

April 2011

# Indepth

The Investment Newsletter



**Our Views**

“Better late than never” After over a year of baby steps RBI finally took the bold step of hiking interest rates by 50 bps in a bid to stamp out inflation even at the cost of near term growth. The last year has been especially difficult for RBI as it started the year with a inflation forecast of 5.5% and continued to revise it upwards to 7% in January and then to 8% as late as March. However year end inflation came in at 9% with the possibility of another revision higher. While one understands the extreme uncertainty in financial markets, last year serious doubts were raised in several quarters on the credibility of RBI as an independent central bank. But with this action it has laid those doubts to rest. It has pegged down the growth forecast for FY 11-12 to 8% from 8.6% in FY 10-11 and forecast inflation to fall to 6% by March 2012. With some help from global commodity markets the target looks quite achievable.

While markets continue to fluctuate it is amazing how once you cut the clutter nothing seems to have changed. In the last Indepth we had said, “The defining issue for the market this year would be “inflation”. High inflation would result in more interest rate hikes by RBI which would in turn adversely affect demand from consumers and profitability for corporate. They in turn would face pressure from high input prices which would be difficult to pass through if demand conditions weaken. The saving grace for the economy has been the external sector”. “However as India is less of an export focused economy, that would just act as a balm and growth expectations would have to be pruned.” The market however seems to be besotted with the prospects of double digit growth and sees inflation as just an unavoidable irritant. It largely sees 9% GDP growth as par for the course and RBI as an unnecessary roadblock. Many have advocated for RBI to accept a higher level of inflation to achieve a higher rate of growth which provides the resources to eliminate poverty. To these we point out that inflation hurts the weakest sections of society the most and policies envisaging a sustained high rate of inflation would not be tenable in a democracy like India.

RBI in turn has laid out the premise for its actions succinctly in the policy statement. “Over the long run, high inflation is inimical to sustained growth as it harms investment by creating uncertainty. Current elevated levels of inflation pose significant risks to future growth.

Bringing them down, therefore, even at the cost of some growth in the short-run, should take precedence.” We couldn’t agree more with RBI. The current high level of inflation and inflation expectations along with the possible response by RBI is the single large source of uncertainty in the market. It is important to remember that consensus expected RBI to hike interest rates by merely 25 bps while several participants including those in the government were forecasting 9% GDP growth for FY 11-12. With its actions RBI has brought down expectations of both growth and inflation to realistic levels. It has gone to the extent of detailing its expected trajectory for inflation. It expects inflation to stay at the current high level for the first half of this financial year before starting to come off and reach 6% by March 12. It expects some pass through of international crude oil prices and also indicated its intention to hike interest rates further. The market largely expects 50-75 bps of further rate hikes. Business can now use this as a template for future plans which would solve the conundrum of high capacity utilizations not translating to traction in the corporate capex cycle.

Once one accepts that the economy will grow at just 7.5% - 8.0% and inflation would eventually taper off the future looks that much more certain albeit not as rosy as an economy growing at 10%. But it is worth realizing that even at 7.5% India would be the second fastest major economy in a world. RBI’s actions have provided the stability required for the economy to build capacity required for double digit growth. A low and stable inflation is the pre requisite for sustained high growth, not just for the economy but also the market.

Regards,

Saibal Ghosh  
Chief Investment Officer

# Fund Managers

## Fixed Income and Hybrid Funds

### Mr. Imran Sayed

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

**Experience** : 10 years

## Equity

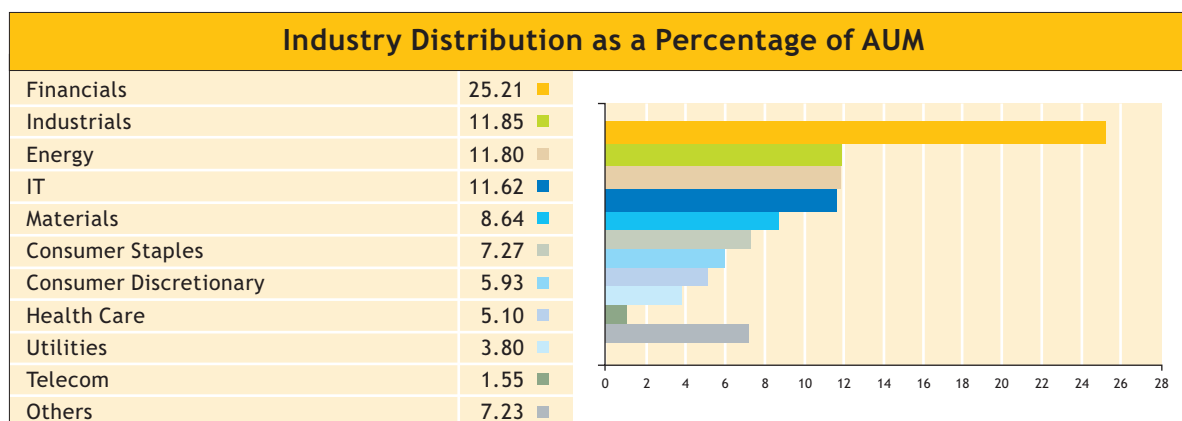
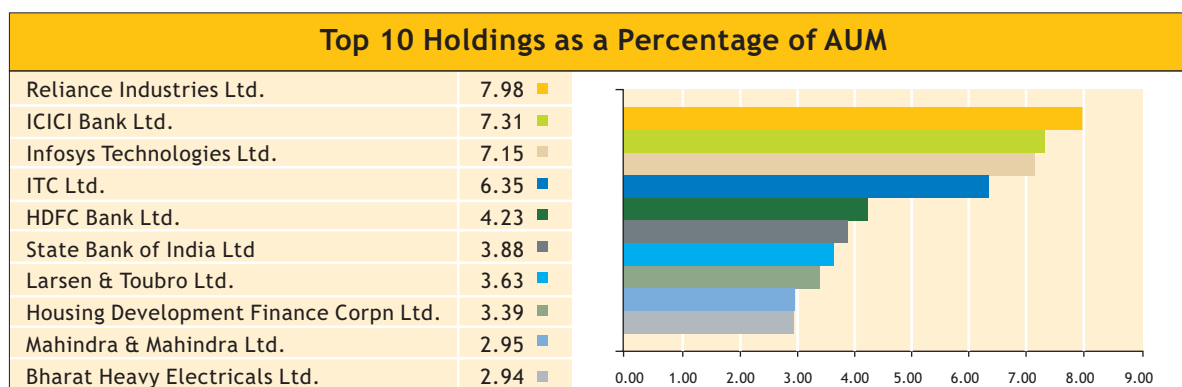
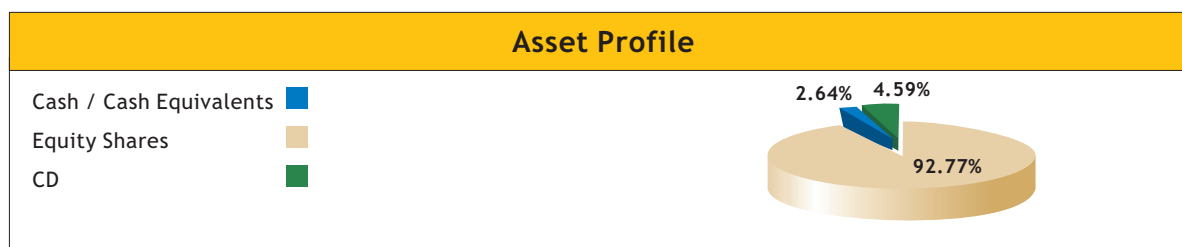
### Mr. Jyoti Prakash

