



RELIANCE

Life Insurance



the analyst

**monthly Group fund
factsheet for April 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 Mar 14	28th Feb 14	% Change
¹ Rs./\$	59.89	61.76	-3.12
² WPI Inflation Index		4.68	
³ Forex Reserves (\$ bn)	303.67	297.36	2.08
⁴ Brent Crude Price (\$ per Barrel)	101.58	109.07	-7.37
⁵ Gold (Rs. per 10gm)	28619	30487	-6.53

Indices	31st Mar 14	28th Feb 14	% Change
¹ BSE Sensex	22386	21120	5.66
² S&P CNX Nifty	6704	6277	6.37
³ CNX Mid Cap	8612	7805	9.37
⁴ BSE Small Cap	7072	6445	8.86

Global Indices	31st Mar 14	28th Feb 14	% Change
¹ Dow Jones	16458	16322	0.83
² FTSE 100	6598	6810	-3.20
³ Hang Seng	22151	22837	-3.10
⁴ Nikkei	14828	14841	-0.09

Sectoral Indices	31st Mar 14	28th Feb 14	% Change
¹ CNX Infrastructure	2615	2310	11.67
² CNX Energy	8329	7424	10.87
³ BSE Capital Goods	12011	10376	13.62
⁴ BSE Bankex	14572	12284	15.70
⁵ BSE Oil & Gas	9486	8426	11.17
⁶ BSE IT	8789	9792	-11.41

Fixed Income Indicators (%)	31st Mar 14	28th Feb 14	bps Change
¹ NSE Mibor	8.91	8.88	0.34
² 91 Day T-Bill	8.83	9.09	-0.27
³ 182 Day T-Bill	8.83	9.03	-0.21
⁴ 1 year GOI Benchmark	8.60	8.54	0.05
⁵ 5 Year GOI Benchmark	8.92	9.06	-0.14
⁶ 10 Year GOI Benchmark	8.80	8.86	-0.06
⁷ 5 Year Corp Bond Benchmark	9.72	9.72	0.00
⁸ 10 Year AAA Corp Bond Benchmark	9.68	9.87	-0.19
⁹ 10 Year US Benchmark	2.72	2.65	0.07

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

Indian Economy

Yields on Fixed Income securities have softened while for the money market securities maturing up to one year went up during the month. Banks were seen replenishing maturing deposits at higher rates. Shortfall in banking liquidity was bridged by the RBI through series of various maturities of Term Repo. This has led to steady money market rates unlike in the past several years when we have witnessed extreme volatility during the month of March due to mismatch in deposit and credit in the banking system.

While on the one hand there was absence of issuance of Government bonds, on the other hand there was appreciable demand from the long term investors like Provident Fund, Insurance Companies etc. during the month. This has led to softening in the yield for long maturity securities by 10-15 bps. Spreads on corporate bonds on comparable government bonds continue to be tight at around 55-60 bps.

The economy was continued to be sluggish as reflected in Index of Industrial Production (IIP), HSBC PMI both for manufacturing and service numbers. Also, Consumer Price Index (CPI) has softened to a two year low of 8.1% (YoY) in February 2014 against 8.8% (YoY) in Jan 2014. Most categories have saw fall in prices while vegetable prices in particular eased significantly. However, recently, vegetable prices have looks like bottomed out and started moving up marginally. In addition untimely rainfall during the month of March 2014 in some parts of India and risk of a strong El Niño later this year will be deciding the outlook for monsoon, which in turn will have an impact on the inflationary outlook. Recent sustained softening in metal prices and stable mineral oil may have salubrious impact on the inflation in the medium term.

Indian rupee gained most in value against USD from 61.75 to 60.00 per USD. This was fuelled by continued investing interest by FII's in Indian markets both Debt and Equity. The nearby elections and positive expectation on domestic structural reforms ignited FII's interest in the Indian financial markets.

Globally, US Federal Reserve continue on the path of reduction in security purchases to gradually unwind its quantitative easing. Latest data points towards continuous economic recovery in the US and UK while euro area is looks like stabilizing.

RBI has announced the scheduled auction calendar of government securities for the first half of FY15, wherein government would be borrowing 61% of the annual target in line with past several year trends. However, large absolute borrowing week after week may put pressure on the yield in the absence of any catalyst for softening in interest rate.

Fixed Income Outlook:

Going forward, we expect RBI to be continued to maintain status quo in terms of the monetary policy in the absence of any appreciable trigger to move interest rate on either side. This will lead to uncertainty in the markets and consequently interest rates will be volatile in short term.

Equity Market

Indian equities headed for new highs in March 2014, up 7% with the Nifty breaking past 6700 as sound bites around general elections intensified and investors aggressively went about attuning their portfolios. A sector switch away from erstwhile outperforming defensives like IT and Pharmaceutical in favor of Infrastructure, Industrials and Financials was fairly evident in the market move. The macro economy saw some signs of recovery with food inflation showing symptoms of easing although growth pickup remained a hurdle. Untimely rainfall and early warnings of El Niño however ensured that sentiment remained subdued. Perhaps somewhat expectedly, key reform measures/announcements like diesel price hike, gas price hike as well as new banking license were all put on the backburner during the month.

The move to hike gas prices suffered a setback as it got deferred beyond Apr 1, 2014 following a directive by the Election Commission (EC). The EC had asked for the postponement as the matter is currently sub-judice in the Supreme Court

In the Banking space, Axis grabbed headlines as the government sold 9% of its SUUTI stake in the bank via block deals. Another key development was the extension of Basel III implementation deadline by a year to 2019 by the RBI, which saw PSU banks rallying in response.

Among IT, Infosys came off significantly as the management indicated that FY14 revenue growth may be at the lower end of guidance range of 11.5-12% for the year.

Telecom was under some pressure with Reliance Jio announcing yet another step towards its launch as it entered into a tower infra sharing agreement with Bharti Infratel.

