

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-Jun-23	31-May-23	Change (%)	31-Mar-23	Change (%)
₹/\$	82.04	82.73	▶ 0.83%	82.18	▶ 0.17%
Forex Res.(Bn- 1 Wk Lag)	\$ 593.20	\$ 589.14	▶ 0.69%	\$ 578.78	▶ 2.49%
Oil Price (\$/Barrel)	\$ 75.28	\$ 71.46	▶ 5.35%	\$ 79.94	▶ -5.83%
Gold (₹/10 gm)	57,840	60,269	▶ -4.03%	59,530	▶ -2.84%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	47148	43838	▶ 7.55%	7936	▶ 494.10%
Debt (monthly)	9178	3276	▶ 180.16%	-2505	▶ -466.39%

Indices

Particulars	30-Jun-23	31-May-23	Change (%)	31-Mar-23	Change (%)
BSE Sensex	64,718.56	62,622.24	▶ 3.35%	58,991.52	▶ 9.71%
S&P CNX Nifty	19,189.05	18,534.40	▶ 3.53%	17,359.75	▶ 10.54%
Dow Jones Industrial Avg	34,407.60	32,908.27	▶ 4.56%	33,274.15	▶ 3.41%
FTSE 100	7,531.53	7,446.14	▶ 1.15%	7,631.74	▶ -1.31%
Hang Seng Index	18,916.43	18,234.27	▶ 3.74%	20,400.11	▶ -7.27%
Nikkei 225	33,189.04	30,887.88	▶ 7.45%	28,041.48	▶ 18.36%
B S E Capital Goods Index	40,725.76	37,220.98	▶ 9.42%	34,369.70	▶ 18.49%
B S E Healthcare Index	25,814.46	23,681.37	▶ 9.01%	21,883.50	▶ 17.96%
B S E Realty Index	4,161.18	3,833.16	▶ 8.56%	3,101.56	▶ 34.16%
B S E Auto Index	34,919.74	32,732.08	▶ 6.68%	28,246.92	▶ 23.62%
B S E Metal Index	20,561.27	19,542.69	▶ 5.21%	19,184.87	▶ 7.17%
B S E Power Index	4,010.86	3,819.30	▶ 5.02%	3,605.80	▶ 11.23%
B S E FMCG Index	18,690.49	18,253.41	▶ 2.39%	16,487.02	▶ 13.36%
B S E Information Technology Index	29,876.53	29,346.42	▶ 1.81%	28,478.99	▶ 4.91%
B S E Oil & Gas Index	18,209.80	17,972.15	▶ 1.32%	17,383.40	▶ 4.75%
B S E Bankex	50,500.57	50,017.52	▶ 0.97%	46,031.95	▶ 9.71%

Primary Key Rates

Particulars	30-Jun-23	31-May-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	6.25%	6.30%	▶ -0.05%	6.20%	▶ 0.05%
Current Inflation Rate (WPI)	-3.48%	-0.92%	▶ -2.56%	3.85%	▶ -7.33%
Current Inflation Rate (CPI) (May 23)	4.25%	4.70%	▶ -0.45%	6.44%	▶ -2.19%
IIP (WPI) % Y-O-Y (Apr 23)	4.20%	1.10%	▶ 3.10%	5.20%	▶ -1.00%
AAA spread (bps)	30.00	26.00	▶ 15.38%	22.00	▶ 36.36%

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	30-Jun-23	31-May-23	Change (%)	31-Mar-23	Change (%)
91 days T - Bill	6.76%	6.78%	▶ -0.02%	7.28%	▶ -0.52%
364 days T - Bill	6.87%	6.89%	▶ -0.02%	7.30%	▶ -0.43%
5 Years G - Sec (Annualized)	7.08%	6.92%	▶ 0.16%	7.18%	▶ -0.10%
10 Years G - Sec (Annualized)	7.11%	6.99%	▶ 0.12%	7.31%	▶ -0.20%
30 Years G - Sec (Annualized)	7.36%	7.15%	▶ 0.21%	7.39%	▶ -0.03%

-  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

June 2023 – Will it be a better half now?

