

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-Oct-19	30-Sep-19	Change (%)	31-Mar-19	Change (%)
₹/\$	70.93	70.87	▶ -0.08%	69.16	▶ -2.56%
Forex Res.(Bn- 1 Wk Lag)	\$ 442.58	\$ 428.57	▶ 3.27%	\$ 406.67	▶ 8.83%
Oil Price (\$/Barrel)	\$ 60.67	\$ 61.05	▶ -0.62%	\$ 68.39	▶ -11.29%
Gold (₹/10 gm)	38,650	37,572	▶ 2.87%	31,854	▶ 21.33%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	14657	6979	▶ 110.02%	33189	▶ -55.84%
Debt (monthly)	4126	-5903	▶ 169.90%	14408	▶ -71.36%

Indices

Particulars	31-Oct-19	30-Sep-19	Change (%)	31-Mar-19	Change (%)
BSE Sensex	40,129.05	38,667.33	▶ 3.78%	38,672.91	▶ 3.77%
S&P CNX Nifty	11,877.45	11,477.25	▶ 3.49%	11,623.90	▶ 2.18%
Dow Jones Industrial Avg	27,046.23	26,916.83	▶ 0.48%	25,928.68	▶ 4.31%
FTSE 100	7,248.40	7,408.20	▶ -2.16%	7,279.20	▶ -0.42%
Hang Seng Index	26,906.72	26,092.27	▶ 3.12%	29,051.36	▶ -7.38%
Nikkei 225	22,927.04	21,755.84	▶ 5.38%	21,205.81	▶ 8.12%
BSE Auto Index	18,945.63	16,761.78	▶ 13.03%	18,824.89	▶ 0.64%
BSE Oil & Gas Index	15,734.75	14,642.13	▶ 7.46%	15,269.70	▶ 3.05%
BSE Healthcare Index	13,229.05	12,493.53	▶ 5.89%	14,407.89	▶ -8.18%
BSE Realty Index	2,062.95	1,978.01	▶ 4.29%	2,077.09	▶ -0.68%
BSE FMCG Index	12,245.94	11,766.98	▶ 4.07%	11,741.51	▶ 4.30%
BSE Bankex	33,924.81	32,889.09	▶ 3.15%	34,141.94	▶ -0.64%
BSE Power Index	1,986.56	1,934.40	▶ 2.70%	2,034.41	▶ -2.35%
BSE Metal Index	9,305.46	9,085.65	▶ 2.42%	11,355.12	▶ -18.05%
BSE Capital Goods Index	18,823.14	18,695.27	▶ 0.68%	18,471.99	▶ 1.90%
BSE Information Technology Index	15,392.04	15,669.92	▶ -1.77%	15,280.30	▶ 0.73%

Primary Key Rates

Particulars	31-Oct-19	30-Sep-19	Change (%)	31-Mar-19	Change (%)
Repo Rate*	5.15%	5.40%	▶ -0.25%	6.25%	▶ -1.10%
Reverse Repo Rate**	4.90%	5.15%	▶ -0.25%	6.00%	▶ -1.10%
CRR#	4.00%	4.00%	▶ 0.00%	4.00%	▶ 0.00%
SLR *#	18.50%	18.75%	▶ -0.25%	19.25%	▶ -0.75%
Call money rate	5.20%	5.30%	▶ -0.10%	6.35%	▶ -1.15%
Current Inflation Rate (WPI)	0.33%	1.08%	▶ -0.75%	2.93%	▶ -2.60%
Current Inflation Rate (CPI) (Sept 19)	3.99%	3.20%	▶ 0.79%	2.57%	▶ 1.42%
IIP (WPI) % y-o-y (Aug 19)	-1.10%	4.30%	▶ -5.40%	1.70%	▶ -2.80%
AAA spread (bps)	77.00	90.00	▶ -14.44%	61.00	▶ 26.23%

	2016-17	2017-18	2018-19	Q4 FY19	Q1 FY20
Real GDP % (New Growth No. by CSO)	7.10%	6.70%	6.80%	5.80%	5.00%

