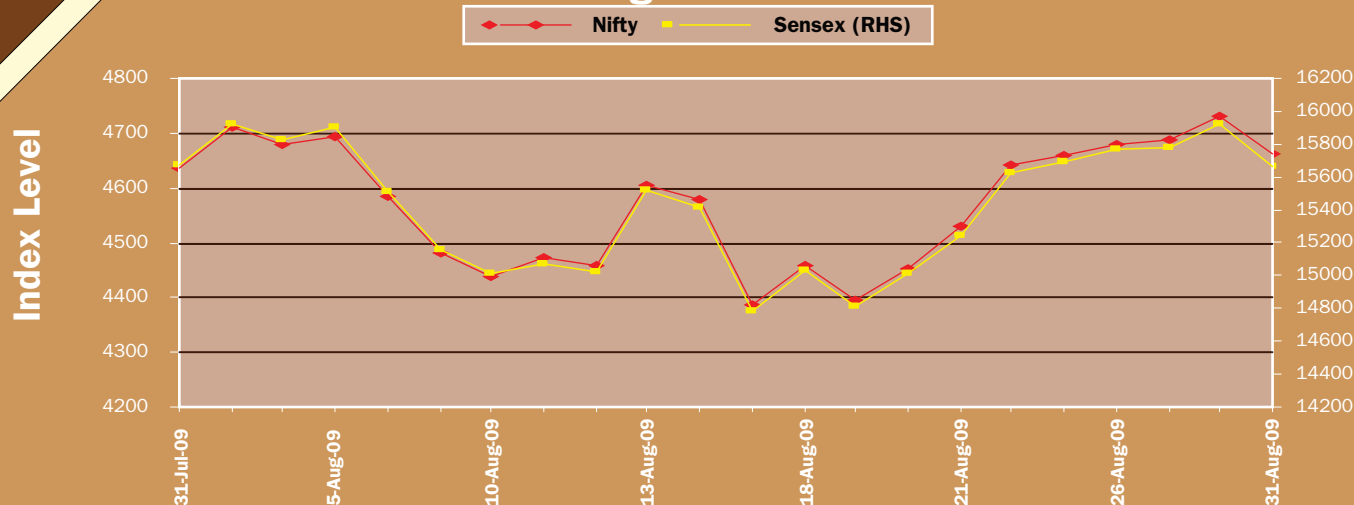


# Investment Newsletter August 2009

## August 2009



Source: Bloomberg

## equity overview/

### August Review

Indian markets consolidated in the month of August, after a strong positive move last month with BSE Sensex closing marginally down by -0.02% and the CNX Nifty marginally up by 0.55%. The large-cap index underperformed the midcap and small-cap indices by a significant margin during the month. However, the large-cap index continues to outperform the mid-cap and small-cap indices on a 12-month trailing basis. On the sectoral basis, Real Estate and IT were relative out-performers, while FMCG and Banks underperformed.

The month started off on a shaky note as the prospects for a worse monsoon this year gained further strength and lack of major FII flows led to the markets correcting

slightly in the early half of the month. However, as the month progressed, the markets shrugged off its initial losses as strong economic data and the new direct tax code boosted market sentiment. Also, monsoons started picking up during the latter half of the month, and FII inflows and short covering in the last week helped the markets sustain at higher levels.

### Global Markets

In August, the developed markets outperformed most of the major emerging markets which displayed a mixed trend during the month. China was the only outlier in the month, cracking almost 22% on concerns that policymakers might slow down bank lending in 2H2009 because of the already aggressive lending that took place in the first half of the year. India maintained its position as the third best emerging market for 2009 after Indonesia and Russia.

Major Markets	Aug-09	1 Month Return	YTD Return
India	15,667	-0.02%	62.39%
Korea	1,592	2.22%	41.56%
Malaysia	1,174	-0.05%	33.93%
Thailand	653	4.69%	45.18%
Indonesia	2,342	0.79%	72.76%
Hong Kong	19,724	-4.13%	37.09%
Brazil	56,489	3.15%	50.44%
China	2,668	-21.81%	46.51%
Russia	1,067	4.82%	68.78%
US	9,496	3.54%	8.20%
UK	4,909	6.52%	10.71%

Source: Bloomberg

## New Tax Code – Brave New World

The government released a draft tax code during the month. The government has opened the code for public comment, after which it is proposed to be converted into law in Parliament's winter session of 2009. It will be applicable from 1st April 2011. The bill could see several changes before it gets implemented though, but what is certain is that India will have a thoroughly revamped direct tax structure FY12 onwards.

**Positive:** Peak Personal Tax rates of 30% will be levied only on income in excess of Rs 25 lakhs compared with Rs 5 lakhs earlier. The code also proposes to increase overall exemption level from Rs 1 lakh to Rs 3 lakhs. This, in our opinion, will boost personal consumption and savings significantly. Also, corporate tax rates are proposed to be brought down from 33% to 25%.

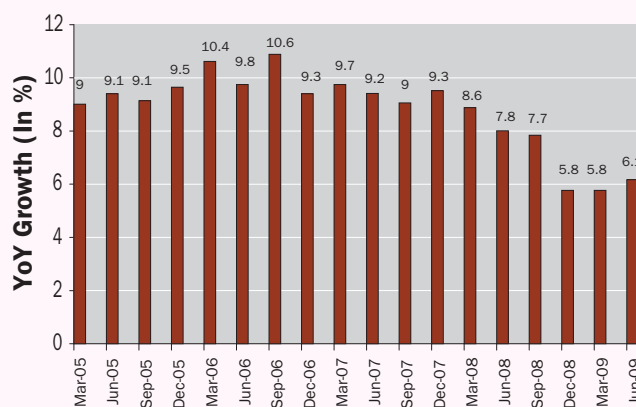
**Negative:** One issue that the market will be immediately concerned with is capital gains taxation. First, the tax code empowers the government to override double taxation avoidance agreements, which could lead to investments by foreign institutional investors (FII) being subject to capital gains taxes (CGT) in India. Moreover, the proposed unifying of long and short-term capital gains points to an end to the regime of zero CGT in India which can be a negative on investor sentiment.

