Sprismatic

ANALYSING INVESTMENT & PROFITS

January • Vol 90 - 2012 • SPRISM Investment Services Pvt. Ltd.,

Hope this NEW YEAR
brings back the smile
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& PROFITS.

index

editorial

The year 2011 would probably enter the annals as one of the most unmemorable periods in the history of Indian equity market. Much to the dismay of the investor fraternity, the bellwether Sensex and Nifty indices plunged around 25% during the year. The list of woes both domestic and global - seemed to be endless. Apart from higher inflation, rising interest rates and government apathy threatening to derail economic growth, uncertainty still hangs over an early resolution to the Euro-zone's debt crisis. To top it all, investors' emotions of extreme fear and excessive greed has seldom worked in their favour, irrespective of market conditions.

Apart from the stock market mayhem, currency market demonstrated heightened volatility as the Rupee lost around 19% against the US Dollar in 2011. A strong bout of global risk aversion and FII exodus triggered by the European crisis coupled with high domestic inflation and concerns of a swelling current account deficit drove the Rupee's freefall that literally caught everyone off guard. GDP growth printed below 7% for the first time since June 2009. Industrial output (IIP) registered a negative 5.1% growth in October 2011. Headline inflation remained uncomfortably high averaging above 9% level, driving RBI to incessantly hike policy rates.

On the global front, investors were reminded of the horrors of 2008. The only difference being it was Europe where the problem originated rather than the US. There appears to be no quick-fix solution to the crisis owing to its structural nature. The problem that erupted in a small country like Greece threatened to engulf the core of Europe. All eyes are now set on the series of European government bond auctions, leaders' summit in March, Greek elections and French Presidential elections during April/May.

Amid a multitude of factors together conspiring to wreak havoc in a 'stable' economy, gold and fixed income instruments remained islets of sanity. The yellow metal in particular, had a spectacular run delivering over 30%, thereby lending credibility to its status as 'safe haven' during periods of turbulence. While it's impossible to accurately predict what 2012 holds, we reiterate the importance of adequate diversification and asset allocation to create wealth. Remember, when you hit rock-bottom, the only way is the way up!

"Even a mistake may turn out to be the one thing necessary to a worthwhile achievement"

- Henry Ford

SPRISM Editorial Team:

Ms. Rajani Rao - *Managing Editor*
Mr. Praveen P - *Research Analyst*

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EQUITY MARKET UPDATE

- Negative IIP numbers and political uncertainty over policy reforms pulled the market down
- BSE Sensex fell 668.54 points (4.15%) to settle at 15,454.2 while S&P CNX Nifty declined 207.75 points (4.30%) to close at 4,624.30
- In CY 2011, BSE Sensex slumped 5,054.17 (24.64%) points and S&P CNX Nifty decreased 1,510.20 (24.62) points
- Markets were increasingly plagued by concerns of higher inflation, rising interest rates, government policy paralysis and Euro-zone crisis
- BSE Mid Cap and BSE Small Cap indices declined by 8.75% & 8.97% respectively over the month
- Amongst the sectors, IT registered 4.60% gains, but all the other major sectors ended in negative led by Consumer Goods & Realty
- FIIs were net buyers of Rs. 510 Cr during December, while domestic MFs also bought Rs. 580 Cr (net)
- The MSCI AC World Index declined marginally by 0.31% while the MSCI Emerging Markets index dropped by 1.30%

OUTLOOK

- Investors will closely track the outcome of Q3 earnings season which will unfold later this month
- Receding inflation and expectations of change in RBI's policy stance might turn markets sentiment positive by 2HFY13
- Euro-zone debt worries continue to haunt bourses bound by speculation that European banks might unwind their investments in Asia to cover their losses

DEBT MARKET UPDATE

- RBI maintained status quo in its mid-quarter monitory policy review by retaining repo & reverse repo at 8.50% & 7.50% respectively
- The yield on the benchmark 10-year G-Sec declined 17 bps to 8.56% during December
- The G-Sec yields eased as the RBI continued the buyback through Open Market Operations (OMO)
- The AAA benchmark 5-year bond yield declined by 16 bps to 9.48% in December from 9.64% recorded previous month
- WPI inflation eased to 9.11% in November (y-o-y) from 9.73% (y-o-y) recorded in October
- FIIs bought in a record inflow of Rs. 21,774.6 Cr in to domestic debt assets during December, compared to the previous month inflow of Rs. 934.7 Cr
- Call rates surged as liquidity worsened in the wake of the advance tax outflows in mid-December
- Rupee witnessed a further slide of 1.73% during December to close the month at 53.11 against the US Dollar

OUTLOOK

- Bond yields may be pressured upward due to the incremental government borrowing and fiscal deficit concerns
- However bonds may receive some support given the weak macro-economic scenario and RBI signaling a pause in rate hike
- Inflation is expected to ease considerably as food inflation and primary articles indices that are released weekly have shown a sharp slowdown recently

ECONOMY UPDATE

- India's Industrial output (IIP) registered a negative growth of 5.1% for October 2011
- Output of eight core industries rose to a twelve month high pace of 6.8% during November
- India's merchandise exports grew by mere 3.9% to $22.32 bn while imports increased 24.5% to $35.92 bn in November
- Balance of trade for the month of November stood at $13.6 bn, while it has moved up to $116.84 bn during April-November 2011
- Balance of payments surplus declined to mere $ 0.27 bn in the quarter ended September 2011, against $ 5.44 bn recorded in the previous quarter
- The net direct tax collection jumped 8.63% to Rs 2,35,333 Cr during the April-October 2011, as against Rs.2,16,628 Cr in the same period of the previous fiscal
- Fiscal deficit for November 2011 registered a sharp rise of 92% over the corresponding month of previous year

MUTUAL FUND UPDATE

- AUM of the mutual fund industry fell by 4.46% (Rs. 31,752.68 Cr) to Rs. 6.80 lakh Cr during the quarter ended December
- Amongst the 41 fund houses, only 18 registered an increase in average AUM for the quarter
- The top 5 fund houses saw a decline in average AUM - Reliance MF by 9.22%, ICICI Prudential MF by 7.78%, UTI MF by 7.61%, Birla MF by 5.98% & HDFC MF by 3.48%
- HDFC MF retained the top spot as the largest fund house followed by Reliance MF, ICICI Prudential MF, Birla MF & UTI MF

INVESTING IN 2012

- Sandeep Shanbhag

2011 has come to an end and we embark upon a brand new year with its own uncertainties on the one hand and possibilities on the other. What should investors expect going ahead? How should they tackle the unraveling economic downturn? What should be the playbook? The article attempts to address this and other peripheral issues.

