

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	30th Sept 08	30th Jun 08	Change
Rs./₹	46.97	43.03	Rs.-3.94
WPI Inflation	241.10*	237.10	4.00%y-o-y*
Forex Reserves (\$ bn)	291.97	311.79	\$bn-19.82
Oil Price (\$ per Barrel)	93.91	102.43	\$-8.52
Gold (Rs. per 10gm)	13570	12150	Rs.1420.00

* As of 25th September 2008

Investments	30th Sept 08	30th Jun 08	Absolute Change
FII (Rs Crs)	-8278.10	-10095.80	1817.70
Mf (Rs Crs)	2292.20	3179.20	-887.00

Indices	30th Sept 08	30th Jun 08	% Change
BSE Sensex	12860.43	13461.60	-4.47
S&P CNX Nifty	3921.20	4040.55	-2.95
CNX Mid Cap	4890.70	5238.85	-6.65
BSE Small Cap	5577.47	6701.96	-16.78

Global Indices	30th Sept 08	30th Jun 08	% Change
Dow Jones	10850.66	11350.01	-4.40
FTSE 100	4902.45	5625.90	-12.86
Hang Seng	18016.21	22102.01	-18.49
Nikkei	11259.86	13481.38	-16.48

Sectoral Indices	30th Sept 08	30th Jun 08	% Change
CNX Infrastructure	3183.45	3267.15	-2.56
CNX Energy	7803.79	7545.80	3.42
BSE Capital Goods	10581.13	10080.69	4.96
BSE Bankex	6478.85	5915.98	9.51
BSE Oil & Gas	9039.28	9009.16	0.33
BSE IT	3095.08	4019.82	-23.00

Fixed Income Indicators	30th Sept 08	30th Jun 08	Absolute Change
NSE Mibor	14.57	8.77	5.80
91 Day T-Bill	8.85	8.73	0.12
364 Day T-Bill	8.63	9.00	0.37
1 year GOI Benchmark	8.89	9.20	-0.31
5 Year GOI Benchmark	8.70	8.90	-0.20
5 Year Corp Bond Benchmark	11.06	10.72	0.34
10 Year GOI Benchmark	8.66	8.69	-0.03
10 Year US Benchmark	3.82	3.98	-0.16

fund snapshot

asset allocation	funds	gross return (CAGR*) (%) as on September 30, 2008				date of inception
		last 1 year	last 2 years	last 3 years	since inception	
100% equity	ULIP Equity	N.A.	N.A.	N.A.	N.A.	October, 2007
40% equity, 60% debt	ULIP Growth	-9.21%	2.35%	8.06%	10.73%	August, 2004
20% equity, 80% debt	ULIP Balanced	-0.95%	5.24%	7.71%	10.04%	February, 2003
100% bond	ULIP Corporate	N.A.	N.A.	N.A.	N.A.	October, 2007
instruments	Bond					
100% govt. securities	ULIP Gilt	N.A.	N.A.	N.A.	N.A.	October, 2007
100% money market	ULIP Money Market	N.A.	N.A.	N.A.	N.A.	November, 2007
instruments						
100% money market	ULIP Capital Secure	9.61%	8.67%	7.85%	6.57%	February, 2003
instruments						

* CAGR: Compounded Annual Growth Rate

Indian Economy

Indian economic indicators were a mixed bag over the quarter with industrial production (IP) and inflation being the positive aspects. IP grew 7.1% y-o-y in July, a gradual improvement from an expectedly slow 4.1% rate in May. Seen in context of the monetary tightening, the growth rate was robust, indicating that underlying growth drivers were strong. Meanwhile, the WPI inflation rate dipped to below 1.2% y-o-y as pressure from fuel prices reduced as it did from some other categories like non-food articles.

GDP grew at 7.9% y-o-y in Apr-June quarter, the slowest rate in 3-½ years, losing momentum as services slowed markedly. Manufacturing grew 5.6% y-o-y, slightly slower than 5.8% in Jan-March, while agriculture expanded 3.0%. Services sector slowed to 10% growth from 11.2%, significantly affecting final GDP.

Fiscal deficit during Apr-Aug stood at 1.17 trillion rupees or 87.7% of the annual target. In February, the government set a fiscal deficit target of 1.33 trillion rupees or 2.5% of the GDP for the 2008/09 fiscal year, lower than 2.8% in the previous year.

The current account deficit widened to \$10.72 bln in the Apr-June quarter from \$1.04 billion three months earlier as the sharp rise in oil prices widened the trade gap. The BoP surplus in the April-June quarter was \$2.24 bln, down sharply from a surplus of \$24.09 bln in Jan-March.

Outlook:

GDP for FY09 is expected to be in the range of 7.50% to 8.00%; lower than 9.00% for FY08 owing to high interest rates, double digit inflation and global slowdown in demand.

Debt Market

The debt market reflected the unprecedented volatility that hit financial markets across the globe due to a range of factors starting with fundamentals, geopolitics and later the US financial sector crisis.

The Indian sovereign yield curve ended lower and flatter, overall reflecting the slowing economic conditions. However, drop in yield was also because of regulatory-forced buying as market conditions were otherwise negative, led by tight money market liquidity.