## Economy

India's April-June 2009 real GDP growth came in at 6.1% YoY, higher than the 5.8% YoY growth in the previous quarter and broadly in line with consensus expectations of 6.2%. The key near-term risk to the growth trajectory emanates from poor monsoon rainfall as its effect starts reflecting in the forthcoming quarters. However, we expect the combination of aggressive fiscal measures and monetary easing to keep domestic demand robust and hence, will cushion the hit to the economy from the poor rains. Indeed, the minor hit to growth from the poor rains is a near-term hiccup in the evolving rise of the Indian economy.

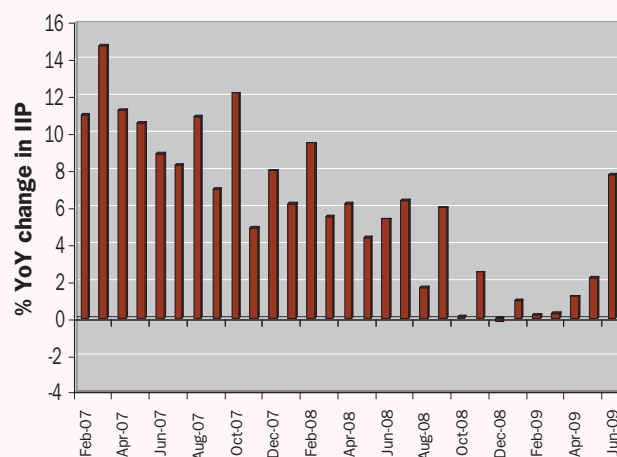
Indicators of investment activity – cement sales and IIP are also showing sequential improvements. The Index of Industrial Production (IIP) grew 7.8% YoY in June, more than triple the rate in May (which was 2.2%) and the fastest since February 2008. The upturn was led by all segments, largely core industries in mining and electricity, as was expected, as well as manufacturing, which was a positive surprise. Exports are, however, still lagging and thus, manufacturing growth was likely led by strong domestic demand.

Quarterly GDP Growth Trend (YoY %)



Source: Bloomberg

India Industrial Production (IIP)



Source: Bloomberg

## Monsoon Update

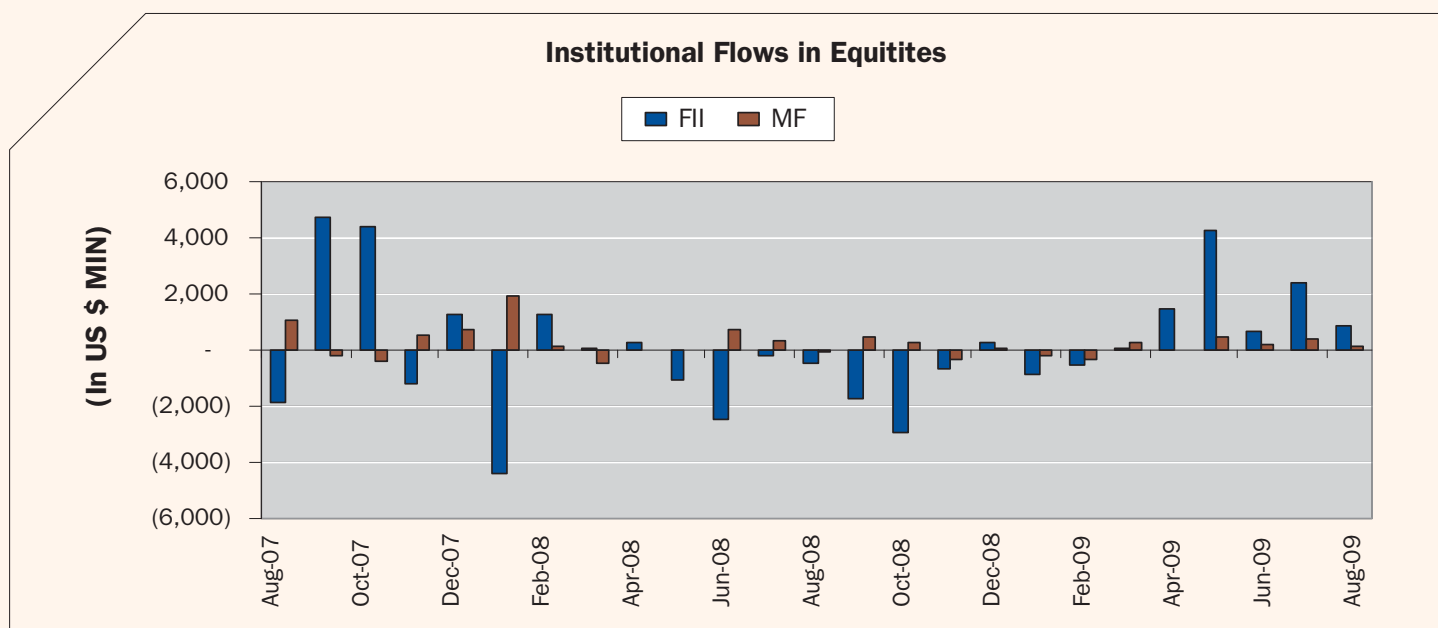
After an acute shortfall till mid-August, the monsoon appears to be reviving. The cumulative rainfall deficit has decreased to 25% for the season (as on 26 Aug 09) from almost 30% in the middle of the month (although, much worse than 19% deficiency as compared to last month). Additionally, monsoon has picked up in interiors of the country. The IMD now expects a further pick-up in rainfall in September which could continue till October.

Although the rainfall trend has improved over the last two weeks, cumulative rainfall during the season so far has been much worse than expected. Depending on how the rest of the monsoon season pans out, we

believe there could be downside risks to agricultural growth. However, we believe the drought's impact on non-agriculture GDP will be limited.

## Institutional Flows

During August, FII flows in the cash market were positive for the sixth consecutive month. In 2009, FIIs have bought US\$8.3 billion in the cash markets compared to US\$7.5 billion of selling during the same period last year. Domestic insurance companies were buyers for the third consecutive month. Domestic mutual funds were net buyers for the sixth consecutive month and flows in domestic equity mutual funds inflows were positive for the third month in a row and touched a 16-month high.



