

Advisor's Guide

FIN 360°

April, 07 to June, 07

Debt funds

Pension Plan

Equity funds

Insurance

Balanced funds

Mutual funds

Income Tax

Life Insurance

 **KARVY** *the* **Finapolis**
Your Personal Finance Advisor

Table of Contents

| | |
|--|---------|
| 1. Case: 360° Finvest | |
| 1.1. Case I | 3 - 5 |
| 1.2. Case II | 5 - 7 |
| 1.3. Case III | 7 - 9 |
| 2. Not so 'General' Insurance | |
| 2.1. Health Insurance Plan | 10 |
| 2.2. Motor Insurance | 11 |
| 2.3. Householder's Insurance | 12 |
| 3. Debt funds – Discovering the niche | |
| 3.1. Betting on debt funds | 13 |
| 3.2. What are the options? | 13 |
| A. For investors maintaining current & savings bank a/c balance: | 14 |
| B. For investors investing in Bank FDs: | 15 |
| 4. Performance Review of Recommended Schemes | |
| 4.1. Equity Funds | 16 - 19 |
| 4.2. Balanced Funds | 20 |
| 4.3. ELSS Funds | 21 |
| 4.4. Debt Funds | 22 |

Gyaan Darshan

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1 Case: 360° Fininvest

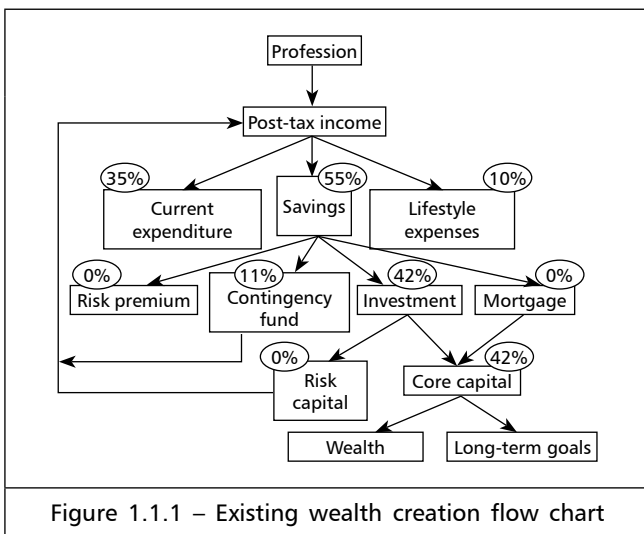
1.1 Case I

Introduction:

Financial investments are important weapons which every individual should possess and also know about using the right weapon for the given target. In today's era, several investment avenues have evolved and it becomes crucial to understand the various investment options. Let us understand the different investment avenues by analyzing the financial details of Mr.Ganesh who is 23 years old. Mr.Ganesh is a software engineer with an annual salary of Rs.2.40 lakh.

Profile:

| Fina-graphic details | | | |
|----------------------|--------------------------------------|-----------------------|-------------|
| Personal Details | | Financial Details | |
| Name | Mr. Ganesh Reddy | Annual salary | Rs.2,40,000 |
| Age | 23 Yrs (single) | Contribution to PF | Rs.30,000 |
| Parents | Working (not dependant) | ELSS | Rs.70,000 |
| Accommodation | Rented | Taxes paid | Rs.4,488 |
| Staying | Staying alone apart from his parents | Net take home | Rs.1,35,512 |
| | | House rent | Rs.36,000 |
| | | Current expenditure | Rs.48,000 |
| | | Lifestyle expenditure | Rs.24,000 |
| | | Investible surplus | Rs.27,512 |
| | | Other commitments | NIL |



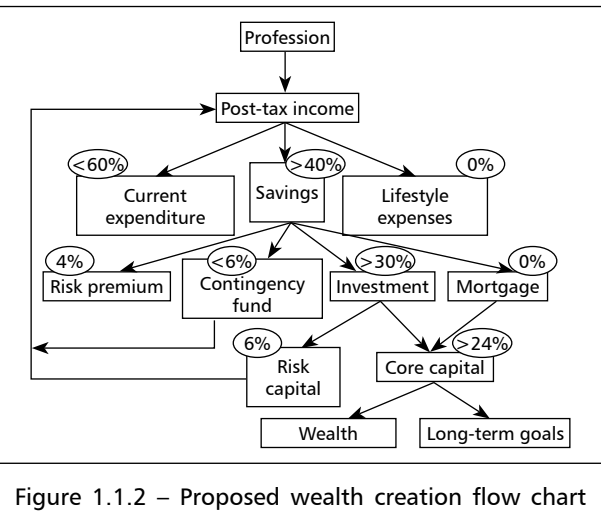
Diagnosis of existing wealth creation flow chart

Ganesh is a young person who has recently started working. Currently he does not have any commitments and liabilities. As such he is more of a spendthrift. He does not have sufficient knowledge of investments and has made investments into Provident fund and ELSS just for tax saving purpose u/s 80C. He has not done proper planning to channelize his salary into wealth creation avenues.

Proposed wealth creation flow chart

Ganesh does not seem to have a proper financial plan. Financial planning is a comprehensive and ongoing process of financial goal-setting and then planning one's expenses, savings, investments, taxes and insurance to work towards achieving those goals.

Ganesh should focus on wealth creation by looking at different investment avenues. The savings of a person should ideally be channelized into investments meant to build core and risk capital, creating a contingency fund and availing a risk cover. Together these would enable long term wealth creation. A typical break-up is shown in the figure on the right side.



Financial growth path:

Comparing the expenses, savings and investments of Mr.Ganesh with the above chart, we observe that he is not financially disciplined. He should curtail his lifestyle expenses and properly channelize his savings into various investments. Primarily he should take a risk cover for himself and further, undertake a systematic investment into an equity diversified mutual fund.

Let us look into the Investment options that Ganesh can avail for better use of his monthly income keeping in mind the tax benefits, liquidity requirements and future commitments.

Insurance: Responsibilities of Ganesh would increase after getting married and having children. He should immediately take a risk cover for his life. He can take

a ULIP policy which combines the best of mutual fund and insurance – the ideal combination for risk mitigation and wealth creation. ULIP plans would offer several benefits to Ganesh like:

- ❖ Risk cover on his life
- ❖ Higher returns potential for market linked investment
- ❖ Tax-deduction u/s 80C for premium paid
- ❖ The amount, if any, received from the insurer would be tax-exempted u/s 10(10D)
- ❖ Flexibility of continuing the policy for undetermined duration
- ❖ Facility of liquidating the policy corpus, subject to certain restrictions, in times of need.

Mutual Fund: Ganesh can avail tax benefits by investing in ELSS and insurance. However, these would have lock-in-period. Though lock-in-feature is advantageous for Ganesh (as one should remain invested in equities for a longer period), he should also take care of his liquidity requirements. He should reduce his ELSS and undertake a systematic investment in balanced mutual funds. Benefits would be:

- ❖ Greater liquidity
- ❖ Accelerated wealth creation
- ❖ Regular disciplined investment

Quality IPOs: with the growing economy, the market is giving opportunity to invest in quality IPOs. The knowledge and guidance which an investor is required

to invest in such IPOs is provided by Research experts. For example, Karvy's research team does continuous research and suggests investing in good companies. Ganesh can take advantage of this opportunity by having a Trading and a Demat account and certain surplus amount set aside for the purpose.

