

# Fixed returns are fixed. But prices go up!

## Time for Pramerica Dynamic Monthly Income Fund Powered by Pramerica DART<sup>®</sup>

Monthly Income is not assured and  
is subject to availability of distributable surplus



**Pramerica**  
**MUTUAL FUND**

**NFO Opens on : March 8, 2011 • NFO Closes on : March 22, 2011**  
**Scheme re-opens for ongoing offer on : April 04, 2011**

While inflation is on an uproar, the prices of essential items like sugar vegetables, oil and the like are soaring to new highs. In this scenario have our fixed returns investments been able to help us? While fixed returns are now around 8-9% (and lesser if you deduct taxes), prices have been rising faster. So what you could buy in ₹ 10 a year back, costs a lot more now! Inflation has been eating into our purchasing power.

Fixed return investments are considered as the safe form of investing. While, fixed return investments yield reasonable return on our investments, do they protect our purchasing power? Fixed returns are fixed, but prices keep rising and at an alarming rate!

**Monthly Income Fund** is a product that invests predominantly in debt and a small portion in equities, that can provide inflation beating returns by combining the stability of debt and the compounding power of equity.

Parameter	Fixed Return Investments	Monthly Income Funds (MIF)
<b>Purchasing Power</b>	Moderate	High
<b>Tax Efficiency</b>	Low	High
<b>Indexation Benefit</b>	Not Available	Available
<b>Liquidity</b>	Available but with penal interest	Available (subject to exit load)

### Presenting Pramerica Dynamic Monthly Income Fund, Powered by Pramerica DART<sup>®</sup>

Pramerica Mutual Fund presents "**Pramerica Dynamic Monthly Income Fund**", an open ended Income scheme, which will have a robust portfolio comprising of 70 to 95% in Fixed Income Securities and 5% to 30% in Equities.

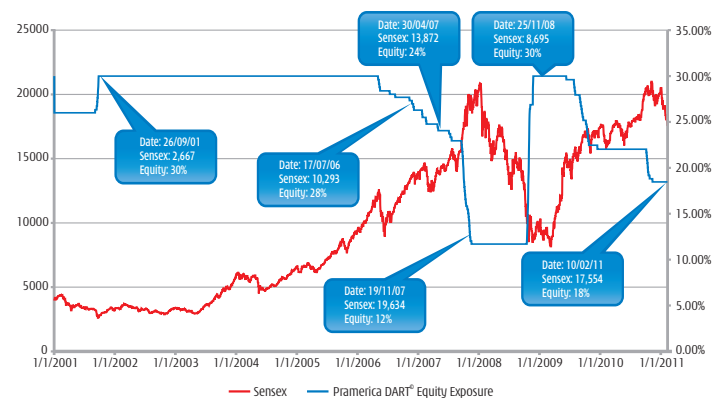
The asset mix between debt and equities in the scheme will be powered by using "**Pramerica Dynamic Asset Rebalancing Tool**" (**Pramerica DART**<sup>®</sup>) a proprietary tool developed and managed by Pramerica Asset Managers Pvt. Ltd. to determine an optimum asset allocation mix between debt and equity, within the overall asset allocation of the Scheme, by taking into account key factors that have an impact on the market. When the markets are looking expensive, Pramerica DART<sup>®</sup> is designed to book

profits and when the markets are cheap, increase the exposure to equities and thus reduce the impact of market volatility.

**Pramerica Dynamic Monthly Income Fund** is a combination of fundamentals led asset allocation and active fund management, targeting generation of regular returns, with the help of **Pramerica DART**<sup>®</sup>.

### Has Pramerica DART<sup>®</sup> been able achieve this?

We back tested the Pramerica DART<sup>®</sup> based on SENSEX data from January 1, 2001 to February 10, 2011 during which the stock markets have gone through cycles of bear and bull market runs. The results during these periods have been illustrated below:



Based on the underlying variables, the Pramerica DART<sup>®</sup> tool indicates adjustments to the equity exposure as depicted in the graph. Data from 01/01/2001 to 10/02/2011. Above graph is shown for illustration purposes and does not reflect actual performance. Past performance is not a guarantee of future returns.

We further created a simulated portfolio based on Pramerica DART<sup>®</sup> and also other Monthly Income Fund like structures with varying levels of equity exposures, and compared them during different market cycles. The results from Pramerica DART<sup>®</sup> Simulated Portfolio are very compelling!

