

November 2011

# Indepth

The Investment Newsletter



At the current juncture, there are four main factors that need to be addressed while forming a view on the market. They are inflation, growth, global cues and policy decisions.

The domestic inflation remains sticky at 9.72% in the month of September on a year-on-year basis, though the intensity is reducing for sure. However, inflation on sequential terms is still increasing, and has registered a growth of 0.8% in the month of September, mainly on the back of fuel and primary article inflation. The manufacturing article on the non-food, non-fuel core manufacturing inflation, which the Central Bank has been tracking explicitly for the purpose of policy decision, is also moderating, but is yet to show any definite sign of softening from the current level. However, the breadth of price rise has hinted six of the twelve manufacturing sub-group which have witnessed either stable or falling prices in the month of September 2011.

On the growth front, we need to observe the trend in the HSBC Purchase Manager's Index (PMI), which is a lead indicator of increasing GDP growth. Notwithstanding a marginal growth in the month of September, the PMI has registered five consecutive months of fall before that, and still prevailing at a dangerously close level of 50. The PMI at 50 is a significant number to the economists, as reading of PMI below 50 indicates contraction in GDP number and vice versa. It is clear that after 375 bps, Repo Rate hike in 13 tranches spanning over last 18 months, the high interest rates regime is finally taking its toll on economic growth, and the long term moving average PMI is indicating a declining trend. The moot point is whether the Central Bank will take note of the same, and decide to pause from here. We feel that considering the output index that constitutes one of the main factors of PMI, is still not falling in tandem with the other factors like input cost, new orders etc., thus indicating that the pricing power still remains strong with the manufacturer. Therefore, at a time when the spare capacity in the economy is limited, and the pricing power remains strong with the manufacturer, even if there is a fall in the commodity prices internationally, the same may not be passed on to the domestic end-users, and thus remain inflationary. The threat of inflation to the end-users will remain a concern till the pricing power is intact with the manufacturer due to underlying buoyancy in demand, and structural constraints in supply. And if the pricing power declines, which eventually should, the corporate margin will be under pressure. Either way, we are in a difficult situation.

On the external front, the crisis in Europe is far from being resolved, the US is in near recession and China is slowing down. Even though the influence of external factors on domestic real economy is not significant, its transmission to the domestic economy through financial market and currency market cannot be ignored for long. Therefore, RBI will definitely take cognizance of these factors while formulating its monetary policy going forward.

However, the joker in the pack remains the politics and policies. According to estimation, INR 4 trillion worth of projects are stuck at different stages of development due to policy indecisions. These numbers have gone up 4 times in last couple of years. Additionally, the high domestic interest rates and shrinking credit market have further worsened the situation. The primary source of worry for the credit market is rising risk aversion, resulting in tightening of conditions in the international money markets, where borrowing costs for corporates have risen 250 bps in last two months, resulting in a cost of a five year forex loan, rising between 9.5% to 10%. With available spreads over Libor rising to over RBI mandated limits, these corporates could turn to domestic markets for funding and push up credit spreads. While the higher-than-expected borrowing announced by the government has complicated matters, growth has clearly slowed, both domestically and internationally. The good part seems to be that we are clearly towards the end of the monetary tightening cycle. But the worrying part is that till the time interest rates remains at an elevated level, it will have a pull down effect on equity multiples.

Saibal Ghosh  
Chief Investment Officer

# Fund Managers

## Fixed Income and Hybrid Funds

Mr. Imran Sayed

**Qualification** : Awarded CFA charter by CFA Institute - 2006 FRM - 2005

**Experience** : 10 years

## Equity

Mr. Jyoti Prakash

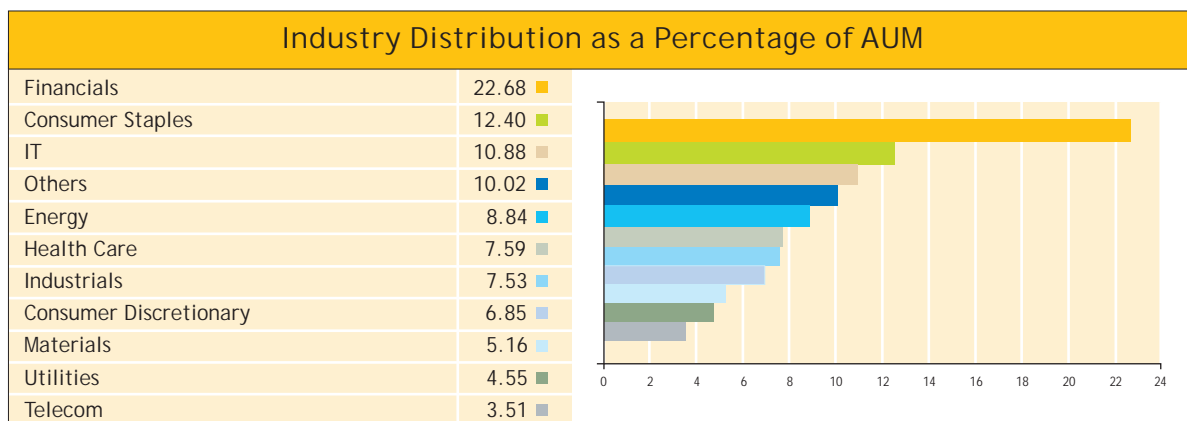
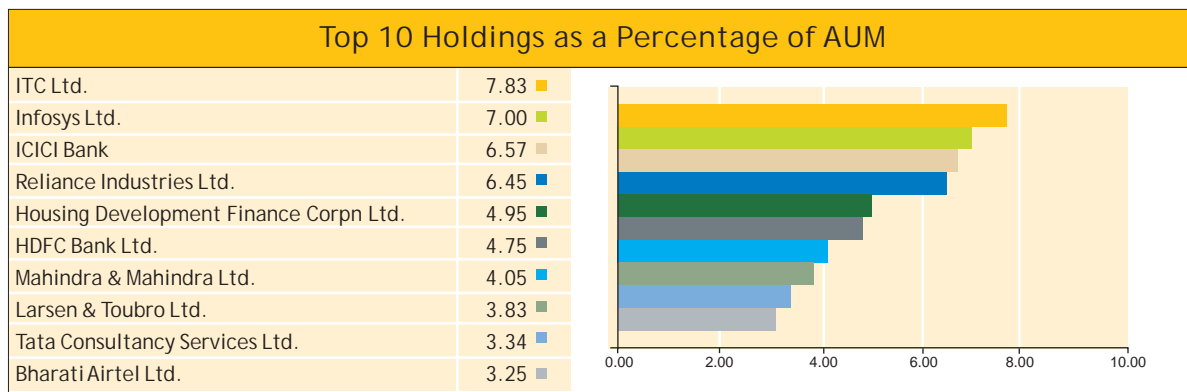
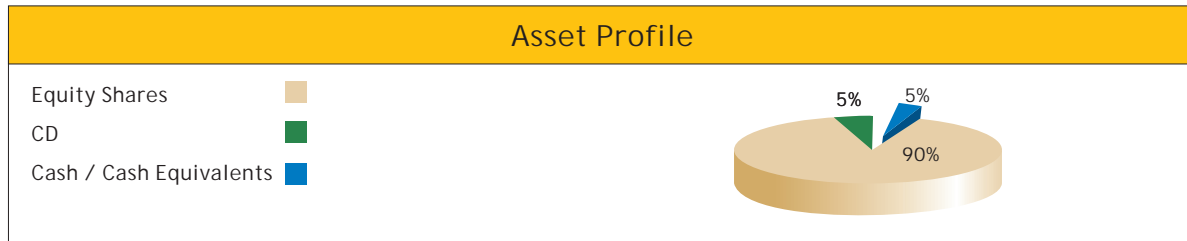
**Qualification** : CFA-1993 PGDRM (IRMA)

**Experience** : 25 years

# Enhanced Equity Fund

**Fund Manager** : Mr. Jyoti Prakash

**Investment Objective** : This fund will aim to invest in a well-diversified portfolio of equity instruments, and generate attractive returns in the long term.



