

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-Mar-19	28-Feb-19	Change (%)	31-Mar-18	Change (%)
₹/\$	69.16	70.75	▶ 2.25%	65.18	▶ -6.11%
Forex Res.(Bn- 1 Wk Lag)	\$ 406.67	\$ 399.22	▶ 1.87%	\$ 422.53	▶ -3.75%
Oil Price (\$/Barrel)	\$ 68.39	\$ 65.77	▶ 3.98%	\$ 69.53	▶ -1.64%
Gold (₹/10 gm)	31,854	33,143	▶ -3.89%	30,630	▶ 4.00%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	33189	15328	▶ 116.53%	13114	▶ 153.08%
Debt (monthly)	14408	-9723	▶ 248.18%	-2410	▶ -697.84%

Indices

Particulars	31-Mar-19	28-Feb-19	Change (%)	31-Mar-18	Change (%)
BSE Sensex	38,672.91	35,867.44	▶ 7.82%	32,968.68	▶ 17.30%
S&P CNX Nifty	11,623.90	10,792.50	▶ 7.70%	10,113.70	▶ 14.93%
Dow Jones Industrial Avg	25,928.68	25,916.00	▶ 0.05%	24,103.11	▶ 7.57%
FTSE 100	7,279.20	7,074.70	▶ 2.89%	7,056.61	▶ 3.15%
Hang Seng Index	29,051.36	28,633.18	▶ 1.46%	30,093.38	▶ -3.46%
Nikkei 225	21,205.81	21,385.16	▶ -0.84%	21,454.30	▶ -1.16%
B S E Realty Index	2,077.09	1,795.97	▶ 15.65%	2,229.92	▶ -6.85%
B S E Bankex	34,141.94	30,027.41	▶ 13.70%	27,197.88	▶ 25.53%
B S E Power Index	2,034.41	1,828.66	▶ 11.25%	2,125.83	▶ -4.30%
B S E Oil & Gas Index	15,269.70	13,802.15	▶ 10.63%	14,614.42	▶ 4.48%
B S E Capital Goods Index	18,471.99	17,087.68	▶ 8.10%	18,476.73	▶ -0.03%
B S E Metal Index	11,355.12	10,766.55	▶ 5.47%	13,322.03	▶ -14.76%
B S E Healthcare Index	14,407.89	13,760.65	▶ 4.70%	13,157.62	▶ 9.50%
B S E FMCG Index	11,741.51	11,353.74	▶ 3.42%	10,290.14	▶ 14.10%
B S E Information Technology Index	15,280.30	15,253.86	▶ 0.17%	12,100.55	▶ 26.28%
B S E Auto Index	18,824.89	18,805.66	▶ 0.10%	24,057.25	▶ -21.75%




Primary Key Rates

Particulars	31-Mar-19	28-Feb-19	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 *#	19.25%	19.25%	0.00%	19.50%	-0.25%
Call money rate	6.35%	6.20%	0.15%	5.90%	0.45%
Current Inflation Rate (WPI)	2.93%	2.76%	0.17%	2.48%	0.45%
Current Inflation Rate (CPI) (Feb 19)	2.57%	2.05%	0.52%	4.44%	-1.87%
IIP (WPI) % y-o-y (Jan 19)	1.70%	2.40%	-0.70%	7.50%	-5.80%
AAA spread (bps)	61.00	87.00	-29.89%	50.00	22.00%

	2015-16	2016-17	2017-18	Q2 FY19	Q3 FY19
Real GDP % (New Growth No. by CSO)	7.60%	7.10%	6.70%	7.10%	6.60%

Interest Rates (FIMMDA)

Particulars	31-Mar-19	28-Feb-19	Change (%)	31-Mar-18	Change (%)
91 days T - Bill	6.12%	6.41%	-0.29%	6.11%	0.01%
364 days T - Bill	6.43%	6.48%	-0.05%	6.42%	0.01%
5 Years G - Sec (Annualized)	6.85%	7.00%	-0.15%	7.32%	-0.47%
10 Years G - Sec (Annualized)	7.35%	7.59%	-0.24%	7.40%	-0.05%
30 Years G - Sec (Annualized)	7.60%	7.76%	-0.16%	7.65%	-0.04%

 No change
 Negative change
 Positive change

* w.e.f Feb 07, 2019

** w.e.f Feb 07, 2019

w.e.f Feb 09, 2013

*# w.e.f Jan 01, 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

The month that marched ahead!

The month of March 2019 saw a mild easing of yields in the long end but short end of the yield curve saw a big drop in yields. This was also true for corporate bonds yields. This was owing to rate cut expectations of 50 bps by the RBI in April 2019. Global yields also fell while crude oil surged ahead.

