

# FUNDAMENTAL

YOUR MONTHLY UPDATE ON MUTUAL FUNDS

APRIL 2010



## AWARDS FOR HSBC GROUP

► HSBC has been recognised as Global Bank of the year for the fourth year running in The Banker Awards 2005.

## AWARDS FOR HSBC INDIA

► Best Foreign Commercial Bank in India : *FinanceAsia* 2004 (fifth consecutive year) ► Safest Bank in India : Business Today KPMG Survey, 2004 (second consecutive year) ► Best Bank in India : Asset Triple A Country Award, 2003

HSBC 

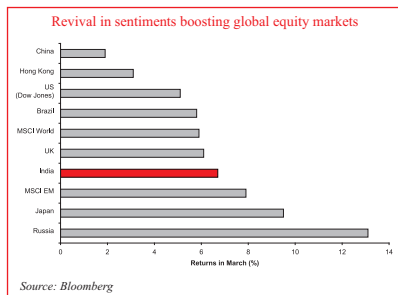
The world's local bank

**Market Update**

**Overview**

**Global equity markets – concerns over Greece’s financial crises ebbing**

Global equity markets continued to strengthen in March predominantly due to concerns ebbing over Greece’s financial crises and on encouraging data flows from developed nations. Investors sought risky assets during the month as the MSCI World Index and the MSCI Emerging Market Index in March ’10 strengthened by 5.9% and 7.9% respectively while US treasuries weakened. The Euro Zone and the IMF have pledged their financial support to Greece, as they are providing bilateral loans amounting to EUR 45B.



Economic data-flows especially from developed nations were encouraging and policy makers acknowledged the improvement in the overall economic conditions due to the various policy measures undertaken during the last 12-18 months.

- Emerging markets continued to receive significant portfolio flows during the month predominantly due to their growth outlook, high savings and low financial leverage.

**Indian equity markets – recipient of global portfolio flows**

Indian equity markets strengthened during the month largely on account of global investors shedding their risk aversion. The Sensex in March gained 6.7% while the mid and small cap indices strengthened by c5-6% during the month.

Foreign Institutional Investors (FIIs) in March were net buyers of Indian equities worth cUSD 4.1B and during the year (January till first week of April) they purchased equities worth cUSD 5.2B.

Domestic mutual funds however sold equities worth cINR 38B during the month and during the year they have been net sellers of Indian equities worth cINR 65B.

Economy	Month till date inflows (USD M)
India*	1,214
Indonesia	147
South Korea	3,592
Taiwan	2,507

Source: Bloomberg, Data as on 19 April 2010  
\* as on 16 April 2010

Commodities/ Major Groups	Month on month increase (%)	Year on year increase (%)
Tax All commodities	0.28	9.90
Primary Articles	(0.53)	14.10
Fuel, Power, Light & Lubricants	1.37	12.71
Manufactured Products	0.28	7.13

Source: Government of India

**Indian economy – policy tightening under way**

The month saw the RBI increase the reverse repo and the repo rate by 25 bps to 3.5% and 5.0% respectively. The economist community has stated that the intra policy rate hike has been predominantly undertaken to douse inflationary pressures. Inflation in March ’10 rose by 9.9% on a year on year basis as primary articles and the fuel index rose by c14% and c13% respectively. Manufactured product led inflation which had been relatively subdued during the last few months, rose by c7% in March.

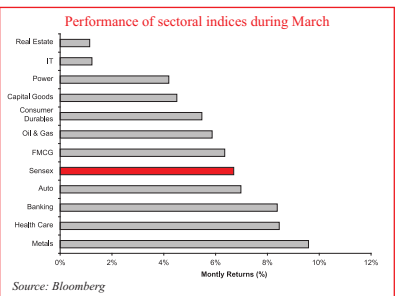
Despite easing food prices due to the arrival of rabi crop, the economist community expects inflation to stay at elevated levels due to the rise in manufactured product prices. Furthermore, expectations have built in of policy rates being increased by c125-200bps during the year.

**Indian equities – broad based recovery**

Indian equity markets strengthened in March ’10 predominantly due to:

- **Better than expected economic data-flows** emerging from developed nations as key nations like the UK emerged out of the recession and on the US economy registering an economic growth of 5.6% during Q4CY09.

- **Expectations of healthy corporate earnings growth** during the Q4FY10 mostly on account of a low base and on revival in commodity prices. Corporate profits on a sequential basis are expected to witness a growth of c10%.



**January – March ’10 period:** The analyst community expects corporate earnings (Sensex) to register a profit growth of c20-30% during the Q4FY10 mostly on account of a low base and on revival in commodity prices. Corporate profits on a sequential basis are expected to witness a growth of c10%.

Sectors across the board witnessed gains during the month (except the BSE PSU index). Factors which aided in sectoral performance during the month were:

- The BSE Metal index gained c9.6% during in March predominantly on account of gains in international commodity prices during the month.
- Banking stocks on an aggregate basis gained in March despite policy rates (reverse repo and repo rates) being hiked by 25 bps during the month.
- The BSE Auto index gained c7.0% in March as auto sales remained buoyant despite an increase in excise duty.
- The Oil & Gas index gained c6% during the month on account of an increase in domestic fuel prices (petrol and diesel) and on selective discoveries/increase in quantum of oil and gas finds.
- Telecom stocks on an average gained during the month as the Department of Telecommunications announced the proposed 3G and WiMax auctions details.
- The BSE IT index gained 1.2% during the month due to concerns over an appreciating INR (the INR appreciated by c2.6% against the USD in March) and on rising wage costs.

**Outlook:**

**Global economy: Diverging growth**

The global economy having emerged out of the recession has witnessed diverging growth patterns as:

Economy	GDP growth rate (%)			Inflation (%)		
	2009	2010	2011	2009	2010	2011
China	8.7	9.6	9.1	(0.7)	3.6	3.2
India	7.2	8.2	8.7	3.6	5.0	5.5
Developing Asia	5.2	7.5	7.3	1.5	4.0	3.9

Source: Asian Development Bank

- **Developing economies** have become the engine of global growth and policy makers have initiated a reversal in their accommodative policy stance due to rising inflation and on buoyancy in growth. The Asian Development Bank in-fact expects Asian nations to register economic growth of 7.5% in CY10 (as against 5.2% in CY09) while inflation is expected to surge from 1.5% to 4.0%.

- **Developed nations** despite registering economic growth in Q4CY09 continue to reel under rising unemployment levels and on high deficits. Unemployment levels within the US and the Euro Zone are close to 10% and have been cited as a major hindrance to economic growth as jobless claims continue to increase. The economic and fiscal stimuli provided by a host of developed economies have seen them witness a fiscal expansion of c6% of which c2% was provided during the crises.

Considering the diverging economic growth patterns, long term equity investors may consider investing into products which derive their value from gold prices. Gold apart from being considered as a safe haven asset during periods of economic uncertainty is perceived as a store of value especially in an inflationary environment.

**Indian equities: Playing to global flows**

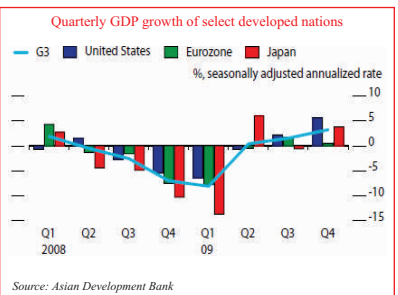
Indian equity markets after being volatile during the first two months of the year have witnessed a steady revival predominantly on account of global portfolio flows as investors shed their risk aversion.

