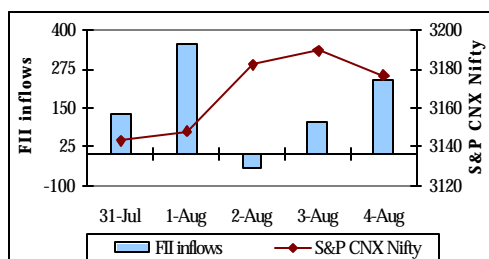


Quote of the week:

We do not have, never have had, and never will have an opinion about where the stock market, interest rates or business activity will be a year from now.

-Warren Buffet

FII Movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	July 31 to Aug 4	July 24 to July 28
Gross purchases	5883.8	7295.1
Gross sales	5099	6387.6
Net inflows	784.8	907.5

Amt in Rs. crores

Data source: SEBI

**Kirti Singh
Chinmay**

Email: kirti.s@karvy.com
chinmay@karvy.com

☎: +91 40 23312454

Ext: 304

Highlights

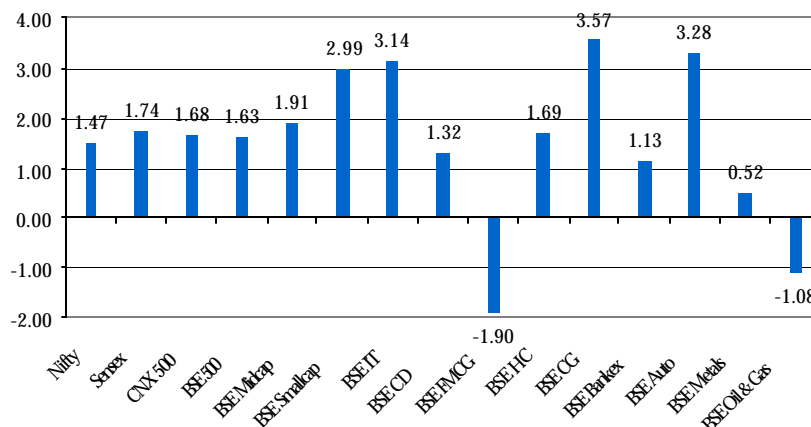
- ◆ Markets ended in the green territory
- ◆ Fed meet on Aug 8 much awaited
- ◆ Yields still at higher levels
- ◆ Bond market to get direction from the next auction

The week in retrospect-Equity Funds

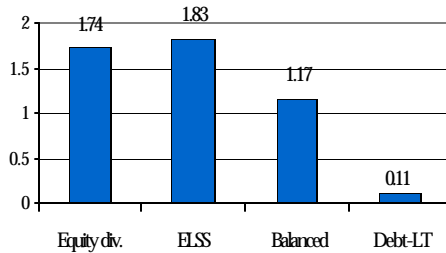
The week witnessed the markets with their northwards journey on the back of strong FII inflows. This could be attributed to the up-gradation of India's rating to investment grade by Fitch BSE Sensex gained 186.28 points to settle at 10866.51 and Nifty edged 45.95 points up to close at 3176.75. On Friday, the markets slipped due to profit booking and concerns over increase in crude oil prices. Global markets ended the week on a flat note on account of interest rate hike by the European Central Bank an unexpected rate hike by Bank of England by 25 basis points. Though most of the market experts opine that Fed rates are almost near their peak, yet the upcoming Fed meet on Aug 8 kept the markets on edge. On the sectoral front, strong Q1 earnings of IT sector took BSE IT up by 3.14%. Patni Computers shot up 25% on account of strong earnings and encouraging guidance for the September quarter. Encouraging sales numbers of auto majors Tata Motors and Bajaj Auto took the scrips 4.4% and 5.58% up respectively, resulting in BSE Auto Index gaining 3.28%. BSE FMCG and BSE Oil & Gas ended on a negative note.

FII emerged as net buyers to the tune of Rs. 784.8 crores during the week. Marginal net selling was witnessed by FIIs on Wednesday on account of unexpected rate hike by BOE. On the other hand, mutual funds turned to be net sellers in equity markets. Net sales amounted to Rs. 86.92 crores. They however made significant purchases in the debt market.

Weekly Equity Indices Return (absolute %)

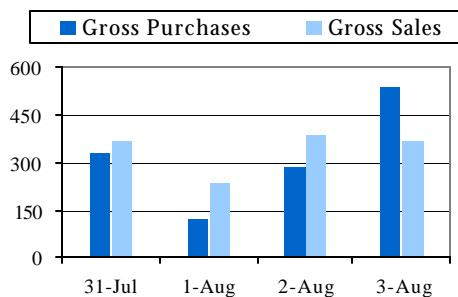


Weekly category returns (%)



Abs. returns as on Aug 4 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds turned out to be net sellers by a marginal amount of Rs. 86.92 crores.

