

## 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.

## fund snapshot

asset allocation	funds	gross return (CAGR*) (%) as on December 31, 2007				date of inception
		last 1 year	last 2 years	last 3 years	since inception	
100% equity	ULIP Equity (GR)	N.A.	N.A.	N.A.	N.A.	October, 2007
40% equity, 60% debt	ULIP Growth (GR)	22.63%	20.18%	18.99%	20.01%	August, 2004
20% equity, 80% debt	ULIP Balanced (GR)	16.17%	13.86%	13.08%	12.91%	February, 2003
100% bond	ULIP Corporate	N.A.	N.A.	N.A.	N.A.	October, 2007
instruments	Bond (GR)					
100% govt. securities	ULIP Gilt (GR)	N.A.	N.A.	N.A.	N.A.	October, 2007
100% money	ULIP Money	N.A.	N.A.	N.A.	N.A.	November, 2007
market instruments	Market (GR)					
100% money	ULIP Capital	8.31%	7.38%	6.77%	6.09%	February, 2003
market instruments	Secure (GR)					

\*CAGR: Compounded Annual Growth Rate

## Indian Economy: Update & Outlook

India's economy in the second quarter of 2007-08 (July-September) grew by 8.90%. The growth was led by trade, hotels, transport and communication sector which recorded a high double digit growth of 11.40%. During the first half of 2007-08 GDP grew 9.10% compared to 9.90% growth recorded in the first half of 2006-07.

The Index of Industrial Production (IIP) for the period April-October 2007 recorded a growth of 9.70% as against 10.10% recorded in the corresponding period of 2006. However the IIP surged by 11.80% during October 2007 as compared to 4.50% a year ago. The Indices of Industrial Production for the Mining and Electricity sectors for the month of October 2007 growth rates declined 3.70%, and 4.20%, as against 5.90% and 9.70% in the corresponding month a year ago. Manufacturing sector rose to 13.30% in the month of October 2007, as against 3.70% in the corresponding month a year ago.

The six infrastructure industries recorded a 6.20% in April-October 2007 as against a high of 8.90% posted in the corresponding period of 2006. Petroleum refinery products recorded the highest growth of 8.80% among the six core industries which was lower than 13.10% growth recorded in April-October 2006.

On the external front current account deficit for the quarter ended September 30, 2007 narrowed to \$5.50 billion from \$6.30 billion a year earlier. Trade deficit increased to \$21.70 billion in the second quarter as against \$16.80 billion a year earlier.

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

## Debt Market: Update & Outlook

Indian gilt yields eased as inflows into the banking system eased cash crunch and freed up funds to invest in debt. The G-sec yield closed the month at 7.79% as compared to 7.91% in the beginning of the month. Call rates traded in the range of 3.50%-8.75%.

Cash conditions showed some tightening with corporates making their advance tax payments in the middle of the month. The RBI sucked some liquidity through the Market Stabilisation Scheme and G-sec auctions during the month. At least Rs 100 billion of inflows from interest payments from state run depository scheme entered the system on the New Year and another Rs 105 billion is expected to flow from bond redemptions.

Investor appetite for corporate bonds was enhanced by improved cash supplies. The spread between the 5 year corporate AAA and government debt was at 127 bps on December 31, 2007 down from 134 bps a month earlier.

The rupee remained mixed during the month on varied capital flows and rising global risk aversion. The rupee ended the month at 39.41/42 per dollar.

Inflation data released during the month was in the range of 3.01%-3.75%. This was due to a fall in the prices of food and manufactured products. US 10-year yield closed the month at 4.01%. The US Federal Reserve in its FOMC meeting on December 11, 2007 cut its benchmark interest rate by quarter basis point to 4.25%. The Fed also lowered its discount rate by quarter basis point to 4.75%. The European Central Bank injected a record \$500 billion to the banking system as part of a global effort to ease credit-market deadlock adding liquidity and easing the cost of lending. International crude oil prices too rose to \$97 per barrel on worries of an economic slowdown and rising geopolitical tensions.

**Outlook:** Short-term bond yields are expected to fall from current levels as banking system liquidity improves. After the recent rally in both gilt and bond yields we expect some consolidation and profit booking. The 10-year benchmark G-sec yield may remain in a range of 7.60% to 7.85% with a downward bias.

