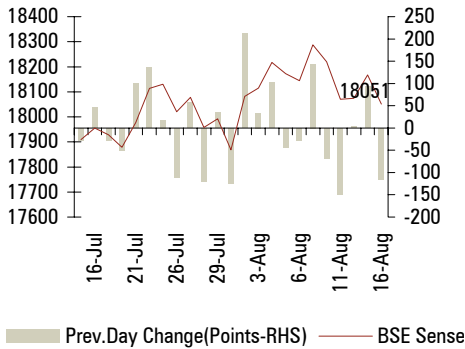
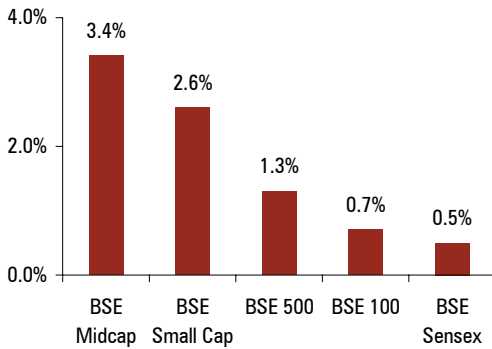


BSE Sensex



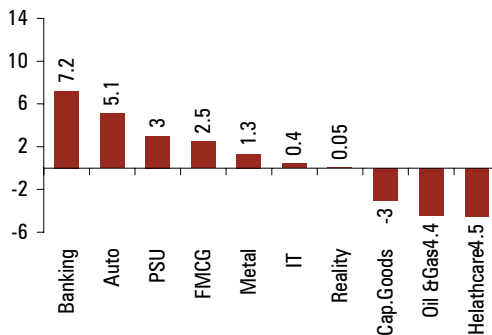
Source: Bloomberg, ICICIdirect.com Research

BSE Indices Return (%)



Source: Bloomberg, ICICIdirect.com Research
1 Month Returns as on August 16, 2010

BSE Sectoral Indices Returns (%)



Source: Bloomberg, ICICIdirect.com Research
1 Month Returns as on August 16, 2010

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Equity Markets

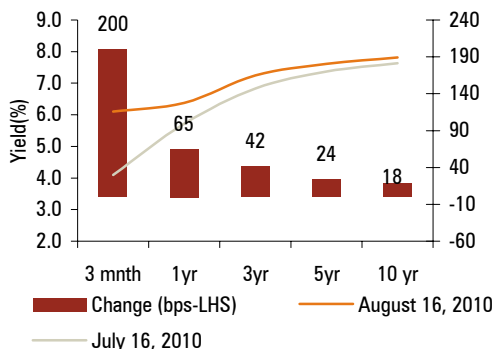
Update

- Indian markets remained in a narrow range in the last one month ending August 16, 2010
- FII flows continued to remain robust providing support to the market. Flows remained strong on the back of easy liquidity on account of expectation of continuation of the low interest rate regime in the developed economies due to weak economic data
- Domestic institutional investors (both mutual fund and insurance companies) have been continuous net sellers due to redemption pressure and valuation discomfort
- Results, so far, have been primarily subdued with slowdown in revenue and profitability growth. After five consecutive quarters of positive growth in revenues, Q1FY11 has registered 7.5% QoQ decline in revenues while profitability has seen a decline of 11.3% QoQ
- Midcaps and small cap stocks continued to outperform their larger counterparts as investors focused on the smaller segment in search of better value
- The banking sector continued to outperform the broader market on the back of better than expected Q1FY11 results. The realty sector also outperformed as value buying and emergence of fresh interest induced fresh buying
- Global markets remained mixed with Chinese markets outperforming while Japan and US underperformed on rising yen and weak economic data respectively
- The global composite PMI indicating economic activity eased off across the globe indicating that economic activity may be softening indicating the softening monetary stance will continue

Outlook

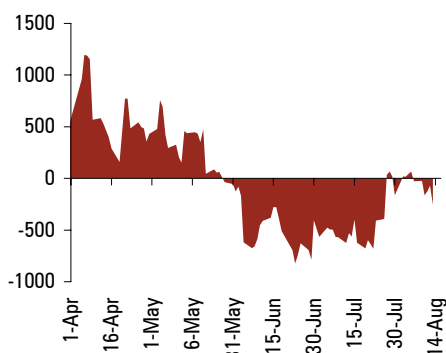
- Indian markets are expected to continue to trade in a range of 5200-5600 levels on the CNX Nifty
- Domestic institutional investors have been buyers at lower levels but are shying away from investment at the current higher levels
- Although the headline benchmark index has traded in a range in the last one year, mutual funds have been able to beat the benchmarks due to stock selection
- Stock specific movement is expected to continue even if the market remains in a narrow range. Therefore, investors should remain invested in their mutual fund holdings
- The short-term performance may be muted given the current higher valuations but given strong growth prospects. Indian markets offer good investment opportunities with a more than one year investment horizon
- Diversified multi-cap funds offer better opportunity for risk averse investors
- Continue to invest in a staggered way, that is, investment in a staggered manner at every dip should remain the investment strategy

G-sec Yield Curve



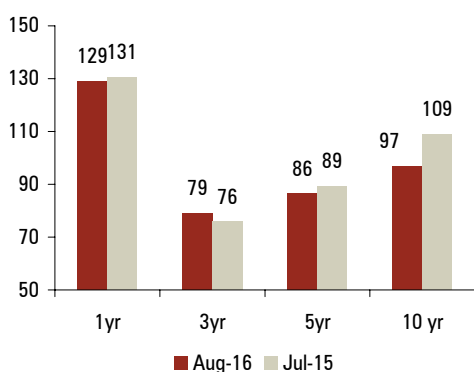
Source: Bloomberg, ICICIdirect.com Research

Expectation of further tightening reduces liquidity



Source: Bloomberg, ICICIdirect.com Research

Credit spreads



Source: Bloomberg, ICICIdirect.com Research

Debt markets

Update

- The Reserve Bank of India hiking rates by 25 bps and 50 bps in the repo and reverse repo, respectively, was in line with market expectations. However, the tone of the monetary policy was seen as hawkish resulting in a rise in yields across the curve
- The US Fed kept its benchmark rates unchanged in the range of 0-0.25% and maintained a dovish stance and signalled caution over the US economic recovery
- Global markets witnessed narrowing of yields as weak economic data raised concerns over stability of the economic recovery and fuelled expectations of a continuation of the loose monetary policy by central bankers
- Shorter duration yields moved much higher as compared to longer duration on the liquidity crises
- Corporate bond yields remained range bound following G-Sec yields
- AAA corporate bond spread remained in the range at the shorter end while it came down from 109 bps to 97 bps on the 10 year
- Headline WPI inflation fell below 10% in July 2010 at 9.97% while IIP for June 2010 came below expectations at 7.1%

Outlook

- The overall view on debt is cautious as yields across the curve have an upward bias
- The sentiment has turned negative. With the RBI's focus on keeping liquidity just adequate, short-term rates may remain at higher levels
- Inflation numbers are expected to remain in double digits at least for the next two months. This is providing discomfort to the policy makers
- We expect the 7.80% 10 year G-Sec yield to remain in the range of 7.75-8.00%. With current yields hovering at the upper band of the expected range, aggressive investors may start taking some exposure to longer duration debt funds in a staggered manner
- Short-term yields on money market papers, particularly three to six months CP/CDs, are offering good yields due to the prevailing liquidity crunch. Liquid funds/ultra short-term funds from a safety perspective are better options for conservative investors
- Medium-term (one to five years) rates may remain under pressure in anticipation of rate hike announcements in the monetary policy
- We think investment in ultra short-term funds/liquid funds with small allocation to longer duration income funds may give balance to the overall debt portfolio

Institutional fund flow

In July, FIIs invested Rs 17658 crore backed by strong domestic economic data. The first quarter policy review on July 29, 2010 pleased the FIIs and they invested close to Rs 5000 crore on the same day. However, domestic mutual funds are reeling under the pressure of redemptions in equity funds and continue to be net sellers to the extent of Rs 4,405 crore.

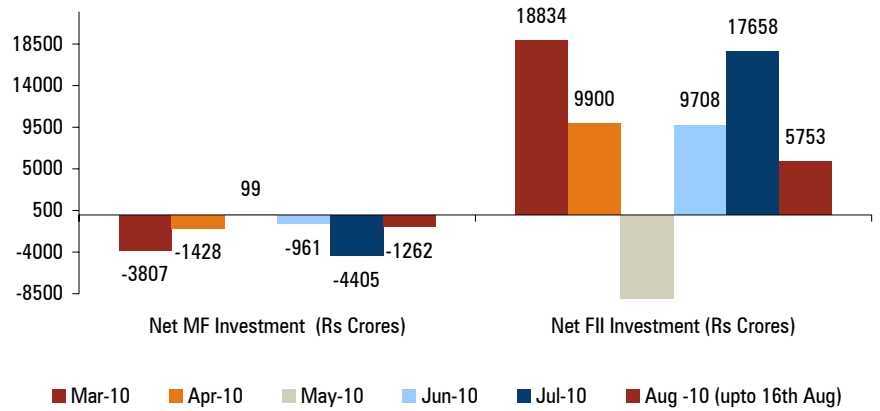
FIIs are net buyers to the tune of Rs 5753 crore while MFs are net sellers of Rs 1262 crore, in the current month up to August 16, 2010.

FIIs have so far bought equities to the tune of Rs 53,654 crore in CY10

Mutual funds have been consistent net sellers in the current calendar year and have sold equities worth around Rs 13,793 crore.

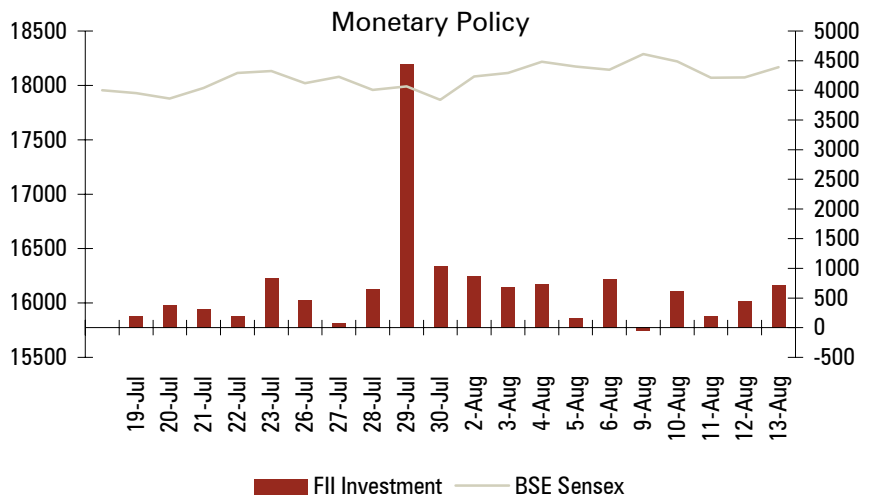
FIIs have been consistent net buyers since the Budget. This is apart from May 2010 where sovereign concerns in the Euro zone led to FIIs pulling out money from emerging economies...

