

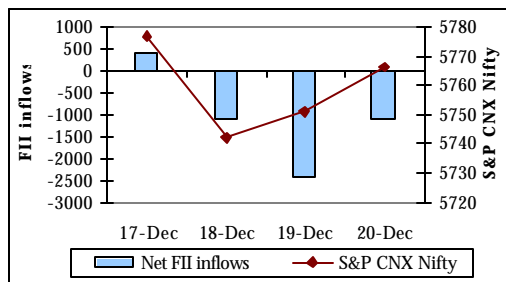
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Highlights

- ◆ **Markets exhibited high volatility**
- ◆ **Volatility is expected to continue in the markets**
- ◆ **Bond price were range bound**
- ◆ **Rupee appreciated by 12% against the dollar**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Dec 17 to Dec 21	Dec 10 to Dec 14
Gross purchases	14881.80	22249.90
Gross sales	19115.30	20112.10
Net inflows	-4233.50	2137.80

Amt in Rs. crores

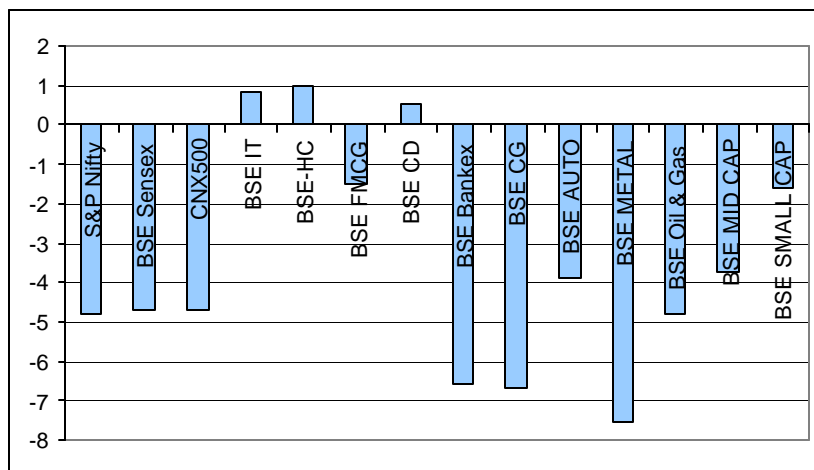
Data source: SEBI

The week in retrospect-Equity

The markets ended the week on a highly negative note on the back of weak global markets and profit booking in index heavy weights. During the week, BSE Sensex advanced in 2 out of 4 trading sessions. During the week, BSE Sensex fell by 868.26 points or 4.33% to close at 19,162.57 while S&P CNX Nifty fell by 281.20 points or 4.64% to close at 5,766.50. On Monday, due to heavy selling pressure by FIIs and weak global markets, Sensex ended losing 769.48 points or 3.84% to close to 19,261.35. On Tuesday, the market was very volatile and Sensex ended losing further 181.71 points or 0.94% to 19,079.64. The Market ended flat with the mixed trend in index heavy weights, Sensex rose 12.32 points or 0.06% to close at 19,091.96 on Wednesday. The market was very volatile on Thursday but finally closed in the positive note Sensex rose by 70.61 points or 0.37% to close at 19,162.57. On account of Bakri Id, the market remained closed on Friday. As per reports, for the third quarter Reliance Industries & State Bank of India has paid advance tax of Rs.1045 crore & Rs.1090 crore respectively. During the week the top losers were NTPC (-6.77%), Tata Motors (-6.44%) & Reliance Communication (-7.30%).

Also, FII's ended as net sellers and the mutual funds ended as net buyers in the equity market to the tune of Rs.4233.50 crores and Rs.305.80 crores respectively.

Weekly Equity Indices Return (absolute %)



As on Dec 21

Data source: BSE, NSE

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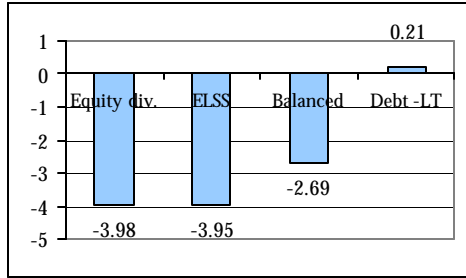
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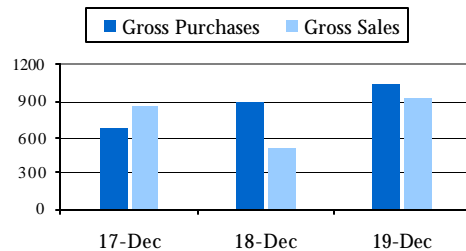
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Weekly category returns (%)



Abs. returns as on Dec 21 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. 305.80 crores.

Outlook:

Short-term: The market is expected to remain volatile in coming week as December 2007 derivatives contracts expire on Thursday, 27 December 2007. 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.67,329.50 crore in the Indian equity market. The inflow of FIIs may be low, foreign fund managers being on annual vacation. On account of Christmas, the market will remain closed on Tuesday, 25 December 2007.