To say that the past couple of years have been extremely difficult for Indian investors would be an understatement. The global economic situation continues to be fragile. As per RBI's December 2011 Mid Quarter Policy Review the recent European Union summit agreement did not really succeed in easing negative market sentiment and with no credible solution as yet to the immediate sovereign debt problem, risks of persistent financial turbulence as well as a recession in Europe remain high. At the EU summit, European leaders agreed on a stronger coordination of economic policies to strengthen fiscal discipline. While this would be a welcome step for the medium to long-term sustainability of the euro area, the current short-term funding pressures still continue. While Q3 euro area growth came in at just 0.8 per cent 2012 growth is expected to be even weaker. Also, crude oil prices remain elevated. A combination of these factors pose the greatest amount of risks to emerging market economies including India.

Consequently not only India but also other countries in Asia have seen both currency depreciation and policy rate changes. The news on the domestic front too is not too good. Growth is definitely down. Significantly the Index of Industrial Production (IIP) came in at a negative 5.1% in October 2011 there is de-growth in GDP at 6.9% in Q2 FY12 versus 8.6% clocked in last year and inflation at 9.11% continues to be high at least above the comfort level of the RBI.

To make matters worse, the rupee has fallen considerably. As on December 15, 2011, the rupee had depreciated by about 17 per cent against the US dollar over its level on August 5, 2011 which was the day on which the US debt downgrade happened. Though RBI has taken steps to attract inflows some of which are increasing limits on investment in government and corporate debt, deregulating savings bank rates as well as NRI deposit rates increasing the ceiling on corporate borrowings abroad etc. it remains to be seen whether these are effective in arresting the currency fall. Basically the outlook going ahead remains uncertain.

They say when it rains it pours. As we all know, much needs to be done on the policy and reforms front too. We need meaningful reforms and we need these fast. The bottlenecks as well as manipulation in food supply are well known. For example, it is common knowledge that the producer/farmer gets a small fraction of the price that the end consumer ends up paying with the middlemen pocketing most of the difference. While on the one hand we are paying through our noses for the daily food on our table, there have been regular reports of farmers committing suicides due to financial distress. In the meanwhile, the supply chain is laughing all the way to the bank.

The irony is that tonnes of food grain rot in government warehouses for lack of proper storage and distribution facilities. The loopholes in the PDS (Public Distribution System) are well documented. However, successive State and Central Governments have done precious little to address the issue. Organized retail would benefit the farmer as well as the consumer. Unfortunately vote bank politics has taken precedence over reforms in a sector that is in dire need of improved infrastructure.

Mining is yet another 'mine field'. For example, for our energy needs, we have the reserves, yet we import coal. If public sector miners are inefficient, there is no reason that coal mining shouldn't be opened up to the private sector. But seems like politics and reforms do not go hand in hand with each other.

Net - net , when an economy is faced with a situation of continuously rising interest rates, a self imposed paralysis on reforms and a falling currency (perhaps the only factor where the government is not entirely responsible) it is but natural that business confidence gets hit and investors both domestic and foreign start getting anxious.

So in all this negativity, one has to ask oneself what's on the positive side? Well, fortunately a lot. Even though the GDP growth rate has decelerated, even this rate makes India one of the fastest growing economies in the world. Our demographic and domestic consumption led demand is our strength. At a time when the West is in the midst of nationalizing its banking system, our banks are well capitalized, well regulated and most are already nationalized. Rounding up, a savings rate of 35% makes India as insulated as it can be against a global recession.

Therefore if RBI manages to control inflation thereby maintaining at least the domestic purchasing power of the rupee, in an economy that has limited dependence on exports, growth can be maintained on the back of domestic consumption itself.

Also, the fact of the matter is that things cannot get any worse. Most of the bad news is already discounted in valuations. So it would be a mistake to reject equity altogether. But this is precisely what's happening. Most investors have run out of patience and others are being discouraged and alarmed by the media fed doomsday predictions.

This in itself is the crux of the issue. Sell on bugles and buy on cannons. Timing the market is impossible, time in the market is crucial. Buy when everyone else is fearful and sell when everyone else is greedy. These are pearls of wisdom given to us by investment gurus such as Buffet. But looks like these teachings are best appreciated on paper practical application of the same is best left to the next guy. But no matter how good your stock picks or mutuals are, if you don't play this investing game with gumption, reason and a measure of levelheadedness, winning is almost impossible.

What to do is the simple part, it's what not to do that will separate the men from the boys. Stick with your systematic investments. Do not expect to make any money, in fact in the near future, you may even be in the negative. But that's what systematic investments are meant for. When (and not if!) the next bull run takes place, it is precisely these very SIPs that will stand you in good stead.

This situation reminds me of yet another quote from Warren Buffet. He has said Five years from now, ten years from now, we'll look back on this period and we'll see that you could have made some extraordinary (stock market) buys. That doesn't mean it won't get more extraordinary a week or a month from now. I have no idea what the stock market is going to do next month or six months from now. I do know that the economy, over a period of time, will do very well, and people who own a piece of it will do well. Just don't borrow money to buy your piece.

Of course Buffet's quote is on the American economy but it can literally be copy-pasted to our situation.

Putting it differently, one of the most effective ways to achieve success in your investments is to stick with the basics and shut out all the noise. Markets will rise and fall based on national international political geo-political economic and financial events. The trick is not to get sucked into the micro picture and instead focus on the macro. In other words, whether your investments are profitable or not is not up to the external factors but entirely up to you. The question is Are you up to it?

2012 INVESTORS' DILEMMA

R. Balakrishnan

2012 perhaps heralds the dawn of one of the most pessimistic years for the Indian economy post the 1991 liberalisation act. Looked at in isolation, a seven percent GDP growth is nothing to scoff at. However, when the economy is speeding at nine percent and then there is a setback, it looks worse. Apart from economics, even the politics do not look none too good. It is perhaps the political uncertainty that clouds even our economic outlook, given the fact that reforms have virtually come to a grinding halt and half the term of the UPA is over. Now, we will have state elections and this will put further brakes on what looked like an economy on the roll. Of course, global circumstances are being blamed for virtually everything, though we are yet to feel the real impact of a global melt down.

I will not delve too much in to the reasons and would rather look at what 2012 holds in store for us from an investment perspective.

2012 IS GOING TO BE A TOUGH YEAR. HAVE A STRATEGY IN PLACE FOR INVESTMENT. PROTECTION OF PRINCIPAL IS GOING TO BE THE DOMINANT MOOD.

Equities are enveloped by a pall of gloom. There is no conviction in any stock market rally, with all of us believing that there is no reason for an upside, given the pessimistic outlook on profit growth and the slowdown in earnings growth. However, I would keep some money aside for a single trade in equities, this year. Going by market momentum and views of various analysts and economists, it looks like we are in for a range of between 15000 and 18000 on the BSE Sensex. This means a 20% bounce between the lows and the highs. Is this going to be a tradable play? I think yes, if we keep away from direct equities and focus just on Index funds or ETF's. Yes, this may not work if the market hits 18000 first and then 15000. For this strategy to work, the downside has to happen first. I would also go wrong, if the market sinks below 15,000 and does not recover. In which case, I am willing to double my bets if the market goes to 12 000 or so. My strategy also helps us to keep away from specific stocks and sectors. In an environment like this, one cannot favour one sector over another. For instance, we may see FMCG still surging but we may not be comfortable buying at these levels. It could be any sector. Hence, playing the broad market may perhaps be the safer strategy.

