

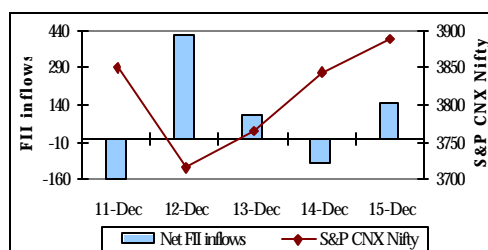
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Highlights

- ◆ **Markets slip in the negative territory**
- ◆ **Market likely to remain volatile**
- ◆ **Bond yields and call rates rise**
- ◆ **Yields likely to trade at high levels**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Dec 11 to Dec 15	Dec 4 to Dec 8
Gross purchases	12508.4	10759.1
Gross sales	12091.7	12536.3
Net inflows	416.7	-1777.2

Amt in Rs. crores

Data source: SEBI

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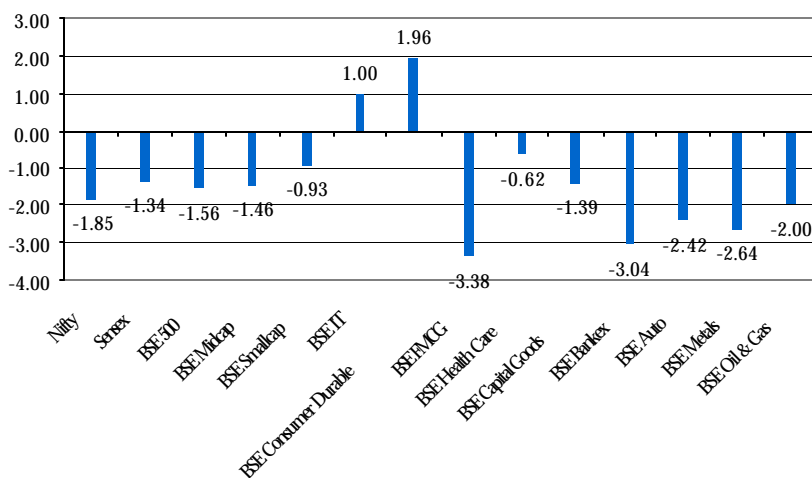
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The week in retrospect-Equities

The markets ended in red primarily on account of 50 basis points rise in CRR (Cash Reserve Ratio). As markets discounted this news released on Monday, Sensex lost 400 points to close at 13,399. Continuing the negative trend, it lost 400 points on Tuesday as lower than expected growth on industrial production for Oct 2006 (6.2%) was announced. However, buying kicked in as many investors picked stocks at lower levels and Sensex gained 186 points and 306 points on Wednesday and Thursday respectively. Decline in inflation and strong global markets further helped the sentiment remain firm and the benchmark index added another 127 points to settle at 13614. On the sectoral front, banking stocks had lost heavily on the first two trading days as hike in reserve ratio will reduce the margins of banks. SBI lost 7.33% to close at Rs. 1261. However ICICI bank recouped its losses and declined only by 0.10% after it announced an increase of 0.5% in its Benchmark Advance Rate and Floating Reference rate for consumer loans w.e.f. Dec 18, 2006. L&T ended in green territory gaining 0.39% to Rs. 1454 after it won two major contracts worth \$ 86 mn from Chinese company Sinopec and Rs. 5400 crores from GMR infrastructure.

During the week, while FIIs turned out as net purchasers in the equity market amounting to Rs. 416.7 crores, mutual funds emerged as net sellers to the tune of Rs.13 79.90 crores.

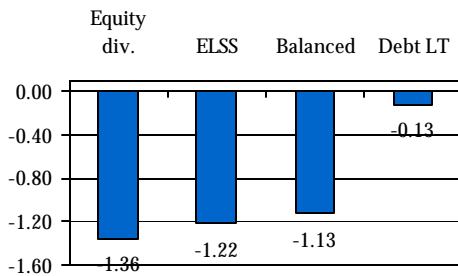
Weekly Equity Indices Return (absolute %)



As on Dec 15

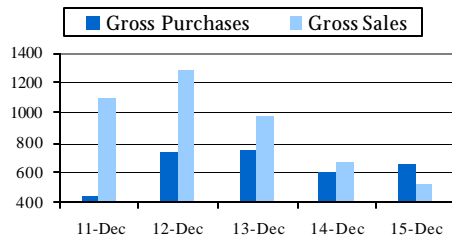
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Dec 15 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds emerged as net sellers in the equity market to the tune of Rs. 1379.90 crores.

