

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31st December 2013)

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

Investment Report

The month of December 2013 saw the benchmark indices; BSE Sensex and CNX Nifty gain around 1.82% and 2.07% respectively, even as the Mid-cap index, CNX Mid-cap surged 5.06% 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 31 Dec, 13 : ₹36.9864

Benchmark : S&P BSE Sensex - 100%

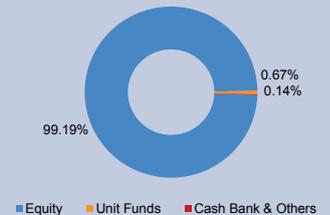
Corpus as on 31 Dec, 13 : ₹2,150.44 Crs.

Fund Performance

PERIOD	DATE	NAV	S&P BSE Sensex	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	33.9572	19395.81	8.92%	9.15%
Last 1 Year	31-Dec-12	33.8525	19426.71	9.26%	8.98%
Last 2 Years	30-Dec-11	26.3427	15454.92	18.49%	17.04%
Last 3 Years	31-Dec-10	36.2075	20509.09	0.71%	1.06%
Last 4 Years	31-Dec-09	30.1080	17464.81	5.28%	4.93%
Last 5 Years	31-Dec-08	17.7170	9647.31	15.86%	17.02%
Since Inception	02-Mar-04	10.0000	5823.17	14.22%	14.02%

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 31 Dec, 13 : ₹16.8069

Benchmark : NSE CNX MIDCAP-100%

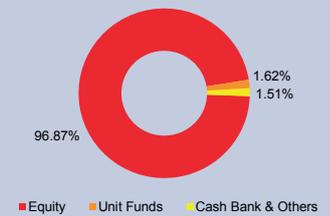
Corpus as on 31 Dec, 13 : ₹1,581.02 Crs.

Fund Performance

PERIOD	DATE	NAV	NSE CNX MIDCAP	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	15.3060	7342.40	9.81%	9.93%
Last 1 Year	31-Dec-12	15.7086	8505.10	6.99%	-5.10%
Last 2 Years	30-Dec-11	11.2593	6111.85	22.18%	14.92%
Last 3 Years	31-Dec-10	14.8905	8857.20	4.12%	-3.05%
Last 4 Years	31-Dec-09	12.1680	7432.80	8.41%	2.08%
Last 5 Years	31-Dec-08	6.8430	3735.60	19.69%	16.66%
Since Inception	08-Jan-07	10.0000	5156.45	7.72%	6.63%

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 31 Dec, 13 : ₹13.0891

Benchmark : CNX Nifty-100%

Corpus as on 31 Dec, 13 : ₹946.24 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	11.9332	5842.20	9.69%	7.90%
Last 1 Year	31-Dec-12	11.9717	5905.10	9.33%	6.76%
Last 2 Years	30-Dec-11	9.1397	4624.30	19.67%	16.76%
Last 3 Years	31-Dec-10	11.9900	6134.50	2.97%	0.91%
Last 4 Years	31-Dec-09	9.9790	5201.05	7.02%	4.93%
Last 5 Years	31-Dec-08	5.9760	2959.15	16.98%	16.33%
Since Inception	07-Jan-08	10.0000	6279.10	4.60%	0.07%

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 31 Dec, 13 : ₹14.2548

Benchmark : CNX Nifty-100%

Corpus as on 31 Dec, 13 : ₹207.87 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	13.0871	5842.20	8.92%	7.90%
Last 1 Year	31-Dec-12	13.2720	5905.10	7.41%	6.76%
Last 2 Years	30-Dec-11	10.3560	4624.30	17.32%	16.76%
Last 3 Years	31-Dec-10	13.7877	6134.50	1.12%	0.91%
Last 4 Years	31-Dec-09	11.3490	5201.05	5.86%	4.93%
Last 5 Years	31-Dec-08	6.6140	2959.15	16.60%	16.33%
Since Inception	04-Feb-08	10.0000	5463.50	6.18%	2.45%

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 31 Dec, 13 : ₹21.4236

Benchmark : CNX India 500 Shariah Index - 100%

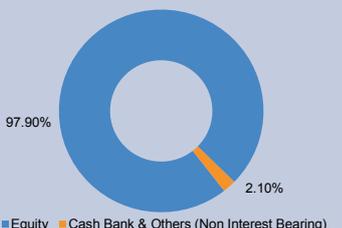
Corpus as on 31 Dec, 13 : ₹218.96 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	19.1515	1351.28	11.86%	14.09%
Last 1 Year	31-Dec-12	18.9771	1334.09	12.89%	15.56%
Last 2 Years	30-Dec-11	15.4673	1130.46	17.69%	16.78%
Last 3 Years	31-Dec-10	19.0738	1436.15	3.95%	2.39%
Last 4 Years	31-Dec-09	15.8580	1269.50	7.81%	4.98%
Last 5 Years	31-Dec-08	10.2460	669.21	15.90%	18.16%
Since Inception	06-Oct-08	10.0000	844.46	15.66%	12.18%

