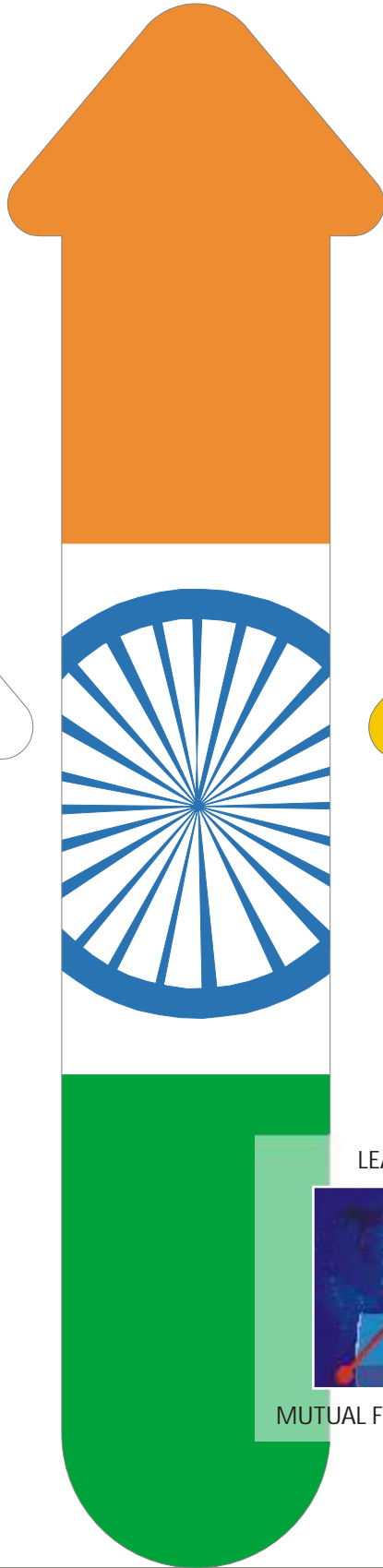
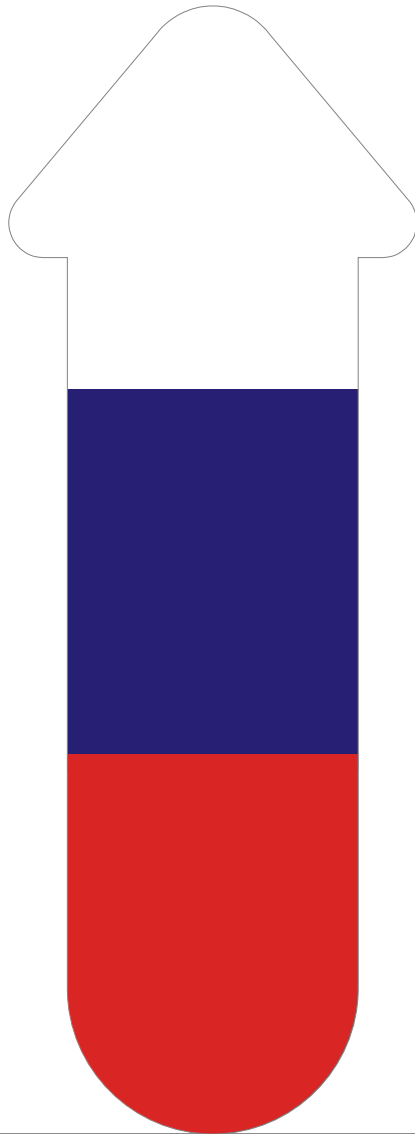


# ANALYSING INVESTMENT & PROFITS

# SPRISMATIC

July • Vol 73 - 2010 • SPRISM Investment Services Pvt. Ltd.,

Indian economy  
is as strong as a  
solid BRIC



LEARNING CURVE : PG 5



MUTUAL FUND PRODUCTS - PG 8 - 9

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As the first 6 months of the calendar year 2010 rolls by, we might have to draw respite from the fact that Indian markets have fared the best amongst BRIC nations amid a challenging economic climate across the globe. Emerging markets in general, witnessed significant outflows fuelled by the European debt crisis that threatened to derail the nascent global economic recovery. Brazil was the worst of the lot with its stock markets declining over 16% in the January to June period.

The Indian markets outperforming most of their global peers on a year-to-date basis speaks volumes about its resilience and potential. This does not mean that we are immune to global events. But what is interesting is the fact that the trends emerging out of 'emerging markets' in general and India in particular is in complete contrast to what is being seen in the US and a greater part of Europe. While most of the western economies are mired in stagflation, we have demand, growth and inflation in the emerging part of the world. As global investors chase growth, the inevitable offshoot of placing a premium on growth would have to be inflation.

Inflation woes assumed greater importance in the previous month as the Indian government initiated the process of deregulating fuel prices. Moreover, the impressive growth in our GDP and industrial output numbers were also pointing towards build up of demand side pressures. Against this backdrop, the RBI hiked the key policy rates by 25 bps and analysts opine further hikes in the near term on concerns that increased consumer spending and higher fuel prices would stoke inflation.

On the valuations front, we can say that Indian stocks are neither cheap nor expensive at the moment. At current levels, they are in line with their long term median values. Though we have not witnessed significant upgrades to FY11 earnings, domestic equities do have a decent upside if India Inc is able to post ~20-25% earnings growth in the current fiscal. The ability to overcome the emotions of fear and greed holds the key to a sustained wealth creation process. Ultimately, it's not 'timing the market' but 'time in the market' that would truly matter for any serious investor.