The 10-year yield rose near to 9.5% before plunging rapidly close to 8% in mid-September. The yield finally ended at 8.61%. Yields shot up from lows after the RBI temporarily allowed banks to use 1% more of the bond reserves to borrow cash from it - effectively cutting SLR. The measure reduced pressure on banks to buy bonds.

From the medium-term perspective, the finance ministry and the RBI showed the intent to boost inflows by raising the cap on interest offered by banks to NRI deposits. Infrastructure companies were allowed to borrow higher amounts through ECBs while all firms were allowed to issue foreign currency exchangeable bonds.

Call rates still rose beyond 15% as advance tax outflows and bond auctions sucked out cash while FIIs continued to pull out money of the Indian markets.

The ministry released the borrowing programmed for H2 of the fiscal, outlining a plan of Rs.39,000 crore worth borrowing till December, which would complete the targeted amount for the fiscal.

Outlook:

With inflation in double digits we maintain a cautious stance on G sec and bond yields. Volatility in short term rates will remain high. Liquidity is expected to remain tight owing to auction and festive season demand in October. The ten-yr benchmark g-sec yield may remain in the range of 7.50% to 8.50% owing to unexpected cuts in CRR by 150 bps and cancellation of auction.

Equity Market

The equity market enjoyed a period of relief after the Lok Sabha trust vote that saw the continuation of the UPA government with a clear majority in the House. However, inflation and global financial market woes took toll on the stock market, pushing the benchmark sensex down to 2-year lows.

Persistent FII outflows from the Indian equity markets dragged the indices lower and the pressure increased as a regular trickle turned into a massive risk-aversion spree that hit stock markets across the globe. FII selling of equities was Rs.11,327 crore in the quarter, taking the year's total net sales to Rs.36,792 crore.

Heavy pressure on global stock markets and global economic growth prospects kept the focus on external factors with positive factors like falling crude oil prices and stabilizing inflation not able to boost the market.

Another positive factor was the waiver received by India from the 45-nation Nuclear Suppliers Group (NSG) to trade in atomic fuel and transfer of technology from global counterparts.

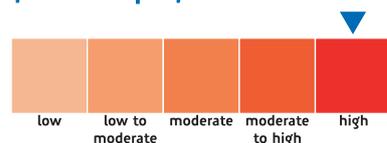
Outlook:

Going ahead, we believe that the Indian markets will continue to be influenced by the movements in the global indices. Markets will closely track the progress of the proposed bailout package for the US financial sector. On the domestic front, markets would also take cues from the Q2 September quarterly numbers and guidance given by large corporates. Taking into consideration the current turmoil in the US markets and the slowdown expected in the global markets, we believe that the markets will remain volatile in the near term.

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 September saw markets ending deeply in red taking cue from global markets. FII's were net sellers while domestic institutions were net buyers. The holding in equities was kept at 89.48%.

