

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-Aug-20	31-Jul-20	Change (%)	31-Mar-20	Change (%)
₹/\$	73.62	74.82	▶ 1.60%	75.63	▶ 2.65%
Forex Res.(Bn- 1 Wk Lag)	\$ 537.55	\$ 522.63	▶ 2.85%	\$ 475.56	▶ 13.03%
Oil Price (\$/Barrel)	\$ 46.01	\$ 43.52	▶ 5.72%	\$ 23.55	▶ 95.37%
Gold (₹/10 gm)	51,246	53,615	▶ -4.42%	40,989	▶ 25.02%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	45637	8590	▶ 431.28%	-62026	▶ -173.58%
Debt (monthly)	-4356	-2202	▶ -97.82%	-58579	▶ -92.56%

Indices

Particulars	31-Aug-20	31-Jul-20	Change (%)	31-Mar-20	Change (%)
BSE Sensex	38,628.29	37,606.89	▶ 2.72%	29,468.49	▶ 31.08%
S&P CNX Nifty	11,387.50	11,073.45	▶ 2.84%	8,597.75	▶ 32.45%
Dow Jones Industrial Avg	28,430.05	26,428.32	▶ 7.57%	21,917.16	▶ 29.72%
FTSE 100	5,963.60	5,897.80	▶ 1.12%	5,672.00	▶ 5.14%
Hang Seng Index	25,177.05	24,595.35	▶ 2.37%	23,603.48	▶ 6.67%
Nikkei 225	23,139.76	21,710.00	▶ 6.59%	18,917.01	▶ 22.32%
B S E Metal Index	8,833.73	7,825.67	▶ 12.88%	5,713.28	▶ 54.62%
B S E Realty Index	1,758.40	1,575.68	▶ 11.60%	1,353.65	▶ 29.90%
B S E Bankex	26,972.91	24,599.48	▶ 9.65%	22,050.02	▶ 22.33%
B S E Power Index	1,669.87	1,538.93	▶ 8.51%	1,377.95	▶ 21.19%
B S E Capital Goods Index	13,741.54	12,734.81	▶ 7.91%	10,979.45	▶ 25.16%
B S E Auto Index	17,685.49	16,489.64	▶ 7.25%	10,746.15	▶ 64.58%
B S E Healthcare Index	18,387.62	18,284.76	▶ 0.56%	12,148.57	▶ 51.36%
B S E Oil & Gas Index	13,083.32	13,174.29	▶ -0.69%	10,020.85	▶ 30.56%
B S E FMCG Index	11,348.47	11,445.45	▶ -0.85%	10,254.89	▶ 10.66%
B S E Information Technology Index	18,055.38	18,251.06	▶ -1.07%	12,842.72	▶ 40.59%

Primary Key Rates

Particulars	31-Aug-20	31-Jul-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	3.45%	3.00%	▶ 0.45%	4.30%	▶ -0.85%
Current Inflation Rate (WPI)	-0.58%	-1.81%	▶ 1.23%	2.26%	▶ -2.84%
Current Inflation Rate (CPI) (July 20)	6.93%	6.09%	▶ 0.84%	6.58%	▶ 0.35%
IIP (WPI) % y-o-y (June 20)	-16.60%	-35.00%	▶ 18.40%	2.00%	▶ -18.60%
AAA spread (bps)	50.00	50.00	▶ 0.00%	90.00	▶ -44.44%

	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	31-Aug-20	31-Jul-20	Change (%)	31-Mar-20	Change (%)
91 days T - Bill	3.25%	3.29%	▶ -0.04%	4.20%	▶ -0.95%
364 days T - Bill	3.56%	2.46%	▶ 1.10%	4.50%	▶ -0.94%
5 Years G - Sec (Annualized)	5.32%	4.89%	▶ 0.43%	5.40%	▶ -0.08%
10 Years G - Sec (Annualized)	6.12%	5.77%	▶ 0.35%	6.14%	▶ -0.02%
30 Years G - Sec (Annualized)	6.71%	6.39%	▶ 0.32%	6.79%	▶ -0.08%

-  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

August 2020 – The slumbering giant awakens – RBI to the rescue

It was a month which saw massive hardening of yields, with 10 yr rising by more than 40 bps owing to higher than expected inflation and a pause from MPC (Monetary Policy Committee). But when it mattered RBI pitched in with its muscle and yields settled much lower. INR appreciated by 1.6% and ended the month at 73.62/\$, and this was supported by a massive downward trend in USD index.

