

THE INDIAN MUTUAL FUND INDUSTRY

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INDIA ECONOMIC OVERVIEW

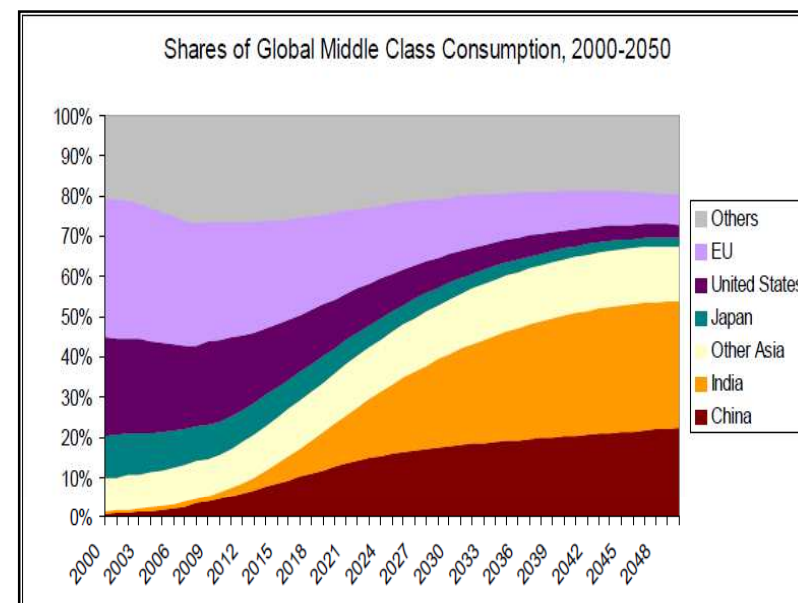
GDP Growth Rate Trend of India

1983-1992	1993-2002	2003-2012	2012-2017*
5.1%	5.9%	7.8%	8.2%

Current & Forecasted	2012	2017
GDP at current prices (\$bn)	1,806	3,388
Population (bn)	1.2	1.3
Per Capita Income (\$)	1,476	2,594
GDP (PPP) share of world total (%)	5.6	6.3

Source: IMF World Economic Outlook Data, KKR Insights

*Planning Commission of India Estimates. IMF World Economic Outlook Data growth forecast for 2012-17 is 6.3%



Country Highlights

- **Solid economic indicators**
 - Fourth largest economy in the world based on purchasing power parity
 - Gross Domestic Saving expected to remain above 30% as a percent of GDP through 2014
 - Exports to GDP ratio is 25% - Domestic Consumption orientation
- **Population demographics is the country's crown jewel**
 - Projected to overtake China as the world's most populous country by 2025
 - One billion people shifting into the middle class by 2039
 - Over 50% of the population is below the age of 30 (median age – 25.7) with labor force projected to grow at 1.7% a year over the next 30 years

CAPITAL MARKETS

Indian Capital Markets Has Delivered Attractive Returns

As on March 2013	Annualized Returns	
	Equity Benchmark	Fixed Income*
Since Inception (33 Years)	17%	9.6%
10 Years	19.7%	7.7%
5 Years	1.4%	8.4%
3 Years	1.9%	8.8%

* Bank Fixed Deposit rates used as representation for Fixed Income

MSCI Index as of May 01, 2013	1 Yr	3 Yr	5 Yr	10 Yr
INDIA	12.5%	1.9%	1.4%	19.7%
CHINA	1.0%	-1.5%	-4.2%	16.1%
SOUTH KOREA	-4.3%	4.0%	1.8%	12.3%
BRAZIL	-3.7%	-4.1%	-5.2%	14.4%
RUSSIA	-5.7%	-1.6%	-11.6%	8.6%
SOUTH AFRICA	8.2%	9.1%	5.2%	15.8%
EM ASIA	4.2%	2.7%	-0.2%	12.0%
EM (EMERGING MARKETS)	3.0%	2.0%	-1.1%	12.3%