Despite the Indian equity markets witnessing inflows of cUSD 5.76B during the year (January till date), equity markets from a valuation perspective are trading higher than their long term average and factors which may impact domestic equity markets in the near term are:

- **Quarterly corporate results:** The analyst community expects profit growth at two year highs given the low base during the January – March ’09, revival in commodity prices and on robust sales growth. Disappointments would impact market sentiments.
- **Global developments:** Overseas portfolio flows remain healthy and any global weakness may cause a flight towards safety, thereby leading to volatility.
- **Surge in inflation, aggressive policy tightening:** The economist community expects inflation to peak in Q2CY10 and policy rates are expected to be hiked by c2% during the next twelve months. Surge in inflation (predominantly led by overseas commodity price movements) and on aggressive monetary policy tightening may lead to interim volatility.

Considering that the Indian equity markets are trading higher than their long term average, long term equity investors may consider investing into:

- Funds constantly rebalancing their portfolio thereby striving to increase allocation to equities during favourable valuations while reducing exposures at relatively high valuations.
- Dynamically managed equity schemes which have been moving across market themes and sectors while varying their exposures to equities and cash.
- Equity funds adopting a value style of investing especially given the valuations at which the domestic markets are trading.



**Update on Debt Markets & Economy**

The month of March proved to be a critical inflexion point for domestic debt markets and the economy as a whole, with the RBI hiking the repo and reverse repo rate in an unscheduled move – marking its first concrete step towards the normalization of the interest rate environment, since the onset of global financial markets crisis in 2008.

With stronger-than-expected domestic economic recovery and concurrent intensifying inflationary pressures, a reversal in the interest rate cycle was widely expected and hence, bond markets remained largely unaffected by the move. Subsequently, the much-awaited announcement of the government borrowing calendar for 1HFY11 pegged the total gross borrowings during Apr-Sep '10 at INR 2.87 T - marginally lower than market expectations. This, along with likely traditional fiscal year-end portfolio considerations pushed the 10-year benchmark g-sec yield lower to levels of 7.85% (as on March 31st), from intra-month highs of 8%.

However in recent weeks, g-sec markets have retraced most gains, with yields have hardening significantly particularly over the medium-longer end of the curve, on persistent supply pressures (expected weekly issuances of g-secs to the tune of INR 120B/ week), concerns over the stubbornly high and widening inflation – accentuated by the sharp rise in global fuel/commodity prices and on prospects of higher policy rates over the near-medium term.

**Overview – G-sec yields ease in March '10 on lower-than-expected borrowings in 1HFY11, likely 'bottom fishing'**

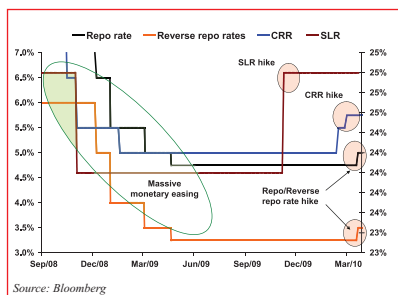
- After having sold-off sharply over the past 2 months, g-sec markets recovered marginally in March '10 supported by i) lower-than-expected borrowings in 1HFY 10, ii) upgrade in sovereign ratings outlook by S&P and iii) on likely value-buying, with yields having run-up substantially.

- However, these gains were not substantial, as concerns over impending large supplies continued to weigh on market sentiment. The longer end of the curve (10 – 15 year) fell by 1 - 12 bp, while the medium segment (5 – 7 year) saw yields easing by about 13 – 17 bp . The shorter end of the curve (3 M – 12 M) saw yields rising by c 15 bp, likely reflecting expectations of policy rate hikes and tighter liquidity conditions.

- In contrast, corporate bond markets rallied during the month as yields eased by about 7 to 50 bp across the curve, supported by robust demand in the backdrop of a general improvement in the credit environment.

**25 bp hike in repo/ reverse repo rate - move widely expected**

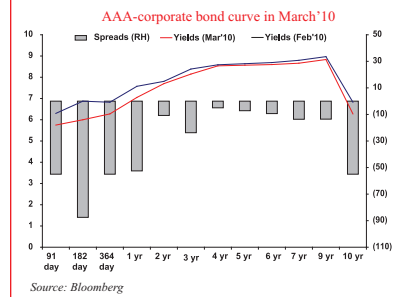
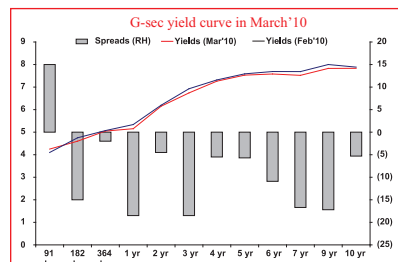
- After having set the stage for normalization of the monetary environment by moderating system liquidity (hike in cash reserve ratio) in the January policy review, the RBI moved swiftly to hike the repo and reverse repo rate by 25 bp during the month.



- Since the January policy review, the domestic recovery has deepened and broadened across sectors, even as global economic conditions have vastly improved. Increasing evidence of a self-sustainable recovery appears to have lent RBI higher confidence to gradually normalize the interest rate environment, without undermining the strong economic momentum.

- Moreover, the WPI-based inflation has widely exceeded the policy estimate of 8% for March '10. Although this increase has been primarily led by surging food prices, recent trends suggest a percolation of price pressures into other segments of the economy. The RBI likely seeks to avoid the prevailing supply-side constraints, low interest rates and a robust pick-up in demand from potentially stoking inflationary expectations, as manufacturers gradually seek to pass-on the impact of higher input prices and wage costs to consumers.

- The rate hike by the RBI in March '10 can be viewed in the context of the sharp uptrend in both growth and inflation and expectations of these trends to continue and possibly, even accentuate over the near-medium term.



**Government borrowing programme – Lower-than-expected borrowings in Apr-Sep '10 offer temporary respite to markets**

- The RBI announced the crucial borrowings calendar for the 1H-FY11 during the month - entailing gross issuances (g-secs) worth INR 2.87 T (63% of the total gross borrowings in the fiscal), lower than market expectations of c INR 3 T.

- Although lower-than-expectations, the borrowing calendar translates into weekly supply of securities worth approx. INR 120B on an average. Moreover, unlike last year, there seems little scope for any monetary support from the RBI to the borrowing programme, suggesting significantly higher supply pressure on markets in this fiscal, although the net quantum of borrowings is lower than in FY10.

- Moreover, with credit growth expected to gain momentum in the months ahead, banks appetite for investments into g-secs is likely to moderate. Further, most banks already maintain SLRs levels in excess of the mandated limit and with total issuance in the fiscal (INR 3.45 B) far higher than the expected incremental SLR demand, persistent supplies are likely to push g-sec yields higher in the coming months.

**Successive economic dataflows point towards a well-entrenched recovery, capacity constraints could likely stoke inflation**

- Economic dataflows have been uniformly positive - IIP (index of industrial production) which stood at 15% y-o-y for the month of February, reflecting continued momentum across sectors including rising consumer goods and capital goods production, pick-up in non-oil imports etc.

