



RELIANCE

Life Insurance

# the analyst

monthly Group fund  
factsheet for December 2013

**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 Nov 13	31st Oct 13	% Change
<sup>1</sup> Rs./\$	62.41	61.50	1.47
<sup>2</sup> WPI Inflation Index		180.30	
<sup>3</sup> Forex Reserves (\$ bn)	291.23	284.05	2.47
<sup>4</sup> Brent Crude Price (\$ per Barrel)	92.72	96.38	-3.95
<sup>5</sup> Gold (Rs. per 10gm)	30379	30683	-1.00

Investments	29th Nov 13	31st Oct 13	Absolute Change
<sup>1</sup> FfIs (Rs Crs)	103	1876	-1722.83
<sup>2</sup> Mfs (Rs Crs)	331	-834	352.27

Indices	29th Nov 13	31st Oct 13	% Change
<sup>1</sup> BSE Sensex	20535	21165	-3.07
<sup>2</sup> S&P CNX Nifty	6092	6299	-3.40
<sup>3</sup> CNX Mid Cap	7597	7535	0.82
<sup>4</sup> BSE Small Cap	6049	5896	2.53

Global Indices	29th Nov 13	31st Oct 13	% Change
<sup>1</sup> Dow Jones	16086	15546	3.36
<sup>2</sup> FTSE 100	6654	6731	-1.16
<sup>3</sup> Hang Seng	23789	23206	2.45
<sup>4</sup> Nikkei	15727	14328	8.90

Sectoral Indices	29th Nov 13	31st Oct 13	% Change
<sup>1</sup> CNX Infrastructure	2388	2393	-0.22
<sup>2</sup> CNX Energy	7715	8100	-4.99
<sup>3</sup> BSE Capital Goods	9644	9152	5.11
<sup>4</sup> BSE Bankex	12455	13087	-5.07
<sup>5</sup> BSE Oil & Gas	8543	8936	-4.60
<sup>6</sup> BSE IT	8341	8478	-1.64

Fixed Income Indicators (%)	29th Nov 13	31st Oct 13	Absolute Change
<sup>1</sup> NSE Mibor	8.81	8.76	0.57
<sup>2</sup> 91 Day T-Bill	8.85	8.63	2.52
<sup>3</sup> 182 Day T-Bill	8.90	8.58	3.63
<sup>4</sup> 1 year GOI Benchmark	8.95	8.96	-0.10
<sup>5</sup> 5 Year GOI Benchmark	8.69	8.46	2.65
<sup>6</sup> 10 Year GOI Benchmark	8.73	8.63	1.12
<sup>7</sup> 5 Year Corp Bond Benchmark	9.76	9.44	3.26
<sup>8</sup> 10 Year AAA Corp Bond Benchmark	9.81	9.46	3.61
<sup>9</sup> 10 Year US Benchmark	2.74	2.55	6.69

Source: <sup>1</sup>Bloomberg, <sup>2</sup>eaindustry.nic.in, <sup>3</sup>RBI

**Indian Economy**

The highlights of the last month was high fiscal deficit run rate at 76% FYTD as well as consistent high pricing pressure as reflected in both CPI and WPI. However, economic growth continues to be lackluster though exports have risen on account of global demand and favorable USD/ INR value.

GDP growth has improved to 4.8% (YoY) in Q2FY14 after decelerating to a 4.4% (YoY) in Q1FY14 while agriculture sector grew by 4.6% (YoY) on better monsoons and industry growth was at 2.3% (YoY) with improvements in all sub sectors. Services grew at 5.9%, which is first time since 2005 when it went below 6% levels.

Meanwhile, Index of Industrial Production (IIP) printed at 2% (YoY) in September 2013 which is significantly higher from 0.4% (YoY) in August 2013. Manufacturing continued to be a lagging factor at 0.6% (YoY) and capital goods were down by 6.8% (YoY) which is corroborated by sluggish environment in automotive industries.

The pricing environment continues to be deteriorating. WPI has firmed up further to 7.0% (YoY) in October 2013 against 6.5% (YoY) in the previous month on account of elevated Vegetable prices. Core WPI (excluding food inflation) has picked up marginally to 2.1% (YoY) in October 2013 to 2% in September 2013. Notably, WPI was revised to 7% (YoY) in August 2013 from 6.1% (YoY) earlier, reflecting suppressed inflationary pressure. Similarly, CPI too inched up to 10.1% (YoY) in October 2013 from 9.8% (YoY) in September 2013. However, core CPI eased to 8.1% (YoY) from 8.4% (YoY) last month. Nonetheless, latest price trend reflects continuation of pricing pressure in the economy despite sub-par growth. It is high time that Government should take measures to release the food in the open market to quell ever rising prices as well as to take structural measures to improve agricultural productivity and supply chain.

INR has strengthened to 62.39/USD after touching life time low at 68.8/USD in August 2013, as banks have brought in USD 35 billion under FCNR (B) deposit and Bank's Tier 1 capital to tide over high Current Account Deficit (CAD). This has augmented both foreign exchange reserves and banking liquidity. RBI has now also allowed oil marketing companies to do their daily foreign exchange transaction in the market as USD/INR has stabilized. However, government should use this time to take policy initiatives to improve our competitiveness to improve our industrial dynamics to boost exports while rationalize imports to have sustainable current account deficit.

**Fixed Income Outlook:**

Going ahead, firm domestic inflationary outlook, uncertainty on account of expected gradual withdrawal of monetary accommodation in the USA and its adverse impact on foreign fixed income investment in India and fiscal stress on account of poor revenue growth would be the key drivers. We expect bond yields to remain firm as RBI would be maintaining its stance to control the inflation in order to create an environment for growth to recover.

**Equity Market**

Nifty has touched multi-year highs during the last month but later on gave up the gain while recouping some of the losses in a volatile second half. Nifty lost 2% over the month to close at above 6100 levels. Markets saw some cheer on the back of US strengths following US Federal Reserve Governor designate Mrs. Yellen's dovish view on expected withdrawal of the monetary accommodation.

In the Banking space, SBI results highlighted the bank's continuing struggle with asset quality deterioration, slippages in loan coverage etc in the face of a tough macroeconomic environment. Meanwhile, Tata Sons withdrew its application for banking license, becoming the second one to opt out after the Videocon Group. Concerns are surfacing over stringent RBI norms for the new license, which were first voiced by M&M Financial Services as they decided against applying.

Major automobile companies that reported their results in November 2013 included M&M and Tata Motors. M&M's farm equipment segment had another robust quarter with stable tractor market share. Meanwhile, Tata Motor's results continued to be buoyed by the JLR segment with domestic biz disappointing again on account of foreign exchange losses.

