

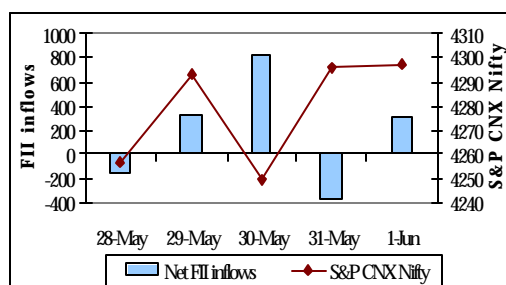
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Highlights

- ◆ **Markets end the week on a positive note**
- ◆ **Progress of monsoons – a watching factor**
- ◆ **Bond yields ease down**
- ◆ **Auctions may determine bond market trend**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

The week in retrospect-Equities

The markets continued their northwards journey during the week on account of firm global markets and short covering in derivatives. Sensex gained 232.30 points to settle at 14570.75 and Nifty advanced by 48.90 points during the week to close at 4297.05 level. However, on Wednesday, the markets took cue from weak global markets. Markets across the globe were taken over by negative sentiments as Chinese markets slumped on Wednesday after the Chinese authorities announced a hike in stamp duty on share trading to 0.3% from 0.1%. Concerns over the increase in the capital gains tax kept the Chinese market sentiments down. On the sectoral side, IT stocks kept plummeting as the rupee continued to appreciate. BSE CG surged by a hefty 6.93% as L&T and BHEL gained handsomely during the week. BHEL advanced ahead its bonus issue on June 1 and L&T went up after its announcement of robust quarterly results and strong order book on Tuesday. On Wednesday, MIC Electronics settled at a premium of 124% over its IPO price of Rs.115.

During the week, FIIs emerged as net buyers in the equity market, to the tune of Rs.947.80 crores. Mutual funds followed suit and turned out to be net purchasers, amounting to Rs.568.90 crores.

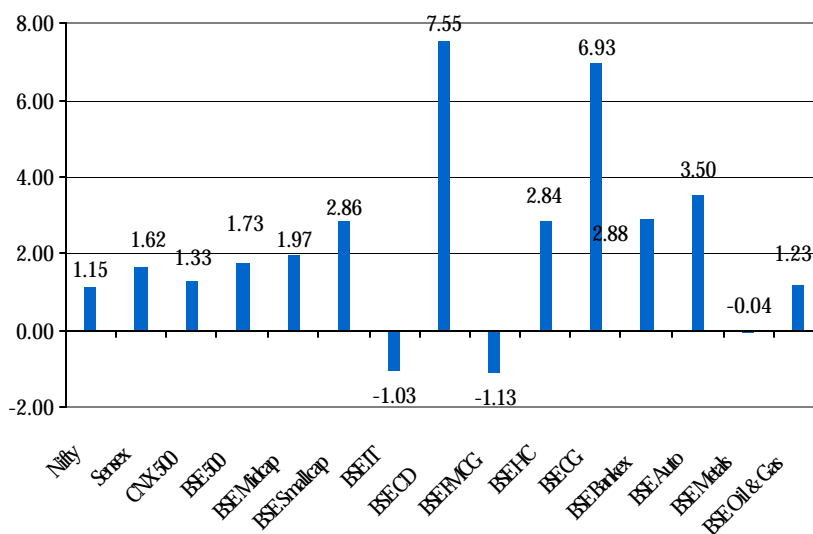
Weekly FII transactions (equities)

	May 28 to June 1	May 21 to May 25
Gross purchases	12645.1	14491.2
Gross sales	11697.3	11536.9
Net inflows	947.8	2954.3

Amt in Rs. crores

Data source: SEBI

Weekly Equity Indices Return (absolute %)



As on June 1

Datasource: BSE, NSE

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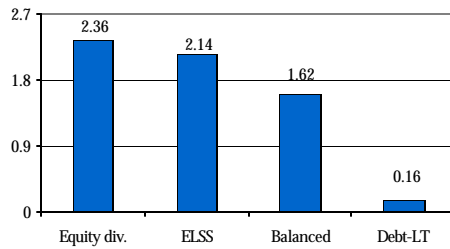
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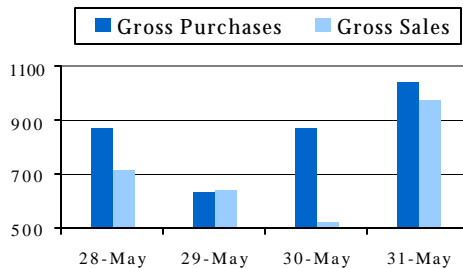
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Weekly category returns (%)



Abs. returns as on Jun 1 Datasource: 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. 568.90 crores.

