Fund - O -Meter -- Weekly

A Weekly Report on Mutual Funds

KARVY the Finapolis
Your Personal Finance Advisor

PF/MFW/30062007/237 **June 25, 2007 to June 29, 2007**

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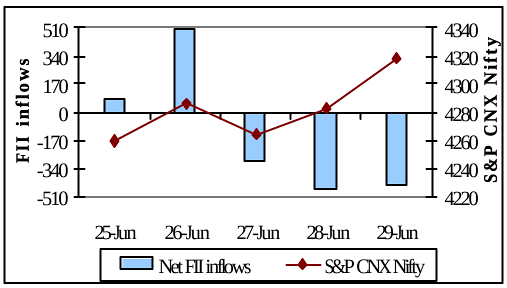
FII movement relative to Nifty



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

Weekly FII transactions (equities)

	June 18 to June 22	June 18 to June 22
Gross purchases	11770.5	12114.7
Gross sales	12406.5	9979
Net inflows	-636	2135.7

Amt in Rs. crores *Data source:* SEBI

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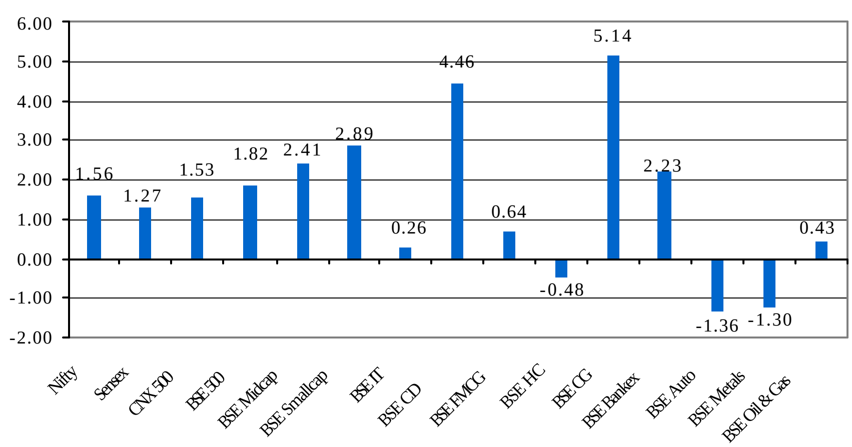
Highlights

- **Markets move up**
- **Q1 June , 07 results - a guiding factor**
- **Bond yields ease down**
- **All eyes on upcoming monetary policy review**

The week in retrospect-Equities

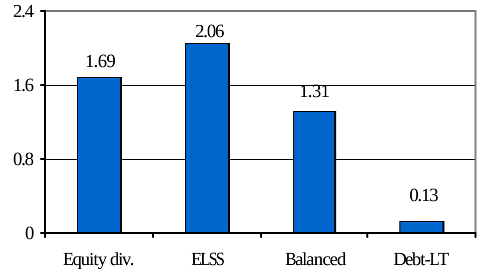
The markets ended the week on a positive note on the back of stock specific buying spree, specially in the midcap and smallcap segments. Sensex rose 183.15 points to settle at 14650.51, close to its record high of 14652.09. Nifty gained 66.25 points to close at its record closing high of 4318.30 for the week ending June 29, 07. Amidst the positive trend, high volatility was witnessed on the back of weak global markets and expiry of derivatives contracts for June, 07. Crude oil prices, which rose to 10-month high (above $70 per barrel) over suppy concerns added to the volatility. Heavy buying in midcap and smallcap segment took BSE Midcap Index to close the week at its all-time high of 6527.03 mark. On Wednesday, markets were weak on account of negative sentiments across global markets. Concerns of weakening dollar (after the weak U.S. housing data) triggered concerns over unwindings of yen carry trade. However on Thursday, markets recovered on the back of a recovery in the global markets and short covering in derivatives. On the same day, U.S. also maintained its status quo on interest rate, keeping it unchanged at 5.25%. On Friday, FM stated that there would be no price freezing for cement stocks. Resultantly, cement stocks witnessed a huge run-up making BSE Capital Goods as the top gainer for the week.
During the week, FIIs turned out to be net sellers in the equity market, amounting to Rs.636 crores. Mutual funds however emerged as net buyers in equities to the tune of Rs.178.10 crores.

