

fund snapshot - december 31, 2006

funds	annualised gross return (CAGR) (%)			benchmark return (CAGR) (%)		
	last 1 year	last 2 years	last 3 years	last 1 year	last 2 years	last 3 years
capital secure	6.49	5.97	5.55	6.80	6.15	5.72
balanced	11.66	11.55	9.85	11.99	11.33	9.10
growth	17.82	18.65	N.A	18.70	17.83	N.A
equity	38.37	36.58	N.A	39.83	38.07	N.A

investment philosophy

We, at Reliance Life Insurance, seek consistent and predictable long term returns with a well-defined and disciplined investment approach that symbolises the highest levels of integrity, transparency and concern for our stakeholders

equity market update - december 2006

Highlights of the Calendar year 2006			
1-yr CNX NIFTY gains: 38.83%		1-yr SENSEX gains: 46.7%	
Nifty Top Gainers	% change	Nifty Top Losers	% change
Grasim	107%	Jet Airways	-45.6%
ACC	106.1%	BPCL	-22.9%
ABB	93.4%	HPCL	-14.8%
Zee Ent.	91.7%	Reliance Energy	-13.2%
Bharti Airtel	83.0%	OBC	-12.5%

During the month of December, the equity market was extremely volatile and after touching an intraday high of 13937.65, the Sensex wrapped up the Calendar year 2006 by closing at 13787 levels, a gain of 91 points (0.66%) over the previous month. The NSE Nifty closed at 3966, up by 0.30 % over the last month.

During the month, the surprise hike of 0.5% in cash reserve ratio (CRR) by RBI and lower than expected 6.2% growth in industrial production in October 2006, resulted in a plunge of about 800 points on December 7. Strong buying from the domestic funds in the latter half of the month saw a smart recovery in the index.

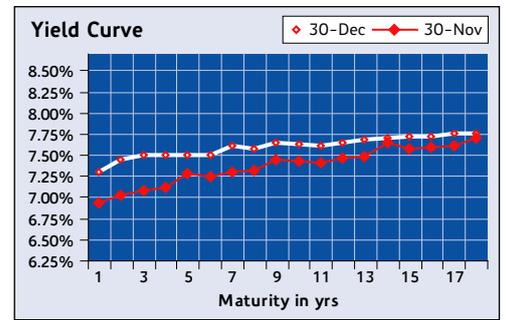
equity market outlook

The near term trigger for the bourses is Q3 December 2006 results. The market expects the last quarter of calendar year 2006 to be strong in terms of earnings growth. Strong advance tax payments corroborate the view that Q3 results will be strong. Cement companies and oil firms have paid substantially higher advance tax. The market will also have a close look at what the company managements say about the outlook for the coming quarters. Since the current up trend in the market has already discounted for good quarterly performance, a correction cannot be ruled out once the results start flowing.

disclaimer

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debt market update - december 2006



It was a very eventful month wherein we witnessed a CRR hike, sharp rises in bond yields of both the domestic and US markets, apart from a massive shortage in liquidity that led to overnight rates touching levels not seen in recent years. It all began when the RBI hiked the CRR on Dec 8 in two stages by 25 bps each citing high inflationary pressures, robust GDP numbers and high credit and money supply growth. The CRR hike was estimated to drain Rs 13500 cr of liquidity from the banking system. This provided the impetus for overnight rates which were at 6.00% levels to start moving up. Overnight rates on the last the Friday of the month were at their peak between 10-20% levels. Advance tax outflows, the festive season demand and auction outflows also contributed to the liquidity crunch. Banks and other borrowers were seen scrambling for funds to cover the long weekend. The ten yr G sec yield also reacted heavily to the CRR hike to touch a high during the month of 7.70% before closing at 7.62%, higher by 19 bps from the previous month's close. Bond prices were down between 50p to more than Rs 1 during the month.

The one scheduled auction during the first week of December worth Rs 9000 cr was fully subscribed and so was the State Loan auction of Rs 1900 cr.

In global events, the FOMC in US maintained status quo by leaving the key rates unchanged. The ECB (European Central Bank) hiked rates by 25 bps. The US yields also rose sharply during the month on the back of a series of positive data like higher than expected GDP growth, home sales, etc. The ten yr benchmark US yield rose from 4.50% to 4.68%.

