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Gratuity Fund Performance Quarterly Fund Update, July to September '09

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



The Equity Market

The quarter started on a gloomy note on account of the Union budget announcement not meeting investor expectations and no significant policy announcements. A sell-off ensued and markets nearly gave up all the election result gains of May. The poor monsoons and expected lower output in agriculture added to the woes.

The first quarter results of June 2009 for Automobiles, Cement, Metals, IT and Infrastructure sectors were quite good. This led to market factoring significant earnings upgrades for the coming quarters. Globally, equity markets rallied on expectations of a revival in the US economy and reiteration of an extended soft monetary policy stance by major governments, post the G8 summit.

There is a significant reduction in risk aversion in the equity market. This is reflected in the oversubscription of Equity IPOs, especially of leading public sector companies, pointing towards a favourable investor sentiment. FII net inflows have been around \$12 billion for the period Jan-September 2009. This has contributed significantly to Rupee appreciation.

Considerable purchases by both FIIs and Indian Investors in equities has led to a significant upmove, leading to an almost 28% increase in BSE Sensex by September end, from its lows in July, post the Union Budget.



The Fund Manager's commentary

On the economic front, the RBI in its quarterly policy in July stated that the Indian GDP is likely to grow by more than 6% in financial year 2010. This does not incorporate the negative impact on account of poor monsoon. IMF has, recently, pegged the GDP growth of Indian economy at 6.4% for calendar year 2010.

The near doubling of BSE Sensex since the lows of March has raised concerns on valuations, with the BSE Sensex trading at almost 16 times FY11 Bloomberg consensus earnings, as of September 2009 end. However, if one was to incorporate FY12 numbers, the valuation falls to a P/E of 13.5 times. This can be considered reasonable considering the historic multiples.

We are positive on equities in the long term with the government implementing structural reforms and expectations of significant investment in the infrastructure space. The world market, too, has started to look up and it augurs well for a revival in Indian exports. Inflation is a concern; however, this is expected to be contained at around 5% levels. This is in line with historical inflation levels when the GDP growth was around 8-9%.

The uptick in domestic manufacturing and indirect tax collections are pointers in the direction of growth. Credit growth is also expected to pick up significantly in the second half of FY10. The focus now is on second quarter results of large companies, which would decide the next move for the markets.



The overall balance of payment position declined marginally, although it remained surplus at \$115 million in Q1 FY10 against a \$2.2 billion surplus a year ago. With a widening trade deficit, the Current Account deficit remained high. The Forex reserves were comfortable at 280 bn USD.

The Fixed Income Market

There was abundant liquidity in the system during the quarter. This was largely due to lack of credit growth. However, there was pressure on GSec yields due to an increase in the amount of borrowing. The buy back of securities by RBI failed to curb the pressure on yields, as the supply of bonds outpaced the buy back of securities. As a result, the 10 year GSec touched a high of 7.45% before softening to 7.06%. It ended the quarter at 7.15%.

There were significant corporate bond issues by public sector companies as well as private companies during the quarter. The 5 year AAA corporate bonds yields were at around 8.5% towards September end. The spread between 5 year AAA rated corporate bond and 5 year GSec remained nearly the same at around 130 bps.

However, with focus on infrastructure and increase in capital expansion projects, an upward bias towards yields is likely to remain in the near future.

The GDP growth for the quarter ending June 2009 was at 6.1%. IIP growth in the six core industries increased to 7.2% YoY for the month of August 09.

The Fund Manager's commentary

The recovery in Indian economy continues and FY10 GDP growth is expected to be over 6%. RBI is expected to watch the situation closely and take measured steps for managing rates. However, we believe, that GDP growth would be a priority for the Government. Therefore, significant rate hikes are unlikely to take place in the immediate future, as credit growth is still weak.

Inflation has started to increase with the WPI (Wholesale Price Index) coming back in positive territory at 0.83% for the week ended Sept 19, 2009. The increase in inflation is expected to continue, largely due to an increase in food and commodity prices.

The Rupee has been strengthening on account of strong FII inflows and weakening of the dollar globally. Higher debt issuances by Indian Corporates in the international market may further strengthen the Rupee.

With buoyant Direct / Indirect tax collections and disinvestment of PSUs, Government finances may surprise at the end of the financial year. The resultant reduced borrowing may ease upward pressure on GSec yields.

UNIT-LINKED FUND

Gratuity Balanced

As on 30th September 2009

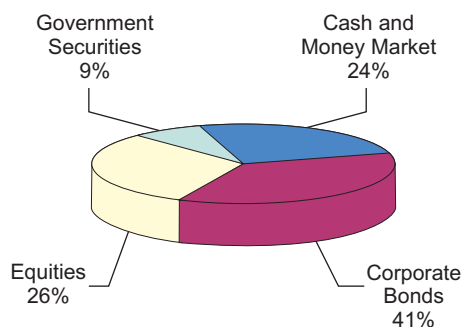
Investment Objective: To generate capital appreciation and current income, through a judicious mix of investments in equities and fixed income securities

Asset Classes

Government & other debt securities
Equities
Cash & Money Market

Investment Philosophy

The fund will target 30% investments in Equities and 70% investments in Government & other debt securities to meet the stated objectives.



