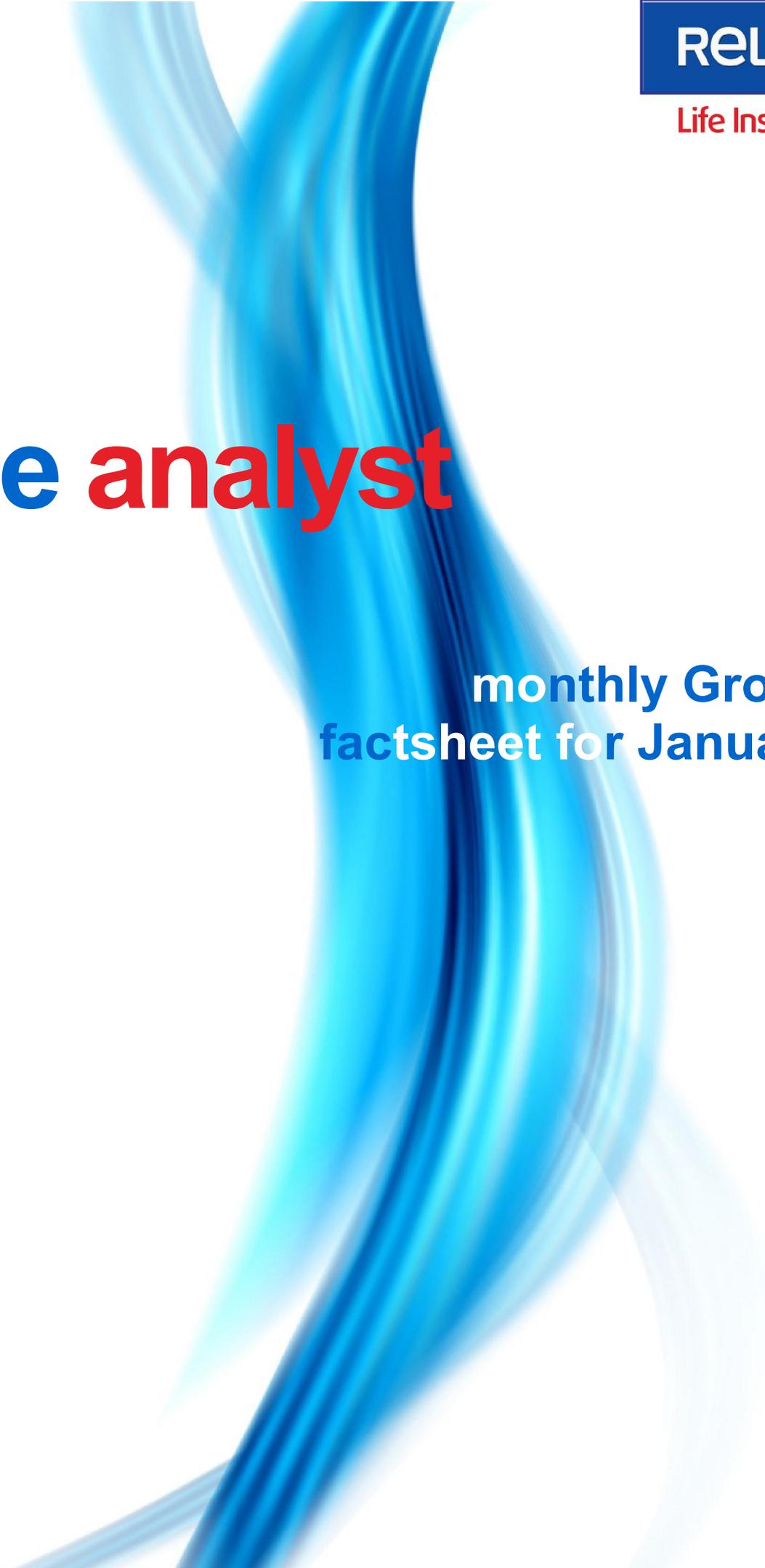




RELIANCE

Life Insurance



the analyst

**monthly Group fund
factsheet for January 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	31st Dec 13	29th Nov 13	% Change
¹ Rs./\$	61.80	62.41	-0.99
² WPI Inflation Index	6.16	7.52	-1.36
³ Forex Reserves (\$ bn)	295.71	291.23	1.51
⁴ Brent Crude Price (\$ per Barrel)	98.42	92.72	5.79
⁵ Gold (Rs. per 10gm)	29075	30379	-4.48

Indices	31st Dec 13	29th Nov 13	% Change
¹ BSE Sensex	21171	20535	3.00
² S&P CNX Nifty	6304	6092	3.37
³ CNX Mid Cap	8071	7597	5.87
⁴ BSE Small Cap	6551	6049	7.67

Global Indices	31st Dec 13	29th Nov 13	% Change
¹ Dow Jones	16577	16086	2.96
² FTSE 100	6749	6654	1.40
³ Hang Seng	23306	23789	-2.07
⁴ Nikkei	16291	15727	3.46

Sectoral Indices	31st Dec 13	29th Nov 13	% Change
¹ CNX Infrastructure	2477	2388	3.61
² CNX Energy	7961	7715	3.09
³ BSE Capital Goods	10264	9644	6.04
⁴ BSE Bankex	13002	12455	4.20
⁵ BSE Oil & Gas	8834	8543	3.30
⁶ BSE IT	9082	8341	8.15

Fixed Income Indicators (%)	31st Dec 13	29th Nov 13	bps Change
¹ NSE Mibor	8.82	8.81	0.11
² 91 Day T-Bill	8.63	8.85	-0.22
³ 182 Day T-Bill	8.68	8.90	-0.22
⁴ 1 year GOI Benchmark	8.78	8.95	-0.17
⁵ 5 Year GOI Benchmark	8.91	8.78	0.13
⁶ 10 Year GOI Benchmark	8.83	8.73	0.10
⁷ 5 Year Corp Bond Benchmark	9.61	9.70	-0.09
⁸ 10 Year AAA Corp Bond Benchmark	9.60	9.55	0.05
⁹ 10 Year US Benchmark	3.03	2.74	0.29

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

Indian Economy

Fixed Income markets were at the cross roads during the last month. INR has stabilized against major foreign currencies in a narrow range which could possibly started attracting again foreign investors in the fixed income after marching out since June 2013. Major reason for strength of the INR was increase in the foreign exchange reserve by inflow of USD 34 billion on account of FCNR (B) deposit and reduction in Current Account Deficit (CAD). One has to wait and watch this trend.

US Federal Reserve has also started much anticipated reduction in asset purchase program by USD 10 billion from January 2014 and it is expected to completely wind down by end of 2014, if incoming economic data points to continuous strengthening of the economy. Side by side UK and Germany is also exhibiting economic growth. This would be keeping interest rate firm in the developed world. On the other hand, continuous issuances of government bonds and persistent high inflationary outlook have been keeping the interest rate outlook uncertain locally.

