



RELIANCE

Life Insurance

the analyst

monthly Group fund
factsheet for November 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	31st Oct 13	30th Sep 13	% Change
¹ Rs./\$	61.50	62.62	-1.83
² WPI Inflation Index		179.70	
³ Forex Reserves (\$ bn)	284.05	273.12	3.85
⁴ Brent Crude Price (\$ per Barrel)	96.38	102.33	-6.17
⁵ Gold (Rs. per 10gm)	30683	30186	1.62

Investments	31st Oct 13	30th Sep 13	Absolute Change
¹ FIIIs (Rs Crs)	1876	-520	127.70
¹ Mfs (Rs Crs)	-834	90	110.76

Indices	31st Oct 13	30th Sep 13	% Change
¹ BSE Sensex	21165	19380	8.43
¹ S&P CNX Nifty	6299	5735	8.95
¹ CNX Mid Cap	7535	6998	7.12
¹ BSE Small Cap	5896	5466	7.29

Global Indices	31st Oct 13	30th Sep 13	% Change
¹ Dow Jones	15546	15130	2.68
¹ FTSE 100	6731	6462	4.00
¹ Hang Seng	23206	22860	1.49
¹ Nikkei	14328	14456	-0.89

Sectoral Indices	31st Oct 13	30th Sep 13	% Change
¹ CNX Infrastructure	2393	2136	10.77
¹ CNX Energy	8100	7515	7.22
¹ BSE Capital Goods	9152	7707	15.79
¹ BSE Bankex	13087	10964	16.22
¹ BSE Oil & Gas	8936	8216	8.05
¹ BSE IT	8478	7839	7.53

Fixed Income Indicators (%)	31st Oct 13	30th Sep 13	Absolute Change
¹ NSE Mibor	8.76	8.66	1.14
¹ 91 Day T-Bill	8.63	9.60	-11.30
¹ 182 Day T-Bill	8.58	9.50	-10.79
¹ 1 year GOI Benchmark	8.96	9.10	-1.55
¹ 5 Year GOI Benchmark	8.46	8.73	-3.19
¹ 10 Year GOI Benchmark	8.63	8.76	-1.55
¹ 5 Year Corp Bond Benchmark	9.44	9.79	-3.65
¹ 10 Year AAA Corp Bond Benchmark	9.46	10.02	-5.89
¹ 10 Year US Benchmark	2.55	2.61	-2.18

Source: ¹Bloomberg, ²eaindustry.nic.in, ³RBI

Indian Economy

Persistent high inflation amidst slowing economy while inflow of foreign currency on account of FCNR (B) deposits & banking capital were the hallmark of the last month. Foreign inflows to the tune of USD 10 billion have helped in stabilization of value of INR against foreign currencies as well as improved outlook on Current Account Deficit (CAD).

RBI has further increased the REPO rate by 25 bps to 7.75% in order to control the persistent high Consumer Price Inflation (CPI), while bringing down Marginal Standing Facility Rate (MSF) to 8.75%. Banking liquidity remained tight though eased a bit after being elevated for considerable period of time. Some banks have chosen to increase deposit rates of up-to 1 year maturity as deposit growth is lagging behind credit growth.

After posting robust growth in July 2013, IIP data for August 2013 disappointed as it came in at 0.6% (YoY). The IIP number was let down by manufacturing that plunged back to the red while mining continued contracting for the 11th consecutive month. On a use based classification, capital goods contracted while consumer too continued with their trend. Meanwhile, Oct 2013 PMI remained unchanged from previous month print of 49.6, while both input and output prices went up.

WPI inflation continued its hardening trend, coming in at 6.5% (YoY) in September 2013 as against 6.1% (YoY) in August 2013. Food inflation remained high at 18% as vegetable prices are still firm. Core WPI inflation was stable at 2% (YoY). CPI succumbed to the firm vegetable prices, as it rose to 9.8% (YoY) in September 2013 from 9.5% (YoY) in August 2013 after declining for the last couple of months. Similarly, core CPI inflation too rose to 8.4% (YoY) September 2013 from 8.2% (YoY) as noted in August 2013.

The yield of benchmark 10 year government bond have fallen from 8.77% to 8.63% during the month. Yield on corporate bonds have also eased commensurately across the yield curve. Money market yields have also softened by 25 bps.

Fixed Income Outlook:

Going forward, it is expected that interest rates will remain firm due to persistence high inflation though RBI is maneuvering to give a boost to the growth while maintaining stable lower inflationary environment. Additionally, volatility will be high as there would be uncertainly associated with expected reduction in asset purchase program of US- FED.

Equity Market

Indian equities had a subdued start to Oct as the impending US Govt shutdown cast a gloom. However market gained momentum over the month as FII inflows increased, with the benchmark Nifty index closing at multi year highs. Nifty rose 9.8% in Oct as sentiments were largely buoyed by the 2Q earnings season that was kicked off by Infosys on a positive note. Sector wise, Financials and Industrials were the outperformers in Oct while FMCG was the only sector in the red.

WPI inflation continued its hardening trend, coming in at 6.5% in Sep as against 6.1% in Aug. Food inflation remained high at 18% while core inflation was stable at 2%. As expected, the RBI in its policy meet in Oct raised the repo rate by 25bps to 7.75% and also lowered the MSF rate by 25bps as the policy focus remained clearly on controlling inflation, while being mindful of impact on growth.

Most IT bigwigs reported over Oct with Infosys commencing the earnings season with an operationally strong quarter, backed by good volume growth. In the Banking space, private sector names such as ICICI, Axis, Yes surprised positively as they reported ahead of expectations despite a difficult funding quarter. Asset quality remained a concern as most reported a decline or at best a flat performance over the quarter.