Outlook:

Short-term: Markets may take cue from global markets and may continue their uptrend on the back of strong FII inflows and strong growth registered by the economy in FY2006-07. The sentiments remain positive on the back of upwardly revised GDP growth. The progress of monsoons holds the key to near term market trends. Volatility is likely to persist as markets are trading at high levels. Balkrishna Industries, NOCIL, VIP Industries, Mcleod Russel India, NIIT, PVR, Ispat Industries, BASF India, AIA Engineering, NRB Bearings and Sundaram Brake Linings would announce their quarterly results next week.

Long-term: The Indian GDP grew at a strong 9.4% during the FY2006-07. According to the Confederation of Indian Industry (CII), the GDP will grow at the rate of 9.2% in FY 2007-08, boosted by industry and services sectors and a rebound in farm output. Industrial output for FY2006-07 has soared by 11.3% as against 8.9% the previous year. 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 story.

Recommended schemes to invest	Returns as on June 1 (%)			Crisil Ranking*	
	6 months (abs)	1 year	3 year (ann)		
Aggressive (Equity)	DSP ML Small & Midcap	6.95	N.A.	N.A.	--
	DSP ML TIGER	11.94	50.72	N.A.	1
	ICICI Prudential Services	18.50	56.02	N.A.	--
	Reliance Equity Opport.	8.46	38.75	N.A.	2
Moderate (Equity)	DSP ML Equity	15.41	49.29	57.66	1
	Fidelity Equity	12.85	49.76	N.A.	--
	Fidelity Ind. Special.	6.88	46.84	N.A.	--
	ICICI Pru Dynamic	10.97	43.67	60.46	1
Conservative (Equity)	DSP ML Top 100	12.92	50.79	49.20	2
	HSBC Equity	4.45	39.98	43.76	4
	Franklin India Bluechip	7.31	42.56	44.38	4
	Templeton India Eq. Inc.	14.75	42.08	N.A.	--
ELSS	Franklin India Taxshield	6.95	29.72	42.81	3
	Fidelity Tax Advantage	13.65	47.25	N.A.	--
	SBI Magnum Tax Gain	6.65	42.48	75.92	1
Balanced	DSP ML Balanced	11.83	37.01	35.50	3
	HDFC Prudence	7.16	36.80	41.27	1
	FT India Balanced	8.86	35.29	31.97	2

*For qtr end Mar' 07

Datasource: Bloomberg

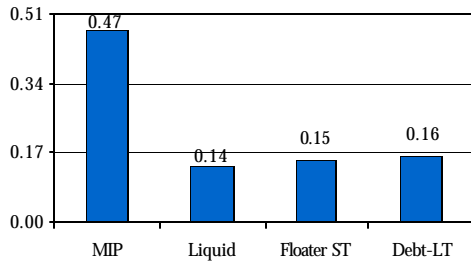
**Classification based on fund's portfolio concentration & exposure to various market segments.

Recommendations

Fresh investments: Since volatility is expected to prevail in short-term, investments should be made with a long-term perspective (preferably 3 years or more). Investors could look at equity diversified and opportunities funds to build their core portfolios. Thematic funds and midcap oriented funds would be apt for enhancing portfolio returns. Derivative funds can be considered to adopt a hedged style. Portfolio diversification can be further achieved by considering GETFs and funds offering exposure to international markets.

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

Weekly category returns (%)

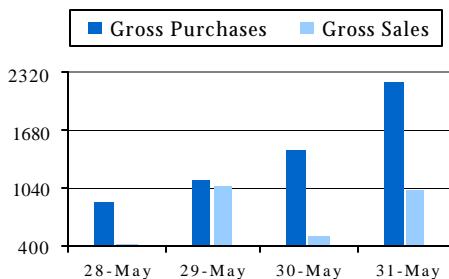


Abs. returns as on Jun 1 Data source: Bloomberg

Key statistics

	Jun 1	May 25
3.07% GOI 2017 yield	8.08%	8.16%
Call rate	0.5%	7.1%
WPI inflation (week ending May 19 and May 12)	5.06%	5.27%
Dollar exchange rate	40.53	40.59
Forex reserves (\$ bn)	204.934 (May 25)	203.982 (May 18)

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.2686.80 crores.

