

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> March 2013)

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



Saravana Kumar  
Chief Investment Officer

## Message from CIO's Desk

The month of March 2013 saw the benchmark indices; BSE Sensex and CNX Nifty shed around 0.14% and 0.18% respectively, even as the Mid-cap index, CNX Mid-cap lost 1.84% 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.

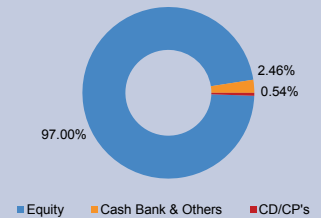
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹32.7921  
**Benchmark** : BSE Sensex - 100%  
**Corpus as on 31 Mar,13** : ₹2,385.78 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | BSE Sensex | NAV Change | INDEX Change |
|-----------------|-----------|---------|------------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 32.2486 | 18762.74   | 1.69%      | 0.39%        |
| Last 1 Year     | 31-Mar-12 | 30.3049 | 17404.20   | 8.21%      | 8.23%        |
| Last 2 Years    | 31-Mar-11 | 33.8848 | 19445.22   | -1.63%     | -1.58%       |
| Last 3 Years    | 31-Mar-10 | 30.5465 | 17527.77   | 2.39%      | 2.43%        |
| Last 4 Years    | 31-Mar-09 | 17.1250 | 9708.50    | 17.63%     | 18.02%       |
| Last 5 Years    | 31-Mar-08 | 30.9020 | 15644.44   | 1.19%      | 3.78%        |
| Since Inception | 02-Mar-04 | 10.0000 | 5823.17    | 13.97%     | 13.79%       |

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.

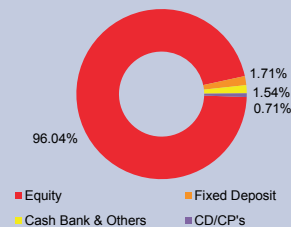
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹14.6988  
**Benchmark** : NSE CNX MIDCAP-100%  
**Corpus as on 31 Mar,13** : ₹1,752.74 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | NSE CNX MIDCAP | NAV Change | INDEX Change |
|-----------------|-----------|---------|----------------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 14.4475 | 7840.55        | 1.74%      | -5.60%       |
| Last 1 Year     | 31-Mar-12 | 13.5457 | 7711.40        | 8.51%      | -4.02%       |
| Last 2 Years    | 31-Mar-11 | 13.6258 | 8040.15        | 3.86%      | -4.05%       |
| Last 3 Years    | 31-Mar-10 | 12.7603 | 7704.90        | 4.83%      | -1.33%       |
| Last 4 Years    | 31-Mar-09 | 6.2150  | 3407.45        | 24.01%     | 21.40%       |
| Last 5 Years    | 31-Mar-08 | 11.7850 | 6240.65        | 4.52%      | 3.47%        |
| Since Inception | 08-Jan-07 | 10.0000 | 5156.45        | 6.38%      | 5.97%        |

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



### 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.

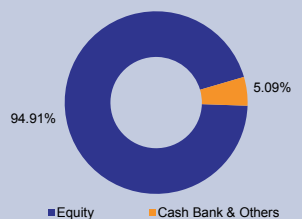
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹11.5466  
**Benchmark** : CNX Nifty-100%  
**Corpus as on 31 Mar,13** : ₹929.42 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | CNX Nifty | NAV Change | INDEX Change |
|-----------------|-----------|---------|-----------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 11.3770 | 5703.30   | 1.49%      | -0.36%       |
| Last 1 Year     | 31-Mar-12 | 10.5029 | 5295.55   | 9.94%      | 7.31%        |
| Last 2 Years    | 31-Mar-11 | 11.4116 | 5833.75   | 0.59%      | -1.30%       |
| Last 3 Years    | 31-Mar-10 | 10.0892 | 5249.10   | 4.60%      | 2.68%        |
| Last 4 Years    | 31-Mar-09 | 5.7290  | 3020.95   | 19.15%     | 17.11%       |
| Last 5 Years    | 31-Mar-08 | 9.3590  | 4734.50   | 4.29%      | 3.72%        |
| Since Inception | 07-Jan-08 | 10.0000 | 6279.10   | 2.79%      | -1.89%       |