Taking into consideration the different investment options Ganesh can create wealth by investing in mutual funds, stocks and insurance. Karvy can be of immense help for an aspiring professional like Mr. Ganesh in wealth creation and risk mitigation process by providing advisory services on the whole gamut of financial products.

1.2 Case II

Profile:

| Fina-graphic details | | | |
|----------------------|--|--|-------------|
| Personal Details | | Financial Details | |
| Name | Mr. Kishore Chopra | Annual salary | Rs.8,40,000 |
| Age | 37 Yrs (married) with 2 children, son aged 6 years and daughter aged 3 years | Section80C-exhausted through PF, ELSS and child's tuition fees | Rs.1,00,000 |
| Parents | Mother (dependant) | Taxes paid | Rs.1,75,000 |
| Accommodation | Rented house | Net take home | Rs.6,65,000 |
| Staying | Staying with family | Current expenditure | Rs.2,94,000 |
| Other details | Intends to purchase a house | Lifestyle expenditure | Rs.60,000 |
| | | Mortgage – car loan EMI | Rs.84,000 |
| | | Other investments - IPOs | Rs.60,000 |
| | | Surplus | Rs.1,67,000 |

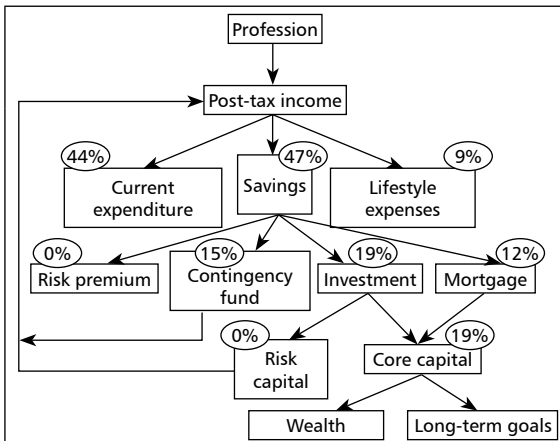


Figure 1.2.1 – Existing wealth creation flow chart

Diagnosis of existing wealth creation flow chart

Kishore is middle aged who has financial responsibilities such as maintaining his family comprising of his wife and children.

Being the sole bread winner for the family, he takes care for all his family's house hold expenses, children's education fees etc.

He has most of his savings in his bank a/c. he is risk averse and did not look into other investments options available except few IPOs.

He also has not looked into the insurance need for himself and his family.

Proposed wealth creation flow chart

Kishore seems to distribute his income prudently towards current expenditure, savings and life style expenses.

However, it should be noted that he is not able to channelize his savings effectively. It can be seen that most of his savings are lying idle in the bank for the purpose of contingency.

Kishore seems to miss the importance of a risk cover, as he does not utilize his income for it.

As suggested in this chart, what Kishore should work on is prudent channelizing of savings. He should consider all options available to him for wealth creation and long term financial planning.

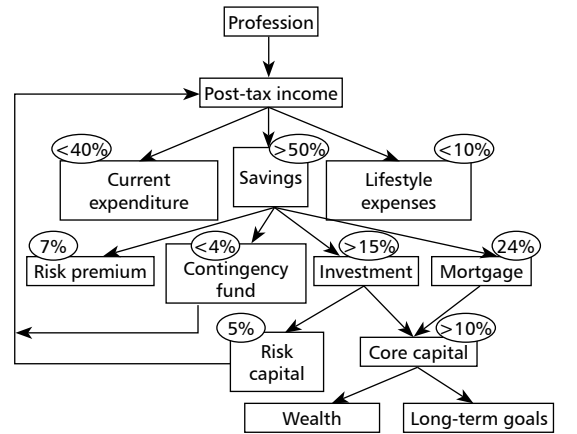


Figure 1.2.2 – Proposed wealth creation flow chart

Financial growth path:

Prudent financial planning is the trump card for financial prosperity. The route in which one channelizes his surplus or savings determines the level of one's financial prudence.

One's income must be channelized prudently for the following areas:

1. Current expenditure
2. Life style expenses
3. Savings which must be used and channelized for risk premium, contingency fund, investments and for loan payments

After managing ones finances of a house hold, one should concentrate more on optimum utilization of savings, to take care of all kinds of financial needs such as wealth creation, protection, etc.

Risk cover:

It is always important for one to understand the importance of insurance in one's life. Insurance covers one against all kinds of risk. In case of Kishore, it must be noted that as he is the only earning member in his family taking a risk cover in the form of life insurance is of utmost importance. It is suggested for him to take insurance cover for Rs.60 lacs to commensurate with his requirement, the premium for which will work out to Rs.25,000 p.a. i.e. Rs.2,083 p.m. This will make his risk premium contribution close to 5%.

Core capital:

Core capital forms an integral part of wealth creation. It refers to the basic foundation on which wealth is created.

The critical factor in building a core capital is asset allocation. Kishore must look for utilizing various investment options available for wealth creation.

❖ **Mutual funds:** Kishore has not looked into mutual funds as an effective investment option. Investing in mutual funds is always a worth while proposition because of

- ❖ Professional management of money
- ❖ Spreading of risk through diversification
- ❖ Liquidity

Investment in mutual fund will help in creation of core capital.

Kishore can make systematic investments of Rs.400 p.m., which will in a long run be useful for meeting his long term financial objectives.

❖ **ULIPs:** it will help Kishore secure some protection for his family in the event of his untimely death and at the same time provides him an opportunity to earn a return on his premium paid. The advantage of ULIP is that since the investments are made for long periods, the chances of earning a decent return are high, apart from giving him a risk cover. He can invest Rs.750 p.m. in ULIPs which will give him a risk cover and marker linked returns.

❖ **IPOs and front line stocks:** since Kishore has already starting investing in IPOs, he has made a start for wealth creation through equities. Kishore must reduce his quantum of IPO investments so that he can make more diversified investments. He can invest Rs.500 p.m. in IPOs.

❖ **Traditional investment avenues:** these are time tested investment avenues which are useful for building core capital. These include investment in sovereign schemes such as PPF, NSC, Post office recurring deposits, etc.

Kishore has been investing Rs.5,000 p.m. in PPF (part of his salary structure). This will be useful for him at the time of his retirement or any long term objectives such as children’s higher education, marriage, etc.

Risk capital:

Risk capital acts as a top up for wealth creation. The critical factor for building risk capital is to seize the opportunity in the financial markets. Risk capital can be built by short term trading, investing in momentum stocks, IPOs to be held for short term, investing in commodities and futures and options.

For Kishore, it is advisable to use Rs.1,600 p.m. for short term trading, investing in momentum stocks etc, which will bring his investments for risk capital up to 3%.

Mortgage:

It is very important for one to leverage financial profile using debt.

Currently Kishore has a car loan, for which he is paying an EMI of Rs.7,000. This constitutes 12.63% of his income. His car loan will be paid off in the current year. The ideal ratio for mortgage is 24%. Later he can take purchase a house worth Rs.11 lacs by availing a home loan, for which the EMI will be close to Rs.14,000. This will bring his mortgage ratio to the ideal 24%.

