



Monthly Investment Update:
Volume 2, Issue 12
March, 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. 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 G-sec yield closed flat during the month after witnessing high volatility during the month. Fears of front loading of G-sec borrowing in FY 10-11 and rising inflation briefly took 10 yr benchmark yields above 8%. Yields however bounced back on value buying by investors and lack of G-sec supply during the month.

Corporate Bond market also saw good demand from provident fund investors due to their year end requirements. Liquidity conditions were comfortable and call rates remained at the lower end of the Liquidity Adjustment Facility (LAF) corridor despite of advance tax outflows during the month. One year bank Certificate of deposit fell the most by 60 basis points (bps).

The movement in key rates is as under:

Instrument	Mar-10	Feb-10	Mar-09	Change (MoM)	Change (YTD)
10 Yr Gsec	7.85%	7.86%	7.01%	-0.01%	0.84%
30 Yr Gsec	8.26%	8.46%	7.79%	-0.20%	0.47%
3 Yr AAA Bond	7.60%	7.75%	7.90%	-0.15%	-0.30%
5 Yr AAA Bond	8.50%	8.55%	8.50%	-0.05%	0.00%
10 Yr AAA Bond	8.84%	8.90%	9.10%	-0.06%	-0.26%
364 Days Treasury Bill	5%	5.01%	4.70%	-0.01%	0.30%
91 Days Treasury Bill	4.25%	4.15%	4.60%	0.10%	-0.35%
1 Yr Certificate of Deposit	6.20%	6.80%	6.80%	-0.60%	0.60%
Crude \$/barrel	82\$	80\$	49\$	2\$	33\$

(Source: Reuters & RBI website)

Macro Indicators

- Index of Industrial output rose by 16.7% year-on-year (y-o-y) in January. This was lower than our estimates of 17.6%. Manufacturing sector which forms more than 79% of the Index of Industrial Production (IIP) grew at a phenomenal rate of 17.9%. The core sectors (forming 27% of IIP) grew by 4.5% in February and the HSBC Manufacturing Purchasing Manager's Index (PMI) came in at 58.5 for February, highest since June 2008, which indicates a strong month-on-month expansion. Our projection is for an

above 15% level IIP growth in February 2010. In our view, the numbers are very strong and mean that RBI runs the risk of falling behind the curve unless it acts aggressively to reduce underlying inflation.

- As per the latest trade data for February, Exports have risen by 34.8% and the trade deficit has narrowed from USD 10.4 bn to 8.97 bn.
- Headline Inflation for February at 9.89% y-o-y was almost at double digit level. Inflation is expected to touch double digit in March. In the coming months, a good monsoon would lead to sharp correction in prices of primary articles. On the other hand manufacturing inflation is going to surprise us on the upside given the strong rebound in domestic demand.
- According to the latest data available Bank Deposits have grown by 18.1% and bank credit grew by 16.0%. The annual Credit growth has exceeded RBI's revised estimate of 16% y-o-y for the first time in 2009-10. We have to monitor the credit figures in the coming month to gauge whether the growth in year-end credit is reflecting the demand in the system or it is merely a year end phenomena as most of the banks are generally keen on meeting their year end targets.

(Source: Reuters & RBI website)

RBI hiked Reverse repo and repo rate by 25 bps on 19th March

RBI hiked Reverse repo and repo rate by 25 bps on 19th March. The press release highlighted that the interest rate move was as a result of following assessment of macro economy by RBI :

- Growth recovery was broadly in line with its expectations
- Increased inflationary pressure above its baseline projection (i.e. 8.5% y-o-y by end-March)
- Still-elevated food prices despite some recent moderation and sharp increases in the price of non-food manufactured goods
- Capacity utilization and rising commodity and energy prices exerting pressure on overall inflation

Global News: US GDP gets revised downwards; jobs added in US; Australia hikes rates again

- Third estimate of US Q4 GDP came at a less strong 5.6% QoQ annualized pace (versus 5.9% at the second estimate). A close observation of the data shows that private consumption has still not picked up to a great extent. The unemployment figure however has started coming down from 10.2% and is currently at the 9.7% level. In fact this was the first time since the recession began that job additions took place in the

non-farm category. The US PMI came in at 59.6 for the month of March 2010. Reserve Bank of Australia has once again hiked the interest rates by 25 bps for the fifth time in six meetings.

