

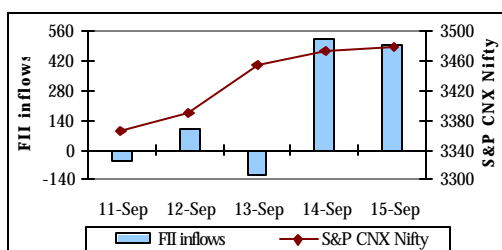
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Highlights

- ◆ Markets once again at a high
- ◆ Q2 results a critical factor
- ◆ Yields increase due to tighter liquidity
- ◆ Fed rate - a watching factor in the coming week

FII Movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Sept 11 to Sept 15	Sept 4 to Sept 8
Gross purchases	7528.6	6200.4
Gross sales	6592.4	5147.3
Net inflows	936.2	1053.1

Amt in Rs. crores

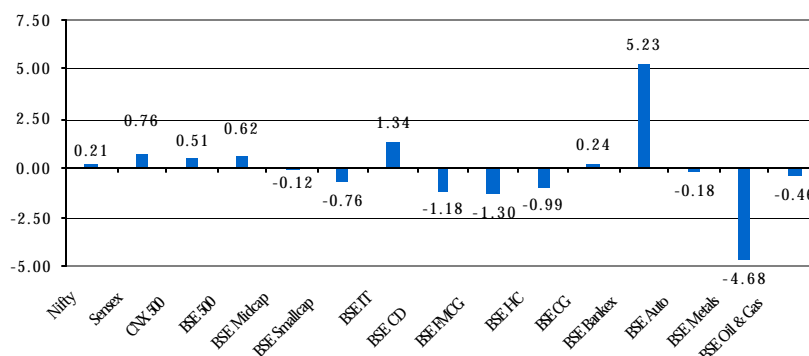
Data source: SEBI

The week in retrospect-Equities

The markets ended the week on a positive note on the back of firm global markets, drop in oil prices and FII inflows. Crude oil prices dropped to \$63.02 per barrel, which strengthened the hopes that the government may not increase domestic fuel prices in the near future. BSE Sensex crossed the psychological mark of 12000 to settle at 12009.59 after gaining 0.76% during the week. Nifty rose by 0.21% to close at 3478.6. On Monday a steep fall in the markets was triggered by weak Asian markets. Nikkei fell by 1.78% on account of a 25-year high increase of 3.4% (over August, 05) in wholesale prices. This signaled higher inflationary pressure which could lead to a hike in Japan interest rates. After the release of higher-than expected industrial production data on Tuesday, domestic markets further regained their momentum. However, significant volatility was exhibited due to anxiety over Fed rate. On the sectoral front, banking stocks gained heavily on account of expectations that domestic interest rates may not increase owing to easing inflation in the wake of falling oil prices. Announcement of an alliance amongst the three largest commercial banks namely OBC, Indian Bank and Corporation Bank resulted in a sharp rally in their stock prices. Further merging of UWB and IDBI led the bank index upwards. High volume growth and significant rupee depreciation took IT stocks up by 1.34%.

FII emerged as net buyers in the equity market, making purchases to the tune of Rs. 936.2 crores. Mutual funds also turned out to be net buyers by a significant amount of Rs. 412.46 crores.

Weekly Equity Indices Return (absolute %)



As on Sept 15

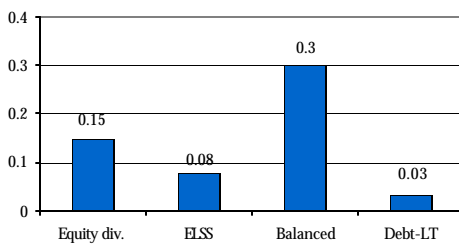
Datasource: BSE, NSE

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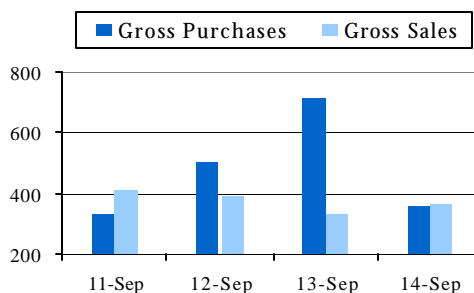
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Weekly category returns (%)



Abs. returns as on Sept 15 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds turned out to be net buyers by an amount of Rs. 412.46 crores.