1.3 Case III

Profile:

| Fina-graphic details | | | |
|----------------------|---|----------------------------------|---------------|
| Personal Details | | Financial Details | |
| Name | Mr. Pratap Rathod | Annual salary | Rs.19.50 lakh |
| Age | 45 yrs (married) with 1 son aged 19 years | Section 80C exhausted through PF | Rs.1.00 lakh |
| Parents | Staying with Pratap | Taxes paid | Rs.5,71,032 |

| | | | |
|---------------|-----------|---|---|
| Accommodation | Own house | Net take home | Rs.13,78,968 |
| | | Current expenditure | Rs.4,92,000 |
| | | Lifestyle expenditure | Rs.1,44,000 |
| | | Risk cover | Plan for Rs.2.00 lakhs |
| | | Rental income (p.a.) | Rs.60,000 |
| | | Mortgage – loan taken on house property | Rs.40,000 |
| | | Current investments | Savings mainly used for trading in the stock market |

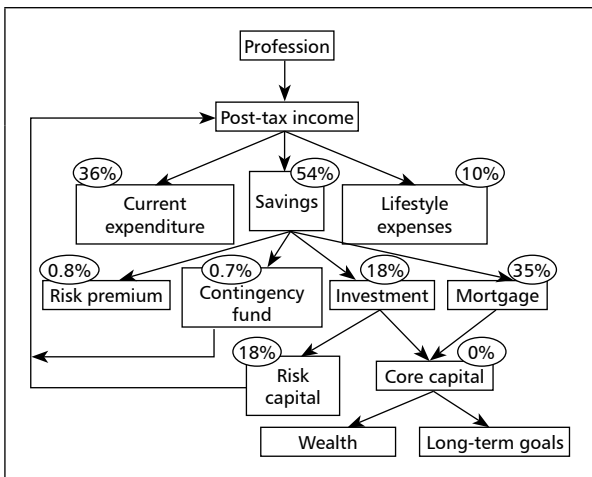


Figure 1.3.1 – Existing wealth creation flow chart

Diagnosis of existing wealth creation flow chart

Mr. Pratap is a risk taker. He believes in punting in the stock market with the objective of making returns. However, though he can make returns, this process is not without its risks. Mr. Pratap has a number of responsibilities like arranging the requisite funds for his son's higher education, son's marriage, planning for his own retirement, etc.

In the light of the above profile, Mr. Pratap, should adopt a more systematic approach to financial planning. The flow chart given will highlight some of the key ratios for Mr. Pratap.

Proposed wealth creation flow chart

Mr. Pratap has taken one insurance plan to the tune of Rs.2,00,000. Considering his profile, he will have to increase the sum assured so as to provide a more comprehensive cover. An ideal option would be to supplement his existing insurance plan with a term assurance policy. In order to ensure that he has adequate surplus at his disposal for making fruitful investments, we also recommend that he optimizes his lifestyle expenses. The ideal proportions that he should consider is shown in flow chart.

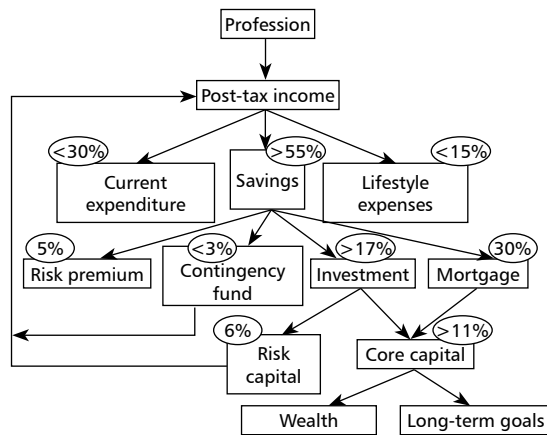


Figure 1.3.2 – Proposed wealth creation flow chart

Financial growth path:

As it has been mentioned, trading in the stock markets is indeed one of the ways to make returns. However, it is not the only way. When it comes to the question of wealth creation, there is no substitute to long term investment strategy. An ideal approach to wealth creation would be to encompass different investment avenues.

Some of the key avenues that can be recommended for Mr.Pratap is:

Risk cover:

- ❖ **Conventional insurance plan:** Mr.Pratap is married with one son. Additionally, he has taken a home loan and is paying EMIs to the tune of Rs.40,000. Hence, the quantum of insurance policy should necessarily be commensurate with his requirement. In this case he can take up a term assurance plan for Rs.30,00,000. The term assurance plan would primarily seek to provide the loan that he has taken for his house.

Core capital:

Core capital forms the building blocks of wealth creation. The returns from core capital can be used to fund financial goals and objectives and is an integral part of wealth creation.

- ❖ **Exposure to markets through insurance:** As one of the avenues to wealth creation, Mr.Pratap can also consider unit linked insurance plans. In the vast ambit of unit linked insurance plans, he can look at unit linked pension plans. These plans facilitate creating a corpus which can be utilized for the sunset years. By providing market linked returns, these pension plans help in wealth creation and serve as an excellent supplement to the age old provident fund.
- ❖ **Mutual funds:** Considering Mr.Pratap's income, he can look at investing in aggressive mutual funds like sector funds which will help in capital appreciation over a long term.

- ❖ **Quality IPOs and front line stocks:** Mr.Pratap can also look at quality IPOs and front line stocks and avail the benefit of long term capital appreciation.
- ❖ **Sovereign back schemes:** In order to give a conservative edge to the portfolio, Mr.Pratap can also look at post office savings schemes like NSC, POMIS, etc.

Risk capital:

Once core capital has been created, he can consider risk capital. Currently Mr.Pratap is only looking at short term trading. However, in addition he can also consider avenues like futures & options and commodities. However, a word of caution is that Mr.Pratap should not redeem his core capital investment avenues and invest in risk capital avenues.

Conclusion:

As a final word, some of the key aspects that come to light are:

Wealth creation is indeed a simple process. The key factors for wealth creation will have to be consistency and perseverance.

In the journey towards wealth creation, it is important for the individual to invest across different products so as to avail the benefit of diversification.

The investment landscape in India consists of diverse products like equities, mutual funds, insurance, commodities, etc. Each avenue has its own advantages and disadvantages which need to be understood. While creating wealth it is always important to create core capital which can be used to fund long term objectives and create wealth, while interim opportunities in the market may be exploited by looking at risk capital.

Such an all encompassing approach across different products is indeed the passport to financial success.

2 Not so 'General' Insurance

2.1 Health Insurance Plan:

Also known as medical insurance plan, this provides for reimbursement of expenses related to hospitalisation of an insured person. Unique features of these plans support the allied expenses as well, thus securing one from financial hardships caused due provision of expensive medical attention and treatment

| Plan | Cholamandalam Health Insurance Policy | Healthwise Plan | Royal Sundaram Healthshield Guard Plan |
|--|--|--|---|
| Provider | Cholamandalam General Insurance Company Limited | Reliance General Insurance Company Limited | Royal Sundaram General Insurance Company Limited |
| Unique Selling Proposition | 24 hours emergency assistance available. General health and eye examination cover. Hospital daily allowance. | Sum insured for family on floater basis. Continuous coverage of 2 years. Coverage of existing diseases after 2/4 policy years. | 24 hour helpline and ambulance referral facility. |
| Age at Entry (min. & max.) | Maximum 55 years for proposer and 69 years for dependant parents | 3 months - 65 years | 3 months - 75 years |
| Sum Assured (min. and max.) | Subject to underwriting | Rs.1,00,000 - Rs.5,00,000 | Rs.75,000 - Rs.5,00,000 |
| Requirement of pre-insurance medical test | N.A. | N.A. | 60 years onwards |
| Cashless hospitalisation facility | Available in a network of 1400 + hospitals | Available in a network of 3000 + hospitals | Available at network of hospitals tied-up with the insurance company |
| Pre and post hospitalisation expenses reimbursed for | 60 days prior to and 90 days post hospitalisation | 30/60 days prior to and 60/90 days post hospitalisation (for standard/gold & silver plan option) | 30 days prior to and 60 days post hospitalisation |
| Day care procedure expenses reimbursed for | 130 minor surgeries requiring less than 24 hours of hospitalisation | Available for certain treatments / diseases like Cataract, Chemotherapy, | Available |
| Health check up or renewal benefits | Available under value added services for an additional premium | Applicable | Sum insured increases by 5% for every claim free year, subject to maximum of 60% of sum insured |
| Ambulance expenses reimbursed | Only in case of use of ambulance in an emergency and to the nearest hospital where Emergency health facilities are available | Rs. 1000 / 750 / 500 for gold / silver / standard plan option respectively for local road ambulance service | Ambulance reference service available at no additional cost |

