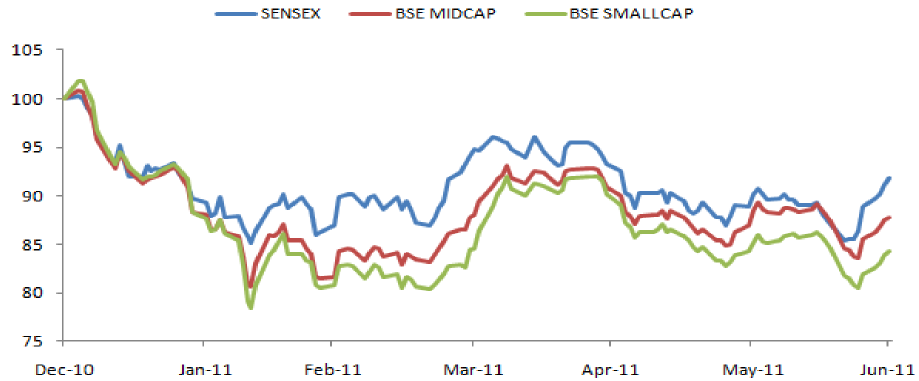
Equity Market Outlook

July 2011

Analyzing Large cap, mid cap and small cap indices

INDEX	1m perf	Q1 Perf	Q2 Perf	H1 Perf
SENSEX INDEX	1.9%	-5.2%	-3.1%	-8.1%
BSE MIDCAP Index	-0.8%	-11.9%	-0.3%	-12.2%
BSE SMALL CAP Index	-1.0%	-15.5%	-0.2%	-15.7%



• Sensex recouped all the losses towards the month end and closed 1.9% higher compared to a month ago. It remained in negative territory for quarter as well as half year ending June 2011.

•Mid and small cap index out-performed Sensex in second quarter of CY 2011.

•ITC, HDFC Bank , Bharti and Hind Lever were the main drivers behind positive gains in Sensex

•RIL and Infosys were the biggest negative contributors

Index Contributors

	31-Dec-10	30-Jun-11	Index Pts Chg	% Chg
SENSEX Index	20509	18846	-1663	-8.11%

Laggards	Price (30-June-11)	Index Pts	Leaders	Price (30-June-11)	Index Pts
RELIANCE INDUSTRIES LTD	897.60	-362.72	ITC LTD	202.45	188.68
INFOSYS LTD	2907.40	-328.98	HDFC BANK LTD	2502.60	72.40
STATE BANK OF INDIA	2405.95	-145.03	BHARTI AIRTEL LTD	395.25	60.88
TATA MOTORS LTD	993.50	-140.97	HINDUSTAN UNILEVER LTD	342.75	40.28
HINDALCO INDUSTRIES LTD	181.00	-109.34	TATA CONSULTANCY SVCS LTD	1180.35	10.98
LARSEN & TOUBRO LTD	1822.65	-107.76	TATA POWER CO LTD	1303.60	-13.05
OIL & NATURAL GAS CORP LTD	273.95	-106.11	HERO HONDA MOTORS LTD	1877.75	-13.84
ICICI BANK LTD	1093.10	-74.94	BAJAJ AUTO LTD	1405.90	-24.78
BHARAT HEAVY ELECTRICALS	2046.55	-59.85	CIPLA LTD	330.35	-25.98
RELIANCE INFRASTRUCTURE LTD	536.00	-56.20	NTPC LTD	186.85	-28.59
Total		-1491.89	Total		266.98

Source: Bloomberg, SBIMF Research

Analyzing Mid and Small Cap indices…

Index Contributors

BSE MID CAP Index	31-Dec-10	30-Jun-11	Index Pts Chg	% Chg
	7803	6854	-949	-12.16%

Laggards	Price (30-June-11)	Index Pts	Leaders	Price (30-June-11)	Index Pts
KGN INDUSTRIES LTD	65.85	-30.80	FEDERAL BANK LTD	451.80	14.97
GVK POWER & INFRASTRUCTURE	19.30	-27.67	MARICO LTD	155.75	14.22
GTL LTD	90.75	-25.92	JUBILANT FOODWORKS LTD	949.30	13.59
IFCI LTD	45.75	-24.83	BATA INDIA LTD	610.90	13.00
IVRCL LTD	69.80	-24.70	DISH TV INDIA LTD	87.75	11.51
VOLTAS LTD	159.30	-22.37	SANWARIA AGRO OILS LTD	136.70	11.02
AUROBINDO PHARMA LTD	172.50	-21.70	STERLING INTERNATIONAL ENT	237.60	10.37
THERMAX LTD	593.85	-21.25	MOTHERSON SUMI SYSTEMS LTD	225.80	9.72
SPICEJET LTD	32.90	-20.77	GUJARAT FLUOROCHEMICALS LTD	391.45	9.40
NCC LTD	81.30	-20.07	BOMBAY RAYON FASHIONS LTD	283.65	8.29
Total		-240.08	Total		116.08

Top 10 Laggards account for 25% of underperformance of MIDCAP Index

Laggards	Price (30-June-11)	Index Pts	Leaders	Price (30-June-11)	Index Pts
SE INVESTMENTS LTD	12.26	-37.93	ANDHRA PRADESH PAPER MILLS	369.25	26.511
ARSHIYA INTERNATIONAL LIMITE	149.75	-26.89	KARMA INDUSTRIES LTD	309.15	24.482
ALLIED DIGITAL SERVICES LTD	40.90	-26.00	SHRI GANESH SPINNERS LTD	39.7	23.593
SPLASH MEDIA WORKS LTD	31.35	-25.12	TATA COFFEE LTD	843.05	16.368
SREI INFRASTRUCTURE FINANCE	43.00	-24.04	HEXAWARE TECHNOLOGIES LTD	69.6	15.577
GREAT OFFSHORE LTD	211.15	-21.51	FAG BEARINGS INDIA LTD	1189.65	15.466
KARUTURI GLOBAL LTD	11.52	-20.96	TTK PRESTIGE LTD	2330.6	15.178
BILCARE LTD	409.80	-20.78	EMPOWER INDIA LTD	9.33	15.021
JYOTI STRUCTURES LTD	84.85	-18.86	PRABHAV INDUSTRIES LTD	139.95	12.825
CONSOLIDATED CONSTRUCTION C	31.00	-18.80	VST INDUSTRIES LTD	1001.2	12.311
Total		-240.87	Total		177.33

Top 10 Laggards account for 16% of underperformance of SMALLCAP Index

Source: Bloomberg, SBIMF Research

MSCI World Indices Versus India

MSCI INDICES	1m perf	Q1 Perf	Q2 Perf	H1 Perf
MSCI WORLD	-1.7%	3.9%	-0.5%	3.4%
MSCI EUROPE	-2.0%	6.2%	0.5%	6.7%
MSCI PACIFIC	-1.1%	-1.2%	-0.4%	-1.6%
MSCI AMERICAS	-1.9%	5.3%	-1.0%	4.3%
MSCI FAR EAST	-1.0%	-2.1%	-0.2%	-2.3%
MSCI Emerging Markets	-1.9%	1.7%	-2.1%	-0.4%
MSCI World USD Developed Mai	-1.7%	4.3%	-0.3%	4.0%
SENSEX INDEX	**3.0%**	**-4.9%**	**-3.0%**	**-7.8%**

India performed better in the month on back of policy actions (fuel price hikes) and fall in global commodity prices. FIIs pumped in $ 1 billion in last few sessions of the month.

EMERGING INDICES	1m perf	Q1 Perf	Q2 Perf	H1 Perf
Russia	1.0%	15.5%	-6.7%	7.7%
China	0.9%	4.9%	-4.4%	0.3%
Singapore	-0.7%	-0.8%	3.1%	2.2%
Mexico	0.9%	0.8%	-0.8%	0.0%
South Africa	-1.3%	-2.4%	-0.9%	-3.3%
Taiwan	-4.5%	-4.0%	1.5%	-2.6%
Brazil	-2.0%	1.0%	-5.1%	-4.1%
Indonesia	0.9%	2.5%	7.3%	9.9%
Thailand	-4.2%	1.1%	-2.0%	-1.0%
South Korea	-1.0%	5.7%	2.5%	8.4%
DEVELOPED INDICES	**1m perf**	**Q1 Perf**	**Q2 Perf**	**H1 Perf**
United States	-1.8%	5.4%	-0.4%	5.0%
London	-3.0%	3.2%	0.6%	3.9%
Germany	2.1%	9.0%	7.1%	16.7%
Japan	2.2%	-5.9%	3.5%	-2.6%

Source: Bloomberg, SBIMF Research

Emerging markets performance was Mixed. Developed world saw equities decline on worries about debt crisis in Peripheral Europe, weak economic data and end of QEII by US Fed.