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



### 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.

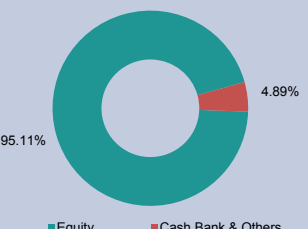
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹12.6758  
**Benchmark** : CNX Nifty-100%  
**Corpus as on 31 Mar,13** : ₹221.05 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | CNX Nifty | NAV Change | INDEX Change |
|-----------------|-----------|---------|-----------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 12.6909 | 5703.30   | -0.12%     | -0.36%       |
| Last 1 Year     | 31-Mar-12 | 11.8938 | 5295.55   | 6.57%      | 7.31%        |
| Last 2 Years    | 31-Mar-11 | 13.0319 | 5833.75   | -1.38%     | -1.30%       |
| Last 3 Years    | 31-Mar-10 | 11.5129 | 5249.10   | 3.26%      | 2.68%        |
| Last 4 Years    | 31-Mar-09 | 6.4140  | 3020.95   | 18.57%     | 17.11%       |
| Last 5 Years    | 31-Mar-08 | 10.1970 | 4734.50   | 4.45%      | 3.72%        |
| Since Inception | 04-Feb-08 | 10.0000 | 5463.50   | 4.71%      | 0.77%        |

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.

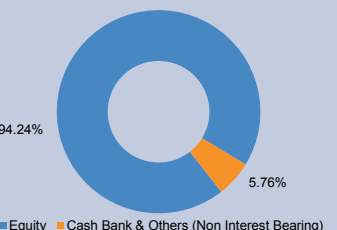
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹18.5467  
**Benchmark** : CNX India 500 Shariah Index - 100%  
**Corpus as on 31 Mar,13** : ₹209.28 Crs.

#### Fund Performance

| PERIOD          | DATE      | NAV     | CNX India 500 Shariah Index | NAV Change | INDEX Change |
|-----------------|-----------|---------|-----------------------------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 18.4337 | 1322.78                     | 0.61%      | 0.01%        |
| Last 1 Year     | 31-Mar-12 | 17.1778 | 1252.73                     | 7.97%      | 5.60%        |
| Last 2 Years    | 31-Mar-11 | 17.9614 | 1340.15                     | 1.62%      | -0.65%       |
| Last 3 Years    | 31-Mar-10 | 16.2079 | 1274.90                     | 4.60%      | 1.24%        |
| Last 4 Years    | 31-Mar-09 | 10.3200 | 692.85                      | 15.78%     | 17.55%       |
| Since Inception | 06-Oct-08 | 10.0000 | 844.46                      | 14.77%     | 10.53%       |

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



# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> March 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

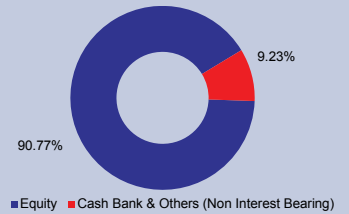
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹12.0459  
**Benchmark** : CNX India 500 Shariah Index - 100%  
**Corpus as on 31 Mar,13** : ₹517.23 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | CNX India 500 Shariah Index | NAV Change | INDEX Change |
|-----------------|-----------|---------|-----------------------------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 11.9909 | 1322.78                     | 0.46%      | 0.01%        |
| Last 1 Year     | 31-Mar-12 | 11.2889 | 1252.73                     | 6.71%      | 5.60%        |
| Last 2 Years    | 31-Mar-11 | 11.7349 | 1340.15                     | 1.32%      | -0.65%       |
| Last 3 Years    | 31-Mar-10 | 10.4760 | 1274.90                     | 4.76%      | 1.24%        |
| Since Inception | 16-Oct-09 | 10.0000 | 1217.76                     | 5.53%      | 2.42%        |