**Returns**

	6 months (abs)	1 Year (abs)	Since inception, 25th July 2008, (abs)
Enhanced Equity Fund	-4.69%	-9.72%	+27.16%
Nifty	-7.36%	-11.48%	+20.14%

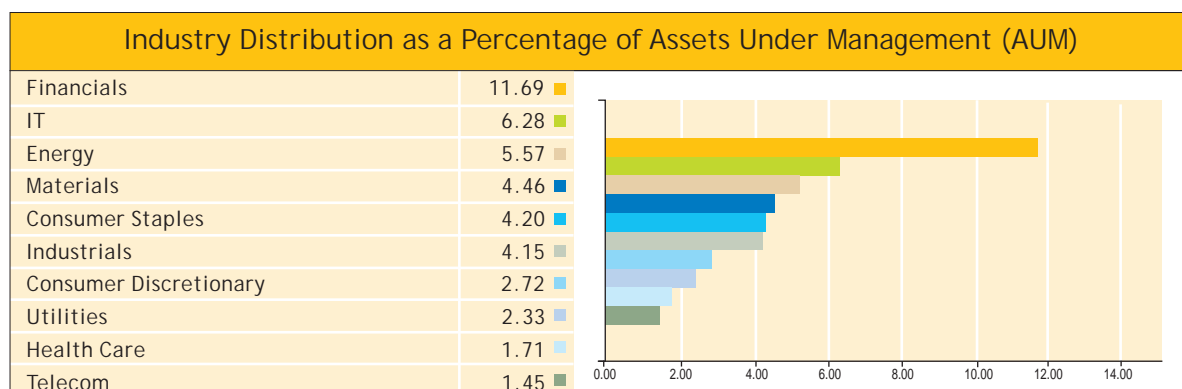
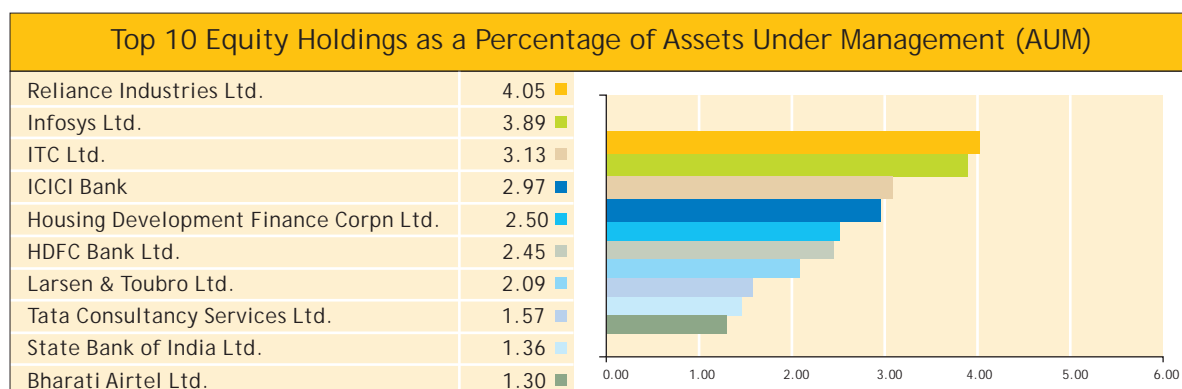
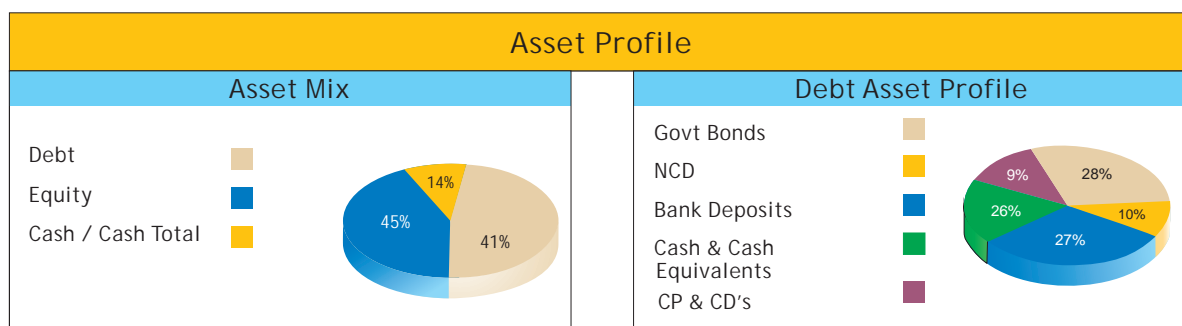
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Figures as of 30th October 2011

# Balanced Fund

**Fund Manager** : Mr. Imran Sayed

**Investment Objective** : This fund will aim to maintain a balance between equity and debt exposure so as to generate stable and attractive long term returns.



### Returns

	6 months (abs)	1 Year (abs)	Since inception, 20th August 2008, (abs)
Balanced Fund	-2.46%	-5.03%	+25.62%

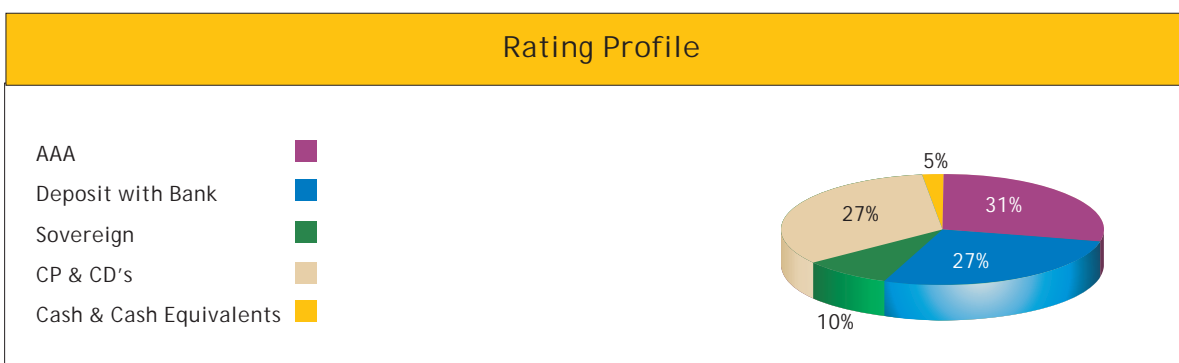
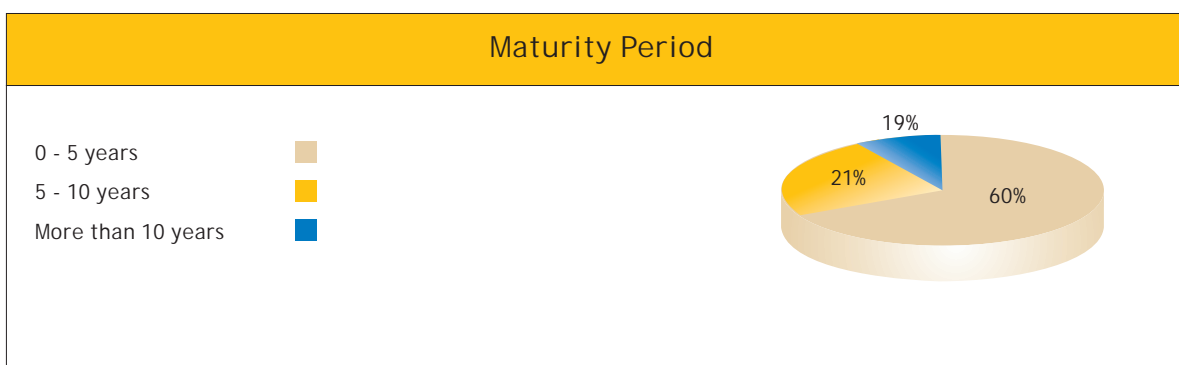
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Figures as of 30th October 2011

