Fund - O -Meter -- Weekly

A Weekly Report on Mutual Funds

KARVY the Finapolis
Your Personal Finance Advisor

PF/MFW/19022007/139 **Feb 12, 2007 to Feb 16, 2007**

CONTENTS

Highlights

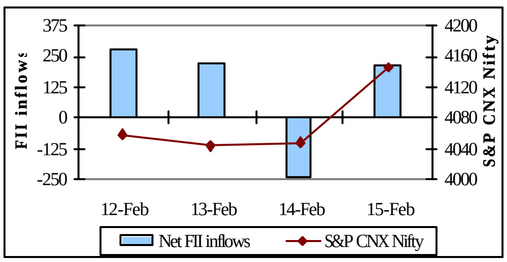
- **Markets ended the week on a negative note**
- **Markets may remain low**
- **50 bps CRR hike– inflation at 6.73%**
- **All eyes set on Union Budget-07**

The week in retrospect-Equities

The markets remained weak throughout the week on account of worries over rising inflation and a surprise 50 bps CRR hike in the mid-week. Sensex dropped by 1.26% to close at 14355.55 and Nifty declined by 0.98% to settle at 4146.40. On Tuesday, RBI announced a two-phased hike in CRR to 6% from current 5.5%. The first leg of 25 bps hike took place on Feb 17 and the second phase is due on Mar, 3. The government increased the CRR as a measure to curb the rising inflation. However, on Thursday, the bourses shrugged off inflationary concerns and recovered some losses as it responded strongly to the Idea Cellular IPO. High volatility was also witnessed during the week due to short coverings ahead of the expiry of Feb, 07 derivatives contracts on Feb 22, 07. On Wednesday, BSE sold 5% stake to Deutsche Borse, Germany's stock exchange. On the sectoral front, major sectoral indices were in the red during the week. BSE Bankex registered the sharpest drop of 4.99% on account of the CRR hike. The hike would result in lower lending capacities of banks. Infosys gained by 0.85% on news that the company is exploring acquisition options for BPO companies in Europe. BSE Oil & Gas advanced by 1.11% as ONGC climbed 2.25% on reports of its talks with Brazil's Petrobas for sharing stakes in their respective oil & gas blocks.

During the week, FIIs emerged as net buyers in the equity market, amounting to a Rs. 464.2 crores. Mutual funds, on the other hand turned out as net sellers to the tune of Rs. 845.65 crores.

FII movement relative to Nifty



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

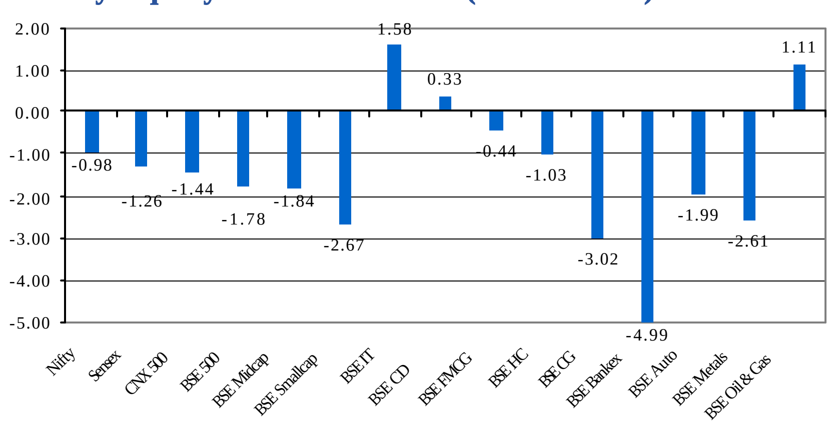
Weekly FII transactions (equities)

	Feb 12 to Feb 15*	Feb 5 to Feb 9
Gross purchases	10247.8	14470.8
Gross sales	9783.6	11560.9
Net inflows	464.2	2909.9

Amt in Rs. crores *Data source:* SEBI

* Markets were closed on Feb 16.