Interest Rates (FIMMDA)

Particulars	31-Oct-19	30-Sep-19	Change (%)	31-Mar-19	Change (%)
91 days T - Bill	5.02%	5.32%	▶ -0.30%	6.12%	▶ -1.10%
364 days T - Bill	5.27%	5.53%	▶ -0.26%	6.43%	▶ -1.16%
5 Years G - Sec (Annualized)	6.04%	6.25%	▶ -0.21%	6.85%	▶ -0.81%
10 Years G - Sec (Annualized)	6.45%	6.70%	▶ -0.25%	7.35%	▶ -0.90%
30 Years G - Sec (Annualized)	7.09%	7.15%	▶ -0.06%	7.60%	▶ -0.52%

-  No change
-  Negative change
-  Positive change

* w.e.f Oct 04, 2019

** w.e.f Oct 04, 2019

w.e.f Feb 09, 2013

*# w.e.f Oct 04, 2019

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

Debt Market Outlook for the Month of November, 2019

The month of October 2019 saw yields reverse back home and across many nations globally too this was the case. Better economic data globally and fiscal risks domestically led to reversal of bond yields. Slowing growth and expected easy monetary policy as a result especially in the US helped the bonds rally. Fear of a recession in the developed economies also started rising. The Finance Ministry in India was hinting at fiscal stimuli to boost domestic demand and this has kept bonds yields higher.

The movement in yield and other key indicators are as under:

Instrument	Mar' 19	Sept' 19	Oct' 19	M-O-M Change	YTD Change
10 Yr G-sec	7.35%	6.70%	6.45%	-0.25%	-0.90%
30 Yr G-sec	7.60%	7.15%	7.09%	-0.06%	-0.51%
3 Yr AAA Bond	7.85%	6.95%	6.75%	-0.20%	-1.10%
5 Yr AAA Bond	7.95%	7.35%	7.20%	-0.15%	-0.75%
10 Yr AAA Bond	8.25%	7.70%	7.65%	-0.05%	-0.60%
364 Days T-bill	6.43%	5.53%	5.27%	-0.26%	-1.16%
91 Days T-bill	6.12%	5.32%	5.02%	-0.30%	-1.10%
1Yr Certificate of Deposit	7.00%	6.30%	5.90%	-0.40%	-1.10%
Credit spreads bps	61	90	77	-13	16
Crude \$/barrel	68.39	61.05	60.67	\$ -0.38	\$ -7.72
USD / INR	69.16	70.87	70.93	₹ -0.06	₹ 1.77

Macro Indicators:

India's retail price inflation rate stood at 3.99% year-on-year in September 2019, much higher than previous month's 3.21% and slightly higher than market expectations of 3.8%. Inflation remained below the Reserve Bank of India's medium-term target of 4% for the 14th consecutive month. Wholesale prices in India rose by 0.33% year-on-year in September 2019, falling from 1.08% gain in the previous month

India's industrial production contracted by 1.1% year on year in August 2019. This is against a solid 4.3% growth last month. The IHS Markit India Manufacturing PMI (Purchasing Managers Index) dropped to 50.6 in October 2019 from 51.4 in the previous month. The latest reading pointed to the weakest pace of expansion in the manufacturing sector since October 2017.

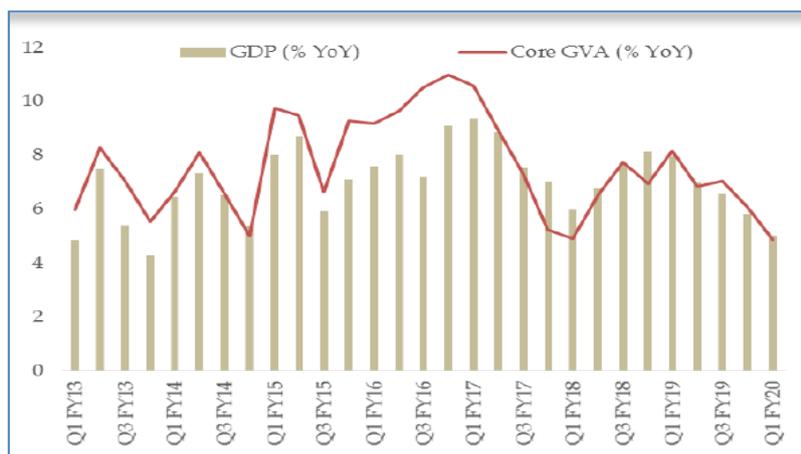
Exports contracted by 6.6% against 6% last month, while imports fell sharply by 13.8% against 13.4% last month. Trade deficit narrowed to US \$ 10.9 billion against US \$ 13.4 billion last month.

