

invest care

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



February, 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	29-Feb-24	31-Jan-24	Change (%)	31-Mar-23	Change (%)
₹/\$	82.91	83.04	▶ 0.16%	82.18	▶ -0.89%
Forex Res.(Bn- 1 Wk Lag)	\$ 619.07	\$ 616.73	▶ 0.38%	\$ 578.78	▶ 6.96%
Oil Price (\$/Barrel)	\$ 81.74	\$ 81.49	▶ 0.31%	\$ 79.94	▶ 2.25%
FII inflows (Net) - Crs (`)					
Equity (monthly)	1539	-25744	▶ 105.98%	7936	▶ -80.61%
Debt (monthly)	22419	19837	▶ 13.02%	-2505	▶ -994.97%

Indices

Particulars	29-Feb-24	31-Jan-24	Change (%)	31-Mar-23	Change (%)
BSE Sensex	72,500.31	71,752.13	▶ 1.04%	58,991.52	▶ 22.90%
S&P CNX Nifty	21,982.80	21,725.70	▶ 1.18%	17,359.75	▶ 26.63%
Dow Jones Industrial Avg	38,996.39	38,150.30	▶ 2.22%	33,274.15	▶ 17.20%
FTSE 100	7,630.02	7,630.57	▶ -0.01%	7,631.74	▶ -0.02%
Hang Seng Index	16,511.44	15,485.07	▶ 6.63%	20,400.11	▶ -19.06%
Nikkei 225	39,166.19	36,286.71	▶ 7.94%	28,041.48	▶ 39.67%
B S E Oil & Gas Index	27,664.64	25,915.86	▶ 6.75%	17,383.40	▶ 59.14%
B S E Auto Index	46,819.30	43,995.00	▶ 6.42%	28,246.92	▶ 65.75%
B S E Realty Index	7,195.44	6,766.41	▶ 6.34%	3,101.56	▶ 131.99%
B S E Power Index	6,589.50	6,317.35	▶ 4.31%	3,605.80	▶ 82.75%
B S E Healthcare Index	35,079.32	33,816.00	▶ 3.74%	21,883.50	▶ 60.30%
B S E Information Technology Index	38,412.09	37,358.72	▶ 2.82%	28,478.99	▶ 34.88%
B S E Capital Goods Index	57,414.63	56,689.83	▶ 1.28%	34,369.70	▶ 67.05%
B S E Bankex	52,456.58	51,999.08	▶ 0.88%	46,031.95	▶ 13.96%
B S E Metal Index	26,865.25	26,760.68	▶ 0.39%	19,184.87	▶ 40.03%
B S E FMCG Index	19,447.87	19,892.86	▶ -2.24%	16,487.02	▶ 17.96%

Primary Key Rates

Particulars	29-Feb-24	31-Jan-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	6.50%	6.85%	▶ -0.35%	6.20%	▶ 0.30%
Current Inflation Rate (WPI)	0.27%	0.73%	▶ -0.46%	3.85%	▶ -3.58%
Current Inflation Rate (CPI) (Jan 24)	5.10%	5.69%	▶ -0.59%	6.44%	▶ -1.34%
IIP (WPI) % Y-O-Y (Dec 23)	3.80%	2.40%	▶ 1.40%	5.20%	▶ -1.40%
AAA spread (bps)	30.00	40.00	▶ -25.00%	22.00	▶ 36.36%

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	29-Feb-24	31-Jan-24	Change (%)	31-Mar-23	Change (%)
91 days T - Bill	6.96%	7.04%	▶ -0.08%	7.28%	▶ -0.32%
364 days T - Bill	7.12%	7.15%	▶ -0.03%	7.30%	▶ -0.18%
5 Years G - Sec (Annualized)	7.06%	7.03%	▶ 0.03%	7.18%	▶ -0.12%
10 Years G - Sec (Annualized)	7.10%	7.18%	▶ -0.07%	7.31%	▶ -0.21%
30 Years G - Sec (Annualized)	7.16%	7.27%	▶ -0.11%	7.39%	▶ -0.24%

* 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

February 2024 – is inflation rising again?

Benchmark 10-year treasury yields fell to 7.06% in February 2024 from 7.14% in January 2024. The US 10-year yield is at 4.18% at the end of February 2024 (+16 bps month on month). INR was flat over the month 82.90 versus 82.92.

