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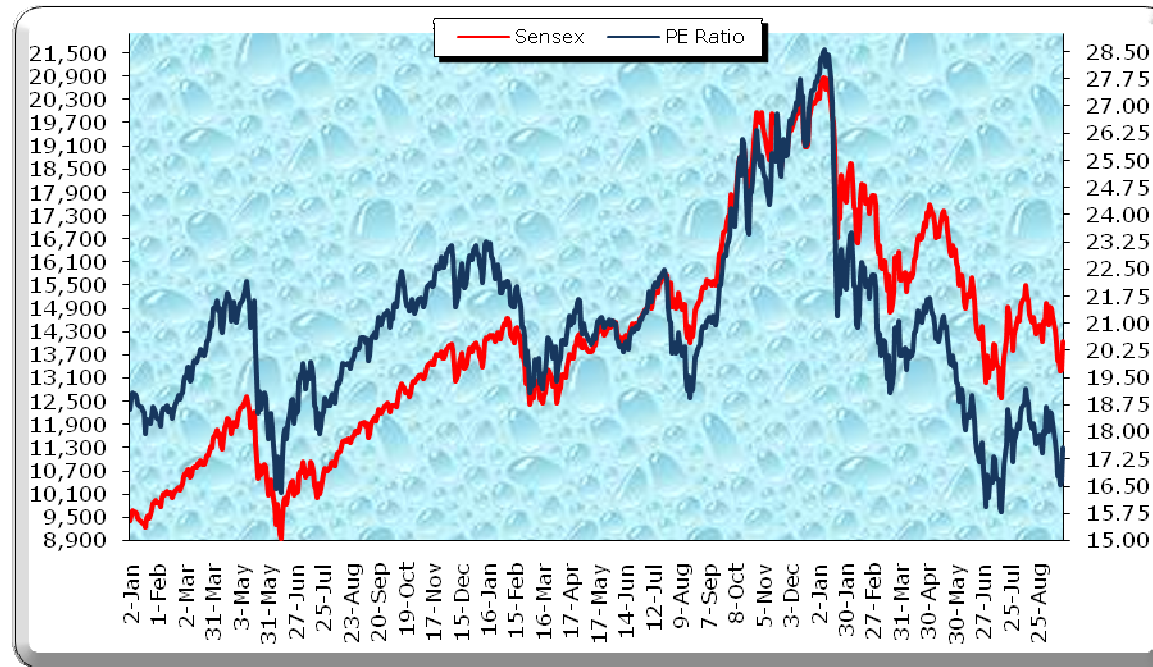
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EQUITY ARENA

Sensex Movement: (14,042)



The credit market turmoil reached a crescendo last week as two financial behemoths bit the dust and another was saved in the nick of time. Just when the entire financial sector in the US appeared to be imploding, sending stock prices plummeting across the globe, US lawmakers along with their counterparts in the rest of the countries went into an overdrive and announced a series of myopic and rather bizarre measures, that has pleased investors and helped the stock markets recoup losses made earlier in the week.

The Sensex halted just a whisker above the July low at 12558 on Thursday. The double-bottom formation around 12500 made the short sellers scurry for cover and the Sensex raced to a 12 per cent gain from Thursday's low; in less than two trading sessions. High volumes in the last two sessions of the week indicates that investors were also bottom fishing at lower levels.

We have been juggling with multiple counts over the past weeks but the Sensex' movement last week has resolved the quandary to some extent. The road-map over the medium-term could be thus,

* The preferred count is that the correction from the July trough is shaping as a flat pattern and the index would stay in the range between 12500 and 16000 over the medium-term. The minor C of this pattern that is taking the index higher from last week's trough has the upper targets at 14453, 15624 and 16795. The recent peak at 15580 and the 200-day moving average at 16442 are the other resistances that this up move would have to grapple with.

* If Sensex fails to surpass 14450 over the next two weeks, it would lead to the assumption that the third leg of the down trend from January peak has resumed from 15580. A decline below 11000 is possible as per this count.

