

# MORNINGSTAR®

## FundInvestor

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**Manage Your Money:** Investment Options For Risk-Averse Investors – Part I 1

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## Morningstar's Take

### Investment Options For Risk-Averse Investors – Part I

*We focus on avenues suitable for risk-averse investors and better understand their investment proposition.*

More often than not, the biggest mistake investors make while investing is that they tend to ignore their risk-taking ability. As a result, they end up investing in an avenue whose risk profile is not suitable for them. While some investors are ignorant about the risks associated with a particular investment avenue, there are others, who despite knowing that the avenue is not right for them, try to be adventures by investing in them. Whatever be the reason, the possibility of such an investment leading to a financial disaster is quite high, more so in unfavourable market conditions.

Unsurprisingly, the section of investor who most often find themselves entrapped in such a situation are risk-averse investors. It's worth noting that there are quite a few investment avenues that are perfectly suitable for them. In this article we focus on avenues suitable for risk-averse investors and better understand their investment proposition.

#### 1. Public Provident Fund (PPF)

**Scheme Feature** – Let's start with one of the most popular avenues in this space – the PPF. An offering from the small savings segment, PPF continues to be one of the most favoured investment avenues. One of the major attractions about the scheme is the tax-benefit it offers, apart from assured returns. However, the safety that this avenue offers is its main forte. It makes a good investment option not only for risk-averse investors, but also for others.

PPF runs over a 15-year period and gives an assured return of 8% per annum compounded annually. Having said this, it should be noted that though the scheme offers assured returns the rate of return are subject to revision. Given, the investments in PPF are recurring in nature; an investor has to make annual contributions to keep their account active. While the minimum contribution to the scheme is Rs 500, the maximum is Rs 70,000 in a financial year. The investors on their discretion can invest more monies, but they will not earn interest on the amount in excess of Rs 70,000. The deposits can be made in lump sum or in 12 installments.

**Tax implications** – Contributions in PPF upto Rs 70,000 in a financial year qualify for deduction from income under Section 80C of the Income Tax Act. Furthermore, even the interest income earned on investments in PPF is exempt from tax.

**Liquidity/redemption facility** – Investors can withdraw their investments every year only from seventh financial year (computed from the year, when the first investment is made). This makes PPF a bit unattractive from liquidity point of view. However, loan facility is available from third financial year.

#### 2. National Savings Certificate (NSC)

**Scheme Feature** – Another popular small saving scheme is NSC. Its popularity could be attributed to the lower investment horizon, along with assured returns and tax benefits. The scheme provides investors an opportunity to make a lumpsum investment for a period of six-years. They earn a taxable return of 8.0% per annum compounded on a half-yearly basis. Hence an amount of Rs 100 invested in NSC will grow to Rs 160.1 at maturity after six years.

It should also be noted that, though the interest is compounded on a half-yearly basis, it is payable only at maturity. An investor can start investing with a minimum investment of Rs 100 with no upper limit. Another benefit of investing in NSC is that, since the rate of return is locked at the time of investment, it remains insulated from any later change in rates.

**Tax implications** – Investments in NSC are exempted from tax under Section 80C of the Income Tax Act, upto the maximum limit of Rs 100,000. Moreover, the interest accruing annually is deemed to be reinvested, hence it also qualifies for deduction under Section 80C.

**Liquidity/redemption facility** – From the liquidity point of view, NSC is not very promising. The interest income is received only on maturity. Also no premature investment is allowed. However, premature redemptions are permitted only under special circumstances i.e. on death of the holder, on forfeiture by a pledgee & when ordered by Court of Law.

### 3. Kisan Vikas Patra (KVP)

**Scheme feature** – KVP is another traditional investment avenue from the stable of small savings schemes. KVP doubles the money invested in eight years and seven months. There is no limit for investments. The investments can be made in the denomination of Rs 100, Rs 500, Rs 1000, Rs 5000 and Rs 10000 in all the post offices and Rs 50,000 in all the head post offices.

**Tax implications** – Unlike NSC and PPF, investments in KVP are not eligible for any tax benefit.

**Liquidity/redemption facility** – Compared to NSC and PPF, KVP fares better in terms of liquidity. Investors can make premature encashment after two years and six months from the date of investment.

### 4. Post Office Monthly Income Scheme (POMIS)

**Scheme feature** – For many risk-averse investors, receiving some portion of their investments back at regular intervals could be one of the foremost priorities while making investments. POMIS fits that bill well. Operated from post offices, POMIS offers investors a guaranteed monthly income. The scheme gives a return of 8% per annum (payable on a monthly basis), and runs over a six-year period.

The investments can be made in multiples of Rs 1,500 (which is also the minimum subscription amount) to a maximum limit of Rs 450,000 in a single account and Rs 900,000 in a joint account. Furthermore, investments made after December 8, 2007 are eligible for a 5.0% bonus (of the initial amount invested) on maturity.

**Tax implications** – Investments in POMIS does not attract any tax-benefits. Also, the interest income is subjected to tax.

**Liquidity/redemption facility** – POMIS fares relatively better in terms of liquidity than any other small savings schemes. Apart from providing monthly income to investors, it also allows premature withdrawals after one year. However, the premature withdrawals come with a price. If withdrawals are made after 1 year but before 3 years of investment, a penalty of 2% of the amount deposited is deducted as penalty. If the withdrawals are made after three years, the penalty is 1%.

***Watch this space for more investment options in - Investment options for risk-averse investors – Part II***

Himanshu Srivastava  
Research Analyst  
Morningstar India

*(This article was originally published on the Morningstar India website on 26 May 2011)*

## MARKET ROUNDUP

### Indian Equity Markets

After declining for previous two consecutive months the equity markets witnessed strong gains in June 2011. Markets started off the month on a sluggish note and remained so for the first half of the month tracking unstable global cues, economic slowdown and drop in infrastructure growth (to 5.2% in April from 7.4% a year earlier). Further rate hike by Reserve Bank of India following rise in inflation and weak industrial output also added fuel to fire. Political tensions dragged markets lower. Under the new series India's industrial output in April rose 6.3% as against 13.1% year-on-year. The Reserve Bank of India raised its benchmark rates by 25 basis points to 7.50%, hiked reverse repo rates by 25 bps to 6.50% in a move to arrest surging inflation. Headline inflation rose to a higher- than-expected 9.06% in May from 8.66% in April driven by higher manufactured goods prices, highlighting the limits of successive rate increases in taming price rise.

While the markets took a beating in the first half of the month, the second half was relatively better where positive global cues strongly influenced the market trends. Agreement on Greece's austerity plan and the International Energy Agency's decision to release 60 million barrels of oil in the coming month helped the markets to erase losses. Bouts of negative sentiments did arise with lower-than-forecasted monsoon and expected change in Indo-Mauritius tax treaty however buying seen in index heavyweights as their prices became attractive due to fall in recent sessions, kept the ground solid for the market. Sustained inflows of foreign funds towards the end of the month also provided respite to the markets enabling it to end higher for the month.

Market breadth turned positive towards the end of the month. BSE Sensex touched a high of 17,506 and a low of 18,845 before finally closing 1.9% higher at 18,503 points for the month. Similarly the S&P CNX Nifty edged 1.6% higher at 5,560. The mid cap and small cap stocks underperformed the large caps. Both the BSE Mid-cap and BSE Small-cap indices closed 0.8% and 1% lower for the month.

It was a mixed bag performance on the sectoral front with the BSE Capital Goods index being the top gainer which advanced 6.2% primarily on the back of index heavyweight L&T which grew on account of outstanding order book. This was followed by the BSE FMCG index which grew by 4.9% on the back of expectation of good monsoons which is likely to boost rural demand. BSE Realty index emerged as the top loser with the hike in interest rate by the central bank in its recent monetary policy review. Further a weak investor confidence towards the sector also did no good. The BSE Oil & Gas index too shed 4% on account of profit booking by investors. The BSE Metal, BSE Auto and BSE PSU indices were among the other major losers on the BSE sectoral space.