target asset allocation

Equity: 100%

benchmark construction

S&P CNX Nifty: 100%

ULIP Equity Fund

details as on september 30, 2008

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	october, 2007					

*CAGR: Compounded Annual Growth Rate

portfolio

security % to net assets 1-yr beta

equity

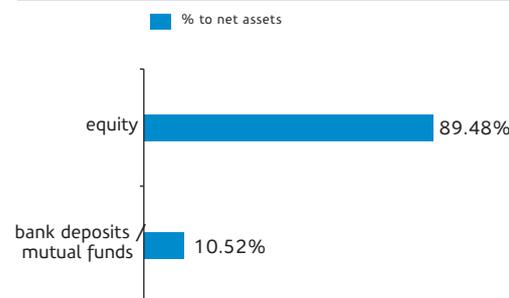
OIL REFINERIES	17.54	
RELIANCE INDUSTRIES	7.79	1.10
OIL & NATURAL GAS CORPORATION	5.98	0.99
HINDUSTAN PETROLEUM CORPORATION LTD FV10	1.23	0.89
BHARAT PETROLEUM	1.23	0.82
RELIANCE PETROLEUM	0.83	1.26
INDIAN OIL CORPORATION	0.48	0.91
BANKING & FINANCE	13.19	
STATE BANK OF INDIA	4.48	1.07
HOUSING DEVELOPMENT FINANCE CORPORATION	2.45	1.11
HDFC BANK	1.68	1.10
ICICI BANK	1.62	1.31
PUNJAB NATIONAL BANK	1.18	1.08
BANK OF BARODA	0.77	0.95
AXIS BANK	0.61	1.07
BAJAJ FINSERV	0.40	0.66
CAP GOODS / ENGINEERING	11.87	
LARSEN & TOUBRO	3.08	1.09
BHARAT HEAVY ELECTRICALS	2.70	1.10
AREVA T & D INDIA	1.74	0.91
CUMMINS INDIA	1.43	0.56
ALSTOM PROJECTS INDIA	1.10	1.05
ABB	1.01	0.79
SIEMENS	0.80	0.97
IT	7.30	
INFOSYS TECHNOLOGIES	3.57	0.65
TATA CONSULTANCY SERVICES	2.40	0.75
WIPRO LTD	1.32	0.77
FMCG	5.90	
HINDUSTAN UNILEVER	3.63	0.52
ITC LTD	2.27	0.70
METALS	5.74	
TATA STEEL	2.58	1.04
STEEL AUTHORITY OF INDIA	1.82	1.38
HINDALCO INDUSTRIES	0.76	1.14
STERLITE INDUSTRIES	0.58	1.03
HINDALCO INDUSTRIES LTD RIGHTS FORM	0.00	1.00
PHARMACEUTICALS	5.07	
DIVIS LABORATORIES	2.69	0.92
CIPLA LIMITED	1.39	0.47
SUN PHARMACEUTICALS	0.99	0.37
POWER	4.97	
TATA POWER	2.75	1.27
NTPC	1.32	1.12
SUZLON ENERGY	0.89	1.08
TELECOM	4.52	
BHARTI AIRTEL	4.52	0.78
AUTOMOBILES	3.89	
MARUTI SUZUKI INDIA	2.70	0.71
BAJAJ AUTO LTD	0.84	1.00
TATA MOTORS	0.35	0.79
TATA MOTORS LIMITED RIGHTS FORMS	0.00	0.79
TATA MOTORS LIMITED	0.00	0.79
MEDIA	1.90	
ZEE ENTERTAINMENT ENTERPRISES	1.39	0.64
TELEVISION EIGHTEEN INDIA	0.50	0.71
OIL EXPLORATION	1.70	
CAIRN INDIA	1.70	0.74
GAS	1.41	
GAIL (INDIA)	1.41	0.95
FERTILIZERS	1.27	
GUJARAT NARMADA VALLEY FERTILISERS	0.82	1.03
GUJARAT STATE FERTILIZERS & CHEMICALS	0.45	0.66
CEMENT & CEMENT PRODUCTS	0.99	
GRASIM INDUSTRIES	0.99	0.71
HOTELS	0.88	
INDIAN HOTELS	0.88	0.69
AVIATION	0.64	
DECCAN AVIATION	0.64	1.35
AUTO ANCILLARY	0.54	
AUTOMATIVE AXLES	0.54	0.54
CONSTRUCTION	0.18	
GAMMON INDIA	0.18	0.75

total equity 89.48

total bank deposits/mutual funds 10.52

total net assets 100.00

asset allocation



fund characteristics as on Sept 30, 2008

Fund Beta 0.93

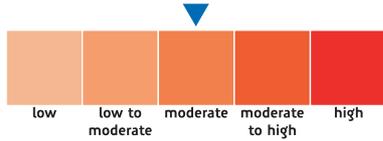
NAV as on Sept 30, 2008

Reliance Group Leave Encashment (GLE) - Equity Fund Option: Rs. 6.3626

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-Growth Fund Option:

Reliance Group Superannuation-Growth Fund Option:

fund manager's report

The month of September saw markets ending deeply in red taking cue from global markets. FI's were net sellers while domestic institutions were net buyers. The holding in equities was kept at 36.23%.

The allocation to corporate bonds was increased to 38.08% from 31.37% in August in order to take advantage of higher spreads in corporate bonds. The G-sec allocation was at 5.98%, similar to that of the previous month. The allocation to short term bank deposits and mutual funds was reduced to 19.71% from 25.31% in August.

target asset allocation

Debt.: 60%
Equity: 40%

benchmark construction

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

ULIP Growth Fund

details as on September 30, 2008

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	-9.21%	-4.44%	15.37%	15.04%	-0.92	-0.63
last 2 years (CAGR)	2.35%	6.91%	12.50%	12.12%	-0.21	0.16
last 3 years (CAGR)	8.06%	10.45%	11.82%	11.39%	0.26	0.48
since inception (CAGR)	10.73%	12.71%	10.63%	10.24%	0.54	0.75
date of inception			august, 2004			

*CAGR: Compounded Annual Growth Rate

portfolio

security % to net assets rating/1-yr beta

corporate bonds

9.68% IRFC NCD 03-07-2010	4.18	AAA
8.25% IDBI OMNI BOND SER III 26-05-2011	3.60	AA+
11.15% POWER FINANCE CORP LTD NCD 15-09-2011	3.23	AAA
9.58% EXIM BANK OF INDIA NCD04-09-2010 P/C 04-09-2009	3.17	AAA
9.50% NABARD NPS BONDS SR IX I MD 15-10-2012	3.00	AAA
10.35% HDFC LTD NCD 16-05-2017	2.93	AAA
8.95% HDFC LTD NCD 29-10-2010	2.79	AAA
7.15% IND OIL BOND 10-06-2012 P/C 100610	2.39	AAA
10.90% RECL LTD NCD 14-08-2013	1.93	AAA
9.35% HDFC LTD NCD 09-11-2009	1.89	AAA
7.39% POWER GRID CORP 22-09-2011	1.88	AAA
9.80% TATA STEEL LTD NCD 07-05-2011	1.87	AAA
9.50% INDIAN HOTEL CO LTD 28-02-2012	1.83	AA+
9.90% TATA SONS LTD NCD 20-05-2011	1.25	AAA
9.05% EXPORT & IMPORT BANK LTD NCD 06-11-2010	1.24	AAA
8.65% HDFC LTD 12-09-11	0.91	AAA

