

## 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-Jul-17	30-Jun-17	Change (%)	31-Mar-17	Change (%)
₹/\$	64.19	64.58	🚩 0.60%	64.85	🚩 1.02%
Forex Res.(Bn- 1 Wk Lag)	\$ 391.33	\$ 382.53	🚩 2.30%	\$ 367.93	🚩 6.36%
Oil Price (\$/Barrel)	\$ 52.46	\$ 47.92	🚩 9.47%	\$ 53.53	🚩 -2.00%
Gold (₹/10 gm)	28,517	28,803	🚩 -0.99%	28,527	🚩 -0.04%
<b>FII inflows (Net) - Crs (₹)</b>					
Equity (monthly)	2509	-6447	🚩 138.92%	29996	🚩 -91.64%
Debt (monthly)	20312	29536	🚩 -31.23%	27136	🚩 -25.15%

### **Indices**











Particulars	31-Jul-17	30-Jun-17	Change (%)	31-Mar-17	Change (%)
BSE Sensex	32,514.94	30,921.61	🚩 5.15%	29,620.50	🚩 9.77%
S&P CNX Nifty	10,077.10	9,520.90	🚩 5.84%	9,173.75	🚩 9.85%
Dow Jones Industrial Avg	21,891.12	21,349.63	🚩 2.54%	20,663.22	🚩 5.94%
FTSE 100	7,372.00	7,304.35	🚩 0.93%	7,342.43	🚩 0.40%
Hang Seng Index	27,323.99	25,764.58	🚩 6.05%	24,111.59	🚩 13.32%
Nikkei 225	19,925.18	20,033.43	🚩 -0.54%	18,909.26	🚩 5.37%
B S E Metal Index	12,425.99	11,374.12	🚩 9.25%	11,804.46	🚩 5.27%
B S E Bankex	28,386.54	26,277.96	🚩 8.02%	24,420.77	🚩 16.24%
B S E Oil & Gas Index	14,189.96	13,202.65	🚩 7.48%	13,563.63	🚩 4.62%
B S E Realty Index	2,186.28	2,043.23	🚩 7.00%	1,599.97	🚩 36.65%
B S E Information Technology Index	10,437.79	9,833.46	🚩 6.15%	10,365.51	🚩 0.70%
B S E Capital Goods Index	17,972.61	17,075.94	🚩 5.25%	16,446.03	🚩 9.28%
B S E Auto Index	24,463.15	23,408.17	🚩 4.51%	22,012.66	🚩 11.13%
B S E Power Index	2,323.61	2,225.54	🚩 4.41%	2,274.42	🚩 2.16%
B S E Healthcare Index	14,195.40	14,190.58	🚩 0.03%	15,312.40	🚩 -7.29%
B S E FMCG Index	10,093.85	10,428.17	🚩 -3.21%	9,270.25	🚩 8.88%




### Primary Key Rates

Particulars	31-Jul-17	30-Jun-17	Change (%)	31-Mar-17	Change (%)
Repo Rate*	6.25%	6.25%	 0.00%	6.25%	 0.00%
Reverse Repo Rate**	6.00%	6.00%	 0.00%	5.75%	 0.25%
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	6.20%	6.25%	 -0.05%	6.00%	 0.20%
Current Inflation Rate (WPI)	0.90%	2.17%	 -1.27%	6.55%	 -5.65%
Current Inflation Rate (CPI) (June)	1.54%	2.18%	 -0.64%	3.65%	 -2.11%
IIP (WPI) % y-o-y (May)	1.70%	3.10%	 -1.40%	2.70%	 -1.00%
AAA spread (bps)	68.00	70.00	 -2.86%	75.00	 -9.33%

	2014-15	2015-16	2016-17	Q3 FY17	Q4 FY17
Real GDP % (New Growth No. by CSO)	7.30%	7.60%	7.10%	7.00%	6.10%

