

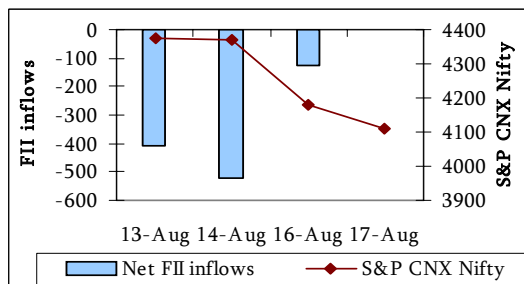
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Highlights

- ◆ Markets exhibited high volatility
- ◆ May edge up further amidst high volatility
- ◆ Inflation at it 7 weeks low
- ◆ Rupee remains weak.

FII movement relative to Nifty



FII inflows in Rs. Crores *Source: NSE, SEBI*
 Note: Net FII data as on Aug 17 is not available

Weekly FII transactions (equities)

	Aug 13to Aug 16	Aug 6to Aug 10
Gross purchases	6653.9	12820.2
Gross sales	8269.1	13171.9
Net inflows	-1615.2	-351.7

Amt in Rs. crores *Data source: SEBI*

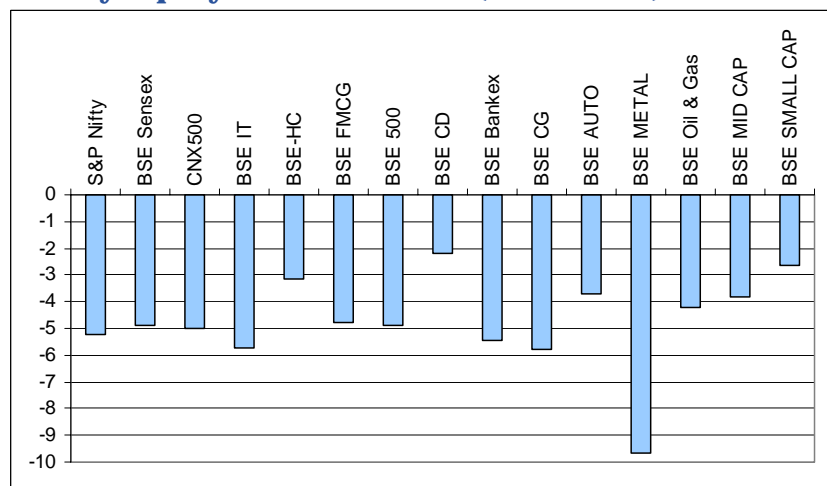
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The week in retrospect-Equities

The markets continued to track the weak global markets resulting in a fourth straight weekly loss. The global markets remained weak due to hedge fund redemption pressure, heavy FII selling and sub-prime concerns. While Sensex lost 875.69 points to settle at 14141.52 Nifty lost 265.6 points to settle at 4108.05. The week began on an upbeat note with the BSE Sensex advancing 148.96 points to 15,017.21, on Monday, while there was a marginal loss (16.91 points) posted on Tuesday with the global market cues. After having seen a holiday on Wednesday Sensex evidenced its second biggest points fall in a day to the extent of 642.70 points. Markets across the globe faced selling pressures on that day. Sensex followed suit on Friday registering an overall decrease of 216.69 points on that day. Overall the week has seen a market downfall of 5.8%. Amongst the indices none of the indices have shown a positive note in the week. On the sectoral front, metal stocks were hit very hard by the global metal prices. During the week all big giants like RIL, Ranbaxy, NTPC, and Infosys have lost to a considerable extent. In an extraordinary move, the US Federal Reserve cut its discount rate by 50 basis points to 5.75% in an attempt to pump liquidity into the system and contain the sub-prime crisis.

During the week FII's remained net sellers in the equity market amounting to Rs1615.20 crores. However, mutual funds emerged as net buyers to the tune of Rs. 174.4 crores.

