

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 30<sup>th</sup> April 2013)

IN THIS POLICY, THE INVESTMENT RISK IN INVESTMENT PORTFOLIO IS BORNE BY THE POLICYHOLDER.



## Message from CIO's Desk

The month of April 2013 saw the benchmark indices; BSE Sensex and CNX Nifty gain around 3.55% and 4.36% respectively, even as the Mid-cap index, CNX Mid-cap surged 5.63% during the same period.

Saravana Kumar  
Chief Investment Officer

## Equity Funds

### Equity Fund (ULIF 001 04/02/04 TEL 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity linked securities.

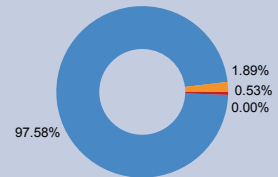
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 30 Apr, 13** : ₹33.9478  
**Benchmark** : BSE Sensex - 100%  
**Corpus as on 30 Apr,13** : ₹2,438.33 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | BSE Sensex | NAV Change | INDEX Change |
|-----------------|-----------|---------|------------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 32.0204 | 18505.38   | 6.02%      | 5.40%        |
| Last 1 Year     | 30-Apr-12 | 30.0193 | 17318.81   | 13.09%     | 12.62%       |
| Last 2 Years    | 29-Apr-11 | 33.7475 | 19130.00   | 0.30%      | 0.97%        |
| Last 3 Years    | 30-Apr-10 | 31.0071 | 17558.71   | 3.07%      | 3.56%        |
| Last 4 Years    | 29-Apr-09 | 19.8290 | 11403.25   | 14.39%     | 14.36%       |
| Last 5 Years    | 30-Apr-08 | 33.1370 | 17287.31   | 0.48%      | 2.44%        |
| Since Inception | 02-Mar-04 | 10.0000 | 5823.17    | 14.26%     | 14.09%       |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



■ Equity ■ Unit Funds ■ CD/CP's ■ Cash Bank & Others

### Whole Life Mid-Cap Equity Fund (ULIF 009 04/01/07 WLE 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in Mid Cap Equity and Mid Cap Equity linked securities.

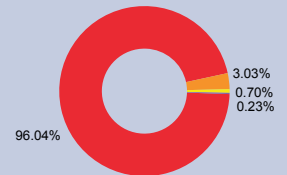
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 30 Apr, 13** : ₹15.2880  
**Benchmark** : NSE CNX MIDCAP-100%  
**Corpus as on 30 Apr,13** : ₹1,790.65 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | NSE CNX MIDCAP | NAV Change | INDEX Change |
|-----------------|-----------|---------|----------------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 14.5770 | 7763.05        | 4.88%      | 0.72%        |
| Last 1 Year     | 30-Apr-12 | 13.2764 | 7471.05        | 15.15%     | 4.65%        |
| Last 2 Years    | 29-Apr-11 | 13.8810 | 8200.95        | 4.95%      | -2.36%       |
| Last 3 Years    | 30-Apr-10 | 13.1934 | 8061.10        | 5.03%      | -1.01%       |
| Last 4 Years    | 29-Apr-09 | 7.0630  | 3860.80        | 21.29%     | 19.29%       |
| Last 5 Years    | 30-Apr-08 | 12.6580 | 7004.80        | 3.85%      | 2.22%        |
| Since Inception | 08-Jan-07 | 10.0000 | 5156.45        | 6.96%      | 6.82%        |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



■ Equity ■ Unit Funds ■ CD/CP's ■ Cash Bank & Others

### Large Cap Equity Fund (ULIF 017 07/01/08 TLC 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity linked securities.

