Reliance Life Insurance

the analyst

monthly Group fund factsheet for October 2013

RELIANCE Life Insurance

the analyst

October 2013

monthly fund factsheet

investment philosophy

Reliance Life Insurance seeks consistent and superior long-term returns with a well-defined and disciplined investment approach symbolizing integrity and transparency to benefit all stakeholders.

Economy Indicators	30th Sep 13	30th Aug 13	% Change
[1]Rs./$	62.62	65.71	-4.93
[2]WPI Inflation Index	179.70	177.50	1.22
[3]Forex Reserves ($ bn)	273.12	275.49	-0.87
[1]Brent Crude Price ($ per Barrel)	102.33	107.65	-5.20
[1]Gold (Rs. per 10gm)	30186	32207	-6.70

Investments	30th Sep 13	30th Aug 13	Absolute Change
[1]FIIs (Rs Crs)	-520	-79	84.83
[1]Mfs (Rs Crs)	90	731	-714.57

Indices	30th Sep 13	30th Aug 13	% Change
[1]BSE Sensex	19380	18620	3.92
[1]S&P CNX Nifty	5735	5472	4.59
[1]CNX Mid Cap	6998	6590	5.83
[1]BSE Small Cap	5466	5191	5.03

Global Indices	30th Sep 13	30th Aug 13	% Change
[1]Dow Jones	15130	14810	2.11
[1]FTSE 100	6462	6413	0.76
[1]Hang Seng	22860	21731	4.94
[1]Nikkei	14456	13389	7.38

Sectoral Indices	30th Sep 13	30th Aug 13	% Change
[1]CNX Infrastructure	2136	1957	8.35
[1]CNX Energy	7515	7380	1.80
[1]BSE Capital Goods	7707	7085	8.06
[1]BSE Bankex	10964	10304	6.02
[1]BSE Oil & Gas	8216	8149	0.81
[1]BSE IT	7839	8028	-2.40

Fixed Income Indicators (%)	30th Sep 13	30th Aug 13	Absolute Change
[1]NSE Mibor	8.66	8.47	2.19
[1]91 Day T-Bill	9.60	11.16	-16.26
[1]182 Day T-Bill	9.50	10.30	-8.42
[1]1 year GOI Benchmark	9.10	10.20	-12.03
[1]5 Year GOI Benchmark	8.73	9.13	-4.58
[1]10 Year GOI Benchmark	8.76	8.61	1.75
[1]5 Year Corp Bond Benchmark	9.79	10.18	-4.02
[1]10 Year AAA Corp Bond Benchmark	10.02	9.75	2.65
[1]10 Year US Benchmark	2.61	2.78	-6.66

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

Indian Economy

Indian Rupee, which was under pressure for last three months, has now started to gaining strength and recovered over 4% during the last month. Measures taken by RBI like allowing banks to raise foreign currency deposits and swap the same at concessional rates to INR has yielded around USD 5.5 billion so far. It is expected that there would be handsome amount by the time this special window closes by November 30, 13. This has brought much needed stability in the USD/ INR. Further, postponement of the reduction in asset purchase program by US FED has also taken away some pressure on the INR. All these have prompted RBI to partially unwind interest rate measures taken to support INR. It has reduced the Marginal Standing Facility (MSF) rate by 75 bps to 9.5% as well as eased the daily maintenance of CRR from 99% to 95%. In order to develop the term money market, RBI has also introduced the 7 and 14 days Repo to augment funds in the banking system. Money Market rates have also eased considerably as cost of the funds came down.

WPI has increased again in August 13 to 6.10% (YoY) against 5.8% (YoY) in the last month on the back of high vegetable prices recording a 3 year high of 18.2%. However, core inflation came off to 1.9% (YoY) in August 13 from 2.8% (YoY) in July 13.

Retail CPI has decelerated marginally in August 13 to 9.52% (YoY) from 9.64% (YoY) last month with food inflation remaining unchanged at 11% (YoY). Vegetable prices went up again by 8.4% (MoM) in August 13 after having increased by 9.1% (MoM) last month. The moderation was seen in fuel and light category, where inflation fell to a 9-month low of 7.6%YoY (0.4%MoM), despite a 7.6% (MoM) surge in international crude prices in rupee terms. This reflects large suppressed inflationary component in retail fuel prices. Core CPI as measured by CPI excluding food and fuel, inched up to 8.2% (YoY) from 8%YoY last month.

Firm Inflation in terms of CPI & WPI as well as change in thinking in RBI where now emphasis will be on both the inflation measures, has prompted them to raise the REPO rate by 25 bps to 7.5% in order to control inflationary outlook. This line of thinking was not expected in the market & consequently yield on benchmark 10 year Government bond has inched up sharply from 8.25% to 8.70%.

Factory output data (IIP) was a pleasant surprise, coming in at 2.6% (YoY) for July 13. While all sectors improved, manufacturing recorded the most significant gains. In terms of use-based classification, capital goods bounced back sharply while consumer goods continued to contract. Meanwhile, PMI for September 13 registered at 49.6, which is a marginal improvement over the previous month (48.5) but remained in the contraction region.

With the onset of busy season and incremental credit deposit ratio for the current financial year is running at over 100%, it is expected that RBI will maintain sufficient liquidity. They may choose not to rollover the maturing Cash Management T bills during the current month as well as, if need arises further, then they may resort to purchase of government securities.

Fixed Income Outlook:

It is expected that RBI will remove the interest rate defense mounted to support INR, once there will be sufficient inflow of foreign exchange through various means as well as able to curb unnecessary imports like gold to bring Current Account Deficit (CAD) to manageable levels. This along with, if, there is a fall in inflation, will impart long term stability to the INR. We expect another round of Repo rate hike in the ensuing month end monetary policy to contain inflation and thus bond yields would be moving in the narrow band in the near term.

However, latest trends in the Government finance indicate that growth in the revenue collection is way below target for the half year of FY 14 as well as there would be slippage on various subsidies. There is hardly any traction in terms of collection on account of non tax revenues like divestment etc. This will impact the fiscal adversely later in the second half. If, government reduces expenditures on the line of what they have last year, then there is a possibility that fiscal deficit may be slipped marginally over budgeted projection. This theme will pan out in the medium term and may lend upward bias to bond yields

Equity Market

The last month has recorded a strong recovery by Indian equities as the benchmark index Nifty gained 4.8% over the month. Markets cheered as the new RBI Governor, Mr. Raghuram Rajan announced measures that aimed at removing restrictions for banks and reinvigorating the financial markets. The rally gained momentum as the Fed surprised markets with its decision to continue with the QE program.