**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.



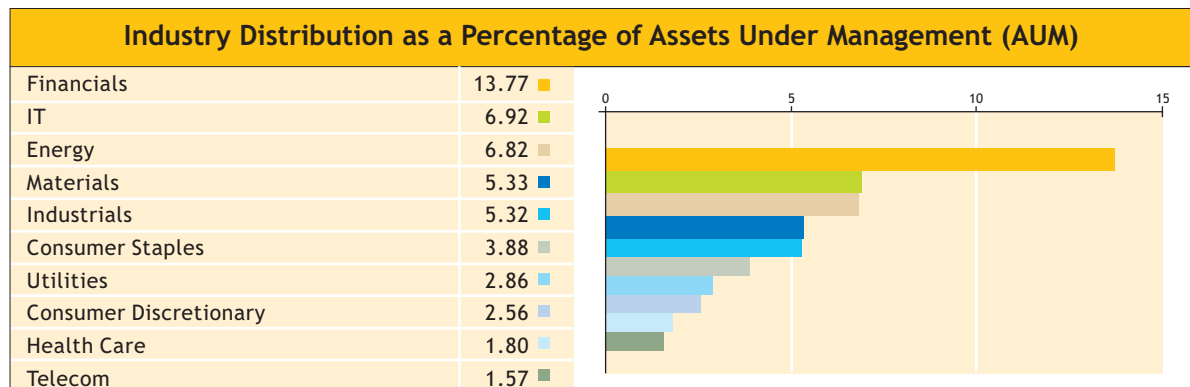
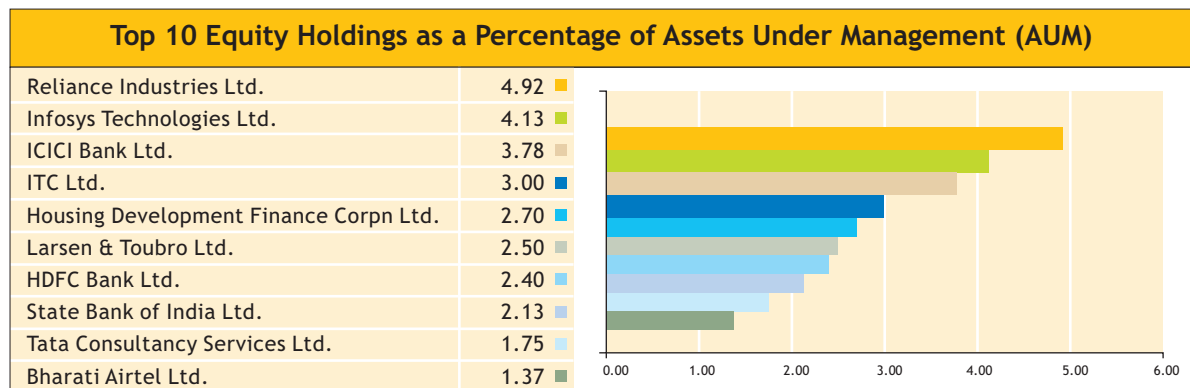
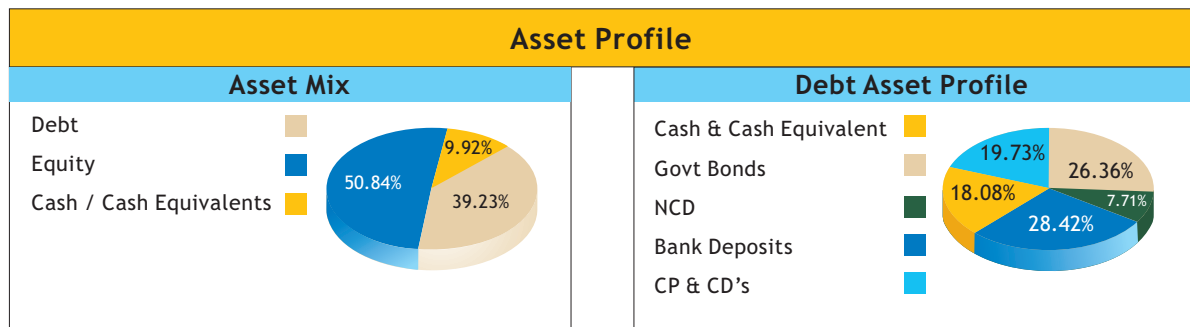
**Returns**

	6 months (abs)	1 Year (abs)	Since inception - July '08 (abs)
Enhanced Equity Fund	-5.28%	+10.43%	+33.85%
Nifty	-4.46%	+8.93%	+30.20%

