

# 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	30-Jun-18	31-May-18	Change (%)	31-Mar-18	Change (%)
₹/\$	68.47	67.41	 -1.57%	65.18	 -5.05%
Forex Res.(Bn- 1 Wk Lag)	\$ 407.82	\$ 412.82	 -1.21%	\$ 422.53	 -3.48%
Oil Price (\$/Barrel)	\$ 79.23	\$ 77.46	 2.29%	\$ 69.53	 13.95%
Gold (₹/10 gm)	30,341	31,036	 -2.24%	30,630	 -0.94%
<b>FII inflows (Net) - Crs (₹)</b>					
Equity (monthly)	-4748	-9660	 50.85%	13114	 -136.21%
Debt (monthly)	-12198	-17276	 29.39%	-2410	 406.14%

### **Indices**











Particulars	30-Jun-18	31-May-18	Change (%)	31-Mar-18	Change (%)
BSE Sensex	35,423.48	35,322.38	 0.29%	32,968.68	 7.45%
S&P CNX Nifty	10,714.30	10,736.15	 -0.20%	10,113.70	 5.94%
Dow Jones Industrial Avg	24,271.41	24,415.84	 -0.59%	24,103.11	 0.70%
FTSE 100	7,661.77	7,691.38	 -0.38%	7,056.61	 8.58%
Hang Seng Index	28,955.11	30,468.56	 -4.97%	30,093.38	 -3.78%
Nikkei 225	22,304.51	22,201.82	 0.46%	21,454.30	 3.96%
BSE Healthcare Index	14,003.64	13,002.72	 7.70%	13,157.62	 6.43%
BSE Information Technology Index	13,920.07	13,452.83	 3.47%	12,100.55	 15.04%
BSE FMCG Index	11,213.28	11,291.45	 -0.69%	10,290.14	 8.97%
BSE Bankex	29,250.56	30,007.14	 -2.52%	27,197.88	 7.55%
BSE Auto Index	23,838.30	24,471.58	 -2.59%	24,057.25	 -0.91%
BSE Metal Index	13,064.49	13,612.08	 -4.02%	13,322.03	 -1.93%
BSE Oil & Gas Index	13,659.50	14,429.44	 -5.34%	14,614.42	 -6.53%
BSE Capital Goods Index	17,488.15	18,821.62	 -7.08%	18,476.73	 -5.35%
BSE Realty Index	2,073.37	2,234.69	 -7.22%	2,229.92	 -7.02%
BSE Power Index	1,946.64	2,129.30	 -8.58%	2,125.83	 -8.43%




### Primary Key Rates

Particulars	30-Jun-18	31-May-18	Change (%)	31-Mar-18	Change (%)
Repo Rate*	6.25%	6.00%	 0.25%	6.00%	 0.25%
Reverse Repo Rate**	6.00%	5.75%	 0.25%	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	6.05%	5.95%	 0.10%	5.90%	 0.15%
Current Inflation Rate (WPI)	4.43%	3.18%	 1.25%	2.48%	 1.95%
Current Inflation Rate (CPI) (May)	4.87%	4.58%	 0.29%	4.44%	 0.43%
IIP (WPI) % y-o-y (April)	4.90%	4.40%	 0.50%	7.50%	 -2.60%
AAA spread (bps)	55.00	60.00	 -8.33%	50.00	 10.00%

	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	30-Jun-18	31-May-18	Change (%)	31-Mar-18	Change (%)
91 days T - Bill	6.50%	6.42%	 0.08%	6.11%	 0.39%
364 days T - Bill	7.15%	6.91%	 0.24%	6.42%	 0.73%
5 Years G - Sec (Annualized)	8.02%	7.93%	 0.09%	7.32%	 0.70%
10 Years G - Sec (Annualized)	7.90%	7.83%	 0.08%	7.40%	 0.51%
30 Years G - Sec (Annualized)	8.10%	8.07%	 0.03%	7.65%	 0.45%

 No change  
 Negative change  
 Positive change

\* w.e.f Aug 02, 2017

\*\* w.e.f Aug 02, 2017

# 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

#### Half the year gone, but more trouble left ?

Yields rose in the month of June 2018 although with much less aggression compared to last month. 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.

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

Instrument	Mar' 18	May' 18	June' 18	M-O-M Change	YTD Change
10 Yr G-sec	7.40%	7.83%	7.90%	0.07%	0.50%
30 Yr G-sec	7.65%	8.07%	8.10%	0.03%	0.45%
3 Yr AAA Bond	7.55%	8.40%	8.55%	0.15%	1.00%
5 Yr AAA Bond	7.88%	8.60%	8.60%	0.00%	0.72%
10 Yr AAA Bond	8.00%	8.60%	8.64%	0.04%	0.64%
364 Days T-bill	6.42%	6.91%	7.15%	0.24%	0.73%
91 Days T-bill	6.11%	6.42%	6.50%	0.08%	0.39%
1Yr Certificate of Deposit	7.35%	7.70%	7.80%	0.10%	0.45%
Credit spreads bps	50	60	55	- 5	5
Crude \$/barrel	69.53	77.46	79.23	\$ 1.77	\$ 9.70
USD / INR	65.18	67.41	68.47	₹ 1.06	₹ 3.29

### Macro Indicators:

India's annual inflation rate rose to 4.87% in May 2018 from 4.58% in April 2018, slightly above market expectations of 4.83%. It is the highest reading in four months amid rising prices for food and fuel.