**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 30 Apr, 13** : ₹12.0030  
**Benchmark** : CNX Nifty-100%  
**Corpus as on 30 Apr,13** : ₹963.66 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | CNX Nifty | NAV Change | INDEX Change |
|-----------------|-----------|---------|-----------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 11.3347 | 5619.70   | 5.90%      | 5.53%        |
| Last 1 Year     | 30-Apr-12 | 10.4345 | 5248.15   | 15.03%     | 13.00%       |
| Last 2 Years    | 29-Apr-11 | 11.3576 | 5749.50   | 2.80%      | 1.56%        |
| Last 3 Years    | 30-Apr-10 | 10.2301 | 5278.00   | 5.47%      | 3.96%        |
| Last 4 Years    | 29-Apr-09 | 6.5510  | 3473.95   | 16.34%     | 14.30%       |
| Last 5 Years    | 30-Apr-08 | 9.8610  | 5165.90   | 4.01%      | 2.80%        |
| Since Inception | 07-Jan-08 | 10.0000 | 6279.10   | 3.49%      | -1.07%       |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



■ Equity ■ Unit Funds ■ Cash Bank & Others

### Future Equity Pension Fund (ULIF 020 04/02/08 FEP 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity linked securities.

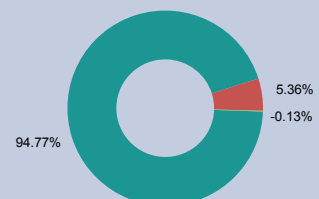
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 30 Apr, 13** : ₹13.1776  
**Benchmark** : CNX Nifty-100%  
**Corpus as on 30 Apr,13** : ₹228.75 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | CNX Nifty | NAV Change | INDEX Change |
|-----------------|-----------|---------|-----------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 12.5553 | 5619.70   | 4.96%      | 5.53%        |
| Last 1 Year     | 30-Apr-12 | 11.7190 | 5248.15   | 12.45%     | 13.00%       |
| Last 2 Years    | 29-Apr-11 | 12.9737 | 5749.50   | 0.78%      | 1.56%        |
| Last 3 Years    | 30-Apr-10 | 11.6648 | 5278.00   | 4.15%      | 3.96%        |
| Last 4 Years    | 29-Apr-09 | 7.3730  | 3473.95   | 15.62%     | 14.30%       |
| Last 5 Years    | 30-Apr-08 | 10.7450 | 5165.90   | 4.17%      | 2.80%        |
| Since Inception | 04-Feb-08 | 10.0000 | 5463.50   | 5.41%      | 1.58%        |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



■ Equity ■ Unit Funds ■ Cash Bank & Others

### Select Equity Fund (ULIF 024 06/10/08 TSE 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the fund is to provide income distribution over a period of medium to long term while at all times emphasizing the importance of capital appreciation. The fund will invest significant amount in equity and equity linked instruments specifically excluding companies predominantly dealing in Gambling, Lotteries/Contests, Animal Produce, Liquor, Tobacco, Entertainment (Films, TV etc) Hotels, Banks and Financial Institutions.

**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 30 Apr, 13** : ₹18.7887  
**Benchmark** : CNX India 500 Shariah Index - 100%  
**Corpus as on 30 Apr,13** : ₹210.98 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | CNX India 500 Shariah Index | NAV Change | INDEX Change |
|-----------------|-----------|---------|-----------------------------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 18.2272 | 1295.54                     | 3.08%      | 2.68%        |
| Last 1 Year     | 30-Apr-12 | 16.9359 | 1224.91                     | 10.94%     | 8.60%        |
| Last 2 Years    | 29-Apr-11 | 17.9905 | 1322.23                     | 2.19%      | 0.30%        |
| Last 3 Years    | 30-Apr-10 | 16.2866 | 1280.91                     | 4.88%      | 1.27%        |
| Last 4 Years    | 29-Apr-09 | 11.3020 | 803.74                      | 13.55%     | 13.42%       |
| Since Inception | 06-Oct-08 | 10.0000 | 844.46                      | 14.81%     | 10.46%       |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



■ Equity ■ Cash Bank & Others (Non Interest Bearing)

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 30<sup>th</sup> April 2013)

## Super Select Equity Fund (ULIF 035 16/10/09 TSS 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to provide income distribution over a period of medium to long term while at all times emphasizing the importance of capital appreciation

