PF / MFM / 13072009 / 561 July 13, 2009

Equity

- Market commenced the month of June with huge positive inflows from FIIs and strong global cues, However, this positive momentum has not lasted long as the markets witnessed severe selling pressure and a eventual tumble down during the second half of the month. The first half of the month Sensex touched 10-month high of 15,467 on expectations that the government will increase public spending in the budget to spur economic growth. Recovery was seen in the final few sessions on the hope that the government will make policy announcements in the budget. On the whole, the market closed on a negative note.
- Global stocks posted a marginal decline on the back of mixed economic data, inflationary concern and rise in commodity prices. The MSCI AC World Index dropped marginally 0.40% while the MSCI Emerging Markets Index slipped 1.50% during the month.
- The performance of Indian markets was in line with the global counterparts. The Sensex ended the month with a marginal fall of 0.90%, while the Nifty registered a decline of 3.55%. The BSE mid caps posted a marginal rise of 0.40%, however small caps slipped 4.12% over the month.
- There has been change in calculation of Nifty from market capitalization to free float methodology with effect from June 26. Due to this, the components' weights of the index have also been changed. Banking & financial stocks and engineering & capital goods saw major increase in overall weight of 7.95% and 2.15% respectively. On the other hand, power and oil & gas witnessed reduction of 6.58% and 5.93% respectively.

Sector Performance

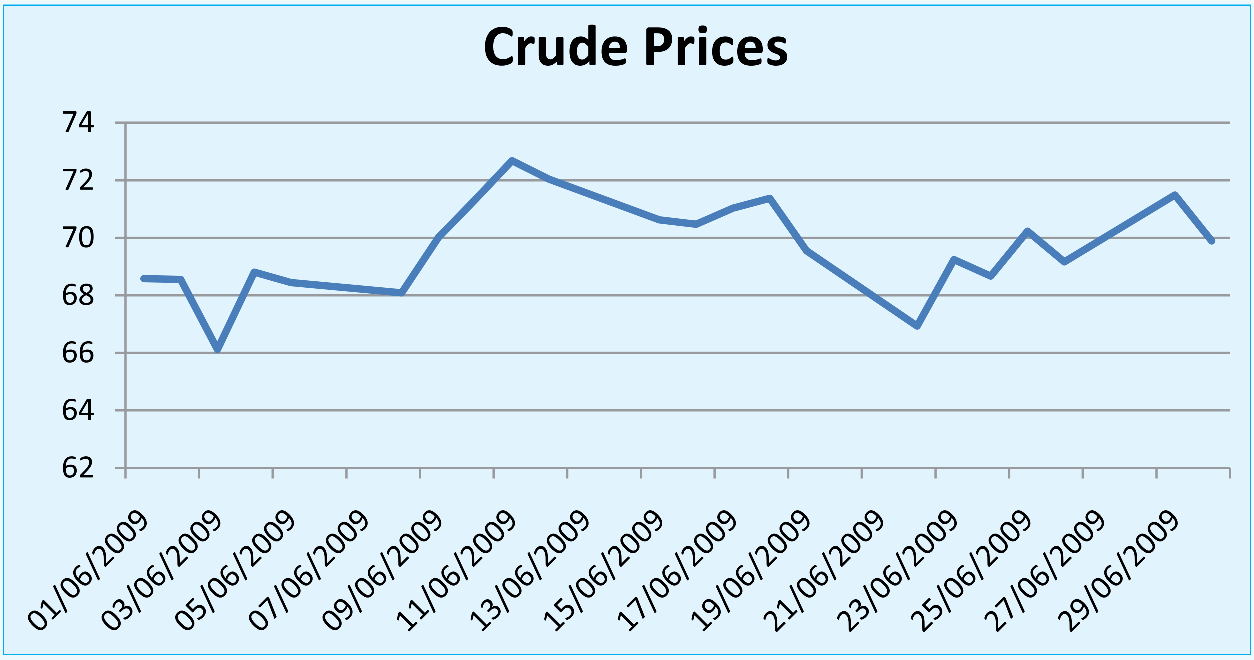
- The BSE Sectoral indices showed mixed performance for June. IT, FMCG, capital goods and consumer durables were amongst the preferred indices for buying while, realty and oil & gas indices declined sharply. Metal, banking, auto and power indices registered a marginal fall.

