

August 2011

Indepth

The Investment Newsletter



The US has been downgraded to AA+ from AAA rating, the investors are nervous and the markets world over is bleeding. The issue as related to the US downgrading was brewing in the market for sometimes now. But nobody expected the unthinkable to unfold so rapidly. Notwithstanding the weakening fundamentals of the US economy, the rating agency has taken note of the state of politics in the world's largest democracy which post Lehman crisis influenced the policy makers decision to swiftly transfer the toxic assets from corporate balance sheets to the sovereign balance sheet and now the same policy makers are indecisive to take corrective action when deteriorating fiscal situation demands it most urgently. The Euro Zone is also looking extremely vulnerable at the current juncture. The solvency of the countries like Greece, Ireland, Portugal and Spain have been under threat for sometime but now it is having its contagion effect to threaten the creditability of highly rated countries like France as well. And that is a bad news for the market. If we were to settle for less and less number of AAA countries then world becomes an uncertain place to do business.

Now let us take stock of the domestic economic situation. In the First Quarter review of the monetary policy, RBI surprised the market by raising the repo rate (the rate at which RBI lends to banks) by 50 bps (1% = 100 bps). It increased the year end inflation projection to 7% from 6% earlier, even as it maintained the GDP growth forecast at 8%. Majority in the market participants were expecting just a 25 bps hike in the repo rate followed by a pause with a minority advocating no rate hike in this policy itself. RBI however thought otherwise. Even as it saw some monetary policy induced moderation in growth it characterized the same as "consistent with the objective of containing inflation" which it believes is the "dominant macroeconomic concern" at the current juncture.

While the flat Month -on-Month growth in core inflation and a fall in input price index of the HSBC PMI (A leading indicator of future growth prospect) is comforting from inflation management perspective, it is important to put things in context. At 7.2% core (ex- food and ex-oil) inflation is far higher than its average of 4% over the last six years. More so, headline inflation in double digits is way above RBI's near term target of 4-4.5% and the medium term objective of 3%. More importantly inflation expectations rule high with significant suppressed elements in the economy which is yet to unfold in the form of high inflation. Even after the recent hike in prices of administered fuels there is still a gap of \$20 per barrel of crude between the market price of crude and the price to which domestic diesel is marked to. It would either have to be passed on to the consumer or end up widening the fiscal gap, either of which would be inflationary. The hike in coal prices have yet to be passed on to higher electricity prices while the hike in

MSPs of rice and pulses would upward pressure to inflation going forward, no matter how the monsoon progresses.

However, Global commodity and energy prices present the single largest source of uncertainty to the inflation outlook, both on the upside and the downside. If the commodity and energy prices come off from the current level as the 2/3rd of the global growth is moderating for sure then it will have a very positive impact on our economy in medium to long term. The inflation expectation will come down, the interest rate will stabilize and corporate margins will look up. But more importantly these factors will lead to investment cycle turn around in the economy without which the domestic growth will only lose steam from the current level. But if the commodity and energy prices remain at an elevated level for some more time due to accommodative monetary policy adopted by the developed economies then we will continue in this uncertain world for some more time.

Fund Managers

Fixed Income and Hybrid Funds

Mr. Imran Sayed

Qualification : Awarded CFA charter by CFA Institute - 2006 FRM - 2005

Experience : 10 years

Equity

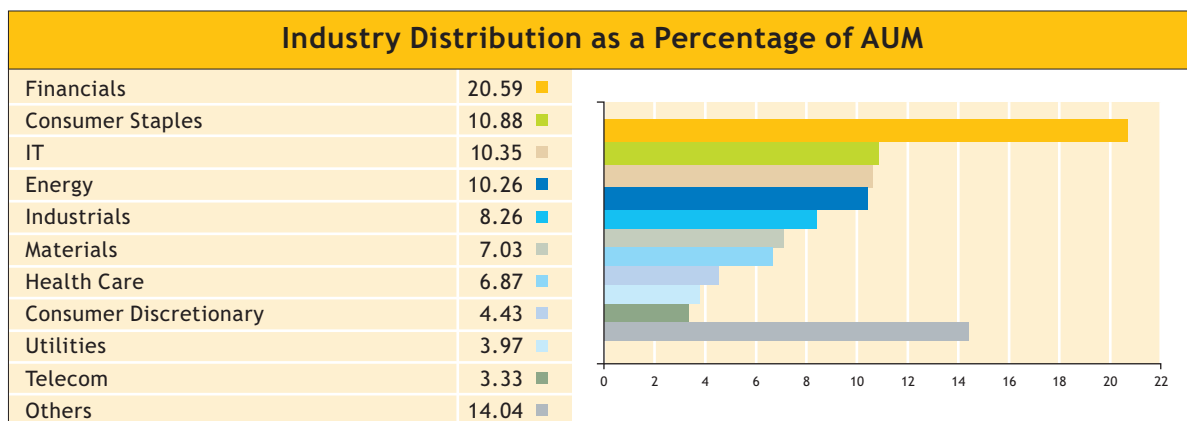
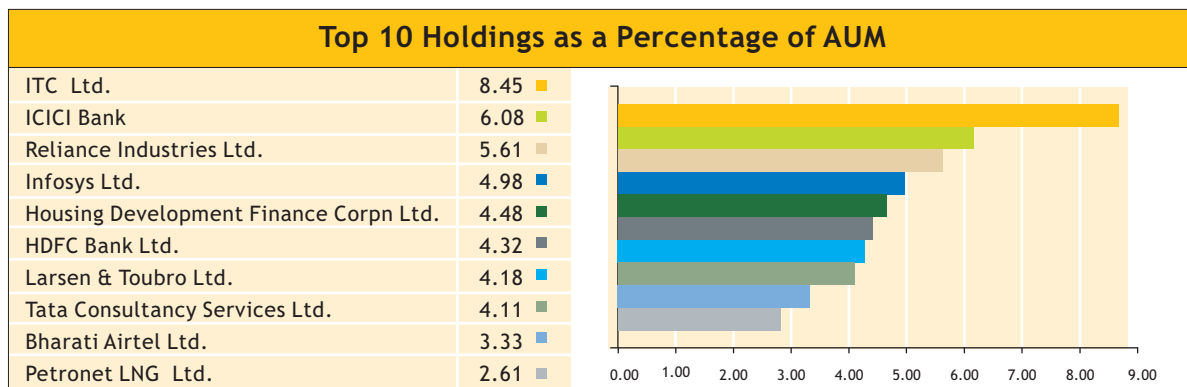
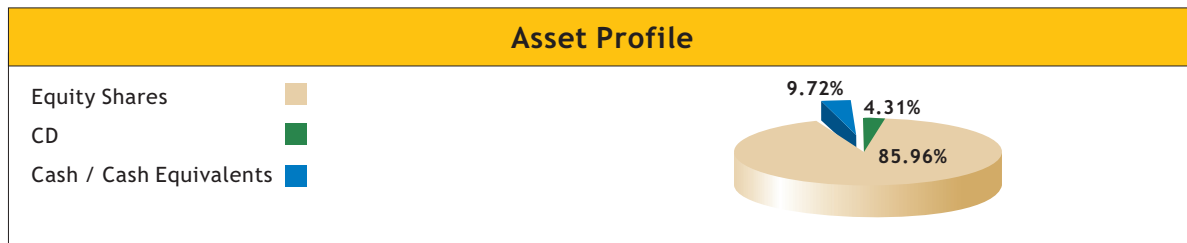
Mr. Jyoti Prakash

Qualification : CFA-1993 PGDRM (IRMA)

Experience : 25 years

Enhanced Equity Fund

Fund Manager : Mr. Jyoti Prakash
Investment Objective : This fund will aim to invest in a well-diversified portfolio of equity instruments, and generate attractive returns in the long term.



