

KARVY BAZAAR BAATEIN

A Weekly Investment Newsletter From KARVY
A Research Product of Karvy The Finapolis

18th July 2008 to 24th July 2008

Volume II: Issue 10

What and How of Mutual Funds and Insurance

Karvy Bazaar Baatein is an attempt to keep the investor population informed about the *Baatein* about latest products in the *Bazaar* of personal finance and investment products in India. The newsletter has so far been greatly appreciated by the readers residing in various parts of the country. Also, we have received lots of encouraging feedback on how the value addition from the newsletter can further be improved upon. We are indeed thankful to the readers for this great support and assure of our continued commitment in this regard

A number of feedbacks that we received included the request for an explanation of the various terminologies that have been used in the various earlier issues of the newsletter.

This issue of Karvy Bazaar Baatein is dedicated to the brief clarification of some portfolio analysis tools for mutual funds and some technical terms associated with insurance that we thought would help in a better understanding of the respective subjects.

Portfolio Analysis Tools

With the increasing number of mutual fund schemes, it becomes very difficult for an investor to choose the type of funds for investment. By using some of the portfolio analysis tools, he can become more equipped to make a well informed choice.

There are many financial tools to analyse mutual funds. Each have their unique strengths and limitations as well. Therefore, one needs to use a combination of these tools to make a thorough analysis of the funds.

In the olden days, the investment decision taken by the investor's were very easy, because the markets were neither very volatile nor very buoyant. In the current scenario, however, volatility seems to be the order of the day. This coupled with the surfeit of opportunities makes investing a matter of choice and not chance. The easiest available option for investors is to choose the best performing funds in terms of 'returns' which have yielded maximum returns.

Yes, the returns are important but it is also important to look at the 'quality' of the returns. 'Quality' determines how much risk a fund is taking to generate those returns. One can make a judgment on the quality of a fund from various ratios such as Standard Deviation, Sharpe Ratio, Beta, Treynor measure, R-Squared, Alpha etc. These terms may look intimidating, but are not so difficult to understand. In this issue we have tried to interpret all the above said ratios with the help of a case study.

SIP + LIFE INSURANCE

UPTO 100 TIMES YOUR MONTHLY INSTALLMENT

CENTURY SIP


Birla Sun Life
Mutual Fund

Call 1-800-22-7000 • sms SIP to 56767

Statutory Details: Constitution: Birla Sun Life Mutual Fund (BSLMF) has been set up as a Trust under the Indian Trust Act, 1882. **Sponsors:** Aditya Birla Nuvo Limited and Sun Life (India) AMC Investments Inc. [liability restricted to seed corpus of Rs. 1 Lac] **Trustee:** Birla Sun Life Trustee Company Pvt. Ltd. **Investment Manager:** Birla Sun Life Asset Management Company Ltd. **Risk Factors:** Mutual Funds and securities investments are subject to market risks and there can be no assurance or guarantee that the objectives of the Schemes will be achieved. As with any investment in securities, the NAV of the Units issued under the Schemes may go up or down depending on the various factors and forces affecting capital markets and money markets. Past performance of the Sponsors / Investment Manager / Mutual Fund does not indicate the future performance of the Schemes and may not necessarily provide a basis of comparison with other investments. The names of the Schemes do not, in any manner, indicate either the quality of the Schemes or their future prospects or returns. Unitholders in the schemes are not being offered any guaranteed/assured returns. The Group Life Insurance Cover will be governed by the terms, conditions & exclusion of the insurance policy with the relevant Insurance Company as determined by the AMC. Insurance is subject matter of solicitation. **For scheme specific risk factors and for complete details on terms and conditions of Birla Sun Life Century SIP, investors should read the Offer Document/ Key Information Memorandum available at Investor Service Centers and with Distributors carefully before investing.**

For information on MUTUAL FUNDS contact: 1800 425 8282 or visit: www.thefinapolis.com



Rolling Returns (RR)

Generally it is not wise to decide on the performance of a fund just on the basis of its point to point return. The point to point returns can be misleading if the period considered is the one during which the fund has performed well. Rolling returns remove the limitation of point to point returns, as they constitute many point to point returns.

Example

Daily 1-year Rolling returns between 1 Jan 2000 to 31 Dec 2006 are calculated for the following period.

1 Jan 2000	to	1 Jan 2001
2 Jan 2000	to	2 Jan 2001
3 Jan 2000	to	3 Jan 2001
4 Jan 2000	to	4 Jan 2001
.....	to
.....	
.....	
.....	
.....	
31 Dec 2005	to	31 Dec 2006

1 yr rolling return will be calculated on daily basis from 1 Jan 2000 till 31 Dec 2006

Thus in the above case, if it is assumed that all days in an year are working days, there will be 2192 instances of 1-year point-to-point returns.

- Number of leap years = 2 yrs. (366 days * 2 yrs = 732 days)
- Number of normal years = 4 yrs. (365 days * 4 yrs = 1460 days)
- Total number of years = 6 yrs. = 2192 days**

One can read rolling returns in many ways. But the simplest way is to look at the minimum, maximum and average of the return values.

