

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-Mar-23	28-Feb-23	Change (%)	31-Mar-22	Change (%)
₹/\$	82.18	82.67	▶ 0.59%	75.79	▶ -8.43%
Forex Res.(Bn- 1 Wk Lag)	\$ 578.78	\$ 560.94	▶ 3.18%	\$ 617.65	▶ -6.29%
Oil Price (\$/Barrel)	\$ 79.94	\$ 83.40	▶ -4.15%	\$ 109.24	▶ -26.82%
Gold (₹/10 gm)	59,530	55,481	▶ 7.30%	51,317	▶ 16.00%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	7936	-6136	▶ 229.34%	-41123	▶ -119.30%
Debt (monthly)	-2505	1557	▶ -260.89%	-5632	▶ -55.52%

Indices

Particulars	31-Mar-23	28-Feb-23	Change (%)	31-Mar-22	Change (%)
BSE Sensex	58,991.52	58,962.12	▶ 0.05%	58,568.51	▶ 0.72%
S&P CNX Nifty	17,359.75	17,303.95	▶ 0.32%	17,464.75	▶ -0.60%
Dow Jones Industrial Avg	33,274.15	32,656.70	▶ 1.89%	34,678.35	▶ -4.05%
FTSE 100	7,631.74	7,876.28	▶ -3.10%	7,515.68	▶ 1.54%
Hang Seng Index	20,400.11	19,785.94	▶ 3.10%	21,996.85	▶ -7.26%
Nikkei 225	28,041.48	27,445.56	▶ 2.17%	27,821.43	▶ 0.79%
B S E Power Index	3,605.80	3,296.34	▶ 9.39%	4,043.63	▶ -10.83%
B S E Oil & Gas Index	17,383.40	16,915.04	▶ 2.77%	18,741.19	▶ -7.24%
B S E FMCG Index	16,487.02	16,162.14	▶ 2.01%	13,334.89	▶ 23.64%
B S E Capital Goods Index	34,369.70	33,862.70	▶ 1.50%	27,506.04	▶ 24.95%
B S E Healthcare Index	21,883.50	21,600.41	▶ 1.31%	24,303.83	▶ -9.96%
B S E Metal Index	19,184.87	18,986.49	▶ 1.04%	22,368.34	▶ -14.23%
B S E Bankex	46,031.95	45,608.78	▶ 0.93%	41,753.80	▶ 10.25%
B S E Realty Index	3,101.56	3,152.06	▶ -1.60%	3,681.83	▶ -15.76%
B S E Information Technology Index	28,478.99	29,404.44	▶ -3.15%	36,402.74	▶ -21.77%
B S E Auto Index	28,246.92	29,225.99	▶ -3.35%	24,049.98	▶ 17.45%

Primary Key Rates

Particulars	31-Mar-23	28-Feb-23	Change (%)	31-Mar-22	Change (%)
Repo Rate*	6.50%	6.50%	▶ 0.00%	4.00%	▶ 2.50%
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	6.20%	6.40%	▶ -0.20%	3.87%	▶ 2.33%
Current Inflation Rate (WPI)	3.85%	4.73%	▶ -0.88%	13.11%	▶ -9.26%
Current Inflation Rate (CPI) (Feb 23)	6.44%	6.52%	▶ -0.08%	6.07%	▶ 0.37%
IIP (WPI) % Y-O-Y (Jan 23)	5.20%	4.30%	▶ 0.90%	1.30%	▶ 3.90%
AAA spread (bps)	22.00	21.00	▶ 4.76%	14.00	▶ 57.14%

Particulars	2019-20	2020-21	2021-22	Q4 FY22	Q3 FY23
Real GDP % (New Growth No. by CSO)	4.20%	-7.30%	9.10%	4.10%	4.40%

Interest Rates (FIMMDA)

Particulars	31-Mar-23	28-Feb-23	Change (%)	31-Mar-22	Change (%)
91 days T - Bill	7.28%	6.92%	▶ 0.36%	3.84%	▶ 3.44%
364 days T - Bill	7.30%	7.30%	▶ 0.00%	4.58%	▶ 2.72%
5 Years G - Sec (Annualized)	7.18%	7.43%	▶ -0.25%	6.02%	▶ 1.17%
10 Years G - Sec (Annualized)	7.31%	7.43%	▶ -0.12%	6.86%	▶ 0.45%
30 Years G - Sec (Annualized)	7.39%	7.44%	▶ -0.04%	7.27%	▶ 0.13%

- ▶ 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

March 2023 – A banking crisis looms!