Exhibit 1: Fund flow



Source: Bloomberg, ICICIdirect.com Research

Exhibit 2: FII fund flow



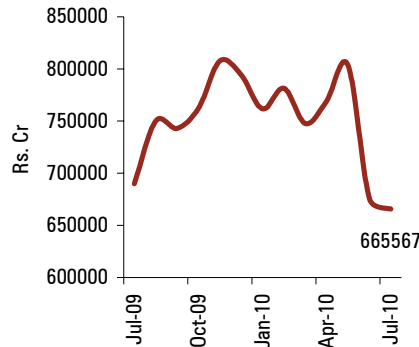
Source: Bloomberg

...RBI in the monetary policy increased the repo and reverse repo rate This step, to curb inflation, reduced the major concern affecting the Indian economy and FIIs bought heavily on the day of the policy

Industry Synopsis

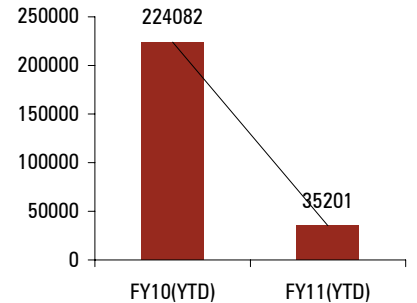
Heavy redemption last month and tight liquidity conditions in the current month have kept the AAUM at lower levels in the current month also...

Exhibit 3: Average assets under management declined MoM by 1.5%



Source: AMFI, iCICIdirect.com Research

Exhibit 4: YTD inflows dried up on account of heavy redemptions by corporates in income funds ...

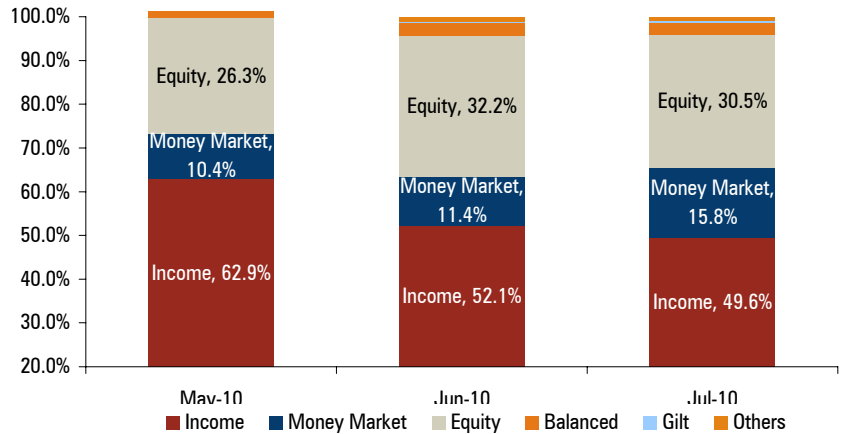


Source: AMFI, ICICIdirect.com Research

Call money rates hovered at 4.45- 5.75% levels, which made liquid funds the preferred category

Liquid/money market funds was the only category, which saw some inflow in July

Exhibit 5: Liquid funds saw some buying as call rates increased

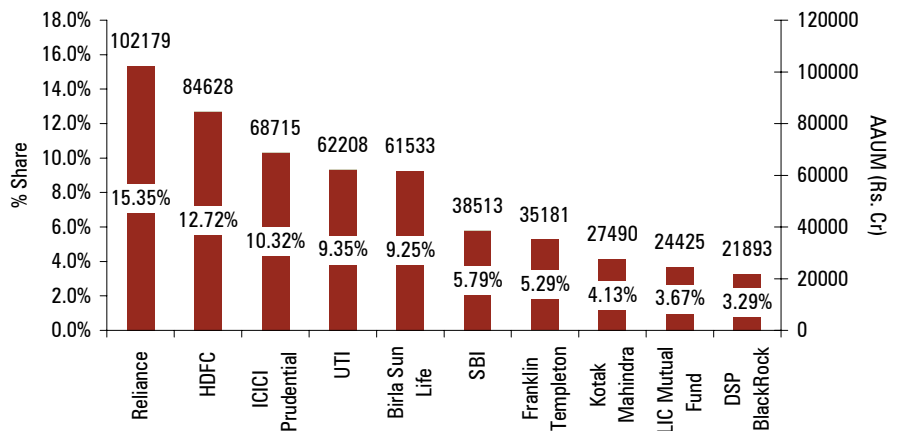


Source: AMFI, ICICIdirect.com Research

Reliance remains the market leader in terms of market share in the total AAUM of the mutual fund industry

There was a 1.5% decline in total AAUM among the Top 10 AMCs. SBI saw an increase of 14.17% MoM while the major decline was in AAUM of LIC Mutual Fund of 18.72% MoM

Exhibit 6: AAUM and market share – July 2010

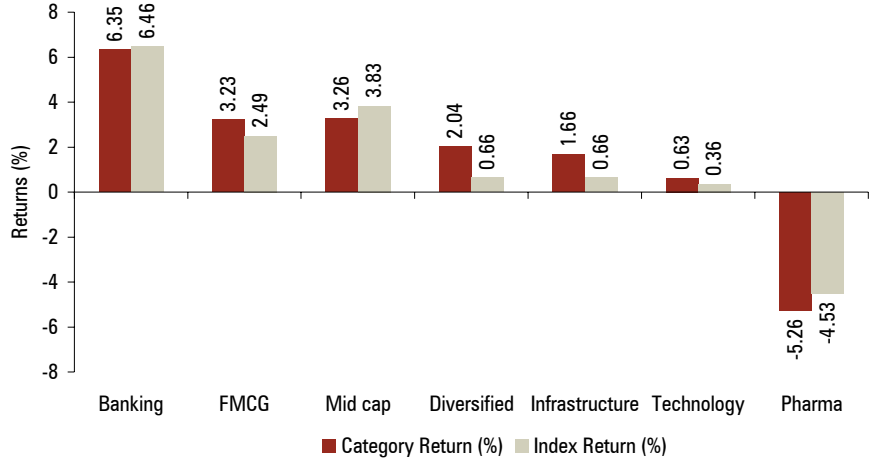


Source: AMFI, ICICIdirect.com Research

Category Analysis

Equity funds

Exhibit 7: Sub-category wise fund returns vs. respective BSE indices



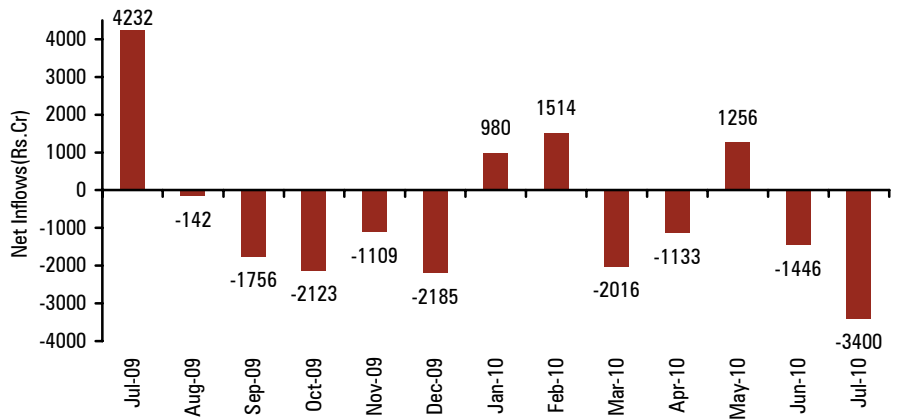
Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note: % Returns are absolute 1 month returns as on August 16, 2010

Strong loan book growth on account of 3G Auction payments led to better than expected results posted by banks and the category outperformed the markets by heavy margins

Pharma stocks saw some profit booking...

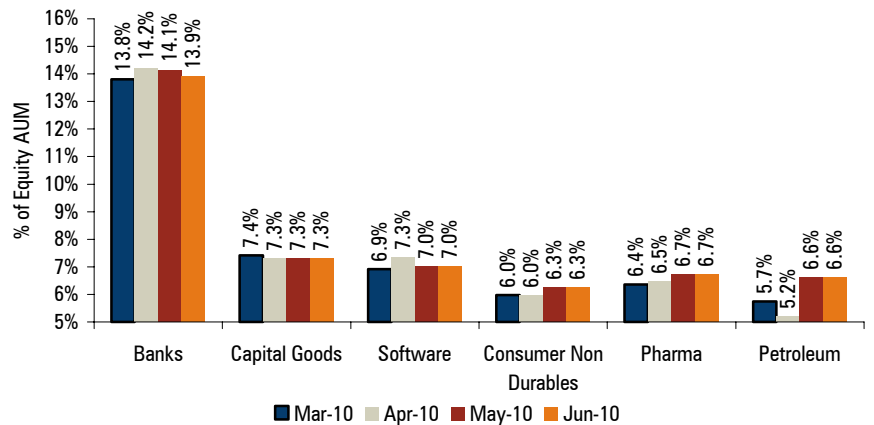
Exhibit 8: Net fund flow (Total purchase – Total sales)



Source: Crisil Fund Analyser, ICICIdirect.com Research

Lack of push to the product by distributors and profit booking on account of higher equity market valuations led to a net outflow in the equity funds category...

Exhibit 9: Deployment of funds by equity schemes (including ELSS * Balanced Schemes)



Source: SEBI, ICICIdirect.com Research

There was no major change in the top sector holding since March 2010...

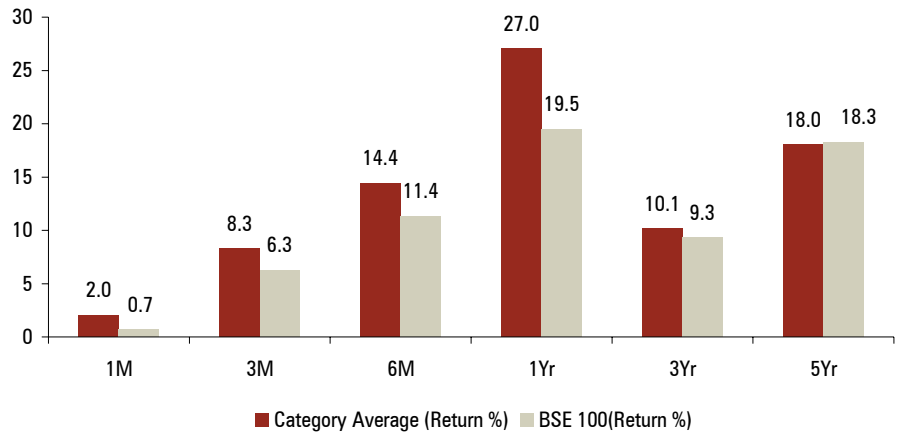
View
Short-term: Neutral
Long-term: Positive

The markets continued to trade in a range with stock specific opportunity available. The same is well captured by professional fund managers as seen in the incremental returns posted by the diversified fund category...

