

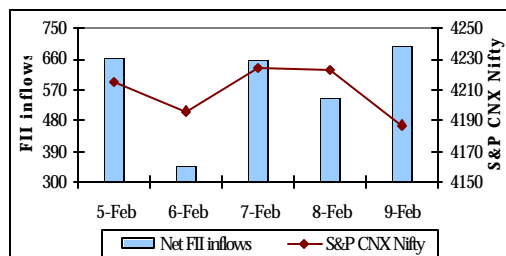
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Highlights

- ◆ **Markets manage to remain positive amidst high volatility**
- ◆ **Markets may remain range-bound**
- ◆ **Inflation at 6.58% - reaching a 2-year high**
- ◆ **Crude oil prices- a watching factor**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Feb 5 to Feb 9	Jan 29 to Feb 2*
Gross purchases	14470.8	18351.1
Gross sales	11560.9	19149.3
Net inflows	2909.9	-798.2

Amt in Rs. crores

Data source: SEBI

* FII data for 31st Jan is not available.

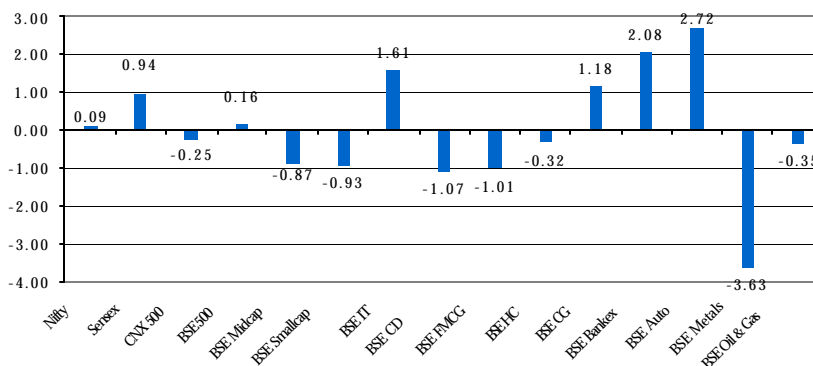
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The week in retrospect-Equities

The markets went through ups and downs, exhibiting high volatility but managed to end the week on a positive note on the back of positive factors like upwards revision of GDP forecast and higher FII inflows. The government increased the estimated GDP growth rate for FY07 to 9.2% from 8.5-9%. Sensex gained 0.94% to close at 14538.90. However, Nifty gained marginally (0.09%) over the previous week to settle at 4187.40. With markets reaching new highs, heavy selling pressure due to profit booking pulled down the bourses on Tuesday. Markets dipped on Friday on account of concerns over rising inflation. Inflation has reached its 2-year high of 6.58% (for the week ending Jan 27). Negative sentiments also prevailed triggered by weak global markets. Major global markets were down on concerns over rising crude oil prices (\$60 per barrel on Friday). On the sectoral front, BSE IT advanced by 1.61% as Infosys jumped by 4.5% on the news of its acquisition of a European company in the manufacturing vertical. ICICI Bank gained 5.03% after the announcement of a 100 bps increase in its interest rates for home loans (now 12.5%) & corporate loans. Punjab Tractors gained a hefty 36.24% on the news of bidding of various auto companies for the 29% stake in the firm held by a private equity firm Actis. In another move by the government, a sale of stake of 10%, 5% and 5% in REC, PGCIL and NHPC was approved.

During the week, FIIs emerged as net buyers in the equity market, amounting to a significant sum of Rs. 2909.0 crores. Mutual funds, on the other hand turned out as net sellers to the tune of Rs. 424.72 crores.

