



# Offshore India Fund Spy

Quarter-Ended June 2012

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## Contents:

This report is intended to provide insights into performance, estimated flow, and asset trends for offshore funds focused on the Indian market (or 'Indian securities').

An offshore India fund is one that is not domiciled in India but invests primarily in Indian markets. We have also included the asset flows of large funds with significant allocations in Indian stocks. All figures are for the quarter ended June 2012 and in USD, unless otherwise noted.

This time, we have included India focused offshore funds & ETFs from the U.S. into the report. We have also combined flows and assets of all India focused offshore funds and ETFs from different regions (including Europe, US, Japan and South Korea) into one section.

The report is divided into three main sections:

### **Asset Flows and Assets of India-Focused Offshore Funds & ETFs**

We discuss the fund flows and asset trends of India-focused offshore funds belonging to the Morningstar India equity global category. All figures are denominated in USD.

The coverage universe for this section is 209 primary funds (oldest share class)

### **Asset Flows of the 20 Largest Offshore Funds with Partial Allocation to India**

We evaluate the fund flows of 20 offshore funds with the largest allocation in Indian stocks that are not classified as Indian funds in Morningstar's categorization system. Some of these funds, due to their sheer size, are important contributors of fund flows into India, even if they only have a partial allocation to the country. Please refer to methodology section for computation of fund flows into India.

### **Performance of India-Focused Offshore Funds**

In this section we evaluate the performance of India-focused offshore funds in our database. We take a look at the five best- and worst-performing India-focused offshore funds during the quarter and past year, and also narrow down the performance of the 10 largest India-focused offshore funds. We also review how key international markets fared during the quarter. All performance figures of the funds are denominated in USD.

The coverage universe for this section is 209 primary funds (oldest share class).

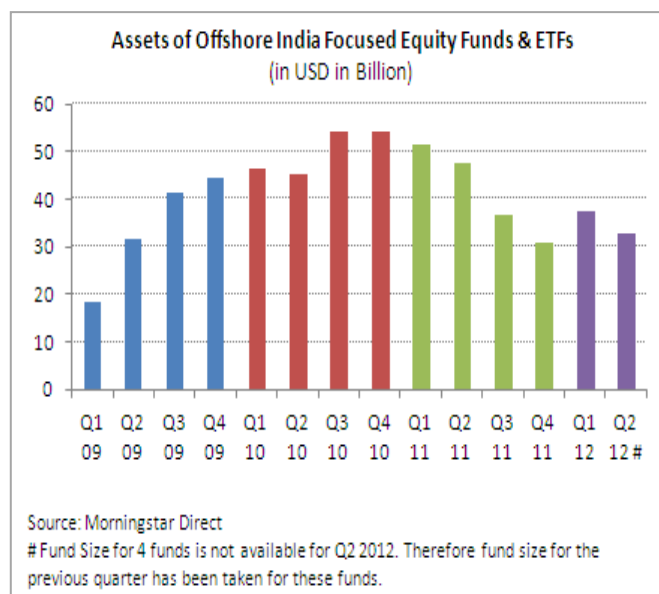
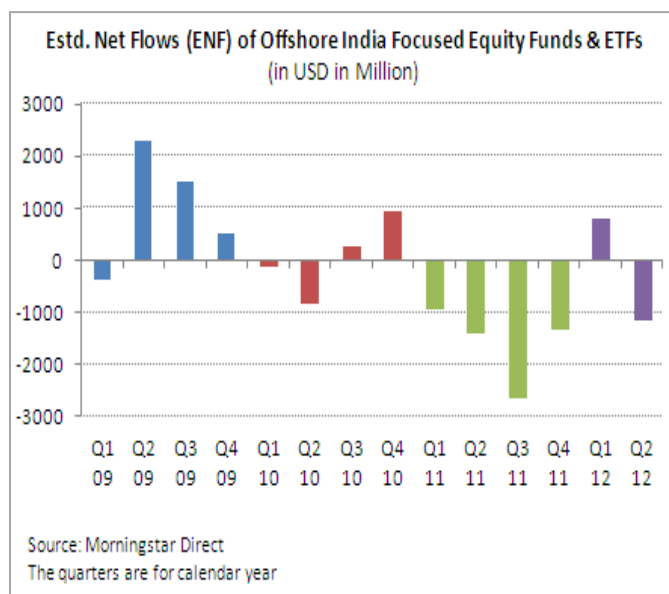
## Section A: Asset Flows and Assets of India-Focused Offshore Funds & ETFs

Universe for Asset Flows: 209 primary funds (oldest share class)