Both WPI and CPI for November 2013 saw rising trend as WPI got printed at 7.5% (YoY) Vs 7.0% (YoY) and CPI at 11.2% (YoY) Vs 10.2% (YoY) in the previous month. The key driver of persistently increasing trend observed over the last few months was high vegetable & food prices. However, core WPI and CPI (i.e. non food and non energy inflation) was subdued at 2.7% (YoY) & 8.0% (YoY) respectively. RBI choose to not to raise key policy rates in its December 2013 monetary policy meet. The central bank admitted that the policy decision was a "close one" as they opted to wait for more data as this spike was expected to settle down once supply of vegetable increases due to good harvest in next round of data. Further, disinflationary trends due to subpar economic growth as well as lagged effect of tightening measures would also be helping in moderating inflation going forward. However, it is expected that inflation will remain firm in the absence of any resolve from the government to break the back of it through administrative reforms. RBI has also introduced CPI Indexed bonds for retail investors to protect their savings from inflation.

Interest rates have been uncertain during the last month. Yield on benchmark 10 years government bond closed at 8.8% against 8.7% in the previous month while touching intra month low at 8.6%. Spreads on medium and long maturity corporate bonds remained tight due to lack of issuance as issuers were seen issuing short maturity bonds as they do not want to lock-in higher rates for longer maturity. Though initially money markets rates (securities maturing up to 1 year) have come down due to persistent demand from mutual funds, later on it went up marginally as banking liquidity tightened. RBI was providing liquidity to banks at various interest rate points to alleviate liquidity pressure.

Fixed Income Outlook:

Going ahead, we would be guided by release of CPI and WPI data, which is expected to soften as witnessed in the fall in the vegetable & food prices during the month. In addition, inflation would also be favorably impacted in near future as expected good output on account of Kharif would hit the market. Government looks like committed to achieve target for fiscal deficit through variety of means like selling stake in companies like Axis Bank, ITC Ltd. as well as asking PSU companies to pay higher dividend and so on as revenue collection continues to be dismal. However, overhang of large issuance of Government bonds in the next financial year due to redemption will weigh in the market in the long term. Overall, during this quarter, interest rates are expected to trade in the narrow range.

Equity Market

Indian equities saw a relatively volatile month (Sensex up 1.8%) as markets were punctuated by a slew of macro releases policy meetings (RBI & FOMC), politics as well as rebalance flows. Helped by a better 4QFY14 GDP at 4.8% (YoY) & Purchase Managers Index at 51.3 (after showing signs of contraction in the last 3 readings), the benchmark Nifty index got off to a strong start in December 2013, hitting a all-time highs beyond 6400 as market sentiment was further buoyed by the outcome of the State Elections. However, inflation inching past the RBI's comfort levels (CPI: 11.2% (YoY) & WPI: 7.5% (YoY)) & Index of Industrial Production contracting 1.8% (YoY) dampened investor mood as it raised expectations of a 25bps Repo rate hike. But the RBI's decision to keep rates unchanged helped markets turn around & Bernanke's decision to begin asset reduction program by \$10bn was also well weathered by India.

The state elections saw the BJP garner the highest number of seats in all four state assemblies; Rajasthan and Madhya Pradesh were more resounding victories while Chhattisgarh and Delhi were close contests with BJP failing to cross the half-way mark in the latter

In the Banking space, SBI received government approval to raise Rs 95.76bn of equity via QIP conditional that government holding does not fall below 58%. In the Pharmaceutical sector, parent GSK has offered a 26% premium to increase its stake from 51% to 75% in GlaxoSmithKline. Among Auto names, media reported that Suzuki may raise stake in Maruti Suzuki but the company has denied the news. The month also saw Mahindra & Mahindra announcing a 2% price hike in all its products from Jan 1, 2014.

Among Energy stocks, Reliance Industries (RIL) received a significant boost over the month as the Cabinet approved the proposal to allow RIL to charge the new gas price against a bank guarantee. The co may have to furnish \$ 1.2bn guarantee over 3 years. In the Telecom space, the Cabinet panel cleared the auction price fixed by the EGoM. Meanwhile Bharti's €750mn Euro-bond issue saw an enthusiastic participating with an oversubscription by over 5 times.

In Utilities, Power Grid grabbed headlines as its \$1.1bn FPO was well received by investors with the QIB portion of the book being 9x subscribed. Meanwhile, regulator CERC released the draft terms & conditions for the tariff block FY15E-19E which while maintaining the assured RoE at 15.5% contained several tightening steps.

Foreign Investors ended the last month of the calendar year as net buyers, with net inflows to the tune of \$ 2.5bn in December 2013, thus taking the amount for CY13 to a total of \$20bn net inflows. Domestic Institutional Investors (DII) remained on the other side as net sellers, notching up \$1.2bn net outflows over December 2013. Insurance companies accounted for \$1.1bn of outflows while Mutual Funds recorded net outflows of \$94mn. In CY13, DIIs were net sellers at \$12.9bn.

Equity Outlook:

Entering into the New Year, markets will keenly watch out for Q3FY14 results and FII Flows. Government actions on the divestment front and result of telecom auction would be keenly watched this month.

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

asset allocation	funds	Last 1 Year	Last 2 Year	Last 3 Year	Page No.
100% equity	Group Equity Fund 2	7.00%	18.75%	3.14%	4
100% equity	Group Equity Fund 3	5.92%	18.01%	9.13%	5
100% pure equity	Group Pure Equity Fund 1	9.29%	14.29%	1.31%	6
100% equity	Group Infrastructure Fund 1	-8.95%	2.65%	-11.20%	7
100% equity	Group Energy Fund 1	-2.54%	4.49%	-4.87%	8
100% equity	Group Midcap Fund 1	6.66%	23.88%	2.13%	9
40% equity, 60% debt	Group Growth Fund 1	6.73%	12.75%	6.20%	10
20% equity, 80% debt	Group Balanced Fund 1	5.19%	9.88%	6.71%	11
20% equity, 80% debt	Group Balanced Fund 2	6.15%	10.42%	7.26%	12
100% bond instruments	Group Corporate Bond Fund 2	5.87%	8.63%	7.97%	13
100% debt Instruments	Group Pure Debt Fund 1	7.27%	9.32%	8.30%	14
100% money market	Group Capital Secure Fund 1	9.85%	9.68%	9.50%	15
100% govt. securities	Group Gilt Fund 2	4.21%	7.40%	7.13%	16
100% money market	Group Money Market Fund 2	9.66%	9.97%	9.83%	17

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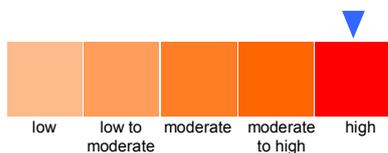
ULGF00724/10/07GEQUITYF01121

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 Dec 31, 2013

gross return				
fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 2	7.00%	18.75%	3.14%	7.15%
Benchmark	9.03%	8.78%	8.57%	7.70%

