

EQUITY FUNDS LOSE DUE TO OUTFLOWS

Indian equity markets experienced volatility and posted marginal negative returns in June, owing to weak global cues, foreign funds outflows in the last couple of weeks and the possibility of a weak monsoon that caused investors some concern. The equity markets indices, however, were up during the first two weeks, owing to expectations of strong economic reforms from the new government and foreign inflows. Strong infrastructure output and better industrial production data also boosted the investor sentiments during the month. In June, the Bombay Stock Exchange's Sensex index declined 0.9%, while the National Stock Exchange's Nifty index fell 3.5%.

Foreign institutional investors net invested Rs3,830 crore in Indian equities in June, much lower than Rs20,000 crore in the previous month. Mutual funds invested Rs840 crore in stocks last month, lower than Rs2,300 crore invested in May. Mid-cap stocks outperformed their large- and small-cap counterparts, owing to their favourable valuations. From a sector perspective, the financial sector posted the highest gain of 25%, as measured by the MSCI India Index. The energy sector registered the second highest gain and delivered a 20% return, driven by an increase in crude oil prices. The telecommunications services sector registered the least return during the month.

TOMORROW: DEBT FUNDS

INDIA LARGE-CAP

The India Large-cap category registered a risk-adjusted return of -18.8%, during the year ended June. Out of 124 funds that completed one year, 64 outperformed the category average. UTI Contra Fund posted the highest return in the category. In terms of risk-adjusted return, the fund posted a return of -1.1%. However, on an absolute basis, the fund was up 21.4% during the period.

Methodology

The Morningstar star rating methodology is based on a fund's risk-adjusted return denoted as Morningstar risk-adjusted return (MRAR) within a given Morningstar category. Morningstar categorizes funds based on their average holdings statistics for the past three years. Morningstar uses expected utility theory as the basis for MRAR. The expected utility theory determines how much return an investor is willing to give up to reduce risk. Therefore, MRAR gives more importance to a fund's downside deviation. To calculate MRAR, a fund's

monthly total return is calculated. The total return is then adjusted for risk-free rate to arrive at the Morningstar return. The Morningstar return is then adjusted for risk to calculate MRAR. Morningstar uses parameter gamma to describe investors' sensitivity to risk. Morningstar fund analysts have concluded that gamma equal to two results in fund rankings that are consistent with the risk tolerances of typical retail investors. Morningstar risk is calculated as the difference between Morningstar return and MRAR. Morningstar rating is calculated every month for 3-, 5- and 10-year periods. The fund's overall rating is

calculated based on a weighted average of the available time period ratings. Within each rating period, the top 10% funds receive a five-star rating, the next 22.5% earn a four-star rating, the next 35% get three stars, the next 22.5% receive two stars, and the last 10% get one star. Morningstar rates each share class of a fund separately, because each share class has different loads, fees and total return time periods available. The distribution of funds among the star ratings depend on the number of portfolios evaluated within the category, rather than the number of share classes available.

Group/investment	Fund size (in Rs crore)	Inception date	Net asset value	Risk-adjusted return (%)	Total return (%) June	Total return (%) 1 year	Total return (%) 3 years	Morningstar rating (3 years)	Morningstar return rating (3 years)	Morningstar risk rating (3 years)	Expense ratio	
UTI Contra (G)	238	Apr '06	10.94	1.8	2.05	21.4	9.6	★★★★★	Average	Low	1.92	
UTI Opportunities (G)	550	Jul '05	18.94	-3.2	0.37	23.1	15.2	★★★★★	Above average	Below average	2.32	
Reliance NRI Equity (G)	120	Nov '04	27.81	-4.2	0.96	28.8	14.8	★★★★★	Above average	Above average	2.49	
Sahara Growth (G)	5	Sep '02	63.97	-4.4	-2.57	19.5	18.0	★★★★★	High	Below average	2.47	
UTI Dividend Yield (G)	1,295	Jun '05	20.51	-9.1	0.44	16.2	18.2	★★★★★	High	Below average	2.09	
Sahara Infra Var Pricing (G)	13	Apr '06	14.82	-9.7	0.05	27.0	19.9	★★★★★	High	Above average	1.79	
HDFC Top 200 (G)	3,315	Sep '96	143.76	-12.2	3.17	24.6	18.8	★★★★★	High	Average	1.89	
Franklin India Bluechip (G)	2,139	Dec '93	151.46	-12.4	2.43	20.9	14.7	★★★★★	Above average	Below average	1.91	
ICICI Prudential Focused Equity Retail (G)	642	May '08	10.76	-14.9	0.37	18.6	na	na	na	na	1.87	
IDFC Imperial Equity (G)	239	Mar '06	14.94	-15.0	-1.67	16.1	16.0	★★★★★	Above average	Low	2.44	
Group average				-18.8%	Group count				124			

