



RELIANCE

Life Insurance



**the analyst**

**monthly Group fund  
factsheet for March 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	28th Feb 14	31st Jan 14	% Change
<sup>1</sup> Rs./\$	61.76	62.66	-1.46
<sup>2</sup> WPI Inflation Index		5.05	-5.05
<sup>3</sup> Forex Reserves (\$ bn)	297.36	291.07	2.12
<sup>4</sup> Brent Crude Price (\$ per Barrel)	109.07	105.81	2.99
<sup>5</sup> Gold (Rs. per 10gm)	30487	29736	2.46

Indices	28th Feb 14	31st Jan 14	% Change
<sup>1</sup> BSE Sensex	21120	20514	2.87
<sup>1</sup> S&P CNX Nifty	6277	6090	2.99
<sup>1</sup> CNX Mid Cap	7805	7540	3.40
<sup>1</sup> BSE Small Cap	6445	6263	2.82

Global Indices	28th Feb 14	31st Jan 14	% Change
<sup>1</sup> Dow Jones	16322	15699	3.82
<sup>1</sup> FTSE 100	6810	6510	4.39
<sup>1</sup> Hang Seng	22837	22035	3.51
<sup>1</sup> Nikkei	14841	14915	-0.49

Sectoral Indices	28th Feb 14	31st Jan 14	% Change
<sup>1</sup> CNX Infrastructure	2310	2257	2.30
<sup>1</sup> CNX Energy	7424	7516	-1.24
<sup>1</sup> BSE Capital Goods	10376	9487	8.57
<sup>1</sup> BSE Bankex	12284	11712	4.66
<sup>1</sup> BSE Oil & Gas	8426	8453	-0.32
<sup>1</sup> BSE IT	9792	9477	3.22

Fixed Income Indicators (%)	28th Feb 14	31st Jan 14	bps Change
<sup>1</sup> NSE Mibor	8.88	8.84	0.45
<sup>1</sup> 91 Day T-Bill	9.09	8.83	0.27
<sup>1</sup> 182 Day T-Bill	9.03	8.88	0.16
<sup>1</sup> 1 year GOI Benchmark	8.54	8.48	0.06
<sup>1</sup> 5 Year GOI Benchmark	9.06	8.98	0.08
<sup>1</sup> 10 Year GOI Benchmark	8.86	8.78	0.08
<sup>1</sup> 5 Year Corp Bond Benchmark	9.72	9.73	-0.01
<sup>1</sup> 10 Year AAA Corp Bond Benchmark	9.87	9.65	0.21
<sup>1</sup> 10 Year US Benchmark	2.65	2.64	0.00

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

**Indian Economy**

Uncertainty and ambiguity about expected tight banking liquidity as well as turmoil in the Ukraine and its consequent impact on the emerging market were the hallmark of the last month. In line with Urjit Patel Committee report, in order to control the consumer inflation, RBI chose to increase the policy rate by 25 bps. This being an unexpected event prompted market to react adversely and yield went up across the curve.

The economy has continued to be sluggish as reflected in the Index of Industrial Production. Retail Consumer Price Inflation (CPI) has come down to 8.79% (YoY) in January 2014 as vegetable prices have declined considerably due to improvement in supply. It is expected that vegetable prices will continue to maintain softening bias in the near term and will further bring down the consumer inflation.

On the other hand, reduction in trade deficit as well as increased portfolio inflows by Fixed Income and Equity investors have boosted the value of INR from 62.50 to 61.99 against USD. It is expected that during the current quarter current account deficit will also be lower and thus will help maintaining appreciating bias for the INR vis a vis USD. This event also suggests that INR is now decoupled from the fragile five vulnerable currency group on the economic strength of its own.

Government has unveiled budget for the next financial year. It has projected fiscal deficit 4.6% and 4.1% of GDP for the FY 14 and 15 respectively. It has assumed aggressive growth in the tax revenues while modest growth in the expenditure, which would be difficult to achieve in the sluggish economy. In any case, these projections will be revisited once, new government would be in place later this year.

Interest rates were fairly stable in the tight range. Yield of benchmark 10 year government bond has inched up to 8.85% from 8.73% due to uncertain outlook. Similarly yield on AAA rated corporate bond has also inched up by 20 bps to 9.75% during the month though spread remained tight. Yield on money market securities have jumped up by 25 bps as demands for deposits have gone up from the banks. In order to anticipate the expected tightness on account of advance tax outflows, RBI has been preemptively conducting series of term Repo to provide adequate liquidity to the banking system.

**Fixed Income Outlook:**

Going forward, we expect bond yield to trade in the tight range in near term as next year government borrowing program will be unveiled later next month, which will help in deciding interest rate outlook keeping in mind large issuance.

**Equity Market**

Indian equities began the month on a soft note, weighed down by EM concerns but picked up towards the latter half of the month (+3.1%) to end above the 6250 level. Market movement was largely in sync with regional peers with some stock specific action on the back of the last leg of the 3Q earnings season. On the macro front, the government released the advance GDP estimates for FY14 at 4.9%, although concerns remained on whether it could be met

India's 3QFY14 GDP growth slowed down to 4.7% from 4.8% in 2Q. Headline CPI continued to ease in Jan, coming in at a two year low of 8.8% from 9.9% in Dec as vegetable prices fell further and fuel inflation too eased

February saw the UPA II government present the last budget before the general elections. The interim budget broadly focused on promoting consumption demand growth by reducing excise duties on automobiles and also aimed at sustaining the fiscal consolidation impetus

A number of PSU Banks reported their Q3FY14 earnings in Feb, notable among which was SBI's results that showed some P&L improvement on significant fee gains but asset quality deterioration continued to be the primary concern

Among IT names, Tech Mahindra too reported strong quarterly results, in line with those of other IT majors who had reported earlier. Pharma space had a slew of results with Lupin & Aurobindo Pharma outperforming street expectations significantly. Dr Reddy & Ranbaxy too had strong numbers

In the Energy sector, RIL hit headlines over the month as the AAP party leveled several charges against it - including money laundering, which co has denied. Dispute between RIL & ONGC regarding overlapping oilfields in KG basin too surfaced over the month. The government also announced its stake sale in Indian Oil to ONGC & Oil India via an off market deal at 10% discount to market price.