As per the data released by SEBI, foreign institutional investors (FIIs) were net buyers in equity for the month of June to the tune of Rs 4,571 crores as against being net sellers in previous month. This too helped markets in a big way to recover some of its losses. Year-to-date the FIIs have bought equities worth Rs 2,666 crores. They have been net buyers even in the debt segment to the extent of Rs 311 crores for the month of June. On the other hand, mutual funds were also buyers in both equity and debt segments (Rs 804 crores and Rs 34,738 crores respectively).

### INDIAN INDICES

| Index              | Market Price (Mo-End) | Monthly Return (%) | Return 1-Yr (%) |
|--------------------|-----------------------|--------------------|-----------------|
| BSE SENSEX         | 18,845.9              | 1.9                | 6.5             |
| IISL S&P/CNX Nifty | 5,647.4               | 1.6                | 6.3             |
| BSE 100 India      | 9,803.9               | 0.9                | 3.8             |
| BSE Midcap         | 6,854.1               | -0.8               | -4.1            |

### BSE Smallcap

| Index                 | Market Price (Mo-End) | Monthly Return (%) | Return 1-Yr (%) |
|-----------------------|-----------------------|--------------------|-----------------|
| BSE Capital Goods     | 13,905.6              | 6.2                | -5.5            |
| BSE FMCG              | 4,045.4               | 4.9                | 25.2            |
| BSE BANKEX            | 12,821.1              | 2.2                | 19.1            |
| BSE Power             | 2,612.0               | 2.2                | -17.1           |
| BSE TECK              | 3,694.5               | 1.9                | 12.7            |
| BSE IT                | 6,100.3               | 1.8                | 14.7            |
| BSE Consumer Durables | 6,653.7               | 1.6                | 40.5            |
| BSE Healthcare        | 6,398.0               | 0.1                | 11.3            |
| BSE PSU               | 8,542.7               | -0.5               | -10.2           |
| BSE Auto              | 8,798.5               | -1.5               | 5.7             |
| BSE Metal             | 15,061.9              | -2.3               | 2.4             |
| BSE Oil and Gas       | 9,208.3               | -4.0               | -15.3           |
| BSE Realty            | 2,019.8               | -7.3               | -36.8           |

Data as on June 30, 2011 in Base Currency

Source: Morningstar Direct

## Global Equity Markets

**US:** Stock markets in the U.S. fell in May with the Dow Jones Industrial Average down by 1.2%. Stocks were affected by developments in the Euro zone. Investors remained cautious for most of the month as consensus on another bailout for Greece could not be arrived at. Sentiment, however, improved after Greece's government first survived a confidence vote and then passed a five year austerity bill through parliament.

On the domestic front, market movement was directed by economic releases. Weak economic reports during the month included a downbeat non-farm payrolls report which showed that U.S. employers added the fewest jobs in eight months in May.

Meanwhile, the IMF reduced its GDP growth forecast for U.S. down to 2.5% this year, from its April estimate of 2.8%. But the country's GDP growth for the first quarter was revised upwards to 1.9% in the final estimate, from 1.8% earlier. The Fed kept interest rates unchanged at its policy meet, saying that the economic recovery has been weaker than expected. It now estimates the economy to grow between 2.7-2.9% this year, down from the previous estimate of 3.1-3.3% in its April meeting.

**Europe:** Markets in the region were mixed, with Germany's DAX rising 1.1%, while Britain's FTSE and Paris' CAC fell 0.7% and 0.6% respectively. Stock markets across Europe were closely following developments in debt-ridden Greece for cues. Sentiment remained cautious for most of the month as uncertainty remained not only regarding the possibility of a second bailout for the country but also regarding political stability.

Markets got a boost after the Greek government won the confidence vote, raising hopes that it would initiate austerity steps, required for another bailout. Later in the month, Greece moved closer to a solution as the parliament approved a five-year austerity plan, which cheered markets.

Meanwhile, the European Central Bank (ECB) and the Bank of England (BOE) left their respective key interest rates unchanged at 1.25% and 0.5% respectively, in line with market expectations. However, on July 7, ECB raised interest rates a quarter of a percentage point to 1.5%.

An easing in the inflation rate prevailing in the region helped lift sentiments. Eurozone annual inflation eased to 2.7% in May, from 2.8% in April. Apart from the evolving situation in the Euro, domestic developments also affected the FTSE. The Bank of England minutes signaled UK interest rates were unlikely to rise from their record low 0.5% this year and indicated a greater chance of the central bank opting instead for more quantitative easing.

UK's GDP increased 0.5% in the first quarter compared to a decrease of 0.5% in the previous quarter. However manufacturing growth in the U.K. unexpectedly slowed down in June.

### INTERNATIONAL INDICES

| Region / Index                | Country            | Market Price (Mo-End) | Monthly Return (%) | Total Return YTD (%) |
|-------------------------------|--------------------|-----------------------|--------------------|----------------------|
| <b>US</b>                     |                    |                       |                    |                      |
| DJ Industrial Average         | United States      | 12,414.3              | -1.2               | 7.2                  |
| S&P 500                       | United States      | 1,320.6               | -1.8               | 5.0                  |
| NASDAQ 100                    | United States      | 2,325.1               | -2.0               | 4.8                  |
| <b>Europe</b>                 |                    |                       |                    |                      |
| FSE DAX                       | Germany            | 7,376.2               | 1.1                | 6.7                  |
| Euronext Paris CAC 40         | France             | 3,982.2               | -0.6               | 4.7                  |
| FTSE 100                      | United Kingdom     | 5,945.7               | -0.7               | 0.8                  |
| <b>Asia Pacific</b>           |                    |                       |                    |                      |
| BSE SENSEX India              | India              | 18,845.9              | 1.9                | -8.1                 |
| JSX Composite                 | Indonesia          | 3,888.6               | 1.3                | 5.0                  |
| KLSE Composite Malaysia       | Malaysia           | 1,579.1               | 1.3                | 3.6                  |
| Nikkei 225 Average            | Japan              | 9,816.1               | 1.3                | -4.0                 |
| Shanghai SE Composite         | China              | 2,762.1               | 0.7                | -1.6                 |
| FTSE/SGX STI                  | Singapore          | 3,120.4               | -1.2               | -2.2                 |
| KSE KOSPI Korea               | South Korea        | 2,100.7               | -2.0               | 2.4                  |
| S&P/ASX 200                   | Australia          | 4,608.0               | -2.1               | -2.9                 |
| SET 50                        | Thailand           | 729.8                 | -3.2               | 1.3                  |
| TSEC 50                       | Taiwan             | 5,865.4               | -4.8               | -4.1                 |
| Hang Seng HSI                 | Hong Kong          | 22,398.1              | -5.4               | -2.8                 |
| <b>Other Emerging markets</b> |                    |                       |                    |                      |
| RTS RTSI                      | Russian Federation | 1,906.7               | 1.0                | 7.7                  |
| BOVESPA Ibovespa              | Brazil             | 62,403.6              | -3.4               | -10.0                |

Data as on June 30, 2011 in Base Currency

Source: Morningstar Direct

**Asia:** Asian stock indices under review remained mostly negative with India's BSE Sensex outperforming its Asian peers by rising 1.85%. Hong Kong's Hang Seng index fell the most, down 5.4%. Indices across countries in Asia were affected by developments in Europe, data from the US and China, and commodities prices.

Hong Kong stocks fell after the People's Bank of China raised the reserve-requirement again and on concerns over a possible Greek default. Stocks also tailed movement in global commodities prices. However, further losses were averted after Greece passed its austerity plan towards the end of the month.