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 31st December 2013)

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 31 Dec, 13 : ₹13.9686

Benchmark : CNX India 500 Shariah Index - 100%

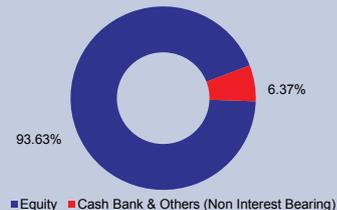
Corpus as on 31 Dec, 13 : ₹635.49 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	12.4501	1351.28	12.20%	14.09%
Last 1 Year	31-Dec-12	12.3187	1334.09	13.39%	15.56%
Last 2 Years	30-Dec-11	10.2229	1130.46	16.89%	16.78%
Last 3 Years	31-Dec-10	12.4722	1436.15	3.85%	2.39%
Last 4 Years	31-Dec-09	10.3380	1269.50	7.81%	4.98%
Since Inception	16-Oct-09	10.0000	1217.76	8.26%	5.76%

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 31 Dec, 13 : ₹21.4630

Benchmark : S&P BSE 200 - 100%

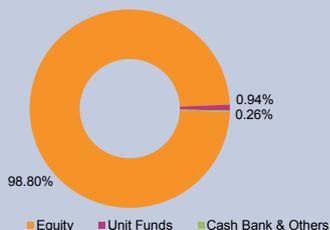
Corpus as on 31 Dec, 13 : ₹176.72 Crs.

Fund Performance

PERIOD	DATE	NAV	S&P BSE 200	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	19.5382	2323.83	9.85%	8.90%
Last 1 Year	31-Dec-12	20.3352	2424.38	5.55%	4.38%
Last 2 Years	30-Dec-11	15.6265	1850.89	17.20%	16.93%
Last 3 Years	31-Dec-10	20.5660	2533.90	1.43%	-0.04%
Last 4 Years	31-Dec-09	17.2380	2180.25	5.63%	3.80%
Since Inception	12-Jan-09	10.0000	1091.37	16.61%	18.44%

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



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 31 Dec, 13 : ₹17.8610

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

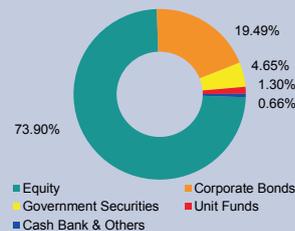
Corpus as on 31 Dec, 13 : ₹234.20 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	16.8774	5.83%	5.33%
Last 1 Year	31-Dec-12	16.9636	5.29%	7.16%
Last 2 Years	30-Dec-11	14.0144	12.89%	13.37%
Last 3 Years	31-Dec-10	17.0094	1.64%	3.02%
Last 4 Years	31-Dec-09	14.8250	4.77%	5.39%
Last 5 Years	31-Dec-08	10.0950	12.09%	13.05%
Since Inception	01-Jul-06	10.0000	8.03%	8.47%

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 31 Dec, 13 : ₹17.2803

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

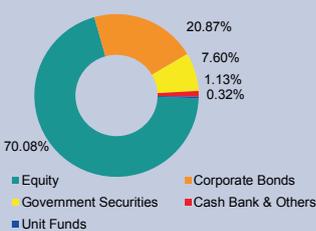
Corpus as on 31 Dec, 13 : ₹366.75 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	16.4335	5.15%	4.52%
Last 1 Year	31-Dec-12	16.2719	6.20%	5.72%
Last 2 Years	30-Dec-11	13.2851	14.05%	13.18%
Last 3 Years	31-Dec-10	15.5748	3.52%	2.93%
Last 4 Years	31-Dec-09	13.3750	6.61%	5.38%
Last 5 Years	31-Dec-08	9.2110	13.41%	12.60%
Since Inception	08-Jan-07	10.0000	8.15%	6.76%

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



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 31 Dec, 13 : ₹15.8357

Benchmark : CRISIL Composite Bond Index -100%

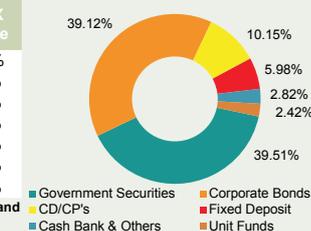
Corpus as on 31 Dec, 13 : ₹239.29 Crs.