2.2 Motor Insurance:

In India, third party liability cover is mandatory for all the vehicles to be used on the road and at public places. A comprehensive motor insurance policy for this mandatory cover and also the cover against the loss / damage of the vehicle.

| Plan | Motor Insurance Policy | Motor Insurance Policy | Private Car Comprehensive Insurance Policy |
|------------------------------|--|---|--|
| Provider | Bajaj Allianz General Insurance Company Limited | Cholamandalam MS General Insurance Company Limited | Reliance General Insurance Company Limited |
| Covers | 2 wheelers and private cars | 2 wheelers and private cars | All types of private cars |
| Extent of cover | Accidents including theft, earthquake, flood, riot, strike and malicious act. | Accidents including malicious act, terrorist activity, landslide, rockslide. | All accidents including earthquake, flood, riot, strike and malicious acts. |
| Third Party Liability covers | Legal liability of insured towards third party personal injury and property damage arising out of an accident involving the insured vehicle. | Legal liability of insured whilst in transit by road, rail, inland waterway, lift, elevator or air towards third party personal liability to an unlimited extent, and property liability up to Rs.1,00,000/- for 2 Wheelers and Rs.7,50,000/- for private cars. | Legal liability of insured towards third party personal injury and property damage arising out of an accident involving the insured vehicle. Unlimited legal liability towards property damage of third party |
| Own Damage Cover includes | Repair / replacement of the parts of vehicle; payment for market value of vehicle in case of a total loss, provided that the originating cause of such damage is an accident, theft, earthquake, flood, riot, strike and malicious acts | Losses/damages occurring due to: fire, explosion, self-ignition, lightning, burglary, house breaking, theft, riot & strike, earthquake (fire & shock damage), flood, typhoon, hurricane storms, tempest, inundation, cyclone, hailstorm, frost | Repair/replacement of parts of the vehicle; payment of market value of vehicle in case of a total loss, provided that the originating cause of such damage is an accident, including theft |
| Added benefits / features | For claim free experience, discount available on subsequent renewal. Discount available if voluntary excess opted for. Discount available for installing approved anti-theft device. Cashless settlement of repair claims at preferred garages | Personal accident cover for insured, driver of vehicle and unnamed passengers as per the seating capacity of the vehicle; legal liability towards ones employees arising due to an accident involving the vehicle; wider legal liability cover widening the extent of legal liability towards paid drivers, cleaners or any other persons involved in the maintenance of the vehicle. | For claims free experience, discount is available on subsequent renewal. Likewise loading is applicable for claims made. Policy extensions cover loss of accessories; legal liability to paid driver, cleaner or any workman; personal accident to occupants |

2.3 Householder's Insurance:

Most people spend majority of life savings acquiring their house and its contents. Hence, adequate protection from contingencies and risks become necessary to preserve the house property.

| Plan | HomeShield Policy | Home Secure Policy | Householder's Package Insurance Policy |
|--|---|--|--|
| Provider | Royal Sundaram General Insurance Company Limited | Tata AIG General Insurance Company Limited | Reliance General Insurance Company Limited |
| Introduction to plan | A comprehensive package of insurance benefits covering buildings and its contents against all possible kinds of perils such as fire, earthquake, terrorism, storm, flood, cyclone, burglary and breakdown of appliances. | Pre-packaged covers we have, to satisfy varying home insurance needs | Policy covers household / domestic property for which an householder is accountable and / or legally liable |
| Extent / scope of cover under the policy | Policy provide insurance cover to household contents such as clothing, linen, furniture and fixture, and curtains, utensils and crockery against fire and allied perils including earthquake, terrorism, burglary and housebreaking, including larceny and theft. Household appliances such as television, refrigerator, washing machine, microwave oven, music system, VCR / VCP, DVD player against electrical mechanical breakdown and loss / damage due to fire and allied perils including earthquake and terrorism, burglary & housebreaking, including larceny and theft. Jewellery is secured against fire and allied perils including earthquake, terrorism, burglary & house breaking including larceny and theft, snatching of jewellery whilst worn in person. Add on cover (optional) under the plan provide for insurance of personal computer, air conditioner and air cooler against fire and allied perils including earthquake and terrorism, burglary & housebreaking, including larceny and theft, and electrical and mechanical breakdown. | Policy provides insurance cover as: Fire cover – loss/damage of property due to fire; explosion / implosion; aircraft damage; riot, strike, malicious damage; impact by rail / road vehicle or animal; bursting and / or overflowing of water tanks, apparatus and pipes; missile testing operations; leakage from automatic sprinkler installations; lightning; loss caused by storm, cyclone, typhoon, tempest, hurricane, tornado, flood and inundation; destruction by subsidence of part of the site on which the property stands or landslide; bush fire. It covers the building, its contents as well as rent for alternative accommodation in case of loss or damage to the premises caused by an insured peril rendering the premises unfit for occupation and forcing its occupants to shift to an alternative accommodation for a maximum period of 30 days. Liability cover – legal liability of a householder towards other persons (third parties) and domestic servants, including legal liabilities to public / workmen. Burglary cover – loss / damage of household property and contents due to burglary or theft during the normal course of occupancy. Purchase cover – automatic protection for newly purchased articles against fire and burglary up to 30 days from purchase date. Apart from these, pedal cycle cover, plate glass cover, baggage cover, audio visual appliances cover, domestic appliances cover, relocation / transfer cover, etc. assist in protecting insured articles/belonging against damage / loss as well as third party liability. | Policy provides insurance cover as: Section I (compulsory cover) – house and its contents fire & allied perils. Section II – contents in house against burglary, housebreaking, theft and larceny, damage to house and / or safe due to burglary and/or housebreaking or any attempt threat. Section III – jewellery and valuables against loss/damage due to accident or misfortune whilst anywhere in India. Section IV – all domestic, electrical and mechanical appliances (other than air-conditioners covered at extra premium & special terms) in the house against mechanical and / or electrical breakdown. Section V – all risks cover for personal computers (including accessories and printer) in the house. Section VI – all risks cover for TV / VCR / VCP / VCD / DVD player in house. Section VII – loss/damage to fixed plate glass, frames or framework (including lettering consequent upon breakage of glass) due to accidental breakage, sum insured being equal to current new replacement value. Section VIII – loss of personal baggage. Section IX – loss of or damage to pedal cycles. Section X – for compensation towards accidental injury/death covering the householder and family members. Section XI – Legal liability to domestic servants and third parties. All the standard exclusions of the respective policies shall be applicable for the respective sections. The sum assured under Section IV, V and VI should be equal to the replacement cost of a new item of the same kind and capacity. |

3 Debt funds – Discovering the niche

Investors, who have been maintaining bank balance for quick liquidity and investing in Bank FDs for assured returns, have something to cheer upon. Changing scenarios in the debt market have brought forth lucrative opportunities for such investors. Is it the right time to benefit out of them? If yes, then what are the promising opportunities? Let's find out....

