

invest care

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



March, 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-Mar-24 | 29-Feb-24 | Change (%) | 31-Mar-23 | Change (%) |
|-------------------------------------|-----------|-----------|------------|-----------|------------|
| ₹/\$ | 83.40 | 82.91 | ▶ -0.59% | 82.18 | ▶ -1.48% |
| Forex Res.(Bn- 1 Wk Lag) | \$ 642.63 | \$ 619.07 | ▶ 3.81% | \$ 578.78 | ▶ 11.03% |
| Oil Price (\$/Barrel) | \$ 86.84 | \$ 81.74 | ▶ 6.24% | \$ 79.94 | ▶ 8.63% |
| FI inflows (Net) - Crs (`) | | | | | |
| Equity (monthly) | 35098 | 1539 | ▶ 2180.57% | 7936 | ▶ 342.26% |
| Debt (monthly) | 13602 | 22419 | ▶ -39.33% | -2505 | ▶ -642.99% |

Indices

| Particulars | 31-Mar-24 | 29-Feb-24 | Change (%) | 31-Mar-23 | Change (%) |
|------------------------------------|-----------|-----------|------------|-----------|------------|
| BSE Sensex | 73,651.35 | 72,500.31 | ▶ 1.59% | 58,991.52 | ▶ 24.85% |
| S&P CNX Nifty | 22,326.90 | 21,982.80 | ▶ 1.57% | 17,359.75 | ▶ 28.61% |
| Dow Jones Industrial Avg | 39,807.37 | 38,996.39 | ▶ 2.08% | 33,274.15 | ▶ 19.63% |
| FTSE 100 | 7,952.62 | 7,630.02 | ▶ 4.23% | 7,631.74 | ▶ 4.20% |
| Hang Seng Index | 16,541.42 | 16,511.44 | ▶ 0.18% | 20,400.11 | ▶ -18.92% |
| Nikkei 225 | 40,369.44 | 39,166.19 | ▶ 3.07% | 28,041.48 | ▶ 43.96% |
| B S E Capital Goods Index | 60,943.12 | 57,414.63 | ▶ 6.15% | 34,369.70 | ▶ 77.32% |
| B S E Auto Index | 49,142.11 | 46,819.30 | ▶ 4.96% | 28,246.92 | ▶ 73.97% |
| B S E Metal Index | 28,196.08 | 26,865.25 | ▶ 4.95% | 19,184.87 | ▶ 46.97% |
| B S E Bankex | 53,515.19 | 52,456.58 | ▶ 2.02% | 46,031.95 | ▶ 16.26% |
| B S E Power Index | 6,701.74 | 6,589.50 | ▶ 1.70% | 3,605.80 | ▶ 85.86% |
| B S E Oil & Gas Index | 27,644.48 | 27,664.64 | ▶ -0.07% | 17,383.40 | ▶ 59.03% |
| B S E Healthcare Index | 35,052.84 | 35,079.32 | ▶ -0.08% | 21,883.50 | ▶ 60.18% |
| B S E FMCG Index | 19,318.40 | 19,447.87 | ▶ -0.67% | 16,487.02 | ▶ 17.17% |
| B S E Realty Index | 7,108.37 | 7,195.44 | ▶ -1.21% | 3,101.56 | ▶ 129.19% |
| B S E Information Technology Index | 35,644.77 | 38,412.09 | ▶ -7.20% | 28,478.99 | ▶ 25.16% |

