

investment philosophy

Reliance Life Insurance seeks consistent and superior long-term returns with a well-defined and disciplined investment approach symbolizing integrity and transparency to benefit all stakeholders.

the analyst

fund snapshot

asset allocation	funds	gross return (CAGR*) (%) as on September 30, 2007				date of inception
		last 1 year	last 2 years	last 3 years	since inception	
100 % equity	Ulip Equity	37.40%	40.36%	41.02%	40.93%	August, 2004
80% equity, 20% debt	Ulip Super Growth	N.A.	N.A.	N.A.	N.A.	May, 2007
60% equity, 40% debt	Ulip High Growth	N.A.	N.A.	N.A.	N.A.	March, 2007
50% equity, 50% debt	Ulip Growth Plus	N.A.	N.A.	N.A.	N.A.	March, 2007
40% equity, 60% debt	Ulip Growth	18.72%	19.56%	19.30%	19.05%	August, 2004
20% equity, 80% debt	Ulip Balanced	13.37%	13.09%	12.89%	12.86%	February, 2003
100% bond instruments	Ulip Corporate Bond	N.A.	N.A.	N.A.	N.A.	May, 2007
100% debt instruments	Ulip Pure Debt	N.A.	N.A.	N.A.	N.A.	May, 2007
100% govt. securities	Ulip Gilt	N.A.	N.A.	N.A.	N.A.	May, 2007
100% money market instruments	Ulip Money Market	N.A.	N.A.	N.A.	N.A.	May, 2007
100% money market instruments	Ulip Capital Secure	8.71%	7.47%	6.72%	6.12%	February, 2003

*CAGR: Compounded Annual Growth Rate

Indian Economy: Update & Outlook

India's economy in the April-June 2007 quarter grew at 9.3% from a year earlier, led by robust manufacturing and services expansion and steady farm growth. The GDP growth of 9.4% in the fiscal year that ended March 2007 was its fastest rate in 18 years. The Central Bank has projected a GDP growth outlook at 8.5% for FY08.

Growth in the Index of Industrial Production (IIP) declined gradually from 12.9% in March 2007 to 7.1% in July 2007. The manufacturing sector declined 7.2% in July 2007 compared with 14.3% in July 2006. The mining sector expanded 4.9% in July 2007. Production of consumer durables contracted 3.2% in July 2007 as against 16.1% in July 2006. Electricity generation decelerated 7.5% from 8.9%.

On the external front, the current account registered a deficit of \$4.7 billion in the first quarter of the current fiscal year as strong growth in invisibles helped in reducing the impact of a widening trade deficit. Trade deficit increased to \$21.6 billion in Q1 FY08 from \$16.9 billion in the corresponding quarter the previous fiscal year.

Outlook: GDP for FY08 is expected to be around 8.50% to 9.00% on the back of continued strong domestic demand, strong export growth and high capital inflows.

Debt Market: Update & Outlook

The debt market remained range-bound on ample liquidity in the system and easing inflation. The 10-year G-sec yield closed the month at 7.92% as compared to 7.90% in the beginning of the month. Call rates traded in the range of 4.00%-7.80%.

Sentiment in the debt market turned cautious as investors were wary of central bank's moves amidst rising inflows into the market and easing liquidity conditions.

Rupee edged to nine-year high on positive Asian cues and expectations of robust investment flow. But it eased later in the month as traders remained cautious about central bank intervention. The rupee ended the month at 39.8450/8500 per dollar.

Cash conditions showed some tightening with corporates making their Advance Tax payments in the middle of the month. Liquidity remained positive during the end of the month. The RBI sucked some liquidity through the Market Stabilisation Scheme and G-sec auctions during the month. Inflation data released during the month was in the range of 3.23%-3.79%. This was due to a fall in the prices of food and energy products. US 10-year yield closed the month at 4.58% after the Federal Reserve in its FOMC meeting on September 18, 2007 reduced the Fed Funds Rate from 5.25% to 4.75%. It also reduced its discount rate from 5.25% to 4.75%.

Outlook: RBI's action on MSS auctions could keep short term yields volatile and could further flatten the yield curve. A possibility of CRR hike or raising the ceiling of MSS cannot be ruled out. We expect the 10-year benchmark G-sec yield to remain in a range of 7.75% to 8.00% with an upward bias.

Equity Market: Update & Outlook

Markets scaled new highs in the month of September. The Sensex closed the month gaining 12.8% at 17,291 points, while the Nifty closed at 5,021 points gaining 12.5%.

Domestic markets touched new life-time highs during the month aided by buoyant global markets and increased FII buying. The markets scaled new highs led by the rallies in the BSE Metal and Bankex which ended higher at 21% and 20% respectively on a m-o-m basis.

The global rally was triggered after the US Federal Reserve announced a 50 basis point cut in the Fed Funds Rate to 4.75% from 5.25% on September 18, 2007, easing concerns about the world's largest economy going into recession due to the housing slump. The Fed also cut its discount rate from 5.25% to 4.75%.

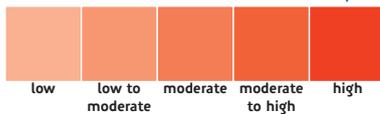
FIIs were net buyers to the tune of Rs 16,132.60 crore. Mutual funds on the other hand were net sellers to the tune of Rs 793.70 crore.

Outlook: Looking at the sharp surge over the last few days of September, profit booking in the near term cannot be ruled out. We believe, in the near term, the major trigger for the market will come from the September quarterly numbers. The Advance Tax figures suggest that earnings will be decent to strong. The market will also have a close look at what 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. FII inflow remains robust and will continue in the backdrop of ample liquidity. A sharp correction, if any, will attract bargain buying from both foreign as well as domestic players.

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.

fund risk profile



products

Reliance Market Return Plan-Equity Fund Option

Reliance Golden Year Plan-Equity Fund Option

Reliance Automatic Investment Plan-Equity Fund Option

ULIP Equity Fund

details as on September 30, 2007

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio	
last 1 year	37.40%	39.94%	17.68%	17.58%	1.83	1.99	
last 2 years (CAGR)	40.36%	38.94%	21.40%	21.28%	1.65	1.60	
last 3 years (CAGR)	41.02%	42.23%	20.12%	19.97%	1.79	1.86	
since inception (CAGR)	40.93%	42.60%	19.85%	19.63%	1.81	1.92	
date of inception	august, 2004						

*CAGR: Compounded Annual Growth Rate

portfolio

security % to net assets 1-yr beta

equity

CAP GOODS/ENGINEERING	14.08	
SIEMENS	4.34	1.11
LARSEN & TOUBRO	3.29	1.10
ALSTOM PROJECTS INDIA	3.11	1.16
AREVA T&D INDIA	3.07	1.01
INGERSOLL RAND INDIA	0.27	0.64
BANKING AND FINANCE	13.88	
STATE BANK OF INDIA	5.80	1.25
ICICI BANK	4.42	1.15
PUNJAB NATIONAL BANK	2.03	1.20
HDFC BANK	1.63	1.02
IT	12.19	
INFOSYS TECHNOLOGIES	7.09	0.73
TATA CONSULTANCY SERVICES	2.58	0.88
SATYAM COMPUTERS	2.52	0.96
AUTOMOBILES	9.06	
MARUTI SUZUKI INDIA	5.14	0.99
TATA MOTORS	2.91	1.02
EICHER MOTORS	0.83	0.71
PUNJAB TRACTORS	0.18	0.33
CEMENT & CEMENT PRODUCTS	7.99	
GRASIM INDUSTRIES	4.94	0.83
ACC	3.05	1.02
PHARMACEUTICALS	7.60	
RANBAXY LABORATORIES	3.62	0.75
DIVIS LABORATORIES	2.86	1.06
CIPLA	1.12	0.73
OIL REFINERIES	7.44	
RELIANCE INDUSTRIES	5.39	1.03
INDIAN OIL CORPORATION	2.05	0.51
OIL AND EXPLORATION	4.49	
ONGC CORPORATION	4.49	0.97
METALS	3.89	
STEEL AUTHORITY OF INDIA	3.89	1.37
FERTILIZERS	3.84	
GUJARAT NARMADA VALLEY FERTILIZERS	2.78	0.92
GUJARAT STATE FERTILIZERS & CHEMICALS	1.06	0.70
TELECOM	3.46	
BHARTI AIRTEL	2.66	1.12
RELIANCE COMMUNICATIONS	0.80	1.38
FMCG	2.87	
HINDUSTAN UNILEVER	1.44	0.76
ITC	1.43	0.60
AUTO ANCILLARY	1.68	
AUTOMATIVE AXLES	1.68	0.39
CONSTRUCTION	1.31	
GAMMON INDIA	1.31	0.74
TEXTILE	1.29	
ADITYA BIRLA NUVO	1.29	0.88
AVIATION	1.27	
DECCAN AVIATION	1.27	0.77
POWER	0.41	
NTPC	0.36	0.65
POWER GRID CORPORATION	0.05	1.00

