

DEBT MARKET COMMENTARY

The month of December brought cheers to the bond market in more ways than one. With inflation surprising on the positive side and RBI's stance showing growth concerns, the market yields eased significantly.

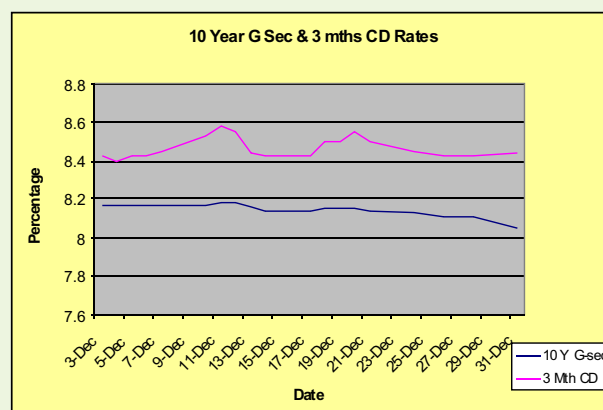
The macro data provided comfort both on the growth and inflation front. The IIP for the October surprised with a reading of 8.2% against the market expectation of 4.50-5.00% and September reading of -0.7%. On the price front, the retail inflation came at 9.90%, up from 9.75% recorded in October. The positive surprise came in the form of lower WPI reading. The November reading came sharply down at 7.24% against the expectation of 7.60% and October inflation of 7.45%. The core inflation reading of 4.5% from 5.2% in October increased the possibility of rate cuts in near future.

The vulnerability on the current account situation increased in the second quarter of current fiscal. Against a deficit of US\$ 16.7 bn posted in the 1st quarter, the current account deficit in the 2nd quarter widened to US\$ 22.3 bn. On one hand imports remained resilient, and on the other, there was a sharp deceleration in export growth. In addition, high global oil prices and a revival in gold imports also had a drag on the current account. The capital flows aided by stronger FDI and FII inflows improved to US\$23.9bn (5.8% of GDP) as against US\$ 16.1 bn (3.8% of GDP).

The positive build up of sentiment in the earlier months anticipating cut in benchmark rates in January policy, saw pick up in momentum on softer inflation. The ten year benchmark yield saw good build up of trading position during the month found good support at 8.15%. As the year drew to close, the bond market rallied swiftly with the benchmark yield closing the month at 8.05%, down by 13bps over the previous month close of 8.18%. The rally also ensured the narrowing of spread between ten year and longer maturity papers. Post the market closing on 31st December, the announcement of rescheduling Rs.12,000 crore of government bond auction from 1st week of January to February and RBI bond buying (OMO) is expected to provide further fuel to the rally. The AAA rated corporate bond replicated the movement in the government bond market with 5year and 10year corporate bond yield closing the month in the range of 8.90-8.92% against the previous month's level of close to 9%. Going ahead, the market seems to find good support and the yields are expected to further soften from the current levels. The factors which would have bearing on the interest rate market would be the IIP and WPI numbers scheduled to release during mid-month.

The month of December traditionally has been a liquidity tightness month and this year was no exception. The withdrawal of liquidity on account of advance tax outflows and IPO funding saw the borrowing under LAF remaining considerably high throughout the month. The build up of trading position also had its impact on the liquidity. Against the previous month closing range of 8.42-8.44%, the rates in the three month CD rose to over 8.55% by mid month before closing the month in the range of 8.43-8.45%. The rates in two months CD trended in similar fashion rising to 8.50% before closing in a 8.39-8.41% range. The higher level in one year CD saw good interest by the investors. After touching a high of 8.88%, the rates in one year CD closed the month getting issued in the range of 8.76-8.79%.

The LAF figures remained much above the RBI's comfort zone of up to 1% of NDTL for most part of the month. The market borrowed Rs. 36,55,445 crore under LAF in the month of December at a daily average for of Rs. 1,17,917.58 crore.