# Debt Fund

**Fund Manager** : Mr. Imran Sayed

**Investment Objective** : This fund will aim to generate attractive returns by investing in a diversified portfolio of government debt, corporate debt, money market instruments and other fixed income securities of varying maturities.



### Returns

	6 months (ann)	1 Year (ann)	Since inception, 20th August 2008, (ann)
Debt Fund	+8.00%	+7.41%	+13.10%

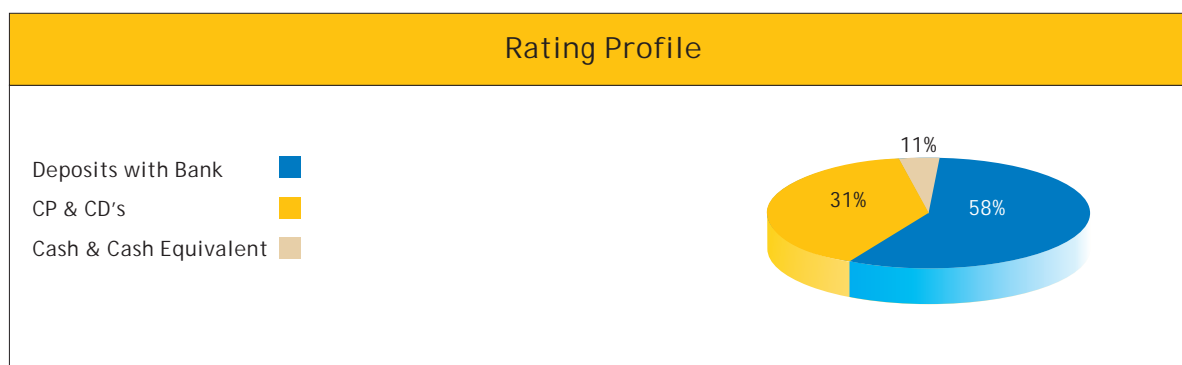
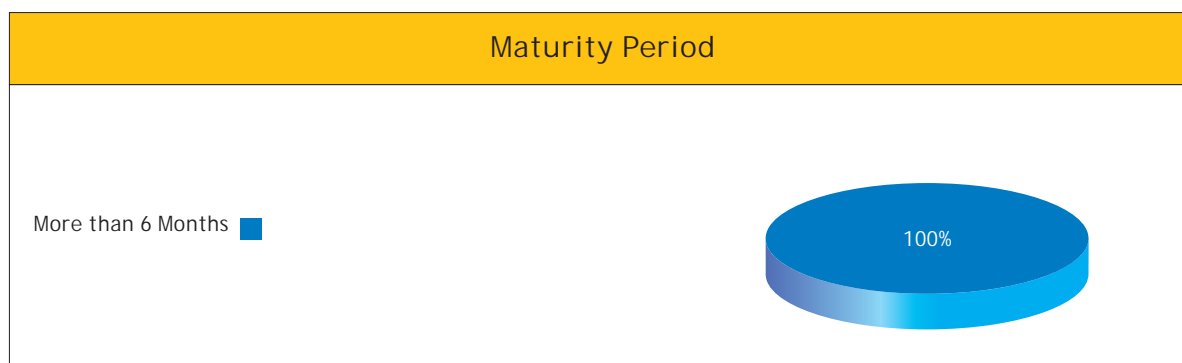
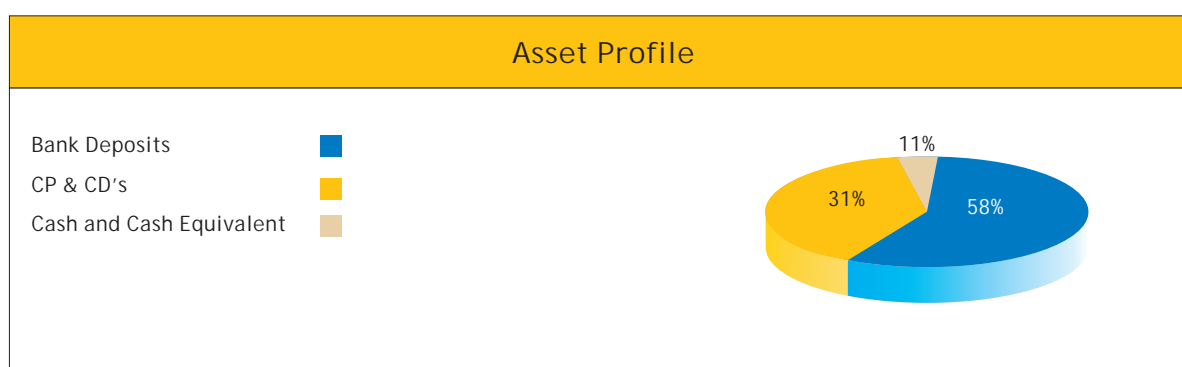
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Figures as of 30th October 2011

# Secure Fund

**Fund Manager** : Mr. Imran Sayed

**Investment Objective** : This fund aims to invest in a diversified portfolio of money market instruments and other fixed income securities of short to medium term maturities. The main objective will be to generate reasonable returns with very low valuation risks.