Benchmark 10-year treasury yields averaged at 7.36% in March 2023 (flat month on month versus the February 2023 average). On month end values, the 10-Year yield was up and ended the month at 7.31% (down 12bps month on month). The US 10-Year yield is at 3.47% (-45 bps month on month, +113 bps year on year). INR appreciated over the month (up +0.6% month on month) and ended the month at US \$ 82.18 in March 2023.

India Macro movers

January 2023 CPI printed in line with expectations at 6.4% above the RBI's upper band of 6%, and close to last month's reading of 6.5%. Sequentially, headline CPI rose another 0.5% month on month, in February 2023 on the back of a sharp 1.2% increase in January 2023. This is, therefore, unlikely to assuage policy makers' concerns of inflation getting entrenched and remaining elevated. Core-core (core ex petrol and diesel) prices eased very modestly to 0.44% month on month, in February 2023 after registering five-consecutive monthly gains of 0.5% (6% annualized). As a consequence, the year-on-year measure remained elevated at 6.4% in February 2023 compared to 6.5% in January 2023. Similarly, the standard core (headline ex food and fuel) which the RBI also looks at – also eased modestly to 0.4% in February 2023 on the back of five consecutive 0.5% increases.

January 2023 IP came close to our expectation at 5.2% accelerating from 4.7% in December 2022. In sequential terms, IP gained 2.0% in January 2023 on the back of 0.6% contraction in December 2022. IP is now 104% of its pre-pandemic level. Within sectors, capital goods and infra goods posted strong sequential gains to register 11% and 8.1% growth in January 2023, respectively.

Nominal bank credit growth remained strong, rising to 15.4% in February 2023 from 16.2% in January 2023. The real credit growth deflated via GDP (Gross Domestic Product) deflator also remained strong at 8.7% slightly below vis-a-vis 9.1% average in 4Q22.

Global News

Global equities delivered strong returns across regions in March 2023 (MSCI (Morgan Stanley Capital International) World +2.8% month on month), barring Brazil (-0.9% month on month). MSCI China was the strongest performer in the month (+4.5% month on month) with the US (+3.4% month on month) Japan (+2.9% month on month) and Euro area (+2.0% month on month) also delivering strong returns. Several geopolitical crises are building, with the war in Eastern Europe ongoing and political unrest in

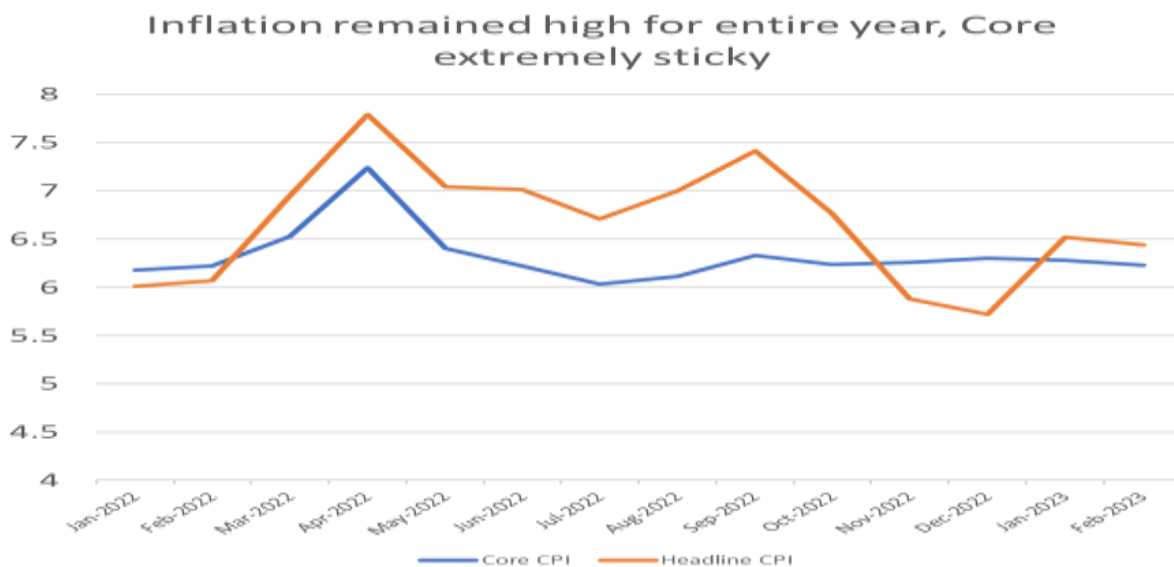
Europe and the Middle East. As the recession likelihood is likely increasing again for second half of this year, Credit is tightening, but fading drags are lifting global growth. We anticipate an end to the global expansion by 2024 as inflation fails to return to central bank comfort zones and requires further monetary tightening to induce a recession.

