



Par Fund Investment Strategy Deck

March 2024



Risk Return Comparison – Different Product Lines

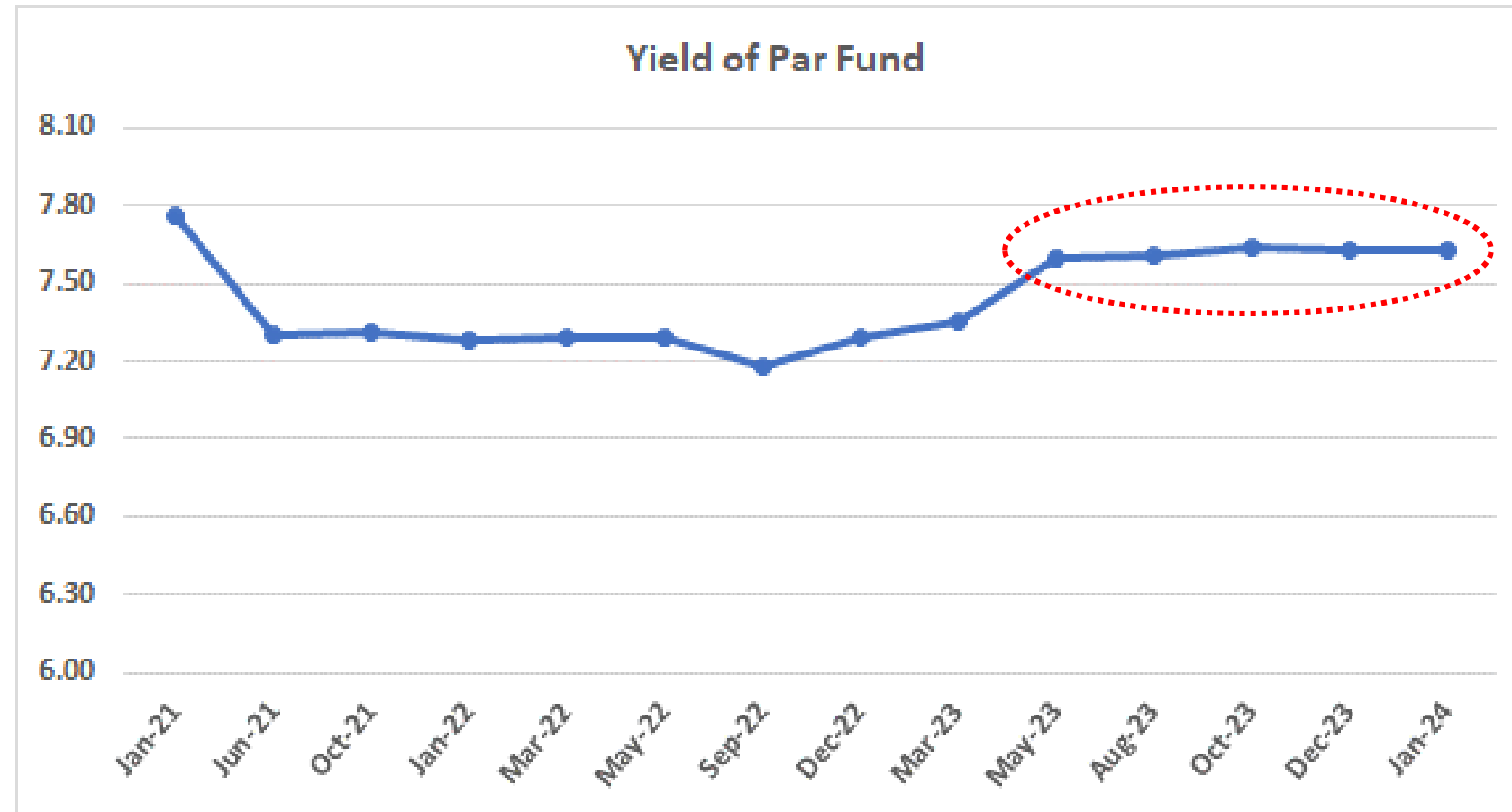
Product Lines	Level of initial Guarantees	Long Term Returns (Policyholder IRR)	Volatility in Maturity Values
Unit Linked	Nil	High	High
Participating	Low	Moderate	Low
Non-Participating	Moderate	Low to Moderate	Nil



Par lies between both the extremes

- Participating Product structure intends to address the extremities in the “risk–reward” equation.
- There is low initial guarantee, however policyholders participate in the investment pool and gets credited with annual and terminal bonuses, thus increasing maturity IRRs. Once bonuses are credited, they cannot be reversed thus adding to the guarantees.
- With an investment strategy that usually allows equity investment, and with stable bonus rates, it generates optimum returns with considerably less volatility.