*"In matters of style, swim with the current; in matters of principle, stand like a rock"*

- Thomas Jefferson



*SPRISM Editorial Team:*

Ms. Rajani Rao - *Managing Editor*

Mr. Praveen P - *Research Analyst*

## EQUITY MARKET UPDATE

- Domestic benchmark indices continued to trade in a range weighed by global issues ranging from European debt crisis, Chinese growth concerns and weak U.S economic data
- Global stocks ended sharply lower with most of the developed markets leading the fall. The Dow Jones and FTSE ended the month down at 3.5% and 5.2% respectively
- Market sentiments regained strength towards the second half of the month buoyed by impressive advance tax payments by domestic corporates and robust IIP growth in April
- Indian markets outperformed most of their global peers on a YTD basis with a positive 1.5% return (as of June 30) reflecting superior fundamentals
- While the FIIs bought equities (net) worth Rs.10,245 Cr, the domestic mutual funds sold equities (net) worth Rs.1,093 Cr
- Sensex and Nifty rose over 4% to end the month at 17,701 and 5,313 respectively
- The mid and small cap stocks managed to outshine their large cap counterparts with the BSE Mid and Small cap indices surging 5.8% and 7.8% respectively
- Oil and Gas stocks surged on the back of government's path breaking reform measures to deregulate fuel prices
- The government also ended the row over ULIPs by promulgating an ordinance to bring them under the regulatory jurisdiction of IRDA
- Gold continued to attract investors desiring safe haven and rose almost 2% over the month

### OUTLOOK

- Domestic markets are currently trading at their fair valuation levels and further upside to be primarily driven by earnings growth
- Surge in interest rates as a consequence of higher inflationary pressure to remain near term concern for corporates
- Forecasts of normal monsoon to provide a fillip to agricultural output and have a positive impact on overall consumption

## ECONOMY UPDATE

- Fitch raised India's currency outlook to stable from negative as it forecasts a decline in government debt to GDP ratio to 80% by March 2011
- The May IIP expanded at lower than expected 11.5% y-o-y as compared to a robust 17.6% growth in the previous month
- The country's direct tax mop-up for Q1 FY11 stood at Rs.68,675 Cr registering a growth of 15.5% over the same period last year
- The country's indirect tax collections registered an impressive growth of 43% to Rs.56,930 Cr during Q1 FY11 from Rs.39,694 Cr in the same period last year
- The country's forex reserves rose \$1.29 bn to \$278.27 bn for the week ended July 2
- Global rating agency Moody's slashed its sovereign rating for Greece to junk status

## DEBT MARKET UPDATE

- The 10 year benchmark G-sec ended the month relatively flat at around 7.55%
- The shorter end of the yield curve moved up significantly over the month reflecting the tight liquidity position in the banking system
- Systemic liquidity remained under stress on account of the 3G spectrum & BWA payments, advance tax payments and government borrowing of over Rs.50,000 Cr
- The WPI based primary articles inflation rose to 16.08% for the week ended June 26 as compared to 14.75% in the previous week
- The RBI decided to move in a calibrated manner and hiked the repo, reverse repo rates and CRR by 25 bps to 5.25%, 3.75% and 6% respectively
- The rupee depreciated against the dollar to end the month at around 46.46 as against 46.37 at the end of previous month

### OUTLOOK

- Fuel price deregulation, higher inflation and higher credit growth point towards an imminent rate hike in the upcoming July 27 monetary policy review
- The second half of FY11 looks optimistic for bonds with lower G-sec supplies, receding inflation and absence of base effect on the industrial output data
- Although inflation might rise in the near term on account of fuel price deregulation, the impact is likely to be cushioned on account of base effect and normal monsoon

## MUTUAL FUND UPDATE

- The total average AUM of the mutual fund industry declined nearly 16% to Rs.6.78 lakh crore in the month of June
- The liquid plus category witnessed the highest fall of nearly 34 per cent in its AUM compared to the previous month
- Both Reliance Mutual Fund and HDFC Mutual Fund witnessed around 15% decline in their average assets over the previous month
- Fund houses faced redemption pressure on account of the first installment of advance tax payment by corporates
- SEBI extended the date for implementation of new valuation guidelines in respect of short term debt and money market instruments to August 1 from July 1

## THE LURE OF GOLD

Gold has always fascinated Indians. India was an amalgam of many princely states, till the British united us finally in 1947. Perhaps, the absence of one currency and the instability as each ruler was overthrown by another is the reason why gold became the Indians' store of value.

Classic investment reasons for investing in gold include:

- To beat inflation'
- To protect against a weak dollar;
- Safe haven in times of economic and political turmoil;
- For portfolio diversification; etc

Investing in gold has been a painful journey. I will just give you some dates and prices:

1968 Jan	\$ 35.20
1969 Jan	\$ 42.30
1974 Jan	\$129.19
1979 Jan	\$227.27
1989 Jan	\$404.01
1999 Jan	\$287.07
2009 Jan	\$858.69
2010 Jan	\$1117.97

(Above are average prices in US dollars per ounce for the month).

The journey looks smooth, does it not? What I have not told you here is that there was a kind of rush in end 1979 and beginning 1980. In Jan 1980, the price of gold had shot to near \$850 an ounce and then there was a painful decline to \$280 or so by 1985. Then the price climbed to over \$500 in early 1988! By end 1999 it had gone down again to near \$260 or so! It is only after 1999, that there has been a steady uptick in gold prices. Of course, the steadily falling Indian rupee in the first six decades of Independent India bumped the returns for the early Indian investor.

So, all those who advocate gold investments will only give you data from 1999 or later. Before that, you could have lost a fortune betting on gold.

So, do not buy the argument that gold is a failsafe or fool proof investment. Timing is all. If you look at it dispassionately, gold as a metal has very limited use. It is only a 'perceived' value. The cost of mining gold varies from country to country, but is generally around US \$ 300 or so per ounce. So, in today's markets, the producers of gold are reaping a bumper bonanza. What keeps the price high? It is perhaps a beautifully managed (manipulated?) price by the World Gold Council. Demand and supply are both artificial. Demand in India (the largest private hoarder of gold) is around 700 tonnes or nearly one fifth of world demand.

Now, you do not have to buy physical gold. Buying physical gold is the worst way to invest in gold. If at all one has to buy gold, the best way is to go in

through the Gold ETF (Exchange Traded Funds). These trade at real time prices and there is no opaqueness about them. You are saved the bother of worries on quality, storage etc., Never buy jewellery for investments. You lose a fortune in making charges and a high probability of getting cheated on purity.