Source: Bloomberg

## Outlook

In August, aggregate consensus EPS growth estimates for the BSE Sensex constituents were revised upward for the fourth consecutive month. At the end of August, the consensus expects Sensex earnings growth of 5% and 18% in F2010 and F2011, respectively, compared to previous estimates of 3% and 18% growth for F2010 and F2011, respectively as of July end. We believe that earnings momentum

will continue to stay positive (the lack of rainfall will have a lesser-than-expected impact on the industrial economy), and with liquidity continuing to be strong, the market is likely to make positive progress in the months ahead. Although, valuations are no longer cheap, clear signs of an economic recovery could lead to a sustainable rally as the year progresses. However, investors should be prepared for heightened volatility in the short term.

# fixed income overview /

Particulars	Aug-09	Jul-09	Aug-08
Exchange Rate (Rs./\$)	48.85	48.06	43.95
WPI Inflation (In %)	-0.95	-1.58	12.38
10 Yr Gilt Yield	7.43	7.15	8.71
5 Yr Gilt Yield	7.17	6.72	8.84
5 Yr Corporate Bond Yield	8.56	8.18	11.07

Source: Bloomberg

The 10-year bond yield rose another 28bp MoM and touched a 9½-month high at the end of August. The 5-year GOI bond rose by 45bps MoM and the yield, on a similar tenure corporate bond, rose by 38 bps bringing the spread down at 139bps signaling a comfortable credit situation.

India's headline inflation as measured by the WPI still continues to be negative at -0.95% for the week ending August 15 as compared to -1.58% in the previous month and 12.38% a year ago. However, Consumer Price Index remains elevated at 11.9% (at the end of July). By the end of August, the rupee depreciated for the third month running, by 1.6% and 3.2% against the USD and the euro, respectively. On

a 12-month trailing basis, the rupee has depreciated 9.6% and 8.1% against the USD and the euro, respectively.

## Outlook

The concern of a drought situation with monsoons being below average would lead to an early rise in inflation due to higher food prices. This would make RBI more vigilant and its stated objective of maintaining price stability may lead it to take early actions to control the same. Also, supply of government paper to fund the huge fiscal deficit would keep upward pressure on rates.

# grow money fund/

Fund Performance (Absolute Return %)		
	Fund	Benchmark
3 months	7.20	6.14
6 months	67.62	74.62
1 year	9.04	8.77
Since Inception*	35.96	39.37

Benchmark: NSE CNX 100

\*Inception date – 24 August 2006

Equity Portfolio	(% to Fund)
Reliance Industries	7.16
Larsen & Toubro	6.15
Bharat Heavy Electricals	4.42
ICICI Bank	4.05
Infosys Technologies	3.96
ITC	3.20
ONGC	2.78
State Bank of India	2.77
Bharti Airtel	2.74
HDFC	2.71
TCS	2.47
Maruti Suzuki	2.17
Jindal Steel And Power	2.03
Hero Honda Motors	2.01
HDFC Bank	1.97
NTPC	1.88
Oracle Financial Services	1.80
Axis Bank	1.66
Reliance Communication	1.48
Tata Power	1.47
Others	35.86
Cash And Current Assets	5.26
<b>Grand Total</b>	<b>100.00</b>

Assets Under Management (in Rs. Lakhs)
<b>28715.99</b>

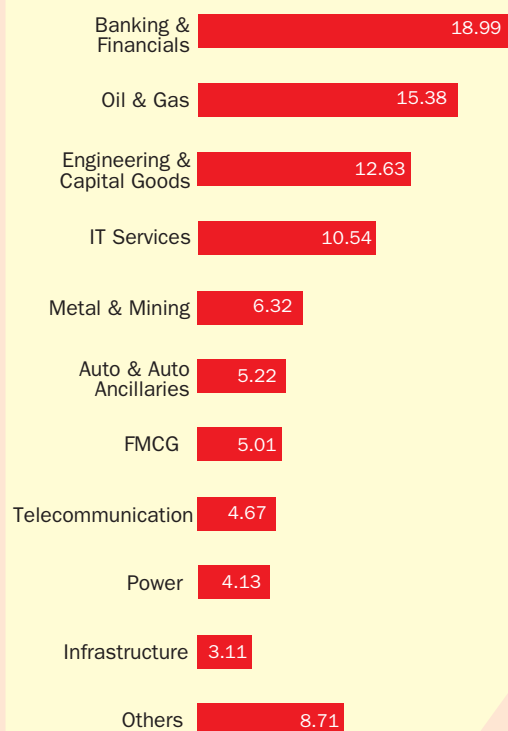
## Asset Class (% to Fund)

Cash & Current Assets  
5.26



Equity  
94.74

## Allocation by Sector (% to Fund)



# save n grow money fund

Fund Performance (Absolute Return %)		
	Fund	Benchmark
3 months	2.72	2.77
6 months	26.16	34.60
1 year	13.38	9.92
Since Inception*	33.30	30.51

Benchmark: 45% CNX 100 and 55% Crisil Bond Index

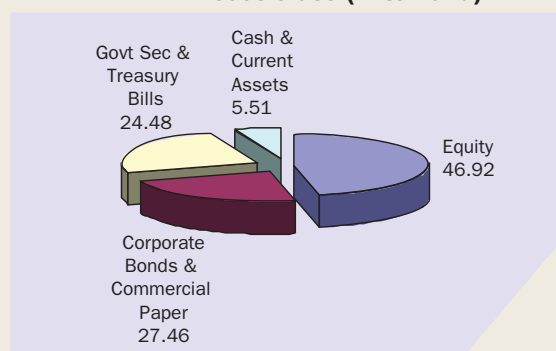
\*Inception date 21-Aug-2006

Equity Portfolio	(% to Fund)
Reliance Industries	4.63
ONGC	2.75
Bharti Airtel	2.28
Infosys Technologies	2.14
Larsen & Toubro	1.89
NTPC	1.81
ICICI Bank	1.73
State Bank Of India	1.65
Bharat Heavy Electricals	1.59
ITC	1.53
HDFC	1.37
TCS	1.21
HDFC Bank	1.18
DLF	0.93
Wipro	0.92
Hindustan Unilever	0.88
Steel Authority Of India	0.82
Reliance Communication	0.76
Jindal Steel And Power	0.72
Sterlite Industries	0.70
Others	15.41
<b>Equity Total</b>	<b>46.92</b>

