

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 29<sup>th</sup> July 2016)

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

## Investment Report

The month of July 2016 saw the benchmark index S&P BSE Sensex gain 3.9% while Nifty 50 gained 4.2%. The Mid-cap index, Nifty Free Float Mid-cap 100 surged 6.9% 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>		
<b>NAV as on 29 July, 16</b>	: ₹51.6844	Last 3 Months	29-Apr-16	46.7161	25606.62	10.64%	9.55%		
<b>Benchmark</b>	: S&P BSE Sensex - 100%	Last 6 Months	29-Jan-16	45.0043	24870.69	14.84%	12.79%		
<b>Corpus as on 29 July, 16</b>	: ₹1,497.52 Crs.	Last 1 Year	31-Jul-15	50.5444	28114.56	2.26%	-0.22%		
		Last 2 Years	31-Jul-14	45.3927	25894.97	6.71%	4.08%		
		Last 3 Years	31-Jul-13	33.8033	19345.70	15.20%	13.19%		
		Last 4 Years	31-Jul-12	30.0129	17236.18	14.55%	12.95%		
		Last 5 Years	29-Jul-11	32.4385	18197.20	9.76%	9.04%		
		Since Inception	02-Mar-04	10.0000	5823.17	14.14%	13.50%		
		<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>		
<b>NAV as on 29 July, 16</b>	: ₹36.5170	Last 3 Months	29-Apr-16	31.5474	13195.30	15.75%	11.95%		
<b>Benchmark</b>	: Nifty Free Float Midcap 100 -100%	Last 6 Months	29-Jan-16	30.2409	12469.10	20.75%	18.47%		
<b>Corpus as on 29 July, 16</b>	: ₹2,012.05 Crs.	Last 1 Year	31-Jul-15	33.6805	13728.65	8.42%	7.61%		
		Last 2 Years	31-Jul-14	23.0735	10838.20	25.80%	16.75%		
		Last 3 Years	31-Jul-13	15.0087	6872.95	34.50%	29.05%		
		Last 4 Years	31-Jul-12	13.4248	7168.50	28.42%	19.81%		
		Last 5 Years	29-Jul-11	13.8498	8017.35	21.40%	13.00%		
		Since Inception	08-Jan-07	10.0000	5156.45	14.51%	11.64%		
		<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>		
<b>NAV as on 29 July, 16</b>	: ₹19.1506	Last 3 Months	29-Apr-16	17.3289	7849.80	10.51%	10.05%		
<b>Benchmark</b>	: Nifty 50 -100%	Last 6 Months	29-Jan-16	16.7574	7563.55	14.28%	14.21%		
<b>Corpus as on 29 July, 16</b>	: ₹747.47 Crs.	Last 1 Year	31-Jul-15	18.8327	8532.85	1.69%	1.24%		
		Last 2 Years	31-Jul-14	16.3219	7721.30	8.32%	5.77%		
		Last 3 Years	31-Jul-13	11.8589	5742.00	17.32%	14.58%		
		Last 4 Years	31-Jul-12	10.5408	5229.00	16.10%	13.37%		
		Last 5 Years	29-Jul-11	10.9588	5482.00	11.81%	9.52%		
		Since Inception	07-Jan-08	10.0000	6279.10	7.88%	3.79%		
		<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>		
<b>NAV as on 29 July, 16</b>	: ₹21.7651	Last 3 Months	29-Apr-16	19.5050	7849.80	11.59%	10.05%		
<b>Benchmark</b>	: Nifty 50 -100%	Last 6 Months	29-Jan-16	18.8229	7563.55	15.63%	14.21%		
<b>Corpus as on 29 July, 16</b>	: ₹140.46 Crs.	Last 1 Year	31-Jul-15	21.0447	8532.85	3.42%	1.24%		
		Last 2 Years	31-Jul-14	17.6402	7721.30	11.08%	5.77%		
		Last 3 Years	31-Jul-13	12.9814	5742.00	18.80%	14.58%		
		Last 4 Years	31-Jul-12	11.7278	5229.00	16.72%	13.37%		
		Last 5 Years	29-Jul-11	12.4935	5482.00	11.74%	9.52%		
		Since Inception	04-Feb-08	10.0000	5463.50	9.60%	5.55%		
		<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 29<sup>th</sup> July 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.

