

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 30th May 2014)

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

Investment Report

The month of May 2014 saw the benchmark index BSE Sensex and CNX Nifty gain 8.03% and 7.97% respectively. The Mid-cap index, CNX Mid-cap surged 15.45% 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.

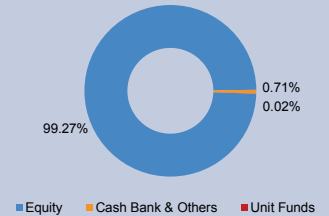
NAV as on 30 May, 14 : ₹42.6432
Benchmark : S&P BSE Sensex - 100%
Corpus as on 30 May, 14 : ₹2,114.15 Crs.

Fund Performance

PERIOD	DATE	NAV	S&P BSE Sensex	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	36.5405	20791.93	16.70%	16.47%
Last 1 Year	31-May-13	34.6896	19760.30	22.93%	22.56%
Last 2 Years	31-May-12	28.1814	16218.53	23.01%	22.20%
Last 3 Years	31-May-11	32.9368	18503.28	8.99%	9.39%
Last 4 Years	31-May-10	29.9888	16944.63	9.20%	9.34%
Last 5 Years	29-May-09	25.4310	14625.25	10.89%	10.61%
Since Inception	02-Mar-04	10.0000	5823.17	15.20%	14.92%

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.

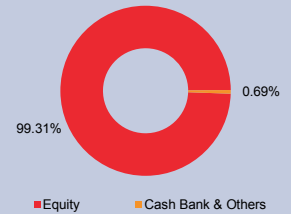
NAV as on 30 May, 14 : ₹20.9140
Benchmark : NSE CNX MIDCAP-100%
Corpus as on 30 May, 14 : ₹1,749.02 Crs.

Fund Performance

PERIOD	DATE	NAV	NSE CNX MIDCAP	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	16.1199	7682.40	29.74%	32.00%
Last 1 Year	31-May-13	16.0586	7821.80	30.24%	29.65%
Last 2 Years	31-May-12	12.7313	6898.40	28.17%	21.25%
Last 3 Years	31-May-11	13.8617	8064.80	14.69%	7.94%
Last 4 Years	31-May-10	12.8488	7755.95	12.95%	6.93%
Last 5 Years	29-May-09	9.4440	5353.55	17.23%	13.63%
Since Inception	08-Jan-07	10.0000	5156.45	10.49%	9.58%

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



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.

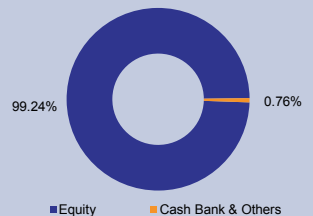
NAV as on 30 May, 14 : ₹15.2905
Benchmark : CNX Nifty-100%
Corpus as on 30 May, 14 : ₹982.84 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	12.8864	6176.10	18.66%	17.06%
Last 1 Year	31-May-13	12.1819	5985.95	25.52%	20.78%
Last 2 Years	31-May-12	9.8346	4924.25	24.69%	21.17%
Last 3 Years	31-May-11	11.0814	5560.15	11.33%	9.15%
Last 4 Years	31-May-10	9.9696	5086.30	11.28%	9.19%
Last 5 Years	29-May-09	8.3420	4448.95	12.88%	10.20%
Since Inception	07-Jan-08	10.0000	6279.10	6.86%	2.23%

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.

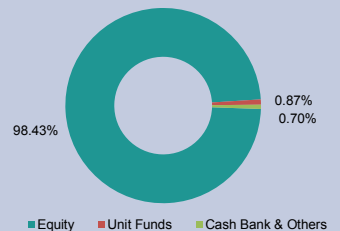
NAV as on 30 May, 14 : ₹16.6142
Benchmark : CNX Nifty-100%
Corpus as on 30 May, 14 : ₹206.14 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	13.9866	6176.10	18.79%	17.06%
Last 1 Year	31-May-13	13.3866	5985.95	24.11%	20.78%
Last 2 Years	31-May-12	10.9417	4924.25	23.22%	21.17%
Last 3 Years	31-May-11	12.6721	5560.15	9.45%	9.15%
Last 4 Years	31-May-10	11.3508	5086.30	9.99%	9.19%
Last 5 Years	29-May-09	9.4390	4448.95	11.97%	10.20%
Since Inception	04-Feb-08	10.0000	5463.50	8.36%	4.53%

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



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.