# 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.



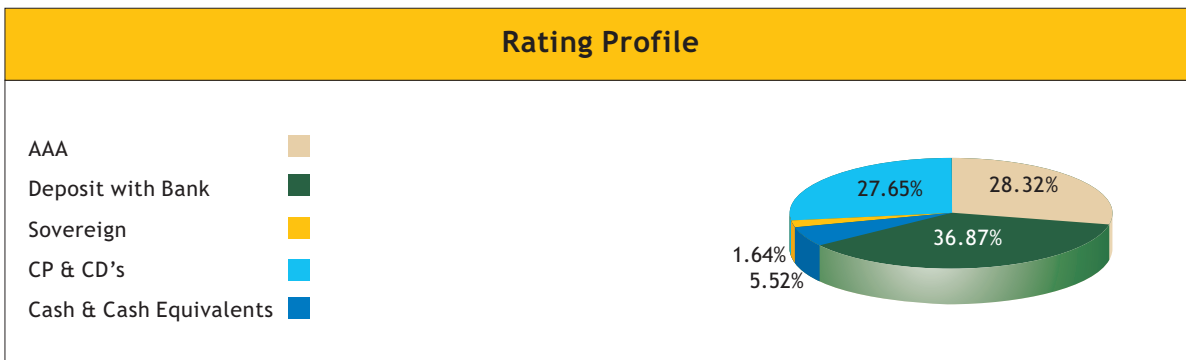
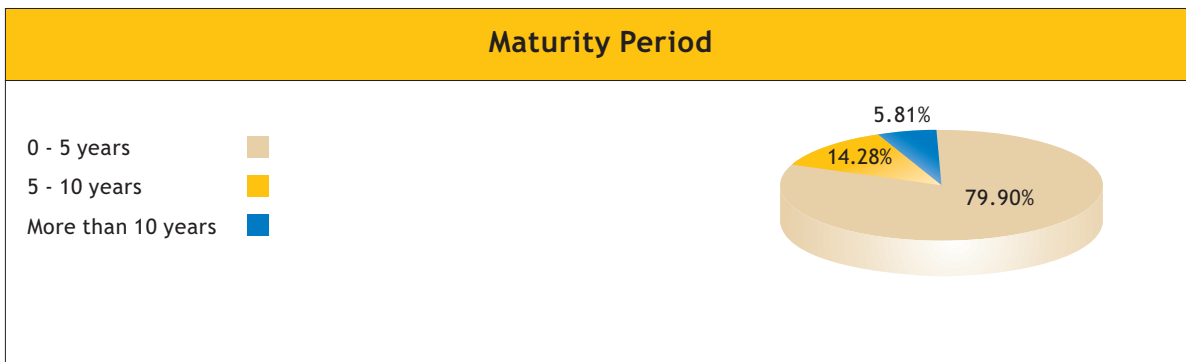
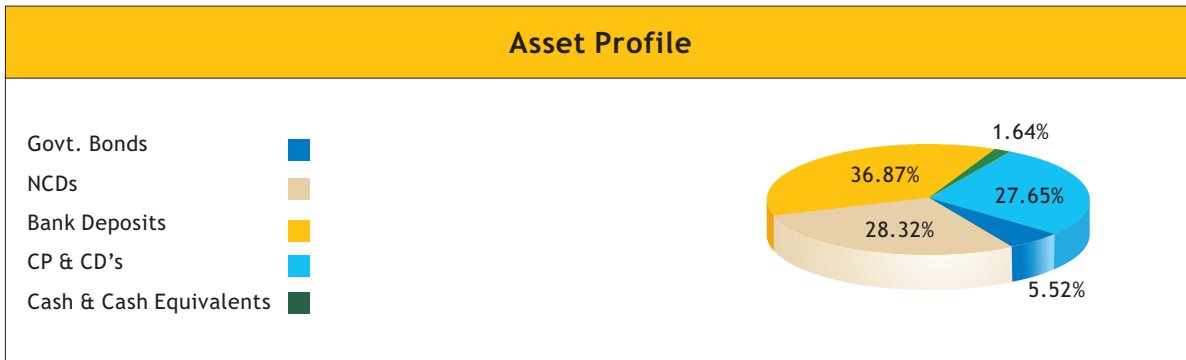
### Returns

	6 months (abs)	1 Year (abs)	Since inception - July '08 (abs)
Balanced Fund	-2.63%	+6.68%	+28.79%

# 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.



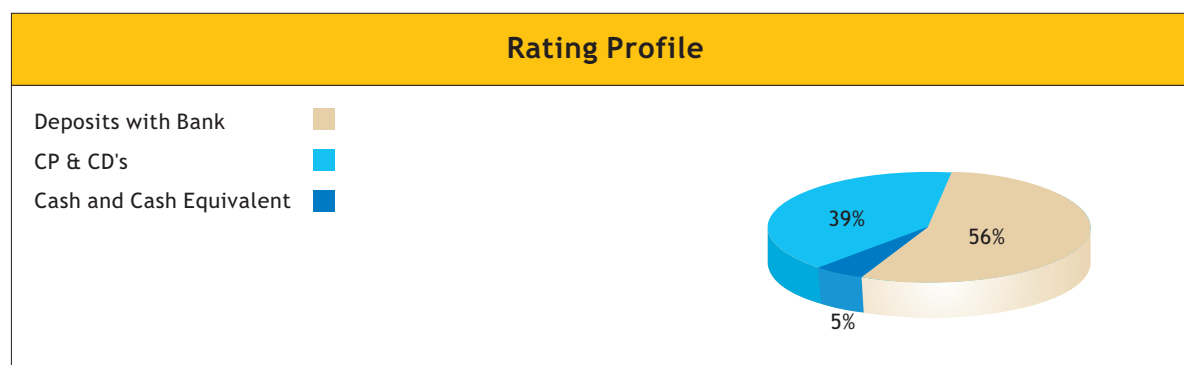
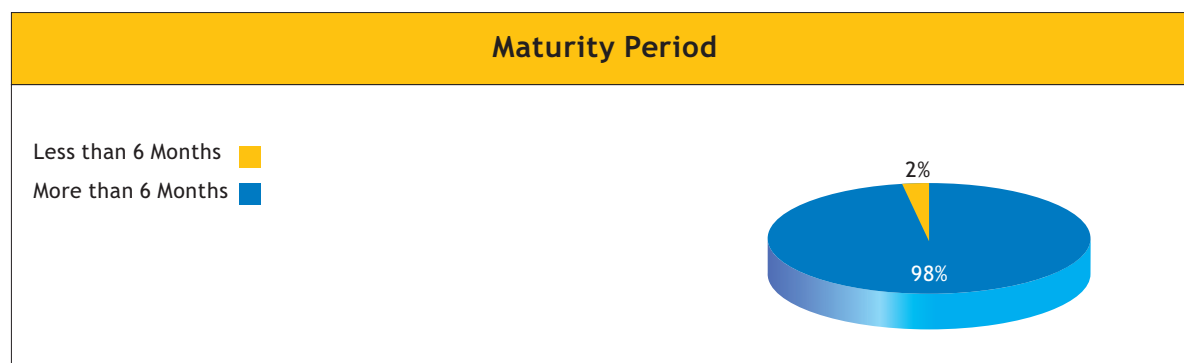
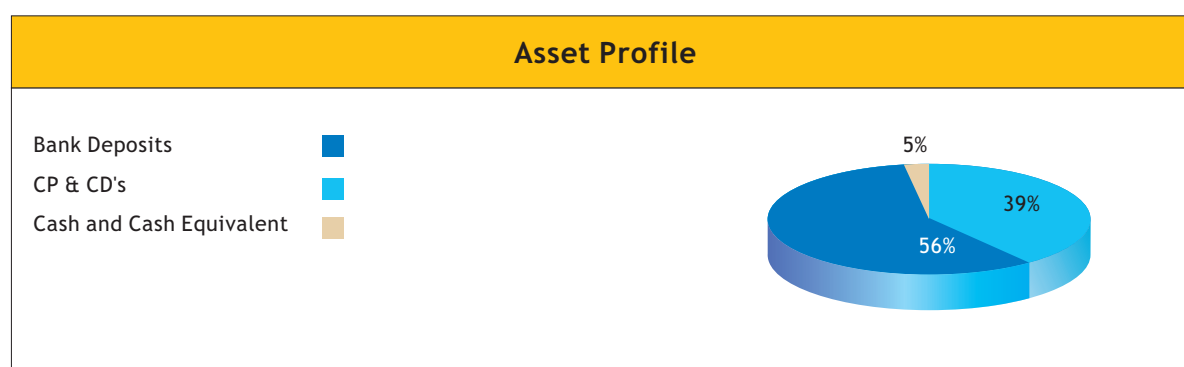
### Returns

	6 months (ann)	1 Year (ann)	Since inception - July '08 (ann)
Debt Fund	+6.51%	+6.05%	+13.55%

