Fund - O -Meter -- Weekly

A Weekly Report on Mutual Funds

KARVY the Finapolis
Your Personal Finance Advisor

PF/MFW/29012007/103 **Jan 22, 2007 to Jan 25, 2007**

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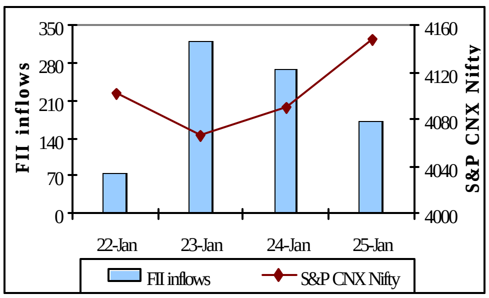
FII movement relative to Nifty



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

January 26 was a national holiday

Weekly FII transactions (equities)

	Jan 22 to Jan 25	Jan 15 to Jan 19
Gross purchases	9402.2	11279
Gross sales	8563.8	11006.5
Net inflows	838.4	272.5

Amt in Rs. crores *Data source:* SEBI

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Highlights

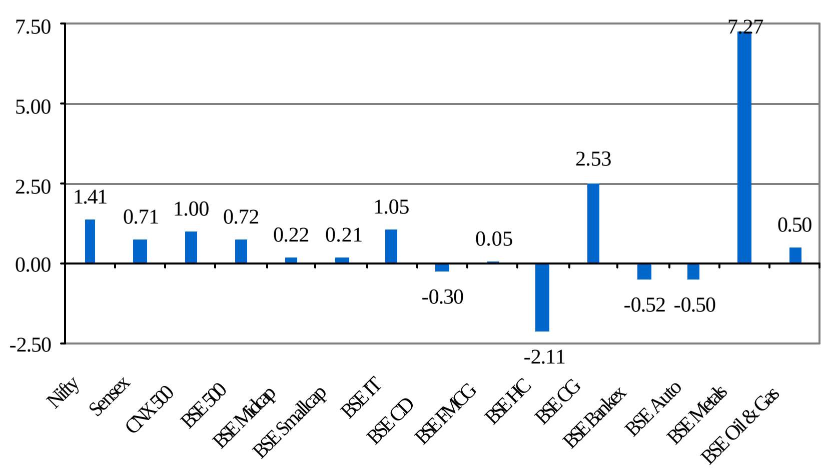
- ♦ **Markets on an upward trend**
- ♦ **Decision on interest rates - a key factor**
- ♦ **Cut-off yields at auctions zoomed upwards**
- ♦ **Short-term rates likely to be hiked in monetary review**

The week in retrospect-Equities

The markets made an upward movement, though erratic. Stock specific activity dominated the week. Sensex advanced 100 points while Nifty gained 57.55 points. Volatility was prevalent due to specific stock trading and expiry of derivative contracts. Among the sectors, metal and capital goods were the major gainers after a sharp fall during last days. On Tuesday, cement stocks fell sharply after government relaxed import duties across all varieties of cement except white cement. However, on Wednesday, the market bounced back due to firm global markets and short covering in derivatives. In the quarterly result segment, ICICI Bank and Bharti reported strong numbers which were above market expectations. Net profit of the two rose by 42% and 123% respectively for the quarter ending December over the corresponding quarter last year. Also, Maruti Udyog and Tata Motors declared their net profit in line with market expectations. RIL confirmed that it is not looking at handing over its stake in Krishna-Godavari Basin to a separate foreign entity.

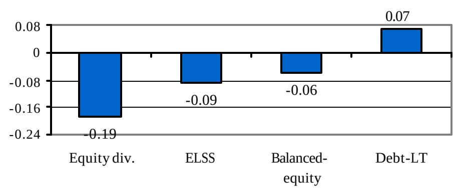
During the week, FIIs emerged as net buyers in the equity market, amounting to a sum of Rs. 838.4 crores. Mutual funds behaved conversely and turned out as net sellers to the tune of Rs. 796.51 crores.

Weekly Equity Indices Return (absolute %)



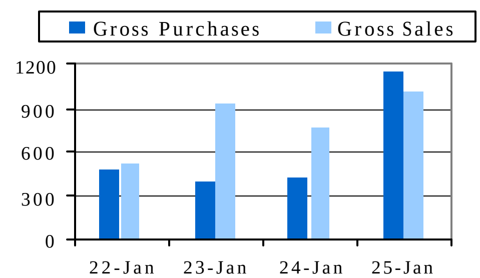
As on Jan 25 *Datasource:* BSE, NSE

Weekly category returns (%)



Abs. returns as on Jan 25 *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. 796.51 crores during the first four trading days of the week.