**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.

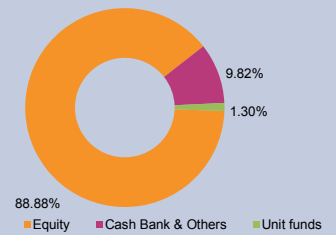
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹19.0692  
**Benchmark** : BSE 200 - 100%  
**Corpus as on 31 Mar,13** : ₹153.86 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | BSE 200 | NAV Change | INDEX Change |
|-----------------|-----------|---------|---------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 19.1684 | 2307.58 | -0.52%     | -0.85%       |
| Last 1 Year     | 31-Mar-12 | 18.0142 | 2157.89 | 5.86%      | 6.03%        |
| Last 2 Years    | 31-Mar-11 | 19.3704 | 2378.69 | -0.78%     | -1.93%       |
| Last 3 Years    | 31-Mar-10 | 17.4689 | 2199.50 | 2.96%      | 1.32%        |
| Last 4 Years    | 31-Mar-09 | 10.5830 | 1140.43 | 15.86%     | 19.01%       |
| Since Inception | 12-Jan-09 | 10.0000 | 1091.37 | 16.54%     | 19.19%       |

**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.

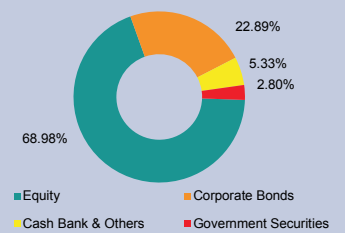
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹16.5899  
**Benchmark** : BSE Sensex - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 31 Mar,13** : ₹276.78 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | NAV Change | INDEX Change |
|-----------------|-----------|---------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 16.3889 | 1.23%      | 1.72%        |
| Last 1 Year     | 31-Mar-12 | 15.5098 | 6.96%      | 8.59%        |
| Last 2 Years    | 31-Mar-11 | 16.2165 | 1.14%      | 1.94%        |
| Last 3 Years    | 31-Mar-10 | 15.0072 | 3.40%      | 4.14%        |
| Last 4 Years    | 31-Mar-09 | 9.8900  | 13.81%     | 14.11%       |
| Last 5 Years    | 31-Mar-08 | 13.2350 | 4.62%      | 4.89%        |
| Since Inception | 01-Jul-06 | 10.0000 | 7.78%      | 8.13%        |

**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.

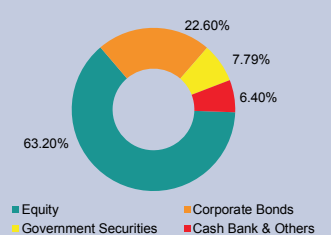
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹15.9299  
**Benchmark** : Nifty - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 31 Mar,13** : ₹376.69 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | NAV Change | INDEX Change |
|-----------------|-----------|---------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 15.6152 | 2.02%      | 1.23%        |
| Last 1 Year     | 31-Mar-12 | 14.6248 | 8.92%      | 8.00%        |
| Last 2 Years    | 31-Mar-11 | 15.0577 | 2.86%      | 2.12%        |
| Last 3 Years    | 31-Mar-10 | 13.6178 | 5.37%      | 4.31%        |
| Last 4 Years    | 31-Mar-09 | 9.1200  | 14.96%     | 13.52%       |
| Last 5 Years    | 31-Mar-08 | 11.6350 | 6.49%      | 4.85%        |
| Since Inception | 08-Jan-07 | 10.0000 | 7.76%      | 6.35%        |

**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

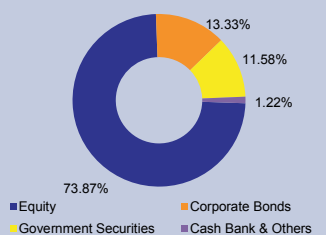
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 Mar, 13** : ₹26.1770  
**Benchmark** : BSE Sensex - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 31 Mar,13** : ₹132.50 Crs.

