

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 29<sup>th</sup> February 2016)

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

## Investment Report

The month of February 2016 saw the benchmark index S&P BSE Sensex shed 7.51% while Nifty 50 shed 7.62%. The Mid-cap index, Nifty Mid-cap 100 shed 7.30% during the same period.

## Equity Funds

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

Fund Details		Fund Performance						Asset Allocation		
<b>Investment Objective</b> : 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.		<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>S&amp;P BSE Sensex</b>	<b>NAV Change</b>	<b>INDEX Change</b>			
<b>NAV as on 29 Feb, 16</b> : ₹41.9513	<b>Benchmark</b> : S&P BSE Sensex - 100%	Last 3 Months	30-Nov-15	47.1842	26145.67	-11.09%	-12.02%			
<b>Corpus as on 29 Feb, 16</b> : ₹1,327.83 Crs.		Last 6 Months	31-Aug-15	47.2239	26283.09	-11.17%	-12.48%			
		Last 1 Year	28-Feb-15	51.9168	29361.50	-19.20%	-21.66%			
		Last 2 Years	28-Feb-14	37.2109	21120.12	6.18%	4.36%			
		Last 3 Years	28-Feb-13	32.7273	18861.54	8.63%	6.84%			
		Last 4 Years	29-Feb-12	30.7411	17752.68	8.08%	6.69%			
		Last 5 Years	28-Feb-11	31.4267	17823.40	5.95%	5.23%			
		Since Inception	02-Mar-04	10.0000	5823.17	12.69%	12.13%			
		<b>Note</b> : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.								

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

Fund Details		Fund Performance						Asset Allocation		
<b>Investment Objective</b> : 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.		<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>Nifty Midcap 100</b>	<b>NAV Change</b>	<b>INDEX Change</b>			
<b>NAV as on 29 Feb, 16</b> : ₹27.4174	<b>Benchmark</b> : Nifty Midcap 100 -100%	Last 3 Months	30-Nov-15	31.8820	13248.70	-14.00%	-12.76%			
<b>Corpus as on 29 Feb, 16</b> : ₹1,635.39 Crs.		Last 6 Months	31-Aug-15	32.3614	13059.10	-15.28%	-11.49%			
		Last 1 Year	28-Feb-15	31.3820	13117.50	-12.63%	-11.88%			
		Last 2 Years	28-Feb-14	16.8065	7805.25	27.72%	21.69%			
		Last 3 Years	28-Feb-13	14.7890	7540.35	22.85%	15.30%			
		Last 4 Years	29-Feb-12	13.3025	7705.60	19.82%	10.67%			
		Last 5 Years	28-Feb-11	12.6396	7370.10	16.75%	9.42%			
		Since Inception	08-Jan-07	10.0000	5156.45	11.66%	9.22%			
		<b>Note</b> : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.								

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

Fund Details		Fund Performance						Asset Allocation		
<b>Investment Objective</b> : 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.		<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>Nifty 50</b>	<b>NAV Change</b>	<b>INDEX Change</b>			
<b>NAV as on 29 Feb, 16</b> : ₹15.6195	<b>Benchmark</b> : Nifty 50 -100%	Last 3 Months	30-Nov-15	17.4964	7935.25	-10.73%	-11.95%			
<b>Corpus as on 29 Feb, 16</b> : ₹697.28 Crs.		Last 6 Months	31-Aug-15	17.5778	7971.30	-11.14%	-12.35%			
		Last 1 Year	28-Feb-15	19.1285	8901.85	-18.34%	-21.51%			
		Last 2 Years	28-Feb-14	13.2557	6276.95	8.55%	5.50%			
		Last 3 Years	28-Feb-13	11.4758	5693.05	10.82%	7.07%			
		Last 4 Years	29-Feb-12	10.6256	5385.20	10.11%	6.73%			
		Last 5 Years	28-Feb-11	10.5701	5333.25	8.12%	5.55%			
		Since Inception	07-Jan-08	10.0000	6279.10	5.62%	1.32%			
		<b>Note</b> : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.								

