Fund - O -Meter -- Weekly

A Weekly Report on Mutual Funds

KARVY the Finapolis — Your Personal Finance Advisor

PF/MFW/12112007/332 **Nov 5, 2007 to Nov 9, 2007**

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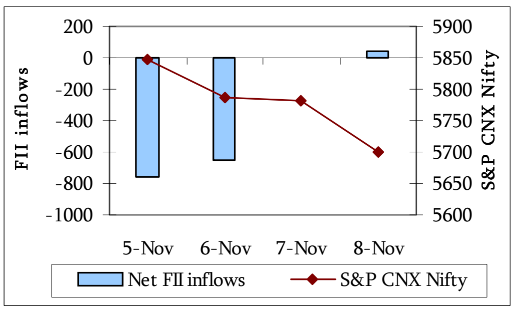
FII movement relative to Nifty



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

Weekly FII transactions (equities)

	Nov 5 to Nov 9	Oct 29 to Nov 02
Gross purchases	16122.10	24016.30
Gross sales	17497.60	23120.40
Net inflows	-1375.50	895.90

Amt in Rs. crores *Data source:* SEBI

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Highlights

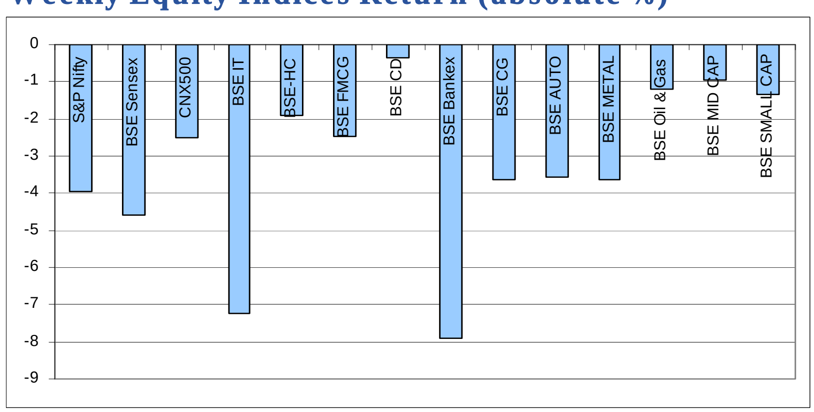
- ♦ Sensex lost nearly 900 points.
- ♦ Crude Oil prices slightly under 100$.
- ♦ MSS ceiling raised.
- ♦ Inflation dips to more than 5 year low.

The week in retrospect-Equity

The week ended on the markets witnessing a loosing streak due to the impending selling pressure partly due to increased profit booking and partly due to weak global markets. Slowdown in FII inflow and an attack of FII outflows triggered a correction after a solid surge over the past two months. Sensex lost 917.30 points or 4.59% to 19,058.93 in the week ended 8 November. Mid-cap and small-cap indices outperformed their large-cap peers. Weakness in the Asian markets made the trading for the week begin on a weak note with the Sensex declining 385.45 points or 1.93% to close at 19,590.78, on Monday. The Sensex edged lower by 110.84 points or 0.57% at 19289.83 on Wednesday, tracking weak European markets. Software, banking and telecom stocks were key losers on that day. The market was closed for trading on Friday on account of Diwali. However, there was an auspicious one hour muhurat trading on Diwali. Reliance Industries (RIL) gained 2.66% to Rs.2742.75 during the week. L&T declined by 6.68% while ONGC slipped by 7.02%. WPI Inflation reached 2.97% during the week ended 27 Oct 07.

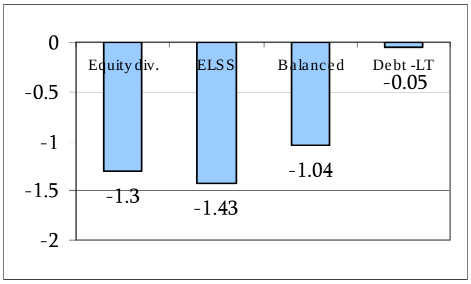
Also, FII's ended as net sellers in the equity market to the tune of Rs.1375.50 crores and mutual funds ended as net buyers to the tune of Rs.33.10 crores respectively.

Weekly Equity Indices Return (absolute %)



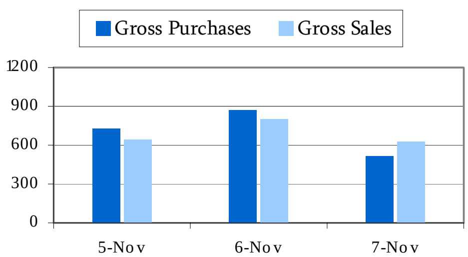
As on Nov 09 *Data source:* BSE, NSE

Weekly category returns (%)



Abs. returns as on Nov 9 Data source: 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.33.10 crores.

