Fund - O -Meter -- Weekly

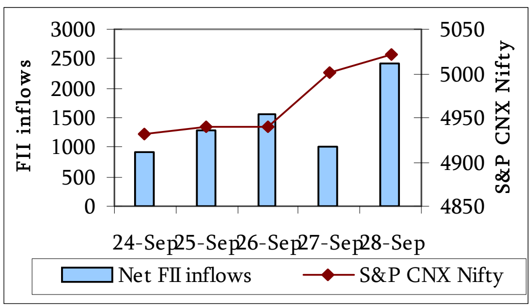
A Weekly Report on Mutual Funds

KARVY the Finapolis — Your Personal Finance Advisor

PF/MFW/01102007/308 **Sep 24, 2007 to Sep 28, 2007**

CONTENTS

FII movement relative to Nifty



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

Weekly FII transactions (equities)

	Sep 24 to Sep 29	Sep 17 to Sep 21
Gross purchases	25705.80	19170.7
Gross sales	17414.30	14302.1
Net inflows	8292.50	4868.6

Amt in Rs. crores *Data source:* SEBI

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Highlights

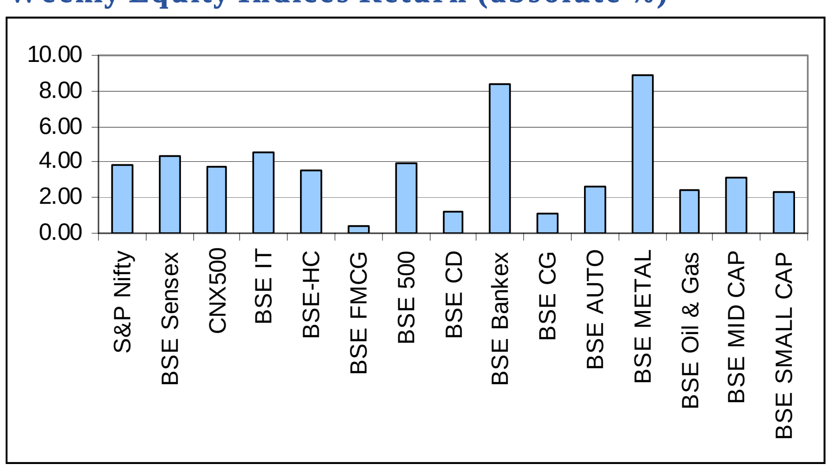
- ♦ Sensex touches 17000
- ♦ Profit booking expected.
- ♦ Inflation at 5 years low level.
- ♦ Rupee touches 9 ½ year peak

The week in retrospect-Equities

The market rallied further last week with the BSE & Nifty crossing 17000 and 5000 levels respectively as investors bet on another cut in interest rate by the US Federal Reserve next month. BSE Sensex rose 726.87 points or 4.39% to 17,291.10 in the week ended Friday, 28 September 07. BSE Mid Cap rose by 3.09% during the week while BSE Small Cap index rose by 2.3%.Sensex hit 17000 points on Wednesday. It took just 5 trading sessions for Sensex to reach 17000 from 16000. This Sensex's 1000 point surge is the fastest ever. On Monday Sensex was up by 1.70% following a steady buying demand for index pivotals. The Sensex was up by 229.17 points or 1.35% on Thursday as the market surged at the fag end of the trading session to touch new all time high, on short-covering on account of expiry of September 07 derivatives contracts. India's top private sector utility company in terms of revenue, Reliance Energy (REL) surged 19.40% to reach Rs. 1205.50. The stock hit all-time high of Rs. 1220. Annual inflation based on the wholesale price index (WPI) has further fallen to 3.23% in the week ended 15 September 07 from 3.32% in the week ended 8 September 07. India's consumption of fuel gained 3.5% in August 07. Demand for petroleum products touched 9.43 million tonne (mt) in August 07 compared with 9.11 mt in August 06.