### Key Takeaways:

- India focused offshore funds & ETFs registered an outflow of \$1.1 billion during the second quarter of 2012 (April-June), after a healthy inflow of \$798 million in the first quarter. The sharp depreciation in the rupee, coupled with macroeconomic concerns of a slowdown and ballooning deficit, weighed on sentiments and resulted in outflows during the quarter.
- Assets of all India focused offshore India funds & ETFs fell by about 12% to \$33 billion during the second quarter of 2012. The cumulative assets of these funds & ETFs are now down by almost 40% from a peak of about \$54 billion at the end of 2010.
- In the second quarter of 2012, **HSBC GIF Indian Equity** registered the biggest outflow of \$206 million among all India focused offshore funds and ETFs. It was among the bottom 10 performing funds during the quarter from the India pack, delivering a return of -13.82% (in USD terms), compared to -9.54% returned by the MSCI India NR USD Index.
- **Aberdeen Global Indian Equity Fund**, recorded the highest inflow of \$247 million during the second quarter, after seeing lackluster flows in the first quarter.
- Over the past year the **HSBC GIF Indian Equity** also registered the biggest estimated net outflow of \$502 million, or about 9% of beginning assets (also known as organic growth rate). The fund has lost huge market share, with assets dropping from more than \$7 billion at the end of 2010 to about \$3 billion presently. The loss in market share and assets of HSBC's flagship India fund has benefited **Aberdeen Global Indian Equity Fund**, which has managed to close the gap in assets between itself and the former.

## Quarterly Estimated Net Flows (ENF) and Assets of Offshore India Focused Equity Funds & ETFs

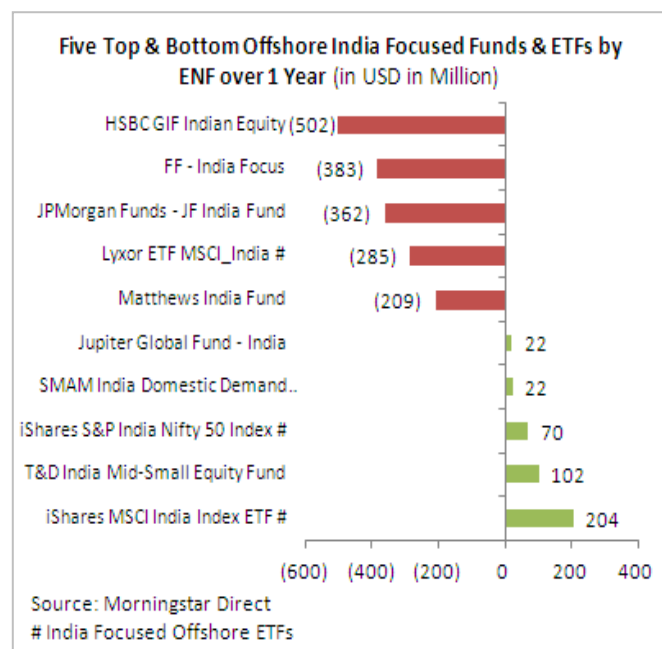
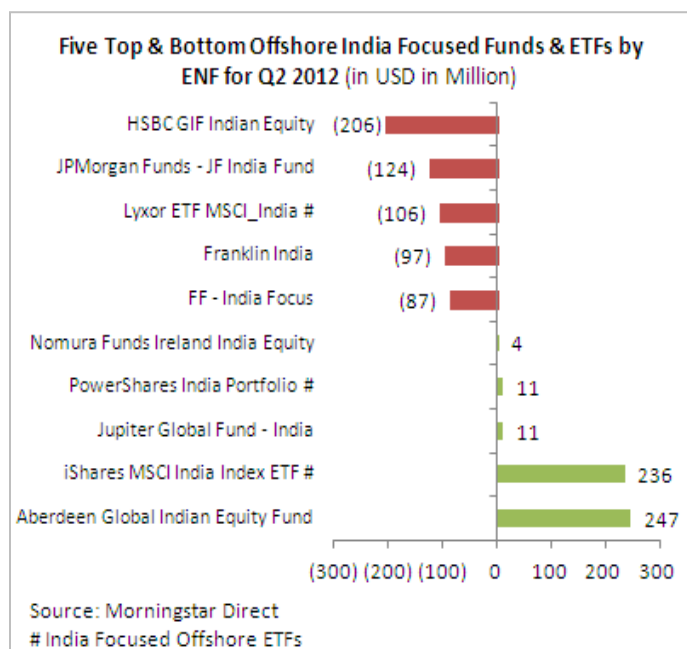


India focused offshore funds & ETFs registered an outflow of \$1.1 billion during the second quarter of 2012 (April-June), bringing the YTD net outflow in 2012 to \$318 million. The sharp depreciation in the rupee, coupled with macroeconomic concerns of a slowdown and ballooning deficit, weighed on sentiments and resulted in outflows during the quarter. The rupee was among the bottom performing currencies against the U.S. Dollar—depreciating by close to 9% during the second quarter, and about 20% over the past year. Depreciation in the rupee is detrimental to foreign investors into India. Another big red flag, was when ratings major S&P lowered India’s outlook to ‘negative’ from ‘stable’, and also threatened of a possible downgrade of the rating—citing slow progress on the fiscal front and deteriorating economic conditions. Currently India's BBB- rating is just one level above junk status and the lowest among the BRIC nations.

