

## 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.

Economy Indicators	28th Nov 08	31st Oct 08	Change
Rs./\$	50.09	49.45	-0.64%
WPI Inflation	235.10*	238.30	8.84%y-o-y*
Forex Reserves (\$ bn)	247.69	258.42	-10.73bn\$
Oil Price (\$ per Barrel)	48.07	60.40	-12.33\$
Gold (Rs. per 10gm)	13080	11900	Rs. 1180

\* As of 27th November 2008

Investments	28th Nov 08	31st Oct 08	Absolute Change
FII's (Rs Crs)	-2598.30	-15347.30	12749.00
Mf's (Rs Crs)	-372.60	1431.60	-1804.20

Indices	28th Nov 08	31st Oct 08	% Change
BSE Sensex	9092.72	9788.06	-7.10
S&P CNX Nifty	2755.10	2885.60	-4.52
CNX Mid Cap	3309.65	3506.40	-5.61
BSE Small Cap	3304.61	3765.11	-12.23

Global Indices	28th Nov 08	31st Oct 08	% Change
Dow Jones	8829.04	9325.01	-5.32
FTSE 100	4288.01	4377.34	-2.04
Hang Seng	13888.24	13968.67	-0.58
Nikkei	8512.27	8576.98	-0.75

Sectoral Indices	28th Nov 08	31st Oct 08	% Change
CNX Infrastructure	2267.20	2279.63	-0.55
CNX Energy	5457.42	5538.89	-1.47
BSE Capital Goods	6387.32	7017.61	-8.98
BSE Bankex	4645.40	5011.24	-7.30
BSE Oil & Gas	5618.16	6195.62	-9.32
BSE IT	2558.94	2861.94	-10.59

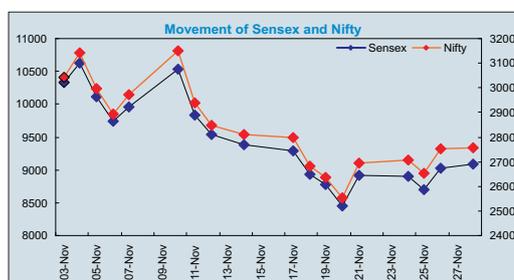
Fixed Income Indicators	28th Nov 08	31st Oct 08	Absolute Change
NSE Mibor	6.55	20.30	-13.75
91 Day T-Bill	7.11	7.05	0.06
182 Day T-Bill	7.04	7.10	-0.06
1 year GOI Benchmark	7.10	7.42	-0.32
5 Year GOI Benchmark	7.13	7.55	-0.42
5 Year Corp Bond Benchmark	11.15	11.68	-0.53
10 Year GOI Benchmark	7.07	7.46	-0.39
10 Year US Benchmark	2.92	3.97	-1.05

## fund snapshot

asset allocation	funds	gross return (CAGR*) (%) as on November 28, 2008				date of inception
		last 1 year	last 2 years	last 3 years	since inception	
100% equity	ULIP Equity	-50.90%	N.A.	N.A.	-48.51%	October, 2007
40% equity, 60% debt	ULIP Growth	-22.55%	-4.12%	3.65%	7.61%	August, 2004
20% equity, 80% debt	ULIP Balanced	-8.39%	2.11%	5.73%	8.95%	February, 2003
100% bond	ULIP Corporate	6.87%	N.A.	N.A.	6.87%	October, 2007
instruments	Bond					
100% debt instrument	ULIP Pure Debt	N.A.	N.A.	N.A.	N.A.	October, 2008
100% govt. securities	ULIP Gilt	9.09%	N.A.	N.A.	8.98%	October, 2007
100% money market	ULIP Money Market	10.95%	N.A.	N.A.	10.95%	November, 2007
instruments						
100% money market	ULIP Capital Secure	10.08%	9.07%	8.19%	6.71%	February, 2003
instruments						

\*CAGR: Compounded Annual Growth Rate

## equity market update - Nov 2008



## Equity Market

Sensex slid 7.10% in November but managed to regain 9,000 levels after touching a low of 8,451. Nifty ended at 2,755, down 4.52% m-o-m. Sectoral indices ended mixed with FMCG leading the gainers. FMCG index was up 7.60% followed by health care and power. Among the losers, realty index ended 21.09% lower followed by metals, down 18.34%.

Indian equities remained volatile impacted by the global economic conditions but by the end of the month, markets displayed some stability taking cue from recovery in global financial market conditions and impetus provided by easy inflation and lower policy rates. Another major event, viz:- Terror attacks in Mumbai had no major impact and the markets continued to be resilient.

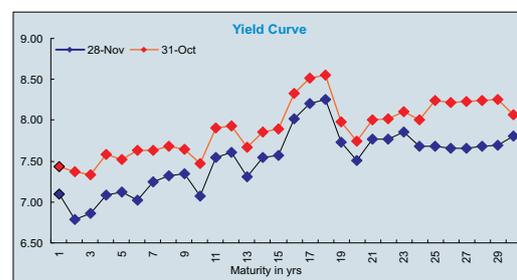
Data released during the month confirmed fears of slowing IIP growth rate (4.8% y-o-y) but the numbers were better than the sharp drop experienced in September. The infrastructure sector output grew 5.1% y-o-y, above September's 2.3% annual growth. GDP for July-September (7.6% y-o-y) was faintly better than forecast but grew at the slowest pace since 2004, confirming loss of momentum. Indicators like drop in excise and custom collections also impacted stock market trading. India's exports fell for the first time in seven years in October as major export markets like US, Euro zone and Japan slipped into recession and experienced huge slowdown in demand.

FII sold Indian equities worth Rs. 2598.30 crores in the current month compared to net sales of Rs. 15347 crores in the preceding month.

## Outlook:

Going forward, due to lack of triggers on the domestic front, the Indian markets will continue to be influenced by movements in global indices. At the current levels, the equity market has already factored in the expected slowdown in earnings but we believe that the December quarter numbers will start reflecting them. Measures announced by global central banks will take some time before yielding any results and we believe that the market will remain range bound till then.

## debt market update - Nov 2008



## Debt Market

The 10-year benchmark yield dipped to near 3-year lows boosted by the better cash conditions that prompted traders to build fresh positions in bonds. While lower inflation and lower oil prices bolstered sentiments, some value buying by traders' on speculation of the RBI easing the monetary policy added to gains. The yield fell to as low as 7.04% from 7.55%. The yield however touched a high of 7.75% during the month.

Cash conditions were fairly comfortable allowing call rates to stay in a steady range of thanks to hefty 100 bps CRR and 50 bps LAF repo rate cut announced by the RBI on Nov.1, followed by yet another boost in the form the buy-back of MSS bonds by the RBI in an attempt to further boost the market liquidity. Additionally, inflows through interest payments and t-bill redemptions along with the regular government spending also helped improve the cash conditions.

WPI inflation receded to single digit, falling to 5-month lows to 8.84% y-o-y, from 10.72% in the previous month. Moreover, a sharp fall in the global oil prices to nearly 3-year lows alleviated pressure on prices.

Traders also booked positions after the Chinese central bank announced a hefty 1.08% cut in its key lending and deposits rate that triggered hopes of easing monetary policy by the RBI even domestically. However while a much expected policy action helped sentiments, bonds also remained subdued given the uncertainty over the timing of the rate cuts. Meanwhile, the fiscal deficit during the April-October stood at 1.17 trillion rupees, or 87.8% of the annual target of 1.33 trillion rupees set in February.

The 5-year AAA yield fell to 11.15% from 11.68% and its credit spread narrowed to 389 bps from 398 bps.

