



RELIANCE

Life Insurance



the analyst

**monthly Group fund
factsheet for June 2014**

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 May 14	30th Apr 14	% Change
¹ \$ / Rs.	59.10	60.34	-2.09
² CPI (YOY)	8.28	8.59	0.31
³ Forex Reserves (\$ bn)	312.38	309.91	0.79
¹ Brent Crude Price (\$ per Barrel)	102.71	99.74	2.89
¹ Gold (Rs. per 10gm)	26893	29773	-10.71

Indices	30th May 14	30th Apr 14	% Change
¹ BSE Sensex	24217	22418	7.43
¹ S&P CNX Nifty	7230	6696	7.38
¹ CNX Mid Cap	10141	8784	13.39
¹ BSE Small Cap	9016	7490	16.92

Global Indices	30th May 14	30th Apr 14	% Change
¹ Dow Jones	16717	16581	0.82
¹ FTSE 100	6845	6780	0.94
¹ Hang Seng	23082	22134	4.11
¹ Nikkei	14632	14304	2.24

Sectoral Indices	30th May 14	30th Apr 14	% Change
¹ CNX Infrastructure	3162	2610	17.48
¹ CNX Energy	9668	8311	14.03
¹ BSE Capital Goods	14717	12118	17.66
¹ BSE Bankex	16954	14707	13.25
¹ BSE Oil & Gas	10854	9548	12.03
¹ BSE IT	8455	8752	-3.51

Fixed Income Indicators (%)	30th May 14	30th Apr 14	bps Change
¹ NSE Mibor	9.08	9.00	0.08
¹ 91 Day T-Bill	8.50	8.85	-0.35
¹ 182 Day T-Bill	8.59	8.90	-0.31
¹ 1 year GOI Benchmark	8.28	8.61	-0.33
¹ 5 Year GOI Benchmark	8.57	8.79	-0.22
¹ 10 Year GOI Benchmark	8.65	8.84	-0.19
¹ 5 Year Corp Bond Benchmark	9.32	9.53	-0.21
¹ 10 Year AAA Corp Bond Benchmark	8.95	9.45	-0.49
¹ 10 Year US Treasury	2.48	2.65	-0.17

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

Fixed Income Market

BJP has won decisive majority after decades in 16th Lok Sabha elections thereby ending the coalition era. This will auger well for the Indian economy and let us hope that several stalled projects and reforms will be able to see the light as government has resolve and majority to pass them in the parliament. Major reforms like Goods and Services Tax (GST) act is long awaited to be put into practice apart from increase in Foreign Direct Investment (FDI) in sectors like Defense and Insurance. It is also expected that a general sense of "getting work done" philosophy will be there in the portals of bureaucracy going forward.

The clear verdict has enthused both global Equities and Fixed Income Investors. They have already been investing since the start of the CY 2014. They have invested around USD 8 billion and USD 6.5 billion in fixed income and equities respectively in CY 2014. This has led to sharp appreciation in the INR against USD & it has become one of the best performing currency. In addition, RBI has been consistently buying foreign exchange thereby improving the INR liquidity in the banking system. Yield across the curve has softened by 20-30 bps due to huge investments from foreign investors.

Retail inflation, measured by CPI index was elevated and edged higher to 8.6% (YoY) against 8.3% (YoY) driven by higher food prices. Core CPI, however, remained unchanged at 7.8% (YoY). It is expected that new government will recognize the need of the hour to improve the supply side. Further, they should be resisting substantial increase in Minimum Support Price (MSP) which is creating vicious price hike cycle. Uncertainty associated with possible El Nino impact on the Monsoon and thereby adversely impacting the agriculture production may also impact the outlook on inflation. However, with bulging food stock, it is expected that government should be preparing road map to tackle any adverse outcome to contain inflation.

RBI has decided to maintain status quo in terms of policy rates while reducing SLR by 50 bps to 23.50% in the latest monetary policy review. Thus banks will be able to reduce their investment in Government Securities and in turn fund private sector, in case, demand for credit picks up once economy recovers.

The incoming government is making clear its intention of fiscal consolidation. This is a welcome move to reduce expenditure while try to increase resources. This will auger well for the economy and help free resource for the private sector. In the long term, if they are able to stick to the road of fiscal conservatism, India will reap the rich reward in terms of lower inflation and consequently sustained low interest rate environment.

Globally, uncertainly related to Ukraine continue to be on the forefront. Never the less, commodity prices were stable as demand from industrialized countries remained muted. This stability along with appreciating INR will provide cushion to the balance of payment of India .

Fixed Income Outlook:

Going forward, tail wind in the shape of stable commodity prices as well as intention of fiscal consolidation will keep the interest rates stable in the near term. In the longer term, it is expected that government should use the power of majority in the parliament to push through essential reforms to help maintain sustainable growth in the low inflationary environment.

Equity Market

May played host to arguably one of the biggest events in India this year with the general elections reaching a consummation. While exit polls had already given early indications of a BJP win, the final results surpassed most expectations. Nifty touched new highs of 7500 during the month before profit booking played truant and we saw some correction towards the end of the month. On the macro front, things remained largely unchanged barring a positive surprise in the WPI however the new government did make some bold statements that hinted towards a medium term recovery.

Metals and Mining had an action packed month – this included an earnings beat by Tata Steel led by strong pricing in India and record volumes in Europe. Meanwhile, Coal India was one of the biggest outperformers with buzz of industry restructuring and a potential splitting up of the subsidiaries.

In the Oil & Gas sector, a key disappointment was the higher subsidy burden on upstream companies with the likes of GAIL being brought back into the subsidy sharing net despite it having been waived in the previous quarter. With the new government coming in, expectations of reforms like gas price hike, diesel deregulation, transparency in subsidy sharing formula continued to drive stock prices.

Industrials and Infra names continued to rally in May clearly indicating a material rerating in the sector. L&T missed its sales growth guidance for FY14 but saw a margin expansion in 4Q. The proposal to allow up to 100% FDI in defense was also seen as positive for L&T.

Pharma turned out to be the biggest underperformer of the month with companies like Dr. Reddy's and Glenmark disappointing on earnings led by higher R&D spends.

In Autos, Tata Motors' earnings somewhat disappointed the street with JLR margins slipping but the monthly sales numbers for JLR were very strong. In the 2W space, both Hero and Bajaj continued to lose market share in the executive segment.