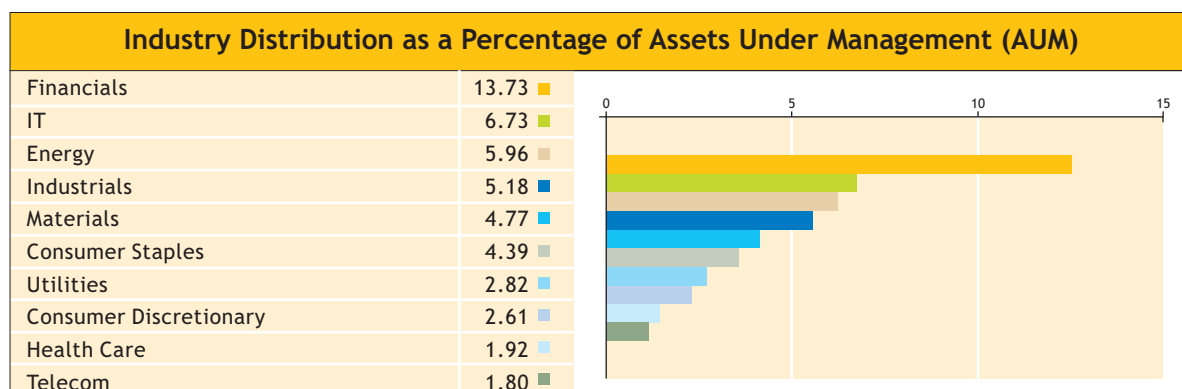
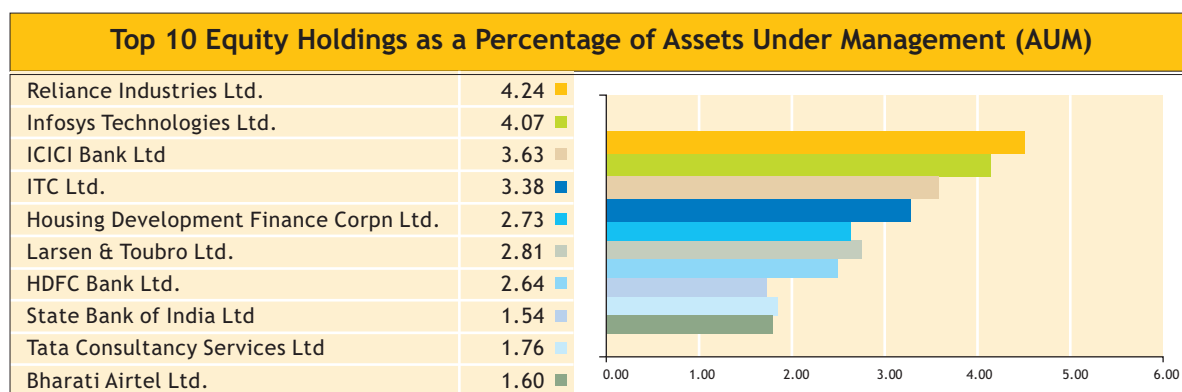
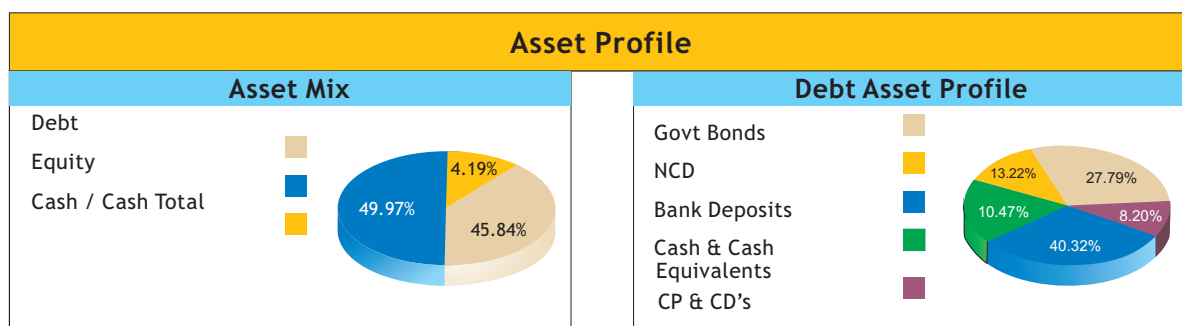
Returns

	6 months (abs)	1 Year (abs)	Since inception (abs)
Enhanced Equity Fund	+1.14%	+3.24%	+30.80%
Nifty	-0.43%	+1.35%	+24.15%

Balanced Fund

Fund Manager : Mr. Imran Sayed

Investment Objective : This fund will aim to maintain a balance between equity and debt exposure so as to generate stable and attractive long term returns.