However, the mood was dampened as the RBI announced a 25bps rate hike in its policy meet, taking the repo to 7.5% and reverse repo to 6.5%. The central bank did ease liquidity conditions though, as the MSF rate was brought down by 75bps. On the reforms front, the Oil Min's decision to defer any increase in quantum/frequency of diesel price hike was a setback for the energy sector. Meanwhile with the RBI made it easier for leveraged FCNR $ deposit inflows to come in from NRIs. All of this resulted in INR strengthening by 4% during the month.

Equities witnessed foreign inflows of $285mn in Sep 2013, aided by rights issues by Godrej Properties, Reliance Media Works. With Fed tapering fears easing, FIIs turned back to net buyers after 3 months, with inflows of $2bn, taking the YTD figure to $13.4bn net inflows. DIIs went back to net sellers in Sep 2013, with net outflow of $1.5bn - comprising outflows of $450mn from MFs and $1bn from Insurance companies. YTD, DIIs were net sellers at $8.2bn.

Sector wise, Industrials and Materials were the best performers while Technology and Energy were the under performers. The Pharma space was hit by few US FDA announcements as – a) Ranbaxy received an import alert on its Mohali plant, b) Strides' Agila manufacturing unit obtained a warning letter. Wockhardt too fell on news of 16 observations in the FDA notification issued to it's Chikalthana plant. On the other hand, Sun Pharma rose on expectations of gains from J&J's supply disruption of drug Doxil.

In the Cement sector, Sep 2103, saw Jaiprakash divestment of it's 4.8mt Gujarat cement assets to Ultratech Cement for Rs 38bn. Banking stocks staged a recovery in Sep 2013 on the back of positive statements by the RBI Governor that included abolishment of branch licensing, foreign bank friendly policies etc. Incumbent operators in the Telecom sector got an unexpected surprise as Trai recommended spectrum price cuts as well as lowering of usage charge.

Equity Outlook:

Next month will be watched for the 2Q earnings results, revival in government's divestment activities as well as further developments in the US following the US government shutdown.

Reliance Life Insurance

fund snapshot

gross return (CAGR*) (%) As on Sep 30, 2013					
asset allocation	funds	Last 1 Year	Last 2 Year	Last 3 Year	*Page No.*
100% equity	Group Equity Fund 2	-1.40%	7.20%	-0.72%	*4*
100% equity	Group Equity Fund 3	-1.54%	10.84%	5.16%	*5*
100% pure equity	Group Pure Equity Fund 1	0.55%	5.92%	-0.46%	*6*
100% equity	Group Infrastructure Fund 1	-17.60%	-8.79%	-15.35%	*7*
100% equity	Group Energy Fund 1	-12.12%	-3.51%	-7.78%	*8*
100% equity	Group Midcap Fund 1	-3.15%	6.74%	-4.02%	*9*
40% equity, 60% debt	Group Growth Fund 1	3.49%	8.44%	4.33%	*10*
20% equity, 80% debt	Group Balanced Fund 1	3.97%	7.87%	5.64%	*11*
20% equity, 80% debt	Group Balanced Fund 2	4.61%	8.46%	6.13%	*12*
100% bond instruments	Group Corporate Bond Fund 2	6.40%	8.34%	7.60%	*13*
100% debt Instruments	Group Pure Debt Fund 1	7.54%	8.88%	7.99%	*14*
100% money market	Group Capital Secure Fund 1	9.62%	9.55%	9.25%	*15*
100% govt. securities	Group Gilt Fund 2	5.11%	7.12%	7.03%	*16*
100% money market	Group Money Market Fund 2	9.79%	9.99%	9.70%	*17*

Group Equity Fund 2

Reliance Life Insurance

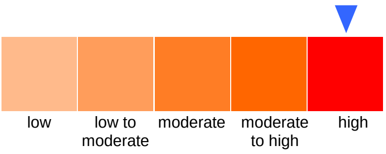
SFIN :
ULGF00724/10/07GEQUITYF01121

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%

fund performance as on Sep 30, 2013

	gross return			
fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 2	-1.40%	7.20%	-0.72%	4.83%
Benchmark	***0.56%***	***7.71%***	***-1.66%***	***3.06%***

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

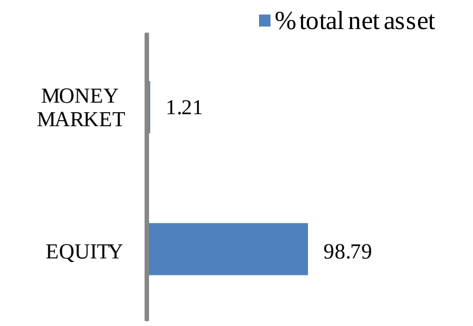
portfolio As on Sep 30, 2013

security	% total net assets
equity	
ITC	8.80
RELIANCE INDUSTRIES LTD.	7.80
INFOSYS LTD.	7.78
HDFC BANK LTD.	6.86
ICICI BANK LTD.	6.82
DIVIS LABORATORIES LTD.	6.08
LARSEN & TUBRO LTD	5.73
TATA CONSULTANCY SERVICES LTD.	4.53
HDFC LTD	4.15
TATA MOTORS LTD.	2.95
SESA GOA LTD.	2.36
STATE BANK OF INDIA	2.35
MARUTI SUZUKI INDIA LTD.	2.24
KIRLOSKAR CUMMINS	2.22
SUN PHARMACEUTICAL INDUSTRIES LTD.	2.11
ULTRATECH CEMENT LTD	1.94
MAHINDRA & MAHINDRA LTD.	1.93
YES BANK LTD.	1.87
ONGC	1.83
BHARTI AIRTEL LTD.	1.73
BAJAJ AUTO LTD	1.53
MOTHERSON SUMI SYSTEMS LTD.	1.48
JSW STEEL LTD.	1.32
STRIDES ARCOLAB LTD.	1.22
AUROBINDO PHARMA LTD	1.06
LUPIN LTD.	1.05
NMDC LTD	0.92
INDIABULLS HOUSING FINANCE LTD	0.90
JINDAL STEEL & POWER LTD.	0.90
HINDALCO INDUSTRIES LTD	0.84
CROMPTON GREAVES LTD	0.76
CAIRN INDIA LTD.	0.74
HT MEDIA LTD.	0.64
ZEE ENTERTAINMENT ENTERPRISES LTD.	0.57
OIL INDIA LTD.	0.57
BHARAT FORGE	0.54
SML ISUZU LTD.	0.49
D.B. CORP LTD.	0.48
RANBAXY	0.36
BHARAT PETROLEUM CORP. LTD.	0.31
total equity	**98.79**
total money market	**1.21**
total net assets	**100.00**

fund characteristics as on Sep 30, 2013

Fund Beta	0.98

asset allocation as on Sep 30, 2013



Group Equity Fund 3

Reliance Life Insurance

SFIN :
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

low	low to moderate	moderate	moderate to high	high
				▼

fund performance as on Sep 30, 2013

fund name	gross return: 12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 3	-1.54%	10.84%	5.16%	9.52%
Benchmark	*0.56%*	*7.71%*	*-1.66%*	*3.06%*