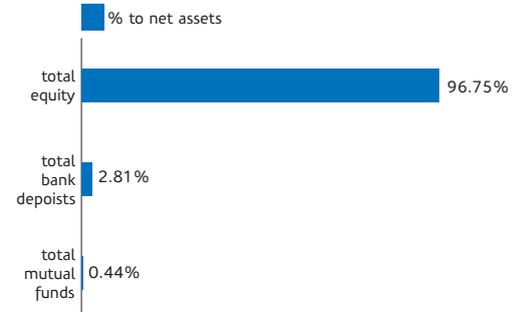
total equity 96.75

total bank deposits 2.81

total mutual funds 0.44

total net assets 100.00

asset allocation



fund characteristics as on September 30, 2007

Fund Beta: 0.97

NAV as on September 30, 2007

Reliance Market Return Plan (MRP) - Equity Fund Option: Rs 28.4850

Reliance Golden Year Plan (GYP) - Equity Fund Option: Rs 14.2138

Reliance Automatic Investment Plan (AIP)- Equity Fund Option: Rs 12.0295

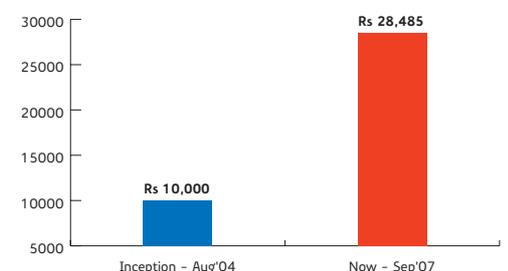
fund manager's report

The month of September saw the equity market gaining strong momentum. Positive global cues, fresh buying at higher levels, healthy foreign inflows led indices to touch new highs. Keeping into consideration the risk profile of the scheme, the holding in equities was kept at 96.75%.

benchmark construction

S&P CNX Nifty: 100%

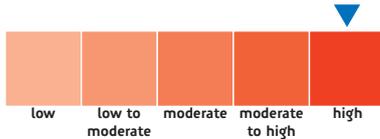
growth of initial investment of Rs 10,000 in MRP



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, which will be moderated through some exposure to debt. The risk appetite is 'high'.

fund risk profile



products

Reliance Automatic Investment Plan - A Option

fund manager's report

The month of September saw the equity market gaining strong momentum. Positive global cues, fresh buying at higher levels, healthy foreign inflows led indices to touch new highs. Keeping into consideration the risk profile of the scheme, the holding in equities was kept at 76.44%.

This fund was recently launched. It has about 3.5% exposure to gilts, 13% exposure to corporate bonds and 5% exposure to short term assets like CDs and MFs. We bought a new bond of IRFC during the month as we received fresh inflows. We may marginally increase the corporate bond exposure going forward.

benchmark construction

CRISIL ST Bond Index: 20%
S&P CNX Nifty: 80%

ULIP Super Growth Fund details as on September 30, 2007

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	data not available as the fund has not completed a period of one year since inception					
date of inception	may, 2007					

portfolio

security	% to net assets	rating/1-yr beta
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corporate bonds

5.85% POWER FINANCE CORP 01-08-08	4.77	AAA
7% POWER FINANCE CORP 24-12-09	2.34	AAA
6.10% IRFC 13-05-10	2.28	AAA
10% NABARD NCD SER IX 14-05-12	1.49	AAA
9.25% POWER GRID CORP 09-02-13	1.21	AAA
9.76% IRFC 03-07-2	0.99	AAA

total corporate bonds 13.08

gilts

		SOVEREIGN
6.65% GOI 05-04-09	1.25	
11.99% GOI 07-04-09	0.52	
12% GOI 02-05-08	0.50	
8.07% GOI 15-01-17	0.49	
7.44% GOI SPL. OIL BOND 23-03-12	0.48	
7.38% GOI 03-09-15	0.47	

total gilts 3.71

equity

BANKING AND FINANCE	11.37	
STATE BANK OF INDIA	4.51	1.25
ICICI BANK	3.68	1.15
PUNJAB NATIONAL BANK	1.66	1.20
HDFC BANK	1.52	1.02
CAP GOODS/ENGINEERING	10.36	
ALSTOM PROJECTS INDIA	3.09	1.16
SIEMENS	3.06	1.11
AREVA T&D INDIA	2.02	1.01
LARSEN & TOUBRO	1.98	1.10
INGERSOLL RAND INDIA	0.21	0.64
IT	9.54	
INFOSYS TECHNOLOGIES	5.80	0.73
TATA CONSULTANCY SERVICES	2.22	0.88
SATYAM COMPUTERS	1.52	0.96
AUTOMOBILES	7.36	
MARUTI SUZUKI INDIA	4.23	0.99
TATA MOTORS	2.53	1.02
EICHER MOTORS	0.57	0.71
PUNJAB TRACTORS	0.03	0.33
CEMENT & CEMENT PRODUCTS	6.71	
GRASIM INDUSTRIES	4.10	0.83
ACC	2.57	1.02
AMBUJA CEMENTS	0.04	0.74
OIL REFINERIES	6.28	
RELIANCE INDUSTRIES	4.54	1.03
INDIAN OIL CORPORATION	1.74	0.51
PHARMACEUTICALS	6.01	
RANBAXY LABORATORIES	2.71	0.75
DIVIS LABORATORIES	2.45	1.06
CIPLA	0.85	0.73
OIL AND EXPLORATION	3.50	
ONGC CORPORATION	3.50	0.97
FERTILIZERS	3.10	
GUJARAT NARMADA VALLEY FERTILIZERS	2.19	0.92
GUJARAT STATE FERTILIZERS & CHEMICALS	0.91	0.70
METALS	3.01	
STEEL AUTHORITY OF INDIA	3.01	1.37
FMCG	2.63	
ITC	1.33	0.60
HINDUSTAN UNILEVER	1.30	0.76
TELECOM	2.23	
BHARTI AIRTEL	2.16	1.12
RELIANCE COMMUNICATIONS	0.07	1.38
TEXTILE	1.03	
ADITYA BIRLA NUVO	1.03	0.88
CONSTRUCTION	1.02	
GAMMON INDIA	1.02	0.74
AVIATION	1.01	
DECCAN AVIATION	1.01	0.77
AUTO ANCILLARY	0.99	
AUTOMATIVE AXLES	0.99	0.39
POWER	0.28	
NTPC	0.28	0.65
REAL ESTATE	0.02	
DLF	0.02	1.06

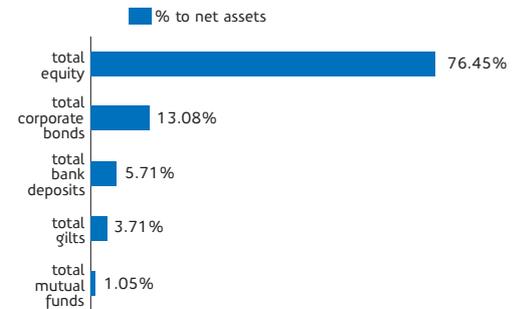
total equity 76.45

total bank deposits 5.71

total mutual funds 1.05

total net assets 100.00

asset allocation



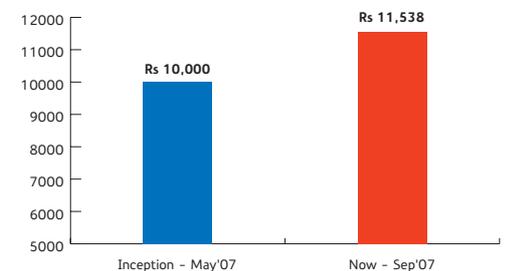
fund characteristics as on September 30, 2007