I would earmark money for this play and keep it in liquid funds.

Fixed income (bonds, income funds etc) would offer opportunities in the first half of the year, to lock in to good yields for three to five years. I would stick to good quality (Credit rating of double A and above) and look to hold to maturity, if I believe that after 2012, things would get better for the world and India. I base my strategy on an assumption that interest rates would not rise from here. In fact, there is a fair chance that interest rates would start to come off a bit by March 2012. So, if we see a two percent drop in interest rates by the end of 2012, our bonds would have appreciated in value. We can sell off the bonds (provided we have alternate investment options at that point) for a yield which could be around 15%. And typically, when interest rates start to come off, equities would also rally. However, this year, the equity markets are unlikely to surprise on the upside. So, a big shift to equities is not on the cards. In case the interest rates do not come down, it is not a bad thing to be locked in for three to five years at these yields (around twelve to thirteen percent per annum). If we look at equities giving us long term returns of around 15 percent, it is not a bad thing at all to get around 12 or so with a far greater degree of certainty.

Gold has now become an important part of assets for investment rather than gold as jewellery. Globally, there is risk aversion and with the fall in Euro, gold becomes an interesting choice. However, there is a possibility that gold could weaken for some time as the dollar keeps gaining strength. In such a situation, gold prices could react a bit and if it breaches US $ 1500 per ounce on the downside, it makes sense to start buying in. Of course, gold in Indian rupee terms may not fall as much as in dollar terms, given the fact that the rupee is weakening against the dollar.

This leaves us with the conundrum of real estate. I would hesitate to pick up investment property, unless there is a distress sale. Market prices in most metro cities still are high and there is a lot of unsold property out there. If there is some property with a juicy rental yield, I would perhaps be tempted. Of course, for large investors with expertise in property, 2012 may be a good year for buying distressed and unfinished projects.

2012 is going to be a tough year. Have a strategy in place for investment. Protection of principal is going to be the dominant mood. 2012 in the Chinese calendar is the year of the Dragon. It signifies great success and prosperity. Will it prove each of us wrong? Or will it remain the mythical creature confined to the domain of the fortune tellers?

Mr. Dhawal Dalal, Senior Vice President & Head - Fixed Income of DSP BlackRock Mutual Fund

What's your call on Indian rupee? Don't you think if rupee continues to depreciate or even remain at current depreciated levels for long, India's growth story is as good as suspended?

Although the rupee has depreciated 22% YTD and continues to remain under pressure, we believe that it will trade range-bound over the next three months and thereafter stabilize. At the rupee's current level, the exchange rate has priced in the increase in the current account deficit as well as the present weak trend of currencies in the emerging markets. While the currency remains weak, we do not envisage any major slowdown in India's long-term growth story. Growth will continue to be driven by strong domestic consumption, which is mostly a result of a rising middle class, young working population besides strong rural demand. Furthermore, India's low dependence on exports as a percentage of GDP has somewhat insulated the economy from global macro shocks.

Overall how will the commodities perform in CY 2012 vis-à-vis CY 2011? Which commodities you are bullish and bearish on for CY 2012 and why?

Overall we expect commodities to generally trend down in the medium term. To be more specific, we expect steel prices to gradually slide through FY13. Currently, there is excess supply in Europe which could worsen if demand deteriorates. In addition, given the slight slowdown in China, this could lead to an increase in exports, which could add increasing pressure on global prices. Aluminum prices may not be sustainable much below this level given the current global cost curve and given that there is some pressure on production/supplies in China due to the clampdown on power intensive industries there. Overall, there could be short term volatility, but prices should not settle at much lower than current levels in the medium term. There could be quite a bit of fluctuation in copper prices too, and given that no major supply cuts are taking place, the direction of demand would determine short to medium term prices. With some softening expected both in China and Europe, we expect a downward bias.

Gold in India has been a great outperformer in CY 2011? What's your view on gold for CY 2012? How much percentage one should allocate into it?

We expect gold to remain steady but accompanied by significantly higher price volatility. In addition, if there is another round of quantitative easing by the central banks then expectations of future inflation will trend high. If there is higher inflation or potentially even fears of an increase in inflation, we could see an increase in the price of gold. Since market participants are uncertain of future market trends, we will continue to see volatility in the price of gold. An investor should allocate a part of his/her portfolio into gold based on his/her risk appetite and consider the likely volatility in the price of gold over the near/medium term.

After remaining at high levels for past couple of years, can inflation come down in CY 2012? Will RBI be able to cut interest rate in CY 2012 or the rate will remain stable? What's your view on investment in debt in CY 2012?

Food inflation is likely to come down to 2%-3% range owing to strong base effect. This will subsequently help primary articles. However, non-food manufacturing inflation (proxy for core inflation) continues to remain stubborn. Commodity prices as at present and sharp depreciation of INR will put further pressure on manufacturing inflation and likely outweigh the positive effect from moderating food inflation. We expect the headline inflation to moderate to around 7.5%-8% range by January 2012 and remain range bound from thereon until the base effect diminishes. We do not expect any reduction in interest rates by the RBI over the next 2 months. We do believe that the RBI will change its tone from neutral to dovish by then. Finally, by the end of FY 2011-12 we expect the RBI to take stock of the situation based on the inflation trajectory, growth expectations and external factors before commencing monetary easing. Overall, we are bullish on the fixed income asset class over CY 2012.

INVESTORS ARE ADVISED TO CONSIDER INVESTING GRADUALLY IN THE LONG DURATION FIXED INCOME FUNDS WITH AN INVESTMENT HORIZON OF AT LEAST SIX MONTHS.

Gilt Funds category has been facing net outflows since December 2010, what has been the reason behind it. Do you see any reversal in the trend in CY 2012?

We have been in a rising interest rate environment since March 2010. Policy rates have hardened by 2.25% since December 2010. The benchmark 10Y bond yield has demonstrated a clear upward trending bias as the benchmark yield increased by about 150 bps from bottom to peak over the 2010-2011 timeframe. It is a tall ask for any long duration asset class to outshine in a difficult environment as such. However, this is likely to change. We think that the interest rates are closer to their peak as inflation starts trending down gradually barring any further supply shocks. Investors are advised to consider investing gradually in the long duration fixed income funds with an investment horizon of at least six months. There is a case for accrual as well as likely price appreciation in government bonds over the next 12 months. It must be noted that G-sec will continue to remain volatile as fiscal slippage could result into additional government bond supply.