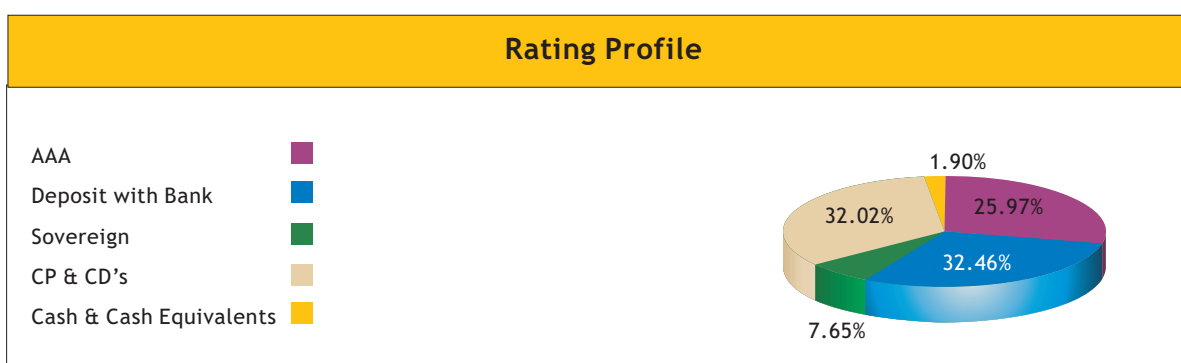
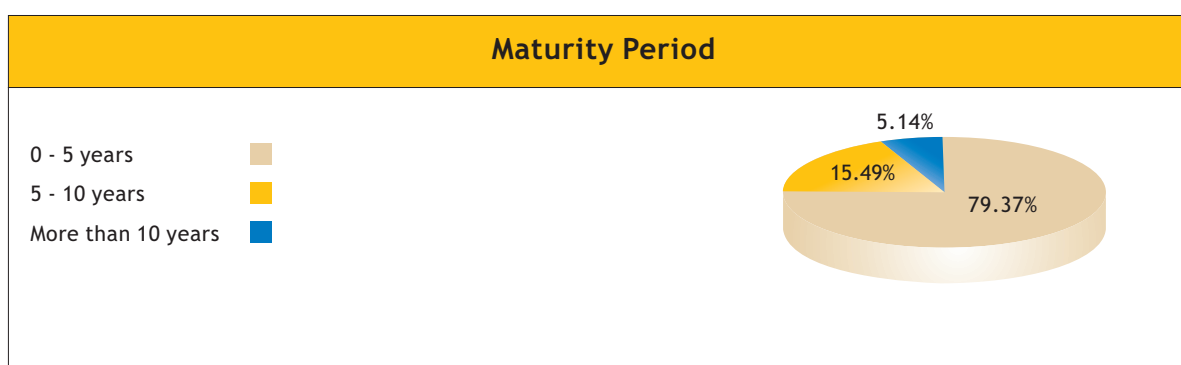
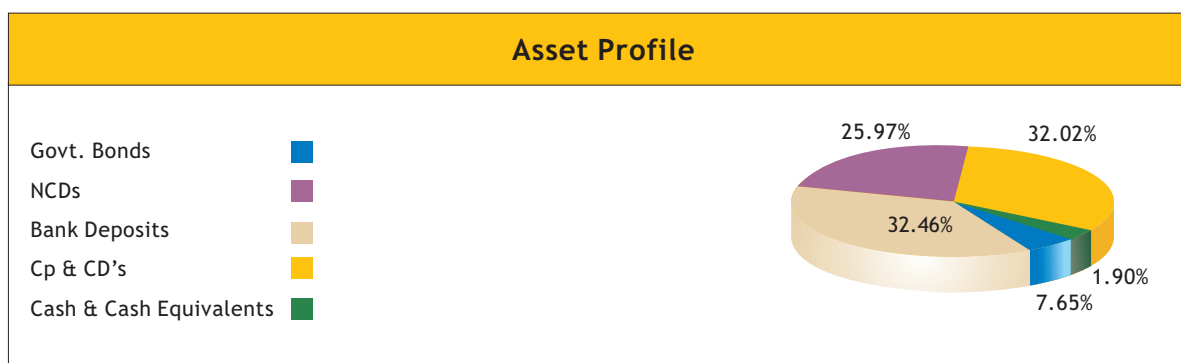


Returns			
	6 months (abs)	1 Year (abs)	Since inception (abs)
Balanced Fund	+1.08%	+2.85%	+26.69%

Debt Fund

Fund Manager : Mr. Imran Sayed

Investment Objective : This fund will aim to generate attractive returns by investing in a diversified portfolio of government debt, corporate debt, money market instruments and other fixed income securities of varying maturities.



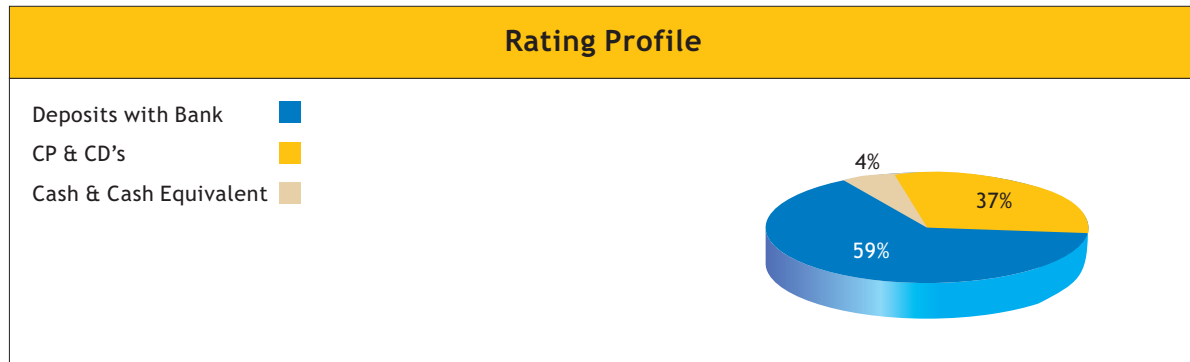
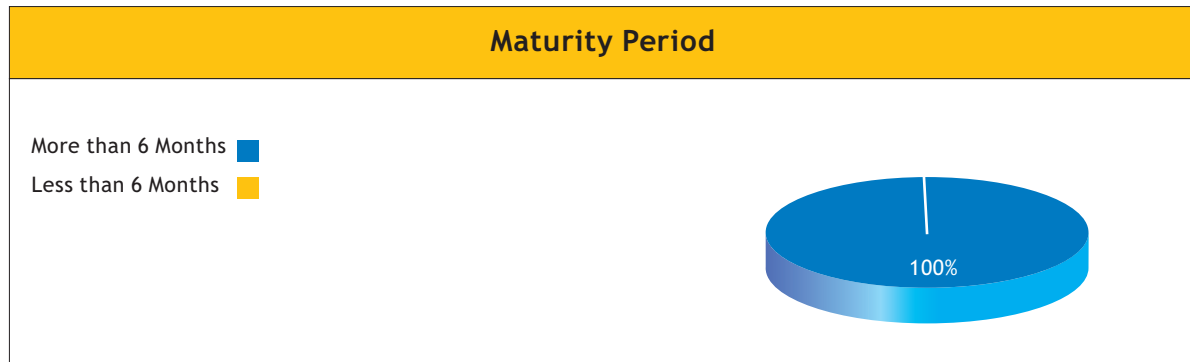
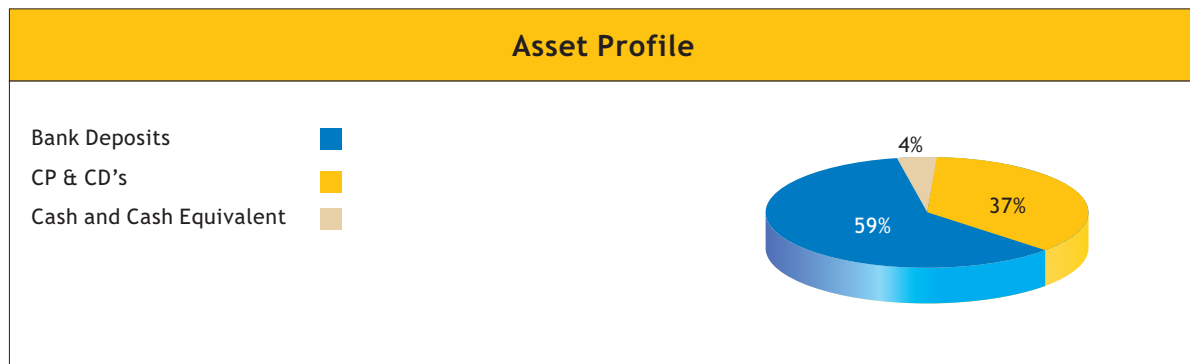
Returns

	6 months (ann)	1 Year (ann)	Since inception (ann)
Debt Fund	+8.14%	+6.85%	+13.31%

Secure Fund

Fund Manager : Mr. Imran Sayed

Investment Objective : This fund aims to invest in a diversified portfolio of money market instruments and other fixed income securities of short to medium term maturities. The main objective will be to generate reasonable returns with very low valuation risks.