Inflation data released during the month was in the range of 5.16% to 5.43%. The corporate bond market activity was very dull with most trades happening in short term CDs, CPs and bonds. The three to six month CD rates rose by more than 150 bps and were in the range of 9.00%-9.50%.

debt market outlook

Overall, liquidity is expected to improve with higher government spending and inflows flowing back into the banking system. However the second CRR hike of 25 bps is to be effective from 6th Jan and may create pressure on liquidity. Gilt yields are expected to stabilize at current levels. The ten yr benchmark G sec yield may remain in the range of 7.50% to 7.70%.

fund objective

Maintain the capital value of all contributions (net of charges) and all interest additions, at all times. The risk appetite is 'extremely low'.

products

reliance golden years plan
(formerly bhagya shree)

reliance market returns plan
(formerly kanakashree)

employee benefit plans
(reliance group gratuity and
reliance group superannuation)

fund manager's report

In line with the objective of protecting the capital against any erosion, 45% of the funds were invested in short-term Government Securities (Gilts). About 55% have been deployed in high yielding Bank CDs (Certificate of Deposits) and liquid short term FDs.

benchmark construction

Yield on 182-day T. Bills

capital secure fund

details as on December 31, 2006

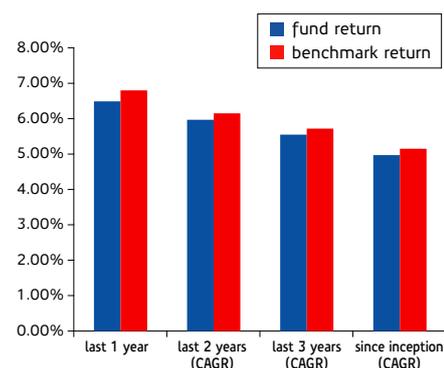
fund performance

period	fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	6.49%	6.80%	0.12%	0.07%	12.01	25.53
last 2 years (CAGR)	5.97%	6.15%	0.18%	0.20%	5.33	5.65
last 3 years (CAGR)	5.55%	5.72%	0.36%	0.34%	1.51	2.12
since inception (CAGR)	4.97%	5.15%	0.37%	0.37%		
date of inception			february, 2003			

portfolio

security	% of total assets	rating
gilts		
sovereign		
11.90% GOI 2007	45.25	
total gilts	45.25	
bank deposits		
UNION BANK OF INDIA CD 2007	17.12	A1+
ICICI BANK CD 2007	15.65	
ICICI BANK CD 2007	10.97	
KOTAK MAHINDRA BANK CD 2007	7.55	
ICICI BANK MIBOR LINKED FD 2007	2.77	
OTHERS	0.69	
total bank deposits	54.75	
total net assets	100.00	

fund return v/s benchmark return

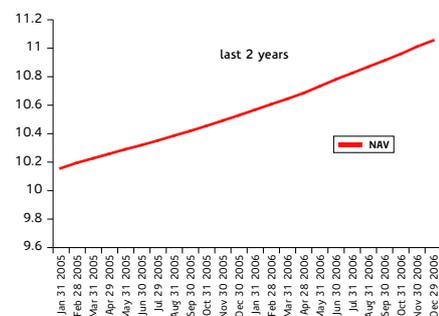


asset allocation



duration of debt portfolio : 0.29 years

NAV movement



fund objective

Provide investment returns that exceed the rate of inflation in the long term while maintaining a low probability of negative returns in the short term. The risk appetite is defined as 'low to moderate'.

products

reliance golden years plan
(formerly bhagya shree)

reliance market returns plan
(formerly kanakashree)

employee benefit plans
(reliance group gratuity and
reliance group superannuation)

fund manager's report

The holding in equities was kept to 19.1 % of the fund. Bank deposit holdings were increased to 12% to take advantage of the high short term rates. As the fixed income portfolio duration was low, the fall in the market value of the fund due to the rise in yields during the month was low.

benchmark construction

CRISIL ST Bond Index: 80%
CNX Nifty: 20%

balanced fund

details as on December 31, 2006

fund performance

period	fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	11.66%	11.99%	4.47%	3.98%	1.49	1.75
last 2 years (CAGR)	11.55%	11.33%	4.44%	4.20%	1.48	1.51
last 3 years (CAGR)	9.85%	9.10%	4.14%	4.21%	1.17	0.98
since inception (CAGR)	11.95%	10.63%	3.97%	4.22%	1.75	1.34
date of inception	february, 2003					

portfolio

security	% of total assets	rating
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corporate bonds

