

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> May 2016)

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

## Investment Report

The month of May 2016 saw the benchmark index S&P BSE Sensex surge 4.14% while Nifty 50 gained 3.95%. The Mid-cap index, Nifty Free Float Mid-cap 100 gained a modest 0.74% 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>	<p>94.13% Equity 4.23% Exchange Traded Funds 1.35% Liquid Mutual Funds 0.28% Cash Bank &amp; Others</p>	
<b>NAV as on 31 May, 16</b>	: ₹48.5232	Last 3 Months	29-Feb-16	41.9513	23002.00	15.67%	15.94%		
<b>Benchmark</b>	: S&P BSE Sensex - 100%	Last 6 Months	30-Nov-15	47.1842	26145.67	2.84%	2.00%		
<b>Corpus as on 31 May, 16</b>	: ₹1,461.69 Crs.	Last 1 Year	29-May-15	49.9757	27828.44	-2.91%	-4.17%		
		Last 2 Years	30-May-14	42.6432	24217.34	6.67%	4.94%		
		Last 3 Years	31-May-13	34.6896	19760.30	11.84%	10.51%		
		Last 4 Years	31-May-12	28.1814	16218.53	14.55%	13.24%		
		Last 5 Years	31-May-11	32.9368	18503.28	8.06%	7.58%		
		Since Inception	02-Mar-04	10.0000	5823.17	13.76%	13.22%		
		<small>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.</small>							

### 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 Free Float Midcap 100</b>	<b>NAV Change</b>	<b>INDEX Change</b>	<p>98.12% Equity 1.81% Exchange Traded Funds 0.07% Liquid Mutual Funds 0.07% Cash Bank &amp; Others</p>	
<b>NAV as on 31 May, 16</b>	: ₹32.6589	Last 3 Months	29-Feb-16	27.4174	11558.70	19.12%	15.00%		
<b>Benchmark</b>	: Nifty Free Float Midcap 100 -100%	Last 6 Months	30-Nov-15	31.8820	13248.70	2.44%	0.33%		
<b>Corpus as on 31 May, 16</b>	: ₹1,869.64 Crs.	Last 1 Year	29-May-15	32.5494	13180.75	0.34%	0.85%		
		Last 2 Years	30-May-14	20.9140	10141.05	24.96%	14.49%		
		Last 3 Years	31-May-13	16.0586	7821.80	26.70%	19.34%		
		Last 4 Years	31-May-12	12.7313	6898.40	26.56%	17.82%		
		Last 5 Years	31-May-11	13.8617	8064.80	18.70%	10.51%		
		Since Inception	08-Jan-07	10.0000	5156.45	13.42%	10.60%		
		<small>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.</small>							

### 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>	<p>93.85% Equity 4.14% Exchange Traded Funds 1.08% Liquid Mutual Funds 0.93% Cash Bank &amp; Others</p>	
<b>NAV as on 31 May, 16</b>	: ₹17.9761	Last 3 Months	29-Feb-16	15.6195	6987.05	15.09%	16.78%		
<b>Benchmark</b>	: Nifty 50 -100%	Last 6 Months	30-Nov-15	17.4964	7935.25	2.74%	2.83%		
<b>Corpus as on 31 May, 16</b>	: ₹746.65 Crs.	Last 1 Year	29-May-15	18.5697	8433.65	-3.20%	-3.24%		
		Last 2 Years	30-May-14	15.2905	7229.95	8.43%	6.24%		
		Last 3 Years	31-May-13	12.1819	5985.95	13.85%	10.88%		
		Last 4 Years	31-May-12	9.8346	4924.25	16.27%	13.46%		
		Last 5 Years	31-May-11	11.0814	5560.15	10.16%	7.97%		
		Since Inception	07-Jan-08	10.0000	6279.10	7.23%	3.17%		
		<small>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.</small>							