## Equity Market: Update & Outlook

Markets scaled new highs in the month of December 2007. The Sensex closed the month gaining 4.77% at 20,286.99 points, while the Nifty closed at 6,138.60 points gaining 6.52%. Both Sensex and Nifty struck all time highs during the month led by buying in index pivotals and FII buying. The mid and small cap indices outperformed their large cap peers.

Strong IIP numbers and Fed rate cut boosted market sentiment. The market further got a boost from reports that the government has allowed all trusts to invest in securities, including shares and bonds of listed companies. US Federal Reserve cut its benchmark interest rate by quarter basis point to 4.25%. The Fed also lowered its discount rate by quarter basis point to 4.75% on December 11, 2007.

Stocks in sectors such as bankex, oil and gas, consumer durables registered gains, while healthcare underperformed. FIIs were net buyers to the tune of Rs 5,579.10 crore. Mutual funds on the other hand were net buyers to the tune of Rs 3,203.00 crore.

Benazir Bhutto's assassination sent shock waves in the global markets particularly in the Asian stock markets

**Outlook:** The near term trigger for the bourses is Q3 December 2007 results. Market men expect quarter ended December 2007 to be strong in terms of earnings growth. Strong advance tax payments corroborate the view that Q3 results will be strong. The market will also have a close look at what the company management says about the outlook for the coming quarters. Since the current up trend in the market has already discounted for good quarterly performance, correction cannot be ruled out once the result starts flowing.

Economy Indicators	This Month	Last Month	Absolute change
Rs/\$	39.41	39.62	-0.21
Rate of Inflation based on WPI	3.45	3.21	0.24
Forex Reserves	272.72	272.281	0.44
Oil Price (per barrel)	97.00	91.00	6.00
Gold (per 10 gms)	10,519.00	9,550.00	969.00

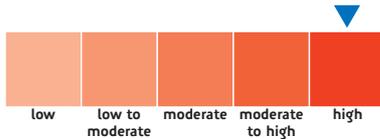
Indices (Closing)	This Month	Last Month	% change
BSE Sensex	20,286.99	19,363.19	4.77
S&P CNX Nifty	6,138.60	5,762.80	6.52
CNX Mid Cap	9,789.49	8,553.56	14.45
BSE Small Cap	13,348.37	10,526.02	26.81

Fixed Income (Indicators %)	This Month	Last Month	Absolute change
NSE Mibor	7.02	7.75	-0.73
91-day-T-Bills	7.35	7.51	-0.16
182-day-T-Bills	7.60	7.70	-0.10
5-Year-Gilt Yield	7.76	7.85	-0.09
10 year Gov benchmark	7.79	7.91	-0.12
5-year Corporate Bond Yield	9.17	9.29	-0.12

## 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 - Equity Fund Option

## fund manager's report

The month of December saw markets scaling a new high. The positive trend was influenced by strong IIP numbers and expectation of further Fed rate cut. The markets saw strong participation from the FIIs and mutual funds for the month. Looking at the positive trend in the markets and the risk profile of the scheme, the holding in equities was kept at 95.74%.

