Fund - O -Meter -- Weekly

A Weekly Report on Mutual Funds

KARVY the Finapolis
Your Personal Finance Advisor

PF/MFW/22102007/317 **Oct 15, 2007 to Oct 19, 2007**

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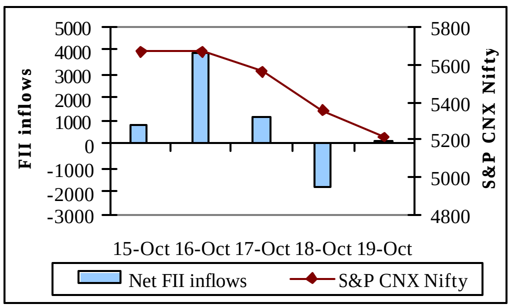
FII movement relative to Nifty



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

Weekly FII transactions (equities)

	Oct 15 to Oct 19	Oct 8 to Oct 12
Gross purchases	34959	26869.6
Gross sales	30816.5	18759.9
Net inflows	4142.5	8109.7

Amt in Rs. crores *Data source:* SEBI

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Highlights

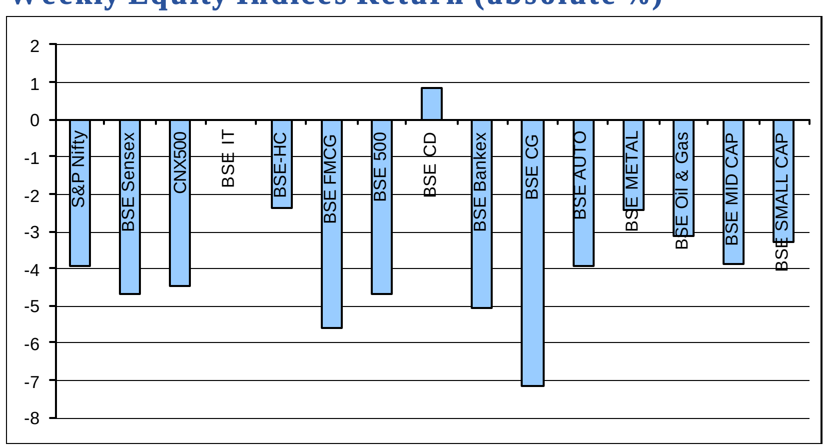
- ♦ **Sensex crossed 19000**
- ♦ **Q2 results expected to drive the markets.**
- ♦ **Inflation goes down its 5 year low.**
- ♦ **All eyes onRBI's monetary policy**

The week in retrospect-Equity

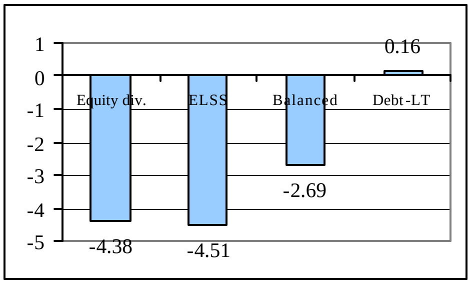
After starting on a firm note, the markets lost ground during the week as Securities & Exchange Board of India (Sebi) draft norms on restriction of FII inflow made markets shiver. Volatility was high in the three trading sessions after Sebi issued the draft proposals on 16 Oct. BSE Sensex lost 859.06 points or 4.66% to close at 17,559.98 in the week ended on 19 Oct. On Monday, 15 Oct, the market had consolidated throughout the day after an initial surge. Easing of political worries and improved IIP figures for August 2007 released during the previous trading session on Friday, 12 Oct, boosted the bourses. BSE Sensex surged 639.63 points, or 3.47%, to close at 19,058.67, a record high closing. On Wednesday trading was halted just within minutes of opening, as market wide circuit filters were triggered by a steep fall. Sensex ended down 336.04 points, or 1.76%, to close at 18,715.87. Earlier the market regulator Sebi laid its proposals to clamp down Participatory Notes to restrict foreign inflows. The BSE Capital Good index fell 7.47% to close at 15,373.11 in the week, led by major losses in Larsen & Toubro (L&T) and Bharat Heavy Electrical (Bhel). The International Monetary Fund (IMF), in its latest World Economic Outlook report, has revised downwards its forecast for India's gross domestic product (GDP) to 8.9% from 9% for the calendar year (CY) 2007.

Also, during the week FII's remained as net buyers in the equity market to the tune of Rs.4142.5 crores while mutual funds ended as net sellers to the tune of Rs.432.10 crores respectively.

