



Monthly Investment Update:  
Volume 3, Issue 3  
June, 2010

# invest CARE GROUP

EMPLOYEE RETIREMENT SOLUTIONS FROM SBI LIFE INSURANCE CO. LTD.

## GROUP RETIREMENT SOLUTIONS

SBI Life Group Retirement Solutions offer an integrated basket of employee benefit plans catering to both statutory as well as voluntary needs of the employers. The two funds we currently offer in our Group Retirement Portfolio are:

### 1) Traditional Fund

This Fund consists of the following Schemes: SBI Life - CapAssure Gratuity, SBI Life - CapAssure Superannuation, SBI Life - CapAssure Leave Encashment and an umbrella offering under the brand name of SBI Life – Cap Assure. SBI Life - CapAssure helps fund management for Define Benefit Scheme, Defined Contribution Scheme or any combination of the two. The investment objective of this Fund is capital protection and to provide optimal returns to the policyholders on a consistent basis within a reasonable risk framework

### 2) Unit Linked Fund

SBI Life has funds under the scheme SBI Life - Kalyan ULIP. Kalyan ULIP is a one-stop solution to cater to the fund management needs of any Corporate in the form of Defined Benefit Scheme, Defined Contribution Scheme or any combination of the two.

The Group Debt Plus, Group Growth Plus and Group Balanced Plus Funds under Kalyan ULIP cater to different risk appetites, while aiming to generate the best in class returns.

**IN THIS POLICY, THE INVESTMENT RISK IN INVESTMENT PORTFOLIO IS BORNE BY THE POLICYHOLDER**

## Group Retirement Investment Strategy

The investment strategy is to invest primarily in Fixed Income Securities such as Government Securities, corporate debt and short term instruments and a portion of the corpus in equities with higher equity exposure for the Unit Linked product.

Investments are made in top quality corporate debt and prime importance is given to duration management with a view on interest rates. Active management policy is followed for both debt and equity market. The investment strategy for equity shares is based on the principles that lay emphasis on the concept of sound fundamentals, sustained economic earnings and return on investments. Investment in companies will be with an objective to participate in their business model. The endeavor will be to focus on identification of growth oriented business models, competitive edge, industry structure, earnings margin and quality of management.

## DEBT MARKET REVIEW AND OUTLOOK

### MARKET REVIEW

Ten year benchmark G-sec was quite volatile during the month as mixed comments from government officials on inflation and growth kept market confused about the timing of rate hike. Tight market liquidity caused due to payments to government on account of 3G & Broadband and wireless license fees & advance tax ensured that markets remain under pressure. Deregulation of domestic petrol prices and increase in price of diesel, LPG and kerosene on the day of G-sec auctions made traders nervous and took ten year G-sec at an intraday high of 7.68%. However markets shrugged off inflation worries arising out of fresh round of fuel price hike and focused on Eurozone worries which took 10 year US G-sec yields below 3%; ten year Indian G-sec closed at 7.55% yield to maturity (ytm).

As mentioned earlier liquidity conditions were strained and call traded above the upper end of Liquidity Adjustment Facility (LAF) corridor. Banks and primary dealers borrowed Rs. 50,000 Cr on a daily average basis from RBI at repo rate. As a result short tenor yields spiked up impacting one year Treasury bill the most as it rose 65 basis points (bps) month-on-month (m-o-m).

Key rate movements during the month are as under:

Instrument	June-10	May-10	Mar-10	Change (MoM)	Change (YTD)
10 Yr Gsec	7.55%	7.56%	7.85%	(-) 1 bp	(-) 30 bps
30 Yr Gsec	8.25%	8.21%	8.26%	4 bps	(-) 1 bps
3 Yr AAA Bond	7.60%	7.39%	7.60%	21 bps	-
5 Yr AAA Bond	8.20%	8.17%	8.50%	3 bps	(-) 30 bps
10 Yr AAA Bond	8.70%	8.67%	8.84%	3 bps	(-) 14 bps
364 Days Treasury Bill	5.65%	5.00%	5%	65 bps	65 bps
91 Days Treasury Bill	5.28%	5.04%	4.25%	24 bps	103 bps
1 Yr Certificate of Deposit	6.85%	6.53%	6.20%	32 bps	65 bps
Crude \$/barrel	75\$	74\$	82\$	1\$	(-) 7\$

