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Gratuity Fund Performance

Monthly Fund Update, April '10

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



The Equity Market

The financial year 2010 started on a positive note aided by strong FII inflows and global trends. The Sensex touched a two year high of 17,970 on 7th April 2010. The upbeat economic outlook and expectations of a normal monsoon have raised market sentiments.

The quarter started with good results from corporates, especially in the Information Technology and Banking sectors. However, towards the end of April, global markets witnessed a sell off after a downgrade of Greece and Spain by S&P. The world markets are concerned regarding a sovereign default by Greece. However, good corporate results coming in from various economies have raised hopes of a possible worldwide economic revival. Sensex witnessed a high of 17,970 and a low of 17,380 through the month. However, it ended flat in the month of April.

In the first Monetary Policy statement for financial year 2010-11, RBI raised the Credit Reserve Ratio (CRR), Reverse Repo and Repo Rate by 25 basis points each, primarily to tackle high inflation. RBI highlighted that Government's borrowing programme would not hamper private credit demand and the economic recovery process would be maintained. The IMF in its report in April has projected India's GDP growth rate at 8.8% in 2010.



The Fund Manager's Commentary

The Economic scenario looks upbeat with strong GDP numbers of 8.5% for FY 2011. Inflation continues to be a point of concern, with commodity and fuel prices moving upwards. RBI continues to monitor the situation and is expected to continue tightening measures.

At the industry level, corporate hiring and capital expansion plans augur well for a sustained revival. The increase in banking credit is expected to be 20% at an overall level, which would contribute to industrial growth. From a retail demand perspective, growth is being seen in Auto, Real Estate and Consumer Goods purchases.

In terms of valuation, Sensex is trading at 17 times its one year forward PE multiple for FY11 and 14.2 times two year forward multiple for FY12.

We are positive on Power & Infrastructure, Real Estate and Commodities. From an overall perspective, the long term structural positives for Indian equity markets remain intact. However, in the near term, the developments taking place in Europe and the implications it may have on Indian equity markets need to be carefully analyzed. We maintain a cautious stance and would align fund management strategies appropriately.





The Fixed Income Market

The key event for fixed income markets for the month of April was the Monetary Policy statement for financial year 2010-11 on 20th April. RBI raised the Credit Reserve Ratio, Reverse Repo and Repo Rate by 25 basis points each. The primary objective was to anchor inflation expectations to sustain the process of recovery in the economy.

The Wholesale Price Inflation (WPI) was largely flat at 9.90% year-on-year in March 2010 compared to 9.89% in February 2010. With expectations of a normal monsoon, Food Price inflation is expected to soften going forward. However, markets are concerned about the adverse impact of rising commodity and fuel prices on inflation.

Industrial output rose by less than expected rate of 15.1% y-o-y in February (consensus was at 16.0%) compared to 16.7% in January. However, domestic consumption and economic outlook remains strong for the year. The higher bank credit target for this year may exert an upward pressure on yields.

Government Securities

The current 10-year Government security (6.35% 2020) benchmark yield increased 23 basis points for the month to close at 8.06%. The increase was mainly due to the introduction of the new 10-year benchmark in a recent auction and the illiquidity discount for this security. The yield on new 10-year Government security (7.80% 2020) closed at 7.75% on 30th April.

Corporate Bonds

There was a significant demand for corporate bonds during the month leading to a significant narrowing of spreads on the 10 year AAA corporate bond (with respect to 10 year Government security). It compressed from around 100 bps to 65bps during the month. A similar compression of spread was seen in the 5 year corporate bond segment as well.

Global Scenario

The US treasury market has rallied sharply after the rating downgrade of Greece and Spain. US Treasury yields have softened, as global risk aversion has gone up and investors are seeking the safety of US treasury.

Outlook

We expect tightening by RBI to continue and a hike of over 100 basis points in Policy rate through the financial year. However, due to the Greece Debt crisis, there has been a significant shift towards Government securities globally.

