Fund - O -Meter -- Weekly

A Weekly Report on Mutual Funds

KARVY the Finapolis
Your Personal Finance Advisor

PF/MFW/26122006/089 **Dec 18, 2006 to Dec 22, 2006**

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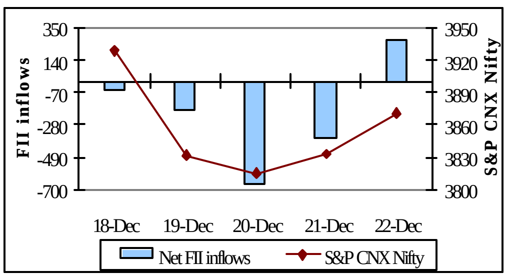
FII movement relative to Nifty



FII inflows in Rs. Crores *Source:* NSE, SEBI

Weekly FII transactions (equities)

	Dec 18 to Dec 22	Dec 11 to Dec 15
Gross purchases	9443.4	12508.4
Gross sales	10445.8	12091.7
Net inflows	-1002.4	416.7

Amt in Rs. crores *Data source:* SEBI

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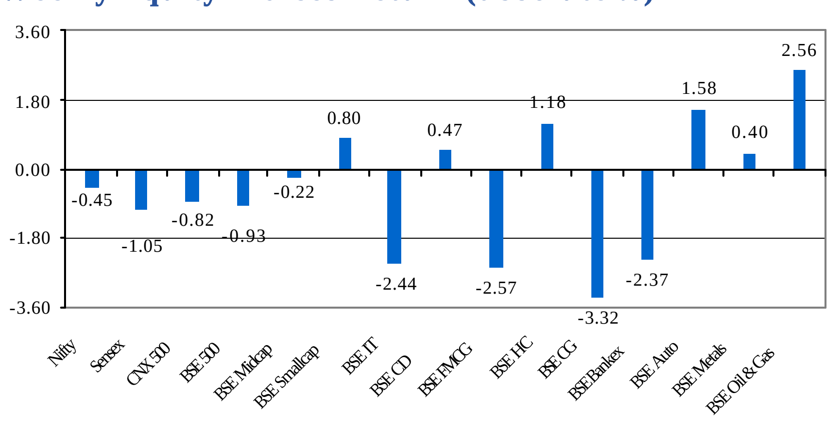
Highlights

- **Markets remain weak**
- **High volatility likely in store**
- **Bond yields ease**
- **Call rates likely to remain at high levels**

The week in retrospect-Equities

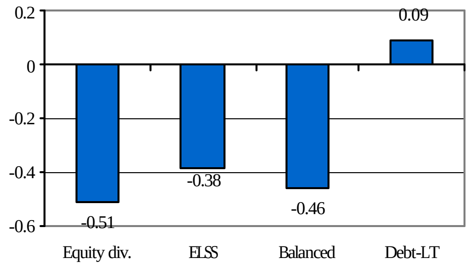
The markets continued their southwards journey for the third consecutive week. Sensex dipped by 1.05% to settle at 13471.74 and Nifty lost 0.5% to close at 3871.15. While the markets were trying hard to recover from the negative impact of CRR hike, surprise currency control measure of Thailand on Tuesday caught the bourses off-guard. A sharp fall in the Asian markets was witnessed as Thai Central Bank stated that foreign investors would be penalized 10% of their investments in case they redeem their funds from the country before a period of 1 year. On the back of this news, heavy selling pressure was witnessed across Asian emerging markets. While Sensex plunged by 349.08 points (lost around 500 points in intra-day), Nifty dived by 96.75 points on Tuesday. However, during the later trading sessions of the week, the markets tried to shrug off the negativity as strong buying was witnessed in index heavyweights. On the sectoral front, BSE Oil & Gas jumped by 2.56% as ONGC gained 5.7% on the back of its huge gas finds in Bay of Bengal. Banking stocks remained weak, impacted by the CRR hike and the resulting tight margin conditions. Maruti Udyog rose by 2.13% on the approval of the sale of government's 10.2% stake in it. BSE FMCG ended 2.57% down as FMCG major ITC slipped by 2.9%. During the week, while FIIs turned out as net sellers in the equity market, significantly amounting to Rs. 1002.4 crores, mutual funds emerged as net buyers to the tune of Rs. 752.84 crores.