Standard Deviation (SD)

In simple terms, standard deviation is one of the commonly used statistical parameter to measure risk, which determines the volatility of a fund. Deviation is defined as any variation from a mean value (upward & downward). Since the markets are volatile, the returns fluctuate every day. High standard deviation of a fund implies high volatility and a low standard deviation implies low volatility.

Semi Standard Deviation (SSD)

While Standard deviation considers both upward and downward variations from a mean value, it could be misleading in some cases. For example if a fund gives very good returns, its SD could be high. This is because positive movement of NAV (from the mean value) is considered as deviation for computation of SD. From the investor's perspective, upward movements (returns) do not depict risk. Only the downward movement should be captured for computing risk. Semi Standard Deviation is used for measuring only the downside risk. SSD is also called as downside deviation (DD), the greater the value of downside deviation, the greater the risk. It is used to measure the effectiveness of the portfolio return.

Downside Probability (DP)

It is the ratio of cases when negative returns were made to the total number of cases. For example, where the total number of instances is 100 in that 20 were the cases where negative returns were made. Which means DP = 0.20 (20%) for the total instances. The limitation of DP is that it does not capture the intensity / degree of negative returns. For example if there are two funds having downside probability of 20% each, it would not indicate which fund has lost more. In this case, we need to probe into DD for more details.

Beta Analysis (β)

Beta is used to measure the risk. It basically indicates the level of volatility associated with the fund as compared to the market. In case of funds, Beta would indicate the volatility against the benchmark index. It is used as a short-term decision-making tool. A beta that is greater than 1 means that the fund is more volatile than the benchmark index, while a beta of less than 1 means that the fund is less volatile than the benchmark index. A fund with a beta very close to 1 means the fund's performance closely matches the index or benchmark.

The success of Beta is heavily dependent on the correlation between a fund and its benchmark. Thus, if the fund's portfolio doesn't have a relevant benchmark index then a beta would be grossly inappropriate. For example if we are considering a banking fund, we should look at the Beta against a bank index.

R Squared (R²)

R Squared is the square of 'r' (i.e. Co-efficient of Correlation). It describes the level of association between the fund's volatility and market risk. The value of R-squared ranges from 0 to 1. A high R-squared (more than 0.80) indicates that beta can be used as a reliable measure to analyze the performance of a fund. Beta should be ignored when the R-squared is low as it indicates that fund performance is affected by factors other than the markets.

For example:

	Case 1	Case 2
R ²	0.65	0.88
b	1.2	0.9

In the above table R² is less than 0.80 in Case - 1, implies that it would be wrong to mention that the fund is aggressive on account of high beta. In Case 2, the R² is more than 0.85 and beta value is 0.9. It means that this fund is less aggressive than the market.

Sharpe Ratio

Sharpe Ratio is a risk to reward ratio, which helps in comparing the returns given by a fund with the risk that the fund has taken. A fund with a higher sharpe ratio means that these returns have been generated taking lesser risk. In other words, the fund is less volatile and yet generating

good returns. Thus, given similar returns, the fund with a higher Sharpe ratio offers a better avenue for investing.

The ratio is calculated as

$$\text{Sharpe Ratio} = (\text{Average Return} - \text{Risk Free Rate}) / \text{Standard Deviation}$$

Sortino ratio

The Sortino ratio measures the risk-adjusted return of an investment or portfolio. It is a modification of the Sharpe ratio but considers only those returns falling below a user-specified target, or required rate of return, while the Sharpe ratio considers both upside and downside volatility equally, Sortino ratio considers only the downside volatility. It is thus a more realistic measure of risk-adjusted returns than the Sharpe ratio.

The ratio is calculated as

$$S = (\text{Average Return} - \text{Risk Free Rate}) / \text{Downside Deviation}$$

Treynor Ratio

It is also used as a measure of risk-adjusted return. It is computed by dividing the excess returns over and above the risk-free return by the scheme's beta. The higher the Treynor ratio, the better the fund's performance.

The ratio is calculated as

$$\text{Treynor Ratio} = (\text{Average Return} - \text{Risk Free Rate}) / \text{Beta}$$

Jensen's Alpha (α)

Jensen's Alpha measures excess return generated by the fund in relation to its risk (Beta). Positive Alpha suggests strong performance while negative Alpha reflects weak performance. Higher a fund's risk level, greater the returns it must generate in order to produce a higher Alpha. However, Alpha alone may not give a clear picture of the value that has been added by the fund manager.

Therefore, Jensen's Alpha is divided into two components which are Return due to net selectivity and Return due to improper diversification. The net selectivity represents the stock selection skill of the fund manager, while Return due to improper diversification captures excess returns which are generated on account of concentrated bets on stocks and sectors. These two components should be considered as a percentage of Jensen's Alpha while analysing.

