

Monthly Mutual Fund Synopsis

Equity Market Outlook

Who says Black swan events always have a negative impact? It can also work well on the positive side as in the case of the outcome of the General Elections in India. Who could have predicted the clean sweep by the UPA in the elections?

Much to consensus relief, the new government formed will not require the support of the Left and alliances of local regional parties that would otherwise have impacted the decision making process of the government had they been party to the coalition. This will indeed send a huge positive signal to the economy and the capital markets.

So, the big question before us is where is the markets headed from here. Before the election results we believed that if the election results were not according to expectations then the markets may consolidate at 10500-12500 levels with a downward bias. On the other hand, if election results throw a positive surprise then we may see the BSE Sensex hitting 14500 levels on the upside in the short run. We believe the markets are heading towards our favourable scenario and will probably overshoot our target on the upside. If that is the case then we would like investors to take away some profits from the table as we believe the markets will get realigned with the state of the global economy and capital markets.

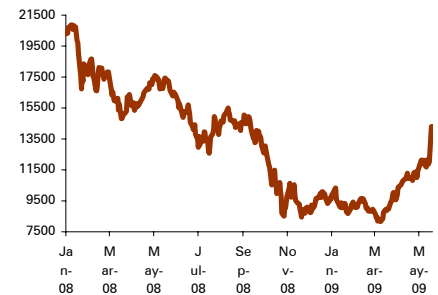
However, one thing is for sure. This black swan result has indeed increased the visibility of the Indian growth story in front of the international investor community. Now, on the back of expectations of better policy reforms, increased focus on fiscal deficit and high probability of PSU divestments and prudent & speedy executions related to important bills like FDI in insurance will result in increased FII participation in India.

Debt market outlook

In April 2009, the system was flooded with liquidity pushing 10-year yields to the lowest level in more than two months, after the central bank cut interest rates for the third time this year. RBI maintained its easing bias and surprised the market positively by cutting its key interest rates by 25 bps each in order to push banks to lend more at viable rates and prop up the sagging economy. The RBI reduced the repo rate from 5% to 4.75% and reverse repo from 3.50% to 3.25%, while keeping CRR and the bank rate unchanged at 5% and 6%, respectively. Inflation remained in the sub-1% zone on the back of high base effect, weak commodity prices and weak international oil prices. RBI has set an inflation target of 4-5%, despite inflation, as measured by the wholesale price index, being close to 0% levels.

The demand for bonds is likely to be good, given that the banking system is heavy on liquidity and light on statutory liquidity ratio. The current scenario remains a tug-of-war between unprecedented monetary easing and huge bond supply causing the volatility. Call rates are unlikely to break the current range as cash is abundant in the system. High fiscal deficit continues to remain a cause for concern. Given the volatile debt market scenario, the short end of the yield curve is preferable over the long end.

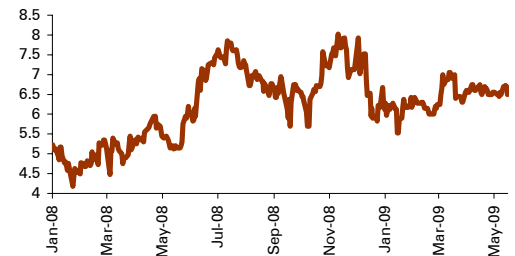
BSE Sensex



.... Equity markets witnessed pre election buying interest. After elections, euphoric reaction by FIIs took the Sensex to more than 14000 levels

.... since March 2009, FIIs have pumped in around \$4.3 billion in equity markets after global sentiments improved and political stability resurfaced