Weekly Equity Indices Return (absolute %)



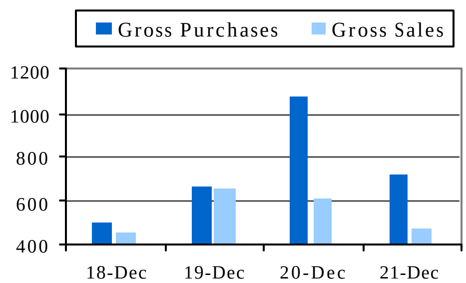
As on Dec 22 *Datasource:* BSE, NSE

Weekly category returns (%)



Abs. returns as on Dec 22   Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores   *Data source: SEBI*

Mutual funds emerged as net buyers in the equity market to the tune of Rs. 752.84 crores.

Outlook:

Short-term: Markets are likely to remain range-bound as FII inflows may be low due to year-end holiday season. Profit booking may take place at higher levels. Volatility may also be witnessed ahead of the expiry of Dec 06 derivatives contracts on the coming Thursday. Although crude oil prices (below $ 63 per barrel) have reduced from their Thursday's 3-month high level, they are still trading at a higher level and any sharp increase in the same could instill negative sentiments. However, high volumes of advance tax payments indicate strong corporate earnings of India Inc. Hence, December quarter earnings result might boost positive sentiments in the markets.

Long-term: India's industrial production rose 6.2% in October from a year earlier. Though this level is below the expectations it can not be considered as an indication of slowdown, given the pace of economic activities. In the Jul-Sept quarter, economy registered a growth of 9.2% from a year earlier. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to keep this growth going.

Recommended schemes to invest		Historical returns as on Dec 22 (%)			Crisil Ranking for qtr end Sept 06
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	29.31	40.81	42.14	1
	Tata Infrastructure	32.95	57.33	N.A.	-
	Reliance Growth	30.05	39.20	50.64	1
	Sund. BNP Par. Sel. Mid.	21.38	58.26	51.75	1
Moderate (Equity)	Fidelity Equity	34.41	39.83	N.A.	-
	HDFC Equity	26.70	33.08	41.07	2
	Reliance Equity	23.20	N.A.	N.A.	-
	SBI Magnum Contra	25.67	45.39	62.97	1
Conservative (Equity)	DSP ML Top 100	31.75	44.08	39.09	3
	Sund. BNP Par.Ind. Lead.	27.40	36.83	N.A.	2
	Franklin India Bluechip	30.09	41.92	38.05	3
	Templeton India Eq. Inc.	23.67	N.A.	N.A.	-
ELSS	Franklin India Taxshield	20.04	24.28	36.00	3
	Fidelity Tax Advantage	29.54	N.A.	N.A.	-
	SBI Magnum Tax Gain	33.09	39.85	65.67	1
Balanced	DSP ML Balanced	21.36	31.14	28.62	3
	HDFC Prudence	25.25	31.54	35.31	1
	Kotak Balance	14.68	27.42	32.97	2

*For qtr end Sept 06   *Datasource: MFI Explorer*

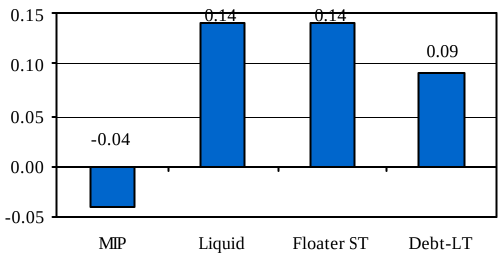
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

For existing holdings: Markets are at few notches below their all-time high levels. Valuations have become slightly cheaper than before. As the overall long-term outlook for the Indian economy continues to remain healthy, investors who have made investments with the objective of long-term wealth creation can continue to hold their MF units. Investors who are making SIP contributions can continue to do so. Investors willing to redeem in couple of months could redeem partially in the coming weeks, if they have made reasonable returns.

For fresh investments: Making fresh investments can prove fruitful if investment is made with a long-term horizon.