In the previous quarter (January-March), these funds had recorded a healthy inflow of \$798 million, after witnessing four consecutive quarters of outflows in 2011, which accumulated to about \$1.5 billion during the year.

Assets of all India focused offshore India funds & ETFs fell by about 12% to \$33 billion during the second quarter of 2012. The outflows from these funds and the fall in Indian stocks during the quarter contributed to the fall in assets. The cumulative assets of these funds & ETFs are now down by almost 40% from a peak of approximately \$54 billion at the end of 2010.

## Five Top and Bottom Offshore India Funds & ETFs by Estimated Net Flows in the Second Quarter of 2012 and the Past Year:



In the second quarter of 2012, **HSBC GIF Indian Equity** registered the biggest outflow of \$206 million among all India focused offshore funds and ETFs. It was among the bottom 10 performing funds during the quarter from the India pack—delivering a return of -13.82% (in USD terms), compared to -9.54% returned by the MSCI India NR USD Index. The fund had recorded the largest inflow of \$214 million in the previous quarter, after seven consecutive quarters of outflows prior to that. The largest offshore India fund **Aberdeen Global Indian Equity Fund**, recorded the highest inflow of \$247 million during the second quarter, after seeing lackluster flows in the first quarter. It was among the top 10 performing funds during the second quarter, returning -6.70% (in USD terms). It is also a Morningstar 5-star rated fund. Close behind, in terms of flows for the second quarter was an ETF named **iShares MSCI India Index ETF**, which saw an inflow of \$236 million.

Over the past year the **HSBC GIF Indian Equity** also registered the biggest estimated net outflow of \$502 million, or about 9% of beginning assets (also known as organic growth rate). Next in line was the third largest offshore India fund—**FF – India Focus**, which recorded a lower net outflow of \$383 million (or 11% of its beginning assets) over one year. **iShares MSCI India Index ETF** recorded the highest inflow of \$204 million during the past year, potentially reflecting the global trend towards passive funds. Another relatively small offshore fund from Japan named **T&D India Mid-Small Equity Fund** with assets of about \$180 million, recorded the second largest inflow of \$102 million over the past year. The fund has fared considerably better than other offshore India funds from Japan, delivering a return of -21% (in USD terms) over 1 year, compared to -25% by the MSCI India NR USD index over the same period.

## 10 Largest Offshore India-Focused Equity Funds & ETFs

Fund Name	Morningstar Category	Morningstar Rating Overall	Fund Size June 2012 (USD in Million)	Fund Size June 2011 (USD in Million)	% Change in Fund Size	Estd. Net Flow 1 Year USD in Million	Flows as % of Beg AUM (1 Year)
Aberdeen Global Indian Equity Fund	Europe OE India Equity	★★★★★	3,939	4,724	(16.62)	(27)	(0.56)
HSBC GIF Indian Equity	Europe OE India Equity	★	3,230	5,368	(39.83)	(502)	(9.35)
FF - India Focus	Europe OE India Equity	★★★	2,334	3,517	(33.62)	(383)	(10.90)
JPMorgan Funds - JF India Fund	Europe OE India Equity	★★★	1,804	2,756	(34.55)	(362)	(13.13)
JF India	Europe OE India Equity	★★★★★	1,440	1,923	(25.10)	NA	NA
Franklin India	Europe OE India Equity	★★★★★	1,190	1,797	(33.77)	(188)	(10.47)
Lyxor ETF MSCI_India	Europe ETF India Equity	★★★	1,145	1,932	(40.73)	(285)	(14.74)
Eastspring India Equity Open	Japan OE India Equity		850	1,293	(34.29)	(114)	(8.82)
HSBC India Open	Japan OE India Equity		832	1,258	(33.89)	9	0.68
WisdomTree India Earnings Fd	US ETF India Equity	★	780	1,331	(41.43)	(201)	(15.08)

Source: Morningstar Direct

The assets of the ten largest offshore India focused funds and ETFs constitute more than half of the overall assets of the entire offshore India pack. **Aberdeen Global India Equity Fund**, recorded good inflows during the quarter. **HSBC GIF Indian Equity's** assets have fallen by almost 40% over the past year—on the back of large outflows and poor performance. The fund has lost huge market share, with assets dropping from more than \$7 billion at the end of 2010 to about \$3 billion presently. It has registered a net outflow of \$502 million, or about 9% of beginning assets over the past year. Also, it's performance has been poor over the last year—delivering a return of about -31% (in USD terms), compared to -25% returned by MSCI India NR USD index.

