January 2014

ABCHLOR®
Investment Advisors (P) Ltd.

INVEST GUIDE

Your partner for Success in future

Save taxes up to Rs. 35,535/-^

^ The total tax savings of Rs. 36,535/- is applicable to investors in the highest income tax bracket in India.

CEO's DESK

Dear Investors,

ABHINAV ANGIRISH
C.E.O. & MANAGING DIRECTOR

The key benchmark indices viz. S&P BSE Sensex & CNX Nifty ended 2013 on a fairly positive note, with gains of 8.98 % and 6.76 % respectively during the year. Sensex also reached all-time high of 21,483 points on 9 December, a day after the BJP swept the assembly elections in three states. Although large cap indices have made decent gains during the year but rally was not broad-based. BSE Midcap and BSE Small cap indices went down by 5% and 11% during the year. While Sensex is currently trading above its previous peak levels attained in 2008 and 2010, BSE Midcap and BSE Small cap indices are still lower by 34% and 53% respectively from their all-time highs reached in 2008. Among sectors IT and technology were top performers while Realty and Consumer Durables were laggards during the year.

The year2013 proved very volatile for Indian rupee in which it plumbed new depths, sliding 20% from the start of the year to a lifetime low of Rs. 68.85 per dollar on 28 August. It has since recovered to around Rs. 62 per dollar, but still lost about 11% during the year. The Net FII investments in India during CY2013 have been inflow of $20.1 billion in equities and outflow of $7.97 billion in debt. This was the second-highest yearly FII flow for the Indian Market. Inflation, as measured by Wholesale Price Index, rose to 7.52% in the month of November from 7% in October and 6.46% in September, driven by increase in food prices. The inflation rate was 7.24% during the corresponding month of the previous year. Food inflation based on WPI has jumped from 19.93% in November from 18.19% in October.

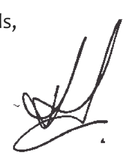
During the second quarter of FY2014, GDP growth paced higher to 4.8% from 4.4% in the previous quarter driven largely by export and agricultural performance. The combination of a slight improvement in the Indian economy, combined with the prospects of a market-friendly government after the elections and the relief of a light version of Fed tapering are the causes of a much better performance in the Indian markets recently. A rebound in exports, reduction in trade deficit, agricultural growth due to good monsoons, improvement in various macro-economic indicators and gradual acceleration of economic growth shows that the economy is in the recovery stage.

Going forward election outcome will be keenly watched. There may be a high degree of volatility in the markets in the run-up to the general elections. Once elections are over, investment cycle is also likely to kick off as it will bring more clarity towards policy and reforms. Thus the macroeconomic environment is poised for an improvement in 2014 which will have a trickle-down effect on micro numbers and will be beneficial for corporate performance. Overall, we are very optimistic about markets going ahead as we are currently at the bottom of the earnings cycle with a strong possibility of an up cycle ahead.

At roughly 14.5x next year's earnings, the market is trading at a slight discount to its 20-year average of 15.6x. We think that notwithstanding recent gains, market valuations are undemanding at these levels. There is room for PE multiple expansion as earnings growth rebounds to the trend line and possibly swings higher over the coming years. In our view equities are set for a good start and a 3 year rally is in store. Mid and small caps are still to participate in market rally which is currently on. Currently, most of small- and mid-cap stocks are valued at far below their intrinsic value. At these times, there lies an opportunity for the equity investors to pick some quality scrips at attractive prices. However, investors should go for stocks with a strong balance sheet, healthy cash flow, low debt and quality management. Our advice for our mutual fund investors will be to stay invested and start building their portfolio by investing systematically.

HAPPY NEW YEAR TO ALL OUR READERS AND INVESTORS!!! AND HAPPY INVESTING!!!

Regards,



ABHINAV ANGIRISH

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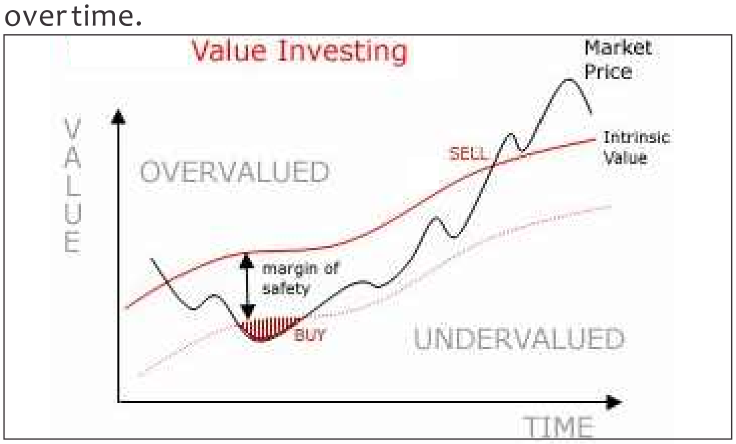
Value Investing - A sound and principled approach to equity investing

Equities are really the best performing asset class over long-term and therefore it should be a preferred instrument for long-term wealth creation. However, in order to understand fine nuances of equity investing and style diversification, it is important to know about various approaches of equity investments. Value investing is one of the two most prominent investment approaches globally, other one being growth investing. While many market experts proclaim India to be a growth market where growth investing is the more suitable investment style, the truth is that Indian markets offer an equally good opportunity to use value investing.

What is Value Investing?

Value Investing is the process by which an investor buys into a stock at a price that is reasonably lower than its intrinsic value, with the assumption that the gap will reduce. Assume that the intrinsic value of a stock is 100, and the current stock price is 60. The value investor buys the stock now, with the belief that the stock price will converge towards its intrinsic value over time.



Value manifests itself when companies experience temporary setbacks - unprofitable business decisions, management or regulatory changes, business cycle downturns and so on - that often push their stock prices down. That is when smart investors pick them, at a significant discount to their intrinsic (underlying) value and hold them until they bounce back.

As per Warren Buffet "Intrinsic value can be defined simply as the discounted value of the cash that can be taken out of a business during its remaining life." Going by this definition of value, Value Investing is all about estimating what a security is worth, buying into it and holding till the value is realized.

Origins of Value Investing

Benjamin Graham is regarded as the father of value investing. He along with David Dodd, both professors at Columbia Business School introduced the concept of 'Margin of Safety' which is the cornerstone of value investing. This concept was first introduced in Security Analysis, a book co-authored by them in 1934. Margin of safety is the difference between the market price and the calculated (intrinsic) value of the stock. Legendary investor Warren Buffet is the most famous proponent of value investing.

Value vs. Growth Investing

Which strategy is better? The truth is that Value and Growth are not two competing camps, but two distinct schools of investing with different fundamentals and characteristics. While Value Investing is focussed on valuation anomalies and buying stocks that trade at less than their intrinsic value, Growth Investing focuses on stocks which have a high earnings growth rate and are likely to be expensive as expectations are high.

Value investors are strictly concerned with the here and now; they look for stocks that, at this moment, are trading for less than their apparent worth. Growth investors, on the other hand, focus on the future potential of a company, with much less emphasis on its present price. Under growth style, investors look for companies with the best prospects for above-average growth. They believe that buying companies whose earnings are growing faster than the economy is the best way to a get good rate of return.

Usually value stocks are available during times of controversy or a mishap that the market has not assessed in terms of its impact. As against this, growth investing would imply that a stock is available at a reasonably high P/E multiple but with the potential of growing even more or faster than the overall market growth over a period of time. However, since the margin of safety is compromised in this case, the risk levels move up.

Both styles have their merits and perhaps come into prominence at different phases of the market cycle. The points below are some basic parameters that characterize Value and Growth, but they are by no means complete reckoners as there are many more factors and investment criteria that go into evaluating companies.

Characteristics of Growth Investing

It seeks out companies with above average potential with an earnings growth rate that's higher than that of the overall market - no matter what the price.

- High earnings growth rate
- High sales growth rate
- No or low Dividend Yield

Characteristics of Value Investing

Invests in sleeping giants - businesses that are going south and trading at a bargain price, but with earning potential that the market has underestimated or passed off as below par.

- Low P/E Ratio
- Low Price/Book Ratio
- Low Price/Sales Ratio
- Low Price-Cash flow
- High Dividend Yield

Some Quantitative Ratios used for Value Investing

Below are the brief definitions of some quantitative ratios that are used to identify value stocks. While for dividend yield, RoE and RoCE, the higher the number the better it is, for the remaining factors, the lower the number, the better it is.

- **P/E ratio:** The P/E or Price to Earnings Ratio is a ratio of a company's share price to its earnings per share. In general, a high P/E suggests higher expected earnings growth in the future.
- **PEG ratio:** The PEG or Price-Earnings to Growth Ratio is a widely used indicator of a stock's potential value and preferred over the P/E ratio as it also takes earnings growth into account. Calculated as a ratio of a company's price earnings to earnings growth, a PEG of less than 1 is considered undervalued and vice-versa.
- **P/B ratio:** The P/B or Price to Book ratio is used to compare a stock's market value to its book value. It is calculated by dividing the price of the stock by the book value per share. A lower P/B ratio could mean that the stock is undervalued.
- **EV/Sales:** Enterprise Value is calculated as a sum of market capitalization and debt minus the cash and cash equivalents. Think of it as the buyout price. The EV/Sales ratio compares the enterprise value of a company to the company's sales. Generally, the lower the EV/Sales, the more undervalued the company.
- **EV/EBIDTA:** Enterprise Value to EBIDTA or Earnings before Interest, Taxes, Depreciation and Amortization is often used with or as an alternative to the P/E ratio. Typically, this ratio is applied when valuing cash-based businesses.
- **Price to Free Cash Flow:** It is the ratio of the share price of a company to the free cash flow per share. A company with a high price to free cash flow ratio is considered more expensive than a company with a low price to free cash flow ratio.
- **Dividend Yield:** Dividend Yield is the ratio of the dividend per share to the price per share and it measures how much cash flow an investor

receives per unit of price paid for the share.

