

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 30th September 2015)

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

Investment Report

The month of September 2015 saw the benchmark index BSE Sensex and CNX Nifty shed 0.49% and 0.28% respectively. The Mid-cap index, CNX Mid-cap shed 0.57% during the same period.

Equity Funds

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

Fund Details		Fund Performance					Asset Allocation	
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.	PERIOD	DATE	NAV	S&P BSE Sensex	NAV Change	INDEX Change	
NAV as on 30 Sep, 15	: ₹46.7117	Last 3 Months	30-Jun-15	49.5319	27780.83	-5.69%	-5.85%	
Benchmark	: S&P BSE Sensex - 100%	Last 6 Months	31-Mar-15	49.9858	27957.49	-6.55%	-6.45%	
Corpus as on 30 Sep, 15	: ₹1,573.52 Crs.	Last 1 Year	30-Sep-14	46.6801	26630.51	0.07%	-1.79%	
		Last 2 Years	30-Sep-13	33.9010	19379.77	17.38%	16.17%	
		Last 3 Years	30-Sep-12	32.2486	18762.74	13.15%	11.71%	
		Last 4 Years	30-Sep-11	28.9536	16453.76	12.70%	12.28%	
		Last 5 Years	30-Sep-10	35.8155	20069.12	5.46%	5.44%	
		Since Inception	02-Mar-04	10.0000	5823.17	14.23%	13.84%	
		<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	
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.	PERIOD	DATE	NAV	NSE CNX MIDCAP	NAV Change	INDEX Change	
NAV as on 30 Sep, 15	: ₹31.5881	Last 3 Months	30-Jun-15	32.3267	13009.65	-2.28%	-0.19%	
Benchmark	: NSE CNX MIDCAP-100%	Last 6 Months	31-Mar-15	32.0154	13001.25	-1.33%	-0.13%	
Corpus as on 30 Sep, 15	: ₹1,956.63 Crs.	Last 1 Year	30-Sep-14	25.3843	11418.30	24.44%	13.72%	
		Last 2 Years	30-Sep-13	14.9106	6997.95	45.55%	36.22%	
		Last 3 Years	30-Sep-12	14.4475	7840.55	29.79%	18.31%	
		Last 4 Years	30-Sep-11	12.6858	7094.00	25.62%	16.31%	
		Last 5 Years	30-Sep-10	14.9069	9164.25	16.21%	7.22%	
		Since Inception	08-Jan-07	10.0000	5156.45	14.08%	11.16%	
		<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	
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.	PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change	
NAV as on 30 Sep, 15	: ₹17.3910	Last 3 Months	30-Jun-15	18.4046	8368.50	-5.51%	-5.01%	
Benchmark	: CNX Nifty-100%	Last 6 Months	31-Mar-15	18.5280	8491.00	-6.14%	-6.38%	
Corpus as on 30 Sep, 15	: ₹824.60 Crs.	Last 1 Year	30-Sep-14	16.8473	7964.80	3.23%	-0.20%	
		Last 2 Years	30-Sep-13	11.9466	5735.30	20.65%	17.73%	
		Last 3 Years	30-Sep-12	11.3770	5703.30	15.19%	11.70%	
		Last 4 Years	30-Sep-11	9.8931	4943.25	15.15%	12.61%	
		Last 5 Years	30-Sep-10	11.7142	6029.95	8.22%	5.68%	
		Since Inception	07-Jan-08	10.0000	6279.10	7.42%	3.10%	
		<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	
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.	PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change	
NAV as on 30 Sep, 15	: ₹19.6628	Last 3 Months	30-Jun-15	20.3790	8368.50	-3.51%	-5.01%	
Benchmark	: CNX Nifty-100%	Last 6 Months	31-Mar-15	20.5783	8491.00	-4.45%	-6.38%	
Corpus as on 30 Sep, 15	: ₹152.17 Crs.	Last 1 Year	30-Sep-14	18.4137	7964.80	6.78%	-0.20%	
		Last 2 Years	30-Sep-13	13.0352	5735.30	22.82%	17.73%	
		Last 3 Years	30-Sep-12	12.6909	5703.30	15.71%	11.70%	
		Last 4 Years	30-Sep-11	11.2304	4943.25	15.03%	12.61%	
		Last 5 Years	30-Sep-10	13.4828	6029.95	7.84%	5.68%	
		Since Inception	04-Feb-08	10.0000	5463.50	9.23%	5.02%	
		<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 30th September 2015)

