



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 manager.

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.

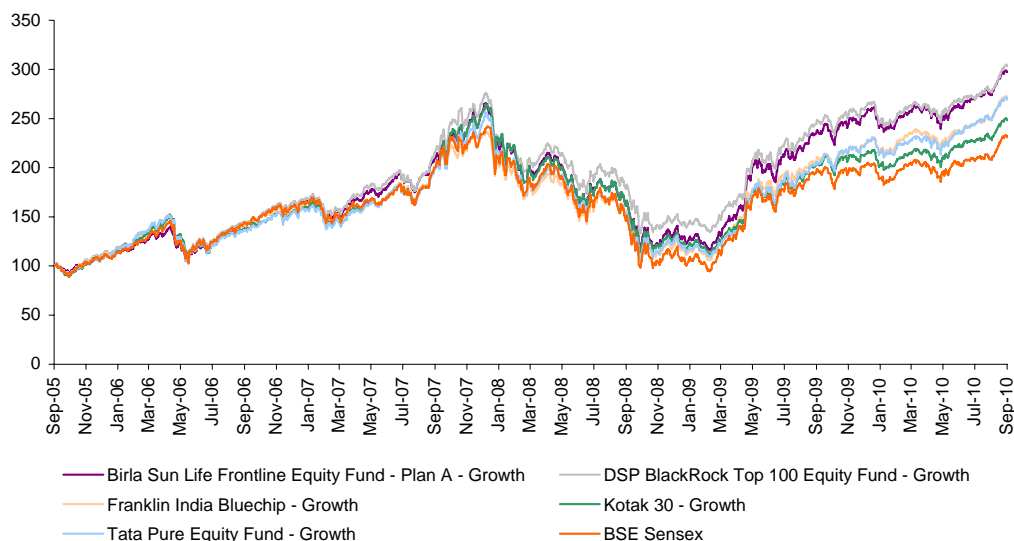
Date: September 30, 2010

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	13946	37.4	54868	31.0	106396	23.8
DSP BlackRock Top 100 Equity Fund	13917	36.8	52486	27.5	103467	22.6
Tata Pure Equity Fund	14173	41.8	54156	30.0	101479	21.8
Franklin India Bluechip	14109	40.7	54911	31.0	101974	22.0
Kotak 30	13861	35.7	49582	23.1	93295	18.2
Index						
BSE Sensex		36.1		24.0		17.0

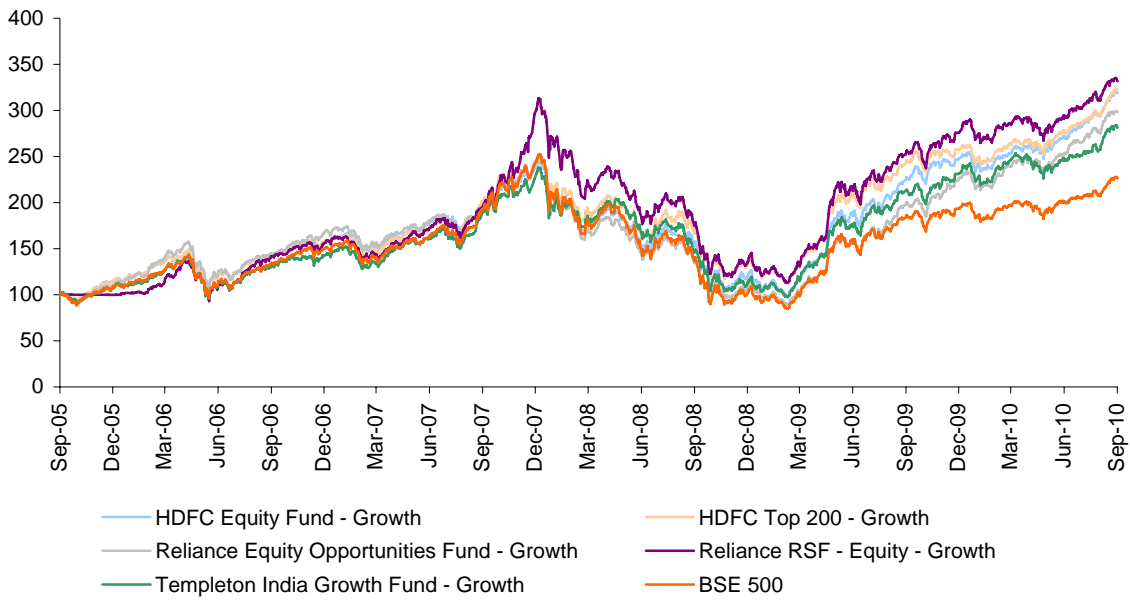
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Multi-Cap Funds						
Reliance RSF - Equity	14061	39.7	57405	34.5	117791	28.1
HDFC Equity Fund	14780	54.6	63005	42.1	117510	28.0
HDFC Top 200	14495	48.6	59068	36.8	111594	26.7
Reliance Equity Opportunities Fund	15220	64.0	65023	44.7	115728	27.4
Templeton India Growth Fund	14181	42.1	57457	34.6	109452	25.0
Index						
BSE 500		37.4		26.8		18.2
Mid-Cap Funds						
Sundaram BNP Paribas Select Midcap	14448	47.6	60813	39.2	111131	25.6
Birla Sun Life Mid Cap Fund - Plan A	13671	31.8	57650	34.9	107461	24.2
UTI Mid Cap Fund	14342	45.5	59171	37.0	98662	20.6
Franklin India Prima Fund	14283	44.3	58041	35.4	95902	19.4
Kotak Midcap Fund	15017	59.6	57869	35.2	95354	19.1
Index						
BSE Midcap		41.2		31.0		17.6
Tax Saving Funds						
ICICI Prudential Taxplan	14218	42.9	59283	37.14	101711	21.9
HDFC Tax saver	14576	50.3	60080	38.22	106139	23.7
Sundaram BNP Paribas Tax saver - (Open Ended Fund)	13851	35.4	51448	25.94	98578	20.5
Franklin India Taxshield	14188	42.3	54344	30.20	98984	20.7
Reliance Tax Saver (ELSS) Fund	14860	56.3	58306	35.80	101561	21.8
Index						
S&P Nifty		37.7		23.97		17.3