3.1 Betting on debt funds

At this point of time, investing in certain categories of debt funds makes sense due to the below mentioned reasons:

- ❖ **Attractive yield on short-term papers:** Over the last couple of months, yields on debt papers have risen. The benchmark 10-year g-sec is trading at 8% plus levels. However, the striking point is that short-term yields have risen higher. As result, 1-year CPs and CDs are offering yields of 10%-plus levels. Therefore, if somebody wants to invest his monies for a duration of up to 1 year, debt papers appear very attractive.
- ❖ **Tax efficiency:** Choosing the suitable plan would offer better post-tax returns. For details, refer respective sections of recommended funds.

Other Benefits:

- ❖ **Portfolio diversification:** Due to low correlation between stocks and bonds, having a mix of equity and debt would work in the favour of portfolio diversification.
- ❖ **Hedge against inflation:** With debt products currently offering yields in the range of 7-10%, these avenues are apt to protect investments against the vagaries of inflation (currently in the range of 5-6%).

3.2 What are the options?

Investors could look at the following categories of debt funds:

| Suitability | Investment duration | Investment option | Exit load |
|--|---|-------------------|---|
| For investors maintaining current and savings bank a/c balance | Up to 1 month | Liquid Funds | No |
| | 1 month – 3 months | Liquid Plus Funds | 0% – 0.15% if redeemed before 7-15 days |
| | More than 3 months | Arbitrage Funds | 0.25% – 1% if redeemed before 25-180 days |
| For investors investing in Bank FDs | 1 month, 3 months, 6 months, 12 months, 16 months & 18 months | FMPs | 0.5% – 2% if redeemed before maturity |

The following table compares the returns offered by various short-term debt avenues:

| Products | Returns (per annum) | | |
|----------------------------|---------------------|----------------|----------------|
| | 1 month | 6 months | 1 year |
| Bank Deposits | 3.50% – 6.00% | 6.00% – 7.60% | 7.50% – 9.50% |
| FMPs | 8.00% – 9.50% | 8.00% – 10.00% | 9.00% – 10.50% |
| Liquid & Liquid Plus Funds | 9.90% | 7.70% | 7.05% |
| Arbitrage Funds | 9.90% | 8.97% | 8.08% |

Note: 1. Source of bank deposit returns: SBI, IDBI, ICICI Bank, HDFC Bank, PNB, BoB, OBC, Bank of India, Andhra Bank, Allahabad Bank.
2. Returns of recently launched FMPs are considered.
3. Returns for liquid & liquid plus funds and arbitrage funds is the respective category average (source: Bloomberg) as on Apr 17, 07.

A. For investors maintaining current & savings bank a/c balance:

1. Liquid Funds

Liquid funds invest majorly in very short-term debt papers and money market instruments. They are suitable for:

- ❖ Very short-term investors having an investment horizon of up to 1 month.
- ❖ Investors looking for weekend parking to earn return on idle money.

1.1 Which plan to choose?

- ❖ For investors falling under the 30% tax bracket, dividend plan proves to be a better option than growth plan. (STCG in case of growth plan is the applicable slab rate while DDT is 28.325%). For others, growth plan is apt.
- ❖ In dividend plan, dividend reinvest plan (preferably daily re-investment) should be opted for. Since return is earned on a daily basis, dividend re-invest plan would enhance the returns.

1.2 Recommended schemes:

- ❖ Canliquid Retail Fund
- ❖ HDFC Cash Management Savings Fund
- ❖ LICMF Liquid Fund

2. Liquid Plus Funds

Liquid plus funds have an advantage over liquid funds as they attract lower DDT rate (14.1625%). However, these funds generally have CDSC period. Hence liquid plus funds are suitable for:

- ❖ Investors who do not require instant liquidity and are looking to invest for a period of 1- 3 months.

2.1 Which plan to choose?

- ❖ For investors falling under 20% and 30% tax bracket, dividend plan proves to be a better option than growth plan.
- ❖ In dividend plan, dividend re-investment option (preferably daily) is recommended.

2.2 Recommended scheme:

- ❖ HSBC Liquid plus fund

3. Arbitrage Funds

Arbitrage funds encash upon the arbitrage opportunities that arise out of mis-pricing in the cash and derivative markets. The balance assets are deployed in debt and money market. Arbitrage funds are suitable for:

- ❖ Investors looking for investment duration of 3 month or more could consider arbitrage funds. Since arbitrage funds charge CDSC*, schemes having low CDSC (charge and period) should be preferred.
- ❖ They are apt for investors who are not looking for very liquid investment.

*Contingent Deferred Sales Charge which is payable on early exit, as stipulated by the fund.

3.1 Which plan to choose?

For equity-oriented arbitrage funds:

- ❖ Dividend re-investment option should be opted due to nil DDT on equity-oriented funds.

For debt-oriented arbitrage funds:

- ❖ Investors who fall under the 20% and 30% tax bracket should go for dividend plan.
- ❖ Investors who fall under the 10% tax bracket (or don't fall under any tax bracket) should prefer growth plan.

3.2 Recommended schemes:

- ❖ Standard Chartered Arbitrage Fund

B. For investors investing in Bank FDs:

1. Fixed Maturity Plans (FMPs)

FMPs are close-ended debt funds which invest in debt papers having maturity in-line with that of the fund. These funds are suitable for:

- ❖ Investors who invest in Bank FDs. Their higher post-tax returns (than FDs) with a risk profile similar to that of FDs, give them an edge over the latter.
- ❖ Both long-term (more than 1 year) and short-term investors (few months), not looking for liquid investments, could consider FMPs.
- ❖ Investment duration of the investor should match with the maturity of the FMP in order to realize the yield as indicated by the fund.

1.1 Which plan to choose?

(a) **For FMPs with maturity less than 1 year:**

- ❖ For investors who fall under the 20% and 30% tax bracket, dividend plan stands at an advantage over growth plan. (STCG for growth plan is charged at applicable slab rate while dividend plan would be taxed at 14.1625%).
- ❖ Investors who fall under the 10% tax bracket (or don't fall under any tax bracket) should prefer growth plan over dividend plan.

(b) **For FMPs with maturity slightly greater than 1 year:**

- ❖ For FMP with maturity period of slightly more than 1-year, dividend plan (with indexation) could be more tax efficient than growth plan. Notional long-term capital losses can be offset against other long-term capital gains (on property, gold, debt funds, etc.). Such losses can be carried forward for 8 financial years. Hence, if an investor is incurring long-term capital gains, dividend plan is a better option.
- ❖ However for an investor, who does not attract long-term capital gains, growth plan (without indexation) is a better option.

Note: This is assuming that the FMPs launched after the month of March are not offering double indexation benefit.

1.2 Recommended schemes:

Various FMPs are launched from time to time. Since FMPs are open for only 1-5 days for subscription, investors should be in constant touch with their financial advisor, or visit our site www.the-finapolis.com for information on launch of FMPs.