India Macro movers

July 2020 CPI at 6.9% year on year, came ahead of consensus and higher than the upward revised June 2020 print (6.2%). Bulk of the upside surprise was on account of jump in food inflation which printed at 9.6% (versus 8.7% in June 2020). Moreover, core-core inflation continued to accelerate and came at a 17-month high of 5.6% in July 2020 (versus 5.3% in June 2020).

June 2020 IP contracted -16.6% year on year in May 2020 (versus -34.7% contraction in May 2020 and -57.6% contraction in April 2020). Economists highlight that seasonally-adjusted IP was still at about 82% of its pre-pandemic levels, up from 67% in May 2020. In this context, next month's print will be important to see how much of the growth in non-durables was driven by pent up demand.

India's monthly merchandise trade balance normalized and moved back into a modest deficit of US \$ 4.8 billion in July 2020 (versus a one-time monthly surplus of US \$ 790 million in 18-years in June 2020). Merchandise exports were down -10% in July 2020 (versus 12% decline in June 2020) and imports were down 28% in July 2020 (versus 48% decline in June 2020). Imports ex Oil and Gold declined 29% (versus 41% decline in June 2020), the 18th consecutive month of Year on year declines.

India's 1QFY21 (June qtr) GDP (Gross Domestic Product) contraction at -23.9% came worse than expectations (consensus: -18%). Core GVA (GDP minus agriculture and public administration) contracted almost 30%. Agriculture grew 3.4%. On the production side, public administration contracted 10.3%. However, government consumption on the expenditure side grew meaningfully at 16.4%, thereby creating an unprecedented deviation between the two series which have historically been strongly correlated. Our economists note that while government consumption grew strongly on the expenditure side, it does not include public investment, which is expected to have witnessed a large contraction in the quarter.

Global news

Global equities continued the upward trajectory despite a volatile month as markets were driven by positive developments on economies re-opening post lockdown, better than expected US economic data, and central bank liquidity intact, Economists note that the Fed remains dovish with interest rates unchanged and the accompanying interest rate forecast “dots” indicating that rates are likely to remain pinned near zero for at least the next two-and-a-half years. The Federal reserve also released a new framework for next 5 years where it would focus on inflation and employment shortfalls rather than deviations, meaning things will get more dovish.

Outlook

In its last policy meeting, RBI kept policy rates on hold while maintaining its accommodative stance. MPC stated to use available space and cut rates, if it is convinced of a durable reduction in inflation. Anticipating inflation to remain above the RBI's 6% target ceiling in the next two months, economists expect the RBI to stay on hold in October 2020 forecast a 25bps rate cut in December 2020. RBI permitted a one-time restructuring of loans wherein the restructured loans remain “standard assets,” unlike earlier, when any restructured debt would be considered a “non-performing asset” requiring provisioning by banks. This 6-0 vote in favor of a pause really heightened fears in bond markets and along with the higher CPI pushed yields higher by 30 bps or more in a week's time.

After yields touch 6.25% on the older 10 year of last year, RBI announced 2 OMOs (Open Market Operations) but still yields did not budge. Finally, on the last day of August 2020, RBI announced 2 more OMO twists along with a 250 bps hike in HTM limits for banks for H2 FY 2021 purchases of G-secs. This undid half of the damage and yields headed lower by 15-20 bps. Much more needs to be done to assure there are no disruptions in the bond markets. The massive GDP contraction has already made analysts revise their GDP estimates even further into negative territory, and this too will help MPC frame its monetary policy stance towards a cut maybe in December when inflation will head below 4%. With RBI showing commitment to bring yields down, we expect 10 y yields to remain in the 5.75%-6% range.

Equity Outlook

Equity Outlook for the Month of September 2020

Indices have moved further during the month on the back of big buying by FPI's. This rally was helped by positive sentiment across the globe on the back of Fed policy which said there will be stability in rates through CY 2020 and 2021 and that the Central Bank will tolerate spike in inflation till 2%. Current inflation in the US is around 1%. Rally was despite no interest rate cut by the local Central Bank.

Nifty and Sensex gained 2.7% and 2.8% for the month to end at 11,388 and 38,628. Rally was fuelled by buying into Metal (sector index up 12.9%) and Banking sectors (sector index up 9.6%).

Rally was broad based. Mid Cap index and Small Cap index moved 7.8% and 11.8%. For the first time in the last few months we witnessed gold prices reacting. They were down 4.4%. All the Mainline indices are now on a 12 months basis in positive zone. We yet underperform the emerging market indices which are up for last 12 months by 11.9%.

Key event of the month was Central Bank (RBI) in India keeping interest rates stable with accommodative stance. It was only proved practical later when the CPI released for July 2020 came at 6.93% significantly higher than the street expectations. GDP fall came at 23.9% in between the range of 15% and 35% which many economists forecast.