Select Equity Fund (ULIF 024 06/10/08 TSE 110)

Fund Details		Fund Performance					Asset Allocation	
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.	PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change	
NAV as on 30 Sep, 15	₹32.9494	Last 3 Months	30-Jun-15	33.5529	2191.45	-1.80%	-2.42%	
Benchmark	CNX India 500 Shariah Index - 100%	Last 6 Months	31-Mar-15	33.6608	2146.32	-2.11%	-0.37%	
Corpus as on 30 Sep, 15	₹173.89 Crs.	Last 1 Year	30-Sep-14	29.6627	2021.14	11.08%	5.80%	
		Last 2 Years	30-Sep-13	19.7955	1405.23	29.02%	23.36%	
		Last 3 Years	30-Sep-12	18.4337	1322.78	21.36%	17.36%	
		Last 4 Years	30-Sep-11	16.3002	1184.71	19.24%	15.91%	
		Last 5 Years	30-Sep-10	18.4039	1396.81	12.35%	8.89%	
		Since Inception	06-Oct-08	10.0000	844.46	18.61%	14.22%	
<p>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.</p>								

Super Select Equity Fund (ULIF 035 16/10/09 TSS 110)

Fund Details		Fund Performance					Asset Allocation	
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	PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change	
NAV as on 30 Sep, 15	₹21.9996	Last 3 Months	30-Jun-15	22.3694	2191.45	-1.65%	-2.42%	
Benchmark	CNX India 500 Shariah Index - 100%	Last 6 Months	31-Mar-15	22.3586	2146.32	-1.61%	-0.37%	
Corpus as on 30 Sep, 15	₹808.26 Crs.	Last 1 Year	30-Sep-14	19.5212	2021.14	12.70%	5.80%	
		Last 2 Years	30-Sep-13	12.9004	1405.23	30.59%	23.36%	
		Last 3 Years	30-Sep-12	11.9909	1322.78	22.42%	17.36%	
		Last 4 Years	30-Sep-11	10.7236	1184.71	19.68%	15.91%	
		Last 5 Years	30-Sep-10	11.9622	1396.81	12.96%	8.89%	
		Since Inception	16-Oct-09	10.0000	1217.76	14.15%	9.91%	
<p>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.</p>								

Top 200 Fund (ULIF 027 12/01/09 ITT 110)

Fund Details		Fund Performance					Asset Allocation	
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.	PERIOD	DATE	NAV	S&P BSE 200	NAV Change	INDEX Change	
NAV as on 30 Sep, 15	₹32.2722	Last 3 Months	30-Jun-15	33.0390	3499.51	-2.32%	-4.21%	
Benchmark	S&P BSE 200 - 100%	Last 6 Months	31-Mar-15	33.3447	3537.55	-3.22%	-5.24%	
Corpus as on 30 Sep, 15	₹146.46 Crs.	Last 1 Year	30-Sep-14	29.0545	3251.84	11.07%	3.08%	
		Last 2 Years	30-Sep-13	19.1909	2281.93	29.68%	21.20%	
		Last 3 Years	30-Sep-12	19.1684	2307.58	18.96%	13.25%	
		Last 4 Years	30-Sep-11	16.9617	2028.27	17.45%	13.38%	
		Last 5 Years	30-Sep-10	20.2636	2530.47	9.75%	5.78%	
		Since Inception	12-Jan-09	10.0000	1091.37	19.05%	18.18%	
<p>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.</p>								

Balanced Funds

Aggressive Growth Fund (ULIF 006 01/07/06 TAL 110)