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

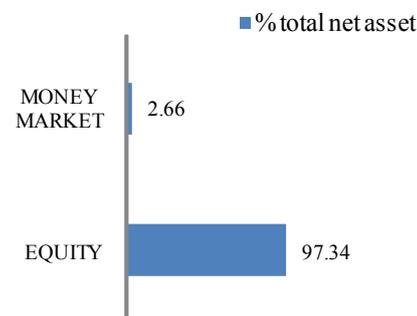
portfolio As on Dec 31, 2013

security	% total net assets
equity	
ITC - FV 1	8.86
INFOSYS LIMITED	8.72
DIVIS LABORATORIES LIMITED	8.21
RELIANCE INDUSTRIES LTD.	8.19
HDFC BANK LTD.FV-2	6.91
ICICI BANK LTD.	6.28
HDFC LTD FV 2	5.05
TATA CONSULTANCY SERVICES LTD.	5.03
LARSEN&TUBRO	4.17
MARUTI UDYOG LTD.	3.08
TATA MOTORS LTD.FV-2	3.03
BHARTI AIRTEL LIMITED	2.40
AUROBINDO PHARMA LTD FV1	2.24
ULTRATECH CEMCO LTD	2.21
JSW STEEL LIMITED	2.15
YES BANK LTD	2.12
SUN PHARMACEUTICAL INDUSTRIES LTD.FV-1	2.10
KIRLOSKAR CUMMINS	2.07
MAHINDRA & MAHINDRA LTD.-FV5	1.80
ONGCFV-5	1.78
SESA STERLITE LIMITED	1.45
INDIABULLS HOUSING FINANCE LTD	1.37
MOTHERSON SUMI SYSTEMS LTD.	1.04
BAJAJ AUTO LTD	0.89
CAIRN INDIA LIMITED	0.88
ZEE ENTERTAINMENT ENTERPRISES LIMITED	0.81
RANBAXY FV RS 5	0.74
OIL INDIA LIMITED	0.74
SML ISUZU LIMITED	0.55
HERO MOTOCORP LIMITED	0.52
STRIDES ARCOLAB LIMITED	0.43
HT MEDIA LIMITED	0.42
HINDALCO INDUSTRIES LTD FV RE 1	0.41
BHARAT PETROLEUM CORP. LTD.	0.38
D.B. CORP LIMITED	0.31
	97.34
total money market	2.66
total net assets	100.00

fund characteristics as on Dec 31, 2013

Fund Beta 0.95

asset allocation as on Dec 31, 2013



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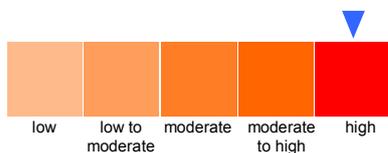
ULGF01808/06/09GEQUITYF03121

Inception Date : 8th Jun 2009

fund objective

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

fund risk profile



target asset allocation

Equity: 100%

benchmark construction

S&P CNX Nifty: 100%

Group Equity Fund 3

fund performance as on Dec 31, 2013

fund name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 3	5.92%	18.01%	9.13%	11.84%
Benchmark	9.03%	8.78%	8.57%	7.70%

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

portfolio As on Dec 31, 2013

security	% total net assets
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equity

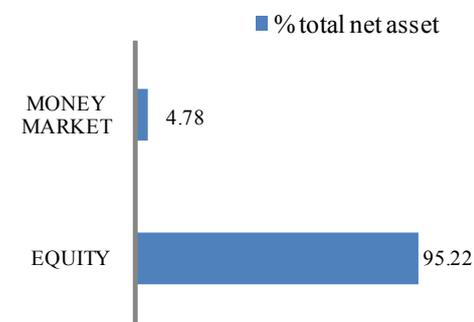
RELIANCE INDUSTRIES LTD.	8.71
INFOSYS LIMITED	8.66
ITC - FV 1	8.59
HDFC BANK LTD.FV-2	6.81
DIVIS LABORATORIES LIMITED	6.23
ICICI BANK LTD.	6.11
TATA CONSULTANCY SERVICES LTD.	4.89
HDFC LTD FV 2	4.37
LARSEN&TUBRO	3.94
TATA MOTORS LTD.FV-2	3.34
MARUTI UDYOG LTD.	3.06
BHARTI AIRTEL LIMITED	2.82
MAHINDRA & MAHINDRA LTD.-FV5	2.03
ONGCFV-5	1.96
SUN PHARMACEUTICAL INDUSTRIES LTD.FV-1	1.90
STATE BANK OF INDIA	1.83
AUROBINDO PHARMA LTD FV1	1.81
YES BANK LTD	1.78
KIRLOSKAR CUMMINS	1.76
CAIRN INDIA LIMITED	1.72
JSW STEEL LIMITED	1.43
MOTHERSON SUMI SYSTEMS LTD.	1.43
ULTRATECH CEMCO LTD	1.35
RANBAXY FV RS 5	1.26
SESA STERLITE LIMITED	1.16
BAJAJ AUTO LTD	1.04
HERO MOTOCORP LIMITED	0.99
INDIABULLS HOUSING FINANCE LTD	0.91
CROMPTON GREAVES LTD	0.83
HINDALCO INDUSTRIES LTD FV RE 1	0.65
ZEE ENTERTAINMENT ENTERPRISES LIMITED	0.57
OIL INDIA LIMITED	0.53
BHARAT PETROLEUM CORP. LTD.	0.25
SML ISUZU LIMITED	0.19
HT MEDIA LIMITED	0.18
STRIDES ARCOLAB LIMITED	0.11

total equity	95.22
total money market	4.78
total net assets	100.00

fund characteristics as on Dec 31, 2013

Fund Beta 0.96

asset allocation as on Dec 31, 2013



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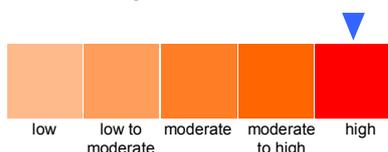
ULGF01528/11/08GPUREEQF01121

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 Dec 31, 2013

gross return					
Fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Pure Equity Fund 1	9.29%	14.29%	1.31%	4.45%	16.88%
Benchmark	18.13%	14.67%	1.71%	4.09%	16.18%

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

portfolio As on Dec 31, 2013

security % total net assets

equity

RELIANCE INDUSTRIES LTD.	9.07
BHARTI AIRTEL LIMITED	9.01
TATA CONSULTANCY SERVICES LTD.	8.86
HINDUSTAN LEVER LTD.	6.12
DR. REDDY LABORATORIES	5.72
ASIAN PAINTS LIMITEDFV-1	5.17
INFOSYS LIMITED	4.91
BAJAJ AUTO LTD	4.88
ONGCFV-5	4.54
HERO MOTOCORP LIMITED	3.94
ULTRATECH CEMCO LTD	3.74
MARUTI UDYOG LTD.	3.59
LARSEN&TUBRO	3.22
GRASIM INDUSTRIES LTD.	2.90
SANOFI INDIA LIMITED	2.78
LUPIN LIMITEDFV-2	2.55
DIVIS LABORATORIES LIMITED	2.53
TATA GLOBAL BEVERAGES LIMITED	2.26
MOTHERSON SUMI SYSTEMS LTD.	2.20
PETRONET LNG LIMITED	1.92
GAS AUTHORITY OF INDIA LTD.	1.68
VOLTAS LTD	1.68
KIRLOSKAR CUMMINS	1.26
CAIRN INDIA LIMITED	1.06
OIL INDIA LIMITED	0.78