Institutional Activities

- FIIs flow remained positive in equities with net inflows of Rs.3,225 crores (USD 673 mn) during the month. The domestic MFs were also net buyers with inflows of Rs.839 crores (USD 175 mn) during the month.

Key Macro Developments

- Industrial production bounced back in April 2009, following decline for two successive months, with a growth of 1.43%. Core sectors registered a growth of 2.84% for May 2009. Exports growth continued to drop for an eight consecutive month. In dollar terms, exports plunged 29.20% to USD 11.01 billion, however, in rupee terms, it dropped 18.40% to Rs.53,435 crores during May 2009. Meanwhile, oil prices climbed 5.40% over the month to USD 69.89 a barrel.



Outlook

- The markets seem to be disappointed from the Union Budget 2009 as it lacked on some big ticket reforms such as disinvestment of PSUs, increase in FDI in insurance and higher than expected fiscal deficit. From here on the market focus will shift to the progress of monsoon, policy announcements from the government and key economic data. The first quarter earnings of key corporates will also have bearing on the market. From international perspective, the market will track developments in US, Japan and China.
- Since the markets have corrected post budget, investor should increase the equity allocation to take advantage of these corrections.

Debt

- Rising G-sec yields and corporate bond prices together with easy liquidity situation were the key highlights of June 2009. The G-sec yields continued to rise across the curve on the back of increased in size of scheduled auctions and fears of higher borrowing to finance widening fiscal deficit. The improving economic data raised concerns about the possibility of monetary easing coming to an end which also pushed G-sec yields higher over the month. On the global front, the performance of yields was mixed. The 10-year yields on the government bonds in the Europe and Japan moved down 20 bps and 13 bps respectively. The 10-year bond yield in the US, on the other hand, climbed 7 bps over the month.
- Call rates continued to remain stable during the month reflecting comfortable liquidity conditions in the overnight market. It declined 5 bps to close the month at 3.25%. The average call rate for June 2009 stood at 3.27% as against 3.22% for the previous month.

Gilt Performance

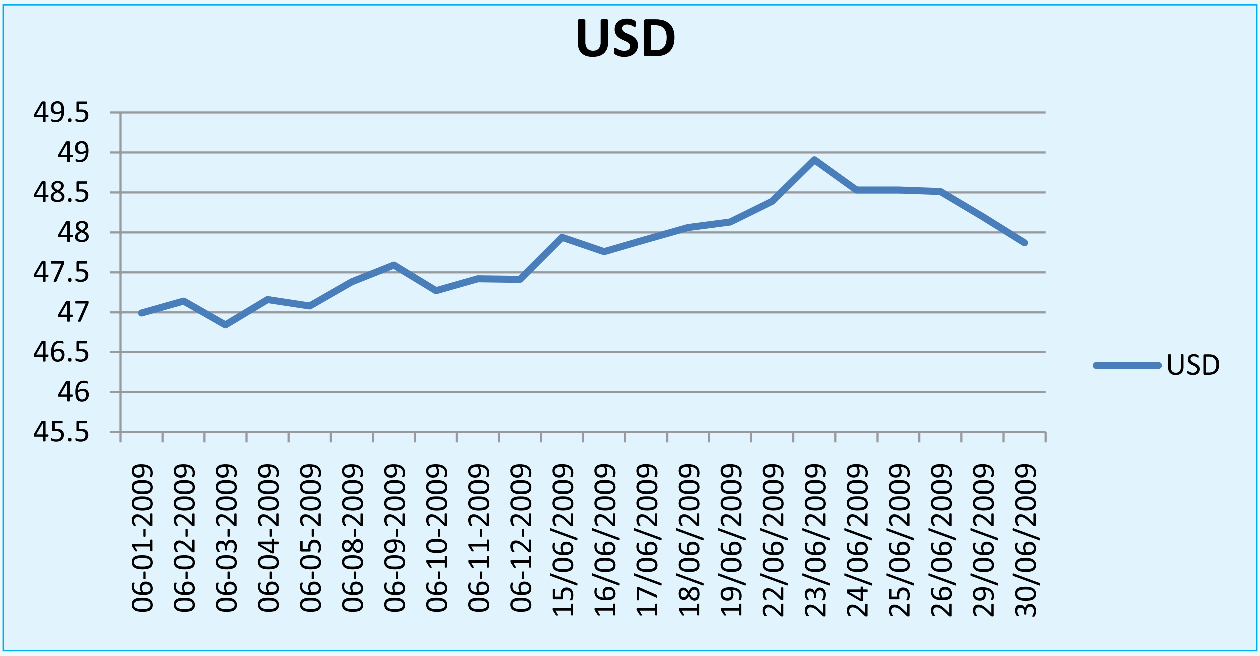
- The G-sec yields rose amid Rs.60,000 crores (USD 12.52 bn) borrowing by the RBI during June. The 10-year benchmark G-sec yield moved up 31 bps to settle the month at 7.01%. The yield on the 5-year benchmark G-sec climbed marginally 3 bps to end the month at 6.49%. The short term 1-year benchmark G-sec yield rose 6 bps over the month to 4.25%. As a result, the spread between 1 and 10-year benchmark G-sec widened 25 bps to 276 bps.

