Investment Snapshot

For Quarter Ended Dec-2016

Nurturing growth

FUTURE GENERALI

TOTAL INSURANCE SOLUTIONS

Dear **Valued Policyholder**,

Wish you all a Happy and Prosperous year.

The year 2016 was a watershed year in view of two landmark reforms like Demonetization and GST. These events could alter the country's economic landscape over the long term. Even though demonetization could have an adverse impact on growth in near term, it should have a positive impact on the Indian economy over medium to long term on the back of higher tax collections and transition to a digital economy. Macro-economic parameters like fiscal deficit, current account deficit and inflation continued to improve through the year resulting in a relatively stable currency and declining inflation & interest rate. With the expected implementation of GST and improved credit growth in 2017, India is poised to continue on its growth path which is positive for Indian markets.

While domestically, India took many strides towards strengthening its macro-economic fundamentals, globally, calendar year 2016 was an eventful one. In the beginning of the year, we witnessed sharp fall in equities and commodities on the back of growth concerns emanating from China. However, most assets including equities and commodities rebounded mid-year. Government Securities of many countries rallied and a few countries ended up with a negative yield on their Govt. Securities. Towards the end of the year, concerns arising out of impending interest rate hike by US Fed and US Presidential election had a negative impact especially on emerging markets. Overall, in spite of a lot of global uncertainties like Brexit, election of Donald Trump and the US Fed rate hike, equity markets were resilient. However, yields rose globally after the hike of 25 bps by US Fed in December 2016. In India, however, debt markets continued to rally due to the expected beneficial impact of Demonetisation on government and bank finances.

As the country progressively moves towards digitisation and digital payments, I'm pleased to share with you that we are on the anvil to sign-up with multiple digital payment partners to help you pay your renewal premiums with a simple swipe of your fingers. These steps go a long way to reaffirm our brand philosophy of making life insurance a 'Simpler', 'Smarter' and 'Faster' proposition for you. The impact of digitisation is not relegated to renewal premium payment alone; we've also taken a big step to make it simple for customers to purchase our online products. In November '16, we launched WhatsApp Support to collect KYC documents for all customers who intend to purchase any of our online products without the hassles of physical submission. This will save on policy issuance time. Now, if you choose to buy a policy from us, simply Whatsapp your documents to us. KYC validation can now be done through OTP based authentication by the UIDAI for customers with Aadhar card while making online purchase there by making the entire insurance purchase transaction a paperless experience.

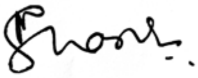
I hope you have downloaded our self-servicing Customer App which we launched in the last quarter. The mobile app has been built specifically to empower you to service your policies at your convenience on the go with a simple swipe of your fingers. The mobile app allows you to pay renewal premiums, update your contact details, download tax certificates and a lot more. Download the app here (bit/ley). You can also stay in touch with us, know the latest news about us, read content that will enrich your knowledge

by following our Social Media pages. Continuing with the philosophy of giving our customers the power of information on demand, we have also launched a host of mobile based push and pull SMS services and also IVR facility at our state of the art call center. To continually improve our products and services to our esteemed customers, we have also launched a online realtime NPS program which is designed to obtain your feedback and basis the same make our offerings world class.

I am pleased to inform you that most of our ULIP funds have outperformed their respective benchmark in 2016. We are extremely happy to share that despite the significant challenges and heightened volatility in the markets, your funds have done well. Funds across categories in Life, Pension as well as Group have done well during the year. This has been made possible by our investment philosophy which revolves around disciplined risk management and consistency in our investment approach. Our Future Apex Fund (ULIP Equity Fund) has delivered a CAGR return of 13.48% and Future Income Fund (ULIP Debt Fund) has delivered a CAGR return of 10.12% in the last five years and have outperformed their respective benchmarks significantly. Also, we have been declaring good bonuses to our Traditional Policyholders. It is advisable to remain invested for long term and complete the full term of the policy to optimize returns. The purpose of insurance is protection as well as savings, and this purpose can be achieved only if one has a long term view on investments.

