

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-May-18	30-Apr-18	Change (%)	31-Mar-18	Change (%)
₹/\$	67.41	66.66	↓ -1.13%	65.18	↓ -3.42%
Forex Res.(Bn- 1 Wk Lag)	\$ 412.82	\$ 420.37	↓ -1.79%	\$ 422.53	↓ -2.30%
Oil Price (\$/Barrel)	\$ 77.46	\$ 74.64	↑ 3.78%	\$ 69.53	↑ 11.41%
Gold (₹/10 gm)	31,036	31,029	↑ 0.02%	30,630	↑ 1.33%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-9660	-6210	↓ -55.56%	13114	↓ -173.66%
Debt (monthly)	-17276	-15696	↓ -10.07%	-2410	↑ 616.85%

Indices











Particulars	31-May-18	30-Apr-18	Change (%)	31-Mar-18	Change (%)
BSE Sensex	35,322.38	35,160.36	↑ 0.46%	32,968.68	↑ 7.14%
S&P CNX Nifty	10,736.15	10,739.35	↓ -0.03%	10,113.70	↑ 6.15%
Dow Jones Industrial Avg	24,415.84	24,163.15	↑ 1.05%	24,103.11	↑ 1.30%
FTSE 100	7,691.38	7,509.30	↑ 2.42%	7,056.61	↑ 9.00%
Hang Seng Index	30,468.56	30,808.45	↓ -1.10%	30,093.38	↑ 1.25%
Nikkei 225	22,201.82	22,467.87	↓ -1.18%	21,454.30	↑ 3.48%
B S E Bankex	30,007.14	28,651.87	↑ 4.73%	27,197.88	↑ 10.33%
B S E Oil & Gas Index	14,429.44	14,429.52	↓ 0.00%	14,614.42	↓ -1.27%
B S E FMCG Index	11,291.45	11,305.73	↓ -0.13%	10,290.14	↑ 9.73%
B S E Information Technology Index	13,452.83	13,567.69	↓ -0.85%	12,100.55	↑ 11.18%
B S E Capital Goods Index	18,821.62	19,543.29	↓ -3.69%	18,476.73	↑ 1.87%
B S E Metal Index	13,612.08	14,276.91	↓ -4.66%	13,322.03	↑ 2.18%
B S E Power Index	2,129.30	2,238.15	↓ -4.86%	2,125.83	↑ 0.16%
B S E Auto Index	24,471.58	25,833.75	↓ -5.27%	24,057.25	↑ 1.72%
B S E Realty Index	2,234.69	2,430.23	↓ -8.05%	2,229.92	↑ 0.21%
B S E Healthcare Index	13,002.72	14,153.59	↓ -8.13%	13,157.62	↓ -1.18%




Primary Key Rates

Particulars	31-May-18	30-Apr-18	Change (%)	31-Mar-18	Change (%)
Repo Rate*	6.00%	6.00%	 0.00%	6.00%	 0.00%
Reverse Repo Rate**	5.75%	5.75%	 0.00%	5.75%	 0.00%
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	5.95%	6.00%	 -0.05%	5.90%	 0.05%
Current Inflation Rate (WPI)	3.18%	2.47%	 0.71%	2.48%	 0.70%
Current Inflation Rate (CPI) (April)	4.58%	4.28%	 0.30%	4.44%	 0.14%
IIP (WPI) % y-o-y (March)	4.40%	7.10%	 -2.70%	7.50%	 -3.10%
AAA spread (bps)	60.00	50.00	 20.00%	50.00	 20.00%

	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-May-18	30-Apr-18	Change (%)	31-Mar-18	Change (%)
91 days T - Bill	6.42%	6.27%	 0.15%	6.11%	 0.31%
364 days T - Bill	6.91%	6.67%	 0.24%	6.42%	 0.49%
5 Years G - Sec (Annualized)	7.93%	7.78%	 0.15%	7.32%	 0.62%
10 Years G - Sec (Annualized)	7.83%	7.77%	 0.06%	7.40%	 0.43%
30 Years G - Sec (Annualized)	8.07%	8.00%	 0.07%	7.65%	 0.42%

 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

Should have sold in May and gone away!

This is an old adage which says that markets usually sell off in May 2018, and here too in bonds which began the year on a brilliant note saw yields hardening amidst pressure domestically from inflation and globally from monetary tightening in developed markets.

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

Instrument	Mar' 18	Apr' 18	May' 18	M-O-M Change	YTD Change
10 Yr G-sec	7.40%	7.77%	7.83%	0.06%	0.43%
30 Yr G-sec	7.65%	8.00%	8.07%	0.07%	0.42%
3 Yr AAA Bond	7.55%	8.20%	8.40%	0.20%	0.85%
5 Yr AAA Bond	7.88%	8.45%	8.60%	0.15%	0.72%
10 Yr AAA Bond	8.00%	8.45%	8.60%	0.15%	0.60%
364 Days T-bill	6.42%	6.67%	6.91%	0.24%	0.49%
91 Days T-bill	6.11%	6.27%	6.42%	0.15%	0.31%
1Yr Certificate of Deposit	7.35%	7.50%	7.70%	0.20%	0.35%
Credit spreads bps	50	50	60	10	10
Crude \$/barrel	69.53	74.64	77.46	\$ 2.82	\$ 7.93
USD / INR	65.18	66.66	67.41	₹ 0.75	₹ 2.23

Macro Indicators:

India's annual inflation rate rose to a three-month high of 4.58% in April 2018 from 4.28% in the previous month, and above market expectations of 4.42%. Prices of housing & clothing & footwear rose at a faster pace while food inflation was almost unchanged.