- Concomitantly, anecdotal evidence suggests that capacity utilization are at levels currently close to their 2007 peaks. With additional capacities to take considerable time to come on-stream, underlying inflationary pressures are likely to mount – particularly, given the robust demand environment. Hence, it is widely expected that the RBI will continue to moderate system liquidity and gradually normalize interest rates to preclude these supply-side price pressures from seeping into other segments of the economy.

- On a related note – the WPI-based inflation has remained steady at 9.9% in March '10 almost unchanged from previous month. This can be attributed to the decline in food prices which has been reflected in the deceleration in primary articles index – up 14.1% (y-o-y in March '10) as compared to 15.5% (y-o-y in Feb '10) as well as in the manufactured products index – up 7.1% (y-o-y in March '10) as compared to 7.4% (y-o-y in Feb '10), as these indices have a sizeable exposure to food items.

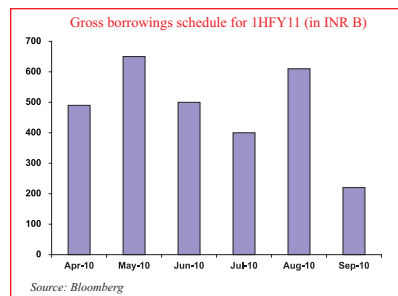
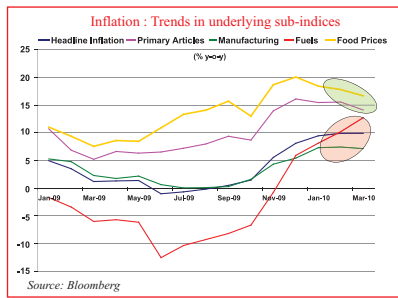
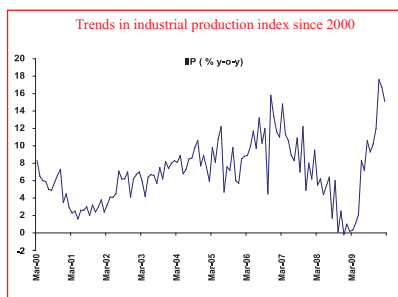
- Fuel prices have continued to increase as a result of the rise in prices of administered as well as non-administered fuel products. Notably, apart from the food price led decline in the manufactured products index, prices of most other items tracked including chemicals, textiles, machinery, and basic metals have risen by 1 – 11% on a y-o-y basis. Moreover, there have been sizable revisions to earlier inflation numbers – for instance – the headline inflation rate for Dec '09 and Jan '10 have been revised higher by 80 – 90 bps, suggesting that the WPI-inflation may have actually already risen above 10% in March '10.

**Outlook – Long yields likely to drift higher over the coming few months on persistent supply pressures, rising inflation, tighter liquidity conditions and the rising interest rate cycle. Shorter end of the curve seems better positioned to weather volatilities**

- Bond markets have rallied sharply in response to the lower-than-expected hike in the recent policy announcement. However, with policy rates set to increase and persistent supply pressures, yields are likely to firm up across the curve, although this could be more pronounced over the medium-longer end, with significant amount of fresh issuances in 1H FY11 to be concentrated in the 5 – 9 year segment. Hence, bond markets could be expected to remain weak, oscillating in response to successive auction announcements and subsequent auction results.

- The lower-than-expected borrowings announced for 1HFY11 has fuelled hopes of a possible pick-up in revenues [both tax and non tax (3G auctions flows, disinvestments)], translating into lower Government borrowings in the 2H. However, in case these expectations don't materialize, markets could continue to witness fresh supplies and the impact on secondary markets could be magnified in the traditionally busy credit season of Oct-Mar.

- Other key factors including the forecasts for the upcoming monsoon season, trends in global commodity prices – especially crude oil and monetary measures by other key central banks, are likely to be tracked closely for fresh cues on inflation and interest rates.



Source: Bloomberg

Source: Bloomberg

Source: Bloomberg

## Debt-oriented funds

**Liquid Funds: These products aim to provide easy liquidity, preservation of capital and reasonable income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money, government securities, etc.**

Fund	Inception Date	Fund Manager	AUM in INR M Mar 2010	NAV as of 31 Mar 2010		Annualised Returns %				Average Maturity (in Days)
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year	
Birla Sun Life Cash Plus - Retail - Growth	16-Jun-97	Prasad Dhonde, Sunaina Da Cunha	53,354	24.50	16.37	4.12	3.60	3.57	3.96	72.80
Birla Sun Life Savings Fund - Retail - Growth	26-Nov-01	Maneesh Dangi	211,510	17.11	11.25	4.46	4.19	4.18	4.57	174.72
DSP Blackrock Liquidity Fund - Growth	06-Mar-98	Dhawal Dalal	13,561	21.88	12.42	4.17	3.78	3.51	3.53	36.40
IDFC Cash Fund - Plan A - (Regular) - Growth	02-Jul-01	Anupam Joshi	16,741	16.42	10.02	3.95	3.67	3.65	3.99	73.21
HDFC Cash Management Fund - Savings Plan - Growth	18-Nov-99	Anil Bamboli	27,917	19.25	10.63	4.33	4.12	4.31	4.68	58.00
HDFC Liquid Fund - Growth	17-Oct-00	Shobhit Mehrotra	46,282	18.24	10.31	4.03	3.77	3.99	4.43	85.00
HSBC Cash Fund - Growth	04-Dec-02	Suyash Choudhary & Sanjay Shah	4,706	14.89	10.19	2.80	2.68	2.37	2.15	23.70
ICICI Prudential Flexible Income Plan Premium - Growth	27-Sep-02	Chaitanya Pande	312,968	171.27	105.46	4.94	4.74	4.72	5.08	281.80
ICICI Prudential Liquid Plan - Growth	24-Jun-98	Chaitanya Pande	106,626	222.64	118.84	3.61	3.28	3.28	3.76	71.11
Kotak Liquid - Growth	05-Oct-00	Deepak Agarwal & Abhishek Bisen	1,560	17.85	10.02	3.58	3.45	3.44	3.85	58.24
Reliance Liquid Fund - Treasury Plan - Growth	23-Mar-98	Prashant Pimple	20,292	22.08	15.24	4.08	3.84	4.05	4.52	54.60
Templeton India Treasury Management Account - Growth	29-Apr-98	Sachin Padwal-Desai & Pallab Roy	13,326	2,267.09	1,244.90	3.65	3.47	3.58	4.12	21.84

**Gilt Funds - Short Term: These funds invest exclusively in government securities. The short term plans invest in short term govt securities with average maturities of about two years or less.**

Fund	Inception Date	Fund Manager	AUM in INR M Mar 10	NAV as of 31 Mar 2010		Annualised Returns %				Average Maturity (in Months)	% of Cash in the portfolio
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year		
Birla Sun Life Gilt Plus - Liquid Plan - Growth	12-Oct-99	Maneesh Dangi & Shaktie Prakash	95	20.89	10.18	5.32	3.78	3.34	3.42	1.56	35.66
Kotak Gilt - Savings - Growth	29-Dec-98	Deepak Agarwal & Abhishek Bisen	764	21.36	10.48	8.78	6.76	4.64	3.90	24.24	2.59
ICICI Prudential Gilt - Treasury - Growth	19-Aug-99	Kuldeepsinh Jagtap	2,661	24.37	11.77	5.55	5.18	5.39	5.37	19.20	8.48
Templeton India G-Sec Fund - Treasury Plan - Growth	11-Feb-02	Sachin Padwal - Desai & Vivek Ahuja	2,795	16.34	10.33	2.54	3.21	3.30	2.87	1.44	34.29