For example in the table below, fund XYZ has a higher Jensen's Alpha. However, net selectivity component is higher for fund ABC. Therefore, fund manager of ABC fund has proven to have better stock selection skills.

	ABC Fund	XYZ Fund
Jensen's Alpha	4.43	4.63
Return due to net selectivity	3.12	2.80
Return due to net selectivity %	70.43	60.48
Return due to improper diversification	1.31	1.83
Return due to improper diversification %	29.57	39.52

Case Study Analysis:

Ratios	ABC Fund	XYZ Fund	S&P Nifty (Equity)
Simple Annualized			
Minimum	-28.90	-22.40	-70.50
Maximum	103.22	117.97	126.39
Average	38.94	41.00	37.43
Std. Dev.	29.41	27.98	18.95
Semi Std dev (Downside Deviation)	15.65	15.58	12.64
Downside Probability	0.29	0.25	0.20
Beta	0.98	1.05	1.00
R Squared	0.81	0.85	1.00
Sharpe	1.12	1.25	1.65
Treynor	32.91	33.08	31.43
Sortino	2.10	2.24	2.48
Jenson's Alpha	1.47	1.73	0
Return due to Net Selectivity	0.74	0.95	0
Return due to Improper	0.73	0.78	0

Note:

1. Daily annualized 6 months rolling returns have been considered.
2. Risk free rate of return = 6%
3. S&P - Standard & Poors

Analysis

- ❖ From the above chart we find that the SD of the ABC fund as well as XYZ fund is higher than its index i.e., S&P Nifty. Generally lower the SD lower is the risk and vice versa. Also as a matter of comparison between the two funds, ABC fund carries a greater risk than its counterpart.
- ❖ In case of SSD only the negative deviations from a mean value are captured. In the above table we find that both the funds carry higher risk in comparison to the benchmark index and when a comparison is drawn between the funds, XYZ fund carries slightly lower risk than ABC Fund.
- ❖ As DP of fund XYZ is lower than fund ABC, it means that there were lesser number of negative return cases of XYZ fund.
- ❖ A collective look at Sharpe, Treynor and Sortino Ratios indicate that fund XYZ is an 'outperformer' against fund ABC but has delivered poor performance against the index.
- ❖ The β of XYZ fund is little higher than that of its benchmark index and its comparable fund. Therefore XYZ fund is more volatile than its benchmark and its counterpart. As R^2 values are more than 0.80 in both the cases, we can rely on the usage of β for the analysis of these funds.
- ❖ Both the funds have delivered positive α . In the above case we find that XYZ fund has a higher value of α than that of ABC fund and this signifies that XYZ fund gives better returns than ABC fund.
- ❖ The return due to net selectivity % and Jensen's Alpha is higher in XYZ fund than its counterpart. Therefore the performance of the fund manager is better in XYZ fund.
- ❖ The return due to net selectivity is negative for both the funds. On the other hand, return due to improper diversification has resulted in positive Alpha in both the funds. Though it may appear that both the fund managers have not delivered any stock selection value, such results are possible in thematic or sector funds.



Insurance Terminologies

The concept of insurance has been in existence for over centuries now. It has been the very basis for anxiety-free living, trade and ownership of properties all over the world. However, the subject of insurance still continues to remain as one of the least understood with a lot of ambiguities surrounding it. While, there are myths on insurance that can actually take away from the subject matter its utmost importance, a lack of clarity on the frequently used terminologies of insurance proves to be a major setback to the proper understanding of the various insurance policies.

Mentioned below are some of the regularly used insurance terms for life insurance and pension plans, along with a brief explanation of their meaning from a layman's point of view.

Annuitant

Is the person registered under a pension policy as the owner of the policy and entitled to receive the benefit payments (annuity benefits) at or after a stipulated age of retirement (or the vesting age).

Annuity

Is referred to the string of regular benefit payments that an annuitant will receive from the vesting age. This benefit payment is based on the wealth corpus contributed by the annuitant as a lump sum or in installments over a period of time along with the capital appreciation. This contribution made by the annuitant is known as the purchase price for the annuity policy.

Annuity classifications

- ❖ **Annuity certain** – an annuity type in which the period for the payment of the annuity benefits is fixed. These benefits are paid to the annuitant and in case of his / her death during this fixed period the benefit continues to be paid to the nominee till the end of the period.
- ❖ **Annuity for life** – an annuity type in which the annuity benefit will be made to the annuitant as long as he/she is alive.
- ❖ **Immediate Annuity** – an annuity type in which the benefit payments start immediately after the purchase price for the annuity policy is paid. Under an immediate annuity policy, the purchase price is usually a lump sum payment.
- ❖ **Deferred Annuity** – an annuity type in which the benefit payments start after a pre-decided period of time after the payment of the purchase price for the annuity policy. Purchase price in a deferred annuity policy can be in lump sum or in installments.
- ❖ **Joint life annuity** – this annuity policy usually involves two lives. Annuity benefits continue to be paid as long as second life is alive. i.e. even after the death of 1st life, annuity will be paid as long as 2nd life is alive. Joint life annuity policy is generally issued for a husband and wife.

