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Gratuity Fund Performance Quarterly Fund Update, October to December '09

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



The Equity Market

The third quarter started on a positive note with expectations of better results from corporates. The resurfacing of concerns globally from withdrawal of fiscal stimulus and a prolonged economic recovery led to a sell off in equity markets across the world. Investors started to look at gold as a hedge and the precious metal touched new highs.

The second quarter results of September 2009 for Power & Capital goods, Automobiles, Cement, Metals, Information Technology and Infrastructure sectors were in line with expectations. This led to the market factoring significant earnings upgrades for the coming quarters. The IIP (Index of Industrial Production) numbers led to a reinforcement of the belief that corporate sector was on a rebound compared to the previous year.

The huge FII flows of \$17 billion in the year 2009 points towards a favourable investor sentiment and has contributed significantly to Rupee appreciation. Global Credit Rating firm Moody's, has raised its outlook of India's local currency rating from "stable" to "positive" which highlights the strong growth path of Indian Economy.

Considerable purchases by both FIIs and Indian Investors in equities led to a significant upmove, leading to an almost 14% increase in BSE Sensex by December end from its lows in early November, post the global sell-off.



The Fund Manager's commentary

On the economic front, the Finance minister expects Indian GDP to grow at 7.5-8% in financial year 2010. Large global investors are increasingly realizing the long term potential of Indian economy.

The near doubling of BSE Sensex since the lows of March 2009 has raised concerns on valuations, with BSE Sensex trading at almost 16.5 times FY11 Bloomberg consensus earnings (as of Dec 2009 end). However, if we incorporate FY12 numbers, the valuation reduces to a P/E of 14 times which can be considered reasonable taking into account historic multiples.

We are positive on companies with significant investments in Public infrastructure space and Corporate capital expenditure. The world market, too, has started to look up and Indian exports have turned around with a 18% year-on-year growth in Nov 2009, after showing negative growth for the past 13 months. Food Inflation is a concern, as it is still in double digits. However, this is expected to soften in the coming months.

The uptick in domestic manufacturing and indirect tax collections are pointers in the direction of growth. Credit growth is expected to pick up significantly in the coming quarters. The focus now is on the third quarter results of large companies. The markets are at a 52 week high and are expected to perform in the year 2010 as well.



The Fixed Income Market

The market began the quarter with expectations of withdrawal of the easy Monetary Policy of RBI. In spite of a significant Government borrowing programme, the market absorbed it comfortably owing to abundant liquidity in the system.

The benchmark 10 year Government security was volatile during the quarter. The yields rose to 7.43% in October due to an expectation of monetary tightening by RBI. However, as the GDP growth for September quarter came at a surprisingly high figure of 7.9%, the yields rallied to around 7.16% in November. At the end of the quarter, markets started factoring in a possible rate hike due to rising inflationary concerns and, consequently yields hardened to 7.70%.

The 10 year AAA corporate bonds yields were range bound, compared to movement in the benchmark Government security. As a result, the spreads compressed from around 160 bps to 105 bps, primarily due to an increase in Government security yields.

The Fund Manager's commentary

RBI had signaled the end of easy Monetary Policy by raising Statutory Liquidity Ratio (SLR), which is the minimum requirement of Government securities with banks. SLR was raised from 24% to 25% in the second quarterly Credit Policy review in October. Other Policy rates were left unchanged. However, RBI highlighted the increase in inflation expectations as an area of concern. Wholesale Price Inflation (WPI) for the month of November has increased to 4.78%. The increase in inflation in the near term would primarily be driven by a lower base effect.

With the improvement in GDP growth in the first half of FY2010, we believe that a measured withdrawal of stimulus in future would have positive implications on fiscal policy and thereby, ease upward pressure on interest rates.

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 strengthen the Rupee further.

Significant rate hikes are unlikely to take place in the upcoming RBI policy review in January. Considering the above developments, we expect the yields to be range bound with an upward bias.

UNIT-LINKED FUND

Gratuity Balanced

As on 31st December 2009

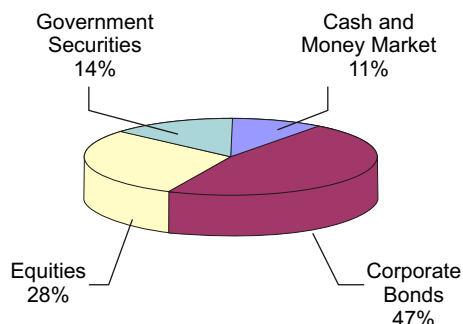
Investment Objective: To generate capital appreciation and current income, through a judicious mix of investments in equities and fixed income securities