Simply put, it measures 'bang for your buck'.

- **ROE:** ROE or Return on Equity measures a company's profitability by revealing how much profit it has generated with the money shareholders have invested. A higher ROE indicates higher profitability.
- **ROCE:** ROCE or Return on Capital Employed measures efficiency and profitability of capital investments made by the company. A company with higher ROCE is considered more profitable and efficient and vice-versa.

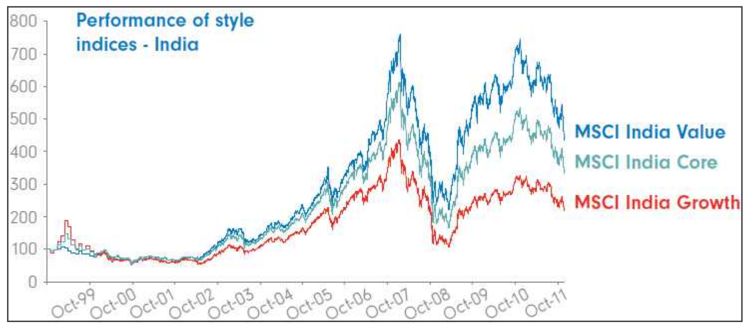
Some Qualitative Points to consider for Value Investing

- Quality of the business and growth prospects
- How long has the company been public?
- Whether company is able to increase its profit margins
- High entry barriers with predictable profits
- Prefer single/focused business companies
- Zero debt or no excess debt
- Zero or less government/political interference
- High Return on capital employed
- Invest in low capital intensity business
- Good cash flow that enable future expansion and dividend payouts
- Invest when stock available at ridiculous or throw away price compared to intrinsic value of the business
- Management should be honest and competent with transparent policies and better accounting practices.
- Avoid investments in commodities/cyclical nature Companies
- Avoid start-up companies

Value investing in India

India is gradually discovering the merits of value investing. Value investing has already been a very popular investment theme globally. For instance, assets under management (AUM) of Value Funds in the US are approximately 85 per cent of the AUMs of Growth Funds. As against this, in India, AUMs of Value Funds is merely about 10 per cent of the combined AUMs of Growth Funds and funds applying other strategies. India offers value investors a deep market with a base level of transparency. The dearth of formal research coverage coupled with high volatility leaves many good businesses undervalued. For those investors who view shares of companies as fractional ownership of businesses, who have a sufficient time horizon and embrace volatility, India is a value investor's paradise.

It is clear from below chart that even in a growth market like India, Value Investing has proved itself a successful approach and has surprisingly out performed the growth style over the long term.



Source: MSCI

Advantages of Value Investing

- **Downside protection:** Value investing focuses on investing in undervalued but fundamentally strong companies. It desists from paying unreasonable prices for stocks. This helps reduce the risk of loss in the long term due to this built-in margin of safety. Also, typically, the decline posted by value stocks is less in a bear phase vis-à-vis that posted by growth stocks. Value investing focuses more on the investor's cost; lower the cost, higher the margin of safety.

- **Diversification in investment style:** Diversification is a key reason for investing a part of your portfolio in value style mutual funds. Since various investment strategies work well in different market environment, diversification across investment styles (growth and value) ensures that a part of your portfolio will do well at all times.

Drawbacks in Value Investing

Value unlocking takes time: Value investors need to be extremely patient & should have the courage to ignore the market fad. Since these stocks are out of the market radar and low returns keep 'momentum investors' away from it, it may take a long-time for the value to be recognized and unlocked even after discovering the right stock.

- **Under performance in bull markets:** The investors should understand that while value style mutual funds are better off in a bearish phase, they may lag the market in a bullish phase as they invest in undervalued stocks and not high growth stocks. The exception, however, would be those stocks which get re-rated from value to growth once they are discovered by the market at large. The unlocked value from such stocks can provide a significant upside.

Conclusion

In conclusion, as compared to growth strategy, value investing approach is definitely a less risky strategy as the downside risk is relatively lower. But at various points in the market cycle, there could be different phases where sometimes growth style outperforms and at other times value style would come into prominence. Therefore it is prudent for investors to allocate funds to both styles of investments so as to even out the performance in either scenario of market movements.

Value stock picking is an art which is acquired with investment experience over the time. For value investing a proper analysis is necessary prior to investing - such as reconciling market value and book value as well as estimating intrinsic value. But many investors may not be equipped to conduct the analysis on their own. Therefore, in order to avoid making a wrong decision, those investors can choose the mutual fund route by investing in value funds, thereby benefitting from professional fund management.

In order to become successful an important factor which value investors need to have is to take a long-term view. There can be periods when value stocks do not perform but over the long term, value investing has proved itself world over as a sound method for profitable investing in equities. This approach requires patience, which would eventually lead to considerable gains. Thus the key to profit from this investment style is to stay with the investment for the long term.

Do you have a query or need guidance on any investment matters? Contact your wealth manager or call us on +91 22 4071 3322.

Save taxes up to Rs. 35,535/-^

^ The total tax savings of Rs. 36,535/- is applicable to investors in the highest income tax bracket in India.

Equity Linked Saving Scheme (ELSS)

Equity Linked Saving Scheme or (ELSS) is suitable for investors having a high risk profile as returns in ELSS fluctuate depending upon the equity market and there are no fixed returns. ELSS schemes are open ended, that is, investors can subscribe to the fund at any day. NAV or the price of the fund is declared on every business day.
Come January and many amongst us wake up from the year long slumber to a panic that requires us to complete the commitments on tax planning. The looming deadline to submit the proof of our tax saving investments to the payroll / HR gives us headaches.

Tax-saving funds strive to make the most of the three-year lock-in, as a fund manager has time for long-term investment calls. And it is because of lock-in ELSS funds usually have a buy-and-hold kind of a portfolio due to the certainty of investment for some time; therefore, churn in such portfolios is usually far less.

Under the various avenues available to us, tax saving can be done under the following broad headings:

- Under sec 80C & 80CCC – investments to save on tax up to the permissible limit.
- Under sec 80D – medical insurance premium paid for self, family and parents.

So what are the most common options available under sec 80C and 80CCC:

- Pension Policy and Life Insurance Premiums.
- Provident Fund contribution.
- Principal repayment of Home Loan.
- And the shortest in terms of Lock-in period: investment in *ELSS*.

ELSS is one ofthe easiest investments under Sec 80C, wherein investors enjoy both the benefits of capital appreciation, as well as tax benefits. Usually, with the financial year coming to a close and sentiments towards equity markets turning positive, investments in ELSS generally rise.

Tax saving mutual funds or ELSS is an equity diversified fund where investors enjoy both the benefits of capital appreciation, as well as tax benefits along with the option of having the funds available after only after the 3 year lock-in period.

What are the significant features of ELSS?

An ELSS is a diversified equity mutual fund which has a majority of the corpus invested in equities. Since it is an equity fund, returns from an ELSS fund reflect returns from the equity markets. This type of mutual fund has a lock in period of 3 years from the date of investment.

This means if you start a Systematic Investment Plan in an ELSS, then each of your investments will be locked in for 3 years from the respective investment date.

Investors can exit ELSS by selling it after 3 years. However, the fund may be treated as a regular investment in an equity fund after the completion of 3 calendar years. Similar to other equity funds, ELSS funds have both dividend and growth options. Investors get a lump sum on the expiry of 3 years in growth schemes. On the other hand, in a dividend scheme, investors get a regular dividend income, whenever dividend is declared by the fund, even during the lock-in period. For tax purposes, returns from an ELSS scheme are tax free. You can claim up to Rs. 1 lakh of your ELSS investment as a deduction from your gross total income in a financial year under Sec 80C of the Income Tax Act. However, investors choosing Dividend Reinvestment option must bear in mind that the lock-in period for the reinvested dividend starts the cycle of the three year lock-in period from the day of reinvestment added back to the fund.

What should you look in an ELSS fund? While all funds come with a disclaimer "... past performance does not guarantee..." it is nevertheless important to look at the long term performance of the fund before we invest in it. Also it would be prudent to look at the fund details like the fund manager's investment approach, portfolio of the fund, the expense ratio of the fund and how volatile the fund has been in the past.

Advantages of ELSS over other tax saving instruments:

Compared to traditional tax saving instruments like Public Provident Fund (PPF), National Savings Certificate (NSC) and bank fixed deposits; the lock in period of an ELSS fund is much lower. While ELSS investment is locked in for 3 years, PPF investments are locked in for 15 years, NSC investments are locked in for 6 years, and bank fixed deposits eligible for tax deduction are locked in for 5 years. As ELSS is an investment in equity markets and investing in this for a long term can give you better returns compared to other asset classes over the long term. You can also opt for SIP investments, which bring about discipline in regular investing. You can also get income from your investment amount in the lock in period if you opt for a dividend payout option.