MSCI World Sector Indices Versus India Sector Indices

WORLD SECTOR INDICES	1m perf	Q1 Perf	Q2 Perf	H1 Perf
MSCI HEALTH CARE	-1.8%	3.8%	7.4%	11.5%
MSCI ENERGY	-2.6%	13.4%	-5.4%	7.2%
MSCI CON STAPLES	-2.5%	0.8%	5.3%	6.2%
MSCI CONS DISCRETIONARY	0.3%	1.6%	4.1%	5.8%
MSCI INDUSTRIALS	-1.0%	6.6%	-1.3%	5.2%
MSCI TELECOM SERVICES	-1.8%	6.2%	-1.1%	5.0%
MSCI UTILITY	0.0%	0.6%	0.2%	0.8%
MSCI MATERIAL	-1.0%	1.8%	-1.3%	0.5%
MSCI INF TECH	-2.5%	2.2%	-1.7%	0.4%
MSCI FINANCE	-2.5%	4.0%	-3.6%	0.2%

Sectoral performance was mixed globally with no clear shift to either defensives or cyclicals

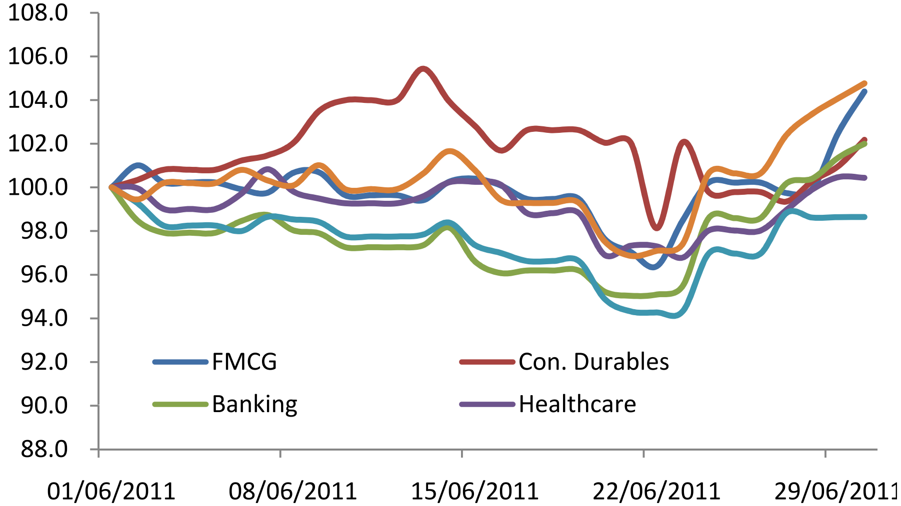
INDIA SECTOR INDICES	1m perf	Q1 Perf	Q2 Perf	H1 Perf
BSE FMCG Index	4.9%	-2.4%	12.5%	9.8%
BSE Consumer Goods Index	1.6%	-1.8%	6.6%	4.7%
BSE Bankex Index	2.2%	-0.6%	-3.6%	-4.2%
BSE Healthcare Index	0.1%	-10.6%	6.2%	-5.0%
BSE PSU Index	-0.5%	-5.3%	-4.7%	-9.7%
BSE Capital Good Index	6.2%	-14.1%	5.1%	-9.8%
CNX Infrastructure Index	4.8%	-11.0%	1.3%	-9.8%
BSE IT Index	1.8%	-4.1%	-6.8%	-10.6%
BSE Power Index	2.2%	-9.3%	-3.7%	-12.6%
BSE Oil & Gas Index	-4.0%	-3.4%	-10.1%	-13.1%
BSE Auto Index	-1.5%	-9.2%	-5.3%	-14.0%
BSE Metal Index	-2.3%	-8.2%	-6.8%	-14.4%
BSE Realty Index	-7.3%	-18.2%	-13.6%	-29.3%

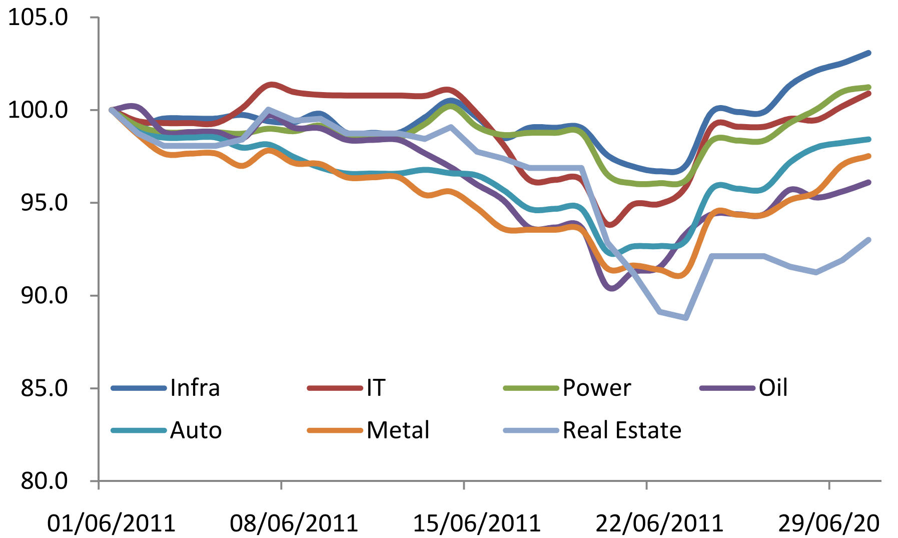
Source: Bloomberg, SBIMF Research

Domestically, beaten down sectors like Capital Goods and Infrastructure staged a rally. Metals and real estate were worst performers.

Preference for defensives like consumer sector continued as markets still jittery over macro and political environment.

Domestic Sector Performance and Outlook





Source: Bloomberg, SBIMF Research

FMCG – sustained volume growth and margin resilience. Outlook cautious on valuations.

Banking – Near term margin headwinds, but outlook robust on interest rate cycle peaking. Private banks seeing improving asset quality.

Healthcare – Outlook positive on strength of domestic and US generics business.

Capital Goods – cautious as the investment cycle weakens

IT – Demand outlook strong, but margin performance key to stock returns

Auto – Negative outlook as the high interest rates will hit volume growth

Metal – commodities to remain weak near term as the global economic outlook remains subdued

Oil – Negative on high oil prices and policy uncertainty

Commodities – all round correction

		Price	1M	3M	6M	1Y
Agriculture						
Coffee Arabica	US$/0.6MT	346	-11.3%	-1.7%	44.1%	114.8%
Cocoa	US$/MT	2,999	-11.5%	-20.2%	8.2%	1.1%
Live cattle	US$/lb	104	-11.4%	-5.9%	0.7%	14.6%
Precious Metals						
Silver	US$/oz	39	-19.6%	13.6%	37.1%	107.4%
Ferrous Metals						
N. America HRC	US$/MT	780	-9.8%	-7.7%	35.7%	8.3%
Aus Iron Fines	US cents/DWT	280	7.9%	33.3%	43.3%	44.5%
Non Ferrous Metals						
Aluminium	US$/MT	2,662	-3.5%	3.6%	18.1%	32.3%
Nickel	US$/MT	23,587	-12.1%	-18.6%	2.6%	10.9%
Oil						
EU Brent	US$/BBL	117	-7.4%	4.3%	37.5%	58.3%
NA WTI	US$/BBL	103	-9.9%	5.9%	22.1%	38.8%
PetroProducts						
Naptha	US$/BBL	107	-10.6%	0.5%	19.5%	45.2%
95 Octane Gasoline	US$/BBL	123	-11.4%	3.0%	28.9%	49.5%

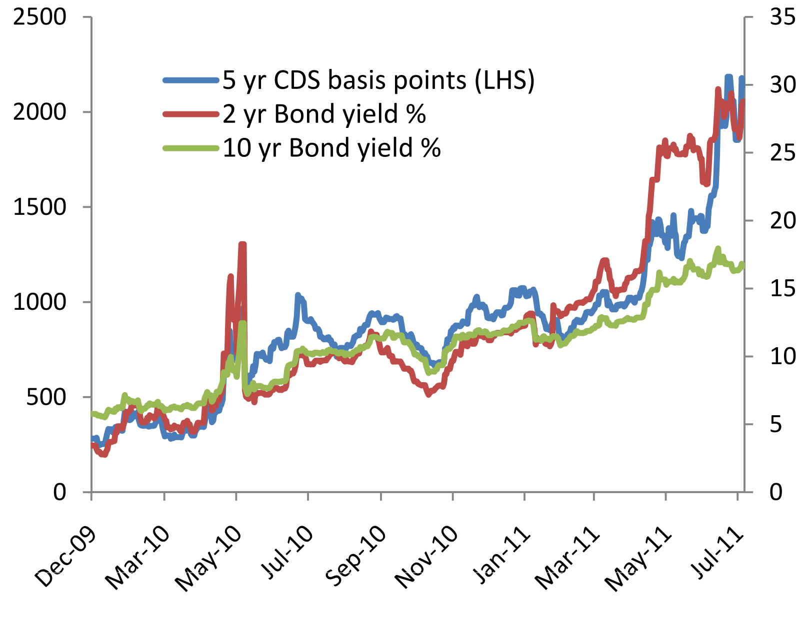
Source: Bloomberg, SBIMF Research

Commodities fell across the board in the last one month on the back of weaker economic data and monetary tightening in emerging markets

