

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-19	31-May-19	Change (%)	31-Mar-19	Change (%)
₹/\$	69.03	69.70	▶ 0.96%	69.16	▶ 0.19%
Forex Res.(Bn- 1 Wk Lag)	\$ 426.42	\$ 419.99	▶ 1.53%	\$ 406.67	▶ 4.86%
Oil Price (\$/Barrel)	\$ 64.74	\$ 61.99	▶ 4.44%	\$ 68.39	▶ -5.34%
Gold (₹/10 gm)	34,006	31,994	▶ 6.29%	31,854	▶ 6.76%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	1033	9826	▶ -89.49%	33189	▶ -96.89%
Debt (monthly)	6114	1909	▶ 220.27%	14408	▶ -57.57%

Indices

Particulars	30-Jun-19	31-May-19	Change (%)	31-Mar-19	Change (%)
BSE Sensex	39,394.64	39,714.20	▶ -0.80%	38,672.91	▶ 1.87%
S&P CNX Nifty	11,788.85	11,922.80	▶ -1.12%	11,623.90	▶ 1.42%
Dow Jones Industrial Avg	26,599.96	24,815.04	▶ 7.19%	25,928.68	▶ 2.59%
FTSE 100	7,425.60	7,161.70	▶ 3.68%	7,279.20	▶ 2.01%
Hang Seng Index	28,542.62	26,901.09	▶ 6.10%	29,051.36	▶ -1.75%
Nikkei 225	21,275.92	20,601.19	▶ 3.28%	21,205.81	▶ 0.33%
B S E Power Index	2,093.86	2,010.12	▶ 4.17%	2,034.41	▶ 2.92%
B S E Metal Index	11,107.22	10,756.40	▶ 3.26%	11,355.12	▶ -2.18%
B S E Realty Index	2,201.44	2,200.74	▶ 0.03%	2,077.09	▶ 5.99%
B S E Capital Goods Index	19,855.41	19,939.33	▶ -0.42%	18,471.99	▶ 7.49%
B S E Information Technology Index	15,654.11	15,781.62	▶ -0.81%	15,280.30	▶ 2.45%
B S E Bankex	34,971.86	35,264.03	▶ -0.83%	34,141.94	▶ 2.43%
B S E FMCG Index	11,361.92	11,518.09	▶ -1.36%	11,741.51	▶ -3.23%
B S E Auto Index	17,904.15	18,445.99	▶ -2.94%	18,824.89	▶ -4.89%
B S E Healthcare Index	12,889.34	13,305.06	▶ -3.12%	14,407.89	▶ -10.54%
B S E Oil & Gas Index	14,803.26	15,734.43	▶ -5.92%	15,269.70	▶ -3.05%




Primary Key Rates

Particulars	30-Jun-19	31-May-19	Change (%)	31-Mar-19	Change (%)
Repo Rate*	5.75%	6.00%	▶ -0.25%	6.25%	▶ -0.50%
Reverse Repo Rate**	5.50%	5.75%	▶ -0.25%	6.00%	▶ -0.50%
CRR#	4.00%	4.00%	▶ 0.00%	4.00%	▶ 0.00%
SLR *#	19.00%	19.00%	▶ 0.00%	19.25%	▶ -0.25%
Call money rate	5.55%	5.50%	▶ 0.05%	6.35%	▶ -0.80%
Current Inflation Rate (WPI)	2.45%	3.07%	▶ -0.62%	2.93%	▶ -0.48%
Current Inflation Rate (CPI) (May 19)	3.05%	2.92%	▶ 0.13%	2.57%	▶ 0.48%
IIP (WPI) % y-o-y (Apr 19)	3.40%	-0.10%	▶ 3.50%	1.70%	▶ 1.70%
AAA spread (bps)	85.00	91.00	▶ -6.59%	61.00	▶ 39.34%

	2015-16	2016-17	2017-18	2018-19	Q4 FY19
Real GDP % (New Growth No. by CSO)	7.60%	7.10%	6.70%	6.80%	5.80%

Interest Rates (FIMMDA)

Particulars	30-Jun-19	31-May-19	Change (%)	31-Mar-19	Change (%)
91 days T - Bill	5.96%	5.92%	▶ 0.04%	6.12%	▶ -0.16%
364 days T - Bill	6.17%	6.20%	▶ -0.03%	6.43%	▶ -0.26%
5 Years G - Sec (Annualized)	6.65%	6.74%	▶ -0.09%	6.85%	▶ -0.20%
10 Years G - Sec (Annualized)	6.88%	7.03%	▶ -0.15%	7.35%	▶ -0.47%
30 Years G - Sec (Annualized)	7.08%	7.31%	▶ -0.24%	7.60%	▶ -0.52%

 No change
 Negative change
 Positive change

* w.e.f Jun 04, 2019

** w.e.f Jun 04, 2019

w.e.f Feb 09, 2013

*# w.e.f Apr 04, 2019

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

June 2019: When the US catches a cold!

The month of June 2019 saw a yields tumbling in India as well as on a global level. Slowing growth and expected easy monetary policy as a result especially in the US helped the bonds rally. Fear of a recession in the developed economies also started rising.

