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Equity AUMs rise in line with market movement

Industry news

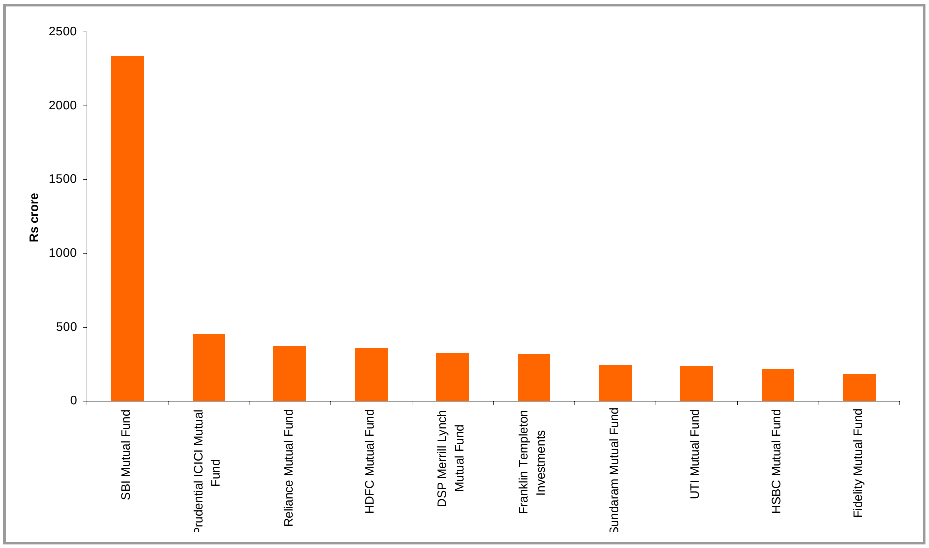
- **Reliance MF takes over UTI MF as top MF:** A moderate mobilisation of resources through fixed maturity plans (FMPs), has helped the private sector player Reliance Mutual Fund (RMF) emerge as India's largest mutual fund (MF), in terms of assets under management (AUM), for the first time. RMF has pushed UTI MF, the public sector behemoth, to the second position. RMF's AUM went up by 5.6%, or Rs2,092 crore, to Rs39,019.94 crore whereas that of UTI MF dipped 1.5%, or Rs73.43 crore, to Rs37,535.08 crore.
- **MFs add 18.5 lakh investors in Q3FY2007:** The total MF investor base crossed 2.67 crore in Q3 of this financial year!! As many as 17.2 lakh folios were added in equity schemes of which 2.8 lakh were added in equity tax saving schemes (ELSS). About 9.47 lakh folios were added in the equity-based close-ended schemes which was higher than the 7.73 lakh folios added in the equity-based open-ended schemes. About 1.19 lakh investors were added in debt schemes.
- **Tata MF files for gold fund:** Tata MF has filed its offer document for Tata Gold Fund with the Securities and Exchange Board of India (Sebi). The open-ended exchange traded fund will track the domestic price of gold through investments in physical gold and will be listed on the stock exchanges. Units with face value of Rs10 will be issued along with an applicable load during the new fund offer.
- **Benchmark, UTI MF get Sebi nod for GETFs:** UTI MF and Benchmark Asset Management Company have received the approval from Sebi to launch their gold exchange-traded funds (GETFs). The schemes would be open-ended and be listed on the National Stock Exchange. GETFs are products through which investors can trade in the yellow metal via the stock exchange without physically owning it.
- **MFs too face PANdemic:** The government is examining a proposal to make it mandatory to quote the permanent account number (PAN) for MF investments. Proposed on the lines of the practice for demat accounts where the investor has to quote his/her PAN to invest in shares, the finance ministry is now planning to introduce the eligibility condition for MFs as well. Quoting the PAN would enable revenue officials track down investment details of individuals in MFs and the earnings in cases of tax evasion.