Appointee

Is the person appointed to some position. Usually, an appointee is appointed under an insurance policy if the nominee under the policy is a minor, to take care of policy aspects during the minority of nominee.

Assignment

Is referred to as the transfer of the rights, property, liability etc. from the owner to another person. An assignment of the insurance policy results in the transfer of the ownership of the policy, in its entirety, from the policy holder (assignor) to another person (assignee). An assignment is usually applicable in case of a life insurance policy. An assignment can be absolute assignment or conditional assignment.

- ❖ **Absolute assignment** – Is an assignment wherein the transfer of rights, property of the insurance policy happens on a permanent basis.
- ❖ **Conditional assignment** – Is an assignment wherein the transfer of the rights, property, etc. under an insurance policy get restored to the original owner / assignor, back from the original assignee on the happening of a particular event such as the death of the assignee before the assignor.

Beneficiary

Is the person identified at the inception of an insurance policy to receive the benefit(s) under the policy.

Bonus

Is a benefit amount paid to the policy holder in addition to the customary, guaranteed or required amount. Bonus is usually available to the policies that are participating in the profits of the insurance company and forms a part of the maturity benefit(s) under the policy.

Claim

Is the demand for performance of the promise made under the insurance policy. It arises on the happening of the event / risk against which the



promise was made. A claim usually comes from the policy holder or the beneficiary's side and is on the insurance company.

- ❖ **Claim by Death** – Is a claim resulting on account of death of the life assured
- ❖ **Claim by Maturity** – Is a claim payable on the life assured being alive at the end of the policy term with the policy conditions so providing for this claim.
- ❖ **Early claim** – Is a death claim that arises in the event of death of the life assured within 2 to 3 years from the date of commencement of policy/revival of the policy. Such a claim calls in for investigation by the insurance company to ascertain that the claim is genuine and there is no moral hazard involved.
- ❖ **Very early claim** – Is a death claim that arises in the event of death of the life assured within 1 to 2 years from the date of commencement of policy/revival of the policy. Such a claim calls in for detailed investigation by the insurance company for obvious reasons.
- ❖ **Claim concession** – Is a concession provided in case of death claim by payment of full sum assured even when the circumstances do not require the payment of the full sum assured. Claim concession is usually allowed when the premiums have been paid for certain minimum number of years, and the life assured dies with a subsequent due premium remaining unpaid.

Commutated value

Is the amount of the wealth created / contributed by the annuitant, which can be received by the annuitant as a lump sum benefit payment at the vesting age. The remaining wealth corpus forms the basis for the benefit payments under the annuity policy. In India, the annuitant can commute one-third of the corpus (also known as the maturity value under the pension plan) free of tax.

Declaration of Good Health

Is a self declaration by the insured that he/she is in good health

Evidence of title proof

Is the evidence to show the title of the property. In the context of insurance, legally sound title which forms the basis for the claim for the policy benefits.

Ex-gratia payment

Is a benefit payment made by the insurance company out of gratis or sympathy.

Foreclosure action

Is the action taken by the insurance company when the liabilities under the insurance policy exceed the assets under the same. Foreclosure action takes place when regular premium payments have not made and the liability under the policy such as a policy loan amount (loan principle and interest) exceeds the policy value (paid up value). Here, the insurance company will cancel the policy and adjust the policy value towards outstanding loan and interest.

Fraud

Refers to something said or done with the purpose of cheating or deceiving another person.

Fraudulent

Is acting with fraud or deceitful intention.

Grace period

Is the time allowed by the insurance company to the policy holder to pay the premium after the due date of the premium payment.

Hazard

refers to the possibility of risk, peril, etc.

- ❖ **Physical hazard** – Is the hazard arising from the physical circumstances associated with the subject matter. An example could be the risk of fire near a petrol station.
- ❖ **Moral hazard** – Is the hazard arising from the possible dishonesty or imprudence of the insured. For example, a life assured contemplating to commit suicide after taking a life insurance policy for a huge sum assured.
- ❖ **Morale Hazard** – Is the hazard that could possibly arise due to the negligent behavior of the insured.

Heir

Is a person who inherits or is legally entitled to inherit through the natural action of law, another's property or title upon other's death.

- ❖ **Legal heir** – Is the heir who has the right under laws intestate, descent and distribution to receive the estate of an ancestor who has died without leaving a will.

In force

An insurance policy is said to be in-force when the premiums have been regularly paid on due dates, thus fulfilling the basis for the insurance company to honor the policy claim.



Insurable interest

Is the financial interest one has in the subject matter of insurance. An insurance interest is said to exist when a person in question is in such a relation with the subject matter of insurance (i.e. a life, health or property) that the occurrence of the risk insured against would cause financial loss to the person.

Insurer

Is a person or a company that insures others against possible eventualities of life.

