



SAHARA
MUTUAL
FUND

ANNUAL REPORT

2006-07

(TO ALL EXISTING UNIT HOLDERS OF SAHARA MUTUAL FUND)

Dear Unit holder,

We, at Sahara Mutual Fund value your continuous association with us and would like to assure our unstinting efforts to manage funds in the most transparent, disciplined and prudent manner.

In view of the recent directions from the Securities and Exchange Board of India (SEBI), PAN will be the sole identification for transactions in the securities market irrespective of the amount of transaction.

In view of the above said directive from SEBI,

- (i) The copy of the PAN may be forwarded to the nearest office of the AMC/ KARVY Investor Service Centres or Transaction Centres (list available on www.saharamutual.com).
- (ii) While forwarding the same, kindly ensure that the self attested copy of the PAN is duly authenticated by a Gazetted Officer, Notary, Bank Manager, Member of Parliament / Legislative Assembly with signature, date and seal.
- (iii) In case the copy of the PAN is being submitted to any of the offices of the AMC personally, please do bring the original PAN card for authentication.

In case, you do not have a PAN, kindly initiate necessary action to obtain it and submit the same by December 31st, 2007 as SEBI has advised Mutual Funds to collect and verify copies of PAN card from all existing unit holders.

Effective from January 1, 2008 submission of PAN card copy is mandatory for all applicable transactions.

We eagerly look forward to your co-operation and committed effort for this exercise as the same is statutorily desired, in the overall interests of the existing unit holder through whom we would continue to be patronage with future investments in Sahara Mutual Fund schemes.

Kindly treat the same on top priority basis.

Assuring you our best services at all times.

With regards

Sd/-

M D Naik

Head - Investor Services.

Date: 8th September, 2007

SAHARA Midcap Fund

BOARD OF TRUSTEES

Justice S Mohan – Independent Trustee

Amitabha Ghosh – Associate

S R Hegde – Independent Trustee

P V Rao – Independent Trustee

SAHARA MUTUAL FUND

97-98, 9th Floor, Atlanta

Nariman Point

Mumbai- 400 021

Maharashtra

SPONSOR

Sahara India Financial Corporation Limited

Sahara India Bhawan, 1- Kapoorthala Complex, Lucknow -226024.

INVESTMENT MANAGER

Sahara Asset Management Company Private Limited

97-98, 9th Floor, Atlanta, Nariman Point, Mumbai- 400 021, Maharashtra.

REGISTRAR AND TRANSFER AGENT

KARVY COMPUTER SHARE PRIVATE LIMITED

21, Avenue 4, Street No. 1

Banjara Hills, Hyderabad -500 034.

CUSTODIAN

HDFC BANK LTD.

Kamala Mills Compound

Senapati Bapat Marg, Lower Parel

Mumbai -400 013.

STATUTORY AUDITORS

Chaturvedi & Co

Chartered Accountants

81, Mittal Chambers,

Nariman Point,

Mumbai – 400021.

REPORT OF THE TRUSTEES

We are pleased to present before you the **ANNUAL REPORT** of **SAHARA MUTUAL FUND** for the year ended March 31, 2007.

Sahara Mutual Fund (Formerly known as First India Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trust Act. The Fund is registered with SEBI under Registration No.: MF/030/96/0. The Sponsor to the Mutual Fund is Sahara India Financial Corporation Limited and has contributed an initial amount of Rs.1 lakh as the Trust Corpus. The Trust Corpus is managed by the Board of Trustees as per provisions of the Trust Deed.

OVERVIEW OF DEBT MARKETS IN 2006-07

The Indian economy in the financial year 2006-07 exhibited robust growth backed by strong macroeconomic fundamentals. The strong GDP growth (advance estimates) of 9.2% over 9.0 % in the previous year surpassed the consumer expectations. The economy continued to show strong growth for the fourth year in succession supported by the double digit growth in the manufacturing and services sector.

The Industrial growth of 10.20% was backed by the strong performance of the manufacturing sector which grew at 11.30% and the services sector which grew at 11.20% for 2006-07.

One of the important aspects of current growth has been the sharp rise in the rate of investment in the economy supporting the industrial performance and outlook on growth.

The liquidity conditions were broadly determined by the policy changes in the reserve requirements, tax collections and high credit demand. The debt market continued its period of bearish trend mainly on the back drop of monetary tightening in US and other economies including India, escalating international and domestic oil prices, rising inflation and resultant spike in short term rates. The yields in the bond market moved in tandem with the rate hikes across the globe including India and domestic liquidity conditions.

The Indian rupee started the financial year 2006-07 on weak note by depreciating to a low of Rs.46.97 per US dollar in the month of July 2006. This was mainly due to higher crude oil prices, FII outflows and the Middle East crises. However, the situation reversed thereafter due to strong FIIs inflows. Moderation in the crude oil prices and the weakening of US dollar against other currencies. The rupee appreciate to touch a high of Rs.43.14 in the month of March and close the year at Rs.43.60 against a previous year close of Rs.44.61 per US dollar. In the recent past , Indian Rupee has witnessed strong trend on the back of technical factors like large FII investments and increased level of FDI in India.

In the Indian context, the yields in the government securities market is expected to remain under pressure due the tight liquidity conditions and supply of government bonds in the near future. However, the expectation of no further rate hikes and value buying by the investors is expected to provide the required support to the bond market at the current levels.

OVERVIEW OF EQUITY MARKETS IN 2006-07

Indian equity markets have been surprising the investors over the last 4 years by providing above average returns year after year. The India Inc has posted an average of over 30% growth in earnings for FY 06-07 and with capacity additions and other investments planned to meet ever rising consumption demand in the country and abroad, the prospects for future earnings look bright.

The stable macro-economic conditions, capacity additions by the corporate sector and strong growth outlook are attracting foreign capital into the country. Foreign investor interest and confidence in the Indian growth story becomes evident from the \$6.7 billion FII inflow, \$15 billion FDI investments and \$22 billion by the route of external commercial borrowings during this period.

The current trend in consumption demand in the economy is expected to continue following increase in income levels and urbanization in the India social set-up. It is also seen that investment demand is picking up in the country despite a rising interest rate scenario and appreciating rupee.

The strong growth prospects and incremental risk appetite among investors across the globe pulled the markets from their intermittent lows.

It is believed that the year ahead would continue to witness strong corporate earnings, albeit a slightly lower growth, owing to large base effect. Economic fundamentals continue to perform confidence well over long term as witnessed by host of important macro and macro factors. To generate wealth over a prolonged period it would be prudent to remain invested in Indian equity markets and in those stocks which offer value for investor's money.