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

Instrument	Mar' 18	Feb' 19	Mar' 19	M-O-M Change	YTD Change
10 Yr G-sec	7.40%	7.59%	7.35%	-0.24%	-0.05%
30 Yr G-sec	7.65%	7.76%	7.60%	-0.16%	-0.05%
3 Yr AAA Bond	7.55%	8.25%	7.85%	-0.40%	0.30%
5 Yr AAA Bond	7.88%	8.20%	7.95%	-0.25%	0.07%
10 Yr AAA Bond	8.00%	8.50%	8.25%	-0.25%	0.25%
364 Days T-bill	6.42%	6.48%	6.40%	-0.08%	-0.02%
91 Days T-bill	6.11%	6.41%	6.20%	-0.21%	0.09%
1Yr Certificate of Deposit	7.35%	7.30%	7.00%	-0.30%	-0.35%
Credit spreads bps	50	87	61	-26	11
Crude \$/barrel	69.53	65.77	68.39	\$ 2.62	\$ -1.14
USD / INR	65.18	70.75	69.16	₹ -1.59	₹ 3.98

Macro Indicators:

Consumer prices in India rose 2.57% year-on-year in February 2019, following a downwardly revised 1.97% rise in January 2019 and above market expectations of 2.43%. It is the highest inflation rate in four months as food prices fell less. In its February 2019 meeting, the Reserve Bank of India lowered its inflation forecasts to 2.8% for January-March 2019.

Industrial production in India increased 1.7% year-on-year in January of 2019, following an upwardly revised 2.6% rise in the previous month and below market expectations of 2%. Production slowed for manufacturing (1.3% from 2.9% in December 2018) and electricity, gas, steam & air conditioning supply (0.8% from 4.4%). Meanwhile, output rebounded for mining & quarrying (3.9% from -1%).

The Nikkei India Manufacturing PMI (Purchasing Managers Index) dropped to a six-month low of 52.6 in March 2019 from 54.3 in the preceding month and missing market expectations of 53.9. Both output and new orders expanded the least in six months and new export order growth eased. The Nikkei India Services PMI dropped to 52.0 in March 2019 from 52.5 in the previous month and below market consensus of 52.5. The latest

reading pointed to the weakest expansion in the services sector since September last year, as output growth eased to a six-month low mainly driven by a slowdown in new business.

India trade gap narrowed to US \$ 9.6 billion in February 2019 from US \$ 12.3 billion a year earlier and below market expectations of US \$ 14.3 billion. It is the lowest trade deficit since September 2017. Exports increased 2.4% year-on-year to US \$ 26.7 billion, mainly due to engineering goods (1.7%) and drugs and pharmaceuticals (16.1%). In contrast, imports declined 5.4% to US \$ 36.3 billion, mainly due to oil (-8.1%), electronic goods (-6.5%) and gold (-10.8%).

Around the World:

This was a month which saw one of the biggest drop in sovereign bond yields. The FOMC (Federal Open Market Committee) meeting happened in late March 2019 and the Federal Reserve was extremely dovish stating that there would be "no hikes" in 2019. The markets stated pricing rate cuts of at least 25 bps in 2019 and 10 year yields fell by more than 30 bps. The US yield curve inverted raising fears of an impending recession. The German Bond yields fell below zero as well. Central Banks in Australia and New Zealand have indicated that their next moves will be rate cuts as well.

Debt Outlook:

The Monetary Policy Committee met in early April 2019 and announced its final decision as MPC (Monetary Policy Committee) decided on the basis of a 4-2 majority to cut Repo rate by 25 bps. It kept the monetary policy stance at "neutral". MPC also cut its growth and inflation forecasts for 2019. However, markets had completely factored this and hence were not very positive about the outlook for interest rates. Bond yields rose immediately fearing a spillover from global crude oil prices. We believe yields will harden further owing to lack of any clarity of further rate cuts from RBI presently. The G-sec borrowing calendar for H1 of FY 2020 was announced in March 2019 and it looks massive in terms of net supply especially on April 2019 and May 2019. Risks from higher crude oil and a reversal in food prices will add to bond yields pressure as well. Slower global growth could help yields ease and this could also happen from a good monsoon, but the initial estimate by SKYMET says that the rainfall would be just at 93% of long period average.

Equity Outlook



Equity market outlook for the month of April, 2019

Equity Indices did well in the month of April 2019 following news on cooling off of tensions on war between India & Pakistan, NDA coming back to power, settlement between US and China on trade war and on rate hike in US getting disseminated.

Nifty surged 7.70% for the month giving 50% of the FY 19 return in one month. NSE Mid Cap 50 stocks earned 10.17% and BSE Small Cap indices gained 9.77% indicating a broad based rally. Within the sectors banking surged the most 13.7% versus automobile which was almost flat. Slowing auto sales and farm distress is evident on movement of automobile index and FMCG index (3.4%).

CPI index was at 2.57% in January 2019 versus 1.97% in December 2018. Trade deficit numbers for January 2019 at US \$ 9 billion was better compared to 14.7 in December 2018.

FPI's (Foreign Portfolio Investment) pumped US \$ 4.8 billion in March 2019 & against this DII's (Direct Institutional Investors) sold US \$ 2 billion worth of stocks.

Markets will look forward for US and China trade war issues to get resolved in the next few weeks. Slowing down of European economies and inverted yield curve in US does indicate global weakness. It may be too early to take a call on US recession. However, a hike in interest rate four times in one year followed by long pause (accompanied by pressure to cut from Government) does not augur well with the markets.

Domestically things are not good on the economic front. Farm incomes are slowing CPI is drifting down. Lower automobile sales is indicating lack of buying interest clearly. Talks of weak monsoon is going rounds.

We think if NDA comes back to power there would be a feel good rally. An uphill task would be in front of the government in terms of public fiscal. On the other hand if the NDA is not able to form the government then all the gains in the month of March 2019 will be given away. We remain very cautious on the markets.

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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