

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-Sep-20	31-Aug-20	Change (%)	31-Mar-20	Change (%)
₹/\$	73.77	73.62	▶ -0.20%	75.63	▶ 2.46%
Forex Res.(Bn- 1 Wk Lag)	\$ 542.02	\$ 537.55	▶ 0.83%	\$ 475.56	▶ 13.98%
Oil Price (\$/Barrel)	\$ 40.52	\$ 46.01	▶ -11.93%	\$ 23.55	▶ 72.06%
Gold (₹/10 gm)	50,310	51,246	▶ -1.83%	40,989	▶ 22.74%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-6138	45637	▶ -113.45%	-62026	▶ -90.10%
Debt (monthly)	2382	-4356	▶ 154.68%	-58579	▶ -104.07%

Indices

Particulars	30-Sep-20	31-Aug-20	Change (%)	31-Mar-20	Change (%)
BSE Sensex	38,067.93	38,628.29	▶ -1.45%	29,468.49	▶ 29.18%
S&P CNX Nifty	11,226.50	11,387.50	▶ -1.41%	8,597.75	▶ 30.57%
Dow Jones Industrial Avg	27,781.70	28,430.05	▶ -2.28%	21,917.16	▶ 26.76%
FTSE 100	5,866.10	5,963.60	▶ -1.63%	5,672.00	▶ 3.42%
Hang Seng Index	23,459.05	25,177.05	▶ -6.82%	23,603.48	▶ -0.61%
Nikkei 225	23,185.12	23,139.76	▶ 0.20%	18,917.01	▶ 22.56%
B S E Information Technology Index	19,979.89	18,055.38	▶ 10.66%	12,842.72	▶ 55.57%
B S E Healthcare Index	19,799.24	18,387.62	▶ 7.68%	12,148.57	▶ 62.98%
B S E Auto Index	17,876.44	17,685.49	▶ 1.08%	10,746.15	▶ 66.35%
B S E Capital Goods Index	13,834.15	13,741.54	▶ 0.67%	10,979.45	▶ 26.00%
B S E Power Index	1,652.97	1,669.87	▶ -1.01%	1,377.95	▶ 19.96%
B S E FMCG Index	11,051.22	11,348.47	▶ -2.62%	10,254.89	▶ 7.77%
B S E Realty Index	1,671.43	1,758.40	▶ -4.95%	1,353.65	▶ 23.48%
B S E Metal Index	8,304.23	8,833.73	▶ -5.99%	5,713.28	▶ 45.35%
B S E Oil & Gas Index	12,242.39	13,083.32	▶ -6.43%	10,020.85	▶ 22.17%
B S E Bankex	24,354.70	26,972.91	▶ -9.71%	22,050.02	▶ 10.45%

Primary Key Rates

Particulars	30-Sep-20	31-Aug-20	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	3.43%	3.45%	▶ -0.02%	4.30%	▶ -0.87%
Current Inflation Rate (WPI)	0.16%	-0.58%	▶ 0.74%	2.26%	▶ -2.10%
Current Inflation Rate (CPI) (Aug 20)	6.69%	6.93%	▶ -0.24%	6.58%	▶ 0.11%
IIP (WPI) % y-o-y (July 20)	-10.40%	-16.60%	▶ 6.20%	2.00%	▶ -12.40%
AAA spread (bps)	68.00	50.00	▶ 36.00%	90.00	▶ -24.44%

	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	30-Sep-20	31-Aug-20	Change (%)	31-Mar-20	Change (%)
91 days T - Bill	3.25%	3.25%	▶ 0.00%	4.20%	▶ -0.95%
364 days T - Bill	3.65%	3.56%	▶ 0.09%	4.50%	▶ -0.85%
5 Years G - Sec (Annualized)	5.39%	5.32%	▶ 0.07%	5.40%	▶ -0.01%
10 Years G - Sec (Annualized)	6.02%	6.12%	▶ -0.10%	6.14%	▶ -0.12%
30 Years G - Sec (Annualized)	6.70%	6.71%	▶ -0.01%	6.79%	▶ -0.09%

- ▶ 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

September 2020 – Second half could be the better half!

Benchmark 10-year treasury yields averaged 6.0% in September 2020 (+4bp higher versus August 2020 average). On month-end values 10 Year yield were down 11bps to end the month at 6.01%. INR declined by 0.2% and ended the month at 73.77 / \$ in September 2020.

India Macro movers

IP contracted 10.4% Year on year in July 2020 (versus 15.8% contraction in June 2020 and 33.9% contraction in May 2020) but came ahead of consensus forecasts (-11.8%). Economists highlight that seasonally-adjusted IP was still at about 89% of its pre-pandemic levels in July 2020, up from 83% in June 2020. Consumer durables were at 81% of the pre-pandemic level in July 2020, improving sharply from 67% in July 2020.

