

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 30<sup>th</sup> September 2014)

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

## Investment Report

The month of September 2014 saw the benchmark index BSE Sensex losing 0.03% even as the CNX Nifty gained a modest 0.13%. The Mid-cap index, CNX Mid-cap surged 2.74 % 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 Sep, 14** : ₹46.6801

**Benchmark** : S&P BSE Sensex - 100%

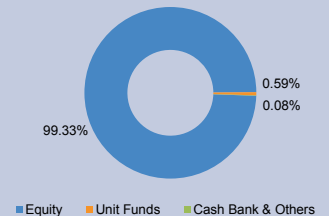
**Corpus as on 30 Sep, 14** : ₹2,012.68 Crs.

#### Fund Performance

PERIOD	DATE	NAV	S&P BSE Sensex	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	39.1216	22386.27	19.32%	18.96%
Last 1 Year	30-Sep-13	33.9010	19379.77	37.70%	37.41%
Last 2 Years	30-Sep-12	32.2486	18762.74	20.31%	19.14%
Last 3 Years	30-Sep-11	28.9536	16453.76	17.26%	17.41%
Last 4 Years	30-Sep-10	35.8155	20069.12	6.85%	7.33%
Last 5 Years	30-Sep-09	29.1920	17126.84	9.84%	9.23%
Since Inception	02-Mar-04	10.0000	5823.17	15.67%	15.44%

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 Sep, 14** : ₹25.3843

**Benchmark** : NSE CNX MIDCAP-100%

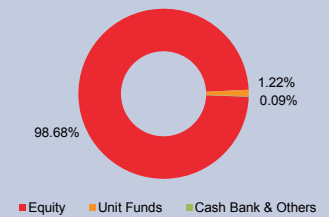
**Corpus as on 30 Sep, 14** : ₹1,948.77 Crs.

#### Fund Performance

PERIOD	DATE	NAV	NSE CNX MIDCAP	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	18.2416	8612.45	39.16%	32.58%
Last 1 Year	30-Sep-13	14.9106	6997.95	70.24%	63.17%
Last 2 Years	30-Sep-12	14.4475	7840.55	32.55%	20.68%
Last 3 Years	30-Sep-11	12.6858	7094.00	26.01%	17.19%
Last 4 Years	30-Sep-10	14.9069	9164.25	14.23%	5.65%
Last 5 Years	30-Sep-09	11.1160	6713.30	17.96%	11.21%
Since Inception	08-Jan-07	10.0000	5156.45	12.80%	10.83%

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



### 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 Sep, 14** : ₹16.8473

**Benchmark** : CNX Nifty-100%

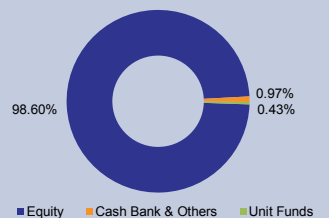
**Corpus as on 30 Sep, 14** : ₹995.72 Crs.

#### Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	13.9347	6704.20	20.90%	18.80%
Last 1 Year	30-Sep-13	11.9466	5735.30	41.02%	38.87%
Last 2 Years	30-Sep-12	11.3770	5703.30	21.69%	18.17%
Last 3 Years	30-Sep-11	9.8931	4943.25	19.42%	17.23%
Last 4 Years	30-Sep-10	11.7142	6029.95	9.51%	7.21%
Last 5 Years	30-Sep-09	9.6290	5083.95	11.84%	9.39%
Since Inception	07-Jan-08	10.0000	6279.10	8.05%	3.59%

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

#### Asset Allocation



### 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 Sep, 14** : ₹18.4137

**Benchmark** : CNX Nifty-100%

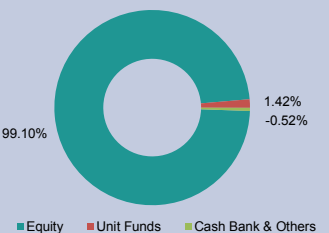
**Corpus as on 30 Sep, 14** : ₹207.12 Crs.

#### Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	15.1197	6704.20	21.79%	18.80%
Last 1 Year	30-Sep-13	13.0352	5735.30	41.26%	38.87%
Last 2 Years	30-Sep-12	12.6909	5703.30	20.45%	18.17%
Last 3 Years	30-Sep-11	11.2304	4943.25	17.92%	17.23%
Last 4 Years	30-Sep-10	13.4828	6029.95	8.10%	7.21%
Last 5 Years	30-Sep-09	10.8870	5083.95	11.08%	9.39%
Since Inception	04-Feb-08	10.0000	5463.50	9.60%	5.83%

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



### 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 Sep, 14** : ₹29.6627

**Benchmark** : CNX India 500 Shariah Index - 100%

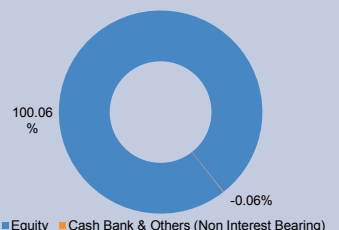
**Corpus as on 30 Sep, 14** : ₹226.91 Crs.

#### Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	22.7545	1623.70	30.36%	24.48%
Last 1 Year	30-Sep-13	19.7955	1405.23	49.85%	43.83%
Last 2 Years	30-Sep-12	18.4337	1322.78	26.85%	23.61%
Last 3 Years	30-Sep-11	16.3002	1184.71	22.09%	19.49%
Last 4 Years	30-Sep-10	18.4039	1396.81	12.67%	9.68%
Last 5 Years	30-Sep-09	14.8980	1210.84	14.77%	10.79%
Since Inception	06-Oct-08	10.0000	844.46	19.92%	15.69%

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 30<sup>th</sup> September 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 Sep, 14** : ₹19.5212

**Benchmark** : CNX India 500 Shariah Index - 100%

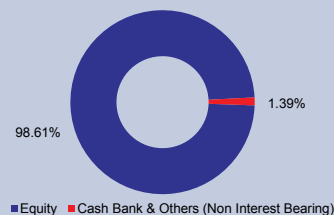
**Corpus as on 30 Sep, 14** : ₹856.01 Crs.

### Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	14.9103	1623.70	30.92%	24.48%
Last 1 Year	30-Sep-13	12.9004	1405.23	51.32%	43.83%
Last 2 Years	30-Sep-12	11.9909	1322.78	27.59%	23.61%
Last 3 Years	30-Sep-11	10.7236	1184.71	22.10%	19.49%
Last 4 Years	30-Sep-10	11.9622	1396.81	13.02%	9.68%
Since Inception	16-Oct-09	10.0000	1217.76	14.44%	10.76%

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 Sep, 14** : ₹29.0545

**Benchmark** : S&P BSE 200 - 100%

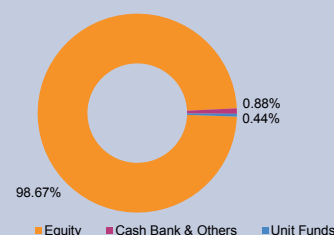
**Corpus as on 30 Sep, 14** : ₹217.78 Crs.

### Fund Performance

PERIOD	DATE	NAV	S&P BSE 200	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	22.9709	2681.35	26.48%	21.28%
Last 1 Year	30-Sep-13	19.1909	2281.93	51.40%	42.50%
Last 2 Years	30-Sep-12	19.1684	2307.58	23.12%	18.71%
Last 3 Years	30-Sep-11	16.9617	2028.27	19.65%	17.04%
Last 4 Years	30-Sep-10	20.2636	2530.47	9.43%	6.47%
Last 5 Years	30-Sep-09	16.3580	2094.94	12.18%	9.19%
Since Inception	12-Jan-09	10.0000	1091.37	20.51%	21.04%

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 Sep, 14** : ₹22.2829

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

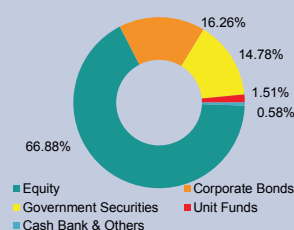
**Corpus as on 30 Sep, 14** : ₹214.91 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	18.7635	18.76%	14.50%
Last 1 Year	30-Sep-13	16.5407	34.72%	28.38%
Last 2 Years	30-Sep-12	16.3889	16.60%	15.05%
Last 3 Years	30-Sep-11	14.7543	14.73%	14.17%
Last 4 Years	30-Sep-10	16.9211	7.12%	7.39%
Last 5 Years	30-Sep-09	14.3590	9.19%	8.48%
Since Inception	01-Jul-06	10.0000	10.19%	10.05%