Weekly Equity Indices Return (absolute %)



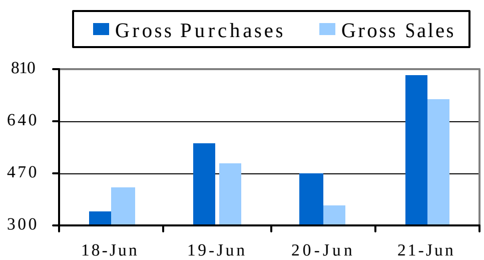
As on June 29 *Datasource:* BSE, NSE

Weekly category returns (%)



Abs. returns as on June 29   *Datasource: Bloomberg*

Weekly MF transactions (equities)



Amt in Rs. crores   *Data source: SEBI*

In the equity market, mutual funds emerged as net buyers to the tune of Rs. 178.10 crores.

Outlook:

Short-term: Markets are hovering near their all-time highs. High volatility is expected to be witnessed on account of profit booking. Corporate earnings results for the quarter ending June, 07 would determine the market direction. Infosys would start off the quarterly earnings season by announcing its results on July 11, 07. Due to appreciating rupee, all eyes are set on the earnings of the IT companies. At the same time, progress of the monsoons and crude oil prices remain to be a watching factor.

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%. The finance ministry has revised the GDP growth estimates for 2006-07 to 9.2% on the back of 2.7% growth in agriculture, 10% growth in industry and 11.2% growth in services sector. 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 Jun 29 (%)			Crisil Ranking*
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Small & Mid	10.42	N.A.	N.A.	-
	DSP ML T.I.G.E.R	16.65	68.79	56.16	1
	ICICI Pru Services	13.41	80.89	N.A.	-
	Reliance Equity Oppor.	7.93	49.30	N.A.	2
Moderate (Equity)	Fidelity Equity	15.90	65.85	N.A.	-
	ICICI Pru Dynamic	7.49	55.12	61.11	1
	DSP ML Equity	15.84	62.00	59.00	1
	Fidelity Ind. Special.	10.84	60.32	N.A.	-
Conservative (Equity)	DSP ML Top 100	13.78	55.94	49.64	2
	HSBC Equity	6.34	46.41	44.65	4
	Franklin India Bluechip	8.17	47.31	44.62	4
	Templeton India Eq. Inc.	13.99	46.13	N.A.	-
ELSS	Franklin India Taxshield	11.03	39.82	43.43	3
	Fidelity Tax Advantage	15.98	58.30	N.A.	-
	SBI Magnum Tax Gain	8.87	54.83	76.26	1
Balanced	DSP ML Balanced	13.51	42.89	35.83	3
	HDFC Prudence	9.63	43.65	42.51	1
	FT India Balanced	10.80	43.86	33.12	2

*For qtr end Mar 07   *Datasource: Bloomberg*

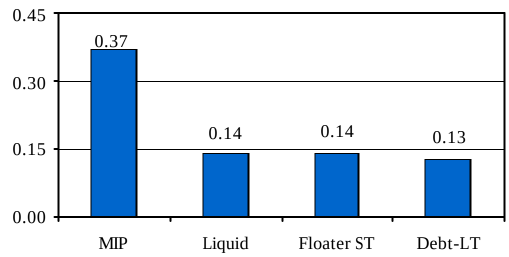
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: After witnessing significant amount of correction, stocks (across some sectors) are available at attractive valuations. The downside from the present levels seems limited. From next 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. 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 (%)

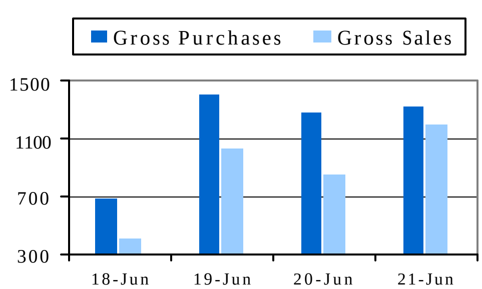


Abs. returns as on June 29 Datasource: Bloomberg

Key statistics

	Jun 29	Jun 22
8.07% GOI 2017 yield	8.16%	8.23%
Call rate	6.25%	0.20%
WPI inflation (week ending Jun 16 and June 9)	4.03%	4.28%
Dollar exchange rate	40.73	40.76
Forex reserves ($ bn)	212.549 (Jun 22)	211.015 (Jun 15)

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.1202.60 crores.

