

March 2011

# Indepth

The Investment Newsletter



**Our Views**

With the equity markets rising 10% over the course of the month it is difficult to envisage that nothing much has changed in the fundamentals since we last published the Indepth. Europe continues to bicker over how to solve the sovereign credit crisis even as Portugal lost a government unable to push further austerity measures and faced serial downgrades by rating agencies. It is now on the brink of moving into non investment grade. There was a pleasant surprise when the leaders of the EU agreed to expand the size of its bailout fund, they bickered on the minutiae. The final terms and conditions of accessing the fund are such that a default from peripheral Europe is a question of “when” rather than “if”. While banks are in a position to withstand a restructuring the actual event of a sovereign default and that too by an EU nation is sure to cause more than a small turmoil in the market. Trichet on his part is hell bent on hiking interest rates in April.

In the US manufacturing continues to support the recovery even as housing drags it though employment improves at the margin. While core inflation is still low high international commodity prices have already started to show in the input price indices. The FOMC has started to prepare the market for future rate hikes. While the doves are arguing against another round of quantitative easing the hawks are already talking about a roadmap for shrinking the Fed's balance sheet. With QE3 out of the way and a rate hike by ECB in April there will be better and better visibility on a rate hike by the Fed in H2 of this CY. The terrible earthquake and tsunami in Japan did create a stir in the market and there were fears of it triggering a global slowdown. However central bankers worldwide don't seem to think so. Both the PBOC and RBI have raised interest rates and the ECB has made clear its intention to do so. They are clearly more worried about domestic inflation than the possibility of a Japan induced global slowdown.

Middle East continues to boil. Even as the protests spread to different countries in Libya where NATO has stepped in seems to be heading for a stalemate. That would mean crude oil would continue to have a political risk premium added to its price. Brent has been in triple digits for over two months now and the government would have to pass on high international crude oil prices to domestic consumers which would add to the already high inflation forcing RBI to hike interest rates. If it doesn't it would result in a higher fiscal deficit resulting in higher government borrowing and resultant higher market interest rates.

At the mid quarter review of the monetary policy, RBI hiked the repo and reverse repo rate by 25 bps each. Its stated objective was to continue to rein in demand-side inflationary pressures while minimizing risks to growth; manage inflationary expectations and contain the spill

over of food and commodity prices into generalized inflation. That in fact has already started to happen. While headline inflation has started to come off on the back of moderation in food prices; high global commodity prices, a loose fiscal policy and strong demand conditions have resulted in core inflation moving up. For month of February it moved up sharply to 6.10% from 4.80% a month earlier. There are enough indications that it will print higher in the coming months. RBI in turn would be duty bound to act. It has hinted at the possibility of a rate hike in the annual Credit & Monetary policy and we expect it to follow that up with another 25-50 bps hike in this calendar year.

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. On the back of good global growth exports have performed better than expectations. They have in turn supported the CAD at a time when oil continues in triple digits and portfolio flows have turned volatile. As mentioned in the last Indepth; in a stark contrast to last year when domestic consumption drove the economy, this year it would have to get support from exports which would benefit from the recovery in the West. 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.

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

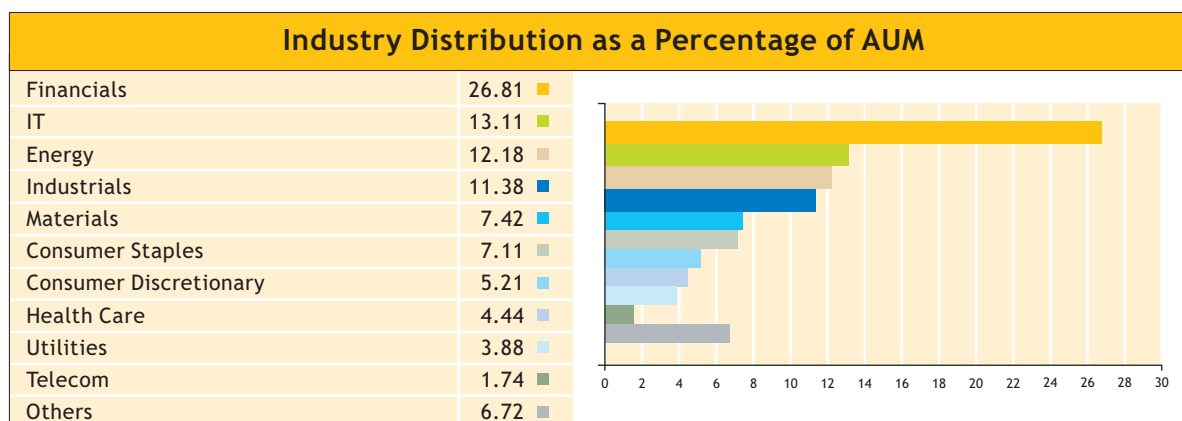
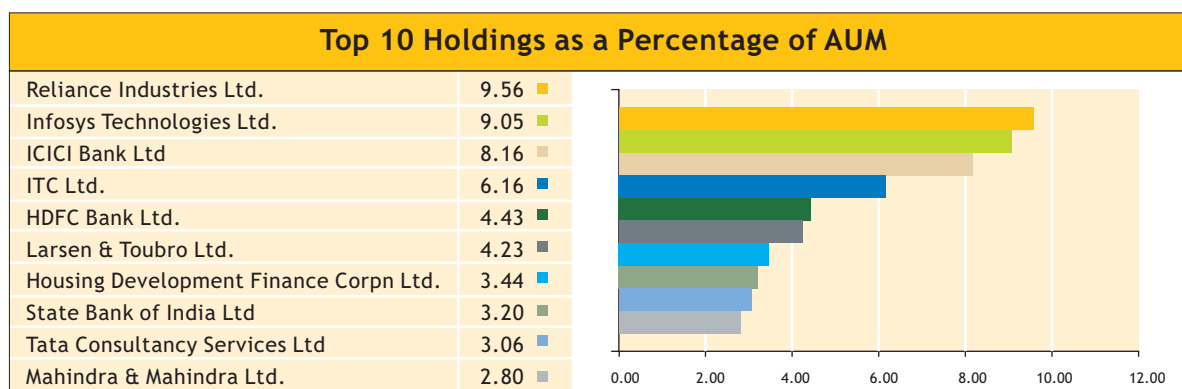
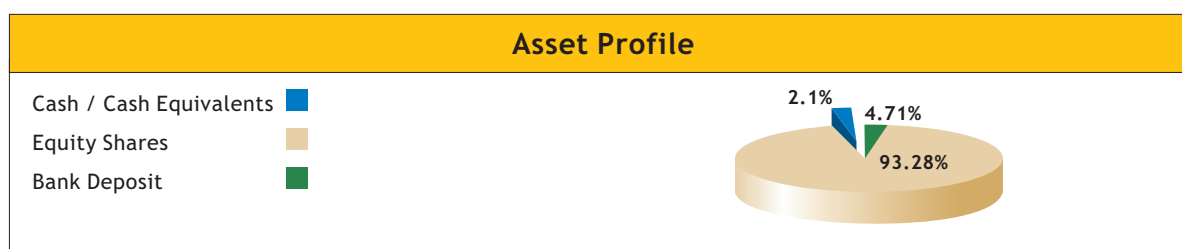
### Mr. Jyoti Prakash