# 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.

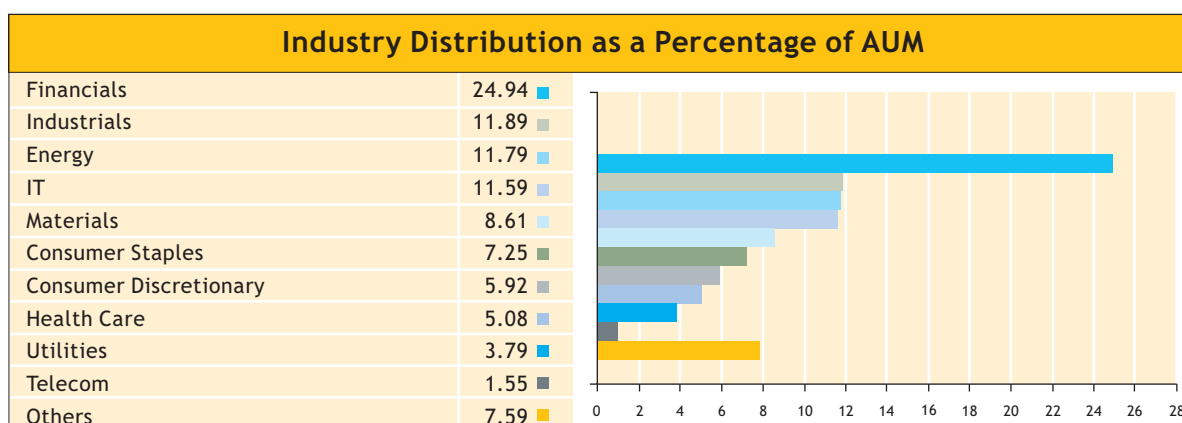
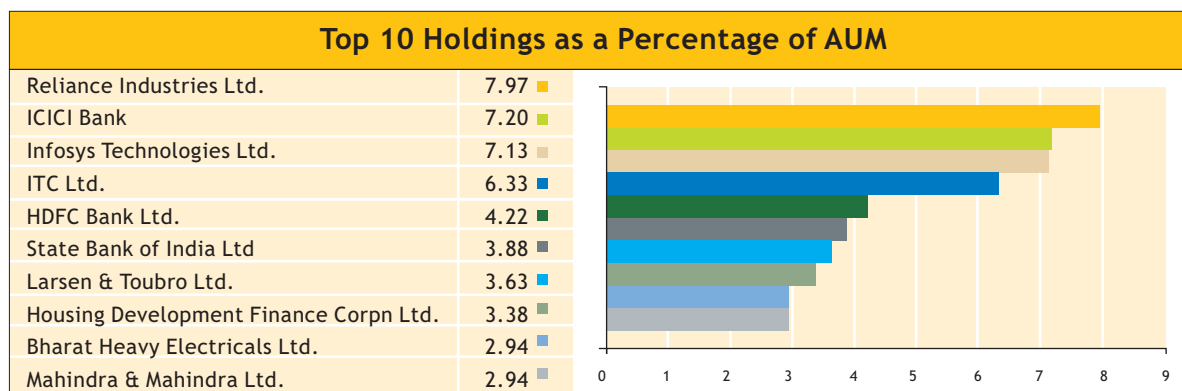
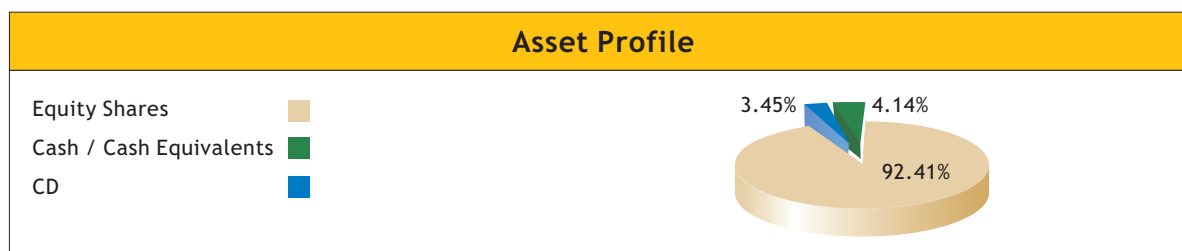


### Returns

	6 months (ann)	1 Year (ann)	Since inception - July '08 (ann)
Secure Fund	+7.23%	+6.34%	+7.79%

# 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%



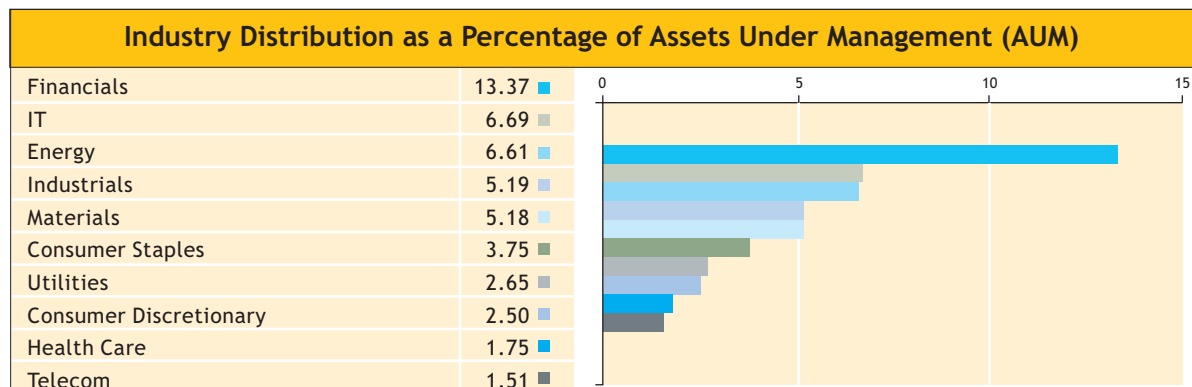
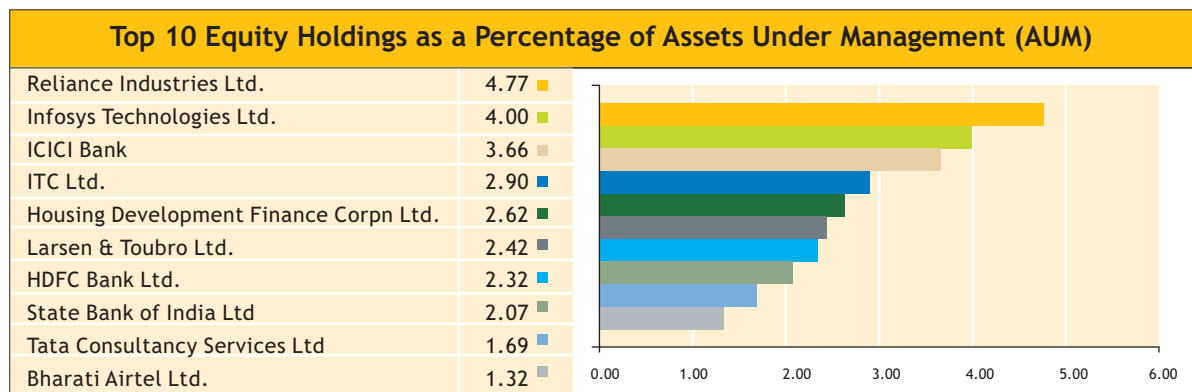
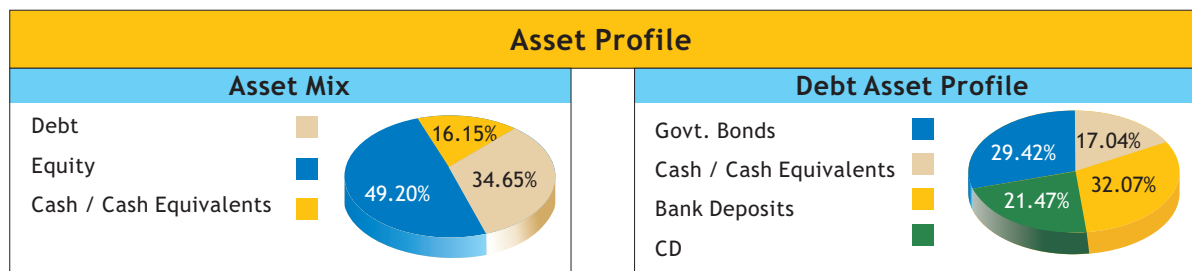
### Returns