4 Performance Review of Recommended Schemes

4.1 Equity Funds

| Least Aggressive Funds | | | | | | | | | | |
|------------------------------------|---------------|------------------|---------------|--------|---------------|----------------------|---------------|----------------|--|-------------------------------|
| Scheme Name | Weightage (%) | Crisil Ranking # | Returns (%) * | | | Risk ^ | | Load Structure | | Preferred Investment Duration |
| | | | 6-months | 1-year | 3-year (ann.) | Downside probability | Sortino ratio | Entry load | Exit load | |
| DSP ML Top 100 Equity Fund | 30 | 3 | 11.07 | 19.49 | 38.25 | 0.32 | 0.63 | 2.25% | 0.5% for redemption within 179 days | More than 1 year |
| Franklin India Bluechip Fund | 10 | 4 | 6.75 | 14.43 | 34.68 | 0.37 | 0.34 | 2.25% | Nil | More than 1 year |
| HSBC Equity Fund | 10 | 3 | 10.70 | 17.23 | 38.03 | 0.33 | 0.49 | 2.25% | 0.5% for redemption between 0-180 days | More than 1 year |
| Principal Large Cap Fund | 10 | N.A. | 8.95 | 17.26 | N.A. | 0.34 | 0.47 | 2.25% | Nil | More than 1 year |
| Templeton India Equity Income Fund | 30 | N.A. | 13.64 | N.A. | N.A. | 0.31 | 1.18 | 2.25% | 0.5% for redemption within 180 days | More than 1 year |
| UTI Leadership Equity Fund | 10 | N.A. | 10.16 | 13.76 | N.A. | 0.33 | 0.35 | 2.25% | 1.0% for redemption between 0-180 days | More than 1 year |
| | 100 | | | | | | | | | |

Revision of portfolio

| | Rationale |
|----------------------------|---|
| Dropped schemes | Sundaram India Leadership Dropped due to its inconsistent performance against peers |
| Newly added schemes | UTI Leadership Equity It mostly remained in the top two quartiles during the last 6-8 months |
| | HSBC Equity Consistent performer over the last 1 year |

Highly Aggressive Funds: These funds are considered as high risk-high return funds. Selection of these funds depends on various parameters which are discussed below: Stocks exposure- Aggressive funds have more exposure in mid cap stocks which are considered riskier and at the same time they 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. This may result in growing revenues of capital goods companies.

Moderately Aggressive Funds

| Scheme Name | Weightage (%) | Crisil Ranking # | Returns (%) * | | | Risk ^ | | Load Structure | | Preferred Investment Duration |
|--|---------------|------------------|---------------|--------|---------------|----------------------|---------------|----------------|--|-------------------------------|
| | | | 6-months | 1-year | 3-year (ann.) | Downside probability | Sortino ratio | Entry load | Exit load | |
| DSP ML Equity Fund | 20 | 2 | 11.68 | 16.88 | 44.87 | 0.34 | -0.07 | 2.25% | 0.5% for redemption within 179 days | 2-3 years |
| Fidelity Equity Fund | 15 | N.A. | 14.92 | 21.70 | N.A. | 0.33 | 0.71 | 2.25% | 1% if redeemed within 180 days | 2-3 years |
| Fidelity India Special Situations Fund | 15 | N.A. | 10.44 | N.A. | N.A. | 0.35 | 1.06 | 2.25% | 1% if redeemed within 180 days | 2-3 years |
| Franklin India Prima Plus Fund | 8 | 2 | 13.80 | 22.47 | 40.26 | 0.34 | 0.72 | 2.25% | 0.5% for redemption between 0-180 days | 2-3 years |
| Prudential ICICI Dynamic Fund | 17 | N.A. | 15.75 | 24.57 | 52.90 | 0.32 | 0.76 | 2.25% | Nil | 2-3 years |
| Reliance Equity Fund | 8 | N.A. | 4.34 | N.A. | N.A. | 0.37 | -0.04 | 2.25% | Nil | More than 1 year |
| Reliance Vision Fund | 12 | 3 | 7.68 | 14.54 | 41.93 | 0.37 | 0.22 | 2.25% | Nil | 2-3 years |
| SBI Magnum Contra Fund | 5 | 2 | 8.51 | 15.94 | 63.31 | 0.35 | 0.34 | 2.25% | 1.0% for redemption between 0-180 days | 2-3 years |
| | 100 | | | | | | | | | |

Revision of portfolio

| | Rationale |
|----------------------------|--|
| Dropped schemes | <p>Franklin India Flexi cap Dropped due to its inconsistent performance during last 6 months</p> <p>HDFC Top 200 Dropped due to its inconsistent performance during last 6 months</p> <p>Magnum Multi cap Dropped due to its inconsistent performance during last 6 months</p> |
| Newly added schemes | <p>Franklin India Prima Plus Included due to its good quartile performance (remained mostly in top two quartiles) during last one year</p> |

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.

Highly Aggressive Funds

| Scheme Name | Weightage (%) | Crisil Ranking # | Returns (%) * | | | Risk ^ | | Load Structure | | Preferred Investment Duration |
|---|---------------|------------------|---------------|--------|---------------|----------------------|---------------|----------------|--|-------------------------------|
| | | | 6-months | 1-year | 3-year (ann.) | Downside probability | Sortino ratio | Entry load | Exit load | |
| DSP Merrill Lynch Small and Midcap Fund | 8 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | 2.25% | 0.5% for redemption within 179 days | 3-5 years |
| DSP ML Opportunities Fund | 10 | 1 | 7.51 | 12.52 | 40.54 | 0.35 | 0.29 | 2.25% | 0.5% for redemption within 179 days | More than 1 year |
| DSP ML Technology.com Fund | 8 | 2 | 42.21 | 46.96 | 51.63 | 0.31 | 1.60 | 2.25% | Nil | More than 3 years |
| DSP ML Tiger Fund | 12 | 1 | 14.19 | 18.07 | N.A. | 0.34 | 0.46 | 2.25% | 0.5% for redemption within 179 days | More than 3 years |
| Franklin India Opportunities Fund | 6 | 2 | 7.46 | 18.22 | 43.21 | 0.36 | 0.52 | 2.25% | 0.5% for redemption between 0-180 days | More than 1 year |
| JM Small & Midcap Fund | 10 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | 2.25% | 1.0% for redemption between 0-180 days | 3-5 years |
| Pru ICICI Services Fund | 10 | N.A. | 28.66 | 31.57 | N.A. | 0.33 | 1.00 | 2.25% | Nil | More than 5 years |

| | | | | | | | | | | |
|------------------------------------|-----|------|-------|-------|-------|------|------|-------|--|-------------------|
| Reliance Diversified Power Fund | 12 | N.A. | 18.87 | 16.52 | N.A. | 0.43 | 0.06 | 2.25% | Nil | More than 5 years |
| Reliance Equity Opportunities Fund | 8 | N.A. | 10.38 | 15.55 | N.A. | 0.35 | 0.28 | 2.25% | Nil | More than 1 year |
| Reliance Growth Fund | 8 | 1 | 13.71 | 17.77 | 54.34 | 0.37 | 0.25 | 2.25% | Nil | 3-5 years |
| Tata Infrastructure Fund | 8 | N.A. | 8.78 | 13.29 | N.A. | 0.35 | 0.24 | 2.25% | 1.0% for redemption between 0-180 days | More than 3 years |
| | 100 | | | | | | | | | |

Revision of portfolio

| | | | | | | | | | | Rationale | |
|----------------------------|--|--|--|--|--|--|--|--|--|-----------|---|
| Dropped schemes | JM Hi Fi | | | | | | | | | | Dropped due to its poor quartile performance during last 6 months |
| | Sundaram BNP Paribas Rural India Fund | | | | | | | | | | Dropped due to its poor quartile performance during last 1 year |
| | Sundarm BNP Paribas Select Midcap Fund | | | | | | | | | | Its potential to offer good returns in the future does not appear bright |
| Newly added schemes | DSP ML TIGER | | | | | | | | | | Included due to its good quartile performance over last one year |
| | Pru ICICI Services | | | | | | | | | | Included due to its good quartile performance over last one year |
| | JM Small & Mid cap | | | | | | | | | | Optimistic on the mid cap sector and the fund manager's potential |
| | DSP ML Technology | | | | | | | | | | On the back of positive outlook on technology sector. Further the fund is a consistently good performer |
| | Reliance Equity Opportunities | | | | | | | | | | Included due to its good quartile performance during last one year |

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 the quarter ending Dec, 2006.

