

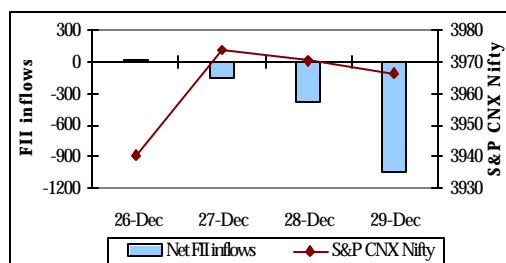
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Highlights

- ◆ **Markets in the greener territory**
- ◆ **All eyes set on December quarter result**
- ◆ **Call rates close at 19%, their 9-year high**
- ◆ **Liquidity to remain tight**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

* Dec 25 was a holiday

Weekly FII transactions (equities)

	Dec 26 to Dec 29	Dec 18 to Dec 22
Gross purchases	5486.5	9443.4
Gross sales	7049	10445.8
Net inflows	-1562.5	-1002.4

Amt in Rs. crores

Data source: SEBI

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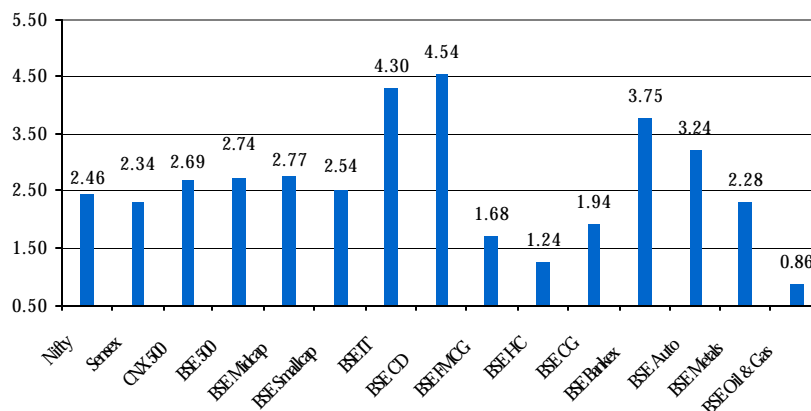
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The week in retrospect-Equities

The markets ended the week on a positive note as they tried to shrug off the negative impact of the CRR hike. Further, support was achieved on the back of firm global markets and a drop in crude oil prices. Sensex gained 2.34% to settle at 13786.91 while Nifty rose by 2.46% to close at 3966.40. On Tuesday, heavy buying was witnessed in IT stocks on expectations of their robust December quarter results. Short covering ahead of the expiry of futures contracts on Thursday led the market rally a day before. While the markets remained volatile on Thursday, the sentiments turned negative on the last trading day on account of substantial selling pressure due to profit booking. On the sectoral front, BSE IT surged by 4.3% as Infosys gained 4.27% after the news of its scheduled board meeting on Jan 11 for Dec. quarter results. SBI gained by 2.47% after its 50 bps hike in PLR to 11.5%. While some banks have already hiked their rates, others are contemplating the decision to do so. This impact of CRR hike has led BSE Bankex to surge by 3.75%. Tracking London Metal Exchange, BSE Metals advanced by 2.28%. FMCG giant, ITC jumped by 4.87% on the announcement of its agro-alliance with a Japanese trading house, Marubeni Corp. During the week, FIIs turned out as net sellers in the equity market, amounting to a significant sum of Rs. 1562.5 crores. Mutual funds emerged as net buyers to the tune of Rs. 1369.53 crores.

