

invest CARE

UNIT LINKED PRODUCTS FROM SBI LIFE INSURANCE CO. LTD.

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-Jan-22	31-Dec-21	Change (%)	31-Mar-21	Change (%)
₹/\$	74.62	74.34	▶ -0.38%	73.11	▶ -2.07%
Forex Res.(Bn- 1 Wk Lag)	\$ 634.29	\$ 635.08	▶ -0.12%	\$ 579.29	▶ 9.49%
Oil Price (\$/Barrel)	\$ 90.22	\$ 77.94	▶ 15.76%	\$ 64.04	▶ 40.88%
Gold (₹/10 gm)	47,782	47,860	▶ -0.16%	44,106	▶ 8.33%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-37562	-19026	▶ -97.42%	16968	▶ -321.37%
Debt (monthly)	4473	-11799	▶ 137.91%	-3429	▶ -230.45%

Indices

Particulars	31-Jan-22	31-Dec-21	Change (%)	31-Mar-21	Change (%)
BSE Sensex	58,014.17	58,253.82	▶ -0.41%	49,509.15	▶ 17.18%
S&P CNX Nifty	17,339.85	17,354.05	▶ -0.08%	14,690.70	▶ 18.03%
Dow Jones Industrial Avg	35,131.86	36,338.30	▶ -3.32%	32,981.55	▶ 6.52%
FTSE 100	7,464.40	7,384.54	▶ 1.08%	6,713.60	▶ 11.18%
Hang Seng Index	23,802.26	23,397.67	▶ 1.73%	28,378.35	▶ -16.13%
Nikkei 225	27,001.98	28,791.71	▶ -6.22%	29,178.80	▶ -7.46%
B S E Power Index	3,937.46	3,481.71	▶ 13.09%	2,475.13	▶ 59.08%
B S E Bankex	43,569.48	40,408.50	▶ 7.82%	37,547.91	▶ 16.04%
B S E Oil & Gas Index	18,672.22	17,508.03	▶ 6.65%	14,820.46	▶ 25.99%
B S E Auto Index	26,408.33	24,817.60	▶ 6.41%	22,252.21	▶ 18.68%
B S E Capital Goods Index	29,158.30	28,750.72	▶ 1.42%	21,095.75	▶ 38.22%
B S E Realty Index	3,811.61	3,841.12	▶ -0.77%	2,670.31	▶ 42.74%
B S E Metal Index	18,984.62	19,245.75	▶ -1.36%	14,350.61	▶ 32.29%
B S E FMCG Index	13,460.95	13,784.58	▶ -2.35%	12,875.40	▶ 4.55%
B S E Healthcare Index	24,103.73	26,205.73	▶ -8.02%	21,328.21	▶ 13.01%
B S E Information Technology Index	34,735.97	37,844.49	▶ -8.21%	26,543.24	▶ 30.87%

Primary Key Rates

Particulars	31-Jan-22	31-Dec-21	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	3.25%	3.45%	▶ -0.20%	2.75%	▶ 0.50%
Current Inflation Rate (WPI)	13.56%	14.23%	▶ -0.67%	4.17%	▶ 9.39%
Current Inflation Rate (CPI) (Dec 21)	5.59%	4.91%	▶ 0.68%	5.03%	▶ 0.56%
IIP (WPI) % y-o-y (Nov 21)	1.40%	3.20%	▶ -1.80%	-1.60%	▶ 3.00%
AAA spread (bps)	32.00	40.00	▶ -20.00%	57.00	▶ -43.86%

Particulars	2017-18	2018-19	2019-20	2020-21	Q2 FY22
Real GDP % (New Growth No. by CSO)	6.70%	6.80%	4.20%	-7.30%	8.40%

Interest Rates (FIMMDA)

Particulars	31-Jan-22	31-Dec-21	Change (%)	31-Mar-21	Change (%)
91 days T - Bill	3.71%	3.56%	▶ 0.15%	3.25%	▶ 0.46%
364 days T - Bill	4.51%	4.34%	▶ 0.17%	3.75%	▶ 0.76%
5 Years G - Sec (Annualized)	5.89%	5.79%	▶ 0.10%	5.70%	▶ 0.18%
10 Years G - Sec (Annualized)	6.68%	6.45%	▶ 0.23%	6.18%	▶ 0.51%
30 Years G - Sec (Annualized)	7.28%	7.06%	▶ 0.21%	6.77%	▶ 0.51%

-  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

January 2022 – New year, new problems!

