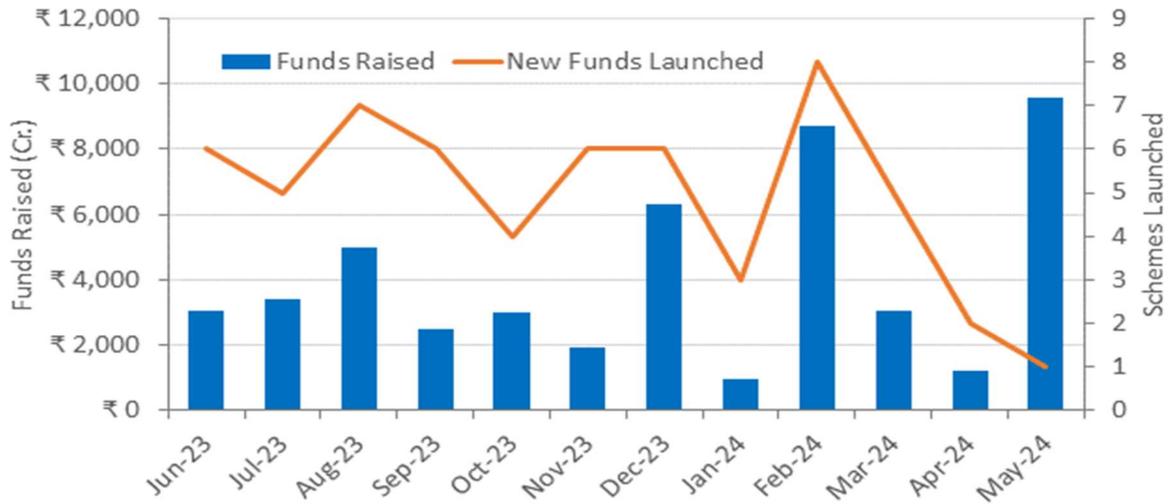


Fig 2. Net Subscriptions to Equity/Growth Mutual Fund Schemes (AMFI)

