

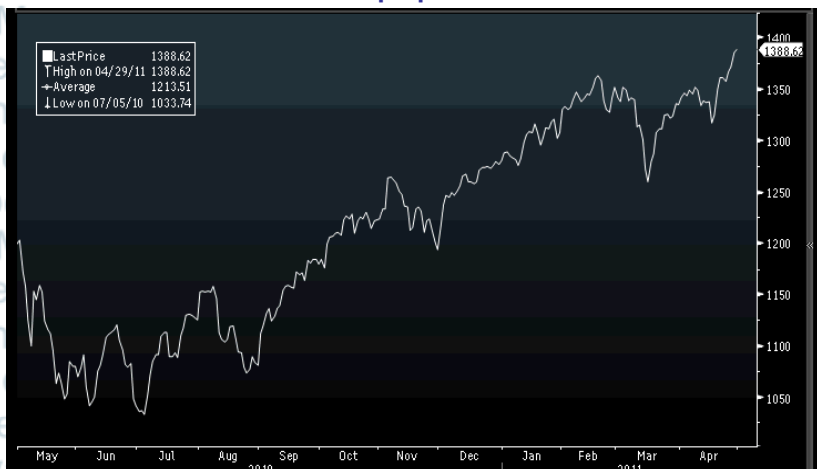


Equity Market Outlook

May 2011

Global equities: Developed market equities outperformed emerging markets

MSCI Global: witnessed Sharp uptick over the month



US equities: SPX, Nasdaq, Dow Jones: continue on the upswing



Asia and emerging markets: Asian markets ex Japan and EMS also witnessed upswing except China that remained weak



European markets also witnessed marginal positive recovery



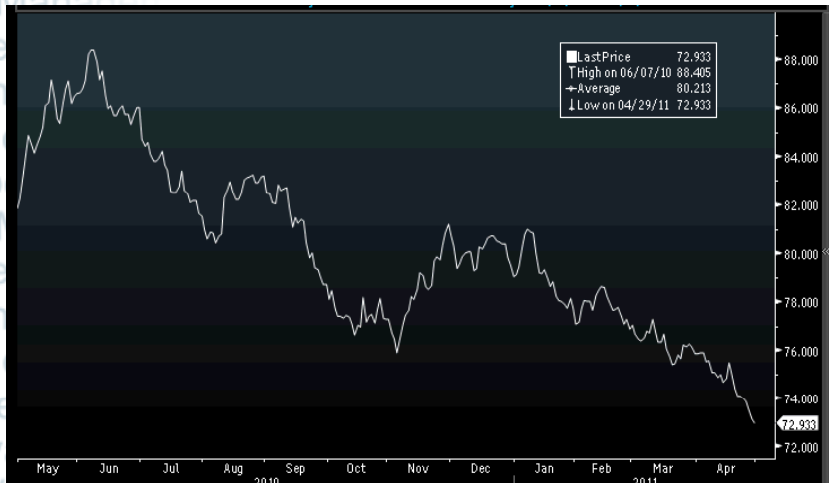
MSCI Asia, Shanghai Composite, Brazil Bovespa, Japan Nikkie, MSCI EM

CAC Index, DAX Index, FTSE 100 Index, IBEX Index

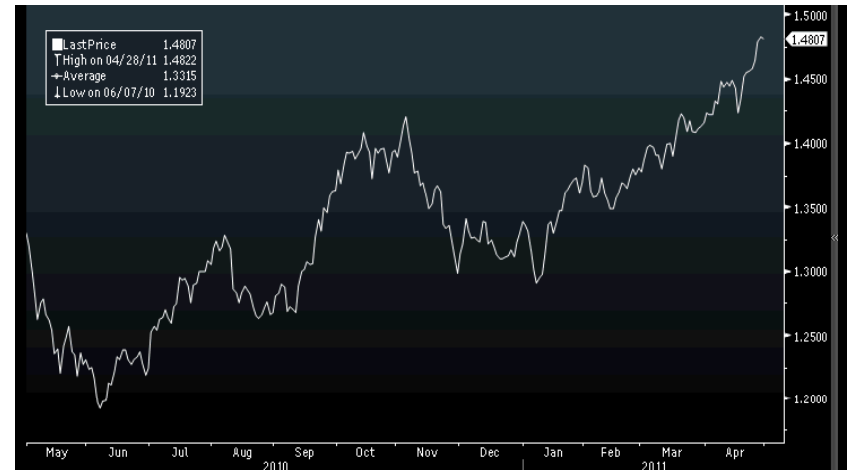
SBI Funds Management Private Limited
A joint venture between SBI and Société Générale Asset Management

Dollar weakens in April, we expect a bounce back

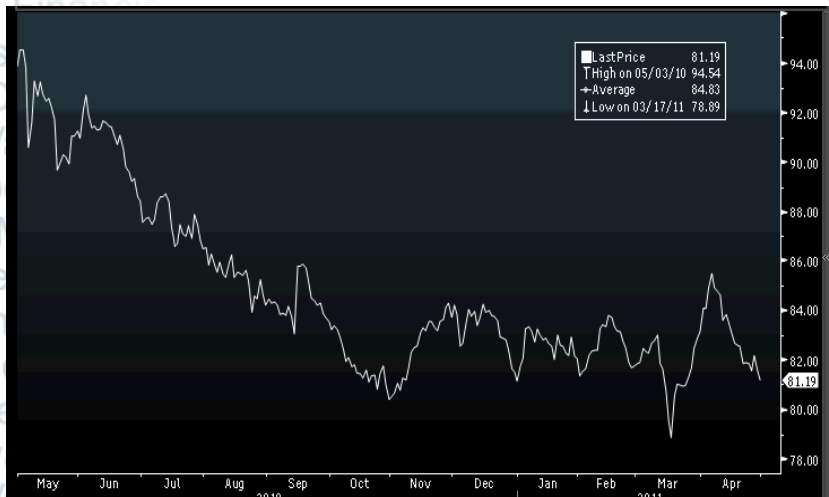
DXY index: Dollar continued to weaken



Euro continue to rally



Japanese Yen also witnessed strength on the back of dollar weakness



Asian currencies strengthened over the month on the back of weakness in Dollar



Commodities rallied sharply in April

CRB comm. index gained during the month..



