Volume 9 ▪ Issue 6 ▪ Jan 2013

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Dear Readers,

The year 2012 has been a roller coaster year for Indian Economy. Macroeconomic indicators remained weak. GDP growth plunged to a new low of 5.3%, IIP growth was negative for several months leading to a collapse in the investment cycle, inflation remained stubborn at 7.5 - 8%, rupee weakened considerably over the course of the year, and oil prices generated hopes & worries alternatively. Indian equity markets witnessed a strong rally in December after the small consolidation in October and November. Market was supported by the continued FII inflows to the tune of over 35000 crores in the last quarter. Mid cap stocks outperformed the broader large cap stocks.

The sentiment has turned distinctly positive for bond markets. India's benchmark 10-year bond yields fell to a five-and-a-half month low on quarter-end buying and as the government's move to sell more treasury bills. 10-year G-Sec bond yields ended lower by 17 bps, over the last quarter. Yields in G-sec market eased significantly following reported comments from a senior Finance Ministry official that there will not be any additional government borrowing from the markets.

In this issue, we discuss the investment strategy for the current market conditions. In equities, Investors should give focus on large cap equity funds with some exposure into Multi cap funds. In Debt, Investors should give focus to dynamic bond funds along with Long term debt funds are ideally placed to perform well in the current interest rate cycle. In gold, it is better if investors stick to paper gold than physical form of investment.

Hope you find our magazine simple yet informative. Happy Reading !!!

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WHAT'S INSIDE





Japan and China Rebounds

Most of the global markets have registered the positive returns during the last quarter. Emerging Asia and Japanese markets outperformed the developed markets like US and Europe. Concerns that policymakers may fail to agree on a budget deal and potentially trigger tax increases and spending cuts, weighed on US equity markets in the December. However, the US House of representatives voted on 01/01/2013 to avert the US "fiscal cliff," sparing most Americans from tax hikes and spending cuts that had threatened to plunge the US economy into recession in 2013.

US economy added 1,46.000 jobs in November taking the unemployment rate to 7.7% in that month, the lowest rate for the country since Dec 2008. US Federal Reserve announces a new stimulus plan under which it would be committed to monthly purchases of $45 bn. in treasuries. It is on top of the $40 bn. per month in mortgage-backed bonds it started buying in September. It has also said that it will continue with near-zero interest-rate program until the unemployment rate falls to 6.5%. US federal government's budget deficit widened to $172 bn. in November compared with $120 bn. in October, and 25% higher than the imbalance in the same month last year.

The U.S. economy grew at a 3.1 percent annual rate in the third quarter, more than the earlier estimation of 2.7%. It is reflecting the first gain in state and local government spending in three years. Industrial production rose 1.1% in November, fastest pace in two years, following revised 0.7% fall in October. New home sales rose by 4.4% in November to a seasonally adjusted annual rate of 377,000, the highest level in two and a half years. US initial jobless claims fell to 350,000 in the week ended December 22, a decrease of 12000 from the previous week's revised figure of 362,000. University of Michigan's consumer sentiment index fell to 72.9 in December, the weakest since July, from 82.7 in November. IMF Chief says that the US needs a balanced, comprehensive approach to tackle its fiscal woes that should include a mix of spending cuts and revenue increases. In Brazil, the government raised statutory minimum wage levels by over 9% to ~$330 and lowered taxation on capital gains from stock investments. Latest data pointed towards a government budget deficit in November, raising concerns over the surplus targets for the year. Economists project the economy will slow to a 1.4 percent pace in the current quarter, according to the median of 79 economists surveyed by Bloomberg.

Market sentiments in Euro zone improved in the last six months. MSCI Europe (Ex UK) recovered from the index level of 1200 to 1600 in Dec 2012. Euro zone finance ministers approved the second disbursement of bailout funds to Greece. European Financial Stability Facility will release the next installment for a total amount of 49.1 bn euros. The European Stability Mechanism transfers $51 bn. to Spain for recapitalizing four nationalized banks.

Economic data from Euro zone is not very positive but showing gradual improvement in the economy. Euro zone GDP contracted 0.1% in Q3 2012, following a 0.2% contraction recorded in Q2 2012. Due to the decline in GDP, the 17-member bloc slipped into recession in Q3 for the second time in three years. Eurozone's merchandise trade showed a surplus of 10.2 bn. euro in October, higher than a trade surplus of 9.5 bn. euro recorded in September. CPI inflation fell to 2.2% (annual) in November from 2.5% in October. Unemployment fell 0.2% in the Q3 2012, better than the Q2's unchanged unemployment. European Central Bank (ECB) held its interest steady at 0.75% for the fifth straight month. According to ECB estimates, euro zone may contract 0.5% in 2012, 0.3% in 2013 but return to growth of 1.2% in 2014.

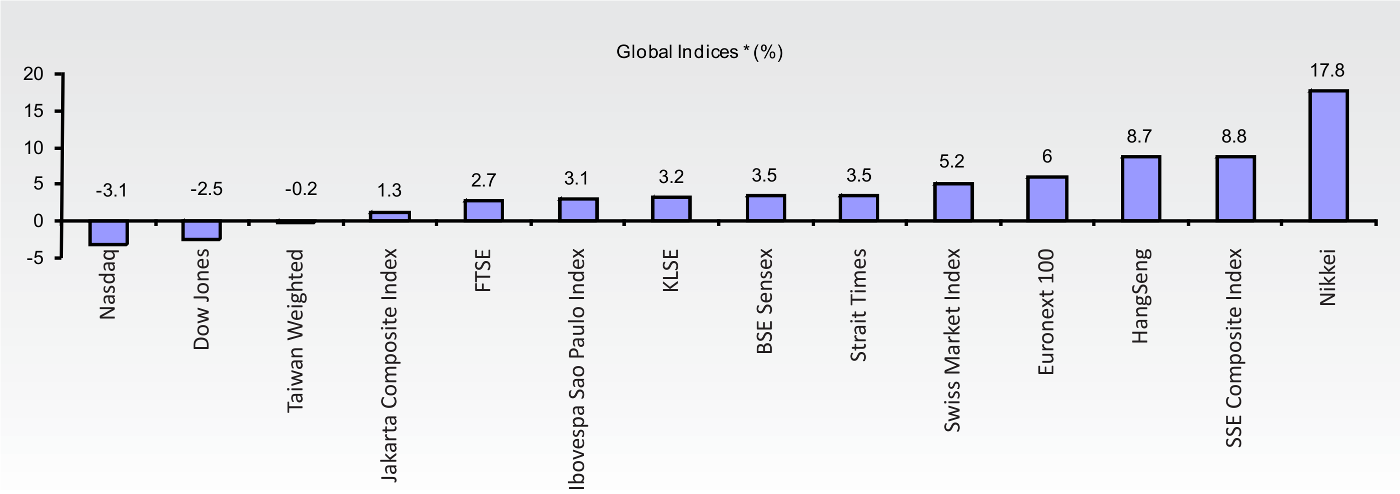
Bank of England (BOE) kept its interest rate constant at 0.5%, the rate has been at these levels since March 2009. It also kept it asset-buying program unchanged at 375 bn pounds. The BOE Governor warns that too many countries are trying to weaken their currencies to offset the impact of the slow global economy and the trend could grow next year. UK retail sales remained flat month-on-month in November, after easing 0.7 percent in October. Industrial output fell 0.8% in