## benchmark construction

S&P CNX Nifty: 100%

# ULIP Equity Fund (GR)

details as on December 31, 2007

## fund performance

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

## portfolio

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

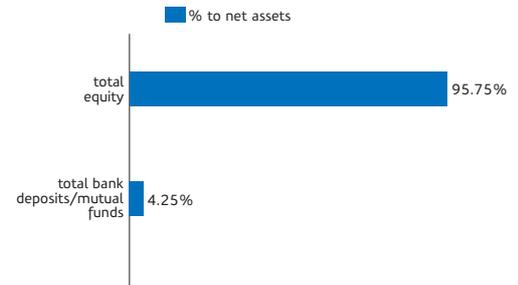
CAP GOODS/ENGINEERING	16.55	
SIEMENS	5.14	1.06
AREVA T & D INDIA	3.82	0.99
ALSTOM PROJECTS INDIA	2.90	1.13
TRIVENI ENGINEERING AND INDUSTRIES	1.90	0.67
LARSEN & TOUBRO	1.69	1.16
CUMMINS INDIA	1.10	0.93
BANKING AND FINANCE	12.78	
STATE BANK OF INDIA	5.04	1.21
ICICI BANK	3.21	1.14
PUNJAB NATIONAL BANK	2.29	1.15
INDIABULLS FINANCIAL SERVICES	2.24	1.24
METALS	10.99	
TATA STEEL	4.29	1.18
STEEL AUTHORITY OF INDIA	4.24	1.49
HINDALCO	2.46	0.94
OIL REFINERIES	9.52	
RELIANCE INDUSTRIES	7.03	1.06
BHARAT PETROLEUM CORPORATION	1.35	0.49
INDIAN OIL CORPORATION	1.14	0.54
AUTOMOBILES	8.42	
MARUTI SUZUKI	4.91	1.00
TATA MOTORS	2.55	0.91
EICHER MOTORS	0.96	0.70
IT	6.24	
INFOSYS TECHNOLOGIES	3.86	0.63
TATA CONSULTANCY SERVICES	1.63	0.69
PATNI COMPUTERS	0.75	0.66
PHARMACEUTICALS	5.40	
DIVIS LABORATORIES	4.14	1.12
RANBAXY LABORATORIES	1.26	0.64
FERTILIZERS	3.65	
GUJARAT NARMADA VALLEY FERTILIZERS	3.65	0.96
POWER	3.60	
TATA POWER	3.60	1.03
CEMENT & CEMENT PRODUCTS	3.49	
GRASIM INDUSTRIES	3.49	0.83
OIL AND EXPLORATION	2.48	
ONGC CORPORATION	2.48	1.02
AVIATION	2.25	
DECCAN AVIATION	2.25	0.73
HOTELS	2.14	
INDIAN HOTELS	2.14	0.68
TELECOM	2.03	
BHARTI AIRTEL	1.43	1.04
RELIANCE COMMUNICATIONS	0.60	1.22
AUTO ANCILLARY	1.77	
AUTOMATIVE AXLES	1.63	0.34
BHARAT FORGE	0.14	0.97
CONSTRUCTION	1.30	
GAMMON INDIA	1.30	0.77
ENERGY	1.18	
CAIRN INDIA	1.18	1.16
TEXTILE	1.03	
ADITYA BIRLA NUVO	1.03	0.87
FMCG	0.60	
ITC	0.60	0.89
SUGAR	0.33	
BAJAJ HINDUSTAN	0.33	0.79

**total equity 95.75**

**total bank deposits/mutual funds 4.25**

**total net assets 100.00**

## asset allocation



## fund characteristics as on December 31, 2007

Fund Beta 0.99

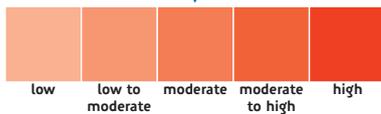
## NAV as on December 31, 2007

Reliance Group Leave Encashment (GLE) - Equity Fund Option: 10.7055

## 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

Employee Benefit Plans  
(Reliance Group Gratuity and Reliance Group Superannuation)

## fund manager's report

The month of December saw markets scaling a new high. The positive trend was influenced by strong IIP numbers and expectation of further Fed rate cut. The markets saw strong participation from the FIIs and mutual funds for the month. Looking at the positive trend in the markets and the risk profile of the scheme, the holding in equities was kept at 39.90%.

The allocation to corporate bonds was at 45% in November. The allocation to gilts came down to 8%. Short term assets and cash was around 5%. We may increase the gilts going forward as we expect gilt yields to fall. With this the portfolio is at the desired target asset allocation.

## benchmark construction

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

# ULIP Growth Fund (GR)

details as on December 31, 2007

## fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	22.63%	25.55%	9.73%	10.06%	1.81	2.04
last 2 years (CAGR)	20.18%	22.08%	8.88%	8.91%	1.71	1.92
last 3 years (CAGR)	18.99%	20.35%	8.75%	8.87%	1.60	1.73
since inception (CAGR)	20.01%	20.59%	8.38%	8.41%	1.79	1.85
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

9.58% EXIM BANK 04-09-09	15.09	AAA
9.35% IL&FS 22-10-10	8.37	AAA
8.65% HDFC 12-09-11	8.21	AAA
9.50% NABARD NPS BOND SER IX I 15-10-12	6.74	AAA
10% NABARD SER IX 14-05-12	3.43	AAA
8.90% CITIFINANCIAL CONSUMER 05-08-09	3.32	AAA