Among Auto, Maruti recovered after the board watered down the agreement with Suzuki on the Gujarat plant and decided to seek minority shareholder approval

Capital market flows notched up \$1.2bn in March 2014 from 8 deals, of which \$910mn was on account of the 9% SUUTI stake sale in Axis Bank. In the secondary market, FIIs upped their ante on India, pumping in an impressive \$3.6bn during the month, taking the YTD net inflow figure to \$4bn. DIIs were on the other side of the trade in March 2014, selling close to \$2.2bn. Mutual funds were net sellers to the tune of \$620mn, with the rest coming from insurers. YTD, DIIs have now net sold \$2.4bn.

Equity Outlook:

April 2014 will be watched out for developments in politics with the onset of the election and consequently, flows from FII investors.

fund snapshot

gross return (CAGR*) (%) As on Mar 31, 2014

asset allocation	funds	Last 1 Year	Last 2 Year	Last 3 Year	Page No.
100% equity	Group Equity Fund 2	23.02%	15.70%	7.60%	4
100% equity	Group Equity Fund 3	19.62%	14.31%	14.44%	5
100% pure equity	Group Pure Equity Fund 1	22.95%	12.06%	5.69%	6
100% equity	Group Infrastructure Fund 1	15.30%	0.51%	-5.76%	7
100% equity	Group Energy Fund 1	13.07%	4.15%	-0.66%	8
100% equity	Group Midcap Fund 1	26.05%	14.33%	8.86%	9
40% equity, 60% debt	Group Growth Fund 1	12.71%	11.35%	8.03%	10
20% equity, 80% debt	Group Balanced Fund 1	8.23%	9.08%	7.68%	11
20% equity, 80% debt	Group Balanced Fund 2	8.69%	9.81%	8.23%	12
100% bond instruments	Group Corporate Bond Fund 2	5.72%	8.92%	8.25%	13
100% debt Instruments	Group Pure Debt Fund 1	7.04%	9.26%	8.51%	14
100% money market	Group Capital Secure Fund 1	9.94%	9.70%	9.57%	15
100% govt. securities	Group Gilt Fund 2	3.39%	7.58%	7.17%	16
100% money market	Group Money Market Fund 2	9.54%	9.87%	9.83%	17

SFIN :

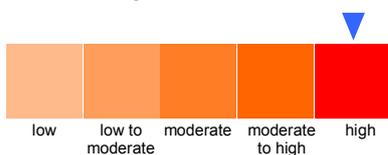
ULGF00724/10/07GEQUITYF01121

Inception Date : 30th Oct 2007

fund objective

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

fund risk profile



target asset allocation

Equity: 100%

benchmark construction

S&P CNX Nifty: 100%

Group Equity Fund 2

fund performance as on Mar 31, 2014

gross return					
fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Equity Fund 2	23.02%	15.70%	7.60%	8.86%	20.33%
Benchmark	17.98%	12.52%	4.74%	6.31%	17.28%

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

portfolio As on Mar 31, 2014

security % total net assets

equity

DIVIS LABORATORIES LTD	8.75
INFOSYS LTD	8.60
RELIANCE INDUSTRIES LTD	7.09
ICICI BANK LTD	6.61
HDFC BANK LTD	6.16
LARSEN&TUBRO	4.98
ITC	4.79
HDFC LTD	4.72
TATA CONSULTANCY SERVICES LTD	4.51
TATA MOTORS LTD	4.20
BHARTI AIRTEL LTD	3.07
ULTRATECH CEMCO LTD	2.82
KIRLOSKAR CUMMINS	2.47
MARUTI UDYOG LTD	2.30
STATE BANK OF INDIA	2.27
ONGC	2.22
SUN PHARMACEUTICAL INDUSTRIES LTD	2.18
JSW STEEL LTD	2.17
AUROBINDO PHARMA LTD	2.17
YES BANK LTD	2.08
MAHINDRA & MAHINDRA LTD	1.82
MOTHERSON SUMI SYSTEMS LTD	1.78
INDIABULLS HOUSING FINANCE LTD	1.77
SESA STERLITE LTD	1.71
BAJAJ AUTO LTD	0.94
OIL INDIA LTD	0.85
HT MEDIA LTD	0.79
CROMPTON GREAVES LTD	0.79
HERO MOTOCORP LTD	0.73
RANBAXY	0.69
SML ISUZU LTD	0.67
UNITED SPIRITS LTD	0.52
ZEE ENTERTAINMENT ENTERPRISES LTD	0.48
WIPRO	0.46
D.B. CORP LTD	0.43
RADICO KHAITAN LTD	0.13
ZEE ENTERTAINMENT PREFERENCE SHARE	0.07

total equity 98.80

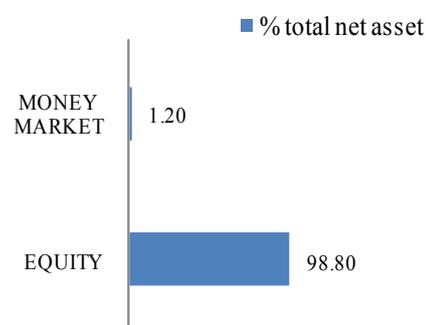
total money market 1.20

total net assets 100.00

fund characteristics as on Mar 31, 2014

Fund Beta 0.97

asset allocation as on Mar 31, 2014



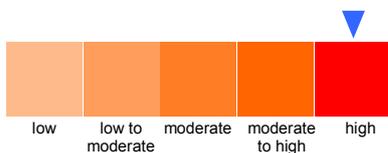
SFIN :
ULGF01808/06/09GEQUITYF03121

Inception Date : 8th Jun 2009

fund objective

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

fund risk profile



target asset allocation

Equity: 100%

benchmark construction

S&P CNX Nifty: 100%

Group Equity Fund 3

fund performance as on Mar 31, 2014

fund name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 3	19.62%	14.31%	14.44%	13.37%
Benchmark	17.98%	12.52%	4.74%	6.31%