Benchmark 10-year treasury yields started rising in January 2022 as they approached the 6.75% mark thanks to rising US yields which touch 1.9%, and crude oil which crossed US \$ 90 /bbl.

India Macro movers

India's December 2021 CPI is expected to come in at around 5.6%, after some moderation in vegetable prices, but core CPI will be close to 6%. Higher energy and commodity prices will continue to hurt inflation.

FPIs (Foreign Portfolio Investors) sold US \$ 10.2 billion worth of stocks in the last quarter. A part of the same was redeployed in the primary deals that came through the quarter. DIIs (Domestic Institutional Investors) bought stocks worth US \$ 8.5 billion. Mutual Funds saw net inflows along with new fund issuances and were net buyers.

The high frequency data for India did disappoint in the months of November 2021 and December 2021 owing to rising cases forming the third wave. The Nomura's Business resumption index has fallen from more than 120 to 110 in this period. Based on the scientific understanding of this variant and low hospitalizations and mortality we expect growth to revive pretty soon. GST (Goods & Services Tax) collections and other fiscal revenues continue to be robust and show minimal impact on growth from the 3rd wave. We expect the last quarter GDP (Gross Domestic Product) to be a slight drag but overall FY 23 GDP is estimated at 9.5%.

Global News

The economic data in the US like industrial activity, employment numbers or survey of consumer confidence etc. for the quarter have beaten expectations. Covid cases on a daily basis in the US touched 1 million a day, but that did not hamper growth or sentiments. Even the Federal Reserve was not worried and they made three significant changes to their monetary policy decisions. They increased the pace of tapering to completely bring quarter end to halt by March 2022 as against June 2022 earlier, moved the number of rate hikes from 1 to 3 in current year 2022 and have also started talking about Balance Sheet reduction soon. All this has been owing to a 7% CPI headline number, which hasn't been witnessed in over 30 years. The Bank of England raised rates surprisingly with hikes by Korea and New Zealand as well. Bond yields in most developed nations have jumped by 50 bps or more last quarter and there is more to come in the first quarter of 2022

Outlook

RBI stayed patient and very focused on growth in the December 2021 MPC (Monetary Policy Committee) meeting. We had expected the RBI to gradually start laying the groundwork for some policy rate normalization, conditional on OMICRON risks not fructifying. The bond yields have started rising from around 6.35% to 6.63% owing to higher CPI expected in Q4, strong growth recovery despite OMICRON, liquidity withdrawal in the coming policies and a massive borrowing program in FY 23. Rising inflation in the final quarter will be a constant pressure point for the RBI's monetary policy decisions. US 10 year yields touching 1.8% and Brent crude back above US \$ 85/bbl only are adding pressure on our bond yields.

There would be a massive borrowing program amounting to 10 lac crore of net supply in FY 23 assuming fiscal deficit is even brought down to 6% of GDP, and without OMO (Open Market Operations) support, this would create a supply demand gap pushing yields higher. We expect 10-year bond yields to remain in the range of 6.5% to 6.75% during this quarter. INR has been stable and trading below US \$ 74 per in recent months. The outlook for DXY (U S Dollar Index) is weak based on past rate hike moves by the Fed and the INR could see some appreciation in the coming quarter

Equity Outlook

Equity Market Outlook for the Month of February, 2022

As mentioned in our January 2022 Outlook, we are surprised by the strength of our Equity Markets despite the headwinds. During the month of January 2022 Nifty and Sensex lost barely 0.4% and 0.1% to end at 58014 and 17340. There were enough reasons for the markets to fall. Sudden spike in Crude prices, news on Russian forces build up around Ukraine, Fed meeting on an abrupt ending of quarter end and a 50 basis rate hike starting March 2021, a possibility of PM in UK leaving his post, Mixed bag of results from Indian Companies and fear of Union Budget coming up.

NSE Mid Cap 100 index and NSE Small Cap 100 index were also holding on. The Mid Cap index gave a negative return of 0.6% to end at 30274 and NSE Small Cap index gave a negative return of 1.5% to end at 11116. Our markets have been resilient compared to other emerging global peers like Korea which gave up 10.6%, Russia that gave up 9.7%, Dow which gave us 4.4% and S&P which gave up 7%.