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

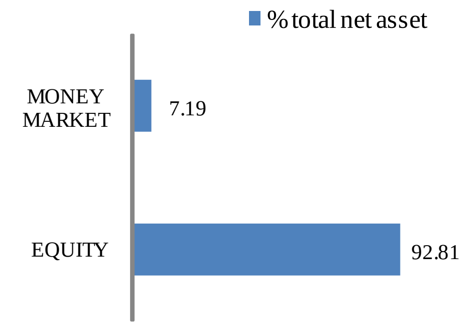
portfolio As on Sep 30, 2013

security	% total net assets
equity	
ITC	8.30
RELIANCE INDUSTRIES LTD.	7.94
HDFC BANK LTD.	7.04
INFOSYS LTD.	6.78
ICICI BANK LTD.	6.77
DIVIS LABORATORIES LTD.	5.58
LARSEN & TUBRO LTD	4.73
TATA CONSULTANCY SERVICES LTD.	3.94
HDFC LTD	3.84
KIRLOSKAR CUMMINS	3.23
TATA MOTORS LTD.	2.54
BHARTI AIRTEL LTD.	2.49
SESA GOA LTD.	2.28
MARUTI SUZUKI INDIA LTD.	2.24
STATE BANK OF INDIA	2.08
ONGC	2.06
MAHINDRA & MAHINDRA LTD.	2.02
SUN PHARMACEUTICAL INDUSTRIES LTD.	1.82
ULTRATECH CEMENT LTD	1.57
YES BANK LTD.	1.56
NMDC LTD	1.40
MOTHERSON SUMI SYSTEMS LTD.	1.36
BAJAJ AUTO LTD	1.23
JSW STEEL LTD.	1.16
CAIRN INDIA LTD.	1.16
LUPIN LTD.	1.14
AUROBINDO PHARMA LTD	0.93
INDIABULLS HOUSING FINANCE LTD	0.79
JINDAL STEEL & POWER LTD.	0.75
HINDALCO INDUSTRIES LTD	0.74
RANBAXY FV RS 5	0.68
CROMPTON GREAVES LTD	0.63
OIL INDIA LTD.	0.54
ZEE ENTERTAINMENT ENTERPRISES LTD.	0.53
STRIDES ARCOLAB LTD.	0.29
BHARAT PETROLEUM CORP. LTD.	0.27
HT MEDIA LTD.	0.23
SML ISUZU LTD.	0.17
total equity	**92.81**
total money market	**7.19**
total net assets	**100.00**

fund characteristics as on Sep 30, 2013

Fund Beta	0.99

asset allocation as on Sep 30, 2013



target asset allocation

Equity: 100%

benchmark construction

S&P CNX Nifty: 100%

Group Pure Equity Fund 1

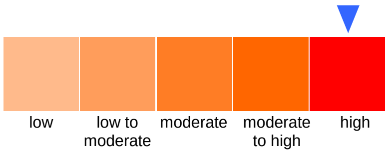
SFIN :
ULGF01528/11/08GPUREEQF01121

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



fund performance as on Sep 30, 2013

Fund name	gross return 12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Pure Equity Fund 1	0.55%	5.92%	-0.46%	3.57%
Benchmark	*9.75%*	*9.94%*	*0.82%*	*2.94%*

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

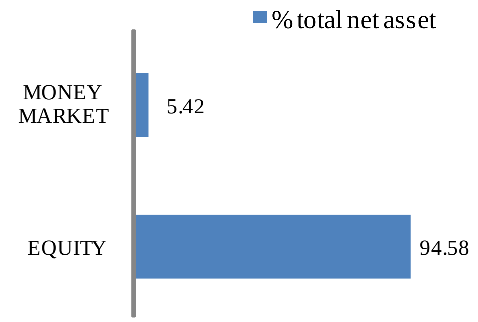
portfolio As on Sep 30, 2013

security	% total net assets
equity	
RELIANCE INDUSTRIES LTD.	8.36
BHARTI AIRTEL LTD.	7.96
TATA CONSULTANCY SERVICES LTD.	7.63
INFOSYS LTD.	6.30
ONGC	6.18
DR. REDDY LABORATORIES	6.08
ASIAN PAINTS LTD.	5.26
BAJAJ AUTO LTD	5.07
LARSEN & TUBRO LTD	4.08
ULTRATECH CEMENT LTD	3.33
MARUTI SUZUKI INDIA LTD.	3.23
GRASIM INDUSTRIES LTD.	2.82
LUPIN LTD.	2.68
SANOFI INDIA LTD.	2.65
DIVIS LABORATORIES LTD.	2.59
HINDUSTAN LEVER LTD.	2.25
COAL INDIA LTD.	2.12
TATA TEA LTD.	2.02
CROMPTON GREAVES LTD	1.88
PETRONET LNG LTD.	1.86
MOTHERSON SUMI SYSTEMS LTD.	1.84
GAS AUTHORITY OF INDIA LTD.	1.60
KIRLOSKAR CUMMINS	1.51
VOLTAS LTD	1.48
JINDAL STEEL & POWER LTD.	1.36
CAIRN INDIA LTD.	0.93
HINDALCO INDUSTRIES LTD	0.80
OIL INDIA LTD.	0.69
total equity	**94.58**
total money market	**5.42**
total net assets	**100.00**

fund characteristics as on Sep 30, 2013

Fund Beta	0.91

asset allocation as on Sep 30, 2013



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 Infrastructure Fund 1

RELIANCE Life Insurance

SFIN :
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

low | low to moderate | moderate | moderate to high | high ▼

target asset allocation

Equity: 100%

benchmark construction

CNX Infrastructure Index: 100%

fund performance as on Sep 30, 2013

fund Name	gross return: 12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Infrastructure Fund 1	-17.60%	-8.79%	-15.35%	-10.83%
Benchmark	*-15.45%*	*-9.18%*	*-16.88%*	*-13.76%*