Outlook:

Short-term: As the sentiment remains mixed, market may witness volatility in the coming week. Profit booking at higher levels is also likely to limit the upside. Many market experts opine that FII level could reduce in the coming days due to Christmas season, thus resulting in reduced volumes. Markets are likely to take cues from advance tax payments (third installment) made by corporates to guess the Q3 results. Crude oil prices are likely to remain a concern and any sharp increase in the same would cause negative sentiments to prevail in the markets.

Long-term: India's industrial production rose 6.2% in October from a year earlier. Though this level is below the expectations it can not be considered as an indication of slowdown given the pace of economic activities. In the Jul-Sept quarter, economy registered a growth of 9.2% from a year earlier. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to keep this growth going.

Recommended schemes to invest	Historical returns as on Dec 15 (%)			Crisil Ranking for qtr end Sept 06	
	6 months (abs)	1 year	3 year (ann)		
Aggressive (Equity)	DSP ML Opportunities	42.08	45.48	45.02	1
	Tata Infrastructure	50.21	63.36	N.A.	-
	Reliance Growth	42.41	40.08	52.54	1
	Sund. BNP Par. Sel. Mid.	34.36	62.11	54.14	1
Moderate (Equity)	Fidelity Equity	48.28	44.54	N.A.	-
	HDFC Equity	38.13	36.95	43.59	2
	Reliance Equity	31.62	N.A.	N.A.	-
	SBI Magnum Contra	38.56	48.89	65.76	1
Conservative (Equity)	DSP ML Top 100	42.86	48.22	41.36	3
	Sund. BNP Par. Ind. Lead.	38.43	40.37	N.A.	2
	Franklin India Bluechip	41.17	45.48	40.37	3
	Templeton India Eq. Inc.	30.09	N.A.	N.A.	-
ELSS	Franklin India Taxshield	31.94	30.11	39.01	3
	Fidelity Tax Advantage	41.22	N.A.	N.A.	-
	SBI Magnum Tax Gain	47.49	43.11	67.59	1
Balanced	DSP ML Balanced	29.21	33.13	30.18	3
	HDFC Prudence	37.10	34.11	37.00	1
	Kotak Balance	22.60	31.32	34.47	2

*For qtr end Sept 06

Datasource: MFI Explorer

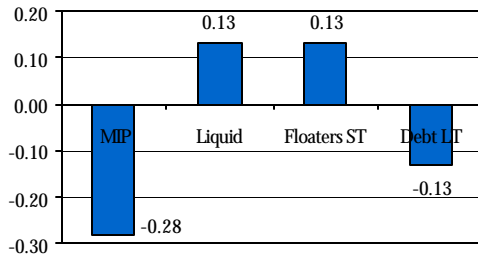
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

For existing holdings: Markets are at few notches below their all-time high levels. Valuations have become slightly cheaper than before. As the overall long-term outlook for the Indian economy continues to remain healthy, investors who have made investments with the objective of long-term wealth creation can continue to hold their MF units. Investors who are making SIP contributions can continue to do so. Investors willing to redeem in couple of months could redeem partially in the coming weeks, if they have made reasonable returns.

For fresh investments: Making fresh investments can prove fruitful if investment is made with a long-term horizon.

Weekly category returns (%)

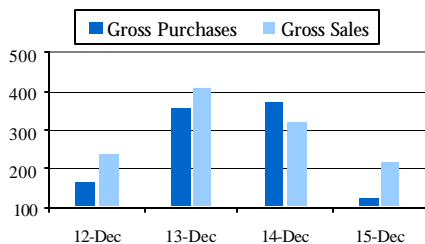


Abs. returns as on Dec 15 Data source: Bloomberg

Key statistics

	Dec 15	Dec 8
7.59% GOI 2016 yield	7.64%	7.39%
Call rate	8.10%	6.20%
WPI inflation (week ending Dec 2 and Nov. 25)	5.16%	5.30%
Dollar exchange rate	44.69	44.73
Forex reserves (\$ bn)	175.44 (Dec 8)	175.49 (Dec 1)

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market, mutual funds emerged as net buyers by a small amount of Rs. 5.03 crores.