Even though India is the largest consumer of gold, gold prices are still designated in US dollars. Hence, how our rupee will behave has a great bearing on gold prices. My belief is that over time, if our economy continues to grow at twice or thrice the pace at which the US is growing, there is no reason why the Indian rupee should not keep getting progressively stronger? In fact, this is the biggest risk that gold investment carries. In ten years, the

Indian rupee should logically be closer to thirty rupees to the dollar than forty. In such a case, if the gold price stagnates at current levels, as an investment, we end up losing money.

To me, the basic call one has to take is whether you are bullish or bearish on India. If you are bullish on India, relative to the US of A, over the next ten years, then gold cannot be such a great investment. Equities will be a far superior bet. The counter argument to this is that

if there is a crisis in US of A, the dollar will collapse and gold prices will shoot through the roof as the world looks to gold as a reserve currency. With the crisis in Europe, it is unlikely that the Euro will ever replace the US dollar, so there is a fair chance that some people will park some of their money in gold. The other factor is that the World Gold Council will at some point not be able to regulate supply and the high prices will lure miners to produce more gold and bring the prices down.

On balance, if there are uncertainties about the global situation, gold may turn out to be a decent investment. This also depends to a great deal on how the World Gold Council controls the supply. If some central bank decides to come and sell a few hundred tonnes of gold, that will create a drop in prices. In short, whilst gold has given spectacular returns since 1999, there is no guarantee that it will continue to do so. However, in times of fear and uncertainty, gold has its proponents. The other thing is whether you look at investing in gold as just another investment. Most Indians never sell gold if they buy. In such a case, it hardly matters what price you pay and what returns you get. One decent way to go about would be to go ahead with a SIP in gold ETF. The only loss out of that would be the annual management fee and the expenses that the AMC will charge you. A small price to pay as compared to owning physical gold.

R. Balakrishnan,  
Director, Sprism Investment Services (P) Ltd.  
bala@sprisminvest.com

## TAXATION OF MUTUAL FUNDS: A PRIMER

- Sandeep Shanbhag

The idea behind writing this piece occurred during a talk that I was giving the other day to young MBA students. On the topic of mutual funds, most of them expressed confusion regarding the tax treatment of various options. As one student put it succinctly --- mutual funds offer so many variations Open-ended, Close Ended, Sectoral Funds, Balanced Funds, Monthly Income Plans, Fixed Maturity Schemes, Gilt Funds, Income Funds and so on. So how do we figure how much tax is applicable on which fund?

So for this month, the following is a brief primer on taxability of mutual funds.

While it is true that mutual funds come in the various flavours and more as elucidated above, the Income Tax Act only recognizes two types of funds --- Equity Funds and Non-Equity Funds. Period. Tax benefits differ for each one.

An equity fund, to put it simply, means a fund that invests more than 65% of the money in equity shares. Prior to 2006, this limit was 50% - Budget 2006 carried out the enhancement of the limit from 50% to 65%. An equity fund has been bestowed enormous tax benefits by the Act. Lets see what these are:

For an equity fund:

- Long-term capital gains are tax-free
- Short-term capital gains are taxed at only 10%
- Dividend is not subject to dividend distribution tax.
- Redemption of units is subject to a Securities Transaction Tax (STT) of 0.25%.

On the other hand for a non-equity fund:

- Long-term capital gains are taxed @20% with indexation or 10% without indexation
- Short-term capital gains are to be added to the other income of the investor and taxed at applicable slab rates
- Dividend is subject to a 12.5% distribution tax. For corporates, firms etc. this rate is 20%. For liquid funds, regardless of the category of investor, the distribution tax rate is 25%.
- There is no STT applicable

No wonder they say higher the risk, higher the benefit.

Another variant of an Equity Fund

Then there are ELSS funds (Equity Linked Savings Schemes). ELSS, to put it simply are equity funds that offer a tax benefit over and above those mentioned above. Any investment in an ELSS fund offers Sec. 80C deduction i.e. the amount invested is deductible from your taxable income. However, Sec. 80C has a cap of Rs. 1 lakh.....so only an investment up to Rs. 1 lakh gets the tax benefit.

The following table illustrates the same with a simple example:

	Rs.
Taxable Income	6,00,000
Investment in ELSS	1,00,000
Net Taxable Income	5,00,000

Now, tax saving presupposes a lock-in. In other words, without a lock-in period, Sec. 80C benefit is just not available. All instruments under Sec. 80C have a lock-in and so does ELSS. But at just 3 years, it is one of the instruments where money is blocked for the least amount of time.

Also, ELSS funds in general have been found to out-perform their equity diversified counterparts. This happens essentially as the fund manager has the money at his disposal over the long-term without having to cater to everyday redemptions. Therefore, regardless of the tax benefit, even investing over Rs. 1 lakh may be an idea to consider.

**Your mutual fund is nothing but your personal portfolio manager. Allow him to do his thing. Frequently getting in and out only hampers the journey**

So many options --- which to choose?

Here we don't mean investment options but options within the investment.

As most investors would know, mutual funds come with essentially three options

- Dividend
- Dividend Reinvestment &
- Growth

The dividend option is pretty straightforward, in that, as dividend is tax-free, those investors who prefer some kind of regular cash flow should opt for the same. This also means automatic periodic profit booking which is good form in a rising market (as it is currently).

With the current tax structure, there is no difference between the Dividend Reinvestment and Growth options. However, say there is a distribution tax imposed in the future. Then, it is much better to choose the growth option than suffer the distribution tax. (Incidentally, even on Dividend Reinvestment, distribution tax is imposed and units are allotted only on the net dividend amount).

However, envisage a scenario where there is a long-term capital gains tax imposed. In such a case, the Dividend Reinvestment option proves to be fiscally more beneficial.

Therefore, options should be chosen as per cash flow requirements and tax incidence as is currently applicable.