October after a 2.1% decline in September. S&P downgrades UK's AAA outlook to negative citing a slow recovery and poor results of the government's fiscal tightening measures.

Bank of Japan expanded its asset-purchasing programme from 91 trillion yen to 101 trillion yen by buying more treasury discount bills and Japanese government bonds. The central bank kept its policy rate at virtually zero. Economic data from Japan is mixed. Japan's all industry activity index rose 0.2% month-on-month following 0.4% fall in September. Japan's leading index came in at 92.8 in October slightly higher compared to 91.8 registered in September. Japan's industrial production fell to a seasonally adjusted 1.7% in November following the 1.6% increase in October. Unemployment rate fell marginally to 4.1% from October's 4.2%. Retail sales rose 1.3% in November from a year earlier. Japanese markets outperformed all the major markets in the last quarter.

China's leading economic index increased 1.1% in November to 248.5, following a 1.6% increase in October and a 0.2% increase in September. World Bank said that the China's economy is expected to grow at 8.4 percent, fueled by fiscal stimulus and the faster implementation of large investment projects. This data is slightly

higher than the 8.1% figure cited in an October report. Official purchasing managers' index of China rose to 50.6 in December, matching previous month's figures. International Monetary Fund's Managing Director said that the advanced countries would grow 1.6% in 2013, slightly faster than the 1.5% growth forecast made in October. According to the recent World Bank reports, Developing East Asia excluding China is projected to grow by 5.6 percent this year, up from 4.4 percent in 2011. The continuing strong performances by Indonesia, Malaysia and the Philippines will boost the growth of the region to 5.7 percent in 2013 and 5.8 percent in 2014, respectively.



*Quarterly change

Domestic Economy Update - Government Policies boost sentiment

The year 2012 has been a roller coaster year for Indian Economy. Macroeconomic indicators remained weak. GDP growth plunged to a new low of 5.3%, IIP growth was negative for several months leading to a collapse in the investment cycle, inflation remained stubborn at 7.5 - 8%, rupee weakened considerably over the course of the year, and oil prices generated hopes & worries alternatively.

Government Policy Actions

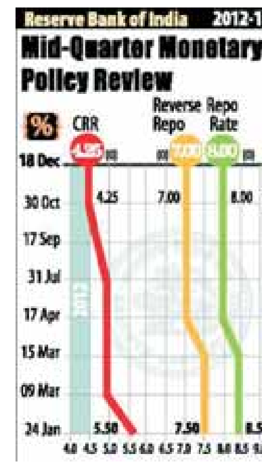
Government won the approval of Parliament for allowing FDI in multi-brand retail, with a motion against it being defeated convincingly. The Parliament has been productive and many of the pending bills have been passed after discussion. Both houses of the parliament cleared the Banking Laws (Amendment) Bill, while the Lok Sabha approved the Companies Bill. The former paves the way for issuance of new banking licenses and provides more regulatory powers to RBI. It also increases foreign investment limit up to 26% from 10%.The bill empowers the RBI to supersede non-compliant bank boards and intervene in policy matters as well as provides it greater access to information about bank and its associates' operations. The Companies Bill is aimed at improving the corporate legislative framework across a range of areas including audit, shareholder rights and corporate governance practices.

The cabinet has cleared the proposal to establish a Committee on Investments (earlier National Investment Board).The committee to be headed by the PM and it will have members from all infrastructure related ministries and will look to expedite clearances for high economic impact projects (value over Rs. 1000 crore).

RBI Policy

At its mid-quarter review of monetary policy, RBI left policy rates unchanged, and reiterated the likelihood of policy easing in the coming quarters.

Highlights of Mid-Quarter Monetary Policy Review: December 2012



1. Cash Reserve Ratio maintained at 4.25%

2. Repo rate left unchanged at 8.00%

3. Consequently Reverse Repo and Marginal Standing Facility (MSF) rates also remain unchanged at 7.00% and 9.00% respectively

4. RBI said that since the second quarter review of October, the global economy has shown some signs of stabilisation although situation remains fragile.

5. On the domestic front, the central bank says that GDP growth is evolving along the baseline projection of 5.8% for 2012-13, the recent policy initiatives by the government and further reforms should help to boost business sentiment and improve the investment climate.

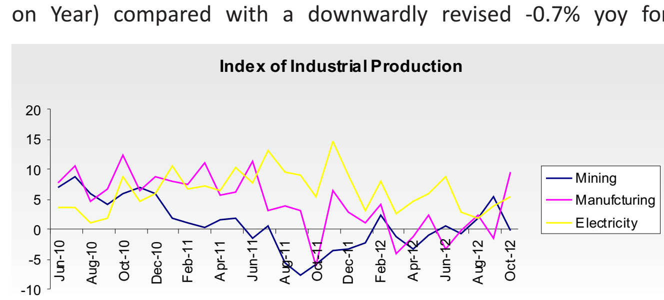
6. On the inflation front, RBI said that inflationary pressure is moderating but high food and commodity prices remain a risk.