**Fund Manager** : Mr. Saravana Kumar

**NAV as on 30 Apr, 13** : ₹12.2141

**Benchmark** : CNX India 500 Shariah Index - 100%

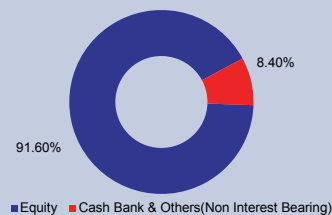
**Corpus as on 30 Apr,13** : ₹533.45 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | CNX India 500 Shariah Index | NAV Change | INDEX Change |
|-----------------|-----------|---------|-----------------------------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 11.8568 | 1295.54                     | 3.01%      | 2.68%        |
| Last 1 Year     | 30-Apr-12 | 11.0657 | 1224.91                     | 10.38%     | 8.60%        |
| Last 2 Years    | 29-Apr-11 | 11.7480 | 1322.23                     | 1.96%      | 0.30%        |
| Last 3 Years    | 30-Apr-10 | 10.6172 | 1280.91                     | 4.78%      | 1.27%        |
| Since Inception | 16-Oct-09 | 10.0000 | 1217.76                     | 5.81%      | 2.53%        |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Top 200 Fund (ULIF 027 12/01/09 ITT 110)

### Fund Details

**Investment Objective** : The Top 200 fund will invest primarily in select stocks and equity linked instruments which are a part of BSE 200 Index with a focus on generating long term capital appreciation. The fund will not replicate the index but aim to attain performance better than the performance of the Index. As a defensive strategy arising out of market conditions, the scheme may also invest in debt and money market instruments.

**Fund Manager** : Mr. Saravana Kumar

**NAV as on 30 Apr, 13** : ₹19.9372

**Benchmark** : BSE 200 - 100%

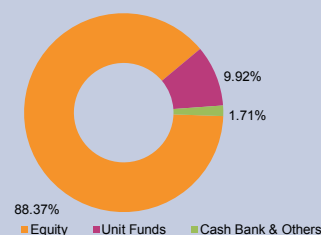
**Corpus as on 30 Apr,13** : ₹164.09 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | BSE 200 | NAV Change | INDEX Change |
|-----------------|-----------|---------|---------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 19.0705 | 2276.15 | 4.54%      | 4.96%        |
| Last 1 Year     | 30-Apr-12 | 17.7889 | 2136.82 | 12.08%     | 11.80%       |
| Last 2 Years    | 29-Apr-11 | 19.3595 | 2361.52 | 1.48%      | 0.58%        |
| Last 3 Years    | 30-Apr-10 | 17.7557 | 2230.17 | 3.94%      | 2.32%        |
| Last 4 Years    | 29-Apr-09 | 11.7280 | 1339.38 | 14.19%     | 15.57%       |
| Since Inception | 12-Jan-09 | 10.0000 | 1091.37 | 17.41%     | 19.99%       |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Balanced Funds

## Aggressive Growth Fund (ULIF 006 01/07/06 TAL 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to maximize the returns with medium to high risk.

**Fund Manager** : Mr. Saravana Kumar

**NAV as on 30 Apr, 13** : ₹17.0625

**Benchmark** : BSE Sensex - 65%, CRISIL Composite Bond Index - 35%

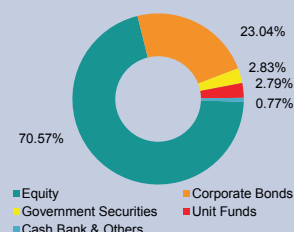
**Corpus as on 30 Apr,13** : ₹278.82 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | NAV Change | INDEX Change |
|-----------------|-----------|---------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 16.2661 | 4.90%      | 5.55%        |
| Last 1 Year     | 30-Apr-12 | 15.4312 | 10.57%     | 11.95%       |
| Last 2 Years    | 29-Apr-11 | 16.1968 | 2.64%      | 3.94%        |
| Last 3 Years    | 30-Apr-10 | 15.2199 | 3.88%      | 5.04%        |
| Last 4 Years    | 29-Apr-09 | 10.9600 | 11.70%     | 11.66%       |
| Last 5 Years    | 30-Apr-08 | 13.8250 | 4.30%      | 4.15%        |
| Since Inception | 01-Jul-06 | 10.0000 | 8.13%      | 8.51%        |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Whole Life Aggressive Growth Fund (ULIF 010 04/01/07 WLA 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to maximize the returns with medium to high risk.