M.Duration of debt portfolio:	1.72 years
YTM of debt portfolio:	8.37%
Beta of equity portfolio:	0.97

NAV as on September 30, 2007

Reliance Automatic Investment Plan (AIP)- A Option: Rs 11.6522

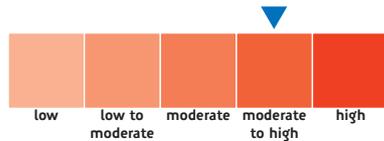
growth of initial investment of Rs 10,000 in AIP



fund objective

Provide, in the long-term, returns which are significantly higher than the inflation rate, through high exposure to equity investments, while recognizing that there is some probability of negative returns in the short-term. The risk appetite is 'moderate to high'.

fund risk profile



products

Reliance Money Guarantee Plan - F Option

fund manager's report

The month of September saw the equity market gaining strong momentum. Positive global cues, fresh buying at higher levels, healthy foreign inflows led indices to touch new highs. Keeping into consideration the risk profile of the scheme, the holding in equities was kept at 58.38%.

The allocation to gilts was reduced marginally to 9%. The allocation to short term assets was also reduced to 6% from 8% in the previous month. The allocation to corporate bonds was increased to around 23.5% of the portfolio. Going forward, we intend to add corporate bonds.

benchmark construction

CRISIL ST Bond Index: 40%
S&P CNX Nifty: 60%

ULIP High Growth Fund

details as on September 30, 2007

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	data not available as the fund has not completed a period of one year since inception					
date of inception	march, 2007					

portfolio

security	% to net assets	rating/1-yr beta
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corporate bonds

10.20% HDFC 13-04-10	2.88	AAA
9.80% POWER FINANCE CORP 22-03-12	2.85	AAA
8.90% CITIFINANCIAL CONSUMER 05-08-09	2.76	AAA
6.31% EXIM BANK 17-01-10	2.67	AAA
9.68% IRFC 03-07-10	2.30	AAA
9.65% NABARD SER IX G 10-09-09	1.43	AAA
8.25% IDBI OMNI BOND SER III 26-05-11	1.30	AA+
10.75% IL&FS SER XI 29-03-09	1.15	AAA
9.50% INDIAN HOTELS 28-02-12	1.12	AA+
7.20% RECL 17-09-11	1.05	AAA
9.80% POWER FINANCE CORP SER XXXVIII 20-09-12	0.86	AAA
10.10% POWER GRID CORP 12-06-11	0.58	AAA
10.10% POWER GRID CORP 12-06-12	0.58	AAA
10.05% NABARD 11-06-14	0.58	AAA
9.76% IRFC 03-07-12	0.58	AAA
10% NABARD 18-06-10	0.58	AAA
7.60% ICICI BANK 30-12-15	0.30	AAA

total corporate bonds 23.55

gilts

	SOVEREIGN
7.37% GOI 16-04-14	3.31
9.39% GOI 02-07-11	2.95
6.65% GOI 05-04-09	2.78
8.07% GOI 15-01-17	0.10

total gilts 9.14

equity

BANKING AND FINANCE	8.62	
STATE BANK OF INDIA	3.76	1.25
ICICI BANK	2.62	1.15
PUNJAB NATIONAL BANK	1.23	1.20
HDFC BANK	1.01	1.02
CAP GOODS/ENGINEERING	8.30	
SIEMENS	2.58	1.11
ALSTOM PROJECTS INDIA	2.04	1.16
LARSEN & TOUBRO	2.03	1.10
AREVA T&D INDIA	1.49	1.01
INGERSOLL RAND INDIA	0.16	0.64
IT	7.06	
INFOSYS TECHNOLOGIES	4.26	0.73
TATA CONSULTANCY SERVICES	1.58	0.88
SATYAM COMPUTERS	1.22	0.96
AUTOMOBILES	5.66	
MARUTI SUZUKI INDIA	3.15	0.99
TATA MOTORS	1.91	1.02
EICHER MOTORS	0.48	0.71
PUNJAB TRACTORS	0.12	0.33
CEMENT & CEMENT PRODUCTS	5.02	
GRASIM INDUSTRIES	2.97	0.83
ACC	2.05	1.02
PHARMACEUTICALS	4.65	
RANBAXY LABORATORIES	2.19	0.75
DIVIS LABORATORIES	1.80	1.06
CIPLA	0.66	0.73
OIL REFINERIES	4.52	
RELIANCE INDUSTRIES	3.24	1.03
INDIAN OIL CORPORATION	1.28	0.51
OIL AND EXPLORATION	2.79	
ONGC CORPORATION	2.79	0.97
FERTILIZERS	2.35	
GUJARAT NARMADA VALLEY FERTILIZERS	1.67	0.92
GUJARAT STATE FERTILIZERS & CHEMICALS	0.68	0.70
METALS	2.24	
STEEL AUTHORITY OF INDIA	2.24	1.37
TELECOM	1.87	
BHARTI AIRTEL	1.49	1.12
RELIANCE COMMUNICATIONS	0.38	1.38
FMCG	1.84	
HINDUSTAN UNILEVER	0.99	0.76
ITC	0.85	0.60
AVIATION	0.84	
DECCAN AVIATION	0.84	0.77
CONSTRUCTION	0.79	
GAMMON INDIA	0.79	0.74
TEXTILES	0.78	
ADITYA BIRLA NUVO	0.78	0.88
AUTO ANCILLARY	0.76	
AUTOMATIVE AXLES	0.76	0.39
POWER	0.27	
NTPC	0.22	0.65
POWER GRID CORPORATION	0.05	1.00

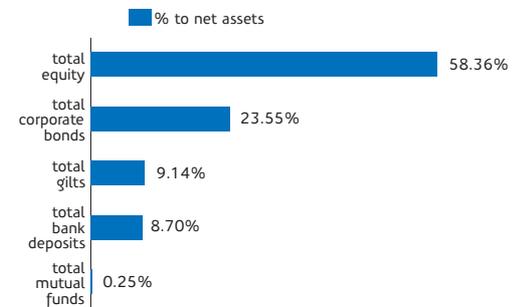
total equity 58.36

total bank deposits 8.70

total mutual funds 0.25

total net assets 100.00

asset allocation



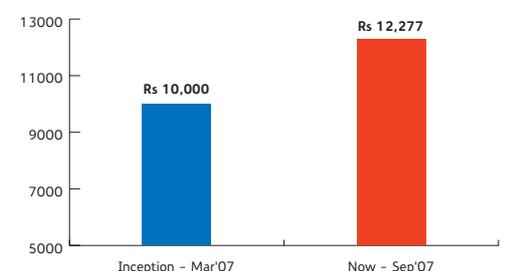
fund characteristics as on September 30, 2007

M.Duration of debt portfolio:	2.38 years
YTM of debt portfolio:	9.10%
Beta of equity portfolio:	0.97

NAV as on September 30, 2007

Reliance Money Guarantee Plan (MGP)- F Option: Rs 12.2774

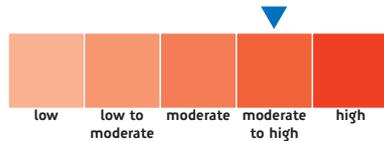
growth of initial investment of Rs 10,000 in MGP



fund objective

Provide, in the long-term, returns which are significantly higher than the inflation rate, through high exposure to equity investments, while recognizing that there is some probability of negative returns in the short-term. The risk appetite is 'moderate to high'.

fund risk profile



products

Reliance Money Guarantee Plan - E Option

Reliance Automatic Investment Plan - B Option

fund manager's report

The month of September saw the equity market gaining strong momentum. Positive global cues, fresh buying at higher levels, healthy foreign inflows led indices to touch new highs. Keeping into consideration the risk profile of the scheme, the holding in equities was kept at 47.60%.