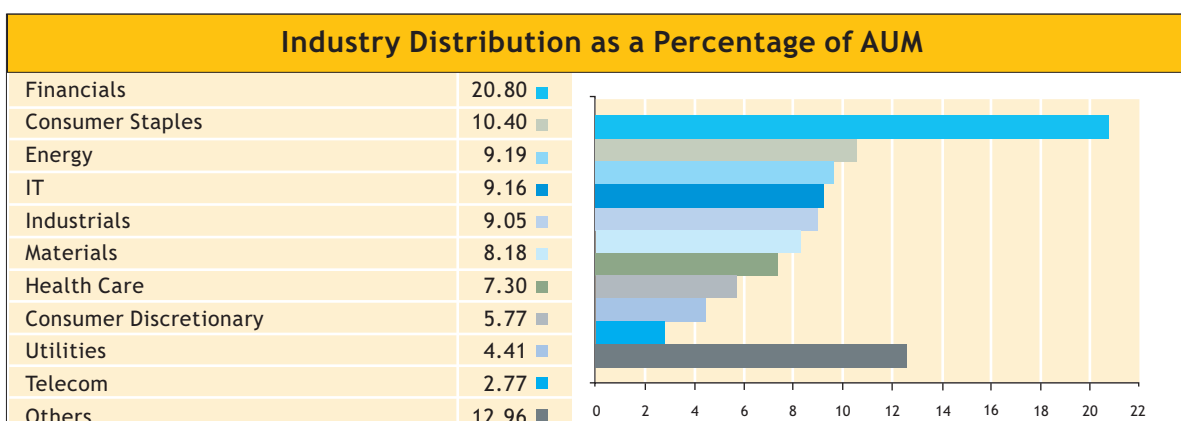
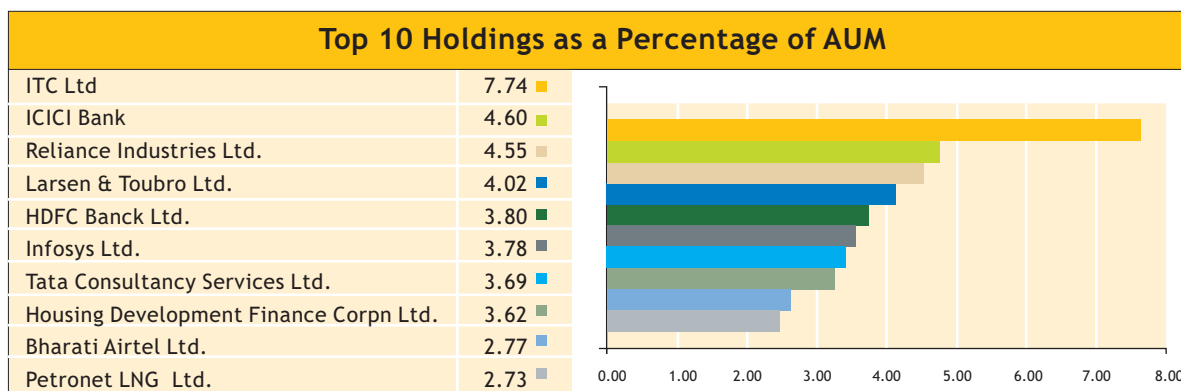
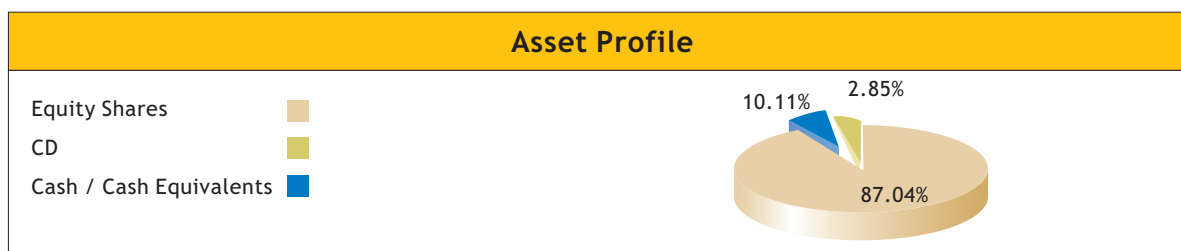


Returns

	6 months (ann)	1 Year (ann)	Since inception (ann)
Secure Fund	+8.61%	+7.31%	+8.04%

Accelerator Fund

Fund Manager : Mr. Jyoti Prakash
Investment Objective : This fund will aim at investing in equities of various sectors to diversify the portfolio and to generate attractive returns in long-term. This fund will also have the flexibility to invest in fixed interest assets and money market instruments upto 20%