Liquidity was good. Domestic institutions sold shares worth US \$ 1.5 billion while FPI's (Foreign Portfolio Investors) bought stock worth US \$ 6.4 billion.

Nifty valuations on a 12 months trailing basis is at 28 times. Margin switches by intermediaries and the spanners put by regulators against them has made volumes fall sharply. Slowly but steadily all agencies have revised their growth projections down to near about -10% for the FY 2021.

Record FDI (Foreign Direct Investment) inflows of US \$ 42 billion in the first 5 months of this year was led by Reliance Jio. The corporate had raised a lion's share of more than 2/3rds in the piece. It had helped rupee gain 3% & has contributed 38% to Nifty raise in this FY.

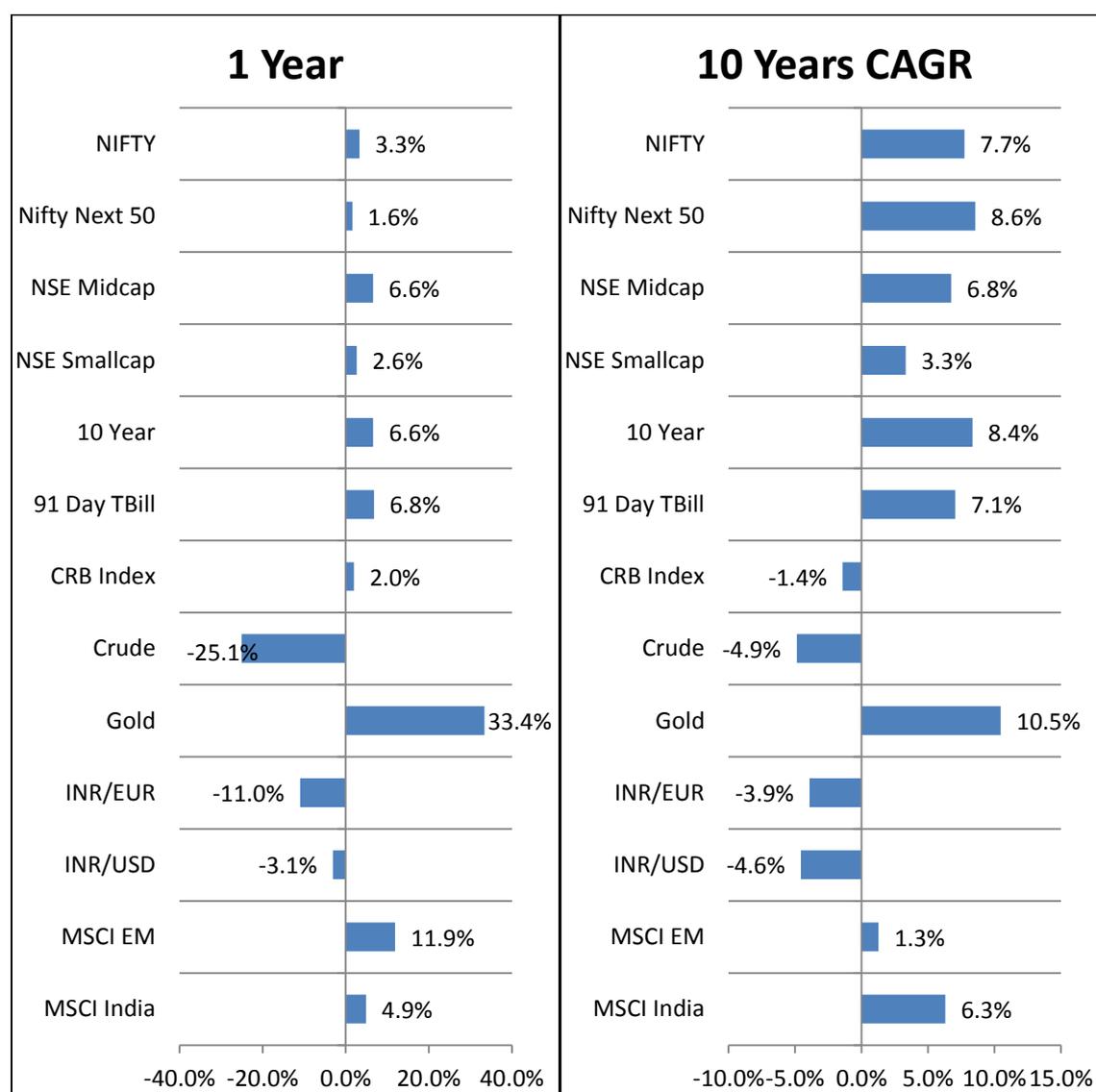
Internationally US elections on 6th of November 2020, will play important role in determining the course of the market.