What are the disadvantages of an ELSS?:

ELSS is not for risk averse investors. As ELSS investments are per se stock market investments, all risks associated with equity investments can be associated with an ELSS fund. So, if you prefer low but stable returns, as an investor you are better off avoiding ELSS if you do not wish to take this risk. Another disadvantage of ELSS is that you cannot withdraw your funds before the maturity date. Other instruments like PPF and bank deposits permit premature withdrawal, subject to certain conditions. But do remember that ELSS offers upfront savings of tax under sec 80C that PPF and bank deposits would not.

Is ELSS still accepted as a mode of tax saving u/s 80C currently?

ELSS treatment after the introduction of Direct Tax Code (DTC) ELSS was excluded as a tax saving instrument as per the last draft of the DTC. So your investment in ELSS will not get you a deduction from your income under Sec 66 (which is a replacement of Sec 80C under DTC). But only the draft version of the DTC has been released. So it remains to be seen if the mutual fund industry can get the Government to include ELSS as a tax saving instrument in the final version of the DTC. High inflows into ELSS funds are determined by the performance of the stock market in general. Also, if an investor gets better tax-adjusted returns from other investment avenues like debt, he will prefer to go for this, as risk is lower. But over a long term, ELSS funds are the best tax saving instruments; especially if you are an investor who can take on high risk. The success of this category of mutual fund depends on the tax treatment it receives under the DTC.

Mutual funds Vs ELSS (difference between ELSS and Mutual fund)

The main differentiator between a regular Mutual Fund and an ELSS is:

- ***Tax Free:*** There is no ceiling for investments in ELSS however investments in ELSS qualify for tax deductions under sec 80C of the income tax act subject to a maximum of Rs 100000 in a financial year whereas investments under normal mutual fund do not qualify for income tax deductions. Any dividend received or long term capital gain earned by the investor is tax free. Long term capital gain arises on selling units of mutual fund after 1 year of purchase. Since there is a lock in period of 3 years every investor will realize long term capital gain/loss on selling their holdings.

- ***Lock – In:*** ELSS has a lock in period of 3 years unlike other kinds of mutual funds.

Options while making an investment in an ELSS

- **Growth option** – In growth option income earned by the fund is not distributed to unit

- holders, Investor do not earn any dividend during the time it holds the fund. Any income/profit earned by the fund increases the NAV of the fund and vice versa. Whenever the investor sells its holdings he will realize long term capital gain/loss.

- **Dividend option** – In this option the fund distributes income earned by the fund to the investors as dividends. The date of distribution is declared by the fund, however if the fund has negative income it will not distribute any dividend. Any dividend received by the investor is not liable for tax in the hands of investors.

- **Dividend reinvestment option** – If the investors choose this option the dividends declared by the fund are reinvested. For example an investor is holding 10000 units of a fund and the fund declares dividend @ 1.5 per unit, the total dividend of 15000 (10000*1.5) will be reinvested on behalf of the investor as a fresh purchase. The investor can claim deductions to the tune of dividend received which is Rs 15000 in this case

Systematic investment Plans or Monthly investment in ELSS:

Monthly investments on a pre specified date in mutual funds is possible through Systematic Investment Plan (SIP). An investor has the option of investing monthly in equity linked savings schemes with a minimum investment of Rs 500. This type of investment is better suited to small investors who cannot invest a lump sum amount. SIP has the benefit of averaging out the cost of investors. As the amount of investment is fixed the units purchases every month varies depending upon the NAV of the fund. At a higher NAV the investor gets fewer units and more number of units at a lower price thus averaging out the cost of investors

Some advantages of ELSS over PPF and NSC:

PPF and NSC are popular tax savings instruments issued by the Government of India. Public provident fund (PPF) has a lock in period of 15 years; National savings certificate has a lock in period of 6 years in comparison to ELSS which has a lock in period of 3 years only. PPF and NSC have a fixed rate of return somewhere close to 8% to 9% whereas return in ELSS varies depending upon the market fluctuation, however past performance of some ELSS funds shows an average return of 15% to 25% over a period of time.

Key points to remember

- Equity linked savings schemes is a type of mutual fund with 3 years lock in period and tax benefits attached,

- There are three types of options in ELSS, dividend option growth option and dividend reinvestment option.

- Tax benefits on investment in ELSS may soon be phased out with the introduction of direct tax code.

- Investors can opt for systematic investment plan. Minimum investment required in SIP is Rs 500. An investment through SIP has a disadvantage as every monthly investment carries a lock in period.

- If an investor chooses dividend reinvestment plan the dividend reinvested is considered as a fresh purchase and has a lock in period of 3 years from the date of purchase so the dividend reinvested is further locked for a period of 3 years.

- ELSS has the potential to give higher returns as these funds invest in equity market which have given an average return of 15 years in a long term scenario. Returns in ELSS also fluctuate depending upon the stock selection decision of the fund manager.

- SIP helps in averaging out the cost of investors, however if the investor backs out from SIP when the markets are falling he won't be able to average out his cost.

How to Apply for ELSS:

As in applying for any new Mutual Fund, an investor needs to comply with KYC regulations to subscribe to a New or open ended fund. Know your customer (KYC) is mandatory whereby investor needs to provide some personal details like PAN no etc. KYC helps in reducing financial fraud. After complying with KYC the investor can approach to Asset management companies for subscribing to ELSS, Investor has to provide a photocopy of PAN Card along with the subscription form; the form should be filled properly and signed by the investor. The subscription form and a cheque leaf of the investment amount should be submitted with the AMC. In case of SIP (systematic investment plan) one additional form should be filled and signed by the investor. The Investor has to select a date of SIP from the options provided in the form. The Installment amount will be deducted from the investor's bank account on that day of every month till further notice from the investor.

** The Sharpe ratio tells us whether a portfolio's returns are due to smart investment decisions or a result of excess risk. This measurement is very useful because although one portfolio or fund can reap higher returns than its peers, it is only a good investment if those higher returns do not come with too much additional risk.*

A quick check list to chose ELSS

- **AUM** – Asset under management is the amount of money the fund is managing. Higher AUM implies that the fund has many investors and has a good reputation.

- **Past performance** – If the fund is performing well in the past, it is expected that the fund will keep performing well in the future. Generally we look at the past 3 yrs 5 yrs and 10 yrs return of the fund.

- **Sharpe ratio*** – Sharpe ratio is used to calculate risk factor of the fund's portfolio. Sharpe ratio of the fund should be near 1.

The better ELSS funds:

ELSS Funds	Returns						
	3 months	6 months	1 year	2 years	3 years	5 years	rating
Can Robeco - Equity TaxSaver Reg (G)	9.47	14.06	4.91	15.63	4.97	-	*****
ICICI Pru - Tax Plan Reg (G)	14.49	24.25	10.16	21.19	5.17	25.74	*****
Reliance - Tax Saver (G)	19.93	16.3	12.48	20.79	4.53	20.97	***

**Returns up to 1 year is absolute and over one year is compounded annualised.*

A note to all investors:

As per the recommendations of the New Direct Taxes Code (DTC) which is likely to be implemented soon, investment in a tax-saving fund or ELSS may get affected from the FY 2013-2014, though there is no confirmation on the same yet.

Currently, in the final draft of the new tax code, no tax breaks have been provided in case you invest; only retirement-oriented investments are eligible, ELSS are not. Many experts therefore opine that ELSS will lose tax-saving advantage in the current form of the DTC, if passed. But there's a clear need for retail investors to participate in equity markets. However with elections less than 6 months away, taking away this financial incentive through tax savings may not augur well for the incumbent government."

Footnote: Even if one has completed her / his investment planning for the year, investing in Equity MF for those with a risk appetite should not wane. Here ELSS helps you make a disciplined investment and does not allow you the temptation to withdraw prematurely. Alternatively, one must constantly look to build a corpus thru various modes of investments by way of Equity, Equity MF and Debt Funds (under guidance of a qualified advisor and after ascertaining one's own risk bearing appetite), Bank and Corporate FDs, Government securities and Gold as well through ETFs or Funds if not physical gold which comes with various risks including risk of storage and security.

Further, keeping in line with what Abchlor Investments has been urging all sitting on the fence to continue to make entry into the equity markets by way of SIPs if lump sum appears too sudden. With the RBI Governor Dr. Raghuram Rajan clearly stating that while he is very keen to curb inflation, GROWTH is to be the focus and both RBI and the central and respective state governments will work towards taming the monster called inflation while feeding the child called growth.

Rupee continues to hold its own between 61.04 – 62.33 / US$ for the last 2 months.

That brings us back to the sore point: Christmas has come and gone, so what are we waiting for now? It is imperative that we catch the upswing and general all round cheer in the markets so that as and when the next drop appears we are ready to bail out and cash in our profits. Unfortunately most investors continue to be pessimistic and wait till markets are over buoyed before entering and then lament and wail over a negatively performing portfolio. Time and again we have pointed out that one must ride with the tide and no matter how the markets are the portfolio will always smoothen out in the long run and usually towards a health positive number. Time and again through Invest guide we have advised to have a long term view on debt funds and a systematic approach to equity.

If we have not boarded the bus, it is never too late. Here is why we say that the FIIs are not running out in hurry and that if they are net buyers month on month and every month for the longest time then that FII and large players are making money while we panic at the smallest possible excuse.

FII and MF equity market entry in October, 2013.

Flows in Equity Market

Dates	Investment	Purchases (cr)	Sales (cr)	Net (cr)	Oct 13 Cum.(cr)
31.10.13	FIIs	5652.60	3870.70	+1781.90	+18012.60
29.10.13	Mfs	472.90	821.60	-348.70	-3572.90

Save Taxes and Multiply Your Investments.