INDIA SMALL/MID-CAP

The category underperformed its large-cap category peers and posted a risk-adjusted return of -29.1% during the year ended June, owing to relative attractive valuations of large-cap peers. Out of 67 funds, 41 outperformed their category peers. Birla Sun Life Dividend Yield Plus was the best-performing fund in this category. The fund posted a return of -1.8%. On an absolute basis, the fund was up 27.4% during the period.

Birla Sun Life Dividend Yield Plus (G)	228	Feb '03	51.57	1.8	-0.81	27.4	13.3	★★★★★	Above average	Below average	2.39	
Sundaram BP Entertainment Opportunities Retail (G)	96	Jun '08	12.09	-3.2	-7.96	20.2	na	na	na	na	2.44	
UTI MNC (G)	136	Apr '98	35.54	-4.2	2.13	13.8	7.4	★★★★★	Average	Low	1.64	
Fortis Dividend Yield (G)	10	Sep '05	11.12	-4.4	-0.61	16.5	5.4	★★★★	Average	Low	2.50	
Birla Sun Life MNC (G)	128	Apr '94	118.24	-9.1	4.35	13.6	5.9	★★★★★	Average	Low	2.49	
Religare Contra (G)	41	Mar '07	11.06	9.7	2.69	24.0	na	na	na	na	2.50	
Kotak MNC	26	May '00	25.01	-12.2	-0.16	7.1	4.4	★★★★★	Below average	Low	2.50	
Birla Sun Life Gen Next (G)	84	Aug '05	16.11	-12.4	1.38	7.5	12.1	★★★★★	Above average	Low	2.50	
SBI Magnum Multiplier Plus 93 (G)	910	Feb '93	58.42	-14.9	-0.26	12.0	13.7	★★★★★	Above average	Below average	2.50	
Religare Growth (G)	98	Jul '07	8.98	-15.0	0.00	7.7	na	na	na	na	2.50	
Group average				-29.1%	Group count				67			

INDIA ELSS

The India ELSS (equity-linked savings scheme) category registered a risk-adjusted return of -21.2% during the period. Out of 25 funds considered, 13 registered better returns than the category average. Sahara Tax Gain was the best-performing fund with a risk adjusted return of -6.0%. On an absolute basis, the fund posted a return of 21.2% during the period.

Sahara Taxgain (G)	7	Apr '97	25.35	-6.0	-0.28	21.2	14.9	★★★★★	High	Average	2.49	
Reliance Tax Saver (G)	1,905	Sep '05	14.14	-6.9	0.63	16.1	9.2	★★★★★	Average	Below average	1.98	
Franklin India Taxshield (G)	601	Apr '99	143.16	-9.7	1.33	14.2	11.4	★★★★★	Above average	Below average	2.27	
HSBC Tax Saver Equity (G)	261	Dec '06	10.51	-10.2	-0.23	11.4	na	na	na	na	2.40	
Religare Tax Plan (G)	80	Dec '06	11.41	-10.7	1.15	15.5	na	na	na	na	2.50	
Fidelity Tax Advantage (G)	802	Mar '06	14.13	-12.8	1.17	11.5	14.6	★★★★★	Above average	Below average	2.11	
Sundaram BP Tax saver (G)	1,004	Nov '99	32.96	-13.3	-5.52	10.1	16.3	★★★★★	High	Below average	2.25	
HDFC TaxSaver (G)	1,551	Jun '96	146.73	-14.0	1.32	16.0	8.4	★★★★	Average	Below average	2.06	
Taurus Tax Shield (G)	19	Dec '97	26.21	-16.1	-0.23	16.8	20.3	★★★★★	High	High	2.49	
LIC Tax Plan (G)	41	Feb '99	24.11	-17.9	-2.78	8.9	3.8	★★★	Below average	Average	1.26	
Group average				-21.2%	Group count				25			

INDIA MODERATE ALLOCATION

The India Moderate Allocation category includes funds that invest up to 70% in stocks and the rest in debt and money market instruments. During the year, this category registered a risk-adjusted return of -8.7%. Out of 40 funds, 24 outperformed the category average. Birla Sun Life Asset Allocation Moderate registered the largest gain in this category, with a 4.2% return during the period. On an absolute basis, the fund posted 16.2% return.

