

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-Apr-20	31-Mar-20	Change (%)	31-Mar-19	Change (%)
₹/\$	75.10	75.63	↓ 0.70%	69.16	↓ -8.59%
Forex Res.(Bn- 1 Wk Lag)	\$ 479.46	\$ 475.56	↓ 0.82%	\$ 406.67	↓ 17.90%
Oil Price (\$/Barrel)	\$ 25.28	\$ 23.55	↓ 7.35%	\$ 68.39	↓ -63.04%
Gold (₹/10 gm)	40,989	40,989	↓ 0.00%	31,854	↓ 28.68%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-309	-62026	↓ 99.50%	33189	↓ -100.93%
Debt (monthly)	-12483	-58579	↓ 78.69%	14408	↓ -186.64%

Indices











Particulars	30-Apr-20	31-Mar-20	Change (%)	31-Mar-19	Change (%)
BSE Sensex	33,717.62	29,468.49	↓ 14.42%	38,672.91	↓ -12.81%
S&P CNX Nifty	9,859.90	8,597.75	↓ 14.68%	11,623.90	↓ -15.18%
Dow Jones Industrial Avg	24,345.72	21,917.16	↓ 11.08%	25,928.68	↓ -6.11%
FTSE 100	5,901.20	5,672.00	↓ 4.04%	7,279.20	↓ -18.93%
Hang Seng Index	24,643.59	23,603.48	↓ 4.41%	29,051.36	↓ -15.17%
Nikkei 225	20,193.69	18,917.01	↓ 6.75%	21,205.81	↓ -4.77%
B S E Healthcare Index	15,332.39	12,148.57	↓ 26.21%	14,407.89	↓ 6.42%
B S E Auto Index	13,349.86	10,746.15	↓ 24.23%	18,824.89	↓ -29.08%
B S E Oil & Gas Index	12,066.36	10,020.85	↓ 20.41%	15,269.70	↓ -20.98%
B S E Metal Index	6,745.97	5,713.28	↓ 18.08%	11,355.12	↓ -40.59%
B S E Bankex	24,724.52	22,050.02	↓ 12.13%	34,141.94	↓ -27.58%
B S E Capital Goods Index	12,186.72	10,979.45	↓ 11.00%	18,471.99	↓ -34.03%
B S E Information Technology Index	14,235.04	12,842.72	↓ 10.84%	15,280.30	↓ -6.84%
B S E Power Index	1,490.51	1,377.95	↓ 8.17%	2,034.41	↓ -26.74%
B S E Realty Index	1,450.37	1,353.65	↓ 7.15%	2,077.09	↓ -30.17%
B S E FMCG Index	10,770.70	10,254.89	↓ 5.03%	11,741.51	↓ -8.27%




Primary Key Rates

Particulars	30-Apr-20	31-Mar-20	Change (%)	31-Mar-19	Change (%)
Repo Rate*	4.40%	4.40%	 0.00%	6.25%	 -1.85%
Reverse Repo Rate**	3.75%	4.00%	 -0.25%	6.00%	 -2.25%
CRR#	3.00%	3.00%	 0.00%	4.00%	 -1.00%
SLR *#	18.00%	18.25%	 -0.25%	19.25%	 -1.25%
Call money rate	3.75%	4.30%	 -0.55%	6.35%	 -2.60%
Current Inflation Rate (WPI)	1.00%	2.26%	 -1.26%	2.93%	 -1.93%
Current Inflation Rate (CPI) (Mar 20)	5.91%	6.58%	 -0.67%	2.57%	 3.34%
IIP (WPI) % y-o-y (Feb 20)	4.50%	2.00%	 2.50%	1.70%	 2.80%
AAA spread (bps)	95.00	90.00	 5.56%	61.00	 55.74%

	2016-17	2017-18	2018-19	Q2 FY20	Q3 FY20
Real GDP % (New Growth No. by CSO)	7.10%	6.70%	6.80%	4.50%	4.70%

