Fund - O -Meter -- Weekly

A Weekly Report on Mutual Funds

KARVY the Finapolis
Your Personal Finance Advisor

PF/MFW/07042007/174 — **Apr 2, 2007 to Apr 6, 2007**

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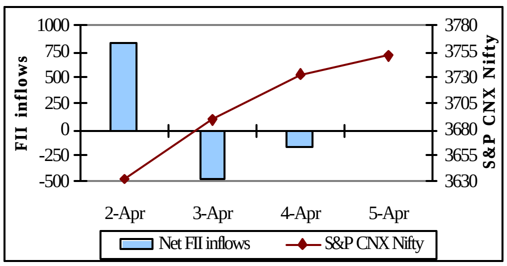
FII movement relative to Nifty



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

Weekly FII transactions (equities)

	Apr 2 to Apr 5	Mar 26 to Mar 30
Gross purchases	9638.8	12658.5
Gross sales	9443.6	11738.4
Net inflows	195.2	920.1

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

*** Markets were closed on Apr 6, 07**

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Highlights

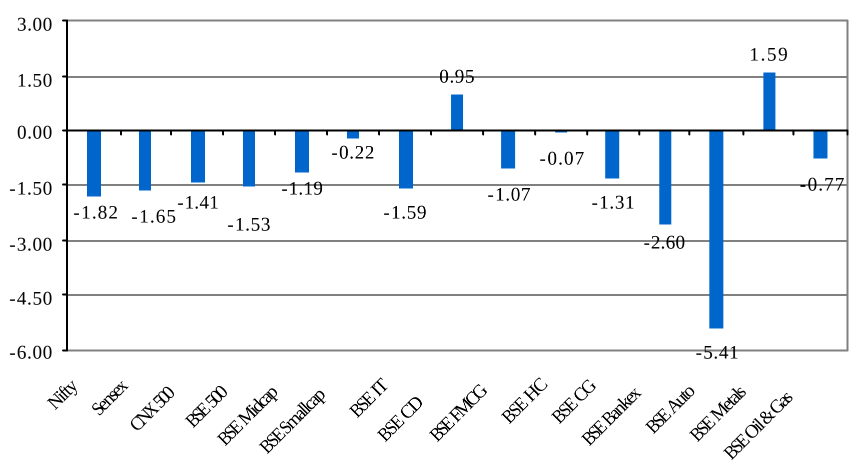
- **Markets dip on account of surprise CRR hike**
- **All eyes set on Mar' 07 corporate earnings**
- **Repo rate hiked to 7.75%, CRR to be 6.5% from Apr 28, 07**
- **Inflation data – a watching factor**

The week in retrospect-Equities

The markets remained weak on the back of the surprise announcement of CRR hike. Sensex lost 216.02 points to settle at 12856.08 and Nifty went down by 69.55 points during the week to close at 3752 mark. On Mar 30, 07 after trading hours, RBI announced a 50 bps hike in CRR to 6.5% in two phases of 25 bps each (the first phase being Apr 14, 07 while the second leg effective from Apr 28, 07). Triggered by this, the markets sank sharply on Monday. While Sensex dived by 4.72% on Monday, Nifty plunged by a hefty 4.92%. However, in the subsequent trading sessions, markets got some support from firm global markets and easing crude oil prices, which helped the markets to partially recover from the huge loss on Monday. While crude oil prices had surged above $68 per barrel on the back of Gulf conflict (Iran, world's fourth largest oil exporter captured 15 British navy personnel). However, after Iran released the navy personnel, tensions eased down and crude oil came down to around $64 per barrel as on Thursday. On the sectoral front, metal stocks jumped high tracking London Metal Exchange and took BSE Metals up by 1.59%. Followed by the CRR hike announcement, banking stocks declined taking BSE Bankex down by 2.6%. Tata Steel surged by 3.4% on the back of reports of its strong sales.

