



Gratuity Fund Performance

Quarterly Fund Update, January to March '09

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

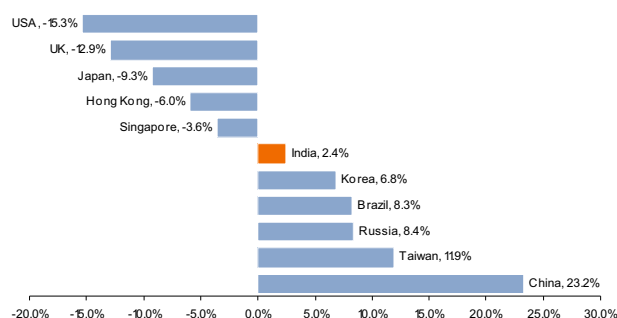


EQUITY MARKET

The Equity Market

During the last quarter, some of the prominent emerging markets witnessed a smart pullback from their December 2008 lows. The Indian markets also saw an improvement in performance, after posting significant declines last year. Nifty, the benchmark index, rose marginally by 2.4% during the quarter, although the BSE Mid-cap and BSE Small-cap indices declined by 8% and 12% respectively.

Performance of Key Global Indices in the Last Quarter



During the March quarter, the positive data points included low inflation rates (0.3% for week ended 21st March 09) and an environment of benign interest rates. Tax cuts (excise and service tax) and fuel price cut percolated through the economy and led to a pick-up in demand in automobile and cement monthly dispatches.

On the flip side, industrial production data remained muted. Crude oil rose by more than 11%, exports decelerated and foreign capital inflows declined leading the rupee to depreciate by more than 4%. FII continued to be net sellers in the Indian market and sold almost USD 1.4 billion during the quarter. Stimulus packages announced in the global markets led to investors buying into commodities, which saw a strong out-performance.

On the sectoral front, consumer and rural demand driven sectors posted significant gains. The Auto, Energy and Metal indices rose by 21%, 16% and 11% respectively. Financials declined by more than 17% during the quarter.



The Fund Manager's commentary

After months of negative sentiment and uncertainty, equity markets globally have rallied on the hope that the US stimulus package will get things going, reduce uncertainty and lead to some sort of stability in the financial market. As with most rallies happening after sharp falls, the magnitude and speed of the pull back is likely to have taken many investors by surprise. After the significant pullback in stock prices, we believe that markets are likely to consolidate or partially give up the gains.

On the economic front, the consensus emerging is that Indian GDP will grow by about 6% in fiscal 2010. This represents a significant slowdown compared to the last 3-4 years growth; however on a relative basis, India will continue to be one of the fastest growing economies in the world. Inflation is now almost 0% and it could slip into negative territory for a few weeks. This could provide the Central Bank more flexibility in continuing to lower rates. We expect lending rates to continue heading downwards.

However, a sustained bull market rally is likely to happen only after markets sense a return of momentum in economic growth. While valuations in the Indian stock markets are attractive, a number of challenges lie ahead. Political uncertainty is likely to be a major factor in the near term. The full extent of earnings decline and a better sense on the GDP growth number are factors investors will need a better handle on. Till that time and especially after the recent rise, we believe that markets are likely to cool off for the time being. In the immediate term, the performance of global equity markets is a big near term driver. A hung parliament could, potentially, be a meaningful negative for the markets.



The Fixed Income Market

Indicators	Dec-08	Mar-09	Q-o-Q Variation
10-year India GSec (%)	5.25	7.01	1.76
1year CD (%)	8.3	7.00	-1.30
Exchange Rate (USD/INR)	48.78	50.74	1.96
Forex Reserves (USD bn)	254.05	253.83	-0.22
WPI Inflation (%)	6.38	0.27	-6.11
Reverse repo (Rs crores)	47.350	16.845	-30.505
Brent Crude (\$/bbl)	44.6	49.69	5.09
10-year US Yield (%)	2.21	2.67	0.46
Bank Rate (%)	6.00	6.00	0.00
Repo Rate (%)	6.50	5.00	1.50
Reverse Repo Rate (%)	5.00	3.50	1.50
CRR (%)	5.50	5.00	0.50
SLR (%)	24.00	24.00	0.00

Source: RBI WSS, Bloomberg

RBI aggressively cut key policy rates twice in the quarter to stimulate growth, first time on Jan 2, 2009 and second time on Mar 4, 2009. The CRR, Repo rate and Reverse repo rates have been cut by 50bps to 5%, 150 bps to 5%, and 150 basis point to 3.5%, respectively, in the new calendar year. The rate cuts were probably triggered by evidence of a deeper slowdown in the Indian economy as reflected in the weakening economic indicators. The rapid fall in WPI inflation would have provided comfort to RBI to go ahead with rate cuts.

