



RELIANCE

Life Insurance



the analyst

**monthly Group fund
factsheet for February 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 Jan 14	31st Dec 13	% Change
¹ Rs./\$	62.66	61.80	1.37
² WPI Inflation Index	5.05	6.16	-1.11
³ Forex Reserves (\$ bn)	290.59	295.71	-1.76
¹ Brent Crude Price (\$ per Barrel)	105.81	98.42	-4.72
¹ Gold (Rs. per 10gm)	29736	29075	2.22

Indices	31st Jan 14	31st Dec 13	% Change
¹ BSE Sensex	20514	21171	-3.20
¹ S&P CNX Nifty	6090	6304	-3.52
¹ CNX Mid Cap	7540	8071	-7.05
¹ BSE Small Cap	6263	6551	-4.59

Global Indices	31st Jan 14	31st Dec 13	% Change
¹ Dow Jones	15699	16577	-5.59
¹ FTSE 100	6510	6749	-3.67
¹ Hang Seng	22035	23306	-5.77
¹ Nikkei	14915	16291	-9.23

Sectoral Indices	31st Jan 14	31st Dec 13	% Change
¹ CNX Infrastructure	2257	2477	-9.78
¹ CNX Energy	7516	7961	-5.92
¹ BSE Capital Goods	9487	10264	-8.20
¹ BSE Bankex	11712	13002	-11.01
¹ BSE Oil & Gas	8453	8834	-4.51
¹ BSE IT	9477	9082	4.17

Fixed Income Indicators (%)	31st Jan 14	31st Dec 13	bps Change
¹ NSE Mibor	8.84	8.82	0.23
¹ 91 Day T-Bill	8.83	8.63	0.20
¹ 182 Day T-Bill	8.88	8.68	0.20
¹ 1 year GOI Benchmark	8.48	8.78	-0.30
¹ 5 Year GOI Benchmark	8.98	8.91	0.07
¹ 10 Year GOI Benchmark	8.78	8.83	-0.04
¹ 5 Year Corp Bond Benchmark	9.73	9.61	0.11
¹ 10 Year AAA Corp Bond Benchmark	9.65	9.60	0.05
¹ 10 Year US Benchmark	2.64	3.03	-0.38

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

Indian Economy

Uncertainty on account of how RBI will act after the release of Ujrit Patel Committee report to suggest what would be the nominal anchor to guide monetary policy along with anticipated reduction of asset purchases in a row by US Federal Reserve (Fed) were the key events which have shaped the outlook.

The key recommendations of the report included selection of CPI as the nominal anchor and setting of inflation target at 4% with a +/-2% band over a 2 year time frame. This would be the best solution to ignite growth by containing persistent high CPI for last five years. Other recommendations of the report need to be discussed with Government in order to implement them. Thus, RBI chose to increase the key policy rates by 25bps in its monetary policy review on January 28, 2014. Yield went up across the curve by 25 bps as market participants were not expecting it.

Thought the banking liquidity continue to be in the deficit mode, RBI has provided the required liquidity through various short term windows like Term Repo and Marginal Standing Facility. Persistent tightness in the money market will only be addressed if banks steps up efforts to garner more deposit to bring down high loan to deposit ratio. It is expected that deposit rates would inch up during next couple of months as banks would be replenishing maturing deposits.

A sharp fall in the vegetable prices has brought down CPI & WPI in December 2014. The CPI came down in December 2014 to 9.9% (YoY), a sharp fall from 11.2% (YoY) in November 2014. Similarly, WPI has also contracted to 6.2% (YoY) from 7.5% (YoY) in November 2014. There was a minor uptick in the core inflation. It is expected that fall in the vegetable prices will be persisting in near future.

The Index of Industrial Production contracted for a second consecutive month in November 2014 as it came in at -2.1% (YoY) after the -1.6% (YoY) in the previous month. Manufacturing continued to contract while capital goods improved but consumer durables fell. January 2014 PMI came in at 51.4, an improvement from the previous print of 50.7. In general, industrial environment remains sluggish in the absence of domestic catalyst while external demand is good which is reflected in decent exports.

Foreign Institutional Investors (FIIs) have been net investors for the last two months in the Fixed Income. INR was also trading in a narrow range despite some emerging market currencies facing pressure on account of their domestic issues. Indeed, improvement in the outlook for Current Account Deficit (CAD) as well as recent increase in the foreign exchange reserves has been keeping the INR relatively stable.

Government finance is under pressure due to fall in revenue collection as fiscal deficit has already registered 95% of the target. It is expected that government would be deferring subsidies to next year as well as curbing the expenditure in line with last year, in order to meet the fiscal deficit target.

Fixed Income Outlook:

Going forward, it is expected that firm inflation, though came down from recent high, will be keep the interest rate elevated as RBI would be vigilant of any further rise in prices. However, in the absence of primary issuance of Government bonds in rest of the current financial year, it is expected that interest would be range bounded in near term.

Equity Market

Indian markets had a weak start to the New Year as the benchmark Nifty lost 3.4% over the last month. Sentiments were mostly dominated by macro releases in the run up to the RBI policy meet as well as by the quarterly earnings season. While headline inflation numbers appeared to have abated, the core numbers saw a marginally uptick. Against the backdrop of the Ujrit Patel Committee report, the RBI surprised markets with a 25bps rate hike. On results, most IT majors reported with strong quarterly numbers while most banking names were mixed on the Balance Sheet and P&L front.

IT major Infosys started the results season with a robust set of numbers and positive management commentary on demand outlook. The remaining major IT cos (HCL Tech, TCS, Mindtree and Wipro) too reported decent quarterly performance, with all results highlighting continuation of demand recovery trends.

In the Banking space, private banks reported a mixed set of numbers. While HDFC Bank reported a strong quarter from all aspects, Kotak Mahindra and Axis Bank had weak results, marked by persisting deterioration in asset quality. While ICICI's results though good, reflected a pickup in restructured loans and slippages.