To Sum

Mutual Funds provide the most optimum mix of Return, Risk, Liquidity and Tax Efficiency. Of course, provided they are used well. If you had a personal Portfolio Manager, he would have told you that equities have known to earn the highest return in any asset class over the long-term. The operative words being long-term.

Your mutual fund is nothing but your personal portfolio manager. Allow him to do his thing. Frequently getting in and out only hampers the journey....and when it comes to successful investing, believe me, it is the journey that is more enjoyable than the final destination.

## ASSET ALLOCATION STRATEGIES

In the present world which is fraught with change and uncertainties, a systematic approach to investments holds the key to attain success. In fact, empirical studies have clearly shown that an appropriate asset allocation strategy is far more critical to generate long term returns than specific investment choices. As it is virtually impossible to time the markets and pick the best performing asset class at all times, it makes sense to divide your money between the various asset types on a scientific basis. This is because optimization of returns is far more important than maximization of returns.

### What is Asset Allocation?

Asset Allocation is the process of diversifying your investible amount amongst different asset categories such as stocks, bonds and cash in a proportion which ideally reflects your risk tolerance, return expectations, investment time horizon, goals and constraints. This is important because different asset categories are associated with different objectives. While stocks offer potential for growth and capital appreciation, bonds are typically chosen for stability and income. Cash offers protection against unforeseen exigencies. The primary objective of this entire process is not only to generate desired returns but also to reduce risk to acceptable levels.

### Types of Asset Allocation Strategies:

An appropriate asset mix is extremely critical in determining the portfolio's overall risk-return framework. There are different approaches to construct portfolio asset allocations and mentioned below are some of the important strategies involved.

- **Strategic Asset Allocation:** This method is typically adopted to structure a core portfolio to meet the investors' long term goals and objectives and it generally implies a buy and hold approach towards investments. It is a proportional combination of assets based on the expected rates of return for each asset class. For e.g. if stocks have historically delivered an average of 15% returns and bonds have given 6% returns, then a portfolio mix of 50% in stocks and 50% in bonds would be expected to deliver around 10.5% returns every year. In a way, strategic asset allocation forms the backbone of the entire investment process as it tries to map different assets/products to the lifecycle needs of an investor.
- **Constant Weighing Asset Allocation:** As the strategic asset allocation essentially entails a buy and hold approach, it would not involve any change in the portfolio despite a significant shift from the originally established asset mix due to change in values. This might prove to be detrimental to investors' interests due to absence of profit booking at regular intervals. To overcome this problem, portfolio managers have

devised the constant weighing asset allocation strategy which would facilitate continuous rebalancing of portfolio. For e.g. if the equity component in the portfolio was declining in value and the debt part was appreciating, then this strategy mandates that you buy more equity and sell debt thereby ensuring that you buy low and sell high.

- **Tactical Asset Allocation:** This strategy provides the room to take advantage and cash in on temporary or unusual opportunities provided by the market from time to time. The portfolio manager has the leeway to take tactical calls and short term bets to capitalize on market mispricing and inefficiencies in order to generate above average returns on the portfolio. Wealth managers undertake an opportunistic attitude and try to time the markets. For e.g. he might decide to move from debt to equity consequent to a steep correction in stocks.
- **Dynamic Asset Allocation:** This strategy suits the aggressive investors who want to ride the market momentum at all times. The asset mix of the portfolio is constantly adjusted in sync with market rise and fall. If the stock market falls and the sentiments are negative, the wealth manager would sell stocks anticipating further declines. This strategy works opposite to that of constant weighing strategy.

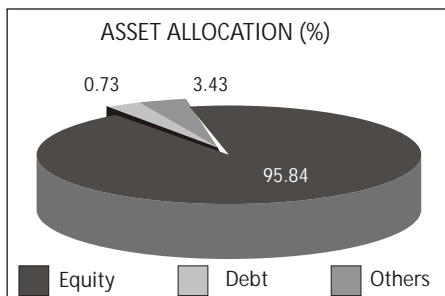
### Conclusion:

Ideally, an investor should opt for an asset allocation strategy which is in sync with his risk return framework. He can either choose any one particular strategy or a combination of different strategies based on their risk tolerance, return expectations, time horizon, age, goals, objectives and constraints. But we would like to sound a word of caution that it requires lot of expertise to carry out these strategies. As such, it is best left to the professionals who can successfully exploit them to your advantage.

## HDFC GROWTH

IMPORTANT INFORMATION	
NAV (Rs)	82.38
Inception Date	Aug-00
Fund Size (Rs.Cr)	1,330.27
Fund Manager	Srinivas Ravuri
Entry Load	Nil
Exit Load	1%
Expense Ratio	1.98
1yr High (09-Jul-10)	82.38
1yr Low (13-Jul-09)	54.10
Min Investment (Rs)	5000
Min SIP Investment(Rs)	500

RISK / RETURNS	
Risk Grade	Below Average
Return Grade	Above Average



KEY STATISTICAL RATIOS	
Beta	0.88
Std.Deviation	32.34
Sharpe Ratio	0.42
R-Squared	0.95
Alpha	6.15

**INVESTMENT STYLE**

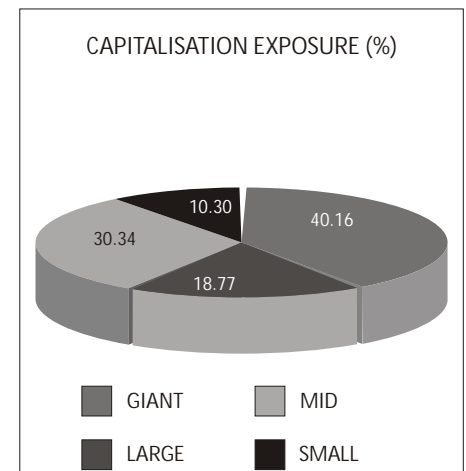
	Growth	Blend	Value	
				Large
				Medium
				Small

**CAPITALISATION**

**FUND OBJECTIVE:** The scheme is aimed at generating long term capital appreciation by investing 80-100% of its assets in equity and equity related instruments. Exposure to debt and money market instruments would be around 20% of the corpus