**Fund Manager** : Mr. Saravana Kumar

**NAV as on 30 Apr, 13** : ₹16.4064

**Benchmark** : Nifty - 65%, CRISIL Composite Bond Index - 35%

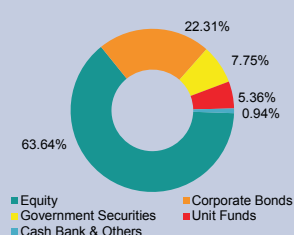
**Corpus as on 30 Apr,13** : ₹386.85 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | NAV Change | INDEX Change |
|-----------------|-----------|---------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 15.5280 | 5.66%      | 5.64%        |
| Last 1 Year     | 30-Apr-12 | 14.5758 | 12.56%     | 12.19%       |
| Last 2 Years    | 29-Apr-11 | 15.0328 | 4.47%      | 4.32%        |
| Last 3 Years    | 30-Apr-10 | 13.8098 | 5.91%      | 5.30%        |
| Last 4 Years    | 29-Apr-09 | 10.0420 | 13.06%     | 11.62%       |
| Last 5 Years    | 30-Apr-08 | 12.1470 | 6.20%      | 4.38%        |
| Since Inception | 08-Jan-07 | 10.0000 | 8.16%      | 6.86%        |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Growth Fund (ULIF 004 04/02/04 TGL 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to maximize the returns with medium to high risk

**Fund Manager** : Mr. Saravana Kumar

**NAV as on 30 Apr, 13** : ₹26.9674

**Benchmark** : BSE Sensex - 65%, CRISIL Composite Bond Index - 35%

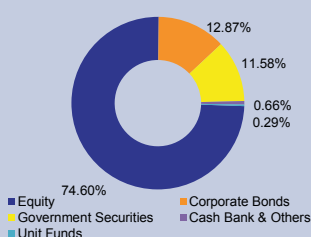
**Corpus as on 30 Apr,13** : ₹134.76 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | NAV Change | INDEX Change |
|-----------------|-----------|---------|------------|--------------|
| Last 6 Months   | 31-Oct-12 | 25.5318 | 5.62%      | 5.55%        |
| Last 1 Year     | 30-Apr-12 | 24.0765 | 12.01%     | 11.95%       |
| Last 2 Years    | 29-Apr-11 | 25.6179 | 2.60%      | 3.94%        |
| Last 3 Years    | 30-Apr-10 | 24.2028 | 3.67%      | 5.04%        |
| Last 4 Years    | 29-Apr-09 | 17.9370 | 10.73%     | 11.66%       |
| Last 5 Years    | 30-Apr-08 | 24.2220 | 2.17%      | 4.15%        |
| Since Inception | 02-Mar-04 | 10.0000 | 11.43%     | 11.20%       |

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 30<sup>th</sup> April 2013)

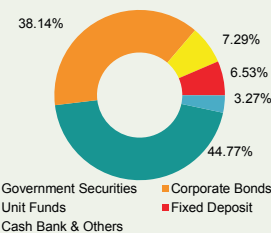
## Fixed Income Funds

### Whole Life Income Fund (ULIF 012 04/01/07 WLI 110)

| Fund Details                   |  | Fund Performance |             |            |   | Asset Allocation  |                     |
|--------------------------------|--|------------------|-------------|------------|---|-------------------|---------------------|
| <b>Investment Objective</b>    | : The primary investment objective of the Fund is to generate income through investing in a range of debt and money market instruments of various maturities with a view to maximizing the optimal balance between yield, safety and liquidity. The Fund will have no investments in equity or equity linked instruments at any point in time. | <b>PERIOD</b>    | <b>DATE</b> | <b>NAV</b> | <b>Crisil Composite Bond Fund Index</b> | <b>NAV Change</b> | <b>INDEX Change</b> |
| <b>Fund Manager</b>            | : Mr. Saravana Kumar   | Last 6 Months    | 31-Oct-12   | 14.9077    | 1893.77                                 | 6.39%             | 5.85%               |
| <b>NAV as on 30 Apr, 13</b>    | : ₹15.8602   | Last 1 Year      | 30-Apr-12   | 14.0652    | 1810.70                                 | 12.76%            | 10.70%              |
| <b>Benchmark</b>               | : CRISIL Composite Bond Index -100%  | Last 2 Years     | 29-Apr-11   | 12.8981    | 1672.95                                 | 10.89%            | 9.46%               |
| <b>Corpus as on 30 Apr, 13</b> | : ₹218.90 Crs.   | Last 3 Years     | 30-Apr-10   | 12.3091    | 1600.53                                 | 8.82%             | 7.79%               |
|                                |  | Last 4 Years     | 29-Apr-09   | 11.5250    | 1549.59                                 | 8.31%             | 6.65%               |
|                                |  | Last 5 Years     | 30-Apr-08   | 10.3770    | 1407.74                                 | 8.85%             | 7.32%               |
|                                |  | Since Inception  | 08-Jan-07   | 10.0000    | 1298.79                                 | 7.58%             | 7.12%               |

