

QFundamental

From Ram's Desk

Mutual Fund

RBI – RBI – RBI!!! This month belongs to RBI and its action. Kudos to RBI.

The markets are nicely hovering at 17000 levels on the back of positive RBI action on the interest rates and liquidity. Fixed income markets have rebounded with vigour and alongwith it the short term income funds / gilts / corporate papers / other debt papers have gone up and yields have tumbled. We are surprised to see the occurrence as we had predicted 4 months ago. But we are also surprised at the speed of the fall, as this can become unsustainable below 7.5% YTM on the 10 yr yield curve.

As expected the equity markets also rebounded and as earlier mentioned have not revisited 15100 (low of Dec, 2011) yet. The recent 2G court judgement could mar the climate for the short term, but in the long term it will be a huge positive. We believe the judgement would ensure that India becomes a level playing field for all with transparent rules governing business. FII's will love this logic and we may see massive inflows in the next few months. There will be some sacrifices that will be made in the short term, but will benefit India in the long term.

There seems to be major jump in economic activity and that is reflected in the IIP figures which seem to have come back strongly. The economy may just have recovered in time and GDP may remain above 7% for the year. We think there is some acceptance amongst politicians that some work has to be done and that will ensure that some bills and some initiatives will be taken. The two months of Feb & Mar will witness major politicking and statements with an eye on the 5 state elections. This will put a cap on the markets and a major move will be around March or in April.

We have seen major inflows in Jan, 2012 in debt and equity totaling upto 5US\$billion. This will ensure that liquidity is not scarce and plentiful. The impact on inflation is high and so is its impact on general sentiment. The whole scenario is now on the verge of changing to a strong positive especially if the govt. gets its house in order. The push in infra, power and other sectors should be enough to push the country into a higher orbit and a sustainable one.

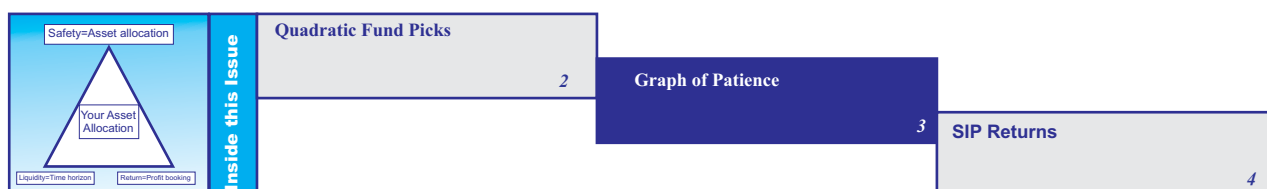
As mentioned in our December newsletter the Dec bottom around 15000 has held and hopefully it will hold. The whole complex is now transiting to a higher level of efficiency and hopefully the global changes will impact it positively. India is now chugging along at a steady pace and this pace will ensure that inflation does not run away and remains within bounds.

The markets will move alongwith the underlying economy and we could see a new high either end of this year or early next year. **Our target for Dec 2012 is 21300 and in 2013 it may touch 23600 or more. We believe the fundamentals have changed for the better and technicals will change in the next 6 – 9 months.**

The investors have still not participated in the current run up and we expect them to come in only when the markets cross 19000 soon and exhibit more stability. Unfortunately the cream of returns is gone and again the scenario of investing and then markets dropping will again happen and the cycle would have come full circle.

At Quadratic, we recommend a s strategy (2012-13) of investing in short term income funds, SIP / STP and lump-sum investments in top quality mutual funds and a fair exposure to quality stocks based on value and not on price movements. The game in direct equity would be to buy value and hold to get a huge return and not to buy volatility.

