

## 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-Jun-20	31-May-20	Change (%)	31-Mar-20	Change (%)
₹/\$	75.51	75.62	🍃 0.15%	75.63	🍃 0.16%
Forex Res.(Bn- 1 Wk Lag)	\$ 506.84	\$ 490.04	🍃 3.43%	\$ 475.56	🍃 6.58%
Oil Price (\$/Barrel)	\$ 41.09	\$ 37.84	🍃 8.59%	\$ 23.55	🍃 74.48%
Gold (₹/10 gm)	48,304	40,989	🍃 17.85%	40,989	🍃 17.85%
<b>FII inflows (Net) - Crs (₹)</b>					
Equity (monthly)	18684	13001	🍃 43.71%	-62026	🚩 -130.12%
Debt (monthly)	-2256	-18988	🍃 88.12%	-58579	🚩 -96.15%

### Indices

Particulars	30-Jun-20	31-May-20	Change (%)	31-Mar-20	Change (%)
BSE Sensex	34,915.80	32,424.10	🍃 7.68%	29,468.49	🍃 18.49%
S&P CNX Nifty	10,302.10	9,580.30	🍃 7.53%	8,597.75	🍃 19.82%
Dow Jones Industrial Avg	25,812.88	25,383.11	🍃 1.69%	21,917.16	🍃 17.77%
FTSE 100	6,169.70	6,076.60	🍃 1.53%	5,672.00	🍃 8.77%
Hang Seng Index	24,427.19	22,961.47	🍃 6.38%	23,603.48	🍃 3.49%
Nikkei 225	22,288.14	21,877.89	🍃 1.88%	18,917.01	🍃 17.82%
B S E Realty Index	1,581.44	1,411.46	🍃 12.04%	1,353.65	🍃 16.83%
B S E Bankex	24,293.83	22,135.67	🍃 9.75%	22,050.02	🍃 10.18%
B S E Auto Index	15,275.21	14,094.69	🍃 8.38%	10,746.15	🍃 42.15%
B S E Oil & Gas Index	12,668.18	11,835.97	🍃 7.03%	10,020.85	🍃 26.42%
B S E Power Index	1,574.86	1,481.53	🍃 6.30%	1,377.95	🍃 14.29%
B S E Metal Index	7,210.02	6,805.26	🍃 5.95%	5,713.28	🍃 26.20%
B S E Information Technology Index	14,886.92	14,067.30	🍃 5.83%	12,842.72	🍃 15.92%
B S E Capital Goods Index	12,858.81	12,333.98	🍃 4.26%	10,979.45	🍃 17.12%
B S E Healthcare Index	16,262.97	15,646.40	🍃 3.94%	12,148.57	🍃 33.87%
B S E FMCG Index	11,258.33	10,897.67	🍃 3.31%	10,254.89	🍃 9.78%

### Primary Key Rates

Particulars	30-Jun-20	31-May-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	3.65%	3.70%	 -0.05%	4.30%	 -0.65%
Current Inflation Rate (WPI)	-3.21%	0.42%	 -3.63%	2.26%	 -5.47%
Current Inflation Rate (CPI) (Mar 20)	5.91%	5.91%	 0.00%	6.58%	 -0.67%
IIP (WPI) % y-o-y (Apr 20)	-55.00%	-16.70%	 -38.30%	2.00%	 -57.00%
AAA spread (bps)	57.00	68.00	 -16.18%	90.00	 -36.67%

	2016-17	2017-18	2018-19	2019-20	Q4 FY20
Real GDP % (New Growth No. by CSO)	7.10%	6.70%	6.80%	4.20%	3.10%

### Interest Rates (FIMMDA)

Particulars	30-Jun-20	31-May-20	Change (%)	31-Mar-20	Change (%)
91 days T - Bill	3.13%	3.25%	 -0.12%	4.20%	 -1.07%
364 days T - Bill	3.45%	3.40%	 0.05%	4.50%	 -1.05%
5 Years G - Sec (Annualized)	4.40%	4.58%	 -0.18%	5.40%	 -1.00%
10 Years G - Sec (Annualized)	5.89%	6.01%	 -0.12%	6.14%	 -0.25%
30 Years G - Sec (Annualized)	6.58%	6.60%	 -0.02%	6.79%	 -0.21%