**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.



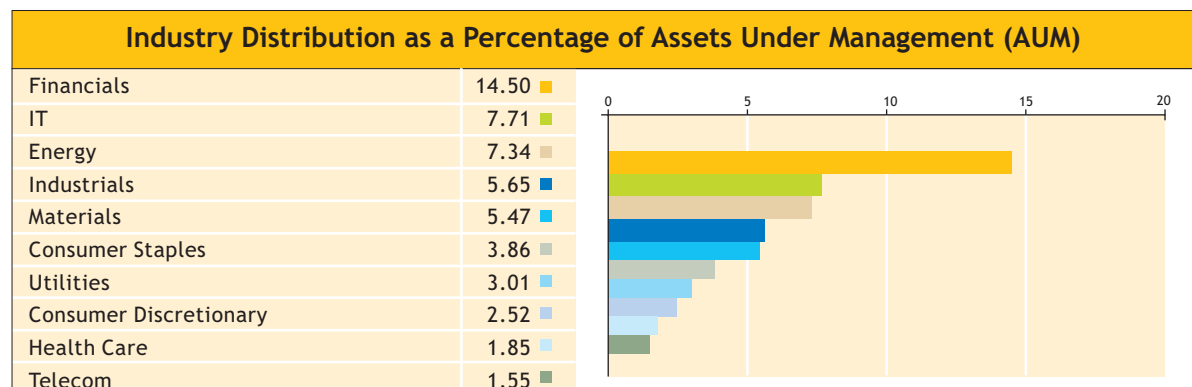
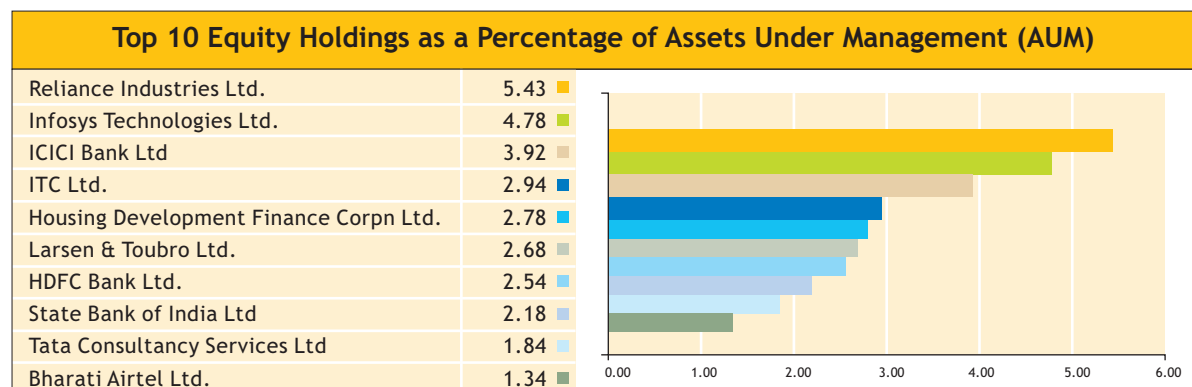
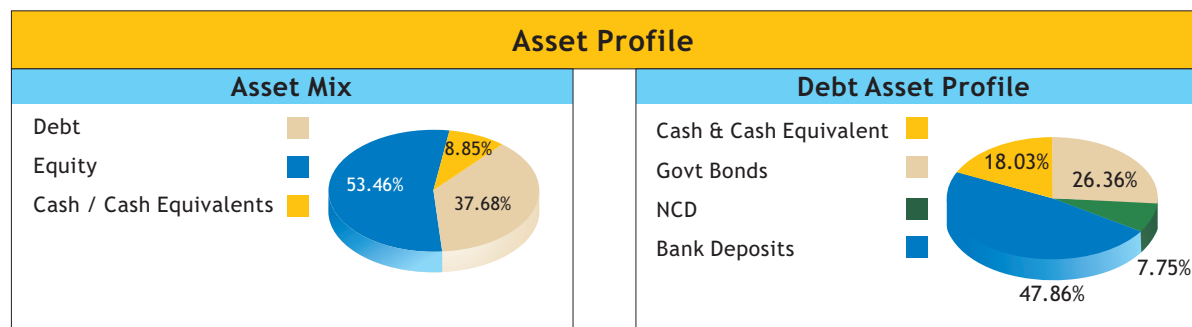
### Returns

	6 months (abs)	1 Year (abs)	Since inception - July '08 (abs)
Enhanced Equity Fund	-3.54%	+13.99%	+35.82%
Nifty	-3.25%	+11.14%	+32.11%

