Fund - O -Meter -- Weekly

A Weekly Report on Mutual Funds

KARVY the Finapolis — Your Personal Finance Advisor

PF/MFW/23112007/345 **Nov 19, 2007 to Nov 23, 2007**

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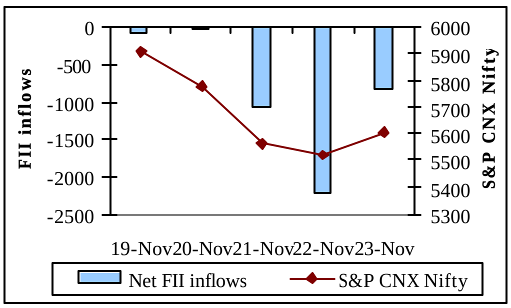
FII movement relative to Nifty



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

Weekly FII transactions (equities)

	Nov 19 to Nov 23	Nov 12 to Nov 16
Gross purchases	18760.60	23679.80
Gross sales	23004.80	22924.10
Net inflows	-4244.20	755.70

Amt in Rs. crores *Data source:* SEBI

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Highlights

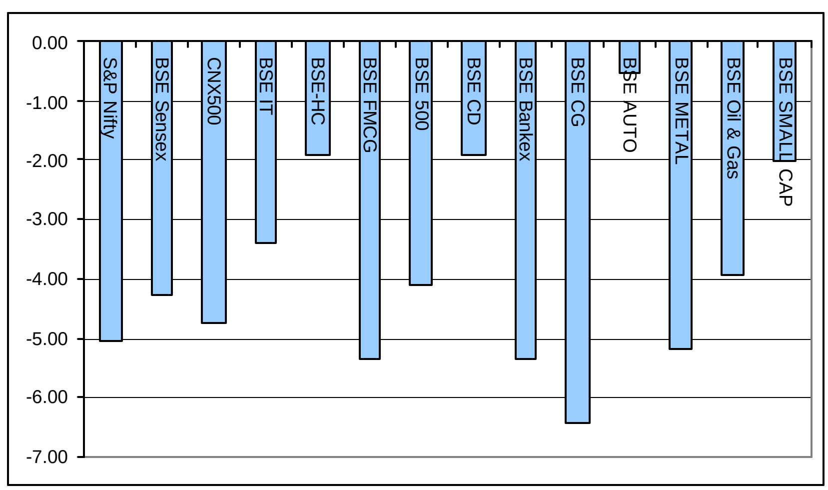
- ♦ **Sensex lost nearly 850 points**
- ♦ **Continuous withdrawal of funds by FIIs**
- ♦ **Rupee slumped to its month low**
- ♦ **Indian bond yields may drop down**

The week in retrospect-Equity

The markets this week were influenced by the continuous withdrawal of funds by FIIs amidst growing unease over US economic outlook and weakening credit markets there. BSE Sensex fell 845.49 points or 4.29% to close at 18,852.87 in the week while S&P CNX Nifty fell 298.25 points or 5.04% to close at 5608.60. On Monday, the market lost ground in late trade as Sensex heavyweight Reliance Industries dropped and ITC slipped resulting in the fall of 64.53 points. On Friday, the market shrugged off blasts in Uttar Pradesh and galloped in late trade on a volatile day of trading. The sensex rose by 326.55 points to close at 18852.87. During the week, a few companies like Religare a financial services company, Varun Industries, a Mumbai-based exporter of stainless steel kitchenware, Allied Computers International, a Mumbai based IT Hardware Company, debuted the markets at a 75% premium over the issue price of their IPO. Also during the week, all the major indices had ended in the red from their previous weeks positions.

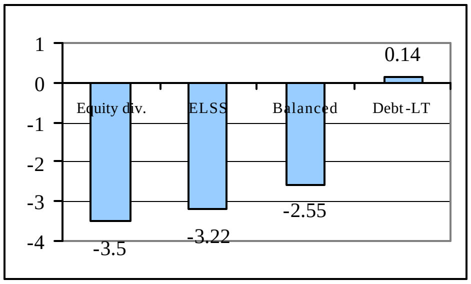
Also, FII's ended as net sellers in the equity market to the tune of Rs.4244.20 crores and mutual funds ended as net buyers to the tune of Rs.36.80 crores respectively.