The allocation to gilts was reduced from 9% to 6% as we switched to corporate bonds. Allocation to short term assets declined substantially to 6% from 8% in the previous month as inflows were deployed. Therefore allocation to corporate bonds was increased further to 36% in September from 34% in August. This was in line with our strategy to reduce cash and increase allocation to corporate bonds which were giving an attractive yield over g-secs.

benchmark construction

CRISIL ST Bond Index: 50%
S&P CNX Nifty: 50%

ULIP Growth Plus Fund

details as on September 30, 2007

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	data not available as the fund has not completed a period of one year since inception					
date of inception	march, 2007					

portfolio

security	% to net assets	rating/1-yr beta
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corporate bonds

5.85% POWER FINANCE CORP 01-08-08	6.07	AAA
9.65% NABARD SER IX G 10-09-09	5.50	AAA
9.20% IL&FS SER VI 23-04-08	5.46	AAA
7% POWER FINANCE CORP 24-12-09	4.18	AAA
7.60% ICICI BANK 30-12-15	3.90	AAA
6.10% IRFC 13-05-10	3.05	AAA
6.10% POWER GRID CORP 17-07-10	2.52	AAA
8.50% EXIM BANK 26-09-11	2.11	AAA
10.10% POWER GRID CORP 12-06-11	1.40	AAA
10% NABARD NCD SER IX 14-05-12	1.11	AAA
8.90% CITIFINANCIAL CONSUMER 05-08-09	1.09	AAA

total corporate bonds 36.38

gilts

	SOVEREIGN
7.37% GOI 16-04-14	2.66
12% GOI 02-05-08	1.46
7.44% GOI SPL. OIL BOND 23-03-12	1.06
7.38% GOI 03-09-15	1.06
11.99% GOI 07-04-09	0.31

total gilts 6.54

equity

BANKING AND FINANCE	7.49	
STATE BANK OF INDIA	2.88	1.25
ICICI BANK	2.71	1.15
PUNJAB NATIONAL BANK	1.00	1.20
HDFC BANK	0.90	1.02
CAP GOODS/ENGINEERING	6.65	
SIEMENS	2.06	1.11
ALSTOM PROJECTS INDIA	1.72	1.16
LARSEN & TOUBRO	1.51	1.10
AREVA T&D INDIA	1.23	1.01
INGERSOLL RAND INDIA	0.13	0.64
IT	5.75	
INFOSYS TECHNOLOGIES	3.47	0.73
TATA CONSULTANCY SERVICES	1.33	0.88
SATYAM COMPUTERS	0.95	0.96
AUTOMOBILES	4.55	
MARUTI SUZUKI INDIA	2.62	0.99
TATA MOTORS	1.55	1.02
EICHER MOTORS	0.36	0.71
PUNJAB TRACTORS	0.02	0.33
CEMENT & CEMENT PRODUCTS	4.01	
GRASIM INDUSTRIES	2.41	0.83
ACC	1.60	1.02
OIL REFINERIES	3.84	
RELIANCE INDUSTRIES	2.78	1.03
INDIAN OIL CORPORATION	1.06	0.51
PHARMACEUTICALS	3.72	
RANBAXY LABORATORIES	1.70	0.75
DIVIS LABORATORIES	1.49	1.06
CIPLA	0.53	0.73
OIL AND EXPLORATION	2.29	
ONGC CORPORATION	2.29	0.97
FERTILIZERS	1.92	
GUJARAT NARMADA VALLEY FERTILIZERS	1.35	0.92
GUJARAT STATE FERTILIZERS & CHEMICALS	0.57	0.70
METALS	1.83	
STEEL AUTHORITY OF INDIA	1.83	1.37
FMCG	1.57	
HINDUSTAN UNILEVER	0.80	0.76
ITC	0.77	0.60
TELECOM	1.33	
BHARTI AIRTEL	1.27	1.12
RELIANCE COMMUNICATIONS	0.06	1.38
TEXTILES	0.64	
ADITYA BIRLA NUVO	0.64	0.88
CONSTRUCTION	0.64	
GAMMON INDIA	0.64	0.74
AVIATION	0.63	
DECCAN AVIATION	0.63	0.77
AUTO ANCILLARY	0.59	
AUTOMATIVE AXLES	0.59	0.39
POWER	0.18	
NTPC	0.18	0.65

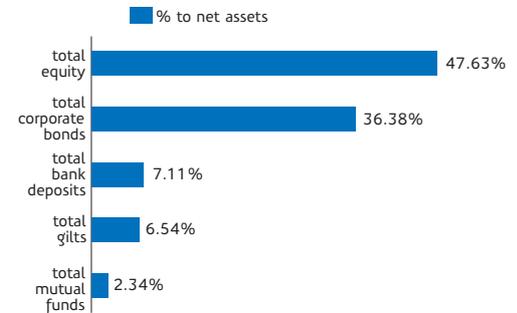
total equity 47.63

total bank deposits 7.11

total mutual funds 2.34

total net assets 100.00

asset allocation



fund characteristics as on September 30, 2007

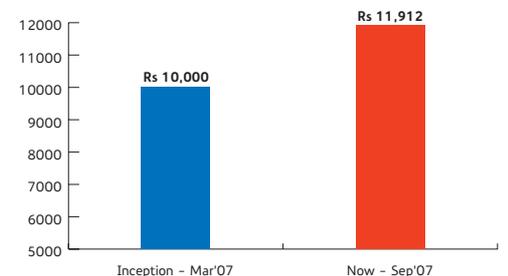
M.Duration of debt portfolio:	2.05 years
YTM of debt portfolio:	8.56%
Beta of equity portfolio:	0.97

NAV as on September 30, 2007

Reliance Money Guarantee Plan (MGP)- E Option: Rs 11.9120

Reliance Automatic Investment Plan (AIP) - B Option: Rs 11.2075

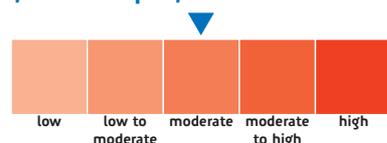
growth of initial investment of Rs 10,000 in MGP



fund objective

The investment objective of the fund is to 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'.

fund risk profile



products

Reliance Market Return Plan - Growth Fund Option

Reliance Golden Year Plan - Growth Fund Option

Reliance Money Guarantee Plan - D Option

fund manager's report

The month of September saw the equity market gaining strong momentum. Positive global cues, fresh buying at higher levels, healthy foreign inflows led indices to touch new highs. Keeping into consideration the risk profile of the scheme, the holding in equities was kept at 38.78%.

The allocation to corporate bonds was increased sharply to 38% in September from 30.5% in August as corporate bonds were at attractive yields. The G-sec allocation was therefore reduced to 14% in September from 25% in August. The allocation to short term bank deposits and mutual funds was maintained at around 5% of the portfolio. We believe, going forward, these changes will help improve the portfolio yield.

benchmark construction

CRISIL ST Bond Index: 60%
S&P CNX Nifty: 40%

ULIP Growth Fund

details as on September 30, 2007

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio	
last 1 year	18.72%	19.60%	8.13%	7.72%	1.69	1.89	
last 2 years (CAGR)	19.56%	18.74%	9.01%	8.74%	1.62	1.57	
last 3 years (CAGR)	19.30%	18.92%	8.33%	8.07%	1.72	1.73	
since inception (CAGR)	19.05%	18.74%	8.19%	7.91%	1.72	1.74	
date of inception	august, 2004						

