

invest care

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



December, 2023



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-Dec-23	30-Nov-23	Change (%)	31-Mar-23	Change (%)
₹/\$	83.21	83.40	▶ 0.23%	82.18	▶ -1.25%
Forex Res.(Bn- 1 Wk Lag)	\$ 620.44	\$ 597.94	▶ 3.76%	\$ 578.78	▶ 7.20%
Oil Price (\$/Barrel)	\$ 76.68	\$ 83.60	▶ -8.28%	\$ 79.94	▶ -4.08%
Gold (₹/10 gm)	62,651	62,527	▶ 0.20%	59,530	▶ 5.24%
FI inflows (Net) - Crs (`)					
Equity (monthly)	66135	9001	▶ 634.75%	7936	▶ 733.35%
Debt (monthly)	18302	-91	▶ 20212.09%	-2505	▶ -830.62%

Indices

Particulars	31-Dec-23	30-Nov-23	Change (%)	31-Mar-23	Change (%)
BSE Sensex	72,240.26	66,988.44	▶ 7.84%	58,991.52	▶ 22.46%
S&P CNX Nifty	21,731.40	20,133.15	▶ 7.94%	17,359.75	▶ 25.18%
Dow Jones Industrial Avg	37,689.54	35,950.89	▶ 4.84%	33,274.15	▶ 13.27%
FTSE 100	7,733.24	7,453.75	▶ 3.75%	7,631.74	▶ 1.33%
Hang Seng Index	17,047.39	17,042.88	▶ 0.03%	20,400.11	▶ -16.43%
Nikkei 225	33,464.17	33,486.89	▶ -0.07%	28,041.48	▶ 19.34%
B S E Power Index	5,818.64	4,920.85	▶ 18.24%	3,605.80	▶ 61.37%
B S E Oil & Gas Index	23,021.23	20,550.97	▶ 12.02%	17,383.40	▶ 32.43%
B S E Metal Index	26,990.69	24,239.95	▶ 11.35%	19,184.87	▶ 40.69%
B S E Capital Goods Index	55,643.71	49,989.66	▶ 11.31%	34,369.70	▶ 61.90%
B S E Realty Index	6,186.94	5,656.79	▶ 9.37%	3,101.56	▶ 99.48%
B S E Information Technology Index	36,011.09	33,227.34	▶ 8.38%	28,478.99	▶ 26.45%
B S E Bankex	54,378.31	50,292.51	▶ 8.12%	46,031.95	▶ 18.13%
B S E FMCG Index	20,467.98	19,157.37	▶ 6.84%	16,487.02	▶ 24.15%
B S E Auto Index	42,229.04	40,052.97	▶ 5.43%	28,246.92	▶ 49.50%
B S E Healthcare Index	31,549.21	30,374.52	▶ 3.87%	21,883.50	▶ 44.17%

Primary Key Rates

Particulars	31-Dec-23	30-Nov-23	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%	6.65%	▶ 0.05%	6.20%	▶ 0.50%
Current Inflation Rate (WPI)	0.26%	-0.52%	▶ 0.78%	3.85%	▶ -3.59%
Current Inflation Rate (CPI) (Nov 23)	5.55%	4.87%	▶ 0.68%	6.44%	▶ -0.89%
IIP (WPI) % Y-O-Y (Oct 23)	11.70%	5.80%	▶ 5.90%	5.20%	▶ 6.50%
AAA spread (bps)	36.00	31.00	▶ 16.13%	22.00	▶ 63.64%

Particulars	2020-21	2021-22	2022-23	Q1 FY24	Q2 FY24
Real GDP % (New Growth No. by CSO)	-7.30%	9.10%	7.20%	7.80%	7.60%

Interest Rates (FIMMDA)

Particulars	31-Dec-23	30-Nov-23	Change (%)	31-Mar-23	Change (%)
91 days T - Bill	6.93%	6.96%	▶ -0.03%	7.28%	▶ -0.35%
364 days T - Bill	7.13%	7.15%	▶ -0.02%	7.30%	▶ -0.17%
5 Years G - Sec (Annualized)	7.09%	7.26%	▶ -0.18%	7.18%	▶ -0.09%
10 Years G - Sec (Annualized)	7.19%	7.32%	▶ -0.14%	7.31%	▶ -0.12%
30 Years G - Sec (Annualized)	7.41%	7.50%	▶ -0.09%	7.39%	▶ 0.01%

* 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

December 2023 – A year of confusion ends

Benchmark 10-year treasury yields averaged at 7.25% in November 2023 versus 7.34 % in October 2023. On month-end values, the 10-year yield was lower and ended the month at 7.28% (down 7 bps month on month). The US 10-year yield is at 4.19% (-31 bps month on month). INR depreciated over the month (down 0.2% month on month) and ended the month at 83.21/USD in December 2023.