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

portfolio As on Mar 31, 2014

security % total net assets

equity

DIVIS LABORATORIES LTD	8.54
ITC	8.07
INFOSYS LTD	7.70
RELIANCE INDUSTRIES LTD	6.96
ICICI BANK LTD	6.22
HDFC BANK LTD	5.98
HDFC LTD	4.63
LARSEN&TUBRO	4.36
TATA CONSULTANCY SERVICES LTD	4.31
TATA MOTORS LTD	3.55
BHARTI AIRTEL LTD	2.70
KIRLOSKAR CUMMINS	2.41
YES BANK LTD	2.22
STATE BANK OF INDIA	2.17
MARUTI UDYOG LTD	2.16
ONGC	2.02
JSW STEEL LTD	1.94
AUROBINDO PHARMA LTD	1.89
MOTHERSON SUMI SYSTEMS LTD	1.87
SUN PHARMACEUTICAL INDUSTRIES LTD	1.79
MAHINDRA & MAHINDRA LTD	1.67
INDIABULLS HOUSING FINANCE LTD	1.59
ULTRATECH CEMCO LTD	1.56
SESA STERLITE LTD	1.51
HERO MOTOCORP LTD	1.01
BAJAJ AUTO LTD	0.83
HT MEDIA LTD	0.78
OIL INDIA LTD	0.74
CROMPTON GREAVES LTD	0.64
RANBAXY	0.61
SML ISUZU LTD	0.61
ZEE ENTERTAINMENT ENTERPRISES LTD	0.52
WIPRO	0.40
D.B. CORP LTD	0.38
UNITED SPIRITS LTD	0.33
RADICO KHAITAN LTD	0.10
ZEE ENTERTAINMENT PREFERENCE SHARE	0.03

total equity 94.82

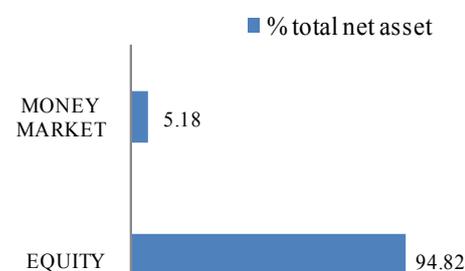
total money market 5.18

total net assets 100.00

fund characteristics as on Mar 31, 2014

Fund Beta 0.97

asset allocation as on Mar 31, 2014



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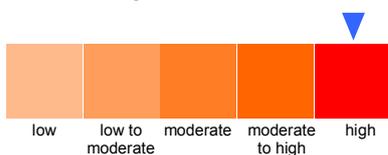
ULGF01528/11/08GPUREEQF01121

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 Mar 31, 2014

gross return					
Fund name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Pure Equity Fund 1	22.95%	12.06%	5.69%	6.23%	17.56%
Benchmark	21.31%	12.95%	5.45%	5.44%	16.02%

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

portfolio As on Mar 31, 2014

security % total net assets

equity

RELIANCE INDUSTRIES LTD	9.14
BHARTI AIRTEL LTD	9.12
TATA CONSULTANCY SERVICES LTD	9.00
INFOSYS LTD	7.04
HINDUSTAN LEVER LTD	6.65
DR. REDDY LABORATORIES	6.48
HERO MOTOCORP LTD	5.70
ASIAN PAINTS LTD	5.04
MARUTI UDYOG LTD	4.92
ULTRATECH CEMCO LTD	4.84
BAJAJ AUTO LTD	4.83
LUPIN LTD	3.21
WIPRO	2.81
VOLTAS LTD	2.30
GAS AUTHORITY OF INDIA LTD	2.26
PETRONET LNG LTD	2.16
MOTHERSON SUMI SYSTEMS LTD	2.13
LARSEN&TUBRO	2.05
SANOFI INDIA LTD	1.86
DIVIS LABORATORIES LTD	1.84
ONGC	1.49
KIRLOSKAR CUMMINS	1.18
GRASIM INDUSTRIES LTD	1.04
TATA GLOBAL BEVERAGES LTD	1.01

total equity 97.70

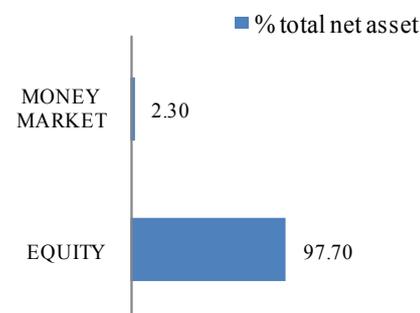
total money market 2.30

total net assets 100.00

fund characteristics as on Mar 31, 2014

Fund Beta 0.88

asset allocation as on Mar 31, 2014



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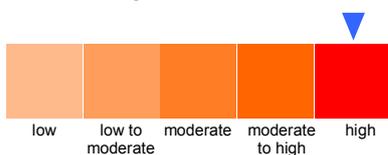
ULGF01908/06/09GINFRASF01121

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 Mar 31, 2014

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Infrastructure Fund 1	15.30%	0.51%	-5.76%	-5.80%
Benchmark	18.34%	2.09%	-5.27%	-6.51%