**total corporate bonds 45.16**

### gilts

### SOVEREIGN

7.99% GOI 09-07-17	7.59
8.35% GOI 14-05-22	0.53

**total gilts 8.12**

### equity

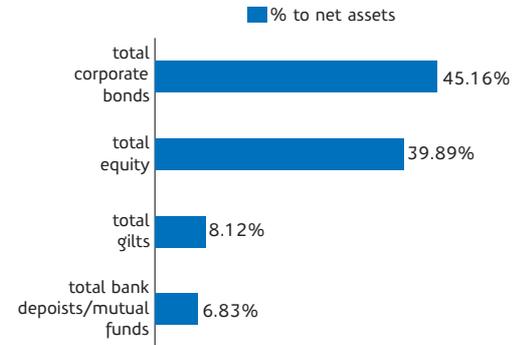
CAP GOODS/ENGINEERING	6.71	
SIEMENS	2.21	1.06
AREVA T & D INDIA	1.32	0.99
ALSTOM PROJECTS INDIA	1.26	1.13
TRIVENI ENGINEERING AND INDUSTRIES	0.80	0.67
CUMMINS INDIA	0.56	0.93
LARSEN & TOUBRO	0.56	1.16
BANKING AND FINANCE	5.07	
STATE BANK OF INDIA	1.95	1.21
ICICI BANK	1.22	1.14
PUNJAB NATIONAL BANK	0.99	1.15
INDIABULLS FINANCIAL SERVICES	0.91	1.24
METALS	4.48	
TATA STEEL	1.80	1.18
STEEL AUTHORITY OF INDIA	1.71	1.49
HINDALCO	0.97	0.94
OIL REFINERIES	4.03	
RELIANCE INDUSTRIES	2.98	1.06
BHARAT PETROLEUM CORPORATION	0.58	0.49
INDIAN OIL CORPORATION	0.47	0.54
IT	3.47	
INFOSYS TECHNOLOGIES	1.97	0.63
TATA CONSULTANCY SERVICES	0.91	0.69
PATNI COMPUTERS	0.59	0.66
AUTOMOBILES	3.21	
MARUTI SUZUKI	1.98	1.00
TATA MOTORS	0.93	0.91
EICHER MOTORS	0.30	0.70
PHARMACEUTICALS	2.20	
DIVIS LABORATORIES	1.71	1.12
RANBAXY LABORATORIES	0.49	0.64
CEMENT & CEMENT PRODUCTS	1.50	
GRASIM INDUSTRIES	1.50	0.83
FERTILIZERS	1.49	
GUJARAT NARMADA VALLEY FERTILIZERS	1.49	0.96
POWER	1.49	
TATA POWER	1.49	1.03
OIL AND EXPLORATION	1.00	
ONGC CORPORATION	1.00	1.02
HOTELS	0.95	
INDIAN HOTELS	0.95	0.68
AVIATION	0.93	
DECCAN AVIATION	0.93	0.73
TELECOM	0.93	
BHARTI AIRTEL	0.59	1.04
RELIANCE COMMUNICATIONS	0.34	1.22
AUTO ANCILLARY	0.58	
AUTOMATIVE AXLES	0.52	0.34
BHARAT FORGE	0.06	0.97
CONSTRUCTION	0.55	
GAMMON INDIA	0.55	0.77
ENERGY	0.50	
CAIRN INDIA	0.50	1.16
TEXTILE	0.41	
ADITYA BIRLA NUVO	0.41	0.87
FMCG	0.25	
ITC	0.25	0.89
SUGAR	0.14	
BAJAJ HINDUSTAN	0.14	0.79

**total equity 39.89**

**total bank deposits/mutual funds 6.83**

**total net assets 100.00**

## asset allocation



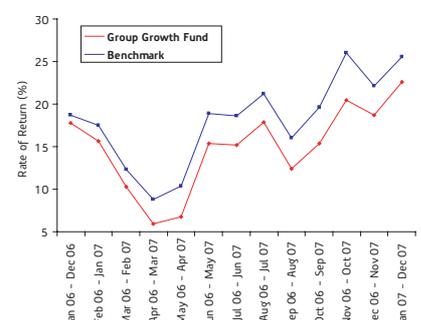
## fund characteristics as on December 31, 2007

M.Duration of debt portfolio:	2.72 years
YTM of debt portfolio:	8.76%
Beta of equity portfolio:	0.98

## NAV as on December 31, 2007

Reliance Group Gratuity:	12.1409
Reliance Group Superannuation:	10.3594

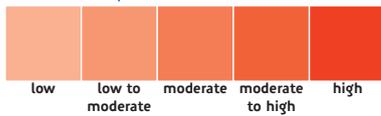
## rolling yearly performance



## 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

Employee Benefit Plans  
(Reliance Group Gratuity and Reliance Group Superannuation)

## fund manager's report

The month of December saw markets scaling a new high. The positive trend was influenced by strong IIP numbers and expectation of further Fed rate cut. The markets saw strong participation from the FIIs and mutual funds for the month. Looking at the positive trend in the markets and the risk profile of the scheme, the holding in equities was kept at 19.73%.

