

## 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-22	30-Jun-22	Change (%)	31-Mar-22	Change (%)
₹/\$	79.27	78.97	▶ -0.38%	75.79	▶ -4.59%
Forex Res.(Bn- 1 Wk Lag)	\$ 571.56	\$ 593.32	▶ -3.67%	\$ 617.65	▶ -7.46%
Oil Price (\$/Barrel)	\$ 107.97	\$ 117.62	▶ -8.20%	\$ 109.24	▶ -1.16%
Gold (₹/10 gm)	51,301	50,699	▶ 1.19%	51,317	▶ -0.03%
<b>FII inflows (Net) - Crs (₹)</b>					
Equity (monthly)	4989	-50203	▶ 109.94%	-41123	▶ -112.13%
Debt (monthly)	-2056	-1414	▶ -45.40%	-5632	▶ -63.49%

### Indices

Particulars	31-Jul-22	30-Jun-22	Change (%)	31-Mar-22	Change (%)
BSE Sensex	57,570.25	53,018.94	▶ 8.58%	58,568.51	▶ -1.70%
S&P CNX Nifty	17,158.25	15,780.25	▶ 8.73%	17,464.75	▶ -1.75%
Dow Jones Industrial Avg	32,845.13	30,775.43	▶ 6.73%	34,678.35	▶ -5.29%
FTSE 100	7,423.43	7,169.28	▶ 3.54%	7,515.68	▶ -1.23%
Hang Seng Index	20,156.51	21,859.79	▶ -7.79%	21,996.85	▶ -8.37%
Nikkei 225	27,801.64	26,393.04	▶ 5.34%	27,821.43	▶ -0.07%
B S E Realty Index	3,591.24	3,068.27	▶ 17.04%	3,681.83	▶ -2.46%
B S E Metal Index	18,189.93	15,552.22	▶ 16.96%	22,368.34	▶ -18.68%
B S E Capital Goods Index	29,717.26	26,025.50	▶ 14.19%	27,506.04	▶ 8.04%
B S E FMCG Index	15,489.37	13,766.10	▶ 12.52%	13,334.89	▶ 16.16%
B S E Bankex	43,130.69	38,475.94	▶ 12.10%	41,753.80	▶ 3.30%
B S E Power Index	4,556.28	4,067.00	▶ 12.03%	4,043.63	▶ 12.68%
B S E Auto Index	28,728.64	26,768.23	▶ 7.32%	24,049.98	▶ 19.45%
B S E Healthcare Index	22,901.59	21,605.93	▶ 6.00%	24,303.83	▶ -5.77%
B S E Oil & Gas Index	18,999.02	18,021.93	▶ 5.42%	18,741.19	▶ 1.38%
B S E Information Technology Index	29,488.38	28,313.08	▶ 4.15%	36,402.74	▶ -18.99%

### Primary Key Rates

Particulars	31-Jul-22	30-Jun-22	Change (%)	31-Mar-22	Change (%)
Repo Rate*	4.90%	4.90%	▶ 0.00%	4.00%	▶ 0.90%
Reverse Repo Rate**	3.35%	3.35%	▶ 0.00%	3.35%	▶ 0.00%
CRR#	4.50%	4.50%	▶ 0.00%	4.00%	▶ 0.50%
SLR *#	18.00%	18.00%	▶ 0.00%	18.00%	▶ 0.00%
Call money rate	4.90%	4.80%	▶ 0.10%	3.87%	▶ 1.03%
Current Inflation Rate (WPI)	15.18%	15.88%	▶ -0.70%	13.11%	▶ 2.07%
Current Inflation Rate (CPI) (June 22)	7.01%	7.04%	▶ -0.03%	6.07%	▶ 0.94%
IIP (WPI) % y-o-y (May 22)	19.60%	7.10%	▶ 12.50%	1.30%	▶ 18.30%
AAA spread (bps)	13.00	19.00	▶ -31.58%	14.00	▶ -7.14%

Particulars	2018-19	2019-20	2020-21	2021-22	Q4 FY22
Real GDP % (New Growth No. by CSO)	6.80%	4.20%	-7.30%	8.70%	4.10%

### Interest Rates (FIMMDA)

Particulars	31-Jul-22	30-Jun-22	Change (%)	31-Mar-22	Change (%)
91 days T - Bill	5.60%	5.15%	▶ 0.45%	3.84%	▶ 1.76%
364 days T - Bill	6.29%	6.28%	▶ 0.01%	4.58%	▶ 1.71%
5 Years G - Sec (Annualized)	7.03%	7.24%	▶ -0.20%	6.02%	▶ 1.02%
10 Years G - Sec (Annualized)	7.32%	7.44%	▶ -0.12%	6.86%	▶ 0.45%
30 Years G - Sec (Annualized)	7.65%	7.70%	▶ -0.04%	7.27%	▶ 0.38%

-  No change
-  Negative change
-  Positive change

\* w.e.f June 08, 2022

\*\* 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 2022 – The confusion among market participants persists