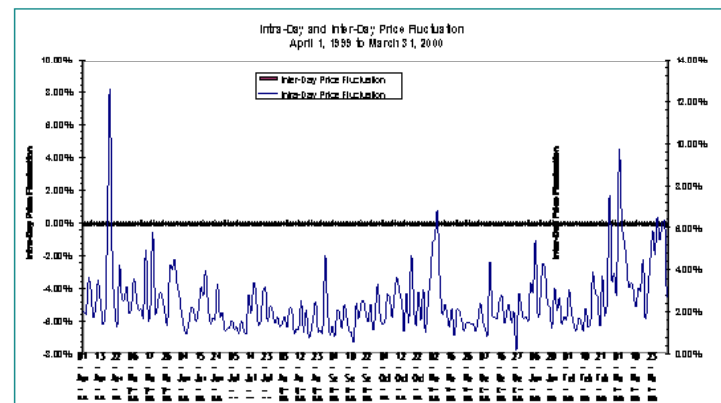
Private Enterprise Are Dominant In Indian Stock Markets

SECTOR % MARKET CAP	INDIA BSE 500 INDEX	
	SECTOR WEIGHT	PRIVATE SECTOR
Consumer Discretionary	10.0	10.0
Consumer Staples	11.1	11.1
Energy	10.4	6.4
Financials	26.5	21.1
Health Care	5.9	5.9
Industrials	9.2	7.9
Information Technology	10.1	10.1
Materials	10.3	9.9
Telecommunication Services	1.8	1.8
Utilities	4.6	2.0
Total	100.0	86.2

- The private sector has a 86% market capitalization share.
- Country of entrepreneurs with a wide market of more than 5,000 listed stocks or 10.3% of the world's share (U.S. is 2nd with 8.4%).

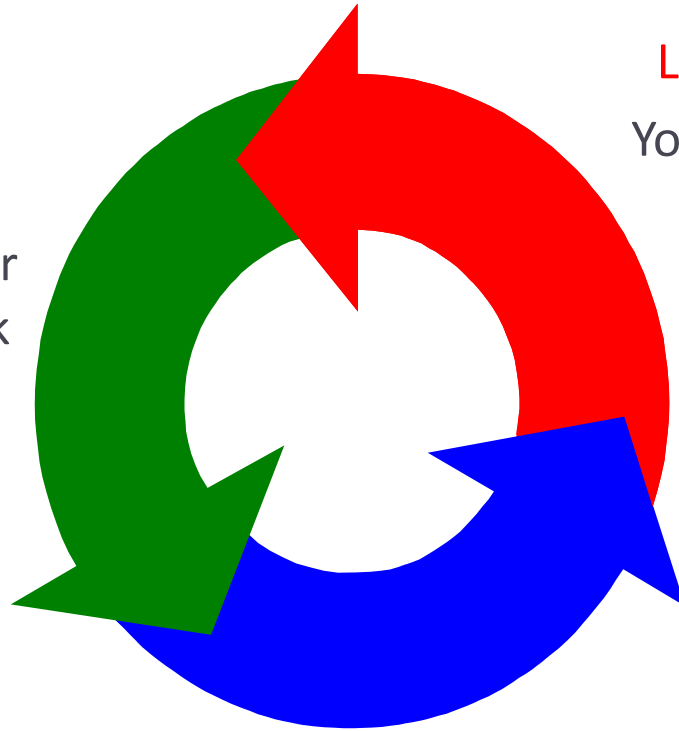
CHALLENGES INVOLVED INVESTING DIRECTLY IN CAPITAL MARKET

- Time
- Expertise
- Lack of Information
- Portfolio
- Volatility



KEY INVESTMENT CONSIDERATIONS

Safety
You get your
money back



Liquidity
You get your money back when you want it

Plus Convenience
How easy is it to invest, disinvest
and adjust to your needs?