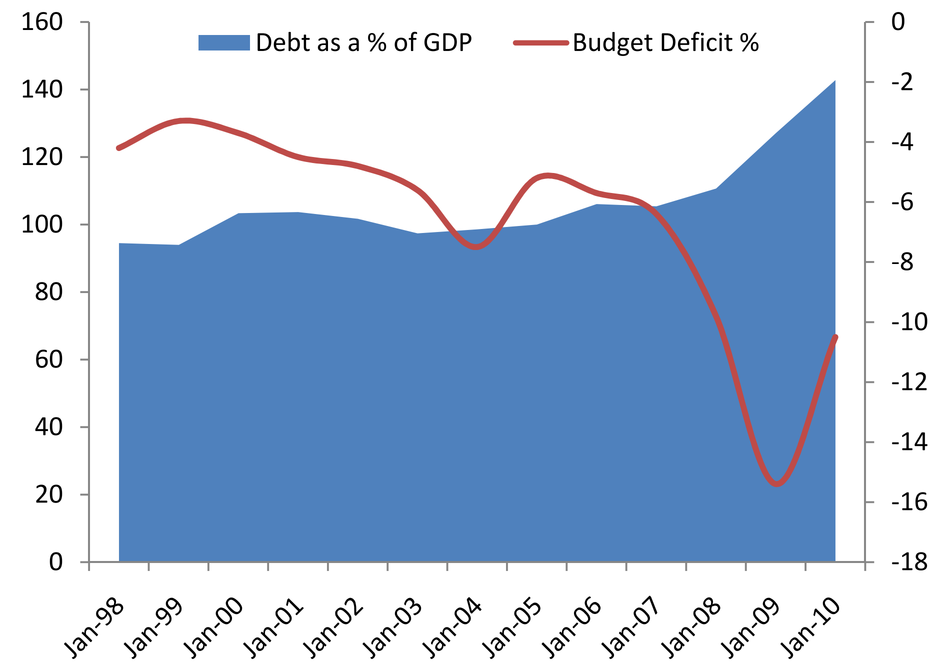
Silver came off sharply as exchanges took steps to curb speculation

Oil fell on news of a coordinated release of emergency supplies by the IEA and the US govt.

The Greek Crisis: long bumpy road ahead



A contracting GDP (-5.5% Q1CY11) continued to pressure the fiscal situation.



The poor fiscal situation + the need for continued borrowings to fund debt payments led to 2-year Greek bond yields surging to a high of 30%.

Source: Bloomberg, SBIMF Research

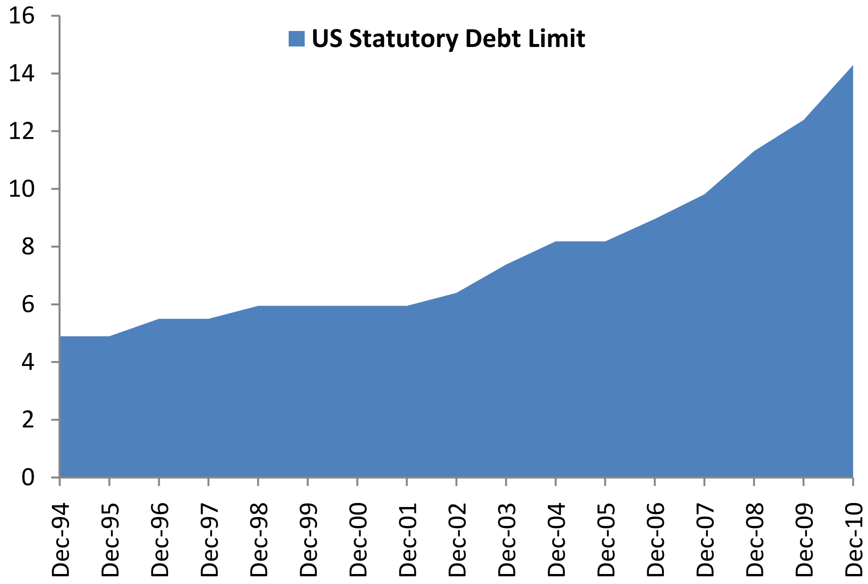
Currency Markets

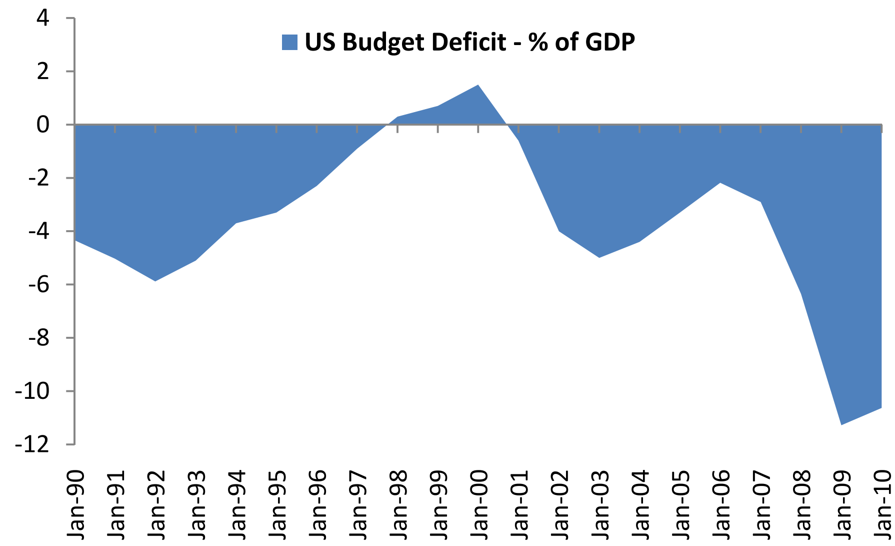
USD	30-Jun-11	31-May-11	31-Mar-10	31-Dec-10
EUR	1.45	1.44	1.35	1.34
GBP	1.61	1.64	1.52	1.56
JPY	80.56	81.52	93.47	81.12
INR	44.70	45.06	44.92	44.71

Dollar ended flat against most of the currencies.

Markets would be eyeing US governments ability to push through statutory debt limit after July

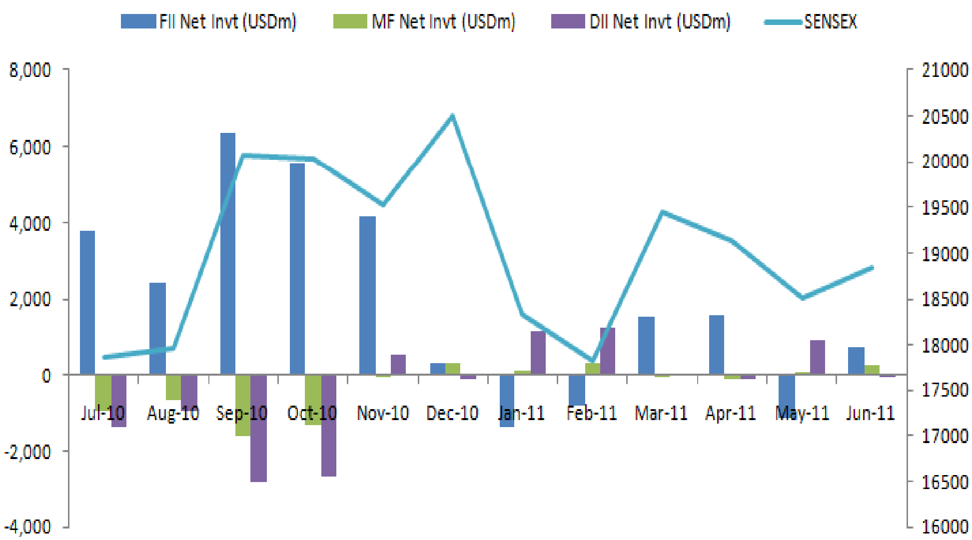
Rupee appreciated on strong FII flows.