Economic data in the US has been quite robust with employment generation, IP, durable goods manufacturing and PMIs (Purchasing Managers Index) all surprising markets positively. Unemployment rate has just marginally moved down by 10 bps it is still at multi-decadal low. There are early signs of a slowdown in growth but markets could be wrong in their dovish assumptions, as long as jobs market remains tight, with March's employment seeing 263000 net job creations. There are still 1.7 job openings for every unemployed person, against a pre-pandemic level of 1.1.

Outlook

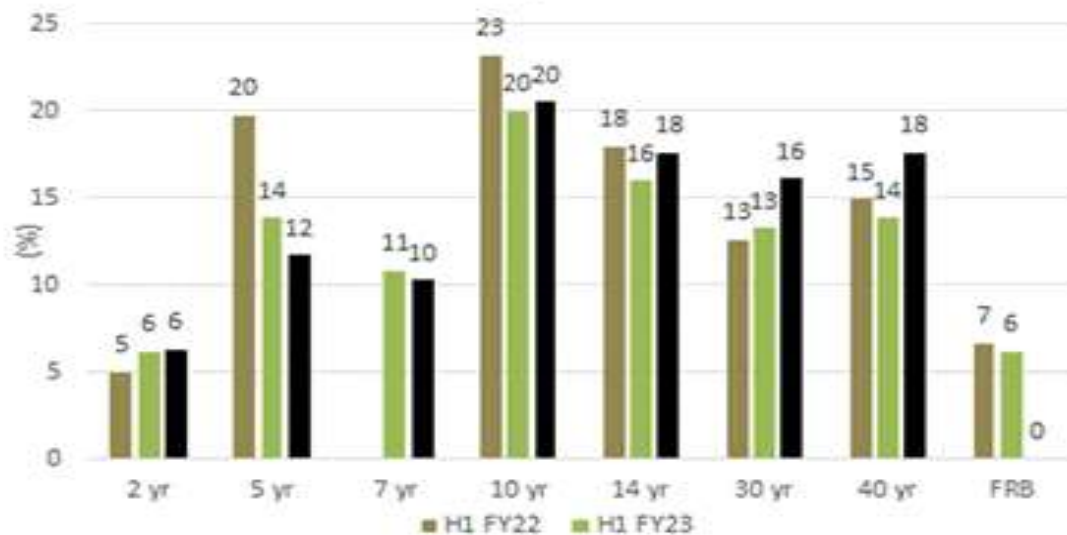
In April 2023 policy, MPC (Monetary Policy Committee) left the repo rate unchanged at 6.50% against consensus view of 25 bps hike. Stance was kept unchanged, keeping the options open if inflation does not fall within the target. The main reason to pause is to maintain financial stability and assess the impact of past rate actions as well as global growth concerns triggered by recent banking crisis in US and EZ (Euro Zone). RBI left growth and inflation projections for FY 2024 almost intact and hence we feel decision to pause is keep financial stability in mind. We maintain positive bias in bonds given the global growth concerns and also the fact that the rate hike cycle in AEs (Advance Economies) is coming to an end. The huge fiscal deficit and resultant heavy bond supply should keep bond yields from moving much lower, so our range for 10-year G-sec is 7.15%-7.35%

Headline and core CPI still staying high



High Net G-sec issuance across maturities will keep pressure on yields

Net G-SEC Issuance & Maturity



Equity Outlook

Equity Outlook for the Month of April, 2023

There was stability in Financial Markets during March 2023. Sensex and Nifty closed at 58992 and 17360 ending flat after correction led during the month of February 2023. FY 2021 and FY 2022 which gave a return of 70% and 19% in Nifty, it ended at -0.6% for the FY 2023 showing strength.

This came in spite of collapse of SVB (Silicon Valley Bank), CSFB (Credit Suisse First Boston) and closure of Signature Bank.