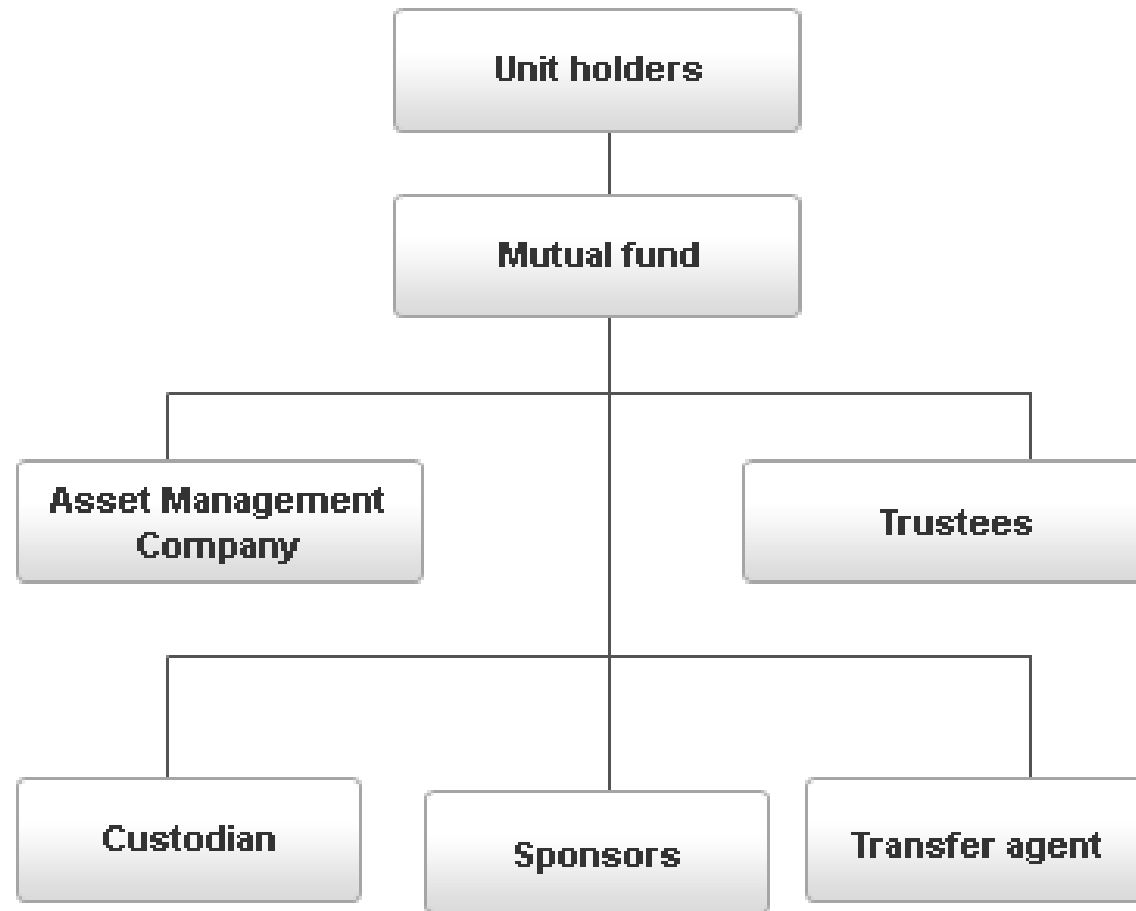
Post-tax Returns
How much is really left for you post tax?

WHAT IS MUTUAL FUND AND WHY MUTUAL FUND

- A mutual fund is the trust that pools the savings of a number of investors who share a common financial goal.
- Anybody with an investible surplus of as little as a few hundred rupees can invest in Mutual Funds.
- The money thus collected is then invested by the fund manager in different types of securities. These could range from shares to debenture to money market instruments, depending upon the scheme's stated objective.
- It gives the market returns and not assured returns.
- In the long term market returns have the potential to perform better than other assured return products.
- Mutual Fund is the most cost efficient distributors of financial products



