

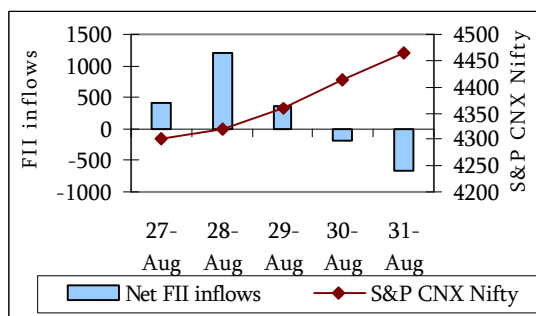
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Highlights

- ◆ Markets gained on all trading days
- ◆ Foreign inflows and global cues to drive the market
- ◆ Inflation at 15-months low level
- ◆ Fed Reserve meet on Sept 18 to be closely watched

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Aug 27 to Aug 31	Aug 20 to Aug 24
Gross purchases	14295.4	13181.5
Gross sales	13170.1	16678.9
Net inflows	1125.3	-3497.4

Amt in Rs. crores

Data source: SEBI

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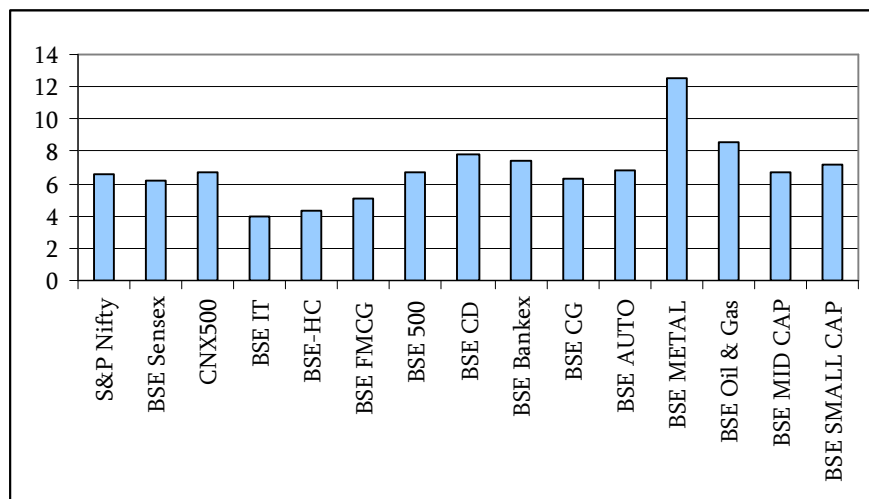
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The week in retrospect-Equities

Strong US market data, hopes that US Federal reserve will cut the key interest rates and increased FII and mutual fund buying led to a solid rebound of domestic markets. Sensex has seen a positive rally on all the five days of the week to mark a rise of 893.73 points or 6.2% to 15,318.60 in the week ended 31 August 2007. Sensex surged 417.51 points on Monday and this momentum was derived from the strong data on durable goods sales in the US. Sensex gained 76.81 points on Tuesday in spite of the weak global markets. On Wednesday, Sensex grew by 73.85 points though the day was influenced by US credit concerns. On Thursday, Sensex rose for the fourth straight session because of the increased buying demand for index pivotal. The Indian economy grew by 9.3% in Q1FY08 against 9.6% last year boosting the market sentiments. On Friday, the Sensex went further up by 196.86 points to end at 15,318.60 points. During the week, the Indian government decided to form a panel to study the Indo-US nuke deal and this made markets see some sense of political stability for the time being. Market breadth for the week remained positive signifying renewed investor's confidence.

Also during the week both FII's and Mutual Funds remained as net buyers in the equity market to the tune of Rs. 1125.3 and Rs.1177.60 crores respectively.

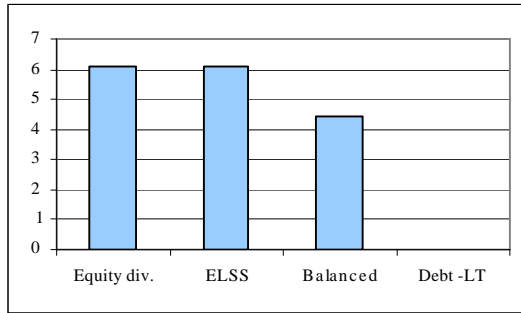
Weekly Equity Indices Return (absolute %)



As on Aug 31

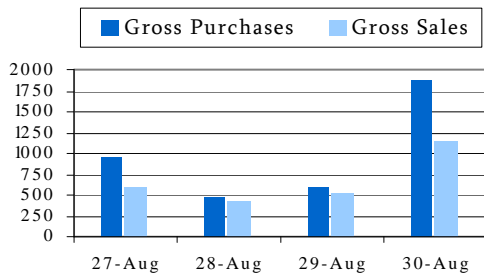
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Aug 31 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores Data source: SEBI
Note: Data for Aug 31 is not available

In the equity market, mutual funds emerged as net buyers to the tune of Rs. 1177.60 crores.