(Source: Bloomberg, Reuters & RBI)

## Macro Indicators

- Index of Industrial output rose by 17.6% year-on-year (y-o-y) in April. This was much higher than our estimates of 14.1%. The core sectors forming 27% of Index of Industrial Production (IIP) grew by 5% in May and the HSBC Manufacturing Purchasing Manager's Index (PMI) came in at 27 month high at 59 for May, indicating a strong m-o-m expansion.
- Inflation for May rose to 10.16% y-o-y from 9.59% in April, despite a favourable base effect. In y-o-y terms, core inflation rose by 6.6%, a sharp turnaround from -0.4% in November 2009. The fuel price hikes would be adding 100 bps directly and 40 bps indirectly. Hence the expectation is that Inflation is likely to remain firm in next few months. Positives in the form of cooling off of commodity prices due to persistent crisis in Europe and fall in food prices due to good monsoons can halt the pace of rise in Inflation numbers going ahead. Hike of 25 bps in policy rates by RBI in our view will not be effective unless the same action is repeated on the July 27<sup>th</sup> policy review meeting.
- India's trade data continued to show signs of a robust recovery, with exports and imports registering strong growth rates of 35.1% y-o-y and 38.5% y-o-y respectively in May. The trade balance continued to worsen, as imports grew faster than exports for the seventh consecutive month. On m-o-m basis, exports declined for the second consecutive month, registering a decline of 4.4%. This indicates that the underlying momentum in exports might not be quite as strong as suggested by the headline numbers.
- Exports for the month of May has grown by 35.1% to USD 16.15 bn. Imports were valued at 27.4 bn USD and grew at a rate of 38.5%. Oil imports surged by 66% and these are the worrying factor for the INR. Trade deficit widened to 11.3 bn from a 7.8 bn during the same month last year.

(Source: Bloomberg, Reuters & RBI)

## Global News: US data not so rosy anymore; Euro area still under a cloud of uncertainty

- Third estimate of US Q1 2010 GDP came at 2.7% quarter-on-quarter (QoQ) annualised pace. This is lower than the 3% and 3.2% initial estimates. The unemployment figure however has started coming down from 10.2% and is currently at the 9.5% level. In fact 4,31,000 new nonfarm jobs were added in May. The US PMI came in at 56.2 for the month of June 2010 which is much lesser than the 59.7 level in May.
- Though the uncertainty over European debt woes has not worsened, they have not reduced either. The Credit Default Spreads (CDS) spreads of Greece recently crossed that of Venezuela, becoming the highest priced CDS.

(Source: Bloomberg, Reuters & RBI)

### **RBI hikes policy rates**

The much awaited policy rate hike finally came in the form of reverse repo and repo rate hike of 25 bps in less than a month before the July policy review. It raised speculation about another 25 bps rate hike in July policy review. While many of us were expecting RBI to act any time after the fuel price hike, few market players also thought that, Mr. Subbarao would avoid an intermeeting rate hike given that liquidity conditions are strained for more than a month now. Along with rate hike, RBI also announced the extension of liquidity management measures announced earlier.

- i. The additional liquidity support to Scheduled Commercial Banks under the LAF to the extent of up to 0.5% of their Net Demand and Time Liabilities (NDTL) currently set to expire on July 2, 2010 is now extended up to July 16, 2010.
- ii. The second LAF (SLAF) was also extended up to July 16, 2010

(Source: RBI website)

### **OUTLOOK**

A 25 bps intermeeting rate hike in repo and reverse repo rate was necessary given the fact that inflation is now broad based and economy is running full speed. We don't believe that a 25 bps rate hike will help to anchor inflationary expectations and expect core inflation to rise in the coming months due to the second round effects of fuel price rise. We expect RBI to hike interest rates again on 27<sup>th</sup> July.

On market rates we feel that longer G-sec has already priced in further rate hikes and we expect it to trade in the range of 7.50% to 7.75% in the next couple of months. Short term rates have already gone up due to tightness in liquidity conditions. We expect 10-15 bps hardening in short tenor yields post RBI rate hike.