### Returns

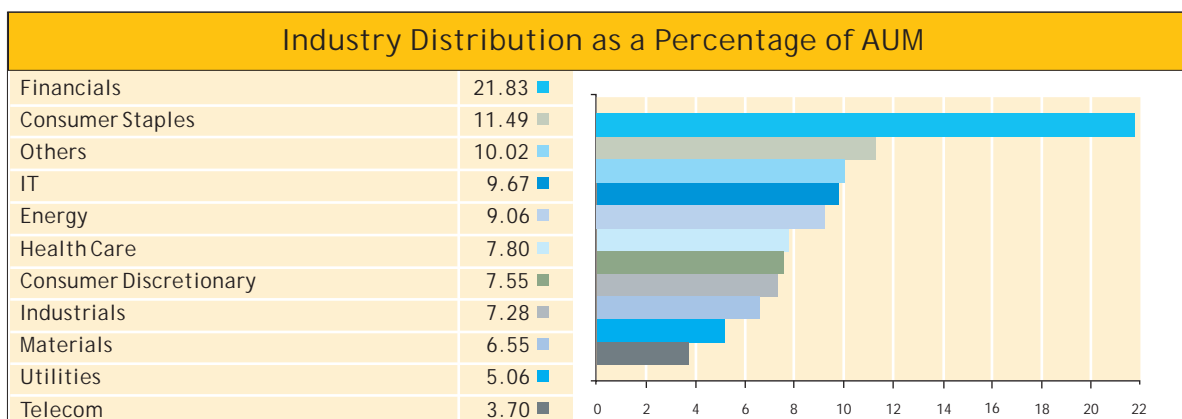
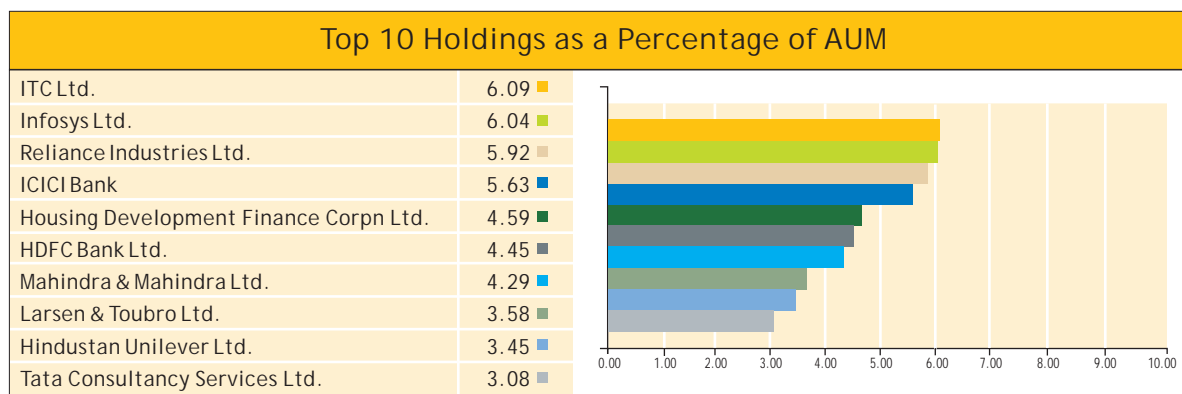
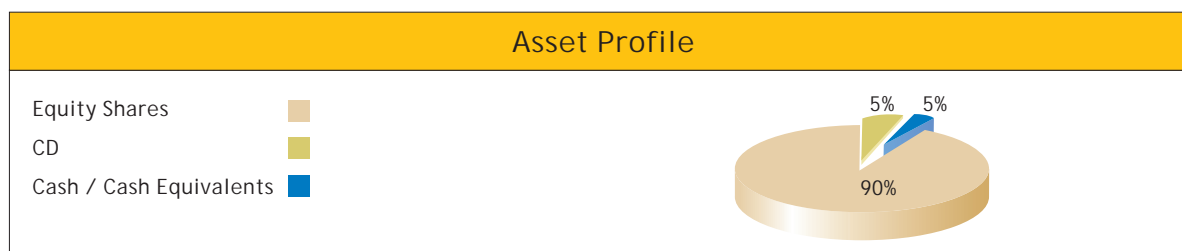
	6 months (ann)	1 Year (ann)	Since inception, 8th September 2008, (ann)
Secure Fund	+8.96%	+8.29%	+8.26%

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Figures as of 30th October 2011

# Accelerator Fund

**Fund Manager** : Mr. Jyoti Prakash  
**Investment Objective** : This fund will aim at investing in equities of various sectors to diversify the portfolio and to generate attractive returns in long-term. This fund will also have the flexibility to invest in fixed interest assets and money market instruments upto 20%



### Returns

	6 months (abs)	1 Year (abs)	Since inception, 16th September 2010, (abs)
Accelerator Fund	-5.65%	-11.09%	-9.77%
BSE100	-7.96%	-13.56%	-11.07%

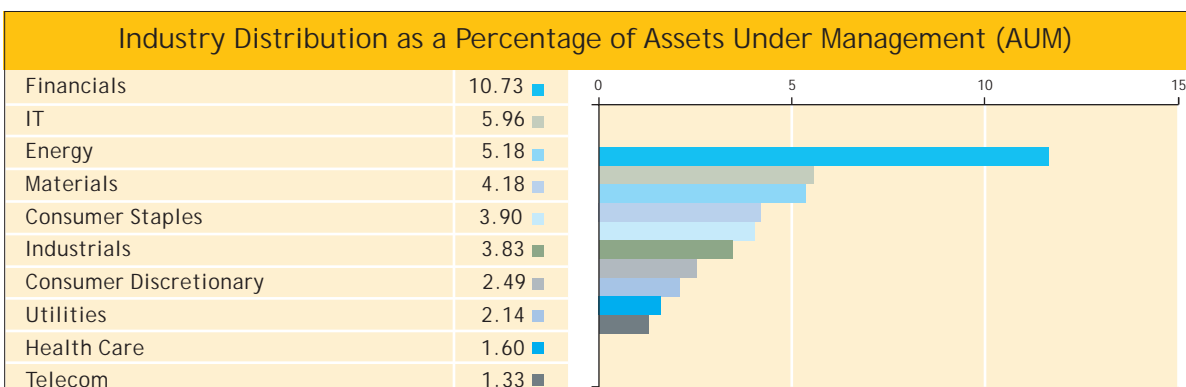
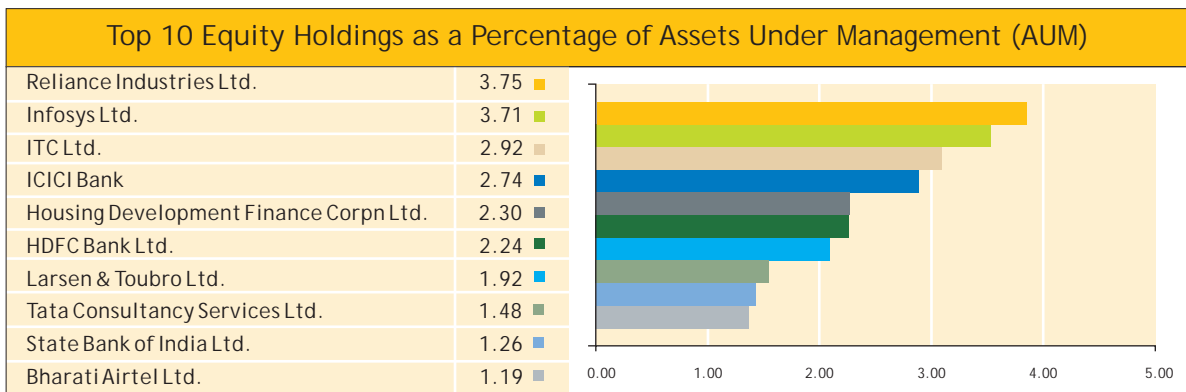
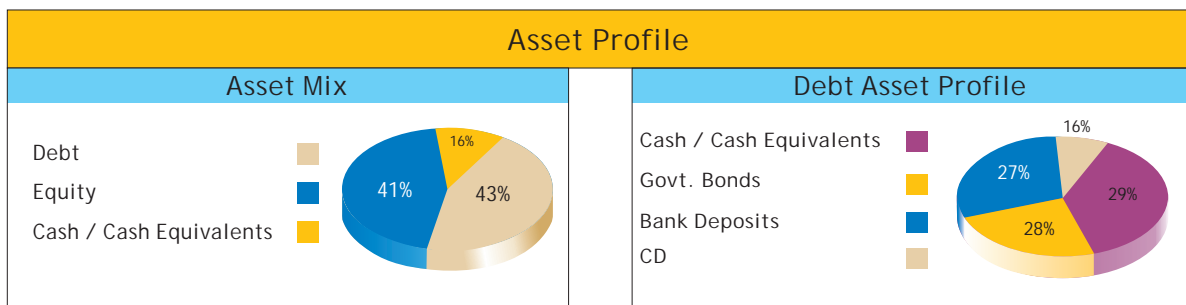
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Figures as of 30th October 2011

# Stable Fund

**Fund Manager** : Mr. Imran Sayed

**Investment Objective** : This fund will aim to maintain a balance between equity and debt exposure so that the client has a stable and attractive long term return. The fund will also shift allocation between debt and equity to gain from asset price movements over medium to long term.