OUTLOOK

We feel that the current policy rates are still quite low by historical standards given the strong aggregate demand in the economy. We expect RBI to remain vigilant on the inflationary pressures emanating from the demand side. In all likelihood consistently strong Industrial production for February and double digit inflation before April policy meeting should force RBI to hike the Repo and Reverse repo rates. Any move on the cash reserve ratio (CRR) would, however, depend on the liquidity situation. The current trends in inflation and growth indicators only lead us to believe that the RBI would hike both the policy rates by 50 bps.

The GOI borrowing calendar for first half of 2010-11 is set at Rs. 287,000 Cr which is slightly lower than market expectations of a 70% frontloading. The size of the borrowing program in H1 (first half) 2010-11 is also slightly lower than the borrowing made during the corresponding period last year. The net issuance paints a good picture, but the net supply is going to be higher than last year owing to the non-participation of RBI (FY 10 net supply was 36% lower). Last year RBI provided support to Bond markets by purchasing Rs. 57,000 Cr of G-secs in the first half. This along with Market Stabilization Scheme (MSS) de-sequesterisation provided the necessary cushion last year. In the absence of both these tools, we expect the supply demand gap to be in the range of Rs. 50000 to 1 lakh crore. To embitter the situation the FY11 Budget estimates in our opinion are a little too optimistic and hence a deterioration of the 5.5% fiscal deficit figure could swell and lead to excess market borrowings. This would put enough pressure on the bond yields and should take the 10 year benchmark yield above 8 % and lead it to trade higher.

EQUITY MARKET OUTLOOK

After a lull for two months, Equity Indices roared in the month of April, 2010 led by buying worth USD 4.4 billion by the Foreign Institutional Investors on the back of budget, international market buoyancy and fiscal control measures that the finance ministry announced.

Sensex moved 7% and outperformed the Dow Jones and FTSE but underperformed the Russian and the Japanese markets. Healthcare and Banking led the rally. This was despite selling worth USD 0.8 billion by the Mutual funds. Robust and swift economic activity was witnessed by the economy with IIP growing 16.7% (16.8% in the previous month), cement production and dispatch numbers growing 13% and 15% respectively and Commercial vehicle numbers growing 17%.

Government's announcement about introduction of Direct Tax Code bill in the winter session of the parliament, borrowing calendar that intends to raise only 63% of the amount during the first half of the year and finalization of 3G auction for the month of April, 2010 aided sentiments.

On the other hand Inflation touched to 15 month high of 9.89% due to increase in prices of food articles by 16.2% and Government announced 25 basis increase in repo and reverse repo rates. Forex reserves fell by USD 1.5 billion.

Markets would watch for Results and Foreign Institutional behavior with a lot of curiosity in the month of April. Results are expected to be robust but market seems to have discounted the same. But for FII inflows markets would not have moved. Increase in input cost of producing steel (iron ore and coke) and crude oil would add to inflationary pressure and fiscal status.

However, change in risk appetite by investors across the world would be factors to watch for. We remain very 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: 31 March 2010