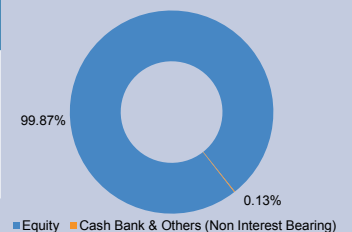
NAV as on 30 May, 14 : ₹24.5242
Benchmark : CNX India 500 Shariah Index - 100%
Corpus as on 30 May, 14 : ₹221.58 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	20.6554	1472.31	18.73%	16.91%
Last 1 Year	31-May-13	19.4961	1362.94	25.79%	26.29%
Last 2 Years	31-May-12	16.4287	1178.04	22.18%	20.88%
Last 3 Years	31-May-11	18.0099	1300.79	10.84%	9.79%
Last 4 Years	31-May-10	16.2662	1242.87	10.81%	8.48%
Last 5 Years	29-May-09	13.4750	1024.71	12.72%	10.93%
Since Inception	06-Oct-08	10.0000	844.46	17.21%	13.43%

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 30th May 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 30 May, 14 : ₹16.1420

Benchmark : CNX India 500 Shariah Index - 100%

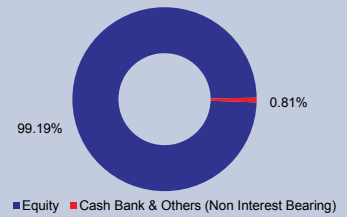
Corpus as on 30 May, 14 : ₹729.05 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	13.5005	1472.31	19.57%	16.91%
Last 1 Year	31-May-13	12.6156	1362.94	27.95%	26.29%
Last 2 Years	31-May-12	10.7294	1178.04	22.66%	20.88%
Last 3 Years	31-May-11	11.7307	1300.79	11.23%	9.79%
Last 4 Years	31-May-10	10.5856	1242.87	11.12%	8.48%
Since Inception	16-Oct-09	10.0000	1217.76	10.92%	7.77%

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



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 30 May, 14 : ₹25.2185

Benchmark : S&P BSE 200 - 100%

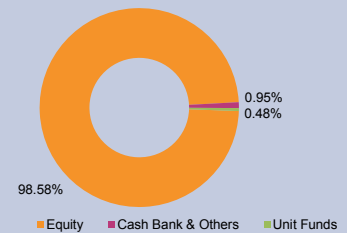
Corpus as on 30 May, 14 : ₹199.70 Crs.

Fund Performance

PERIOD	DATE	NAV	S&P BSE 200	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	20.8186	2463.86	21.13%	19.78%
Last 1 Year	31-May-13	20.1494	2409.22	25.16%	22.50%
Last 2 Years	31-May-12	16.8162	2003.10	22.46%	21.38%
Last 3 Years	31-May-11	19.0266	2301.65	9.85%	8.64%
Last 4 Years	31-May-10	17.4471	2152.21	9.65%	8.21%
Last 5 Years	29-May-09	14.1700	1772.82	12.22%	10.73%
Since Inception	12-Jan-09	10.0000	1091.37	18.76%	20.31%

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 30 May, 14 : ₹20.4197

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

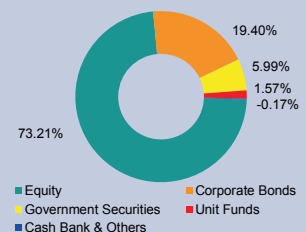
Corpus as on 30 May, 14 : ₹226.68 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	17.5791	16.16%	12.88%
Last 1 Year	31-May-13	17.3022	18.02%	15.61%
Last 2 Years	31-May-12	14.8033	17.45%	17.08%
Last 3 Years	31-May-11	15.9127	8.67%	8.90%
Last 4 Years	31-May-10	14.8731	8.25%	8.53%
Last 5 Years	29-May-09	12.9020	9.62%	9.19%
Since Inception	01-Jul-06	10.0000	9.44%	9.49%