10 - Year G Sec Yield



Source: Bloomberg

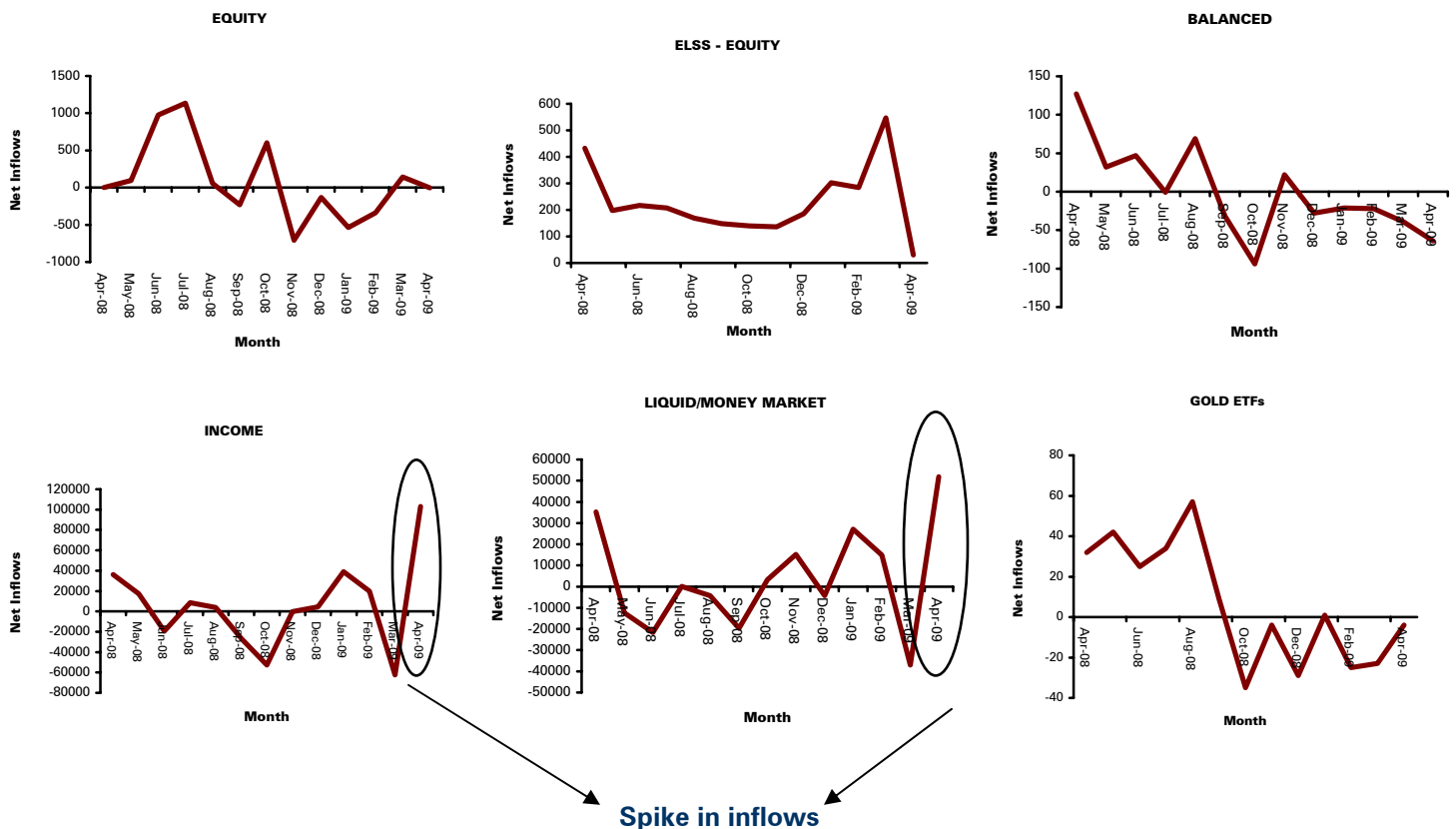
.... RBI cut repo and reverse repo rates by 25 bps during the last month as lower inflation provided the RBI the comfort to reduce interest rates

Industry Synopsis

In April 2009, the mutual fund industry witnessed net inflows of Rs 1.54 lakh crore. This was a 256% increase as compared to outflows of Rs 0.99 lakh crore in the previous month. Income & liquid/money market funds were the predominant contributors for the increase in the AUM as banks that had redeemed their holdings in March 2009 because of year end liquidity management, reinvested again into these funds. Equity funds failed to attract investors during April 2009 and witnessed net outflows to the tune of Rs 136 crore.