Among Energy space, Cairn India posted a strong quarter with impressive volume uptick, while strength in E&P segment and other income drove profit of Reliance Industries. Government finally notified the gas price hike providing a major boost to the sector. This could lead to a near doubling of prices wef from Apr 2014. Closer to month end, the Cabinet also approved a proposal to raise the limit on subsidized LPG cylinders to 12 from 9 per annum. Autos sector saw Hero Motocorp report a subdued quarter on increased SG&A expenses. On the other hand, Maruti's results beat estimates on improved cost control but the stock plunged on news of parent Suzuki undertaking capacity expansion at Gujarat via a 100% subsidiary.

Capital markets notched up \$ 1.3bn in inflows in January 2014, with major contribution from SBI's QIP that was undertaken to meet its target of capital raising for the current year. FIIs began the first month of the calendar year as net sellers with outflows to the tune of \$24mn. Meanwhile DIIs too were net sellers; with outflows totaling \$240mn in January 2014. Mutual funds recorded \$437mn outflows which offset the \$ 197mn inflows from Insurance companies over the month.

Equity Outlook:

In the short to medium term, vote on account for annual budget for FY 15 and expectations regarding impending general election will shape the market.

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

asset allocation	funds	Last 1 Year	Last 2 Year	Last 3 Year	Page No.
100% equity	Group Equity Fund 2	3.76%	11.76%	5.74%	4
100% equity	Group Equity Fund 3	2.18%	10.57%	11.59%	5
100% pure equity	Group Pure Equity Fund 1	7.10%	9.14%	3.63%	6
100% equity	Group Infrastructure Fund 1	-11.98%	-6.08%	-9.96%	7
100% equity	Group Energy Fund 1	-9.84%	-2.40%	-4.44%	8
100% equity	Group Midcap Fund 1	2.94%	12.43%	3.81%	9
40% equity, 60% debt	Group Growth Fund 1	4.73%	9.65%	7.33%	10
20% equity, 80% debt	Group Balanced Fund 1	3.87%	8.02%	7.36%	11
20% equity, 80% debt	Group Balanced Fund 2	4.44%	8.65%	7.89%	12
100% bond instruments	Group Corporate Bond Fund 2	4.85%	8.52%	8.20%	13
100% debt Instruments	Group Pure Debt Fund 1	6.21%	8.98%	8.56%	14
100% money market	Group Capital Secure Fund 1	9.90%	9.70%	9.53%	15
100% govt. securities	Group Gilt Fund 2	2.47%	7.04%	7.38%	16
100% money market	Group Money Market Fund 2	9.61%	9.92%	9.83%	17

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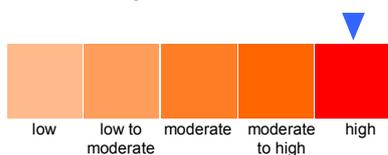
ULGF00724/10/07GEQUITYF01121

Inception Date : 30th Oct 2007

fund objective

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

fund risk profile



target asset allocation

Equity: 100%

benchmark construction

S&P CNX Nifty: 100%

Group Equity Fund 2

fund performance as on Jan 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	3.76%	11.76%	5.74%	8.02%	18.76%
Benchmark	0.91%	8.22%	3.42%	5.68%	16.20%

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

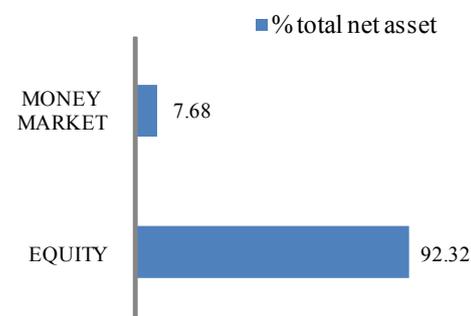
portfolio As on Jan 31, 2014

security	% total net assets
equity	
INFOSYS LIMITED	9.18
RELIANCE INDUSTRIES LTD.	9.00
ITC - FV 1	8.89
DIVIS LABORATORIES LIMITED	8.39
HDFC BANK LTD.FV-2	6.59
ICICI BANK LTD.	5.48
TATA CONSULTANCY SERVICES LTD.	5.45
HDFC LTD FV 2	4.98
MARUTI UDYOG LTD.	3.43
TATA MOTORS LTD.FV-2	3.33
AUROBINDO PHARMA LTD FV1	2.95
LARSEN&TUBRO	2.85
BHARTI AIRTEL LIMITED	2.58
ULTRATECH CEMCO LTD	2.51
JSW STEEL LIMITED	2.32
ONGCFV-5	2.01
SUN PHARMACEUTICAL INDUSTRIES LTD.FV-1	1.98
MAHINDRA & MAHINDRA LTD.-FV5	1.93
KIRLOSKAR CUMMINS	1.84
SESA STERLITE LIMITED	1.64
BAJAJ AUTO LTD	1.04
CAIRN INDIA LIMITED	1.03
RANBAXY FV RS 5	0.63
HERO MOTOCORP LIMITED	0.61
BHARAT PETROLEUM CORP. LTD.	0.46
SML ISUZU LIMITED	0.46
HINDALCO INDUSTRIES LTD FV RE 1	0.44
WIPRO	0.29
total equity	92.32
total money market	7.68
total net assets	100.00

fund characteristics as on Jan 31, 2014

Fund Beta 0.95

asset allocation as on Jan 31, 2014



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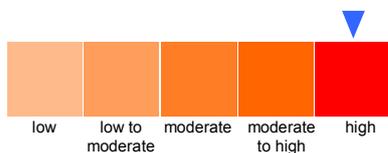
ULGF01808/06/09GEQUITYF03121

Inception Date : 8th Jun 2009

fund objective

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

fund risk profile



target asset allocation

Equity: 100%

benchmark construction

S&P CNX Nifty: 100%

Group Equity Fund 3

fund performance as on Jan 31, 2014

fund name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Equity Fund 3	2.18%	10.57%	11.59%	12.52%
Benchmark	0.91%	8.22%	3.42%	5.68%