India Macro Movers

Retail inflation to four month-low print of 4.9% in October 2023, but rose again in November 2023 to 5.6%. It is still lower than the 6.5% level in January 2023. More importantly, core inflation dropped to 4.1%, lowest since April 2020, in fact it has dropped from 6.3% in January 2023. Manufacturing PMI (Purchasing Managers Index) has fallen 58.7 to 56 in the quarter. However, Services PMI fell from 62.3 to 56.9 in the quarter.

GDP (Gross Domestic Product) for the quarter came in much higher at 7.6% versus expectations of 6.8%, and this was largely owing to high growth in Investments and Govt. Expenditure. The biggest share of GDP is formed by private consumption, but that component grew at just 3% and fallen from 6%. Similarly, we have GVA (Gross value added) getting a push to 7.4% primarily by strong industrial growth of 13.2%, but the biggest contributor Services grew at 5.8% from 10.3% in the previous quarter.

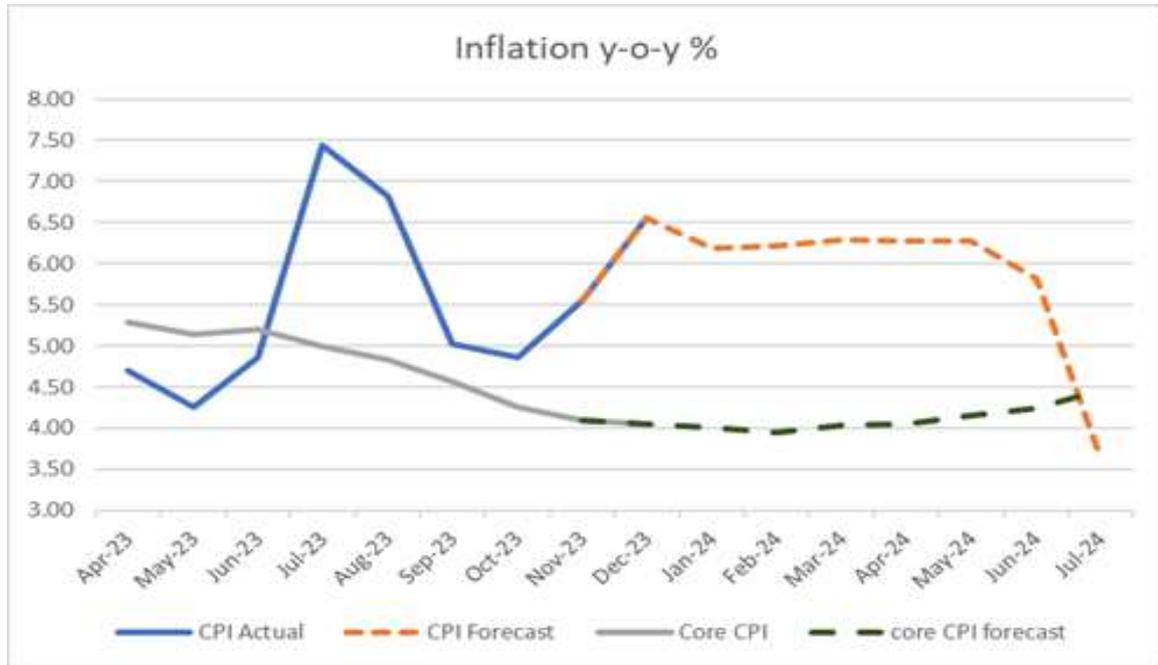
Global News

Economic data in the US, continues to be stable but the CITI economic surprise index has started falling in the latest quarter from the highs. This suggests that some slight moderation in US economic strength. Unemployment rate has just marginally moved up but much below the 3.8% mark & is still at multi-decadal low. There are still 1.4 job vacancies per unemployed person, against a pre-pandemic level of 1.1, and that is why Fed (Federal Reserve) Chairman always keeps saying Fed Funds Rate will stay high for longer. Inflation has eased for sure from 9.1% in June 2022 to 3.1% in November 2023, it has fallen from 3.7% in the quarter. But US yields especially 10-year has risen from 3.8% in June 2023 to 4.6% by September 2023, and after touching 5% it has dropped massively. US yields fell after touching 5% on the 10-year bond in October 2023, as they eased by 60 bps in November 2023 and another 50 bps in December 2023. This was owing to a dramatic drop in Fed Funds Futures, with markets priding in 125 bps of rate cuts in 2024. The data also has started looking weaker in the US in November 2023. Oil eased with Brent crude settling at US \$ 79/bbl versus US \$ 90/bbl in October 2023.

