

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-Mar-18	28-Feb-18	Change (%)	31-Mar-17	Change (%)
₹/\$	65.18	65.18	0.00%	64.85	-0.51%
Forex Res.(Bn- 1 Wk Lag)	\$ 422.53	\$ 420.59	0.46%	\$ 367.93	14.84%
Oil Price (\$/Barrel)	\$ 69.53	\$ 66.47	4.60%	\$ 53.53	29.89%
Gold (₹/10 gm)	30,630	30,342	0.95%	28,527	7.37%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	13114	-16809	178.02%	29996	-56.28%
Debt (monthly)	-2410	-2500	3.60%	27136	-108.88%

Indices

Particulars	31-Mar-18	28-Feb-18	Change (%)	31-Mar-17	Change (%)
BSE Sensex	32,968.68	34,184.04	-3.56%	29,620.50	11.30%
S&P CNX Nifty	10,113.70	10,492.85	-3.61%	9,173.75	10.25%
Dow Jones Industrial Avg	24,103.11	25,029.20	-3.70%	20,663.22	16.65%
FTSE 100	7,056.61	7,231.91	-2.42%	7,342.43	-3.89%
Hang Seng Index	30,093.38	30,844.72	-2.44%	24,111.59	24.81%
Nikkei 225	21,454.30	22,068.24	-2.78%	18,909.26	13.46%
BSE FMCG Index	10,290.14	10,506.36	-2.06%	9,270.25	11.00%
BSE Auto Index	24,057.25	24,832.40	-3.12%	22,012.66	9.29%
BSE Capital Goods Index	18,476.73	19,075.79	-3.14%	16,446.03	12.35%
BSE Information Technology Index	12,100.55	12,505.73	-3.24%	10,365.51	16.74%
BSE Bankex	27,197.88	28,313.85	-3.94%	24,420.77	11.37%
BSE Power Index	2,125.83	2,223.14	-4.38%	2,274.42	-6.53%
BSE Oil & Gas Index	14,614.42	15,505.76	-5.75%	13,563.63	7.75%
BSE Healthcare Index	13,157.62	14,113.01	-6.77%	15,312.40	-14.07%
BSE Realty Index	2,229.92	2,468.34	-9.66%	1,599.97	39.37%
BSE Metal Index	13,322.03	15,173.80	-12.20%	11,804.46	12.86%

Primary Key Rates

Particulars	31-Mar-18	28-Feb-18	Change (%)	31-Mar-17	Change (%)
Repo Rate*	6.00%	6.00%	 0.00%	6.25%	 -0.25%
Reverse Repo Rate**	5.75%	5.75%	 0.00%	5.75%	 0.00%
CRR#	4.00%	4.00%	 0.00%	4.00%	 0.00%
SLR *#	19.50%	19.50%	 0.00%	20.50%	 -1.00%
Call money rate	5.90%	5.95%	 -0.05%	6.00%	 -0.10%
Current Inflation Rate (WPI)	2.48%	2.84%	 -0.36%	6.55%	 -4.07%
Current Inflation Rate (CPI) (Feb)	4.44%	5.07%	 -0.63%	3.65%	 0.79%
IIP (WPI) % y-o-y (Jan)	7.50%	7.10%	 0.40%	2.70%	 4.80%
AAA spread (bps)	50.00	52.00	 -3.85%	75.00	 -33.33%

	2014-15	2015-16	2016-17	Q2 FY18	Q3 FY18
Real GDP % (New Growth No. by CSO)	7.30%	7.60%	7.10%	6.30%	7.20%

Interest Rates (FIMMDA)

Particulars	31-Mar-18	28-Feb-18	Change (%)	31-Mar-17	Change (%)
91 days T - Bill	6.11%	6.28%	 -0.17%	5.78%	 0.33%
364 days T - Bill	6.42%	6.63%	 -0.21%	6.10%	 0.31%
5 Years G - Sec (Annualized)	7.32%	7.46%	 -0.14%	6.62%	 0.69%
10 Years G - Sec (Annualized)	7.40%	7.73%	 -0.33%	6.66%	 0.74%
30 Years G - Sec (Annualized)	7.65%	7.98%	 -0.33%	7.45%	 0.20%

	No change
	Negative change
	Positive change

* w.e.f Aug 02, 2017

** w.e.f Aug 02, 2017

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

Marching ahead!

Markets were hit hard in March 2018 as the Union Budget provided a shock in the form of higher fiscal deficits for 2 consecutive years and measures like MSP (Minimum Support Price) pricing formula, but the last few days acted a balm to all the pains with yields massively recovering the earlier losses.

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

Instrument	Mar' 17	Feb' 18	Mar' 18	M-O-M Change	Change (YTD)
10 Yr G-sec	6.66%	7.73%	7.40%	-0.33%	0.74%
30 Yr G-sec	7.45%	7.98%	7.65%	-0.33%	0.20%
3 Yr AAA Bond	7.10%	7.93%	7.55%	-0.38%	0.45%
5 Yr AAA Bond	7.45%	8.10%	7.88%	-0.22%	0.43%
10 Yr AAA Bond	7.66%	8.40%	8.00%	-0.40%	0.34%
364 Days T-bill	6.10%	6.63%	6.42%	-0.21%	0.32%
91 Days T-bill	5.78%	6.28%	6.11%	-0.17%	0.33%
1Yr Certificate of Deposit	6.63%	7.50%	7.35%	-0.15%	0.72%
Credit spreads bps	75	52	50	- 2	- 25
Crude \$/barrel	53.53	66.47	69.53	\$ 3.06	\$ 16.00
USD / INR	64.85	65.18	65.18	-	₹ 0.33

Macro Indicators:

Consumer prices in India increased 4.44% year-on-year in February 2018, below 5.07% in January 2018 and market expectations of 4.8%. It is the lowest inflation rate in four months but above the 4% medium-term target of the central bank.