The Infrastructure space saw BHEL reporting disappointing quarterly numbers again. Order inflows continued to be weak and PAT contracted sharply, despite being boosted by significant foreign exchange gains. Crompton Greaves and Thermax too reported slowdown in order inflows.

FfIs remained net buyers for the 3rd consecutive month with net inflows to the tune of \$1.1bn, bringing the YTD amount to \$17.5bn net inflows. DfIs were net sellers to the tune of \$1.5bn. Of this, Insurance companies accounted for \$1.3bn of outflows while MFs recorded net outflows of \$207mn. YTD, DfIs are net sellers at \$11.7bn.

**Equity Outlook:**

Going forward, markets will be keenly watching out for the results of the state elections held over Nov – December 2013, which are heralded to be a key indicator of the outcome of the 2014 general elections. In addition, sectors dependent upon external demand like Information Technology and Pharmaceuticals are expected to do well while Infrastructure and PSU Banking space will be remain under pressure due to high debt and large NPAs respectively.

# fund snapshot

gross return (CAGR\*) (%) As on Nov 30, 2013

asset allocation	funds	Last 1 Year	Last 2 Year	Last 3 Year	Page No.
100% equity	Group Equity Fund 2	4.87%	14.82%	3.13%	4
100% equity	Group Equity Fund 3	4.65%	15.83%	9.22%	5
100% pure equity	Group Pure Equity Fund 1	8.22%	11.39%	2.42%	6
100% equity	Group Infrastructure Fund 1	-12.14%	-2.57%	-11.44%	7
100% equity	Group Energy Fund 1	-3.92%	1.67%	-4.22%	8
100% equity	Group Midcap Fund 1	2.38%	16.51%	0.84%	9
40% equity, 60% debt	Group Growth Fund 1	6.24%	11.55%	6.17%	10
20% equity, 80% debt	Group Balanced Fund 1	5.46%	9.53%	6.68%	11
20% equity, 80% debt	Group Balanced Fund 2	6.18%	10.04%	7.22%	12
100% bond instruments	Group Corporate Bond Fund 2	6.81%	9.02%	8.01%	13
100% debt Instruments	Group Pure Debt Fund 1	7.99%	9.78%	8.34%	14
100% money market	Group Capital Secure Fund 1	9.75%	9.62%	9.43%	15
100% govt. securities	Group Gilt Fund 2	5.82%	8.39%	7.49%	16
100% money market	Group Money Market Fund 2	9.67%	9.96%	9.80%	17

### SFIN :

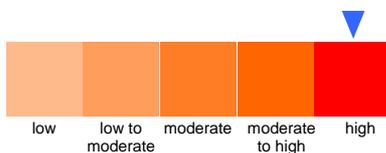
ULGF00724/10/07GEQUITYF01121

Inception Date : 30<sup>th</sup> Oct 2007

### 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



### target asset allocation

Equity: 100%

### benchmark construction

S&P CNX Nifty: 100%

# Group Equity Fund 2

## fund performance as on Nov 30, 2013

gross return				
fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 2	4.87%	14.82%	3.13%	7.24%
<b>Benchmark</b>	<b>5.04%</b>	<b>13.06%</b>	<b>1.75%</b>	<b>5.25%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

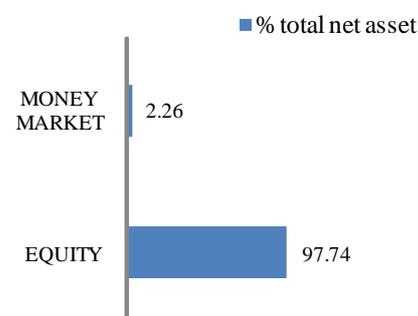
### portfolio As on Nov 30, 2013

security	% total net assets
<b>equity</b>	
INFOSYS LTD	8.78
ITC	8.34
DIVIS LABORATORIES LTD	8.02
HDFC BANK LTD	7.69
RELIANCE INDUSTRIES LTD.	7.39
ICICI BANK LTD.	5.78
HDFC LTD	4.96
TATA CONSULTANCY SERVICES LTD.	4.81
LARSEN&TUBRO	4.39
TATA MOTORS LTD	3.04
MARUTI UDYOG LTD.	2.77
YES BANK LTD	2.65
MAHINDRA & MAHINDRA LTD	2.39
ULTRATECH CEMCO LTD	2.26
BHARTI AIRTEL LTD	2.21
ONGC	2.05
MOTHERSON SUMI SYSTEMS LTD.	2.02
SUN PHARMACEUTICAL INDUSTRIES LTD	2.00
JSW STEEL LTD	1.84
KIRLOSKAR CUMMINS	1.76
AUROBINDO PHARMA LTD	1.59
SESA STERLITE LTD	1.25
INDIABULLS HOUSING FINANCE LTD	1.22
BAJAJ AUTO LTD	1.10
STRIDES ARCOLAB LTD	1.07
CAIRN INDIA LTD	0.83
HINDALCO INDUSTRIES LTD	0.75
ZEE ENTERTAINMENT ENTERPRISES LTD	0.72
OIL INDIA LTD	0.69
HT MEDIA LTD	0.65
SML ISUZU LTD	0.65
D.B. CORP LTD	0.58
RANBAXY	0.51
HERO MOTOCORP LTD	0.48
BHARAT PETROLEUM CORP. LTD.	0.35
UNITED SPIRITS LTD	0.15
<b>total equity</b>	<b>97.74</b>
<b>total money market</b>	<b>2.26</b>
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Nov 30, 2013

Fund Beta 0.97

### asset allocation as on Nov 30, 2013



### SFIN :

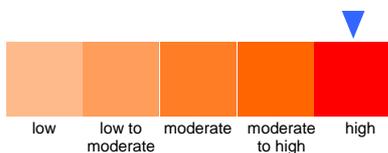
ULGF01808/06/09GEQUITYF03121

Inception Date : 8<sup>th</sup> Jun 2009

### 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



### target asset allocation

Equity: 100%

### benchmark construction

S&P CNX Nifty: 100%

# Group Equity Fund 3

## fund performance as on Nov 30, 2013

fund name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 3	4.65%	15.83%	9.22%	12.02%
<b>Benchmark</b>	<b>5.04%</b>	<b>13.06%</b>	<b>1.75%</b>	<b>5.25%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