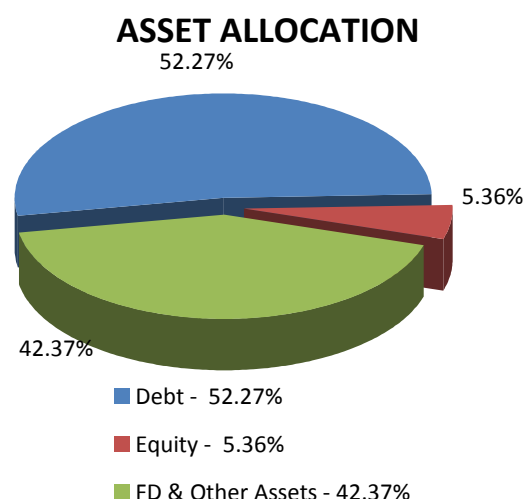
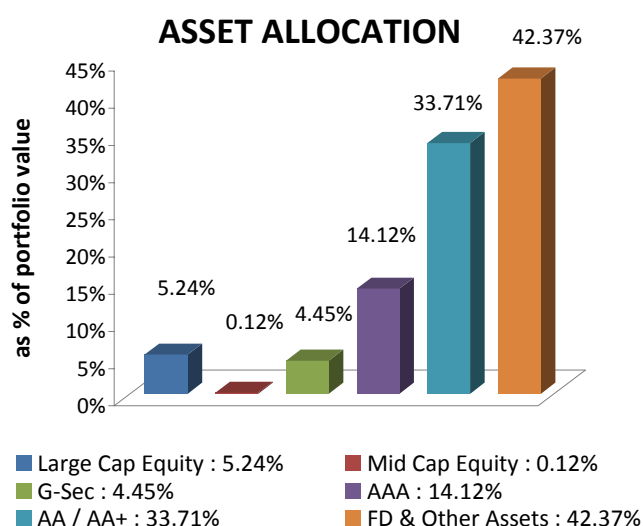
Launch Date: September 2003

FUND DETAILS

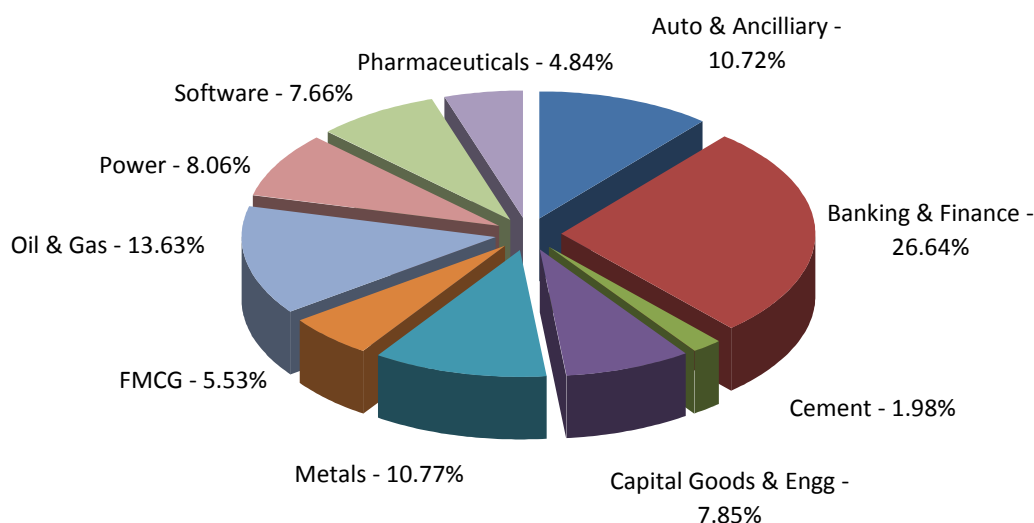
Group Retirement Fund Year	Gross Yield (p.a.)
Fiscal 2009	9.25%
Fiscal 2008	11.00%
Fiscal 2007	10.20%
Fiscal 2006	12.30%
Fiscal 2005	11.67%
Fiscal 2004	13.00%

Group Retirement Fund

Duration: 4.62



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 31 March 10)