What kind of debt funds would you be recommending to your investors right now and what are the expected returns from them? Given your expectations of where interest rates are headed next year, would you be advocating short term plans or longer term plans which can take advantage of the double indexation facility?

Investors with a reasonable risk appetite and understanding of volatility should invest in a long-duration fund such as a Government Securities Fund. Investors with a horizon of 12 months could consider investing in funds that focus on dynamic asset allocation. Investors with a limited risk appetite should invest in schemes such as Short Term Funds with a minimum holding period of six months.

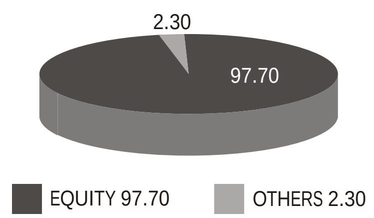
***Excerpts from an interview by Capital Market with Mr. Dhawal Dalal*
Source: www.sprisminvest.com

IDFC IMPERIAL EQUITY

IMPORTANT INFORMATION	
NAV(Rs)	16.78
Inception Date	Feb-06
Fund Size(Rs.Cr)	338.31
Fund Manager	Tridib Pathak
Entry Load	Nil
Exit Load	1%
Expense Ratio	2.29
1yr High (05-Apr-11)	20.21
1yr Low (20-Dec-11)	16.14
Min Investment (Rs)	5000
Min SIP Investment (Rs)	2000

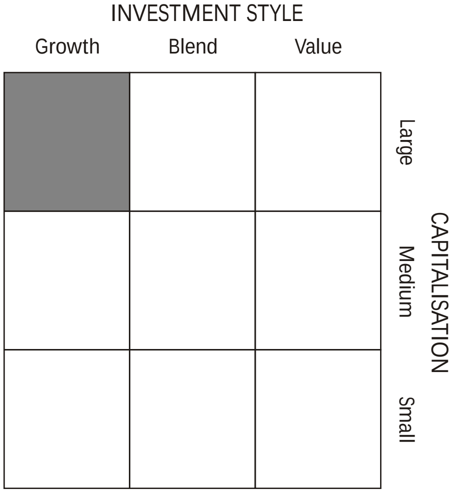
RISK / RETURNS	
Risk Grade	Below Average
Return Grade	High

ASSET ALLOCATION (%)



KEY STATISTICAL RATIOS	
Beta	0.81
Std. Deviation	21.82
Sharpe Ratio	0.55
R-Squared	0.98
Alpha	1.10

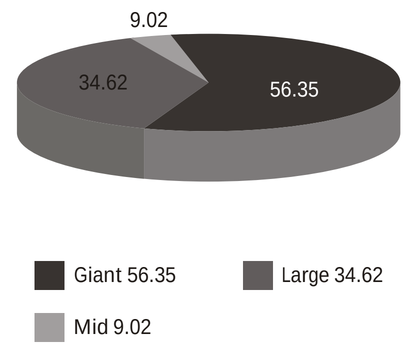
INVESTMENT STYLE



FUND OBJECTIVE: The scheme aims to invest in well-managed growth companies that are available at reasonable value. Companies would be identified through a systematic process of forecasting earnings.

PORTFOLIO CHARACTERISTICS	
Portfolio P/E	19.83
Portfolio P/B	4.67
Market Cap (Rs.Cr)	57,679.46
Top 3 Sectors (%)	51.04
Top 5 Holdings (%)	25.12
Top 10 Holdings (%)	46.26
Benchmark Index	S&P Nifty

CAPITALISATION EXPOSURE (%)



MARKETCAP EXPOSURE (%)	
Giant	56.35
Large	34.62
Mid	9.02

PERFORMANCE (% Returns as on 31/12/2011)	1 Year	3 Years	5 Years	Since Inception
IDFC Imperial Equity	-20.57	15.58	6.67	8.94
S&P Nifty	-24.62	16.04	3.12	–

< 1 year absolute and > 1 year compounded annualised

TOP 10 HOLDINGS	% of Net Assets
Infosys	5.65
ICICI Bank	4.96
Dr.Reddy's	4.93
Bharti Airtel	4.88
TCS	4.70
HDFC	4.65
HDFC Bank	4.54
Hero Motorcorp	4.18
Zee Entertainment	3.90
Coal India	3.87
Total	46.26

TOP 10 INDUSTRIES	
Sector Name	% of Net Assets
Financial	19.20
Technology	16.78
Energy	15.06
Healthcare	12.85
Automobile	10.38
Services	5.34
Communication	4.88
Engineering	3.74
Cons Durable	3.01
Total	91.24

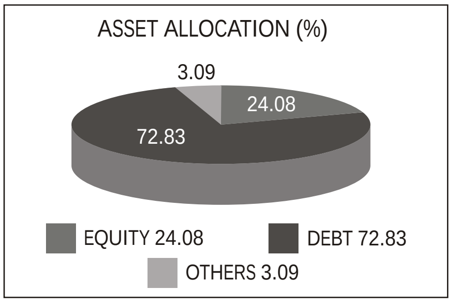
Source: ICRA MFI Explorer & Value Research Online

FUND REVIEW: The fund has a a strategy of placing its bets on superior quality large cap stocks and its historical performance shows that it has been quite successful in implementing this strategy. We recommend the investors to invest in this fund as part of their core portfolio due to its excellent track record & consistent performance. Given its conservative stance, the fund effectively proves its mettle when market conditions turn sluggish. It has managed to deliver higher risk adjusted returns. Due to its performance it suits the risk profile of conservative investors also. It has reasonably managed to weather the downturn in the recent corrective phase

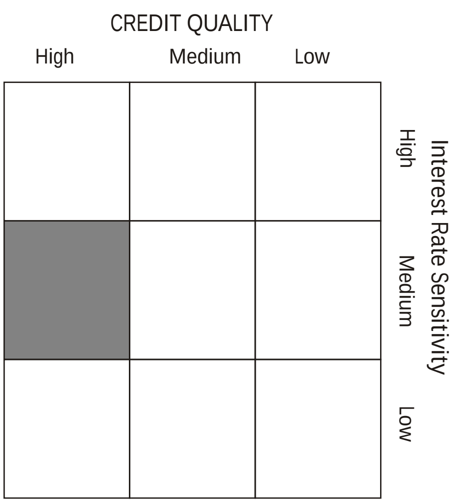
HDFC MIP LONG TERM

IMPORTANT INFORMATION	
NAV	23.20
Inception Date	Dec-03
Fund Size(Rs Cr)	7,876.82
Fund Manager	Prashant Jain
Expense Ratio	1.53
1yr High (27-Apr-11)	23.63
1yr Low (25-May-10)	22.28
Min Investment(Rs)	1000
Min SIP Investment(Rs)	5000