IT players had another mixed month with the likes of Wipro, HCL Tech and TCS seeing a sharp sell as investors flocked to cyclical sectors. Infosys was down sharply after the company announced the resignation of President BG Srinivas.

With sentiment improving across the board, FIIs too upped their ante, deploying higher equity inflows into India. Inflows for May totalled\$2.8bn taking the YTD net buying to an impressive \$8.1bn. DIIs on the other hand remained net sellers to the tune of \$814mn during the month – which took their YTD total to \$4.3bn .

Equity Outlook:

In July, all eyes will be on budget expectations of the new government and news on monsoon.

fund snapshot

gross return (CAGR*) (%) As on May 30, 2014

asset allocation	funds	Last 1 Year	Last 2 Year	Last 3 Year	Page No.
100% equity	Group Equity Fund 2	30.48%	25.49%	12.37%	4
100% equity	Group Equity Fund 3	28.57%	23.54%	19.95%	5
100% pure equity	Group Pure Equity Fund 1	22.86%	18.07%	7.69%	6
100% equity	Group Infrastructure Fund 1	32.70%	15.65%	1.14%	7
100% equity	Group Energy Fund 1	26.03%	16.85%	5.45%	8
100% equity	Group Midcap Fund 1	43.72%	29.89%	15.30%	9
40% equity, 60% debt	Group Growth Fund 1	13.00%	14.94%	10.55%	10
20% equity, 80% debt	Group Balanced Fund 1	7.39%	11.31%	9.45%	11
20% equity, 80% debt	Group Balanced Fund 2	7.76%	11.80%	9.93%	12
100% bond instruments	Group Corporate Bond Fund 2	3.43%	9.33%	9.22%	13
100% debt Instruments	Group Pure Debt Fund 1	4.74%	9.82%	9.50%	14
100% money market	Group Capital Secure Fund 1	9.90%	9.70%	9.60%	15
100% govt. securities	Group Gilt Fund 2	0.64%	8.25%	8.17%	16
100% money market	Group Money Market Fund 2	9.36%	9.71%	9.81%	17

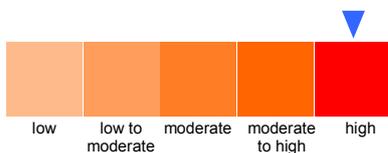
SFIN :
ULGF00724/10/07GEQUITYF01121

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 May 31, 2014

gross return					
fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Equity Fund 2	30.48%	25.49%	12.37%	11.99%	14.09%
Benchmark	20.78%	21.17%	9.15%	9.19%	10.20%

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

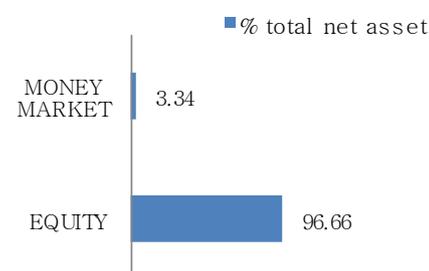
portfolio As on May 30, 2014

security	% total net assets
equity	
RELIANCE INDUSTRIES LTD.	7.24
INFOSYS LTD	7.05
LARSEN & TUBRO	6.91
ICICI BANK LTD.	6.10
HDFC BANK LTD	6.06
ITC	5.91
DIVIS LABORATORIES LTD	5.64
YES BANK LTD	4.61
TATA CONSULTANCY SERVICES LTD.	3.95
TATA MOTORS LTD	3.13
MARUTI UDYOG LTD.	2.87
CUMMINS INDIA	2.67
MOTHERSON SUMI SYSTEMS LTD.	2.63
INDIABULLS HOUSING FINANCE LTD	2.58
ONGC	2.48
BHARTI AIRTEL LTD	2.45
ULTRATECH CEMCO LTD	2.44
STATE BANK OF INDIA	2.37
AUROBINDO PHARMA LTD	2.33
JSW STEEL LTD	2.24
HDFC LTD	1.97
MAHINDRA & MAHINDRA LTD.-FV5	1.83
SESA STERLITE LTD	1.75
SUN PHARMACEUTICAL INDUSTRIES LTD	1.35
OIL INDIA LTD	0.92
SML ISUZU LTD	0.79
INDIABULLS REAL ESTATE LTD	0.78
WIPRO	0.77
BAJAJ AUTO LTD	0.75
COAL INDIA LTD	0.71
CROMPTON GREAVES LTD	0.68
HERO MOTOCORP LTD	0.65
HT MEDIA LTD	0.61
D.B. CORP LTD	0.52
ZEE ENTERTAINMENT ENTERPRISES LTD	0.43
GAS AUTHORITY OF INDIA LTD.	0.31
RADICO KHAITAN LTD	0.11
ADITYA BIRLA NUVO LTD	0.08
total equity	96.66
total money market	3.34
total net assets	100.00

fund characteristics as on May 30, 2014

Fund Beta 1.02

asset allocation as on May 30, 2014



SFIN :

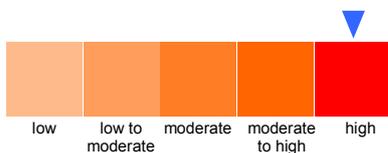
ULGF01808/06/09GEQUITYF03121

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



target asset allocation

Equity: 100%

benchmark construction

S&P CNX Nifty: 100%

Group Equity Fund 3

fund performance as on May 30, 2014

fund name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 3	28.57%	23.54%	19.95%	16.46%
Benchmark	20.78%	21.17%	9.15%	9.19%