Telecom sector saw the 10 day spectrum auction conclude with higher final prices in both bands. The 900MHz band saw incumbents defend their allocation in metros while adding new circles too while R-Jio won in 1800MHz band. Meanwhile Bharti announced its acquisition of Loop Mobile - an operator in Mumbai area, for Rs 7bn

In the Utilities space, CERC released final norms for FY15-19 tariff block - key tenets of which include incentives to be based on utilization (PLF) rather than availability (PAF). NTPC fell significantly on the back of these norms. The regulator also allowed compensatory tariff to Tata Power's and Adani Power in their Mundra power projects

Feb saw 5 deals in the capital market, totaling upto \$105mn, with the government's stake sale in Engineers India accounting for \$81mn. FII's reversed trend seen last month to end Feb as net buyers, with net inflows to the tune of \$418mn, taking the YTD figure to \$405mn of net inflow. DIIs too were net buyers in Feb, notching up net inflows of \$44mn. Mutual funds were net sellers at \$195mn, which was offset by \$239mn inflows from Insurance. YTD DIIs were net sellers at \$196mn.

**Equity Outlook:**

March will be watched out for developments in politics as we head closer to elections and flows from FII investors.

# fund snapshot

gross return (CAGR\*) (%) As on Feb 28, 2014

asset allocation	funds	Last 1 Year	Last 2 Year	Last 3 Year	Page No.
100% equity	Group Equity Fund 2	14.37%	11.69%	8.23%	4
100% equity	Group Equity Fund 3	12.64%	10.54%	14.28%	5
100% pure equity	Group Pure Equity Fund 1	13.79%	8.01%	6.03%	6
100% equity	Group Infrastructure Fund 1	-1.36%	-6.94%	-7.22%	7
100% equity	Group Energy Fund 1	-1.09%	-3.20%	-2.13%	8
100% equity	Group Midcap Fund 1	11.57%	9.67%	7.46%	9
40% equity, 60% debt	Group Growth Fund 1	8.62%	9.35%	8.14%	10
20% equity, 80% debt	Group Balanced Fund 1	5.67%	7.68%	7.65%	11
20% equity, 80% debt	Group Balanced Fund 2	6.30%	8.38%	8.20%	12
100% bond instruments	Group Corporate Bond Fund 2	4.68%	8.29%	8.07%	13
100% debt Instruments	Group Pure Debt Fund 1	6.04%	8.68%	8.42%	14
100% money market	Group Capital Secure Fund 1	9.92%	9.70%	9.55%	15
100% govt. securities	Group Gilt Fund 2	2.02%	6.70%	7.13%	16
100% money market	Group Money Market Fund 2	9.57%	9.90%	9.83%	17

### SFIN :

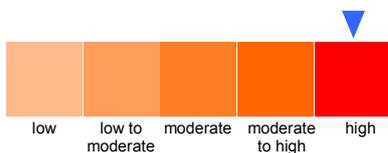
ULGF00724/10/07GEQUITYF01121

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

### fund objective

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

### fund risk profile



### target asset allocation

Equity: 100%

### benchmark construction

S&P CNX Nifty: 100%

# Group Equity Fund 2

## fund performance as on Feb 28, 2014

gross return					
fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Equity Fund 2	14.37%	11.69%	8.23%	8.89%	20.46%
<b>Benchmark</b>	<b>10.26%</b>	<b>7.96%</b>	<b>5.58%</b>	<b>6.27%</b>	<b>17.83%</b>

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

### portfolio As on Feb 28, 2014

security % total net assets

#### equity

INFOSYS LTD	9.08
RELIANCE INDUSTRIES LTD.	7.72
ITC	7.61
DIVIS LABORATORIES LTD	7.26
ICICI BANK LTD.	6.82
HDFC BANK LTD	6.53
TATA CONSULTANCY SERVICES LTD.	6.48
HDFC LTD	5.69
TATA MOTORS LTD	4.21
MARUTI UDYOG LTD.	3.76
LARSEN&TUBRO	3.68
ULTRATECH CEMCO LTD	3.13
BHARTI AIRTEL LTD	2.84
STATE BANK OF INDIA	2.56
MAHINDRA & MAHINDRA LTD	2.52
SUN PHARMACEUTICAL INDUSTRIES LTD	2.49
ONGC	2.44
AUROBINDO PHARMA LTD	2.35
KIRLOSKAR CUMMINS	2.06
JSW STEEL LTD	1.80
SESA STERLITE LTD	1.73
BAJAJ AUTO LTD	1.23
ZEE ENTERTAINMENT ENTERPRISES LTD	1.06
RANBAXY	0.71
HERO MOTOCORP LTD	0.67
SML ISUZU LTD	0.54
UNITED SPIRITS LTD	0.38
WIPRO	0.34

total equity 97.72

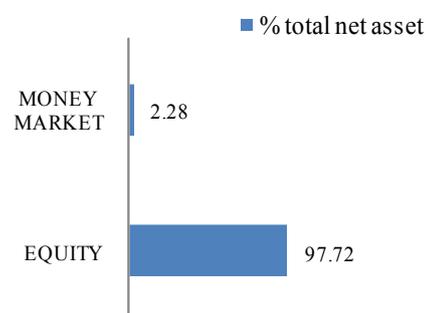
total money market 2.28

total net assets 100.00

### fund characteristics as on Feb 28, 2014

Fund Beta 0.96

### asset allocation as on Feb 28, 2014



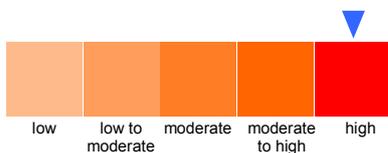
SFIN :  
ULGF01808/06/09GEQUITYF03121

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

### fund objective

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

### fund risk profile



### target asset allocation

Equity: 100%

### benchmark construction

S&P CNX Nifty: 100%

# Group Equity Fund 3

## fund performance as on Feb 28, 2014

fund name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 3	12.64%	10.54%	14.28%	13.46%
<b>Benchmark</b>	<b>10.26%</b>	<b>7.96%</b>	<b>5.58%</b>	<b>6.27%</b>

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

### portfolio As on Feb 28, 2014

security	% total net assets
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#### equity

