# Fund - O -Meter -- Weekly

A Weekly Report on Mutual Funds

KARVY the Finapolis
Your Personal Finance Advisor

PF/ MFW /11122006/085 | Dec 4, 2006 to Dec 8, 2006

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## Highlights

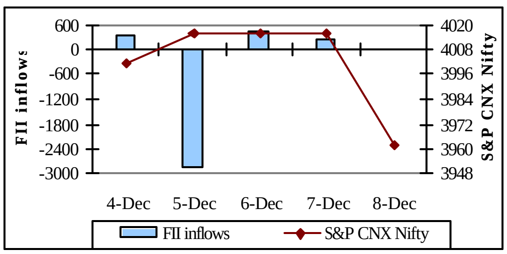
- ♦ **Markets slip in the negative territory**
- ♦ **Fed rate decision & FII inflows - watching factors**
- ♦ **Bond yields decline**
- ♦ **Income tax advance outflows to put pressure on the liquidity**

## The week in retrospect-Equities

The markets ended the week on a negative note on the back of weak global markets. Sensex dipped by 0.33% to settle at 13799.49 and Nifty went down by 0.89% to close at 3962. With the global bourses remaining positive during the past feSw weeks, profit booking and expectations of weak U.S. jobs data caused major global markets to end low on Thursday. The negative sentiments were further boosted by the ECB rate hike by 25 basis points to 3.5% by ECB on Friday. The week also witnessed an increase in crude oil prices ($63.19 per barrel) on account of attack on the Nigerian oil export station by a militant group and on due to speculations that OPEC might cut output as demand peaks. Tracking the global trend, domestic markets went into the red territory on Friday.

On the sectoral front too, majority of the sectoral indices ended on a negative note. Sugar stocks gained on speculations that export bans might be lifted shortly. The scrips' gains were further supported by the reports that Indonesia would buy 2 lakh tones by March 07. Tata Steel rose by 2.31% after the news of its equal shipping joint venture with Japan's Nippon Yasen Kabushiki Kaisha. On reports that Reliance Communications is into expansion mode, its shares increased by 0.87%. During the week, FIIs turned out as net sellers in the equity market, amounting to Rs. 1777.2 crores. Mutual funds also emerged as net sellers in equities amounting to Rs. 79.53 crores.

## FII movement relative to Nifty



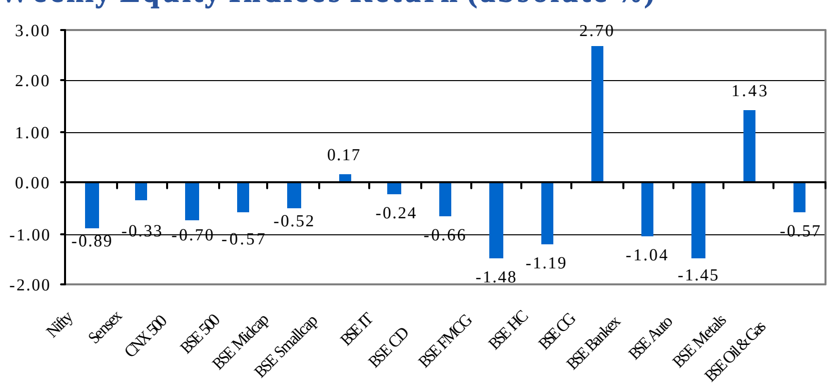

FII inflows in Rs. Crores *Source:* NSE, SEBI

## Weekly FII transactions (equities)

| | Dec 4 to Dec 8 | Nov 27 to Dec 1 |
|---|---|---|
| Gross purchases | 10759.1 | 14518.5 |
| Gross sales | 12536.3 | 13258.6 |
| Net inflows | -1777.2 | 1259.9 |

