

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-Sep-17	31-Aug-17	Change (%)	31-Mar-17	Change (%)
₹/\$	65.28	63.91	🚩 -2.14%	64.85	🚩 -0.66%
Forex Res.(Bn- 1 Wk Lag)	\$ 402.25	\$ 394.55	🌱 1.95%	\$ 367.93	🌱 9.33%
Oil Price (\$/Barrel)	\$ 57.54	\$ 51.06	🌱 12.69%	\$ 53.53	🌱 7.49%
Gold (₹/10 gm)	29,692	29,399	🌱 1.00%	28,527	🌱 4.08%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-10760	-12632	🌱 14.82%	29996	🚩 -135.87%
Debt (monthly)	-31525	12694	🚩 -348.35%	27136	🚩 -216.17%

Indices

Particulars	30-Sep-17	31-Aug-17	Change (%)	31-Mar-17	Change (%)
BSE Sensex	31,283.72	31,730.49	🚩 -1.41%	29,620.50	🌱 5.62%
S&P CNX Nifty	9,788.60	9,917.90	🚩 -1.30%	9,173.75	🌱 6.70%
Dow Jones Industrial Avg	22,405.09	21,948.10	🌱 2.08%	20,663.22	🌱 8.43%
FTSE 100	7,372.76	7,430.62	🚩 -0.78%	7,342.43	🌱 0.41%
Hang Seng Index	27,554.30	27,970.30	🚩 -1.49%	24,111.59	🌱 14.28%
Nikkei 225	20,356.28	19,646.24	🌱 3.61%	18,909.26	🌱 7.65%
B S E Healthcare Index	13,487.76	13,149.26	🌱 2.57%	15,312.40	🚩 -11.92%
B S E Metal Index	13,563.90	13,284.05	🌱 2.11%	11,804.46	🌱 14.90%
B S E Auto Index	24,180.04	23,688.67	🌱 2.07%	22,012.66	🌱 9.85%
B S E Capital Goods Index	17,172.12	17,330.85	🚩 -0.92%	16,446.03	🌱 4.41%
B S E Information Technology Index	9,946.60	10,063.83	🚩 -1.16%	10,365.51	🚩 -4.04%
B S E Bankex	27,025.26	27,440.82	🚩 -1.51%	24,420.77	🌱 10.67%
B S E Oil & Gas Index	14,842.54	15,177.26	🚩 -2.21%	13,563.63	🌱 9.43%
B S E Power Index	2,206.23	2,261.46	🚩 -2.44%	2,274.42	🚩 -3.00%
B S E Realty Index	2,065.41	2,137.67	🚩 -3.38%	1,599.97	🌱 29.09%
B S E FMCG Index	9,772.71	10,174.12	🚩 -3.95%	9,270.25	🌱 5.42%

Primary Key Rates

Particulars	30-Sep-17	31-Aug-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 *#	20.00%	20.00%	 0.00%	20.50%	 -0.50%
Call money rate	6.00%	5.75%	 0.25%	6.00%	 0.00%
Current Inflation Rate (WPI)	3.24%	1.88%	 1.36%	6.55%	 -3.31%
Current Inflation Rate (CPI) (Aug)	3.40%	2.36%	 1.04%	3.65%	 -0.25%
IIP (WPI) % y-o-y (July)	1.20%	-0.20%	 1.40%	2.70%	 -1.50%
AAA spread (bps)	65.00	65.00	 0.00%	75.00	 -13.33%

	2014-15	2015-16	2016-17	Q4 FY17	Q1 FY18
Real GDP % (New Growth No. by CSO)	7.30%	7.60%	7.10%	6.10%	5.70%

Interest Rates (FIMMDA)

Particulars	30-Sep-17	31-Aug-17	Change (%)	31-Mar-17	Change (%)
91 days T - Bill	6.08%	6.09%	 -0.01%	5.78%	 0.30%
364 days T - Bill	6.23%	6.25%	 -0.02%	6.10%	 0.13%
5 Years G - Sec (Annualized)	6.63%	6.50%	 0.13%	6.62%	 0.01%
10 Years G - Sec (Annualized)	6.66%	6.53%	 0.14%	6.66%	 0.00%
30 Years G - Sec (Annualized)	7.29%	7.22%	 0.07%	7.45%	 -0.16%

	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 June 24, 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

World is brighter, rates are tighter

Performance in bonds and markets overall have been severely affected by rise in yields across DM (Developed Market) and EM (Emerging Market). Central banks' signaling the end of QE and impending reversal of balance sheet expansion amidst a steady rise in consumer prices has started pushing developed market yields higher. India also witnessed a similar jump in inflation along with rising fiscal deficit with very little room to meet target in the remainder of FY 2018.