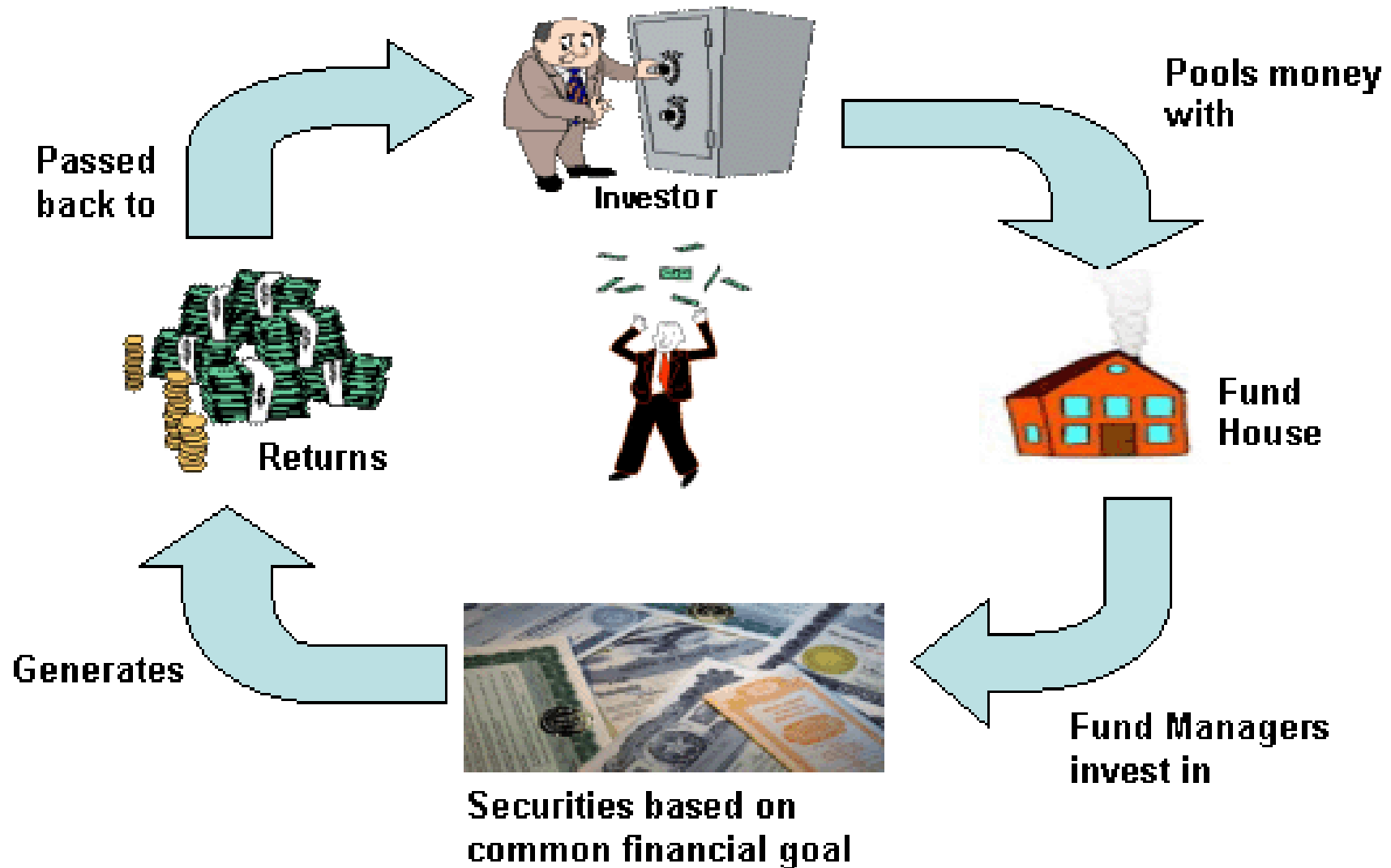
STRUCTURE OF MUTUAL FUND



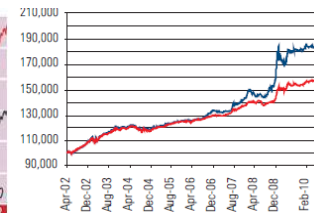
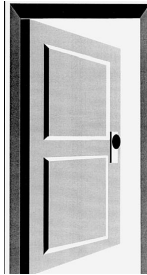