TRUSTEES:

The Trustees as on date comprise Justice S Mohan, Independent Trustee, Mr. Amitabha Ghosh, Nominee of the Sponsor, Mr. S. R. Hegde, Independent Trustee and Mr. P.V. Rao, Independent Trustee. Shri S T Gerela, Independent Trustee resigned from the Board with effect from June 12th, 2007. The Trustees place on record their appreciation for the valuable contribution made by him during his association with the Fund.

PERFORMANCE

Sahara Midcap Fund: Investment Objective. Sahara Midcap Fund is an open ended growth scheme with an objective is to achieve long term capital growth at medium level of risks by investing primarily in mid –cap stocks.

Returns:

Performance as of March 31, 2007	1 Year	Since inception	Inception date
NAV (%)	-2.16	28.04	December 31, 2004
CNX Midcap Index (%)	1.31	29.82	

“The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments;”

MARKET OUTLOOK FOR 2006 – 2007

DEBT MARKETS

The benign inflation numbers will continue to provide the required momentum to the market. However the expectation of cut in SLR requirement of banks will keep any major rally under check. The ten year G-sec is expected to find good support to 8.50% levels and trade in a broad range of 7.75% - 8.45% for the financial year 2007-08.

EQUITY MARKETS

It is believed that the year ahead would continue to witness strong corporate earnings, albeit a slightly lower growth, owing to large base effect. Economic fundamentals continue to perform confidence well over long term as witnessed by host of important macro and macro factors. To generate wealth over a prolonged period it would be prudent to remain invested in Indian equity markets and in those stocks which offer value for investor's money.

The Trustees would like to thank the Securities and Exchange Board of India, the Reserve Bank of India, the Sponsors, the Board of the Sahara Asset Management Company Private Limited, Association of Mutual Funds in India for their support, co-operation and guidance during the period.

We are also thankful to the Auditors, Registrar and Transfer Agents, Custodian, Banks, AMFI Certified distributors and other service providers for their continuous support. The Trustees would also like to thank all the investors for reposing their faith and trust in Sahara Mutual Fund.

We look forward for your continued support and assure you of our commitment at all times in managing the schemes of Sahara Mutual Fund.

On behalf of the Board of Trustees

For Sahara Mutual Fund

sd/-
Justice S Mohan

Place: Mumbai
Date: 18.07.2007

Notes:

1. On written request, present and prospective unit holders / investors can obtain a copy of the trust deed and offer document of the relevant schemes.
2. Unit holders may request a copy of the annual report of the asset management company.
3. See further in the Report for statements on liabilities and responsibilities of the Trustees and Settlor, Risk Factors and other disclosures.

AUDITORS' REPORT TO THE TRUSTEES OF SAHARA MUTUAL FUND

To

The Board of Trustees

1. We have audited the Balance Sheet of Sahara Mutual Fund – Sahara Midcap Fund (the "Scheme") as at March 31, 2007, and the related Revenue Account for the year ended on that date, annexed thereto. These financial statements are a responsibility of the Trustees of Sahara Mutual Fund and the management of Sahara Asset Management Company Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. The Balance Sheet and the Revenue Account referred to above are in agreement with the books of account of the Scheme.
4. Without qualifying our opinion, we draw attention to Note no.6 of Schedule 9 to the Financial Statements regarding transfer of certain amounts by the scheme to Unit Premium Reserve Account and Income Equalisation Account on purchase and redemption of units based on estimates which are considered appropriate by the Asset Management Company and Trustees. We are unable to express our opinion on the appropriateness of such transfer as the same are not capable of verification by us. However, the above has no impact on the net asset value of the scheme.
5. In our opinion and to the best of our information and according to the explanations given to us:
 - 5.1 The Balance Sheet and the Revenue Account together with the notes thereon give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto, as applicable and give a true and fair view in conformity with the Accounting principles generally accepted in India
 - i). in case of Balance Sheet of the state of affairs of the scheme as at March 31, 2007 and
 - ii). in case of the Revenue account, of the surplus for the year ended on that date.
6. The Balance Sheet and the Revenue Account together with the notes thereon, have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto, as applicable.

The methods used to value non-traded/thinly traded securities as at March 31, 2007 as determined by the Management under procedures approved by the Trustees of Sahara Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds, issued by the Securities and Exchange Board of India, are fair and reasonable.

For **Chaturvedi & Co**
Chartered Accountants

S N Chaturvedi
Partner
Membership No.40479

Place: Mumbai
Date: July 18, 2007

BALANCE SHEET AS AT MARCH 31, 2007

	Schedule	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
ASSETS			
Investments	1	94,026,878	140,509,493
Deposits	2	4,000,000	6,400,000
Other Current Assets	3	8,285,079	17,606,436
Total Assets		106,311,957	164,515,929
LIABILITIES			
Unit Capital	4	64,309,986	96,282,563
Reserves & Surplus	5	38,231,070	60,901,243
Current Liabilities & Provisions	6	3,770,901	7,332,123
Total Liabilities		106,311,957	164,515,929

NET ASSET VALUE

Net Asset Value per unit (Rs.)

Growth Option	17.1889	17.5697
Dividend Option	15.3419	15.6843
Bonus Option	17.1888	17.5696
Growth Auto Earning Payout	17.1890	17.5696

Significant Accounting Policies and Notes to the accounts 9

Schedules 1 to 6 and 9 form an integral part of the Balance Sheet

As per our attached report of even date

For Chaturvedi & Co.
Chartered Accountants

For Sahara Mutual Fund

S N Chaturvedi
Partner

Justice S Mohan Trustee	Amitabha Ghosh Trustee
For Sahara Asset Management Company Private Ltd.	

