

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-Jul-23 | 30-Jun-23 | Change (%) | 31-Mar-23 | Change (%) |
|------------------------------------|-----------|-----------|------------|-----------|------------|
| ₹/\$ | 82.25 | 82.04 | ▶ -0.26% | 82.18 | ▶ -0.09% |
| Forex Res.(Bn- 1 Wk Lag) | \$ 607.04 | \$ 593.20 | ▶ 2.33% | \$ 578.78 | ▶ 4.88% |
| Oil Price (\$/Barrel) | \$ 84.91 | \$ 75.28 | ▶ 12.79% | \$ 79.94 | ▶ 6.22% |
| Gold (₹/10 gm) | 59,283 | 57,840 | ▶ 2.49% | 59,530 | ▶ -0.41% |
| FII inflows (Net) - Crs (₹) | | | | | |
| Equity (monthly) | 46618 | 47148 | ▶ -1.12% | 7936 | ▶ 487.42% |
| Debt (monthly) | 3726 | 9178 | ▶ -59.40% | -2505 | ▶ -248.74% |

Indices

| Particulars | 31-Jul-23 | 30-Jun-23 | Change (%) | 31-Mar-23 | Change (%) |
|------------------------------------|-----------|-----------|------------|-----------|------------|
| BSE Sensex | 66,527.67 | 64,718.56 | ▶ 2.80% | 58,991.52 | ▶ 12.77% |
| S&P CNX Nifty | 19,753.80 | 19,189.05 | ▶ 2.94% | 17,359.75 | ▶ 13.79% |
| Dow Jones Industrial Avg | 35,559.53 | 34,407.60 | ▶ 3.35% | 33,274.15 | ▶ 6.87% |
| FTSE 100 | 7,699.41 | 7,531.53 | ▶ 2.23% | 7,631.74 | ▶ 0.89% |
| Hang Seng Index | 20,078.94 | 18,916.43 | ▶ 6.15% | 20,400.11 | ▶ -1.57% |
| Nikkei 225 | 33,172.22 | 33,189.04 | ▶ -0.05% | 28,041.48 | ▶ 18.30% |
| B S E Power Index | 4,379.71 | 4,010.86 | ▶ 9.20% | 3,605.80 | ▶ 21.46% |
| B S E Realty Index | 4,536.14 | 4,161.18 | ▶ 9.01% | 3,101.56 | ▶ 46.25% |
| B S E Capital Goods Index | 44,045.93 | 40,725.76 | ▶ 8.15% | 34,369.70 | ▶ 28.15% |
| B S E Metal Index | 22,180.72 | 20,561.27 | ▶ 7.88% | 19,184.87 | ▶ 15.62% |
| B S E Healthcare Index | 27,736.45 | 25,814.46 | ▶ 7.45% | 21,883.50 | ▶ 26.75% |
| B S E Oil & Gas Index | 19,424.13 | 18,209.80 | ▶ 6.67% | 17,383.40 | ▶ 11.74% |
| B S E Auto Index | 36,017.44 | 34,919.74 | ▶ 3.14% | 28,246.92 | ▶ 27.51% |
| B S E Bankex | 51,432.39 | 50,500.57 | ▶ 1.85% | 46,031.95 | ▶ 11.73% |
| B S E FMCG Index | 18,986.42 | 18,690.49 | ▶ 1.58% | 16,487.02 | ▶ 15.16% |
| B S E Information Technology Index | 30,276.57 | 29,876.53 | ▶ 1.34% | 28,478.99 | ▶ 6.31% |

Primary Key Rates

| Particulars | 31-Jul-23 | 30-Jun-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 | 6.85% | 6.25% | ▶ 0.60% | 6.20% | ▶ 0.65% |
| Current Inflation Rate (WPI) | -4.12% | -3.48% | ▶ -0.64% | 3.85% | ▶ -7.97% |
| Current Inflation Rate (CPI) (Jun 23) | 4.81% | 4.25% | ▶ 0.56% | 6.44% | ▶ -1.63% |
| IIP (WPI) % Y-O-Y (May 23) | 5.20% | 4.20% | ▶ 1.00% | 5.20% | ▶ 0.00% |
| AAA spread (bps) | 28.00 | 30.00 | ▶ -6.67% | 22.00 | ▶ 27.27% |

| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Q4 FY23 |
|------------------------------------|---------|---------|---------|---------|---------|
| Real GDP % (New Growth No. by CSO) | 4.20% | -7.30% | 9.10% | 7.20% | 6.10% |