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

Fund Details		Fund Performance						Asset Allocation		
<b>Investment Objective</b> : 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.		<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>Nifty 50</b>	<b>NAV Change</b>	<b>INDEX Change</b>			
<b>NAV as on 29 Feb, 16</b> : ₹17.4530	<b>Benchmark</b> : Nifty 50 -100%	Last 3 Months	30-Nov-15	19.7097	7935.25	-11.45%	-11.95%			
<b>Corpus as on 29 Feb, 16</b> : ₹126.31 Crs.		Last 6 Months	31-Aug-15	19.7197	7971.30	-11.49%	-12.35%			
		Last 1 Year	28-Feb-15	21.1327	8901.85	-17.41%	-21.51%			
		Last 2 Years	28-Feb-14	14.3139	6276.95	10.42%	5.50%			
		Last 3 Years	28-Feb-13	12.7653	5693.05	10.99%	7.07%			
		Last 4 Years	29-Feb-12	12.1062	5385.20	9.58%	6.73%			
		Last 5 Years	28-Feb-11	12.0873	5333.25	7.62%	5.55%			
		Since Inception	04-Feb-08	10.0000	5463.50	7.14%	3.09%			
		<b>Note</b> : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.								

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 29<sup>th</sup> February 2016)

## 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.

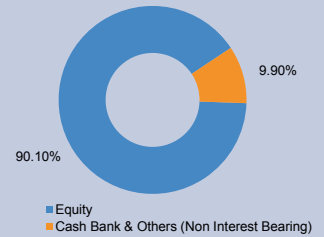
**NAV as on 29 Feb, 16** : ₹28.9373  
**Benchmark** : Nifty 500 Shariah - 100%  
**Corpus as on 29 Feb, 16** : ₹141.09 Crs.

### Fund Performance

PERIOD	DATE	NAV	Nifty 500 Shariah	NAV Change	INDEX Change
Last 3 Months	30-Nov-15	32.4109	2131.92	-10.72%	-9.90%
Last 6 Months	31-Aug-15	33.2521	2149.92	-12.98%	-10.66%
Last 1 Year	28-Feb-15	33.4794	2164.25	-13.57%	-11.25%
Last 2 Years	28-Feb-14	21.5572	1538.85	15.86%	11.72%
Last 3 Years	28-Feb-13	18.5010	1328.61	16.08%	13.07%
Last 4 Years	29-Feb-12	17.2317	1273.24	13.84%	10.83%
Last 5 Years	28-Feb-11	16.7812	1241.55	11.51%	9.12%
Since Inception	06-Oct-08	10.0000	844.46	15.43%	11.74%

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



## 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

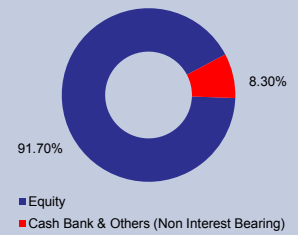
**NAV as on 29 Feb, 16** : ₹19.2530  
**Benchmark** : Nifty 500 Shariah - 100%  
**Corpus as on 29 Feb, 16** : ₹635.37 Crs.

### Fund Performance

PERIOD	DATE	NAV	Nifty 500 Shariah	NAV Change	INDEX Change
Last 3 Months	30-Nov-15	21.6093	2131.92	-10.90%	-9.90%
Last 6 Months	31-Aug-15	22.2235	2149.92	-13.37%	-10.66%
Last 1 Year	28-Feb-15	22.2377	2164.25	-13.42%	-11.25%
Last 2 Years	28-Feb-14	14.0878	1538.85	16.90%	11.72%
Last 3 Years	28-Feb-13	12.0303	1328.61	16.97%	13.07%
Last 4 Years	29-Feb-12	11.3377	1273.24	14.15%	10.83%
Last 5 Years	28-Feb-11	11.0033	1241.55	11.84%	9.12%
Since Inception	16-Oct-09	10.0000	1217.76	10.82%	7.41%

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.

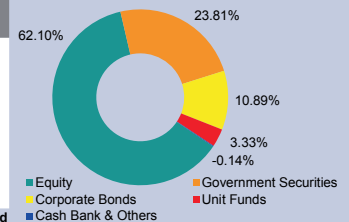
**NAV as on 29 Feb, 16** : ₹22.0964  
**Benchmark** : S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 29 Feb, 16** : ₹153.53 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 3 Months	30-Nov-15	23.8836	-7.48%	-7.40%
Last 6 Months	31-Aug-15	23.7072	-6.79%	-6.90%
Last 1 Year	28-Feb-15	24.7183	-10.61%	-11.62%
Last 2 Years	28-Feb-14	17.8562	11.24%	6.75%
Last 3 Years	28-Feb-13	16.6187	9.96%	7.42%
Last 4 Years	29-Feb-12	15.6681	8.97%	7.37%
Last 5 Years	28-Feb-11	15.3352	7.58%	6.40%
Since Inception	01-Jul-06	10.0000	8.54%	7.97%

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.