*CAGR: Compounded Annual Growth Rate

portfolio security

security	% to net assets	rating/1-yr beta
----------	-----------------	------------------

corporate bonds

9.58% EXIM BANK 04-09-09	4.11	AAA
9.20% IL&FS SER VI 23-04-08	4.08	AAA
9.50% INDIAN HOTELS 28-02-12	3.45	AA+
9.68% IRFC 03-07-10	2.48	AAA
7.15% INDIAN OIL BOND 10-06-10	2.39	AAA
10.20% HDFC 03-04-10	2.38	AAA
10.05% NABARD 11-06-14	2.38	AAA
8.25% IDBI OMNI BOND SER III 26-05-11	2.01	AA+
7.20% HDFC 03-06-10	2.00	AAA
6.50% HINDALCO 06-09-09	1.99	AA
9.80% POWER FINANCE CORP SER XXXVIII 20-09-12	1.77	AAA
11.03% TML FINANCIAL SERVICES 22-06-09	1.55	AA+
10.10% POWER GRID CORP 12-06-12	1.19	AAA
10% NABARD NCD SER IX 14-05-12	1.18	AAA
9% TATA SONS 27-07-10	1.16	AAA
8.40% EXIM BANK 28-09-10	1.14	AAA
7.39% POWER GRID CORP 22-09-11	1.09	AAA
9.00% SUNDARAM FINANCE 17-08-09	1.04	AAA
6.25% ULTRATECH CEMENT 25-06-09	1.00	AA+
7% POWER FINANCE CORP 24-12-09	0.33	AAA

total corporate bonds 38.70

gilts

7.44% GOI SPL. OIL BOND 23-03-12	4.86	
7.49% GOI 16-04-17	2.83	
7.37% GOI 16-04-14	2.59	
7.33% OIL COMP BOND 07-03-09	2.35	
11.40% GOI 31-8-08	1.21	
7.38% GOI 03-09-15	0.52	

total gilts 14.40

equity

CAP GOODS/ENGINEERING	5.57	
SIEMENS	1.52	1.11
ALSTOM PROJECTS INDIA	1.47	1.16
LARSEN & TOUBRO	1.30	1.10
AREVA T&D INDIA	1.17	1.01
INGERSOLL RAND INDIA	0.11	0.64
BANKING AND FINANCE	5.41	
STATE BANK OF INDIA	2.24	1.25
ICICI BANK	1.70	1.15
PUNJAB NATIONAL BANK	0.83	1.20
HDFC BANK	0.64	1.02
IT	4.69	
INFOSYS TECHNOLOGIES	2.84	0.73
TATA CONSULTANCY SERVICES	1.03	0.88
SATYAM COMPUTERS	0.82	0.96
AUTOMOBILES	3.68	
MARUTI SUZUKI INDIA	2.05	0.99
TATA MOTORS	1.21	1.02
EICHER MOTORS	0.31	0.71
PUNJAB TRACTORS	0.11	0.33
CEMENT & CEMENT PRODUCTS	3.36	
GRASIM INDUSTRIES	1.99	0.83
ACC	1.37	1.02
PHARMACEUTICALS	3.05	
RANBAXY LABORATORIES	1.46	0.75
DIVIS LABORATORIES	1.15	1.06
CIPLA	0.44	0.73
OIL REFINERIES	2.98	
RELIANCE INDUSTRIES	2.15	1.03
INDIAN OIL CORPORATION	0.83	0.51
OIL AND EXPLORATION	1.80	
ONGC CORPORATION	1.80	0.97
TELECOM	1.68	
BHARTI AIRTEL	1.05	1.12
RELIANCE COMMUNICATIONS	0.63	1.38
FERTILIZERS	1.54	
GUJARAT NARMADA VALLEY FERTILIZERS	1.11	0.92
GUJARATA STATE FERTILIZERS & CHEMICALS	0.43	0.70
METALS	1.48	
STEEL AUTHORITY OF INDIA	1.48	1.37
FMCG	1.19	
HINDUSTAN UNILEVER	0.64	0.76
ITC	0.55	0.60
AVIATION	0.55	
DECCAN AVIATION	0.55	0.77
AUTO ANCILLARY	0.55	
AUTOMATIVE AXLES	0.55	0.39
CONSTRUCTION	0.52	
GAMMON INDIA	0.52	0.74
TEXTILES	0.51	
ADITYA BIRLA NUVO	0.51	0.88
POWER	0.19	
NTPC	0.14	0.65
POWER GRID CORPORATION	0.05	1.00

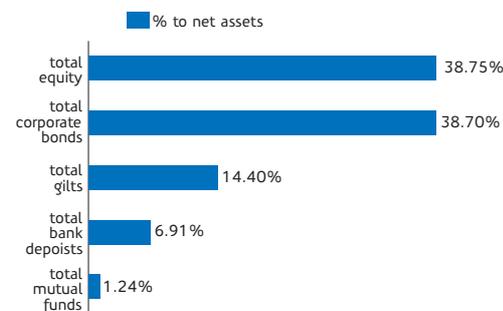
total equity 38.75

total bank deposits 6.91

total mutual funds 1.24

total net assets 100.00

asset allocation



fund characteristics as on September 30, 2007

M.Duration of debt portfolio: 2.56 years
YTM of debt portfolio: 8.77%
Beta of equity portfolio: 0.97

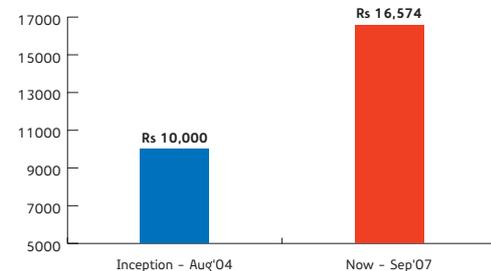
NAV as on September 30, 2007

Reliance Money Return Plan (MRP) - Growth Fund Option: Rs 16.5739

Reliance Golden Year Plan (GYP)- Growth Fund Option: Rs 13.1983

Reliance Money Guarantee Plan (MGP) - D Option: Rs 11.6878

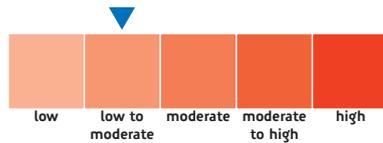
growth of initial investment of Rs 10,000 in MRP



fund objective

The investment objective of the fund is to 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'.

fund risk profile



products

Reliance Market Return Plan - Balanced Fund Option

Reliance Golden Year Plan - Balanced Fund Option

Reliance Automatic Investment Plan - C Option

fund manager's report

The month of September saw the equity market gaining strong momentum. Positive global cues, fresh buying at higher levels, healthy foreign inflows led indices to touch new highs. Keeping into consideration the risk profile of the scheme, the holding in equities was kept at 19.39%.

Corporate bonds continued to give attractive spread of around 160 bps over gilts, hence the allocation to gilts was reduced further to 20% compared to 22% earlier and the allocation to corporate bonds was increased further to 52% from 47% in August 2007. New bond of Exim Bank and PFC were added to the portfolio. The allocation to short-term bank deposits and mutual funds was maintained at around 6%. We plan to further increase the bond portfolio as fresh inflows are expected during the month of October.

benchmark construction

CRISIL ST Bond Index: 80%
S&P CNX Nifty: 20%

ULIP Balanced Fund

details as on September 30, 2007

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	13.37%	13.23%	5.08%	4.49%	1.65	1.83
last 2 years (CAGR)	13.09%	12.25%	5.11%	4.64%	1.58	1.56
last 3 years (CAGR)	12.89%	12.16%	4.64%	4.25%	1.70	1.68
since inception (CAGR)	12.86%	11.09%	4.27%	4.33%	1.84	1.40
date of inception			february, 2003			

*CAGR: Compounded Annual Growth Rate

portfolio

security	% to net assets	rating/ 1-yr beta
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corporate bonds