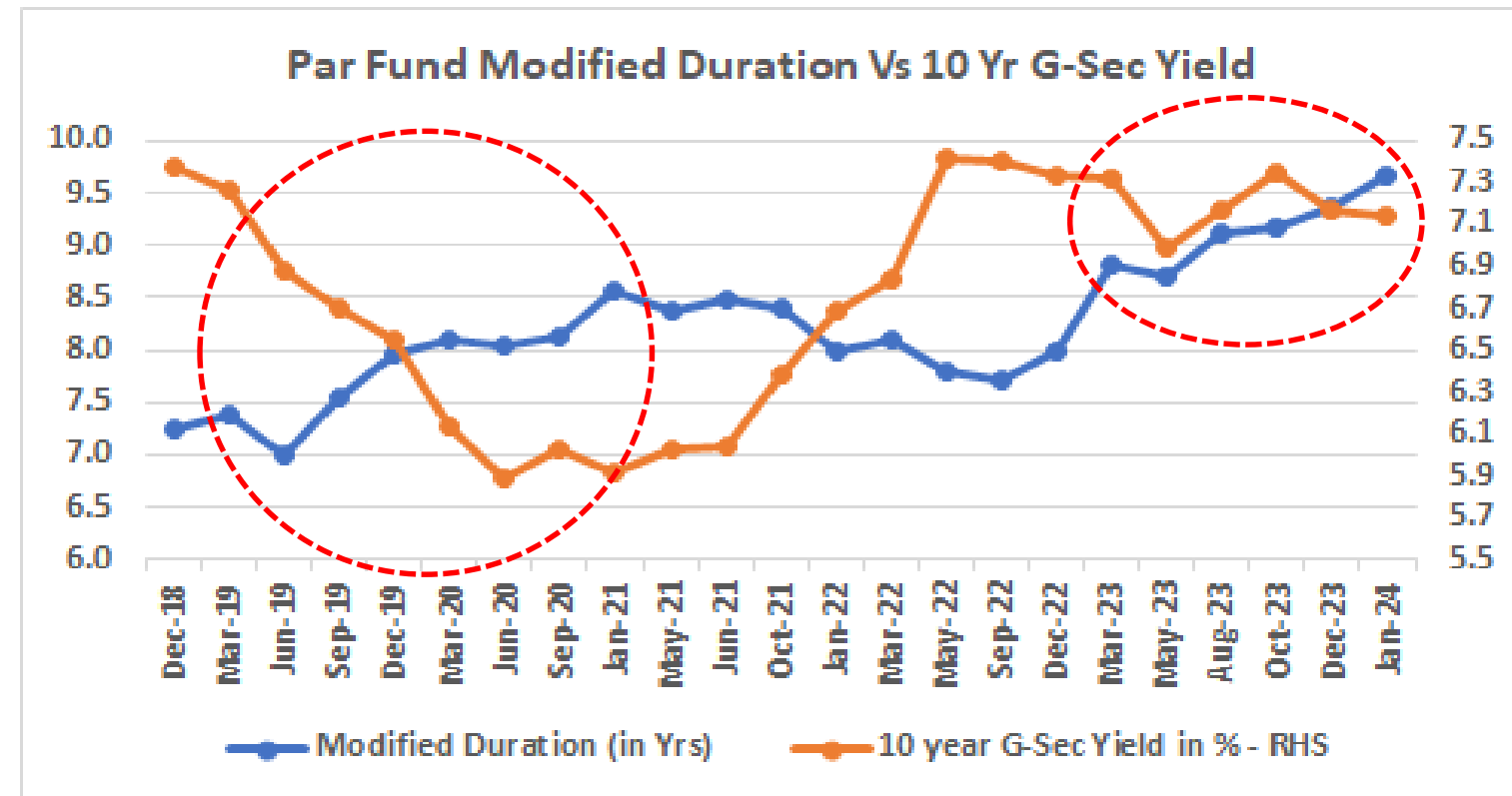
Yield of Par Fund has been consistent & attractive historically



