

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-Jan-18	31-Dec-17	Change (%)	31-Mar-17	Change (%)
₹/\$	63.59	63.87	🍃 0.44%	64.85	🍃 1.94%
Forex Res.(Bn- 1 Wk Lag)	\$ 417.79	\$ 404.92	🍃 3.18%	\$ 367.93	🍃 13.55%
Oil Price (\$/Barrel)	\$ 68.61	\$ 66.87	🍃 2.60%	\$ 53.53	🍃 28.17%
Gold (₹/10 gm)	30,235	29,260	🍃 3.33%	28,527	🍃 5.99%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	12984	-4747	🍃 373.52%	29996	🚩 -56.71%
Debt (monthly)	9419	3369	🍃 179.58%	27136	🚩 -65.29%

Indices

Particulars	31-Jan-18	31-Dec-17	Change (%)	31-Mar-17	Change (%)
BSE Sensex	35,965.02	34,056.83	🍃 5.60%	29,620.50	🍃 21.42%
S&P CNX Nifty	11,027.70	10,530.70	🍃 4.72%	9,173.75	🍃 20.21%
Dow Jones Industrial Avg	26,149.39	24,719.22	🍃 5.79%	20,663.22	🍃 26.55%
FTSE 100	7,533.55	7,687.77	🚩 -2.01%	7,342.43	🍃 2.60%
Hang Seng Index	32,887.27	29,919.15	🍃 9.92%	24,111.59	🍃 36.40%
Nikkei 225	23,098.29	22,764.94	🍃 1.46%	18,909.26	🍃 22.15%
B S E Realty Index	12,556.98	11,277.81	🍃 11.34%	10,365.51	🍃 21.14%
B S E Metal Index	30,986.13	28,856.77	🍃 7.38%	24,420.77	🍃 26.88%
B S E Healthcare Index	20,363.58	19,133.76	🍃 6.43%	16,446.03	🍃 23.82%
B S E Auto Index	15,427.36	14,939.28	🍃 3.27%	11,804.46	🍃 30.69%
B S E Information Technology Index	16,368.16	16,283.26	🍃 0.52%	13,563.63	🍃 20.68%
B S E Capital Goods Index	10,711.47	10,695.18	🍃 0.15%	9,270.25	🍃 15.55%
B S E FMCG Index	2,609.09	2,608.25	🍃 0.03%	1,599.97	🍃 63.07%
B S E Power Index	14,559.39	14,799.42	🚩 -1.62%	15,312.40	🚩 -4.92%
B S E Oil & Gas Index	2,319.48	2,381.69	🚩 -2.61%	2,274.42	🍃 1.98%
B S E Bankex	25,945.30	26,751.20	🚩 -3.01%	22,012.66	🍃 17.87%

Primary Key Rates

Particulars	31-Jan-18	31-Dec-17	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%	6.10%	 -0.20%	6.00%	 -0.10%
Current Inflation Rate (WPI)	3.58%	3.93%	 -0.35%	6.55%	 -2.97%
Current Inflation Rate (CPI) (Nov)	5.21%	4.88%	 0.33%	3.65%	 1.56%
IIP (WPI) % y-o-y (Oct)	8.40%	2.20%	 6.20%	2.70%	 5.70%
AAA spread (bps)	55.00	38.00	 44.74%	75.00	 -26.67%

	2014-15	2015-16	2016-17	Q1 FY18	Q2 FY18
Real GDP % (New Growth No. by CSO)	7.30%	7.60%	7.10%	5.70%	6.30%

Interest Rates (FIMMDA)

Particulars	31-Jan-18	31-Dec-17	Change (%)	31-Mar-17	Change (%)
91 days T - Bill	6.40%	6.20%	 0.20%	5.78%	 0.63%
364 days T - Bill	6.55%	6.40%	 0.15%	6.10%	 0.45%
5 Years G - Sec (Annualized)	7.32%	7.11%	 0.21%	6.62%	 0.69%
10 Years G - Sec (Annualized)	7.60%	7.33%	 0.27%	6.66%	 0.94%
30 Years G - Sec (Annualized)	7.80%	7.71%	 0.08%	7.45%	 0.35%

-  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

A new year but same old story!

Markets fell in the month of January 2018 as yields on the 10 Yr bond rose by 9 bps. The 30 Y yield also rose marginally by 9 bps. The main reasons for this hardening of yields have been the higher crude oil prices and fears of a breach of the fiscal deficit target by the govt.

