

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	29th Aug 08	31st Jul 08	Change
Rs./\$	43.94	42.58	-1.36
WPI Inflation	240.20*	239.30	12.40%y-o-y*
Forex Reserves (\$ bn)	295.31	306.60	-11.29
Oil Price (\$ per Barrel)	113.89	123.74	-9.85
Gold (Rs. per 10gm)	11975	12615	-640.00

* As of 28th August 2008

Investments	29th Aug 08	31st Jul 08	Absolute Change
FIs (Rs Crs)	-1211.70	-1836.80	625.10
Mfs (Rs Crs)	-368.70	1412.20	-1780.90

Indices	29th Aug 08	31st Jul 08	% Change
BSE Sensex	14564.53	14355.75	1.45
S&P CNX Nifty	4360.00	4332.95	0.62
CNX Mid Cap	5698.95	5536.95	2.93
BSE Small Cap	6891.64	6912.79	-0.31

Global Indices	29th Aug 08	31st Jul 08	% Change
Dow Jones	11543.55	11378.02	1.45
FTSE 100	5636.61	5411.90	4.15
Hang Seng	21261.89	22731.10	-6.46
Nikkei	13072.87	13376.81	-2.27

Sectoral Indices	29th Aug 08	31st Jul 08	% Change
CNX Infrastructure	3618.74	3662.52	-1.20
CNX Energy	8229.23	8260.14	-0.37
BSE Capital Goods	11886.62	11683.80	1.74
BSE Bankex	7009.69	6516.41	7.57
BSE Oil & Gas	9659.46	9729.48	-0.72
BSE IT	3966.75	3689.57	7.51

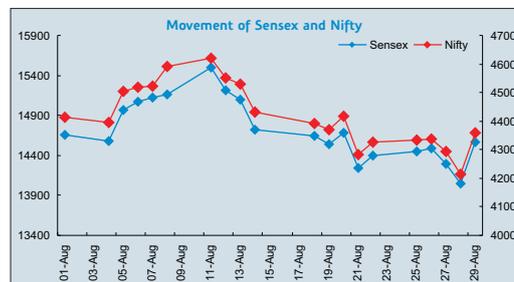
Fixed Income Indicators	29th Aug 08	31st Jul 08	Absolute Change
NSE Mibor	6.11	8.51	-2.40
91 Day T-Bill	9.01	9.36	-0.35
364 Day T-Bill	9.07	9.56	-0.49
1 year GOI Benchmark	9.18	9.43	-0.23
5 Year GOI Benchmark	8.85	9.38	-0.54
5 Year Corp Bond Benchmark	11.06	10.92	0.14
10 Year GOI Benchmark	8.70	9.38	-0.68
10 Year US Benchmark	3.83	3.95	-0.13

fund snapshot

asset allocation	funds	gross return (CAGR*) (%) as on August 31, 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	-0.94%	5.55%	10.26%	11.84%	August, 2004
20% equity, 80% debt	ULIP Balanced	3.70%	6.91%	8.79%	10.43%	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	9.36%	8.48%	7.69%	6.50%	February, 2003
instruments						

* CAGR: Compounded Annual Growth Rate

equity market update - Aug 2008



Equity markets:

The Equity market continued to remain volatile and range-bound throughout the month of August. Sensex ended the month at 14564.53, up 1.45%, while Nifty gained 0.62% at 4360. Sensex rose to a high of 15,579.78 only to be subdued on inflationary concerns and weak global cues. Even as the stock market managed to hold on to the gains made in the second half of July, it ended the month with modest gains, helped by a late rally triggered by a slight dip in inflation figures.

Bankex (7.57%) and Auto (8.74%) posted significant gains after buying emerged at lower levels, though they were previously oversold on concerns from inflation and high interest rate environment. IT sector also posted gains (7.51%) on the back of rupee weakness while Metals was the biggest loser (-4.37%) followed by the Realty sector (-1.65%), hit by banks hiking their retail prime lending rates, after RBI in its credit policy pushed up the CRR and repo rates.

WPI inflation rate crossed the 12% mark, peaking to 12.63% y-o-y, keeping up the pressure on the market and eventually eased slightly to 12.40% y-o-y, towards the end of the month. Though global oil prices have come off their highs, domestic seasonal factors added to the inflationary trend.