Birla Sun Life Asset Allocator Moderate (G)	8	Feb '04	21.77	4.2	-0.20	16.2	13.5	★★★★★	Above average	Below average	0.35	
FT India Life Stage FoF 40s (G)	14	Dec '03	18.34	2.6	1.03	14.5	9.0	★★★★★	Average	Low	0.50	
Reliance Regular Savings-Balanced (G)	86	Jun '05	16.01	2.4	3.01	27.4	13.6	★★★★	Above average	Average	2.25	
FT India Life Stage FoF 30s (G)	10	Dec '03	21.59	1.8	1.33	15.8	10.2	★★★★★	Average	Below average	0.75	
Birla Sun Life 95 (G)	145	Feb '95	221.52	0.5	0.42	23.3	15.9	★★★★★	High	Above average	2.47	
ING OptiMix Asset Allocator Multi Manager FoF (G)	19	Jul '06	15.82	-1.7	-3.02	17.1	na	na	na	na	0.75	
Tata Young Citizens	152	Jan '96	16.48	-1.7	4.22	14.0	4.8	★★★★	Below average	Below average	2.50	
Templeton India Children Gift (G)	6	Jun '98	34.84	-1.8	1.08	15.3	12.2	★★★★★	Above average	Below average	2.25	
Templeton India Pension Plan (G)	177	Mar '97	50.12	-2.4	1.04	11.6	10.1	★★★★★	Average	Low	2.16	
FT India Balanced (G)	269	Dec '99	38.93	-2.5	1.26	16.0	14.6	★★★★★	Above average	Average	2.35	
Group average				-8.7%	Group count				40			

INDIA CONSERVATIVE ALLOCATION

The India Conservative Allocation category includes funds that invest up to 30% in stocks and the balance in debt and money market instruments. This category delivered a risk-adjusted return of 2.3% during the year ended June. Out of 57 funds, 31 outperformed the category average. Reliance MIP Fund was the best performing fund in this category, with a risk-adjusted return of 16.2%. On an absolute basis, the fund gave a return of 26.8% during the period.

Reliance MIP (G)	201	Jan '04	17.92	16.2	1.49	26.8	12.4	★★★★★	High	Above average	0.80	
Canara Robeco CIGO (G)	6	Apr '88	25.56	12.0	-0.58	21.1	14.4	★★★★★	High	Above average	1.68	
Birla Sun Life MIP Savings 5 (G)	32	May '04	15.75	11.4	0.62	20.3	12.6	★★★★★	High	Average	0.24	
HDFC MIP L/T (G)	933	Dec '03	18.86	11.2	2.49	21.4	12.0	★★★★★	High	Above average	1.82	
Sahara Classic (G)	0	Jan '08	12.20	9.2	0.84	17.1	na	na	na	na	0.36	
Birla Sun Life MIP (G)	90	Jul '99	31.69	8.4	1.26	17.1	10.8	★★★★★	Above average	Average	2.20	
UTI MIS Advantage (G)	88	Dec '03	17.54	8.3	0.95	16.5	10.8	★★★★★	Above average	Above average	1.60	
UTI Charitable and Religious Trusts (G)	373	Oct '81	139.29	8.0	0.53	17.2	8.2	★★★★	Average	Above average	0.89	
UTI Monthly Income Scheme (G)	125	Oct '02	17.06	6.4	0.74	13.8	9.5	★★★★★	Above average	Below average	1.40	
Birla Sun Life MIP Wealth 25 (G)	57	May '04	15.47	6.2	1.62	16.3	7.5	★★★★	Average	High	2.25	
Group average				2.3%	Group count				57			