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

portfolio As on May 30, 2014

security % total net assets

equity

DIVIS LABORATORIES LTD	8.18
INFOSYS LTD	7.19
HDFC BANK LTD	6.05
LARSEN & TUBRO	6.03
ICICI BANK LTD.	5.98
ITC	5.87
RELIANCE INDUSTRIES LTD.	5.43
YES BANK LTD	4.77
TATA CONSULTANCY SERVICES LTD.	4.01
TATA MOTORS LTD	3.05
MARUTI UDYOG LTD.	2.99
INDIABULLS HOUSING FINANCE LTD	2.57
AUROBINDO PHARMA LTD	2.51
CUMMINS INDIA	2.46
BHARTI AIRTEL LTD	2.44
ONGC	2.43
ULTRATECH CEMCO LTD	2.43
STATE BANK OF INDIA	2.32
MOTHERSON SUMI SYSTEMS LTD.	2.23
JSW STEEL LTD	2.18
HDFC LTD	1.96
SESA STERLITE LTD	1.84
MAHINDRA & MAHINDRA LTD.-FV5	1.79
SUN PHARMACEUTICAL INDUSTRIES LTD	1.31
OIL INDIA LTD	0.88
INDIABULLS REAL ESTATE LTD	0.80
BAJAJ AUTO LTD	0.79
SML ISUZU LTD	0.78
WIPRO	0.76
COAL INDIA LTD	0.70
CROMPTON GREAVES LTD	0.63
HT MEDIA LTD	0.63
HERO MOTOCORP LTD	0.53
ZEE ENTERTAINMENT ENTERPRISES LTD	0.52
D.B. CORP LTD	0.37
GAS AUTHORITY OF INDIA LTD.	0.21
ADITYA BIRLA NUVO LTD	0.08
RADICO KHAITAN LTD	0.07

total equity 95.76

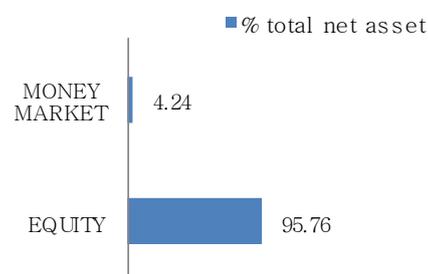
total money market 4.24

total net assets 100.00

fund characteristics as on May 30, 2014

Fund Beta 1.01

asset allocation as on May 30, 2014



SFIN :

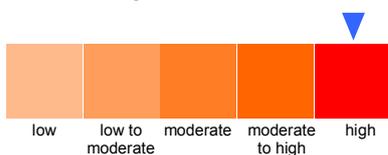
ULGF01528/11/08GPUREEQF01121

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 May 31, 2014

gross return					
Fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Pure Equity Fund 1	22.86%	18.07%	7.69%	7.90%	9.68%
Benchmark	25.57%	20.06%	9.03%	7.64%	8.68%

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

portfolio As on May 30, 2014

security % total net assets

equity

RELIANCE INDUSTRIES LTD.	8.77
TATA CONSULTANCY SERVICES LTD.	8.57
BHARTI AIRTEL LTD	8.16
INFOSYS LTD	6.64
ULTRATECH CEMCO LTD	6.32
MARUTI UDYOG LTD.	5.81
HINDUSTAN LEVER LTD.	5.53
DR. REDDY LABORATORIES	4.65
HERO MOTOCORP LTD	4.32
BAJAJ AUTO LTD	4.02
LUPIN LTD	3.92
WIPRO	3.51
ASIAN PAINTS LTD	3.12
LARSEN & TUBRO	2.55
VOLTAS LTD	2.53
ONGC	2.47
GAS AUTHORITY OF INDIA LTD.	2.46
MOTHERSON SUMI SYSTEMS LTD.	2.25
DIVIS LABORATORIES LTD	2.00
EXIDE INDUSTRIES LTD	1.82
SANOFI INDIA LTD	1.76
PETRONET LNG LTD	1.61
TRENT LTD	1.33
GRASIM INDUSTRIES LTD.	1.33
TATA GLOBAL BEVERAGES LTD	1.16
CUMMINS INDIA	1.10

total equity 97.71

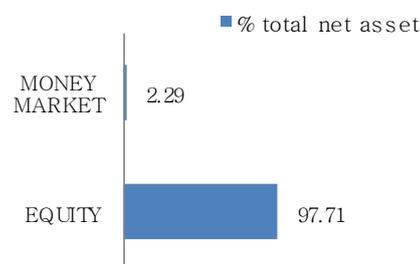
total money market 2.29

total net assets 100.00

fund characteristics as on May 30, 2014

Fund Beta 0.91

asset allocation as on May 30, 2014



SFIN :

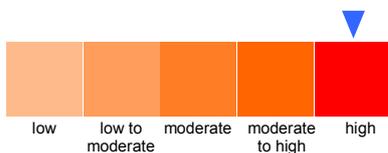
ULGF01908/06/09GINFRASF01121

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



target asset allocation

Equity: 100%

benchmark construction

CNX Infrastructure Index: 100%

Group Infrastructure Fund 1

fund performance as on May 31, 2014

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Infrastructure Fund 1	32.70%	15.65%	1.14%	-0.07%
Benchmark	35.06%	20.26%	2.05%	-0.53%

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

portfolio As on May 30, 2014

security % total net assets

equity

NTPC LTD	9.46
BHARTI AIRTEL LTD	9.10
LARSEN & TUBRO	8.82
POWER GRID CORP OF INDIA LTD	8.76
RELIANCE INDUSTRIES LTD.	8.76
TATA POWER CO. LTD	6.09
VOLTAS LTD	6.07
BHARAT FORGE	5.46
BHARAT HEAVY ELECTRICALS LTD	5.33
IDEA CELLULAR LTD	4.50
CUMMINS INDIA	3.92
INDIAN METALS AND FERRO ALLOYS LTD	3.67
ONGC	3.64
ULTRATECH CEMCO LTD	3.32
CROMPTON GREAVES LTD	3.03
MOTHERSON SUMI SYSTEMS LTD.	2.60
INDRAPRASTHA GAS LTD	2.35
PETRONET LNG LTD	2.15

total equity 97.02

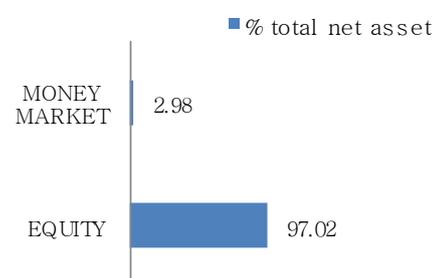
total money market 2.98

total net assets 100.00

fund characteristics as on May 30, 2014

Fund Beta 0.91

asset allocation as on May 30, 2014



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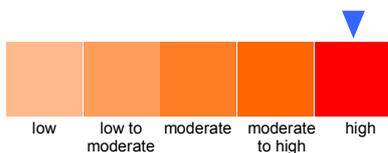
ULGF01428/11/08GENERGYF01121

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 May 31, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Energy Fund 1	26.03%	16.85%	5.45%	4.10%	4.23%
Benchmark	23.12%	16.91%	3.25%	1.28%	1.00%