I would like to take this opportunity to thank you for entrusting your hard earned savings with us and look forward to your continued support in future. We remain committed towards offering best-in-class products and services to our valued customers.

Warm Regards,



Munish Sharda
Managing Director and Chief Executive Officer

Global Economy

Global central banks in spotlight in December quarter

The much awaited event of 2016 finally occurred – the US Federal Reserve (Fed) hiked the interest rate by 25 basis points (bps) to 0.50-0.75%. The central bank said inflation expectations have increased considerably and a steeper path for borrowing costs is likely in 2017. The Fed's median outlook for rates was raised to three quarter-point increases in 2017 from two in September 2016. The bank added that it would be followed by three more increases in 2018 and 2019 each, before the rate levels off at a long-run normal of 3%. On the growth front, the Fed forecast GDP growth of 2.1% in 2017, 2% in 2018 and 1.9% in 2019.

In Europe, the European Central Bank (ECB) kept its interest rate unchanged at 0% and extended its stimulus programme until December 2017, but said it will taper its monthly bond purchases to EUR 60 billion from EUR 80 billion w.e.f April 2017. Meanwhile, the Bank of England (BoE) unanimously voted to keep the interest rate unchanged at 0.25%, the size of its asset-purchase programme at 435 billion pounds and the size of its corporate bond purchase programme at 10 billion pounds.

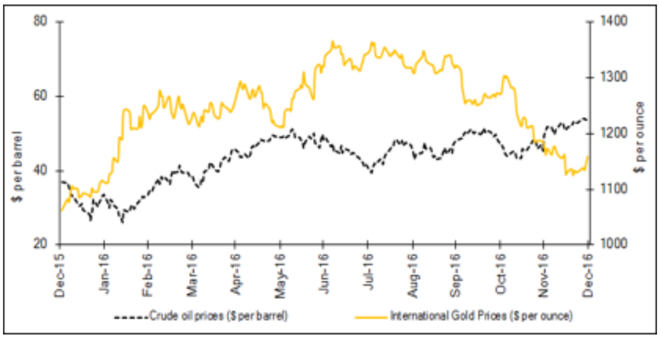
In Asia, the Bank of Japan (BoJ) kept interest rates unchanged and raised its assessment of the economy for the first time since May 2015, as Donald Trump's unexpected win in the US elections weakened the yen and lifted sentiments.China's central banksaid it will maintain prudent and neutral monetary policy, andprioritise keeping liquidity stable in 2017.

- The US GDP grew an annualised 3.5% in Q3 2016, compared with previously estimated 3.2% and 1.4% in Q2 2016.
- The UK economy expanded at an annualised 2.2% in Q3 2016 compared to 2% in Q2 2016.
- Eurozone GDP advanced 1.7% annually in Q3, steady compared to the previous quarter.
- Japan's economy grew at 1.3% annualised rate in July-September, a revision from 2.2% annualised growth estimated initially.

Commodities end the quarter mixed on global cues

International crude oil prices advanced in the quarter after the OPEC agreed to reduce oil production beginning January 2017. Some strong US economic cues and some reports that oil inventories have fallen also pushed up oil prices. Gold prices declined in the quarter as the dollar strengthened and as the US Fed raised interest rates and projected further rate hikes in 2017.

Chart 1 – Crude oil versus gold prices



Source: CRISIL

Global Equity

Table 1 – Global benchmark indices returns

Indices	30-Sep-16	Quarterly % Change	Yearly % Change
DJIA (USA)	19763	7.94	13.42
Nikkei 225 (Japan)	19114	16.20	0.42
Hang Seng (Hong Kong)	22001	-5.57	0.39
FTSE 100 (UK)	7143	3.53	14.43
Shanghai Composite Index (China)	3104	3.29	-12.31
DAX (Germany)	11481	9.23	6.87
iBovespa (Brazil)	60227	3.19	38.93
MICEX (Russia)	2233	12.88	26.76

Source: CRISIL

Nearly all global equity indices ended positive

Japan's Nikkei emerged the biggest gainer in the quarter (up 16%) as the exporter-heavy index benefitted from weakness in the yen. Russia's MICEX advanced nearly 13% as crude oil prices strengthened globally. Britain's FTSE rose 4% buoyed by strong domestic cues and as a fall in the pound helped export-oriented companies register gains. In the US, the Dow Jones gained nearly 8% on stock-specific gains and aided by the ECB's decision to extend its quantitative easing (QE) program until December 2017. Hong Kong's Hang Seng (down 6%) was the sole decliner, tracking weak global cues from China, the US and the Eurozone.