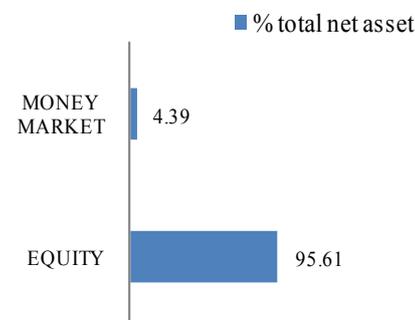
INFOSYS LTD	8.82
ITC	8.54
RELIANCE INDUSTRIES LTD.	7.72
DIVIS LABORATORIES LTD	7.20
HDFC BANK LTD	6.38
HDFC LTD	6.30
TATA CONSULTANCY SERVICES LTD.	6.17
ICICI BANK LTD.	5.75
LARSEN&TUBRO	4.05
TATA MOTORS LTD	3.67
MARUTI UDYOG LTD.	2.73
STATE BANK OF INDIA	2.50
BHARTI AIRTEL LTD	2.43
AUROBINDO PHARMA LTD	2.33
SUN PHARMACEUTICAL INDUSTRIES LTD	2.14
MAHINDRA & MAHINDRA LTD	2.08
ONGC	1.96
KIRLOSKAR CUMMINS	1.84
MOTHERSON SUMI SYSTEMS LTD.	1.80
YES BANK LTD	1.45
ULTRATECH CEMCO LTD	1.39
JSW STEEL LTD	1.22
BAJAJ AUTO LTD	1.05
SESA STERLITE LTD	1.02
HERO MOTOCORP LTD	0.93
INDIABULLS HOUSING FINANCE LTD	0.72
RANBAXY	0.69
ZEE ENTERTAINMENT ENTERPRISES LTD	0.55
CROMPTON GREAVES LTD	0.54
OIL INDIA LTD	0.49
WIPRO	0.47
UNITED SPIRITS LTD	0.32
HT MEDIA LTD	0.17
SML ISUZU LTD	0.17

<b>total equity</b>	<b>95.61</b>
<b>total money market</b>	<b>4.39</b>
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Feb 28, 2014

Fund Beta 0.97

### asset allocation as on Feb 28, 2014



### SFIN :

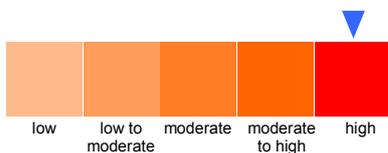
ULGF01528/11/08GPUREEQF01121

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

### fund objective

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

### fund risk profile



### target asset allocation

Pure Equity: 100%

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

### benchmark construction

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

# Group Pure Equity Fund 1

## fund performance as on Feb 28, 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	13.79%	8.01%	6.03%	6.15%	18.15%
<b>Benchmark</b>	<b>14.93%</b>	<b>8.44%</b>	<b>6.39%</b>	<b>5.47%</b>	<b>17.30%</b>

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

### portfolio As on Feb 28, 2014

security % total net assets

### equity

TATA CONSULTANCY SERVICES LTD.	9.31
BHARTI AIRTEL LTD	8.95
RELIANCE INDUSTRIES LTD.	8.91
INFOSYS LTD	7.12
HINDUSTAN LEVER LTD.	6.70
DR. REDDY LABORATORIES	6.14
BAJAJ AUTO LTD	5.33
ULTRATECH CEMCO LTD	4.76
HERO MOTOCORP LTD	4.57
ASIAN PAINTS LTD	4.04
MARUTI UDYOG LTD.	3.68
ONGC	3.18
LUPIN LTD	3.18
WIPRO	2.86
DIVIS LABORATORIES LTD	2.83
VOLTAS LTD	2.19
PETRONET LNG LTD	2.17
GAS AUTHORITY OF INDIA LTD.	2.07
GRASIM INDUSTRIES LTD.	2.05
MOTHERSON SUMI SYSTEMS LTD.	1.96
LARSEN&TUBRO	1.82
SANOFI INDIA LTD	1.52
KIRLOSKAR CUMMINS	1.51
TATA GLOBAL BEVERAGES LTD	0.87

**total equity 97.70**

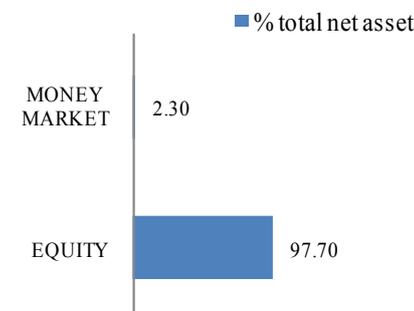
**total money market 2.30**

**total net assets 100.00**

### fund characteristics as on Feb 28, 2014

Fund Beta 0.90

### asset allocation as on Feb 28, 2014



### SFIN :

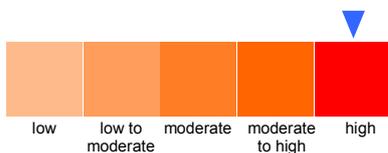
ULGF01908/06/09GINFRASF01121

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

### fund objective

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

### fund risk profile



### target asset allocation

Equity: 100%

### benchmark construction

CNX Infrastructure Index: 100%

# Group Infrastructure Fund 1

## fund performance as on Feb 28, 2014

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Infrastructure Fund 1	-1.36%	-6.94%	-7.22%	-7.26%
<b>Benchmark</b>	<b>0.43%</b>	<b>-6.25%</b>	<b>-6.33%</b>	<b>-8.19%</b>

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

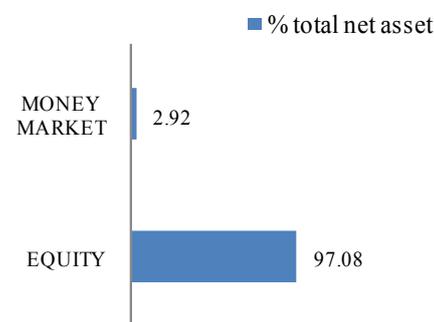
### portfolio As on Feb 28, 2014

security	% total net assets
<b>equity</b>	
LARSEN&TUBRO	9.09
BHARTI AIRTEL LTD	8.91
POWER GRID CORP OF INDIA LTD	8.81
NTPC LTD	8.00
VOLTAS LTD	6.31
RELIANCE INDUSTRIES LTD.	6.22
BHARAT FORGE	5.54
TATA POWER CO. LTD	5.44
ONGC	5.40
KIRLOSKAR CUMMINS	5.25
IDEA CELLULAR LTD	4.93
BHARAT HEAVY ELECTRICALS LTD	4.74
PETRONET LNG LTD	4.10
MOTHERSON SUMI SYSTEMS LTD.	3.37
ULTRATECH CEMCO LTD	3.27
CROMPTON GREAVES LTD	2.64
INDRAPRASTHA GAS LTD	1.98
COAL INDIA LTD	1.98
CENTURY TEXTILES & INDUSTRIES LTD	1.12
<b>total equity</b>	<b>97.08</b>
<b>total money market</b>	<b>2.92</b>
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Feb 28, 2014