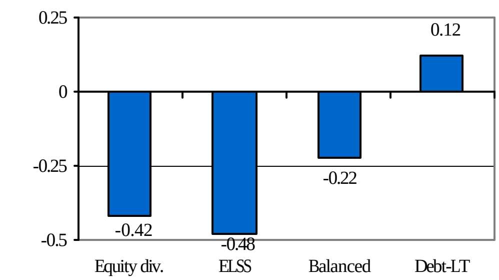
During the week, FIIs emerged as net buyers in the equity market, amounting to Rs. 195.2 crores. Mutual funds emerged as net sellers to the tune of Rs. 41.66 crores during the first two trading sessions.

Weekly Equity Indices Return (absolute %)



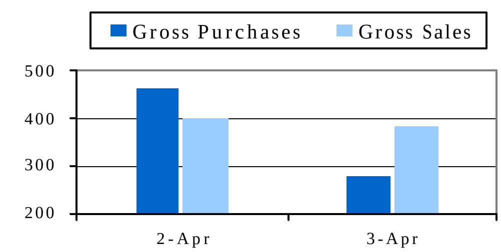
As on Apr 5 — *Datasource:* BSE, NSE

Weekly category returns (%)



Abs. returns as on Apr 5 *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. 41.66 crores during the first two trading sessions.

**Data for other trading days not available*

Outlook:

Short-term: Markets may take cue from a host of global and domestic factors. Global interest rates and crude oil prices may determine the direction of market movement. On the domestic side, inflation and Mar-07 quarterly earnings would act as major triggers. Higher advance tax outflows from the companies indicate towards robust earnings report. Although inflation for the week ending Mar 24 was 6.39% against 6.46% the previous week, it remains a cause of concern. Raj Television Network, Prism Cements, i-Gate Global Solutions, Mastek, Honeywell Automation India, Ballarpur Industries, Infosys and CMC would announce their Mar 07 quarterly results in the coming week.

Long-term: According to the finance ministry, per capita income in 2005-06 increased by 7.4%, savings rate is estimated at 32.4% and investment rate at 33.8%. 9.2% GDP growth for 2006-07 is estimated on the back of 2.7% growth in agriculture, 10% growth in industry and 11.2% growth in services sector. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to support the long-term bullish story.

Recommended schemes to invest		Historical returns as on Apr 5 (%)			Crisil Ranking*
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	3.90	1.94	34.98	1
	Tata Infrastructure	3.10	1.98	N.A.	-
	Reliance Growth	7.94	6.77	48.35	1
	DSP ML Small & Mid cap	N.A.	N.A.	N.A.	-
Moderate (Equity)	Fidelity Equity	10.59	9.71	N.A.	-
	Pru ICICI Dynamic	10.87	11.26	46.00	-
	Reliance Equity	1.40	5.43	N.A.	-
	Fidelity Ind. Special.	3.71	N.A.	N.A.	-
Conservative (Equity)	DSP ML Top 100	8.76	9.89	33.67	3
	HSBC Equity	6.07	4.84	32.31	3
	Franklin India Bluechip	2.90	3.81	29.84	4
	Templeton India Eq. Inc.	11.56	N.A.	N.A.	-
ELSS	Franklin India Taxshield	-0.43	-5.05	30.11	4
	Fidelity Tax Advantage	8.50	7.97	N.A.	-
	SBI Magnum Tax Gain	10.35	10.47	61.60	1
Balanced	DSP ML Balanced	5.11	5.26	25.69	3
	HDFC Prudence	5.09	12.38	32.63	1
	FT India Balanced	6.17	9.19	23.23	3

*For qtr end Dec 06 *Datasource: Bloomberg*

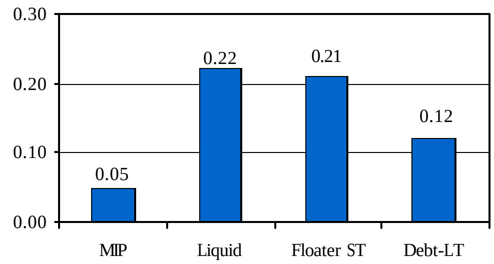
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: After witnessing significant amount of correction, some stocks (across sectors) are available at attractive valuations. The downside from the present levels seems limited. From this month, quarterly earnings results will start flowing in. On expectations of strong results, markets may climb further. Hence, it is an opportune time to invest, as the long-term outlook on the market remains bullish. Derivative funds can be considered for investors who wish to adopt a hedged style. Investors can also opt for GETFs to further diversify their portfolio.

