

## DEBT MARKET COMMENTARY

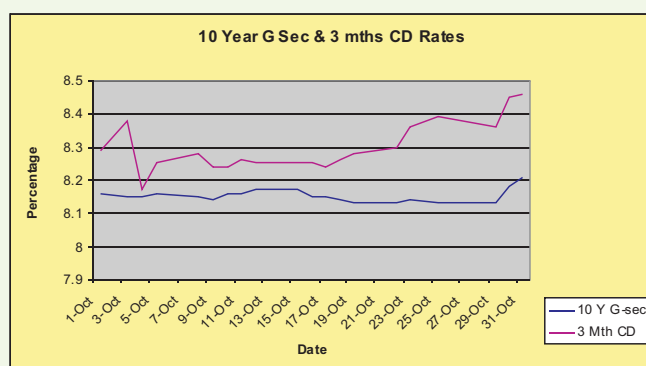
RBI's in its 2nd quarter review of monetary policy reduced the cash reserve ratio (CRR) by 25bps from 4.5% to 4.25% keeping the repo rate unchanged at 8%. The baseline projection for headline WPI inflation for March 2013 was raised to 7.5% from earlier indication of 7% in July policy. As per the report, the inflation is expected to ease in Q4 after rising in the third quarter. Citing worsening global macro condition, decline in domestic activity and slowdown in services as the major factors, the baseline GDP growth projection got revised further downward to 5.8% from 6.5% in July policy.

Among the important macro data release, IIP for the month of August beat the market estimates at 2.7% against last year growth of 3.4% for the same period and -0.2% (revised from 0.1%) in the month of July. The WPI inflation for the month of September spiked to 7.81% from the levels close to 7.50% seen in the recent past with July inflation getting revised upward to 7.52% from provisional number of 6.87%. The core inflation remained sticky at 5.6%. The price at retail level remained close to double digit with consumer price inflation for September month marginally fell to 9.73% from 10.03% in the previous month. Food prices for consumers fell to 11.62% in September from 12% in August. India's trade deficit for the month of September came at eleven month high of \$18.1 bn as against deficit of \$13.19 bn, a year ago.

The government bond market remained in a narrow band for most part of the month anticipating a dovish policy stance and an outside chance of a rate cut in October policy review. The run up to the policy saw ten year benchmark touch a low of 8.11% just ahead of the policy. In the event of no rate cut in policy and a mild hawkish tone saw unwinding of trading position with ten year yield rising sharply to close the month at 8.21%, up by 6bps over the previous month's close of 8.15%. The AAA rated corporate bonds saw good buying by investors in the initial part of the month due to good inflows in the mutual fund segment. However, the selling pressure after the policy announcement saw the yields in 5 year and 10 year bonds moving sharply upward to close the month in the range of 9.00-9.05% against the previous month closing range of 8.92-8.97%. The money market yields remained soft in the initial part of the month owing to easy liquidity condition. In the later part, as the liquidity tightened, the rates inched up significantly. Against the previous month closing range of 8.25-8.30%, the rates in the three month CD closed the month getting issued in the range of 8.45-8.48%. In contrast, the demand of one year paper and lesser issuance pressure saw sharp fall in one year CD rates which closed the month in the range of 8.55-8.60% against the previous month closing range of 8.80-8.85%.

The impact of SEBI's circular of 30% sectoral limit has been largely felt in NBFC sector securities during the month. The restriction has resulted in the yield of NBFCs securities moving up by 40-50 bps due to reduced demand of these papers. The illiquidity in these papers has gone up substantially and is further expected to exert upward pressure on the rates going ahead. The market is eagerly awaiting the notification of 10% additional limit for housing finance companies (HFCs).

The festival season tightening was visible in the LAF borrowing figure which remained in excess of 1% of NDTL mainly in the second half of the month crossing Rs.1 lakh mark on few days. The market borrowed Rs. 20,55,260 crore under LAF in the month of October at a daily average for of Rs. 66,298.71 crore.



## EQUITY MARKET COMMENTARY

Government continued with its reforms agenda in full force, hiking the limit for foreign equity investment in insurance companies to 49%, cleared amendments to the Pension Bill and allowed foreign investments in the sector. It also cleared amendments to the Companies Act and Forward Contracts Regulation Act. Amendments to the Competition Act were also approved, though bank mergers were kept out of its purview.