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

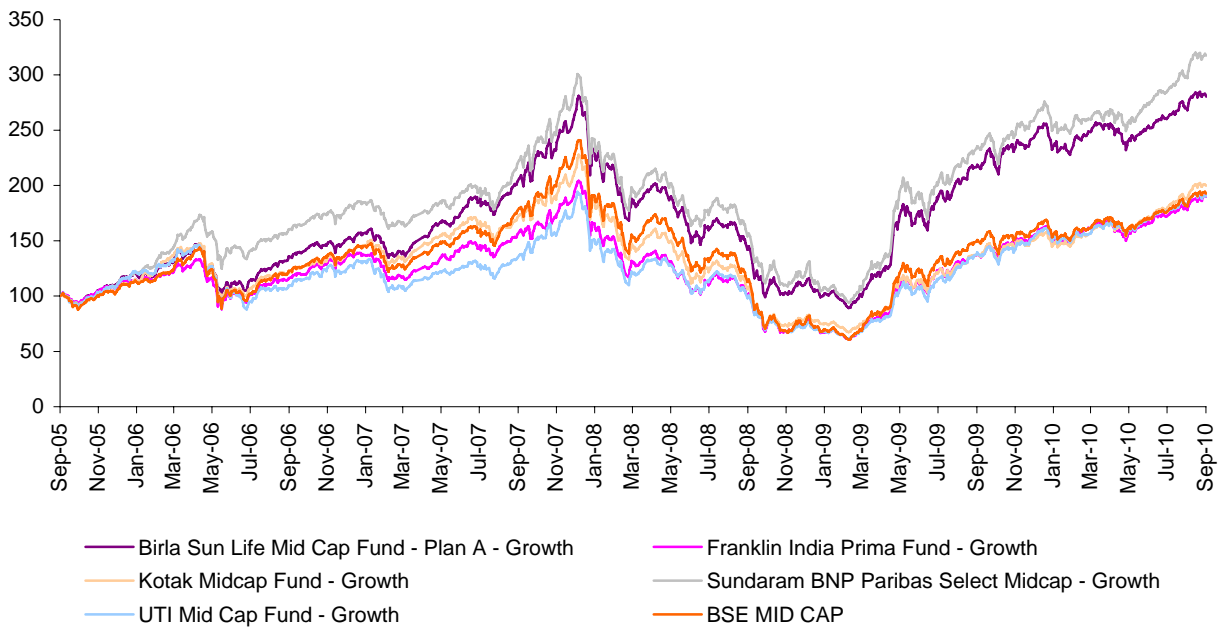
Large-Cap Funds



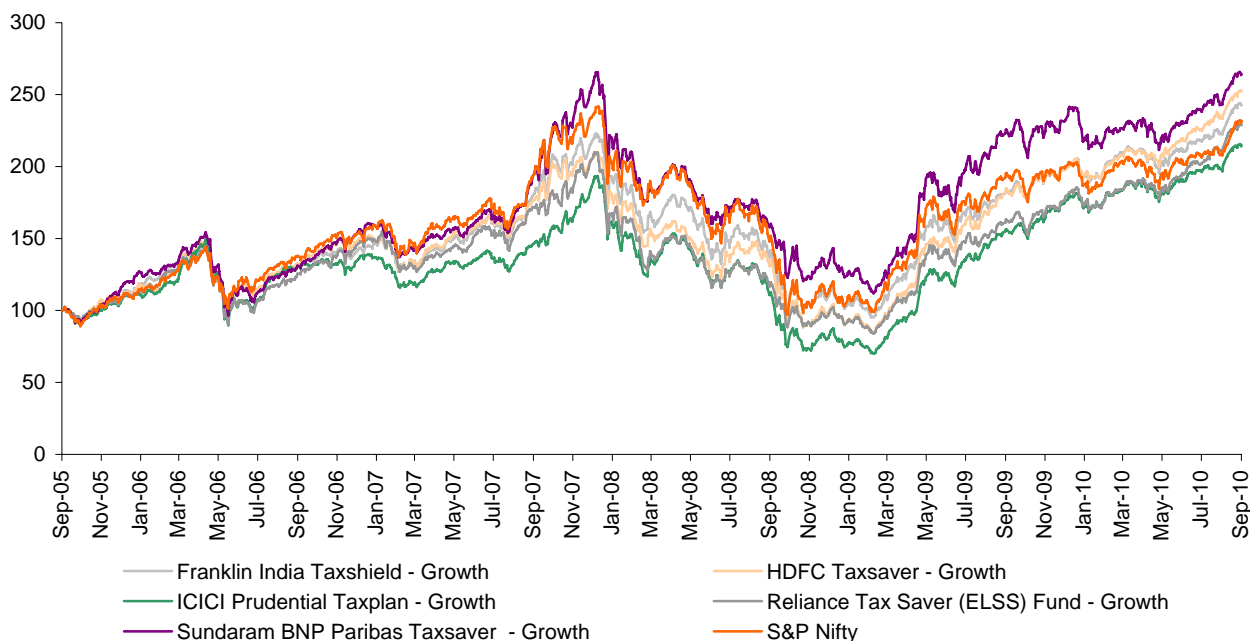
Multi-Cap Funds



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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