The loss in market share and assets of HSBC's flagship India fund has benefited **Aberdeen Global Indian Equity Fund**. At the close of year 2010, **HSBC GIF Indian Equity** managed about \$7 billion in assets, which was more than 50% higher than the Aberdeen fund's assets at that time. The Aberdeen fund is a Morningstar 5-star rated fund, and among the top performers over the past year—delivering a return of -18% (in USD terms), compared to -25% returned by MSCI India NR USD index. Within the pack of ten largest offshore India funds, its assets have fallen the least (by 16.62%) over the past year, and it recorded a minimal outflow of only \$27 million over the same period.

Two ETFs from this pack saw their assets decline more than 40% over the past year. A US based ETF named **WisdomTree India Earnings Fund** saw an outflow of about \$200 million, or 15% of beginning assets over the past year. **Lyxor ETF MSCI India**, an ETF domiciled in France, recorded an outflow of \$285 million, which also translates to approximately 15% of its beginning assets over the past year.

## Section B: Asset Flows of 20 Largest Offshore Funds with Partial Allocation to India

### Methodology:

In this section we evaluate the fund flows of diversified equity offshore funds with large asset allocations in India. We consider funds that do not belong to the Morningstar India Equity global category but still have a substantial investment in India. These funds, due to their sheer size, are important contributors of fund flows into India, even if they only have partial allocations to the country. We include only open-end funds and ETFs that are not domiciled in India but have some exposure to India in their portfolios. The oldest share class of the fund is used for the purpose of this analysis.

We narrowed the field to the 20 funds with the largest exposure to India (in dollar terms) at the end of June 2012 and calculated their estimated net flows into India for the second quarter of 2012. We multiply the average India exposure of the fund during the quarter by estimated fund-level net flow to attain the total estimated flow into Indian shares.

### Analysis of Asset Flows into India during the Second Quarter of 2012:

In the international arena, U.S. investors continued to pour money into emerging market funds during the second quarter of 2012, to the tune of almost \$7 billion, after a hefty inflow of more than \$8 billion in the previous quarter. However, flows into emerging market funds domiciled in Europe were lackluster during the second quarter, after a strong inflow of €5.3 billion in the first quarter of 2012.

Flows of funds with partial exposure to India in their portfolios were mixed during the second quarter of 2012. Among the 20 largest funds with a partial allocation to India, the fund that recorded the biggest portfolio inflow into India during the quarter was **the Virtus Emerging Markets Opportunities Fund**—at \$180 million. This Morningstar 5-star rated fund registered an overall inflow of \$715 million during the quarter.

Among the 20 largest funds with partial allocations to India, the fund that recorded the biggest portfolio outflow from India during the quarter was the US based emerging markets ETF **iShares MSCI Emerging Markets Index Fund**—at \$147 million. This passive ETF registered an overall outflow of \$2.3 billion during the quarter, thus resulting in outflows from its India portfolio as well. Allocation to India in its portfolio remained stable at 6.50% at the end of second quarter, compared to a 6.47% allocation at the end of the previous quarter. The ETF has the fifth highest exposure to India—of \$2.2 billion at the end of June 2012.

## Estimated Net Flows of 20 Largest Funds with Partial Allocations to India in Q2 of 2012

Fund Standard Name	Index Fund	Morningstar Category	Domicile	Morningstar Rating Overall	Fund Size June 2012 (US\$ in Mil.)	India Exposure Est. Fund Size June 2012 (US\$ in Mil.)	Estimated Portfolio Flow Into India - Q2 2012 (US\$ in Mil.)
American Funds Europacific Growth Fund	No	US OE Foreign Large Blend	United States	★★★★★	94,422	4,580	(27)
Vanguard Emerging Markets Stock Idx Fund	Yes	US OE Diversified Emerging Mkts	United States	★★★	63,884	4,310	101
Oppenheimer Developing Markets Fund	No	US OE Diversified Emerging Mkts	United States	★★★★★	24,503	3,357	126
Templeton Asian Growth	No	Europe OE Asia ex Japan Equity	Luxembourg	★★★★★	16,100	2,734	(36)
iShares MSCI Emerging Markets Index Fund	Yes	US ETF Diversified Emerging Mkts	United States	★★★★★	33,799	2,224	(147)
Carmignac Patrimoine	No	Europe OE EUR Moderate Allocation	France	★★★★★	33,998	2,064	47
Aberdeen Global Emerging Markets Equity	No	Europe OE Global Emerging Markets Equity	Luxembourg	★★★★★	12,180	1,483	(33)
DFA Emerging Markets Value Portfolio	No	US OE Diversified Emerging Mkts	United States	★★★	14,983	1,144	42
Virtus Emerging Markets Opportunities Fd	No	US OE Diversified Emerging Mkts	United States	★★★★★	4,330	1,081	179
Janus Overseas Fund	No	US OE Foreign Large Growth	United States	★★	7,040	1,006	(85)
Vanguard Total Intl Stock Idx Fund	Yes	US OE Foreign Large Blend	United States	★★★★★	68,364	989	74
American Funds New World Fund	No	US OE Diversified Emerging Mkts	United States	★★★	18,185	951	0
Matthews Pacific Tiger Fund	No	US OE Pacific/Asia ex-Japan Stk	United States	★★★★★	5,922	934	71
Aberdeen Emerging Mkts Fund	No	US OE Diversified Emerging Mkts	United States	★★★★★	6,983	917	77
Aberdeen Global Asia Pacific Equity Fund	No	Europe OE Asia-Pacific ex-Japan Equity	Luxembourg	★★★★★	7,002	861	65
Lazard Funds Emerging Markets Eqty Port	No	US OE Diversified Emerging Mkts	United States	★★★★★	14,731	838	(0)
First State Asia Pacific Leaders	No	Europe OE Asia-Pacific ex-Japan Equity	United Kingdom	★★★★★	8,825	757	(2)
Vontobel Emerging Markets Eq	No	Europe OE Global Emerging Markets Equity	Luxembourg	★★★★★	2,992	746	55
American Funds SMALLCAP World Fund	No	US OE World Stock	United States	★★★	18,685	707	(12)
Aberdeen Emerg Mkts Acc	No	Europe OE Global Emerging Markets Equity	United Kingdom	★★★★★	5,031	631	25