-  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

## WPI & CPI data not available, so taken same as of Mar 20

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

#### June 2020; Half the year gone, half the pain left!

Benchmark 10-year treasury yields averaged at 5.83% in June 2020 (5bps lower versus the May 2020 average). On month end values, the 10Y yield increased 12bps to end the month at 5.89%. INR appreciated by 0.1% and ended the month at ₹ 75.51 / \$ in June 2020. INR significantly outperformed EM FX currencies (-0.9%) in June 2020. For the year INR (-5.5%) has significantly outperformed the broader EM FX (-11.6%). India's sovereign ratings are now at the lower end of investment grade rating across all three rating agencies while outlooks are negative from two (Moody's/Fitch) out of three agencies with S&P maintaining a stable outlook. During the month, Fitch Ratings affirmed India's sovereign ratings at BBB- while revising the outlook to negative. Moody's downgraded India's rating to Baa3 (the lowest investment grade rating and similar to BBB-), with a negative outlook. S&P re-affirmed its original rating of BBB- and maintained its stable outlook.

### India Macro movers

May 2020 Composite PMI (Purchasing Managers Index) for India improved marginally from an all-time low of 7.2 in April 2020 to 14.8 in May 2020. India's services PMI remained lackluster in May 2020, improving to just 12.6 from the record-low of 5.4 in April 2020. Similarly, the Manufacturing PMI printed at 30.8, marginally above its all-time low of 27.4 in April 2020. The print remains significantly below the print that was seen during the GFC of 44.4 (December 2008).

April 2020 IP contracted -55.5% Year on year in April 2020 (reflecting a full month of lockdown). This follows an 18.3% Year on year decline in March 2020 (which had the impact of one week of lockdown). While the collapse was across the board, certain essential sectors like electricity (-23% Year on year) and consumer non-durables (-36% Year on year) were hit less as compared to sectors like consumer durables (-96% Year on year), infra goods (-84% Year on year) and capital goods (-92% Year on year) which recorded large declines.

May 2020 CPI inflation was not released due to data compilation difficulties similar to April 2020. However, there was a limited release, which comprised 69% of the CPI basket, largely comprising of food. Aggregate food prices, after rising sharply in April 2020 (+1.2% month on month) eased in May 2020 (-0.4% month on month). Softening of food inflation in May 2020 was broad-based. On a Year on year basis, food inflation eased from 8.6% in April 2020 to 7.4% in May 2020.

India's monthly trade deficit for May 2020 came in at US \$ 3.2 billion and declined by US \$ 3.6 billion month on month. The print was meaningfully below consensus expectations (US \$ 7.1 billion). Merchandise exports were down 36% on year ago in May 2020 (versus a 60% decline in April 2020) and imports were down 51% on year ago in May 2020 (versus a 59% decline in April 2020).

Cumulative rainfall is +13% above long-period average (LPA) levels on an aggregate basis in the month of June 2020 as the monsoon season has covered the nation ahead of schedule. Out of the 36 meteorological subdivisions, rainfall has so far been excess/normal in 32 meteorological subdivisions and deficient in four.

### **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, re-affirmation of Phase-1 trade deal between the US and China, and central bank liquidity intact, offset by concerns about a second wave of infections from the spread of COVID-19 and US-China tensions after imposition of a National Security Law in Hong Kong.

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 median FOMC (Federal Open Market Committee) participant now expects that the Fed funds rate target will be unchanged through the end of 2022. 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. US 10Y yields are at 0.66% (flat in 1M, -135bps over the last 1 year).

### **Outlook**

Markets remain hopeful with more OMO (Open Market Operations) announcements as last week saw a ₹ 10000 crs of OMO twist first time in FY 2021. With more than ₹ 1.3 lac crs of T-bill secondary market purchases, RBI can continue to do OMO twists by selling T-bills and buying dated G-secs. This can keep a lid on bond yields. Credit growth keeps inching lower at around 6%, and with rising deposit growths PSU (Public Sector Undertaking) banks could continue to add G-secs, already SLR investments have risen from 24% in March 2020 to around 27% in June 2020. So if this continues we could see yields falling more. 2s-10s and 5s-10s spreads on the G-sec curve look so attractive now against 5 year averages, making the 10 yr yields look cheap at current levels. Growth has recovered but high frequency data and PMIs show overall recovery is muted and FY 2021 growth could be -5% or worse. This keeps rate cut hopes alive of 50 bps or more. Govt.

spending has come off in May 2020 but fiscal deficit worries will keep the pressure on for bond yields but that can come off if RBI intervenes through massive OMO purchases.