*Amt in Rs. crores* *Data source:* SEBI

## Weekly Equity Indices Return (absolute %)




*As on Dec 8* *Datasource:* BSE, NSE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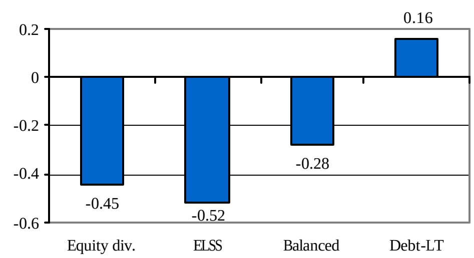
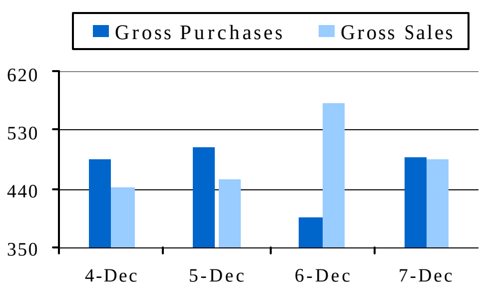
## Weekly category returns (%)




*Abs. returns as on Dec 8 Datasource: Bloomberg*

## Weekly MF transactions (equities)




*Amt in Rs. crores* *Data source: SEBI*

Mutual funds emerged as net sellers in the equity market to the tune of Rs. 79.53 crores.

## Outlook:

**Short-term**: Since markets are at their all-time highs, volatility is likely to be exhibited on account of profit booking. Markets are expected to take cue from the global markets. All eyes are set on the upcoming FOMC meet on Dec 12. A rate cut would act as a positive trigger for the markets. Further, FII inflows would also determine the market direction in the near future. Crude oil prices are likely to remain a concern and any sharp increase in the same would cause negative sentiments to prevail in the markets.

**Long-term:** In the Jul-Sept quarter, economy registered a growth of 9.2% from a year earlier. Manufacturing sector has registered a growth of 12.1% during the period Apr-Sept 2006, as compared to 9.5% during the same period last year. On the back of this, industrial growth has exceeded 10% for the first time in last 10 years. High infrastructure sector output growth of 9.9% in Sept, 06 and the revised economic growth rate to 8% keeps the bullish story intact. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to keep this growth going. FDI inflows have surged a record 92% in April-July 2006-07.

| Recommended schemes to invest | | Historical returns as on Dec 8 (%) | | | Crisil Ranking |
|---|---|---|---|---|---|
| | | 6 months | 1 year | 3 year | |
| **Aggressive (Equity)** | DSP ML Opportunities | 47.33 | 51.55 | 47.67 | 1 |
| | Tata Infrastructure | 53.72 | 66.96 | N.A. | - |
| | Reliance Growth | 46.90 | 45.16 | 55.33 | 1 |
| | Sundaram Select Midcap | 31.82 | 67.17 | 57.13 | 1 |
| **Moderate (Equity)** | Fidelity Equity | 50.50 | 49.01 | N.A. | - |
| | HDFC Equity | 42.58 | 42.07 | 46.04 | 2 |
| | Reliance Equity | 35.80 | N.A. | N.A. | - |
| | SBI Magnum Contra | 43.66 | 52.07 | 69.46 | 1 |
| **Conservative (Equity)** | DSP ML Top 100 | 46.93 | 53.81 | 43.52 | 3 |
| | Sundaram IndiaLeader. | 40.19 | 45.80 | N.A. | 2 |
| | Franklin India Bluechip | 46.15 | 50.53 | 43.19 | 3 |
| | Templeton India Eq. Inc. | N.A. | N.A. | N.A. | - |
| **ELSS** | Franklin India Taxshield | 35.48 | 34.51 | 41.89 | 3 |
| | HDFC Taxsaver | 43.82 | 38.01 | 58.87 | 2 |
| | SBI Magnum Tax Gain | 51.24 | 44.07 | 70.57 | 1 |
| **Balanced** | DSP ML Balanced | 32.46 | 37.27 | 32.35 | 3 |
| | HDFC Prudence | 38.13 | 35.34 | 38.49 | 1 |
| | Kotak Balance | 24.26 | 35.00 | 36.47 | 2 |

