



Funds for volatile times

Even though the market has regained much of the lost ground, the volatility seen during most of the past trading sessions has made investors nervous and jittery. Mixed global cues along with uncertainty on the domestic front indicate that the sharp swings in the market are not over as yet. However we believe there is no reason to panic since the fundamentals of the economy remain strong. The market has only gone into a correction mode and corrections are healthy, as these provide the investor opportunities to enter the market at lower levels.

But if you don't have an appetite for the volatility in the equity markets and yet want to participate in the ongoing rally, allow us to make a small suggestion. Invest in equity-diversified mutual funds. With equities emerging as the hottest asset class over the past year, the share of the diversified equity funds in the Indian mutual fund industry has zoomed from 26% to 32% over the same period.

There are all sorts of diversified equity funds in the market. Which should one invest in? Especially since many of the equity-diversified schemes have lost 8-11% of the value in the recent market meltdown. We present below the list of the equity-diversified funds, which we think are best suited for a volatile market.

These equity-diversified funds come with low beta, exposure to preferred sectors of the economy (such as electrical equipment, capital goods, pharmaceuticals, power generation etc) and a maximum holding of large cap stocks. These should find a place in every investor's portfolio.

Based on the three factors mentioned above, we have selected DSP Merrill Lynch Equity Fund, SBI Magnum Global Fund 94 and HDFC Growth Fund. We present below the details of the funds.

Funds with lower beta

Scheme name	Beta	Cash & equivalent (%)	Exposure to preferred sectors (%)
DSP ML Equity Fund	0.87	13.24	24.37
SBI Magnum Global Fund 94	0.70	13.65	21.34
Birla SunLife Frontline Equity Fund	0.84	10.39	22.66
HDFC Growth Fund	0.83	6.71	37.40
Sundaram BNP Paribas SMILE Fund	0.86	7.31	29.33
Franklin India Prima Plus	0.87	7.39	28.47
SBI Magnum Multiplier Plus 93	0.83	3.70	34.95
Prudential ICICI Power	0.87	4.49	25.34
UTI Mastershare	0.87	2.23	22.42
Birla Advantage Fund	0.85	0.23	23.60

DSP Merrill Lynch Equity Fund

Investment objective: Aims to provide long-term capital appreciation from a portfolio substantially constituted of equity and equity related securities.

Asset allocation as on March 30, 2007

Equity	Debt	Money Market
86.76	0	13.24

Top industry allocation as on March 30, 2007

Top 10 sectors	% exposure
Banks	14.64
Computers - software & education	13.19
Diversified	12.65
Finance	10.06
Entertainment	7.63
Miscellaneous	6.10
Steel	5.94
Power generation, transmission & equip	5.54
Pharmaceuticals	5.32
Telecom	4.15

Performance as on April 17, 2007

NAV (G)	Launch Date	Absolute % (P2P)			CAGR % (P2P)			2 Years (Daily) Beta
		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	
39.05	15-Apr-97	8.40	-3.82	11.76	15.60	48.91	40.55	0.87
Indices								
BSE Sensex	13607.04	9.47	-3.71	5.61	17.92	47.41	32.41	

SBI Magnum Global Fund 94

Investment objective: Aims at providing growth opportunities through investment in equities.

Asset allocation as on March 30, 2007

Equity	Debt	Money Market
64.32	22.03	13.65

Top industry allocation as on March 30, 2007

Top 10 sectors	% exposure
Housing & construction	8.83
Computers - software & education	7.51
Banks	6.98
Electricals & electrical equipments	6.15
Pharmaceuticals	5.78
Cement	4.90
Engineering & industrial machinery	4.61
Steel	3.05
Diversified	3.00
Chemicals	2.54

Performance as on April 17, 2007

NAV (G)	Launch Date	Absolute % (P2P)			CAGR % (P2P)			2 Years (Daily) Beta
		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	
42.49	30-Sep-94	5.36	-8.76	12.62	14.50	56.03	61.54	0.70
Indices								
BSE Sensex	13607.04	9.47	-3.71	5.61	17.92	47.41	32.41	

HDFC Growth Fund

Investment objective: Aims to generate long-term capital appreciation from a portfolio that is invested predominantly in equity and equity related instruments.

Asset allocation as on March 30, 2007

Equity	Debt	Money Market
93.29	0	6.71

Top industry allocation as on March 30, 2007

Top 10 sectors	% exposure
Pharmaceuticals	13.36
Electricals & electrical equipments	10.88
Computers - software & education	8.64
Banks	8.54
Oil & gas, petroleum & refinery	8.14
Diversified	7.46
Finance	7.08
Telecom	5.64
Auto & auto ancillaries	5.62
Engineering & industrial machinery	5.59

Performance as on April 17, 2007

NAV (G)	Launch Date	Absolute % (P2P)			CAGR % (P2P)			2 Years (Daily) Beta
		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	
47.70	10-Aug-00	11.10	-4.04	7.50	12.19	40.68	34.17	0.83
Indices								
BSE Sensex	13607.04	9.47	-3.71	5.61	17.92	47.41	32.41	

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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