# 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.

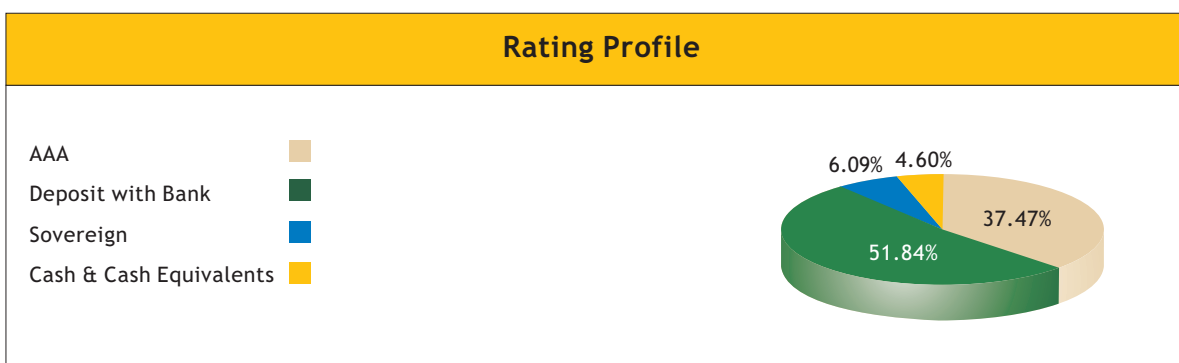
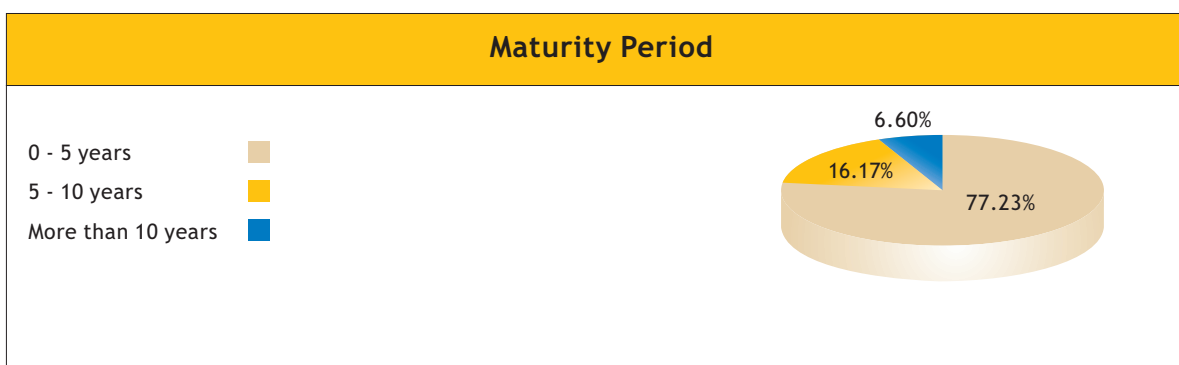
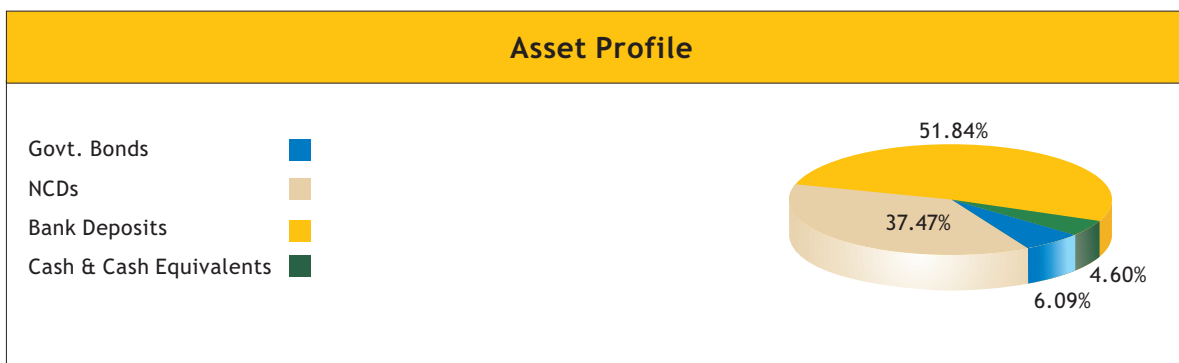


Returns			
	6 months (abs)	1 Year (abs)	Since inception - July '08 (abs)
Balanced Fund	-2.25%	+7.75%	+29.65%