Pharma space saw Dr Reddy's report a big beat this quarter as its focus on niche and complex products paid off while a big miss came from Ranbaxy -on onetime contractual obligations. In the Infra space, L&T's 2Q results were cheered by the market as topline grew better than expectations leading to margins which were better than expected. Among Autos, Maruti's 2Q margins improved on account of forex gains from a weak INR and also effective cost control measures while Bajaj too was a beneficiary of the depreciating INR that led to surging exports. Meanwhile, Hero Motorcorp reported slight margin improvement due to the price hike taken in May.

In the Energy sector, RIL was in the news as the govt. directed it to relinquish 5 blocks in the KG-D6 basin, for failing to develop the area within allotted time. FMCG major ITC disappointed as its primary cigarettes biz reported subdued revenues on volumes decline and mix-shift.

In the Telecom space, Bharti reported a smart recovery in its Africa biz after 2 quarters of decline. Among Media stocks while Zee gained on lumpy revenue growth over the quarter, the highlight of Dish TV's results was the Rs 2.35bn debt reduction over 1H - which augers well for the stock. In the Cement sector, UltraTech results disappointed as profits were dampened by weak realizations as well as higher costs.

Continuing with the reversed trend seen in Sep, FIIs continued to be net buyers in Oct as well, with net inflows to the tune of \$2.9bn that took the YTD figure to \$16.3bn net inflows. DIIs remained on the other side, net sellers to the tune of \$2bn - with Insurance companies accounting for over half the outflows at \$1.4bn and MFs contributing \$580mn. YTD, DIIs were net sellers at \$10.3bn.

Equity Outlook:

In the month ahead, all eyes will be glued on to see if the market momentum is sustained for the remainder of the earnings season and whether the FII inflows continue unabated.

fund snapshot

gross return (CAGR*) (%) As on Oct 31, 2013

asset allocation	funds	Last 1 Year	Last 2 Year	Last 3 Year	Page No.
100% equity	Group Equity Fund 2	8.62%	9.39%	2.16%	4
100% equity	Group Equity Fund 3	8.85%	16.01%	8.29%	5
100% pure equity	Group Pure Equity Fund 1	11.47%	8.38%	2.14%	6
100% equity	Group Infrastructure Fund 1	-9.31%	-7.15%	-12.41%	7
100% equity	Group Energy Fund 1	-4.70%	-2.10%	-6.30%	8
100% equity	Group Midcap Fund 1	6.39%	9.80%	-1.64%	9
40% equity, 60% debt	Group Growth Fund 1	8.20%	9.73%	5.74%	10
20% equity, 80% debt	Group Balanced Fund 1	7.11%	8.96%	6.67%	11
20% equity, 80% debt	Group Balanced Fund 2	7.62%	9.39%	7.13%	12
100% bond instruments	Group Corporate Bond Fund 2	7.34%	9.46%	8.18%	13
100% debt Instruments	Group Pure Debt Fund 1	8.63%	10.12%	8.56%	14
100% money market	Group Capital Secure Fund 1	9.70%	9.59%	9.36%	15
100% govt. securities	Group Gilt Fund 2	6.78%	8.98%	7.83%	16
100% money market	Group Money Market Fund 2	9.73%	9.98%	9.77%	17

SFIN :

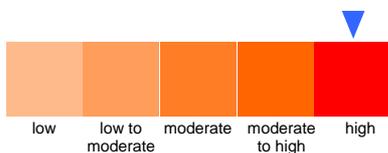
ULGF00724/10/07GEQUITYF01121

Inception Date : 30th 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 Oct 31, 2013

gross return				
fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 2	8.62%	9.39%	2.16%	8.69%
Benchmark	12.09%	8.75%	1.54%	7.53%

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

portfolio As on Oct 31, 2013

security	% total net assets
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equity

INFOSYS LTD	8.50
ITC LTD	8.16
RELIANCE INDUSTRIES LTD.	7.40
HDFC BANK LTD	7.40
ICICI BANK LTD.	7.14
DIVIS LABORATORIES LTD	6.34
TATA CONSULTANCY SERVICES LTD.	5.14
HDFC LTD	4.81
LARSEN & TUBRO	4.53
MARUTI UDYOG LTD.	2.53
YES BANK LTD	2.48
TATA MOTORS LTD	2.37
CUMMINS INDIA	2.25
SUN PHARMACEUTICAL INDUSTRIES LTD	2.25
BHARTI AIRTEL LTD	2.19
ULTRATECH CEMCO LTD	2.19
MAHINDRA & MAHINDRA LTD	2.15
ONGC	2.08
MOTHERSON SUMI SYSTEMS LTD.	1.80
BAJAJ AUTO LTD	1.70
JSW STEEL LTD	1.61
SESA STERLITE LTD	1.29
STRIDES ARCOLAB LTD	1.28
LUPIN LTD	1.13
INDIABULLS HOUSING FINANCE LTD	1.09
AUROBINDO PHARMA LTD	1.02
CAIRN INDIA LTD	0.76
HINDALCO INDUSTRIES LTD	0.74
JINDAL STEEL & POWER LTD.	0.72
ZEE ENTERTAINMENT ENTERPRISES LTD	0.69
AXIS BANK LTD	0.68
OIL INDIA LTD	0.63
HT MEDIA LTD	0.62
D.B. CORP LTD	0.55
SML ISUZU LTD	0.52
RANBAXY	0.44
BHARAT PETROLEUM CORP. LTD.	0.35