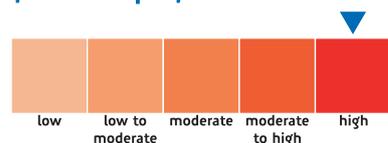
## Outlook:

As inflation has come down drastically, it is not at all a continuing concern for the Central Government. At the same time, crude prices have also breached the crucial level of \$50/barrel. The ongoing financial turmoil is weighing on market sentiments and further cuts in key rates are expected. Overall, the market is bullish for G-secs and yields will continue the downward journey. Liquidity is ample as evidenced from softening call, CD, CP rates and we expect the trend to continue. The 10-year benchmark G-sec yield will remain in the range of 6.50%-7.25%.

## 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 Group Leave Encashment (GLE)  
- Equity Fund Option

## fund manager's report

The month of November saw markets ending in the red. The concerns about the uncertainty regarding the extent to which the growth will slow still remain despite actions by the central bank. Having a cautious approach, holding in equity was kept at 84.20%.

## target asset allocation

Equity: 100%

## benchmark construction

S&P CNX Nifty: 100%

# ULIP Equity Fund

## fund performance as on November 28, 2008

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	-50.90%	-52.19%	37.38%	38.13%	-1.50	-1.50
since inception (CAGR)	-48.51%	-50.49%	36.05%	36.62%	-1.48	-1.52
date of inception	october, 2007					

\*CAGR: Compounded Annual Growth Rate

## portfolio as on November 28, 2008

security % to net assets 1-yr beta

### equity

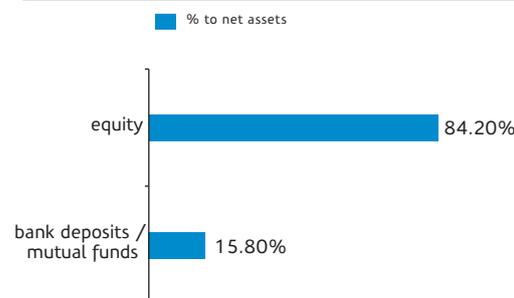
<b>BANKING &amp; FINANCE</b>	<b>14.88</b>	
STATE BANK OF INDIA	5.28	1.02
HDFC BANK	2.86	1.16
HDFC BANK	2.38	1.04
ICICI BANK LTD	1.66	1.48
PUNJAB NATIONAL BANK	1.46	1.10
BANK OF BARODA	0.78	0.90
AXIS BANK LIMITED	0.38	1.13
BAJAJ FINSERV LIMITED	0.09	1.94
<b>OIL REFINERIES</b>	<b>14.08</b>	
RELIANCE INDUSTRIES LIMITED	6.55	1.14
OIL & NATURAL GAS CORPORATION LTD.	4.18	0.91
HPCL FV10	1.16	0.95
BHARAT PETROLEUM CORP LTD	1.11	0.69
RELIANCE PETROLEUM LIMITED	0.60	1.15
INDIAN OIL CORPORATION LIMITED	0.49	1.03
<b>IT</b>	<b>9.20</b>	
INFOSYS TECHNOLOGIES LIMITED FV 5	4.74	0.73
TATA CONSULTANCY SERVICES LIMITED	3.23	0.92
WIPRO LTD.	1.00	0.95
SATYAM COMPUTERS LTD - FV 2	0.22	0.77
<b>CAP GOODS / ENGINEERING</b>	<b>9.19</b>	
BHARAT HEAVY ELECTRICALS LIMITED	3.17	1.04
LARSEN & TOUBRO LIMITED FV 2	2.68	1.04
CUMMINS INDIA LIMITED FV 2	1.16	0.55
ALSTOM PROJECTS INDIA LTD.	0.86	1.02
ABB LIMITED FV 2	0.66	0.89
SIEMENS LTD FV 2	0.66	0.93
<b>FMCG</b>	<b>6.56</b>	
HINDUSTAN UNILEVER LIMITED FV 1	3.37	0.50
ITC LTD FACE VALUE INR 1	3.19	0.64
<b>PHARMACEUTICALS</b>	<b>6.54</b>	
DIVIS LABORATORIES LTD	3.04	0.90
CIPLA LIMITED FV 2	1.59	0.55
SUN PHARMACEUTICALS INDUSTRIES LTD FV 5	1.12	0.37
RANBAXY LABORATORIES LTD. FV 5/-	0.78	0.61
<b>POWER</b>	<b>6.01</b>	
TATA POWER FV 10	2.42	1.14
NTPC LIMITED	2.23	1.00
AREVA T & D INDIA LIMITED	1.05	0.96
SUZLON ENERGY LIMITED	0.31	1.39
<b>TELECOM</b>	<b>5.35</b>	
BHARTI AIRTEL LIMITED	5.35	0.83
<b>METALS</b>	<b>3.16</b>	
STEEL AUTHORITY OF INDIA LTD	1.28	1.23
TATA STEEL LIMITED	0.99	1.21
STERLITE INDUSTRIES LTD FV 2	0.49	1.11
HINDALCO INDUSTRIES LTD FV INR 1	0.40	1.25
<b>AUTOMOBILES</b>	<b>2.96</b>	
MARUTI SUZUKI INDIA LTD.	2.00	0.68
BAJAJ AUTO LIMITED NEW	0.66	0.70
TATA MOTORS LTD.	0.30	0.89
<b>GAS</b>	<b>1.78</b>	
GAIL (INDIA) LIMITED	1.78	0.89
<b>OIL EXPLORATION</b>	<b>1.50</b>	
CAIRN INDIA LIMITED	1.50	1.02
<b>FERTILIZERS</b>	<b>0.85</b>	
GUJARAT NARMADA VALLEY FERTILISERS CO. LTD.	0.53	1.23
GUJARAT STATE FERTILIZERS & CHEMICALS LTD.	0.32	0.93
<b>CEMENT &amp; CEMENT PRODUCTS</b>	<b>0.69</b>	
GRASIM INDUSTRIES LTD FV 10	0.69	0.72
<b>HOTELS</b>	<b>0.62</b>	
INDIAN HOTELS CO. LTD.	0.62	0.73
<b>AVIATION</b>	<b>0.34</b>	
KINGFISHER AIRLINES LIMITED	0.34	1.49
<b>AUTO ANCILLARY</b>	<b>0.25</b>	
AUTOMATIVE AXLES	0.25	0.62
<b>MEDIA</b>	<b>0.18</b>	
TELEVISION EIGHTEEN INDIA LTD. FV 5	0.18	0.80
<b>CONSTRUCTION</b>	<b>0.04</b>	
GAMMON INDIA LIMITED FACE VALUE 2	0.04	0.85

**total equity 84.20**

**total bank deposits/mutual funds 15.80**

**total net assets 100.00**

## asset allocation as on November 28, 2008



## fund characteristics as on Nov 28, 2008

Fund Beta 0.93

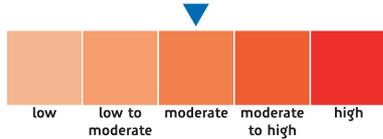
## NAV as on Nov 28, 2008

Reliance Group Leave Encashment (GLE) - Equity Fund Option: Rs. 4.7281

## 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'.

## fund risk profile



## products

Reliance Group Gratuity (GGP) - Growth Fund Option:

Reliance Group Superannuation (GSP) - Growth Fund Option:

## fund manager's report

The month of November saw markets ending in the red. The concerns about the uncertainty regarding the extent to which the growth will slow still remain despite actions by the central bank. Having a cautious approach, holding in equity was kept at 32.29%.

The allocation to corporate bonds was maintained at similar level of 45.55% in order to take advantage of higher spreads in corporate bonds. Accordingly The G-sec allocation was slightly decreased to 6.84% from 7.00% as we increased duration. The allocation to short term bank deposits and CDs/CPs was increased to 15.33% from 13.56% in October.