China's Shanghai Composite index rose 0.7% but was under pressure during the month due to some weak economic releases. Weaker than expected Chinese trade data, a rise in consumer inflation to a 34-month high of 5.5% in May to which the central bank responded by raising the bank reserve ratio by 50 bps, led to weakness in markets.

Japan's Nikkei rose 1.3% as the Yen depreciated against the Euro; thus helping the exporter heavy benchmark.

## Indian Debt Markets

The scenario in the government bonds segment has been un-conducive for a while now. Surging crude oil prices, hike in domestic fuel prices, persistent inflationary pressure and rising interest rates have been adversely impacting government bonds. Infact, they were severely hit due to these factors in the first two months of the FY 2011-12 (i.e. April and May). However, But it was not an easy ride for them as a host of factors impacted them, both positively and negatively, at different points in time during the month.

Government bonds started the month on a positive note as lower-than-expected GDP growth reading eased inflationary concerns to some extent. Also, reports suggesting that the government's cash position was comfortable and that it may tweak its borrowing schedule if yields remain at elevated levels prompted market participants to cover short positions. This led to a sharp surge in bond prices. In the past, government bonds have been severely hit due to the higher-than-scheduled amount of borrowing by the government to meet its short-term funds requirement.

Baring few intermittent hiccups, government bond's continued with their good run for more than first half of the month. The major hindrance that government bonds faced within this period was when market participants refrained from taking big positions, ahead of the release of May inflation data and Reserve Bank of India's mid-quarter policy review. Market sentiments were severely hit then due to an unexpected sharp rise in May headline inflation. This resulted in sharp fall in the government bond prices. It also fanned fears that RBI may continue with its aggressive approach, it adopted in the previous review, while announcing its mid quarter policy review on June 16, 2011. (As per the data released recently, Wholesale price index (WPI) rose an annual 9.44% in June as against 9.06% in May, driven by higher manufactured goods and fuel prices).

However, RBI's decision of not adopting aggressive stance while announcing its mid-quarter policy review, despite inflation repeatedly overshooting the central bank's comfort level, soothed market sentiments a great deal. In line with market expectation, RBI hiked repo and reverse repo rates by 25 basis points each. This not only helped government bonds to surge sharply, but in the process it also recovered losses and posted gains.

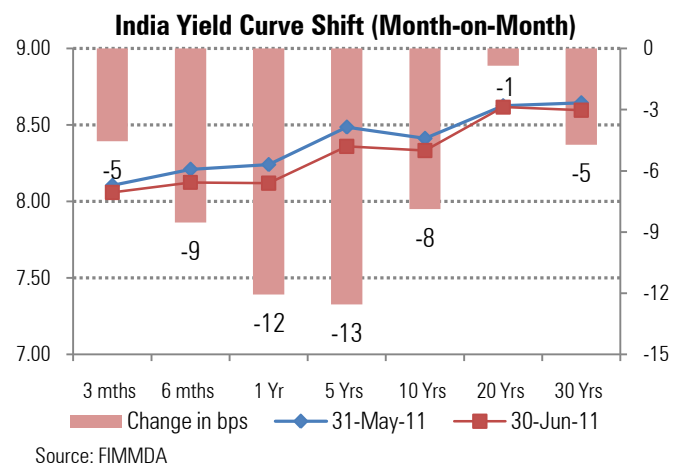
But towards the end of the month, government bonds started to lose steam on the back of a few negative cues. Hike in fuel prices, concerns of inflation touching double digit and improved global economic outlook dragged government bonds down. However, the fall was not enough to negate the gains it made earlier in the month.

The first trigger which set government bonds on downward march was the hike in diesel, kerosene and LPG prices announced on June 24, 2011. It's also worth mentioning here that the government, in May, hiked petrol price by Rs 5 per litre. The government also scrapped customs duty on crude oil and cut customs duty on petrol and diesel. Excise duty on diesel was also reduced. This raised concerns over the government attaining its 4.6% fiscal deficit target. Government bonds also fell as global risk appetite improved after the Greek parliament voted in favour of the proposed austerity measures, clearing the way for a bailout plan for the country. Besides these, movement of crude oil prices also impacted government bond prices at different points in time during the month. However, the fall was restricted as some market participants bought securities to prop up their balance sheets at the end of the first quarter of FY 2011-12.

On a month-on-month basis, yields on government bonds fell across board. Yields fell by 5 bps, 9 bps and 12 bps in the three month, six month and one year segments. Yield on 10 year benchmark 7.80%, 2021 bond fell by 8 bps during the month.

| Debt Indicators | Jun - 2011 | May - 2011 |
|-----------------|------------|------------|
| Call Rate       | 7.36       | 7.33       |
| NSE Mibor 1 Mn  | 9.07       | 8.90       |
| 3 Mn CP         | 8.90       | 10.26      |
| 10 Year Gilt    | 8.33       | 8.41       |
| Reverse Repo    | 6.50       | 6.25       |
| Repo            | 7.50       | 7.25       |
| Bank Rate       | 6.00       | 6.00       |
| CRR             | 6.00       | 6.00       |

Source: Morningstar, RBI, CCIL



## MUTUAL FUND UPDATE

### Fund Flows & Asset Trends

| Mutual Fund Categories - Net Flows and AUM Growth Trend |                              |                               |                        |                         |                       |                       |
|---|------------------------------|-------------------------------|------------------------|-------------------------|-----------------------|-----------------------|
| Mutual Fund Categories                                  | Net Flows in May (Rs in Cr.) | Net Flows in June (Rs in Cr.) | AUM in May (Rs in Cr.) | AUM in June (Rs in Cr.) | % Change in AUM (MoM) | % Change in AUM (YoY) |
| Gold ETFs   | 569                          | 252                           | 5,463                  | 5,568                   | 1.9                   | 187.2                 |
| Equity  | 1,546                        | 20                            | 167,470                | 168,966                 | 0.9                   | (5.2)                 |
| ELSS  | (68)                         | (80)                          | 24,726                 | 24,914                  | 0.8                   | 0.2                   |
| Gilt  | (82)                         | (88)                          | 3,336                  | 3,273                   | (1.9)                 | 1.4                   |
| Balanced  | 217                          | 84                            | 18,376                 | 17,558                  | (4.5)                 | (1.9)                 |
| Income  | (11,141)                     | (16,564)                      | 323,327                | 305,566                 | (5.5)                 | (6.9)                 |
| FOF Overseas  | 343                          | (42)                          | 2,886                  | 2,707                   | (6.2)                 | 2.6                   |
| Other ETFs  | (631)                        | (210)                         | 2,242                  | 2,057                   | (8.3)                 | 81.2                  |
| Liquid/Money Market                                     | (39,603)                     | (45,814)                      | 183,622                | 142,567                 | (22.4)                | 98.4                  |
| <b>Total</b>  | <b>(48,850)</b>              | <b>(62,442)</b>               | <b>731,448</b>         | <b>673,176</b>          | <b>(8.0)</b>          | <b>6.8</b>            |

Source: AMFI, Morningstar Compilations; Data sorted based on % change in AUM (MoM)

The net flows in debt-oriented mutual fund schemes have traditionally dictated the direction in which the assets of mutual fund industry move; and the month of June was no different. Due to huge net outflows from Income and Liquid fund categories, the industry witnessed a net outflow of Rs 62,442 crores during the month. This resulted in its assets dropping by 8.0% to Rs 673,176 crores as on June 2011 from Rs 731,448 crores in May 2011. Except for Equity, ELSS and Gold ETF categories, the assets of all other mutual fund categories fell during the month. Also, it's a second month in a row when industry witnessed a fall in its asset base. In May, the assets fell by almost 7%.