**Returns**

	6 months (abs)	1 Year (abs)	Since inception, 24th September 2010, (abs)
Stable Fund	-2.40%	-3.70%	-4.01%

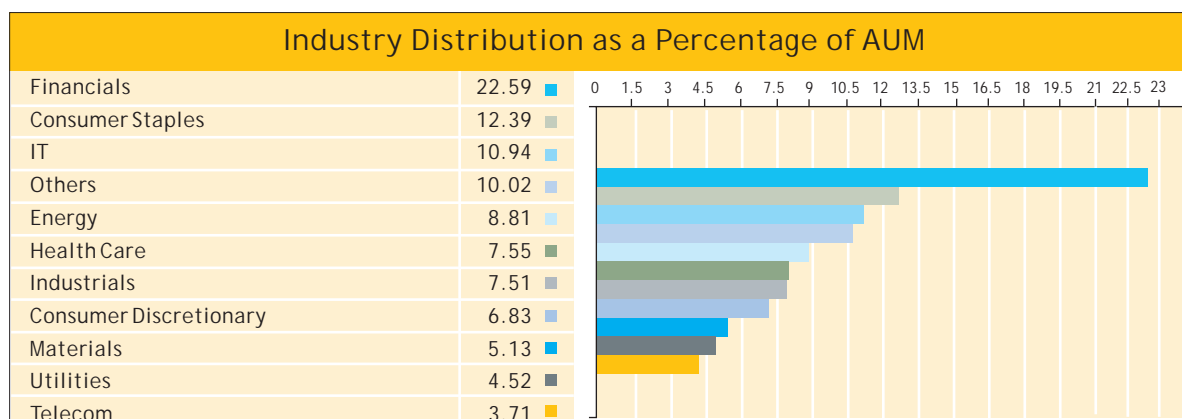
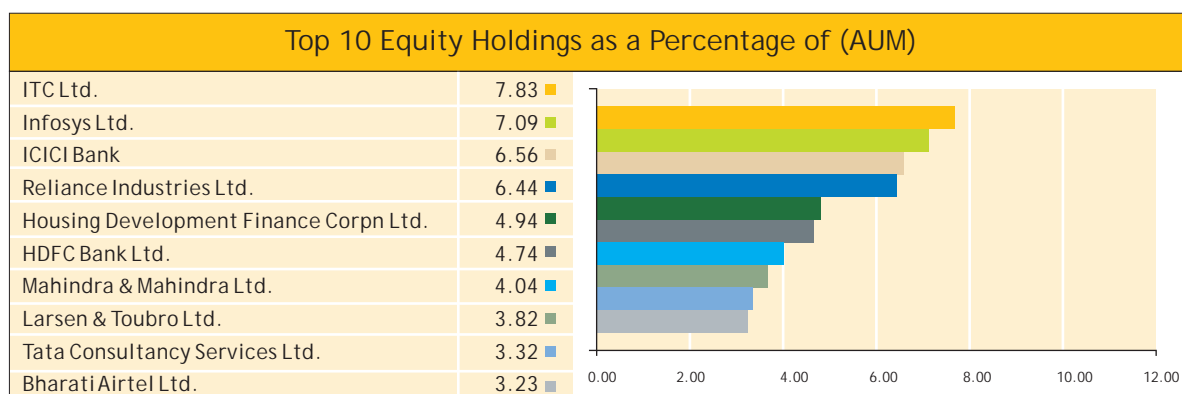
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Figures as of 30th October 2011

# Pension Enhanced Equity Fund

**Fund Manager** : Mr. Jyoti Prakash

**Investment Objective** : This fund will aim at investing in equities of various sectors to diversify the portfolio and generate attractive returns in the long term. The fund will also have the flexibility to invest in money market instruments and other short term Fixed Income Securities up to 20%.



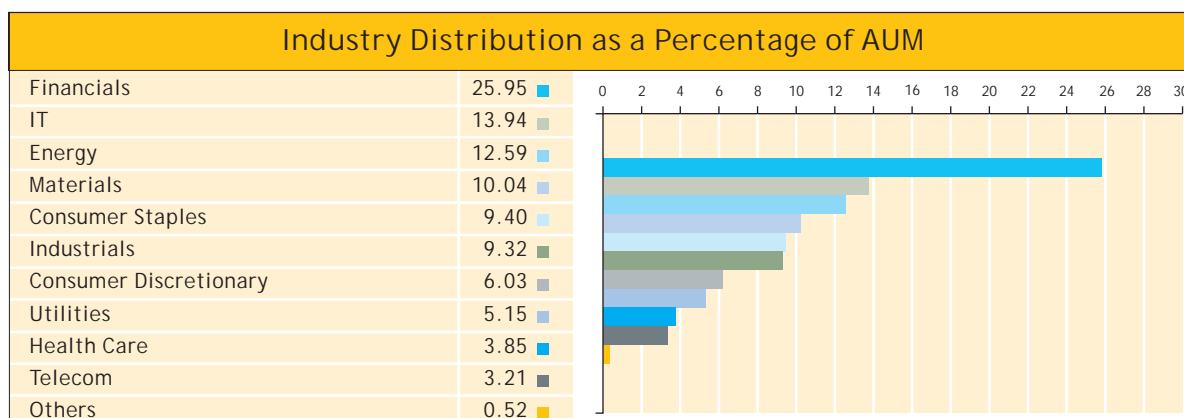
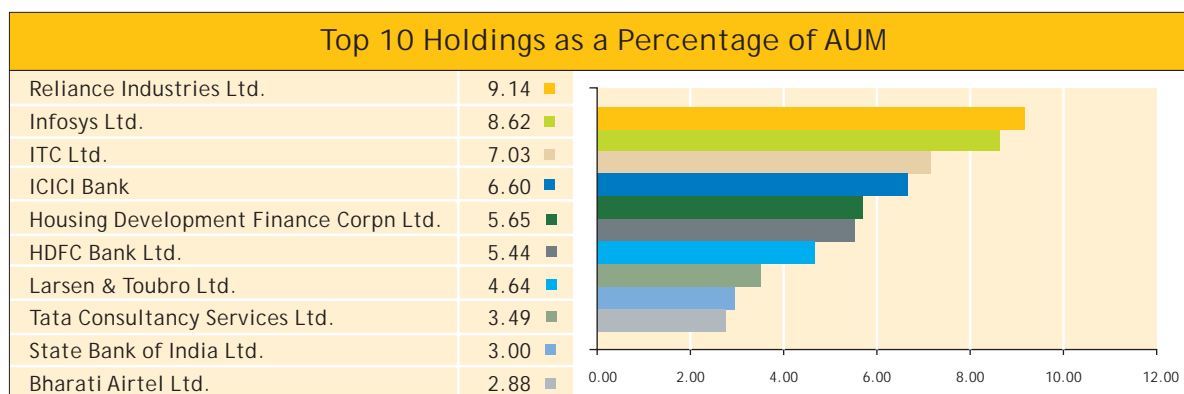
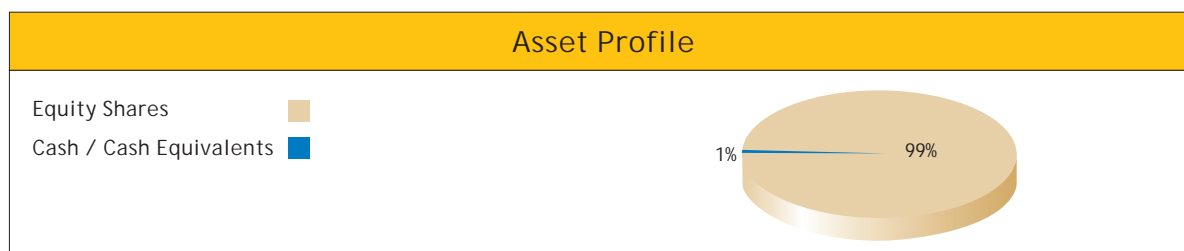
**Returns**