Fund Beta 0.85

### asset allocation as on Feb 28, 2014



### SFIN :

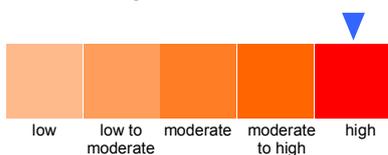
ULGF01428/11/08GENERGYF01121

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

### fund objective

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

### fund risk profile



### target asset allocation

Equity: 100%

### benchmark construction

CNX Energy Index: 100%

# Group Energy Fund 1

## fund performance as on Feb 28, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Energy Fund 1	-1.09%	-3.20%	-2.13%	-1.02%	7.85%
<b>Benchmark</b>	<b>-5.17%</b>	<b>-4.75%</b>	<b>-5.08%</b>	<b>-3.86%</b>	<b>4.57%</b>

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

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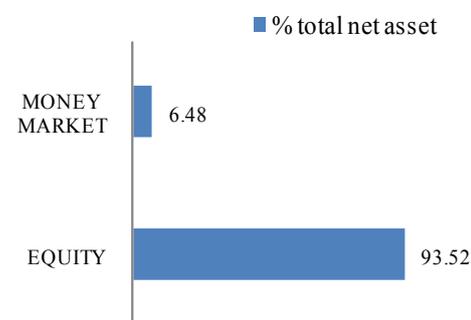
### portfolio As on Feb 28, 2014

security	% total net assets
<b>equity</b>	
OIL INDIA LTD	8.97
ONGC	8.93
RELIANCE INDUSTRIES LTD.	8.89
NTPC LTD	8.48
POWER GRID CORP OF INDIA LTD	8.41
KIRLOSKAR CUMMINS	6.85
LARSEN&TUBRO	6.41
GAS AUTHORITY OF INDIA LTD.	6.00
CAIRN INDIA LTD	5.54
BHARAT PETROLEUM CORP. LTD.	5.54
TATA POWER CO. LTD	4.57
PETRONET LNG LTD	4.14
INDRAPRASTHA GAS LTD	3.95
VOLTAS LTD	3.63
COAL INDIA LTD	3.22
<b>total equity</b>	<b>93.52</b>
<b>total money market</b>	<b>6.48</b>
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Feb 28, 2014

Fund Beta 0.85

### asset allocation as on Feb 28, 2014



### SFIN :

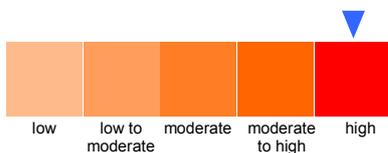
ULGF02008/06/09GMIDCAPF01121

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

### fund objective

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

### fund risk profile



### target asset allocation

Equity: 100%

### benchmark construction

Nifty Midcap 50: 100%

# Group Midcap Fund 1

## fund performance as on Feb 28, 2014

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Midcap Fund 1	11.57%	9.67%	7.46%	4.93%
<b>Benchmark</b>	<b>7.80%</b>	<b>-3.89%</b>	<b>-2.10%</b>	<b>-3.64%</b>

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

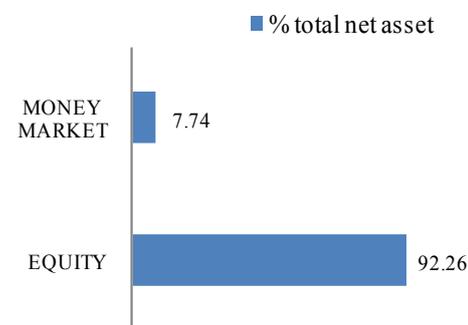
### portfolio As on Feb 28, 2014

security	% total net assets
<b>equity</b>	
UNITED SPIRITS LTD	8.03
ADITYA BIRLA NUVO LTD	6.04
DIVIS LABORATORIES LTD	5.45
JSW STEEL LTD	5.40
RADICO KHAITAN LTD	5.40
YES BANK LTD	5.37
INDIABULLS HOUSING FINANCE LTD	5.32
IDEA CELLULAR LTD	5.08
AUROBINDO PHARMA LTD	4.76
PETRONET LNG LTD	4.26
ZEE ENTERTAINMENT ENTERPRISES LTD	3.99
TATA GLOBAL BEVERAGES LTD	3.83
VOLTAS LTD	3.27
TATA CHEMICALS LTD.	3.26
D.B. CORP LTD	3.22
PURAVANKARA PROJECTS LTD	3.10
SHOPPERS STOP LTD	2.54
CROMPTON GREAVES LTD	2.50
STATE BANK OF INDIA	2.36
HT MEDIA LTD	2.12
BHARAT FORGE	1.91
INDRAPRASTHA GAS LTD	1.74
CENTURY TEXTILES & INDUSTRIES LTD	1.54
GUJARAT FLUOROCEMICALS LTD.	1.20
RANBAXY	0.58
<b>total equity</b>	<b>92.26</b>
<b>total money market</b>	<b>7.74</b>
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Feb 28, 2014

Fund Beta 0.88

### asset allocation as on Feb 28, 2014



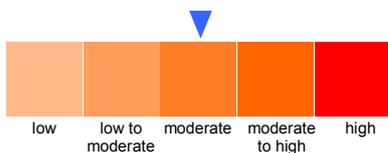
SFIN :  
ULGF00310/10/03GGROWTHF01121

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

### fund objective

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

### fund risk profile



### target asset allocation

Debt: 60%  
Equity: 40%

### benchmark construction

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

# Group Growth Fund 1

## fund performance as on Feb 28, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Growth Fund 1	8.62%	9.35%	8.14%	7.87%	11.94%
<b>Benchmark</b>	<b>6.41%</b>	<b>7.26%</b>	<b>6.84%</b>	<b>6.79%</b>	<b>11.33%</b>

