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Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Deepak Fertilizer	17-Mar-05	50	112	126
♦ McDowell	30-Dec-05	471	522	750
♦ Orient Paper	30-Aug-05	214	238	335
♦ SKF India	23-Dec-03	141	289	406
♦ WS Industries	02-Dec-05	51	60	112

Mutual Gains

Sharekhan's top equity fund picks

Mutual funds are of various types, depending on what they invest in. For example, bond funds invest in bonds, equity funds invest in equities and balanced funds invest in both equities and debt. Then there are sector funds that invest in one particular sector of the economy. Index funds, on the other hand, invest in only the indices.

We have identified the best equity-oriented schemes available in the market today based on the following parameters: the past performance as indicated by returns, the Sharpe ratio and FAMA (net selectivity).

The Past performance is measured by returns generated by the scheme. For aggressive, conservative and tax planning funds, we have used two-year point-to-point return in assessing performance, while for thematic and balanced funds one-year point-to-point returns have been considered.

Sharpe indicates risk-adjusted return, giving the returns earned in excess of the risk-free rate for each unit of the risk taken. The Sharpe ratio is a standard figure and helps us compare the performance across funds. The higher the ratio, the better a scheme's historical risk-adjusted return. For aggressive,

conservative and tax planning funds, we have used two-year monthly rolling Sharpe ratio, while for thematic and balanced funds one-year monthly rolling Sharpe ratio has been considered.

There are three components involved in the returns generated by a scheme, namely risk-free returns, returns due to market sentiments and selectivity returns. FAMA measures the return generated through selectivity, ie the return generated because of the fund manager's ability to pick the right stocks. A higher value of net selectivity is always preferred as it reflects the stock picking ability of the fund manager. For aggressive, conservative and tax planning funds, we have used two-year monthly rolling FAMA, while for thematic and balanced funds one-year monthly rolling FAMA has been considered.

For our selection of funds, we have given 50% weightage to past performance as indicated by the returns, 25% weightage to the Sharpe ratio of the fund and the remaining 25% to the FAMA of the fund. All returns stated below, for less than one year are absolute and for more than one year are annualised.

We present below our recommendations in the equity oriented mutual fund category.

Aggressive Funds

Mid-cap Category

Scheme Name	NAV	Returns as on December 30, 2005 (%)				
		3 months	6 months	1 year	2 years	3 years
Reliance Growth	189.18	8.55	40.53	70.29	55.18	83.75
HDFC Capital Builder Fund	51.96	6.38	38.66	49.26	48.18	69.00
Sundaram Select Midcap	57.57	11.44	40.15	63.47	47.39	78.19
Indices						
S&P Nifty	2836.55	9.04	27.74	37.71	23.02	37.43
BSE Sensex	9397.93	8.84	30.64	44.08	27.34	40.64

Opportunities Category

Scheme Name	NAV	Returns as on December 30, 2005 (%)				
		3 months	6 months	1 year	2 years	3 years
Tata Equity Opportunity Fund	42.10	7.99	37.41	52.99	40.22	--
DSP ML Opportunities Fund	39.06	10.56	41.01	52.40	40.18	66.97
Indices						
S&P Nifty	2836.55	9.04	27.74	37.71	23.02	37.43
BSE Sensex	9397.93	8.84	30.64	44.08	27.34	40.64

Equity Diversified/Conservative Funds

Scheme Name	NAV	Returns as on December 30, 2005 (%)				
		3 months	6 months	1 year	2 years	3 years
SBI Magnum Global Fund 94	28.27	9.83	48.24	81.33	74.53	82.05
Birla SunLife Equity Fund	126.52	8.10	36.45	56.37	49.43	69.70
SBI Magnum Multiplier Plus 93	36.06	11.26	49.56	72.45	50.00	69.89
HDFC Equity Fund	107.01	15.00	45.06	65.23	44.21	67.62
Kotak 30	47.59	7.72	41.44	51.19	43.23	58.14
Indices						
S&P Nifty	2836.55	9.04	27.74	37.71	23.02	37.43
BSE Sensex	9397.93	8.84	30.64	44.08	27.34	40.64