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

portfolio As on Jan 31, 2014

security % total net assets

equity

INFOSYS LIMITED	8.87
ITC - FV 1	8.78
RELIANCE INDUSTRIES LTD.	8.37
DIVIS LABORATORIES LIMITED	6.78
HDFC BANK LTD.FV-2	6.51
ICICI BANK LTD.	5.41
TATA CONSULTANCY SERVICES LTD.	5.02
HDFC LTD FV 2	4.91
LARSEN&TUBRO	3.75
TATA MOTORS LTD.FV-2	3.21
MARUTI UDYOG LTD.	2.99
BHARTI AIRTEL LIMITED	2.65
AUROBINDO PHARMA LTD FV1	2.07
SUN PHARMACEUTICAL INDUSTRIES LTD.FV-1	2.04
ONGCFV-5	1.93
MAHINDRA & MAHINDRA LTD.-FV5	1.91
CAIRN INDIA LIMITED	1.76
STATE BANK OF INDIA	1.68
KIRLOSKAR CUMMINS	1.61
MOTHERSON SUMI SYSTEMS LTD.	1.46
JSW STEEL LIMITED	1.35
ULTRATECH CEMCO LTD	1.34
SESA STERLITE LIMITED	1.15
BAJAJ AUTO LTD	1.07
HERO MOTOCORP LIMITED	1.01
RANBAXY FV RS 5	0.94
INDIABULLS HOUSING FINANCE LTD	0.87
CROMPTON GREAVES LTD	0.68
HINDALCO INDUSTRIES LTD FV RE 1	0.61
OIL INDIA LIMITED	0.52
WIPRO	0.28
BHARAT PETROLEUM CORP. LTD.	0.27
HT MEDIA LIMITED	0.18
SML ISUZU LIMITED	0.17

92.12

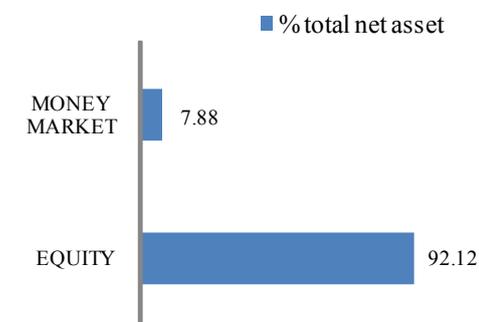
total money market 7.88

total net assets 100.00

fund characteristics as on Jan 31, 2014

Fund Beta 0.95

asset allocation as on Jan 31, 2014



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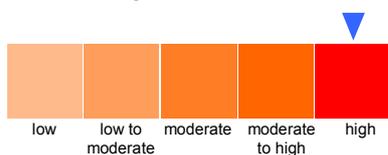
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Inception Date : 16th Dec 2008

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 Jan 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	7.10%	9.14%	3.63%	5.55%	17.27%
Benchmark	10.72%	10.28%	4.93%	5.47%	16.30%

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

portfolio As on Jan 31, 2014

security % total net assets

equity

TATA CONSULTANCY SERVICES LTD.	8.89
RELIANCE INDUSTRIES LTD.	8.88
BHARTI AIRTEL LIMITED	8.54
INFOSYS LIMITED	7.32
HINDUSTAN LEVER LTD.	6.63
DR. REDDY LABORATORIES	6.51
BAJAJ AUTO LTD	5.30
ONGCFV-5	4.72
HERO MOTOCORP LIMITED	4.27
ULTRATECH CEMCO LTD	4.20
ASIAN PAINTS LIMITEDFV-1	3.93
MARUTI UDYOG LTD.	3.69
GRASIM INDUSTRIES LTD.	3.02
WIPRO	2.84
LUPIN LIMITEDFV-2	2.64
DIVIS LABORATORIES LIMITED	2.57
SANOFI INDIA LIMITED	2.32
GAS AUTHORITY OF INDIA LTD.	1.84
PETRONET LNG LIMITED	1.80
MOTHERSON SUMI SYSTEMS LTD.	1.75
LARSEN&TUBRO	1.56
VOLTAS LTD	1.56
KIRLOSKAR CUMMINS	1.22
TATA GLOBAL BEVERAGES LIMITED	0.85
OIL INDIA LIMITED	0.72

total equity 97.57

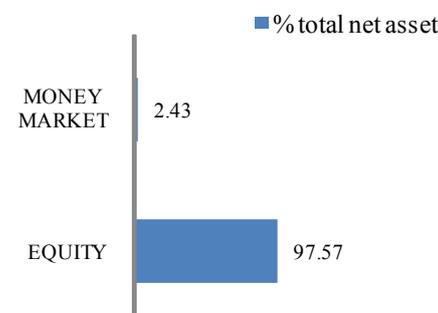
total money market 2.43

total net assets 100.00

fund characteristics as on Jan 31, 2014

Fund Beta 0.90

asset allocation as on Jan 31, 2014



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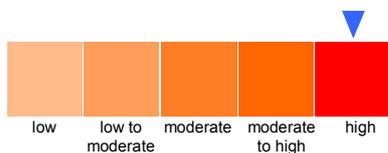
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Inception Date : 8th Jun 2009

fund objective

Provide high rate of return in the long term through high exposure to equity investments in 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 Jan 31, 2014

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Infrastructure Fund 1	-11.98%	-6.08%	-9.96%	-8.38%
Benchmark	-11.90%	-5.57%	-9.48%	-9.57%

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

portfolio As on Jan 31, 2014

security	% total net assets
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equity