total corporate bonds 38.08

gilts

		SOVEREIGN
7.44% GOI SPL OIL BOND 23-03-12	2.62	
6.96% GOI SPL OIL BOND 30-03-09	1.27	
5.48% GOI 12-06-09	1.26	
5.87% GOI 02-01-10	0.81	
8.35% GOI 14-05-22	0.02	

total gilts 5.98

equity

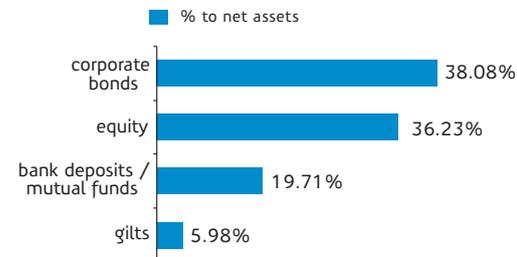
OIL REFINERIES	7.21	
RELIANCE INDUSTRIES	3.42	1.10
OIL & NATURAL GAS CORPORATION	2.38	0.99
RELIANCE PETROLEUM	0.97	1.26
BHARAT PETROLEUM	0.29	0.82
HINDUSTAN PETROLEUM CORPORATION LTD FV10	0.15	0.89
BANKING & FINANCE	5.52	
STATE BANK OF INDIA	1.64	1.07
HOUSING DEVELOPMENT FINANCE CORPORATION	0.99	1.11
ICICI BANK	0.88	1.31
HDFC BANK	0.59	1.10
FEDERAL BANK	0.50	0.71
BANK OF BARODA	0.50	0.95
AXIS BANK	0.41	1.07
CAP GOODS / ENGINEERING	4.64	
LARSEN & TOUBRO	1.41	1.09
BHARAT HEAVY ELECTRICALS	1.19	1.10
AREVA T & D INDIA	0.54	0.91
CUMMINS INDIA	0.41	0.56
ALSTOM PROJECTS INDIA	0.32	1.05
CROMPTON GREAVES	0.32	0.91
SIEMENS	0.23	0.97
ABB	0.23	0.79
IT	3.03	
INFOSYS TECHNOLOGIES	1.43	0.65
TATA CONSULTANCY SERVICES	1.08	0.75
WIPRO LTD	0.32	0.77
SATYAM COMPUTERS	0.20	0.62
POWER	2.58	
TATA POWER	1.24	1.27
NTPC	1.15	1.12
SUZLON ENERGY	0.18	1.08
TELECOM	2.48	
BHARTI AIRTEL	1.97	0.78
RELIANCE COMMUNICATIONS	0.52	1.19
PHARMACEUTICALS	2.22	
DIVIS LABORATORIES	1.02	0.92
SUN PHARMACEUTICALS	0.45	0.37
CIPLA LIMITED	0.44	0.47
JUBILANT ORGANOSYS	0.30	0.35
METALS	1.96	
TATA STEEL	0.90	1.04
STEEL AUTHORITY OF INDIA	0.58	1.38
STERLITE INDUSTRIES	0.25	1.03
HINDALCO INDUSTRIES	0.23	1.14
HINDALCO INDUSTRIES LTD RIGHTS FORM	0.00	1.44
FMCG	1.46	
HINDUSTAN UNILEVER	0.95	0.52
ITC LTD	0.51	0.70
AUTOMOBILES	1.37	
MARUTI SUZUKI INDIA	0.63	0.71
MAHINDRA & MAHINDRA LTD	0.36	0.73
TATA MOTORS	0.20	0.79
BAJAJ AUTO LTD	0.17	1.00
TATA MOTORS LIMITED RIGHTS FORMS	0.00	0.79
TATA MOTORS LIMITED	0.00	0.79
CEMENT & CEMENT PRODUCTS	0.65	
GRASIM INDUSTRIES	0.37	0.71
ACC LTD	0.27	0.73
OIL EXPLORATION	0.60	
CAIRN INDIA	0.60	0.74
GAS	0.54	
GAIL (INDIA)	0.54	0.95
CONSTRUCTION	0.43	
JAIPRAKASH ASSOCIATES	0.30	1.47
GAMMON INDIA	0.12	0.75
LOGISTICS	0.34	
CONTAINER CORPORATION OF INDIA	0.34	0.23
REAL ESTATE	0.28	
DLF LIMITED	0.28	1.45
RETAIL	0.28	
PANTALOON RETAIL	0.28	1.01
TEXTILE	0.24	
ADITYA BIRLA NUVO	0.24	0.84
FERTILIZERS	0.24	
GUJARAT NARMADA VALLEY FERTILISERS	0.24	1.03
AVIATION	0.17	
DECCAN AVIATION	0.17	1.35

total equity 36.23

total bank deposits/mutual funds 19.71

total net assets 100.00

asset allocation



fund characteristics as on Sept 30, 2008

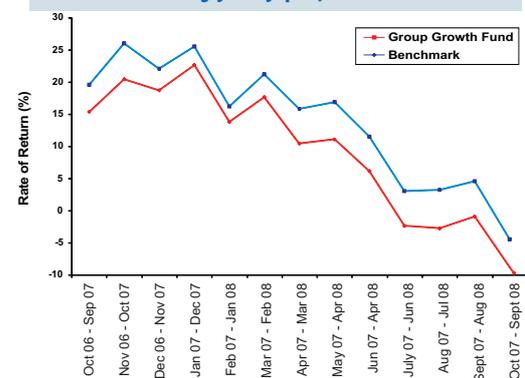
M.Duration of debt portfolio: 1.52 years
YTM of debt portfolio: 10.44%
Beta of equity portfolio: 0.95