**Bond Funds - Short Term: These funds typically invest into short term debt instruments and aim to provide returns higher than Liquid Funds.**

Fund	Inception Date	Fund Manager	AUM in INR M Mar 10	NAV as of 31 Mar 2010		Annualised Returns %				Average Maturity (in Months)	Asset Allocation	
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year		Cash %	Gilts %
DSP BlackRock Short Term Fund - Growth	30-Aug-02	Dhawal Dalal	7,479	15.76	10.83	5.18	4.95	5.08	4.18	6.24	5.83	-
IDFC Super Saver Income Fund - STPA (Regular) - Growth	14-Dec-00	Anupam Joshi	6,432	19.21	10.07	7.41	4.12	4.96	5.81	17.52	1.17	-
HSBC Income Fund - Short Term Plan - Growth	10-Dec-02	Suyash Choudhary & Sanjay Shah	1,653	15.63	10.90	3.49	3.22	3.44	5.08	6.08	6.14	-
ICICI Prudential Short Term Plan - Growth	25-Oct-01	Manish Banthia	21,998	19.07	11.73	9.81	5.28	5.74	6.58	14.88	1.87	-
Templeton India Short Term Income Plan - Growth	31-Jan-02	Vivek Ahuja & Sachin Padwal-Desai	54,425	1,848.93	1,117.19	11.50	7.32	8.35	10.85	12.36	5.14	-

**Floating Rate Funds: These schemes invest predominantly into floating rate government and corporate securities**

Fund	Inception Date	Fund Manager	AUM in INR M Mar 10	NAV as of 31 Mar 2010		Annualised Returns %				Average Maturity (in Months)	% of Cash in the portfolio
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year		
HSBC Floating Rate Fund - Long Term Plan - Growth	16-Nov-04	Suyash Choudhary & Sanjay Shah	5,975	14.19	10.01	3.86	3.83	3.86	4.51	4.47	1.38
HSBC Floating Rate Fund - Short Term Plan - Growth	16-Nov-04	Suyash Choudhary & Sanjay Shah	722	13.67	10.00	2.70	2.50	2.37	2.23	0.16	100.00
ICICI Prudential Floating Rate Plan - Option B - Growth	28-Mar-03	Chaitanya Pande	42,109	152.95	101.06	4.23	3.69	3.59	4.00	8.50	0.27
Templeton Floating Rate Income Fund - LTP - Growth	11-Feb-02	Sachin Padwal-Desai & Pallab Roy	20,270	16.85	10.72	4.97	4.77	4.72	5.76	6.00	4.48
Templeton Floating Rate Income Fund - STP - Growth	11-Feb-02	Sachin Padwal-Desai & Pallab Roy	4,226	16.65	10.06	3.95	3.71	3.58	4.27	1.32	1.07

**Gilt Funds - Long Term: These funds invest exclusively in government securities. The long term plans aim to enhance returns by investing in longer maturity instruments. The portfolio has generally no restriction on the maturity of the security.**

Fund	Inception Date	Fund Manager	AUM in INR M Mar 10	NAV as of 31 Mar 2010		Annualised Returns %				Average Maturity (in Years)	% of Cash in the portfolio	
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year			2 Years (CAGR)
Birla Sun Life Gilt Plus - Regular Plan - Growth	12-Oct-99	Maneesh Dangi & Shaktie Prakash	1,064	30.67	11.78	3.09	0.71	2.27	2.65	8.63	0.50	1.82
HSBC Gilt Fund - Growth	10-Dec-02	Suyash Choudhary & Sanjay Shah	4	11.59	10.22	2.36	3.80	6.66	7.55	-0.34	0.01	100.00
Kotak Gilt - Investment - Regular - Growth	29-Dec-98	Deepak Agarwal & Abhishek Bisen	518	31.10	12.85	9.20	4.22	6.50	7.83	10.69	3.95	1.29
ICICI Prudential Gilt - Investment - Growth	19-Aug-99	Kuldeepsinh Jagtap	3,341	31.39	12.30	4.43	0.51	0.85	4.87	13.71	1.18	-0.07
Templeton India G-Sec Fund - Composite Plan - Growth	21-Jun-99	Sachin Padwal - Desai & Vivek Ahuja	1,171	32.64	10.37	5.57	0.69	2.69	0.72	10.96	0.03	48.86

Mutual Funds are subject to market risks. Please read the Scheme Information Document carefully before investing.

## Debt-oriented funds

**Bond Funds - Long Term:** These schemes aim to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, government securities and money market instruments.

Fund	Inception Date	Fund Manager	AUM in INRM Mar 10	NAV as of 31 Mar 2010		Annualised Returns %					Average Maturity (in Years)	Asset Allocation	
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year	2 Years (CAGR)		Cash%	Govts%
Birla Sun Life Income Plus - Growth	23-Oct-95	Maneesh Dangi	7,884	41.94	11.24	6.37	2.37	3.73	5.87	9.97	1.22	3.56	0.96
HDFC Income Fund - Growth	11-Sep-00	Shobhit Mehrotra	5,684	21.46	10.83	15.20	3.99	5.30	6.93	8.97	7.21	9.73	33.44
HSBC Income Fund - Investment Plan - Growth	10-Dec-02	Suyash Choudhary & Sanjay Shah	327	15.94	11.17	5.00	4.03	5.40	7.37	8.20	0.73	38.71	19.22
ICICI Prudential Income Plan - Growth	09-Jul-98	Kuldeepsinh Jagtap	9,275	29.79	11.40	0.95	-1.18	1.99	7.38	12.36	1.93	2.04	0.54
IDFC Super Saver Income Fund - Investment Plan - Plan A - (Regular) - Growth	14-Jul-00	Arjun Parthasarthy	1,467	22.12	10.53	7.09	1.43	2.21	4.67	8.67	4.31	1.65	17.95
Kotak Bond Regular - Growth	25-Nov-06	Deepak Agarwal & Abhishek Bisen	1,814	26.22	10.43	9.57	3.93	5.90	6.70	10.47	2.40	-0.07	37.08
Reliance Regular Savings Fund - Debt - Retail - Growth	08-Jun-05	Arpit Malaviya	22,657	12.64	12.11	10.12	6.58	7.75	9.49	6.86	1.15	6.76	-
Templeton India Income Builder Account - Plan A - Growth	23-Jun-97	Sachin Padwal-Desai & Vivek Ahuja	721	30.57	10.83	12.54	6.54	6.85	6.65	7.11	2.01	8.54	-
Templeton India Income Fund - Growth	05-Mar-97	Sachin Padwal-Desai & Vivek Ahuja	4,065	32.00	10.56	9.08	4.73	5.73	5.55	7.03	0.94	26.42	0.00
Templeton India Income Opportunities Fund - Growth	21-Dec-09	Sachin Padwal-Desai & Vivek Ahuja	17,200	10.32	10.32	15.05	10.75	N.A	N.A	N.A	1.53	4.83	-

