



Sharekhan's top SIP fund picks

We all incur expenses—some ongoing, others one-off types. The former includes your fuel expenses, your shopping spend, your mobile bills etc. Meeting these expenses involves smaller sums and no conscious thinking on your part. The latter—the one-off types—include buying a car or a house or money for the marriage of your children and require large sums, which cannot be met from your monthly earnings. You need to plan it—keep on saving on a regular basis over a time and one such instrument is Systematic Investment Plan (SIP).

How does it work?

SIP is a facility available with mutual funds, where you can choose to invest as little as Rs100 at one time in a mutual fund scheme on a regular basis (such as monthly or quarterly) for a chosen period of time (such as a year or six months). Your small regular investment is used to purchase units of a mutual fund scheme on a regular basis. Over a longer period, your small but regular investment snowballs into a large investment, which you can use to meet your long-term financial aims—say buying a car or a house or the money needed for children's marriage.

We have identified the best equity scheme for SIP investment based on three parameters: Minimum corpus as indicated by at least 10% of the average category-corpus, the past performance as indicated by one, three and five

year returns and risk returns ratios namely Sharpe, Information and Sortino.

Sharpe indicates risk-adjusted returns, giving the returns earned in excess of the risk-free rate for each unit of the risk taken. The Sharpe ratio is also indicative of the consistency of the returns as it takes into account the volatility in the returns as measured by the standard deviation.

Information ratio is one of the most important tools in active fund management. It is the ratio of active return (the return over the index return) to active risk annualised. A higher Information ratio indicates better fund manger.

Sortino ratio is similar to Sharpe ratio, except it uses downside deviation. The upward volatility as measured by Sharpe ratio does not lead to losses. It is the downward volatility that leads to losses; hence the use of which doesn't discriminate between up and down volatility. So, higher the Sortino ratio, higher would be the effective return over a period of time.

The table below indicates the present value of Rs1,000 invested each month in the top identified schemes over the past one, three and five years through SIP. The indicative period for the continuation of SIP is minimum three years.