The exposure to corporate bonds was around 55% during the month as we added corporate bonds to the portfolio. The allocation to gilts was at 16% similar to previous month.

The allocation to short-term bank deposits and CDs was at 11% slightly lower than previous month. We propose to add gilts going forward as we expect gilt yields to fall.

## benchmark construction

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

# ULIP Balanced Fund (GR)

details as on December 31, 2007

## fund performance

period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	16.17%	16.59%	5.90%	5.61%	1.89	2.07
last 2 years (CAGR)	13.86%	14.27%	5.16%	4.80%	1.72	1.93
last 3 years (CAGR)	13.08%	13.06%	4.93%	4.68%	1.64	1.72
since inception (CAGR)	12.91%	11.82%	4.40%	4.53%	1.84	1.51
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

9.50% NABARD BOND SER IX I 15-10-12	3.17	AAA
9.68% IRFC 03-07-10	2.74	AAA
9% TATA SONS 27-07-10	2.57	AAA
9.35% LIC HOUSING FINANCE 23-11-12	2.40	AAA
9.80% POWER FINANCE CORP SER XXXVIII 20-09-12	2.03	AAA
9.80% POWER FINANCE CORP 22-03-12	2.02	AAA
10% CITIFINANCIAL CONSUMER 27-09-10	2.02	AAA
9.65% NABARD SER IX G 10-09-09	2.00	AAA
10.35% HDFC 15-05-17	1.99	AAA
9.68% IRFC 03-07-08	1.99	AAA
9.24% L&T FINANCE 30-07-10	1.99	AA+
8% EXIM BANK 27-09-08	1.97	AAA
8.50% HDFC 29-08-09	1.96	AAA
8.40% EXIM BANK 28-09-10	1.95	AAA
0% IDFC 27-06-08	1.90	AAA
0% HDFC 22-09-08	1.86	AAA
8.50% EXIM BANK 26-09-11	1.86	AAA
9.50% INDIAN HOTELS 28-02-12	1.63	AA+
10.10% POWER GRID CORP 12-06-11	1.48	AAA
10% NABARD SER IX 14-05-12	1.43	AAA
0% CITIFINANCIAL CONSUMER 23-07-10	1.33	AAA
6.50% HINDALCO 06-09-09	1.21	AA
9.70% IRFC 03-07-12	1.18	AAA
5.75% IDFC 08-08-08	1.17	AAA
7.20% HDFC 03-06-10	1.14	AAA
9.80% ICICI BANK 10-02-13	1.04	AAA
7.20% RECL 17-09-11	0.93	AAA
10% NABARD 18-06-10	0.81	AAA
8.90% CITIFINANCIAL CONSUMER 05-08-09	0.73	AAA
7.39% POWER GRID CORP 22-09-11	0.68	AAA

**total corporate bonds 51.02**

### gilts

7.37% GOI 16-04-14	4.59
7.38% GOI 03-07-15	2.53
7.44% GOI SPL OIL BOND 23-03-12	2.52
6.96% GOI OIL COMP SPL BOND 30-03-09	1.94
7.49% GOI 16-04-17	1.87
7.99% GOI 09-07-17	1.47
6.65% GOI 05-04-09	1.13
11.40% GOI 31-08-08	0.60
9.39% GOI 02-07-11	0.16