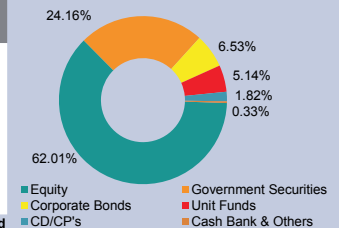
**NAV as on 29 Feb, 16** : ₹21.9366  
**Benchmark** : Nifty 50 - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 29 Feb, 16** : ₹323.39 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 3 Months	30-Nov-15	23.6784	-7.36%	-7.35%
Last 6 Months	31-Aug-15	23.5710	-6.93%	-6.81%
Last 1 Year	28-Feb-15	24.6033	-10.84%	-11.52%
Last 2 Years	28-Feb-14	17.4236	12.21%	7.50%
Last 3 Years	28-Feb-13	15.9356	11.24%	7.57%
Last 4 Years	29-Feb-12	14.7250	10.48%	7.40%
Last 5 Years	28-Feb-11	14.2406	9.03%	6.61%
Since Inception	08-Jan-07	10.0000	8.97%	6.80%

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 29<sup>th</sup> February 2016)

## 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 29 Feb, 16** : ₹19.7311

**Benchmark** : CRISIL Composite Bond Index -100%

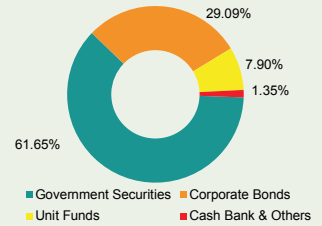
**Corpus as on 29 Feb, 16** : ₹236.46 Crs.

#### Fund Performance

PERIOD	DATE	NAV	Crissil Composite Bond Fund Index	NAV Change	INDEX Change
Last 3 Months	30-Nov-15	19.6860	2464.44	0.23%	1.20%
Last 6 Months	31-Aug-15	19.2962	2410.46	2.25%	3.46%
Last 1 Year	28-Feb-15	18.7641	2330.28	5.15%	7.02%
Last 2 Years	28-Feb-14	16.0341	2016.87	10.93%	11.20%
Last 3 Years	28-Feb-13	15.4282	1951.91	8.55%	8.51%
Last 4 Years	29-Feb-12	13.9581	1790.26	9.04%	8.64%
Last 5 Years	28-Feb-11	12.7038	1653.11	9.21%	8.57%
Since Inception	08-Jan-07	10.0000	1298.79	7.71%	7.39%

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 29 Feb, 16** : ₹19.4662

**Benchmark** : CRISIL Short Term Bond Index -100%

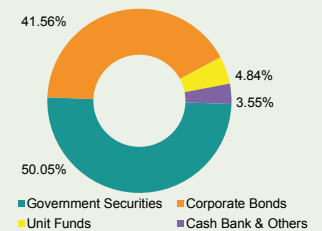
**Corpus as on 29 Feb, 16** : ₹125.11 Crs.

#### Fund Performance

PERIOD	DATE	NAV	Crissil Short Term Bond Index	NAV Change	INDEX Change
Last 3 Months	30-Nov-15	19.1736	2567.58	1.53%	1.61%
Last 6 Months	31-Aug-15	18.7758	2515.34	3.68%	3.72%
Last 1 Year	28-Feb-15	18.0825	2412.61	7.65%	8.14%
Last 2 Years	28-Feb-14	16.4387	2179.98	8.82%	9.40%
Last 3 Years	28-Feb-13	15.1928	2009.60	8.61%	9.09%
Last 4 Years	29-Feb-12	13.8760	1847.91	8.83%	9.01%
Last 5 Years	28-Feb-11	12.7181	1701.47	8.89%	8.93%
Since Inception	08-Jan-07	10.0000	1281.09	7.55%	8.09%

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



## 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

**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** : ₹17.3027

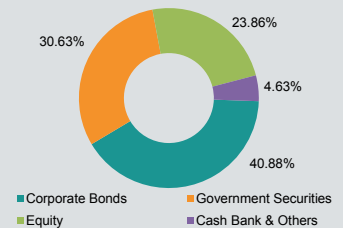
**Corpus as on 29 Feb, 16** : ₹238.74 Crs.

#### Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 3 Months	30-Nov-15	17.1448	-2.36%
Last 6 Months	31-Aug-15	16.9748	-1.38%
Last 1 Year	28-Feb-15	17.2184	-2.78%
Last 2 Years	28-Feb-14	13.6912	10.58%
Last 3 Years	28-Feb-13	12.5713	10.02%
Last 4 Years	29-Feb-12	11.6543	9.48%
Last 5 Years	28-Feb-11	11.4049	7.98%
Since Inception	10-Jun-09	10.0000	7.96%

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** : ₹16.3182

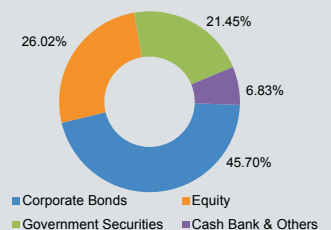
**Corpus as on 29 Feb, 16** : ₹170.20 Crs.

#### Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 3 Months	30-Nov-15	16.1597	-2.76%
Last 6 Months	31-Aug-15	15.9924	-1.74%
Last 1 Year	28-Feb-15	16.1974	-2.99%
Last 2 Years	28-Feb-14	12.9411	10.19%
Last 3 Years	28-Feb-13	11.7780	10.09%
Last 4 Years	29-Feb-12	10.8726	9.64%
Last 5 Years	28-Feb-11	10.6464	8.10%
Since Inception	10-Nov-09	10.0000	7.43%

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 29<sup>th</sup> February 2016)

## Equity Outlook

The month of February 2016 saw the benchmark index S&P BSE Sensex shed 7.51% while Nifty 50 shed 7.62%. The Mid-cap index, Nifty Mid-cap 100 shed 7.30% during the same period.

The FIIs were net sellers with outflows of around USD 1.2 bn in the month of February 2016 and the DIIs were net buyers to the tune of around USD 1.6 bn with insurance companies net buyers to the tune of USD 0.9 bn and domestic mutual funds, net buyers to the tune of USD 0.7 bn.

In the month of February, the Indian equity market was weighed down by the continued global uncertainties, concerns over weak asset quality of Indian banks, subpar third quarter FY 2016 earnings, weak oil prices and apprehensions ahead of Union budget.

The Union budget acted as a catalyst to change the negative market sentiment as it was seen as a fiscally prudent yet growth oriented budget. It focused on public investment providing further impetus to the government's ongoing fiscal, investment and taxation reforms. The budget was a credible exercise to address the twin issues of rural distress and job creation by creating better social infrastructure in health and education, improving public delivery of benefits through Direct benefit transfer (DBT), initiating financial sector reforms and increasing ease of doing business.

The Union budget has continued to focus on the infrastructure sector through robust plan outlay for railways and roads. The budget has sought to revitalize the PPP mode through formal dispute resolution mechanisms and new credit rating systems. In line with this objective, the forthcoming legislation to streamline dispute resolution in infrastructure related construction contracts, PPP and public utility contracts will be an important initiative.

The budget has raised the cumulative allocation for rural development and agriculture and aims to stimulate the rural economy largely through supply side interventions such as creation of rural roads and irrigation assets rather than through subsidies. Affordable housing has received significant policy attention with the budget exempting affordable housing projects from several direct and indirect taxes thereby acknowledging the growth potential of this sector through its multiple linkages and high economic multiplier delivery.

In a boost to start ups, the new manufacturing companies incorporated on or after 1<sup>st</sup> March 2016 would have an option to be taxed at 25% plus surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation. In a boost to skill development, 1500 multi skill training institutes are to be set up and entrepreneurship education and training to be facilitated through open online courses. In order to incentivize creation of new jobs in the formal sector, the government proposes to fund the contribution of 8.33% for of all new employees enrolling in Employees' Provident Fund Organization (EPFO) for the first three years of their employment and having salary up to ₹15,000 per month.