7. RBI said that the recent ebbing in inflation rates reinforces its October guidance for policy easing in January-March 2013.

The rigor in the finance ministry for fiscal consolidation through controlling expenditure, improving tax collection efficiencies and disinvestment should eventually coerce RBI to act.

IIP Rebounds

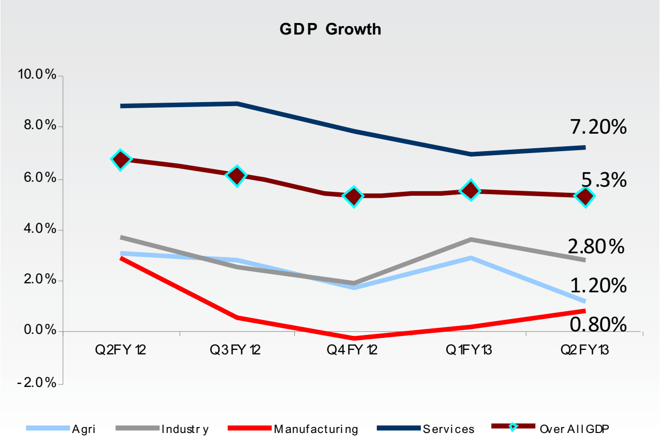
India's industrial growth touched a 16-month high of 8.2% yoy (Year on Year) compared with a downwardly revised -0.7% yoy for



September and 5.0% a year ago. Led by strong festive demand and low base effect, manufacturing and electricity output increased sharply and offset weakness in mining sector. Use-based sector data analysis showed that improvement was broad-based – both capital and consumer goods production increased. The November IIP numbers are expected to be lower due to normalization of demand post festive season.

Falling GDP

India's GDP (Gross Domestic Product) expanded by 5.3% yoy in the September quarter (compared to 5.5% yoy in the June quarter) due to lower agriculture output (1.2%) and industry growth (2.8%). However, services sector witnessed higher growth (7.2% compared to 6.9% in the June quarter) helped by a pick-up in trade hotels & communication. In addition, the up tick in gross fixed capital formation was positive – up 4.1% from 0.7%, last quarter. The gap between GDP growth estimates based on expenditure versus

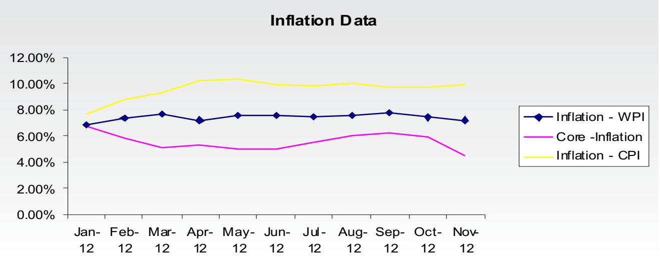


production activity increased further. The encouraging sign is that the weak growth trends seem to be bottoming out.

Indian government cuts its forecast on India's GDP growth in the current financial year ending March to 5.7-5.9% from 7.6% projected in the Economic Survey. It said that India's fiscal deficit in FY13 is likely to be 5.3% of GDP on the back of revival in the economy and government measures. Government's indirect tax collection grew at a moderate rate of 16.8% to Rs.2.92 lakh cr in the April-November. Prime Minister said that his government is committed to speed up the economic growth and disinvestment process.

Easing Inflation

India's headline WPI inflation fell to 10 months low level at 7.24% from 7.45% in October following the fall in fuel inflation. The key positive was decline in core price index (non-food manufacturing products) by 70 bps to 4.5%. At the same time, while the consumer price inflation reading increased to 9.9%, the core CPI stood marginally lower over last month levels. Overall, while price pressures in food continue, inflation in other categories appears to be trending lower.



Realty and Consumer durables led the Rally

Indian equity markets witnessed a strong rally in December after the small consolidation in October and November. Market was supported by the continued FII inflows to the tune of over 35000 crores in the last quarter. Mid cap stocks have outperformed the broader large cap stocks. Real estate, consumer durables and auto indices were the top gainers, among the sectoral indices. IT, Power and Oil & Gas indices were underperformed the broad markets.

Indian equity markets have closed an eventful and volatile year with strong gains, helped by a reversal in sentiment during the second half of the year. Some of the key developments and trends during the year were –

Policy Environment: The first half of the year was plagued with all around concerns about the pace of policymaking and retrospective changes impacting business sentiments. In contrast, the second half witnessed heightened focus on pushing through key reforms and improving business sentiment. The government liberalised FDI policy in sectors including multi-brand retail, single-brand retail, commodity exchanges, power exchanges, broadcasting, non-banking financial institutions (NBFCs) and asset reconstruction companies (ARCs). The government, which was severely criticised by industry for policy paralysis this year, opted for big-bang reforms and allowed politically risky 51% FDI in multi-brand retail and 49% investment by foreign airlines in the aviation sector. This was reflected in the foreign inflow trends as well. While these policy measures are likely to have visible impact on economic growth in the medium term, the improved corporate and investor sentiment should help.

Foreign flows: FII investments into India were quite strong during 2012 due to various factors, prime being easy global liquidity conditions and improved risk appetite. Flows into equity amounted about $24 bn. in 2012, compared to $500 mln outflows in 2011. Majority of these inflows about $16 bn. were received in the second half of the current year.

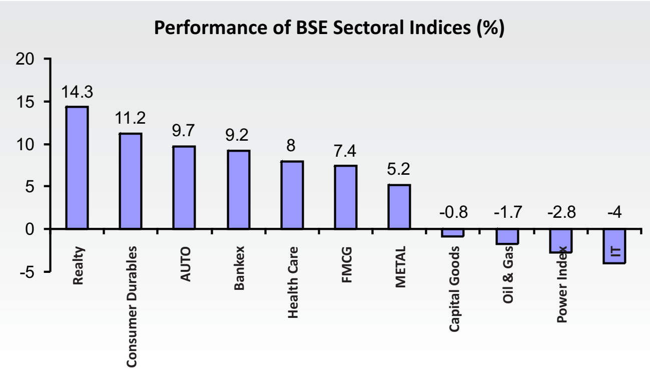
Economy: Even as the latest GDP data showed moderation in growth, various leading economic indicators suggest the economy is bottoming out. Recent industrial production, inflation and PMI data has surprised on the upside. However, investment trends continue to remain muted and could change in 2013.