Weekly Equity Indices Return (absolute %)



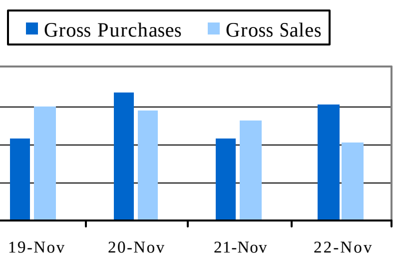
As on Nov 23 *Data source:* BSE, NSE

Weekly category returns (%)



Abs. returns as on Nov 23 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.36.80 crores.

Outlook:

Short-term: Biggest short term trigger for the market is the expiry of the November derivative contracts on 29 Nov. The market has been volatile during the past few days on concerns over the impact of the US sub-prime mortgage problems on the US economy. These concerns may continue to cast their shadow on the markets in the weeks to come. Considering the fact that, FII's follow calendar year as their accounting year FII selling may continue in the near term as they may resort to year-end profit taking.

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 signalling 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 ratio (18%) indicate that corporate earnings growth rate are sustainable over long term.

Recommended schemes to invest		Historical returns as on Nov 23 (%)			Crisil Ranking
		6months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	46.71	65.33	64.04	1
	Reliance Equity Opportunities	26.77	37.43	--	3
	ICICI Prudential Services Ind.	26.58	46.65	--	
Moderate (Equity)	Fidelity Equity Fund	26.22	42.45	--	-
	Fidelity India Special Situations	27.67	36.78	--	-
	ICICI Prudential Dynamic	22.98	31.54	--	1
Conservative (Equity)	DSP ML Top 100 Equity	34.36	51.43	51.38	1
	Franklin India Bluechip	30.53	38.78	45.53	4
	HSBC Equity Fund	40.16	46.24	47.28	3
	Templeton India Equity Income	25.9	44.96	--	-
	Fidelity Tax Advantage	28.23	45.26	--	-
	Franklin India Tax shield	14.94	16.61	32.49	
ELSS	SBI Magnum Tax Gain	33.98	14.58	28.8	2
	DSP ML Balanced	23.46	36.64	36.09	1
	Franklin India Balanced	8.57	25.46	31.87	2
Balanced	HDFC Prudence	24.99	35.33	41.18	2

*For qtr end Sep, 07 *Data source: MFI explorer*

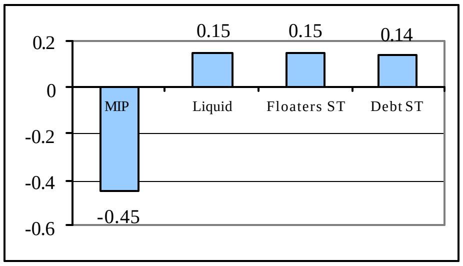
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

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 (%)



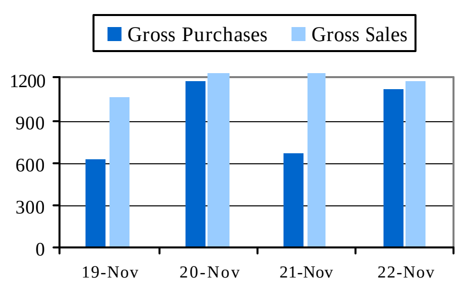
Abs. returns as on Nov 23 Data source: Bloomberg

Key statistics

	Nov 23	Nov 16
7.49% GOI 2017 yield	7.90%	7.90%
Call rate	6.25	8.00
WPI inflation (week ending Nov 03 and Nov 10)	3.01%	3.11%
Dollar exchange rate	39.72	39.35
Forex reserves ($ bn)	271.148 (Nov 16)	270.181 (Nov 09)

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.2322.00 crores.

The week in retrospect-Debt

During the week, the committee specially formed on corporate bonds has mentioned that the corporate bond market in India is the weak link in the Indian Financial system as corporate debt accounts for as much as 25 to 30 % of GDP in countries like the US and UK, unlike in India, where it is very meagre. Rupee slumped to its lowest in a month on account of FII outflows and dollar purchases by an oil company for making payments. Crude oil prices are still hovering around the $100 a barrel in New York on speculation about slowing economic growth and forecast of mild winter in the U.S. Gold closed at Rs.10,330 per 10 grams which is Rs.255 higher than the last weeks close while the prices in US have crossed the $800 mark to close at $810 per ounce. Inflation has fallen from 3.11% on Nov 9 to 3.01% for the week ended 10 November 2007.