## EQUITY MARKET REVIEW AND OUTLOOK

Much awaited reforms in the Oil Marketing sector took place during the month of July, 2010 paving way for more visibility of earnings in the sector, lesser subsidy burden for the government and other upstream oil & gas companies in future.

International markets especially in the Euro zone could not hold on with more uncertainty continuing on account of refinancing of earlier debt and rating reviews. There were growing concerns on economic fundamentals of Spain.

Benchmark indices gained 4.4% during the month outperforming some of the most developed markets in the world like China, Japan and the US.

China underperformed with impact of rate hikes showing up. Lead indicators for China like the PMI's were down. Consensus view was developing on India being sweet spot for investment given the fact that world economy slowing down would lead to Chinese exports getting impacted. FII's pumped USD 2.3 billion during the month and domestic mutual funds were sellers to the extent of USD 120 million.

All banks across the country disclosed their respective base rates that came in much below their Prime Lending Rate (PLR). After a long time liquidity growth came down with Money Supply (M3) y-o-y showing a growth of 14.6% as on 4<sup>th</sup> June, 2010. March Quarter GDP came at 8.6%, IIP numbers for April showed a growth of 17.6%. Cement dispatch, however, showed a negative trend and distribution of monsoon across the country was deficient.

Markets would cleanly watch for Results to be declared by companies and behavior of international markets / indices. Having out performed most of the other markets, a big movement is not expected. Given the current valuations we would be cautious.

### **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
- 3) The Company reserves the right to close or add existing / new fund option subject to IRDA approval.
- 4) Company shall select the investments, including derivatives and units of mutual funds, by each fund at its sole discretion subject to the investment objectives of the respective plan and the IRDA regulations.

# SBI Life - Group Retirement Fund - Traditional



## INVESTMENT OBJECTIVE:

The investment objective of the Group Retirement Fund is capital protection and to provide optimal return to the policyholders on a consistent basis within a reasonable risk framework.

**Date of Portfolio:** 30 June 2010

**Launch Date:** September 2003

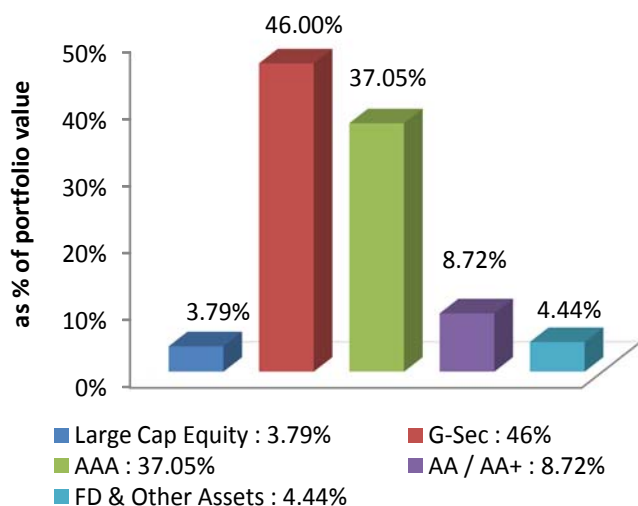
## FUND DETAILS

Group Retirement Fund Year	Gross Yield (p.a.)
Fiscal 2010	9.60%
Fiscal 2009	9.25%
Fiscal 2008	11.00%
Fiscal 2007	10.20%
Fiscal 2006	12.30%
Fiscal 2005	11.67%
Fiscal 2004	13.00%