Around the World:

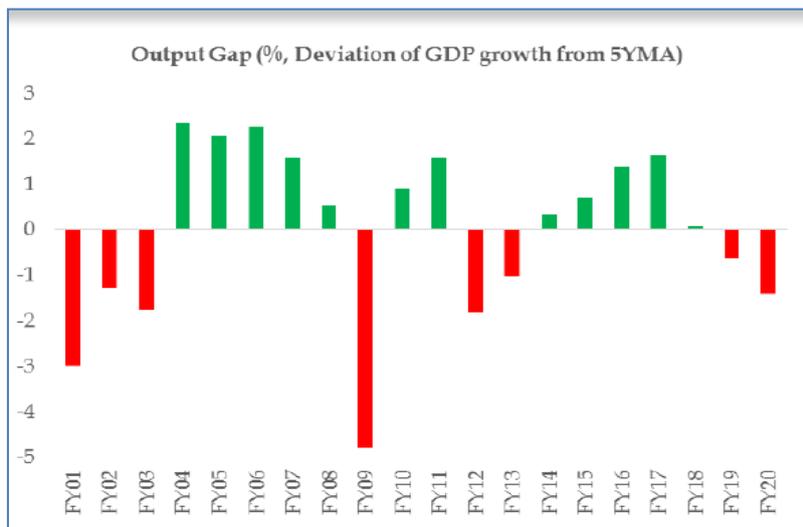
US Fed cut rates in October 2019 as expected by 25 bps making it the third consecutive cut but Powell continued to refer to it as just a mid-cycle adjustment. But markets haven't started factoring any of this and continue to expect another 25 bps of rate cuts over the next 12 months. However, the chances of December 2019 rate cut have slimmed down. Bond yields in US rose but stayed protected from a surge after believing that Fed (Federal Reserve) will maintain a pause for a long time. Germany of all countries also has started seeing some improved data and bond yields across developed markets are on the rise assuming monetary policy might not get much easier.

Debt Outlook:

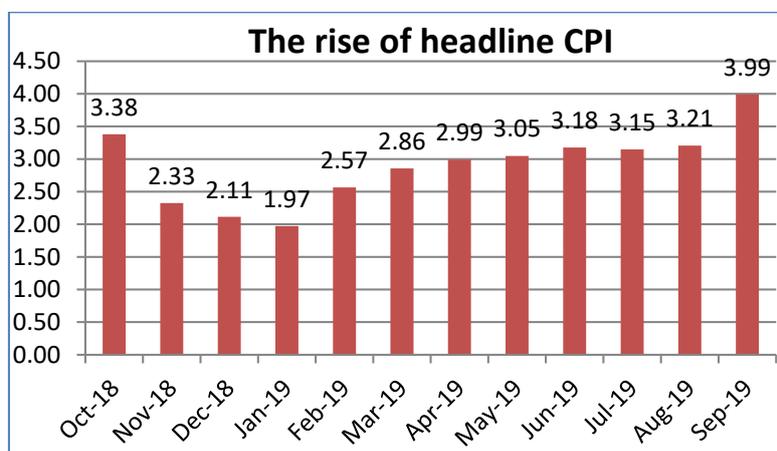
The bond yields in India fell marginally by 5 bps this month. Globally too bonds hardly moved much over the month after falling and rising again during the course of the month. RBI cut Repo rate by 25 bps which was in line with expectations and even kept the language and tone dovish by stating that there could be more as long as growth was the main priority. The central bank was not paying any attention to fiscal worries despite the announcement of the corporate tax cut. It also was not expressing any fear over the rise of crude oil price or domestic food inflation and believed November 2019 and December 2019 will see moderation. The second half of FY 2020 will have much lesser bond supply and this along with some rate cut expectations could help bond yields lower but the global rise of bond yields and continued fiscal pressures as we approach 2019 end will keep pushing yields higher at every instant. FPI (Foreign Portfolio Investment) and PSU bank's buying also would emerge at higher yields and all these factors together could keep the 10 Yr yield in a range between 6.55% and 6.75% (7.26% GOI 2029).