This fund is in accumulation stage. The return earned since inception (16th September, 2010) is (-4.37%) as against BSE100 return of (-3.87%) and Nifty return of (-1.36%)

# 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.



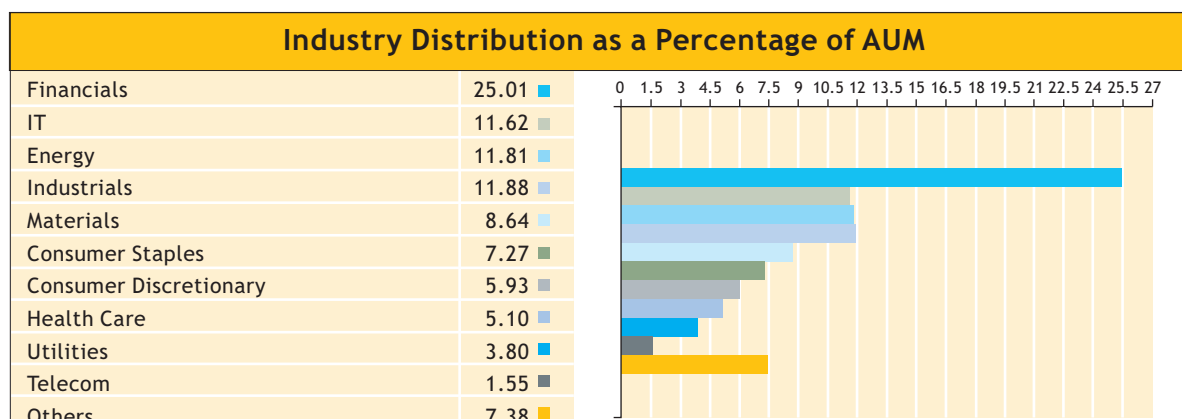
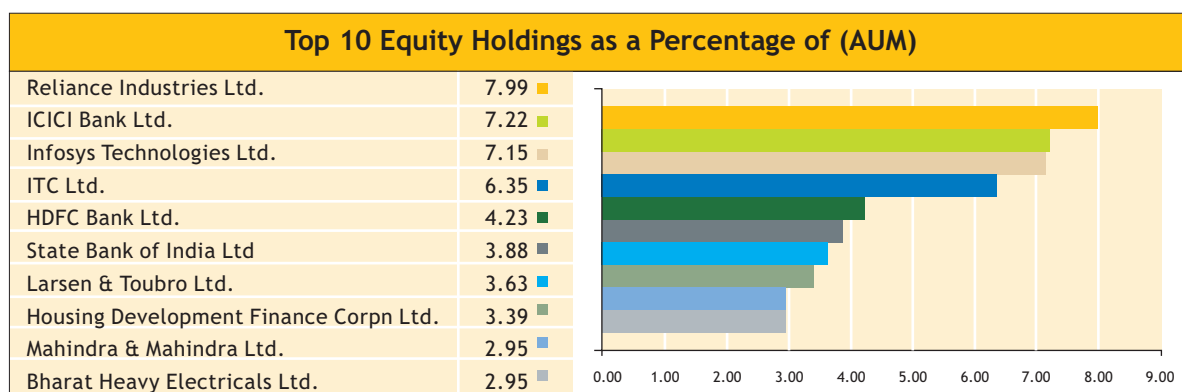
### Returns

This fund is in accumulation stage. The return earned since inception (24th sept, 2010) is (-1.65%)

# 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%.



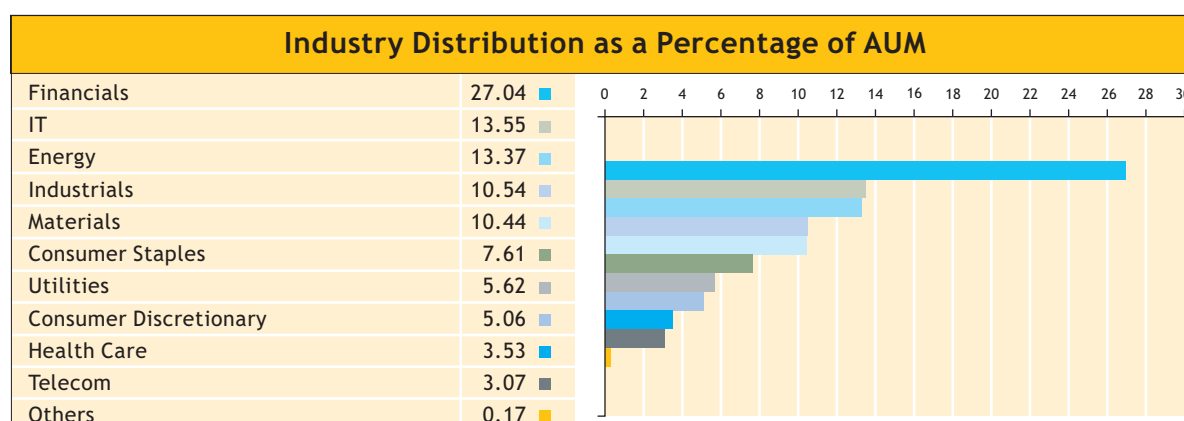
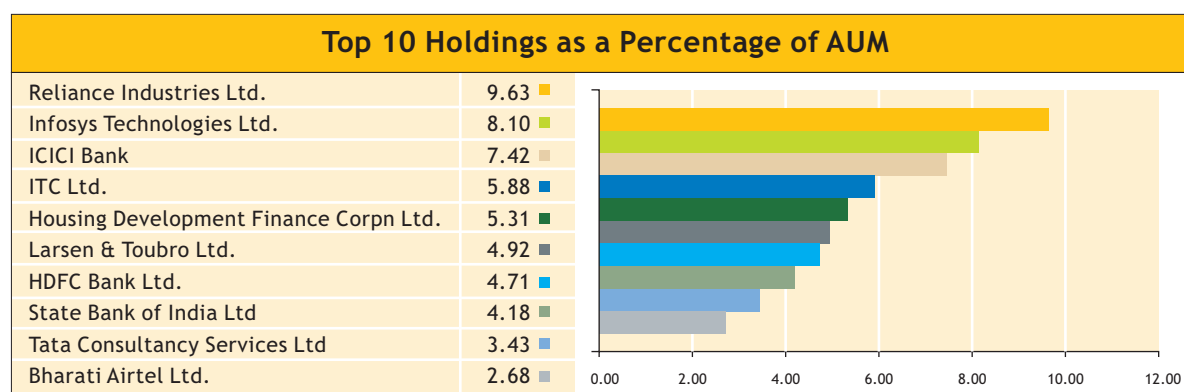
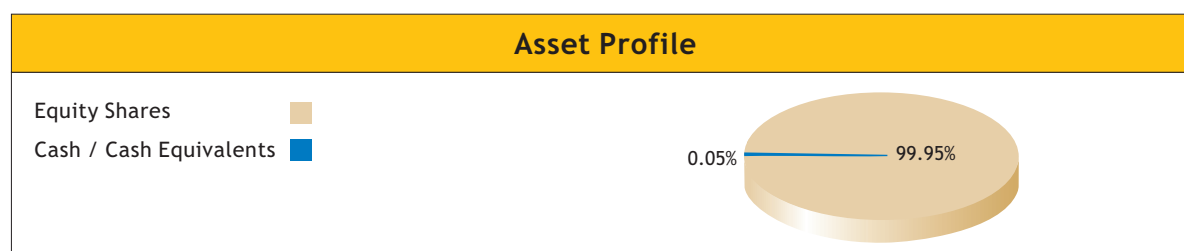
### Returns

