

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-21	30-Apr-21	Change (%)	31-Mar-21	Change (%)
₹/\$	72.62	74.08	▶ 1.97%	73.11	▶ 0.67%
Forex Res.(Bn- 1 Wk Lag)	\$ 592.89	\$ 584.11	▶ 1.50%	\$ 579.29	▶ 2.35%
Oil Price (\$/Barrel)	\$ 69.38	\$ 67.25	▶ 3.17%	\$ 64.04	▶ 8.34%
Gold (₹/10 gm)	48,933	47,569	▶ 2.87%	44,106	▶ 10.94%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	5360	-11116	▶ 148.22%	16968	▶ -68.41%
Debt (monthly)	-1792	-1124	▶ -59.43%	-3429	▶ -47.74%

Indices

Particulars	31-May-21	30-Apr-21	Change (%)	31-Mar-21	Change (%)
BSE Sensex	51,937.44	48,782.36	▶ 6.47%	49,509.15	▶ 4.90%
S&P CNX Nifty	15,582.80	14,631.10	▶ 6.50%	14,690.70	▶ 6.07%
Dow Jones Industrial Avg	34,529.45	33,874.85	▶ 1.93%	32,981.55	▶ 4.69%
FTSE 100	7,022.60	6,969.80	▶ 0.76%	6,713.60	▶ 4.60%
Hang Seng Index	29,151.80	28,724.88	▶ 1.49%	28,378.35	▶ 2.73%
Nikkei 225	28,860.08	28,812.63	▶ 0.16%	29,178.80	▶ -1.09%
B S E Power Index	2,816.44	2,481.15	▶ 13.51%	2,475.13	▶ 13.79%
B S E Capital Goods Index	22,498.27	20,252.38	▶ 11.09%	21,095.75	▶ 6.65%
B S E Oil & Gas Index	16,472.31	14,995.68	▶ 9.85%	14,820.46	▶ 11.15%
B S E Auto Index	23,541.12	21,667.80	▶ 8.65%	22,252.21	▶ 5.79%
B S E Realty Index	2,680.01	2,468.20	▶ 8.58%	2,670.31	▶ 0.36%
B S E Bankex	40,344.68	37,304.97	▶ 8.15%	37,547.91	▶ 7.45%
B S E Metal Index	18,877.33	17,821.58	▶ 5.92%	14,350.61	▶ 31.54%
B S E FMCG Index	13,130.73	12,508.59	▶ 4.97%	12,875.40	▶ 1.98%
B S E Information Technology Index	27,584.81	26,305.95	▶ 4.86%	26,543.24	▶ 3.92%
B S E Healthcare Index	24,534.98	23,530.70	▶ 4.27%	21,328.21	▶ 15.04%




Primary Key Rates

Particulars	31-May-21	30-Apr-21	Change (%)	31-Mar-21	Change (%)
Repo Rate*	4.00%	4.00%	0.00%	4.00%	0.00%
Reverse Repo Rate**	3.35%	3.35%	0.00%	3.35%	0.00%
CRR#	4.00%	3.50%	0.50%	3.00%	1.00%
SLR **	18.00%	18.00%	0.00%	18.00%	0.00%
Call money rate	3.00%	3.00%	0.00%	2.75%	0.25%
Current Inflation Rate (WPI)	10.49%	7.39%	3.10%	4.17%	6.32%
Current Inflation Rate (CPI) (Apr 21)	4.29%	5.52%	-1.23%	5.03%	-0.74%
IIP (WPI) % y-o-y (Mar 21)	22.40%	-3.60%	26.00%	-1.60%	24.00%
AAA spread (bps)	69.00	72.00	-4.17%	57.00	21.05%

	2016-17	2017-18	2018-19	2019-20	Q1 FY21
Real GDP % (New Growth No. by CSO)	7.10%	6.70%	6.80%	4.20%	-23.90%

Interest Rates (FIMMDA)

Particulars	31-May-21	30-Apr-21	Change (%)	31-Mar-21	Change (%)
91 days T - Bill	3.39%	3.31%	0.08%	3.25%	0.14%
364 days T - Bill	3.72%	3.70%	0.02%	3.75%	-0.03%
5 Years G - Sec (Annualized)	5.45%	5.42%	0.03%	5.70%	-0.26%
10 Years G - Sec (Annualized)	6.02%	6.03%	-0.01%	6.18%	-0.15%
30 Years G - Sec (Annualized)	6.94%	6.78%	0.16%	6.77%	0.17%

 No change
 Negative change
 Positive change

* w.e.f May 22, 2020

** w.e.f May 22, 2020

w.e.f May 22, 2021

** 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

May 2021 – Virus down, Vaccine up !!