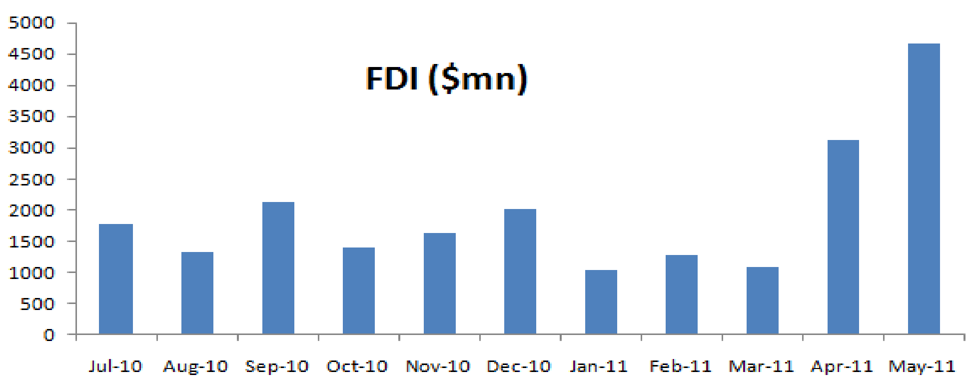
Source: Bloomberg, SBIMF Research

Foreign inflows gaining momentum



FII inflows are picking up

The FIIs were a net buyer in Jun '11, after being a net seller in May '11. Year to date FII flows are net positive.



FDI inflows picked up sharply in May

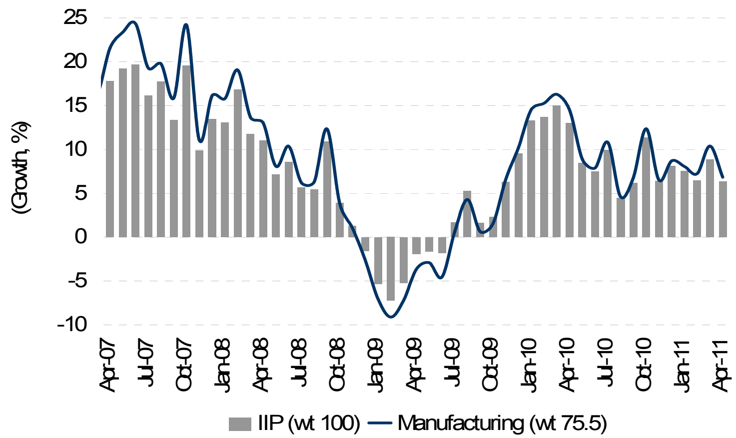
- Foreign direct investment (FDI) inflows rose to $4.7 billion in May '11, the second highest monthly FDI inflow since 2000

- The rebound comes following a lull in FY11. The FDI inflows in FY11 dropped 25% to US$19.4 billion

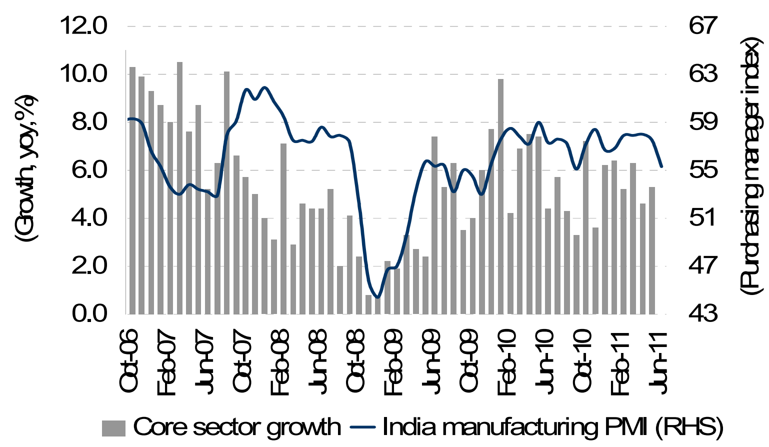
Source: SBIMF Research

Industrial production showing signs of weakness

IIP growth decelerates in Apr ’11



Manufacturing PMI indicate deceleration



IIP growth decelerates in Apr ’11

- The new IIP series (base: 2004-05) posts 6.3% industrial growth in Apr ’11, following 8.8% growth in Mar ’11
- Since the new IIP series takes into account the item basket as per the more recent production behavior, this series indicates a much closer reflection of the present industrial scenario

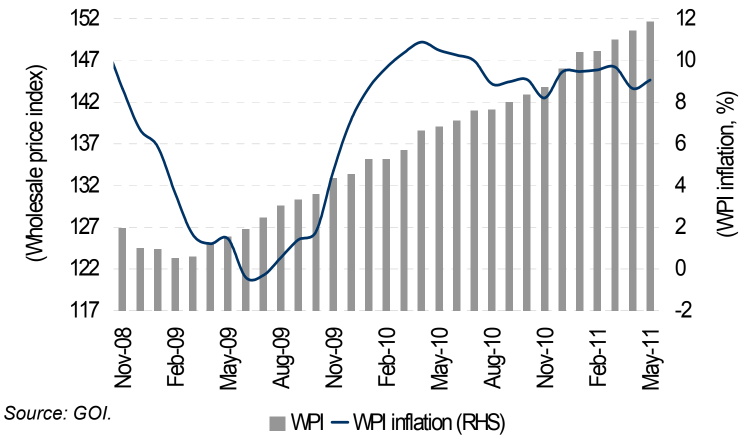
Manufacturing PMI indicates deceleration

- Manufacturing PMI declined to 55.3 in Jun ’11 from 57.5 in May ’11, indication deceleration in manufacturing activities in the country
- The Index of eight core industries (weight: 37.9% in IIP) registered a growth of 5.3% in May ’11 compared to 7.4% registered in May’ 10

Source: GOI, , SBIMF Research

Inflation remains sticky and pose major policy challenge

WPI inflation up again



Source: GOI.

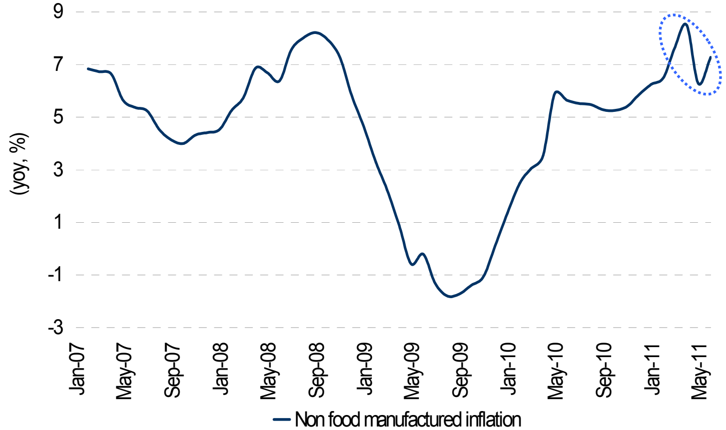
Food-fed inflation

• WPI inflation rose to 9.1% in May '11 from 8.7% in Apr '11

• While price indices for primary articles and fuel increased 0.3% (m-o-m) each in May '11, that for manufactured products continued to witness a sharp upward trend (1%)

•Hike in retail fuel prices would push inflation higher in next 2 months

Core inflation inching up



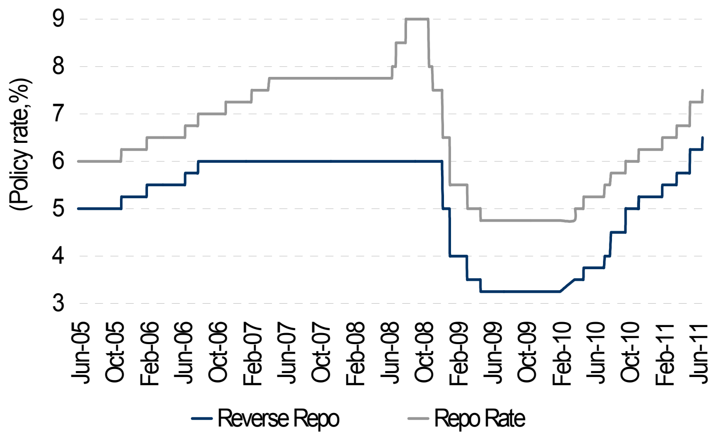
Core inflation inching up again

• Non-food manufactured products inflation – an indicator of demand-side and generalized pressures on inflation – rose to 7.3% in May '11, up from 6.3% in Apr '11

• Also, food inflation – both primary and manufactured – rose to 8% in May '11 from 7.6% in Apr '11