## target asset allocation

Debt.: 60%  
Equity: 40%

## benchmark construction

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

# ULIP Growth Fund

## fund performance as on November 28, 2008

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	-22.55%	-20.64%	15.88%	15.40%	-1.74	-1.66
last 2 years (CAGR)	-4.12%	-1.55%	14.22%	14.20%	-0.64	-0.46
last 3 years (CAGR)	3.65%	5.62%	12.83%	12.65%	-0.11	0.05
since inception (CAGR)	7.61%	9.13%	11.57%	11.45%	0.23	0.36
date of inception	august, 2004					

\*CAGR: Compounded Annual Growth Rate

## portfolio as on November 28, 2008

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

9.68% IRFC NCD 03-07-2010	4.66	AAA
8.25% IDBI OMNI BOND SER III 26-05-2011	4.02	AA+
11.15% POWER FINANCE CORP LTD NCD 15-09-2011	3.59	AAA
9.58% EXIM BANK OF INDIA NCD 04-09-2010	3.58	AAA
9.50% NABARD NPS BONDS SR IX 115-10-2012	3.35	AAA
10.35% HDFC LTD NCD 16-05-2017	3.29	AAA
8.95% HDFC LTD NCD 29-10-2010	3.11	AAA
7.15% IND OIL BOND 10-06-2012	2.68	AAA
10.90% RECL LTD NCD 14-08-2013	2.14	AAA
9.35% HDFC LTD NCD 09-11-2009	2.14	AAA
7.39% POWER GRID CORP 22-09-2011	2.10	AAA
9.80% TATA STEEL LTD NCD 07-05-2011	2.08	AAA
9.50% INDIAN HOTEL CO LTD 28-02-2012	2.04	AA+
11.40% POWER FINANCE CORP LTD NCD 28-11-2013	1.46	AAA
11.45% RELIANCE INDUSTRIES LIMITED NCD 25-11-2013	1.45	AAA
9.90% TATA SONS LTD NCD 20-05-2011	1.40	AAA
9.05% EXPORT & IMPORT BANK LTD NCD 06-11-2010	1.38	AAA
11% POWER FINANCE CORP LTD NCD 15-09-2018	0.73	AAA
10.60% IRFC NCD 11092018	0.36	AAA

**total corporate bonds 45.55**

### gilts

		SOVEREIGN
7.44% GOI SPL OIL BOND 2012 23-03-2012	3.01	
6.96% GOI OIL COMPANIES SPLBD 30-03-09	1.44	
5.48% GOI 12-06-2009	1.43	
5.87% GOI 02-01-2010	0.93	
8.35% GOI 2022 14-05-2022	0.02	

**total gilts 6.84**

### equity

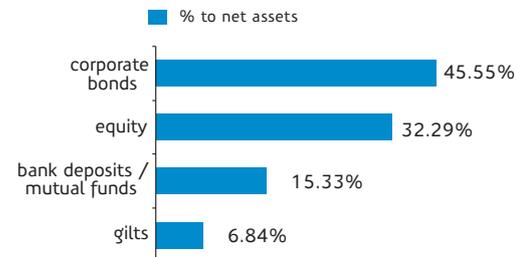
<b>BANKING &amp; FINANCE</b>	<b>5.57</b>	
STATE BANK OF INDIA	1.90	1.02
HDFC BANK	1.06	1.16
HDFC BANK	0.73	1.04
ICICI BANK LTD	0.66	1.48
BANK OF BARODA	0.54	0.90
FEDERAL BANK LTD	0.38	0.75
AXIS BANK LIMITED	0.30	1.13
<b>OIL REFINERIES</b>	<b>5.27</b>	
RELIANCE INDUSTRIES LIMITED	2.36	1.14
OIL & NATURAL GAS CORPORATION LTD.	1.67	0.91
BHARAT PETROLEUM CORP LTD	0.59	0.69
RELIANCE PETROLEUM LIMITED	0.34	1.15
HINDUSTAN PETROLEUM CORPORATION LTD FV10	0.31	0.95
<b>IT</b>	<b>3.52</b>	
INFOSYS TECHNOLOGIES LIMITED FV 5	1.61	0.73
TATA CONSULTANCY SERVICES LIMITED	1.42	0.92
WIPRO LTD.	0.29	0.95
SATYAM COMPUTERS LTD - FV 2	0.20	0.77
<b>CAP GOODS / ENGINEERING</b>	<b>3.30</b>	
BHARAT HEAVY ELECTRICALS LIMITED	1.29	1.04
LARSEN & TOUBRO LIMITED FV 2	1.02	1.04
CUMMINS INDIA LIMITED FV 2	0.32	0.55
ALSTOM PROJECTS INDIA LTD.	0.23	1.02
CROMPTON GREAVES LIMITED NEW FV 2	0.19	0.89
SIEMENS LTD FV 2	0.16	0.93
ABB LIMITED FV 2	0.09	0.89
<b>PHARMACEUTICALS</b>	<b>2.60</b>	
DIVIS LABORATORIES LTD	1.19	0.90
SUN PHARMACEUTICALS INDUSTRIES LTD FV 5	0.49	0.37
CIPLA LIMITED FV 2	0.48	0.55
RANBAXY LABORATORIES LTD. FV 5/-	0.27	0.61
JUBILANT ORGANOSYS LIMITED	0.16	0.44
<b>TELECOM</b>	<b>2.54</b>	
BHARTI AIRTEL LIMITED	2.20	0.83
RELIANCE COMMUNICATIONS LIMITED FV - 5	0.34	1.34
<b>POWER</b>	<b>2.42</b>	
NTPC LIMITED	1.06	1.00
TATA POWER FV 10	1.00	1.14
AREVA T & D INDIA LIMITED	0.31	0.96
SUZLON ENERGY LIMITED	0.06	1.39
<b>FMCS</b>	<b>1.83</b>	
HINDUSTAN UNILEVER LIMITED FV 1	1.23	0.50
ITC LTD FACE VALUE INR 1	0.60	0.64
<b>AUTOMOBILES</b>	<b>1.12</b>	
MARUTI SUZUKI INDIA LTD.	0.55	0.68
MAHINDRA & MAHINDRA LTD	0.25	0.91
BAJAJ AUTO LIMITED NEW	0.24	0.70
TATA MOTORS LTD.	0.09	0.89
<b>METALS</b>	<b>1.04</b>	
TATA STEEL LIMITED	0.39	1.21
STEEL AUTHORITY OF INDIA LTD	0.37	1.23
STERLITE INDUSTRIES LTD FV 2	0.19	1.11
HINDALCO INDUSTRIES LTD FV INR 1	0.08	1.25
<b>GAS</b>	<b>0.68</b>	
GAIL (INDIA) LIMITED	0.68	0.89
<b>OIL EXPLORATION</b>	<b>0.57</b>	
CAIRN INDIA LIMITED	0.57	1.02
<b>CEMENT &amp; CEMENT PRODUCTS</b>	<b>0.47</b>	
GRASIM INDUSTRIES LTD FV 10	0.24	0.72
ACC LIMITED	0.22	0.62
<b>RETAIL</b>	<b>0.28</b>	
PANTALON RETAIL INDIA LTD FV 2	0.26	1.06
PANTALON RETAIL INDIA LIMITED CLASS B EQUITY SHARES0.03	0.24	1.06
<b>LOGISTICS</b>	<b>0.27</b>	
CONTAINER CORPORATION OF INDIA LTD	0.27	0.26
<b>CONSTRUCTION</b>	<b>0.24</b>	
JAIPRAKASH ASSOCIATES LTD	0.18	1.55
GAMMON INDIA LIMITED FACE VALUE 2	0.06	0.85
<b>REAL ESTATE</b>	<b>0.19</b>	
DLF LIMITED	0.19	1.44
<b>FERTILIZERS</b>	<b>0.16</b>	
GUJARAT NARMADA VALLEY FERTILISERS CO. LTD.	0.16	1.23
<b>TEXTILE</b>	<b>0.14</b>	
ADITYA BIRLA NUVO LIMITED	0.14	0.92
<b>AVIATION</b>	<b>0.09</b>	
KINGFISHER AIRLINES LIMITED	0.09	1.49