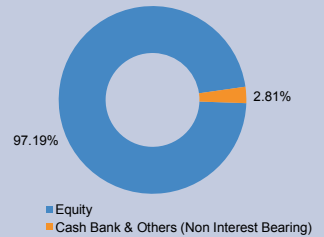
**NAV as on 29 July, 16** : ₹34.9465  
**Benchmark** : Nifty500 Shariah - 100%  
**Corpus as on 29 July, 16** : ₹154.51 Crs.

### Fund Performance

PERIOD	DATE	NAV	Nifty500 Shariah	NAV Change	INDEX Change
Last 3 Months	29-Apr-16	31.7041	2137.17	10.23%	9.12%
Last 6 Months	29-Jan-16	31.3319	2066.39	11.54%	12.86%
Last 1 Year	31-Jul-15	34.5021	2261.95	1.29%	3.10%
Last 2 Years	31-Jul-14	27.3565	1883.82	13.02%	11.26%
Last 3 Years	31-Jul-13	19.4576	1392.53	21.55%	18.75%
Last 4 Years	31-Jul-12	17.0807	1215.84	19.60%	17.68%
Last 5 Years	29-Jul-11	17.7502	1275.35	14.51%	12.83%
Since Inception	06-Oct-08	10.0000	844.46	17.36%	13.88%

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.

### 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.

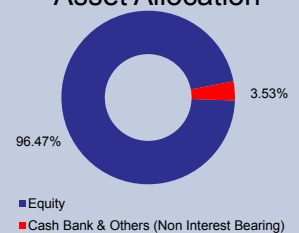
**NAV as on 29 July, 16** : ₹23.4379  
**Benchmark** : Nifty500 Shariah - 100%  
**Corpus as on 29 July, 16** : ₹633.38 Crs.

### Fund Performance

PERIOD	DATE	NAV	Nifty500 Shariah	NAV Change	INDEX Change
Last 3 Months	29-Apr-16	21.1936	2137.17	10.59%	9.12%
Last 6 Months	29-Jan-16	20.8670	2066.39	12.32%	12.86%
Last 1 Year	31-Jul-15	23.0368	2261.95	1.74%	3.10%
Last 2 Years	31-Jul-14	17.9842	1883.82	14.16%	11.26%
Last 3 Years	31-Jul-13	12.6692	1392.53	22.76%	18.75%
Last 4 Years	31-Jul-12	11.1458	1215.84	20.42%	17.68%
Last 5 Years	29-Jul-11	11.6166	1275.35	15.07%	12.83%
Since Inception	16-Oct-09	10.0000	1217.76	13.37%	10.04%

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



## 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.

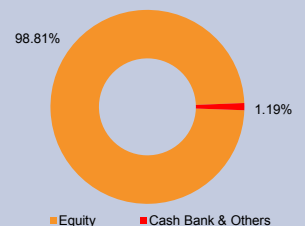
**NAV as on 29 July, 16** : ₹35.8183  
**Benchmark** : S&P BSE 200 - 100%  
**Corpus as on 29 July, 16** : ₹129.70 Crs.

### Fund Performance

PERIOD	DATE	NAV	S&P BSE 200	NAV Change	INDEX Change
Last 3 Months	29-Apr-16	31.6100	3321.63	13.31%	11.15%
Last 6 Months	29-Jan-16	30.7688	3191.12	16.41%	15.70%
Last 1 Year	31-Jul-15	34.3189	3588.95	4.37%	2.87%
Last 2 Years	31-Jul-14	27.1151	3144.77	14.93%	8.35%
Last 3 Years	31-Jul-13	19.1230	2270.93	23.27%	17.59%
Last 4 Years	31-Jul-12	17.7540	2114.47	19.18%	14.95%
Last 5 Years	29-Jul-11	18.8510	2256.48	13.70%	10.35%
Since Inception	12-Jan-09	10.0000	1091.37	18.42%	17.52%

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.