Thematic/Emerging Trend Funds

Scheme Name	NAV	Returns as on December 30, 2005 (%)				
		3 months	6 months	1 year	2 years	3 years
SBI Magnum Sector Umbrella - EB	23.50	3.89	38.07	82.88	--	--
SBI Magnum Sector Umbrella - Contra	24.92	8.16	41.11	73.18	69.14	82.13
Prudential ICICI Discovery Fund	21.09	7.88	40.41	65.80	--	--
HDFC Core & Satellite Fund	18.82	9.56	40.76	56.38	--	--
DSP ML Tiger Fund	21.50	10.54	47.46	56.59	--	--
Indices						
S&P Nifty	2836.55	9.04	27.74	37.71	23.02	37.43
BSE Sensex	9397.93	8.84	30.64	44.08	27.34	40.64

Balanced Funds

Scheme Name	NAV	Returns as on December 30, 2005 (%)				
		3 months	6 months	1 year	2 years	3 years
HDFC Prudence Fund	85.32	9.38	31.91	49.15	36.14	52.78
SBI Magnum Balanced Fund	26.41	7.49	29.72	48.96	41.26	53.29
Kotak Balance	21.80	7.20	26.18	44.82	33.59	42.90
Prudential ICICI Balanced	26.77	6.91	29.01	40.38	27.37	39.98
Tata Balanced Fund	36.55	5.73	19.59	32.19	25.14	41.73
Indices						
Crisil Balanced Fund Index	1946.01	5.68	16.87	23.90	15.57	24.17

Tax Planning Funds

Scheme Name	NAV	Returns as on December 30, 2005 (%)				
		3 months	6 months	1 year	2 years	3 years
SBI Magnum Tax Gain Scheme 93	51.37	8.60	38.58	99.70	74.37	92.04
HDFC Tax saver Fund	109.24	9.99	39.84	77.78	61.81	79.40
HDFC Long Term Advantage Fund	74.57	11.98	39.96	57.05	50.55	75.91
Sundaram Tax saver	21.10	15.85	47.75	62.58	50.47	68.14
Prudential ICICI Taxplan	73.41	6.22	36.86	70.96	51.78	79.47
Indices						
S&P Nifty	2836.55	9.04	27.74	37.71	23.02	37.43
BSE Sensex	9397.93	8.84	30.64	44.08	27.34	40.64

Every individual has a different investment requirement, which depends on his financial goals and risk-taking capacities. We at Sharekhan first understand an individual's investment objectives and risk-taking capacity, and then recommend a suitable portfolio. We therefore suggest that you get in touch with our Mutual Fund Advisor before investing in the funds recommended by us.

Risk-Return analysis

The charts on the following pages give you a snapshot of how the mutual funds have performed on the risk-return parameters in the past. We have used the bubble analysis method to measure their performances on three parameters, viz risk, return and fund size. The risk is measured by standard deviation, which measures the average deviation of the returns generated by a scheme from its mean returns. We have tried to explain the same with the help of a diagram, which is divided into four quadrants, with each quadrant containing funds of a particular risk-return profile. The size of the bubble indicates the size of the fund.

The funds in the **high-risk high returns** quadrant follow a very aggressive approach and deliver high absolute returns compared to the peers albeit at a higher risk.