RELIANCE INDUSTRIES LTD.	9.07
NTPC LIMITED	8.99
BHARTI AIRTEL LIMITED	8.97
LARSEN&TUBRO	8.83
ONGCFV-5	7.08
BHARAT FORGE	6.71
POWER GRID CORP OF INDIA LTD	5.11
IDEA CELLULAR LTD	4.99
TATA POWER CO. LTD.FV-1	4.93
COAL INDIA LIMITED	4.88
KIRLOSKAR CUMMINS	4.77
BHARAT HEAVY ELECTRICALS LTD.FV-2	4.55
VOLTAS LTD	4.02
PETRONET LNG LIMITED	3.35
ULTRATECH CEMCO LTD	2.86
MOTHERSON SUMI SYSTEMS LTD.	2.48
INDRAPRASTHA GAS LIMITED	1.82
CROMPTON GREAVES LTD	1.63
CENTURY TEXTILES & INDUSTRIES LIMITED	0.96

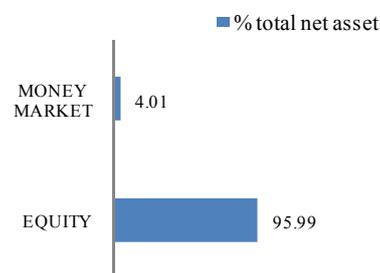
total money market 4.01

total net assets 100.00

fund characteristics as on Jan 31, 2014

Fund Beta 0.81

asset allocation as on Jan 31, 2014



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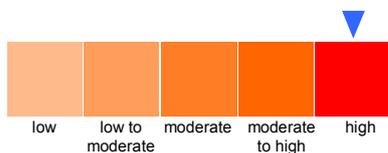
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Inception Date : 16th Dec 2008

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 Jan 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	-9.84%	-2.40%	-4.44%	-2.40%	7.02%
Benchmark	-11.39%	-2.40%	-5.08%	-4.20%	4.56%

*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 Jan 31, 2014

security % total net assets

equity

OIL INDIA LIMITED	9.10
LARSEN&TUBRO	8.98
RELIANCE INDUSTRIES LTD.	8.49
NTPC LIMITED	8.47
ONGCFV-5	8.33
KIRLOSKAR CUMMINS	7.15
GAS AUTHORITY OF INDIA LTD.	5.83
CAIRN INDIA LIMITED	5.81
BHARAT PETROLEUM CORP. LTD.	5.57
COAL INDIA LIMITED	5.46
POWER GRID CORP OF INDIA LTD	5.08
TATA POWER CO. LTD.FV-1	4.47
PETRONET LNG LIMITED	4.12
INDRAPRASTHA GAS LIMITED	4.02
VOLTAS LTD	2.66

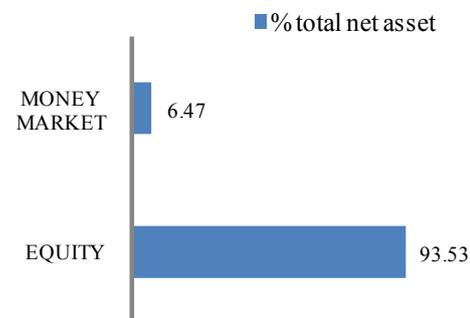
total money market 6.47

total net assets 100.00

fund characteristics as on Jan 31, 2014

Fund Beta 0.85

asset allocation as on Jan 31, 2014



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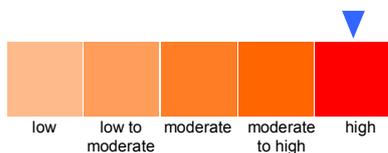
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Inception Date : 8th Jun 2009

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 Jan 31, 2014

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Midcap Fund 1	2.94%	12.43%	3.81%	4.06%
Benchmark	-8.33%	0.51%	-5.85%	-4.28%

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

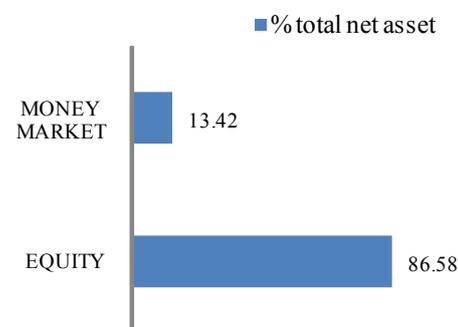
portfolio As on Jan 31, 2014

security	% total net assets
equity	
JSW STEEL LIMITED	8.45
UNITED SPIRITS LIMITED	7.82
AUROBINDO PHARMA LTD FV1	6.99
DIVIS LABORATORIES LIMITED	6.73
ADITYA BIRLA NUVO LIMITED	6.06
RADICO KHAITAN LIMITED	6.00
IDEA CELLULAR LTD	5.15
INDIABULLS HOUSING FINANCE LTD	5.11
PURAVANKARA PROJECTS LIMITED	4.55
TATA GLOBAL BEVERAGES LIMITED	3.61
D.B. CORP LIMITED	3.59
PETRONET LNG LIMITED	3.08
TATA CHEMICALS LTD.	2.99
CROMPTON GREAVES LTD	2.82
SHOPPERS STOP LIMITED	2.73
VOLTAS LTD	2.02
INDRAPRASTHA GAS LIMITED	1.88
HT MEDIA LIMITED	1.85
BHARAT FORGE	1.68
CENTURY TEXTILES & INDUSTRIES LIMITED	1.53
GUJARAT FLUOROCHEMICALS LTD.	1.49
RANBAXY FV RS 5	0.44
	86.58
total money market	13.42
total net assets	100.00

fund characteristics as on Jan 31, 2014

Fund Beta 0.85

asset allocation as on Jan 31, 2014



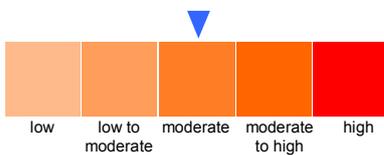
SFIN :
ULGF00310/10/03GGROWTHF01121

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 Jan 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	4.73%	9.65%	7.33%	7.55%	11.52%
Benchmark	2.81%	7.50%	6.02%	6.53%	10.81%

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

portfolio As on Jan 31, 2014

security	% total assets	rating net
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bond/ncd