97.52

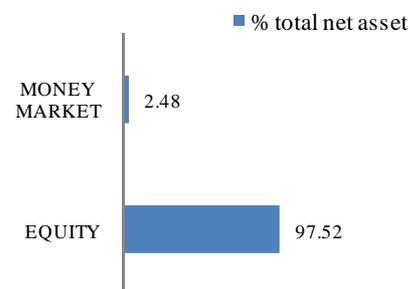
total money market 2.48

total net assets 100.00

fund characteristics as on Oct 31, 2013

Fund Beta 0.98

asset allocation as on Oct 31, 2013



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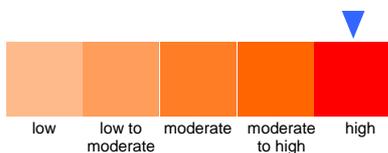
ULGF01808/06/09GEQUITYF03121

Inception Date : 8th 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 Oct 31, 2013

fund name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 3	8.85%	16.01%	8.29%	13.61%
Benchmark	12.09%	8.75%	1.54%	7.53%

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

portfolio As on Oct 31, 2013

security % total net assets

equity

INFOSYS LTD	7.93
ITC LTD	7.38
HDFC BANK LTD	7.30
ICICI BANK LTD.	7.24
RELIANCE INDUSTRIES LTD.	6.89
LARSEN & TUBRO	5.28
DIVIS LABORATORIES LTD	5.08
TATA CONSULTANCY SERVICES LTD.	3.91
HDFC LTD	3.89
CUMMINS INDIA	2.85
TATA MOTORS LTD	2.63
BHARTI AIRTEL LTD	2.59
MARUTI UDYOG LTD.	2.32
STATE BANK OF INDIA	2.09
ONGC	2.04
MAHINDRA & MAHINDRA LTD	1.96
YES BANK LTD	1.82
SUN PHARMACEUTICAL INDUSTRIES LTD	1.69
ULTRATECH CEMCO LTD	1.54
MOTHERSON SUMI SYSTEMS LTD.	1.45
JSW STEEL LTD	1.24
SESA STERLITE LTD	1.19
BAJAJ AUTO LTD	1.19
LUPIN LTD	1.08
CAIRN INDIA LTD	1.04
AUROBINDO PHARMA LTD	0.91
INDIABULLS HOUSING FINANCE LTD	0.84
RANBAXY	0.73
CROMPTON GREAVES LTD	0.70
HINDALCO INDUSTRIES LTD	0.66
JINDAL STEEL & POWER LTD.	0.65
AXIS BANK LTD	0.61
ZEE ENTERTAINMENT ENTERPRISES LTD	0.56
OIL INDIA LTD	0.53
BHARAT PETROLEUM CORP. LTD.	0.27
STRIDES ARCOLAB LTD	0.26
HT MEDIA LTD	0.19
SML ISUZU LTD	0.15

total equity 90.69

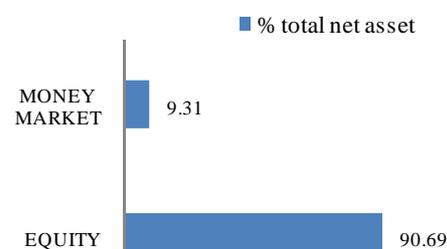
total money market 9.31

total net assets 100.00

fund characteristics as on Oct 31, 2013

Fund Beta 1.00

asset allocation as on Oct 31, 2013



RELIANCE

Life Insurance

SFIN :

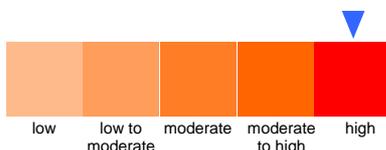
ULGF01528/11/08GPUREEQF01121

Inception Date : 16th 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 Oct 31, 2013

gross return				
Fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Pure Equity Fund 1	11.47%	8.38%	2.14%	7.14%
Benchmark	20.99%	9.37%	2.94%	7.02%

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

portfolio As on Oct 31, 2013

security % total net assets

equity

RELIANCE INDUSTRIES LTD.	8.91
BHARTI AIRTEL LTD	8.60
TATA CONSULTANCY SERVICES LTD.	8.10
HINDUSTAN LEVER LTD.	6.16
INFOSYS LTD	5.80
ASIAN PAINTS LTD	5.35
DR. REDDY LABORATORIES	5.23
BAJAJ AUTO LTD	5.12
ONGC	4.34
LARSEN & TUBRO	4.33
ULTRATECH CEMCO LTD	3.42
MARUTI UDYOG LTD.	3.13
GRASIM INDUSTRIES LTD.	2.84
SANOFI INDIA LTD	2.39
LUPIN LTD	2.35
HERO MOTOCORP LTD	2.30
TATA GLOBAL BEVERAGES LTD	2.18
CROMPTON GREAVES LTD	2.18
MOTHERSON SUMI SYSTEMS LTD.	2.04
DIVIS LABORATORIES LTD	1.90
PETRONET LNG LTD	1.84
VOLTAS LTD	1.68
GAS AUTHORITY OF INDIA LTD.	1.63
CUMMINS INDIA	1.39
CAIRN INDIA LTD	1.27
OIL INDIA LTD	0.71
95.18	

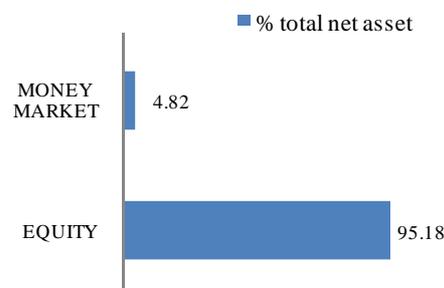
total money market 4.82

total net assets 100.00

fund characteristics as on Oct 31, 2013

Fund Beta 0.91

asset allocation as on Oct 31, 2013



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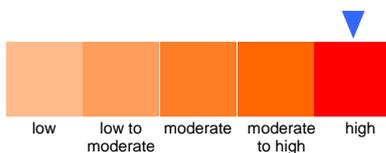
ULGF01908/06/09GINFRASF01121