# 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	+5.40%	+6.39%	+13.71%

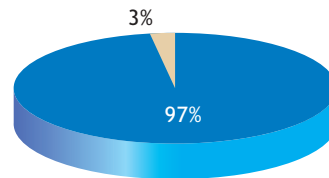
# Secure Fund

**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.

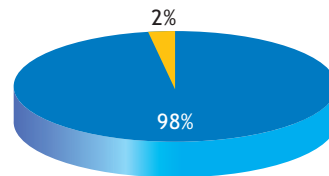
## Asset Profile

Bank Deposits   
Cash and Cash Equivalent 



## Maturity Period

Less than 6 Months   
More than 6 Months 



## Rating Profile

Deposits with Bank 

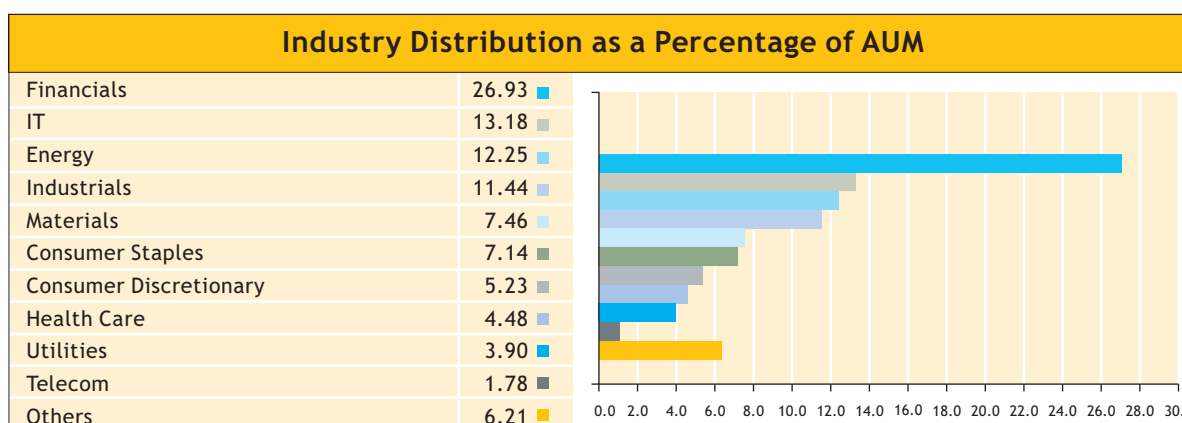
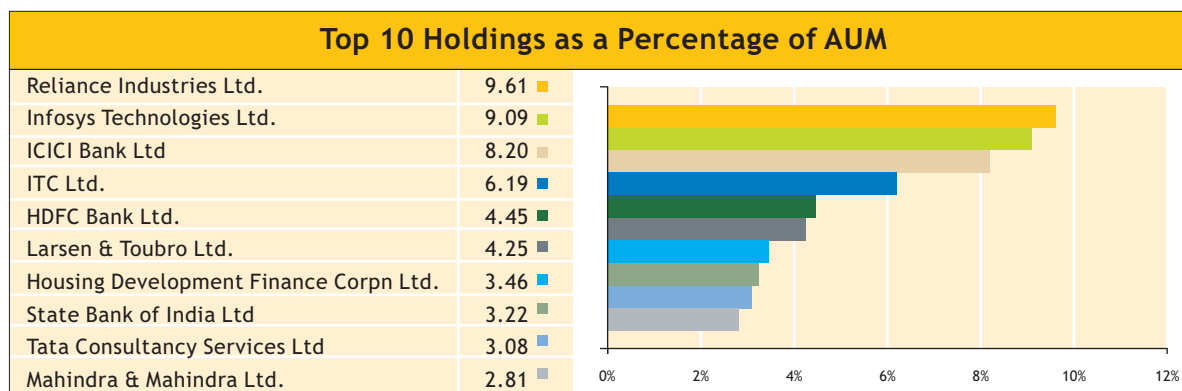
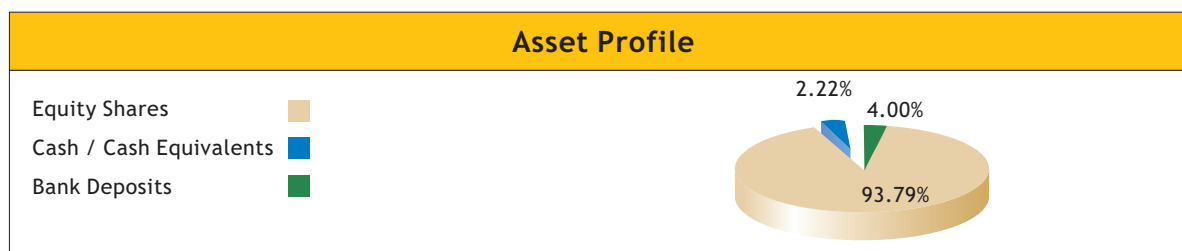


## Returns

	6 months (ann)	1 Year (ann)	Since inception - July '08 (ann)
Secure Fund	+6.68%	+5.91%	+7.70%

# 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%



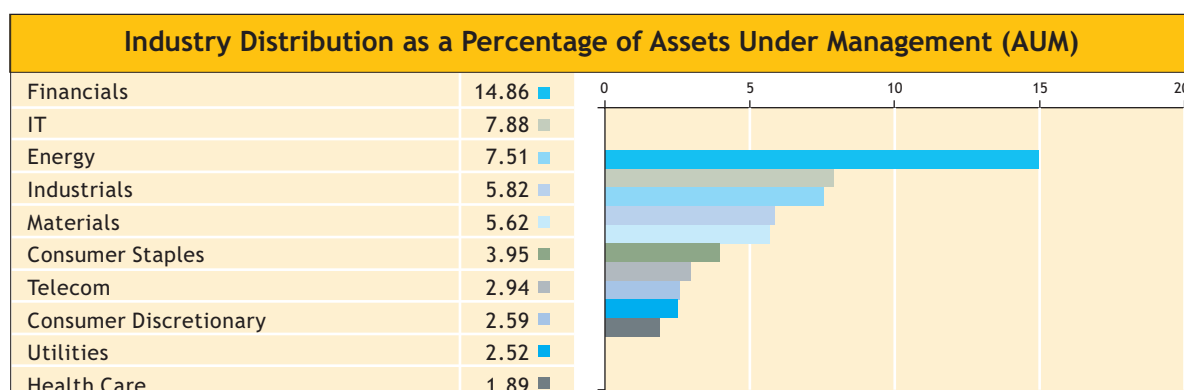
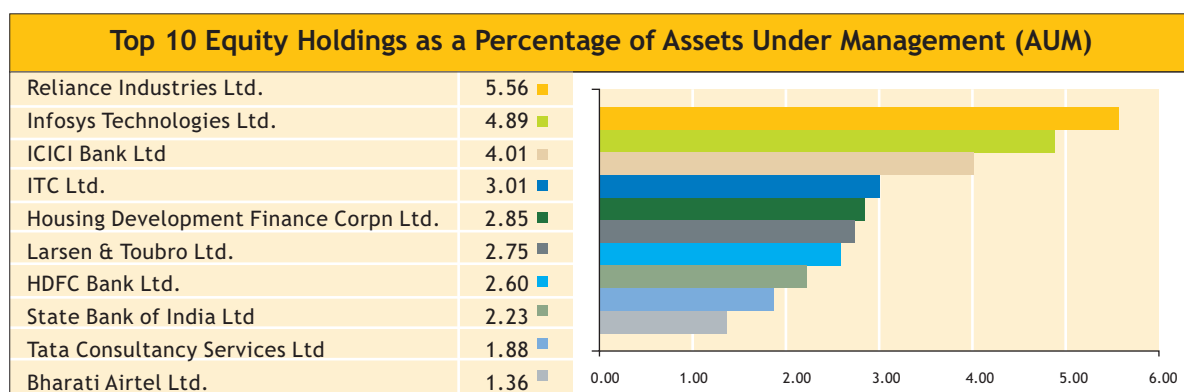
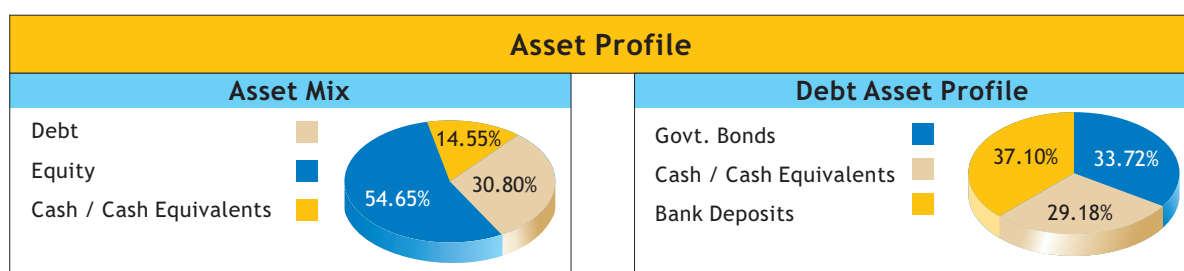
### Returns