### portfolio As on Nov 30, 2013

security % total net assets

#### equity

INFOSYS LTD	8.76
ITC	8.71
HDFC BANK LTD	7.54
RELIANCE INDUSTRIES LTD.	7.33
ICICI BANK LTD.	6.06
DIVIS LABORATORIES LTD	5.99
TATA CONSULTANCY SERVICES LTD.	4.96
HDFC LTD	4.62
LARSEN&TUBRO	3.92
TATA MOTORS LTD	3.60
MARUTI UDYOG LTD.	2.97
BHARTI AIRTEL LTD	2.84
STATE BANK OF INDIA	2.11
MAHINDRA & MAHINDRA LTD	2.08
ONGC	2.07
SUN PHARMACEUTICAL INDUSTRIES LTD	1.95
YES BANK LTD	1.81
CAIRN INDIA LTD	1.76
KIRLOSKAR CUMMINS	1.61
MOTHERSON SUMI SYSTEMS LTD.	1.51
ULTRATECH CEMCO LTD	1.49
AUROBINDO PHARMA LTD	1.38
JSW STEEL LTD	1.32
BAJAJ AUTO LTD	1.10
SESA STERLITE LTD	1.08
INDIABULLS HOUSING FINANCE LTD	0.87
CROMPTON GREAVES LTD	0.82
RANBAXY	0.78
HINDALCO INDUSTRIES LTD	0.66
ZEE ENTERTAINMENT ENTERPRISES LTD	0.54
OIL INDIA LTD	0.54
HERO MOTOCORP LTD	0.48
STRIDES ARCOLAB LTD	0.29
BHARAT PETROLEUM CORP. LTD.	0.25
HT MEDIA LTD	0.19
SML ISUZU LTD	0.18
UNITED SPIRITS LTD	0.14

94.29

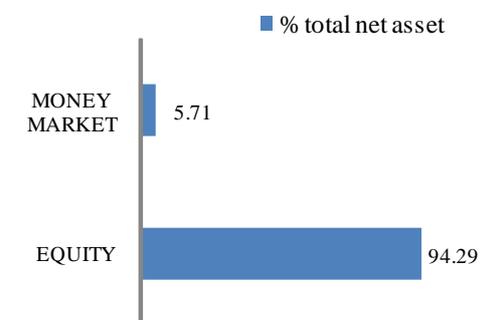
total money market 5.71

total net assets 100.00

### fund characteristics as on Nov 30, 2013

Fund Beta 0.98

### asset allocation as on Nov 30, 2013



SFIN :

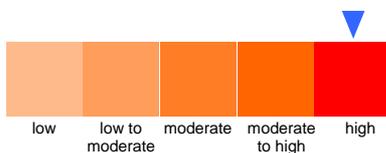
ULGF01528/11/08GPUREEQF01121

Inception Date : 16<sup>th</sup> Dec 2008

### 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



### target asset allocation

Pure Equity: 100%

(\*Investments only in sectors other than banks and non-banking financial companies, breweries, distilleries, alcohol based chemicals, cigarettes, tobacco, entertainment, leather, sugar and hatcheries.)

### benchmark construction

benchmark construction  
S&P CNX Nifty Shariah Index: 100%

# Group Pure Equity Fund 1

## fund performance as on Nov 30, 2013

gross return				
Fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Pure Equity Fund 1	8.22%	11.39%	2.42%	5.20%
<b>Benchmark</b>	<b>13.79%</b>	<b>10.86%</b>	<b>2.47%</b>	<b>4.19%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

### portfolio As on Nov 30, 2013

security % total net assets

#### equity

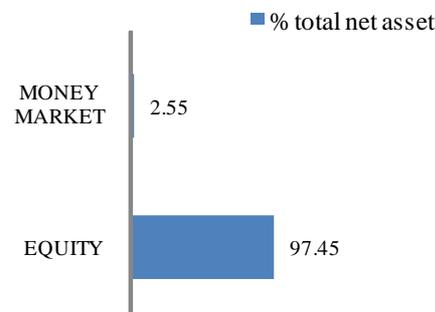
RELIANCE INDUSTRIES LTD.	8.78
BHARTI AIRTEL LTD	8.13
TATA CONSULTANCY SERVICES LTD.	8.12
HINDUSTAN LEVER LTD.	6.34
INFOSYS LTD	5.74
DR. REDDY LABORATORIES	5.58
ASIAN PAINTS LTD	5.28
BAJAJ AUTO LTD	5.01
ONGC	4.67
ULTRATECH CEMCO LTD	3.50
MARUTI UDYOG LTD.	3.39
LARSEN&TUBRO	3.37
SANOFI INDIA LTD	2.83
GRASIM INDUSTRIES LTD.	2.82
CROMPTON GREAVES LTD	2.72
HERO MOTOCORP LTD	2.39
LUPIN LTD	2.39
DIVIS LABORATORIES LTD	2.37
MOTHERSON SUMI SYSTEMS LTD.	2.26
VOLTAS LTD	2.21
TATA GLOBAL BEVERAGES LTD	2.09
PETRONET LNG LTD	2.07
GAS AUTHORITY OF INDIA LTD.	1.65
KIRLOSKAR CUMMINS	1.60
CAIRN INDIA LTD	1.38
OIL INDIA LTD	0.76

total money market 2.55  
total net assets 100.00

### fund characteristics as on Nov 30, 2013

Fund Beta 0.90

### asset allocation as on Nov 30, 2013



### SFIN :

ULGF01908/06/09GINFRASF01121

Inception Date : 8<sup>th</sup> Jun 2009

### fund objective

Provide high rate of return in the long term through high exposure to equity investments in Infrastructure and allied sectors, while recognizing that there is a significant probability of negative returns in the short term. The risk appetite is 'high'

### fund risk profile



### target asset allocation

Equity: 100%

### benchmark construction

CNX Infrastructure Index: 100%

# Group Infrastructure Fund 1

## fund performance as on Nov 30, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Infrastructure Fund 1	-12.14%	-2.57%	-11.44%	-8.02%
<b>Benchmark</b>	<b>-7.68%</b>	<b>0.05%</b>	<b>-10.52%</b>	<b>-7.89%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

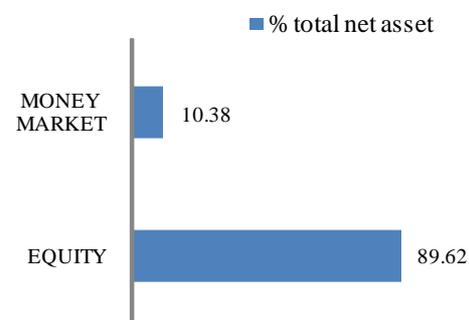
### portfolio As on Nov 30, 2013

security	% total net assets
<b>equity</b>	
LARSEN&TUBRO	8.97
RELIANCE INDUSTRIES LTD.	8.60
ONGC	8.47
NTPC LTD	8.27
BHARTI AIRTEL LTD	8.23
COAL INDIA LTD	7.92
TATA POWER CO. LTD	7.54
IDEA CELLULAR LTD	5.34
BHARAT FORGE	5.17
BHARAT HEAVY ELECTRICALS LTD	4.14
KIRLOSKAR CUMMINS	4.10
PETRONET LNG LTD	3.60
CROMPTON GREAVES LTD	2.46
MOTHERSON SUMI SYSTEMS LTD.	2.21
VOLTAS LTD	1.82
INDRAPRASTHA GAS LTD	1.75
HINDALCO INDUSTRIES LTD	1.02
	<b>89.62</b>
<b>total money market</b>	<b>10.38</b>
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Nov 30, 2013