Inception Date : 8th 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 Oct 31, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Infrastructure Fund 1	-9.31%	-7.15%	-12.41%	-7.20%
Benchmark	-3.72%	-5.54%	-12.71%	-7.90%

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

portfolio As on Oct 31, 2013

security % total net assets

equity

RELIANCE INDUSTRIES LTD.	8.93
BHARTI AIRTEL LTD	8.91
NTPC LTD	8.89
LARSEN & TUBRO	8.82
ONGC	8.07
TATA POWER CO. LTD	7.56
COAL INDIA LTD	6.07
IDEA CELLULAR LTD	5.11
BHARAT FORGE	5.04
POWER GRID CORP OF INDIA LTD	4.83
CUMMINS INDIA	3.65
BHARAT HEAVY ELECTRICALS LTD	3.63
PETRONET LNG LTD	3.28
MOTHERSON SUMI SYSTEMS LTD.	2.05
CROMPTON GREAVES LTD	2.02
JINDAL STEEL & POWER LTD.	1.85
INDRAPRASTHA GAS LTD	1.70
VOLTAS LTD	1.41
HINDALCO INDUSTRIES LTD	0.93

92.75

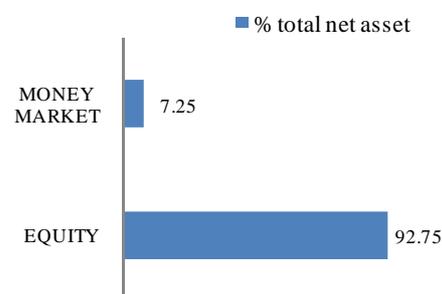
total money market 7.25

total net assets 100.00

fund characteristics as on Oct 31, 2013

Fund Beta 0.81

asset allocation as on Oct 31, 2013



RELIANCE

Life Insurance

SFIN :

ULGF01428/11/08GENERGYF01121

Inception Date : 16th 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 Oct 31, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Energy Fund 1	-4.70%	-2.10%	-6.30%	-1.12%
Benchmark	4.04%	-0.80%	-6.87%	-1.71%

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

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

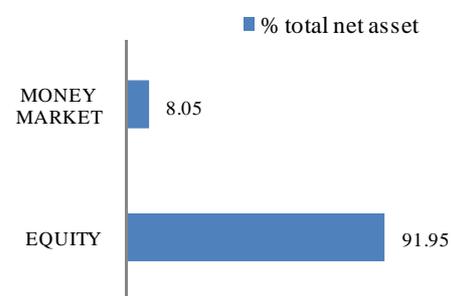
portfolio As on Oct 31, 2013

security	% total net assets
equity	
RELIANCE INDUSTRIES LTD.	9.16
LARSEN & TUBRO	8.74
NTPC LTD	8.61
OIL INDIA LTD	8.13
ONGC	7.70
CAIRN INDIA LTD	6.41
CUMMINS INDIA	6.12
TATA POWER CO. LTD	5.66
GAS AUTHORITY OF INDIA LTD.	5.42
COAL INDIA LTD	4.95
BHARAT PETROLEUM CORP. LTD.	4.90
PETRONET LNG LTD	4.55
INDRAPRASTHA GAS LTD	4.23
POWER GRID CORP OF INDIA LTD	3.41
JINDAL STEEL & POWER LTD.	2.13
CROMPTON GREAVES LTD	1.83
	91.95
total money market	8.05
total net assets	100.00

fund characteristics as on Oct 31, 2013

Fund Beta 0.85

asset allocation as on Oct 31, 2013



SFIN :

ULGF02008/06/09GMIDCAPF01121

Inception Date : 8th 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 Oct 31, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Midcap Fund 1	6.39%	9.80%	-1.64%	5.19%
Benchmark	-4.14%	-1.76%	-12.25%	-3.03%

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

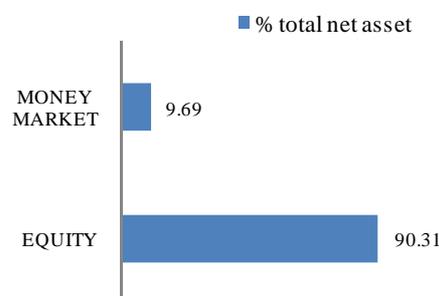
portfolio As on Oct 31, 2013

security	% total net assets
equity	
UNITED SPIRITS LTD	8.06
ZEE ENTERTAINMENT ENTERPRISES LTD	6.27
CUMMINS INDIA	5.53
PETRONET LNG LTD	5.35
RADICO KHAITAN LTD	5.14
ADITYA BIRLA NUVO LTD	5.11
ICICI BANK LTD.	5.11
TATA GLOBAL BEVERAGES LTD	4.80
TATA CHEMICALS LTD.	4.50
DIVIS LABORATORIES LTD	4.07
PURAVANKARA PROJECTS LTD	4.06
INDIABULLS HOUSING FINANCE LTD	3.79
STRIDES ARCOLAB LTD	3.76
AUROBINDO PHARMA LTD	3.64
D.B. CORP LTD	3.43
IDEA CELLULAR LTD	2.81
JSW STEEL LTD	2.23
CROMPTON GREAVES LTD	2.23
YES BANK LTD	2.15
TATA CONSULTANCY SERVICES LTD.	1.75
HT MEDIA LTD	1.56
VOLTAS LTD	1.39
GUJARAT FLUOROCEMICALS LTD.	1.25
BHARAT FORGE	1.17
INDRAPRASTHA GAS LTD	1.15
total equity	90.31
total money market	9.69
total net assets	100.00

fund characteristics as on Oct 31, 2013

Fund Beta 0.79

asset allocation as on Oct 31, 2013



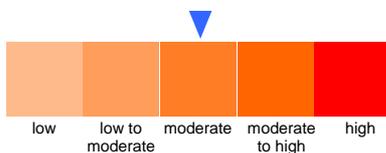
SFIN :
ULGF00310/10/03GGROWTHF01121

Inception Date : 31st 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 Oct 31, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Growth Fund 1	8.20%	9.73%	5.74%	7.93%	12.27%
Benchmark	8.05%	8.07%	5.22%	7.31%	11.72%