Interest Rates (FIMMDA)

| Particulars | 31-Jul-23 | 30-Jun-23 | Change (%) | 31-Mar-23 | Change (%) |
|-------------------------------|-----------|-----------|--|-----------|--|
| 91 days T - Bill | 6.72% | 6.76% |  -0.04% | 7.28% |  -0.56% |
| 364 days T - Bill | 6.89% | 6.87% |  0.02% | 7.30% |  -0.41% |
| 5 Years G - Sec (Annualized) | 7.16% | 7.08% |  0.08% | 7.18% |  -0.02% |
| 10 Years G - Sec (Annualized) | 7.17% | 7.11% |  0.06% | 7.31% |  -0.14% |
| 30 Years G - Sec (Annualized) | 7.36% | 7.36% |  0.00% | 7.39% |  -0.04% |

-  No change
-  Negative change
-  Positive change

* w.e.f Feb 08, 2023

** w.e.f May 22, 2020

w.e.f May 21, 2022

*# w.e.f Apr 09, 2020

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

July 2023 – Will the confusion end?

Benchmark 10-year treasury yields averaged at 7.11% in July 2023 (up 7bps month on month versus the June 2023 average). On month-end values, the 10-year yield was higher and ended the month at 7.18% (up 6bps month on month). The US 10-year yield is at 3.96% (+12 bps month on month, +131 bps year on year). INR depreciated over the month (down 0.3% month on month) and ended the month at US \$ 82.25 in July 2023.

India Macro movers

India's June 2023 CPI inflation came in slightly above expectations at 4.8% rising from 4.3% in May 2023. The increase was on the back of food prices which, after remaining unusually soft in summer, have begun to firm up, rising 1.3% month on month in June 2023. The jump was led by highly volatile vegetables particularly tomato prices. However, food ex vegetables (0.4% in June 2023 versus -0.2% in May 2023) have also begun to firm up in part because sowing has significantly lagged this monsoon season (more on food below). Importantly, core-core momentum softened to just 0.15% month on month, in June 2023 from 0.44% in May 2023 and an average of 0.37% in last three months.

India's trade deficit narrowed to US \$ 20.1 billion in June 2023 from US \$ 22 billion in May 2023. The narrowing was largely on account of lower net oil imports (US \$ 7 billion in June 2023 versus US \$ 9.7 billion in May 2023), though this was partially offset by a rise in gold and silver imports which surged to a 13-month high of US \$ 5.0 billion (versus an average of US \$ 2.7 billion the last three months).

India's MPC (Monetary Policy Committee) voted unanimously to keep policy rates unchanged at 6.50% and, by a healthy majority of 5-1, voted to retain its "withdrawal of accommodation stance," in line with what we had expected. While there was a broad consensus on rates staying on hold, the members did convey their worries about rising food inflation and Brent crude oil.