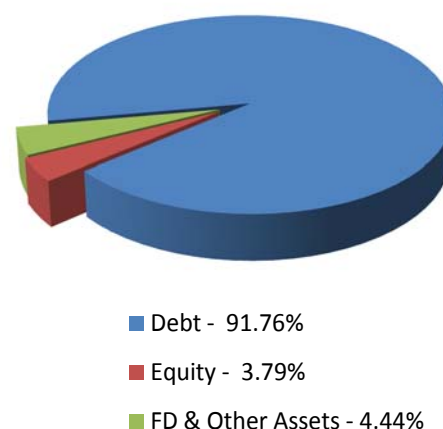
**Group Retirement Fund**

**Duration:** 5.67

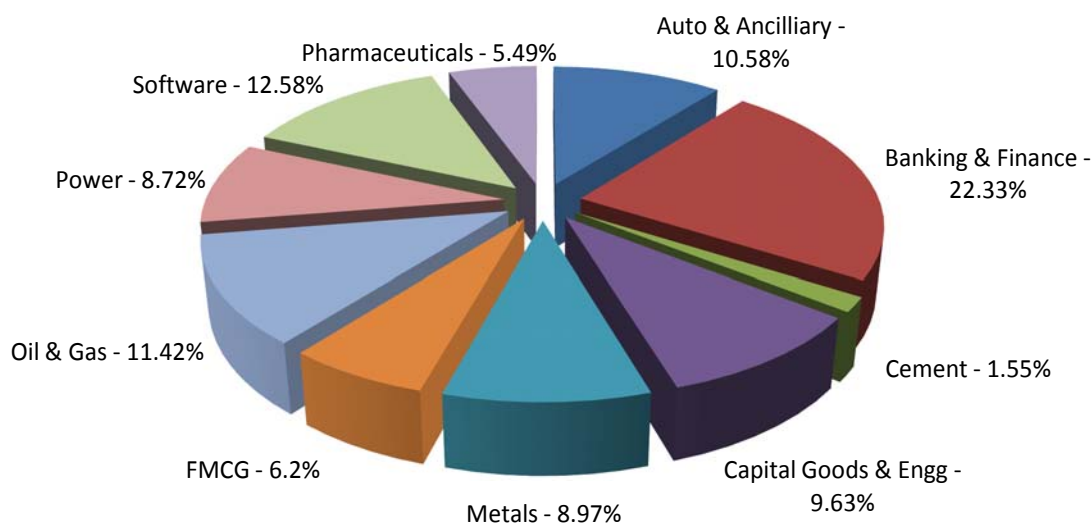
## ASSET ALLOCATION



## ASSET ALLOCATION



## SECTORAL ALLOCATION OF EQUITY AS A % OF EQUITY PORTFOLIO



# SBI Life - Group Debt Plus Fund - ULIP



## INVESTMENT STYLE:

To provide an accumulation of income through substantial investment in the fixed income instrument.

The fund has the following asset class allocation strategy:

Assets of Group Debt Plus Fund	Minimum	Maximum	Risk
Equity & Equity Related Instruments	0%	20%	Low to
Debt & Money Market Instruments	80%	100%	Medium

**SBI Life Product where this fund option is available:**

SBI Life – Kalyan ULIP

## FUND PERFORMANCE\* (as on 30 June 10)

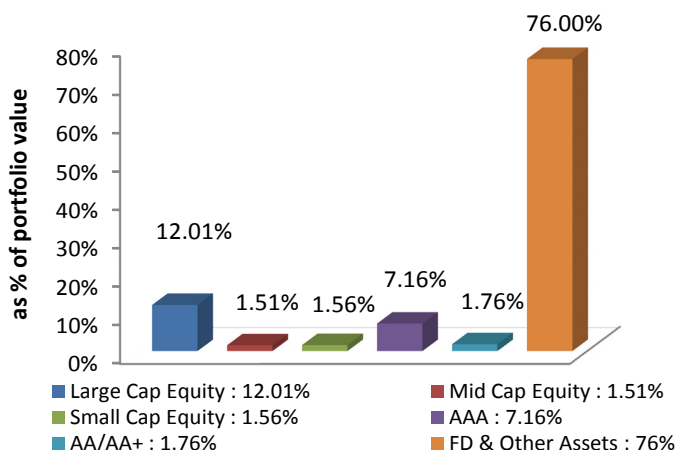
Benchmark: NA

Duration: 0.25

Returns	Group Debt Plus Fund	Benchmark
From 1 <sup>st</sup> April 2010	2.41%	NA
Since Inception - 16 July 2009	9.99%	NA

- \* i) Returns less than or equal to one year are absolute returns, greater than a year are Compound Annual Growth Rate
- ii) Past performance of the fund is not indicative of its future prospects or returns