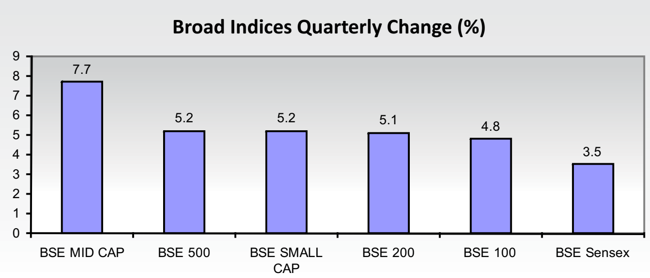
Earnings: Corporate India continued to deliver a reasonable performance against the tough macroeconomic backdrop. Going by the latest quarterly earnings results, it appears that margin pressures are peaking out. Earnings downgrades have now stabilized and looking ahead, if margin pressures continue to abate, we could see corporate India Return on Equity (RoE) levels move up from the current 15-16%.

Realty stocks gained on the back of positive cues from Asian peers. The sector came back in focus after underperforming for quite a few months. The RBI decided to allow External Commercial Borrowings (ECB) for low cost affordable housing projects as a permissible end-use, under the approval route. BSE Consumer durables index was the second largest gainer during the last quarter. Titan, Videocon and Gitanjali gems gained 9%, 25% and 53% respectively. All the above three put together contributed to more than 72 % weightage in the consumer durables index.

IT Stocks fell on negative economic data in US, the biggest outsourcing market for the Indian IT firms. Infosys was the top loser in the NIFTY. It ended with the loss of 8.5% for this quarter. TCS also lost around 3%. Since Infosys & TCS together contribute 73.4% weightage to the overall IT index, it was the top loser among the sectoral indices.

Sentiment in the year ahead will be shaped by politics ahead of elections, monetary policy direction, economic trends, and policy actions globally. An important theme to monitor next year will be trends in domestic investment activity along with the rising trend of social discontent regarding governance. It will also need to be seen if the government can push through further measures on the policy front and implement the announced measures effectively. There remains a need to push up the tax-to-GDP ratio by introducing DTC & GST as well as implementing land/ labour reforms.





Top Gainers	Qly change	Top Losers	Qly change
BHARTI AIRTEL	19.5%	INFY	-8.5%
AXIS BANK	19.4%	BHEL	-7.6%
JP ASSOCIATES	17.8%	NTPC	-6.9%
TATA MOTORS	16.9%	GAIL	-6.8%
BAJAJ-AUTO	16.4%	SIEMENS	-5.8%

RBI Statement Boosted the Gsecs

Yields in G-sec market eased significantly, following reported comments from a senior Finance Ministry official that there will not be any additional government borrowing from the debt markets. The comment further added that Fiscal management was going as per the plan. There were fears that Government is likely to borrow a large amount via T-Bills but the fears were undone. Government is likely to borrow Rs. 140,000 Cr via T-Bills against the redemption of Rs. 124,000 Cr leading to a net additional borrowing of just Rs. 16,000 Cr.

During the mid-quarter review of monetary policy, RBI left key policy rates unchanged. RBI third quarter monetary policy review is scheduled for January 29, 2013 and strong hope of rate cut in the policy review is sustaining the positive sentiment in the debt market. RBI released the Balance of Payments data for Q2 2012-13. Current Account Deficit was reported at a record high level of 5.4% of GDP.

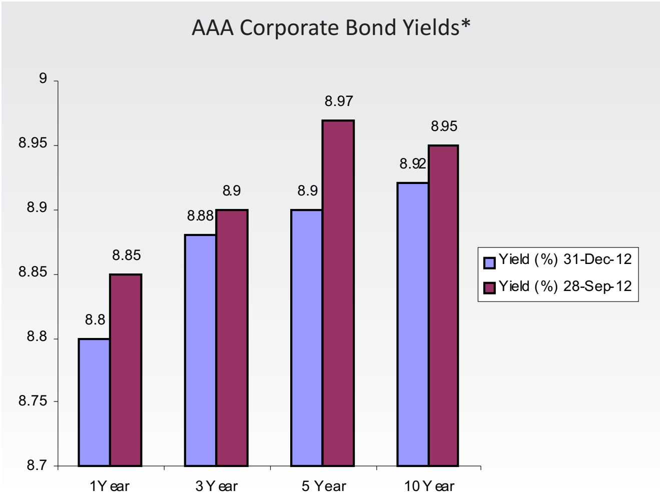
RBI has bought bonds for around Rs 110,000 crores in the April-December 2012 period and has infused Rs 34,000 crores into the system by reducing CRR by 50 bps in the same period. RBI liquidity boosting efforts have not yielded results as banks are still in liquidity deficit. Bank credit growth outstripping bank deposit growth is a liquidity-draining factor. The Incremental credit Deposit Ratio (ICDR) of banks is at levels of 79% and this has gone up from levels of 20% seen in the earlier part of fiscal 2012-13. The rising ICDR is a drain on liquidity but again it has not reached alarming proportions yet.

Key Rates	31/12/2012	3 Months Ago
Call Rate	8	8.15
3 M CP	9.1	8.75
5 Yr Corp. Bond	8.82	8.93
10 Yr G Sec	7.99	8.16
05 Year G Sec (1-Day Lag)	8.03	8.17
1 Year CD Range	8.75	8.7
Reverse Repo	7	7
Repo	8	8
Bank Rate	9	9
CRR	4.25	4.5
Forex Reserve ($ bn)	296.54	293.97

Money Market Asset (CD) Rates (%)		
Tenure	31/12/2012	3 Months Ago
3 Months	8.5	8.35
6 Months	8.6	8.6
12 Months	8.75	8.85

Government is currently running cash balance of Rs 90,000 crores, which is deposited with the RBI. The fact that the government is running such high cash balance in the face of lower tax collections with direct tax collection behind targets for the April-November 2012 period is positive. The high cash balance of the government has tightened liquidity conditions leading to the RBI resorting to government bond purchases to infuse liquidity in the system. RBI has bought bonds worth Rs 39,000 crores in December 2012 and it has helped to bring down the floating stock of bonds in the market. The government can well stick to its fiscal deficit target of 5.3% of GDP for fiscal 2012-13 and it has already announced that there will not be any additional government borrowing for the year.