Weekly category returns (%)

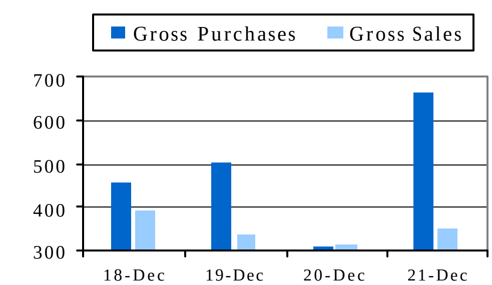


Abs. returns as on Dec 22 Data source: Bloomberg

Key statistics

	Dec 22	Dec 15
7.59% GOI 2016 yield	7.61%	7.64%
Call rate	9.25%	8.10%
WPI inflation (week ending Dec. 9 and Dec 2)	5.32%	5.16%
Dollar exchange rate	44.56	44.69
Forex reserves ($ bn)	175.519 (Dec 15)	175.44 (Dec 8)

Weekly MF transactions (debt)



Amt in Rs. crores *Data source: SEBI*

In debt market, mutual funds emerged as net buyers to the tune of Rs. 546.83 crores.

The week in retrospect-Debt

The bond market shrugged off some worries of CRR hike and ended in the positive territory with the benchmark 10 year g-sec yield closing at 7.61% for the week ending Dec 22 as against 7.64% the previous week. Bond yields decreased during the week tracking the drop in U.S. Treasuries. A weaker-than-expected U.S. housing data indicates towards a cut in the Fed rate, easing worries over domestic interest rate hike in the immediate future. On the liquidity side, markets have been left cash-parched due to huge advance tax outflows and increase in CRR. With banks buying heavily to meet their fund requirements on reporting Friday (Dec 22), the central bank infused around Rs. 230 bn in the system through daily repo auction to ease the cash crunch. Despite this, liquidity crunch continued and call rates surged to their highest levels in nearly 6 years to close at 9.25% on Friday, against 8.10% the previous week. Wholesale price inflation increased to 5.32% on the back of increase in food and food products, particularly vegetables. On the forex front, rupee appreciated to 44.56 per USD as equity markets started recovering their losses. Forex reserves increased to close at $175.519 bn for the week ending Dec 22 from $175.44 bn the previous week.

Outlook:

Short-term: Markets are likely to operate amidst tight liquidity conditions ahead of the second stage of CRR hike (by 25 bps) on Jan 6, 07. Hence call rates are expected to stay above the 8% level. Further, low volumes of FII inflows due to year-end festive season may cause a slight depreciation in rupee value in the coming week. The coming month may witness a surprise event in terms of interest rate decision by RBI. This decision would be more influenced (along with other macroeconomic factors) by the impact of recent CRR hike and the CRR hike due on Jan 6 as well.

Long-term: Inflation, credit growth, money supply growth are factors which will determine the central bank's decision on rate hike. On account of these factors there is a possibility of interest rate hike in the coming months.

Recommended schemes to invest		Return as on Dec 22 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	JM Floater ST	0.58	1.75	6.58	0.45	3
	Reliance Floating Rate	0.60	1.81	6.64	0.55	-
Liquid	HDFC Cash Mgt -Savings	0.59	1.79	6.68	0.34	1
	Birla Cash Plus-Retail	0.56	1.71	6.49	0.34	3

*For qtr end Sept 06 *Datasource: Bloomberg*

Recommendations:

Short-term investors: With outlook on interest rates still uncertain, investment in long-term bond funds should be avoided. Investors having an investment horizon of up to 6 months could invest in liquid funds and short-term floaters. Others having an investment outlook of more than 6 months can consider FMPs as they have the potential of offering better tax-adjusted returns.

Long-term investors: Investors with a horizon of more than one year could consider FMPs in place of bank deposits. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

News Briefs

- The government is considering a Budget Proposal to exempt debt mutual funds from having to pay dividend distribution tax (DDT) of nearly 14%, including education cess and surcharge.
- Birla Sun Life AMC has named Mr. Mukul Gupta as its CEO. Mr. Gupta will begin his tenure with the company from Jan 07.
- Tokyo-based Shinsei Bank is all set to enter into the Indian MF Industry by forming a joint venture AMC with Andhra Bank. Recently, Shinsei Bank also declared a partnership with UTI Fund House to manage $300 million, moped up from Japanese investors, in the Indian equity market.