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

Instrument	Mar' 19	May 19	Jun' 19	M-O-M Change	YTD Change
10 Yr G-sec	7.35%	7.03%	6.88%	-0.15%	-0.47%
30 Yr G-sec	7.60%	7.31%	7.08%	-0.23%	-0.52%
3 Yr AAA Bond	7.85%	7.80%	7.30%	-0.50%	-0.55%
5 Yr AAA Bond	7.95%	7.55%	7.40%	-0.15%	-0.55%
10 Yr AAA Bond	8.25%	8.08%	7.87%	-0.21%	-0.38%
364 Days T-bill	6.43%	6.20%	6.17%	-0.03%	-0.26%
91 Days T-bill	6.12%	5.92%	5.96%	0.04%	-0.16%
1Yr Certificate of Deposit	7.00%	7.00%	6.70%	-0.30%	-0.30%
Credit spreads bps	61	91	85	-6	24
Crude \$/barrel	68.39	61.99	64.74	\$ 2.75	\$ -3.65
USD / INR	69.16	69.70	69.03	₹ -0.67	₹ -0.13

Macro Indicators:

CPI came higher than last month with a 3.05% number against last month's 2.92%. The forecast was of 3.05%. It is expected to head higher towards 3.3% in the coming months. However, Core CPI came much lower at 4.3% against last month's 4.6%.

Industrial Production came in at a very strong 3.4% against last month's - 0.1%. This was higher than expected levels of 0.6% growth. The Nikkei India Manufacturing PMI (Purchasing Managers Index) came lower at 52.1 in June 2019 from 52.7. The Nikkei services PMI was disappointing with a 49.6 number against 50.2 last month. India Core infrastructure growth also came much stronger than expected at 5.2% against 2.6%.

India trade deficit came in at US \$ 15.36 billion and this was mildly higher than the US \$ 15.33 in the previous month. Exports rose by a strong 3.9% year on year while Imports rose by 4.3% year on year against last month's 4.5%.

Around the World:

This was a month which saw a massive rally in global bond markets with yields falling 30 bps or more in developed markets especially. The main reason was softening stance by US FED (Federal Reserve) which moved the interest rate plots lower and talked about potential rate cuts this year. The ECB (European Central Bank) President also claimed that the ECB would do anything to keep growths steady even if QE and monetary stimulus is needed. The Bank of England Governor also stated that the UK could face big downside risks to growth from a no-deal Brexit. The Reserve Bank of Australia cut interest rates for the second time in a row and became the second developed market central bank after New Zealand to ease. Chinese economic data especially on PMI and industrial production has been weaker than usual. Markets in the US are factoring in a 90% chance of a rate cut by FED in July 2019.

Debt Outlook:

The bond yields in India fell by 15 bps this month after falling 38 bps in the previous month. The global fall in bond yields played a massive role in easing in India as well. There is no way RBI would be able to keep interest rates at status quo with developed economies. Central Banks looking to cut interest rates. The MPC (Monetary Policy Committee) was becoming increasingly dovish and with the resignation of Dr. Acharya who was one of the two hawks in the panel, markets started believing that 50 bps of cuts were due in 2019. A pick in monsoon and a lower core inflation trajectory would help bond yields head lower. The new FM (Finance Minister) also surprised markets by keep fiscal deficit 10 bps lower than the February 2019 Interim Budget and this added to the positivity.

Equity Outlook



Equity Market Outlook for the Month of July, 2019

After an initial euphoria things have settled down. Nifty 50 gave a negative return of 1% for the month, ended at 11789. Broader markets continue to fall. BSE Small cap fell 4.2%, Nifty next fell 1.8% and BSE Mid Cap fell 1.9%. All for the month.

Trade negotiations between US and China, Iran's retaliatory reaction against ban on Crude exports were the international events that dragged the sentiments. On the domestic side, monsoons progress which is slow and RBI's rate cut dominated the news.

In its policy statements the Central Bank extended liquidity support to the markets. On the other hand, it reduced the growth rate for the FY 20 for the economy by 20 basis points. It also reduced repo rate by 25 basis points.

FPI's (Foreign Portfolio Investors) and Domestic institutions continued to pump money. FPI's bought US \$ 225 million worth stock. Domestic institutions bought stocks worth US \$ 497 million. On the economic front CPI came in at 3.95% (2.99% in April 2019) and WPI at 2.45% (3.07% in April 2019).

As of June 30, 2019 Nifty on a Dollar basis for the CY 2019 has given a return of 28% versus MSCI EM index (Morgan Stanley Capital International Emerging market index) of 2.8%. This rally was well deserved as election victory has given us political stability. Good governance & fiscal prudence is now likely to be here for sure.

Current government has impeccable track record of on the ground good implementation of social welfare schemes. So rich dividends on a long term basis are quite likely.

This month will see budget being presented by the government. After meeting with Xi Jinping, US had informed it might re consider its hard stance on hike in import duty on Chinese goods.

Indices will move on the basis of progress of monsoons & budget proposals that may likely influence the corporate profitability and overall growth other than fiscal deficit.

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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