### 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>	<p>91.16% Equity 3.17% Exchange Traded Funds 3.10% Liquid Mutual Funds 2.56% Cash Bank &amp; Others</p>	
<b>NAV as on 31 May, 16</b>	: ₹20.3721	Last 3 Months	29-Feb-16	17.4530	6987.05	16.73%	16.79%		
<b>Benchmark</b>	: Nifty 50 -100%	Last 6 Months	30-Nov-15	19.7097	7935.25	3.36%	2.83%		
<b>Corpus as on 31 May, 16</b>	: ₹139.26 Crs.	Last 1 Year	29-May-15	20.4339	8433.65	-0.30%	-3.24%		
		Last 2 Years	30-May-14	16.6142	7229.95	10.73%	6.24%		
		Last 3 Years	31-May-13	13.3866	5985.95	15.02%	10.88%		
		Last 4 Years	31-May-12	10.9417	4924.25	16.81%	13.46%		
		Last 5 Years	31-May-11	12.6721	5560.15	9.96%	7.97%		
		Since Inception	04-Feb-08	10.0000	5463.50	8.92%	4.94%		
		<small>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.</small>							

# Quick Glance - Funds Performance

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

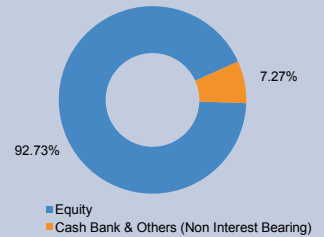
**NAV as on 31 May, 16** : ₹32.1681  
**Benchmark** : Nifty500 Shariah - 100%  
**Corpus as on 31 May, 16** : ₹149.66 Crs.

### Fund Performance

PERIOD	DATE	NAV	Nifty500 Shariah	NAV Change	INDEX Change
Last 3 Months	29-Feb-16	28.9373	1920.82	11.16%	12.31%
Last 6 Months	30-Nov-15	32.4109	2131.92	-0.75%	1.19%
Last 1 Year	29-May-15	33.2941	2169.84	-3.38%	-0.58%
Last 2 Years	30-May-14	24.5242	1721.22	14.53%	11.95%
Last 3 Years	31-May-13	19.4961	1362.94	18.17%	16.54%
Last 4 Years	31-May-12	16.4287	1178.04	18.29%	16.33%
Last 5 Years	31-May-11	18.0099	1300.79	12.30%	10.65%
Since Inception	06-Oct-08	10.0000	844.46	16.49%	13.03%

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. 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.

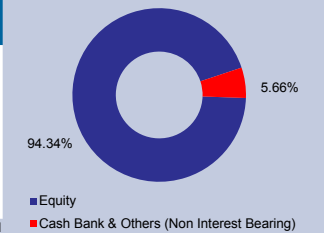
**NAV as on 31 May, 16** : ₹21.4762  
**Benchmark** : Nifty500 Shariah - 100%  
**Corpus as on 31 May, 16** : ₹636.56 Crs.

### Fund Performance

PERIOD	DATE	NAV	Nifty500 Shariah	NAV Change	INDEX Change
Last 3 Months	29-Feb-16	19.2530	1920.82	11.55%	12.31%
Last 6 Months	30-Nov-15	21.6093	2131.92	-0.62%	1.19%
Last 1 Year	29-May-15	22.2125	2169.84	-3.31%	-0.58%
Last 2 Years	30-May-14	16.1420	1721.22	15.35%	11.95%
Last 3 Years	31-May-13	12.6156	1362.94	19.40%	16.54%
Last 4 Years	31-May-12	10.7294	1178.04	18.94%	16.33%
Last 5 Years	31-May-11	11.7307	1300.79	12.86%	10.65%
Since Inception	16-Oct-09	10.0000	1217.76	12.22%	9.01%

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

### Asset Allocation



## 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.

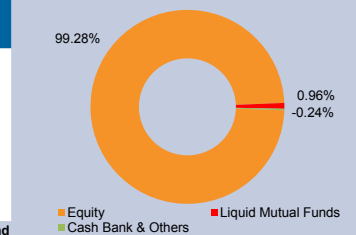
**NAV as on 31 May, 16** : ₹32.8820  
**Benchmark** : S&P BSE 200 - 100%  
**Corpus as on 31 May, 16** : ₹126.57 Crs.

### Fund Performance

PERIOD	DATE	NAV	S&P BSE 200	NAV Change	INDEX Change
Last 3 Months	29-Feb-16	28.1223	2946.82	16.93%	16.83%
Last 6 Months	30-Nov-15	32.1960	3365.29	2.13%	2.30%
Last 1 Year	29-May-15	33.2371	3532.73	-1.07%	-2.55%
Last 2 Years	30-May-14	25.2185	2951.21	14.19%	8.01%
Last 3 Years	31-May-13	20.1494	2409.22	17.73%	12.64%
Last 4 Years	31-May-12	16.8162	2003.10	18.25%	14.50%
Last 5 Years	31-May-11	19.0266	2301.65	11.56%	8.39%
Since Inception	12-Jan-09	10.0000	1091.37	17.49%	16.83%

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.