	6 months (abs)	1 Year (abs)	Since inception, 19th January 2009, (abs)
Pension Enhanced Equity Fund	-4.60%	-9.79%	+102.21%
Nifty	-7.36%	-11.48%	+87.15%

# Pension Index Fund

**Fund Manager** : Mr. Jyoti Prakash

**Investment Objective** : This fund aims at investing in equities but does not take stock-specific risks. Replicating the market performance at low cost. The fund is indexed to Nifty 50.



### Returns

	6 months (abs)	1 Year (abs)	Since inception, 22nd January 2009, (abs)
Pension Index Equity Fund	-6.85%	-11.38%	+93.76%
Nifty	-7.36%	-11.48%	+96.28%

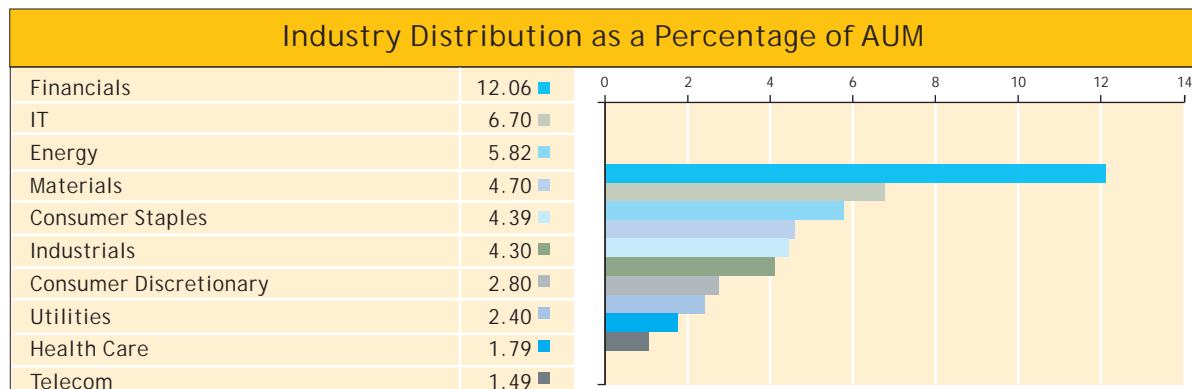
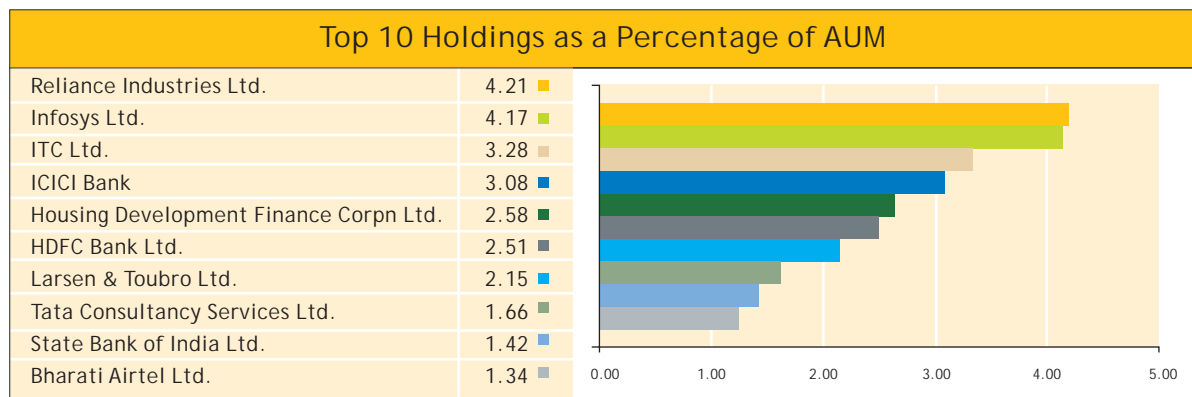
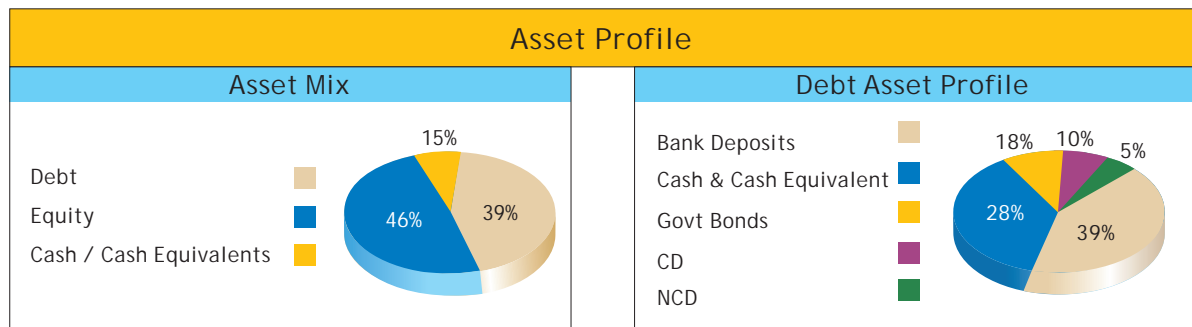
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Figures as of 30th October 2011

# Pension Balanced Fund

**Fund Manager** : Mr. Imran Sayed

**Investment Objective** : This fund will aim to protect the capital value of the fund and provide attractive returns to the policyholder in the long run.



### Returns

	6 months (abs)	1 Year (abs)	Since inception, 22nd January 2009, (abs)
Pension Balanced Fund	-2.13%	-4.51%	+34.52%

