Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 29th November 2013)

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

Investment Report

The month of November 2013 saw the benchmark indices; BSE Sensex and CNX Nifty shed around 1.76% and 1.95% respectively, even as the Mid-cap index, CNX Mid-cap gained 1.96% 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.

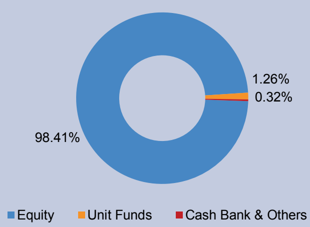
NAV as on 29 Nov, 13	:	₹36.5405
Benchmark	:	BSE Sensex - 100%
Corpus as on 29 Nov, 13	:	₹2,196.60 Crs.

Fund Performance

PERIOD	DATE	NAV	BSE Sensex	NAV Change	INDEX Change
Last 6 Months	31-May-13	34.6896	19760.30	5.34%	5.22%
Last 1 Year	30-Nov-12	33.5695	19339.90	8.85%	7.51%
Last 2 Years	30-Nov-11	27.8612	16123.46	14.52%	13.56%
Last 3 Years	30-Nov-10	34.9333	19521.25	1.51%	2.12%
Last 4 Years	30-Nov-09	29.5470	16926.22	5.45%	5.28%
Last 5 Years	28-Nov-08	16.5600	9092.72	17.15%	17.99%
Since Inception	02-Mar-04	10.0000	5823.17	14.21%	13.94%

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.

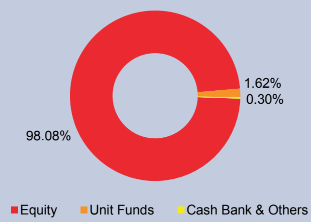
NAV as on 29 Nov, 13	:	₹16.1199
Benchmark	:	NSE CNX MIDCAP-100%
Corpus as on 29 Nov, 13	:	₹1,558.728 Crs.

Fund Performance

PERIOD	DATE	NAV	NSE CNX MIDCAP	NAV Change	INDEX Change
Last 6 Months	31-May-13	16.0586	7821.80	0.38%	-1.78%
Last 1 Year	30-Nov-12	15.2486	8139.80	5.71%	-5.62%
Last 2 Years	30-Nov-11	12.0501	6641.05	15.66%	7.55%
Last 3 Years	30-Nov-10	14.9031	8907.50	2.65%	-4.81%
Last 4 Years	30-Nov-09	11.7060	7149.20	8.33%	1.81%
Last 5 Years	28-Nov-08	6.2010	3309.65	21.05%	18.34%
Since Inception	08-Jan-07	10.0000	5156.45	7.17%	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.

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.

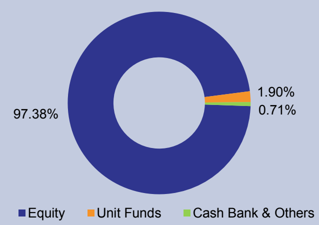
NAV as on 29 Nov, 13	:	₹12.8864
Benchmark	:	CNX Nifty-100%
Corpus as on 29 Nov, 13	:	₹949.86 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	31-May-13	12.1819	5985.95	5.78%	3.18%
Last 1 Year	30-Nov-12	11.9174	5879.85	8.13%	5.04%
Last 2 Years	30-Nov-11	9.5909	4832.05	15.91%	13.06%
Last 3 Years	30-Nov-10	11.6172	5862.70	3.52%	1.75%
Last 4 Years	30-Nov-09	9.7610	5032.70	7.19%	5.25%
Last 5 Years	28-Nov-08	5.6160	2755.10	18.07%	17.52%
Since Inception	07-Jan-08	10.0000	6279.10	4.39%	-0.28%

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.

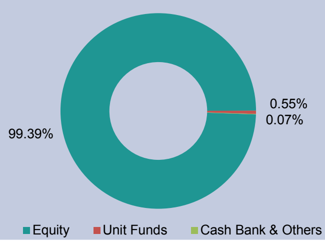
NAV as on 29 Nov, 13	:	₹13.9866
Benchmark	:	CNX Nifty-100%
Corpus as on 29 Nov, 13	:	₹214.58 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	31-May-13	13.3866	5985.95	4.48%	3.18%
Last 1 Year	30-Nov-12	13.1421	5879.85	6.43%	5.04%
Last 2 Years	30-Nov-11	10.9048	4832.05	13.25%	13.06%
Last 3 Years	30-Nov-10	13.2771	5862.70	1.75%	1.75%
Last 4 Years	30-Nov-09	11.0760	5032.70	6.01%	5.25%
Last 5 Years	28-Nov-08	6.2130	2755.10	17.62%	17.52%
Since Inception	04-Feb-08	10.0000	5463.50	5.93%	2.13%

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.