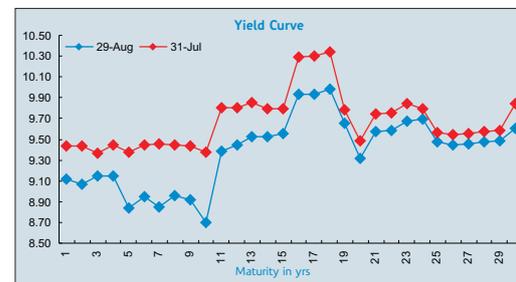
FII activity continued to remain subdued on growing concerns over the global economy. FIIs also continued to remain cautious on India. FIIs sold shares worth Rs 1,211.70 crore in August 2008, as compared to 1836.80 crore during the previous month while domestic mutual funds sold shares worth Rs 368.70 crore in August 2008 compared to net purchases of Rs 3618.90 crore worth equities in the previous month.

The stock market lost momentum over India's slowing growth figures, particularly in the services sector. The economy has shown the slowest growth rates in 3-½ years in the June quarter. GDP grew 7.9% y-o-y, down from 8.8% in the previous quarter. Manufacturing grew 5.6% y-o-y in the quarter, slightly slower than 5.8% in the March quarter, while agriculture expanded 3.0%. Services sector slowed to 10% growth from 11.2%. Markets also reacted to the expected fiscal pressure as a result of the recommendations of the sixth pay commission that have allowed for a hike in pay for government employees. RBI also said that the subsidies and farmer loan waiver schemes have also pressurized the state finances. The central bank indicated that it would continue to tighten the monetary policy despite some ease in the inflation rate. Markets remained range-bound as it awaited the parliamentary decision on the pension bill for pension reforms. The Employee Provident Fund Organisation (EPFO) assets according to the new bill will be partly invested in the equity market which is expected to bring in large funds into the equity markets. The new companies' bill and other reforms including Insurance Amendment Bill aimed at raising the foreign direct investment cap in the sector from 26% to 49%.

Outlook:

We believe that going ahead, markets will remain range bound. A near term trigger can be expected from the outcome of the Nuclear Supplies Group meet. The market will closely watch the movement of crude oil prices as a further rise in crude oil prices may act as a sentiment dampener for equity market.

debt market update - Aug 2008



Debt markets:

The bond yield curve remained in the higher plane throughout the month of August pressured by the higher crude prices and the liquidity crunch that prompted traders to cut positions initially. The 10-year benchmark yield quoted at a high of 9.27% during the month before ending at 8.48%, 83 basis points below the previous month's close.

Liquidity continued in the deficit mode keeping call rates well-above 9%, with brief support from bond redemptions late in the month. The RBI infused more than Rs.38,000 crore during the month through the LAF repo window to shore up liquidity. However, yields came off highs, supported by slightly improved cash conditions that overshadowed briefly volatile crude prices along with the slower-than-expected GDP growth that triggered a bout of buying in bonds. Meanwhile, a minor dip in the headline inflation figure helped the bond market and traders made some value buying in bonds.

The rupee fell to 43.94/\$ from 43.43/\$ under pressure from regular corporate dollar demand. Other factors that sporadically impacted the rupee were the dollar gains overseas and rise in crude prices. The domestic currency received support from state-run banks said traders, after the unit fell towards the psychological 44.00/\$. Forward premia were lower in annualised terms and volatile given the wide movement in the spot rate. Six-month premium ended at 3.36% from 3.84%.

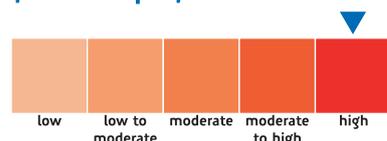
Outlook:

With inflation in double digits and RBI maintaining a tight monetary stance, yields are expected to harden from current levels. Volatility in the markets will remain high. Liquidity is expected to remain tight owing to auction and MSS outflows in September. The ten-yr benchmark g-sec yield may remain in the range of 8.25% to 9.00%.

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 August saw some gains in the market but with high volatility. The positive trend was influenced by declining crude oil prices which led to inflation falling from its peak to 12.4% y-o-y by the end of the month. But as the markets continued to trade in a broad range, the holding in equities was kept at 90.23%.