On the fiscal front, the Government has been broadly successful in its Disinvestment programme and the Telecom 3G auctions are expected to exceed targets. We believe that Government securities yields would be range-bound in the near term.

UNIT-LINKED FUND

Gratuity Balanced

As on 30th April 2010

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 year return	19.52%	17.88%
Last 3 year (CAGR)		
Last 5 year (CAGR)		
CAGR since inception	4.26%	3.23%

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

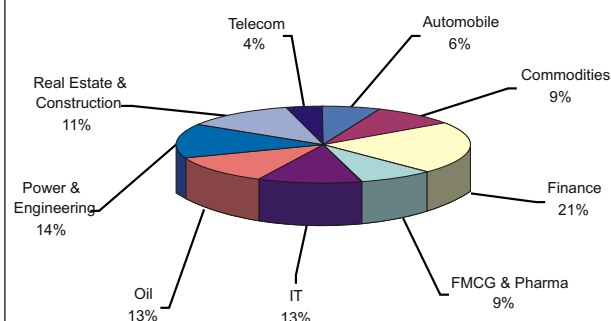
Security Type	Benchmark Index
Equity	S&P CNX NIFTY
Debt	CRISIL Composite Bond Fund Index

(Portfolio as on 30th April 2010)

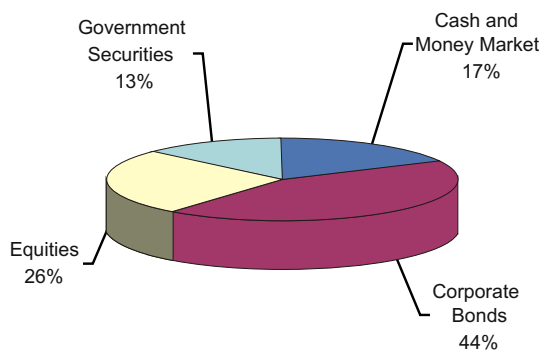
Security	Wt (%)	Rating
Government Securities	12.89%	SOV
GOI 2013	5.21%	SOV
GOI 2011	3.17%	SOV
SDL Maharashtra 2019	2.06%	SOV
SDL Punjab 2019	1.50%	SOV
Others	0.95%	
Corporate Bonds	43.72%	
IL&FS	7.13%	AAA
HDFC	5.67%	AAA
ICICI Bank Ltd	4.83%	AAA
Reliance Capital Limited	4.82%	AAA
Power Grid Corporation	4.68%	AAA
Tech Mahindra	3.89%	AAA
Power Finance Corporation Ltd	3.70%	AAA
Larsen & Toubro Ltd	3.55%	AAA
Reliance Gas Transport Infrastructure	2.73%	AAA
Others	2.71%	
Equities	26.31%	
Reliance Industries Ltd	2.18%	
Infosys Technologies	1.84%	
Larsen & Toubro Ltd	1.75%	
ITC Ltd	1.47%	
ICICI Bank Ltd	1.25%	
State Bank Of India	1.14%	
Others	16.69%	
Cash and Money Market	17.08%	
Total	100.00%	

Note: "Others" comprises of combined exposure to companies with less than or equal to 1% weightage in Portfolio

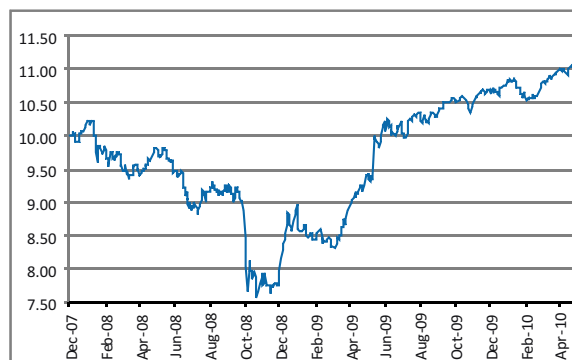
Equity Sectoral Break-up



Asset Class

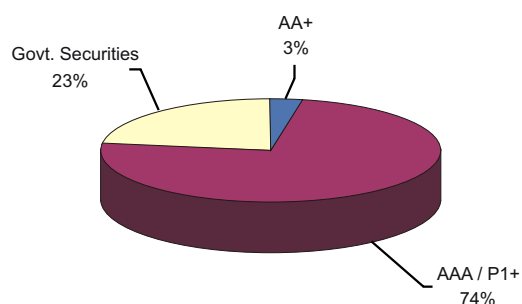


NAV Movement Since Inception



(Date of inception: 06-December-2007)