FII and MF equity market shopping pre Christmas in November, 2013.

Flows in Equity Market

Dates	Investment	Purchases (cr)	Sales (cr)	Net (cr)	Nov 13 Cum.(cr)
29.11.13	FIIs	2622.30	1876.70	+745.70	+7459.60
27.11.13	Mfs	484.80	249.10	+235.70	-1293.80

Christmas Cheer in December 2013 so far (30/Dec/2013):

Flows in Equity Market

Dates	Investment	Purchases (cr)	Sales (cr)	Net (cr)	Dec 13 Cum.(cr)
30.12.13	FIIs	1507.50	1233.20	274.30	15485.50
26.12.13	Mfs	758.50	778.70	20.20	572.10

Contrary to popular myth, the FIIs have brought in ***"fresh"*** inflow of Rs. 39,306.7 crores from 01st October alone. And though the domestic MFs have been net sellers, the total amount is insignificant as compared to the total inflow into the equity funds alone. So someone is making money and is able to find value stocks at every point in the Indian stock market, so errrr… why are we not taking baby steps at least?

Happiness Alert: Health Insurance

At the risk of repeating ourselves, here is a refresher:

To all those who are self employed: Hope there will a lot left over after the hospital bills, god forbid there is a medical emergency. Or would you like us to advice you on how the headache of a large hospital bill can be someone else's liability.

To all those who are employed or in service: Did you know that you too can take a near inflation proof medical insurance for yourself while the medical insurance that your employer provides can be kept exclusively for your aged parents who would find it difficult to get new additional insurance on account of age or pre existing diseases?

You can save additonal taxes upto Rs. 4,635/- by covering yourself and your family (spouse & children).

Tackle the devil of medical bills and inflation.. Speak to us on 4071 3322

^ The total tax savings of Rs. 36,535/- is applicable to investors in the highest income tax bracket in India.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Understanding Taxation Regimes

In India, awareness about the taxation issues is very low. This time we would like to make our valued readers more aware about different taxation regimes. We often hear about different taxation systems in the media e.g. Exempt – Exempt – Exempt (EEE) and Exempt – Exempt – Taxed (EET) systems. What do these three-letter combinations mean? And why are there three letters? For this, first we have to understand different stages for tax treatment.

- **Stages for Tax Incidence**

You investment has three stages when looked at from the tax man's angle-

- **Investment Stage**

  This is the first stage. This is the time when you actually make an investment. Of course, there is no tax levied at the time of investment. However, there is a possibility of giving you some tax benefit / tax break for the investment that you make. For example, if you invest something in the Public Provident Fund (PPF) or Equity Linked Saving Scheme (ELSS), you can claim deduction of that amount from your taxable income under section 80C.

- **Earnings Stage**

  This is the second stage. This is the time when you earn from your investment. For example, you get interest on the amount invested. Here, the tax man has to decide whether this earning would be taxed or not. For example, interest earned on investments made in National Savings Certificate (NSC) is taxed, whereas the interest earned on investments made in Employee Provident Fund (EPF) or Public Provident Fund (PPF) is not taxed.

- **Withdrawal Stage**

  This is the third and the last stage. This is the time when you withdraw the money along with the accumulated earnings. Again, the tax man needs to figure out if this would be taxed or not. For example, the amount that you get at the maturity of your Public Provident Fund (PPF) account is not taxed.

- **The taxation regimes**

So what are the different taxation systems or regimes possible?

Logically, it would be all possible combinations of the two letters "E" and "T" – EEE, EET, ETE, ETT, TTE, TEE, TET, and TTT. However, where there is no tax benefit available at the first stage, the question of whether the second or third stage should be taxed is not very relevant. Thus, we have EEE, EET, ETE and ETT.

Also, either your earning would be taxed when you actually earn it or when you withdraw it, and not at both times (as that would mean that the same income is taxed twice). So, the second and third stages can't both have the "T" status.

Thus, practically speaking, there are three taxation styles:

- Exempt – Taxed – Exempt or ETE
- Exempt – Exempt – Exempt or EEE
- Exempt – Exempt – Taxed or EET

- **Exempt-Taxed-Exempt or ETE Regime**

The Exempt-Taxed-Exempt arrangement offers tax deduction to investment but earning is taxed. The withdrawal is tax-free given that tax is paid at the growth stage.

Some examples are National Savings Certificate

(NSC), Tax Saving Fixed Deposits and Senior Citizens Savings Scheme. These instruments are Tax-

deductible at Investment stage and tax-free at accumulation and withdrawal stage. Thus, the Exempt – Taxed - Exempt or ETE regime is followed for these instruments.

- **Exempt-Exempt-Exempt or EEE Regime**

Many of the tax-saving financial instruments today fall in the EEE tax regime. These investments do not tax the investors, at the time of investment, during the tenure of the investment and also at the time of the maturity.

For example, the EPF (Employees Provident Fund) make an investment up to 12% of the Basic Salary tax free for the salaried class. The return in the form of the interest given is tax free too. Also the amount withdrawn on leaving the job or closing the account is also tax free.

The situation is the same with a number of other tax saving instruments - Equity Linked Savings Scheme (ELSS) Mutual Funds and Life Insurance (subject to premium being not more than 10% of life cover).

- **Exempt-Exempt-Taxed or EET Regime**

EET tax regime is basically to exempt the tax at the time of investment and during the tenure of the investment but to tax the proceeds of the investment at the time of maturity / sale of the investment. When implemented under Direct Tax Code (DTC) this would come as a big blow to the individual tax payer.

You may think that we do get tax benefits at two places so why worry? The reason is that we are in reality never exempt from tax but only given more time to pay up the tax. Also, we pay for the growth on the investment too under EET. Thus EET is only a way to defer tax but is not tax free in spite of the two Es (exempts).

- **No More Tax Savings when EET is implemented?**

Are there no more tax saving opportunities if EET is implemented? The answer here is 'It depends' - on a number of factors. In the EET regime the tax man has a number of options for administering the tax. The maturity amount instead of being added to income may be a charged at a fixed percentage of maturity as tax (as in capital gains tax). There can be separate income head created for the investments to be taxed and different slabs even. But all these tax reducing measures goes against the principle of simplifying the taxation process.

Do you have a query or need guidance on any financial matters? Contact your wealth manager or call us on +91 22 4071 3322.

MARKET UPDATES

BEST PERFORMERS OF 2013

A' GROUP

Sr. No.	Company Name	CMP 31-Dec-13	Price On 1-Oct-13	% Change
1	Aurobindo Pharma	392.90	208.80	88.17
2	Adani Enterp.	262.30	141.50	85.37
3	Indian Bank	115.70	68.25	69.52
4	Torrent Power	119.35	71.05	67.98
5	Apollo Tyres	106.85	65.80	62.39
6	Suzlon Energy	10.35	6.50	59.23
7	JP Associates	54.45	35.10	55.13
8	Oriental Bank	228.90	147.75	54.92
9	Tata Steel	423.45	275.65	53.62
10	Tata Comm	308.80	201.35	53.36

B1' GROUP

Sr. No.	Company Name	CMP 31-Dec-13	Price On 1-Oct-13	% Change
1	BF Utilities	526.00	136.65	284.92
2	DQ Entertain.	45.70	13.07	249.66
3	Parag Shilpa	263.45	78.25	236.68
4	Jay Mahesh Infra	17.70	6.00	195.00
5	Vaibhav Global	659.70	224.50	193.85
6	Parikh Herbals	30.15	11.02	173.59
7	CEAT	320.65	128.80	148.95
8	Meghmani Organ.	9.95	4.00	148.75
9	Ricoh India	130.75	53.40	144.85
10	Ybrant Digital	7.67	3.25	136.00

WORST PERFORMERS OF 2013

A' GROUP

Sr. No.	Company Name	CMP 31-Dec-13	Price On 1-Oct-13	% Change
1	Strides Arcolab	359.95	860.75	-58.18
2	Jet Airways	292.1	373.5	-21.79
3	Pipavav Defence	44.1	52.2	-15.52
4	Rel. Comm.	130.1	148.75	-12.54
5	Wockhardt Ltd	452.35	496.3	-8.86
6	Exide Inds.	123.00	134.85	-8.79
7	United Breweries	772.7	844.4	-8.49
8	Cipla	401.30	432.50	-7.21
9	Hind. Unilever	571.8	616	-7.18
10	ITC	321.00	343.00	-6.41

B1' GROUP

Sr. No.	Company Name	CMP 31-Dec-13	Price On 1-Oct-13	% Change
1	Era Infra Engg.	15.00	104.55	-85.65
2	Satellite Engg.	31.05	180.55	-82.80
3	Star Delta Trans	92.05	440.75	-79.12
4	Cupid Trades	61.90	259.85	-76.18
5	VKS Projects	0.85	3.35	-74.63
6	Wagend Infra	11.55	41.00	-71.83
7	Goenka Diamond	6.18	20.45	-69.78
8	Radford Global	6.64	19.50	-65.95
9	Winsome Yarns	7.03	20.25	-65.28
10	I T D C	140.00	160.00	-12.50

IPO'S IN 2013

(As on 31st Dec, 2013)