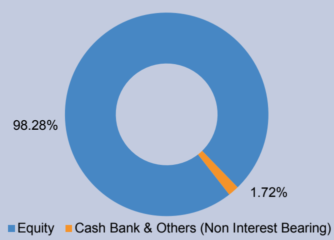
NAV as on 29 Nov, 13	:	₹20.6554
Benchmark	:	CNX India 500 Shariah Index - 100%
Corpus as on 29 Nov, 13	:	₹216.60 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	31-May-13	19.4961	1362.94	5.95%	8.02%
Last 1 Year	30-Nov-12	18.6939	1321.20	10.49%	11.44%
Last 2 Years	30-Nov-11	16.0514	1167.25	13.44%	12.31%
Last 3 Years	30-Nov-10	18.4170	1364.02	3.90%	2.58%
Last 4 Years	30-Nov-09	15.2350	1208.95	7.91%	5.05%
Last 5 Years	28-Nov-08	10.1030	629.18	15.38%	18.53%
Since Inception	06-Oct-08	10.0000	844.46	15.12%	11.40%

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



TATA AIA LIFE

Quick Glance - Funds Performance
(Funds with AUM of more than ₹125 crores as on 29th November 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 29 Nov, 13 : ₹13.5005

Benchmark : CNX India 500 Shariah Index - 100%

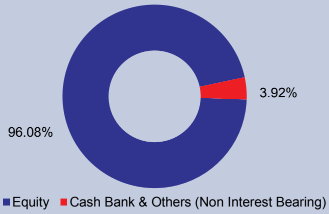
Corpus as on 29 Nov, 13 : ₹610.21 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	31-May-13	12.6156	1362.94	7.01%	8.02%
Last 1 Year	30-Nov-12	12.1384	1321.20	11.22%	11.44%
Last 2 Years	30-Nov-11	10.5757	1167.25	12.98%	12.31%
Last 3 Years	30-Nov-10	11.9904	1364.02	4.03%	2.58%
Last 4 Years	30-Nov-09	10.0680	1208.95	7.61%	5.05%
Since Inception	16-Oct-09	10.0000	1217.76	7.55%	4.71%

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.

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 Nov, 13 : ₹20.8186

Benchmark : BSE 200 - 100%

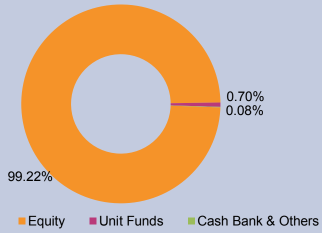
Corpus as on 29 Nov, 13 : ₹172.18 Crs.

Fund Performance

PERIOD	DATE	NAV	BSE 200	NAV Change	INDEX Change
Last 6 Months	31-May-13	20.1494	2409.22	3.32%	2.27%
Last 1 Year	30-Nov-12	19.9354	2389.51	4.43%	3.11%
Last 2 Years	30-Nov-11	16.4360	1953.03	12.55%	12.32%
Last 3 Years	30-Nov-10	20.0213	2451.45	1.31%	0.17%
Last 4 Years	30-Nov-09	16.8530	2105.51	5.42%	4.01%
Since Inception	12-Jan-09	10.0000	1091.37	16.21%	18.15%

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.