Corporate Bond Performance

- The corporate bonds, however, saw a divergent trend for June. The 10-year AAA bond yield declined 15 bps to close the month at 8.61%. Similarly, the yield at 5-year AAA paper moved down 17 bps to end the month at 7.97%, while the short term 1-year AAA bond yield dropped 43 bps over the month to 6.03%. The spread between 1 and 10-year AAA bond widened 28 bps to 258 bps. On the other hand, the spread between 10-year benchmark G-sec and 10-year AAA bond shortened 46 bps to 160 bps

Rupee

❖ Indian rupee reversed the trend and dropped against US dollar due to rise in oil prices. Rupee depreciated 1.56% to settle the month at Rs.47.93 per dollar.



Outlook

❖ Fears of excess supply seem to have been reinforced with fiscal deficit estimate revised to 6.8% of GDP. The higher than expected supply will keep yields under pressure. We expect the 10-year G-sec benchmark to trade in a range of 6.50% to 7.50%. Short term rates would remain benign on the back of ample banking system liquidity and mutual fund purchases. We recommend investors to remain in liquid and short term products.

Risk Return Details

Equity Diversified

Scheme Name	NAV as on 30-June-09	Absolute				CAGR		
		1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	SINCE INCEP-TION
Birla SL Frontline Equity (G)	62.4400	-0.6049	52.6650	48.5606	18.0787	18.4305	29.4609	37.2767
Baroda Pioneer Growth (G)	40.3500	1.9454	53.5973	53.5973	15.3187	18.1256	29.6851	32.1809
DBS Chola Opportunities (G)	33.0500	-0.9293	70.8893	58.7416	9.8007	20.4131	27.1619	11.4801
DSPBR Top 100 Equity (G)	72.7060	0.7176	41.7851	40.9113	13.8522	18.6208	30.2294	40.3071
DWS Investment Opportunity (G)	28.2500	-0.1767	42.2457	36.4734	-3.2203	16.8863	26.6777	23.3322
HDFC Top 200 (G)	143.7610	3.1721	58.1982	54.3113	24.5504	18.7574	31.8967	24.8734
Reliance Growth-Ret (G)	325.6919	0.0987	59.7076	50.6584	7.9487	17.7444	36.1295	30.7283
Reliance Reg Savings-Equity (G)	21.3717	0.1833	62.6412	56.4351	15.8898	24.4366		20.8339
Sahara Growth (G)	63.9692	-2.5680	39.9286	39.0387	19.5375	18.0386	29.1257	36.8236
IDFC Premier Equity-A(G)	19.6007	3.7442	54.5285	51.7411	8.2039	26.2518		25.1480