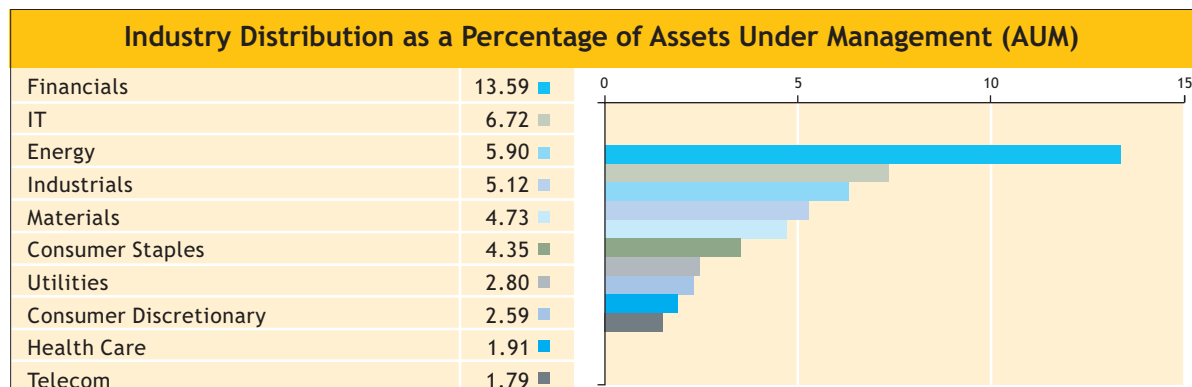
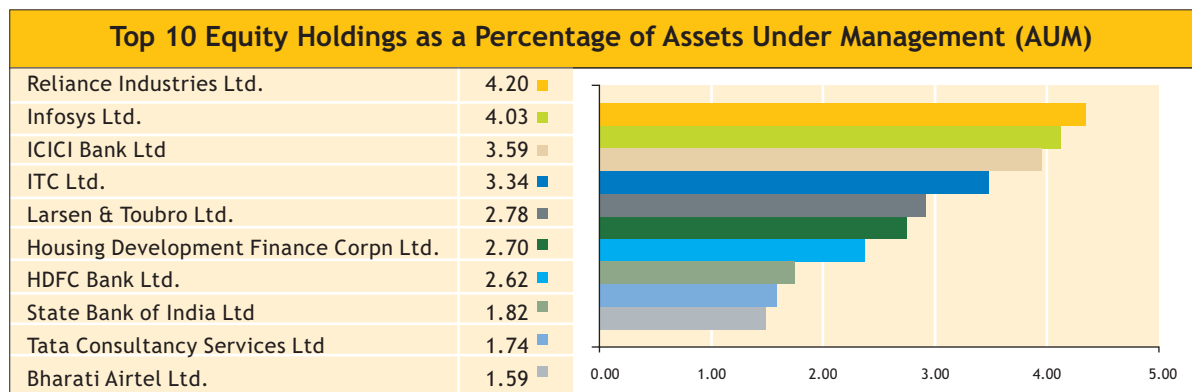
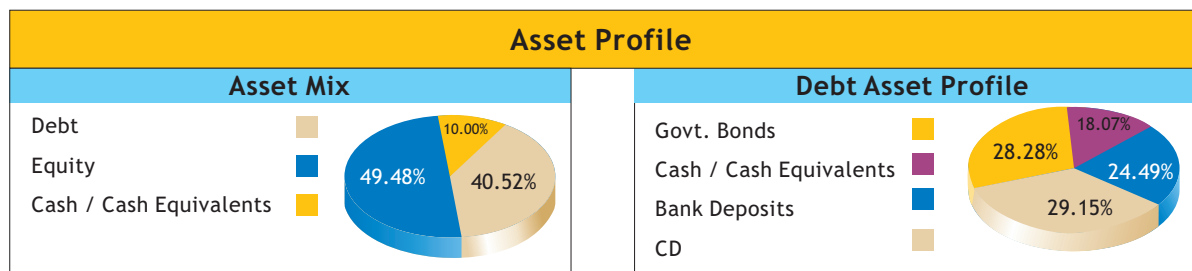
Returns

This fund is in accumulation stage. The return earned since inception (16th September, 2010) is (-6.40%) as against BSE100 return of (-7.33%) and Nifty return of (-5.95%)

Stable Fund

Fund Manager : Mr. Imran Sayed

Investment Objective : This fund will aim to maintain a balance between equity and debt exposure so that the client has a stable and attractive long term return. The fund will also shift allocation between debt and equity to gain from asset price movements over medium to long term.



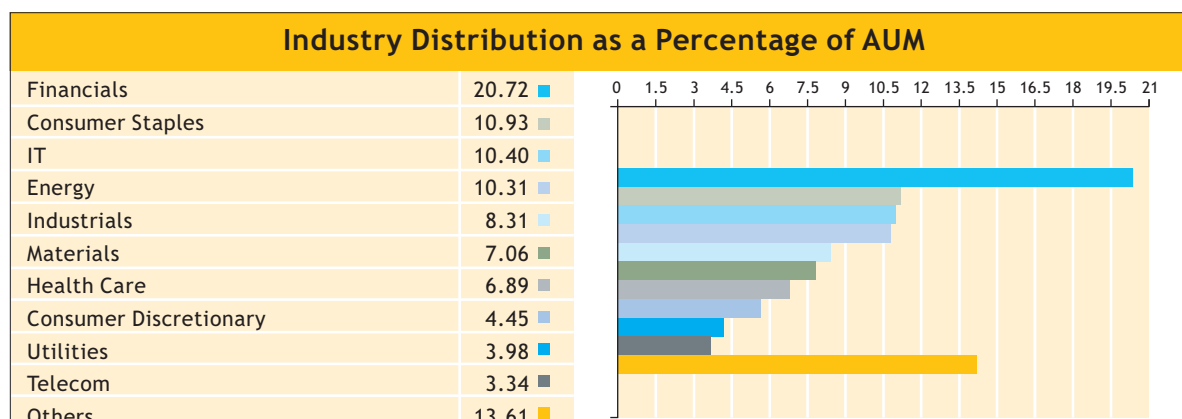
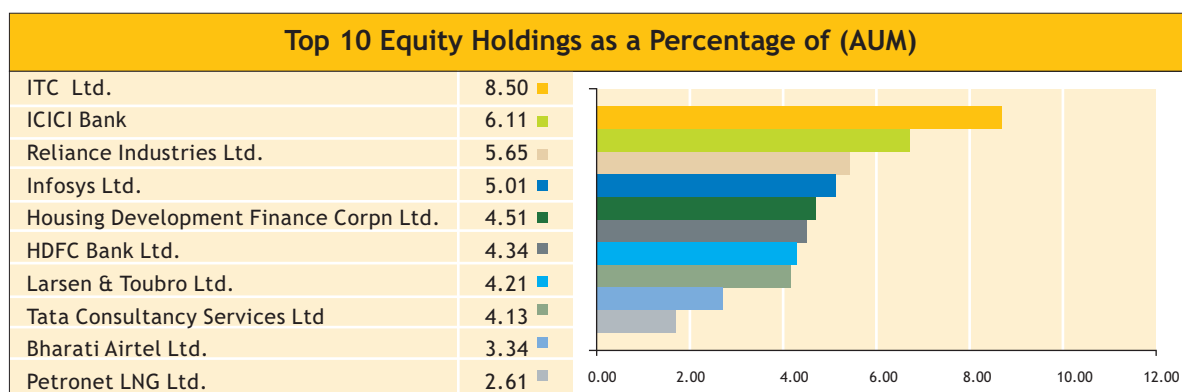
Returns

This fund is in accumulation stage. The return earned since inception (24th Sept, 2010) is (-3.13%)

Pension Enhanced Equity Fund

Fund Manager : Mr. Jyoti Prakash

Investment Objective : This fund will aim at investing in equities of various sectors to diversify the portfolio and generate attractive returns in the long term. The fund will also have the flexibility to invest in money market instruments and other short term Fixed Income Securities up to 20%.