Long-term: GDP rose by 8.9% during 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 remained strong and is expected to prop up the market in case of a decline. Even, 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 21 Dec (%)			Crisil Ranking*
		6 months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	49.15	74.6	60.69	1
	Reliance Equity Opportunities	29.07	43.56	--	3
	ICICI Prudential Services Ind.	30.96	57.39	--	
Moderate (Equity)	Fidelity Equity Fund	28.92	51.92	--	-
	Fidelity India Special Situations	26.97	42.88	--	-
	ICICI Prudential Dynamic	25.61	40.21	52.18	1
Conservative (Equity)	DSP ML Top 100 Equity	39.01	60.24	49.55	1
	Franklin India Bluechip	32.31	44.87	43.84	4
	HSBC Equity Fund	44.46	56.56	44.76	3
	Templeton India Equity Income	29.34	51.73	--	-
ELSS	Fidelity Tax Advantage	31.44	55.16	--	-
	Franklin India Tax shield	19.05	20.94	32.45	
	SBI Magnum Tax Gain	37.74	23.01	27.38	2
Balanced	DSP ML Balanced	28.53	47.64	36.44	1
	Franklin India Balanced	6.75	30.32	30.9	2
	HDFC Prudence	26.47	40.61	40.61	2

*For qtr end Sep, 07

Data source: MFI explorer

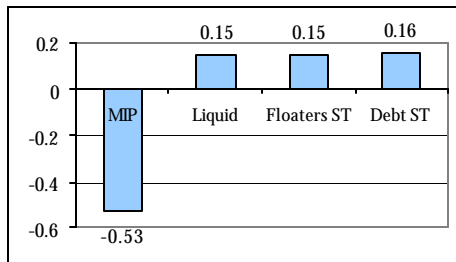
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their

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 (%)



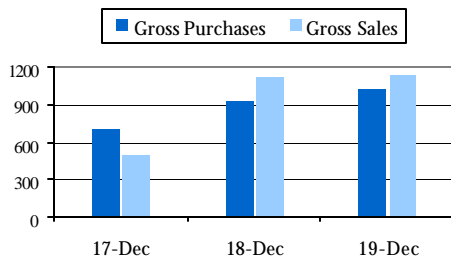
Abs. returns as on Dec 21 Data source: Bloomberg

Key statistics

	Dec 21	Dec 14
7.49% GOI 2017 yield	7.89%	7.91%
Call rate	7.75	7.70
WPI inflation (week ending Dec 1 and Dec 08)	3.65%	3.75%
Dollar exchange rate	39.55	39.35
Forex reserves (\$ bn)	272.954 (Dec 14)	273.553 (Dec 07)

Source: bseindia.com

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market, mutual funds emerged as net sellers to the tune of Rs.95.90 crores.

The week in retrospect-Debt

RBI bought bonds worth Rs.1,575 crore under Open Market Operations (OMO) on 19, December 2007, which eased the tight liquidity conditions. Due to corporate advance tax outflow from the system bond prices were range bound. Ahead of a five-day extended weekend, banks have borrowed more than Rs.20,000 crore from the Reserve Bank of India (RBI) at its daily repo window. While demand for cash typically rises during the festive and holiday season, call money rates have crossed the 8% mark and ended by 7.75%. During the week, Gold rose further in the bullion market and was priced at Rs.10,330 per 10 grams which is Rs.250 higher than the previous weeks close. Rupee ended weak during the week to Rs.39.55 per dollar from the previous week's close of Rs.39.35. The Indian Rupee has appreciated by 12% during the year against a dollar.

Outlook:

While cash conditions have tightened ahead of the year end, due to outflows of around 350 billion rupees (\$8.9 billion) for tax advance payments, liquidity is expected to return back into the banking system in the form of government spending in the coming days. Annual inflation rate is forecast at 3.79 percent on Dec.8.

Recommended schemes to invest		Return as on 21 Dec			Expense ratio
		1 m	3 m	1 yr.	
Liquid Plus	HSBC Liquid Plus	0.65	1.99	8.29	0.65
Liquid	Can liquid fund	0.66	1.95	7.77	0.45
Arbitrage	Stan. Chart Arbitrage Fund	0.58	1.68	9	1.5

Data source: MFI explorer

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 Prudential 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

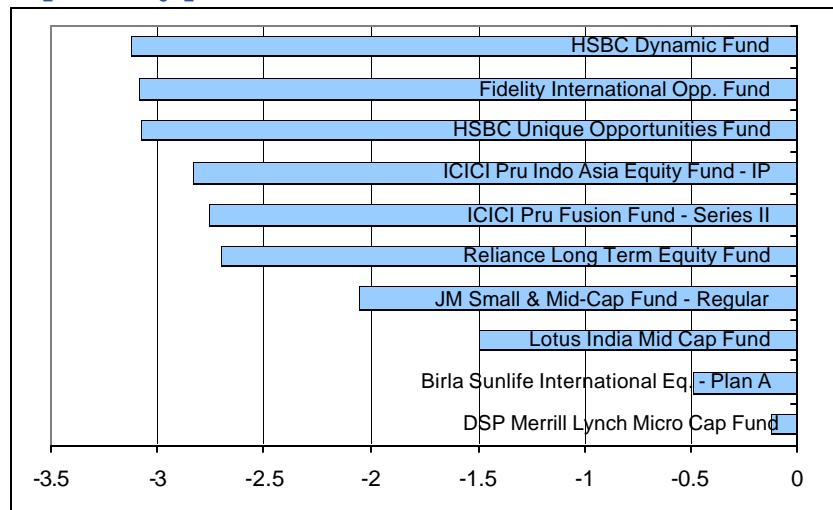
Note: The above given funds are waiting for SEBI's approval excluding Reliance Natural Resources Fund.

NFO Corner

NFO's open for subscription:

- ◆ Birla AMC has launched Birla Special Situations Fund. The open ended equity scheme would invest predominantly in equity & equity related securities. This fund is open till 15 Jan 08.
- ◆ 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.
- ◆ UTI AMC has launched UTI-Long Term Advantage Fund - Series II. The 10 years close ended ELSS scheme would invest predominantly in equity & equity related securities. This fund is open till 19 Mar 08.
- ◆ JM AMC has launched JM Tax Gain Fund. The open ended ELSS scheme would invest predominantly in equity & equity related securities. This fund is open till 25 Mar 08.

Top weekly performers-NFOs*



*Weekly return in % as on Dec 21, 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.

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