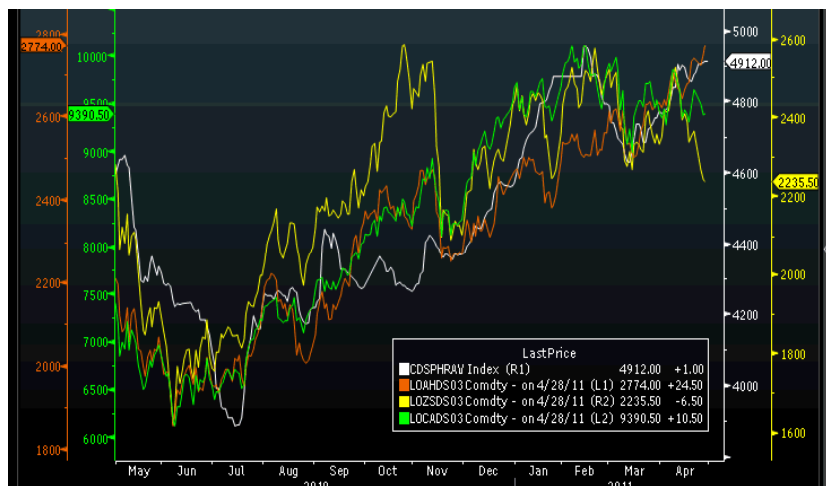
Geopolitical concerns drive crude prices higher..



Gold and silver on the up move



Metal prices remained range bound



But have started correcting off late

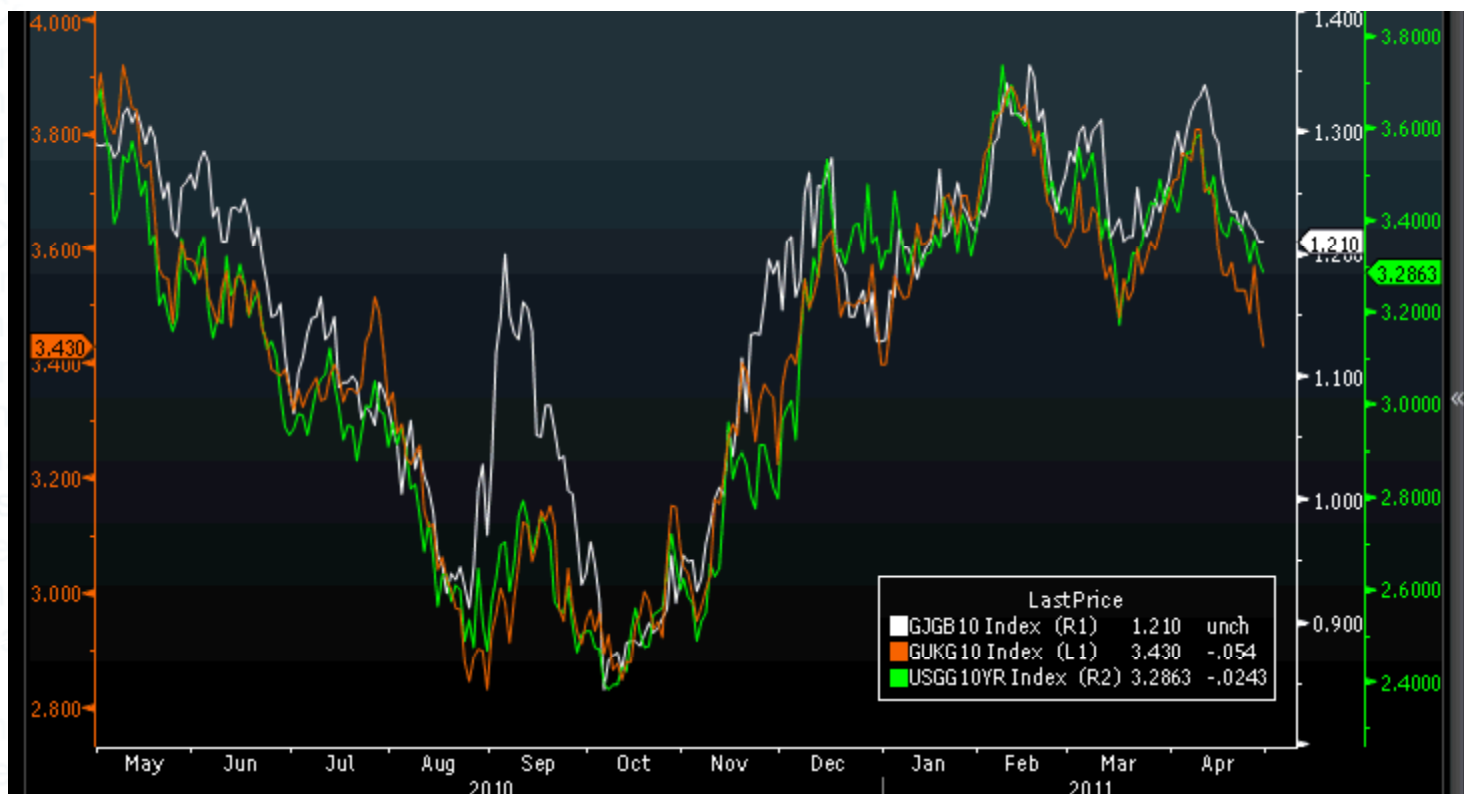


Oil has started correcting on concerns high prices could stifle demand



Silver fell sharply as speculators cut trading positions

Globally yields falling on the back of emerging concerns on economic growth



Bond markets in developed world are not pricing in rising inflationary concerns and deteriorating public finance.

Global rally in risk assets to pause?