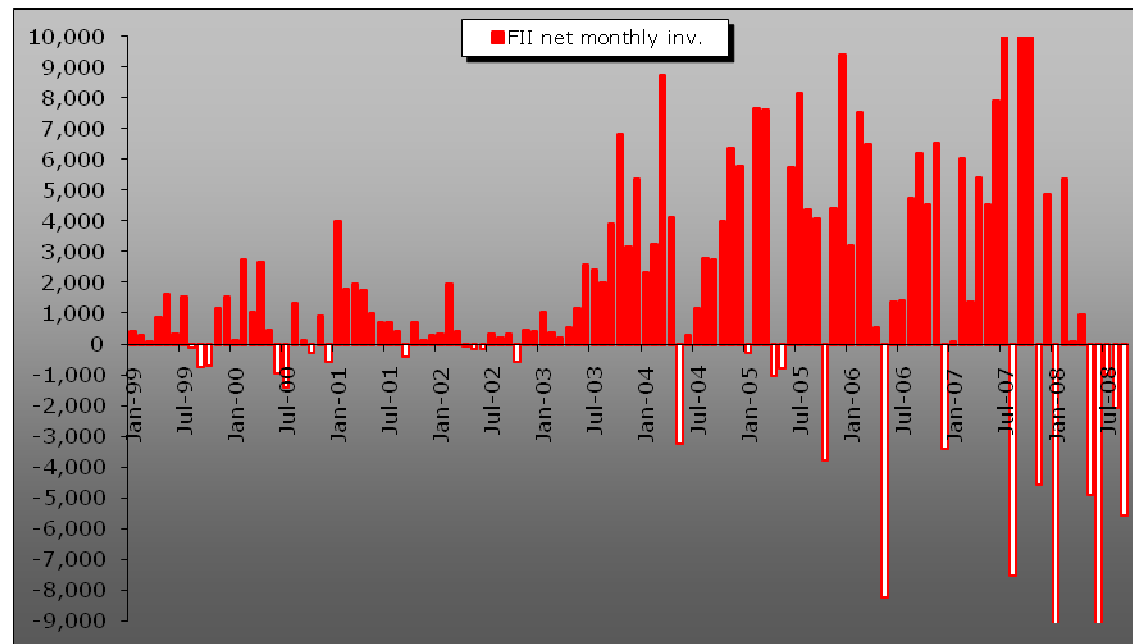
It needs to be borne in mind that even if the index moves sideways over the medium-term, the larger trend continues to be down since 21206-peak in January. This downtrend can resume after the completion of the current sideways move. An emphatic close above 16500 is required to open the possibility that this range-bound move is a base to launch the next leg of the long-term up-trend. We have also explained earlier that 12500 is a significant support on the long-term charts as it is close to the March 2007 trough and is the half-way point in the move from September 2001.

Over the short-term, Sensex will face strong resistance from the zone between 14300 and 14450. Inability to surpass this zone would be a sign of impending short-term decline towards 12500 once more. If this band is surpassed, the index can take a shy at the recent peak at 15100. Short-term supports are at 13509, 13146 and then 12558.

Events of the past week make it apparent that there are landmines strewn across the path of equities, at least for the near-term. Investors can definitely buy stocks with a long-term perspective but traders will do well to take a break until the volatility subsides.

(source: Sunday Business Line)

FII net monthly investments over the last few years:



Nightmare on Wall Street

Business Line - Rajalakshmi Sivam

Renowned global bankers, which served some of the largest corporations, governments and high net worth investors worldwide, have suffered deep wounds that will take time to heal. Firms continue to dominate with sizeable holdings in many stocks.

For those of us who had only a nodding acquaintance with Wall Street, news this week has been bafflingly littered with the big Wall Street names. Lehman Brothers filed for bankruptcy, the venerable Merrill Lynch was taken over by Bank of America and AIG, bailed out by the US Fed.

So, how has the housing crisis in the US impacted Wall Street? What were the repercussions on the Indian markets?

The (sub)prime crisis

Taking advantage of the housing boom in the US, mortgage banks disbursed loans to many sub-prime (less credit worthy) borrowers.

To compensate for the risk undertaken, these loans were given at higher interest rates. To raise more money, banks packaged these loans into securities and sold them to investment banks.

These highly leveraged positions paid off as long as the housing market continued its upward move, with rising property prices.

When recession set in, borrowers began to default. The banks seized properties and foreclosures rose. But, by then, the fall in the housing market was so steep that the foreclosed properties were difficult to sell.

The mortgage banks began to make huge losses on the outstanding loans and foreclosed assets. In the process, investment bankers who bought securities based on these loans too were hurt.

Bear Stearns flagged it off...

Bear Stearns, the US mortgage giant, was the first of the large investment institutions to fail on subprime related issues, after it declared losses on mortgage lending in March 2008. Unable to sustain operations, the institution was sold to JP Morgan Chase.

Many other small and mid-sized firms in the US too declared losses on sub-prime mortgages. This triggered a lowering of interest rates by the US central bank- the Fed- to ease the credit crunch in the economy.

Following the Bear Stearns episode, there were similar problems at Fannie Mae and Freddie Mac, the two other mortgage giants of the country. This prompted the Fed to infuse \$200 billion to shore up these institutions.

Just when the markets thought the worst was over, came the news of Lehman Brothers' filing for bankruptcy on huge mortgage-related losses.

And even before the market could absorb this shock, came similar news from Merrill Lynch and AIG (US' largest insurer). The stock markets plummeted. As the week drew to a close, the US Fed, with other central banks, assured the markets that the impact of the credit crunch would be contained.

Bailouts have been put together for the troubled banks with AIG taken over by the Fed and other investment banks in takeover talks with the stronger firms. The names that you just read are not of some neighborhood bankers. All are renowned global bankers which served some of the largest corporations, governments and high net worth investors worldwide. Also, several banks of other nations have invested in funds of these bankers.