Fund Details		Fund Performance					Asset Allocation	
Investment Objective	The primary investment objective of the fund is to maximize the returns with medium to high risk.	PERIOD	DATE	NAV	NAV Change	INDEX Change		
NAV as on 30 Sep, 15	₹23.8599	Last 3 Months	30-Jun-15	23.9366	-0.32%	-2.51%		
Benchmark	S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%	Last 6 Months	31-Mar-15	24.2072	-1.43%	-2.68%		
Corpus as on 30 Sep, 15	₹177.55 Crs.	Last 1 Year	30-Sep-14	22.2829	7.08%	3.23%		
		Last 2 Years	30-Sep-13	16.5407	20.10%	14.74%		
		Last 3 Years	30-Sep-12	16.3889	13.34%	10.81%		
		Last 4 Years	30-Sep-11	14.7543	12.77%	11.22%		
		Last 5 Years	30-Sep-10	16.9211	7.11%	6.51%		
		Since Inception	01-Jul-06	10.0000	9.85%	9.25%		
<p>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.</p>								

Whole Life Aggressive Growth Fund (ULIF 010 04/01/07 WLA 110)

Fund Details		Fund Performance					Asset Allocation	
Investment Objective	The primary investment objective of the fund is to maximize the returns with medium to high risk.	PERIOD	DATE	NAV	NAV Change	INDEX Change		
NAV as on 30 Sep, 15	₹23.7060	Last 3 Months	30-Jun-15	23.8320	-0.53%	-1.97%		
Benchmark	Nifty - 65%, CRISIL Composite Bond Index - 35%	Last 6 Months	31-Mar-15	24.1368	-1.78%	-2.63%		
Corpus as on 30 Sep, 15	₹368.44 Crs.	Last 1 Year	30-Sep-14	21.7766	8.86%	4.27%		
		Last 2 Years	30-Sep-13	16.0124	21.67%	15.75%		
		Last 3 Years	30-Sep-12	15.6152	14.93%	10.80%		
		Last 4 Years	30-Sep-11	13.8228	14.44%	11.43%		
		Last 5 Years	30-Sep-10	15.3922	9.02%	6.67%		
		Since Inception	08-Jan-07	10.0000	10.39%	8.09%		
<p>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.</p>								

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

Fund Details		Fund Performance				Asset Allocation	
Investment Objective	: The primary investment objective of the fund is to maximize the returns with medium to high risk.	PERIOD	DATE	NAV	NAV Change	INDEX Change	
NAV as on 30 Sep, 15	: ₹37.7441	Last 3 Months	30-Jun-15	37.8324	-0.23%	-2.51%	
Benchmark	: S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%	Last 6 Months	31-Mar-15	38.1632	-1.10%	-2.68%	
Corpus as on 30 Sep, 15	: ₹135.02 Crs.	Last 1 Year	30-Sep-14	34.8403	8.33%	3.23%	
		Last 2 Years	30-Sep-13	26.5376	19.26%	14.74%	
		Last 3 Years	30-Sep-12	25.7579	13.58%	10.81%	
		Last 4 Years	30-Sep-11	23.1305	13.02%	11.22%	
		Last 5 Years	30-Sep-10	26.7450	7.13%	6.51%	
		Since Inception	02-Mar-04	10.0000	12.15%	11.24%	
		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.					

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 Sep, 15	: ₹19.6811	Last 3 Months	30-Jun-15	18.8661	2360.29	4.32%	3.69%	
Benchmark	: CRISIL Composite Bond Index -100%	Last 6 Months	31-Mar-15	18.8427	2345.74	4.45%	4.33%	
Corpus as on 30 Sep, 15	: ₹241.47 Crs.	Last 1 Year	30-Sep-14	17.2240	2174.26	14.27%	12.56%	
		Last 2 Years	30-Sep-13	15.4546	1948.06	12.85%	12.08%	
		Last 3 Years	30-Sep-12	14.8155	1883.05	9.93%	9.13%	
		Last 4 Years	30-Sep-11	13.3098	1718.92	10.27%	9.23%	
		Last 5 Years	30-Sep-10	12.4617	1628.02	9.57%	8.49%	
		Since Inception	08-Jan-07	10.0000	1298.79	8.06%	7.53%	
		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.						

