

## DEBT MARKET COMMENTARY

In an environment of slowing growth, high inflation and twin deficit concern, nothing much changed during the course on the month except the growth projection for FY13 being revised down by the market. The slowing growth numbers alongside high inflation, particularly at the retail level will make the task of the central bank more difficult.

On the macro front, the June IIP number clocked a negative growth of 1.8% against May reading of a growth of 2.4%. The surprise element was -3.2% growth in the manufacturing. Cumulative growth for Apr- June 2012 quarter now stands at -0.1%. Exerting pressure on CAD, the June trade deficit widened back to US\$ 15.5 bn as against US\$10.3 bn a month earlier with exports and import figures coming respectively at US\$22.4 bn & US\$37.9 bn.

The positive surprise came from the inflation front giving hopes for some easing of monetary policy. The WPI inflation for the month of July sharply dipped to 6.87% as against the expectation of 7.24% and June inflation of 7.25%. The core inflation which had softened from 8.42% in November 2011 to 5.02% in March 2012, remained sticky and moved up to 5.45% from 4.89% recorded in June. Food articles inflation remained high at 10.06%. The Consumer Price Inflation remained close to double digit coming at 9.86% against the previous month revised figure of 9.93% mainly due to higher base in the previous year. However, the Index in absolute terms rose by 1.50% from 119.6 in June to 121.4 recorded in July reflecting the price pressure.

The growth in first quarter of FY12 at 5.5% came slightly better than the market expectations of 5.3% but remained much below the growth of 8.0% recorded for the same period, a year ago. The improvement in the number was aided by the growth in construction which grew by 10.9% against 3.5% recorded in the previous year aiding the industrial sector to notch 3.6% growth from 1.9% growth in the previous quarter. The service sector failed to impress growing at 6.9% as compared to 10.2% growth recorded in the previous year.

In reaction to the hawkish stance in the last policy statement, the ten year benchmark started the month on a bearish undertone inching up to 8.27% against the previous month closing of 8.25%. Thereafter, taking cue from lower IIP numbers and with expectation of slower growth to take precedence in policy moves going ahead, the yields swiftly moved downwards to 8.11%. The brief rally soon lost steam and factors like high inflation and fiscal concerns soon resurfaced. Amidst some unwinding of position the yield rose with ten year benchmark closing the month at 8.24%, virtually flat from the previous month's closing level.

The liquidity remained comfortable throughout with overnight CBLO rates hovering close to 8% more on the lower side. The LAF borrowing though marginally went up as compared to the previous month but remained well within comfort level of RBI of 1% of NDTL. The market borrowed Rs. 9,51,715 crore under LAF in the month of August at a daily average for of Rs. 45,319.76 crore as against borrowing of Rs. 8,60,160 crore in July month at an average of Rs. 27,747.10.

In contrast to the longer end of the curve, the shorter horizon papers rallied across credits with CDs leading from the front. The money market yields softened significantly as the investor demand for safer credit weighed heavily. Against the previous month closing range of 8.75-8.80%, the rates in the three month CD closed the month getting issued in the range of 8.45-8.50%. The rates in the one year CDs also trended on a similar path closing the month in the range of 9.00-9.05%. The yields in the corporate bond also softened with 5year and 10year AAA rated bonds closing the month in 9.20-9.25% range.



## EQUITY MARKET COMMENTARY

Last month ended on a very positive note for risk assets. In Jackson Hole, Wyoming, Fed Chairman Bernanke discussed past experiences of having implemented non-traditional policies that have proven effective in bailing US out of 2007-09 recession, and expressed confidence to implement the same going ahead even at prevalent near-zero interest rates.

So much so that Bill Gross of PIMCO fame who was extremely pessimistic on another round of QE came out saying that QE3 is a certainty now and who knows, next Fed meeting on Sept 13 could be the time when helicopter Ben decides to do it again.

On the other side of the globe, in the prelude to the upcoming ECB meeting, EU leaders have stepped-up shuttle diplomacy, bracing for ECB's plan to defend the unified currency from the bond-market turmoil. Draghi, ECB Chairman believes purchasing short-dated bonds doesn't constitute state financing, and it can be done under the current legal framework without violating the treaty; however, the same cannot be the case with the 15-year bonds. German Chancellor Angela Merkel after throwing her weight around, finally decided to fall in line and has indicated she would back a more active crisis-fighting role at the ECB, favoring structural reforms and budget rigors to strengthen the troubled bailout seeking nations.

On domestic front - GDP came out better than expected of 5.5%. Though the point to note in Q1 GDP is the constant decrease in services segment - showing signs that the much touted Indian consumer story is coming to a stand still. Fiscal deficit remains a constant pain in the neck with estimates of 5.1% looking ever so small with the ballooning subsidies.