Portfolio Returns

Returns	NAV	Benchmark
Last 1 month Return	1.91%	2.77%
Last 2 months Return	2.60%	3.28%
Latest Quarterly Returns	4.53%	5.64%
Last 12 months Return	16.86%	15.91%
Last 2 year (CAGR)		
Last 3 year (CAGR)		
CAGR since inception	3.04%	2.21%

Past performance is not indicative of the future performance

Note: Benchmark has been calculated as per the target holding of the fund i.e. 30% Equity and 70% Debt Securities

Security Type	Benchmark Index
Equity	S&P CNX NIFTY
Debt	CRISIL Composite Bond

NAV Movement since inception



(Date of inception: 06-December-2007)

(Portfolio as on Sep 30, 2009)

Security	Wt (%)	Rating
Government Securities	8.99%	
GOI LOAN 10.25% 2021	1.37%	SOV
GOI LOAN 10.95% 2011	7.62%	SOV
Corporate Bonds	41.30%	
Banking services	0.21%	
ICICI BANK 6% 2010	0.21%	AAA
Computer software	4.56%	
TECH MAHINDRA 10.25% 17/04/2014	4.56%	AAA
Electricity distribution	2.20%	
RELIANCE ENERGY 5.60% 2013	2.20%	AA+
Financial institutions	2.38%	
PFC 11.00% 2018	2.38%	AAA
Housing finance services	11.17%	
HDFC 9.20 2009 E-018	1.08%	AAA
HDFC 9.70% 2017 SERIES E-007	1.66%	AAA
HDFC 9.90% 17-12-2011	2.28%	AAA
LIC HOUSING FINANCE 9.75 2018	0.45%	AAA
LIC HOUSING FINANCE 11.08% 2018	3.65%	AAA
LIC HOUSING FINANCE 9.80% 2017	2.04%	AAA
Non-banking financial cos. (NBFCs)	6.57%	
8.60% BAJAJ AUTO FINANCE LTD NCD 17-07-2012	2.17%	AA+
8.75% BAJAJ AUTO FINANCE LTD. 24-06-2011	4.40%	AA+
Other financial services	4.86%	
9.00% IL&FS NCD 09-07-2014	4.37%	AAA
CITIFINANCIAL CONSUMER FINANCE 10% SEP 2010	0.31%	AA
G E MONEY FINANCIAL 10.60% 2010	0.18%	AAA
Refinery	3.56%	
RELIANCE INDUSTRIES BOND 11.45% 2013	3.56%	AAA
Securities and stock traders	5.80%	
9.60% RELIANCE CAPITAL LTD 29-05-2012	5.80%	AAA
Equities	26.07%	
Aluminium & aluminium products	0.02%	
HINDALCO LTD	0.02%	
Banking services	3.18%	
HDFC BANK LTD	0.54%	
ICICI BANK LTD	1.06%	
PUNJAB NATIONAL BANK	0.64%	
STATE BANK OF INDIA	0.93%	
Cement	0.32%	
ACC	0.03%	
AMBUJA CEMENT LTD	0.04%	
GRASIM INDUSTRIES LTD	0.25%	
Commercial vehicles	0.05%	
TATA MOTORS LTD	0.05%	
Computer software	2.60%	
HCL TECHNOLOGIES LTD	0.23%	
INFOSYS TECHNOLOGIES	1.88%	
TATA CONSULTANCY LTD.	0.39%	
WIPRO	0.10%	
Copper & copper products	0.41%	
STERLITE INDUSTRIES	0.41%	
Cosmetics, toiletries, soaps & detergents	0.72%	
HINDUSTAN UNILEVER LTD	0.72%	
Crude oil & natural gas	3.13%	
CAIRN INDIA LTD	1.08%	
OIL AND NATURAL GAS	2.05%	
Drugs & pharmaceuticals	0.34%	
RANBAXY LABORATORIES LTD.	0.11%	
SUN PHARMACEUTICALS INDUSTRIES LTD	0.23%	
Electricity distribution	0.57%	
POWER GRID CORPORATION	0.34%	
RELIANCE INFRASTRUCTURE LTD	0.22%	
Electricity generation	1.57%	
NTPC	1.30%	
TATA POWERS LTD.	0.27%	
Generators, transformers & switchgears	0.18%	
ABB LTD	0.18%	
Housing finance services	0.90%	
HDFC	0.90%	
Industrial construction	2.03%	
LARSEN & TOUBRO LTD	2.03%	
Passenger cars & multi utility vehicles	0.63%	
MAHINDRA & MAHINDRA LTD	0.31%	
MARUTI SUZUKI INDIA LTD	0.33%	
Prime movers	0.98%	
BHEL	0.98%	
Refinery	3.14%	
RELIANCE INDUSTRIES	3.14%	
Steel	1.19%	
SAIL	0.75%	
TATA IRON AND STEEL	0.44%	
Telecommunication services	2.23%	
BHARTI TELEVENTURES LTD	1.68%	
IDEA CELLULAR LTD	0.15%	
RELIANCE COMMUNICATIONS LTD	0.40%	
Tobacco products	0.87%	
ITC LTD	0.87%	
Trading	0.36%	
GAIL (INDIA) LTD	0.36%	
Two & three wheelers	0.65%	
HERO HONDA MOTORS LTD	0.65%	
Cash and Money Market	23.64%	
Grand Total	100.00%	