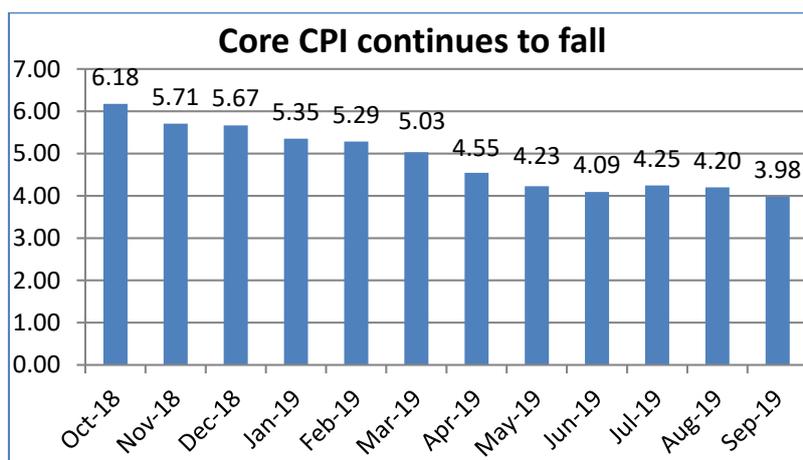
The growth numbers have been disappointing quarter on quarter