Outlook:

Short-term: Markets are expected to consolidate in the short term before making the next move in the absence of near term triggers. One trigger lined up for the week is the UPA – Left meet on nuclear deal scheduled on 16, Nov 07. During the week no sharp fall is expected as there is high liquidity prevailing in the system. Much will also depend on how Asian markets pan out. Over the recent past, domestic markets have been taking cues from them. Markets have already started witnessing an FII outflow and any further increase in the outflow is expected to put more brakes on the recent 2 month rally.

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 Q2 results were decent to strong signaling the strong fundamentals would support the Indian equities during the decline. Also other important factors such as more than 35% saving rate, improving tax to GDP as a percentage(18%) indicate that corporate earnings growth rate are sustainable for long term. Q2 FY 08 results are also reaffirming the healthy growth of corporate earnings.

Recommended schemes to invest		Historical returns as on Nov 09 (%)			Crisil Ranking
		6months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	55.81	70.32	65.32	1
	Reliance Equity Opportunities	28.57	35.89	--	3
	ICICI Prudential Services Ind.	27.82	46.49	--	
Moderate (Equity)	Fidelity Equity Fund	33.98	47.6	--	-
	Fidelity India Special Situations	27.72	34.21	--	-
	ICICI Prudential Dynamic	24.22	35.75	54.85	1
Conservative (Equity)	DSP ML Top 100 Equity	43.64	57.52	53.16	1
	Franklin India Bluechip	35.54	40.76	46.48	4
	HSBC Equity Fund	46.09	52.74	48.48	3
	Templeton India Equity Income	32.95	51.71	--	-
ELSS	Fidelity Tax Advantage	34.95	47.88	--	-
	Franklin India Tax shield	18.2	21.99	34.00	
	SBI Magnum Tax Gain	37.44	48.22	68.62	2
Balanced	DSP ML Balanced	29.55	37.52	36.39	1
	Franklin India Balanced	12.06	18.56	32.05	2
	HDFC Prudence	27.92	35.22	41.98	2

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

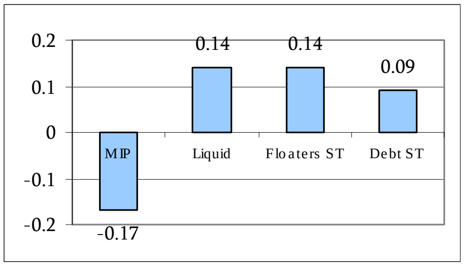
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: Markets have started consolidating after reaching highs with an accelerated pace over the last couple of months. Though fundamentals continue to back the positivity in the markets, it is advisable for investors to enter the market adopting a deferred approach. Midcap segment could be considered by aggressive investors. Themes like financial services and banking could prove to be a good bet. SIP investors could look at contra & diversified funds.

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 (%)



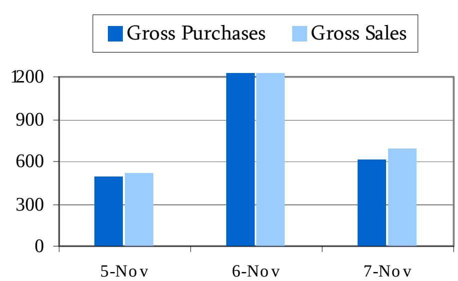
Abs. returns as on Nov 09 Data source: Bloomberg

Key statistics

	Nov 09	Nov 02
7.49% GOI 2017 yield	7.95%	7.87%
Call rate	6.25	6.15
WPI inflation (week ending Oct 20 and Oct 27)	2.97%	3.02%
Dollar exchange rate	39.32	39.32
Forex reserves ($ bn)	266.51 (Nov 02)	262.45 (Oct 26)

Source: bseindia.com

Weekly MF transactions (debt)



Amt in Rs. crores *Data source: SEBI*

In debt market, mutual funds emerged as net sellers to the tune of Rs.254.10 crores.

The week in retrospect-Debt

Indian Government on Wednesday increased the ceiling of market stabilisation bonds for the fourth time during the year to enable the Reserve Bank to absorb excess liquidity for checking the rise in rupee that is trading at its highest level in almost a decade. Oil prices hit record highs slightly below $100 a barrel on Friday, strengthened by supply concerns during the northern winter and tensions in the Middle East. Rupee touched a near decade high of 39.18 on Wednesday, driven by the fresh dollar sales. However, rupee eased on Friday to close at 39.32 after the raise in the ceiling of the MSS bonds on Thursday.