total equity 96.36

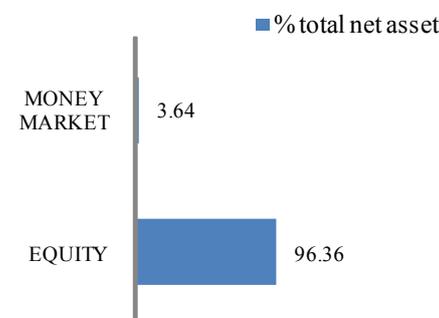
total money market 3.64

total net assets 100.00

fund characteristics as on Dec 31, 2013

Fund Beta 0.88

asset allocation as on Dec 31, 2013



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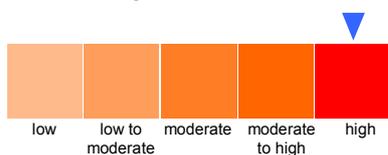
ULGF01908/06/09GINFRASF01121

Inception Date : 8th Jun 2009

fund objective

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

fund risk profile



target asset allocation

Equity: 100%

benchmark construction

CNX Infrastructure Index: 100%

Group Infrastructure Fund 1

fund performance as on Dec 31, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Infrastructure Fund 1	-8.95%	2.65%	-11.20%	-8.52%
Benchmark	-4.16%	7.98%	-10.52%	-8.93%

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

portfolio As on Dec 31, 2013

security % total net assets

equity

RELIANCE INDUSTRIES LTD.	8.99
LARSEN&TUBRO	8.73
BHARTI AIRTEL LIMITED	8.69
NTPC LIMITED	8.66
COAL INDIA LIMITED	8.42
ONGCFV-5	8.16
BHARAT FORGE	5.67
TATA POWER CO. LTD.FV-1	5.25
IDEA CELLULAR LTD	5.06
BHARAT HEAVY ELECTRICALS LTD.FV-2	4.67
KIRLOSKAR CUMMINS	4.54
POWER GRID CORP OF INDIA LTD	3.82
PETRONET LNG LIMITED	3.31
MOTHERSON SUMI SYSTEMS LTD.	2.13
VOLTAS LTD	1.89
CROMPTON GREAVES LTD	1.74
INDRAPRASTHA GAS LIMITED	1.68

total equity 91.43

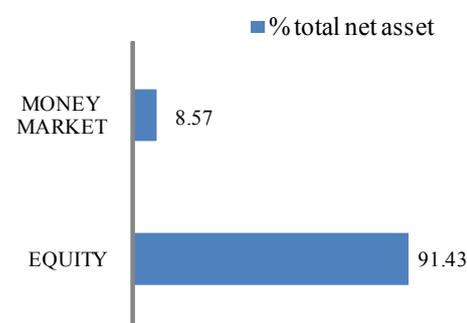
total money market 8.57

total net assets 100.00

fund characteristics as on Dec 31, 2013

Fund Beta 0.81

asset allocation as on Dec 31, 2013



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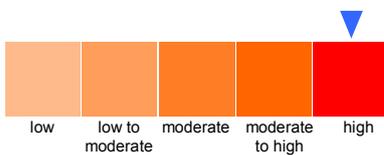
ULGF01428/11/08GENERGYF01121

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 Dec 31, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Energy Fund 1	-2.54%	4.49%	-4.87%	-2.54%
Benchmark	0.43%	6.89%	-6.61%	-4.20%

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

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

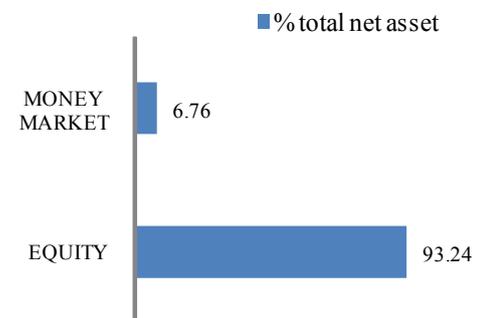
portfolio As on Dec 31, 2013

security	% total net assets
equity	
RELIANCE INDUSTRIES LTD.	9.07
NTPC LIMITED	8.99
OIL INDIA LIMITED	8.68
OIL INDIA LIMITED	8.66
LARSEN&TUBRO	8.37
COAL INDIA LIMITED	8.11
ONGCFV-5	7.16
KIRLOSKAR CUMMINS	5.86
CAIRN INDIA LIMITED	5.16
GAS AUTHORITY OF INDIA LTD.	5.00
TATA POWER CO. LTD.FV-1	4.88
BHARAT PETROLEUM CORP. LTD.	4.61
PETRONET LNG LIMITED	3.92
INDRAPRASTHA GAS LIMITED	2.79
VOLTAS LTD	1.97
total equity	93.24
total money market	6.76
total net assets	100.00

fund characteristics as on Dec 31, 2013

Fund Beta 0.82

asset allocation as on Dec 31, 2013



SFIN :

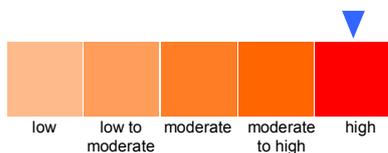
ULGF02008/06/09GMIDCAPF01121

Inception Date : 8th Jun 2009

fund objective

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

fund risk profile



target asset allocation

Equity: 100%

benchmark construction

Nifty Midcap 50: 100%

Group Midcap Fund 1

fund performance as on Dec 31, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Midcap Fund 1	6.66%	23.88%	2.13%	4.42%
Benchmark	-2.82%	14.60%	-7.58%	-3.38%

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

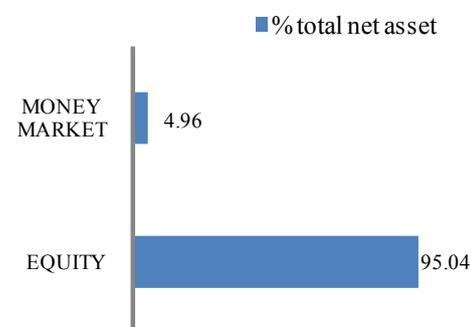
portfolio As on Dec 31, 2013

security	% total net assets
equity	
UNITED SPIRITS LIMITED	8.72
JSW STEEL LIMITED	7.53
ADITYA BIRLA NUVO LIMITED	6.46
AUROBINDO PHARMA LTD FV1	5.85
DIVIS LABORATORIES LIMITED	5.45
PETRONET LNG LIMITED	5.31
ICICI BANK LTD.	5.02
RADICO KHAITAN LIMITED	4.68
PURAVANKARA PROJECTS LIMITED	4.53
INDIABULLS HOUSING FINANCE LTD	4.50
YES BANK LTD	4.43
IDEA CELLULAR LTD	4.29
TATA GLOBAL BEVERAGES LIMITED	4.11
ZEE ENTERTAINMENT ENTERPRISES LIMITED	3.70
TATA CHEMICALS LTD.	3.16
CROMPTON GREAVES LTD	2.90
D.B. CORP LIMITED	2.79
SHOPPERS STOP LIMITED	2.49
VOLTAS LTD	1.94
INDRAPRASTHA GAS LIMITED	1.68
HT MEDIA LIMITED	1.57
BHARAT FORGE	1.36
GUJARAT FLUOROCEMICALS LTD.	1.26
TATA CONSULTANCY SERVICES LTD.	0.81
RANBAXY FV RS 5	0.49
total equity	95.04
total money market	4.96
total net assets	100.00

