

invest care

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



April, 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-Apr-24	31-Mar-24	Change (%)	31-Mar-23	Change (%)
₹/\$	83.44	83.40	▶ -0.05%	82.18	▶ -1.53%
Forex Res.(Bn- 1 Wk Lag)	\$ 637.92	\$ 642.63	▶ -0.73%	\$ 578.78	▶ 10.22%
Oil Price (\$/Barrel)	\$ 87.71	\$ 86.84	▶ 1.00%	\$ 79.94	▶ 9.72%
FI inflows (Net) - Crs (`)					
Equity (monthly)	-8671	35098	▶ -124.71%	7936	▶ -209.26%
Debt (monthly)	-10949	13602	▶ -180.50%	-2505	▶ 337.09%

Indices

Particulars	30-Apr-24	31-Mar-24	Change (%)	31-Mar-23	Change (%)
BSE Sensex	74,482.81	73,651.35	▶ 1.13%	58,991.52	▶ 26.26%
S&P CNX Nifty	22,604.85	22,326.90	▶ 1.24%	17,359.75	▶ 30.21%
Dow Jones Industrial Avg	37,815.92	39,807.37	▶ -5.00%	33,274.15	▶ 13.65%
FTSE 100	8,144.13	7,952.62	▶ 2.41%	7,631.74	▶ 6.71%
Hang Seng Index	17,763.03	16,541.42	▶ 7.39%	20,400.11	▶ -12.93%
Nikkei 225	38,405.66	40,369.44	▶ -4.86%	28,041.48	▶ 36.96%
B S E Metal Index	31,250.50	28,196.08	▶ 10.83%	19,184.87	▶ 62.89%
B S E Power Index	7,220.06	6,701.74	▶ 7.73%	3,605.80	▶ 100.23%
B S E Realty Index	7,643.26	7,108.37	▶ 7.52%	3,101.56	▶ 146.43%
B S E Oil & Gas Index	28,980.58	27,644.48	▶ 4.83%	17,383.40	▶ 66.71%
B S E Bankex	55,997.79	53,515.19	▶ 4.64%	46,031.95	▶ 21.65%
B S E Auto Index	51,066.09	49,142.11	▶ 3.92%	28,246.92	▶ 80.78%
B S E Capital Goods Index	63,024.94	60,943.12	▶ 3.42%	34,369.70	▶ 83.37%
B S E FMCG Index	19,611.99	19,318.40	▶ 1.52%	16,487.02	▶ 18.95%
B S E Healthcare Index	35,405.71	35,052.84	▶ 1.01%	21,883.50	▶ 61.79%
B S E Information Technology Index	34,094.78	35,644.77	▶ -4.35%	28,478.99	▶ 19.72%

Primary Key Rates

Particulars	30-Apr-24	31-Mar-24	Change (%)	31-Mar-23	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	6.70%	6.10%	▶ 0.60%	6.20%	▶ 0.50%
Current Inflation Rate (WPI)	0.53%	0.20%	▶ 0.33%	3.85%	▶ -3.32%
Current Inflation Rate (CPI) (Mar 24)	4.85%	5.09%	▶ -0.24%	6.44%	▶ -1.59%
IIP (WPI) % Y-O-Y (Feb 24)	5.70%	3.80%	▶ 1.90%	5.20%	▶ 0.50%
AAA spread (bps)	25.00	29.00	▶ -13.79%	22.00	▶ 13.64%

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-Apr-24	31-Mar-24	Change (%)	31-Mar-23	Change (%)
91 days T - Bill	6.98%	7.00%	▶ -0.02%	7.28%	▶ -0.30%
364 days T - Bill	7.07%	7.07%	▶ 0.00%	7.30%	▶ -0.23%
5 Years G - Sec (Annualized)	7.19%	7.05%	▶ 0.13%	7.18%	▶ 0.01%
10 Years G - Sec (Annualized)	7.21%	7.08%	▶ 0.13%	7.31%	▶ -0.10%
30 Years G - Sec (Annualized)	7.29%	7.12%	▶ 0.17%	7.39%	▶ -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

April 2024 – The year starts with better growth and rising yields

Benchmark 10-year treasury yields rose to 7.18% in April 2024 from 7.06% in March 2024. The US 10-year yield is at 4.60% at the end of April 2024 (40 bps month on month). INR was flat at around 83.44 against 83.4 in March 2024, however it did touch a life high of 83.54 per US \$.