Global News

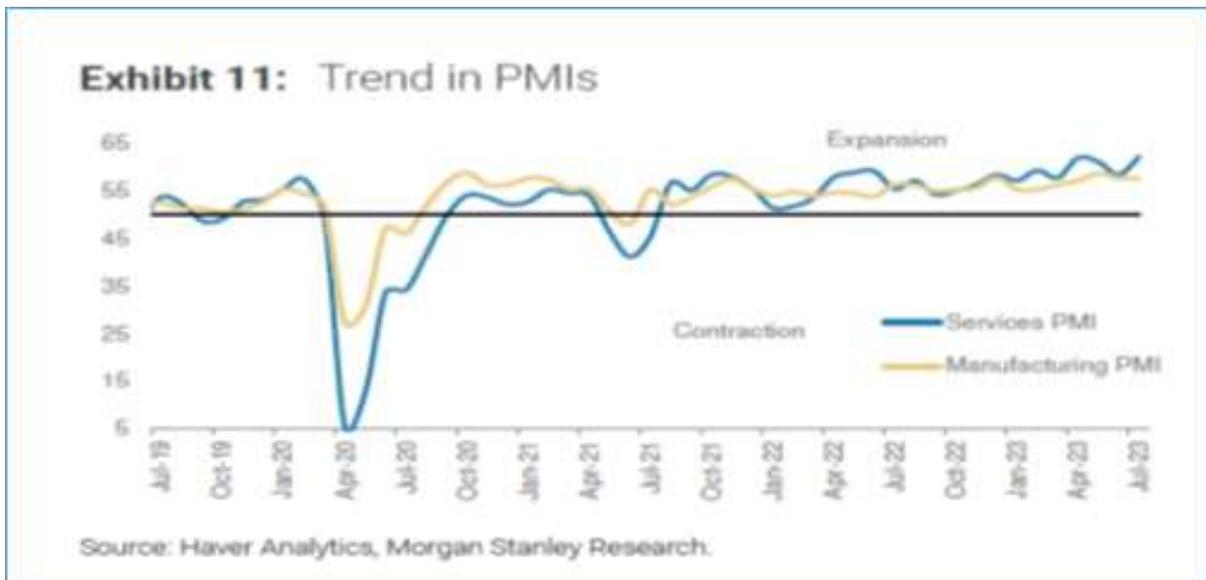
Economic data in the US has been quite robust with employment generation beating estimates again, durable goods manufacturing and PMIs all surprising markets positively. In fact, some indicators suggest that US data has been better than estimates to an extent not seen in 2 years. Unemployment rate is still at multi-decadal low at 3.5%. There are still 1.7 job openings for every unemployed person, against a pre-pandemic level of 1.1. Inflation could moderate in the coming months but Core services inflation is sticky.

Euro area CPI has moderated in the last 3 months and US CPI has now eased to 3% year on year. We don't see any chance of rate cuts by any of the G4 and other DM (Developed Market) central banks in 2023.

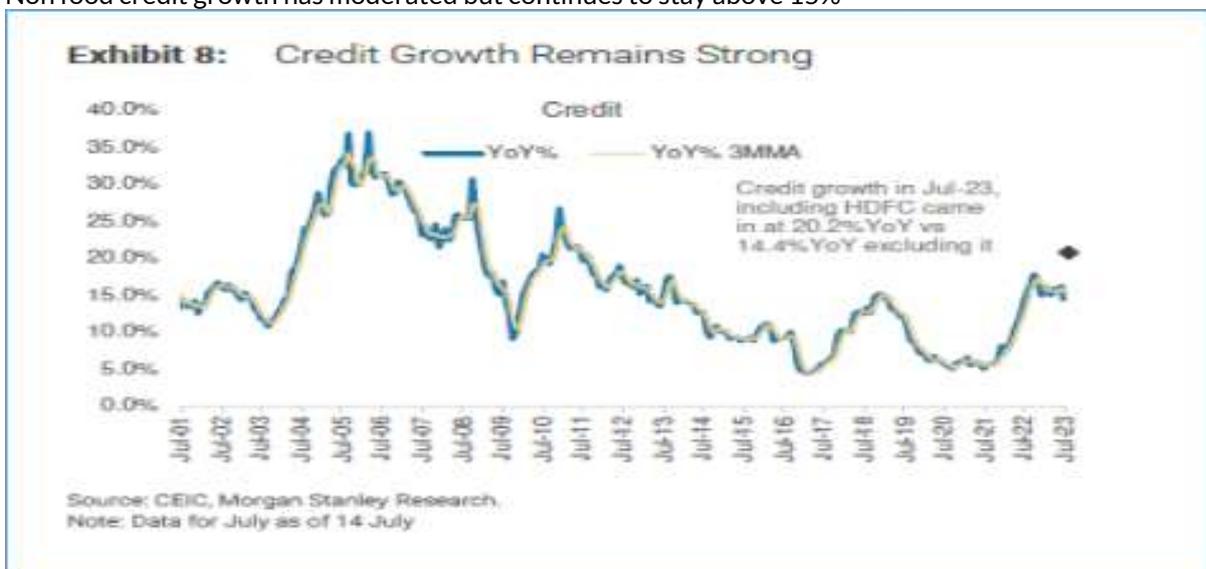
Outlook

- Inflation was trending lower both on a headline and core on a sequential basis, but the surge in prices of Tomato has hurt June 2023 CPI and will take July 2023 CPI above 6.5% year on year
- MPC will keep rates steady in August 2023, but may have a hawkish tone
- Brent crude staying close to US \$ 85-90/bbl is a risk
- US Fed rate hikes are still not done, with September 2023 or November 2023 still a possibility
- We expect 10-year to range between 7.05% and 7.25% in the near term, and H2 FY 2024 could see rates coming down if growth moderates amid stable inflation

