KARVY the Finapolis

Your Personal Finance Advisor

Portfolio Performance Review

September 2007

1. Highly aggressive portfolio

Performance summary

1: The Portfolio has outperformed the index and category average since its launch by 10.61% and 9.98% respectively in terms of annualised returns. This out-performance is Rs.18,573.45 and Rs.17,468.09 in absolute terms.

2: In spite of recent month's volatility (July and August) 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.1,76,272 delivering a return of Rs.76,272 (in absolute terms).

Returns

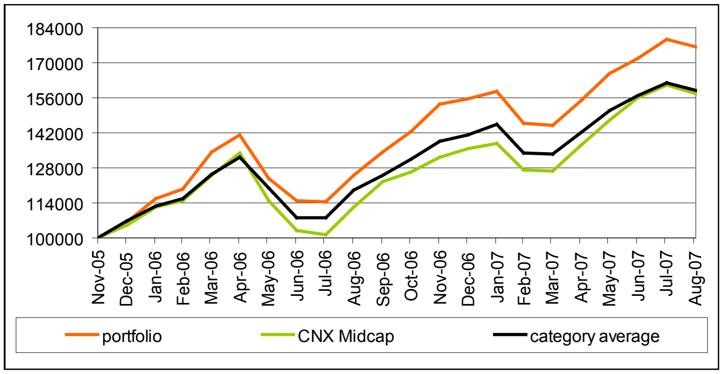
	3 months (abs)	6 months (abs)	1 year	Since launch (ann)^	Risk adjusted (Sortino ratio)^
Portfolio	6.39	20.95	41.05	43.58	1.75
CNX Midcap	7.08	23.92	40.32	32.97	1.27
Category average	5.27	18.47	33.27	33.60	1.48

^since Nov 30, 2005

Notes:

1. Returns as on August 31, 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 due to some calls of scheme selection proved to be wrong.

2: Overall, the portfolio has outperformed the index and category average since its launch by 2.76% and 1.97% respectively in terms of annualised returns. This out-performance is Rs.4,833 and Rs.3,442.5 in absolute terms.

3: Recent month's volatility (July and August) 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.1,65,774, delivering a return of Rs.65,774 (in absolute terms).

Returns

	3 months (abs)	6 months (abs)	1 year	Since launch (ann)^	Risk adjusted (Sortino ratio)^
Portfolio	5.22	21.19	34.30	37.59	1.67
CNX500	4.15	19.43	32.18	34.82	1.50
Category average	6.04	20.06	31.88	35.62	1.62

^since Nov 30, 2005

Notes:

1. Returns as on August 31, 07
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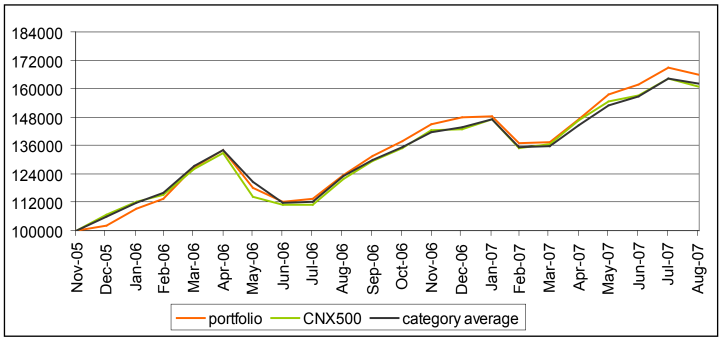
3. For computation of Sortino ratio, returns are computed using monthly NAV on the last working day of every month, risk-free rate is taken as 6% p.a.

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.

3. Least aggressive portfolio

Performance summary

1: The portfolio has outperformed the category average by 8.51% (annualised) and by Rs.14,894.9 since inception. In terms of risk-adjusted returns also, the portfolio has delivered better performance against its category average.

2: The portfolio has performed on par with the index and has outperformed category average.

3: In terms of risk adjusted returns, the portfolio has delivered better performance against its category average and index

4: Investment of Rs.1,00,000 has become Rs.1,68,318, delivering a return of Rs.68,318 (in absolute terms).

Returns

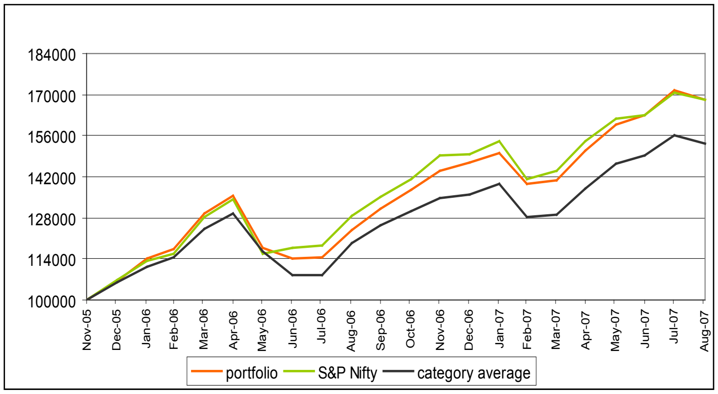
	3 months (abs)	6 months (abs)	1 year	Since launch (ann) ^	Risk adjusted (Sortino ratio) ^
Portfolio	5.34	20.77	36.15	39.04	1.74
S&P Nifty	3.92	19.19	30.76	39.03	1.71
Category average	4.73	19.61	28.37	30.53	1.45

^ since Nov 30, 2005

Notes:

1. Returns as on Aug 31, 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.
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3. Schemes have been classified in terms of aggression based on their investment universe, investment style and target market segmentation.

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 capitalisations).
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 there 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.

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