C Kamdar
Director

O P Srivastava
Director

Place: Mumbai
Date: 18/07/2007

Naresh Kumar Garg
Principal Officer

A.N. Sridhar
Fund Manager

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	Schedule	For the year ended March 31, 2007	For the year ended March 31, 2006
INCOME			
Dividend		1,908,178	2,672,477
Interest and Discount Income	7	939,628	922,287
Profit on Sale / Redemption of Investments(Net)		28,419,894	72,820,162
(Other than Inter Scheme Transfer / Sale)			
Total Income		31,267,699	76,414,926
EXPENSES & LOSSES			
Management Fees		733,147	1,293,704
Trusteeship Fees & Expenses		100,312	104,073
Audit Fees		54,088	103,058
Custodian Fees		70,336	99,310
Registrar & Transfer Agent Charges		679,892	501,879
Insurance		54,031	111,012
Marketing & Distribution Expenses		1,298,612	2,427,495
Legal & Professional Fees		109,107	-
Dividend distribution expenses		-	63,365
Bank Charges		-	8,953
Total Expenses		3,099,525	4,712,848
Surplus for the Year (excluding unrealised appreciation)		28,168,172	71,702,077
Excess/(Short) provision for diminution in value of investments for earlier years written back	8	(3,627,559)	8,801,205
Transfer from Income Equalisation Reserve		(15,471,538)	(32,008,406)
Dividend Including Distribution Tax		-	(13,450,623)
Surplus / (Deficit) transferred to Revenue Reserve		9,069,077	35,044,253
Significant Accounting Polices Notes to the accounts	9		

Schedules 7 to 9 form an integral part of the Revenue Account
As per our attached report of even date

For Chaturvedi & Co.

For Sahara Mutual Fund

Chartered Accountants

Justice S Mohan

Amitabha Ghosh

S N Chaturvedi

Trustee

Trustee

Partner

For Sahara Asset Management Company Private Ltd.

C Kamdar

O P Srivastava

Director

Director

Place: Mumbai

Naresh Kumar Garg

A.N. Sridhar

Date:18/07/2007

Principal Officer

Fund Manager

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
SCHEDULE 1		
Investments		
(Refer note 7.14 of Schedule 9 for detailed Portfolio statement)		
Equity Shares	94,026,878	138,380,709
Certificate of Deposits	-	2,128,784
	94,026,878	140,509,493
SCHEDULE 2		
Deposits		
With Scheduled Bank	4,000,000	6,400,000
	4,000,000	6,400,000
SCHEDULE 3		
Other Current Assets		
Balances with Banks in Current accounts	2,238,562	1,664,392
Contracts for Sale of Investments	1,324,711	15,036,676
Application Money Pending Allotment	660,000	-
Outstanding & Accrued Income	175,347	67,589
Reverse Repo arrangements	3,548,217	507,081
Receivable on issue of Units	338,243	330,698
	8,285,079	17,606,436
SCHEDULE 4		
Unit Capital		
Bonus Plan	196,532	260,002
19653.1760 units of Rs. 10 each (for 2005-06 26000.177 units)		
Dividend Plan	43,317,148	63,550,368
4331714.8360 units of Rs. 10 each (for 2005-06 6355036.814 units)		
Growth Plan	20,138,863	31,760,503
2013886.2740 units of Rs. 10 each (for 2005-06 3176050.338 units)		
Auto Earnings Payout Plan	657,445	711,690
65744.4560 units of Rs. 10 each (for 2005-06 71169.033 units)		
Total	64,309,986	96,282,563
(Refer Notes on Accounts 7.10 of Schedule 9)		

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2007 (Rs)		As at March 31, 2006 (Rs)
SCHEDULE 5			
Reserves and Surplus			
Revenue Reserve			
Balance as at beginning of the year	22,838,553	(12,205,700)	
Transferred from Revenue Account	<u>9,069,077</u>	<u>35,044,253</u>	
Balance as at end of the year		31,907,630	22,838,553
Income Equalisation Reserve			
Balance as at beginning of the year	-		
Additions During the year	(15,471,538)	(32,008,406)	
Transferred to Revenue Account	<u>15,471,538</u>	<u>32,008,406</u>	
Balance as at end of the year		-	-
Unrealised Appreciation Reserve			
Balance as at beginning of the year	38,180,277	12,719,836	
Additions During the year	<u>(28,329,579)</u>	<u>25,460,441</u>	
Balance as at end of the year		9,850,698	38,180,277
Unit Premium Reserve			
Balance as at beginning of the year	(117,587)	150,553	
Additions During the year	<u>(3,409,671)</u>	<u>(268,140)</u>	
Balance as at end of the year		(3,527,258)	(117,587)
	<u><u>38,231,070</u></u>		<u><u>60,901,243</u></u>
SCHEDULE 6			
Current Liabilities and Provisions			
Sundry Creditors	236,152		317,677
Management Fees Payable	107,677		27,281
TDS Payable on Management Fees	-		1,613
Contract for purchase of investments	2,545,738		5,574,148
Payable on Redemption of Units	815,866		1,347,734
Unclaimed Distributed Income	3,900		3,150
Load charges payable to AMC	61,568		60,520
(Refer note 7.7 of Schedule 9)			
	<u><u>3,770,901</u></u>		<u><u>7,332,123</u></u>

SCHEDULES FORMING PART OF THE REVENUE ACCOUNT

	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
Interest and Discount Income		
Non Convertible Debentures	187,432	161,312
Fixed Deposits	56,986	167,216
Reverse Repo arrangements	694,534	305,204
Commercial papers	675	269,275
Treasury Bills	0	19,280
Others	-	-
	<u>939,628</u>	<u>922,287</u>
SCHEDULE 8		
Excess/(Short) provision for diminution in value of investments for earlier years written back		
At the beginning of the year	(305,681)	(9,106,886)
At the end of the year	(3,933,240)	(305,681)
Net Changes in Provision for Depreciation	<u>(3,627,559)</u>	<u>8,801,205</u>

SCHEDULE - 9

ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2007

1. INTRODUCTION

1.1 About the Scheme

Sahara Midcap Fund (the "Scheme") is an open ended growth scheme of Sahara Mutual Fund (the "Fund"). The objective is to achieve long term capital growth at medium level of risks by investing primarily in mid-cap stocks. The Scheme has four plans – Dividend, Growth, Growth –Auto Earnings Payout and Bonus. The scheme will not declare dividend under the Growth Plan. The Income earned on such units will remain invested under the scheme and will be reflected in the Net Asset Value. The initial issue period of the scheme was from November 29, 2004 to December 22, 2004 and the scheme was reopened for continuous purchase and redemption at prevailing NAV from January 17, 2005.

1.2 Asset Management Company

Sahara Mutual Fund (SMF) has been established as a Trust in accordance with the Indian Trusts Act, 1882, and is sponsored by Sahara India Financial Corporation Limited ("SIFCL").

Sahara Asset Management Company Private Limited ("SAMCPL"), a company incorporated under the Companies Act, 1956, has been appointed as the Asset Management Company ("Investment Manager") to Sahara Mutual Fund.