8.25% IDBI OMNI BOND SER III 2011	4.45	AA+
7.39% POWER GRID CORP 2011	4.23	AAA
8.90% CITIFINANCIAL CONSUMER NCD 2009	4.15	AAA
8.40% IRFC 2007	4.13	AAA
6.25% ULTRATECH CEMENT 2009	3.65	AA+
9.00% SUNDARAM FINANCE NCD 2009	3.43	AA+
7.15% IND OIL BOND 2012	1.75	AAA
8.05% IRFC 2007	1.54	AAA
6.50% HINDALCO 2009	1.30	AAA
7.10% POWER GRID CORP 2009	0.55	AAA

total corporate bonds 29.19

gilts

11.99% GOI 2009	11.05	
11.90% GOI 2007	6.55	
7.44% GOI Spl. OIL BOND 2012	5.86	
12% GOI 2008	3.85	
7.33% OIL COMP GOI BOND 2009	3.67	
7.55% GOI 2010	2.81	
7.37% GOI 2014	2.62	
11.40% GOI 2008	1.60	
12.25% GOI 2008	1.49	
9.39% GOI 2011	0.15	

total gilts 39.65

bank deposits

STATE BANK OF INDORE CD 2007	3.33	P1+
ICICI BANK CD 2007	2.08	
KOTAK MAHINDRA BANK CD 2007	2.01	
CASH AND CASH RECEIVABLES	1.57	
ICICI BANK CD 2007	1.01	A1+
UNION BANK OF INDIA CD 2007	0.74	
CBLO - 02-01-2007	0.71	
12.50% ING VYSYA BANK FD 05-01-2007	0.46	
ICICI BANK MIBOR LINKED FD 30-01-2007	0.17	

total bank deposits 12.07

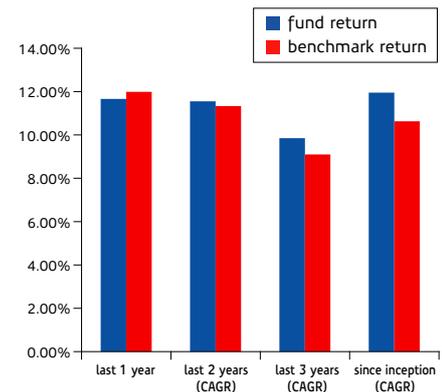
equity

TATA CONSULTANCY SERVICES	1.59	N.A.
DR REDDY LABORATORIES	1.46	
TATA MOTORS	1.45	
LARSEN & TOUBRO	1.33	
ONGC CORPORATION	1.16	
TATA STEEL	1.10	
RELIANCE INDUSTRIES	1.08	
HINDUSTAN LEVER	1.02	
INFOSYS TECHNOLOGIES	0.97	
GRASIM INDUSTRIES	0.85	
CUMMINS INDIA	0.81	
BHARAT HEAVY ELECTRICALS	0.68	
HPCL	0.66	
TATA TEA	0.64	
PUNJAB TRACTORS	0.54	
INDIAN OIL CORPORATION	0.53	
ASHOK LEYLAND	0.50	
TVS MOTOR COMPANY	0.49	
STATE BANK OF INDIA	0.43	
ICICI BANK	0.42	
SUZLON ENERGY	0.39	
PUNJAB NATIONAL BANK	0.39	
INDIAN HOTELS	0.36	
HINDALCO INDUSTRIES	0.23	

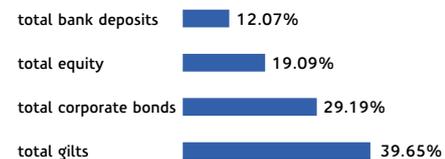
total equity 19.09

total net assets 100.00

fund return v/s benchmark return

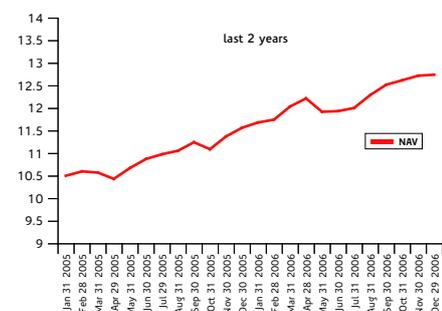


asset allocation



duration of debt portfolio : 2.03 years

NAV movement



fund objective

Provide investment returns that exceed the rate of inflation in the long term while maintaining moderate probability of negative returns in the short term. The risk appetite is defined as 'moderate'.