Fund Beta 0.84

### asset allocation as on Nov 30, 2013



**RELIANCE**

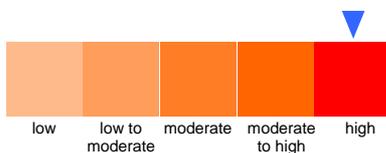
Life Insurance

SFIN :

ULGF01428/11/08GENERGYF01121

Inception Date : 16<sup>th</sup> Dec 2008**fund objective**

Provide high rate of return in the long term through high exposure to equity investments in Energy and allied sectors, while recognizing that there is a significant probability of negative returns in the short term. The risk appetite is 'high'

**fund risk profile****target asset allocation**

Equity: 100%

**benchmark construction**

CNX Energy Index: 100%

# Group Energy Fund 1

**fund performance as on Nov 30, 2013**

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Energy Fund 1	-3.92%	1.67%	-4.22%	-2.25%
<b>Benchmark</b>	<b>0.76%</b>	<b>2.07%</b>	<b>-5.51%</b>	<b>-3.84%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

**portfolio As on Nov 30, 2013**

<b>security</b>	<b>% total net assets</b>
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**equity**

LARSEN&TUBRO	8.97
RELIANCE INDUSTRIES LTD.	8.70
OIL INDIA LTD	8.46
NTPC LTD	8.43
ONGC	7.98
COAL INDIA LTD	7.73
KIRLOSKAR CUMMINS	6.78
CAIRN INDIA LTD	5.78
TATA POWER CO. LTD	5.57
GAS AUTHORITY OF INDIA LTD.	5.27
PETRONET LNG LTD	4.92
BHARAT PETROLEUM CORP. LTD.	4.70
INDRAPRASTHA GAS LTD	4.06
VOLTAS LTD	2.63
CROMPTON GREAVES LTD	2.20

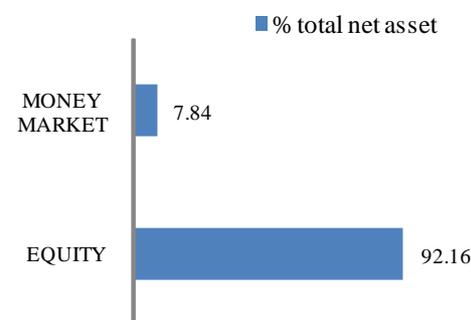
<b>total equity</b>	<b>92.16</b>
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<b>total money market</b>	<b>7.84</b>
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<b>total net assets</b>	<b>100.00</b>
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**fund characteristics as on Nov 30, 2013**

Fund Beta 0.84

**asset allocation as on Nov 30, 2013**

### SFIN :

ULGF02008/06/09GMIDCAPF01121

Inception Date : 8<sup>th</sup> Jun 2009

### fund objective

Provide high rate of return in the long term through high exposure to equity investments in Midcap companies while recognizing that there is significant probability of negative returns in the short term. The risk appetite is 'high'

### fund risk profile



### target asset allocation

Equity: 100%

### benchmark construction

Nifty Midcap 50: 100%

# Group Midcap Fund 1

## fund performance as on Nov 30, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Midcap Fund 1	2.38%	16.51%	0.84%	4.38%
<b>Benchmark</b>	<b>-4.83%</b>	<b>6.60%</b>	<b>-9.33%</b>	<b>-3.66%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

### portfolio As on Nov 30, 2013

security % total net assets

#### equity

UNITED SPIRITS LTD	8.39
KIRLOSKAR CUMMINS	6.17
JSW STEEL LTD	5.73
PETRONET LNG LTD	5.53
ADITYA BIRLA NUVO LTD	5.31
ICICI BANK LTD.	4.98
DIVIS LABORATORIES LTD	4.93
TATA GLOBAL BEVERAGES LTD	4.46
AUROBINDO PHARMA LTD	4.45
IDEA CELLULAR LTD	4.33
ZEE ENTERTAINMENT ENTERPRISES LTD	4.30
RADICO KHAITAN LTD	4.29
YES BANK LTD	4.23
PURAVANKARA PROJECTS LTD	4.07
INDIABULLS HOUSING FINANCE LTD	4.05
STRIDES ARCOLAB LTD	4.04
D.B. CORP LTD	3.49
TATA CHEMICALS LTD.	3.06
CROMPTON GREAVES LTD	2.70
VOLTAS LTD	1.78
INDRAPRASTHA GAS LTD	1.66
HT MEDIA LTD	1.56
GUJARAT FLUOROCEMICALS LTD.	1.21
BHARAT FORGE	1.19

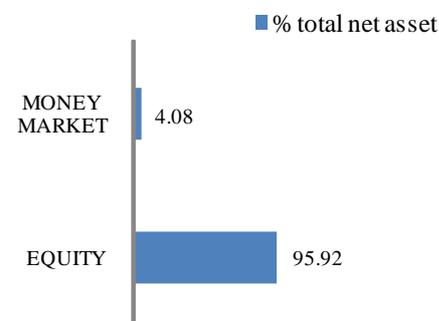
total money market 4.08

total net assets 100.00

### fund characteristics as on Nov 30, 2013

Fund Beta 0.84

### asset allocation as on Nov 30, 2013



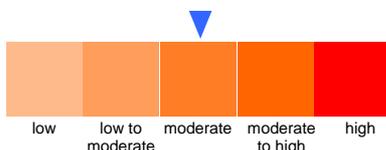
SFIN :  
ULGF00310/10/03GGROWTHF01121

Inception Date : 31<sup>st</sup> Jan 2007

### fund objective

The investment objective of the fund is to provide investment returns that exceed the rate of inflation in the long-term while maintaining moderate probability of negative returns in the short-term. The risk appetite is defined as 'moderate'.