**total gilts 16.66**

### equity

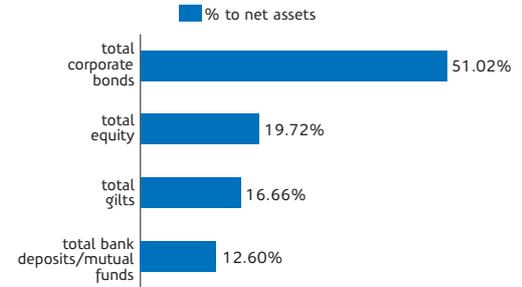
CAP GOODS/ENGINEERING	3.56	
SIEMENS	1.24	1.06
AREVA T & D INDIA	0.65	0.99
ALSTOM PROJECTS INDIA	0.63	1.13
TRIVENT ENGINEERING AND INDUSTRIES	0.43	0.67
LARSEN & TOUBRO	0.34	1.16
CUMMINS INDIA	0.27	0.93
BANKING AND FINANCE	2.52	
STATE BANK OF INDIA	1.00	1.21
ICICI BANK	0.69	1.14
PUNJAB NATIONAL BANK	0.49	1.14
INDIABULLS FINANCIAL SERVICES	0.44	1.24
METALS	2.24	
TATA STEEL	0.89	1.18
STEEL AUTHORITY OF INDIA	0.88	1.49
HINDALCO	0.47	0.94
OIL REFINERIES	1.98	
RELIANCE INDUSTRIES	1.46	1.06
BHARAT PETROLEUM CORPORATION	0.28	0.49
INDIAN OIL CORPORATION	0.24	0.54
AUTOMOBILES	1.65	
MARUTI SUZUKI	0.99	1.00
TATA MOTORS	0.50	0.91
ELCHER MOTORS	0.16	0.70
IT	1.29	
INFOSYS TECHNOLOGIES	0.82	0.63
TATA CONSULTANCY SERVICES	0.32	0.69
PATNI COMPUTERS	0.15	0.66
PHARMACEUTICALS	1.09	
DIVIS LABORATORIES	0.85	1.12
RANBAXY LABORATORIES	0.24	0.64
POWER	0.78	
TATA POWER	0.78	1.03
CEMENT & CEMENT PRODUCTS	0.73	
GRASIM INDUSTRIES	0.73	0.83
FERTILIZERS	0.73	
GUJARAT NARMADA VALLEY FERTILIZERS	0.73	0.96
TELECOM	0.50	
BHARTI AIRTEL	0.32	1.04
RELIANCE COMMUNICATIONS	0.18	1.22
OIL AND EXPLORATION	0.48	
ONGC CORPORATION	0.48	1.02
AVIATION	0.46	
DECCAN AVIATION	0.46	0.73
HOTELS	0.44	
INDIAN HOTELS	0.44	0.68
AUTO ANCILLARY	0.35	
AUTOMATIVE AXLES	0.32	0.34
BHARAT FORGE	0.03	0.97
CONSTRUCTION	0.28	
GAMMON INDIA	0.28	0.77
ENERGY	0.24	
CAIRN INDIA	0.24	1.16
TEXTILES	0.21	
ADITYA BIRLA NUVO	0.21	0.87
FMCG	0.12	
ITC	0.12	0.89
SUGAR	0.07	
BAJAJ HINDUSTAN	0.07	0.79

**total equity 19.72**

**total bank deposits/ mutual funds 12.60**

**total net assets 100.00**

## asset allocation



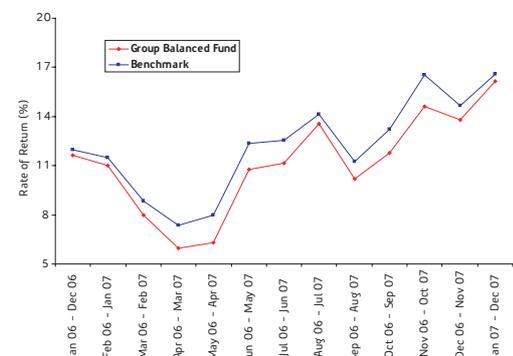
## fund characteristics as on December 31, 2007

M.Duration of debt portfolio: 2.42 years  
YTM of debt portfolio: 8.96%  
Beta of equity portfolio: 0.99

## NAV as on December 31, 2007

Reliance Group Gratuity: 11.4843  
Reliance Group Superannuation: 14.6447

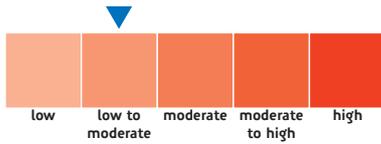
## rolling yearly performance



## 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 -  
Corporate Bond Fund Option

## fund manager's report

The exposure to corporate bonds came down to 68% during the month as the fund received fresh inflows. Around 32% is 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.