NFO Corner

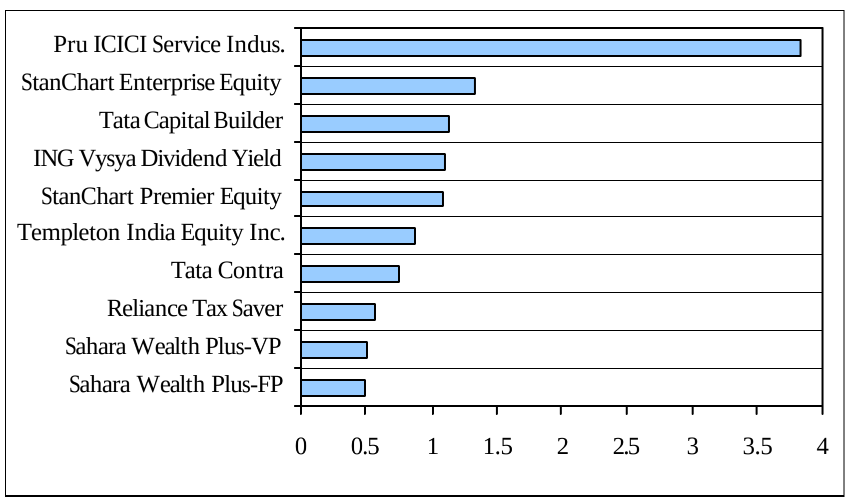
NFOs open for subscription:

- Canbank MF has launched Can Multicap, a diversified equity fund. It will be available for subscription till Jan 4, 2007.
- UTI Fund House has launched UTI Capital Protection Fund. The fun offers two plans, viz. 3-year close-ended plan and 5-year close-ended plan. The fund is available for subscription till Jan 25, 2007.
- Standard Chartered MF has launched Standard Chartered tax saver Fund. The 10-year ELSS will be open for subscription till Feb 23, 2007.
- Optimix has launched Optimix Retireinvest- Series I. The fund of fund will be available for subscription till March 6, 2007.
- UTI has also launched UTI Long Term Advantage Fund. The fund is a 10-year close-ended ELSS and is available for subscription till March 20, 2007.

Forthcoming New Fund Offers:

- HSBC Fund House is planning to launch HSBC Unique Opportunities Fund. The 3-year close-ended scheme would invest in companies facing "out-of-ordinary" situations.
- Prudential ICICI MF is coming up with Prudential ICICI Capital Protection Oriented Fund. It is a 5-year close-ended fund.
- ABM AMRO AMC is looking forward to launch ABN AMRO Sustainable Development Fund. The 3-year close-ended scheme would invest in socially responsible companies which focus on sustainable development.
- JM Mutual Fund is coming up with JM Equity Tax Saver Fund. The ELSS would offer tax benefits u/s 80C of the Income Tax Act, 1961.