The Shareholding of Sahara Asset Management Company Private Limited as on March 31, 2007 is as follows:

Name of the Shareholder	Type of holdings	Holding
Sahara India Financial Corporation Limited	Equity	58.12 %
Sahara India Corp Investment Limited	Equity	20.94 %
Sahara India Investment Corporation Limited	Equity	20.94 %
Name of the Shareholder	Type of holdings	Holding
Sahara India Commercial Corporation Ltd	Preference	90.32%
Sahara Care Ltd	Preference	9.68%

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Accounting.

The Scheme maintains its books of account on an accrual basis. These financial statements have been prepared in accordance with the Accounting Policies and Standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, (the "Regulation"), and amendments thereto, as applicable.

2.2. Accounting for Investments

- 2.2.1 Investments are accounted on trade dates at cost including brokerage, stamp duty and other charges which are included in the acquisition of investments.
- 2.2.2 Profit or loss on sale of investments is determined on the respective trade date by adopting the "Weighted Average Cost" method.
- 2.2.3 Bonus/Rights entitlements on equity holdings are recognized only when the original shares on which the entitlement accrues are traded on the Principal stock exchange on ex-bonus/ex-rights basis respectively.
- 2.2.4 Primary Market Investments are recognized on the basis of allotment advice.

2.3. Valuation of Investments

2.3.1 Traded Investments

1. Traded equity securities and warrants are valued at the last quoted price on the National Stock Exchange of India Limited (NSE). However, if the securities and warrants are not listed on NSE, the securities are valued at the price quoted at the exchange where it is principally traded. When on a particular valuation day, a security has not been traded on NSE but has been traded on another stock exchange, the value at which it is traded on that stock exchange is used provided it is not more than thirty days prior to the valuation date.
2. The Valuation of Right shares until they are traded, is done as per the method given below:

$$Vr = \frac{n \times (Pex - Pof)}{m}$$

Where Vr = Value of rights

n = no. of rights offered

m = no. of original shares held

Pex = Ex-rights price

Pof = Rights Offer Price

Where the rights are not treated pari-passu with the existing shares, suitable adjustment should be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.

2.3.2 Unlisted/Non traded / Thinly Traded Investments

Non-traded / thinly traded / privately placed equity securities including those not traded within thirty days are valued at fair value as per procedures determined by SAMCPL and approved by the Trustee in accordance with the guidelines for valuation of securities for mutual funds, issued by the Securities and Exchange Board of India (SEBI) from time to time.

2.3.3 Other Investments

- a. Money Market Instruments are valued at cost plus accrued interest.
- b. Investments bought on "repo basis" are valued at the resale price after deduction of applicable interest upto the date of resale. Investments sold on "repo basis" are adjusted for the difference between the repurchase price (after deduction of applicable interest upto the date of repurchase) and the value of the instrument.
- c. Traded treasury bills, certificate of deposits and commercial paper are valued at the yield at which they are currently traded. Non-traded treasury bills, certificate of deposits and commercial paper including those not traded for a period of seven days are valued at cost plus accrued interest.
- d. Investments in mutual fund schemes are valued based on the net asset value of the respective schemes as on the valuation date.

2.3.4 Unrealised Appreciation/Depreciation.

In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds issued by the Institute of Chartered Accountants of India, the unrealized appreciation determined separately for each individual investment is directly transferred to the "Unrealised Appreciation Reserve Account" i.e. without routing it through the revenue account.

The provision for depreciation in value of investments determined separately

for each individual investment is recognized in the revenue account. The loss on investments sold / transferred during the year is charged to revenue account, instead of being first adjusted against the provision for depreciation, if already created in the prior year, as recommended by the said Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets or results for the year.

2.4 Revenue Recognition

- i. Income and Expenses are recognized on accrual basis.
- ii. Interest on funds invested in short term deposits with scheduled commercial banks is recognized on accrual basis.
- iii. Dividend income earned by the scheme is recognized on the date the share is quoted on ex-dividend basis on principal stock exchange.
- iv. Proportionate realized gains on investments out of sales / repurchase proceeds at the time of sale / repurchase of units are transferred to revenue Account from Unit Premium Reserve.

3. Net Asset Value for Growth / Dividend Options:

The net asset value of the units is determined separately for units issued under the Growth, Dividend Options, Bonus and Auto Earning Payout Option. For reporting the net asset value of the Growth and Dividend Options, daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the scheme are allocated to the options in proportion to the value of the net assets.

4. Unit Premium Reserve Account

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve account of the Scheme, after an appropriate of the issue proceeds and redemption payout is credited or debited respectively to the income equalization account.

The Unit Premium reserve account is available for distribution of dividend except to the extent it is represented by unrealized net appreciation in value of investments.

5. Income Equalisation Account

Income Equalisation Account is being maintained by crediting or debiting the equalization account in respect of purchase or redemption of units by an appropriate amount, which represents the distributable income at the time of purchase or redemption. The balance in the income equalization account is transferred to the revenue account at the end of the year.

6. In terms of clauses h and i of the Ninth schedule to SEBI(Mutual Funds) Regulations, 1996, the scheme has transferred certain amounts to Unit Premium Reserve Account and Income Equalisation Account on purchase and redemption of units based on estimates which are considered appropriate by the Asset Management

7. NOTES TO THE ACCOUNTS

7.1 Management Fees , Trusteeship Fees, Custodian Fees

Management Fees

Management Fees has been computed at 0.59 % on average net assets calculated on a daily basis.

Trusteeship Fees & Expenses

In accordance with Deed of Trust dated 18th July 1996 between the Settler and the Trustees, the fund has paid or provided an annual fee of Rs.1,00,000/- per Trustee. Trustee fees & expenses are allocated to the schemes on the basis of their daily average net assets.

Custodian Charges

HDFC Bank provides Custodial services to the scheme for which fees is paid as per the agreement.

- 7.2** Provision for tax has not been made since the income of the scheme is exempt from tax under Section 10(23D) of the Income Tax Act, 1961.
- 7.3** Certain investments are registered in the name of the Fund without specific reference to the Scheme. As at March 31, 2007 the aggregate market value of securities held under Sahara Midcap Fund but held in the name of Sahara Mutual Fund is Rs. 3,548,217/-
- 7.4** Transactions with Brokers in excess of 5% or more of the aggregate purchases and sale of securities made by the Fund have / has been reported to the Trustees on a Bi-monthly basis.

