

## 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-Apr-16	31-Mar-16	Change (%)	31-Mar-15	Change (%)
₹/\$	66.33	66.25	 -0.12%	62.50	 -6.13%
Forex Res.(Bn- 1 Wk Lag)	\$ 361.60	\$ 355.95	 1.59%	\$ 339.99	 6.36%
Oil Price (\$/Barrel)	\$ 47.37	\$ 39.60	 19.62%	\$ 55.80	 -15.11%
Gold (₹/10 gm)	29,820	28,340	 5.22%	26,245	 13.62%
<b>FII inflows (Net) - Crs (₹)</b>					
Equity (monthly)	3,890	27,358	 -85.78%	8,401	 -53.70%
Debt (monthly)	2,663	2,189	 21.65%	12,458	 -78.62%

### Indices

Particulars	30-Apr-16	31-Mar-16	Change (%)	31-Mar-15	Change (%)
BSE Sensex	25,606.62	25,341.86	 1.04%	27,957.49	 -8.41%
S&P CNX Nifty	7,849.80	7,738.40	 1.44%	8,491.00	 -7.55%
Dow Jones Industrial Avg	17,773.64	17,685.09	 0.50%	17,776.12	 -0.01%
FTSE 100	6,241.90	6,174.90	 1.09%	6,773.00	 -7.84%
Hang Seng Index	21,067.05	20,776.70	 1.40%	24,900.89	 -15.40%
Nikkei 225	16,666.05	16,758.67	 -0.55%	19,206.99	 -13.23%
B S E Realty Index	1,356.71	1,228.35	 10.45%	1,664.51	 -18.49%
B S E Metal Index	7,958.93	7,540.75	 5.55%	9,465.65	 -15.92%
B S E Power Index	1,846.34	1,775.73	 3.98%	2,127.41	 -13.21%
B S E Bankex	19,114.83	18,391.96	 3.93%	20,865.31	 -8.39%
B S E Healthcare Index	15,582.33	15,149.25	 2.86%	17,284.94	 -9.85%
B S E Capital Goods Index	13,202.64	12,861.33	 2.65%	17,293.00	 -23.65%
B S E Auto Index	18,469.40	18,001.76	 2.60%	19,258.66	 -4.10%
B S E Oil & Gas Index	9,356.16	9,161.61	 2.12%	9,311.95	 0.47%
B S E FMCG Index	7,697.38	7,692.32	 0.07%	7,773.44	 -0.98%
B S E Information Technology Index	11,330.17	11,387.95	 -0.51%	11,404.12	 -0.65%

### Primary Key Rates

Particulars	30-Apr-16	31-Mar-16	Change (%)	31-Mar-15	Change (%)
Repo Rate*	6.50%	6.75%	-3.70%	7.50%	-13.33%
Reverse Repo Rate*	6.00%	5.75%	4.35%	6.50%	-7.69%
CRR#	4.00%	4.00%	0.00%	4.00%	0.00%
SLR *#	21.25%	21.50%	-1.16%	21.50%	-1.16%
Call money rate	6.59%	6.75%	-2.37%	11.00%	-40.09%
Current Inflation Rate (WPI)	-0.85%	-0.91%	6.59%	-2.06%	-58.74%
Current Inflation Rate (CPI)	4.83%	5.18%	-6.76%	5.37%	-10.06%
IIP (WPI) % y-o-y (January)	2.00%	-1.50%	233.33%	2.60%	-23.08%
AAA spread (bps)	47.00	66.00	-28.79%	41.00	14.63%

	2013-14	2014-15	Q1 FY16	Q2 FY16	Q3 FY16
Real GDP % (New Growth No. by CSO)	6.90%	7.30%	7.60%	7.70%	7.30%

### Interest Rates (FIMMDA)

Particulars	30-Apr-16	31-Mar-16	Change (%)	31-Mar-15	Change (%)
91 days T - Bill	6.81%	7.13%	-4.48%	7.94%	-14.31%
364 days T - Bill	6.88%	7.06%	-2.58%	7.72%	-10.87%
5 Years G - Sec (Annualized)	7.43%	7.60%	-2.23%	7.75%	-4.11%
10 Years G - Sec (Annualized)	7.44%	7.46%	-0.31%	7.84%	-5.14%
30 Years G - Sec (Annualized)	7.83%	7.91%	-0.97%	7.78%	0.68%

- 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

#### Bond Markets hold steady and wait for rains to reign supreme

The bond markets witnessed a very mild movement as the 10 year yields dropped marginally by 2 bps compared to a tangible drop of 16 bps seen in March 2016. The month of April 2016 saw a rate cut by RBI, but it was entirely priced in by markets at the end of March 2016 and hence the reaction was muted. The markets were faced with a fresh supply of IGBs (Indemnity Government Bonds) and SDLs (State Development Loans) and this alone acted as a dampener to the positive sentiments created by lower inflation, promising monsoon projections by IMD (Indian Meteorological Department) and bond market support by RBI though the OMO (Open Market Operation) route.