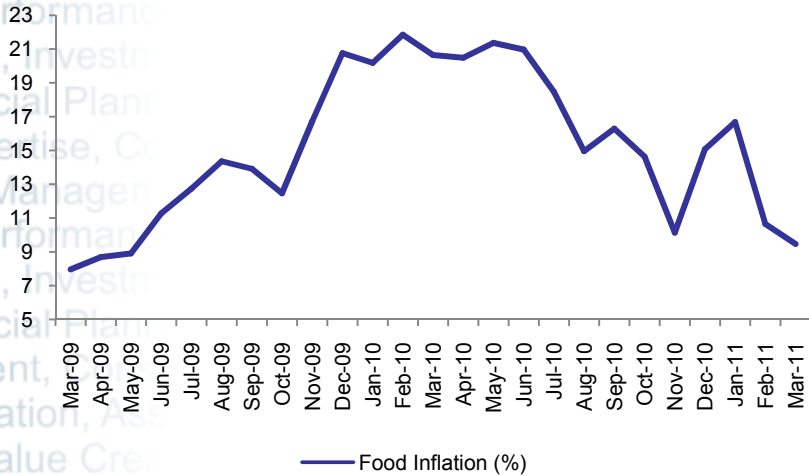
- **Complacency across global markets continued with volatility touching a multi year low**
- **Rating agency Standards and Poor threw a surprise by revising its outlook on sovereign rating of US from 'stable' to 'negative' which also didn't unnerve the markets**
- **Liquidity driven rally in risk assets didn't show any signs of cooling off**
- **Corporate profitability and cash flow generation continues to surprise on upside supporting equity valuations**
- **One needs to be cautious given the low level of margin of safety across asset classes**
- **The US dollar continued on its declining trend with DXY falling from a high of 88 in June'10 to 73 now, which has been one of the major drivers behind surge in prices of several commodities**
- **There are signs of moderation in economic growth and inflation has been running higher than the tolerance level of central banks in most of the economies**
- **Risk appetite may shrink as quantitative easing by federal reserve gets over by end-June and other central banks shifts their attention to deal with inflation**

Inflation continues to be key macro concern for Indian markets

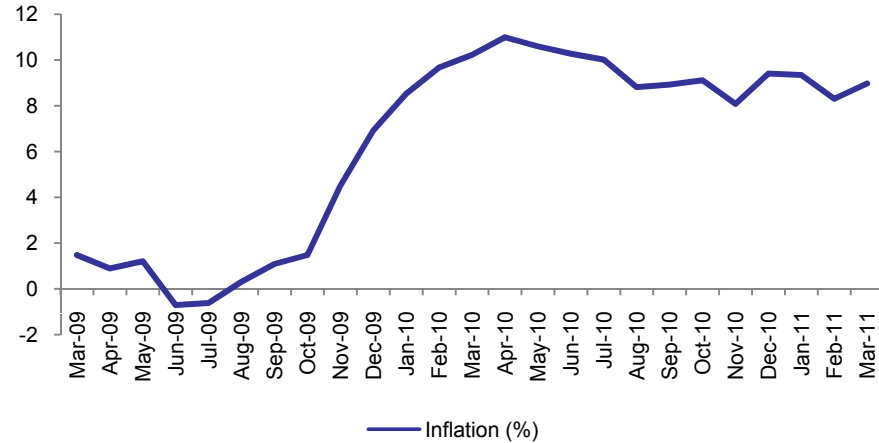
- Inflationary pressures continue to remain high which led RBI also hiking the repo rate by 50 bps in monetary policy instead of continuing with its calibrated approach**
- The Central Bank stance indicated strong action against inflation to continue even at the cost of sacrificing growth in the near term**
- Raw material and wage inflation pressures clearly seen in Q4 corporate performance impacting margins and profitability across sectors**
- With manufacturing inflation continuing to rise and Government yet to pass on the impact of higher crude oil prices, inflation expected to remain high in the first half of FY2012.**
- The markets would keenly watch progress of Monsoon as higher food prices could accelerate inflationary pressures.**
- The positive could come from global commodity prices which we expect to soften. Bounce back in dollar, tight monetary policies pursued by emerging economies, end of QE II by US Fed and slowing growth momentum should take the sheen off commodity markets.**

Rising core inflation is main worry

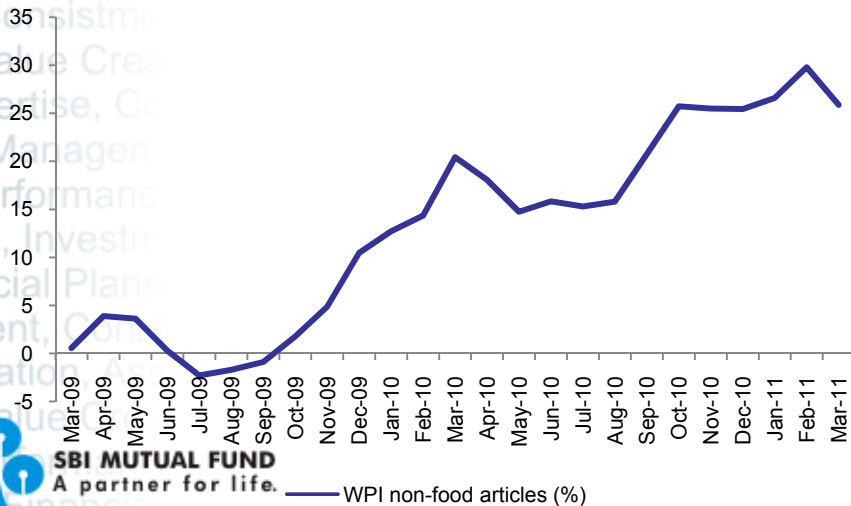
The initial key driver of inflation, food article inflation started to taper down from July'10



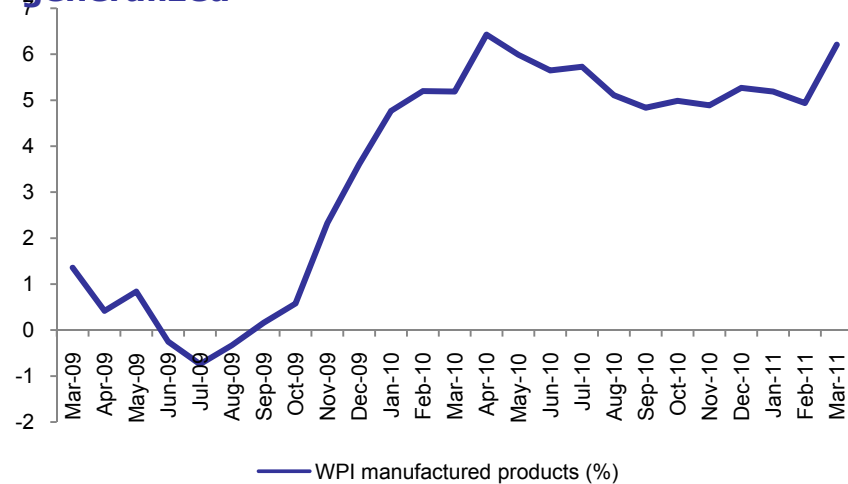
WPI continues to remain way above RBI's comfort zone..



