

DEBT FUNDS LOOK UP IN SEPTEMBER

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 22.50% earn a four-star rating, the next 35% get three stars, the next 22.50% 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.

INDIA LIQUID

The Morningstar India Liquid category includes funds with a residual maturity up to 91 days. Since these funds invest in very short duration money market and debt instruments, they offer minimal interest rate and therefore low risk and total return potential. During the one-year period ended September, this category generated 6.26% return. Out of 21 funds considered for analysis, 11 funds outperformed the category average. In terms of Morningstar risk-adjusted return, LIC MF Liquid Fund emerged as the best performing fund.

Top 5	Group/Investment	Fund size (in Rs crore)	Inception date	Net asset value (Rs)	Total return (%) Sep	Total return (%) 1 year	Total return (%) 3 years	Morningstar rating (3 years)	Morningstar return rating (3 years)	Morningstar risk rating (3 years)	Expense ratio
1	LICMF Liquid (G)	15,000	18 Mar 02	16.50	0.38	7.23	8.03	★★★★★	High	Average	0.40
2	UTI Money Market (G)	3,143	23 Apr 97	2,524.72	0.33	6.92	7.61	★★★★★	Above Avg	Average	0.20
3	Reliance Liquidity (G)	16,692	16 Jun 05	13.58	0.36	6.89	7.91	★★★★★	High	Below Avg	0.51
4	HDFC Cash Mgmt Savings (G)	5,578	19 Nov 99	18.85	0.36	6.68	7.80	★★★★★	High	Low	0.62
5	Reliance Liquid Trs Plan Retl (G)	3,263	23 Mar 98	21.65	0.35	6.67	7.48	★★★★★	Above Avg	Below Avg	0.61
	Peer group average	5,681			0.31	6.26	7.35				0.59
	Peer group count	21			21	21	20				21

INDIA ULTRA SHORT BOND

Ultra short bond funds invest in investment-grade debt securities that have residual maturities of less than one year but greater than 91 days. During the year to September, this category posted a 6.86% return. Out of 21 funds selected, eight funds beat the category average. Fortis Money Plus Fund was the best-performing fund in terms of risk-adjusted return. The fund generated an 8.14% return on an absolute basis.

Top 5	Group/Investment	Fund size (in Rs crore)	Inception date	Net asset value (Rs)	Total return (%) Sep	Total return (%) 1 year	Total return (%) 3 years	Morningstar rating (3 years)	Morningstar return rating (3 years)	Morningstar risk rating (3 years)	Expense ratio
1	Fortis Money Plus (G)	6,620	24 Oct 05	13.42	0.39	8.14	8.32	★★★★★	High	Average	0.70
2	LICMF Saving Plus (G)	8,387	9 Jun 03	14.28	0.42	7.50	6.92	★★★★	Average	Above Avg	0.50
3	JPMorgan India Trs Retl (G)	2,325	17 Sep 08	10.75	0.37	7.17	na	na	na	na	0.35
4	Templeton US/T Bond Retl (G)	3,644	18 Dec 07	11.49	0.36	7.16	na	na	na	na	0.72
5	Tata Floater (G)	8,058	13 Sep 05	13.42	0.38	7.15	8.08	★★★★	Above Avg	Below Avg	0.26
	Peer group average	10,769			0.35	6.86	7.54				0.61
	Peer group count	21			21	21	13				21

INDIA SHORT-TERM BOND

Funds in the short-term bond fund category invest in corporate and government securities with residual maturities between one and three years. These funds are fairly conservative in terms of interest rate risk compared with longer-duration debt funds. In the one-year period ended September, the category posted a 9.80% return. Out of 16 funds considered, 11 funds posted a better return compared with the category average. DWS Short Maturity Fund was ranked first in terms of risk-adjusted return.

Top 5	Group/Investment	Fund size (in Rs crore)	Inception date	Net asset value (Rs)	Total return (%) Sep	Total return (%) 1 year	Total return (%) 3 years	Morningstar rating (3 years)	Morningstar return rating (3 years)	Morningstar risk rating (3 years)	Expense ratio
1	DWS Short Maturity (G)	744	28 Jan 03	16.14	0.59	15.21	9.73	★★★★★	Above Avg	Average	0.92
2	KICI Pru S/T (G)	3,478	31 Oct 01	18.55	0.77	14.94	10.47	★★★★★	High	Above Avg	1.70
3	IDFC SS Income Inv A (G)	333	14 Jul 00	21.88	0.98	14.22	9.83	★★★★	Above Avg	Above Avg	2.00
4	HDFC S/T Plan (G)	3,134	28 Feb 02	17.41	0.67	14.14	10.21	★★★★	Above Avg	Average	1.42
5	Reliance S/T (G)	3,292	23 Dec 02	16.91	0.48	13.75	10.36	★★★★★	High	Average	0.63
	Peer group average	959			0.53	9.80	8.02				1.13
	Peer group count	16			16	16	14				16

INDIA INTERMEDIATE BOND

Intermediate bond funds invest in corporate and other investment-grade debt securities and have average effective maturities of between three and seven years. Since these funds have higher durations, they are relatively more sensitive to interest rate risks, compared with short-term bond funds. This category registered a 11.02% return during the one-year period ended September. Out of 23 funds shortlisted, 14 funds outperformed the category average during the year. Canara Robeco Income Fund delivered the best risk-adjusted