Indian Economy

Indian economy expanded at a marginally higher pace

Though the Centre's move to curb currency circulation has been lauded for its long-term implications on the economy, some economic institutions have trimmed their near-term economic growth projections as a result of the impact on demand. The government's move to push for the introduction of the Goods and Services Tax Bill from the next financial year, with the announcement of a four-tiered tax structure ranging from 5% to 28%, was also viewed favourably. Among other developments, the Centre unveiled a slew of measures promoting cashless transactions in the wake of Demonetisation, including the launch of a mobile app - Bharat Interface for Money or BHIM. Meanwhile, Standard and Poor's (S&P) affirmed India's sovereign rating for the long term at 'BBB-' and short term at 'A-3' with stable outlook.

The government is set to present Union Budget for FY18 on February 1. The Cabinet also launched a rural housing scheme which proposes to provide an environmentally safe and secure 'pucca' house to every rural household by 2022. It approved 100% foreign direct investment (FDI) in `other financial services' carried out by non-banking finance companies (NBFCs).

- The Indian economy grew 7.3% during July-September, marginally quicker than the previous quarter's 7.1%.
- The RBI has cut the country's growth forecast for the current fiscal to 7.1%, from 7.6%, owing to short-term disruption in economic activity and demand compression arising out of demonetization.
- India's consumer inflation figures for November came in at 3.63% annually compared to 4.20% in October, while wholesale inflation fell to 3.15% in November from 3.39% in October.
- India posted a current account deficit (CAD) of $3.4 billion, or 0.6% of gross domestic product (GDP) in the July-September quarter, lower than 1.7% of GDP for the same quarter a year ago.

Indian Equity

Table 2 –Indian benchmark indices returns

Indices	30-Sep-16	Quarterly % Change	Yearly % Change
Nifty 50	8186	-4.94	3.01
S&P BSE Sensex	26626	-4.45	1.95
S&P BSE Oil & Gas	12152	6.80	27.17
S&P BSE Metal	10109	3.54	36.65
S&P BSE Power	1988	-0.10	1.53
S&P BSE IT	10176	-0.52	-8.00
S&P BSE FMCG	8131	-3.90	3.29
S&P BSE BANKEX	20749	-5.88	7.35
S&P BSE CG	13665	-6.29	-3.28
S&P BSE Auto	20257	-8.88	9.39
S&P BSE Healthcare	14728	-8.98	-12.88
S&P BSE Consumer Durables	11237	-10.45	-6.34
S&P BSE Realty	1264	-16.42	-5.98

Source: CRISIL

RBI's interest rate cut in October and softening inflation offset decline prompted by Demonetisation

IIndian equity benchmarks S&P BSE Sensex and Nifty 50 fell around 5% each in the December quarter, impacted by the government's Demonetisation announcement in November. Foreign institutional investor (FII) outflows in the wake of Demonetisation also dented sentiments. Sporadic decline in the rupee and fears of a fall in corporate earnings following the government's currency recall exerted pressure on stock prices. Globally, concerns over prospects of a steeper-than-expected US Fed rate hike next year, uncertainty about the US President-elect Donald Trump's policies and anxiety about the state of the European banking system weighed on the market.

Softening consumer inflation figures and the RBI's move to reduce key interest rates in its October policy announcement, however, brought cheer to investors. The GST council's announcement of a four-tiered tax structure for the proposed indirect tax regime and the ECB's decision to extend its QE programme until December 2017 also supported equities.