Lapse

Is the condition when the insurance policy ceases to exist because of the policy holder's failure to pay his premium at the stipulated time. In a policy lapse the insurance cover ends with the policy value forfeited by the insurance company.

Lien

Is a method of underwriting. It refers to the placement of a restriction on the benefits payable under an insurance contract, depending upon the nature of risk. The lien can be constant or diminishing. A constant lien of 10% would mean that the sum assured payable is reduced by 10% in case of death. Eg. of diminishing lien is; the sum assured is reduced by 50% in 1st year, 40% in 2nd year, and so on, in case death, during the 1st 5 years

Life assured

Is the person whose life has been covered under a life insurance policy against the risk of death. In the event of death of the life assured during the term of the life insurance policy, the policy benefit (known as the death benefit) is payable to the policy nominee or the legal heir.

Mode of premium payment

Is the way of payment of premium. The policy premium could be paid by means of a cheque, bank draft or through the ECS (electronic clearing service), direct credit or the salary savings scheme.

Nomination

The act of nomination is to authorize a specific person to receive the policy benefits (usually in case of death of the life assured) and provide a valid discharge to the insurance company from the policy liabilities.

Reassignment

Is the assignment of the insurance policy to the original policy holder or to somebody else after receiving the consideration amount.

Rebate

Is a reduction or discount allowed

Reinsurance

Refers to the insurance of the already insured subject matter by the original insurer with another insurance company. Through re-insurance, the original insurer protects his position by transferring all or part of the risk to another insurer. Re-insurance usually happens when the insurance cover where the insurance value (sum insured) is very big.

Risk

Is the possibility or chance of loss, the degree of probability loss, the amount of possible loss to a person or thing with reference to the a life, health of a person or a property.

Sum assured

Is the value of the insurance (life assurance) benefit, the payment of which is guaranteed by the insurance company in the event of death of the life assured during the policy term.

Surrender value

Refers to the voluntary cancellation of the policy by the insured person in return for a cash payment (surrender value) thus freeing the company of liability. The surrender value is available after a pre-defined time (usually after the first 3 policy years).

Tabular premium

Is the premium payable per thousand sum assured of insurance cover for various ages. This premium is mainly based on the factor of mortality i.e. the probability of death of the insured person in the term.

Underwriting

Is the process of assessment of the risk proposed to be insured and deciding on whether to accept or decline the risk. Underwriting is done by the insurance company based on various factors associated with the subject matter of the insurance proposal.

Waiver of Premium

Is the act or an instance of waiving or relinquishing voluntarily a right, claim of premium by the insurance company. This benefit is given or made available to the policy holder as per the policy conditions. While the waiver of premium results in the requirement of the premium payment coming to an end, the insurance cover and other benefits available under the policy, remain intact.

With profit

Is a policy which is entitled to participate in the profits of the life insurance company. It is also called a participating policy. The participation is usually in form of bonuses declared by the insurance company from time to time.



KARVY BAZAAR BAATEIN

18th July 2008 to 24th July 2008

Your valued feedback matters

Personal Profile

Name					
Address					Pin
Tel (R)			Mobile		
Tel (O)			E-mail		

Your interest in Financial Products & Services

Mutual Funds Schemes	<input type="checkbox"/>	Stock Trading	<input type="checkbox"/>	Insurance Products (Life/Nonlife)	<input type="checkbox"/>	Financial Planning	<input type="checkbox"/>
Initial Public Offers of Shares (IPOs)	<input type="checkbox"/>	Commodity Trading	<input type="checkbox"/>	Debt Products	<input type="checkbox"/>	Real Estate Services	<input type="checkbox"/>

Rate the newsletter	Excellent	Good	Satisfactory	Could be better	You would like Karvy Bazaar Baatein to (Express your expectation from the newsletter)
Content & information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Value addition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Presentation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Please mail this to:

KBB Feed back ,8-2-609/NT (2nd floor), Avenue 4, Street No.1, Banjara Hills, Hyderabad - 34, Phone No. 040 2344 0601, Email: kbb@karvy.com.

You could also give us your feedback at www.thefinapolis.com/kbbfeedback.asp

Subscribe to Karvy Bazaar Baatein

Yes, I wish to subscribe to Karvy Bazaar Baatein, the weekly newsletter from Karvy.

I would like to subscribe for:

1 year: Rs. 225 2 years: Rs. 400 3 years: Rs. 500

Mode of payment: Please pay by Cheque/DD in favour of "Karvy Stock Broking Limited" payable at **Hyderabad**. For outstation cheques (or cheques not payable at par) please add Rs.25/- as the collection charges to the above amount. This subscription form, along with your Cheque / DD may be **Sent to:** KBB Subscriptions, 8-2-609/NT (2nd floor), Avenue 4, Street No.1, Banjara Hills, Hyderabad - 34, Phone No. 040-2344 0601 email: kbb@karvy.com.