Outlook:

The markets may continue to remain range bound in the near future. All eyes are set on the Fed meet on August 8, 2006 which may determine the direction of the markets. Further, rise in crude oil prices may be a concern for domestic as well as global markets. Oil price stayed above \$75 in the pervious week due to supply concern for Tropical storm Chris. However, it is expected that it may fade away before reaching the Gulf of Mexico. FII inflows to India may pick up after the up gradation in India's rating by Fitch. These factors will keep the market on edge and volatility may be witnessed in the coming week.

Recommended schemes to invest		Historical returns as on August 4 (%)			Crisil Ranking for qtr end June 06
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	4.21	37.30	54.19	2
	Tata Infrastructure	5.91	43.33	N.A.	-
	Reliance Growth	-2.15	26.45	63.26	1
	Sundaram Select Midcap	17.17	55.72	72.06	1
Moderate (Equity)	Fidelity Equity Fund	3.23	28.55	N.A.	-
	HDFC Equity	4.14	40.26	N.A.	2
	Reliance Equity	N.A.	N.A.	N.A.	-
	SBI Magnum Contra	6.79	41.38	73.80	1
Conservative (Equity)	DSP ML Top 200	7.70	40.42	48.64	3
	Sundaram India Leadership	-2.89	35.52	N.A.	2
	Franklin India Bluechip	6.73	36.30	48.64	4
	Templeton India Equity Income	N.A.	N.A.	N.A.	-
ELSS	Franklin India Taxshield	-1.74	24.65	47.23	3
	HDFC Tax saver	0.40	27.28	64.34	2
	SBI Magnum Tax Gain	3.22	30.88	82.79	1
Balanced	DSP ML Balanced	3.83	26.59	34.34	3
	HDFC Prudence	3.88	27.81	39.93	1
	Kotak Balance	4.39	27.43	40.04	2

Datasource: MFI Explorer

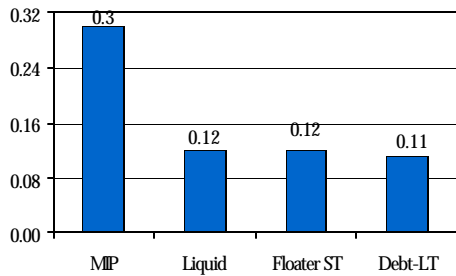
Note 1: *DSP ML Opportunities, Tata Infrastructure, Fidelity Equity, Reliance Equity, Sundaram India Leadership and Templeton India Equity Income funds have been chosen on the basis of their fundamentally strong portfolios.

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

Recommendations:

At this point, long-term investing could prove a safer strategy than momentum investing. Selection of fundamentally strong stocks is suggested. Contra investing, diversification in international markets (by investing in Templeton India Equity Income Fund) are apt due to short-term uncertainty in the market.

Weekly category returns (%)

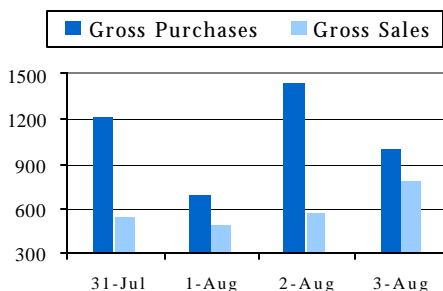


Abs. returns as on Aug 4 Datasource: Bloomberg

Key statistics

	Aug 4	July 28
7.59% GOI 2016 yield	8.28%	8.25%
Call rate	6.1%	6.1%
WPI inflation (week ending July 22 and July 15)	4.67%	4.52%
Dollar exchange rate	46.55	46.68
Forex reserves (\$ bn)	164.02 (July 28)	163.35 (July 21)

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market also, mutual funds followed the trend of buying and purchased to the tune of Rs. 1966.97 crores.

The week in retrospect-Debt Funds

The bond yields increased during the week on the back of new bond issues worth Rs. 90 billion in the coming week and the rising interest rate scenario across the globe. Further, upcoming Fed meet, rising crude oil prices and supply concerns of the same resulted in cautious trading.

The benchmark 10-year bond ended at 8.28%, as against 8.25% last week. The government will auction a 10 year 7.59% bond for Rs. 30 billion and a 5 year 9.39% bond for Rs. 60 billion on August 8.

WPI inflation increased to 4.67% for the week ended July 22, up from 4.52% during the previous week. This rise was on the back of increased prices of vegetables, pulses, edible oil, sugar and few manufactured items. India's forex reserves rose to record \$164.02 billions on July 28 from \$163.35 billions last week. A weaker than expected U.S. non-farm payrolls data and U.S. job data caused the dollar to fall sharply against major currencies. Rupee appreciated slightly to 46.55 over the previous week's 46.68.