Non-food Primary article inflation started to rise sharply from Aug'10 onwards

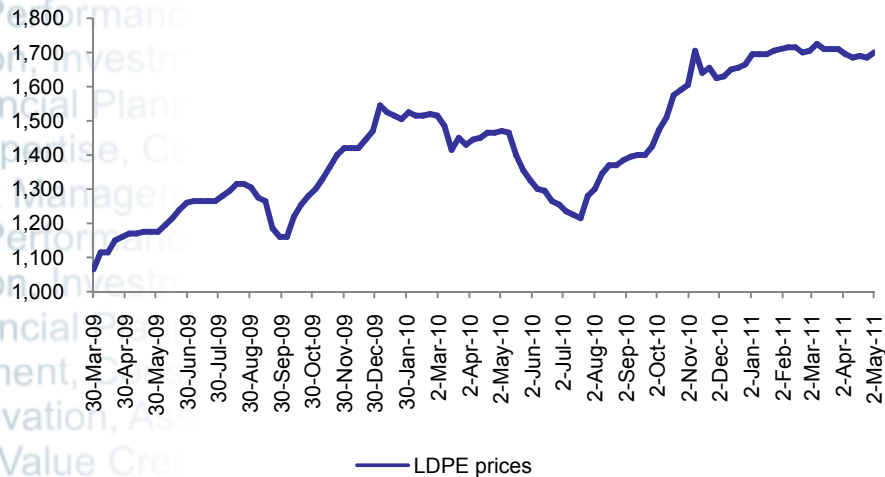


Rise in Manufactured products inflation indicate inflation pressures becoming generalized

