

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 28th August 2014)

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

Investment Report

The month of August 2014 saw the benchmark index BSE Sensex and CNX Nifty gain 2.87% and 3.02% respectively. The Mid-cap index, CNX Mid-cap gained 2.55% during the same period.

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.

NAV as on 28 Aug, 14 : ₹47.0457

Benchmark : S&P BSE Sensex - 100%

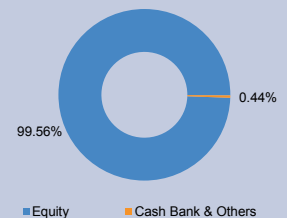
Corpus as on 28 Aug, 14 : ₹2,090.72 Crs.

Fund Performance

PERIOD	DATE	NAV	S&P BSE Sensex	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	37.2109	21120.12	26.43%	26.13%
Last 1 Year	30-Aug-13	32.4111	18619.72	45.15%	43.06%
Last 2 Years	31-Aug-12	30.0375	17429.56	25.15%	23.63%
Last 3 Years	30-Aug-11	29.4154	16676.75	16.95%	16.90%
Last 4 Years	31-Aug-10	32.7026	17971.12	9.52%	10.34%
Last 5 Years	31-Aug-09	27.2540	15666.64	11.54%	11.20%
Since Inception	02-Mar-04	10.0000	5823.17	15.90%	15.59%

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 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.

NAV as on 28 Aug, 14 : ₹24.1727

Benchmark : NSE CNX MIDCAP-100%

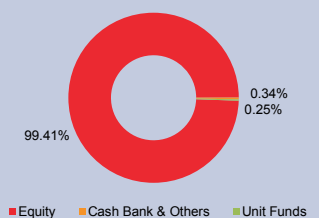
Corpus as on 28 Aug, 14 : ₹1,892.71 Crs.

Fund Performance

PERIOD	DATE	NAV	NSE CNX MIDCAP	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	16.8065	7805.25	43.83%	42.39%
Last 1 Year	30-Aug-13	13.9771	6589.80	72.95%	68.66%
Last 2 Years	31-Aug-12	13.5671	7065.85	33.48%	25.42%
Last 3 Years	30-Aug-11	12.9666	7294.75	23.07%	15.07%
Last 4 Years	31-Aug-10	14.1704	8679.85	14.28%	6.38%
Last 5 Years	31-Aug-09	10.5560	6117.90	18.02%	12.68%
Since Inception	08-Jan-07	10.0000	5156.45	12.24%	10.57%

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



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.

NAV as on 28 Aug, 14 : ₹16.8905

Benchmark : CNX Nifty-100%

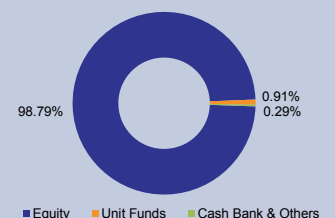
Corpus as on 28 Aug, 14 : ₹1,019.59 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	13.2557	6276.95	27.42%	26.72%
Last 1 Year	30-Aug-13	11.4223	5471.80	47.87%	45.37%
Last 2 Years	31-Aug-12	10.5689	5258.50	26.42%	22.99%
Last 3 Years	30-Aug-11	9.9934	5001.00	19.12%	16.73%
Last 4 Years	31-Aug-10	10.6922	5402.40	12.11%	10.16%
Last 5 Years	31-Aug-09	8.9640	4662.10	13.51%	11.28%
Since Inception	07-Jan-08	10.0000	6279.10	8.21%	3.62%

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



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.

NAV as on 28 Aug, 14 : ₹18.2948

Benchmark : CNX Nifty-100%

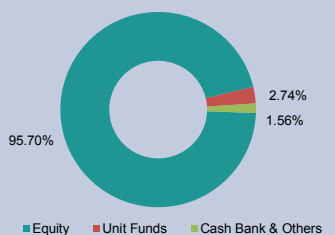
Corpus as on 28 Aug, 14 : ₹211.49 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	14.3139	6276.95	27.81%	26.72%
Last 1 Year	30-Aug-13	12.4998	5471.80	46.36%	45.37%
Last 2 Years	31-Aug-12	11.7238	5258.50	24.92%	22.99%
Last 3 Years	30-Aug-11	11.3836	5001.00	17.13%	16.73%
Last 4 Years	31-Aug-10	12.3581	5402.40	10.30%	10.16%
Last 5 Years	31-Aug-09	10.1740	4662.10	12.45%	11.28%
Since Inception	04-Feb-08	10.0000	5463.50	9.63%	5.89%

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



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.