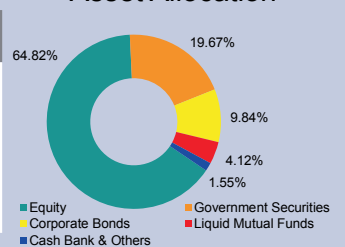
**NAV as on 31 May, 16** : ₹24.7830  
**Benchmark** : S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 31 May, 16** : ₹164.12 Crs.

#### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 3 Months	29-Feb-16	22.0964	12.16%	11.53%
Last 6 Months	30-Nov-15	23.8836	3.77%	2.90%
Last 1 Year	29-May-15	24.0682	2.97%	0.42%
Last 2 Years	30-May-14	20.4197	10.17%	6.91%
Last 3 Years	31-May-13	17.3022	12.72%	9.59%
Last 4 Years	31-May-12	14.8033	13.75%	11.77%
Last 5 Years	31-May-11	15.9127	9.27%	8.09%
Since Inception	01-Jul-06	10.0000	9.58%	8.94%

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



### 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.

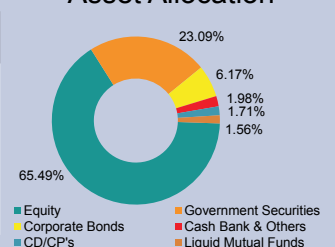
**NAV as on 31 May, 16** : ₹24.8160  
**Benchmark** : Nifty 50 - 65%, CRISIL Composite Bond Index -35%  
**Corpus as on 31 May, 16** : ₹349.87 Crs.

#### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 3 Months	29-Feb-16	21.9366	13.13%	12.08%
Last 6 Months	30-Nov-15	23.6784	4.80%	3.44%
Last 1 Year	29-May-15	23.9719	3.52%	1.02%
Last 2 Years	30-May-14	19.7698	12.04%	7.75%
Last 3 Years	31-May-13	16.7777	13.94%	9.83%
Last 4 Years	31-May-12	14.0448	15.29%	11.92%
Last 5 Years	31-May-11	14.7557	10.96%	8.34%
Since Inception	08-Jan-07	10.0000	10.15%	7.89%

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#### Asset Allocation



# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> May 2016)

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

Fund Details		Fund Performance				Asset Allocation
<b>Investment Objective</b>	: The primary investment objective of the fund is to maximize the returns with medium to high risk.	<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>NAV Change</b>	<b>INDEX Change</b>
<b>NAV as on 31 May, 16</b>	: ₹39.1343	Last 3 Months	29-Feb-16	35.0267	11.73%	11.53%
<b>Benchmark</b>	: S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%	Last 6 Months	30-Nov-15	37.7319	3.72%	2.90%
<b>Corpus as on 31 May, 16</b>	: ₹134.38 Crs.	Last 1 Year	29-May-15	38.1073	2.70%	0.42%
		Last 2 Years	30-May-14	32.3248	10.03%	6.91%
		Last 3 Years	31-May-13	27.4284	12.58%	9.59%
		Last 4 Years	31-May-12	23.0230	14.18%	11.77%
		Last 5 Years	31-May-11	25.1636	9.23%	8.09%
		Since Inception	02-Mar-04	10.0000	11.78%	10.86%

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

## 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>NAV as on 31 May, 16</b>	: ₹20.5057	Last 3 Months	29-Feb-16	19.7311	2493.93	3.93%	3.34%
<b>Benchmark</b>	: CRISIL Composite Bond Index -100%	Last 6 Months	30-Nov-15	19.6860	2464.44	4.16%	4.58%
<b>Corpus as on 31 May, 16</b>	: ₹241.41 Crs.	Last 1 Year	29-May-15	18.9509	2365.60	8.20%	8.95%
		Last 2 Years	30-May-14	16.7037	2108.45	10.80%	10.56%
		Last 3 Years	31-May-13	16.2666	2052.61	8.03%	7.88%
		Last 4 Years	31-May-12	14.2264	1822.28	9.57%	9.05%
		Last 5 Years	31-May-11	12.9271	1673.27	9.67%	9.02%
		Since Inception	08-Jan-07	10.0000	1298.79	7.94%	7.56%