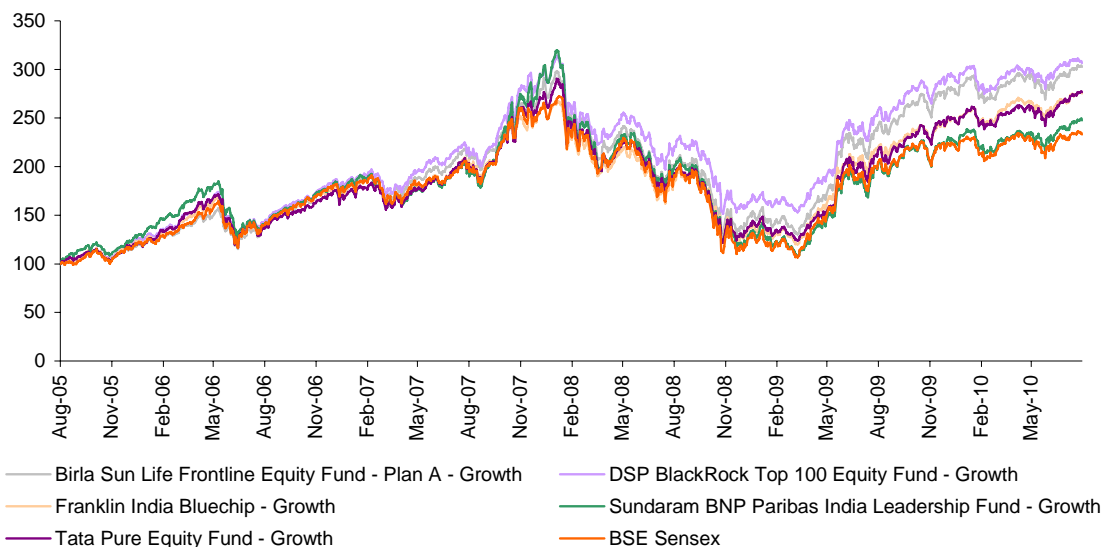
Date: July 31, 2010

| SIP INVST (Monthly Rs1,000) | 1 year | | 3 years | | 5 years | |
|---|--------------------|----------------------------|--------------------|----------------------------|--------------------|----------------------------|
| Total amount invested | 12,000 | | 36,000 | | 60,000 | |
| Funds would have grown to | Present value (Rs) | Annualised growth rate (%) | Present value (Rs) | Annualised growth rate (%) | Present value (Rs) | Annualised growth rate (%) |
| Large-Cap Funds | | | | | | |
| Birla Sun Life Frontline Equity Fund - Plan A | 13076 | 20.3 | 50521 | 24.6 | 100103 | 21.2 |
| Tata Pure Equity Fund | 13408 | 26.6 | 49806 | 23.5 | 95086 | 19.0 |
| DSP BlackRock Top 100 Equity Fund | 12751 | 14.0 | 47448 | 19.8 | 95711 | 19.3 |
| Franklin India Bluechip | 13165 | 22.0 | 50001 | 23.8 | 94717 | 18.9 |
| Sundaram BNP Paribas India Leadership Fund | 13192 | 22.5 | 46706 | 18.6 | 85460 | 14.6 |
| Index | | | | | | |
| BSE Sensex | | 12.4 | | 15.8 | | 13.4 |

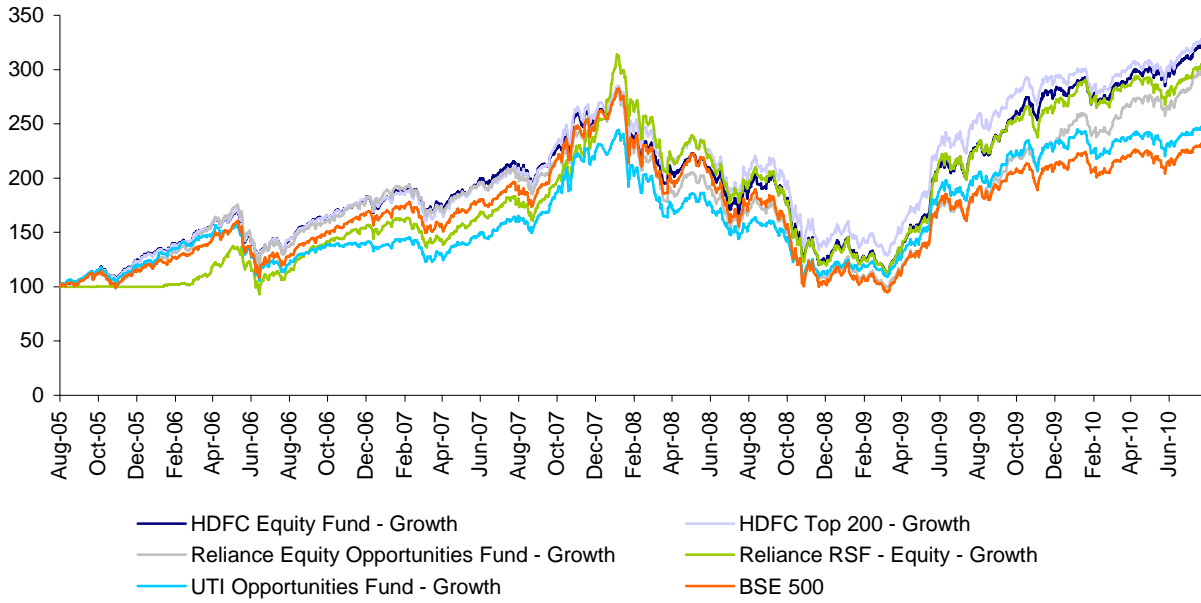
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| Multi-Cap Funds | | | | | | |
| Reliance RSF - Equity | 13334 | 25.3 | 53621 | 29.2 | 111316 | 25.7 |
| HDFC Top 200 | 13393 | 26.5 | 53518 | 29.1 | 105373 | 23.4 |