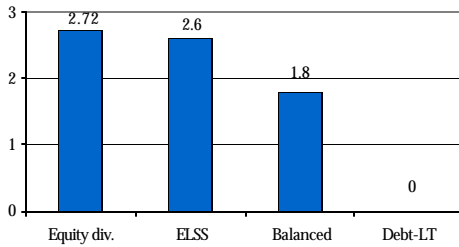
Weekly Equity Indices Return (absolute %)



As on Dec 29

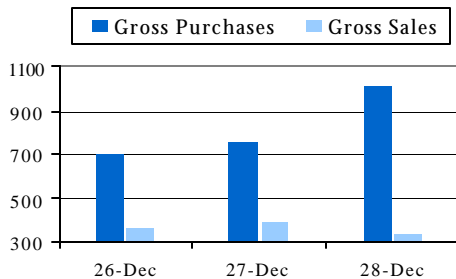
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Dec 29 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds emerged as net buyers in the equity market to the tune of Rs. 1369.53 crores.

Outlook:

Short-term: Markets are likely to remain positive in the coming week. One of the major triggers would be the December quarter corporate earnings results, which are expected to be strong as indicated by high volumes of advance tax outflows. Further, higher FII inflows are likely to take place with the start of a new year. Crude oil prices (currently near \$ 60 per barrel) may also head lower as production may catch up. On the flip side, CRR hike due on Jan 6 may instill negative sentiments in the markets. Volatility may also be witnessed on account of profit booking at higher levels. BSEL Infrastructure Realty and LML will announce their results in the coming week.

Long-term: With markets ending 2006 on a positive note and backed by strong economic fundamentals, long-term story remains bullish. In Jul-Sept quarter, economy registered 9.2% growth from a year earlier. CY 2006 has witnessed 217 new FII registrations (highest figure till date). Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to support this growth.

Recommended schemes to invest		Historical returns as on Dec 29 (%)			Crisil Ranking for qtr end Sept 06
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	35.96	45.53	41.12	1
	Tata Infrastructure	42.24	61.85	N.A.	-
	Reliance Growth	39.39	42.17	49.67	1
	Sund. BNP Par. Sel. Mid.	27.78	62.97	51.34	1
Moderate (Equity)	Fidelity Equity	43.10	45.55	N.A.	-
	HDFC Equity	32.42	36.82	40.79	2
	Reliance Equity	27.90	N.A.	N.A.	-
	SBI Magnum Contra	34.99	52.50	62.59	1
Conservative (Equity)	DSP ML Top 100	37.06	48.11	37.84	3
	Sund. BNP Par. Ind. Lead.	33.90	41.25	N.A.	2
	Franklin India Bluechip	36.18	47.20	37.14	3
	Templeton India Eq. Inc.	28.20	N.A.	N.A.	-
ELSS	Franklin India Taxshield	25.93	28.67	35.75	3
	Fidelity Tax Advantage	36.49	N.A.	N.A.	-
	SBI Magnum Tax Gain	42.22	46.26	63.27	1
Balanced	DSP ML Balanced	25.88	33.67	28.19	3
	HDFC Prudence	31.03	33.62	34.94	1
	Kotak Balance	18.54	31.53	32.24	2

*For qtr end Sept 06

Datasource: MFI Explorer

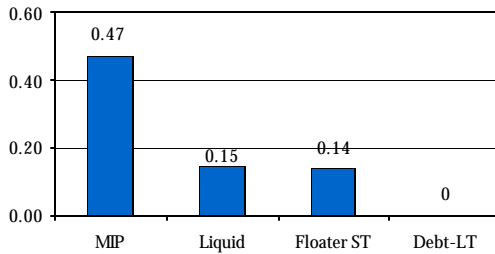
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

For existing holdings: Markets are a 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 (%)

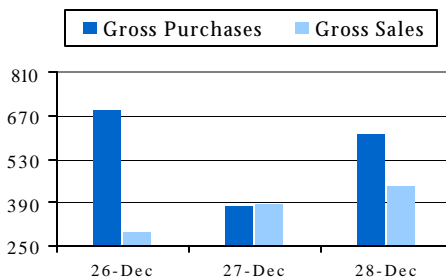


Abs. returns as on Dec 29 Data source: Bloomberg

Key statistics

	Dec 29	Dec 22
7.59% GOI 2016 yield	7.62%	7.61%
Call rate	19%	9.25%
WPI inflation (week ending Dec. 16 and Dec 9)	5.43%	5.32%
Dollar exchange rate	44.25	44.56
Forex reserves (\$ bn)	176.233 (Dec 22)	175.519 (Dec 15)

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market, mutual funds emerged as net buyers to the tune of Rs. 559 crores.