9.81% PFC NCD 07-10-2018 SR109	5.76	AAA
8.82% REC NCD 12-04-2023 SR-114th	5.46	AAA
8.37% LICHL NCD 21-05-2023	5.31	AAA
8.64% PGCIL NCD 08-07-2017 XXXIII D	4.64	AAA
10.60% IRFC NCB 11-09-2018	1.99	AAA
9.70% PFC NCD 15-12-2018 SR 82-C	1.91	AAA
9.38% REC NCD 06-11-2018 117th	1.89	AAA

total bond/cd 26.98

gilts

8.28% GOI CG 21-09-2027	6.74
7.16% GOI CG 20-05-2023	5.21
7.28% GOI CG 03-06-2019	3.97
8.12% GOI CG 10-12-2020	3.16
8.32% GOI CG 02-08-2032	2.99

total gilts 22.06

equity

ITC - FV 1	3.51
INFOSYS LIMITED	3.50
RELIANCE INDUSTRIES LTD.	3.17
DIVIS LABORATORIES LIMITED	2.84
ICICI BANK LTD.	2.73
HDFC BANK LTD.FV-2	2.70
TATA CONSULTANCY SERVICES LTD.	1.97
HDFC LTD FV 2	1.79
LARSEN&TUBRO	1.61
BHARTI AIRTEL LIMITED	1.10
UNITED SPIRITS LIMITED	1.07
ONGCFV-5	1.01
TATA MOTORS LTD.FV-2	0.98
MAHINDRA & MAHINDRA LTD.-FV5	0.91
JSW STEEL LIMITED	0.85
SUN PHARMACEUTICAL INDUSTRIES LTD.FV-1	0.83
AUROBINDO PHARMA LTD FV1	0.82
MARUTI UDYOG LTD.	0.79
SANOFI INDIA LIMITED	0.69
KIRLOSKAR CUMMINS	0.56
ULTRATECH CEMCO LTD	0.55
WIPRO	0.53
STATE BANK OF INDIA	0.48
INDIABULLS HOUSING FINANCE LTD	0.47
BAJAJ AUTO LTD	0.40
SESA STERLITE LIMITED	0.40
MOTHERSON SUMI SYSTEMS LTD.	0.35
SML ISUZU LIMITED	0.20

total equity 36.82

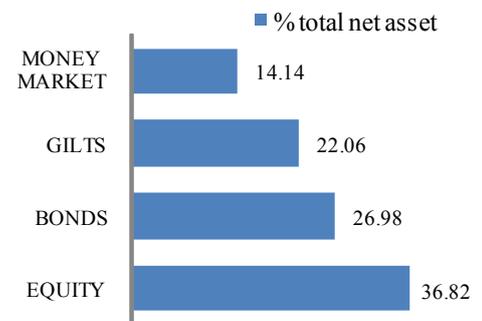
total money market 14.14

total net assets 100.00

fund characteristics as on Jan 31, 2014

M. Duration of debt portfolio: 4.06 Years
YTM of debt portfolio: 9.18%
Fund Beta: 0.95

asset allocation as on Jan 31, 2014



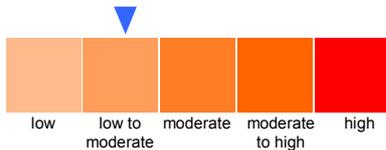
SFIN :
ULGF00110/10/03GBALANCE01121

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 Jan 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	3.87%	8.02%	7.36%	7.22%	9.38%
Benchmark	3.21%	7.05%	6.64%	6.56%	8.69%

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

portfolio As on Jan 31, 2014

security	% total net assets	rating
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bond/ncd

8.95% PFC NCD 11-03-2018 101-A	7.93	AAA
8.64% PGCIL NCD 08-07-2017 XXXIII D	7.39	AAA
9.57% LICHL NCD 07-09-2017	4.05	AAA
8.93% NTPC NCB 19-01-2021 XXXVII.	3.92	AAA
0.00% HDFC ZCB 23-10-2017 J-041	3.35	AAA
8.68% NCRPB NCB 18-08-2019	2.98	AAA
10.60% IRFC NCB 11-09-2018	1.06	AAA

total bond/cd 30.67

gilts

8.28% GOI CG 21-09-2027	8.82
7.16% GOI CG 20-05-2023	7.04
7.28% GOI CG 03-06-2019	5.04
8.32% GOI CG 02-08-2032	4.01
8.12% GOI CG 10-12-2020	3.86

total gilts 28.78

equity

INFOSYS LIMITED	1.74
ITC - FV 1	1.60
RELIANCE INDUSTRIES LTD.	1.40
ICICI BANK LTD.	1.38
DIVIS LABORATORIES LIMITED	1.38
HDFC BANK LTD.FV-2	1.35
HDFC LTD FV 2	1.14
TATA CONSULTANCY SERVICES LTD.	0.98
LARSEN&TUBRO	0.89
TATA MOTORS LTD.FV-2	0.66
UNITED SPIRITS LIMITED	0.57
BHARTI AIRTEL LIMITED	0.55
ONGCFV-5	0.48
MAHINDRA & MAHINDRA LTD.-FV5	0.43
SUN PHARMACEUTICAL INDUSTRIES LTD.FV-1	0.43
JSW STEEL LIMITED	0.41
SANOFI INDIA LIMITED	0.40
ULTRATECH CEMCO LTD	0.39
MARUTI UDYOG LTD.	0.39
SESA STERLITE LIMITED	0.37
AUROBINDO PHARMA LTD FV1	0.36
KIRLOSKAR CUMMINS	0.32
WIPRO	0.26
INDIABULLS HOUSING FINANCE LTD	0.22
BAJAJ AUTO LTD	0.21
MOTHERSON SUMI SYSTEMS LTD.	0.14
SML ISUZU LIMITED	0.08