NAV as on Sept 30, 2008

Reliance Group Gratuity-Growth Fund Option: Rs. 10.0099

Reliance Group Superannuation-Growth Fund Option: Rs. 8.4744

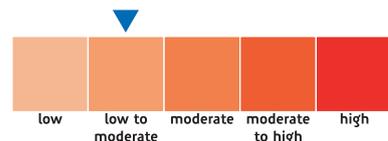
rolling yearly performance



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 September saw markets ending deeply in red taking cue from global markets. FII's were net sellers while domestic institutions were net buyers. The holding in equities was kept at 18.18%.

The allocation to gilts was at 11.30%, similar to that of the previous month and for corporate bonds was increased to 38.15% from 33.61% in August. This was mainly done to take advantage of higher spreads in corporate bonds. The allocation to short-term bank deposits and mutual funds was reduced slightly to 32.38% from 34.39% in the previous month. The portfolio is at the desired asset allocation with these changes. However we propose to buy gilts and bonds as and when attractive opportunities are available

target asset allocation

Debt.: 80%
Equity: 20%

benchmark construction

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

ULIP Balanced Fund

details as on September 30, 2008

fund performance

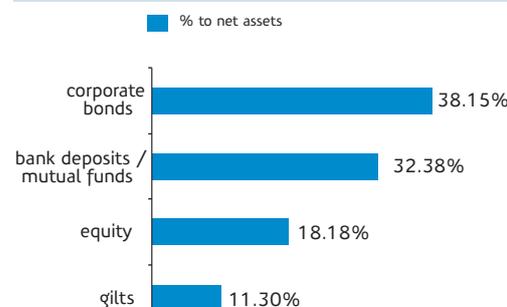
period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	-0.95%	1.12%	8.21%	7.80%	-0.72	-0.50
last 2 years (CAGR)	5.24%	7.00%	6.94%	6.44%	0.03	0.31
last 3 years (CAGR)	7.71%	8.41%	6.44%	5.94%	0.42	0.57
since inception (CAGR)	10.04%	9.26%	5.29%	5.14%	0.95	0.83
date of inception		february, 2003				