Outlook:

Short-term: Volatility may be in store as Fed meeting is scheduled on September 20. With the release of a moderating CPI and inflation data on Friday evening, status quo on Fed rate is expected. Further, July-Sept. quarter earnings results are the next major trigger which will determine the market direction. Another watching factor is the Japan interest rate. Followed by higher inflation data, BOJ may hike the rates if the BOJ's quarterly Tankan Corporate Survey due on Oct. 2 shows strong capital spending.

Long-term: With the GDP projection of Indian economy upgraded from 7.3% to 8.3% by IMF, the growth is likely to be reflected in the markets. This growth will be supported by significant appreciation in corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom. According to various research firms, oil prices may hover around \$67-\$72 in the coming year. However, any change in the political scenario having significant impact on economic development may lead to high volatility.

Recommended schemes to invest	Historical returns as on Sept. 15 (%)			Crisil Ranking for qtr end June 06	
	6 months (abs)	1 year	3 year (ann)		
Aggressive (Equity)	DSP ML Opportunities	5.00	41.21	53.68	2
	Tata Infrastructure	3.40	47.73	N.A.	-
	Reliance Growth	2.25	29.14	65.22	1
	Sundaram Select Midcap	12.92	53.84	69.67	1
Moderate (Equity)	Fidelity Equity Fund	6.17	32.22	N.A.	-
	HDFC Equity	8.11	47.12	54.58	2
	Reliance Equity	N.A.	N.A.	N.A.	-
	SBI Magnum Contra	8.31	42.32	77.29	1
Conservative (Equity)	DSP ML Top 100	7.19	45.63	49.65	3
	Sundaram India Leader.	-3.33	34.62	N.A.	2
	Franklin India Bluechip	7.97	40.55	49.68	4
	Templeton India Eq. Inc.	N.A.	N.A.	N.A.	-
ELSS	Franklin India Taxshield	-0.35	28.50	48.62	3
	HDFC Tax saver	3.49	29.70	64.26	2
	SBI Magnum Tax Gain	4.75	29.26	83.56	1
Balanced	DSP ML Balanced	5.09	31.58	35.47	3
	HDFC Prudence	9.25	32.08	41.71	1
	Kotak Balance	2.53	28.51	40.00	2

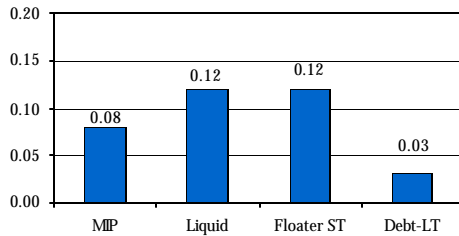
Datasource: MFI Explorer

Note 1: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations:

The long term bullish nature of the Indian markets is still intact and hence investments in mutual funds with a medium to long term horizon of over 18-36 months is recommended. At the same time, volatility may be witnessed in the coming weeks. Hence investors need to adopt a cautious approach and pick funds that invest in fundamentally strong stocks. Contra funds can be a good choice. Investments could be made in diversified funds, internationally diversified funds and derivatives funds to optimise the risk adjusted returns.

Weekly category returns (%)

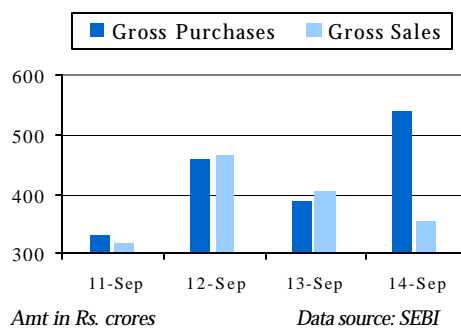


Abs. returns as on Sept 15 Data source: Bloomberg

Key statistics

	Sept 15	Sept 8
7.59% GOI 2016 yield	7.83%	7.76%
Call rate	6.15%	6.10%
WPI inflation (week ending September 1 and August 26)	4.78%	5.01%
Dollar exchange rate	46.11	46.22
Forex reserves (\$ bn)	165.14 (Sept 8)	166.46 (Sept 1)

Weekly MF transactions (debt)



In debt market, mutual funds emerged as net buyers to the tune of Rs. 175.92 crores.