### fund risk profile



### target asset allocation

Debt: 60%  
Equity: 40%

### benchmark construction

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

# Group Growth Fund 1

## fund performance as on Nov 30, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Growth Fund 1	6.24%	11.55%	6.17%	7.25%	12.56%
<b>Benchmark</b>	<b>4.84%</b>	<b>9.52%</b>	<b>5.21%</b>	<b>6.27%</b>	<b>11.75%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

### portfolio As on Nov 30, 2013

security	% total net assets	rating
----------	--------------------	--------

#### bond/ncd

9.81% PFC NCD 07-10-2018 SR109	5.84	AAA
9.55% HINDALCO NCD 27-06-2022	5.68	AA+
10.60% IRFC NCB 11-09-2018	2.02	AAA

#### total bond/cd

#### gilts

T Bill	9.61
7.28% GOI CG 03-06-2019	4.56
8.28% GOI CG 21-09-2027	3.66
8.33% GOI CG 09-07-2026	3.27
8.12% GOI CG 10-12-2020	3.09
8.83% GOI CG 12-12-2041	1.31
8.07% GOI CG 03-07-2017	1.24

**26.73**

#### equity

INFOSYS LTD	3.53
ITC	3.51
RELIANCE INDUSTRIES LTD.	3.27
HDFC BANK LTD	3.09
DIVIS LABORATORIES LTD	2.56
ICICI BANK LTD.	2.27
TATA CONSULTANCY SERVICES LTD.	1.86
LARSEN&TUBRO	1.72
HDFC LTD	1.65
YES BANK LTD	1.19
BHARTI AIRTEL LTD	1.14
TATA MOTORS LTD	1.13
ONGC	1.10
UNITED SPIRITS LTD	1.08
MAHINDRA & MAHINDRA LTD	1.01
JSW STEEL LTD	0.84
SUN PHARMACEUTICAL INDUSTRIES LTD	0.81
MARUTI UDYOG LTD.	0.80
AUROBINDO PHARMA LTD	0.73
SANOFI INDIA LTD	0.73
ULTRATECH CEMCO LTD	0.62
KIRLOSKAR CUMMINS	0.57
STATE BANK OF INDIA	0.56
INDIABULLS HOUSING FINANCE LTD	0.48
BAJAJ AUTO LTD	0.42
STRIDES ARCOLAB LTD	0.41
SESA STERLITE LTD	0.38
MOTHERSON SUMI SYSTEMS LTD.	0.37
HINDALCO INDUSTRIES LTD	0.29
SML ISUZU LTD	0.21

**total equity 38.34**

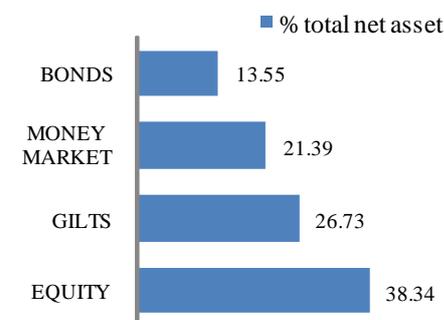
**total money market 21.39**

**total net assets 100.00**

### fund characteristics as on Nov 30, 2013

M. Duration of debt portfolio: 2.63 Years  
YTM of debt portfolio: 8.41%  
Fund Beta: 0.98

### asset allocation as on Nov 30, 2013



### SFIN :

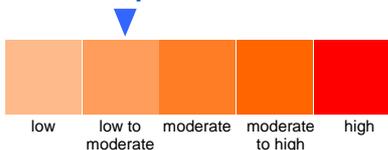
ULGF00110/10/03GBALANCE01121

Inception Date : 29<sup>th</sup> Jan 2007

### fund objective

The investment objective of the fund is to provide investment returns that exceed the rate of inflation in the long-term while maintaining a low probability of negative returns in the short-term. The risk appetite is defined as 'low to moderate'.

### fund risk profile



# Group Balanced Fund 1

## fund performance as on Nov 30, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 1	5.46%	9.53%	6.68%	7.07%	10.31%
<b>Benchmark</b>	<b>4.55%</b>	<b>8.13%</b>	<b>6.12%</b>	<b>6.35%</b>	<b>9.46%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

### portfolio As on Nov 30, 2013

security	% total net assets	rating
----------	--------------------	--------

#### bond/nccd

9.57% LICHL NCD 07-09-2017	4.11	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	3.97	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.35	AAA
8.68% NCRPB NCB 18-08-2019	3.02	AAA
10.60% IRFC NCB 11-09-2018	1.07	AAA

**total bond/cd 15.52**

#### gilts

7.28% GOI CG 03-06-2019	6.27
8.28% GOI CG 21-09-2027	6.01
8.12% GOI CG 10-12-2020	4.45
8.33% GOI CG 09-07-2026	4.02
8.83% GOI CG 12-12-2041	1.69
8.07% GOI CG 03-07-2017	1.65

**total gilts 24.07**

#### equity

INFOSYS LTD	1.77
ITC	1.60
HDFC BANK LTD	1.52
RELIANCE INDUSTRIES LTD.	1.45
DIVIS LABORATORIES LTD	1.25
ICICI BANK LTD.	1.20
TATA CONSULTANCY SERVICES LTD.	1.00
LARSEN&TUBRO	0.95
HDFC LTD	0.90
TATA MOTORS LTD	0.76
BHARTI AIRTEL LTD	0.61
YES BANK LTD	0.60
UNITED SPIRITS LTD	0.57
ONGC	0.52
MAHINDRA & MAHINDRA LTD	0.48
ULTRATECH CEMCO LTD	0.45
SUN PHARMACEUTICAL INDUSTRIES LTD	0.42
SANOFI INDIA LTD	0.42
JSW STEEL LTD	0.41
MARUTI UDYOG LTD.	0.39
SESA STERLITE LTD	0.36
KIRLOSKAR CUMMINS	0.33
AUROBINDO PHARMA LTD	0.24
INDIABULLS HOUSING FINANCE LTD	0.23
BAJAJ AUTO LTD	0.22
HINDALCO INDUSTRIES LTD	0.15
MOTHERSON SUMI SYSTEMS LTD.	0.15
STATE BANK OF INDIA	0.11
STRIDES ARCOLAB LTD	0.09
SML ISUZU LTD	0.08

**total equity 19.21**

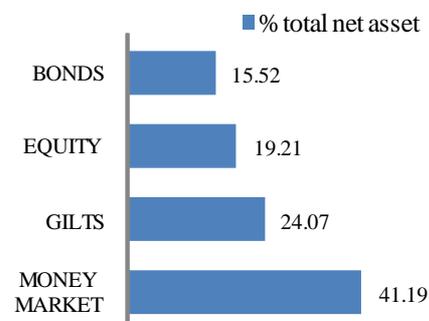
**total money market 41.19**

**total net assets 100.00**

### fund characteristics as on Nov 30, 2013

M. Duration of debt portfolio:	2.53 Years
YTM of debt portfolio:	8.31%
Fund Beta:	0.99

### asset allocation as on Nov 30, 2013



### target asset allocation

Debt.:	80%
Equity:	20%

### benchmark construction

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

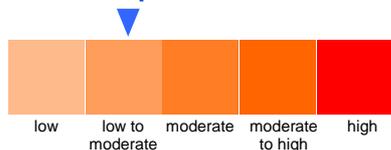
SFIN :  
ULGF00210/10/03GBALANCE02121

Inception Date : 31<sup>th</sup> Jan 2007

### fund objective

The investment objective of the fund is to provide investment returns that exceed the rate of inflation in the long-term while maintaining a low probability of negative returns in the short-term. The risk appetite is defined as 'low to moderate'.