Subscription Tenure	1 year	2 years	3 years
No. of Issues	52	104	156
Cover Price @ Rs.5 per Issues	260	520	780
Subscription Price	225	400	500
You Save (Best offer)	13.5%	23%	36%

Subscription Request Form

Please write in **BLOCK LETTERS**

Mr./Mrs./Ms. _____ (First Name) _____ (Last Name)

Age: _____ Job Title/Designation: _____ Organization: _____

I would like to received Karvy Bazaar Baatein at the address: _____

Tel. No. _____ email : _____

KARVY Regional Offices: **Hyderabad:** Karvy Centre, 8-2-609/K, Road #10, Banjara Hills, Hyderabad-34, Ph: 040 - 2331 2454/2332 0251 ♦ **Ahmedabad:** 201-203, Shall, Opp: Madhusudhan House, Behind Girish Cold Drinks, Off C G Road, Ahmedabad - 380 006, Ph: 079 - 2642 0422/2640 0527/28 ♦ **Aurangabad:** Shop No.214/215, Tapadiya City Centre, Nirala Bazar, Aurangabad - 431 001, Ph: 0240-2363517/23/24/30 ♦ **Bangalore:** No.59, Skanda, Putanaroad, Basavanagudi, Bangalore - 560 004, Ph: 080 - 2662 1192, 2662 1193 ♦ **Bhopal:** Kay Kay Business Centre, 133, Zone 1, M P Nagar, Bhopal - 462 011, Ph: 0755 - 3013113, 3010728 ♦ **Chandigarh:** Sco 371-372, Above HDFC Bank, Sector 35-b, Chandigarh - 160 022, Ph: 0172 - 5071726, 5071727 ♦ **Chennai:** G-1, Swati Court, 22, Vijaya Raghava Road, T Nagar, Chennai, Ph: 044-2815 3445 ♦ **Cochin:** Kochi, G 39, Panampally Nagar, Opp: Kerala State Housing Board, Kochi-682 036, Ph: 0484-2310884, 2322152 ♦ **Coimbatore:** SNV Chambers, 482/483, Cross Cut Road, Opp: Power House, Gandhipuram, Coimbatore-641 012, Ph: 0422 - 2237 501 to 506 ♦ **Indore:** D M Towers, 105, 106 & 107, Above Standered Chartered Bank, Near Jangeerwala Chowrah, Indore - 452 001, Ph: 0731 - 3014200-19 ♦ **Jaipur:** S-16/A, Land Mark, Opp Jai Club, Mahaveer Marg, C-Scheme, Jaipur-302 001, Ph: 0141 - 2375039, 99, 2363321 ♦ **Kolkata:** Jatin Bagchi, Road-16, Jatin Bagchi Road, Ground Floor, Kolkata -700 029, Ph: 033 - 2465 5006, 2465 5392 ♦ **Lucknow:** 94, Mahatma Gandhi Marg, Opp: Governor House, Hazratganj, Lucknow - 226 001, Ph: 0522 - 2236820 to 26 ♦ **Ludhiana:** Ground Floor, Sco 2, Aptech Building, Feroze Gandhi Market, Ludhiana - 141 001, Ph: 0161-3018445, 3018460 ♦ **Mumbai:** Transworld Bldg., 16-26, Bake House, Maharashtra Chamber of Commerce Lane, Opp: MSC Bank, Fort, Mumbai - 400 023, Maharashtra, Ph: 022 - 2204 0229/230 ♦ **Nagpur:** 230-231, 3rd Floor, Shriram Shyam Bazar, Next to NIT Building, Sadar, Kingsway, Nagpur - 440 001, Ph: 0712 - 5612374, 5612375 ♦ **Nasik:** F-1, Suyojit Sankul, Sharanpur Road, Nashik - 422 002, Ph: 0253 - 5602542/43 ♦ **New Delhi:** 105-106, Arunachal Building,19, Barakhamba Road, Connaught Place, New Delhi -110 001, Ph: 011 - 41520316, 66305325, 2332 4401, 4409 ♦ **Pune:** Rachana Trade Estate, Law College Road, Erandwane, Pune - 411 004, Ph: 020-6604 8790 to 95 ♦ **Vadodara:** Sayajigunj, 31-34, Payal Complex, Near Vadodara Stock Exch, Opp: Vakal Seva Kendra, Sayajigunj, Vadodara - 390 005, Ph: 0265 - 2225 168/169, 2361 514 ♦ **Vijayawada:** 39-10-7, Opp: Municipal Water Tank, Labbipet, Vijayawada-520 010, Ph: 0866 - 2495 200, 400, 500 ♦ **Vizag:** 47-14-4, Eswar Paradise, Dwaraka Nagar Main Road, Vishakapatnam - 530 016, Ph: 0891-2752915 to 18

For Investments in IPOs of Shares contact: 1800-425-8282 or visit: www.thefinapolis.com