7.5 Transactions with Associates

Brokerage / Commission on sale of units by the Scheme or by the Asset Management Company given to associates, pursuant to Regulation 25(8):

Brokerage to SIFCL A/c CMSD (associate) has been made for sale of units of the MF as given below:

(Rs. In lakhs)

Liquid Fund	Income Fund	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund	Wealth Plus	Infra. Fund	FMP 395 days
0.85	0.22	0.02	0.93	0.22	0.76	3.93	3.58	0.23

- 7.6** The Aggregate value of Investment purchased and sold(Including Redemption) during the year as a percentage of daily average net asset value;

Purchases

Year	Amount (Rs)	% of Daily average
2006-07	226480873	182.55
2005-06	433,490,380	229.83

Sales

Year	Amount (Rs)	% of Daily average
2006-07	237942649.9	191.79
2005-06	639,354,901	338.98

7.7 Load Charges

Load charges are collected and reimbursed to the Asset Management Company for Selling and distribution expenses incurred by it on behalf of schemes.

7.8 Aggregate Appreciation and Depreciation in the value of Investments :

Asset Class	31-Mar-07		31-Mar-06	
	Appreciation (Rs. In lakhs)	Depreciation (Rs. In lakhs)	Appreciation (Rs. In lakhs)	Depreciation (Rs. In lakhs)
Equity Shares	98.51	39.33	381.80	3.06
Commercial Paper / CDs	-	-	-	-

7.9 Income and Expense Ratio

	2006-07	2005-06
Total Income (including net unrealized appreciation and net of loss on sale of investments) to average net assets calculated on a daily basis.	29.97%	60.60%
Total Expenditure to average net assets calculated on a daily basis.	2.50%	2.50%

7.10 Movements in Unit Capital:

7.10.1 Growth Option

	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2007	As on March 31, 2007	As on March 31, 2006	As on March 31, 2006
Initial Capital	38,747,086.657	387,470,866	38,747,086.657	387,470,866
Opening Balance	3,176,050.338	31,760,503	9,741,599.389	97,415,994
Units Sold during the year	304,203.875	3,042,038	625,637.764	6,256,377
Units Repurchased during the year	(1,466,367.939)	(14,663,679)	(7,191,186.815)	(71,911,868)
Closing Balance	2,013,886.274	20,138,862	3,176,050.338	31,760,503

7.10.2 Dividend Option

	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2007	As on March 31, 2007	As on March 31, 2006	As on March 31, 2006
Initial Capital	51,626,396.716	516,263,968	51,626,396.716	516,263,968
Opening Balance	6,355,036.814	63,550,368	15,356,126.270	153,561,263
Units Sold during the year	242,232.462	2,422,325	920,652.918	9,206,529
Units Repurchased during the year	(2,265,554.440)	(22,655,544)	(99,21,742.374)	(992,174,24)
Closing Balance	4,331,714.836	43,317,148	6,355,036.814	63,550,368

7.10.3 Bonus Option

	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2007	As on March 31, 2007	As on March 31, 2006	As on March 31, 2006
Initial Capital	46,030.000	460,300	46,030.000	460,300
Opening Balance	26,000.177	260,002	43,075.668	430,757
Units Sold during the year	411.681	4,117	1,261.417	12,614
Units Repurchased during the year	(6,758.682)	(67,587)	(18,336.908)	(183,369)
Closing Balance	19,653.176	196,532	26,000.177	260,002

7.10.4 Growth – Auto Earnings Payout Option

	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2007	As on March 31, 2007	As on March 31, 2006	As on March 31, 2006
Initial Capital	415,034.300	4,150,343	415,034.300	4,150,343
Opening Balance	71,169.033	711,690	147,561.506	1,475,615
Units Sold during the year	19,019.509	190,195	21,058.709	210,587
Units Repurchased during the year	(24,444.086)	(244,441)	(97,451.182)	(974,512)
Closing Balance	65,744.456	657,445	71,169.033	711,690

7.11 The Scheme has not declared any dividend during the year. (PY: 1.50 per unit). There was no Bonus declared during the year ended March 31, 2007.(PY :Nil)

7.12 Unclaimed Amounts (beyond six months):

Unclaimed Redemption and Dividend during the year ended March 31, 2007 are as below:

Scheme name	No of Investors	Unclaimed Dividend (Rs)	No of Investors	Unclaimed Redemption (Rs)
Sahara Midcap Fund	3	1,350.00	30	1,28,550.85

7.13 Investments made by the Schemes of Sahara Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net asset value of any scheme, pursuant to Regulation 25(11).

(Amount in lakhs)

Company which has invested	Schemes in which companies have invested more than 5 % of the net assets	Name of the Funds/ Schemes which have invested	Aggregate cost of acquisition during the period	Outstanding as at March 31, 2007
HDFC Bank Ltd	Sahara Liquid Fund	Sahara Infrastructure Fund	55.35	Nil
		Sahara Wealth Plus Fund	114.52	Nil
Union Bank of India	Sahara Infrastructure Fund	Sahara Mid Cap Fund	42.97	Nil
		Sahara Wealth Plus Fund	128.91	Nil
		Sahara Growth Fund	33.16	Nil
		Sahara Taxgain Fund	7.88	Nil
		Sahara Infrastructure Fund	30.26	Nil
Lakshmi Vilas Bank Limited	Sahara Liquid Fund	Sahara Mid Cap Fund	7.23	Nil

The above investments were made by the schemes purely on fundamental basis and to optimize return and retain high liquidity. These investments do not include reverse repo and fixed deposits. In addition to the above, the mutual fund has placed money as short term deposits towards margin money for F & O at competitive rates with HDFC Bank Ltd.

7.14 Portfolio Statement as on March 31, 2007:

Company Name	Qty	Market Value (Rs in lakhs)	% of NAV
1) Equity & Equity Related (91.39%)			
Industrial Capital Goods			
Crompton Greaves Ltd	20000	39.91	
Indo Tech Transformers Ltd.	14000	38.64	
Thermax Ltd	10000	38.28	
Asian Electronics Ltd	6000	27.82	
Larsen And Toubro Ltd	1400	22.68	
Siemens Ltd	2000	21.81	18.38
Software			
Infotech Enterprises Ltd	7000	25.33	
Tata Infotech (Now TCS Ltd)	2000	24.68	
Subex Azure Ltd	4300	24.28	