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

### portfolio As on Feb 28, 2014

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

#### bond/nccd

9.81% PFC NCD 07-10-2018 SR109	5.87	AAA
8.37% LICHL NCD 21-05-2023	5.37	AAA
8.64% PGCIL NCD 08-07-2017 XXXIII D	4.74	AAA
10.60% IRFC NCB 11-09-2018	2.03	AAA
9.70% PFC NCD 15-12-2018 SR 82-C	1.95	AAA
9.38% REC NCD 06-11-2018 117th	1.93	AAA

**total bond/cd 21.89**

#### gilts

8.28% GOI CG 21-09-2027	5.32
7.16% GOI CG 20-05-2023	5.30
7.28% GOI CG 03-06-2019	4.05
8.32% GOI CG 02-08-2032	3.02
8.12% GOI CG 10-12-2020	2.65

**total gilts 20.33**

#### equity

INFOSYS LTD	3.55
ITC	3.28
DIVIS LABORATORIES LTD	3.21
RELIANCE INDUSTRIES LTD.	3.04
ICICI BANK LTD.	2.91
HDFC BANK LTD	2.66
TATA CONSULTANCY SERVICES LTD.	2.38
HDFC LTD	1.82
LARSEN&TUBRO	1.64
TATA MOTORS LTD	1.50
BHARTI AIRTEL LTD	1.22
UNITED SPIRITS LTD	1.11
ONGC	0.85
ULTRATECH CEMCO LTD	0.84
JSW STEEL LTD	0.82
YES BANK LTD	0.80
WIPRO	0.78
SUN PHARMACEUTICAL INDUSTRIES LTD	0.75
MAHINDRA & MAHINDRA LTD	0.74
AUROBINDO PHARMA LTD	0.73
SANOFI INDIA LTD	0.71
KIRLOSKAR CUMMINS	0.68
MARUTI UDYOG LTD.	0.63
STATE BANK OF INDIA	0.53
MOTHERSON SUMI SYSTEMS LTD.	0.46
BAJAJ AUTO LTD	0.42
INDIABULLS HOUSING FINANCE LTD	0.42
SESA STERLITE LTD	0.37
SML ISUZU LTD	0.21

**total equity 39.03**

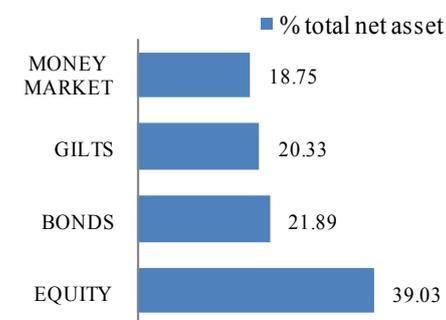
**total money market 18.75**

**total net assets 100.00**

### fund characteristics as on Feb 28, 2014

M. Duration of debt portfolio: 3.67 Years  
YTM of debt portfolio: 9.09%  
Fund Beta: 0.96

### asset allocation as on Feb 28, 2014



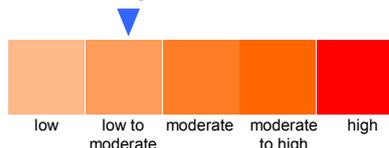
SFIN :  
ULGF00110/10/03GBALANCE01121

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

### fund objective

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

### fund risk profile



# Group Balanced Fund 1

## fund performance as on Feb 28, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 1	5.67%	7.68%	7.65%	7.38%	9.44%
<b>Benchmark</b>	<b>4.92%</b>	<b>6.83%</b>	<b>7.01%</b>	<b>6.72%</b>	<b>8.87%</b>

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

### portfolio As on Feb 28, 2014

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

#### bond/ncd

8.95% PFC NCD 11-03-2018 101-A	7.90	AAA
8.64% PGCIL NCD 08-07-2017 XXXIII D	7.36	AAA
9.57% LICHL NCD 07-09-2017	4.03	AAA
8.70% REC NCD 01-02-2018 112	3.92	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	3.88	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.36	AAA
8.68% NCRPB NCB 18-08-2019	2.97	AAA
10.60% IRFC NCB 11-09-2018	1.05	AAA

**total bond/cd 34.48**

#### gilts

9.41% KARNATKA SDL 2024	7.68
8.28% GOI CG 21-09-2027	7.15
7.16% GOI CG 20-05-2023	6.98
7.28% GOI CG 03-06-2019	5.02
8.32% GOI CG 02-08-2032	3.96
8.12% GOI CG 10-12-2020	3.58

**total gilts 34.38**

#### equity

INFOSYS LTD	1.79
ITC	1.61
DIVIS LABORATORIES LTD	1.52
RELIANCE INDUSTRIES LTD.	1.48
ICICI BANK LTD.	1.40
HDFC BANK LTD	1.27
HDFC LTD	1.05
TATA CONSULTANCY SERVICES LTD.	1.01
LARSEN&TUBRO	0.91
TATA MOTORS LTD	0.78
BHARTI AIRTEL LTD	0.52
UNITED SPIRITS LTD	0.52
MAHINDRA & MAHINDRA LTD	0.49
SUN PHARMACEUTICAL INDUSTRIES LTD	0.47
ULTRATECH CEMCO LTD	0.43
ONGC	0.42
AUROBINDO PHARMA LTD	0.41
YES BANK LTD	0.39
JSW STEEL LTD	0.38
KIRLOSKAR CUMMINS	0.38
WIPRO	0.38
MARUTI UDYOG LTD.	0.37
SANOFI INDIA LTD	0.36
SESA STERLITE LTD	0.34
STATE BANK OF INDIA	0.24
INDIABULLS HOUSING FINANCE LTD	0.19
BAJAJ AUTO LTD	0.18
MOTHERSON SUMI SYSTEMS LTD.	0.18
SML ISUZU LTD	0.08