fund characteristics as on Dec 31, 2013

Fund Beta 0.87

asset allocation as on Dec 31, 2013



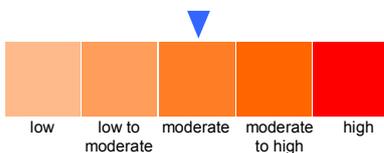
SFIN :
ULGF00310/10/03GGROWTHF01121

Inception Date : 31st Jan 2007

fund objective

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

fund risk profile



target asset allocation

Debt: 60%
Equity: 40%

benchmark construction

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

Group Growth Fund 1

fund performance as on Dec 31, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Growth Fund 1	6.73%	12.75%	6.20%	7.27%	11.50%
Benchmark	5.32%	10.84%	4.89%	6.18%	10.90%

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

portfolio As on Dec 31, 2013

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

bond/ncd

9.81% PFC NCD 07-10-2018 SR109	1.99	AAA
8.82% REC NCD 12-04-2023 SR-114th	5.43	AAA
10.60% IRFC NCB 11-09-2018	1.86	AAA
9.38% REC NCD 06-11-2018 117th	1.89	AAA
8.95% PFC NCD 11-03-2018 101-A	5.75	AAA

total bond/cd 16.93

gilts

8.28% GOI CG 21-09-2027	4.22
7.28% GOI CG 03-06-2019	3.95
8.12% GOI CG 10-12-2020	3.30
8.33% GOI CG 09-07-2026	2.13
8.07% GOI CG 03-07-2017	1.22
7.16% GOI CG 20-05-2023	0.84
8.32% GOI CG 02-08-2032	0.67

total gilts 16.32

equity

ITC - FV 1	3.48
INFOSYS LIMITED	3.45
RELIANCE INDUSTRIES LTD.	3.38
HDFC BANK LTD.FV-2	2.89
DIVIS LABORATORIES LIMITED	2.68
ICICI BANK LTD.	2.30
HDFC LTD FV 2	2.22
TATA CONSULTANCY SERVICES LTD.	1.99
LARSEN&TUBRO	1.74
BHARTI AIRTEL LIMITED	1.20
YES BANK LTD	1.11
UNITED SPIRITS LIMITED	1.06
TATA MOTORS LTD.FV-2	1.05
ONGCFV-5	1.05
MAHINDRA & MAHINDRA LTD.-FV5	1.00
AUROBINDO PHARMA LTD FV1	0.96
JSW STEEL LIMITED	0.92
MARUTI UDYOG LTD.	0.83
SUN PHARMACEUTICAL INDUSTRIES LTD.FV-1	0.79
SANOFI INDIA LIMITED	0.70
KIRLOSKAR CUMMINS	0.63
ULTRATECH CEMCO LTD	0.57
STATE BANK OF INDIA	0.54
INDIABULLS HOUSING FINANCE LTD	0.51
SESA STERLITE LIMITED	0.41
BAJAJ AUTO LTD	0.40
MOTHERSON SUMI SYSTEMS LTD.	0.36
SML ISUZU LIMITED	0.22

total equity 38.45

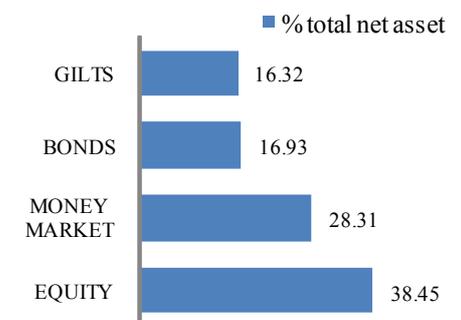
total money market 28.31

total net assets 100.00

fund characteristics as on Dec 31, 2013

M. Duration of debt portfolio:	2.83 Years
YTM of debt portfolio:	8.47%
Fund Beta:	0.97

asset allocation as on Dec 31, 2013



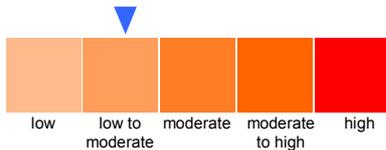
SFIN :
ULGF00110/10/03GBALANCE01121

Inception Date : 29th Jan 2007

fund objective

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

fund risk profile



Group Balanced Fund 1

fund performance as on Dec 31, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 1	5.19%	9.88%	6.71%	7.14%	9.36%
Benchmark	4.61%	8.71%	5.98%	6.35%	8.74%

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

portfolio As on Dec 31, 2013

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

bond/ncd

8.95% PFC NCD 11-03-2018 101-A	7.92	AAA
9.57% LICHL NCD 07-09-2017	4.05	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	3.90	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.32	AAA
8.68% NCRPB NCB 18-08-2019	2.98	AAA
10.60% IRFC NCB 11-09-2018	1.06	AAA

total bond/cd 23.24

gilts

8.28% GOI CG 21-09-2027	6.15
7.28% GOI CG 03-06-2019	5.12
8.12% GOI CG 10-12-2020	4.11
8.33% GOI CG 09-07-2026	2.60
8.07% GOI CG 03-07-2017	1.61
7.16% GOI CG 20-05-2023	1.34
8.32% GOI CG 02-08-2032	1.17

total gilts 22.10

equity

INFOSYS LIMITED	1.72
ITC - FV 1	1.59
RELIANCE INDUSTRIES LTD.	1.50
HDFC BANK LTD.FV-2	1.45
DIVIS LABORATORIES LIMITED	1.30
ICICI BANK LTD.	1.22
HDFC LTD FV 2	1.10
TATA CONSULTANCY SERVICES LTD.	0.99
LARSEN&TUBRO	0.96
TATA MOTORS LTD.FV-2	0.71
BHARTI AIRTEL LIMITED	0.60
UNITED SPIRITS LIMITED	0.56
YES BANK LTD	0.56
ONGCFV-5	0.50
MAHINDRA & MAHINDRA LTD.-FV5	0.48
JSW STEEL LIMITED	0.45
SUN PHARMACEUTICAL INDUSTRIES LTD.FV-1	0.41
MARUTI UDYOG LTD.	0.41
ULTRATECH CEMCO LTD	0.41
SANOFI INDIA LIMITED	0.40
SESA STERLITE LIMITED	0.39
KIRLOSKAR CUMMINS	0.36
AUROBINDO PHARMA LTD FV1	0.32
INDIABULLS HOUSING FINANCE LTD	0.24
BAJAJ AUTO LTD	0.21
MOTHERSON SUMI SYSTEMS LTD.	0.14
STATE BANK OF INDIA	0.11
SML ISUZU LIMITED	0.09