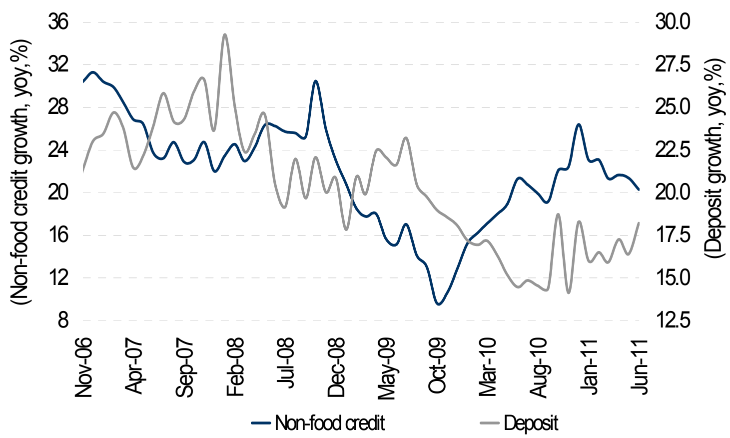
Source: GOI, SBIMF Research

RBI stays hawkish.. But closer to end of tightening cycle



Tenth rate hike since Feb ’10

- The RBI increased the repo rate (at which banks borrow from the RBI) by 25bps on 16-Jun ’11, to 7.5% - the 10th consecutive hike since Feb ’10
- Tackling inflationary expectation is still a primary agenda for the RBI; More rate hikes (25-50 bps) seem on card by Dec ’11
- RBI will soften stance once deceleration in growth momentum becomes more visible



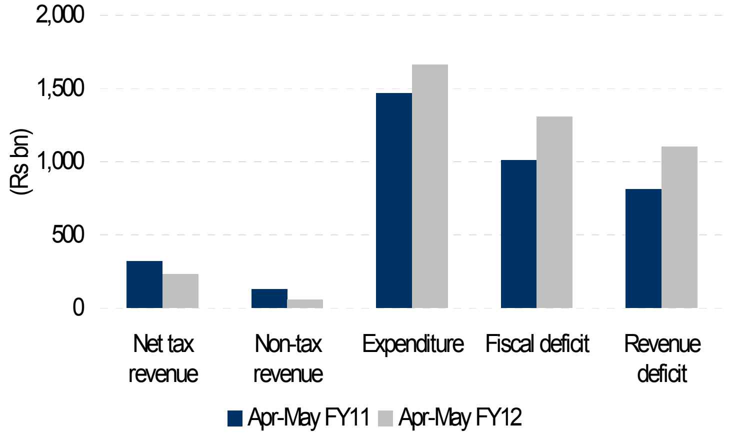
Deposit growth up, credit growth decelerating

- Non-food credit growth for the fortnight ending 18 Jun ’11 decelerated to 20.3% while deposit growth increased to 18.2%
- The RBI projects 19% non-food credit growth for FY12
- Liquidity situation likely to improve with slowdown in credit and pick up in deposit growth

Source: GOI, SBIMF Research

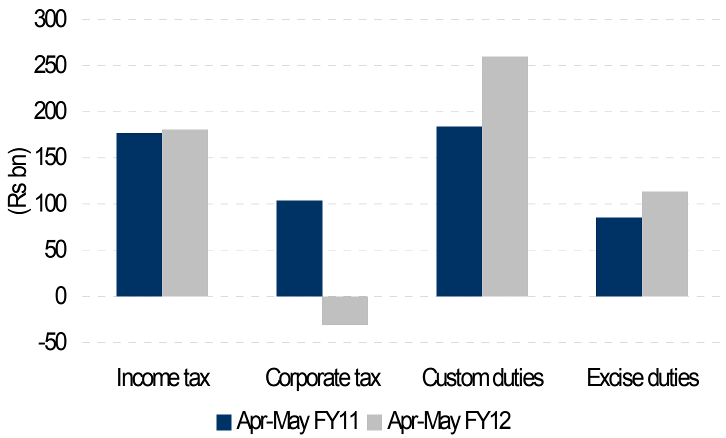
Fiscal situation is a cause of concern

Government deficit YTD is worse than in FY11



Source: Controller General of Accounts.

Custom duties collection significantly up



Source: GOI, SBIMF Research

Fiscal situation worsening

- During Apr-May '12, expenditure is higher than same period last year while revenue is lesser in comparison to the same period last year
- This year so far (Apr-May '12), the fiscal situation far worse than in same period last year
- Mounting subsidy bill, slowdown in revenues and inability to push large disinvestment could push deficit soaring to 5.5% of GDP

Custom duties collection significantly up

- The major drag on revenue front is coming from corporate tax collections while custom duties collections are significantly ahead of same period last year
- This is, however, too early to jump to a conclusion on the fiscal position of the government

Market Outlook

Problems in peripheral Europe will continue to hound markets

Greek vote of affirmation on austerity measures amidst massive public protest has come as a sigh of relief for global markets. But given the structural issues and lack of growth drivers, the crisis has been avoided for the time being and not completely resolved. Problems in peripheral Europe will continue to hound markets for quite some time.

We expect softening in commodity prices

Moderation in global economic growth, monetary tightening in emerging economies, end of quantitative easing by US Federal Reserve, rebound in Dollar and unwinding of speculative positions would lead to softening in commodity prices.

..which is positive for economy and corporate profitability

Pressure on margins on account of increase in input prices, wages and interest rates was evident in quarterly earnings. Though the WPI back data is steadily being revised upwards and is likely to witness further uptick next month on the back of increase in fuel prices, fall in global commodity prices will help in soothing nerves about inflationary expectations.

Government actions and Monsoon are critical factors to watch

There have been complete impasse on the reforms front. Hike in retail fuel prices with duty rationalization was a welcome move. Markets expect government to take decisive measures to revive investment cycle and accelerate growth momentum.

The rainfall during the current South-West monsoon could be slightly 'below normal'. Globally, agri-commodity prices have softened and with record food grain stocks , food inflation on a high base is expected to remain under control. Markets would be closely watching Monsoon as any shock could aggravate the inflation and fiscal situation

Market Outlook

Fears of decelerating growth momentum

Global uncertainties, lag effect of monetary tightening, policy gridlock and slowdown in fixed capital formation would take a toll on growth expectations. Slowdown is also evident in discretionary spending as growth in auto sales has moderated sharply.

RBI close to end of tightening cycle..

Though RBI is likely to increase policy rate by 25 bps in next policy setting meeting, we are getting closer to the end of tightening cycle as growth momentum seems to be tapering off. Our bigger worry is on the fiscal side where mounting subsidy bill and shortfall on revenue side and disinvestment targets could lead to slippages to the extent of 0.5% of GDP. With improvement in credit-deposit ratio, and change in RBI stance, short term rates to soften and liquidity situation to improve in next quarter. Downside in long bond yields would be limited due to fiscal situation.

Valuation are reasonable

There could be some more earnings downgrade post second quarter results, however, with peaking of rate cycle, expectations of policy environment turning positive and fall in commodity prices, earning expectations should stabilize after that. At an aggregate level, valuations are in line with historical average and reasonable.

Focus on bottom up stock picking…

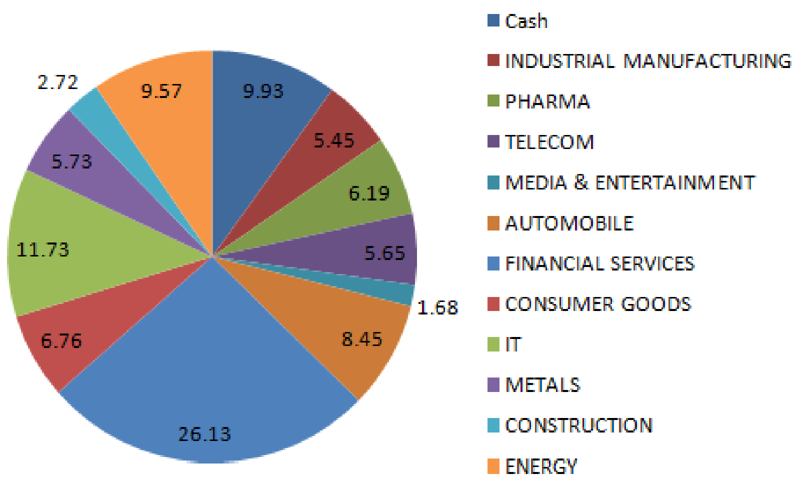
While broader markets have been moving in a very narrow range, dispersion of returns have been very high. Macro concerns are keeping the upside checked while a set of companies in sectors like consumers and healthcare are scaling new highs. In an uncertain macro and political environment, companies with stronger balance sheets, high capital productivity and free cash flow generation and having visibility of growth with pricing power are commanding unprecedented premium. At some point in time, the trend is likely to reverse,. Our focus stays on bottom up stock picking which would continue to be the source of alpha generation.