PORTFOLIO CHARACTERISTICS	
Portfolio P/E	21.46
Portfolio P/B	4.65
Market Cap (Rs.Cr)	24,063.90
Top 3 Sectors (%)	47.72
Top 5 Holdings (%)	27.60
Top 10 Holdings (%)	48.86
Benchmark Index	Sensex

MARKETCAP EXPOSURE (%)	
Giant	40.16
Large	18.77
Mid	30.34
Small	10.30



PERFORMANCE (% Returns as on 09/07/2010)						
	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
HDFC Growth Fund	7.52	11.34	47.59	13.28	26.10	23.93
Sensex	-0.56	1.67	29.63	5.82	19.83	

< 1 year absolute and > 1 year compounded annualised returns

TOP 10 HOLDINGS	
	% of Net Assets
ITC	5.86
ONGC	5.77
Infosys	5.73
ICICI Bank	5.26
BPCL	4.98
SBI	4.69
Zee Entertainment Ent.	4.25
Sun Pharmaceutical Inds.	4.22
Crompton Greaves	4.16
HDFC	3.94
Total	48.86

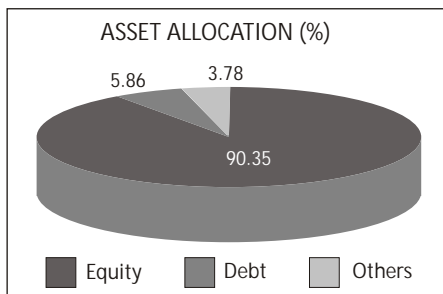
TOP 10 INDUSTRIES	
Sector Name	% of Net Asset
Energy	19.92
Financial	17.33
Engineering	10.47
FMCG	8.36
Health Care	8.03
Services	7.83
Construction	7.13
Chemicals	6.07
Technology	5.73
Communication	2.16
Total	93.03

**FUND REVIEW :** The fund is quite famous for its savvy stock selection and right sector bets. It has comfortably managed to deliver above average returns over the past 1, 3 and 5 year time horizons. It has also delivered superior risk adjusted returns. Although the returns have not been spectacular, the fund has demonstrated outstanding ability to contain the downside when market conditions were extremely sluggish. The fund manager does not easily get swayed by momentum and assigns high priority to fundamentals. The quality of stock composition is excellent with appropriate diversification across the market cap spectrum. The high alpha of the fund also signifies impressive market timing moves by the fund manager.

## IDFC PREMIER EQUITY - PLAN A

IMPORTANT INFORMATION	
NAV (Rs)	102.80
Inception Date	Oct-02
Fund Size (Rs.Cr)	1,745.60
Fund Manager	Sanjay Chawla
Entry Load	Nil
Exit Load	1%
Expense Ratio	2.00
1yr High (07-Apr-10)	109.68
1yr Low (13-Jul-09)	68.10
Min Investment (Rs)	5000
Min SIP Investment(Rs)	1000

RISK / RETURNS	
Risk Grade	Below Average
Return Grade	High



KEY STATISTICAL RATIOS	
Beta	0.92
Std.Deviation	35.37
Sharpe Ratio	0.55
R-Squared	0.86
Alpha	11.40

**INVESTMENT STYLE**

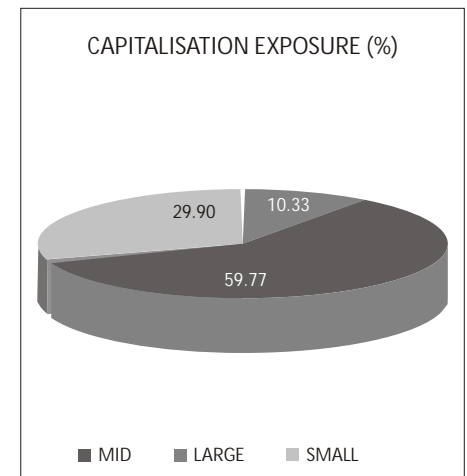
	Growth	Blend	Value	
				Large
				Medium
				Small

**CAPITALISATION**

**FUND OBJECTIVE:** The scheme aims to generate long term capital growth from an actively managed portfolio of predominantly equity and equity related instruments. It would invest in small and medium size business with good long term potential, which are available at cheap valuations

PORTFOLIO CHARACTERISTICS	
Portfolio P/E	29.64
Portfolio P/B	4.88
Market Cap (Rs.Cr)	4,440.18
Top 3 Sectors (%)	58.37
Top 5 Holdings (%)	24.01
Top 10 Holdings (%)	41.83
Benchmark Index	BSE 500

MARKETCAP EXPOSURE (%)	
Large	10.33
Mid	59.77
Small	29.90



PERFORMANCE (% Returns as on 09/07/2010)						
	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
IDFC Premier Equity - Plan A	5.49	10.97	58.88	19.89	n.a	26.26
BSE 500	0.90	2.96	37.18	6.54	19.28	

< 1 year absolute and > 1 year compounded annualised returns

TOP 10 HOLDINGS	
	% of Net Asset
Shriram Transport Fin.	5.19
Coromandel International	5.15
Asian Paints	4.96
Glaxo Consumer Healthcare	4.42
Bajaj Electricals	4.28
IRB Infrastructure Dev.	4.14
Sun TV Network	4.09
United Spirits	3.29
Pantaloon Retail	3.24
Page Industries	3.06
Total	41.82

TOP 10 INDUSTRIES	
Sector Name	% of Net Asset
FMCG	26.38
Services	21.88
Chemicals	10.11
Energy	6.15
Financial	5.19
Cons.Durable	4.28
Construction	4.14
Textiles	3.06
Automobile	3.01
Technology	2.16
Total	86.36