Sr. No.	Company	List Date	Offer Price	List Price	Open	High	Low	Last Price	Gain/Loss
1	Tentiwal Wire	31-Dec-13	13.00	12.50	12.50	12.50	11.90	11.90	-1.10
2	Captain Poly	11-Dec-13	30.00	33.00	33.00	34.65	33.00	34.50	4.50
3	Stellar Capital	1-Nov-13	20.00	20.10	20.10	21.10	19.10	19.10	-0.90
5	Amrapali Cap	31-Oct-13	100.00	100.00	100.60	101.35	100.60	100.70	0.70
6	VCU Data Mgmt	23-Oct-13	25.00	36.25	36.25	36.25	36.25	36.25	11.25

NET INFLOWS / OUTFLOWS

Dec-13	Equiry Rs. in Crores			Dept Rs. in Crores		
	Gross Purchase	Gross Sale	Net Purchase / Sales	Gross Purchase	Gross Sale	Net Purchase / Sales
FII INVESTMENTS	171,009.30	130,765.80	40,243.50	39,993.20	52,360.20	-12,367.00
MUTUAL FUND INVESTMENTS	24,162.40	29,234.90	-5,072.50	296,155.70	169,519.40	126,636.30

SOME RECENTLY ANNOUNCED DIVIDENDS

Sr. no.	Company	- DIVIDEND -		- DATE -		
		Type	%	Announcement	Record	Ex-Dividend
1	Strides Arcolab	Special	5000	10-Dec-13	20-Dec-13	19-Dec-13
2	MphasiS	Final	170	5-Dec-13	-	22-Jan-14
3	Videocon Ind	Final	20	2-Dec-13	-	12-Dec-13
4	Alok Industries	Final	3	25-Nov-13	-	18-Dec-13
5	Wyeth	Interim	1450	25-Nov-13	6-Dec-13	5-Dec-13
6	Pfizer	Interim	3600	25-Nov-13	6-Dec-13	5-Dec-13
7	Financial Tech	Interim	100	22-Nov-13	6-Dec-13	5-Dec-13
8	Siemens	Final	250	22-Nov-13	-	15-Jan-14
9	ONGC	Interim	100	14-Nov-13	11-Dec-13	10-Dec-13
10	Sharon Bio Medi	Final	15	14-Nov-13	-	3-Dec-13
11	Readymade Steel	Interim	5	14-Nov-13	29-Nov-13	28-Nov-13
12	Rain Industries	Interim	50	14-Nov-13	28-Nov-13	27-Nov-13
13	Gabriel India	Interim	35	13-Nov-13	29-Nov-13	28-Nov-13
14	MPS	Interim	50	13-Nov-13	27-Nov-13	26-Nov-13
15	DCM	Interim	15	13-Nov-13	26-Nov-13	25-Nov-13
16	Manappuram Fin	Interim	22.5	13-Nov-13	26-Nov-13	25-Nov-13
17	Guj Gas	Interim	450	13-Nov-13	25-Nov-13	22-Nov-13
18	S R K Ind	Interim	1	12-Nov-13	5-Dec-13	4-Dec-13
19	AksharChem	Interim	25	12-Nov-13	28-Nov-13	27-Nov-13
20	CARE	Interim	60	12-Nov-13	27-Nov-13	26-Nov-13
21	Hinduja Global	Interim	50	12-Nov-13	23-Nov-13	21-Nov-13
22	Vidhi Dyestuffs	Interim	20	12-Nov-13	23-Nov-13	21-Nov-13
23	Empee Distiller	Final	10	11-Nov-13	-	19-Dec-13
24	Colgate	Interim	900	11-Nov-13	10-Dec-13	9-Dec-13
25	MCX India	Interim	70	11-Nov-13	22-Nov-13	21-Nov-13
26	Oriental Carbon	Interim	20	11-Nov-13	22-Nov-13	21-Nov-13
27	GMM Pfaudler	Interim	35	8-Nov-13	22-Nov-13	21-Nov-13
28	Max India	Interim	90	8-Nov-13	22-Nov-13	21-Nov-13
29	Take Solutions	Interim	30	8-Nov-13	22-Nov-13	21-Nov-13
30	Timken	Interim	65	8-Nov-13	21-Nov-13	20-Nov-13
31	Aurobindo Pharm	Interim	125	8-Nov-13	20-Nov-13	19-Nov-13
32	Ingersoll Rand	Interim	30	7-Nov-13	-	19-Nov-13
33	Sun TV Network	Interim	50	7-Nov-13	20-Nov-13	19-Nov-13
34	Triveni Turbine	Interim	20	6-Nov-13	19-Nov-13	18-Nov-13
35	Aarti Ind	Interim	35	5-Nov-13	20-Nov-13	19-Nov-13
36	Tara Jewels	Interim	10	5-Nov-13	20-Nov-13	19-Nov-13
37	BCB Finance	Interim	2.5	5-Nov-13	15-Nov-13	13-Nov-13
38	Aarti Drugs	Interim	30	1-Nov-13	20-Nov-13	19-Nov-13
39	Astral Poly Tec	Interim	12.5	1-Nov-13	15-Nov-13	13-Nov-13
40	Sundram	Interim	70	1-Nov-13	14-Nov-13	12-Nov-13
41	Voith Paper Fab	Final	30	31-Oct-13	-	21-Nov-13
42	JagranPrakashan	Interim	50	31-Oct-13	15-Nov-13	13-Nov-13
43	LG Balakrishnan	Interim	50	31-Oct-13	15-Nov-13	13-Nov-13
44	Fedders Lloyd	Final	10	30-Oct-13	-	4-Dec-13
45	Sonata	Interim	100	30-Oct-13	18-Nov-13	14-Nov-13
46	Aegis Logistics	Interim	25	30-Oct-13	13-Nov-13	12-Nov-13
47	S Mobility	Interim	5	30-Oct-13	11-Nov-13	8-Nov-13
48	Mayur Uniquoter	Interim	25	29-Oct-13	20-Nov-13	19-Nov-13
49	Shriram Trans	Interim	30	29-Oct-13	15-Nov-13	13-Nov-13
50	Indag Rubber	Interim	35	29-Oct-13	8-Nov-13	7-Nov-13
51	Crompton Greave	Interim	20	28-Oct-13	15-Nov-13	13-Nov-13
52	Solar Ind	Interim	50	28-Oct-13	15-Nov-13	13-Nov-13
53	ASM Tech	Interim	10	28-Oct-13	12-Nov-13	11-Nov-13

Sr. no.	Company	- DIVIDEND -		- DATE -		
		Type	%	Announcement	Record	Ex-Dividend
54	Atul Auto	Interim	40	28-Oct-13	11-Nov-13	8-Nov-13
55	Kolte-Patil	Interim	15	28-Oct-13	8-Nov-13	7-Nov-13
56	KSB Pumps	Interim	10	28-Oct-13	8-Nov-13	7-Nov-13
57	Precision Wires	Interim	40	28-Oct-13	8-Nov-13	7-Nov-13
58	Sasken Comm	Interim	50	28-Oct-13	8-Nov-13	7-Nov-13
59	Shriram City	Interim	40	28-Oct-13	8-Nov-13	7-Nov-13
60	SRF	Interim	30	28-Oct-13	8-Nov-13	7-Nov-13
61	Sesa Sterlite	Interim	150	28-Oct-13	7-Nov-13	6-Nov-13
62	Page Industries	Interim	150	25-Oct-13	22-Nov-13	21-Nov-13
63	Wockhardt	Interim	100	25-Oct-13	8-Nov-13	7-Nov-13
64	Monsanto India	Interim	120	24-Oct-13	11-Nov-13	8-Nov-13
65	NMDC	Interim	300	24-Oct-13	8-Nov-13	7-Nov-13
66	Bharat Agri	Interim	10	24-Oct-13	7-Nov-13	6-Nov-13
67	MRF	Interim	30	24-Oct-13	6-Nov-13	5-Nov-13
68	MT Educare	Interim	10	23-Oct-13	22-Nov-13	21-Nov-13
69	Navin Fluorine	Interim	75	23-Oct-13	8-Nov-13	7-Nov-13
70	Exide Ind	Interim	110	23-Oct-13	6-Nov-13	5-Nov-13
71	Indiabulls Hsg	Interim	350	23-Oct-13	2-Nov-13	31-Oct-13
72	Godrej Consumer	Interim	100	22-Oct-13	19-Nov-13	18-Nov-13
73	Muthoot Finance	Interim	30	22-Oct-13	6-Nov-13	5-Nov-13
74	Indiabulls Real	Interim	50	22-Oct-13	1-Nov-13	31-Oct-13
75	APM Industries	Interim	50	21-Oct-13	15-Nov-13	13-Nov-13
76	Indiabulls Sec	Interim	50	21-Oct-13	1-Nov-13	31-Oct-13
77	Rallis India	Interim	100	21-Oct-13	31-Oct-13	30-Oct-13
78	Marico	Interim	75	18-Oct-13	5-Nov-13	1-Nov-13
79	Nestle	Interim	180	18-Oct-13	5-Nov-13	1-Nov-13
80	Motilal Oswal	Interim	100	18-Oct-13	1-Nov-13	31-Oct-13
81	Info Edge	Interim	10	18-Oct-13	31-Oct-13	30-Oct-13
82	RS Software	Interim	25	18-Oct-13	30-Oct-13	29-Oct-13
83	Guj Amb Exports	Interim	35	17-Oct-13	1-Nov-13	31-Oct-13
84	Infotech Enter	Interim	40	17-Oct-13	30-Oct-13	29-Oct-13
85	Thinksoft	Interim	50	17-Oct-13	29-Oct-13	28-Oct-13
86	Cairn India	Interim	60	17-Oct-13	28-Oct-13	25-Oct-13
87	R Systems Intl	Interim	85	15-Oct-13	5-Nov-13	1-Nov-13
88	HUL	Interim	550	15-Oct-13	1-Nov-13	31-Oct-13
89	Gateway Distri	Interim	40	15-Oct-13	30-Oct-13	29-Oct-13
90	TCS	Interim	400	15-Oct-13	28-Oct-13	25-Oct-13
91	Dabur India	Interim	75	14-Oct-13	6-Nov-13	5-Nov-13
92	KPR Mill	Interim	40	14-Oct-13	1-Nov-13	31-Oct-13
93	Hind Zinc	Interim	80	14-Oct-13	29-Oct-13	28-Oct-13
94	Kewal Kiran	Interim	75	14-Oct-13	25-Oct-13	24-Oct-13
95	Mastek	Interim	35	11-Oct-13	6-Nov-13	5-Nov-13
96	Hatsun Agro	Interim	150	11-Oct-13	5-Nov-13	1-Nov-13
97	Sundaram-Clayto	Interim	180	8-Oct-13	4-Nov-13	31-Oct-13
98	TVS Motor	Interim	65	8-Oct-13	31-Oct-13	30-Oct-13
99	CRISIL	Interim	300	8-Oct-13	25-Oct-13	24-Oct-13
100	Four Soft	Interim	580	8-Oct-13	18-Oct-13	17-Oct-13
101	Foseco India	Interim	45	7-Oct-13	1-Nov-13	31-Oct-13
102	Ipca Labs	Interim	125	7-Oct-13	1-Nov-13	31-Oct-13
103	HCL Tech	Interim	100	4-Oct-13	23-Oct-13	22-Oct-13
104	Mindtree	Interim	50	3-Oct-13	22-Oct-13	21-Oct-13
105	Escorts	Interim	12	3-Oct-13	15-Oct-13	14-Oct-13