The funds in the **low-risk high returns** quadrant outperform the peer group on the risk-adjusted returns basis as they

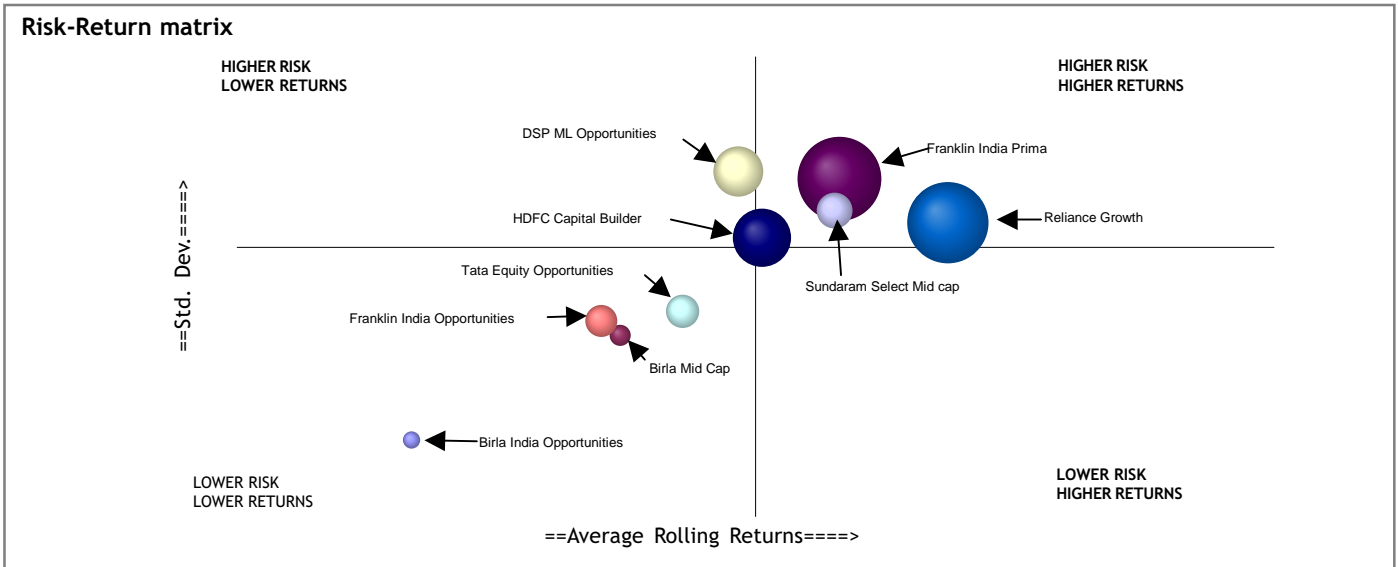
deliver higher returns compared to the peers without exposing the portfolio to very high risk.

The funds in the **low-risk low returns** quadrant are not very aggressive and provide lower absolute returns, taking lower risks.

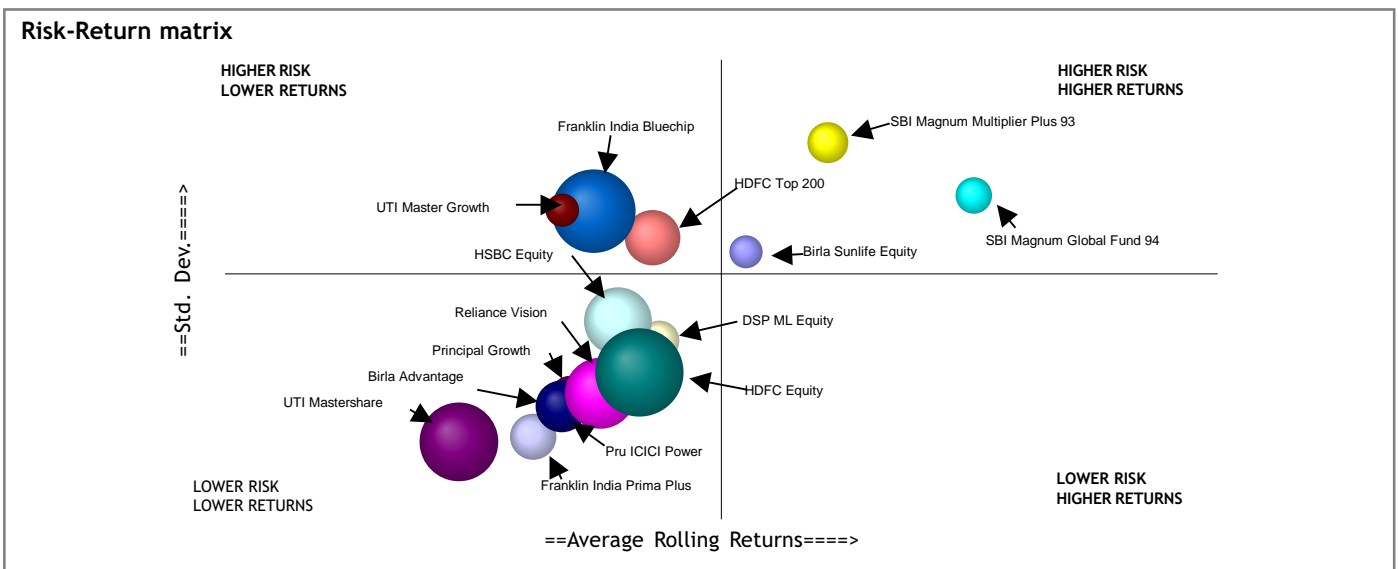
The funds in the **high-risk low returns** quadrant underperform the peers on the risk adjusted returns basis as they adopt a high-risk strategy but the returns fail to compensate the risk taken by the fund.