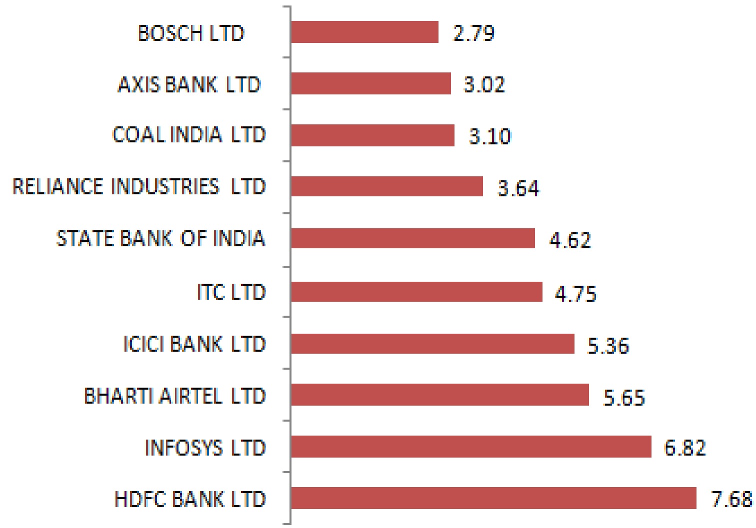
Fund update

SBI Magnum Equity Fund

Open Ended Equity Fund

Fund Philosophy: A large cap fund managed with a top down approach





Fund Focus & Strategy: Benchmark coverage ratio at 52%. Relative volatility closely tracked and kept low

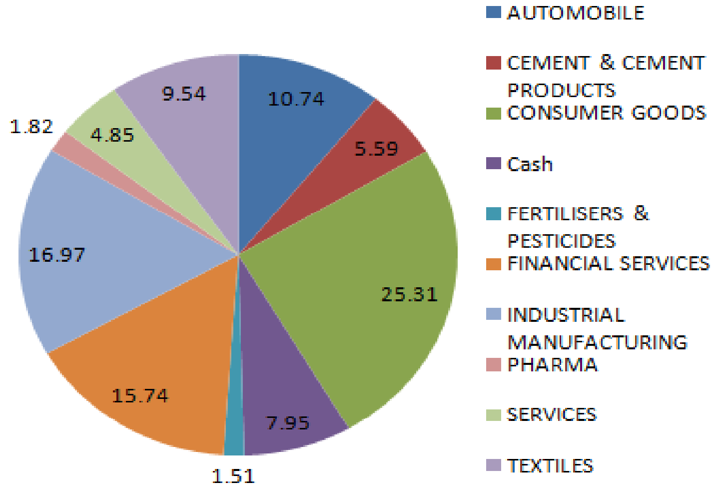
Key Calls: Over-weight Consumer Discretionary, Telecom (Bharti being the only weight). Cut overweight in Healthcare and underweight in Utilities. Overweight Materials and Industrials. Portfolio remains fairly defensive given a cautious view of the market

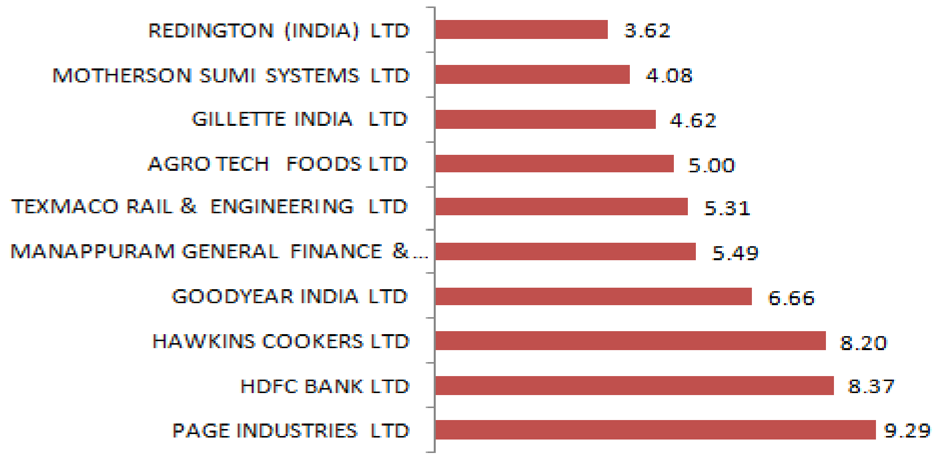
Source: MFI

SBI Magnum Emerging Business Fund

Open Ended Equity Fund

Fund Philosophy: Cap agnostic. Currently, a large part of the portfolio is into mid and small caps but prospective market cap shifts could be dynamic





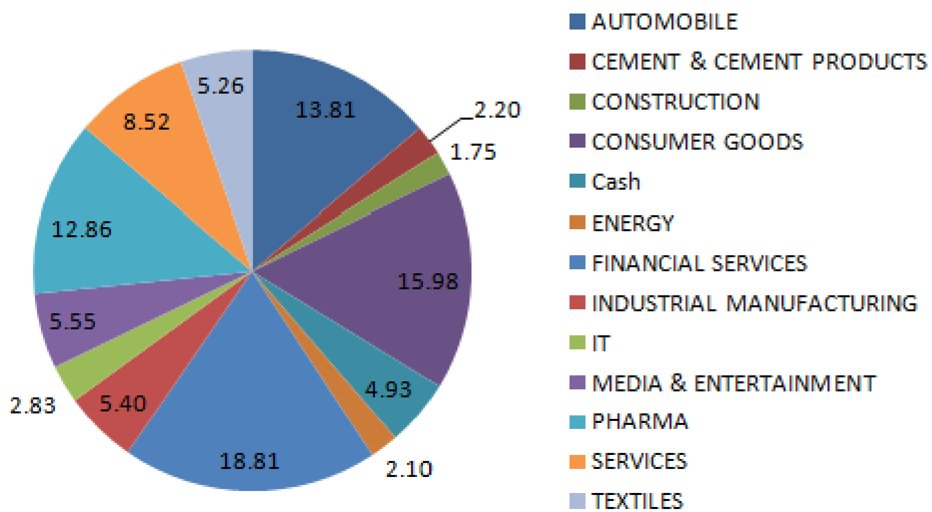
Fund Focus & strategy: Bottom up strategy. The fund has potential to generate higher returns over a long period but with higher risk. Portfolio likely to be concentrated on the top 25 preferred bets

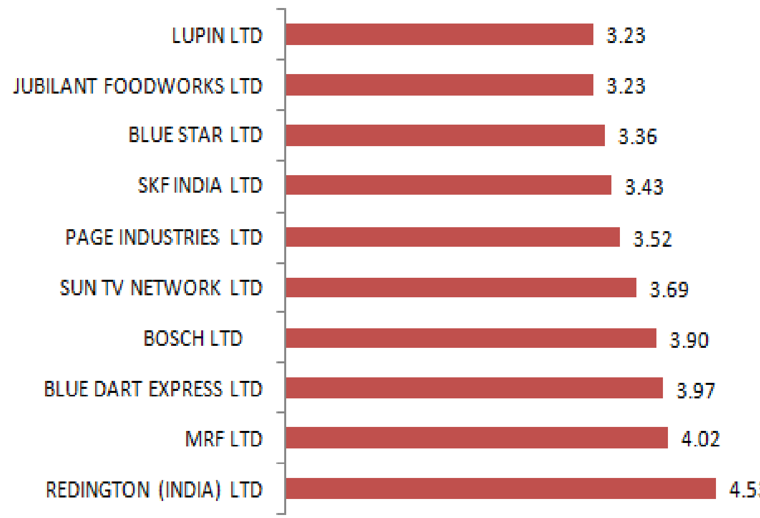
Key themes: Despite superior performance retaining concentration on the top 10

SBI Magnum Global Fund

Open Ended Equity Fund

Fund Philosophy: A conscious buy-and-hold philosophy of investing into strong business franchises which deliver high and consistent returns on equity





Fund Focus & strategy: Large Caps restricted to 30% of the portfolio; presently 23% but mostly at the lower end of the large cap curve. Predominantly mid-cap; around 72% of the portfolio, currently Relatively high risk, high return due to a high mid-cap exposure. However, nature of businesses owned is defensive

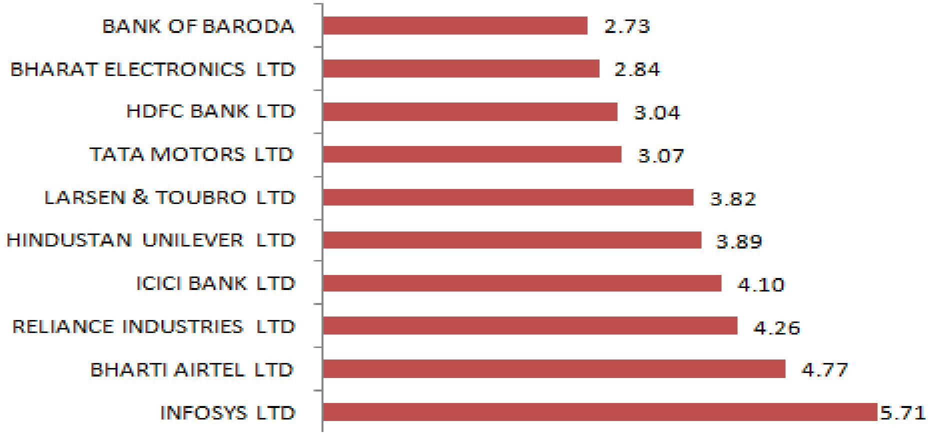
Key Themes: Have diversified the portfolio by cutting exposure to top holdings

Source: MFI

SBI Magnum Balanced Fund

Open Ended Hybrid Fund

Fund Philosophy: The fund draws its philosophy from our ability to understand macroeconomic parameters (top – down approach) and allocate / invest in dual asset class (Equity / Debt) at appropriate times.