**total equity 32.29**

**total bank deposits/mutual funds 15.33**

**total net assets 100.00**

## asset allocation as on November 28, 2008



## fund characteristics as on Nov 28, 2008

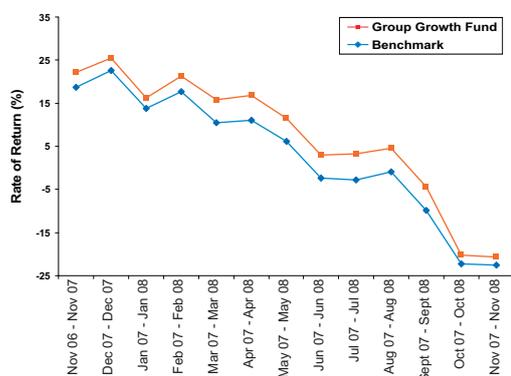
M.Duration of debt portfolio: 1.74 years  
YTM of debt portfolio: 10.74%  
Beta of equity portfolio: 0.93

## NAV as on Nov 28, 2008

Reliance Group Gratuity (GGP) - Growth Fund Option: Rs. 8.9710

Reliance Group Superannuation (GSP) - Growth Fund Option: Rs. 7.5812

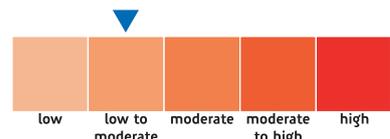
## rolling yearly performance



## 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'.

## fund risk profile



## products

Reliance Group Gratuity – Balanced Fund Option

Reliance Group Superannuation – Balanced Fund Option

## fund manager's report

The month of November saw markets ending in the red. The concerns about the uncertainty regarding the extent to which the growth will slow still remain despite actions by the central bank. Having a cautious approach, holding in equity was kept at 16.28%.

The allocation to gilts was at 13.51%, lower than previous month's 13.63%. the exposure in Corporate bonds was increased to 44.44% from 41.06% in October. This was mainly done to take advantage of higher spreads in corporate bonds. The allocation to short-term bank deposits and CDs/CPs was maintained at 25-26%, similar to the previous month. However we propose to buy long term CD and bonds as and when attractive opportunities are available, as we are expecting interest rates to soften further in near future. We may reduce exposure to gilts going forward to take advantage of higher spreads between G-sec and bonds.

## target asset allocation

Debt.: 80%  
Equity: 20%

## benchmark construction

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

# UIIP Balanced Fund

## fund performance as on November 28, 2008

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	-8.39%	-7.62%	8.22%	7.86%	-1.63	-1.61
last 2 years (CAGR)	2.11%	2.93%	7.67%	7.42%	-0.38	-0.28
last 3 years (CAGR)	5.73%	6.22%	6.84%	6.53%	0.11	0.19
since inception (CAGR)	8.95%	8.05%	5.62%	5.58%	0.70	0.55
date of inception		february, 2003				

\*CAGR: Compounded Annual Growth Rate

## portfolio as on November 28, 2008

security % to net assets rating/1-yr beta

### corporate bonds

10.95% RECL LTD NCD 14-08-2011	2.23	AAA
9.90% TATA SONS LTD NCD 20-05-2011	2.18	AAA
8.50% EXPORT & IMPORT BANK LTD NCD 12-09-2011	2.11	AAA
8.95% HDFC LTD NCD 16-01-2011	1.93	AAA
9.50% NABARD NPS BONDS SR IX 1 15-10-2012	1.69	AAA
9.80% ICICI BANK LTD NCD 10-02-2013	1.63	AAA
8.40% EXIM BANK OF INDIA NCD 28-09-2010	1.61	AAA
9.50% INDIAN HOTEL CO LTD 28-02-2012	1.60	AA+
10% NABARD NCD SR IX 14-05-2012	1.28	AAA
9.35% LIC HOUSING FINANCE LTD NCD 23-11-2014	1.28	AAA
11.75% RECL LTD NCD 03-11-2011	1.14	AAA
11.40% POWER FINANCE CORP LTD NCD 28-11-2013	1.14	AAA
11.45% RELIANCE INDUSTRIES LIMITED NCD 25-11-2013	1.13	AAA
11.65% HDFC LTD NCD 09-09-2010	1.13	AAA
9.65% NABARD NCD SR IX G 10-09-2010	1.12	AAA
10.90% RECL LTD NCD 14-08-2013	1.12	AAA
8.50% HDFC LTD. NCD 29-08-2009	1.11	AAA
10.20% HDFC LIMITED NCD 13-04-2010	1.11	AAA
9.24% L & T FINANCE LTD NCD 30-07-2010	1.09	AA+
9.80% TATA STEEL LTD NCD 07-05-2011	1.08	AAA
9.40% TATA TEA LTD NCD 08-11-2010	1.08	AA+
9.80% POWER FINANCE CORP 22-03-2012	1.08	AAA
8.94% LIC HOUSING FINANCE LTD NCD 16-01-2011	1.07	AAA
8.83% IRFC NCD 29-10-2012	1.06	AAA
7.20% HDFC NCD 03-06-2010	1.02	AAA
6% INDIAN HOTELS LTD NCD 13-05-2011	1.00	AA+
9.35% IL & FS LTD NCD 22-10-2010	0.99	AA+
10.10% POWER GRID CORP 12-06-2011	0.79	AAA
6.25% ULTRATECH CEMENT 25-06-2009	0.77	AAA
9% TATA SONS LTD NCD 27-07-2010	0.76	AAA
9.75% LIC HOUSING FINANCE LTD NCD 24-09-2009	0.74	AAA
6.50% HINDALCO 06-09-09	0.70	AA
10.75% IL & FS LTD NCD SER XI 29-03-2009	0.68	AAA
11.15% POWER FINANCE CORP NCD 15-09-2011	0.67	AAA
9.79% IDFC LTD NCD 11-09-2009	0.67	AAA
9.68% IRFC NCD 03-07-2010	0.64	AAA
9.76% IRFC NCD 03-07-2012	0.63	AAA
9.25% EXPORT & IMPORT BANK LTD NCD 13-12-2012	0.53	AAA
10% NABARD NCD 18-06-2010	0.44	AAA
10.60% IRFC NCD 11-09-2018	0.34	AAA
11% POWER FINANCE CORP LTD NCD 15-09-2018	0.23	AAA

total corporate bonds 44.44

### gilts

		SOVEREIGN
5.87% GOI 02-01-2010	3.41	
7.37% GOI 2014 16-04-2014	3.13	
7.27% GOI 2013 03-09-2013	2.05	
6.96% GOI OIL COMPANIES SPLBD 30-03-09	2.04	
7.44% GOI SPL OIL BOND 2012 23-03-2012	1.76	
5.48% GOI 12-06-2009	1.12	