NAV as on 28 Aug, 14 : ₹28.5901

Benchmark : CNX India 500 Shariah Index - 100%

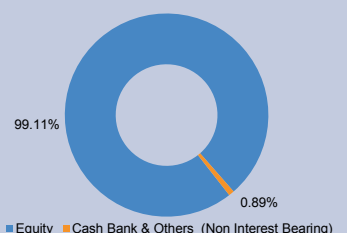
Corpus as on 28 Aug, 14 : ₹226.86 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	21.5572	1538.85	32.62%	26.37%
Last 1 Year	30-Aug-13	18.8868	1369.32	51.38%	42.02%
Last 2 Years	31-Aug-12	17.5326	1248.38	27.70%	24.81%
Last 3 Years	30-Aug-11	16.5962	1184.94	19.88%	17.95%
Last 4 Years	31-Aug-10	17.1558	1287.72	13.62%	10.85%
Last 5 Years	31-Aug-09	14.2000	1135.80	15.02%	11.35%
Since Inception	06-Oct-08	10.0000	844.46	19.50%	15.20%

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 28th August 2014)

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

NAV as on 28 Aug, 14 : ₹18.8091

Benchmark : CNX India 500 Shariah Index - 100%

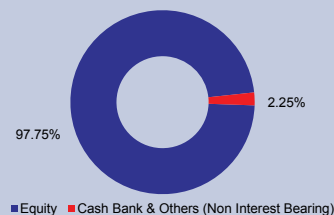
Corpus as on 28 Aug, 14 : ₹830.20 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	14.0878	1538.85	33.51%	26.37%
Last 1 Year	30-Aug-13	12.3348	1369.32	52.49%	42.02%
Last 2 Years	31-Aug-12	11.4233	1248.38	28.32%	24.81%
Last 3 Years	30-Aug-11	10.9066	1184.94	19.92%	17.95%
Last 4 Years	31-Aug-10	11.2633	1287.72	13.68%	10.85%
Since Inception	16-Oct-09	10.0000	1217.76	13.86%	10.09%

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



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.

NAV as on 28 Aug, 14 : ₹28.4015

Benchmark : S&P BSE 200 - 100%

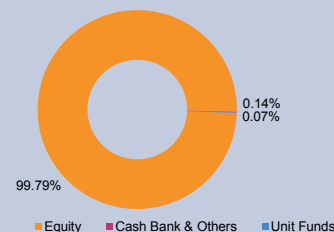
Corpus as on 28 Aug, 14 : ₹215.97 Crs.

Fund Performance

PERIOD	DATE	NAV	S&P BSE 200	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	21.5312	2494.74	31.91%	29.62%
Last 1 Year	30-Aug-13	18.2448	2167.96	55.67%	49.16%
Last 2 Years	31-Aug-12	17.7537	2124.06	26.48%	23.39%
Last 3 Years	30-Aug-11	17.2068	2061.08	18.18%	16.20%
Last 4 Years	31-Aug-10	18.7991	2302.88	10.87%	8.86%
Last 5 Years	31-Aug-09	15.2610	1930.45	13.23%	10.87%
Since Inception	12-Jan-09	10.0000	1091.37	20.38%	21.29%

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.

NAV as on 28 Aug, 14 : ₹22.1274

Benchmark : S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%

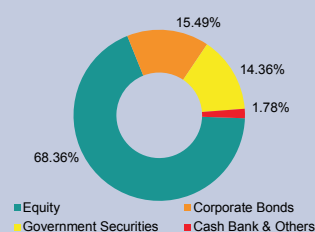
Corpus as on 28 Aug, 14 : ₹220.37 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	17.8562	23.92%	19.29%
Last 1 Year	30-Aug-13	15.8852	39.30%	32.11%
Last 2 Years	31-Aug-12	15.4886	19.53%	17.96%
Last 3 Years	30-Aug-11	14.9146	14.05%	13.73%
Last 4 Years	31-Aug-10	15.8972	8.62%	9.29%
Last 5 Years	31-Aug-09	13.6780	10.10%	9.74%
Since Inception	01-Jul-06	10.0000	10.22%	10.12%

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



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.

NAV as on 28 Aug, 14 : ₹21.6215

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

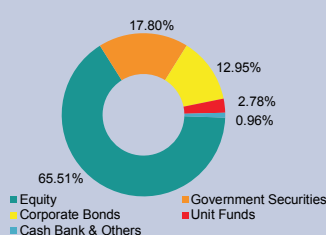
Corpus as on 28 Aug, 14 : ₹410.86 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	17.4236	24.09%	19.68%
Last 1 Year	30-Aug-13	15.4806	39.67%	33.61%
Last 2 Years	31-Aug-12	14.7335	21.14%	17.54%
Last 3 Years	30-Aug-11	13.9471	15.74%	13.62%
Last 4 Years	31-Aug-10	14.4199	10.66%	9.17%
Last 5 Years	31-Aug-09	12.3490	11.85%	9.79%
Since Inception	08-Jan-07	10.0000	10.62%	8.66%

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.