**Dynamic Plans:** These schemes actively managed portfolio of debt and money market securities.

Fund	Inception Date	Fund Manager	AUM in INRM Mar 10	NAV as of 31 Mar 2010		Annualised Returns %					Average Maturity (in Years)	Asset Allocation	
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year	2 Years (CAGR)		Cash%	Govts%
IDFC Dynamic Bond Fund - Plan A - (Regular) - Growth	25-Jun-02	Arjun Parthasarthy	1,613	18.05	11.60	2.30	-0.13	0.33	3.40	9.36	0.53	2.25	-

**Monthly Income Plans:** These funds are primarily debt products, where a small portion of the portfolio is allocated to equities. While the fixed income part of the portfolio provides stability and generates income, the equity portion aims to provide growth. While most products in this category aim at a 85:15 allocation to debt and equity, various product mixes have now come into the market which have upto 20% to 25% allocation to equities

Fund	Inception Date	Fund Manager	Max. potential equity exposure%	AUM in INRM Mar 2010	NAV as of 31 Mar 2010		Annualised Returns %					Avg. Maturity of debt Portfolio (Yrs)	Asset Allocation	
					Growth	Dividend	1 Month	3 Months	6 Months	1 Year	2 Years (CAGR)		Cash%	Equity%
Birla Sun Life MIP II - Savings 5 Plan	01-May-04	Satyabrata Mohanty, Nishit Dholakia	5	17,731	16.52	11.29	0.71	1.08	2.58	11.54	12.17	0.88	16.74	4.16
Birla Sun Life MIP II - Wealth 25 Plan	01-May-04	Satyabrata Mohanty, Nishit Dholakia	25	2,554	16.86	11.40	2.06	1.02	4.17	24.25	9.87	1.16	5.98	23.74
Birla Sun Life MIP	20-Nov-00	Satyabrata Mohanty, Nishit Dholakia	15	2,535	24.87	11.31	1.64	1.24	4.06	15.76	9.16	1.71	1.53	13.74
FT India Monthly Income Plan - Growth	28-Sep-00	Anand Radhakrishnan, Vivek Ahuja & Pallab Roy	20	4,406	26.66	11.50	1.80	1.78	3.84	19.70	7.87	1.28	14.48	14.86
HDFC Monthly Income Plan - LTP	26-Dec-03	Prashant Jain (Equity) & Shobhit Mehrotra (Debt)	25	50,890	21.10	12.64	2.02	1.73	5.33	31.83	14.35	2.09	-1.30	23.09
HDFC Monthly Income Plan - STP	26-Dec-03	Vinay R. Kulkarni (Equity) & Shobhit Mehrotra (Debt)	15	5,870	16.28	11.26	1.49	1.76	4.61	18.86	9.67	1.67	3.18	11.76
HSBC MIP - Regular - Growth	24-Feb-04	Jitendra Sriram (Equity) & Suyash Choudhary & Sanjay Shah (Debt)	15	2,193	16.34	11.48	1.31	0.71	3.23	15.23	8.85	1.26	20.58	12.63
HSBC MIP - Savings - Growth	24-Feb-04	Jitendra Sriram (Equity) & Suyash Choudhary & Sanjay Shah (Debt)	25	3,583	18.40	12.09	1.86	0.99	4.54	22.38	10.46	1.26	18.36	20.56
ICICI Prudential MIP Plan - Cumulative	10-Nov-00	Prashant Kothari (Equity) & Chaitanya Pande (Debt)	15	5,647	24.15	11.47	1.59	1.36	2.71	17.09	8.63	1.24	-1.01	14.89
Reliance Monthly Income Plan - Growth	13-Jan-04	Amit Tripathi, Ashwani Kumar	20	39,439	20.20	11.05	1.79	1.15	5.95	26.15	19.60	1.24	6.04	17.61

## Equity-oriented funds

**Balanced Funds:** These schemes predominantly invest between 51 to 70 percent of their portfolio in to equity and the rest is in debt, in line with the proportion indicated in their offer documents.

Fund	Inception Date	Fund Manager	AUM in INRM Mar 10	NAV as of 31 Mar 2010		Absolute Returns %					Asset Allocation			Avg. Maturity of the debt Portfolio (Yrs)
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year	2 Year (CAGR)	Equity %	Top 3 Equity Holdings	Top 3 Sectors	
FT India Balanced Fund - Growth	10-Dec-99	Anand Radhakrishnan Sachin Padwal-Desai & Vivek Ahuja	2,981	45.26	22.49	4.22	3.09	5.66	55.20	9.26	70.49	Infosys, Kotak Mahindra Bank, HDFC Bank	Banks, Software, Consumer Non Durables	2.42
HDFC Prudence Fund - Growth	01-Feb-94	Prashant Jain	37,105	182.05	27.96	4.81	4.47	12.95	99.02	19.32	74.54	ICICI Bank, Bank of Baroda, SBI	Banks, Consumer Non durables, Pharmaceuticals	6.68
ICICI Prudential Balanced Fund - Growth	03-Nov-99	Munzal Shah & Kuldeepsinh Jagtap	2,620	41.45	15.32	5.20	3.50	8.82	57.13	5.43	69.79	Reliance Ind, ICICI bank, Infosys	Banks, Software, Auto	0.70

**Index Funds:** These funds replicate the portfolio of a particular index such as the BSE Sensex, S&P CNX 50 index (Nifty), etc

Fund	Inception Date	Fund Manager	AUM in INRM Mar 10	NAV as of 31 Mar 2010		Absolute Returns %					Expense Ratio
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year	2 Year (CAGR)	
Franklin India Index Fund - BSE Sensex Plan - Growth	27-Aug-01	Sukumar Rajah & Anil Prabhudas	646	49.12	49.12	6.60	0.15	1.93	79.28	5.90	1.00
Franklin India Index Fund - NSE Nifty Plan - Growth	04-Aug-00	Sukumar Rajah & Anil Prabhudas	1,296	41.14	41.14	6.52	0.70	2.80	72.98	4.93	1.00
HDFC Index Fund - Nifty Plan	17-Jul-02	Vinay Kulkarni	445	45.70	45.70	6.42	0.46	2.44	67.78	3.80	1.50
HDFC Index Fund - Sensex Plan	17-Jul-02	Vinay Kulkarni	563	145.65	145.65	6.34	-0.14	1.61	76.16	3.36	1.50
ICICI Prudential Index Fund - Nifty Plan - Growth	26-Feb-02	Yogesh Bhatt	966	48.30	48.30	6.50	0.65	2.74	72.73	6.15	1.50

Mutual Funds are subject to market risks. Please read the Scheme Information Document carefully before investing.