As a confidence boosting measure, Government outlined its five-year fiscal consolidation plan, setting a fiscal deficit target of 5.3% against the budgeted 5.1%. It also intends bringing the deficit down to 3% by, 2016-17.

While the most prominent Ministerial change was the induction of P Chidambaram as the Finance Minister, the Prime Minister in a big cabinet reshuffle installed younger ministers with pro-reforms, pro-corporate credentials and shunted out ministers with socialist underpinnings, thus sending a strong message 'India means business' to the foreign investors.

In the backdrop of stubborn WPI & CPI inflation, RBI kept the repo rates on hold and cut the CRR by 25bp, disappointing the markets. It also lowered its GDP growth projection to 5.8% y-o-y in FY13 from 6.5% earlier, and revised up its WPI inflation projection to 7.5% y-o-y by March 2013, from 7.0%. Importantly it expects inflation to rise somewhat in Q3 before beginning to ease in Q4. As a forward guidance on policy easing it stated that "the baseline scenario suggests a reasonable likelihood of further policy easing in the fourth quarter of 2012-13".

For Q2FY13, the results declared till now are mildly higher than expectations, with very few negative surprises. Probably this is the quarter where EBITDA margins should bottom out. We believe that with commodity prices easing, if the demand picks up, ensuing quarters should be much better.

Focus now shifts to the winter session of Parliament; a few progressive reforms can increase our attractiveness among investing community. We believe that in a struggling global economy where central banks are continuously pumping liquidity into financial markets, if we continue to resolve home grown issues and put our house in order, India will stand out as an investment destination and keep attracting significant FII flows. We believe that India is now a 'Buy on dips' market. Long term investors should utilize every opportunity if offers to build a portfolio of high quality Indian equities.

## Indiabulls Liquid Fund

(An open-ended liquid scheme)

Credit Risk Rating  
AAAmfs by CRISIL\*

### Fund Style

#### Credit Quality

High Mid Low


Interest Rate Sensitivity  
High  
Mid  
Low

### Fund Details

#### Fund Manager

Raju Sharma  
Total work experience: 20 years

#### Benchmark Index

CRISIL Liquid Fund Index

#### Date of Allotment

25 October 2011

#### NAV as on 31 October 2012

Growth Option: ₹1101.4507  
Daily Dividend Option: ₹1000.0166  
Weekly Dividend Option: ₹1000.4674  
Monthly Dividend Option: ₹1006.997

#### 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

#### SIP/STP/SWP:

STP facility is available  
w.e.f 25 September 2012.

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

₹ 1721.11 Crores

### 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 91 days. However, there can be no assurance that the investment objective of the Scheme will be achieved.

### PORTFOLIO

Name of Instrument/Issue	Short Term Rating of Instrument	Long Term Rating of Issuer	% of Portfolio
<b>Certificate of Deposits</b>			
ICICI Bank Limited	CARE A1+	CARE AAA	8.16%
Allahabad Bank	ICRA A1+	ICRA AA+	4.09%
Punjab National Bank	CARE A1+	CARE AAA	2.72%
Punjab & Sind Bank	ICRA A1+	ICRA AA+	2.72%
Indusind Bank Ltd	CRISIL A1+	ICRA AA-	2.72%
Yes Bank Limited	ICRA A1+	ICRA AA	2.70%
Indian Overseas Bank	CRISIL A1+	CRISIL AA+	1.52%
IDBI Bank	CRISIL A1+	CRISIL AA+	1.36%
Jammu And Kashmir Bank Ltd	CRISIL A1+	CRISIL AA	1.36%
<b>Commercial Papers</b>			
National Housing Bank	CRISIL A1+	CRISIL AAA	9.55%
Fedbank Financial Services Ltd	CRISIL A1+	NA	6.79%
Ashok Leyland Ltd	ICRA A1+	ICRA AA	5.41%
CESC Ltd	CARE A1+	CARE AA	5.41%
Bajaj Finance Ltd	ICRA A1+	ICRA AA+	4.95%
GIC Housing Finance Ltd	ICRA A1+	ICRA AA+	4.83%
Aditya Birla Finance Ltd	ICRA A1+	ICRA AA	3.65%
L&T Fincorp Ltd	CARE A1+	CARE AA+	2.74%
Cholamandalam Inv&fin Co Ltd	CRISIL A1+	CRISIL AA-	2.73%
Volkswagen Finance Pvt Ltd	FITCH A1+	FITCH AAA	2.71%
Exim Bank	CRISIL A1+	CRISIL AAA	2.69%
Deutsche Investment I Pvt Ltd	CRISIL A1+	CRISIL AA+	2.69%
Piramal Enterprises Limited	ICRA A1+	ICRA AA	2.68%
Blue Star Ltd	CARE A1+	CARE AA+	2.17%
Ericsson India Pvt Ltd	ICRA A1+	ICRA AA	1.36%
Essel Mining & Industries Ltd	ICRA A1+	NA	1.36%
Gruh Finance Ltd	CRISIL A1+	CRISIL AA+	1.36%
Supreme Industries Ltd	CRISIL A1+	CRISIL AA-	1.36%
Tata Capital Housing Finance	CRISIL A1+	CRISIL AA+	1.36%
Kotak Mahindra Investment Ltd	ICRA A1+	ICRA AA	1.36%
Raymond Ltd	CARE A1+	CARE AA	1.35%
<b>Reverse Repo/Cash/CBLO/Other Current Assets</b>	SOV	SOV	<b>4.16%</b>
<b>TOTAL</b>			<b>100.00%</b>