HOV Services Ltd	11000	21.99	
Infosys Technologies Ltd	1000	20.19	
NIIT Technologies Ltd	3000	13.18	12.60
Pharmaceuticals			
Glenmark Pharmaceuticals Ltd	7000	42.79	
Smithkline Glaxo Ltd	3253	36.43	
IPCA Laboratories Ltd	4047	24.36	
Cadila Healthcare Ltd	4489	15.11	11.54
Industrial Products			
Atlas Copco (India) Ltd	4950	35.13	
SKF India Ltd.	10000	32.18	
KSB Pumps Ltd.	5000	25.01	
Grindwell Norton Ltd	17446	19.53	10.87
Chemicals			
Tata Chemicals Ltd.	12000	24.91	
Gujarat Alkalies and Chemicals Ltd	18000	20.93	4.45
Auto Ancillaries			
Kesoram Industries Ltd	7100	24.34	
Motor Industries Co Ltd	630	20.56	4.37
Ferrous Metals			
Maharashtra Seamless Ltd	4500	23.00	
Wellspun Gujarat S R Ltd	20000	20.78	4.26
Cement			
Century Textiles & Industries Ltd	8000	43.64	4.24
Media & Entertainment			
Jagran Prakashan Ltd	5500	20.84	
Cinemax India Ltd	15000	19.19	3.89
Consumer Non-Durables			
Tata Tea Ltd	4000	24.29	
Hanung Toys & Textiles Ltd	10000	11.82	3.51
Paper			
Ballarpur Industries Ltd	30000	32.18	3.13
Auto			
Mahindra & Mahindra Ltd	4000	31.22	3.03
Retailing			
Trent Ltd	4000	27.34	2.66
Hotels			
Royal Orchid Hotels Ltd	10000	20.72	2.01
Consumer Durables			
Voltas Ltd	15000	12.71	1.24
Petroleum Products			
Apar Industries Ltd	9117	12.51	1.22
Total	314732	940.27	100.00

2) Debt Instruments			
(a) Listed / awaiting listing on Stock Exchanges	Nil	Nil	Nil
(b) Privately Placed / Unlisted	Nil	Nil	Nil
3) Money Market Instruments	Nil	Nil	Nil
4) Others- Short Term Deposits (3.89%)			
HDFC Bank Ltd		40.00	100.00
Total		40.00	100.00
Grand Total	314732	980.27	

7.15 Investments made by the Scheme in shares of Group Companies of the Sponsor – NIL.

7.16 Holdings over 25% of the NAV of the scheme as of March 31, 2007:

Particulars	As on March 31, 2007	As on March 31, 2006
Number of Investors	NA	NIL
Percentage of Holdings	NA	N/A

7.17 Previous year figures have been reclassified/regrouped wherever necessary to conform to the current year's classification.

7.18 Contingent Liability: Nil

As per our attached report of even date

PERSPECTIVE HISTORICAL PER UNIT STATISTICS

Particulars	Year Ended		
	As at	As at	As at
	31-Mar-07	31-Mar-06	31-Mar-05
(a) Gross Income			
(i) Income other than Profit on sale of Investments	0.44	0.37	0.25
(ii) Income from Profit (net of loss) on inter-scheme sales/ transfer of Investments	0.00	0.00	0.00
(iii) Income from Profit (net of Loss) on sale other than Inter scheme	4.42	7.56	0.62
(iv) Transfer to revenue account from past year's reserve	NA	NA	NA
(b) Aggregate of expenses, write off, amortisation and charges	0.48	0.49	0.16
(c) Net Income	4.38	7.45	0.71
(d) Net unrealised appreciation/(diminution) in value of Investments	0.92	3.93	0.14

(e) Net Asset Value	Growth Plan	17.1888	17.5700	10.0096
	Dividend Plan	15.3419	15.6846	10.0096
	Bonus Plan	17.1889	17.5700	10.0096
	Growth - Auto Earning Payout	17.1890	17.5700	10.0096
(f) Repurchase Price during the year**	(i) Highest			
	Growth Plan	19.8860	17.5700	10.6393
	Dividend Plan	17.7521	15.6846	10.6393
	Bonus Plan	18.5486	17.5700	10.6393
	Growth - Auto Earning Payout	19.7467	17.5700	10.6393
	(ii) Lowest			
	Growth Plan	12.9864	10.0838	9.6641
	Dividend Plan	11.5929	10.0643	9.6641
	Bonus Plan	15.5104	10.2932	9.6641
	Growth - Auto Earning Payout	13.5345	10.2890	9.6641
(g) Resale Price during the year**	(i) Highest			
	Growth Plan	20.3334	17.9653	10.8787
	Dividend Plan	18.1515	16.0375	10.8787
	Bonus Plan	18.7464	16.3362	10.8787
	Growth - Auto Earning Payout	19.5755	14.6569	10.8787
	(ii) Lowest			
	Growth Plan	12.9864	10.0000	9.9537
	Dividend Plan	12.1394	10.0000	9.9537
	Bonus Plan	14.5213	10.0981	9.9537
	Growth - Auto Earning Payout	16.7698	10.5441	9.9537
(h) Ratio of expenses to average daily net assets by Percentage		2.50%	2.5%*	2.5%*
	(i) Ratio of income to average daily net assets by Percentage (excluding transfer to revenue account from past year's reserve but including net change in unrealized appreciation /depreciation in value of Investments and adjusted for net loss on sale / redemption of investments)	29.97%	60.60%*	16.09%*

**Based on the maximum load during the year

Per unit calculations based on number of units in issue at the end of the period

(For the Investors of Sahara Mid Cap Fund)

Dear Unit holder,

Sub: Change in the Investment Strategy of Sahara Mid Cap Fund.

In view of the change in market capitalization, a revision in the market capitalization been considered and approved by the Board of Trustees. This is on account of the increase in the market capitalization limits of the midcap category as per the CNX Midcap Index.

1. It is decided that the upper Market Capitalization range for investment under the mid cap category be changed from Rs.6000 crores to the market capitalization of largest weightage stock of CNX MIDCAP Index (which is currently the benchmark).
2. Accordingly, the provision to invest in such other stocks would be reset.
3. Thus the proposed asset allocation table would be as follows:

Type of Instruments	Normal Allocation (% of net assets)		Risk Profile
Equity and Equity Related Instruments* Market Cap range: Rs.60 crs to [market cap of largest weightage stock of CNX MIDCAP Index]	65	100	High
Equity and Equity Related Instruments* Market Cap range: Less than Rs.60 crs or more than [market cap of largest weightage stock of CNX MIDCAP Index]	0	20	High
Debt and Money Market Instruments	0	35	Low

*including ADRS and GDRs, Futures and Option, Foreign securities, ETF etc.

The above proposed revised asset allocation norms would be adhered to, at the time of investment.