This fund is in accumulation stage. The return earned since inception (16th September, 2010) is (-2.96%)

# 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.



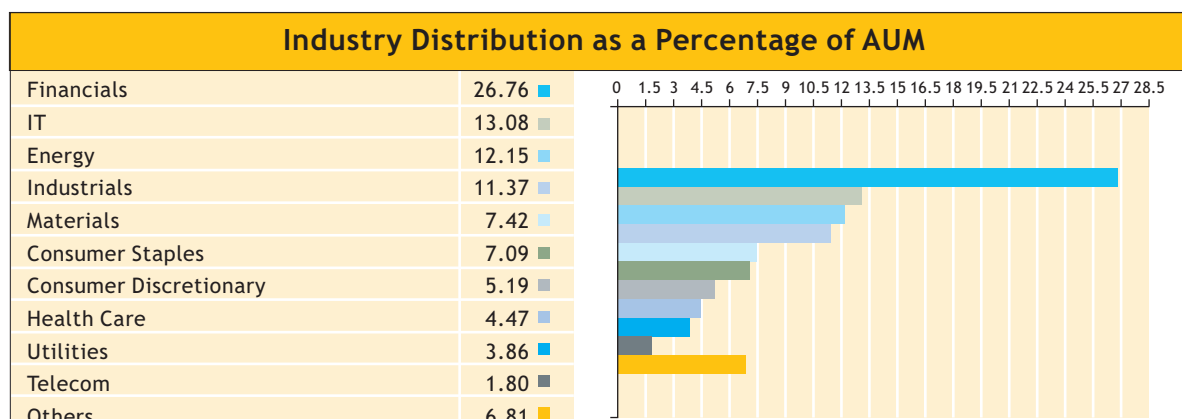
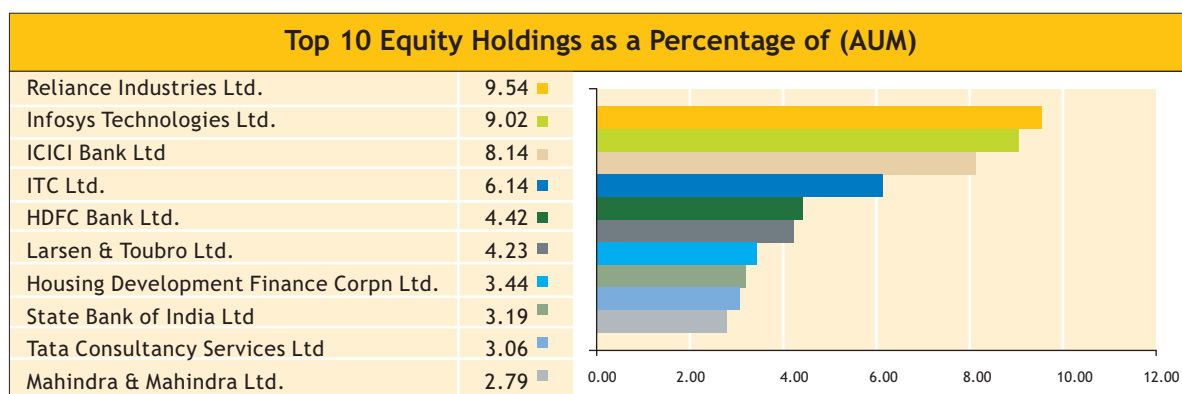
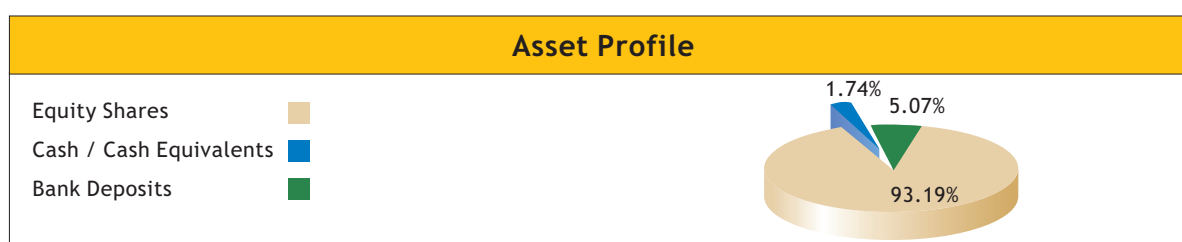
### Returns

This fund is in accumulation stage. The return earned since inception (24th sept, 2010) is (-1.16%)