Weekly Equity Indices Return (absolute %)



As on Feb 15 *Datasource:* BSE, NSE

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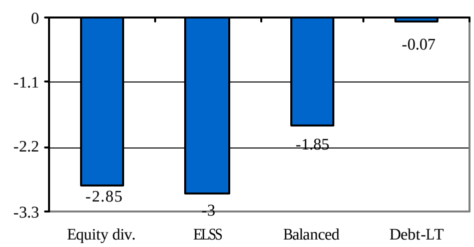
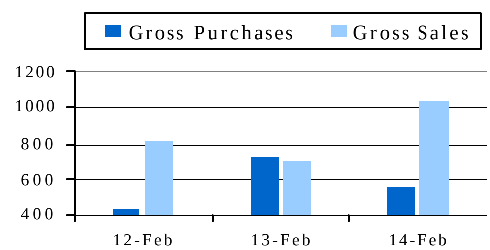
Weekly category returns (%)



Abs. returns as on Feb 15 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores *Data source: SEBI*

In the equity market, mutual funds emerged as net sellers to the tune of Rs. 845.65 crores.

Outlook:

Short-term: The coming week may witness volatility on account of expiry of Feb, 06 derivatives contracts and certain global events. Bank of Japan will hold its meeting on Feb 21 to decide on its interest rate. With expectations of a 25 bps hike, foreign inflows from Japan may tighten for the short-term. Concerns over rising inflation may keep the market mood subdued. With the government cutting the retail price of petrol & diesel by Rs. 2/litre and Rs. 1/litre, profitability of oil companies may be impacted. Announcement of the Union Budget is the crucial upcoming event which the markets are awaiting. HLL, Blue Dart Express, SKF India, Clariant Chemicals, Wockhardt, Astrazeneca, Gujarat Gas Company etc. are some of the companies that will come out with their Dec quarter results in the forthcoming week.

Long-term: Rising industrial output in Dec, 06 (11.1%) is backed by high manufacturing output (11.9%), tremendous growth in capital goods production (20.2%) and decent growth in consumer goods output (7.4%). CSO has revised the GDP growth estimates for 2005-06 from 8.4% to 9%. With markets backed by strong economic fundamentals, long-term story remains bullish. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to support this growth.

Recommended schemes to invest		Historical returns as on Feb 15 (%)			Crisil Ranking
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	25.00	33.68	40.18	1
	Tata Infrastructure	26.63	40.87	N.A.	-
	Reliance Growth	30.52	33.95	52.89	1
	Sund. BNP Par. Sel. Mid.	20.58	42.14	57.32	1
Moderate (Equity)	Fidelity Equity	31.70	38.60	N.A.	-
	HDFC Top 200	22.28	31.01	38.87	2
	Reliance Equity	17.38	N.A.	N.A.	-
	SBI Magnum Contra	26.33	40.75	61.82	2
Conservative (Equity)	DSP ML Top 100	27.07	38.27	36.88	3
	Sund. BNP Par.Ind. Lead.	24.89	24.03	N.A.	2
	Franklin India Bluechip	26.11	34.90	35.38	4
	Templeton India Eq. Inc.	27.48	N.A.	N.A.	-
ELSS	Franklin India Taxshield	21.72	20.29	36.15	4
	Fidelity Tax Advantage	27.31	N.A.	N.A.	-
	SBI Magnum Tax Gain	30.80	39.87	66.60	1
Balanced	DSP ML Balanced	18.37	23.89	28.48	3
	HDFC Prudence	21.20	30.28	35.14	1
	FT India Balanced	21.53	29.29	26.25	3

*For qtr end Dec 06 *Datasource: Bloomberg*

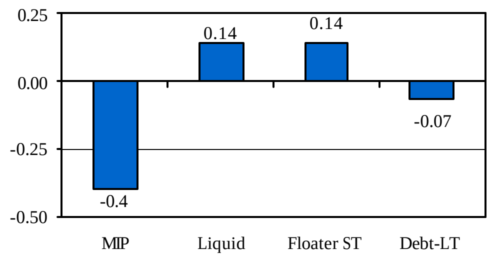
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Short-term investors: Investors wishing to invest for a period of 1-2 years could invest in derivatives funds and equity diversified funds. Investors wishing to redeem could do it partially, if required returns have already been made.