Outlook:

Short-term: The market is likely to exhibit high volatility in the coming week, ahead of monetary policy. Market analysts expect that both repo and reverse repo may be increased by 25 basis points to curb inflation. Buying may be seen in many counters due to fabulous Q3 results by India Inc. The market is also likely to have a pre-budget rally in the coming weeks. Major Q3 results for the coming week are Tata Steel, ONGC, Hero Honda, SAIL, Reliance Capital, Sun Pharmaceuticals, VSNL, Tata Tea, M&M, ACC, HPCL, L&T, Sun TV and Suzlon Energy.

Long-term: Fresh infrastructure orders and high foreign player's participation in the real estate made Indian long term story more attractive. Industrial production during Nov 06 grew at 14.4%, the fastest growth in more than a decade. CY 2006 has witnessed 217 new FII registrations (highest figure till date).With markets backed by strong economic fundamentals, long-term story still 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 Jan 25 (%)			Crisil Ranking
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	38.08	39.16	42.34	1
	Tata Infrastructure	48.97	48.14	N.A.	-
	Reliance Growth	49.39	38.08	53.82	1
	Sund. BNP Par. Sel. Mid.	36.14	53.87	58.48	1
Moderate (Equity)	Fidelity Equity	47.84	44.92	N.A.	-
	HDFC Top 200	35.70	36.70	40.84	2
	Reliance Equity	27.42	N.A.	N.A.	-
	SBI Magnum Contra	42.54	46.96	65.62	2
Conservative (Equity)	DSP ML Top 100	38.25	45.63	38.91	3
	Sund. BNP Par.Ind. Lead.	38.16	30.54	N.A.	2
	Franklin India Bluechip	39.53	44.40	36.98	4
	Templeton India Eq. Inc.	34.12	N.A.	N.A.	-
ELSS	Franklin India Taxshield	31.72	26.51	37.73	4
	Fidelity Tax Advantage	42.41	N.A.	N.A.	-
	SBI Magnum Tax Gain	46.87	43.98	67.59	1
Balanced	DSP ML Balanced	28.45	30.40	29.78	3
	HDFC Prudence	34.76	34.22	36.21	1
	FT India Balanced	31.15	33.41	27.47	3

*For qtr end Dec 06 *Datasource: Bloomberg*

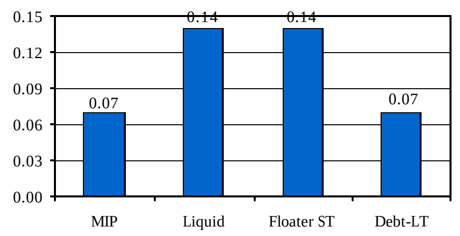
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Short-term investors: With the markets at their all-time highs, cautious approach should be taken since high volatility is expected. 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 (%)

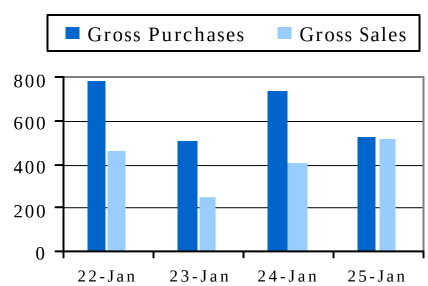


Abs. returns as on Jan 25 Data source: Bloomberg

Key statistics

	Jan 25	Jan 19
7.59% GOI 2016 yield	7.88%	7.80%
Call rate	8.00%	7.90%
WPI inflation (week ending Jan. 13 and Jan. 06)	5.95%	6.12%
Dollar exchange rate	44.24	44.27
Forex reserves ($ bn)	178.13 (Jan 19)	177.426 (Jan 12)

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. 940.51 crores during the first four trading days of the week.

The week in retrospect-Debt

The 10-year g-sec yield rose sharply in the beginning of the week on account of inflation level crossing the 6%-level. It touched 7.90% in the mid-week, and closed at 7.88%. The cut-off yields at the auctions also added to market's anxiety as they were very high. The cut-off on the 7.94% 2021 auction was 8.20% and on the 91-day and the 182-day T-bill was 7.40% and 7.75% respectively. Call rates moved below the 8% level during the week as liquidity condition improved slightly. However, the market participants remained net borrowers in the short-term market. Oil prices rose to $ 55.37 per barrel on Jan 24 from the $51 level during the last week on the back of news that OPEC would cut the production and cooler weather in US would increase the demand for oil. Inflation declined to 5.95% for the week ending Jan 13 due to fall in food prices.