*Datasource: MFI Explorer*

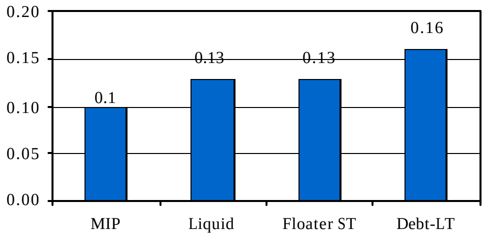
*Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.*

## Recommendations

**For existing holdings:** With market at their all-time high levels and trading at not-so-cheap valuations, investors whose remaining holding period expires immediately (upto 6 months) could consider partial profit booking. These monies can be invested in liquid funds to earn returns on the surplus cash. However, as the overall outlook for the Indian economy remains 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.

**For fresh investments:** Making fresh investments could be risky if the investment duration is short-term. Investors willing to make lump sump investments should exercise caution if their outlook is not more than one year.

## Weekly category returns (%)

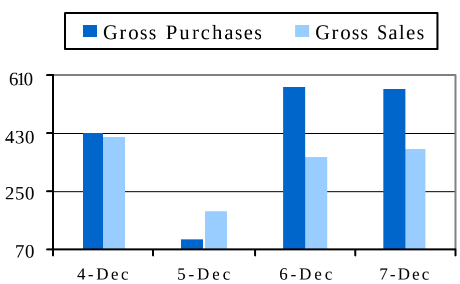



*Abs. returns as on Dec 8 Data source: Bloomberg*

## Key statistics

| | Dec 8 | Dec 1 |
|---|---|---|
| 7.59% GOI 2016 yield | 7.39% | 7.42 % |
| Call rate | 6.20% | 6.20 % |
| WPI inflation (week ending Nov. 25 and Nov. 18) | 5.30% | 5.45 % |
| Dollar exchange rate | 44.73 | 44.66 |
| Forex reserves ($ bn) | $175.49 (Dec 1) | 172.78 (Nov 24) |

## 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. 335.04 crores.

## The week in retrospect-Debt

Lower than expected inflation and good demand for the auction removed the apprehensions of tightening cash Resultantly, the 10-year g-sec yield eased to 7.39% from the last week's level of 7.42%. The week started on a positive note as Indian bonds tracked US treasuries gains and overall sentiment in the market remained easy on account of surplus lying with the banks. However, bond yield started hardening as concerns of upcoming bond auctions started to weigh the sentiments and cautious trading was witnessed until the auction. Wholesale price inflation closed at 5.30%, 15 basis points lower than the last week's level. At the Rs. 90 billion auction, bids made by the market participants were more than double the auction size.

On the forex front, rupee declined against the dollar as central bank continued to intervene with state banks selling rupees. Also, due to the nervousness ahead of the US non-farm payroll data, many traders closed their positions by selling rupees. Forex reserves touched a record level of $175.49 bn for the week ending Dec 8 from $172.78 bn the previous week. They have swollen more than $8 bn since late October and heavy dollar purchases by state run banks could be a major cause of this.

## Outlook:

**Short-term:** Liquidity is expected to tighten on account of advance tax outflows from the system by mid-December to the tune of Rs. 300 bn. Therefore, call rates are also expected to rise in the coming week.