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 Nov, 13 : ₹17.5791

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

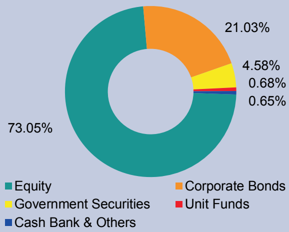
Corpus as on 29 Nov, 13 : ₹238.81 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-May-13	17.3022	1.60%	2.25%
Last 1 Year	30-Nov-12	16.7683	4.84%	6.33%
Last 2 Years	30-Nov-11	14.4807	10.18%	11.20%
Last 3 Years	30-Nov-10	16.6653	1.80%	3.70%
Last 4 Years	30-Nov-09	14.6110	4.73%	5.56%
Last 5 Years	28-Nov-08	9.4130	13.31%	14.08%
Since Inception	01-Jul-06	10.0000	7.90%	8.37%

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 Nov, 13 : ₹16.9759

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

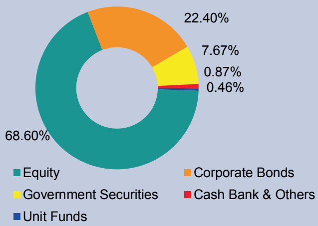
Corpus as on 29 Nov, 13 : ₹364.85 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-May-13	16.7777	1.18%	0.92%
Last 1 Year	30-Nov-12	16.0882	5.52%	4.72%
Last 2 Years	30-Nov-11	13.6617	11.47%	10.87%
Last 3 Years	30-Nov-10	15.2127	3.72%	3.45%
Last 4 Years	30-Nov-09	13.1950	6.50%	5.54%
Last 5 Years	28-Nov-08	8.6120	14.54%	13.78%
Since Inception	08-Jan-07	10.0000	7.98%	6.62%

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



Growth Fund (ULIF 004 04/02/04 TGL 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 Nov, 13 : ₹28.0853

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

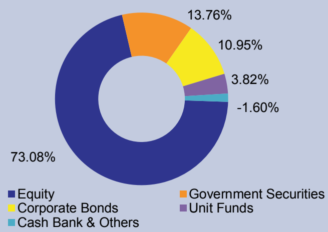
Corpus as on 29 Nov, 13 : ₹125.51 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-May-13	27.4284	2.39%	2.25%
Last 1 Year	30-Nov-12	26.3933	6.41%	6.33%
Last 2 Years	30-Nov-11	22.5922	11.50%	11.20%
Last 3 Years	30-Nov-10	26.2457	2.28%	3.70%
Last 4 Years	30-Nov-09	23.3860	4.68%	5.56%
Last 5 Years	28-Nov-08	15.5210	12.59%	14.08%
Since Inception	02-Mar-04	10.0000	11.17%	10.94%

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



TATA AIA LIFE

Quick Glance - Funds Performance
(Funds with AUM of more than ₹125 crores as on 29th November 2013)

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 29 Nov, 13 : ₹15.8047

Benchmark : CRISIL Composite Bond Index -100%

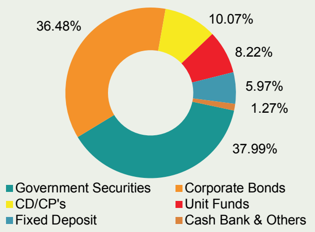
Corpus as on 29 Nov, 13 : ₹239.53 Crs.

Fund Performance

PERIOD	DATE	NAV	Crisil Composite Bond Fund Index	NAV Change	INDEX Change
Last 6 Months	31-May-13	16.2666	2052.61	-2.84%	-3.27%
Last 1 Year	30-Nov-12	15.0000	1906.42	5.36%	4.14%
Last 2 Years	30-Nov-11	13.4600	1740.31	8.36%	6.81%
Last 3 Years	30-Nov-10	12.5877	1638.39	7.88%	6.61%
Last 4 Years	30-Nov-09	11.9410	1567.57	7.26%	6.09%
Last 5 Years	28-Nov-08	10.5520	1427.35	8.42%	6.82%
Since Inception	08-Jan-07	10.0000	1298.79	6.86%	6.35%

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

Fund Details

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.

NAV as on 29 Nov, 13 : ₹16.1280

Benchmark : CRISIL Short Term Bond Index -100%

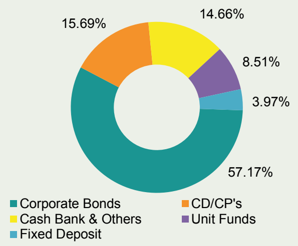
Corpus as on 29 Nov, 13 : ₹131.02 Crs.