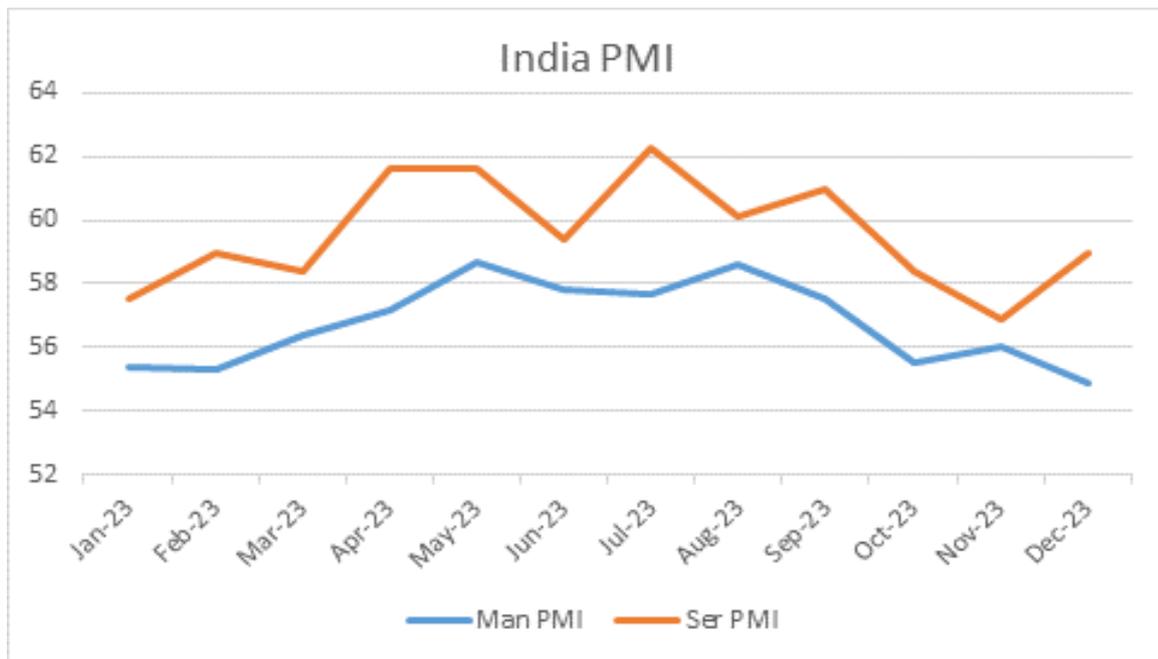
Outlook

MPC (Monetary Policy Committee) kept rates steady in December 2023, Growth was revised upwards, and Inflation projection has been maintained. MPC in December 2023 was less hawkish than October 2023, with Brent down US \$ 10/bbl, UST 10-year yields down 60 bps in December 2023. Food price shocks and geopolitical shock will keep RBI worried on Inflation. Crude hovering below US \$ 80/bbl will be a positive along with stable and moderating Core CPI, and will prevent any extreme hawkishness from MPC in the coming months. OMO (Open Market Operations) sale expectations have moderated with MPC not mentioning in December 2023, and also with liquidity surplus expectations tamed. We expect 10-year to range between 7.20% and 7.35% in the near term, and Quarter-4 FY 2024 could see rates coming down if growth moderates amid stable inflation.