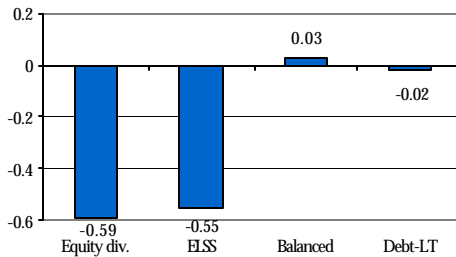
Weekly Equity Indices Return (absolute %)



As on Feb 09

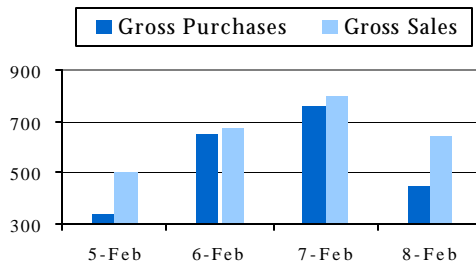
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Feb 9 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

In the equity market, mutual funds emerged as net sellers to the tune of Rs. 424.72 crores.

Outlook:

Short-term: Markets may remain in the positive territory ahead of the forthcoming Union Budget. However, since the markets have already factored in the positives of robust December quarter earnings and the revised GDP growth forecast, they may not exhibit the huge rally (witnessed during the past few weeks) in the coming week. Volatility is likely on account of profit booking. Concerns over rising inflation and rising crude oil prices may bring some weakness in the immediate future.

Long-term: CSO has revised the GDP growth estimates for 2005-06 from 8.4% to 9%. Industrial production during Nov. 06 grew at 14.4%, the fastest growth in more than a decade. CY 2006 has witnessed 217 new FII registrations (highest figure till date). Upgradation of India's credit rating to investment grade by Standards & Poors would trigger higher inflows of foreign funds. With markets backed by strong economic fundamentals, long-term story remains bullish. 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 Feb 9 (%)			Crisil Ranking
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	29.58	35.79	41.99	1
	Tata Infrastructure	35.00	45.37	N.A.	-
	Reliance Growth	37.51	36.63	54.59	1
	Sund. BNP Par. Sel. Mid.	25.94	47.76	59.88	1
Moderate (Equity)	Fidelity Equity	37.01	43.03	N.A.	-
	HDFC Top 200	26.10	34.34	40.07	2
	Reliance Equity	21.65	N.A.	N.A.	-
	SBI Magnum Contra	32.81	43.68	64.00	2
Conservative (Equity)	DSP ML Top 100	30.86	42.01	38.52	3
	Sund. BNP Par. Ind. Lead.	30.09	26.78	N.A.	2
	Franklin India Bluechip	31.64	39.21	37.12	4
	Templeton India Eq. Inc.	29.41	N.A.	N.A.	-
ELSS	Franklin India Taxshield	24.71	21.62	37.48	4
	Fidelity Tax Advantage	31.84	N.A.	N.A.	-
Balanced	SBI Magnum Tax Gain	36.58	43.07	69.07	1
	DSP ML Balanced	22.01	27.48	29.81	3
	HDFC Prudence	26.03	33.33	36.30	1
	FT India Balanced	25.23	31.37	27.58	3

*For qtr end Dec 06

Datasource: Bloomberg

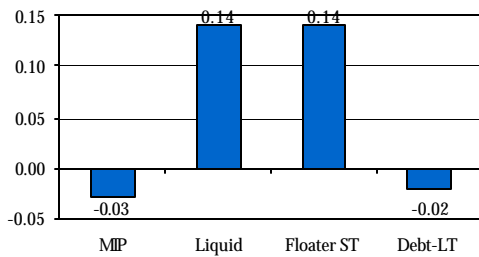
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Short-term investors: Investors wishing to invest for a period of 1-2 years could invest in derivatives funds and equity diversified funds. Investors wishing to redeem could do it partially, if required returns have already been made.

Long-term investors: SIP investments in equity diversified funds, contra funds and internationally diversified funds are good options. Investors willing to give an aggressive touch to their portfolio could look at opportunities funds, thematic funds and midcap funds for a period of 3-5 years.