Outlook:

Short-term: As the decision of RBI to hike the CRR by 50 basis points has come in effect from 10th Nov and also the MSS bonds ceiling has been raised they are expected to partially reduce the liquidity in the system. One of the major concerns of the Indian government is the strengthening rate of the rupee. The increased MSS limit is expected to put brakes on the rate at which the rupee is growing as the liquidity is now all set to get reduced.

Long-term: Inflation is easing out because of the comfortable supply of essential goods and high base effect. Though the FII outflows have begun to a greater extent during the last couple of weeks there is still a lot of liquidity persisting in the system. Singapore bank upwardly revised its rupee forecast to Rs.37 by end of 2008. (Source: Reuters)

Recommended schemes to invest		Return as on Nov 09 (%)			Expense ratio	Crisil rankin
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.61	1.92	8.15	0.65	-
Liquid	Can liquid	0.64	1.86	7.63	0.45	-
Arbitrage	StanChart Arbitrage	0.33	1.46	--	1.5	-
Birla MF	505 days FMP closing on 19 Nov, 07, Net indicative yield: Retail: 8.70% Institutional 9.00%.					

*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. These funds attract equity funds tax treatment, they offer additional advantage. 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:

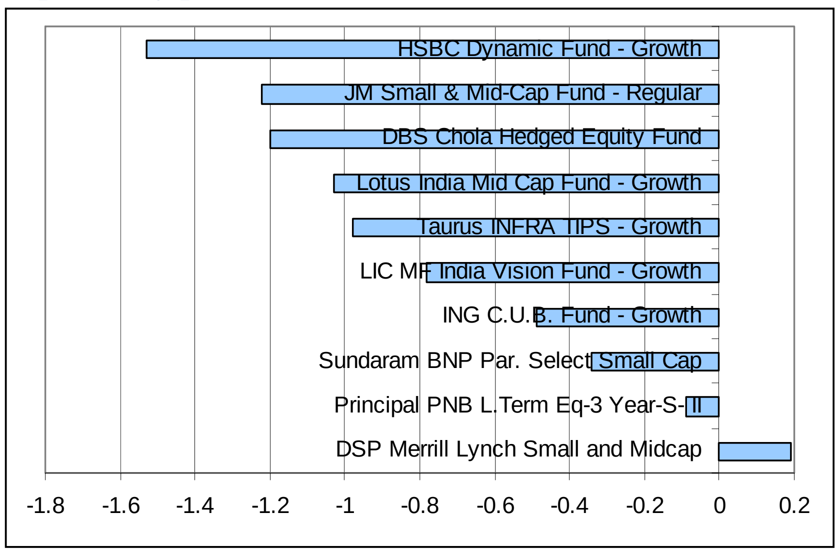
- DSP ML AMC is expected to launch DSPML Natural Resources Fund.
- Birla Sun life Fund house is expected to launch a new scheme named Birla Sun life Special Situations fund. The Scheme would follow an investment strategy that would take advantage of Special Situations and Contrarian investment style.
- SBI Mutual Fund house is planning to launch SBI Emerging International Opp. Fund. This fund is waiting for approval from SEBI.
- SBI Mutual Fund house is planning to launch SBI Tax Advantage Fund-Series I. The 10 Year Close-ended Equity Linked Savings Scheme is waiting for approval form SEBI.
- Reliance AMC is planning to launch Reliance Infrastructure fund. The 3 Yrs. close ended fund is waiting for approval from SEBI.

NFO Corner

NFO's open for subscription:

- Lotus AMC has launched Lotus India AGILE Fund. The open-ended equity scheme would invest predominantly in equity and equity related instruments in a passive portfolio of stocks selected from the industry Leaders on the basis of mathematical models. This fund is open till 23, Nov 07.
- SBI has launched SBI Capital Protection Fund. The close ended debt fund will predominantly invest in Debt instruments and to a certain extent also invest in equity schemes. The fund is open till 23 Nov 07.
- JP Morgan AMC has launched JP Morgan India Smaller Companies Fund. The Open-ended equity scheme would invest predominantly in equity and equity related securities focused on smaller companies. This fund is open till 30, Nov 07.
- Sundaram AMC has launched Sundaram BNP Paribas Energy Opportunities Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on domestic energy sector. This fund is open till 11, Dec 07.

Top weekly performers-NFOs*



** Weekly return in % as on Nov 9, 07* *Data source:* MFI Explorer

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

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

Disclaimer