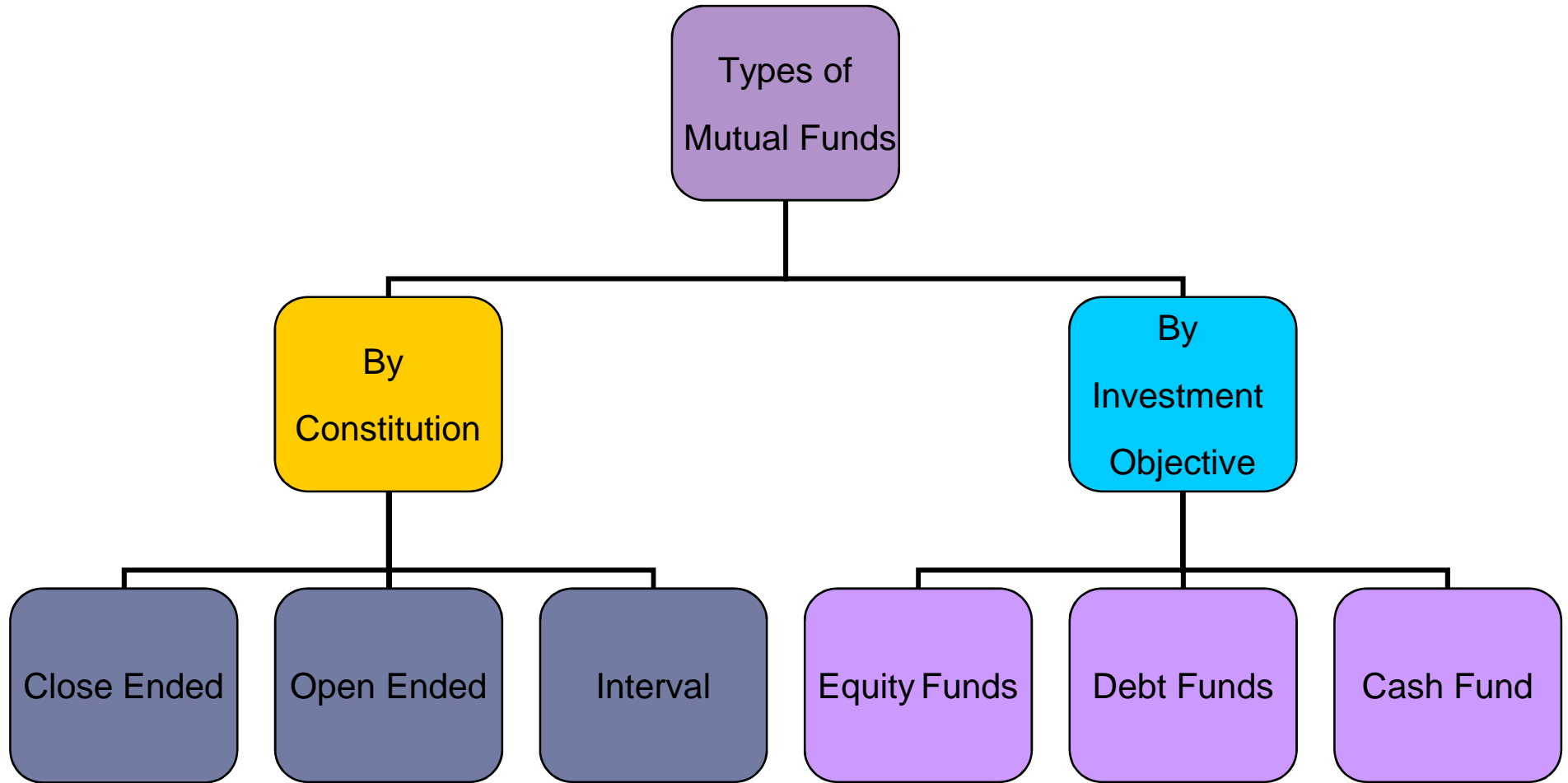
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HOW MUTUAL FUND WORKS? A VEHICLE FOR INVESTING IN PORTFOLIO OF STOCKS AND BONDS