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

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

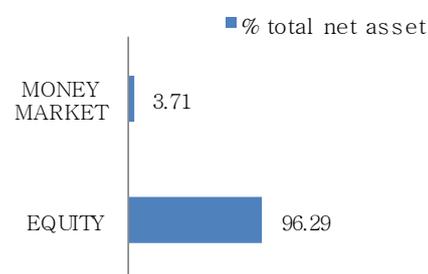
portfolio As on May 30, 2014

security	% total net assets
equity	
NTPC LTD	9.45
ONGC	9.03
LARSEN & TUBRO	8.96
OIL INDIA LTD	8.91
POWER GRID CORP OF INDIA LTD	8.82
RELIANCE INDUSTRIES LTD.	8.71
TATA POWER CO. LTD	5.79
CUMMINS INDIA	5.58
GAS AUTHORITY OF INDIA LTD.	5.06
INDRAPRASTHA GAS LTD	4.65
BHARAT PETROLEUM CORP. LTD.	4.50
CAIRN INDIA LTD	4.05
VOLTAS LTD	3.79
PETRONET LNG LTD	3.28
GUJARAT STATE PETRONET LTD	3.15
EXIDE INDUSTRIES LTD	1.58
COAL INDIA LTD	0.98
total equity	96.29
total money market	3.71
total net assets	100.00

fund characteristics as on May 30, 2014

Fund Beta 0.88

asset allocation as on May 30, 2014



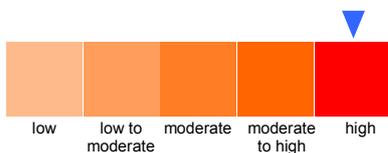
SFIN :
ULGF02008/06/09GMIDCAPF01121

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 May 31, 2014

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Midcap Fund 1	43.72%	29.89%	15.30%	10.97%
Benchmark	50.68%	23.96%	6.72%	3.53%

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

portfolio As on May 30, 2014

security	% total net assets
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equity

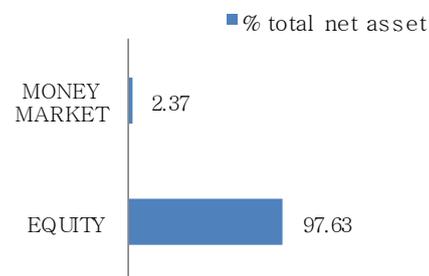
INDIABULLS HOUSING FINANCE LTD	8.32
YES BANK LTD	7.85
DIVIS LABORATORIES LTD	5.55
CROMPTON GREAVES LTD	5.36
AUROBINDO PHARMA LTD	4.59
PURAVANKARA PROJECTS LTD	4.01
INDIAN METALS AND FERRO ALLOYS LTD	3.83
IDEA CELLULAR LTD	3.57
STATE BANK OF INDIA	3.45
ADITYA BIRLA NUVO LTD	3.38
JSW STEEL LTD	3.33
JINDAL SAW LTD	2.99
FUTURE CONSUMER ENTERPRISE LTD	2.99
D.B. CORP LTD	2.82
PETRONET LNG LTD	2.80
ZEE ENTERTAINMENT ENTERPRISES LTD	2.76
INDRAPRASTHA GAS LTD	2.75
EXIDE INDUSTRIES LTD	2.62
VOLTAS LTD	2.50
TATA GLOBAL BEVERAGES LTD	2.46
SHOPPERS STOP LTD	2.42
HT MEDIA LTD	2.40
RADICO KHAITAN LTD	2.40
TATA CHEMICALS LTD.	2.38
GUJARAT FLUORO CHEMICALS LTD.	2.35
BHARAT FORGE	2.02
TRENT LTD	1.89
THE FEDERAL BANK LTD	1.49
CENTURY TEXTILES & INDUSTRIES LTD	1.38
UNITED PHOSPHOROUS LTD	0.99

total equity	97.63
total money market	2.37
total net assets	100.00

fund characteristics as on May 30, 2014

Fund Beta 0.90

asset allocation as on May 30, 2014



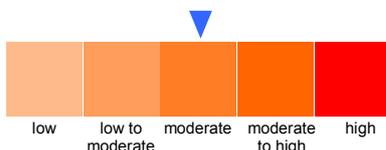
SFIN :
ULGF00310/10/03GGROWTHF01121

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 May 31, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Growth Fund 1	13.00%	14.94%	10.55%	9.34%	9.86%
Benchmark	9.95%	13.11%	8.85%	8.41%	8.57%

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

portfolio As on May 30, 2014

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

bond/ncd

9.95% FCI NCD 07-03-2022 SR-VI	9.41	AAA
9.28% REC NCD 15-02-2017 106TH	5.46	AAA
8.64% PGCIL NCD 08-07-2017 XXXIII D	4.48	AAA
10.60% IRFC NCB 11-09-2018	1.91	AAA
9.70% PFC NCD 15-12-2018 SR 82-C	1.84	AAA
9.38% REC NCD 06-11-2018 117th	1.82	AAA

total bond/cd 24.93

gilts

8.28% GOI CG 21-09-2027	4.85
7.16% GOI CG 20-05-2023	3.66
7.28% GOI CG 03-06-2019	3.65
8.32% GOI CG 02-08-2032	2.40
7.80% GOI 2020	2.37
8.35% GOI 2022	1.37

total gilts 18.30

equity

HDFC BANK LTD	3.06
RELIANCE INDUSTRIES LTD.	2.87
INFOSYS LTD	2.79
DIVIS LABORATORIES LTD	2.78
ITC	2.64
ICICI BANK LTD.	2.54
LARSEN & TUBRO	2.23
TATA CONSULTANCY SERVICES LTD.	1.57
YES BANK LTD	1.57
TATA MOTORS LTD	1.34
BHARTI AIRTEL LTD	1.32
ULTRATECH CEMCO LTD	1.20
ONGC	1.08
INDIABULLS HOUSING FINANCE LTD	0.98
MARUTI UDYOG LTD.	0.92
JSW STEEL LTD	0.92
HDFC LTD	0.89
CUMMINS INDIA	0.84
MAHINDRA & MAHINDRA LTD.-FV5	0.79
SANOFI INDIA LTD	0.77
AUROBINDO PHARMA LTD	0.74
WIPRO	0.64
SESA STERLITE LTD	0.64
TECH MAHINDRA LTD	0.58
COAL INDIA LTD	0.57
SUN PHARMACEUTICAL INDUSTRIES LTD	0.57
STATE BANK OF INDIA	0.53
MOTHERSON SUMI SYSTEMS LTD.	0.49
BAJAJ AUTO LTD	0.41
LUPIN LTD	0.34
SML ISUZU LTD	0.32