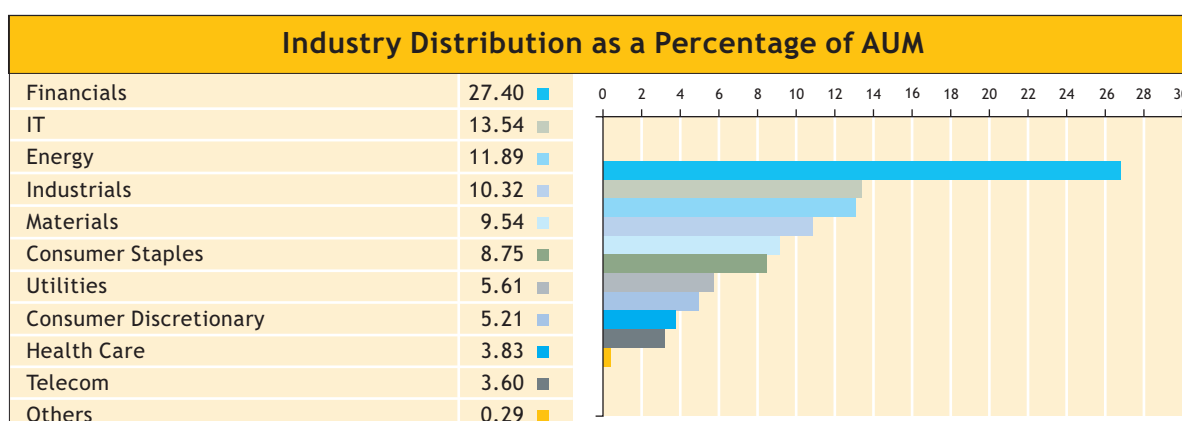
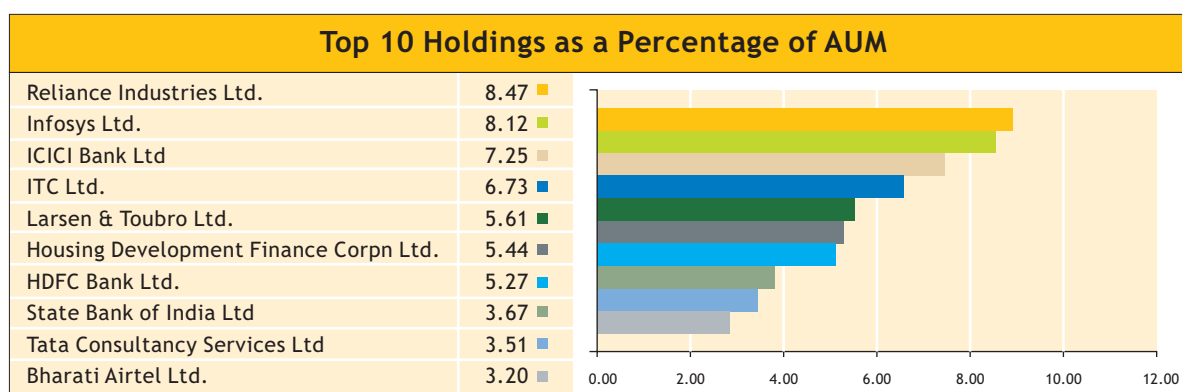
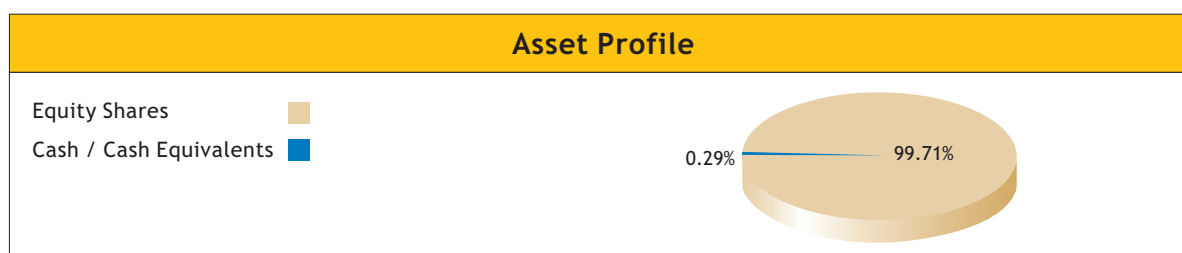
Returns

	6 months (abs)	1 Year (abs)	Since inception (abs)
Pension Enhanced Equity Fund	+1.01%	+2.78%	+107.72%
Nifty	-0.43%	+1.35%	+92.61%

Pension Index Fund

Fund Manager : Mr. Jyoti Prakash

Investment Objective : This fund aims at investing in equities but does not take stock-specific risks. Replicating the market performance at low cost. The fund is indexed to Nifty 50.



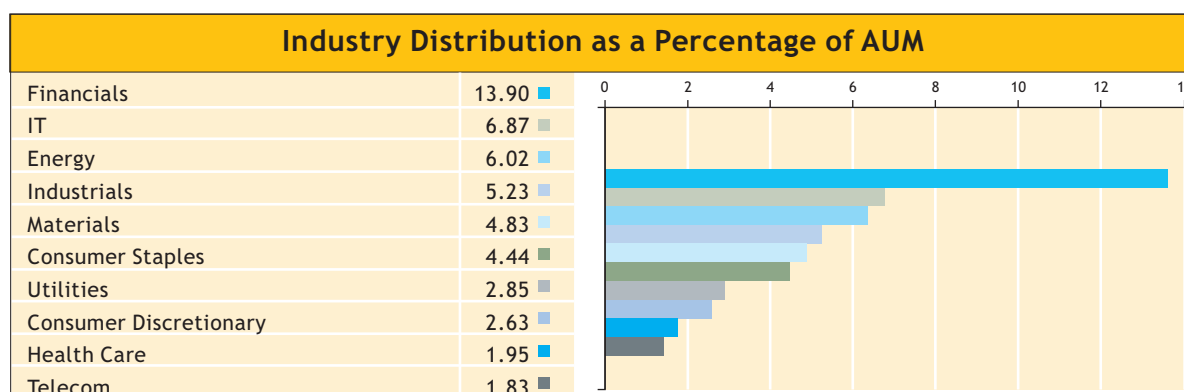
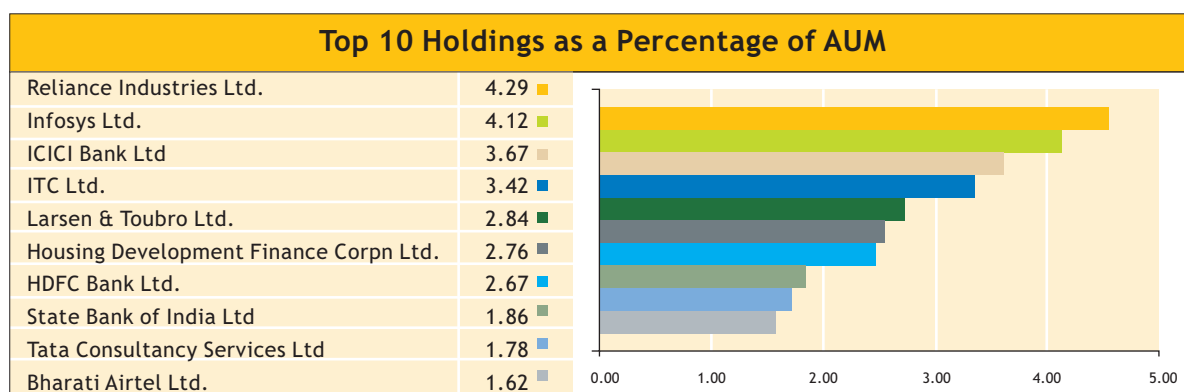
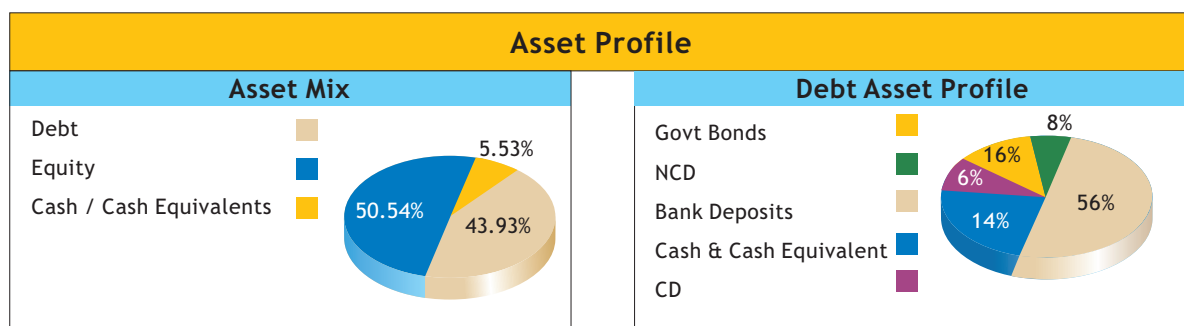
Returns

