

## 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-Nov-18	31-Oct-18	Change (%)	31-Mar-18	Change (%)
₹/\$	69.58	73.96	▶ 5.92%	65.18	▶ -6.75%
Forex Res.(Bn- 1 Wk Lag)	\$ 392.79	\$ 392.08	▶ 0.18%	\$ 422.53	▶ -7.04%
Oil Price (\$/Barrel)	\$ 59.46	\$ 76.23	▶ -22.00%	\$ 69.53	▶ -14.48%
Gold (₹/10 gm)	30,240	31,735	▶ -4.71%	30,630	▶ -1.27%
<b>FII inflows (Net) - Crs (₹)</b>					
Equity (monthly)	6223	-27623	▶ 122.53%	13114	▶ -52.55%
Debt (monthly)	6884	-8443	▶ 181.53%	-2410	▶ -385.64%

### Indices

Particulars	30-Nov-18	31-Oct-18	Change (%)	31-Mar-18	Change (%)
BSE Sensex	36,194.30	34,442.05	▶ 5.09%	32,968.68	▶ 9.78%
S&P CNX Nifty	10,876.75	10,386.60	▶ 4.72%	10,113.70	▶ 7.54%
Dow Jones Industrial Avg	25,538.46	25,115.76	▶ 1.68%	24,103.11	▶ 5.96%
FTSE 100	6,980.20	7,135.19	▶ -2.17%	7,056.61	▶ -1.08%
Hang Seng Index	26,506.75	24,979.69	▶ 6.11%	30,093.38	▶ -11.92%
Nikkei 225	22,351.06	21,920.46	▶ 1.96%	21,454.30	▶ 4.18%
B S E Realty Index	1,791.68	1,679.80	▶ 6.66%	2,229.92	▶ -19.65%
B S E Capital Goods Index	18,639.37	17,488.58	▶ 6.58%	18,476.73	▶ 0.88%
B S E Bankex	29,948.98	28,359.59	▶ 5.60%	27,197.88	▶ 10.12%
B S E Auto Index	20,900.17	19,881.08	▶ 5.13%	24,057.25	▶ -13.12%
B S E FMCG Index	11,647.29	11,127.84	▶ 4.67%	10,290.14	▶ 13.19%
B S E Oil & Gas Index	13,246.20	13,246.92	▶ -0.01%	14,614.42	▶ -9.36%
B S E Information Technology Index	14,296.74	14,531.60	▶ -1.62%	12,100.55	▶ 18.15%
B S E Power Index	1,911.27	1,958.13	▶ -2.39%	2,125.83	▶ -10.09%
B S E Healthcare Index	14,332.65	14,726.58	▶ -2.67%	13,157.62	▶ 8.93%
B S E Metal Index	11,831.86	12,524.55	▶ -5.53%	13,322.03	▶ -11.19%

### Primary Key Rates

Particulars	30-Nov-18	31-Oct-18	Change (%)	31-Mar-18	Change (%)
Repo Rate*	6.50%	6.50%	▶ 0.00%	6.00%	▶ 0.50%
Reverse Repo Rate**	6.25%	6.25%	▶ 0.00%	5.75%	▶ 0.50%
CRR#	4.00%	4.00%	▶ 0.00%	4.00%	▶ 0.00%
SLR *#	19.50%	19.50%	▶ 0.00%	19.50%	▶ 0.00%
Call money rate	6.20%	6.35%	▶ -0.15%	5.90%	▶ 0.30%
Current Inflation Rate (WPI)	5.30%	5.13%	▶ 0.17%	2.48%	▶ 2.82%
Current Inflation Rate (CPI) (Oct 18)	3.31%	3.77%	▶ -0.46%	4.44%	▶ -1.13%
IIP (WPI) % y-o-y (Sep 18)	4.50%	4.30%	▶ 0.20%	7.50%	▶ -3.00%
AAA spread (bps)	85.00	86.00	▶ -1.16%	50.00	▶ 70.00%

	2015-16	2016-17	2017-18	Q1 FY19	Q2 FY19
Real GDP % (New Growth No. by CSO)	7.60%	7.10%	6.70%	8.20%	7.10%