Whenever the composition of the benchmark viz. CNX MIDCAP Index changes in future, while the lower market capitalization limit would remain at Rs.60 crores, **the upper market cap limit would equal the market cap of the largest weightage stock of the CNX MIDCAP Index, at the time of investment. The upper limit would be the reference point for the upper limit at the time of investment.**

The above mentioned changes will take place effective October 29th, 2007. In line with SEBI regulations, the unit holders who do agree with the above change can redeem their units at applicable NAV or switch to other open ended schemes of Sahara Mutual fund without payment of exit load between September 28th, 2007 to October 26th, 2007 (both days inclusive). Redemption requests would be accepted at any of the official points of acceptance of Sahara Mutual Fund.

Unit holders in agreement with the aforesaid change may kindly treat this intimation as having deemed to have accepted to this change and no further action is required. This offer to exit is merely an option and is not compulsory. We would like you to remain invested in the said scheme. All other terms and conditions of the scheme remain unchanged.

In case of any clarifications, please do get in touch with our investor service centres and they would be glad to serve you.

For Sahara Asset Management Company Private Limited
Sd/-

Head - Investor Services.

Date: 8th September 2007

Addendum to the Offer Documents of schemes of Sahara Mutual Fund

1. Change in Minimum Additional Investments : Sahara Liquid Fund, Sahara Gilt Fund , Sahara Income Fund, Sahara Growth Fund , effective date 01/11/2006

Existing Provision	Revised Provision
Sahara Liquid Fund: Minimum Investment (Rs.10000/- under all options) Additional Investments: In multiples of Rs. 5000/-	Sahara Liquid Fund : Minimum Investment (Rs.10000/- under all options). Additional Investments: Rs.5000/- & in multiples of Re.1/-.
Sahara Gilt Fund: Minimum Investment (under Dividend and Growth Option) : Rs.5000/- Additional Investments: In multiples of Rs.1000/-	Sahara Gilt Fund : Minimum Investment (under Dividend and Growth Option) : Rs.5000/- Additional Investments: Rs.1000/- and in multiples of Re.1/-.
Sahara Income Fund : Minimum Investment (under Dividend and Growth Option) : Rs.3000/- Additional Investments: In multiples of Rs.1000/-	Sahara Income Fund : Minimum Investment (under Dividend and Growth Option) : Rs.3000/- Additional Investments: Rs.1000/- and in multiples of Re.1/-
Sahara Growth Fund : Minimum Investment (under Dividend and Growth Option) : Rs.3000/- Additional Investments: In multiples of Rs.1000/-	Sahara Growth Fund: Minimum Investment (under Dividend and Growth Option) : Rs.3000/- Additional Investments: Rs.500/- and in multiples of Re.1/-

Date : 30th October, 2006

2. Change of Registrar and Transfer Agent. The Board has approved the change in the registrar and transfer agent from Computer Age Management Services (P) Ltd to KARVY Computershare Private Ltd with effect from the closing hours of Friday,

The contact office of Karvy is : 21, Avenue 4, Street No.1, Banjara Hills, Hyderabad -500 034. The contact telephone number is (040) 23312454 and email ID: service_smf@karvy.com. All future communications with respect to investor services should be sent to KARVY Computershare Private Limited at the following address : KARVY Computershare Private Limited, (Unit- Sahara Mutual Fund), KARVY Registry House, H No 8-2-596, Avenue 4, Street No,1, Banjara Hills, Hyderabad -500 034. Tel No: 040-23312454 / 23320751 / 23320752. Fax no: 040-23420886 Email ID: rvice_smf@karvy.com. The KARVY Investor Service Centres (ISCs) as official points of acceptance are given below for all related activities of the schemes of Sahara Mutual Fund.

AHMEDABAD: 307, Shail Buildings, Opposite Madhusudhan House, Off C. G. Road, Near Navrangpura Telephone Exchange, Ahmedabad-380 006. Tel: 079-26400527 -28. **BANGALORE:** No. 51/25, 1st Floor, Surya Building, Ratna Avenue, Richmond Road, Bangalore - 560 025. Tel: 080-25320085-86. **BARODA:** 31-34, Payal Complex, Near Vadodara Stock Exchange, Sayajigunj, Baroda-390 005. Tel: 0265 -2225168-69. **BHUBANESHWAR:** 624, Sahid Nagar, Bhubaneswar-751007. Tel: 0674-2547532-33. **CHANDIGARH:** SCO-371-372, First Floor, Above HDFC Bank Ltd., Sector 35B, Chandigarh-160 022. Tel: 0172-5071726-28. **CHENNAI:** Flat No. F11, First Floor, Akshya Plaza, (Erstwhile Harris Road), Opposite Chief Metropolitan Court, #108, Adhithanar Salai, Egmore, Chennai-600 002. Tel: 0448277383. **COCHIN:** 39, Panampilly Nagar, Cochin-

682 036. Tel : 0484-2310884/0484-2322152. **COIMBATORE:** SNV Chambers, 482/483, Ponne Street, Opposite Power House Cross Cut Road , Coimbatore-641 012.Tel: 0422-2237501/02/03. **DURGAPUR:** Dutta Automobiles Building,1st Floor, Benachity, Durgapur - 713 213. Tel: 0343-2586375-77. **HYDERABAD:** 21, Avenue 4, Street No.1,Banjara Hills, Hyderabad-500 034. Tel: 040-23312454. **INDORE:** DM Tower, 105, 106 & 107,Above Standard Chartered Bank, Near Jangeerwala Chowrah, Indore-452 001.Tel: 0731-5069893-94. **JAIPUR:** S-16 A, 3rd Floor, Land Mark, Opposite Jaipur Club, Mahavir Marg, C- Scheme, Jaipur-302 001.Tel: 0141-2363321, 2375039. **JAMSHEDPUR:** Kanchan Tower, Illrd Floor, Chhaganlal Dayalji & Sons,3-S B Shop Area, (Near Traffic Signal), Main Road,Bistupur, Jamshedpur - 831 001. Tel: 0657-2487045/48. **KANPUR:** 15/46, B, First Floor, Opposite Muir Mills, Civil Lines, Kanpur-208 001. Tel: 0512-3127111, 3096000,3296000. **KOLKATA:** 16,Jatin Bagchi Road, Kolkata-700 029. Tel. 033-2465 9263. **LUCKNOW:** 94, Mahatma Gandhi Marg, Opposite Governor House, Lucknow - 226 001. Tel: 0522-2236819-21. **LUDHIANA:** SCO-3, Feroze Gandhi Market, Ludhiana-141 001. Tel: 0161-5034809-12. **MANGALORE:** Mahendra Arcade, Ground Floor, Kadiabail, Mangalore-575 003. Tel: 0824-2496701. **MUMBAI:** 26/30, Fort Foundation Bldg, Near MSC Bank, Maharashtra Chamber Of Commerce Lane ,Fort, Mumbai-400 023.Tel: 022-56382666. **NAGPUR:** 230/231,3rd Floor, Shiram Shyam Towers, Next to NIIT Building, Sadar, Kings Way, Nagpur-440 001.Tel: 0712-5656102-03. **NEW DELHI:** 105-108 Arunachal Building,19 Barakhamba Road, Connaught Place, New Delhi-110 001. Tel: 011-23324401. **PATNA:** "Anand Towers", 2nd Floor, Exhibition Road, Near Republic Hotel, Opposite Mithila Motors, Patna-800 001.Tel: 0612- 2321354/56. **PUNE:** Trupti Apartment, Flat No. 8, 4th Floor, Lane next to HDFC Bank, Opposite Ranajeet Hotel, Bhandarkar Road, Pune-411 004. Tel:020-4028 431/32. **SURAT:** G/16, Empire State Building, Near Udhna Darwaja, Ring Road,Surat-395 002. Tel: 0261-3017155-56. **VISAKHAPATNAM:** 47-14-5/1 Eswar Paradise, Dwaraka Nagar Main Road, Visakhapatnam - 530 016 Tel: 0891-2752916-18. The entire list of the offices of KARVY(ISCs/TPS) for servicing the schemes, is also available in the website www.saharamutual.com of Sahara Mutual Fund.