## **Equity Outlook**

### **Equity Outlook for the month of July, 2020**

It was sheer liquidity that explained the extension of rally that began in April 2020 and had no connection to the underlying fundamentals, the slowdown and the earnings.

While Index gained 7.5% in the month of June 2020. Other factors that helped Index move include lifting of lockdown across the globe, negative real return & debt as asset class giving low returns. Nifty ended at 10302.

This month the broader indices came back. Return to the mean was playing off. Whilst the worst was feared for NSE Mid Cap & Small Cap because of their vulnerability of size, both indices went up the most. NSE Midcap shot up 10.25% and NSE small cap was up 15.3%. Our underperformance versus other global markets also played the catch up game. Only Brazil with a monthly return of 9.5% gained better than Indian benchmark.

India lost its position on the stringency index due to not so strict implementation of lockdown though it was imposed early. Indian index that slipped in terms of ranking compared to others is given in the annexure enclosed. Community spread of Covid 19 had pushed India's hopes of early lifting of lockdown. Annexure detailing country's growing number of cases is enclosed in the annexure.

Moody's revised its rating for the country from Baa3 to Baa2 maintained Negative Outlook. Fitch revised rating Outlook to Negative from Stable but maintained its Rating to BBB-.

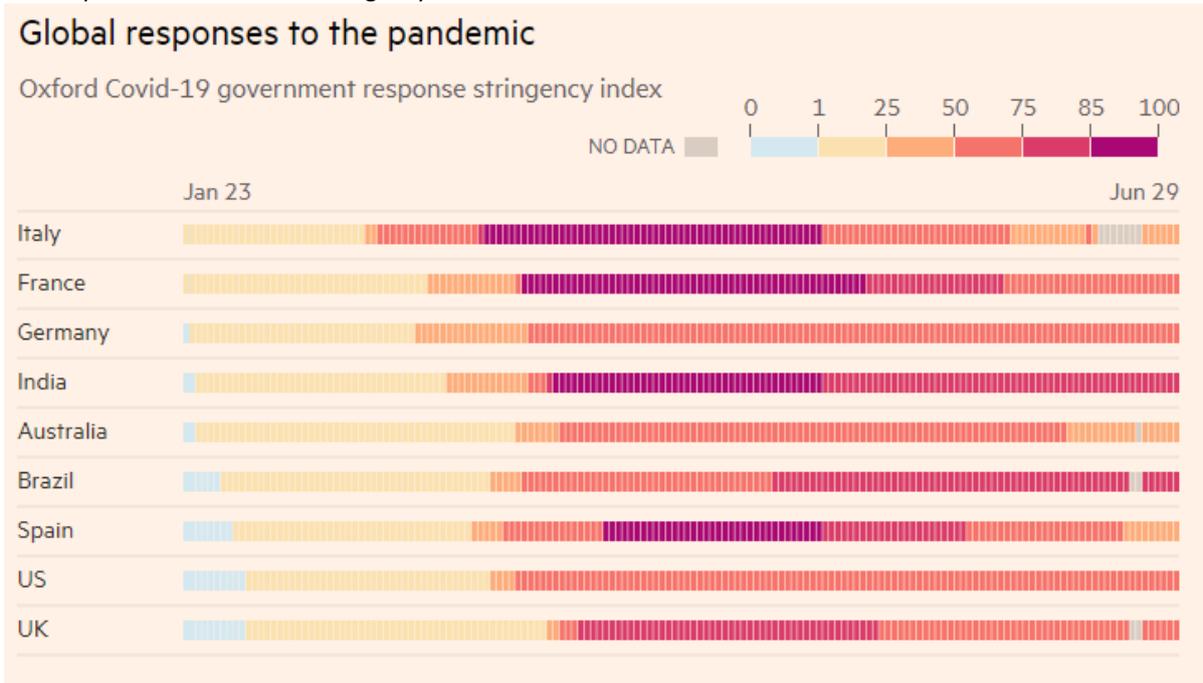
Liquidity was abundant. During the month of June 2020 the FPI's (Foreign Portfolio Investors) bought stocks worth US \$ 2.7 billion in the secondary market. Mutual Funds have sold stocks worth US \$ 493 million while Insurance companies bought stocks worth US \$ 319 million during the month resulting in US \$ 88 million of net selling by domestics.

Current account went into a surplus of US \$ 0.6 billion for Quarter ending March 2020.