Outlook:

Short-term: Global markets, FII inflows and developments on political front are expected to dictate the domestic market trends. The market will to a major extent be driven by the decision that the UPA government is expected to take on the Indo US nuclear deal. Also markets are expected to react on comments of Mr. Bernanke the Fed Chairman on housing and monetary policy. Crude oil prices are back in the watch-out radar as they rose on concern of a potential tropical storm in the Atlantic Ocean that may threaten oil production. Crude oil for October delivery rose to \$73.71 a barrel in electronic trading on the New York Mercantile Exchange on Friday.

Long-term: The GDP posted a 9.3% growth in the first quarter, fuelled by robust performance in the manufacturing, construction and services sectors and a noticeable improvement in the agriculture sector. This suggests that 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. Improving stability and reducing worries in the global markets are expected to result in increased foreign inflows.

Recommended schemes to invest		Historical returns as on Aug 31			Crisil Ranking
		6 m (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML India Tiger Fund	27.31	52.49	54.95	1
	Reliance Equity Opportunities	13.52	30.27	N.A.	3
	ICICI Prudential Services Ind.	15.75	54.82	N.A.	N.A.
Moderate (Equity)	Fidelity Equity Fund	21.41	44.44	N.A.	N.A.
	Fidelity India Special Situations	18.99	35.36	N.A.	N.A.
	ICICI Prudential Dynamic	14.83	36.68	56.77	1
Conservative (Equity)	DSP ML Top 100 Equity	21.12	38.46	46.43	1
	Franklin India Bluechip	21.11	33.70	43.13	4
	HSBC Equity Fund	19.42	33.01	40.39	3
	Templeton India Equity Income	19.97	39.50	N.A.	N.A.
ELSS	Fidelity Tax Advantage	21.62	39.69	N.A.	N.A.
	Franklin India Tax-shield	20.51	29.35	40.33	3
	SBI Magnum Tax Gain	-7.24	11.94	23.79	2
Balanced	DSP ML Balanced	18.41	29.75	33.23	1
	Franklin India Balanced	17.83	34.24	32.34	2
	HDFC Prudence	16.51	32.65	39.88	2

*For qtr end June, 07

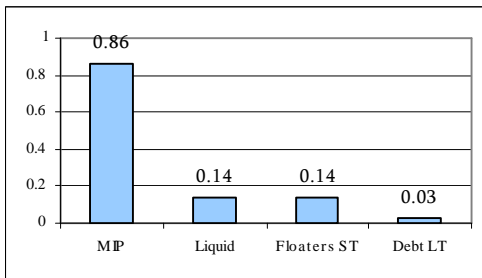
Datasource: Bloomberg

Recommendations

Fresh investments: The markets have started evidencing positive moves. Companies which are likely to benefit from the domestic growth story of India such as telecom, construction, capital goods and banks are likely to grow further. In the mutual funds arena, diversified, contra and opportunities funds continue to remain worth considering a minimum investment period of 18 months. SIP investors can continue with their contributions as the long-term growth indicators continue to voice a positive trend.

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 (%)



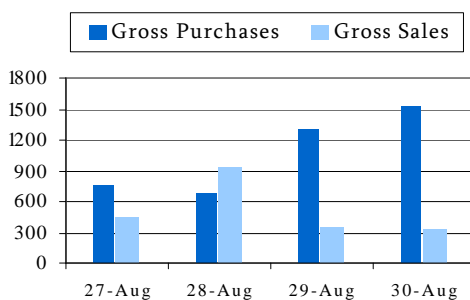
Abs. returns as on Aug 31 Datasource: Bloomberg

Key statistics

	Aug 31	Aug 24
7.49% GOI 2017 yield	7.93%	7.92%
Call rate	6.15	6.30%
WPI inflation (week ending Aug 18 and Aug 11)	3.94%	4.10%
Dollar exchange rate	40.96	41.14
Forex reserves (\$ bn)	228.8 (Aug 24)	226.4 (Aug 17)

Source: bseindia.com

Weekly MF transactions (debt)



Amt in Rs. crores Data source: SEBI
Note: Data for Aug 31 is not available

In debt market, mutual funds emerged as net buyers to the tune of Rs. 2203.3 crores.