Fund Performance

PERIOD	DATE	NAV	Crissil Composite Bond Fund Index	NAV Change	INDEX Change
Last 6 Months	28-Jun-13	16.1289	2031.10	-1.82%	-1.76%
Last 1 Year	31-Dec-12	15.1679	1922.61	4.40%	3.79%
Last 2 Years	30-Dec-11	13.6449	1757.68	7.73%	6.55%
Last 3 Years	31-Dec-10	12.6164	1644.23	7.87%	6.66%
Last 4 Years	31-Dec-09	11.9430	1566.53	7.31%	6.24%
Last 5 Years	31-Dec-08	10.9940	1513.49	7.57%	5.68%
Since Inception	08-Jan-07	10.0000	1298.79	6.80%	6.34%

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.

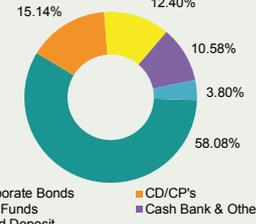
Asset Allocation



Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31st December 2013)

Whole Life Short Term Fixed Income Fund (ULIF 013 04/01/07 WLF 110)

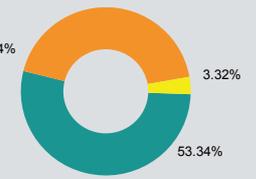
Fund Details		Fund Performance					Asset Allocation		
Investment Objective	The primary investment objective of the Fund is to generate stable returns by investing in fixed income securities having shorter maturity periods. Under normal circumstances, the average maturity of the Fund may be in the range of 1-3 years.	PERIOD	DATE	NAV	Crisil Short Term Bond Index	NAV Change	INDEX Change	 <p>15.14% 12.40% 10.58% 3.80% 58.08%</p> <p>■ Corporate Bonds ■ CD/CP's ■ Unit Funds ■ Cash Bank & Others ■ Fixed Deposit</p>	
NAV as on 31 Dec, 13	₹16.2447	Last 6 Months	28-Jun-13	15.6423	2077.40	3.85%	3.58%		
Benchmark	CRISIL Short Term Bond Index -100%	Last 1 Year	31-Dec-12	15.0140	1987.31	8.20%	8.27%		
Corpus as on 31 Dec, 13	₹136.82 Crs.	Last 2 Years	30-Dec-11	13.6838	1820.74	8.96%	8.71%		
		Last 3 Years	31-Dec-10	12.6370	1688.32	8.73%	8.42%		
		Last 4 Years	31-Dec-09	12.0450	1612.52	7.76%	7.48%		
		Last 5 Years	31-Dec-08	11.0970	1513.01	7.92%	7.30%		
		Since Inception	08-Jan-07	10.0000	1281.09	7.19%	7.71%		
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

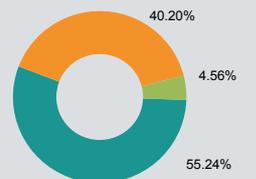
The fund would be predominantly invested in equity at inception, wherein the dynamic asset allocation mechanism allocates the portfolio between equity and debt. This dynamic asset allocation is based on the performance of equity markets and movements in interest rates. The equity allocation may be reallocated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

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.

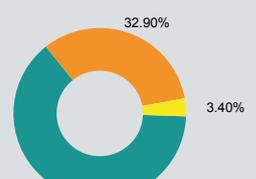
APEX Return Lock-In Fund (ULIF 032 18/02/09 ARL 110)

Fund Details		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	 <p>43.34% 3.32% 53.34%</p> <p>■ Equity ■ Corporate Bonds ■ Cash Bank & Others</p>	
The highest NAV recorded on reset date	₹13.6039	Last 6 Months	28-Jun-13	13.0732	3.99%		
Corpus as on 31 Dec, 13	₹324.93 Crs.	Last 1 Year	31-Dec-12	12.7292	6.80%		
		Last 2 Year	30-Dec-11	10.6734	12.86%		
		Last 3 Year	31-Dec-10	12.4951	2.85%		
		Last 4 Year	31-Dec-09	11.0130	5.41%		
		Since Inception	10-Jun-09	10.0000	6.96%		
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	 <p>40.20% 4.56% 55.24%</p> <p>■ Equity ■ Corporate Bonds ■ Cash Bank & Others</p>	
The highest NAV recorded on reset date	₹12.8117	Last 6 Months	28-Jun-13	12.2281	4.72%		
Corpus as on 31 Dec, 13	₹231.87 Crs.	Last 1 Year	31-Dec-12	11.9075	7.53%		
		Last 2 Year	30-Dec-11	9.9237	13.59%		
		Last 3 Year	31-Dec-10	11.6579	3.18%		
		Last 4 Year	31-Dec-09	10.2500	5.72%		
		Since Inception	10-Nov-09	10.0000	6.15%		
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.							