Long-term investors SIP investments in equity diversified funds, contra funds and internationally diversified funds are good options. Investors willing to give an aggressive touch to their portfolio could look at opportunities funds, thematic funds and midcap funds for a period of 3-5 years.

Weekly category returns (%)

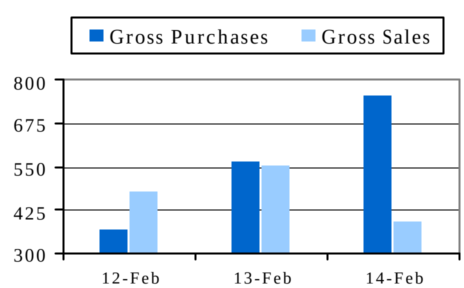


Abs. returns as on Feb 15 *Data source: Bloomberg*

Key statistics

	Feb 16	Feb 9
7.59% GOI 2016 yield	8.02%	7.81%
Call rate	6.6%	6.5%
WPI inflation (week ending Feb 3 and Jan. 27)	6.73%	6.58%
Dollar exchange rate	44.11	44.12
Forex reserves ($ bn)	185.078 (Feb 9)	180.047 (Feb 2)

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. 265.53 crores.

The week in retrospect-Debt

The bond yields went down after the cut in petrol and diesel prices to curb the inflation pressure. The inflation touched its two-year high of 6.73% during last week. Non-vegetarian items and certain manufactured products have pushed the prices up. The 10-year benchmark yield closed at 8.02% as against 7.81% the previous week on the back of hike Cash Reserve Ratio. It was the second increase in CRR in two months as the central bank is trying to drain excess funds pumped into the banking system. It is expected to drain the funds up to Rs. 140 bn. Tight liquidity in the system led the call rates touch 6.6%. Rising demand for fuel in the US started putting pressure on oil prices. Crude oil closed at $58.27 (closed to psychological barrier $60) as oil refineries reduced the production of heating oil and switched to make gasoline to meet summer season demand.

On the forex front, India's forex reserves increased to $185.078 bn as on Feb 9 as compared to $180.047 bn level on Feb 2. Rupee appreciated due to weakness in dollar prices against yen. However, these gains were capped by central bank through its intervention in the currency market.

Outlook:

Short-term: Despite RBI's measure such as cutting import duty, monetary tightening the inflation figures are likely to remain above the 5.5% mark in the short-term, due to the base affect.

Long-term: Rising savings rate (32.4% for FY 05-06 against 31.1% a year ago) provide some comfort that the growth in the country is not highly funded by consumption and foreign inflows alone. Yet, rising inflation and credit remains a concern. RBI has clearly stated in the policy document that it may adopt all necessary measures swiftly according the requirement of evolving situations. This hawkish statement indicates a bias towards a rate hike if inflation and credit growth grows beyond desirable levels.

Recommended schemes to invest		Return as on Feb 15 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	Templeton Floating Rate ST	0.63	1.84	6.51	0.75	4
	Reliance Floating Rate	0.66	1.97	7.04	0.55	-
Liquid	LIC MF Liquid	0.66	2.00	7.31	0.53	2
	Canliquid Retail	0.63	1.84	6.94	0.23	-

*For qtr end Dec, 06 *Datasource: Bloomberg*

Recommendations:

Short-term investors: Very short-term investors should invest in liquid funds. For other investors for whom instant liquidity is not an issue, can invest in 3 month FMPs as the yields are quite attractive. Others having an investment outlook of more than 3 months can consider floaters (to keep investments liquid) and FMPs (fixed duration).

Long-term investors: Investors with a horizon of more than one year could consider FMPs (longer duration) in place of bank deposits as present yields on short-term papers are quite attractive. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

News Briefs

- JP Morgan & AIG got regulatory clearance from SEBI to start their asset management and mutual fund business in India.
- Pioneer Global Asset Management, part of Italian banking group Unicredito, will buy 51% stake in BOB Asset Management Ltd, a subsidiary of Bank of Baroda.
- SBI MF received the CRISIL-CNBC Award of "Mutual Fund of the Year". Magnum Global & Magnum Contra (along with Sundaram BNP Par. Select Midcap) won the awards for best funds in equity diversified category, Magnum Taxgain in ELSS, Magnum Balanced (along with HDFC Prudence) in balanced funds category and MSFU IT Fund in sector funds- IT sector.