## Equity-oriented funds

Diversified Equity Funds: These schemes aim to provide capital appreciation over the medium to long-term, by investing into diversified equity instruments.													
Fund	Inception Date	Fund Manager	AUM in INRM Mar 10	NAV as of 31 Mar 2010		Absolute Returns %					Asset Allocation		
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year	2 Year (CAGR)	Cash/Debt %	Top 3 Equity Holdings	Top 3 Sectors
AIG India Equity Fund - Growth^^	29-Jun-07	Huzaifa Husain	3,618	12.05	12.05	6.85	4.21	10.76	100.93	10.54	7.26	Hero Honda, Jindal Steel & Power, Shree Cement	Auto, Industrial Capital Goods, Software
Birla Sun Life Dividend Yield Plus - Growth	10-Feb-03	Ankit Sancheti	3,505	72.87	13.68	6.09	5.08	12.61	103.09	25.44	6.72	Wyeth, Glaxosmithkline Consumer Health, South Indian Bank	Banks, Consumer Non Durables, Pharmaceuticals
Birla Sun Life Equity Fund - Growth	17-Aug-98	Mahesh Patil	11,766	252.91	71.12	6.65	0.33	9.04	102.09	8.81	6.65	ICICI bank, Infosys, Thermax	Banks, Power, Software
Birla Sun Life Freedom Fund - Growth	12-Oct-99	Maneesh Dangi & Vineet Maloo	1,622	32.63	18.07	3.29	-0.58	-0.70	22.16	3.66	29.54	Reliance Ind, Infosys, L&T	Petroleum Products, Banks, Software
Birla Sun Life Midcap Fund - Plan A - Growth	22-Oct-02	Sanjay Chawla	15,646	106.58	13.45	8.19	1.66	14.17	146.31	15.62	5.61	Sintex Industries, Patni Computers, Voltas	Power, Ferrous Metals, Banks
Canara Robeco F.O.R.C.E Fund - Retail - Growth	14-Sep-09	Anand Shah	1,945	11.52	11.52	10.34	7.66	12.61	-	-	5.26	HDFC Bank, Sun TV Network, Zee News	Banks, Media & Entertainment, Retailing
DSP Blackrock Opportunities Fund - Growth	11-Mar-00	Anup Maheshwari	8,796	76.14	26.55	6.20	1.20	7.04	88.00	9.60	0.83	Reliance Ind, Zee News, Karur Vysya Bank	Banks, Pharmaceuticals, Software
DSP Blackrock Small and Midcap Fund - Growth	14-Nov-06	Anup Maheshwari & Apurva Shah	7,740	15.33	14.06	6.32	3.97	17.98	139.99	18.21	4.35	Cadila Healthcare, Bayer Cropsience, PTC India	Consumer Non Durables, Pharmaceuticals, Power
DSP Blackrock Top 100 Equity Fund - Growth	11-Mar-03	Apoorva Shah	26,802	91.53	20.57	5.67	0.44	5.55	75.60	13.64	2.84	Reliance Ind, L&T, TCS	Banks, Industrial Capital Goods, Petroleum Products
Fidelity Equity Fund - Growth*	18-May-05	Sandeep Kothari & Subramaniam Balakrishnan	28,135	30.85	19.52	6.51	3.15	9.92	89.48	12.99	1.56	Reliance Ind, Infosys, HDFC Bank	Banks, Software, Finance
Fidelity India Special Situations Fund - Growth*	25-May-06	Rajesh Singh	10,573	16.67	15.12	6.69	3.37	10.26	111.90	11.68	2.97	Reliance Ind, NSE, HDFC Bank	Banks, Software, Finance
Fidelity India Value Fund - Growth	16-Nov-09	Subramanian Radhakrishnan & Nitin Baja	1,917	10.35	10.35	7.21	-	-	-	-	10.15	Reliance Ind, HDFC Bank, TCS	Banks, Software, Petroleum Products
Franklin India Bluechip Fund - Growth	01-Dec-93	Anand Radhakrishnan	29,404	194.30	38.89	6.35	4.64	11.77	90.74	14.88	7.14	Infosys, HDFC Bank, Reliance Ind	Banks, Software, Industrial Capital Goods
Franklin India Flexi Cap Fund - Growth	02-Mar-05	K.N. Sivasubramanian & Sukumar Rajah	22,606	29.35	14.86	7.57	2.43	10.50	99.39	13.94	3.08	Bharti Airtel, ICICI Bank, Sterlite Ind	Banks, Telecom Services, Finance
Franklin India High Growth Companies Fund - Growth	26-Jul-07	K.N. Sivasubramanian & Anand Radhakrishnan	10,969	12.23	12.23	8.61	3.37	14.36	116.32	11.47	6.17	Bharti Airtel, ICICI Bank, Sterlite Ind	Banks, Finance, Telecom Services
Franklin India Prima Fund - Growth	01-Dec-93	K.N. Sivasubramanian & R Jankiraman	9,492	256.45	47.84	9.53	4.03	17.10	131.98	11.17	3.83	Torrent Pharma, Jagran Prakashan, Bharti Airtel	Industrial Capital Goods, Media & Entertainment, Industrial Products
HDFC Capital Builder Fund - Growth	01-Feb-94	Chirag Setalvad	6,170	97.21	23.55	7.57	4.84	13.10	108.59	13.08	2.84	TCS, IPCA, Reliance Industries	Pharmaceuticals, Banks, Software
HDFC Equity Fund - Growth	01-Jan-95	Prashant Jain	58,620	236.27	43.42	5.77	2.28	11.54	117.06	19.32	2.03	SBI, ICICI Bank, ONGC	Banks, Consumer Non Durables, Pharmaceuticals
HDFC Premier MultiCap Fund - Growth Software	06-Apr-05	Vinay Kulkarni	4,913	25.83	14.65	6.17	3.32	11.07	115.28	14.11	0.67	ICICI bank, Infosys, Emami	Banks, Media & Entertainment
HDFC Top 200 Fund - Growth	11-Oct-96	Prashant Jain	68,588	183.72	43.43	5.83	1.81	6.96	98.51	18.13	4.15	ICICI Bank, SBI, Infosys	Banks, Consumer Non Durables, Pharmaceuticals
HSBC Progressive Themes Fund - Growth	23-Feb-06	Jitendra Sriram & Nilang Mehta	3,913	12.97	11.03	5.00	-1.31	0.42	55.85	-5.55	8.25	ICICI Bank, L&T, BHEL	Banks, Industrial Capital Goods, Petroleum products
HSBC Dynamic Fund - Growth	24-Sep-07	Jitendra Sriram (Equity) Suyash Choudhary (Fixed Income)	2,387	9.59	9.59	5.40	-0.28	4.32	51.97	-0.40	10.95	HDFC Bank, Reliance Ind, L&T	Banks, Software, Pharmaceuticals
HSBC Equity Fund - Growth	10-Dec-02	Jitendra Sriram	13,828	95.33	27.27	6.01	0.71	3.46	58.42	3.85	4.81	Infosys, Reliance Ind, HDFC Bank	Banks, Software, Consumer Non Durables
HSBC India Opportunities Fund - Growth	24-Feb-04	Jitendra Sriram & Dhimant Shah	2,838	31.96	15.93	5.48	-0.90	3.31	62.24	1.42	9.74	HDFC bank, Infosys, Reliance Ind	Banks, Software, Pharmaceuticals
HSBC Midcap Equity Fund - Growth	19-May-05	Jitendra Sriram & Dhimant Mehta	1,772	21.84	13.40	5.88	0.45	12.81	116.01	2.86	8.28	Bombay Dyeing, Vardhaman Textiles, Bilcare	Banks, Pharmaceuticals, Consumer Non Durables
ICICI Prudential Discovery Fund - Growth	16-Aug-04	Sankaran Naren & Rajat Chandak	8,758	43.13	19.65	6.05	6.89	16.69	159.35	27.97	9.31	Bharti Airtel, ONGC, Cadila Healthcare	Banks, Pharmaceuticals, Oil
ICICI Prudential Dynamic Plan - Growth	31-Oct-02	Sankaran Naren & Rajat Chandak	20,327	95.27	17.96	5.50	3.51	13.64	92.24	14.79	22.88	Reliance Ind, Infosys, Bharti Airtel	Software, Pharmaceuticals, Banks
ICICI Prudential Growth Plan - Growth	09-Jul-98	Sankaran Naren & Rajat Chandak	3,846	125.02	18.89	6.89	1.63	7.41	71.40	10.03	9.60	Reliance Ind, ICICI Bank, Infosys	Banks, Petroleum Products, Software
ICICI Prudential Target Returns Fund - Retail -	28-May-09	Sanjay Parekh & Rajat Chandak	4,398	12.72	12.72	6.62	2.09	7.34	-	-	8.66	Reliance Ind, Infosys, ICICI Bank	Banks, Software, Finance
IDFC Premier Equity Fund - Plan A - Growth	28-Sep-05	Kenneth Andrade	13,940	27.50	22.29	5.18	4.40	15.38	113.57	17.11	6.11	Shriram Transport, Asian Paints, Coromandel International	Consumer NonDurables, Transportation, Finance
JPMorgan India Equity Fund - Growth	15-Jun-07	Harshad Patwardhan & Amit Gadgil	5,782	11.81	10.97	7.04	3.31	7.31	83.19	4.03	1.61	Infosys, Reliance Ind, HDFC Bank	Financials, Industrials/Infra, Technology
Reliance Equity Opportunities Fund - Growth	31-Mar-05	Sailesh Raj Bhan & Sunil Singhanian	20,208	31.09	21.96	9.60	5.62	19.76	129.84	19.20	2.21	Divi's labs, Aventis Pharma, Trent Ltd.	Pharmaceuticals, Software, Retailing
Reliance Vision Fund - Growth	08-Oct-95	Ashwani Kumar	36,930	252.08	41.12	5.23	0.07	6.03	88.44	10.56	5.02	SBI, Reliance Ind, Divi's Labs	Pharmaceuticals, Banks, Software
Reliance Regular Savings Fund - Equity - Growth	09-Jun-05	Omprakash Kuckian	25,007	28.62	22.31	5.78	3.00	11.48	112.90	14.33	9.35	Reliance Ind, SBI, ONGC	Banks, Software, Pharmaceuticals
Sundaram BNP Paribas Select Midcap - Growth	30-Jul-02	Satish Ramanathan	20,240	134.31	16.78	4.10	-0.51	10.36	139.49	15.41	5.80	Aurobindo Pharma, IPCA Labs, Indraprastha Gas	Consumer Goods, Financial Services, Pharmaceuticals
Tata Dividend Yield Fund - Growth	28-Sep-04	M Venugopal	1,381	28.57	20.34	6.36	7.34	16.32	103.82	15.10	0.24	Crisil, Hero Honda, HUL	Consumer Non Durables, Software, Auto
Templeton India Growth Fund - Growth	10-Sep-96	Dr. J. Mark Mobius	5,488	114.17	53.71	8.89	6.73	15.83	110.71	17.12	9.82	Tata Chemicals, Tata Investment Corp, Usha Martin	Banks, Ferrous Metals, Fertilisers
UTI Opportunities Fund - Growth	20-Jul-05	Harsha Upadhyaya	13,699	23.89	12.76	4.78	-0.75	4.83	86.79	16.23	3.81	Hindalco, SBI, ICICI Bank	Financial Services, Energy, Consumer Goods