**Ram
Director**



Quadratic Equity Fund Picks

Sr. No.	Scheme Name	Cur. NAV	Inception Date	Corpus in Cr	Annualised Return In Percentage						Div. Declared /Date
					Since Inception	1YR 31/01/11	2YRS 31/01/10	3YRS 31/01/09	4YRS 31/01/08	5YRS 31/01/07	
1	Franklin India Bluechip Fund (G)	207	15/12/93	4065	22.71	-01.22	07.60	28.45	05.52	09.00	₹ 4.5/- p.u 21/01/11
2	Reliance Diversified Power Sector (G)	55	29/03/04	2373	24.54	-24.12	-14.73	11.57	-06.89	08.09	₹ 1.5/- p.u 18/03/11
3	Reliance Pharma (G)	55	26/05/04	573	24.96	01.70	13.86	45.52	24.75	21.70	₹ 2.5/- p.u 25/02/11
4	DSP BR Equity (G)	15	07/04/97	2246	09.55	-4.62	04.37	26.52	05.65	N.A	₹ 3.5/- p.u 04/02/11
5	HDFC Growth (G)	82	11/09/00	1228	20.31	-02.63	07.80	28.83	04.71	10.95	₹ 2.75/- p.u 25/02/10
6	IDFC Sterling Equity (G)	17	15/02/08	981	14.12	-04.88	05.89	33.54	N.A	N.A	N.A
7	Templeton India Growth Fund (G)	108	05/09/03	640	21.74	-08.53	02.06	28.73	05.16	09.34	₹ 4.5/- p.u 16/12/10
8	Reliance Growth (G)	415	08/12/95	5735	25.36	-08.55	0.14	26.96	01.52	08.46	₹ 4/- p.u 24/03/11
9	DSP BR Small & Midcap (G)	16	29/07/06	1031	09.12	-06.64	04.12	35.48	03.96	08.11	₹ 1.3/- p.u 18/03/11
10	IDFC Premier Equity (G)	31	26/09/05	2259	19.73	02.17	08.95	36.37	07.18	17.94	₹ 2.4/- p.u 29/03/10

■ Aggressive ■ Conservative ■ Moderately Aggressive
Note: p.u = per unit

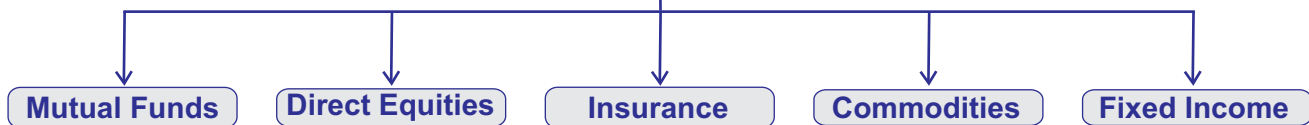
Quadratic Debt / Hybrid Fund Picks

Sr. No.	Scheme Name	Cur. NAV	Inception Date	Corpus in Cr	CAGR					
					Since Inception	1Month	3 Months	6 Months	1 Year	2 Years
1	Templeton India ST Income(G)	2107	Jan 2002	4783	11.06	08.42	08.74	08.92	09.38	07.59
2	HDFC MIP-STP(G)	18	Dec 2003	322	09.68	31.75	05.82	03.51	05.90	05.61
3	Templeton India Low Duration Fund(G)	11	July 2010	2036	09.05	09.32	09.37	09.38	10.09	N.A
4	Templeton India Income Opp.(G)	12	Dec 2010	3431	08.62	08.50	08.98	09.17	09.52	08.20

Thematic Funds

Sr. No.	Scheme Name	Cur. NAV	Inception Date	Corpus in Cr	Annualised Return In Percentage						Div. Declared /Date
					Since Inception	1YR 31/01/11	2YRS 31/01/10	3YRS 31/01/09	4YRS 31/01/08	5YRS 31/01/07	
1	IDFC Infrastructure (G)	09	28/02/11	72	-11.46	N.A	N.A	N.A	N.A	N.A	N.A
2	Reliance Pharma (G)	55	26/05/04	573	24.96	01.70	13.86	45.52	24.76	21.70	₹ 2.5/- p.u 25/02/11
3	Reliance Banking (G)	92	21/05/03	1574	29.10	-08.16	11.77	34.55	09.71	18.86	₹ 2.5/- p.u 25/02/11