Equity Diversified Funds

- As outlined in the last report, the market traded near the fair value range and BSE 100 posted an MoM return of mere 0.7%. However, there was stock specific momentum that helped diversified funds average an MoM return of 2% compared to BSE 100 return of 0.7%. Also, most of the diversified funds are overweight on the banking sector, which helped them post the additional gains
- Markets are trading at a P/E of 16.9x FY11E EPS and 14.6x FY12E EPS making its valuations fair. Therefore, the short-term performance may be muted. However, a strong domestic economy and a sustainable growth rate make India a favoured investment destination for global fund managers. Equity markets, therefore, provide good opportunity if invested for a longer horizon from hereon. Diversified multi-cap funds offer better opportunity for risk averse investors. Over a longer duration it is a promising category and staggered investments can be made into these funds

Exhibit 10: Category average vs. benchmark



Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : % Returns are as on August 16, 2010, Returns above 1 yr are CAGR returns

Exhibit 11: Positive & negative bias funds

Top Recommended Equity Diversified Funds

| Scheme Name | 6 M | 1 Yr | 3 Yr |
|---|-------|-------|-------|
| Fidelity Equity | 20.59 | 38.00 | 13.67 |
| Reliance Regular Savings Fund - Equity | 14.75 | 34.80 | 22.69 |
| HDFC Top 200 Fund | 18.65 | 31.98 | 19.51 |
| ICICI Prudential Focussed Bluechip Equity | 17.12 | 31.79 | N.A |
| Birla Sun Life Frontline Equity Fund - Plan A | 13.12 | 26.85 | 15.14 |
| Benchmark - BSE 100 | 11.36 | 19.47 | 9.31 |
| Category Average | 14.44 | 27.03 | 10.14 |

Negative Bias Funds

| Scheme Name | 6 M | 1 Yr | 3 Yr |
|------------------------------|-------|-------|-------|
| HSBC Progressive Themes Fund | 11.90 | 18.86 | 0.99 |
| UTI Top 100 Fund | 10.29 | 18.56 | 6.39 |
| IDFC Enterprise Equity Fund | 11.77 | 17.24 | 7.97 |
| Fortis Equity Fund | 10.81 | 14.64 | 3.57 |
| JM Equity Fund - Growth | 9.65 | 9.79 | -3.79 |
| Benchmark - BSE 100 | 11.36 | 19.47 | 9.31 |
| Category Average | 14.44 | 27.03 | 10.14 |

Source: CRISIL Fund Analyser, ICICIdirect.com Research

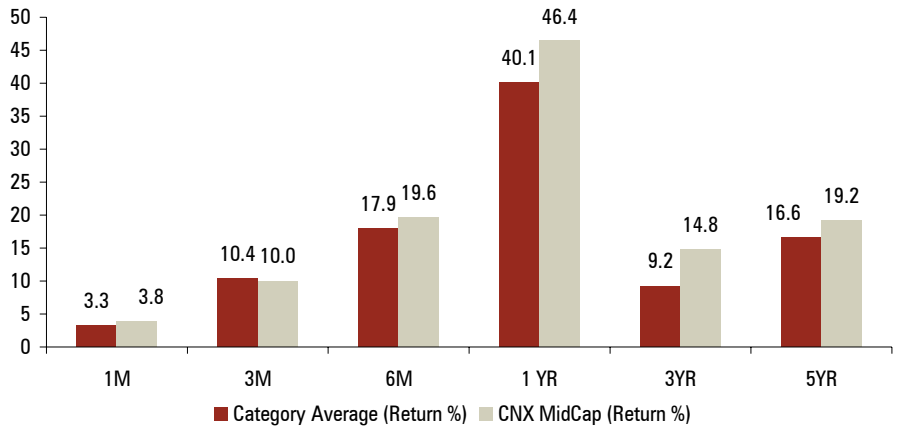
Note : % Returns are as on August 16, 2010, Returns above 1 yr are CAGR returns

View
Short-term: Neutral
Long-term: Positive

Equity Midcap Funds

- Midcaps and small cap stocks outperformed their larger counterparts as investors focused on the smaller segment in search of better value
- These categories of funds are good for individuals ready to take high risks for higher returns
- The difference can be as high as 50% over diversified peers in case the market gains momentum
- In this category, stock selection and, hence, fund selection plays a greater role as it is a high risk high return game with high deviation in returns among the best and worst performers.

Exhibit 12: Category average vs. benchmark indices



Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : % Returns are as on August 16, 2010, Returns above 1 yr are CAGR returns

Exhibit 13: Negative & positive bias funds

| Top Recommended Equity Mid Cap Funds | | | |
|--------------------------------------|-------|-------|-------|
| Scheme Name | 6 M | 1 Yr | 3 Yrs |
| IDFC Premier Equity Fund - Plan A | 25.75 | 52.96 | 25.24 |
| ICICI Prudential Discovery Fund | 18.11 | 46.28 | 20.86 |
| Sundaram BNP Paribas Select Midcap | 16.66 | 40.66 | 16.82 |
| Benchmark - CNX Midcap | 19.63 | 46.41 | 14.77 |
| Category Average | 17.91 | 40.09 | 9.22 |

| Negative Bias Funds | | | |
|--------------------------|-------|-------|--------|
| Scheme Name | 6 M | 1 Yr | 3 Yrs |
| HSBC Midcap Equity Fund | 13.64 | 39.57 | 4.03 |
| SBI Magnum Midcap Fund | 12.25 | 28.90 | -1.09 |
| JM Small and Midcap Fund | 9.02 | 23.56 | -16.97 |
| CNX Midcap | 19.63 | 46.41 | 14.77 |
| Category Average | 17.91 | 40.09 | 9.22 |

Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : % Returns are as on August 16, 2010, Returns above 1 yr are CAGR returns

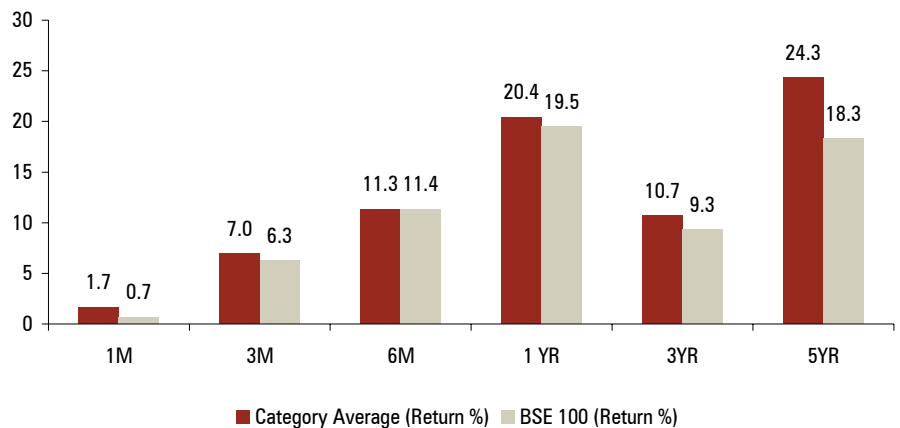
Midcap funds are alpha generators. However, these are risk bets with higher variation in the best and the worst fund performance and, hence, proper selection plays a key role....

View
Short-term: Positive
Long-term: Positive

Equity Infrastructure Fund

- The infrastructure segment as well as funds in the category have underperformed in the last three to four months as allocation has shifted to other sectors
- Infrastructure funds offer good investment opportunities both in the short as well as long-term due to visible growth prospects and relative underperformance in recent months
- Investors may diversify their portfolio by taking 15-20% exposure in the top performing infrastructure funds in a staggered manner

Exhibit 14: Category average vs. fund return



Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : % Returns are as on August 16, 2010, Returns above 1 yr are CAGR returns

Exhibit 15: Positive bias funds

Top Recommended Equity Infrastructure Funds

| Scheme Name | 6 M | 1 Yr | 3 Yrs |
|---|-------|-------|-------|
| Birla Sun Life Infrastructure Fund - Plan A | 12.44 | 26.34 | 8.19 |
| Sundaram BNP Paribas CAPEX Opportunities Fund | 9.03 | 25.44 | 8.46 |
| Canara Robeco Infrastructure | 15.9 | 23.31 | 11.45 |
| Reliance Diversified Power Sector Fund | 11.43 | 22.78 | 21.22 |
| Benchmark - BSE 100 | 11.36 | 19.47 | 9.31 |
| Category Average | 11.34 | 20.39 | 10.70 |

Negative Bias Funds

| Scheme Name | 6 M | 1 Yr | 3 Yrs |
|-------------------------|-------|-------|-------|
| UTI Infrastructure Fund | 4.79 | 11.49 | 3.57 |
| Benchmark - BSE 100 | 11.36 | 19.47 | 9.31 |
| Category Average | 11.34 | 20.39 | 10.70 |

Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : % Returns are as on August 16, 2010, Returns above 1 yr are CAGR returns

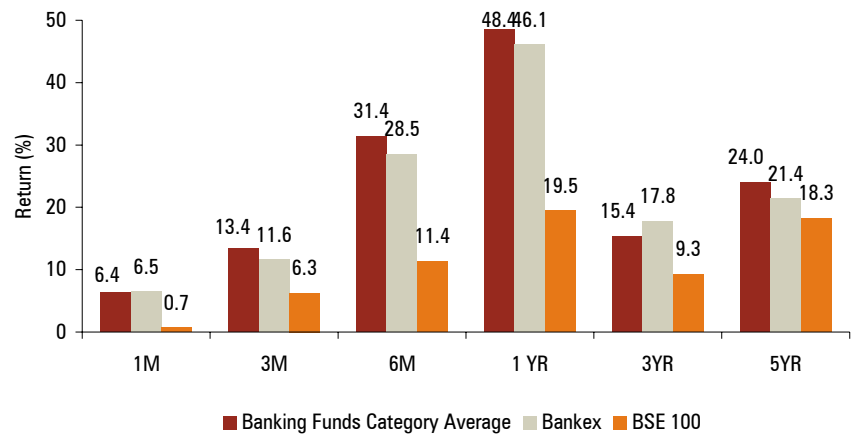
View
Short-term: Neutral
Long-term: Positive

The BFSI space, which has ~25% weightage in the Nifty, lifted the index in the recent rally...the index has seen a considerable run up in the last one month