total gilts 13.51

### equity

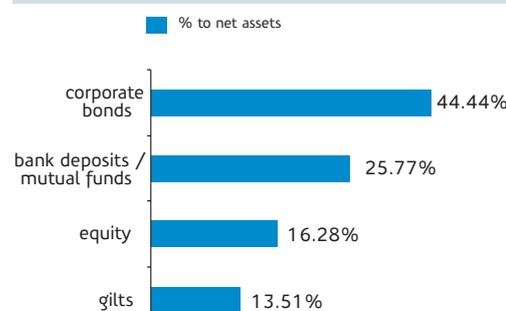
BANKING & FINANCE		
STATE BANK OF INDIA	0.96	1.02
HOUSING DEVELOPMENT FINANCE CORPORATION	0.54	1.16
HDFC BANK	0.37	1.04
ICICI BANK LTD	0.34	1.48
BANK OF BARODA	0.25	0.90
FEDERAL BANK LTD	0.19	0.75
AXIS BANK LIMITED	0.15	1.13
OIL REFINERIES		
RELIANCE INDUSTRIES LIMITED	1.20	1.14
OIL & NATURAL GAS CORPORATION LTD.	0.84	0.91
BHARAT PETROLEUM CORP LTD	0.30	0.69
RELIANCE PETROLEUM LIMITED	0.17	1.15
HINDUSTAN PETROLEUM CORPORATION LTD FV10	0.16	0.95
IT		
INFOSYS TECHNOLOGIES LIMITED FV 5	1.82	0.73
TATA CONSULTANCY SERVICES LIMITED	0.84	0.73
WIPRO LTD.	0.73	0.92
SATYAM COMPUTERS LTD - FV 2	0.14	0.95
CAP GOODS / ENGINEERING	0.11	0.77
BHARAT HEAVY ELECTRICALS LIMITED		
LARSEN & TOUBRO LIMITED FV 2	1.66	1.04
CUMMINS INDIA LIMITED FV 2	0.66	1.04
CUMMINS INDIA LIMITED FV 2	0.51	0.55
ALSTOM PROJECTS INDIA LTD.	0.16	0.55
CROMPTON GREAVES LIMITED NEW FV 2	0.12	1.02
SIEMENS LTD FV 2	0.09	0.89
ABB LIMITED FV 2	0.09	0.93
PHARMACEUTICALS		
DIVIS LABORATORIES LTD	0.05	0.89
SUN PHARMACEUTICALS INDUSTRIES LTD FV 5	1.29	
CIPLA LIMITED FV 2	0.58	0.90
RANBAXY LABORATORIES LTD. FV 5/-	0.25	0.37
JUBLILANT ORGANOSYS LIMITED	0.24	0.55
TELECOM		
BHARTI AIRTEL LIMITED	0.14	0.61
RELIANCE COMMUNICATIONS LIMITED FV - 5	0.08	0.44
POWER		
NTPC LIMITED	1.26	1.11
TATA POWER FV 10	1.11	0.83
AREVA T & D INDIA LIMITED	0.15	1.34
SUZLON ENERGY LIMITED	1.22	
FMCC	0.53	1.00
HINDUSTAN UNILEVER LIMITED FV 1	0.51	1.14
ITC LTD FACE VALUE INR 1	0.15	0.96
AUTOMOBILES		
MARUTI SUZUKI INDIA LTD.	0.03	1.39
MAHINDRA & MAHINDRA LTD	0.92	0.50
BAJAJ AUTO LIMITED NEW	0.30	0.64
TATA MOTORS LTD.	0.57	
METALS		
STEEL AUTHORITY OF INDIA LTD	0.28	0.68
TATA STEEL LIMITED	0.12	0.91
STERILITE INDUSTRIES LTD FV 2	0.12	0.70
HINDALCO INDUSTRIES LTD FV INR 1	0.2	0.89
GAS		
GAIL (INDIA) LIMITED	0.04	0.51
OIL EXPLORATION		
CAIRN INDIA LIMITED	0.19	1.23
CEMENT & CEMENT PRODUCTS	0.19	1.21
GRASIM INDUSTRIES LTD FV 10	0.10	1.11
ACC LIMITED	0.04	1.25
RETAIL		
PANTALOON RETAIL INDIA LTD FV 2	0.34	0.89
PANTALOON RETAIL INDIA LIMITED CLASS B	0.34	
LOGISTICS	0.29	1.02
CONTAINER CORPORATION OF INDIA LTD	0.24	
CONSTRUCTION	0.24	
JAIPRAKASH ASSOCIATES LTD	0.29	1.06
GAMMON INDIA LIMITED FACE VALUE 2	0.01	1.06
REAL ESTATE		
DLF LIMITED	0.14	0.14
FERTILIZERS		
GUJARAT NARMADA VALLEY FERTILISERS CO. LTD.	0.14	0.26
TEXTILE		
ADITYA BIRLA NUVO LIMITED	0.12	1.55
AVIATION	0.09	0.85
KINGFISHER AIRLINES LIMITED	0.03	0.62

total equity 16.28

total bank deposits/mutual funds 25.77

total net assets 100.00

## asset allocation as on November 28, 2008



## fund characteristics as on Nov 28, 2008

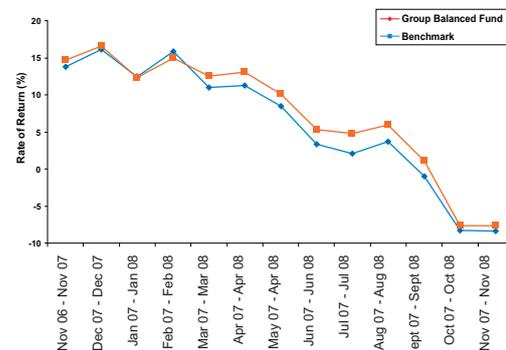
M.Duration of debt portfolio: 1.57 years  
YTM of debt portfolio: 10.40%  
Beta of equity portfolio: 0.93

## NAV as on Nov 28, 2008

Reliance Group Gratuity (GGP) – Balanced Fund Option: Rs. 10.1978

Reliance Group Superannuation (GSP) – Balanced Fund Option: Rs. 12.9106

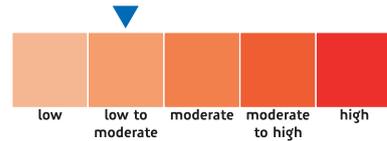
## rolling yearly performance



## 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 Group Leave Encashment (GLE)  
- Corporate Bond Fund Option

Reliance Group Gratuity (GGP) -  
Corporate Bond Fund Option

## fund manager's report

The exposure to corporate bonds was at 64.39% similar to that of October (64.38%). Balance was invested in short term bank FDs, CDs and CPs. We intend to increase exposure to corporate bonds to 80-90% as and when attractive investments are available.

## target asset allocation

Bond Instruments: 100%

## benchmark construction

CRISIL Composite Bond Index: 100%

# ULIP Corporate Bond Fund

## fund performance as on November 28, 2008

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	6.87%	3.81%	1.79%	2.77%	1.05	-0.43
since inception (CAGR)	6.87%	3.99%	1.72%	2.65%	1.09	-0.38
date of inception			october, 2007			