TYPES OF MUTUAL FUNDS

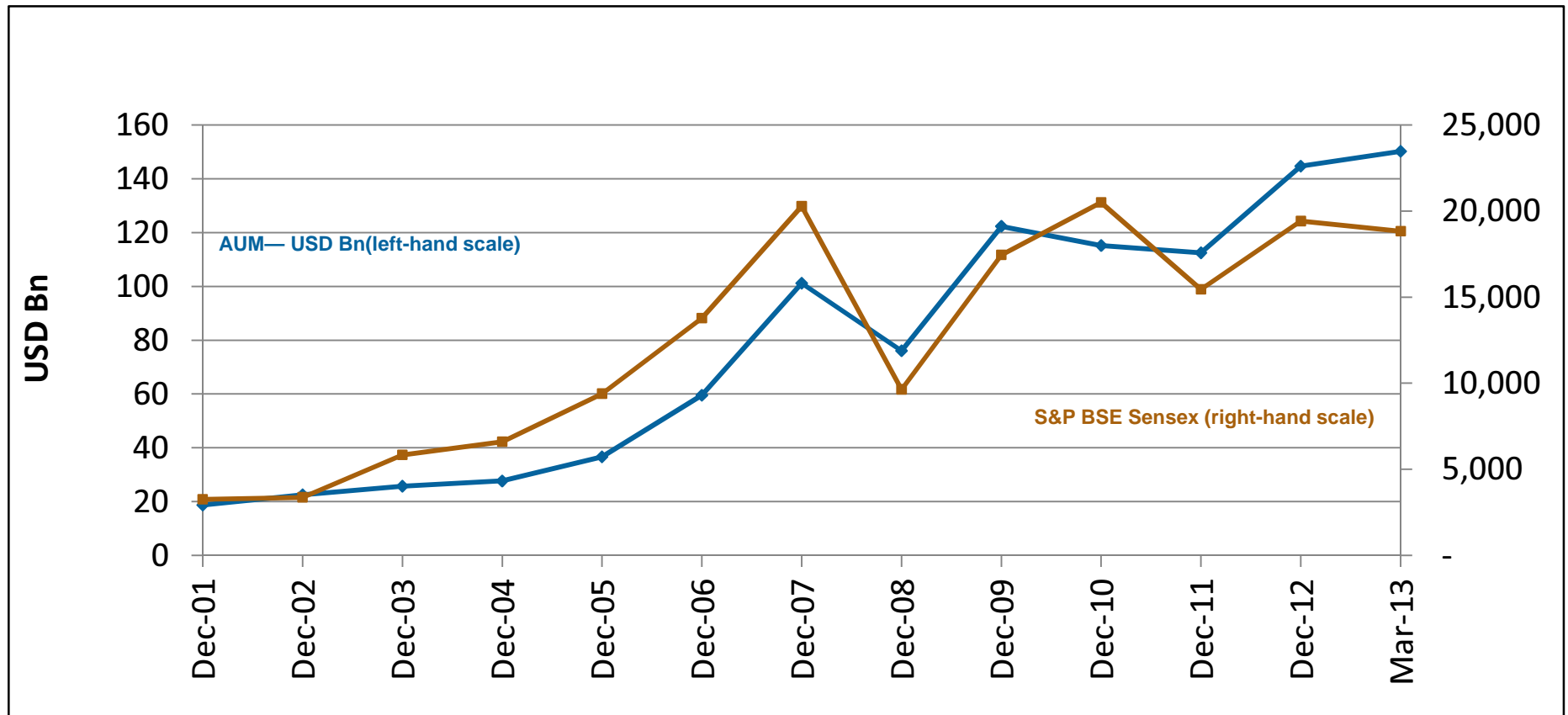


ADVANTAGES OF MUTUAL FUNDS

1. Professional Management
2. Diversification
3. Convenient Administration
4. Return potential
5. Low cost
6. Liquidity
7. **Transparency**
8. Flexibility
9. Choice of schemes
10. **Well regulated**
11. **Tax benefits**



MUTUAL FUND AUM GROWTH



- **2003 to 2007**

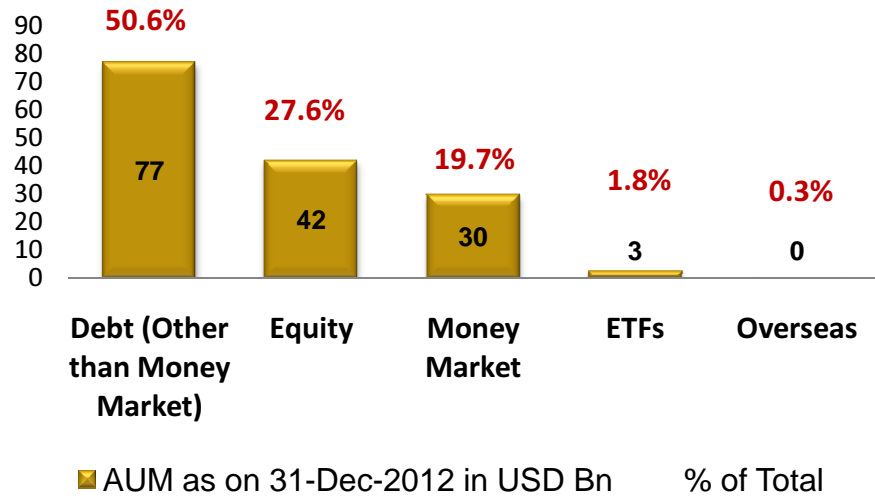
- ✓ This growth was supported by strong equity market performance and enhanced liquidity conditions in the economy

- **2008 to 2012**

- ✓ Growth more volatile due to tougher economic conditions globally and regulatory activism.