**total equity 19.55**

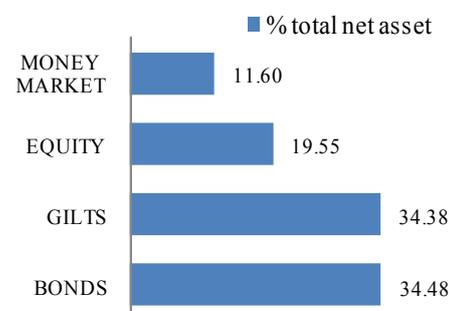
**total money market 11.60**

**total net assets 100.00**

### fund characteristics as on Feb 28, 2014

M. Duration of debt portfolio:	4.18 Years
YTM of debt portfolio:	9.37%
Fund Beta:	0.96

### asset allocation as on Feb 28, 2014



### target asset allocation

Debt:	80%
Equity:	20%

### benchmark construction

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

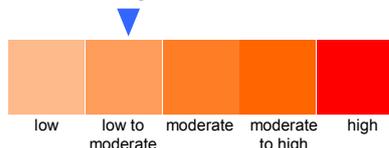
SFIN :  
ULGF00210/10/03GBALANCE02121

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

### fund objective

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

### fund risk profile



### 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 Feb 28, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 2	6.30%	8.38%	8.20%	7.82%	9.86%
<b>Benchmark</b>	<b>4.92%</b>	<b>6.83%</b>	<b>7.01%</b>	<b>6.72%</b>	<b>8.87%</b>

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

### portfolio As on Feb 28, 2014

security	% total assets	rating net
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#### bond/ncd

8.70% REC NCD 01-02-2018 112	8.72	AAA
8.80% PGCIL NCD 29-09-2017 E	5.62	AAA
9.81% PFC NCD 07-10-2018 SR109	4.05	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.20	AAA
8.95% PFC NCD 11-03-2018 101-A	3.04	AAA
10.20% RELIANCE POWER LTD NCD 12-06-2014	3.01	A1
9.75% SRTRANSFIN NCD 01-06-2015	2.77	AA
8.37% LICHL NCD 21-05-2023	2.54	AAA
8.95% HDFC NCD 21-03-2023 K-024	1.76	AAA
9.70% TATA SONS NCD 25-07-2022	1.50	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	0.67	AAA
10.60% IRFC NCB 11-09-2018	0.60	AAA
9.34% SBOT NCB 31-10-2016 I	0.57	AAA
8.97% TATA SONS NCD 15-07-2020	0.56	AAA
10.35% NCD(B)HDFC 16-05-2017	0.47	AAA
9.70% UNITEDPHOSPHORUS NCD 09-04-2017 A	0.46	AA+
8.68% NCRPB NCB 18-08-2019	0.23	AAA

**total bond/cd 39.77**

#### gilts

8.28% GOI CG 21-09-2027	7.15
7.16% GOI CG 20-05-2023	6.96
9.41% KARNATKA SDL 2024	5.75
7.28% GOI CG 03-06-2019	5.10
8.32% GOI CG 02-08-2032	3.93
8.12% GOI CG 10-12-2020	3.57

**total gilts 32.47**

#### equity

INFOSYS LTD	1.79
ITC	1.61
RELIANCE INDUSTRIES LTD.	1.54
ICICI BANK LTD.	1.44
DIVIS LABORATORIES LTD	1.41
HDFC BANK LTD	1.33
TATA CONSULTANCY SERVICES LTD.	1.15
LARSEN&TUBRO	0.89
TATA MOTORS LTD	0.84
HDFC LTD	0.82
BHARTI AIRTEL LTD	0.53
SUN PHARMACEUTICAL INDUSTRIES LTD	0.49
ULTRATECH CEMCO LTD	0.49
UNITED SPIRITS LTD	0.48
ONGC	0.48
KIRLOSKAR CUMMINS	0.44
AUROBINDO PHARMA LTD	0.41
YES BANK LTD	0.39
WIPRO	0.38
JSW STEEL LTD	0.37
MAHINDRA & MAHINDRA LTD	0.37
SANOFI INDIA LTD	0.36
SESA STERLITE LTD	0.31
MARUTI UDYOG LTD.	0.30
STATE BANK OF INDIA	0.26
INDIABULLS HOUSING FINANCE LTD	0.20
BAJAJ AUTO LTD	0.18
MOTHERSON SUMI SYSTEMS LTD.	0.14
SML ISUZU LTD	0.08

**total equity 19.47**

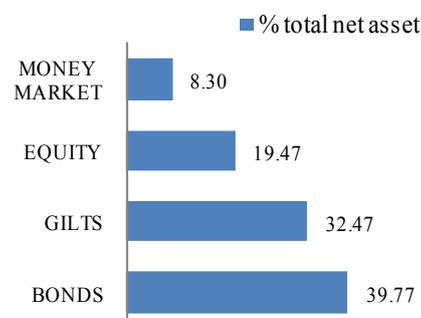
**total money market 8.30**

**total net assets 100.00**

### fund characteristics as on Feb 28, 2014

M. Duration of debt portfolio: 4.23 Years  
YTM of debt portfolio: 9.50%  
Fund Beta: 0.96

### asset allocation as on Feb 28, 2014



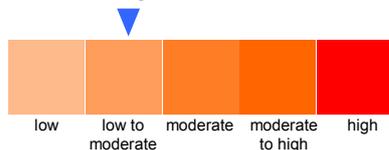
SFIN :  
ULGF01213/10/08GCBOND02121

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

### fund objective

Provide returns that exceed the inflation rate, while taking some credit risk (through investments in corporate debt instruments) and maintaining a moderate probability of negative return in the short-term. The risk appetite is 'low to moderate'.

### fund risk profile



### target asset allocation

Bond Instruments: 100%

### benchmark construction

CRISIL Composite Bond Index: 100%

# Group Corporate Bond Fund 2

## fund performance as on Feb 28, 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	4.68%	8.29%	8.07%	7.84%	8.05%
<b>Benchmark</b>	<b>3.33%</b>	<b>6.14%</b>	<b>6.85%</b>	<b>6.39%</b>	<b>5.95%</b>