target asset allocation

Equity: 100%

benchmark construction

S&P CNX Nifty: 100%

ULIP Equity Fund

details as on August 31, 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

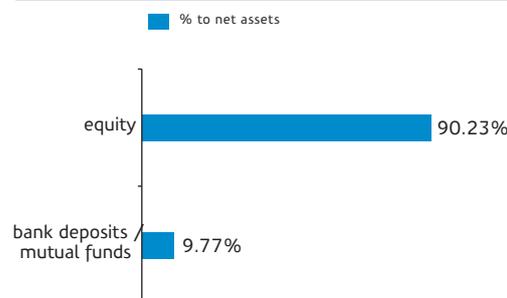
OIL REFINERIES	15.41	
RELIANCE INDUSTRIES	8.32	1.08
OIL & NATURAL GAS CORPORATION	4.97	0.98
BHARAT PETROLEUM	1.00	0.79
RELIANCE PETROLEUM	0.64	1.26
INDIAN OIL CORPORATION	0.30	0.91
HPCL FV10	0.18	0.89
CAP GOODS / ENGINEERING	12.76	
LARSEN & TOUBRO	3.59	1.09
BHARAT HEAVY ELECTRICALS	2.02	1.09
AREVA T & D INDIA	2.01	0.91
ABB	1.55	0.82
CUMMINS INDIA	1.48	0.58
ALSTOM PROJECTS INDIA	1.35	1.05
SIEMENS	0.76	0.99
IT	10.76	
INFOSYS TECHNOLOGIES	5.52	0.66
TATA CONSULTANCY SERVICES	3.62	0.75
WIPRO LTD	1.62	0.75
BANKING & FINANCE	9.81	
STATE BANK OF INDIA	2.78	1.07
HDFC	2.32	1.12
HDFC BANK	1.89	1.06
ICICI BANK	1.88	1.28
BAJAJ FINSERV	0.56	0.66
PUNJAB NATIONAL BANK	0.37	1.03
POWER	6.73	
TATA POWER	3.48	1.26
SUZLON ENERGY	2.00	1.11
NTPC	1.24	1.11
METALS	6.59	
TATA STEEL	3.03	1.10
STEEL AUTHORITY OF INDIA	2.35	1.35
HINDALCO INDUSTRIES	1.11	1.17
HINDALCO INDUSTRIES RIGHTS FORM	0.10	1.00
PHARMACEUTICALS	5.05	
DIVIS LABORATORIES	2.89	0.92
CIPLA LIMITED	1.21	0.48
SUN PHARMACEUTICALS	0.94	0.36
FMCG	4.75	
HINDUSTAN UNILEVER	3.50	0.89
ITC LTD	1.25	0.71
TELECOM	4.47	
BHARTI AIRTEL	4.47	0.79
AUTOMOBILES	2.98	
MARUTI SUZUKI INDIA	2.48	0.70
TATA MOTORS	0.49	0.78
OIL EXPLORATION	2.74	
CAIRN INDIA	2.74	0.79
FERTILIZERS	1.70	
GUJARAT NARMADA VALLEY FERTILISERS	1.06	1.03
GUJARAT STATE FERTILIZERS & CHEMICALS	0.64	0.66
MEDIA	1.62	
ZEE ENTERTAINMENT ENTERPRISES	1.01	0.61
TELEVISION EIGHTEEN INDIA	0.61	0.71
CEMENT & CEMENT PRODUCTS	1.05	
GRASIM INDUSTRIES	1.05	0.71
HOTELS	1.01	
INDIAN HOTELS	1.01	0.74
GAS	1.01	
GAIL (INDIA)	1.01	0.95
AVIATION	0.85	
DECCAN AVIATION	0.85	1.35
AUTO ANCILLARY	0.66	
AUTOMATIVE AXLES	0.66	0.54
CONSTRUCTION	0.28	
GAMMON INDIA	0.28	0.75

total equity 90.23

total bank deposits/mutual funds 9.77

total net assets 100.00

asset allocation



fund characteristics as on Aug 31, 2008

Fund Beta 0.95

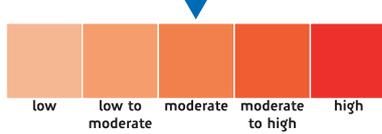
NAV as on Aug 31, 2008

Reliance Group Leave Encashment (GLE) - Equity Fund Option: Rs. 6.9538

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 August saw some gains in the market but with high volatility. The positive trend was influenced by declining crude oil prices which led to inflation falling from its peak to 12.4% y-o-y by the end of the month. But as the markets continued to trade in a broad range, the holding in equities was kept at 35.92%.

The allocation to corporate bonds was reduced slightly to 31.37% from 33.19% in July. Correspondingly, the G-sec allocation was at 5.67% lower from 7.40% in July, in order to reduce duration. The allocation to short term bank deposits and mutual funds was at 25.31%, higher than 23.45% in the previous month, owing to higher yields in these instruments

target asset allocation

Debt.: 60%
Equity: 40%

benchmark construction

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

ULIP Growth Fund

details as on August 31, 2008

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	-0.94%	4.63%	16.33%	15.60%	-0.36	-0.02
last 2 years (CAGR)	5.55%	10.16%	12.36%	11.76%	0.04	0.44
last 3 years (CAGR)	10.26%	13.25%	11.65%	11.20%	0.45	0.74
since inception (CAGR)	11.84%	14.01%	10.54%	10.08%	0.65	0.89
date of inception	august, 2004					