**FUND REVIEW :** The fund has a focused strategy of placing its bets on superior quality stocks and its historical performance shows that the fund has been successful in implementing this strategy. We recommend the investors to invest in this fund due to its excellent track record and consistent performance. It has outperformed its peers consistently over the past 3years and has demonstrated commendable performance under different market conditions. It has managed to deliver higher risk adjusted returns. The fund is predominantly focused on mid cap stocks and the top holdings consists of some high potential growth stocks. It has been quite successful in containing the downfall vis-a-vis its peers in the same category



## RECOMMENDED SCHEMES AS ON 30TH JUNE 2010

SL. No.	Scheme Name	NAV	Launch	Absolute %		Compounded Annualised %		
				3months	6 Months	1 Year	3 Years	5 Years
<b>INDICES</b>								
1	Sensex			0.63	2.06	22.13	6.50	19.72
2	S&P Nifty			0.95	2.77	23.80	7.14	19.05
<b>LARGE CAP FUNDS</b>								
1	Birla Sun Life Frontline Equity - Plan A	82.84	30-Aug-02	2.47	4.50	32.67	13.51	26.57
2	DSP BlackRock Top 100 Equity	94.35	10-Mar-03	2.98	4.29	29.77	13.10	26.83
3	Franklin India Bluechip	196.44	01-Dec-93	1.11	6.52	29.69	11.29	23.91
4	HDFC Top 200	194.60	11-Sep-96	5.89	8.30	35.37	17.34	27.67
<b>DIVERSIFIED FUNDS</b>								
1	HDFC Equity	253.29	01-Jan-95	7.40	10.01	46.52	15.25	27.96
2	Reliance RSF - Equity	29.57	09-Jun-05	3.34	6.58	38.36	19.52	24.12
3	SBI Magnum Contra	57.03	05-Jul-99	2.24	2.94	29.14	10.74	26.41
4	Templeton India Growth	114.22	10-Sep-96	0.44	6.84	42.61	15.50	24.40
<b>MID CAP FUNDS</b>								
1	Birla Sun Life Mid Cap - Plan A	108.43	03-Oct-02	2.24	4.02	47.68	13.34	26.24
2	ICICI Prudential Discovery	45.53	14-Aug-04	5.64	13.32	66.35	16.33	24.82
3	IDFC Premier Equity - Plan A	29.66	28-Sep-05	7.69	13.59	51.31	19.25	n.a
4	Reliance Growth	458.64	08-Oct-95	4.51	7.74	40.82	14.23	27.77
5	Sundaram BNP Paribas Select Midcap	141.85	30-Jul-02	5.54	5.39	46.21	12.53	28.11
<b>INDEX FUNDS</b>								
1	Franklin India Index - NSE Nifty	41.82	26-Mar-04	1.40	2.99	24.08	6.70	19.04
2	HDFC Index - Sensex Plus Plan	212.06	17-Jul-02	3.10	3.88	27.94	9.77	21.89
3	ICICI Prudential Index Fund	49.24	26-Feb-02	1.68	3.22	23.81	8.48	20.95
<b>SECTOR / THEMATIC FUNDS</b>								
1	Canara Robeco Infrastructure	22.38	02-Dec-05	4.73	7.86	29.21	11.42	n.a
2	ICICI Prudential Infrastructure	29.00	31-Aug-05	-0.82	0.52	19.83	10.88	n.a
3	Reliance Banking	87.21	26-May-03	9.70	15.77	44.46	23.87	27.23
4	Reliance Diversified Power	81.93	08-May-04	3.69	5.38	29.09	23.13	39.34
5	Reliance Pharma	53.58	05-Jun-04	11.90	21.84	110.58	28.23	32.13

Note: \* Growth option is taken for calculation.



RECOMMENDED SCHEMES AS ON 30TH JUNE 2010

SL No.	Scheme Name	NAV	Launch	Absolute %		Compounded Annualised %		
				3months	6 Months	1 Year	3 Years	5 Years
<b>ELSS FUNDS</b>								
1	Canara Robeco Equity Tax saver	24.65	02-Feb-09	5.84	13.65	43.90	n.a	n.a
2	Franklin India Tax Shield	40.78	26-Feb-01	1.35	2.89	23.21	6.54	18.62
3	HDFC Tax Saver	218.27	13-Jun-96	6.05	11.22	48.75	11.70	22.80
4	Sundaram BNP Paribas Tax saver	42.17	22-Nov-99	2.29	0.04	27.96	12.98	24.16
<b>BALANCED FUNDS</b>								
1	Birla Sunlife 95	289.59	10-Feb-95	4.83	7.84	30.73	13.11	21.43
2	Canara Robeco Balanced	57.98	01-Feb-93	5.94	9.35	31.56	13.43	22.59
3	HDFC Prudence	196.07	01-Feb-94	7.96	12.69	44.76	16.25	24.82
4	Reliance RSF - Balanced	21.24	08-Jun-05	3.08	9.95	32.69	20.25	16.15
<b>MIP FUNDS</b>								
1	Birla Sunlife MIP - Wealth 25	17.13	22-May-04	1.60	2.65	10.68	7.16	9.12
2	HDFC MIP - LT	21.76	26-Dec-03	3.27	4.99	15.37	12.06	13.34
3	Reliance MIP	20.74	13-Jan-04	2.63	3.91	15.75	14.74	13.40

SL No.	Scheme Name	NAV	Launch	Simple Annualised %			Compounded Annualised %
				1 Month	3months	6 Months	1 Year
<b>SHORT TERM INCOME FUNDS</b>							
1	HDFC Short Term Plan	18.26	28-Feb-02	0.41	1.53	3.05	6.04
2	ICICI Prudential STIP	19.68	25-Feb-03	0.45	1.68	3.00	5.57
3	Kotak Bond Short Term Plan	18.06	02-May-02	0.29	1.69	3.23	6.06
4	Reliance Short Term Fund	17.67	23-Dec-02	0.38	1.62	2.83	5.89
5	Templeton India STIP - IP	1507.26	08-Sep-05	0.45	1.72	3.51	8.80

SL No.	Scheme Name	NAV	Launch	Simple Annualised %					Compounded Annualised %
				1 Week	2 Weeks	1 Month	3months	6 Months	1 Year
<b>ULTRA-SHORT TERM INCOME FUNDS</b>									
1	Fortis Money Plus - IP	14.07	21-Oct-05	0.11	0.21	0.45	1.29	2.47	5.05
2	HDFC Cash Management - TA - WP	20.44	23-Apr-07	0.10	0.20	0.42	1.29	2.45	4.92
3	LIC Savings Plus	14.82	29-May-03	0.10	0.20	0.42	1.29	2.53	5.19
4	Reliance Money Manager	1260.01	20-Mar-07	0.09	0.18	0.39	1.19	2.26	4.73
5	Templeton Ultra Short Bond - Super IP	11.99	18-Dec-07	0.09	0.18	0.38	1.24	2.40	4.92

Note: \* Growth option is taken for calculation.