Liquid fund category was the worst hit during the month and contributed in no small measure to the industry's falling asset base. In June, the category witnessed a net outflow of Rs 45,814 crores. This resulted in its assets falling by a massive 22.4%. Subsequently, its contribution to the industry's overall asset base also reduced to 21% from 25% in May.

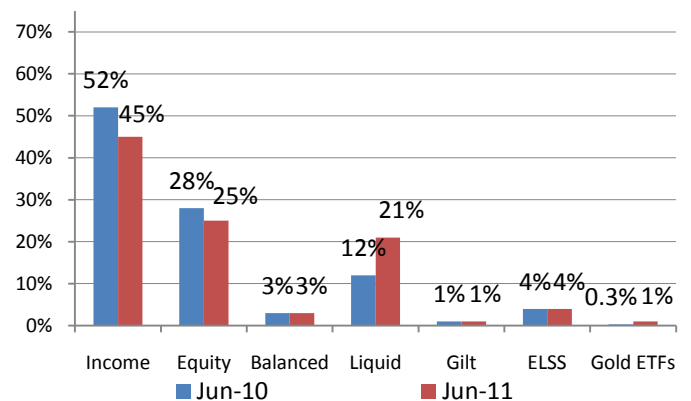
Besides liquid fund category, income fund category also witnessed net outflows in the month of June to the tune of Rs 16,564 crores. Subsequently, its assets recorded a fall of 5.5%.

The net outflows that the liquid and income fund categories witnessed in June could be attributed to the institutions and corporates redeeming their investments in order to make advance tax payment for the quarter ended June 2011.

During the month, both BSE Sensex and S&P CNX Nifty delivered returns in excess of 1.5%. As a result, equity-oriented mutual fund categories such as Equity and ELSS saw their assets swell by 0.9% and 0.8% respectively. Of these two categories, while Equity fund category received a net inflow of Rs 20 crores, ELSS witnessed a net outflow of Rs 80 crores in June 2011.

Gold ETF continued to draw investor attention as it received a net inflow of Rs 252 crores during the month. Subsequently, its assets grew by 1.9%. On the contrary, other ETF category saw a net outflow of Rs 210 crores and its assets fell by 8.3% in June 2011.

Change in % share in total AUM (Year-on-Year)



Source: AMFI; Morningstar Compilations

## Fund Category Performance

- After two consecutive months of decline, positive global cues and strong foreign fund inflows helped markets report gains in the month of June 2011. BSE Sensex ended 1.9% higher while the S&P CNX Nifty edged 1.6% higher. The same was reflected in the performance of the equity fund categories. The Morningstar large cap category delivered an average return of 1.1%. Despite the mid cap stocks underperforming their large cap peers the Morningstar Mid & Small cap category (up 0.8%) performed better than the BSE Mid cap index which declined by 0.8%.
- Among sector oriented funds, the Morningstar FMCG category emerged as the top performer for the third month in a row. The reason for this outperformance can be attributed to normal monsoon this year which provided a boost to FMCG stocks as this would improve the rural demand. In line with the BSE FMCG index (which advanced 4.9%), the Morningstar India FMCG category delivered a return of 5.5% during the month. Within the category, ICICI Prudential FMCG fund emerged as the top performer over a one month time frame, delivering a return of 7.4%.
- The Banking & Financial services oriented funds were among the second best performers during the month on account of strong credit offtake and fresh buying seen in these stocks. The Morningstar Banking & Financial category posted a return of 1.8% in June, more or less in line with the BSE Bankex index which returned 2.2% over the same period. Within the Banking & Financial services category, Religare Banking continued to cling to its top position by delivering close to 2.5%. On the Morningstar risk-adjusted returns basis also, the fund performed far better than its peers.
- The only bottom performing fund category in June 2011 was the Morningstar Power category which returned -0.6%. The category had a very poor performance even during the previous month. This underperformance came in despite positive returns reported by the BSE Power index which advanced by 2.2%. What can be observed here is that despite their nature as power funds, these mutual funds also invest in companies related to energy sector. And it is the poor performance of the energy stocks during the month which has typically impacted the Power category funds performance.
- On the fixed income side, bond prices grew as RBI did not adopt aggressive stance while announcing its mid-quarter policy review, despite inflation repeatedly overshooting the central bank's comfort level. However the rise in crude prices, and hike in auto fuel prices continues to raise concerns on inflation, which in turn keeps government bonds under pressure. On a month-on-month basis, yields on government bonds fell across board. Yields fell by 5 bps, 9 bps and 12 bps in the three month, six month and one year segments.
- The fall in bond yields in June, led to Intermediate and long term bond funds outperforming short term bond funds and liquid funds during the month. The Morningstar liquid and Short Term Bond categories were among the bottom performers with 0.4% and 0.5% monthly returns. Meanwhile, the Morningstar Intermediate and Long Term Bond categories were the top performers, delivering returns of 1% and 0.9% in June.

### CATEGORY AVERAGES

| Morningstar Category         | Return (%) | Return (%) | Return (%) | Return (%) |
|------------------------------|------------|------------|------------|------------|
|                              | 1 Month    | 3 Month    | 6 Month    | 1 Year     |
| <b>Equity</b>                |            |            |            |            |
| FMCG                         | 5.5        | 8.2        | 20.4       | 26.1       |
| Banking & Financial Services | 1.8        | -6.8       | 13.7       | 27.5       |
| Technology                   | 1.5        | -10.6      | 6.6        | 12.2       |
| ELSS (Tax Savings)           | 1.2        | -7.9       | 3.5        | 13.7       |
| Health                       | 1.1        | -0.2       | 9.6        | 25.5       |
| Large Cap                    | 1.1        | -8.1       | 3.0        | 12.3       |
| Small/Mid Cap                | 0.8        | -8.6       | 0.5        | 13.4       |
| Power                        | -0.6       | -11.8      | -9.2       | 10.9       |
| <b>Asset Allocation</b>      |            |            |            |            |
| Moderate Allocation          | 1.1        | -3.3       | 4.8        | 12.3       |
| Conservative Allocation      | 0.7        | 0.9        | 4.3        | 7.3        |
| <b>Fixed Income</b>          |            |            |            |            |
| Intermediate Bond            | 1.0        | 2.9        | 5.0        | 6.3        |
| Long-Term Bond               | 0.9        | 2.3        | 3.8        | 7.3        |
| Long Government              | 0.9        | 1.9        | 3.9        | 6.5        |
| Short-term Bond              | 0.8        | 3.4        | 5.4        | 6.6        |
| Intermediate Government      | 0.7        | 2.2        | 3.9        | 6.3        |
| Ultrashort Bond              | 0.5        | 3.2        | 5.7        | 5.3        |
| Short Government             | 0.5        | 2.3        | 4.3        | 4.6        |
| Liquid                       | 0.4        | 2.8        | 5.2        | 4.5        |