total equity 18.55

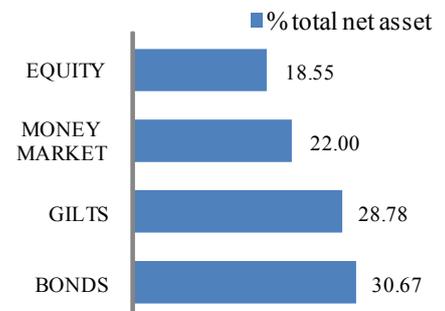
total money market 22.00

total net assets 100.00

fund characteristics as on Jan 31, 2014

M. Duration of debt portfolio:	3.35 Years
YTM of debt portfolio:	9.09%
Fund Beta:	0.96

asset allocation as on Jan 31, 2014



target asset allocation

Debt.:	80%
Equity:	20%

benchmark construction

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

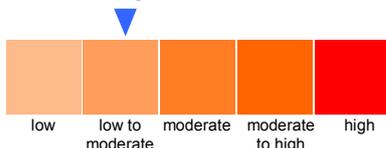
SFIN :
ULGF00210/10/03GBALANCE02121

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 Jan 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	4.44%	8.65%	7.89%	7.65%	9.80%
Benchmark	3.21%	7.05%	6.64%	6.56%	8.69%

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

portfolio As on Jan 31, 2014

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

bond/ncd

8.70% REC NCD 01-02-2018 112	5.95	AAA
9.81% PFC NCD 07-10-2018 SR109	5.82	AAA
8.80% PGCIL NCD 29-09-2017 E	5.64	AAA
8.37% LICHL NCD 21-05-2023	4.28	AAA
10.20% RELIANCE POWER LTD NCD 12-06-2014	3.47	A1
0.00% HDFC ZCB 23-10-2017 J-041	3.19	AAA
8.95% PFC NCD 11-03-2018 101-A	3.05	AAA
9.75% SRTRANSFIN NCD 01-06-2015	2.77	AA
9.70% TATA SONS NCD 25-07-2022	1.51	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 39.26

gilts

8.28% GOI CG 21-09-2027	8.84
7.16% GOI CG 20-05-2023	7.01
7.28% GOI CG 03-06-2019	5.12
8.32% GOI CG 02-08-2032	3.98
8.12% GOI CG 10-12-2020	3.56

total gilts 28.51

equity

ITC - FV 1	1.76
INFOSYS LIMITED	1.74
RELIANCE INDUSTRIES LTD.	1.61
ICICI BANK LTD.	1.38
HDFC BANK LTD.FV-2	1.36
DIVIS LABORATORIES LIMITED	1.28
TATA CONSULTANCY SERVICES LTD.	0.99
HDFC LTD FV 2	0.83
LARSEN&TUBRO	0.80
TATA MOTORS LTD.FV-2	0.71
BHARTI AIRTEL LIMITED	0.56
UNITED SPIRITS LIMITED	0.53
ONGCFV-5	0.45
SUN PHARMACEUTICAL INDUSTRIES LTD.FV-1	0.45
ULTRATECH CEMCO LTD	0.45
AUROBINDO PHARMA LTD FV1	0.41
SANOFI INDIA LIMITED	0.40
JSW STEEL LIMITED	0.40
KIRLOSKAR CUMMINS	0.37
SESA STERLITE LIMITED	0.33
MAHINDRA & MAHINDRA LTD.-FV5	0.32
MARUTI UDYOG LTD.	0.32
WIPRO	0.26
STATE BANK OF INDIA	0.25
INDIABULLS HOUSING FINANCE LTD	0.23
BAJAJ AUTO LTD	0.21
MOTHERSON SUMI SYSTEMS LTD.	0.11
SML ISUZU LIMITED	0.08

total equity 18.59

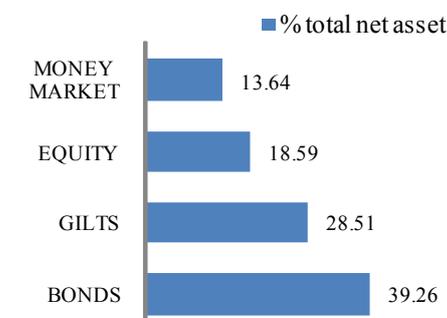
total money market 13.64

total net assets 100.00

fund characteristics as on Jan 31, 2014

M. Duration of debt portfolio:	3.70 Years
YTM of debt portfolio:	9.34%
Fund Beta:	0.95

asset allocation as on Jan 31, 2014



target asset allocation

Debt.:	80%
Equity:	20%

benchmark construction

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

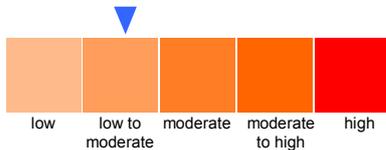
SFIN :
ULGF01213/10/08GCBOND02121

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 Jan 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	4.85%	8.52%	8.20%	7.78%	8.31%
Benchmark	3.50%	6.40%	6.96%	6.29%	5.97%

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

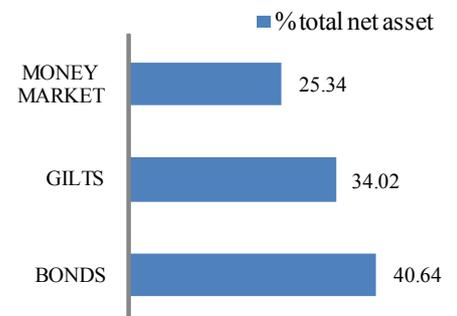
portfolio As on Jan 31, 2014

security	% total net assets	rating
bond/ncd		
8.93% NTPC NCB 19-01-2021 XXXVII.	8.81	AAA
9.38% REC NCD 06-11-2018 117th	7.22	AAA
9.57% LICHL NCD 07-09-2017	6.14	AAA
9.81% PFC NCD 07-10-2018 SR109	4.58	AAA
8.75% RIL NCD 07-05-2020	4.38	AAA
9.27% PFC NCD 21-08-2017 92-B	4.06	AAA
9.25% HDFC NCD 11-03-2018 K-018	2.25	AAA
8.82% REC NCD 12-04-2023 SR-114th	1.52	AAA
0.00% HDFC ZCB 23-10-2017 J-041	1.00	AAA
9.90% TATA SONS NCD 18-03-2016	0.69	AAA
total bond/ncd	40.64	
Gilts		
8.28% GOI CG 21-09-2027	10.44	
7.16% GOI CG 20-05-2023	8.86	
7.28% GOI CG 03-06-2019	6.05	
8.12% GOI CG 10-12-2020	4.69	
8.32% GOI CG 02-08-2032	3.99	
total gilts	34.02	
total money market	25.34	
total net assets	100.00	

fund characteristics as on Jan 31, 2014

M. Duration of debt portfolio: 3.92 Years
YTM of debt portfolio: 9.30%

asset allocation as on Jan 31, 2014



SFIN :