What lends a support to the Indian equity markets though are the valuations. Indian markets are trading at a FY13 P/E of 14x which are nearing long term average, and mind you, these also include the Hindu GDP growth rate years. However given the kind of crisis going on in the other emerging markets - India remains the favourite destination of FIIs.

# FACTSHEET AS ON 31 AUGUST 2012

## INDIABULLS LIQUID FUND (An open-ended liquid scheme)

**Credit Risk Rating  
AAAmfs by CRISIL\***

### Investment Objective

To provide a high level of liquidity with returns commensurate with low risk through a portfolio of money market and debt securities with maturity of upto 91days. However, there can be no assurance that the investment objective of the Scheme will be achieved.

### Fund Details

#### Fund Manager

Mr. Raju Sharma  
Total work experience: 20 years

#### Indicative Investment Horizon

1 day to 1 month

#### Benchmark Index

CRISIL Liquid Fund Index

#### Date of Allotment

October 25, 2011

#### NAV as on 31 August 2012

Growth Option: ₹1085.757

Daily Dividend Option: ₹1000.0000

Weekly Dividend Option: ₹1000.2468

Monthly Dividend Option: ₹1007.4823

#### Options

The Scheme offers the following Options across a common portfolio:

- Growth Option
- Dividend Option
- (Daily, Weekly, Fortnightly & Monthly)

#### Default Option / Facility / Frequency

Default Option – Growth  
Default dividend facility – Reinvestment  
Default dividend frequency – Monthly

#### Minimum Application Amount

₹ 5,000 and in multiples of ₹ 1/- thereafter.

Minimum Additional Purchase Amount:

₹ 1,000 and in multiples of ₹ 1/- thereafter.

#### Load Structure

Entry Load: Not Applicable  
Exit Load: Nil

#### STP/STP/SWP:

SIP/STP/SWP facilities are not available

#### Avg. AUM for the quarter (June 2012)

₹ 1,631.45 Crores

### PORTFOLIO

Name of Instrument/Issue	Short Term Rating of Instrument	Long Term Rating of Issuer	% of Portfolio
<b>Certificate of Deposits</b>			
IDBI Bank Ltd	CRISIL A1+	CRISIL AA+	9.79%
UCO Bank	CRISIL A1+	CRISIL AA+	8.58%
Punjab National Bank	CARE A1+	CARE AAA	8.56%
Bank of Maharashtra	CRISIL A1+	CRISIL AA+	6.16%
Vijaya Bank	CARE A1+	Care AA+	6.10%
Allahabad Bank	ICRA A1+	ICRA AA+	4.92%
Indusind Bank Ltd	CRISIL A1+	ICRA AA-	2.46%
Indian Overseas Bank	ICRA A1+	ICRA AA+	2.46%
Canara Bank	CRISIL A1+	CRISIL AA+	2.46%
ING Vysya Bank Ltd	CRISIL A1+	CRISIL AA	2.44%
State Bank of Bikaner & Jaipur	CARE A1+	CARE AAA	2.42%
Punjab & Sind Bank	ICRA A1+	ICRA AA+	2.42%
<b>Commercial Papers</b>			
CESC Ltd	CARE A1+	CARE AA	3.68%
Century Textiles & Industries Ltd	CARE A1+	CARE AA	3.68%
JM Financial Products Ltd	CRISIL A1+	CRISIL AA-	3.68%
Aditya Birla Nuvo Ltd	ICRA A1+	ICRA AA+	2.46%
Dabur India Ltd	CRISIL A1+	CRISIL AAA	2.46%
Sundaram Finance Ltd	ICRA A1+	ICRA AA+	2.45%
Piramal Enterprises Ltd	ICRA A1+	ICRA AA	2.44%
L&T Fincorp Ltd	CARE A1+	CARE AA+	2.43%
TATA Capital Ltd	CRISIL A1+	CRISIL AA+	2.43%
Ericsson India Pvt Ltd	ICRA A1+	ICRA AA	2.42%
Cholamandalam Inv & Fin Co Ltd	CRISIL A1+	CRISIL AA-	2.42%
Blue Star Ltd	CARE A1+	NA	1.72%
Marico Limited	CRISIL A1+	CRISIL AA	1.23%
Birla TMT Holdings Pvt. Ltd	CRISIL A1+	NA	1.23%
TATA Motor Finance Ltd	CRISIL A1+	CRISIL AA-	1.23%
Fedbank Financial Services Ltd	CRISIL A1+	NA	1.23%
Raymond Ltd	CARE A1+	CARE AA	1.22%
<b>Reverse Repo/Cash/CBLO/Other Current Assets</b>	<b>SOV</b>	<b>SOV</b>	<b>2.80%</b>
<b>TOTAL</b>			<b>100%</b>