* as on March 23, 2007.

^ Risk analysis is computed on 1-week daily rolling return for 1 year period

4.2 Balanced Funds

| Scheme Name | Crisil Ranking # | Asset Allocation (% of corpus) @ | | | Returns (%) * | | | | Load Structure | | Preferred Investment Duration |
|---|------------------|----------------------------------|-------|--------|---------------|----------|--------|---------------|----------------|-----------------------------------|-------------------------------|
| | | Equity | Debt | Others | 3-months | 6-months | 1-year | 3-year (ann.) | Entry load | Exit load | |
| DSP Merrill Lynch Balanced Fund | 3 | 64.35 | 15.74 | 19.91 | -0.89 | 6.82 | 12.08 | 28.61 | 1% | 1.25% if redeemed within 365 days | More than 1 year |
| FT India Balanced Fund | 3 | 60.77 | 30.99 | 8.24 | 1.70 | 9.35 | 18.17 | 26.59 | 2.25% | Nil | More than 1 year |
| HDFC Prudence Fund | 1 | 74.73 | 8.82 | 16.45 | -0.95 | 9.47 | 16.68 | 36.37 | 2.25% | 1% if redeemed within 365 days | More than 1 year |
| SBI Magnum Balanced Fund | 1 | 62.97 | 17.33 | 19.70 | -2.15 | 8.51 | 11.93 | 39.29 | 2.25% | 1% if redeemed within 180 days | More than 1 year |
| ICICI Pru Equity & Derivative-Wealth Optimiser Plan | N.A. | 62.69 | 12.39 | 24.92 | N.A. | N.A. | N.A. | N.A. | 2.25% | 0.5% if redeemed within 180 days | More than 1 year |

Revision of portfolio

| | Rationale |
|----------------------------|--|
| Newly added schemes | ICICI Pru Equity & Derivative-Wealth Optimiser Plan The equity risk is controlled using hedging based on index levels. Suitable for investors who do not want to take the risk of being fully invested in equities in sceptical times, yet want to participate in the upward movements of the markets when the outlook is positive. |

For quarter ending Dec, 2006

@ As on Feb 28, 07

* as on March 23, 2007.

Note: For equity-oriented schemes, average monthly exposure to equities should be more than 65% of the net assets.

The fund selection approach: Balanced funds

Asset allocation and risk adjusted performance have been considered for selecting existing funds. For selecting new funds, their investment strategy and other qualitative factors such as fund house's credentials and performance of their funds have been considered.

4.3 ELSS Funds

| ELSS Funds | | | | | | | | | | |
|-----------------------|--------------------------|------------------|---------------|--------|---------------|----------------------|---------------|----------------|-----------|-------------------------------|
| Degree of aggression | Scheme Name | Crisil Ranking # | Returns (%) * | | | Risk ^ | | Load Structure | | Preferred Investment Duration |
| | | | 6-months | 1-year | 3-year (ann.) | Downside probability | Sortino ratio | Entry load | Exit load | |
| Most aggressive | Pru ICI Taxplan | 3 | -6.72 | 0.79 | 51.89 | 0.39 | -0.23 | 2.25% | Nil | 3 years |
| | Reliance Tax Saver | N.A. | 9.22 | 4.17 | N.A. | 0.37 | -0.31 | 2.25% | Nil | 3 years |
| Moderately aggressive | DSP ML Tax Saver | N.A. | N.A. | N.A. | N.A. | 0.61 | -4.45 | 2.25% | Nil | 3 years |
| | Principal Tax Savings | 2 | 17.00 | 12.43 | 43.82 | 0.35 | -0.04 | 2.25% | Nil | 3 years |
| Least aggressive | SBI Magnum Taxgain | 1 | 15.33 | 19.87 | 68.69 | 0.33 | -0.31 | 2.25% | Nil | 3 years |
| | Fidelity Tax Advantage | N.A. | 12.01 | 17.60 | N.A. | 0.33 | 0.53 | 2.25% | Nil | 3 years |
| | Franklin India Taxshield | 4 | 4.02 | 4.06 | 34.28 | 0.42 | -0.15 | 2.25% | Nil | 3 years |

Revision of portfolio

| | Rationale |
|----------------------------|--|
| Dropped schemes | |
| Sundaram Tax Saver | Dropped due to its inconsistent performance during last 6 months |
| HDFC Tax Saver | Dropped due to its inconsistent performance during last 6 months |
| Newly added schemes | |
| DSP ML Tax Saver | Included due to optimistic outlook on the scheme |

For the quarter ending Dec, 2006.

* As on March 23, 2007.

^ Risk analysis is computed on 1-week daily rolling return for 1 year period

The fund selection approach: ELSS

ELSS are classified into most aggressive, moderately aggressive and least aggressive categories on the basis of focus on market-capitalisation, schemes' portfolio concentration (historical and current) and consistency in returns. Funds have been selected based on their historical performance and qualitative factor such as portfolios held, fund managers performance, etc.

4.4 Debt Funds: For long-term (more than 1 year)

| Category | Scheme Name | Crisil Ranking # | Asset Allocation (% of corpus) @ | | | Returns (%) * | | | | Expense ratio (%) @ | Average maturity (years) @ | Load Structure | | Preferred Investment Duration |
|-----------|--------------------------------|------------------|----------------------------------|-------|--------|---------------|----------|----------|--------|---------------------|----------------------------|----------------|---|---|
| | | | Equity | Debt | Others | 1-month | 3-months | 6-months | 1-year | | | Entry load | Exit load | |
| MIP | DSP ML Savings Plus - Moderate | 4 | 4.33 | 48.01 | 47.66 | -0.66 | 0.95 | 3.47 | 7.30 | 2.01 | 0.21 | Nil | 0.6% if redeemed within 30 days; 0.5% if redeemed between 31-60 days; 0.4% if redeemed between 61-90 days; 0.3% if redeemed between 91-120 days; 0.2% if redeemed between 121-150 days; 0.1% if redeemed between 151-180 days | 1-2 years |
| | HDFC MIP - Long Term Plan | 2 | 22.31 | 46.88 | 30.81 | -0.12 | 1.71 | 4.75 | 8.60 | 1.83 | 1.23 | Nil | 1% if redeemed before 12 months | 1-2 years |
| | Prudential ICICI MIP | 1 | 14.49 | 55.15 | 30.36 | -0.18 | 0.19 | 3.56 | 7.83 | 1.94 | 2.70 | Nil | 0.5% if redeemed before 6 months | 1-2 years |
| | Reliance MIP | 2 | 19.12 | 59.96 | 20.92 | -2.18 | -1.65 | 2.10 | 8.30 | 2.00 | 1.91 | Nil | 0.75% if redeemed before 3 months; 0.6% if redeemed between 3-6 months; 0.5% if redeemed between 6-9 months; 0.25% if redeemed between 9-12 months | 1-2 years |
| Income-LT | Birla Sunlife Income Fund | 1 | 0 | 38.67 | 61.33 | 0.34 | 0.79 | 3.90 | 7.97 | 1.64 | 2.36 | Nil | 0.6% for redemption between 0 - 180 days | More than 1 year |
| | Prudential ICICI- LT Fund | 3 | 0 | 59.24 | 40.76 | -0.31 | -1.04 | 1.42 | 5.17 | 2.07 | 3.73 | Nil | 0.5 % for redemption before 6 months | More than 1 year |
| | ABN Amro Flexi Debt Regular | N.A. | 0 | 99.02 | 0.98 | 0.63 | 2.09 | 4.67 | 9.04 | 0.40 | 0.11 | Nil | Nil | More than 1 year |
| FMP | | | | | | | | | | | | | | depending on the availability of NFOs matching with FMP duration |