Weekly Equity Indices Return (absolute %)

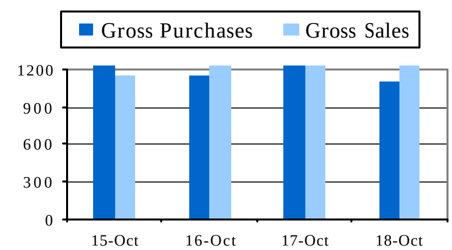


Weekly category returns (%)



Abs. returns as on Oct 19 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.432.10 crores.

Outlook:

Short-term: The markets may extend losses after last week's setback caused by FII selling. SEBI is expected to take a decision on 25 Oct about the proposal to curb the flow of Participatory Notes. Volatility is expected to remain high ahead of expiry of October 2007 derivatives. The major Q2 results scheduled next week include Satyam Computer on Tuesday, 23 October 2007, Cipla and Dr Reddy's Lab on Wednesday, 24 Oct, Bharat Heavy Electricals on Thursday, 25 Oct and Tata Steel, L&T and ITC on Friday 26 Oct. Also scheduled during the week is the UPA Left meet about the Indo US nuclear deal. The near term trigger for the markets is the RBI's mid term review of annual policy scheduled for the 30th of Oct.

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 other important factors such as more than 35% saving rate, improving tax to GDP ratio (18%) indicate that corporate earnings growth rate are sustainable over long term, time frame.

Recommended schemes to invest		Historical returns as on Oct 19 (%)			Crisil Ranking
		6months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	43.0982	62.9457	60.3867	1
	Reliance Equity Opportunities	18.27	30.04	--	3
	ICICI Prudential Services Ind.	18.615	48.2923	--	
Moderate (Equity)	Fidelity Equity Fund	25.0549	43.0946	--	-
	Fidelity India Special Situations	19.7363	30.9021	--	-
	ICICI Prudential Dynamic	18.908	34.4177	53.6289	1
Conservative (Equity)	DSP ML Top 100 Equity	31.7909	48.1121	48.6031	1
	Franklin India Bluechip	29.9504	37.4213	45.0296	4
	HSBC Equity Fund	32.7416	44.7513	44.2765	3
	Templeton India Equity Income	29.6274	47.8124	--	-
ELSS	Fidelity Tax Advantage	25.4844	42.116	--	-
	Franklin India Tax shield	14.3895	21.1874	35.3925	3
	SBI Magnum Tax Gain	27.9191	14.6843	25.4523	2
Balanced	DSP ML Balanced	23.2266	32.1682	33.8856	1
	Franklin India Balanced	14.229	28.8559	32.3228	2
	HDFC Prudence	18.0755	28.2746	39.144	2

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

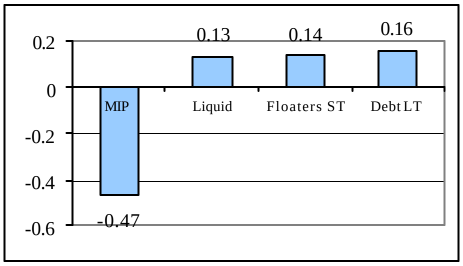
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: Market analysts visualise a small correction during the week ahead. This could be used for building position in funds by investors with cash surplus. 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. Investors having duration of more than 3 years could look at midcap oriented funds. Also, 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 (%)



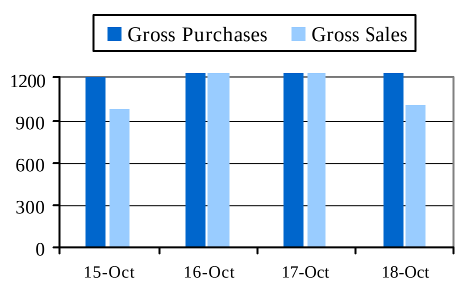
Abs. returns as on Oct 19 Data source: Bloomberg

Key statistics

	Oct 19	Oct 12
7.49% GOI 2017 yield	7.91%	7.91%
Call rate	6.10	5.00
WPI inflation (week ending Sep 29 and Oct 6)	3.07%	3.26%
Dollar exchange rate	39.73	39.30
Forex reserves ($ bn)	256.68 (Oct 12)	251.33 (Oct 05)

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.845.50 crores.

The week in retrospect-Debt

Federal bond yields edged higher during the start of the week however, they dipped by the end of the week primarily on an anticipation of rate cut in the US interest rates. During the week crude oil hit an all time high of $90.00 per barrel on tight supplies and strong demand. Rupee ended at 39.73 though it touched more weaker levels at 39.86 during the week. Continuous sale of dollars by large corporates, arrested further fall of the rupee. Gold shot up to a 17-month high of Rs 10,000 per ten grams in the bullion market on Friday on heavy seasonal demand amid funds getting diverted from crashing stock markets. In international markets, gold prices surged to $772 per ounce.