Existing investments: We reiterate our long-term bullish view on the markets. Hence, we suggest continuing with the existing holdings. However, one needs to be particular about the schemes forming part of the portfolio.

Weekly category returns (%)

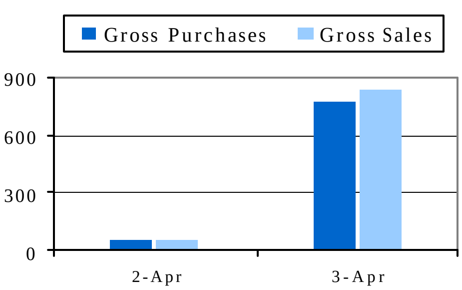


Abs. returns as on Apr 5 Data source: Bloomberg

Key statistics

	Apr 5	Mar 30
8.07% GOI 2017 yield	8.20%	8.04%
Call rate	7.25%	50%
WPI inflation (week ending Mar 24 and Mar 17)	6.39%	6.46%
Dollar exchange rate	42.93	43.47
Forex reserves ($ bn)	199.179 (Mar 30)	197.746 (Mar 23)

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.57.39 crores.

**Data for other trading days not available*

The week in retrospect-Debt

The bond market remained low as bond yields continued with their uptrend on the back of the surprise CRR hike and worries over tight cash conditions and high inflation. The benchmark 10-year g-sec yield ended at 8.20% on Apr 5, 07 as against 8.04% the previous week. After trading hours on Mar 30, RBI announced a surprise 50 bps CRR hike in two phases, the first being effective from Apr 14, and the second from Apr 28, 07 taking the CRR to 6.5%. A 25 bps hike in RBI's key lending rate also followed taking the repo rate to 7.75% leading bond yields to move up. Yields touched their 8-month high on Tuesday.

Inflation for the week ending Mar 24 declined to 6.39% from the earlier 6.46%. Although the figure is relatively low, the fact that it is higher than the market expectations (6.29%) keeps intact the concerns over high inflation. Rupee appreciated to 42.93 for the week ending Apr 5against the previous 43.67, reaching its 8-year high on the back of weak dollar against major currencies and expectations that RBI may not intervene in the immediate future.

Outlook:

Short-term: The CRR hike is expected to drain out Rs. 155 bn from the banking system. This would tighten the liquidity condition and the call rates may again witness an upsurge. Bond yields are also less likely to come down. Auction of federal bonds worth Rs. 100 bn between Apr 5-12, 07 would further add to rising bond yields and cash squeeze in the market. Inflation is likely to hover in the 5.5%-6.5% range due to high base effect counter inflation measures. On the back of need to control rising inflation and a 175 bps spread between the repo and reverse repo rate, a further hike in interest rates might follow in the coming future.

Long -term: With RBI adopting the route of monetary tightening to curb inflation, credit growth (currently at nearly 30%) is expected to come down to 22-25% in coming months. Tackling supply side inflation may help in bringing down the prices of primary articles. As rising inflation is expected to be controlled, yields may cool down in May-June.

Recommended schemes to invest		Return as on Apr 5 (%) 1 m	3 m	1 yr.	Expense ratio	Crisil ranking
Floaters	Temp. Floating Rate ST	0.88	2.10	7.07	0.75	4
	Reliance Floating Rate	0.95	2.23	7.60	0.55	-
Liquid	LIC MF Liquid	0.73	1.99	7.52	0.53	2
	Canliquid Retail	0.74	1.94	7.16	0.23	-

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

Recommendations:

Short-term investors: Very short-term investors who desire T+1 redemption should invest in liquid funds. Short-term floater funds are recommended(due to their tax efficiency) for investors who can go for T+2 redemption. For other investors for whom instant liquidity is not an issue, FMPs (shorter duration of 3 months to 6 months) can be considered as the yields are quite attractive.