## portfolio as on November 28, 2008

security % to net assets rating

### corporate bonds

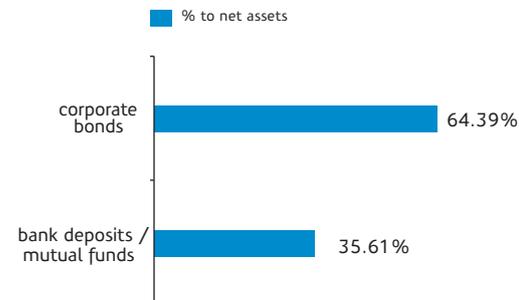
9.40% TATA TEA LTD NCD 08-11-2010	6.66	AA+
9.05% EXPORT & IMPORT BANK LTD NCD 06-11-2010	6.66	AAA
8.88% IDFC LTD NCD 07-01-2011	6.62	AAA
8.38% POWER FINANCE CORP 11-12-2009	5.43	AAA
10.05% NABARD 11-06-2014	3.98	AAA
8.94% LIC HOUSING FINANCE LTD NCD 16-01-2011	3.97	AAA
9.65% NABARD NCD SR IX G 10-09-2010	3.03	AAA
10.90% RECL LTD NCD 14-08-2013	2.75	AAA
9.45% RECL LTD NCD 04-04-2013	2.62	AAA
9.32% HDFC LTD NCD 17-12-2012	2.60	AAA
7.39% POWER GRID CORP 22-09-2011	2.27	AAA
7% POWER FINANCE 24-12-2011	2.01	AAA
10.60% IRFC NCD 11-09-2018	1.39	AAA
11.35% RECL LTD NCD 24-10-2013	1.39	AAA
9.75% LIC HOUSING FINANCE LTD NCD 24-09-2009	1.38	AAA
10% HDFC LTD NCD 19-03-2010	1.37	AAA
9.80% TATA STEEL LTD NCD 07-05-2011	1.33	AAA
8.95% HDFC LTD NCD 16-01-2011	1.32	AAA
9.20% HDFC LTD NCD 09-02-2012	1.31	AAA
9.47% POWER GRID CORP NCD 31-03-2013	1.31	AAA
8.75% IRFC NCD 07-01-2013	1.29	AAA
6.25% ULTRATECH CEMENT 25-06-2009	1.22	AAA
7.10% POWER GRID CORP 18-02-2009	0.97	AAA
11% POWER FINANCE CORP LTD NCD 15-09-2018	0.70	AAA
9.76% IRFC NCD 03-07-2012	0.40	AAA
9.25% EXPORT & IMPORT BANK LTD NCD 13-12-2012	0.39	AAA

**total corporate bonds 64.39**

**total bank deposits/mutual funds 35.61**

**total net assets 100.00**

## asset allocation as on November 28, 2008



## fund characteristics as on Nov 28, 2008

M.Duration of debt portfolio: 1.41 years  
YTM of debt portfolio: 10.67%

## NAV as on Nov 28, 2008

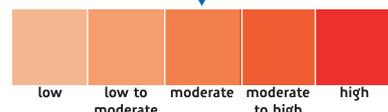
Reliance Group Leave Encashment (GLE) -  
Corporate Bond Fund Option: Rs. 10.1425

Reliance Group Gratuity (GGP) - Corporate Bond  
Fund Option: Rs. 10.5938

## 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 Group Gratuity (GGP) - Pure Debt Fund Option:

Reliance Group Superannuation (GSP) - Pure Debt Fund Option:

Reliance Group Leave Encashment (GLEP) - Pure Debt Fund Option:

## fund manager's report

The exposure to gilts was slightly lower at 12.24% compared to 12.49% in October. Exposure to corporate bonds was decreased to 51.47% from 53.67% as we have decided to increase gilts exposure as and when attractive investments are available. The exposure to short term assets was increased to 36.28% from 30.98% as a temporary switch from corporate bonds.

## target asset allocation

Debt Instruments: 100%

## benchmark construction

CRISIL Composite Bond Index: 100%

# ULIP Pure Debt Fund

## fund performance as on November 28, 2008

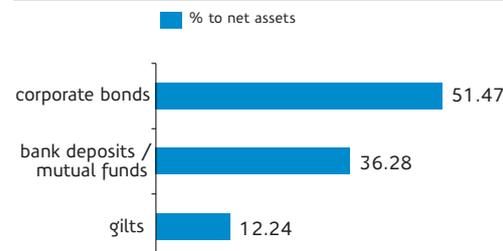
period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	Data not available as the fund has the not completed a period of one year since inception					
date of inception	october, 2008					

\*CAGR: Compounded Annual Growth Rate

## portfolio as on November 28, 2008

security	% to net assets	rating
<b>corporate bonds</b>		
9% TATA SONS LTD NCD 27-07-2010	5.95	AAA
9.68% IRFC NCD 03-07-2010	4.65	AAA
8.50% EXIM BANK MD 26-09-2011	4.26	AAA
11.35% RECL LTD NCD 24-10-2013	3.80	AAA
10.90% RECL LTD NCD 14-08-2013	3.76	AAA
7% POWER FINANCE 24-12-2011	3.20	AAA
8.65% HDFC LTD 12.09.11	3.12	AAA
9.65% NABARD NCD SR IX G 10-09-2010	2.92	AAA
9.20% HDFC LTD NCD 09-02-2012	2.69	AAA
9.75% LIC HOUSING FINANCE LTD NCD 24-09-2009	2.55	AAA
8.40% EXIM BANK OF INDIA NCD 28-09-2010	2.26	AAA
9.90% TATA SONS LTD NCD 20-05-2011	1.84	AAA
8.94% LIC HOUSING FINANCE LTD NCD 16-01-2011	1.81	AAA
9.35% LIC HOUSING FINANCE LTD NCD 23-11-2014	1.79	AAA
10.10% POWER GRID CORPORATION 12-06-2011	1.15	AAA
9.35% HDFC LTD NCD 09-11-2009	0.94	AAA
8.38% POWER FINANCE CORP 11-12-2009	0.93	AAA
9.35% IL & FS LTD NCD 22-10-2010	0.92	AAA
10% NABARD NCD SR IX 14-05-2012	0.91	AAA
9.80% TATA STEEL LTD NCD 07-05-2011	0.91	AAA
9.76% IRFC NCD 03-07-2012	0.55	AAA
7.60% ICICI BANK LTD NCD 30-12-2015	0.40	AAA
7.20% HDFC NCD 03.06.2010	0.18	AAA
<b>total corporate bonds</b>	<b>51.47</b>	
<b>gilts</b>		
7.27% GOI 2013 03-09-2013	4.69	SOVEREIGN
5.48% GOI 12-06-2009	3.77	
5.87% GOI 02-01-2010	2.83	
6.96% GOI OIL COMPANIES SPLBD 30-03-09	0.95	
<b>total gilts</b>	<b>12.24</b>	
<b>total bank deposits/mutual funds</b>	<b>36.28</b>	
<b>total net assets</b>	<b>100.00</b>	

## asset allocation as on November 28, 2008



## fund characteristics as on Nov 28, 2008

M.Duration of debt portfolio: 1.29 years  
YTM of debt portfolio: 10.62%

## NAV as on Nov 28, 2008

Reliance Group Gratuity (GGP) - Pure Debt Fund Option: Rs. 10.1818

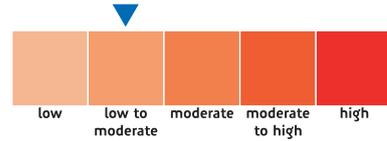
Reliance Group Superannuation (GSP) - Pure Debt Fund Option: Rs. 10.1512

Reliance Group Leave Encashment (GLEP) - Pure Debt Fund Option: Rs. 10.1912

## fund objective

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

## fund risk profile



## products

Reliance Group Leave Encashment (GLE)  
- Gilt Fund Option

## fund manager's report

The allocation to gilts was decreased to 59.52% from 71.98% in October as we have booked profit. Balance was invested in high yielding short term bank FDs, CDs and CPs. We intend to increase duration to take advantage of rally in G sec market.