The sentiment has turned distinctly positive for bond markets. India's benchmark 10-year bond yields fell to a five-and-a-half month low on quarter-end buying and as the government's move to sell more treasury bills. 10-year G-Sec bond yields ended lower by 17 bps, over the last quarter. It was trading at 7.99 % at the end of December 2012. The 10- year yield fell for the first time in four years in 2012 after retreating 51 basis points, helped largely by the central bank's steep cuts in the cash reserve ratio and its bond purchases in open market operations. Corporate bond yields fallen marginally across the various tenures. It has witnessed the around 5 bps fall over the last quarter. Short-term Certificate of Deposit (CD) rates have also fallen to the tune of 10 bps.



Focus on Large cap Equity & Medium /Long term Debt funds

Despite its minority status in the Parliament, there is plenty of action on policy reforms from the Government since September 2012. There is strong commitment on fiscal consolidation to contain FY13 fiscal deficit. The Government has succeeded in getting political consensus on its reforms agenda and now keenly awaits RBI to walk in the same direction by starting the rate reversal cycle. The other stake holders of the economy are keen to see the political system, the Government and RBI to walk together to get the economy back on its feet. The macroeconomic fundamentals remain the same and it would need strong growth-supportive monetary environment for sharp revival.

Equity

Valuation of the Indian market is in fair value zone. Key indicators show corporate earnings move up, terms of trade have improved, the rupee is no longer overvalued and the investment rate seems to get better. Therefore, corporate margins are likely to improve. We have already seen that in the last earnings season. Earnings have been quite good and we think it will keep improving as we go forward.

Sensex is the shining star in the Asia pacific region registering spectacular gains in the last year and the last quarter. Last year India attracted huge foreign net inflows to the tune of 1.2 Lakh crores and around 35000 crores over the last quarter. Indian market is trading at fair value zone. Current valuations have factored policy reforms, corporate earnings growth and other domestic & global factors. Since there was a sharp increase in the index level in the last 4 months, Indian markets may witness short term correction.

Investors should give focus on large cap equity funds with some exposure into Multi cap funds. Large cap stocks typically have large size of cash flows, lower cost of financing, adequately capitalized balance sheets and possess high resilience to market changes. Hence, large cap funds are better placed for volatile & uncertain market conditions. From a long term perspective, investors can consider allocating some exposure to Multi cap equity funds. Multicap funds proactively shifts between various market caps based on the near term market outlook and valuations.

Recommendations for the Quarter - Equity

- We recommend allocating majority of the equity exposure in diversified and focused large cap equity funds
- Funds, which follows the bottom up stock picking approach- Focusing on individual stocks and not driven by near term market momentum.
- We also recommend allocating some exposure to diversified growth oriented multi cap funds

Risks:

Populist budget, deferment in rate cuts by RBI and delay in execution of policy reforms by Government are the key domestic risks. The ongoing economic crisis in the Eurozone and rising oil prices (India imports nearly 80% of its crude oil requirements) are external headwinds.

Debt

RBI chose to pause rather than cutting policy rates. There were hopes of rates cut following the decline in WPI inflation trends. RBI monetary policy decisions attempts to balance the trade-off between growth and inflation. While former has been on a downward trajectory, latter keeps surprising markets with its upward trajectory. However, in the previous two months, inflation has surprised the markets with lower than expected numbers. This led to markets assigning higher probability of RBI easing policy rates in Dec-12 mid-quarter review itself rather than wait for Jan-13 policy.

In this Review, RBI welcomed the decline in both headline and core

WPI inflation. RBI also pointed to the fact that seasonally adjusted three-month moving average annualised inflation has trended lower. However, it expressed concern over difference in trends of WPI and CPI inflation. WPI was showing signs of moderation but CPI inflation remains elevated and even increased in Nov-12 tracking food inflation. The core CPI inflation was also elevated compared to decline seen in WPI core inflation.

Over the last quarter, G-Sec & Corporate Bond yields remained flat due to stable Repo and reverse repo rates from RBI. In November monetary Policy meet, RBI reduced the CRR rates by 25 bps. There is a possibility of RBI cutting policy rates up to 50 bps in before Mar-13.

Currently one-year CD rates are traded around 8.85 %. Benchmark 10-year G-sec is trading at 8.15%. AAA corporate bonds are traded in the range of 8.85 % to 9 % over the 1 year to 3 years tenure.

Recommendations for the Quarter - Debt

- Since the 1-3 years bond yields have corrected, potential return from the upcoming fixed maturity plans could go down to below 8.8%. Hence, investors should consider medium term bond funds instead of fixed maturity plans.
- As liquidity situation is improving, 1-5 years bond yields could correct further in the next few months. Investors who invest in medium term bond fund and Dynamic bond funds could gain capital appreciation due to fall in yields. Hence, for medium term investment horizon we recommend funds focused on corporate bonds and higher accruals.
- Longer tenure bonds are also witnessing reduction in yields. Hence, Aggressive investors who have an investment horizon of over 24 months can allocate a portion of their corpus into long term debt / income funds.

Risks:

Any increase in inflation trends due to upside in global commodity prices, Fall in GDP growth, any deterioration in government's fiscal position and pause in the rate cuts by RBI are key risks to the debt markets.

Gold

In the month of October, Rupee depreciated against the US dollar and international gold prices also fallen to the lows of 1700USD/Ounce. Due to this phenomenon, there has been severe correction in Indian gold prices in October and December. Gold is expected to trade weak over the next quarter due to the negative sentiment prevailing in the international gold markets. Indian Rupee may also appreciate in the near term against US dollar. Both these factors impact the Indian Gold prices.