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

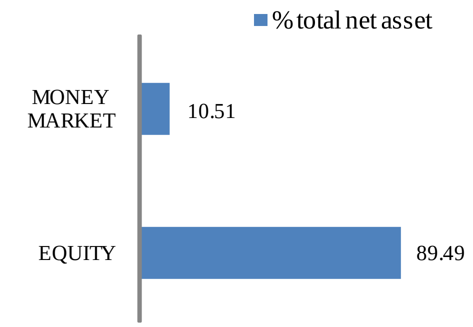
portfolio As on Sep 30, 2013

security	% total net assets
equity	
NTPC LTD.	9.05
LARSEN & TUBRO LTD	8.83
POWER GRID CORP OF INDIA LTD	8.45
BHARTI AIRTEL LTD.	7.98
TATA POWER CO. LTD.	7.67
COAL INDIA LTD.	6.99
RELIANCE INDUSTRIES LTD.	6.95
IDEA CELLULAR LTD	5.82
PETRONET LNG LTD.	5.62
BHARAT HEAVY ELECTRICALS LTD.	4.82
BHARAT FORGE	4.31
KIRLOSKAR CUMMINS	3.84
JINDAL STEEL & POWER LTD.	1.86
MOTHERSON SUMI SYSTEMS LTD.	1.79
CROMPTON GREAVES LTD	1.69
INDRAPRASTHA GAS LTD.	1.69
VOLTAS LTD	1.20
HINDALCO INDUSTRIES LTD	0.93
total equity	**89.49**
total money market	**10.51**
total net assets	**100.00**

fund characteristics as on Sep 30, 2013

Fund Beta	0.78

asset allocation as on Sep 30, 2013



Group Energy Fund 1

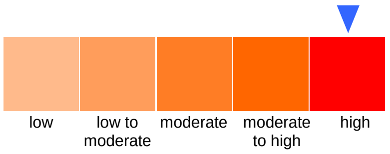
SFIN :
ULGF01428/11/08GENERGYF01121

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



fund performance as on Sep 30, 2013

fund Name	gross return 12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Energy Fund 1	-12.12%	-3.51%	-7.78%	-3.71%
Benchmark	*-6.89%*	*-1.43%*	*-8.62%*	*-5.15%*

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

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

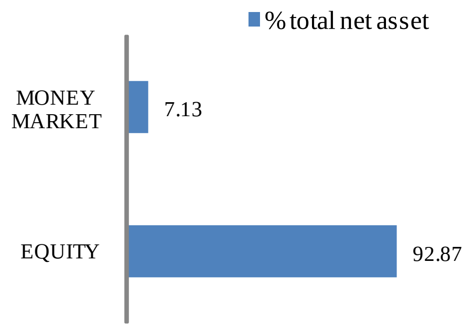
portfolio As on Sep 30, 2013

security	% total net assets
equity	
NTPC LTD.	8.57
RELIANCE INDUSTRIES LTD.	8.56
POWER GRID CORP OF INDIA LTD	8.20
OIL INDIA LTD.	7.24
LARSEN & TUBRO LTD	7.12
ONGC	7.07
CAIRN INDIA LTD.	7.06
KIRLOSKAR CUMMINS	6.30
TATA POWER CO. LTD.	5.62
COAL INDIA LTD.	5.09
GAS AUTHORITY OF INDIA LTD.	5.04
BHARAT PETROLEUM CORP. LTD.	4.94
PETRONET LNG LTD.	4.36
INDRAPRASTHA GAS LTD.	4.10
JINDAL STEEL & POWER LTD.	2.10
CROMPTON GREAVES LTD	1.50
total equity	**92.87**
total money market	**7.13**
total net assets	**100.00**

fund characteristics as on Sep 30, 2013

Fund Beta	0.83

asset allocation as on Sep 30, 2013



target asset allocation

Equity: 100%

benchmark construction

CNX Energy Index: 100%

Group Midcap Fund 1

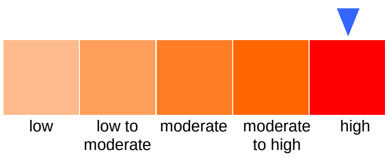
SFIN :
ULGF02008/06/09GMIDCAPF01121

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%

fund performance as on Sep 30, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Midcap Fund 1	-3.15%	6.74%	-4.02%	2.25%
Benchmark	*5.11%*	*-5.33%*	*-14.40%*	*-6.94%*

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

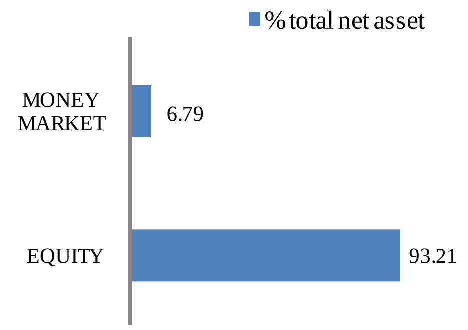
portfolio As on Sep 30, 2013

security	% total net assets
equity	
JSW STEEL LTD.	8.15
UNITED SPIRITS LTD.	7.89
DIVIS LABORATORIES LTD.	5.92
KIRLOSKAR CUMMINS	5.64
YES BANK LTD.	5.48
PETRONET LNG LTD.	5.07
TATA TEA LTD.	5.04
D.B. CORP LTD.	4.88
RADICO KHAITAN LTD.	4.68
ZEE ENTERTAINMENT ENTERPRISES LTD.	4.38
TATA CHEMICALS LTD.	3.97
AUROBINDO PHARMA LTD	3.86
AXIS BANK LTD.	3.84
PURAVANKARA PROJECTS LTD.	3.78
STRIDES ARCOLAB LTD.	3.69
INDIABULLS HOUSING FINANCE LTD	3.22
TATA CONSULTANCY SERVICES LTD.	2.97
CROMPTON GREAVES LTD	2.92
HT MEDIA LTD.	2.57
IDEA CELLULAR LTD	1.91
GUJARAT FLUOROCHEMICALS LTD.	1.17
VOLTAS LTD	1.15
BHARAT FORGE	1.03
total equity	**93.21**
total money market	**6.79**
total net assets	**100.00**

fund characteristics as on Sep 30, 2013

Fund Beta	0.82

asset allocation as on Sep 30, 2013



Group Growth Fund 1

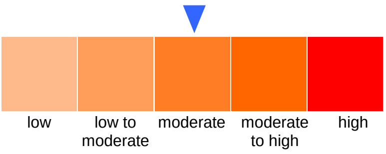
SFIN :
ULGF00310/10/03GGROWTHF01121

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%

fund performance as on Sep 30, 2013

	gross return				
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Growth Fund 1	3.49%	8.44%	4.33%	6.24%	9.02%
Benchmark	*2.60%*	*7.25%*	*3.55%*	*5.26%*	*8.15%*