Fed (Federal Reserve) continued its hike of 25 basis during the month, which takes it from 0.25% to 0.5% in the beginning of 2022 to 4.75% to 5.0% in March 2023. Dot plots indicate median at around 4.5%. Hike indicates intent to tame inflation takes precedence.

Liquidity was good. Domestic Institutional buyers bought stocks worth US \$ 10 billion where as Foreign Portfolio Institutions bought stocks worth US \$ 1.5 billion during the month. For the calendar year FPI's (Foreign Portfolio Investors) have bought sold stocks worth US \$ 2.7 billion where as domestic institutions have bought stocks worth US \$ 10 billion indicating confidence in the economy. Comparatively FPI's have bought US \$ 5.4 and 7.9 billion worth stock in South Korea and Taiwan.

On a broader basis markets have shown fair bit of strength:

	Close on 31/3/23	% Change Month on Month	% Change Year on Year
Nifty	58992	0.00	0.7
Sensex	17360	0.30	(0.6)
NSE Mid Cap	30035	(0.3)	1.2
NSE Small Cap	8995	(1.8)	(13.8)

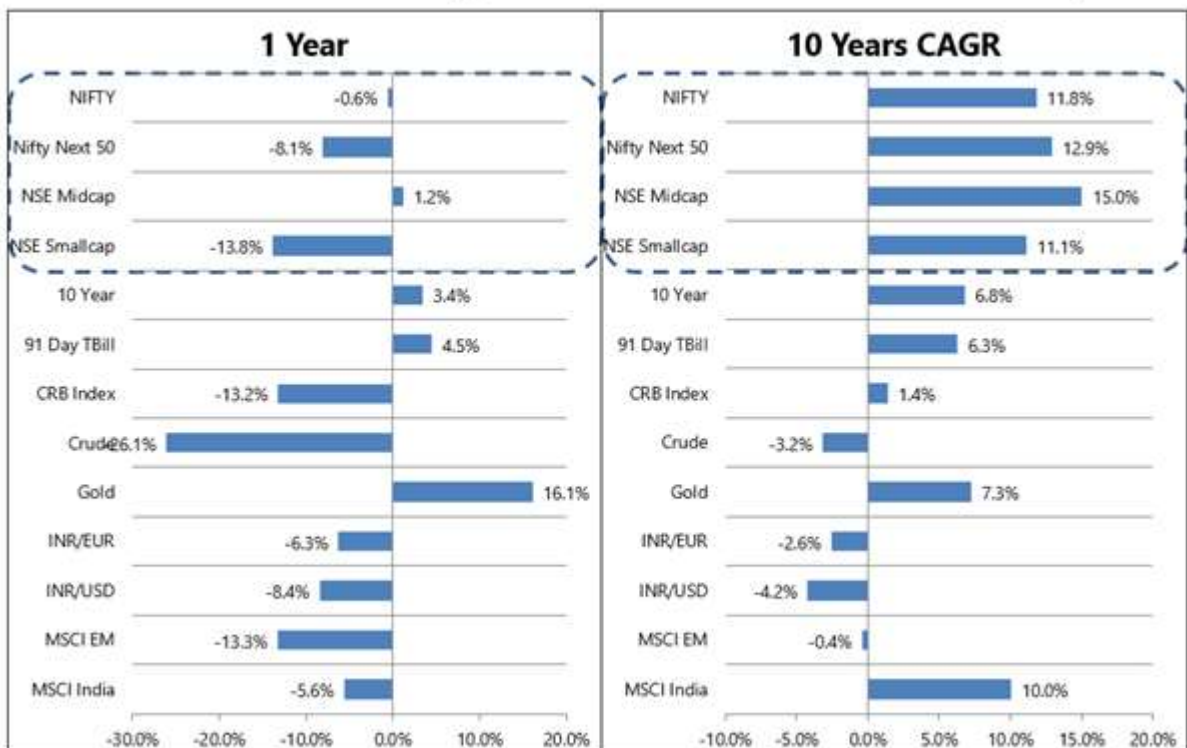
Inflation moderated for February 2023 to 6.44% (6.52% in January 2023) on the headline basis. WPI moderated to 3.9% from 4.7% during the same period. More good news on the economic front came in with GST (Goods & Services Tax) collections for March 2023 touching Rs.1.67 lakh crore. Total GST collections for the year came in at Rs.18.1 lakh crore up 22% compared to last year. Direct tax collections for the FY 2023 recorded a 17.63% increase to Rs.16.61 lakh crore surpassing the RE budget estimate of Rs.16.5 trillion.