EQUITY MARKET COMMENTARY

Year 2012 was a remarkable one for Indian equities. In the backdrop of global uncertainties, slowing economic growth, falling corporate profits, high inflation, a stalled investment cycle, twin deficits and 'policy paralysis' for better part of the year, MSCI India returned 24% and outperformed MSCI EM by 9%. This outperformance can largely be attributed to the change of guard at the finance ministry, resultant improved policy environment and the pace of reforms recently unleashed that improved the investor sentiment, accompanied with increased liquidity globally. During 2012, FIIs pumped in USD 24.54 billion into Indian equities.

Politicians across the world continue to show remarkable commitment & maturity in handling key economic issues. Resultantly, global economy is expected to continue to mend. USA continues to stabilize; Data on housing market, un-employment, PMIs, consumer confidence, all point to better economic outlook. US Debt ceiling remains a concern. China's economic outlook is also improving with better PMIs, M3 and growth numbers indicating that it has avoided 'Hard Landing' and is on the way to recovery. In Europe, ECB's bold intervention has reduced the tail risks significantly, though we expect it to barely muddle through. New government in Japan has already made its intentions clear on monetary easing, which should aid global liquidity.

After an overall deterioration of the Indian macros last year, we expect them to stabilize in 2013. Inflation is expected to be relatively soft and RBI should resume rate cuts in the first quarter of 2013, most likely in this month itself. We expect 50bps cut by March 2013. Fall in interest rates coupled with faster government clearances should help kick start the investment cycle. This along with expected normal monsoons should strengthen economic recovery. Also, weak currency and lower inflation should enhance export competitiveness, thus aiding current account and economic growth. Further, the recent moves to reform fuel pricing and other subsidies as well as the commencement of pilot projects in direct cash transfer of subsidies are significant positive steps which should aid fiscal consolidation.

We believe economic reforms would be the key sentiment driver of the market this year. Further, after four quarters of earning disappointment, we expect corporate profit margins to show slight improvement from Q3FY13 onwards. Also, sensex earnings growth is expected to recover from single digit to mid teens. We would closely watch Union Budget, as this will be the last budget before general elections thus raising doubts about it being a populist one, actual implementation of announced reforms, government's measures to control fiscal deficit, inflation and RBI's action.

We remain positive on Indian equities over medium term based on our expectations of aggressive rate cuts, Government delivering on economic reforms, strong global liquidity and stable global environment. We believe that India is a 'Buy on dips' market for a long term investor.

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 December 2012

Growth Option: ₹1117.1236
Daily Dividend Option: ₹1000.0166
Weekly Dividend Option: ₹1000.0078
Monthly Dividend Option: ₹1006.5404

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 (December 2012)

₹ 1806.57 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
Certificate of Deposits			
Bank Of Maharashtra	A1+	AA+	13.90%
Oriental Bank Of Commerce	A1+	AAA	9.27%
Indian Bank	A1+	AAA	6.97%
ICICI Bank Ltd	A1+	AAA	4.65%
Punjab National Bank	A1+	AAA	4.63%
Axis Bank Ltd	A1+	AAA	2.31%
Commercial Papers			
Indian Oil Corp Ltd	A1+	AAA	18.61%
Piramal Enterprises Ltd	A1+	AA	12.54%
GIC Housing Finance Ltd	A1+	AA+	9.34%
EXIM Bank	A1+	AAA	4.69%
Deutsche Investments Pvt Ltd	A1+	AA+	4.68%
Cholamandalam Investments & Finance Co Ltd	A1+	AA	4.66%
Godrej And Boyce Manufacturing Co Ltd	A1+	AA-	3.69%
Marico Ltd	A1+	AA	2.80%
Kotak Mahindra Investments Ltd	A1+	AA	2.33%
Sundaram BNP Paribas Home Finance Ltd	A1+	AA+	2.33%
Cash & other assets			-7.40%
TOTAL			100.00%

Quantitative Indicators

Average Maturity	Modified Duration	Gross YTM
48 Days	44 Days	8.61%

Dividend History - Monthly Option

Record Date	Face Value	NAV	Dividend/Unit
01-10-2012	₹ 1000	₹ 1006.6858	₹ 6.6820
01-11-2012	₹ 1000	₹ 1007.2289	₹ 7.2251
03-12-2012	₹ 1000	₹ 1007.4158	₹ 7.4120