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

portfolio As on Mar 31, 2014

security % total net assets

equity

BHARTI AIRTEL LTD	8.89
RELIANCE INDUSTRIES LTD	8.87
NTPC LTD	8.71
POWER GRID CORP OF INDIA LTD	8.59
LARSEN&TUBRO	8.58
VOLTAS LTD	6.51
BHARAT FORGE	6.19
TATA POWER CO. LTD	5.24
KIRLOSKAR CUMMINS	5.05
BHARAT HEAVY ELECTRICALS LTD	4.89
IDEA CELLULAR LTD	4.74
ULTRATECH CEMCO LTD	3.21
CROMPTON GREAVES LTD	2.98
PETRONET LNG LTD	2.95
MOTHERSON SUMI SYSTEMS LTD	2.79
ONGC	2.42
INDRAPRASTHA GAS LTD	2.16
CENTURY TEXTILES & INDUSTRIES LTD	0.92
TATA POWER CO. LTD RIGHT	0.03

total equity 93.70

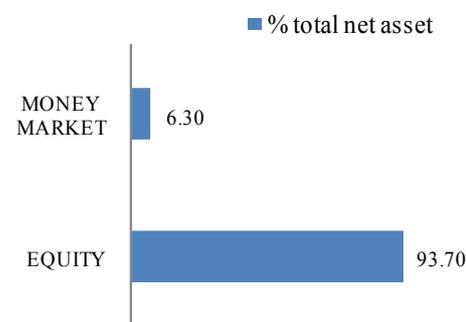
total money market 6.30

total net assets 100.00

fund characteristics as on Mar 31, 2014

Fund Beta 0.82

asset allocation as on Mar 31, 2014



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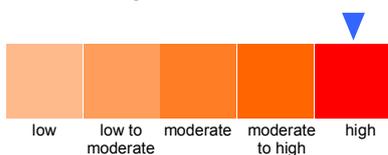
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Inception Date : 16th Dec 2008

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 Mar 31, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Energy Fund 1	13.07%	4.15%	-0.66%	0.64%	8.42%
Benchmark	10.30%	4.99%	-4.22%	-1.97%	5.08%

*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 Mar 31, 2014

security % total net assets

equity

RELIANCE INDUSTRIES LTD	9.17
NTPC LTD	9.02
OIL INDIA LTD	9.01
LARSEN&TUBRO	9.00
POWER GRID CORP OF INDIA LTD	8.86
ONGC	8.83
KIRLOSKAR CUMMINS	7.84
GAS AUTHORITY OF INDIA LTD	6.09
BHARAT PETROLEUM CORP. LTD	5.29
CAIRN INDIA LTD	5.09
TATA POWER CO. LTD	4.82
INDRAPRASTHA GAS LTD	4.37
VOLTAS LTD	4.29
PETRONET LNG LTD	3.44
GUJARAT STATE PETRONET LTD	1.67
COAL INDIA LTD	1.60
TATA POWER CO. LTD RIGHT	0.03

total equity 98.41

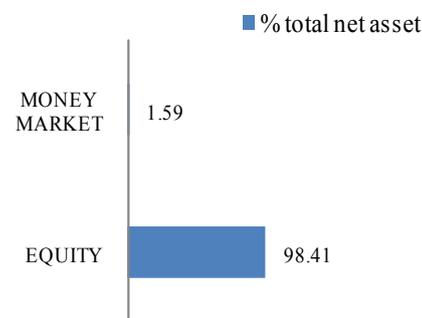
total money market 1.59

total net assets 100.00

fund characteristics as on Mar 31, 2014

Fund Beta 0.83

asset allocation as on Mar 31, 2014



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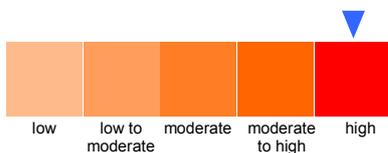
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Inception Date : 8th Jun 2009

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 Mar 31, 2014

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Midcap Fund 1	26.05%	14.33%	8.86%	6.12%
Benchmark	27.53%	3.51%	-0.54%	-2.19%

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

portfolio As on Mar 31, 2014

security	% total net assets
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equity

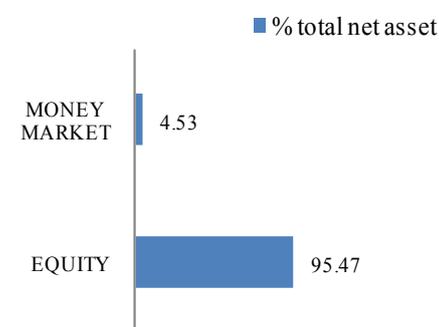
YES BANK LTD	6.53
DIVIS LABORATORIES LTD	6.24
ADITYA BIRLA NUVO LTD	5.84
INDIABULLS HOUSING FINANCE LTD	5.60
UNITED SPIRITS LTD	5.57
IDEA CELLULAR LTD	5.35
RADICO KHAITAN LTD	5.04
AUROBINDO PHARMA LTD	4.63
TATA CHEMICALS LTD	4.16
PURAVANKARA PROJECTS LTD	4.15
D.B. CORP LTD	3.96
PETRONET LNG LTD	3.78
TATA GLOBAL BEVERAGES LTD	3.75
VOLTAS LTD	3.67
ZEE ENTERTAINMENT ENTERPRISES LTD	3.61
STATE BANK OF INDIA	3.52
CROMPTON GREAVES LTD	3.05
HT MEDIA LTD	3.04
SHOPPERS STOP LTD	2.76
JSW STEEL LTD	2.73
INDRAPRASTHA GAS LTD	2.65
BHARAT FORGE	2.51
GUJARAT FLUORO CHEMICALS LTD	1.96
CENTURY TEXTILES & INDUSTRIES LTD	1.09
ZEE ENTERTAINMENT PREFERENCE SHARE	0.27

total equity	95.47
total money market	4.53
total net assets	100.00

fund characteristics as on Mar 31, 2014

Fund Beta 0.83

asset allocation as on Mar 31, 2014



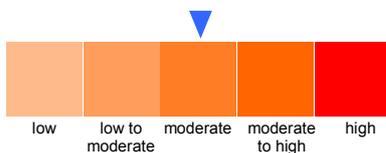
SFIN :
ULGF00310/10/03GGROWTHF01121

Inception Date : 31st Jan 2007

fund objective

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

fund risk profile



target asset allocation

Debt: 60%
Equity: 40%

benchmark construction

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

Group Growth Fund 1

fund performance as on Mar 31, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Growth Fund 1	12.71%	11.35%	8.03%	7.89%	11.94%
Benchmark	9.97%	9.33%	6.63%	6.94%	11.28%