	6 months (abs)	1 Year (abs)	Since inception (abs)
Pension Index Equity Fund	-0.09%	+1.22%	+99.95%
Nifty	-0.43%	+1.35%	+102.00%

Pension Balanced Fund

Fund Manager : Mr. Imran Sayed

Investment Objective : This fund will aim to protect the capital value of the fund and provide attractive returns to the policyholder in the long run.



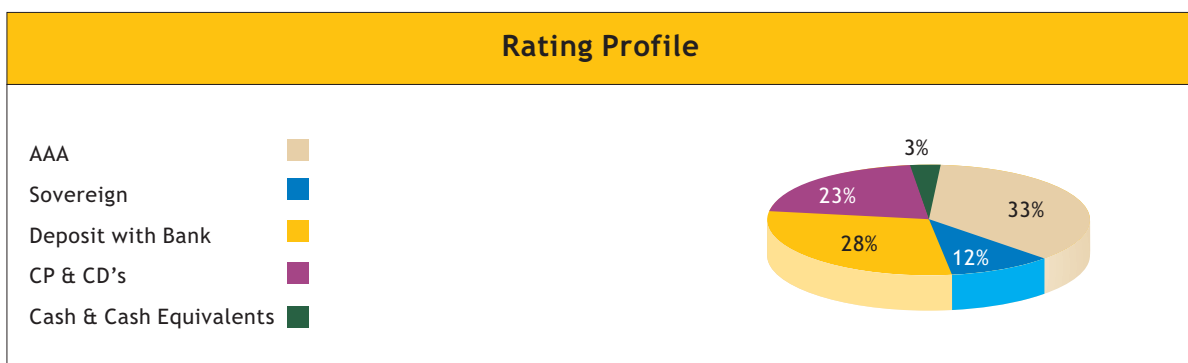
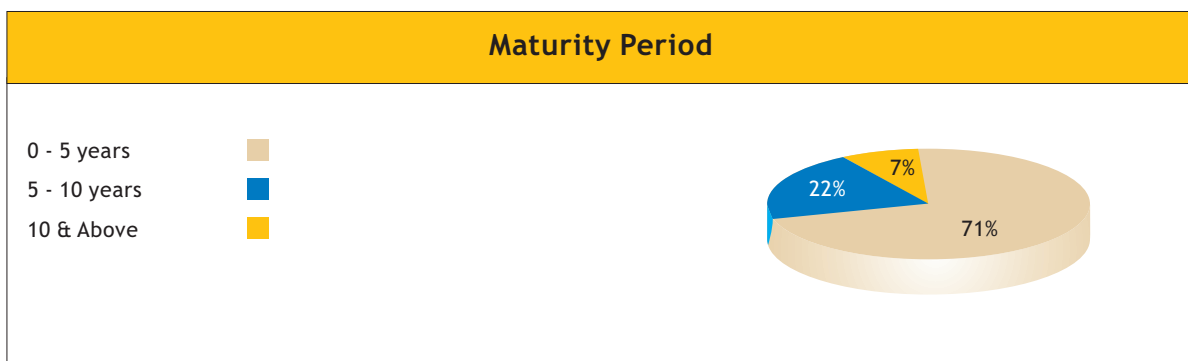
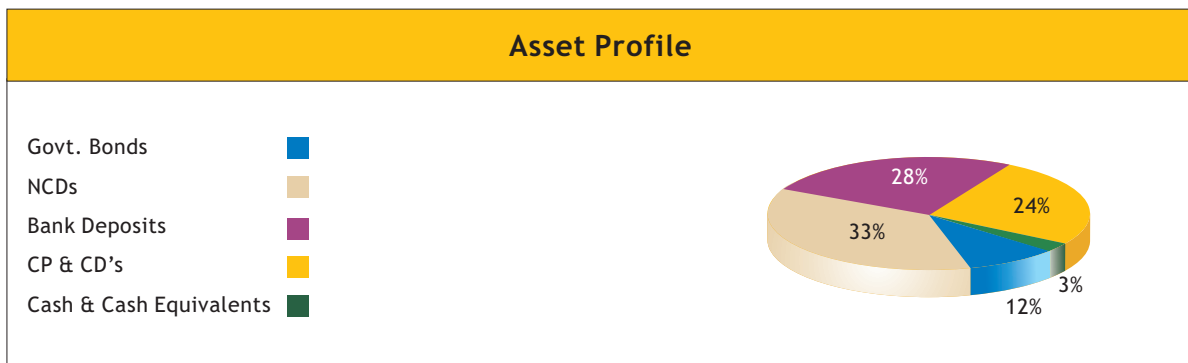
Returns

	6 months (abs)	1 Year (abs)	Since inception (abs)
Pension Balanced Fund	+1.31%	+3.22%	+35.36%

Pension Debt Fund

Fund Manager : Mr. Imran Sayed

Investment Objective : This fund aims at generating attractive investment income by taking interest rate views and investing in a diversified portfolio of government debt, corporate debt and money market instruments of varying maturities.



Returns

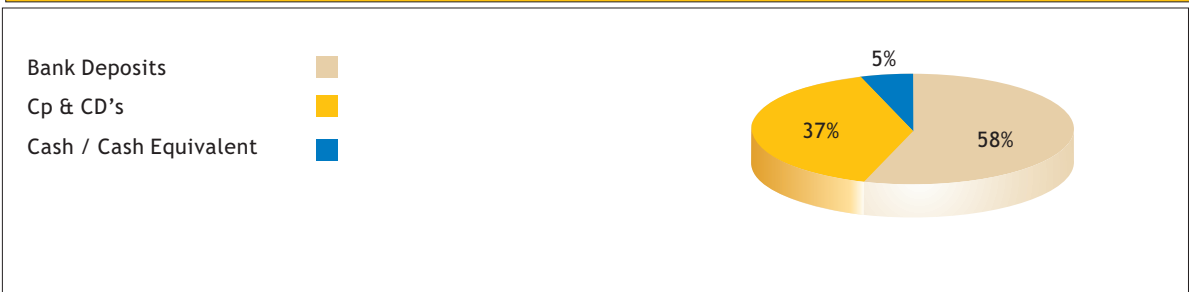
	6 months (ann)	1 Year (ann)	Since inception (ann)
Pension Debt Fund	+7.42%	+5.79%	+6.72%

Pension Secure Fund

Fund Manager : Imran Sayed

Investment Objective : This fund aims at investing in a diversified portfolio of debt and money market instruments of short to medium term maturities. The main objective will be to generate investment income with very low volatility risk since asset durations would be reasonably small.