Top weekly performers-NFOs*



* *Weekly return in % as on Dec 22, 06* *Datasource:* MFI Explorer

Note: *Funds launched since Jan 05 have been considered.*

Performance analysis of equity NFOs (quarter-wise) as on Dec 22, 2006

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Crores) as on Nov. 30 '06	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Birla Long-term Adv	7-Aug-06	10.59	437.74	5.90	-1.40	10,590.00	10,590.00
2	Tata Capital Builder	18-Jul-06	10.79	285.40	7.86	1.14	10,785.50	10,785.50
Abs. returns for New Funds released Between Jul 06 to Sep 06					**6.71**	**-4.28**	**10672.1**	**10672.1**
1	UTI Spread Fund	9-Jun-06	10.35	297.37	3.46	0.18	10,346.20	10,346.20
2	Tata Equity Managmt.	15-May-06	11.09	425.11	10.93	0.15	11,092.90	11,092.90
3	Stanchart Enterprise	19-Apr-06	11.27	1665.57	12.75	1.33	11,274.60	11,274.60
Abs. returns for New Funds released Between Apr 06 to Jun 06					**9.05**	**0.55**	**32,713.70**	**32,713.70**
1	Fidelity Special Sit.	28-Mar-06	12.48	2050.78	24.78	-0.42	12,478.00	12,203.42
2	Templeton India Equ.	22-Mar-06	11.6	1853.19	16	0.87	11,600.00	11,344.74
3	Sundaram Rural India	20-Mar-06	11.61	1023.97	16.08	-0.17	11,608.40	11,352.96
4	ABN AMRO Future	13-Mar-06	10.21	447.75	2.05	-2.13	10,205.00	10,205.00
5	Pru ICICI Fusion	27-Feb-06	11.98	699.60	19.8	-0.17	11,980.00	11,980.00
6	DWS Tax Saving	22-Feb-06	10.49	34.49	4.92	-0.94	10,491.60	10,260.73
7	Kotak Lifestyle	22-Feb-06	11.24	424.25	12.41	-0.55	11,241.00	11,241.00
8	UTI Contra	22-Feb-06	9.61	839.53	-3.9	-1.13	9,610.00	9,610.00
9	Tata Tax Advantage	20-Feb-06	10.12	138.13	1.21	-0.8	10,120.90	9,922.45
10	JM HI FI	20-Feb-06	10.9	55.48	9	-0.27	10,900.00	10,660.15
11	Sahara Infrastruct-FP	15-Feb-06	10.87	16.62	8.67	-0.15	10,867.40	10,867.40
12	Sahara Infrastruct-VP	15-Feb-06	10.91	16.62	9.15	-0.14	10,914.70	10,914.70
13	Chola Contra	14-Feb-06	11.41	82.27	14.1	-0.26	11,410.00	11,158.92
14	Quantum Long Term	8-Feb-06	11.49	29.23	14.9	0.44	11,490.00	11,490.00
15	Principal Infra. &	7-Feb-06	11.32	331.61	13.2	-1.22	11,320.00	11,070.90
16	Baroda Global Fund	6-Feb-06	11.47	25.28	14.7	-0.17	11,470.00	11,217.60
17	Reliance Equity	6-Feb-06	10.82	5105.87	8.2	-0.92	10,820.00	10,581.91
18	Birla Infrastructure	31-Jan-06	11.77	526.64	17.7	-1.59	11,770.00	11,511.00
19	Fidelity Tax Advantage	31-Jan-06	11.98	646.02	19.77	-1.06	11,977.00	11,713.45
20	SC Imperial Equity	30-Jan-06	11.61	277.67	16.11	-1.69	11,610.90	11,355.40
21	UTI Leadership Equity	30-Jan-06	12	1123.79	20	-1.96	12,000.00	12,000.00
22	ING Vysya A.T.M. Fund	27-Jan-06	10.48	51.18	4.8	-0.95	10,480.00	10,249.39
23	HDFC Long Term	27-Jan-06	11.25	1652.87	12.48	-0.19	11,248.00	11,248.00
24	HSBC Advantage India	27-Jan-06	12.53	1439.37	25.33	-1.53	12,532.70	12,256.92
25	SBI Magnum Bluechip	20-Jan-06	11.4	2363.37	14	-0.87	11,400.00	11,400.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					**12.62**	**-0.72**	**281,545.60**	**277,816.06**
1	Franklin India Smaller	14-Dec-05	10.6	1427.16	6	-0.93	10,600.00	10,600.00
2	ING Vysya L.I.O.N.	9-Dec-05	12.06	126.38	20.6	-1.07	12,060.00	12,060.00
3	ABN Amro Tax	30-Nov-05	13.46	152.51	34.62	-2.24	13,462.00	13,462.00
4	Pru ICICI Services	18-Nov-05	14.9	392.81	49	3.83	14,900.00	14,572.13
5	CanInfrastructure	9-Nov-05	13.69	97.40	36.9	-1.01	13,690.00	13,690.00
6	Kotak Tax Saver	28-Oct-05	13.71	157.85	37.1	-0.28	13,710.00	13,408.31
7	Chola Tax Saver	26-Oct-05	13.47	33.34	34.7	0	13.470.00	13.173.59
8	Principal Large Cap	19-Oct-05	16.66	276.63	66.6	-0.72	16,660.00	16,293.40
9	ING Vysya Dividend	6-Oct-05	10.97	63.53	9.7	1.11	10,970.00	10,970.00
Abs.returns for New Funds released Between Oct 05 and Dec 05					**32.8**	**-0.15**	**119,522.00**	**118,229.43**

Note: Current value shows the latest market value of an investment of Rs.10,000 in each NFO.

For more information on MUTUAL FUNDS call 1800 4258283 or contact your nearest Karvy branch.

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