QUADRATIC COMFORT



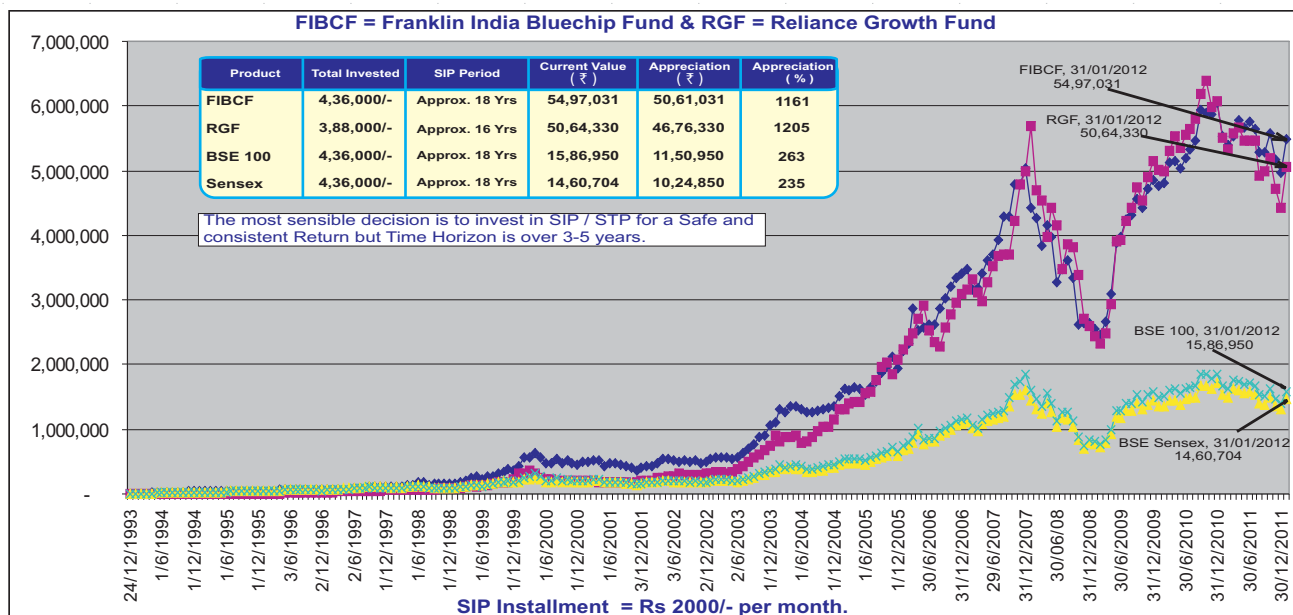
BSE	NSE Nifty	F&O NSE (cr.) Average	BSE 100	BSE Midcap	CNX 100	Inflation (%)	BSE P/E (x)	Crude Per bbl	Gold / oz (US\$)	FII inflows (Jan' 12) (₹ cr)
17194	5199	1,02,340	8970	5872	5070	8.60	15.98	99	1733	11,089

₹/US\$	10 Year Gilt	Forex Reserves	Call Rate	GDP (%)	Crude Trend
49.45	8.28	308	9.14	7.50	Neutral

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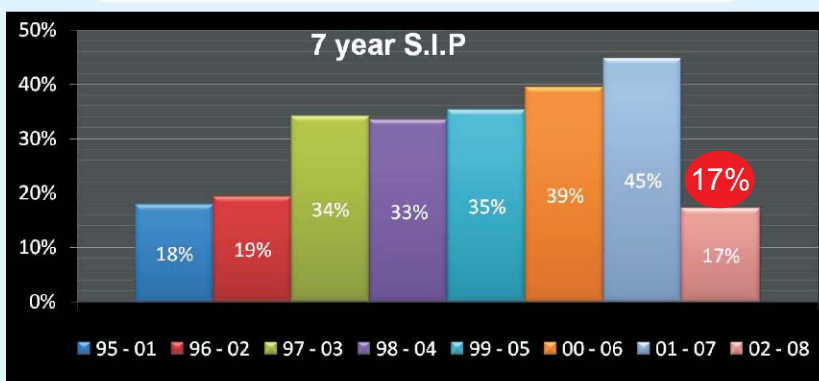
Graph of Patience

SIP FIBCF & RGF v/s SIP Sensex & BSE 100 as on 31 Jan, 2012



Franklin India Blue Chip Fund – Inception 1994 Large Cap Fund

All returns are CAGR Basis p.a



Chance of Gains 10 / 10 times



Q: What will be the Nymex Crude (\$/bbl) in ₹ on 29 -2- 2012?

- 1) 90
- 2) 100
- 3) 110

Send Answer
Before
21st February 2012

Earlier Answer
No One Answer Correctly
Please mail us with the correct
answer and get a surprise gift.
mail at
research@quadraticfinancials.com

Quadratic Present SIP Returns

Its often said that some of life's most valuable lessons are what we learned as children. When we were small, we kept aside small amounts from our pocket money regularly for that new doll or toy car that we dreamt of. Why should things be any different now that we are all grown up!