Equity Banking Funds

- Generally, we see Q1 as a slow quarter for the banking industry but this time due to 3G auction payments we have seen higher loan growth in the industry. We believe the growth was at the fag end of the quarter. Hence, the full impact on NII will be visible in Q2 and Q3. Asset quality will remain a concern for a couple of quarters more on account of slippages from restructured assets.
- Over the long-term, we expect the banking sector and funds in that category to do well as economic revival, margin expansion, low concerns on NPA and overall improvement in efficiency will provide growth prospects to the sector

Exhibit 16: Category average vs. Fund return



Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : % Returns are as on August 16, 2010, Returns above 1 yr are CAGR returns

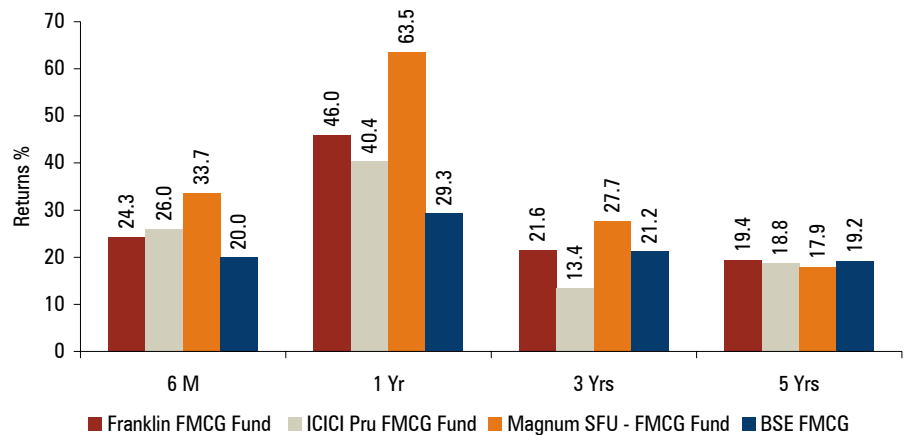
View
Short-term: Neutral
Long-term: Positive

Segmental or category risk seems less as compared to other sectors. Volatility in the markets always tends to move funds to these low beta sectors

Equity FMCG

- The long-term outlook for FMCG companies remains stable as the domestic economic recovery along with higher disposable income due to lower taxes may lead to more spending and, hence, good volume growth for the companies. However, higher inflation and increased advertisement cost may curb the margins of FMCG companies, going forward

Exhibit 17: Category Average vs. Fund Return



Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : % Returns are as on August 16, 2010, Returns above 1 yr are CAGR returns

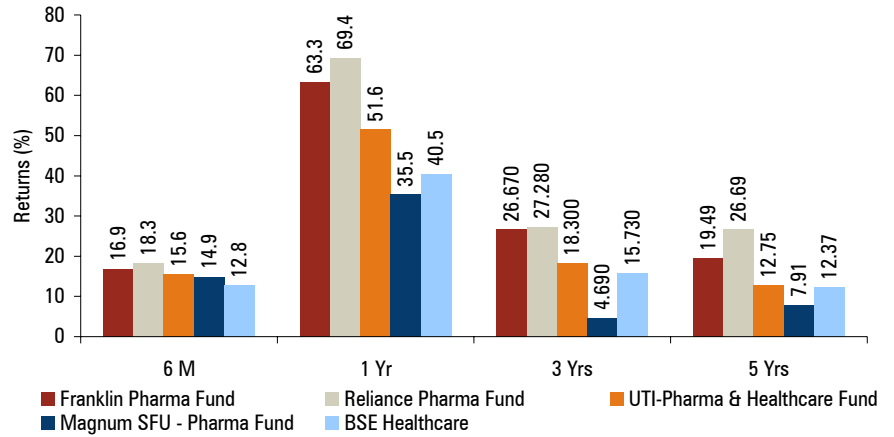
View
Short-term: Neutral
Long-term: Neutral

...Disappointing results led to erosion of the returns...

Equity Pharma Funds

- After a good run up and disappointing QIFY11 numbers pharma stocks witnessed some profit booking with negative MoM return
- Results were somewhat disappointing on account of slower growth in the domestic market, delayed generic launches, litigation issues in the US, forex losses, etc.
- For the short term, the sector does not offer much upside

Exhibit 18: Fund Returns vs. Benchmark



Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : % Returns are as on August 16 2010, Returns above 1 yr are CAGR returns

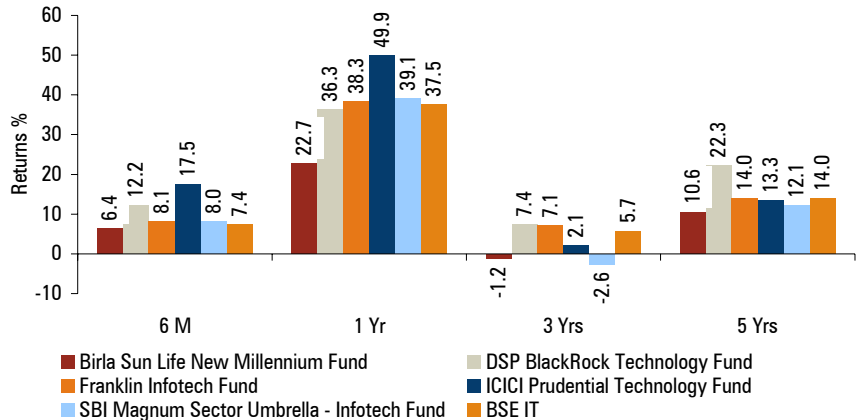
View
Short-term: Neutral
Long-term: Neutral

...technology stocks will benefit from the global recovery but investors are better off investing in a diversified fund...

Equity Technology Funds

- Going forward, the volume growth is expected to be between 5% and 6% CQGR for these companies. Margins will be under pressure to the tune of 120-200 bps during the near term due to strong hiring targets and wage hikes but will recover well in FY12
- Over the short-term, the funds may have limited upside given the run up. However, over a longer horizon, it is better to invest in a diversified fund rather than in an IT dedicated fund

Exhibit 19: Fund Return vs. Benchmark



Source: CRISIL Fund Analyser, ICICIdirect.com Research

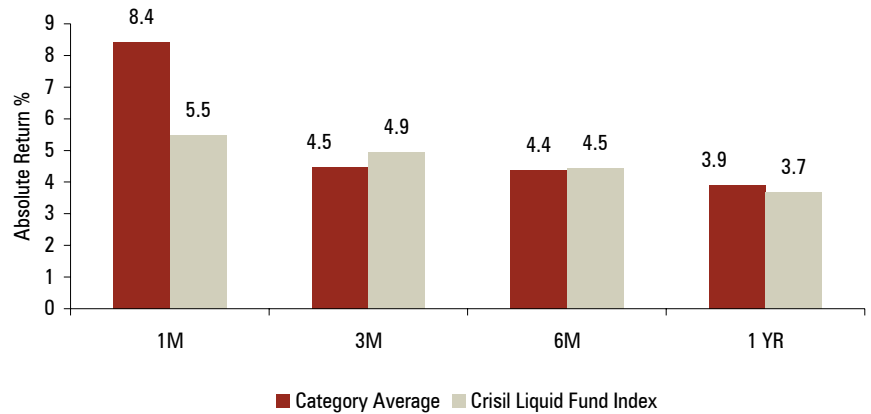
Note : % Returns are as on August 16, 2010, Returns above 1 yr are CAGR returns

View
Short-term: Negative
Long-term: Neutral

Arbitrage Funds

- Arbitrage funds are generally considered a better option against liquid funds. They are classified as equity funds for tax treatment. Hence, the dividends declared are tax free
- The performance of arbitrage funds depends on arbitrage opportunities available in the market
- In the current market conditions, we do not perceive much opportunity for arbitrage funds in the short-term
- Arbitrage funds can be looked upon as an alternative to liquid funds but currently liquid funds are better option as the short-term rates are inching higher

Exhibit 20: Category Average vs. Benchmark



...arbitrage funds offer alternate investment option to liquid funds...

Source: Crisil Fund Analyser, ICICIdirect.com Research
 Note : Annualised returns % as on August 16, 2010

Exhibit 21: Top Recommended Funds

| Top Recommended Arbitrage Funds | | | |
|---------------------------------------|------|------|------|
| Scheme Name | 1M | 3M | 6M |
| HDFC Arbitrage Fund - Retail - Growth | 7.50 | 5.85 | 5.17 |
| Kotak Equity Arbitrage Fund - Growth | 7.86 | 5.02 | 4.92 |
| UTI SPREAD Fund | 5.73 | 3.59 | 3.58 |
| CRISIL Liquid Fund Index | 5.47 | 4.93 | 4.45 |
| Category Average | 8.42 | 4.47 | 4.39 |

Source: CRISIL Fund Analyser, ICICIdirect.com Research
 Note : Annualised return (%) as on August 16, 2010

Exchange Traded Funds (ETF)

..Traded volume should be the major criterion that is used while deciding on investment in ETFs. Higher volume ensures lower spread and better pricing to investors...

..Tracking error, though it should be considered, is not the deciding factors as variation among funds is not huge...

..Volumes are higher only in Benchmark ETFs and tracking error is also lowest at 0.04%. Therefore, it is our top pick for investors wanting Nifty linked returns...