Mutual Funds are subject to market risks. Please read the Scheme Information Document carefully before investing.

## Equity-oriented funds

Close ended equity Funds - These are close-ended diversified equity funds.													
Fund	Inception Date	Fund Manager	AUM in INRM Mar 10	NAV as of 31 Mar 2010		Absolute Returns %						Asset Allocation	
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year	2 Year (CAGR)	Cash / Debt %	Top 3 Equity Holdings	Top 3 Sectors
Franklin India Smaller Companies Fund - Growth	16-Jan-06	K.N. Sivasubramanian	6,367	13.27	12.28	8.94	3.63	16.02	130.49	10.28	3.44	Adhunik Metals, Pidilite, Jagran Prakashan	Industrial Capital Goods, Banks, Media & Entertainment
HSBC Small Cap Fund - Growth	03-Mar-08	Dhimant Shah	609	10.83	10.83	5.83	2.65	15.59	123.83	3.39	0.65	Hitachi, Kale Consultants, Amara Raja Batteries	Industrial Capital Goods, Software, Consumer Non Durables
HSBC Unique Opportunities Fund - Growth	02-Feb-07	Jitendra Sriram & Dhimant Shah	2,150	10.20	10.20	5.63	0.65	7.33	79.92	-2.69	2.42	Lupin, Reliance Ind, ICICI Bank	Industrial Capital Goods, Pharmaceuticals, Cement

Theme/Sector/International Funds : These are equity funds with objective of investing in stocks in any particular sector/ sectors influenced by a specific theme													
Fund	Inception Date	Fund Manager	AUM in INRM Mar 10	NAV as of 31 Mar 2010		Absolute Returns %						Asset Allocation	
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year	2 Year (CAGR)	Cash / Debt %	Top 3 Holdings	Top 3 Sectors
AIG World Gold Fund - Growth^^	06-Jun-08	Ruchir Parekh	2,027	11.07	11.07	-0.42	-6.07	-0.91	21.51	N.A	6.24	NA	NA
DSP Blackrock Natural Resources and New Energy Fund - Growth	25-Apr-08	Anup Maheshwari & Aditya Merchant	1,995	12.86	12.86	4.74	-0.91	7.05	82.49	N.A	-0.08	Castrol India, Reliance Ind, OIL	Petroleum products, Oil, Fertilisers
DSP Blackrock World Gold Fund - Growth	23-Aug-07	Vinit Sambre	13,029	12.31	12.31	1.73	-6.08	-2.29	15.03	-0.14	0.52	NA	NA
DSP Blackrock India T.I.G.E.R. Fund - Growth	20-May-04	Anup Maheshwari	33,060	18.38	18.38	6.42	2.23	5.43	79.04	4.46	3.36	Reliance Ind, BHEL, Bharat Electronics	Banks, Power, Industrial Capital Goods
DSP Blackrock World Energy Fund - Growth	14-Aug-09	Vinit Sambre	3,559	10.03	10.03	2.26	-6.26	N.A	N.A	N.A	1.00	NA	NA
Fidelity International Opportunities Fund*	30-Apr-07	Rajesh Singh & Leng Ng	6,412	12.02	12.02	5.85	1.57	9.02	90.76	9.91	2.84	NSE, Reliance Ind, ICICI Bank	Banks, Finance, Software
Fidelity Global Real Assets Fund - Growth	29-Jan-09	Subramanian Radhakrishnan	749	10.87	10.87	5.56	N.A	N.A	N.A	N.A	-0.47	Royal Dutch Shell, Kloeckner & Co, China Overseas Land & Inv Ltd	Industrials, Energy, Materials
HSBC Emerging Markets Fund - Growth	25-Feb-08	Niren Parekh	871	9.31	9.31	5.38	-2.47	-2.42	48.84	-3.64	1.31	NA	NA
ICICI Prudential Infrastructure Fund - Growth	10-Aug-05	Sankaran Naren	40,341	12.28	12.28	7.17	0.79	4.53	67.51	4.28	10.42	Reliance Ind, Bharti Airtel, BHEL	Power, Banks, Petroleum Products
Reliance Infrastructure Fund - Retail - Growth	17-Apr-09	Sunil Singhania	21,088	11.27	11.27	4.09	-1.14	2.38	N.A	N.A	6.20	Era Infra, IDFC, ICICI Bank	Construction, Power, Construction projects
Reliance Natural Resources Fund - Growth	25-Feb-08	Ashwani Kumar & Shiv Chanani	38,883	10.12	10.12	4.18	-3.10	1.86	64.47	2.52	3.71	Reliance Ind, ONGC, HPCL	Petroleum Products, Materials (Overseas), Ferrous Metals
Tata Infrastructure Fund - Growth	21-Jan-05	Venugopal M	22,862	22.12	22.12	7.57	1.84	6.51	85.98	2.63	0.92	Reliance Ind, Crompton Greaves, HDFC Bank	Industrial Capital Goods, Banks, Power