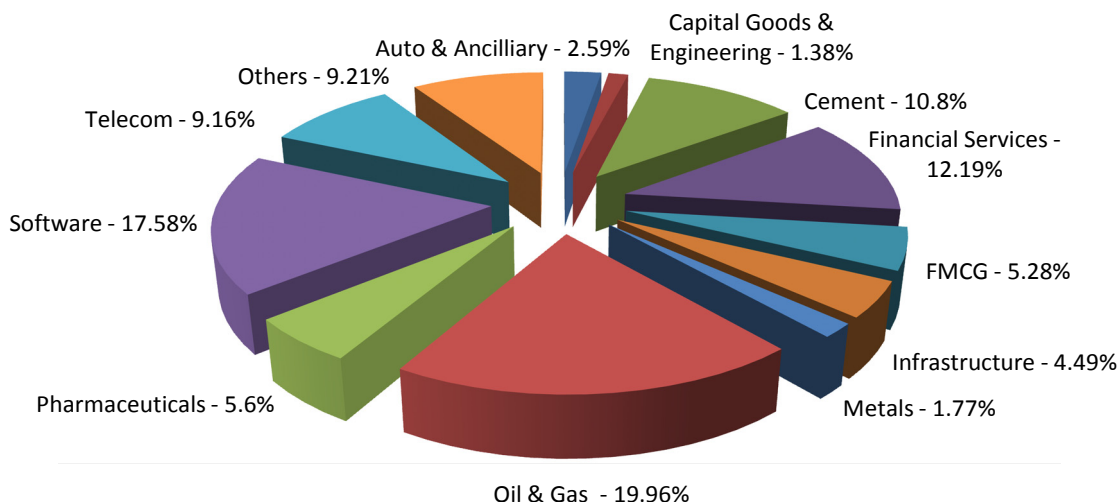
## ASSET ALLOCATION



## TOP 10 HOLDINGS

Company Name	% of total portfolio
Money Market Instrument	77.39%
9.20% L&T B & D 21/01/2012	7.16%
9.80% JSPL B & D 29-12-2021	1.76%
RELIANCE INDUSTRIES LTD.	2.09%
SHREE CEMENT LTD.	1.63%
RELIANCE COMMUNICATIONS LTD.	1.38%
INFOSYS TECHNOLOGIES LTD.	1.17%
BHARAT PETROLEUM CORPORATION LTD.	0.92%
ENTERTAINMENT NETWORK (INDIA) LTD.	0.88%
KOTAK MAHINDRA BANK LTD.	0.80%

## SECTORAL ALLOCATION OF EQUITY AS A % OF EQUITY PORTFOLIO



# SBI Life - Group Growth Plus Fund - ULIP



## INVESTMENT STYLE:

To provide long term capital appreciation through investment primarily in equity & equity related instrument.

The fund has the following asset class allocation strategy:

Assets of Group Growth Plus Fund	Minimum	Maximum	Risk
Equity & Equity Related Instruments	35%	60%	High
Debt & Money Market Instruments	40%	65%	

**SBI Life Product where this fund option is available:**

SBI Life – Kalyan ULIP

## FUND PERFORMANCE\* (as on 30 June 10)

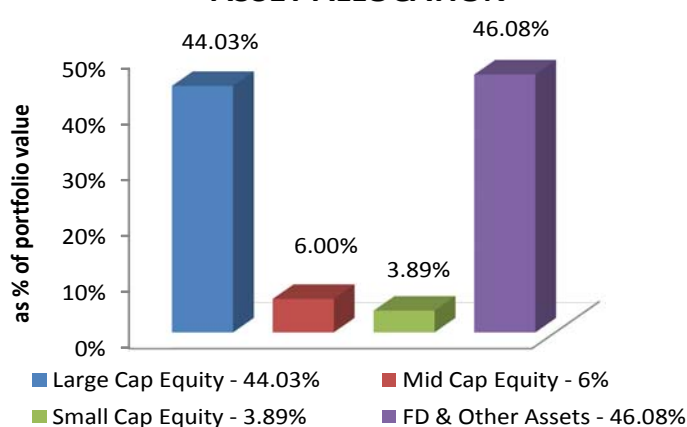
Benchmark: NA

Returns	Group Growth Plus Fund	Benchmark
From 1 <sup>st</sup> April 2010	6.78%	NA
Since Inception - 25 Sept 2009	22.75%	NA