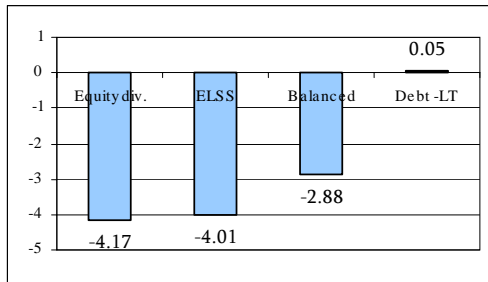
Weekly Equity Indices Return (absolute %)



As on Aug 17

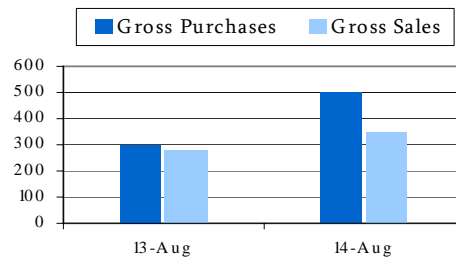
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Aug 17 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores Data source: SEBI
Note: Data as on Aug 16, 17 is not available

In the equity market, mutual funds emerged as net buyers to the tune of Rs. 174.4 crores.

Outlook:

Short-term: The US Fed has cut down the discount rate by 50 basis points to 5.75 and this is expected to liberalise the credit squeeze resulting into more liquidity in the economy. This positive sentiment is expected to flow into our markets as well. Markets may continue to take cues from global trends. Global markets in the recent past have been rocked by news of problems in banks and funds being exposed to risky investments in U.S mortgage. Foreign institutional investors have pressed heavy sales on the domestic bourses. The rupee's fall from last month's nine-year high against the dollar was another reason why FIIs took some profits on Indian stocks, FIIs sold shares worth a net Rs 2548.50 crore this month, till 14 August 2007. On the other side domestic liquidity remains strong and which only may cap downside negativities on the domestic bourses

Long-term: India's long-term growth drivers remain in tact. 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 17 (%)			Crisil Ranking	
	6 months (abs)	1 year	3 year (ann)		
Aggressive (Equity)	DSP ML India Tiger Fund	8.16	42.56	52.29	1
	Reliance Equity Opportunities	0.38	26.26	--	3
	ICICI Prudential Services	3.29	51.45	--	
Moderate (Equity)	Fidelity Equity Fund	5.65	38.22	--	-
	Fidelity India Special Situations	2.36	31.61	--	-
	ICICI Prudential Dynamic	0.65	30.96	55.52	1
Conservative (Equity)	DSP ML Top 100 Equ	5.53	32.76	44.90	1
	Franklin India Blue	1.69	26.25	41.01	4
	HSBC Equity Fund	2.09	25.94	39.17	3
	Templeton India Equity Income	1.50	28.61	--	-
ELSS	Fidelity Tax Advantage	6.32	33.92	--	-
	Franklin India Taxshield	1.76	22.75	38.60	3
	SBI Magnum Tax Gain	--19.12	5.21	23.50	2
Balanced	DSP ML Balanced	6.69	25.34	31.93	1
	Franklin India Balanced	4.25	25.39	30.16	2
	HDFC Prudence	6.94	28.60	39.44	2

*For qtr end June, 07

Datasource: Bloomberg

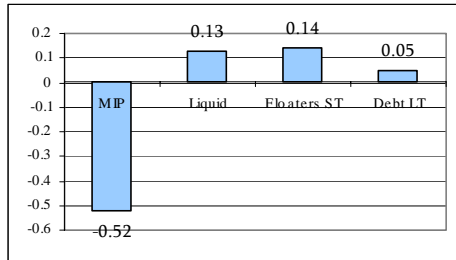
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: Markets have seen a more than 1200 points correction. It is a good level to invest for lump sump investors. They can invest one part of their investible surplus at this level and gauge market movement for few more days to find suitable entry levels. Banking stocks may bounce back because their values eroded because of undue negative sentiment. Diversified, contra and opportunities funds continue to remain worth considering for 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 (%)



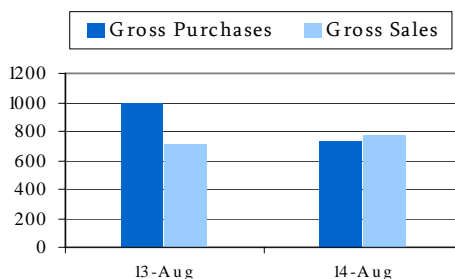
Abs. returns as on Aug 17 Datasource: Bloomberg

Key statistics

	Aug 17	Aug 10
7.49% GOI 2017 yield	7.99%	7.98%
Call rate	8.00%	6.30%
WPI inflation (week ending Aug 4 and Jul 28)	4.05%	4.45%
Dollar exchange rate	41.59	40.64
Forex reserves (\$ bn)	228.99 (Aug 10)	229.34 (Aug 3)

Source: bseindia.com

Weekly MF transactions (debt)



Amt in Rs. crores Data source: SEBI
Note: Data as on Aug 16, 17 is not available

In debt market, mutual funds emerged as net buyers to the tune of Rs.234.6 crores.