Benchmark 10-year treasury yields averaged at 7.04% in June 2023 (up 2bps month on month versus the May 2023 average). On month-end values, the 10-year yield was down and ended the month at 6.12% (up 13bps month on month). The US 10-year yield is at 3.84% (+19bps month on month, +82bps year on year). INR appreciated over the month (up 0.8% month on month) and ended the month at US \$ 82.04 in June 2023.

India Macro movers

CPI expectedly softens, IP unexpectedly surges. Headline CPI inflation expectedly softened to 4.3% from 4.7% in April 2023, underpinned by softer food prices (0.1% month on month in May 2023). The softness in food prices was broad-based – and not simply driven by the highly volatile vegetable prices. Meanwhile, the momentum of core-core inflation, which had softened for the last three months, re-accelerated to 0.4% month on month in May 2023 from 0.3% in April 2023. The main risk to the inflation forecasts stems from EL Niño, which could impact monsoon rains and therefore food production significantly

FY 2023 growth surprised to the upside. India's 4Q GDP (Gross Domestic Product) (January-March 2023) re-accelerated to 6.1% from 4.5% the previous quarter, coming in stronger than expectations. Consequently, full-year FY 2023 GDP came in at 7.2%, also higher than expected. The re-acceleration last quarter meant that the undershoot of the level of GDP from its pre-pandemic potential trend narrowed to about 5%.

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, there was an expectation in some quarters that the RBI might change its stance to neutral, given that inflation was undershooting the RBI's April 2023 projections.

Global News

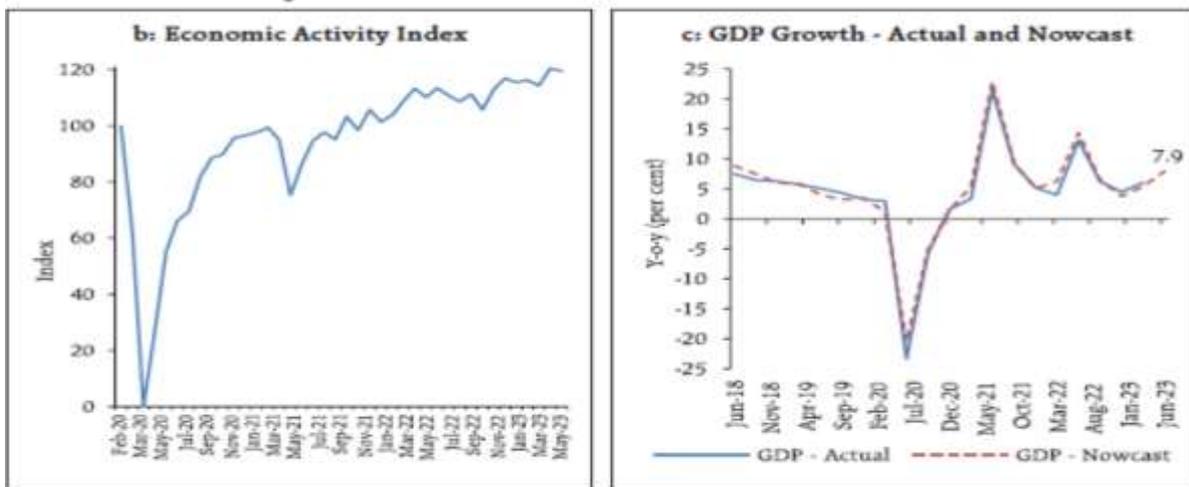
Economic data in the US has been quite robust with employment generation beating estimates again, durable goods manufacturing and PMIs (Purchasing Managers Index) all surprising markets positively. In fact some indicators suggest that US data has been better than estimates to an extent not seen in 2 years. Unemployment rate is still at multi-decadal low. There are still 1.9 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 2 months. We don't see any chance of rate cuts by any of the G4 and other DM (Developed Markets) central banks in 2023.