Outlook:

The fresh auctions scheduled on August 8 are likely to give directions to the market sentiments. With a weak U.S. job data, market experts view that Federal Reserve may not increase the interest rate in its meet on August 8. Further, oil supply concerns and geopolitical tensions may keep the market on edge. Upgradation of India to investment grade by international rating agency, Fitch may be followed by increased FII inflows which may increase the rupee valuation.

Recommended schemes to invest	Historical return as on August 4 (%)			Expense ratio	Crisil ranking for qtr end June 06	
	1 month	3 month	1 year			
Floaters	JM Floater ST	0.55	1.59	6.05	0.50	3
	Reliance Floating R	0.55	1.59	5.96	0.55	-
Liquid	HDFC Cash Mgt-Savings	0.54	1.58	5.92	0.38	2
	Birla Cash Plus-Retail	0.52	1.56	5.89	0.34	2
Income Funds - LT	UTI Bond Fund	0.42	0.89	3.84	1.37	1
	Grindlays SSI-MT	0.63	1.92	5.55	1.77	-
FMPs	Reliance Fixed Horizon Fund - Plan C	NFO period: Aug 1 to Aug 18			Duration: 24 months	
	DWS Fixed Term Fund - series - 16	NFO period: Aug 7 to Aug 9			Duration: 370 days	

Datasource: Bloomberg

Recommendations:

Long-term investors: With 10-year g-sec yield trading above 8.20%, it is quite likely that rates may peak out in the coming few months. Therefore, slightly aggressive investors can start building position in funds (having high maturity) gradually to benefit from lower acquisition prices of bonds. Risk averse investors can consider FMPs to capture the prevailing yield levels.

Short-term investors: Investing in floaters and liquid funds could yield returns between 5.60% to 5.90% p.a.

New Fund Offers open for subscription:

Equity

- ◆ Tata MF has launched Tata Capital Builder Fund on July 18, 2006. The fund will be open for subscription till August 18, 2006.
- ◆ ING Vysya MF has launched ING Vysya C.U.B. Fund on July 25, 2006. The fund will be open for subscription till August 21, 2006. The fund seeks to invest in small companies to capitalize on the high growth potential of this segment.

Happenings

News Briefs:

- ◆ ICICI Prudential MF topped the assets under management (AuM) charts for the month of July with Rs 3.14 million as AuM (as on July 31), followed by UTI Mutual Fund, whose AuM stood at Rs 3.095 million, according to the data provided by AMFI.
- ◆ Only Indian mutual funds, which are in existence for a minimum period of 10 years, would be eligible for investing in Exchange Traded Funds (ETFs) abroad. This is part of the SEBI guidelines on investments by mutual funds overseas issued on August 03.
- ◆ Lotus India Asset Management Company Pvt Ltd, a joint venture (JV) between Fullerton Fund Management Group and Sabre Capital Worldwide, has received the regulatory approval from the Securities and Exchange Board of India (SEBI) for starting its mutual fund operations in India.

Forthcoming New Fund Offers:

- ◆ Fidelity MF is planning to launch Fidelity Short Term Income Fund. The fund aims to offer a fixed income portfolio by taking advantage of the market dynamics, suitable for short to medium term asset allocation in fixed income asset class.
- ◆ JM MF is coming up with JM Entrepreneur Fund. It is a close-ended equity scheme which will convert into an open-ended scheme after a period of 3 years. It will invest in public / rights offerings, preferential allotments, participation in ADRs / GDRs, etc. in the primary market. In the absence of such investment opportunities, it will invest in equities including equity derivatives and equity schemes of the fund as well as other mutual funds.
- ◆ DSP Merrill Lynch MF has mooted an equity fund that will invest chiefly in small- and midcap stocks. The proposed DSP ML Small and Mid-cap will try to generate capital growth from a portfolio substantially formed with equity and equity-related securities that are not part of top 100 stocks in terms of market capitalisation.

For more information on MUTUAL FUNDS call 1800 42582 82 or contact your nearest Karvy branch.

Disclaimer

The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advice, as they believe necessary. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Stock Broking nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document.

The author, directors and other employees of Karvy and its affiliates may hold long or short positions in the above mentioned companies from time to time. Every employee of Karvy and its associate companies are required to disclose their individual stock holdings and details of trades, if any, that they undertake. The team rendering corporate analysis and investment recommendations are restricted in purchasing/selling of shares or other securities till such a time this recommendation has either been displayed or has been forwarded to clients of Karvy. All employees are further restricted to place orders only through Karvy Stock Broking Ltd. This report is intended for a restricted audience and we are not soliciting any action based on it. Neither the information nor any opinion expressed herein constitutes an offer or an invitation to make an offer, to buy or sell any securities, or any options, futures or other derivatives related to such securities.