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

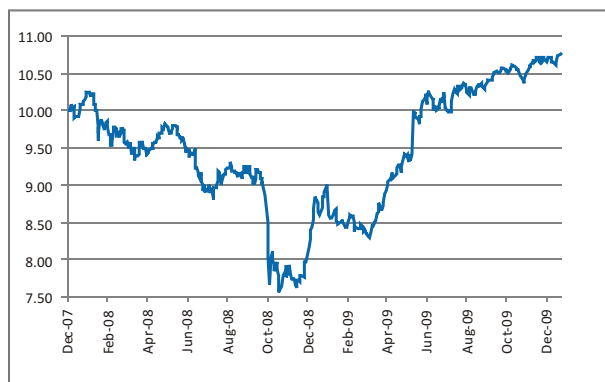
Returns	NAV	Benchmark
Last 1 month Return	1.01%	0.96%
Last 2 months Return	3.24%	3.94%
Latest Quarterly Returns	1.88%	1.73%
Last 12 months Return	21.91%	25.18%
Last 2 year (CAGR)	3.11%	2.19%
Last 3 year (CAGR)		
CAGR since inception	3.59%	2.76%

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 Fund Index

NAV Movement since inception



(Date of inception: 06-December-2007)

(Portfolio as on Dec 31, 2009)

Security	Wt (%)	Rating
Government Securities	13.90%	
Government of India	13.90%	
8.13% GOI OIL Bond 2021	0.00%	SOV
8.42% SDL WEST BENGAL 23-12-2019	2.73%	SOV
GOI LOAN 10.25% 2021	0.65%	SOV
GOI LOAN 10.95% 2011	3.53%	SOV
GOI LOAN 7.38% 2015	0.00%	SOV
GOI LOAN 7.95% 2032	0.00%	SOV
SDL MAHARASHTRA 6.73% 2019	4.05%	SOV
SDL PUNJAB 7.77% 09-04-2019	2.95%	SOV
Corporate Bonds	47.50%	
Banking services	0.95%	
ICICI BANK 5.75% 2010	0.85%	AAA
ICICI BANK 6% 2010	0.10%	AAA
Computer software	3.31%	
TECH MAHINDRA 10.25% 17/04/2014	3.31%	AAA
Electricity distribution	1.05%	
RELIANCE ENERGY 5.60% 2013	1.05%	AA+
Financial institutions	7.65%	
9.40% POWER FINANCE CORPORATION LTD. 25-03-2013	7.21%	AAA
PFC 11.00% 2018	0.43%	AAA
Housing finance services	5.00%	
HDFC 0% 24-08-2012	2.94%	AAA
HDFC 9.70% 2017 SERIES E-007	0.78%	AAA
HDFC 9.90% 17-12-2011	1.06%	AAA
LIC HOUSING FIN 9.75 2018	0.21%	AAA
Non-banking financial cos. (NBFCs)	6.15%	
8.60% BAJAJ AUTO FINANCE LIMITED NCD 17-07-2012	1.02%	AA+
8.75% BAJAJ AUTO FINANCE LTD. 24-06-2011	5.13%	AA+
Other financial services	6.23%	
9.00% IL&FS NCD 09-07-2014	4.96%	AAA
9.62% L&T FINANCE 29-09-2014	1.05%	AA+
CITIFINANCIAL CONSUMER FINANCE 10% SEP 27,2010	0.14%	AA
G E MONEY FINANCIAL 10.60% 2010	0.08%	AAA
Refinery	7.60%	
RELIANCE INDUSTRIES BOND 10.10 2011	5.95%	AAA
RELIANCE INDUSTRIES BOND 11.45% 2013	1.65%	AAA
Securities and stock traders	5.90%	
9.60% RELIANCE CAPITAL LIMITED 29-05-2012	5.90%	AAA
Trading	3.65%	
10.90% RELIANCE GAS TRANSPN. INFRA LTD 06/01/2014	3.65%	AAA
Equities	27.85%	
Aluminium & aluminium products	0.52%	
HINDALCO LTD	0.52%	
Banking services	4.20%	
AXIS BANK	0.74%	
HDFC BANK LTD	0.56%	
ICICI BANK LTD	1.66%	
PUNJAB NATIONAL BANK	0.34%	
STATE BANK OF INDIA	0.90%	
Cement	0.65%	
ACC LTD	0.52%	
AMBUJA CEMENT LTD	0.02%	
GRASIM INDUSTRIES LTD	0.10%	
Commercial vehicles	0.44%	
TATA MOTORS LTD	0.44%	
Computer software	2.54%	
HCL TECHNOLOGIES LTD	0.12%	
INFOSYS TECHNOLOGIES LTD	0.99%	
TATA CONSULTANCY LTD	1.07%	
WIPRO LTD	0.36%	
Copper & copper products	1.11%	
STERLITE INDUSTRIES LTD	1.11%	
Cosmetics, toiletries, soaps & detergents	0.34%	
HINDUSTAN UNILEVER LTD	0.34%	
Crude oil & natural gas	1.51%	
CAIRN INDIA LTD	0.54%	
OIL AND NATURAL GAS LTD	0.96%	
Drugs & pharmaceuticals	0.18%	
RANBAXY LABORATORIES LTD	0.07%	
SUN PHARMACEUTICALS INDUSTRIES LTD	0.12%	
Electricity distribution	0.70%	
POWER GRID CORPORATION LTD	0.16%	
RELIANCE INFRASTRUCTURE LTD	0.54%	
Electricity generation	1.26%	
NTPC	0.67%	
TATA POWERS LTD	0.59%	
Generators, transformers & switchgears	0.46%	
ABB LTD	0.08%	
SIEMENS LTD	0.37%	
Housing construction	1.13%	
DLF LTD	0.67%	
UNITECH LTD	0.46%	
Housing finance services	0.40%	
HDFC LTD	0.40%	
Industrial construction	1.85%	
LARSEN & TOUBRO LTD	1.85%	
Infrastructural construction	0.87%	
JAIPRAKASH ASSOCIATES LTD	0.87%	
Metal products	0.75%	
JINDAL STEEL & POWER LTD	0.75%	
Passenger cars & multi utility vehicles	1.10%	
MAHINDRA & MAHINDRA LTD	0.65%	
MARUTI SUZUKI INDIA LTD	0.45%	
Prime movers	0.93%	
BHEL	0.93%	
Refinery	1.90%	
RELIANCE INDUSTRIES LTD	1.90%	
Securities and stock traders	0.77%	
RELIANCE CAPITAL LTD	0.77%	
Steel	1.28%	
SAIL	0.49%	
TATA IRON AND STEEL LTD	0.78%	
Telecommunication services	0.78%	
BHARTI TELEVENTURES LTD	0.62%	
IDEA CELLULAR LTD	0.05%	
RELIANCE COMMUNICATIONS LTD	0.10%	
Tobacco products	1.29%	
IITC LTD	1.29%	
Trading	0.59%	
GAIL	0.59%	
Two & three wheelers	0.31%	
HERO HONDA MOTORS LTD	0.31%	
Cash and Money Market	10.75%	
Grand Total	100.00%	