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 Sep, 14** : ₹21.7766

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

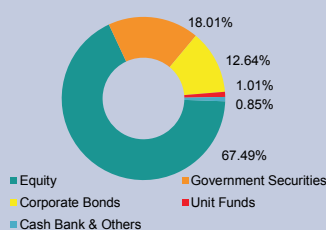
**Corpus as on 30 Sep, 14** : ₹407.13 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	18.2256	19.48%	14.40%
Last 1 Year	30-Sep-13	16.0124	36.00%	29.33%
Last 2 Years	30-Sep-12	15.6152	18.09%	14.42%
Last 3 Years	30-Sep-11	13.8228	16.36%	14.05%
Last 4 Years	30-Sep-10	15.3922	9.06%	7.31%
Last 5 Years	30-Sep-09	12.9850	10.89%	8.59%
Since Inception	08-Jan-07	10.0000	10.59%	8.62%

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

### Asset Allocation



## 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 Sep, 14** : ₹34.8403

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

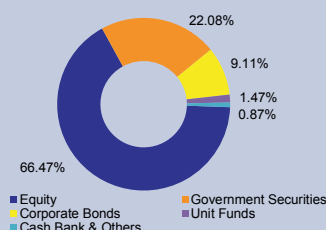
**Corpus as on 30 Sep, 14** : ₹135.21 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	29.6997	17.31%	14.50%
Last 1 Year	30-Sep-13	26.5376	31.29%	28.38%
Last 2 Years	30-Sep-12	25.7579	16.30%	15.05%
Last 3 Years	30-Sep-11	23.1305	14.63%	14.17%
Last 4 Years	30-Sep-10	26.7450	6.83%	7.39%
Last 5 Years	30-Sep-09	23.1280	8.54%	8.48%
Since Inception	02-Mar-04	10.0000	12.51%	12.08%

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 30<sup>th</sup> September 2014)

## Fixed Income Funds

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

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate income through investing in a range of debt and money market instruments of various maturities with a view to maximizing the optimal balance between yield, safety and liquidity. The Fund will have no investments in equity or equity linked instruments at any point in time.

**NAV as on 30 Sep, 14** : ₹17.2240

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

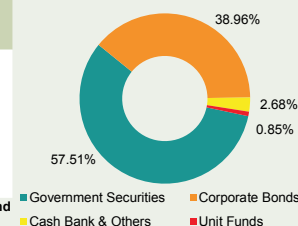
**Corpus as on 30 Sep, 14** : ₹240.59 Crs.

#### Fund Performance

PERIOD	DATE	NAV	Crisil Composite Bond Fund Index	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	16.2544	2047.13	5.97%	6.21%
Last 1 Year	30-Sep-13	15.4546	1948.06	11.45%	11.61%
Last 2 Years	30-Sep-12	14.8155	1883.05	7.82%	7.45%
Last 3 Years	30-Sep-11	13.3098	1718.92	8.97%	8.15%
Last 4 Years	30-Sep-10	12.4617	1628.02	8.43%	7.50%
Last 5 Years	30-Sep-09	11.7500	1543.70	7.95%	7.09%
Since Inception	08-Jan-07	10.0000	1298.79	7.29%	6.89%

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



### 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 30 Sep, 14** : ₹17.3520

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

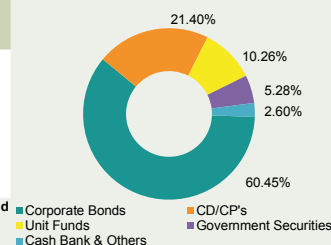
**Corpus as on 30 Sep, 14** : ₹142.09 Crs.