8.40% EXIM BANK 28-09-10	3.49	AAA
9.50% INDIAN HOTELS 28-02-12	3.42	AA+
10.20% HDFC 13-04-10	3.12	AAA
10.10% POWER GRID CORP 12-06-12	3.12	AAA
11.03% TML FINANCIAL SERVICES 22-06-09	2.61	AA+
8.25% IDBI OMNI BOND SER III 26-05-11	2.25	AA+
9.68% IRFC 03-07-10	2.17	AAA
7.39% POWER GRID CORP 22-09-11	2.09	AAA
10.05% NABARD 11-06-14	2.08	AAA
10% NABARD 18-06-10	2.07	AAA
9.80% POWER FINANCE CORP SER XXXVIII 20-09-12	2.06	AAA
8.90% CITIFINANCIAL CONSUMER 05-08-09	2.05	AAA
9% TATA SONS 27-07-10	2.02	AAA
9.80% POWER FINANCE CORP 22-03-12	1.95	AAA
6.25% ULTRATECH CEMENT 25-06-09	1.94	AA+
0% IDFC 27-06-08	1.91	AAA
9.00% SUNDARAM FINANCE 17-08-09	1.82	AA+
10.75% IL&FS SER XI 29-03-09	1.56	AAA
10% NABARD SER IX 14-05-12	1.55	AAA
7.15% IND OIL BOND 10-06-10	1.55	AAA
9.58% EXIM BANK 04-09-09	1.54	AAA
7.60% ICICI BANK 30-12-15	1.36	AAA
9.20% IL&FS SER VI 23-04-08	1.02	AAA
7.20% RECL 17-09-11	0.94	AAA
9.76% IRFC 03-07-12	0.62	AAA

total corporate bonds 50.29

gilts

		SOVEREIGN
7.37% GOI 16-04-14	6.05	
7.44% GOI SPL. OIL BOND 23-03-12	3.00	
7.49% GOI 16-04-17	2.47	
7.38% GOI 03-09-15	1.98	
8.07% GOI 15-01-17	1.95	
7.33% OIL COMP BOND 07-03-09	1.89	
6.65% GOI 05-04-09	1.50	
6.96% GOI OIL COMP SPL. BOND 30-03-09	0.96	
11.40% GOI 31-08-08	0.80	
9.39% GOI 02-07-11	0.21	

total gilts 20.82

equity

CAP GOODS/ENGINEERING	2.81	
SIEMENS	0.76	1.11
ALSTOM PROJECTS INDIA	0.74	1.16
LARSEN & TOUBRO	0.66	1.10
AREVA T&D INDIA	0.60	1.01
INGERSOLL RAND INDIA	0.05	0.64
BANKING AND FINANCE	2.75	
STATE BANK OF INDIA	1.12	1.25
ICICI BANK	0.86	1.15
PUNJAB NATIONAL BANK	0.44	1.20
HDFC BANK	0.33	1.02
IT	2.36	
INFOSYS TECHNOLOGIES	1.43	0.73
TATA CONSULTANCY SERVICES	0.52	0.88
SATYAM COMPUTERS	0.41	0.96
AUTOMOBILES	1.85	
MARUTI SUZUKI INDIA	1.03	0.99
TATA MOTORS	0.61	1.02
EICHER MOTORS	0.16	0.71
PUNJAB TRACTORS	0.05	0.33
CEMENT & CEMENT PRODUCTS	1.69	
GRASIM INDUSTRIES	1.00	0.83
ACC	0.69	1.02
PHARMACEUTICALS	1.53	
RANBAXY LABORATORIES	0.73	0.75
DIVIS LABORATORIES	0.58	1.06
CIPLA	0.22	0.73
OIL REFINERIES	1.51	
RELIANCE INDUSTRIES	1.09	1.03
INDIAN OIL CORPORATION	0.42	0.51
OIL AND EXPLORATION	0.91	
ONGC CORPORATION	0.91	0.97
FERTILIZERS	0.78	
GUJARAT NARMADA VALLEY FERTILIZERS	0.56	0.92
GUJARAT STATE FERTILIZERS & CHEMICALS	0.22	0.70
METALS	0.74	
STEEL AUTHORITY OF INDIA	0.74	1.37
TELECOM	0.67	
BHARTI AIRTEL	0.53	1.12
RELIANCE COMMUNICATIONS	0.14	1.38
FMCG	0.61	
HINDUSTAN UNILEVER	0.33	0.76
ITC	0.28	0.60
AVIATION	0.29	
DECCAN AVIATION	0.29	0.77
AUTO ANCILLARY	0.29	
AUTOMATIVE AXLES	0.29	0.39
CONSTRUCTION	0.26	
GAMMON INDIA	0.26	0.74
TEXTILES	0.26	
ADITYA BIRLA NUVO	0.26	0.88
POWER	0.11	
NTPC	0.07	0.65
POWER GRID CORPORATION	0.04	1.00

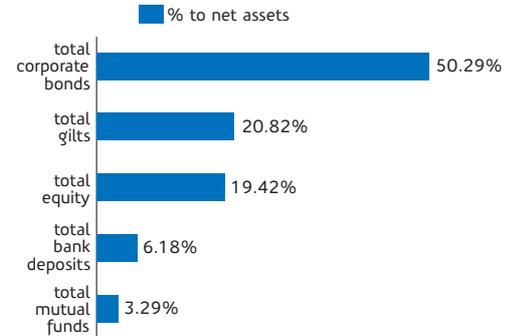
total equity 19.42

total bank deposits 6.18

total mutual funds 3.29

total net assets 100.00

asset allocation



fund characteristics as on September 30, 2007

M.Duration of debt portfolio: 2.85 years
YTM of debt portfolio: 8.86%
Beta of equity portfolio: 0.97

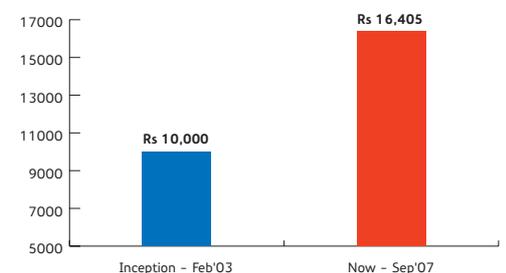
NAV as on September 30, 2007

Reliance Market Return Plan (MRP)- Balanced Fund Option: Rs 14.0164

Reliance Golden Year Plan (GYP)- Balanced Fund Option: Rs 14.0143

Reliance Automatic Investment Plan (AIP)- C Option: Rs 10.7192

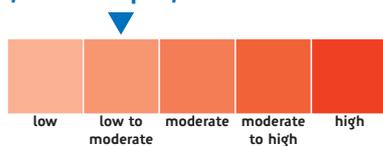
growth of initial investment of Rs 10,000 in MRP



fund objective

Provide returns that exceed the inflation rate, while taking some credit risk (through investments in corporate debt instruments) and maintaining a moderate probability of negative return in the short-term. The risk appetite is 'low to moderate'.

fund risk profile



products

Reliance Automatic Investment Plan - Corporate Bond Fund Option

fund manager's report

This fund was launched in May 2007. As the name suggests, this fund mainly invests in corporate bonds. The exposure to corporate bonds is around 62% as on end of September. Balance 38% is invested in short term bank FDs, CDs and mutual funds. We intend to keep exposure to corporate bonds at around 60-90% to meet the investment objectives of the fund.

benchmark construction

CRISIL Composite Bond Index:100%

ULIP Corporate Bond Fund

details as on September 30, 2007

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	data not available as the fund has not completed a period of one year since inception					
date of inception				may, 2007		

portfolio

security	% to net assets	rating
----------	-----------------	--------

corporate bonds

5.85% POWER FINANCE CORP 01-08-08	18.63	AAA
7.60% ICICI BANK 30-12-15	13.75	AAA
9.76% IRFC 03-07-12	9.39	AAA
7.10% POWER GRID CORP 18-02-09	8.99	AAA
6.10% IRFC 13-05-10	5.74	AAA
10% NABARD SER IX 14-05-12	3.13	AAA
7% POWER FINANCE CORP 24-12-09	2.95	AAA

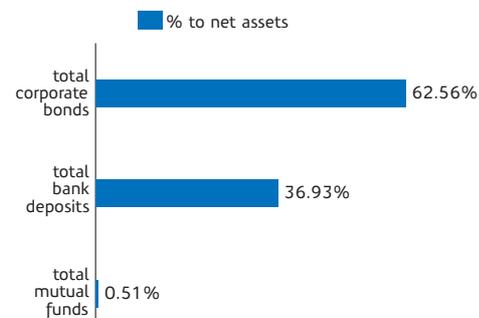
total corporate bonds 62.56

total bank deposits 36.93

total mutual funds 0.51

total net assets 100.00

asset allocation



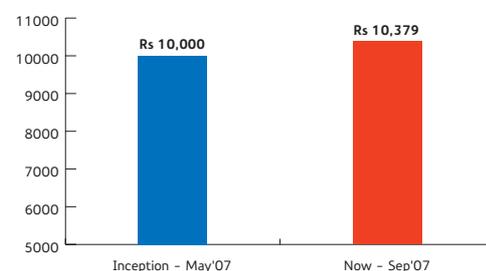
fund characteristics as on September 30, 2007