### Interest Rates (FIMMDA)

Particulars	31-Jul-17	30-Jun-17	Change (%)	31-Mar-17	Change (%)
91 days T - Bill	6.13%	6.29%	 -0.16%	5.78%	 0.35%
364 days T - Bill	6.24%	6.36%	 -0.11%	6.10%	 0.14%
5 Years G - Sec (Annualized)	6.55%	6.60%	 -0.05%	6.62%	 -0.07%
10 Years G - Sec (Annualized)	6.47%	6.51%	 -0.05%	6.66%	 -0.19%
30 Years G - Sec (Annualized)	7.18%	7.17%	 0.01%	7.45%	 -0.27%

	No change
	Negative change
	Positive change

\* w.e.f Oct 04, 2016

\*\* w e f Apr 06, 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

#### Rate expectations

Performance in bonds has been aided by local elements like fall in CPI below expectations, expected cut in policy rates by MPC (Monetary Policy Committee). Globally there has been some doubt about the suitability of the FED (Central Bank USA) to raise rates anytime soon and, search for higher real yields from investors in the developed markets.

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

Instrument	Mar' 17	June' 17	July' 17	M-O-M Change	Change (YTD)
10 Yr G-sec	6.66%	6.51%	6.47%	-0.04%	-0.19%
30 Yr G-sec	7.45%	7.17%	7.18%	0.01%	-0.27%
3 Yr AAA Bond	7.10%	7.15%	7.05%	-0.10%	-0.05%
5 Yr AAA Bond	7.45%	7.32%	7.08%	-0.24%	-0.37%
10 Yr AAA Bond	7.66%	7.42%	7.38%	-0.04%	-0.28%
364 Days T-bill	6.10%	6.36%	6.24%	-0.12%	0.14%
91 Days T-bill	5.78%	6.29%	6.13%	-0.16%	0.35%
1Yr Certificate of Deposit	6.63%	6.69%	6.55%	-0.14%	-0.08%
Credit spreads bps	75	70	68.00	- 2 bps	- 7 bps
Crude \$/barrel	53.53	47.92	52.46	\$ 4.54	\$ - 1.07
USD / INR	64.85	64.58	64.19	₹ - 0.39	₹ - 0.66

### Macro Indicators:

June 2017 Consumer Price Index (CPI) inflation grew 1.5% year on year versus 2.2% in May 2017, the lowest since the turn of the millennium, and below market and our expectations of 1.6% and 1.7% respectively. The fall was led by further disinflation in food and fuel prices, both in annual and sequential terms. Core inflation too, remained benign.

The new IIP series grew 1.7% year on year in May 2017 versus 2.8% previously, below the consensus and our forecast of 2.0%. On seasonally adjusted basis, it improved a tad, as growth in manufacturing and electricity production offset the drag in mining.



WPI inflation moderated further to 0.9% year on year in June from 2.2% in May 2017, led by deflation in food prices and lower fuel price inflation. Despite lower input costs, manufactured goods price inflation (ex-food products) was unchanged at 2.1%, suggesting improving profit margins. The moderation in WPI inflation in Q2 vis-à-vis Q1 (lower GDP deflator) will be positive for real GDP (Gross Domestic Product) growth in Q2 2017. GST-related prices changes are the main source of uncertainty in the near term.

India's central government fiscal deficit in Q1FY 2018 reached 80.8% of the full year target (3.2% of GDP). This is much higher than the 61.1% in Q1 of last year. Revenue and primary deficits have already breached the full year targets. Although it appears to be an alarming situation, we think that advancing the budget announcement by a month this year might have allowed the government to spend more in Q1 compared to earlier years.

The trade deficit number has come slightly higher than what we expected at US \$ 13 billion. The gold imports have though printed lower than our expectations. We believe that gold imports can remain subdued the next few months, as traders had seemed to accumulate a lot of stock ahead of GST (Goods & Services Tax).

However, the non-oil imports continue to be high, leading to a US \$ 13 billion trade deficit number yet again (3rd month in a row). We think this is a more structural change, primarily due to higher oil and import demand on the one hand, and continued sluggishness in export growth on the other.

The change is very apparent when we compare this April-June 2017 quarter trade deficit (US \$ 40 billion) with that of the same period last year (US \$ 19 billion).