RISK / RETURNS	
Risk Grade	Above Average
Return Grade	High

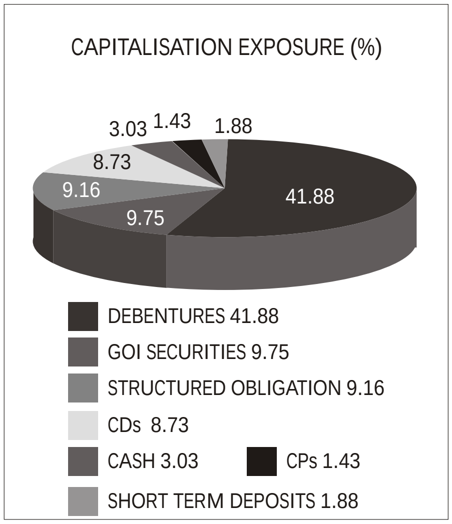


KEY STATISTICAL RATIOS	
Beta	0.92
Std.Deviation	7.07
Sharpe Ratio	1.08
R Squared	0.62
Alpha	6.39



FUND OBJECTIVE: The scheme aims to generate regular returns through investment primarily in debt & money market instruments. It will also invest in equity and equity related securities to generate long term capital appreciation

PORTFOLIO CHARACTERISTICS	
Average Maturity	4.45 Yrs
Average Credit Rating	AAA
No of Holdings	99



INSTRUMENT BREAK UP(%)	
Debentures	41.88
GOI Securities	9.75
Structured Obligation	9.16
CDs	8.73
Cash	3.03
CPs	1.88
Short Term Deposits	1.43

PERFORMANCE (% Returns as on 31/12/2011)

	1 Year	3 Years	5 Years	Since Inception
HDFC MIP - LTP	-0.54	12.71	9.27	10.83
Crisil MIP Blended	1.82	7.21	6.39	–

< 1 year absolute and > 1 year compounded annualised

TOP 10 HOLDINGS	% of Net Assets
LIC Housing Fin. (Deb)	6.52
Shriram Transport Fin. (SO)	5.77
Power Finance Corp. (Deb)	5.04
Rural Elecrification (Deb)	3.85
Oriental Bank of Comm. (CD)	3.42
HDFC (Deb)	3.21
Tata Motors (SO)	3.14
Power Grid Corp. (Deb)	2.41
Sundaram Finance (Deb)	2.14
Tata Sons (Deb)	2.00
Total	37.50

TOP 10 INDUSTRIES	
Sector Name	% of Net Assets
AAA	35.15
P1+	10.61
GOI Securities	9.75
AA	7.76
AA+	4.56
AA-	3.57
Cash & Call Money	3.09
Term Deposits	1.43
Total	75.92

Source ICRA MFI Explorer & Valueresearch Online

FUND REVIEW : It is a stellar fund in the MIP category with a long standing track record. It has demonstrated consistent performance racing ahead of its peers and benchmark. The fund is well positioned to take advantage of the current interest rate scenario as the interest rate cycle has nearly peaked. The fall in interest rates is expected to benefit debt funds primarily on account of the inverse price yield relationship. The recent correction in equity valuations would also prove to be extremely beneficial from a medium to long term perspective. The fund's portfolio composition is excellent given its significant exposure high quality debt papers.

RECOMMENDED SCHEMES

SL. No.	Scheme Name	NAV	Launch	Compounded Annualised % 1 Year	3 Years	5 Years	Since Inception
	INDICES						
1	Sensex			-24.20	16.73	2.31	
2	S&P Nifty			-24.21	15.78	3.12	
	LARGE CAP FUNDS						
1	DSP BlackRock Top 100 Equity Fund	85.30	10-Mar-03	-19.31	18.25	8.29	27.53
2	Franklin India Bluechip	186.66	1-Dec-93	-17.72	22.62	7.23	24.86
3	HDFC Top 200	170.83	11-Sep-96	-23.72	22.40	9.21	22.01
4	ICICI Prudential Focused Bluechip Equity	14.52	23-May-08	-15.87	26.34	n.a	10.90
5	UTI Mastershare	46.08	19-Sep-86	-19.41	18.16	5.99	12.33
	DIVERSIFIED FUNDS						
1	Canara Robeco Equity Diversified	48.28	16-Sep-03	-15.40	25.00	9.49	20.91
2	Fidelity Equity	30.00	16-May-05	-20.46	23.06	7.57	18.03
3	HDFC Equity	218.74	1-Jan-95	-26.14	24.93	8.51	19.89
4	Reliance Equity Opportunities	30.09	31-Mar-05	-20.90	28.82	6.76	17.72
5	Tata Dividend Yield	29.26	22-Nov-04	-16.33	27.62	11.21	16.31
	MID CAP FUNDS						
1	DSP BR Small & Mid Cap	13.91	14-Nov-06	-26.19	27.73	5.80	6.65
2	HDFC Mid Cap Opportunities	13.35	25-Jun-07	-17.63	28.19	n.a	6.60
3	ICICI Prudential Discovery	39.30	14-Aug-04	-23.24	32.02	7.68	20.37
4	IDFC Premier Equity - Plan A	28.53	28-Sep-05	-17.24	30.23	16.63	18.24
	INDEX FUNDS						
1	Franklin India Index - NSE Nifty	36.44	26-Mar-04	-24.00	15.81	2.91	13.90
2	HDFC Index Fund - Sensex Plus	194.14	17-Jul-02	-20.14	19.34	5.78	20.93
3	ICICI Prudential Index	43.52	26-Feb-02	-23.22	16.50	4.34	16.11
	SECTOR / THEMATIC FUNDS						
1	Birla Sunlife MNC	187.64	22-Apr-94	-12.60	30.23	8.85	18.01
2	DSP BR World Gold Fund	18.90	14-Sep-07	-2.58	21.06	n.a	15.97
3	UTI Pharma & Healthcare	38.13	27-May-99	-9.17	27.98	11.44	13.70

RECOMMENDED SCHEMES

SL. No.	Scheme Name	NAV	Launch	Compounded Annualised % 1 Year	3 Years	5 Years	Since Inception
	ELSS						
1	Fidelity Tax Advantage	18.44	27-Feb-06	-21.27	23.50	8.36	11.05
2	HDFC Tax Saver	192.72	13-Jun-96	-22.09	24.80	5.63	27.90
3	ICICI Prudential Tax Plan	114.85	19-Aug-99	-23.63	26.28	4.40	21.81
	BALANCED FUNDS						
1	Birla Sun Life 95	277.77	10-Feb-95	-13.39	20.71	9.80	21.74
2	DSP BR Balanced Fund	57.22	27-May-99	-16.31	16.63	8.25	14.84
3	HDFC Balanced	185.27	1-Feb-94	-15.23	25.35	10.24	19.43
	MIP						
1	Canara Robeco Monthly Income Plan	30.29	4-Apr-88	3.55	13.00	9.17	7.95
2	HDFC Multiple Yield - Plan 2005	17.08	17-Aug-05	6.29	12.41	9.26	8.76
3	Reliance MIP	21.66	12-Jan-04	-0.07	9.59	9.33	10.19