- In India, there are three kinds of ETFs available :
 - Equity Index ETFs,
 - Liquid ETFs and
 - Gold ETFs
- An equity index ETF tracks a particular equity index such as the BSE Sensex, NSE Nifty, Nifty Junior, etc
- An equity index ETF scores higher than index funds on several grounds. The expense of investing in ETFs is relatively less by 0.50-1.00% in comparison to an index fund. Expense ratio for ETFs is in the range of 0.50-0.75% excluding brokerage while for index funds the expense ratio varies in the range of 1.0-1.5%. However, brokerage (which varies) is applicable on ETFs while there are no entry loads now on index funds
- The tracking error, which explains the extent of deviation of returns from the underlying index, is usually low in ETFs as it tracks the equity index on a real time basis whereas it is done only once in a day for index funds
- ETFs also provide liquidity as they are traded on stock exchanges and investors may subscribe or redeem on an intra-day basis also. This is not available in index funds, which are subscribed/redeemed on a closing NAV basis only
- There are over 400 ETFs traded globally. ETFs are transparent and cost efficient. The decision on which ETF to buy should be largely governed by the decision of getting exposure in that asset class

Exhibit 22: Top Recommended ETF

| Top Recommended ETF | | | |
|---|-------|-------|------|
| Scheme Name | 6M | 1Yr | 3Yr |
| Nifty Benchmark Exchange Traded Scheme - Nifty BeES | 12.20 | 18.98 | 9.76 |
| S&P CNX Nifty | 11.59 | 18.19 | 9.04 |

Source: Crisil Fund Analyser, ICICIdirect.com Research

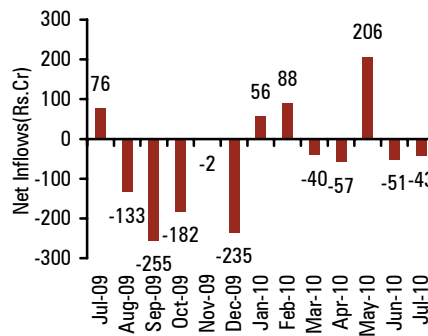
Note : Returns above one year are Compounded Annualised return as on August 16, 2010

View
Short-term: Neutral
Long-term: Neutral

Balanced Funds

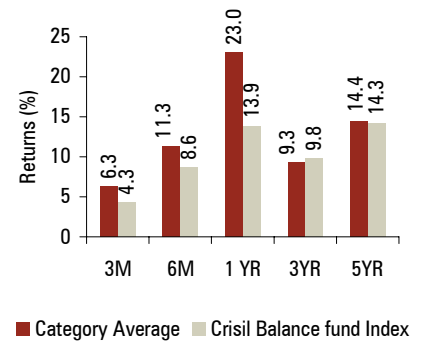
- Balanced funds have more than 65% invested into equities. Hence, they offer tax savings as any capital gain over a one year period becomes tax free
- Equity markets are trading at the upper band of the fair value range and G-sec yields are at their structurally upward trend. It is better to wait for a while and then invest for the long-term
- Investors with a limited investible surplus and a lower risk appetite but with a willingness to invest into equities can look to invest in these funds

Exhibit 23: Balanced funds witness profit booking in the last month



Source: AMFI, ICICIdirect.com Research

Exhibit 24: Balanced returns...



Source: Crisil Fund analyser, ICICIdirect.com Research
 Note: % Returns as on August , 2010,
 Returns above 1 yr are CAGR returns

Exhibit 25: Positive & Negative Bias Funds

| Scheme Name | 6M | 1 Yr | 3 Yrs | 5 Yrs |
|--|-------|-------|-------|-------|
| HDFC Prudence Fund | 19.87 | 42.57 | 18.27 | 23.26 |
| Reliance Regular Savings Fund - Balanced | 17.38 | 32.78 | 22.56 | 17.57 |
| DSP BlackRock Balanced Fund | 14.11 | 28.35 | 15.79 | 20.85 |
| Birla Sun Life 95 Fund | 15.19 | 28.14 | 13.63 | 20.05 |
| Crisil Balanced Fund Index | 8.63 | 13.85 | 9.77 | 14.25 |
| Category Average | 11.33 | 23.01 | 9.30 | 14.43 |

Negative Bias Funds

| Scheme Name | 6M | 1 Yr | 3 Yrs | 3 Yrs |
|-----------------------------|-------|-------|-------|-------|
| JM Balanced Fund | 15.24 | 16.87 | -4.45 | 10.33 |
| Birla Sun Life Freedom Fund | 4.08 | 5.93 | 3.01 | 10.64 |
| Crisil Balanced Fund Index | 8.63 | 13.85 | 9.77 | 14.25 |
| Category Average | 11.33 | 23.01 | 9.30 | 14.43 |

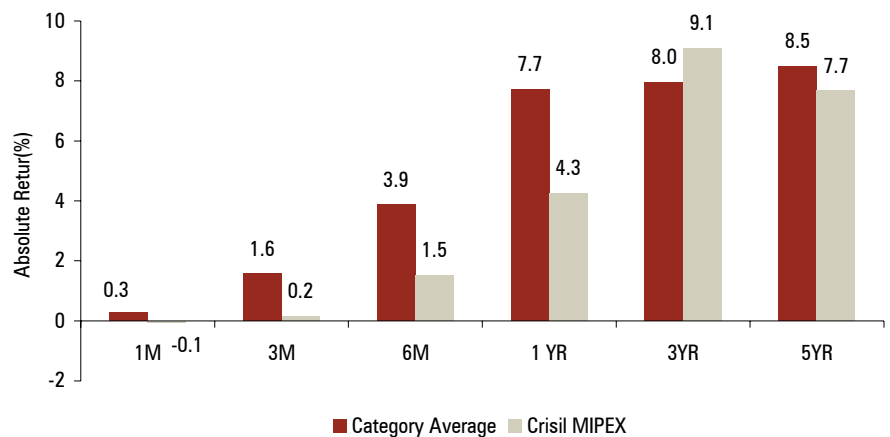
Source: Crisil Fund Analyser, ICICIdirect.com Research
 Note: % Absolute Returns as on August 16 , 2010

View
Short-term: Positive
Long-term: Positive

Monthly Income Plans (MIP)

- An MIP offers investors an option to invest in debt with some participation in equity, approximately 10-15% of the portfolio
- Investors who want higher returns than debt funds and are comfortable with nominal risk in returns may look to invest in MIPs
- The equity portion of the funds provides extra return to the fund while the debt part acts as a cushion towards any fall in equity and provides regular income
- Investors should invest in MIPs with lower equity allocation to avoid capital erosion and earn stable returns

Exhibit 26: Category average vs. benchmark



Source: Crisil Fund Analyser, ICICIdirect.com Research

Note : % Returns as on August 16, 2010, Returns above 1 yr are CAGR returns

Exhibit 27: Top recommended funds

| Scheme Name | 1 Yr | 3 Yrs | 5 Yrs |
|--|-------|-------|-------|
| HDFC Monthly Income Plan - LTP | 14.42 | 12.59 | 12.95 |
| Reliance Monthly Income Plan | 13.83 | 15.24 | 12.70 |
| Birla Sun Life MIP II - Savings 5 Plan | 5.63 | 11.81 | 9.72 |
| Crisil MIP Index | 4.26 | 9.09 | 7.67 |
| Category Average | 7.71 | 7.97 | 8.49 |

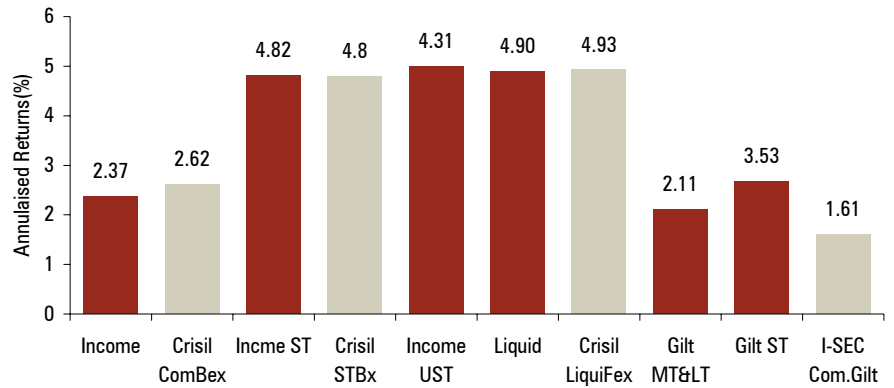
Source: Crisil Fund Analyser, ICICIdirect.com Research

Note : Returns are annualized returns as on August 16, 2010

Debt funds

Shorter duration funds i.e., the Ultra Short Term Funds and Liquid Funds as recommended would have yielded the best return in the debt funds category

Exhibit 28: Debt fund returns

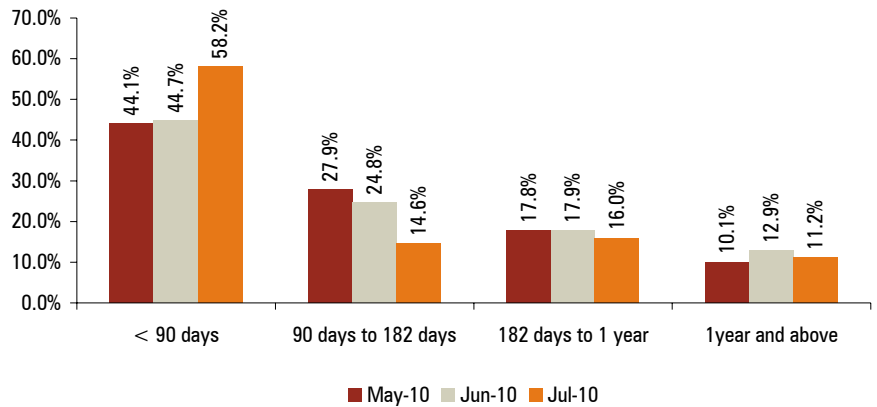


Source: Crisil Fund Analyser ICICIdirect.com Research

Note : Returns are annualised returns for one month ending July 14, 2010

Exhibit 29: Deployment of funds

With new norms implemented from August 1, to mark to market instruments above 90 days, portfolio concentration to instruments with duration less than 90 days has increased considerably to ~60% MoM

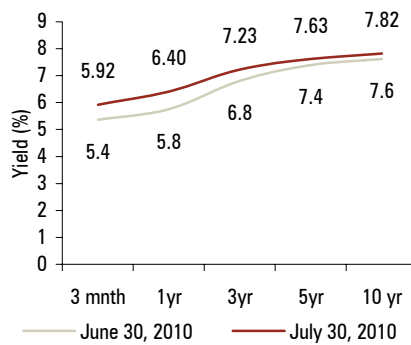


Source: SEBI, ICICIdirect.com Research

Note : Holding as % of total AUM

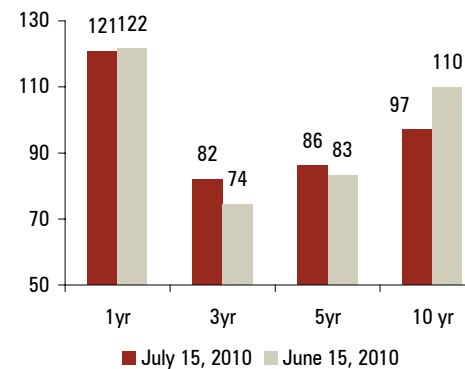
Exhibit 30: G-Sec yield curve

The tone of the monetary policy was seen as hawkish resulting in a rise in yields across the curve ...