We remain cautious on a near term basis given the extensions of lock down, the spread of pandemic and the final likely damage to earnings. We prefer Corporate Bond fund, Bond Optimiser, Balance Fund & the Mid Cap fund in that order.

Some annexures that help understanding numbers are enclosed.

Annexure 1

Various Asset Classes Return- Long Term returns are healthy: In Below chart, we have given returns of certain asset classes for last one year to give the recent trends and 10-year return for showing how the risk return pans out.



Source: Bloomberg

Annexure 2

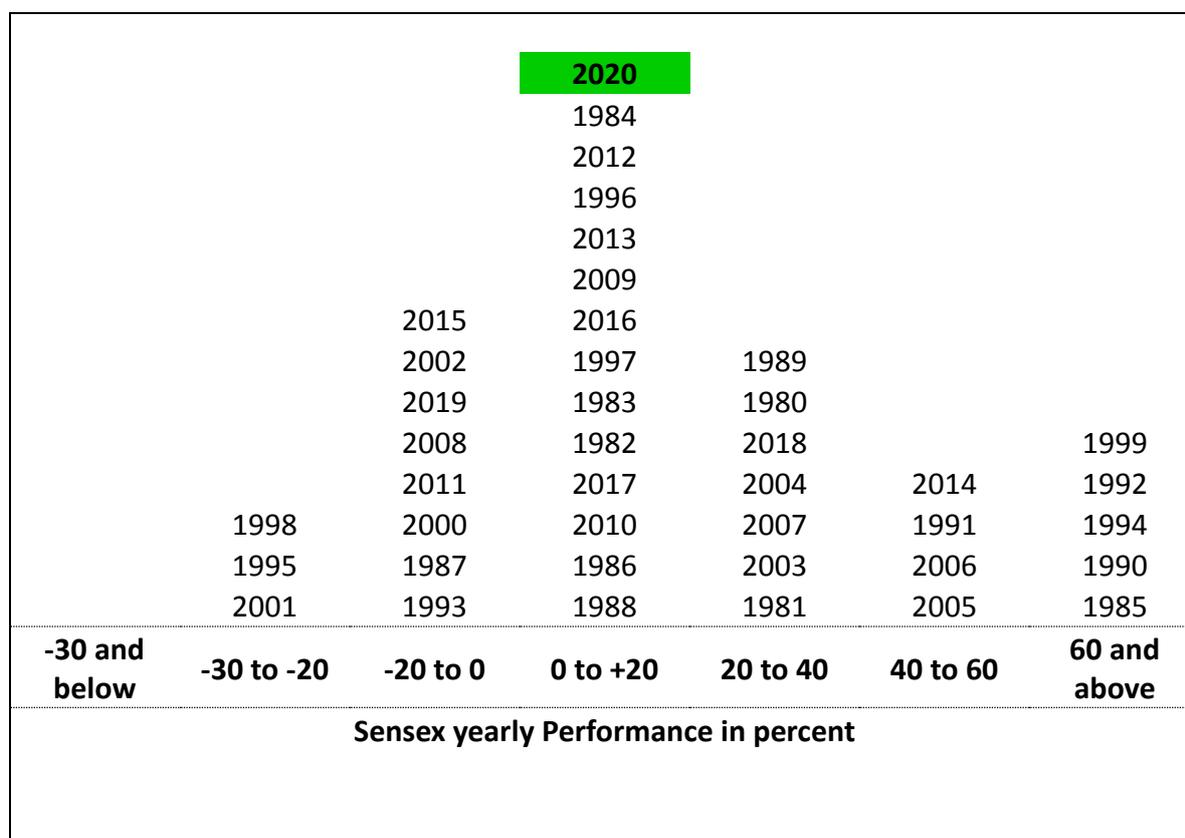
Nifty valuation table as of 31 August 2020

	31-Aug-20	1m ago	3m ago	6m ago	12m ago	10Y avg
Trailing PE ratio	28.9	28.1	21.8	23.7	23.5	20.0
12m bf PE ratio	20.7	20.8	17.3	16.4	17.1	15.6

Source: Bloomberg

Annexure 3

Probability of Index Returns August: In the below mentioned chart, we have given returns in major index for the last 41 years to explain average index returns for most of the time. This should help us understand the recent trends and long-term returns.



Source: Morgan Stanley Research

BSE Sensex (since 1980): Yearly performance +ve in August (+ve 30 out of 41 years) returns in between 0% to 20%, 15 times

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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