*CAGR: Compounded Annual Growth Rate

portfolio

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

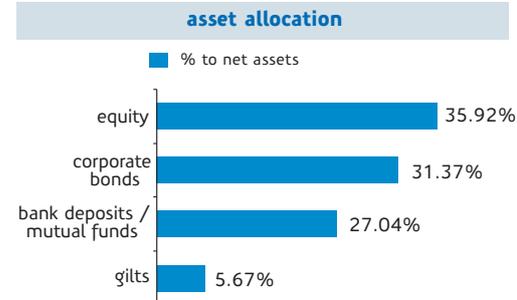
9.68% IRFC 03-07-10	3.98	AAA
8.25% IDBI OMNI BOND SER III 26-05-11	3.43	AA+
9.58% EXIM BANK 04-09-09	3.02	AAA
9.50% NABARD SER IX I 15-10-12	2.86	AAA
10.35% HDFC LTD 16-05-17	2.80	AAA
8.95% HDFC LTD 29-10-10	2.65	AAA
7.15% IND OIL BOND 10-06-12	2.27	AAA
9.35% HDFC Ltd (MD 09-11-09)	1.81	AAA
7.39% POWER GRID CORP 22-09-11	1.78	AAA
9.80% TATA STEEL 07-05-11	1.78	AAA
9.50% INDIAN HOTEL 28-02-12	1.75	AA+
9.90% TATA SONS 20-05-11	1.19	AAA
9.05% EXIM BANK 06-11-10	1.18	AAA
8.65% HDFC LTD 12-09-11	0.87	AAA
total corporate bonds	31.37	

gilts

		SOVEREIGN
7.44% GOI SPL OIL BOND 23-03-12	2.48	
6.96% GOI SPL OIL BOND 30-03-09	1.21	
5.48% GOI 12-06-09	1.19	
5.87% GOI 02-01-10	0.77	
8.35% GOI 14-05-22	0.02	
total gilts	5.67	

equity

OIL REFINERIES	6.80	
RELIANCE INDUSTRIES	3.42	1.08
OIL & NATURAL GAS CORPORATION	2.18	1.01
RELIANCE PETROLEUM	0.94	1.26
BHARAT PETROLEUM	0.22	0.79
HPCL FV10	0.04	0.89
BANKING & FINANCE	4.68	
STATE BANK OF INDIA	1.24	1.07
ICICI BANK	0.99	1.28
HDFC	0.96	1.12
HDFC BANK	0.55	1.06
FEDERAL BANK	0.49	0.71
AXIS BANK	0.27	1.01
BANK OF BARODA	0.18	0.97
CAP GOODS / ENGINEERING	4.52	
LARSEN & TOUBRO	1.41	1.09
BHARAT HEAVY ELECTRICALS	0.97	1.09
AREVA T & D INDIA	0.55	0.91
CUMMINS INDIA	0.40	0.58
CROMPTON GREAVES	0.35	0.91
ALSTOM PROJECTS INDIA	0.32	1.05
SIEMENS	0.28	0.99
ABB	0.24	0.82
IT	3.92	
INFOSYS TECHNOLOGIES	1.77	0.66
TATA CONSULTANCY SERVICES	1.24	0.75
SATYAM COMPUTERS	0.49	0.63
WIPRO LTD	0.41	0.75
POWER	2.56	
TATA POWER	1.28	1.26
NTPC	1.04	1.11
SUZLON ENERGY	0.23	1.11
TELECOM	2.47	
BHARTI AIRTEL	1.87	0.79
RELIANCE COMMUNICATIONS	0.60	1.22
METALS	2.29	
TATA STEEL	1.05	1.10
STEEL AUTHORITY OF INDIA	0.73	1.35
HINDALCO INDUSTRIES	0.28	1.17
STERILITE INDUSTRIES	0.22	1.05
HINDALCO INDUSTRIES LTD RIGHTS FORM	0.03	1.00
PHARMACEUTICALS	2.26	
DIVIS LABORATORIES	0.98	0.92
CIPLA LIMITED	0.41	0.48
SUN PHARMACEUTICALS	0.40	0.36
JUBILANT ORGANOSYS	0.36	0.35
RANBAXY LAB	0.11	0.57
FMCG	1.18	
HINDUSTAN UNILEVER	0.82	0.89
ITC LTD	0.36	0.71
AUTOMOBILES	1.13	
MARUTI SUZUKI INDIA	0.53	0.70
MAHINDRA & MAHINDRA LTD	0.36	0.74
TATA MOTORS	0.24	0.78
OIL EXPLORATION	0.63	
CAIRN INDIA	0.63	0.79
CEMENT & CEMENT PRODUCTS	0.61	
GRASIM INDUSTRIES	0.38	0.71
ACC LTD	0.22	0.76
CONSTRUCTION	0.58	
JAIPRAKASH ASSOCIATES	0.40	1.43
GAMMON INDIA	0.18	0.75
REAL ESTATE	0.38	
DLF LTD	0.38	1.46
GAS	0.37	
GAIL (INDIA)	0.37	0.95
RETAIL	0.34	
PANTALOON RETAIL	0.34	1.01
LOGISTICS	0.34	
CONTAINER CORPORATION OF INDIA	0.34	0.23
TEXTILE	0.32	
ADITYA BIRLA NUVO	0.32	0.84
FERTILISERS	0.29	
GUJARAT NARMADA VALLEY FERTILISERS	0.29	1.03
AVIATION	0.21	
DECCAN AVIATION	0.21	1.35
HOTELS	0.07	
INDIAN HOTELS	0.07	0.74
total equity	35.92	
total bank deposits/mutual funds	27.04	
total net assets	100.00	