### fund risk profile



# Group Balanced Fund 2

## fund performance as on Nov 30, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 2	6.18%	10.04%	7.22%	7.51%	10.76%
<b>Benchmark</b>	<b>4.55%</b>	<b>8.13%</b>	<b>6.12%</b>	<b>6.35%</b>	<b>9.46%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

### portfolio As on Nov 30, 2013

security	% total net assets	rating
----------	--------------------	--------

#### bond/ncd

9.81% PFC NCD 07-10-2018 SR109	3.46	AAA
10.20% RELIANCE POWER LTD NCD 12-06-2014	3.43	A1
8.70% REC NCD 01-02-2018 112	3.33	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.11	AAA
9.75% SRTRANSFIN NCD 01-06-2015	2.74	AA
9.70% TATA SONS NCD 25-07-2022	1.50	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	0.66	AAA
10.60% IRFC NCB 11-09-2018	0.60	AAA
9.34% SBOT NCB 31-10-2016 I	0.57	AAA
8.97% TATA SONS NCD 15-07-2020	0.56	AAA
10.35% NCD(B)HDFC 16-05-2017	0.47	AAA
9.70% UNITEDPHOSPHORUS NCD 09-04-2017 A	0.46	AA+
8.68% NCRPB NCB 18-08-2019	0.22	AAA

**total bond/cd 21.12**

#### gilts

7.28% GOI CG 03-06-2019	6.24
8.28% GOI CG 21-09-2027	4.76
8.12% GOI CG 10-12-2020	4.44
8.83% GOI CG 12-12-2041	2.49
8.33% GOI CG 09-07-2026	1.82
8.07% GOI CG 03-07-2017	1.61

**21.36**

#### equity

INFOSYS LTD	1.77
ITC	1.77
RELIANCE INDUSTRIES LTD.	1.63
HDFC BANK LTD	1.49
ICICI BANK LTD.	1.20
DIVIS LABORATORIES LTD	1.13
LARSEN&TUBRO	1.00
TATA CONSULTANCY SERVICES LTD.	0.92
HDFC LTD	0.82
TATA MOTORS LTD	0.80
YES BANK LTD	0.56
ONGC	0.52
ULTRATECH CEMCO LTD	0.50
MAHINDRA & MAHINDRA LTD	0.49
BHARTI AIRTEL LTD	0.48
AUROBINDO PHARMA LTD	0.43
SUN PHARMACEUTICAL INDUSTRIES LTD	0.43
SANOFI INDIA LTD	0.41
MARUTI UDYOG LTD.	0.39
JSW STEEL LTD	0.39
STATE BANK OF INDIA	0.37
KIRLOSKAR CUMMINS	0.37
SESA STERLITE LTD	0.31
INDIABULLS HOUSING FINANCE LTD	0.23
BAJAJ AUTO LTD	0.21
STRIDES ARCOLAB LTD	0.18
HINDALCO INDUSTRIES LTD	0.15
MOTHERSON SUMI SYSTEMS LTD.	0.11
SML ISUZU LTD	0.08

**total equity 19.13**

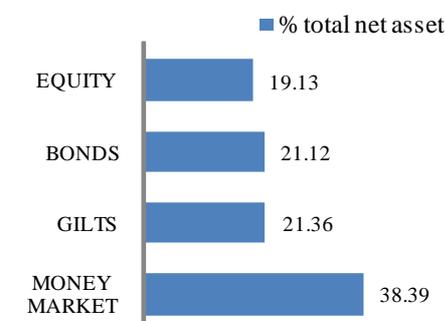
**total money market 38.39**

**total net assets 100.00**

### fund characteristics as on Nov 30, 2013

M. Duration of debt portfolio:	2.30 Years
YTM of debt portfolio:	8.48%
Fund Beta:	0.99

### asset allocation as on Nov 30, 2013



### target asset allocation

Debt.:	80%
Equity:	20%

### benchmark construction

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

### SFIN :

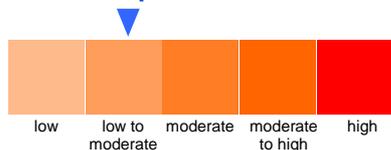
ULGF01213/10/08GCORBOND02121

Inception Date : 13<sup>th</sup> Oct 2008

### 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



### target asset allocation

Bond Instruments: 100%

### benchmark construction

CRISIL Composite Bond Index: 100%

# Group Corporate Bond Fund 2

## fund performance as on Nov 30, 2013

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Corporate Bond Fund 2	6.81%	9.02%	8.01%	7.86%	9.26%
<b>Benchmark</b>	<b>4.14%</b>	<b>6.81%</b>	<b>6.61%</b>	<b>6.09%</b>	<b>6.82%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

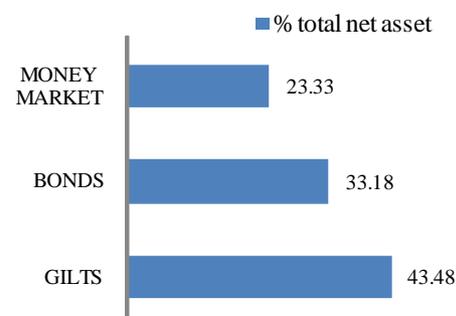
### portfolio As on Nov 30, 2013

security	% total net assets	rating
<b>bond/ncd</b>		
8.93% NTPC NCB 19-01-2021 XXXVII.	8.73	AAA
8.92% NIRMA NCD 28-05-2018 D/13-14	8.39	AA
9.57% LICHFL NCD 07-09-2017	6.09	AAA
8.75% RIL NCD 07-05-2020	4.34	AAA
11.95% HDFC DB 26-11-2018	2.46	AAA
8.82% REC NCD 12-04-2023 SR-114th	1.51	AAA
0.00% HDFC ZCB 23-10-2017 J-041	0.98	AAA
9.90% TATA SONS NCD 18-03-2016	0.68	AAA
	<b>33.18</b>	
<b>Gilts</b>		
7.28% GOI CG 03-06-2019	16.33	
8.28% GOI CG 21-09-2027	9.61	
8.07% GOI CG 03-07-2017	9.12	
8.12% GOI CG 10-12-2020	8.15	
8.83% GOI CG 12-12-2041	0.28	
<b>total gilts</b>	<b>43.48</b>	
<b>total money market</b>	<b>23.33</b>	
<b>total net assets</b>	<b>100.00</b>	