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

Instrument	Mar' 17	Dec' 17	Jan' 18	M-O-M Change	Change (YTD)
10 Yr G-sec	6.66%	7.33%	7.43%	0.09%	0.77%
30 Yr G-sec	7.45%	7.71%	7.80%	0.09%	0.35%
3 Yr AAA Bond	7.10%	7.55%	7.75%	0.20%	0.65%
5 Yr AAA Bond	7.45%	7.60%	7.85%	0.25%	0.40%
10 Yr AAA Bond	7.66%	7.85%	8.05%	0.20%	0.39%
364 Days T-bill	6.10%	6.40%	6.55%	0.15%	0.45%
91 Days T-bill	5.78%	6.20%	6.40%	0.20%	0.62%
1Yr Certificate of Deposit	6.63%	6.75%	6.75%	0.00%	0.12%
Credit spreads bps	75	38	55	17	- 20
Crude \$/barrel	53.53	66.87	68.61	\$ 1.74	\$ 15.08
USD / INR	64.85	63.87	63.59	₹ -0.28	₹ -1.26

Macro Indicators:

Consumer prices in India increased 5.07% year-on-year in January of 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 of 2016.

Wholesale prices in India rose by 3.58% year-on-year in December of 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.

Nov IIP surged to 8.4% versus 2.2% in October 17 led by manufacturing sector. Capital goods output improved further to 9.4% versus 6.6% in October 2017. Electricity production inched up to 3.9% versus 3.2% and mining also rose marginally to 1.1% in November 2017.



December 2017 trade deficit rose to 3 year high to US \$ 14.88 billion versus US \$ 13.8 billion in the previous month led by rally in crude and gold prices.

The government collects ₹ 86,703 crore as GST for December 2017 as against ₹ 80,808 crore in November 2017.

Around the World:

US NFP data was moderate with a jump of 148k jobs added in January 2018. This was lower than expectations of 190k. Unemployment rate was however steady at 4.1% unchanged from the previous month. US inflation marginally fell to 2.1% against last month's 2.2%. The Federal Reserve maintained rates in January 2018 at the last FOMC (Federal Open Market Committee) meeting chaired by Janet Yellen and the next rate hike could come now in March 2018 under the new Chairman Jerome Powell. The ECB (European Central Bank) still maintained a dovish stance at its latest meetings despite a strong set of data in terms of manufacturing growth. In its latest outlook, the IMF raised its forecasts for global growth to the fastest since 2011, upgrading projections for major economies including the U.S., Germany and China. India to reclaim its tag as the fastest growing major economy at 7.4% and 7.8% in FY 2018 and FY 2019 respectively.

Debt Outlook:

Markets have seen yields harden in the month of January 2018 especially with near term risks like the Union Budget of FY 2019 and MPC (Monetary Policy Committee) decision in February 2018. If the Govt. does tend to breach its fiscal deficit targets of FY 2018 and FY 2019 by 30 bps or more, then this would lead to a swollen borrowing program and hence cause yields to rise. Then extent of credibility in the revenue and expenditure assumptions will also be watched keenly as RBI also could be tempted to comment on the pass through of higher fiscal deficit on to domestic inflation. The trajectory of CPI in 2018 along with the dynamics of system liquidity and thereafter OMO (Open Market Operation) purchases by RBI and a fresh review of FPI (Foreign Portfolio Investors) debt limits in favor of more inflows could all pull yields lower. Higher energy and commodity prices and lack of sufficient demand by domestic banks and institutions in FY 2019 G-sec issuances along with faster rate hikes by the Fed could all push yields higher. The 10 Yr benchmark is expected to trade between 7.4% and 7.6%.

Equity Outlook

Equity Market Outlook for the Month of February, 2018

Sensex and Nifty gave a good return of 5.6% and 4.7% to end the month on the back of better results than expectation for 3rd quarter and a mixed view amongst market participants on how the budget will be in terms of some popular measures. There was a catch up within the sectors. While Banking index was up 7% in expectation of reduction in NPA's and resolution to NCLT related cases, IT played the catch up game. Technology index was up 11%.

International markets did well Dow was up 6%, Nasdaq 7%.

Another big change was seen in Mid Cap and Small Cap indices. Investors shun the Mid Cap indices (both Mid Cap and Small Cap indices in BSE down 2.6% each) in view of valuations.

FPI's invested US \$ 2 billion on a net basis, while Domestic institutions pulled out US \$ 140 million from equity markets.

To add to the worries CPI inflation shot up to 5.2% in December 2017 compared to 4.8% for the previous month and WPI came lower at 3.5% for December 2017 versus 3.9% for the previous month.

Budget was expected to be moderate. However Tax on Mutual Funds, re introduction of Capital Gains Tax and lack of clarity on GST collections spooked the market sentiments even though some of this was in the air since the beginning.

Before the announcement of the budget, concerns were expressed with Oil moving up, Government announcing higher borrowing (subsequently reduced) and CPI inching up. Bank FD's were paying much less compared to a GSec yield. GST only added to the sentiments. Timing was perfect for US treasury yields to move up at the same time. Announcement of budget and the abovementioned uncertainty, created panic and markets saw a huge bout of selling.

Things have eased since. Oil has stabilized and so has US treasury yields (currently at 2.82%). Leveraged positions are cut in the meltdown possibly. Government has cancelled one auction and had reduced borrowings by ₹ 300 billion. Results have been satisfactory.

We change our stance from neutral to positive. With no major events from here to 31st March 2018, we recommend investors to be in equities.

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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