**Note** : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Guaranteed NAV Funds

The fund would be predominantly invested in equity at inception, wherein the dynamic asset allocation mechanism allocates the portfolio between equity and debt. This dynamic asset allocation is based on the performance of equity markets and movements in interest rates. The equity allocation may be reallocated to debt if the equity markets or interest rates fall, to safeguard the guarantee.

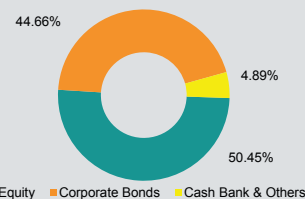
Over time, the asset mix will predominantly shift to debt to protect the guarantee. This dynamic asset allocation process will drive the returns generated by the Apex Return Lock-in Fund. The dynamic asset allocation shifts the allocation of the fund from an equity bias to a debt bias, over time. This would mean that the Guaranteed NAV would not mimic the highest level of the equity market, over the period the guarantee is applicable. Any unexpected and sharp falls in equity market and/or interest rates, during the period the guarantee is applicable, may trigger the allocation to completely move towards debt, to protect the highest NAV achieved prior to the fall. Overall, it is an ideal fund for an investor who wants to take advantage of high returns in a positive market scenario while safe-guarding the investment during any downturn.

### APEX Return Lock-In Fund (ULIF 032 18/02/09 ARL 110)

| Fund Details                                  |  | Fund Performance |             |            |                   | Asset Allocation |  |
|---|--|------------------|-------------|------------|-------------------|------------------|--|
| <b>Investment Objective</b>                   | : The investment objective for Apex Return Lock-in Fund is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%. | <b>PERIOD</b>    | <b>DATE</b> | <b>NAV</b> | <b>NAV Change</b> |                  |  |
| <b>Fund Manager</b>                           | : Mr. Saravana Kumar   | Last 6 Months    | 31-Oct-12   | 12.2975    | 5.82%             |                  |  |
| <b>The highest NAV recorded on reset date</b> | : ₹13.0136   | Last 1 Year      | 30-Apr-12   | 11.5472    | 12.70%            |                  |  |
| <b>Corpus as on 30 Apr, 13</b>                | : ₹341.64 Crs.   | Last 2 Year      | 29-Apr-11   | 11.9425    | 4.39%             |                  |  |
|   |  | Last 3 Year      | 30-Apr-10   | 11.2013    | 5.13%             |                  |  |
|   |  | Since Inception  | 10-Jun-09   | 10.0000    | 7.01%             |                  |  |

**Note** : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation

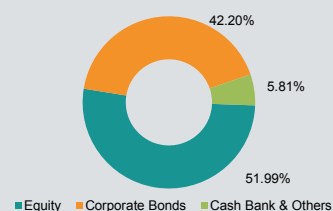


### APEX Return Lock-In Fund II (ULIF 033 03/08/09 AR2 110)

| Fund Details                                  |   | Fund Performance |             |            |                   | Asset Allocation |  |
|---|---|------------------|-------------|------------|-------------------|------------------|--|
| <b>Investment Objective</b>                   | : The investment objective for Apex Return Lock-in Fund II is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%. | <b>PERIOD</b>    | <b>DATE</b> | <b>NAV</b> | <b>NAV Change</b> |                  |  |
| <b>Fund Manager</b>                           | : Mr. Saravana Kumar  | Last 6 Months    | 31-Oct-12   | 11.4997    | 5.98%             |                  |  |
| <b>The highest NAV recorded on reset date</b> | : ₹12.1877  | Last 1 Year      | 30-Apr-12   | 10.7814    | 13.04%            |                  |  |
| <b>Corpus as on 30 Apr, 13</b>                | : ₹241.46 Crs.  | Last 2 Year      | 29-Apr-11   | 11.1793    | 4.41%             |                  |  |
|   |   | Last 3 Year      | 30-Apr-10   | 10.4106    | 5.39%             |                  |  |
|   |   | Since Inception  | 10-Nov-09   | 10.0000    | 5.87%             |                  |  |