Credit Profile of Debt Portfolio



UNIT-LINKED FUND

Gratuity Debt

As on 30th April 2010

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.

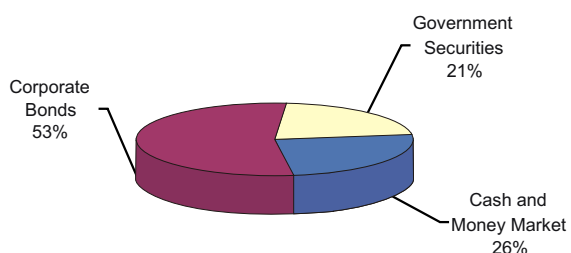
Portfolio Returns

Returns	NAV	Benchmark
Last 1 year return	9.23%	3.29%
Last 3 year (CAGR)	11.37%	7.08%
Last 5 year (CAGR)		
CAGR since inception	11.18%	7.03%

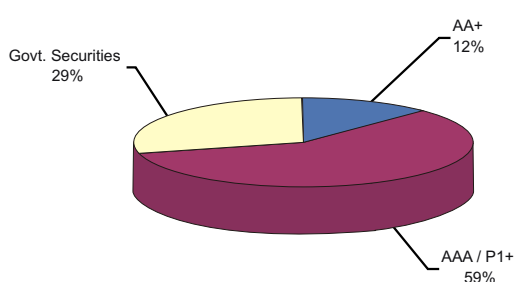
Past performance is not indicative of the future performance
Note: Benchmark has been calculated as per the target holding of the fund i.e. 100% Debt Securities.

Security Type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

Asset Allocation



Credit Profile of Debt Portfolio

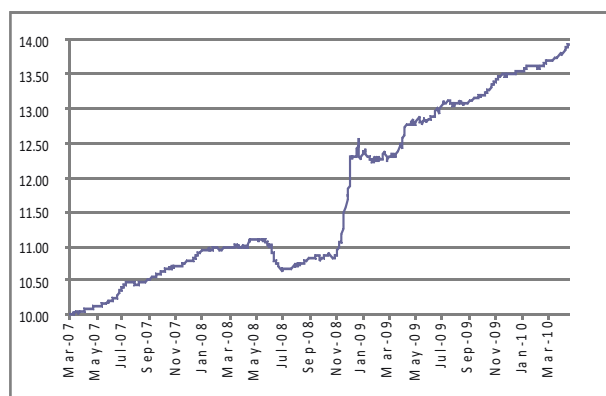


(Portfolio as on 30th April 2010)

Security	Wt (%)	Rating
Government Securities	21.24%	SOV
GOI 2013	9.40%	SOV
GOI 2016	6.64%	SOV
GOI 2012	4.92%	SOV
Others	0.28%	
Corporate Bonds	52.81%	
Reliance Gas Transport Infrastructure	9.43%	AAA
HDFC	9.25%	AAA
Tech Mahindra	9.23%	AAA
Reliance Capital Limited	9.15%	AAA
L&T Finance Ltd	4.62%	AA+
Reliance Energy	4.38%	AA+
IL&FS	3.59%	AAA
Power Finance Corporation Ltd	3.06%	AAA
Others	0.09%	
Cash and Money Market	25.95%	
Total	100.00%	

Note: "Others" comprises of combined exposure to companies with less than or equal to 1% weightage in Portfolio

NAV Movement Since Inception



(Date of inception: 15-March-2007)

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