Outlook:

Short-term: RBI is expected to sell bonds worth Rs.20,500 crores during the coming week with an intention to curb the cash flows in the banking system. All eyes are now set towards the RBI's policy review meeting scheduled for October 31. After the industrial output numbers were released on 12 Oct, a CRR hike seems possible. Also during the week companies, like Tata Chemicals, Reliance Communications, Reliance Energy, Tata Teleservices, Mahindra & Mahindra and Sun Pharma, are expected to issue equity shares in lieu of foreign currency convertible bonds (FCCBs). The market will also look at the developments in US treasuries for cues on the credit policy review scheduled for October 31. If the US Fed Reserve decides to maintain a status quo on its key rates then liquidity may ease off a bit but a rate cut may force the RBI to take severe monetary tightening steps.

Long-term: Inflation is easing out because of the comfortable supply of essential goods and high base effect. Liquidity is still 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 Oct 19 (%)			Expense ratio	Crisil rankin
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.65	1.91	8.15	0.65	-
Liquid	Can liquid	0.68	2.21	7.81	0.71	-
Arbitrage	StanChart Arbitrage	0.95	2.18	--	1.5	-

*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. Others looking to invest in liquid options could consider arbitrage funds and MIPs depending on the risk profile

Forthcoming New Fund Offers:

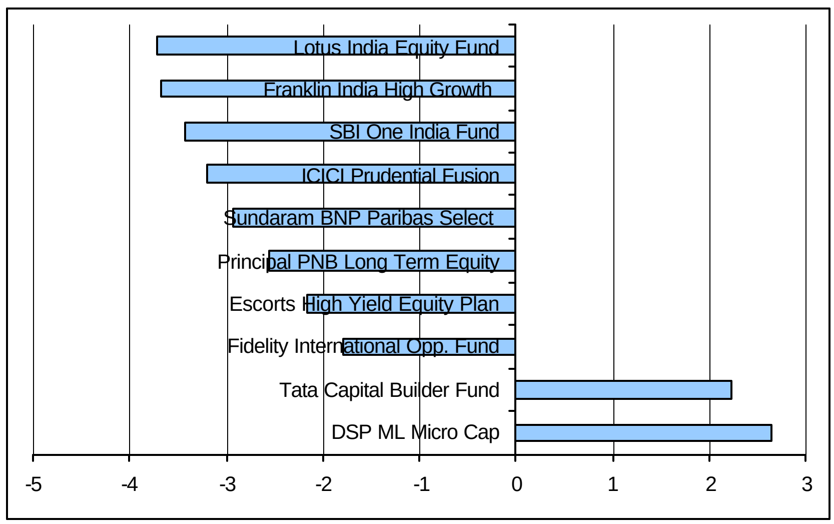
- JM Fund House is planning to launch JM Agri & Infra Fund. The 3-year close-ended equity scheme would invest in companies that focus on agricultural and infrastructure development of India.
- Sundaram BNP Paribas AMC is expected to launch two thematic funds which would invest in the entertainment and energy industries respectively.
- Birla Sun life Fund house is expected to launch 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.
- Quantum Mutual Fund house is planning to launch Quantum Gold Fund. This fund is waiting for approval from SEBI to make investments in gold related instruments.
- SBI Mutual Fund house is planning to launch SBI Emerging International Opportunities fund it is an Open Ended Diversified Equity Fund which will invest in Indian and emerging markets.

NFO Corner

NFO's open for subscription:

- Lotus India AMC has launched a new fund named Lotus India Infrastructure Fund which will predominantly invest in companies involved in developing Indian Infrastructure. This fund is open till 24, Oct 07
- UTI AMC has launched UTI Energy Fund which will predominantly invest in Petro Sector, Power Generation companies and industrial manufacturing companies which are into manufacturing of equipments related to energy development and related area. This fund is open till 31, Oct 07
- Sahara AMC has launched Sahara R.E.A.L. Fund. The close ended equity scheme would invest predominantly in equity/equity related instrument of companies in the retailing, entertainment & media, auto and auto ancillaries and logistics sector. This fund is open till 2, Nov 07.
- Reliance AMC has launched Reliance Gold Exchange Traded Fund. This scheme would invest predominantly in physical Gold (and Gold related securities as permitted by Regulators from time to time). This fund is open till 1, Nov 07.

Top weekly performers-NFOs*



* *Weekly return in % as on Oct 19, 07* *Data source:* MFI Explorer

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

For more information on MUTUAL FUNDS call 18 0 0 42582 83 or contact your nearest Karvy branch.

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