The week in retrospect-Debt

The market witnessed an increase in bond yields on the back of low liquidity. The yield on the 10-year g-sec increased from 7.76% to 7.83% on concerns that the advance payments of corporate taxes amounting to Rs. 250-350 billion would adversely affect the liquidity in debt market. The 10-year yield hit a three-month low of 7.66% on Monday, but the rally soon ended due to profit booking and worries over the shrinkage of surplus cash. As a measure, RBI, for the first time in five months, went for a repurchase auction to inject liquidity into the system.

Despite a massive 7% rise in prices of fruits and vegetables, the weekly inflation rate eased from 5.01% to 4.78% as on September 1 due to a decline in energy prices and the effect of last year's high base. On the forex front, rupee gained its ground against dollar as falling oil prices and FII inflows raised hopes that the country may be able to cut its current account deficit. For the week ending September 8, India's forex reserves decreased from \$166.46 billions to \$165.14 billions.

Outlook:

Short-term: Call market rates and bond yields are expected to increase as tight liquidity is likely to rule the market. With the fiscal deficit for April-July being 58% of the full year target, govt. spending may possibly slowdown, delaying liquidity improvement. Upcoming Fed rate decision and FII inflows would be a critical factor in determining the rupee movement.

Long-term: Due to eased oil prices and high base effect, inflation is expected to be contained below the 5% mark in coming months. RBI has raised repo rate by 50 basis points since June 9, which is known to show impact with a lag of 6 to 12 months. Therefore, a hike in domestic interest rates in the October meet of RBI may be ruled out. However, due to high credit growth and money supply growth in the economy, we expect the central bank to raise interest rates over long-term. Money supply grew at an annual 19.9% in the week to Aug. 18 as against 14.3% in the year-ago period.

Recommended schemes to invest		Historical return as on September 15 (%)			Expense ratio	Crisil ranking for qtr end June 06
		1 month	3 month	1 year		
Floaters	JM Floater ST	0.56	1.65	6.19	0.50	3
	Reliance Floating R	0.60	1.68	6.13	0.55	-
Liquid	HDFC Cash Mgt-Savings	0.57	1.67	6.19	0.38	2
	Birla Cash Plus-Retail	0.54	1.60	6.07	0.34	2

Datasource: Bloomberg

Recommendations:

Long-term investors: Since FMPs offer the indexation benefit, which can result in a higher post-tax return than fixed deposits, FMPs could be considered for investors who can invest for fixed duration. LT Floaters can also be considered if investors want to keep their long term investment liquid.

Short-term investors: Due to short term uncertainty of interest rates, liquid funds can be considered to achieve decent returns (5.50% - 6.20% p.a.)

News Briefs

- ◆ Reliance Mutual Fund maintained its third position with an AUM of Rs 28,753 crore as on August 31, 2006.
- ◆ ING Vysya Mutual Fund has crossed the Rs 5,000-crore mark in terms of assets under management. This has been achieved across an investor base of 1,50,000.
- ◆ Mr Amit Nigam was designated fund manager of ABN AMRO Tax Advantage Plan with effect from Sept 1.
- ◆ Principal International, a Principal Financial Group company has announced the appointment of Rajan Ghotgalkar as Country Head-India, Principal International and Managing Director of Principal Pnb Asset Management Company.

NFO Corner

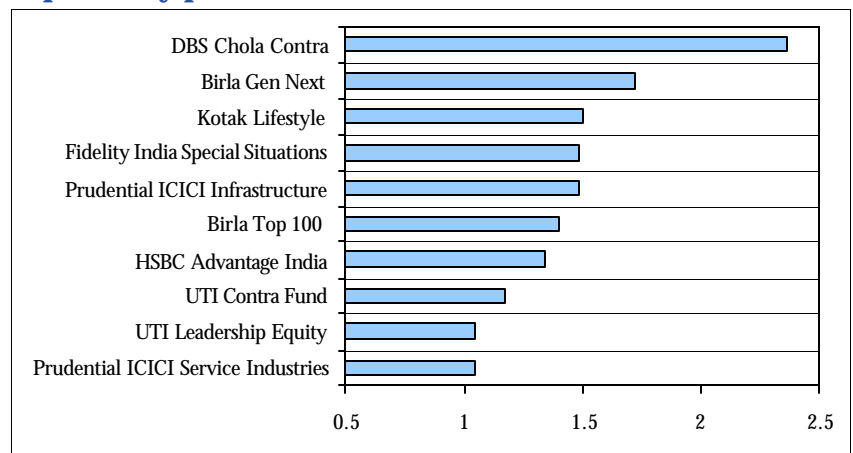
New Fund Offers open for subscription:

- ◆ Optimix has come out with its fourth fund: Optimix Dynamic Multi Manager FoF Scheme. The scheme would be open till September 28, 2006. It will be a close ended scheme for a period of three years from the date of allotment.
- ◆ UTI Mutual Fund has launched UTI Wealth Builder Fund. The new fund offer closes on October 11, 2006. UTI Wealth Builder Fund is a close-ended diversified equity scheme with a maturity period of 5 years.
- ◆ SBI Mutual Fund has launched a new open ended equity scheme, SBI Arbitrage Opportunities Fund. The fund will be initially available for subscription till 13th October 2006.