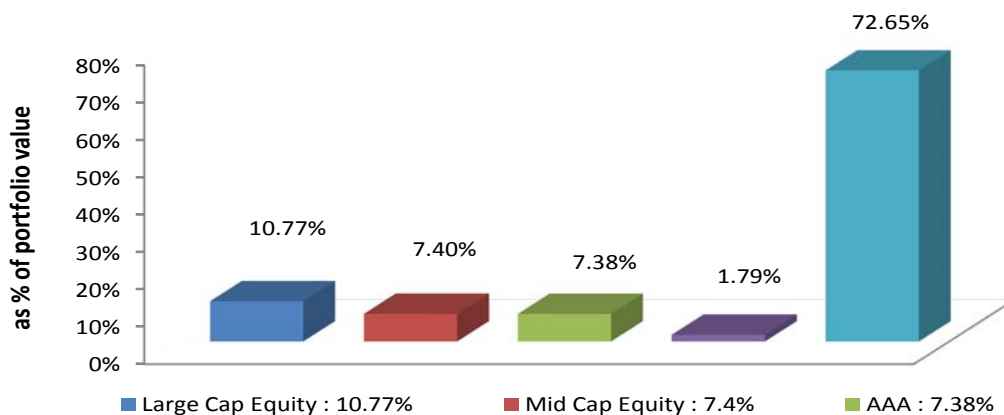
Benchmark: NA

Duration: 0.29

Returns	Group Debt Plus Fund	Benchmark
From 1 st April 2009	Not Applicable (NA)	NA
Since Inception - 16 July 2009	7.41%	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	65.33%
9.20% Larsen & Toubro Ltd. 2012	7.38%
MAHINDRA HOLIDAYS & RESORTS IND LTD	4.28%
TATA MOTORS LTD.	2.16%
9.80% JSPL B & D 29-12-2021	1.79%
MINDTREE CONSULTING LTD.	1.36%
RELIANCE INDUSTRIES LTD.	1.15%
INDIAN HOTELS CO. LTD.	1.09%
MARUTI UDYOG LTD.	1.01%
PUNJAB NATIONAL BANK	0.94%

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

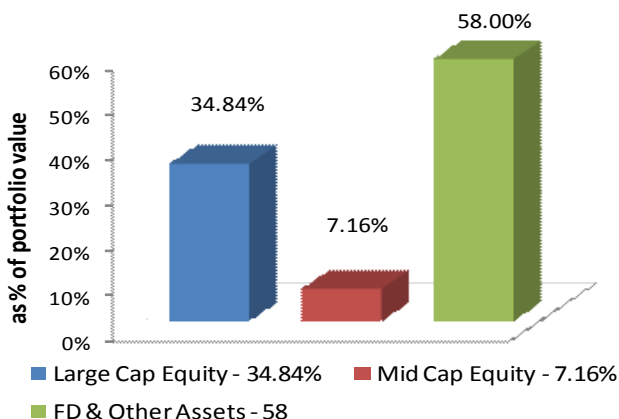
FUND PERFORMANCE* (as on 31 March 10)

Benchmark: NA

Returns	Group Growth Plus Fund	Benchmark
From 1 st April 2009	Not Applicable (NA)	NA
Since Inception - 25 Sept 2009	14.95%	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

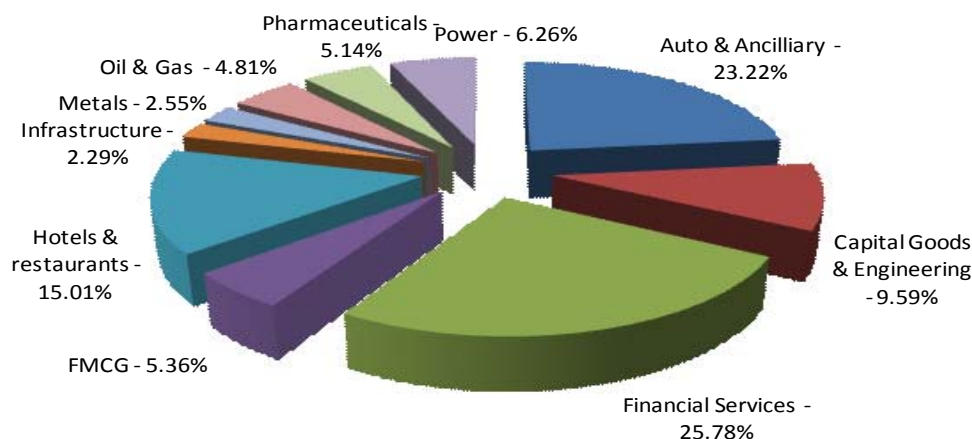
ASSET ALLOCATION



TOP 10 HOLDINGS

Company Name	% of total
Money Market Instrument	47.57%
MARUTI UDYOG LTD.	5.33%
PUNJAB NATIONAL BANK	5.14%
HDFC BANK LTD.	4.73%
INDIAN HOTELS CO. LTD.	3.85%
TATA MOTORS LTD.	3.56%
BHARAT HEAVY ELECTRICALS LTD.	3.17%
RELIANCE INFRASTRUCTURE LTD.	2.63%
MAHINDRA HOLIDAYS & RESORTS IND L	2.46%
HINDUSTAN UNILEVER LTD.	2.25%