**FIXED DEPOSITS**

FIXED DEPOSITS	Interest rate (% p.a.)		
	12 Months	24 Months	36 Months
Apollo Hosp. Ent. Ltd. (Min.25,000)	8.00	8.25	8.75
Birla Power Solution	10.50	11.00	11.50
Champagne Indage Ltd	10.00	10.50	11.50
Gati Ltd.	9.00	9.50	10.00
Godrej Industries Ltd.	13M(7.50)	8.00	8.50
Gold Souk International Ltd.	11.00	11.25	11.50
H&R Johnsons Ltd	7.75	7.75	7.75
Helios & Matheson	10.00	10.50	11.00
Jindal Saw Ltd. (Saw Pipes Ltd.)	7.25	8.25	9.50
Jindal Steel & Power Ltd.	8.00	8.25	8.50
Shriram Unnati	8.75	9.50	10.00
Surya Roshni	10.50	11.00	11.50
Unitech Limited*	11.00	11.50	12.00

**FIXED DEPOSITS SCHEMES OF GOVT. COMPANIES / PSUS / NBFCS /HFCS**

FIXED DEPOSITS	Interest rate (% p.a.)			
	Rating	12 Months	24 Months	36 Months
Andhra Pradesh State Finance Corporation	--	7.75	8.00	8.25
Andhra Pradesh State Finance Corporation	--	7.75	8.00	8.25
Canfin Homes Ltd.*	MAA	6.75	7.25	7.50
Dewan Housing Finance**	CARE (AA+)	9.00	9.10	9.25
Exim Bank *	FAAA	6.75	6.75	7.50
Exim Bank *(Above Rs. 1 Cr)	FAAA	5.25	5.25	6.00
Gruh Finance (Ind. Deposit) Min.2000 **	MAA+	6.75	7.00	7.25
HDFC (Ind & HUF)	FAAA	6.65	7.00	7.35
HUDCO (Ind/Trust) **	FAAA	6.65	7.00	7.35
ICICI Home Finance ** <= Rs. 1 Cr	MAAA	7.00	7.35	7.70
KTDFC**		9.00	9.25	9.25
LIC Housing Finance	--	6.75	7.25	7.50
NHB Suvridhi (Tax Saving)*	FAAA	--	--	60M(8.00)
NTPC	--	6.25	6.50	6.75
PNB Housing*	FAAA	7.25	7.25	7.75
SIDBI ( Individuals & Huf ) *	AAA	12-13(6.50)	14-36(7.00)	37-60(7.50)
Sundaram Home Finance	MAA+	7.50	8.00	8.50
Tamilnadu Power Finance **	--	7.75	8.25	8.75*
* 0.50% Extra For Sr.Citizens		** 0.25% Extra For Sr.Citizens		

Please check the interest rates before investing



## SBI Life - Unit Plus III

### Introduction:

SBI Life - Unit Plus III is an excellent and flexible non participating Unit linked Plan, specially designed to meet your changing requirements at various stages of life. With a wide array of funds, riders and other options, this product gives you the complete freedom to fulfill all your investment and insurance needs. And that's not all; it also offer you guaranteed additions and choice of payment options at a lower cost, giving you far superior value.

### Key Features:

- Guaranteed Additions of up to 200% of your current years premium for Regular Premium Option and up to 25% for Single Premium Option.
- No Premium Allocation Charge from 11th year onwards, thereby boosting your fund value.
- Enhanced investment opportunity through 8 varied Fund Options including Index Fund & Top 300 Fund.
- Twin Benefit of Market linked returns & insurance cover.
- Flexible product with an option to increase/decrease your premium and Sum Assured from 4th year onwards.
- Option to customize the product with a wide range of riders:
  - SBI Life - Criti Care 13 Rider (UIN: 111A018V01)
  - SBI Life - Accidental Death Benefit Linked Rider (UIN: 111A019V01)
  - SBI Life - Premium Payor Waiver Benefit Rider (UIN: 111A017V01)
  - SBI Life - Income Sustainer Rider (UIN: 111A020V01)

### Product Snapshot

Age at Entry*	Min: 0 years	Max: 65 years		
Age at Maturity	Applicable for both Regular and Single premium options For Limited Term Max: 70 years For Whole Life: 90 years			
Policy Term	For Regular Premium: (The term varies with premium size)			
	Premium Size (In Rs)	Policy Term		
	24,000 - 99,900	The Policyholder can chose any of the five fixed policy terms: 10/15/20/25/30 years		
	100,000 - 499,900 500,000 & above	7 to 30 years 5 to 30 years		
	For Single Premium - 5 to 30 years			
	For Whole Life Term: 90 years - Age at Entry In case of minor lives, policy term should be appropriately chosen so as to ensure that at the time of maturity life assured should be a major.			
Premium Modes	Yearly / Half-yearly / Quarterly / Monthly/Single			
Annualized Regular	Min	Max		
Premium Amounts (X 100)	Rs 24,000	No. limit		
Single Premium Amounts (X 100)	Rs 60,000	No limit		
Top Up Premium (X 100)	Min Rs. 5,000 Max: 25% of the basic Regular/Single premium paid till date			
Sum Assured	Min: For Regular Premium (RP) - $5 * \text{Annualised Premium (AP)}$ For Single Premium (SP) - $1.25 * \text{Annualised Premium (AP)}$			
	Max:			
	Particulars	For Regular Premium	For Single Premium	
	Entry Age	Up to 45 yrs	46 -65 yrs	All Ages
	Limited Term	20 * AP	10 * AP	5 * SP
Whole Life Term	20 * AP	5 * AP	1.25 * SP	