Recommendations for the Quarter - Gold

- We recommend the existing gold investors to hold on to their investments. Any fresh exposure in gold should be done in a systematic and staggered manner.
- We recommend gold fund of funds over the physical gold.
- Based on the client risk profile we recommend allocating 5% to 10% of the portfolio in gold funds.

Risks:

Any global financial crisis or Sovereign Crisis across the globe will affect all the asset classes including gold. Any adverse exchange rate movements between US$ and INR will affect the returns of the gold.

Model MF Category Allocation

Fund Category	Conservative	Moderately Conservative	Moderately Aggressive	Aggressive
Large Cap Funds	20%	30%	35%	30%
Multi Cap Funds	0%	15%	20%	30%
Mid Cap and Small cap Funds	0%	0%	5%	10%
Debt- Dynamic & Medium term	35%	25%	25%	10%
Debt- Long term	10%	10%	10%	10%
Debt- Short term	30%	15%	0%	0%
Gold Funds	5%	5%	5%	10%
Total	**100%**	**100%**	**100%**	**100%**

Reliance Equity Opportunities fund

Scheme Facts	
Launch Date	March -2005
QAAUM (Latest)	3830 Crores (30-Sep-2012)
Fund Manager	Shailesh Raj Bhan
Entry	Nil
Exit Load	1% (Up to 1 year)
Expense Ratio	1.8 %
Min. Investment	Rs.5000
Benchmark Index	BSE 100

Fund Objective

The primary investment objective of the scheme is to seek to generate capital appreciation & provide long term growth opportunities by investing in a portfolio constituted of equity securities & equity related securities and the secondary objective is to generate consistent returns by investing in debt and money market securities

Investment Philosophy

Reliance Equity Opportunities Fund is a Mid-cap diversified equity fund which invests in growth oriented mid & small cap companies and stable large cap emerging themes/sectors which would enable to grab the opportunity much ahead of time. It also invests in niche mid/small cap companies having scalable business models, stocks which remain under-valued and under-researched coupled with quality management & attractive sector fundamentals.

Performance Analysis

This fund was launched in March 2005 when equity markets across the globe were rising. Barring the year 2007, it outperformed the CNX Midcap index on a QoQ (Quarter on Quarter) basis by good margin since inception. Last 4 years performance was stupendous and it ranked with in top 5 in 3 years. It has also contained downside compared to the index and peer group in 2008 and 2011. It has high correlation with CNX mid cap index with less volatility compared to index.

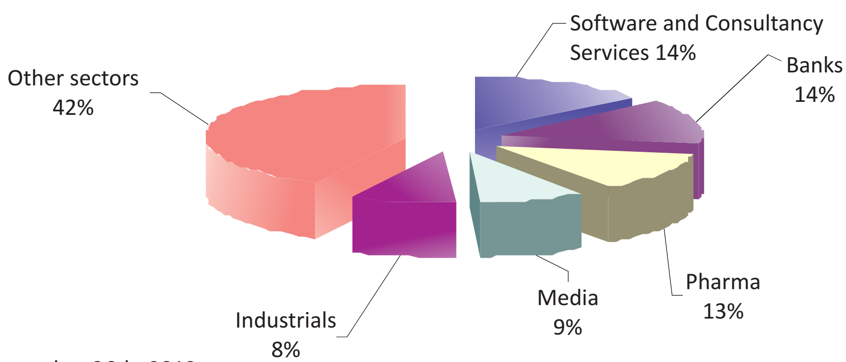
Portfolio Analysis

It maintains a diversified portfolio with top 10 holdings accounting for almost 42% of the portfolio. Fund's investment approach comprises multiple aspects. Some times, it takes big sector/thematic bets and takes some exposure in emerging/niche themes, which could deliver significant upside over the medium term. It normally maintains high exposure towards mid and small cap stocks for high growth and around 30-40% exposure towards large caps for stability and liquidity. Since the investments in small/mid-caps and investments in emerging themes & value propositions may not bear fruit immediately, large caps are in a position to provide market-linked returns and ensure adequate liquidity in the portfolio. Financials, Pharma and IT sectors are the top three sectors, which accounts for 44% of the portfolio. To ensure adequate diversification, it normally capped the maximum stock exposure at 5%. Currently it is fully invested in equity with 3% cash exposure.

Recommendation

Stable portfolio, superior performance over the index and peer group and low expense ratio makes the fund a compelling offering. This fund should be considered for an investor's satellite portfolio for boosting the over all portfolio returns. We recommend this fund for an aggressive long-term investor. Since market is trading at higher levels, new investments in this fund should be done in a staggered manner.

Sector Allocation (31-11-2012)



Risk-Return Table - As on December 26th, 2012

Scheme & Index	Risk Ratios*				Compound annualized Returns^		
	Std.Dev	Correlation	Beta	Sharpe	1 Year	2 Years	3 Years
Reliance Equity Opportunities Fund	**21.872**	**0.9976**	**0.9701**	**0.7619**	**42.55**	**8.24**	**14.81**
CNX Midcap	**22.493**	**1**	**1**	**0.2542**	**34.97**	**-1.59**	**4.43**

* Based on 2 year rolling returns

Birla Sun Life Dynamic Bond Fund

Scheme Facts	
Launch Date	September 2004
QAAUM (Latest)	12,125 Crores (30-Sep-2012)
Fund Manager	Maneesh Dangi
Entry	Nil
Exit Load	0.5% (Up to 180 days)
Expense Ratio	1.1 %
Min. Investment	Rs.5000
Benchmark Index	CRISIL Composite Bond Fund Index

Fund Objective

The scheme aims to generate optimal returns with high liquidity through active management of the portfolio by investing in high quality debt and money market instruments.

Investment Philosophy

The investment objective of this scheme is to optimise returns for the investors by designing a portfolio, which will dynamically track interest rate movements in the short term by reducing duration in a rising rate environment while increasing duration in a falling interest rate environment. The investment strategy would revolve around structuring the portfolio to capture the positive price movements and minimise the impact of adverse price movements.