fund characteristics as on Aug 31, 2008

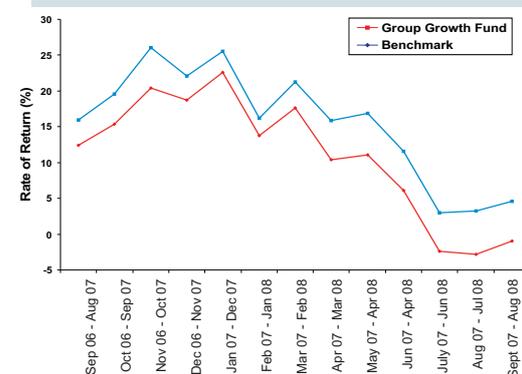
M.Duration of debt portfolio: 1.28 years
YTM of debt portfolio: 10.10%
Beta of equity portfolio: 0.96

NAV as on Aug 31, 2008

Reliance Group Gratuity-Growth Fund Option: Rs. 10.3484

Reliance Group Superannuation-Growth Fund Option: Rs. 8.7694

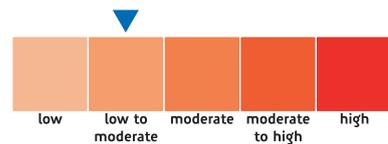
rolling yearly performance



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 August saw some gains in the market but with high volatility. The positive trend was influenced by declining crude oil prices which led to inflation falling from its peak to 12.4% y-o-y by the end of the month. But as the markets continued to trade in a broad range, the holding in equities was kept at 18.02%.

The allocation to gilts was reduced to 11.53% from 12.50% in the previous month and the allocation for corporate bonds was reduced to 33.61% from 34.80% in July. This was mainly done to reduce duration. The allocation to short-term bank deposits and mutual funds was increased slightly to 36.84% from 32.58% in the previous month, owing to higher yields in these instruments. 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 August 31, 2008

fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	3.70%	5.92%	8.81%	8.15%	-0.15	0.11
last 2 years (CAGR)	6.91%	8.56%	6.91%	6.28%	0.28	0.57
last 3 years (CAGR)	8.79%	9.74%	6.38%	5.86%	0.59	0.81
since inception (CAGR)	10.43%	9.70%	5.27%	5.09%	1.03	0.92
date of inception			february, 2003			

*CAGR: Compounded Annual Growth Rate

portfolio

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

8% EXIM BANK 27-09-09	1.98	AAA
8.50% HDFC Ltd (MD 15-10-08)	1.98	AAA
9.90% TATA SONS 20-05-11	1.93	AAA
0% HDFC 22-09-08	1.78	AAA
9% TATA SONS 27-07-10	1.63	AAA
9.68% IRFC 03-07-10	1.54	AAA
9.50% NABARD SER IX 115-10-12	1.49	AAA
9.80% ICICI BANK LTD 10-02-13	1.44	AAA
8.40% EXIM BANK 28-09-10	1.42	AAA
9.50% INDIAN HOTEL 28-02-12	1.41	AA+
10% NABARD SER IX 14-05-12	1.13	AAA
9.35% LIC HOUSING FINANCE LTD 23-11-12	1.13	AAA
10.20% HDFC LTD 13-04-10	0.98	AAA
9.65% NABARD SER IX 10-09-10	0.98	AAA
8.50% HDFC LTD, 29-08-09	0.97	AAA
9.24% L & T FINANCE 30-07-10	0.96	AA+
9.80% TATA STEEL 07-05-11	0.96	AAA
9.40% TATA TEA LTD 08-11-10	0.96	AA+
9.80% POWER FINANCE CORP 22-03-12	0.95	AAA
7.20% HDFC 03-06-10	0.90	AAA
8.50% EXIM BANK MD 26-09-11.	0.80	AAA
9.35% IL & FS LTD 22-10-10	0.73	AAA
10.10% POWER GRID CORP 12-06-11	0.70	AAA
6.25% ULTRATECH CEMENT 25-06-09	0.67	AAA
9.75% LIC HOUSING FIN LTD (MD 24-09-09)	0.64	AAA
6.50% HINDALCO LTD 06-09-09	0.60	AA
10.75% IL & FS LTD SER XI 29-03-09	0.59	AAA
9.79% IDFC 11-09-2009	0.59	AAA
9.76% IRFC 03-07-12	0.56	AAA
9.25% EXIM BANK 13-12-02	0.47	AAA
10% NABARD 18-06-10	0.39	AAA
9.20% HDFC LTD 09-02-12	0.38	AAA