India Macro Movers

Retail inflation fell to a print of 4.85% in March 2024, from February's 5.09%. It is the lowest figure in 4 months and it gives the central bank enough hope of the disinflation trajectory. Core CPI has been steadily heading down and it came in at a 12-month low of 3.26% against February's 3.39%. The path downwards is clear with core CPI falling from 6.28% in January 2023. At this rate, it is expected that headline CPI will fall below 4% in July-August 2024.

India IIP came in marginally higher in March 2024 at 5.67% against last month's 4.14%. However, when we look at the sequential numbers, the contraction of 4% looks big. So, all is not well in growth terms, and one needs to observe this over the next few months.

GST (Goods & Services Tax) collections have been rising like mercury, and the April 2024 number came in all time high of Rs. 2.1 lac crores, growing at 12.3% year on year. Even in terms of annual growth rates this is one of the strongest seen.

PMIs (Purchasing Managers Index) moderated in April 2024 for both manufacturing and Services sectors as PMI dropped from 59.1 to 58.8 in the former and from 61.2 to 60.8 in the latter.

Global News

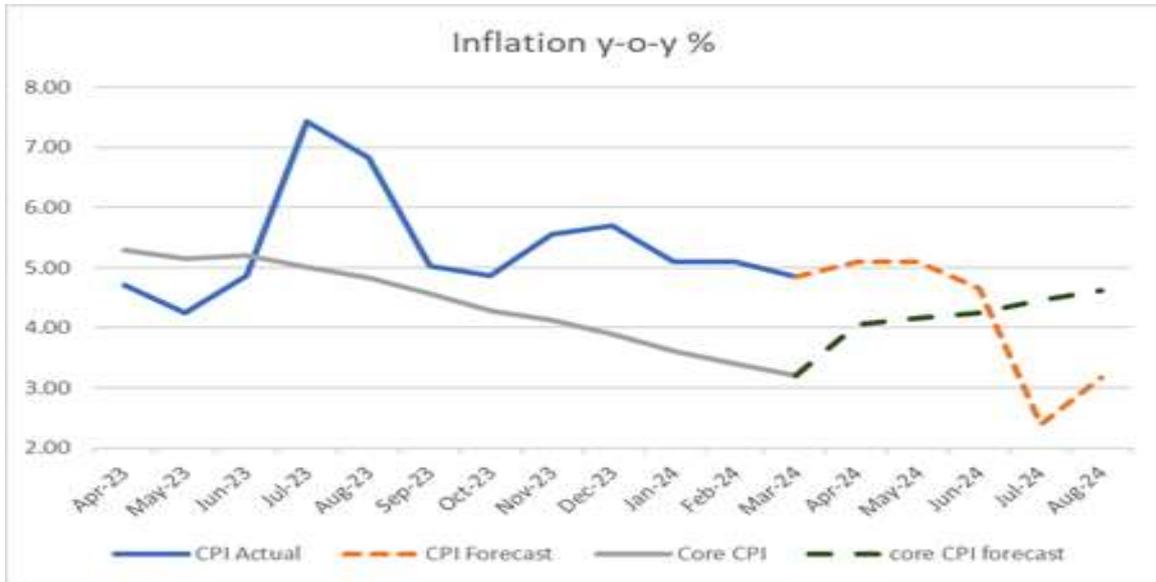
Economic data in the US, continues to beat estimates with Citi US economic surprise Index rising from 0 all the way to 40 of late. Unemployment rate has been steady with monthly job numbers still being above 250000 on average in the latest quarter. But the latest number brought some cheer as job additions in April 2024 were only 170k versus 245k expected. 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, and there will be delayed cuts. Fed's (Federal Reserve) Powell however ruled out any rate hikes in this cycle. Markets have been slowly but steadily pricing in much less action by Fed, and softening expectations from 6 cuts to 1 now in 2024. The ECB (European Commercial Bank) and BoE (Bank of England) are expected to cut rates earlier than the Fed owing to weaker growth and much less worrisome inflation. All these will have an effect on USD strength in 2024, with markets expecting dollar to remain strong.