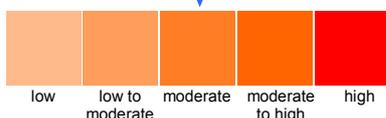
ULGF01030/09/08GPUREDEB01121

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



Group Pure Debt Fund 1

fund performance as on Jan 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	6.21%	8.98%	8.56%	8.01%	8.49%
Benchmark	3.50%	6.40%	6.96%	6.29%	5.97%

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

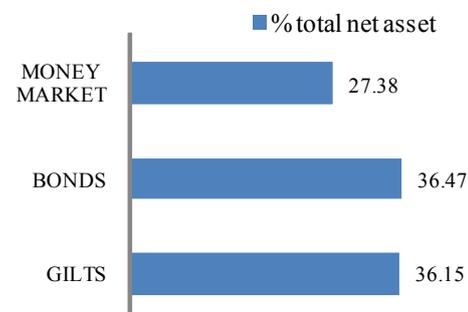
portfolio As on Jan 31, 2014

security	% total net assets	rating
bond/ncd		
8.64% PGCIL NCD 08-07-2017 XXXIII D	8.60	AAA
9.81% PFC NCD 07-10-2018 SR109	7.12	AAA
9.68% TATA SONS NCD 10-01-2017	7.09	AAA
8.95% PFC NCD 11-03-2018 101-A	6.92	AAA
8.82% REC NCD 12-04-2023 SR-114th	6.74	AAA
total bond/ncd	36.47	
gilts		
8.28% GOI CG 21-09-2027	11.49	
7.16% GOI CG 20-05-2023	8.53	
7.28% GOI CG 03-06-2019	6.62	
8.32% GOI CG 02-08-2032	5.19	
8.12% GOI CG 10-12-2020	4.33	
total gilts	36.15	
total money market	27.38	
total net assets	100.00	

fund characteristics as on Jan 31, 2014

M .Duration of debt portfolio: 3.82 Years
YTM of debt portfolio: 9.17%

asset allocation as on Jan 31, 2014



target asset allocation

Debt Instruments: 100%

benchmark construction

CRISIL Composite Bond Index: 100%

SFIN :

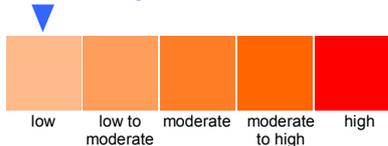
ULGF00431/01/07GCAPISEC01121

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 Jan 31, 2014

fund Name	gross return				
	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Capital Secure Fund 1	9.90%	9.70%	9.53%	8.95%	8.84%
Benchmark	7.46%	7.96%	7.88%	7.28%	6.88%

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

portfolio As on Jan 31, 2014

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

fund characteristics as on Jan 31, 2014

M .Duration of debt portfolio: 0.01 Years
YTM of debt portfolio: 9.31%

asset allocation as on Jan 31, 2014



SFIN :

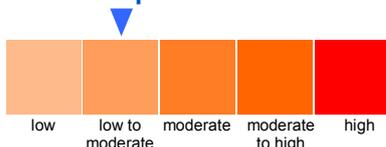
ULGF01610/12/08GGILTFUN02121

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 Jan 31, 2014

fund Name	gross return			
	12 month returns*	24 month returns*	36 month returns*	48 month returns*
Group Gilt Fund 2	2.47%	7.04%	7.38%	7.22%
Benchmark	1.06%	6.50%	7.29%	6.69%

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

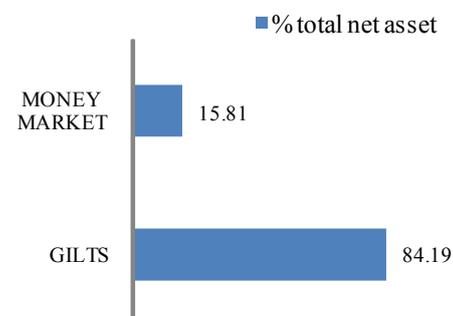
portfolio As on Jan 31, 2014

security	% total net assets
gilts	
8.28% GOI CG 21-09-2027	28.09
7.16% GOI CG 20-05-2023	21.11
8.12% GOI CG 10-12-2020	15.53
7.28% GOI CG 03-06-2019	11.06
8.32% GOI CG 02-08-2032	8.39
total gilts	84.19
total money market	15.81
total net assets	100.00

fund characteristics as on Jan 31, 2014

M. Duration of debt portfolio: 5.58 Years
YTM of debt portfolio: 8.96%

asset allocation as on Jan 31, 2014



SFIN :

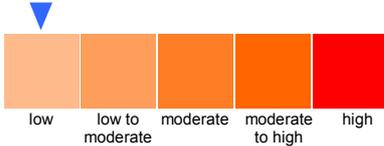
ULGF00930/09/08GMONMRKT02121

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 Jan 31, 2014

gross return					
fund Name	12 month returns*	24 month returns*	36 month returns*	48 month returns*	60 month returns*
Group Money Market Fund 2	9.61%	9.92%	9.83%	9.27%	9.20%
Benchmark	9.08%	8.76%	8.60%	7.82%	7.10%