### Quantitative Indicators

Average Maturity	Modified Duration	Gross YTM
40 Days	37 Days	8.51%

### Dividend History - Monthly Option

Record Date	Face Value	NAV	Dividend/Unit
01-08-2012	₹ 1000	₹ 1007.4275	₹ 7.4275
03-09-2012	₹ 1000	₹ 1008.2106	₹ 8.2106
01-10-2012	₹ 1000	₹ 1006.6858	₹ 6.6820

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.

### Rating Profile

100.00%

A1+/AAA or equivalent

### Scheme Performance

Period	Indiabulls Liquid Fund (Growth Option)	Crissil Liquid Fnd Index (Scheme Benchmark)	Crissil 1 Yr T-Bill Index (Additional Benchmark)
Last 7 days till 31 October 2012	8.42%	7.47%	0.84%
Last 15 days till 31 October 2012	8.45%	7.45%	6.01%
Last 30 days till 31 October 2012	8.51%	7.46%	6.33%
1 November 2011 till 31 October 2012 (Absolute returns)	9.93%	8.62%	8.21%
Since Inception till 31 October 2012 (CAGR)	9.92%	8.62%	8.17%
Since Inception (Value*) (INR)	11,014.51	10,881.35	10,835.44
NAV/ Index Value (as of 31 October 2012)	1101.4507	1,883.54	3473.57

\* Based on investment of Rs. 10,000 made at inception. All returns are for Growth Option only. Since inception returns have been calculated from the date of allotment till 31 October 2012. Returns shown for 7 days, 15 days and 30 days are computed on simple annualised basis. Past performance may or may not be sustained in future.

Raju Sharma is also the Fund Manager for Indiabulls Ultra Short Term Fund. Since Indiabulls Ultra Short Term Fund has been in existence for less than one year as on 31 October 2012, past performance of the scheme has not been provided.

**\*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 Ultra Short Term Fund

(An Open-ended Debt scheme)

Credit Risk Rating  
AAAmfs by CRISIL\*

### Fund Style

#### Credit Quality

High Mid Low

			Interest Rate Sensitivity
			High
			Mid
			Low

### Fund Details

#### Fund Manager

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

#### Benchmark Index

CRISIL Liquid Fund Index

#### Date of Allotment

6 January 2012

#### NAV as on 31 October 2012

Growth Option: ₹1083.9847  
Daily Dividend Option: ₹1000.3784  
Weekly Dividend Option: ₹1000.7601  
Monthly Dividend Option: ₹1001.6221

#### 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

#### SIP/STP/SWP:

STP facility is available  
w.e.f 25 September 2012.