Assets under management (AUM) rose 11.76% to Rs 5.51 lakh crore in April 2009 as compared to Rs 4.93 lakh crore in March 2009. The AUM of fund of funds (FoFs) was Rs 706.30 crore in April 2009. Major AUM gainers were Baroda Pioneer Mutual Fund & Taurus Mutual Fund registering 66% and 65% growth in AUM, respectively. Top three AMC, Reliance Mutual Fund, HDFC Mutual Fund and ICICI Prudential Mutual Fund saw around 10% increase in their AUMs.

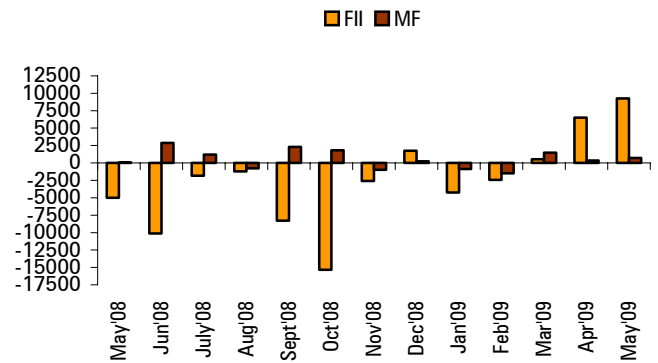
Net Inflows (Outflows)



Source: AMFI

Institutional Activity

During the month of April'09, FIIs registered net inflows to the extent of Rs 6508 crore as easing of global liquidity scenario and better than expected results of financial majors globally improved their risk appetite for equities. While in the month of Mar'09, it has registered the net inflows to the tune of Rs 530 crore. Mutual funds were also net buyers to the tune of Rs 343 crore during the month of April'09, while in the previous month they were net buyers to the tune of Rs 1478 crore.

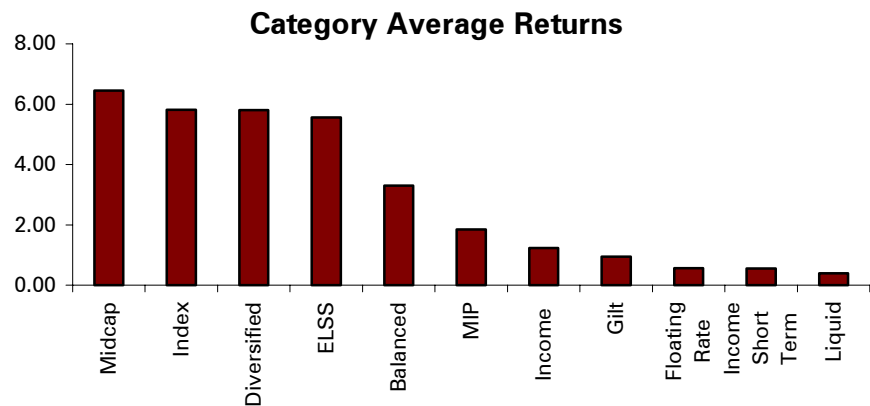


Category Analysis

The equity fund category delivered better returns than the debt-oriented category during the last month ending May 15 2009, as foreign investors invested more in equity on the back of improved market sentiments.

In equity oriented funds, midcap category funds outperformed the other category as well as the midcap benchmark indices. They delivered around 6.7% return as compared to the CNX Midcap, which delivered 4.64% return during the same period. The diversified category funds delivered around 6% return during the last month ending May 15, 2009.

In the debt funds category, income funds delivered 1.23% average absolute return, which was a little more than Gilt funds average return of 0.96% as contraction in corporate bond spreads helped income funds to deliver better returns as compared to gilt funds. The 10 year G-Sec yield decreased from 6.75% to 6.50 as on May 15 2009.



Source: ICICIdirect.com Research
 Returns are absolute one-month return as on May 15, 2009

Investment Strategy

The investment strategy, market sentiment and the liquidity scenario have changed over the last weekend with the unexpected positive election results. The earlier investment strategy for equity markets, which was to sell at every higher level, has now changed to buy at every dip. However, because of the euphoric reaction and sharp upswing especially in the large cap segment of the market, valuations are certainly not cheap in that segment of the market. Yet, because of the overall improvement in the market sentiments and increased foreign inflows the broader market should perform well, going forward.