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

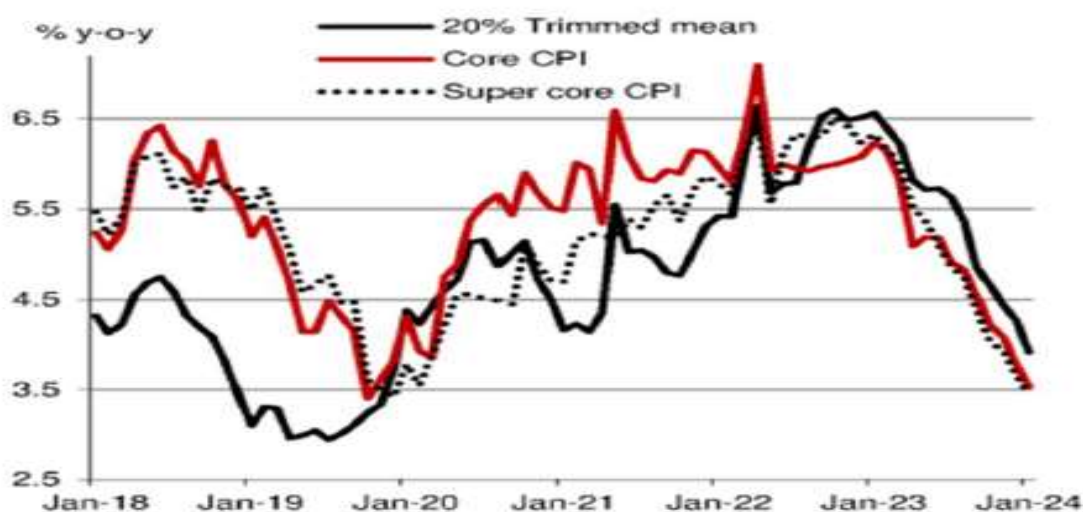
Economic data in the US, continues to be stable but the CITI economic surprise index has started once again rising. This suggests that some slight pick-up in US economic strength. The US employment data also has been surprising on the uptrend, with jobs continuing to be created above 250000. Recent rise in services CPI also makes matters a little worse for bond bulls. Markets are now pricing in 3 cuts and they were at 6 cuts for 2024, while the Fed (Federal Reserve) is at 3 cuts according to its estimates. The FOMC (Federal Open Market Committee) meeting in March 2024 could very well change the outlook for rate cuts and bring it down to 2 from 3 in 2024.

Outlook

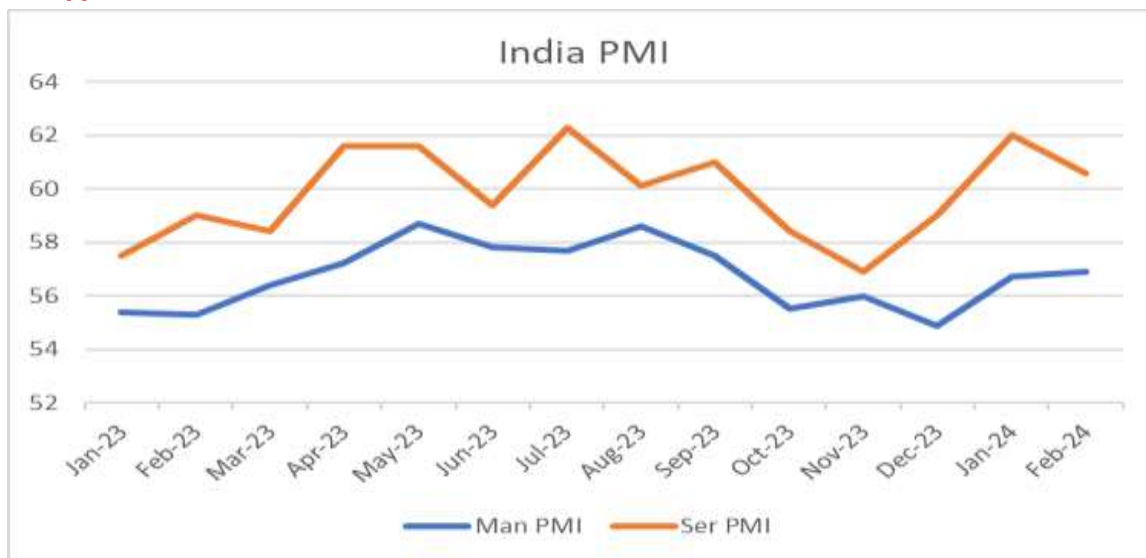
We expect benchmark 10-year to go to 6.50 in next one year on lower Gross borrowing and Bond Inclusion, and expect 30-year & 10-year spreads to remain in range of 10-30 bps for major part of the FY 2025 year unless RBI tweaks borrowing calendar. The Flat curve at long end will create demand for SDL (State 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 (Monetary Policy Committee) 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