For aggressive, conservative and tax planning funds, risk is measured in terms of two years' volatility while returns are measured as two years' average rolling returns as on December 30, 2005. For thematic and balanced funds, risk is measured in terms of one year's volatility while returns are measured as one year's average rolling returns as on December 30, 2005.

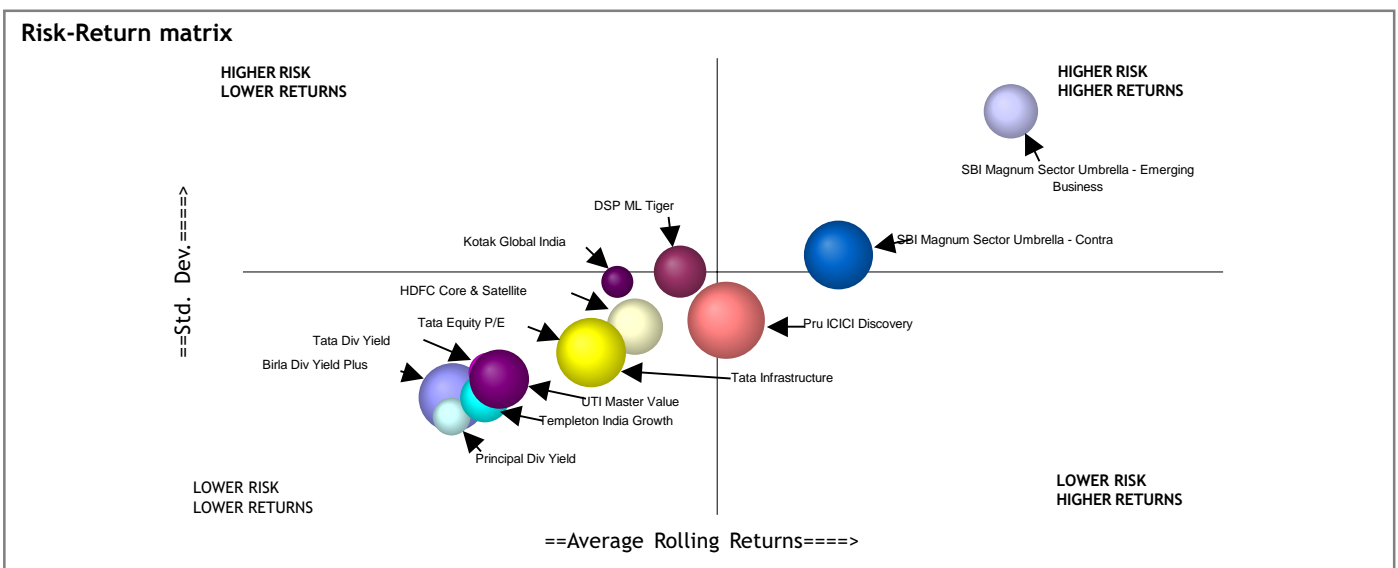
Aggressive Funds



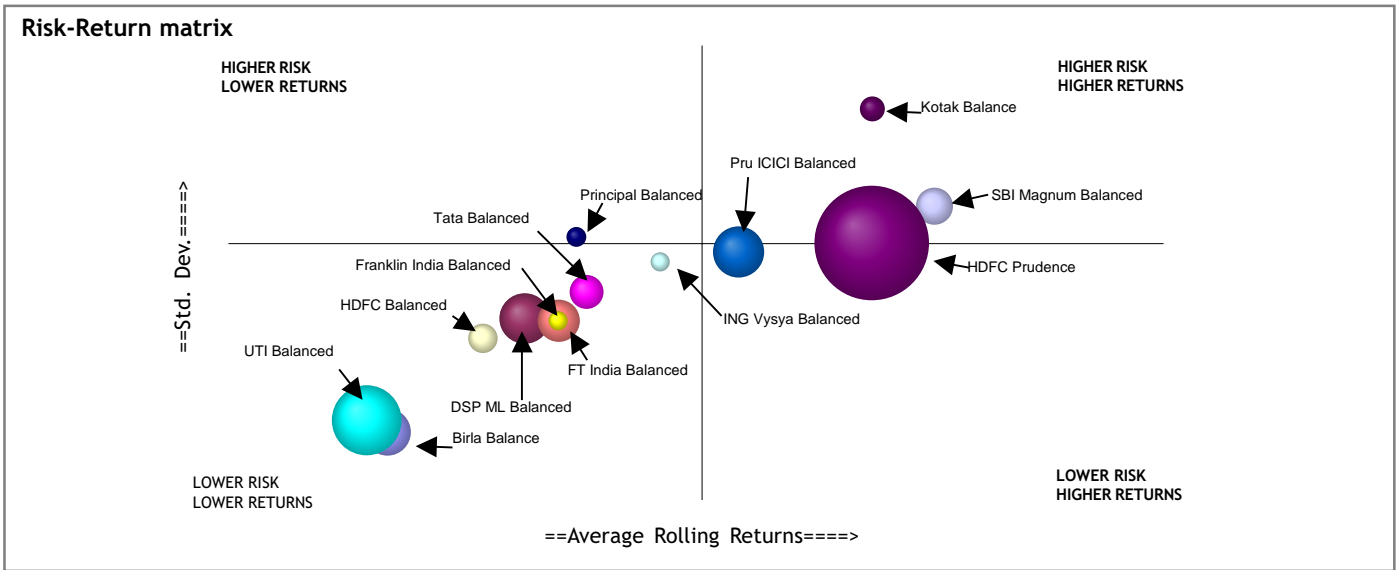
Equity Diversified/Conservative Funds



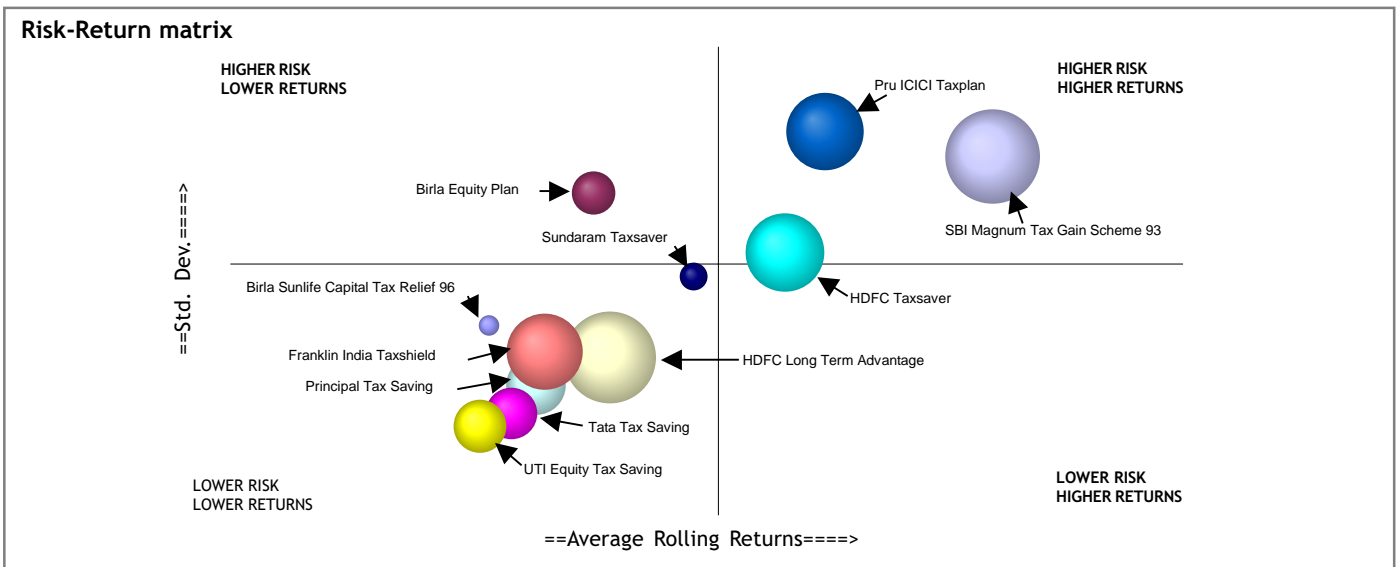
Thematic/Emerging Trend Funds



Balanced Funds



Tax Planning 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.

Evergreen

HDFC Bank
Infosys Technologies
Reliance Industries

Apple Green

Aditya Birla Nuvo
Associated Cement Companies