Outlook

- Inflation is trending lower both on a headline and core on a sequential basis
- RBI expects CPI to be well behaved below 5.5% in FY 2024, and it could surprise on lower side if monsoon is not too bad and Crude Oil remains below US \$ 80/bbl
- MPC will keep rates steady in August 2023 and October 2023 based on current trajectory of growth and inflation
- US Fed (Federal Reserve) rate hikes and a good domestic growth scenario in India could prevent any quick changes to RBI's stance
- We expect 10-year to range between 6.95% and 7.2% in the near term, and second half FY 2024 could see rates coming down if growth moderates amid stable inflation
- With investors demand tapering we expect 30-year G-sec to trade in range of 7.20% to 7.40% band in next couple of months

RBI's economic activity index has been rising steadily, and forecast of GDP is also showing a leg up -



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



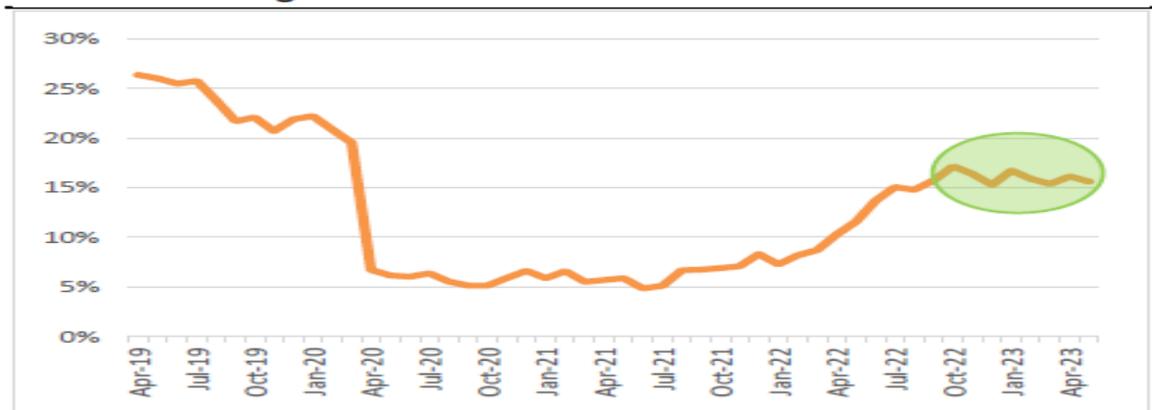
El Nino has reached an ALERT level showing 90% probability of being a moderate to a strong occurrence

El Niño ALERT activated



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

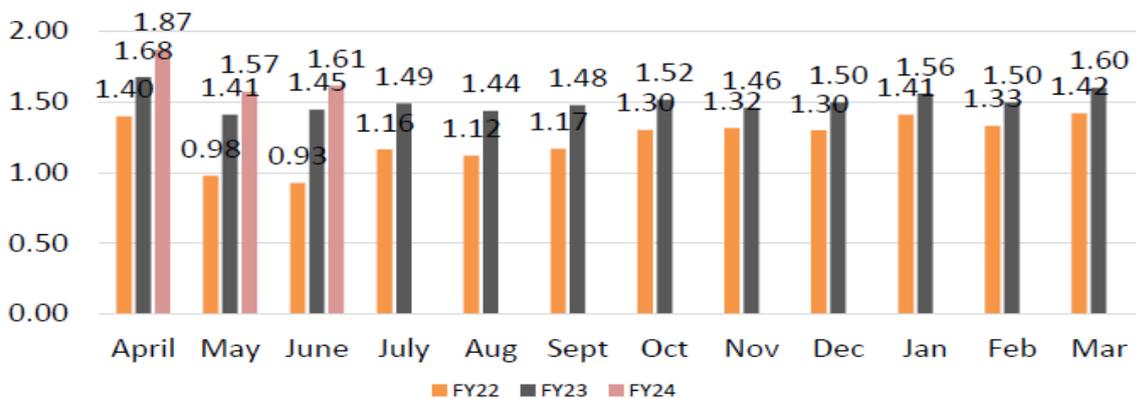
Exhibit 5: Non-food credit (y-o-y %): Eased but remains strong