Liquidity continued to remain sufficient in the system, with banks parking an average of Rs.46000 crores at the reverse repo window. Ample liquidity in the money markets kept the investor interest high in short dated papers, with yields on money market instruments dropping by 130 bps.

The aggressive rate cuts by RBI at the start of the quarter, and expectations of further monetary policy actions, fuelled a rally in bonds, with the 10Y touching a historic low of 4.86%. However, these low levels could not be sustained for long. The government's announcement of extra borrowing for the current fiscal, coupled with the much larger than expected borrowing for fiscal 2009-10, kept the bond markets under pressure. The buy back of securities by RBI failed to curb this pressure on yields, as the supply of bonds

outpaced the buy back of securities. Consequently, yields hardened by almost 176 bps in this quarter.

Corporate bonds have outperformed gilts in the downturn, with a sharp compression of spread over the sovereign benchmark. Within the corporate bond space, the short dated papers have outperformed the longer dated counterparts, as investors focused on the short end of the curve, in light of flush liquidity conditions.

Inflation continued to plunge rapidly, as the WPI (Wholesale Price Index) declined to near zero level of 0.27% for the week ended 14th March 2009. The WPI inflation is expected to slip into negative on account of the high base effect.

The Foreign exchange reserves continued to be stable. The foreign exchange reserves were USD 253.83 billion as on Mar 20, 2009 as compared to USD 254.05 billion in Jan, 2009.

Global Backdrop

The global economy failed to gain traction as the Herculean measures taken to help the financial markets failed to produce the desired results. Major Central Banks continued with their efforts to support the financial markets. The Bank of England reduced its benchmark rate to 0.5%, the lowest ever. It plans to start buying GBP 75 billion of assets, using a variety of monetary tools to fight recession. The European Central Bank also cut its rate to the lowest ever, reducing the benchmark rate to 1.5%. The US treasury was not far behind, as it announced a mega plan aimed at financing as much as USD 1 trillion in purchases of distressed assets to help stabilize the beleaguered financial system.

The Fund Manager's commentary

The failure of global financial markets in getting back on its feet, continued to adversely affect the Indian markets. The economic numbers continued to surprise on the downside. The Index for Industrial Production (IIP) number dipped for second month in a row to -0.5% (YoY) in Jan 2009 vs. a revised -0.6% (YOY) for Dec 2008. Exports fell for a fourth straight month by 15.9% in Jan 2009, as recession in key markets continued to depress demand. Imports also fell, for the first time in this fiscal year, by 18.1%, indicating worsening local demand conditions. WPI Inflation has fallen to the lowest ever, and is expected to slip into negative territory in the next few weeks.

The extra government borrowings in the last month of the fiscal 2009 had put an upward pressure on bond yields. In the announcement of the borrowing calendar for H1FY2010, RBI has indicated that it would continue to make purchases of government securities/unwind MSS (Market Stabilisation Scheme) bonds for effective liquidity management. This is expected to provide support to the bond markets. Also with worsening economic activity, RBI is expected to continue to cut rates to provide stimulus to the economy. This is likely to give boost to the bond market sentiments.

UNIT-LINKED FUND

Gratuity Balanced

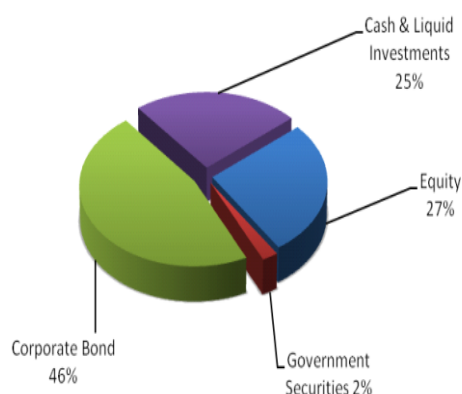
As on 31st March, 2009

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

Asset Allocation Pattern

Government & Govt. Guaranteed Securities	0-60%
Equities	0-35%
Cash and Money Market	0-40%