### fund characteristics as on Nov 30, 2013

M. Duration of debt portfolio: 3.65 Years  
YTM of debt portfolio: 9.11%

### asset allocation as on Nov 30, 2013



### SFIN :

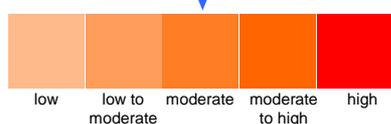
ULGF01030/09/08GPUREDEB01121

Inception Date : 30<sup>th</sup> Sep 2008

### fund objective

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

### fund risk profile



### target asset allocation

Debt Instruments: 100%

### benchmark construction

CRISIL Composite Bond Index: 100%

# Group Pure Debt Fund 1

## fund performance as on Nov 30, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Pure Debt Fund 1	7.99%	9.78%	8.34%	8.11%	9.30%
<b>Benchmark</b>	<b>4.14%</b>	<b>6.81%</b>	<b>6.61%</b>	<b>6.09%</b>	<b>6.82%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

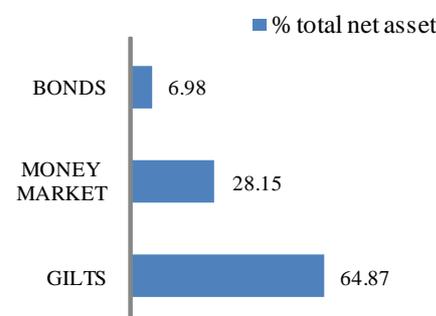
### portfolio As on Nov 30, 2013

security	% total net as-	rat- ing sets
<b>bond/ncd</b>	<b>6.98</b>	
9.81% PFC NCD 07-10-2018 SR109	6.98	AAA
<b>total bond/ncd</b>	<b>6.98</b>	
<b>gilts</b>		
9.20% TAMILNADU SDL 2018	27.70	
7.28% GOI CG 03-06-2019	12.31	
8.28% GOI CG 21-09-2027	8.04	
8.12% GOI CG 10-12-2020	5.99	
8.07% GOI CG 03-07-2017	5.68	
8.83% GOI CG 12-12-2041	2.67	
8.33% GOI CG 09-07-2026	2.47	
<b>total gilts</b>	<b>64.87</b>	
<b>total money market</b>	<b>28.15</b>	
<b>total net assets</b>	<b>100.00</b>	

### fund characteristics as on Nov 30, 2013

M .Duration of debt portfolio: 3.16 Years  
YTM of debt portfolio: 8.46%

### asset allocation as on Nov 30, 2013



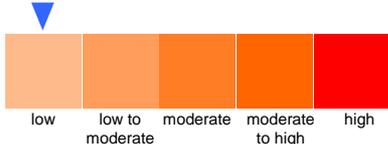
SFIN :  
ULGF00431/01/07GCAPISEC01121

Inception Date : 31<sup>st</sup> Jan 2007

### 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



### target asset allocation

Money market : 100%

### benchmark construction

Yield on 182-day T.Bills : 100%

# Group Capital Secure Fund 1

## fund performance as on Nov 30, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Capital Secure Fund 1	9.75%	9.62%	9.43%	8.80%	8.89%
<b>Benchmark</b>	<b>7.45%</b>	<b>7.97%</b>	<b>7.76%</b>	<b>7.07%</b>	<b>6.89%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

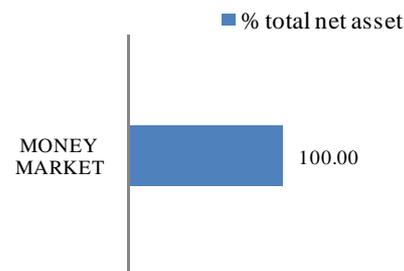
### portfolio As on Nov 30, 2013

security	% total net assets
other money market Instrument	100.00
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Nov 30, 2013

M .Duration of debt portfolio: 0.23 Years  
YTM of debt portfolio: 9.60%

### asset allocation as on Nov 30, 2013



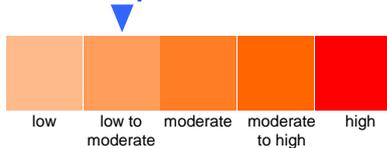
SFIN :  
ULGF01610/12/08GGILTFUN02121

Inception Date : 10<sup>th</sup> Dec 2008

### 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



### target asset allocation

Government Securities: 100%

### benchmark construction

I-Sec Composite Sovereign Bond Index:100%

# Group Gilt Fund 2

## fund performance as on Nov 30, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Gilt Fund 2	5.82%	8.39%	7.49%	7.32%
<b>Benchmark</b>	<b>3.59%</b>	<b>8.35%</b>	<b>7.15%</b>	<b>6.54%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

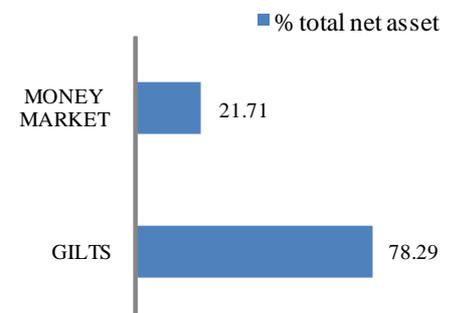
### portfolio As on Nov 30, 2013

security	% total net assets
<b>gilts</b>	
7.28% GOI CG 03-06-2019	20.44
8.28% GOI CG 21-09-2027	19.54
8.12% GOI CG 10-12-2020	14.93
8.33% GOI CG 09-07-2026	10.43
8.83% GOI CG 12-12-2041	7.79
8.07% GOI CG 03-07-2017	5.16
<b>total gilts</b>	<b>78.29</b>
<b>total money market</b>	<b>21.71</b>
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Nov 30, 2013

M. Duration of debt portfolio:	4.96 Years
YTM of debt portfolio:	8.63%

### asset allocation as on Nov 30, 2013



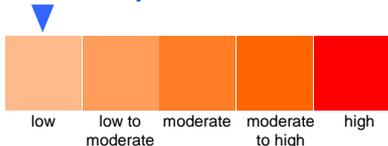
SFIN :  
ULGF00930/09/08GMONMRKT02121

Inception Date : 30<sup>th</sup> Sep 2008

### fund objective

To achieve predictable investment return. This will be achieved through 100% investments in money market, The risk appetite is 'low'.

