

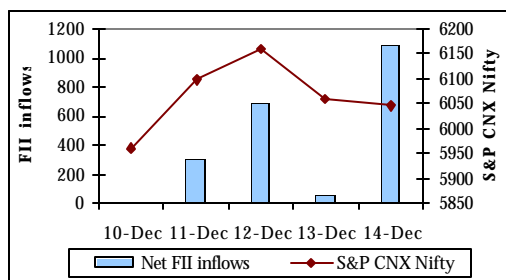
CONTENTS

- ◆ Weekly performance-equities :1
- ◆ Outlook and recommendations :2
- ◆ Weekly performance-debt :3
- ◆ Outlook and recommendations :3
- ◆ NFO corner :4

Highlights

- ◆ **Sensex & Nifty reach record highs**
- ◆ **Markets may edge up further amidst high volatility**
- ◆ **Bond yields rose continuously for two days**
- ◆ **Inflation moves up**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

| | Dec 10 to Dec 14 | Dec 03 to Dec 07 |
|-----------------|------------------|------------------|
| Gross purchases | 22249.90 | 27638.20 |
| Gross sales | 20112.10 | 24120.20 |
| Net inflows | 2137.80 | 3518.00 |

Amt in Rs. crores

Data source: SEBI

**Pradeep Kumar S.
Murugavel A.**

Email: pradeep.s@karvy.com

amurugavel@karvy.com

Ph: +914023312454 Ext: 304

☎: +91 40 23312454

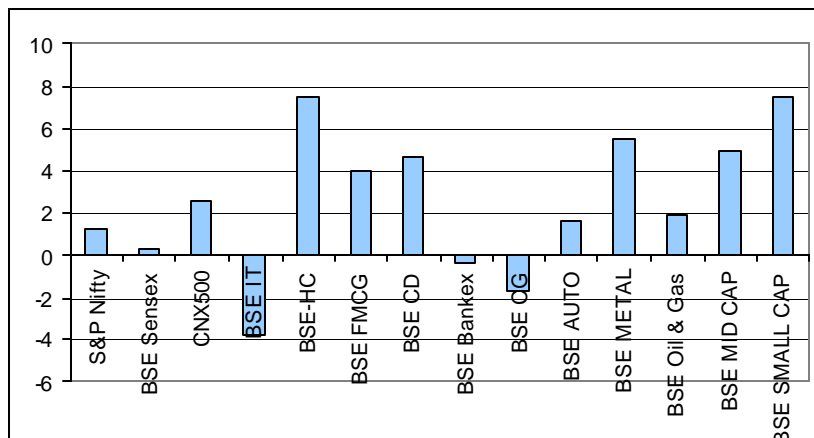
Ext: 304

The week in retrospect-Equity

The week ended with markets in the positive territory. During the week, BSE Sensex & S&P Nifty reached their record highs of 20,375.62 and 6185.40 respectively. The cut in the US fed rate of 0.25 bps by US Federal Reserve and strong Index of Industrial production numbers boosted the small and midcap index towards the positive territory. During the week, BSE sensex rose by 64.83 points or 0.32% to close at 20,030.83 while S&P CNX nifty gained 73.40 points or 1.22% to close at 6047.70. On Monday, sensex fell by 35.32 points due to political concerns. The Market recovered due to the heavy buying in blue chip stocks in anticipation of the US fed rate cut on Tuesday. On the same day sensex rose by 360.21 points or 1.81% to close at 20,290.89. On Wednesday, the firm buying in index heavy weights pulled the markets to reach an all time high. Sudden sell off in the blue-chip stocks during the later half of the trading session led the market to end in the red on Thursday. The market was very volatile on Friday and finally closed in the negative. The Index of Industrial Production (IIP) jumped to 11.8% in October 2007 from 4.5% in October 2006. During the week BSE Small-Cap index surged by 7.52% to close at 12,195.50 while BSE Mid-Cap index rose by 4.99% to close at 9,471.94.