All Figures are in U.S. Dollar. The data is sorted in descending order on the basis of India exposure (in US Dollar) as of June 2012.

Source: Morningstar Direct



## Section C: Performance of India-Focused Offshore Funds & ETFs

Universe for Performance: 209 primary funds (oldest share class)

### Key Points:

- The sharp depreciation in the rupee hampered the performance of offshore India focused funds and ETFs during the second quarter of 2012. They delivered an average return of -10% during the quarter, compared to the hefty positive return of 19% in the previous quarter.
- The rupee was among the bottom performing currencies against the U.S. Dollar—depreciating by close to 9% during the second quarter, and about 20% over the past year. The downgrade of India's outlook to negative by S&P was one of the key reasons for the rupee's sharp fall during the quarter.
- Funds with higher exposure to the auto, infrastructure and technology sectors, and mid/small cap stocks underperformed during the quarter. Four of the bottom five performing funds during the quarter were infrastructure themed funds.
- Among the ten largest India focused offshore funds and ETFs, **HSBC India Open**, domiciled in Japan was the bottom performer during the quarter—delivering a return of -15%, compared to the -10% returned by the MSCI India NR USD Index. It was also among the bottom ten performing funds from the entire offshore India pack over the past year.
- **HSBC GIF Indian Equity A Acc** again disappointed during the second quarter, after managing a good show in the previous quarter. It was among the bottom ten performers from the entire India pack—delivering a return of -13.82%, compared to the MSCI India index's -10%.
- However one fund that has stood out in terms of performance from the group of ten largest offshore India funds was **Aberdeen Global Indian Equity**. This 5-star Morningstar rated fund was among the top ten performers from the entire India pack in this quarter, as well as over the past year.

## Performance of Key International Markets (as of June 2012 in Base Currency):

Performance of Major International Markets (as on June 29, 2012)						
Indices	Country	Current Value	Return (%)			
			3 Mths	6 Mths	1 Yr	3 Yrs
<b>United States</b>						
DJ Industrial Average	US	12,880	-2.5	5.4	3.8	15.1
S&P 500	US	1,362	-3.3	8.3	3.1	14.0
NASDAQ 100	US	2,616	-5.1	14.8	12.5	21.0
<b>Asia Pacific</b>						
FTSE Bursa Malaysia KLCI	Malaysia	1,599	0.2	4.5	1.3	14.1
BSE SENSEX	India	17,430	0.1	12.8	-7.5	6.3
Shanghai SE Composite	China	2,225	-1.7	1.2	-19.4	-9.1
SET 50	Thailand	814	-3.4	13.4	11.6	23.7
FTSE/SGX STI	Singapore	2,878	-4.4	8.8	-7.8	7.3
Hang Seng HSI	Hong Kong	19,441	-5.4	5.5	-13.2	1.9
S&P/ASX 200	Australia	4,095	-5.6	0.9	-11.1	1.2
JSX Composite	Indonesia	3,956	-5.6	1.8	0.0	24.3
KSE KOSPI Korea	South Korea	1,854	-7.9	1.5	-11.7	10.1
TSEC 50	Taiwan	5,021	-8.8	1.2	-14.4	3.9
Nikkei 225 Average	Japan	9,007	-10.7	6.5	-8.2	-3.3
<b>Europe</b>						
FTSE 100	UK	5,571	-3.4	0.0	-6.3	9.4
Euronext Paris CAC 40	France	3,197	-6.6	1.2	-19.7	0.6
FSE DAX	Germany	6,416	-7.6	8.8	-13.0	10.1
<b>Other Emerging Markets</b>						
BOVESPA Ibovespa	Brazil	54,355	-15.7	-4.2	-12.9	1.8
RTS RTSI	Russia	1,351	-17.5	-2.3	-29.2	11.0

Source: Morningstar Direct, Performance is in base currency. Data sorted in descending order.