SOME RECENTLY ANNOUNCED BONUS

Sr. no.	Company	Bonus Ratio	Year : 2013 - DATE -		
			Announcement	Record	Ex-Bonus
1	Motherson Sumi	1:02	1-Nov-13	-	20-Dec-13
2	Anshus Clothing	1:01	16-Oct-13	29-Nov-13	28-Nov-13
3	Omaxe	10:39	30-Oct-13	12-Nov-13	11-Nov-13
4	Aro Granite	1:02	18-Sep-13	31-Oct-13	30-Oct-13
5	Precot Meridian	1:02	14-Aug-13	4-Oct-13	3-Oct-13

THE QUARTER THAT WAS:

Indices	31-Dec-13	1-Oct-13	Difference Points
SENSEX	21,170.68	19517.15	1653.53
NIFTY	6,304.00	5,780.05	523.95
NIFTY JUNIOR	12,933.25	11,289.95	1643.30
CNX MIDCAP	8,071.30	7,037.35	1033.95
BSESMLCAP	6,551.13	5,492.13	1059.00

INDICES PERFORMANCE (1st Oct 2013-31st Dec 2013)

S No.	Index	Close 31-Dec-13	Prev. Close 1-Oct-13	% Change
1	BSE Auto	12,258.83	11,095.81	10.48
2	BSE Metal	9,964.29	8,346.10	19.39
3	BSE Midcap	6,705.56	5,637.70	18.94
4	BSE Oil & Gas	8,834.42	8,165.12	8.20
5	BSE SmallCap	6,551.13	5,492.13	19.28
6	BSE Bankex	13,001.94	11,257.05	15.50
7	BSE_CDS	13,001.94	11,257.05	15.50
8	BSE_CGS	10,264.26	7,824.15	31.19
9	BSE_FMCG	6,567.01	6,841.19	-4.01
10	BSE_HCI	9,966.26	9,489.90	5.02
11	BSE_IT	9,081.78	7,846.17	15.75
12	BSE_PSU	5,909.74	5,436.34	8.71
13	BSE200	2,530.58	2,297.09	10.16
14	BSE500	2,530.58	2,297.09	10.16
15	BSETeck	5,051.33	4,454.25	13.40
16	BSE Realty	1,433.41	1,201.82	19.27
17	CNX 100	6,225.45	5,665.10	9.89
18	CNX IT	9,517.85	8,181.65	16.33
19	CNX500	4,914.85	4,422.90	11.12
20	CNX MIDCAP	8,071.30	7,037.35	14.69

MUTUAL FUND REPORT

• **Morgan Stanley sells India mutual fund schemes to HDFC Asset Management**

HDFC Asset Management Co. Ltd has announced that it will acquire all the mutual fund (MF) schemes of Morgan Stanley Investment Management Ltd. It has said that it will acquire just the schemes and not the fund house or its people. With assets of just Rs.3,290 crore on 30 September, Morgan Stanley Investment Management has been a small-sized fund house for a long time in the Rs.8.08 trillion Indian mutual fund industry. "HDFC Mutual Fund has acquired a portfolio of strong performing domestic mutual fund schemes from Morgan Stanley and this acquisition is another step towards expanding our mutual fund customer base," Milind Barve, chief executive officer, HDFC Asset Management Ltd, said in a statement. Tough market conditions in the past five years and a strict regulatory environment that included removal of fees that asset management companies could pay to distributors have put a lot of stress on the Indian mutual fund industry, especially smaller fund houses.

• **SEBI does away with annual income and occupation details in KYC forms**

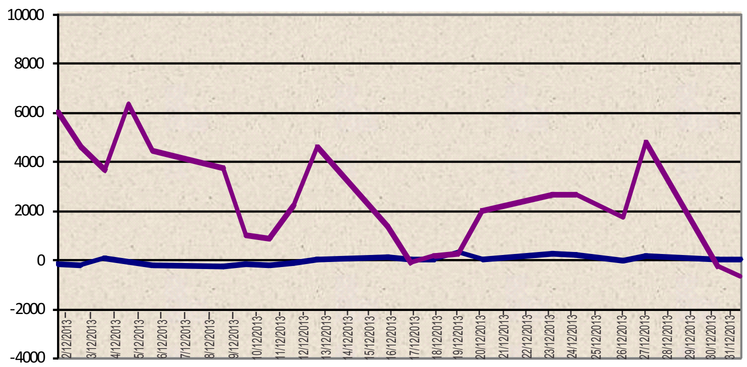
SEBI has modified account opening forms (AOF) by doing away with annual income and occupation details of clients to be captured in KYC forms. It has now been decided in consultation with various market participants to shift certain information (annual income, occupation) in Section C of Part I to Part II of the account opening form AOF (for both individuals and non-individuals). Part I contains the basic KYC details of the investor used by all SEBI registered intermediaries and Part II captures additional information specific to the area of activity of the intermediary.

. "Companies and partnership firms are supposed to submit copy of the balance sheets for the last two financial years. This is required to be submitted every year which is a tedious process," said a Mumbai based distributor. Income and net worth data will still be required to be captured in order to comply with Prevention of Money Laundering Act (PMLA).

Bulk deals in December 2013

Exc	Date	Company	Client	Tran	Qty	Price	
						Traded	Close
NSE	30-Dec-13	Kernex Micro	AJAY ASSET MANAGEMENT PRIVATE LIMITED	Sell	60109	52.68	52.9
NSE	30-Dec-13	Kernex Micro	AJAY ASSET MANAGEMENT PRIVATE LIMITED	Buy	67733	52.91	52.9
BSE	24-Dec-13	TD Power System	L&T EQUITY FUND	Buy	373387	190.1	234.9
NSE	17-Dec-13	Eveready Ind	PRUDENTIAL ICICI MUTUAL FUND A/C ICICI PRUDENTIAL FMCG FUND	Buy	479799	34.35	34.05
NSE	13-Dec-13	TTK Healthcare	AXIS MUTUAL FUND	Sell	150000	536.4	526.5
NSE	13-Dec-13	TTK Healthcare	AXIS MUTUAL FUND	Buy	150000	536.4	526.5
NSE	10-Dec-13	SKF India	HDFC EQUITY FUND	Buy	510000	664	658.45
NSE	04-Dec-13	Atlas Cycles	AJAY ASSET MANAGEMENT PRIVATE LIMITED	Sell	23585	299.65	291.9
BSE	03-Dec-13	VST Tillers	HDFC MUTUAL FUND	Buy	72508	596.00	596.00
NSE	03-Dec-13	VST Tillers	HDFC TRUSTEE CO.LTD.A/C. HDFC PRUDENCE FUND	Buy	75079	596.00	596.00

Trends in Transactions on Stock Exchanges by Mutual Funds



The above chart is prepared based on reports submitted to SEBI by custodians on 31/12/2013 and constitutes trades conducted by Mutual Funds on and up to the previous trading day.

Equity Debt

Favorite stock picks in the portfolios of mutual funds.