total corporate bonds 33.61

gilts

		SOVEREIGN
5.87% GOI 02-01-10	2.90	
7.37% GOI 16-04-14	2.55	
7.27% GOI 03-09-13	2.05	
7.44% GOI SPL OIL BOND 23-03-12	1.50	
5.48% GOI 12-06-09	1.35	
6.96% GOI SPL OIL BOND 30-03-09	1.19	

total gilts 11.53

equity

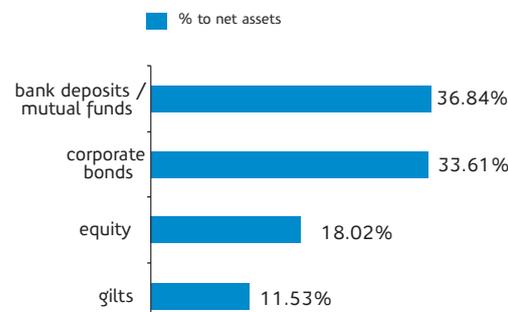
OIL REFINERIES	3.42	
RELIANCE INDUSTRIES	1.72	1.08
OIL & NATURAL GAS CORPORATION	1.10	1.01
RELIANCE PETROLEUM	0.47	1.26
BHARAT PETROLEUM	0.11	0.79
HINDUSTAN PETROLEUM CORPORATION LTD FV10	0.09	0.89
BANKING & FINANCE	2.36	
STATE BANK OF INDIA	0.63	1.07
ICICI BANK	0.50	1.28
HOUSING DEVELOPMENT FINANCE CORPORATION	0.48	1.12
HDFC BANK	0.28	1.06
FEDERAL BANK	0.25	0.71
AXIS BANK	0.13	1.01
BANK OF BARODA	0.09	0.97
CAP GOODS / ENGINEERING	2.27	
LARSEN & TOUBRO	0.71	1.09
BHARAT HEAVY ELECTRICALS	0.49	1.09
AREVA T & D INDIA	0.28	0.91
CUMMINS INDIA	0.20	0.58
CROMPTON GREAVES	0.18	0.91
ALSTOM PROJECTS INDIA	0.16	1.05
SIEMENS	0.13	0.99
ABB	0.12	0.82
IT	1.97	
INFOSYS TECHNOLOGIES	0.90	0.66
TATA CONSULTANCY SERVICES	0.62	0.75
SATYAM COMPUTERS	0.25	0.63
WIPRO LTD	0.20	0.75
POWER	1.29	
TATA POWER	0.62	1.26
NTPC	0.53	1.11
SUZLON ENERGY	0.12	1.11
TELECOM	1.20	
BHARTI AIRTEL	0.79	0.79
RELIANCE COMMUNICATIONS	0.26	1.22
PHARMACEUTICALS	1.15	
DIVIS LABORATORIES	0.50	0.92
Cipla Limited	0.21	0.48
SUN PHARMACEUTICALS	0.20	0.48
JUBILANT ORGANOSYS	0.19	0.35
RAINBAXY LAB	0.05	0.57
METALS	1.11	
TATA STEEL	0.48	1.10
STEEL AUTHORITY OF INDIA	0.36	1.35
HINDALCO INDUSTRIES	0.14	1.17
STERILITE INDUSTRIES	0.11	1.05
HINDALCO INDUSTRIES LTD RIGHTS FORM	0.01	1.00
FMCG	0.60	
HINDUSTAN UNILEVER	0.41	0.89
ITC LTD	0.16	0.71
AUTOMOBILES	0.57	
MARUTI SUZUKI INDIA	0.27	0.70
MAHINDRA & MAHINDRA LTD	0.18	0.74
TATA MOTORS	0.12	0.78
OIL EXPLORATION	0.32	
CAIRN INDIA	0.32	0.79
CEMENT & CEMENT PRODUCTS	0.31	
GRASIM INDUSTRIES	0.19	0.71
ACC LTD	0.19	0.76
CONSTRUCTION	0.29	
JAIPRAKASH ASSOCIATES	0.20	1.43
GAMMON INDIA	0.02	0.75
REAL ESTATE	0.19	
DLF LTD	0.19	1.46
GAS	0.18	
GAIL (INDIA)	0.17	0.95
RETAIL	0.17	
PANTALOON RETAIL	0.17	1.01
LOGISTICS	0.17	
CONTAINER CORPORATION OF INDIA	0.17	0.23
TEXTILE	0.16	
ADITYA BIRLA NUVO	0.16	0.84
FERTILIZERS	0.14	
GUJARAT NARMADA VALLEY FERTILISERS	0.14	1.03
AVIATION	0.11	
DECCAN AVIATION	0.11	1.35
HOTELS	0.05	
INDIAN HOTELS	0.05	0.74

