

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-Jul-19	30-Jun-19	Change (%)	31-Mar-19	Change (%)
₹/\$	68.80	69.03	▶ 0.33%	69.16	▶ 0.52%
Forex Res.(Bn- 1 Wk Lag)	\$ 429.65	\$ 426.42	▶ 0.76%	\$ 406.67	▶ 5.65%
Oil Price (\$/Barrel)	\$ 65.17	\$ 64.74	▶ 0.66%	\$ 68.39	▶ -4.71%
Gold (₹/10 gm)	34,805	34,006	▶ 2.35%	31,854	▶ 9.26%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-13316	1033	▶ -1389.06%	33189	▶ -140.12%
Debt (monthly)	5450	6114	▶ -10.86%	14408	▶ -62.17%

Indices

Particulars	31-Jul-19	30-Jun-19	Change (%)	31-Mar-19	Change (%)
BSE Sensex	37,481.12	39,394.64	▶ -4.86%	38,672.91	▶ -3.08%
S&P CNX Nifty	11,118.00	11,788.85	▶ -5.69%	11,623.90	▶ -4.35%
Dow Jones Industrial Avg	26,864.27	26,599.96	▶ 0.99%	25,928.68	▶ 3.61%
FTSE 100	7,586.80	7,425.60	▶ 2.17%	7,279.20	▶ 4.23%
Hang Seng Index	27,777.75	28,542.62	▶ -2.68%	29,051.36	▶ -4.38%
Nikkei 225	21,521.53	21,275.92	▶ 1.15%	21,205.81	▶ 1.49%
B S E Information Technology Index	15,733.49	15,654.11	▶ 0.51%	15,280.30	▶ 2.97%
B S E Healthcare Index	12,704.38	12,889.34	▶ -1.43%	14,407.89	▶ -11.82%
B S E FMCG Index	11,062.33	11,361.92	▶ -2.64%	11,741.51	▶ -5.78%
B S E Power Index	1,966.31	2,093.86	▶ -6.09%	2,034.41	▶ -3.35%
B S E Realty Index	2,067.13	2,201.44	▶ -6.10%	2,077.09	▶ -0.48%
B S E Bankex	32,689.44	34,971.86	▶ -6.53%	34,141.94	▶ -4.25%
B S E Oil & Gas Index	13,236.95	14,803.26	▶ -10.58%	15,269.70	▶ -13.31%
B S E Capital Goods Index	17,555.91	19,855.41	▶ -11.58%	18,471.99	▶ -4.96%
B S E Metal Index	9,685.46	11,107.22	▶ -12.80%	11,355.12	▶ -14.70%
B S E Auto Index	15,472.03	17,904.15	▶ -13.58%	18,824.89	▶ -17.81%

Primary Key Rates

Particulars	31-Jul-19	30-Jun-19	Change (%)	31-Mar-19	Change (%)
Repo Rate*	5.75%	5.75%	▶ 0.00%	6.25%	▶ -0.50%
Reverse Repo Rate**	5.50%	5.50%	▶ 0.00%	6.00%	▶ -0.50%
CRR#	4.00%	4.00%	▶ 0.00%	4.00%	▶ 0.00%
SLR *#	18.75%	19.00%	▶ -0.25%	19.25%	▶ -0.50%
Call money rate	5.50%	5.55%	▶ -0.05%	6.35%	▶ -0.85%
Current Inflation Rate (WPI)	2.02%	2.45%	▶ -0.43%	2.93%	▶ -0.91%
Current Inflation Rate (CPI) (Jun 19)	3.18%	3.05%	▶ 0.13%	2.57%	▶ 0.61%
IIP (WPI) % y-o-y (May 19)	3.10%	3.40%	▶ -0.30%	1.70%	▶ 1.40%
AAA spread (bps)	100.00	85.00	▶ 17.65%	61.00	▶ 63.93%

	2015-16	2016-17	2017-18	2018-19	Q4 FY19
Real GDP % (New Growth No. by CSO)	7.60%	7.10%	6.70%	6.80%	5.80%

Interest Rates (FIMMDA)

Particulars	31-Jul-19	30-Jun-19	Change (%)	31-Mar-19	Change (%)
91 days T - Bill	5.58%	5.96%	▶ -0.38%	6.12%	▶ -0.54%
364 days T - Bill	6.05%	6.17%	▶ -0.12%	6.43%	▶ -0.38%
5 Years G - Sec (Annualized)	6.24%	6.65%	▶ -0.41%	6.85%	▶ -0.60%
10 Years G - Sec (Annualized)	6.37%	6.88%	▶ -0.51%	7.35%	▶ -0.98%
30 Years G - Sec (Annualized)	6.85%	7.08%	▶ -0.23%	7.60%	▶ -0.76%

-  No change
-  Negative change
-  Positive change

* w.e.f Jun 04, 2019

** w.e.f Jun 04, 2019

w.e.f Feb 09, 2013

*# w.e.f Jul 06, 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

The domino effect!

The month of July 2019 saw a yields tumbling in India as well as on a global level. 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. A very promising Union budget with fiscal consolidation being the continued theme and some prospects of offshore sovereign bond issuance helped yields fall.