Outlook

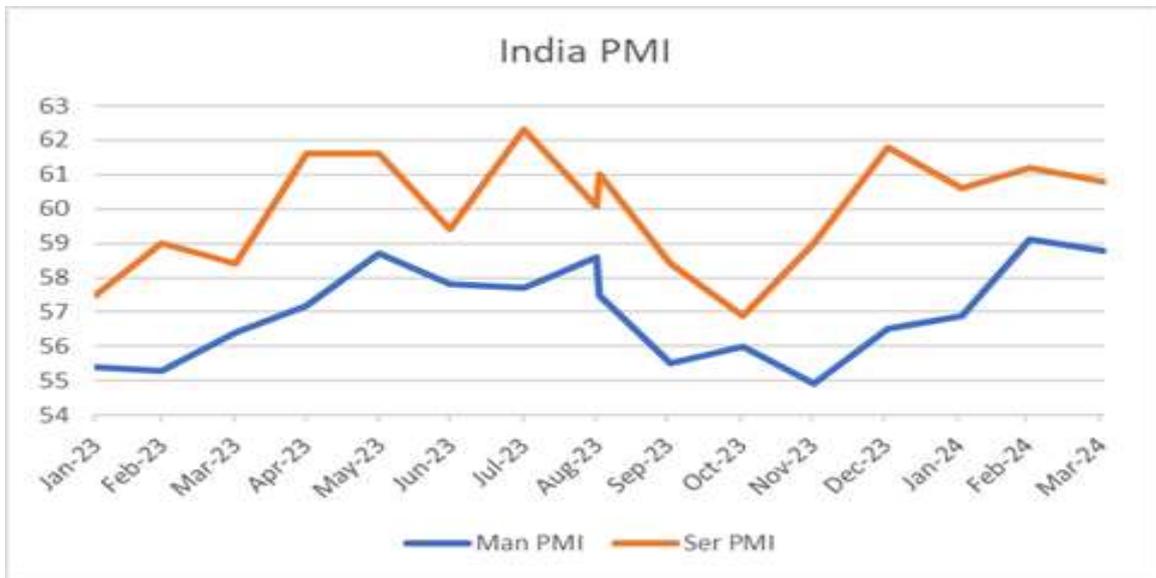
MPC (Monetary Policy Committee) kept rates steady in April 2024, Growth was maintained, and Inflation projection has been reduced by 10-20 bps. We expect the RBI to remain on hold till June 2024 and maybe begin easing rates from August 2024. This would be to wait for headline CPI to ease below 4% and also let the Fed take the first shot at monetary easing. If the Fed postpones, then RBI also could wait till 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 10-30 bps for major part of the FY 2025 year unless RBI tweaks borrowing calendar.

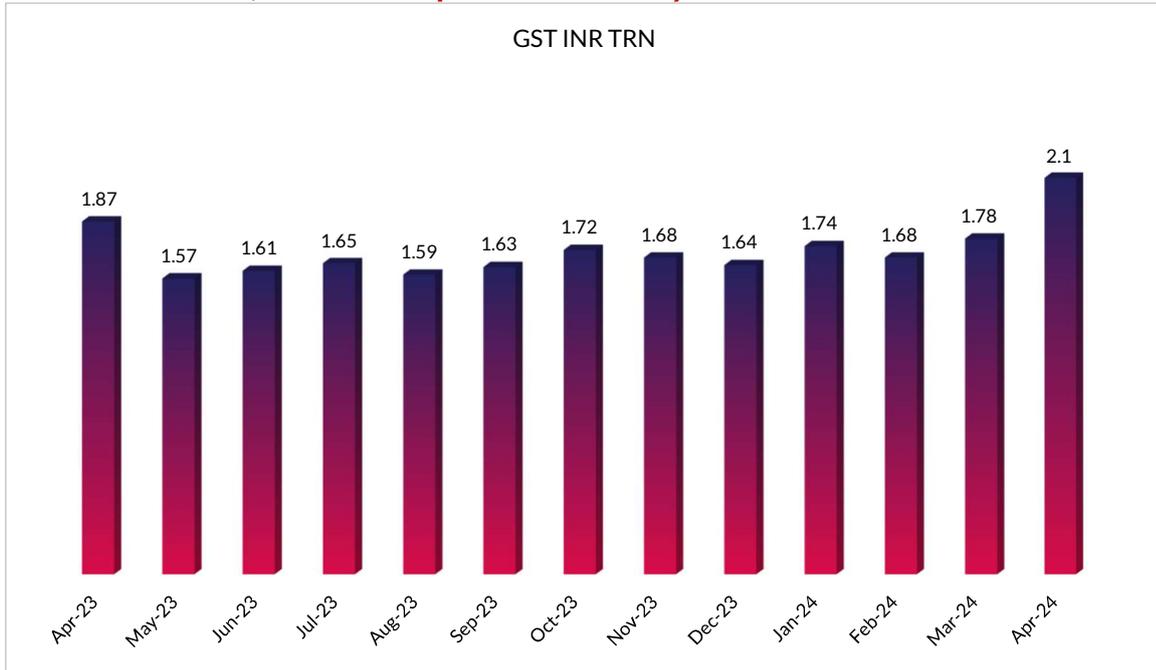
India headline and Core CPI will see moderation in 2024



