

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-16	31-Aug-16	Change (%)	31-Mar-16	Change (%)
₹/\$	66.61	66.96	 0.52%	66.25	 -0.54%
Forex Res.(Bn- 1 Wk Lag)	\$ 370.77	\$ 366.78	 1.09%	\$ 355.95	 4.16%
Oil Price (\$/Barrel)	\$ 50.19	\$ 47.06	 6.65%	\$ 39.60	 26.74%
Gold (₹/10 gm)	31,175	30,945	 0.74%	28,340	 10.00%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	9,523	8,778	 8.49%	27,358	 -65.19%
Debt (monthly)	17,039	- 2,489	 784.57%	2,189	 678.39%

Indices











Particulars	30-Sep-16	31-Aug-16	Change (%)	31-Mar-16	Change (%)
BSE Sensex	27,865.96	28,452.17	 -2.06%	25,341.86	 9.96%
S&P CNX Nifty	8,611.15	8,786.20	 -1.99%	7,738.40	 11.28%
Dow Jones Industrial Avg	18,308.15	18,400.88	 -0.50%	17,685.09	 3.52%
FTSE 100	6,899.33	6,779.54	 1.77%	6,174.90	 11.73%
Hang Seng Index	23,297.15	22,976.88	 1.39%	20,776.70	 12.13%
Nikkei 225	16,449.84	16,887.40	 -2.59%	16,758.67	 -1.84%
B S E Oil & Gas Index	11,377.55	11,072.71	 2.75%	9,161.61	 24.19%
B S E Auto Index	22,231.66	22,008.15	 1.02%	18,001.76	 23.50%
B S E Healthcare Index	16,181.12	16,161.74	 0.12%	15,149.25	 6.81%
B S E Metal Index	9,763.66	9,939.73	 -1.77%	7,540.75	 29.48%
B S E Realty Index	1,512.19	1,542.10	 -1.94%	1,228.35	 23.11%
B S E Information Technology Index	10,229.09	10,439.35	 -2.01%	11,387.95	 -10.18%
B S E Bankex	22,045.62	22,656.58	 -2.70%	18,391.96	 19.87%
B S E FMCG Index	8,461.02	8,822.47	 -4.10%	7,692.32	 9.99%
B S E Capital Goods Index	14,581.77	15,212.25	 -4.14%	12,861.33	 13.38%
B S E Power Index	1,989.59	2,098.41	 -5.19%	1,775.73	 12.04%




Primary Key Rates

Particulars	30-Sep-16	31-Aug-16	Change (%)	31-Mar-16	Change (%)
Repo Rate*	6.50%	6.50%	 0.00%	6.75%	 -3.70%
Reverse Repo Rate*	6.00%	6.00%	 0.00%	5.75%	 4.35%
CRR#	4.00%	4.00%	 0.00%	4.00%	 0.00%
SLR *#	21.00%	21.00%	 0.00%	21.50%	 -2.33%
Call money rate	6.50%	6.50%	 0.00%	6.75%	 -3.70%
Current Inflation Rate (WPI)	3.74%	3.55%	 5.35%	-0.91%	 -510.99%
Current Inflation Rate (CPI) (August)	5.05%	6.07%	 -16.80%	5.18%	 -2.51%
IIP (WPI) % y-o-y (July)	-2.40%	2.10%	 -214.29%	-1.50%	 60.00%
AAA spread (bps)	62.00	40.00	 55.00%	66.00	 -6.06%

	2013-14	2014-15	2015-16	Q4 FY16	Q1 FY17
Real GDP % (New Growth No. by CSO)	6.90%	7.30%	7.60%	7.90%	7.10%

Interest Rates (FIMMDA)

Particulars	30-Sep-16	31-Aug-16	Change (%)	31-Mar-16	Change (%)
91 days T - Bill	6.42%	6.56%	 -2.06%	7.13%	 -9.88%
364 days T - Bill	6.55%	6.68%	 -1.91%	7.06%	 -7.25%
5 Years G - Sec (Annualized)	6.87%	7.02%	 -2.14%	7.60%	 -9.65%
10 Years G - Sec (Annualized)	6.81%	7.11%	 -4.15%	7.46%	 -8.64%
30 Years G - Sec (Annualized)	7.17%	7.25%	 -1.03%	7.91%	 -9.36%

-  No change
-  Negative change
-  Positive change

* w e f Apr 05, 2016

w e f Feb 09, 2013

*# w e f Apr 02, 2016

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 Dove dressed in Hawk's feathers

The bond markets witnessed easing of yields the 10 year yields dropped by 15 bps owing to fresh OMO (Open Market Operations) buyback announcements a rate cut of 25 bps. The language and tone of the RBI sounds more dovish than expected and this could prove to be a game changer for the coming months.