Asset Mix



Portfolio Returns

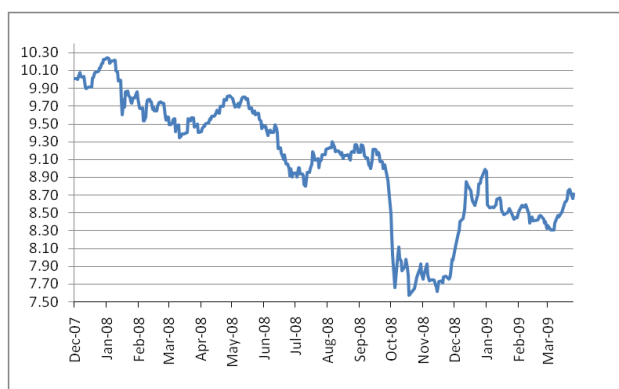
Returns	NAV	Benchmark
Last 1 Month Return	2.9%	2.6%
Last 2 Months Return	2.3%	1.6%
Latest Quarterly Return	-1.4%	0.3%
Last 12 Months Return	-8.0%	-5.7%
CAGR since inception	-10.0%	-6.4%

Past performance is not indicative of the future performance

Note: Benchmark has been calculated as per the target holdings of the fund i.e. 30% Equity & 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-Dec-2007)

CMIE - Centre for Monitoring Indian Economy

(Portfolio as on March 31, 2009) Industry (CMIE Classification)

Security	Wt (%)	Rating
Government Securities	2.2%	
GOI LOAN 10.25% 2021	2.2%	SOV
Corporate Bonds	46.4%	
Banking services	7.3%	
ICICI BANK	7.3%	AAA
Electricity distribution	3.4%	
RELIANCE ENERGY	3.4%	AAA
Financial institutions	8.0%	
INDIAN RAILWAY FINANCE CORPORATION	3.9%	AAA
POWER FINANCE CORPORATION	4.1%	AAA
Government of India	6.8%	
NATIONAL HOUSING BANK	6.8%	AAA
Housing finance services	8.1%	
HDFC LTD.	4.2%	AAA
LIC HOUSING FINANCE	3.8%	AAA
Industrial construction	6.7%	
LARSEN & TOUBRO	6.7%	AAA
Other financial services	6.1%	
G E MONEY FINANCIAL	0.3%	AAA
CITIFINANCIAL CONSUMER FINANCE	0.5%	AA
L&T FINANCE	5.4%	CAREAA+
Equity	26.9%	
Aluminium & aluminium products	0.0%	
HINDALCO LTD.	0.0%	
Banking services	3.0%	
HDFC BANK LTD.	0.9%	
ICICI BANK LTD.	0.6%	
PUNJAB NATIONAL BANK	0.5%	
STATE BANK OF INDIA	1.0%	
Cement	0.3%	
ACC	0.0%	
AMBUJA CEMENT LTD.	0.0%	
GRASIM INDUSTRIES LTD.	0.2%	
Commercial vehicles	0.0%	
TATA MOTORS LTD.	0.0%	
Computer software	2.1%	
HCL TECHNOLOGIES LTD.	0.1%	
INFOSYS TECHNOLOGIES	1.7%	
TATA CONSULTANCY LTD.	0.3%	
WIPRO	0.1%	
Copper & copper products	0.3%	
STERLITE INDUSTRIES	0.3%	
Cosmetics, toiletries, soaps & detergents	1.0%	
HINDUSTAN UNILEVER LTD.	1.0%	
Crude oil & natural gas	3.3%	
CAIRN INDIA LTD.	1.2%	
OIL AND NATURAL GAS	2.1%	
Drugs & pharmaceuticals	0.5%	
DR. REDDYS LABORATORIES LTD.	0.2%	
RANBAXY LABORATORIES LTD.	0.1%	
SUN PHARMACEUTICALS INDUSTRIES LTD.	0.3%	
Electricity distribution	0.6%	
POWER GRID CORPORATION	0.5%	
RELIANCE INFRASTRUCTURE LTD.	0.1%	
Electricity generation	2.0%	
NTPC	1.7%	
TATA POWERS LTD.	0.2%	
Generators, transformers & switchgears	0.2%	
ABB LTD.	0.2%	
Housing finance services	0.7%	
HDFC	0.7%	
Industrial construction	1.5%	
LARSEN & TOUBRO LTD.	1.5%	
Media-broadcasting	0.1%	
ZEE ENTERTAINMENT ENTERPRISE	0.1%	
Passenger cars & multi utility vehicles	0.4%	
MAHINDRA & MAHINDRA LTD.	0.2%	
MARUTI SUZUKI INDIA LTD.	0.2%	
Prime movers	1.4%	
BHEL	1.4%	
Refinery	3.8%	
RELIANCE INDUSTRIES	3.0%	
RELIANCE PETROLEUM LTD.	0.7%	
Steel	0.9%	
SAIL	0.7%	
TATA IRON AND STEEL	0.3%	
Telecommunication services	2.6%	
BHARTI TELEVENTURES LTD.	2.0%	
IDEA CELLULAR LIMITED	0.2%	
RELIANCE COMMUNICATIONS LTD.	0.4%	
TATA COMMUNICATIONS LTD.	0.1%	
Tobacco products	1.1%	
ITC LTD.	1.1%	
Trading	0.4%	
GAIL (INDIA) LTD.	0.4%	
Two & three wheelers	0.7%	
HERO HONDA MOTORS LTD.	0.7%	
CASH & OTHER LIQUID ASSETS	24.6%	
Grand Total	100.0%	