Source: Bloomberg, ICICIdirect.com Research

Exhibit 31: Credit spread



Source: Bloomberg, ICICIdirect.com Research

View Positive

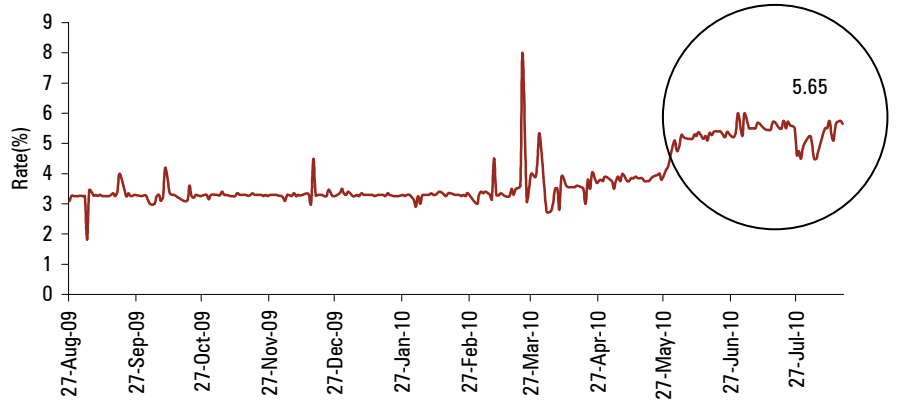
Liquidity crunch has kept call rates high in the range of 5.45-5.75%

Most fund managers see the liquidity crunch continuing for some more days

Liquid Funds

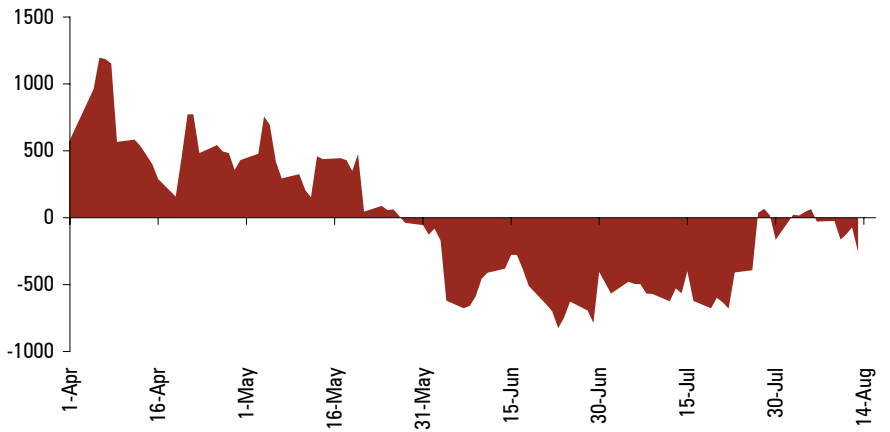
- The liquidity crunch is continuing and call rates are hovering in the range of 5.45 – 5.75%
- Short-term yields on money market papers, particularly three to six months CP/CDs, are offering good yields due to the prevailing liquidity crunch
- Liquid funds will continue to offer better returns in the debt funds category

Exhibit 32: Call rates have risen on account of liquidity crunch



Source: Bloomberg, ICICIdirect.com Research

Exhibit 33: Liquidity as measured under the LAF...



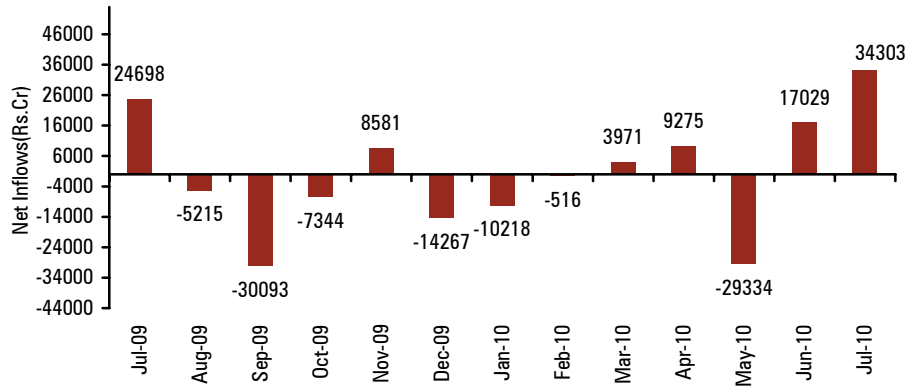
Source: Bloomberg, ICICIdirect.com Research

Call rates at 5.45-5.75% attracted investors into liquid funds ...

After October when the regulatory change came into effect liquid funds had lost their sheen. It is now that these funds offer some investment opportunity as the call rates have risen sharply...

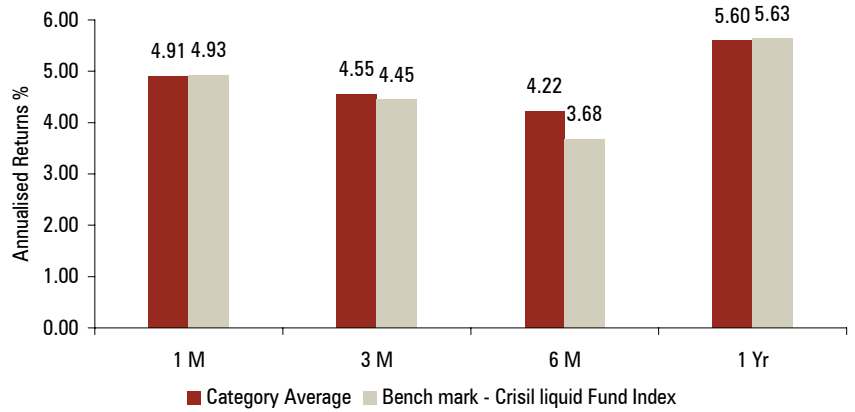
Liquid Funds will continue to provide stable returns in the current scenario in the debt funds category

Exhibit 34: Net fund flow (Total purchase – Total sales)



Source: AMFI, ICICIdirect.com Research

Exhibit 35: High call rates have helped funds post higher return



Source: Crisil Fund Analyser, ICICIdirect.com Research
 Note : Annualised returns as on August 16, 2010

Exhibit 36: Top recommended funds

| Particulars/Period | 1 M | 3 M | 6 M | 1 Yr |
|--|------|------|------|------|
| Birla Sun Life Cash Manager | 4.84 | 4.52 | 4.25 | 5.66 |
| HDFC Cash Management Fund - Savings Plan | 5.15 | 4.84 | 4.64 | 5.98 |
| HDFC Liquid Fund - Growth | 4.95 | 4.57 | 4.35 | 5.73 |
| Reliance Liquid Fund - Treasury Plan | 4.64 | 4.46 | 4.33 | 5.80 |
| UTI Money Market Fund | 4.53 | 4.32 | 4.10 | 5.84 |
| Benchmark - Crisil liquid Fund Index | 4.93 | 4.45 | 3.68 | 5.63 |
| Category Average | 4.91 | 4.55 | 4.22 | 5.60 |

Source: Crisil Fund Analyser, ICICIdirect.com Research
 Note : Annualised returns as on August 16,2010

View
Ultra-short term: Positive
Short-term: Neutral
Long-term: Neutral

Upward trending interest rates has dried up inflow into longer duration income funds

Ultra Short term funds can attract some inflows...

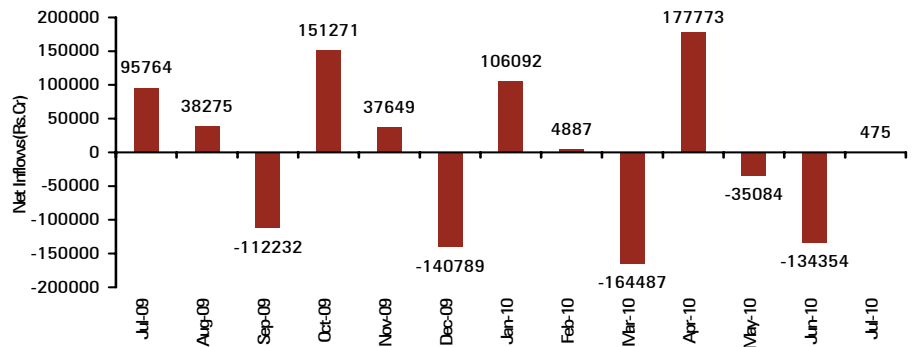
Funds have decreased the maturity of their holdings...

As was recommended last month ultra short term funds yielded good returns with less risk on account of lower maturity...

Income Funds

- Short-term yields on money market papers, particularly three to six months CP/CDs, are offering good yields due to the prevailing liquidity crunch
- Medium term (one to five years) rates may remain under pressure in anticipation of rate hike announcements in the monetary policy
- We think investment in ultra short-term funds/liquid funds with small allocation to longer duration income funds may give a balance to the overall debt portfolio

Exhibit 37: Net fund flow (Total purchase – Total sales)



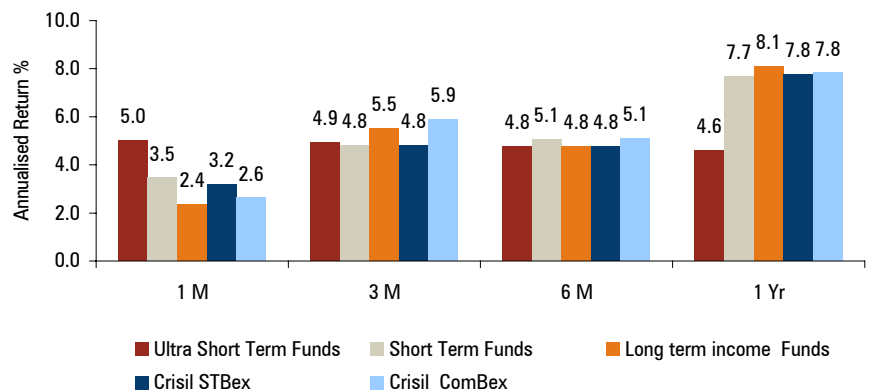
Source: AMFI, ICICIdirect.com Research

Exhibit 38: Average maturity profile (February 2010)

| Fund Style | Avg. Maturity(in Yrs) |
|------------------------|-----------------------|
| Ultra Short Term Funds | 0.02 - 0.55 |
| Short Term Funds | 0.17-3.49 |
| Long term income Funds | 0-12 |

Source: Crisil Fund Analyser, ICICIdirect.com Research

Exhibit 39: Income fund average returns



Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : Annualised Returns (%) as on August 16 2010

Ultra-short term... can be looked upon for one to three month's horizon...

Exhibit 40: Top recommended ultra short-term funds

| Particulars/Period | 1 M | 3 M | 6 M | 1 Yr |
|--|------|------|------|------|
| Fortis Money Plus Fund - Regular Plan | 5.20 | 4.96 | 4.85 | 6.80 |
| HDFC Cash Management Fund - Treasury Advan | 5.26 | 5.04 | 4.88 | 4.71 |
| ICICI Prudential Flexible Income Plan | 4.86 | 4.77 | 4.60 | 4.37 |
| Reliance Money Manager Fund - Retail | 4.89 | 4.76 | 4.68 | 4.69 |
| Tata Floater Fund | 5.63 | 5.37 | 5.16 | 4.95 |
| Crisil liquid Fund Index | 5.47 | 4.93 | 4.45 | 3.68 |
| Average | 5.01 | 4.92 | 4.76 | 4.62 |

Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : Annualised Returns(%)/as on August 16, 2010

Short-term funds...invest with more than six months horizon...