It was a month when Virus cases peaked in the second wave and started falling at a fast pace, also vaccine rates were getting impressive boosting chances for a recovery in June 2021.

Benchmark 10-year treasury yields averaged at 5.99% in May (7bp lower versus April 2021 average). On month end values, the 10 Yr yield was flat and ended the month at 6.02%. US 10 Yr yield is at 1.59% (-3bps month on month, +94bps year on year). INR gained 2.0% and ended the month at US \$ 72.62 in May 2021. In the last 12 months, INR (+4.1%) has underperformed the broader EM FX (+5.8%).

India Macro movers

April 2021 CPI gaps down to 4.3% from 5.5% in March 2021. The move down nevertheless was less than we had expected, as food inflation surprised to the upside, driving a hefty 0.5% month on month. The real story in India's inflation outturn has been the stickiness and stubbornness of core inflation. This is the third hefty increase in four months since the start of 2021. What's driving this sticky momentum of core? The recent pressures could be emanating from cost-push inflation in the wake of a recovering economy pre-second wave. Led by global commodity prices, input prices have surged in recent months but this has not translated into commensurate output prices, as seen in the PMI (Purchasing Managers Index) surveys.

India's 4QFY21 printed at 1.6% and was expectedly much stronger than the National Statistics Office (NSO) advance estimate (-1.1%). Full year GDP (Gross Domestic Product) contracted 7.3% (versus NSO's advance estimate of an 8% contraction). To be sure, GVA (Gross Value Added) contracted less at -6.2% but pandemic-induced subsidies resulted in a sharp contraction of Net Indirect Taxes (indirect taxes minus subsidies) and dragged down GDP computation.

The composite PMI in April 2021 shows only marginal decline to 55.4 from 56 in March 2021. However, output momentum declined across both manufacturing and services, and a significant amount of sampling may have been conducted before the stress in the second half of the month.

March 2021 IP prints slightly above expectations, expanding 22.4%, largely on account of favorable base effects given the sharp lockdown-induced contraction in March 2020. Sequentially, IP rose 1.0% month on month, a fourth consecutive increase that took IP to 99% of the pre-pandemic level.

Global News

Global equities (+1.4%) traded higher, with Europe leading other developed markets. Global growth started tracking higher in May, DM households are leading this surge, reflecting large US fiscal supports and the activation of pent-up demand as Europe's COVID-19 second-wave drag fades. Performance going forward shall be a function of supply catching up with growing demand and progress in vaccine inoculations in the EM countries. Inflation has been accelerating more quickly than imagined but growth and corporate earnings keep us complacent. Data on growth, industrial production, retail consumer sales all point to better and stronger economic recovery.

Outlook

Bond Markets will find it hard to see yields coming down anytime soon especially since RBI will not be in a position to sound dovish at the back of a massive spending program left in FY 2021 and rising sequential inflation pressure. The central bank raised inflation expectations for the next 2 quarters but also reduced growth target by 100 bps for FY 2022. The continuing measures of MOM, GSAP 2.0 of ₹ 1.2 lac crs will help keep a lid on yields, but CPI, fiscal worries and global rise for yields and crude oil will also keep a floor on yields. We expect 10 y yield to range between 5.90%% and 6.15% in the coming months.

Equity Outlook

Equity Outlook for the Month of June 2021

Indices both Large, Small and Mid-cap rose to new high during the month of May 2021 buoyed by the improvement in profitability as reported for the period ending March 2021.

There were other reasons too. High retail participation, decline in Covid Cases, assurance from Central Bank and Government to provide all required support to the economy placing growth ahead and lastly opening up of economy and vaccine inoculation drive private sector medical industry.

Sensex and Nifty ended the month at an all-time high of 51,937 and 15,583. CNX Mid Cap and CNX Small Cap ending at 25,775 and 9,267 were also at its all-time high indicating there is retail participation and the rally is broad based. On local currency basis India was the best performing markets during the month compared to others like Brazil, Mexico, and some of the developed markets like US and UK.