We believe the large cap segment of the market has already run up quite a lot and, therefore, requires caution before investment. However, the midcap segment of the market still offers lot of investment value and is relatively at attractive levels as compared to the overall market.

Therefore, the tactical strategy could be to invest more in midcap biased equity funds to utilise the investment opportunity available because of the valuation difference. For new mutual fund investments, the investment strategy could be to invest 50% in quality large cap funds and 50% in top midcap funds. The overall risk-return profile assessment needs to be done before investing. Accordingly, an investor can decide on the category and funds to be invested from our model portfolio.

Mutual fund model portfolio

Investors who are wary of investing directly into equities can still get returns almost as good as equity markets through the mutual fund route. From the innumerable equity mutual fund schemes, it becomes difficult for an investor to choose and maintain a portfolio that will suit his risk-return appetite.

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

Model portfolio based on risk appetite:

Particulars	Aggressive	Moderate	Conservative
Time Horizon	1 – 2 Years	2- 3 Years	Above 3 Years
Return	Above Equity Market	Between FD & Broader Equities	Above FD
Review Interval	Monthly	Monthly	Quarterly
Risk Return	High Risk- High Return	Medium Risk - Medium Return	Low Risk - Low Return
Funds			
Core			
DSPBR Top 100 Equity Fund	20%	20%	20%
HDFC Top 200	20%	20%	20%
Kotak 30	-	20%	-
Franklin India Prima Plus	-	-	20%
Sub Total(a)	40%	60%	60%
Satellite			
Sundaram Select Midcap	20%	20%	20%
Reliance Growth Fund	20%	20%	-
IDFC Premier Equity	20%	-	-
Sub total(b)	60%	40%	20%
Debt			
Kotak Flexi Debt	-	-	10%
ICICI Prudential Income Fund			10%
Sub total (c)	0%	0%	20%
Grand Total (a+b+c)	100%	100%	100%

Model portfolio funds write-up

DSPBR Top 100 Equity Fund

- Among top rated funds according to various rating agencies
- A large-cap diversified fund with top holding in Nifty stocks
- Good track record. Actively managed and uses derivatives for hedging that provides a balanced approach during uncertainty
- High quality stocks among different sectors make DSPBR Top 100 Equity Fund a quality fund
- Top sectoral exposure: Financials, energy and healthcare
- Returns%*

Period	Fund	Benchmark	
		BSE Sensex	BSE 100
1 Year	-21.09	-29.85	-32.05
3 Years	6.90	0.98	0.50
5 Years	24.91	19.12	18.29

*Returns over 1 Year are compounded annualized return

HDFC Top 200 Fund

- Among top rated funds according to all rating agencies
- Consistent performer both in the up move as well as in the down move
- An ideal fund to be in a portfolio. Well diversified large cap holdings with investment across sectors and focuses on value stocks
- Top sectoral exposure: Energy, financial, utilities and telecom
- Returns (%)*

Period	Fund	Benchmark	
		BSE Sensex	BSE 200
1 Year	-19.24	-29.85	-33.01
3 Years	5.53	0.98	-0.69
5 Years	25.53	19.12	16.93

*Returns over 1 Yr are compounded annualized returns

Kotak 30 Fund

- The fund has remained in the top quartile with regard to performance in its category. Highly rated fund according to different rating agencies
- Large cap fund with limited holding, with focus on specific stocks. Top 10 stocks comprise more than 50% of the portfolio
- The fund manager actively manages the fund with some usage of derivatives for hedging purposes
- More aggressive than other funds in its category because of concentration risk and ideal for investors who want to invest in large cap and has higher risk appetite
- Returns%*

Period	Fund	Benchmark	
		Sensex	BSE 100
1 Year	-29.31	-29.85	-32.05
3 Years	0.60	0.98	0.50
5 Years	22.21	19.12	18.29

*Returns over 1 Yr are compounded annualized return

Franklin India Prima Plus

- Among the highly rated funds within its category according to various rating agencies
- Predominantly large cap fund with exposure to some quality midcaps also
- Well diversified among different sectors and large number of scrips provides a balanced approach
- Suitable for long-term portfolio
- Returns (%)*

