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JM FINANCIAL
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July 2010

JM FINANCIAL MUTUAL FUND

CONTACT

A Monthly Fund Update from JM Financial Mutual Fund

Details as on June 30, 2010

Market Update - Equity

ECONOMY

In April 2010 the Index of Industrial Production (IIP) registered a robust growth of 17.6% year-on-year (y-o-y). The growth was led by the manufacturing segment, which posted a healthy growth of 19.4% y-o-y. followed by the mining and electricity segments with 11.4% y-o-y and 6% y-o-y growth respectively. Inflation for May 2010 accelerated to 10.16%. The rising inflation rate coupled with a strong growth in industrial output could cause the Reserve Bank of India (RBI) to undertake more aggressive hikes in policy rates soon.

Globally, Moody's Investors Service slashed Greece's credit rating to junk status. The downgrade could lead to still higher borrowing costs for Greece, if it goes to the markets for cash. As the problems in the Eurozone continue, economic data in USA continued to be dissappointing and thereby increasing the fears of a double dip. Policy induced slowdown in China also showed itself in the numbers.

STOCK MARKET

Equity markets globally continued to languish sideways with a negative bias and traded low volumes. India market appreciably outperformed the global indices by closing positive for the months where as most markets including China, Europe and US closed negative. Sensex rose from 16944 to 17700 levels up almost 5%. Fuel prices deregulation resulted in large upmoves in oil and gas sector. Pharma and FMCG continued to be strong defensives and metals remained weak.

MARKET OUTLOOK

Sensex is now over 17000 and at current levels trades at over 16x FY11 which now puts it in a historically traded average band. India has come to be seen as a defensive country to be in especially given the improving fiscal scenario and economic reforms undertaken.

Although we are reasonably optimistic about the prospects of the Indian economy in the medium to long term; we remain slightly cautious in the short term owing to the global outlook. We keenly await results of stress test of European banks as anything moderately positive can spark off a large relief rally. We also await the bottoming out of the Chinese markets and that can improve the outlook for Asian flows. Among the worries, the weak data from the US can lead us to a double dip fear which we are watchful for. We also keenly await the Q1 Fy11 results to show further direction to markets in the near term. We can safely say that the medium term outlook emerging from India's fiscal position is much more stronger now than that the beginning of the year.

It is adviced to have discplined and systematic manner of investment to capture the Indian growth story.

Market Update - Derivatives

After the global bearishness in the month of May, both the Sensex and the Nifty recovered some of the lost ground in June, defying global trends, by registering a gain of more than 4%. The cost-of-carry remained high through out the month, thanks to the rising stock prices. The Fund could unwind some of its arbitrage positions at the end of the month. There was a change in the lot size of futures in July contracts of most of the stocks. As a result, the rollover spread window was absent in those stocks. This, coupled with the higher cost of funds for FIIs (who deployed into arbitrage), increased the rollover spread of June to July series. The cost-of-carry for July series has started on a higher note. As stated earlier, arbitrage returns have started moving up on the yield curve.

Indicators	Current Month	Last Month	M-o-M Variation
Forex Reserves* USD Bln	275	273	2
Credit Off take* - Rs Crs	3,288,074	3,227,771	(60,303.00)
Credit Deposit Ratio *	72.40	71.73	0.67
WPI Inflation*(%)	10.16%	9.56%	(0.57%)
10-Year Yield - India* (%)	7.55%	7.52%	(0.03%)
10-year Yield - USA* (%)	2.90%	3.20%	(0.30%)
Exchange Rate* USD/INR	46.45	46.37	0.08
Brent Crude per/bbl*	76.00	73.74	2.26
Reverse Repo-Daily Avg Rs Crs	0	34000	(34,000.00)
Repo Average-Daily Avg Rs Crs	49100	-	-

* Data Reported as on month-end, Source RBI, WSS & Bloomberg.