#### Fund Performance

PERIOD	DATE	NAV	Crisil Short Term Bond Index	NAV Change	INDEX Change
Last 6 Months	31-Mar-14	16.6109	2205.82	4.46%	4.80%
Last 1 Year	30-Sep-13	15.8918	2099.30	9.19%	10.12%
Last 2 Years	30-Sep-12	14.7110	1948.67	8.61%	8.92%
Last 3 Years	30-Sep-11	13.4073	1784.00	8.98%	9.02%
Last 4 Years	30-Sep-10	12.5334	1670.28	8.47%	8.46%
Last 5 Years	30-Sep-09	11.8360	1591.88	7.95%	7.75%
Since Inception	08-Jan-07	10.0000	1281.09	7.39%	7.93%

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

#### Asset Allocation



## Guaranteed NAV Funds

The fund would be predominantly invested in equity at inception, wherein the dynamic asset allocation mechanism allocates the portfolio between equity and debt. This dynamic asset allocation is based on the performance of equity markets and movements in interest rates. The equity allocation may be reallocated to debt if the equity markets or interest rates fall, to safeguard the guarantee.

Overtime, the asset mix will predominantly shift to debt to protect the guarantee. This dynamic asset allocation process will drive the returns generated by the Apex Return Lock-in Fund. The dynamic asset allocation shifts the allocation of the fund from an equity bias to a debt bias, overtime. This would mean that the Guaranteed NAV would not mimic the highest level of the equity market, over the period the guarantee is applicable. Any unexpected and sharp falls in equity market and/or interest rates, during the period the guarantee is applicable, may trigger the allocation to completely move towards debt, to protect the highest NAV achieved prior to the fall. Overall, it is an ideal fund for an investor who wants to take advantage of high returns in a positive market scenario while safe-guarding the investment during any downturn.

### APEX Return Lock-In Fund (ULIF 032 18/02/09 ARL 110)

#### Fund Details

**Investment Objective** : The investment objective for Apex Return Lock-in Fund is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%.

**The highest NAV recorded on reset date** : ₹16.0038

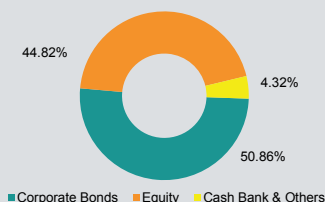
**Corpus as on 30 Sep, 14** : ₹301.10 Crs.

#### Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	31-Mar-14	14.1980	12.17%
Last 1 Year	30-Sep-13	12.8738	23.71%
Last 2 Years	30-Sep-12	12.3431	13.59%
Last 3 Years	30-Sep-11	11.0035	13.12%
Last 4 Years	30-Sep-10	12.4257	6.40%
Last 5 Years	30-Sep-09	10.7760	8.13%
Since Inception	10-Jun-09	10.0000	9.16%

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

#### Asset Allocation



### APEX 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** : ₹15.0952

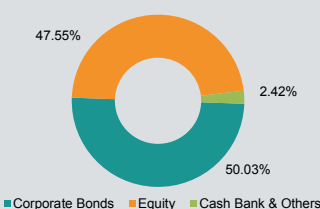
**Corpus as on 30 Sep, 14** : ₹236.57 Crs.

#### Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	31-Mar-14	13.3612	12.51%
Last 1 Year	30-Sep-13	12.0734	24.52%
Last 2 Years	30-Sep-12	11.5559	14.06%
Last 3 Years	30-Sep-11	10.3052	13.41%
Last 4 Years	30-Sep-10	11.5024	6.92%
Since Inception	10-Nov-09	10.0000	8.69%

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 30<sup>th</sup> September 2014)

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

### Fund Details

**Investment Objective** : The investment objective for Apex Plus Return Lock-in Fund is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%.

**The highest NAV recorded on reset date** : ₹14.7614

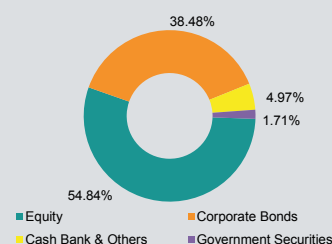
**Corpus as on 30 Sep, 14** : ₹145.87 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	31-Mar-14	12.9076	13.84%
Last 1 Year	30-Sep-13	11.5897	26.78%
Last 2 Years	30-Sep-12	11.1496	14.80%
Last 3 Years	30-Sep-11	9.9466	13.89%
Last 4 Years	30-Sep-10	11.4425	6.45%
Since Inception	10-May-10	10.0000	9.15%

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

### Asset Allocation



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

### Fund Details

**Investment Objective** : The investment objective for Apex Pension 10 Return Lock-in Fund is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%.