Period	Fund	Benchmark	
		BSE Sensex	BSE 200
1 Year	-23.35	-29.85	-33.01
3 Years	3.77	0.98	-0.69
5 Years	23.11	19.12	16.93

*Returns over one year are compounded annualised returns

Sundaram Select Midcap Fund

- Among highly rated fund according to rating agencies in its category
- Well-diversified among sectors and with large number of quality midcap stocks
- Has performed well historically and can be expected to do well if the midcap segment of the market does well
- Suitable for an overall portfolio. Majority of the holdings of the portfolio are stocks, which may provide good potential upside in the long run
- Returns (%)*

Period	Fund	CNX Midcap
1 Year	-31.74	-39.93
3 Years	-5.87	-6.04
5 Years	25.68	15.22

*Returns over one year are compounded annualised returns

Reliance Growth Fund

- Among highly rated funds according to rating agencies in its category
- Well diversified with large number of scrips
- Consistent outperformer during the upturn and when the broader market was good. Going forward, we expect the overall market to remain positive. Therefore, the fund qualifies to be in a portfolio
- Suitable for an overall portfolio to generate alpha during market wide participation
- Returns (%)*

Period	Fund	CNX Midcap
1 Year	-28.78	-39.93
3 Years	2.03	-6.04
5 Years	28.79	15.22

*Returns over one year are compounded annualised returns

IDFC Premier Equity

- Top rated fund in its category according to most of the rating agencies
- The fund has consistently been among the outperformers in its category
- Midcap fund with concentrated quality stocks
- The fund falls in the high-risk high-return category and is suitable for investors who are willing to take higher risk for the alpha, which the fund can generate because of its stock specific investment
- Returns (%)*

Period	Fund	Benchmark	
		BSE Sensex	BSE 200
1 Year	-27.16	-29.85	-33.01
3 Years	5.01	0.98	-0.69

*Returns over one year are compounded annualised return

Kotak Flexi debt

- Top rated fund according to various rating agencies
- Fund adopts a flexible approach so as to gain from changing interest rate scenarios
- Good track record makes it a good investment choice for taking limited debt exposure in the overall portfolio
- Returns (%)*

1 Month	3 Months	6 Months	1 Year	3 Years
0.43	1.51	3.64	8.34	8.24

*Returns over one year are compounded annualised return

ICICI Prudential Income Fund

- Among the top rated funds according to various rating agencies
- A longer duration fund with allocation to government securities, corporate bonds and debentures offering diversification to the portfolio
- Ideal fund to provide diversification in a longer duration equity portfolio
- Returns (%)*

1 Month	3 Months	6 Months	1 Year	3 Years
2.61	4.45	17.05	24.04	12.68

*Returns over one year are compounded annualised return

Positive Bias Funds

- ICICI Prudential Growth Plan
- Birla Sun Life Frontline Equity Fund
- HSBC Equity Fund
- DSP Black Rock Equity Fund
- IDFC Premier Equity

Negative Bias Funds

- SBI Magnum Global
- JM Emerging Leadership Fund
- Principal Growth Fund
- SBI Blue Chip Fund
- JM Basic Fund

Stock Chase

MFs were net buyers of equities at Rs 38.60 crore in April 2009 compared with net sellers at Rs 115.50 crore in April 2008. It had increased debt investments to Rs 26422.5 crore in April 2009 as compared with Rs 16438.20 crore in the April 2008.

Get an insight of stocks that the top Three AMCs (in terms of AUM) are chasing and stocks they have come out of.

RELIANCE MUTUAL FUND

ENTRY STOCKS

Company Name	No of Shares
Shriram Transport Finance Company Ltd	5389899
Satyam Computer Services Ltd	4963133
Shiv-Vani Oil & Gas Exploration Services Ltd	795931
Pritish Nandy Communications Ltd	641282
Zydus Wellness Ltd	498895
Nava Bharat Ventures Ltd	294103

EXIT STOCKS

Company Name	No of Shares
Infrastructure Development Finance Company	5001642
Indian Overseas Bank	4006461
Tata Motors Ltd	2913948
United Spirits Ltd	2594179
Steel Authority of India Ltd	1506905
ACC Ltd	675584