	6 months (abs)	1 Year (abs)	Since inception - Jan '09 (abs)
Pension Enhanced Equity Fund	-5.44%	+10.45%	+112.64%
Nifty	-4.46%	+8.93%	+102.01%

# Pension Index Equity 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.



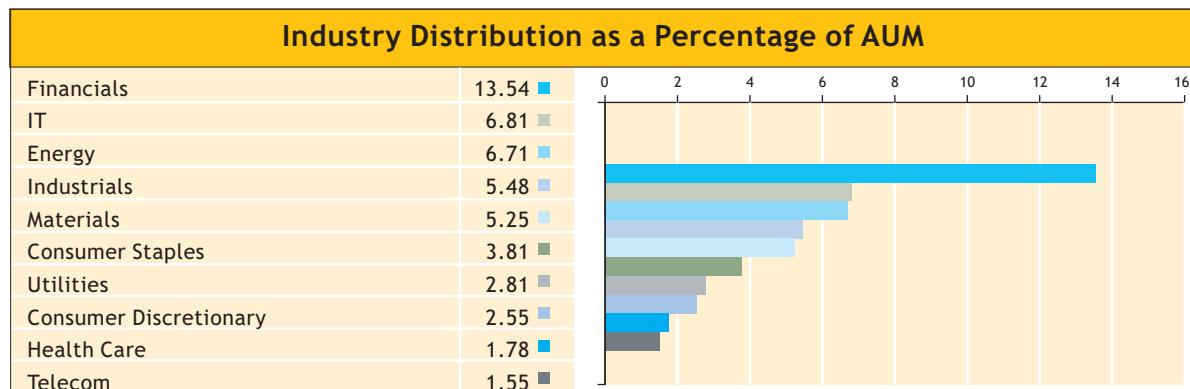
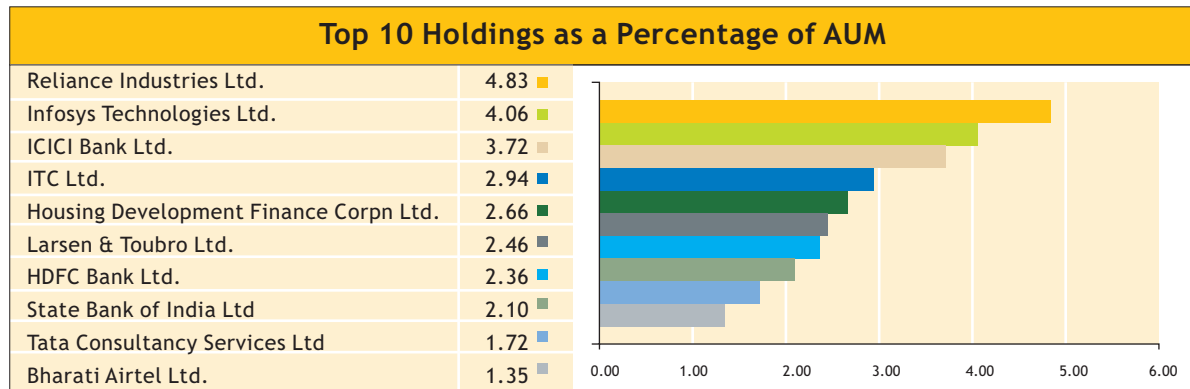
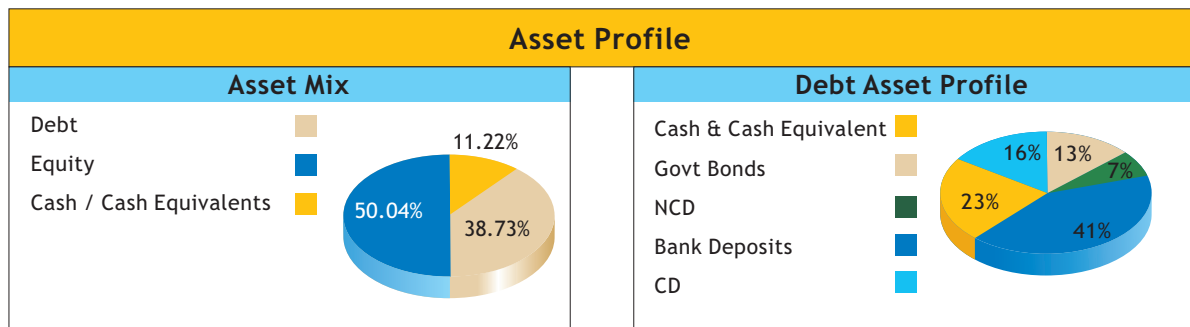
### Returns

	6 months (abs)	1 Year (abs)	Since inception - Jan '09 (abs)
Pension Index Equity Fund	-4.86%	+8.75%	+108.56%
Nifty	-4.46%	+8.93%	+111.86%