On the forex front, India's forex reserves increased to $178.13 bn as on Jan 19 compared with $177.426 bn level for the week ending Jan 12. Rupee gained against dollar as inflows in the Indian equity remained positive. But the gains were capped as importers bought dollars.

Outlook:

Short-term: High Inflation, credit growth, money supply growth are the factors because of which the central bank may have to hike rates in the coming policy review on Jan 31. This expectation is based on the ground that the bank has taken many measures at qualitative level and liquidity level to curb inflationary pressures. It is expected that the bank will increase repo and reverse repo rate by 25 basis points each. Cautious approach may be followed by many investors and yields are expected to be range bound. Moreover, encouraging output numbers and healthy GDP growth rate give comfort to the bank to take such action.

Long-term: Though adequate legislation was put in place to make any cut in SLR effective, such slash in SLR is not expected to be acted upon by the central bank immediately as it will bring in liquidity to the system. The Finance Minister has also clarified in this regard.

Recommended schemes to invest		Return as on Jan 28 (%) 1 m	3 m	1 yr.	Expense ratio	Crisil ranking
Floaters	Templeton Floating Rate ST	0.64	1.80	6.38	0.75	4
	Reliance Floating Rate	0.70	1.94	6.91	0.55	-
Liquid	LIC MF Liquid	0.68	1.98	7.23	0.53	2
	Canliquid Retail	0.64	1.82	6.88	0.23	-

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

Recommendations:

Short-term investors: With interest rates more likely to rise, investment in long-term bond funds should be avoided. Investors having an investment horizon of up to 3 months could invest in liquid funds or FMPs of same duration to take advantage of relatively high short-term rates. 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 in place of bank deposits. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

News Briefs

- UBS Global Asset Management, a leading international asset management company, said on January 26 that it has decided to buy Standard Chartered Group's mutual fund business in India for about $120 million.
- Reliance Mutual Fund has decided to pay dividends under the dividend option of two of its schemes : a dividend of 25% each in Reliance NRI Equity and Reliance Media and Entertainment Fund. The record date for both the dividends is January 29, 2007.

NFO Corner

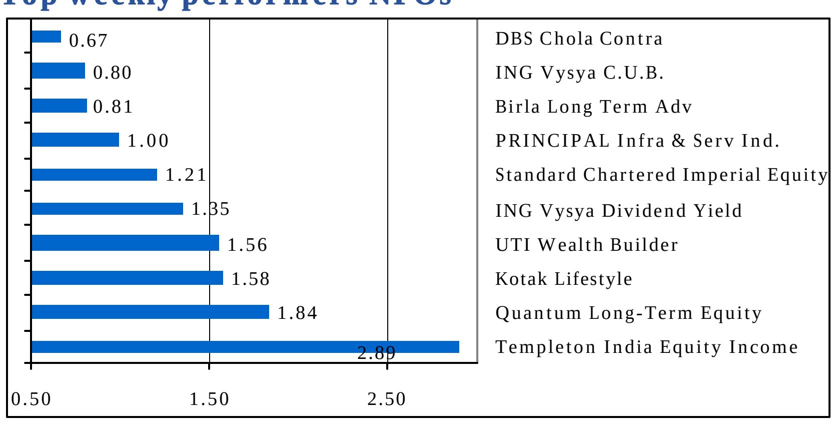
NFOs open for subscription:

- Sundaram BNP Paribas AMC's Sundaram BNP Paribas Equity Multiplier Fund will be open till Jan 31, 07.
- Kotak MF has launched Kotak Wealth Builder fund. The scheme will invest in debt instruments and equity derivatives instruments. It is open for subscription till Jan 31, 07.
- Tata Mutual Fund has come out with a new scheme-Tata SIP Fund. This is a three-year close-ended fund which intends increasing its exposure to equities in a phased manner. Thus, the fund has a hybrid asset allocation and follows the strategy of systematic investment in equity-related securities. The offer closes on 15 February 2007.
- Principal PNB Long Term Equity Fund, was lunched on Jan 24. The fund aims to invest predominantly in mid and small-cap companies. For this purpose the scheme has defined mid-cap stocks as those with a market capitalisation of less than Rs 3,500 crore on the date of investment. The offer is closing on Feb 21.
- 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. This ELSS will be available for subscription till March 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 March 29, 07.

Forthcoming New Fund Offers:

- HSBC Mutual Fund has rolled out HSBC Unique Opportunities Fund. HSBC Unique Opportunities Fund (HUOF) is a 3-year, close-ended equity fund that intends to invest in stocks of companies facing certain 'out-of-ordinary' conditions but have potential for long term growth. The NFO period is from 2 February 2007 to 22 February 2007.
- Prudential ICICI MF is coming up with Prudential ICICI Capital Protection Oriented Fund. It is a 5-year close-ended fund.