## SBI Life - Unit Plus III

### BENEFIT ILLUSTRATOR

Proposer Name: SURAJ								
IN THIS POLICY, THE INVESTMENT RISK IN INVESTMENT PORTFOLIO IS BORNE BY THE POLICYHOLDER.								
The main objective of the illustration is that the client is able to appreciate the features of the product and the flow of benefits in different circumstances with some level of quantification. For further information on the product, its benefits and applicable charges please refer to the sales brochure and/or policy document. Further information will also be available on request.								
Plan Details		Maturity Benefit Payable at the end of the Policy term		Allocation and FMC to the Funds chosen			Riders	Sum Assured
Life Assured Age at Entry:	30 Years	@6%	Rs. 609536	Equity Fund:	70%	1.35%	SBI Life - Income Sustainer Rider:	Rs 100000
Maturity Age:	40 Years	@10%	Rs. 755204	Equity Optimiser Fund:	10%	1.35%	SBI Life - ADB Linked Rider:	Rs 100000
Life Assured Gender:	Male			Growth Fund:	5%	1.35%	SBI Life - Criti Care 13 Rider****:	Rs 100000
Term of the Policy:	10 Years			Balanced Fund:	5%	1.25%		
Regular Premium (RP)*	Rs. 50000			Bond Fund:	0%	1%		
Sum assured:	Rs. 250000			Money Market Fund:	5%	0.25%		
Total First Year Premium (RP + Rider Premium):	Rs. 50459			Index Fund:	5%	1.25%		
				Top 300 Fund:	0%	1.35%		

\*It is a base premium exclusive of Rider Premium. Rider Premium is payable separately. \*\*\*\*Rider premium will be revised after every five year

#### Notes

- Kindly note that above is only an illustration and does not in any way create any rights and/or obligations. The actual experience on the contract may be different from what is illustrated. The non-guaranteed low and high rate mentioned above relate to assumed investment returns at different rates and may vary depending upon market conditions. For more details on risk factors, terms and conditions please read sales brochure carefully before concluding a sale.
- The unit values may go up as well as down and past performance is no indication of future performance. We would request you to appreciate the associated risk under this plan vis-à-vis the likely future returns before taking your investment decision.
- The interest rates of 6% and 10% are gross rates i.e. taken before the deduction of Fund Management Charges (FMC).
- Please read this benefit illustration in conjunction with Sales Brochure and the Policy Document to understand all Terms, Conditions & Exclusions carefully.
- It is assumed that the policy is in force throughout the term.
- Surrender Value equals the Fund Value at the end of the year minus Surrender Charges as mentioned in the Brochure. Surrender Value, if any, shall be payable only after the end of 3rd policy year provided at least first year's full premium has been paid.
- Acceptance of proposal is subject to Underwriting decision. Mortality charges / Rider premium if any, are for a healthy person.
- Currently the service tax applicable is 10.30% and is subject to any change in the tax rate. The Service tax column in this illustration includes service tax on FMC, Mortality charges and Rider Premium, if any.
- This policy provides guaranteed death benefit of Rs. 250000
- Rider premium include service tax.
- Rider charges are not taken into consideration for Net Yield calculation.



## WARREN BUFFETT'S WORDS OF WISDOM

- Rule No. 1: Never lose money. Rule No. 2: Never forget rule No. 1.
- It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price.
- You're neither right nor wrong because other people agree with you. You're right because your facts are right and your reasoning is right and that's the only thing that makes you right. And if your facts and reasoning are right, you don't have to worry about anybody else.
- Our favourite holding period is forever.
- When a management with a reputation for brilliance tackles a business with a reputation for bad economics, it is usually the reputation of the business that remains intact.
- Risk comes from not knowing what you're doing.
- If you don't know jewelry, know the jeweler.
- If you don't feel comfortable owning something for 10 years, then don't own it for 10 minutes.
- There seems to be some perverse human characteristic that likes to make easy things difficult.
- One's objective should be to get it right, get it quick, get it out, and get it over... your problem won't improve with age.
- A public-opinion poll is no substitute for thought.
- In the insurance business, there is no statute of limitation on stupidity.
- If a business does well, the stock eventually follows.
- The most important quality for an investor is temperament, not intellect... You need a temperament that neither derives great pleasure from being with the crowd or against the crowd.
- The future is never clear, and you pay a very high price in the stock market for a cheery consensus. Uncertainty is the friend of the buyer of long-term values.
- We will only do with your money what we would do with our own.
- Occasionally, a man must rise above principles.
- It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.
- When asked how he became so successful in investing, Buffett answered: we read hundreds and hundreds of annual reports every year.
- "I never buy anything unless I can fill out on a piece of paper my reasons. I may be wrong, but I would know the answer to that. "I'm paying \$32 billion today for the Coca Cola Company because..." If you can't answer that question, you shouldn't buy it. If you can answer that question, and you do it a few times, you'll make a lot of money."
- You ought to be able to explain why you're taking the job you're taking, why you're making the investment you're making, or whatever it may be. And if it can't stand applying pencil to paper, you'd better think it through some more. And if you can't write an intelligent answer to those questions, don't do it.
- I really like my life. I've arranged my life so that I can do what I want.
- If you gave me the choice of being CEO of General Electric or IBM or General Motors, you name it, or delivering papers, I would deliver papers. I would. I enjoyed doing that. I can think about what I want to think. I don't have to do anything I don't want to do

## COLLECTIVE FUNDS MUTUAL BENEFITS



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[www.sprisminvest.com](http://www.sprisminvest.com)

E-mail: [advisory@sprisminvest.com](mailto:advisory@sprisminvest.com)

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