KARVY BAZAAR BAATEIN

18th July 2008 to 24th July 2008

8

"THE MUTUAL FUND HOUSE OF THE YEAR"
Awarded by **CNBC TV 18-CRISIL**

BIRLA SUN LIFE FRONTLINE EQUITY FUND
CNBC TV18-Crisil Awards 2007

(Large cap oriented equity scheme, out of 22 schemes, CRISIL CPR rankings during calendar year 2007)

BIRLA SUN LIFE MONTHLY INCOME
CNBC TV18-Crisil Awards 2007

(Monthly Income Plans (Conservative), out of 9 schemes, CRISIL CPR rankings during calendar year 2007)

BIRLA SUN LIFE SHORT TERM FUND
CNBC TV18-Crisil Awards 2007

(Income Short Term Funds, out of 12 schemes, CRISIL CPR rankings during calendar year 2007)

BIRLA SUN LIFE INCOME FUND
CNBC TV18-Crisil Awards 2007

(Income Funds, out of 17 schemes, CRISIL CPR rankings during calendar year 2007)

BIRLA INFRASTRUCTURE FUND
CNBC TV18-Crisil Awards 2007

(Emerging Equity Fund, out of 14 schemes, CRISIL CPR rankings during calendar year 2007)

BIRLA INCOME PLUS
ICRA Awards 2008

(Debt Schemes- Long Term, 1 year performance ending December 31, 2007 out of 18 schemes)

BIRLA SUN LIFE SHORT TERM FUND-GROWTH
ICRA Awards 2008

(Liquid Plus Schemes, 1 year performance ending December 31, 2007 out of 26 schemes)

BIRLA GILT PLUS-REGULAR PLAN
Lipper Awards 2008

(Bond Indian Rupee- Government, 5 year performance period ended on December 31, 2007, out of 35 funds)

BIRLA SUN LIFE INCOME FUND
Lipper Awards 2008

(Bond Indian Rupee- General, 3 year performance period ended on December 31, 2007 out of 100 funds)

BIRLA SUN LIFE INCOME FUND
Lipper Awards 2008

(Bond Indian Rupee- General, 10 year performance period ended on December 31, 2007 out of 10 funds)

BIRLA SUN LIFE '95 FUND
Lipper Awards 2008

(Mixed Assets- Aggressive- General, 10 year performance period ended on December 31, 2007 out of 6 funds)

THE MUTUAL FUND HOUSE OF THE YEAR

At Birla Sun Life Mutual Fund we are committed to consistently providing superior returns to our investors. A commitment that has won us recognition and awards from ICRA, LIPPER and CNBC TV18-CRISIL and also the trust of over 16 lakh investors. Today, we are one of the fastest growing mutual fund companies of India, with domestic assets under management in excess of Rs. 36,000 crores as on 29th February, 2008. As we humbly thank our investors and partners for the recently won "Mutual Fund of the Year" award, we look forward to continuing this journey towards a richer tomorrow. Together,



Birla Sun Life
Mutual Fund

Past performance may or may not be sustained in the future.