*CAGR: Compounded Annual Growth Rate

portfolio

security	% to net assets	rating/1-yr beta
corporate bonds		
8.50% HDFC LTD NCD 15-10-2008	1.93	AAA
9.90% TATA SONS LTD NCD 20-05-2011	1.88	AAA
8.50% EXPORT & IMPORT BANK LTD NCD 12-09-2011	1.81	AAA
8.95% HDFC LTD NCD 16-01-2011	1.66	AAA
9% TATA SONS LTD NCD 27-07-2010	1.58	AAA
9.68% IRFC NCD 03-07-2010	1.50	AAA
9.50% NABARD NPS BONDS SR IX 1 15-10-2012	1.45	AAA
9.80% ICICI BANK LTD NCD 10-02-2013	1.40	AAA
8.40% EXIM BANK OF INDIA NCD 28-09-2010	1.38	AAA
9.50% INDIAN HOTEL CO LTD 28-02-2012	1.37	AA+
10.90% RECL LTD NCD 14-08-2013	1.35	AAA
10% NABARD NCD SR IX 14-05-2012	1.10	AAA
9.35% LIC HOUSING FINANCE LTD NCD23-11-2014 P/C 23-11-2012	1.09	AAA
11.65% HDFC LTD NCD 09-09-2010	0.97	AAA
10.95% RECL LTD NCD 14-08-2011	0.96	AAA
10.20% HDFC LIMITED NCD 13-04-2010	0.95	AAA
9.65% NABARD NCD SR IX G 10-09-2010 P/C 10-09-2009	0.95	AAA
8.50% HDFC LTD NCD 29-08-2009	0.94	AAA
9.24% L & T FINANCE LTD NCD 30-07-2010	0.94	AA+
9.80% TATA STEEL LTD NCD 07-05-2011	0.93	AAA
9.40% TATA TEA LTD NCD 08-11-2010	0.93	AAA
9.80% POWER FINANCE CORP 22-03-2012	0.93	AAA
8.3% IRFC NCD 29-10-2012	0.91	AAA
7.20% HDFC NCD 03-06-2010	0.87	AAA
6% INDIAN HOTELS LTD NCD 13-05-2011	0.85	AA+
8.50% EXIM BANK 26-09-2011	0.78	AAA
9.35% IL & FS LTD NCD 22-10-2010	0.71	AAA
10.10% POWER GRID CORPORATION 12-06-2011	0.68	AAA
6.25% ULTRATECH CEMENT 25-06-2009	0.65	AAA
9.75% LIC HOUSING FINANCE LTD NCD 24-09-2009	0.63	AAA
6.50% HINDALCO 06-09-09	0.59	AA
11.15% POWER FINANCE CORPORATION LTD NCD 15-09-2011	0.58	AAA
10.75% IL & FS LTD NCD SER XI 29-03-2009	0.58	AAA
9.79% IDFC LTD NCD 11-09-2009	0.57	AAA
9.76% IRFC NCD 03-07-2012	0.54	AAA
9.25% EXPORT & IMPORT BANK LTD NCD 13-12-2012	0.45	AAA
10% NABARD NCD 18-06-2010	0.38	AAA
9.20% HDFC LTD NCD 09-02-2012	0.37	AAA
total corporate bonds 38.15		
gilts		
5.87% GOI 02-01-10	2.84	SOVEREIGN
7.37% GOI 16-04-14	2.50	SOVEREIGN
7.27% GOI 03-09-13	2.01	SOVEREIGN
7.44% GOI SPL OIL BOND 23-03-12	1.47	SOVEREIGN
5.48% GOI 12-06-09	1.32	SOVEREIGN
6.96% GOI SPL OIL BOND 30-03-09	1.16	SOVEREIGN
total gilts 11.30		
equity		
OIL REFINERIES	3.63	
RELIANCE INDUSTRIES	1.73	1.10
OIL & NATURAL GAS CORPORATION	1.20	0.99
RELIANCE PETROLEUM	1.26	1.26
BHARAT PETROLEUM	0.15	0.82
HINDUSTAN PETROLEUM CORPORATION LTD FV10	0.08	0.89
BANKING & FINANCE	2.78	
STATE BANK OF INDIA	0.83	1.07
HOUSING DEVELOPMENT FINANCE CORPORATION	0.50	1.11
ICICI BANK	0.45	1.31
HDFC BANK	0.30	1.10
FEDERAL BANK	0.25	0.71
BANK OF BARODA	0.25	0.95
AXIS BANK	0.20	1.07
CAP GOODS / ENGINEERING	2.33	
LARSEN & TOUBRO	0.71	1.09
BHARAT HEAVY ELECTRICALS	0.60	1.10
AREVA T & D INDIA	0.27	0.91
CUMMINS INDIA	0.20	0.56
ALSTOM PROJECTS INDIA	0.16	1.05
CROMPTON GREAVES	0.16	0.91
ABB	0.12	0.79
SIEMENS	0.11	0.97
IT	1.56	
INFOSYS TECHNOLOGIES	0.74	0.65
TATA CONSULTANCY SERVICES	0.55	0.75
WIPRO LTD	0.16	0.77
SATYAM COMPUTERS	0.11	0.62
POWER	1.29	
TATA POWER	0.63	1.27
NTPC	0.58	1.12
SUZLON ENERGY	0.09	1.08
TELECOM	1.21	
BHARTI AIRTEL	0.99	0.78
RELIANCE COMMUNICATIONS	0.22	1.19
PHARMACEUTICALS	1.13	
DIVIS LABORATORIES	0.51	0.92
SUN PHARMACEUTICALS	0.23	0.37
CIPLA LIMITED	0.22	0.47
JUBILANT ORGANOSYS	0.16	0.35
METALS	0.95	
TATA STEEL	0.41	1.04
STEEL AUTHORITY OF INDIA	0.29	1.38
STERILITE INDUSTRIES	0.13	1.03
HINDALCO INDUSTRIES	0.12	1.14
HINDALCO INDUSTRIES LTD RIGHTS FORM	0.00	1.14
FMCG	0.73	
HINDUSTAN UNILEVER	0.48	0.52
ITC LTD	0.25	0.70
AUTOMOBILES	0.68	
MARUTI SUZUKI INDIA	0.32	0.71
MAHINDRA & MAHINDRA LTD	0.18	0.73
TATA MOTORS	0.10	0.79
BAJAJ AUTO LTD	0.09	1.00
TATA MOTORS LIMITED RIGHTS FORMS	0.00	0.79
TATA MOTORS LIMITED	0.00	0.79
CEMENT & CEMENT PRODUCTS	0.33	
GRASIM INDUSTRIES	0.19	0.71
ACC LTD	0.14	0.73
OIL EXPLORATION	0.30	
CAIRN INDIA	0.30	0.74
GAS	0.27	
GAIL (INDIA)	0.27	0.95
CONSTRUCTION	0.21	
JAIPRAKASH ASSOCIATES	0.15	1.47
GAMMON INDIA	0.06	0.75
LOGISTICS	0.17	
CONTAINER CORPORATION OF INDIA	0.17	0.23
REAL ESTATE	0.14	
DLF LIMITED	0.14	1.45
RETAIL	0.14	
PANTALON RETAIL	0.14	1.01
TEXTILE	0.12	
ADITYA BIRLA NUVO	0.12	0.84
FERTILIZERS	0.12	
GUJARAT NARMADA VALLEY FERTILISERS	0.12	1.03
AVIATION	0.09	
DECCAN AVIATION	0.09	1.35
total equity 18.18		
total bank deposits/mutual funds 32.38		
total net assets 100.00		

asset allocation



fund characteristics as on Sept 30, 2008

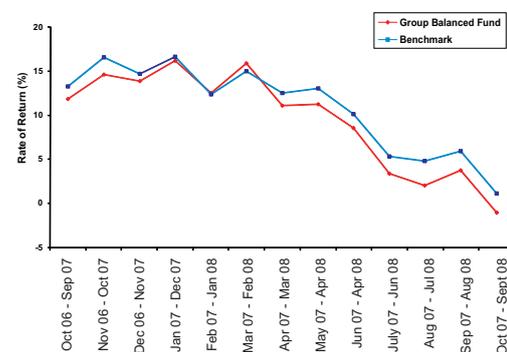
M.Duration of debt portfolio: 1.35 years
YTM of debt portfolio: 10.15%
Beta of equity portfolio: 0.95