UNIT-LINKED FUND

Gratuity Debt

As on 30th September 2009

Investment Objective: To earn regular income by investing in high quality fixed income securities

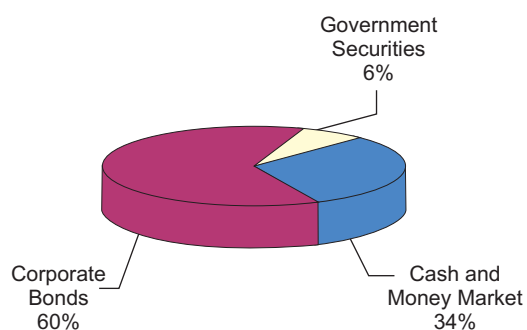
Asset Classes

Government & other debt securities

Cash & Money Market

Investment Philosophy

The fund would target 100% investments in Government & other debt securities to meet the stated objectives.



Portfolio Returns

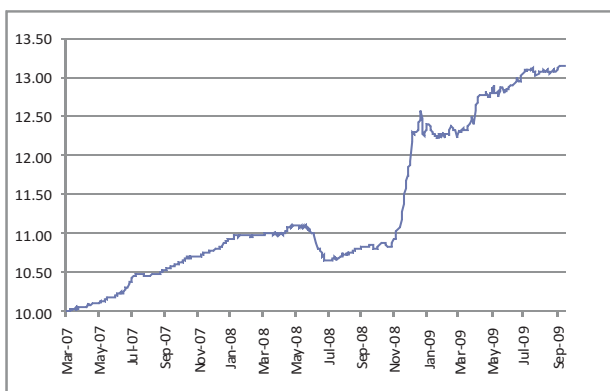
Returns	NAV	Benchmark
Last 1 month Return	0.60%	0.78%
Last 2 months Return	0.46%	-0.12%
Latest Quarterly Returns	1.61%	0.14%
Last 12 months Return	21.26%	10.02%
Last 2 year (CAGR)	11.52%	6.80%
Last 3 year (CAGR)		
CAGR since inception	11.37%	7.17%

Past performance is not indicative of the future performance

Note: Benchmark has been calculated as per the target holding of the fund i.e. 100% Debt Securities.

Security Type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

NAV Movement since inception



(Date of inception: 15-March-2007)

(Portfolio as on Sep 30, 2009)

Security	Wt (%)	Rating
Government Securities	5.77%	
8.13% GOI OIL Bond 2021	0.18%	SOV
GOI LOAN 7.38% 2015	0.02%	SOV
GOI LOAN 7.95% 2032	0.05%	SOV
SDL MAHARASHTRA 6.73% 2019	3.20%	SOV
SDL PUNJAB 7.77% 09-04-2019	2.33%	SOV
Corporate Bonds	60.28%	
Banking services	0.75%	
ICICI BANK 5.75% 2010	0.67%	AAA
ICICI BANK 6% 2010	0.08%	AAA
Computer software	6.74%	
TECH MAHINDRA 10.25% 17/04/2014	6.74%	AAA
Electricity distribution	3.56%	
RELIANCE ENERGY 5.60% 2013	3.56%	AA+
Housing finance services	7.98%	
HDFC 0% 24-08-2012	7.98%	AAA
Non-banking financial cos. (NBFCs)	7.61%	
8.75% BAJAJ AUTO FINANCE LTD. 24-06-2011	2.44%	AA+
MAHINDRA & MAHINDRA FINANCE 9.40% 2012	5.17%	AA-
Other financial services	8.07%	
9.00% IL&FS NCD 09-07-2014	8.07%	AAA
Refinery	8.44%	
RELIANCE INDUSTRIES BOND 10.10 2011	8.44%	AAA
Securities and stock traders	8.57%	
9.60% RELIANCE CAPITAL LIMITED 29-05-201	8.57%	AAA
Trading	8.58%	
10.90% RELIANCE GAS TRANSPORTATION INFRASTRUCTURE	8.58%	AAA
Cash and Money Market	33.95%	
Grand Total	100.00%	

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