total equity 18.02

total bank deposits/mutual funds 36.84

total net assets 100.00

asset allocation



fund characteristics as on Aug 31, 2008

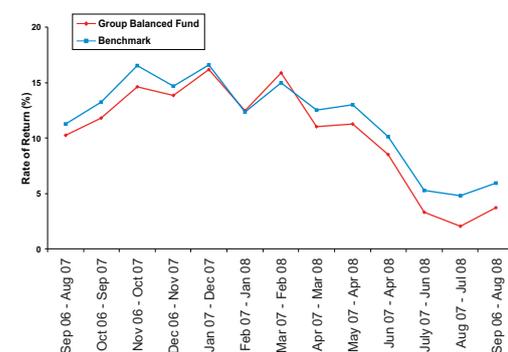
M.Duration of debt portfolio: 1.12 years
YTM of debt portfolio: 9.55%
Beta of equity portfolio: 0.96

NAV as on Aug 31, 2008

Reliance Group Gratuity – Balanced Fund Option: Rs. 10.7908

Reliance Group Superannuation – Balanced Fund Option: Rs. 13.6899

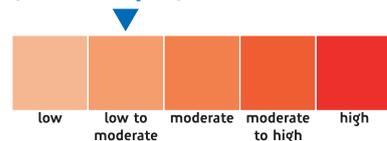
rolling yearly performance



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 kept higher at 64.33%, compared to 61.56% in July, on expectations of narrowing spreads in corporate bonds. 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 attractive investments are available.

target asset allocation

Bond Instruments: 100%

benchmark construction

CRISIL Composite Bond Index: 100%

ULIP Corporate Bond Fund

details as on August 31, 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
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corporate bonds

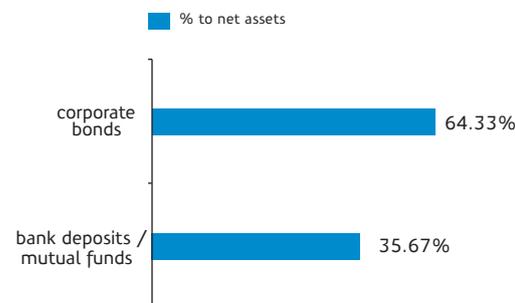
9.40% TATA TEA LTD 08-11-10	8.13	AAA
9.05% EXIM BANK 06-11-10	8.12	AAA
8.88% IDFC 07-01-11	8.07	AAA
8.38% POWER FINANCE CORP 11-12-09	6.54	AAA
10.05% NABARD 11-06-14	4.89	AAA
9.45% RECL Ltd (MD 04-04-13)	3.21	AAA
9.32% HDFC LTD 17-12-12	3.19	AAA
7.39% POWER GRID CORP 22-09-11	2.76	AAA
7% POWER FINANCE 24-12-11	2.41	AAA
9.65% NABARD SER IX 10-09-10	2.00	AAA
0% HDFC 22-09-08	1.68	AAA
9.75% LIC HOUSING FIN LTD (MD 24-09-09)	1.66	AAA
10.00% HDFC Ltd (MD 19/03/2010)	1.66	AAA
9.80% TATA STEEL 07-05-11	1.63	AAA
9.47% POWER GRID CORPORATION 31-03-13	1.60	AAA
9.20% HDFC LTD 09-02-12	1.60	AAA
8.75% IRFC 07-01-13	1.58	AAA
6.25% ULTRATECH CEMENT 25-06-09	1.46	AAA
7.10% POWER GRID CORP 18-02-09	1.16	AAA
9.76% IRFC 03-07-12	0.49	AAA
9.25% EXIM BANK 13-12-02	0.48	AAA