Government bond yields remained in a range and ended marginally higher during the month. Domestic inflationary concerns and improvement in the global scenario led to profit booking. Headline inflation for the month of May 2010 was at 10.16% higher than market expectation. In view of the huge under-recoveries of the oil marketing companies, GOI of India raised the prices of petrol by Rs 3.73 a litre, diesel by Rs 2 a litre and cooking gas by Rs 35 a cylinder. Higher domestic fuel prices will further fuel inflationary pressure in the coming months. Domestic liquidity situation was tight during the month due to outflows for 3G spectrum and advance tax. RBI and the GOI initated steps to ease the liquidity in the system.

Economic data continued to remain strong with headline inflation printing at 10.16% for the month of May 2010 and Index of industrial production for the month of April 2010 at 17.4%. The 10 year benchmark yield ended at 7.55% as against 7.52% in the previous month.

Factor: Inflation
Short Term: Negative
Medium Term: Neutral

Headline inflation for the month of May 10 was at 10.16% as compared to 9.59% in the previous month. Headline inflation continued to remain at elevated levels. The absolute index level rose to 258.10 as compared to 253.70. Fuel index rose to 368.00 as compared to 364.00 and manufactured index rose to 219.00 from 214.60 during the last month. The revisions for previous week inflation has been sharply higher by about 100-150 basis points. The combined impact of the rise in domestic fuel prices will have an impact of about 100 basis points on headline inflation. Headline inflation will continue to remain firm for next couple of months. RBI is expected to revise its inflation target upwards for the financial year in the impending monetary policy.

Factor: Liquidity
Short Term: Negative
Medium Term: Neutral

Liquidity situation tightened significantly on systematic outflows. The combined impact of 3G auction and advance tax outflows led to an estimated outflow to be around Rs 140000 crores. The system remained deficit on tight liquidity situation. Tight liquidity situation was evident as banks borrowed funds from the RBI repo window. RBI and GOI together initiated measures to ease the liquidity situation. The government of India conducted buy back of short dated government securities to boost domestic liquidity. RBI announced a temporary reduction in SLR and announced the SLAF for the month of July 2010. Tight liquidity conditions were evident as RBI received average bids of Rs. 49100 crores during the month in the daily repo auction. Inter bank call rates & CBLO rates rose and remained around the repo rate for the entire month Money market rates remained firm on selling by mutual funds and continues supply in the primary segment. Going forward in the month of July 2010, it is expected that liquidity will improve from the current levels on gradual government spending and maturity of government securities.

Factor: Global interest rates
Short Term: Neutral
Medium Term: Neutral

Global interest rates eased during the month as the 10 year benchmark US treasury yield eased by about 30 basis points on mixed economic data. The Federal Reserve kept the policy rates unchanged and assured the market of lower policy rates till the time economy is on a firm footing. US dollar continued to remain firm during the month and ended flat at 86.22. Reversal of interest rate cycle in developed countries will be slower than developing countries and most developed central banks are likely to keep policy rates low till the time clear signs of growth emerge.

Factor: Forex
Short Term: Neutral
Medium Term: Positive

India's Forex reserves stood at a $ 275 billion as on 30th june. INR remain in a range on stable dollar and rise in local stock market. The Indian stock market rose by 4.4% in the month of June 2010 on improved global sentiments. FII buying in the local stock market helped the INR to stabilize INR ended lower at 46.45 vis-a visa the USD against the previous close of 44.36. Going forward it is expected that INR will remain range bound.

OUTLOOK

A calibrated approach by RBI in reversing the soft monetary stance is expected. In view of the strong economic data and sharp rise in inflation expectation, it is expected that the RBI will raise the key rates by 25-50 basis points in the impending quarterly review of the monetary policy. Appetite for bonds in the auctions, outcome of the monetary policy and global macro economic scenario will drive the movement of yields in the near term. Higher than expected collection in 3G auctions will give a big boost to government finances. Expectations of moderation in economic data and RBI's calibrated approach in tightening the monetary cycle will keep a cap on sharp rise in yields. Roadmap for fiscal consolidation given in the budget and government efforts to rein in fiscal deficit will clearly act as a positive in the medium term for the bond market. 5-Year credit spreads are expected to be in the range of 90-100 basis points.