total equity 38.94

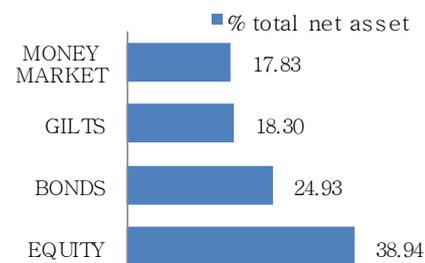
total money market 17.83

total net assets 100.00

fund characteristics as on May 30, 2014

M. Duration of debt portfolio: 3.41 Years
YTM of debt portfolio: 8.63%
Fund Beta: 0.99

asset allocation as on May 30, 2014



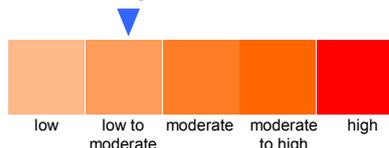
SFIN :
ULGF00110/10/03GBALANCE01121

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 May 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 1	7.39%	11.31%	9.45%	8.35%	8.58%
Benchmark	6.33%	10.35%	8.51%	7.90%	7.75%

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

portfolio As on May 30, 2014

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

bond/ncd

9.95% FCI NCD 07-03-2022 SR-VI	8.92	AAA
8.95% PFC NCD 11-03-2018 101-A	7.59	AAA
8.64% PGCIL NCD 08-07-2017 XXXIII D	7.08	AAA
9.63% REC NCD 05-02-2019 SR-119	3.88	AAA
9.57% LICHL NCD 07-09-2017	3.87	AAA
8.70% REC NCD 01-02-2018 112	3.77	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	3.77	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.30	AAA
8.68% NCRPB NCB 18-08-2019	2.85	AAA
10.60% IRFC NCB 11-09-2018	1.01	AAA

total bond/cd 46.04

gilts

8.28% GOI CG 21-09-2027	6.61
7.16% GOI CG 20-05-2023	5.06
7.28% GOI CG 03-06-2019	4.74
7.80% GOI 2020	3.31
8.32% GOI CG 02-08-2032	3.26
8.35% GOI 2022	1.97

total gilts 24.95

equity

HDFC BANK LTD	1.51
INFOSYS LTD	1.41
RELIANCE INDUSTRIES LTD.	1.41
DIVIS LABORATORIES LTD	1.38
ITC	1.29
ICICI BANK LTD.	1.24
LARSEN & TUBRO	1.16
TATA CONSULTANCY SERVICES LTD.	0.79
YES BANK LTD	0.75
TATA MOTORS LTD	0.66
BHARTI AIRTEL LTD	0.63
ULTRATECH CEMCO LTD	0.60
ONGC	0.54
INDIABULLS HOUSING FINANCE LTD	0.46
MARUTI UDYOG LTD.	0.46
JSW STEEL LTD	0.45
HDFC LTD	0.44
CUMMINS INDIA	0.43
MAHINDRA & MAHINDRA LTD.-FV5	0.39
SANOFI INDIA LTD	0.39
AUROBINDO PHARMA LTD	0.37
SESA STERLITE LTD	0.31
WIPRO	0.31
TECH MAHINDRA LTD	0.29
SUN PHARMACEUTICAL INDUSTRIES LTD	0.28
COAL INDIA LTD	0.28
STATE BANK OF INDIA	0.26
MOTHERSON SUMI SYSTEMS LTD.	0.24
BAJAJ AUTO LTD	0.17
LUPIN LTD	0.17
SML ISUZU LTD	0.12

total equity 19.21

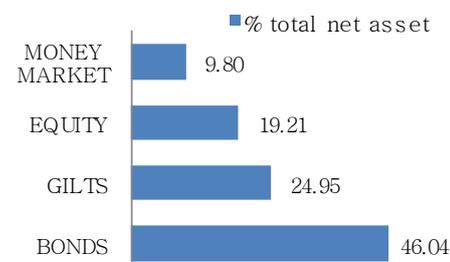
total money market 9.80

total net assets 100.00

fund characteristics as on May 30, 2014

M. Duration of debt portfolio:	4.01 Years
YTM of debt portfolio:	8.89%
Fund Beta:	0.99

asset allocation as on May 30, 2014



target asset allocation

Debt.:	80%
Equity:	20%

benchmark construction

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

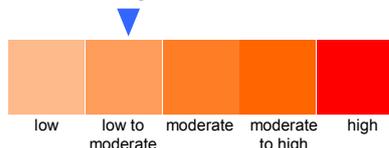
SFIN :
ULGF00210/10/03GBALANCE02121

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 May 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 2	7.76%	11.80%	9.93%	8.76%	8.94%
Benchmark	6.33%	10.35%	8.51%	7.90%	7.75%

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

portfolio As on May 30, 2014

security	% total assets	rating net
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bond/ncd

9.95% FCI NCD 07-03-2022 SR-VI	9.11	AAA
8.70% REC NCD 01-02-2018 112	8.45	AAA
8.80% PGCIL NCD 29-09-2017 E	5.44	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.16	AAA
8.95% PFC NCD 11-03-2018 101-A	2.94	AAA
9.81% PFC NCD 07-10-2018 SR109	2.91	AAA
10.20% RELIANCE POWER LTD NCD 12-06-2014	2.86	A1
9.75% SRTRANSFIN NCD 01-06-2015	2.64	AA
9.70% TATA SONS NCD 25-07-2022	1.46	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	0.65	AAA
10.60% IRFC NCB 11-09-2018	0.58	AAA
9.34% SBOT NCB 31-10-2016 I	0.55	AAA
8.97% TATA SONS NCD 15-07-2020	0.54	AAA
9.70% UNITEDPHOSPHORUS NCD 09-04-2017 A	0.44	AA+
8.68% NCRPB NCB 18-08-2019	0.22	AAA

total bond/cd 41.96

gilts

8.28% GOI CG 21-09-2027	6.62
7.16% GOI CG 20-05-2023	5.00
7.28% GOI CG 03-06-2019	4.80
8.32% GOI CG 02-08-2032	3.31
7.80% GOI 2020	3.23
8.35% GOI 2022	1.97