Outlook:

Short-term: Indian federal bond yields may drop down in the coming week, after the central bank announced a smaller-than-usual Treasury bill auction, which would not tighten the cash position to a significant extent. Bond yields will also take cues from oil prices and developments in the US bond markets.

Long-term: Liquidity flows are likely to be mopped up through further hikes in the cash reserve ratio. Consequently, banks are expected to move deposit rates further downward in the coming week, mainly on account of the fact that credit deposit ratio is 43% against 84% during the corresponding period of the last financial year. The investments from the long-term investors may increase the liquidity further, as this was evident from the drop in the one-year forward premia to 0.91 per cent (1.17 per cent).

Recommended schemes to invest		Return as on Nov 23 (%)			Expense ratio	Crisil rankin
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.67	1.98	8.24	0.65	-
Liquid	Can liquid	0.66	1.89	7.69	0.45	-
Arbitrage	StanChart Arbitrage	0.3	1.5	–	1.5	-

*For qtr end June, 07 *Data source: MFI explorer*

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:

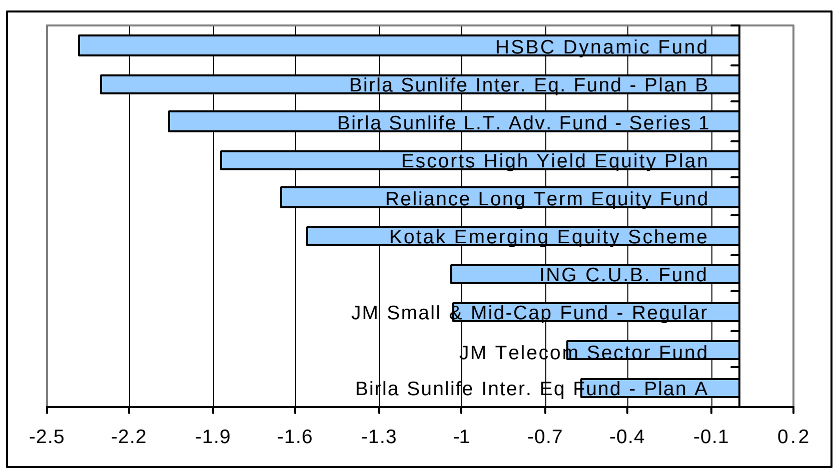
- DSP ML AMC is expected to launch DSPML Natural Resources Fund.
- Birla Sun life Fund house is expected to launch a new scheme named Birla Sun life Special Situations fund. The Scheme would follow an investment strategy that would take advantage of Special Situations and Contrarian investment style.
- 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 from SEBI.
- Reliance AMC is planning to launch Reliance Infrastructure fund. The 3 Yrs. close ended fund is waiting for approval from SEBI.
- DWS AMC is planning to launce DWS Small and Midcap Fund. The open ended equity scheme is waiting for approval from SEBI.

NFO Corner

NFO's open for subscription:

- 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.
- ICICI Prudential AMC has launched ICICI Prudential Real Estate Securities Fund. The close-ended debt fund would invest in debt securities, associated with, or benefiting directly or indirectly from, the real estate sector, and the scheme would also invest in equity and equity-related securities of such companies. This fund is open till 14 Dec 07.
- Franklin Templeton AMC has launched Franklin Asia Equity Fund which will predominantly invest in equity and equity related instruments of Asian companies/sectors. The fund is open till 18 Dec 07.
- JM Financial AMC has launched JM Agri & Infra Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on agriculture and infrastructure development of India. This fund is open till 18 Dec 07.
- UTI AMC has launched UTI Infrastructure Advantage Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on infrastructure companies. This fund is open till 19 Dec 07.
- Chola AMC has launched DBS Chola Small Cap Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on Small Cap companies. This fund is open till 20 Dec 07.

Top weekly performers-NFOs*



* *Weekly return in % as on Nov 23, 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.

Disclaimer