Impact on the Indian market

FII, who are the key source of liquidity in Indian stock markets, continue to dominate, with sizeable holdings in many stocks. A weak stock market also makes foreign PE (private equity) funds hesitant to bring in money. In a scenario where the cost of borrowing is already high, poor foreign inflows (both FII and FDI) worsen the funding situation making fund availability tougher for corporates.

Given the size of FII holdings in stocks, bulk selling by foreign institutions has the potential to severely impact individual stocks as well broader markets. The Sensex lost 6 per cent off its value on the day the Bear Stearns collapse came to light.

But Lehman had already liquidated a significant part of its India holdings when its troubles came to light. However what worsened the initial falls this week were fears that other foreign institutions that run similar risks may also sell their holdings. Banking stocks were in the limelight, as they are most vulnerable to the credit crunch. A leading domestic bank that had exposure to the bonds of the Lehman Brothers faced tough times last week. Until reports clarifying that the bank expected recovery of the investments made came in, rumours had triggered huge selling in the stock.

The Banking Index too was in the red until the Finance Minister gave the assurance that the public sector banks had limited exposure to Lehman's assets and that the Indian financial sector was well-placed to handle the crisis.

Lessons from Lehman

Are there lessons for Indian investors from the events on Wall Street? Here are a few. If the housing collapse in the US was triggered by ordinary borrowers being unable to repay loans, interest rates back home too have been rising. The Indian housing market has been showing signs of slowdown with property prices correcting in many markets. This should set the alarm bells ringing for borrowers, as also bankers. As banks become more cautious in offering credit to individuals, it is time for us to take stock of whether we have enough of a safety margin on our borrowings, be they home loans, credit cards or any other kind of credit. Stock market investors obviously should brace for choppy markets ahead!

Manic week for equity investors

Business Line - Yoganand D.

Lehman Brothers announced that it was filing for Chapter 11 bankruptcy following failed attempts to rescue the 158-year-old firm on September 14. On the same day, Bank of America said that it had acquired Merrill Lynch for \$50 billion in an all-stock transaction. The Wall Street meltdown triggered a global sell off, at the beginning of the week. The Sensex plunged 470 points or 3.35 per cent on Monday, with rising mortgage defaults and home values plummeting in US being the key causes for the turmoil.

But after nearing the July low, both the Sensex and Nifty bounced up smartly, ending the week on a positive note by gaining 41.5 and 16.8 points respectively. The BSE Oil and Gas, Bank and Auto indices also ended in the green. However, the realty and metal indices shed 12.6 and 7.8 per cent, as realty stocks continued to be afflicted by slowdown worries and metals by the global commodity meltdown. The BSE Consumer durables and small- cap indices both lost 7.4 per cent. Other major losers were BSE Health Care (5.9 per cent), BSE Mid cap (5.6 per cent) and BSE IT (3.7 per cent).

52-week low

During the week quite a few blue chip companies recorded their 52-week low — to name a few Reliance Industries, Reliance Communications, Tata Steel, Hindalco, Tata Consultancy Services and Sterlite Industries. From the sector indices, BSE Metal, Realty, Small-Cap and Consumer Durables Indices recorded new 52 week lows. For the week, mutual funds were the net

buyers with a net investment of Rs 1,983 crore, whereas foreign institutional investors were on the 'sell' side with net outflows of Rs 4,658 crores. Inflation increased slightly to 12.14 per cent for the week ended September 6, compared with its previous rate of 12.10 per cent.

Commodities

Gold proved its mettle as a safe haven, by registering an extra-ordinary weekly gain of \$107.7/ounce or 14 per cent closing at \$871, in the midst of turmoil. Silver followed suit by gaining almost 16 per cent. After dipping to an intra-week low of \$90.5/ounce, crude oil bounced off recent lows, sustaining above the \$100 mark by finishing the week at \$104.55.

Stock-specific action

Reliance Capital announced that it would invest up to Rs 2,000 crore in its insurance business over the next three to five years and also enter the banking, home loans and consumer finance businesses. It also declared a dividend of 55 per cent for fiscal 2007-2008. The stock gained 5 per cent on weekly basis with heavy volumes.

US FDA (Food and Drug Administration) has blocked about 30 generic drugs of Ranbaxy Labs, which triggered a sharp fall in the stock price. It plummeted 21 per cent last week. Unitech was another big loser with down 19 per cent, as concerns about PE investments by Lehman in the firm's projects surfaced.

The third week of September was a memorable week, a week in which stock market history was probably rewritten!.

Indian investors need not rush for cover

Business Line - Aarati Krishnan

Should investors in Indian mutual funds or insurance companies sponsored by the troubled US institutions bail out? Indications are that they have no reason to panic and liquidate investments in a hurry.