- The yield of Par Fund has been consistent historically, and is now quite attractive.
- Across interest rate cycles, the yield of Par Fund has been maintained in-spite of fund inflows / outflows.
- With the market view that the interest rates seem to peak out, it is a good time for investors wanting to invest in Par fund to lock into relatively higher yields.

Timed interest rate cycle well; increased portfolio duration as yields softened

- % change in bond price = (Duration) * Change in interest rate (bond yield)
- For eg: If Modified Duration is 8 yrs , and if interest rate falls by 1%, then bond price will approx rise by 8%. Vice versa if interest rate rises.
- In a falling interest rate environment higher portfolio duration is preferred & vice-versa



- The fund has managed to time interest rate cycles well. In the past, portfolio duration was increased as bond yields / interest rates softened (during year 2019-20 & 2023-24).
 - Higher portfolio duration in a falling interest rate environment (in the past too) has benefited the portfolio returns.
- However, with bond yields hardening in 2022, the portfolio duration had been reduced to contain the interest rate risk.
- In the past year, duration has been increased reasonably on the back of our view that the rate hike cycle is over in India.

Superior credit quality; over 95% of bond portfolio in Sovereign & AAA rated bonds

Credit Rating Break-up Trend									
Credit Rating	Jan-22	May-22	Dec-22	Mar-23	May-23	Aug-23	Oct-23	Dec-23	Jan-24
Sovereign	70.3%	71.8%	70.6%	73.9%	74.4%	71.7%	72.3%	71.8%	74.5%
AAA	23.3%	23.7%	23.5%	21.4%	22.3%	26.0%	24.7%	23.0%	20.8%
AA	0.9%	0.4%	2.4%	2.0%	1.9%	1.1%	1.1%	1.7%	1.4%
A & below	0.3%	0.3%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.5%
Others (Treps, FD, Money Mkt)	5.3%	3.8%	3.0%	2.5%	1.1%	0.9%	1.8%	3.3%	2.8%
Total Bond Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sovereign & AAA	93.6%	95.5%	94.1%	95.3%	96.7%	97.7%	96.9%	94.8%	95.4%

- Par fund has historically maintained high credit quality. Data in the table shows that historically 90% (above) of the bond portfolio has been allocated to top-rated Sovereign and AAA segment.
- Allocation to A (and below) rated segment has been miniscule part of the bond portfolio historically. As of Jan 2024, only 0.5% of the bond portfolio is in A (& below) rated segment, and there is no allocation to default rating paper in the par fund portfolio.