# 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

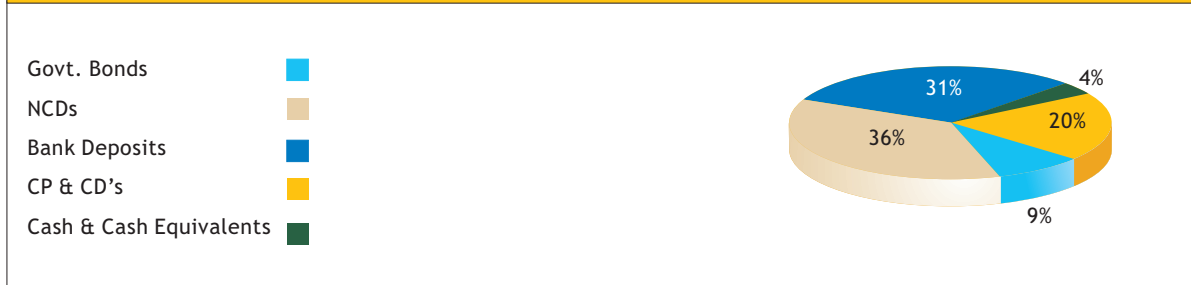
	6 months (abs)	1 Year (abs)	Since inception - Jan '09 (abs)
Pension Balanced Fund	-2.43%	+7.17%	+37.45%

# Pension Debt Fund

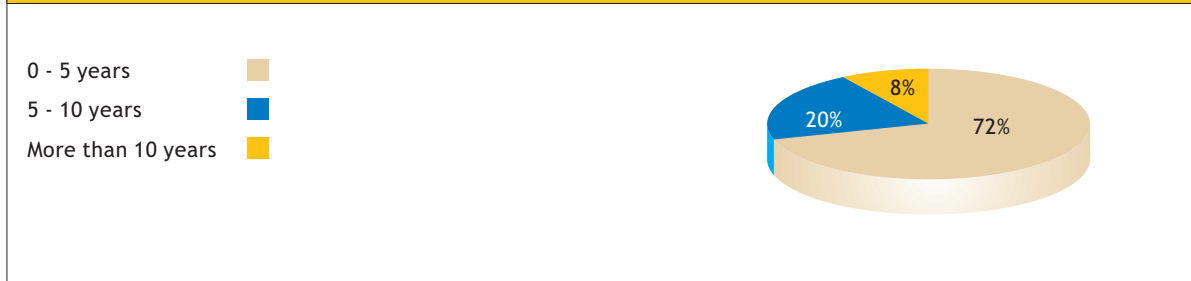
**Fund Manager** : Mr. Imran Sayed

**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.

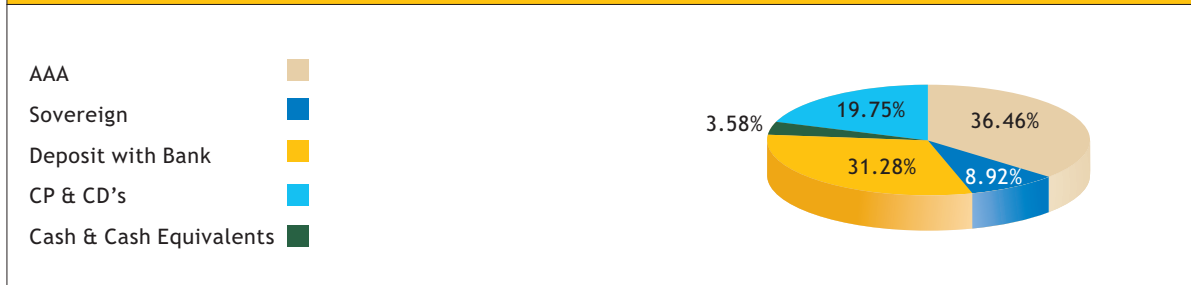
## Asset Profile



## Maturity Period



## Rating Profile



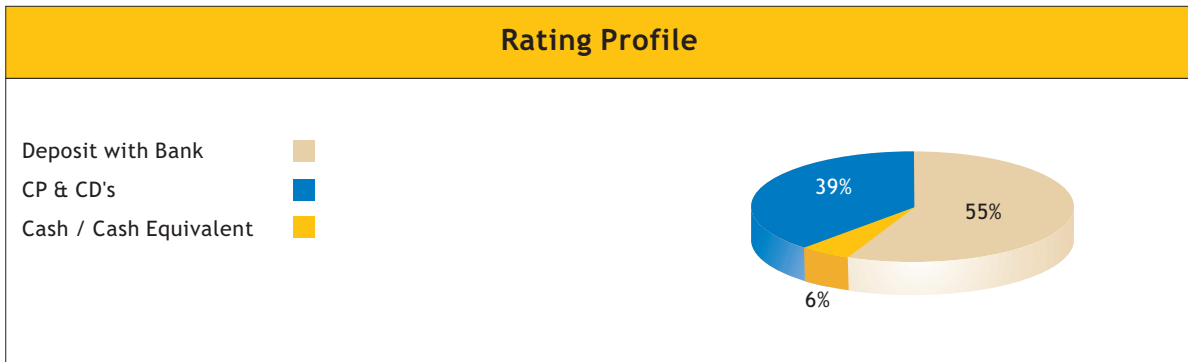
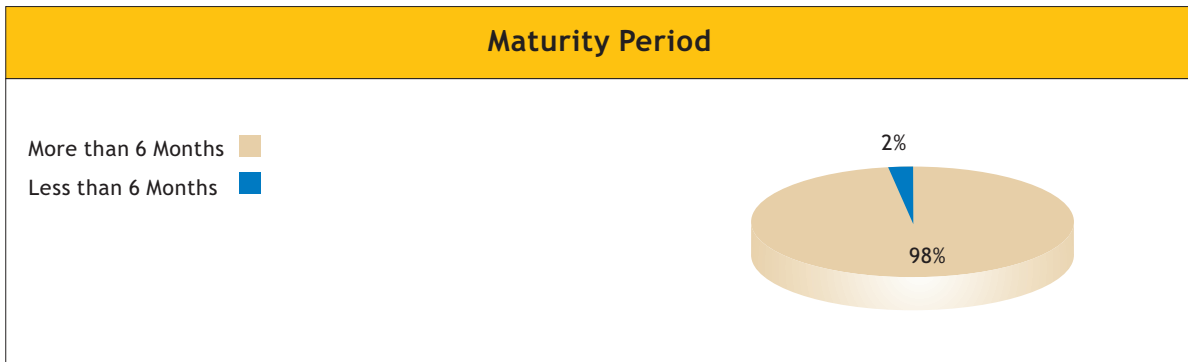
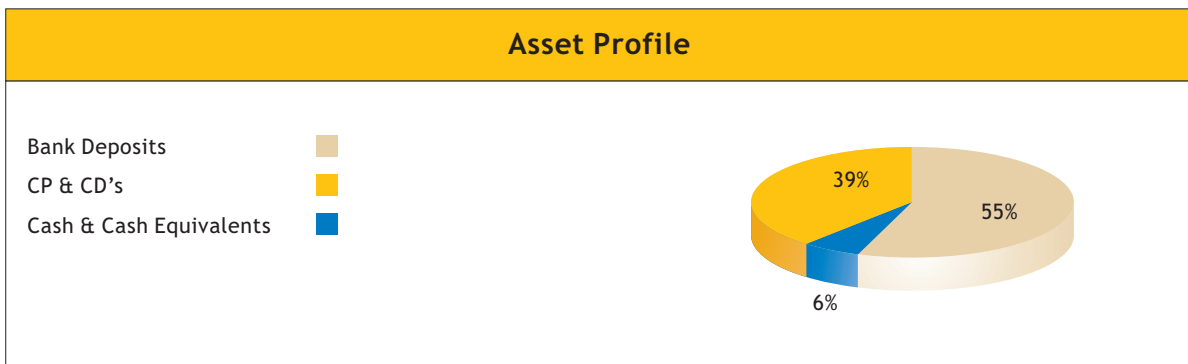
## Returns