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 30 May, 14 : ₹19.7698

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

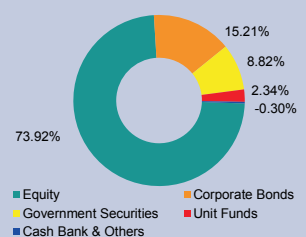
Corpus as on 30 May, 14 : ₹393.01 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	16.9759	16.46%	13.26%
Last 1 Year	31-May-13	16.7777	17.83%	14.46%
Last 2 Years	31-May-12	14.0448	18.64%	16.41%
Last 3 Years	31-May-11	14.7557	10.24%	8.75%
Last 4 Years	31-May-10	13.5789	9.85%	8.43%
Last 5 Years	29-May-09	11.6630	11.13%	8.92%
Since Inception	08-Jan-07	10.0000	9.66%	7.95%

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 30 May, 14 : ₹32.3248

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

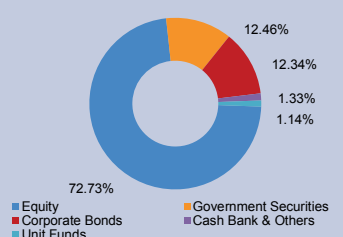
Corpus as on 30 May, 14 : ₹131.91 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	29-Nov-13	28.0853	15.10%	12.88%
Last 1 Year	31-May-13	27.4284	17.85%	15.61%
Last 2 Years	31-May-12	23.0230	18.49%	17.08%
Last 3 Years	31-May-11	25.1636	8.71%	8.90%
Last 4 Years	31-May-10	23.6579	8.12%	8.53%
Last 5 Years	29-May-09	20.9470	9.06%	9.19%
Since Inception	02-Mar-04	10.0000	12.13%	11.70%

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 30th May 2014)

Fixed Income Funds

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

Fund Details		Fund Performance				Asset Allocation		
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.	PERIOD	DATE	NAV	Crisil Composite Bond Fund Index	NAV Change	INDEX Change	
NAV as on 30 May, 14	₹16.7037	Last 6 Months	29-Nov-13	15.8047	1985.39	5.69%	6.20%	
Benchmark	CRISIL Composite Bond Index -100%	Last 1 Year	31-May-13	16.2666	2052.61	2.69%	2.72%	
Corpus as on 30 May, 14	₹242.00 Crs.	Last 2 Years	31-May-12	14.2264	1822.28	8.36%	7.57%	
		Last 3 Years	31-May-11	12.9271	1673.27	8.92%	8.01%	
		Last 4 Years	31-May-10	12.3409	1607.49	7.86%	7.02%	
		Last 5 Years	29-May-09	11.4920	1534.70	7.77%	6.56%	
		Since Inception	08-Jan-07	10.0000	1298.79	7.18%	6.77%	
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.								

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

Fund Details		Fund Performance				Asset Allocation		
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.	PERIOD	DATE	NAV	Crisil Short Term Bond Index	NAV Change	INDEX Change	
NAV as on 30 May, 14	₹16.8837	Last 6 Months	29-Nov-13	16.1280	2134.67	4.69%	5.14%	
Benchmark	CRISIL Short Term Bond Index -100%	Last 1 Year	31-May-13	15.5714	2068.02	8.43%	8.53%	
Corpus as on 30 May, 14	₹145.97 Crs.	Last 2 Years	31-May-12	14.1705	1886.09	9.15%	9.09%	
		Last 3 Years	31-May-11	13.0072	1730.34	9.08%	9.06%	
		Last 4 Years	31-May-10	12.3971	1647.89	8.03%	8.03%	
		Last 5 Years	29-May-09	11.5890	1570.64	7.82%	7.40%	
		Since Inception	08-Jan-07	10.0000	1281.09	7.34%	7.88%	
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.								