NAV as on 28 Aug, 14 : ₹34.8004

Benchmark : S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%

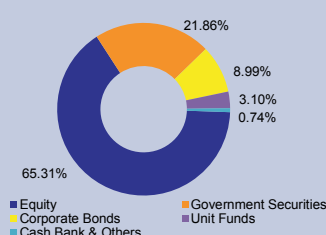
Corpus as on 28 Aug, 14 : ₹136.21 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	28.4971	22.12%	19.29%
Last 1 Year	30-Aug-13	25.5873	36.01%	32.11%
Last 2 Years	31-Aug-12	24.2559	19.78%	17.96%
Last 3 Years	30-Aug-11	23.3859	14.17%	13.73%
Last 4 Years	31-Aug-10	25.0669	8.55%	9.29%
Last 5 Years	31-Aug-09	22.0260	9.58%	9.74%
Since Inception	02-Mar-04	10.0000	12.62%	12.15%

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 28th August 2014)

Fixed Income Funds

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

Fund Details

Investment Objective : 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.

NAV as on 28 Aug, 14 : ₹17.0333
Benchmark : CRISIL Composite Bond Index -100%

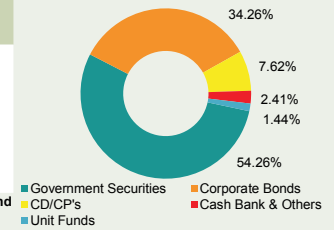
Corpus as on 28 Aug, 14 : ₹242.03 Crs.

Fund Performance

PERIOD	DATE	NAV	Crisil Composite Bond Fund Index	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	16.0341	2016.87	6.23%	6.59%
Last 1 Year	30-Aug-13	15.3761	1923.46	10.78%	11.77%
Last 2 Years	31-Aug-12	14.5966	1862.92	8.02%	7.43%
Last 3 Years	30-Aug-11	13.2758	1713.36	8.66%	7.86%
Last 4 Years	31-Aug-10	12.3900	1618.71	8.28%	7.35%
Last 5 Years	31-Aug-09	11.6670	1530.92	7.86%	7.03%
Since Inception	08-Jan-07	10.0000	1298.79	7.22%	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



Whole Life Short Term Fixed Income Fund (ULIF 013 04/01/07 WLF 110)

Fund Details

Investment Objective : The primary investment objective of the Fund is to generate stable returns by investing in fixed income securities having shorter maturity periods. Under normal circumstances, the average maturity of the Fund may be in the range of 1-3 years.

NAV as on 28 Aug, 14 : ₹17.2107
Benchmark : CRISIL Short Term Bond Index -100%

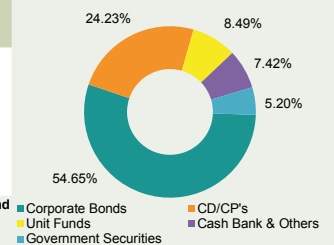
Corpus as on 28 Aug, 14 : ₹143.90 Crs.

Fund Performance

PERIOD	DATE	NAV	Crisil Short Term Bond Index	NAV Change	INDEX Change
Last 6 Months	28-Feb-14	16.4387	2179.98	4.70%	5.10%
Last 1 Year	30-Aug-13	15.6632	2061.27	9.88%	11.15%
Last 2 Years	31-Aug-12	14.5577	1931.78	8.73%	8.91%
Last 3 Years	30-Aug-11	13.3398	1774.44	8.86%	8.89%
Last 4 Years	31-Aug-10	12.4726	1662.57	8.38%	8.35%
Last 5 Years	31-Aug-09	11.7760	1583.39	7.88%	7.67%
Since Inception	08-Jan-07	10.0000	1281.09	7.36%	7.91%

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.

Overtime, 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, overtime. 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

Investment Objective : 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%.