**Note** : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Equity Outlook

The month of April 2013 saw the benchmark indices; BSE Sensex and CNX Nifty gain around 3.55% and 4.36% respectively, even as the Mid-cap index, CNX Mid-cap surged 5.63% during the same period.

FII were net buyers with net inflow of around USD 1 billion in April 2013 even as the DIIs were net sellers to the tune of around USD 0.5 billion, with domestic mutual funds and Insurance companies net sellers of around USD 0.25 billion each over the month. In the first four months of the calendar year 2013, the FIIs have been net buyers to the tune of USD 11.5 billion with the DIIs net sellers to the tune of USD 6.9 billion, Insurance companies and mutual funds selling Indian equities to the tune of USD 5.3 billion and USD 1.6 billion respectively.

With the global central banks opting for loose monetary policy, the liquidity generated could find its way into the equity markets, given the muted performance of global commodities such as oil and gold in the near term.

FII holding continues to make new highs at 21.7% in March 2013, with the FII stake in 18 Nifty companies reaching historic highs. However, the domestic institutional investors (DII) holding has declined to 12.8%, a 2 year low. The government's clarification that the tax residency certificate (TRC) would be enough proof for a foreign investor to claim tax benefits in India removed the earlier ambiguity on this issue and could further catalyze the FII flows.

Consensus earnings estimates for the broad market (MSCI India) were revised up by 0.2% and 0.1% for FY 2014 (E) and FY 2015(E) over the month to a growth of 14% and 15% respectively.

Manufacturing PMI for April 2013 declined to 17-month low, at 51 from 52 in March and 54.9 a year ago. New domestic orders index stood at a 17-month low, reflecting muted new ordering and execution scenario, a lead indicator for the investment activity in FY14. Both input and output price index declined in April 2013, at close to 3 year lows, indicating a trend of falling inflation levels.

Core sector data has remained muted for most of FY 2013 reflecting fuel supply shortages and weak demand, the average growth for core sector declined to 2.6% in FY2013 as against 5% in FY2012.

India's exports rose by 7% to USD 30.8 billion in March 2013, a thirteen month high, while imports contracted 2.9% to USD 41.2 billion, leaving a trade deficit of USD 10.3 billion, at a 10 month low. The falling crude oil prices, if sustained for the next few months can be the largest contributor to reining in the trade deficit in fiscal 2014, consequently cushioning the elevated CAD.

There was some action on the investment front as Cabinet committee on Investment (CCI) approved 25 oil and gas blocks and 13 power

# Quick Glance - Funds Performance

## (Funds with AUM of more than ₹125 crores as on 30<sup>th</sup> April 2013)

projects. The move will free up investments worth USD 2.7 billion and lead to further investments of USD 1.9 billion over the next 3-5 years in petroleum sector. The government partially deregulated the sugar industry by deciding to do away with the levy of sugar quota for 2 years. Swedish furniture-maker IKEA has got final clearance from the Cabinet Committee on Economic Affairs (CCEA) to invest Rs 10,500 crore in India to set up 25 retail stores across the country over the next few years.

The market offers the comfort of reasonable valuations at around 14 times one year forward price earnings, close to long term averages. We believe that the Indian equities offer an attractive entry point for a long term investor with a 3-5 year view.

### Debt Outlook

April 2013 saw the benchmark 10 year Government securities (G-sec) ease by 22 bps to close the month at 7.73% levels.

April 2013 saw the G-sec market reacting to the positive news of the falling trade deficit, sharp moderation in the prices of global commodities as well as the government's decision to cut the withholding tax from 20% to 5% on interest payment for FIIs and QFIs for investment in government and INR denominated corporate debt from 1st June 2013 to 31st May 2015. The yields of the 30 year G-sec over the 10 year G-sec was at around 20 bps in April 2013 as against the 30bps, seen in the prior month.