## Pramerica DART<sup>®</sup> Simulated Portfolio v/s Other Monthly Income Fund like structures

Period	Sensex	Conservative MIF	Aggressive MIF	DART <sup>®</sup> Simulated Portfolio
<b>Bull Market:</b> 1st Jan 2005 to 1st May 2006 Sensex: 6602 to 11852	79.5%	14.8%	21.2%	24.5%
<b>Bear Market:</b> 1st Jan 2008 to 1st Jan 2009 Sensex: 20300 to 9903	-51.2%	-2.3%	-9.3%	0.2%
<b>Bull Market:</b> 1st Jan 2009 to 1st Dec 2010 Sensex: 9903 to 19850	100.4%	19.7%	27.9%	30.7%
<b>Volatile Market:</b> 1st Jan 2008 to 1st Nov 2010 Sensex: 20300 to 20355	0.3%	17.0%	16.4%	31.1%

Source: Bloomberg, AMFI Website, AceMF

**Assumptions:** ■ The equity portion of the portfolio replicated the Sensex returns, while the debt portion replicated CRISIL Composite Bond Index. ■ For above illustration purpose, "Conservative MIF" means a portfolio having 15% exposure to equity and balance in debt instruments. The performance is calculated as 15% \* Sensex Returns + 85% \* CRISIL composite bond returns. ■ For above illustration purpose, "Aggressive MIF" means a portfolio having 25% exposure to equity and balance in debt instruments. The performance is calculated as 25% \* Sensex Returns + 75% \* CRISIL composite bond returns. ■ The equity portion of the Pramerica DART Simulated portfolio replicated the Sensex returns, while the debt portion replicated CRISIL Composite Bond Index

**Disclaimer:** Results of above portfolio shown for illustration purposes only and are neither indicative of, nor guarantee actual performance. Past performance is not a guarantee of future returns.

## Back-Testing of Pramerica DART Simulated Portfolio

	1 year		2 years		3 years	
	CRISIL MIP Index	DART <sup>®</sup> Simulated Portfolio	CRISIL MIP Index	DART <sup>®</sup> Simulated Portfolio	CRISIL MIP Index	DART <sup>®</sup> Simulated Portfolio
Minimum	-8.9%	-7.4%	1.4%	2.6%	4.4%	6.4%
Maximum	23.2%	32.6%	14.3%	19.7%	11.3%	19.1%
Average	<b>8.8%</b>	<b>13.6%</b>	<b>8.3%</b>	<b>13.0%</b>	<b>8.2%</b>	<b>12.9%</b>
Sharpe Ratio	0.52	0.96	1.02	2.27	1.45	2.96
Probability of DART Simulated Portfolio beating CRISIL MIP Index	<b>95.2%</b>		<b>100%</b>		<b>100%</b>	

Source: AMFI website

**Assumptions:** ■ The equity portion of the portfolio replicated the Sensex returns, while the debt portion replicated CRISIL Composite Bond Index. ■ The simulation did not consider inflow or outflow of funds. ■ The daily return of the portfolio = Equity exposure \* Sensex returns + debt exposure \* composite bond returns. ■ Back-tested rolling returns data from 30/3/2002 to 10/02/2011.

## Why invest in Pramerica Dynamic Monthly Income Fund?

Pramerica Dynamic Monthly Income Fund is being launched at an opportune time when it can reap benefits of **three distinct advantages**.

### 1) Fixed income markets are in a sweet spot

- With recent rate hikes by the RBI, the interest rates have potentially peaked. (The actual peak might be another 25-50 bps away).
- Fixed income securities are available at high coupon rates, current one year yield for bank certificate of deposits is around 10% plus.

### 2) Equity markets are fairly valued

- Post recent corrections, the equity markets are trading at attractive valuations.
- With Sensex at about 18,000 levels, the one year forward earnings estimates at ₹1200 per share (March 2012), the markets are trading at a forward P/E of 15, which is substantially below the long term average of around 18 P/E.
- Even if, for any reason, the markets were to fall 1500 odd points, the P/E will still be quite attractive at around 13. Given this situation, the chances of getting better returns is much higher.

### 3) The Power of Pramerica DART<sup>®</sup>

And to top it all, Pramerica Dynamic Monthly Income Fund is powered by Pramerica DART which will indicate the asset allocation to position the fund at an optimal debt/equity allocation ratio, giving the investor the best of both the worlds!