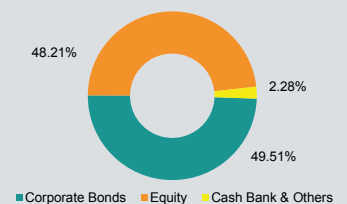
The highest NAV recorded on reset date : ₹15.4320
Corpus as on 28 Aug, 14 : ₹307.32 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	28-Feb-14	13.6912	15.61%
Last 1 Year	30-Aug-13	12.4520	27.12%
Last 2 Year	31-Aug-12	11.7482	16.07%
Last 3 Year	30-Aug-11	11.0980	12.56%
Last 4 Year	31-Aug-10	11.5445	8.21%
Last 5 Year	31-Aug-09	10.1590	9.27%
Since Inception	10-Jun-09	10.0000	9.20%

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



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

Fund Details

Investment Objective : 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%.

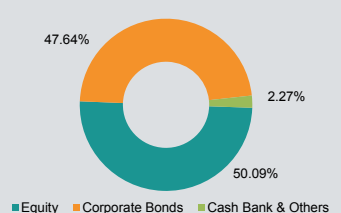
The highest NAV recorded on reset date : ₹14.5423
Corpus as on 28 Aug, 14 : ₹246.97 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	28-Feb-14	12.9411	15.50%
Last 1 Year	30-Aug-13	11.6782	27.99%
Last 2 Year	31-Aug-12	10.9687	16.73%
Last 3 Year	30-Aug-11	10.3966	12.86%
Last 4 Year	31-Aug-10	10.7005	8.71%
Since Inception	10-Nov-09	10.0000	8.73%

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 28th August 2014)

Apex Plus Return Lock-in-Fund (ULIF 047 01/02/10 RA1 110)

Fund Details

Investment Objective : The investment objective for Apex Plus 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%.

The highest NAV recorded on reset date : ₹14.1500

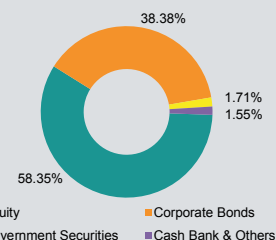
Corpus as on 28 Aug, 14 : ₹145.12 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	28-Feb-14	12.4599	17.04%
Last 1 Year	30-Aug-13	11.1848	30.38%
Last 2 Year	31-Aug-12	10.5595	17.52%
Last 3 Year	30-Aug-11	10.0454	13.23%
Last 4Year	31-Aug-10	10.5206	8.51%
Since Inception	10-May-10	10.0000	9.16%

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 Pension 10 Return Lock-in Fund (ULIF 043 20/01/10 PR2 110)

Fund Details

Investment Objective : The investment objective for Apex Pension 10 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%.

The highest NAV recorded on reset date : ₹14.1830

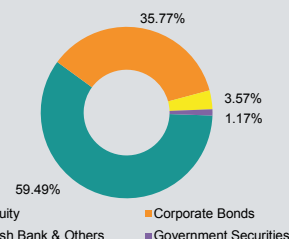
Corpus as on 28 Aug, 14 : ₹135.05 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	28-Feb-14	12.4006	18.02%
Last 1 Year	30-Aug-13	11.1317	31.47%
Last 2 Year	31-Aug-12	10.5392	17.84%
Last 3 Year	30-Aug-11	10.0348	13.40%
Last 4Year	31-Aug-10	10.5513	8.52%
Since Inception	10-May-10	10.0000	9.25%

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 August 2014 saw the benchmark index BSE Sensex and CNX Nifty gain 2.87% and 3.02% respectively. The Mid-cap index, CNX Mid-cap gained 2.55% during the same period.

FII's were net buyers with inflows of around USD 1.1 bn in the month of August 2014 and the DIIs were net buyers to the tune of around USD 0.26 bn, with Insurance companies' net sellers of around USD 0.7 bn and domestic mutual funds, net buyers to the extent of around USD 0.96 bn over the same period. In the first eight months of the calendar year 2014, the FIIs had been net buyers to the tune of USD 13 bn with the DIIs net sellers to the tune of USD 5.34 bn, Insurance companies net sellers to the tune of USD 6 bn and mutual funds buying Indian equities to the tune of USD 0.66 bn.

The first quarter FY15 results saw the consumption holding strong. However, investment oriented business continued to remain sluggish on the back of execution issues and high interest costs. In the banking space, the asset quality concerns have eased, albeit marginally, but NPAs remain at elevated levels. Export sectors posted steady growth in the first quarter, but could moderate in the coming quarters as the impact of INR depreciation recedes due to adverse base effects.

The Prime Minister (PM) in his Independence Day address to the nation emphasized the need for greater financial inclusion. The PM stressed that the revamp of the manufacturing sector in India was crucial as it was a vehicle for job creation. There was a vision to create a digital India through greater use of the internet as well as focus on clean India to promote tourism. In a significant move, the PM decided to replace the Planning commission with a more representative body intended to take the national development agenda forward.