# 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%.



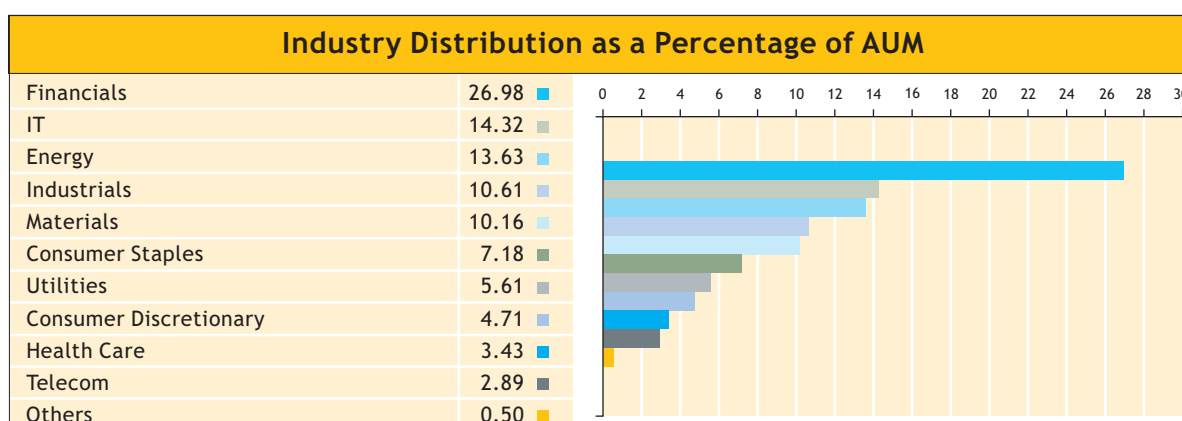
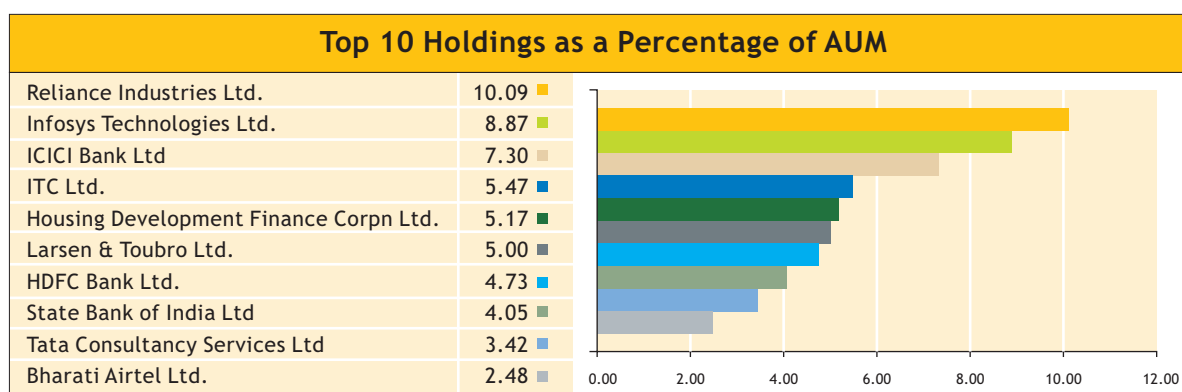
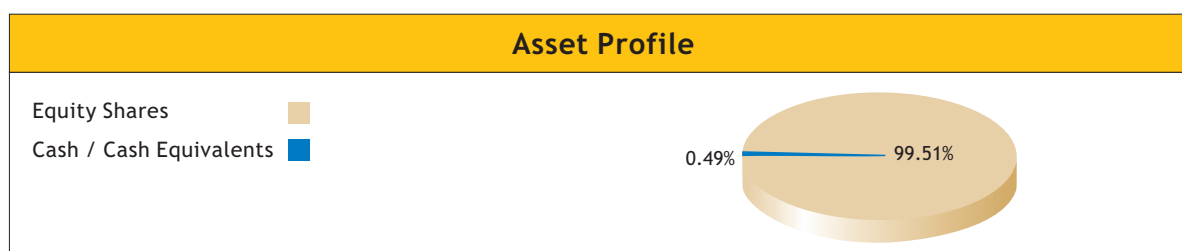
### Returns

	6 months (abs)	1 Year (abs)	Since inception - Jan '09 (abs)
Pension Enhanced Equity Fund	-3.70%	+12.99%	+115.80%
Nifty	-3.25%	+11.14%	+104.97%

# 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.



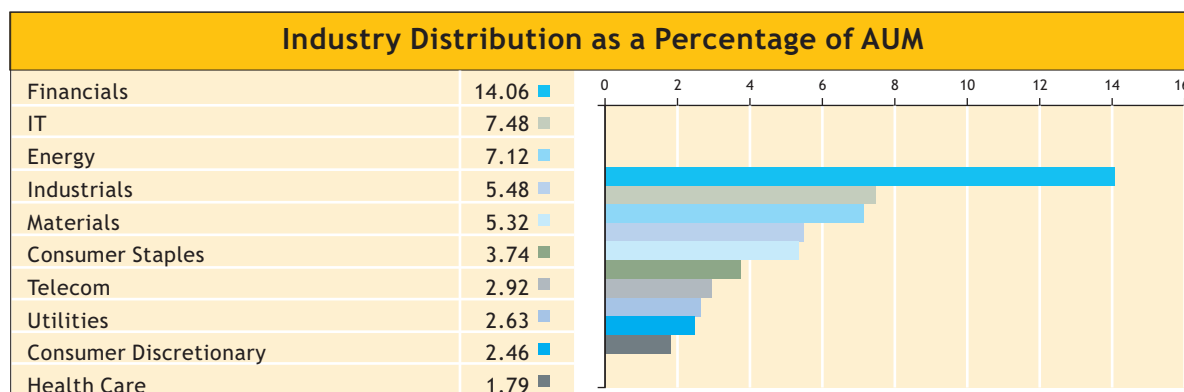
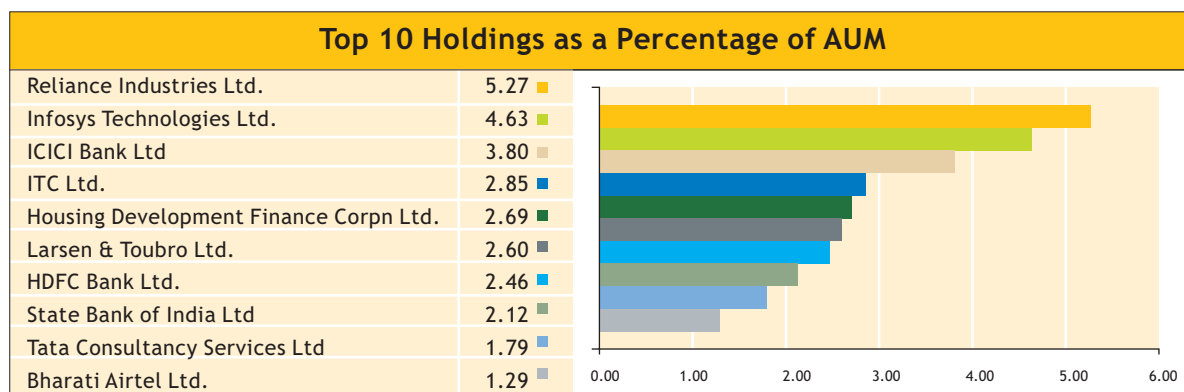
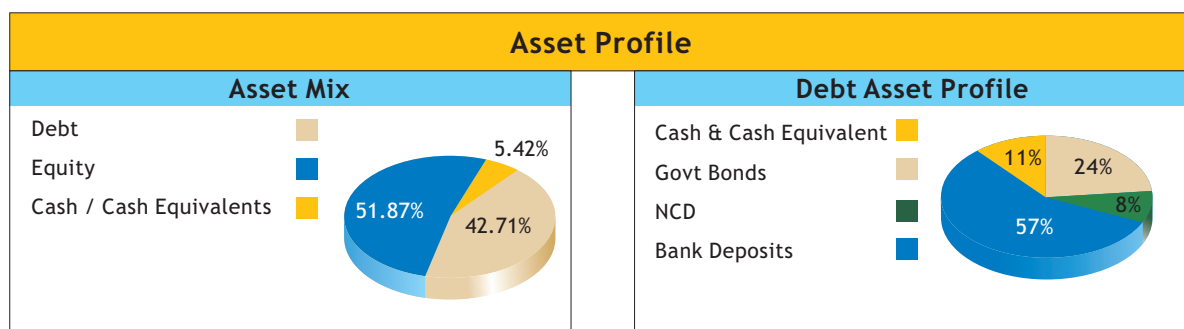
### Returns