Exhibit 41: Top recommended short-term funds

| Particulars/Period | 1 M | 3 M | 6 M | 1 Yr |
|---|------|------|------|-------|
| Birla Sun Life Dynamic Bond Fund | 3.22 | 5.75 | 6.02 | 9.54 |
| HDFC High Interest Fund - Short Term Plan | 3.32 | 6.02 | 6.66 | 10.05 |
| ICICI Prudential Short Term Plan | 2.72 | 5.15 | 5.23 | 10.39 |
| Reliance Regular Savings Fund | 3.54 | 5.69 | 6.72 | 6.45 |
| Templeton India Short Term Income Plan | 3.87 | 6.19 | 7.46 | 10.55 |
| Crisil Short Term Bond Fund Index | 3.19 | 4.80 | 4.78 | 7.77 |
| Average | 3.46 | 4.82 | 5.07 | 7.69 |

Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : Annualised Returns(%)/as on August 16, 2010

Long-term income funds.... benefited from declining yields as rate hike pressures cooled off...

Exhibit 42: Top recommended income long-term funds

| Particulars/Period | 1 M | 3 M | 6 M | 1 Yr |
|--|-------|------|------|-------|
| Canara Robeco Income | 1.98 | 6.18 | 4.75 | 14.32 |
| Fortis Flexi Debt Fund - Regular Plan | 1.40 | 4.06 | 3.96 | 11.41 |
| HDFC High Interest Fund | 2.65 | 7.07 | 5.39 | 9.92 |
| ICICI Prudential Income Plan | 0.99 | 4.23 | 3.11 | 13.33 |
| Templeton India Income Fund | -0.33 | 3.13 | 4.01 | 7.12 |
| Benchmark - Crisil Composite Bond Fund Index | 2.62 | 5.89 | 5.10 | 7.82 |
| Category Average | 2.37 | 5.51 | 4.77 | 8.09 |

Source: CRISIL Fund Analyser, ICICIdirect.com Research

Note : Annualised Returns(%)/as on August 16, 2010

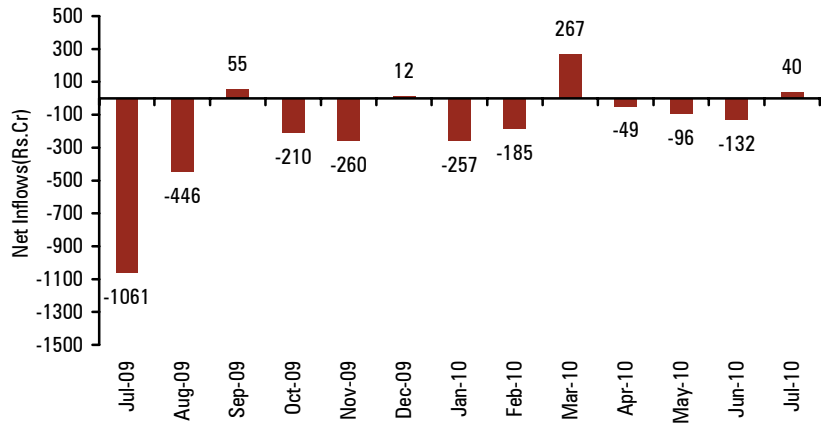
View
Short-term: Neutral
Long-term: Neutral

Fears of rising interest rates for the past few months has led to no fresh money coming in for the funds ...

Gilt Funds

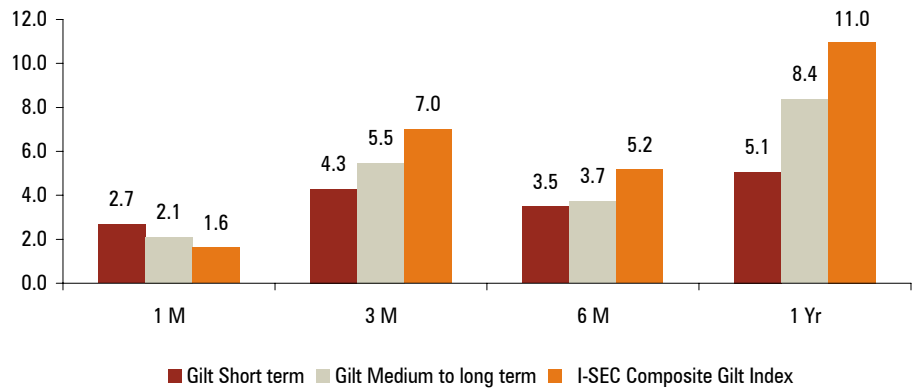
- G-sec yields across the curve are expected to move up and remained in the range of 7.45-7.85% levels
- Gilt funds are more volatile than income funds. Therefore, in any adverse interest rate movement the impact of mark to market loss is high in the category
- We expect yields to be range bound with an upward bias and advise investors to stay away from G-Sec funds

Exhibit 43: Net fund flow (Total purchase – Total sales)



Source: AMFI, , ICICIdirect.com Research

Exhibit 44: G-Sec funds return analysis



Source: Crisil Fund Analyser, ICICIdirect.com Research

Note : Returns are annualised returns as on July 15, 2010

Exhibit 45: Top recommended gilt funds

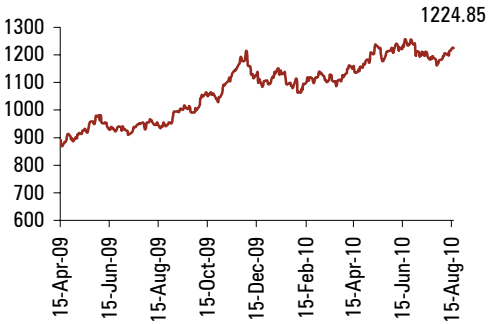
| Particulars/Period | 3 M | 6 M | 1 Yr | 3 Yr |
|---|-------|------|------|-------|
| Birla Sun Life Gilt Plus - Regular Plan | -3.11 | 1.97 | 1.67 | 8.24 |
| Templeton India G-Sec Fund - LTP | -2.13 | 1.27 | 1.04 | 9.66 |
| DSP BlackRock Govt Sec Fund | 1.85 | 6.85 | 4.62 | 14.89 |
| ICICI Prudential Gilt - Treasury | 2.58 | 5.25 | 4.25 | 11.42 |
| I-SEC Composite Gilt Index | 1.61 | 7.00 | 5.17 | 10.98 |

Source: Crisil Fund Analyser, , ICICIdirect.com Research

Note : Returns are annualized returns as on June 14, 2010

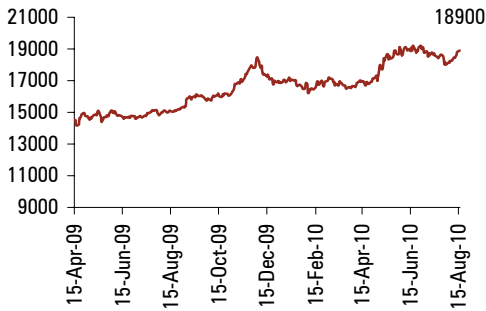
Gold ETF

Gold(\$/Ounce)



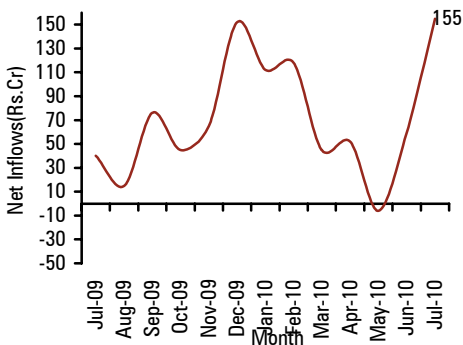
Source: Bloomberg, , ICICIdirect.com Research

Gold (Mumbai Spot)



Source: Bloomberg, , ICICIdirect.com Research

Fund Flow (Total Purchase- Total Sales)



Source: AMFI, , ICICIdirect.com Research

- According to our expectations, gold prices consolidated around US\$1165/troy ounce and made a comeback again above US\$1200/troy ounce on a nine-day continuous upward rally
- Initially, both the US dollar and gold fell together in tandem. The euro continued to rise and surpassed the US\$1.32 mark. After touching US\$1165, however, gold has started moving up, while the US dollar continued to fall, thus restoring the normal inverse relationship between the two. If the trend prevails, it may provide further support to gold prices
- Some redemption was seen in gold ETFs during the past month due to the fall in prices. However, the amount was not very huge. Gold holdings by SPDR gold shares fell from ~1316 tonnes during early July to ~1282 during late July. Some improvement, however, has been seen after that
- Though silver prices also fell during the past month following gold towards ~US\$17.5/troy ounce in the spot market, the fall was comparatively modest, as it got support from the rise in industrial metals prices. We expect silver prices to remain firm, going forward
- After a decent rise from ~US\$1165 towards US\$1210, gold prices are looking stronger and should face immediate resistance at ~US\$1220. A successful breach of this level on a closing basis would help gold to go up towards US\$1245 in the spot market. Failure to do that, however, may drag gold towards US\$1180 again. We expect range bound movement in gold in the short-term
- We continue to reiterate our positive view on gold for the medium to longer term. In the short-term we may see some volatility

Model Portfolios

Equity funds model portfolio

Investors who are wary of investing directly into equities can still get returns almost as good as equity markets through the mutual fund route.

We have designed three mutual fund model portfolios, namely, conservative, moderate and aggressive mutual fund portfolios. These portfolios have been designed keeping in mind various key parameters like investment horizon, investment objective, scheme ratings and fund management.