Institutional participation in volumes were poor. FPI's (Foreign Portfolio Investors) bought stocks worth US \$ 37 million, Domestic institutions US \$ 283 million on net basis. More details about the institutional and non-institutional participation is provided in Annexure 1.

Economic numbers that came in during the month helped. CPI inflation was at 4.29% in April 2021, a come down compared to last month by 123 basis points and WPI was at high of 10.5% in the same month, a rise of 310 basis points. GST collection hit a record ₹1.4 trillion for April 2021. GDP for quarter four of 1.6% was ahead of expectations led by government consumption.

86 number of companies in BSE100 index gave their numbers for period ending March 2021. Their Revenue, EBITDA (excluding financials) and PAT had grown by 16.9%, 204.6%, and 87.1% year on year respectively which indicates the reason markets are so euphoric. A sector wise picture of the same is in Annexure 2.

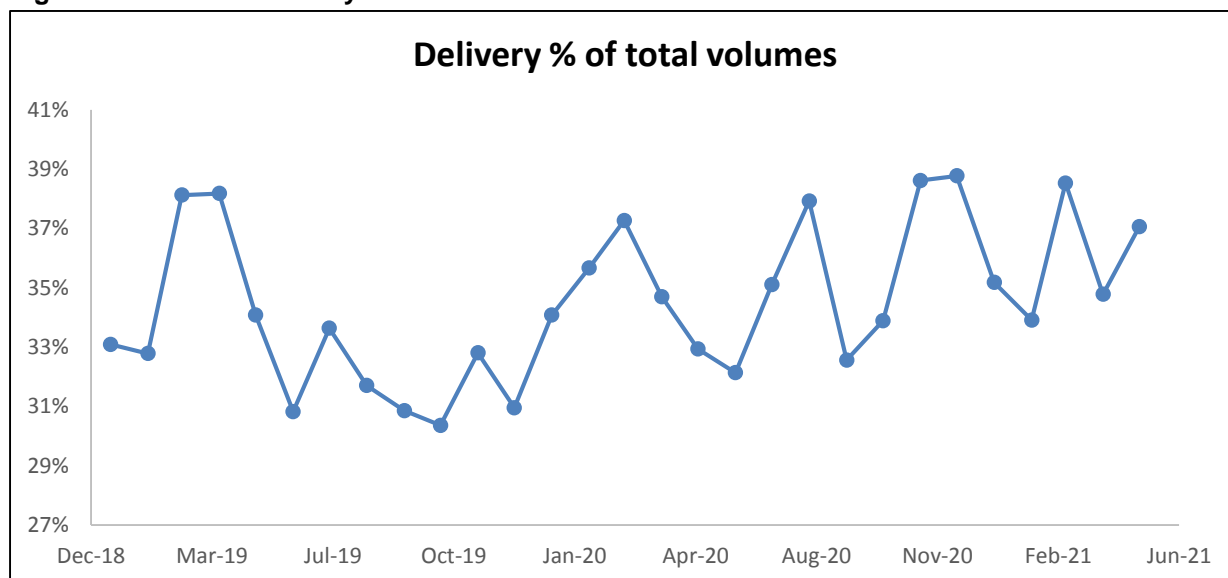
There has been a dramatic decline in Covid cases reported. Covid cases reported came down from 414,000 daily peak as of 7th May 2021 to 94,000 as of 9th June 2021 Vaccination drive though has been a bit slow. A graphical representation of number of covid cases, deaths and vaccination is enclosed in the graph (Annexure

We are positive on the markets. Re-opening of the economy, growth catching up, good monsoon forecast, support by the government (domestic and international), pace of vaccination & liquidity, feedback from corporates indicate healthy growth in profitability.

From the funds side we recommend large cap oriented Equity Fund, Balance fund, Bond Optimiser followed by Mid Cap fund. Big run up in Mid Cap index makes us shift preference.