Fund Focus & strategy: Current ratio in terms of exposure to various asset class: Equity – Debt – Cash is 69 – 21 – 10 respectively. We maintained a high equity and low cash through the month and booked profit towards the end of the month when the market rallied.

Equity Strategy: The strategy is to participate in growing companies, with sound management. The portfolio has maintained its bias towards large cap with around 80%:20% mix of large and mid cap respectively. However, we expect the quality mid cap stocks to perform better and increasing our exposure here.

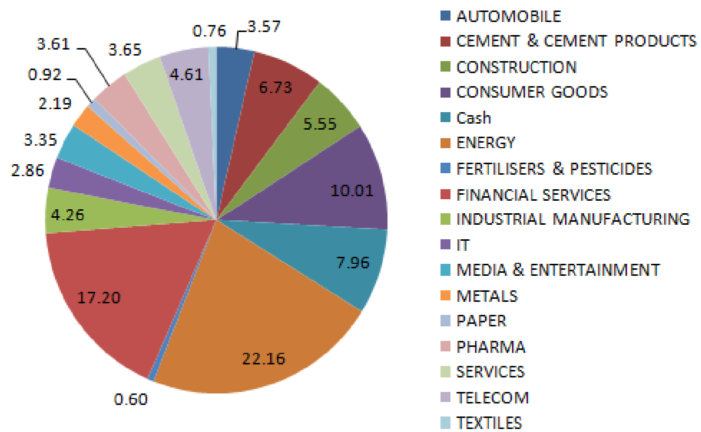
Debt Strategy: We continue to maintain a low duration strategy with focus on higher accrual and tactical gains in G-sec trading.

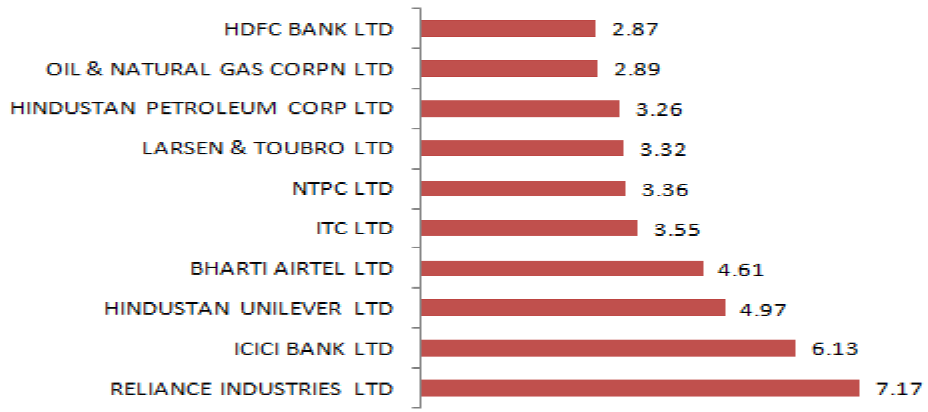
Key sectors/ themes: We believe that we are towards the end of rate hike cycle and therefore, we have increased our exposure in Construction. We retain our overweight position in industrial manufacturing. We have also reduced our underweight in IT.

SBI Magnum Contra Fund

Open Ended Equity Fund

Fund Philosophy: The objective of the fund is to invest in undervalued scrips which may be currently out of favour, but are likely to show attractive growth in the long term





Fund Focus & strategy: The fund portfolio is well diversified and have its exposure tilted towards large cap stocks. The stock selection is based on their medium to long term outlook even if it comes at the expense of short term underperformance.

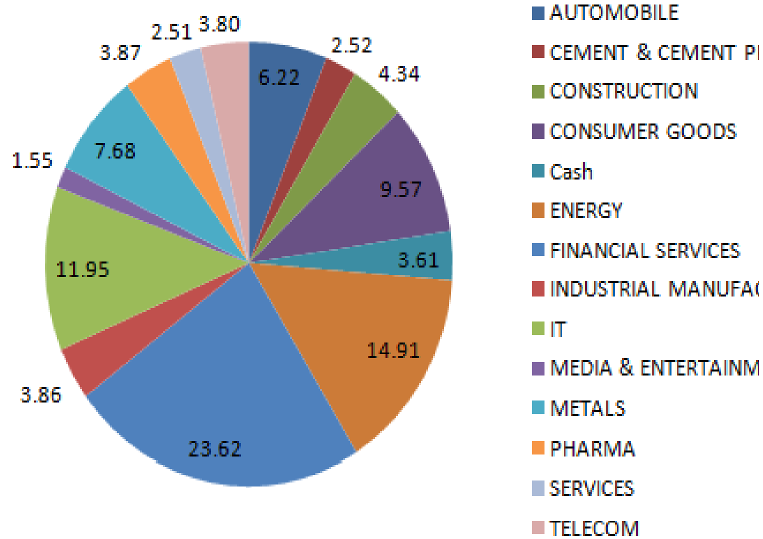
Key sectors/ themes: The fund is significantly underweight IT and metals and is overweight on Energy and utilities. Contrarian sectoral and individual stock calls have paid off reflecting improvement in the fund performance in recent times.

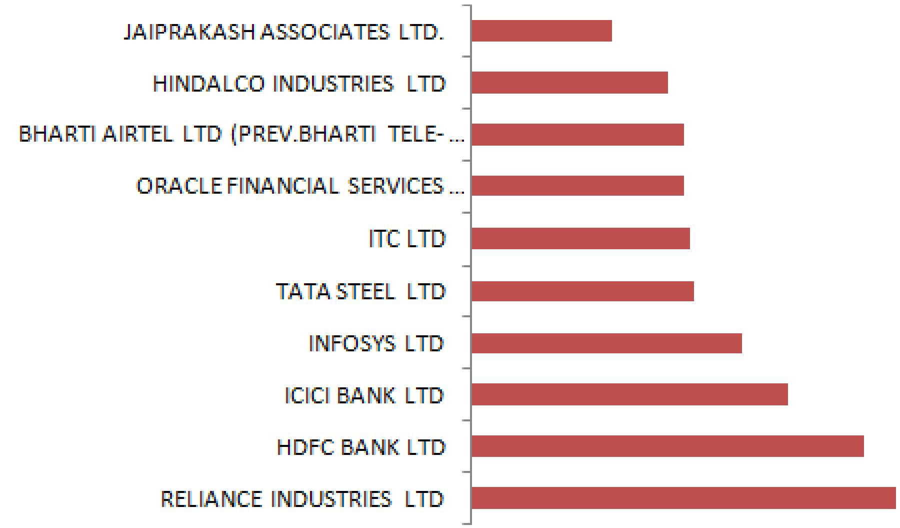
Source: MFI

SBI Magnum Multicap Fund

Open Ended Equity Fund

Fund Philosophy: It is a Diversified Equity fund focussing on companies across market capitalisation and across sectors.





Fund Focus & strategy:

The fund investment style is to focus on the companies with high growth potential which are currently available reasonable valuations, straddling across different market capitalisations. Focus will be to deliver alpha primarily throug stock selection. Scheme will still be diversified in terms of number of stocks as compared to concentration of holding.