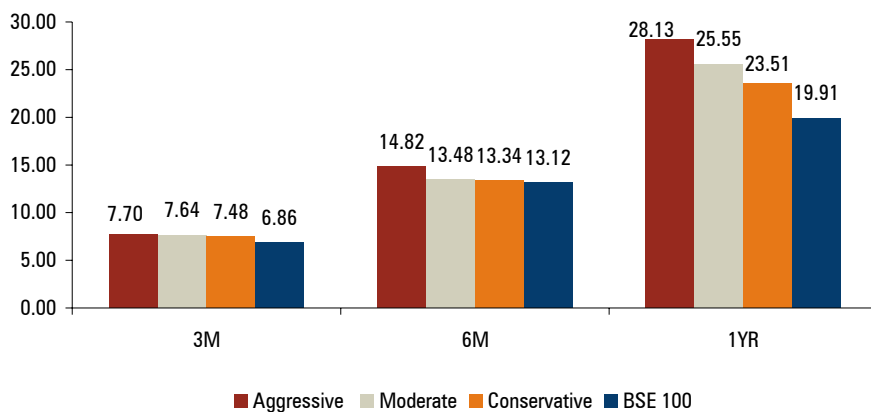
| | |
|-------------------------------|-----------|
| Aggressive portfolio | |
| What's In? | |
| | No Change |
| Moderate portfolio | |
| | No Change |
| Conservative portfolio | |
| | No Change |

Exhibit 46: Equity model portfolio

| Particulars | Aggressive | Moderate | Conservative |
|--------------------------------|------------------------|-----------------------------|-----------------------|
| Time Horizon | 1 – 2 Years | 2- 3 Years | Above 3 Years |
| Review Interval | Monthly | Monthly | Quarterly |
| Risk Return | High Risk- High Return | Medium Risk - Medium Return | Low Risk - Low Return |
| Funds Allocation | % Allocation | | |
| Core | | | |
| ICICI Prudential Dynamic Plan | 20 | 20 | 20 |
| HDFC Top 200 | 20 | 20 | 20 |
| Birla Sunlife Frontline Equity | 20 | 20 | - |
| Franklin India Prima Plus | - | - | 10 |
| Sub Total(a) | 60 | 60 | 50 |
| Satellite | | | |
| Sundarm Select Midcap | 20 | 20 | 20 |
| Sub total(b) | 20 | 20 | 20 |
| Debt | | | |
| Biral Sunlife Dynamic Plan | 20 | 10 | 20 |
| ICICI Prudential Income Fund | - | 10 | 10 |
| Sub total (c) | 20 | 20 | 30 |
| Grand Total(a+b+c) | 100 | 100 | 100 |

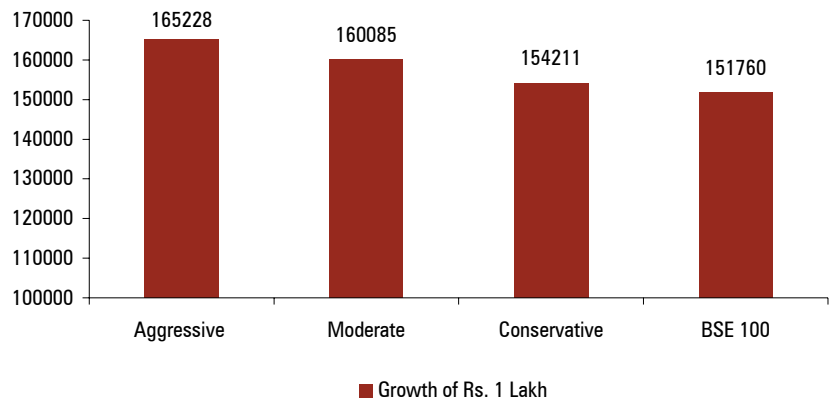
Source: , ICICIdirect.com Research

Exhibit 47: Equity model portfolio performance



Source: Crisil Fund Analyser, ICICIdirect.com Research
Returns as on August 16, 2010

Exhibit 48: Value of investment of Rs 1,00,000 since inception



Source: Crisil Fund Analyser,, ICICIdirect.com Research
 Returns as on August 16, 2010
 Date of inception of portfolios: May 15, 2009

Debt funds model portfolio

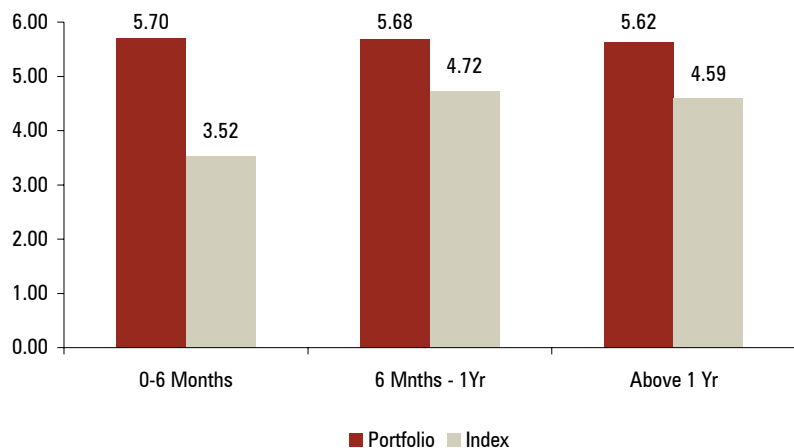
We have designed three different mutual fund model portfolios for different investment duration namely less than six months, six months to one year and above one year. These portfolios have been designed keeping in mind various key parameters like investment horizon, interest rate scenarios, credit quality of the portfolio and fund management, etc.

Exhibit 49: Debt funds model portfolio

| Particulars | Time Horizon | | |
|------------------------------------|--------------------------------|--------------------------------|------------------------|
| | 0 – 6 months | 6months - 1 Year | Above 1 Year |
| Objective | Liquidity | Liquidity with moderate return | Above FD |
| Review Interval | Monthly | Monthly | Quarterly |
| Risk Return | Very Low Risk - Nominal Return | Medium Risk - Medium Return | Low Risk - High Return |
| Funds Allocation | % Allocation | | |
| Ultra Short term Funds | | | |
| Fortis Money Plus | 20 | 20 | - |
| DWS Ultra Shortterm Plan | 20 | - | - |
| Short Term Debt Funds | | | |
| HDFC High Interest Short Term Fund | 20 | 20 | 20 |
| Birla Sun Life Dynamic Bond Fund | 20 | 20 | 20 |
| Reliance Short term plan | 20 | 20 | 20 |
| Long Term Debt Funds | | | |
| Fortis Flexi Debt | - | 20 | 20 |
| Canara Robeco Income Fund | - | - | 20 |
| Total | 100 | 100 | 100 |

Source: , ICICIdirect.com Research

Exhibit 50: Model portfolio performance



Source: Crisil Fund Analyser, , ICICIdirect.com Research

Note : Returns are Annualised return % as on August 16, 2010

*Index: 0-6 months portfolio – Crisil Liquid Fund Index,
 6 months-1 year – Crisil Short term Index
 Above 1 year: Crisil Composite Bond Index

What Changed?

0-6 Month Portfolio Allocation

No change

6M-1Yr Portfolio Allocation

No change

Above 1 Yr Portfolio Allocation

No change

Investment Strategy

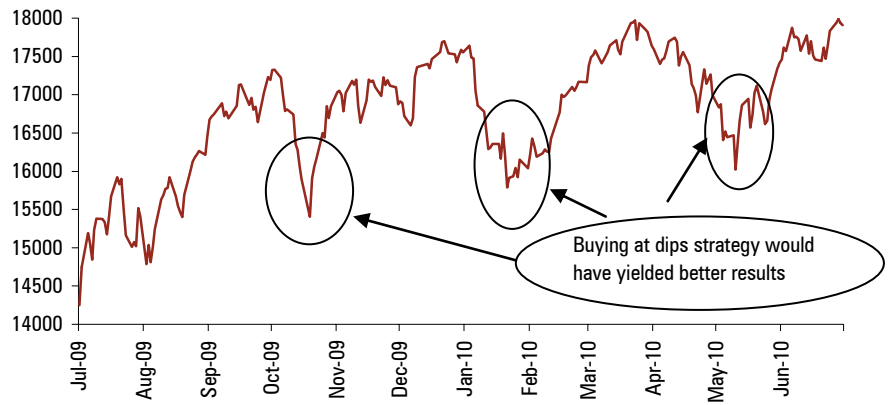
Rather than timing the market, it is better to remain invested. Fresh investment should be staggered either in systematic way or utilising every small dip...

Money markets yields are currently trading at higher levels providing investment opportunity in liquid and ultra short term funds...

We expect 7.80% 10 year G-Sec yield to trade in the range of 7.75-8.00% in the short term. Some allocation to income funds may be allocated with more than one year investment horizon...

- Investor’s appetite for equity investment at lower levels seems to be very strong and the same was reflected in the sharp pullback in the market in the first half of June 2010
- Domestic institutional investors have been on the sidelines at current levels indicating their valuation discomfort. FIIs have been net buyers and are expected to decide the trend. In the absence of their inflows due to negative global development, markets may witness some correction
- With headline benchmark indices expected to trade in a range, mutual funds have the ability to outperform due to stock selection as they have done during the last one year
- The investment horizon needs to widen to capitalise on the full potential of equity market as performance in the short-term may be muted due to higher valuations
- However, strong domestic fundamentals and appetite for Indian equities, as can be seen from the sharp pull back outperforming all other major global markets in the last one year, makes a strong case for investment by utilising every dip to build the portfolio
- We are cautiously optimistic on the market and prefer a balanced approach towards large caps and midcaps. Currently, it is a stock pickers market. Therefore, we prefer diversified multicap funds to capitalise on the stock selection opportunities arising in market
- We believe the debt market is offering good investment opportunity both at the shorter end of the curve (three months to one year) and at the longer end of the curve
- Short-term and conservative investors should invest in liquid and ultra short term funds to take advantage of the current higher yields due to liquidity crunch
- Aggressive investors may look at investing some portion of the portfolio in the longer duration income funds with more than one year investment horizon

Exhibit 51: Markets at higher levels increases downside risk



Source: Bloomberg, ICICIdirect.com Research

Exhibit 52: Top picks

| | Short Term | Long Term | |
|-----------------------|------------|-----------|---|
| Equity | | | |
| Largecaps | Neutral | Positive | Birla Sunlife Frontline Equity Fund HDFC Top 200 ICICI Pru Focussed Equity Fund Fidelity Equity Reliance Regular Savings Equity |
| Midcaps | Neutral | Positive | Sundarm Select Midcap Fund IDFC Premier Equity ICICI Prudential Discovery Fund |
| ELSS | Positive | Positive | HDFC Tax Saver ICICI Prudential Tax Plan Fidelity Tax saver |
| Equity Infrastructure | Positive | Positive | Reliance Diversified Infrastructure Birla Sunl Life Infrastructure |
| Debt | | | |
| Liquid Funds | Positive | | HDFC Cash Mgmt Saving Plan Reliance Liquid Treasury Plan |
| Short Term Debt Funds | Neutral | - | HDFC High Interest Short Term Fund Birla Sun Life Dynamic Bond Fund ICICI Prudential Short term plan |
| Ultra Short Term | Positive | - | Fortis Money Plus Fund DWS Ultra Short Term Fund ICICI Pru Flex. Income Premium |
| Income Funds | Neutral | Positive | Fortis Flexi Debt ICICI Prudential Income Fund HDFC High Interest Fund |
| Gilts Funds | Neutral | Negative | ICICI Pru Gilt Fund Treasury Plan Templeton India G-Sec Fund Birla Sunlife Gilt Plus |
| MIP | Positive | Positive | Birla Sun Life MIP II Savings- 5 Reliance Monthly Income Plan HDFC MIP - LTP |
| Arbitrage | Negative | Neutral | UTI SPREAD Fund ICICI Prudential Eq. & Deriv. Fund Opt. HDFC Arbitrage |

Source: ICICIdirect.com Research

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