The week in retrospect-Debt

Bond yields exhibited a rise on account of concerns of growing risk aversion by global investors, but eased at the end of the week and closed at 7.93% on low inflation figure and easing US treasuries. Inflation declined to below 4% for the first time in more than 15 months to touch 3.94% for the week ended August 18, much less than the Reserve Bank's projection for this fiscal. Though the central bank continued its cautious outlook in inflation on account of high global commodity prices and capital inflows, markets eased as they had already factored it in the prevailing prices. The rupee became a bit strong in comparison to the last week on account of strong foreign inflows.

Outlook:

Short-term: Bonds markets are expected to have a positive sentiment on account of eased inflation, which has been the biggest cause of concern for the Indian bond markets. Yields may rise ahead of the government auction of bonds totalling 70 billion rupees on Sept. 7. Call rates are expected to remain at normal levels as the exceptional case of liquidity crunch is over. Market is expected to closely watch the Federal Reserve's move on September 18.

Long-term: Though the moves of the leading central banks of the world indicate a softening, stance, in the Indian context, RBI is watching inflation and credit growth figures closely. 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 been tamed down to the 4%-5% range due to lower prices of essential food items. 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		Returns (ann.) as on Aug 31 (%)			Exp. ratio	Crisil ranking*
		1 m	3 m	6 months		
Liquid plus	HSBC Liquid Plus	7.40	7.56	8.33	0.65	N.A.
Liquid	Canliquid	7.29	6.56	7.59	0.71	4
Arbitrage	StanChart Arbitrage	9.12	9.16	8.57	1.50	N.A.
FMP	Reliance 370 days FMP Opening on Sept 3; closing on Sept 5	Indicative yield (Institutional)		9.10%	(Retail)	9.50%

*For qtr end June, 07

Datasource: Bloomberg

Recommendations:

Short-term investors: As the outlook on interest rate remains uncertain in short-term, 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:

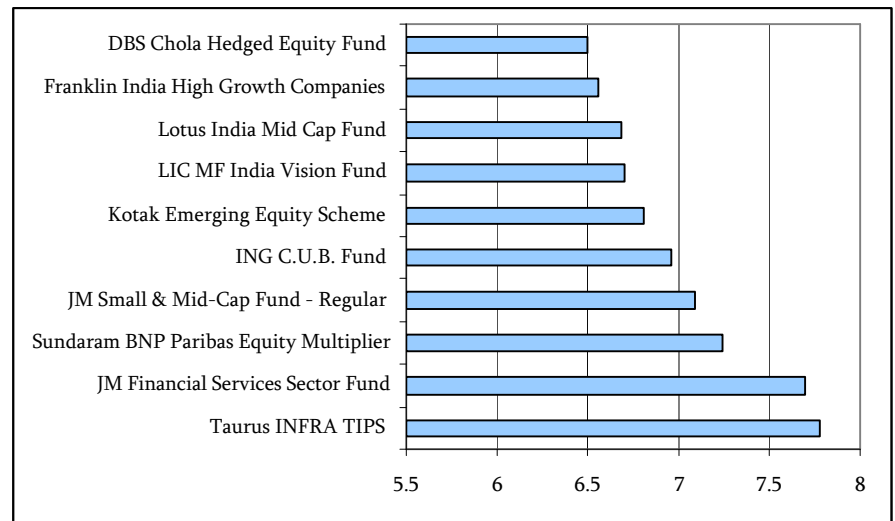
- ◆ Tata AMC is launching Tata Global Infrastructure Fund on Sept 3, 2007. The 3-year close-ended equity fund would invest in both domestic and overseas companies, which are related with infrastructure sector.
- ◆ Fidelity India AMC is launching fidelity India Growth Fund on Sept 3, 2007. This fund invests in Indian Equities and derivatives along with International 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.
- ◆ 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.
- ◆ ABN AMRO AMC is launching a scheme named ABN AMRO China-India Fund. This fund is an open-ended equity scheme which will invest in equity & equity related securities of India and China.

NFO Corner

NFOs open for subscription:

- ◆ 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 has launched 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 31 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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