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

portfolio As on Oct 31, 2013

security	% total net assets	rating
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bond/ncd

9.55% HINDALCO NCD 27-06-2022	5.71	AA+
10.60% IRFC NCB 11-09-2018	2.03	AAA

total bond/cd

7.75

gilts

8.28% GOI CG 21-09-2027	6.65
8.33% GOI CG 09-07-2026	4.12
7.28% GOI CG 03-06-2019	2.91
8.12% GOI CG 10-12-2020	1.76
8.83% GOI CG 12-12-2041	1.33
8.07% GOI CG 03-07-2017	1.25

total gilts

18.02

equity

INFOSYS LTD	3.27
ITC LTD	3.27
RELIANCE INDUSTRIES LTD.	2.79
HDFC BANK LTD	2.71
ICICI BANK LTD.	2.38
DIVIS LABORATORIES LTD	2.16
HDFC LTD	2.16
TATA CONSULTANCY SERVICES LTD.	1.96
LARSEN & TUBRO	1.83
YES BANK LTD	1.19
ONGC	1.08
TATA MOTORS LTD	1.07
UNITED SPIRITS LTD	1.06
MAHINDRA & MAHINDRA LTD	0.95
BHARTI AIRTEL LTD	0.92
SUN PHARMACEUTICAL INDUSTRIES LTD	0.86
JSW STEEL LTD	0.79
MARUTI UDYOG LTD.	0.78
SANOFI INDIA LTD	0.65
ULTRATECH CEMCO LTD	0.64
STATE BANK OF INDIA	0.56
AUROBINDO PHARMA LTD	0.54
CUMMINS INDIA	0.53
INDIABULLS HOUSING FINANCE LTD	0.46
BAJAJ AUTO LTD	0.45
SESA STERLITE LTD	0.42
LUPIN LTD	0.41
STRIDES ARCOLAB LTD	0.37
MOTHERSON SUMI SYSTEMS LTD.	0.36
HINDALCO INDUSTRIES LTD	0.27
SML ISUZU LTD	0.18

total equity

37.07

total money market

37.17

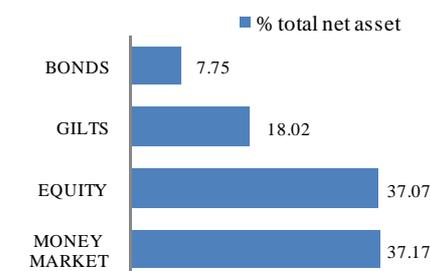
total net assets

100.00

fund characteristics as on Oct 31, 2013

M. Duration of debt portfolio: 2.30Years
YTM of debt portfolio: 8.51%
Fund Beta: 0.99

asset allocation as on Oct 31, 2013



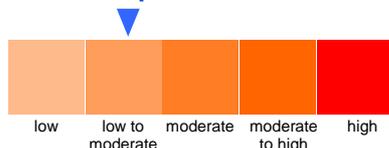
SFIN :
ULGF00110/10/03GBALANCE01121

Inception Date : 29th 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 Oct 31, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 1	7.11%	8.96%	6.67%	7.62%	10.35%
Benchmark	6.52%	7.61%	6.21%	6.98%	9.57%

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

portfolio As on Oct 31, 2013

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

bond/ncd

9.67% TATA SONS NCD 13-09-2022	8.25	AAA
9.57% LICHL NCD 07-09-2017	4.10	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	3.97	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.32	AAA
8.68% NCRPB NCB 18-08-2019	3.02	AAA
10.60% IRFC NCB 11-09-2018	1.07	AAA

total bond/cd 23.72

gilts

8.28% GOI CG 21-09-2027	9.01
8.33% GOI CG 09-07-2026	5.05
8.83% GOI CG 12-12-2041	1.70
8.07% GOI CG 03-07-2017	1.64
8.12% GOI CG 10-12-2020	1.09
7.28% GOI CG 03-06-2019	0.67

total gilts 19.16

equity

INFOSYS LTD	1.75
ITC LTD	1.66
RELIANCE INDUSTRIES LTD.	1.43
HDFC BANK LTD	1.39
ICICI BANK LTD.	1.25
HDFC LTD	1.16
DIVIS LABORATORIES LTD	1.04
LARSEN & TUBRO	0.88
TATA CONSULTANCY SERVICES LTD.	0.84
TATA MOTORS LTD	0.72
YES BANK LTD	0.60
BHARTI AIRTEL LTD	0.56
UNITED SPIRITS LTD	0.56
ONGC	0.51
ULTRATECH CEMCO LTD	0.46
MAHINDRA & MAHINDRA LTD	0.45
SUN PHARMACEUTICAL INDUSTRIES LTD	0.45
SESA STERLITE LTD	0.39
MARUTI UDYOG LTD.	0.38
JSW STEEL LTD	0.38
SANOFI INDIA LTD	0.37
CUMMINS INDIA	0.30
BAJAJ AUTO LTD	0.24
INDIABULLS HOUSING FINANCE LTD	0.22
LUPIN LTD	0.21
AUROBINDO PHARMA LTD	0.18
MOTHERSON SUMI SYSTEMS LTD.	0.14
HINDALCO INDUSTRIES LTD	0.14
STATE BANK OF INDIA	0.11
STRIDES ARCOLAB LTD	0.08
SML ISUZU LTD	0.07

