

## 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-17	31-Dec-16	Change (%)	31-Mar-16	Change (%)
₹/\$	67.87	67.92	0.07%	66.25	-2.45%
Forex Res.(Bn- 1 Wk Lag)	\$ 360.78	\$ 359.67	0.31%	\$ 355.95	1.36%
Oil Price (\$/Barrel)	\$ 55.22	\$ 56.82	-2.82%	\$ 39.60	39.44%
Gold (₹/10 gm)	29,042	27,830	4.36%	28,340	2.48%
<b>FII inflows (Net) - Crs (₹)</b>					
Equity (monthly)	- 1,501	- 11,025	86.38%	27,358	-105.49%
Debt (monthly)	- 939	- 16,588	94.34%	2,189	-142.90%

### Indices

Particulars	31-Jan-17	31-Dec-16	Change (%)	31-Mar-16	Change (%)
BSE Sensex	27,655.96	26,626.46	3.87%	25,341.86	9.13%
S&P CNX Nifty	8,561.30	8,185.80	4.59%	7,738.40	10.63%
Dow Jones Industrial Avg	19,864.09	19,762.60	0.51%	17,685.09	12.32%
FTSE 100	7,099.15	7,142.83	-0.61%	6,174.90	14.97%
Hang Seng Index	23,360.78	22,000.56	6.18%	20,776.70	12.44%
Nikkei 225	19,041.34	19,114.37	-0.38%	16,758.67	13.62%
B S E Metal Index	11,672.32	10,109.34	15.46%	7,540.75	54.79%
B S E Power Index	2,167.72	1,987.58	9.06%	1,775.73	22.07%
B S E Realty Index	1,369.73	1,263.94	8.37%	1,228.35	11.51%
B S E Capital Goods Index	14,783.32	13,664.50	8.19%	12,861.33	14.94%
B S E Auto Index	21,809.24	20,257.43	7.66%	18,001.76	21.15%
B S E Bankex	22,311.97	20,748.74	7.53%	18,391.96	21.31%
B S E Oil & Gas Index	12,838.16	12,151.64	5.65%	9,161.61	40.13%
B S E FMCG Index	8,567.58	8,130.87	5.37%	7,692.32	11.38%
B S E Healthcare Index	14,797.01	14,727.59	0.47%	15,149.25	-2.33%
B S E Information Technology Index	9,586.34	10,176.05	-5.80%	11,387.95	-15.82%

### Primary Key Rates

Particulars	31-Jan-17	31-Dec-16	Change (%)	31-Mar-16	Change (%)
Repo Rate*	6.25%	6.25%	0.00%	6.75%	-7.41%
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 *#	20.50%	20.75%	-1.20%	21.50%	-4.65%
Call money rate	6.17%	6.10%	1.15%	6.75%	-8.59%
Current Inflation Rate (WPI)	3.39%	3.15%	7.62%	-0.91%	-472.53%
Current Inflation Rate (CPI) (Dec.)	3.41%	3.63%	-6.06%	5.18%	-34.17%
IIP (WPI) % y-o-y (Nov.)	5.70%	-1.90%	400.00%	-1.50%	-480.00%
AAA spread (bps)	77.00	63.00	22.22%	66.00	16.67%

	2014-15	2015-16	Q4 FY16	Q1 FY17	Q2 FY17
Real GDP % (New Growth No. by CSO)	7.30%	7.60%	7.90%	7.10%	7.30%

### Interest Rates (FIMMDA)

Particulars	31-Jan-17	31-Dec-16	Change (%)	31-Mar-16	Change (%)
91 days T - Bill	6.20%	6.20%	0.08%	7.13%	-12.99%
364 days T - Bill	6.17%	6.33%	-2.43%	7.06%	-12.58%
5 Years G - Sec (Annualized)	6.49%	6.56%	-1.01%	7.60%	-14.58%
10 Years G - Sec (Annualized)	6.41%	6.51%	-1.60%	7.46%	-14.10%
30 Years G - Sec (Annualized)	7.18%	7.16%	0.35%	7.91%	-9.22%

- No change  
 Negative change  
 Positive change

\* w.e.f Oct 04, 2016

# w.e.f Feb 09, 2013

\*\* w.e.f Jan 07, 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

#### India gets notes, RBI gets votes

The bond markets witnessed a minor drop in yields over the month of January 2017 as the 10 year yields fell by 10 bps. Easy liquidity, expectations of fiscal consolidation by the Govt., and a RBI rate cut kept yields lower. However RBI shocked markets by not only pausing, but also changing the monetary stance from “accommodative” to “neutral” and this led to a surge in yields in first week of February 2017. RBI restored its own credibility that markets once lost during demonetization, by sticking to its mandate of inflation targeting despite lack of fiscal loosening. The GOI maintained its commitment to fiscal consolidation by keeping FY 2017 deficit to GDP (Gross Domestic Product) at 3.5% and cutting FY 2018 fiscal deficit to 3.2% of GDP.