**Long-term:** Though the latest inflation figures seem to reduce concern on inflation, credit growth and money growth could be a major cause of concern for the central bank. As on Nov 24, the year-on-year growth in non-food credit stood at 30.15% on the base of 31.1% a year ago. Also, money supply (M3) grew by 19.4%, compared to 17.3% a year ago. Adding to this, healthy GDP growth numbers are the parameters that could make the central bank hike interest rates.

| Recommended schemes to invest | | Return as on Dec 8 (%) | | | Expense ratio | Crisil ranking* |
|---|---|---|---|---|---|---|
| | | 1 m (abs) | 3 m (abs) | 1 yr. | | |
| **Floaters** | JM Floater ST | 0.57 | 1.73 | 6.52 | 0.45 | 3 |
| | Reliance Floating Rate | 0.59 | 1.79 | 6.55 | 0.55 | - |
| **Liquid** | HDFC Cash Mgt -Savings | 0.59 | 1.78 | 6.61 | 0.34 | 1 |
| | Birla Cash Plus-Retail | 0.56 | 1.69 | 6.43 | 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. Other investors 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 total AUM of MF industry increased by 9.45% from Rs.309953.04 Crores to 339232.46 Crores in November, 2006. However in November 2006, mutual funds have been net sellers in equity to the tune of Rs 24.73 crores.
- Mr R. Rajagopal has been named as the Head Equities of DBS Chola MF. He will be responsible for managing the DBS Chola Equity Funds. Prior to joining DBS Chola MF, Mr Rajagopal was the Vice President (Equity Investment) at IDBI Capital Market in Mumbai.
- Texas Pacific Group (TPG), the global private-equity fund, which manages around $20 billion, has appointed former Intel Capital MD Varun Kapur to lead its investments in India effective this week.

## NFO Corner

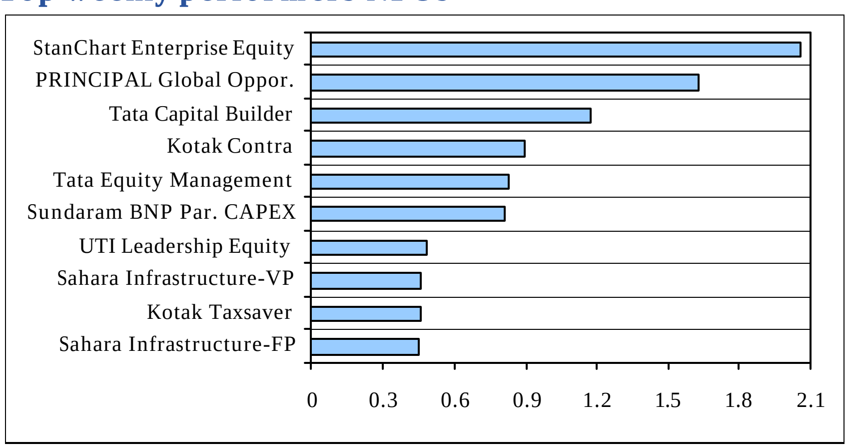
**NFOs open for subscription:**

- HSBC has launched HSBC Tax Saver Equity Fund, which is available for subscription till Dec 15, 2006.
- Optimix has launched Optimix Dynamic MM FoF (Series II) which is open for subscription till Dec 20, 2006. It has also launched Optimix 5 Star Multi-Manager FoF scheme. The equity FoF is open for subscription till Dec 22, 2006.
- DSP ML has launched DSP ML ELSS. The tax saving fund will be open for subscription till Dec 21, 2006.
- LIC MF has launched LIC MF India Vision Fund, which will be open for subscription till Dec 22, 2006.
- SBI MF has launched SBI One India Fund. The 3-year close ended equity diversified fund will be available for subscription till Dec 22, 2006.
- Canbank MF has launched Can Multicap, a diversified equity fund. It will be available for subscription till Jan 4, 2007.

**Forthcoming New Fund Offers:**

- UTI is looking forward to launch UTI Global Navigator Fund. The fund would be a 5-year close-ended scheme which would invest in stocks of companies comprising the MSCI All Country World Index.
- Tata MF is also coming up with Tata Capital Safety Fund. The fund would offer two plans viz. Scheme A (42 months close-ended) and Scheme B (66 months close-ended).
- HSBC AMC is also planning to launch HSBC Capital Protection Series 1 (3-year plan) and Series 2 (5-year plan).
- JM Fund House is coming up with JM Equity Taxsaver Fund, which would invest in equities and offer tax benefit under the Income Tax Act 1961.
- Lotus India AMC is planning to launch Lotus India Midcap Fund and Lotus India Arbitrage Fund.