An analysis has been undertaken indicating the favourite picks of fund managers as per latest data available:

Stocks	Market Value (Rs.Cr)
Infosys	8,915.75
ICICI Bank	7,165.69
Reliance Industries	6,612.51
HDFC Bank	6,084.99
ITC	5,900.22
Tata Consultancy Services	4,706.89
Bharti Airtel	4,428.27
Larsen and Toubro	4,146.81
Housing Development Finance Corporation	3,446.30
State Bank of India	3,233.19

Performance of Select Mutual Fund Schemes as on 31st December 2013

(Returns up to one years is absolute and returns for more than one year are compounded annualized)

Equity Diversified – Pure Large Cap	3mth	6mth	1yr	2yr	3yr	5yr
ICICI PRU - TOP 100 FUND REG (G)	11.48	15.79	10.66	21.75	5.70	18.85
ICICI PRU - FOCUSED BLUECHIP EQUITY FUND REG (G)	10.14	12.14	9.54	18.30	5.37	22.76
HDFC - TOP 200 FUND - (G)	15.49	10.07	2.83	17.39	1.42	20.03
KOTAK - 50 EQUITY SCHEME (G)	10.77	4.90	3.54	13.46	1.63	14.83
IDFC - IMPERIAL EQUITY FUND REG (G)	8.25	7.30	2.04	11.40	-0.48	13.46

Equity Diversified - Large & Mid Cap	3mth	6mth	1yr	2yr	3yr	5yr
ICICI PRU - DYNAMIC PLAN REG (G)	14.55	22.61	15.59	23.36	6.64	20.92
UTI - OPP FUND (G)	9.11	8.70	5.06	16.00	5.75	22.40
MIRAE - ASSET INDIA OPP FUND REG (G)	14.32	13.58	8.15	20.64	5.36	24.07
BIRLA SL - FRONTLINE EQUITY FUND REG (G)	11.50	10.53	8.40	22.01	4.69	20.45
KOTAK - SELECT FOCUS FUND (G)	11.32	10.36	5.12	19.05	3.27	-

Equity Diversified – Multi cap	3mth	6mth	1yr	2yr	3yr	5yr
TATA - EQUITY P-E FUND (G)	15.23	15.56	1.20	14.97	0.26	18.56
BIRLA SL - EQUITY FUND REG (G)	16.10	15.74	6.56	20.86	1.04	16.78
TATA - EQUITY OPP. FUND PLAN A (G)	9.18	9.69	8.18	20.61	3.84	18.63
BIRLA SL - INDIA GEN NEXT FUND REG (G)	7.86	4.62	4.14	23.86	9.47	21.55
RELIANCE - REG SAVINGS EQUITY PLAN (G)	14.91	8.29	-4.06	18.96	-0.31	18.57

Equity Diversified – Mid & Small Cap	3mth	6mth	1yr	2yr	3yr	5yr
IDFC - STERLING EQUITY FUND REG (G)	17.04	15.85	4.10	23.36	5.72	-
ICICI PRU - DISCOVERY REG (G)	18.41	20.46	7.82	26.19	6.69	8.22
RELIANCE - EQUITY OPP (G)	19.42	14.53	3.73	24.11	6.47	6.35
TATA - DIVIDEND YIELD PLAN A (G)	12.44	12.96	5.56	16.28	3.95	4.52
IDFC - PREMIER EQUITY FUND REG (G)	17.43	12.84	4.77	21.86	6.79	7.14

Equity Tax Saving	3mth	6mth	1yr	2yr	3yr	5yr
ICICI PRU - TAX PLAN REG (G)	16.67	19.37	9.67	23.24	4.92	24.31
BIRLA SL - TAX RELIEF 96 FUND ELSS REG (G)	15.55	13.62	8.02	21.91	1.51	18.69
SBI - M TAX GAIN REG (G)	13.11	11.23	6.22	19.89	3.21	17.80
RELIANCE - TAX SAVER (G)	23.01	14.67	3.13	23.03	4.67	20.23
L&T - TAX ADVANTAGE FUND (G)	11.38	10.87	6.32	16.77	2.16	20.38

Balanced Funds	3mth	6mth	1yr	2yr	3yr	5yr
ICICI PRU - BALANCED REG PLAN (G)	11.28	11.76	10.45	20.03	9.32	18.11
UTI - BALANCE FUND (G)	11.48	10.28	6.06	16.93	3.37	15.51
TATA - BALANCED FUND PLAN A (G)	9.30	9.22	6.88	18.60	7.36	19.63
SBI - M BALANCED FUND REG (G)	13.49	11.65	11.29	22.95	5.54	16.36
BIRLA SL - 95 FUND REG (G)	9.20	7.57	5.25	14.98	4.43	18.08

Monthly Income Plan	3mth	6mth	1yr	2yr	3yr	5yr
CAN ROBECO - MIP REG (G)	0.61	1.31	4.18	5.97	6.15	7.28
BIRLA SL - MIP PLAN REG (G)	0.31	-0.08	4.23	-0.03	5.13	6.54
SBI - M MIP REG (G)	0.68	0.89	3.01	0.37	3.68	6.72
RELIANCE - MIP (G)	0.62	1.13	4.46	0.91	3.25	6.48
KOTAK - MONTHLY INCOME PLAN (G)	0.40	1.34	4.99	1.93	4.55	6.82

Debt - Gilt Funds	3mth	1mth	3mth	6mth	1yr	3yr
IDFC - G SEC PF PLAN REG (G)	1.02	-2.05	5.49	9.35	9.43	4.56
RELIANCE - GILT SEC FUND (G)	1.55	-4.89	2.54	7.97	6.85	2.57
BIRLA SL - GILT PLUS PF PLAN (G)	1.66	-5.06	2.61	7.23	8.09	2.95
ICICI PRU - GILT FUND INVESTMENT PLAN PF OPTION REG (G)	1.94	-6.41	0.74	5.32	4.85	3.34
KOTAK - GILT INVESTEMENT (G)	1.18	-7.25	-0.76	6.98	7.00	4.10

Debt - Income Funds	1week	1mth	3mth	6mth	1yr	3yr
KOTAK - BOND STP (G)	0.21	0.70	2.30	2.20	7.18	8.10
MORGAN STANLEY - ACTIVE BOND FUND REG (G)	0.23	0.05	1.35	-0.85	6.91	-
RELIANCE - DYNAMIC BOND FUND (G)	0.30	0.08	1.52	-1.95	4.25	5.55
UTI - BOND FUND (G) REG	0.40	-0.02	0.49	-3.03	3.31	7.10
SBI - DYNAMIC BOND FUND REG (G)	0.24	0.22	0.85	-3.24	3.14	5.17

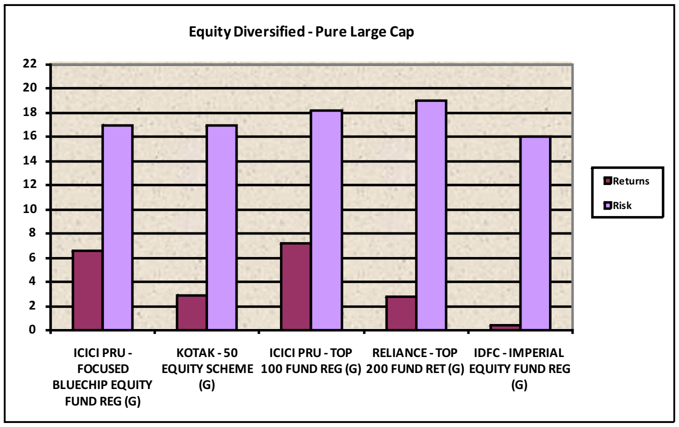
Debt - Short Term Funds	1week	1mth	3mth	6mth	1yr	3yr
BIRLA SL - ST FUND REG (G)	0.22	0.86	2.56	3.54	8.35	9.51
IDFC - SSIF ST PLAN REG (G)	0.18	0.74	2.43	3.32	7.59	8.73
RELIANCE - STF (G)	0.22	0.76	2.33	2.49	7.43	8.42
KOTAK - BOND STP (G)	0.21	0.70	2.30	2.20	7.18	8.42
ICICI PRU - STP REG (G)	0.26	0.72	2.50	2.14	7.11	8.50

Ultra Short Term (Liquid Plus) Funds	1week	1mth	3mth	6mth	1yr	3yr
ICICI PRU - FLEXIBLE INCOME PLAN REG (G)	0.22	0.88	2.54	4.92	9.62	9.50
IDFC - ULTRA SHORT TERM FUND REG (G)	0.20	0.86	2.50	4.69	9.42	9.75
KOTAK - FLEXI DEBT PLAN A-(G)	0.16	0.78	2.39	4.20	8.83	9.27
BIRLA SL - ST OPPORTUNITIES FUND REG (G)	0.26	0.93	2.86	3.74	10.14	10.26
RELIANCE - MEDIUM TERM FUND (G)	0.21	0.82	2.42	3.88	8.44	9.15

Liquid Funds	1week	1mth	3mth	6mth	1yr	3yr
BIRLA SL - CASH PLUS REG (G)	0.18	0.77	2.41	4.77	9.32	9.36
KOTAK - LIQUID PLAN A-(G)	0.16	0.77	2.40	4.72	9.25	9.32
SBI - M INSTA CASH FUND REG (G)	0.17	0.75	2.39	4.86	9.33	9.13
ICICI PRU - LIQUID PLAN REG (G)	0.17	0.77	2.40	4.76	9.28	9.32
RELIANCE - LIQUID FUND REG (G)	0.17	0.74	2.39	4.75	9.25	9.30

Risk-Return Analysis

The following charts give you a snapshot of how the mutual funds have performed on the risk-return parameters in the past. The risk is measured by standard deviation, which measures the average deviation of the returns generated by a scheme from its mean returns, while returns are measured as one-year average rolling returns.