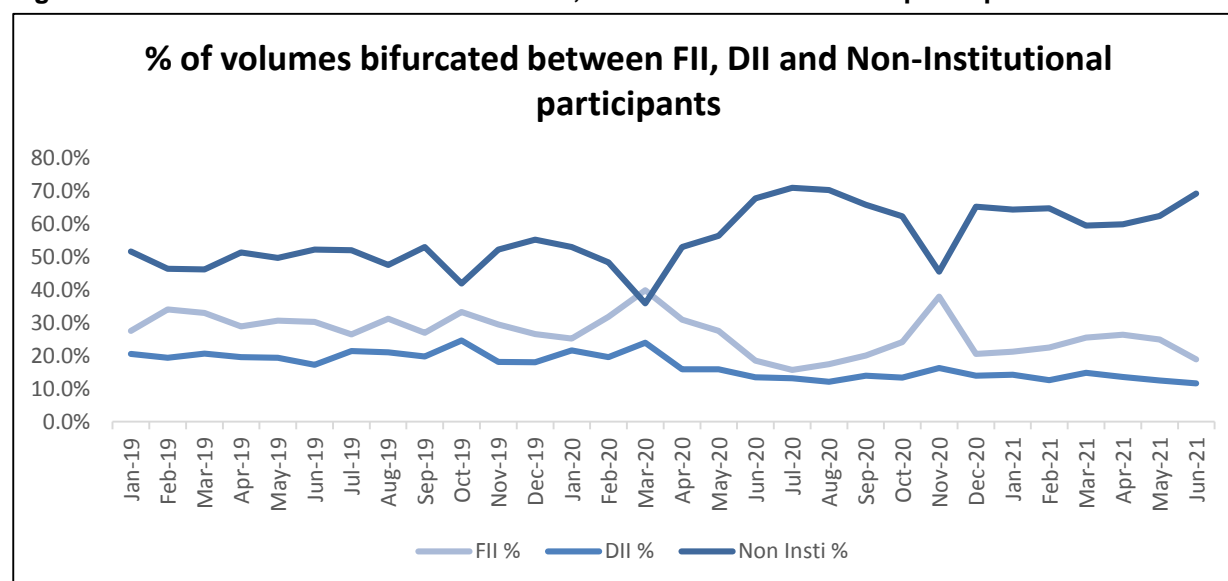
Annexure 1: Details of delivery volume, and trends of institutional and non-institutional volumes traded on the stock exchanges

Figure a: Details of delivery as a % of total volumes traded on NSE



Note: Delivery volumes which used to hover ~30% in H2CY19, has moved up to ~35% in CY2020 and 5mCY21

Figure b: Bifurcation of volumes between FII, DII and Non-Institutional participants on NSE



Note: Average non-institutional participation in NSE has increased from ~50% in CY2019 to ~58% in CY2020 and ~62% in 5mCY21. FIIs participation has reduced by ~550bps in CY2020 and 5mCY21 whereas DIIs participation has reduced by ~450bps in CY2020 and 5mCY21.

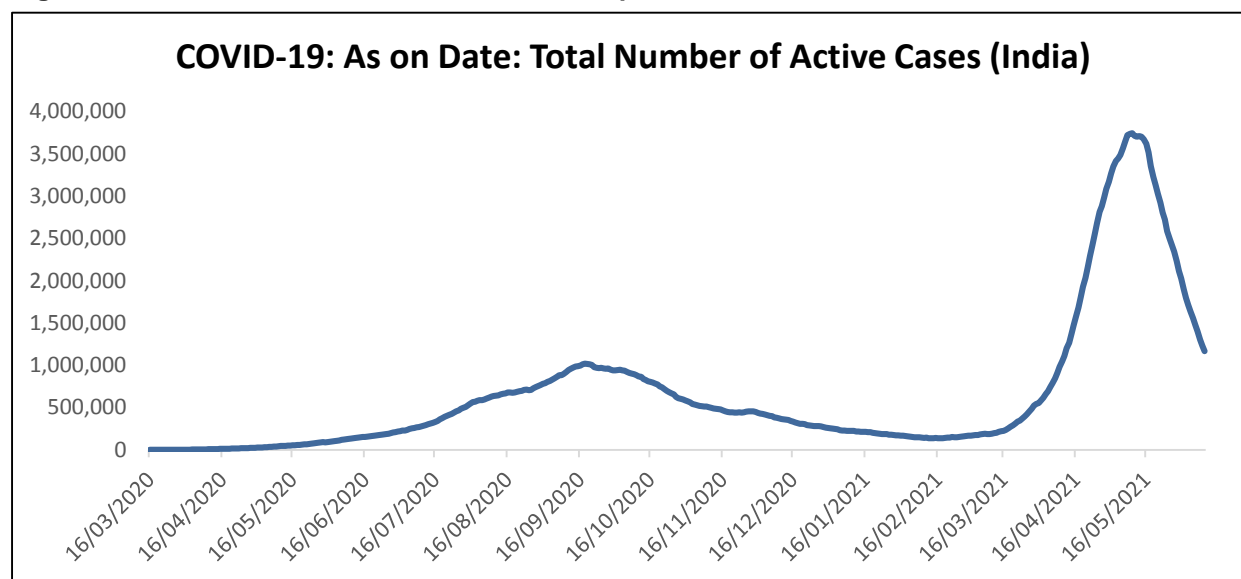
Annexure 2: Details of sector-wise performance of BSE 100 companies during Q4FY21