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

Instrument	Mar' 16	Dec' 16	Jan' 17	M-O-M Change	Change (YTD)
10 Yr G-sec	7.46%	6.51%	6.41%	-0.10%	-1.05%
30 Yr G-sec	7.91%	7.16%	7.18%	0.02%	-0.73%
3 Yr AAA Bond	8.15%	7.10%	6.76%	-0.34%	-1.39%
5 Yr AAA Bond	8.23%	7.25%	7.12%	-0.13%	-1.11%
10 Yr AAA Bond	8.30%	7.50%	7.27%	-0.23%	-1.03%
364 Days T-bill	7.06%	6.33%	6.17%	-0.16%	-0.89%
91 Days T-bill	7.13%	6.20%	6.20%	0.00%	-0.93%
1Yr Certificate of Deposit	7.96%	6.50%	6.54%	0.04%	-1.42%
Credit spreads bps	66	63	77	14 bps	11 bps
Crude \$/barrel	39.60	56.82	55.22	\$ (1.60)	\$ 17.22
USD / INR	66.25	67.92	67.87	₹ - 0.05	₹ 1.62

### **Macro Indicators:**

Retail inflation fell further to 3.4% versus 3.6% in November 2016 led by lower food inflation and core inflation. IIP surged sharply to 5.7% in November 2016 versus -1.8% in October 2016, partly led by base effect and inventory stocking with the de-monetization impact yet to be reflected. Within manufacturing, capital goods recorded growth (+15%) after several months of contraction. Mining rose to 3.9% while electricity picked up to 8.9%.

The annual rate of inflation, based on monthly WPI, stood at 3.39% (provisional) for the month of December 2016 (over December 2015) as compared to 3.15% (provisional) for the previous month and -1.06 % during the corresponding month of the previous year.

December 2016 trade deficit declined to US \$ 10.4billion versus US \$ 13 billion in November 2016, led by a correction in gold imports (US \$ 2 billion versus US \$ 4.4 billion in November 2016) as well as a recovery in exports. Export growth rebounded to 5.7% Year on Year from 2.3% last month with strong growth in the non-oil exports segment (13% Year on Year).

The Fiscal Deficit was in line with FRBM (Fiscal Responsibility and Budget Management) Target at 3.2% of GDP and the gross and net borrowing was 5.8 and 4.23 lakh crs respectively.

### **Around the World:**

The biggest event in the month of January 2017 was the inauguration of President Trump and the flurry of executive orders he signed like the immigration ban on certain nationalities and news on a prospective H1B visa minimum wage hike. The former affected sentiments especially in the Technology sector in the US which employs a huge proportion of immigrants and the latter affects the Indian IT sector as Indians form more than 60% of H1B Visa entrants. President Trump also spoke a great deal about the “grossly undervalued” nature of Euro and the necessity to have a weak USD. This brought some respite to EM (Emerging Markets). BoE (Bank of England), BoJ (Bank of Japan) and ECB (European central Bank) maintained their asset purchases in their policy meetings without changing policy rates.

### **Debt Outlook:**

We expect bond markets to be trading in a range of 15 bps between 6.75% and 6.90% on the 10 Year benchmark in the coming months. Lower CPI trajectory owing to a sequential drop in food prices and favorable base will pull CPI closer to 3% soon, but sticky Core inflation as RBI expects will push the trajectory higher and

keep CPI closer to 5% by March 2017. RBI believes the risks from higher crude and commodity prices, weakening INR will all start showing soon on the CPI headline. There would also be pressure from global sovereign yields rising on the back of better growth prospects in US, Japan and UK. These factors mainly contributed to the change of RBI's monetary stance from "accommodative" to "neutral". We do not expect any more rate cuts in this cycle, and with Repo rate remaining at 6.25% we see 10 year yields hitting the floor at 6.75%. Other pressure points like initial monsoon projections and fresh G-sec supply will start playing a role in yields hardening in the coming months.

## **Equity Outlook**

### **Outlook for Equity Markets for the month of February, 2017**

In the month of January 2017 markets gave a return of 3.8% despite FPI selling on the back of change in stance that the government took, fairly good results for quarter ending December 2016 and despite large selling by the FII's (Foreign Institutional Investors).

Interest rate differential between US and other emerging markets spooked the currency which in turn led to selling by the FPI's in all the emerging markets. However, there was strong buying at domestic end as a result of change in stance that government took post demonetization. As the month progressed investors were convinced that budget would be pragmatic in lines of earlier ones.

Sensex gave a return of 3.87% with Mid cap and Small cap returns at 6.87% and 7.38%. Sensex ended at 27656. Within the sectors, metals gave a return of 15% and were at its peak for the year.

On the liquidity side, FPI's (Foreign Portfolio Investment) slowed but remained sellers. FPI's sold stocks worth US \$ 170 million for the month of January, 2017 against selling of US \$ 1.2 billion for December, 2016. Domestic investors too slowed down their purchases. They were buyers to the extent of US \$ 0.8 billion versus US \$ 1.3 billion for the month of December, 2016.

Budget was in fact pragmatic with deficit limited to 3.2%. There was no additional tax that the capital markets had to pay as was feared earlier. There was relief / clarity for FPI's in terms of taxation as proposals to tax the end investor on the gains that he makes in India were put on abeyance. These were some key reasons for stock markets to move up.



GDP growth for FY 2016 was revised from 7.6% to 7.9%.

Markets have moved almost 11% from the bottoms it made after Donald Trump was elected and Demonetization was announced. The after effect of Trump's policies announced and likely to be announced are also discounted by the markets. Institutions, both FPI's and domestics have taken diagonally opposite views. While FPI's have sold, domestics have bought in a big way. Domestic investors views have prevailed finally and indices have moved. Results are showing excellent numbers the impact of Demonetization is felt only with companies that are present pan India.

We are cautious at this juncture as markets have moved ahead of fundamentals. Impact of Note Ban may be felt in this quarter. Budget proposals are in the prices. On the positive side we have big fall in interest cost but on the negative side improvement in capacity utilization for manufacturing is yet awaited.

### **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