The week in retrospect-Debt

The bond yields eased on the weekend on account of lower than expected inflation and the 10-year g-sec yield closed at 7.99%. Lower prices of essential food items, particularly vegetables and fruits, in the light of a good monsoon and receding water levels in flood-prone

areas, pulled down inflation to a seven-week low of 4.05% for the week ended August 4, compared to 4.45% in the previous week. Bond yields had risen and crossed the 8% mark as there were concerns of tight liquidity in the system if RBI resorted to buying rupee. RBI was expected to do so to support the Indian rupee if it depreciated below 41.50 level. Call rates touched as high as 50% on Friday as banks struggled to meet their reserve requirement. However, once the panic borrowing was over, rates lowered down. The 10-yr US treasury note gained 1.59% on Friday after a 50 bps cut in Fed rate.

The rupee remained weak and ended 41.59 against the US currency as international investors cut their exposure to Indian assets on concern of global credit squeeze.

Outlook:

Short-term: Short-term trend in the bond yield are more likely to be governed by factors such as trend in US treasuries and RBI moves in the forex market. Call rates are expected to remain at normal levels as the exceptional case of liquidity crunch is over. Bank of Japan review will be watched closely on August 23.

Long-term: 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. It is therefore expected that yields may cool down in the coming months.

Recommended schemes to invest		Return as on Jul 13 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Liquid plus	HSBC Liquid Plus	0.6091	1.9499	N.A.	0.65	-
Liquid	LIC MF Liquid	0.5105	1.7111	7.8309	0.05	2
	Canliquid	0.5407	1.6839	7.4787	0.45	-
Arbitrage	StanChart Arbitrage	0.708	2.1554	N.A.	--	-

*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 upto 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:

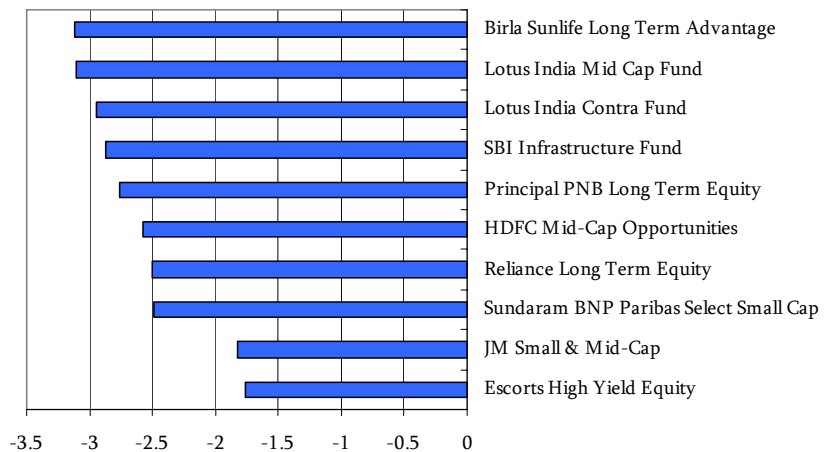
- ◆ ICICI Prudential is planning to launch ICICI Prudential Indo Asia Equity Fund. The open-ended fund would invest in Asian equities.
- ◆ Birla Sunlife AMC is planning to come up with Birla Sunlife International Equity Fund. The equity scheme would invest in both domestic and international markets.
- ◆ 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:

- ◆ DSP ML Fund House has launched DSP ML World Gold Fund which would invest predominantly in gold mining companies across the world. The open-ended fund is open for subscription till Aug 23, 07.
- ◆ Escorts Fund House has launched Escorts Infrastructure Fund. The NFO would be open till Aug 24, 07.
- ◆ Kotak Mahindra AMC has launched Kotak Global Emerging markets Fund. The 3-year close-ended equity fund would invest in emerging markets and would be open for subscription till Aug 24, 07.
- ◆ 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.

Top weekly performers-NFOs*



* Weekly return in % as on Aug 17, 07

Datasource: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

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