

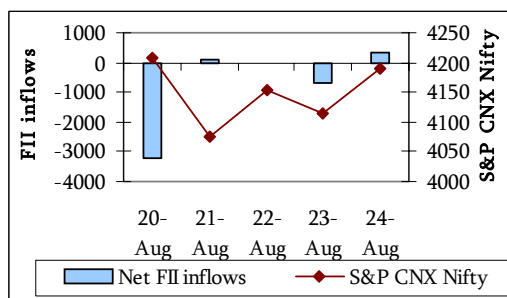
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Highlights

- ◆ Markets exhibited high volatility
- ◆ May edge up further amidst high volatility
- ◆ BOJ keeps rates unchanged
- ◆ Yields expected to remain range-bound

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Aug 20 to Aug 24	Aug 13 to Aug 16
Gross purchases	13181.5	6653.9
Gross sales	16678.9	8269.1
Net inflows	-3497.4	-1615.2

Amt in Rs. crores

Data source: SEBI

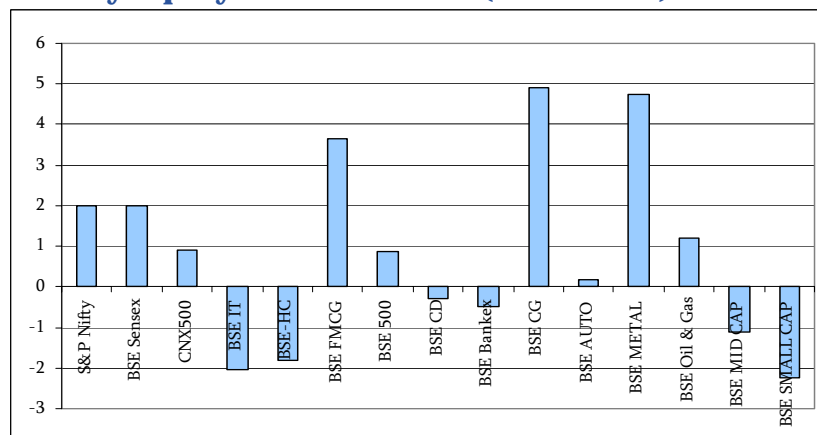
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The week in retrospect-Equities

Market nudged higher last week tracking recovery in Asian markets on speculation that the US Federal Reserve will cut benchmark rates sooner. But the domestic markets underperformed in comparison to its Asian counterparts because of the political insecurity in New Delhi prospecting a mid term poll. BSE Sensex rose by 283.35 points or 2% to settle at 14,424.87 in the week ended on Friday while the S&P CNX Nifty rose 82.10 points or 1.99% to settle at 4,190.15. On Monday, the global markets have seen a rise with the Federal Reserve cutting its discount rate by 50 basis points; however the Indian markets have seen a down fall on that day because of the pressure imposed on the central govt by the left parties about the Indo –US nuclear deal. The markets have spooked on Tuesday by 438 points because huge sell off's. The markets bounced back on Wednesday with the global markets performing well and also the left parties signalling that they would not withdraw their support given to UPA. On Thursday, the market was very volatile and Sensex ended losing 84.68 points. The markets have bounced back on Friday as fears of immediate elections eased after India's biggest communist party, "CPM", said after trading hours on Thursday, that it does not want to pull down the government over a nuclear deal. Amongst the indices BSE IT, HC Mid Cap and Small Cap have ended on a negative note during the week.

During the week FII's remained net sellers in the equity market amounting to Rs. 3497.40 crores. However, mutual funds emerged as net buyers to the tune of Rs.765.90 crores.

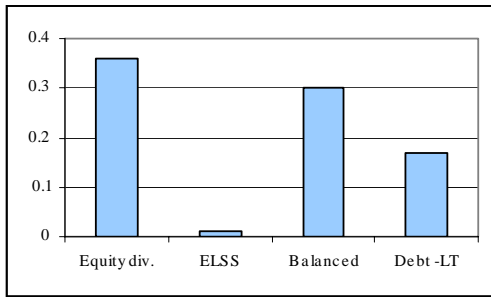
Weekly Equity Indices Return (absolute %)



As on Aug 24

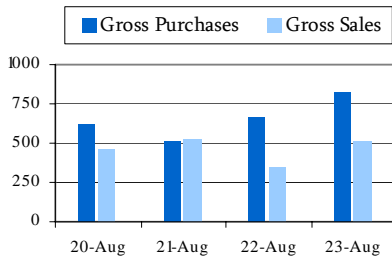
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Aug 24 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores Data source: SEBI

Note: Data as on Aug 24 is not available

In the equity market, mutual funds emerged as net buyers to the tune of Rs. 765.90 crores.

