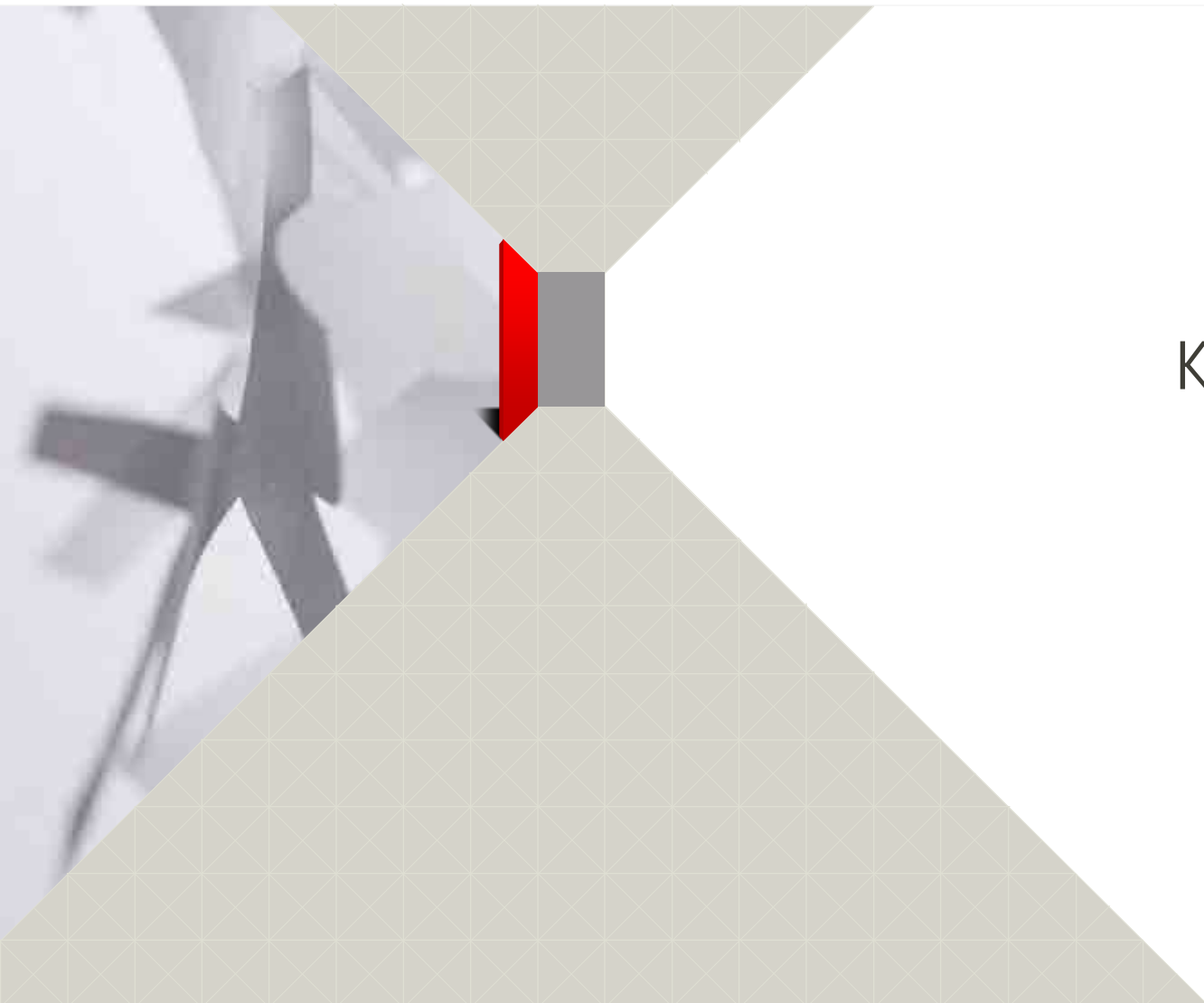


India Strategy

March 2011



Key Economic Forecasts

March – Strategy

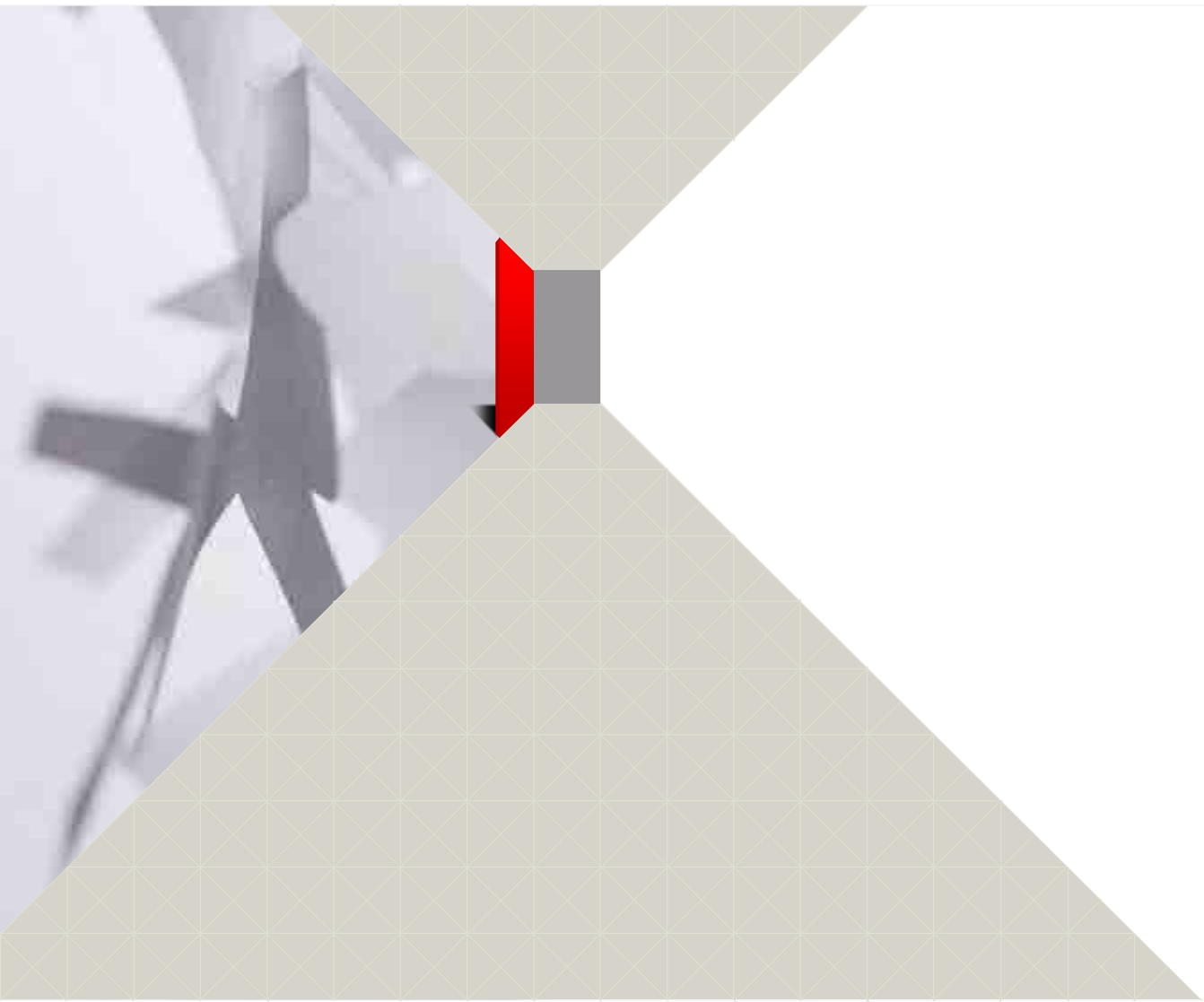
India - Key Macro Economic Forecasts

- ▶ Snapshot of HSBC key Indian economic forecasts

% Year	2007	2008	2009	2010f	2011f	2012f
GDP*	9.5	7.3	6.8	9.2	8.0	8.2
GDP (Financial year)**	9.2	6.7	7.4	9.1	8.1	8.1
Consumer prices**	6.4	8.3	10.9	11.8	7.1	6.1
Current account (% GDP)**	-0.7	-2.6	-2.2	-3.7	-3.7	-3.5
Budget balance (% GDP)**	-2.8	-6.4	-6.9	-5.5	-4.8	-4.0
Broad money supply**	21.9	20.4	19.1	16.0	15.0	19.0
INR/USD	39.4	48.6	46.4	43.5	42.0	42.0
3-month money (%)	7.17	7.65	3.70	5.28	6.54	7.23
10-year bond yield (%)	7.81	5.30	7.74	8.10	8.10	8.10

Note: *Calendar year, **Based upon Indian fiscal year (April-March)

Source: HSBC



Equities

March – Strategy

Markets fall on concerns in Middle East & North Africa (MENA), crude oil spike and apprehensions on domestic earnings growth

- ▶ The broader equity indices ended lower in February triggered by concerns over civilian unrest in MENA, the impact on crude prices and apprehensions of a slowdown in domestic earnings due to higher inflation and interest costs.
- ▶ Short rollovers ahead of the budget in the February series F&O expiry also lead to market volatility.
- ▶ The BSE Sensex ended the month of February at 17823(↓2.8% M-O-M) and the NSE Nifty closed the month at 5333 (↓3.1% M-O-M).
- ▶ BSE Realty (↓ 11%), BSE Healthcare (↓ 8.3%), BSE Capital goods (↓8.3%), BSE Power (↓8.1%), BSE Auto (↓ 7.8%) and BSE Consumer Durable (↓ 6.1%) were the major sector under performers. BSE FMCG (↑2%) was the lone sector gainer. Mid & Small cap indices under-performed large cap indices in February.
- ▶ MSCI India under performed the MSCI EM and MSCI World indices in February.

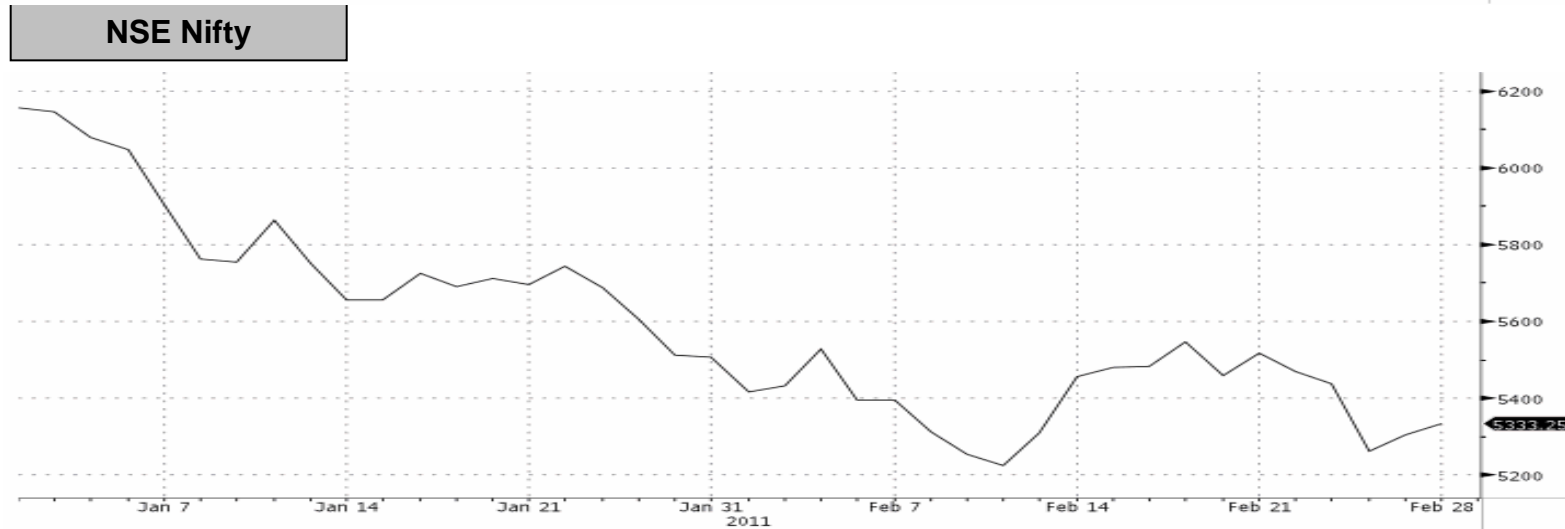
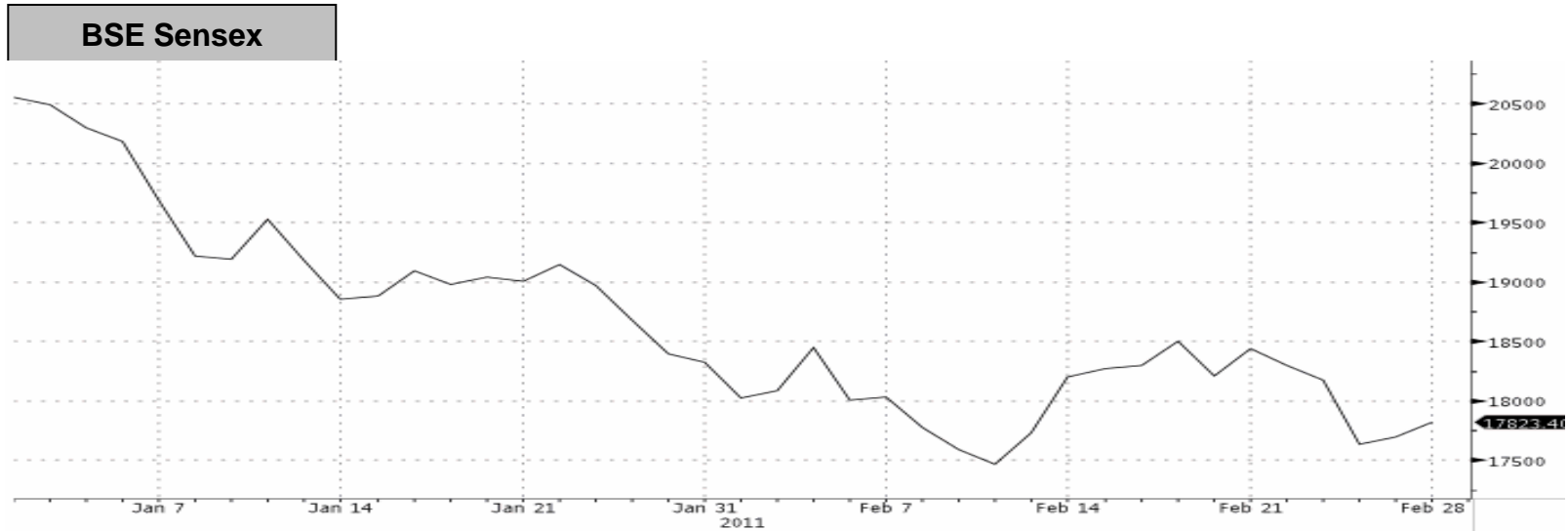
Company	% Change	Company	% Change
BSE FMCG Sector	2.0%	BSE Metal	-4.8%
BSE Oil	-0.2%	BSE Cons Durable	-6.1%
BANKEX	-1.9%	BSE Mid-Cap	-7.2%
BSE Sensex	-2.8%	BSE Auto	-7.2%
Nifty (S&P CNX)	-3.1%	BSE Small-Cap	-7.8%
BSE 100	-3.2%	BSE Power	-8.1%
BSE 200	-3.7%	BSE Healthcare	-8.3%
BSE 500	-3.9%	BSE Cap Goods	-8.3%
BSE IT Sector	-4.1%	BSE Realty Index	-11.1%

Source – Capitaline

M-O-M Month on Month

March – Strategy

Spike in oil prices due to crisis in oil producing countries lead to market volatility



Source – Bloomberg

March – Strategy

Foreign investors continue to be net sellers while domestic institutions resort to value buying.
Economic growth momentum declines. Inflation remains sticky

- ▶ FII continue to be net sellers of Indian equities in February. They sold \$1.3bn of Indian equities during the month. (Source: SEBI). Domestic mutual funds however were net buyers and undertook value picking. They were net buyers of equities worth \$0.25bn in February (Source: SEBI).
- ▶ The index of industrial production's (IIP) growth slowed to 1.6%y-o-y in December 2010 vs.3.6% in November 2010, partly reflecting a base effect. However, sequential growth turned positive. Other indicators suggest the growth momentum holding up.
 - Production of consumer goods rose by 3.9% y-o-y in Dec 10, led by a sharp tick up in consumer durables (18.5% y-o-y) while non-durables slipped marginally by 1% y-o-y in Dec 10.
 - Capital Goods growth declined by 13.7% y-o-y in the month of Dec 10.
 - We believe the base effect of last year is impacting the monthly industrial production numbers. The momentum in the Indian economy is holding up quite well.
 - Moreover, solid consumption as well as infrastructure and capacity expansion needs will continue to support demand for manufacturing.
 - However, inflation remains the primary concern.
- ▶ The momentum in India's manufacturing sector strengthened in February. Output growth is holding up and the inflow of new orders accelerating.
 - PMI rose to 57.9 in from 56.8 in January sequential output growth remains strong and well above its long-term average.
 - Stronger orders, especially from abroad, also boosted the index reading. Input prices accelerated to a record high (68.4 vs.66.1 in January). Output prices also continued to climb, albeit a bit slower.
 - Bottom line : Growth is holding up well but at the cost of rising inflation. We expect the RBI to continue tightening policy rates.
- ▶ Q3 FY 11 GDP numbers came in lower than consensus expectations, but the economy is still expected to face tight capacity with growth projected to stay slightly above potential. GDP grew 8.2% during the quarter, led by 8.9% growth in agriculture, 5.6% growth in manufacturing and 11.2% growth in services.
- ▶ WPI inflation for January 2011 eased a bit to 8.2% y-o-y, above our forecast of 7.8%. However, primary food inflation jumped to 15.7% y-o-y and non-food primary inflation rose to 23.9% y-o-y. With monetary policy still remaining accommodative we expect the cost of inputs feeding into inflation from both wages and oil-related products, thus impacting core inflation from here. We expect a 25bps interest hike in March with a total of 125 bps interest rate hike in 2011.

Source: SEBI/HSBC

March – Strategy

Budget FY 12 targets fiscal deficit of 4.6%. We expect FY'11 GDP growth at 9.1% and FY 12 GDP growth of 8.1%

- ▶ Budget FY 12 forecasts a lower fiscal deficit target of 4.6% for FY 12. Focuses on raising the growth potential, including raising support for infrastructure.
 - Tax reforms were revenue neutral. Focused on cushioning against high inflation by raising the tax free threshold, abstaining from rolling back the excise and service tax rates to pre-crisis level, and selectively broadening the indirect tax bases.
 - Opened the door for more foreign investments, for equity mutual funds and by raising FII limit for investment in infrastructure-related corporate bonds.
 - Impact on equities likely to be muted.
- ▶ Exports during January 2011 grew by 32.4% in USD terms while imports rose by 13.1% in USD terms. For the period April – January, exports have recorded a growth of 29.3% while imports have grown by 17.6%. Trade deficit for April – December, 2010 is estimated at \$88.9bn.
- ▶ Bank credit growth remains robust (23.9% y-o-y as on 11th February, 2011). We expect credit growth to remain buoyant for the latter part of the year.
- ▶ Momentum in India's service sector gathered further pace in February with business activity and new business accelerating. Furthermore, businesses remain optimistic over their outlook for the next 12 months.
- ▶ Capex led by power, infrastructure and metals would be the drivers to the Indian Economy;
 - We expect private sector capex to accelerate in coming quarters (capex declined by 1.5% in FY 10). Our economists have an above-consensus forecast for investments (16% vs. consensus at 13.5%).
 - NCAER's capacity utilisation survey states that 97.7% of respondents were operating at or above optimum capacity, indicating a slew of capacity expansions coming on stream.
 - Capacity expansions are predominantly from firms in the steel, aluminum, electricity and cement sectors.
- ▶ On the global front, we expect a more stable economic environment, in which earnings and economic growth are steady but not particularly surprising. While global structural problems may get resolved easily, but over time, they will lose their ability to shock the markets.

Source: HSBC/Bloomberg

March– Strategy

Inflation on the domestic front and developments in MENA and the impact on crude prices to affect market sentiments in the near term.

- ▶ Markets to have a downward bias in the near term due to tight liquidity and inflation concerns.
- ▶ However, India's long-term earnings outlook continues to remain bullish given its robust economic growth prospects, while India's minimal exposure to global structural risks may result in continuance of foreign investment funds into the country.
- ▶ Q3 FY11 results announced till date have been predominantly inline with expectations and earnings have been mixed – decent revenue growth (volume and price) and lower margins (impact of cost inflation).
- ▶ At 17,823 Sensex, India trades at a P/E of 15.9X FY11e (HSBC estimates) and 14.7x FY 12 earnings estimates (based on 15% FY 12 earnings assumption), which is in line with the historical average. Looking ahead, we expect the Sensex to end 2011 at 21,000.
- ▶ We believe that the market correction YTD has been largely reflecting the broader macroeconomic concerns and has also factored in possible earnings downgrade in the backdrop of the results announced so far.
- ▶ We estimate earnings (EPS) to grow by 20% CAGR over the next two years, which seems achievable as it has been done during similar stages in past economic cycles and on the backdrop of strong real GDP forecasts.
- ▶ We advise staggered entry into equities to take advantage of the ongoing volatility in the markets. In the past one month, though broader markets have corrected by around 10%, there have been many sectors like banking, engineering and construction and consumption oriented sectors, which have witnessed greater declines thereby providing an opportunity for long-term investors to accumulate stocks.
- ▶ We continue to favor large cap stocks given the valuation outlook vis-à-vis the earnings growth while a stock specific approach is advised towards mid-cap stocks. Key events to watch: Inflation, earnings momentum and global economic data-flows (particularly from MENA)
- ▶ We recommend booking profits at periodic intervals to reduce equity exposures thereby aligning portfolios towards strategic asset allocations. For clients with under allocation to equity, we still recommend an systematic investment plans.
- ▶ At the sector level, we continue to favor investment oriented sectors over consumption oriented sectors – we remain overweight on infrastructure, industrials, utilities and metals. We remain under weight cement and oil & gas. We are neutral on consumer discretionary, consumer staples, information technology, telecom and healthcare. and property.

March – Strategy

Overweight – Industrials, Utilities & Metals; Neutral – Real Estate, Financials, IT Services, Consumer Staples

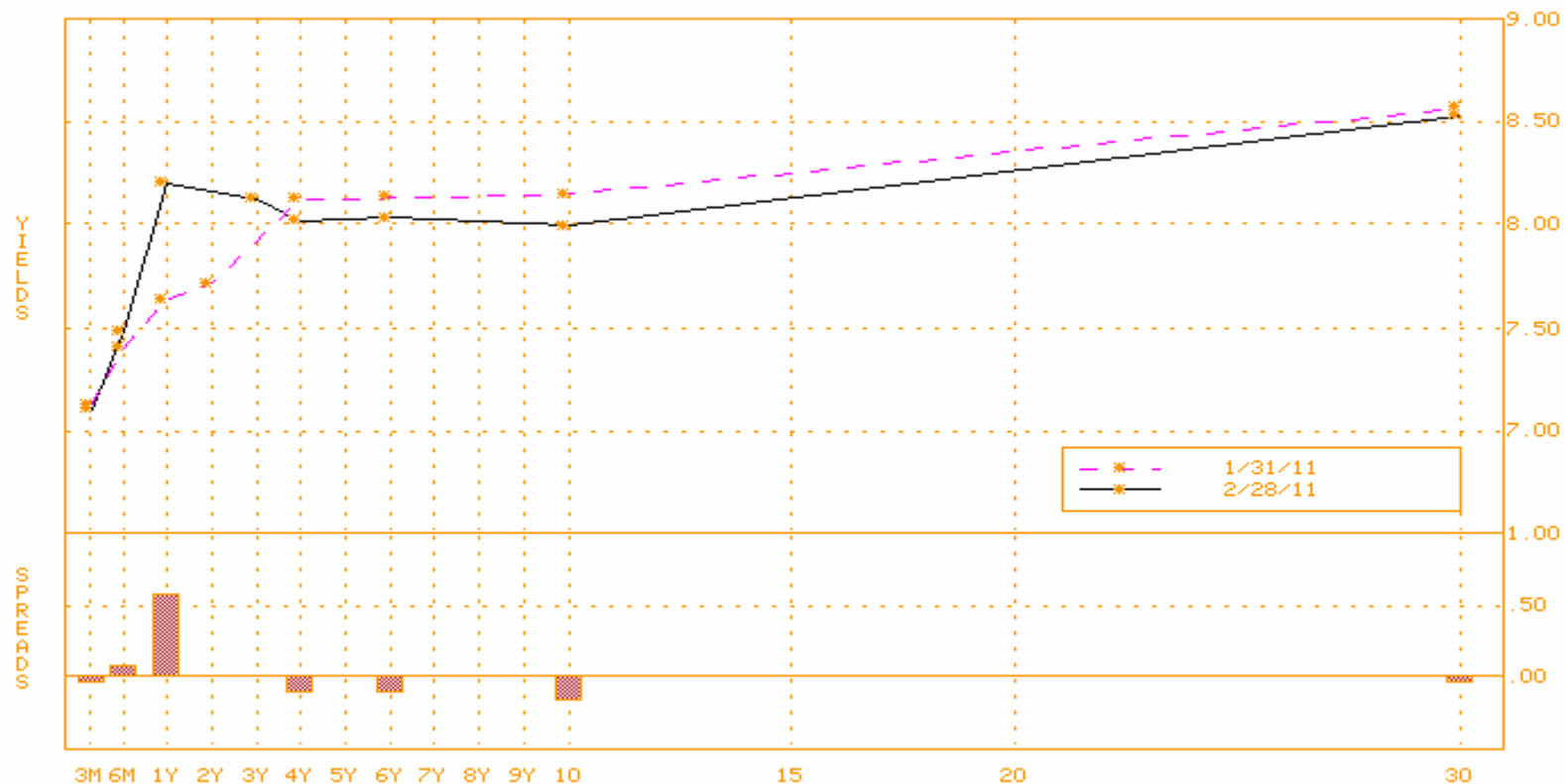
- ▶ **Industrials** – Overweight – Robust medium-term sector growth outlook. The government expects infrastructure investment to reach \$135bn pa in FY 11 and FY 12, which represents 145% growth over the last three years' annual spend. We believe these could create huge growth opportunity over the next two years. We expect power, roads and water to contribute the most.
- ▶ **Utilities** – Overweight – India is on the cusp of adding huge amounts of power capacity in a bid to meet ever-growing demand -we forecast 53GW over the next three years, or c33% of the existing capacity. We like utilities on account of relative under performance and valuation discounts to the broader markets.
- ▶ **Materials** – Overweight Metals and Underweight Cement – Steel continues to be our top pick among metals as we expect iron ore prices to soften and steel demand to rise in Q4 FY'11 along with pick up in manufacturing activity. On the other hand cost support and production cuts would firm up the non-ferrous segment. We are underweight on cement given its recent run-up despite down side risk to earnings.
- ▶ **Real Estate/Property** - Neutral - Balance sheet strength of most large players following the recent fund raising has improved. Demand conditions seem to be recovering. New launches will likely spur demand for transferable development rights (TDRs) over FY 11 and FY 12, making TDR generators early beneficiaries of any demand revival.
- ▶ **Financials** – Neutral – we are neutral the sector given the 17% out-performance in Q3 FY 11 and less favorable earnings potential from rising interest rates.
- ▶ **Information Technology** – Neutral – we remain positive on the long-term fundamentals of the sector and believe top line growth will remain robust for the next 2-3 years, led by increase in off-shoring and pick up in discretionary spending.
- ▶ **Consumer Staples** – Neutral –We expect growth to be strong on a good monsoon and likely reduction in food inflation and its consequent beneficial impact on purchasing power. However, valuations have moved definitively above historical averages and look above average hence the neutral outlook.
- ▶ **Consumer Discretionary** – Neutral – Demand is strong and the sector continues to benefit from improving job outlook and bank financing, strong farm income and economic recovery. On the flip side, margins can be under pressure due to change in emission norms and rising input costs.
- ▶ **Healthcare** – Neutral – The potential for growth in the healthcare sector is strong. Defensive in nature but valuations are at a premium to the market.
- ▶ **Telecom** – Neutral - Increasing penetration and consumer spending remain strong growth drivers for the sector. Better volumes and price stability offers increased earnings visibility.
- ▶ **Energy** – Underweight– Environment is challenging for upstream and refineries as margins are likely to remain moderate. Also the sector runs the government policy risk.



Fixed Income

March – Strategy

Fixed Income



Indian Government Yield Curve

Source: Bloomberg

- The ten year bond yield in February traded in a range of 8.02-8.22% and ended the month at levels of 8.02% (Source Bloomberg) predominantly on account of the proposed Government borrowing for FY12 being lower than consensus estimates. We expect the longer end of the yield curve to remain range bound till the Government borrowing calendar for fiscal 2012 is announced in the latter half of March '11.
- Systemic liquidity continued to remain tight in Feb'11, however as compared to Jan '11 it has relatively eased. The RBI on an average in Feb '11 on a daily basis infused liquidity amounting to INR 764B (Source: Bloomberg) as against INR 913B in Jan '11.

March – Fixed Income Strategy

Fiscal end considerations & tight liquidity may ensure elevated short term rates

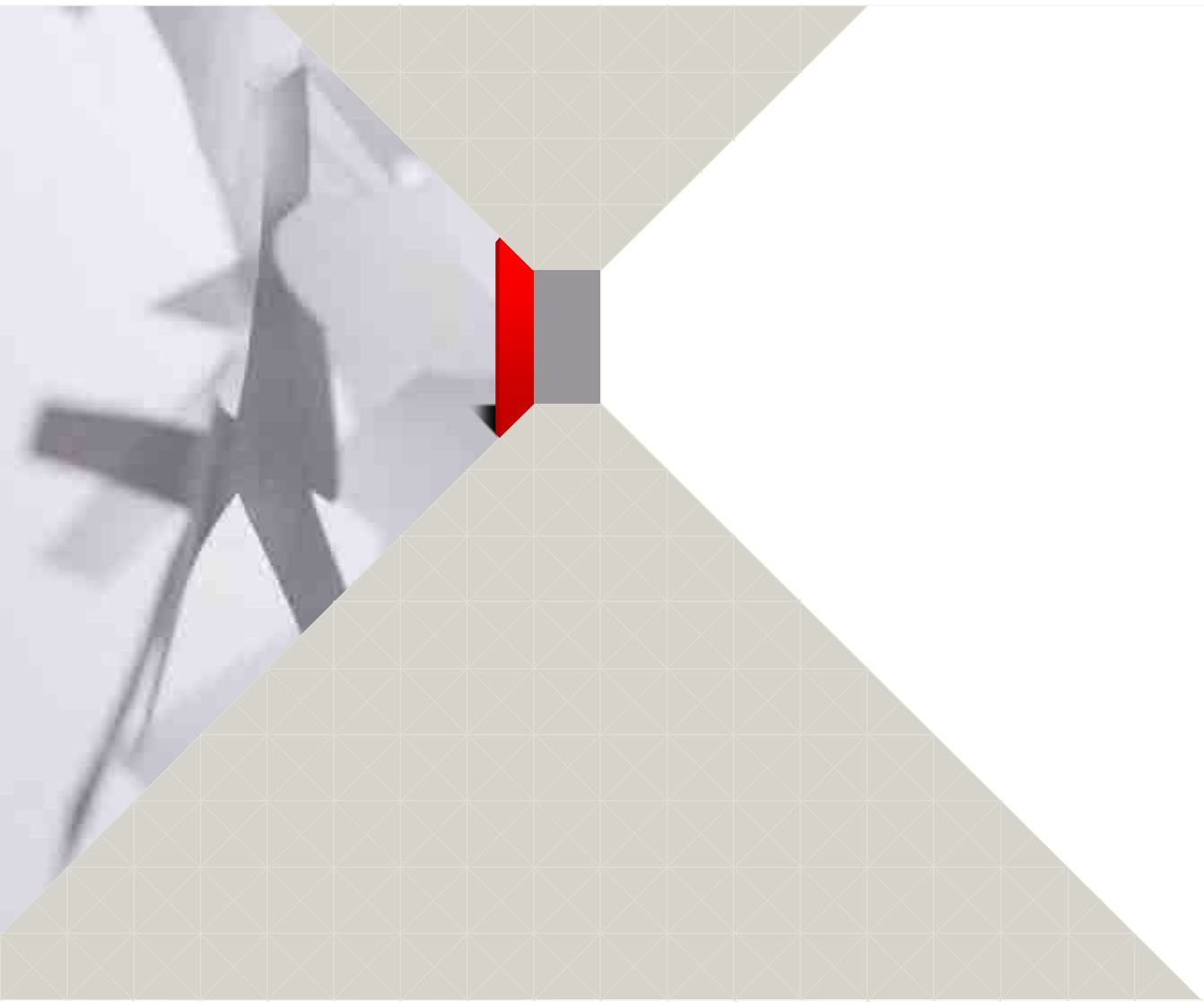
- ▶ The Indian economy during the quarter ended December '10 registered economic growth of 8.2% (on a year on year basis) predominantly aided by a turnaround in agriculture output as it registered growth of 8.9% during the quarter as against a contraction of 1.6% in Q3FY10.
- ▶ The Government of India for FY11 has estimated the central government deficit at 5.1% of GDP as against their earlier target of 5.5% of GDP and for FY12 the target deficit level is estimated at 4.6% as against 4.8% targeted earlier. In fiscal 2012, the government's borrowing is estimated at INR 3.47trillion which despite being better than consensus expectations would be keenly watched as a surge in commodity (energy & food) prices along with any shortfall in the disinvestment target of INR 400 billion may lead to an increase in paper issuances.
- ▶ WPI Inflation continued to remain higher than the RBI's target as in Jan '11 it rose by 8.23% (on a year on year basis) after rising by 8.43% in Dec '10. Furthermore, WPI Inflation for Nov '10 was revised upwards from 7.48% to 8.08%.
- ▶ We foresee a possibility of food price inflation spilling over into the broader inflation, thereby keeping inflation at elevated levels. We forecast inflation to gradually ease to levels of 6.5% by end Q2CY11.
- ▶ We forecast another 25 bps increase in policy rates in March '11 and expect policy rates to head higher by 125 bps in CY11.
- ▶ Tight systemic liquidity along with fiscal year end considerations has lead to banks increasing their deposit and lending rates. Furthermore, select banks have increased their Base Rate by 25-50bps during the month.

Data Source: HSBC/ Reuters/ Bloomberg

March – Fixed Income Strategy

Opportunities at the shorter end of the yield curve

- ▶ Investors having a short term investment horizon may consider investing into liquid/ultra short term bonds to capitalize on opportunities available at the shorter end of the yield curve.
- ▶ Investors having a pre-defined investment horizon may consider fixed maturity plans of various maturities (three to eighteen months) given the elevated yield curve.
- ▶ We expect the 10 year g-sec bond yield to trade in a range of 8.1-8.2% in the coming months. During periods of volatility, investors with a longer investment horizon may consider opportunities within this space in case of spikes in longer term rates.



Currencies

March – Strategy

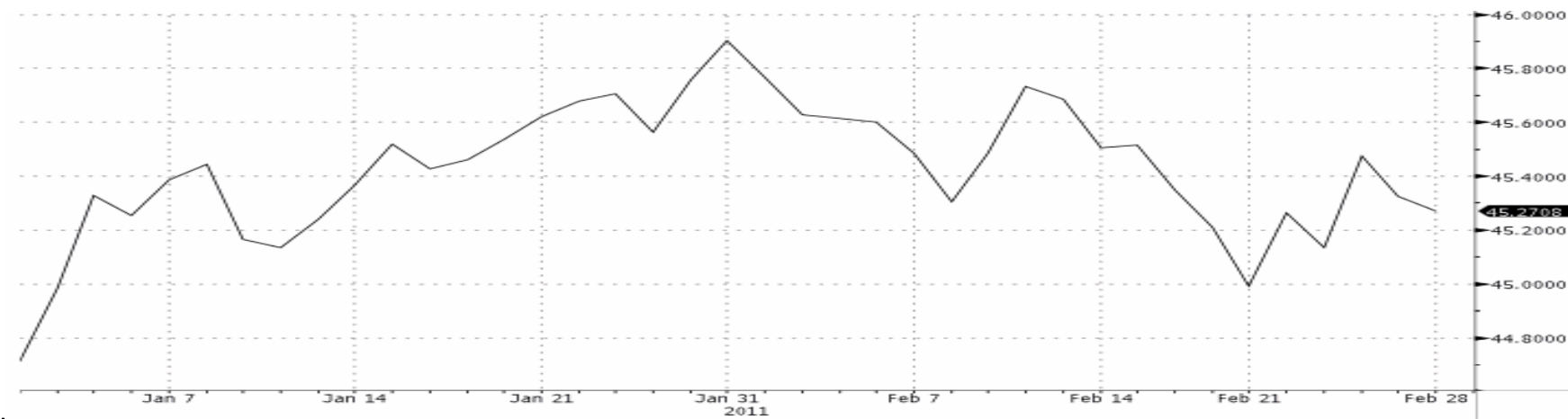
Comments from Bank of England & European Central Bank supporting their currencies

- ▶ **INR** – The INR strengthened in February and it ended the month at levels of 45.3 (Source: Bloomberg). Our Q1CY11 end spot target for USD-INR is 43.2. We are neutral to positive on emerging market currencies
- ▶ **USD** – Improving US growth outlook has offset the comments from US Federal Reserve to continue with the low rates. Over the next 6 to 12 months we have a neutral view on the USD.
- ▶ **Euro & GBP** – Even though we do not expect interest rate hikes for some time in Europe, Central bank rhetoric and language has continued to drive these currencies through more aggressive monetary policy talk and has provided some support to their currencies recently. We hold Neutral view with negative bias for the next 12 months.
- ▶ **JPY** – We maintain a neutral view with a positive bias on the pair USD-JPY during the next 12 months given the already strong upside seen in the Yen.
- ▶ **Emerging Markets (EM)** – Concerns over inflation may lead to volatility in EM currencies, however we believe that strengthening EM currencies should add to the return potential for foreign investors in local currency debt. Over the next 6 to 12 months we have a positive view on EM currencies.

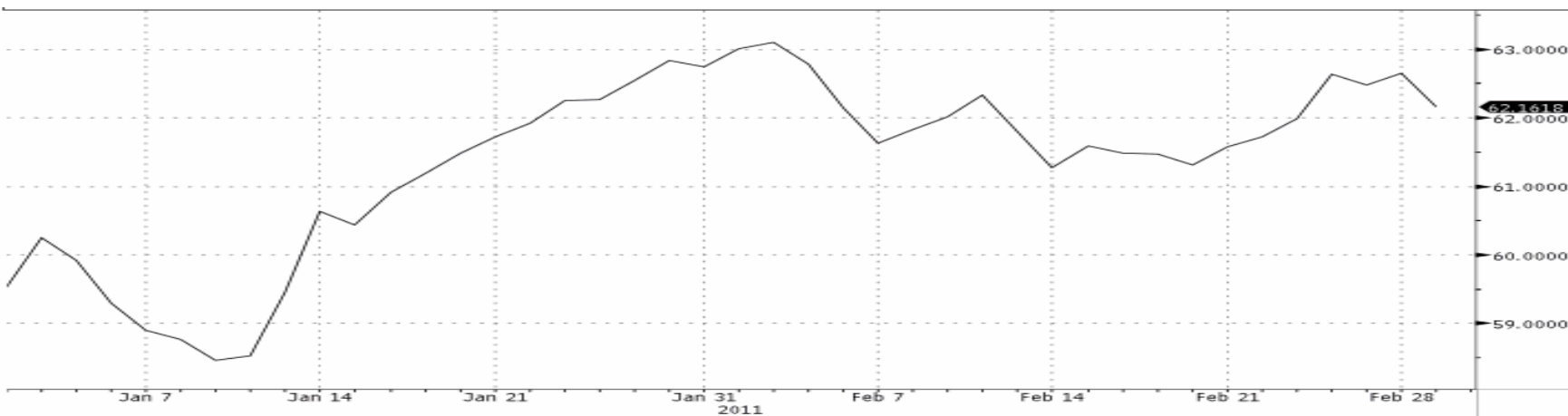
March – Strategy

Currency movements....

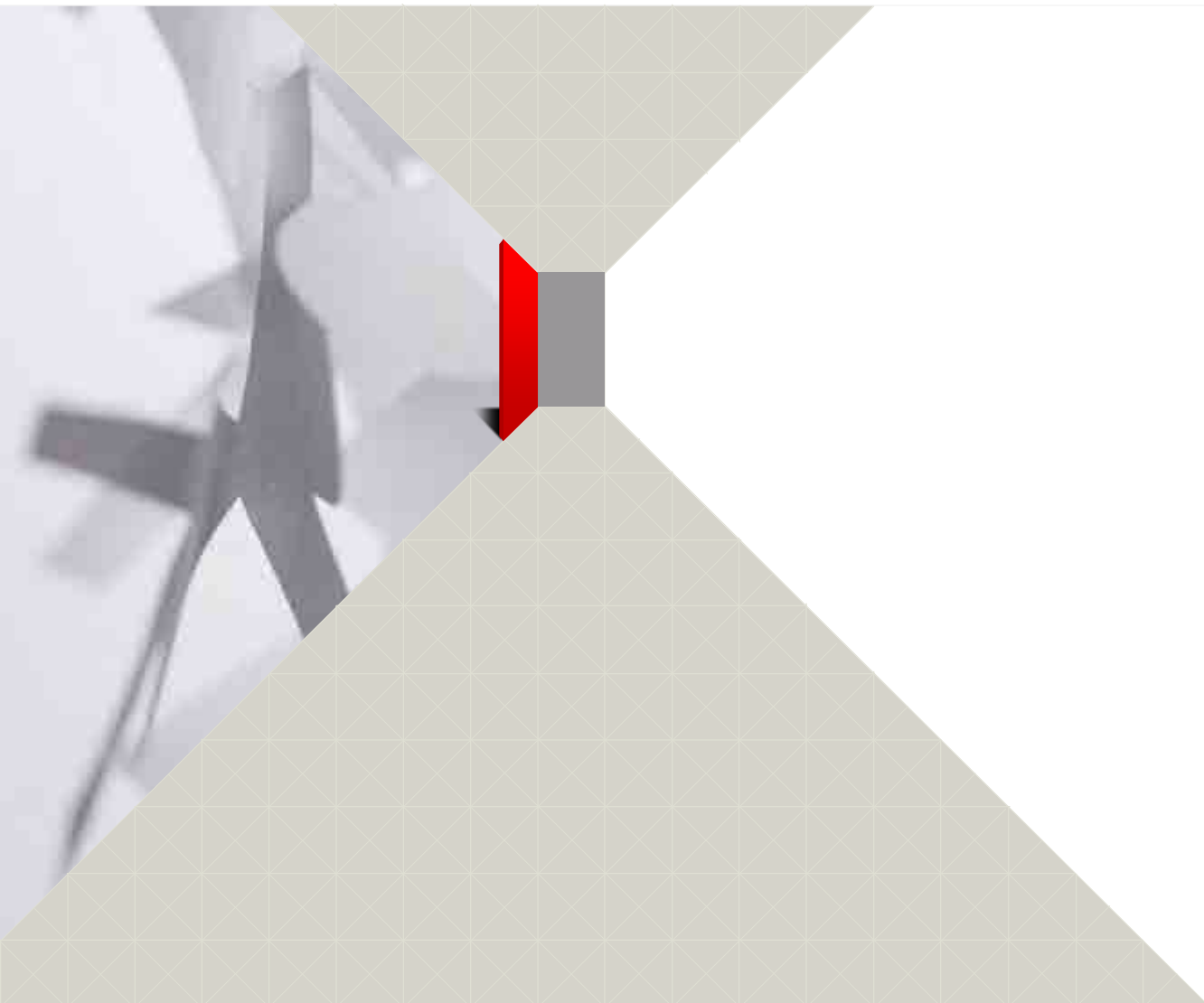
USD/INR



Euro/INR



Source - Bloomberg



Commodities

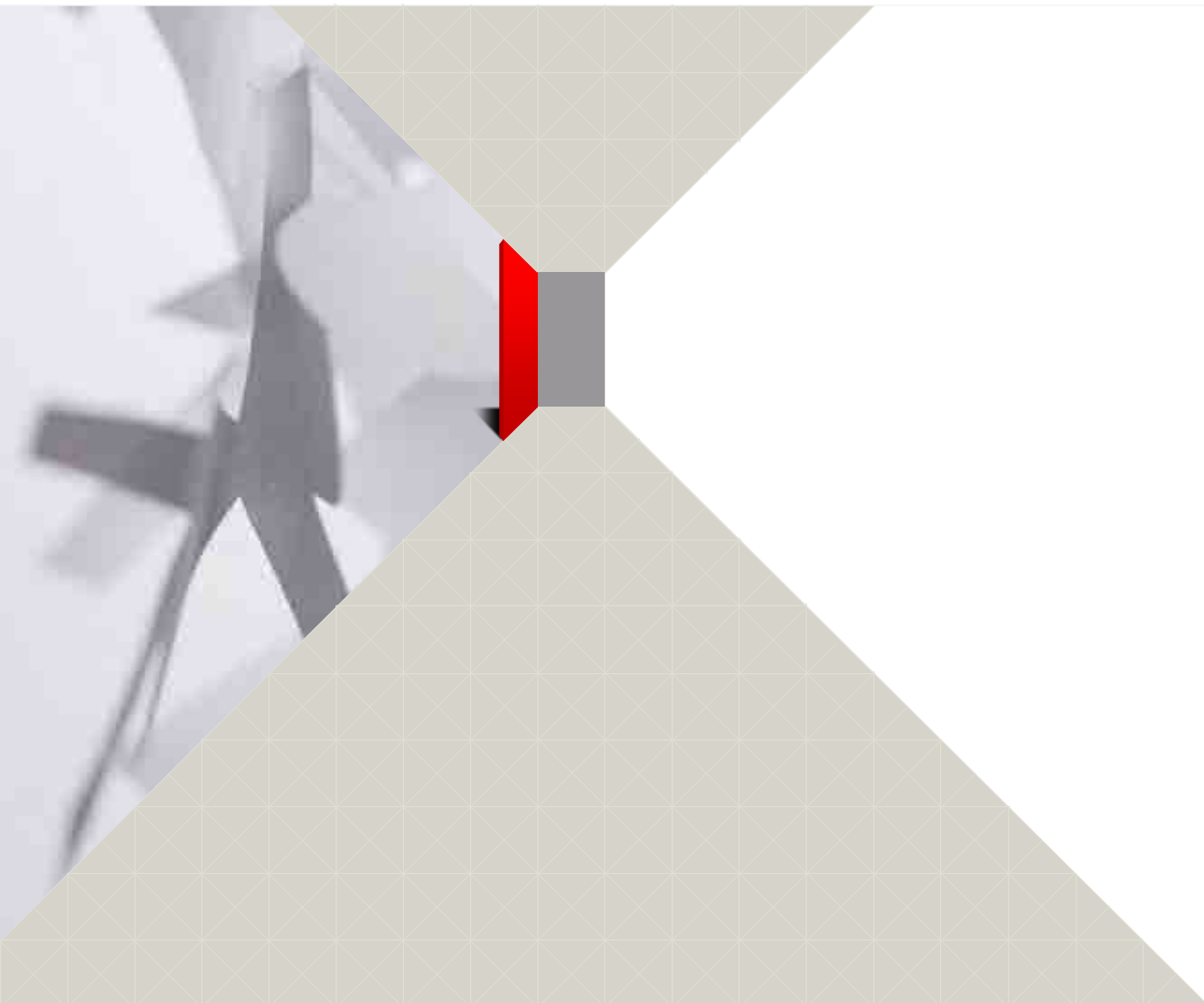
March – Strategy

Demand from emerging economies to support commodity prices

- ▶ We maintain our neutral view on commodities with a positive bias. Improving economic outlook along with robust emerging economies demand should support higher trending commodity prices.
- ▶ **Gold:** Gold prices during the month strengthened to end at USD 1,410/ounce (Source: Bloomberg). We have a neutral view with a positive bias on gold due to inflation fears, heightened tensions in the middle east and sovereign debt concerns supporting demand for gold.
- ▶ **Oil:** Brent crude oil strengthened in February to end the month at levels of USD 112/bbl (Source: Bloomberg). Oil prices have jumped since the Middle East crisis broke and we believe they will continue to benefit from instability in the region.

However, we do not expect an uncontrollable spike at this time and as long as the situation in Saudi Arabia remain quiet and the possibility of economic recovery becoming vulnerable. In the longer term, we expect higher-trending oil prices to remain supported by EM demand. For the next 12 months, we hold a neutral view on oil with a positive bias.

- ▶ **Industrial Metals:** Strong demand for industrial metals particularly from emerging economies along with tight supply should support higher industrial metal prices. For the next 6 to 12 months we have a neutral view with a positive bias.
- ▶ **Agricultural Commodities :** We expect a period of consolidation in agricultural commodities, however uncertainties over harvest conditions and emerging market demand is likely over the longer term. For the next 6 to 12 months we have a neutral view with a positive bias.



Summary of Views

March – Strategy

Asset Class	Sub Class	Current Month	Previous Month
Equity		=/+	=/+
	Industrials	+	+
	Utilities	+	+
	Metals	+	+
	Cement	-	-
	Real Estate	=	=
	Financials	=	=
	Information Tech	=	=
	Consumer Staples	=	=
	Consumer Discretionary	=	=
	Healthcare	=	=
	Telecom	=	=
Energy	-	-	
Debt		=	=
	Liquid Assets	+	+
	Duration	=	=
	Credit	=	=
Currency			
	INR	=/+	=/+
	USD	=	=
	GPB/ USD	=/-	=/-
	Euro/USD	=/-	=/-
	USD/JPY	=/+	=/+
	Emerging Markets	=/+	=/+
Commodities		=/+	=/+
	Gold	=/+	=/+
	Oil	=/+	=/+
	Industrial Commodities	=/+	=/+
	Agri Commodities	=/+	=/+

Guide to Symbols in this document

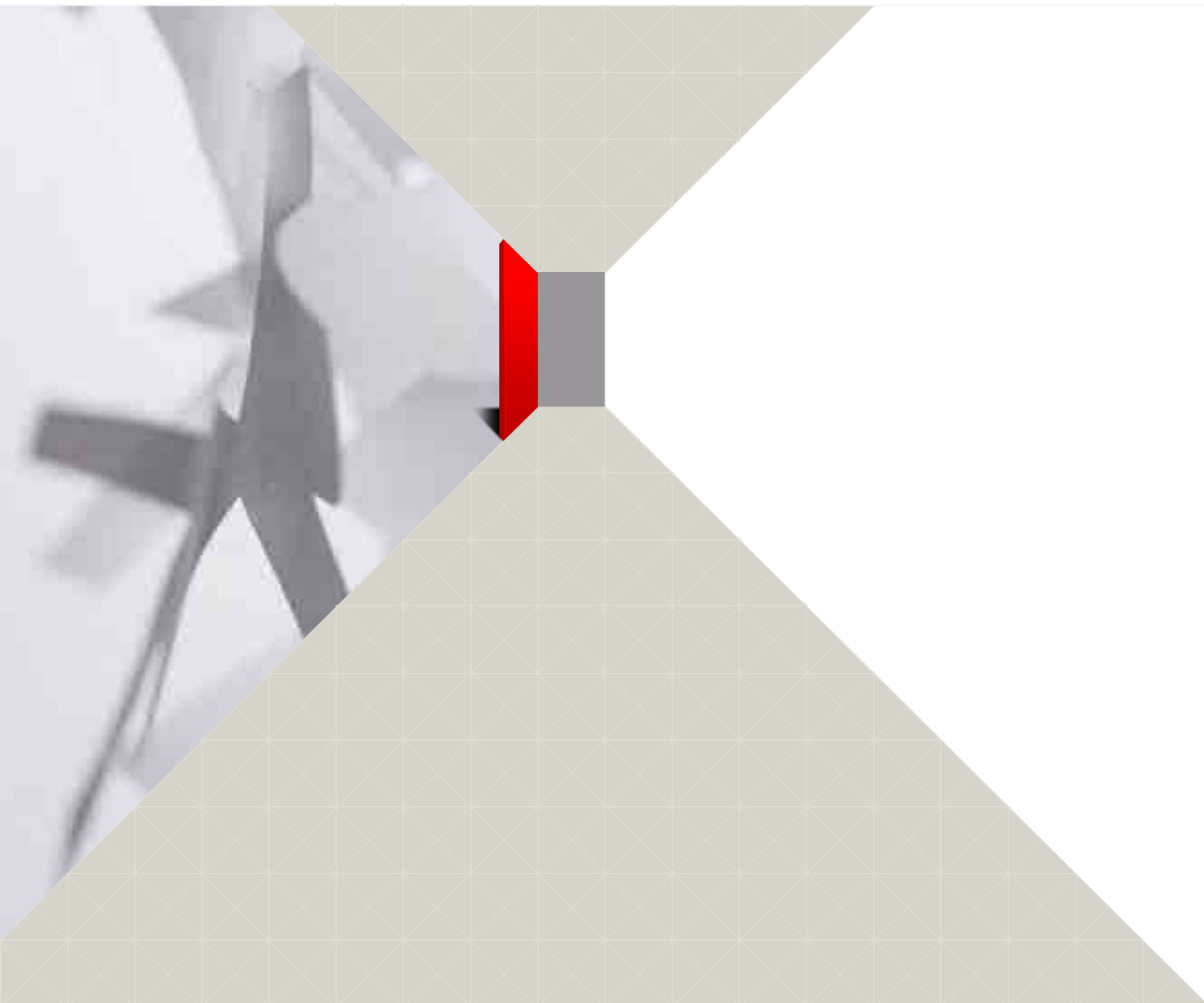
- Negative

=/- Neutral with a negative bias

= Neutral

=/+ Neutral with a positive bias

+ Positive



Glossary

GLOSSARY

Alpha - A measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. Simply stated, alpha is often considered to represent the value that a portfolio manager adds to or subtracts from a fund's return.

AMC - Asset Management Company - A company that invests its clients' pooled fund into securities that match its declared financial objectives. Asset management companies provide investors with more diversification and investing options than they would have by themselves.

Arbitrage - The simultaneous purchase and sale of an asset in order to profit from a difference in the price. It is a trade that profits by exploiting price differences of identical or similar financial instruments, on different markets or in different forms. Arbitrage exists as a result of market inefficiencies; it provides a mechanism to ensure prices do not deviate substantially from fair value for long periods of time.

Benchmark - A standard against which the performance of a security, mutual fund or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

Buyback - The repurchase of outstanding shares (repurchase) by a company in order to reduce the number of shares on the market. Companies will buy back shares either to increase the value of shares still available (reducing supply), or to eliminate any threats by shareholders who may be looking for a controlling stake.

CAGR - Compound Annual Growth Rate - The year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the *n*th root of the total percentage growth rate, where *n* is the number of years in the period being considered. This can be written as follows:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

CBLO - Collateralized Borrowing and Lending Obligation - They were developed by the Clearing Corporation of India (CCIL) and Reserve Bank of India (RBI). The details of the CBLO include an obligation for the borrower to repay the debt at a specified future date and an expectation of the lender to receive the money on that future date, and they have a charge on the security that is held by the CCIL.

CD - Certificate of Deposit - A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and can be traded.

Corpus - The overall amount invested by the fund as on the reporting date.

CP - Commercial Paper - Unsecured promissory notes with a fixed maturity of one to 270 days; usually sold at a discount from face value.

Dividend Yield - A financial ratio that shows how much a company pays out in dividends each year relative to its share price. In the absence of any capital gains, the dividend yield is the return on investment for a stock. Dividend yield is calculated as follows:

$$= \frac{\text{Annual Dividend per Share}}{\text{Price per Share}}$$

Emerging Market Economy - A nation's economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body.

Entry Load - It is the load charged by the fund when one invests into the fund. It increases the price of the units to more than the NAV and is expressed as a percentage of NAV. For example a 1 % entry load will increase the NAV from Rs 11 to Rs 11.11 and therefore the number of units allotted will be lesser to that extent.

Exit Load - It is the load charged by the fund when one redeems the units from the fund. It reduces the price of the units to less than the NAV and is expressed as a percentage of NAV.

FII - Foreign Institutional Investor - An investor or investment fund that is from or registered in a country outside of the one in which it is currently investing. Institutional investors include hedge funds, insurance companies, pension funds and mutual funds. In India international institutional investors must register with the Securities and Exchange Board of India to participate in the market.

FY - Fiscal Year - Any 12-month period that a company uses for accounting purposes.

FX Market - Forex Market - The market in which participants are able to buy, sell, exchange and speculate on currencies. The forex market is made up of banks, commercial companies, central banks, investment management firms, hedge funds, and retail forex brokers and investors. The currency market is considered to be the

largest financial market in the world, processing trillions of dollars worth of transactions each day.

High Net Worth Individual - is a person with a high net worth. In the private banking business, these individuals typically are defined as having investable assets (financial assets not including primary residence) in excess of US\$1 million.

IIP - Index of Industrial Production - in simplest terms is an index which details out the growth of various sectors in an economy. E.g. Indian IIP will focus on sectors like mining, electricity, Manufacturing & General. Also base year needs to be decided on the basis of which all the index figures would be arrived at. In case of India the base year has been fixed at 1993-94 hence the same would be equivalent to 100 Points.

IPO - Initial Public Offering - It is referred to simply as an "offering" or "floatation," is when a company issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded.

Large Cap - A term used by the investment community to refer to companies with a market capitalization value of more than a specified threshold. We have classified large cap companies with market capitalization between INR 50 billion to INR 250 billion.

Mega Cap - A term used by the investment community to refer to companies with a market capitalization value of more than a specified threshold. We have classified large cap companies with market capitalization over INR 250 billion.

MBOR - Mumbai Inter-Bank Offer Rate - The interest rate at which banks can borrow funds, in marketable size, from other banks in the Indian interbank market. The Mumbai Interbank Offered Rate (MBOR) is calculated everyday by the National Stock Exchange of India (NSE) as a weighted average of lending rates of a group of banks, on funds lent to first-class borrowers.

Mid Cap - A company with a market capitalization between INR 25 billion to INR 50 billion, which is calculated by multiplying the number of a company's shares outstanding by its stock price. Mid cap is an abbreviation for the term "middle capitalization".

Modified Duration - A formula that expresses the measurable change in the value of a security in response to a change in interest rates.

MSCI - Morgan Stanley Capital International - A leading provider of equity, fixed-income and hedge fund indexes. MSCI has been providing global equity indexes for more than 30 years. In 2003, it launched a new family of U.S. equity indexes.

MSCI Emerging Markets Index - An index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets.

MTM - Mark To Market - The accounting act of recording the price or value of a security, portfolio or account to reflect its current market value rather than its book value.

NAV - Net Asset Value - A mutual fund's price per share or exchange-traded fund's (ETF) per-share value. In both cases, the per-share value amount of the fund is calculated by dividing the total value of all the securities in its portfolio, less any liabilities, by the number of fund shares outstanding.

NCD - Non Convertible Debenture - It is a type of debt instrument that is issued for a fixed maturity and in which, no part of the debenture is convertible into equity.

Neutral - An analyst's opinion regarding the future performance of a security. Underweight will usually mean that the security is expected to underperform either its industry, sector, or even the market altogether.

Open Ended Fund/Scheme - It is a type of a scheme/fund where purchase or sale of units is offered on a continued basis at NAV related prices.

Overweight - An analyst's opinion regarding the future performance of a security. Overweight will usually signify that the security is expected to outperform either its industry, sector or, even, the market altogether.

P/B Ratio - Price-To-Book Ratio - A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

$$\text{Calculated as:} = \frac{\text{Stock Price}}{\text{Total Assets - Intangible Assets and Liabilities}}$$

PE - Price Earnings ratio - A valuation ratio of a company's current share price compared to its per-share earnings.

$$\text{Calculated as:} = \frac{\text{Market Value per Share}}{\text{Earnings per Share (EPS)}}$$

PMI - Purchasing Managers' Index - An indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Private Placement - Raising of capital via private rather than public placement. The result is the sale of securities to a relatively small number of investors. Investors

involved in private placements are usually large banks, mutual funds, insurance companies, and pension funds.

PSU - Public Sector Undertaking - In India, public sector undertaking is a term used for a government-owned corporation (company in the public sector). The term is used to refer to companies in which the government (either the Union Government or state or territorial governments, or both) owned a majority (51 percent or more) of the company equity.

PTC - Pass through certificates - A pool of fixed-income securities backed by a package of assets. A servicing intermediary collects the monthly payments from issuers, and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

Reserve Requirements - Requirements regarding the amount of funds that banks must hold in reserve against deposits made by their customers. In India The Cash Reserve Ratio (CRR) refers to the liquid cash that banks have to maintain with the Reserve Bank of India (RBI) as a certain percentage of their demand and time liabilities. For example if the CRR is 10% then a bank with net demand and time deposits of Rs 1,00,000 will have to deposit Rs 10,000 with the RBI as liquid cash.

Rights Offering (Issue) - Issuing rights to a company's existing shareholders to buy a proportional number of additional securities at a given price (usually at a discount) within a fixed period.

Risk-Adjusted Return - A concept that refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number of rating. Risk-adjusted returns are applied to individual securities and investment funds and portfolios.

ROE - Return On Equity - The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as:

Return on Equity = Net Income/Shareholder's Equity

Rolling Returns - The annualized average return for a period ending with the listed year. Rolling returns are useful for examining the behavior of returns for holding periods similar to those actually experienced by investors. Also known as 'rolling period returns' or 'rolling time periods'.

Sharpe Ratio - A ratio developed by Nobel laureate William F. Sharpe to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate

from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

Small Cap - Refers to stocks with a relatively small market capitalization. The definition of small cap can vary among brokerages, but generally it is a company with a market capitalization less than INR 25 billion.

Standard Deviation - A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.

Term Deposit - A deposit held at a financial institution that has a fixed term. These are generally short-term with maturities ranging anywhere from a month to a few years. When a term deposit is purchased, the lender (the customer) understands that the money can only be withdrawn after the term has ended or by giving a predetermined number of days notice.

Treasury Bills - Short-term debt obligations of a national government that are issued to mature in three to twelve months.

Underweight - An analyst's opinion regarding the future performance of a security. Underweight will usually mean that the security is expected to underperform either its industry, sector, or even the market altogether.

V-Shaped Recovery - A type of economic recession and recovery that resembles a "V" shape in charting. Specifically, a V-shaped recovery represents the shape of the chart of certain economic measures, such as employment, GDP and industrial output. A V-shaped recovery involves a sharp decline in these metrics followed by a sharp rise back to its previous peak.

WPI - Wholesale Price Index - An index that measures and tracks the changes in price of goods in the stages before the retail level. Wholesale price indexes (WPIs) report monthly to show the average price changes of goods sold in bulk, and they are a group of the indicators that follow growth in the economy.

YTM - Yield To Maturity - The rate of return anticipated on a bond if it is held until the maturity date. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupons are reinvested at the same rate. Sometimes this is simply referred to as "yield" for short.

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