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

Instrument	Mar' 16	Aug' 16	Sept' 16	M-O-M Change	Change (YTD)
10 Yr G-sec	7.46%	7.11%	6.81%	-0.30%	-0.65%
30 Yr G-sec	7.91%	7.25%	7.17%	-0.08%	-0.74%
3 Yr AAA Bond	8.15%	7.40%	7.28%	-0.12%	-0.87%
5 Yr AAA Bond	8.23%	7.50%	7.41%	-0.09%	-0.82%
10 Yr AAA Bond	8.30%	7.63%	7.43%	-0.20%	-0.87%
364 Days T-bill	7.06%	6.68%	6.55%	-0.13%	-0.51%
91 Days T-bill	7.13%	6.56%	6.42%	-0.14%	-0.71%
1Yr Certificate of Deposit	7.96%	7.21%	7.00%	-0.21%	-0.96%
Credit spreads bps	66	40	62	22 bps	- 4 bps
Crude \$/barrel	39.60	47.06	50.19	\$ 3.13	\$ 10.59
USD / INR	66.25	66.96	66.61	₹ - 0.35	₹ 0.36

Macro Indicators:

Retail price inflation rose to 5.05% in August 2016 from 6.07% in the previous month. Food price inflation contributed the most to this drop which rose by 5.9% year on year versus 8.4% last month. The pulses prices dropped 1% on a month on month basis.

IIP contracted by 2.4% in July 2016 as against a growth of 2.1% in the previous month. Capital Goods sector fell by 29% year on year basis and this alone was a big drag on IIP. Mining grew by 0.8%, while electricity grew by 1.6% year on year and manufacturing contracted by 3.4%.

The monsoon season ended with a 3% deficit but the acreage (production wise) was at historic levels. The first estimate of Kharif crop production at historic levels augurs well for the economy.

As reservoir levels are also good, rabi crop output is also expected to be good. Government is planning to shore up pulses for future consumption which will help to curtail spurts in food inflation.

India posted a current account deficit (CAD) of \$ 300 million or 0.1% of GDP, in the April 2016 – June 2016 quarter, lower than \$ 6.1 billion (12% of GDP) in same quarter a year ago. India's fiscal deficit in April 2016 - August 2016 stood at ₹ 4.08 lakh crore, which was 76.4% of Budget estimates for 2016-2017. India's core sector growth advanced 3.2% in August 2016 compared to a revised 3% growth in July 2016.

Around the World:

The month of September 2016 saw mildly weaker jobs data with the job additions coming in at 156k against expectations of 180k. Unemployment rose from 4.9% to 5%. The probability for a September 2016 rate hike by the FED (Central Bank USA) continued to move upwards and has reached close to 68%. The BoJ (Bank of Japan) and ECB (European Central Bank) however disappointed markets owing to their lack of fresh monetary support and also hints that fiscal loosening might have to take over from monetary easing.

Debt Outlook:

CPI came in at 5% against 6.1% last month and this was a huge drop and promised a great deal to markets sentiments. The trajectory is showing a southwards movement over the next 3 months with a possible 4.3% by November 2016 owing to a favorable base and some price easing seen across food items. RBI would most probably cut interest rates by 25 bps again in December 2016 as the new real interest rate targeted by RBI of 1.25% against 1.5% - 2% under Dr. Rajan will create enough room by December 2016. September 2016 has seen more than ₹ 17000 crs of debt FPI (Foreign Portfolio Investors) flows and RBI under the guidance of Dr. Patel would be committed to providing another ₹ 1 lac crores of OMO flows. These factors could push yields lower with 10 year ranging between 6.5% and 6.70%. However there are some up-side risks as CPI could start heading higher post December 2016 if pulses and food prices don't moderate and the FED could hike rates in December 2016 and this could reverse FPI flows. The shortfall in spectrum sales revenues, and disinvestment revenues could hurt govt. finances and lead to excess market borrowings and thereby apply pressure on yields.

Equity Outlook

Equity market outlook for the month of October, 2016

Geopolitical considerations made the markets come off sharply towards the end of the month September 2016. Sensex slipped by 2.06% to end at 27866. Small and Mid cap indices were in the positive 1% and 2% respectively. Other regional markets slipped in line with the Sensex.

FPI's bought \$ 1.3 billion worth of stock on a net basis last month. Mutual Funds on the domestic side joined with \$ 225 million worth of purchases. Insurance though was a seller.

India on a global competitive index improved its ranking by 16 points. CPI inflation slipped to 5.05% (6.07%) for the month of August 2016 and IIP fell to 2.4% for July (+2.10%).

Markets are bothered about the key events coming during the quarter in terms of Interest rate hike in US, GST rate finalization, US elections etc.

Our view remains stock specific. Index may move or react due to any small incident like strikes across the border, but stocks may start to perform as results are expected to be good from 3rd quarter of this financial year led by good monsoon and WPI pick up. We also expect margins to improve with CPI coming off and benefits of interest rate starting to play. We would therefore remain positive with stock selective approach.

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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