

## 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-May-19	30-Apr-19	Change (%)	31-Mar-19	Change (%)
₹/\$	69.70	69.57	▶ -0.19%	69.16	▶ -0.78%
Forex Res.(Bn- 1 Wk Lag)	\$ 419.99	\$ 418.52	▶ 0.35%	\$ 406.67	▶ 3.28%
Oil Price (\$/Barrel)	\$ 61.99	\$ 73.05	▶ -15.14%	\$ 68.39	▶ -9.36%
Gold (₹/10 gm)	31,994	31,770	▶ 0.71%	31,854	▶ 0.44%
<b>FII inflows (Net) - Crs (₹)</b>					
Equity (monthly)	9826	11327	▶ -13.25%	33189	▶ -70.39%
Debt (monthly)	1909	-15146	▶ 112.60%	14408	▶ -86.75%

### Indices

Particulars	31-May-19	30-Apr-19	Change (%)	31-Mar-19	Change (%)
BSE Sensex	39,714.20	39,031.55	▶ 1.75%	38,672.91	▶ 2.69%
S&P CNX Nifty	11,922.80	11,748.15	▶ 1.49%	11,623.90	▶ 2.57%
Dow Jones Industrial Avg	24,815.04	26,592.91	▶ -6.69%	25,928.68	▶ -4.30%
FTSE 100	7,161.70	7,418.20	▶ -3.46%	7,279.20	▶ -1.61%
Hang Seng Index	26,901.09	29,699.11	▶ -9.42%	29,051.36	▶ -7.40%
Nikkei 225	20,601.19	22,258.73	▶ -7.45%	21,205.81	▶ -2.85%
B S E Capital Goods Index	19,939.33	18,030.56	▶ 10.59%	18,471.99	▶ 7.94%
B S E Realty Index	2,200.74	2,008.64	▶ 9.56%	2,077.09	▶ 5.95%
B S E Bankex	35,264.03	33,328.45	▶ 5.81%	34,141.94	▶ 3.29%
B S E Oil & Gas Index	15,734.43	15,357.85	▶ 2.45%	15,269.70	▶ 3.04%
B S E Power Index	2,010.12	1,969.54	▶ 2.06%	2,034.41	▶ -1.19%
B S E Auto Index	18,445.99	18,839.40	▶ -2.09%	18,824.89	▶ -2.01%
B S E FMCG Index	11,518.09	11,764.37	▶ -2.09%	11,741.51	▶ -1.90%
B S E Information Technology Index	15,781.62	16,263.51	▶ -2.96%	15,280.30	▶ 3.28%
B S E Metal Index	10,756.40	11,513.24	▶ -6.57%	11,355.12	▶ -5.27%
B S E Healthcare Index	13,305.06	14,367.02	▶ -7.39%	14,407.89	▶ -7.65%

### Primary Key Rates

Particulars	31-May-19	30-Apr-19	Change (%)	31-Mar-19	Change (%)
Repo Rate*	6.00%	6.00%	▶ 0.00%	6.25%	▶ -0.25%
Reverse Repo Rate**	5.75%	5.75%	▶ 0.00%	6.00%	▶ -0.25%
CRR#	4.00%	4.00%	▶ 0.00%	4.00%	▶ 0.00%
SLR **	19.00%	19.00%	▶ 0.00%	19.25%	▶ -0.25%
Call money rate	5.50%	6.15%	▶ -0.65%	6.35%	▶ -0.85%
Current Inflation Rate (WPI)	3.07%	3.18%	▶ -0.11%	2.93%	▶ 0.14%
Current Inflation Rate (CPI) (Apr 19)	2.92%	2.86%	▶ 0.06%	2.57%	▶ 0.35%
IIP (WPI) % y-o-y (Mar 19)	0.10%	0.10%	▶ 0.00%	1.70%	▶ -1.60%
AAA spread (bps)	91.00	87.00	▶ 4.60%	61.00	▶ 49.18%

	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-May-19	30-Apr-19	Change (%)	31-Mar-19	Change (%)
91 days T - Bill	5.92%	6.49%	▶ -0.57%	6.12%	▶ -0.20%
364 days T - Bill	6.20%	6.59%	▶ -0.39%	6.43%	▶ -0.23%
5 Years G - Sec (Annualized)	6.74%	7.16%	▶ -0.42%	6.85%	▶ -0.11%
10 Years G - Sec (Annualized)	7.03%	7.41%	▶ -0.38%	7.35%	▶ -0.32%
30 Years G - Sec (Annualized)	7.31%	7.68%	▶ -0.36%	7.60%	▶ -0.29%

-  No change  
 Negative change  
 Positive change

\* w.e.f Apr 04, 2019

\*\* w.e.f Apr 04, 2019

# w.e.f Feb 09, 2013

\*\* w.e.f Apr 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

#### May 2019: A month of tumbling yields!

The month of May 2019 saw a yields tumbling in India as well as on a global level. Slowing growth and expected easy monetary policy as a result helped the bonds rally.

