

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-Apr-22	31-Mar-22	Change (%)	31-Mar-21	Change (%)
₹/\$	76.43	75.79	▶ -0.84%	73.11	▶ -4.54%
Forex Res.(Bn- 1 Wk Lag)	\$ 600.42	\$ 617.65	▶ -2.79%	\$ 579.29	▶ 3.65%
Oil Price (\$/Barrel)	\$ 106.58	\$ 109.24	▶ -2.44%	\$ 64.04	▶ 66.43%
Gold (₹/10 gm)	51,773	51,317	▶ 0.89%	44,106	▶ 17.38%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-17144	-41123	▶ 58.31%	16968	▶ -201.04%
Debt (monthly)	-4439	-5632	▶ 21.18%	-3429	▶ 29.45%

Indices

Particulars	30-Apr-22	31-Mar-22	Change (%)	31-Mar-21	Change (%)
BSE Sensex	57,060.87	58,568.51	▶ -2.57%	49,509.15	▶ 15.25%
S&P CNX Nifty	17,102.55	17,464.75	▶ -2.07%	14,690.70	▶ 16.42%
Dow Jones Industrial Avg	32,977.21	34,678.35	▶ -4.91%	32,981.55	▶ -0.01%
FTSE 100	7,544.55	7,515.68	▶ 0.38%	6,713.60	▶ 12.38%
Hang Seng Index	21,089.39	21,996.85	▶ -4.13%	28,378.35	▶ -25.68%
Nikkei 225	26,847.90	27,821.43	▶ -3.50%	29,178.80	▶ -7.99%
B S E Power Index	4,775.51	4,043.63	▶ 18.10%	2,475.13	▶ 92.94%
B S E FMCG Index	14,082.17	13,334.89	▶ 5.60%	12,875.40	▶ 9.37%
B S E Auto Index	25,210.17	24,049.98	▶ 4.82%	22,252.21	▶ 13.29%
B S E Oil & Gas Index	19,497.83	18,741.19	▶ 4.04%	14,820.46	▶ 31.56%
B S E Healthcare Index	24,340.88	24,303.83	▶ 0.15%	21,328.21	▶ 14.13%
B S E Capital Goods Index	27,370.68	27,506.04	▶ -0.49%	21,095.75	▶ 29.74%
B S E Bankex	41,533.91	41,753.80	▶ -0.53%	37,547.91	▶ 10.62%
B S E Metal Index	21,654.75	22,368.34	▶ -3.19%	14,350.61	▶ 50.90%
B S E Realty Index	3,528.96	3,681.83	▶ -4.15%	2,670.31	▶ 32.16%
B S E Information Technology Index	31,989.90	36,402.74	▶ -12.12%	26,543.24	▶ 20.52%

Primary Key Rates

Particulars	30-Apr-22	31-Mar-22	Change (%)	31-Mar-21	Change (%)
Repo Rate*	4.00%	4.00%	▶ 0.00%	4.00%	▶ 0.00%
Reverse Repo Rate**	3.35%	3.35%	▶ 0.00%	3.35%	▶ 0.00%
CRR#	4.00%	4.00%	▶ 0.00%	3.00%	▶ 1.00%
SLR *#	18.00%	18.00%	▶ 0.00%	18.00%	▶ 0.00%
Call money rate	3.94%	3.87%	▶ 0.07%	2.75%	▶ 1.19%
Current Inflation Rate (WPI)	14.55%	13.11%	▶ 1.44%	4.17%	▶ 10.38%
Current Inflation Rate (CPI) (Mar 22)	6.95%	6.07%	▶ 0.88%	5.03%	▶ 1.92%
IIP (WPI) % y-o-y (Feb 22)	1.70%	1.30%	▶ 0.40%	-1.60%	▶ 3.30%
AAA spread (bps)	12.00	14.00	▶ -14.29%	57.00	▶ -78.95%

Particulars	2017-18	2018-19	2019-20	2020-21	Q3 FY22
Real GDP % (New Growth No. by CSO)	6.70%	6.80%	4.20%	-7.30%	5.40%

Interest Rates (FIMMDA)