Outlook:

Short-term: The market is expected to remain volatile ahead of the derivative contracts expiry for the August 2007. Also the brand Hyderabad sentiment may work against the market growth after the series of bomb explosions in Hyderabad. Bank of Japan's (BOJ) decision to keep interest rates unchanged at 0.50% is expected to boost the market further. Markets may continue to take cues from global market trends. FIIs have sold shares worth Rs 8,895.80 crore in the month till 23 August, while mutual funds have been net buyers to the tune of 2454 crores. Mutual funds are expected to provide some stability to the market as they are sitting on ample cash seeking attractive investment levels.

Long-term: India's long-term growth drivers remain intact. They are: a favourable demography with a large share of young population, robust domestic consumption and acceleration in infrastructure creation. Slow down in global credit market and worries over slow down of some of the biggest economies in the world has triggered global sell offs and increased foreign outflows.

Recommended schemes to invest	Historical returns as on Aug 24 (%)			Crisil Ranking	
	6 months(abs)	1 year	3 year		
Aggressive (Equity)	DSP ML India Tiger Fund	15.25	43.41	53.48	1
	Reliance Equity Opportunities	3.91	23.74	--	3
	ICICI Prudential Services Ind.	5.90	49.50	--	
Moderate (Equity)	Fidelity Equity Fund	10.70	38.27	--	-
	Fidelity India Special Situations	7.52	29.81	--	-
	ICICI Prudential Dynamic	5.02	30.01	55.74	1
Conservative (Equity)	DSP ML Top 100 Equity	10.13	32.05	45.35	1
	Franklin India Bluechip	9.93	28.18	41.67	4
	HSBC Equity Fund	8.29	26.92	39.74	3
	Templeton India Equity Income	8.55	32.20	--	-
ELSS	Fidelity Tax Advantage	11.45	33.54	--	-
	Franklin India Taxshield	8.35	22.99	38.69	3
	SBI Magnum Tax Gain	-14.90	6.01	23.28	2
Balanced	DSP ML Balanced	10.73	25.18	32.22	1
	Franklin India Balanced	14.57	35.05	33.11	2
	HDFC Prudence	9.39	27.93	39.23	2

*For qtr end June, 07

Datasource: Bloomberg

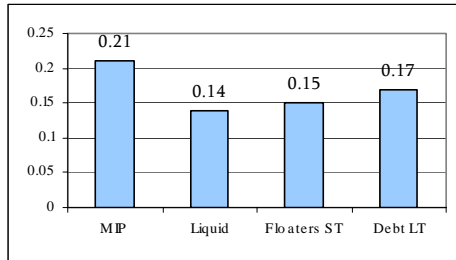
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: Over the last couple of weeks markets have seen more than 900 points correction. It is a good level to invest for lump sump investors. A deferred investment strategy is suggested. Companies which are likely to benefit from the domestic growth story of India such as telecom, construction, capital goods and banks are likely to bounce back. In the mutual funds arena, diversified, contra and opportunities funds continue to remain worth considering a minimum investment period of 18 months.

Existing investments: We reiterate our long-term bullish view on the markets. Hence, we suggest continuing with the existing holdings with a long-term perspective. However, one needs to be particular about the schemes in the portfolio.

Weekly category returns (%)



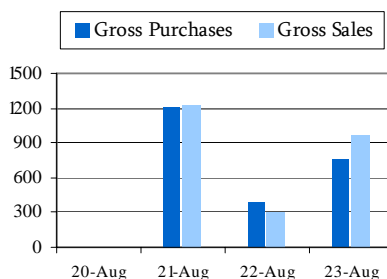
Abs. returns as on Aug 24 Datasource: Bloomberg

Key statistics

	Aug 24	Aug 17
7.49% GOI 2017 yield	7.92%	7.99%
Call rate	6.30%	8.00%
WPI inflation (week ending Aug 4 and Jul 28)	4.10%	4.05%
Dollar exchange rate	41.14	41.59
Forex reserves (\$ bn)	226.4 (Aug 17)	228.99 (Aug 10)

Source: bseindia.com

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

Note: Data as on Aug 24 is not available

In debt market, mutual funds emerged as net sellers to the tune of Rs.157crores.

The week in retrospect-Debt

Bond yields continued to ease from the beginning of the week and touched their two-week low level of 7.96% on Tuesday on account of expectation of soft interest policy by Federal Reserve and lower oil prices. However on Thursday, bond prices started falling as political uncertainty clouded the market sentiments. On Friday, wholesale price index rose to 4.10% which was slightly up from the previous week's 4.05%. As a result, bond yields continued to rise and touched 7.92%. Market participants maintained cautious stand after the finance minister said policy makers were prepared to take more measures to stem inflation, even after data showed it was near its lowest rate in more than 15 months. Call rates hovered in the normal range of 6-7%.

The rupee became a bit strong in comparison to the last week and ended at 41.14 as the US currency remained weak.

Outlook:

Short-term: Bond yields are expected to remain range bound. Yields may rise ahead of the T-bills auction scheduled on Wednesday. Call rates are expected to remain at normal levels as the exceptional case of liquidity crunch is over. Mexico's central bank held its overnight interest rate steady at 7.25%. This steady rate was declared taking into consideration the US sub prime market which could slow down the Mexican market as they are top trading partners.