| HDFC Equity Fund | 13837 | 35.4 | 56984 | 34.0 | 108200 | 24.5 |
| UTI Opportunities Fund | 12909 | 17.0 | 50477 | 24.5 | 95390 | 19.2 |
| Reliance Equity Opportunities Fund | 14426 | 47.5 | 58734 | 36.5 | 106394 | 23.8 |
| Index | | | | | | |
| BSE 500 | | 17.9 | | 19.6 | | 15.0 |
| Mid-Cap Funds | | | | | | |
| Sundaram BNP Paribas Select Midcap | 13609 | 30.8 | 55608 | 32.1 | 103867 | 22.8 |
| Birla Sun Life Mid Cap Fund - Plan A | 13265 | 24.0 | 54468 | 30.4 | 103467 | 22.6 |
| UTI Thematic Mid Cap Fundh | 14043 | 39.6 | 55825 | 32.4 | 93422 | 18.3 |
| SBI Magnum Sector Umbrella - Emerging Businesses | 14470 | 48.5 | 55014 | 31.2 | 91043 | 17.2 |
| Franklin India Prima Fund | 13650 | 31.6 | 53228 | 28.6 | 88873 | 16.2 |
| Index | | | | | | |
| BSE Midcap | | 27.7 | | 24.6 | | 14.8 |
| Tax Saving Funds | | | | | | |
| ICICI Prudential Taxplan | 13657 | 31.8 | 55073 | 31.3 | 95020 | 19.0 |
| Sundaram BNP Paribas Tax saver - (Open Ended Fund) | 12766 | 14.3 | 47140 | 19.3 | 91853 | 17.6 |
| HDFC Tax saver | 13671 | 32.0 | 54330 | 30.2 | 97319 | 20.0 |
| Franklin India Taxshield | 13252 | 23.7 | 49393 | 22.9 | 91268 | 17.3 |
| HDFC Long Term Advantage Fund | 13587 | 30.4 | 51181 | 25.6 | 89528 | 16.5 |
| Index | | | | | | |
| S&P Nifty | | 13.4 | | 15.9 | | 13.7 |