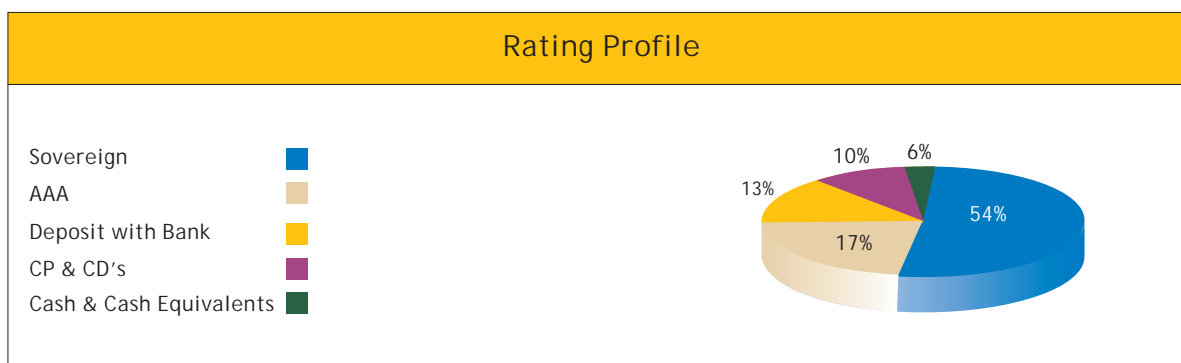
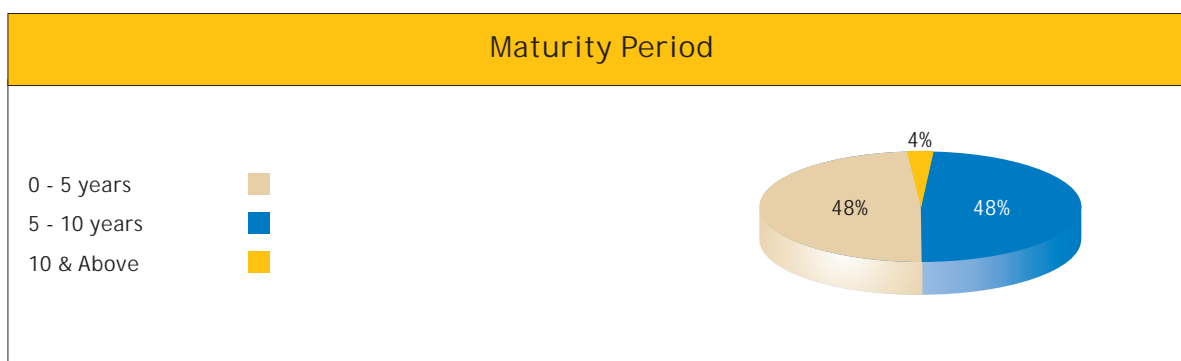
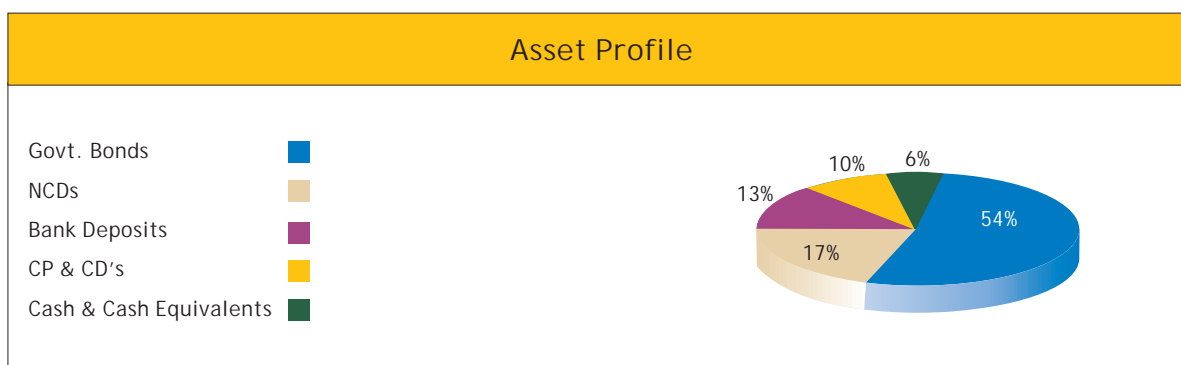
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Figures as of 30th October 2011

# Pension Debt Fund

**Fund Manager** : Mr. Imran Sayed

**Investment Objective** : This fund aims at generating attractive investment income by taking interest rate views and investing in a diversified portfolio of government debt, corporate debt and money market instruments of varying maturities.



### Returns

	6 months (ann)	1 Year (ann)	Since inception 19th January 2009 (ann)
Pension Debt Fund	+7.18%	+6.40%	+7.16%

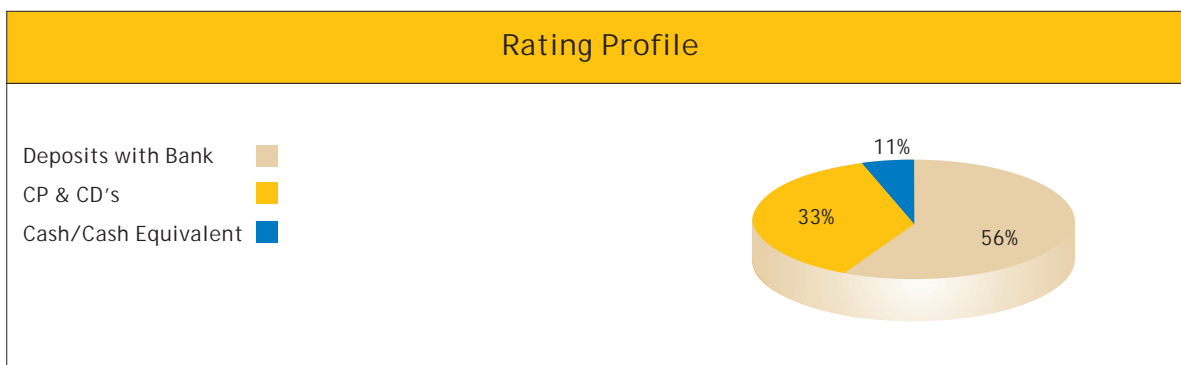
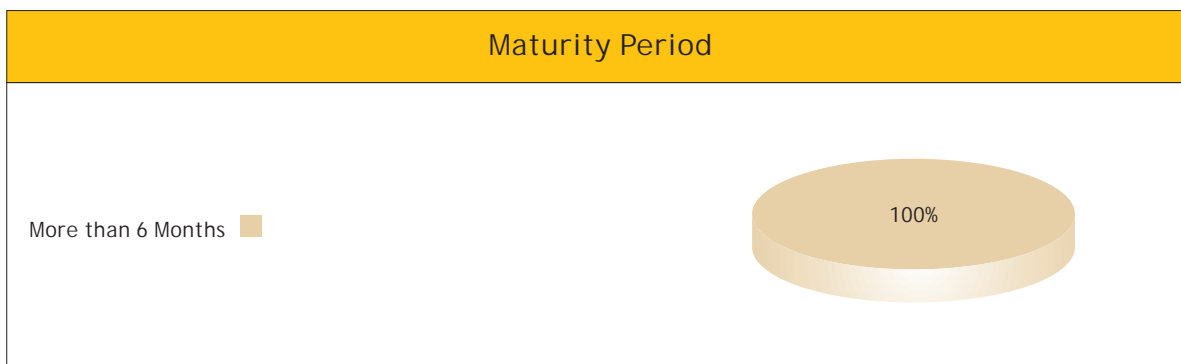
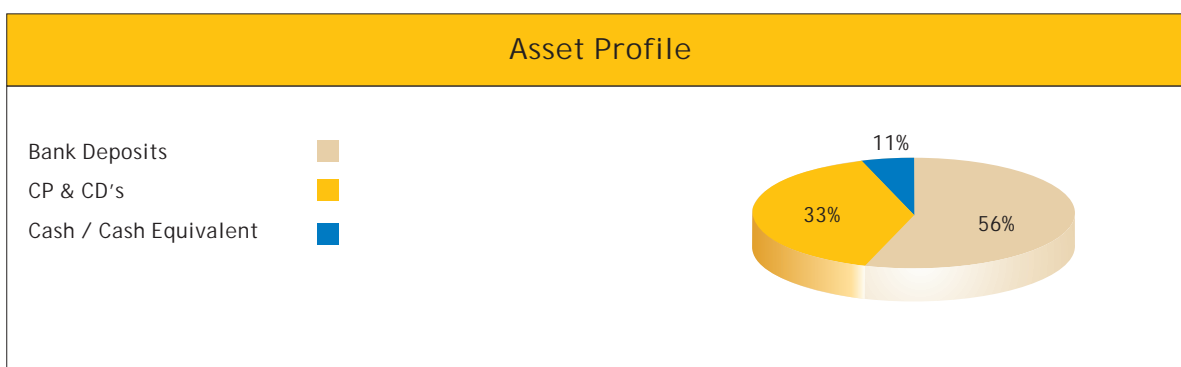
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Figures as of 30th October 2011

# Pension Secure Fund

**Fund Manager** : Imran Sayed

**Investment Objective** : This fund aims at investing in a diversified portfolio of debt and money market instruments of short to medium term maturities. The main objective will be to generate investment income with very low volatility risk since asset durations would be reasonably small.