Benchmark 10-year treasury yields averaged at 7.39% in July 2022 (10 bps lower versus June 2022 average). On month end values, the 10 year yield was up and ended the month at 7.32% (down 13 bps month on month). US 10 Year yield is at 2.65% (-36 bps month on month, +143 bps year on year). INR depreciated sharply over the month (down 0.4% month on month) and ended the month at US \$ 79.27 in July 2022. The JPM EM FX Index (JPMorgan Emerging Markets) was down -2.4% month on month in July 2022. In the last 12 months, INR (-6.1%) though weaker, has performed better than the broader EM FX (-11.1%)

### India Macro movers

June 2022 trade deficit widens to new record; quarterly CAD (Current Account Deficit) tracking close to 4% of GDP (Gross Domestic Product). India's merchandise trade deficit widened further to a record US \$ 25.6 in June 2022 from the previous record of US \$ 24.3 billion in May 2022. The widening of the June 2022 deficit was led by imports – reflecting a perfect-storm of the oil imports bill normalizing alongside another surge of non-oil-non-gold (NONG) imports. Meanwhile, exports have lost some momentum in 2Q 2022 as global growth has slowed. With the June 2022 surge, the April-June 2022 current account deficit (CAD) is now tracking 3.8-3.9% of GDP (US \$ 30-31 billion) widening sharply from 1.5% of GDP (US \$ 13.5 billion) in the previous quarter.

Headline CPI still at 7% but risks begin to abate, Headline CPI momentum softened as anticipated in June 2022 and, in fact, came in a tad below expectations. June 2022 CPI prices rose 0.3% month on month, a relief from the 0.9% month on month, average of the last three months. That said, year-on-year CPI remained stuck at 7% (Consensus: 7.1%), above the RBI's upper tolerance band of 6% for a fourth consecutive month.

### Global News

Economic data in the US has been weaker this quarter with industrial activity, consumer sentiment, PMIs (Purchasing Managers Index) all coming in lower than expectations, but the most important jobs and employment numbers are strong. Against an estimated 250000, July 2022 saw 528000 new jobs being created and unemployment stuck at 3.6%. There are expectations that Q1 2022 GDP also could be revised from negative to positive negating fears of a technical recession. The CPI numbers going forward along with employment data will hold key and markets expect another 100 bps at least of Fed (Federal Reserve) hikes in the year. The inflation data in UK and Euro are show that things are only getting worse and hence more hawkishness can be expected from these central banks as well.

## Outlook

RBI did a 50 bps rate hike in August 2022 MPC (Monetary Policy Committee) meeting unanimously, meaning that Repo rate is at 5.4%. This was higher than market expectations and that led to hardening of yields, but going forward the path of rate hikes might depend on the incoming data. Slowing CPI pace domestically from better rains and food output along with Brent crude sustaining below US \$ 100/bbl could all help RBI take it slow. Against original estimate of 6%-6.25% Repo rate could end lower on a terminal basis in this cycle. This gives hopes for bond markets and yield could remain in the 7.25-7.5% range based on other external factors including pace of Fed rate hikes.

## Equity Outlook

### Equity Market Outlook for the Month of August, 2022

Nifty & Sensex clocked 8.7% and 8.6% return for the month of July, 2022. This is on the back of commodity prices falling in anticipation of recession in developed world. Since March 31, 2022 commodity prices gauged by Bloomberg Commodity Index have fallen 5.9%, and 17% since its peak on June 06, 2022.

Broader markets rallied with NSE Mid Cap and NSE Small Cap index giving a return of 12% and 9% respectively.

Indices are showing strength. Market rally is despite 75 basis hike in interest rate by FED in US, IMF (International Monetary Fund) revising India GDP growth down to 7.4% for FY 2023 from 8.2%, US consumer CPI coming in at 9.1% and bell weather Reliance Industries that has 12% weight in the index falling 3% during the month.

Our indices out performed other important markets like US which was up 6.7%, UK up 2.9%, Taiwan up 1.2%, Brazil up 4.1% etc. in local currency basis.

Sectoral performance indicates Banking to have contributed to the chunk. Banking index was up 12% followed by FMCG (Fast Moving Consumer Goods) 13%.

Results declared showed a mixed trend. While there was year on year growth in earnings on aggregate basis, on a month on month basis growth in net income / earnings fell short of expectations. Pressure of input costs going up and inability to pass this was showing up in the numbers clearly. There are no indications that increase in prices to absorb this cost increase could be passed on to the consumers.

Apart from Fed, ECB (European Central Bank) also increased rates by 50 basis points during the month.

FPI's (Foreign Portfolio Investors) selling intensity came off last month and was a big relief. They bought stocks worth US \$ 844 million whereas DII's (Direct Institutional Investors) bought stocks worth US \$ 1325 million. This was against US \$ 14.5 billion worth of stocks they sold in the last 2 quarters.

Imposition of windfall tax on refinery products which followed imposition of tax on steel exports, only expresses the intent of the Government in maintaining fiscal deficit at the 6.4% range.

While the fall in commodity prices get discounted in the markets, the liquidity withdrawal impact is yet to be gauged. Strength of demand will be put to test when the festive season passes. Indian and global

markets seems to have discounted meltdown in commodity prices early. Impact on economy, if recession emerges, would be worse.