Also, FII's and the mutual funds ended as net buyers in the equity market to the tune of Rs.2137.80 crores and Rs.430.40 crores respectively.

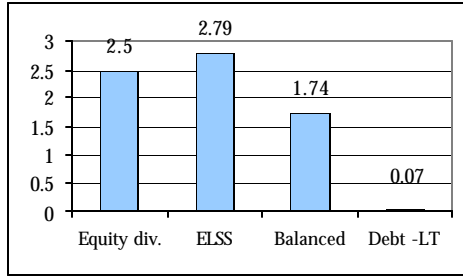
Weekly Equity Indices Return (absolute %)



As on Dec 14

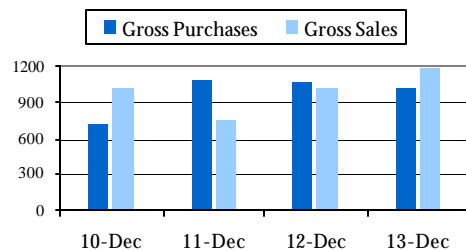
Data source: BSE, NSE

Weekly category returns (%)



Abs. returns as on Dec 14 Data source: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

In the equity market, mutual funds emerged as net buyers to the tune of Rs.224.60 crores.

Outlook:

Short-term: Markets are at their all-time highs and is expected to be in a high volatile zone till the end of the year. The FII's which have been investing huge amounts in our markets are expected to resort to their year end profit booking as they follow the calendar year for accounting. During the current calendar year 2007 FIIs have pumped in Rs.66,079.70 crore in the Indian equity market. However, small and mid-cap stocks may continue their rally on momentum buying as indicated by the strong market breadth in the past few days. Re-emergence of political concern arising from the Indo-US nuclear deal is also expected to impact the market.

Long-term: GDP rose by 8.9% after the second quarter which ended on 30 September, 07. This growth was fuelled by robust performance in the manufacturing, construction and services sectors and a noticeable improvement in the agriculture sector. Also, earnings growth of the corporates remains strong and is expected to prop up the market in case of a decline. Also, other material factors like more than 35% saving rate, improving tax to GDP ratio (18%) indicate that the equity markets are positively inclined over the long term.

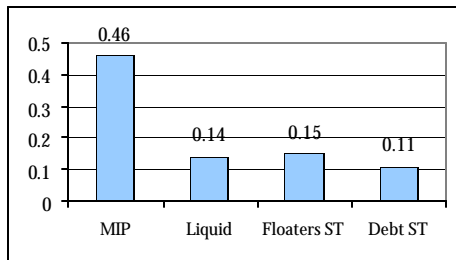
| Recommended schemes to invest | | Historical returns as on 14 Dec (%) | | | Crisil Ranking |
|-------------------------------|-----------------------------------|-------------------------------------|---------------|---------------|----------------|
| | | 6 months (abs) | 1 year (ann.) | 3 year (ann.) | |
| Aggressive (Equity) | DSP ML India Tiger Fund | 62.37 | 81.27 | 65.19 | 1 |
| | Reliance Equity Opportunities | 38.3 | 48.99 | -- | 3 |
| | ICICI Prudential Services Ind. | 37.81 | 62.52 | -- | |
| Moderate (Equity) | Fidelity Equity Fund | 37.57 | 55.29 | -- | - |
| | Fidelity India Special Situations | 35.36 | 47.09 | -- | - |
| | ICICI Prudential Dynamic | 32.17 | 44.31 | 54.41 | 1 |
| Conservative (Equity) | DSP ML Top 100 Equity | 46.9 | 65.31 | 52.72 | 1 |
| | Franklin India Bluechip | 40.76 | 49.14 | 46.54 | 4 |
| | HSBC Equity Fund | 54.52 | 62.8 | 48.2 | 3 |
| | Templeton India Equity Income | 37.97 | 60.12 | -- | - |
| ELSS | Fidelity Tax Advantage | 40.86 | 59.25 | -- | - |
| | Franklin India Tax shield | 22.15 | 23.06 | 34.5 | |
| | SBI Magnum Tax Gain | 47.58 | 27.64 | 29.59 | 2 |
| Balanced | DSP ML Balanced | 35.64 | 52.04 | 38.73 | 1 |
| | Franklin India Balanced | 7.99 | 27.55 | 31.28 | 2 |
| | HDFC Prudence | 32.3 | 43.78 | 42.22 | 2 |

