

The Investment Game

Here's a simple contest that allows you to showcase your asset allocation skills. Imagine you have Rs.10,000 to invest. In the table allocate this Rs.10,000 to the funds you think will do well in the next 30 days. For instance you may put Rs. 4000 in Focus, Rs. 3000 in Leadership and the balance Rs. 3000 in the Money Fund. Whoever earns the maximum on his/her investment in the next 30 days gets an honourable mention in the next issue of 'The IFA' and a gift of Rs.1000! So go ahead... showcase your skills and have fun!

Investment Game winner - November 2009:

M M Bhat
ARN-20166

Equity	Allocation Rs.	Fixed income	Allocation Rs.
Growth Fund		Money Fund	
Tax Saver		Ultra Short Term Fund	
Select Mid Cap		Select Debt	
Select Focus		Bond Saver	
India Leadership Fund		Monthly Income Plan	
SMILE Fund			
CAPEX Opportunities Fund			
Rural India Fund			
Financial Services Opportunities Fund			
Entertainment Opportunities Fund			
Balanced Fund			

* Allocations will be accepted till the 25th of December. Units will be allotted on the basis of NAV on the last day of November. Winners will be announced in the January issue.

1. Please send your entries before the 25th of every month.
2. The decision of the editorial committee will be final in all matters.

Sales Gyan

Here are a few techniques that I found particularly useful in making a successful sales pitch in course of my career:

Preparation: There is no substitute for preparation. Knowledge about the subject matter and a deep understanding of the client and his business helps in building confidence. It also lends credibility and reflects in the quality of engagement with the client.

Visualization: Once we equip ourselves with adequate tools, we will find it a lot easier to make a sale. The next step is to make a mental map of going out there and making a winning pitch. This puts us in a better frame of

mind. It also gives us the necessary confidence during the actual call.

Deliver a Win-Win Proposition: It is important to keep the client's best interests at heart in making a sales pitch. The idea is to deliver a solution that is beneficial to the client and meets our objectives as well. Short-term fulfillment of targets at the cost of the client's interests should always be avoided. You should always be seen as a solution/value addition provider as opposed to a mere seller.

Happy Selling!

Amit Kumar Ray
Senior Assistant Vice President
Sundaram BNP Paribas AMC

Mutual Fund investments are subject to market risks. Please read the Statement of Additional Information & Scheme Information Document carefully before investing.

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THE IFA

The Exclusive Newsletter for Independent Financial Advisors



Sunil Subramaniam
Executive Director-Sales & Marketing
Sundaram BNP Paribas Asset Management

"...Finance Minister's Budget Speech on 6th July, 2009 requires the development of "people ownership" of Central Public Sector Undertakings (CPSUs) to share in their wealth and prosperity..."

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Sundaram BNP Paribas Asset Management
December 2009

'GOVERNMENT ON PSUs'

Dear ifa

As you are aware your fund house launched the Sundaram BNP Paribas PSU Opportunities Fund on the 25th of this month, under the Select Thematic Funds umbrella.

One of the key reasons highlighted in the course of our presentations is the proposed disinvestment plan of the government. I reproduce extracts from articles that have appeared in prominent national media. These bring to fore some positive developments on this front, further enhancing the prospects of the PSU theme:

"Through you I would like to apprise the House of the following factual position: The policy on disinvestment articulated in the President's Speech to Joint Session of Parliament on 4th June, 2009 and Finance Minister's Budget Speech on 6th July, 2009 requires the development of "people ownership" of Central Public Sector Undertakings (CPSUs) to share in their wealth and prosperity, with Government retaining majority shareholding and control. This objective is relevant to profit-earning CPSUs as it is only these that will sustain investor-interest for sharing in their prosperity - **FM's statement in Rajya Sabha**

<http://pib.nic.in/release/release.asp?relid=54888> (Press Information Bureau of India - Govt of India - 2/12/09)

Union Finance Minister Pranab Mukherjee today said the process of disinvestment in public sector

power companies NTPC Limited, Rural Electrification Corporation (REC) and Satluj Jal Vidyut Nigam Limited (SJVN) was likely to be completed by March 31, 2010.

<http://netindian.in/news/2009/12/01/0004232/mukherjee-disinvestment-ntpc-rec-sjvn-be-over-march> (Net Indian - 2/12/09)

The UPA has readied a preliminary list of 25 unlisted PSUs that are willing and eager to list, including Nuclear Power Corporation of India, SBI Capital Markets, National Bank for Agriculture and Rural Development, Exim Bank of India, Punjab and Sind Bank, Indian Railways Finance Corporation and UTI Asset Management.

While the disinvestment department has begun talking to these PSUs and their administrative ministries to ready them for IPOs...

<http://www.indianexpress.com/news/bigtick-et-psus-among-25-shortlisted-for-listing/548811/> (Indian Express - 30/11/2009)

Do visit the appended URL's to read the articles in full. Please feel free to bring the articles to the notice of your clients as well

Warm Regards

Sunil Subramaniam

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MUTUAL
UNEARTHING OPPORTUNITIES

Spot Light

Spotlight features an interesting idea, as in this issue, or an IFA who could be an inspiration to all of us. So if you know an IFA who should be featured here, send us the details.

George Soros On Investing

George Soros struck fame as the person who brought the Bank of England to its knees after shorting the Pound Sterling. He is also the founder of 'The Open Society' – a movement that promotes the development and maintenance of open societies around the world, through an array of activities dealing with educational, social, legal and economic systems. The billionaire investor wrote the best selling *Alchemy of Finance* that introduces his philosophy of investing – Reflexivity. We reproduce a short paragraph from the book.

REFLEXIVITY

Changes in market prices cause changes in market prices? Sounds ridiculous. But it's not. To give just one example, as stock prices go up, investors feel wealthier and spend more money. Company sales and profits rise as a result. Wall Street analysts point to these "improving fundamentals," and urge investors to buy. That sends stocks up further, making investors even wealthier, so they spend even more. And so it goes. This is what Soros calls a "reflexive process" - a feedback loop: a change in stock prices has caused a change in company fundamentals which, in turn, justifies a further rise in stock prices. And so on.

Reflexivity is a feedback loop: perceptions change facts, and facts change perceptions.

Fund of the Month

Sundaram BNP Paribas
Select Thematic Funds

PSU OPPORTUNITIES

Investing in the BIG story!

An Open-End Equity Fund

Theme

Public Sector Undertakings – Portfolio with a large-cap tilt

Fund Facts

PSUs are focused on the high growth sectors of the economy – energy, financial services, infrastructure and utilities.

Demonstrated ability to create shareholder value: Basket of 48 PSUs listed since 2000 have shown a CAGR of 24.2% as opposed to the broad market which showed 13.5%

Robust Financials: Moderate leverage, sizeable cash & investments

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NEW FUND OFFER

Closes 23rd Dec. '09

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IFA's Write

An opportunity for you to share your thoughts on improving the way we do business. Topics could range from new product ideas, customer engagement initiatives, industry trends, competitor moves etc. Just ensure the write-up is not more than 200 words. If the idea is appealing we will endeavour to act upon it in a timely manner.

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Focus on Fundamentals

I know that several people want to enter into the market. The same people who were telling me they were not going to invest in 'dangerous' stock markets when the Sensex was below 8,000 today are very eager to invest now. I booked profits in several of my investments made barely a few months ago, as I had been buying into a group of stocks at market lows. I even partially booked profits and made over 38%, in just a couple of months.

But why did I exit so quickly? Am I not a long term investor? Are these companies bad investments? The companies I invested in are still fundamentally strong for the longer term and India is still one of the best places to be invested in. The simple reason is that most of these stocks rallied very quickly, and today the scenario is very different from what it used to be earlier. Right now this rally has given me an excellent chance to book profits, and at the same time I know I will get a chance to enter back at cheaper levels.

In spite of this, when markets rally, we need to ascertain whether to book profits or stay invested on the basis of long term investment strategy. The end of every rally ends in panic buying. Do you remember how everyday markets would rise 300-400 points before the Crash? Never panic buy or panic sell; it is a sign of a weak mind that can be controlled by external forces. All those who weren't able to benefit from this quick rally, please don't regret anything. Instead use it as a learning experience for the future. Destiny keeps giving us opportunities to create wealth; it is up to us to stay alert and make the most of it by focusing on the fundamentals.

Arun Agarwal

Raipur ARN-6150

Fund Fundas

Significance of the PE Ratio

Using P/E to draw conclusions:

So what does a high P/E mean? It can mean:

Investors believe that the firm has good growth opportunities, and are thus willing to offer a higher price than can be justified by the expected earnings alone.

In case you have studied the firm and its environment and come to the conclusion that growth opportunities are not there, then a high P/E means that the stock has been driven to euphoric heights where valuations do not justify the price.

A low P/E on the other hand can mean:

Fair valuation, if the consensus belief is that the firm does not have any significant growth opportunities going forward.

Low valuation, in case you believe that the firm has growth opportunities that the market has not taken into account.

As you can see, low P/Es do not necessarily mean attractive valuations, and high P/Es do not automatically mean overvaluation.