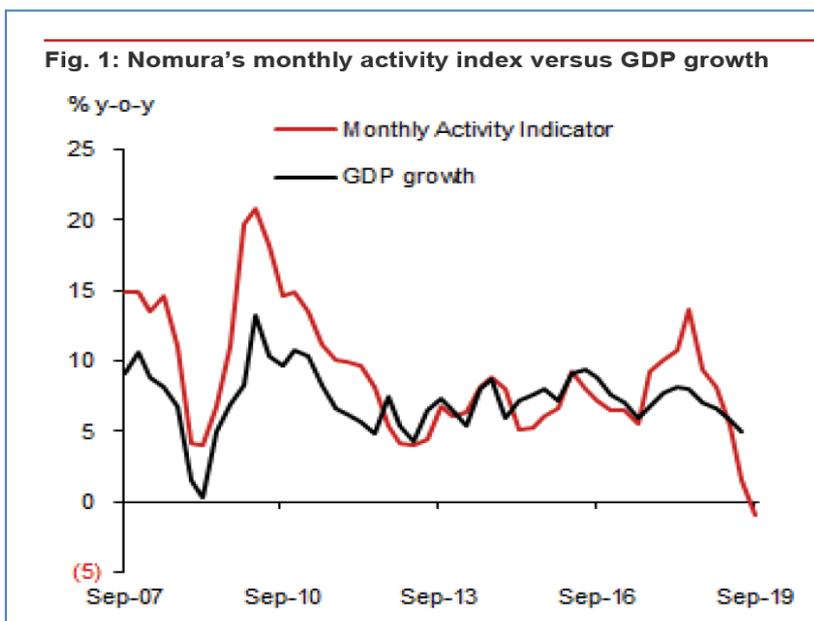
And this has led to a wider output gap



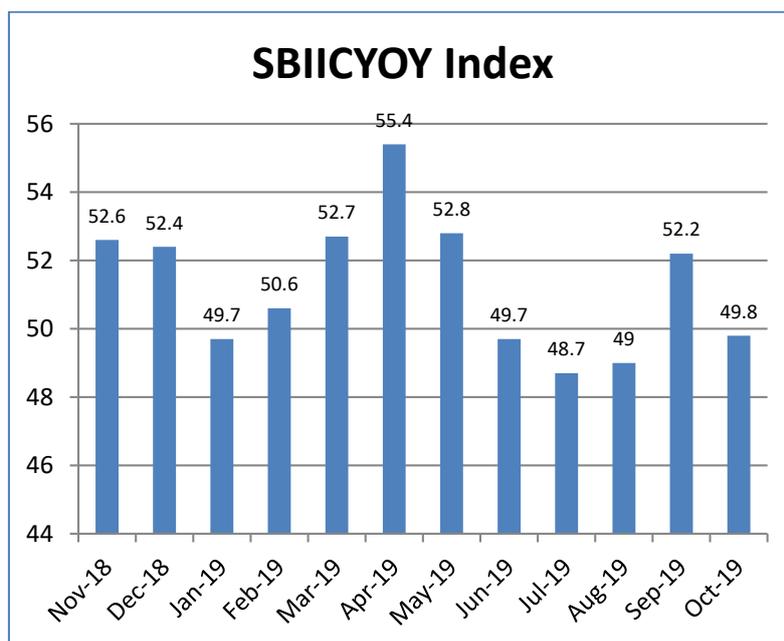
With Inflation under 4% and

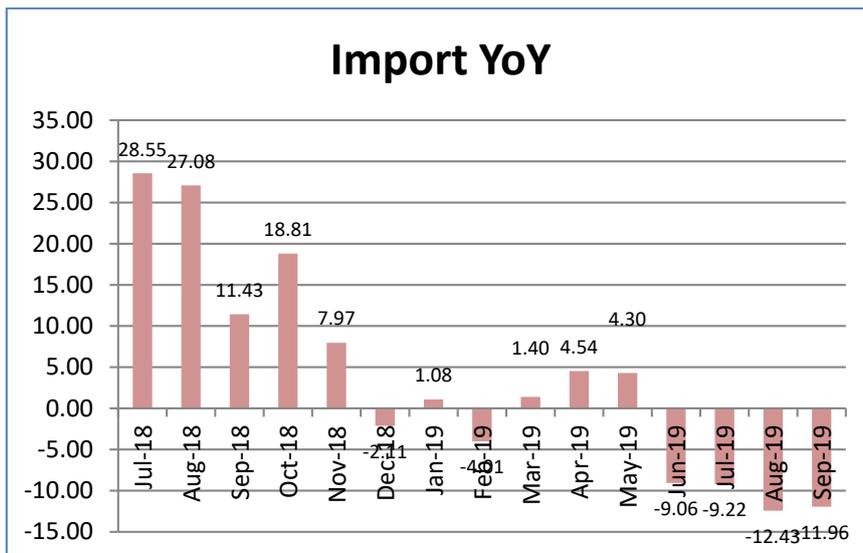


Core CPI also easing RBI will be ready to provide more monetary easing.