### Sectorwise allocation

Sector	%
Banking	58.77%
Diversified	21.33%
NBFC	17.10%
Sovereign	2.80%
<b>Total</b>	<b>100.00%</b>

### Quantitative Indicators

#### Average Maturity

36 Days

#### Modified Duration

34 Days

#### Gross YTM

8.90%

### Rating Profile

100.00%

A1+/AAA or equivalent

### Dividend History - Monthly Option

Record Date	Face Value	NAV	Dividend/Unit
01-06-2012	₹ 1000	₹ 1008.2794	₹ 8.2794
03-07-2012	₹ 1000	₹ 1008.5008	₹ 8.5008
01-08-2012	₹ 1000	₹ 1007.4275	₹ 7.4275

Pursuant to payment of dividend, the NAV of the scheme will fall to the extent of dividend distribution and statutory levy (if any). Past performance may or may not be sustained in future.

# FACTSHEET AS ON 31 AUGUST 2012

## INDIABULLS ULTRA SHORT TERM FUND (An open-ended debt scheme)

**Credit Risk Rating  
AAAmfs by CRISIL\***

### Investment Objective

To provide liquidity with return commensurate with low risk through a portfolio of money market and debt securities. However, there can be no assurance that the investment objective of the scheme will be achieved.

### Fund Details

#### Fund Manager

Mr. Raju Sharma  
Total work experience: 20 years  
Mr. Puneet Srivastava  
Total work experience: 15 years

#### Indicative Investment Horizon

1 month & above

#### Benchmark Index

CRISIL Liquid Fund Index

#### Date of Allotment

January 6, 2012

#### NAV as on 31 August 2012

Growth Option: ₹1067.199  
Daily Dividend Option: ₹1000.1267  
Weekly Dividend Option: ₹1001.0639  
Monthly Dividend Option: ₹1001.0348

#### Options

The Scheme offers the following options across a common portfolio:

- Growth
- Dividend Option  
(Daily, Weekly, Fortnightly & Monthly)

#### Default Option / Facility

Default Option – Growth  
Default dividend Facility – Reinvestment

#### Minimum Application Amount

₹ 5,000 and in multiples of ₹ 1/- thereafter.  
Minimum Additional Purchase Amount:  
₹ 1,000 and in multiples of ₹ 1/- thereafter.

#### Load Structure

Entry Load: Not Applicable  
Exit Load: NIL

#### STP/STP/SWP:

SIP/STP/SWP facilities are not available

#### Avg. AUM for the quarter (June 2012)

₹ 342.59 Crores

### PORTFOLIO

Name of Instrument/Issue	Short Term Rating of Instrument	Long Term Rating of Issuer	% of Portfolio
<b>Certificate of Deposits</b>			
IDBI Bank Ltd	CRISIL A1+	CRISIL AA+	7.17%
Bank of Maharashtra	CRISIL A1+	CRISIL AA+	7.18%
UCO Bank	CRISIL A1+	CRISIL AA+	7.18%
Axis Bank Ltd	CRISIL A1+	CRISIL AAA	6.98%
<b>Commercial Papers</b>			
Piramal Healthcare Ltd	ICRA A1+	ICRA AA	7.20%
Birla TMT Holdings Pvt. Ltd	CRISIL A1+	NA	7.19%
CESC Ltd	CARE A1+	CARE AA	7.17%
Century Textiles & Industries Ltd	CARE A1+	CARE AA	7.17%
Supreme Industries Ltd	CRISIL A1+	CRISIL AA-	7.16%
TATA Capital Housing Finance Ltd	ICRA A1+	ICRA AA+	7.04%
Cholamandalam Inv & Fin Co Ltd	ICRA A1+	ICRA AA	6.91%
Kotak Mahindra Investment Ltd	ICRA A1+	ICRA AA	6.65%
JM Financial Products Ltd	CRISIL A1+	CRISIL AA-	6.62%
Fedbank Financial Services Ltd	CRISIL A1+	NA	5.73%
<b>Reverse Repo/Cash/CBLO/Other Current Assets</b>	SOV	SOV	2.64%
<b>TOTAL</b>			<b>100.00%</b>

### Sectorwise allocation

Sector	%
NBFC	40.15%
Diversified	28.70%
Banking	28.51%
Sovereign	2.64%
<b>Total</b>	<b>100.00%</b>

### Quantitative Indicators

#### Average Maturity

83 Days

#### Modified Duration

77 Days

#### Gross YTM

9.32%

### Rating Profile

100.00%

A1+/AAA or equivalent

### Dividend History - Monthly Option

Record Date	Face Value	NAV	Dividend/Unit
25-06-2012	₹ 1000	₹ 1003.6785	₹ 3.6338
25-07-2012	₹ 1000	₹ 1006.9266	₹ 6.9112
27-08-2012	₹ 1000	₹ 1008.9726	₹ 8.9573

Pursuant to payment of dividend, the NAV of the scheme will fall to the extent of dividend distribution and statutory levy (if any). Past performance may or may not be sustained in future.

