

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-21	28-Feb-21	Change (%)	31-Mar-20	Change (%)
₹/\$	73.11	73.47	▶ 0.49%	75.63	▶ 3.33%
Forex Res.(Bn- 1 Wk Lag)	\$ 579.29	\$ 583.87	▶ -0.78%	\$ 475.56	▶ 21.81%
Oil Price (\$/Barrel)	\$ 64.04	\$ 64.42	▶ -0.59%	\$ 23.55	▶ 171.93%
Gold (₹/10 gm)	44,106	46,425	▶ -5.00%	40,989	▶ 7.60%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	16968	21985	▶ -22.82%	-62026	▶ -127.36%
Debt (monthly)	-3429	-9662	▶ 64.51%	-58579	▶ -94.15%

Indices

Particulars	31-Mar-21	28-Feb-21	Change (%)	31-Mar-20	Change (%)
BSE Sensex	49,509.15	49,099.99	▶ 0.83%	29,468.49	▶ 68.01%
S&P CNX Nifty	14,690.70	14,529.15	▶ 1.11%	8,597.75	▶ 70.87%
Dow Jones Industrial Avg	32,981.55	30,932.37	▶ 6.62%	21,917.16	▶ 50.48%
FTSE 100	6,713.50	6,483.40	▶ 3.55%	5,672.00	▶ 18.36%
Hang Seng Index	28,378.35	28,980.21	▶ -2.08%	23,603.48	▶ 20.23%
Nikkei 225	29,178.80	28,966.01	▶ 0.73%	18,917.01	▶ 54.25%
B S E Information Technology Index	26,543.24	24,423.97	▶ 8.68%	12,842.72	▶ 106.68%
B S E FMCG Index	12,875.40	11,966.59	▶ 7.59%	10,254.89	▶ 25.55%
B S E Metal Index	14,350.61	13,719.16	▶ 4.60%	5,713.28	▶ 151.18%
B S E Power Index	2,475.13	2,418.77	▶ 2.33%	1,377.95	▶ 79.62%
B S E Healthcare Index	21,328.21	20,855.65	▶ 2.27%	12,148.57	▶ 75.56%
B S E Capital Goods Index	21,095.75	21,518.96	▶ -1.97%	10,979.45	▶ 92.14%
B S E Auto Index	22,252.21	22,937.66	▶ -2.99%	10,746.15	▶ 107.07%
B S E Bankex	37,547.91	38,981.16	▶ -3.68%	22,050.02	▶ 70.29%
B S E Realty Index	2,670.31	2,786.95	▶ -4.19%	1,353.65	▶ 97.27%
B S E Oil & Gas Index	14,820.46	15,543.42	▶ -4.65%	10,020.85	▶ 47.90%




Primary Key Rates

Particulars	31-Mar-21	28-Feb-21	Change (%)	31-Mar-20	Change (%)
Repo Rate*	4.00%	4.00%	▶ 0.00%	4.40%	▶ -0.40%
Reverse Repo Rate**	3.35%	3.35%	▶ 0.00%	4.00%	▶ -0.65%
CRR#	3.00%	3.00%	▶ 0.00%	3.00%	▶ 0.00%
SLR *#	18.00%	18.00%	▶ 0.00%	18.25%	▶ -0.25%
Call money rate	2.75%	3.25%	▶ -0.50%	4.30%	▶ -1.55%
Current Inflation Rate (WPI)	4.17%	2.03%	▶ 2.14%	2.26%	▶ 1.91%
Current Inflation Rate (CPI) (Feb 21)	5.03%	4.06%	▶ 0.97%	6.58%	▶ -1.55%
IIP (WPI) % y-o-y (Jan 21)	-1.60%	1.00%	▶ -2.60%	2.00%	▶ -3.60%
AAA spread (bps)	57.00	90.00	▶ -36.67%	90.00	▶ -36.67%

	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-Mar-21	28-Feb-21	Change (%)	31-Mar-20	Change (%)
91 days T - Bill	3.25%	3.18%	▶ 0.07%	4.20%	▶ -0.95%
364 days T - Bill	3.75%	3.64%	▶ 0.11%	4.50%	▶ -0.75%
5 Years G - Sec (Annualized)	5.70%	5.77%	▶ -0.07%	5.40%	▶ 0.31%
10 Years G - Sec (Annualized)	6.18%	6.23%	▶ -0.05%	6.14%	▶ 0.04%
30 Years G - Sec (Annualized)	6.77%	6.87%	▶ -0.10%	6.79%	▶ -0.02%

-  No change
 Negative change
 Positive change

* w.e.f May 22, 2020

** w.e.f May 22, 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

March 2021 – Cases rise, growth falls !