Particulars	30-Apr-22	31-Mar-22	Change (%)	31-Mar-21	Change (%)
91 days T - Bill	4.00%	3.84%	▶ 0.16%	3.25%	▶ 0.75%
364 days T - Bill	4.80%	4.58%	▶ 0.22%	3.75%	▶ 1.05%
5 Years G - Sec (Annualized)	6.50%	6.02%	▶ 0.49%	5.70%	▶ 0.80%
10 Years G - Sec (Annualized)	7.18%	6.86%	▶ 0.32%	6.18%	▶ 1.00%
30 Years G - Sec (Annualized)	7.42%	7.27%	▶ 0.15%	6.77%	▶ 0.65%

-  No change
-  Negative change
-  Positive change

* w.e.f May 22, 2020

** w.e.f May 22, 2020

w.e.f May 22, 2021

*# 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

April 2022 – Rate Expectations but not so great expectations!

Benchmark 10-year treasury yields averaged 7.08% in April 2022 (26 bps higher versus March 2022 average). On month end values, the 10Yr yield was up and ended the month at 7.14% (up 30bps). US 10 Yr yield is at 2.93% (up +60bps).

INR depreciated over the month (down 0.8% month on month) and ended the month at US \$ 76.43 in April 2022. The JPM EM (JP Morgan Emerging Market) FX Index was down -2.7% month on month in April 2022. In the last 12 months, INR (-3.1%) though weaker, has performed better than the broader EM FX (-8.4%). DXY (US Dollar Index) gained (+4.7%) in April 2022.

India Macro movers

Headline CPI prices surged 1% month-on-month in March 2022 taking year-on-year inflation to 7% from 6.1% in February 2022, and thereby printing much above expectations (J.P. Morgan and Consensus: 6.4%). To be sure, much of the upside surprise was on account of volatile food prices (which comprise 46% of India's basket) and was across the board, including components directly related to global food prices (oil seeds and wheat) but also those that entailed domestic factors (vegetables, fruits, meat). Consequently, food prices jumped another 1.4% month on month, seasonally adjusted in March 2022 (twice the average of the last three months) causing year-on-year food inflation to accelerate from 5.9% in February 2022 to 7.5% in March 2022.

India's 4Q 2021 (calendar year) GDP (Gross Domestic Product) grew 7.3), but was well below expectations. This translated into year-on-year growth of 5.4%. Recall, this was the quarter that was expected to witness a meaningful re-opening of the services economy, and residual pent up demand for goods during the festival season, prompting expectations of more robust underlying momentum. In the event, growth disappointed across the board. As we have been highlighting recent IP prints have shown a worrying plateauing of industrial activity.

India's FX reserves came in at US \$ 600 billion. FX reserves have declined by US \$ 17.2 billion in the last 4 weeks. Oil prices remained flat over the month of April 2022, after a rise of +5.7% in March 2022. Trade deficit narrowed in March 2022 to US \$ 18.51 billion from US \$ 21.19 billion in February 2022. While exports (+19.8% year on year), imports rose by +24.2% year on year.

Global News

Geopolitical crisis and policy tightening continue to remain overhangs. Previously, we had highlighted key issues such as the commodity super-cycle, speculative bubbles in innovation/renewables and geopolitical risk for equities. Of the three, we think strength in commodities will persist, whereas the speculative bubbles have popped and geopolitical risk will likely moderate. We have taken down our S&P 500 target to 4,900 (versus 5,050 previously) due to macro and geopolitical shocks coinciding with central bank hawkishness. We are still bullish with investor sentiment being poor and positioning very low. Front-loaded risks set us up for a more normal 2nd Half.

Outlook

MPC (Monetary Policy Committee) met ahead of its June 2022 scheduled policy meeting and hikes Repo rate by 40 bps in a surprise move both in terms of timing and degree. Bond yields reacted sharply, with short ends reacting by 70-90 bps in a few sessions, and 10 yr and long end by 30-40 bps. RBI also hikes CRR (Cash Reserve Ratio) by 50 bps sucking out 87000 crs of liquidity and this will add pressure on the supply-demand dynamics of G-sec borrowing for the year. We expect 10 Yr yield to head to 7.5% and then reach 7.75% slowly as supply pressure worsen in July 2022 and MPC doing another hike in early June 2022.