**The highest NAV recorded on reset date** : ₹14.8180

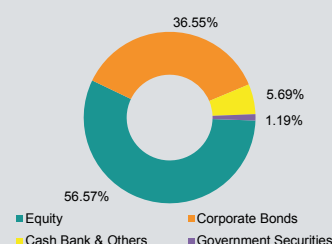
**Corpus as on 30 Sep, 14** : ₹133.20 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	31-Mar-14	12.8755	14.53%
Last 1 Year	30-Sep-13	11.5520	27.65%
Last 2 Years	30-Sep-12	11.1323	15.09%
Last 3 Years	30-Sep-11	9.9306	14.09%
Last 4 Years	30-Sep-10	11.4546	6.52%
Since Inception	10-May-10	10.0000	9.24%

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 September 2014 saw the benchmark index BSE Sensex losing just 0.03% even as the CNX Nifty gained a modest 0.13%. The Mid-cap index, CNX Mid-cap surged 2.74 % during the same period.

FII's were net buyers with inflows of around USD 0.85 bn in the month of September 2014 and the DIIs were net seller to the tune of around USD 0.18 bn, with Insurance companies' net sellers of around USD 0.71 bn and domestic mutual funds, net buyers to the extent of around USD 0.53 bn over the same period. In the first nine months of the calendar year 2014, the FIIs had been net buyers to the tune of USD 13.7 bn with the DIIs net sellers to the tune of USD 5.4 bn, Insurance companies net sellers to the tune of USD 6.8 bn and mutual funds buying Indian equities to the tune of USD 1.4 bn.

Indian equity markets were unscathed given the risk-off pressure faced by many of its EM peers in September 2014 even as MSCI EM posted its worst monthly performance in CY 2014. MSCI India currently trades at a one-year forward PE multiple of around 16 times, with the premium to MSCI EM expanding, as other markets have underperformed India.

The second quarter FY 2015 earnings season is expected to see improved profit performance from the automobiles, banking, consumers, pharmaceuticals and technology sectors. The net profit of the companies making up BSE Sensex is expected to increase by around 10% year on year, even as sales momentum continues to weaken due to muted demand environment.

Corporate credit quality is showing early signs of recovery as reflected by CRISIL's ratio of the number of rating upgrades to downgrades at 1.64 times for the first half of 2014-15, the highest in three years. Export-linked sectors and non-discretionary consumer segments such as packaged foods, pharmaceuticals, textiles and agricultural products saw the highest rate of upgrades.

The government has deferred the decision on rationalization of domestic gas prices until November 15<sup>th</sup>, 2014. Market watchers believe that the government needed to announce the pricing policies for gas in order to augment India's energy security as non-remunerative pricing and policy uncertainties have led to sluggish domestic production, resulting in rising energy imports.

In a landmark ruling, the Supreme Court of India cancelled 214 of the 218 coal blocks which have been allotted by the screening committee or under government dispensation as the process under which the same had been allotted was proclaimed illegal and arbitrary by the court. The court has also ruled that 42 blocks which were operational or near production would continue to remain operational till March, 2015 and if not auctioned by then would be transferred to Coal India for mining. A penalty of ₹295/ tonne has been levied on operational coal mines from date of commencement of the mines to 31<sup>st</sup> March 2015.

The rating agency Moody's estimates that public-sector Indian banks that it rates could need up to USD 37 billion in external capital between FY 2015 and the full implementation of Basel III in FY 2019, assuming a moderate recovery in India's GDP growth, and a gradual decline in nonperforming loans from current levels. Moody's rating universe of Indian public sector banks represents 62% of net loans in the Indian banking system.

Indian equity markets have been the recipients of robust FII flows of USD 13.7 billion over the calendar year 2014, thus far. Moreover, improved sentiments have resulted in a nascent revival in the inflows from domestic retail investors.