Nightmare Week: How the crisis unfolded

- **September 14:** US investment bank Lehman Brothers files for bankruptcy after failing to find suitors. Merrill Lynch announces takeover by Bank of America for \$50 billion.
- **September 15:** American International Group, the largest US insurer with \$1.1 trillion in assets seeks funds, amid ratings downgrade. Leading US savings bank- Washington Mutual also in trouble, seeks saviour.
- **September 16:** Concerns about money market funds, after Reserve Primary Fund a US money market fund managing \$64 bln, becomes first money market fund in 14 years to lose capital, after writing off Lehman debt. US Fed announces \$85 billion infusion into AIG, takes equity stake.
- **September 17:** Morgan Stanley said to be in talks with banks such as Wachovia for merger. US SEC steps in to ban naked short sales.
- **September 18:** Central banks of the world launch coordinated moves to infuse massive short term liquidity, crack down on short sales.
- **September 19:** US regulators announce plans to set up exclusive fund to buy out bad mortgage debt; also extend guarantee on money market funds. Short sales banned on 800 financial stocks.

A fresh tidal wave of financial sector collapses in the US has halted the nascent recovery in Indian stocks in its tracks. Even as tumbling commodity prices have defused the inflation threat, stock market investors have a fresh set of worries to grapple with.

Should they brace for a deluge of selling by ailing US institutions? Should they rethink mutual fund and insurance investments managed by foreign institutions? How would fund flows into the Indian markets be impacted by the credit crunch? Not all of these answers are readily available, but let's look at the few that are.

In the firing line

First, will a deluge of 'sell' orders from the beleaguered American institutions — Lehman Brothers, Merrill Lynch and AIG, trigger a collapse in Indian stocks? As of now, concerns on this score seem to be overdone.

Of the above institutions that have admitted to financial troubles, only the Lehman group might have an immediate need to resort to a distress sale of its India positions, as both Merrill Lynch (bought over by the Bank of America) and AIG (handed a lifeline by the US Fed), have averted a crisis for now.

Lehman Brothers' holdings in Indian stocks (including its offshore vehicles) amounted to about Rs 1,000 crore as of June 30, a modest number in the context of the Indian market. With about a third of this holding already offloaded in August, a residual portfolio of about Rs 600 crore (or less) may remain. A takeover of Lehman's Asia operations by Barclay's, being considered now, may also obviate the need for any further selling in these stocks.

Shareholding patterns as of June show that Lehman's holdings were concentrated mainly in mid- and small-cap stocks.

Therefore, there may be no material threat to overall market, should these holdings be offloaded in a hurry. Though "Lehman" stocks have already been severely punished over the past week, investors should still tread with caution on some stocks featuring significant 'Lehman' stakes of 3 per cent or more (as of June).

These are KPIT Cummins, Fedders Lloyd, Orbit Corporation, Spice Mobiles, West Coast Paper, Northgate Technologies, Emkay Global, Pioneer Embroideries and Development Credit Bank.

Though there is little risk of selling in 'Lehman' stocks destabilising the markets, paring of India holdings by FIIs who have a larger India presence, such as Merrill Lynch or Morgan Stanley, does have the potential to undermine markets. Investors need to be alive to this possibility, given the growing ranks of ailing institutions hit by the credit crisis.

When sponsors fail

Should investors in Indian mutual funds or insurance companies sponsored by the troubled US institutions exit? Retail investors may hold schemes managed by DSP Merrill Lynch Mutual Fund or AIG Mutual Fund. This apart, they may hold insurance policies in Tata-AIG, which has a presence both in the life and general insurance business. Here, again, investors have no reason to panic or liquidate existing investments in a hurry.

To start with, investors need to note that the assets managed by a mutual fund belong to the unitholders and not to the sponsoring institution. In the event of a failure of the sponsor, it is the capital infusion made by the sponsor to the mutual fund and not the unitholders' money, that will be at immediate risk.

Therefore there is little risk of the investor assets being appropriated, in the case of AIG or Merrill Lynch running into financial trouble. Having said this, the key concern for investors in the above entities would arise from any accelerated redemptions in the funds and any change in ownership or fund management of these firms, due to global restructuring of ownership stakes.

DSP Merrill Lynch MF: In the case of DSP Merrill Lynch Mutual Fund, the 40 per cent stake in the mutual fund held directly by Merrill Lynch is already set to be transferred to BlackRock Inc — an asset management subsidiary of the group (the move is pending SEBI approval).

Once the transfer is approved, BlackRock and not Merrill Lynch, will be a 40 per cent stakeholder in the domestic fund house (60 per cent still to be held by the DSP group). Investors should note that BlackRock Inc is not entirely immune to Merrill Lynch's troubles, as Merrill Lynch holds a 49 per cent equity stake in the firm at the global level.

However, Bank of America's buy-out of Merrill Lynch's assets earlier this week includes the BlackRock business.

Initial statements from Bank of America suggest that it views BlackRock Inc, which is one of the world's largest asset managers (\$1.43 trillion in assets), as one of the more promising divisions of Merrill Lynch, alleviating any immediate worries about this division being put on the block.