total corporate bonds 64.33

total bank deposits/mutual funds 35.67

total net assets 100.00

asset allocation



fund characteristics as on Aug 31, 2008

M.Duration of debt portfolio: 1.41 years
YTM of debt portfolio: 10.43%

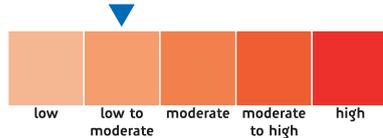
NAV as on Aug 31, 2008

Reliance Group Leave Encashment (GLE) -
Corporate Bond Fund Option: Rs. 10.3830

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 around 66.50%, similar to that of the previous month. The balance was invested in high yielding short term bank FDs, CDs and mutual funds. Owing to 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 August 31, 2008

fund performance

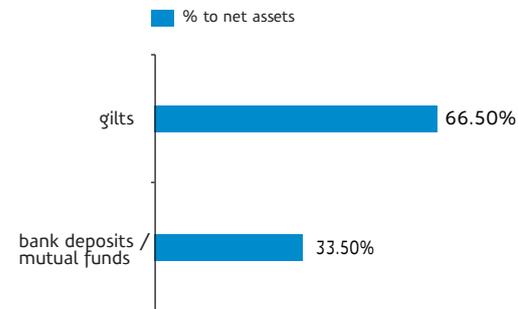
period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	data not available as the fund has not completed a period of one year since inception					
date of inception	october, 2007					

*CAGR: Compounded Annual Growth Rate

portfolio

security	% to net assets	rating
gilts		
SOVEREIGN		
5.87% GOI 02-01-10	26.19	
7.27% GOI 03-09-13	22.06	
5.48% GOI 12-06-09	12.30	
9.39% GOI 02-07-11	5.87	
9.85% GOI 16-10-15	0.08	
total gilts	66.50	
total bank deposits/mutual funds	33.50	
total net assets	100.00	

asset allocation



fund characteristics as on Aug 31, 2008

M.Duration of debt portfolio: 1.51 years
YTM of debt portfolio: 9.08 %

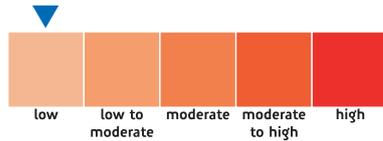
NAV as on Aug 31, 2008

Reliance Group Leave Encashment (GLE) - Gilt Fund Option: Rs. 10.3488

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 96.46% 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 August 31, 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 Aug 31, 2008

M.Duration of debt portfolio: 0.33 years
YTM of debt portfolio: 9.59 %

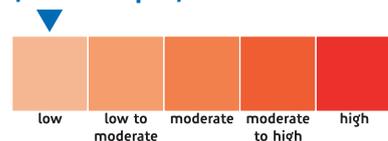
NAV as on Aug 31, 2008

Reliance Group Leave Encashment (GLE) - Money Market Fund Option: Rs. 10.6898

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 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

details as on August 31, 2008

fund performance

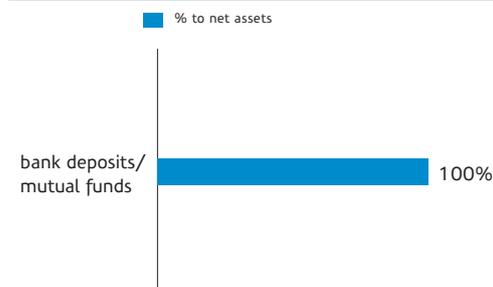
period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	9.36%	7.91%	0.17%	0.16%	25.78	17.89
last 2 years (CAGR)	8.48%	7.68%	0.39%	0.18%	8.92	14.54
last 3 years (CAGR)	7.69%	7.24%	0.50%	0.25%	5.34	9.13
since inception (CAGR)	6.50%	5.94%	0.57%	0.46%	2.66	2.02
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 Aug 31, 2008

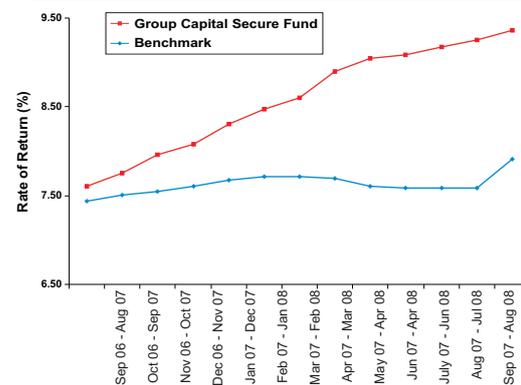
M.Duration of debt portfolio: 0.21 years
YTM of debt portfolio: 10.03%

NAV as on Aug 31, 2008

Reliance Group Gratuity – Capital Secure Fund Option: Rs. 11.3228

Reliance Group Superannuation–Capital Secure Fund Option : Rs 10.3427

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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