JM Contra Fund

(An Open-Ended Equity Oriented Fund)

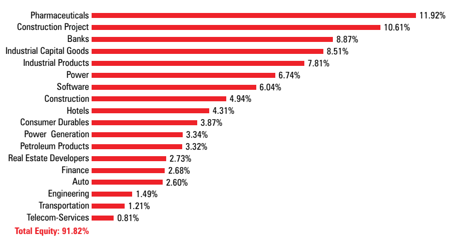
SNAPSHOT

INVESTMENT OBJECTIVE	: The investment objective of the Scheme is to provide capital appreciation by following contrarian style of investing that refers to buying into fundamentally sound stocks that have been overlooked by the market (for reasons of short term trend) and waiting for the market to give these stocks their real value in course of time.
FUND MANAGER	: **Sandeep Neema:** (Managing this fund since February, 2009 & total 17 years of experience in fund management & equity research). **Sanjay Chhabaria:** (Managing this fund since February, 2009 & total 10 yrs of experience in fund management & equity research).
INCEPTION	: 7th September, 2007
NAV DETAILS	: Growth Plan (Rs.) : 5.6757 Dividend Plan (Rs.) : 5.6757
CORPUS	: Month End AUM (Rs.) : 242.17 Crores Average AUM (Rs.) : 242.09 Crores
PORTFOLIO TURNOVER RATIO	: 0.0374
EXPENSE RATIO	: 2.35%

PORTFOLIO

Issuer	% to NAV
Cipla	4.64
Max India	4.60
Jai Prakash Associates	4.58
Indian Hotels Co	4.31
Reliance Infrastructure	4.00
ICICI Bank	3.92
Bajaj Electricals	3.87
Crompton Greaves	3.85
Unichem Laboratories	3.79
Larsen & Toubro	3.62
BIOCON	3.49
Nagarjuna Construction Co	3.39
Power Trading Corporation	3.34
Reliance Industries	3.32
Sintex Industries	3.20
AXIS Bank	3.09
Hinduja Ventures	3.03
Simplex Projects	2.90
JSW Energy	2.74
Orbit Corporation	2.73
Indiabulls Financial Services	2.68
Sobha Developers	2.64
Polaris Software & Lab	2.64
Mahindra & Mahindra	2.60
Equity less than 2.5%	8.83
Total Equity Holdings	**91.82**
CBLO & Others *	**8.18**
Total Assets	**100.00**

ASSET ALLOCATION BY SECTOR



PERFORMANCE (%)

Plan	6 Months	1 Year	Incep.^^
JM Contra Fund - Growth Plan	1.07	20.24	(18.23)
BSE 500 Index**	4.19	29.14	5.59

^^ Inception date = Allotment date i.e. 07.09.2007, ** Benchmark Index: BSE 500 Index. **Note:** Absolute Returns for period less than 1 year. CAGR for period 1 year or more, with reinvestment of dividends (if any). Past performance may or may not be sustained in future. The performance of the dividend plan for the investor would be net of the dividend distribution tax, as applicable.

JM Equity Fund

(An Open-Ended Growth Scheme)

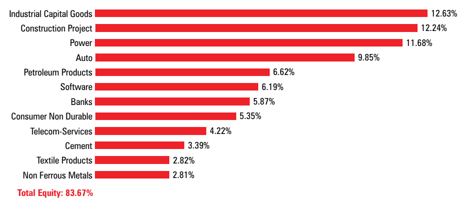
SNAPSHOT

INVESTMENT OBJECTIVE	: To provide optimum capital growth and appreciation.
FUND MANAGER	: **Sanjay Chhabaria** (Managing this fund since December, 2007 & total 10 yrs of experience in fund management & equity research)
INCEPTION	: 1st April, 1995
NAV DETAILS	: Growth Plan (Rs.) : 36.4094 Dividend Plan (Rs.) : 14.8225
CORPUS	: Month End AUM (Rs.) : 41.45 Crores Average AUM (Rs.) : 40.72 Crores
PORTFOLIO TURNOVER RATIO	: 0.1613
EXPENSE RATIO	: 2.50%