All this suggests that investors in DSP Merrill Lynch Mutual Fund may have no reason to exit their fund holdings at this juncture.

DSPML Mutual Fund manages some of the better performing equity funds in India with a consistent long-term return record; and there are not too many alternatives to these funds at this juncture.

AIG: Uncertainties about ownership will continue in the case of American insurer- AIG; though an immediate crisis has been averted through an \$85-billion loan from the US Fed. AIG's top management has been replaced, with the Fed taking a 79.9 per cent equity stake in the US insurer.

Investors in the equity schemes of AIG Mutual Fund may have fewer reasons to hold on. The fund has a relatively short performance record in the Indian market, its equity funds have not turned in an impressive performance so far and there is now the uncertainty about a change in ownership as well. This suggests that it may be prudent for investors who hold a large exposure to AIG Mutual Fund's equity schemes to consider alternatives, as a de-risking measure.

As to the insurance business, policyholders in Tata AIG have been assured by the firm that all payment obligations will be honoured. The firm's strong solvency margins (well above IRDA norms) and the Tata group's 74 per cent stake in the insurance venture also provide a measure of comfort.

However, investors in all the above cases should keep a close watch for any changes in the ownership structure of the firms where they have invested. Fresh investments should be held off until clarity on this front emerges.

MUTUAL FUND CORNER

MF Monitor

Diversified Equity Funds

| Fund | NAV* | 6 mth. | 1yr | 3yr | 5yr |
|---------------------------------|--------|--------|--------|-------|-------|
| | Rs. | % | % | % | % |
| Birla Sun Life Frontline Equity | 54.85 | -5.87 | -13.09 | 20.61 | 30.85 |
| DSPML Equity | 39.00 | -4.60 | -10.62 | 21.00 | 37.84 |
| DSPML T.I.G.E.R. | 34.14 | -13.23 | -20.74 | 21.31 | - |
| DSPML Top 100 Equity | 66.22 | -3.54 | -5.91 | 24.40 | 35.66 |
| Franklin India Flexi Cap | 19.92 | -6.44 | -20.60 | 14.84 | - |
| Franklin India Opportunities | 24.03 | -9.56 | -22.45 | 13.84 | - |
| Franklin India Prima Plus | 146.32 | -3.03 | -13.22 | 20.21 | 33.52 |
| Franklin India Prima | 173.93 | -8.14 | -27.66 | 2.75 | 29.10 |
| HDFC Equity | 156.39 | -1.01 | -11.34 | 19.36 | 34.44 |
| HDFC Growth | 57.73 | -1.23 | -6.67 | 23.12 | 34.84 |
| HDFC Top 200 | 126.41 | 0.57 | -5.55 | 22.61 | 35.66 |
| HSBC Advantage India | 12.09 | -12.65 | -20.31 | - | - |
| HSBC Equity | 79.02 | -6.97 | -6.12 | 17.97 | 36.77 |
| HSBC India Opportunities | 26.97 | -7.73 | -16.77 | 14.88 | - |
| ICICIPru Dynamic Plan | 68.87 | 0.58 | -7.67 | 20.86 | 34.61 |
| ICICIPru Emerging STAR | 24.27 | -15.46 | -28.39 | 8.07 | - |
| ICICIPru Infrastructure | 23.88 | -6.79 | -2.85 | 30.76 | - |
| IDFC Premier Equity | 17.99 | -6.19 | -4.69 | - | - |
| JM Basic | 20.02 | -18.73 | -30.65 | 18.70 | - |
| JM Emerging Leaders | 9.40 | -19.24 | -34.51 | -4.47 | - |
| JM HI FI | 8.60 | -17.11 | -37.35 | - | - |
| Kotak 30 | 77.31 | -5.81 | -6.57 | 20.89 | 36.52 |
| Kotak Contra | 14.43 | -3.62 | -14.45 | 8.66 | - |
| Kotak Lifestyle | 9.39 | -15.34 | -32.46 | - | - |
| Kotak Opportunities | 32.44 | -9.99 | -9.35 | 21.29 | - |
| Magnum Contra | 39.70 | -8.53 | -14.86 | 19.22 | 46.39 |
| Magnum Global | 36.52 | -14.31 | -27.50 | 12.54 | 42.16 |
| Reliance Equity | 12.51 | -4.85 | -9.66 | - | - |
| Reliance Equity Advantage | 9.36 | -3.77 | -9.41 | - | - |
| Reliance Equity Opportunities | 19.29 | -7.65 | -20.84 | 14.09 | - |
| Reliance Growth | 304.04 | -3.74 | -8.62 | 19.92 | 43.48 |
| Reliance Natural Resources | 8.64 | -8.35 | - | - | - |
| Reliance Regular Savings Equity | 19.23 | -7.22 | 1.00 | 24.18 | - |

| | | | | | |
|------------------------------|--------|--------|--------|-------|-------|
| Reliance Vision | 181.34 | -9.41 | -19.21 | 17.23 | 32.28 |
| Sundaram CAPEX Opportunities | 18.06 | -16.23 | -22.20 | - | - |
| Sundaram Select Focus | 69.98 | -6.71 | -6.85 | 24.31 | 33.74 |
| Sundaram Select Midcap | 87.09 | -6.92 | -18.66 | 18.06 | 39.52 |
| Tata Infrastructure | 27.20 | -9.64 | -12.30 | 24.82 | - |