Interest Rates (FIMMDA)

Particulars	30-Apr-20	31-Mar-20	Change (%)	31-Mar-19	Change (%)
91 days T - Bill	3.59%	4.20%	 -0.61%	6.12%	 -2.53%
364 days T - Bill	3.68%	4.50%	 -0.82%	6.43%	 -2.75%
5 Years G - Sec (Annualized)	4.73%	5.40%	 -0.67%	6.85%	 -2.12%
10 Years G - Sec (Annualized)	6.11%	6.14%	 -0.03%	7.35%	 -1.24%
30 Years G - Sec (Annualized)	6.66%	6.79%	 -0.13%	7.60%	 -0.95%

 No change
 Negative change
 Positive change

* w.e.f Mar 27, 2020

** w.e.f Apr 17, 2020

w.e.f Mar 27, 2020

*# w.e.f Apr 09, 2020

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

April 2020 – A good beginning for a new financial year

The month of April 2019 saw yields remain flat with 10 year yield falling by a marginal 3 bps. March 2020 end witnessed both RBI and the Finance Minister come up with measures to handle the Covid-19 crisis. The RBI actions particularly helped bond yields fall from the spikes which took it to 6.5%.

India Macro movers

Headline CPI eased to 5.9% year on year in March 2020 (versus 6.6% in February 2020 and 7.6% in January 2020) and came in line with consensus estimates (5.9%). The decline was underpinned by food inflation which declined to 8.8% in March 2020 versus 10.8% in February 2020. However, food prices have been on an uptrend since the beginning of the lockdown. On a weighted average basis food prices are up 3.3% from March 10, 2020. WPI inflation for March 2020 at 1.0% came in below consensus estimates (1.4%) and was lower than the February 2020 print (2.3%) and the January 2020 print (3.5%).

February 2020 IP surprised positively at +4.5% year on year (versus consensus: +3.4% year on year and average of -1.4% over the prior six months). The February 2020 IP report suggests that the economy was recovering before the COVID-19 outbreak and the subsequent lockdown. However, Core-IP for March 2020 declined - 6.5% year on year the worst print since April 2005, reflecting the impact of the lockdown. Seven out of the eight core industries recorded Year on year de-growth in March 2020: Coal (+4.0%), Refinery Products (-0.4%), Crude Oil (-5.5%), Electricity (-7.2%), Fertilizers (-11.8%), Steel (-13.1%), Natural Gas (-15.1%) and Cement (-24.7%).

India's monthly trade deficit of US \$ 9.8 billion decreased a marginal US \$ 90 million in March 2020 versus February 2020, but came in above consensus expectations (US \$ 7.0 billion). Merchandise exports were down 35% year on year, while imports were down 29% year on year in March 2020. Gold imports declined 63% year on year. Imports ex Oil and Gold declined 30.0% year on year (versus -0.9% last month), the 14th consecutive month of year on year declines. The hit in April 2020 will be substantially higher on the back of the lockdown extending to large parts of the economy for the entire month. The current account deficit for FY 2020 is tracking about US \$ 33 billion or 1.2% of the GDP (Gross Domestic Product).

Global news

Global equities witnessed a sharp recovery as central banks further expanded stimulus plans coupled with flattening of COVID-19 infection curves across countries. Market sentiment was further buoyed by Gilead's announcement of positive data from Phase-3 trials for antiviral drug, Remdesivir. Oil prices (WTI May futures) fell into negative territory for the first time in history on concerns that crude storage worldwide will reach capacity as demand declines. Global bond yields have remained low owing to increasingly weaker economic data.