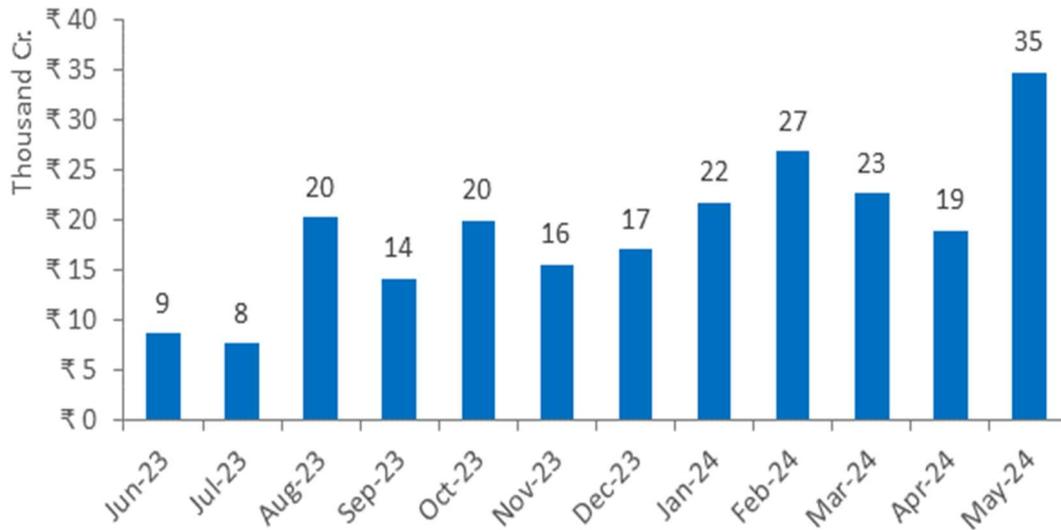


Fig 3. Major Index and Asset Class Returns

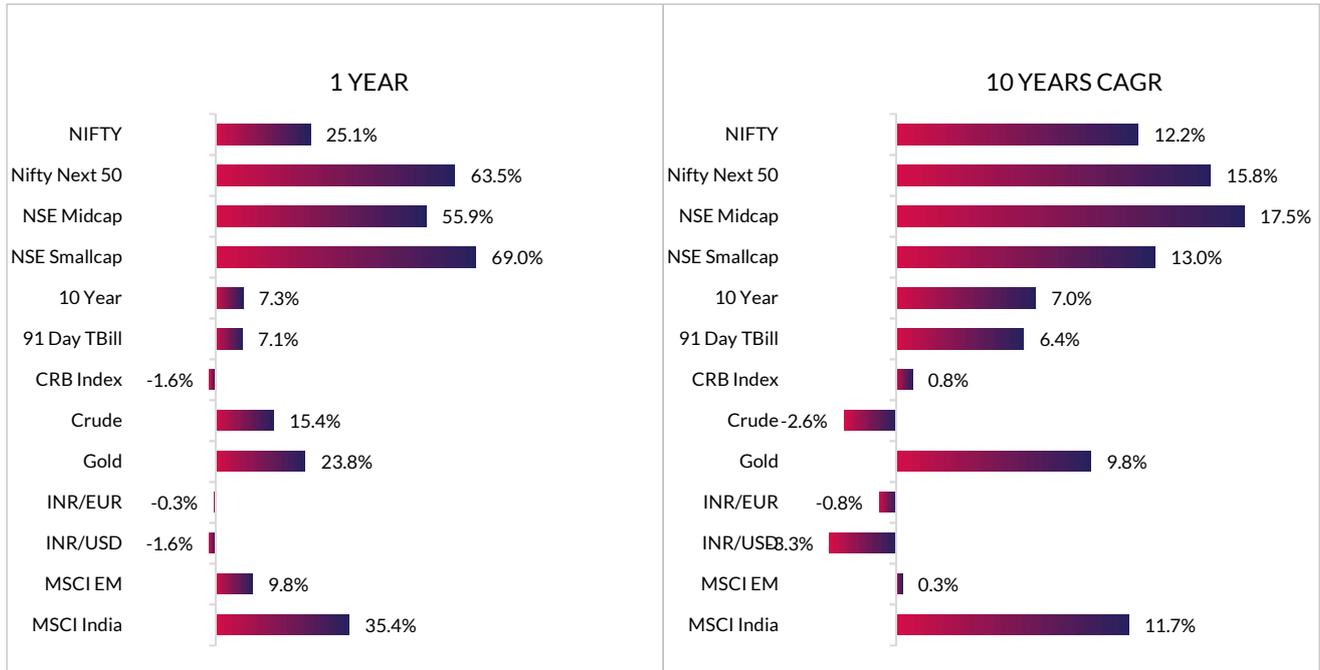
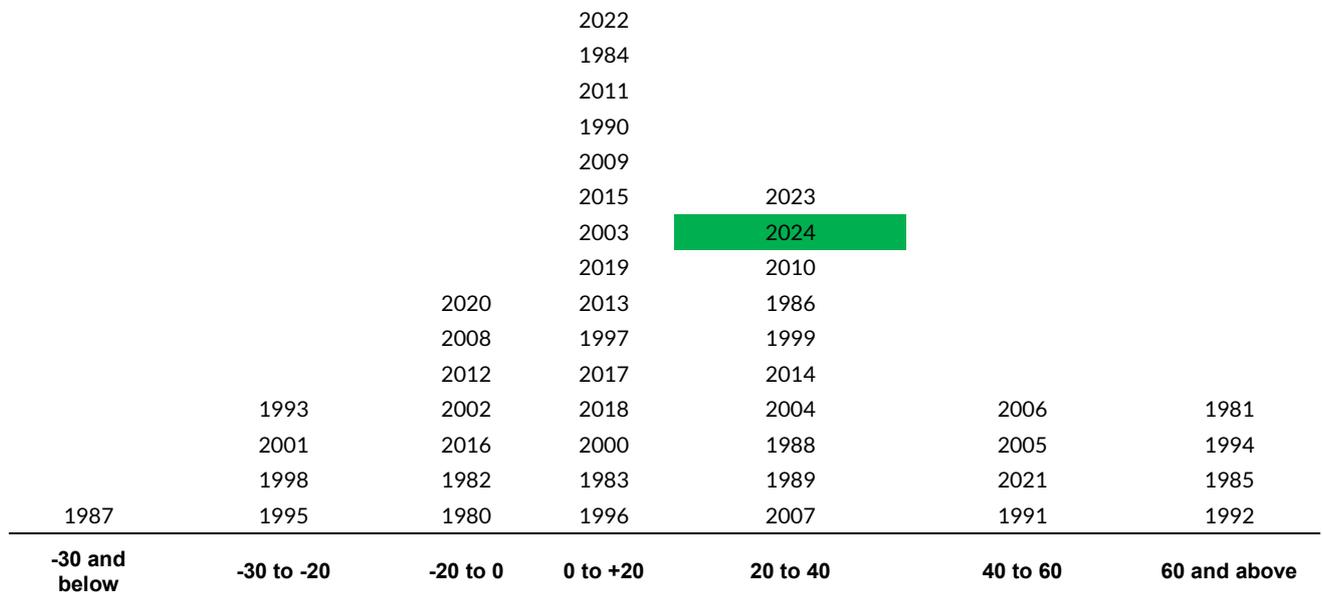


Fig 4. Sensex yearly Performance in percent



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.



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

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