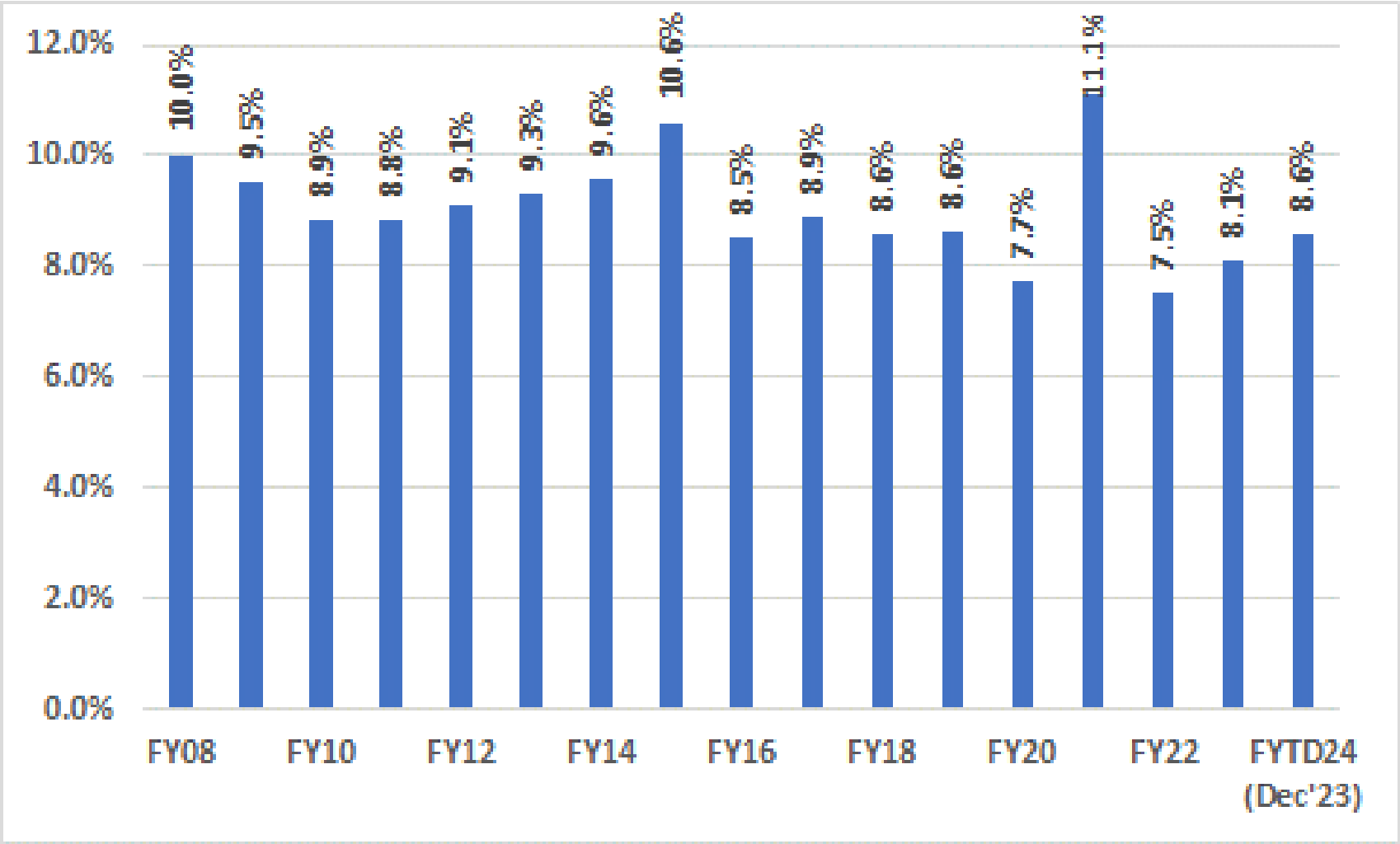
Asset Allocation Trend of Par fund Portfolio

Asset Allocation Trend												
Asset Class	Jan-22	Mar-22	May-22	Sep-22	Dec-22	Feb-23	Mar-23	May-23	Aug-23	Oct-23	Dec-23	Jan-24
Equity	18.6%	18.5%	17.3%	18.9%	18.7%	19.4%	21.8%	21.9%	23.4%	23.2%	23.5%	23.5%
Sovereign Debt	57.2%	58.0%	59.0%	56.1%	57.4%	58.6%	57.8%	58.1%	54.9%	55.5%	55.0%	57.0%
Corporate Bonds	19.9%	20.7%	20.5%	20.6%	21.3%	20.7%	18.5%	19.1%	21.0%	19.9%	19.0%	17.4%
Money Mkt, FD & Others	4.3%	2.8%	3.2%	4.4%	2.6%	1.3%	1.9%	0.9%	0.7%	1.3%	2.5%	2.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- Historically, around 50% (or more) of the portfolio has been allocated to sovereign debt (government bonds). Exposure has been maintained consistently .
- Historically, up to 25% of the portfolio has been allocated to corporate bonds (mostly higher rated AAA bonds). However, in the recent past, the allocation has been reduced as the spread over long-term government securities is less attractive.
- In 2023, equity exposure has been increased (18.7% in Dec'22 to 23.5% in Jan'24), this has benefited the portfolio with Indian equity markets performing well since last year.