total equity 19.61

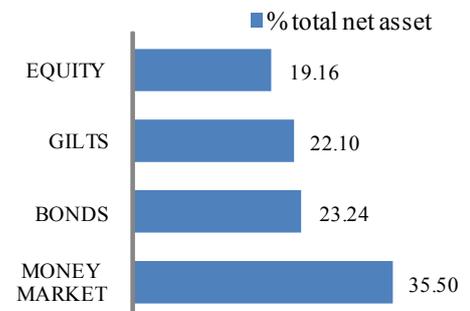
total money market 35.50

total net assets 100.00

fund characteristics as on Dec 31, 2013

M. Duration of debt portfolio:	2.71 Years
YTM of debt portfolio:	9.41%
Fund Beta:	0.97

asset allocation as on Dec 31, 2013



target asset allocation

Debt:	80%
Equity:	20%

benchmark construction

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

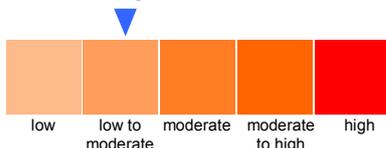
SFIN :
ULGF00210/10/03GBALANCE02121

Inception Date : 31th Jan 2007

fund objective

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

fund risk profile



Group Balanced Fund 2

fund performance as on Dec 31, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 2	6.15%	10.42%	7.26%	7.59%	9.79%
Benchmark	4.61%	8.71%	5.98%	6.35%	8.74%

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

portfolio As on Dec 31, 2013

security	% total assets	rating net
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bond/ncd

9.81% PFC NCD 07-10-2018 SR109	5.76	AAA
10.20% RELIANCE POWER LTD NCD 12-06-2014	3.44	A1
8.70% REC NCD 01-02-2018 112	3.34	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.13	AAA
8.95% PFC NCD 11-03-2018 101-A	2.80	AAA
9.75% SRTRANSFIN NCD 01-06-2015	2.74	AA
9.70% TATA SONS NCD 25-07-2022	1.49	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	0.66	AAA
10.60% IRFC NCB 11-09-2018	0.60	AAA
9.34% SBOT NCB 31-10-2016 I	0.57	AAA
8.97% TATA SONS NCD 15-07-2020	0.55	AAA
10.35% NCD(B)HDFC 16-05-2017	0.47	AAA
9.70% UNITEDPHOSPHORUS NCD 09-04-2017 A	0.46	AA+
8.68% NCRPB NCB 18-08-2019	0.23	AAA

total bond/cd 26.24

gilts

8.28% GOI CG 21-09-2027	5.95
7.28% GOI CG 03-06-2019	5.14
8.12% GOI CG 10-12-2020	3.77
8.07% GOI CG 03-07-2017	1.60
7.16% GOI CG 20-05-2023	1.36
8.33% GOI CG 09-07-2026	1.19
8.32% GOI CG 02-08-2032	1.19

total gilts 20.20

equity

ITC	1.74
INFOSYS LIMITED	1.72
RELIANCE INDUSTRIES LTD.	1.71
HDFC BANK LTD.	1.40
DIVIS LABORATORIES LIMITED	1.20
ICICI BANK LTD.	1.16
LARSEN&TUBRO	1.03
TATA CONSULTANCY SERVICES LTD.	0.99
HDFC LTD FV 2	0.79
TATA MOTORS LTD.	0.75
BHARTI AIRTEL LIMITED	0.61
YES BANK LTD	0.56
UNITED SPIRITS LIMITED	0.52
AUROBINDO PHARMA LTD	0.47
ONGCFV-5	0.47
ULTRATECH CEMCO LTD	0.46
SUN PHARMACEUTICAL INDUSTRIES LTD.	0.43
JSW STEEL LIMITED	0.43
KIRLOSKAR CUMMINS	0.41
MARUTI UDYOG LTD.	0.41
SANOFI INDIA LIMITED	0.40
STATE BANK OF INDIA	0.36
MAHINDRA & MAHINDRA LTD.	0.35
SESA STERLITE LIMITED	0.35
INDIABULLS HOUSING FINANCE LTD	0.24
BAJAJ AUTO LTD	0.21
MOTHERSON SUMI SYSTEMS LTD.	0.11
SML ISUZU LIMITED	0.09

total equity 19.35

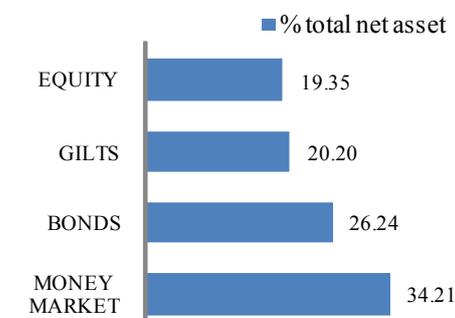
total money market 34.21

total net assets 100.00

fund characteristics as on Dec 31, 2013

M. Duration of debt portfolio:	2.51 Years
YTM of debt portfolio:	9.18%
Fund Beta:	0.98

asset allocation as on Dec 31, 2013



target asset allocation

Debt:	80%
Equity:	20%

benchmark construction

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

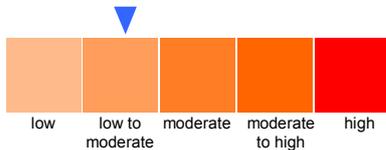
SFIN :
ULGF01213/10/08GCBOND02121

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 Dec 31, 2013

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Corporate Bond Fund 2	5.87%	8.63%	7.97%	7.82%	8.23%
Benchmark	3.79%	6.54%	6.66%	6.24%	5.68%

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

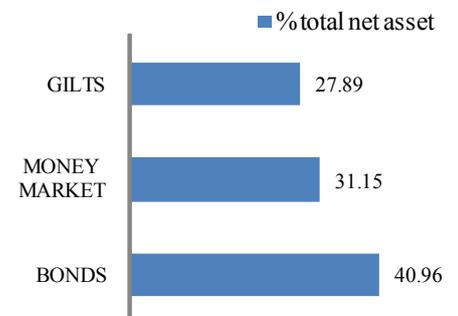
portfolio As on Dec 31, 2013

security	% total net assets	rating
bond/ncd		
8.93% NTPC NCB 19-01-2021 XXXVII.	8.81	AAA
9.38% REC NCD 06-11-2018 117th	7.24	AAA
9.57% LICHL NCD 07-09-2017	6.17	AAA
9.81% PFC NCD 07-10-2018 SR109	4.60	AAA
8.75% RIL NCD 07-05-2020	4.38	AAA
9.27% PFC NCD 21-08-2017 92-B	4.08	AAA
11.95% HDFC DB 26-11-2018	2.48	AAA
8.82% REC NCD 12-04-2023 SR-114th	1.52	AAA
0.00% HDFC ZCB 23-10-2017 J-041	1.00	AAA
9.90% TATA SONS NCD 18-03-2016	0.69	AAA
total bond/ncd	40.96	
Gilts		
8.28% GOI CG 21-09-2027	9.65	
8.07% GOI CG 03-07-2017	6.75	
8.12% GOI CG 10-12-2020	5.08	
7.28% GOI CG 03-06-2019	2.53	
7.16% GOI CG 20-05-2023	2.01	
8.32% GOI CG 02-08-2032	1.86	
total gilts	27.89	
total money market	31.15	
total net assets	100.00	

fund characteristics as on Dec 31, 2013

M. Duration of debt portfolio: 3.38 Years
YTM of debt portfolio: 9.37%

asset allocation as on Dec 31, 2013



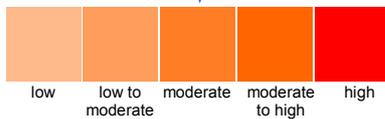
SFIN :
ULGF01030/09/08GPUREDEB01121

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 Dec 31, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Pure Debt Fund 1	7.27%	9.32%	8.30%	8.09%	8.47%
Benchmark	3.79%	6.54%	6.66%	6.24%	5.68%