NFO Corner

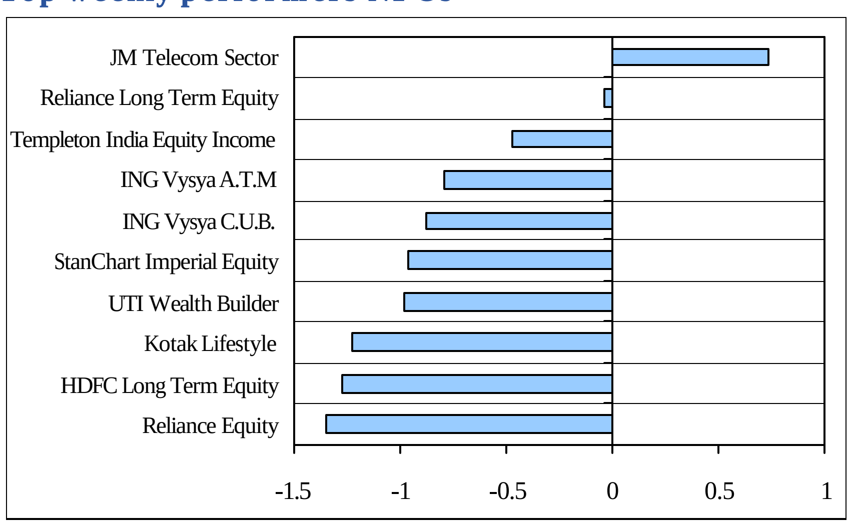
NFOs open for subscription:

- Principal PNB Long Term Equity Fund aims to invest predominantly in mid and small-cap companies. The offer is closing on Feb 21, 07.
- HSBC Mutual Fund has rolled out HSBC Unique Opportunities Fund. The 3-year close-ended equity fund will be available for subscription till Feb 22, 07.
- Benchmark AMC has launched its gold exchange traded fund- Gold BeES on Feb 15, 07. The NFO period will close on Feb 23, 07.
- Standard Chartered MF has launched Standard Chartered Tax Saver Fund. The 10-year ELSS will be open for subscription till Feb 23, 07.
- ABN Amro has launched ABN AMRO Multi-Manager Series 2B. The offer for the dynamic asset allocation FoF will close on Feb 28, 07.
- Tauras MF has launched Tauras INFRA-TIPS Fund. The open-ended thematic (infrastructure) fund is open for subscription till Mar 5, 07.
- Optimix has launched Optimix Retireinvest- Series I. This ELSS will be available for subscription till Mar 6, 07.
- UTI has launched UTI Long Term Advantage Fund. The fund is a 10-year close-ended ELSS, available for subscription till Mar 20, 07.
- JM Fund House has launched JM Equity Tax Saver Fund-Series I on Dec 28, 06. It will be available for subscription till Mar 29, 07.
- Kotak MF has come up with Kotak Emerging Equity Fund. The offer closes on Mar 12, 07.
- Lotus India AMC has launched Lotus India Midcap Fund and Lotus India Contra Fund. The NFO period for the funds closes on Mar 15, 07.

Forthcoming New Fund Offers:

- HDFC AMC is planning to launch HDFC Pearls of India Fund. The 5-year close-ended fund would invest in equity related securities of companies whose market capitalization is less than the median market capitalization of BSE 200 companies.