Sector	Net sales (Rs mn)		EBITDA (Rs mn)		PAT (Rs mn)	
	Q4FY20	Q4FY21	Q4FY20	Q4FY21	Q4FY20	Q4FY21
Agro Chemicals Total	1,19,962	1,39,931	19,193	27,983	8,545	13,075
Automobile Total	14,16,985	18,53,048	51,529	1,08,842	(38,161)	1,30,671
Banks Total	15,81,258	16,06,673	-	-	1,67,702	2,65,267
Capital Goods Total	78,850	1,09,168	7,778	15,025	6,156	11,250
Cement Total	4,33,018	5,49,375	80,263	1,34,264	61,219	58,691
FMCG Total	4,33,661	5,53,789	1,04,300	1,33,434	81,882	97,069
Infrastructure	4,71,665	5,16,958	76,921	1,03,855	35,315	45,806
Insurance Total	3,51,596	4,29,208	-	-	13,030	12,596
IT - Software Total	10,70,012	11,56,323	2,57,597	3,05,460	1,86,720	1,94,777
Media Total	19,511	19,658	(6,796)	5,320	(6,630)	2,941
Mining Total	10,14,948	14,37,879	(57,057)	3,54,216	58,051	2,07,645
NBFCs Total	4,91,352	7,16,098	-	-	63,185	1,14,592
Pharmaceuticals Total	3,48,660	3,64,391	57,124	86,411	19,392	42,560
Power Total	73,135	1,11,064	11,479	18,001	2,211	5,933
Refineries Total	38,94,646	42,06,077	(4,417)	4,98,390	1,33,369	3,00,383
Retail Total	1,14,145	1,56,435	10,878	15,995	6,486	10,934
Telecom Total	2,47,008	3,22,391	34,978	1,57,442	19,970	18,232
Transportation Total	98,834	81,796	3,501	6,685	(5,673)	(11,510)
Grand Total	2,45,18,491	2,86,60,524	12,94,543	39,42,646	16,25,535	30,41,822
<i>YoY Growth</i>	-5.6%	16.9%	-59.8%	204.6%	-22.1%	87.1%

Note: We have not included EBITDA nos for banks, Insurance companies and NBFCs as this matrix is generally not used for such financial companies.