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

portfolio As on Mar 31, 2014

security	% total net assets	rating
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bond/ncd

9.81% PFC NCD 07-10-2018 SR109	5.81	AAA
8.64% PGCIL NCD 08-07-2017 XXXIII D	4.70	AAA
10.60% IRFC NCB 11-09-2018	2.01	AAA
9.70% PFC NCD 15-12-2018 SR 82-C	1.93	AAA
9.38% REC NCD 06-11-2018 117th	1.91	AAA

total bond/cd 16.36

gilts

8.28% GOI CG 21-09-2027	5.27
7.16% GOI CG 20-05-2023	5.23
8.12% GOI CG 10-12-2020	4.09
7.28% GOI CG 03-06-2019	3.99
8.32% GOI CG 02-08-2032	2.47

total gilts 21.05

equity

DIVIS LABORATORIES LTD	3.60
ITC	3.08
INFOSYS LTD	2.99
RELIANCE INDUSTRIES LTD	2.86
HDFC BANK LTD	2.79
ICICI BANK LTD	2.75
LARSEN&TUBRO	1.84
HDFC LTD	1.84
TATA CONSULTANCY SERVICES LTD	1.77
BHARTI AIRTEL LTD	1.32
TATA MOTORS LTD	1.28
UNITED SPIRITS LTD	1.21
YES BANK LTD	1.06
ULTRATECH CEMCO LTD	0.98
ONGC	0.91
JSW STEEL LTD	0.79
KIRLOSKAR CUMMINS	0.79
SANOFI INDIA LTD	0.79
MARUTI UDYOG LTD	0.76
MAHINDRA & MAHINDRA LTD	0.73
WIPRO	0.69
SUN PHARMACEUTICAL INDUSTRIES LTD	0.65
AUROBINDO PHARMA LTD	0.57
INDIABULLS HOUSING FINANCE LTD	0.51
MOTHERSON SUMI SYSTEMS LTD	0.50
LUPIN LTD	0.49
BAJAJ AUTO LTD	0.44
SESA STERLITE LTD	0.39
SML ISUZU LTD	0.26
STATE BANK OF INDIA	0.24

total equity 38.87

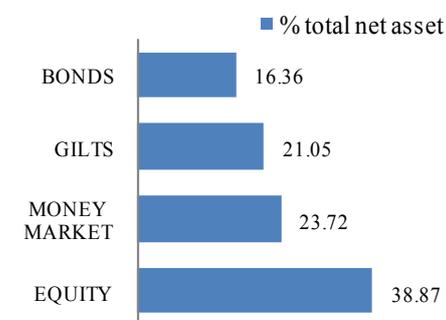
total money market 23.72

total net assets 100.00

fund characteristics as on Mar 31, 2014

M. Duration of debt portfolio: 3.09 Years
YTM of debt portfolio: 10.72%
Fund Beta: 0.96

asset allocation as on Mar 31, 2014



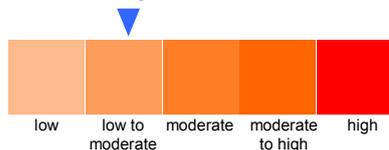
SFIN :
ULGF00110/10/03GBALANCE01121

Inception Date : 29th Jan 2007

fund objective

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

fund risk profile



Group Balanced Fund 1

fund performance as on Mar 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 1	8.23%	9.08%	7.68%	7.46%	9.56%
Benchmark	7.18%	8.09%	7.02%	6.90%	8.99%

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

portfolio As on Mar 31, 2014

security	% total net assets	rating
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bond/ncd

8.95% PFC NCD 11-03-2018 101-A	7.76	AAA
8.64% PGCIL NCD 08-07-2017 XXXIII D	7.26	AAA
9.57% LICHFL NCD 07-09-2017	3.97	AAA
8.70% REC NCD 01-02-2018 112	3.85	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	3.82	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.33	AAA
8.68% NCRPB NCB 18-08-2019	2.92	AAA
10.60% IRFC NCB 11-09-2018	1.03	AAA

total bond/cd 33.96

gilts

8.28% GOI CG 21-09-2027	7.04
7.16% GOI CG 20-05-2023	6.85
8.12% GOI CG 10-12-2020	5.50
7.28% GOI CG 03-06-2019	4.92
8.32% GOI CG 02-08-2032	3.27

total gilts 27.59

equity

ITC	1.54
INFOSYS LTD	1.49
RELIANCE INDUSTRIES LTD	1.43
DIVIS LABORATORIES LTD	1.42
HDFC BANK LTD	1.38
ICICI BANK LTD	1.37
LARSEN&TUBRO	1.02
HDFC LTD	0.92
TATA CONSULTANCY SERVICES LTD	0.89
TATA MOTORS LTD	0.64
BHARTI AIRTEL LTD	0.57
UNITED SPIRITS LTD	0.56
YES BANK LTD	0.51
ULTRATECH CEMCO LTD	0.49
MAHINDRA & MAHINDRA LTD	0.48
ONGC	0.45
MARUTI UDYOG LTD	0.45
KIRLOSKAR CUMMINS	0.43
SUN PHARMACEUTICAL INDUSTRIES LTD	0.41
SANOFI INDIA LTD	0.40
JSW STEEL LTD	0.39
SESA STERLITE LTD	0.35
WIPRO	0.33
AUROBINDO PHARMA LTD	0.28
LUPIN LTD	0.25
INDIABULLS HOUSING FINANCE LTD	0.23
MOTHERSON SUMI SYSTEMS LTD	0.19
BAJAJ AUTO LTD	0.19
STATE BANK OF INDIA	0.12
SML ISUZU LTD	0.10