The week in retrospect-Debt

A hike in CRR on Friday after the trading hours took the market by surprise. CRR (Cash Reserve Ratio) will be hiked in two phases of 25 bps each: on Dec 23 and Jan 6. The yield on the benchmark 10-year g-sec rose to 7.53% on Monday and further increased to 7.63% at the closing hours of Tuesday. On Thursday, it touched 7.69%, its 3-month high level on the news of strong US data. However, this run down in the bond prices got a break when the yield eased to 7.64% backed by lower than expected inflation. Wholesale price inflation declined to 5.16%, 14 basis points lower than the last week's level. Call rates rose significantly to cross the 8% level on account of cash squeeze.

On the forex front, rupee finally closed at 44.69 per USD after declining on the first two days as traders became concerned about the foreign inflows in equity markets. However, as equity markets rebounded, the rupee also started recouping the losses and made its highest finish on Thursday at 44.65. On Friday, it lost some gains to close at 44.69 as dollar strengthened. Forex reserves declined marginally to close at \$175.44 bn for the week ending Dec 8 from \$175.49 bn the previous week.

Outlook:

Short-term: The CRR hike will suck funds close to Rs.13,500 crores from the surpluses available with the banks. The bond market has also factored in this impact to a great extent. In the coming week, yields may harden slightly further. It may also take cues from US treasury prices and oil prices. Also, advance tax outflows are expected take out close to Rs. 300 bn from the system. Due to the liquidity tightening, call rates are expected to trade at high levels in the coming week.

Long-term: Inflation, credit growth, money supply growth are factors which will be monitored by the central bank constantly and determine its decision on rate hike. Many analysts opine that the bank will first resort to liquidity control measures and then increase rates. On the other front, US Fed rate has been left unchanged on Dec 12, while there are indications of slowdown in housing. It is quite likely that the central bank might consider hiking rates due to multiplicity of factors at domestic front than rates prevailing in other economies.

Recommended schemes to invest	Return as on Dec 15 (%)			Expense ratio	Crisil ranking	
	1 m	3 m	1 yr.			
Floaters	JM Floater ST	0.57	1.74	6.55	0.45	3
	Reliance Floating Rate	0.59	1.79	6.58	0.55	-
Liquid	HDFC Cash Mgt -Savings	0.59	1.78	6.64	0.34	1
	Birla Cash Plus-Retail	0.56	1.70	6.45	0.34	3

*For qtr end Sept 06

Datasource: Bloomberg

Recommendations:

Short-term investors: With outlook on interest rates still uncertain, investment in long-term bond funds should be avoided. Investors having an investment horizon of up to 6 months could invest in liquid funds and short-term floaters. Others having an investment outlook of more than 6 months can consider FMPs as they have the potential of offering better tax-adjusted returns.

Long-term investors: Investors with a horizon of more than one year could consider FMPs in place of bank deposits. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

News Briefs

◆ Reliance MF has made changes to some of the features of Reliance Regular Saving Fund (Hybrid Option) with effect from Jan 13, 07. The asset allocation will be 25% to 50% in debt while 50% to 75% will be invested in equities. The name of 'hybrid option' has been changed to 'balanced option'. Exit load will be nil. Entry load of 2.25% will be charged for subscription value less than Rs 20 mn. For subscription value between Rs.20 mn and Rs.50 mn, the entry load will be 1%. Entry load will be nil for subscriptions above Rs.50 mn. Existing unit holders have the option to exit at the prevailing NAV, without any exit load, between Dec 16, 06 and Jan 12, 07.