UNIT-LINKED FUND

Gratuity Debt

As on 31st December 2009

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

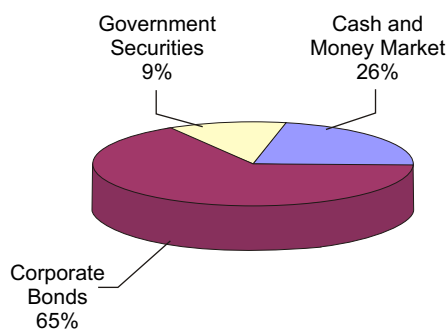
Asset Classes

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 as on Dec 31, 2009)

Security	Wt (%)	Rating
Government Securities	9.27%	
Government of India	9.27%	
8.13% GOI OIL Bond 2021	0.27%	SOV
8.42% SDL WEST BENGAL 23-12-2019	8.90%	SOV
GOI LOAN 7.38% 2015	0.02%	SOV
GOI LOAN 7.95% 2032	0.07%	SOV
Corporate Bonds	64.37%	
Banking services	0.12%	
ICICI BANK 6% 2010	0.12%	AAA
Computer software	8.90%	
TECH MAHINDRA 10.25% 17/04/2014	8.90%	AAA
Electricity distribution	5.57%	
RELIANCE ENERGY 5.60% 2013	5.57%	AA+
Financial institutions	3.99%	
9.40% POWER FINANCE CORPORATION LTD. 25-03-2013	3.99%	AAA
Housing finance services	8.95%	
HDFC 0% 24-08-2012	8.95%	AAA
Other financial services	14.88%	
9.00% IL&FS NCD 09-07-2014	8.87%	AAA
9.62% L&T FINANCE 29-09-2014	6.01%	AA+
Refinery	3.59%	
RELIANCE INDUSTRIES BOND 10.10 2011	3.59%	AAA
Securities and stock traders	9.42%	
9.60% RELIANCE CAPITAL LIMITED 29-05-2012	9.42%	AAA
Trading	8.96%	
10.90% RELIANCE GAS TRANSPORTATION INFRA LTD 06/01/2014	8.96%	AAA
Cash and Money Market	26.36%	
Grand Total	100.00%	

Portfolio Returns

Returns	NAV	Benchmark
Last 1 month Return	0.11%	-0.07%
Last 2 months Return	1.77%	1.18%
Latest Quarterly Returns	2.75%	1.48%
Last 12 months Return	8.98%	3.50%
Last 2 year (CAGR)	11.65%	6.24%
Last 3 year (CAGR)		
CAGR since inception	11.37%	7.06%

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.

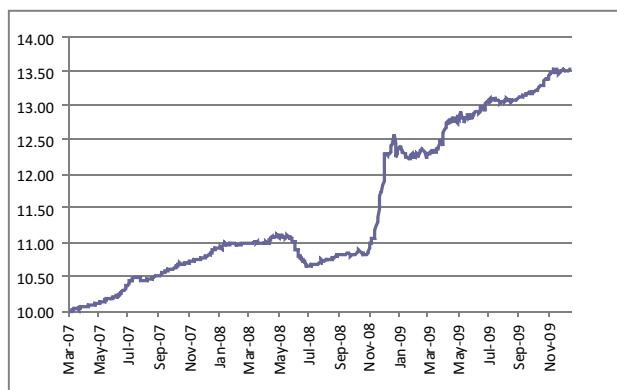
Security Type

Debt

Benchmark Index

CRISIL Composite Bond Fund Index

NAV Movement since inception



(Date of inception: 15-March-2007)

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