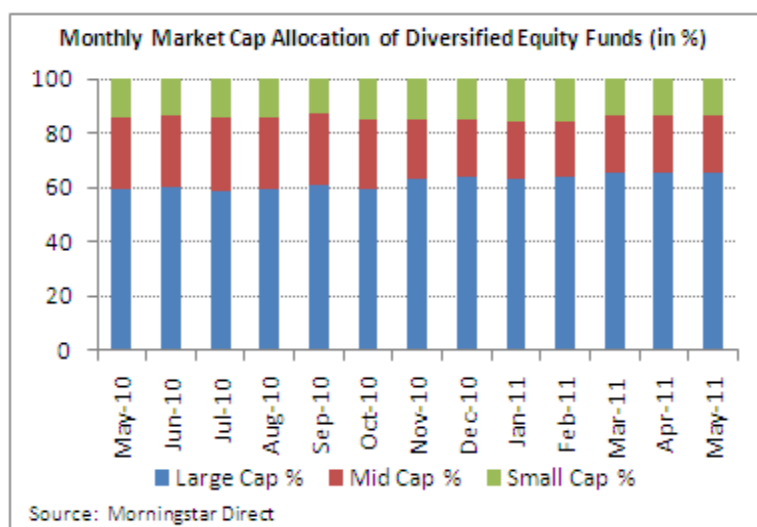
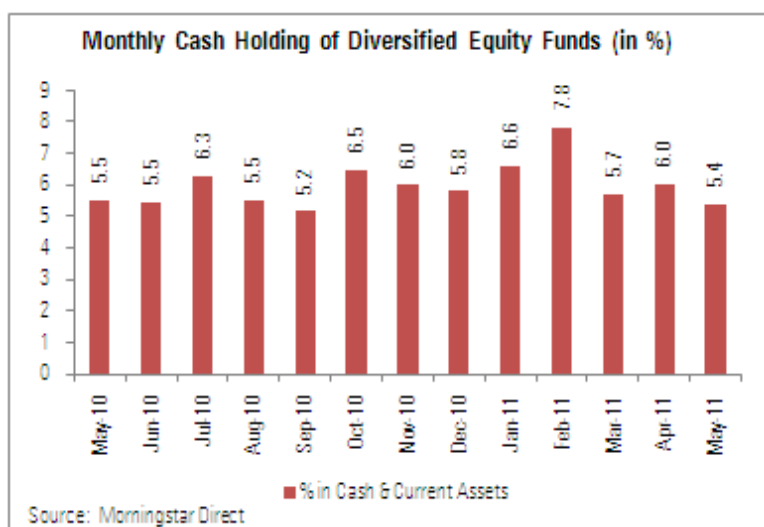
Data as on June 30, 2011

Source: Morningstar Direct

## Portfolio Analysis of Diversified Equity Funds\*

| Monthly Sector Exposure of Diversified Equity Funds (in %) |          |       |         |            |                    |                |                      |        |           |
|--|----------|-------|---------|------------|--------------------|----------------|----------------------|--------|-----------|
| Month  | Software | Media | Telecom | Healthcare | Financial Services | Consumer Goods | Industrial Materials | Energy | Utilities |
| May-10   | 7.3      | 2.3   | 2.6     | 6.8        | 20.6               | 14.4           | 29.7                 | 6.4    | 5.2       |
| Jun-10   | 7.2      | 2.4   | 2.8     | 6.7        | 19.6               | 13.7           | 30.6                 | 6.8    | 5.4       |
| Jul-10   | 8.7      | 2.5   | 2.6     | 6.6        | 21.0               | 12.0           | 29.6                 | 7.9    | 5.1       |
| Aug-10   | 8.6      | 2.6   | 2.7     | 6.5        | 21.4               | 12.6           | 26.7                 | 10.0   | 5.0       |
| Sep-10   | 8.4      | 2.4   | 2.7     | 6.2        | 22.2               | 12.7           | 27.1                 | 9.6    | 5.0       |
| Oct-10   | 8.7      | 2.3   | 2.6     | 6.6        | 22.6               | 14.5           | 24.8                 | 9.7    | 4.8       |
| Nov-10   | 9.1      | 1.8   | 2.7     | 6.6        | 22.2               | 14.7           | 24.7                 | 10.1   | 5.1       |
| Dec-10   | 10.2     | 1.9   | 2.8     | 6.6        | 21.3               | 14.3           | 24.6                 | 10.3   | 5.0       |
| Jan-11   | 10.4     | 1.9   | 2.4     | 6.6        | 20.6               | 14.8           | 24.6                 | 10.5   | 5.2       |
| Feb-11   | 10.5     | 1.9   | 2.4     | 6.5        | 21.1               | 15.0           | 24.1                 | 10.7   | 5.1       |
| Mar-11   | 10.0     | 1.7   | 2.7     | 5.8        | 22.4               | 15.3           | 23.5                 | 11.4   | 4.7       |
| Apr-11   | 9.1      | 1.8   | 3.0     | 5.9        | 21.9               | 15.2           | 24.2                 | 11.5   | 5.0       |
| May-11   | 9.6      | 2.2   | 3.1     | 6.2        | 21.9               | 15.5           | 22.8                 | 11.2   | 4.9       |

Source: Morningstar Direct



\*Diversified equity funds are those funds belonging to Morningstar India Large Cap and Small/Mid Cap categories. We have taken the average exposure of all funds within these categories.

- On a quarter-on-quarter basis, fund managers have been paring down their cash holding, with the average cash holding of all diversified equity funds reducing to 5.4% at the end of May 2011. Average cash levels had been increased to 7.8% in the month of February 2011.
- Diversified equity funds have been gradually increasing their exposure to mid cap stocks during the quarter, after cutting down exposure in the previous quarter. Average exposure to midcap stocks increased from 20.5% in March 2011 to 21.3% in May 2011. However, exposure to these stocks is considerably lower from a year ago, when average exposure was close to 27%.
- Diversified equity funds pared down exposure to industrial materials (capital goods) and technology stocks during the quarter. At the same time exposure to sectors like healthcare, consumer goods and media were increased over the same period.

## Mutual Fund News

### **Birla Sun Life Mutual Fund launches Birla Sun Life Nifty ETF**

Birla Sun Life has launched a new open ended exchange traded namely, Birla Sun Life Nifty ETF. The objective of the scheme is to generate returns that closely correspond to the total returns of securities as represented by S&P CNX Nifty. The new fund will be open for subscription from 4th July to 18th July 2011, at an offer price of Rs 10 per unit. The performance of the scheme will be benchmarked against S&P CNX Nifty and will be managed by Satyabrata Mohanty.

### **ICICI Prudential Mutual Fund launches Its Capital Protection Oriented Fund**

ICICI Prudential Mutual Fund has launched ICICI Prudential Capital Protection Oriented Fund – Series III – 36 Months Plan, a close ended capital protection oriented fund. The new fund will be open for subscription from 1st July to 15th July 2011, at an offer price of Rs 10 per unit. The investment objective of the scheme is to seek to capital protection by investing a portion of the portfolio in good quality debt securities and money market instruments and also to provide capital appreciation by investing the balance in equity and equity related securities. The debt portion of the scheme will be managed by Mr. Chaitanya Pande and the equity portion will be managed by Mr. Mrinal Singh.

### **JPMorgan Mutual Fund launched JPMorgan JF ASEAN Equity Off-shore Fund**

JP Morgan Mutual Fund launched JP Morgan ASEAN Equity Off-shore Fund, an open ended fund of funds scheme. The fund new fund offer period was from 10th June to 24th June 2011. The fund has an objective to provide long term capital growth by investing predominantly in JPMorgan Funds – JF ASEAN Equity Fund, which is an equity fund which invests primarily in companies of countries which are members of the Association of South East Asian Nations (ASEAN). The fund will be managed by Mr. Namdev Chougule and will be benchmarked against MSCI South East Asia Index.

### **Government allows QFIs to invest upto \$10 bn in Indian MFs**

Government allowed foreign investors, other than FIIs, to invest up to \$10 bn in domestic mutual funds. This class of investors will be called Qualified Foreign Investors (QFIs) and can invest money into domestic mutual funds through Unit Confirmation Receipts or Depository Participant route. SEBI will regulate both the channels of investment and frame the detailed eligibility conditions by August 1.

### **JM Financial Mutual Fund announces merger of JM Nifty Plus Fund and JM Emerging Leaders Fund**

JM Financial Mutual Fund announced the merger JM Nifty Plus Fund and JM Emerging Leaders Fund. JM Nifty Plus Fund will be merged into JM Equity Fund (surviving scheme) and JM Emerging Leaders Fund will be merged into JM Multi Strategy Fund (surviving scheme). The change will be effective from 29th July 2011.