Forthcoming New Fund Offers:

- ◆ JM MF filed offer document of its JM Entrepreneur Fund. The 3 year close-ended equity scheme will invest in equity, debt and money market instruments. The scheme will automatically convert into an open-ended scheme at the end of its maturity period of three years.
- ◆ DSP Merrill Lynch MF has mooted an equity fund that will invest chiefly in small and midcap stocks. The fund seeks to invest in scrips that are not part of top 100 stocks in terms of market capitalization.
- ◆ Tata MF is launching Tata SIP Equity Fund. It is a 3 year close ended fund that will initially invest in debt instruments and will systematically allocate the assets to equities over the period.
- ◆ Reliance MF is coming up with Reliance Long Term Equity Fund. It is a 3 year close ended scheme that seeks to achieve capital appreciation by investing in the basket of equities and derivatives.
- ◆ Franklin Templeton is coming up with Franklin Templeton Capital Protection Fund. The scheme will have a 3 year and 5 year plan and will seek to protect the capital by investing in high quality fixed income securities as the primary objective and generate capital appreciation by investing in equities as a secondary objective.

Top weekly performers-NFOs*



* Weekly return as on September 15, 06

Datasource: MFI Explorer

Performance analysis of equity NFOs (quarter-wise) as on Sept 15, 2006

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Crores) as on Aug 31	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	UTI Spread Fund	9-Jun-06	10.14	N.A.	1.37	0.2	10,137.10	10,137.10
2	Tata Equity Management	15-May-06	10.63	N.A.	6.34	1.07	10,633.50	10,633.50
3	Stanchart Enterprise Eq.	19-Apr-06	10.58	N.A.	5.81	-0.37	10,580.90	10,580.90
Abs. returns for New Funds released Between Apr 06 to Jun 06						4.51	0.3	31,351.50
1	Fidelity Special Situation	28-Mar-06	10.91	1994.20	7.46	1.56	9.05	1.48
2	Templeton India Equity	22-Mar-06	10.23	1972.62	2	1.49	2.3	0.29
3	Sundaram Rural India	20-Mar-06	10.64	1185.54	5.79	2.26	6.45	0.62
4	ABN AMRO Future	13-Mar-06	8.66	515.07	-12.84	2.69	-13.45	-0.7
5	Pru ICICI Fusior	27-Feb-06	10.19	591.71	3.5	2.27	1.9	-1.55
6	Deutsche Tax Saving	22-Feb-06	9.57	28.78	-4.61	3.31	-4.35	0.27
7	Kotak Lifestyle	22-Feb-06	9.78	563.33	-3.69	1.4	-2.24	1.51
8	UTI Contra	22-Feb-06	9.49	843.34	-6.2	1.3	-5.1	1.17
9	Tata Tax Advantage	20-Feb-06	9.65	111.17	-2.84	3.21	-3.51	0.51
10	JM HI FI	20-Feb-06	9.49	72.09	-5.5	2.38	-5.1	0.42
11	Sahara Infrastructure-FP	15-Feb-06	9.55	31.59	-4.7	2.29	-4.55	0.16
12	Sahara Infrastructure-VP	15-Feb-06	9.57	31.59	-4.47	2.3	-4.3	0.17
13	Chola Contra	14-Feb-06	10.83	97.71	5.8	2.12	8.3	2.36
14	Quantum Long Term	8-Feb-06	11.15	22.26	11.3	3.25	11.5	0.18
15	Principal Infra. &	7-Feb-06	10.01	415.64	0.4	2.87	0.1	-0.3
16	Baroda Global Fund	6-Feb-06	10.55	39.70	4.8	2.04	5.5	0.67