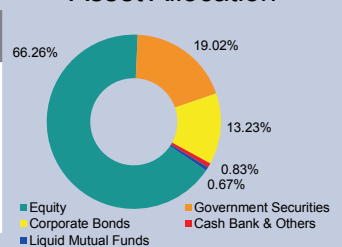
**NAV as on 29 July, 16** : ₹26.3069  
**Benchmark** : S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 29 July, 16** : ₹168.44 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 3 Months	29-Apr-16	24.0480	9.39%	7.54%
Last 6 Months	29-Jan-16	23.1782	13.50%	10.73%
Last 1 Year	31-Jul-15	24.4954	7.40%	3.83%
Last 2 Years	31-Jul-14	21.4835	10.66%	6.69%
Last 3 Years	31-Jul-13	16.4578	16.92%	12.41%
Last 4 Years	31-Jul-12	15.5146	14.11%	11.75%
Last 5 Years	29-Jul-11	15.8728	10.63%	9.16%
Since Inception	01-Jul-06	10.0000	10.07%	9.27%

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.

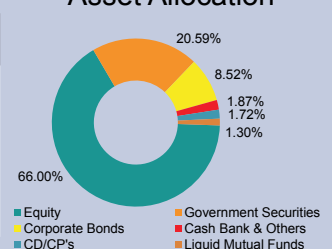
**NAV as on 29 July, 16** : ₹26.3710  
**Benchmark** : Nifty 50 - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 29 July, 16** : ₹352.74 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 3 Months	29-Apr-16	23.9925	9.91%	7.86%
Last 6 Months	29-Jan-16	22.9742	14.79%	11.66%
Last 1 Year	31-Jul-15	24.5016	7.63%	4.78%
Last 2 Years	31-Jul-14	20.9754	12.13%	7.78%
Last 3 Years	31-Jul-13	16.0254	18.06%	13.32%
Last 4 Years	31-Jul-12	14.6897	15.75%	12.02%
Last 5 Years	29-Jul-11	14.7743	12.29%	9.47%
Since Inception	08-Jan-07	10.0000	10.67%	8.30%

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

### Asset Allocation



# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 29<sup>th</sup> July 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 29 July, 16</b>	: ₹41.4828	Last 3 Months	29-Apr-16	37.9896	9.20%	7.54%	
<b>Benchmark</b>	: S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%	Last 6 Months	29-Jan-16	36.7254	12.95%	10.73%	
<b>Corpus as on 29 July, 16</b>	: ₹140.71 Crs.	Last 1 Year	31-Jul-15	38.8327	6.82%	3.83%	
		Last 2 Years	31-Jul-14	33.8420	10.71%	6.69%	
		Last 3 Years	31-Jul-13	26.4208	16.23%	12.41%	
		Last 4 Years	31-Jul-12	24.2869	14.32%	11.75%	
		Last 5 Years	29-Jul-11	24.9589	10.70%	9.16%	
		Since Inception	02-Mar-04	10.0000	12.14%	11.11%	

**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 29 July, 16</b>	: ₹21.3612	Last 3 Months	29-Apr-16	20.4134	2564.04	4.64%	3.81%	
<b>Benchmark</b>	: CRISIL Composite Bond Index -100%	Last 6 Months	29-Jan-16	19.6958	2489.49	8.46%	6.91%	
<b>Corpus as on 29 July, 16</b>	: ₹248.76 Crs.	Last 1 Year	31-Jul-15	19.1195	2389.95	11.72%	11.37%	
		Last 2 Years	31-Jul-14	16.9692	2140.08	12.20%	11.52%	
		Last 3 Years	31-Jul-13	15.5703	1947.21	11.12%	10.98%	
		Last 4 Years	31-Jul-12	14.4753	1849.96	10.22%	9.52%	
		Last 5 Years	29-Jul-11	13.1511	1699.88	10.19%	9.38%	
		Since Inception	08-Jan-07	10.0000	1298.79	8.26%	7.79%	