We continue to be cautious and not allocate more funds to risky assets. On a sustainable basis at this juncture Bond Optimizer and Balance Fund should give reasonable risk adjusted returns.

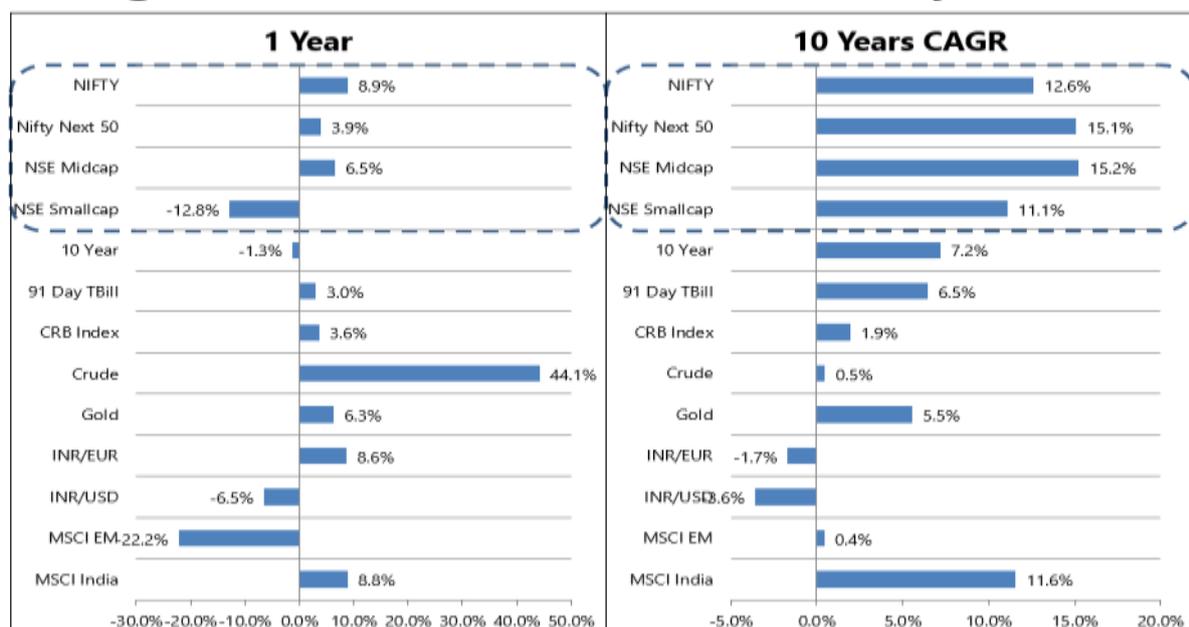
Many variables impact markets over long and short term. Markets have taken them on its stride and had moved ahead. We list a few here.

### Factors affecting equity markets balanced

Key Variables	Short - Term	Medium - Term	Remarks
Economy			Growth revival in FY23 of about 7.4% is better compared to many other economies
Earnings			Earnings is expected to show a growth of 14% in FY23
High Frequency indicators			95% of High Frequency Indicators show acceleration for the quarter ending June, 2022.
Liquidity DII			Domestic flows are strong
Issue of Securities			Issues of securities not expected to be alarming
Government Initiative			Initiatives like corporate tax cuts, thrust on infrastructure, GST, PLI, ECLGS during Covid-19 have been far reaching

Long and short term returns considering all these are quite healthy. Over last 43 years markets have given positive returns for 32 years.

### Long / Short Term returns are healthy



As on 29<sup>th</sup> July 2022

## BSE Sensex (since 1980): Yearly performance +ve in April (+ve 32 out of 43 years)

							1989					
							1986					
							2017					
							2018					
							2010					
							2013					
							2022					
			2016				2009					
			2019				1983					
			2012				1980					
			2000				2015	2021	1990			
			2008				1984	2004	1991			
			2002				1996	2014	2005	1985		
			1993				1982	2003	2007	1994		
		2001	1987				2011	1988	1999	1992		
		1998	1995				2020	1997	2006	1981		
<b>-30 and below</b>	<b>-30 to -20</b>	<b>-20 to 0</b>	<b>0 to +20</b>	<b>20 to 40</b>	<b>40 to 60</b>	<b>60 and above</b>						

**Sensex yearly Performance in percent**

2

## **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.

**Disclaimer:**

- 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

**BEWARE OF SPURIOUS PHONE CALLS AND FICTIOUS / FRADULENT OFFERS**

IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

*Trade logo displayed above belongs to State Bank of India and is used by SBI Life under license.*

**To know more about us**

Visit us at [www.sbilife.co.in](http://www.sbilife.co.in) or Call Toll Free No. 1800 267 9090 (9.00 a.m. to 9.00 p.m.)

SBI Life Insurance Co. Ltd.

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

CIN: L99999MH2000PLC129113

Email: [info@sbilife.co.in](mailto:info@sbilife.co.in)

**IRDAI Regn. No. 111**

For more details on Risk Factors, Terms & Conditions, please read the sales brochure carefully before concluding a sale