17	Reliance Equity	6-Feb-06	9.79	5471.60	-1.7	2.93	-2.1	-0.41
18	Birla Infrastructure	31-Jan-06	10.34	565.26	2.8	3.01	3.4	0.58
19	Fidelity Tax Advantage	31-Jan-06	10.77	540.06	6.85	1.18	7.74	0.83
20	SC Imperial Equity	30-Jan-06	10.76	346.64	7.13	1.38	7.6	0.43
21	UTI Leadership Equity	30-Jan-06	10.59	1332.99	4.8	2.44	5.9	1.05
22	ING Vysya A.T.M. Fund	27-Jan-06	9.72	89.07	-2.7	3.18	-2.8	-0.1
23	HDFC Long Term Equity	27-Jan-06	10.49	1467.59	5.58	2.55	4.91	-0.63
24	HSBC Advantage India	27-Jan-06	10.97	1490.69	8.26	1.8	9.72	1.34
25	SBI Magnum Bluechip	20-Jan-06	10.7	2536.15	7	2.49	7	0
Abs. returns for New Funds released Between Jan 06 and Mar 06					1.75	0.41	254,385.50	251,014.84
1	Franklin India Smaller	14-Dec-05	10.37	1281.96	3.7	-0.86	10,370.00	10,370.00
2	ING Vysya L.I.O.N.	9-Dec-05	11.34	139.32	13.4	0.71	11,340.00	11,340.00
3	ABN Amro Tax	30-Nov-05	11.48	124.93	14.76	-0.16	11,476.00	11,476.00
4	Pru ICICI Services	18-Nov-05	11.6	354.46	16	1.05	11,600.00	11,344.74
5	CanInfrastructure	9-Nov-05	12.01	94.91	20.1	-0.5	12,010.00	12,010.00
6	Kotak ELSS Scheme	28-Oct-05	11.72	126.93	17.24	0.53	11,724.00	11,466.01
7	Chola Tax Saver	26-Oct-05	11.89	27.38	18.9	0.76	11,890.00	11,628.36
8	Principal Large Cap	19-Oct-05	14.87	300.37	48.7	0.2	14,870.00	14,542.79
9	ING Vysya Dividend	6-Oct-05	10.77	105.02	7.7	1.03	10,770.00	10,770.00
Abs.returns for New Funds released Between Oct 05 and Dec 05					17.83	0.31	106,050.00	104,947.91
1	Birla Top 100	28-Sep-05	14.23	559.79	42.34	1.4	14,234.00	14,234.00
2	Std. Chartered Premier	26-Sep-05	11.19	216.87	11.94	-0.79	11,193.70	10,947.38
3	Tata Contra	26-Sep-05	11.18	355.85	11.82	-0.38	11,182.00	11,182.00
4	SBI Magnum Multi Cap	16-Sep-05	13.79	1368.09	37.9	0	13,790.00	13,790.00
5	Sundaram Capex	5-Sep-05	14.49	251.39	44.89	-0.37	14,489.00	14,489.00
6	ABN AMRO Dividend	30-Aug-05	10.28	67.56	2.83	0.68	10,283.00	10,283.00
7	Reliance Tax Saver	23-Aug-05	12.25	1141.18	22.5	-1.05	12,250.00	11,980.44
8	Prudential ICICI Infra.	10-Aug-05	15.78	1349.96	57.8	1.48	15,780.00	15,432.76
9	SBI Magnum Comma	25-Jul-05	14.28	604.49	42.8	-0.35	14,280.00	14,280.00
10	Sahara Wealth Plus -FP	22-Jul-05	12.77	24.72	27.69	-1.22	12,769.40	12,769.40
11	Sahara Wealth Plus-VP	22-Jul-05	12.84	24.72	28.45	-1.21	12,844.80	12,844.80
12	UTI Opportunities	20-Jul-05	13.68	590.36	36.8	0.29	13,680.00	13,680.00
13	Std. Chartered Classic	14-Jul-05	13.61	531.40	36.11	0.22	13,610.50	13,610.50
14	Birla Gen Next	12-Jul-05	13.61	220.23	36.1	1.72	13,610.00	13,610.00
15	JM Emerging Leaders	4-Jul-05	10.45	19.48	4.5	-0.38	10,450.00	10,450.00
16	Kotak Contra	1-Jul-05	12.94	226.26	29.36	-0.67	12,936.00	12,651.34
Abs.returns for New Funds released between Jul 05 to Sep 05					29.61	-0.04	207,382.40	206,234.63

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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