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

## 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>	: ₹18.0969	Last 3 Months	29-Apr-16	17.5076	4.50%		
<b>Corpus as on 29 July, 16</b>	: ₹242.83 Crs.	Last 6 Months	29-Jan-16	17.0608	7.24%		
		Last 1 Year	31-Jul-15	17.2688	5.95%		
		Last 2 Years	31-Jul-14	15.5235	8.56%		
		Last 3 Years	31-Jul-13	12.7773	12.71%		
		Last 4 Years	31-Jul-12	11.6905	11.85%		
		Last 5 Years	29-Jul-11	11.6507	9.45%		
		Since Inception	10-Jun-09	10.0000	8.83%		

**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.

### 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>	: ₹17.0824	Last 3 Months	29-Apr-16	16.4941	4.78%		
<b>Corpus as on 29 July, 16</b>	: ₹173.63 Crs.	Last 6 Months	29-Jan-16	16.0439	7.72%		
		Last 1 Year	31-Jul-15	16.2696	6.23%		
		Last 2 Years	31-Jul-14	14.6332	8.68%		
		Last 3 Years	31-Jul-13	12.0189	12.87%		
		Last 4 Years	31-Jul-12	10.9051	12.20%		
		Last 5 Years	29-Jul-11	10.9299	9.60%		
		Since Inception	10-Nov-09	10.0000	8.48%		

**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 29<sup>th</sup> July 2016)

## Equity Outlook

The month of July 2016 saw the benchmark index S&P BSE Sensex gain 3.9% while Nifty 50 gained 4.2%. The Mid-cap index, Nifty Free Float Mid-cap 100 surged 6.9% during the same period.

The FIIs were net buyers with inflows of around USD 1.7 bn in the month of July 2016 and the DIIs were net sellers to the tune of USD 0.9 bn with insurance companies' net sellers to the tune of around USD 0.86 bn even as domestic mutual funds were marginal net sellers to the tune of USD 0.04 bn.

The stellar performance of the Indian equity market in the month of July was on the back of global cues such as better than expected US jobs data, expectation of fiscal stimulus from Japan and a sharp fall in international crude oil prices. On the domestic front, satisfactory progress in the south west monsoon and higher sowing acreages of Kharif (summer crop) increased the possibility of a recovery in rural demand. Market experts project double digit earnings growth for companies comprising Nifty 50 index for the fiscal 2017 and 2018.

The Indian government intends to implement the landmark reform, Goods & Services Tax (GST) from April 1<sup>st</sup>, 2017, a challenging timeline, considering that a significant amount of legislative and administrative process remains to be completed. Early indications suggest sectors such as automobiles, consumer durables as well as media and entertainment would be positively impacted while marginally negative impact is likely in sectors such as telecom, though the actual outcomes would be dependent on the levels and slabs of the GST.

In a positive development, the government announced additional capital of ₹229 bn in FY 2017 for public sector banks out of which 75% was earmarked for immediate release while the remaining 25% was expected to be linked to the performance of individual banks' on parameters pertaining to efficiency, growth and cost reduction. The front-loading of the capital infusion enables the public sector banks to clean up their books at a faster pace.

The RBI has finalized the 'on tap' licensing norms for universal banks. This move from the RBI is expected to expand the market and make the banking sector more competitive benefiting the end consumer while making it more challenging for incumbents as they deal with more competition, newer business models amidst rising costs.

The government has been focused on increasing spending on infrastructure through targeted public spends particularly in road, power and railways. This approach combined with a keen thrust on timely implementation of the big ticket infra projects can unleash a higher economic multiplier, which in turn can accelerate the GDP growth benefiting a slew of sectors.