UNIT-LINKED FUND

Gratuity Debt

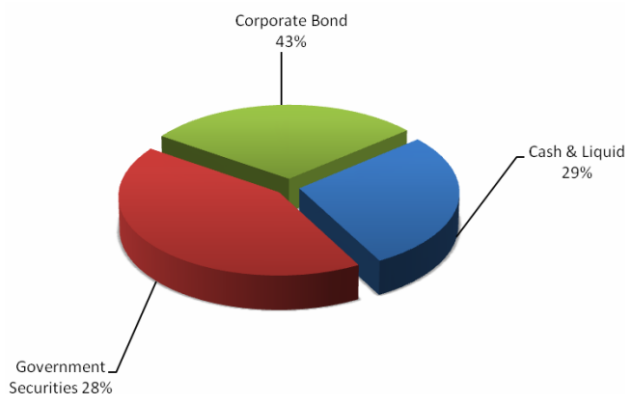
As on 31st March, 2009

To earn regular income by investing in high quality fixed income securities

Asset Allocation Pattern

Government & Govt. Guaranteed Securities	25-90%
Equities	0%
Cash and Money Market	0-40%

Asset Mix



Portfolio Returns

Returns	NAV	Benchmark
Last 1 Month Return	0.0%	-0.3%
Last 2 Months Return	0.7%	0.0%
Latest Quarterly Return	-0.6%	-0.5%

Last 12 Months Return	12.1%	7.4%
Last 2 years CGR	10.8%	7.8%
CAGR since inception	10.8%	7.7%

Past performance is not indicative of the future performance

Note: Benchmark has been calculated as per the target holdings 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-Mar-2007)

CMIE - Centre for Monitoring Indian Economy

(Portfolio as on March 31, 2009)
Industry (CMIE Classification)

Security	Wt (%)	Rating
Debt		
Government Securities	28.2%	
7.00% OIL SPL 2012	3.2%	SOV
8.13% GOI OIL Bond 2021	0.1%	SOV
GOI 12.40% 2013	6.4%	SOV
GOI 6.05 2ND FEB 2019	2.5%	SOV
GOI 7.56% 2014	5.5%	SOV
GOI LOAN 10.95% 2011	1.9%	SOV
GOI LOAN 7.38% 2015	0.0%	SOV
GOI LOAN 7.95% 2032	1.1%	SOV
SDL KARNATAKA 6.70% 2019	5.3%	SOV
SDL MAHARASHTRA 6.73% 2019	2.2%	SOV
Corporate Bonds	42.5%	
Banking services	2.0%	
ICICI BANK	2.0%	AAA
Electricity distribution	1.5%	
RELIANCE ENERGY	1.5%	AAA
Electricity generation	1.7%	
NTPC	1.7%	AAA
Financial institutions	16.4%	
POWER FINANCE CORPORATION	0.6%	AAA
EXIM	4.4%	AAA
IDFC	6.7%	AAA
INDIAN RAILWAY FINANCE CORPORATION	0.5%	AAA
RURAL ELECTRIFICATION CORP	4.2%	AAA
Government of India	4.3%	
NATIONAL HOUSING BANK	4.3%	AAA
Housing finance services	2.1%	
HDFC Ltd	2.1%	AAA
Industrial construction	1.0%	
LARSEN & TOUBRO	1.0%	AAA
Non-banking financial cos. (NBFCs)	0.4%	
M&M FIN SERVICES	0.4%	AA-
Other financial services	1.5%	
G E MONEY FINANCIAL	0.6%	AAA
L&T FINANCE	0.3%	CAREAA+
CITIFINANCIAL CONSUMER FINANCE	0.7%	AA
Refinery	6.1%	
RELIANCE INDUSTRIES	6.1%	AAA
Steel	5.3%	
SAIL	5.3%	AAA
CASH & OTHER LIQUID ASSETS	29.3%	
Grand Total	100.0%	

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