### Interest Rates (FIMMDA)

Particulars	30-Nov-18	31-Oct-18	Change (%)	31-Mar-18	Change (%)
91 days T - Bill	6.75%	6.96%	▶ -0.21%	6.11%	▶ 0.64%
364 days T - Bill	7.17%	7.38%	▶ -0.21%	6.42%	▶ 0.75%
5 Years G - Sec (Annualized)	7.54%	7.84%	▶ -0.30%	7.32%	▶ 0.23%
10 Years G - Sec (Annualized)	7.61%	7.85%	▶ -0.25%	7.40%	▶ 0.21%
30 Years G - Sec (Annualized)	7.85%	8.21%	▶ -0.35%	7.65%	▶ 0.21%

-  No change
-  Negative change
-  Positive change

\* w.e.f Aug 01, 2018

\*\* w.e.f Aug 01, 2018

# w.e.f Feb 09, 2013

\*# w.e.f Oct 14, 2017

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

#### Remember the month of November!

The month of November 2018 was a spectacular month for bonds with yields easing across the curve. OMO (Open Market Operations) purchases at a more regular frequency and a bigger size by RBI had a huge role to play along with tumbling crude oil and massive INR appreciation. Corporate bond spreads narrowed as well.

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

Instrument	Mar' 18	Oct' 18	Nov' 18	M-O-M Change	YTD Change
10 Yr G-sec	7.40%	7.85%	7.61%	-0.24%	0.21%
30 Yr G-sec	7.65%	8.21%	7.85%	-0.36%	0.20%
3 Yr AAA Bond	7.55%	8.65%	8.40%	-0.25%	0.85%
5 Yr AAA Bond	7.88%	8.80%	8.45%	-0.35%	0.57%
10 Yr AAA Bond	8.00%	9.00%	8.50%	-0.50%	0.50%
364 Days T-bill	6.42%	7.38%	7.17%	-0.21%	0.75%
91 Days T-bill	6.11%	6.96%	6.75%	-0.21%	0.64%
1Yr Certificate of Deposit	7.35%	8.35%	8.50%	0.15%	1.15%
Credit spreads bps	50	86	85	-1	35
Crude \$/barrel	69.53	76.23	59.46	\$ -16.77	\$ -10.07
USD / INR	65.18	73.96	69.58	₹ -4.38	₹ 4.40

### Macro Indicators:

Annual consumer inflation in India fell to 3.31% in October 2018 from a downwardly revised 3.7% in September 2018 and below market expectations of 3.67%. It is the lowest inflation rate since September 2017, mainly due to a drop in cost of food.

Wholesale prices in India rose by 5.30% year-on-year in October 2018, after a 5.13% gain in the prior month and above market estimates of 5%. It is the highest wholesale inflation since June 2018, as cost advanced faster for manufactured products and fuel. On a monthly basis, wholesale prices rose 0.7%, the same as in September 2018.

India's industrial output increased 4.5% from a year earlier in September 2018, easing from an upwardly revised 4.7% growth in the previous month and beating market expectations of 4.3% advance. Manufacturing expansion slowed to 4.6% from 5.1% in August 2018, while electricity production rose at a faster 8.2% versus 7.6% in August 2018 and mining output rebounded 0.2% versus -0.5% in August 2018.

The Indian economy advanced 7.1% year-on-year in the third quarter of 2018, well below 8.2% in the previous period and market expectations of 7.4%. It is the lowest growth rate in three quarters, mainly due to a slowdown in consumer spending amid high oil prices and a weaker rupee. Also, inventories, financial services, manufacturing and the farm sector rose less.

India trade deficit widened to US \$ 17.13 billion in October 2018 from US \$ 14.6 billion a year earlier and higher than market expectations of US \$ 16.9 billion. Exports went up 17.9% to US \$ 26.98 billion. Imports increased 17.6% to US \$ 44.1 billion, Gold purchases declined 42.9%.