The week in retrospect-Debt

During the last week of the year, negative sentiments prevailed in the bond market on the back of tight liquidity, low volumes and increase in inflation. The bond market witnessed the impact of CRR hike in the result of cash crunch. Banks borrowed heavily (Rs. 342 billion as on Friday) to meet their cash requirements, taking the call rates to a 9-year high of 19% on Friday. The full impact of the CRR hike would drain \$3 billion from the banking system. The market went weak on account of selling pressure and low volumes as banks sold bonds to meet their cash requirements. The benchmark 10 year g-sec yield increased to 7.62% for the week ending Dec 29 as against 7.61% the previous week.

Wholesale price inflation increased to 5.43%, one basis point short of the fiscal year's highest level of 5.44% on June 17. On the forex front, rupee appreciated to 44.25 per USD. Forex reserves increased to close at \$176.233 bn for the week ending Dec 22 from \$175.519 bn the previous week.

Outlook:

Short-term: Tight liquidity scenario is likely to continue as banks would strive to meet their cash requirements. A further hike of 25 bps on Jan 6, 07 would squeeze a large amount of liquidity from the banking system. Hence, call rates are expected to stay above the 9% level. Also, inflation is likely to remain at the higher edge of the 5%-5.5% band due to increasing prices. With the government's goal to contain inflation below the 5% mark in 2006-07 and below 4% in the medium term, it is very likely that liquidity control measures and/or rate hike by RBI would be on the cards. While the market is already witnessing the impact of the recent CRR hike, the impact of CRR hike due on the coming Saturday (along with other macroeconomic factors) would determine the decision on interest rates in the monetary review policy on Jan 30, 07.

Long-term: Inflation, credit growth, money supply growth are factors which will determine the central bank's decision on rate hike. On account of these factors there is a possibility of interest rate hike in the coming months.

Recommended schemes to invest		Return as on Dec 29 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	JM Floater ST	0.59	1.76	6.61	0.45	3
	Reliance Floating Rate	0.63	1.84	6.70	0.55	-
Liquid	HDFC Cash Mgt -Savings	0.60	1.81	6.73	0.34	1
	Birla Cash Plus-Retail	0.57	1.72	6.52	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

- ◆ Mutual fund investors with investments of Rs. 50, 000 or more will have to provide MIN (Mutual fund Identification Number) effective from Jan 1, 07. This also includes SIP installments registered before.
- ◆ With effect from Jan 2, Tata Infrastructure, Tata Equity Opportunities and Tata Pure Equity Funds will charge an exit load of 1% if redeemed within 6 months.
- ◆ JP Morgan AMC will begin its India operations during March-April 07. Mr. Harshad Patwardhan (former research analyst-Deutsche Bank) will act as equity fund manager. Recently, Lotus India CIO Nandakumar Surti joined JP Morgan as head-fixed income.