Highlights

- The AUM for equity funds increased by 2.2% to Rs146,749 crore in January 2007. The rise in the equity AUM was in line with the 2.2% upward movement in the market.
- Fund managers made purchases worth Rs11,644 crore and turned net sellers to the tune of Rs1,342 crore during the month. The sell-off was largely to pay dividends at the end of the year.
- Equity MFs registered a net inflow of Rs1,361 crore. The relatively lower new fund offering (NFO) collections coupled with the higher redemption volumes lowered the funds flow in January 2007.
- MFs are sitting on Rs12,067 crore of cash, waiting to be deployed in the market. Of this, Rs9,957 crore of cash lies with the existing MFs, while the remaining Rs2,110 crore has been mobilised through NFOs.
- Amongst all sector funds, technology funds have generated the highest returns in January 2007. Banking and technology funds have outperformed the Sensex, whereas the funds in the auto, pharma and fast moving consumer goods (FMCG) sectors have underperfomed the Sensex.
- MFs have slashed their exposure to computer, auto and diversified companies, and have bought stocks in the entertainment, telecom and oil & gas sectors.

- **Major movers for January 2007**

The AUM of equity MFs increased by 2.2% from Rs143,619 crore in December 2006 to Rs146,749 crore in January 2007. The rise in the equity AUM was in line with the market movement of 2.2%. The AUM for the equity-diversified funds surged by 3.5%, whereas that of the tax planning and sector funds rose by 10.5% and 4.6% respectively. The index funds saw a massive decline of 10.5% in their AUM.



SBI MF clocked the highest increase of 23.3%, amounting to Rs2,333 crore, in its AUM, largely fuelled by the robust collections of the newly launched SBI One India Fund. Prudential ICICI MF and RMF followed SBI MF and recorded increases of Rs453 crore and Rs372 crore respectively in their equity AUM. The top loser was Benchmark MF, which saw its equity AUM declining by Rs1,858 crore, followed by Standard Chartered MF and ABN Amro MF.

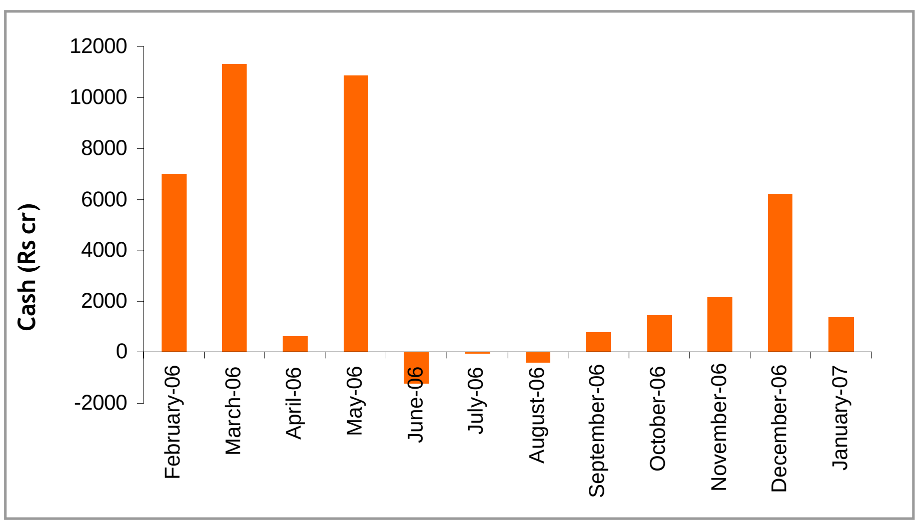
- **Stock market activities for mutual funds**

Mutual funds turned net sellers of equities in January 2007.