2) **Auto Debit facility for all schemes.** The auto debit facility under Systematic Investment Plan (SIP) for existing and prospective investors is now available. Auto Debit facility will be available with the banks as notified by Sahara Mutual Fund from time to time.

Date: December 8, 2006

3. **PERMANENT ACCOUNT NUMBER (PAN)** : Securities and Exchange Board of India (SEBI) vide its circular dated April 27th, 2007, directed that PAN would be the sole identification number for all participants transacting in the securities market including mutual funds, irrespective of the amount of transaction.

Consequently it is mandatory for all the existing and prospective investors (including all joint applicants / holders, guardians and Non – resident Indians) to furnish attested copy of the PAN along with the application for investment.

Accordingly investment application received upto December 31, 2007,

1. For applicable transactions **below Rs 50,000/-** : pl furnish

- Either attested copy of PAN card or
 - Copy of Form 49A acknowledgement.
2. For applicable transactions of Rs 50,000/- or more : pl furnish
- Either attested copy of PAN card or
 - Copy of Form 49A acknowledgement and Form 60 / Form 61.

Copy of PAN card can be attested by any one of the following 1) Offices of Sahara Mutual Fund 2) Investor Service Centers of our Registrar and Transfer Agents (KARVY Computershare Pvt Ltd) 3) Bank Manager of Scheduled Commercial Bank 4) Gazetted Officer 5) Notary Public 6) AMFI Certified Distributor (with ARN affixed).

The applicant should also produce the PAN card for verification at the time of making application for investment.

Attaching the evidence of having applied for PAN along with investment application is permitted upto 31st Dec 2007. Effective from January 1, 2008 submission of PAN card copy is mandatory for all applicable transactions.

This addendum forms an integral part of the offer documents of the respective schemes of Sahara Mutual Fund. All other terms and conditions in the offer document remains unchanged.

Date: 10/07/2007

4. Resignation of Trustee: Shri S.T. Gerela , Independent Trustee has resigned from the Board of Trustees of Sahara Mutual Fund.

Date: 01/08/2007

5. Change in Corporate Office and Point of Service (POS): The Corporate Office of Sahara Mutual Fund is shifted to the following address w.e.f. 16th August, 2007.

Sahara Mutual Fund: 97-98, 9th Floor, Atlanta, Nariman Point, Mumbai- 400 021. Tel No: (022) 67520121 / 27. Fax: (022) 6654 7855.

The above office will act as "Official Point of Acceptance" for the schemes of Sahara Mutual Fund.

Date : 14th August, 2007

Scheme classification & Objective: Sahara Midcap Fund: Investment Objective. Sahara Midcap Fund is an open ended growth scheme with an objective is to achieve long term capital growth at medium level of risks by investing primarily in mid –cap stocks **Risk Factors:** Mutual Funds and securities investments are subject to market risks and the NAV of the scheme may go up or down depending upon the factors affecting the securities market. There can be no assurance or guarantee that the Scheme objectives will be achieved. The past performance of the previous scheme, sponsor or its group affiliates is not indicative of and does not guarantee future performance of the scheme. The sponsor is not responsible or liable for any loss or shortfall resulting from the operations of the scheme beyond the initial contribution of Rs. 1 lakh made by it towards setting up of the Mutual Fund. Sahara Midcap Fund, is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or the returns. **Please read the offer document carefully before investing.**

Applicable load: Entry Load :< Rs. 1 crore - 2.25% ; >= Rs.1 crore :Nil ; Exit load : <Rs.1 crore :Nil, >= Rs 1 cr, 1% if redeemed on or before 3 months. **Statutory Details:** Sahara Mutual Fund has been set up as a trust under the Indian Trust Act 1882 (liability restricted to the corpus of Rs.1 lac) with Sahara India Financial Corporation Limited as sponsor and Board of Trustees as Trust and Sahara Asset Management Company Private Limited as the Investment Manager to Sahara Mutual Fund.

Summary Of The Substantive Provisions Of the Trust Deed

The Trust Deed dated July 18, 1996, contains inter-alia, the following clauses that may be of material interest to the investor:

- In carrying out his responsibilities as a member of the Board of Trustees of Sahara Mutual Fund, the individual trustee shall maintain an arm's length relationship with other companies, or institutions or financial intermediaries or any body corporate with which he/she may be associated in any capacity.
- All members of the Board of Trustees shall furnish to SEBI and the Board of Trustees the interest which he/she may have in any other company, or institution or financial intermediary or any corporate by virtue of his/her position as Director, partner or with which he/she may be associated in any other capacity.
- No member of the Board of Trustees of Sahara Mutual Fund shall be a member of the Board of Trustees of any other Mutual Fund and shall hold them in trust for the Unit holders.

BOOK - POST

If undelivered, please return to:
Karvy Computershare Private Limited
(Unit: Sahara Mutual Fund)
21, Avenue 4, Street No. 1, Banjara Hills,
Hyderabad - 500 034.