## benchmark construction

CRISIL Composite Bond Index: 100%

# ULIP Corporate Bond Fund (GR) details as on December 31, 2007

## fund performance

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

## portfolio

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

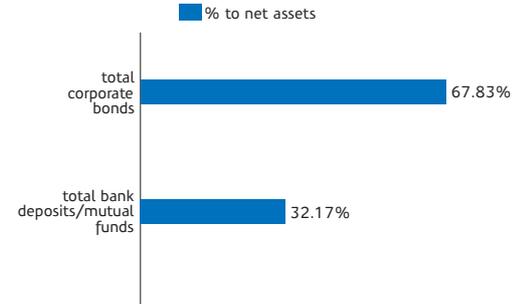
9.40% TATA TEA 08-11-10	21.86	AA+
9.05% EXIM BANK 06-11-10	21.80	AAA
0% HDFC 22-09-08	4.10	AAA
6.25% ULTRATECH CEMENT 25-06-09	3.77	AA+
7.10% POWER GRID CORP 18-02-09	2.99	AAA
9.76% IRFC 03-07-12	2.25	AAA
9.50% NABARD 29-06-08	2.18	AAA
8.65% HDFC 12-09-11	2.15	AAA
7.60% ICICI BANK 30-12-15	2.01	AAA
9.25% EXIM BANK 13-12-12	1.31	AAA
9.50% NABARD NPS BONDS SER IX I 15-10-12	0.88	AAA
5.85% POWER FINANCE CORP 01-08-08	0.86	AAA
7.15% INDIAN OIL BOND 10-06-10	0.83	AA+
6.10% IRFC 13-05-10	0.82	AAA

**total corporate bonds 67.83**

**total bank deposits/mutual funds 32.17**

**total net assets 100.00**

## asset allocation



## fund characteristics as on December 31, 2007

M.Duration of debt portfolio: 1.61 years  
YTM of debt portfolio: 8.71%

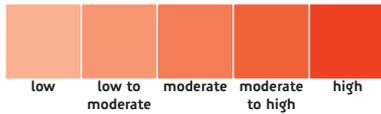
## NAV as on December 31, 2007

Reliance Group Leave Encashment (GLE) -  
Corporate Bond Fund Option: 10.1255

## fund objective

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

## fund risk profile



## products

Reliance Group Leave Encashment - Gilt Fund Option

## fund manager's report

The allocation to gilts was around 79% lower than previous month. The allocation to short term assets like Bank FDs, CDs and MFs was around 21% of the portfolio. We have marginally increased the duration of the fund during the month.

## benchmark construction

I-Sec Composite Sovereign Bond Index:100%

# ULIP Gilt Fund (GR)

details as on December 31, 2007

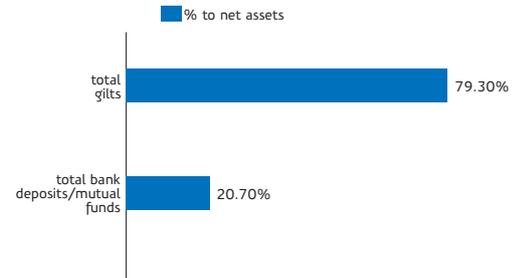
## fund performance

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

## portfolio

security	% to net assets	rating/ 1-yr beta
<b>gilts</b>		
<b>SOVEREIGN</b>		
5.87% GOI 02-01-10	25.79	
9.39% GOI 02-07-11	18.45	
6.65% GOI 05-04-09	12.80	
12% GOI 02-05-08	6.16	
364 Days T.BILL 29-08-08	5.09	
11.99% GOI 07-04-09	3.99	
7.99% GOI 09-0-17	3.78	
11.40% GOI 31-08-08	3.07	
9.85% GOI 16-10-15	0.18	
<b>total gilts</b>	<b>79.30</b>	
<b>total bank deposits/mutual funds</b>	<b>20.70</b>	
<b>total net assets</b>	<b>100.00</b>	

## asset allocation



## fund characteristics as on December 31, 2007

M.Duration of debt portfolio: 1.54 years  
YTM of debt portfolio: 7.64%

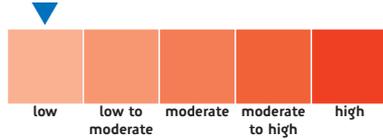
## NAV as on December 31, 2007

Reliance Group Leave Encashment (GLE) - Gilt Fund Option: 10.1275

## 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 - Money Market Fund Option

## fund manager's report

Presently the investments of this fund are mostly in Certificate of deposits at around 94% of the portfolio which is giving the highest yield among money market instruments. The balance is in short term assets like CBLO and MFs.