## MORNINGSTAR TOP RATED FUNDS OVER 3 YEARS

| Large Cap Funds                   |                    |                |                          |                                |      |      |                              |              |                   |                   |                             |                              |
|-----------------------------------|--------------------|----------------|--------------------------|--------------------------------|------|------|------------------------------|--------------|-------------------|-------------------|-----------------------------|------------------------------|
| Scheme Name                       | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating** | Total Return (Annualized) in % |      |      | Historical Risk Ratios 3 Yrs |              |                   | Net Expense Ratio | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr |
|                                   |                    |                |                          | 1 Yr                           | 3 Yr | 5 Yr | Std Dev (%)                  | Sharpe Ratio | Information Ratio |                   |                             |                              |
| UTI Dividend Yield                | 3,262.5            | Mar-11         | ★★★★★                    | 8.7                            | 22.4 | 21.1 | 24.9                         | 1.0          | 0.7               | 2.0               | High                        | Low                          |
| ICICI Prudential Focused Bluechip | 1,968.8            | May-11         | ★★★★★                    | 13.5                           | 22.5 | N.A  | 33.1                         | 0.8          | 0.7               | 2.1               | High                        | Below Avg                    |
| HDFC Equity                       | 9,419.3            | May-11         | ★★★★★                    | 11.0                           | 25.3 | 19.8 | 31.9                         | 0.9          | 0.8               | 1.8               | High                        | Above Avg                    |
| Quantum L/T Equity                | 77.9               | May-11         | ★★★★★                    | 9.0                            | 23.2 | 17.7 | 27.9                         | 0.9          | 0.7               | 1.5               | High                        | Average                      |
| HDFC Top 200                      | 10,644.8           | May-11         | ★★★★★                    | 9.0                            | 22.5 | 19.8 | 32.4                         | 0.8          | 0.7               | 1.8               | High                        | Average                      |

Data as of June 30, 2011; Only Growth Options considered for analysis;

Source: Morningstar Direct

| Small/Mid Cap Funds                |                    |                |                          |                                |      |      |                              |              |                   |                   |                             |                              |
|------------------------------------|--------------------|----------------|--------------------------|--------------------------------|------|------|------------------------------|--------------|-------------------|-------------------|-----------------------------|------------------------------|
| Scheme Name                        | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating** | Total Return (Annualized) in % |      |      | Historical Risk Ratios 3 Yrs |              |                   | Net Expense Ratio | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr |
|                                    |                    |                |                          | 1 Yr                           | 3 Yr | 5 Yr | Std Dev (%)                  | Sharpe Ratio | Information Ratio |                   |                             |                              |
| Birla Sun Life Dividend Yield Plus | 771.6              | Mar-11         | ★★★★★                    | 7.3                            | 28.4 | 19.3 | 23.2                         | 1.3          | 1.0               | 2.3               | High                        | Below Avg                    |
| UTI MNC                            | 181.2              | Mar-11         | ★★★★★                    | 14.1                           | 26.1 | 16.9 | 20.8                         | 1.3          | 0.9               | 1.9               | High                        | Low                          |
| Birla Sun Life MNC                 | 226.0              | Mar-11         | ★★★★★                    | 10.1                           | 27.8 | 16.9 | 22.1                         | 1.4          | 1.0               | 2.4               | High                        | Low                          |
| IDFC Small & Midcap Equity         | 1,100.4            | May-11         | ★★★★★                    | 5.2                            | 27.1 | N.A  | 29.3                         | 1.0          | 0.8               | 2.3               | High                        | Low                          |
| ING Dividend Yield                 | 70.3               | May-11         | ★★★★★                    | 7.1                            | 26.2 | 19.3 | 28.1                         | 1.1          | 0.8               | 2.5               | High                        | Below Avg                    |

Data as of June 30, 2011; Only Growth Options considered for analysis;

Source: Morningstar Direct

| ELSS(Tax Savings) Funds  |                    |                |                          |                                |      |      |                              |              |                   |                   |                             |                              |
|--------------------------|--------------------|----------------|--------------------------|--------------------------------|------|------|------------------------------|--------------|-------------------|-------------------|-----------------------------|------------------------------|
| Scheme Name              | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating** | Total Return (Annualized) in % |      |      | Historical Risk Ratios 3 Yrs |              |                   | Net Expense Ratio | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr |
|                          |                    |                |                          | 1 Yr                           | 3 Yr | 5 Yr | Std Dev (%)                  | Sharpe Ratio | Information Ratio |                   |                             |                              |
| Religare Tax Plan        | 108.9              | Apr-11         | ★★★★★                    | 8.3                            | 22.3 | N.A  | 28.1                         | 0.9          | 0.7               | 2.5               | High                        | Below Avg                    |
| HDFC TaxSaver            | 3,117.5            | May-11         | ★★★★★                    | 7.9                            | 23.0 | 15.4 | 28.7                         | 0.9          | 0.7               | 1.9               | High                        | Average                      |
| Fidelity Tax Advantage   | 1,263.4            | Apr-11         | ★★★★                     | 7.3                            | 20.3 | 18.7 | 29.1                         | 0.8          | 0.6               | 2.0               | Above Avg                   | Below Avg                    |
| Reliance Tax Saver       | 2,071.0            | May-11         | ★★★★                     | 5.8                            | 20.0 | 14.1 | 27.4                         | 0.8          | 0.6               | 1.9               | Above Avg                   | Below Avg                    |
| Franklin India Taxshield | 828.8              | May-11         | ★★★★                     | 11.8                           | 19.3 | 15.4 | 30.9                         | 0.7          | 0.6               | 2.2               | Above Avg                   | Low                          |

Data as of June 30, 2011; Only Growth Options considered for analysis;

Source: Morningstar Direct

### Moderate Allocation Funds

| Scheme Name                         | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating**<br>Rating | Total Return (Annualized) in % |      |      | Historical Risk Ratios 3 Yrs |              |                   | Net Expense Ratio | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr |
|-------------------------------------|--------------------|----------------|------------------------------------|--------------------------------|------|------|------------------------------|--------------|-------------------|-------------------|-----------------------------|------------------------------|
|                                     |                    |                |                                    | 1 Yr                           | 3 Yr | 5 Yr | Std Dev (%)                  | Sharpe Ratio | Information Ratio |                   |                             |                              |
| HDFC Prudence                       | 6,199.9            | May-11         | ★★★★★                              | 10.8                           | 24.5 | 19.5 | 22.1                         | 1.2          | 0.8               | 1.9               | High                        | High                         |
| HDFC Childrens Gift Investment      | 292.0              | May-11         | ★★★★★                              | 20.1                           | 22.4 | 15.8 | 21.4                         | 1.1          | 0.8               | 2.1               | High                        | Average                      |
| HDFC Balanced                       | 297.8              | May-11         | ★★★★★                              | 13.5                           | 22.4 | 16.9 | 21.1                         | 1.1          | 0.8               | 2.2               | High                        | Above Avg                    |
| Birla Sun Life 95                   | 391.6              | Mar-11         | ★★★★★                              | 8.7                            | 20.6 | 17.2 | 21.5                         | 1.0          | 0.7               | 2.4               | Above Avg                   | Above Avg                    |
| Reliance Regular Savings - Balanced | 843.0              | May-11         | ★★★★                               | 4.6                            | 20.9 | 15.2 | 25.4                         | 0.9          | 0.7               | 2.3               | High                        | Above Avg                    |

Data as of June 30, 2011; Only Growth Options considered for analysis;