Month	Purchase (Rs cr)	Sales (Rs cr)	Net (Rs cr)
Jan-07	11643.6	12985.8	-1342.2

Equity fund flow

Fund flows into the equity MFs reversed their advancing trend in January 2007, with the equity MFs registering a net inflow of Rs1,361 crore in January 2007 as compared with Rs6,229 crore in December 2006. The decline in the fund flows in January 2007 as compared with December 2006 is mainly attributed to the lower amounts mobilised by the NFOs (Rs2,110 crore in January 2007 compared with Rs5,720 crore in December 2006) and the relatively higher volume of redemptions. The NFO collections include the amounts raised by SBI One India Fund, DSP Merrill Lynch Taxsaver Fund and HSBC Tax Saver Equity Fund. The same however do not include the collections made by Can Multicap Fund, Sundaram Equity Multipler Fund and Sundaram Select Small Cap Fund. These funds were launched in January 2007 but did not close in the month, as the allotment of the units for these funds is not yet complete. The collections made by these funds (approximately Rs600 crore) will be reflected in the next month's fund flow figures.

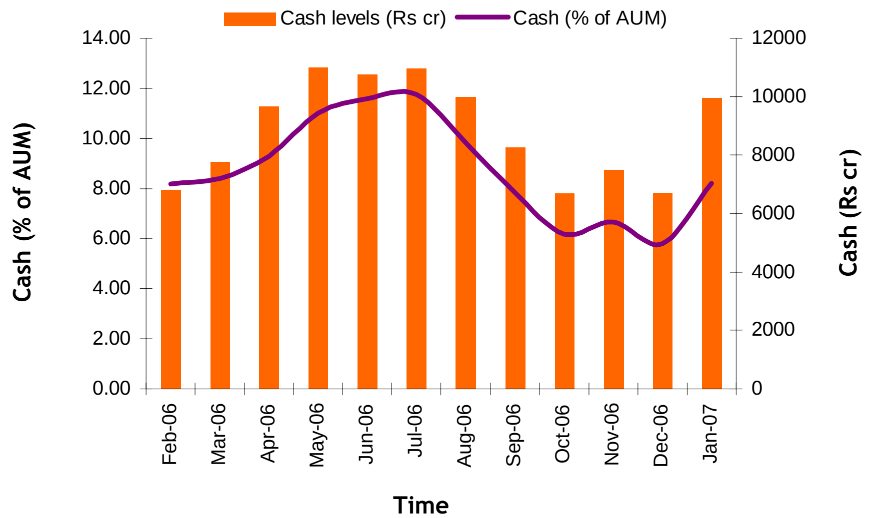


Cash levels

Liquidity

The absolute cash levels for all equity funds launched before January 2007 increased from Rs6,710 crore in December 2006 to Rs9,957 crore in January 2007. The cash as a percentage of the total corpus also followed a similar trend, increasing from 5.8% of the total corpus in December 2006 to 8.2% in January 2007. The increase in the cash levels has been largely due to profit booking in a rallying market.

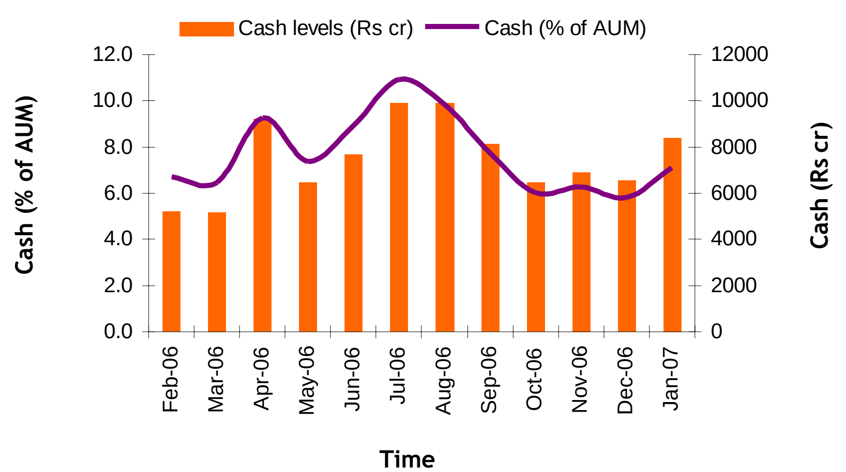
The total cash sitting with MFs, including the cash mobilised through the recently launched NFOs, however, stands at a healthy Rs12,067 crore. Flush with cash, MFs are well placed to maintain the buying interest and propel the market forward.