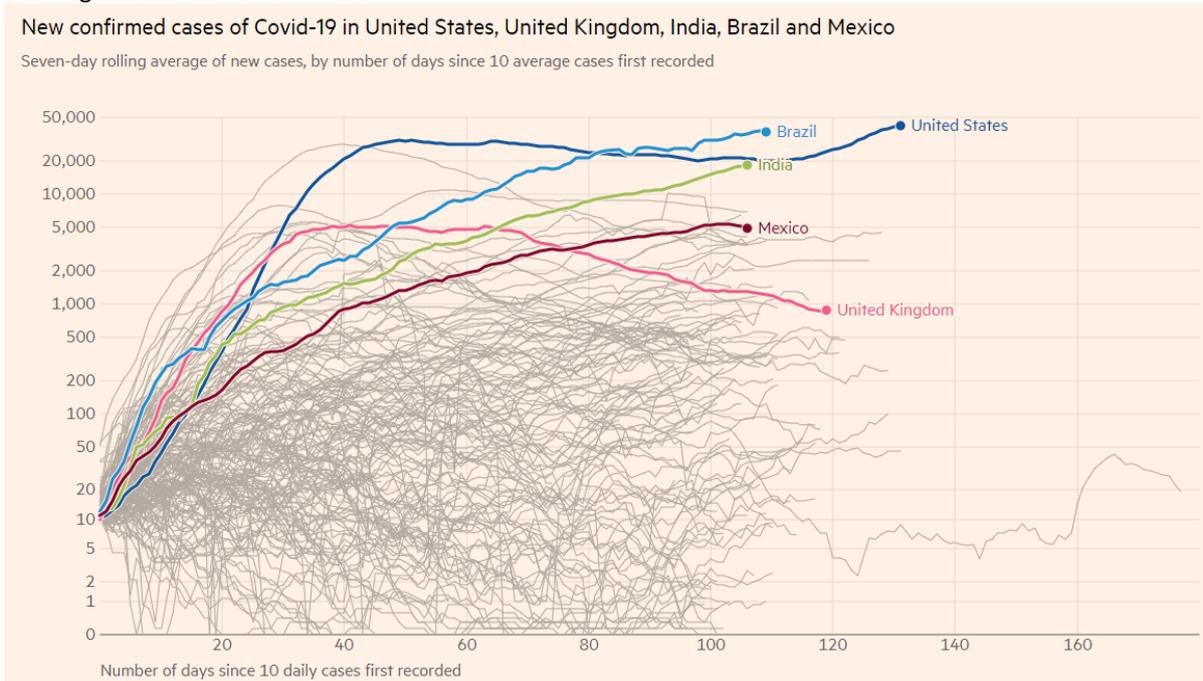
Economy is not back to normal. A chart that SBI research had prepared is annexed. Of the 40 indicators that they chart, only 14% are showing signs of acceleration and this is up from 8%.

Markets have clearly run ahead of fundamentals. However such is the nature of markets. With 12 months trailing PE of 20 times and no growth expected in earnings for FY 2021 it looks expensive. We will trade cautiously.

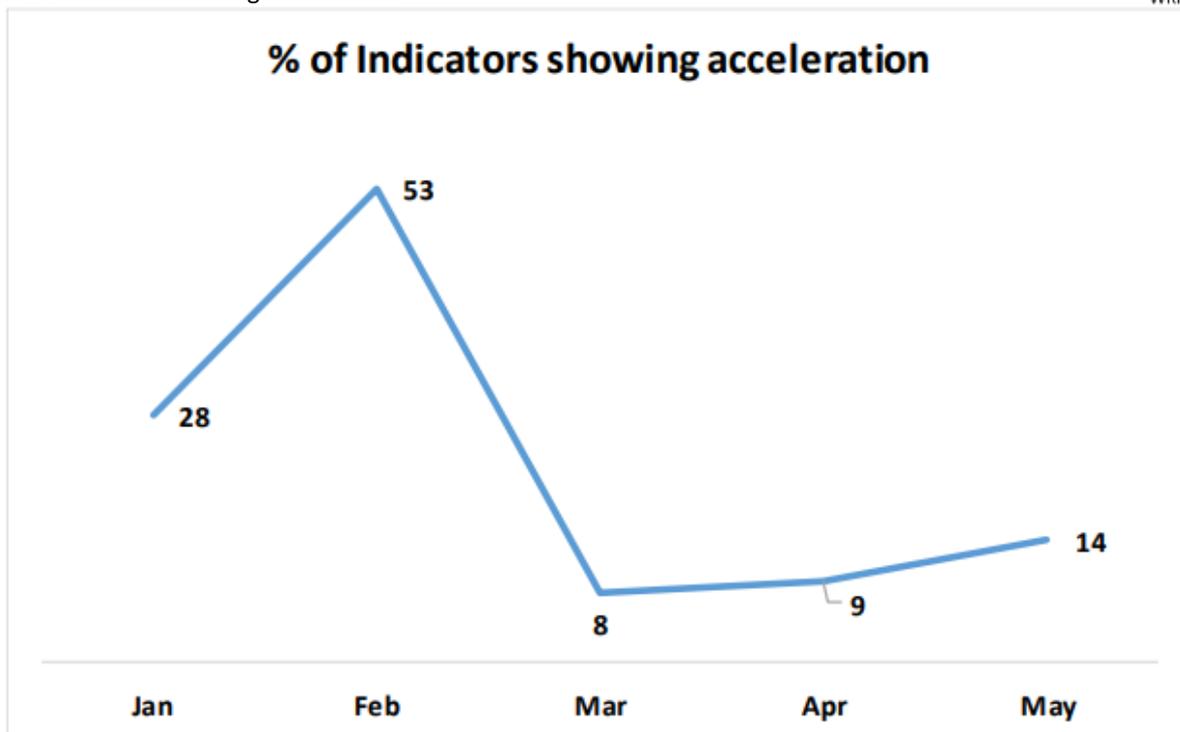
India slips in terms of Global Stringency Index