Primary Key Rates

| Particulars | 31-Mar-24 | 29-Feb-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 | 6.10% | 6.50% | ▶ -0.40% | 6.20% | ▶ -0.10% |
| Current Inflation Rate (WPI) | 0.20% | 0.27% | ▶ -0.07% | 3.85% | ▶ -3.65% |
| Current Inflation Rate (CPI) (Feb 24) | 5.09% | 5.10% | ▶ -0.01% | 6.44% | ▶ -1.35% |
| IIP (WPI) % Y-O-Y (Jan 24) | 3.80% | 3.80% | ▶ 0.00% | 5.20% | ▶ -1.40% |
| AAA spread (bps) | 29.00 | 30.00 | ▶ -3.33% | 22.00 | ▶ 31.82% |

| 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-Mar-24 | 29-Feb-24 | Change (%) | 31-Mar-23 | Change (%) |
|-------------------------------|-----------|-----------|------------|-----------|------------|
| 91 days T - Bill | 7.00% | 6.96% | ▶ 0.04% | 7.28% | ▶ -0.28% |
| 364 days T - Bill | 7.07% | 7.12% | ▶ -0.05% | 7.30% | ▶ -0.23% |
| 5 Years G - Sec (Annualized) | 7.05% | 7.06% | ▶ -0.01% | 7.18% | ▶ -0.13% |
| 10 Years G - Sec (Annualized) | 7.08% | 7.10% | ▶ -0.02% | 7.31% | ▶ -0.23% |
| 30 Years G - Sec (Annualized) | 7.12% | 7.16% | ▶ -0.04% | 7.39% | ▶ -0.27% |

* 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

March 2024 Yields in range, US Data surprise on higher side

Benchmark 10-year treasury yields fell to 7.06% in March 2024 from 7.08% in February 2024. The US 10-year yield is at 4.20% at the end of March 2024 (- 5 bps month on month). INR has weakened by 0.6% in the month.

India Macro Movers

Retail inflation fell to a print of 5.09% in February 2024, from January’s 5.1%. It is still lower than the 6.5% level in January 2023. More importantly, core inflation dropped to 3.3%, lowest in 50 months, in fact it has dropped from 6.3% in January 2023.

Global News

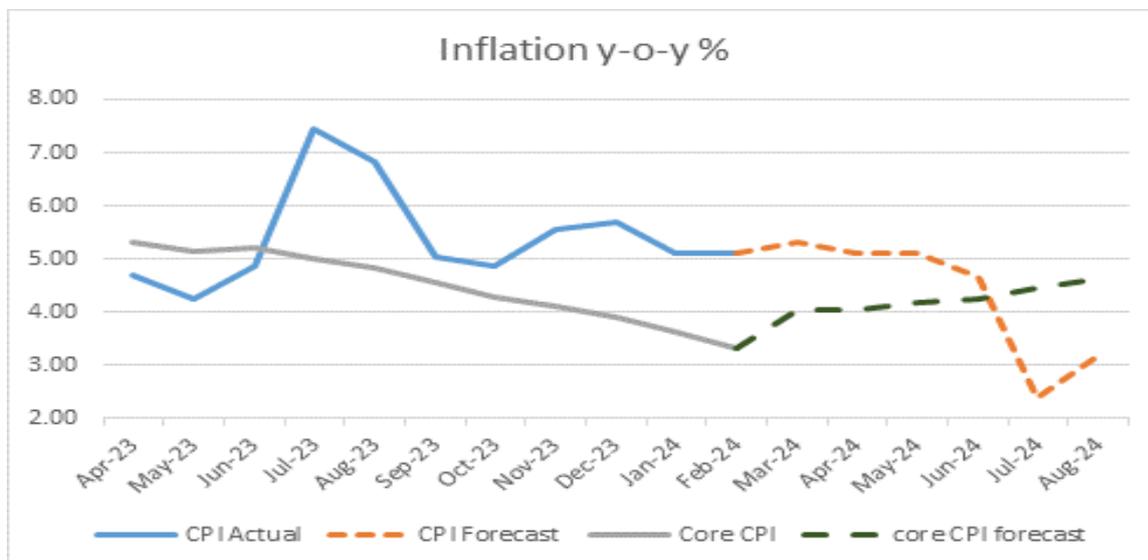
Economic data in the US, continues to be stable but the CITI economic surprise index has started rising once again with the index rising from below 0 to around 40, suggesting that incoming data has been beating estimates in a positive sense. Unemployment rate has been steady with monthly job numbers still being above 250000 on average in the latest quarter. 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 that there will be 3 cuts in 2024. Markets have been slowly but steadily pricing in much less action by Fed (Federal Reserve), and softening expectations from 6 cuts to 3 now in 2024. The ECB (European Central 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