ELSS

Scheme Name	NAV as on 30-June-09	Absolute				CAGR		
		1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	SINCE INCEP-TION
Franklin India Taxshield (G)	143.1573	1.3302	49.1185	43.1808	14.2382	11.3541	24.7246	30.4912
HDFC TaxSaver (G)	146.7340	1.3167	54.2474	47.9830	16.0411	8.4014	31.1925	22.9892
HDFC Long Term Adv (G)	90.2660	2.6240	54.8674	47.0657	6.1391	6.7816	23.9047	31.6560
Fidelity Tax Advantage (G)	14.1300	1.1670	45.0719	44.3162	11.4529	14.6461		11.8536
Reliance Tax Saver (ELSS) (G)	14.1409	0.6334	47.7134	41.5435	16.0993	9.2318		12.2429
Kotak Tax Saver (G)	13.4470	-2.4802	49.8106	40.4093	0.1863	8.6784		10.3761
Sahara Tax Gain (G)	25.3460	-0.2848	53.9433	45.5504	21.1985	14.8862	-16.2103	8.0585
Sundaram BNPP Tax Saver (G)	32.9569	-5.5151	47.6755	33.9641	10.0577	16.2939		25.2759
Tata Tax Advantage-1	11.4293	0.8222	46.3400	40.9163	7.5092	9.7844		4.5538
Taurus Tax Shield (G)	26.2100	-0.2284	61.1931	59.2345	16.8004	20.3123	24.9665	7.8865

Income

Scheme Name	NAV on 30-Jun-09	Absolute					
		1 Day	1 Week	1 Month	3 Months	6 Months	1 Year
Fortis Flexi Debt-Reg (G)	15.4072	0.1430	0.4230	0.7039	7.0234	1.4159	19.6666
Birla SL Income Plus-Ret (G)	40.9557	0.1178	0.5013	1.1085	3.7376	-2.9051	18.4331
Canara Robeco Income (G)	19.0162	0.2266	0.5175	0.8672	5.2439	5.0166	30.7620
DWS Premier Bond-Reg (G)	15.0401	0.1125	0.5260	0.8070	4.5126	-2.1139	20.7323
IDFC Dynamic Bond-A (G)	18.1206	0.1144	0.3833	0.5493	4.4644	-3.6010	19.2396
ICICI Pru Income-Ret (G)	29.4018	0.2551	0.6005	1.1351	6.6763	-0.2213	25.4975
ICICI Pru Income-Inst (G)	30.4840	0.2562	0.6099	1.1773	6.6777	-0.2307	25.8099
Kotak Bond-Deposit (G)	23.7899	0.1140	0.3285	0.6750	4.4521	-1.5600	18.3612
Kotak Bond-Reg (G)	25.5470	0.1140	0.3283	0.6751	4.4512	-1.5610	18.7200
Reliance Income (G)	30.0525	0.0316	0.2254	0.2820	3.8155	-2.1789	18.3691

Liquid

Scheme Name	NAV on 30-Jun-09	Absolute					
		1 Day	1 Week	1 Month	3 Months	6 Months	1 Year
Fortis Money Plus-Reg (G)	13.2573	0.0196	0.1118	0.4881	1.5823	3.8257	9.2710
Fortis Money Plus-Inst (G)	13.3936	0.0202	0.1159	0.5088	1.6476	3.9787	9.6237
Birla SL ST Oppor-Ret (G)	13.6581	0.0535	0.2128	0.7168	2.1441	4.6694	9.3628
Escorts Liquid Plan (G)	13.3393	0.0202	0.1404	0.7622	2.2952	4.7263	9.7912
HDFC STP (G)	17.2204	0.1483	0.3099	0.7483	3.1359	5.6920	15.5421
JM Money Mgr-Super (G)	12.4279	0.0169	0.1192	0.6023	1.8614	3.8601	9.3091
Reliance STF (G)	16.6908	0.0671	0.2047	0.5494	3.3915	5.7672	14.4577
Templeton FRF Income-LT-SIP (G)	12.0758	0.0356	0.1584	0.6828	2.0295	4.4403	9.7820
Templeton FRF Income-LT-Inst (G)	13.4147	0.0350	0.1538	0.6611	1.9656	4.3109	9.5149
Templeton FRF Income-LT (G)	16.2166	0.0339	0.1451	0.6211	1.8503	4.0773	9.0184

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