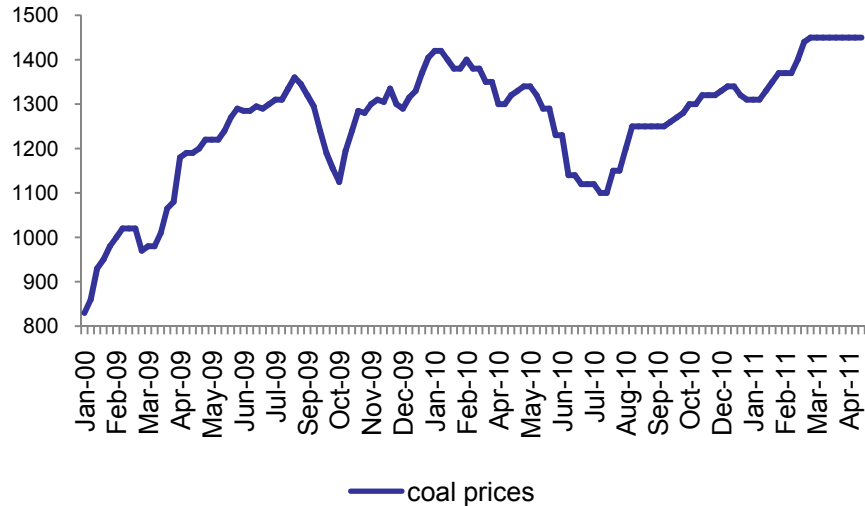


Rise in raw material prices to put pressure on corporate profitability

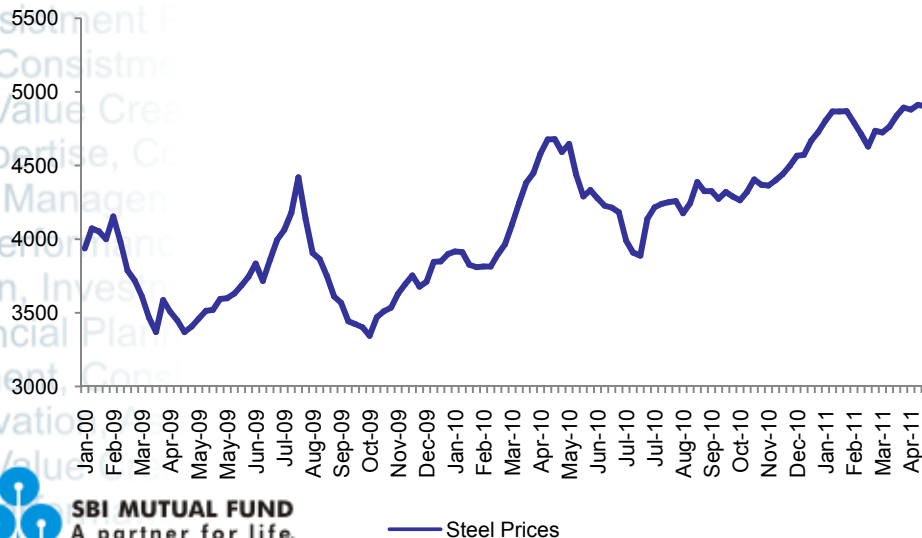
LDPE plastic prices



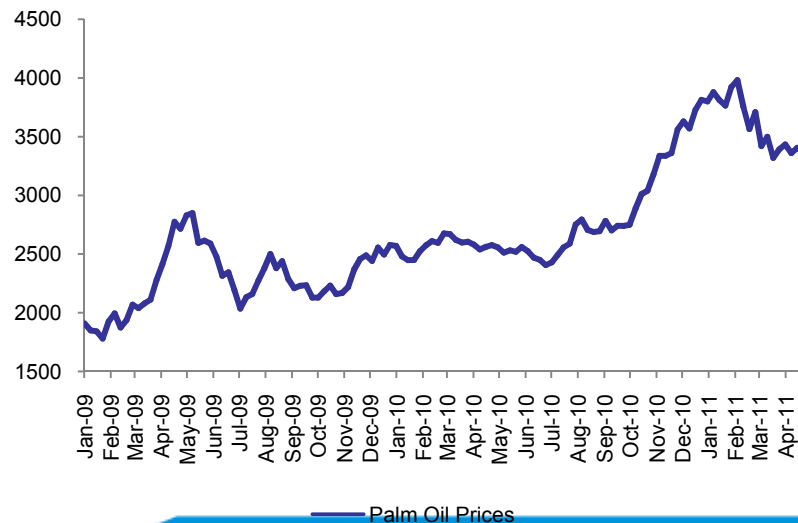
Coal prices



Steel prices

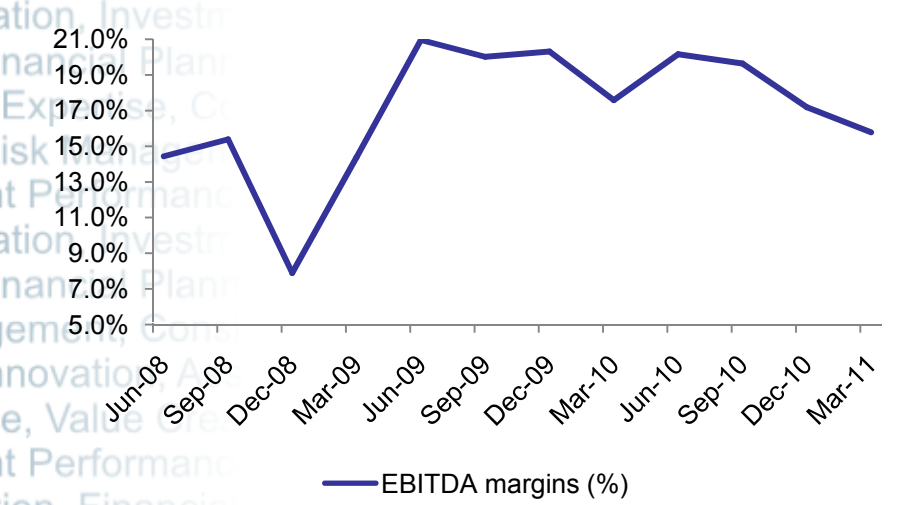


Palm oil prices

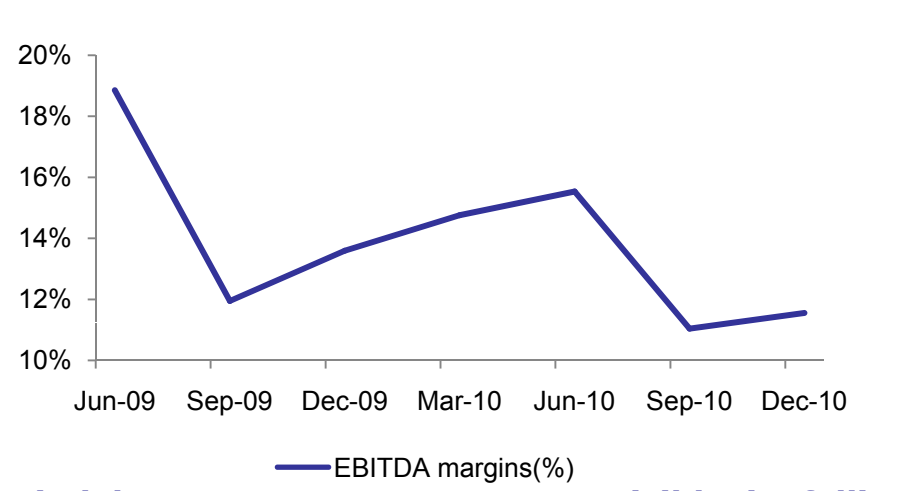


Input cost pressures getting visible in corporate margins and profitability

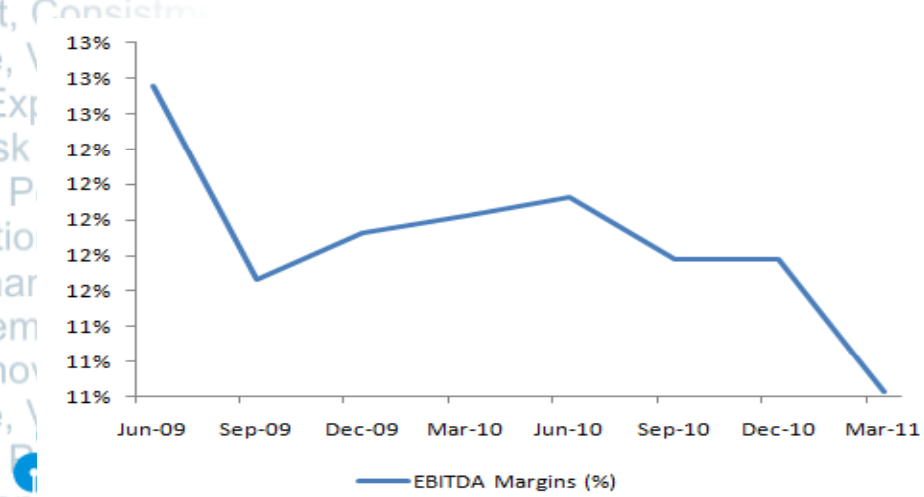
Asian Paints: Material cost inflation continue to be ahead of pricing growth resulting in pressure on margins



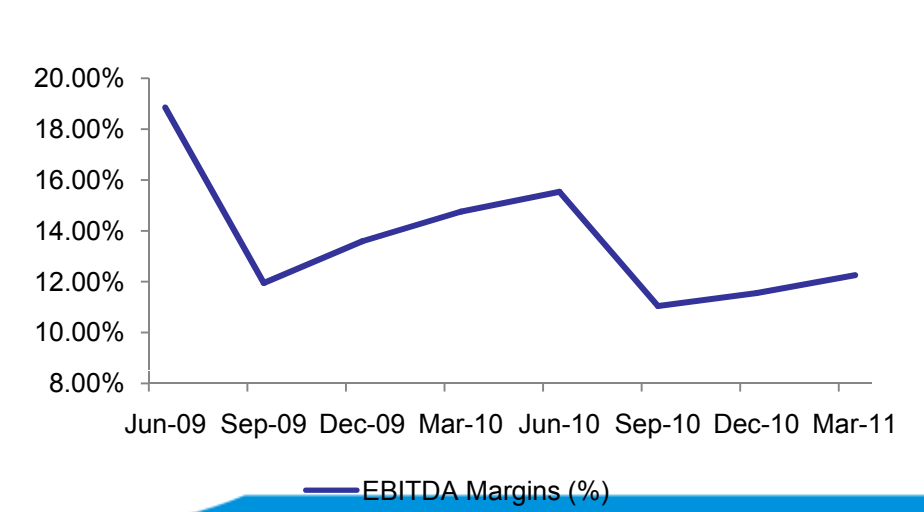
Ultratech Cement: Variable cost increase continue to dent the margins on the back of substantial increase in input and energy costs (Coal prices)



Thermax: Increasing cost pressures continue to dent margins



Hindalco: Input cost pressures visible in falling profitability



RBI turns aggressive, economy growth momentum could get impacted

- With inflation continuing to remain beyond RBI's comfort level, the central bank bites the bullet and hike repo rate by 50 bps