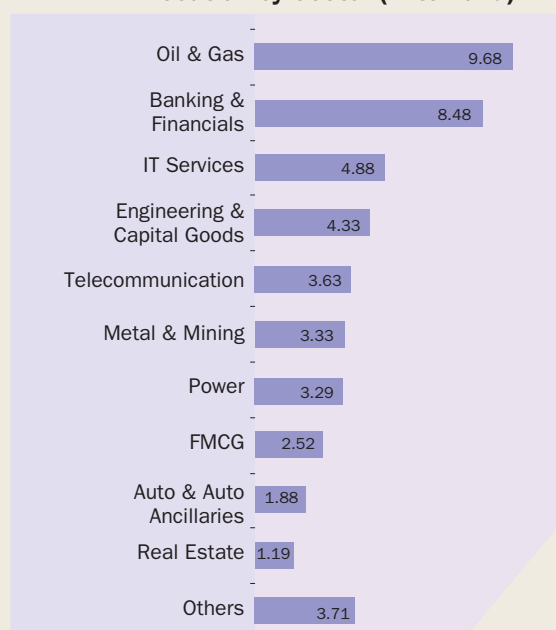
Debt Portfolio	(% to Fund)
7.59% GOI 2016	15.85
6.07% GOI 2014	6.93
10% Nabard N-Priority Sec.	5.49
8.49% IRFC Mar '14	4.43
10.75% PFC Jul '11	3.74
7.15% IOC Ltd Jun '10	2.73
10.25% FD SBP Dec '10	2.52
11.45% Reliance Debenture Nov '13	2.44
7.37% GOI 2014	1.63
8.50% EXIM Sep '11	1.23
Others	0.59
Cash And Current Assets	5.51
<b>Debt Total</b>	<b>53.08</b>

Assets Under Management (in Rs. Lakhs)
<b>1588.19</b>

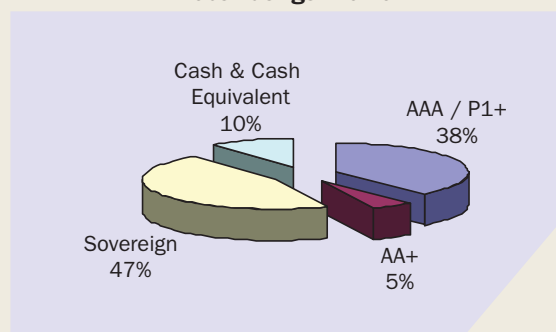
## Asset Class (% to Fund)



## Allocation by Sector (% to Fund)



## Debt Ratings Profile



# steady money fund

Fund Performance (Absolute Return %)		
	Fund	Benchmark
3 months	0.45	0.01
6 months	1.85	1.87
1 year	10.76	10.85
Since Inception*	25.48	22.83

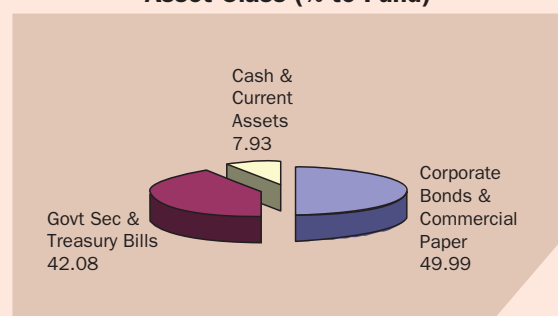
Benchmark : CRISIL Composite Bond Index

\*Inception date- 05 September 2006

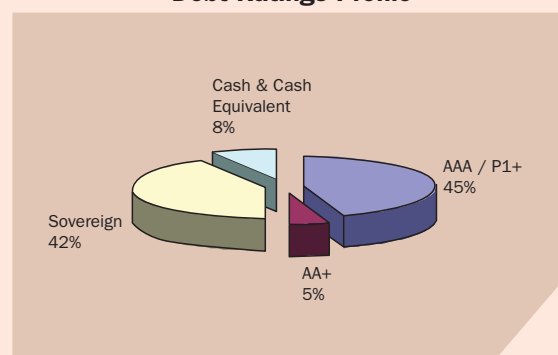
Debt Portfolio	(% to Fund)
6.07% GOI 2014	18.81
7.59% GOI 2016	17.04
11% FD SBM Nov '09	15.02
10.75% PFC Jul '11	8.66
11.45% Reliance Debenture Nov '13	5.35
9.39% GOI 2011	4.92
7.15% IOC Ltd Jun '10	4.90
8.49% IRFC Mar '14	3.99
10% Nabard N-Priority Sec.	2.81
8.50% EXIM Sep '11	2.59
10.45% IRFC Sep '09	2.34
10.25% FD SBM Jan '10	1.65
11% PFC Debenture '18	1.35
11% FD HDFC Bank Nov '09	1.34
7.37% GOI 2014	1.24
7.35% GOI 2024	0.07
Cash And Current Assets	7.93
<b>Grand Total</b>	<b>100.00</b>

Assets Under Management (in Rs. Lakhs)
<b>754.97</b>

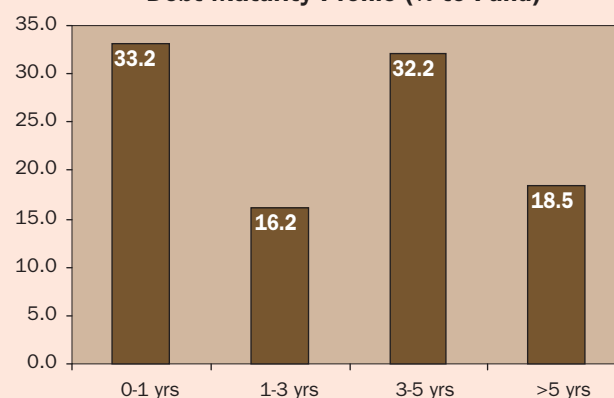
## Asset Class (% to Fund)