SL. No.	Scheme Name	NAV	Launch	Simple Annualised % 1 Month	3months	6 Months	Compounded Annualised % 1 Year
	SHORT TERM INCOME FUNDS						
1	Birla Sunlife Income Fund	38.42	3-Mar-97	10.29	9.13	9.65	9.58
2	ICICI Prudential STP	21.37	25-Oct-01	10.12	9.20	9.28	8.76
3	Templeton India STIP	2091.21	31-Jan-02	9.12	8.90	8.88	9.06
4	UTI Short Term Income	18.00	23-Jun-03	11.97	9.75	10.09	9.93

SL. No.	Scheme Name	NAV	Launch	Simple Annualised % 1 Month	3months	6 Months	Compounded Annualised % 1 Year
	Ultra Short Term Funds						
1	Birla Sunlife Savings Fund	194.18	27-Nov-01	8.99	8.91	8.88	8.94
2	HDFC Cash Management - TA	22.63	18-Nov-99	8.35	8.40	8.44	8.61
3	ICICI Prudential Flexible Income Plan	118.15	18-Mar-09	8.15	8.43	8.37	8.45
4	UTI Treasury Advantage Fund	2650.71	12-Jul-99	8.91	8.92	8.93	8.90

Note: Report as on 30/12/2011. The list of recommended schemes is merely indicative and not exhaustive

SCHEMES OF PRIVATE COMPANIES

FIXED DEPOSITS	INTEREST RATE (% P.A.)		
	12 Months	24 Months	36 Months
Apollo Hospital (Min.25,000)	9.00	9.25	9.50
Birla Power Solutions Ltd	10.50	11.00	11.50
Ceat Ltd **	9.50	10.00	10.50
Godrej Properties	9.00	9.50	10.50
Helios & Matheson	12.00	12.00	12.00
Jai Prakash Associates	11.75	12.25	12.50
Mahindra & Mahindra Ltd	7.00	--	8.00
Mahindra Finance Ltd	9.50	10.25	10.50
Prism Cement	10.25	10.25	10.25
Shriram Unnati (Yearly) **	9.25	9.75	10.75
Surya Roshini	10.00	10.50	11.00
United Spirits	11.00	11.50	–

SCHEMES OF GOVT. COMPANIES / PSUs / NBFCs / HFCs

FIXED DEPOSITS	INTEREST RATE (% P.A.)			
	Rating	12 Months	24 Months	36 Months
Canfin Homes Ltd.*	MAA	9.75	9.75	9.50
Dewan Housing Finance (Ashray Deposit Plus) **	CARE (AA+)	10.50	10.50	10.50
Exim Bank *	FAAA	9.25	9.25	9.25
Exim Bank *(Above Rs. 1 Cr)	FAAA	7.50	7.50	7.75
Gruh Finance (Ind. Deposit) Min.2000 **	MAA+	9.50	9.75	10.00
HDFC Regular (Cumulative)	FAAA	9.50	9.65	9.75
HDFC Platinum Deposit (Cumulative)	FAAA	15M(10.00)	--	33M(10.00)
HUDCO (Ind/Trust) **	FAAA	9.40	9.40	9.10
ICICI Home Finance **< = Rs. 1 Cr	MAAA	8.25	8.75	8.75
KTDFC **	--	10.25	10.25	10.25
LIC Housing Finance	--	9.00	9.25	9.50
NHB SUNIDHI Term Deposit Scheme*	--	9.50	9.50	9.10
PNB Housing Finance*	FAAA	9.50	9.50	9.75
SIDBI (Individuals & HUF) *	AAA	12-13(9.50)	14-36(9.25)	37-60(9.00)
Sundaram Home Finance	MAA+	9.25	9.50	9.50
Tamilnadu Power Finance (Cumulative)**	--	9.25	9.50	10.00
* 0.50% Extra For Sr. Citizens	** 0.25% Extra For Sr. Citizens			

Please check the interest rates before investing

INFRASTRUCTURE & TOP 5 PICKS

Satish Pandeti.

The Indian Infrastructure Opportunity has been valued at around Rs 20 trillion during the eleventh plan period (FY2008-12) and to sustain a GDP growth rate of 9 per cent, the investment needed is expected to increase to around Rs 40 trillion during the twelfth plan period (FY2013-17) according to Planning Commission estimates for Gross Capital Formation in Infrastructure. The three major segments of the Industry are transport infrastructure, power infrastructure and industrial infrastructure.

Industry estimates investments of over US$450 billion in India's infrastructure by the end of 2012. It is estimated that infrastructure alone provides a $150 billion opportunity in FDI. Transport sector's contribution to India's GDP was estimated to be nearly 6.6% in 2005-06. - The total installed power generation capacity as on August 31, 2008 was 145,626.97 MW. - Exports from SEZs have grown from Rs138.54 billion in 2003-04 to Rs346.15 billion in 2006-07. This value has reached Rs666.38 billion in 2007-08, registering a growth rate of 92% over the previous year - An estimated Rs23, 849.1 billion has been planned to be spent on infrastructure projects during the 11th Plan Period. As per the Five Year Plan, investment in infrastructure sector is expected to increase to around 8% of GDP as compared to 4.6% in 10th Plan Period.

Ever since the Indian economy opened up its doors to globalization in 1991, it started realizing the importance of building a robust infrastructure. After all, more industries in well developed industrial areas mean increased employment opportunities. Well-laid roads, airports and sea ports offer faster surface/air/sea transportation. The Ministry of Civil Aviation decided to develop 43 new airports by the end of 2010. According to Planning Commission, India's air cargo movements would grow at CAGR of 11.5% from 2007-08 to 2011-12. Under National Maritime Development Programme (NMDP), there are around 276 projects in the major ports for the construction/upgradation of berths, deepening of channels, rail/road connectivity projects, equipment upgradation/modernization schemes etc. Indian Railways ranks among the world's largest and busiest rail networks under single management. India has the second largest road network in the world. The initiatives by the Government of India to encourage PPP in power sector has led to a steady rise in the share of private companies in power generation, i.e. about 14.59% of the installed capacity. Private power generation capacity is projected to increase to 18-20% by March 2012. The value of exports is expected to cross Rs. 1,000 billion by fiscal year 2008-09. This has resulted in more number of approved SEZs in the country.

However, the infrastructure sector faced challenges in 3QFY12 by way of slower order inflows, rising working capital requirement, regulatory issues and higher interest costs which have hurt project execution and profitability Capital Goods Index suggests Indian industrial stocks have fallen back to levels of credit crises, largely on issues of poor visibility of new orders. However, with a pick-up in the railroad segment, recovery could be sooner than later, albeit difficult to time. In addition, current valuations indicate that all risks have been factored in and investor sentiment towards the sector is at its lowest level.