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

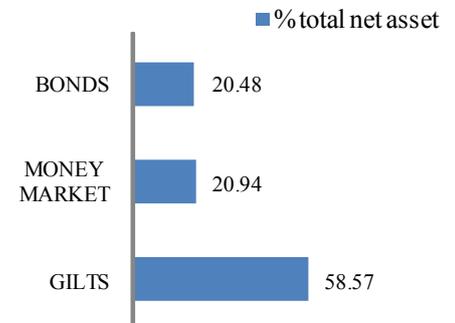
portfolio As on Dec 31, 2013

security	% total net assets	rating
bond/ncd		
9.81% PFC NCD 07-10-2018 SR109	6.96	AAA
9.68% TATA SONS NCD 10-01-2017	6.95	AAA
8.82% REC NCD 12-04-2023 SR-114th	6.57	AAA
total bond/ncd	20.48	
gilts		
9.20% TAMILNADU SDL 2018	27.72	
8.28% GOI CG 21-09-2027	7.98	
7.28% GOI CG 03-06-2019	6.45	
8.07% GOI CG 03-07-2017	5.66	
8.12% GOI CG 10-12-2020	4.63	
8.33% GOI CG 09-07-2026	2.47	
8.32% GOI CG 02-08-2032	1.84	
7.16% GOI CG 20-05-2023	1.83	
total gilts	58.57	
total money market	20.94	
total net assets	100.00	

fund characteristics as on Dec 31, 2013

M .Duration of debt portfolio: 3.69 Years
YTM of debt portfolio: 9.22%

asset allocation as on Dec 31, 2013



SFIN :

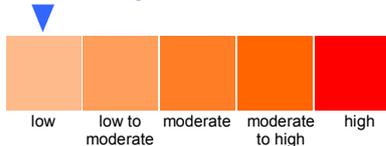
ULGF00431/01/07GCAPISEC01121

Inception Date : 31st Jan 2007

fund objective

Maintain the capital value of all contributions (net of charges) and all interest additions, at all times. The risk appetite is 'extremely low'.

fund risk profile



target asset allocation

Money market : 100%

benchmark construction

Yield on 182-day T.Bills : 100%

Group Capital Secure Fund 1

fund performance as on Dec 31, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Capital Secure Fund 1	9.85%	9.68%	9.50%	8.87%	8.86%
Benchmark	7.58%	7.97%	7.86%	7.20%	6.83%

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

portfolio As on Dec 31, 2013

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

fund characteristics as on Dec 31, 2013

M .Duration of debt portfolio: 0.09 Years
YTM of debt portfolio: 9.66%

asset allocation as on Dec 31, 2013



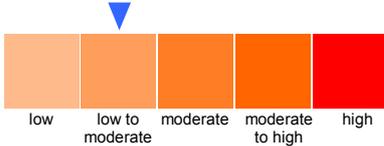
SFIN :
ULGF01610/12/08GGILTFUN02121

Inception Date : 10th Dec 2008

fund objective

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

fund risk profile



target asset allocation

Government Securities: 100%

benchmark construction

I-Sec Composite Sovereign Bond Index:100%

Group Gilt Fund 2

fund performance as on Dec 31, 2013

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Gilt Fund 2	4.21%	7.40%	7.13%	7.16%
Benchmark	2.19%	6.99%	6.75%	6.63%

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

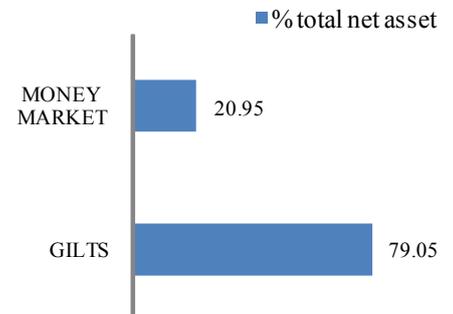
portfolio As on Dec 31, 2013

security	% total net assets
gilts	
8.28% GOI CG 21-09-2027	20.12
8.12% GOI CG 10-12-2020	16.04
7.28% GOI CG 03-06-2019	10.70
8.33% GOI CG 09-07-2026	10.59
7.16% GOI CG 20-05-2023	8.89
8.32% GOI CG 02-08-2032	7.50
8.07% GOI CG 03-07-2017	5.22
total gilts	79.05
total money market	20.95
total net assets	100.00

fund characteristics as on Dec 31, 2013

M. Duration of debt portfolio: 5.01 Years
YTM of debt portfolio: 9.08%

asset allocation as on Dec 31, 2013



SFIN :

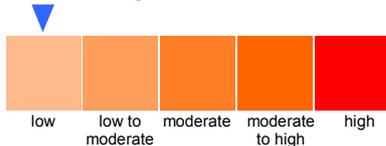
ULGF00930/09/08GMONMRKT02121

Inception Date : 30th Sep 2008

fund objective

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

fund risk profile



target asset allocation

Money market : 100%

benchmark construction

CRISIL Liquid Bond Index: 100%

Group Money Market Fund 2

fund performance as on Dec 31, 2013

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Money Market Fund 2	9.66%	9.97%	9.83%	9.22%	9.47%
Benchmark	9.03%	8.78%	8.57%	7.70%	7.13%