total equity 18.90

total money market 38.22

total net assets 100.00

fund characteristics as on Oct 31, 2013

M. Duration of debt portfolio:	3.05 Years
YTM of debt portfolio:	8.67%
Fund Beta:	0.99

asset allocation as on Oct 31, 2013



target asset allocation

Debt:	80%
Equity:	20%

benchmark construction

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

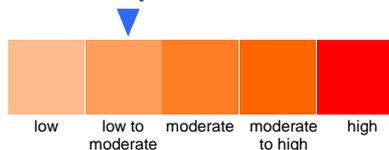
SFIN :
ULGF00210/10/03GBALANCE02121

Inception Date : 31th 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



target asset allocation

Debt.: 80%
Equity: 20%

benchmark construction

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

Group Balanced Fund 2

fund performance as on Oct 31, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 2	7.62%	9.39%	7.13%	8.00%	10.74%
Benchmark	6.52%	7.61%	6.21%	6.98%	9.57%

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

portfolio As on Oct 31, 2013

security	% total assets	rating net
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bond/ncd

10.20% RELIANCE POWER LTD NCD 12-06-2014	3.41	A1
8.70% REC NCD 01-02-2018 112	3.32	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.08	AAA
9.70% TATA SONS NCD 25-07-2022	2.88	AAA
9.75% SRTRANSFIN NCD 01-06-2015	2.73	AA
9.81% PFC NCD 07-10-2018 SR109	1.73	AAA
8.80% PGCIL NCD 13-03-2023 XLII	1.20	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	0.55	AAA
10.35% NCD(B)HDFC 16-05-2017	0.47	AAA
9.70% UNITEDPHOSPHORUS NCD 09-04-2017 A	0.46	AA+
8.70% PGCIL NCD 15-07-2023 STRPPS B	0.33	AAA
8.68% NCRPB NCB 18-08-2019	0.22	AAA

total bond/cd 22.20

gilts

8.28% GOI CG 21-09-2027	9.09
8.33% GOI CG 09-07-2026	5.11
8.83% GOI CG 12-12-2041	2.51
7.28% GOI CG 03-06-2019	2.28
8.07% GOI CG 03-07-2017	1.60
8.12% GOI CG 10-12-2020	1.10

21.69

equity

INFOSYS LTD	1.73
ITC LTD	1.59
RELIANCE INDUSTRIES LTD.	1.40
HDFC BANK LTD	1.36
ICICI BANK LTD.	1.24
HDFC LTD	1.03
TATA CONSULTANCY SERVICES LTD.	0.96
DIVIS LABORATORIES LTD	0.95
LARSEN & TUBRO	0.93
TATA MOTORS LTD	0.69
YES BANK LTD	0.56
BHARTI AIRTEL LTD	0.53
ULTRATECH CEMCO LTD	0.51
ONGC	0.50
SUN PHARMACEUTICAL INDUSTRIES LTD	0.46
MAHINDRA & MAHINDRA LTD	0.45
CUMMINS INDIA	0.40
MARUTI UDYOG LTD.	0.38
STATE BANK OF INDIA	0.37
SANOFI INDIA LTD	0.36
JSW STEEL LTD	0.36
SESA STERLITE LTD	0.34
AUROBINDO PHARMA LTD	0.32
BAJAJ AUTO LTD	0.23
INDIABULLS HOUSING FINANCE LTD	0.22
LUPIN LTD	0.21
STRIDES ARCOLAB LTD	0.16
JAIPRAKASH ASSOCIATE	0.14
HINDALCO INDUSTRIES LTD	0.14
MOTHERSON SUMI SYSTEMS LTD.	0.10
SML ISUZU LTD	0.07

total equity 18.70

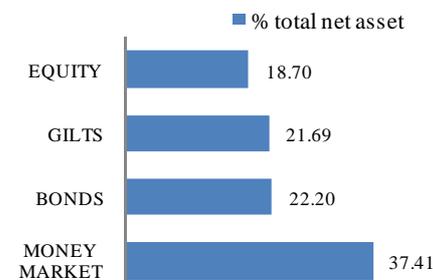
total money market 37.41

total net assets 100.00

fund characteristics as on Oct 31, 2013

M. Duration of debt portfolio: 2.84 Years
YTM of debt portfolio: 8.75%
Fund Beta: 1.00

asset allocation as on Oct 31, 2013



SFIN :

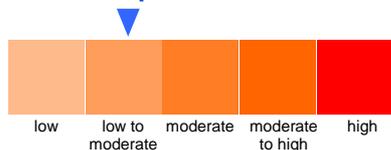
ULGF01213/10/08GCORBOND02121

Inception Date : 13th 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



Group Corporate Bond Fund 2

fund performance as on Oct 31, 2013

gross return				
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Corporate Bond Fund 2	7.34%	9.46%	8.18%	8.23%
Benchmark	4.89%	7.28%	6.81%	6.43%

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

portfolio As on Oct 31, 2013

security	% total net assets	rating
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bond/ncd