	6 months (ann)	1 Year (ann)	Since inception - Jan '09 (ann)
Pension Debt Fund	+5.38%	+5.32%	+6.56%

# 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.



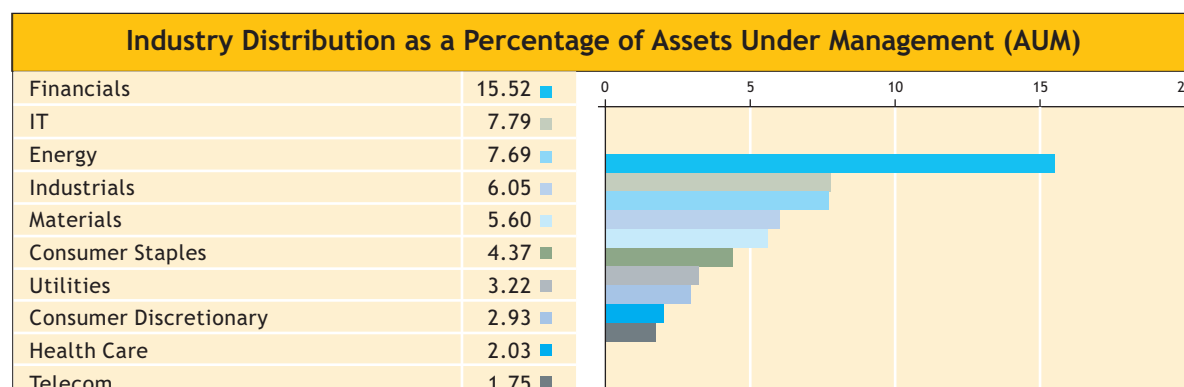
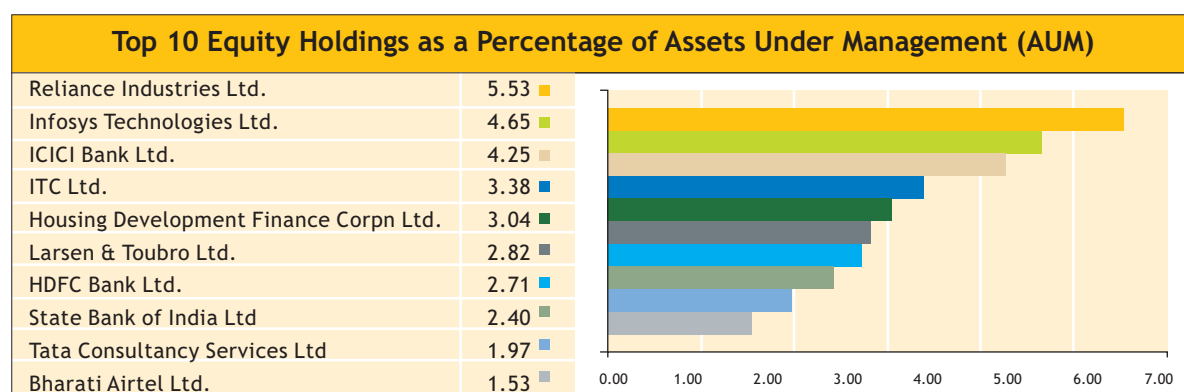
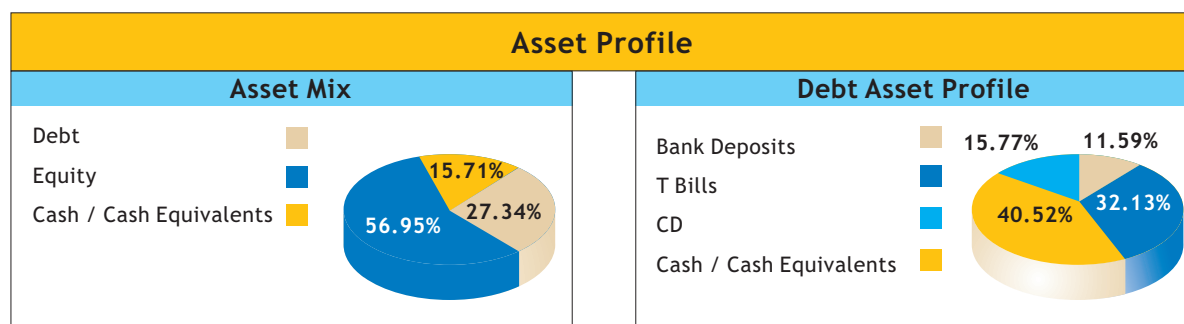
**Returns**

	6 months (ann)	1 Year (ann)	Since inception - Jan '09 (ann)
Pension Secure Fund	+7.13%	+6.23%	+7.20%

# 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 April, 2011 = Rs. 11.23 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 - Sept '09(abs)
NAVPF Fund	-3.30%	+6.56%	+12.33%

## About AEGON Religare Life Insurance

AEGON, one of the world's largest life insurance and pension groups, Religare, one of India's leading integrated financial services groups and Bennett, Coleman & Company, India's largest media house, have come together to launch AEGON Religare Life Insurance Company Limited.

The company launched its pan-India, multi-channel operations in July, 2008 with over 38 branches spread across India. The business philosophy is to help people plan their life better.

AEGON's businesses serve over 40 million customers in over 20 markets throughout the Americas, Europe and Asia, with major operations in the United States, the Netherlands and the United Kingdom. With headquarters in The Hague, the Netherlands, AEGON companies employ almost 28,000 people worldwide. It has more than 160 years of experience with its roots going back to 1844 and holds 26% equity in the company.

Religare Enterprises Limited (REL) is one of the leading integrated financial services groups of India. It's business is broadly clubbed across three key verticals, Retail, Institutional and Wealth spectrum. It has a pan-India reach in more than 2,163 locations, spread across over 566 cities and towns and currently operates from 12 countries globally. REL holds 44% equity in the company.

Bennett, Coleman & Company Limited (BCCL), India's largest media house holds 30% equity in the company. BCCL owns some of the prominent brands such as Times of India, Economic Times, Times Now, Radio Mirchi, Zoom and Femina.



## Disclaimers

This document is issued by AEGON Religare Life Insurance Company Limited. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. This document is for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any investment strategy, nor does it constitute any prediction of likely future movements in NAVs. Past performance is not necessarily indicative of future performance. We have reviewed the report, and insofar as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither AEGON Religare Life Insurance Company Limited, nor any person connected with it, accepts any liability arising from the use of this document. You are advised to make your own independent judgment with respect to any matter contained herein.