### Fund Performance

| PERIOD          | DATE      | NAV     | NAV Change | INDEX Change |
|-----------------|-----------|---------|------------|--------------|
| Last 6 Months   | 30-Sep-12 | 25.7579 | 1.63%      | 1.72%        |
| Last 1 Year     | 31-Mar-12 | 24.2027 | 8.16%      | 8.59%        |
| Last 2 Years    | 31-Mar-11 | 25.6897 | 0.94%      | 1.94%        |
| Last 3 Years    | 31-Mar-10 | 23.9025 | 3.08%      | 4.14%        |
| Last 4 Years    | 31-Mar-09 | 16.2890 | 12.59%     | 14.11%       |
| Last 5 Years    | 31-Mar-08 | 23.0090 | 2.61%      | 4.89%        |
| Since Inception | 02-Mar-04 | 10.0000 | 11.17%     | 10.94%       |

**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 31<sup>st</sup> March 2013)

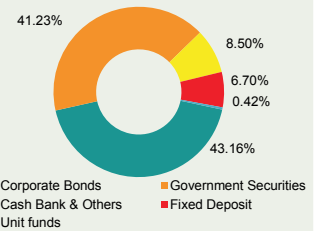
## Fixed Income Funds

### 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    | 30-Sep-12   | 14.8155    | 1883.05                                 | 4.70%             | 4.19%               |
| <b>NAV as on 31 Mar, 13</b>    | ₹15.5121   | Last 1 Year      | 31-Mar-12   | 13.9560    | 1795.50                                 | 11.15%            | 9.27%               |
| <b>Benchmark</b>               | CRISIL Composite Bond Index -100%  | Last 2 Years     | 31-Mar-11   | 12.8288    | 1667.12                                 | 9.96%             | 8.48%               |
| <b>Corpus as on 31 Mar, 13</b> | ₹213.53 Crs.   | Last 3 Years     | 31-Mar-10   | 12.1467    | 1586.80                                 | 8.49%             | 7.33%               |
|                                |  | Last 4 Years     | 31-Mar-09   | 11.3130    | 1505.33                                 | 8.21%             | 6.85%               |
|                                |  | Last 5 Years     | 31-Mar-08   | 10.3240    | 1402.21                                 | 8.48%             | 6.95%               |
|                                |  | Since Inception  | 08-Jan-07   | 10.0000    | 1298.79                                 | 7.30%             | 6.85%               |

**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.

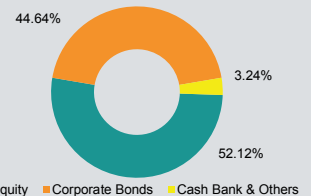
Over time, the asset mix will predominantly shift to debt to protect the guarantee. This dynamic asset allocation process will drive the returns generated by the Apex Return Lock-in Fund. The dynamic asset allocation shifts the allocation of the fund from an equity bias to a debt bias, over time. This 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    | 30-Sep-12   | 12.3431    | 2.24%             |                  |  |
| <b>The highest NAV recorded on reset date</b> | ₹12.8823   | Last 1 Year      | 31-Mar-12   | 11.5165    | 9.58%             |                  |  |
| <b>Corpus as on 31 Mar, 13</b>                | ₹336.32 Crs.   | Last 2 Year      | 31-Mar-11   | 12.0459    | 2.35%             |                  |  |
|   |  | Last 3 Year      | 31-Mar-10   | 11.1051    | 4.35%             |                  |  |
|   |  | Since Inception  | 10-Jun-09   | 10.0000    | 6.30%             |                  |  |