8.80% PGCIL NCD 13-03-2023 XLII	5.45	AAA
9.70% TATA SONS NCD 16-08-2022	3.94	AAA
9.80% PFC NCD 27-09-2016 108	3.94	AAA
9.70% LICHL NCD 11-06-2017	3.93	AAA
9.30% HDFC NCD 04-10-2017 J-033	3.87	AAA
9.05% REC NCD 17-10-2016 116THOPTI	3.87	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	3.78	AAA
8.92% NIRMA NCD 28-05-2018 D/13-14	3.72	AA
8.70% REC NCD 01-02-2018 112	3.56	AAA
10.20% RELIANCE POWER LTD NCD 12-06-2014	2.88	A1
9.25% PGCIL NCD 26-12-2016 B	2.33	AAA
9.57% LICHL NCD 07-09-2017	2.11	AAA
8.75% RIL NCD 07-05-2020	1.50	AAA
11.95% HDFC DB 26-11-2018	0.85	AAA
9.55% HINDALCO NCD 27-06-2022	0.54	AA+
0.00% HDFC ZCB 23-10-2017 J-041	0.34	AAA
9.90% TATA SONS NCD 18-03-2016	0.24	AAA
11.50% REC NCB 26-11-2013	0.08	AAA

total bond/ncd 46.91

Gilts

8.28% GOI CG 21-09-2027	8.36
7.28% GOI CG 03-06-2019	8.21
8.07% GOI CG 03-07-2017	7.01
8.12% GOI CG 10-12-2020	2.08
8.33% GOI CG 09-07-2026	1.78
8.83% GOI CG 12-12-2041	0.10

total gilts 27.54

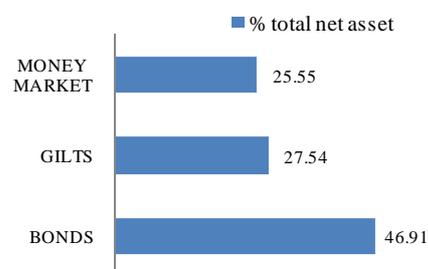
total money market 25.55

total net assets 100.00

fund characteristics as on Oct 31, 2013

M. Duration of debt portfolio: 3.26 Years
YTM of debt portfolio: 8.92%

asset allocation as on Oct 31, 2013



target asset allocation

Bond Instruments: 100%

benchmark construction

CRISIL Composite Bond Index: 100%

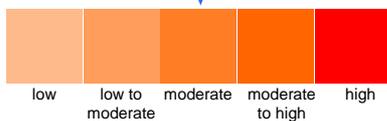
SFIN :
ULGF01030/09/08GPUREDEB01121

Inception Date : 30th 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 Oct 31, 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	8.63%	10.12%	8.56%	8.60%	9.54%
Benchmark	4.89%	7.28%	6.81%	6.43%	7.11%

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

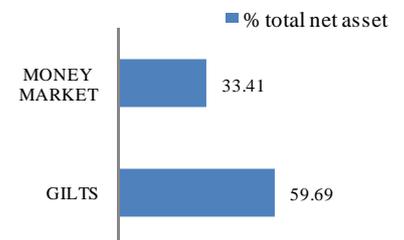
portfolio As on Oct 31, 2013

security	% total net assets	rating
bond/ncd	6.90	AAA
9.81% PFC NCD 07-10-2018 SR109	6.90	AAA
total bond/ncd	6.90	
gilts		
9.20% TAMILNADU SDL 2018	27.31	
8.28% GOI CG 21-09-2027	14.33	
8.07% GOI CG 03-07-2017	5.60	
7.28% GOI CG 03-06-2019	5.13	
8.33% GOI CG 09-07-2026	2.99	
8.83% GOI CG 12-12-2041	2.67	
8.12% GOI CG 10-12-2020	1.65	
total gilts	59.69	
total money market	33.41	
total net assets	100.00	

fund characteristics as on Oct 31, 2013

M .Duration of debt portfolio: 3.46 Years
YTM of debt portfolio: 8.67%

asset allocation as on Oct 31, 2013



SFIN :

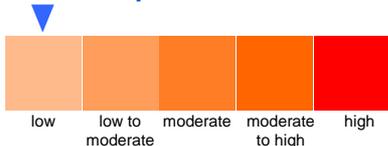
ULGF00431/01/07GCAPISEC01121

Inception Date : 31st 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 Oct 31, 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	9.70%	9.59%	9.36%	8.74%	8.90%
Benchmark	7.50%	7.98%	7.73%	7.05%	6.91%

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

portfolio As on Oct 31, 2013

security	% total net assets
other money market Instrument	100.00
total net assets	100.00

fund characteristics as on Oct 31, 2013

YTM of debt portfolio: 9.53%

asset allocation as on Oct 31, 2013



SFIN :

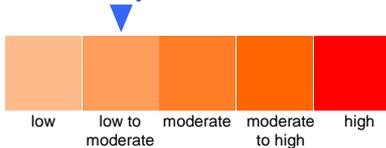
ULGF01610/12/08GGILTFUN02121

Inception Date : 10th 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 Oct 31, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Gilt Fund 2	6.78%	8.98%	7.83%	7.59%
Benchmark	5.09%	9.18%	7.71%	7.15%

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

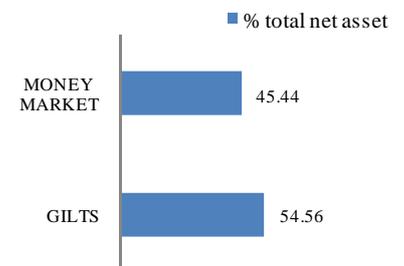
portfolio As on Oct 31, 2013

security	% total net assets
gilts	
8.28% GOI CG 21-09-2027	25.61
8.33% GOI CG 09-07-2026	13.04
8.83% GOI CG 12-12-2041	7.86
8.07% GOI CG 03-07-2017	5.14
7.28% GOI CG 03-06-2019	2.91
total gilts	54.56
total money market	45.44
total net assets	100.00

fund characteristics as on Oct 31, 2013

M. Duration of debt portfolio: 4.09 Years
YTM of debt portfolio: 8.54%

asset allocation as on Oct 31, 2013



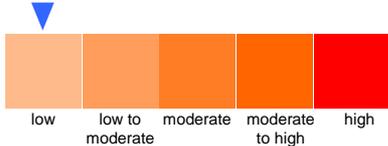
SFIN :
ULGF00930/09/08GMONMRKT02121

Inception Date : 30th 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 Oct 31, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Money Market Fund 2	9.73%	9.98%	9.77%	9.14%
Benchmark	8.84%	8.74%	8.49%	7.43%