Weekly category returns (%)

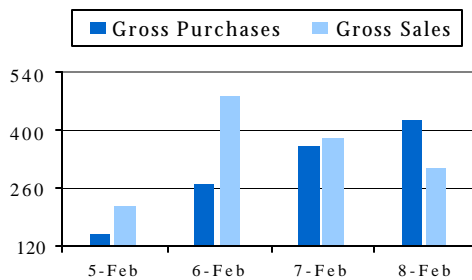


Abs. returns as on Feb 9 Data source: Bloomberg

Key statistics

	Feb 9	Feb 2
7.59% GOI 2016 yield	7.81%	7.69%
Call rate	6.5%	7.90%
WPI inflation (week ending Jan. 27 and Jan. 20)	6.58%	6.11%
Dollar exchange rate	44.12	44.12
Forex reserves (\$ bn)	180.047 (Feb 2)	179.052 (Jan 26)

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market also, mutual funds emerged as net sellers to the tune of Rs. 180.38 crores.

The week in retrospect-Debt

The bond market witnessed the yields go up on the back of high inflation, rising crude oil prices and a higher federal bond cut-off yield. The 10-year benchmark yield closed at 7.81% as against 7.69% the previous week. On Friday, RBI auctioned a 7-year bond worth Rs. 60 bn and a 29-year bond worth Rs. 30 bn with the cut-off yields for both bonds higher than market expectations. Improved liquidity in the banking system saw the call rates ease down to 6.5% on Friday. Inflation has touched 6.58% for the week ending Jan 27. It is the highest in more than 2 years. Supply concerns arising out of crude oil output cut by Nigeria and higher demand from US due to highly cold weather have led to a hike in oil prices (presently \$60 per barrel). Concerns over rising tension between US and Iran over Iran's nuclear program have further added to supply concerns.

On the forex front, India's forex reserves increased to \$180.047 bn as on Feb 2 as compared to \$179.052 bn level for the week ending Jan 26. According to market experts, RBI is looking at stronger currency as a short-term measure to curb inflation. Rupee remained flat at 44.12 compared with the previous week.

Outlook:

Short-term: Despite RBI's measure to curb inflation, the figures are likely to remain above the 5.5% mark in the short-term, due to base affect. Due to eased liquidity conditions, call rates are expected to stay around 6%-6.5%. Rising crude oil prices remain a watching factor.

Long-term: Rising savings rate (32.4% for FY 05-06 against 31.1% a year ago) provide some comfort that the growth in the country is not highly funded by consumption and foreign inflows alone. Yet, rising credit remains a concern. RBI has clearly stated in the policy document that it may adopt all necessary measures swiftly according the requirement of evolving situations. This hawkish statement indicates a bias towards a rate hike if inflation and credit growth grows beyond desirable levels.

Recommended schemes to invest		Return as on Feb 9 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	Templeton Floating Rate ST	0.63	1.82	6.47	0.75	4
	Reliance Floating Rate	0.66	1.96	7.02	0.55	-
Liquid	LIC MF Liquid	0.66	2.00	7.29	0.53	2
	Canliquid Retail	0.63	1.84	6.93	0.23	-

*For qtr end Dec, 06

Datasource: Bloomberg

Recommendations:

Short-term investors: Very short-term investors should invest in liquid funds. For other investors for whom instant liquidity is not an issue, can invest in 3 month FMPs as the yields are quite attractive. Others having an investment outlook of more than 3 months can consider floaters (to keep investments liquid) and FMPs (fixed duration).

Long-term investors: Investors with a horizon of more than one year could consider FMPs (longer duration) in place of bank deposits as present yields on short-term papers are quite attractive. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

News Briefs

- ◆ Reliance Mutual Fund has placed itself at the top in terms of AUM as on Jan, 07. The AUM of Reliance MF at the end of January stood at Rs 39,020 crore, followed by UTI Mutual Fund (Rs 37,535 crore) and Prudential ICICI Mutual Fund (Rs 34,745 crore).