Outlook

After announcing a comprehensive package of measures on March 27, 2020, the RBI continued to take steps to ease financial conditions and preserve stability in April: (1) The RBI further reduced reverse repo rates by 25bps, to 3.75%, on 17 April. This brings the effective policy rate cut to 115 bps (including a 90 bps reduction on March 27, 2020). (2) Targeted Long Term Repos (TLTRO-2) to the tune of ₹ 500 billion restricted for investment into NBFC (Non-Banking Finance Companies) papers that meet certain conditions. However, the first tranche of the RBI's TLTRO-2 auction of ₹ 250 billion got only half the demand of the auction size, highlighting elevated risk aversion. (3) Special Refinancing facilities of ₹ 500 billion to institutions such as the NABARD, SIDBI and NHB to enable them to meet sectoral credit needs. (4) Increase in states ways and means advances (WMA) to 60%, over the level as on March 31, 2020. The Central government approved the release of ₹ 110.9 billion to all states under the State Disaster Risk Management Fund (SDRMF) in order to set up quarantine facilities and arranging other facilities for controlling the spread of the COVID-19. The Cabinet also approved ₹ 150 billion for urgent response for containing the spread of COVID-19 in the country, under the India COVID-19 Emergency Response and Health System Preparedness Package.

Looking at the measures by the centre it does feel like the fiscal deficit will rise to much higher levels close to 7% against the 3.5% targeted for FY 2021 and this would be a worry for bond markets. This will remain the push factor that sends yields higher. However, with falling inflation and growth and RBI ready to do provide more monetary stimulus and liquidity infusion through OMOs (Open Market Operations) and switches, we do expect a cap on yields and 10 year yield could make frequent attempts to breach the 6% mark. This will remain the pull factor and thus 10 year yield will be range bound between 5.75% and 6.25% in the coming weeks.

Equity Outlook



Equity Market Outlook for the Month of May 2020

Declining rate of growth of Coronavirus, Economic stimulus announced to stem the fall in India and across globe helped markets recover. Facebook's bet on Reliance Jio amid these difficult times coupled with rights issue announced by the company (which will eventually reduce its net debt) made the bell weather move the index to top the returns within emerging markets.

We have highlighted the asset class returns for the Year and Decade ending April, 2020.

Daily death because of pandemic is reducing its rate. Annexure gives graph of 7 days' daily average death across globe with details of countries contributing. Also enclosed is Nasdaq Index returning to January 2020 levels which indicates markets are retracing the fall.

BSE 30 Sensex and Nifty ended at 29468 and 8598 up 14.4% and 14.7% respectively.

Sector preferences have changed. Pharmaceutical index with a gain of 26% meant structural change in preference. Followed by Pharma was Automobile, Oil & Gas & Metals index that outperformed the Nifty with a return of 24%, 20% and 18%.

Excess supply of oil made some of the near month ending contracts go negative for its settlements displaying the panic kind of sentiments.

Markets gained despite liquidity trouble for corporate debt markets. Corporate debt oriented schemes saw large redemptions.

It was a broad based rally with BSE 500 and CNX 500 too gaining 14.6% and 14.5% each.

Institutions like mutual fund and FPI's (Foreign Portfolio Investors) were both sellers during the month. Mutual funds sold stock worth US \$ 727 million while FPI's sold stocks worth US \$ 503 million. It was more of retail or HNI led buying that took the markets up.

CPI moderated to 5.91% for March 2020 against 6.58% for February 2020.