Par fund has delivered healthy investment yield historically

Realised Investment Yield of Par Fund

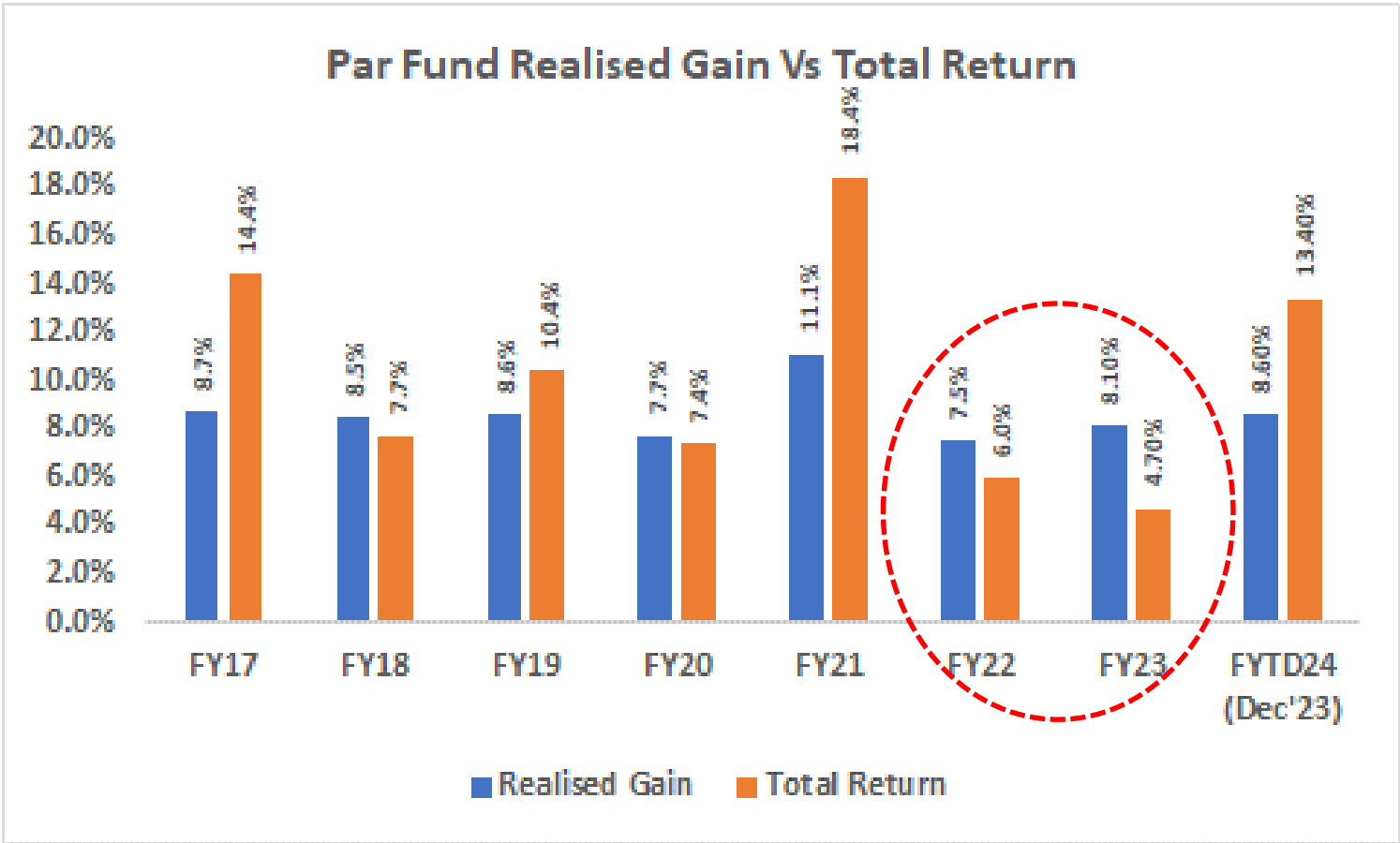


Disclaimer: Past performance is not indicative of future performance.

Bonus rates declared by the company are different from the investment yield shown above.

The displayed return is the realized investment yield of master par fund and doesn't include product level expenses/charges.