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

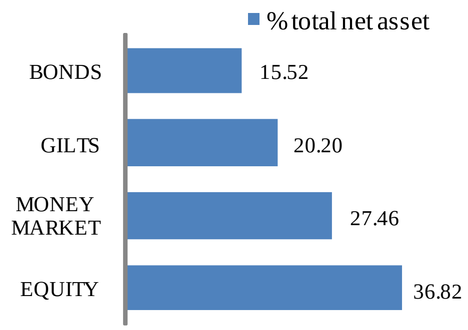
portfolio As on Sep 30, 2013

security	% total net assets	rating
bond/ncd		
8.82% REC NCD 12-04-2023 SR-114th	7.58	AAA
9.55% HINDALCO NCD 27-06-2022	5.85	AA+
10.60% IRFC NCB 11-09-2018	2.10	AAA
total bond/cd	**15.52**	
gilts		
8.20% GOI CG 24-09-2025	6.68	
8.07% GOI CG 03-07-2017	4.43	
8.33% GOI CG 09-07-2026	4.19	
8.97% GOI CG 05-12-2030	2.54	
8.83% GOI CG 12-12-2041	1.33	
8.12% GOI CG 10-12-2020	1.03	
total gilts	**20.20**	
equity		
ITC	3.46	
RELIANCE INDUSTRIES LTD.	3.13	
HDFC BANK LTD.	2.72	
DIVIS LABORATORIES LTD.	2.55	
INFOSYS LTD.	2.19	
TATA CONSULTANCY SERVICES LTD.	2.12	
ICICI BANK LTD.	2.09	
HDFC LTD	2.01	
LARSEN & TUBRO LTD	1.54	
UNITED SPIRITS LTD.	1.08	
ONGC	1.02	
TATA MOTORS LTD.	0.97	
YES BANK LTD.	0.96	
MAHINDRA & MAHINDRA LTD.	0.92	
SUN PHARMACEUTICAL INDUSTRIES LTD.	0.92	
BHARTI AIRTEL LTD.	0.83	
STATE BANK OF INDIA	0.82	
BAJAJ AUTO LTD	0.77	
AUROBINDO PHARMA LTD	0.74	
SANOFI INDIA LTD.	0.70	
JSW STEEL LTD.	0.70	
MARUTI SUZUKI INDIA LTD.	0.67	
ULTRATECH CEMENT LTD	0.61	
KIRLOSKAR CUMMINS	0.56	
HINDALCO INDUSTRIES LTD	0.53	
LUPIN LTD.	0.41	
INDIABULLS HOUSING FINANCE LTD	0.41	
SESA GOA LTD.	0.39	
STRIDES ARCOLAB LTD.	0.38	
MOTHERSON SUMI SYSTEMS LTD.	0.32	
SML ISUZU LTD.	0.18	
JINDAL STEEL & POWER LTD.	0.11	
total equity	**36.82**	
total money market	**27.46**	
total net assets	**100.00**	

fund characteristics as on Sep 30, 2013

M. Duration of debt portfolio:	3.50Years
YTM of debt portfolio:	9.39%
Fund Beta:	0.98

asset allocation as on Sep 30, 2013



Group Balanced Fund 1

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

target asset allocation

Debt.:	80%
Equity:	20%

benchmark construction

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

fund performance as on Sep 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	3.97%	7.87%	5.64%	6.63%	8.70%
Benchmark	*3.08%*	*6.85%*	*5.07%*	*5.74%*	*7.68%*

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

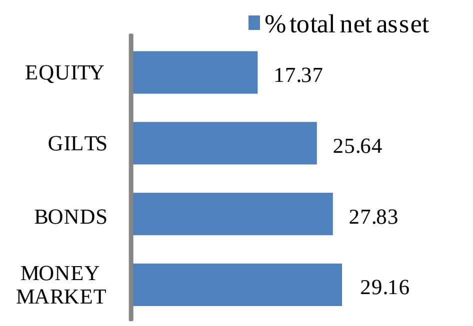
portfolio As on Sep 30, 2013

security	% total net assets	rating
bond/ncd		
9.67% TATA SONS NCD 13-09-2022	8.29	AAA
9.57% LICHFL NCD 07-09-2017	4.15	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	3.99	AAA
8.82% REC NCD 12-04-2023 SR-114th	3.93	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.33	AAA
8.68% NCRPB NCB 18-08-2019	3.04	AAA
10.60% IRFC NCB 11-09-2018	1.09	AAA
total bond/cd	**27.83**	
gilts		
8.20% GOI CG 24-09-2025	8.89	
8.83% GOI CG 12-12-2041	5.23	
8.33% GOI CG 09-07-2026	5.03	
8.97% GOI CG 05-12-2030	3.14	
8.07% GOI CG 03-07-2017	2.37	
8.12% GOI CG 10-12-2020	0.99	
total gilts	**25.64**	
equity		
INFOSYS LTD.	1.68	
ITC	1.61	
RELIANCE INDUSTRIES LTD.	1.45	
HDFC BANK LTD.	1.32	
DIVIS LABORATORIES LTD.	1.06	
ICICI BANK LTD.	1.01	
HDFC LTD	0.83	
TATA CONSULTANCY SERVICES LTD.	0.78	
LARSEN & TUBRO LTD	0.73	
TATA MOTORS LTD.	0.55	
YES BANK LTD.	0.52	
ONGC	0.47	
STATE BANK OF INDIA	0.45	
SUN PHARMACEUTICAL INDUSTRIES LTD.	0.44	
ULTRATECH CEMENT LTD	0.43	
MAHINDRA & MAHINDRA LTD.	0.43	
BHARTI AIRTEL LTD.	0.40	
SANOFI INDIA LTD.	0.39	
BAJAJ AUTO LTD	0.36	
SESA GOA LTD.	0.36	
JSW STEEL LTD.	0.33	
MARUTI SUZUKI INDIA LTD.	0.32	
KIRLOSKAR CUMMINS	0.31	
HINDALCO INDUSTRIES LTD	0.25	
LUPIN LTD.	0.21	
INDIABULLS HOUSING FINANCE LTD	0.19	
AUROBINDO PHARMA LTD	0.17	
MOTHERSON SUMI SYSTEMS LTD.	0.12	
STRIDES ARCOLAB LTD.	0.08	
SML ISUZU LTD.	0.07	
JINDAL STEEL & POWER LTD.	0.05	
total equity	**17.37**	
total money market	**29.16**	
total net assets	**100.00**	

fund characteristics as on Sep 30, 2013

M. Duration of debt portfolio:	3.95Years
YTM of debt portfolio:	9.37%
Fund Beta:	0.98

asset allocation as on Sep 30, 2013



Group Balanced Fund 2

SFIN :
ULGF00210/10/03GBALANCE02121

Inception Date : 31th Jan 2007

fund performance as on Sep 30, 2013

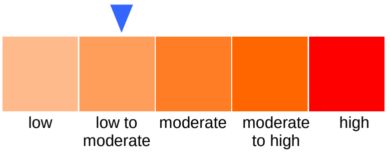
fund Name	gross return 12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 2	4.61%	8.46%	6.13%	7.04%	9.10%
Benchmark	*3.08%*	*6.85%*	*5.07%*	*5.74%*	*7.68%*