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+

Scheme Performance

Period	Indiabulls Liquid Fund (Growth Option)	Crisil Liquid Fnd Index (Scheme Benchmark)	Crisil 1 Yr T-Bill Index (Additional Benchmark)
Last 7 days till 31 December 2012	8.60%	7.68%	9.79%
Last 15 days till 31 December 2012	8.57%	7.67%	7.67%
Last 30 days till 31 December 2012	8.79%	7.65%	8.37%
31 December 2011 till 31 December 2012	9.82%	8.50%	8.06%
Since Inception (CAGR)	9.79%	6.18%	7.24%
Since Inception (Value [#]) (INR)	11,171.20	11,020.92	10,978.15
NAV/ Index Value (as of 31 December 2012)	1117.12	1,907.70	3519.32

*Based on investment of Rs. 10,000 made at inception. All returns are for Growth Option only. 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 December 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.

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Indiabulls Ultra Short Term Fund

(An Open-ended Debt scheme)

Credit Risk Rating
AAA_{mfs} 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 December 2012

Growth Option: ₹1100.114
Daily Dividend Option: ₹1000.3784
Weekly Dividend Option: ₹1000.2999
Monthly Dividend Option: ₹1001.5868

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 (December 2012)

₹ 524.19 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
Certificate of Deposits			
Bank Of Maharashtra	A1+	AA+	12.5%
State Bank Of Mysore	A1+	AAA	6.16%
Axis Bank Ltd	A1+	AAA	0.02%
Commercial Papers			
Godrej And Boyce Manufacturing Co Ltd	A1+	AA-	14.93%
Indian Oil Corp Ltd	A1+	AAA	12.55%
L&T Finance Holdings Ltd	A1+	AA+	12.48%
HDFC Ltd	A1+	AAA	12.21%
Tata Teleservices Ltd	A1+	A+	6.23%
Shriram Transport Finance Co Ltd	A1+	AA	6.22%
Kotak Mahindra Investments Ltd	A1+	AA	6.06%
JM Financial Products Ltd	A1+	AA-	6.05%
Piramal Enterprises Ltd	A1+	AA	3.74%
CBLO			0.79%
Cash & other assets			0.09%
TOTAL			100%

Quantitative Indicators

Average Maturity	Modified Duration	Gross YTM
97 Days	90 Days	9.02%

Dividend History - Monthly Option

Record Date	Face Value	NAV	Dividend/Unit
25-10-2012	₹ 1000	₹ 1008.0794	₹ 7.8350
26-11-2012	₹ 1000	₹ 1007.7938	₹ 7.5494
26-12-2012	₹ 1000	₹ 1007.5583	₹ 7.3139

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+

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 - Fund Manager
Total Work Experience: 10 years

Benchmark Index

S & P CNX Nifty Index

Date of Allotment

10 February 2012

NAV as on 31 December 2012

Growth Option: ₹ 10.62

Dividend Option: ₹ 10.62

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 (December 2012)

₹ 5.80 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	23.55%
Consumer Non Durables	12.18%
Software	10.26%
Auto	9.01%
Petroleum Products	8.12%
Construction Project	5.54%
Finance	5.14%
Cement	4.98%
Power	3.85%
Oil	3.66%
Pharmaceuticals	3.38%
Telecom - Services	2.03%
Ferrous Metals	1.60%
Minerals/mining	1.03%
Gas	1.00%
Industrial Capital Goods	0.90%
Non - Ferrous Metals	0.63%
Total Equity & Equity related holdings	96.86%
Cash & cash equivalent	3.14%
Grand Total	100.00%

Top 10 Holdings - Company	Industry	% to NAV
Equity & Equity Related		
ITC Ltd	Consumer Non Durables	8.25%
ICICI Bank Ltd	Banks	7.90%
Reliance Industries Ltd	Petroleum Products	7.55%
HDFC Bank Ltd	Banks	6.70%
Infosys Ltd	Software	5.56%
Larsen & Toubro Ltd	Construction Project	5.54%
Housing Development Finance Corporation Ltd	Finance	3.97%
State Bank of India	Banks	3.49%
Tata Consultancy Services Ltd	Software	3.41%
Tata Motors Ltd	Auto	3.37%
Top 10 Equity & Equity Related Holdings		55.74%

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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