NFO Corner

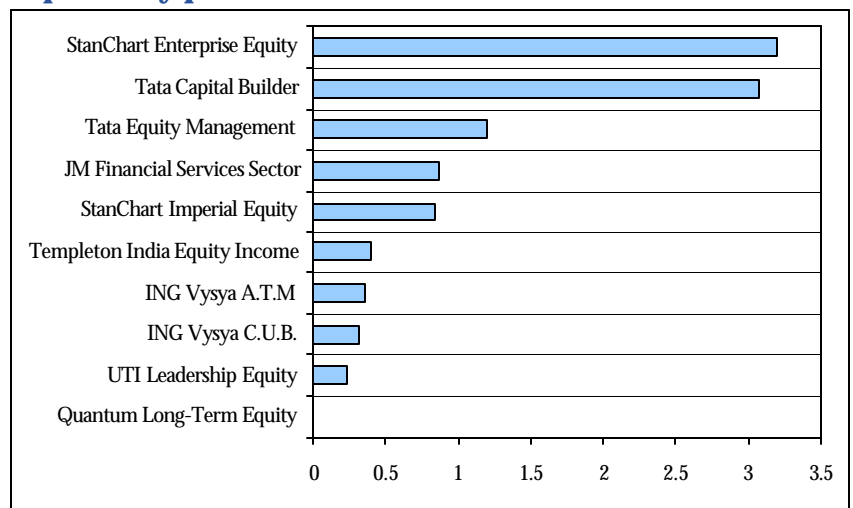
NFOs open for subscription:

- ◆ HSBC Mutual Fund has rolled out HSBC Unique Opportunities Fund. The 3-year close-ended equity fund will be available for subscription till Feb 22, 07.
- ◆ Tata SIP Fund, the 3-year close-ended fund that has a hybrid asset allocation and follows the strategy of systematic investment in equity-related securities is open for subscription till Feb 15, 07.
- ◆ Principal PNB Long Term Equity Fund aims to invest predominantly in mid and small-cap companies. The offer is closing on Feb 21, 07.
- ◆ Standard Chartered MF has launched Standard Chartered Tax Saver Fund. The 10-year ELSS will be open for subscription till Feb 23, 07.
- ◆ ABN Amro is coming out with ABN AMRO Multi-Manager Series 2B. The dynamic asset allocation fund of fund will have a profit lock-in feature. The offer which opened on Feb 8, 07 will close on Feb 28, 07.
- ◆ Optimix has launched Optimix Retireinvest- Series I. This ELSS will be available for subscription till Mar 6, 07.
- ◆ UTI has launched UTI Long Term Advantage Fund. The fund is a 10-year close-ended ELSS, available for subscription till Mar 20, 07.
- ◆ JM Fund House has launched JM Equity Tax Saver Fund-Series I on Dec 28, 06. It will be available for subscription till Mar 29, 07.
- ◆ Taurus MF has launched Taurus INFRA-TIPS Fund. The open-ended thematic (infrastructure) fund is open for subscription till Mar 5, 07.

Forthcoming New Fund Offers:

- ◆ Benchmark AMC is launching its gold exchange traded fund- Gold BeES on Feb 15, 07. The NFO period will close on Feb 23, 07.
- ◆ HDFC AMC is planning to launch HDFC Pearls of India Fund. The 5-year close-ended fund would invest in equity related securities of companies whose market capitalization is less than the median market capitalization of BSE 200 companies.