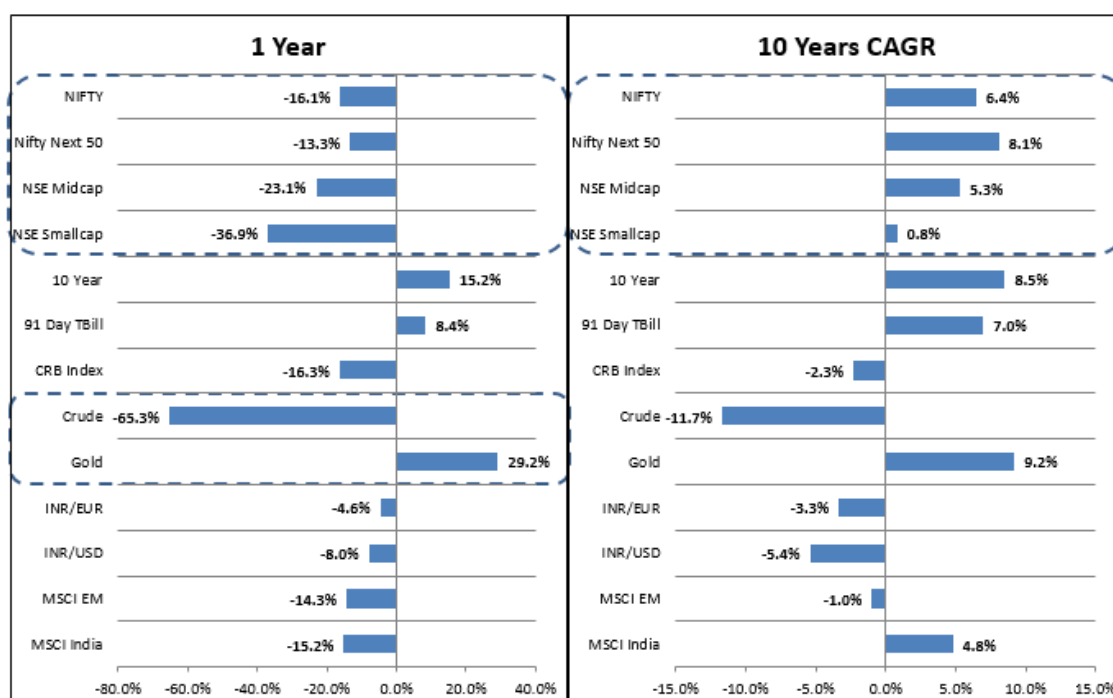
While the world is opening up, Cases in India and deaths continue because of Covid 19. Rate of growth is not alarming as other countries had. This big knock of 37% for Sensex happened only 4 times in its history. And as a result it came back to less than 20% fall bracket as enclosed in the annexure. It's an opportunity to invest.

The flow of liquidity across the globe and the hope of recovery during the financial year 22 makes most of marketmen look for investment opportunities.

Volatility will continue as outlook for the respective businesses gets updated from the management day by day. We will continue to invest amidst volatility into good businesses.

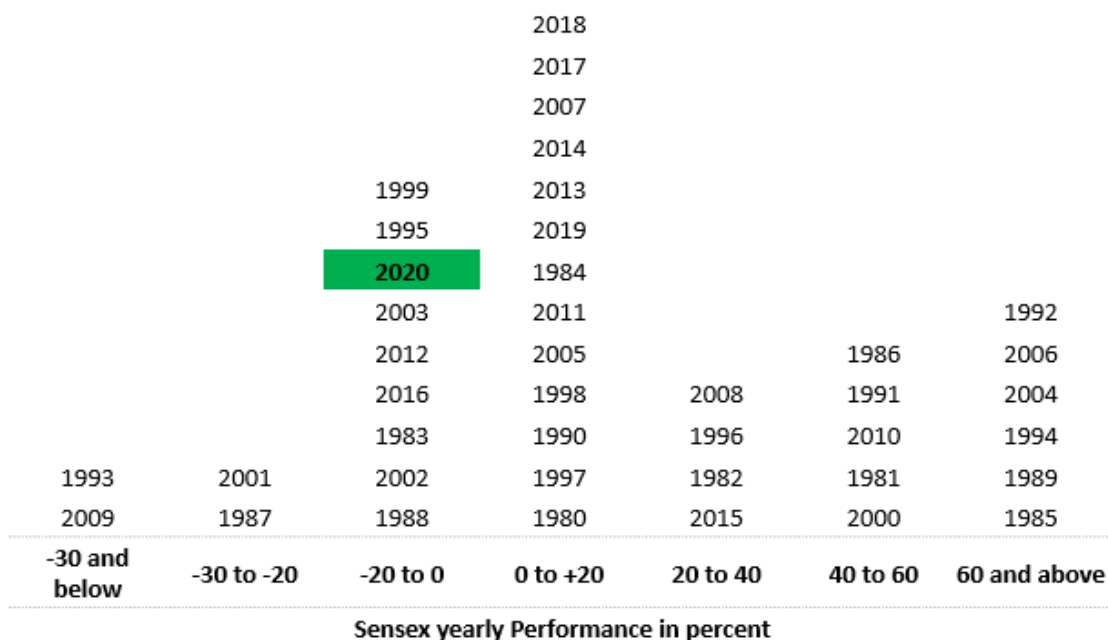
We prefer Balance fund with 50% equity, Bond Optimiser with 25% equity followed by Corporate Bond fund and Equity fund. We may change fund preference once markets stabilize.