Source: Morningstar Direct

### Conservative Allocation Funds

| Scheme Name                | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating**<br>Rating | Total Return (Annualized) in % |      |      | Historical Risk Ratios 3 Yrs |              |                   | Net Expense Ratio | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr |
|----------------------------|--------------------|----------------|------------------------------------|--------------------------------|------|------|------------------------------|--------------|-------------------|-------------------|-----------------------------|------------------------------|
|                            |                    |                |                                    | 1 Yr                           | 3 Yr | 5 Yr | Std Dev (%)                  | Sharpe Ratio | Information Ratio |                   |                             |                              |
| Reliance MIP               | 8,393.0            | May-11         | ★★★★★                              | 5.8                            | 15.8 | 11.7 | 7.5                          | 1.7          | 0.5               | 1.7               | High                        | High                         |
| HDFC MIP L/T               | 9,728.6            | May-11         | ★★★★★                              | 7.5                            | 14.6 | 11.7 | 7.9                          | 1.5          | 0.5               | 1.6               | High                        | High                         |
| HDFC Childrens Gift Saving | 65.4               | May-11         | ★★★★★                              | 9.6                            | 13.0 | 10.5 | 4.9                          | 1.8          | 0.4               | 2.3               | High                        | Average                      |
| Canara Robeco MIP          | 363.8              | May-11         | ★★★★★                              | 6.6                            | 12.5 | 12.0 | 8.9                          | 1.0          | 0.4               | 2.2               | High                        | Above Avg                    |
| HDFC Multiple Yield 2005   | 102.1              | May-11         | ★★★★                               | 7.3                            | 11.7 | 9.7  | 3.7                          | 1.9          | 0.3               | 1.8               | Above Avg                   | Below Avg                    |

Data as of June 30, 2011; Only Growth Options considered for analysis; Avg. Maturity as on May 2011

Source: Morningstar Direct

### Liquid Funds

| Scheme Name            | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating**<br>Rating | Total Return (Annualized) in % |       |      |      | Historical Risk Ratios 3 Yr |              | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr | Avg. Maturity (in Yrs.) | Expense Ratio |
|------------------------|--------------------|----------------|------------------------------------|--------------------------------|-------|------|------|-----------------------------|--------------|-----------------------------|------------------------------|-------------------------|---------------|
|                        |                    |                |                                    | 3 Mon                          | 6 Mon | 1 Yr | 3 Yr | Std Dev                     | Sharpe Ratio |                             |                              |                         |               |
| LIC Nomura MF Liquid   | 4,483.9            | May-11         | ★★★★★                              | 2.0                            | 4.0   | 7.2  | 6.8  | 0.4                         | 0.5          | High                        | Average                      | 0.1                     | 0.5           |
| Reliance Liquidity     | 13,113.0           | Mar-11         | ★★★★★                              | 2.1                            | 4.2   | 7.5  | 6.7  | 0.4                         | 0.5          | High                        | Below Avg                    | 0.1                     | 0.5           |
| HDFC Cash Mgmt Savings | 6,176.4            | Apr-11         | ★★★★                               | 2.1                            | 4.2   | 7.5  | 6.6  | 0.3                         | 0.4          | Above Avg                   | Below Avg                    | 0.0                     | 0.8           |
| BNP Paribas Overnight  | 1,529.5            | May-11         | ★★★★                               | 2.1                            | 4.1   | 7.3  | 6.6  | 0.4                         | 0.4          | Above Avg                   | Average                      | 0.1                     | 0.4           |
| JM High Liquidity      | 3,170.1            | Mar-11         | ★★★★                               | 2.2                            | 4.2   | 7.7  | 6.6  | 0.4                         | 0.4          | Above Avg                   | Below Avg                    | 0.1                     | 0.2           |

Data as of June 30, 2011; Only Growth Options considered for analysis; Avg. Maturity as on May 2011

Source: Morningstar Direct

### Ultrashort Bond Funds

| Scheme Name                      | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating** | Total Return (Annualized) in % |       |      |      | Historical Risk Ratios 3 Yr |              | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr | Avg. Maturity (in Yrs.) | Expense Ratio |
|----------------------------------|--------------------|----------------|--------------------------|--------------------------------|-------|------|------|-----------------------------|--------------|-----------------------------|------------------------------|-------------------------|---------------|
|                                  |                    |                |                          | 3 Mon                          | 6 Mon | 1 Yr | 3 Yr | Std Dev                     | Sharpe Ratio |                             |                              |                         |               |
| JM Money Manager Super Plan      | 445.8              | Mar-11         | ★★★★★                    | 2.4                            | 4.6   | 8.3  | 7.7  | 0.4                         | 1.1          | High                        | Below Avg                    | 0.1                     | 0.3           |
| BNP Paribas Money Plus           | 820.1              | May-11         | ★★★★★                    | 2.2                            | 4.3   | 7.6  | 7.2  | 0.4                         | 0.8          | High                        | Average                      | 0.1                     | 0.5           |
| LIC Nomura MF Income Plus        | 1,082.9            | May-11         | ★★★★★                    | 2.1                            | 4.0   | 7.0  | 6.9  | 0.4                         | 0.6          | High                        | Below Avg                    | 0.1                     | 0.5           |
| Reliance Medium Term             | 1,956.0            | Mar-11         | ★★★★                     | 2.3                            | 4.5   | 7.7  | 6.9  | 0.4                         | 0.6          | Above Avg                   | Below Avg                    | 0.2                     | 0.6           |
| JM Money Manager Super Plus Plan | 859.7              | Mar-11         | ★★★★                     | 2.2                            | 4.3   | 7.4  | 6.9  | 0.4                         | 0.6          | Above Avg                   | Below Avg                    | 0.1                     | 0.3           |

Data as of June 30, 2011; Only Growth Options considered for analysis; Avg. Maturity as on May 2011

Source: Morningstar Direct

### Short-Term Bond Funds

| Scheme Name                       | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating** | Total Return (Annualized) in % |       |      |      | Historical Risk Ratios 3 Yr |              | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr | Avg. Maturity (in Yrs.) | Expense Ratio |
|-----------------------------------|--------------------|----------------|--------------------------|--------------------------------|-------|------|------|-----------------------------|--------------|-----------------------------|------------------------------|-------------------------|---------------|
|                                   |                    |                |                          | 3 Mon                          | 6 Mon | 1 Yr | 3 Yr | Std Dev                     | Sharpe Ratio |                             |                              |                         |               |
| Templeton India Short Term Income | 3,730.9            | Apr-11         | ★★★★★                    | 2.5                            | 4.4   | 6.6  | 9.4  | 1.1                         | 2.0          | High                        | Below Avg                    | 1.2                     | 1.3           |
| DWS Short Maturity                | 503.2              | Apr-11         | ★★★★★                    | 2.2                            | 4.3   | 6.2  | 9.3  | 2.2                         | 1.5          | High                        | Above Avg                    | 0.8                     | 1.5           |
| IDFC SS Inc M/T A                 | 360.8              | Mar-11         | ★★★★★                    | 2.0                            | 3.8   | 5.6  | 9.4  | 4.7                         | 0.9          | High                        | High                         | 2.1                     | 2.0           |
| HDFC Short Term Plan              | 772.7              | Apr-11         | ★★★★                     | 2.1                            | 4.0   | 6.0  | 9.1  | 1.7                         | 1.6          | Above Avg                   | Average                      | 1.0                     | 0.7           |
| ICICI Prudential Short Term       | 639.6              | May-11         | ★★★★                     | 2.1                            | 3.9   | 5.4  | 9.0  | 2.5                         | 1.3          | Above Avg                   | Above Avg                    | 1.0                     | 1.5           |

Data as of June 30, 2011; Only Growth Options considered for analysis; Avg. Maturity as on May 2011

