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Highlights

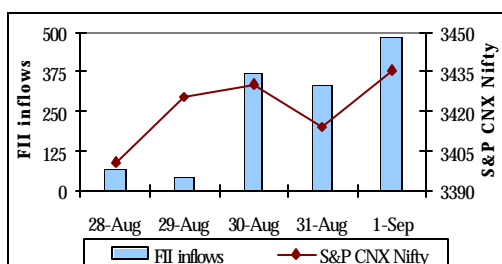
- ◆ Markets continue with their upward trend
- ◆ FII inflows to determine the market direction
- ◆ Yields touch 10-week low level
- ◆ Auction likely to rule bond yields

The week in retrospect-Equities

The week witnessed the markets end in green on the back of firm Asian markets, strong FII inflows and short covering in the derivatives segment. BSE Sensex gained 205.82 points to settle at 11778.02 and Nifty gained 49.5 points to close at 3435.45. Amidst the northwards journey, markets slipped on Thursday as investors unwound their positions in derivatives contract. Further, this was continued on account of reports that Stock Holding Corporation of India asked brokers to replace shares by cash as collateral. However, a smooth rollover of derivatives contracts and news over government's decision against a rise in domestic fuel prices triggered the markets on Friday. Further, movement of crude oil prices in the range of \$70 - \$71 per barrel boosted the markets. On the sectoral front, a rise in state-run banks stocks triggered by a raise in their PLR, took BSE Bankex up by 3.22% during the week. ICICI scrip surged on account of heavy FII buying of the scrip. Steel shares dropped ahead of price cuts announced by most steel firms from Friday.

FIIs emerged as net buyers in the equity market and purchased heavily to the tune of Rs. 1304 crores. Mutual funds also turned out to be net buyers by an amount of Rs. 174.91 crores. They also made significant purchases in the debt market amounting to Rs. 1412.07 crores.

FII Movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

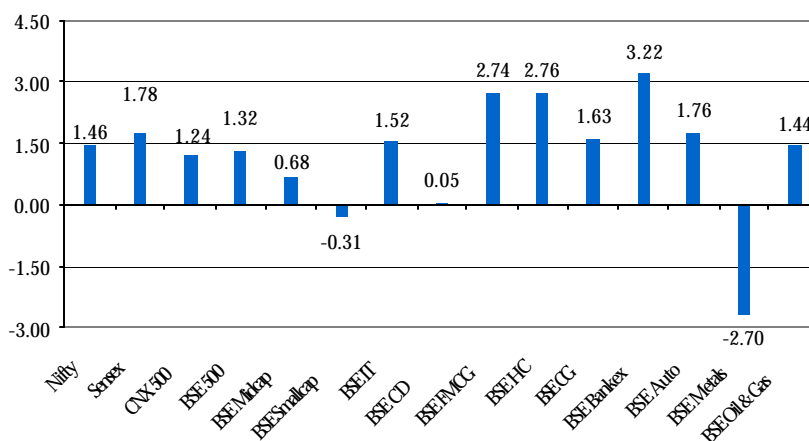
Weekly FII transactions (equities)

	Aug 28 to Sept 1	Aug 21 to Aug 25
Gross purchases	6699	5939.4
Gross sales	5395	5371.9
Net inflows	1304	567.6

Amt in Rs. crores

Data source: SEBI

Weekly Equity Indices Return (absolute %)

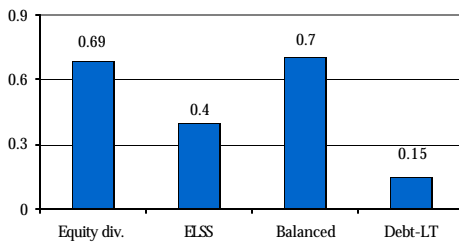


As on Sept 1

Datasource: BSE, NSE

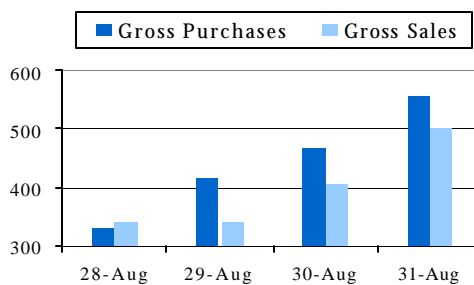
Kirti Singh
Chinmay
Sonika Dheer
 Email: kirti.s@karvy.com
chinmay@karvy.com
sonika.dheer@karvy.com
 ☎: +91 40 23312454
 Ext: 304

Weekly category returns (%)



Abs. returns as on Sept 1 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. 174.91 crores.

Outlook:

Short-term: Markets are likely to continue their northwards trend amidst mild volatility in the coming week. Crude oil prices may see a drop in the near future with the expectations of a long delay before U.N. decision on sanctions against Iran's nuclear program and due to weakened Atlantic storm. The U.S. non-farm payroll data for August recorded a weak US housing data and a slow growth in manufacturing sector, strengthening expectations that Fed rates may not be hiked further. Also, Fed rate decision on Sept. 20 will have an impact on FII inflows.