Recommendations

Fresh investments: Markets are firm after two months of accelerated pace. The market fundamentals and corporate earnings have been positive leading to historic highs. At these levels, markets are expected to be volatile considering the international economic scenario and US flows. Hence, it is advisable for investors to enter with long term approach and also opt for a phased entry. Midcap segment could be considered by aggressive investors. Themes like financial services and banking could prove to be a good bet. SIP investors could look at contra & diversified funds.

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 (%)



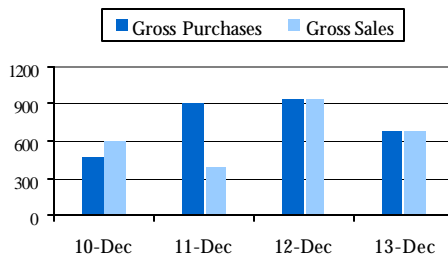
Abs. returns as on Dec 14 Data source: Bloomberg

Key statistics

| | Dec 14 | Dec 7 |
|---|------------------|------------------|
| 7.49% GOI 2017 yield | 7.91% | 7.89% |
| Call rate | 7.70 | 4.50 |
| WPI inflation (week ending Nov 24 and Dec 01) | 3.75% | 3.01% |
| Dollar exchange rate | 39.35 | 39.40 |
| Forex reserves (\$ bn) | 273.553 (Dec 07) | 273.520 (Nov 30) |

Source: bseindia.com

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.430.40 crores.

The week in retrospect-Debt

SEBI in its move to restructure the bond market have laid a set of provision pertaining to issuance of municipal bond in our country. The existing municipal bond market is not sufficient to cater to the development of each municipality. The week ended as bond yields rose continuously for 2 days as the corporate tax payments discouraged the traders from taking fresh positions. Fed rate cut of 0.25 % affected the bank inflows into the country from the NRI deposits. US Treasury debt prices fell on Friday, as the rising consumer price inflation (CPI) fanned doubts about whether the Federal Reserve would cut interest rates further. Call rates remained in the region of 4.50 per cent to 7.70 per cent. During the week, Gold fell on weak global cues and was priced at Rs.10,080 per 10 grams which is Rs.135 lesser than the previous weeks close. Rupee appreciated during the week to Rs.3935 per dollar from the previous week's close of Rs.39.40.

Outlook:

The Corporate Advance Tax outflows are expected to drain about Rs.350 billion by the end of the coming week. In addition, settlement of bond auctions on Friday is expected to absorb another Rs. 70 billion on Monday. This is expected to tighten the liquidity further in the market.

| Recommended schemes to invest | | Return as on 14 Dec | | | Expense ratio |
|-------------------------------|---|---------------------|------|-------|---------------|
| | | 1 m | 3 m | 1 yr. | |
| Liquid Plus | HSBC Liquid Plus | 0.66 | 1.99 | 8.28 | 0.65 |
| Liquid | Can liquid fund | 0.66 | 1.93 | 7.75 | 0.45 |
| Arbitrage | Stan. Chart Arbitrage Fund | 0.41 | 1.48 | -- | 1.5 |
| DBS Chola MF | Monthly FMP closing on 17 Dec, 07, Net indicative yield: Retail: 8.60% and Institutional 8.80%. | | | | |

Recommendations:

Short-term investors: 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. These funds attract equity funds tax treatment, they offer additional advantage. 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. Others looking to invest in liquid options could consider arbitrage funds and MIPs depending on the risk profile.