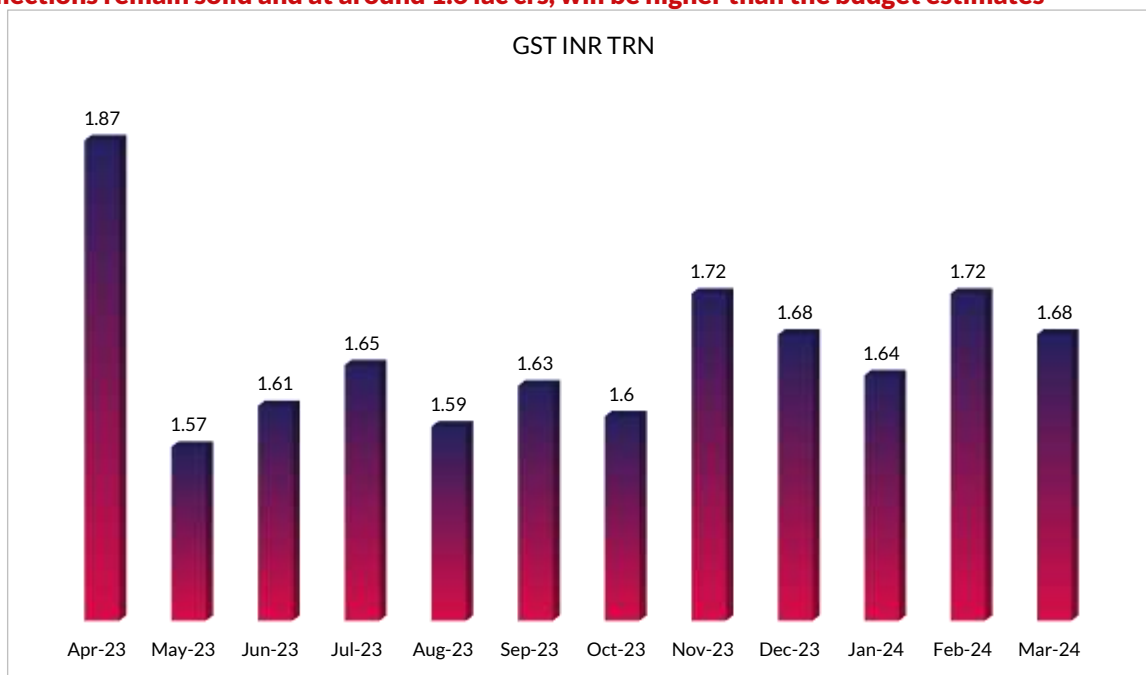
Fig. 2: Measures of underlying inflation



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	6.5	7	6.4
CPI % yoy	5.1	6.7	5.4	5.4	4.6
Fiscal balance/GDP %	-6.3	-6.8	-6.4	-5.9	-5.3
Policy rate %	4	6.25	6.5	6	5.75
Curr Acc Balance/GDP %	-1.1	-2.4	-2	-1.5	-1.6

These are the important macroeconomic indicators for US

US	2021	2022	2023	2024e	2025e
Real GDP % yoy	5.8	1.9	2.4	1.3	1.7
CPI % yoy	4.7	8	4.1	2.6	2.3
Fiscal balance/GDP %	-11	-5.4	-5.9	-5.9	-6
Policy rate %	0.25	4.5	5.5	4.25	3.25
Curr Acc Balance/GDP %	-3.5	-3.8	-3.2	-3.1	-3