August CPI at 6.7% year on year came below consensus. Despite the recent softening of momentum, however, core-core inflation was sticky printing at 5.4% in both July 2020 and August 2020.

India's monthly merchandise trade balance at US \$ 6.8 billion in August 2020 came in line with widening from US \$ 4.8 billion in July 2020. India reported a rare but expected current account surplus of US \$ 19.8 billion (3.9% of GDP) in the quarter ended June 2020. India had recorded a current account surplus of US \$ 0.6 billion (0.1% of GDP) in the preceding quarter and a deficit amounting to 2.1% of GDP in the year-ago quarter.

Global News

Global equities had a volatile month and witnessed a loss in momentum & declining in September 2020. This was the first monthly decline in DM equities after five consecutive months of gains. The decline in global equities was led by a technology correction. Several other developments – stalled US fiscal negotiations, drop in European PMIs (Purchasing Managers Index), and rising virus count in Europe impacted on investor sentiment. Investors are also concerned about the upcoming US election and UK/EU Brexit negotiations. In line with global equities, Indian equities also saw a correction of 7%. Global yields have eased meaningfully as central banks globally have cut policy rates aggressively and have announced large QE programs, to counter the negative impact on global growth from the COVID-19 outbreak. Following the US Fed formally moving from flexible inflation targeting to average inflation targeting last month, ECB (European Central Bank) President argued for greater symmetry and clarity around the inflation target.

Outlook

Markets have been pleasantly surprised by many of the RBI moves like the 2.5% hike HTM requirements of banks which should address a lot of the demand worries for sovereign bond issuances in FY 21. The central banks has also recent come and made an open assurance of much more in terms of OMO (Open Market Operations) twists, outright purchases of G-secs and SDLs just to make sure the borrowing program of FY 21 sails through undeterred. With credit growth weakening towards 5% year on year and deposit growth rising above 12% we expect banks to put their money in SLR investments

So if this continues we could see yields falling more and see the 10 y yield close to 5.75% and the yield curve steepening we witnessed should flatten. 2s-10s and 5s-10s spreads would narrow and even the 13-15 year bond yields should see some softening after all the RBI support.

Overall we do see some space for monetary easing maybe one last 25 bps in February but unconventional monetary policy could be sufficient to take yields lower in FY 21. We expect SDL spreads to narrow from 80 bps to 60 bps after the OMO announcements. INR is certainly poised to make more recovery and stay in the 72-74 range versus USD. The weakness of the USD globally, and the strong current account fundamentals along with minimal intervention from the RBI would help the INR appreciate. We do see the US elections on November 03, 2020 as a big risk and if the Democratic party does win as polls show, USD could see more weakening expecting a new and large fiscal stimulus and that should further help the INR but the vice-versa could also be true. There is much less pressure on Indian bond yields from a rise in UST yields in case the Democratic party wins.

Equity Outlook

Equity Market Outlook for the Month of October, 2020

Markets are showing resilience. It went down 1.2% during the month of September, 2020. During the month it touched a low of 10800 in Nifty and recovered to close at 11226.

Nifty outperformed all the global peers. Hong Kong bourses were down 6.8%, Shanghai 5.2%, Dow Jones 3.4%. Most of the international markets were down as Fed did not come out of further supportive package to the economy but mentioned it will maintain the low interest rate regime through CY 23. Sceptics believe this may be inflationary. Concerns on lock down being re-introduced in UK also weighed on world markets with fear of slowdown in the recovery process.

Indices came off led by Banking. This may be on the back of Supreme Court accepting a petition filed for waiving off penal interest on moratorium. It further told banks not to classify a loan which is standard as NPA till it gives judgement on the petition. Banking has a weight of around 34% in the Index. The IT index fuelled the rally with a movement of 11% during the month and 35% during the quarter.

Broader markets were helped by SEBI change in rules. SEBI came out with a new set of rules that requires multi cap funds to have 25% each in small cap and mid cap stocks compulsorily. Small and Mid cap indices rallied 4.2% and 1.8% respectively.

Institutional flow was not supportive. Mutual Funds sold stocks worth US \$ 635 million. Insurance companies bought stocks worth US \$ 515 million. FPI's were sellers US \$ 739 million.

In a relief to the telecom players the Supreme Court allowed a time of 10 years to repay the dues to the government. In another development, government passed 3 farm bills allowing growers to sell their produce freely.

August 2020 CPI moderated to 6.69% (still above comfort zone) IIP was negative 10.4%.

Market may have further legs to move if Vaccine is discovered. However on a trailing 12 months basis its discounting 29 times. This is expensive. We continue to be cautious to negative on the markets.

We recommend funds like Bond Optimiser, Corporate Bond, Mid Cap and Balance fund in that order to our investors.

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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