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

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



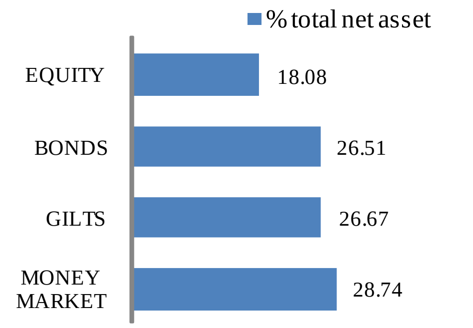
portfolio As on Sep 30, 2013

security	% total net assets	rating
bond/ncd		
10.20% RELIANCE POWER LTD NCD 12-06-2014	3.51	A1
8.70% REC NCD 01-02-2018 112	3.40	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.13	AAA
8.99% TATA SONS NCD 07-06-2020	3.05	AAA
9.70% TATA SONS NCD 25-07-2022	2.93	AAA
9.75% SRTRANSFIN NCD 01-06-2015	2.80	AA
11.15% HDFC NCD 06-08-2018	1.86	AAA
8.97% TATA SONS NCD 15-07-2020	1.24	AAA
8.80% PGCIL NCD 13-03-2023 XLII	1.22	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	0.68	AAA
10.60% IRFC NCB 11-09-2018	0.61	AAA
9.34% SBOT NCB 31-10-2016 I	0.58	AAA
10.35% NCD(B)HDFC 16-05-2017	0.48	AAA
9.70% UNITEDPHOSPHORUS NCD 09-04-2017 A	0.47	AA+
8.94% PFC NCD 25-03-2028 SR -103	0.33	AAA
8.68% NCRPB NCB 18-08-2019	0.23	AAA
total bond/cd	**26.51**	
gilts		
8.20% GOI CG 24-09-2025	9.06	
8.33% GOI CG 09-07-2026	5.16	
8.83% GOI CG 12-12-2041	4.27	
8.07% GOI CG 03-07-2017	4.08	
8.97% GOI CG 05-12-2030	3.09	
8.12% GOI CG 10-12-2020	1.00	
total gilts	**26.67**	
equity		
ITC	1.67	
RELIANCE INDUSTRIES LTD.	1.63	
INFOSYS LTD.	1.43	
HDFC BANK LTD.	1.32	
ICICI BANK LTD.	1.01	
DIVIS LABORATORIES LTD.	0.97	
HDFC LTD	0.95	
TATA CONSULTANCY SERVICES LTD.	0.91	
LARSEN & TUBRO LTD	0.77	
TATA MOTORS LTD.	0.62	
ULTRATECH CEMENT LTD	0.48	
BHARTI AIRTEL LTD.	0.48	
ONGC	0.48	
SUN PHARMACEUTICAL INDUSTRIES LTD.	0.46	
STATE BANK OF INDIA	0.45	
YES BANK LTD.	0.45	
MAHINDRA & MAHINDRA LTD.	0.44	
KIRLOSKAR CUMMINS	0.42	
SANOFI INDIA LTD.	0.39	
BAJAJ AUTO LTD	0.36	
MARUTI SUZUKI INDIA LTD.	0.33	
SESA GOA LTD.	0.32	
JSW STEEL LTD.	0.31	
AUROBINDO PHARMA LTD	0.30	
HINDALCO INDUSTRIES LTD	0.24	
LUPIN LTD.	0.21	
INDIABULLS HOUSING FINANCE LTD	0.19	
STRIDES ARCOLAB LTD.	0.16	
JAIPRAKASH ASSOCIATE	0.11	
MOTHERSON SUMI SYSTEMS LTD.	0.09	
SML ISUZU LTD.	0.07	
JINDAL STEEL & POWER LTD.	0.05	
total equity	**18.08**	
total money market	**28.74**	
total net assets	**100.00**	

fund characteristics as on Sep 30, 2013

M. Duration of debt portfolio:	3.51Years
YTM of debt portfolio:	9.42%
Fund Beta:	0.99

asset allocation as on Sep 30, 2013



target asset allocation

Debt.:	80%
Equity:	20%

benchmark construction

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

Group Corporate Bond Fund 2

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

low	low to moderate	moderate	moderate to high	high

fund performance as on Sep 30, 2013

	gross return			
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Corporate Bond Fund 2	6.40%	8.34%	7.60%	7.94%
Benchmark	*3.45%*	*6.46%*	*6.16%*	*5.99%*

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

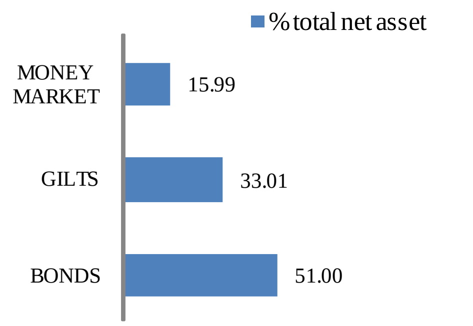
portfolio As on Sep 30, 2013

security	% total net assets	rating
bond/ncd		
88.87% PFC NCD 18-03-2023 102-B	2.61	AAA
9.80% PFC NCD 27-09-2016 108	2.23	AAA
9.70% LICHFL NCD 11-06-2017	2.22	AAA
9.70% TATA SONS NCD 16-08-2022	2.22	AAA
9.30% HDFC NCD 04-10-2017 J-033	2.20	AAA
9.11% LICHFL NCD 09-04-2018	2.18	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	2.14	AAA
8.92% NIRMA NCD 28-05-2018 D/13-14	2.11	AA
8.99% TATA SONS NCD 07-06-2020	1.85	AAA
9.25% PGCIL NCD 26-12-2016 B	1.32	AAA
9.57% LICHFL NCD 07-09-2017	1.20	AAA
8.94% PFC NCD 25-03-2028 SR -103	1.17	AAA
8.82% REC NCD 12-04-2023 SR-114th	1.13	AAA
8.75% RIL NCD 07-05-2020	0.85	AAA
11.95% HDFC DB 26-11-2018	0.48	AAA
9.90% TATA SONS NCD 18-03-2016	0.13	AAA
11.50% REC NCB 26-11-2013	0.04	AAA
	51.00	
Gilts		
8.20% GOI CG 24-09-2025	12.85	
8.07% GOI CG 03-07-2017	8.85	
8.33% GOI CG 09-07-2026	5.15	
8.97% GOI CG 05-12-2030	3.89	
8.83% GOI CG 12-12-2041	2.17	
8.12% GOI CG 10-12-2020	0.11	
total gilts	**33.01**	
total money market	**15.99**	
total net assets	**100.00**	

fund characteristics as on Sep 30, 2013

M. Duration of debt portfolio: 4.21Years
YTM of debt portfolio: 9.51%

asset allocation as on Sep 30, 2013



target asset allocation
Bond Instruments: 100%

benchmark construction
CRISIL Composite Bond Index: 100%

Group Pure Debt Fund 1

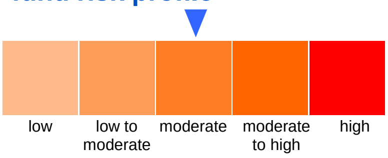
SFIN :
ULGF01030/09/08GPUREDEB01121

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%

fund performance as on Sep 30, 2013

	gross return				
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Pure Debt Fund 1	7.54%	8.88%	7.99%	8.29%	9.32%
Benchmark	*3.45%*	*6.46%*	*6.16%*	*5.99%*	*6.78%*