\* i) Returns less than or equal to one year are absolute returns, greater than a year are Compound Annual Growth Rate

ii) Past performance of the fund is not indicative of its future prospects or returns

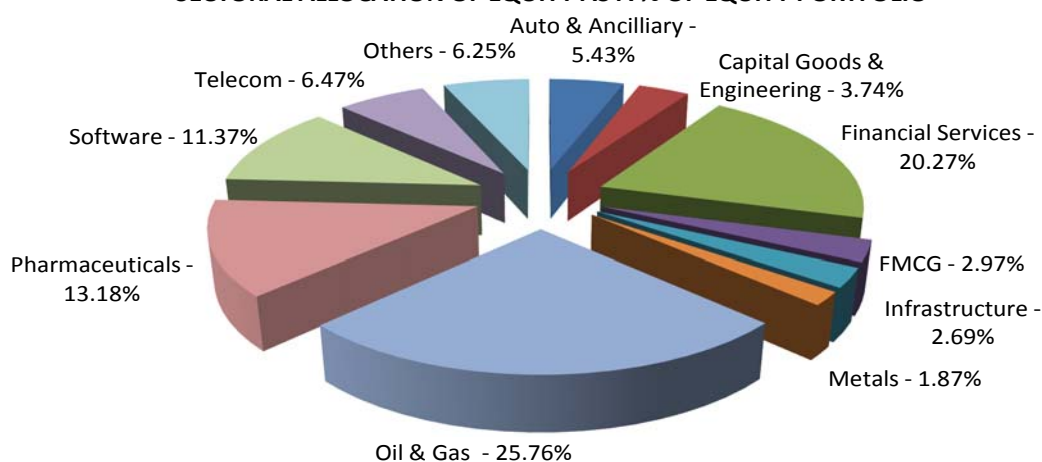
## ASSET ALLOCATION



## TOP 10 HOLDINGS

Company Name	% of total portfolio
Money Market Instrument	49.68%
RELIANCE INDUSTRIES LTD.	5.75%
OIL & NATURAL GAS CORPORATION LTD	4.65%
INFOSYS TECHNOLOGIES LTD.	4.42%
BHARAT PETROLEUM CORPORATION LTI	3.50%
RELIANCE COMMUNICATIONS LTD.	3.49%
BAJAJ AUTO LTD.	2.62%
SUN PHARMACEUTICAL INDUSTRIES LTD	2.51%
YES BANK LIMITED	2.37%
HDFC BANK LTD.	2.36%

## SECTORAL ALLOCATION OF EQUITY AS A % OF EQUITY PORTFOLIO



# SBI Life - Group Balanced Plus Fund - ULIP



## INVESTMENT STYLE:

To provide a balance between long term capital appreciation and current income through a blend of investment in equity/ equity related instruments and fixed income instruments.

The fund has the following asset class allocation strategy:

Assets of Group Balanced Plus Fund	Minimum	Maximum	Risk
Equity & Equity Related Instruments	20%	35%	Medium
Debt & Money Market Instruments	65%	80%	to High

**SBI Life Product where this fund option is available:**

SBI Life – Kalyan ULIP

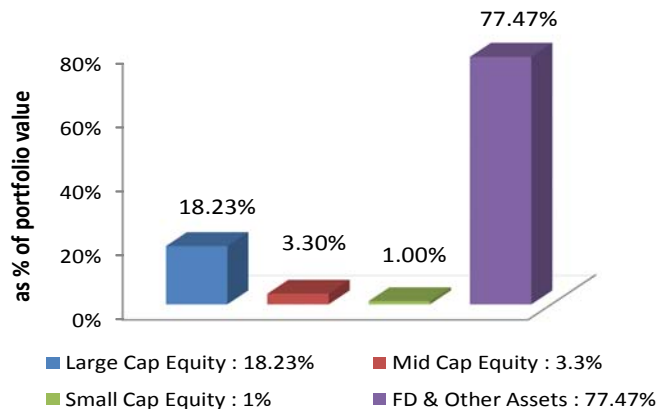
## FUND PERFORMANCE\* (as on 30 June 10)