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

Instrument	Msr' 19	Apr' 19	May 19	M-O-M Change	YTD Change
10 Yr G-sec	7.35%	7.41%	7.03%	-0.38%	-0.32%
30 Yr G-sec	7.60%	7.68%	7.31%	-0.37%	-0.29%
3 Yr AAA Bond	7.85%	7.90%	7.80%	-0.10%	-0.05%
5 Yr AAA Bond	7.95%	8.25%	7.55%	-0.70%	-0.40%
10 Yr AAA Bond	8.25%	8.40%	8.08%	-0.32%	-0.17%
364 Days T-bill	6.43%	6.59%	6.20%	-0.39%	-0.23%
91 Days T-bill	6.12%	6.49%	5.92%	-0.57%	-0.20%
1Yr Certificate of Deposit	7.00%	7.10%	7.00%	-0.10%	0.00%
Credit spreads bps	61	87	91	4	30
Crude \$/barrel	68.39	73.05	61.99	\$ -11.06	\$ -6.40
USD / INR	69.16	69.57	69.70	₹ 0.13	₹ 0.54

### Macro Indicators:

CPI came higher than last month with a 2.92% number against last month's 2.86%. The forecast was of 2.9%. It is expected to head higher towards 3% in the coming months. However, Core CPI came much lower at 4.6% against last month's 5.03%.

Industrial Production came in at negative 0.1% against last month's +0.1% and this was the first contraction since June 2017. The Nikkei India Manufacturing PMI (Purchasing Managers Index) came higher at 52.7 in May 2019 from 51.8. The Nikkei services PMI was disappointing with a 50.2 number against 51 last month.

India trade deficit came in at US \$ 15.3 billion and this was much higher than the US \$ 10.8 in the previous month. Exports rose by a marginal 0.6% year on year to US \$ 26 billion. Imports rose by 4.5% year on year to US \$ 41.4.

### **Around the World:**

This was a month which saw a huge sell off in global markets and a massive simultaneous rally in bonds. The 10 year US bond yields fell by 41 bps while yields in Germany and UK fell by 20 - 30 basis. The main reason was the back and forth owing to the trade wars and tariffs. Economic data hasn't been promising but isn't as devastating as the markets are suggesting either. The Reserve Bank of Australia cut interest rates for the first time in the cycle and became the second developed market central bank after New Zealand to ease. Chinese economic data especially on PMI and industrial production has been weaker than usual. Markets in the US are factoring in a 90% chance of a rate cut by FED (Federal Reserve) in July 2019 but the latter is still not budging.

### **Debt Outlook:**

The bond yields in India fell by 38 bps primarily reacting to the massive victory of the ruling NDA party which secured an even bigger majority compared to 2014. A strong belief that there would be continued reforms and more policy momentum along with a RBI ready to work in tandem with the government pulled yields lower. Foreign fund flows started turning positive since the May 23, 2019 and have been helpful in pulling yields lower. The supply of govt. paper is very low in June and July 2019 owing to massive redemptions and if RBI continues to provide liquidity through OMOs (Open Market Operations) bond yields can head much lower.

## Equity Outlook

### Equity Market Outlook for the Month of June 2019

After a massive victory in the general elections by ruling NDA, markets moved decisively higher. Nifty and Sensex gave a net return of 1.5% and 1.7% for the month. Though the returns look paltry, intra month it swung by more than 7%. 349 for NDA (ruling alliance) and 303 for BJP is undoubtedly the best outcome that markets could have dreamt. This gives all uplift that it wanted to be stable for the next five years in terms of politics.

Earlier during the month, US presidents tweet on possible additional duty of 25% on imports of goods worth US \$ 200 billion from China had its impact on the emerging market indices. Big rally in Capital goods index (up 10.5% during the month) and big fall in metals sector index (fall of 6% during the month) says it all.

All eyes would now be on policies likely to be ruled out and the earnings outcome.

As of now it is a tight rope walk that government has to do in terms of support that the economy needs versus pain. NBFC's (Non-Banking Finance Companies) are starved of funds and they are the back bone of credit support to many who cannot avail finance from the formal banking system. Growth (GDP growth for 4Q FY 2019 is at 5.8%) is down with farm incomes and fixed capital formation slowing. GDP growth for FY 2019 was 6.8% versus 7.2% for FY 2018.

FPI's (Foreign Portfolio Investors) have constraints of investing in other parts of emerging economies. MSCI emerging markets index was down 7% during the month. Hong Kong was down 9% and Nikkei was down 7.5% for the month of May 2019. India has outperformed against this. Therefore, we happen to be the best choice within. FPI's invested US \$ 1.3 billion in May 2019 (US \$ 11 billion for the CY 2019 as of 31st May 2019). Domestic Institutional Investors have invested US \$ 753 million in the same month.

Other economic developments include CPI inflation which came at 2.93% for April 2019 and WPI which was at 3.07% for March 2019.

However, markets have moved ahead and are currently discounting the FY 2019 earnings around 25 times. Considering the constraints maintaining this multiple is challenging.

We maintain a cautious view of markets. We would like investors to take money out of risky assets like Equity funds. At this point of time Balance funds appear better bet. We also urge investors to take money out of bond fund (12 months return 11.9%) and switch to balance fund as of now.

### **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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