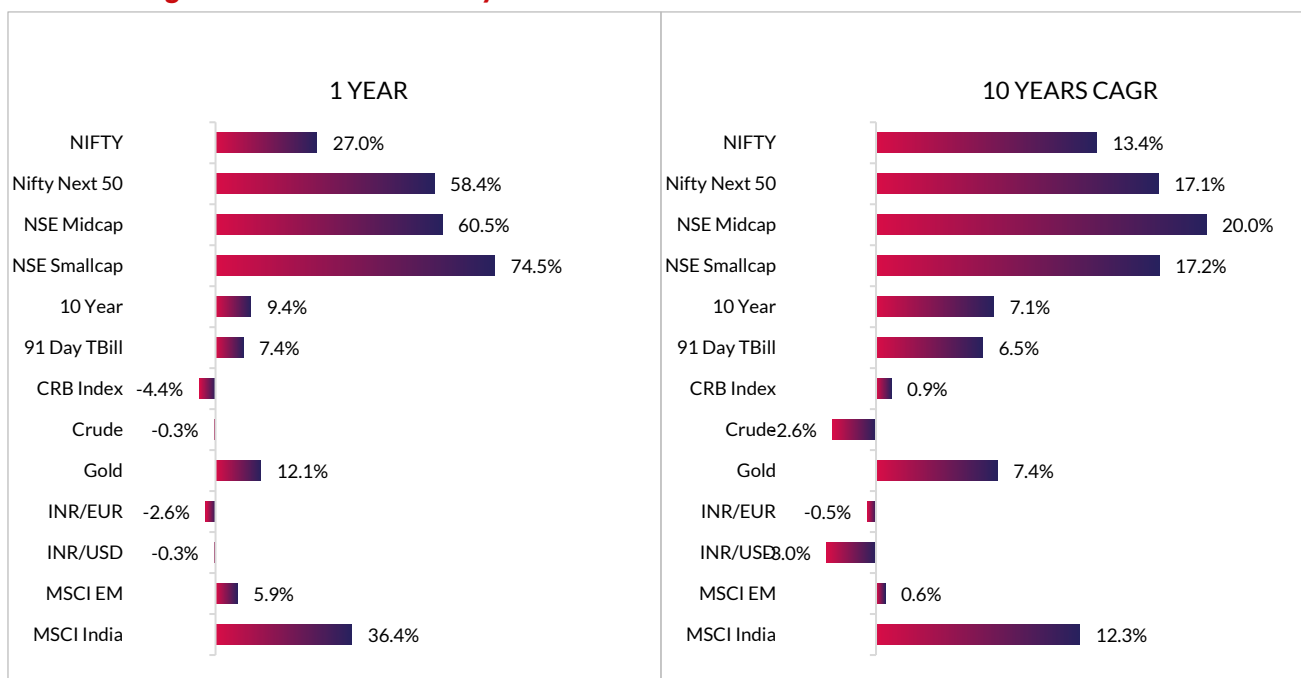
Equity Outlook

Equity Outlook for the month of March, 2024

Sensex and Nifty put up a strong show during the month of February 2024 and was up 1% and 1.2% respectively at 72500 and 21983. Some numbers that came in were good in the form of fiscal deficit for FY 2025 at 5.1%. Most of the news flow otherwise was not aiding markets to move up other than the liquidity.

NSE mid cap and small cap indices were marginally down 0.5% and 0.3%. Oil and Gas, Realty and Auto indices were strong moving up 6.7%. 6.4% and 6.3%.

Asset Return - Long Term Returns are Healthy



Our markets were positive but China was up 8% and Japan 7.9%.

Domestic mutual funds bought stocks worth US \$ 3 billion. FPI's (Foreign Portfolio Investors) sold stocks to the extent of US \$ 24 million. On a daily basis cash turnover has spiked up to Rs.1.2 lakh crore with attractiveness of PSU stocks at historical high to trade in. Institutional volumes though is at 20% in NSE+BSE put together.

CPI inflation for January 2024 has moderated to 5.1% versus 5.7%. December 2023 IIP was at 3.8% versus 2.4% for November 2023. 3rd quarter GDP (Gross Domestic Product) came in strong at 8.4%.

Nifty 50 is valued at 20.4 times which is at higher end of the price band. Nifty 50 profitability for December 2023 has come in at 13.8% growth year on year which is by and large in line with the expectation.

Interest rates have started to move down and central bankers commentary is more comforting. We continue to recommend Bond Fund, Bond Pension II and Bond Optimizer. For those who has a time horizon of beyond 3 years may consider Equity fund. Mid cap Fund is a good avoid for now as valuations (Bloomberg consensus at 22 times FY 2025) is expensive. Switch to Bond Fund (with one year return of 8% and 5 year CAGR of 6%) from Mid Cap funds (51% return on one year basis and 23.5% five year CAGR return) is suggested.

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

				2018		
				2005		
				2022		
		2012		2014		
		1993		1984	2015	
		1998		2011	2008	1992
		1996		1997	2021	1986
		1983		2020	2007	2010
	1995	2003		2013	2017	1991
	2016	1999		2019	1985	2006
	2001	1987		2023	1981	1995
2009	1988	2002		1990	2024	1982
2009	1988	2002		1990	2024	1982
-30 and below	-30 to -20	-20 to 0	0 to +20	20 to 40	40 to 60	60 and above

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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To know more about us

Visit us at www.sbilife.co.in or

Call Toll Free No. 1800 267 9090 (24x7)

Registered Office and Corporate Office: "Natraj", M.V Road & Western Express Highway Junction, Andheri (E), Mumbai-400069

CIN: L99999MH2000PLC129113

Email: info@sbilife.co.in

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