The week in retrospect-Debt

The bond yields eased down during the week on the back of comfortable cash position in the system. The 10-year g-sec closed at 8.16% for the week ending June 29, 07 as against 8.23% the previous week. On Monday, RBI auctioned Rs.50 bn worth of 91-day T-bills. A further Rs.35 bn of 91-day T-bills and Rs.25 bn worth of 182-day T-bills were auctioned on Wednesday. As a result, call rates climbed up from 0.2% to 5.5% - 6.5% over concerns of tight cash. Bond yields also went up on Wednesday triggered by worries that the RBI may take further steps to drain excess cash in the system. However on Thursday, bond yields eased after the Finance Minister stated that there would be no immediate increase in the limit of market stabilization bonds (MSS). FM statement that the government do not intend to borrow further from the market in order to acquire RBI's 59.7% stake (for Rs.355 bn.) in SBI on Friday. Low inflation data also kept the market in a comfortable zone. Inflation was reported at 4.03% for the week ending June 16, as against 4.28% the previous week on the back of declining prices of food articles including fruits, vegetables, cereals, sugar and imported edible oil. Rupee kept on with it's upwards movement and appreciated to 40.73 from 40.76.

Outlook:

Short-term: The government would auction bonds worth Rs.100 bn on July 6, 07. As a result, call rates may stay around 3%- 6% range in the coming week. Market men are expecting a hike in CRR in the coming RBI monetary policy review in July. Inflation is likely to remain controlled and stay in the 4%-5% range in the coming weeks.

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 the coming months.

Recommended schemes to invest		Return as on June 29 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Liquid plus	HSBC Liquid Plus	0.62	2.15	N.A	0.65	-
Liquid	LIC MF Liquid	0.58	2.06	7.91	0.50	2
	Canliquid Retail	0.54	1.98	7.49	0.23	-
Arbitrage	StanChart Arbitrage	0.83	2.45	N.A	--	-
	ICICI Pru FMP Series 36 (18 months)	Closing date: July 2, 07			Net indicative yield: 9.9%-10.05%	

*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.

NFO Corner

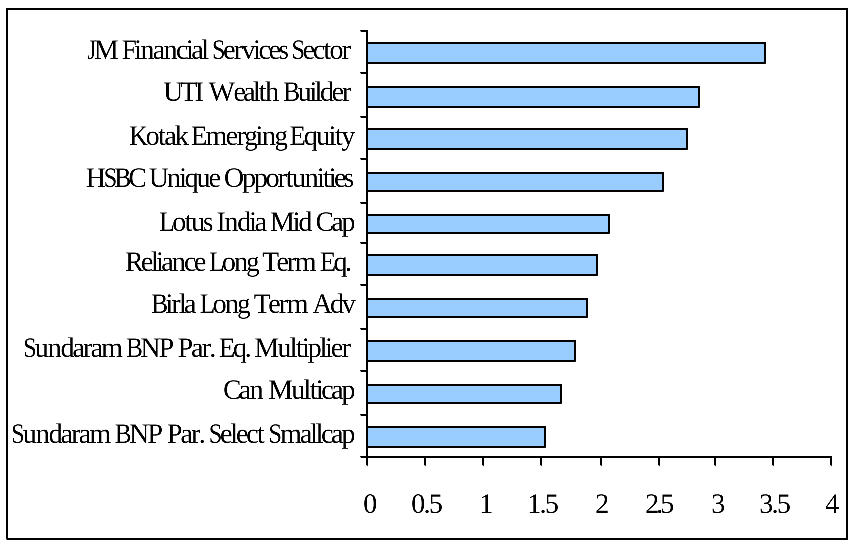
NFOs open for subscription:

- Reliance AMC has launched Relianc e Equity Advantage Fund on June 12, 07. The fund aims to offer nifty-plus returns by following the same sector weightage of the index. The offer period would close on July 10, 2007.
- Birla Sunlife AMC has launched CPF, Birla Sunlife Capital Protection Orientation Fund, with a 3-year and a 5-year plan. The fund is available for subscription till July 6, 07.
- Kotak Mahindra AMC had launched Kotak Gold Fund. The Gold Exchange Traded Fund is available for subscription till July 4, 07.

Forthcoming New Fund Offers:

- UTI AMC is coming up with UTI Lifestyle Fund on July 2, 07. The 3-year close-ended scheme would invest in stocks which are likely to benefit from the growing consumerism and changing demographics.
- Lotus India AMC is coming up with Lotus India Growth Fund, an open-ended equity diversified scheme. The fund would be available for subscription between July 9, 07 to July 19, 07.
- Reliance is planning to launch Reliance Natural Resources Fund, an equity fund to invest in companies that discover, develop, produce, or distribute natural resources.
- Birla Sunlife AMC is planning to come up with Birla Sunlife International Equity Fund. The equity scheme would invest in both domestic and international markets.
- Tata AMC is launching 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.

Top weekly performers-NFOs*



* *Weekly return in % as on June 29, 07* *Datasource:* MFI Explorer

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

For more information on MUTUAL FUNDS call 18 0 0 4258283 or contact your nearest Karvy branch.

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