products

reliance market return plan
(formerly kanaka shree)

employee benefit plans
(reliance group gratuity &
reliance group superannuation)

fund manager's report

The holding in equities was kept to 38.3% of the fund. Holding in bank deposits were increased to 8.3% to take advantage of the high short term rates. As the fixed income portfolio duration was low, the fall in the market value of the fund due to the rise in yields during the month was low.

benchmark construction

CRISIL ST Bond Index: 60%
CNX Nifty: 40%

growth fund

details as on December 31, 2006

fund performance

period	fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	17.82%	18.70%	8.32%	7.95%	1.54	1.72
last 2 years (CAGR)	18.65%	17.83%	8.44%	8.37%	1.62	1.54
since inception (CAGR)	18.71%	18.59%	7.78%	7.95%	1.73	1.75
date of inception			august, 2004			

portfolio

security % of total assets rating

corporate bonds

7.15% IND OIL BOND 2012	3.62	AAA
8.25% IDBI OMNI BOND SER III 2011	3.15	AA+
6.50% HINDALCO 2009	3.06	AAA
7.39% POWER GRID CORP 2011	1.69	AAA
6.25% ULTRATECH CEMENT 2009	1.52	AA+
9.00% SUNDARAM FINANCE NCD 2009	1.45	AA+
8.90% CITIFINANCIAL CONSUMER NCD 2009	0.81	AAA
7.10% POWER GRID CORP 2009	0.31	AAA
total corporate bonds	15.62	

gilts

		sovereign
11.99% GOI 2009	10.20	
7.44% GOI Spl. OIL BOND 2012	7.50	
12% GOI 2008	7.09	
11.90% GOI 2007	5.68	
7.33% OIL COMP GOI BOND 2009	3.59	
11.40% GOI 2008	2.03	
12.25% GOI 2008	1.18	
7.55% GOI 2010	0.68	
9.39% GOI 2011	0.29	
total gilts	38.24	

bank deposits

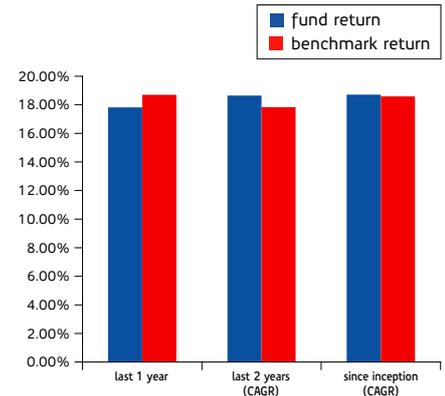
ICICI BANK CD 2007	2.41	
STATE BANK OF INDORE CD 2007	2.04	P1+
CASH AND CASH RECEIVABLES	1.12	
CBLO 02-01-2007	0.91	
ICICI BANK MIBOR-LINKED FD 30-01-2007	0.73	
12.50% ING VYSYA BANK FD 05-01-2007	0.49	
ICICI BANK CD 2007	0.46	A1+
KOTAK MAHINDRA BANK CD 2007	0.15	
total bank deposits	8.30	

equity

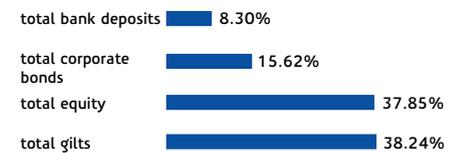
		N.A.
TATA CONSULTANCY SERVICES	3.20	
TATA MOTORS	2.76	
LARSEN & TOUBRO	2.67	
DR REDDY LABORATORIES	2.62	
ONGC CORPORATION	2.34	
TATA STEEL	2.22	
RELIANCE INDUSTRIES	2.17	
HINDUSTAN LEVER	2.03	
INFOSYS TECHNOLOGIES	1.94	
GRASIM INDUSTRIES	1.70	
CUMMINS INDIA	1.60	
BHARAT HEAVY ELECTRICALS	1.37	
HPCL	1.37	
TATA TEA	1.25	
INDIAN OIL CORPORATION	1.07	
STATE BANK OF INDIA	1.02	
ASHOK LEYLAND	1.01	
TVS MOTOR COMPANY	0.99	
PUNJAB TRACTORS	0.89	
PUNJAB NATIONAL BANK	0.85	
ICICI BANK	0.83	
SUZLON ENERGY	0.78	
INDIAN HOTELS	0.70	
HINDALCO INDUSTRIES	0.46	
total equity	37.85	