total equity 19.28

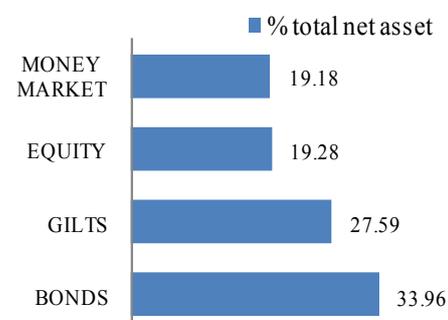
total money market 19.18

total net assets 100.00

fund characteristics as on Mar 31, 2014

M. Duration of debt portfolio:	3.60 Years
YTM of debt portfolio:	9.79%
Fund Beta:	0.97

asset allocation as on Mar 31, 2014



target asset allocation

Debt:	80%
Equity:	20%

benchmark construction

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

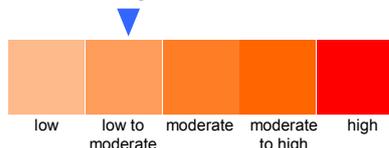
SFIN :
ULGF00210/10/03GBALANCE02121

Inception Date : 31th Jan 2007

fund objective

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

fund risk profile



Group Balanced Fund 2

fund performance as on Mar 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Balanced Fund 2	8.69%	9.81%	8.23%	7.89%	9.97%
Benchmark	7.18%	8.09%	7.02%	6.90%	8.99%

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

portfolio As on Mar 31, 2014

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

bond/ncd

8.70% REC NCD 01-02-2018 112	8.72	AAA
8.80% PGCIL NCD 29-09-2017 E	5.64	AAA
9.81% PFC NCD 07-10-2018 SR109	4.05	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.22	AAA
8.95% PFC NCD 11-03-2018 101-A	3.04	AAA
10.20% RELIANCE POWER LTD NCD 12-06-2014	2.98	A1
9.75% SRTRANSFIN NCD 01-06-2015	2.75	AA
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 35.46

gilts

8.28% GOI CG 21-09-2027	7.17
7.16% GOI CG 20-05-2023	6.94
8.12% GOI CG 10-12-2020	5.54
7.28% GOI CG 03-06-2019	5.08
8.32% GOI CG 02-08-2032	3.36

total gilts 28.09

equity

ITC	1.55
INFOSYS LTD	1.52
RELIANCE INDUSTRIES LTD	1.45
HDFC BANK LTD	1.41
ICICI BANK LTD	1.40
DIVIS LABORATORIES LTD	1.36
LARSEN&TUBRO	1.02
TATA CONSULTANCY SERVICES LTD	0.90
HDFC LTD	0.88
TATA MOTORS LTD	0.65
BHARTI AIRTEL LTD	0.58
ULTRATECH CEMCO LTD	0.57
UNITED SPIRITS LTD	0.53
YES BANK LTD	0.52
ONGC	0.52
KIRLOSKAR CUMMINS	0.52
SUN PHARMACEUTICAL INDUSTRIES LTD	0.43
SANOFI INDIA LTD	0.40
JSW STEEL LTD	0.40
MARUTI UDYOG LTD	0.37
MAHINDRA & MAHINDRA LTD	0.36
WIPRO	0.34
SESA STERLITE LTD	0.32
AUROBINDO PHARMA LTD	0.29
LUPIN LTD	0.25
INDIABULLS HOUSING FINANCE LTD	0.24
BAJAJ AUTO LTD	0.19
MOTHERSON SUMI SYSTEMS LTD	0.15
STATE BANK OF INDIA	0.12
SML ISUZU LTD	0.10

total equity 19.35

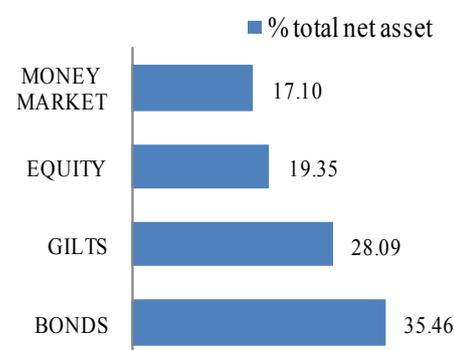
total money market 17.10

total net assets 100.00

fund characteristics as on Mar 31, 2014

M. Duration of debt portfolio:	3.54 Years
YTM of debt portfolio:	9.61%
Fund Beta:	0.97

asset allocation as on Mar 31, 2014



target asset allocation

Debt.:	80%
Equity:	20%

benchmark construction

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

SFIN :

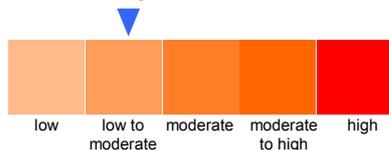
ULGF01213/10/08GCBOND02121

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 Mar 31, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Corporate Bond Fund 2	5.72%	8.92%	8.25%	7.93%	8.28%
Benchmark	4.34%	6.78%	7.08%	6.58%	6.34%

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

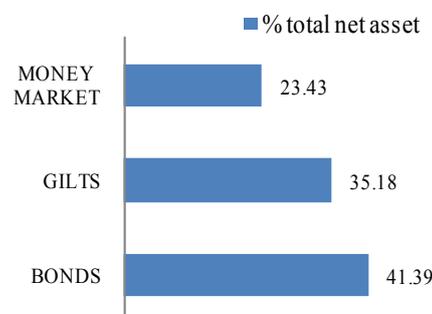
portfolio As on Mar 31, 2014

security	% total net assets	rating
bond/ncd		
8.93% NTPC NCB 19-01-2021 XXXVII.	8.93	AAA
9.38% REC NCD 06-11-2018 117th	7.34	AAA
9.57% LICHFL NCD 07-09-2017	6.26	AAA
9.81% PFC NCD 07-10-2018 SR109	4.66	AAA
8.75% RIL NCD 07-05-2020	4.44	AAA
9.27% PFC NCD 21-08-2017 92-B	4.14	AAA
9.25% HDFC NCD 11-03-2018 K-018	2.29	AAA
9.24% REC NCD 17-10-2018 116THOPTII	1.60	AAA
0.00% HDFC ZCB 23-10-2017 J-041	1.04	AAA
9.90% TATA SONS NCD 18-03-2016	0.70	AAA
total bond/ncd	41.39	
Gilts		
8.28% GOI CG 21-09-2027	9.11	
7.16% GOI CG 20-05-2023	8.96	
8.12% GOI CG 10-12-2020	6.93	
7.28% GOI CG 03-06-2019	6.14	
8.32% GOI CG 02-08-2032	4.05	
total gilts	35.18	
total money market	23.43	
total net assets	100.00	