## target asset allocation

Government Securities: 100%

## benchmark construction

I-Sec Composite Sovereign Bond Index: 100%

# ULIP Gilt Fund

## fund performance as on November 28, 2008

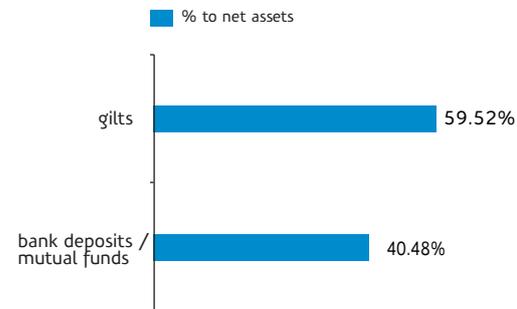
period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	9.09%	14.46%	3.06%	10.23%	1.34	0.93
since inception (CAGR)	8.98%	13.72%	2.93%	9.82%	1.36	0.89
date of inception			october, 2007			

\*CAGR: Compounded Annual Growth Rate

## portfolio as on November 28, 2008

security	% to net assets	rating
<b>gilts</b>		
<b>SOVEREIGN</b>		
5.87% GOI 02-01-2010	20.43	
7.27% GOI 2013 03-09-2013	17.89	
6.96% GOI OIL COMPANIES SPLBD 30-03-09	9.53	
5.48% GOI 12-06-2009	6.98	
9.39% GOI 2011 02-07-2011	4.62	
9.85% GOI 2015 16-10-2015	0.07	
<b>total gilts</b>	<b>59.52</b>	
<b>total bank deposits/mutual funds</b>	<b>40.48</b>	
<b>total net assets</b>	<b>100.00</b>	

## asset allocation as on November 28, 2008



## fund characteristics as on Nov 28, 2008

M.Duration of debt portfolio: 1.16 years  
YTM of debt portfolio: 7.36 %

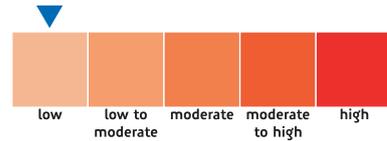
## NAV as on Nov 28, 2008

Reliance Group Leave Encashment (GLE) - Gilt Fund Option: Rs. 10.8240

## 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 Group Leave Encashment (GLE) - Money Market Fund Option

Reliance Group Gratuity (GGP) - Money Market Fund Option

Reliance Group Superannuation (GSP) - Money Market Fund Option

## fund manager's report

Presently the investments of this fund are entirely in Certificate of deposits, Commercial Paper and Fixed Deposits i.e. at 100% of the portfolio.

## target asset allocation

Money Market Instruments: 100%

## benchmark construction

CRISIL Liquid Bond Index: 100%

# ULIP Money Market Fund

## fund performance as on November 28, 2008

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	10.95%	8.14%	0.27%	0.44%	21.66	7.07
since inception (CAGR)	10.95%	8.14%	0.27%	0.44%	21.66	7.07

date of inception

November, 2007

\*CAGR: Compounded Annual Growth Rate

## portfolio as on November 28, 2008

security % to net assets

### certificate of deposits

PUNJAB NATIONAL BANK CD 24-02-2009	8.66
STATE BANK OF TRAVANCORE CD 15-12-2008	8.16
AXIS BANK LTD CD 08-04-2009	7.85
STATE BANK OF BIKANER & JAIPUR CD 22-09-2009	6.60
STATE BANK OF MYSORE CD 19-12-2008	6.52
INDIAN OVERSEAS BANK CD 27-03-2009	6.28
NABARD CD 05-06-2009	6.13
EXPORT & IMPORT BANK OF INDIA CD 28-09-2009	5.97
ICICI BANK LTD CD 17-12-2008	4.05
STATE BANK OF PATIALA CD 12-12-2008	1.64
NABARD CD 10-07-2009	1.54
EXPORT IMPORT BANK OF INDIA CD 17-07-2009	1.54
CANARA BANK CD 16-01-2009	1.30
STATE BANK OF BIKANER & JAIPUR CD 04-12-2008	0.92
CANARA BANK CD 25-03-2009	0.80
STATE BANK OF INDORE CD 28-04-2009	0.50

**total certificate of deposits 68.47**

### commercial paper

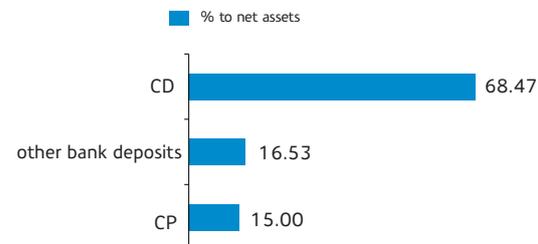
L & T FINANCE LTD CP 22-01-2009	6.95
HDFC LTD CP 12-01-2009	6.52
RELIANCE COMMUNICATIONS LTD CP 28-07-2009	1.53

**total commercial paper 15.00**

**total other bank deposits 16.53**

**total net assets 100.00**

## asset allocation as on November 28, 2008



## fund characteristics as on Nov 28, 2008

M.Duration of debt portfolio: 0.23 years  
YTM of debt portfolio: 10.67 %

## NAV as on Nov 28, 2008

Reliance Group Leave Encashment (GLE) - Money Market Fund Option: Rs. 10.1720

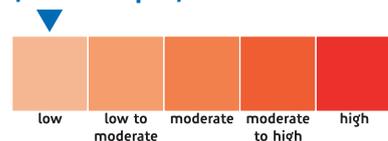
Reliance Group Gratuity (GGP) - Money Market Fund Option: Rs. 10.1260

Reliance Group Superannuation (GSP) - Money Market Fund Option: Rs. 10.9765

## 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 Group Gratuity (GGP) – Capital Secure Fund Option

Reliance Group Superannuation (GSP) – Capital Secure Fund Option

## fund manager's report

The allocation to CDs and CPs and bank fixed deposits was maintained at 100% to take advantage of high yields in these instruments. The fund continues to outperform its benchmark.

## target asset allocation

Money Market Instruments: 100%

## benchmark construction

Yield on 182-day T.Bills

# ULIP Capital Secure Fund

## fund performance as on November 28, 2008

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	10.08%	8.32%	0.30%	0.23%	17.22	14.71
last 2 years (CAGR)	9.07%	7.97%	0.42%	0.22%	9.81	13.46
last 3 years (CAGR)	8.19%	7.55%	0.55%	0.24%	5.75	10.42
since inception (CAGR)	6.71%	6.08%	0.63%	0.49%	2.70	2.20
date of inception	february, 2003					

\*CAGR: Compounded Annual Growth Rate

## portfolio as on November 28, 2008

security % to net assets

### certificate of deposits

PUNJAB NATIONAL BANK CD 24-02-2009	9.07
STATE BANK OF PATIALA CD 12-12-2008	7.47
STATE BANK OF TRAVANCORE CD 15-12-2008	7.46
STATE BANK OF BIKANER & JAIPUR CD 04-12-2008	7.36
ICICI BANK LTD CD 17-12-2008	7.21
CANARA BANK CD 16-01-2009	7.09
AXIS BANK LTD CD 08-04-2009	6.58
NABARD CD 05-06-2009	6.42
INDIAN OVERSEAS BANK CD 27-03-2009	2.99

**total certificate of deposits 61.66**

### commercial paper

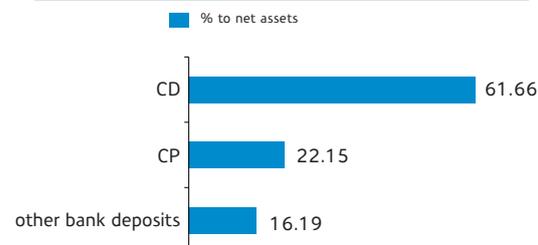
HDFC LTD CP 12-01-2009	9.24
L & T FINANCE LTD CP 22-01-2009	7.08
RELIANCE COMMUNICATIONS LTD CP 28-07-2009	5.83

**total commercial paper 22.15**

**total other bank deposits 16.19**

**total net assets 100.00**

## asset allocation as on November 28, 2008



## fund characteristics as on Nov 28, 2008

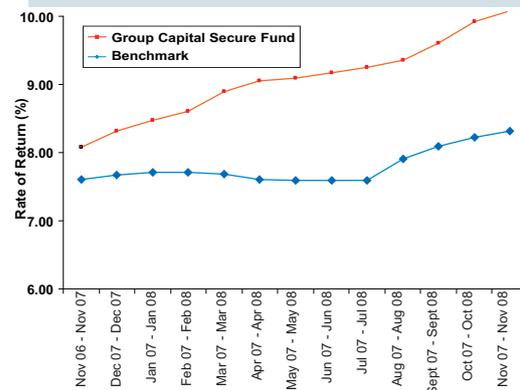
M.Duration of debt portfolio: 0.14 years  
YTM of debt portfolio: 10.15%

## NAV as on Nov 28, 2008

Reliance Group Gratuity (GGP) – Capital Secure Fund Option: Rs. 11.6176

Reliance Group Superannuation (GSP) – Capital Secure Fund Option : Rs 10.5898

## rolling yearly performance



- ✓ 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

**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 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 on 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 Sharp 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.