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, 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	: ₹17.3027	Last 3 Months	30-Jun-15	17.0323	0.10%		
Corpus as on 30 Sep, 15	: ₹255.42 Crs.	Last 6 Months	31-Mar-15	17.0394	0.06%		
		Last 1 Year	30-Sep-14	15.9265	7.05%		
		Last 2 Years	30-Sep-13	12.8738	15.08%		
		Last 3 Years	30-Sep-12	12.3431	11.37%		
		Last 4 Years	30-Sep-11	11.0035	11.57%		
		Last 5 Years	30-Sep-10	12.4257	6.53%		
		Since Inception	10-Jun-09	10.0000	8.82%		
		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	: ₹16.3182	Last 3 Months	30-Jun-15	16.0623	0.04%		
Corpus as on 30 Sep, 15	: ₹184.43 Crs.	Last 6 Months	31-Mar-15	16.0361	0.21%		
		Last 1 Year	30-Sep-14	15.0332	6.89%		
		Last 2 Years	30-Sep-13	12.0734	15.37%		
		Last 3 Years	30-Sep-12	11.5559	11.62%		
		Last 4 Years	30-Sep-11	10.3052	11.75%		
		Last 5 Years	30-Sep-10	11.5024	6.92%		
		Since Inception	10-Nov-09	10.0000	8.39%		
		Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.					

Quick Glance - Funds Performance

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Equity Outlook

The month of September 2015 saw the benchmark index BSE Sensex and CNX Nifty shed 0.49% and 0.28% respectively. The Mid-cap index, CNX Mid-cap shed 0.57% during the same period.

The FIIs were net sellers with outflows of around USD 0.87 bn in the month of September 2015 and the DIIs were net buyers to the tune of USD 1.57 bn with insurance companies net buyers to the tune of around USD 0.27 bn and domestic mutual funds, net buyers to the tune of USD 1.3 bn. FIIs have bought Indian equities to the tune of USD 3.4 bn in the first nine months of the calendar year even as the DIIs have been net buyers of around USD 8.2 bn in the same period, with insurance companies selling around USD 0.2 bn even as domestic mutual funds bought around USD 8.4 bn.

The month of September started on a tepid note with emerging market equities under pressure due to lingering concerns of an imminent rate hike by the US Federal Reserve (Fed). However, the markets were supported by the Fed's decision to keep rates unchanged even as strong Indian macro data, sustained executive action from the government to boost economic activity as well as the unexpected 50 bps rate cut delivered by the RBI helped lift the market sentiment towards the second half of the month.

The second quarter earnings season could see muted growth in corporate revenue on the back of weak demand environment and subdued prices, weighed down by sectors such as oil & gas and metals even as the export oriented sectors such as IT and Pharmaceuticals could benefit from a weaker INR. The corporate margins could be supported by lower input costs on the back of benign commodity prices. The banking sector could see some decline in fresh impairments as well as an improvement in treasury performance even as the loan growth and Net interest margins would remain under pressure.

In a move to provide some relief to the Indian steel industry aimed at moderating the flow of steel imports, which have risen sharply and forced steel price cuts in the domestic market, the Finance Ministry has approved the imposition of 20% provisional safeguard duty on certain hot rolled steel products. This is in line with the recommendation made by the Directorate General of Safeguards (DGS) and would be applicable for a period of 200 days.

The RBI granted 10 "in-principle" Small Finance Bank licenses with 8 out of the 10 licenses awarded to microfinance companies (MFIs). These banks will be subject to same CRR/SLR guidelines as commercial banks and will need to ensure that 75% of their loans classify as priority sector loans.

In a move to address the asset quality issues of the banks, the RBI has allowed the banks the freedom to convert debt to equity similar to Strategic Debt Restructuring (SDR) plan. This move will allow the banks to take greater control of the operations of their corporate borrowers.

There has been an increase in economic activity in the infrastructure sector where road project awards have seen a pickup in H1FY16, with the NHAI awarding more than ₹250bn worth of projects spread across 2,000km, with the award in the second half expected to be even higher. Moreover, there has been a recent surge in activity in the urban infrastructure space with the recent awards of contracts to the tune of ₹190bn for the Mumbai Metro.