Top weekly performers-NFOs*



* *Weekly return in % as on Jan 25, 07* *Datasource:* MFI Explorer

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

Performance analysis of equity NFOs (quarter-wise) as on Jan 25, 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 Eq.	14-Nov-06	10.31	2122.96	3.18	0.15	10,318.00	10,318.00
2	JM Financial Sector	2-Nov-06	9.99	5.49	-0.10	-1.48	9990.00	9746.34
3	JM Telecom Sector	2-Nov-06	10.62	6.31	6.20	1.05	10620.00	10360.98
Abs. returns for New Funds released Between Oct 06 to Dec 06					**3.09**	**-0.09**	**30928.00**	**30425.32**
1	DSPML Small & Midcap	29-Sep-06	10.68	1522.65	6.83	-0.63	10,683.00	10,447.92
2	UTI Wealth Builder	7-Sep-06	10.92	946.56	9.20	0.46	10,920.00	10,920.00
3	Birla Long-term Adv.	7-Aug-06	11.08	425.93	10.80	-0.45	11,080.00	11,080.00
4	Tata Capital Builder	18-Jul-06	11.27	280.52	12.70	-1.44	11,269.70	11,269.70
Abs. returns for New Funds released Between Jul 06 to Sep 06					**9.88**	**-0.51**	**43,952.70**	**43,717.62**
1	Tata Equity Managmt.	15-May-06	11.21	421.43	12.08	-1.57	11,207.60	11,207.60
2	Stanchart Enterprise Equity	19-Apr-06	12.01	1683.13	20.08	0.23	12,007.90	12,007.90
Abs. returns for New Funds released Between Apr 06 to Jun 06					**16.08**	**-0.67**	**23,215.50**	**23,215.50**
1	Fidelity Special Sit.	28-Mar-06	13.28	2073.93	32.80	-1.33	13280.00	12987.78
2	Templeton India Equ.	22-Mar-06	12.22	1860.96	22.20	0.99	12220.00	11951.10
3	Sundaram Rural India	20-Mar-06	11.99	1006.79	19.88	-2.29	11987.80	11724.01
4	ABN AMRO Future Leaders	13-Mar-06	10.72	396.17	7.22	-1.34	10722.00	10722.00
5	Pru ICICI Fusion	27-Feb-06	12.80	709.72	28.00	-0.93	12800.00	12800.00
6	Kotak Lifestyle	22-Feb-06	12.03	384.86	20.25	0.92	12025.00	12025.00
7	UTI Contra	22-Feb-06	9.90	801.15	-1.00	-2.08	9900.00	9900.00
8	JM HI FI	20-Feb-06	11.24	46.71	12.40	-1.75	11240.00	10992.67
9	Sahara Infrastruct-FP	15-Feb-06	11.32	17.80	13.22	-1.19	11321.80	11321.80
10	Sahara Infrastruct-VP	15-Feb-06	11.38	17.80	13.79	-1.18	11378.90	11378.90
11	Chola Contra	14-Feb-06	11.93	83.33	19.30	-0.50	11930.00	11667.48
12	Quantum Long Term Equity	8-Feb-06	12.60	29.70	26.00	0.72	12600.00	12600.00
13	Principal Infra. & Services	7-Feb-06	12.02	306.29	20.20	-0.58	12020.00	11755.50
14	Baroda Global Fund	6-Feb-06	11.81	N.A.	18.10	-0.51	11810.00	11550.12
15	Reliance Equity	6-Feb-06	11.16	4987.97	11.60	-1.33	11160.00	10914.43
16	Birla Infrastructure	31-Jan-06	12.34	507.63	23.40	-1.36	12340.00	12068.46
17	SC Imperial Equity	30-Jan-06	12.23	267.92	22.27	0.42	12226.60	11957.56
18	UTI Leadership Equity	30-Jan-06	12.67	1114.92	26.70	-0.24	12670.00	12670.00
19	ING Vysya A.T.M. Fund	27-Jan-06	11.14	36.89	11.40	-1.76	11140.00	10894.87
20	HDFC Long Term Equity	27-Jan-06	11.78	1655.55	17.75	-1.00	11775.00	11775.00
21	HSBC Advantage India	27-Jan-06	13.05	1401.05	30.52	-1.32	13051.60	12764.40
22	SBI Magnum Bluechip	20-Jan-06	11.91	2284.04	19.10	-0.92	11910.00	11910.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					**18.87**	**-0.84**	**261,508.70**	**258,331.06**

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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