- ✓ Gross Fund Return
- ✓ Benchmark Return
- ✓ Fund Standard Deviation
- ✓ Fund Sharpe Ratio

## the analyst expressions

### ► Gross Fund Return

Gross return for a fund is defined as 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. Fund management charges are a matter of policy decision by the top management of a life insurance company. Hence, even if two funds from two different fund management companies give the same returns, the returns may not reflect that if they are calculated on an NAV basis.

**We shall highlight this with the help of an example.**

#### Reliance Life Insurance

Balanced Fund  
NAV based Return=11.50 %  
Fund Management Fee=2%  
Gross Fund Return=13.50%

#### XYZ Insurance Company

Balanced Fund  
NAV based Return=10.50%  
Fund Management Fee=3%  
Gross Fund Return=13.50%.

As seen above, though the gross return of both the companies were same, Reliance Life Insurance showed a higher NAV based return as the fund management fees were lower. Please note that the returns as given in The Analyst for all funds are computed on a gross basis.

### ► Benchmark Return

A benchmark is a standard against which the performance of an investment 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.

However, the benchmark for the Growth Fund of Reliance Life Insurance has been constructed as 60% of CRISIL Short Term Bond Index and 40% of CNX Nifty as the asset allocation of the growth fund is 60% of debt and 40% of equity. (Please refer to the Growth Fund page of The Analyst).

### ► 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 for a given time period.

In other words, Fund Standard Deviation for a particular time period gives us the deviation from the mean returns, that has occurred for that fund during that time period. For e.g. let us assume that the Balanced Fund has generated an average (mean) return of 11.55% for the last 2 years and that the corresponding standard deviation was 4.44%. That means that during the last 2 year time period, the balanced fund return varied between 15.99% (i.e.  $11.55 + 4.44$ ) and 7.11% (i.e.  $11.55 - 4.44$ ) during 65% of the time.

Higher the standard deviation, the greater the volatility, and therefore, the greater the risk of investing in that fund.

Thus, an investor has more information available at his disposal to evaluate the quality of performance of the fund and how volatile its returns are.

To carry it a step further, it is highly unlikely that a fund's return in any one year will be exactly the average. Rather, it will always be either higher or lower than the average. Thus, standard deviation teaches us to look beyond the "average annual return" figures that are touted by investment advisors.

### ► 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 during that time period. Dividing this result by the standard deviation of the fund return during that time period, one can obtain the Sharpe ratio.

**Sharpe Ratio = Excess return / Annualized standard deviation of fund return**

The "risk-free return" is the annualized return currently available on "risk-free" investments. This is usually assumed to be the return on a short government security like Treasury bill. A government security is sovereign credit which is the nearest to a risk free asset that one can get. For our calculations of the Sharpe ratios for all funds as given in the Analyst, we have assumed this risk free rate of interest to be at 5%.

## ✓ Benchmark Sharpe Ratio

## ✓ Modified Duration of Debt Portfolio

## ✓ Fund Beta

We shall assume that 9.85% was the annualized gross return for a 3-year time period for the balanced fund, 5% p.a. was the assumed risk free rate of return as discussed above and 4.14% p.a. was the standard deviation of this 3-year return. The Sharpe ratio can be calculated as follows:

$$(9.85-5)\%/4.14\%=1.17.$$

The Sharpe ratio tells us whether the returns of a portfolio are due to smart investment decisions or a result of excess risk. This measurement is very useful because although one portfolio or fund can reap higher returns than its peers, it is only a good investment if those higher returns do not come with too much additional risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been.

▶ **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. In our example above, let us assume that the benchmark Sharpe ratio of the balanced fund for the last 3 years is 0.98. This means that over a three-year time period, the Balanced Fund of Reliance Life Insurance has given a higher risk-adjusted return than the comparable risk-adjusted return provided by the constructed benchmark.

While calculating the benchmark Sharpe ratio of 0.98, let us assume that 9.10% was the annualized gross return provided by the constructed benchmark for the balanced fund for the last 3-year time period, 5% p.a. was the assumed risk free rate of return, and 4.21% p.a. was the standard deviation of the 3-year benchmark return.

The benchmark Sharpe ratio for the Balanced Fund for the last three years has been calculated as follows:  
 $(9.10-5)\%/4.21\%=0.98.$

▶ **Modified Duration of Debt Portfolio**

The value of a fund's debt portfolio is sensitive to changes in interest rates. When interest rates rise, bond prices fall, and vice versa. Generally, a debt portfolio comprising of bonds with higher maturities will have a higher price fluctuation than a portfolio comprising of bonds with lower maturities. Modified duration, indicates the sensitivity of the value of the debt portfolio to any given change in interest rates. Modified Duration is derived from Duration, which represents a weighted average of the time periods to maturity.

Modified Duration gives one an immediate rule of thumb -- the percentage change in the price of a bond is the duration multiplied by the change in interest rates. So, if a bond has duration of 10 years and interest rates fall from 8% to 7.5% (a drop of 0.50 percentage points), the bond's price will rise by approximately 5% (i.e.  $10 \times 0.50\%$ ).

Let us assume that the modified duration for the Balanced Fund is 2.03. If interest rates drop from 8% to 7.5%, the value of this debt portfolio will rise by 1.015% (i.e.  $2.03 \times 0.50\%$ ). Similarly, when interest rates rise from 8% to 8.5%, say, the value of this debt portfolio will fall by 1.015%.

▶ **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. (For the more statistically inclined readers, Beta is the slope of the regression line). It is generally calculated for equity portfolio/funds.

If a stock has a beta of 1, that stock is likely to generate the same returns as the market. If the beta of a stock is more than 1, it means that the stock is likely to give higher returns compared to the market but also at a higher risk as compared to the market. For instance, a stock with beta of 1.2 means that when the market, say Nifty, gives a return of 10%, that stock is likely to generate returns of 12% (i.e.  $1.2 \times 10\%$ ). Similarly, a low beta stock has given lower returns compared to what the market has delivered for a particular time period. For e.g. for a stock with beta of 0.80, if the Nifty gives returns of 10%, the stock is likely to give returns of only half of that, i.e. 8%. (i.e.  $0.80 \times 10\%$ )

Now we shall see the impact of these two stocks when the market falls. When the Nifty gives negative returns of 10%, i.e. the market falls by 10%, the price of the stock with beta of 1.2 will fall by 12%. However, though the price of the stock with the low beta of 0.8 will also fall when the market falls, it will not fall as much as the market. If the market falls by 10%, the price of this scrip will fall only by 8%.

The fund beta is nothing but the betas of individual stocks in the equity portfolio multiplied by the weight of that stock in the portfolio. If a fund has a high beta, the equity portfolio of that fund is aggressive and tilted towards high beta stocks and vice versa. Please note that the betas of individual stocks as given in the Equity Fund page of the Analyst have been calculated based on the available prices of the stocks on the NSE for the last 1-yr period.

**products & UIN nos.**

Reliance Group Gratuity: 121L011V02

Reliance Group Superannuation:  
121L021V01Reliance Group Leave Encashment Plan:  
121L027V01

# the analyst

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