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

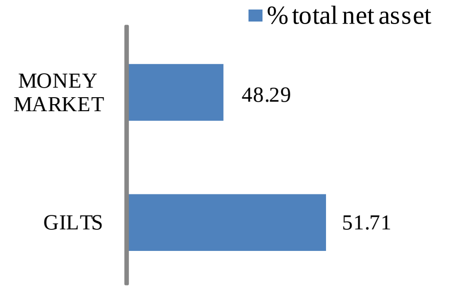
portfolio As on Sep 30, 2013

security	% total net assets	rat-ing
gilts		
8.20% GOI CG 24-09-2025	26.14	
8.07% GOI CG 03-07-2017	11.30	
8.97% GOI CG 05-12-2030	6.19	
8.33% GOI CG 09-07-2026	3.04	
8.83% GOI CG 12-12-2041	2.68	
8.12% GOI CG 10-12-2020	2.35	
total gilts	**51.71**	
total money market	**48.29**	
total net assets	**100.00**	

fund characteristics as on Sep 30, 2013

M .Duration of debt portfolio: 3.42Years
YTM of debt portfolio: 9.29%

asset allocation as on Sep 30, 2013



Group Capital Secure Fund 1

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

low	low to moderate	moderate	moderate to high	high
▼				

target asset allocation

Money market : 100%

benchmark construction

Yield on 182-day T.Bills : 100%

fund performance as on Sep 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	9.62%	9.55%	9.25%	8.65%	8.94%
Benchmark	*7.08%*	*7.74%*	*7.46%*	*6.87%*	*6.98%*

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

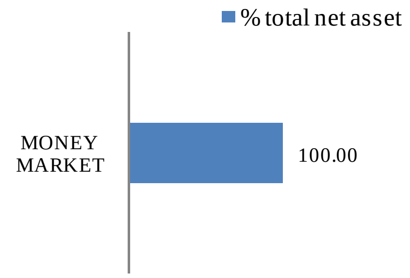
portfolio As on Sep 30, 2013

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

fund characteristics as on Sep 30, 2013

YTM of debt portfolio: 9.63%

asset allocation as on Sep 30, 2013



RELIANCE Life Insurance

Group Gilt Fund 2

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

low	low to moderate	moderate	moderate to high	high

fund performance as on Sep 30, 2013

fund Name	gross return: 12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Gilt Fund 2	5.11%	7.12%	7.03%	7.04%
Benchmark	*3.48%*	*6.89%*	*6.77%*	*6.45%*

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

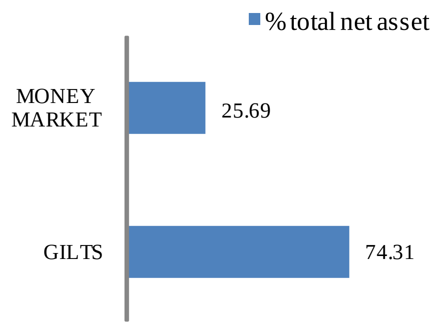
portfolio As on Sep 30, 2013

security	% total net assets
gilts	
8.20% GOI CG 24-09-2025	33.11
8.33% GOI CG 09-07-2026	12.69
8.97% GOI CG 05-12-2030	10.14
8.07% GOI CG 03-07-2017	8.06
8.83% GOI CG 12-12-2041	7.57
8.12% GOI CG 10-12-2020	2.74
total gilts	**74.31**
total money market	**25.69**
total net assets	**100.00**

fund characteristics as on Sep 30, 2013

M. Duration of debt portfolio:	5.39Years
YTM of debt portfolio:	9.20%

asset allocation as on Sep 30, 2013



target asset allocation

Government Securities: 100%

benchmark construction

I-Sec Composite Sovereign Bond Index:100%

Group Money Market Fund 2

Reliance Life Insurance

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

low	low to moderate	moderate	moderate to high	high
▼				

fund performance as on Sep 30, 2013

fund Name	gross return 12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Money Market Fund 2	9.79%	9.99%	9.70%	9.08%
Benchmark	*8.54%*	*8.62%*	*8.34%*	*7.25%*