BALIC Par Fund investment returns have been healthy & stable



- Even though total return in Par fund has varied from Year to Year due to market conditions, our endeavor is to maintain stability in the realised gain, so that dividends to investors remain steady.
 - For example, in FY23, the total portfolio return of Par fund was 4.7% but the realised gain was higher at 8.1%.

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What is Bonus

- An additional benefit

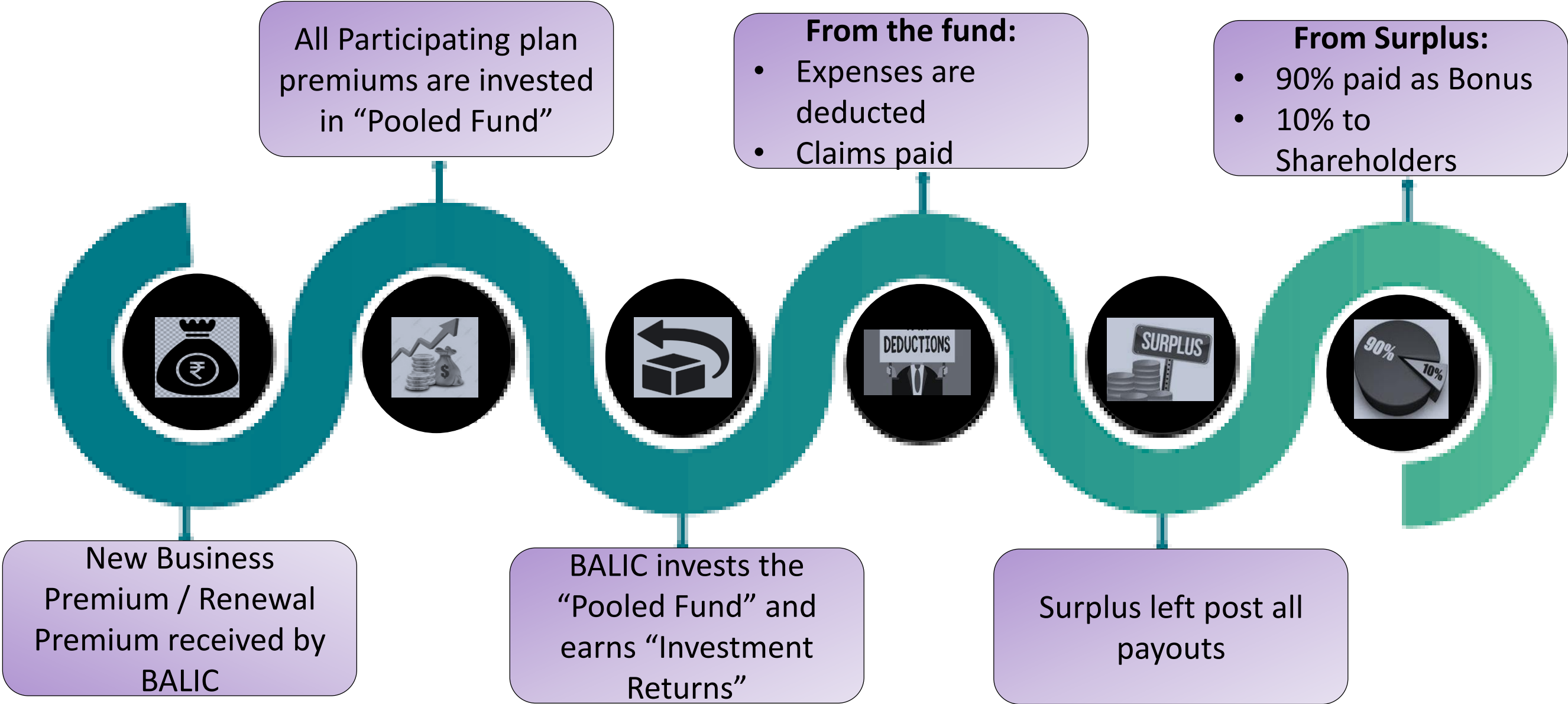
When is it Payable?

- When the actual experience is better than assumed

How much is Payable?

- 90% of Surplus declared is paid as Bonus

How it is calculated?



Thank You

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