NFO Corner

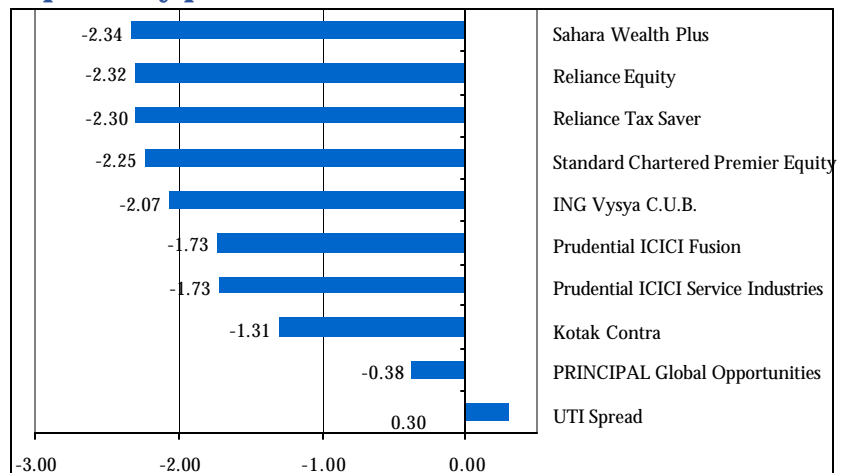
NFOs open for subscription:

- ◆ HSBC MF has extended the NFO period of HSBC Tax Saver Equity Fund to Dec 19, 2006.
- ◆ Optimix has launched Optimix Dynamic MM FoF (Series II) which is open for subscription till Dec 20, 2006. It has also launched Optimix 5 Star Multi-Manager FoF scheme. The equity FoF is open for subscription till Dec 22, 2006.
- ◆ DSP ML has launched DSP ML ELSS. The tax saving fund will be open for subscription till Dec 21, 2006.
- ◆ LIC MF has launched LIC MF India Vision Fund, which will be open for subscription till Dec 22, 2006.
- ◆ SBI MF has launched SBI One India Fund. The 3-year close ended equity diversified fund will be available for subscription till Dec 22, 2006.
- ◆ Canbank MF has launched Can Multicap, a diversified equity fund. It will be available for subscription till Jan 4, 2007.

Forthcoming New Fund Offers:

- ◆ Birla Sun Life AMC is planning to launch Birla Sun Life Secure Capital Fund with a 3-year and a 5-year plan.
- ◆ UTI is planning to launch its ELSS UTI Long Term Advantage Fund. The fund would be a 10-year close-ended one and would offer tax benefit under IT Act, 1961.
- ◆ ABM AMRO AMC is looking forward to launch ABN AMRO Sustainable Development Fund. The 3-year close-ended scheme would invest in socially responsible companies which focus on sustainable development.
- ◆ HSBC AMC is also planning to launch HSBC Capital Protection Series 1 (3-year plan) and Series 2 (5-year plan).
- ◆ JM Fund House is coming up with JM Equity Taxsaver Fund, which would invest in equities and offer tax benefit under the Income Tax Act 1961.

Top weekly performers-NFOs*



* Weekly return in % as on Dec 14, 06

Datasource: MFI Explorer

Note: Funds launched since Jan 05 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on Dec 14, 2006