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

Instrument	Mar' 19	Jun' 19	Jul' 19	M-O-M Change	YTD Change
10 Yr G-sec	7.35%	6.88%	6.37%	-0.51%	-0.98%
30 Yr G-sec	7.60%	7.08%	6.85%	-0.23%	-0.75%
3 Yr AAA Bond	7.85%	7.30%	7.30%	0.00%	-0.55%
5 Yr AAA Bond	7.95%	7.40%	7.35%	-0.05%	-0.60%
10 Yr AAA Bond	8.25%	7.87%	7.48%	-0.39%	-0.77%
364 Days T-bill	6.43%	6.17%	6.05%	-0.12%	-0.38%
91 Days T-bill	6.12%	5.96%	5.58%	-0.38%	-0.54%
1Yr Certificate of Deposit	7.00%	6.70%	6.50%	-0.20%	-0.50%
Credit spreads bps	61	85	100	15	39
Crude \$/barrel	68.39	64.74	65.17	\$ 0.43	\$ -3.22
USD / INR	69.16	69.03	68.8	₹ -0.23	₹ -0.36

Macro Indicators:

Headline CPI remained flat at 3.2% year on year in June 19 (versus consensus estimates of 3.1%). Headline inflation remains well below the RBI's 4% target. Food prices rose sequentially for a seventh consecutive month, increasing by 0.1% month on month in June 2019, taking year-on-year food inflation to 2.4% year on year in June 2019 from 2.0% year on year in May 2019. WPI inflation for June 2019 at 2.0% year on year (versus 2.5% in May 2019) came below expectations.

May 2019 industrial production came slightly above expectations at 3.1% year on year (consensus: 2.9% year on year) but was lower than the 4.3% print in April 2019. All the sub-segments reported slower growth in May 2019: Primary Goods (+2.5%), Intermediate Goods (+0.6%), Infrastructure Goods (+5.5%) and Capital Goods (+0.8%). The Nikkei India Manufacturing PMI (Purchasing Managers Index) came marginally higher at 52.5 in July 2019 from 52.1 in June 2019. The Nikkei services PMI rose sharply with a 53.8 number against 49.6 last

month. India's monthly trade deficit declined marginally to US \$ 15.3 billion in June 2019 (versus US \$ 15.4 billion in May 2019), but came higher than consensus expectations of US \$ 15.0 billion. Exports were down -9.7% on year ago while imports were down -9.1%. Gold imports for June 2019 rose +13%. The internals of the trade report were disappointing reinforcing the global and domestic growth slowdown.

Around the World:

US Fed cut interest rate by 25bp and signaled that future policy decisions will be more data dependent. The Fed also ended its balance sheet run-off, two months ahead of schedule. The future policy signaling was apparently more hawkish than the market was anticipating. Powell characterized the move as a "mid-cycle adjustment to policy" in contrast to "the beginning of a lengthy cutting cycle". US real GDP growth slowed to a 2.1% in 2Q 2019 from 3.1% in 1Q, although the print came better than expectations (cons: 1.8%). In the Euro area, our economists note that the continued weakness in survey data, particularly the extreme weakness in German manufacturing, raises concerns over the growth outlook. Overall, the manufacturing PMI points to German industrial production contracting at a 2-3% pace and orders falling at a 5% pace. Central Banks in Australia and New Zealand have cut aggressively with Asian central banks also following suit.

After the last ECB (European Central Bank) policy meeting which highlighted tasking committees to look into options on forward guidance, mitigating measures on rates. China is also expected to witness monetary easing soon.

Debt Outlook:

The bond yields in India fell by 51 bps this month and this was a huge rally. The global fall in bond yields played a massive role in easing in India as well. RBI reacted in accordance with easing global yields as they cut Repo rate by 35 bps (against the usual 25 bps). With a global slowdown becoming increasingly visible and The US Fed offering its first rate cut in a decade, markets are pricing in 3 more cuts and this would only pull yields lower in EM (Emerging Markets) economies as well. Even if the offshore sovereign bond issuance is postponed for now, the markets gain confidence from RBIs statements that OMO (Open Market Operations) purchases would be used to provide sufficient liquidity to markets. There is strong chance that RBI would cut interest rates as and when with developed economies' Central Banks look to ease monetary policy stance. We expect 10 Yr to trade between 6.2% and 6.4% in the coming month.

Equity Outlook

Equity Market outlook for August, 2019

Nifty index gave a return of -5.6% for the month of July, 2019. Markets fell with overall weakness depicted by Indian Economic indicators like Growth, slump in Auto monthly numbers, international trade talks showing no signs of improvement and large downgrade in earnings of top line stocks that declared results.

Broader markets were showing weaker trends. Nifty Midcap index fell 10.6% and BSE Small Cap index fell 10.9%. NSE Dollar index fell 5.3%. Our markets significantly underperformed Dow Jones Index which was positive 1% and FTSE 100 that was up 2.1%.

Foreign Portfolio Investors sold stocks worth US \$ 1.6 billion during the month. Domestic Institutional Investors bought stocks worth US \$ 2.6 billion. This consisted of Domestic institutions buying stocks worth US \$ 1.2 billion for the first time since many months.

On the economic front CPI indicator came at 3.1% versus 3.0%.

Fear has overtaken greed today. There are clear signs of adequate liquidity to be provided in case of need, but fall indicates that market needs more. Some of the provisions related to budget like 35% minimum public float and additional tax on entities with more than ₹ 2 crore of annual income has not gone down well.

It is felt more and more that liquidity and rate cut are temporary fixes. We need more solutions to problems like we had one in a company in the media space for markets to recover. We also need a congenial environment for businesses to take birth and grow. We are also not happy on the downward revision in earnings for many company's aftermaths the results for the 1st quarter of FY 2020.

We continue to remain cautious. While a bounce is likely as the markets looks oversold as of now, a structural revival will take time anywhere between one to three more quarters.

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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