NAV movement over past five years of recommended funds (Fund vs Benchmark Index):

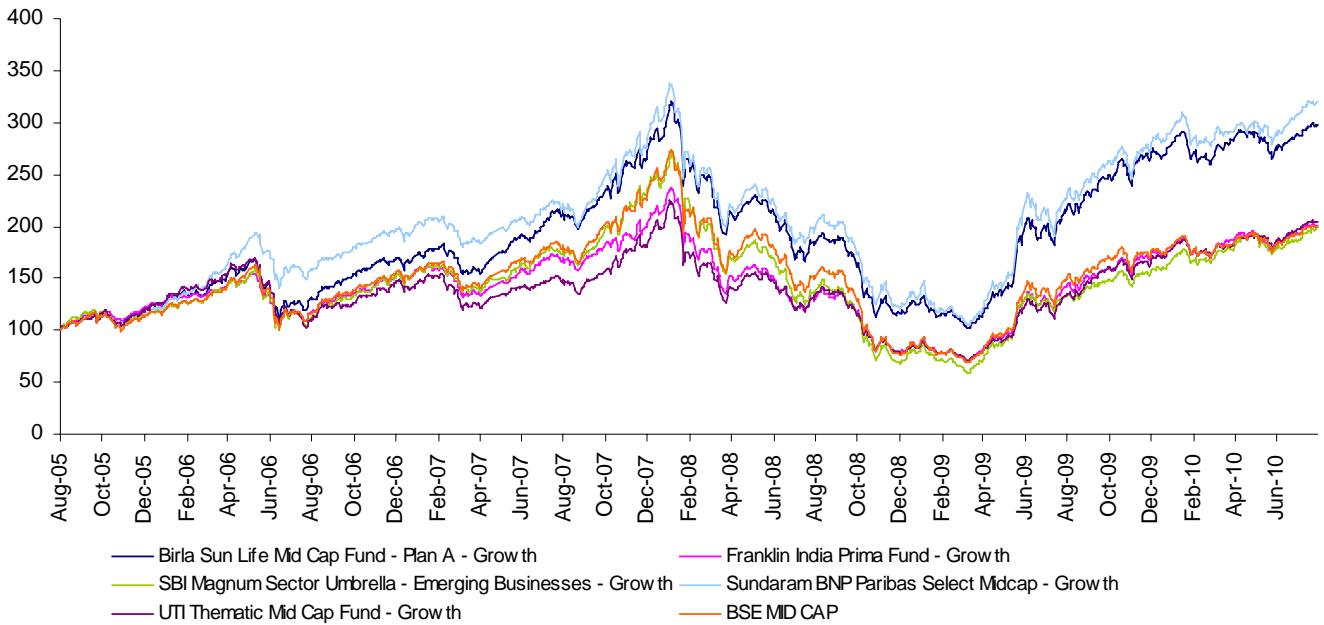
Large-Cap Funds



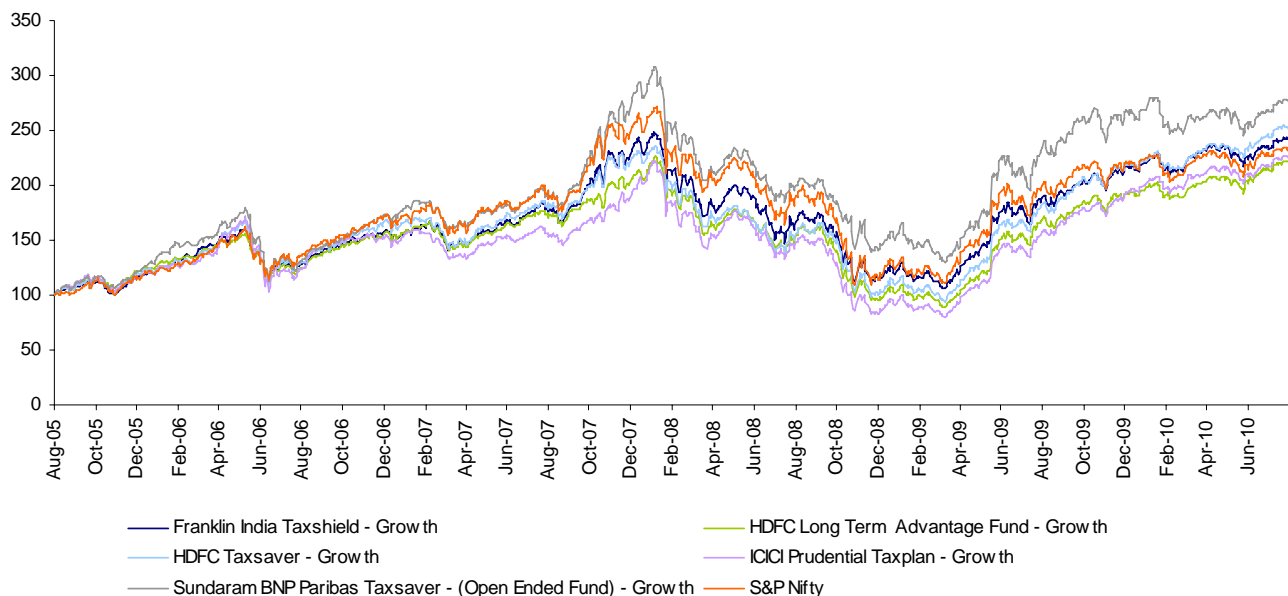
Multi-Cap Funds



Mid-Cap Funds



Tax Saving Funds



Disclaimer: Mutual fund investments are subject to market risk. Please read the offer document carefully before investing. Past performance may or may not be sustained in the future.

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