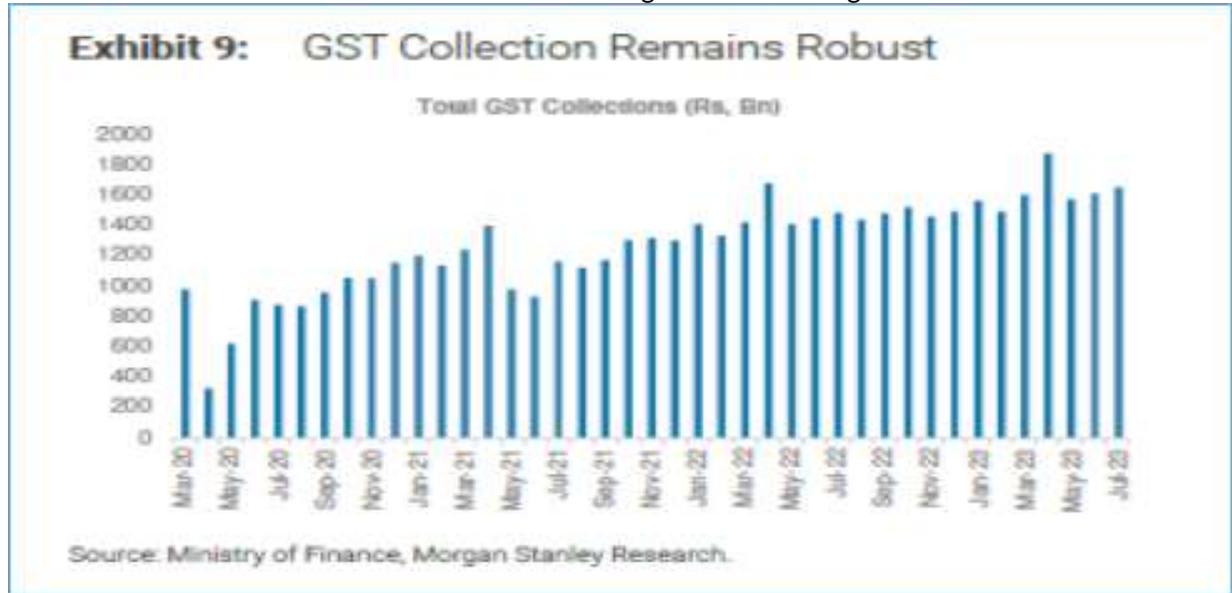
PMIs reach near 3 year highs, only a slight moderation last month



Non food credit growth has moderated but continues to stay above 15%



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



Equity Outlook

Equity Market Outlook for the Month of August, 2023

Month of July 2023 that went by was eventful and positive for Equity Markets. Sensex ended 66528 and Nifty ended at 19574 up 2.8% and 2.9% each respectively, life time high monthly close. The theme no more rate hike after this by Fed (Federal Reserve), India one of the better markets relatively to invest and RBI may not hike rates further continued. On a Dollar denominated basis Nifty has clocked a return of 11% for last 12 months.

With money flow unabated, NSE Mid Cap 100 index rallied 5.5% to end at 37721 and NSE Small Cap index moved to 11703, a gain of 8% for the gone by month. On the sectoral side BSE Power, Realty, Capital Goods indices moved more than 8% during the month.



As on 31st July 2023

Positive developments during the month include IMF (International Monetary Fund) upgrading India GDP (Gross Domestic Product) 20 basis to 6.1% for the FY 2024.

June 2023 CPI inflation came in 50 basis higher at 4.81% versus 4.31% thanks to increase in Food Inflation. WPI for the same period was -4.1% versus -3.5%. On the Economic front the country is chugging around well with its Direct Tax revenues growing 3.3% to 6.72 lakh crore for the first quarter of the FY

2024. There was improvement in indirect tax revenue with Customs duty going up by 34% for the same period.

Till the end of last month overall Rainfall was 5% above the LPA cumulatively. With GST collections at Rs.1.65 lakh crore for the month of July, 2023 and it being above Rs.1.55 lakh crore for all the months in this financial year, all seems good on the financial front.