Top additions to existing holdings of equity funds' portfolio

Company Name	Recent No Of Shares / Units 30- April - 2009	Previous No Of Shares / Units 31-March-2009	Change in No Of Shares / Units (In %)
Hinduja Ventures Ltd	1302761	361197	261%
Canara Bank	5474080	2800505	95%
Crompton Greaves Ltd	6075868	3722103	63%
Bajaj Auto Ltd	804158	523676	54%
Pantaloon Retail (India) Ltd	3092248	2199437	41%

Reduction to the existing holdings of equity funds' portfolio

Company Name	Recent No Of Shares / Units 30- April - 2009	Previous No Of Shares / Units 31-March-2009	Change in No Of Shares / Units (In %)
Reliance Capital Ltd	494043	792985	-38%
UTV Software Communications Ltd	40083	80020	-50%
Dish TV India Ltd	3731217	9526345	-61%
Sun TV Network Ltd	398556	1327738	-70%
Grasim Industries Ltd	144145	900243	-84%

HDFC MUTUAL FUND
ENTRY STOCKS

Company Name	No of Shares
Fag Bearings India Ltd	477000
Shree Renuka Sugars Ltd	285000
Asian Paints Ltd	45220

EXIT STOCKS

Company Name	No of Shares
Tata Elxsi Ltd	1121000
TVS Motor Company Ltd	295000
Housing Development & Infrastructure Ltd	92880
Jindal Saw Ltd	80850
UltraTech Cement Ltd	20000
Tata Elxsi Ltd	1121000

Top additions to the existing holdings of equity funds' portfolio

Company Name	Recent No Of Shares / Units 30- April - 2009	Previous No Of Shares / Units 31-March-2009	Change in No Of Shares / Units (In %)
Voltas Ltd	1410800	10800	12963%
Simplex Infrastructures Ltd	1346000	140863	856%
Hindalco Industries Ltd	909694	124638	630%
Bank of India	259350	36100	618%
Punj Lloyd Ltd	15550500	4396500	254%

Reduction to the existing holdings of equity funds' portfolio

Company Name	Recent No Of Shares / Units 30- April - 2009	Previous No Of Shares / Units 31-March-2009	Change in No Of Shares / Units (In %)
Oriental Bank of Commerce	28800	98400	-71%
Alok Industries Ltd	731016	2941513	-75%
Tata Communications Ltd	3451	42455	-92%
Suzlon Energy Ltd	18151	234955	-92%
Sesa Goa Ltd	6000	282000	-98%

ICICI Prudential Mutual Fund
ENTRY STOCKS

Bank of India	779120
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EXIT STOCKS

Company Name	No of Shares
SRF Ltd	952173
Deccan Chronicle Holdings Ltd	949766
Peninsula Land Limited	860781
GTL Ltd	246989
Mercator Lines Ltd	179293
Indiabulls Real Estate Ltd	178897
Valecha Engineering Ltd	88929
United Spirits Ltd	46111
Orbit Corporation Ltd	45520
Aban Offshore Ltd	26921
Trent Ltd	13303
Glenmark Pharmaceuticals Ltd	9968
Brigade Enterprises Ltd	9883

Top additions to the existing holdings of equity funds' portfolio

Company Name	Recent No Of Shares / Units 30- April - 2009	Previous No Of Shares / Units 31-March-2009	Change in No Of Shares / Units (In %)
Hero Honda Motors Ltd	571678	17811	3110%
ICI (India) Ltd	8005	401	1896%
Reliance Petroleum Ltd	4249051	949941	347%
Power Grid Corporation of India Ltd	423351	98880	328%
Hindustan Petroleum Corporation Ltd	1960680	549192	257%

Reduction to the existing holdings of equity funds' portfolio

Company Name	Recent No Of Shares / Units 30- April - 2009	Previous No Of Shares / Units 31-March-2009	Change in No Of Shares / Units (In %)
Gillette India Ltd	39476	140355	-72%
Dr Reddy's Laboratories Ltd	90201	536371	-83%
Dabur India Ltd	141564	897547	-84%
Indian Hotels Co Ltd	291173	3314898	-91%
Indian Overseas Bank	1508	1005186	-100%

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