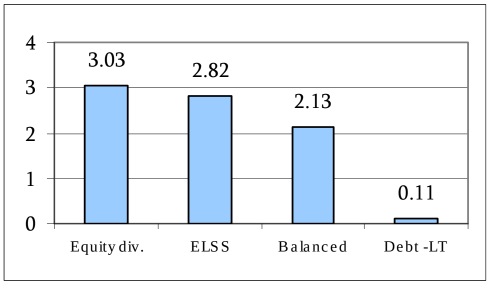
Also, during the week FII's remained as net buyers in the equity market to the tune of Rs. 8292.50 crores while mutual funds ended as net sellers to the tune of Rs.890.80 crores respectively.

Weekly Equity Indices Return (absolute %)



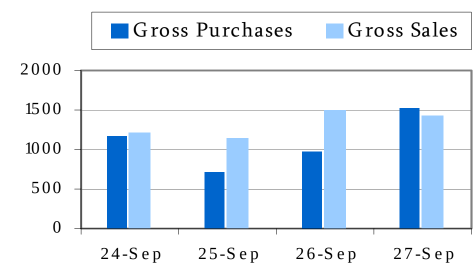
As on Sep 27 *Data source:* BSE, NSE

Weekly category returns (%)



Abs. returns as on Sep 27   Data source: 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. 890.80 crores.

Outlook:

Short-term: In the short term profit taking cannot be ruled out given that the market has seen a sharp swift and surged over a past few days. Q2 results are the next major trigger for the market. Figures of advance tax suggest that earnings will be moderate to strong. The market will be keenly watching developments on the political front as the government wants the Indo-US nuclear deal to go through. While the operationalisation of the Indo-US deal has been put on hold by the government pending the findings of a committee, it cannot be stalled forever.

Long-term: GDP is expected to grow above 8% in the coming years, fuelled by robust performance in the manufacturing, construction and services sectors and a noticeable improvement in the agriculture sector. Also, increased direct tax revenue suggests that India's long-term growth drivers remain intact. Improving stability and reducing worries in the global markets are expected to result in increased foreign inflows.

Recommended schemes to invest		Historical returns as on Sep 28 (%)			Crisil Ranking
		6months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	47.47	64.06	60.21	1
	Reliance Equity	26.30	35.77	--	3
	ICICI Prudential Services	27.03	56.64	--	
Moderate (Equity)	Fidelity Equity Fund	33.63	48.12	--	-
	Fidelity India Special	32.66	39.86	--	-
	ICICI Prudential Dynamic	24.93	40.08	56.10	1
Conservative (Equity)	DSP ML Top 100 Equity	37.91	49.24	50.32	1
	Franklin India Bluechip	36.52	41.88	46.50	4
	HSBC Equity Fund	32.64	42.28	43.67	3
	Templeton India Equity	33.60	48.08	--	-
ELSS	Fidelity Tax Advantage	34.55	45.37	--	-
	Franklin India Tax shield	35.54	37.70	43.63	3
	SBI Magnum Tax Gain	32.82	18.67	27.12	2
Balanced	DSP ML Balanced	31.21	37.74	35.91	1
	Franklin India Balanced	17.97	31.01	32.06	2
	HDFC Prudence	25.35	33.20	40.71	2

**For qtr end June, 07*   *Data source: Bloomberg*

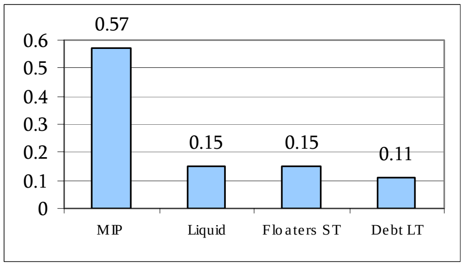
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: Market analysts visualise a small correction during the week ahead. Therefore, making a lump sum investment is a good idea. Companies which are likely to benefit from the domestic growth story of India such as energy, telecom, construction, capital goods and banks are likely to grow further. The markets are fairly valued and so stock picking on the basis of value vis-à-vis its price becomes a key quotient. In the mutual funds arena, diversified, contra and opportunities funds continue to remain worth considering for a minimum investment period of over 2 years.