**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

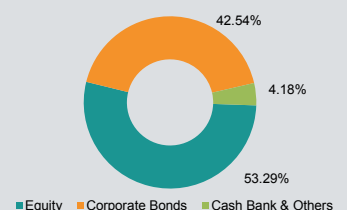


### APEX Return Lock-In Fund II (ULIF 033 03/08/09 AR2 110)

| 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    | 30-Sep-12   | 11.5559    | 2.42%             |                  |  |
| <b>The highest NAV recorded on reset date</b> | ₹12.0647  | Last 1 Year      | 31-Mar-12   | 10.7598    | 9.99%             |                  |  |
| <b>Corpus as on 31 Mar, 13</b>                | ₹235.89 Crs.  | Last 2 Year      | 31-Mar-11   | 11.2464    | 2.58%             |                  |  |
|   |   | Last 3 Year      | 31-Mar-10   | 10.3286    | 4.64%             |                  |  |
|   |   | Since Inception  | 10-Nov-09   | 10.0000    | 5.10%             |                  |  |

**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 March 2013 saw the benchmark indices; BSE Sensex and CNX Nifty shed around 0.14% and 0.18% respectively, even as the Mid-cap index, CNX Mid-cap lost 1.84% during the same period.

FII's were net buyers with net inflow of around USD 1.9 billion in March 2013 even as the DIIs were net sellers to the tune of around USD 1.4 billion, with domestic mutual funds net sellers of around USD 0.3 billion and Insurance companies net sellers of around USD 1.1 billion over the month. In the first three months of the calendar year 2013, the FIIs have been net buyers to the tune of USD 10.5 billion with the DIIs net sellers to the tune of USD 6.3 billion, Insurance companies and mutual funds selling Indian equities to the tune of USD 5.0 billion and USD 1.3 billion respectively.

Indian equities were among the best performing asset classes in CY 2012 on the back of the Government's thrust on reforms but increasing political uncertainty, RBI's hawkish guidance in the Mid-quarter monetary policy and limited window available for the reforms, given the busy election calendar over the next one year, have weighed on the equity market in the first three months of CY 2013.

The investment cycle remains weak with the private capex cycle muted. The sentiment is affected by sustained high retail inflation, lower growth impacting employment opportunities as well as structural deterioration of the macro-indicators. These factors have driven the household savings into physical assets has added pressure on the domestic financial savings, impacting monetary transmission and partly offsetting the impact of the rate cuts from RBI.

The consensus earnings estimate for the broad market (MSCI India) were reduced by 1% and 0.8% for FY 2013 (E) and FY 2014 (E) over the month. The estimates earnings growth stands at 10% and 15% for FY 2013 (E) and FY 2014 (E) respectively. The equity markets would take further cues from the Budget session of parliament as it resumes on 22<sup>nd</sup> April and continues till 10<sup>th</sup> May and could see some key bills pertaining to insurance and pension sectors, land acquisition and food security being in the agenda for discussion.

The fourth quarter fiscal FY 2013 earnings will be closely tracked by the market to see any visible signs of a pick up in the investment cycle. The earnings season is expected to see a muted revenue growth due to the prevailing sluggish demand conditions. The profitability could be adversely impacted due to higher input prices of petroleum products and inadequate pricing power of corporate India.

The government is expected to speed up project clearances, spur PSU capex spends as well as announce the new exports policy and these initiatives would be seen as positive by the equity markets. In an attempt to speed up investments in the oil and gas space, the Cabinet

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> March 2013)

Committee on Investment (CCI) has given clearances to oil and gas activity in five blocks off the east coast. The government will pay ₹ 250 billion additional cash subsidy to PSU fuel retailers to cover for the revenue they lost on selling auto and cooking fuel below cost in FY 2013. The GDP growth will continue to be driven by consumption as sizeable government spend in a pre-election year as well as initiatives such as direct cash transfers will act as tailwinds.

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

March 2013 saw the benchmark 10 year Government securities (G-sec) harden by 8 bps to close the month at 7.95% levels.

March 2013 saw the G-sec market selling off due to the RBI policy reiterating that there was only limited space available for further easing. The yields of the 30 year G-sec over the 10 year G-sec was at around 30 bps in March 2013 as against the 25 bps, seen in the prior month.