- Indian equity markets just about managed to hold their head above the water for the quarter ending June 2012. Global uncertainty coupled with weak economic data back home ensured high volatility in the markets. Foreign fund outflows, S&P's revision of its outlook on India's long-term rating to negative from stable, and weak domestic data were responsible for the fall. From economic indicators, a weakened IIP, rising inflation and a slowdown in economic growth gave a big blow to market sentiment. Annual economic growth slumped to 5.3% in the March quarter as the manufacturing sector contracted. Indices did get some relief after the central bank cut the repo rate by a higher-than-expected 50 bps points in its monetary policy review meeting held on April 17 and hopes of reforms as the PM took charge of the Finance Ministry portfolio also boosted sentiments.

- Major US stock indices fell in the quarter to June as weakness prevailed due to negative developments in Europe. Economic and political problems in Greece, which heightened fears of the debt ridden nation not being able to implement its promised austerity measures, led the markets down. In addition, the Federal Reserve cut growth estimates even as it expanded its economic stimulus program known as 'Operation Twist' beyond June.
- Some losses were, however, reduced after the FOMC, in April, reaffirmed its commitment to keep interest rates low at least through late 2014. Gains were also seen in June after the latest EU summit yielded better than expected results and after the Chicago Federal Reserve Bank President voiced his support for more stimulus measures from the Fed and after China's rate cut.
- European indices dived in the quarter affected by election results in France and Greece which raised concerns about the respective nations' ability and commitment towards implementing spending cuts. Later, Greece formed a coalition government of parties prepared to abide by the terms of the country's two bailouts, after a re-election on June 17. Rating downgrades also affected sentiment: Fitch cut Greece's rating from B- to CCC and also downgraded Spain's rating by three notches to 'BBB' from 'A'.
- However, some positive developments arrested further falls. Euro zone leaders agreed on measures to tackle Euro zone's debt crisis by creating a single supervisory body for euro zone banks. They also agreed on a 120 bn euro spending package for the Euro zone. Markets had gained after Euro zone finance ministers agreed to bailout Spain's troubled banking sector by lending up to 100 billion euros, and after the Bank of England unveiled two measures to provide its banking system with liquidity.
- Asian markets were negatively impacted by debt concerns in the Euro zone, especially Spain, Greece and Italy. The Nikkei fell 11% as the yen's strengthening versus the dollar weighed on exporters and Fitch's rating cut of Japan by two notches to A+ from AA also hampered stocks. But the index did cut some losses as Bank of Japan increased its asset purchase programme by 5 trillion yen to about 70 trillion yen.
- The Shanghai Composite fell on concerns that the slowdown in the domestic economy may continue in the second quarter. Also, although the People's Bank of China cut its benchmark lending rate by 25 bps, the first in over 3-years, its effect was reduced on concerns of a weakening domestic economy. Markets were also supported by the Chinese authorities decision to allow the Yuan to move 1% either side of the state-set fixed rate against the US dollar and the People's Bank of China's decision to cut the reserve-requirement ratio by 0.5 percentage points from May 18.

The international markets performance section was contributed by Divyansh Awasthi, Senior Content Writer, Morningstar India.

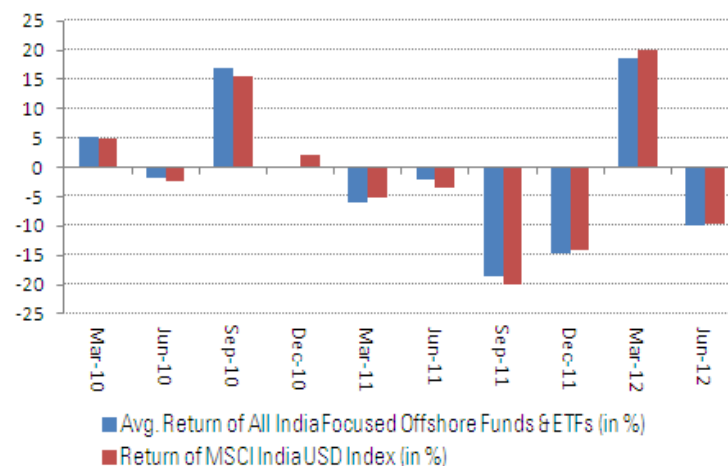
## Rupee Depreciation Dampens Performance of Offshore India Funds during the Quarter