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

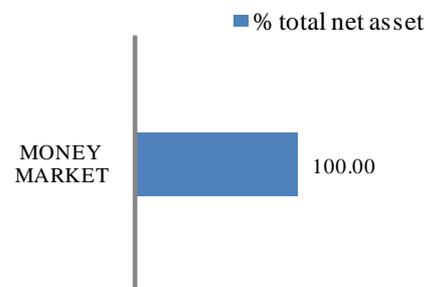
portfolio As on Oct 31, 2013

security	% total net assets
other money market Instrument	100.00
total net assets	100.00

fund characteristics as on Oct 31, 2013

YTM of debt portfolio: 9.08%

asset allocation as on Oct 31, 2013



SFIN	Plan Name	Fund Name	NAV
ULGF00431/01/07GCAPISEC01121	Reliance Group Gratuity Plan	Group Capital Secure Fund 1	17.0542
ULGF00210/10/03GBALANCE02121	Reliance Group Gratuity Plan	Group Balanced Fund 2	16.4098
ULGF00110/10/03GBALANCE01121	Reliance Group Gratuity Plan	Group Balanced Fund 1	19.7346
ULGF01213/10/08GCORBOND02121	Reliance Group Gratuity Plan	Group Corporate Bond Fund 2	15.2398
ULGF01808/06/09GEQUITYF03121	Reliance Group Gratuity Plan	Group Equity Fund 3	18.1684
ULGF01610/12/08GGILTFUN02121	Reliance Group Gratuity Plan	Group Gilt Fund 2	13.2113
ULGF00930/09/08GMONMRKT02121	Reliance Group Gratuity Plan	Group Money Market Fund 2	15.3816
ULGF00310/10/03GGROWTHF01121	Reliance Group Gratuity Plan	Group Growth Fund 1	15.6157
ULGF01908/06/09GINFRASF01121	Reliance Group Gratuity Plan	Group Infrastructure Fund 1	7.0581
ULGF02008/06/09GMIDCAPF01121	Reliance Group Gratuity Plan	Group Midcap Fund 1	13.7987
ULGF01030/09/08GPUREDEB01121	Reliance Group Gratuity Plan	Group Pure Debt Fund 1	15.3476
ULGF00110/10/03GBALANCE01121	Reliance Group Superannuation Plan	Group Balanced Fund 1	19.7346
ULGF00431/01/07GCAPISEC01121	Reliance Group Superannuation Plan	Group Capital Secure Fund 1	17.0542
ULGF01213/10/08GCORBOND02121	Reliance Group Superannuation Plan	Group Corporate Bond Fund 2	15.2398
ULGF01808/06/09GEQUITYF03121	Reliance Group Superannuation Plan	Group Equity Fund 3	18.1684
ULGF01610/12/08GGILTFUN02121	Reliance Group Superannuation Plan	Group Gilt Fund 2	13.2113
ULGF00310/10/03GGROWTHF01121	Reliance Group Superannuation Plan	Group Growth Fund 1	15.6157
ULGF00930/09/08GMONMRKT02121	Reliance Group Superannuation Plan	Group Money Market Fund 2	15.3816
ULGF01030/09/08GPUREDEB01121	Reliance Group Superannuation Plan	Group Pure Debt Fund 1	15.3476
ULGF00210/10/03GBALANCE02121	Reliance Group Savings Linked Insurance Plan	Group Balanced Fund 2	16.4098
ULGF01213/10/08GCORBOND02121	Reliance Group Savings Linked Insurance Plan	Group Corporate Bond Fund 2	15.2398
ULGF01428/11/08GENERGF01121	Reliance Group Savings Linked Insurance Plan	Group Energy Fund 1	13.2424
ULGF01328/11/08GEQUITYF02121	Reliance Group Savings Linked Insurance Plan	Group Equity Fund 2	21.5616
ULGF01610/12/08GGILTFUN02121	Reliance Group Savings Linked Insurance Plan	Group Gilt Fund 2	13.2113
ULGF01908/06/09GINFRASF01121	Reliance Group Savings Linked Insurance Plan	Group Infrastructure Fund 1	7.0581
ULGF02008/06/09GMIDCAPF01121	Reliance Group Savings Linked Insurance Plan	Group Midcap Fund 1	13.7987
ULGF00930/09/08GMONMRKT02121	Reliance Group Savings Linked Insurance Plan	Group Money Market Fund 2	15.3816
ULGF01030/09/08GPUREDEB01121	Reliance Group Savings Linked Insurance Plan	Group Pure Debt Fund 1	15.3476
ULGF01528/11/08GPUREEQF01121	Reliance Group Savings Linked Insurance Plan	Group Pure Equity Fund 1	20.3254
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Balanced Fund 2	16.4098
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Money Market Fund 2	15.3816
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Corporate Bond Fund 2	15.2398
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Gilt Fund 2	13.2113
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Gratuity Plus Plan	Group Equity Fund 3	18.1684
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Money Market Fund 2	15.3816
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Corporate Bond Fund 2	15.2398
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Gilt Fund 2	13.2113
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Equity Fund 3	18.1684
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Balanced Fund 2	16.4098

- ✓ 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

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