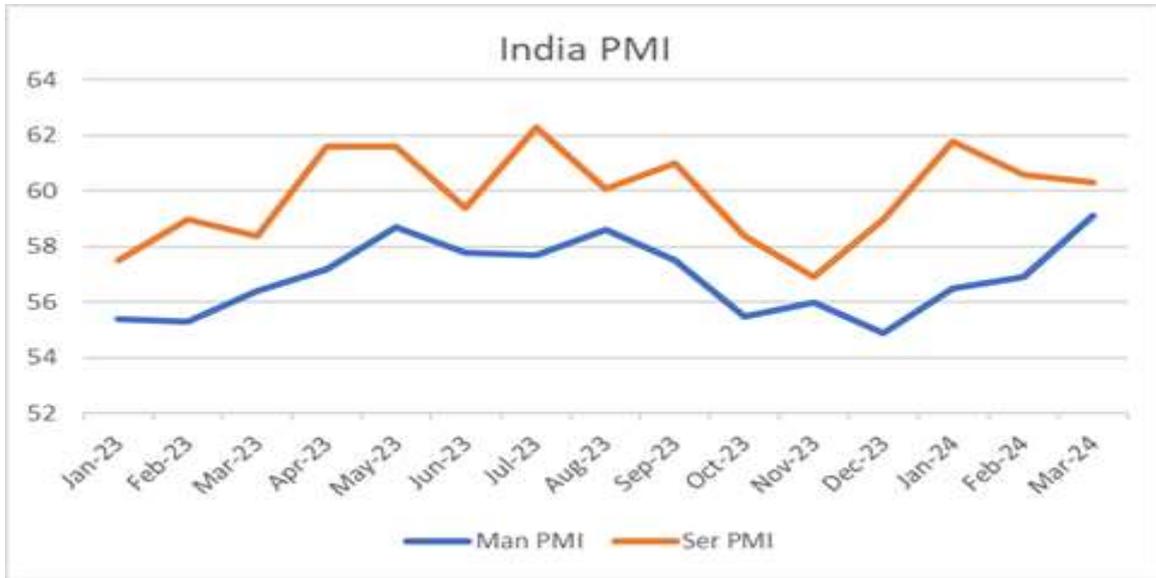
MPC (Monetary Policy Committee) kept rates steady in February 2024, Growth was revised upwards, and Inflation projection has been maintained. We expect the RBI to remain on hold till June 2024 and maybe begin easing rates from August 2024. This would be to wait for headline CPI to ease below 4% and also let the Fed take the first shot at monetary easing.

We expect benchmark 10-year to go to 6.75 in next one year on lower Gross borrowing and Bond Inclusion, and expect 30-year - 10-year spreads to remain in range of 10-30 bps for major part of the FY 2025. The Flat curve at long end will create demand for SDL (State Development Loan) leading to lower state loan spreads versus G-secs of similar maturities. The Lower fiscal deficit and stable inflation will give comfort to RBI to change guard on liquidity MPC to cut rates by 50 bps after Fed start cutting rates in June 2023. Fiscal deficit coming down from 5.9 to 5.1 a huge positive surprise. We expect this to remain lower till RBI cuts policy rates.