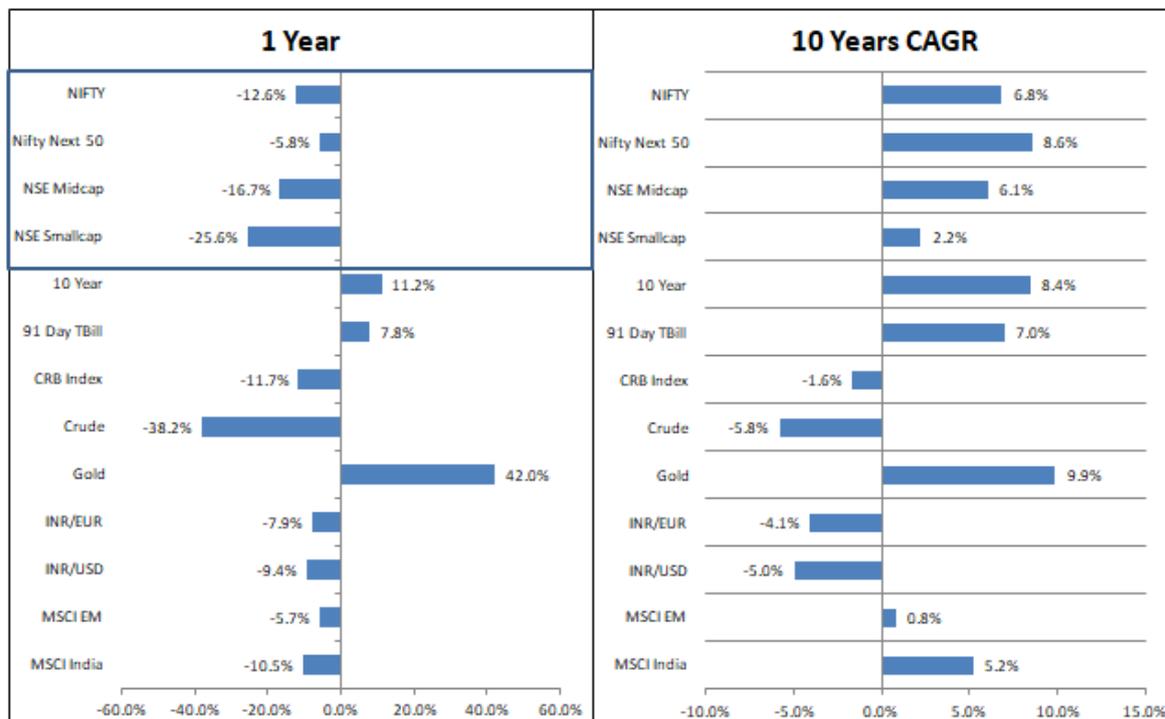
Growing cases of Covid 19 in India



SBI % indicators showing acceleration



## Asset Return- LT returns will mean revert



As on 30<sup>th</sup> Jun 2020



### **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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- 1) This newsletter only gives an overview of economy and should not be construed as financial advice
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