Wholesale prices in India rose by 2.48% year-on-year in February 2018, after a 2.84% increase in the prior month while markets estimated a 2.5% gain. It was the lowest wholesale inflation since July 2017, as cost of food and fuel rose at softer paces. On a monthly basis, wholesale prices were unchanged, after a 0.1% rise in January 2018.

India's industrial production rose by 7.5% year-on-year in January 2018, following a 7.1% gain in the previous month and beating market expectations of 6.7%. Manufacturing output growth picked up to 8.7% in January 2018 from 8.5% in December 2017, and electricity production rose 7.6% faster than 4.4% in the previous month. Meanwhile, mining output grew by only 0.1%, compared with 1.2% in the previous period.

India's trade deficit widened to US \$ 11.98 billion in February 2018 from US \$ 9.5 billion a year earlier, below market expectations of US \$ 14.3 billion gap. Imports jumped 10.4% year-on-year to US \$ 37.81 billion as purchases rose for: petroleum, crude and products (32%); electronic goods (19%); machinery, electrical and non-electrical (23%); pearls, precious and semi-precious stones (15.9%); and coal, coke and briquettes (17.7%). In contrast, gold imports slumped 16.9%. Exports increased 4.5% to US \$ 25.8 billion, boosted by sales of petroleum products (27.4%); organic and inorganic chemicals (30.4%); drugs and pharmaceuticals (13.9%); rice (21.3%); and electronic goods (29.7%).

Around the World:

NFP (Non Farm Payroll) data came in very strong with 331 k jobs created in February 2018 against expectations of 200k. Unemployment rate stayed at 4.1%. Avg. hourly earnings dropped to 0.1% month on month versus expectations of 0.3% month on month, and on an annual basis came in lower at 2.6% versus last month's 2.8%. China's politburo voted 99.98% in favor of President Xi Jinping's extended term of Presidency without any limit.

Debt Outlook:

Markets have reversed a lot of the hardening of yields which we have been witness to, since the beginning of September 2017. There were many factors hurting market sentiments like the rise of inflation, reduced demand for G-secs by PSU (Public Sector Undertaking) banks, higher fiscal deficit target for FY 2019 etc. However on the last day of the financial year FY 2018, the Finance Ministry delivered a huge positive shock to the markets. They announced that the Gross borrowing for FY 2019 would be cut by ₹ 50000 crores from the original estimated told on 1st February 2018. This would be achieved through higher collections from small savings and reduced bond buybacks. The RBI also allowed banks to divide their MTM losses in Q3 and Q4 FY 2018 to be distributed over the entire year of FY 2019. RBI also followed up with a much more dovish MPC (Monetary Policy Committee) statement and stance than markets expected by cutting H1 FY 2019 CPI by as much as 40 bps. Finally to complete a hat-trick of moves RBI allowed higher FPI (Foreign Portfolio Investment) limits in debt to 5.5% of outstanding G-secs by FY 2019 end. UST (United States Treasury) yields also have eased by around 15 bps owing to many fears like trade wars driving risk-off sentiments. Keeping all these in mind and some potential upside from higher FPI debt flows some OMO (Open Market Operation) purchases later in the year we expect 10 Year yield to trade between 7.15% and 7.4% in the coming months.

Equity Outlook

Equity Market Outlook for April, 2018

Selling continued unabated in the markets following weak trends that it left behind from the month of February 2018 on account of market perception of interest hardening. There were concerns further on a possible trade war emerging between major global economies (China and US) and because of the election defeats that the ruling NDA had in some of the constituencies. Globally too markets saw a rout.

Nifty ended at 10114 down 3.6%. Markets were showing weakness on the broader indices too. Nifty Midcap and Nifty Small cap indices saw a fall of 4.1% and 6.2% respectively. On the global side, major indices Dow Jones lost 3.7%.

US imposed import tariff on Steel and Aluminum. Though this has a nominal impact in value terms it was a indicator of directions in which the trade would further. US had also intended to reduce the trade deficit with China to US \$ 100 billion from US \$ 375 billion. The number broadly indicates the impact that would come in days. Markets are worried of the consequences, the spillover impact and the possible reactions from China. Metals saw the rout. The Metal index lost 12% during the month. Federal Reserve increased interest rate by 25 basis points. There is high likely hood of a sharp further increases coming during the year with economy doing well.

FPI's bought shares worth US \$ 1.9 billion on a net basis, while DII's (Direct Institutional Investors) were buyers to the tune of US \$ 730 million on a net basis. This is despite the large dividends that they doled out before they get into 10% on dividend distribution tax from this Financial Year.

CPI inflation eased to 4.44% in February 2018 from 5.07% in January 2018 surprisingly. CAD (Current Account Deficit) widened to 2% of the GDP in December 2017 quarter compared to 1.1% in the previous quarter that put pressure on the INR.

Indices have corrected well post budget discounting most of the uncertainties. Here onwards markets will look for results to be declared for the 4 QTR of last financial year. Large part of the selling has emerged in the month of March 2018 on account of dividend declaration that the mutual funds did. The correction is likely to halt before fresh move takes place. We are positive on the markets.

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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