SIP are a fantastic strategy to plan for goals like Retirement, Education or Car purchase.

Systematic Investment Plan (SIP) is an investment philosophy that encourages one to start with small investments and build a corpus over a period of time. **SIP works on two golden principles: (i) start early & (ii) invest regularly.** This discipline helps us in realising our dreams and avoid compromising on our goals. Start inculcating the habit of saving, with **Below TOP 10 Scheme**

The following tables show how Rs 2000 invested through SIP in following funds/schemes have grown over time vis-a-vis benchmark index as on Dec 31, 2011.

Franklin India Bluechip Fund (G)

Goal : Retirement

Period	Start Date	Total Amount Invested	Scheme Market Value	Scheme SIP Returns	Benchmark Market Value	Benchmark SIP Returns
1 Year SIP	30-Dec-2010	24,000	21,309	-20.18	20,504	-25.93
3 Year SIP	30-Dec-2008	72,000	78,043	05.32	70,667	-1.21
5 Year SIP	30-Dec-2006	1,20,000	1,42,132	06.71	1,21,516	00.49
Since Inception	01-Jan-1997	3,68,000	27,03,273	23.91	09,83,455	12.38

Reliance Diversified Power Sector (G)

Goal : Children's Education

Period	Start Date	Total Amount Invested	Scheme Market Value	Scheme SIP Returns	Benchmark Market Value	Benchmark SIP Returns
1 Year SIP	30-Dec-2010	24,000	16,920	-49.87	20,503	-25.93
3 Year SIP	30-Dec-2008	72,000	50,911	-21.33	70,667	-1.21
5 Year SIP	30-Dec-2006	1,20,000	95,258	-09.03	1,21,516	0.49
Since Inception	01-June-2004	1,82,000	2,64,973	09.72	2,46,353	07.84

Reliance Pharma (G)

Goal : Car Purchase

Period	Start Date	Total Amount Invested	Scheme Market Value	Scheme SIP Returns	Benchmark Market Value	Benchmark SIP Returns
1 Year SIP	30-Dec-2010	24,000	22,391	-12.24	20,504	-25.93
3 Year SIP	30-Dec-2008	72,000	97,760	20.95	70,667	-01.21
5 Year SIP	30-Dec-2006	1,20,000	2,06,283	21.85	1,21,516	0.49
Since Inception	01-July-2004	1,80,000	4,20,899	22.13	2,44,078	07.98

DSP BR Equity (G)**

Goal : Holiday to US

Period	Start Date	Total Amount Invested	Scheme Market Value	Scheme SIP Returns	Benchmark Market Value	Benchmark SIP Returns
1 Year SIP	30-Dec-2010	24,000	20,098	-28.80	20,504	-25.93
3 Year SIP	30-Dec-2008	72,000	72,962	0.87	70,667	-01.21
5 Year SIP	30-Dec-2006	NA	NA	NA	NA	NA
Since Inception	02-July-2007	1,00,000	1,20,230	03.84	1,08,542	0.06

HDFC Growth Fund (G)*

Goal : Retirement

Period	Start Date	Total Amount Invested	Scheme Market Value	Scheme SIP Returns	Benchmark Market Value	Benchmark SIP Returns
1 Year SIP	30-Dec-2010	24,000	20,864	-23.38	20504	-23.12
3 Year SIP	30-Dec-2008	72,000	77,392	04.76	70667	07.09
5 Year SIP	30-Dec-2006	1,20,000	1,40,350	06.21	1,21,516	04.26
Since Inception	11-Sep-2000	2,68,000	10,09,191	22.00	6,14,856	13.92

* Since Inception means when it become open ended. ** Dividend reinvestment plan started in 1993. Growth plan was started in 2007.

Risk Factors: This analysis has been prepared and compiled from reliable sources. While utmost care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the Company nor any of its Directors, Officers or Employees shall in any way be responsible for the contents. The Company, its Directors, Officers or Employees may have a position or may otherwise be interested in the investment referred in this document. This is not an offer or solicitation to buy, sell or dispose off any securities mentioned in this document.

Not all monthly income plans are the same

Although the general assumption is that Monthly Income Plans (MIPs) invest about 80% of the corpus in fixed-income securities and the rest in equities, in reality MIPs invest anything between 75% and 100% in fixed-income instruments.