Large selling of US \$ 4.8 billion by the FPI's was met with strong buying by the DII's to the extent of US \$ 2.94 billion. Rest was absorbed by the retail.

To the relief of Indian domestic institutions was Banking index that gave a positive return of 7.8% during the month. IT sector index bore the brunt with a fall of 8.2% after a steep rise in 10 year treasury yields in US followed by sharp correction in Nasdaq index.

FED meeting did not indicate a faster winding up of quarter end than expected. Quarter end is to end in March 2022. Hike is also likely to happen then. There was no indication of a 50 basis hike neither was a denial on this.

December 2021 CPI came in at 5.59% versus 4.91% for the previous month. WPI is at strong 13.6%, though month on month this was a come down from 14.2%. NSO (National Statistic Office) had projected the growth for India for FY 22 @ 9.2% against fall of 7.3% in FY 21. And world bank had projected the FY 23 GDP growth for India at 8.3%. The economic survey had put the growth for FY 23 in between 8% and 8.5%.

Budget presented emphasized government's thrust on growth. Its path clearly to India at 100 from 75. It provided for sharp increase of 24% in Capital expenditure for the year FY 23, compared to revised estimates here of FY 22 to help growth. The amount involved is 7.5 Lac crore. Highest increase is to Roads & Highways (55%) followed by Railways (17%). The fact that revenue expenditure sees an increase of 1% only for the period against Capital expenditure is a clear indication of government's intent.

For equity markets there has been no negatives. The fact that Sur Charge on Capital Gains is capped itself is positive.

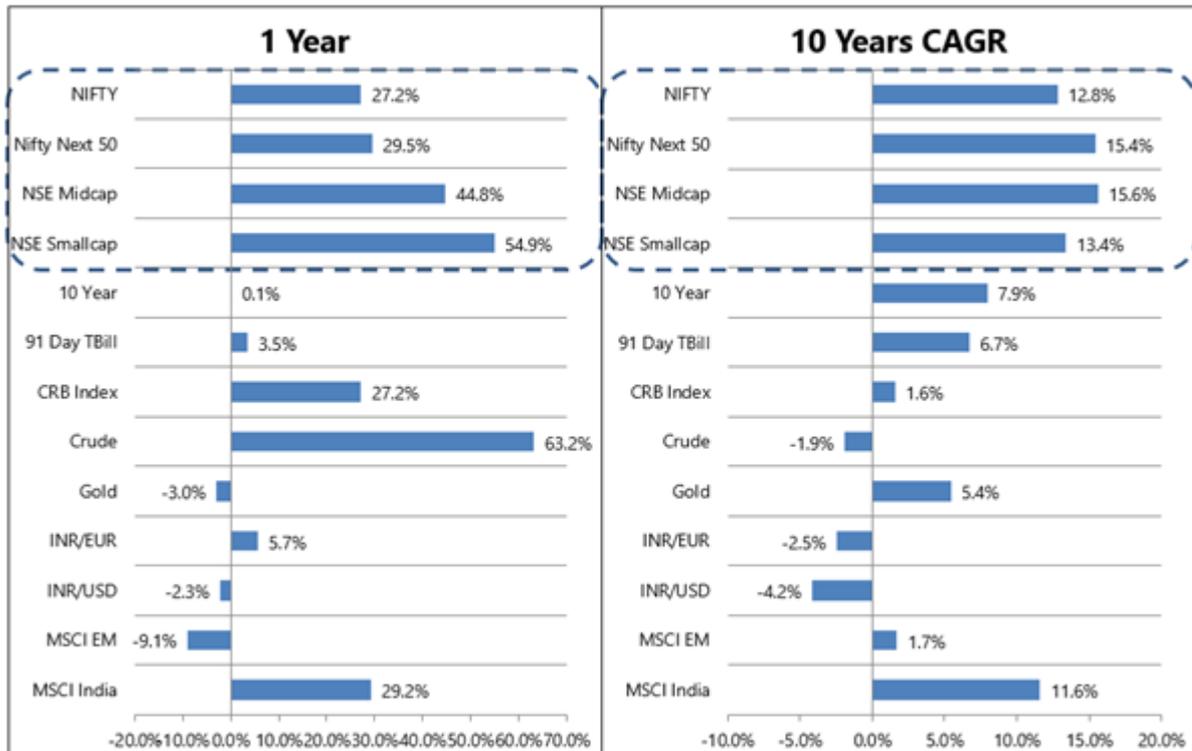
On the other hand the tax collections Budgeted for the FY 22 appears conservative which will, may be bridge the gap for PSU (Public Sector Undertaking) disinvestments revised (if this falls short) in the debt markets.