total gilts 24.94

equity

HDFC BANK LTD	1.50
RELIANCE INDUSTRIES LTD.	1.41
INFOSYS LTD	1.39
DIVIS LABORATORIES LTD	1.38
ITC	1.29
ICICI BANK LTD.	1.24
LARSEN & TUBRO	1.16
TATA CONSULTANCY SERVICES LTD.	0.78
YES BANK LTD	0.75
TATA MOTORS LTD	0.65
BHARTI AIRTEL LTD	0.63
ULTRATECH CEMCO LTD	0.60
ONGC	0.54
INDIABULLS HOUSING FINANCE LTD	0.46
MARUTI UDYOG LTD.	0.46
JSW STEEL LTD	0.46
HDFC LTD	0.44
CUMMINS INDIA	0.43
MAHINDRA & MAHINDRA LTD.-FV5	0.39
SANOFI INDIA LTD	0.39
AUROBINDO PHARMA LTD	0.37
WIPRO	0.31
SESA STERLITE LTD	0.31
TECH MAHINDRA LTD	0.29
SUN PHARMACEUTICAL INDUSTRIES LTD	0.28
COAL INDIA LTD	0.28
STATE BANK OF INDIA	0.26
MOTHERSON SUMI SYSTEMS LTD.	0.24
BAJAJ AUTO LTD	0.18
LUPIN LTD	0.17
SML ISUZU LTD	0.12

19.18

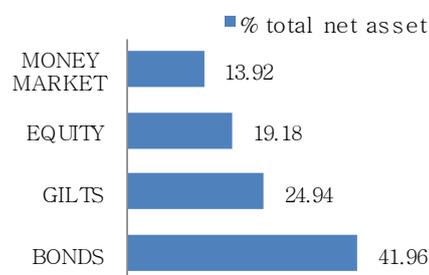
total money market 13.92

total net assets 100.00

fund characteristics as on May 30, 2014

M. Duration of debt portfolio: 3.68 Years
YTM of debt portfolio: 8.88%
Fund Beta: 0.99

asset allocation as on May 30, 2014



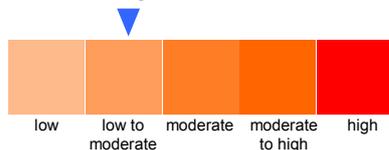
SFIN :
ULGF01213/10/08GCBOND02121

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



target asset allocation

Bond Instruments: 100%

benchmark construction

CRISIL Composite Bond Index: 100%

Group Corporate Bond Fund 2

fund performance as on May 31, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Corporate Bond Fund 2	3.43%	9.33%	9.22%	8.17%	8.43%
Benchmark	2.72%	7.57%	8.01%	7.02%	6.56%

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

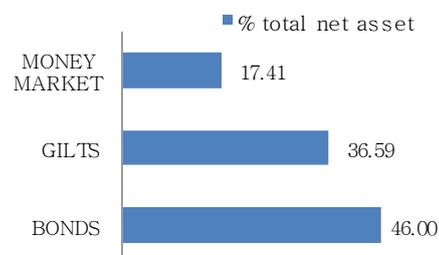
portfolio As on May 30, 2014

security	% total net assets	rating
bond/ncd		
8.93% NTPC NCB 19-01-2021 XXXVII.	9.08	AAA
9.95% FCI NCD 07-03-2022 SR-VI	8.85	AAA
9.38% REC NCD 06-11-2018 117th	7.41	AAA
9.57% LICHL NCD 07-09-2017	6.30	AAA
8.75% RIL NCD 07-05-2020	4.51	AAA
9.27% PFC NCD 21-08-2017 92-B	4.17	AAA
9.25% HDFC NCD 11-03-2018 K-018	2.31	AAA
9.24% REC NCD 17-10-2018 116THOPTII	1.61	AAA
0.00% HDFC ZCB 23-10-2017 J-041	1.06	AAA
9.90% TATA SONS NCD 18-03-2016	0.70	AAA
total bond/ncd	46.00	
Gilts		
8.32% GOI CG 02-08-2032	8.85	
8.28% GOI CG 21-09-2027	8.65	
7.16% GOI CG 20-05-2023	6.56	
8.35% GOI 2022	4.69	
7.28% GOI CG 03-06-2019	4.55	
7.80% GOI 2020	3.29	
total gilts	36.59	
total money market	17.41	
total net assets	100.00	

fund characteristics as on May 30, 2014

M. Duration of debt portfolio: 4.47 Years
YTM of debt portfolio: 9.03%

asset allocation as on May 30, 2014



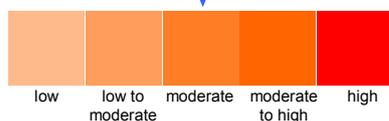
SFIN :
ULGF01030/09/08GPUREDEB01121

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 May 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Pure Debt Fund 1	4.74%	9.82%	9.50%	8.38%	8.54%
Benchmark	2.72%	7.57%	8.01%	7.02%	6.56%

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

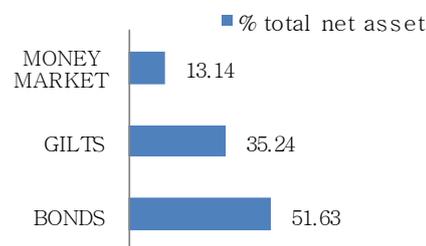
portfolio As on May 30, 2014

security	% total net assets	rating
bond/ncd		
9.95% FCI NCD 07-03-2022 SR-VI	14.61	AAA
8.64% PGCIL NCD 08-07-2017 XXXIII D	8.70	AAA
9.63% REC NCD 05-02-2019 SR-119	7.14	AAA
9.68% TATA SONS NCD 10-01-2017	7.13	AAA
9.28% REC NCD 15-02-2017 106TH	7.07	AAA
8.95% PFC NCD 11-03-2018 101-A	6.99	AAA
total bond/ncd	51.63	
gilts		
8.32% GOI CG 02-08-2032	8.69	
8.28% GOI CG 21-09-2027	8.25	
7.16% GOI CG 20-05-2023	6.35	
7.28% GOI CG 03-06-2019	4.68	
8.35% GOI 2022	4.43	
7.80% GOI 2020	2.84	
total gilts	35.24	
total money market	13.14	
total net assets	100.00	

fund characteristics as on May 30, 2014

M .Duration of debt portfolio: 4.25 Years
YTM of debt portfolio: 8.88%

asset allocation as on May 30, 2014



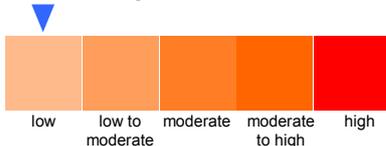
SFIN :
ULGF00431/01/07GCAPISEC01121

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 May 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Capital Secure Fund 1	9.90%	9.70%	9.60%	9.18%	8.80%
Benchmark	7.67%	8.03%	8.12%	7.59%	7.00%