Long-term: Though the move of the leading central banks of the world indicate a softening, stance, In the Indian context, RBI was closely watching inflation, credit growth figures. Credit growth (earlier at a high of 30%) has come down to 26%, which is slightly above the RBI's range of 20%-25%. Inflation has also tamed down to the 4%-5% range due to lower prices of essential food items in the light of a good monsoon and receding water levels in flood-prone areas. It is therefore expected that yields may cool down in the coming months. Rupee is likely to strengthen against the dollar in the long-term as the outlook for the US economy remains bearish.

Recommended schemes to invest		Return as on Aug 24 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Liquid plus	HSBC Liquid Plus	0.61	1.92	N.A.	0.65	-
Liquid	LIC MF Liquid	0.70	6.72	7.86	0.32	2
	Canliquid	0.78	1.86	7.33	0.71	-
Arbitrage	StanChart Arbitrage	0.62	2.06	N.A.	1.5	-

*For qtr end June, 07

Datasource: Bloomberg

Recommendations:

Short-term investors: As the outlook on interest rate remains uncertain, we suggest to avoid long-term funds. Liquid funds could be considered for investment period up to 15 days. Liquid Plus funds are suitable for period between 15 days and 3 months. Arbitrage funds are recommended for investors with investment duration of 3 months to 1 year. Other investors for whom instant liquidity is not an issue, FMPs (shorter duration) can also be considered.

Long-term investors: Investors with a horizon of more than one year could consider FMPs (longer duration) in place of bank deposits due to FMP's favourable tax status which offers higher post-tax returns.

Forthcoming New Fund Offers:

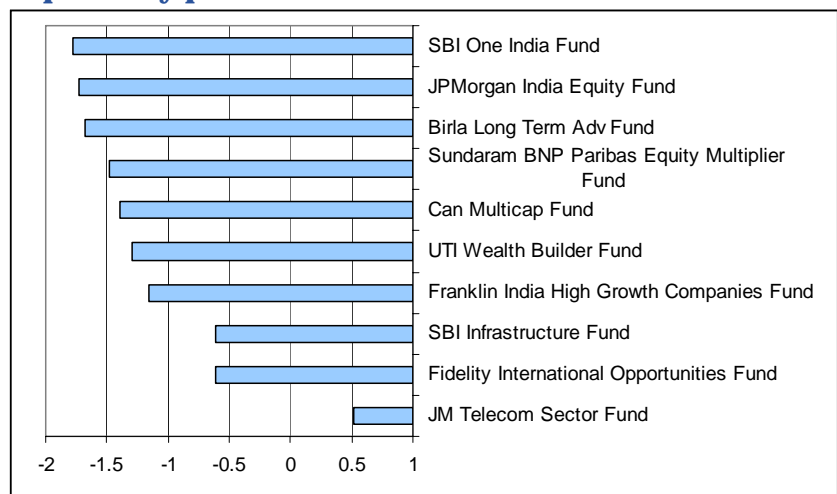
- ◆ Birla Sunlife AMC is planning to come up with Birla Sunlife International Equity Fund. The equity scheme would invest in both domestic and international markets.
- ◆ Tata AMC is launching Tata Global Infrastructure Fund. The 3-year close-ended equity fund would invest in both domestic and overseas companies, which are related with infrastructure sector.
- ◆ JM Fund House is planning to launch JM Agri & Infra Fund. The 3-year close-ended equity scheme would invest in companies that focus on agricultural and infrastructure development of India.
- ◆ Sundaram BNP Paribas AMC has filed offer documents for two thematic funds which would invest in the entertainment and energy industries respectively.

NFO Corner

NFOs open for subscription:

- ◆ DWS MF has launched DWS Global Thematic Fund. It is a fund of fund which would invest in overseas mutual funds. The scheme is open for subscription till Aug 28, 07.
- ◆ HSBC AMC has launched HSBC Dynamic Fund, an open-ended equity fund. It would have the flexibility to shift 100% to debt instruments depending on market scenario. The NFO is open till Aug 30, 07.
- ◆ Principal AMC has launched Series 2 of its Principal Long-term Equity Fund. The NFO of the 3-year close-ended fund is open till Aug 31, 07.
- ◆ DBS Chola has come up with DBS Chola Infrastructure fund which would be available for subscription till Sep 6, 07
- ◆ Lotus India Equity Fund is an open ended equity fund with an objective of investing in equity and equity related instruments. The scheme is open for subscription till Sep 07, 07
- ◆ ICICI Prudential is planning to launch ICICI Prudential Indo Asia Equity Fund. The open-ended fund would invest in Asian equities. This scheme is open till Sep 21, 07.

Top weekly performers-NFOs*



* Weekly return in % as on Aug 23 07

Datasource: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

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

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