Top weekly performers-NFOs*



** Weekly return in % as on Feb 15, 07* *Datasource:* MFI Explorer

Note: *Funds launched since Jan 06 have been considered.*

Performance analysis of equity NFOs (quarter-wise) as on Feb 15, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Cr) as on Dec 31 '06	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Reliance Long-Term Equity	14-Nov-06	10.32	2122.96	3.16	-0.98	10,316.00	10,316.00
2	ING Vysya C.U.B. Fund	14-Nov-06	12.46	70.95	24.60	-2.66	12,460.00	12,460.00
3	JM Financial Sector	2-Nov-06	9.99	5.49	-0.1	-5.04	9,990.00	9,746.34
4	JM Telecom Sector	2-Nov-06	11.12	6.31	11.2	-1.16	11,120.00	10,848.78
Abs. returns for New Funds released Between Oct 06 to Dec 06					**9.72**	**-2.46**	**43886.00**	**43371.12**
1	DSPML Small & Midcap	29-Sep-06	10.58	1522.65	5.8	-3.08	10,580.00	10,347.19
2	UTI Wealth Builder	7-Sep-06	11.05	946.56	10.5	-2.3	11,050.00	11,050.00
3	Birla Long-term Adv.	7-Aug-06	11	425.93	10	-2.74	11,000.00	11,000.00
4	Tata Capital Builder	18-Jul-06	11.07	280.52	10.67	-4.6	11,066.80	11,066.80
Abs. returns for New Funds released Between Jul 06 to Sep 06					**9.24**	**-3.18**	**43,696.80**	**43,463.99**
1	Tata Equity Managmt.	15-May-06	11.07	421.43	10.7	-2.21	11,070.20	11,070.20
2	Stanchart Enterprise Equity	19-Apr-06	11.88	1683.13	18.78	-3.86	11,877.80	11,877.80
Abs. returns for New Funds released Between Apr 06 to Jun 06					**14.74**	**-3.04**	**22,948.00**	**22,948.00**
1	Fidelity Special Sit.	28-Mar-06	13.15	2073.93	31.47	-3.52	13,147.00	12,857.70
2	Templeton India Equ.	22-Mar-06	12.57	1860.96	25.7	-1.33	12,570.00	12,293.40
3	Sundaram Rural India	20-Mar-06	11.77	1006.79	17.66	-3.69	11,766.40	11,507.48
4	ABN AMRO Future Leaders	13-Mar-06	10.25	396.17	2.5	-5.44	10,250.00	10,250.00
5	Pru ICICI Fusion	27-Feb-06	12.51	709.72	25.1	-3.47	12,510.00	12,510.00
6	Kotak Lifestyle	22-Feb-06	12.43	384.86	24.31	-2.81	12,431.00	12,157.46
7	UTI Contra	22-Feb-06	9.77	801.15	-2.3	-2.59	9,770.00	9,770.00
8	JM HI FI	20-Feb-06	10.86	46.71	8.6	-4.65	10,860.00	10,621.03
9	Sahara Infrastruct-FP	15-Feb-06	11.31	17.80	13.11	-3.13	11,310.70	11,310.70
10	Sahara Infrastruct-VP	15-Feb-06	11.37	17.80	13.73	-3.12	11,372.70	11,372.70
11	Chola Contra	14-Feb-06	11.71	83.33	17.1	-3.14	11,710.00	11,452.32
12	Quantum Long Term Equity	8-Feb-06	12.45	29.70	24.5	-3.04	12,450.00	12,450.00
13	Principal Infra. & Services	7-Feb-06	11.99	306.29	19.9	-2.6	11,990.00	11,726.16
14	Baroda Global Fund	6-Feb-06	11.75	N.A.	17.5	-2	11,750.00	11,491.44
15	Reliance Equity	6-Feb-06	11.18	4987.97	11.8	-3.7	11,180.00	10,933.99
16	Birla Infrastructure	31-Jan-06	12.24	507.63	22.4	-3.24	12,240.00	11,970.66
17	SC Imperial Equity	30-Jan-06	12.5	267.92	25.01	-1.85	12,500.70	12,225.62
18	UTI Leadership Equity	30-Jan-06	12.83	1114.92	28.3	-2.43	12,830.00	12,830.00
19	ING Vysya A.T.M. Fund	27-Jan-06	11.25	36.89	12.5	-2.17	11,250.00	11,002.44
20	HDFC Long Term Equity	27-Jan-06	11.66	1655.55	16.57	-2.37	11,657.00	11,657.00
21	HSBC Advantage India	27-Jan-06	12.85	1401.05	28.54	-3.86	12,853.50	12,570.66
22	SBI Magnum Bluechip	20-Jan-06	11.65	2284.04	16.5	-3.08	11,650.00	11,650.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					**18.2**	**-3.06**	**260,049.00**	**256,610.77**

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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