Benchmark: NA

Returns	Group Balanced Plus Fund	Benchmark
From 1 <sup>st</sup> April 2010	3.55%	NA
Since Inception- 16 July 2009	23.81%	NA

- \* i) Returns less than or equal to one year are absolute returns, greater than a year are Compound Annual Growth Rate
- ii) Past performance of the fund is not indicative of its future prospects or returns

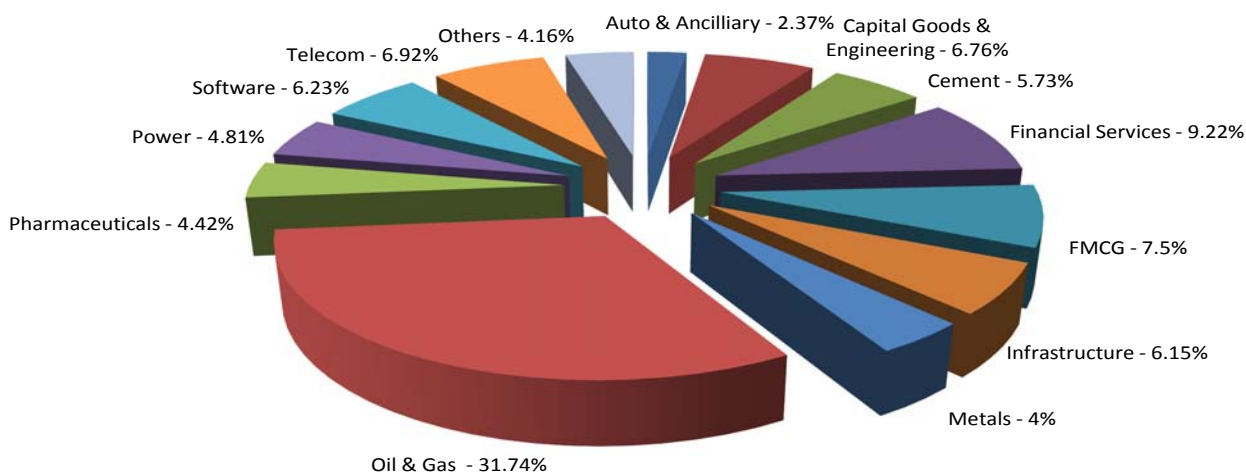
### ASSET ALLOCATION



### TOP 10 HOLDINGS

Company Name	% of total portfolio
Money Market Instrument	79.32%
RELIANCE INDUSTRIES LTD.	2.86%
CAIRN INDIA LTD.	2.39%
RELIANCE COMMUNICATIONS LTD.	1.56%
PROCTER & GAMBLE HYGIENE & HEALTH C/	1.05%
IRB INFRASTRUCTURE DEVELOPERS LTD.	1.05%
OIL & NATURAL GAS CORPORATION LTD.	1.04%
SHREE CEMENT LTD.	0.95%
SIEMENS LTD.	0.91%
A I A ENGINEERING LTD.	0.90%

### SECTORAL ALLOCATION OF EQUITY AS A % OF EQUITY PORTFOLIO



**Risk Factors:**

- 1) Unit Linked Life Insurance products are different from the traditional insurance products and are subject to the risk factors
- 2) Premium paid in unit linked policies are subject to market risks associated with capital markets and NAVs of units may go up or down based on the performance of fund and factors influencing the capital market and the insured is responsible for his/her decision.
- 3) SBI Life Insurance Co. Ltd. is only the name of the insurance company and the various products offered are only the names of the unit linked life insurance contract and does not in any way indicate the quality of the contract, its future prospects or returns
- 4) The various funds offered under SBI Life Unit Linked products are only the names of funds and do not in any way indicate the quality of these funds, their future prospects and returns
- 5) Please know the associated risks and the applicable charges, from your Insurance agent or the intermediary or policy document of the insurer
- 6) Past Performance of the Fund is not indicative of its future prospects or returns.

**To know more about us**

Visit us at [www.sbিলife.co.in](http://www.sbিলife.co.in) or Call Toll Free No. 1800 22 9090

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Regn. No. 111

*Insurance is the subject matter of solicitation*

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