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

Instrument	Mar' 15	Mar' 16	Apr' 16	M-O-M Change
10 Yr G-sec	7.84%	7.46%	7.44%	-0.02%
30 Yr G-sec	7.78%	7.91%	7.83%	-0.08%
3 Yr AAA Bond	8.22%	8.15%	8.00%	-0.15%
5 Yr AAA Bond	8.30%	8.23%	8.12%	-0.11%
10 Yr AAA Bond	8.27%	8.30%	8.17%	-0.13%
364 Days T-bill	7.72%	7.06%	6.88%	-0.18%
91 Days T-bill	7.94%	7.13%	6.81%	-0.32%
1Yr Certificate of Deposit	8.35%	7.96%	7.50%	-0.46%
Credit spreads bps	41	66	47	- 19
Crude \$/barrel	55.80	39.60	47.37	\$ 7.77
USD / INR	62.50	66.25	66.33	₹ 0.08

## **Macro Indicators:**

Retail price inflation fell to 4.83% in March 2016 from 5.3% in the previous month. This was the first time CPI fell below 5% since 2015. Drop in vegetables, eggs, milk products and pulses prices sequentially helped bring down CPI.

India's merchandise trade deficit further narrowed to US\$ 5.1 billion in March 2016 from US\$ 6.5 billion in the previous month. This trade deficit number is 5 year low. Exports fell by 5.5% to US\$ 22.7 billion during the month. This marked the 16th consecutive month of a contraction in exports but the magnitude of the fall was the lowest since December 2014, when exports fell by 0.9%.

India's imports also dropped for the 16th straight month in March 2016, declining by 21% against just a 5% drop last month, to US\$ 27.8 billion. This was on top of a 14.7% fall recorded in the year-ago month.

Industrial output, as measured by the Index of Industrial Production (IIP), rose by 2% in February 2016 on a year on year basis. This was the first instance of a rise in industrial production in four months.

Outstanding total credit of SCBs (Scheduled Commercial Banks) rose by 9.2% by end-April 2016 while deposits growth was marginally higher than credit growth at around 9.3% at the end of the same period.

## **Around the World:**

The month of April 2016 saw strong jobs data in the US as 215,000 jobs were created and unemployment marginally inched up from 4.9% to 5%. The US GDP for the first quarter ended disappointingly at just about 0.5% which was the lowest since Q1 of 2014. This sort of weakness in economic data has lowered chances of a rate hike by the FED (Central Bank USA) in June 2016 and now the markets expect just one more rate hike in the entire year. The other central banks like BoJ (Bank of Japan) and ECB (European Central Bank) have disappointed markets further by lack of any incremental monetary stimulus and this has strengthened the Euro and Yen versus US\$ more than markets originally expected. The reversal of commodities and especially Crude oil also weakened global risk-on sentiments.

### **Debt Outlook:**

We believe bond yields can soften further with the arrival of a good monsoon and a lower inflation trajectory as a result of this could very well give more room for RBI to cut Repo rate by another 25 bps in the second half of Current Year 2016. The recent spurt in vegetable price could also remain transitory and see moderation when the rains start pouring. The commitment of RBI to infuse liquidity by buying domestic assets like government bonds and this will keep market yields protected from rising. We also feel that a dovish outlook from the US Federal Reserve in June 2016 will have a favorable impact on INR too and thereby remove any hardening pressure on bonds.

We believe that these drivers will lead to lower interest rates in the economy. Ten year G-sec could trade within 7.25% to 7.50% till September 2016. Once market gets more confident on monsoons and Fiscal deficit targets, the range can shift lower to 7.0% to 7.25% in the second half. The risks to our view will be poor and delayed monsoon and reversal of commodity prices globally which could add pressure on domestic inflation.

## Equity Outlook

### Equity Market Outlook for the Month of May, 2016

Equity Markets gave a return of 1% over and above 10.75% in the month of March 2016, showing strength. Small cap and the large cap indices moved 3% and 4% respectively against benchmark of 1%. All indices in the month moved in tandem, developed and the emerging markets indices. Sentiments were helped by Rate cut of 25 basis points by RBI expectation of normal monsoon and mixed sentiments on poll results.

IMD forecast during the month a 106% of the above average monsoon. Some of the other key developments during the month included IIP of 2% for the month of February 2016, CPI inflation which came at 4.83% (better than expectations), WPI inflation which inched up to near normal of -0.85%, PMI at 51.4 and trade deficit at a low of US\$ 5 billion.

FII's (Foreign Institutional Investors) bought US \$ 1.3 billion worth of Equities during the month.

Indian government passed the bankruptcy law that makes it easier for sick companies to be wound up or reviewed.

Markets will look at all the results before making its further move. Election results, progress of monsoon or weather forecast, developments in US in terms of rate hike are all factors that will effect the markets going forward in the month of May, 2016.

We will remain cautious. Improving liquidity across the globe is a positive.

### **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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