Performance Analysis

Birla Sunlife dynamic bond fund is one of the oldest and largest of all the schemes in the dynamic bond fund category. It has a corpus of Rs.12,125 crores. It is the most consistent dynamic bond fund. It delivers superior annual performances and has often been a top quartile performer. Of the 29 quarters of its existence, the fund has underperformed in just four occasions. It has a long history of consistent performance, which scales over bull and bear phases of the debt market. Since it follows the conservative approach, it may under perform during bull runs compared to other dynamic bond funds. However, safe bet for medium to long term investors.

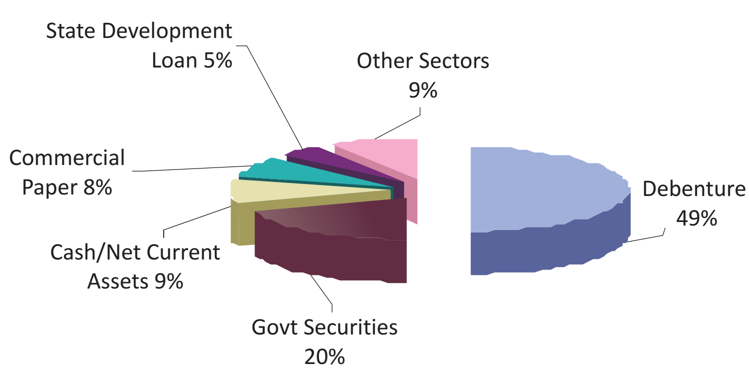
Portfolio Analysis

It normally maintains more than 50% exposure into corporate bonds and Debentures. Based on interest rate outlook it varies the exposure in government securities (G secs). Currently it has taken around 25% exposure into G secs. Though it has a flexibility to invest across the different maturity, it normally caps the average maturity at 4 years. It has exceeded the four years average maturity only twice in the past. Currently it has an average maturity of 4 years. It does not take any risky bets and never compromise the quality of portfolio for excess returns.

Recommendation

Large asset base, low expense ratio, low volatility coupled with good returns gives investors a good deal of comfort. This fund should be considered for an investor's core portfolio for stable portfolio returns. We recommend this fund for a moderately conservative investor

Sector Allocation (31-11-2012)



Risk-Return Table - As on December 26th, 2012

Scheme	Returns (%) CAGR				Portfolio Measures	
	1 Year	3 Years	5 Years	Average Maturity	Yield to Maturity	Average Credit Rating
BSL Dynamic Bond Fund	**10.43**	**9.9**	**8.37**	**4 yrs**	**9.08%**	**AAA**
Crisil Composite Bond Fund Index	**9.12**	**8.02**	**6.99**	**-**	**-**	**-**

* Based on 2 year rolling returns

Take care of your 4 wheeled beauty

Fuel: A tank of 95 octane fuel will not turn your Maruti into a Ferrari, The extra octane in premium unleaded gas does no special favors for engines with low to moderate compression, that are designed to run on regular 87 octane. And while "over-octaning" at the fuel station won't necessarily harm the average engine, it is a waste of money.

Prepare for the Seasons : Whether it's the impending gloom of winter, summer road trips or anything in between, seasonal changes mean you need to prepare your car accordingly. For many drivers, winter and summer are the most demanding on their cars' batteries, coolant and tires, among other components. Extra attention to those critical areas could mean the difference between getting there and getting stranded. If you can swing the extra cost and your climate dumps even moderate snow on you, upgrade to winter tires for priceless extra traction and control.

Research Recalls : Recalls and technical service bulletins (TSBs) are sometimes issued by manufacturers, but not all make the evening news. It's up to you to research them and keep your car alive longer by heeding their information. This tip to maintain your car is easy to follow by searching the National Highway Traffic Safety Administration (NHTSA) website or signing up for newsletter alerts like Automotive News who just informed us to remove the floor mats from certain Toyota models because they may cause the gas pedal to stick, causing unintended acceleration. Read up and maintain your car.

See the "Check Engine" Light : The notorious "Check Engine" light gets a bad rap for overdramatizing trivial onboard diagnostic (OBD) codes like a tabloid newspaper, but in fairness, it also reports news you can use. Most shops and auto-parts stores can scan the codes and translate the issues. It could be a loose gas cap or it could be a serious powertrain issue developing -- knowing makes all the difference.

Play gently : You should already understand that your car's redline is not the starting point for throttle position; if you don't, the painful sound of bouncing off the rev limiter should smack some sense into you. Less obvious is that you can also damage your car by spending too much time at the lower end of the performance spectrum: Extended idling, even in cold climates, is pointless and wasteful. At the very least, it can promote carbon buildup and catalytic converter deterioration, all while wasting fuel and pumping more emissions into the atmosphere than necessary

Follow owner's manual : Following the engine and transmission maintenance recommendations in your owner's manual will extend your car's life and save you money in the long run. Don't delude yourself into thinking that you can skip the cost of upkeep and still have a vehicle that runs efficiently for very long. When you try to buy time, there's a good chance you'll also buy more parts and labor in the future.

It needs more than just driving : To follow through on the previous tip to maintain your car, you can't just turn the key and drive every time, and you can't just roll into the shop every day for maintenance. You need to keep tabs on fluid levels and tire pressure. Checking lights and signals at the same time doesn't hurt, either. Make it a regular habit and you're less likely to get caught by surprise.

All about lubrication : Don't overthink it, just do what you need to do when it comes to engine oil. Your owner's manual spells out accepted viscosities and possibly even the recommended brand. If you see Mobil 1 listed, for example, don't take it as none-too-subtle advertising: It probably means your car was born with that brand in the crankcase and was designed to run best with it.

When In Doubt, Ask : When your car acts up between maintenance intervals but no obvious repairs are needed and the Check Engine light isn't lit, don't just hope the issue will go away. Don't avoid taking action because it hasn't been 15,000, 10,000 or even 3,000 miles, either. If you sense even the slightest odd behavior, have your auto tech check your car. It's better to heed this top tip to maintain your car and spend a little time at the shop than to allow conditions to worsen and repairs to become even more expensive.