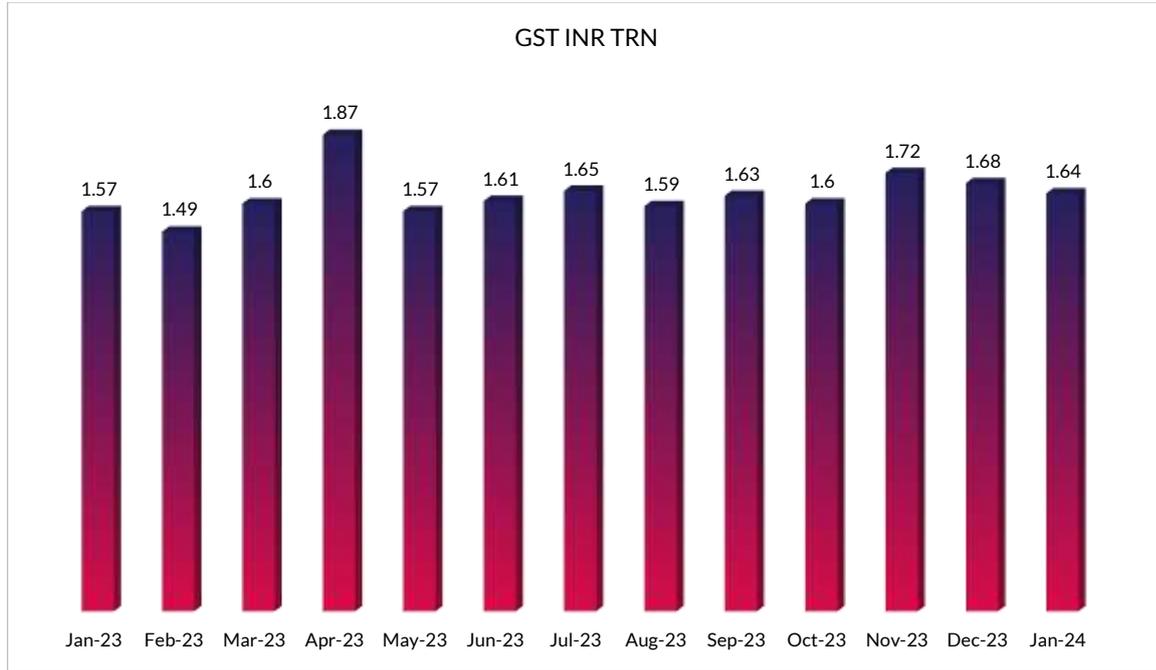
India headline and Core CPI will see moderation in 2024



PMIs stay high, but dip for the first time in many months



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



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 %	-10.6	-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

