SBI Life INSURANCE
With Us, You're Sure

Monthly Investment Update:
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invest CARE

UNIT LINKED PRODUCTS FROM SBI LIFE INSURANCE CO. LTD.

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

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Major Economic Indicators

Economic Indicators

Particulars	28-Feb-18	31-Jan-18	Change (%)	31-Mar-17	Change (%)
₹/$	65.18	63.59	-2.50%	64.85	-0.51%
Forex Res.(Bn- 1 Wk Lag)	$ 420.59	$ 417.79	0.67%	$ 367.93	14.31%
Oil Price ($/Barrel)	$ 66.47	$ 68.61	-3.12%	$ 53.53	24.17%
Gold (₹/10 gm)	30,342	30,235	0.35%	28,527	6.36%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-16809	12984	-229.46%	29996	-156.04%
Debt (monthly)	-2500	9419	-126.54%	27136	-109.21%

Indices

Particulars	28-Feb-18	31-Jan-18	Change (%)	31-Mar-17	Change (%)
BSE Sensex	34,184.04	35,965.02	-4.95%	29,620.50	15.41%
S&P CNX Nifty	10,492.85	11,027.70	-4.85%	9,173.75	14.38%
Dow Jones Industrial Avg	25,029.20	26,149.39	-4.28%	20,663.22	21.13%
FTSE 100	7,231.91	7,533.55	-4.00%	7,342.43	-1.51%
Hang Seng Index	30,844.72	32,887.27	-6.21%	24,111.59	27.92%
Nikkei 225	22,068.24	23,098.29	-4.46%	18,909.26	16.71%
B S E Information Technology Index	12,505.73	12,556.98	-0.41%	10,365.51	20.65%
B S E Metal Index	15,173.80	15,427.36	-1.64%	11,804.46	28.54%
B S E FMCG Index	10,506.36	10,711.47	-1.91%	9,270.25	13.33%
B S E Healthcare Index	14,113.01	14,559.39	-3.07%	15,312.40	-7.83%
B S E Power Index	2,223.14	2,319.48	-4.15%	2,274.42	-2.25%
B S E Auto Index	24,832.40	25,945.30	-4.29%	22,012.66	12.81%
B S E Oil & Gas Index	15,505.76	16,368.16	-5.27%	13,563.63	14.32%
B S E Realty Index	2,468.34	2,609.09	-5.39%	1,599.97	54.27%
B S E Capital Goods Index	19,075.79	20,363.58	-6.32%	16,446.03	15.99%
B S E Bankex	28,313.85	30,986.13	-8.62%	24,420.77	15.94%

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Primary Key Rates

Particulars	28-Feb-18	31-Jan-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	5.95%	5.90%	0.05%	6.00%	-0.05%
Current Inflation Rate (WPI)	2.84%	3.58%	-0.74%	6.55%	-3.71%
Current Inflation Rate (CPI) (Jan)	5.07%	5.21%	-0.14%	3.65%	1.42%
IIP (WPI) % y-o-y (Dec)	7.10%	8.40%	-1.30%	2.70%	4.40%
AAA spread (bps)	52.00	55.00	-5.45%	75.00	-30.67%

	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	28-Feb-18	31-Jan-18	Change (%)	31-Mar-17	Change (%)
91 days T - Bill	6.28%	6.40%	-0.12%	5.78%	0.50%
364 days T - Bill	6.63%	6.55%	0.07%	6.10%	0.53%
5 Years G - Sec (Annualized)	7.46%	7.32%	0.14%	6.62%	0.83%
10 Years G - Sec (Annualized)	7.73%	7.43%	0.30%	6.66%	1.07%
30 Years G - Sec (Annualized)	7.98%	7.80%	0.18%	7.45%	0.53%

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

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DEBT MARKET REVIEW AND OUTLOOK

Market Review

Markets Marching backwards!

Markets were hit hard in March as the Union Budget provided a shock in the form of higher fiscal deficits for 2 consecutive years and measures like MSP pricing (Minimum Support Price) formula raised fears of elevated CPI going forward. Global sell-off in bonds especially DM (Developed Market) sovereign bonds added further pressure to bond yields domestically.

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

Instrument	Mar' 17	Jan' 18	Feb' 18	M-O-M Change	Change (YTD)
10 Yr G-sec	6.66%	7.43%	7.73%	0.30%	1.07%
30 Yr G-sec	7.45%	7.80%	7.98%	0.18%	0.53%
3 Yr AAA Bond	7.10%	7.75%	7.93%	0.18%	0.83%
5 Yr AAA Bond	7.45%	7.85%	8.10%	0.25%	0.65%
10 Yr AAA Bond	7.66%	8.05%	8.40%	0.35%	0.74%
364 Days T-bill	6.10%	6.55%	6.63%	0.08%	0.53%
91 Days T-bill	5.78%	6.40%	6.28%	-0.12%	0.50%
1Yr Certificate of Deposit	6.63%	6.75%	7.50%	0.75%	0.87%
Credit spreads bps	75	55	52	- 3	- 23
Crude $/barrel	53.53	68.61	66.47	$ - 2.14	$ 12.94
USD / INR	64.85	63.59	65.18	₹ 1.59	₹ 0.33

Macro Indicators:

Consumer prices in India increased 5.07% year-on-year in January 2018, below a 17 month high of 5.21% in December, 2017 and market expectations of 5.14%. The inflation remained above 4.8% for the third month, the level not seen since July 2016.