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

- Reliance AMC has brought down its minimum investment amount in its Systematic Investment Plan (SIP) to just Rs 100 per month.
- Prudential ICICI AMC will now be called ICICI Prudential AMC w.e.f. Apr 2, 07; reflecting a change in shareholding pattern.
- DSP ML Fund House has introduced institutional plans under its four equity funds, i.e. DSP ML Equity, DSP ML Opportunities, DSP ML Top 100 Equity and DSP ML TIGER w.e.f. Apr 1, 07.

NFO Corner

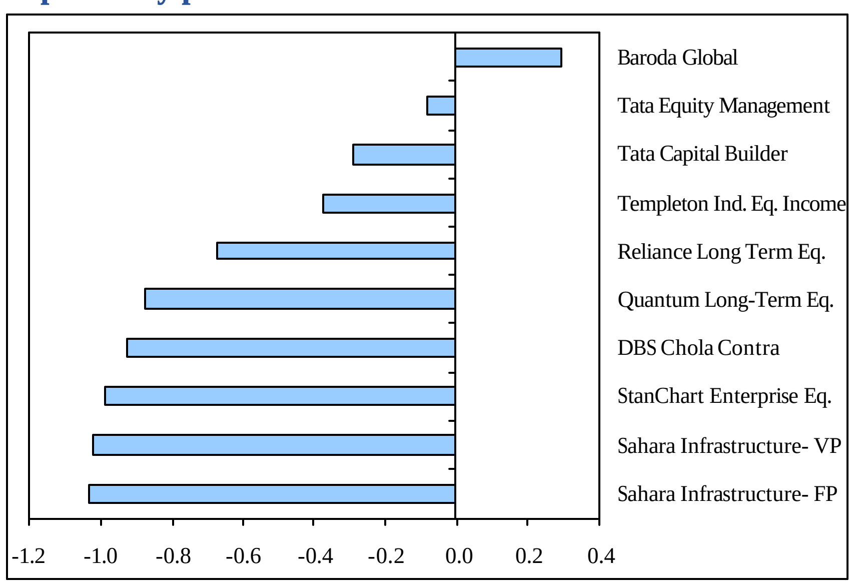
NFOs open for subscription:

- JM Fund House has launched JM Small and Midcap Fund on Mar 9, 07. The NFO period is closing on April 7, 07.

Forthcoming New Fund Offers:

- Birla Sunlife AMC is launching Birla Sunlife Long Term Advantage Fund – Series I. The scheme is a 3-year close-ended equity fund that would invest primarily in smallcap and midcap stocks. The NFO period starts on Apr 9, 07 and would close on May 11, 07.
- Fidelity AMC is coming up with Fidelity International Opportunities Fund which would invest in overseas markets.
- Tata MF is planning to launch Tata Gold Fund, a gold exchange traded fund.
- UTI Mutual Fund is planning to launch UTI Global Navigator Fund. The scheme will invest in shares of overseas companies in the developed and emerging markets.
- JP Morgan Mutual Fund is planning to launch JF India Equity Fund which seeks to generate income and long-term capital growth from a diversified portfolio of predominantly equity and equity related securities including equity derivatives.
- Kotak Mutual Fund is coming up with Kotak Global Emerging Market Fund, which will invest in global emerging markets.
- Reliance is planning to launch Reliance Gold Exchange Traded Fund which will track the performance of Gold Bullion.
- Franklin Templeton Mutual Fund is coming up with Franklin India Aggressive Growth Fund which will invest in Indian companies/sectors with high growth potential.