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

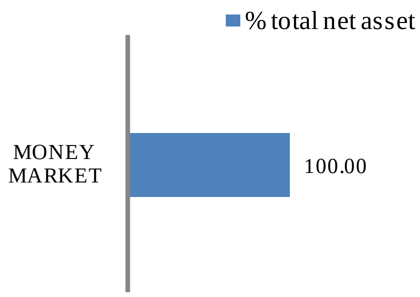
portfolio As on Sep 30, 2013

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

fund characteristics as on Sep 30, 2013

YTM of debt portfolio: 9.14%

asset allocation as on Sep 30, 2013



target asset allocation

Money market : 100%

benchmark construction

CRISIL Liquid Bond Index: 100%

Product Details

Nav's as of 30th September, 2013

SFIN	Plan Name	Fund Name	NAV
ULGF00431/01/07GCAPISEC01121	Reliance Group Gratuity Plan	Group Capital Secure Fund 1	16.9204
ULGF00210/10/03GBALANCE02121	Reliance Group Gratuity Plan	Group Balanced Fund 2	15.9071
ULGF00110/10/03GBALANCE01121	Reliance Group Gratuity Plan	Group Balanced Fund 1	19.1179
ULGF01213/10/08GCORBOND02121	Reliance Group Gratuity Plan	Group Corporate Bond Fund 2	14.9819
ULGF01808/06/09GEQUITYF03121	Reliance Group Gratuity Plan	Group Equity Fund 3	16.4707
ULGF01610/12/08GGILTFUN02121	Reliance Group Gratuity Plan	Group Gilt Fund 2	12.9213
ULGF00930/09/08GMONMRKT02121	Reliance Group Gratuity Plan	Group Money Market Fund 2	15.2721
ULGF00310/10/03GGROWTHF01121	Reliance Group Gratuity Plan	Group Growth Fund 1	14.8959
ULGF01908/06/09GINFRASF01121	Reliance Group Gratuity Plan	Group Infrastructure Fund 1	6.5919
ULGF02008/06/09GMIDCAPF01121	Reliance Group Gratuity Plan	Group Midcap Fund 1	12.6548
ULGF01030/09/08GPUREDEB01121	Reliance Group Gratuity Plan	Group Pure Debt Fund 1	15.0838
ULGF00110/10/03GBALANCE01121	Reliance Group Superannuation Plan	Group Balanced Fund 1	19.1179
ULGF00431/01/07GCAPISEC01121	Reliance Group Superannuation Plan	Group Capital Secure Fund 1	16.9204
ULGF01213/10/08GCORBOND02121	Reliance Group Superannuation Plan	Group Corporate Bond Fund 2	14.9819
ULGF01808/06/09GEQUITYF03121	Reliance Group Superannuation Plan	Group Equity Fund 3	16.4707
ULGF01610/12/08GGILTFUN02121	Reliance Group Superannuation Plan	Group Gilt Fund 2	12.9213
ULGF00310/10/03GGROWTHF01121	Reliance Group Superannuation Plan	Group Growth Fund 1	14.8959
ULGF00930/09/08GMONMRKT02121	Reliance Group Superannuation Plan	Group Money Market Fund 2	15.2721
ULGF01030/09/08GPUREDEB01121	Reliance Group Superannuation Plan	Group Pure Debt Fund 1	15.0838
ULGF00210/10/03GBALANCE02121	Reliance Group Savings Linked Insurance Plan	Group Balanced Fund 2	15.9071
ULGF01213/10/08GCORBOND02121	Reliance Group Savings Linked Insurance Plan	Group Corporate Bond Fund 2	14.9819
ULGF01428/11/08GENERGYF01121	Reliance Group Savings Linked Insurance Plan	Group Energy Fund 1	12.5533
ULGF01328/11/08GEQUITYF02121	Reliance Group Savings Linked Insurance Plan	Group Equity Fund 2	19.5867
ULGF01610/12/08GGILTFUN02121	Reliance Group Savings Linked Insurance Plan	Group Gilt Fund 2	12.9213
ULGF01908/06/09GINFRASF01121	Reliance Group Savings Linked Insurance Plan	Group Infrastructure Fund 1	6.5919
ULGF02008/06/09GMIDCAPF01121	Reliance Group Savings Linked Insurance Plan	Group Midcap Fund 1	12.6548
ULGF00930/09/08GMONMRKT02121	Reliance Group Savings Linked Insurance Plan	Group Money Market Fund 2	15.2721
ULGF01030/09/08GPUREDEB01121	Reliance Group Savings Linked Insurance Plan	Group Pure Debt Fund 1	15.0838
ULGF01528/11/08GPUREEQF01121	Reliance Group Savings Linked Insurance Plan	Group Pure Equity Fund 1	18.6170
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Balanced Fund 2	15.9071
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Money Market Fund 2	15.2721
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Corporate Bond Fund 2	14.9819
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Gilt Fund 2	12.9213
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Gratuity Plus Plan	Group Equity Fund 3	16.4707
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Money Market Fund 2	15.2721
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Corporate Bond Fund 2	14.9819
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Gilt Fund 2	12.9213
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Equity Fund 3	16.4707
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Balanced Fund 2	15.9071

Investment strategy and risk control

√ 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 or 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 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 ensued that the portfolio is always kept complaint with the relevant regulations. Our rigorous process and risk/compliance controls are well documented.

the analyst expressions

Gross Fund Return

Gross return for a fund is defined as the return calculated on an NAV basis plus the fund management fees which are debited periodically to the fund. We calculate gross fund returns in order to give uniformity while evaluating fund management performance as the fund management fees vary from company to company. Fund management charges are a matter of policy decision by the top management of a life Insurance company. Hence, even if two funds from two different fund management companies give the same returns, the returns may not reflect that if they are calculated on an NAV basis.

We shall highlight this with the help of an example.

Reliance Life Insurance
Balanced Fund
NAV based Return=11.50 %
Fund Management Fee=2%
Gross Fund Return=13.50%

XYZ Insurance Company
Balanced Fund
NAV based Return=10.50%
Fund Management Fee=3%
Gross Fund Return=13.50%.

As seen above, though the gross return of both the companies were same, Reliance Life Insurance showed a higher NAV based return as the fund management fees were lower. Please note that the returns as given in The Analyst for all funds are computed on a gross basis.

Benchmark Return

A benchmark is a standard against which the performance of an investment can be measured. Benchmarks are pre-determined primarily on the basis of the asset allocation structure of the fund.

Benchmarks can be readily available in the market or have to be constructed. The CNX Nifty is a readily available benchmark for our equity portfolio manager as the equity fund primarily invests in equities.

However, the benchmark for the Growth Fund of Reliance Life Insurance has been constructed as 60% of CRISIL Short Term Bond Index and 40% of CNX Nifty as the asset allocation of the growth fund is 60% of debt and 40% of equity. (Please refer to the Growth Fund page of The Analyst).

Fund Standard Deviation

Risk of investing in a fund is identified by the volatility of the fund's periodic returns. Standard deviation measures the volatility of the fund's returns for a given time period.

In other words, Fund Standard Deviation for a particular time period gives us the deviation from the mean returns, that has occurred for that fund during that time period. For e.g. let us assume that the Balanced Fund has generated an average (mean) return of 11.55% for the last 2 years and that the corresponding standard deviation was 4.44%. That means that during the last 2 year time period, the balanced fund return varied between 15.99% (i.e. 11.55+ 4.44) and 7.11% (i.e. 11.55-4.44) during 65% of the time.

Higher the standard deviation, the greater the volatility, and therefore, the greater the risk of investing in that fund.

Thus, an investor has more information available at his disposal to evaluate the quality of performance of the fund and how volatile its returns are.

To carry it a step further, it is highly unlikely that a fund's return in any one year will be exactly the average. Rather, it will always be either higher or lower than the average. Thus, standard deviation teaches us to look beyond the “average annual return” figures that are touted by investment advisors.

Fund Sharpe Ratio

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

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

Sharpe Ratio = Excess return / Annualized standard deviation of fund return

The "risk-free return" is the annualized return currently available on "risk-free" investments. This is usually assumed to be the return on a short government security like Treasury bill. A government security is sovereign credit which is the nearest to a risk free asset that one can get. For our calculations of the Sharpe ratios for all funds as given in the Analyst, we have assumed this risk free rate of interest to be at 5%.

the analyst expressions

Contd...

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

√ Modified Duration Of Debt Profile

√ Fund Beta

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 x 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 x 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*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*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.

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