## Debt Ratings Profile



## Debt Maturity Profile (% to Fund)



# growth opportunities fund

Fund Performance (Absolute Return %)		
	Fund	Benchmark
3 months	10.06	7.27
6 months	67.79	81.76
Since Inception*	58.15	73.41

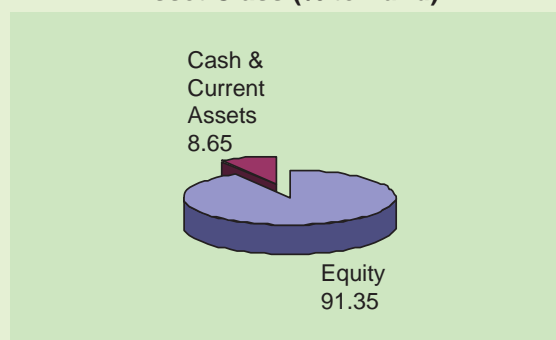
Benchmark: S&P CNX 500

\*Inception date – 10 December 2008

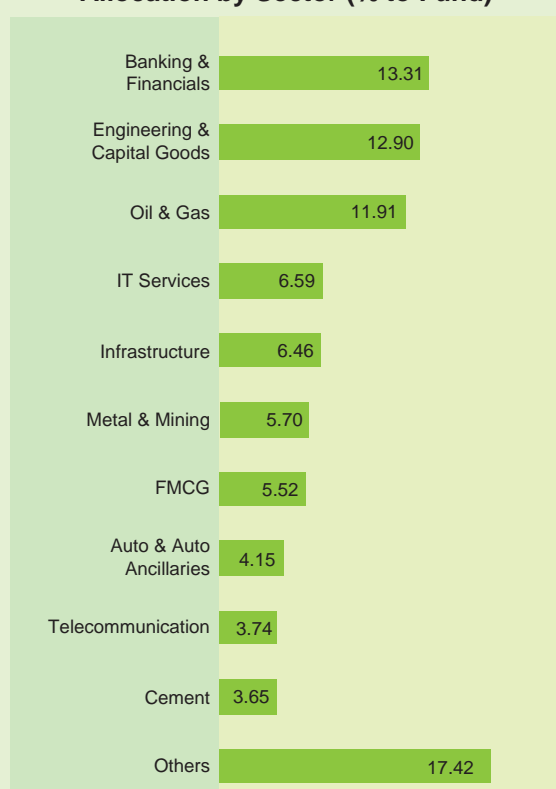
Equity Portfolio	(% to Fund)
Reliance Industries	6.46
Larsen & Toubro	3.22
Infosys Technologies	2.99
State Bank Of India	2.43
Bharat Heavy Electricals	2.38
ICICI Bank	2.33
GVK Power & Infrastructure	2.25
Lanco Infratech	2.07
Crompton Greaves	2.06
Bharti Airtel	1.97
ITC	1.91
Mphasis	1.79
Thermax	1.77
United Phosphorus	1.48
Pantaloon Retail India	1.44
Great Eastern Shipping	1.37
HDFC	1.26
Bajaj Hindusthan	1.24
Punj Lloyd	1.21
Ultratech Cement	1.17
Others	48.56
Cash And Current Assets	8.65
<b>Grand Total</b>	<b>100.00</b>

Assets Under Management (in Rs. Lakhs)
<b>1374.19</b>

## Asset Class (% to Fund)



## Allocation by Sector (% to Fund)





# grow money pension fund /

## Fund Performance (Absolute Return %)

	Fund	Benchmark
3 months	7.23	6.14
6 months	67.71	74.62
1 year	9.52	8.77
Since Inception*	-23.85	-25.14

## Equity Portfolio

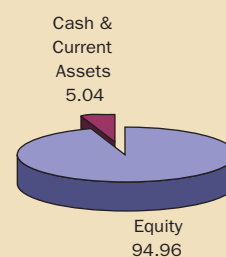
(% to Fund)

Reliance Industries	7.20
Larsen & Toubro	6.16
Bharat Heavy Electricals	4.40
ICICI Bank	4.13
Infosys Technologies	3.98
ITC	3.24
ONGC	2.83
State Bank Of India	2.81
Bharti Airtel	2.79
HDFC	2.74
TCS	2.58
Maruti Suzuki	2.12
Jindal Steel And Power	2.03
Hero Honda Motors	2.01
HDFC Bank	2.00
NTPC	1.91
Oracle Financial Services	1.83
Axis Bank	1.68
Reliance Communication	1.50
Tata Power	1.49
Others	35.54
Cash And Current Assets	5.04
<b>Grand Total</b>	<b>100.00</b>

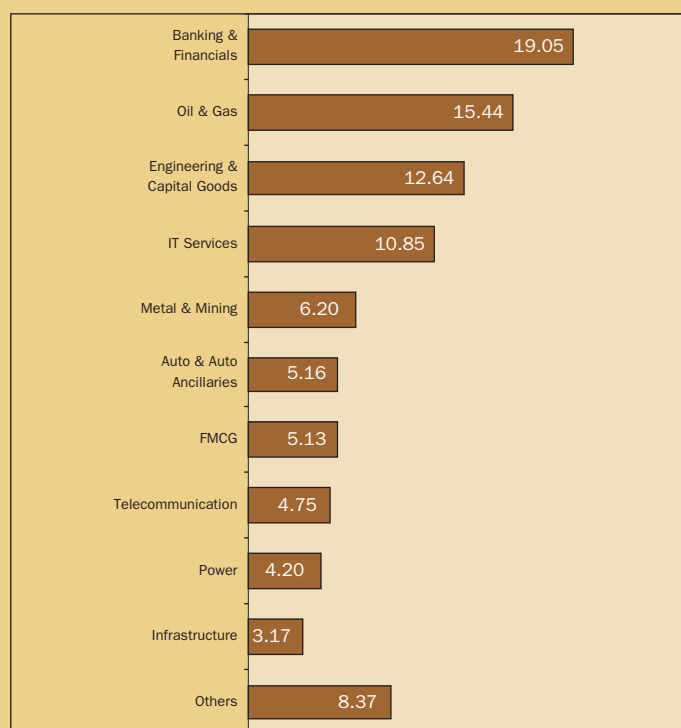
## Assets Under Management (in Rs. Lakhs)