Equity Linked Savings Schemes: These are diversified equity schemes with a 3 year lock-in period and offer certain tax benefits.*													
Fund	Inception Date	Fund Manager	AUM in INRM Mar 10	NAV as of 31 Mar 2010		Absolute Returns %						Asset Allocation	
				Growth	Dividend	1 Month	3 Months	6 Months	1 Year	2 Year (CAGR)	Cash / Debt %	Top 3 Equity Holdings	Top 3 Sectors
Fidelity Tax Advantage Fund - Growth	01-Mar-06	Sandeep Kothari	11,475	18.92	16.98	6.44	3.66	10.56	90.90	13.88	0.59	Reliance Ind, Infosys, HDFC Bank	Banks, Software, Finance
Franklin Taxshield Fund - Growth	10-Apr-99	Anand Radhakrishnan	7,840	186.91	30.73	7.04	4.94	13.63	91.30	13.16	3.01	HDFC Bank, Infosys, Bharti Airtel	Banks, Telecom, Software
HDFC Long Term Advantage Fund - Growth	02-Jan-01	Chirag Setalvad	9,093	119.06	34.85	6.24	2.65	9.98	101.09	11.27	2.77	ICICI Bank, TCS, Infosys	Banks, Software, Consumer Non Durables
HSBC Tax Saver Equity Fund - Growth	05-Jan-07	Nilang Mehta & Aditya Khemani	3,015	13.79	12.72	6.61	2.08	9.77	87.14	14.33	3.27	Crompton Greaves, ICICI bank, Reliance Ind	Banks, Industrial Capital Goods, Software
ICICI Prudential Tax Plan - Growth	19-Aug-99	Sankaran Naren & Amit Mehta	11,231	127.34	18.99	5.70	4.64	17.94	123.87	17.13	9.27	Reliance Ind, Infosys, Sterilite	Software, Finance, Pharmaceuticals
Reliance Tax Saver Fund - Growth	22-Sep-05	Ashwani Kumar	21,924	18.72	14.60	6.33	2.85	12.99	92.75	15.52	2.71	SBI, Indian Metal & Ferro Alloys., ICICI Bank	Banks, Pharmaceuticals, Consumer Non Durables

Data on AUM may be the average AUM or the month end AUM as available from the fund house  
 ^^ Fresh investments into AIG schemes have been put on hold w.e.f 18 September 2008

\* Please seek professional tax advice for the specific tax benefits.

\* All portfolio data is as on 26 February 2010

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## We present below an interview with Mr. S Nagnath - President & CIO, DSP BlackRock Investment Managers Private Limited



### 1. What is your assessment of the global economy considering that the Euro Zone continues to witness economic weakness? What could be its repercussion on the domestic economy and markets?

Growth continues to be subdued in the developed markets and will remain so in our opinion for the next 12-24 months. Economic recovery in Europe appears to be more sluggish than economic growth in the US from a relative standpoint. Incremental flows will continue to head towards emerging markets which are exhibiting relatively higher economic growth.

### 2. Commodities have caught the fancy of the investing community during the last few months. What is your assessment of commodity price movement during the year?

After the strong recovery in both metal prices and equity valuations in 2009 it would be easy to conclude that 2010 will be a less exciting year. However we would suggest that the lows were more a reaction to the state of the banking sector rather than a change in the long term drivers of commodities demand. In fact much of the share price recovery of commodity companies can be ascribed to valuations moving back to levels that reflect the true cost of replacing assets. In addition, with commodity prices at higher levels than most management teams expected, cash generation will be in excess of many companies' requirements. We expect this to result in further M&A as companies should look to reinvest this into existing projects rather than build new capacity when demand has not fully recovered.

January saw a sharp pull back from levels experienced across the base metals and precious metals markets towards the end of 2009. We believe this pull back may have created an opportunity as valuations are now looking more attractive and we would suggest that this provides a possible entry point to the market. While we believe that short term volatility in the sector is likely, stock selection and commodity selection will be key in order to take advantage of opportunities in these markets.

### 3. Given the valuations at which the Indian equity markets are trading, what are the factors aiding valuations?

Indian equities are now trading at approximately 21 x FY10 earning and approximately 17 x FY11 earnings. Based on historic P/E measures, they appear to be fully valued. However, continued fund flows into emerging markets and high growth economies such as India could likely contribute to further re-rating of the PE multiple.

### 4. How do you expect corporate earnings to pan out in FY11? What are the risks to earnings growth?

The Indian economy would benefit from the country's demographic skew towards a younger age group and also the rising per capita income. This, in turn, would fuel the consumption boom in the country. We feel that over time, the consumption demand from rural areas would increase significantly. As the country invests more in improving the quality of its infrastructure, we could see major improvements in productivity. Investors like India because much of the economic growth in this country is largely domestic, and therefore consumption driven, so we think that catalyst for growth will continue to be important and investment led demand will be an added catalyst in the next few years. Against a backdrop of growth that is closer to 8%, we think corporate earnings will grow in the region of 15%-20%, in our opinion and we believe that this will underpin stable to strong equity market performance in the year ahead. The following risks need to be borne in mind:

- Any rise in global risk aversion due to renewed concerns on sovereign credits
- Oil prices heading towards USD 100 per barrel
- Higher than anticipated increase in interest rate

### 5. How do you expect bond yields (especially at the longer end of the yield curve) to move during the fiscal considering the build up in inflation and on the burgeoning paper supply/issuances?

Although the net borrowing amount next year is less than this year's net borrowing, bond market participants are somewhat concerned about the potential supply and its impact on the yield curve. It is this supply of bonds along with demand for credit from the private sector due to buoyant economic growth, which could put upward pressure on bond yields in the first-half of the year. Although there is a large maturity of bonds in the first-half of the year, we believe that bond yields may peak out in the second-half of the year. We expect the benchmark 10Y Bond yield could touch 8.25% to 8.5% p.a. in the near-term due to the supply and the prospects of RBI's rate hikes. We expect an average supply of Rs. 45,000 crore of government bonds per month in FY2010-11. However, it could be significantly higher in the month of July 2010 due to maturities. More importantly, going forward, the demand for government bonds could outstrip supply due to declining fiscal deficits for FY2012 & 2013. This should help keep the short-term (upto 5Y) bond yields from rising significantly.

### 6. What are your views regarding the outlook of the INR and its possible impact on the Indian economy and specific sectors?

We expect the Indian rupee to range between Rs 44 and Rs. 46 for the remainder of this year. Strong portfolio flows could contribute to rupee appreciation in the near term. However if oil prices head higher and contribute further to inflation, then it is likely that the rupee could witness some weakness, as a result.