India's industrial output grew 4.9% year-on-year in April 2018, following an upwardly revised 4.6% advance in the previous month and missing market expectations of 5.2%. Manufacturing production rose at a faster 5.2 % (versus 4.7% in March 2018) and mining output went up 5.1% (versus 3.1% in March 2018). On the other hand, electricity production growth slowed to 2.1 % in April 2018 from 5.9% in March 2018.

May 2018 fiscal deficit fared well, at 55% of Budgeted estimate (BE) versus 68% last year, supported by higher tax revenue and lower expenditure. We still see a high possibility of impending refunds. Revenue receipts were higher at 7% of BE versus 5.4% last year. Revenue expenditure muted at 19% of BE versus 22% last year. Capital expenditure stayed quite strong at 21% versus 17% a year ago.

### **Around the World:**

The inflation rate in the US increased to 2.8% in May 2018 from 2.5% in April 2018, beating market forecasts of 2.7%. It is the highest inflation rate since February 2012. On a monthly basis, consumer prices edged up 0.2%, the same as in April 2018 and in line with expectations. The Federal Reserve raised the target range for the federal funds rate by a quarter of a percentage point to a range of between 1.75% and 2% during its June 2018 meeting, saying that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. Policy makers projected two additional hikes by the end of this year, compared to one previously estimated. Consumer price inflation in the UK stood at an annual rate of 2.4% in May 2018, unchanged from the previous month's one-year low and slightly below market expectations of 2.5%. The Bank of England (BOE) left its key Bank Rate on hold at 0.5% on June 21<sup>st</sup> 2018, in line with market expectations. However, 3 out of 9 policymakers including BoE Chief Economist, voted for a rate hike compared with only 2 votes in the previous meeting. The Committee voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at GBP 435 billion.

### **Debt Outlook:**

Bond markets continued to sell off in June 2018 but the rise in yields was much less than previous months. FPIs (Foreign Portfolio Investors) sold more than ₹ 12000 crs of debt after selling close to ₹ 16000 crs of debt in the previous month. The rise in yields was probably much less as PSU (Public Sector Undertaking) banks were net buyers in the market after almost 6 months of continuous net selling. Brent crude oil remained steady but CPI is expected to rise beyond 5% in June 2018 & with economic activity showing good recovery along with MSP (Minimum Support Price) upside risks to CPI we expected RBI to hike policy rates again in August 2018. This could keep bond yields elevated and could range between 7.8% and 8% in the month of July 2018.

## Equity Outlook

### Equity Market outlook for the Month of July, 2018

Sensex remained flat to end at 35423 for the month of June, 2018 with a few stocks contributing to its gain & amidst broader markets falling. Whilst Sensex was flat, the Nifty Next fell by 3.25%, Small cap index on the BSE fell 7% and the Mid Cap fell by 3.5%. Uncertainty over trade wars, Oil price & the resultant CAD (Current Account Deficit) made the broader markets moves down.

Liquidity was good. FPI's pulled out US \$ 630 million worth of investments while Domestic institutions pumped US \$ 2.1 billion worth of investments. INR fell by ₹ 1 during the month.

On the international front US fed increased the interest rate by 25 basis. Indications of another two hikes on the back of strong economy were also making emerging markets jittery.

Interest rate in domestic markets went up 25 basis points. Central bank maintained its neutral stand. April IIP stood at 4.9%. CPI inflation for May 2018 came at 4.87% versus 4.58% in April 2018 as expected. WPI inflation increased sharply to 4.43% from 3.18%.

Markets will eagerly wait for pre quarterly numbers and the actual that get released in the next one month. Market participants are of the view that switch from Mid & Small caps to large caps is mostly done with. Though the mid & small caps are not expected to enjoy the rally & valuations they did a year back, selling is over done in the sector. It makes sense to look at quality mid & small caps with strong business models.

Progress of good monsoon with strong numbers should ensure stable markets. Leading institutional brokerage has reported ex energy the sales, ebidta (Earnings before interest, tax, depreciation and amortization) & net profits are likely to grow 15%, 19% & 19% ex banking the same numbers will be 22%, 26% and 16%.

Going by these & going by good monsoon & the MSP's declared (fair hike), we think the trend should reverse. Broader markets should start performing & indices movement by a few stocks should stop. We are positive on equities.

### **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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