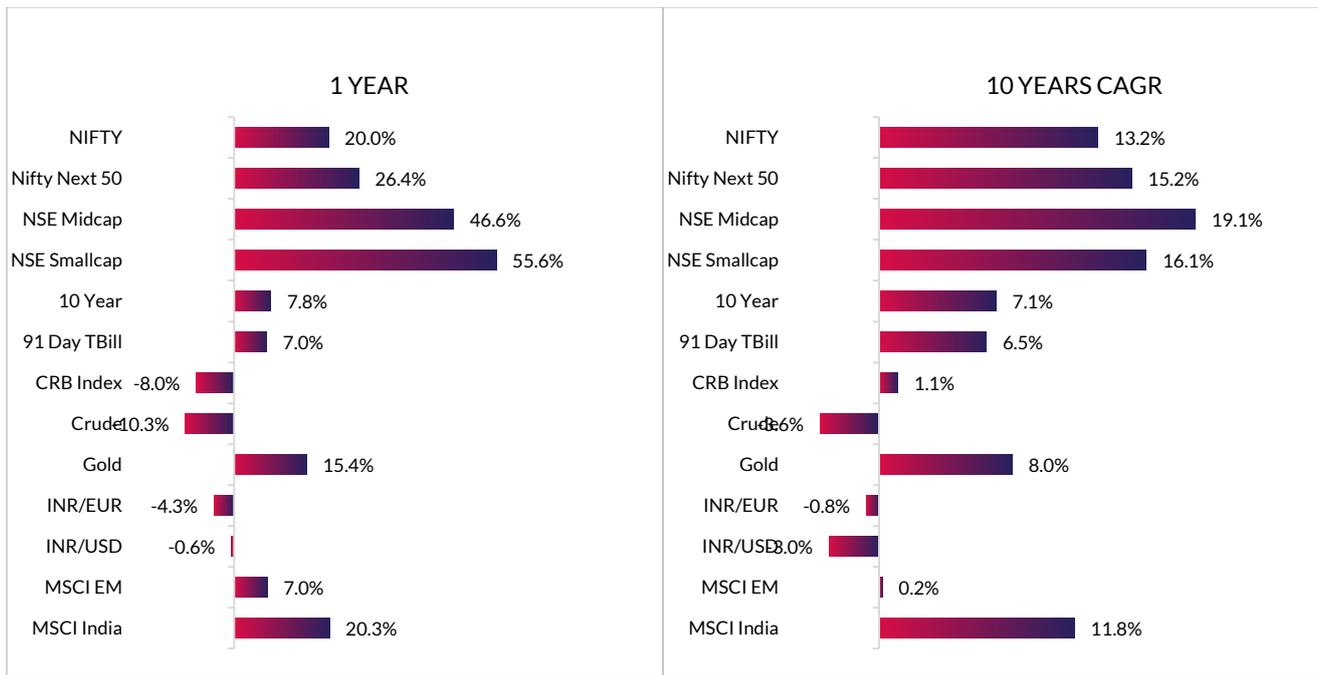
Equity Outlook

Equity Outlook for the month of January, 2024

Thanks to efforts from Central Bankers and Government, US Economy did not get into recession as expected at the beginning of the year. Expectation of a big fall in growth as the year progresses was also belied.

Equity markets were buoyant with surprise results of state elections compared to predictions. Sensex was up 7.8% and Nifty 7.9% to end at 72240 and 21731. Broader indices like CNX 500 were up 8%. NSE Mid Cap and NSE Small Cap was up 7.6% and 6.9% each respectively to end at 46182 and 15144. Calendar Year return for Sensex came in at 18.7% and Nifty at 20.0%. Sensex ended at 66988 and Nifty at 20133.

Asset Return - Long Term Returns are Healthy



Once again it was the areas where capacity additions did not happen for last one decade meaningfully to keep pace with the demand that led to big returns. But naturally it was the PSU's (Public Sector Undertaking) too as election and BJP's victory means a lot to this set of companies. Power sector index went up 18.2% and PSU index 15.3% for the month & for the year till date BSEPSU index returned 55.3% though Capital Goods as a sector for the year clocked 66.9% returns.

Within the Global indices, Nifty and Sensex gave the best returns.

Economic developments were good. Central banks in India US did not change rates during the month in their policy meetings. CPI for November 2023 came in at 5.6% versus 4.9% & the WPI increased to 0.26% versus -0.52% in the previous month. CAD (Current Account Deficit) did moderate to US \$ 8.3 billion from US \$ 9.2 billion in the 2nd quarter of FY 2024. Signs of Interest rate slowly starting to ease are showing up. 10-year bond yield had declined from 7.33% in December 2023 to 7.17% a year back.

Liquidity was abundant. FPI's (Foreign Portfolio Investors) bought to the extent of US \$ 15.9 billion on a net basis for the current year 2023. DII (Direct Institutional Investors) money into the markets were much larger with net buying of US \$ 22.3 billion during the calendar year. Brent crude declined by 5% to US \$ 77.6 per barrel for the year and rupee was stable at 83.2 / \$. Overall gains for the markets are reflected in the underlying economic fundamentals.

Global growth rates will fall in the Calendar year 2024. Fall for US, China & Japan. India will fall but marginally. JP Morgan expects US growth to fall from 2.8% to 2.1% for current year 2024. During the same year China is likely to fall from 5.4% to

5.1% for first half and 4.3% for the second half. India with a fall to 5.1% expected in the first half of current year 2024 to 6% in the second half stands out.

Central bank policy rates are likely to be on hold or a cut towards the second half of the current year 2024 depending on how growth pans out.

Markets have given good returns and are at the higher end of valuations though results are stellar and growth is holding on. We get stronger signs of interest rates easing. Elections are likely to be held in 40 countries in the globe with India and US being one of them.

We strongly urge our investors to switch to Bonds. Our likely pecking order of funds is Bond fund followed by Balance Fund.

BSE Sensex (since 1980): Yearly performance +ve in Aug (+ve 35 out of 44 years)

							2023						
							2010						
							1994						
							1989						
							2020						
							2019						
							2004						
							1997						
							2013						
							1984	1992					
							1983	1990					
							2018	2014					
							1986	1996	1993	1981	1985		
							2015	2022	2017	1988	1991		
							2000	1987	1982	2012	2007	2009	
							1995	1998	2002	1980	2006	2003	
							2008	2011	2001	2016	2021	2005	1999
-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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