Equity Outlook

Equity Market Outlook for the month of May, 2022

Equity markets caught the cold finally. Nifty and Sensex gave up 2.1% and 2.6% to end at 17103 and 57061. This came in with news of FED (Federal Reserve) likely to hike interest rate by 75 basis points, both IMF (International Monetary Fund) and World bank revising India GDP growth down, un certainty over Russia Ukraine crisis & merger announcement of two of India's biggest lending institutions that did not go well with markets taking their stock prices down.

We went down 2% against other emerging markets like Brazil and Mexico which did well hitherto earlier. Brazil was down 10.1% and Mexico 9.1% during April, 2022. Commodity index was strong in the month of April 2022. Two things that are still not clear include bull and bear arguments on commodity. The bulls claim war should hold up the prices while the bears say withdrawal of liquidity and increase in interest rate (which will hit the demand) will hurt the prices. DXY has moved 4% in the month of April, 2022 to end at 104. Indian bourses yet outperform many global markets yet.

NSE Mid and Small caps were holding high. NSE Mid cap index was positive 0.6% and Small cap came down 1.7%

CPI has surged to 6.95% for March 2022 and WPI was at 14.5%. These numbers were at 6.07% and 13.1% in February 2022. Thus the CPI is well above the target rate of 4% plus or minus 2% of the central bank now.

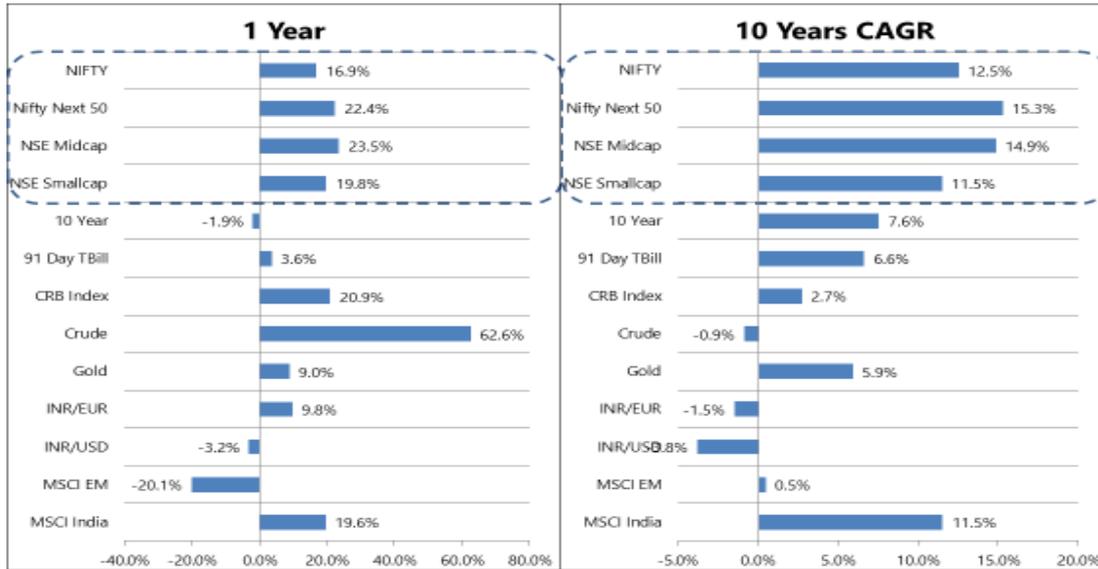
Liquidity matched the flows. FPI's (Foreign Portfolio Investors) sold stocks worth US \$ 2.8 billion and locals bought stocks worth US \$ 2.1 billion.

It's the fear of increase in interest rate and withdrawal of liquidity that is haunting the market participants. It's the uncontrollable CPI which is worrying the Central Bankers across the globe. Both starring to watch who will blink first.

We foresee increase in rates at a faster pace. Withdrawal of liquidity may also happen at the same time. We continue to recommend to be on the safer side.

We will continue to recommend Bond Optimizer and Balance Fund to limit the risk.

Asset Return- Long Term returns are healthy



As on 30th April 2022

BSE Sensex (since 1980): Yearly performance +ve in April (+ve 30 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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