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

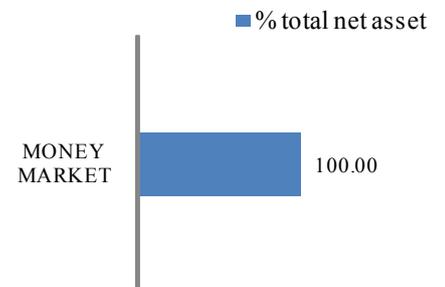
portfolio As on Jan 31, 2014

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

fund characteristics as on Jan 31, 2014

M. Duration of debt portfolio: 0.45 Years
YTM of debt portfolio: 8.95%

asset allocation as on Jan 31, 2014



Life Insurance

SFIN	Plan Name	Fund Name	NAV
ULGF00431/01/07GCAPISEC01121	Reliance Group Gratuity Plan	Group Capital Secure Fund 1	17.4421
ULGF00210/10/03GBALANCE02121	Reliance Group Gratuity Plan	Group Balanced Fund 2	16.5214
ULGF00110/10/03GBALANCE01121	Reliance Group Gratuity Plan	Group Balanced Fund 1	19.7877
ULGF01213/10/08GCORBOND02121	Reliance Group Gratuity Plan	Group Corporate Bond Fund 2	15.373
ULGF01808/06/09GEQUITYF03121	Reliance Group Gratuity Plan	Group Equity Fund 3	18.1769
ULGF01610/12/08GGILTFUN02121	Reliance Group Gratuity Plan	Group Gilt Fund 2	13.2579
ULGF00930/09/08GMONMRKT02121	Reliance Group Gratuity Plan	Group Money Market Fund 2	15.7036
ULGF00310/10/03GGROWTHF01121	Reliance Group Gratuity Plan	Group Growth Fund 1	15.7616
ULGF01908/06/09GINFRASF01121	Reliance Group Gratuity Plan	Group Infrastructure Fund 1	6.8496
ULGF02008/06/09GMIDCAPF01121	Reliance Group Gratuity Plan	Group Midcap Fund 1	14.3399
ULGF01030/09/08GPUREDEB01121	Reliance Group Gratuity Plan	Group Pure Debt Fund 1	15.4852
ULGF00110/10/03GBALANCE01121	Reliance Group Superannuation Plan	Group Balanced Fund 1	19.7877
ULGF00431/01/07GCAPISEC01121	Reliance Group Superannuation Plan	Group Capital Secure Fund 1	17.4421
ULGF01213/10/08GCORBOND02121	Reliance Group Superannuation Plan	Group Corporate Bond Fund 2	15.373
ULGF01808/06/09GEQUITYF03121	Reliance Group Superannuation Plan	Group Equity Fund 3	18.1769
ULGF01610/12/08GGILTFUN02121	Reliance Group Superannuation Plan	Group Gilt Fund 2	13.2579
ULGF00310/10/03GGROWTHF01121	Reliance Group Superannuation Plan	Group Growth Fund 1	15.7616
ULGF00930/09/08GMONMRKT02121	Reliance Group Superannuation Plan	Group Money Market Fund 2	15.7036
ULGF01030/09/08GPUREDEB01121	Reliance Group Superannuation Plan	Group Pure Debt Fund 1	15.4852
ULGF00210/10/03GBALANCE02121	Reliance Group Savings Linked Insurance Plan	Group Balanced Fund 2	16.5214
ULGF01213/10/08GCORBOND02121	Reliance Group Savings Linked Insurance Plan	Group Corporate Bond Fund 2	15.373
ULGF01428/11/08GENERGF01121	Reliance Group Savings Linked Insurance Plan	Group Energy Fund 1	12.9273
ULGF01328/11/08GEQUITYF02121	Reliance Group Savings Linked Insurance Plan	Group Equity Fund 2	21.8289
ULGF01610/12/08GGILTFUN02121	Reliance Group Savings Linked Insurance Plan	Group Gilt Fund 2	13.2579
ULGF01908/06/09GINFRASF01121	Reliance Group Savings Linked Insurance Plan	Group Infrastructure Fund 1	6.8496
ULGF02008/06/09GMIDCAPF01121	Reliance Group Savings Linked Insurance Plan	Group Midcap Fund 1	14.3399
ULGF00930/09/08GMONMRKT02121	Reliance Group Savings Linked Insurance Plan	Group Money Market Fund 2	15.7036
ULGF01030/09/08GPUREDEB01121	Reliance Group Savings Linked Insurance Plan	Group Pure Debt Fund 1	15.4852
ULGF01528/11/08GPUREEQF01121	Reliance Group Savings Linked Insurance Plan	Group Pure Equity Fund 1	20.036
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Balanced Fund 2	16.5214
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Money Market Fund 2	15.7036
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Corporate Bond Fund 2	15.373
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Gratuity Plus Plan	Group Gilt Fund 2	13.2579
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Gratuity Plus Plan	Group Equity Fund 3	18.1769
ULGF00930/09/08GMONMRKT02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Money Market Fund 2	15.7036
ULGF01213/10/08GCORBOND02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Corporate Bond Fund 2	15.373
ULGF01610/12/08GGILTFUN02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Gilt Fund 2	13.2579
ULGF01808/06/09GEQUITYF03121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Equity Fund 3	18.1769
ULGF00210/10/03GBALANCE02121	Reliance Life Insurance Group Leave encashment Plus Plan	Group Balanced Fund 2	16.5214

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

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

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

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

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

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

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

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

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

Gross Fund Return

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

We shall highlight this with the help of an example.

Reliance Life Insurance

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

XYZ Insurance Company

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

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

Benchmark Return

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

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

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

Fund Standard Deviation

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

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

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

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

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

Fund Sharpe Ratio

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

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

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

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

✓ Gross Fund Return

✓ Benchmark Return

✓ Fund Standard Deviation

✓ Fund Sharpe Ratio

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

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

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

Benchmark Sharpe Ratio

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

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

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

Modified Duration of Debt Portfolio

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

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

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

Fund Beta

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

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

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

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

✓ Benchmark Sharpe Ratio

✓ Modified Duration Of Debt Profile

✓ Fund Beta

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