**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.

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>The highest NAV recorded on reset date</b>	: ₹17.5470	Last 3 Months	29-Feb-16	16.7402	6.13%	
<b>Corpus as on 31 May, 16</b>	: ₹244.46 Crs.	Last 6 Months	30-Nov-15	17.1448	3.63%	
		Last 1 Year	29-May-15	17.0768	4.04%	
		Last 2 Years	30-May-14	14.8833	9.26%	
		Last 3 Years	31-May-13	13.2539	10.26%	
		Last 4 Years	31-May-12	11.2203	12.18%	
		Last 5 Years	31-May-11	11.6365	8.83%	
		Since Inception	10-Jun-09	10.0000	8.59%	

**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.

### 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>The highest NAV recorded on reset date</b>	: ₹16.5247	Last 3 Months	29-Feb-16	15.7135	6.58%	
<b>Corpus as on 31 May, 16</b>	: ₹173.80 Crs.	Last 6 Months	30-Nov-15	16.1597	3.64%	
		Last 1 Year	29-May-15	16.0811	4.15%	
		Last 2 Years	30-May-14	13.9949	9.39%	
		Last 3 Years	31-May-13	12.4223	10.47%	
		Last 4 Years	31-May-12	10.4715	12.46%	
		Last 5 Years	31-May-11	10.9089	8.95%	
		Since Inception	10-Nov-09	10.0000	8.18%	

**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 31<sup>st</sup> May 2016)

## Equity Outlook

The month of May 2016 saw the benchmark index S&P BSE Sensex surge 4.14% while Nifty 50 gained 3.95%. The Mid-cap index, Nifty Free Float Mid-cap 100 gained a modest 0.74% during the same period.

The FIIs were net buyers with inflows of around USD 0.38 bn in the month of May 2016 and the DIIs were net buyers to the tune of USD 1.1 bn with insurance companies' net buyers to the tune of around USD 0.1 bn even as domestic mutual funds were net buyers to the tune of USD 1 bn.

The robust performance of the Indian equity market in the month of May 2016 was on the back of an improvement in the earnings in the fourth quarter FY 2016, above normal monsoon forecast by the IMD and the passage of the landmark bankruptcy bill.

The fourth quarter FY 2016 saw the earnings of a slew of Nifty companies across sectors beat market estimates. At a broader level, robust earnings were seen in sectors such as cement and building materials with positive earnings surprises coming in some sectors where the expectations have been relatively low such as materials, telecom and industrials. Companies in the IT, Auto, Oil & Gas and FMCG sectors mostly delivered inline results while many PSU banks and pharmaceutical companies saw muted results.

Overall, net profits in FY 2016 saw a modest increase of 2% for the companies in the BSE Sensex while it was flat for the companies in the Nifty 50. A combination of low base, sustained infrastructure spending by the government as well as the prospect of favorable monsoon raises the likelihood of a revival in earnings in FY 2017.

The Government approved the 'National Capital Goods Policy', seeking to triple the production of capital goods in 10 years to ₹7.5 tn and raise employment in the sector almost four times to 30mn. The policy also aims to increase exports as well as the share of domestic production in India's demand, thereby making India a net exporter of capital goods. The policy addresses key issues such as availability of finance, raw materials, innovation & technology and productivity even as it proposes devising a long-term, stable & rationalized tax and duty structure to create an ecosystem for a globally competitive capital goods sector. Meanwhile, in a boost to the capital goods sector in India, Central Electricity Authority (CEA) has issued an 'advisory' to central and state-owned power generation, transmission and distribution (T&D) companies to use locally-made equipment and materials through domestic competitive bidding for government funded power projects in a measure to promote 'Make-in-India and reduce threats of dumping in power generation and T&D equipment.

In what could be a far reaching reform, the "Insolvency and Bankruptcy Code, 2015" passed by the Parliament paves the way for a new bankruptcy framework that will make it easier for companies to do business in India by ensuring time-bound settlement of insolvency and faster turnaround of businesses. It proposes setting up of a bankruptcy regulator as well as creation of an ecosystem, including insolvency professionals, information utilities and tribunals.