Larsen & Toubro Limited (L&T)

L&T is India's largest engineering and Construction Company by order book which is Rs.142 thousand crores. It is an $11.7 billion technology, engineering, construction, manufacturing and financial services conglomerate with global operations. It is considered as one of the largest and most respected companies in India's private sector. Lately, it's water and effluent treatment business has bagged two major orders worth Rs 1262 crore. The company secured a new order worth Rs 388 crore from a reputed developer in Mumbai for the construction of four residential towers. In Rail Infrastructure segment, the company bagged new orders including additional orders worth Rs 406 crore from various clients. We believe the company is witnessing increasing risk to growth, pressure on margins and worsening working capital. Though the stock, which is down 33% YTD and is trading at 32% discount to long-range P/E, factors in these risks to a great extent, it may see further de-rating unless external environment improves over the next 6-9 months.

GMR Infra

GIL is a Bangalore headquartered global infrastructure major with interests in the Group's Energy, Highways, Airport businesses and Urban Infrastructure; it has successfully employed the public private partnership model to build a portfolio of high quality assets. Recently, airport regulator (AERA) has released its tariff proposals for Delhi International Airport (DIAL), recommending 280% increase in tariff effective from 1 April'2012 for a period of two years. This will turn the company into profit mode during FY13. These temporary benefits would extinguish over the coming 2 years till FY14E and revenues would dip again in the next regulatory period.

IRB Infrastructure Developers Limited (IRB)

The company was formed in 1998 to fund the capital requirements of the IRB Group initiatives in the infrastructure sector and to build up the capabilities in handling BOT (Build, operate and Transfer) projects. The Company undertakes development of various infrastructure projects in the road sector through several Special Purpose Vehicles. Order book is Rs 11700 crore of which about 9700 crore will be executed in next 2-3 years. In the near term, the EPC segment is likely to grow moderately due to completion of Surat-Dahisar project and a higher base. BOT revenue will be driven by commencement of toll collection at Tumkur-Chitradurga project and toll revision at Surat-Dahisar and Bharuch-Surat projects.

National Thermal Power Corporation (NTPC)

NTPC Ltd is the largest power generating company in India both in terms of installed capacity and generated output. NTPC Group currently has

Sprismatic investmeant for life!

INFRASTRUCTURE & TOP 5 PICKS

Satish Pandeti.

34,854MW of capacity and 14,088MW of capacity is under construction. The company expects to add 4,320MW capacity in FY2012E and another ~5,000MW is expected to be commissioned in FY2013E. NTPC, being a central public utility, is governed by the regulated return model. The CERC's regulations for FY2010-14 provide RoE of 15.5% on regulated equity. As per regulations, fuel costs are a pass-through, which protect the company from cost pressures due to

increased fuel costs. NTPC has 85% of its overall output tied up under the long-term PPA route (regulated returns), which ensures power offtake and stable cash flows thereof. NTPC has signed cumulative PPAs for 1,00,000MW, the payment for which is guaranteed under tripartite agreement till FY2016 and on the basis of first charge thereafter. NTPC is well placed in terms of fuel security due to the preference it gets in domestic coal supply and has the ability to pass through hike in fuel costs. Going ahead, NTPC's growth will depend on the pace of capacity addition. Industry expects the company to register a CAGR of 13% and 7.6% in its top line and bottom line over FY2011-13E, respectively.

Power Grid Corporation of India Ltd (PGCL)

PGCL is India's principal electric power transmission company. The company is engaged in the transmission of bulk power across different states of India. They own and operate more than 95% of India's interstate and inter-regional electric power transmission system. PGCIL is currently operating 23,800MW transmissions capacity, and we expect that large capacity addition to hapen in generation in FY12-13E could improve projects execution in FY12-13E. Power Grid Corporation of India (PGCIL) plans capex to the tune of Rs. 1.2 trillion (~US$27 bn) in 12th Plan period (FY12-17), as against Rs. 0.55 trillion in 11th Plan.

The power sector stocks have underperformed in last 12 months due to issues related to fuel shortage and weak financial health of the State Electricity Boards (SEBs). In the power utilities space, we believe that PGCIL is the best stock to pick up, as it is least exposed to operational risks, while offering a safe bet in India's power transmission.

Infra Stock Price Movement

Conclusion:

Industry expects a cut in interest rates and stake sale in BOT assets or land parcels by construction companies to ease funding problems and improve project execution as well as profitability of the sector in FY13. Apart from all this, current valuations indicate that all risks have been factored in and investor sentiment towards the sector is at its lowest level. In the light of the above mentioned developments, we maintain a positive view on the sector.

SBI LIFE - SMART SHIELD

Introduction:

SBI Life - Smart Shield is a traditional non-participating pure term plan, which is a one stop solution that meets all your insurance needs. With Options and benefits specially tailored for those who want best financial protection at an affordable cost, this is the perfect plan from your preferred insurance provider. Now your family stays protected, even when you are not around.

Key Features:

- Establishes a solid foundation for a lifetime of financial security for your family at a low cost
- Rewards you for maintaining a healthy lifestyle
- Wide variety of plan options to give you complete freedom from your liabilities
- Large Sum Assured rebates, substantially lowering your cost of insurance
- You can also customize your coverage by choosing from a wide range of additional benefits such as – Accidental Death Benefit Rider, Accidental Total and Permanent Disability Rider and Accelerated Critical Illness cover option
- Tax benefits as per prevailing norms under the Income Tax Act, 1961^.

Benefits:

- Death Benefit: Depending on the plan option chosen, the nominee will receive the effective Sum Assured under this policy.
- Maturity Benefit: No survival benefit available at the end of the term.
- Other Benefits:
  - Riders:

  SBI Life - Accidental Death Benefit Rider (UIN: 111B015V01): In case of death due to an accident, the Rider Sum Assured is payable in addition to normal death benefit.

  SBI Life - Accidental Total and Permanent Disability Benefit Rider(UIN: 111B016V01): The Rider Sum Assured will be paid on the Life Assured being found eligible for the Total Permanent Disability Benefit as defined in the policy document.

Cover Option:

You have the option to further enhance your Level Term Assurance and Increasing Term Assurance by opting for the Accelerated Critical Illness benefit.

This option is available with Level Term Assurance and Increasing Term Assurance benefit.

^ Tax benefits are subject to change in tax laws. Please consult your tax advisor for details.