## Top weekly performers-NFOs*




* *Weekly return as on Dec 8, 06* *Datasource:* MFI Explorer

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

# Performance analysis of equity NFOs (quarter-wise) as on Dec 8, 2006

| S.No. | Scheme | Issue Date | Current Nav (Rs.) | Corpus Size (Rs. Crores) as on Oct. 31 '06 | Absolute Return(%) | | Current Value(Rs.) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Since Launch | Weekly | Before Load | After Load |
| 1 | Birla Long-term | 7-Aug-06 | 10.98 | 420.25 | 9.80 | 1.01 | 10,980.00 | 10,980.00 |
| 2 | Tata Capital Builder | 18-Jul-06 | 11.33 | 272.96 | 13.26 | 1.17 | 11,325.70 | 11,325.70 |
| **Abs. returns for New Funds released Between Jul 06 to Sep 06** | | | | | **11.53** | **1.09** | **22,305.70** | **22,305.70** |
| 1 | UTI Spread Fund | 9-Jun-06 | 10.32 | 293.58 | 3.19 | 0.37 | 10,318.90 | 10,318.90 |
| 2 | Tata Equity | 15-May-06 | 11.35 | 425.33 | 13.47 | 0.83 | 11,346.60 | 11,346.60 |
| 3 | Stanchart Enterprise | 19-Apr-06 | 11.85 | 1573.51 | 18.5 | 2.05 | 11,850.20 | 11,850.20 |
| **Abs. returns for New Funds released Between Apr 06 to Jun 06** | | | | | **11.72** | **1.08** | **33,515.70** | **33,515.70** |
| 1 | Fidelity Special Sit. | 28-Mar-06 | 12.78 | 2035.84 | 27.78 | -0.85 | 12,778.00 | 12,496.82 |
| 2 | Templeton India | 22-Mar-06 | 11.59 | 1953.72 | 15.9 | 0 | 11,590.00 | 11,334.96 |
| 3 | Sundaram Rural | 20-Mar-06 | 11.81 | 1212.16 | 18.1 | -0.38 | 11,809.50 | 11,549.63 |
| 4 | ABN AMRO Future | 13-Mar-06 | 10.49 | 518.62 | 4.85 | 0.21 | 10,485.00 | 10,485.00 |
| 5 | Pru ICICI Fusion | 27-Feb-06 | 12.11 | 650.98 | 21.1 | -0.9 | 12,110.00 | 12,110.00 |
| 6 | DWS Tax Saving | 22-Feb-06 | 10.78 | 32.61 | 7.75 | -0.74 | 10,775.40 | 10,538.29 |
| 7 | Kotak Lifestyle | 22-Feb-06 | 11.4 | 490.88 | 14 | -0.71 | 11,400.00 | 11,400.00 |
| 8 | UTI Contra | 22-Feb-06 | 9.97 | 856.61 | -0.3 | -0.3 | 9,970.00 | 9,970.00 |
| 9 | Tata Tax Advantage | 20-Feb-06 | 10.33 | 135.59 | 3.26 | -0.29 | 10,326.10 | 10,123.63 |
| 10 | JM HI FI | 20-Feb-06 | 11.1 | 62.03 | 11 | -1.42 | 11,100.00 | 10,855.75 |
| 11 | Sahara Infrastruct- | 15-Feb-06 | 11.03 | 25.48 | 10.34 | 0.45 | 11,033.80 | 11,033.80 |
| 12 | Sahara Infrastruct- | 15-Feb-06 | 11.08 | 25.48 | 10.79 | 0.46 | 11,078.90 | 11,078.90 |
| 13 | Chola Contra | 14-Feb-06 | 11.53 | 81.60 | 15.3 | -2.62 | 11,530.00 | 11,276.28 |