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Crores) as on Nov. 30 '06	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Birla Long-term Adv	7-Aug-06	10.68	437.74	6.80	-2.73	10,680.00	10,680.00
2	Tata Capital Builder	18-Jul-06	10.66	285.40	6.64	-5.84	10,664.20	10,664.20
Abs. returns for New Funds released Between Jul 06 to Sep 06					6.71	-4.28	10672.1	10672.1
1	UTI Spread Fund	9-Jun-06	10.33	297.37	3.31	0.30	10330.70	10330.70
2	Tata Equity Managmt.	15-May-06	11.08	425.11	10.77	-2.38	11076.60	11076.60
3	Stanchart Enterprise Equity	19-Apr-06	11.13	1665.57	11.27	-6.10	11126.80	11126.80
Abs. returns for New Funds released Between Apr 06 to Jun 06					8.45	-2.73	32534.10	32534.10
1	Fidelity Special Sit.	28-Mar-06	12.37	2050.78	23.70	-3.92	12370.00	12097.80
2	Templeton India Equ.	22-Mar-06	11.33	1853.19	13.30	-3.16	11330.00	11080.68
3	Sundaram Rural India	20-Mar-06	11.49	1023.97	14.92	-3.53	11492.30	11239.41
4	ABN AMRO Future Leaders	13-Mar-06	10.25	447.75	2.48	-2.57	10248.00	10248.00
5	Pru ICICI Fusion	27-Feb-06	11.92	699.60	19.20	-1.73	11920.00	11920.00
6	DWS Tax Saving	22-Feb-06	10.48	34.49	4.76	-3.64	10475.70	10245.18
7	Kotak Lifestyle	22-Feb-06	11.22	424.25	12.24	-2.47	11224.00	11224.00
8	UTI Contra	22-Feb-06	9.66	839.53	-3.40	-3.50	9660.00	9660.00
9	Tata Tax Advantage	20-Feb-06	10.13	138.13	1.34	-2.72	10134.20	9935.49
10	JM HIFI	20-Feb-06	10.75	55.48	7.50	-5.04	10750.00	10513.45
11	Sahara Infrastruct-FP	15-Feb-06	10.75	16.62	7.53	-3.36	10752.90	10752.90
12	Sahara Infrastruct-VP	15-Feb-06	10.80	16.62	7.98	-3.35	10797.90	10797.90
13	Chola Contra	14-Feb-06	11.27	82.27	12.70	-3.10	11270.00	11022.00
14	Quantum Long Term Equity	8-Feb-06	11.38	29.23	13.80	-3.72	11380.00	11380.00
15	Principal Infra. & Services	7-Feb-06	11.39	331.61	13.90	-3.72	11390.00	11139.36
16	Baroda Global Fund	6-Feb-06	11.39	25.28	13.90	-2.32	11390.00	11139.36
17	Reliance Equity	6-Feb-06	10.79	5105.87	7.90	-3.66	10790.00	10552.57
18	Birla Infrastructure	31-Jan-06	11.85	526.64	18.50	-3.50	11850.00	11589.24
19	Fidelity Tax Advantage	31-Jan-06	12.01	646.02	20.05	-2.83	12005.00	11740.83
20	SC Imperial Equity	30-Jan-06	11.73	277.67	17.31	-3.18	11730.90	11472.76
21	UTI Leadership Equity	30-Jan-06	12.12	1123.79	21.20	-3.35	12120.00	12120.00
22	ING Vysya A.T.M. Fund	27-Jan-06	10.46	51.18	4.60	-3.51	10460.00	10229.83
23	HDFC Long Term Equity	27-Jan-06	11.22	1652.87	12.18	-3.76	11218.00	11218.00
24	HSBC Advantage India	27-Jan-06	12.55	1439.37	25.49	-3.47	12549.40	12273.25
25	SBI Magnum Bluechip	20-Jan-06	11.40	2363.37	14.00	-3.96	11400.00	11400.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					12.28	-3.32	280708.30	276992.04
1	Franklin India Smaller	14-Dec-05	10.65	1427.16	6.50	-2.65	10650.00	10650.00
2	ING Vysya L.I.O.N.	9-Dec-05	12.09	126.38	20.90	-3.90	12090.00	12090.00
3	ABN Amro Tax Advantage	30-Nov-05	13.58	152.51	35.80	-3.20	13580.00	13580.00
4	Pru ICICI Services	18-Nov-05	14.22	392.81	42.20	-1.73	14220.00	13907.09
5	CanInfrastructure	9-Nov-05	13.70	97.40	37.00	-3.86	13700.00	13700.00
6	Kotak Tax Saver	28-Oct-05	13.62	157.85	36.19	-2.67	13619.00	13319.32
7	Chola Tax Saver	26-Oct-05	13.29	33.34	32.90	-2.99	13290.00	12997.56
8	Principal Large Cap	19-Oct-05	16.63	276.63	66.30	-3.59	16630.00	16264.06
9	ING Vysya Dividend Yield	6-Oct-05	10.76	63.53	7.60	-3.50	10760.00	10760.00
Abs.returns for New Funds released Between Oct 05 and Dec 05					31.71	-3.12	118,539.00	117,268.02

Note: Current value shows the latest market value of an investment of Rs.10,000 in each NFO.

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

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