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

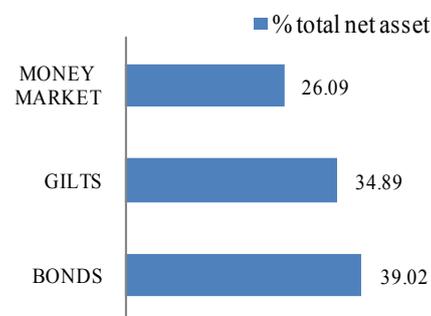
### portfolio As on Feb 28, 2014

security	% total net assets	rating
<b>bond/ncd</b>		
8.93% NTPC NCB 19-01-2021 XXXVII.	8.76	AAA
9.38% REC NCD 06-11-2018 117th	7.20	AAA
9.57% LICHFL NCD 07-09-2017	6.13	AAA
9.81% PFC NCD 07-10-2018 SR109	4.57	AAA
8.75% RIL NCD 07-05-2020	4.36	AAA
9.27% PFC NCD 21-08-2017 92-B	4.05	AAA
9.25% HDFC NCD 11-03-2018 K-018	2.25	AAA
0.00% HDFC ZCB 23-10-2017 J-041	1.01	AAA
9.90% TATA SONS NCD 18-03-2016	0.69	AAA
<b>total bond/ncd</b>	<b>39.02</b>	
<b>Gilts</b>		
8.28% GOI CG 21-09-2027	8.92	
7.16% GOI CG 20-05-2023	8.82	
7.28% GOI CG 03-06-2019	6.04	
8.12% GOI CG 10-12-2020	4.49	
8.32% GOI CG 02-08-2032	3.96	
9.41% KARNATKA SDL 2024	2.65	
<b>total gilts</b>	<b>34.89</b>	
<b>total money market</b>	<b>26.09</b>	
<b>total net assets</b>	<b>100.00</b>	

### fund characteristics as on Feb 28, 2014

M. Duration of debt portfolio: 3.83 Years  
YTM of debt portfolio: 9.36%

### asset allocation as on Feb 28, 2014



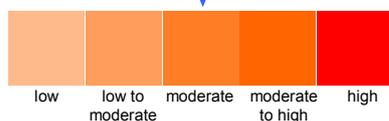
SFIN :  
ULGF01030/09/08GPUREDEB01121

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

### fund objective

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

### fund risk profile



### target asset allocation

Debt Instruments: 100%

### benchmark construction

CRISIL Composite Bond Index: 100%

# Group Pure Debt Fund 1

## fund performance as on Feb 28, 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	6.04%	8.68%	8.42%	8.07%	8.30%
<b>Benchmark</b>	<b>3.33%</b>	<b>6.14%</b>	<b>6.85%</b>	<b>6.39%</b>	<b>5.95%</b>

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

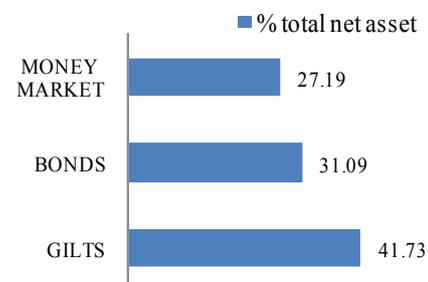
### portfolio As on Feb 28, 2014

security	% total net assets	rating
<b>bond/ncd</b>		
8.64% PGCIL NCD 08-07-2017 XXXIII D	9.00	AAA
9.81% PFC NCD 07-10-2018 SR109	7.43	AAA
9.68% TATA SONS NCD 10-01-2017	7.42	AAA
8.95% PFC NCD 11-03-2018 101-A	7.24	AAA
<b>total bond/ncd</b>	<b>31.09</b>	
<b>gilts</b>		
7.16% GOI CG 20-05-2023	8.89	
8.28% GOI CG 21-09-2027	8.86	
9.41% KARNATKA SDL 2024	7.31	
7.28% GOI CG 03-06-2019	6.92	
8.32% GOI CG 02-08-2032	5.38	
8.12% GOI CG 10-12-2020	4.36	
<b>total gilts</b>	<b>41.73</b>	
<b>total money market</b>	<b>27.19</b>	
<b>total net assets</b>	<b>100.00</b>	

### fund characteristics as on Feb 28, 2014

M .Duration of debt portfolio: 3.65 Years  
YTM of debt portfolio: 9.10%

### asset allocation as on Feb 28, 2014



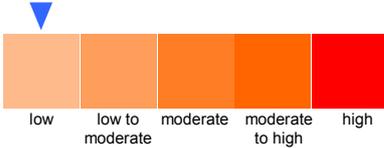
SFIN :  
ULGF00431/01/07GCAPISEC01121

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

### fund objective

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

### fund risk profile



### target asset allocation

Money market : 100%

### benchmark construction

Yield on 182-day T.Bills : 100%

# Group Capital Secure Fund 1

## fund performance as on Feb 28, 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	9.92%	9.70%	9.55%	9.01%	8.81%
<b>Benchmark</b>	<b>7.56%</b>	<b>8.00%</b>	<b>7.89%</b>	<b>7.35%</b>	<b>6.91%</b>

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

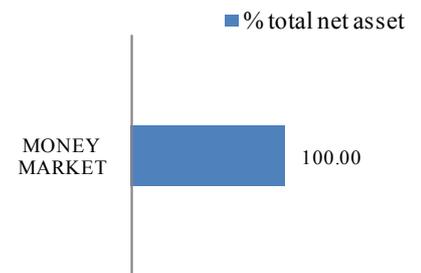
### portfolio As on Feb 28, 2014

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

### fund characteristics as on Feb 28, 2014

YTM of debt portfolio: 8.40%

### asset allocation as on Feb 28, 2014



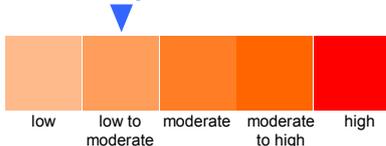
SFIN :  
ULGF01610/12/08GGILTFUN02121

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

### fund objective

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

### fund risk profile



### target asset allocation

Government Securities: 100%

### benchmark construction

I-Sec Composite Sovereign Bond Index:100%

# Group Gilt Fund 2

## fund performance as on Feb 28, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Gilt Fund 2	2.02%	6.70%	7.13%	7.19%	6.61%
<b>Benchmark</b>	<b>0.37%</b>	<b>6.11%</b>	<b>6.97%</b>	<b>6.78%</b>	<b>5.67%</b>

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

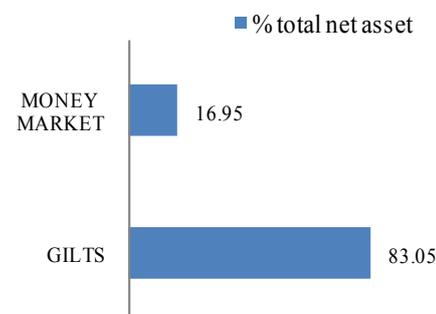
### portfolio As on Feb 28, 2014

security	% total net assets
<b>gilts</b>	
8.28% GOI CG 21-09-2027	27.10
7.16% GOI CG 20-05-2023	21.28
8.12% GOI CG 10-12-2020	15.07
7.28% GOI CG 03-06-2019	11.19
8.32% GOI CG 02-08-2032	8.42
<b>total gilts</b>	<b>83.05</b>
<b>total money market</b>	<b>16.95</b>
<b>total net assets</b>	<b>100.00</b>