The corporate bond market eased towards the end of March as the supply got absorbed, to close the month at around the 8.85% levels in the 5-10 year bonds, 5 bps lower than the February levels of 8.90%. As a consequence, the corporate bond spread over the benchmark 10 year G-sec stood at around 75 Bps in March 2013, contracting from the February 2013 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.1 trillion levels for most of the month before ending the month at over Rs.1.5 trillion levels, due to financial year end liquidity demand, as well as muted deposit growth in the banking system, thereby requiring the RBI to shore up the liquidity through the Open Market Operations (OMOs).

The Reserve Bank of India (RBI) in its Mid-quarter monetary policy review reduced the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 7.75 % to 7.50% and signaled that "even as the policy stance emphasizes addressing the growth risks, the headroom for further monetary easing remains quite limited." It has placed the onus on sustaining growth squarely on the government by stating that a competitive interest rate is necessary but not sufficient for stimulating growth by increasing investments.

The RBI believed that the growth had decelerated significantly, even as inflation remained at an elevated level. The RBI noted the softening of non-food manufactured products inflation but was concerned about the fact that food inflation remained high. The RBI was disappointed with the services sector growth, which had been the mainstay of the overall growth, decelerating to its slowest pace in a decade pulling down India's GDP growth in Q3 of 2012-13 to 4.5 %, the weakest in the last 15 quarters. While overall industrial production growth turned positive in January 2013, key sectors such as capital goods and mining continued to contract.

The RBI stated that the year-on-year headline WPI inflation had edged up to 6.8 % in February 2013 from 6.6 % in January, essentially reflecting the upward revisions effected to administered prices of petroleum products. The RBI expressed satisfaction that the non-food manufactured products inflation had continued its downward trajectory since September 2012, enabled by softening prices of metals, textiles and rubber products. The RBI was worried at the upward path of retail inflation since October 2012, on sustained price pressures from food items, especially cereals and proteins.

The RBI listed the key macroeconomic priorities, which were to raise the growth rate, restrain inflation pressures and mitigate the vulnerability of the external sector.

On the growth front, the RBI believed that the key to reinvigorating growth was by accelerating investment. The RBI stated that the government had a critical role to play in this regard by remaining committed to fiscal consolidation, easing the supply bottlenecks and improving governance surrounding project implementation. On the external sector front, the RBI noted that the key challenge was to reduce the CAD and that financing of the CAD with stable flows remained a challenge. The RBI expected the headline inflation to be range-bound around current levels over 2013-14 in view of sectoral demand-supply imbalances, the ongoing corrections in administered prices and their second-round effects. Moreover, elevated food prices, including pressures stemming from MSP increases had adverse implications for inflation expectations and the risks on account of the CAD remained significant.

The first half FY2014 borrowing calendar was front-loaded, accounting for around 60% of the fiscal's budgeted gross borrowing at Rs3.49 trillion, resulting in a net borrowing Rs 2.74 trillion. The Government also plans to issue Rs120-200 billion of inflation-indexed bonds. The RBI borrowing calendar sees the weekly borrowing at Rs150 billion, except for two weeks in August. The issuance in H1 is concentrated in the below 15 year segment, which accounts for around 67% of the borrowing programme. The 15 year-19 year and above 20year maturity segments each constitute around 16% of the total borrowings.

In what is broadly seen as a positive development in the debt market, the existing debt limits will be merged into two broad categories -Gsecs limit of USD 25 billion and corporate bond limit of USD 51 billion, thereby removing the various sub-limits like GSec old, GSec long term, corporate bond limit in QFIs and FII in long-term infra bonds.

Going forward, monetary easing, continuation of OMOs and weak credit demand will be key positives for the government securities even as the supply of bonds through weekly auctions will be the dampener.

In the near term, the increasing G-sec supply through weekly auctions in April 2013 would keep the yields under pressure and the 10-year yield G-sec may trade in the range of 7.80-8.00%.

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