Key sectors/ themes:

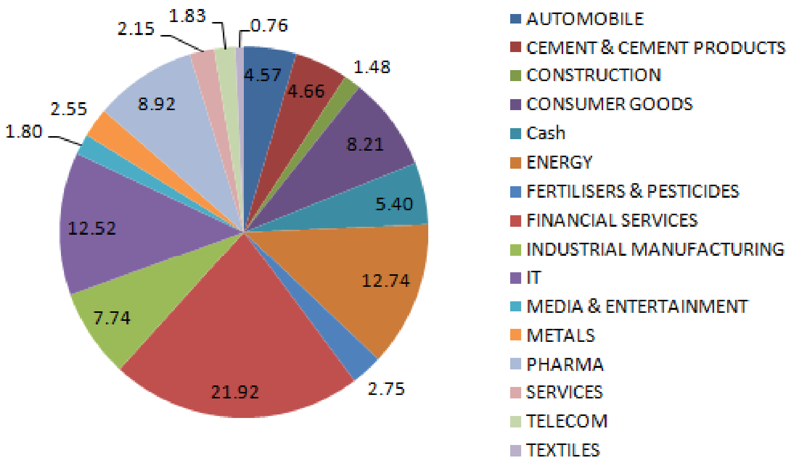
The portfolio composition is currently 75% Large Cap and 25% Mid & Small Cap.

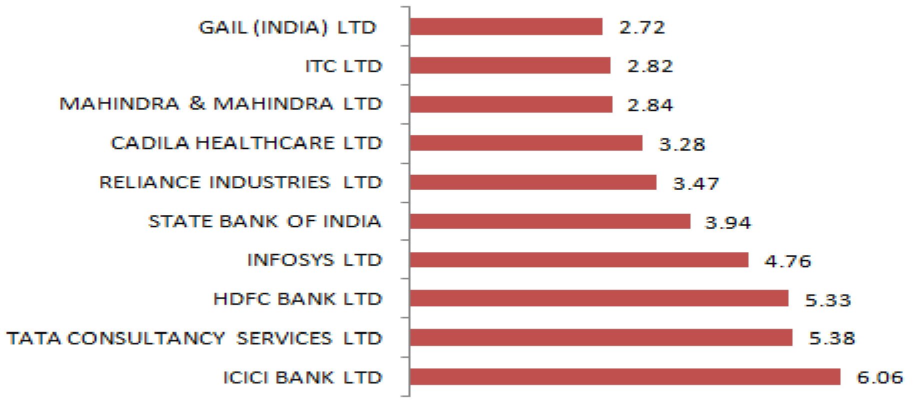
Source: MFI

SBI Magnum Tax Gain Fund

Open Ended Equity Fund

Fund Philosophy: The fund is being managed with a very long term orientation and an objective to generate superior returns through bottom up stock picking.





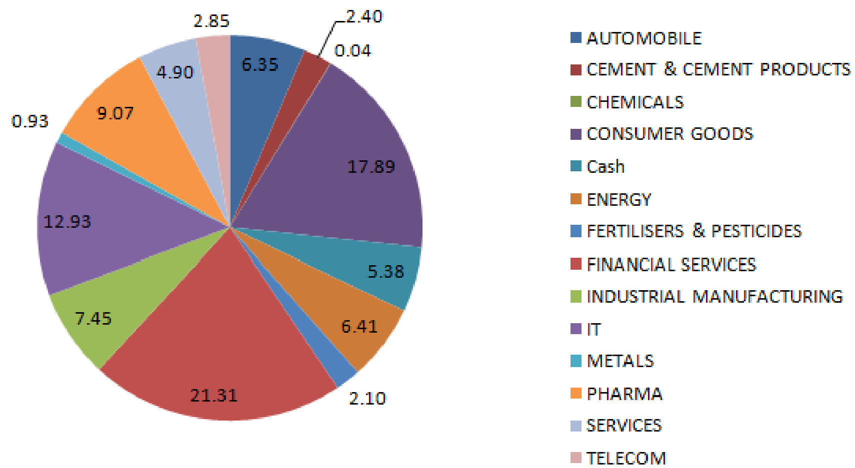
Fund Focus & strategy: In continuation of our strategy, we are now adapting a more top down view in the portfolio. The fund is well on its way to recovery and has been showing consistent improvement in performance. The recent RBI policy has highlighted the shift in focus from continuing growth to containing inflation. Apart from that, the end of QE2 is also likely to curtail the easy liquidity situation prevailing in the world and put pressure on equity markets. End of easy liquidity will also put pressure on commodity prices and bring about meaningful correction there.

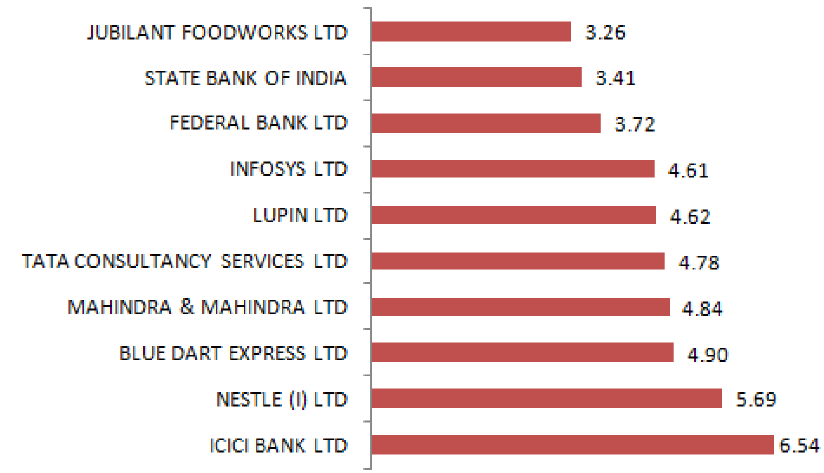
Key sectors/ themes: The portfolio of the Fund is well spread across sectors. As mentioned above, our view on growth, liquidity and commodities is negative and we are aligning the portfolio based on this stance. We are reducing our exposure to base metals. We are also reducing high beta stocks in each sector. Positive sector stance is on Oil companies both upstream and downstream and IT stocks. We are continuing our overweight on consumer staples and pharmaceuticals.

SBI Magnum Multiplier Plus

Open Ended Equity Fund

Fund Philosophy: The primary philosophy of the fund is to invest in selected stocks of high growth companies. The fund take concentrated bets with number of stocks being restricted to 35-40.





Fund Focus & strategy: The fund is well on its way to recovery and has been showing consistent improvement in performance. The recent RBI policy has highlighted the shift in focus from continuing growth to containing inflation. Apart from that, the end of QE2 is also likely to curtail the easy liquidity situation prevailing in the world and put pressure on equity markets. End of easy liquidity will also put pressure on commodity prices and bring about meaningful correction there.

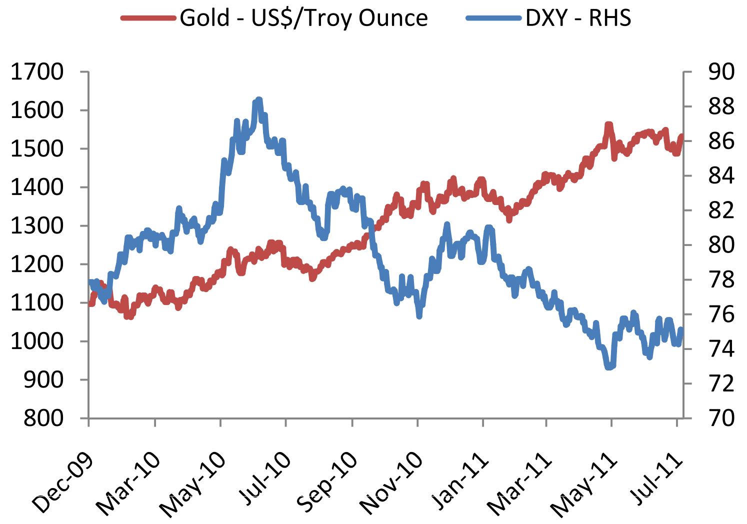
Key sectors/ themes: As mentioned above, our view on growth, liquidity and commodities is negative and we are aligning the portfolio based on this stance. We have zero exposure to base metals. We are also reducing high beta stocks in each sector. Positive sector stance is on Oil companies both upstream and downstream and IT stocks. We are continuing our overweight on consumer staples and pharmaceuticals. Continuing with bottom up stock picks in the portfolio.

SBI Gold Exchange Traded Scheme

Open Ended Exchange Traded Scheme

Fund Strategy

- The scheme will invest in physical Gold as underlying asset regardless of investment merit and endeavour to track price of Gold. The scheme will at all point of time be invested into underlying asset (Gold) to the fullest extent (99.5%)



Current View

- Gold prices softened marginally in line with the trend in overall commodity basket. Gold has given positive return every single year in the last decade on investors preference for physical assets in a world awash with liquidity. Sovereign debt crisis, easy liquidity and risk aversion make a right concoction for rally in gold in the medium term. Having said that, as pointed out earlier that the rally in Gold prices had greatly been supported by the Investment demand (ETF's Globally) and by the logic of investment, profit booking would be an integral part of the same.

- We continue to believe that Gold is an insurance against policy makers losing control of fiscal and quantitative monetary policies, and reiterate our recommendation of 4-8% portfolio allocation towards Gold.

Thank You