	6 months (abs)	1 Year (abs)	Since inception - Jan '09 (abs)
Pension Index Equity Fund	-3.69%	+10.78%	+117.76%
Nifty	-3.25%	+11.14%	+114.97%

# 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.



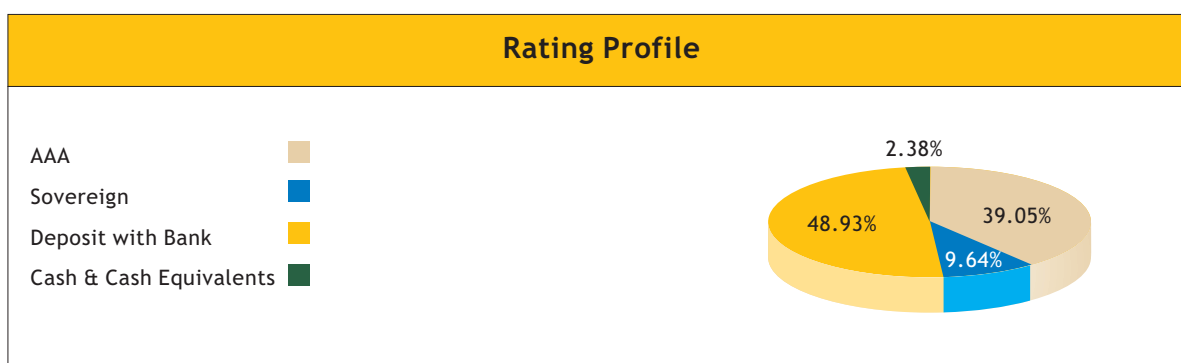
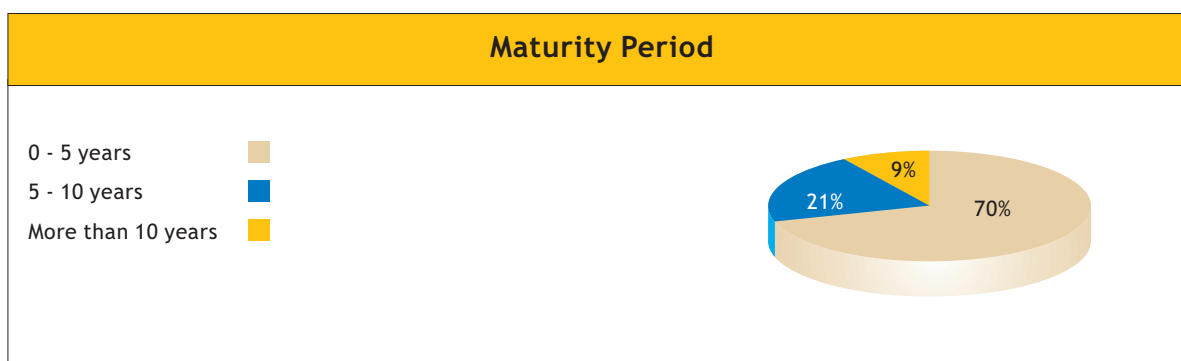
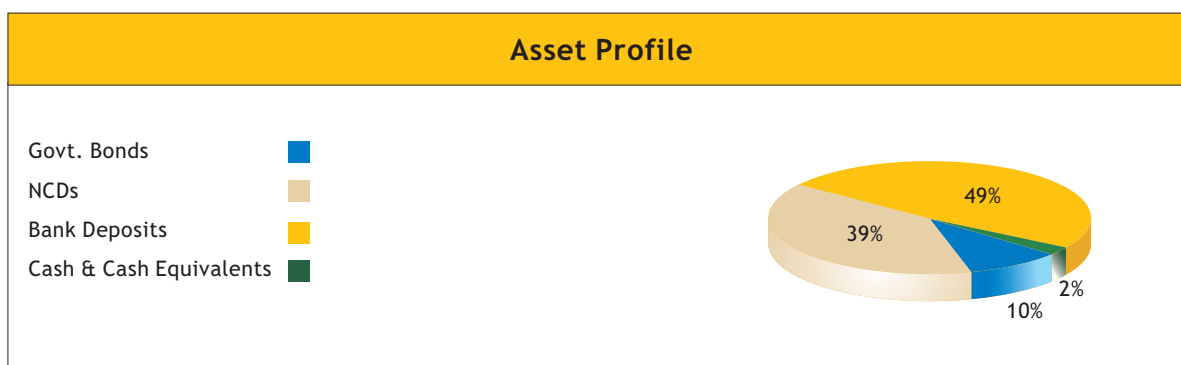
### Returns