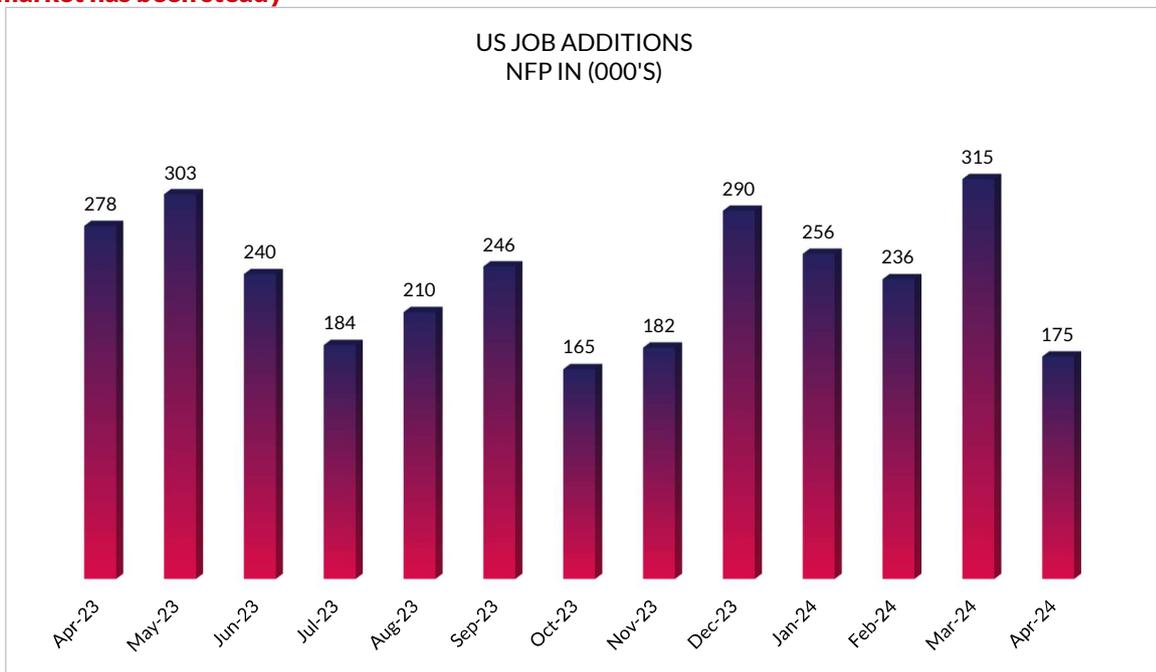
PMIs have dipped in the latest month



GST collections remain solid, and this could prove to be a bounty for centre's finances