Equity Diversified - Pure Large Cap
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2
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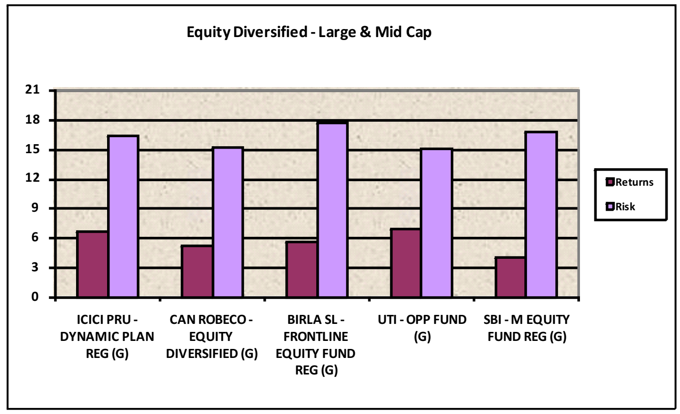
22
Returns
Risk
ICICI PRU - FOCUSED BLUECHIP EQUITY FUND REG (G)
KOTAK - 50 EQUITY SCHEME (G)
ICICI PRU - TOP 100 FUND REG (G)
RELIANCE - TOP 200 FUND RET (G)
IDFC - IMPERIAL EQUITY FUND REG (G)


Equity Diversified - Large & Mid Cap
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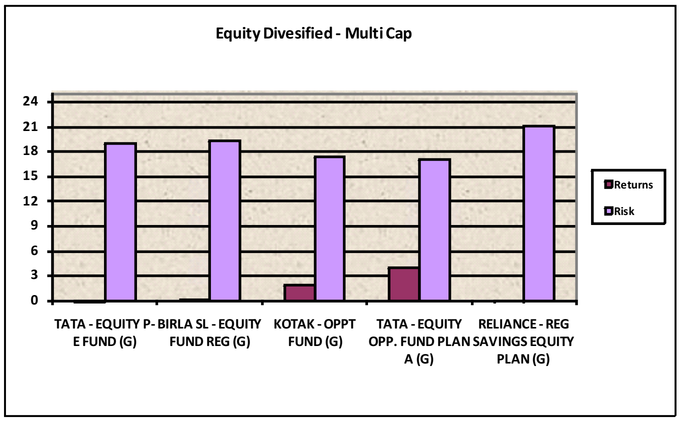
Returns
Risk
ICICI PRU - DYNAMIC PLAN REG (G)
CAN ROBECO - EQUITY DIVERSIFIED (G)
BIRLA SL - FRONTLINE EQUITY FUND REG (G)
UTI - OPP FUND (G)
SBI - M EQUITY FUND REG (G)


Equity Divesified - Multi Cap
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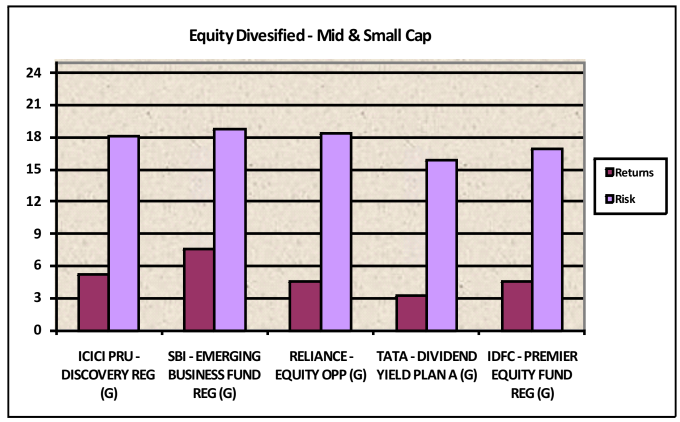
Returns
Risk
TATA - EQUITY P-E FUND (G)
BIRLA SL - EQUITY FUND REG (G)
KOTAK - OPPT FUND (G)
TATA - EQUITY OPP. FUND PLAN A (G)
RELIANCE - REG SAVINGS EQUITY PLAN (G)


Equity Divesified - Mid & Small Cap
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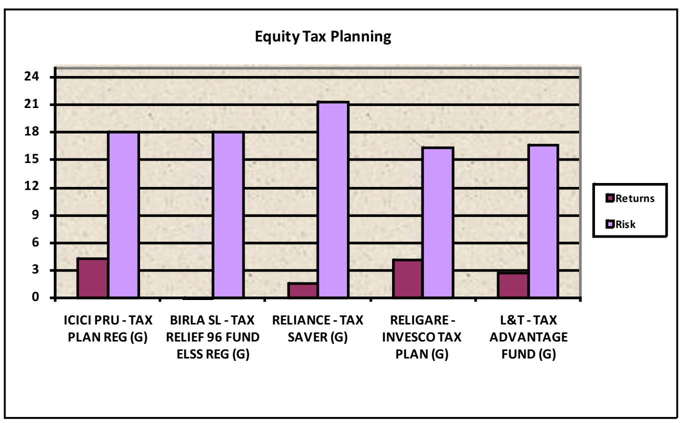
Returns
Risk
ICICI PRU - DISCOVERY REG (G)
SBI - EMERGING BUSINESS FUND REG (G)
RELIANCE - EQUITY OPP (G)
TATA - DIVIDEND YIELD PLAN A (G)
IDFC - PREMIER EQUITY FUND REG (G)


Equity Tax Planning
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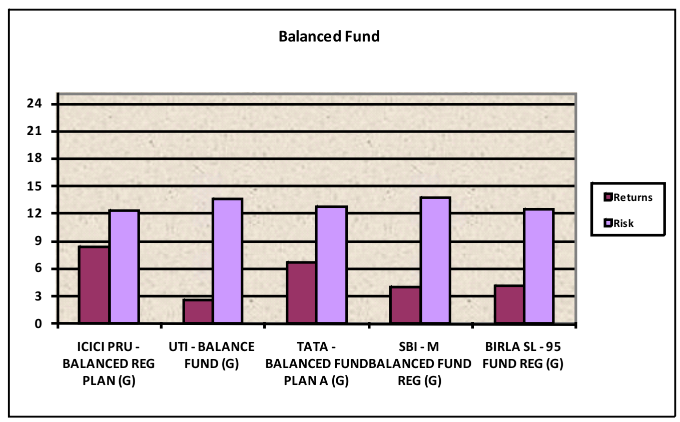
Returns
Risk
ICICI PRU - TAX PLAN REG (G)
BIRLA SL - TAX RELIEF 96 FUND ELSS REG (G)
RELIANCE - TAX SAVER (G)
RELIGARE - INVESCO TAX PLAN (G)
L&T - TAX ADVANTAGE FUND (G)


Balanced Fund
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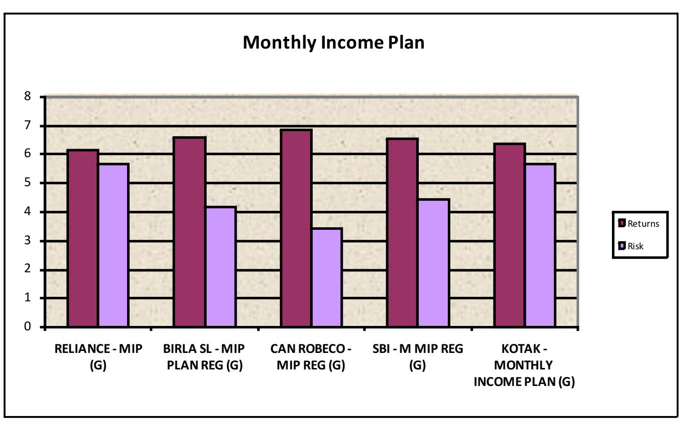
Returns
Risk
ICICI PRU - BALANCED REG PLAN (G)
UTI - BALACE FUND (G)
TATA - BALANCED FUND PLAN A (G)
SBI - M BALANCED FUND REG (G)
BIRLA SL - 95 FUND REG (G)


Monthly Income Plan
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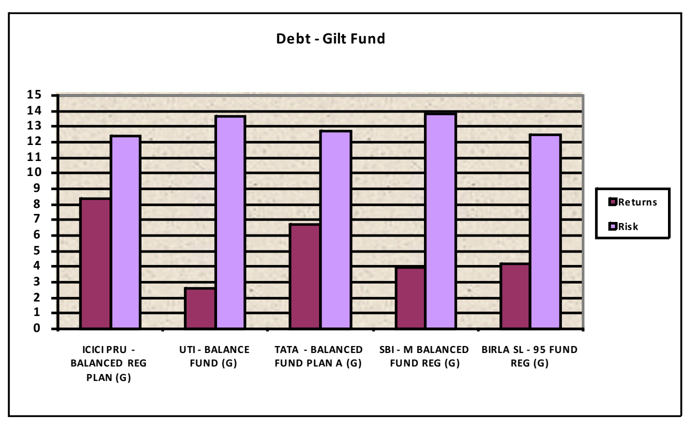
Returns
Risk
RELIANCE - MIP (G)
BIRLA SL - MIP PLAN REG (G)
CAN ROBECO - MIP REG (G)
SBI - M MIP REG (G)
KOTAK - MONTHLY INCOME PLAN (G)


Debt - Gilt Fund
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Returns
Risk
ICICI PRU - BALANCED REG PLAN (G)
UTI - BALANCE FUND (G)
TATA - BALANCED FUND PLAN A (G)
SBI - M BALANCED FUND REG (G)
BIRLA SL - 95 FUND REG (G)

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