Fund Performance

PERIOD	DATE	NAV	Crisil Short Term Bond Index	NAV Change	INDEX Change
Last 6 Months	31-May-13	15.5714	2068.02	3.57%	3.22%
Last 1 Year	30-Nov-12	14.9110	1974.32	8.16%	8.12%
Last 2 Years	30-Nov-11	13.5849	1807.09	8.96%	8.69%
Last 3 Years	30-Nov-10	12.6231	1682.27	8.51%	8.26%
Last 4 Years	30-Nov-09	12.0380	1609.64	7.59%	7.31%
Last 5 Years	28-Nov-08	10.7470	1464.24	8.46%	7.83%
Since Inception	08-Jan-07	10.0000	1281.09	7.18%	7.69%

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



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

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%.

The highest NAV recorded on reset date : ₹13.2962

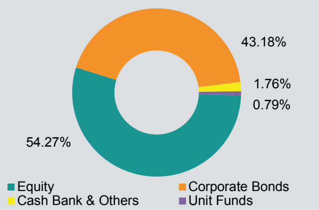
Corpus as on 29 Nov, 13 : ₹326.41 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	31-May-13	13.2539	1.48%
Last 1 Year	30-Nov-12	12.6410	6.40%
Last 2 Year	30-Nov-11	10.8625	11.28%
Last 3 Year	30-Nov-10	12.1809	3.36%
Last 4 Year	30-Nov-09	10.8290	5.57%
Since Inception	10-Jun-09	10.0000	6.85%

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



APEX Return Lock-In Fund II (ULIF 033 03/08/09 AR2 110)

Fund Details

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%.

The highest NAV recorded on reset date : ₹12.5057

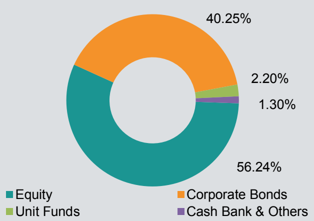
Corpus as on 29 Nov, 13 : ₹232.03 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	31-May-13	12.4223	1.85%
Last 1 Year	30-Nov-12	11.8464	6.80%
Last 2 Year	30-Nov-11	10.1278	11.77%
Last 3 Year	30-Nov-10	11.3341	3.73%
Last 4 Year	30-Nov-09	10.0420	5.95%
Since Inception	10-Nov-09	10.0000	5.97%

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



TATA AIA LIFE

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 29th November 2013)

Equity Outlook

The month of November 2013 saw the benchmark indices; BSE Sensex and CNX Nifty shed around 1.76% and 1.95% respectively, even as the Mid-cap index, CNX Mid-cap gained 1.96% during the same period.

FIIs were net buyers with inflows of around USD 1.3 billion in November 2013 even as the DIIs were net sellers to the tune of around USD 1.5 billion, with Insurance companies' net sellers of around USD 1.3 billion and domestic mutual funds, net sellers to the extent of around USD 0.2 billion over the month. In the eleven months of the calendar year 2013, the FIIs have been net buyers to the tune of USD 17.5 billion with the DIIs net sellers to the tune of USD 11.8 billion, Insurance companies and mutual funds selling Indian equities to the tune of USD 8.1 billion and USD 3.7 billion respectively.

Consensus earnings estimates for the broad market (MSCI India) were revised up by a marginal 1.1% for FY14 (E) and remains unchanged for FY 15(E) over the month. The market consensus stands at an earnings growth of 9% and 18% for FY14(E) and FY15(E) respectively.

Indian companies, over the last few quarters have demonstrated resilience as they have maintained their operating margins in an environment of slowing revenue growth and high currency volatility. The second quarter fiscal 2014 was a difficult quarter that saw the INR at all-time lows and extraordinary liquidity tightening measures of the RBI to shore up the currency. Operating margins rose on a year on year basis for the third straight quarter, after the earlier 10 consecutive quarters of decline.

Overall, the second quarter fiscal 2014 results was a positive surprise as the growth in revenue, EBITDA, and PAT on a year on year basis was the highest since December 2012. Robust revenue growth was driven by export segments such as Information Technology and Pharmaceuticals. However, many companies were weighed down by an increase in operating costs, elevated interest expense and high forex losses due to the currency volatility limiting the impact of the robust revenue growth on the bottom-line.

The second quarter GDP saw the services sector growth decelerate to 5.9% from 6.6% in first quarter fiscal 2014 and 7.6% during the second quarter last year. While the growth in the financial sector accelerated to 10% from 8.9% a quarter back, the 'social and community services' growth plunged to 4.2% from 9.4% a quarter back. The drag on the service sector was from the heavyweight 'trade, hotels, transport and communication' as it clocked a muted 4% growth, similar to the 3.9% during the previous quarter.