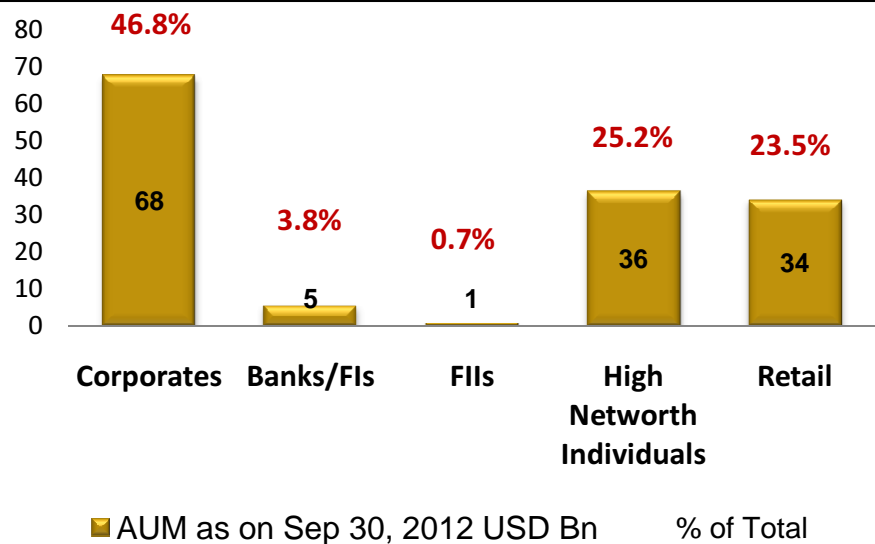
ASSET MANAGEMENT MARKET

AUM - Asset Class Break Up

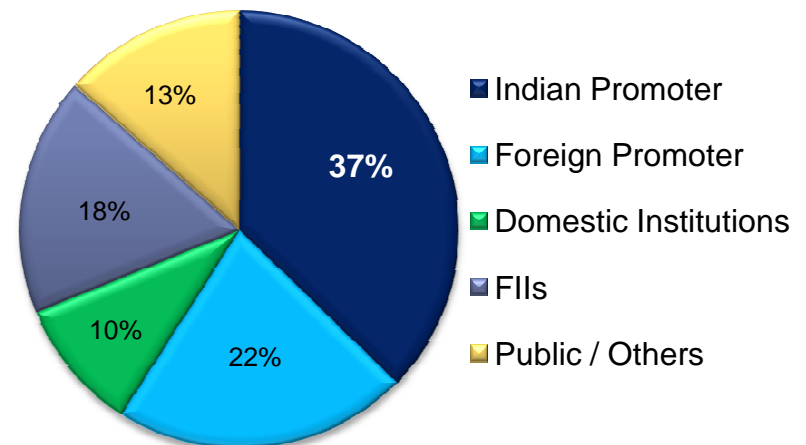


- Corporate and Institutional markets refers primarily to corporate treasury's and banks investing in money market and short term debt instruments
- ETF's linked to gold dominate this category
- Overseas investing is relatively new and currently opportunities are limited due to high domestic interest rates. Also, companies are not encouraged by regulators to make portfolio investments overseas.