The week in retrospect-Debt

The bond market witnessed a rally as bond yield moved lower on the back of improved cash positions. The benchmark 10-year gsec yield ended the week lower at 8.08% against 8.16% the previous week. Liquidity in the market eased during the week after the maturity of federal bonds worth Rs.200 bn on Monday. As a result, the overnight rates (call rates) dipped to their 7-years low touching 0.5% as on Friday. Low inflation data (5.06% for the week ending May 19 against 5.27% the previous week) on Friday further boosted the positive sentiments in the bond markets. On the forex front, rupee kept on with its appreciation and touched 40.53 as against 40.59 the previous week on the back of heavy foreign inflows.

Outlook:

Short-term: RBI would auction bonds worth Rs.90 bn in the coming week. RBI would also issue Market Stabilization Scheme Bonds worth Rs.50 bn next week in order to absorb some of the excess cash in the system. As a result, call rates may edge up from the current 0.5% level to 6%-8% range. This may cause the bond yields to go up slightly. With inflation figures showing a declining trend, it is expected that inflation would moderate to the RBI range of 4.0% – 4.5% in the coming months. Market men are expecting a CRR hike by June-end, which would counter the increasing liquidity in the system caused by heavy foreign inflows. As a result of this, short-term rates may rise.

Long-term: With measures to control inflation beginning to show their impact, the inflation figure may ease down and as a result, yields are likely to cool down in July-August.

Recommended schemes to invest	Return as on Jun 1(%)			Expense ratio	Crisil ranking*	
	1 m	3 m	1 yr.			
Liquid Plus	HSBC Liquid Plus	0.76	2.25	N.A.	0.65	--
Liquid	LIC MF Liquid	0.72	2.18	7.89	0.53	2
	Canliquid Retail	0.71	2.14	7.49	0.23	--
Arbitrage	StanChart Arbitrage	0.81	2.39	N.A.	N.A.	--
FMPs	Kotak 3M Series 20 (90 days)	Net indicative yield: 8.65% NFO closes: June 6				
	Reliance Quarterly FMP (3 months)	Net indicative yield: 8.70% (retail) & 8.80% (inst.) NFO closes: June 6				

*For qtr end Mar' 07

Datasource: Bloomberg

Recommendations:

Short-term investors: Very short-term investors (for investment duration up to 1 month) should invest in liquid funds. Investors with investment duration of 1-3 months should consider liquid plus funds. Arbitrage funds could be looked at by investors who wish to invest for a period of more than 3 months (subject to the period, before which redemption would attract exit load). For other investors for whom instant liquidity is not an issue, FMPs (shorter duration of 3 months to 6 months) can be considered as the yields are quite attractive.

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

- ◆ Tata Life Sciences & Technology Fund has revised its entry load structure. Now, the fund will charge an entry load of 2.25% for investment amount less than Rs 2 crores instead of Rs.50 lakhs.

NFO Corner

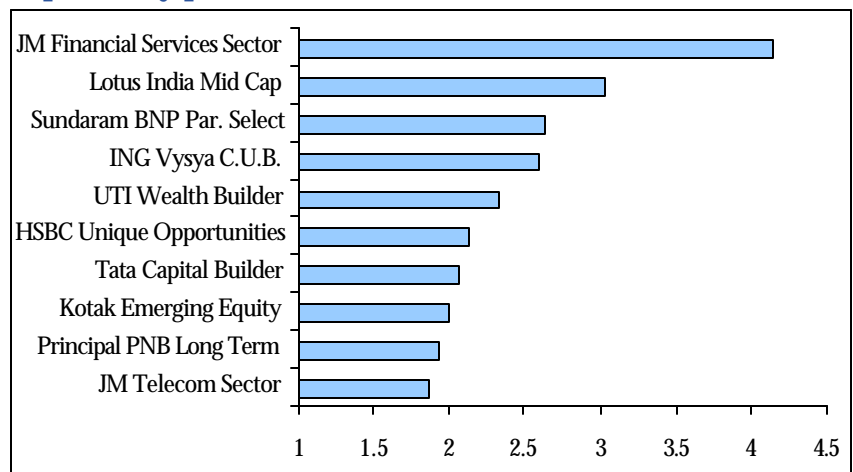
NFOs open for subscription:

- ◆ HDFC Fund House has launched HDFC Midcap Opportunities Fund. The midcap-oriented scheme is open for subscription till June 8, 07.
- ◆ SBI MF has launched SBI Infrastructure Fund. The infrastructure-theme based fund will be available for subscription till June 8, 07.
- ◆ Tata AMC has launched Tata SIP Fund which is a 36-month close-ended scheme. It will initially invest in debt and money market instruments and then subsequently allocate assets to equities in a systematic manner. The offer period would close on June 14, 07.
- ◆ Franklin Templeton AMC has launched Franklin India High Growth Companies Fund. The open-ended equity scheme would invest in high growth companies. The NFO period would be open till June 29, 07.