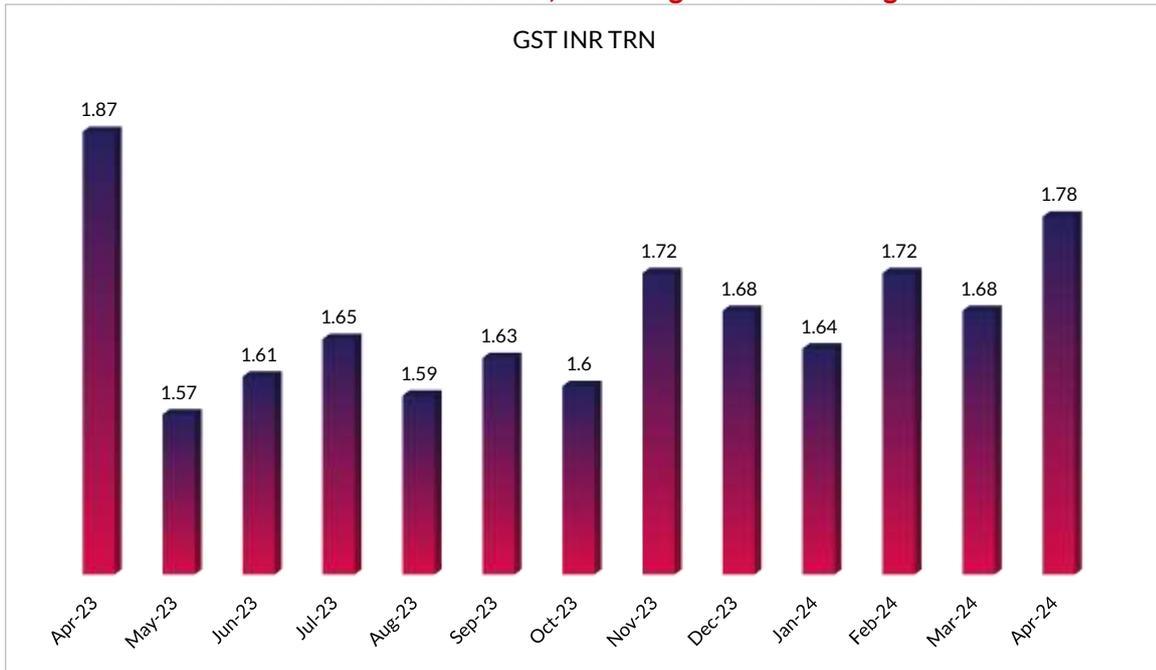
India headline and Core CPI will see moderation in 2024



PMIs have dipped in the latest month



GST collections remain solid and at around 1.6 lac crs, will be higher than the budget estimates



These are important macroeconomic indicators for India

| India | 2021 | 2022 | 2023 | 2024e | 2025e |
|------------------------|------|------|------|-------|-------|
| Real GDP % yoy | -5.8 | 9.1 | 7 | 7.5 | 6.5 |
| CPI % yoy | 5.1 | 6.7 | 5.7 | 5.4 | 4.5 |
| Fiscal balance/GDP % | -6.2 | -6.9 | -6.4 | -5.8 | -5.1 |
| Policy rate % | 4 | 6.25 | 6.5 | 6 | 5.75 |
| Curr Acc Balance/GDP % | -1.1 | -2.4 | -2 | -1.1 | -1.3 |

These are the important macroeconomic indicators for US

| US | 2021 | 2022 | 2023 | 2024e | 2025e |
|------------------------|------|------|------|-------|-------|
| Real GDP % yoy | 5.8 | 1.9 | 2.5 | 2.2 | 1.7 |
| CPI % yoy | 4.7 | 8 | 4.1 | 2.9 | 2.4 |
| Fiscal balance/GDP % | -11 | -5.4 | -6.5 | -6.1 | -6 |
| Policy rate % | 0.25 | 4.5 | 5.5 | 4.75 | 3.5 |
| Curr Acc Balance/GDP % | -3.5 | -3.8 | -3.1 | -3 | -2.9 |