fund characteristics as on Mar 31, 2014

M. Duration of debt portfolio: 3.98 Years
YTM of debt portfolio: 9.36%

asset allocation as on Mar 31, 2014



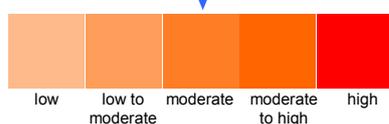
SFIN :
ULGF01030/09/08GPUREDEB01121

Inception Date : 30th Sep 2008

fund objective

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

fund risk profile



target asset allocation

Debt Instruments: 100%

benchmark construction

CRISIL Composite Bond Index: 100%

Group Pure Debt Fund 1

fund performance as on Mar 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Pure Debt Fund 1	7.04%	9.26%	8.51%	8.11%	8.42%
Benchmark	4.34%	6.78%	7.08%	6.58%	6.34%

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

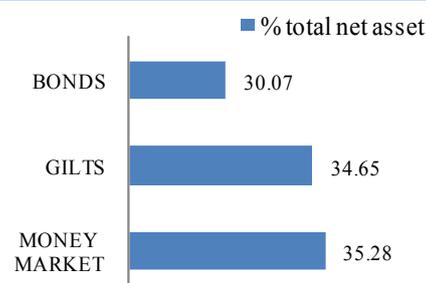
portfolio As on Mar 31, 2014

security	% total net assets	rating
bond/ncd		
8.64% PGCIL NCD 08-07-2017 XXXIII D	8.72	AAA
9.81% PFC NCD 07-10-2018 SR109	7.19	AAA
9.68% TATA SONS NCD 10-01-2017	7.17	AAA
8.95% PFC NCD 11-03-2018 101-A	6.99	AAA
total bond/ncd	30.07	
gilts		
8.28% GOI CG 21-09-2027	8.58	
7.16% GOI CG 20-05-2023	8.57	
8.12% GOI CG 10-12-2020	6.94	
7.28% GOI CG 03-06-2019	6.67	
8.32% GOI CG 02-08-2032	3.90	
total gilts	34.65	
total money market	35.28	
total net assets	100.00	

fund characteristics as on Mar 31, 2014

M .Duration of debt portfolio: 3.17 Years
YTM of debt portfolio: 10.28%

asset allocation as on Mar 31, 2014



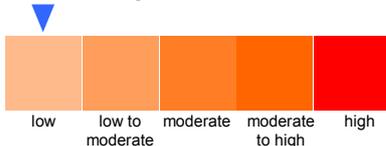
SFIN :
ULGF00431/01/07GCAPISEC01121

Inception Date : 31st Jan 2007

fund objective

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

fund risk profile



target asset allocation

Money market : 100%

benchmark construction

Yield on 182-day T.Bills : 100%

Group Capital Secure Fund 1

fund performance as on Mar 31, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Capital Secure Fund 1	9.94%	9.70%	9.57%	9.07%	8.80%
Benchmark	7.77%	8.07%	7.97%	7.45%	6.98%

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

portfolio As on Mar 31, 2014

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

fund characteristics as on Mar 31, 2014

M .Duration of debt portfolio: 0.39 Years
YTM of debt portfolio: 9.56%

asset allocation as on Mar 31, 2014



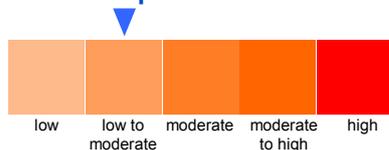
SFIN :
ULGF01610/12/08GGILTFUN02121

Inception Date : 10th Dec 2008

fund objective

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

fund risk profile



target asset allocation

Government Securities: 100%

benchmark construction

I-Sec Composite Sovereign Bond Index:100%

Group Gilt Fund 2

fund performance as on Mar 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Gilt Fund 2	3.39%	7.58%	7.17%	7.34%	6.81%
Benchmark	1.13%	6.96%	6.37%	6.41%	5.77%

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

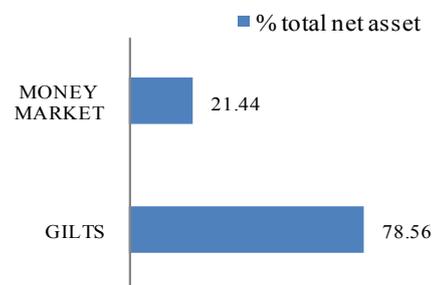
portfolio As on Mar 31, 2014

security	% total net assets
gilts	
7.16% GOI CG 20-05-2023	21.48
8.28% GOI CG 21-09-2027	19.44
8.12% GOI CG 10-12-2020	17.79
7.28% GOI CG 03-06-2019	11.29
8.32% GOI CG 02-08-2032	8.56
total gilts	78.56
total money market	21.44
total net assets	100.00

fund characteristics as on Mar 31, 2014

M. Duration of debt portfolio: 5.04 Years
YTM of debt portfolio: 9.84%

asset allocation as on Mar 31, 2014



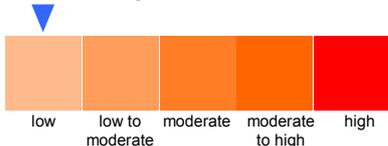
SFIN :
ULGF00930/09/08GMONMRKT02121

Inception Date : 30th Sep 2008

fund objective

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

fund risk profile



target asset allocation

Money market : 100%

benchmark construction

CRISIL Liquid Bond Index: 100%

Group Money Market Fund 2

fund performance as on Mar 31, 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	9.54%	9.87%	9.83%	9.35%	9.13%
Benchmark	9.46%	8.84%	8.72%	8.09%	7.19%