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

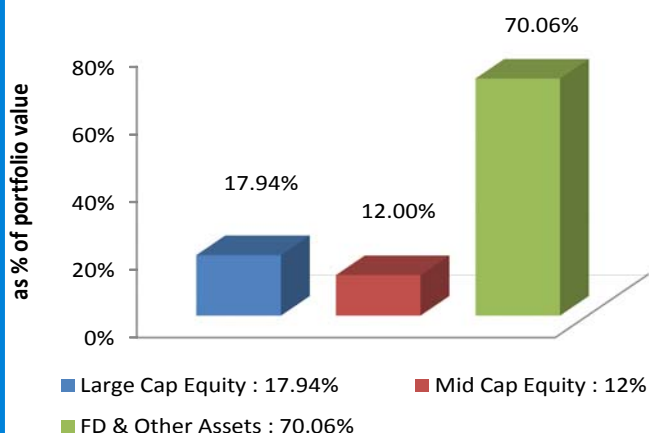
FUND PERFORMANCE* (as on 31 March 10)

Benchmark: NA

Returns	Group Balanced Plus Fund	Benchmark
From 1 st April 2009	Not Applicable (NA)	NA
Since Inception- 16 July 2009	19.57%	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

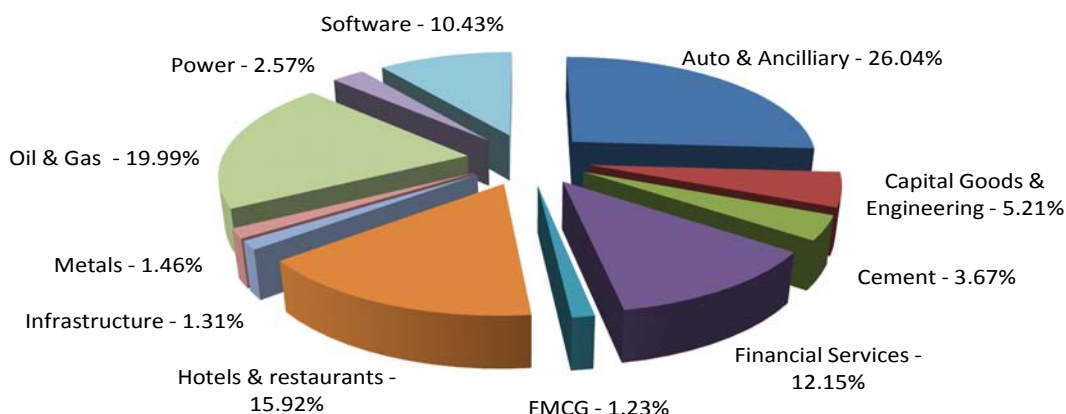
ASSET ALLOCATION



TOP 10 HOLDINGS

Company Name	% of total portfolio
Money Market Instrument	64.35%
GAIL (INDIA) LTD.	3.48%
ASHOK LEYLAND LTD.	3.40%
MAHINDRA HOLIDAYS & RESORTS IND LTD	3.19%
MINDTREE CONSULTING LTD.	3.12%
TATA MOTORS LTD.	2.04%
RELIANCE INDUSTRIES LTD.	1.66%
MARUTI UDYOG LTD.	1.64%
INDIAN HOTELS CO. LTD.	1.58%
CROMPTON GREAVES LTD.	1.56%

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.sbilife.co.in or Call Toll Free No. 1800 22 9090

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Regn. No. 111

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