NFO Corner

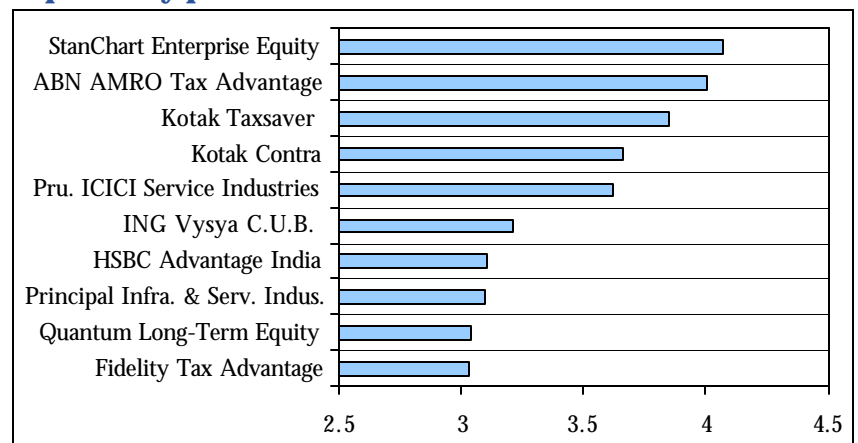
NFOs open for subscription:

- ◆ Canbank MF has launched Can Multicap, a diversified equity fund. It will be available for subscription till Jan 4, 2007.
- ◆ UTI Fund House has launched UTI Capital Protection Fund. The fund offers two plans, viz. 3-year close-ended plan and 5-year close-ended plan. The fund is available for subscription till Jan 25, 2007.
- ◆ Standard Chartered MF has launched Standard Chartered tax saver Fund. The 10-year ELSS will be open for subscription till Feb 23, 2007.
- ◆ Optimix has launched Optimix Retireinvest- Series I. The fund of fund will be available for subscription till March 6, 2007.
- ◆ UTI has also launched UTI Long Term Advantage Fund. The fund is a 10-year close-ended ELSS and is available for subscription till March 20, 2007.
- ◆ JM Fund House has launched JM Equity Tax Saver Fund-Series I on Dec 28, 06. It will be available for subscription till March 29, 07.

Forthcoming New Fund Offers:

- ◆ HSBC Fund House is planning to launch HSBC Unique Opportunities Fund. The 3-year close-ended scheme would invest in companies facing "out-of-ordinary" situations.
- ◆ HSBC AMC is also coming up with HSBC Emerging Markets Fund. The open-ended equity fund would invest in equities within as well as outside India.
- ◆ Prudential ICICI MF is coming up with Prudential ICICI Capital Protection Oriented Fund. It is a 5-year close-ended fund.
- ◆ ABN AMRO AMC is coming up with ABN AMRO Sustainable Development Fund. The 3-year close-ended scheme would invest in socially responsible companies focusing on sustainable development.
- ◆ JM Mutual Fund is planning to launch JM Small & Mid-cap Fund, an open-ended equity scheme.

Top weekly performers-NFOs*



* Weekly return in % as on Dec 29, 06

Datasource: MFI Explorer

Note: Funds launched since Jan 05 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on Dec 29, 2006