total net assets 100.00

fund return v/s benchmark return

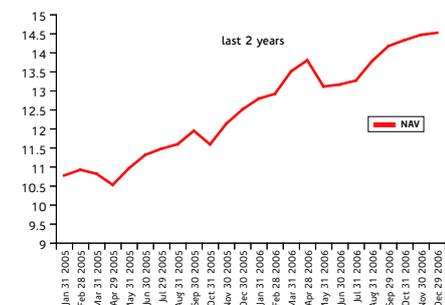


asset allocation



duration of debt portfolio: 2.09 years

NAV movement



fund objective

Provide high real rate of return in the long term through high exposure to equity investments, while recognizing that there is significant probability of negative returns in the short term. The risk appetite is 'high'.

products

reliance market returns plan
(formerly kanakashree)

fund performance

period	fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	38.37%	39.83%	20.38%	19.97%	1.64	1.74
last 2 years (CAGR)	36.58%	38.07%	21.15%	20.96%	1.49	1.58
since inception (CAGR)	41.67%	44.40%	19.98%	19.86%	1.84	1.98
date of inception	august, 2004					

portfolio

security	% of total assets	beta
equity		
TATA CONSULTANCY SERVICES	6.33	0.93
ONGC CORPORATION	4.92	0.85
TATA STEEL	4.87	1.47
LARSEN & TOUBRO	4.69	1.09
SIEMENS	4.41	1.25
RELIANCE INDUSTRIES	4.29	1.04
DR REDDY LABORATORIES	4.27	0.66
TATA MOTORS	4.15	1.17
HINDUSTAN LEVER	3.92	1.02
CUMMINS INDIA	3.51	1.08
INFOSYS TECHNOLOGIES	3.46	0.86
GRASIM INDUSTRIES	3.26	1.18
PUNJAB TRACTORS	3.04	0.66
BHARTI AIRTEL	2.96	0.89
HPCL	2.93	0.75
ALSTOM POWER INDIA	2.83	1.39
TATA TEA	2.61	0.91
INDIAN OIL CORPORATION	2.25	0.79
BHARAT HEAVY ELECTRICALS	2.25	1.04
TVS MOTOR COMPANY	2.22	1.24
PUNJ LLOYD	2.16	1.42
DECCAN AVIATION	2.15	0.93
ASHOK LEYLAND	2.13	1.07
RELIANCE COMMUNICATIONS	2.09	1.23
ICICI BANK	2.07	0.83
STATE BANK OF INDIA	1.97	0.79
INDIAN HOTELS	1.73	1.34
SUZLON ENERGY	1.71	1.33
PUNJAB NATIONAL BANK	1.58	0.91
GUJARAT STATE FERTILIZERS & CHEMICALS	1.40	0.85
HINDALCO INDUSTRIES	1.11	1.24
JET AIRWAYS INDIA	1.10	0.78
JSW STEELS	1.00	1.09
GREAVES COTTON	0.90	1.17
total equity	96.27	
bank deposits		
CBLO 02-01-2007	0.93	
UNION BANK OF INDIA CD 2007	0.48	
total bank deposits	1.41	
total cash & current assets	2.32	
total net assets	100.00	

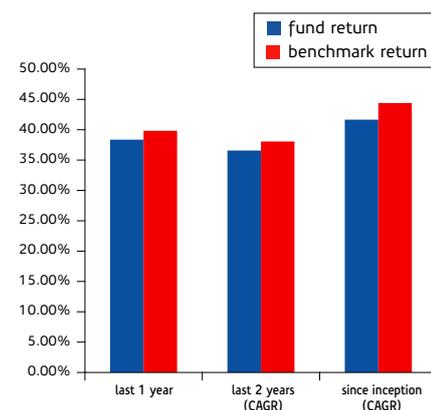
fund manager's report

In line with the stated asset allocation pattern and our view of the market, around 96.3% of the corpus was invested in equities.

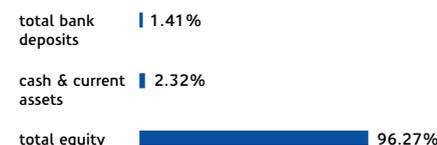
benchmark construction

CNX Nifty: 100%

fund return v/s benchmark return



asset allocation



fund beta : 1.03

NAV movement