*as at Sept. 19, 2008; All NAVs are of Growth option ex. DSPML Equity - D

ELSS Funds

| Fund | NAV* | 6 mth. | 1yr | 3yr | 5yr |
|-------------------------------|--------|--------|--------|-------|-------|
| | Rs. | % | % | % | % |
| Birla Sun Life Tax Plan | 48.13 | -10.70 | -23.78 | 11.14 | 30.48 |
| Birla Sun Life Tax Relief '96 | 66.56 | -13.90 | -25.16 | 14.31 | 27.40 |
| DSPML Tax Saver | 11.03 | -8.44 | -16.70 | - | - |
| Franklin India Tax Shield | 132.57 | -4.68 | -13.28 | 13.39 | 30.59 |
| HDFC Long Term Advantage | 88.73 | -3.25 | -17.22 | 9.42 | 33.11 |
| HDFC Tax Saver | 140.22 | -2.25 | -16.89 | 11.79 | 37.23 |
| ICICIPru Tax Plan | 85.28 | -1.40 | -13.89 | 6.20 | 31.59 |
| Kotak Tax Saver | 13.50 | -12.68 | -22.69 | - | - |
| Magnum Tax Gain | 43.31 | -10.54 | -18.38 | 14.89 | 48.48 |
| Principal Tax Savings | 66.38 | -12.79 | -24.22 | 15.93 | 31.25 |
| Reliance Tax Saver | 12.78 | -3.98 | -24.42 | - | - |
| Sundaram Tax Saver | 30.19 | -5.98 | -7.72 | 18.18 | 37.43 |

*as at Sept. 19, 2008; All NAVs are of Growth option except Birla Sun Life Tax Relief '96 & Birla Sun Life Tax Plan

Sectoral Funds

| Fund | NAV* | 6 mth. | 1yr | 3yr | 5yr |
|--------------------------------|-------|--------|--------|-------|-------|
| | Rs. | % | % | % | % |
| Reliance Banking | 50.94 | 2.82 | -2.81 | 15.51 | 34.21 |
| UTI Banking | 22.54 | -3.05 | -15.01 | 11.68 | - |
| DSPML World Gold Fund | 11.02 | -26.28 | -9.41 | - | - |
| Reliance Diversified Power | 54.85 | -9.20 | 3.87 | 38.30 | - |
| Reliance Media & Entertainment | 22.01 | -17.22 | -28.55 | 11.35 | - |
| Principal Global Opportunities | 13.01 | -17.37 | -22.12 | 4.02 | - |
| Sundaram Global Advantage | 8.58 | -12.07 | -14.86 | - | - |
| UTI Energy | 9.01 | -10.97 | - | - | - |

*as at Sept. 19, 2008; All NAVs are of Growth option

Balanced Funds

| Fund | NAV* | 6 mth. | 1yr | 3yr | 5yr |
|--|--------|--------|-------|-------|-------|
| | Rs. | % | % | % | % |
| DSPML Balanced | 44.11 | -2.61 | -4.97 | 18.23 | 26.22 |
| HDFC Prudence | 119.76 | -1.91 | -9.80 | 15.33 | 27.77 |
| Kotak Balance | 19.86 | -5.78 | -7.17 | 14.03 | 26.34 |
| Principal Child Benefit – Career Builder | 67.39 | -3.98 | -3.45 | 22.23 | 26.57 |
| Reliance Regular Savings Balanced | 12.86 | -3.80 | -6.82 | 8.43 | - |

*as at Sept. 19, 2008; All NAVs are of Growth option

Monthly Income Plans

| Fund | NAV* | 6 mth. | 1yr | 3yr | 5yr |
|----------------------------------|-------|--------|-------|-------|-------|
| | Rs. | % | % | % | % |
| Birla Sun Life MIP II Savings 5 | 14.03 | 9.82 | 15.02 | 9.48 | - |
| DBS Chola MIP | 16.68 | 1.69 | 23.03 | 11.45 | 10.24 |
| FT India MIP | 22.64 | -0.22 | 0.77 | 6.99 | 9.26 |
| HDFC MIP Long Term | 15.97 | 0.70 | 0.19 | 8.56 | - |
| ICICI Pru Income Multiplier Reg. | 14.76 | -2.69 | -2.70 | 6.86 | - |
| Principal MIP Plus | 14.90 | 1.93 | 7.03 | 8.70 | - |

*as at Sept. 19, 2008; All NAVs are of Growth option

MF News:

Mr Sanjay Sinha Chief Investment Officer at SBI Mutual Fund has resigned and joined DBS Chola Mutual Fund as its new CEO.