Product SnapshotL

Plan Options	
Option I	Level Term Assurance
Option II	Increasing Term Assurance
Option III	Decreasing Term Assurance(Loan Protection)
Option IV	Decreasing Term Assurance(Family Income Protection)
Term	
Minimum Policy Term	5 years
Maximum Policy Term	For Option I, II & IV - 30 years
	For Option III - Equal to the outstanding loan term subject to maximum of 30 years
Premium	
Minimum Premium	Single Premium :- Rs. 15,000/-
	Regular Premium:- Yearly: Rs. 5,000/- Half-Yearly: Rs.2,500/- Quarterly: Rs.1,250/- Monthly: Rs. 450/-
Premium Mode	Single/ Yearly / Half yearly / Quarterly / Monthly **
Age*	
Minimum Entry Age	18 years
Maximum Entry Age	65 years
Maximum Maturity Age	70 years
Sum Assured	
Minimum Sum Assured	Rs. 25,00,000 (× Rs. 1,00,000)
Maximum Sum Assured	No Limit
Riders Available	
SBI Life - Accidental Death Benefit Rider (UIN: 111B015V01)	
SBI Life-Accidental Total & Permanent Disability Benefit Rider (UIN: 111B016V01)	
Options Available under the Product	
Accelerated Critical Illness Benefit	

* All the references to age are age as on last birthday.

**For monthly mode, 3 months premium to be paid in advance and renewal premium payment is allowed only through ECS, Credit card, Direct debit and SI-EFT

APOLLO MUNICH HEALTH INSURANCE

As a part of our continuous Endeavour to find products which would address various aspects of a client portfolio, SPRISM along-with Apollo Munich Health Insurance company bring to you a Health / Medical Insurance + guaranteed renewal product for whole life, which would form a part of your Protection Bucket.

- The Plan provides a Guaranteed Renewable for the whole life.
- Health Plan also offers optional Critical illness Riders.
- No Sub-limits in the medical expenses
- No Co-payment
- Health Check-up
- No loading of premium in case of claim
- Cashless benefits cover more than 10000 hospitals in India
- Option for Critical Illness Rider (exclusive and premium)
- The Premiums Paid under this Plan is completely {Tax free} u/s 80 D

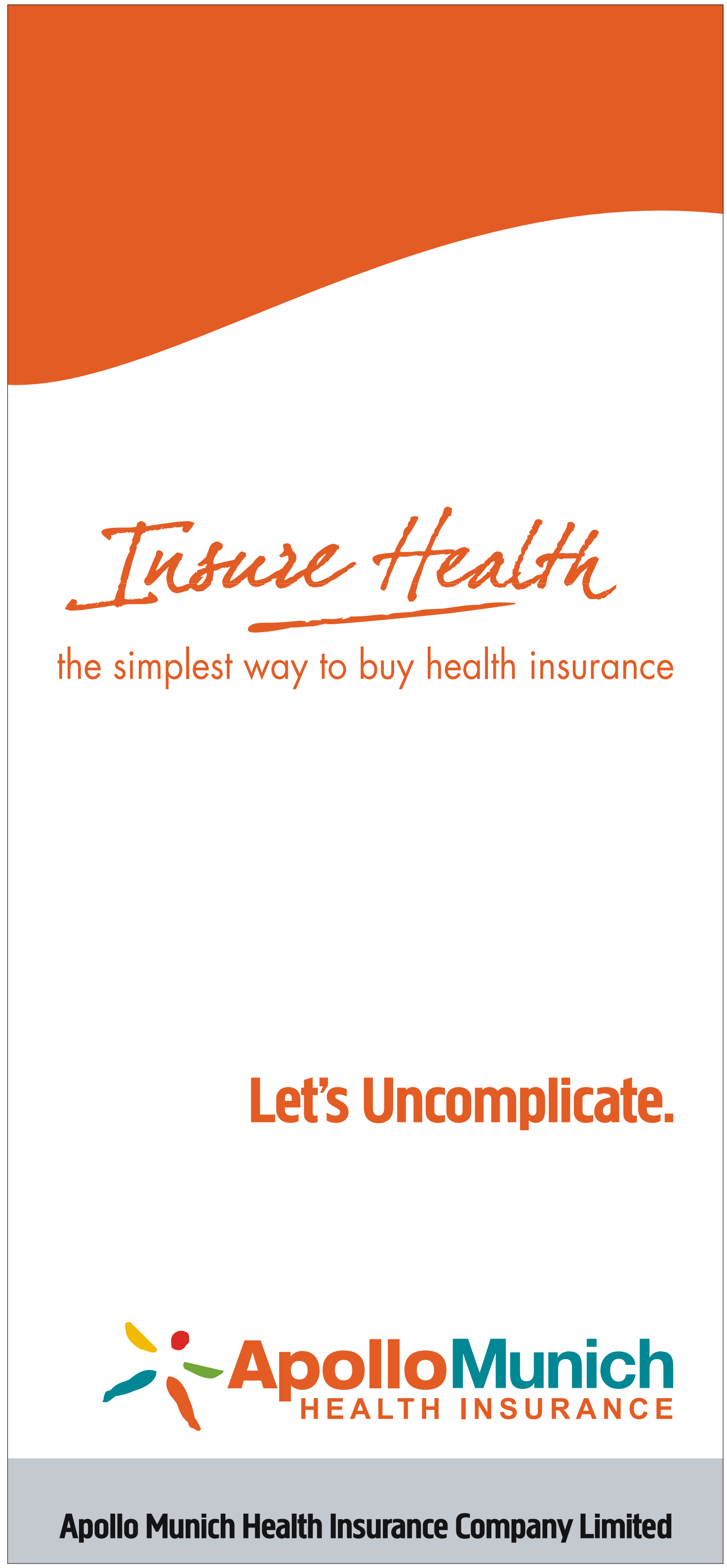
The Plan has the option of premium paying for 2 years with 7.5% discount.

In the current regime with raising Medical inflation (16%)* / environmental degradation / stress levels due to personal/ work, it makes financial sense to eliminate the RISK & UNCERTAINITY even if you were having health Insurance provided by your employer.

This plan serves as an excellent tool to protect your Health and also for your beloved Family.

The Product aims to protect and assure your Wealth portfolio under the growth and Aspiration bucket would aim to provide the "thrust" to the growth.

*As per DATA from 2010-2011.



A WONDERFUL RELATIONSHIP

IS THAT WHICH HAS A BEGINNING, A MIDDLE AND NO END

Like its said by lord himself, the service of the mundane world has its selfishness, insufficiency, and ineffectiveness but "Trust" is completely different from all such mundane ideas. Nothing is helpful for attainment & determinative of "Trust". We, at SPRISM, believe in offering you the right advise at the right time selflessly, because we think from our client's perspective. We are a 10 year old professionally managed Financial Services Company catering to different investment needs of many leading Corporates, Banks, Institutions, PSUs, Trusts and Individuals. SPRISM has been advising & managing over Rs. 5000 crore of assests, guiding clients in structuring a portfolio with major emphasis on capital growth, minimizing risk thereby enabling an ideal asset allocation for wealth creation. Our product range includes Mutual Funds, Insurance, Company Deposits, Bonds & IPOs. Rest assured your investment are in safe hands.

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