**8312.08**

## Asset Class (% to Fund)



## Allocation by Sector (% to Fund)



# save n grow money pension fund

## Fund Performance (Absolute Return %)

	Fund	Benchmark
3 months	3.08	2.77
6 months	25.77	34.60
1 year	16.23	9.92
Since Inception*	5.77	-4.72

## Equity Portfolio

## (% to Fund)

Reliance Industries	3.89
ONGC	2.51
Bharti Airtel	2.22
Infosys Technologies	2.19
Larsen & Toubro	2.00
ICICI Bank	1.82
NTPC	1.62
State Bank Of India	1.62
ITC	1.56
Bharat Heavy Electricals	1.55
HDFC	1.42
HDFC Bank	1.22
TCS	1.13
DLF	0.89
Hindustan Unilever	0.88
Wipro	0.85
Steel Authority Of India	0.78
Reliance Communication	0.74
Jindal Steel And Power	0.72
Sterlite Industries	0.69
Others	14.96
<b>Equity Total</b>	<b>45.25</b>

## Debt Portfolio

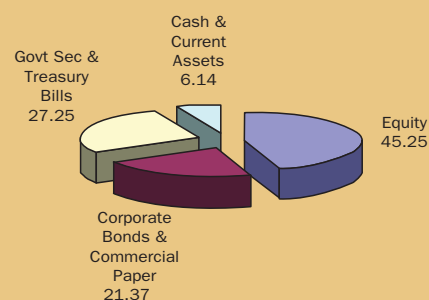
## (% to Fund)

7.59% GOI 2016	16.13
6.07% GOI 2014	8.76
11% FD SBM Nov '09	6.34
7.15% IOC Ltd Jun '10	3.87
8.50% EXIM Sep '11	3.26
11.45% Reliance Debenture Nov '13	3.19
10.75% PFC Jul '11	2.54
7.37% GOI 2014	2.37
10% Nabard N-Priority Sec.	1.44
10.25% FD SBM Jan '10	0.73
Cash And Current Assets	6.14
<b>Debt Total</b>	<b>54.75</b>

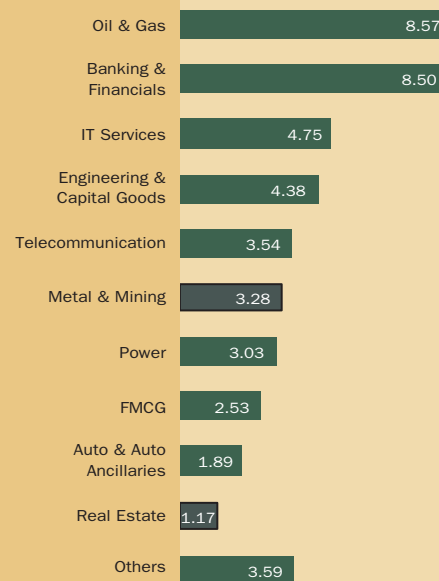
## Assets Under Management (in Rs. Lakhs)

**293.37**

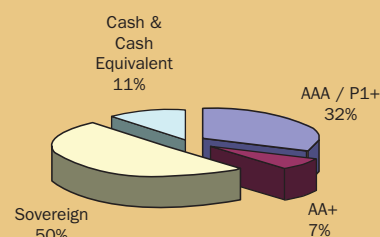
## Asset Class (% to Fund)



## Allocation by Sector (% to Fund)



## Debt Ratings Profile



# steady money pension fund

## Fund Performance (Absolute Return %)

	Fund	Benchmark
3 months	0.37	0.01
6 months	1.52	1.87
1 year	10.84	10.85
Since Inception*	11.30	11.98

Benchmark: CRISIL Composite Bond Index

\*Inception date- 31 December 2007

## Debt Portfolio

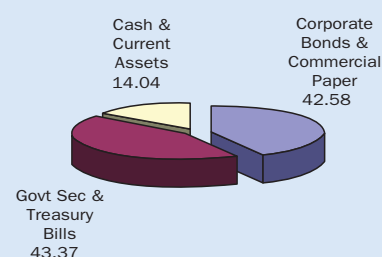
## (% to Fund)

7.59% GOI 2016	26.11
11% FD SBM Nov '09	14.17
6.07% GOI 2014	14.72
11.45% Reliance Debenture Nov '13	9.48
10.75% PFC Jul '11	5.68
10.45% IRFC Sep '09	4.85
7.15% IOC Ltd Jun '10	2.93
11% FD HDFC Bank Nov '09	2.67
8.50% EXIM Sep '11	0.94
7.37% GOI 2014	1.70
10.25% FD SBM Jan '10	1.48
9.39% GOI 2011	0.84
11% PFC Debenture '18	0.38
Cash And Current Assets	14.04
<b>Grand Total</b>	<b>100.00</b>

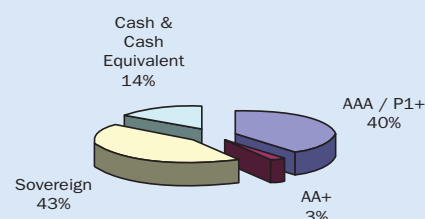
## Assets Under Management (in Rs. Lakhs)