Top weekly performers-NFOs*



** Weekly return in % as on Apr 5, 07* *Datasource:* MFI Explorer

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

Performance analysis of equity NFOs (quarter-wise) as on Apr 05, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Cr) as on Feb 28 '07	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Reliance Long-Term Equity	14-Nov-06	9.81	2092.18	-1.93	0.34	9,807.00	9,807.00
2	ING Vysya C.U.B. Fund	14-Nov-06	11.46	69.94	14.60	-0.17	11,460.00	11,460.00
3	JM Financial Sector	2-Nov-06	9.02	4.89	-9.8	-2.06	9,020.00	8,800.00
4	JM Telecom Sector	2-Nov-06	10.38	6.91	3.8	-1.7	10,380.00	10,126.83
Abs. returns for New Funds released Between Oct 06 to Dec 06					**1.67**	**-0.90**	**40,667.0000**	**40,193.83**
1	DSPML Small & Midcap	29-Sep-06	9.81	1444.38	-1.95	-0.24	9,805.00	9,589.24
2	UTI Wealth Builder	7-Sep-06	9.93	905.02	-0.7	-1.39	9,930.00	9,930.00
3	Birla Long-term Adv.	7-Aug-06	10.01	396.18	0.1	-0.2	10,010.00	10,010.00
4	Tata Capital Builder	18-Jul-06	10.23	255.97	2.25	-0.29	10,225.40	10,225.40
Abs. returns for New Funds released Between Jul 06 to Sep 06					**-0.07**	**-0.53**	**39,970.40**	**39,754.64**
1	Tata Equity Managmt.	15-May-06	10.64	390.31	6.39	0.34	10,639.00	10,639.00
2	Stanchart Enterprise Equity	19-Apr-06	10.97	1420.97	9.72	-0.98	10,972.10	10,972.10
Abs. returns for New Funds released Between Apr 06 to Jun 06					**8.06**	**-0.32**	**21,611.10**	**21,611.10**
1	Fidelity Special Sit.	28-Mar-06	11.84	2021.77	18.37	-0.63	11,837.00	11,576.53
2	Templeton India Equ.	22-Mar-06	11.83	1749.86	18.25	0.56	11,825.40	11,565.18
3	Sundaram Rural India	20-Mar-06	10.38	821.50	3.8	-1.74	10,379.90	10,151.49
4	ABN AMRO Future Leaders	13-Mar-06	9.28	279.88	-7.23	0.23	9,277.00	9,072.86
5	Pru ICICI Fusion	27-Feb-06	11.21	664.02	12.1	-0.44	11,210.00	11,210.00
6	Kotak Lifestyle	22-Feb-06	11.51	384.15	15.13	-0.16	11,513.00	11,259.66
7	UTI Contra	22-Feb-06	8.96	640.04	-10.4	-0.11	8,960.00	8,960.00
8	JM HI FI	20-Feb-06	8.87	36.79	-11.3	-2.21	8,870.00	8,674.82
9	Sahara Infrastruct-FP	15-Feb-06	10.53	14.91	5.27	0.14	10,526.50	10,526.50
10	Sahara Infrastruct-VP	15-Feb-06	10.59	14.91	5.95	0.16	10,594.60	10,594.60
11	Chola Contra	14-Feb-06	10.68	74.08	6.8	0.19	10,680.00	10,444.99
12	Quantum Long Term Equity	8-Feb-06	11.37	29.03	13.7	-0.35	11,370.00	11,370.00
13	Principal Infra. & Services	7-Feb-06	10.79	266.92	7.9	-0.74	10,790.00	10,552.57
14	Baroda Global Fund	6-Feb-06	10.87	8.76	8.7	-0.82	10,870.00	10,630.81
15	Reliance Equity	6-Feb-06	10.16	4455.25	1.6	1.4	10,160.00	9,936.43
16	Birla Infrastructure	31-Jan-06	11.15	474.08	11.5	0	11,150.00	10,904.65
17	SC Imperial Equity	30-Jan-06	11.22	251.16	12.22	-0.85	11,221.70	10,974.77
18	UTI Leadership Equity	30-Jan-06	11.48	1027.84	14.8	-1.03	11,480.00	11,480.00
19	ING Vysya A.T.M. Fund	27-Jan-06	10.34	26.33	3.4	-0.48	10,340.00	10,112.47
20	HDFC Long Term Equity	27-Jan-06	10.58	1478.01	5.82	-0.61	10,582.00	10,582.00
21	HSBC Advantage India	27-Jan-06	11.58	1216.90	15.81	-0.57	11,581.10	11,326.26
22	SBI Magnum Bluechip	20-Jan-06	10.73	1936.34	7.3	-0.65	10,730.00	10,730.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					**7.25**	**-0.4**	**235,948.20**	**232,636.57**

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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