

*You aspire, we facilitate*

# Portfolio Performance Review

July 2007

## 1. Highly aggressive portfolio

### Performance summary

- 1: The portfolio has outperformed the index and category average since its launch by 9.8% and 9.15% respectively in terms of annualised returns. This out-performance is Rs.15,514 and Rs.14,480 in absolute terms.
- 2: In spite of recent month's volatility (March and April) which has dragged down the performance, recommended portfolio is still able to beat the benchmark and category average.
- 3: In terms of risk-adjusted returns also, the portfolio has delivered better returns than the index and category average.
- 4: Investment of Rs.1,00,000 has become Rs.1,71,434 delivering a return of Rs.71,434 (in absolute terms).

### Returns

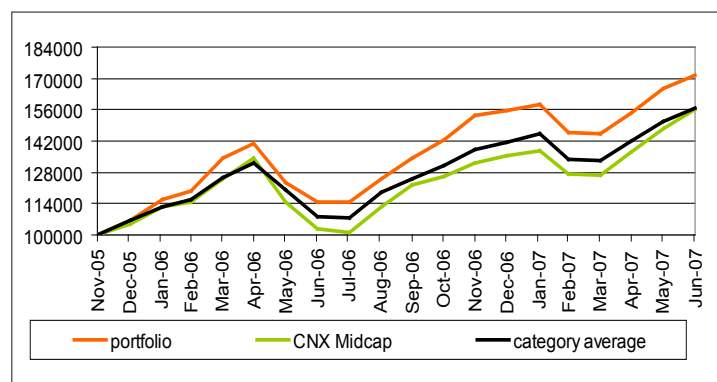
|                  | 3 months (abs) | 6 months (abs) | 1 year | Since launch (ann) ^ | Risk adjusted (Sortino ratio) ^ |
|------------------|----------------|----------------|--------|----------------------|---------------------------------|
| Portfolio        | 17.63          | 11.61          | 49.11  | 45.12                | 1.79                            |
| CNX Midcap       | 22.52          | 17.89          | 51.49  | 35.32                | 1.34                            |
| Category average | 17.09          | 13.40          | 45.36  | 35.97                | 1.56                            |

^ since Nov 30, 2005

#### Notes:

1. Returns as on June 30, 07
2. Returns and deviations have been annualised.
3. For computation of Sortino ratio, returns are computed using monthly NAV on the last working day of every month, risk-free rate is taken as 6% p.a.

### Growth of investment of Rs. 1 lakh\*



\* Value of investment worth Rs.1 lakh made on Nov 30, 2005 based on our recommendations

#### Notes:

1. Portfolio changes are made on the 1st of every month.
2. Impact of loads and capital gains not considered
3. Schemes have been classified in terms of aggression based on their investment universe, investment style and target market segmentation.

## 2. Moderately aggressive portfolio

### Performance summary

- 1: The portfolio has outperformed the index and category average since June, 2006 (refer chart). Before this period, it was not able to deliver better return compared to index and category average as some calls of scheme selection proved to be wrong.
- 2: Overall, the portfolio has outperformed the index and category average since its launch by 3% and 3.25% respectively in terms of annualised returns. This out-performance is Rs.4,748 and Rs.5,154 in absolute terms.
- 3: Recent month's volatility (March and April) has not affected the performance of the portfolio immensely as selected funds adopt long-term calls on quality stocks.
- 4: In terms of risk-adjusted returns, the portfolio has delivered excellent performance against the index as well as category average.
- 5: Investment of Rs.1,00,000 has become Rs.1,61,969, delivering a return of Rs.61,969 (in absolute terms).

### Returns

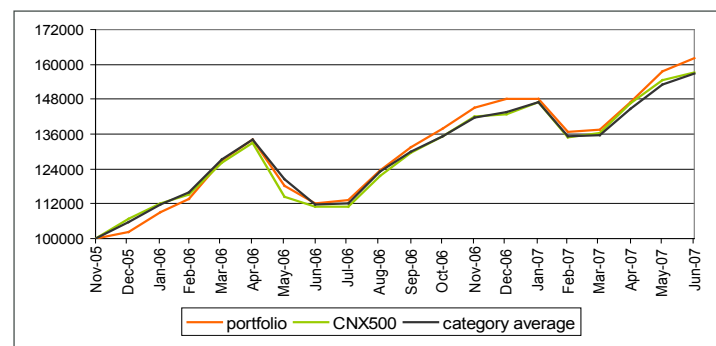
|                  | 3 months (abs) | 6 months (abs) | 1 year | Since launch (ann) ^ | Risk adjusted (Sortino ratio) ^ |
|------------------|----------------|----------------|--------|----------------------|---------------------------------|
| Portfolio        | 18.41          | 9.48           | 44.54  | 39.14                | 1.72                            |
| CNX500           | 16.67          | 10.04          | 41.49  | 36.14                | 1.54                            |
| Category average | 15.98          | 9.14           | 40.21  | 35.88                | 1.62                            |