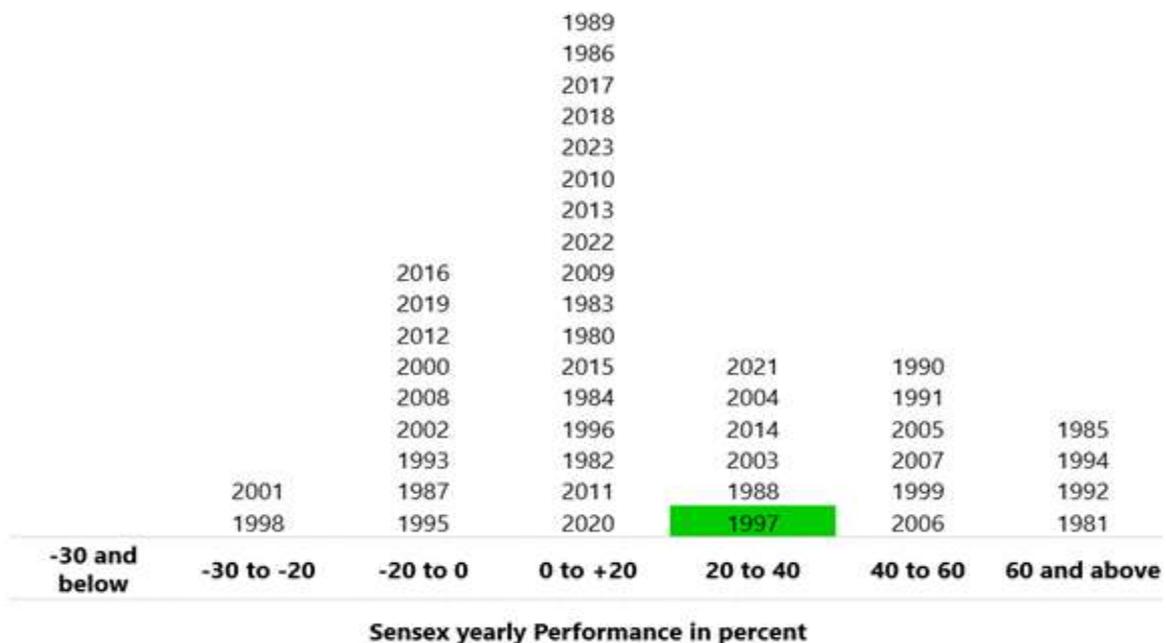
Interest rate movements across globe has been mixed. FOMC (Federal Open Market Committee) had hiked rates by 25 basis in USA to 5.25% to 5.5%. This is in line with expectations. However, what is more important is the forecast that rates will no more raise for the near term and that there will be a pause.

FPI's (Foreign Portfolio Investors) have been big buyers here. They have bought stocks worth US \$ 4.7 billion during the last month and stocks worth US \$ 13.6 billion during this year. This was against US \$ 5.5 billion worth of stocks that they bought last month. On the domestic side while Mutual funds bought stocks worth US \$ 0.9 billion Domestic Institutions have sold stocks worth US \$ 1.3 billion.

Many companies have declared results. Amongst Nifty companies that declared results the Revenue, EBIDTA, EBIDTA Margin & PAT had exceeded expectations. The same had a positive variance of 0.6%, 1.9%, 0.3 basis and 3.3%.

At 15% returns for the year Nifty and Sensex is at mean returns. The graph is enclosed for reference.

BSE Sensex (since 1980): Yearly performance +ve in July (+ve 33 out of 43 years)



Fear of rate hikes are behind us. Corporate profitability in terms of margins and growth are sound. Countries GDP growth compared to others is ahead. Therefore, money is flowing to right direction that is India. Monsoons being relatively good, rural demand should improve.

Impact of rate hikes would be felt over CPI across globe in the next 1 year and normalcy would return. This should mellow down the interest rates which would augur well for our bond funds.

We recommend investing in Bond Fund, Balance Fund & Bond Optimizer fund in that order of preference.

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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