The global investors would be keenly watching the policy initiatives of the government aimed at attracting FDI in the manufacturing sector. The success of the government's "Make in India" campaign as well as the efforts to get concrete investment proposals from the global business corporations post the PM's meetings overseas could hinge on the progress made on crucial policy reforms to facilitate the ease of doing business in India. We believe that the equity markets offer comfort of reasonable valuations for a long-term investor with a 3-5 year view.



# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 30<sup>th</sup> September 2014)

## Debt Outlook

Debt market in the month of September 2014 saw the 10 year Government security (G-sec) close the month at 8.51% levels, easing by 5 bps from the August levels. On the corporate bond side, the 10 year AAA corporate bonds closed the month at around 9.17% levels.

The FIIs were buyers of Indian debt to the tune of USD 2.5 bn over the month of September with the cumulative FII inflows in the Indian debt standing at around USD 19.5 bn in CYTD thus far.

The Government's borrowing calendar for the second half of 2014-15 is set at INR 2.4 tn on a gross basis, with the overall gross borrowing at INR 5.92 tn for the entire fiscal 2014-15 as against the budgeted INR 6.0 tn. The weekly auctions size is around INR140 bn with no borrowings scheduled in the month of March. The G-sec issuance in the second half is concentrated in the 10 year to 14 year segment, which accounts for around 40 % of the gross borrowing. The borrowing calendar for the first half of 2014-15 was estimated at INR 3.68 tn with the actual borrowing lower at INR 3.52 tn.

On a cumulative basis, the fiscal deficit for the period April-August 2014 came in at 75% of budget estimates higher than the five-year average of 64% of estimates. Going forward, there would be sustained pressures on the fiscal deficit from weak tax revenue growth while lower subsidy bill due to benign crude prices as well as higher proceeds from divestment programme could help the government meet its budgeted fiscal deficit target of 4.1% of GDP.

In line with market expectations, the RBI in its Bi-monthly monetary policy left key policy rates unchanged while announcing measures on liquidity and development of the G-Sec market. The RBI announced timelines for a step-wise reduction in Held to Maturity (HTM) limits from 24% to 22% during the period January 2015 to September 2015

The RBI noted that the headline inflation, since June 2014, had ebbed to levels which were consistent with their desired near-term glide path of disinflation at 8 % by January 2015. The RBI was satisfied with the steady decline in inflation excluding food and fuel since January 2014. They opined that the softening of international crude prices and relative stability of the INR were positive for headline inflation in the near term. However, the RBI highlighted risks from food price shocks on the back of sub-par monsoons as well as the impact of adverse geo-political developments on the inflation trajectory . The RBI opined that favourable base effects could temper inflation in the next few months only to reverse towards the end of the year and added that it would look through these base effects.

The RBI guided that the risks around the baseline path of inflation were broadly balanced in the near term, though with a downward bias. In what was perceived by market watchers as a reflection of its hawkish stance, the RBI stated that there were upside risks on the balance, as regards to the medium-term objective of 6 % by January 2016 and that they were prepared to contain inflationary pressures if the risks did actually materialize. The RBI summarized that their future policy stance would be influenced by their projections of inflation relative to the medium term objective, while being contingent on incoming data.

The market watchers are bracing for an extended pause from the RBI as it seems determined to achieve its stated objective on inflation even though growth concerns remain. Further, the expected tightening of the interest rates by the US Fed along with its global ramifications will be a key input for the RBI in setting the domestic policy rates.

The yield on the 10-year benchmark G-Sec has been on a steady decline over the past few months due to the favourable trajectory of the CPI inflation as well as falling global commodity prices. Strong flows in Indian debt market from Foreign portfolio investors (FPI) have enabled the easing in the G-sec yields. The next leg of meaningful easing in G-sec yields in the near term could require the RBI to ease the limit for the FPI debt while a sustained easing in G-sec yields in the medium term would be contingent on the trajectory of inflation following the projected glide path . We believe that the sovereign ratings outlook upgrade by S&P from negative to stable is a key positive for the market sentiment and has lifted a major overhang from the Indian debt market.

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