There have been some green shoots signaling the revival of the nascent capex cycle enabled by a large pipeline of projects under implementation along with an improving outlook in some manufacturing sectors due to currency depreciation. Speedy clearances of projects as well as some enabling policy framework can accelerate the capex cycle in the medium term.

The equity markets have noted the improving Indian macro data such as a moderating CAD, double digit exports growth, expanding manufacturing PMIs as well as project clearances by the CCI. However, elevated inflation levels and concerns on the fiscal deficit are key headwinds for a sustainable economic growth.

The equity markets would take cues from the crucial State election results of Madhya Pradesh, Rajasthan, Chhattisgarh, Delhi and Mizoram as well as RBIs Mid-quarter monetary policy review, in the near term. The market has very little expectations of reforms coming through in the winter session of parliament scheduled between December 5th and December 20TH as there is only a very small window of opportunity before the general elections.

We believe that the Indian equities offer an attractive entry point for a long term investor with a 3-5 year view.

Debt Outlook

November 2013 saw the erstwhile 10 year Government securities (G-sec) harden by around 42 bps to close the month at 9.04% levels. The yields of the 30 year G-sec over the erstwhile10 year G-sec compressed to 14 bps in November 2013 as against 45 bps in the prior month. The new 10 year G-sec was issued during the month at 8.83% and closed the month at 8.74 % with the spread of 44 bps over the 30 year G-sec.

The corporate bonds remained in a tight range during November 2013 to close the month at around 9.55% levels in the 10 year bonds, similar to the October 2013 levels of 9.53%. As a consequence, the corporate bond spread over the erstwhile benchmark 10 year G-sec stood at around 36 bps in November 2013, contracting from 80 bps in the prior month.

The G-sec market has been concerned on the fiscal deficit front as the fiscal deficit on a cumulative basis for the period April-October stood at an uncomfortable ₹4.58 tn, or 84.4% of the Budgeted estimates (BE). The achievement of the targeted deficit for FY 2014 would depend on an up tick in revenue, steep cuts in expenditures as well as a possible roll over of oil subsidy into the next year. The moderation in domestic growth has muted the performance of gross tax collection as it grew by 9.3% as against the budgeted 19%.

Central government expenditure grew 18% year on year during April-October 2013, in line with the BE. The government has announced austerity measures by effecting a 10% cut in non- plan expenditure excluding certain identified expenditures and cap on spending in the last quarter, fiscal 2014. There is an expectation of raising additional revenues under the amnesty scheme announced for the service tax.

The G-sec market is facing headwinds like rising inflation, focus shifting to ‘core CPI’ inflation as well as a possibility of a bond switch of ₹500 bn and the G-sec yields have remained elevated. While the fears of fiscal slippage and consequently the extra borrowing remains a key risk, the G-sec market has been under pressure over the last few months. Moreover, there has not been adequate OMO support, unlike the prior year. The strong supply in the month of December 2013 further acts as a negative in the short term.

The bond markets have seen an exodus of FII flows post the US Fed taper talk in May 2013 which resulted in a sharp depreciation of the INR. The fall in the INR triggered further selling in the bond market, thereby spiraling into a vicious loop. With the expectation shifting to a delayed and slow QE taper and on the back of extraordinary measures deployed successfully by the RBI to increase the dollar flows from FCNR deposits and bank borrowings, the INR seems to have stabilized.

The complete unwinding of July 15th liquidity tightening measures and bringing the total OMCs dollar demand fully into the market in a calibrated manner have stabilized the INR in line with the fundamentals. The RBI has been able to build a reasonable buffer against the ultimate Fed QE taper and the rating agencies seem inclined to take a call on the sovereign rating only after the general elections in 2014. These tailwinds along with an improved CAD print in the second quarter 2014 are positive developments by the Indian G-sec market.

A section of the market is bracing for a 25 bps rate hike in the Mid-quarter monetary policy on December 2013 as the RBI could react to elevated inflation. We believe that as the borrowing calendar gets less crowded in February 2014 and the vegetable price inflation eases meaningfully, the G-sec yields would gradually come down. Hence, the current market levels offer attractive entry point for a long term investor in the bond market.

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 extent of OMO support from the RBI.

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