Source: Equirus, RBI

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

Exhibit 11: GST Collection (INR Trillion) – Maintaining the run rate



Source: Equirus, CGA

Equity Outlook

Equity Outlook for the Month of July, 2023

Nifty and Sensex gave a return of 3.5% and 3.3% for the month of June 2023 and ended at 19189 and 64719, all time high closing. The Rally was broad based & was aided by FPI's (Foreign Portfolio Investors) buying based on positive sentiments with news initially of no rate hike in by central banks.

NSE Mid Cap index and NSE Small Cap index that hitherto was under performing saw a big jump. Mid Cap index went up 5.9% and Small Cap index went up 6.6% to end at 35754 and 10837.

On the sector side, led by boom in the Industrial investments on the back of strong support by government to increase the manufacturing contribution to GDP, BSE Capital Goods index gained 9.4% during the month. Next only to capital goods was the BSE Healthcare indices that gained 9%.

India and Brazil performed well within the Emerging Markets. Brazil gave a return of 9%. Fed move impressed Equity as a asset class. Japan gave a return of 7.5%, US 6.5%, Hong Kong 3.7% & UK 1.1% in local currency terms.

Last month saw US senate pass the bill for increase in debt ceiling. The bill was approved by the House earlier. Though FED has taken a pause in hike, the numbers for the economy are strong and hence 2 more rate hikes are slowly getting baked in the 2-year yield which has inched up to 4.99%. Moreover, the rate cuts that were likely by this year are now expected not to happen.

Liquidity was good. This is the fourth consecutive month of continual FPI buying. FPI's bought stocks worth US \$ 5.1 billion in the month of June, 2023. PM's visit to US, addressing of Congress there shift of money from China and satisfactory results from India inc for the first quarter of this financial year helped.

DII's (Direct Institutional Investors) who were sellers in the month of May 2023 turned buyers. Overall DII buying has been to the tune of US \$ 540 million for the month of June 2023. Net buying for the current year has been to the extent of US \$ 10.5 billion.

May 2023 CPI Inflation moderated to 4.25% from 4.7% in the previous month. WPI on the other hand was at -3.5% versus -0.9% for the previous month. CAD (Current Account Deficit) for India showed market improvement. It was at US \$ 1.4 billion versus US \$ 16.8 billion which was 2% of the GDP.

Equity markets have shown a surprise and have given good upside. This is due to pause in hike by RBI and FED, deficiency in rainfall expected having come down & FPI's looking for alternative avenues to make money. Traction in industrial capex from the private side and government's effort to increase contribution from the manufacturing side has helped too.

Index is at its all time high. Debt markets, with yields falling have also given good returns.

Equities are looking expensive but earnings growth and economic activity (GDP) is supporting. On a relative basis within the emerging basket, India stands out. Though the strong numbers have dented the rate cut hopes in the near term, eventually rates will give way.

We therefore will continue to like Bond Fund, Bond Optimizer & Balance fund

Cumulative monsoon rains are trailing at 19% below normal as of June'23 end



Asset Return- Long Term returns are healthy

1 Year		10 Years CAGR	
NIFTY	21.6%	NIFTY	12.6%
Nifty Next 50	19.8%	Nifty Next 50	14.2%
NSE Midcap	35.2%	NSE Midcap	17.2%
NSE Smallcap	28.3%	NSE Smallcap	14.1%
10 Year	9.3%	10 Year	6.0%
91 Day TBill	6.5%	91 Day TBill	6.3%
CRB Index	-8.2%	CRB Index	1.6%
Crude	4.8%	Crude	3.1%
Gold	14.0%	Gold	8.7%
INR/EUR	-8.1%	INR/EUR	-1.4%
INR/USD	-3.9%	INR/USD	3.3%
MSCI EM	-1.1%	MSCI EM	0.5%
MSCI India	17.5%	MSCI India	11.0%

As on 30th Jun 2023

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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