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

₹ 310.13 Crores

### 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.

### PORTFOLIO

Name of Instrument/Issue	Short Term Rating of Instrument	Long Term Rating of Issuer	% of Portfolio
<b>Certificate Of Deposits</b>			
Indusind Bank Ltd	CRISIL A1+	ICRA AA-	4.87%
Indian Overseas Bank	CRISIL A1+	CRISIL AA+	4.27%
Axis Bank Ltd	CRISIL A1+	CRISIL AAA	0.02%
<b>Commercial Papers</b>			
Cholamandalam Inv&fin Co Ltd	CRISIL A1+	CRISIL AA-	9.57%
Piramal Enterprises Limited	ICRA A1+	ICRA AA	9.56%
Aditya Birla Finance Ltd	ICRA A1+	ICRA AA	6.30%
Ericsson India Pvt Ltd	ICRA A1+	ICRA AA	4.89%
National Housing Bank	CRISIL A1+	CRISIL AAA	4.89%
Essel Mining & Industries Ltd	ICRA A1+	NA	4.87%
Supreme Industries Ltd	CRISIL A1+	CRISIL AA-	4.87%
Indian Oil Corporation Ltd	CRISIL A1+	CRISIL AAA	4.87%
Raymond Ltd	CARE A1+	CARE AA	4.85%
Blue Star Limited	CARE A1+	CARE AA+	4.85%
HDFC Ltd	ICRA A1+	ICRA AAA	4.79%
Sundaram Bnp Paribas Home Fin	CRISIL A1+	CRISIL AA+	4.78%
Tata Teleservices Ltd	CARE A1+	CARE A+	4.74%
Kotak Mahindra Inv. Ltd	ICRA A1+	ICRA AA	4.61%
JM Financial Products	CRISIL A1+	CRISIL AA-	4.60%
Shoppers Stop	CARE A1+	CARE A+	1.93%
GIC Housing Finance Ltd	ICRA A1+	ICRA AA+	1.92%
Bajaj Finance Ltd	ICRA A1+	ICRA AA+	1.75%
<b>Reverse Repo/Cash/CBLO/Other Current Assets</b>	SOV	SOV	<b>2.20%</b>
<b>TOTAL</b>			<b>100.00%</b>

### Quantitative Indicators

Average Maturity	Modified Duration	Gross YTM
80 Days	75 Days	8.92%

### Dividend History - Monthly Option

Record Date	Face Value	NAV	Dividend/Unit
27-08-2012	₹ 1000	₹ 1008.9726	₹ 8.9573
25-09-2012	₹ 1000	₹ 1007.2589	₹ 7.2436
25-10-2012	₹ 1000	₹ 1008.0794	₹ 7.8350

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.

### Rating Profile

100.00%

A1+/AAA or equivalent

## Indiabulls Blue Chip Fund (An open-ended equity scheme)

### Fund Style

#### Investment Style

Growth Blend Value

			Capitalisation Large Medium Small

### Fund Details

#### Fund Manager

Sumit Bhatnagar - Associate Fund Manager  
Total Work Experience: 10 years

#### Benchmark Index

S & P CNX Nifty Index

#### Date of Allotment

10 February 2012

#### NAV as on 31 October 2012

Growth Option: ₹ 10.13

Dividend Option: ₹ 10.13

#### 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

#### SIP/STP/SWP:

SIP/STP/SWP facilities are available

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

₹ 4.69 Crores

### 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.

### PORTFOLIO

Industry Allocation of Equity Holding	% of Net Assets
Banks	22.07
Consumer Non Durables	13.91
Software	11.82
Petroleum Products	8.54
Finance	7.68
Auto	7.63
Construction Project	5.58
Power	3.89
Oil	3.73
Pharmaceuticals	3.73
Cement	2.69
Telecom - Services	1.89
Ferrous Metals	1.61
Minerals / Mining	1.10
Gas	1.07
Industrial Capital Goods	0.97
Non - Ferrous Metals	0.61
Construction	0.57

Top 10 Holdings - Company	Industry	% to NAV
<b>Equity &amp; Equity Related</b>		
ITC Ltd	Consumer Non Durables	9.41%
Reliance Industries Ltd	Petroleum Products	7.94%
ICICI Bank Ltd	Banks	7.55%
HDFC Bank Ltd	Banks	6.84%
Housing Development Finance	Finance	6.63%
Infosys Ltd	Software	6.21%
Larsen & Toubro Ltd	Construction Project	5.58%
Tata Consultancy Services Ltd	Software	4.52%
Hindustan Unilever Ltd	Consumer Non Durables	3.55%
State Bank of India	Banks	3.06%
<b>Top 10 Equity &amp; Equity Related Holdings</b>		<b>61.29%</b>
<b>Total Equity &amp; Equity Related Holdings</b>		<b>105.22</b>
<b>Cash &amp; Cash Equivalents and Net Current Assets</b>		<b>-5.22</b>
<b>Grand Total</b>		<b>100.00</b>

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

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