Wholesale prices in India rose by 3.18% year-on-year in April 2018, after a 2.47% gain in the prior month & above market estimates of 2.86%. It was the highest wholesale inflation since December 2017, as cost increased at a faster pace for manufactured products & fuel, while prices of food rebounded. On a monthly basis wholesale prices increased by 0.7%, compared to a 0.2% rise in March 2018.

India's industrial output grew 4.4% year-on-year in March 2018, following a downwardly revised 7% advance in the previous month & missing market expectations of 5.9%. It was the smallest increase in industrial production since last October 2017, due to a sharp slowdown in manufacturing growth (4.4% versus 8.5 % in February 2018). Meanwhile, electricity production expanded further (5.9% versus 4.5%) & mining output rebounded firmly (2.8% versus -0.4%).



India's trade deficit widened slightly to US \$ 13.72 billion in April 2018 from US \$ 13.25 billion a year earlier, below market expectations of a US \$ 15 billion gap. Exports increased 5.17% year-on-year to US \$ 25.91 billion, rebounding from a 0.7% drop in March 2018.

Around the World:

Annual inflation rate in the United States edged up to 2.5% in April 2018 from 2.4% in March 2018, matching market expectations. It is the highest rate since February 2017. Core inflation was flat at 2.1%. Retail Sales in the United States increased 0.20% month-over-month in April 2018, revised data showed. It compares with a 0.3% rise in the previous estimate. Non farm payrolls in the United States increased by 223000 in May 2018 & unemployment rate fell further to 3.8% from 3.9%. It is the highest reading in 3 months, beating market expectations of 189 thousand. All this has led to a rate hike being priced in, next week at the FED (Federal Reserve) meeting. Bank of England kept interest rates at status quo owing to recent weakness in economic data.

Debt Outlook:

Bond markets continued to sell off in May 2018 after FPIs (Foreign Portfolio Investors) sold more than ₹ 16000 crs of debt. As PSU (Public Sector Undertaking) banks also shunned away from any G-sec buying, yields continued to rise. Brent crude oil rose to US \$ 80/bbl at one point and UST 10 Yr yields also touched a high of 3.12%. These external pressures hardened yields. Markets also started pricing-in a rate hike by RBI in June 2018 after 4.5 years and with increasing risks of higher inflation from MSP (Minimum Support Price), HRA etc. we believe yields are headed higher and could stay close to 8% until some of these pressures fade away.

Equity Outlook



Equity Market Outlook for the Month of June, 2018

Major indices held firm against big fall in all the other indices. Key reasons change in structure of schemes redemption in some of the ETF's, Oil prices & Global uncertainty. Sensex moved 0.46% but Nifty Next 50 fell 4.7%, BSE Small Cap fell 8% and BSE Mid cap fell 6.2%.

European markets were in the negative for the month of May 2018 on the back of concerns over Italy and growth in some parts. UK index was positive 2% while other markets were in the negative.

A mixed behavior was witnessed in the markets during the month of April 2018. Auto index was down 5%, Consumer durable 7%, Capital Goods 3%, Health care 8%, Metals 4% and Power 4% without any concerns on the fundamental side. At the same time Banking index was up 5%. The selling unabated in the other than Nifty names came in a shock to many market participants.

FPI's have started withdrawing from emerging markets. They have been kind to India. India lost US \$ 168 million. Compared to this Indonesia lost US \$ 2.9 billion, Philippines US \$ 0.99 million, S Korea US \$ 2.5 billion, Taiwan US \$ 6.6 billion and Thailand US \$ 4.4 billion.

Elections in state of Karnataka also played its role as stated in the earlier note.

FPI's have started to pull off in a big way. They sold stocks worth US \$ 1.4 billion and Domestic mutual funds invested US \$ 2.2 billion on a net basis.

CPI inflation came at 4.58 for the month of March 2018 against 4.28. WPI rose to 3.18 against 2.47 for March 2018. GDP numbers came at 6.7% against 7.1% for FY 2018. Last quarter GDP was at 7.7%. These are initial estimates and final estimates will be coming later.

Results did not do the trick and it failed again for the third time in a row. There was no growth in earnings in Nifty or Sensex due to Banking sector NPA recognition. The recognition having been done we are concerned over the provisions that need to be done in the coming years.

Three things can change the course of broader markets falling. Good Monsoon, drop in Oil prices, higher GST collections. If these three things happen it's possible that the sentiment can turn and selling can reduce. As highlighted from the beginning of the year, markets are likely to be volatile this year. It has treated long term investors well till December 2017 last year. This would be a year to invest and wait patiently.

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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- 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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