SBI Life INSURANCE
With Us, You're Sure

Monthly Investment Update:
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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

SBI Life INSURANCE With Us, You're Sure

Major Economic Indicators

Economic Indicators

Particulars	31-Jul-18	30-Jun-18	Change (%)	31-Mar-18	Change (%)
₹/$	68.55	68.47	-0.12%	65.18	-5.17%
Forex Res.(Bn- 1 Wk Lag)	$ 404.19	$ 407.82	-0.89%	$ 422.53	-4.34%
Oil Price ($/Barrel)	$ 74.88	$ 79.23	-5.49%	$ 69.53	7.69%
Gold (₹/10 gm)	29,726	30,341	-2.03%	30,630	-2.95%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	1429	-4748	130.10%	13114	-89.10%
Debt (monthly)	176	-12198	101.44%	-2410	-107.30%

Indices

Particulars	31-Jul-18	30-Jun-18	Change (%)	31-Mar-18	Change (%)
BSE Sensex	37,606.58	35,423.48	6.16%	32,968.68	14.07%
S&P CNX Nifty	11,356.50	10,714.30	5.99%	10,113.70	12.29%
Dow Jones Industrial Avg	25,415.19	24,271.41	4.71%	24,103.11	5.44%
FTSE 100	7,748.80	7,636.90	1.47%	7,056.61	9.81%
Hang Seng Index	28,583.01	28,955.11	-1.29%	30,093.38	-5.02%
Nikkei 225	22,553.72	22,304.51	1.12%	21,454.30	5.12%
B S E Oil & Gas Index	15,023.57	13,659.50	9.99%	14,614.42	2.80%
B S E FMCG Index	12,012.67	11,213.28	7.13%	10,290.14	16.74%
B S E Bankex	31,005.96	29,250.56	6.00%	27,197.88	14.00%
B S E Capital Goods Index	18,295.56	17,488.15	4.62%	18,476.73	-0.98%
B S E Information Technology Index	14,527.23	13,920.07	4.36%	12,100.55	20.05%
B S E Auto Index	24,496.98	23,838.30	2.76%	24,057.25	1.83%
B S E Power Index	1,975.25	1,946.64	1.47%	2,125.83	-7.08%
B S E Healthcare Index	14,205.73	14,003.64	1.44%	13,157.62	7.97%
B S E Realty Index	2,094.86	2,073.37	1.04%	2,229.92	-6.06%
B S E Metal Index	12,659.62	13,064.49	-3.10%	13,322.03	-4.97%

Primary Key Rates

Particulars	31-Jul-18	30-Jun-18	Change (%)	31-Mar-18	Change (%)
Repo Rate*	6.25%	6.25%	0.00%	6.00%	0.25%
Reverse Repo Rate**	6.00%	6.00%	0.00%	5.75%	0.25%
CRR#	4.00%	4.00%	0.00%	4.00%	0.00%
SLR *#	19.50%	19.50%	0.00%	19.50%	0.00%
Call money rate	6.25%	6.05%	0.20%	5.90%	0.35%
Current Inflation Rate (WPI)	5.77%	4.43%	1.34%	2.48%	3.29%
Current Inflation Rate (CPI) (June)	5.00%	4.87%	0.13%	4.44%	0.56%
IIP (WPI) % y-o-y (May)	3.20%	4.90%	-1.70%	7.50%	-4.30%
AAA spread (bps)	61.00	55.00	10.91%	50.00	22.00%

	2014-15	2015-16	2016-17	2017-18	Q4 FY18
Real GDP % (New Growth No. by CSO)	7.30%	7.60%	7.10%	6.70%	7.70%

Interest Rates (FIMMDA)

Particulars	31-Jul-18	30-Jun-18	Change (%)	31-Mar-18	Change (%)
91 days T - Bill	6.71%	6.50%	0.21%	6.11%	0.60%
364 days T - Bill	7.25%	7.15%	0.10%	6.42%	0.83%
5 Years G - Sec (Annualized)	7.90%	8.02%	-0.12%	7.32%	0.58%
10 Years G - Sec (Annualized)	7.77%	7.90%	-0.13%	7.40%	0.37%
30 Years G - Sec (Annualized)	8.12%	8.10%	0.03%	7.65%	0.48%

No change
Negative change
Positive change

*** w.e.f Jun 06, 2018**
**** w.e.f Jun 06, 2018**
 # w.e.f Feb 09, 2013
***# w.e.f Oct 14, 2017**

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

Global pressure easing, or just calm before the storm

Yields fell in the month of July 2018 after some easing of inflation pressures with not only a domestic surprise but also global easing in crude, energy and metals. As we enter the next quarter there are still many risks to show their heads and markets continued to price in such risks in this month like the imminent RBI monetary policy stance and Federal Reserve's action for 2018. The currency was stable as a result of some dollar weakness and lower external pressure.