Equity Outlook

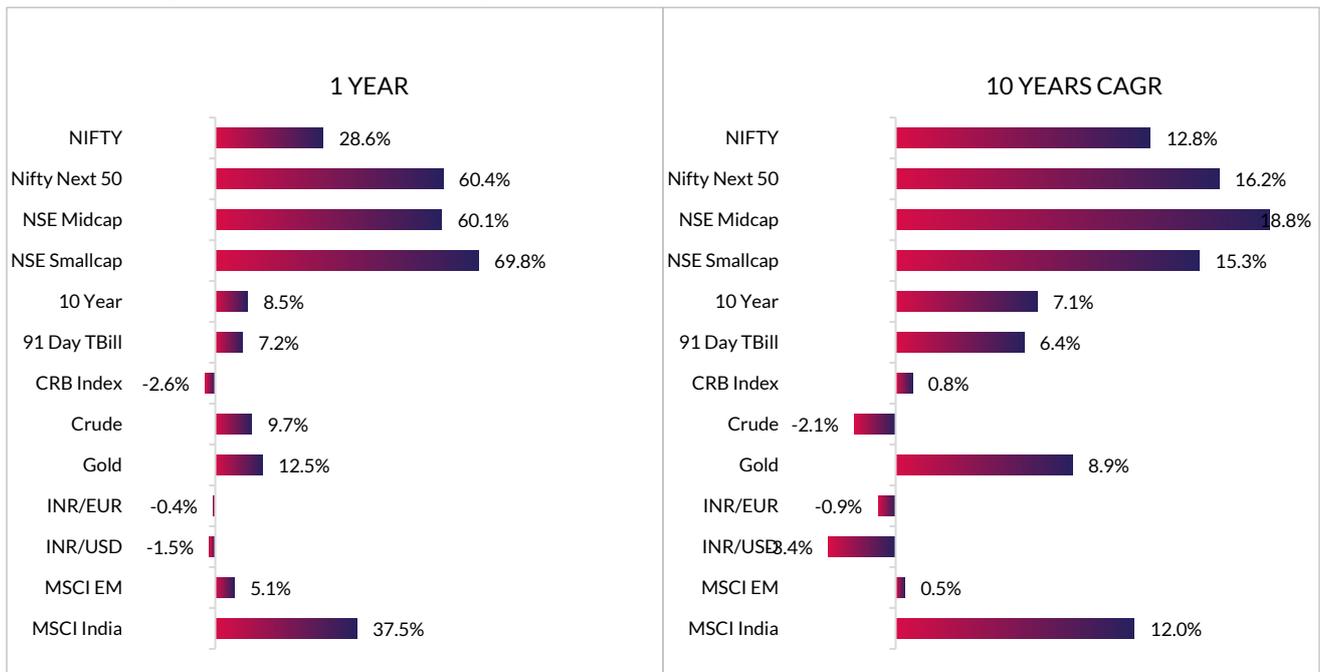
Equity Outlook for the month of April, 2024

Indices have risen. Financial Year has absorbed recession fears, uncertainty of Geo Political tension, not moved much during State Elections despite adverse results expected & had Cheered the surprise rise / estimates in GDP (Gross Domestic Product) and the forecast for India.

Indices did respond to regulatory cautions on overheating. At the end it had shown resilience and had remained strong. Apart from strong show by India Inc in terms of margin improvements expected interest rate movement for the coming financial year had also played an important role.

Equity Markets did well for the month of March, 2024 with Nifty & Sensex giving a return of 1.6% for the month ending at 22327 and 73651. For the financial year the indices have given a return of 28.6% and 24.9%. On a US Dollar basis Nifty has given a return of 23.07%.