Source: Morningstar Direct

### Intermediate Bond Funds

| Scheme Name            | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating** | Total Return (Annualized) in % |       |      |      | Historical Risk Ratios 3 Yr |              | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr | Avg. Maturity (in Yrs.) | Expense Ratio |
|------------------------|--------------------|----------------|--------------------------|--------------------------------|-------|------|------|-----------------------------|--------------|-----------------------------|------------------------------|-------------------------|---------------|
|                        |                    |                |                          | 3 Mon                          | 6 Mon | 1 Yr | 3 Yr | Std Dev                     | Sharpe Ratio |                             |                              |                         |               |
| Canara Robeco Income   | 188.6              | May-11         | ★★★★★                    | 1.3                            | 3.1   | 5.0  | 13.0 | 4.1                         | 2.1          | High                        | Below Avg                    | 4.4                     | 1.9           |
| DWS Premier Bond Reg   | 17.9               | Apr-11         | ★★★★★                    | 0.0                            | 1.6   | 4.2  | 10.2 | 6.7                         | 0.8          | High                        | Above Avg                    | 5.6                     | 2.1           |
| BNP Paribas Flexi Debt | 81.7               | May-11         | ★★★★★                    | 1.8                            | 3.5   | 4.4  | 9.4  | 8.3                         | 0.6          | High                        | Average                      | 0.8                     | 2.0           |
| Kotak Bond Reg         | 59.5               | Apr-11         | ★★★★★                    | 1.6                            | 3.2   | 3.5  | 9.2  | 5.7                         | 0.7          | High                        | Above Avg                    | 3.5                     | 2.0           |
| ING Income Reg         | 20.6               | May-11         | ★★★★★                    | 1.9                            | 3.9   | 5.5  | 8.6  | 5.9                         | 0.6          | Above Avg                   | Average                      | 0.5                     | 1.6           |

Data as of June 30, 2011; Only Growth Options considered for analysis; Avg. Maturity as on May 2011

Source: Morningstar Direct

| Short Government Funds          |                    |                |                          |                                |       |      |      |                             |              |                             |                              |                         |               |
|---------------------------------|--------------------|----------------|--------------------------|--------------------------------|-------|------|------|-----------------------------|--------------|-----------------------------|------------------------------|-------------------------|---------------|
| Scheme Name                     | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating** | Total Return (Annualized) in % |       |      |      | Historical Risk Ratios 3 Yr |              | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr | Avg. Maturity (in Yrs.) | Expense Ratio |
|                                 |                    |                |                          | 3 Mon                          | 6 Mon | 1 Yr | 3 Yr | Std Dev                     | Sharpe Ratio |                             |                              |                         |               |
| SBI Magnum Gilt Short Tern      | 91.2               | Apr-11         | ★★★★★                    | 1.6                            | 3.4   | 5.6  | 6.4  | 4.0                         | 0.1          | High                        | Above Avg                    | 0.6                     | 0.9           |
| Tata Gilt Short Maturity        | 63.1               | May-11         | ★★★★★                    | 0.7                            | 2.6   | 4.4  | 6.1  | 4.2                         | 0.1          | High                        | Above Avg                    | 4.3                     | 1.5           |
| HDFC Gilt Short Term            | 16.5               | Apr-11         | ★★★★                     | 1.2                            | 2.7   | 5.0  | 5.3  | 2.3                         | -0.3         | Above Avg                   | Average                      | 1.7                     | 0.7           |
| Birla Sun Life Gilt Plus Liquid | 8.4                | Mar-11         | ★★★★                     | 1.7                            | 3.2   | 6.2  | 5.0  | 1.1                         | -0.6         | Above Avg                   | Average                      | 0.1                     | 0.5           |
| UTI Gov Sec Short Term          | 69.3               | Mar-11         | ★★★★                     | 1.1                            | 2.8   | 4.1  | 5.0  | 2.3                         | -0.4         | Above Avg                   | Average                      | 0.2                     | 0.8           |

Data as of June 30, 2011; Only Growth Options considered for analysis; Avg. Maturity as on May 2011

Source: Morningstar Direct

| Intermediate Government Funds  |                    |                |                          |                                |       |      |      |                             |              |                             |                              |                         |               |
|--------------------------------|--------------------|----------------|--------------------------|--------------------------------|-------|------|------|-----------------------------|--------------|-----------------------------|------------------------------|-------------------------|---------------|
| Scheme Name                    | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating** | Total Return (Annualized) in % |       |      |      | Historical Risk Ratios 3 Yr |              | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr | Avg. Maturity (in Yrs.) | Expense Ratio |
|                                |                    |                |                          | 3 Mon                          | 6 Mon | 1 Yr | 3 Yr | Std Dev                     | Sharpe Ratio |                             |                              |                         |               |
| Birla Sun Life Gov Sec L/T     | 518.1              | Mar-11         | ★★★★★                    | 1.1                            | 2.4   | 4.6  | 12.8 | 6.1                         | 1.4          | High                        | Below Avg                    | 3.4                     | 1.5           |
| DSP BlackRock Gov Sec          | 72.6               | Apr-11         | ★★★★                     | -0.7                           | 0.6   | 1.7  | 10.7 | 7.7                         | 0.8          | Above Avg                   | Above Avg                    | 4.5                     | 1.2           |
| ICICI Prudential Gilt Treasury | 143.9              | Mar-11         | ★★★★                     | 1.1                            | 2.8   | 4.0  | 9.3  | 3.7                         | 1.1          | Above Avg                   | Low                          | 0.8                     | 1.9           |

Data as of June 30, 2011; Only Growth Options considered for analysis; Avg. Maturity as on May 2011

Source: Morningstar Direct

| Long Government Funds             |                    |                |                          |                                |       |      |      |                             |              |                             |                              |                         |               |
|-----------------------------------|--------------------|----------------|--------------------------|--------------------------------|-------|------|------|-----------------------------|--------------|-----------------------------|------------------------------|-------------------------|---------------|
| Scheme Name                       | Fund Size (in Cr.) | Fund Size Date | Morningstar 3yr Rating** | Total Return (Annualized) in % |       |      |      | Historical Risk Ratios 3 Yr |              | Morningstar Ret Rating 3 Yr | Morningstar Risk Rating 3 Yr | Avg. Maturity (in Yrs.) | Expense Ratio |
|                                   |                    |                |                          | 3 Mon                          | 6 Mon | 1 Yr | 3 Yr | Std Dev                     | Sharpe Ratio |                             |                              |                         |               |
| ICICI Prudential Gilt Investment  | 318.4              | May-11         | ★★★★★                    | 0.9                            | 2.2   | 5.2  | 11.9 | 9.8                         | 0.8          | High                        | Above Avg                    | 5.7                     | 1.9           |
| Templeton India Gov Sec Long Term | 54.4               | Apr-11         | ★★★★                     | 1.1                            | 1.6   | 2.8  | 8.9  | 5.5                         | 0.7          | Above Avg                   | Below Avg                    | 6.5                     | 1.4           |
| Kotak Gilt Investment Reg         | 39.4               | Apr-11         | ★★★★                     | 0.7                            | 2.5   | 3.7  | 9.3  | 8.8                         | 0.5          | Above Avg                   | Above Avg                    | 9.1                     | 2.2           |

Data as of June 30, 2011; Only Growth Options considered for analysis; Avg. Maturity as on May 2011

Source: Morningstar Direct

**Selection Criteria:** For the purpose of top funds analysis, funds whose AUM is less than 10% of the category average AUM (assets under management), have been excluded. Also, only growth options have been considered. Funds that make the grade on the aforementioned parameters have been ranked on the Morningstar 3 year Rating\* as of June, 2011.

**\*\*Morningstar 3 year Rating** is based on fund's risk-adjusted performance. For the purpose of the rating, 100% weight is given to the three-year return.