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

portfolio As on May 30, 2014

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

fund characteristics as on May 30, 2014

M .Duration of debt portfolio: 0.25 Years
YTM of debt portfolio: 9.39%

asset allocation as on May 30, 2014



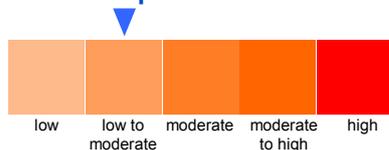
SFIN :
ULGF01610/12/08GGILTFUN02121

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 May 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Gilt Fund 2	0.64%	8.25%	8.17%	7.60%	7.19%
Benchmark	-0.85%	7.48%	8.04%	6.84%	6.06%

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

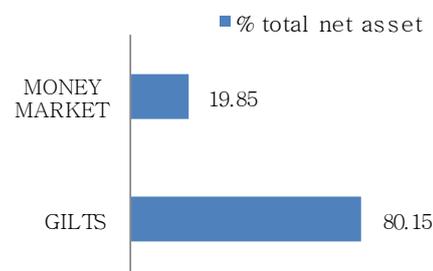
portfolio As on May 30, 2014

security	% total net assets
gilts	
8.28% GOI CG 21-09-2027	20.63
8.32% GOI CG 02-08-2032	15.29
7.16% GOI CG 20-05-2023	15.27
8.35% GOI 2022	12.25
7.28% GOI CG 03-06-2019	8.74
7.80% GOI 2020	7.97
total money market	19.85
total net assets	100.00

fund characteristics as on May 30, 2014

M. Duration of debt portfolio:	5.38 Years
YTM of debt portfolio:	8.49%

asset allocation as on May 30, 2014



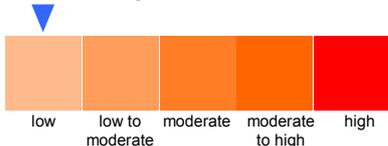
SFIN :
ULGF00930/09/08GMONMRKT02121

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 May 31, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Money Market Fund 2	9.36%	9.71%	9.81%	9.43%	9.12%
Benchmark	9.59%	8.86%	8.81%	8.33%	7.27%

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

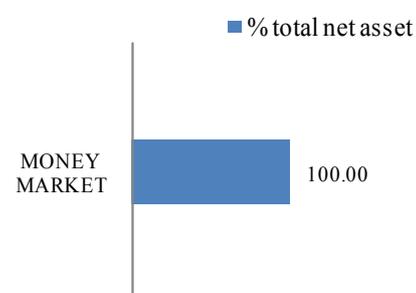
portfolio As on May 30, 2014

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

fund characteristics as on May 30, 2014

M. Duration of debt portfolio: 0.46 Years
YTM of debt portfolio: 8.95%

asset allocation as on May 30, 2014



Life Insurance

SFIN	Plan Name	Fund Name	NAV
ULGF00431/01/07GCAPISEC01121	Reliance Group Gratuity Plan	Group Capital Secure Fund 1	17.934
ULGF00210/10/03GBALANCE02121	Reliance Group Gratuity Plan	Group Balanced Fund 2	17.6962
ULGF00110/10/03GBALANCE01121	Reliance Group Gratuity Plan	Group Balanced Fund 1	21.1678
ULGF01213/10/08GCORBOND02121	Reliance Group Gratuity Plan	Group Corporate Bond Fund 2	16.0501
ULGF01808/06/09GEQUITYF03121	Reliance Group Gratuity Plan	Group Equity Fund 3	21.9789
ULGF01610/12/08GGILTFUN02121	Reliance Group Gratuity Plan	Group Gilt Fund 2	13.8566
ULGF00930/09/08GMONMRKT02121	Reliance Group Gratuity Plan	Group Money Market Fund 2	16.1295
ULGF00310/10/03GGROWTHF01121	Reliance Group Gratuity Plan	Group Growth Fund 1	17.3379
ULGF01908/06/09GINFRASF01121	Reliance Group Gratuity Plan	Group Infrastructure Fund 1	9.3604
ULGF02008/06/09GMIDCAPF01121	Reliance Group Gratuity Plan	Group Midcap Fund 1	18.7972
ULGF01030/09/08GPUREDEB01121	Reliance Group Gratuity Plan	Group Pure Debt Fund 1	16.15
ULGF00110/10/03GBALANCE01121	Reliance Group Superannuation Plan	Group Balanced Fund 1	21.1678
ULGF00431/01/07GCAPISEC01121	Reliance Group Superannuation Plan	Group Capital Secure Fund 1	17.934
ULGF01213/10/08GCORBOND02121	Reliance Group Superannuation Plan	Group Corporate Bond Fund 2	16.0501
ULGF01808/06/09GEQUITYF03121	Reliance Group Superannuation Plan	Group Equity Fund 3	21.9789
ULGF01610/12/08GGILTFUN02121	Reliance Group Superannuation Plan	Group Gilt Fund 2	13.8566
ULGF00310/10/03GGROWTHF01121	Reliance Group Superannuation Plan	Group Growth Fund 1	17.3379
ULGF00930/09/08GMONMRKT02121	Reliance Group Superannuation Plan	Group Money Market Fund 2	16.1295
ULGF01030/09/08GPUREDEB01121	Reliance Group Superannuation Plan	Group Pure Debt Fund 1	16.15
ULGF00210/10/03GBALANCE02121	Reliance Group Savings Linked Insurance Plan	Group Balanced Fund 2	17.6962
ULGF01213/10/08GCORBOND02121	Reliance Group Savings Linked Insurance Plan	Group Corporate Bond Fund 2	16.0501
ULGF01428/11/08GENERGF01121	Reliance Group Savings Linked Insurance Plan	Group Energy Fund 1	17.1131
ULGF01328/11/08GEQUITYF02121	Reliance Group Savings Linked Insurance Plan	Group Equity Fund 2	26.5311
ULGF01610/12/08GGILTFUN02121	Reliance Group Savings Linked Insurance Plan	Group Gilt Fund 2	13.8566
ULGF01908/06/09GINFRASF01121	Reliance Group Savings Linked Insurance Plan	Group Infrastructure Fund 1	9.3604
ULGF02008/06/09GMIDCAPF01121	Reliance Group Savings Linked Insurance Plan	Group Midcap Fund 1	18.7972
ULGF00930/09/08GMONMRKT02121	Reliance Group Savings Linked Insurance Plan	Group Money Market Fund 2	16.1295
ULGF01030/09/08GPUREDEB01121	Reliance Group Savings Linked Insurance Plan	Group Pure Debt Fund 1	16.15
ULGF01528/11/08GPUREEQF01121	Reliance Group Savings Linked Insurance Plan	Group Pure Equity Fund 1	22.2914
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Balanced Fund 2	17.6962
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Money Market Fund 2	16.1295
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Corporate Bond Fund 2	16.0501
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Gilt Fund 2	13.8566
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Gratuity Plus Plan	Group Equity Fund 3	21.9789
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Money Market Fund 2	16.1295
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Corporate Bond Fund 2	16.0501
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Gilt Fund 2	13.8566
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Equity Fund 3	21.9789
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Balanced Fund 2	17.6962