**\*CRISIL Disclaimer:** A CRISIL credit quality rating on a bond fund reflects CRISIL's current opinion on the degree of protection offered by the rated instrument from losses related to credit defaults. It does not constitute an audit by CRISIL of the fund house, the scheme, or companies in the scheme's portfolio. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy, sell or hold the related scheme; it does not comment on the market price or suitability for a particular investor. All CRISIL ratings are under surveillance. CRISIL reserves the right to suspend, withdraw or revise its rating at any time, on the basis of any new information or unavailability of information or any other circumstances, which CRISIL believes may have an impact on the rating. For the latest rating information on any instrument of any company rated by CRISIL, please contact CRISIL RATING DESK at CRISILratingdesk@crisil.com or at (+91 22) 3342 3001-09

## INDIABULLS BLUE CHIP FUND (An open-ended equity scheme)

### Investment Objective

To provide long-term capital appreciation from a portfolio that is invested predominantly in equity and equity-related securities of blue-chip large-cap companies. However there can be no assurance that the investment objective of the scheme will be achieved.

### Fund Details

#### Fund Manager

Mr. Aviral Gupta  
Total Work Experience: 14 years  
Mr. Amarjeet Singh  
Total Work Experience: 26 years  
Mr. Sumit Bhatnagar  
Total Work Experience: 10 years

#### Benchmark Index

S & P CNX Nifty

#### Date of Allotment

10 February 2012

#### NAV as on 31 August 2012

Growth Option: ₹ 9.42

Dividend Option: ₹ 9.42

#### Options

The Scheme offers the following Options across a common portfolio:

- Growth Option
- Dividend Option

#### Default Option / Facility / Frequency

Default Option – Growth

Default Dividend Facility – Reinvestment

#### Minimum Application Amount

₹ 5,000 and in multiples of ₹ 1/- thereafter.

Rs. 1,000 and in multiples of Re. 1 thereafter  
(For Systematic Investment Plan (SIP))

Minimum Additional Purchase Amount:

₹ 1,000 and in multiples of ₹ 1/- thereafter.

#### Load Structure

Entry : Not Applicable

Exit : 1% if redeemed/switched out within first year, NIL if redeemed/switched out in second year

#### STP/STP/SWP:

SIP/STP/SWP facilities are available

#### Avg. AUM for the quarter [June 2012]

₹ 4.57 Crores

### PORTFOLIO

#### Industry Allocation of Equity Holding

#### % of Net Assets

Banks	20.80
Consumer Non Durables	11.43
Software	9.78
Finance	9.51
Petroleum Products	8.67
Auto	7.18
Construction Project	4.89
Pharmaceuticals	3.98
Power	3.90
Oil	3.56
Cement	2.71
Non - Ferrous Metals	2.58
Telecom - Services	1.95
Minerals/Mining	1.31
Ferrous Metals	1.16
Industrial Capital Goods	1.12
Construction	0.99
Gas	0.95

#### Top 10 Holdings - Company

#### Industry

#### % to NAV

#### Equity & Equity Related

ITC Ltd	Consumer Non Durables	8.14
Reliance Industries Ltd	Petroleum Products	8.10
HDFC Bank Ltd	Banks	6.68
HDFC Ltd	Finance	6.60
ICICI Bank Ltd	Banks	6.50
Larsen Ltd.	Construction Project	4.89
Infosys Technologies Ltd	Software	4.79
Tata Consultancy Services Ltd	Software	3.94
State Bank Of India	Banks	3.24
Oil And Natural Gas Corp.	Oil	2.83

#### Top 10 Equity & Equity Related Holdings

55.71

#### Total Equity & Equity Related Holdings

96.47

Cash & Cash Equivalents and Net Current Assets

3.58

#### Grand Total

100.05

No Dividend has been declared in this month

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

Indiabulls Asset Management Company Limited

Corporate Office: Indiabulls House, Indiabulls Finance Centre,

11th Floor, Elphinstone Mills, Senapati Bapat Marg, Elphinstone West, Mumbai - 400 013, INDIA

1800-200-7777 SMS 'IBMF' to 54242 www.indiabullsmf.com customercare@indiabullsmf.com