ICICI Prudential Mutual Fund appointed Mr Rahul Goswami as the fund manager for ICICI Prudential Advisor Series and ICICI Prudential Child Care Plan- Study Plan. Earlier, ICICI Prudential Advisor was managed by Mr Pankaj Kaji while ICICI Prudential Child Care Plan-Study Plan was managed by Mr Munzal Shah.

DBS Cholamandalam asset management company appointed Mr Mohit Sachdev as its Chief Marketing Officer. Earlier he worked with UTI as President of its Institutional Business.

Fidelity Asset Management Company has announced that it has expanded its services by providing investors access to their accounts through its mobile-friendly Web site, 'Fidelity Anywhere'. This service is free and available across all telecom operators in India. Investors can monitor their investments in all linked folios to their accounts, including latest valuation of each scheme and can also request account statements via e-mail.

Currently Open NFOs

| Fund | Type of Fund | Opens on | Closes on | Comment |
|---------------------------------|--------------|----------|-----------|--------------|
| Birla Sun Life Commodity Equity | Open-ended | Sept. 15 | Oct. 14 | AVOID |
| Bharti AXA Equity | Open-ended | Sept. 4 | Oct. 1 | AVOID |

Currently open Fixed Maturity Plans (FMPs)

SIMULATION of indicative POST-TAX returns

| Name | Tenure | Closing Date | Maturity Date | Indicative Yield – Retail | Min. Invest. (retail) | FMP with indexation | FMP without indexation | Bank FD |
|---|----------|--------------|----------------|---------------------------|-----------------------|---------------------|------------------------|---------|
| Templeton Fixed Horizon Fund-Series XI-Plan H | 19 mths | Sept. 24 | Apr. 26, 2010 | 11.00% | Rs 5,000 | 10.13% | 9.79% | 7.34% |
| Kotak FMP 12M Series 9 | 12 mths | Sept. 23 | | 10.40% | Rs 5,000 | 9.63% | 9.22% | 6.27% |
| HSBC Fixed Term Series 66 | 18 mths | Sept. 25 | Apr. 1, 2010 | 10.95% | Rs 10,000 | 10.28% | n.a. | |
| ICICI Pru FMP Series 48 | 3 yrs | Sept. 24 | Sept. 29, 2011 | 11.50% | Rs 5,000 | - | - | - |
| Reliance Fixed Horizon Fund X Series 5 | 370 days | Sept. 25 | | 10.50% | Rs 5,000 | 9.24% | 9.31% | 6.93% |

Note:

- **Entry load is NIL.** Exit Load is applicable only if redeemed before maturity. If redeemed at maturity, **exit load is NIL.**
- Yields are strictly indicative and final yields on portfolio will be in line with prevailing yields at the time of deployment of funds.
- FMPs are low-risk instruments but are not entirely risk-free.

INSURANCE NEWSWIRE

Instant insurance, not as spicy as instant noodles

Elda Christy; moneycontrol.com August 04, 2008

SOME of us use microwaves, and for some, junk food doubles up as a meal.

Some of us seem to prefer broadband to dial-ups and T20 to a test match. Yes, we want things to happen, fast!

In the world of personal finance, first there was Internet banking, then online trading and the latest in the bandwagon, OTC or over-the-counter insurance.

Companies like Reliance Life Insurance and Birla Sun Life Insurance have already launched this product, while others like SBI Life Insurance are planning to come out with it soon.

How it works

Just fill up a one-page form and voila, you are the owner of an insurance policy. So, you end up skipping long forms and medical tests.

All it takes is a few minutes. Like microwave popcorn. But alas, haste makes waste.

Read the fine print

When you sign this one-page proposal form, you are actually signing a declaration of your good health. You are telling the insurance company that you are healthy, that you have no pre-existing illnesses and that you are worthy of being insured.

In your haste, if you give incorrect details or conceal information, remember that the chances of a claim rejection are high.

In fact, numbers from IRDA's grievance cell have an insightful story to tell. Of about 4,500 complaints it received a few years back, 15 to 17 per cent were related to rejection of claims, due to non-disclosure of pre-existing illness at the time of taking the policy.

But this is not just a local phenomenon. According to studies conducted in the UK, almost 15 per cent of total claims made on critical illnesses were declined.

Of these, 26 per cent had not made true and fair disclosures when they bought the policy.

Questions to ask, first

1. Are you currently taking any medication or drugs other than minor conditions (example: colds and flu) either prescribed or not prescribed by a doctor or have you suffered from any illness, disorder, disability or injury during the past five years which has required any form of medical or specialised examination (including chest X-rays, gynecological investigations, pap smears or blood tests) consultation, hospitalisation or surgery?
2. Do you suffer from any medical ailments such as diabetes, high blood pressure, cancer, respiratory disease (including asthma), kidney or liver disease, stroke, any blood disorder, heart problem, hepatitis B or C, tuberculosis, psychiatric disorder, paralysis and coma, HIV/AIDS or a related infection?
3. Do you have any form of physical impairment, disability, handicap or defect?
4. Is any surgery planned or are you currently aware that you need to seek medical advice within the near future? (Other than for medical examination that may arise from this application)?