| 14 | Quantum Long Term | 8-Feb-06 | 11.73 | 28.41 | 17.3 | -1.18 | 11,730.00 | 11,730.00 |
| 15 | Principal Infra. & | 7-Feb-06 | 11.73 | 357.44 | 17.3 | -0.26 | 11,730.00 | 11,471.88 |
| 16 | Baroda Global Fund | 6-Feb-06 | 11.57 | 30.25 | 15.7 | -0.52 | 11,570.00 | 11,315.40 |
| 17 | Reliance Equity | 6-Feb-06 | 11.08 | 5270.00 | 10.8 | 0.18 | 11,080.00 | 10,836.19 |
| 18 | Birla Infrastructure | 31-Jan-06 | 12.15 | 533.53 | 21.5 | -0.49 | 12,150.00 | 11,882.64 |
| 19 | Fidelity Tax | 31-Jan-06 | 12.27 | 604.58 | 22.7 | -0.33 | 12,270.00 | 12,000.00 |
| 20 | SC Imperial Equity | 30-Jan-06 | 12.12 | 300.93 | 21.16 | 1.9 | 12,115.80 | 11,849.19 |
| 21 | UTI Leadership | 30-Jan-06 | 12.44 | 1121.80 | 24.4 | 0.48 | 12,440.00 | 12,440.00 |
| 22 | ING Vysya A.T.M. | 27-Jan-06 | 10.76 | 64.47 | 7.6 | -1.47 | 10,760.00 | 10,523.23 |
| 23 | HDFC Long Term | 27-Jan-06 | 11.53 | 1597.09 | 15.33 | -1.04 | 11,533.00 | 11,533.00 |
| 24 | HSBC Advantage | 27-Jan-06 | 12.91 | 1429.97 | 29.08 | -0.16 | 12,907.90 | 12,623.86 |
| 25 | SBI Magnum | 20-Jan-06 | 11.74 | 2437.31 | 17.4 | -0.84 | 11,740.00 | 11,740.00 |
| **Abs. returns for New Funds released Between Jan 06 and Mar 06** | | | | | **15.21** | **-0.43** | **288,013.40** | **284,198.46** |
| 1 | Franklin India | 14-Dec-05 | 10.91 | 1390.53 | 9.1 | -0.55 | 10,910.00 | 10,910.00 |
| 2 | ING Vysya L.I.O.N. | 9-Dec-05 | 12.45 | 129.11 | 24.5 | -0.56 | 12,450.00 | 12,450.00 |
| 3 | ABN Amro Tax | 30-Nov-05 | 13.91 | 140.71 | 39.1 | 0.36 | 13,910.00 | 13,910.00 |
| 4 | Pru ICICI Services | 18-Nov-05 | 14.36 | 367.28 | 43.6 | -0.49 | 14,360.00 | 14,044.01 |
| 5 | CanInfrastructure | 9-Nov-05 | 14.25 | 103.07 | 42.5 | 2.52 | 14,250.00 | 14,250.00 |
| 6 | Kotak Tax Saver | 28-Oct-05 | 13.91 | 145.98 | 39.05 | 0.46 | 13,905.00 | 13,599.02 |
| 7 | Chola Tax Saver | 26-Oct-05 | 13.56 | 31.04 | 35.6 | -1.81 | 13,560.00 | 13,261.61 |
| 8 | Principal Large Cap | 19-Oct-05 | 17.1 | 294.46 | 71 | -0.87 | 17,100.00 | 16,723.72 |
| 9 | ING Vysya Dividend | 6-Oct-05 | 11.03 | 84.30 | 10.3 | -1.08 | 11,030.00 | 11,030.00 |
| **Abs.returns for New Funds released Between Oct 05 and Dec 05** | | | | | **34.97** | **-0.22** | **121,475.00** | **120,178.36** |

***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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