Performance of Various Currencies Vs US Dollar (ended June 2012)		
Currency	3 Months	1 Year
Japanese Yen	3.14	1.22
Philippine Peso	1.90	2.85
Hong Kong Dollar	0.09	0.31
Singapore Dollar	-0.75	-3.09
Chinese Yuan Renminbi	-0.88	1.73
Australian Dollar	-1.05	-4.25
South Korean Won	-1.07	-6.78
New Taiwan Dollar	-1.24	-3.89
Pound Sterling	-1.83	-2.30
Indonesian Rupiah	-2.65	-8.70
Thai Baht	-2.87	-3.26
Malaysian Ringgit	-3.53	-4.91
Euro	-4.70	-12.47
<b>Indian Rupee</b>	<b>-8.76</b>	<b>-19.94</b>
Brazilian Real	-9.62	-22.60

Source: Morningstar Direct

Data sorted in descending order on the basis of 3 Month returns

Quarterly Avg. Returns of Offshore India-Focused Funds & ETFs Versus MSCI India Index



Source: Morningstar Direct, Returns are denominated in USD.

The sharp depreciation in the rupee hampered the performance of offshore India focused funds and ETFs during the second quarter of 2012, and also prompted large outflows. The rupee was among the bottom performing currencies against the U.S. Dollar—depreciating by close to 9% during the second quarter, and approximately 20% over the past year. Depreciation in the rupee is detrimental to foreign investors into India. One of the key reasons for the sharp fall in the rupee was a downgrade of India's outlook to negative by S&P and Fitch. S&P also warned that India may be the first to lose its investment-grade rating among BRIC nations. The benchmark BSE Sensex index returned a flat 0.15% (in INR terms), and -8.62% (in USD terms) during the quarter.

Offshore India focused funds and ETFs delivered an average return of -10% during the second quarter. Funds with higher exposure to the auto, infrastructure and technology sectors, and mid/small cap stocks underperformed during the quarter. Four of the bottom five performing funds during the quarter were infrastructure themed funds.

In the first quarter of 2012 offshore India funds and ETFs had returned a hefty 19%—the highest quarterly return in almost 3 years. This was helped by the sharp rebound in markets, and a 4% appreciation of the rupee (versus the US dollar) in that quarter.

## Performance of the Ten Largest India-Focused Offshore Equity Funds & ETFs, in USD, as of June 2012

Fund Share Class Name	Morningstar Category	Morningstar Rating Overall	Domicile	Fund Size USD in Mil. June 2012	3 Months Ret	YTD Ret	1 Yr Ret	3 Yrs Ret
Aberdeen Global Indian Equity D2	Europe OE India Equity	★★★★★	Luxembourg	3,939	-6.70	7.82	-17.94	12.62
HSBC GIF Indian Equity A Acc	Europe OE India Equity	★	Luxembourg	3,230	-13.82	11.13	-30.98	-2.12
Fidelity India Focus A-EUR	Europe OE India Equity	★★★	Luxembourg	2,334	-8.69	9.30	-23.32	6.45
JF India A USD Inc	Europe OE India Equity	★★★	Luxembourg	1,804	-8.41	7.54	-21.77	4.29
JF India	Europe OE India Equity	★★★★	Mauritius	1,440	-8.82	8.01	-22.52	4.53
Franklin India A Acc S	Europe OE India Equity	★★★★	Luxembourg	1,190	-9.45	7.78	-23.14	5.81
Lyxor ETF MSCI India A	Europe ETF India Equity	★★★	France	1,145	-9.83	7.99	-26.28	0.79
Eastspring India Equity Open	Japan OE India Equity		Japan	850	-12.32	3.34	-26.25	-0.79
HSBC India Open	Japan OE India Equity		Japan	832	-15.00	3.96	-34.11	-6.25
WisdomTree India Earnings	US ETF India Equity	★	United States	780	-11.67	9.00	-27.83	-0.07
<i>Avg. of all Offshore India Funds</i>					<i>-10.03</i>	<i>6.83</i>	<i>-25.96</i>	<i>1.76</i>
<i>Benchmark: MSCI India NR USD</i>					<i>-9.54</i>	<i>8.60</i>	<i>-25.44</i>	<i>2.06</i>

Source: Morningstar Direct

All performance as of June 2012 and denominated in USD. Returns greater than one year are compounded annualized. Oldest share class of fund considered.

Among the ten largest India focused offshore funds and ETFs, **HSBC India Open**, domiciled in Japan was the bottom performer during the quarter—delivering a return of -15%, compared to -10% returned by the MSCI India NR USD Index. The fund's higher exposure to sectors like auto, technology and real estate, took a toll on its performance during the quarter. It has also fared poorly over the past year—delivering a return of -34.11% compared to the MSCI India Index's -25.44%, and ranked among the bottom ten performers from the entire India pack. Its assets plunged by 34% over the past year.