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Crores) as on Nov. 30	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Birla Long-term Adv	7-Aug-06	10.81	437.74	8.10	2.08	10,810.00	10,810.00
2	Tata Capital Builder	18-Jul-06	11.08	285.40	10.79	2.72	11,078.70	11,078.70
Abs. returns for New Funds released Between Jul 06 to Sep 06					9.44	2.40	21,888.70	21,888.70
1	UTI Spread Fund	9-Jun-06	10.36	297.37	3.58	0.11	10,357.50	10,357.50
2	Tata Equity Managmt.	15-May-06	11.23	425.11	12.32	1.25	11,231.80	11,231.80
3	Stanchart Enterprise	19-Apr-06	11.74	1665.57	17.36	4.1	11,736.30	11,736.30
Abs. returns for New Funds released Between Apr 06 to Jun 06					11.09	1.82	33,325.60	33,325.60
1	Fidelity Special Sit.	28-Mar-06	12.8	2050.78	28.02	2.6	12,802.00	12,520.29
2	Templeton India Equ.	22-Mar-06	11.82	1853.19	18.2	1.9	11,820.00	11,559.90
3	Sundaram Rural India	20-Mar-06	11.92	1023.97	19.22	2.7	11,922.20	11,659.85
4	ABN AMRO Future	13-Mar-06	10.5	447.75	4.96	2.85	10,496.00	10,496.00
5	Pru ICICI Fusion	27-Feb-06	12.28	699.60	22.8	2.5	12,280.00	12,280.00
6	DWS Tax Saving	22-Feb-06	10.75	34.49	7.53	2.49	10,752.50	10,515.89
7	Kotak Lifestyle	22-Feb-06	11.43	424.25	14.27	1.65	11,427.00	11,427.00
8	UTI Contra	22-Feb-06	9.76	839.53	-2.4	1.56	9,760.00	9,760.00
9	Tata Tax Advantage	20-Feb-06	10.31	138.13	3.08	1.85	10,308.40	10,106.27
10	JM HIFI	20-Feb-06	11.19	55.48	11.9	2.66	11,190.00	10,943.77
11	Sahara Infrastruct-FP	15-Feb-06	11.11	16.62	11.06	2.2	11,106.40	11,106.40
12	Sahara Infrastruct-VP	15-Feb-06	11.16	16.62	11.56	2.21	11,156.10	11,156.10
13	Chola Contra	14-Feb-06	11.67	82.27	16.7	2.28	11,670.00	11,413.20
14	Quantum Long Term	8-Feb-06	11.84	29.23	18.4	3.05	11,840.00	11,840.00
15	Principal Infra. & Baroda Global Fund	7-Feb-06	11.67	331.61	16.7	3.09	11,670.00	11,413.20
16	Baroda Global Fund	6-Feb-06	11.69	25.28	16.9	1.92	11,690.00	11,432.76
17	Reliance Equity	6-Feb-06	11.06	5105.87	10.6	2.22	11,060.00	10,816.63
18	Birla Infrastructure	31-Jan-06	12.09	526.64	20.9	2.72	12,090.00	11,823.96
19	Fidelity Tax Advantage	31-Jan-06	12.34	646.02	23.4	3.03	12,340.00	12,068.46
20	SC Imperial Equity	30-Jan-06	11.9	277.67	18.98	2.47	11,897.50	11,635.70
21	UTI Leadership Equity	30-Jan-06	12.35	1123.79	23.5	2.92	12,350.00	12,350.00
22	ING Vysva A.T.M.	27-Jan-06	10.77	51.18	7.7	2.77	10,770.00	10,533.01
23	HDFC Long Term	27-Jan-06	11.53	1652.87	15.32	2.52	11,532.00	11,532.00
24	HSBC Advantage India	27-Jan-06	12.92	1439.37	29.22	3.11	12,921.90	12,637.56
25	SBI Magnum Buechip	20-Jan-06	11.71	2363.37	17.1	2.72	11,710.00	11,710.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					15.42	2.48	288,562.00	284,737.96
1	Franklin India Smaller	14-Dec-05	10.88	1427.16	8.8	2.64	10,880.00	10,880.00
2	ING Vysva L.I.O.N.	9-Dec-05	12.4	126.38	24	2.82	12,400.00	12,400.00
3	ABN Amro Tax	30-Nov-05	14	152.51	40.01	4	14,001.00	14,001.00
4	Pru ICICI Services	18-Nov-05	15.44	392.81	54.4	3.62	15,440.00	15,100.24
5	CanInfrastructure	9-Nov-05	14.02	97.40	40.2	2.41	14,020.00	14,020.00
6	Kotak Tax Saver	28-Oct-05	14.24	157.85	42.38	3.85	14,238.00	13,924.69
7	Chola Tax Saver	26-Oct-05	13.71	33.34	37.1	1.78	13,710.00	13,408.31
8	Principal Large Cap	19-Oct-05	17.05	276.63	70.5	2.34	17,050.00	16,674.82
9	ING Vysva Dividend	6-Oct-05	11.2	63.53	12	2.1	11,200.00	11,200.00
Abs.returns for New Funds released Between Oct 05 and Dec 05					36.6	2.84	122,939.00	121,609.07

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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