Note: Includes all equity funds in the industry launched before January 2007

Sentiments

MFs have stepped back a bit from the strong investment mode seen in December 2006 with cash levels rising from 5.8% of the total corpus in December 2006 to 7.1% of the total corpus in January 2007. However, with the prospects for the Indian market yet remaining strong, sentiments continue to be bullish and funds may be holding more amounts of cash to counter the redemption requests or to invest at lower valuations.



Note: Includes all equity funds in the industry with a NAV track record of three months+.

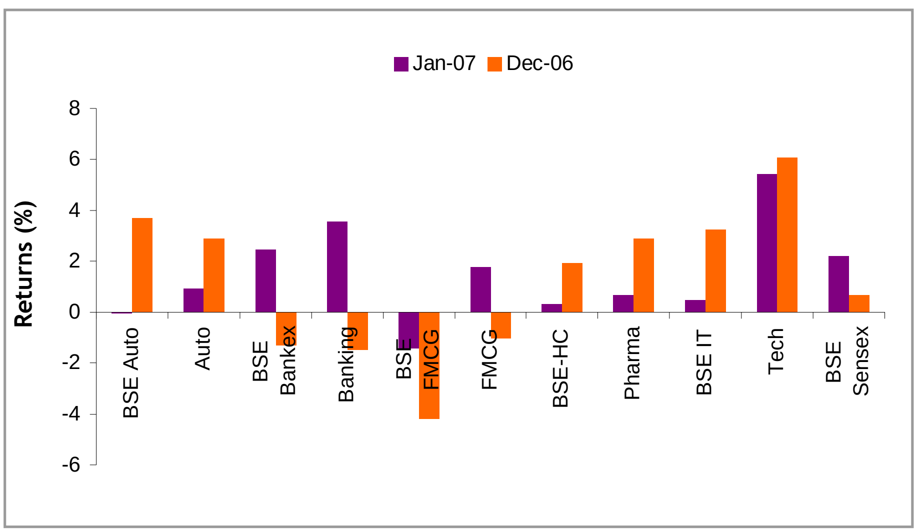
Sector allocation

Major shifts in the sector allocation for the equity-diversified category are as under:

Sector name	January 2007		December 2006	
	Amount (Rs cr)	% of net assets	Amount (Rs cr)	% of net assets
Increase in exposure				
Miscellaneous	4093.02	4.35	3263.39	3.57
Entertainment	2510.04	2.67	2026.94	2.21
Telecom	5031.81	5.34	4509.23	4.93
Oil & Gas, Petroleum & Refinery	3883.02	4.12	3492.65	3.82
Electricals & Electrical Equipments	3341.18	3.55	3073.29	3.36
Chemicals	1437.13	1.53	1228.08	1.34
Decrease in exposure				
Computers--software & education	10105.49	10.73	10433.91	11.40
Auto & Auto ancillaries	6785.71	7.21	7159.96	7.82
Diversified	12402.43	13.17	12459.76	13.61
Cement	2483.88	2.64	2763.11	3.02
Tobacco & Pan Masala	1619.93	1.72	1835.36	2.01
Housing & Construction	5301.05	5.63	5357.49	5.85

Performance of sector funds

Despite the Sensex advancing by 2.2% in January, most fund categories except banking and FMCG have generated lower returns in January 2007 as compared with the significantly higher returns clocked in December 2006. Banking and technology funds have outperformed the Sensex, whereas the funds in the auto, FMCG and pharmaceutical sectors have underperfomed the Sensex by 0.5-1%. Additionally, all the sector funds (auto, banking, FMCG, pharma and technology) have outperformed their respective benchmark indices (the BSE Auto Index, the BSE Bankex, the BSE FMCG Index, the BSE Healthcare Index and the BSE IT Index) in January 2007. The technology funds gave the highest returns in January 2007, followed by the banking and FMCG funds.



Disclaimer: mutual fund investments are subject to market risk. Please read the offer document carefully before investing. Past performance may or may not be sustained in the future.