SMS GAIN to 56767

Award Methodology, Disclaimer & Statutory Award: CNBC TV18 - CRISIL Mutual Fund of the Year Award for 2007. Birla Sun Life Mutual Fund, Category - Mutual Fund of the Year, out of 26 fund houses. Fund Houses winning at least two awards for their schemes in the category level awards for 2007 were considered for the award based on consistency of fund house's performance across various scheme categories in the four quarterly CRISIL CPR rankings released during the calendar year 2007. The individual CRISIL CPR ranks for their schemes were aggregated on a weighted average basis to arrive at the final ranks for fund houses. Birla Sun Life Frontline Equity Scheme was among the 2 schemes that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category - Large Cap Oriented Equity Funds. In total 22 schemes were eligible for the award universe. Birla MIP was the only scheme that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category - Monthly Income Plans (Conservative). In total 9 schemes were eligible for the award universe. Birla Sun Life Short Term Fund was the only scheme that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category of Income Short Term Funds. In total 12 schemes were eligible for the award universe. Birla Sun Life Income Fund was the only scheme that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category of Income Funds. In total 17 schemes were eligible for the award universe. Schemes present in all four quarterly CRISIL CPRs were considered for the award. The award is based on consistency of scheme's performance in the four quarterly CRISIL CPR rankings released during the calendar year 2007. The individual CRISIL CPR parameter scores averaged for the four quarters were further multiplied by the parameter weight as per the CRISIL CPR methodology to arrive at the final scores. Birla Infrastructure Fund was the only scheme that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category - Emerging Equity Fund of the Year. In total 14 schemes were eligible for the award universe. Open ended equity schemes having a one to two year track record as on December 31, 2007 and fulfilling CRISIL's eligibility criteria on disclosure were considered for the award. The award is based on the scheme's performance using the analytical approach of the CRISIL CPR rankings having the analysis period as the year 2007. A detailed methodology of the CRISIL CPR is available at www.crisil.com. **Ranking & Award Source:** CRISIL Fund Services, CRISIL Ltd. Past performance is no guarantee of future results. **ICRA Award:** Birla Income Plus (Category- Debt- Schemes -Long Term), 7- Star indicates- Best performance amongst the 5-Star Funds. 1 year Performance for the period ending December 31, 2007. Birla Sun Life Short Term Fund (Growth) (Category- Liquid Plus Schemes), 7- Star indicates- Best performance amongst the 5-Star Funds. 1 year Performance for the period ending December 31, 2007. The rank is an outcome of an objective and comparative analysis against various parameters, including, risk adjusted return, fund size, sector concentration, portfolio turnover, liquidity, company concentration and average maturity. The ranking methodology did not take into account entry and exit loads imposed by the scheme. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Birla Sun Life Mutual Fund or its Schemes. Ranking source and publisher: CPA Online. **Lipper Awards 2008:** Methodology: Birla Sun Life Income Fund - Growth; Best Fund - Bond India Rupee - General for 3 year performance period ended on December 31, 2007 out of 100 funds and Best Fund - Bond India Rupee - General for 10 year performance period ended on December 31, 2007, out of 35 funds. Birla Gilt Plus - Regular Plan - Growth; Best Fund - Bond India Rupee - Government for 5 year performance period ended on December 31, 2007, out of 10 funds. Birla Sun Life '95 Fund; Best Fund - Mixed Assets Aggressive - General for 10 year performance period ended on December 31, 2007, out of 6 funds. Entry / Exit load not considered. Past performance is no guarantee of future results. Ranking source: Lipper - A Reuter Company. **Statutory Details:** Constitution: Birla Sun Life Mutual Fund has been set up as a Trust under the Indian Trust Act, 1882. **Sponsors:** Aditya Birla Novo Limited and Sun Life (India) AMC Investments Inc. (liability restricted to seed corpus of Rs. 11 Lac). **Trustee:** Birla Sun Life Trustee Company Pvt. Ltd. **Investment Manager:** Birla Sun Life Asset Management Company Ltd. **Scheme Name, Nature & Objective:** Birla Sun Life Frontline Equity Fund (an Open-end growth scheme) with an objective of long term growth of capital, through a portfolio with a target allocation of 100% equity by aiming at being as diversified across various industries and/or sectors as its chosen benchmark index, BSE 200. Birla Sun Life Monthly Income (an Open-end income scheme) with an objective to generate regular income so as to make monthly and quarterly distribution to unit holders with the secondary objective being growth of capital. Monthly income is not assured and is subject to availability of distributable surplus. Birla Sun Life Short Term Fund (an Open-end short term income scheme) with an objective to generate income and capital appreciation by investing 100% of the corpus in a diversified portfolio of debt and money market securities with relatively low levels of interest rate risk. Birla Sun Life Income Fund (an Open-end income scheme) with an objective to generate income and capital appreciation by investing 100% of the corpus in a diversified portfolio of debt and money market securities. Birla Infrastructure Fund (an Open-end growth scheme) with an objective of providing for medium to long-term capital appreciation by investing predominantly in a diversified portfolio of equity and equity related securities of companies that are participating in the growth and development of infrastructure in India. Birla Income Plus (an Open-end income scheme) with an objective to generate consistent income through superior yields on its investments at moderate levels of risk through a diversified investment approach. Birla Gilt Plus (an Open-end Government Securities scheme) with an objective to generate income and capital appreciation through investments exclusively in Government Securities. Birla Sun Life '95 Fund (an Open-end balanced scheme) with an objective of long term growth of capital and current income, through a portfolio of equity and fixed income securities. **Risk Factors:** Mutual Funds and securities investments are subject to market risks and there can be no assurance or guarantee that the objectives of the Scheme will be achieved. As with any investment in securities, the NAV of the Units issued under the Scheme may go up or down depending on the various factors and forces affecting capital markets and money markets. Past performance of the Sponsors / Investment Manager / Mutual Fund does not indicate the future performance of the Scheme and may not necessarily provide a basis of comparison with other investments. The names of the Schemes do not, in any manner, indicate either the quality of the Scheme or its future prospects or returns. Unit holders in the Scheme are not being offered any guaranteed/assured returns. **Investors should read the Offer Document/ Key Information Memorandum available at Investor Service Centers and with Distributors carefully before investing.**

Published from Karvy House, 46, Avenue 4, Street, No.1, Banjara Hills, Hyderabad-500 034. Ph: 040-2344 0601, Email: kbb@karvy.com.

Printed at Harshitha Printers, 6-2-985, Yousuf Building, Adj. Railway Gate, Khairatabad, Hyderabad-500 004. Ph: 040-2330 2133.

by **S. Gopichand** on behalf of Karvy Stock Broking Limited.

Editor: S. Gopichand

Personal Finance Team:
Atul, Pradeep, Murugavel

Designed by: Raju, Naga, Priya

RNI Regn. No. APENG/2007/20423

For further details on personal finance products please visit: www.thefinapolis.com

Subscriber's Address: