Perils of forecasting

October 2012

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UTI Mutual Fund

Selected Business Superbrand INDIA 2010/11 Industry Validated
('Source & Selection Methodology: www.superbrandsindia.com.)

Presentation Flow

INDIA Story

- Limited historical data
- India Inc. acquiring global risk
- Obsession with a narrow benchmark (Nifty)
  - Frequent changes in Benchmark
  - Sector weights more volatile in India vs. US
  - Median performance of Top 15 performers
  - Outperformers in the broad market
  - Largest stock performance
- Sustained Bull Market vs. Rallies
  - Sustained Bull market : Key drivers
  - Valuations & Earnings growth

Global Factors

- Increasing correlation of EM & DM

Crystal Ball Gazing

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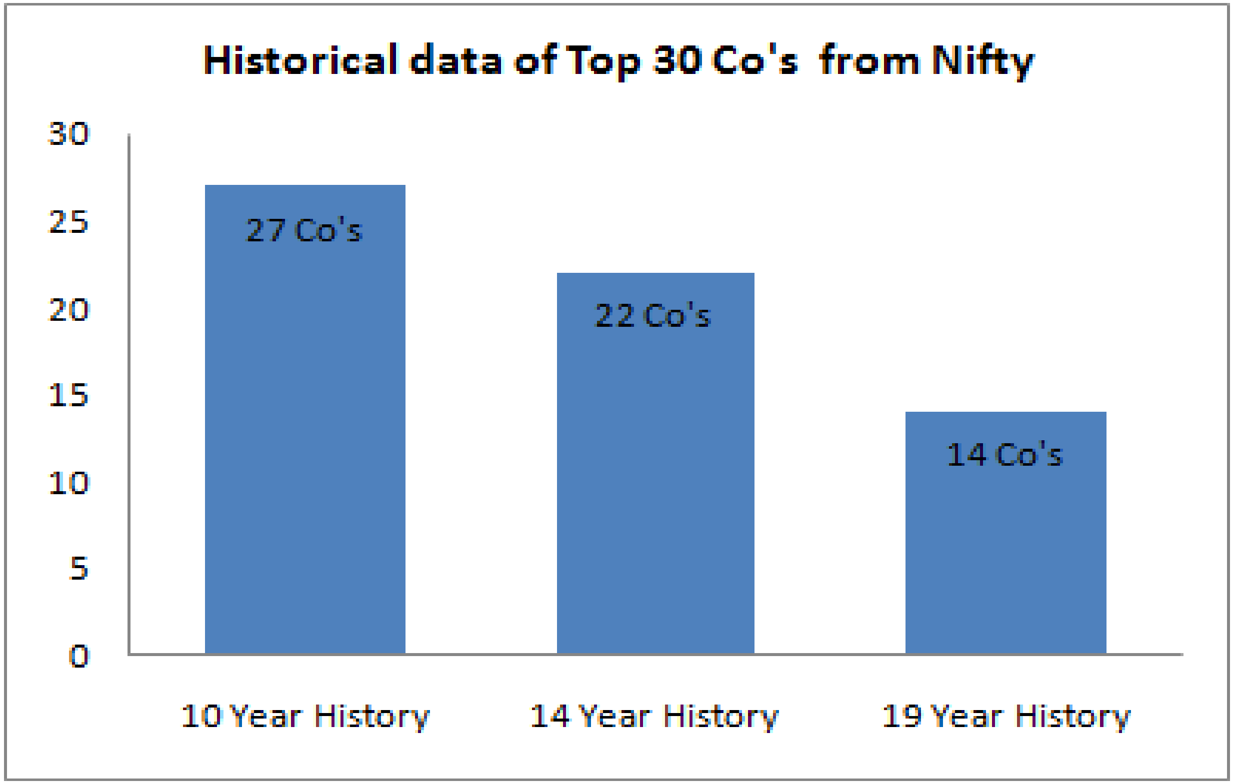
Limited Historical Data



- Two business cycles for a sector gets reflected in a 14-17 year period
- Only 50% of Top 30's companies from Nifty have 19 years of historical data

Acquiring Global risk

- India Inc. is now more global
  - Acquisitions by current Nifty constituents

Acquirer	Target Co	Value $mn
Bharti Airtel	Zain	10,700
Dr Reddys	BetaPharm	564
HCL	Axon	750
Hindalco	Novelis	6,000
Mahindra	Ssangyong	350
ONGC	Imperial	2,800
Ranbaxy	Terapia	324
Sun Pharma	Taro	454
Tata Motors	JLR	2,300
Tata steel	Corus	12,200
Wipro	InfoCrossing	600
Total		**37,042**

Frequent Changes in Benchmark

	1 year relative return (post Inclusion)		
1 year return prior inclusion	% of stocks outperformed	% of stocks underperformed	Total no of stocks
>100%	62%	38%	13
50-100%	63%	38%	8
25-50%	40%	60%	5
0-25%	67%	33%	9
<0%	50%	50%	14
Total	**57%**	**43%**	**49**

	3 year relative return (post inclusion)		
1 year return prior inclusion	% of stocks outperformed	% of stocks underperformed	Total no of stocks
>100%	38%	62%	13
50-100%	38%	63%	8
25-50%	50%	50%	6
0-25%	33%	67%	9
<0%	23%	77%	13
Total	**35%**	**65%**	**49**

- 50 stock inclusions have happened in Nifty during last 12 years
- On an average ~4 stocks are in/excluded in Nifty every year
- This year Ultratech & Lupin 'prior inclusion' return are 73% & 25% resp.
- Performance of 'included' stock deteriorates over a longer time period
    - On 1-year time frame, 43% of 'included' stocks, underperformed…
      …But on a 3-year time frame, 65% of 'included' stocks underperformed

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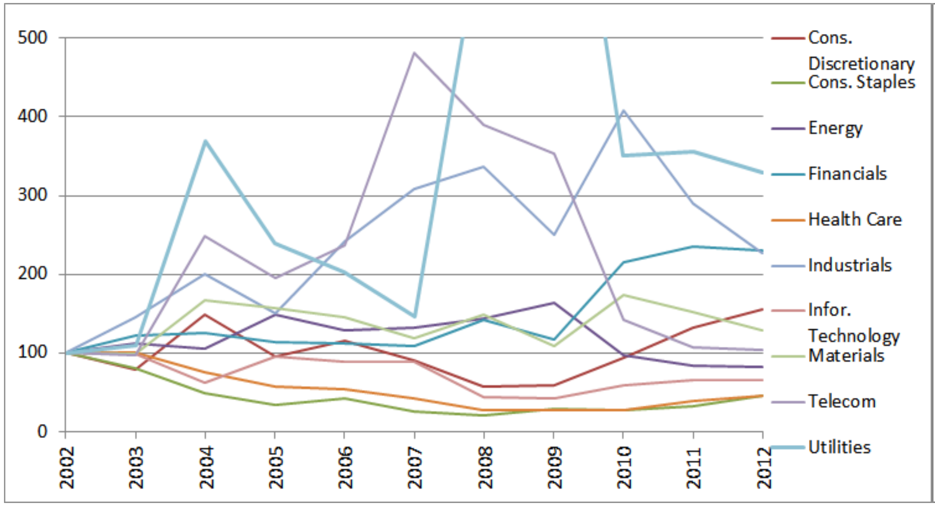
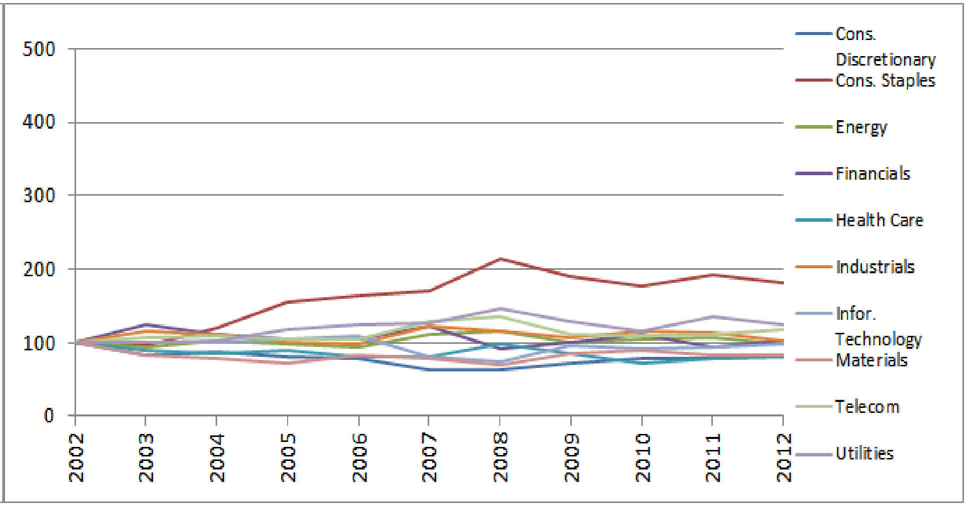
Sector weights more volatile in India



Nifty



S&P500

- Sector weights in 2002 rebased to 100 to measure changes during 2002-12
- In last 10 years, Sector weights for Nifty are more volatile compare to S&P500
- Frequent changes in Nifty stocks has led to sharp changes in sector weight (02-12)
- IT sector weight between 1998-2000 rose from 5% to 25%...
- ... exceeded only by power sector in 2007-09 (from 2% to 14%)

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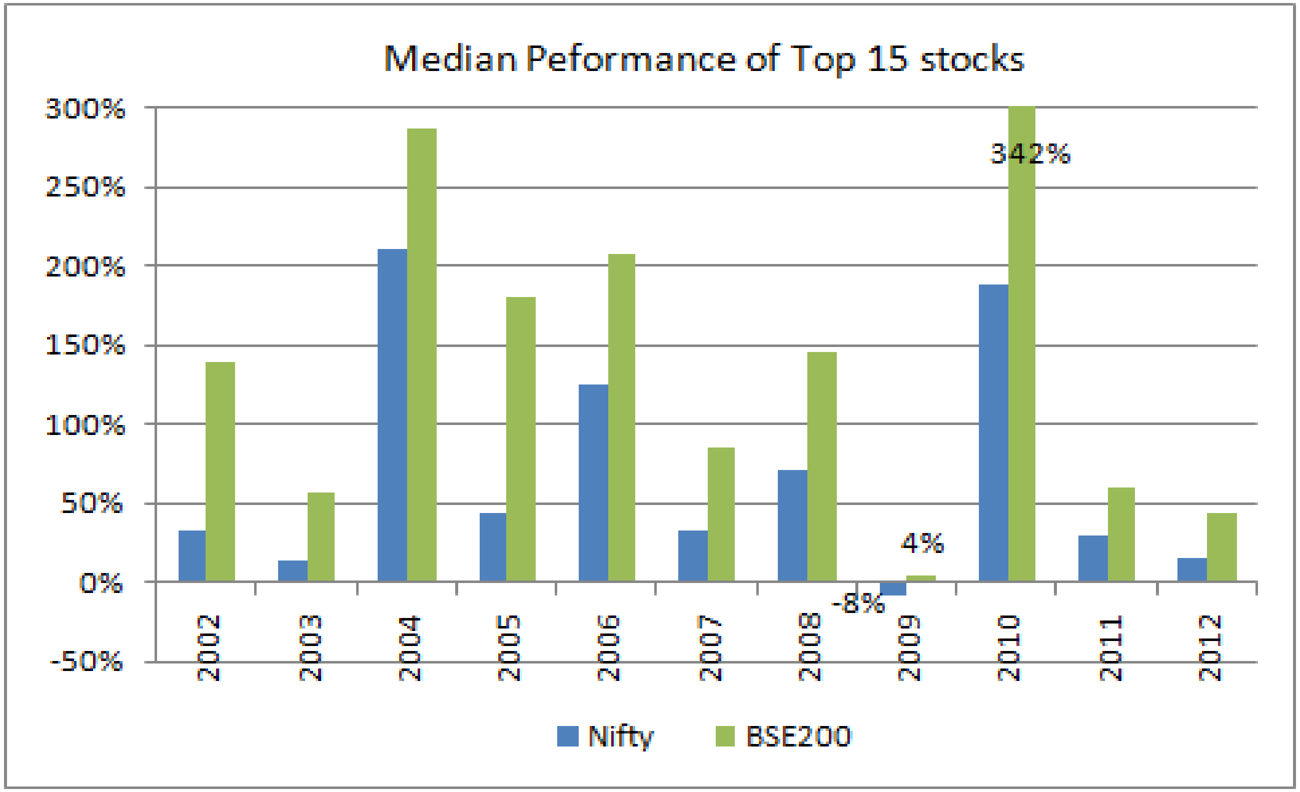
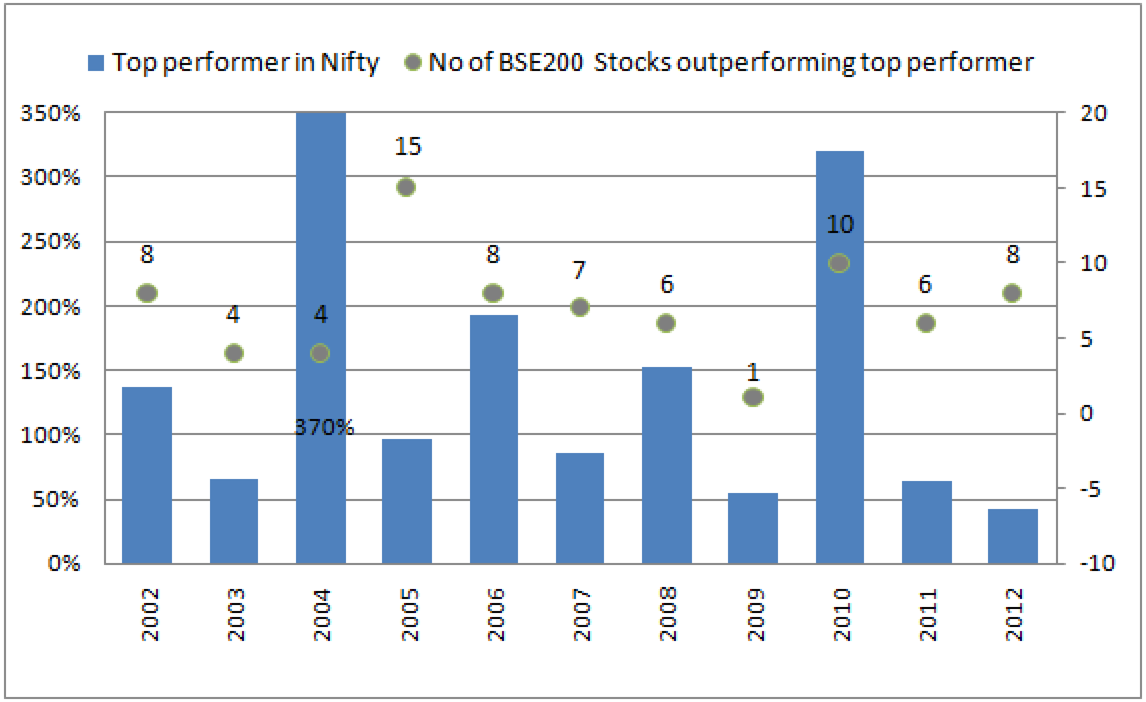
Median Performance of Top-15 performers in Nifty & broader benchmark



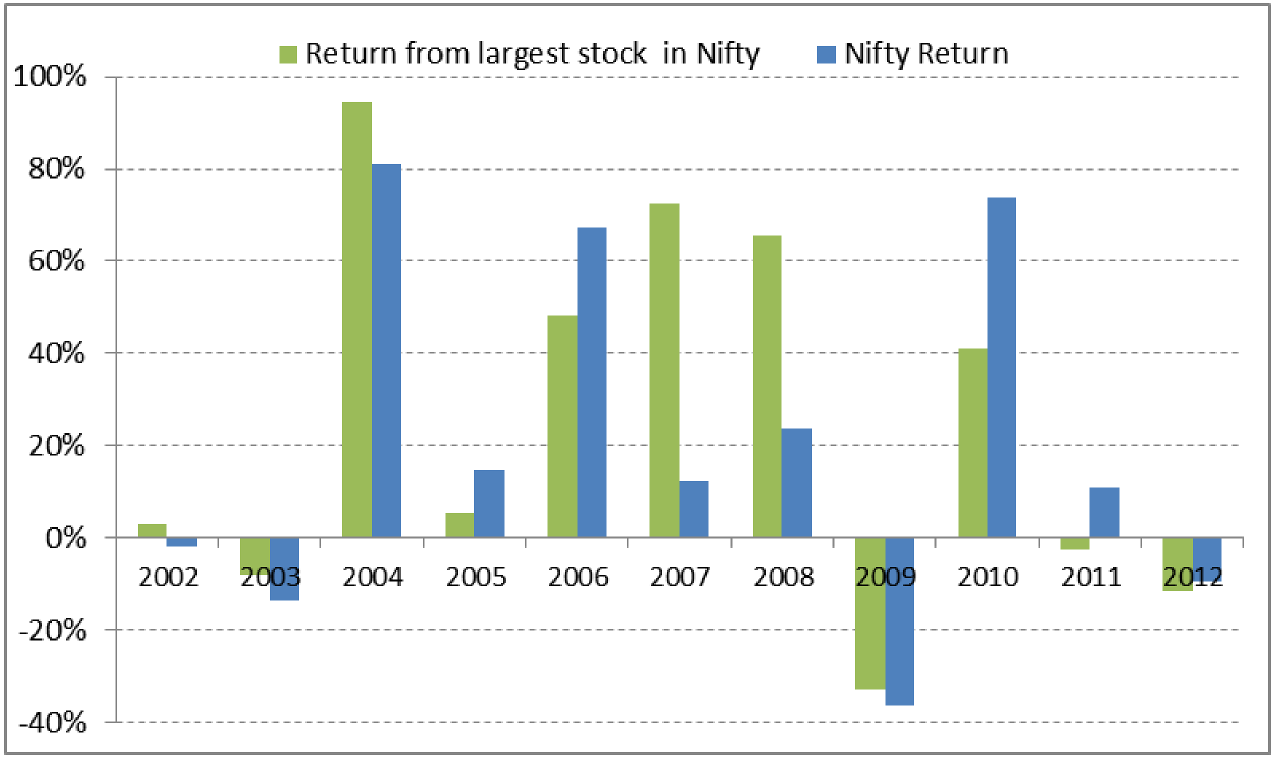
- Top-15 performers in broader benchmark (Bse200) outperformed Nifty's Top-15

Outperformers in Broader Benchmark



- 4-8 stocks of broader benchmark (BSE 200) have outperformed top performer of narrow benchmark(Nifty) in last 12 years
- Active investing with a broader benchmark is key to outperformance

Largest stock performance in Nifty



Year	Largest stock (%) in Nifty	% Weight
2002	HUL	14.6
2003	RIL	12.6
2004	RIL	11.9
2005	ONGC	13.2
2006	ONGC	12.0
2007	RIL	10.0
2008	RIL	11.6
2009	RIL	12.8
2010	RIL	12.0
2011	RIL	10.0
2012	Infosys Ltd	8.5

- In last 3 years, the largest stock underperformed the benchmark

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Sustained Bull Market vs Market Rallies

1993-94 (Mkt. opened up; FII/GDR led rally; 457 days)			
Sector	Performance (%)	Trailing PE (x) Start	End
Sensex	**112**	31	23
Consumer Durables	345	45	42
Auto	195	Loss	23
Diversified	189	20	19
Textiles	178	27	16
Pharmaceuticals	177	50	143
Oil & Gas	163	15	12
Miscellaneous	147	23	25

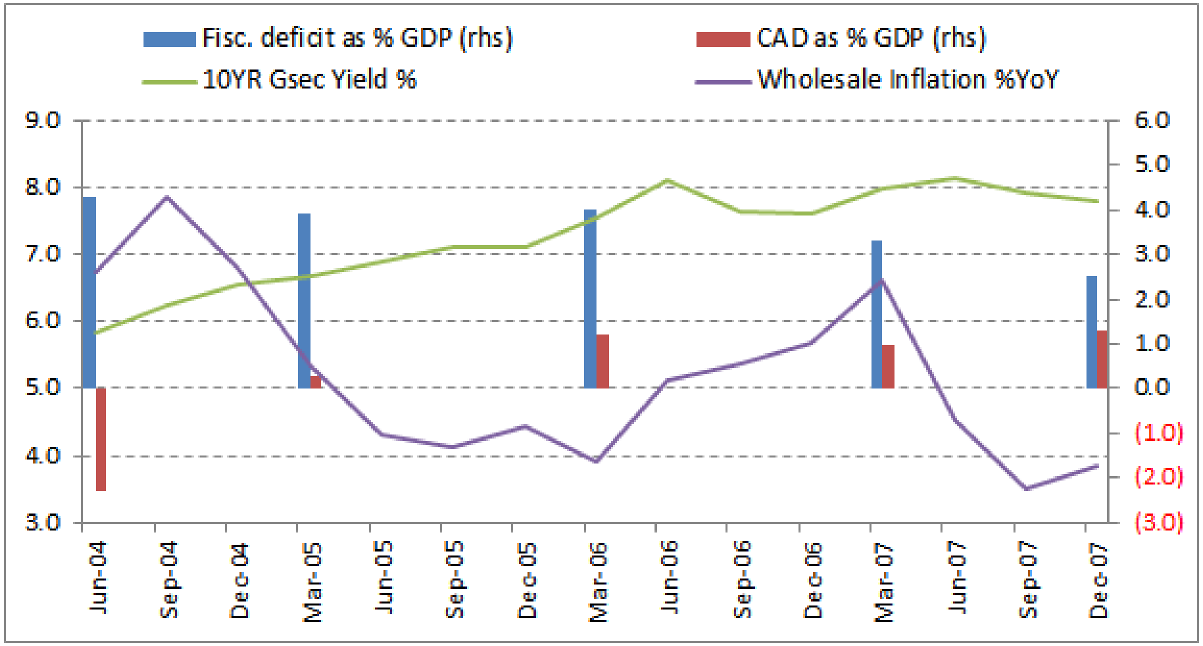
1999-00 (Technology led rally; 410 days)			
Sector	Performance (%)	Trailing PE (x) Start	End
Sensex	**96**	14	21
IT - Services	826	31	160
Cement	131	16	18
Infrastructure	104	7	13
Oil & Gas	101	8	12

2003-07 (A Bull Market; 1698 days)			
Sector	Performance (%)	Trailing PE (x) Start	End
Sensex	**642**	9	24
Telecommunications	2,865	Loss	27
Engineering	2,146	21	56
Power Utilities	1,673	9	48
Banks & Financial serv	929	7	27
Cement	815	13	12
Metals / Mining	784	7	37
Oil & Gas	639	6	18

2009-10 (QE & valuation led rally; 610 days)			
Sector	Performance (%)	Trailing PE (x) Start	End
Sensex	**141**	10	19
Metals / Mining	363	3	10
Auto	353	9	11
Banks & Financial serv	275	9	24
IT - Services	246	10	24
Infrastructure	202	11	17
Pharmaceuticals	173	36	22
Engineering	166	19	28

- Rally vs. Bull market : Key Differentiators, Market width and Duration
- '2003-07' was India's first Bull market

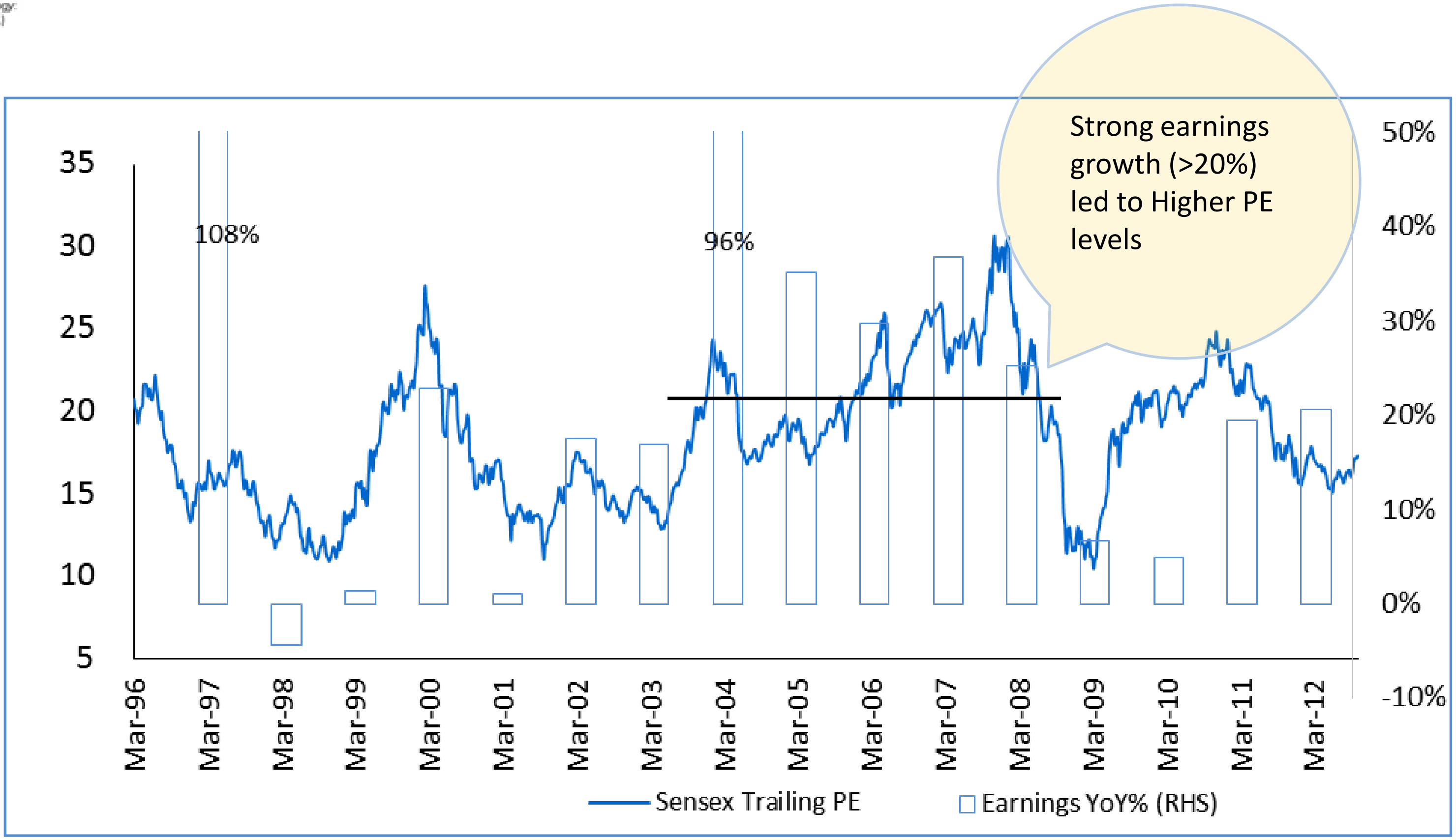
Key drivers : 2004-07 Bull market



Macro Indicators	June'04	Best Point Indicator during 2004-07	Dec'07
Current a/c deficit/(surplus) % GDP	-2.3	-2.3	-1.3
Fiscal deficit/(surplus) % of GDP	4.3	2.5	2.5
10yr Gsec yield (%)	5.8	5.8	7.8
Wholesale Inflation (YoY%)	6.7	3.5	3.8

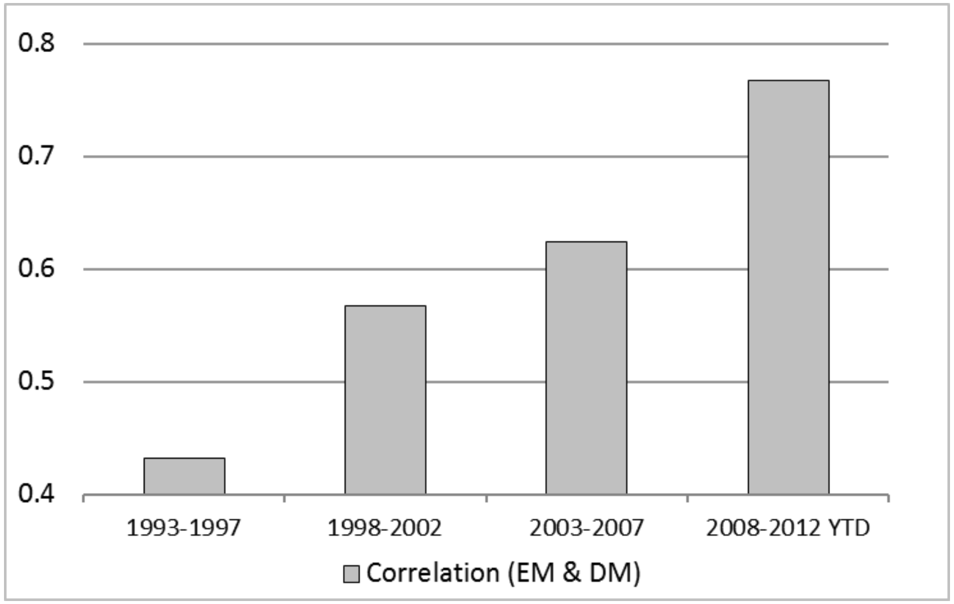
- Inflation remained favorable during 04-07
- Instances of fiscal balance in surplus for couple of quarters, during later phase
- 10yr G-sec yield remained benign (<8%)during 04-07
- Strong capital flows funded ($13bn FY08) the high current a/c deficit

Key drivers : 2004-07 Bull market



- Strong earning growth for four consecutive years

Global Scenario – Increasing Correlation



The S&P 500 Index with and without 24hr pre-FOMC returns

Source: Thomson Reuters Tick History. Note :Sample period is 1994-2011

- Developed market driven more by central bank interventions

Crystal ball gazing…

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UTI Equation for a Sustained Bull market

UTI(Bull mkt.) = *fn {E(g), V, Ei, Gf, Ps}*

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Crystal ball gazing…(2)

Sustained Bull market : Key drivers

- Strong Earning growth…***E(g)*** *>20%*
- Valuations…***V****<10yr avg.*
- Macro Economic Indicators…***Ei*** *>5yr avg.*
- Global Factors…***Gf*** $\nearrow$
- Political Stability…***Ps*** $\cong$

Thank you

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***Value Research Fund Rating** (Risk-adjusted Rating) is a convenient composite measure of both returns and risk. it is purely quantitative and there is no subjective component to the fund Rating. The assessment does not reflect Value Research's opinion of the future potential of any fund. It only gives a quick summary of how a fund has performed historically relative to its peers. For equity and hybrid funds, the Fund Ratings for the two time periods (3 and 5 years) are combined to give a single assessment of each fund's risk rating vis-à-vis other funds in each fund category For debt funds, the Fund Ratings are based on 18-month weekly risk adjusted performance, relative to the other funds in category. Value Research does not rate an equity or hybrid fund with less than 3-year performance and a debt fund with less than 18- month performance track record. Each category must have a minimum of 10 finds for it to be rated. Effective, July 2008, we have put an additional qualifying criteria, whereby a fund with less than Rs 5crore of average AUM in the past six months will not be eligible for rating. (www.valueresearchonline.com)

CRISIL CPR Ranking Scale & Definition Based on percentile of number of schemes considered in the category: CRISIL CPR~1 - Very Good performance in the category (Top 10 percentile of universe)*. CRISIL CPR~2 – Good performance in the category. CRISIL CPR~3 - Average performance in the category. CRISIL CPR~4 - Below average performance in the category. CRISIL CPR~5 - Relatively weak performance in the category. * - If the top 10 percentile figure is not an integer, the same is rounded off to the next integer. The same approach is adopted for CPR 2 (11th to 30th percentile), CPR 5 (last 91st to 100th percentile) and CPR 4 (71st to 90th percentile) clusters. The residual schemes in the universe are placed in the CPR 3 cluster.

***Source & Selection Methodology : Level** 1: In the first instance, relevant audiences are invited to score listed brands. Banner space taken on high density portals, diverts traffic to the Superbrands website. Respondents keen to participate are invited to fill in important fields so that contact with them can be established, should a cross-check to determine their authenticity be necessary. After acceptance of the information provided by the respondent, the list of categories, alphabetically programmed, opens. Visitors can choose those they wish to score. On clicking the category the list of brands under each are exposed. A section titled "Others" is available on this page so that brands which may have been inadvertently omitted are incorporated by the respondents. Once threshold numbers of scorers has been reached a primary league table is created. Brands with an average score of 6.50 points out of a possible ten and categories which draw less than 50 respondents are eliminated from further participation. The rest are sent to the next round of evaluation. Level 2 : Here marketing professionals, called the Superbrands Council, subject each brand to individual scrutiny. To the scores provided by them, the average score given by the on-line respondents is added. In this way consumers are given a further 9.09% weight-age. Final Analysis : Only brands which have scored exceptionally in each category are invited to participate. In other words Superbrands are always selected, never applied for. Note It is important to understand that the nature of the scoring process makes it almost necessary for brands to be nationally available – at any rate to be nationally recognized. This fact also explains why regional brands – even if they are very powerful locally – rarely get the Superbrands status.

Morning star Rating Methodology:

The Morningstar fund rating methodology is based on a fund's risk-adjusted return within a given Morningstar category. Morningstar ratings are calculated every month for the 3 year, 5 year and 10 year period. Within each rating period, the top 10% funds receive a five star rating, the next 22.5% earn a four star rating, the next 35% get three stars, the next 22.5% receive two stars, and the bottom 10% get one star. Loads are not considered for the rating purpose. The rating is based on NAV provided by respective funds. The current fund rating is for the 3 year period as of June 30, 2011. Name of the Fund has been rated (1 to 5) Star by Morningstar in the Morningstar India Category Name. No of Fund Classes which completed 3 years of performance were considered for rating.

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REGISTERED OFFICE: UTI Tower, 'Gn' Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051. . Phone: 022 – 66786666. **STATUTORY DETAILS:** UTI Mutual Fund has been set up as a Trust under the Indian Trust Act, 1882. **SPONSORS:** State Bank of India, Punjab National Bank, Bank of Baroda and Life Insurance Corporation of India (liability of sponsors limited to Rs 10,000/-).

INVESTMENT MANAGER: UTI Asset Management Co. Ltd. (Incorporated under the Companies Act 1956). **TRUSTEE:** UTI Trustee Co. (P) Ltd. (incorporated under the Companies Act 1956).

RISK FACTORS: All investments in Mutual funds and securities are subject to market risks and the NAV of the units issued under the scheme may go up or down depending upon the factors and forces affecting the securities market. Past performance of the Sponsor / Mutual Fund / Scheme(s) / AMC is not necessarily an indication of future results and may not necessarily provide a basis for comparison with other investments. **All Mutual Funds and Securities investments are subject to market risks and there can be no assurance or guarantee that the objectives of the scheme will be achieved.** Statements/Observations made are subject to the laws of the land as they exist at any relevant point of time. Growth, appreciation and income, if any, referred are subject to the laws of the land as they exist from time to time. **The name of the scheme does not in any manner indicate either the quality of the scheme, its future prospects or returns**. The scheme is subject to risks relating to Credit, Interest Rates, Liquidity, Securities Lending, reinvestment risk , default risk and Investment in Overseas Markets, Trading in debt and equity derivatives (the specific risk could be Credit, Market, Illiquidity, Judgmental error, Interest rate swaps and Forward rate agreements), investment in securitised papers and scheme specific risk. Please contact the nearest UTI Financial Centre, Chief Representative or AMFI/ NISM certified UTI MF Independent Financial Advisor for a copy of the Key Information Memorandum cum Application Form and Scheme Information Document. **Please read the Scheme Information Document carefully before investing.**

Web site: www.utimf.com

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