M.Duration of debt portfolio: 1.80 years
YTM of debt portfolio: 8.65%

NAV as on September 30, 2007

Reliance Automatic Investment Plan (AIP)- Corporate Bond Fund Option: Rs 10.3894

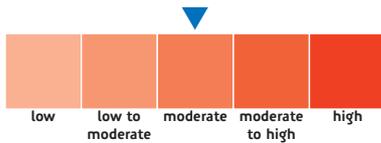
growth of initial investment of Rs 10,000 in AIP



fund objective

Provide steady investment returns achieved through 100% investment in debt securities, while maintaining moderate probability of negative returns in the short-term. The risk appetite is defined as 'moderate'.

fund risk profile



products

Reliance Money Guarantee Plan – Return Shield Option

fund manager's report

In line with our strategy the exposure to gilts was reduced to 20% from 31% in August and we added corporate bonds to the portfolio. However overall exposure to corporate bonds was reduced to 44% from 50% as the fund received fresh inflows. The exposure to short term assets increased substantially to 25%. We intend to purchase fresh G-secs and bonds as and when attractive investments are available.

benchmark construction

CRISIL Composite Bond Index:100%

ULIP Pure Debt Fund

details as on September 30, 2007

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	data not available as the fund has not completed a period of one year since inception					
date of inception				may, 2007		

portfolio

security	% to net assets	rating
----------	-----------------	--------

corporate bonds

5.85% POWER FINANCE CORP 01-08-08	13.42	AAA
6% RECL 31-01-10	9.45	AAA
9.65% NABARD SER IX G 10-09-09	8.01	AAA
9% TATA SONS 27-07-10	3.95	AAA
8.50% EXIM BANK 26-09-11	3.84	AAA
10.10% POWER GRID CORP 12-06-11	2.03	AAA
11.03% TML FINANCIAL SERVICES 22-06-09	1.63	AA+
7.20% HDFC 03-06-10	1.51	AAA

total corporate bonds 43.84

gilts

		SOVEREIGN
12% GOI 02-05-08	12.23	
6.65% GOI 05-04-09	6.96	
11.40% GOI 31-08-08	1.48	

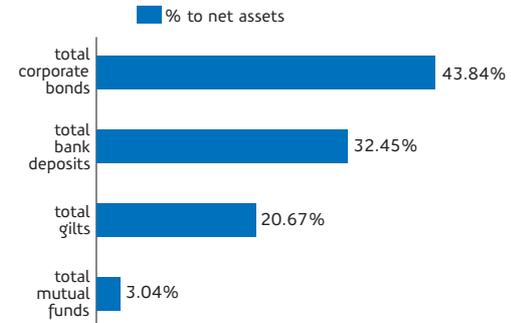
total gilts 20.67

total bank deposits 32.45

total mutual funds 3.04

total net assets 100.00

asset allocation



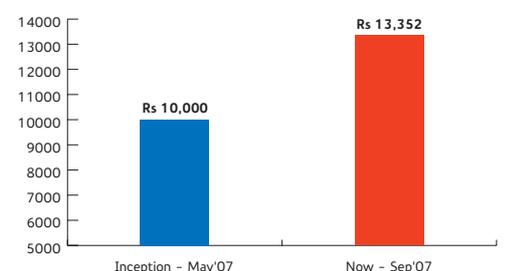
fund characteristics as on September 30, 2007

M.Duration of debt portfolio: 0.88 years
YTM of debt portfolio: 8.06%

NAV as on September 30, 2007

Reliance Money Guarantee Plan (MGP)– Return Shield Option: Rs 13.3896

growth of initial investment of Rs 10,000 in MGP



ULIP Gilt Fund

details as on September 30, 2007

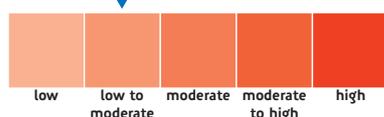
fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	data not available as the fund has not completed a period of one year since inception					
date of inception				may, 2007		

fund objective

Provide returns that exceed the inflation rate, without taking any credit risk (sovereign risk only) and maintaining a low probability of negative return in the short-term. The risk appetite is 'low to moderate'.

fund risk profile



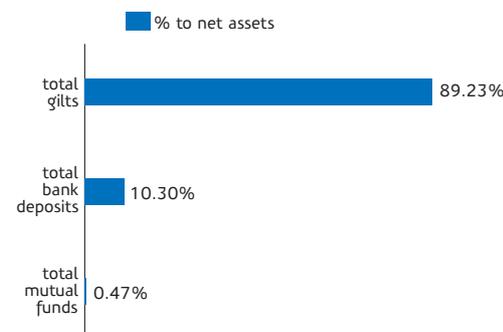
products

Reliance Automatic Investment Plan – Gilt Fund Option

portfolio

security	% to net assets
gilts	
SOVEREIGN	
12% GOI 02-05-08	25.81
11.99% GOI 07-04-09	19.51
9.39% GOI 02-07-11	18.55
8.07% GOI 15-01-17	11.07
6.65% GOI 05-04-09	10.86
11.40% GOI 31-08-08	3.43
total gilts	89.23
total bank deposits	10.30
total mutual funds	0.47
total net assets	100.00

asset allocation



fund characteristics as on September 30, 2007

M.Duration of debt portfolio: 1.46 years
YTM of debt portfolio: 7.40%

NAV as on September 30, 2007

Reliance Automatic Investment Plan (AIP) – Gilt Fund Option: Rs 10.1794

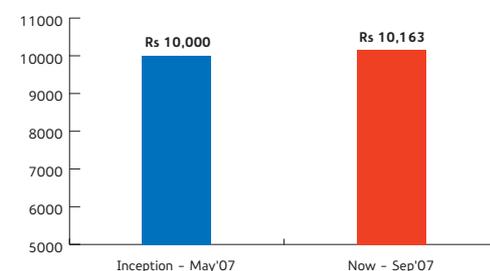
fund manager's report

The allocation to gilts was around 90% at end of September. The allocation to short term assets like Bank FDs, CDs and MFs was around 10% of the portfolio. The percentage to cash has been kept high as investors have the option to switch to other funds every week and therefore liquidity requirement is higher than other funds. We intend to actively manage duration of this fund. Currently it is on the lower side as g-sec market is volatile.

benchmark construction

I-Sec Composite Sovereign Bond Index: 100%

growth of initial investment of Rs 10,000 in AIP



ULIP Money Market Fund details as on September 30, 2007

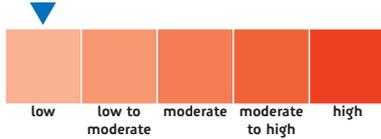
fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	data not available as the fund has not completed a period of one year since inception					
date of inception				may, 2007		

fund objective

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

fund risk profile



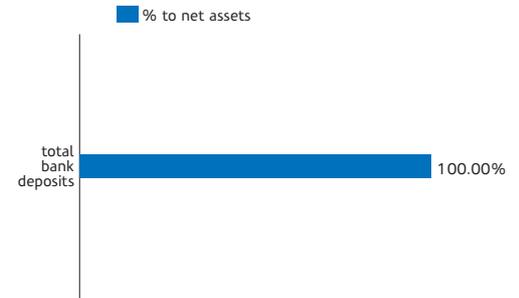
products

Reliance Automatic Investment Plan – Money Market Fund Option

portfolio

security	% to net assets
total bank deposits	100.00
total net assets	100.00

asset allocation



fund characteristics as on September 30, 2007

M.Duration of debt portfolio: 0.34 years
YTM of debt portfolio: 8.35%

NAV as on September 30, 2007

Reliance Automatic Investment Plan (AIP) – Money Market Fund Option: Rs 10.2656

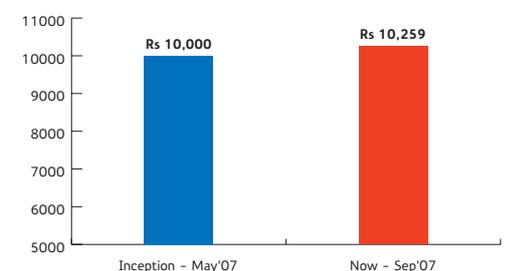
fund manager's report

This fund was launched in May 2007. This fund mainly invests in money market instruments as the name suggests. Presently the investments of this fund are mostly (around 95%) in Certificate of deposits which are giving the highest yield among money market instruments. We intend to deploy 90% or more in high yielding CDs and bank FDs going forward.