Wholesale prices in India rose by 3.58% year-on-year in December 2017, following a 3.93% increase in the prior month. The figure came below market estimates of a 4% gain, mainly due to a slowdown in cost of food. On a monthly basis, wholesale prices fell by 0.5%, after a 0.7% rise in a month earlier.

India's industrial production rose by 7.1% year-on-year in December 2017, following an upwardly revised 8.8% gain in the previous month and beating market expectations of 6.2%. Manufacturing production growth slowed to 8.4% in December, 2017 from 10.7% in November, 2017, while output rose at a faster pace for both electricity (4.4% versus 3.9%) and mining (1.2% versus 1.1%).

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The trade deficit for January 2018 stood at US $ 16.3 billion up from US $ 14.8 billion in the previous month partially on account of higher oil prices which pushed up the oil import bill. Gold imports however slowed in January, 2018 and was down 22% Year on year. Imports excluding oil and gold rose 24.4% Year on year, while total imports rose 26.1% Year on year. Export growth at 9.1%year on year was robust, but down from 12.5% in the previous month.

Around the World:

US markets were extremely volatile in the month of February, as a strong CPI number suggested that the FED (Federal Reserve) could hike interest rates 4 times in 2018 instead of 3. Janet Yellens final FOMC (Federal Open Market Committee) meeting also discussed a strong outlook for growth and inflation which only pushed UST yields higher and stocks markets lower. ECB (European Commercial Bank) maintained that rate hikes and reversal of QE would not happen any time soon, but BoJ (Bank of Japan) has already admitted about the need for perusal on quantitative tightening in the near future.

Debt Outlook:

Markets have seen yields harden again in the month of February, 2018 owing to the breach of fiscal deficit by the centre both in FY 2018 and FY 2019 and also the postponement of its FRBM target (Fiscal Responsibility and Budget Management) by 2 years. The RBI with external members of the MPC (Monetary Policy Committee) met after they budget and when the minutes of the meeting were released it saw at least 2 of the 6 members turning hawkish and even the most dovish becoming neutral. As of now there is no member recommending a rate cut while one member has already suggested that a series of rate hikes is needed. Strong GDP (Gross Domestic Product) as well industrial output and PMI numbers (Purchasing Managers' Index) only have made matters worse for bond yields as a narrowing negative output gap means rate hikes would not be a farfetched idea in 2018. PSU banks, which are the largest buyers of govt. papers continued to stay away from participation and more NPA (Non Performing Assets) and fears and scams like that of PNB only hurt their own and market sentiments further. March will be another rough month with a potential rate hike by the US Federal Reserve under Jerome Powell. The 10 Yr BMK is expected to trade between 7.50% and 7.75%.

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Equity Outlook

Equity Market Outlook for the Month of March, 2018

There was a U turn in sentiments post the euphoria in January 2018. Asset class across globe - equity, commodities were down & bond yields hardened making life difficult for fund houses. Internationally, likely hardening interest rate (FED) by 4 times this year as against expectation of 3 times made equities to come off. Dow fell 4.28%, S&P 500 - 3.89%, Nikkei 225 - 4.46% Hang Seng - 6.2% & Crude - 4.74%.

Sensex fell 4.95% to end at 34184. Hardening interest rates in the domestic & international markets, widening trade deficit, budget proposals together with banking fraud - all impacted negatively. GDP growth for December 2018 bounced back to 7.2% from 5.6%, but this did not help.

It was time for shopping for Domestic Institutions. FPI's sold stocks worth US $ 1.5 billion where as Domestic Institutions bought stocks to the tune of US $ 2.5 billion. Insurance companies used the fall to buy. They bought stocks worth US $ 292 million during the month.

Numbers in the economic front came satisfactory. CPI moved down to 5.07% in January, 2018 versus 5.21% in December, 2017 WPI 2.8% in January, 2018 versus 3.6% in December, 2017 and IIP was at 7.1%.

Given the constraints, budget looked pragmatic. There was thrust in rural spending, agriculture, infrastructure, healthcare and education. However, FRBM targets, GST collection estimated for FY 2019, minimum support price, National Health schemes & Long Term Capital Gains Tax effected sentiments.

We continue to be cautious on the markets. Corrections are always opportunity to pick up good stocks at reasonable rates. Next big trigger for the markets would be Monsoon and its progress. We have a cautious view till then.

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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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SBI Life Insurance Co. Ltd.

Registered Office and Corporate Office: "Natraj", M.V Road & Western Express Highway Junction, Andheri (E), Mumbai-400069

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