## benchmark construction

CRISIL Liquid Bond Index: 100%

# ULIP Money Market Fund (GR) details as on December 31, 2007

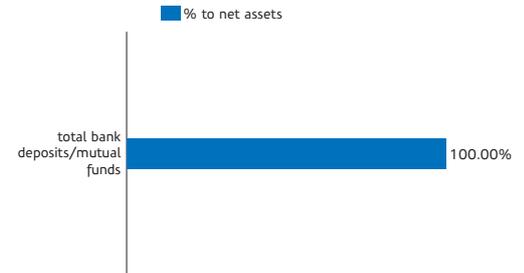
## fund performance

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

## portfolio

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

## asset allocation



## fund characteristics as on December 31, 2007

M.Duration of debt portfolio:	0.29 years
YTM of debt portfolio:	8.33%

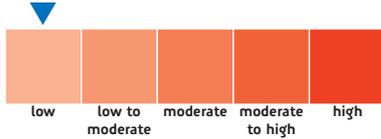
## NAV as on December 31, 2007

Reliance Group Leave Encashment (GLE) - Money Market Fund Option: 10.0905

## 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

Employee Benefit Plans  
(Reliance Group Gratuity and Reliance Group Superannuation)

## fund manager's report

The allocation to CDs (Certificate of Deposits) and bank fixed deposits was maintained at 98% in October to take advantage of high yields in these instruments. The balance was invested in CBLO. The portfolio is at the desired target asset allocation and we expect the fund to continue to outperform the benchmark.

## benchmark construction

Yield on 182-day T.Bills

# ULIP Capital Secure Fund (GR)

details as on December 31, 2007

## fund performance

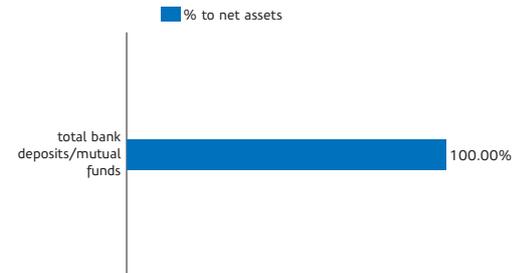
period	gross fund return	benchmark return	fund standard deviation	benchmark standard deviation	fund sharpe ratio	benchmark sharpe ratio
last 1 year	8.31%	7.67%	0.25%	0.17%	13.27	15.50
last 2 years (CAGR)	7.38%	7.25%	0.40%	0.17%	5.90	13.00
last 3 years (CAGR)	6.77%	6.66%	0.44%	0.27%	4.03	6.07
since inception (CAGR)	6.09%	5.66%	0.45%	0.44%	2.40	1.51
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



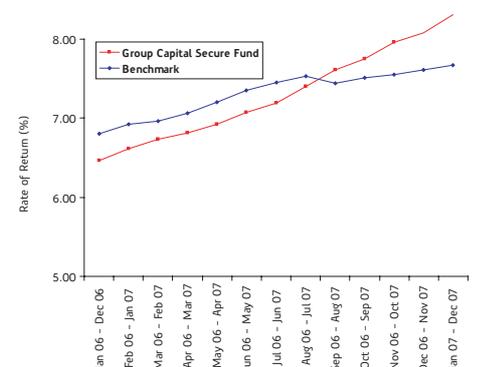
## fund characteristics as on December 31, 2007

M.Duration of debt portfolio: 0.04 years  
YTM of debt portfolio: 8.64%

## NAV as on December 31, 2007

Reliance Group Gratuity: 10.6979

## rolling yearly performance



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

**Gross Fund Return**

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

**Benchmark Return**

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

**Fund Standard Deviation**

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

**Fund Sharpe Ratio**

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

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

**Benchmark Sharpe Ratio**

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

**Modified Duration of Debt Portfolio**

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

**Fund Beta**

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

- ✓ Macro Analysis
- ✓ Appreciation of Market Dynamics
- ✓ Meeting Investment Objectives vis-à-vis Risk Appetite
- ✓ Asset Allocation Strategy
- ✓ Security Selection – Portfolio Construction
- ✓ Benchmarks
- ✓ Risk Management / Portfolio Evaluation/ Diagnostics
- ✓ Governance and Processes

## investment strategy and risk control

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

**Market Dynamics** are also studied apart from the above to determine our view of the changes likely in the interest rate scenario and equity market movements. Price movements in the market are monitored at all times along with 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 Sharpe Ratio are calculated in order to compare the returns generated per unit of risk vis-à-vis benchmarks.

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

# the analyst

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