Top weekly performers-NFOs*



* Weekly return in % as on Feb 9, 07

Datasource: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

Performance analysis of equity NFOs (quarter-wise) as on Feb 9, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Cr) as on Dec 31 '06	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Reliance Long-Term Equity	14-Nov-06	10.39	2122.96	3.20	-0.66	10,320.00	10,320.00
2	ING Vysya C.U.B. Fund	14-Nov-06	12.53	70.95	25.70	0.32	12,570.00	12,570.00
3	JM Financial Sector	2-Nov-06	10.35	5.49	3.5	0.88	10,350.00	10,097.56
4	JM Telecom Sector	2-Nov-06	11.04	6.31	10.4	-2.82	11,040.00	10,770.73
Abs. returns for New Funds released Between Oct 06 to Dec 06					10.70	-2.28	44280.00	43758.29
1	DSPML Small & Midcap	29-Sep-06	10.75	1522.65	7.49	-0.45	10,749.00	10,512.47
2	UTI Wealth Builder	7-Sep-06	11.16	946.56	11.6	-0.53	11,160.00	11,160.00
3	Birla Long-term Adv.	7-Aug-06	11.2	425.93	12	-0.18	11,200.00	11,200.00
4	Tata Capital Builder	18-Jul-06	11.6	280.52	16	3.07	11,600.30	11,600.30
Abs. returns for New Funds released Between Jul 06 to Sep 06					11.77	0.48	44,709.30	44,472.77
1	Tata Equity Managmt.	15-May-06	11.32	421.43	13.21	1.19	11,320.90	11,320.90
2	Stanchart Enterprise Equity	19-Apr-06	12.35	1683.13	23.54	3.21	12,354.40	12,354.40
Abs. returns for New Funds released Between Apr 06 to Jun 06					18.38	2.2	23,675.30	23,675.30
1	Fidelity Special Sit.	28-Mar-06	13.43	2073.93	34.27	-0.21	13,427.00	13,131.54
2	Templeton India Equ.	22-Mar-06	12.63	1860.96	26.3	0.4	12,630.00	12,352.08
3	Sundaram Rural India	20-Mar-06	12.07	1006.79	20.69	-0.83	12,069.00	11,803.42
4	ABN AMRO Future Leaders	13-Mar-06	10.64	396.17	6.37	-2.46	10,637.00	10,637.00
5	Pru ICICI Fusion	27-Feb-06	12.73	709.72	27.3	-0.39	12,730.00	12,730.00
6	Kotak Lifestyle	22-Feb-06	12.59	384.86	25.85	-0.4	12,585.00	12,585.00
7	UTI Contra	22-Feb-06	9.92	801.15	-0.8	-0.8	9,920.00	9,920.00
8	JM HI FI	20-Feb-06	11.25	46.71	12.5	-1.92	11,250.00	11,002.44
9	Sahara Infrastruct-FP	15-Feb-06	11.55	17.80	15.52	-0.52	11,551.80	11,551.80
10	Sahara Infrastruct-VP	15-Feb-06	11.61	17.80	16.14	-0.51	11,613.70	11,613.70
11	Chola Contra	14-Feb-06	11.9	83.33	19	-1.16	11,900.00	11,638.14
12	Quantum Long Term Equity	8-Feb-06	12.7	29.70	27	0	12,700.00	12,700.00
13	Principal Infra. & Services	7-Feb-06	12.18	306.29	21.8	-0.49	12,180.00	11,911.98
14	Baroda Global Fund	6-Feb-06	11.91	N.A.	19.1	-0.25	11,910.00	11,647.92
15	Reliance Equity	6-Feb-06	11.41	4987.97	14.1	-1.38	11,410.00	11,158.92
16	Birla Infrastructure	31-Jan-06	12.45	507.63	24.5	-1.27	12,450.00	12,176.04
17	SC Imperial Equity	30-Jan-06	12.62	267.92	26.23	0.84	12,622.80	12,345.04
18	UTI Leadership Equity	30-Jan-06	13.01	1114.92	30.1	0.23	13,010.00	13,010.00
19	ING Vysya A.T.M. Fund	27-Jan-06	11.34	36.89	13.4	0.35	11,340.00	11,090.46
20	HDFC Long Term Equity	27-Jan-06	11.81	1655.55	18.07	-0.65	11,807.00	11,807.00
21	HSBC Advantage India	27-Jan-06	13.21	1401.05	32.07	-0.67	13,207.10	12,916.48
22	SBI Magnum Bluechip	20-Jan-06	11.88	2284.04	18.8	-1.25	11,880.00	11,880.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					20.38	-0.61	264,830.40	261,608.97

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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