**HSBC GIF Indian Equity A Acc** again disappointed during the second quarter, after managing a good show in the previous quarter. It was among the bottom ten performers from the entire India pack—delivering a return of -13.82%, compared to the MSCI India index's -10%. Its overweight allocation to sectors like auto, real estate, and metals hurt performance in this quarter. The fund's performance has been deteriorating considerably over the past few years and it has fallen to a Morningstar 1-star rated fund. It was a bottom quartile performer in 2010 and 2011, and has also registered the biggest outflows of approximately \$500 million within the entire offshore India pack, over the past year.

However one fund that has stood out in terms of performance from the group of ten largest offshore India funds was **the Aberdeen Global Indian Equity**. This 5-star Morningstar rated fund was among the top ten performers from the entire India pack in this quarter and over the past year. Its overweight allocation to defensives and its underweight allocation to interest rate sensitives have helped to buffer losses and outperform the index and peer category by a considerable margin. Over the past 3 years (ended June 2012) it has delivered a return of 12.62% (annualized), compared to an annualized return of only 2% by the MSCI India USD Index over the same period.

### Five Best- and Worst-Performing Offshore India-Focused Equity Funds in Q2 2012 (in USD)

Fund Share Class Name	Morningstar Category	Morningstar Rating Overall	Domicile	Fund Size (USD in Mil.) June 2012	Total Ret 3 Mths	Rank	Total Ret 1 Yr	Total Ret Annlzd 3 Yr
Elite T1ps India Retail GBP Acc	Europe OE India Equity		United Kingdom	1	-2.61	1		
Listed Index Fund S&P CNXNiftyFut (IndEq)	Japan ETF India Equity		Japan	11	-3.50	2	-14.18	
KD Indija – Kitajska	Europe OE India Equity	★★★	Slovenia		-5.42	3	-17.47	2.16
India Value Investments Ltd £	Europe OE India Equity	★★★	Mauritius		-6.52	4	-10.46	5.31
EGShares India Consumer	US ETF India Equity		United States	2	-6.55	5		
EGShares India Infrastructure	US ETF India Equity		United States	51	-15.14	193	-29.89	
HSBC India Stock D3M	Japan OE India Equity		Japan	71	-15.27	194	-34.43	-6.16
Shinsei UTI India Infra Eq	Japan OE India Equity		Japan	11	-15.34	195	-35.56	-11.44
HSBC India Infra Equity Open	Japan OE India Equity		Japan	43	-17.56	196	-45.49	
Amundi India Infra Eq Fund	Japan OE India Equity		Japan	20	-17.93	197	-37.45	-10.00
<i>Benchmark: MSCI India NR USD</i>					-9.54		-25.44	2.06
<i>Avg. of all Offshore India Funds</i>					-10.03		-25.96	1.76

Source: Morningstar Direct

All performance as of June 2012 and denominated in USD. Returns greater than one year are compounded annualized. Oldest share class of fund considered.

### Five Best- and Worst-Performing Offshore India-Focused Equity Funds over the Past Year (in USD)

Fund Share Class Name	Morningstar Category	Morningstar Rating Overall	Domicile	Fund Size (USD in Mil.) June 2012	Total Ret 3 Mths	Total Ret 1 Yr	Rank	Total Ret Annlzd 3 Yr
India Value Investments Ltd £	Europe OE India Equity	★★★	Mauritius		-6.52	-10.46	1	5.31
Listed Index Fund S&P CNXNiftyFut (IndEq)	Japan ETF India Equity		Japan	11	-3.50	-14.18	2	
Wasatch Emerging India	US OE India Equity		United States	12	-6.95	-15.15	3	
GS India Equity A	Europe OE India Equity	★★★★	Luxembourg	65	-7.87	-16.80	4	7.90
KD Indija – Kitajska	Europe OE India Equity	★★★	Slovenia		-5.42	-17.47	5	2.16
Market Vectors India Small-Cap ETF	US ETF India Equity		United States	44	-14.46	-34.90	182	
Shinsei UTI India Infra Eq	Japan OE India Equity		Japan	11	-15.34	-35.56	183	-11.44
Amundi India Infra Eq Fund	Japan OE India Equity		Japan	20	-17.93	-37.45	184	-10.00
Okasan India Infrs Related Eq Open	Japan OE India Equity		Japan	14	-11.97	-38.08	185	
HSBC India Infra Equity Open	Japan OE India Equity		Japan	43	-17.56	-45.49	186	
<i>Benchmark: MSCI India NR USD</i>					-9.54	-25.44		2.06
<i>Avg. of all Offshore India Funds</i>					-10.03	-25.96		1.76

Source: Morningstar Direct

All performance as of June 2012 and denominated in USD. Returns greater than one year are compounded annualized. Oldest share class of fund considered.