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		Fund Performance				Asset Allocation	
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%.	PERIOD	DATE	NAV	NAV Change		
The highest NAV recorded on reset date	₹14.6908	Last 6 Months	29-Nov-13	13.4501	10.66%		
Corpus as on 30 May, 14	₹313.46 Crs.	Last 1 Year	31-May-13	13.2539	12.29%		
		Last 2 Year	31-May-12	11.2203	15.17%		
		Last 3 Year	31-May-11	11.6365	8.55%		
		Last 4 Year	31-May-10	10.9673	7.93%		
		Since Inception	10-Jun-09	10.0000	8.33%		
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.							

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

Fund Details		Fund Performance				Asset Allocation	
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%.	PERIOD	DATE	NAV	NAV Change		
The highest NAV recorded on reset date	₹13.8185	Last 6 Months	29-Nov-13	12.6516	10.62%		
Corpus as on 30 May, 14	₹238.61 Crs.	Last 1 Year	31-May-13	12.4223	12.66%		
		Last 2 Year	31-May-12	10.4715	15.61%		
		Last 3 Year	31-May-11	10.9089	8.66%		
		Last 4 Year	31-May-10	10.1637	8.33%		
		Since Inception	10-Nov-09	10.0000	7.66%		
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.							

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 30th May 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 : ₹13.3810

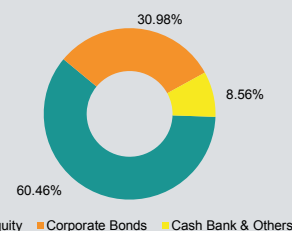
Corpus as on 30 May, 14 : ₹136.26 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	29-Nov-13	12.1809	11.37%
Last 1 Year	31-May-13	11.9843	13.20%
Last 2 Year	31-May-12	10.0657	16.09%
Last 3 Year	31-May-11	10.6287	8.47%
Last 4Year	31-May-10	9.9342	8.10%
Since Inception	10-May-10	10.0000	7.81%

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 : ₹13.3644

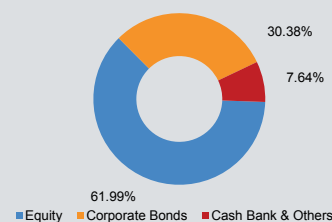
Corpus as on 30 May, 14 : ₹127.41 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	29-Nov-13	12.1535	11.48%
Last 1 Year	31-May-13	11.9480	13.40%
Last 2 Year	31-May-12	10.0356	16.19%
Last 3 Year	31-May-11	10.6334	8.41%
Last 4Year	31-May-10	9.9739	7.96%
Since Inception	10-May-10	10.0000	7.77%

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



Equity Outlook

The month of May 2014 saw the benchmark index BSE Sensex and CNX Nifty gain 8.03% and 7.97% respectively. The Mid-cap index, CNX Mid-cap surged 15.45% during the same period.

FII's were net buyers with inflows of around USD 2.4 billion in the month of May 2014 and the DIIs were net sellers to the tune of around USD 0.81 billion, with Insurance companies' net sellers of around USD 0.77 billion and domestic mutual funds, net sellers to the extent of around USD 0.04 billion over the same period. In the first five months of the calendar year 2014, the FIIs had been net buyers to the tune of USD 7.6 billion with the DIIs net sellers to the tune of USD 4.3 billion, Insurance companies net sellers to the tune of USD 2.5 billion and mutual funds selling Indian equities to the tune of USD 1.8 billion.

Consensus earnings estimates for the MSCI India for FY 2015E and FY 2016E were reduced by 1.2% and 0.4% respectively over the month to 15.3% and 16%.

The RBI nudged the GDP growth estimates upwards from 4.7% in 2013-14 to a range of 5 to 6 % in 2014-15, contingent upon the desired inflation outcome. The outlook for the agricultural sector is expected to be shaped by the timely arrival and spread of monsoons. The RBI expected the easing of domestic supply bottlenecks and progress in the implementation of stalled projects to brighten the outlook for both manufacturing and services. The resumption of export growth was a positive development and the RBI opined that as the world trade gathered momentum, the prospects for exports would improve further.