Forthcoming New Fund Offers:

- ◆ JM Fund House is planning to launch JM Contra Fund.
- ◆ UTI AMC is coming up with UTI Lifestyle Fund. It would be a 3-year close-ended scheme which would invest in companies which play a role in driving Indian demographics or consumer patterns.
- ◆ Sahara AMC is planning to come up with Sahara R.E.A.L. Fund. The scheme would invest in companies in the **R**etailing, **E**ntertainment & **m**edia, **A**uto & auto ancillaries and **L**ogistics sector.
- ◆ Lotus India AMC is planning to launch Lotus India Equity Fund. The scheme would be an open-ended equity diversified one which would invest across sectors and market-cap ranges.

Top weekly performers-NFOs*



* Weekly return in % as on June 1, 07

Datasource: MFI Explorer

Note: Funds launched since Apr06 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on June 1, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Cr) as on Apr 30' 07	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Lotus India Midcap	30-Mar-07	10.53	58.61	5.30	3.03	10,530.00	10,298.29
2	Kotak Emerging Equity	16-Mar-07	10.80	254.83	8.04	1.99	10,804.00	10,804.00
3	ICICI Pru Fusion-II	16-Mar-07	10.78	1064.64	7.80	-0.74	10,780.00	10,780.00
4	Lotus India Contra	15-Mar-07	10.72	104.59	7.20	1.42	10,720.00	10,484.11
5	Taurus Infra Tips	5-Mar-07	10.58	44.72	5.80	0.67	10,580.00	10,347.19
6	HSBC Unique Opportunitis	26-Feb-07	11.59	684.89	15.93	2.14	11,593.00	11,593.00
7	Principal Long Term Equity	21-Feb-07	11.11	227.04	11.10	1.93	11,110.00	11,110.00
8	Sundaram Equity Multiplier	31-Jan-07	10.71	559.85	7.10	1.63	10,710.00	10,710.00
9	Sundaram Select Smallcap	24-Jan-07	10.54	301.01	5.42	2.63	10,542.00	10,542.00
10	Can Multicap Fund	4-Jan-07	10.66	223.10	6.60	1.52	10,660.00	10,660.00
Abs. returns for New Funds released Between Jan 07 to Mar 07					8.03	1.62	108,029.00	107,328.59
1	LICMF India Vision	22-Dec-07	10.25	242.82	2.49	1.35	10,249.00	10,249.00
2	SBI One India Fund	22-Dec-07	10.34	1842.70	3.40	0.88	10,340.00	10,340.00
3	Escorts High Yield Equity	11-Dec-06	10.62	14.15	6.23	0.52	10,623.00	10,389.24
4	Reliance Long-Term Equity	14-Nov-06	10.99	2157.17	9.92	0.92	10,992.00	10,992.00
5	ING Vysya C.U.B. Fund	14-Nov-06	13.84	70.55	38.40	2.59	13,840.00	13,840.00
6	JM Financial Sector	2-Nov-06	11.86	5.43	18.63	4.15	11,862.60	11,601.56
7	JM Telecom Sector	2-Nov-06	12.14	8.93	21.43	1.87	12,142.80	11,875.60
Abs. returns for New Funds released Between Oct 06 to Dec 06					14.36	1.75	80,049.80	79,287.40
1	DSPML Small & Midcap	29-Sep-06	11.23	1490.61	12.28	1.65	11,228.00	10,980.93
2	UTI Wealth Builder	7-Sep-06	11.4	969.35	14	2.33	11,400.00	11,400.00
3	Birla Long-term Adv.	7-Aug-06	11.53	415.21	15.3	1.86	11,530.00	11,530.00
4	Tata Capital Builder	18-Jul-06	11.65	271.53	16.5	2.07	11,650.30	11,650.30
Abs. returns for New Funds released Between Jul 06 to Sep 06					14.52	1.98	45,808.30	45,561.23
1	Tata Equity Managm nt.	15-May-06	10.96	387.43	9.58	0.26	10,957.80	10,957.80
2	Stanchart Enterprise Equity	19-Apr-06	12.39	1569.67	23.9	1.72	12,390.00	12,390.00
Abs. returns for New Funds released Between Apr 06 to Jun 06					16.74	0.99	23,347.80	23,347.80

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 42582 83 or contact your nearest Karvy branch.

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