NAV as on Sept 30, 2008

Reliance Group Gratuity - Balanced Fund Option: Rs. 10.6541

Reliance Group Superannuation - Balanced Fund Option: Rs. 13.5068

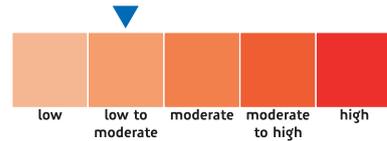
rolling yearly performance



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

fund manager's report

The exposure to corporate bonds was slightly lower at 63.54%, compared to 64.33% in August. The balance was invested in short term bank FDs, CDs and mutual funds. We intend to increase exposure to corporate bonds to 80-90% as and when when attractive investments are available.

target asset allocation

Bond Instruments: 100%

benchmark construction

CRISIL Composite Bond Index: 100%

ULIP Corporate Bond Fund

details as on September 30, 2008

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	october, 2007					

*CAGR: Compounded Annual Growth Rate

portfolio

security % to net assets rating

corporate bonds

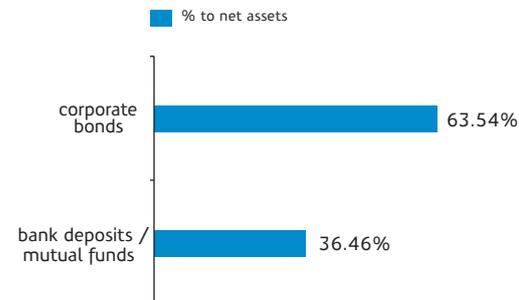
9.40% TATA TEA LTD NCD 08-11-2010	7.65	AA+
9.05% EXPORT & IMPORT BANK LTD NCD 06-11-2010	7.63	AAA
8.88% IDFC LTD NCD 07-01/2011	7.58	AAA
8.38% POWER FINANCE CORP 11-12-2009	6.14	AAA
10.05% NABARD 11-06-2014	4.58	AAA
10.90% RECL LTD NCD 14-08-2013	3.16	AAA
9.45% RECL LTD NCD 04-04-2013	3.01	AAA
9.32% HDFC LTD NCD 17-12-2012	3.00	AAA
7.39% POWER GRID CORP 22-09-2011	2.60	AAA
7% POWER FINANCE 24-12-2011 PUT/CALL 24-12-2009	2.27	AAA
9.65% NABARD NCD SR IX G 10-09-2010 P/C 10-09-2009	1.87	AAA
10% HDFC LTD NCD 19-03-2010	1.56	AAA
9.75% LIC HOUSING FINANCE LTD NCD 24-09-2009	1.56	AAA
9.80% TATA STEEL LTD NCD 07-05-2011	1.53	AAA
8.95% HDFC LTD NCD 16-01-2011	1.52	AAA
9.20% HDFC LTD NCD 09-02-2012	1.50	AAA
9.47% POWER GRID CORPORATION NCD 31-03-2013	1.50	AAA
8.75% IRFC NCD 07-01-2013	1.48	AAA
6.25% ULTRATECH CEMENT 25-06-2009	1.38	AAA
7.10% POWER GRID CORP 18-02-2009	1.10	AAA
9.76% IRFC NCD 03-07-2012	0.46	AAA
9.25% EXPORT & IMPORT BANK LTD NCD 13-12-2012	0.45	AAA

total corporate bonds 63.54

total bank deposits/mutual funds 36.46

total net assets 100.00

asset allocation



fund characteristics as on Sept 30, 2008

M.Duration of debt portfolio: 1.45 years
YTM of debt portfolio: 10.51%

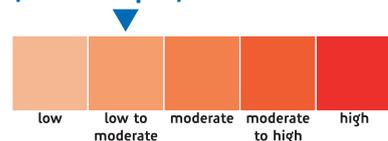
NAV as on sept 30, 2008

Reliance Group Leave Encashment (GLE) -
Corporate Bond Fund Option: Rs. 10.4497

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 increased to 69.54% from 66.50% in the previous month in order to take advantage of volatility in gilt yields. The allocation to high yielding short term bank FDs, CDs and mutual funds was at 30.46%. Owing to the bearish view on interest rates, the duration in gilts has been maintained low.