- ✓ 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 FII's 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 Sharpe ratio are calculated in order to compare the returns generated per unit of risk vis-à-vis benchmarks.

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

Gross Fund Return

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

We shall highlight this with the help of an example.

Reliance Life Insurance

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

XYZ Insurance Company

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

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

Benchmark Return

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

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

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

Fund Standard Deviation

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

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

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

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

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

Fund Sharpe Ratio

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

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

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

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

✓ Gross Fund Return

✓ Benchmark Return

✓ Fund Standard Deviation

✓ Fund Sharpe Ratio

We shall assume that 9.85% was the annualized gross return for a 3-year time period for the balanced fund, 5% p.a. was the assumed risk free rate of return as discussed above and 4.14% p.a. was the standard deviation of this 3-year return. The Sharpe ratio can be calculated as follows:

$$(9.85-5)\%/4.14\%=1.17.$$

The Sharpe ratio tells us whether the returns of a portfolio are due to smart investment decisions or a result of excess risk. This measurement is very useful because although one portfolio or fund can reap higher returns than its peers, it is only a good investment if those higher returns do not come with too much additional risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been.

Benchmark Sharpe Ratio

Just as the fund returns are compared to a benchmark return, the Sharpe ratio of the fund is also compared to the benchmark's Sharpe ratio in order to evaluate the risk-adjusted performance. In our example above, let us assume that the benchmark Sharpe ratio of the balanced fund for the last 3 years is 0.98. This means that over a three-year time period, the Balanced Fund of Reliance Life Insurance has given a higher risk-adjusted return than the comparable risk-adjusted return provided by the constructed benchmark.

While calculating the benchmark Sharpe ratio of 0.98, let us assume that 9.10% was the annualized gross return provided by the constructed benchmark for the balanced fund for the last 3-year time period, 5% p.a. was the assumed risk free rate of return, and 4.21% p.a. was the standard deviation of the 3-year benchmark return.

The benchmark Sharpe ratio for the Balanced Fund for the last three years has been calculated as follows: $(9.10-5)\%/4.21\%=0.98$.

Modified Duration of Debt Portfolio

The value of a fund's debt portfolio is sensitive to changes in interest rates. When interest rates rise, bond prices fall, and vice versa. Generally, a debt portfolio comprising of bonds with higher maturities will have a higher price fluctuation than a portfolio comprising of bonds with lower maturities. Modified duration, indicates the sensitivity of the value of the debt portfolio to any given change in interest rates. Modified Duration is derived from Duration, which represents a weighted average of the time periods to maturity.

Modified Duration gives one an immediate rule of thumb -- the percentage change in the price of a bond is the duration multiplied by the change in interest rates. So, if a bond has duration of 10 years and interest rates fall from 8% to 7.5% (a drop of 0.50 percentage points), the bond's price will rise by approximately 5% (i.e. $10 \times 0.50\%$).

Let us assume that the modified duration for the Balanced Fund is 2.03. If interest rates drop from 8% to 7.5%, the value of this debt portfolio will rise by 1.015% (i.e. $2.03 \times 0.50\%$). Similarly, when interest rates rise from 8% to 8.5%, say, the value of this debt portfolio will fall by 1.015%.

Fund Beta

Beta measures the risk of a security (say a particular stock) in relation to its broad market. The broad market is generally defined as the specified benchmark index. The Beta assigned to the benchmark index is 1. Beta of the stock describes the sensitivity of the price of the stock to the benchmark index. (For the more statistically inclined readers, Beta is the slope of the regression line). It is generally calculated for equity portfolio/funds.

If a stock has a beta of 1, that stock is likely to generate the same returns as the market. If the beta of a stock is more than 1, it means that the stock is likely to give higher returns compared to the market but also at a higher risk as compared to the market. For instance, a stock with beta of 1.2 means that when the market, say Nifty, gives a return of 10%, that stock is likely to generate returns of 12% (i.e. $1.2 \times 10\%$). Similarly, a low beta stock has given lower returns compared to what the market has delivered for a particular time period. For e.g. for a stock with beta of 0.80, if the Nifty gives returns of 10%, the stock is likely to give returns of only half of that, i.e. 8%. (i.e. $0.80 \times 10\%$)

Now we shall see the impact of these two stocks when the market falls. When the Nifty gives negative returns of 10%, i.e the market falls by 10%, the price of the stock with beta of 1.2 will fall by 12%. However, though the price of the stock with the low beta of 0.8 will also fall when the market falls, it will not fall as much as the market. If the market falls by 10%, the price of this scrip will fall only by 8%.

The fund beta is nothing but the betas of individual stocks in the equity portfolio multiplied by the weight of that stock in the portfolio. If a fund has a high beta, the equity portfolio of that fund is aggressive and tilted towards high beta stocks and vice versa. Please note that the betas of individual stocks as given in the Equity Fund page of the Analyst have been calculated based on the available prices of the stocks on the NSE for the last 1-yr period.

✓ **Benchmark Sharpe Ratio**

✓ **Modified Duration Of Debt Profile**

✓ **Fund Beta**

Disclaimer

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