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

Weekly category returns (%)



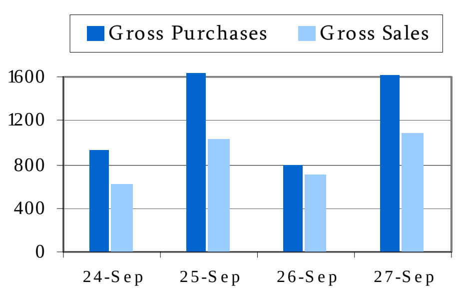
Abs. returns as on Sep 27 *Data source: Bloomberg*

Key statistics

	Sept 28	Sept 21
7.49% GOI 2017 yield	7.92%	7.86%
Call rate	3.50	7.00
WPI inflation (week ending Sep 1 and Sep 8)	3.23%	3.32%
Dollar exchange rate	39.74	39.89
Forex reserves ($ bn)	235.80 (Sep 21)	232.20 (Sep 14)

Source: bseindia.com

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. 1591.00 crores.

The week in retrospect-Debt

Indian bond yields were seen steady after reaching 3 week high on Wednesday, ahead of weekly inflation data and on worries the central bank announcing heavy bond auctions to drain surplus cash from the banking system. During the week government announced, it would raise Rs 7,000 crore as part of its efforts to suck excessive liquidity in the market. Crude oil prices continue to hower around $80 per barrel. Gold prices surged in the bullion market on Friday to reach 28 year high. The yellow metal gained Rs 75 to reach Rs 9,595 per ten gram despite the ongoing "Shraddh", - an inauspicious fortnight during which Hindus do not indulge in buying.

Outlook:

Short-term: Bond yields are expected to rise during the week ahead of the bond auctions that will absorb surplus cash from the system. Record high oil prices, the federal reserves move to slash interest rate by 50 basis points and a struggling dollar have resulted in increased gold prices. Gold prices are expected to touch $750 per ounce which is currently hovering at $743. Rupee value is expected to be range bound as the RBI is all set to intervene to control the rupee appreciation.

Long-term: Inflation is easing out because of the comfortable supply of essential goods and high base effect. Due to the increasing FII's inflows, liquidity has again become a point of concern for RBI. So, it will try to attain optimum trade off between rupee value and liquidity in the system. Other factors like credit growth seem to be under control. Structurally, Indian rupee is likely to strengthen against the dollar in the long-term as the outlook for the US economy remains bearish.

Recommended schemes to invest		Return as on Sep 28 (%)			Expense ratio	Crisil rankin
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.66	1.95	--	0.65	-
Liquid	Can liquid	0.61	1.72	7.57	0.71	-
Arbitrage	StanChart Arbitrage	0.43	1.95	--	1.5	-
DSPML	367 days FMP closing on 10 Oct,07.Net indicative yield: Retail:8.25% and Institutional 8.7%.					
HDFC	18 months FMP closing on 8 Oct,07.Net indicative yield: Regular: 8.12% Wholesale Plan:8.35% 367 days FMP closing on 1 Oct,07.Net indicative yield: Regular: 7.51% Wholesale Plan:7.78%					

*For qtr end June, 07 *Data source: Bloomberg*

Recommendations:

Short-term investors: Liquid funds could be considered for investment period up to 15 days. Liquid Plus funds are suitable for period between 15 days and 3 months. Arbitrage funds are recommended for investors with investment duration of 3 months to 1 year. Other investors for whom instant liquidity is not an issue, FMPs (shorter duration) can also be considered.

Long-term investors: Investors with a horizon of more than one year could consider FMPs (longer duration) in place of bank deposits due to FMP's favourable tax status which offers higher post-tax returns.

Forthcoming New Fund Offers:

- JM Fund House is planning to launch JM Agri & Infra Fund. The 3-year close-ended equity scheme would invest in companies that focus on agricultural and infrastructure development of India.
- Sundaram BNP Paribas AMC has filed offer documents for two thematic funds which would invest in the entertainment and energy industries respectively.
- Birla Sun life Fund house is launching a new scheme named Birla Sun life Special situations fund. The Scheme would follow an investment strategy that would take advantage of Special Situations and Contrarian investment style.

NFO Corner

NFOs open for subscription:

- Tata AMC has launched Tata Global Infrastructure Fund. The 3-year close-ended equity fund would invest in both domestic and overseas companies, which are related with infrastructure sector. This scheme is open till Oct 16, 07.
- Birla Sunlife AMC has launched Birla Sun life International Equity Fund. The open ended equity fund would invest in equity and equity related instruments of International markets. This scheme is open till Oct 16, 07.

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

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