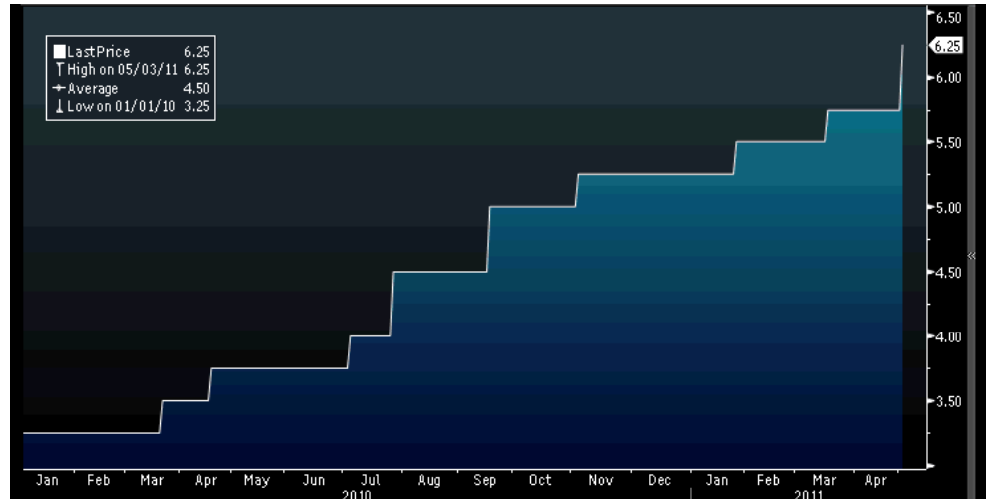
- Given that inflationary expectations are becoming quite entrenched with a serious risk of persistent wage-price spiral, the Central bank reinforced its clear focus on fighting inflation even at the cost of sacrificing growth

- Growth expectations for FY 2012 have been lowered down to 8% from 8.5% earlier

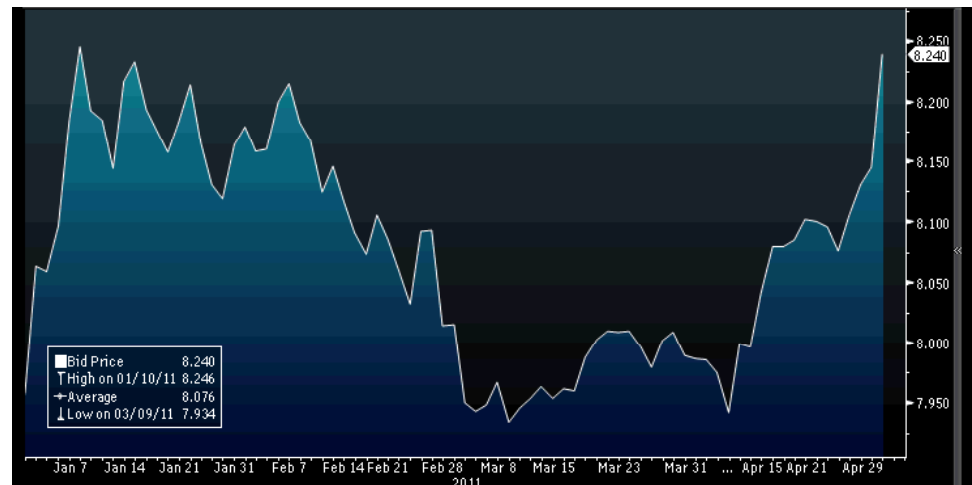
- The Central Bank guided for a higher inflation in the first half while indicating that the yearend inflation for March 2012 would likely to be 6% with an upwards bias.

- The aggressive rate hike has already started to get transmitted in the system with rise in lending rates which does not bode well for the already weak capex cycle

RBI hikes reverse repo by a sharp 50 bps in its annual policy review



10 year G-sec continue to rise on the back of expected rise in policy rates



Indian market underperformed the global indices in April

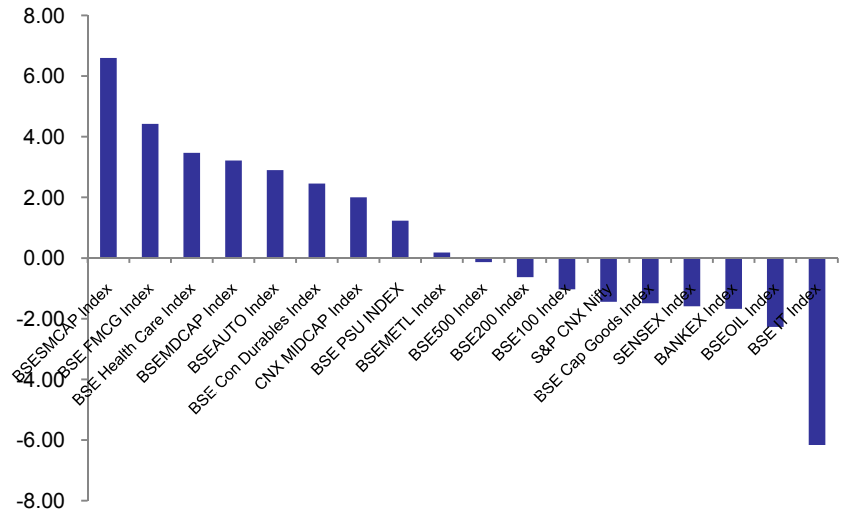
Choppy month with Sensex ending weak



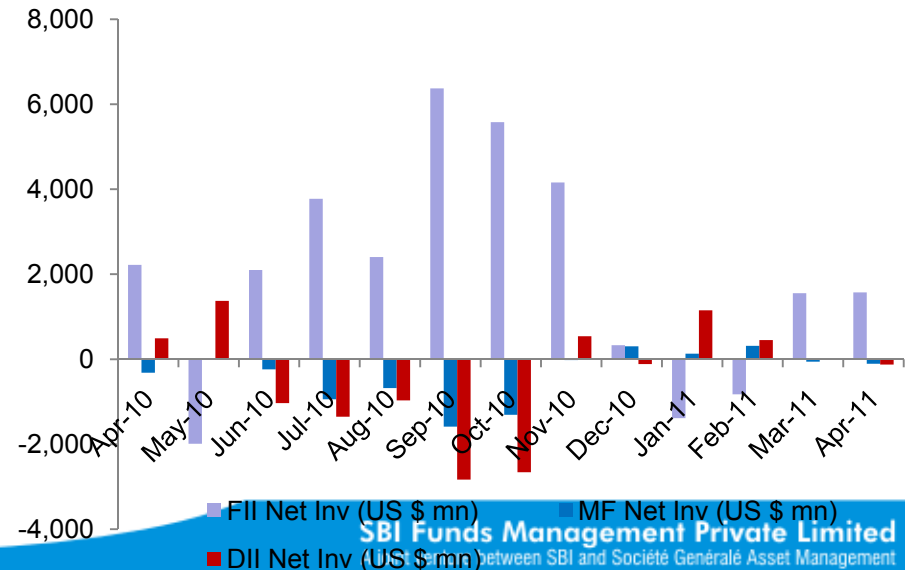
Weakness witnessed across the market including large caps and mid caps