The movement in yield and other key indicators are as under:

Instrument	Mar' 18	June' 18	July' 18	M-O-M Change	YTD Change
10 Yr G-sec	7.40%	7.90%	7.77%	-0.13%	0.37%
30 Yr G-sec	7.65%	8.10%	8.12%	0.02%	0.47%
3 Yr AAA Bond	7.55%	8.55%	8.57%	0.02%	1.02%
5 Yr AAA Bond	7.88%	8.60%	8.60%	0.00%	0.72%
10 Yr AAA Bond	8.00%	8.64%	8.54%	-0.10%	0.54%
364 Days T-bill	6.42%	7.15%	7.25%	0.10%	0.83%
91 Days T-bill	6.11%	6.50%	6.71%	0.21%	0.60%
1Yr Certificate of Deposit	7.35%	7.80%	8.00%	0.20%	0.65%
Credit spreads bps	50	55	61	6	11
Crude $/barrel	69.53	79.23	74.88	$ 4.35	$ 5.35
USD / INR	65.18	68.47	68.55	₹ 0.08	₹ 3.37

Macro Indicators:

The inflation rate in India edged up to 5% in June 2018 from 4.87% in May 2018, below market expectations of 5.3%. Still, it is the highest rate since January 2018 and marks the eighth straight month in which inflation is above the central bank medium-term target of 4%.

Wholesale prices in India rose by 5.77% year-on-year in June 2018, after a 4.43% gain in the prior month and above market estimates of 4.93%. It is the highest wholesale inflation since March 2017, due to faster rises in cost of food, manufactured products, and fuel. On a monthly basis, WPI increased by 1.1%t, compared to a 0.9% rise in May 2018.

India's industrial output grew 3.2% year-on-year in May 2018, following a downwardly revised 4.8% advance in the previous month and missing market expectations of 5.2%. Manufacturing increased 2.8% in May 2018, slower than a 5.3% rise in April 2018. Meanwhile, output rose at a faster pace for both mining (5.7% versus 4%) and electricity (4.2% versus 2.1%).

India's fiscal deficit narrowed to ₹ 4.29 trillion in April-June 2018 from ₹ 4.42 trillion in the same period of the previous fiscal year, as revenues jumped 33.3% to ₹ 2.79 trillion and total expenditure went up at a slower 8.7% to ₹ 7.08 trillion. The budget gap was equivalent to 68.7% of the government's target for the whole financial year, compared with 80.8% a year ago

Around the World:

The inflation rate in the US edged up to 2.9% in June 2018 from 2.8% in May 2018, matching market expectations. It is the highest rate since February 2012 when inflation was also at 2.9%, due to rising prices for oil and gasoline. The last time inflation was above 2.9% was in December 2011 when it reached 3%. US annual core inflation rate, which excludes volatile items such as food and energy, rose to 2.3% in June 2018 from 2.2% in the previous month, and in line with market expectations. It was the highest rate since January 2017. Non-farm payrolls in the United States increased by 213000 in June 2018 against expectations of 195000. Unemployment rate however rose to 4% from 3.8% in the previous month. The ECB (European Central Bank) held its benchmark refinancing rate at 0% on July 26, 2018 and reiterated that the monthly pace of the net asset purchases will be reduced to € 15 billion from September to December 2018, and will then end.

Debt Outlook:

FPIs (Foreign Portfolio Investors) sold more than ₹ 12000 crs of debt after selling close to ₹ 16000 crs of debt in the previous month. They have sold around ₹ 50000 crs since January 2018. This means that global yields are hardening and central banks in the developed world are becoming hawkish and hence India bonds are getting sold off in search of better FX hedged return. Thus component of inflation Core CPI remains a cause of concern at around 6.5%. The MSP price (Minimum Support Price) hikes announcement could add 50 bps to the headline in the next few months. The GST collections still are running at ₹ 15000 crs lower than target in the first 2 months of FY 2019. However, all is not gloomy for bonds, as RBI raised policy rates for the first time under Mr. Urjit Patel but have maintained stance at neutral. The wait-and watch mode could mean another rate hike in August 2018 is not a done deal and CPI in the next few months is expected to hit a downward trajectory and go below 4%. PSU banks (Public Sector Undertaking) after being net sellers in every month since December 2017 turned net buyers which is a positive for G-sec demand going forward. In the month of June 2018 Brent crude rose by US $ 2/bbl but of late has come down to US $ 73/bbl against the feared US $ 80 level. CPI surprised by 20 bps in the June 2018 number and this along with Brent crude oil fall has helped yields soften and we expect 10 Y to trade between 7.75% - 7.9%

Equity Outlook

Equity Market Outlook for the Month of August, 2018

Sensex moved 6.2% in the month of July 2018 buoyed by Crude price correction, ruling party winning confidence vote in the house and GST rate cut by the Government. Progress of monsoon was good. Sensex closed at 37607. The lagging effect of Mid and Small caps continued during the month. BSE Midcap & Small cap indices both gave a similar return of 3%.

Index returns were good compared to developed markets like Dow Jones that gave a return of 4.7%, S&P which gave a return of 3.6%, FTSE of 1.46% and Nikkei 1%. On a USD basis too the returns were strong at 5.42%. Characteristic of small cap and midcaps lagging the large cap indices continued in the month.

FPI's bought Equity worth US $ 76 million & DII's (Direct Institutional Investors) pumped US $ 613 million. This is a reversal in trend after a 3 months of negative flow.

Core inflation and headline came at 6% and 5% for June 2018 which was not sounding good for the Fixed Income markets. GST revenues for the month stood at ₹ 95600 crore which is below the budgeted estimates.

Quarterly numbers released have shown good growth in earnings for the period. There are enough upgrades and unfortunately also enough downgrades of stocks. Market movements have been skewed. 5 stocks contributed to 86% of rally in the first quarter and rest of the universe provides ample scope to make good returns spread over more than one year.

We mention one year as head winds point towards midterm election uncertainty in US (resultant trade war), a strong currency for them and state and general elections in December 2018 and May 2019 in India. We however remain constructive on account of opportunities thrown up by the other than top 10 market cap stocks.

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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