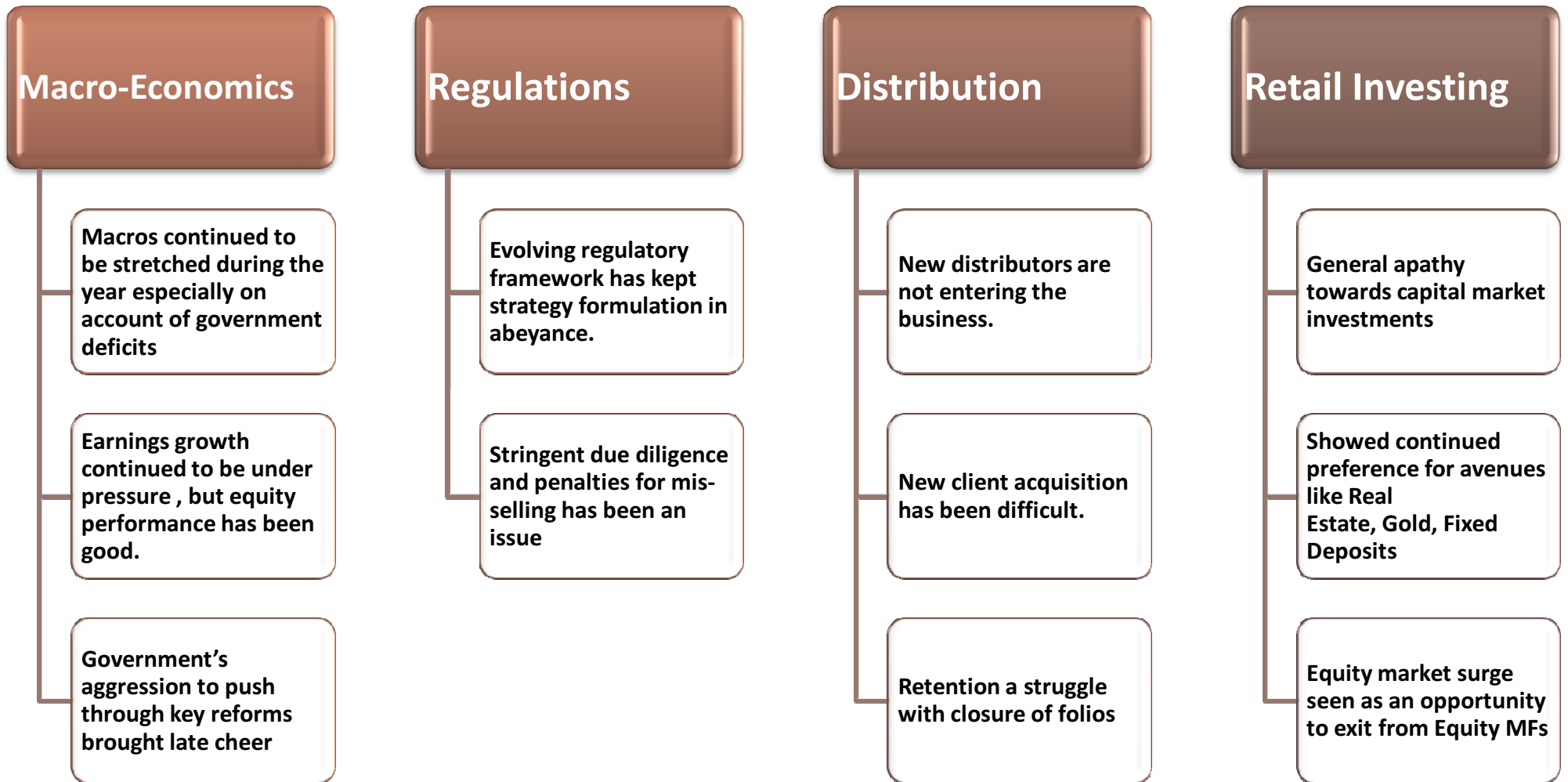
Investor Category Assets



Shareholding Pattern of Indian Equities



INFLUENCING FACTORS



A lot of these factors will continue to play out over the longer-term....we need to have the staying power to harness them effectively

MACRO TRENDS

- **Strong regulatory framework**
 - The capital markets regulator (“SEBI”) is one of the most robust capital market regulators in the world today
 - Best in the class corporate governance standards and transparency
 - Has a longer-term view on markets

- **Policy orientation of the government is based on channelizing savings from physical assets to financial assets - capital markets, insurance, pensions, etc.**
 - Favourable tax regime for mutual funds
 - Pending insurance reform & pension bill in parliament
 - Regulation in place to permit foreign individuals to invest directly in capital markets & mutual funds

- **However, there has been an economic slowdown**
 - Tough economic conditions globally, reduced export growth and current account deficit
 - Inflation levels have declined considerably, but still present a risk to curtail demand generation
 - Government’s inability to push through key administrative and investment reforms
 - Slow implementation of key infrastructure projects have reduced India’s advantage
 - Despite the slowdown, in rupee terms Foreign Institutional inflows into Indian equities for the year 2013 are at a record high