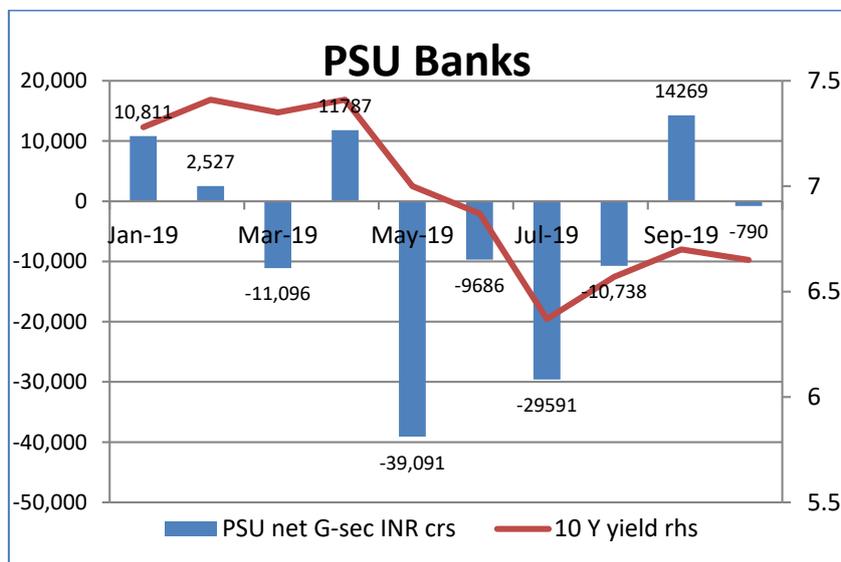


In the charts on top we see how much growth has been affected and even the outlook remains pessimistic. Indices compiled by Nomura and SBI show that weak growth could continue.

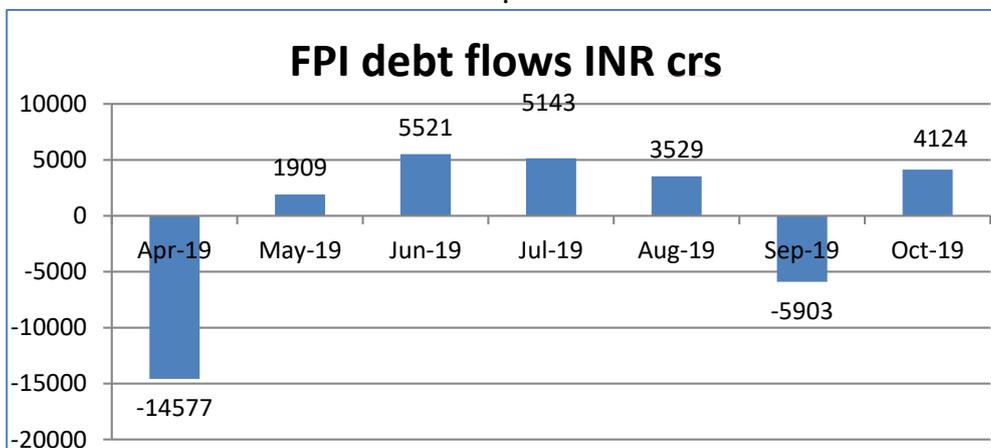




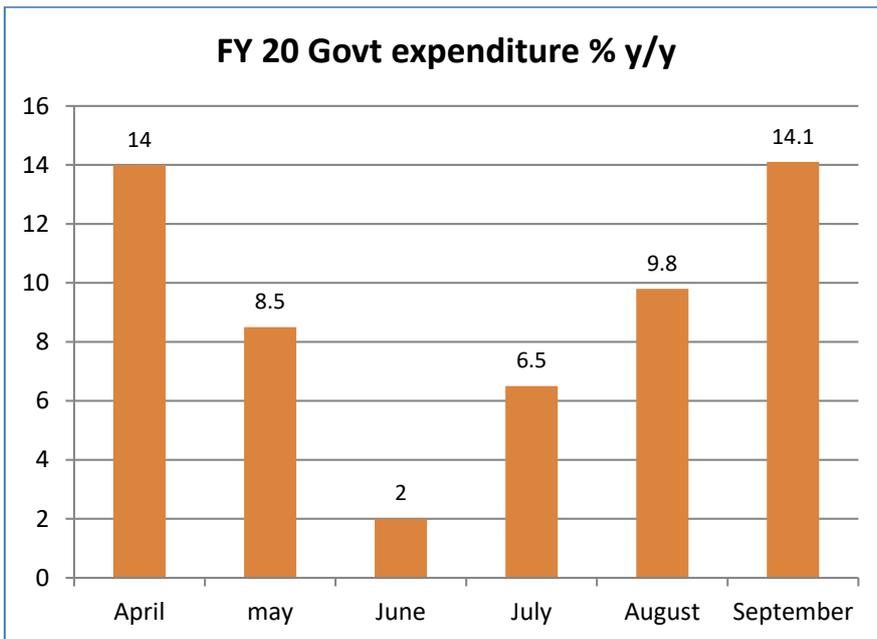
Even the imports contraction for four consecutive months delivers the same message of weakness.