Going forward, the consumption demand is expected to pick up led by rural demand recovery on the back of robust monsoons as well as the seventh pay commission payouts to central government employees. A host of sectors would also benefit from lower interest rates as liquidity remains benign even as monetary policy remains accommodative.

Given the improving macro-economic backdrop, we believe that the equity market offers a reasonable entry point for a long-term investor with a 3-5 year view.

## Debt Outlook

Debt market in the month of July 2016 saw the benchmark 10 year Government security (G-sec) close the month at 7.16%, easing by 29 bps over the month even as the 30 year G-sec eased by 34 bps during the same period. On the corporate bond side, the 10 year AAA corporate bond closed the month at around 7.82%, easing by 39 bps over the month.

In the month of July, the Foreign Portfolio Investors (FPIs) were buyers of Indian debt to the extent of USD 1.1 bn.

The broad based fall in the fixed income yields in India in the month of July across the yield curve was on the back of falling global yields post Brexit, falling international crude oil prices and robust south west monsoon. The RBI's commitment to keep money market liquidity at near neutral levels by injecting liquidity through net Open Market Operations (OMO) provided a favorable backdrop for the easing in yields.

The liquidity conditions eased significantly during the months of June and July on the back of increased spending by the government which more than offset the reduction in market liquidity because of higher-than-usual currency demand. The injection of durable liquidity through purchases under open market operations (OMOs), amounting to ₹805 bn thus far, also helped in easing liquidity conditions.

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 29<sup>th</sup> July 2016)

In a key development, the government has set the inflation target at 4% (+/-) 2% until March 31<sup>st</sup>, 2021, in a wide range, in order to allow the monetary policy committee to recognize the trade-off between inflation and growth in the short term while enabling them to pursue the inflation target in the long term. The government's decision to formally adopt the inflation target adds credibility and transparency to policy making and ensures continuity of the policy objectives over the medium term while institutionalizing monetary policy framework.

The third Bi monthly policy review of the RBI left the repo rate unchanged at 6.5% even as it reiterated its commitment to provide liquidity as required and progressively lower the average liquidity deficit in the system to a position closer to neutrality.

The RBI was concerned that the recent sharper-than-anticipated increase in food prices led by pulses had pushed up the projected trajectory of inflation over the rest of the year even as there were early indications of a softening in prices of vegetables. Going forward, the RBI expected that the strong improvement in sowing on the back of the monsoon's steady progress, along with supply management measures, would moderate food inflation. However, the RBI noted the uncertainty around the trajectory of inflation excluding food and fuel on account of the full implementation of the recommendations of the 7<sup>th</sup> central pay commission (CPC) on allowances. On balance, the RBI cautioned that there could be upside risks to its inflation projection of 5% by March 2017.

On the growth front, the RBI expected more momentum due to the normal monsoon enabling stronger agricultural growth and rural demand as well as by the stimulus to consumption spending expected from the disbursement of pay, pension and arrears following the implementation of the 7<sup>th</sup> CPC's award. Moreover, the RBI opined that the current accommodative stance of monetary policy and comfortable liquidity conditions would also provide a congenial environment for the uptick in aggregate demand conditions. However, they expected some headwinds to growth from the continuing sluggishness in world trade points. Accordingly, the RBI retained the GVA growth projection for FY 2017 at 7.6%.

The RBI reiterated its intention to continue its accommodative monetary policy stance even as it planned to provide adequate liquidity. The RBI opined that the easy liquidity conditions were already prompting banks to modestly transmit past policy rate cuts through their MCLR's. Moreover, they expect pro-active liquidity management to facilitate more pass-through.

We continue to remain constructive on the fixed income market and believe that the delay in the interest rate hike from the US Federal Reserve will help sustain the easing in Indian fixed income yields. Moreover, the robust south west monsoon augurs well for the fall in food inflation trajectory in the medium term opening 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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