^ since Nov 30, 2005

#### Notes:

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### Growth of investment of Rs. 1 lakh\*



\* Value of investment worth Rs.1 lakh made on Nov 30, 2005 based on our recommendations

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### 3. Least aggressive portfolio

#### Performance summary

- 1: The portfolio has outperformed the category average by 8.62% (annualised) and by Rs.13,648 in absolute terms. In terms of risk-adjusted returns also, the portfolio has delivered better performance against its category average.
- 2: Until last month, the portfolio had underperformed the index and category average due to secular rally in some specific stocks of broad indices (Nifty) during the second half of the calendar year 2006. This month the portfolio has been able to cross over indices by a small margin (refer chart below).
- 3: In terms of risk adjusted returns, the portfolio has delivered better performance against its category average as well as index.
- 4: Investment of Rs.1,00,000 has become Rs.1,63,096 delivering a return of Rs.63,096 (in absolute terms).

#### Returns

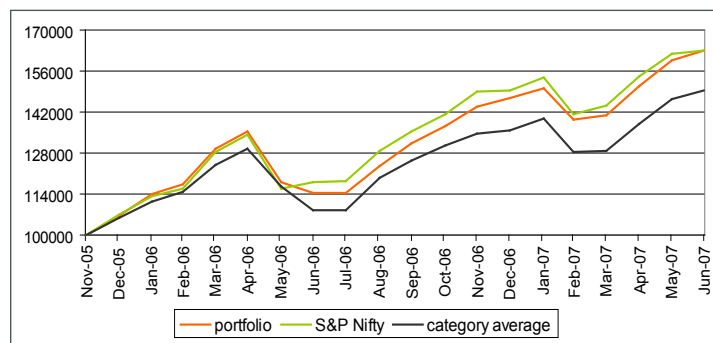
|                  | 3 months (abs) | 6 months (abs) | 1 year | Since launch (ann) ^ | Risk adjusted (Sortino ratio) ^ |
|------------------|----------------|----------------|--------|----------------------|---------------------------------|
| Portfolio        | 15.68          | 10.99          | 42.83  | 39.85                | 1.77                            |
| S&P Nifty        | 13.00          | 8.87           | 38.04  | 39.67                | 1.73                            |
| Category average | 15.95          | 9.97           | 37.72  | 31.23                | 1.47                            |

^ since Nov 30, 2005

#### Notes:

1. Returns as on June 30, 07
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#### Growth of investment of Rs. 1 lakh\*



\* Value of investment worth Rs.1 lakh made on Nov 30, 2005 based on our recommendations

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### 4. Rationale behind portfolio construction

The portfolios are diversified across different fund types and AMCs as well. This would contribute towards better risk-adjusted returns.

#### The fund selection approach

1. We have classified all equity funds into three categories based on the risk associated with them. The categories are most aggressive, moderately aggressive and least aggressive. The criterion for assessing the risk associated include investment strategy, exposure to various market capitalisations, themes and sectors.
2. The next step involves short listing funds based on the outlook with reference to specific themes, sectors, and market segments (large, mid and small capitalisation).
3. After filtering funds based on the above theme, we identify the best performing schemes in all the categories short listed in step 2.
4. The quantitative parameters for identifying the best performing schemes include: historical risk-return performance, portfolio concentration, corpus size etc.
5. Qualitative parameters considered are AMC track record, performance of existing equity funds and strength of the fund management team.

Some new funds which could not be assessed based on their historical performance, have also been included based on qualitative parameters and outlook on theme/ investment strategy etc.

#### Highly Aggressive Funds:

These funds are considered as high risk-high return funds. Selection of these funds depends on their exposure to stocks and sectors. Aggressive funds have more exposure to mid cap stocks which are considered riskier and at the same time have the potential of offering good returns. Sector funds are also considered more risky as they have concentrated exposure in a particular sector; such as FMCG funds, power sector funds, commodities fund etc. Thematic funds such as services, infrastructure and capex are expected to generate good returns due to the govt. initiatives on infrastructure projects, which may result in growing revenues of capital goods companies.

#### Moderately Aggressive Funds:

These funds are typically purely diversified funds which do not have any bias towards any sector, theme or market segment. At the same time, these funds do not adopt the strategy of taking very concentrated exposure. This means that due to high degree of diversification, such funds are meant to be more consistent than the one's belonging to the aggressive category. This category also includes contrarian funds. Such funds invest in stocks which are out of favour, thus offering a potential to deliver higher risk-adjusted returns over a long-term.

#### Least Aggressive Funds:

These funds offer low return with low risk. Selection of these funds mainly depends on the defensive strategy taken by mutual funds. Like large cap funds are exposed large companies which generally offers a low return and the risk involved in these funds are low. Also, PE and dividend yield funds fall under this category since it follows a conservative approach by investing more in low P/E stocks or high dividend yield stocks.



For more information call us on : 1800 425 8283

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