	6 months (abs)	1 Year (abs)	Since inception - Jan '09 (abs)
Pension Balanced Fund	-2.16%	+8.19%	+38.22%

# 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 - Jan '09 (ann)
Pension Debt Fund	+4.39%	+5.83%	+6.59%

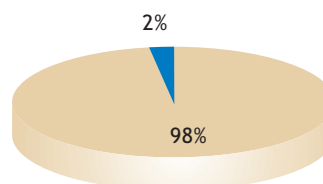
# Pension Secure Fund

**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.

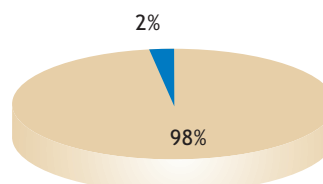
## Asset Profile

Bank Deposits   
Cash / Cash Equivalent 



## Maturity Period

More than 6 Months   
Less than 6 Months 



## Rating Profile

Deposit with Bank 



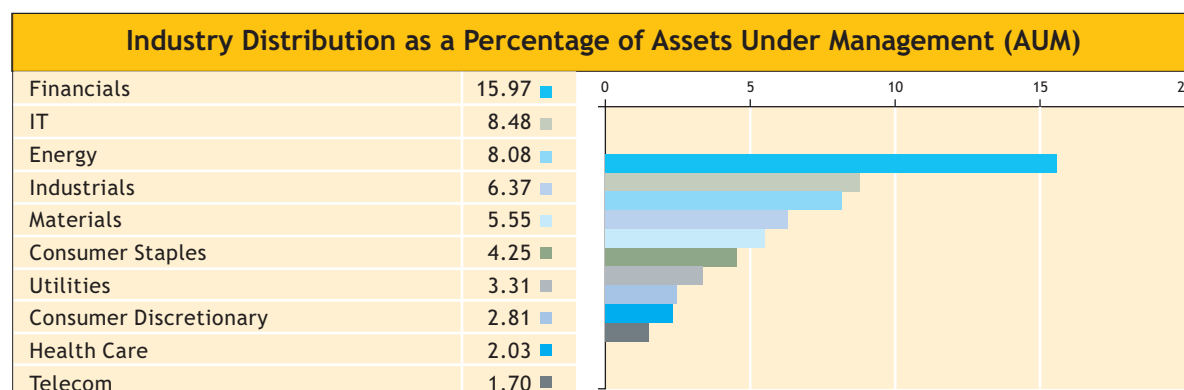
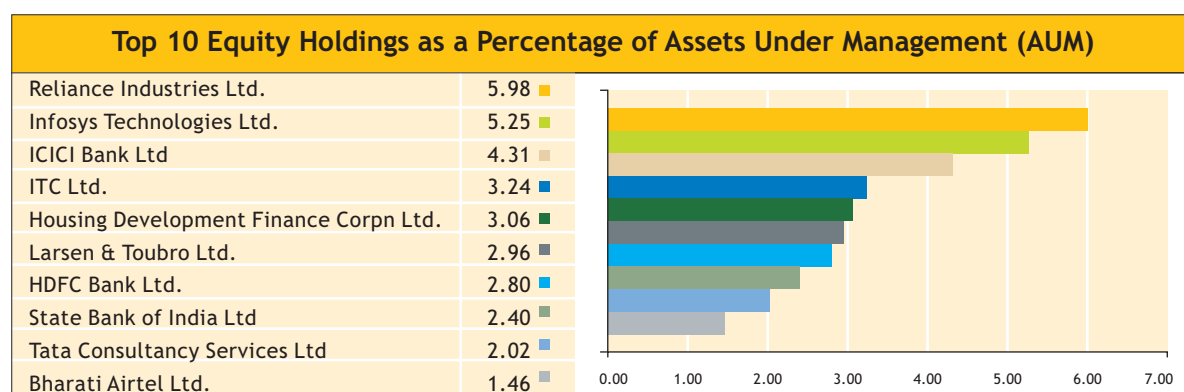
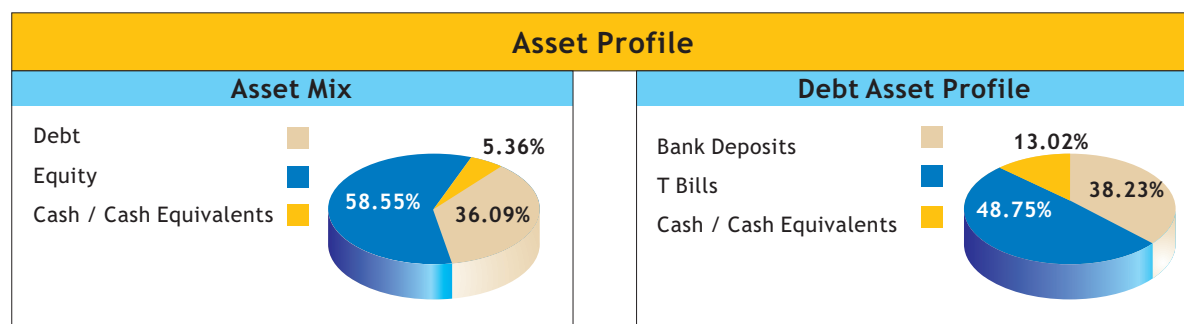
## Returns

	6 months (ann)	1 Year (ann)	Since inception - Jan '09 (ann)
Pension Secure Fund	+6.53%	+5.86%	+7.09%

# 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 31st March, 2011 = Rs. 11.32 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	-2.69%	+7.49%	+13.23%

## 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.



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