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

Fund Details		Fund Performance				Asset Allocation			
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%.	PERIOD	DATE	NAV	NAV Change	 <p>32.90% 3.40% 63.70%</p> <p>■ Equity ■ Corporate Bonds ■ Cash Bank & Others</p>			
The highest NAV recorded on reset date	₹12.3621	Last 6 Months	28-Jun-13	11.7831	4.78%				
Corpus as on 31 Dec, 13	₹125.44 Crs.	Last 1 Year	31-Dec-12	11.5433	6.96%				
		Last 2 Year	30-Dec-11	9.5709	13.58%				
		Last 3 Year	31-Dec-10	11.5155	2.35%				
		Since Inception	10-May-10	10.0000	5.95%				
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 31st December 2013)

Equity Outlook

The month of December 2013 saw the benchmark indices; BSE Sensex and CNX Nifty gain around 1.82% and 2.07% respectively, even as the Mid-cap index, CNX Mid-cap surged 5.06% during the same period.

FIIIs were net buyers with inflows of around USD 2.6 billion in the calendar year 2013 even as the DIIs were net sellers to the tune of around USD 1.2 billion, with Insurance companies' net sellers of around USD 1.1 billion and domestic mutual funds, net sellers to the extent of around USD 0.1 billion over the same period. In the calendar year 2013, the FIIIs have been net buyers to the tune of USD 20.1 billion with the DIIs net sellers to the tune of USD 13 billion, Insurance companies and mutual funds selling Indian equities to the tune of USD 9.2 billion and USD 3.8 billion respectively.

Consensus earnings estimates for the MSCI India were nudged lower by 0.2% for FY 2014 (E) even as the estimates for FY 2015(E) remained unchanged over the month of December 2013 to 9.5% and 18.4% for FY14(E) and FY15(E) respectively.

The US Federal Reserve (Fed) started its much awaited tapering of its asset-purchase program by USD10 bn, largely on expected lines and was well received by the global markets. The markets took comfort from Fed's forward guidance of maintaining rates at near zero levels for an extended period of time. Some market watchers are of the view that taper would be largely positive for India as it could result in lower commodity prices moderating the inflationary pressures while the improving global demand would boost Indian exports.

During the month, RBI released the discussion paper 'Framework for revitalizing distressed assets in the economy' to lay a road map for lenders to strengthen their credit risk management practices. The paper focuses on developing early warning signals, initiating collective efforts for restructuring or recovery, accelerate provisioning requirement on willful defaulters and strengthening the Asset Reconstruction Companies (ARCs). The RBI's draft guidelines are expected to improve transparency, facilitate early resolution and hence lower losses due to defaults.

RBI's financial stability report states that Asset quality continues to be a major concern for Scheduled Commercial Banks (SCBs). The GNPA's ratio as well as the restructured standard advances ratio of the SCBs had increased to 10.2% of total advances as at end September 2013 from 9.2% as of March 2013. The stress seems to be concentrated in five sectors, namely, Infrastructure, Iron & Steel, Textiles, Aviation and Mining together contributing 24% of total advances of SCBs but accounting for around 53% of their total stressed advances.

The upcoming spectrum auction would see both the 1800 MHz and 900 MHz band spectrums auctioned with the government taking several measures to ensure wider participation such as price reduction and low block size for bidding. Moreover, the spectrum acquired through auction will have no restrictions on the technology to be adopted for providing services.

The government extended the tapering linkage of additional coal supplies for three years for certain power projects, originally planned on captive coal blocks, which have not been able to develop the coal blocks due to reasons beyond their control. The ministry of road transport and highways and the National Highways Authority of India has readied a backup plan for the 23 stranded highway projects for which premium rescheduling was approved by the Cabinet Committee on Economic Affairs (CCEA) in October. Under the plan, these contracts would be cancelled and the projects would be bid out afresh as smaller stretches. The CCEA amended the Mega Power Policy of 2009 that governs duty exemptions for power projects of more than 1,000 MW capacity. The committee mandated that sales from at least 65% of a project's capacity be done through competitive bidding and the rest supplied at tariffs decided by the power regulator. Under the Mega Power policy, project developers enjoy an exemption of 9% on excise duty, besides import duty benefits. This amendment will promote offtake of power through the competitive-bidding route, besides ensuring assured power sales through the regulated channel, under which power is supplied at lower rates. They also extended the timeframe given to developers for furnishing mega certificates to tax authorities for availing of the benefits from the current 36 months to 60 months.