Revision of portfolio

| | Rationale |
|----------------------------|--|
| Dropped schemes | Reliance Income Fund Dropped due to its inconsistent performance during last 6 months |
| Newly added schemes | ABN Amro Flexi Debt Regular Included due to its good performance over past 6 months |

The fund selection approach

Funds having low exit load and low CDSC period have been preferred. For MIPs, asset allocation and performance analysis are the main criteria for fund selection.

Debt Funds: For medium-term (3 months to 1 year)

| Category | Scheme Name | Crisil Ranking# | Corpus Size in Rs. Cr. @ | Returns (%) * | | | | Expense ratio (%) @ | Average maturity (years)@ | Load Structure | | Preferred Investment Duration | |
|-------------|---|-----------------|--------------------------|---------------------------------------|---------|---------|------|---------------------|---------------------------|----------------|-----------------------------------|-------------------------------|----------------------------|
| | | | | 1- mnt | 3- mnts | 6- mnts | 1-yr | | | Entry load | Exit load | | |
| Floaters-LT | Birla Floating Rate- LT | N.A. | 60.90 | 0.61 | 1.93 | 3.62 | 6.57 | 0.65 | 0.02 | Nil | 0.5% if redeemed before 90 days | More than 6 months | |
| | Kotak Floating Rate- LT | N.A. | 77.73 | 0.57 | 1.71 | 3.55 | 7.05 | 0.60 | 0.45 | Nil | 0.5% if redeemed before 6 months | More than 6 months | |
| | Principal Floating Rate Flexible Maturity | 1 | 171.71 | 0.65 | 2.00 | 3.88 | 7.41 | 0.74 | 0.29 | Nil | 0.25% if redeemed before 3 months | More than 6 months | |
| Income-ST | Birla Bond Plus Retail | 2 | 143.46 | 0.44 | 1.21 | 2.92 | 6.95 | 0.72 | 1.43 | Nil | 0.25% if redeemed before 1 month | More than 3 months | |
| | Reliance Short-term | 1 | 269.47 | 0.57 | 1.73 | 3.69 | 7.47 | 0.65 | 1.16 | Nil | Nil | More than 3 months | |
| | UTI Liquid ST Regular | 4 | 30.65 | 0.43 | 0.72 | 2.24 | 5.85 | 0.75 | 1.18 | Nil | Nil | More than 3 months | |
| Arbitrage | Standard Chartered Arbitrage Fund | N.A. | N.A. | 0.66 | 2.42 | N.A. | N.A. | N.A. | N.A. | Nil | 0.25% if redeemed before 30 days | More than 3 months | |
| | Prudential ICICI Blended Plan-Option B | N.A. | N.A. | 0.56 | 1.52 | 3.32 | 7.14 | 1.49 | 0.76 | Nil | 0.5% if redeemed before 30 days | More than 3 months | |
| | Templeton Floating Rate- ST | 4 | 1038.29 | 0.57 | 1.73 | 3.37 | 6.18 | 0.75 | 0.49 | Nil | Nil | upto 6 months | |
| FMP | | | | depending on the availability of NFOs | | | | | | | | | matching with FMP duration |

Revision of portfolio

| | Rationale |
|----------------------------|---|
| Dropped schemes | JM Arbitrage Advantage Dropped due to high exit load and high CDSC period Pru ICICI Blended Plan-Option B Dropped due to its inconsistent performance during last 6 months |
| Newly added schemes | Standard Chartered Arbitrage Fund Included due to optimistic outlook on the scheme and its easy liquidity SBI Arbitrage Fund Included due to optimistic outlook on the scheme and its easy liquidity |

The fund selection approach: Debt Funds: For medium-term (3 months to 1 year)

Income funds and floaters: Historical returns, average maturity of the portfolio held and expenses ratios have been considered for the selection of funds. The weight assigned to each parameter differs for different categories. While expense ratio has been assigned more weight in short-term funds, average maturity has been assigned more weight in case of long-term income funds.

Arbitrage Funds: Fund performance, tax treatment and liquidity have been considered for selecting these funds.

Debt Funds: For short-term (upto 3 months)

| Category | Scheme Name | Crisil Ranking # | Corpus Size@ | Returns (%) * | | | | Expense ratio (%) @ | Average maturity (years) @ | Load Structure | | Preferred Investment Duration |
|-------------------|---------------------------------------|------------------|--------------|---------------|-----------|-----------|--------|---------------------|----------------------------|----------------|-----------|-------------------------------|
| | | | | 1- month | 3- months | 6- months | 1-year | | | Entry load | Exit load | |
| Floaters- ST | JM Floaters- ST | 3 | 78.73 | 0.23 | 1.15 | 2.68 | 5.85 | 0.45 | 0.42 | Nil | Nil | 1-3 months |
| | Reliance Floating Rate | N.A. | 1847.86 | 0.66 | 2.07 | 3.91 | 7.31 | 0.55 | 0.58 | Nil | Nil | 1-3 months |
| | Templeton Floating Rate- ST | 4 | 936.70 | 0.63 | 1.94 | 3.70 | 6.77 | 0.75 | 0.52 | Nil | Nil | 1-3 months |
| Liquid Funds | Canliquid Retail | N.A. | 790.58 | 0.61 | 1.91 | 3.67 | 7.09 | 0.45 | 0.18 | Nil | Nil | up to 1 month |
| | HDFC Cash Management- Savings | 1 | 6036.28 | 0.63 | 1.98 | 3.81 | 7.23 | 0.34 | 0.29 | Nil | Nil | up to 1 month |
| | LIC MF Liquid | 2 | 5868.40 | 0.61 | 2.00 | 3.92 | 7.43 | 0.50 | 0.26 | Nil | Nil | up to 1 month |
| Liquid Plus Funds | HSBC Liquid Plus | N.A. | 2666.63 | 0.63 | 1.97 | N.A. | N.A. | 0.65 | 0.19 | Nil | Nil | 1-3 months |
| FMP | depending on the availability of NFOs | | | | | | | | | | | |

For quarter ending Dec, 2006

@ As on Feb 28, 2007

* As on March 23, 2007

Notes:

- Others include cash and money market instruments
- Entry and exit load have been mentioned for the amount less than Rs. 2 crores. The amount restriction for the load structure may vary according to the AMC.

The fund selection approach: Debt Funds: For short-term (upto 3 months)

Liquid funds: Performance, expenses ratios and corpus size of the fund are the main parameters for the selection of the funds.

Liquid plus funds: Performance, loads, expense ratios and corpus size have been considered.

Floaters ST: Performance and expense ratio were main parameters behind the selection of schemes.



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