Going forward, while global uncertainties will continue to shape the trajectory of the Indian equity markets, the markets would take further cues from the comments of the US Fed in its October FOMC meet. The RBI's dovish policy stance as well as its 50 bps rate cut in its bi-monthly monetary policy review could be a key enabler to catalyze the nascent investment cycle.

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 September 2015 saw the benchmark 10 year Government security (G-sec) close the month at 7.54%, easing by 25 bps over the month. On the corporate bond side, the 10 year AAA corporate bond closed the month at around 8.19%, easing by 16 bps over the month.

In September 2015, the Foreign Portfolio Investors (FPIs) were marginal buyers of Indian debt to the extent of USD 57 mn, taking the overall purchase to USD 6.1 bn in the first six months of the current fiscal.

The RBI, in its fourth bi-monthly monetary policy review on September 29th, delivered an unexpected outsized rate cut while maintaining a dovish outlook on inflation and signaling continued accommodative monetary policy, which triggered a sharp rally in the Indian debt market. The RBI cut the policy repo rate by 50bps to 6.75%, higher than the market expectations of a 25bps cut.

The RBI noted that since its previous bi-monthly policy in August, inflation had dropped to a nine-month low and despite the monsoon deficiency, food inflation pressures had been contained by resolute actions by the government to manage supply. The RBI was satisfied that the disinflation had been broad-based and inflation excluding food and fuel had come off its recent peak in June.

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The RBI observed that the fixed income markets had transmitted its past policy actions via commercial paper and corporate bonds, but expressed concern that the banks had done so only to a limited extent as their median base lending rates had fallen by only about 30 bps despite extremely easy liquidity conditions, 75 bps of the policy rate reduction during January-June period and lower bank deposit rates. The RBI intends to work with the government to ensure that impediments to the banks passing on the bulk of the cumulative 125 bps cut in the policy rate since January are removed.

On the inflation front, the RBI estimated CPI inflation to reach 5.8% in January 2016, a shade lower than its projection in the August bi-monthly policy. In the monetary policy statement of April 2015, the RBI had noted that it would strive to reach the mid-point of the inflation band of 4% by the end of fiscal 2018. Therefore, the RBI would now shift its target to bring inflation to around 5% by the end of fiscal 2017.

In this context, the RBI opined that the weakening global activity muting commodity prices, the still-low domestic industrial capacity utilization and the government's commitment to meet its fiscal targets and improve the quality of its spending would necessitate an accommodative monetary policy to the extent possible. The RBI stated that the investment is likely to respond more strongly if there is more certainty about the extent of monetary stimulus in the pipeline, even if transmission is slow. Therefore, the RBI had front-loaded policy action by a reduction in the policy rate by 50 bps. Given their year-ahead projections of inflation, this ensures one year expected treasury bill real interest rates of about 1.5-2%, which the RBI felt was appropriate for this stage of the recovery.

In a much awaited move, the RBI announced the framework for the Foreign Portfolio Investment (FPI) limits in the debt securities, which will henceforth be announced in INR terms. For central government securities, the limits will be increased in phased manner to 5% of the outstanding stock by March 2018, opening up room for additional investments to the tune of ₹1.2 tn by March 2018. Additionally, there will be a separate limit for investment by FPIs in the State Development Loans (SDLs), which would be increased in phases to reach 2% of the outstanding stock by March 2018, amounting to an additional limit of about ₹500 bn by March 2018.

The overall government borrowing for the second half FY 2016 remains on track with budget estimates, with the gross G-Sec borrowing at ₹2.34 tn, implying the annual G-Sec borrowing at a reduced ₹5.85 tn compared to FY2016BE of ₹6 tn. However, this reduction in G-sec borrowing will be offset by ₹150 bn worth of sovereign gold bonds, keeping the central government's total market borrowing for FY2016 unchanged. The weekly auction size of dated securities is ₹150 bn until mid-December followed by ₹140 bn for the rest of the period with the auctions spread over 16 weeks. The gross issuances are bunched in the 10-14-year bucket, which makes up 48% of the issuance.

The fixed income markets would take support from the RBI's rate cut as well as its dovish outlook while tracking the September CPI inflation print and the FOMC meeting of the US Fed in October for further cues. The opening up of the FPI limits is an added tailwind for the Indian debt markets in the medium term.

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