SCARY TIMES...

MIPs are debt-oriented schemes that are targeted towards retired individuals. They're meant to provide some sort of regular income, but cannot guarantee any returns. So while the fixed income portion lends some stability to the portfolio, the equity portion gives a kicker to the scheme.

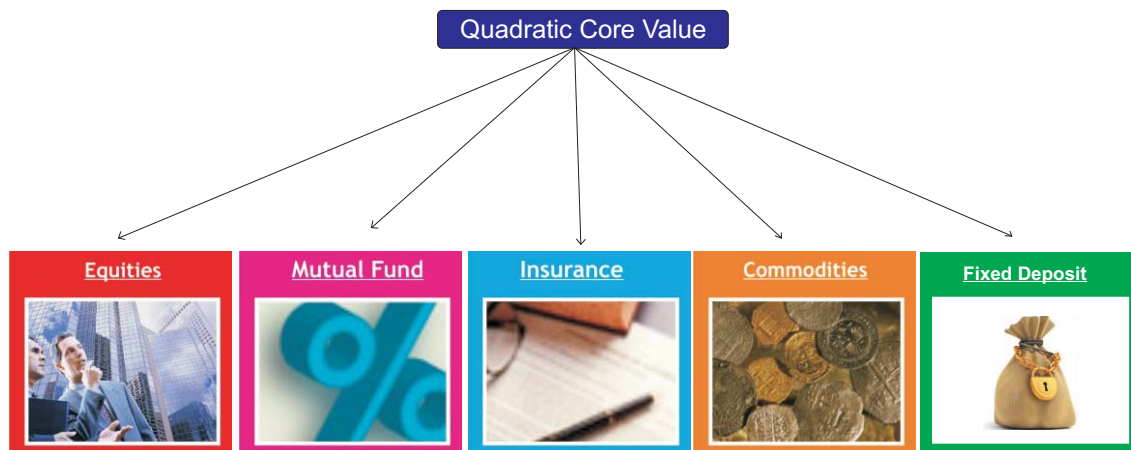
MIPs were popularized by the erstwhile Unit Trust of India (UTI) during the late 1990s. In those days, UTI used to launch MIPs that gave guaranteed returns but locked your money for three to five years. Guaranteed returns that came with low volatility offered a very promising prospect to investors then and the plans were an instant hit. However, after UTI defaulted in its assured return schemes in 2001 and the firm had to be restructured, investors got a rude shock and realized that MIPs were meant to work like any other mutual fund scheme; their returns are market-linked and there are no guarantees.

...LED TO PRODUCT MAKEOVER

Fund houses, on their part, started to tailor MIPs around the risk profiles of different investors. In other words, though MIPs continued to be debt-oriented, they started to invest different amounts in debt. Eventually, fund houses also started to launch different variants of MIPs in-house. For instance, Birla Sun Life Asset Management Co. Ltd has four MIPs in its fold--the first invests 5% in equities, the second 15% and the third 25% in equities; it got its fourth MIP when it acquired the erstwhile Alliance Capital Asset Management in September 2005. For many years, Franklin Templeton Asset Management (India) Pvt. Ltd had an MIP that invested only in fixed - in - come instruments and nothing in equities. In July 2010, though, it rechristened the scheme into a debt fund. HDFC Asset Management Co. Ltd also has two MIPs; both can invest upto 25% in equities, though the short-term plan invests a bit lesser usually.

Fund houses that have only one MIP can swing wildly on equity allocation. On the other hand, those MIPs that are a part of a bouquet usually stick to a narrow range of equity allocation.

Keep a few things in mind. An MIP that invests, say, 10% in equities is not much different from one that invests, say, 15% or even 20% in equities, especially if both come from the same fund house. For instance, both of them will either stick to large-cap scrips or take measured exposures to mid-caps. Since MIPs aim to distribute dividends regularly, typically once every month or quarter, they need to invest in equities to get the returns kicker, while outperforming a plain-vanilla debt scheme. Also, the equity components of two or more MIPs that belong to the same fund house are managed in similar style, unless there's a big difference in their equity allocation.



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FUNNY



AGELESS WIT AND OBSERVATIONS

**I don't make jokes. I just watch the government
and
report the facts.**



Will Rogers

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