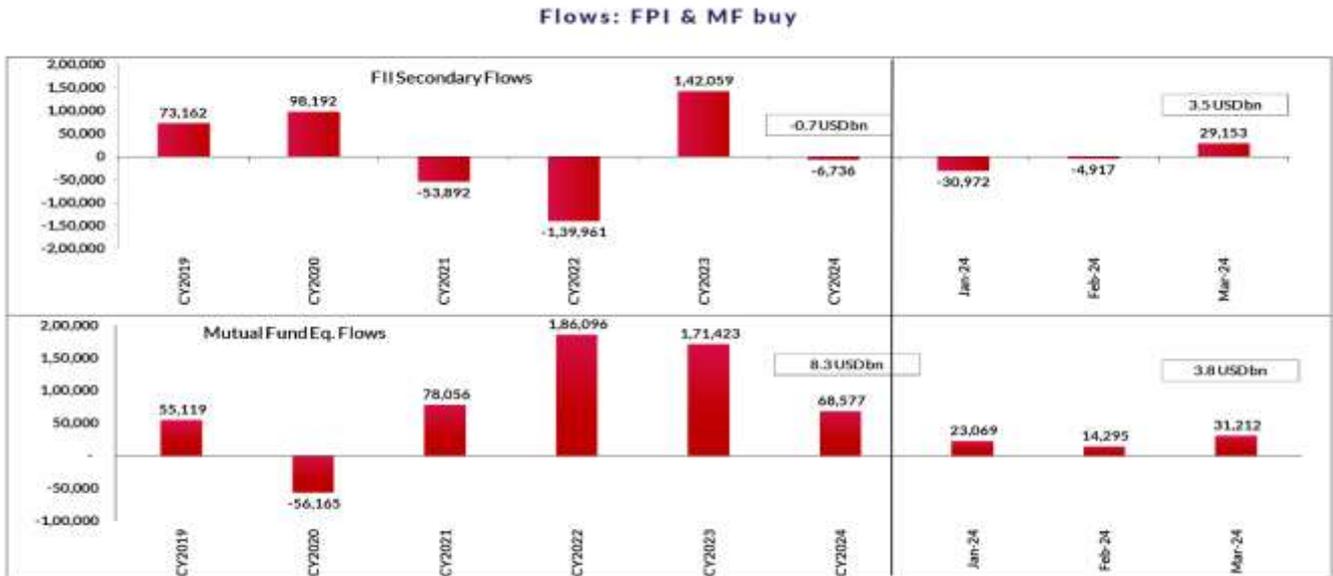
Asset Return - Long Term Returns are Healthy



Its been good times for Equities for the last 12 months. Dow Jones Industrial Average gave a return of 19.63%, for Nikkie 225 the returns were 43.25% for the same period. Some of the other emerging markets like Brazil gave a return of 25.74%.

For NSE Mid Cap and NSE Small Cap indices too it has been a dream run. Sector gainers for the month and for the year include BSE Capital Goods and BSE Auto Index gaining 6.1% and 5.0% for the month and 77.3% and 47.0% for the year. The worst performing sector for the year was IT.

Domestic liquidity flows especially into Equity markets have come of age. Resilient for the last 5 years the flows into Equity markets from DII versus the FPI's have been as follows:



Source: SEBI, BSE, NSDL

CPI inflation for February 2024 came in unchanged at 5.1% and WPI was at 0.2%. IIP in January 2024 moderated to 3.8%. CAD (Current Account Deficit) came in at manageable 1.2% of the GDP for third quarter.

Signs of moderation of interest rates have started to creep in. Last financial year has been good for Fixed Income and Equity markets. 28.9% equity returns bake in victory for the ruling party in the coming elections. Multiples have expanded.

With inflation moderating and all except Japanese central banks in a position to reduce the interest rates this calendar year, we are more positive here.

We therefore recommend to invest / switch to Bond Fund, Balanced Fund & Bond Optimizer fund. These funds fixed income portion goes from 100% to 75%. These funds start to gain in a situation of rate cuts.

BSE Sensex (since 1980): Yearly performance +ve in March (+ve 30 out of 44 years)

| | | | | | | |
|------|------|------|--|------|------|------|
| | | | | 2023 | | |
| | | | | 1996 | | |
| | | | | 2013 | | |
| | | | | 1990 | | |
| | | | | 2011 | | |
| | | | | 2018 | | |
| | | 1995 | | 1998 | | |
| | | 2003 | | 2007 | | 1986 |
| | | 1987 | | 1984 | | 1994 |
| | | 2012 | | 2005 | | 2021 |
| | | 2016 | | 2017 | 2024 | 2006 |
| | | 1983 | | 2019 | 2015 | 1989 |
| | 2001 | 1999 | | 2022 | 1982 | 2010 |
| 1993 | 2020 | 2002 | | 2014 | 1981 | 2004 |
| 2009 | 1988 | 1997 | | 2008 | 2000 | 1991 |
| | | | | | | 1992 |

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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