In short this is a practical budget. Equity markets have taken the cue and are heading north. Debt markets are starring at INR 11.18 lac crore of deficit financing. Last 5 years Debt to GDP for India has moved up from its 10 year long term trend. As against Debt to GDP of 68% for FY 12 the number is at 91% today & government seems to have taken the long term glide path of growth rightly by investing in infrastructure to bring this down permanently. By not changing anything in the personal income tax and the corporate tax side too a sense of stability is back.

On a net basis FY 22 for debt may be challenging. But the cash balances with banks, tax collections estimated conservatively, PSU disinvestments accounted practically & RBI's actions in the past gives a sense of feeling that the borrowing program may go through.

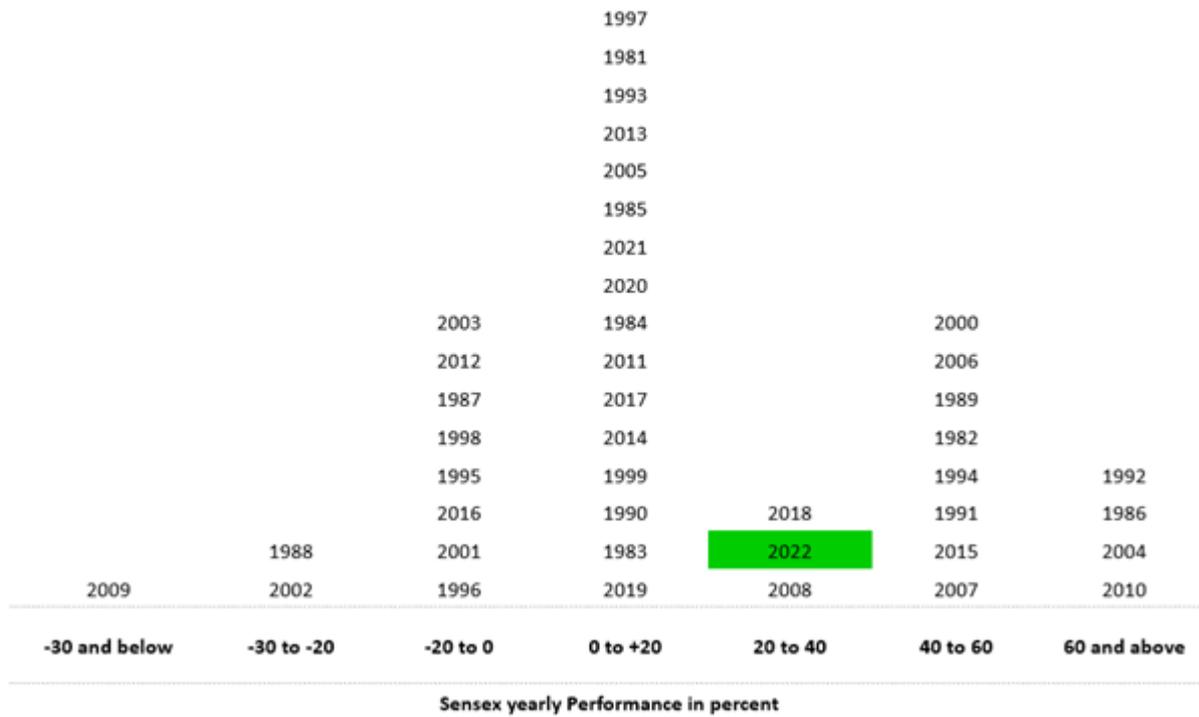
Our recommendation is to be into Balanced Fund, Bond Optimizer Fund followed by Equity Fund.

Asset Return- Long Term returns are healthy



As on 31st Jan 2022

BSE Sensex (since 1980): Yly performance +ve in January (+ve 31 out of 42 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.

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

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