### **Around the World:**

The 0.2% fall in retail sales in June 2017 was worse than the consensus expectation of a 0.1% rise. In part, this weakness reflected the drop in gasoline prices last month, which dragged the value of gasoline station sales down by 1.3%. Auto sales actually edged up in June 2017, despite manufacturers sales pointing to a further decline.

On the global front, The US economy also continues to look healthy, with unemployment now lower and broader measures of unemployment have also been falling sharply. Given the tight labor market, the Federal Reserve(FED) raised rates again in June 2017 and announced that it is likely to start reducing the size of its balance sheet "relatively soon". In the UK, the economic and political outlook remains highly uncertain. Falling real wage growth and consumer confidence do not bode well for consumption in the UK.

Among the Emerging Markets, Chinese growth expectations continues to be slow, with rising interbank lending rates potentially leading to a slowdown in the housing market and construction. Satellite data also suggests that Chinese activity is already cooling down.

### **Debt Outlook:**

MPC cut interest rates by 25 bps from 6.25% to 6% in line with market expectations. The committee also sounded moderately dovish and markets interpreted their commentary that if CPI and core inflation further eased more than expectations then some more room for rate cut could be created. The MPC also has now voted with some dissenters for the second consecutive meeting. There would be some upside risks from HRA implementation and state farm loan waivers according to MPC, but as long as March 2018 CPI is close to 4% bond yields could gradually head lower. We believe mispriced bonds offer a better opportunity of a rally in the coming months. The new Rs. 2.5 lac crores MSS limit (Market Stabilization Scheme) opens room for forex spot intervention by RBI and an end to OMO (Open Market Operation) sales.

### **Equity Outlook**

#### **Equity Market outlook for the month of August, 2017**

Sensex gave a return of 5.15% on the back of good progress in monsoon, satisfactory results for the first quarter of FY 2018, as of now no major hick ups in implementation of GST and global factors like interest rate hike fear being postponed. For a change this time all the other sector indices and Mid cap and small cap indices have given a similar return i.e. in the range of 5% to 6%.

Indian markets have provided better returns for the month compared to US (2.5%) & UK (1%). Hong Kong however gave a return of 6% during the month.

US FED did not take a decision to hike rates during the last month which gave a welcome relief to the world economy in terms of cost of funds moving up. India has received rains at 1% above the normal as of August 1st as per MET (Meteorological) department. For the quarter ending June 2017, total sales reported by 417 companies have seen revenues increase 10% (3% in the quarter ending June 2016) and profits by 5.4% (4.5% in June 2016).

IIP numbers for May 2017 has come in at 1.7%, the CPI for June 2017 was a record low of 1.57% and the GDP for 2017 has come in at 7.1%.

World economic growth is likely to be good after a long time and with easy liquidity flowing through equity market is expected to do well. However as the markets have given 5% return during the previous month there may be pause here. We expect markets to remain in the positive territory for the next few months.

### **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.

**Disclaimer:**

- 1) This newsletter only gives an overview of economy and should not be construed as financial advice
- 2) SBI Life Insurance Co. Ltd however makes no warranties, representations, promises or statements that information contained herein are correct and accurate. Please consult your Advisor/Consultant before making the investment decision

**BEWARE OF SPURIOUS PHONE CALLS AND FICTITIOUS/FRAUDULENT OFFERS****IRDAI clarifies to public that:**

- IRDAI or its officials do not involve in activities like sale of any kind of insurance or financial products nor invest premiums.
- IRDAI does not announce any bonus.

Public receiving such phone calls are requested to lodge a police complaint along with details of phone call, number.

*Trade logo displayed above belongs to State Bank of India and is used by SBI Life under license.*

**To know more about us**

Visit us at [www.sbilife.co.in](http://www.sbilife.co.in) or Call Toll Free No. 1800 22 9090 (9.00 a.m. to 9.00 p.m.)

SBI Life Insurance Co. Ltd.

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

IRDAI Regn. No. 111

For more details on Risk Factors, Terms & Conditions, please read the sales brochure carefully before concluding a sale