In a boost to the government's policy on opening up FDI in multi-brand retail, Tesco, the world's third largest retailer, got a green signal from Foreign Investment Promotion Board (FIPB) to enter the Indian multi-brand retail segment in joint venture with the Tata Group.

The near term direction of the Indian equity market will depend on FII flows along with global cues, the third quarter FY14 earnings and INR movement. We believe that the Indian equities offer an attractive entry point for a long term investor with a 3-5 year view.

Debt Outlook

December 2013 saw the erstwhile 10 year Government securities (G-sec) harden by around 8 bps during the month to 9.12% levels. The yields of the 30 year G-sec over the erstwhile 10 year G-sec expanded to 17 bps in December 2013 as against 14 bps in the prior month. The new 10 year G-sec was issued during the month of November at 8.83% and traded at 8.84 % levels with the spread of 45 bps over the 30 year G-sec.

The corporate bonds remained in a tight range during December 2013 to close the month at around 9.62% levels in the 10 year bonds, similar to the November 2013 levels of 9.55%. As a consequence, the corporate bond spread over the erstwhile benchmark 10 year G-sec stood at around 35 bps in December 2013, similar to the 36 bps in the prior month.

In its Mid-quarter monetary policy, the RBI opined that the outlook for global growth continued to remain moderate, with an

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31st December 2013)

uneven recovery across industrial countries. They noted that the economic activity in major emerging market economies barring China had decelerated on account of weak domestic demand, notwithstanding some improvement in export performance.

On the domestic front, the RBI saw the pick-up in real GDP growth in the second quarter of 2013-14, driven by a robust growth in agricultural activity and an improvement in net exports, as a positive development but remained concerned regarding the weakness in industrial activity persisting into the third quarter. They believed that the revival of stalled investment, especially in the projects cleared by the Cabinet Committee on Investment, will be critical to ensure that the growth recovers, albeit modestly, in the near term.

The RBI opined that the retail inflation measured by the consumer price index (CPI) had risen unrelentingly through the year, pushed up by the unseasonal upturn in vegetable prices, double-digit housing inflation and elevated levels of inflation in the non-food and non-fuel categories. They also saw signs of a resumption of high rural wage growth, suggesting second round effects. Moreover, they noted that the high and persistent inflation increased the risks of exchange rate instability.

The RBI saw a lower trajectory for inflation in the medium term as there were early indications that vegetable prices had turned down sharply in the month of December. In addition, they believed that the disinflationary impact of recent exchange rate stability would play out into prices. They were of the view that the negative output gap, including the recent observed slowdown in services growth, as well as the lagged effects of effective monetary tightening since July, would help contain inflation.

The RBI opined that the narrowing of the trade deficit since June through November, on positive export growth and contraction in both oil and non-oil imports, would bring the current account deficit (CAD) down to a more sustainable level for the year as a whole. Robust inflows into the swap windows opened by the RBI during August-November had contributed significantly to rebuilding foreign exchange reserves thus covering possible external financing requirements and providing stability to the foreign exchange market. They were hopeful that these favourable developments should help to build resilience to external shocks.

The RBI stated that the policy decision to hold the repo rate at 7.75% was a close one. The RBI saw the merit in waiting for more data to reduce uncertainty, though conceding that there would be risks in such a move and that the RBI may be perceived to be soft on inflation. The RBI stated that even though they maintained status quo in the mid-quarter monetary policy, they would act if there is no significant reduction in the headline inflation or if inflation excluding food and fuel does not fall so that inflation expectations stabilize and an environment conducive to sustainable growth takes hold.

Debt market sentiment has been muted lately reflected in bond yields rising even though the overnight rates have been falling and there is an expectation of lower supply of G-sec in the fourth quarter fiscal 2014. The Debt market is coming to terms with a possibility of lower levels of Open Market Operations (OMOs) as there has been much liquidity due to the dollar purchases from the RBI. The lack of clarity on the bond-switch program of the budgeted INR 50,000 crores more borrowing providing extra duration to the market has been an overhang on the market. There is also the possibility the RBI nudging the repo rate higher if there is no meaningful softening of inflation.

Meanwhile, the 10 year benchmark G-sec would remain volatile and the near term direction of the Gsec yields would largely depend on the trajectory of the INR and the commentary on the monetary policy from the RBI.

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