Top 5	Group/Investment	Fund size (in Rs crore)	Inception date	Net asset value (Rs)	Total return (%) Sep	Total return (%) 1 year	Total return (%) 3 years	Morningstar rating (3 years)	Morningstar return rating (3 years)	Morningstar risk rating (3 years)	Expense ratio
1	Canara Robeco Income (G)	272	24 Sep 02	19.14	0.43	19.43	13.98	★★★★★	High	Below Avg	2.05
2	Fortis Flex Debt (G)	442	27 Sep 04	15.53	0.30	17.43	11.99	★★★★★	High	Average	1.80
3	Reliance Income Retl (G)	1,095	1 Jan 98	30.18	0.76	17.14	9.87	★★★★	Above Avg	Above Avg	1.47
4	Kotak Bond Deposit Growth	402	29 Nov 99	23.78	0.68	17.03	9.18	★★★★	Average	High	1.96
5	Birla Sun Life Income Plus (G)	1,549	10 Nov 95	41.18	1.24	17.02	11.28	★★★★★	High	High	1.66
	Peer group average	293			0.60	11.02	8.05				1.68
	Peer group count	23			23	23	20				23

INDIA SHORT GOVERNMENT

Short government funds invest in government securities with one-three year maturities. For the year ended September, this category delivered a 5.41% return. Out of eight funds considered, three funds outperformed the category average during the year. In terms of risk-adjusted performance, Tata Gilt Short Maturity Fund posted the highest return. On an absolute basis, the fund registered an 8.70% return.

Top 5	Group/Investment	Fund size (in Rs crore)	Inception date	Net asset value (Rs)	Total return (%) Sep	Total return (%) 1 year	Total return (%) 3 years	Morningstar rating (3 years)	Morningstar return rating (3 years)	Morningstar risk rating (3 years)	Expense ratio
1	Tata Gilt Short Maturity (G)	338	7 Apr 03	14.63	0.54	8.70	7.54	★★★★★	Above Avg	Above Avg	0.92
2	SBI Magnum Gilt S/T (G)	90	10 Jan 01	18.15	0.44	8.35	8.04	★★★★★	High	Above Avg	0.90
3	UTI Gov Sec S/T (G)	42	16 Dec 03	13.47	0.43	5.54	5.76	★★★★	Above Avg	Average	0.75
4	Templeton India Gov Sec Trs (G)	87	11 Feb 02	16.07	0.21	4.93	5.74	★★★★	Above Avg	Low	0.90
5	Birla Sun Life Gilt Plus Liquid (G)	15	11 Oct 99	20.55	0.29	4.33	5.35	★★★★	Average	Low	0.47
	Peer group average	80			0.39	5.41	5.83				1.02
	Peer group count	8			8	8	8				8

INDIA INTERMEDIATE GOVERNMENT

The intermediate government bond category includes funds with residual maturities between three and seven years and generated a 13.39% return during the year to September. Out of 12 funds shortlisted for analysis, seven funds beat the category peers. The best performer in this category was DSP BlackRock Government Securities Fund. The fund posted a 21.86% return on an absolute basis.

Top 5	Group/Investment	Fund size (in Rs crore)	Inception date	Net asset value (Rs)	Total return (%) Sep	Total return (%) 1 year	Total return (%) 3 years	Morningstar rating (3 years)	Morningstar return rating (3 years)	Morningstar risk rating (3 years)	Expense ratio
1	DSP BlackRock Gov Sec (G)	123	30 Sep 99	31.19	1.18	21.86	10.95	★★★★★	High	Above Avg	1.22
2	JM Gov Sec Reg (G)	25	7 Oct 99	29.18	1.27	20.88	11.97	★★★★★	High	Average	2.05
3	KICI Pru Gilt Trs (G)	258	19 Aug 99	23.74	0.11	18.51	10.39	★★★★	Above Avg	Low	1.65
4	Templeton India Govt Sec Composite (G)	133	21 Jun 99	32.21	1.55	17.31	10.74	★★★★	Above Avg	Below Avg	1.28
5	Reliance Gilt Sec Retl (G)	110	21 Aug 08	11.63	0.86	15.87	na	na	na	na	1.38
	Peer group average	130			0.76	13.39	8.81				1.56
	Peer group count	12			12	12	10				12

INDIA LONG GOVERNMENT

Long government funds invest in government securities with average maturities of more than seven years. This category generated a 12.53% return during the period. Out of eight funds considered, four funds outperformed the category average during the year. KICI Prudential Gilt Investment Fund fared the best in terms of risk-adjusted performance. On an absolute basis, the fund delivered a 23.16% return.

Top 5	Group/Investment	Fund size (in Rs crore)	Inception date	Net asset value (Rs)	Total return (%) Sep	Total return (%) 1 year	Total return (%) 3 years	Morningstar rating (3 years)	Morningstar return rating (3 years)	Morningstar risk rating (3 years)	Expense ratio
1	KICI Pru Gilt Inv (G)	503	19 Aug 99	31.26	1.43	23.16	12.93	★★★★★	High	Above Avg	1.59
2	Templeton India Gov Sec L/T (G)	123	24 Dec 01	22.49	1.93	18.59	11.71	★★★★★	Above Avg	Low	1.28
3	Kotak Gilt Investment Reg (G)	69	23 Dec 98	30.13	0.57	17.25	8.69	★★★★	Above Avg	Above Avg	2.09
4	UTI Gilt Advantage L/T (G)	255	28 Jan 02	18.78	0.47	12.94	7.83	★★★★	Above Avg	Above Avg	1.48
5	Principal Gov Sec Inv (G)	113	23 Aug 01	19.46	1.10	7.90	6.81	★★★★	Average	Average	1.34
	Peer group average	172			1.00	12.53	8.08				1.40
	Peer group count	8			8	8	8				8