## Advantage of investing in Pramerica Dynamic Monthly Income Fund

Currently, bank certificates of deposits are available at attractive yields of around 10% plus. Looking at the current economic scenario, interest rates are expected to peak around March 2011. If you invest in a one year certificate of deposit in March 2011 it will mature in 2012. It is expected that the interest rates may go down in 2012, which means you may have to hunt for another attractive investment option. Also, once the certificate of deposit matures, the holding period for capital gains starts all over again, making it a tax inefficient instrument.

In case of Pramerica Dynamic Monthly Income Fund, as the portfolio will be constructed in March 2011, when interest rates are expected to be at attractive levels, even if the interest rates go down in 2012 or remain stable, it will generate capital appreciation. With interest rates expected to be on the lower side in 2012, it is expected that the inflation outlook also will be better and the GDP growth momentum stronger. This means that equity markets could perform well, generating handsome returns on the equity portion too! Also, by staying invested longer you can take the benefit of indexation and reduce your tax liability.

If on the other hand, interest rates go up, then Pramerica Dynamic Monthly Income Fund can easily reinvest and reprice itself and start earning higher returns, which is not possible if you had invested in a certificate of deposit or other fixed return instruments.

**Name of the Scheme:** Pramerica Dynamic Monthly Income Fund. **Scheme Classification:** An open ended Income Scheme. **Investment Objective:** The objective of Scheme is to generate regular returns through investment in Debt and Money Market Instruments and to generate capital appreciation by investing in equity and equity related instruments. Monthly Income is not assured & is subject to availability of distributable surplus. However, there is no assurance that the investment objective of the Scheme will be realized and the Scheme does not assure or guarantee any returns. **Asset Allocation:** Fixed Income Securities - 70 to 95%; Equity and Equity related instruments - 5% to 30%. **Terms of issue and sale and redemption of units:** Issue of units of ₹ 10/- each for cash during the new fund offer and at NAV based prices thereafter. The scheme offer sale and redemption facility on all business days during the ongoing offer. NAV of the Scheme will be calculated and disclosed at the close of every Business Day. **Load Structure:** Entry Load: Not Applicable. Exit Load: If Units are Redeemed / Switched-out upto & including 365 days of allotment @ 1%; If Units are Redeemed / Switched-out after 365 days of allotment - NIL. **Recurring Expenses:** Recurring expenses including the investment management and advisory fee that can be charged to the Scheme shall be subject to a percentage limit of average weekly net assets @ 2.25% for the first ₹ 100 crore; @ 2.00%, next ₹ 300 crore; @ 1.75% on the next ₹ 300 Crores; and @ 1.50% on the balance. **NFO expenses:** To be fully borne by AMC / Sponsor. Copy of SID / SAI and Key Information Memorandum (KIM) can be obtained from any of our Investor Services Centers as well as from our website: www.pramericaamf.com

**Risk Factors:** All mutual funds and securities investments are subject to market risks and there can be no assurance that the objectives of the Schemes will be achieved and the NAV of the funds may go up or down depending upon the factors and forces affecting the securities markets. Pramerica Dynamic Monthly Income Fund is only the name of the scheme and does not in any manner indicate either the quality of the Scheme, its future prospects and returns. This document has been prepared on the basis of publicly available information, internally developed data and other third party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information. There can be no assurance that any forecast made herein will be actually realized. Performance of the Sponsor has no bearing on the expected performance of the mutual fund or any of its schemes. Past performance of the Sponsor and their Affiliates/AMC/Mutual Fund & its Scheme(s) does not indicate the future performance of the Scheme(s) and may not necessarily provide a basis of comparison with other investments. Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal. As the price / value / interest rates of the securities in which the scheme invests fluctuate, the value of your investment in the Scheme may go up or down. Investors are not being offered any guaranteed / assured returns under any scheme of Pramerica Mutual Fund. **FOR SCHEME-SPECIFIC RISK FACTORS & TAX IMPLICATIONS, PLEASE REFER TO THE SCHEME INFORMATION DOCUMENTS**

**Statutory Details:** Pramerica Mutual Fund is set up as a Trust under the Indian Trusts Act, 1882 and registered with SEBI. **Sponsor:** Prudential Financial, Inc. (PFI) of the United States of America [liability restricted to initial contribution of ₹ 1 Lac towards the corpus of the Mutual Fund]. [Pramerica is the brand name used by PFI and its affiliates in select countries outside the United States. Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom] **Trustee:** Pramerica Trustees Private Limited. **Investment Manager:** Pramerica Asset Managers Private Limited.

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS. PLEASE READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**

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