FUND SNAPSHOT

Equity Schemes - 1st Quartile Funds

REPORT AS ON 2nd January, 2013

Fund Name	Inception Date	LARGE CAP(%)	SMALL CAP & MID CAP(%)	DEBT & CASH(%)	Compound Annualised 1 Year	2 Years	3 Years	5 Years
LARGE CAP FUNDS								
Birla Sun Life Top 100 Fund - Growth	Oct-05	79	17	4	38.62	4.24	8.64	2.33
DSP BlackRock Top 100 Equity Fund - Reg - Growth	Mar-03	90	--	10	33.00	3.36	7.64	3.51
Franklin India Bluechip - Growth	Dec-93	88	5	7	27.66	2.16	8.66	4.01
Franklin India Prima Plus - Growth	Sep-94	66	29	5	31.85	4.92	9.55	3.30
ICICI Prudential Focused Bluechip Equity Fund - Ret - Growth	May-08	83	7	10	28.96	3.63	10.90	–
UTI Opportunities Fund - Growth	Jul-05	85	10	5	28.73	6.31	10.50	5.93
MULTI CAP FUNDS								
DSP BlackRock Equity Fund - Reg - Growth	Jun-07	52	43	5	35.62	1.69	7.39	2.96
Franklin India Flexi Cap Fund - Growth	Mar-05	69	28	3	32.09	1.44	7.57	2.31
ICICI Prudential Dynamic Plan - Growth	Oct-02	56	23	21	31.19	2.60	8.46	4.46
MID CAP FUNDS								
HDFC Mid-Cap Opportunities Fund - Growth	Jun-07	23	70	7	42.23	7.68	15.26	7.31
ICICI Prudential Discovery Fund - Growth	Aug-04	30	64	6	48.19	6.56	13.17	8.09
Reliance Equity Opportunities Fund - Growth	Mar-05	48	48	3	49.44	8.20	15.14	6.79
BALANCED FUNDS								
HDFC Prudence Fund - Growth	Feb-94	35	38	28	31.86	5.50	12.01	8.17
ICICI Prudential Balanced - Growth	Nov-99	44	22	34	31.52	9.14	12.19	3.55
Reliance RSF - Balanced - Growth	Jun-05	52	18	30	35.31	4.58	10.11	8.12
ELSS Schemes								
Franklin India Taxshield - Growth	Apr-99	67	26	7	30.29	5.02	10.83	4.09
ICICI Prudential Taxplan - Growth	Aug-99	65	28	8	38.42	2.83	9.46	3.67
HDFC Long Term Advantage Fund - Growth	Jan-01	64	31	5	30.38	0.04	8.69	2.71
DSP BlackRock Tax Saver Fund - Growth	Jan-07	65	33	3	42.02	2.04	8.66	-0.40

DEBT & MIP SCHEMES

Debt Short Term (9 - 18 months)

REPORT AS ON 2nd January, 2013

		Simple Annualised				Compound Annualised			
Fund Name	**Inception Date**	**1 Month**	**2 Months**	**3 Months**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
DSP BlackRock Short Term Fund - Growth	Sep-02	8.89	8.40	8.60	9.75	9.47	9.11	7.92	7.46
HDFC Short Term Plan - Growth	Feb-02	9.60	8.58	8.30	10.07	9.58	9.12	7.74	9.00
Templeton India STIP - Growth	Jan-02	9.60	9.10	8.84	10.23	10.08	9.56	8.20	9.11
Birla Sun Life Short Term Opportunities Fund - Growth	Apr-03	9.12	9.12	9.38	11.24	11.13	10.30	8.86	8.28

Debt Dynamic & Medium Term (18 - 36 Months)

		Simple Annualised				Compound Annualised			
Fund Name	**Inception Date**	**1 Month**	**2 Months**	**3 Months**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
IDFC SSIF - MTP - Plan A - Growth	Jul-03	11.09	9.66	9.05	10.37	9.98	9.63	8.64	9.29
ICICI Prudential Corporate Bond Fund - Growth	Sep-04	9.86	8.45	8.46	10.81	9.76	8.96	7.60	7.48
Birla Sun Life Dynamic Bond Fund - Ret - Growth	Sep-04	1.83	10.13	9.32	10.78	10.53	9.96	8.48	9.47

Debt Income Funds (24- 48 Months)

Fund Name	**Inception Date**	**1 Month**	**2 Months**	**3 Months**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
ICICI Prudential Income Fund -Growth	Jul-98	19.80	13.73	11.86	12.26	10.15	8.82	6.81	8.96
Birla Sun Life Income Plus - Growth	Oct-95	22.63	15.57	11.84	11.98	10.91	9.80	7.56	8.59
IDFC SSIF - Invt. Plan - Plan A - Growth	Jul-00	22.48	16.16	12.59	12.47	10.76	9.76	7.77	8.49
HDFC Income Fund - Growth	Sep-00	18.14	13.62	10.76	11.55	10.26	8.59	7.56	7.95

MIP Schemes (24- 48 Months)

		Simple Annualised				Compound Annualised			
Fund Name	**Inception Date**	**1 Month**	**2 Months**	**3 Months**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
ICICI Prudential MIP 5 - Growth	May-11	9.41	11.16	10.02	9.38	9.54	--	--	–
HDFC Multiple Yield Fund - Plan 2005 - Growth	Aug-05	19.44	14.41	11.09	12.16	12.29	9.15	9.35	9.20
Reliance MIP - Growth	Jan-04	17.63	17.79	13.69	15.17	16.81	8.15	8.33	11

Other Category

		Simple Annualised				Compound Annualised			
Fund Name	**Inception Date**	**1 Month**	**2 Months**	**3 Months**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
UTI MNC Fund - Growth	Apr-98	33.75	33.71	23.52	23.55	31.94	11.11	15.88	10.04
HDFC Gold Fund - Growth	Nov-11	-32.04	-4	-7.74	4.83	11.62	--	--	–
ICICI Prudential Regular Gold Savings Fund - Growth	Oct-11	-30.03	-6.01	-9.46	6.97	10.95	--	--	--

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