Asset Profile



Maturity Period



Rating Profile



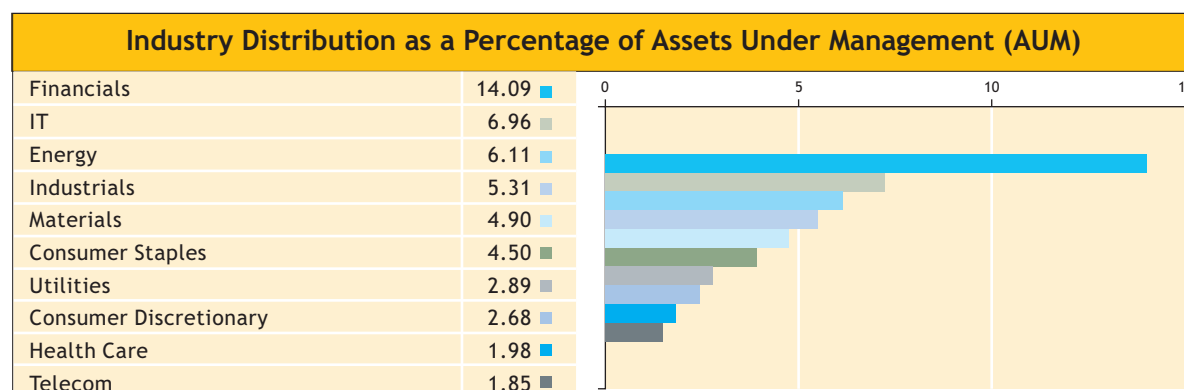
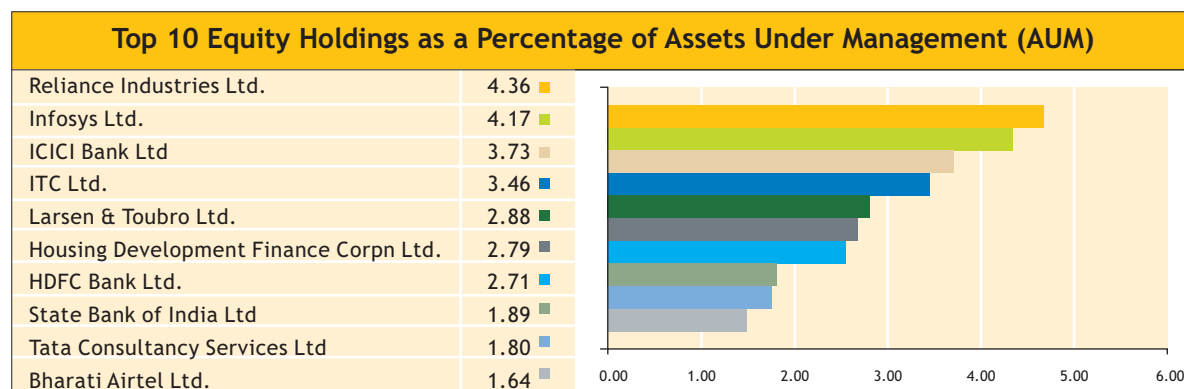
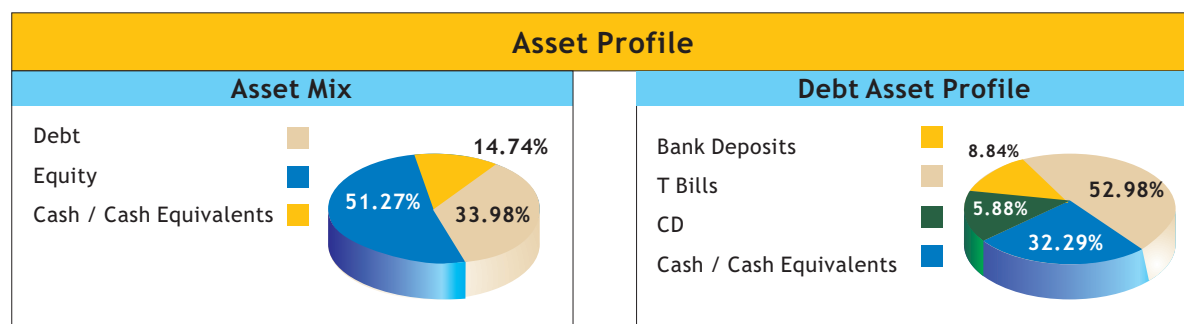
Returns

	6 months (ann)	1 Year (ann)	Since inception (ann)
Pension Secure Fund	+8.62%	+7.20%	+7.52%

NAVPF Fund

Fund Manager : Mr. Imran Sayed

Investment Objective : This fund aims at restricting the fall in NAV at any point of time below 80% of the highest NAV recorded from the date of inception of this fund.



Current NAV as on 29th July, 2011 = Rs. 11.02 per unit.

80% of the highest NAV since inception (9th September, 2009) = 9.59 per unit

Returns

	6 months (abs)	1 Year (ann)	Since inception (abs)
NAVPF Fund	+0.44%	+3.15%	+10.24%

AEGON, an international life insurance, pension and investment company, Religare, a global financial services group and Bennett, Coleman & Company, India's largest media house, have come together to launch AEGON Religare Life Insurance Company Limited (ARLI). ARLI launched its pan-India operations in July, 2008 following a multi-channel distribution strategy with a vision to help people plan their life better. In an industry first, we offer policy servicing on the phone via Interactive Voice Response System (IVR).

About AEGON

As an international life insurance, pension and investment company, AEGON has businesses in over twenty markets in the Americas, Europe and Asia. With headquarters in The Hague, The Netherlands, AEGON companies employ approximately 28,000 people and serve over 40 million customers across the globe. AEGON has more than 160 years of experience with its roots going back to 1844 and holds 26% equity in our Company . www.aegon.com

About Religare

Religare Enterprises Limited (REL) is a global financial services group with a presence across Asia, Africa, Middle

East, Europe and the Americas. The group offers a wide array of products and services ranging from insurance, asset management, broking and lending solutions to investment banking and wealth management. With over 10,000 employees across multiple geographies, Religare serves over a million clients, including corporates and institutions, high net worth families and individuals, and retail investors. REL holds 44% equity in our Company. www.religare.in

About Bennett, Coleman & Company Limited

Bennett, Coleman & Company Limited (BCCL), part of the mammoth Times Group, is India's largest media house. It reaches out to 2,468 cities and towns all over India. BCCL owns some of the prominent entertainment brands such as Times of India, Economic Times, Times Now, Radio Mirchi, Zoom Femina and Indiatimes.com. BCCL holds 30% equity in our Company.



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