World has been grappling with increased CPI, interest rates. Energy price rise in euro zone in the last financial year added to the owes of central bankers to increase rates at a higher pace. In between came hard hit on bonds held by banks. It was all through the year a game of anchoring the inflation by slowing down the pace of output growth. Many banks have raised rates (US Fed, Bank of England), some of them maintained status quo (Brazil, Turkey, China, Indonesia & Russia) and some of them have even cut rates (Argentina and Japan) giving mixed signals.

Markets will keenly watch RBI actions on the April 06, 2023 in terms of rate hike. It is by and large estimated by economists that there will be a 25 basis hike. Apart from this markets will also keenly watch the quarterly results to be declared by the companies & the outlook. Participants will also watch progress of monsoon results of Rabi harvest. We do not get encouraging indications here. Monsoon likely lower than average and un seasonal rains have damaged Rabi crop indicating trouble.

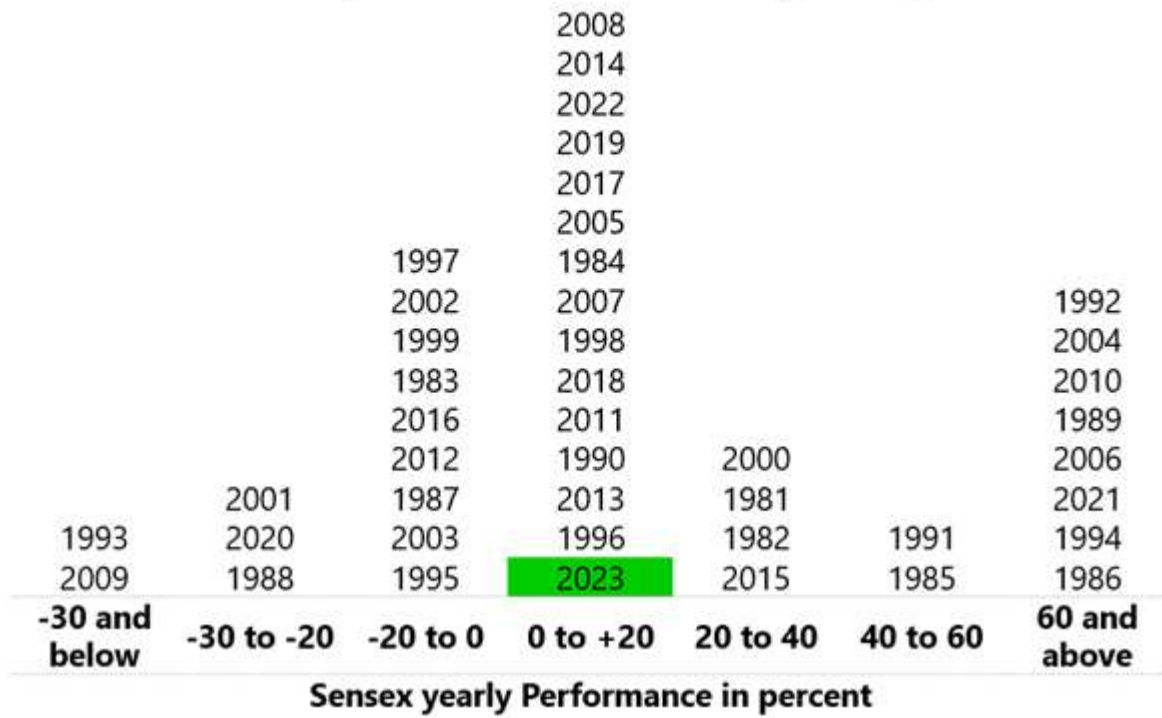
As mentioned earlier there are mixed signals emanating from central bankers and conditions on the ground indicate markets have head winds ahead. We prefer to be on the safer side and recommend to keep money in Bond Optimizer and Balance fund with an allocation of 25% in Equity in Bond Optimizer funds and 50% equity in Balance fund. Bond fund is also a good option considering peeking out of interest rates.

Asset Return- Long Term returns are healthy



As on 31th Mar 2023

BSE Sensex (since 1980): Yearly performance +ve in March (+ve 29 out of 43 years)



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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