India's fiscal deficit widened to ₹ 6.49 trillion in April-October 2018 from ₹ 5.25 trillion in the same period of the previous fiscal year. Total expenditure went up 12.7% to ₹ 14.57 trillion and revenues rose 5.3% to ₹ 8.08 trillion. The budget gap is equivalent to 103.9% of the government's target for the whole financial year, compared with 96.1% a year ago

### **Around the World:**

Annual inflation rate in the US increased to 2.5% in October 2018 from 2.3% in September 2018. Figures match market expectations, mainly due to prices of fuel oil and gasoline. On a monthly basis, consumer prices increased 0.3%, higher than 0.1% in September 2018 and matching forecasts. The US economy advanced an annualized 3.5% on quarter in the third quarter 2018, in line with earlier figures, the second estimate showed. It follows a 4.2% growth in the previous period which was the highest since the third quarter of 2014. The Federal Reserve is widely expected to raise rates in December 2018, while markets have been given a breather as both the Chairman and Vice Chairman have indicated that they are presently just below neutral rates. Data in the Euro area showed surprising weakness this time around with PMIs in France falling, GDP contraction in Germany in the latest quarter and so on.

### **Debt Outlook:**

In its last MPC (Monetary Policy Committee) meeting on 5th December 2018, the RBI kept the policy rate unchanged at 6.5% in line with consensus expectations. It stayed away from making changes to its stance of tightening which it adopted in October 2018. RBI marked down its inflation forecasts by ~120bps for 2H FY 2019 with a move to 2.7% - 3.2% from the earlier 3.9 - 4.5%. This was a massive change in inflation projections and indicated how dovish MPC has become. Governor Patel also hinted about policy changes if space opens up in terms of upside risks to inflation fading away and Dy. Governor Acharya said that the pace of OMO buybacks will have to rise in the coming months. These two statements added fuel to the fire and bond yields have



eased by as much as 45 bps since end of October 2018. We expect CPI to come below 2.5% in December 2018 and if crude oil also stays in the \$ 60 - 65/bbl band, we expect bond yields to head lower. The easing pressure from lower US bond yields and a much stronger INR will only more fillip to this momentum in bonds. In December 2018 there will be some risks like state election results on 11th December 2018 and if the ruling party BJP loses two or more of their stronghold states markets could feel the pressure from INR volatility and potential fiscal loosening by the centre. We could see 10 Y yield hovering in the 7.25% to 7.50% range in the subsequent months.

## **Equity Outlook**

### **Equity Outlook for the Month of December, 2018**

Equity markets witnessed a sharp rebound in November 2018 from the October 2018 lows on optimism led by a sharp decline in crude prices and appreciation of USD-INR.

Sensex gave a return of 5.09% for the month and ended at 36,194, retracing the entire loss incurred in the month of October 2018. Nifty Index gave a return of 4.72% and ended at 10,877. The large cap names fared better than the midcap/small cap peers for the month. Nifty Next, Nifty Midcap 50 Index, Nifty Midcap 100 Index, Nifty Smallcap 100 index was up 3.87%, 1.04%, 1.83% and 2.53% respectively.

A sharp fall in crude prices by almost 22% for the month to US \$ 58.7 per barrel stoked the bullish sentiment. Sectors like Automobiles, FMCG and Financials saw decent returns for the month on expectations of easing margin pressures and falling yields. Appreciation of rupee put pressure on Healthcare and Information Technology stocks. Healthcare was also down on poor quarterly results and IT stocks were also impacted on fears of US Dept. of Labour announcing changes on H-1B Visa, making norms tougher.

RBI board met during the month followed by announcements on ECB (External Commercial Borrowing) hedging requirements, relaxation of NBFC (Non-Banking Finance Companies) norms, looking to rework PCA (Prompt Corrective Action) framework for banks and restructure MSME (Micro, Small & Medium Enterprises) loans.

On the economy front, September 2018 IIP growth stood at 4.5%, as against 4.3% in August 2018. CPI inflation was muted at 3.3% in October 2018 from 3.7% in September 2018 while WPI inflation increased to 5.3% in October 2018 from 5.1% in September 2018.

FPI (Foreign Portfolio Investors) were net buyers to the tune of US \$ 891 million. This was a sharp change in contrast to the sharp outflows that we have seen over the last few months. Domestic Institutions led by Mutual Funds pumped in US \$ 125 million with MFs being net buyers of US \$ 353 million into the secondary markets.

In the short term, the performance of the markets will be determined by (a.) the trade hostilities between US and China, (b.) OPEC decision on December 6, 2018 to cut or retain oil production at current levels and (c.) the outcome of the ongoing state elections and its implications on the chances of BJP forming the next national government. We expect the markets to be volatile over the next few months and view it as a good opportunity to build a portfolio. In the long term, the market returns will be determined by the earnings and we expect a recovery in earnings over the next couple of years.

### **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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