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

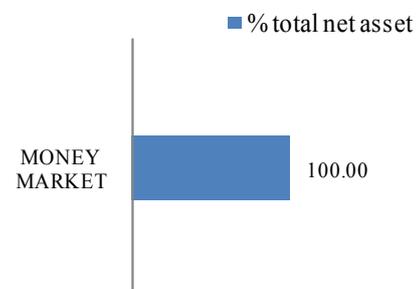
portfolio As on Mar 31, 2014

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

fund characteristics as on Mar 31, 2014

M. Duration of debt portfolio: 0.48 Years
YTM of debt portfolio: 9.08%

asset allocation as on Mar 31, 2014



Life Insurance

SFIN	Plan Name	Fund Name	NAV
ULGF00431/01/07GCAPISEC01121	Reliance Group Gratuity Plan	Group Capital Secure Fund 1	17.6841
ULGF00210/10/03GBALANCE02121	Reliance Group Gratuity Plan	Group Balanced Fund 2	17.0423
ULGF00110/10/03GBALANCE01121	Reliance Group Gratuity Plan	Group Balanced Fund 1	20.3917
ULGF01213/10/08GCORBOND02121	Reliance Group Gratuity Plan	Group Corporate Bond Fund 2	15.62
ULGF01808/06/09GEQUITYF03121	Reliance Group Gratuity Plan	Group Equity Fund 3	20.0507
ULGF01610/12/08GGILTFUN02121	Reliance Group Gratuity Plan	Group Gilt Fund 2	13.4399
ULGF00930/09/08GMONMRKT02121	Reliance Group Gratuity Plan	Group Money Market Fund 2	15.9136
ULGF00310/10/03GGROWTHF01121	Reliance Group Gratuity Plan	Group Growth Fund 1	16.5071
ULGF01908/06/09GINFRASF01121	Reliance Group Gratuity Plan	Group Infrastructure Fund 1	7.9728
ULGF02008/06/09GMIDCAPF01121	Reliance Group Gratuity Plan	Group Midcap Fund 1	16.0517
ULGF01030/09/08GPUREDEB01121	Reliance Group Gratuity Plan	Group Pure Debt Fund 1	15.7099
ULGF00110/10/03GBALANCE01121	Reliance Group Superannuation Plan	Group Balanced Fund 1	20.3917
ULGF00431/01/07GCAPISEC01121	Reliance Group Superannuation Plan	Group Capital Secure Fund 1	17.6841
ULGF01213/10/08GCORBOND02121	Reliance Group Superannuation Plan	Group Corporate Bond Fund 2	15.62
ULGF01808/06/09GEQUITYF03121	Reliance Group Superannuation Plan	Group Equity Fund 3	20.0507
ULGF01610/12/08GGILTFUN02121	Reliance Group Superannuation Plan	Group Gilt Fund 2	13.4399
ULGF00310/10/03GGROWTHF01121	Reliance Group Superannuation Plan	Group Growth Fund 1	16.5071
ULGF00930/09/08GMONMRKT02121	Reliance Group Superannuation Plan	Group Money Market Fund 2	15.9136
ULGF01030/09/08GPUREDEB01121	Reliance Group Superannuation Plan	Group Pure Debt Fund 1	15.7099
ULGF00210/10/03GBALANCE02121	Reliance Group Savings Linked Insurance Plan	Group Balanced Fund 2	17.0423
ULGF01213/10/08GCORBOND02121	Reliance Group Savings Linked Insurance Plan	Group Corporate Bond Fund 2	15.62
ULGF01428/11/08GENERGF01121	Reliance Group Savings Linked Insurance Plan	Group Energy Fund 1	14.8765
ULGF01328/11/08GEQUITYF02121	Reliance Group Savings Linked Insurance Plan	Group Equity Fund 2	24.0827
ULGF01610/12/08GGILTFUN02121	Reliance Group Savings Linked Insurance Plan	Group Gilt Fund 2	13.4399
ULGF01908/06/09GINFRASF01121	Reliance Group Savings Linked Insurance Plan	Group Infrastructure Fund 1	7.9728
ULGF02008/06/09GMIDCAPF01121	Reliance Group Savings Linked Insurance Plan	Group Midcap Fund 1	16.0517
ULGF00930/09/08GMONMRKT02121	Reliance Group Savings Linked Insurance Plan	Group Money Market Fund 2	15.9136
ULGF01030/09/08GPUREDEB01121	Reliance Group Savings Linked Insurance Plan	Group Pure Debt Fund 1	15.7099
ULGF01528/11/08GPUREEQF01121	Reliance Group Savings Linked Insurance Plan	Group Pure Equity Fund 1	21.6332
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Balanced Fund 2	17.0423
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Money Market Fund 2	15.9136
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Corporate Bond Fund 2	15.62
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Gilt Fund 2	13.4399
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Gratuity Plus Plan	Group Equity Fund 3	20.0507
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Money Market Fund 2	15.9136
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Corporate Bond Fund 2	15.62
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Gilt Fund 2	13.4399
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Equity Fund 3	20.0507
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Balanced Fund 2	17.0423

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

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

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

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

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

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

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

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

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

Gross Fund Return

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

We shall highlight this with the help of an example.

Reliance Life Insurance

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

XYZ Insurance Company

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

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

Benchmark Return

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

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

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

Fund Standard Deviation

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

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

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

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

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

Fund Sharpe Ratio

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

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

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

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

✓ Gross Fund Return

✓ Benchmark Return

✓ Fund Standard Deviation

✓ Fund Sharpe Ratio

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

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

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

Benchmark Sharpe Ratio

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

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

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

Modified Duration of Debt Portfolio

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

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

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

Fund Beta

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

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

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

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

✓ Benchmark Sharpe Ratio

✓ Modified Duration Of Debt Profile

✓ Fund Beta

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