The decisive mandate obtained by the new government gives it ample elbow room for policy initiatives to revive the economy and ensure faster job creation in the manufacturing sector. The new government can revive the investment climate through speedy clearances of projects, raise FDI limits in crucial sectors as well as ensure a stable tax policy. Implementation of big ticket infrastructure projects could provide a boost to tourism, railways as well as trade, apart from catalyzing the economic growth.

The government's economic agenda would be detailed in the Union budget in July 2014 with the market watchers keenly looking for a credible roadmap towards fiscal consolidation as well as policy initiatives to accelerate the economic activity. The markets will be enthused if the government takes decisive steps to rationalize and target subsidies, speed up the implementation of Goods and Service Tax (GST), focus on energy security by augmenting domestic production as well as bring in industry friendly economic policies to revive the stalled investment cycle.

In a continuation of the previous government's reforms in the oil sector, the oil marketing companies (OMCs) have raised diesel price in June 2014 by ₹ 0.5/litre resulting in the cumulative diesel price increase of ₹ 10.1/litre since January 2013, when the policy of monthly price hikes was kick started. The OMCs are currently losing ₹ 2.8/litre on diesel sales. We could expect the monthly diesel price hikes to continue till there is a complete elimination of loss on sale of diesel.

The department of industry policy & promotion (DIPP) has proposed 49-100% FDI in defense, depending on the extent of technology transfer, to boost domestic manufacturing in the defense space. The RBI has eased gold import norms by allowing select trading houses, in addition to already permitted banks, to procure gold to boost jewelry exports.

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 30th May 2014)

India's macro situation has improved substantially over the last six months and the Indian equity markets have been the recipients of robust FII flows of USD 7.6 billion over the calendar year 2014, thus far. The global investors have high expectations from the new government as they believe it could enable a sustained increase in the trajectory of economic growth over the next five years. We continue to believe that the Indian equities offer an attractive entry point for a long term investor with a 3-5 year view.

Debt Outlook

The month of May 2014 saw the debt market yields ease by 20-35 Bps on the back of improved market sentiments due to the decisive election outcome, strong FII flows and improved liquidity conditions. Benchmark 10 year Government security (Gsec) closed the month at 8.65% levels while the 30 year Gsec closed the month at 8.79% levels.

The Corporate bonds in the tenure of 10–15 years were trading in the band of 9.25-9.35% at close of May 2014. The liquidity conditions have improved significantly in last two months on the back of decline of excess CRR in banking system as well as an increase in government spending.

The RBI in its Bi-monthly monetary policy on 3rd June 2014, decided to keep the policy repo rate unchanged at 8%, largely on expected lines. RBI reduced the SLR by 50bps to 22.5% of NDTL with effect from the fortnight beginning 14th June 2014. The RBI reiterated its commitment to keeping the economy on a disinflationary course, taking CPI inflation to 8 % by January 2015 and 6 % by January 2016. They believed that if the economy stayed on this course, further policy tightening would not be warranted. On the other hand, if disinflation, adjusting for base effects, was faster than currently anticipated, it will provide headroom for an easing of the policy stance. The risks to the central forecast of 8 % CPI inflation by January 2015 remain broadly balanced. The monetary policy statement is more dovish than April 2014 policy statement.

The RBI was satisfied with the substantial improvement in India's macro-situation in recent months. India's current account deficit (CAD) had narrowed sharply to 1.7% of GDP in the fiscal 2014, primarily on account of a decline in gold imports, contraction in other non-oil imports due to weak domestic demand and a pick-up in exports. Robust inflows of portfolio investment, supported by foreign direct investment and external commercial borrowings kept external financing conditions comfortable and helped add to reserves.

The decisive mandate received by the new government could drive the fiscal consolidation agenda in order to balance the growth and inflation dynamics so that it can create more space for the RBI to consider monetary easing in the medium term.

With the change in investor sentiment on the back of strong FII flows, election results and RBI's monetary policy, we expect bond yields to remain supported with a positive bias. The fixed income market would take further cues from the Union budget in July 2014 as well as the fiscal consolidation plan of the new government.

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Unique Reference Number: L&C/Adv/2014/Jun/203