The economy has been on a recovery path as seen from many high frequency indicators for April such as higher cement volumes, growth in cargo traffic at major ports, automobile sales especially two-wheelers and three-wheelers, commercial vehicle sales, passenger air & freight traffic and steel consumption. Abstracting from seasonal effects, this suggests that the expansion, especially in the service sector, is getting broad-based. On the other hand, railway freight traffic and passenger car sales have decelerated on sector-specific constraints. Purchasing managers in the services sector indicated slowing new business in May and subdued expectations of future activity.

An uptick in the sale of tractors indicate some signs of a nascent growth momentum in rural economy but muted consumer non-durables data signal the continuing weakness in rural demand. Hence a robust monsoon is key to enable an all round revival in the rural economy and open up some space for the RBI to nudge rates lower. Additionally, increased monetary transmission resulting in lower lending rates in the economy could sustain higher growth in urban consumption.

Given the improving macro economic backdrop, 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 May 2016 saw the benchmark 10 year Government security (G-sec) close the month at 7.47%, hardening by 3 bps over the month. On the corporate bond side, the 10 year AAA corporate bond closed the month at around 8.23%, hardening by 6 bps over the month.

In the month of April, the Foreign Portfolio Investors (FPIs) were sellers of Indian debt to the extent of USD 0.77 bn.



# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> May 2016)

In its second Bi-monthly policy review for fiscal FY 2017, the RBI kept the repo rate unchanged at 6.50% and reiterated its commitment to provide liquidity as required and progressively lower the average liquidity deficit in the system from 1% of NDTL to a position closer to neutrality.

In its monetary policy review, the RBI noted the gradual improvement in domestic growth, mainly driven by consumption demand, which is expected to strengthen on the back of a normal monsoon and the implementation of the 7<sup>th</sup> Pay Commission award. Moreover, the RBI expected the higher public sector capital expenditure, led by roads and railways to crowd in private investment, offsetting somewhat the subdued appetite for fresh private investment due to financial stress as well as unrelenting global factors. The RBI retained the GVA growth projection for FY 2016-17 at 7.6 % with risks evenly balanced.

The RBI was concerned regarding the pickup in inflation for the month of April as they opined that it imparted higher uncertainty regarding the future trajectory of inflation. However, the RBI expected the food inflation to be contained on account of the expectations of a normal monsoon, various supply management measures from the government and the introduction of the electronic national agriculture market (e-NAM) trading portal. Moreover, the RBI anticipated that the muted capacity utilization indicators would keep output prices subdued even as demand picked up. However, the RBI highlighted the upside risks to inflation emanating from firming crude oil prices; the implementation of the 7<sup>th</sup> Pay Commission awards; the upturn in inflation expectations of households and the stickiness in the level of core inflation.

The RBI highlighted the critical need for more monetary transmission to support the revival of growth. In this context, they expected the government's reform measures on small savings rates as well as the refinements in the liquidity management framework of the RBI to help the banks to transmit past policy rate reductions into their lending rates. Moreover, the RBI stated that it will review the implementation of the Marginal Cost Lending Rate (MCLR) framework by banks. The RBI also expected the timely capital infusions into the constrained public sector banks to aid credit flow.

The RBI, in its first bi-monthly monetary policy review in April 2016, had stated that it would watch macroeconomic and financial developments in the months ahead with a view to respond as space opened up. However, since then, there had been an upsurge in inflationary pressures emanating from food items as well as a reversal in commodity prices. The RBI opined that a strong monsoon, continued astute food management by the government, as well as steady expansion in supply capacity could help offset these upward pressures. However, given the uncertainties, the RBI decided to keep policy rates unchanged in its second bi-monthly policy review even as it reiterated its accommodative monetary policy stance. The RBI concluded that it would monitor macroeconomic and financial developments for any further scope for policy action.

While we remain constructive on the fixed income market and believe that the continued Open market operations (OMOs) from RBI will support G-sec yields as the RBI has reiterated its commitment to keep liquidity at near neutral levels, we expect the RBI to wait for inflation to soften before it eases the repo rate further. We believe that a robust south west monsoon would open up more space for the RBI to nudge the repo rate lower and trigger the next leg of easing in G-sec yields.

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Registered and Corporate Office: 14th Floor, Tower A, Peninsula Business Park, Senapati Bapat Marg, Lower Parel, Mumbai 400013. • Website: tataaia.com • Tollfree: 1800 267 9966.

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