target asset allocation

Government Securities: 100%

benchmark construction

I-Sec Composite Sovereign Bond Index: 100%

ULIP Gilt Fund

details as on September 30, 2008

fund performance

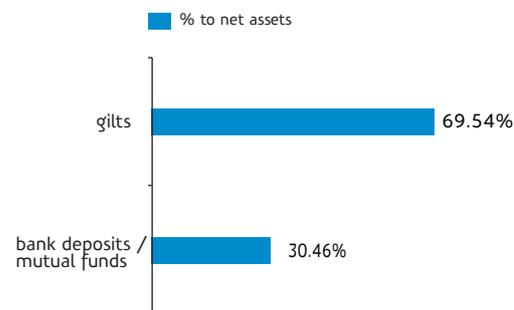
period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	data not available as the fund has not completed a period of one year since inception					
date of inception	october, 2007					

*CAGR: Compounded Annual Growth Rate

portfolio

security	% to net assets	rating
gilts		
SOVEREIGN		
5.87% GOI 02-01-10	24.63	
7.27% GOI 03-09-13	20.76	
5.48% GOI 12-06-09	11.55	
6.96% GOI SPL OIL BOND 30-03-09	6.99	
9.39% GOI 02-07-11	5.53	
9.85% GOI 16-10-15	0.07	
total gilts	69.54	
total bank deposits/mutual funds	30.46	
total net assets	100.00	

asset allocation



fund characteristics as on Sept 30, 2008

M.Duration of debt portfolio: 1.35 years
YTM of debt portfolio: 9.07 %

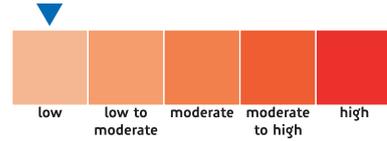
NAV as on Sept 30, 2008

Reliance Group Leave Encashment (GLE) - Gilt Fund Option: Rs. 10.4560

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

fund manager's report

Presently the investments of this fund are mostly in Certificate of Deposits and Fixed Deposits at around 98.88% of the portfolio which are giving the highest yields among money market instruments. The balance is in short term assets like CBLO and MFs.

target asset allocation

Money Market Instruments: 100%

benchmark construction

CRISIL Liquid Bond Index: 100%

ULIP Money Market Fund

details as on September 30, 2008

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	november, 2007					

*CAGR: Compounded Annual Growth Rate

portfolio

security	% to net assets
total bank deposits/mutual funds	100.00
total net assets	100.00

asset allocation



fund characteristics as on Sept 30, 2008

M.Duration of debt portfolio: 0.29 years
YTM of debt portfolio: 9.71 %

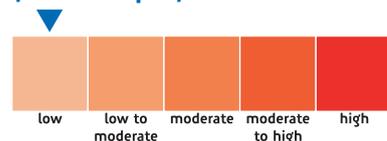
NAV as on Sept 30, 2008

Reliance Group Leave Encashment (GLE) - Money Market Fund Option: Rs. 10.7809

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 - Capital Secure Fund Option

Reliance Group Superannuation-Capital Secure Fund Option

fund manager's report

The allocation to CDs (Certificate of Deposits) and bank fixed deposits was maintained at 98.79% in order to take advantage of high yields in these instruments. The balance was maintained in CBLO. 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

details as on September 30, 2008

fund performance

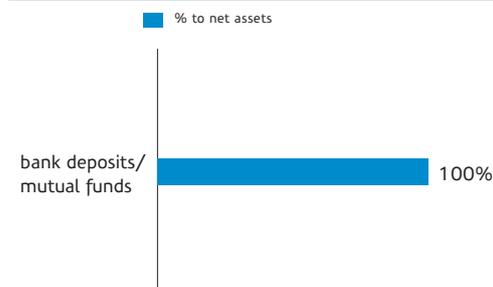
period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	9.61%	8.09%	0.18%	0.22%	25.20	14.34
last 2 years (CAGR)	8.67%	7.80%	0.39%	0.21%	9.46	13.25
last 3 years (CAGR)	7.85%	7.36%	0.51%	0.26%	5.54	9.20
since inception (CAGR)	6.57%	5.99%	0.59%	0.48%	2.68	2.08
date of inception	february, 2003					

*CAGR: Compounded Annual Growth Rate

portfolio

security	% to net assets
total bank deposits/mutual funds	100.00
total net assets	100.00

asset allocation



fund characteristics as on sept 30, 2008

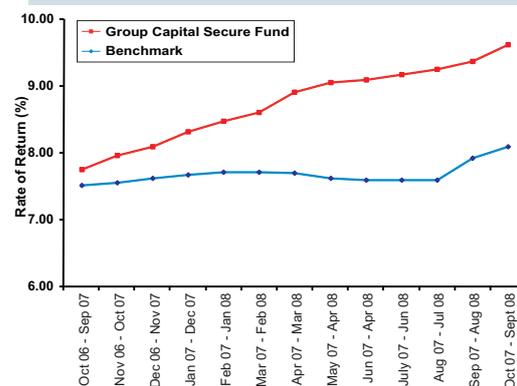
M.Duration of debt portfolio: 0.14 years
YTM of debt portfolio: 9.87%

NAV as on Sept 30, 2008

Reliance Group Gratuity - Capital Secure Fund Option: Rs. 11.4161

Reliance Group Superannuation-Capital Secure Fund Option : Rs 10.4202

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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