FMCG, Healthcare and Autos were the best performers



Indian markets were largely flat over the month with foreign investors pumping in \$ 1.5 billion dollars and DII and MF remaining net sellers



Equity market outlook

Markets are neither cheap nor expensive, but face multiple headwinds

▪ Inflation remains the primary concern

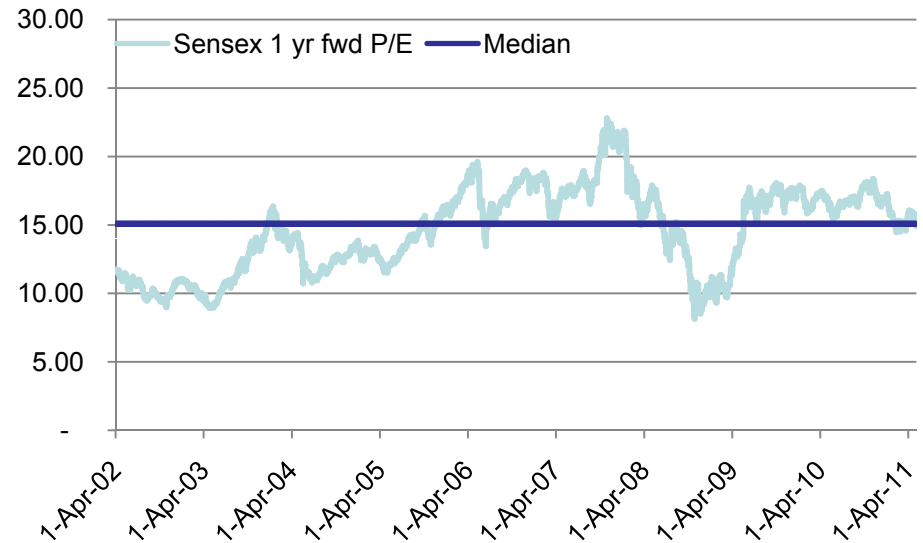
- Monsoon consequently presumes greater significance (food inflation)
- Margins remain under pressure as input costs are rising

▪ Tight liquidity and high interest rates

- Rising cost of capital will deter CapEx spends and reduce discretionary spends.
- Corporate profitability will also get impacted

• Growth expectations to get tempered

- Erstwhile expectations of 8.5% GDP growth for FY12 are getting tempered down



Data source – Bloomberg, FactSet

Equity market outlook – long term potential intact

But, there are a few silver linings

▪ a US\$2 trillion dollar economy

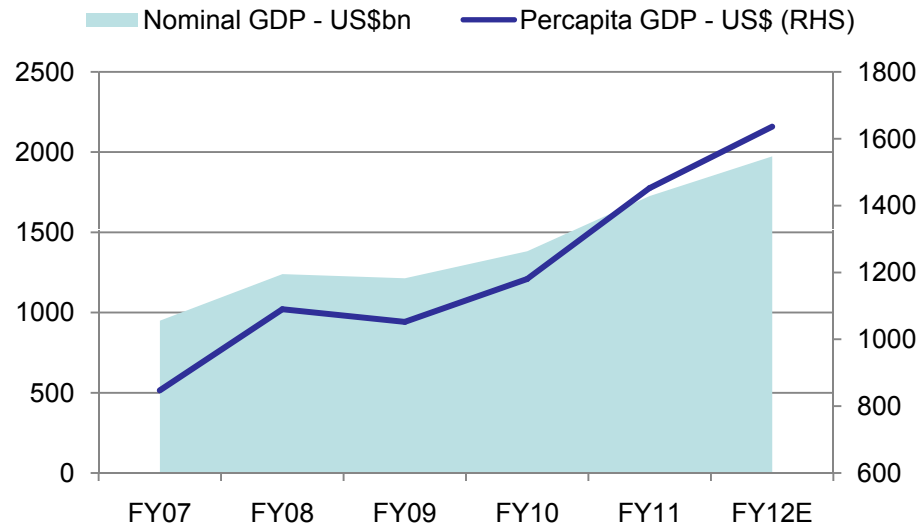
- Nominal GDP is expected to hit the US\$2 trillion mark next year
- The next trillion could come faster as the 'demographic dividend' plays out

▪ Galloping per capita income

- Despite the macro headwinds, consumption remains buoyant as incomes continue to rise, especially in the rural economy
- Per capita income set to rise to US\$1500+, up ~50% in 4 years. This is driving massive consumption in F&B beverages, media, personal products, healthcare, education etc as the J-curve theory plays out

▪ Infrastructure remains a significant opportunity

- Sluggish execution, regulatory bottleneck, slowing order books – but seemingly factored in valuations
- But bulk of the issues will get resolved over time (i.e. Environment, land acquisition)



Data source – Ministry of Finance, Citigroup Investment Research

Fund update

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. May increase cash levels in the fund.

TOP 10 HOLDINGS

Stock Name	(%) Of Total Aum
ICICI BANK LTD	5.98
STATE BANK OF INDIA	5.01
TATA CONSULTANCY SERVICES LIMITED	4.69
INFOSYS TECHNOLOGIES LIMITED	4.33
HDFC BANK LIMITED	4.09
RELIANCE INDUSTRIES LIMITED	3.49
MAHINDRA & MAHINDRA LIMITED	3.23
GAIL (INDIA) LTD (PREV. GAS AUTHORITY OF INDIA)	3.21
CADILA HEALTHCARE LIMITED	3.12
OIL & NATURAL GAS CORPN LTD	2.77
Total	39.92

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 74 – 22 – 4 respectively. We increased our exposure to equities during the month as the markets achieved the bottom during the month.