The Union budget has provided ₹250 bn towards recapitalization of public sector banks in FY 2017 while the RBI, on its part has issued guidelines to provide regulatory capital support by adjusting the calculation of common equity Tier 1 (CET1) capital. The RBI's move will add about 50-100 bps to CET 1 capital providing some relief on the required capital for public sector banks. These amendments are positive for the public sector banks which have been under pressure on account of lower internal accruals and limited capital allocation from the government.

The earnings trajectory of corporate India is expected to improve on the back of fiscal boost to consumption from the likely implementation of the 7<sup>th</sup> Pay commission recommendations, increased rural spends from the Union budget especially if backed by a normal monsoon, further decline in interest rates in the economy and continued thrust on public capex which could crowd in the private capex at a later date. Moreover, the Budget session would be keenly watched for important legislative action such as the GST constitutional amendment bill and the bankruptcy bill, which if passed can further the structural reforms agenda of the government.

Given the improving macro economic backdrop and a growth oriented fiscally prudent Union budget, we believe that the equity market offers an attractive entry point for a long-term investor with a 3-5 year view.

## Debt Outlook

Debt market in the month of February 2016 saw the new benchmark 10 year Government security (G-sec) close the month at 7.62%, easing by 2 bps over the month while the erstwhile 10 year benchmark yield closed the month at around 7.79%, hardening by 1 bp over the month. On the corporate bond side, the 10 year AAA corporate bond closed the month at around 8.63%, hardening by 25 bps over the month.

In the month of February, the Foreign Portfolio Investors (FPIs) were sellers of Indian debt to the extent of USD 1.2 bn.

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 29<sup>th</sup> February 2016)

The bond markets were positively surprised by the Finance Minister's commitment to contain the fiscal deficit to 3.5% in FY 2017 despite considerable pressures on the government finances due to the implementation of the 7<sup>th</sup> pay commission recommendations. Consequently, the net borrowing program of the government via dated securities stood at a manageable ₹4.25 tn in FY 2017, lower by ₹154 bn as compared to FY 2016 RE, which is a positive for the bond markets which have been weighed down under the supply pressure in the last few months. Moreover, the numbers in the Union budget around the tax revenues estimates and expenses appear to have high credibility though some market experts have highlighted risks from slippages in the estimated revenues from disinvestment and telecom auctions.

In a much anticipated move to improve the transparency in monetary policy decisions, the government is looking to amend the RBI Act to provide statutory basis for Monetary policy Framework and Monetary policy Committee. The government also proposes to constitute a Committee to review the implementation of the FRBM Act which would examine the feasibility of a fiscal deficit range instead of fixed fiscal deficit to GDP ratio as the fiscal deficit target so as to provide necessary policy room to the government to deal with dynamic, emerging macro situations arising out of global uncertainties.

The bond markets have faced headwinds in recent months on a structural basis as demand reduction through gradual lowering of SLR has not been matched by any commensurate increase in other demand sources. Additionally, the increased quantum of borrowing from the states imparts additional pressures. Market watchers expect some respite from expanded open market operations (OMOs) as the RBI seeks to increase the base money as BOP surplus is likely to be muted. Moreover, the liquidity conditions have tightened over the past few months due to a confluence of factors such as outflows from the Indian capital markets and slower government spending resulting in spikes in short-term money market rates. While the short term rates have a tendency to surge towards the end of the fiscal, the RBI is expected to address the issue of extreme liquidity deficit through more OMOs as well as ongoing intervention in the repo market as tightening of financial conditions could have downside risks to growth.

Inflation pressures have been largely contained in the economy over the last year helped by a fall in global commodity prices. While a subsequent fall in inflation on account of the same would be limited, the inflation trajectory is expected to largely remain in line with the RBI's target of 5% by March 2017.

The RBI had guided that a fiscally prudent budget would open up more space for its monetary policy to nudge rates lower. Hence market watchers expect the RBI to respond favorably to the government's efforts of fiscal consolidation by reducing the repo rate by 25 bps sooner than later.

We believe that the government's credible fiscal consolidation efforts in the Union budget 2017 has opened up more space for the RBI to nudge repo rate further and expect the bond yields to soften in the medium term.

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Unique Reference Number: L&C/Adv1/2016/Mar/223