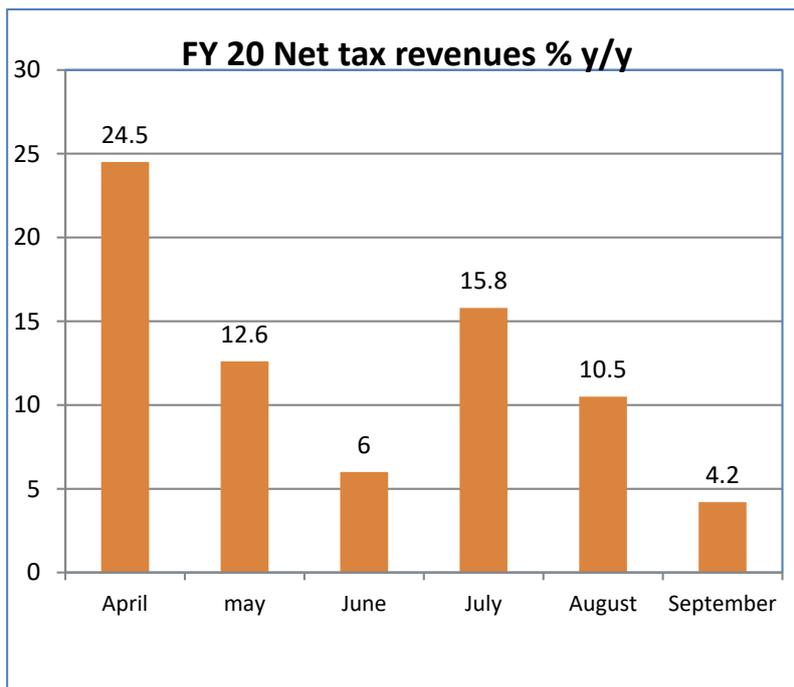
PSU banks start becoming buyers as yields rise.



FPIs also have started buying Indian bonds. This can act as a support when yields rise.



Rising govt expenditure will add to the fiscal stress



Falling net tax revenues is a big risk for fiscal deficit

Equity Outlook

Equity market outlook for the month of November, 2019

Sensex gave a return of 3.78% to end at 40129 on the back of risk on rally that took place last month. Key reasons include a. Corporate tax cuts b. quarterly results that came in which were better than the expectations and c. automobile sale for festive season that came better than expected. Overall rally was broad based. Mid cap index moved 4.2%. Short covering was seen in Yes Bank (moved 70% for the month) & Tata Motors (moved 51% for the month).

Returns would have been better but for fall in Infosys (6.3% weight in Sensex) by 14.9% during the month. Teck Index lost 4.3% and was the only sector index to loose for the month. Automobile index gained 12.75% on the back of surprise growth in festive season sales. Oil and Gas index and PSU Banking index moved 6% and 5% each respectively.

Events were mixed internationally. Brexit was a likely event but went without conclusion before the deadline of 31/10/2019. Moody's cut forecast global growth for 2020. Fed cut interest rates by 25 basis points.

India's central bank, the RBI, cut interest rates by 25 basis points. This is the fourth cut this Financial Year and 5th in the Calendar year. It stands at 5.15% today. For the last one year the cut has been to the extent of 1.35%.

Liquidity was ample. FPI's bought stocks worth US \$ 1.8 billion. Domestic Institutions were buyers too. They bought stocks worth US \$ 656 million. CPI inflation spiked to 3.99% in September 2019 versus 3.2% in August 2019. WPI came at 0.3% versus 1.1% for the same period. IIP growth was Negative 1.1% for August 2019.

We remain positive on the markets. IIP indicates a probable fall in GDP (Gross Domestic Product). A likely tax reforms on personnel tax, impact of good results (September 2019) and likely better numbers for December 2019 quarter, positive effect of 1.35% cut in interest rates (likely one more) & better than expected monsoon should play its role in stemming the fall that dragged for a long time.

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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