**296.30**

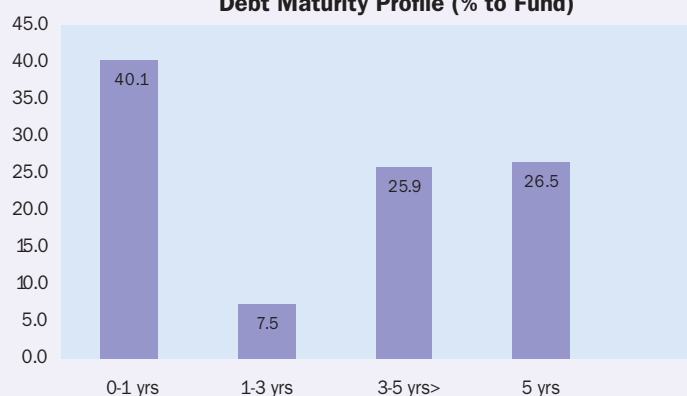
## Asset Class (% to Fund)



## Debt Ratings Profile (% to Fund)



## Debt Maturity Profile (% to Fund)



# growth opportunities pension fund

## Fund Performance (Absolute Return %)

	Fund	Benchmark
3 months	10.12	7.27
6 months	65.79	81.76
Since Inception*	51.46	72.19

Benchmark: S&P CNX 500

\*Inception date- 12 December 2008

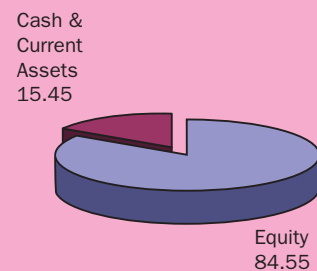
## Portfolio (% to Fund)

Portfolio	(% to Fund)
Reliance Industries	5.53
Infosys Technologies	4.02
Larsen & Toubro	3.94
Mphasis	2.83
GVK Power & Infrastructure	2.62
Bharat Heavy Electricals	2.60
ICICI Bank	2.49
Crompton Greaves	2.44
ONGC	1.95
Lanco Infratech	1.94
ITC	1.92
State Bank Of India	1.87
Bharti Airtel	1.84
Pantaloon Retail India	1.69
United Phosphorus	1.64
HDFC	1.62
Tata Chemicals	1.58
Aptech	1.37
HDFC Bank	1.33
Lupin	1.27
Others	38.10
Cash And Current Assets	15.45
<b>Grand Total</b>	<b>100.00</b>

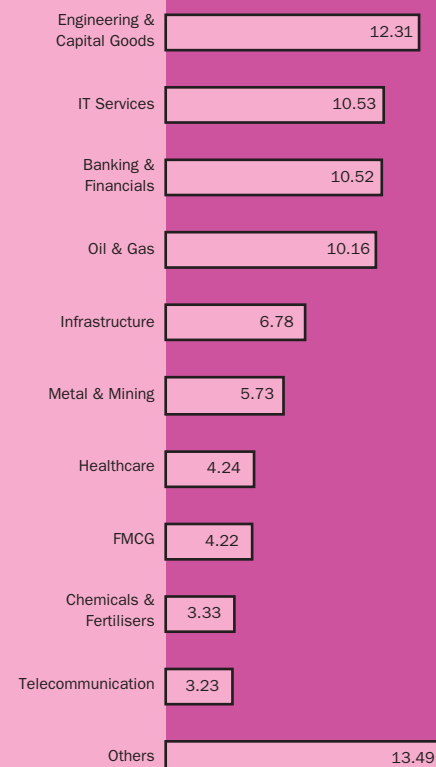
## Assets Under Management (in Rs. Lakhs)

170.81

## Asset Class (% to Fund)



## Allocation by Sector (% to Fund)



# build n protect fund series 1/

## Fund Performance (Absolute Return %)

	Fund	Benchmark
3 months	-2.74	-7.65
Since Inception*	-6.17	-10.06

Benchmark: 15 Year GOI Benchmark Bond \*Inception date- 21 May 2009

## Debt Portfolio

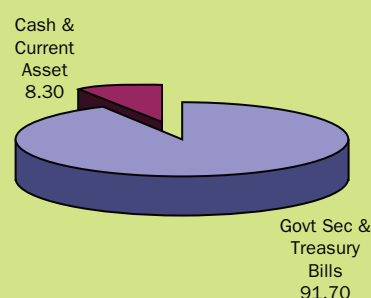
## (% to Fund)

7.35% GOI 2024	40.54
7.95% GOI 2025	34.02
8.03% GOI 2024	17.14
Cash And Current Assets	8.30
<b>Grand Total</b>	<b>100.00</b>

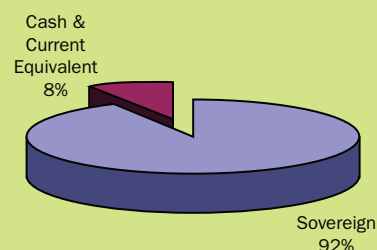
## Assets Under Management (in Rs. Lakhs)

288.64

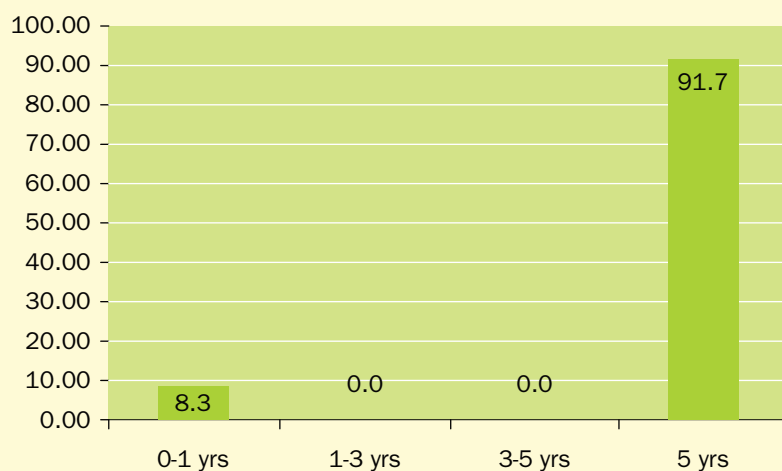
## Asset Class (% to Fund)