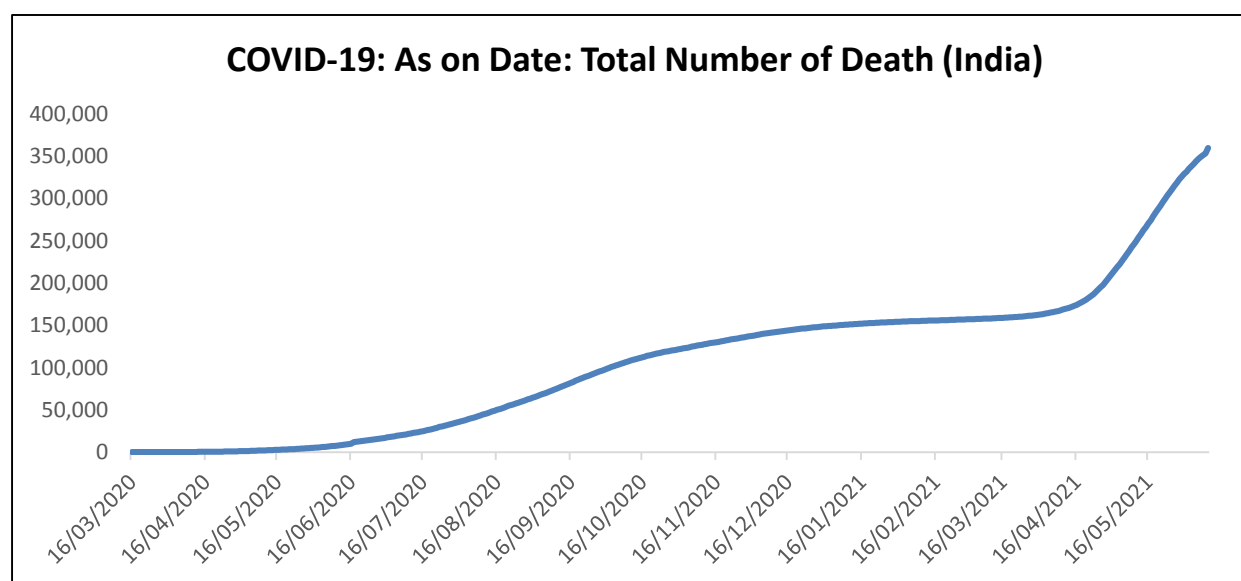
Annexure 3: Covid cases in India

Figure a: Active number of Covid cases as on a particular date in India



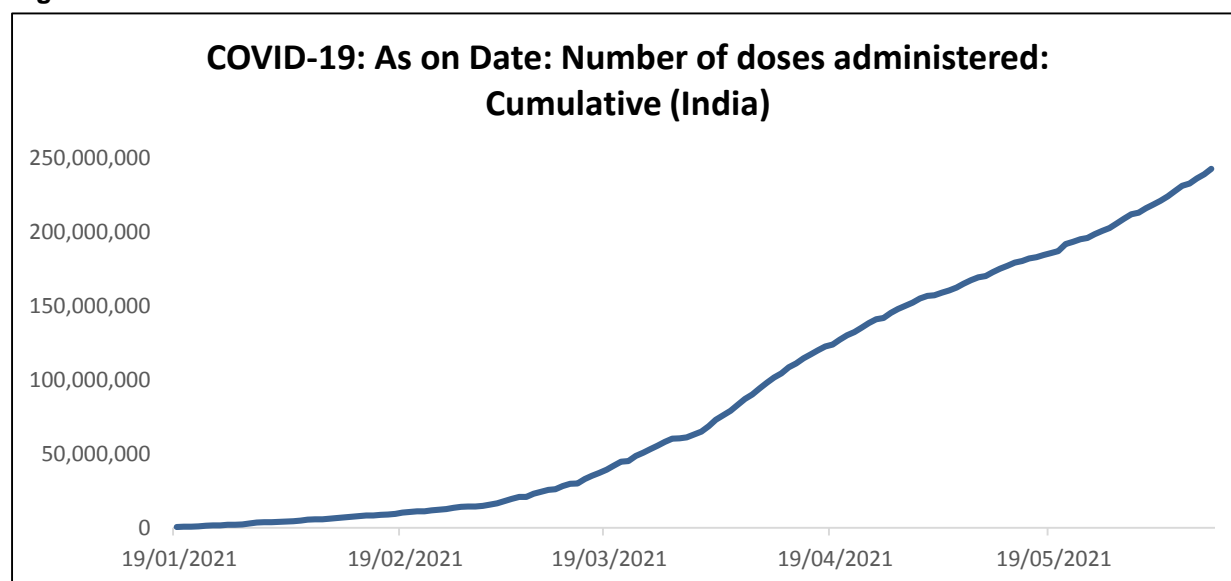
Note: Covid wave 2 seems to have peaked at 37.45 lakh cases as of 10 May 2021. Total number of active cases stands at 11.68 lakh cases as of 9 June 2021.

Figure b: Cumulative number of deaths in India due to Covid



Note: Total number of deaths due to Covid in India stands at 3.6 lakhs as of 9 June 2021.

Figure c: Cumulative number of doses administered of anti-covid vaccine in India



Note: As of 9 June 2021, 4.7 cr people have received both the doses of vaccination and 14.8 cr people have received only one dose of the vaccination

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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