Bajaj Auto
Balrampur Chini Mills
Bharat Bijlee
Bharat Heavy Electricals
Container Corporation of India
Corporation Bank
Crompton Greaves
Emco
Godrej Consumer Products
Grasim Industries
Hindustan Lever
Hyderabad Industries
ICICI Bank
Indian Hotel Company
ITC
Mahindra & Mahindra
Marico Industries
Maruti Udyog
McDowell & Company
MRO-TEK
Lupin
Nicholas Piramal India
Omax Auto
Ranbaxy Laboratories
Satyam Computer Services
Sintex Industries
SKF India
State Bank of India
Tata Motors
Tata Tea
Unichem Laboratories

Vulture's Pick

Esab India
JM Financial
Mahanagar Telephone Nigam
Orient Paper and Industries
WS Industries India

Emerging Star

3i Infotech
Aarvee Denim and Exports
Aban Loyd Chiles Offshore
Alok Textile Industries
Alphageo India
KSB Pumps
Navneet Publications (India)
NDTV
ORG Informatics
Rico Auto
Solelectron Centum Electronics
Television Eighteen India
Thermax
TIL
Tube Investments of India
UTI Bank
Welspun Gujarat Stahl Rohren
Welspun India

Ugly Duckling

DCM Shriram Consolidated
Deepak Fertilisers & Petrochemicals Corporation
Genus Overseas Electronics
HCL Technologies
ICI India
Jaiprakash Associates
KEI Industries
Numeric Power Systems
Punjab National Bank
Ratnamani Metals and Tubes
Sanghvi Movers
Saregama India
Sun Pharmaceutical Industries
Surya Pharmaceuticals
UltraTech Cement
Union Bank of India
Universal Cables
Wockhardt

Cannonball

Balmer Lawrie & Company
Cipla
Gateway Distriparks
International Combustion (India)
JK Cements
Madras Cement
Shree Cement
Transport Corporation of India

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