### fund characteristics as on Feb 28, 2014

M. Duration of debt portfolio: 5.46 Years  
YTM of debt portfolio: 9.02%

### asset allocation as on Feb 28, 2014



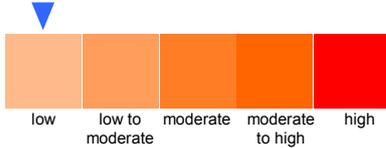
SFIN :  
ULGF00930/09/08GMONMRKT02121

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

### fund objective

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

### fund risk profile



### target asset allocation

Money market : 100%

### benchmark construction

CRISIL Liquid Bond Index: 100%

# Group Money Market Fund 2

## fund performance as on Feb 28, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Money Market Fund 2	9.57%	9.90%	9.83%	9.31%	9.16%
<b>Benchmark</b>	<b>9.16%</b>	<b>8.75%</b>	<b>8.62%</b>	<b>7.93%</b>	<b>7.10%</b>

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

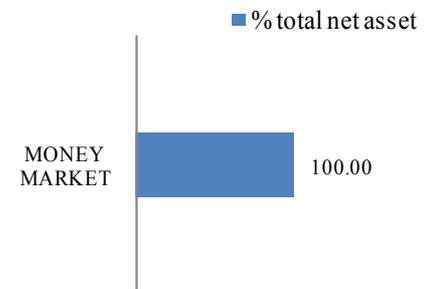
### portfolio As on Feb 28, 2014

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

### fund characteristics as on Feb 28, 2014

M. Duration of debt portfolio: 0.50 Years  
YTM of debt portfolio: 8.99%

### asset allocation as on Feb 28, 2014



SFIN	Plan Name	Fund Name	NAV
ULGF00431/01/07GCAPISEC01121	Reliance Group Gratuity Plan	Group Capital Secure Fund 1	17.5566
ULGF00210/10/03GBALANCE02121	Reliance Group Gratuity Plan	Group Balanced Fund 2	16.6443
ULGF00110/10/03GBALANCE01121	Reliance Group Gratuity Plan	Group Balanced Fund 1	19.9184
ULGF01213/10/08GCORBOND02121	Reliance Group Gratuity Plan	Group Corporate Bond Fund 2	15.4068
ULGF01808/06/09GEQUITYF03121	Reliance Group Gratuity Plan	Group Equity Fund 3	18.8561
ULGF01610/12/08GGILTFUN02121	Reliance Group Gratuity Plan	Group Gilt Fund 2	13.2622
ULGF00930/09/08GMONMRKT02121	Reliance Group Gratuity Plan	Group Money Market Fund 2	15.8023
ULGF00310/10/03GGROWTHF01121	Reliance Group Gratuity Plan	Group Growth Fund 1	15.9845
ULGF01908/06/09GINFRASF01121	Reliance Group Gratuity Plan	Group Infrastructure Fund 1	7.0616
ULGF02008/06/09GMIDCAPF01121	Reliance Group Gratuity Plan	Group Midcap Fund 1	14.4183
ULGF01030/09/08GPUREDEB01121	Reliance Group Gratuity Plan	Group Pure Debt Fund 1	15.5094
ULGF00110/10/03GBALANCE01121	Reliance Group Superannuation Plan	Group Balanced Fund 1	19.9184
ULGF00431/01/07GCAPISEC01121	Reliance Group Superannuation Plan	Group Capital Secure Fund 1	17.5566
ULGF01213/10/08GCORBOND02121	Reliance Group Superannuation Plan	Group Corporate Bond Fund 2	15.4068
ULGF01808/06/09GEQUITYF03121	Reliance Group Superannuation Plan	Group Equity Fund 3	18.8561
ULGF01610/12/08GGILTFUN02121	Reliance Group Superannuation Plan	Group Gilt Fund 2	13.2622
ULGF00310/10/03GGROWTHF01121	Reliance Group Superannuation Plan	Group Growth Fund 1	15.9845
ULGF00930/09/08GMONMRKT02121	Reliance Group Superannuation Plan	Group Money Market Fund 2	15.8023
ULGF01030/09/08GPUREDEB01121	Reliance Group Superannuation Plan	Group Pure Debt Fund 1	15.5094
ULGF00210/10/03GBALANCE02121	Reliance Group Savings Linked Insurance Plan	Group Balanced Fund 2	16.6443
ULGF01213/10/08GCORBOND02121	Reliance Group Savings Linked Insurance Plan	Group Corporate Bond Fund 2	15.4068
ULGF01428/11/08GENERGF01121	Reliance Group Savings Linked Insurance Plan	Group Energy Fund 1	13.307
ULGF01328/11/08GEQUITYF02121	Reliance Group Savings Linked Insurance Plan	Group Equity Fund 2	22.6138
ULGF01610/12/08GGILTFUN02121	Reliance Group Savings Linked Insurance Plan	Group Gilt Fund 2	13.2622
ULGF01908/06/09GINFRASF01121	Reliance Group Savings Linked Insurance Plan	Group Infrastructure Fund 1	7.0616
ULGF02008/06/09GMIDCAPF01121	Reliance Group Savings Linked Insurance Plan	Group Midcap Fund 1	14.4183
ULGF00930/09/08GMONMRKT02121	Reliance Group Savings Linked Insurance Plan	Group Money Market Fund 2	15.8023
ULGF01030/09/08GPUREDEB01121	Reliance Group Savings Linked Insurance Plan	Group Pure Debt Fund 1	15.5094
ULGF01528/11/08GPUREEQF01121	Reliance Group Savings Linked Insurance Plan	Group Pure Equity Fund 1	20.4334
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Balanced Fund 2	16.6443
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Money Market Fund 2	15.8023
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Corporate Bond Fund 2	15.4068
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Gilt Fund 2	13.2622
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Gratuity Plus Plan	Group Equity Fund 3	18.8561
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Money Market Fund 2	15.8023
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Corporate Bond Fund 2	15.4068
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Gilt Fund 2	13.2622
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Equity Fund 3	18.8561
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Balanced Fund 2	16.6443

- ✓ 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 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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