benchmark construction

CRISIL Liquid Bond Index:100%

growth of initial investment of Rs 10,000 in AIP



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'.

fund risk profile



products

Reliance Market Return Plan - Capital Secure Fund Option

Reliance Golden Year Plan - Capital Secure Fund Option

fund manager's report

The allocation to CDs (certificate of Deposits) and bank fixed deposits was at nearly 100% to take advantage of high yields in these instruments.

benchmark construction

Yield on 182-day T.Bills

ULIP Capital Secure Fund

details as on September 30, 2007

fund performance

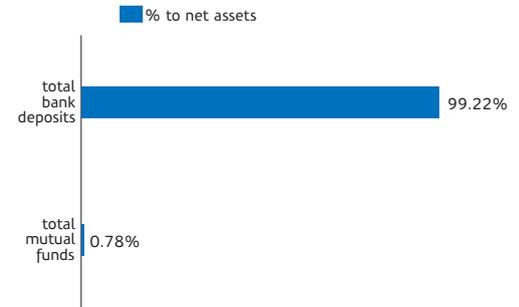
period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	8.71%	7.50%	0.36%	0.18%	10.39	13.54
last 2 years (CAGR)	7.47%	7.01%	0.43%	0.21%	5.71	9.38
last 3 years (CAGR)	6.72%	6.47%	0.46%	0.28%	3.74	5.32
since inception (CAGR)	6.12%	5.56%	0.45%	0.43%	2.48	1.30
date of inception			february, 2003			

*CAGR: Compounded Annual Growth Rate

portfolio

security	% to net assets
total bank deposits	99.22
total mutual funds	0.78
total net assets	100.00

asset allocation



fund characteristics as on September 30, 2007

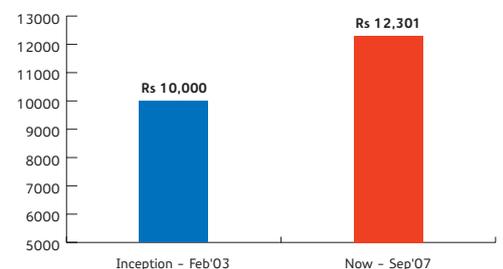
M.Duration of debt portfolio: 0.20 years
YTM of debt portfolio: 8.51%

NAV as on September 30, 2007

Reliance Market Return Plan (MRP) - Capital Secure Fund Option: Rs 11.6967

Reliance Golden Year Plan (GYP) - Capital Secure Fund Option: Rs 11.6676

growth of initial investment of Rs 10,000 in MRP



- ✓ Gross Fund Return
- ✓ Benchmark Return
- ✓ Fund Standard Deviation
- ✓ Fund Sharpe Ratio
- ✓ Benchmark Sharpe Ratio
- ✓ Modified Duration of Debt Portfolio
- ✓ Fund Beta

Gross Fund Return

This is the return calculated on an NAV basis plus the fund management fees which are debited periodically to the fund. We calculate gross fund returns in order to give uniformity while evaluating fund management performance as the fund management fees vary from company to company.

Benchmark return

A benchmark is a standard against which the investment performance of a fund can be measured. Benchmarks are pre-determined primarily on the basis of the asset allocation structure of the fund. Benchmarks can be readily available in the market or have to be constructed. The CNX Nifty is a readily available benchmark for our equity portfolio manager as the equity fund primarily invests in equities.

Fund Standard Deviation

Risk of investing in a fund is identified by the volatility of the fund's periodic returns. Standard deviation measures the volatility of the fund's returns. Standard Deviation for a particular time period gives us the deviation from the mean returns for that fund during that period. Higher the standard deviation, greater is the volatility and therefore, greater is the risk of investing in that fund.

Fund Sharpe ratio

Sharpe ratio of a fund tells us how much return the fund has been able to generate per unit of risk. The higher the Sharpe Ratio, the better the performance of a fund from a risk point of view.

The excess return generated by a fund for a particular time period is first calculated by subtracting the risk free rate from the rate of return generated by that fund. Dividing this result by the standard deviation of the fund return, one can obtain the Sharpe ratio.

Benchmark Sharpe ratio

Just as the fund returns are compared to a benchmark return, the Sharpe ratio of the fund is also compared to the benchmark's Sharpe ratio in order to evaluate the risk-adjusted performance.

Modified Duration of debt portfolio

Modified duration, indicates the sensitivity of the value of the debt portfolio to any given change in interest rates. Modified Duration represents a weighted average of the time periods to maturity. The weights for each time period are equal to the present values of the cash flows in each time periods. Modified Duration gives one a 'rule of thumb' – the percentage change in the price of a bond is the duration multiplied by the change in interest rates.

Fund Beta

Beta measures the risk of a security (say a particular stock) in relation to its broad market. The broad market is generally defined as the specified benchmark index. The Beta assigned to the benchmark index is 1. Beta of the stock describes the sensitivity of the price of the stock to the benchmark index. The fund beta is the sum of the weighted individual stock betas in the portfolio.

- ✓ Macro Analysis
- ✓ Appreciation of market dynamics
- ✓ Meeting investment objectives vis-à-vis risk appetite
- ✓ Asset Allocation strategy
- ✓ Security selection – portfolio construction
- ✓ Benchmarks
- ✓ Risk management / Portfolio evaluation/ diagnostics
- ✓ Governance and processes

investment strategy and risk control

Macro analysis of the economy is carried out by tracking the trends in key economic indicators.

Market Dynamics are also studied apart from the above to determine our view of the changes likely in the interest rate scenario and equity market movements. Price movements in the market are monitored at all times along with the factors that affect them such as the prevailing market sentiments, cash flows in the market and views/actions of key market participants including institutional investors like FIIs and mutual funds. For analyzing the debt markets, yield curve movements and changes in its shape are also studied.

The **risk appetite and investment objective** is clearly defined for each fund keeping in mind the investment horizon, liquidity requirements etc.

A range of acceptable holdings under each asset class is determined at the investment policy level. The **asset allocation** primarily takes into account, the investment objectives, regulatory issues and the likely risk–return matrix to obtain a potential return which is the highest achievable for the risk that is assumed. Within the strategic asset allocation, the fund managers determine the weights of the various asset classes; primarily factoring in the developing market scenarios.

Based on the investment objectives of each fund option, a rigorous **security selection** process is followed. The fixed income fund manager identifies cheaper securities across the yield curve and builds a basket of securities to arrive at the optimum level of yield within the range of pre-determined 'duration' for the entire portfolio after paying particular attention to the liquidity position and the liquidity premium on the securities. An active fund management style is followed for the equity portfolios. A core portfolio of stocks is first created driven by a top–down approach and a research based bottom–up stock selection method is followed.

Benchmarks are pre-determined for each fund based on the most appropriate indices available in the market or by constructing proxy benchmarks out of multiple indices. Performance of each fund is continuously tracked based on the benchmarks and recalibrated.

A statistical analysis is carried out to determine that the **risk levels** are in tune with the risk appetite of the particular fund. Statistical tools such as the standard deviation and risk-adjusted return measures such as the Sharpe ratio are calculated in order to compare the returns generated per unit of risk vis-à-vis benchmarks.

The investment policy has been designed by the **Board** to cover regulatory guidelines, the various product investment objectives, risk appetite, strategic asset allocation and the investment style. It is ensured that the portfolio is always kept compliant with the relevant regulations. Our rigorous processes and risk/ compliance controls are well documented.

the analyst

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