US Job market has been steady



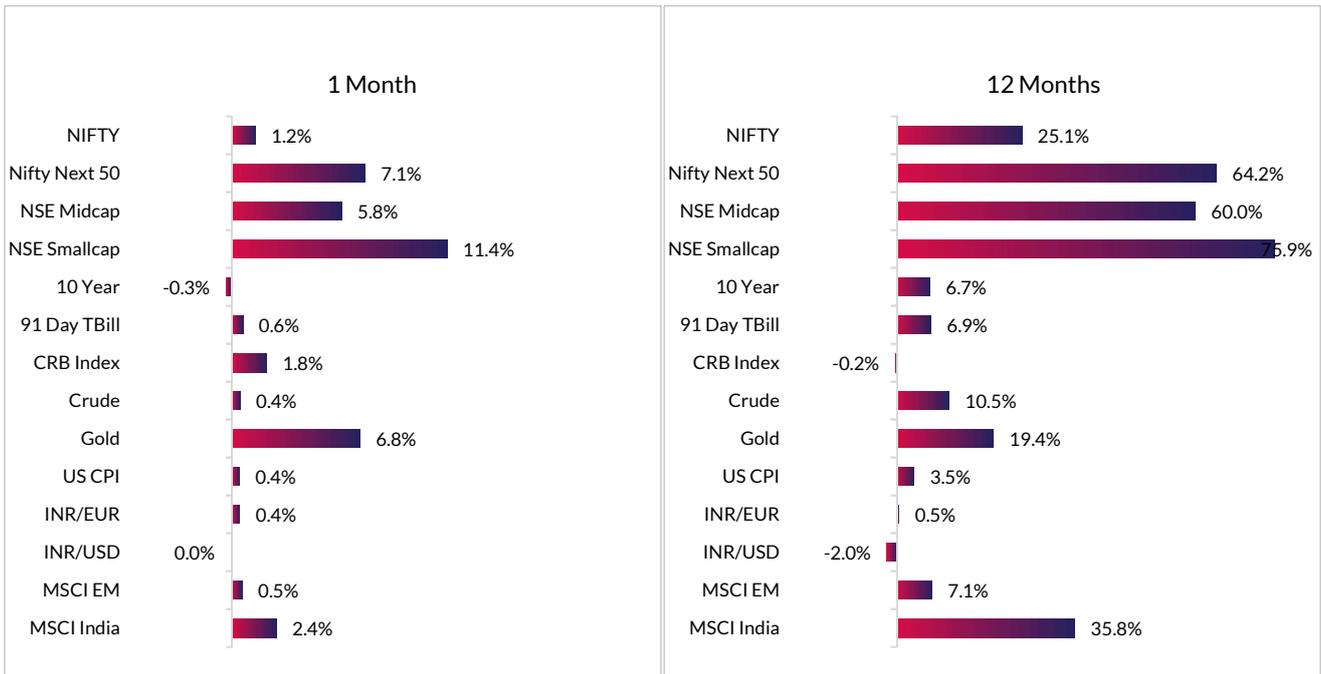
Equity Outlook

Equity Outlook for the month of May, 2024

The Financial Year 2025 started amidst volatility on escalating tensions in the middle east led to crude prices moving up sharply. However, with the fears receding the markets retraced back and closed with gains for the month.

Nifty and Sensex ended up with returns of 1.2% and 1.1% respectively. However, we saw a much sharper rally in the mid and the small cap indices. NSE Midcap 100 rose 5.8% and NSE Small Cap Index was up 11.4% for the month. Such a sharp movement has negated all the corrections that the segment has seen on regulatory cautions of overheating.

Asset Return - Long Term Returns are Healthy



The sectoral performance of the Indices was also broad based with most of the sectors ending in the green other than Information Technology. The best performing sectors were the metals, utilities and realty sectors. The earnings season has been in line with consensus estimates for the broader indices.

Global markets had a mixed performance for the month with Hong Kong, Malaysia and Russia being the gainers while the US Dow Jones, Japan and Germany declining the most.

The Domestic participants (MFs and Other Institutions) have been very resilient in terms of their participation having seen constant inflows largely through SIP mechanism. DIIs (Direct Institutional Investors) were net buyers for US \$ 5.3 billion while FPIs (Foreign Portfolio Investors) turned net sellers for US \$ 1.3 billion.

CPI inflation for March 2024 moderated to 4.9% as against 5.1% in February 2024. WPI was at 0.53%, up from 0.2% last month. IIP in February 2024 was at 5.7%. IMD (India Meteorological Department) forecasts an above normal monsoon (>106% of long period average (LPA) rainfall). This should augur well for inflation.

The markets with strong returns and a decent performance in the month are baking in the positives of the general elections. Any global geo political concerns and the eventual outcome in the elections would translate into increased volatility. Inflation moderating at a slower pace in the US could also push the rate cycle timelines. We are slightly cautious on equities with valuations also being at the upper end.

We therefore recommend to invest / switch to Bond Fund, Balanced Fund & Bond Optimizer fund. The fixed income portion in these funds ranges from 100% to 75%. These funds will stand to gain from the rate cut cycle.

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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