Equity Strategy: The strategy is to participate in growing companies, with sound management. The portfolio has maintained its bias towards large cap with around 50%:20% mix of large and mid cap respectively keeping in mind the investor profile and return expectations.

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

Key sectors/ themes: We remain firm believers of the inherent growth potential of the economy in terms of consumption and industrial manufacturing. This is reflected in our overweight in these two sectors. We have also enhanced our exposure in the Financials and Energy sectors.

TOP 10 HOLDINGS

Stock Name	(%) Of Total Aum
HINDUSTAN UNILEVER LIMITED (PREV HINDUSTAN LEVER LIMITED)	4.87
STATE BANK OF INDIA	4.82
BHARTI AIRTEL LTD (PREV.BHARTI TELE-VENTURES LIMITED)	4.79
RELIANCE INDUSTRIES LIMITED	4.47
BHARAT ELECTRONICS LTD	3.22
ICICI BANK LTD	2.95
OIL & NATURAL GAS CORPN LTD	2.89
LARSEN & TOUBRO LIMITED	2.54
CUMMINS INDIA LIMITED	2.46
BANK OF INDIA	2.14
Total	35.15

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's underweight call on Banking and IT sector paid off last month. The fund has increased cash levels as a tactical call. Maintains underweight on Metals and overweight positions in Energy and Utilities.

TOP 10 HOLDINGS

Stock Name	(%) Of Total Aum
RELIANCE INDUSTRIES LIMITED	7.35
ICICI BANK LTD	6.10
OIL & NATURAL GAS CORPN LTD	4.16
BHARTI AIRTEL LTD (PREV.BHARTI TELE-VENTURES LIMITED)	3.38
ITC LIMITED	3.29
NTPC LIMITED (PREV. NATIONAL THERMAL POWER CORPORATION)	3.19
HINDUSTAN UNILEVER LIMITED (PREV HINDUSTAN LEVER LIMITED)	2.97
INDIAN HOTELS COMPANY LIMITED	2.76
HDFC BANK LIMITED	2.57
HINDUSTAN ZINC LIMITED	2.44
TOTAL	38.21

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 54%. Relative volatility closely tracked and kept low

Key Calls:

Over-weight Consumer Discretionary, Telecom and Health Care. Under-weight Utilities, Materials and Industrials

Cash levels low. Portfolio remains fairly defensive given a cautious view of the market

TOP 10 HOLDINGS

Stock Name	(%) Of Total Aum
HDFC BANK LIMITED	7.53
STATE BANK OF INDIA	7.04
BHARTI AIRTEL LTD (PREV.BHARTI TELE-VENTURES LIMITED)	6.05
RELIANCE INDUSTRIES LIMITED	6.05
ICICI BANK LTD	5.84
INFOSYS TECHNOLOGIES LIMITED	5.10
ITC LIMITED	4.81
COAL INDIA LIMITED	3.21
BOSCH LIMITED (PREV. MOTOR INDUSTRIES COMPANY LIMITED)	3.18
SUN TV NETWORK LTD (PREVIOUSLY SUN TV LIMITED)	3.01
TOTAL	51.82

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:

Increasing concentration towards the top 10. continues with bottom up strategy with concentrated bets

TOP 10 HOLDINGS

Stock Name	(%) Of Total Aum
PAGE INDUSTRIES LIMITED	8.88
HDFC BANK LIMITED	8.40
MANAPPURAM GENERAL FINANCE & LEASIN	7.12
AGRO TECH FOODS LTD	5.13
TEXMACO RAIL & ENGINEERING LIMITED	5.04
MOTHERSON SUMI SYSTEMS LTD	4.54
GILLETTE INDIA LIMITED	4.39
REDINGTON (INDIA) LTD	4.04
SUN TV NETWORK LTD (PREVIOUSLY SUN TV LIMITED)	3.96
HAWKINS COOKERS LTD	3.80
TOTAL	55.30

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

TOP 10 HOLDINGS

Stock Name	(%) Of Total Aum
REDINGTON (INDIA) LTD	4.94
BOSCH LIMITED (PREV. MOTOR INDUSTRIES COMPANY LIMITED)	4.32
MRF LTD	4.07
BLUE DART EXPRESS LIMITED	3.89
ASIAN PAINTS LIMITED	3.83
SKF INDIA LIMITED	3.38
BLUE STAR LTD	3.26
CADILA HEALTHCARE LIMITED	3.15
GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED	3.12
LUPIN LIMITED	3.11
TOTAL	37.07

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 at reasonable valuations, straddling across different market capitalisations. Focus will be to deliver higher alpha which will be a result from stock selection (mid cap) and sector rotation (large cap). 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 74% Large Cap and 23% Mid & Small Cap. We have reduced our underweight positions in Automobiles, Energy, Financial and Metals sectors during the month and simultaneously reduced our overweight position in Pharma sector.

TOP 10 HOLDINGS

Stock Name	(%) Of Total Aum
RELIANCE INDUSTRIES LIMITED	7.16
ICICI BANK LTD	5.53
HDFC BANK LIMITED	5.23
STATE BANK OF INDIA	4.78
INFOSYS TECHNOLOGIES LIMITED	4.64
OIL & NATURAL GAS CORPN LTD	4.55
ITC LIMITED	4.30
BHARTI AIRTEL LTD (PREV.BHARTI TELE-VENTURES LIMITED)	3.63
HINDALCO INDUSTRIES LIMITED	3.38
ORACLE FINANCIAL SERVICES SOFTWARE LIMITED (PREV. I-FLEX SOLUTI	3.20
TOTAL	46.40

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. May increase cash levels in the fund.

TOP 10 HOLDINGS	
Stock Name	(%) Of Total Aum
STATE BANK OF INDIA	5.66
NESTLE (I) LIMITED	5.44
MAHINDRA & MAHINDRA LIMITED	5.09
BLUE DART EXPRESS LIMITED	4.91
BANK OF INDIA	4.85
ICICI BANK LTD	4.66
LUPIN LIMITED	4.42
INFOSYS TECHNOLOGIES LIMITED	3.90
TATA CONSULTANCY SERVICES LIMITED	3.73
THERMAX LTD	3.49
TOTAL	46.15

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 rallied on geopolitical concerns. 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

DXY versus Gold



Gold prices witness upswing



Thank You

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Asset Management Company: SBI Funds Management Pvt. Ltd. (A joint venture between SBI and
Société Generale Asset Management) 191 Maker Towers 'E', Cuffe Parade, Mumbai - 400 005. Tel:
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