The PM launched the landmark financial inclusion programme, named the Jan DhanYojana aimed at providing a bank account for every Indian household with a specific target of 7.5 crore accounts by Jan 26th, 2015. Under this scheme, a person from an unbanked household, opening an account will get a RuPay debit card with a ₹ 1 lakh accident insurance cover. An additional ₹ 30,000 life insurance cover will also be given if the accounts are opened till 26th January, 2015.

FDI ceiling in the defense sector has been hiked from current 26%, with the condition that the company seeking permission of the government for FDI up to 49% should be an Indian company owned and controlled by Indians. Foreign direct investment proposals above 49% will have to seek the approval of the Cabinet Committee on Security on case to case basis, wherever it is likely to result in access to state of the art technology in the country.

A combination of benign crude, stable rupee and sustained monthly hikes in diesel prices has brought the retail price of diesel close to parity with the under-recovery at just 8paise /litre as on September 1st. It remains to be seen if the government intends to deregulate diesel pricing thereby giving the Oil marketing companies (OMCs) the freedom to align prices with international crude oil prices. Going forward, the government's strategy to bring down cooking fuel under-recoveries will be watched.

RBI has prescribed guidelines to NBFCs on loans against securities (LAS). According to the guidelines, NBFCs need to maintain Loan to value (LTV) of 50% on the loans against securities and accept only Group 1 securities as collateral against these loans.

Indian equity markets have been the recipients of robust FII flows of USD 13 billion over the calendar year 2014, thus far. The global investors would be keenly watching the policy initiatives of the new government aimed at enabling a sustained increase in the trajectory

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 28th August 2014)

of economic growth over the next five years. We believe that the equity markets offer comfort of reasonable valuations for a long-term investor with a 3-5 year view.

Debt Outlook

Debt market in the month of August 2014 saw the 10 year Government security(G-sec) close the month at 8.56% levels, hardening by 6 bps from the July levels. On the corporate bond side, the 10 year AAA corporate bonds closed the month at around 9.38% levels. The debt markets were buoyed by the government's decision to prune down the first half borrowing, albeit marginally, as it reflected the government's intent to limit the fiscal deficit to the budgeted 4.1% in FY 2015. The robust RBI's annual dividend transfer of ₹ 527bn has resulted in a reduction of the first half net borrowing program by ₹ 160bn.

The FIIs were buyers of Indian debt to the tune of USD 3 bn over the month of August with the cumulative FII inflows in the Indian debt standing at around USD 17 bn in CYTD thus far.

In an effort to streamline liquidity, the RBI introduced the overnight variable rate repo auctions. They divided the 14-day term repo auction over four tranches in a fortnight to tide over intra-week liquidity issues. This is expected to smoothen liquidity management from the banks' side such that the money market rates would be anchored around the repo rate of 8%.

The fiscal deficit over the period April-July was at 61.2% of the budget estimate. This deficit is not as alarming as it looks as the flows from the divestment receipts would start to kick in soon. Going forward, there could be some moderation in expenditure as well.

It is widely believed that achieving the tax-collection targets this fiscal would be a significant challenge failing which the government will need to go for higher divestment and non-tax revenues or cut planned expenditure as has been the norm over the past couple of years. Many market watchers anticipate an unchanged second half borrowing calendar as they believe that the government would meet the fiscal deficit target.

In the medium term, there could be a structural improvement in the fiscal deficit if the subsidies could be targeted better through direct benefit transfers into the beneficiary accounts. Going forward, the possible deregulation of diesel along the lines of deregulation in petrol could be an added positive for the fiscal deficit. The increase in tax collection in the next couple of years due to the expected revival of the economy could boost revenues.

On the inflation front, the RBI has been projecting CPI inflation as the predominant inflation indicator and hence, the July CPI print of 7.96% would be a cause for concern for the central bank while shaping its monetary policy. The RBI has maintained its strong resolve to disinflate the economy and hence would not nudge the repo rate down anytime soon. Meanwhile, it would like to see the CPI inflation track its glide path of 8% by January 2015 and 6% by January 2016.

The rating agency Moody's believed that India's persistently high inflation was weighing on its economic recovery and had constrained its sovereign rating. They opined that the recurrent inflationary pressures had kept domestic capital costs high, eroded the domestic purchasing power as well as savings and lowered the country's international competitiveness.

In the near term, the fixed income market would be monitoring the progress of monsoons as well as the trajectory of oil prices. The market would expect some re-jig in the limits to facilitate the FIIs to purchase more G-secs. The August CPI inflation print as well as the RBI's commentary in the Bi-monthly policy on September 30th will provide direction to the market.

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