Asset Return- Long Term returns are healthy



As on 30th Apr 2020

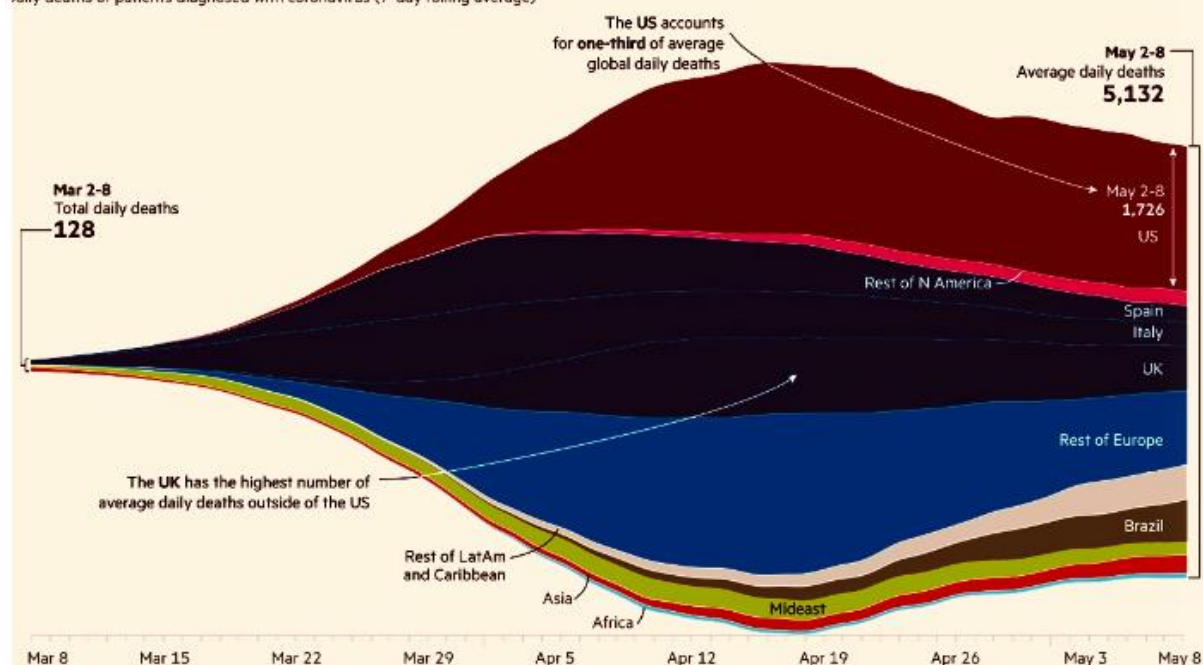
BSE Sensex (since 1980): Yly performance -ve in April (+ve 28 out of 41 years)



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The global Covid-19 death toll is finally easing

Daily deaths of patients diagnosed with coronavirus (7-day rolling average)





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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