Forthcoming New Fund Offers:

- ◆ Reliance Fund house is launching Reliance Natural Resources Fund. The open ended equity scheme will be open from 1 Jan 2008.
- ◆ JP Morgan fund house is expected to launch a new scheme named JP Morgan India Tax Advantage Fund.
- ◆ ICICI Pru fund house is expected to launch a new scheme named ICICI Prudential Focused Equity Fund. An open ended equity scheme.
- ◆ Reliance AMC is planning to launch Reliance Infrastructure fund. 3 yrs. close ended fund.
- ◆ ICICI Pru AMC is planning to launch ICICI Prudentail Tax Shield Fund. 10 year close-ended equity linked savings scheme
- ◆ ABN AMRO AMC is planning to launch 'ABN AMRO Sector Select Fund. An open ended equity scheme.
- ◆ Mirae AMC is planning to launch Mirae Asset India Opportunities Fund. An open ended equity scheme.
- ◆ Mirae AMC is planning to launch Mirae Asia Pacific Opportunities Fund. An open ended equity scheme.
- ◆ Principal AMC is planning to launch Principal Global Real Estate Equity Fund. An open ended equity scheme

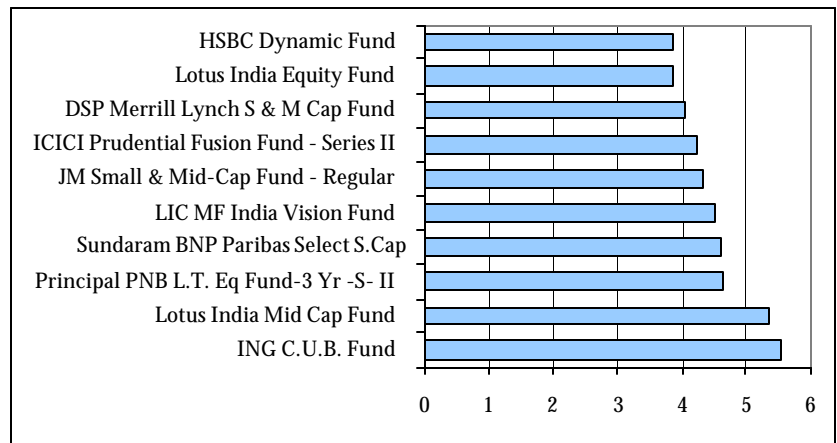
Note: The above given funds are waiting for SEBI's approval excluding Reliance Natural Resources Fund.

NFO Corner

NFO's open for subscription:

- ◆ Franklin Templeton AMC has launched Franklin Asia Equity Fund which will predominantly invest in equity and equity related instruments of Asian companies/sectors. The fund is open till 18 Dec 07.
- ◆ JM Financial AMC has launched JM Agri & Infra Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on agriculture and infrastructure development of India. This fund is open till 18 Dec 07.
- ◆ UTI AMC has launched UTI Infrastructure Advantage Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on infrastructure companies. This fund is open till 19 Dec 07.
- ◆ Chola AMC has launched DBS Chola Small Cap Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on Small Cap companies. This fund is open till 20 Dec 07.
- ◆ Kotak AMC has launched Kotak Indo World Infrastructure Fund. The close-ended equity scheme would invest predominantly in Indian equities (at least 65% of the portfolio) and in overseas equities (up to 35% of the portfolio). The fund focuses on investing across infrastructure related sectors. This fund is open till 22 Dec 07.
- ◆ SBI AMC has launched SBI TAX Advantage Fund - Series I Fund. The 10 years close-ended ELSS scheme would invest predominantly in equities of companies across large, mid and small capitalization. This fund is open till 03 Mar 08.

Top weekly performers-NFOs*



*Weekly return in % as on Dec 14, 07

Data source: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

For more information on MUTUAL FUNDS call 18 00 42582 83 or contact your nearest Karvy branch.

Disclaimer

The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Stock Broking nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document.

This report is intended for a restricted audience and we are not soliciting any action based on it.