### Returns

	6 months (ann)	1 Year (ann)	Since inception 20th January 2009 (ann)
Pension Secure Fund	+8.98%	+8.24%	+7.76%

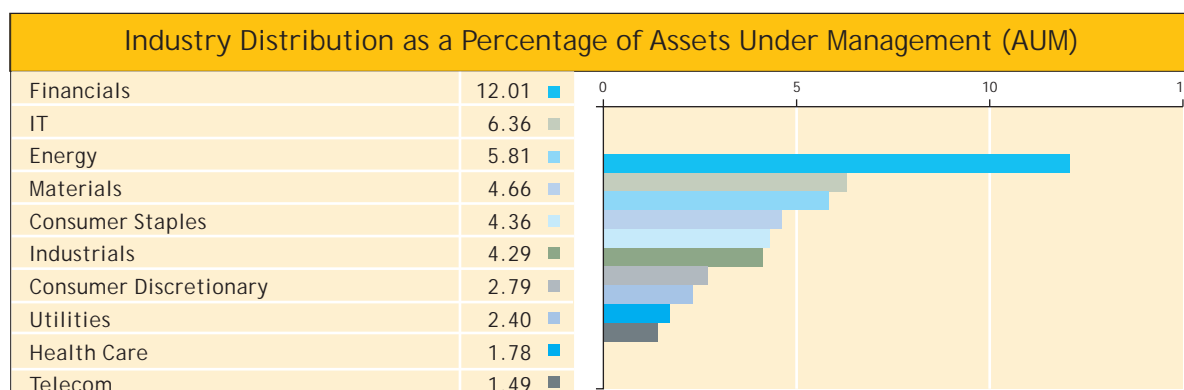
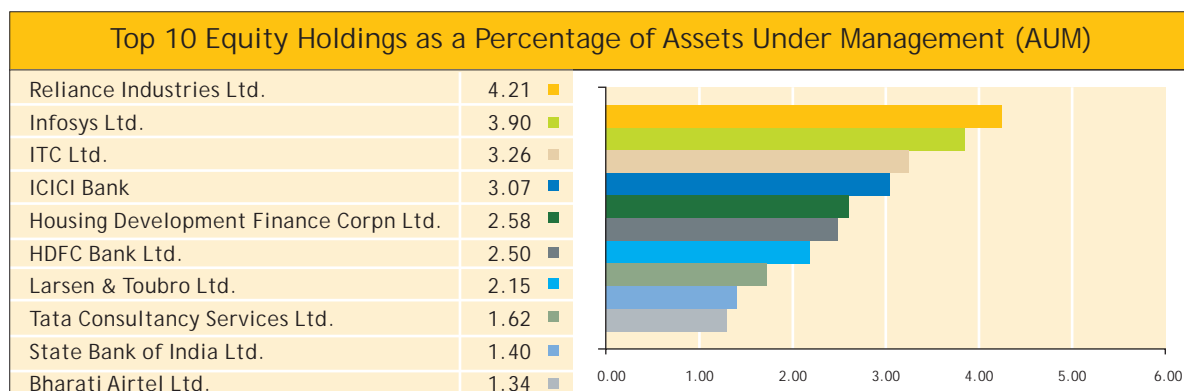
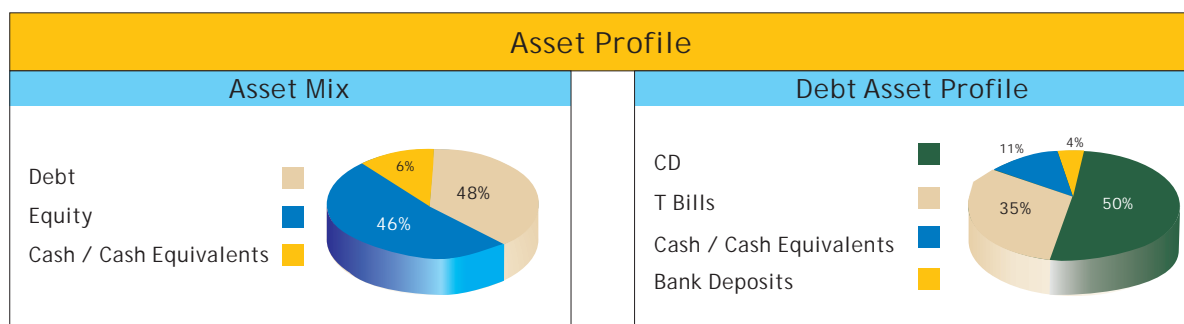
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Figures as of 30th October 2011

# NAVPF Fund

**Fund Manager** : Mr. Imran Sayed

**Investment Objective** : This fund aims at restricting the fall in NAV at any point of time below 80% of the highest NAV recorded from the date of inception of this fund.



Current NAV as on 31st October, 2011 = Rs. 10.84 per unit.

80% of the highest NAV since inception (9th September, 2009) = 9.59 per unit

### Returns

	6 months (abs)	1 Year (ann)	Since inception 8th September 2009 (abs)
NAVPF Fund	-3.30%	-6.48%	+8.41%

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Figures as of 30th October 2011

AEGON, an international life insurance, pension and investment company, Religare, a global financial services group and Bennett, Coleman & Company, India's largest media house, have come together to launch AEGON Religare Life Insurance Company Limited (ARLI). ARLI launched its pan-India operations in July, 2008 following a multi-channel distribution strategy with a vision to help people plan their life better. In an industry first, we offer policy servicing on the phone via Interactive Voice Response System (IVR).

### About AEGON

As an international life insurance, pension and investment company, AEGON has businesses in over twenty markets in the Americas, Europe and Asia. With headquarters in The Hague, The Netherlands, AEGON companies employ approximately 28,000 people and serve over 40 million customers across the globe. AEGON has more than 160 years of experience with its roots going back to 1844 and holds 26% equity in our Company . [www.aegon.com](http://www.aegon.com)

### About Religare

Religare Enterprises Limited (REL) is a global financial services group with a presence across Asia, Africa, Middle

East, Europe and the Americas. The group offers a wide array of products and services ranging from insurance, asset management, broking and lending solutions to investment banking and wealth management. With over 10,000 employees across multiple geographies, Religare serves over a million clients, including corporates and institutions, high net worth families and individuals, and retail investors. REL holds 44% equity in our Company. [www.religare.in](http://www.religare.in)

### About Bennett, Coleman & Company Limited

Bennett, Coleman & Company Limited (BCCL), part of the mammoth Times Group, is India's largest media house. It reaches out to 2,468 cities and towns all over India. BCCL owns some of the prominent entertainment brands such as Times of India, Economic Times, Times Now, Radio Mirchi, Zoom Femina and Indiatimes.com. BCCL holds 30% equity in our Company.



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