The month of March 2021 was all about slackening growth and rising virus cases taking India's new cases to more than 3 times the peak of the first case. Yields of sovereign papers have risen across the globe with inflation also starting to look clear and present.

India Macro movers

January 2021 CPI inflation came in slightly below expectations at 5.5%, rising further from 5.1% in February 2021. Food prices led the downside surprise, dropping 0.1% month on month. Meat, fish and eggs all rose by 10-15% year on year while pulses and non-alcoholic beverages rose by 13-15%.

The trade deficit remained elevated at US \$ 15.5 billion in February 2021, rising from US \$ 14.5 last month. The widening of the deficit has been underpinned by a jump in imports as activity continued to normalize, and a rise in crude oil prices, even as exports were strong as well. In the next couple of months, we expect exports to jump further, owing to seasonally strong activity in 1st Quarter, which should narrow the trade deficit.

Global News

Global equities continued to trade higher and exhibited unusually broad momentum (that began in November), delivering 12-month highs on several equities benchmarks up until the middle of the month. Last two weeks, however, saw broad deleveraging across equities and global asset classes. Equities saw a global sell-off in risky assets amidst a sharp rise in bond yields. Investors struggled with little improvement in the US labor market and weighed a rise in bond yields on worries about potential inflation (with oil prices at a 12-month high and copper prices near a decade high).

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 in FY 2022. Higher spending will have an inflationary impact and hence the best that MPC could do is provide solace that accommodative stance will continue. RBI's OMO (Open Market Operations) and OT could provide some support but higher crude oil prices and higher UST yields will keep the pressure alive. The announcement of GSAP 1.0 will help bond yields from rising. We expect 10 y yield to range between 6.0% and 6.20% in the first few months of FY 2022.

Equity Outlook

Equity Market Outlook for April, 2021

Sensex and Nifty ended the year at 49509 and 14691 with a gain of 68% and 70.9% for the year and 0.8% and 1.1% for the month. Concerns propped up on a possible slowing down of growth amidst increase in Covid 19 cases (referred to as second wave) and inflation showing its head up again in US. On the back of good 6% raise in the month of February the fact that index gave a positive return itself shows the kind of strength & interest that markets have.

On a broader basis the markets showed further strength. CNX Midcap and CNX Small Cap indices gave a better yearly returns. 90.9 and 114.9 were the yearly returns for these two indices. Sector rotation did take place with CNX IT index and CNX FMCG index clocking a return of 6.4% and 7.7%. Yearly and monthly return on various assets is given in the Annexure. Compared to the globe, our returns were very poor with Germany, Mexico and Singapore giving returns in excess of 7% for the month.

Liquidity was good. FPI's (Foreign Portfolio Investors) bought stocks worth US \$ 2.6 billion. The number for DII (Direct Institutional Investors) was US \$ 411million.

Economic news was positive. Despite Bond yields hardening in US to 1.6% (10 year) and lot of noise being made on inflation creeping up, FED Chairman Mr. Jerome Powell reiterated his stance on no rate hike and stance to continue up to 2023. CPI inflation for February 2021 came at 5.1%. December 2020 quarter end CAD has started to widen and is at US \$ 1.7 billion showing signs of economy picking up activities.

Rapid spurt in Covid cases led to introducing of Lockdown in some areas and other restrictions. Graph on increase in Covid cases enclosed.

After a troublesome first (-23%) and second quarter (-7%) where negative GDP growth was reported, Markets were happy to see positive figure of 0.4% for the quarter ending December 2021.

Markets are looking at future growth. Clearly once again there is a big faith kept up in India to show good numbers in the next two quarters. This fact is evident from the FPI figures that showed negative numbers for CY 2021 in Philippines, South Korea, Thailand & Taiwan. Government actions of divesting from non-core areas, Philip to capex related to infrastructure is also helping.



We have been positive on the markets for the last 4 months. We continue to believe that Equities can perform better versus debt this year.

Our choice of funds includes Mid Cap fund, Balance Fund followed by Bond Optimizer fund.

Our choice of Bond Optimizer provided 18% returns for the year against Bond fund of 7%. For the same period Mid cap fund had given a return of 72% versus Equity fund 64.7%.

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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