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

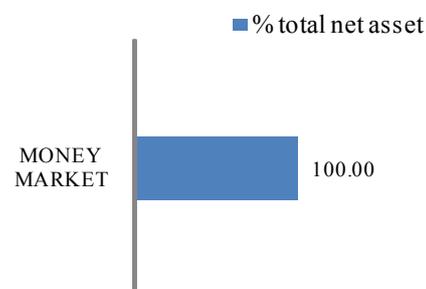
portfolio As on Dec 31, 2013

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

fund characteristics as on Dec 31, 2013

M. Duration of debt portfolio: 0.55 Years
YTM of debt portfolio: 9.21%

asset allocation as on Dec 31, 2013



Life Insurance

SFIN	Plan Name	Fund Name	NAV
ULGF00431/01/07GCAPISEC01121	Reliance Group Gratuity Plan	Group Capital Secure Fund 1	17.3125
ULGF00210/10/03GBALANCE02121	Reliance Group Gratuity Plan	Group Balanced Fund 2	16.5616
ULGF00110/10/03GBALANCE01121	Reliance Group Gratuity Plan	Group Balanced Fund 1	19.8353
ULGF01213/10/08GCORBOND02121	Reliance Group Gratuity Plan	Group Corporate Bond Fund 2	15.2782
ULGF01808/06/09GEQUITYF03121	Reliance Group Gratuity Plan	Group Equity Fund 3	18.6644
ULGF01610/12/08GGILTFUN02121	Reliance Group Gratuity Plan	Group Gilt Fund 2	13.1763
ULGF00930/09/08GMONMRKT02121	Reliance Group Gratuity Plan	Group Money Market Fund 2	15.5962
ULGF00310/10/03GGROWTHF01121	Reliance Group Gratuity Plan	Group Growth Fund 1	15.8663
ULGF01908/06/09GINFRASF01121	Reliance Group Gratuity Plan	Group Infrastructure Fund 1	7.2583
ULGF02008/06/09GMIDCAPF01121	Reliance Group Gratuity Plan	Group Midcap Fund 1	15.0667
ULGF01030/09/08GPUREDEB01121	Reliance Group Gratuity Plan	Group Pure Debt Fund 1	15.4066
ULGF00110/10/03GBALANCE01121	Reliance Group Superannuation Plan	Group Balanced Fund 1	19.8353
ULGF00431/01/07GCAPISEC01121	Reliance Group Superannuation Plan	Group Capital Secure Fund 1	17.3125
ULGF01213/10/08GCORBOND02121	Reliance Group Superannuation Plan	Group Corporate Bond Fund 2	15.2782
ULGF01808/06/09GEQUITYF03121	Reliance Group Superannuation Plan	Group Equity Fund 3	18.6644
ULGF01610/12/08GGILTFUN02121	Reliance Group Superannuation Plan	Group Gilt Fund 2	13.1763
ULGF00310/10/03GGROWTHF01121	Reliance Group Superannuation Plan	Group Growth Fund 1	15.8663
ULGF00930/09/08GMONMRKT02121	Reliance Group Superannuation Plan	Group Money Market Fund 2	15.5962
ULGF01030/09/08GPUREDEB01121	Reliance Group Superannuation Plan	Group Pure Debt Fund 1	15.4066
ULGF00210/10/03GBALANCE02121	Reliance Group Savings Linked Insurance Plan	Group Balanced Fund 2	16.5616
ULGF01213/10/08GCORBOND02121	Reliance Group Savings Linked Insurance Plan	Group Corporate Bond Fund 2	15.2782
ULGF01428/11/08GENERGF01121	Reliance Group Savings Linked Insurance Plan	Group Energy Fund 1	13.6117
ULGF01328/11/08GEQUITYF02121	Reliance Group Savings Linked Insurance Plan	Group Equity Fund 2	22.2432
ULGF01610/12/08GGILTFUN02121	Reliance Group Savings Linked Insurance Plan	Group Gilt Fund 2	13.1763
ULGF01908/06/09GINFRASF01121	Reliance Group Savings Linked Insurance Plan	Group Infrastructure Fund 1	7.2583
ULGF02008/06/09GMIDCAPF01121	Reliance Group Savings Linked Insurance Plan	Group Midcap Fund 1	15.0667
ULGF00930/09/08GMONMRKT02121	Reliance Group Savings Linked Insurance Plan	Group Money Market Fund 2	15.5962
ULGF01030/09/08GPUREDEB01121	Reliance Group Savings Linked Insurance Plan	Group Pure Debt Fund 1	15.4066
ULGF01528/11/08GPUREEQF01121	Reliance Group Savings Linked Insurance Plan	Group Pure Equity Fund 1	20.371
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Balanced Fund 2	16.5616
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Money Market Fund 2	15.5962
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Corporate Bond Fund 2	15.2782
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Gilt Fund 2	13.1763
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Gratuity Plus Plan	Group Equity Fund 3	18.6644
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Money Market Fund 2	15.5962
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Corporate Bond Fund 2	15.2782
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Gilt Fund 2	13.1763
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Equity Fund 3	18.6644
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Balanced Fund 2	16.5616

- ✓ Macro Analysis
- ✓ Appreciation of Market Dynamics
- ✓ Meeting Investment Objective vis-à-vis Risk Appetite
- ✓ Asset Allocation Strategy
- ✓ Security Selection- Portfolio Constriction
- ✓ Benchmark
- ✓ Risk Management / Portfolio Evolution/ Diagnostics
- ✓ Governance and Process

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

Market dynamics are also studied apart from the above to determine our view of the changes likely in the interest rate scenario and equity market movements. Price movements in the market are monitored at all times along with factors that affect them such as the prevailing market sentiments, cash flows in the market and views/actions of key market participants including institutional investors like FIIs and mutual funds. For analyzing the debt markets, yield curve movements and changes in its shape are also studied.

The **risk appetite and investment objective** is clearly defined for each fund keeping in mind the investment horizon, liquidity requirements etc.

A range of acceptable holdings under each asset class is determined at the investment policy level. The **asset allocation** primarily takes into account, the investment objectives, regulatory issues and the likely risk return matrix to obtain a potential return which is the highest achievable for the risk that is assumed. Within the strategic asset allocation, the fund managers determine the weights of the various asset classes; primarily factoring in the developing market scenarios.

Based on the investment of objectives of each fund option, a rigorous **security selection** process is followed. The fixed income fund manager identifies cheaper securities across the yield curve and builds a basket of securities to arrive at the optimum level of yield within the range of pre-determined 'duration' for the entire portfolio after paying particular attention to the liquidity position and the liquidity premium on the securities. An active fund management style is followed on the equity portfolios. A core portfolio of stocks is first created driven by a top-down approach and a research based bottom-up stock selection method is followed.

Benchmarks are pre-determined for each fund based on the most appropriate indices available in the market or by constructing proxy benchmarks out of multiple indices. Performance of each fund is continuously tracked based on the benchmarks and recalibrated.

A statistical analysis is carried out to determine that the **risk levels** are in tune with the risk appetite of the particular fund. Statistical tools such as the standard deviation and risk-adjusted return measures such as the Sharp ratio are calculated in order to compare the returns generated per unit of risk vis-à-vis benchmarks.

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

Gross Fund Return

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

We shall highlight this with the help of an example.

Reliance Life Insurance

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

XYZ Insurance Company

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

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

Benchmark Return

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

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

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

Fund Standard Deviation

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

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

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

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

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

Fund Sharpe Ratio

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

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

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

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

✓ Gross Fund Return

✓ Benchmark Return

✓ Fund Standard Deviation

✓ Fund Sharpe Ratio

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

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

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

Benchmark Sharpe Ratio

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

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

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

Modified Duration of Debt Portfolio

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

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

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

Fund Beta

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

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

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

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

✓ Benchmark Sharpe Ratio

✓ Modified Duration Of Debt Profile

✓ Fund Beta

Disclaimer

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