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

Instrument	Mar' 17	Aug' 17	Sept' 17	M-O-M Change	Change (YTD)
10 Yr G-sec	6.66%	6.53%	6.66%	0.13%	-
30 Yr G-sec	7.45%	7.22%	7.29%	0.07%	-0.16%
3 Yr AAA Bond	7.10%	6.95%	6.95%	-	-0.15%
5 Yr AAA Bond	7.45%	7.10%	7.12%	0.02%	-0.33%
10 Yr AAA Bond	7.66%	7.40%	7.42%	0.02%	-0.24%
364 Days T-bill	6.10%	6.25%	6.23%	-0.02%	0.13%
91 Days T-bill	5.78%	6.09%	6.08%	-0.01%	0.30%
1Yr Certificate of Deposit	6.63%	6.55%	6.60%	0.05%	-0.03%
Credit spreads bps	75	65	65	-	- 10 bps
Crude \$/barrel	53.53	51.06	57.54	\$ 6.48	\$ 4.01
USD / INR	64.85	63.91	65.28	₹ 1.37	₹ 0.43

Macro Indicators:

CPI inflation rose to a higher-than-expected 3.4% year on year in August 2017, from 2.4% in July 2017, on higher vegetable prices and a huge jump in core inflation owing to GST (Goods & Services Tax) and HRA (House Rent Allowance). Fruits and vegetables jumped by 5% and 6% respectively on year on year basis. Pulses continued to fall with a 24% drop this month. Core CPI inflation (CPI ex- food & beverage, fuel) rose to 4.5% year on year in August 2017 from 3.9% in June 2017.

Industrial production slightly did better in the month of July 2017 as it rose to 1.2% from a meager contraction of 0.2% in the previous month. Manufacturing PMI remained steady at 51.2 for September 2017 while Services PMI jumped from 47.8 to 50.2. Core sectors output growth was promising at around 4.9% versus 0.8% in June 2017 and 2.6% in July 2017.

RBI keeps rates unchanged at 6% with 5-1 vote citing sharp rebound in CPI (2 percentage points since last meeting), higher crude prices, inflationary pressures from fiscal slippage and heightened financial volatility from global conditions as the key reasons for keeping policy unchanged. Few important take-aways :

1. Inflation projection slightly revised higher. From 4% - 4.5% range mentioned in the last policy, they made it 4.2% - 4.6% this time. The overall tone, however, appears to be balanced for now
2. GVA (Gross Value Added) revised lower to 6.7% from 7.3%. They acknowledged output gap widening but mentioned they needed more data to ascertain transient versus sustained headwinds in growth prints. They also mentioned high frequency indicators pointing higher and that recent government initiatives are medium to long term growth positive
3. Warned the government in as many words against fiscal stimulus
4. 50 bps cut in SLR (Statutory Liquidity Ratio) and HTM (Held to Maturity)
5. SDL (State Development Loan) auctions to be made weekly

Around the World:

On the global front, the US economy also continues to look healthy, with unemployment continuing to stay below 4.5%. Given the tight labor market, the Federal Reserve (Fed) has started signaling that one rate hike was due in 2018 and markets now are pricing in a 78% probability of a hike in December 2017. BoE (Bank of England) is also set to raise rates in November 2017 with CPI coming in at 2.9% in the latest month. The big 3 central banks viz. Fed (Central Bank USA), ECB (European Central Bank) and BoE are also expected to soon issue plans for QT (Quantitative Tightening).

Debt Outlook:

August 2017 CPI moved higher to 3.4% from just 1.5% 2 months ago. RBI abstained from any rate cuts in October 2017 policy meeting. Over all, this policy is tilting towards hawkishness and certain statements pertaining to “no room” for monetary accommodation and effects of fiscal stimulus on inflation and projected uptick in growth as shown by High frequency indicators make us expect no further cuts in the near term. Most analysts now believe CPI to settle at 4.5% by March 2018. September 2017 and October 2017 CPI could be above 3.5%, but November 2017 CPI could be 4%. Higher PMI (Purchasing Managers Index) 51.2 versus 47.9, and SBI composite index (54.2 versus 49.9) confirm that growth uptick is bound to happen soon. If and when fiscal stimulus is announced, this would have to be funded by extra market borrowings. This could alter the demand supply equation and push yields higher in the last quarter of 2017. Yields could keep moving higher and trade in the range of 6.65% - 80%.

Equity Outlook

Monthly Equity Outlook for October, 2017

Month of September, 2017 left market grappling with money that's likely to get into IPO (Initial Public Offer) markets, slower economic growth and International liquidity likely drying up on account of tapering of QE and interest rate hikes in US. Euro zone is also gradually improving.

Sensex closed the month at 31284, down 1.4%. Difty, dollar based index lost 3.5% for the month. Amongst the index's that have larger market cap, Automobile and Metals gained 2% each respectively and FMCG lost 4%. Loosing of 4% by FMCG Index was led more by changes in GST for ITC.

Economic growth slowed to 5.7% for the Quarter 1 of FY 2018 (6.1% for last quarter). At the same time CPI came at 3.4% in August 2017 versus 2.4% in July 2017. RBI clarified that the Notes issued as on September 2016 in the system were to the tune of ₹ 15.6 trillion versus ₹ 17.7 trillion on Nov, 2016.

Liquidity was adequate with FPI's (Foreign Portfolio Investment) putting money in, to the extent of US \$ 209 million in Debt, Mutual funds pouring US \$ 2.7 billion and Insurance companies putting in US \$ 547 million. FPI's segment in equity and derivatives were net sellers to the tune of US \$ 481 million.

We continue to hold a neutral view on the markets. IPO's will continue to dominate the markets, will take money that is otherwise available to be invested. GST would take time to stabilize. Results are expected to be subdued. Monsoon is 5% short of LPA (Long Period Average). FPI's are looking for opportunity to sell equities. PE's have exited US \$ 9 billion worth of stock year till date. However, Insurance majors together with Mutual Funds and continuing liquidity will not let the markets fall.

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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