PORTFOLIO

Issuer	% to NAV
Larsen & Toubro	7.29
Reliance Industries	6.62
Jai Prakash Associates	6.58
Infosys Technologies	6.19
Mahindra & Mahindra	5.81
Bharat Heavy Electricals	5.34
ITC	5.16
Tata Power	4.73
IVRCL Infrastructure & Projects	4.53
Reliance Infrastructure	4.31
ICICI Bank	4.28
Tulip Telecom	4.22
HeidelbergCement India	3.39
Bombay Rayon Fashions	2.82
Sterlite Industries	2.81
JSW Energy	2.63
Equity less than 2.5%	6.96
Total Equity Holdings	**83.67**
CBLO & Others *	**16.33**
Total Assets	**100.00**

ASSET ALLOCATION BY SECTOR



PERFORMANCE (%)

Plan	6 Mths	1 Year	3 Years	5 Years	Incep.^^
JM Equity Fund - Growth Plan	2.91	14.92	(3.47)	11.69	8.84
BSE Sensex**	2.06	22.13	6.50	19.72	11.72

^^ Inception date = Allotment date i.e. 01.04.1995
** Benchmark Index: BSE Sensex
Note: Absolute Returns for period less than 1 year. CAGR for period 1 year or more, with reinvestment of dividends (if any). Past performance may or may not be sustained in future. The performance of the dividend plan for the investor would be net of the dividend distribution tax, as applicable.

RISK REPORT

	3 Years (Monthly) RF=6%		
Scheme Name	**Beta**	**Sharpe**	**Std. Dev.**
JM Equity Fund - Growth Option	0.93	0.00	2.23

Source: Mutual Funds India Explorer.

JM Basic Fund

(An Open-Ended Sector Scheme)

SNAPSHOT

INVESTMENT OBJECTIVE	: The primary objective of the Scheme will be to provide capital appreciation to its Unitholders through judicious deployment of the corpus of the Scheme in sectors categorized under "basic industry" in the normal parlance and in context of the Indian economy, including but not limited to, energy, petrochemicals, oil & gas, power generation & distribution and electrical equipment suppliers, metals and building material. The fund would continue to remain open-ended with a sector focus.
FUND MANAGER	: **Asit Bhandarkar** (Managing this fund since December, 2006 & total 8 yrs of experience in fund management & equity research).
INCEPTION	: 2nd June, 1997
NAV DETAILS	: Growth Plan (Rs.) : 17.6659 Dividend Plan (Rs.) : 12.3345
CORPUS	: Month End AUM (Rs.) : 483.62 Crores Average AUM (Rs.) : 483.04 Crores
PORTFOLIO TURNOVER RATIO	: 0.0545
EXPENSE RATIO	: 2.24%

PORTFOLIO

Issuer	% to NAV
Larsen & Toubro	5.81
Sintex Industries	5.70
Reliance Infrastructure	5.32
Crompton Greaves	5.21
IVRCL Infrastructure & Projects	5.05
Welspun Corp	5.04
KEC International	4.82
Bharat Heavy Electricals	4.80
Sanghvi Movers	4.73
Action Construction Equipment	4.54
Power Trading Corporation	4.31
GVK Power & Infrastructure	4.08
HEG	4.07
Jyoti Structures	4.03
Greenply Industries	3.98
Hindustan Construction Co	3.82
JSW Energy	3.61
Praj Industries	3.23
Kalpataru Power Transmission	3.14
Emco	2.56
Equity less than 2.5%	10.75
Total Equity Holdings	**98.58**
Total Derivative Holdings	**1.85**
CBLO & Others *	**(0.43)**
Total Assets	**100.00**

ASSET ALLOCATION BY SECTOR