## Debt Ratings Profile



## Debt Maturity Profile (% to Fund)



# safe money fund

## Fund Performance (Absolute Return %)

	Fund	Benchmark
Since Inception*	0.28	0.36

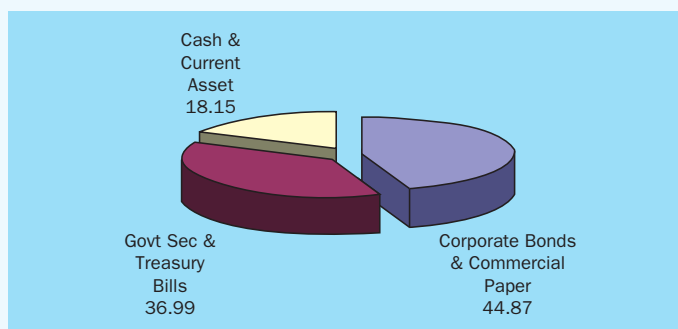
Benchmark: CRISIL Liquid Fund Index \*Inception date- 10 July 2009

Debt Portfolio	(% to Fund)
91 Day TB Oct '09	36.99
6.5% FD IDBI Bank Feb '10	13.92
6.25% FD State Bank of Mysore Mar '10	10.83
6.25% FD HDFC Bank Feb '10	10.83
6.25% FD SBM Feb '10	9.28
Cash And Current Assets	18.15
<b>Grand Total</b>	<b>100.00</b>

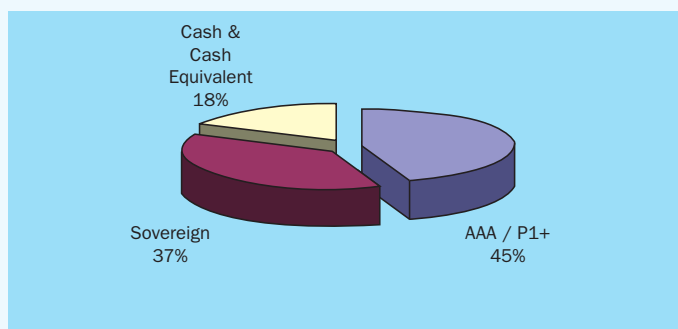
## Assets Under Management (in Rs. Lakhs)

**6.46**

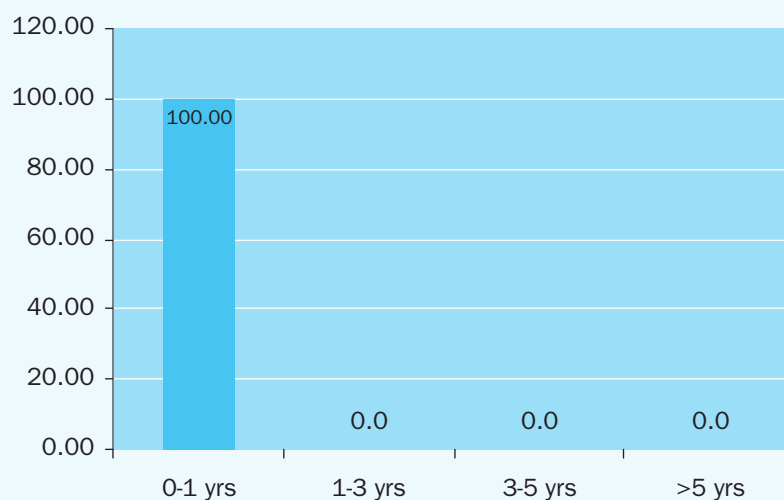
## Asset Class (% to Fund)



## Debt Ratings Profile



## Debt Maturity Profile (% to Fund)



# safe money pension fund /

## Fund Performance (Absolute Return %)

	Fund	Benchmark
Since Inception*	0.28	0.36

Benchmark: CRISIL Liquid Fund Index \*Inception date- 10 July 2009

## Debt Portfolio

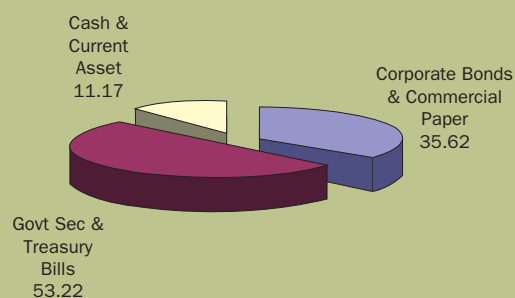
## (% to Fund)

91 Day TB Oct '09	53.22
6.25% FD HDFC Bank Feb '10	26.71
6.5% FD IDBI Bank Feb '10	8.90
Cash And Current Assets	11.17
<b>Grand Total</b>	<b>100.00</b>

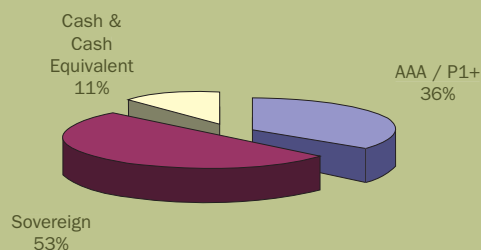
## Assets Under Management (in Rs. Lakhs)

**1.12**

## Asset Class (% to Fund)



## Debt Ratings Profile



## Debt Maturity Profile (% to Fund)



**Disclaimers:** 1. This newsletter only gives an overview of the economy and should not be construed as financial advice. Policyholder should speak with his Financial Advisor and use his/her own discretion and judgement while investing in financial markets and shall be responsible for his/her decision. 2. Insurance is the subject matter of the solicitation. 3. The information contained herein is as on 31<sup>st</sup> August 2009. 4. Past performance of the funds, as shown above, is not indicative of future performance or returns. 5. Grow Money Fund, Save n Grow Money Fund, Steady Money Fund, Growth Opportunities Fund, Grow Money Pension Fund, Save n Grow Money Pension Fund, Steady Money Pension Fund, Growth Opportunities Pension Fund, Build n Protect Fund Series 1, Safe Money Fund, Safe Money Pension Fund are only the names of the fund and do not indicate its expected future returns or performance.

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