OTC insurance, a good bet?

"It may seem like an alluring method to buy a policy. But buying it through the conventional mode is the best way," says financial domain trainer PV Subramanyam.

47-year old Milind took the conventional mode, while applying for a unit-linked insurance policy. As mandatory, he had to go for a medical test after which he received a letter saying that the insurance premium had been increased from Rs 4 per Rs 1,000 to Rs 12 per Rs 1,000 because his medical reports suggested that he had high blood sugar.

Milind was not even aware of his medical health until he underwent the mandatory medical test. Had he applied under the OTC mode, he would have signed off claiming that he was medically fit. If a claim arose, it would have been rejected on grounds of non-disclosure.

What if you disclose your illness?

"If a person is already suffering from any illnesses mentioned in our health questionnaire, this will be underwritten in the normal course, after conducting the required medical tests wherever necessary," says P Nandagopal, President and Chief Executive Officer, Reliance Life Insurance Company Limited.

Subramanyam adds, "It's likely that premiums of these policies would be way higher compared as to other insurance plans, mainly because the company is taking a high risk in insuring your life without a medical check-up."

Are structured products good enough?

Personalfn.com; August 8, 2008

Amidst the stock market volatility, it is not surprising to find investors who have all but redeemed their investments. Considering the losses incurred, investors are now exploring investment opportunities in avenues beyond equities. These avenues even have a fancy name – structured products.

Structured products, is the latest buzzword among investors and fund houses alike. Many investors are enticed by the investment proposition offered by these products. Fund houses on their part are only willing to launch more products to feed their popularity among investors.

Most investors believe that structured products are designed in a manner that equips them to deliver superior returns. Besides, they also consider them to be less risky.

Before we explore this subject further, let us first understand what structured products are. As the name suggests, these are customised products that comprise of various financial instruments (derivatives, stocks, bonds and debentures, among others) and investment strategies in one investment.

These products were initially made available to cater to the needs of a specific group of investors (mainly high net worth investors). However, they are now being offered to retail investors as well. To that end, the concept of structured products is relatively new for retail investors.

Terms like derivatives, paired trades and equity-linked debentures among others, have enticed a lot of investors into investing in these products. A strong marketing pitch by fund houses combined with fancy terms/investment strategies leads them to believe that structured products are superior to regular mutual funds. However, there are certain elements that investors need to consider before investing in structured products.

While the advantages offered by structured products are widely-advertised, investors would do well to understand their downside in order to make an informed investment decision. We put forth some of the disadvantages associated with structured products.

1. Complexity

Structured products are not as simple as they are usually made out to be; they are quite complex. Since they use a blend of investment strategies, it is difficult for most investors to understand the strategy driving the fund. Expectedly, investors aren't aware of the situations when the strategy might fail to deliver.

2. Misrepresentation

Fund houses usually compare the indicative return on structured products with other seemingly comparable instruments. While there is nothing wrong in doing so, the problem arises when the returns are misrepresented. For instance, one of the recently launched structured products compared its indicative returns, in absolute terms, with returns in CAGR (compounded annualised growth rate) terms, offered by another seemingly similar instrument. Both these measures are incomparable.

For example, a 15% return (in absolute terms) over 2 years would actually mean 7.24% CAGR over a similar time frame. However, if investors are being led to believe that the structured product will yield a 15% CAGR over a 2-Yr period when it's likely to deliver a 15% absolute growth over a 2-Yr period, it's a case of misrepresentation. To that end, comparing such returns would lead investors to making a wrong investment decision.

3. Capital protection

Most structured products belong to the capital protection category. In other words, they aim to protect the investor's capital in any market condition. Given that the larger portion of the fund is invested in debt and the rest is invested in equity, the chances of achieving the stated objective appears to be high. However, these products do not talk about the credit risk involved in the debt component. Although these funds aim to protect the investor's capital, the chance of the fund not achieving the same does exist.

4. All season fund

Some of the structured products claim to perform across market conditions. Too good to be true, isn't it? This is simply because, these products are designed in such a manner that if the fund manager runs out of investment options, the fund can have a higher cash component. Subsequently, the fact that this will hurt the fund's performance is rarely revealed.

What should investors do?

Investments in instruments like structured products should be made only after there is a clear understanding of its investment proposition, risks involved and the returns projected. If the investor can unravel the structure and can take on the risk for that additional return, then he can consider investing in them. The investor who finds the process of evaluating them difficult, must render the services of a competent financial planner and take a well-informed decision accordingly.

Sources: ET/valueresearchonline.com/Business Line/Business Standard /Personalfn.com /BSE /NSE/ Moneycontrol.com/ BSLI website /SEBI/Outlook Money/Money Today / IBEF

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