The corporate bonds eased during the month of April 2013 in line with the G-sec market to close the month at around the 8.55% levels in the 5-10 year bonds, 30 bps lower than the March levels of 8.85%. As a consequence, the corporate bond spread over the benchmark 10 year G-sec stood at around 65 Bps in April 2013, contracting from the March levels.

On the liquidity front, the Liquidity Adjustment Facility -LAF continued to be the primary mode of liquidity injection, maintaining a shortfall of around Rs.0.8 trillion levels for most of the month due to muted deposit growth in the banking system.

The RBI, in its monetary policy held on 3rd May 2013, reduced the policy repo rate under the liquidity adjustment facility (LAF) by 25 bps from 7.50% to 7.25%. The RBI's assessment was that the growth would remain subdued during the first half of this year with a modest pick-up in the second half, subject to appropriate conditions ensuing. As regards inflation, although headline WPI inflation had eased by March 2013 and came close to the RBI's tolerance threshold, the RBI noted the persistence of the food price pressures as supply constraints seemed to be structural.

The RBI opined that the upside risks to inflation in the near term were still significant in view of sectoral demand supply imbalances, the ongoing correction in administered prices and pressures stemming from increases in minimum support prices of crops. The RBI cautioned that the monetary policy would have to remain alert to the risks of the elevated current account deficit (CAD) and its financing, which could warrant a swift reversal of its policy stance. Overall, the balance of risks stemmed from the RBI's assessment of the growth-inflation dynamic, yielding little space for further monetary easing.

The RBI was concerned regarding the subdued outlook for industrial activity as the new investments were muted, while existing projects remained stalled by bottlenecks and implementation gaps. The RBI believed that the growth in services and exports could remain sluggish, given the weak global growth outlook. Accordingly, the RBI's baseline projection of GDP growth for 2013-14 was a modest 5.70%.

The RBI expects the WPI inflation to be range-bound around 5.50% during 2013-14 factoring in the domestic demand-supply balance, the outlook for global commodity prices and the forecast of a normal monsoon. The RBI stated that it would endeavour to condition the evolution of inflation to a level of 5% by March 2014.

The RBI outlined the key risks to the macroeconomic outlook for this fiscal. The RBI noted that the biggest risk to the economy stemmed from the CAD which, in fiscal 2013, was historically the highest, and well above the sustainable level of 2.5% of GDP. The RBI believed that even as the large CAD was a risk by itself, its financing exposed the economy to the risk of sudden reversal of capital flows should global liquidity rapidly tighten. The RBI opined that a sustained revival of growth would not be possible without a revival of investment. The investment sentiment remained inhibited owing to subdued business confidence and dented business profitability with both borrowers and lenders becoming risk averse. The RBI cautioned that the effectiveness of monetary policy in bringing down inflation pressures and anchoring inflation expectations could be undermined by supply constraints in the economy, particularly in the food and infrastructure sectors. Without policy efforts to unlock the tightening supply constraints and bring enduring improvements in productivity and competitiveness, growth could weaken even further and inflationary strains could re-emerge.

The RBI concluded that the growth slowed much more than anticipated, with both manufacturing and services activity weighed down by supply bottlenecks and sluggish external demand. Inflation eased significantly in the fourth quarter of fiscal 2013 although upside pressures, both at wholesale and retail levels remained. The RBI cautioned that the growth-inflation outlook would be exposed to risks such as the high twin deficits, the vulnerability of India's external sector to sudden stop and reversal of capital flows, inhibited investment sentiment and tightening supply constraints, particularly in the food and infrastructure sectors. The challenge for the RBI was to calibrate monetary policy to address these risks and bring inflation down to the tolerance threshold in order to return the economy back to a sustainable high growth trajectory.

Going forward, the trajectory of the WPI and the retail CPI inflation as well as the extent of moderation of the CAD could determine the monetary policy stance and the possibility of nudging the repo rate lower.

In the near term, the G-sec market would be under pressure following RBI's inflation focused policy statement and the 10 year benchmark G-sec would try to consolidate at 7.60-7.85 levels after the stellar April 2013 rally.

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