### fund risk profile



### target asset allocation

Money market : 100%

### benchmark construction

CRISIL Liquid Bond Index: 100%

# Group Money Market Fund 2

## fund performance as on Nov 30, 2013

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Money Market Fund 2	9.67%	9.96%	9.80%	9.17%	9.52%
<b>Benchmark</b>	<b>8.88%</b>	<b>8.74%</b>	<b>8.52%</b>	<b>7.55%</b>	<b>7.15%</b>

\*Returns above 12 months are CAGR ( Compounded Annual Growth Rate ) returns.

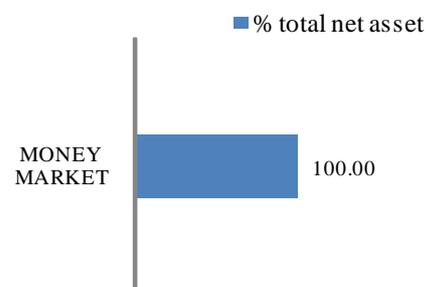
### portfolio As on Nov 30, 2013

	% total net assets
security	
other money market Instrument	100.00
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Nov 30, 2013

M. Duration of debt portfolio: 0.62 Years  
YTM of debt portfolio: 9.16%

### asset allocation as on Nov 30, 2013



SFIN	Plan Name	Fund Name	NAV
ULGF00431/01/07GCAPISEC01121	Reliance Group Gratuity Plan	Group Capital Secure Fund 1	17.1774
ULGF00210/10/03GBALANCE02121	Reliance Group Gratuity Plan	Group Balanced Fund 2	16.4275
ULGF00110/10/03GBALANCE01121	Reliance Group Gratuity Plan	Group Balanced Fund 1	19.6948
ULGF01213/10/08GCORBOND02121	Reliance Group Gratuity Plan	Group Corporate Bond Fund 2	15.2559
ULGF01808/06/09GEQUITYF03121	Reliance Group Gratuity Plan	Group Equity Fund 3	18.2218
ULGF01610/12/08GGILTFUN02121	Reliance Group Gratuity Plan	Group Gilt Fund 2	13.1769
ULGF00930/09/08GMONMRKT02121	Reliance Group Gratuity Plan	Group Money Market Fund 2	15.4832
ULGF00310/10/03GGROWTHF01121	Reliance Group Gratuity Plan	Group Growth Fund 1	15.6757
ULGF01908/06/09GINFRASF01121	Reliance Group Gratuity Plan	Group Infrastructure Fund 1	7.0778
ULGF02008/06/09GMIDCAPF01121	Reliance Group Gratuity Plan	Group Midcap Fund 1	14.3342
ULGF01030/09/08GPUREDEB01121	Reliance Group Gratuity Plan	Group Pure Debt Fund 1	15.3486
ULGF00110/10/03GBALANCE01121	Reliance Group Superannuation Plan	Group Balanced Fund 1	19.6948
ULGF00431/01/07GCAPISEC01121	Reliance Group Superannuation Plan	Group Capital Secure Fund 1	17.1774
ULGF01213/10/08GCORBOND02121	Reliance Group Superannuation Plan	Group Corporate Bond Fund 2	15.2559
ULGF01808/06/09GEQUITYF03121	Reliance Group Superannuation Plan	Group Equity Fund 3	18.2218
ULGF01610/12/08GGILTFUN02121	Reliance Group Superannuation Plan	Group Gilt Fund 2	13.1769
ULGF00310/10/03GGROWTHF01121	Reliance Group Superannuation Plan	Group Growth Fund 1	15.6757
ULGF00930/09/08GMONMRKT02121	Reliance Group Superannuation Plan	Group Money Market Fund 2	15.4832
ULGF01030/09/08GPUREDEB01121	Reliance Group Superannuation Plan	Group Pure Debt Fund 1	15.3486
ULGF00210/10/03GBALANCE02121	Reliance Group Savings Linked Insurance Plan	Group Balanced Fund 2	16.4275
ULGF01213/10/08GCORBOND02121	Reliance Group Savings Linked Insurance Plan	Group Corporate Bond Fund 2	15.2559
ULGF01428/11/08GENERGF01121	Reliance Group Savings Linked Insurance Plan	Group Energy Fund 1	13.3623
ULGF01328/11/08GEQUITYF02121	Reliance Group Savings Linked Insurance Plan	Group Equity Fund 2	21.6733
ULGF01610/12/08GGILTFUN02121	Reliance Group Savings Linked Insurance Plan	Group Gilt Fund 2	13.1769
ULGF01908/06/09GINFRASF01121	Reliance Group Savings Linked Insurance Plan	Group Infrastructure Fund 1	7.0778
ULGF02008/06/09GMIDCAPF01121	Reliance Group Savings Linked Insurance Plan	Group Midcap Fund 1	14.3342
ULGF00930/09/08GMONMRKT02121	Reliance Group Savings Linked Insurance Plan	Group Money Market Fund 2	15.4832
ULGF01030/09/08GPUREDEB01121	Reliance Group Savings Linked Insurance Plan	Group Pure Debt Fund 1	15.3486
ULGF01528/11/08GPUREEQF01121	Reliance Group Savings Linked Insurance Plan	Group Pure Equity Fund 1	20.1096
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Balanced Fund 2	16.4275
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Money Market Fund 2	15.4832
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Corporate Bond Fund 2	15.2559
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Gilt Fund 2	13.1769
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Gratuity Plus Plan	Group Equity Fund 3	18.2218
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Money Market Fund 2	15.4832
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Corporate Bond Fund 2	15.2559
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Gilt Fund 2	13.1769
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Equity Fund 3	18.2218
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Balanced Fund 2	16.4275

## ✓ Macro Analysis

## ✓ Appreciation of Market Dynamics

## ✓ Meeting Investment Objective vis-à-vis Risk Appetite

## ✓ Asset Allocation Strategy

## ✓ Security Selection- Portfolio Constriction

## ✓ Benchmark

## ✓ Risk Management / Portfolio Evolution/ Diagnostics

## ✓ Governance and Process

**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 of 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 process and risk/compliance controls are well documented.

## 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%.

✓ Gross Fund Return

✓ Benchmark Return

✓ Fund Standard Deviation

✓ Fund Sharpe Ratio

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.

✓ **Benchmark Sharpe Ratio**

✓ **Modified Duration Of Debt Profile**

✓ **Fund Beta**

## Disclaimer

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