Long-term: According to DB research, India Inc. is likely to have strong growth (at 6% for 15 years, 2006-2020). 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 political scenario having significant impact on economic development may lead to high volatility.

Recommended schemes to invest	Historical returns as on Sept. 1 (%)			Crisil Ranking for qtr end June 06	
	6 months (abs)	1 year	3 year (ann)		
Aggressive (Equity)	DSP ML Opportunities	6.13	43.38	51.00	2
	Tata Infrastructure	8.37	46.58	N.A.	-
	Reliance Growth	3.76	29.83	61.84	1
	Sundaram Select Midcap	16.23	54.58	67.99	1
Moderate (Equity)	Fidelity Equity Fund	5.87	35.69	N.A.	-
	HDFC Equity	7.17	48.92	50.54	2
	Reliance Equity	N.A.	N.A.	N.A.	-
	SBI Magnum Contra	9.01	42.86	73.27	1
Conservative (Equity)	DSP ML Top 100	8.84	49.55	46.76	3
	Sundaram India Leader.	0.07	34.88	N.A.	2
	Franklin India Bluechip	7.18	44.06	46.42	4
	Templeton India Eq. Inc.	N.A.	N.A.	N.A.	-
ELSS	Franklin India Taxshield	-0.80	29.44	45.81	3
	HDFC Tax saver	5.70	31.74	61.75	2
	SBI Magnum Tax Gain	5.80	28.63	80.02	1
Balanced	DSP ML Balanced	5.54	32.75	33.75	3
	HDFC Prudence	8.72	32.12	39.53	1
	Kotak Balance	1.01	29.77	38.06	2

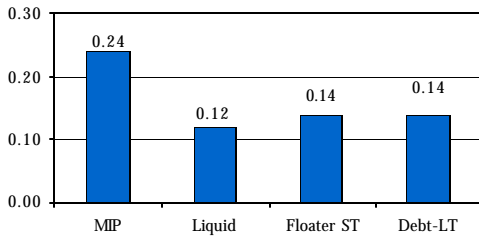
Datasource: MFI Explorer

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 recent surge of the markets may be followed by mild correction in the near future. Hence, volatility may be on the cards in the short-term. However, the long term bullish nature of the Indian markets is still in tact and hence investments in mutual funds with a medium to long term horizon of over 18 months – 36 months. Investments should be made in funds that pick fundamentally strong stocks. Investing in diversified funds, contra funds and internationally diversified funds could be considered to maximize the risk adjusted returns.

Weekly category returns (%)

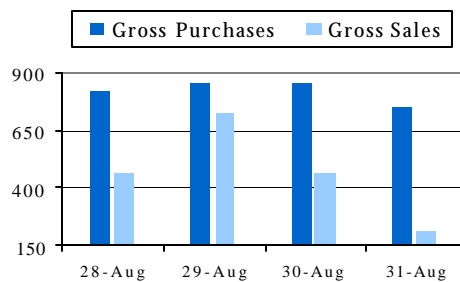


Abs. returns as on Sept 1 Data source: Bloomberg

Key statistics

	Sept 1	Aug 25
7.59% GOI 2016 yield	7.88%	7.98%
Call rate	6.1%	6.1%
WPI inflation (week ending August 19 and August 12)	4.91%	4.92%
Dollar exchange rate	46.52	46.55
Forex reserves (\$ bn)	165.33 (Aug 25)	165.37 (Aug 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. 1412.07 crores.

The week in retrospect-Debt

The yield on the 10-year g-sec touched a 10-week low level of 7.88% on Friday evening. Indian bonds rose as US treasuries gained during the last week, hiking the expectation that favourable global cues may slower the pace of rate increases in the domestic market. Also, Finance Minister's announcement that the bonds issued to oil companies will not be given the statutory liquidity ratio status (SLR) helped the price gains. An auction of Rs. 90 billion is scheduled for the period September 4 - September 12, 2006. Call rates remained in the 6% to 6.10% range on account of easy liquidity.

WPI inflation decreased marginal by 1 basis point from 4.92% to 4.91% for the week ending August 19. Heavy portfolio inflows in equity markets helped Indian rupee gain against the dollar. India's forex reserves declined from \$165.37 billions to \$165.33 billions as on Aug 25. On Friday, the central bank announced the road map to achieve full capital account convertibility in five years.

Outlook:

Short-term: In the coming week, the outcome of Rs. 90 billion auction will be the key driver of the direction of yields. Also, trend exhibited by US treasuries and liquidity concerns will have an impact on bond prices.

Long-term: Though inflation seems to be contained below the psychological 5% mark, high oil prices remains a concern. RBI annual report indicates a high credit growth (32.2%) and money supply growth (19.9%) during the first five months of the current year. In the immediate future, the bank may not increase rate as the impact of 50 basis points hike in repo rate since June 9 will show result with a lag of 6 months to 12 months. This is line with the central bank efforts to keep conditions which are conducive for the economic growth. Inflationary trends, credit growth and global interest rates are the key factors likely to determine the central banks decision on interest rates.

Recommended schemes to invest		Historical return as on September 1(%)			Expense ratio	Crisil ranking for qtr end June 06
		1 month	3 month	1 year		
Floaters	JM Floater ST	0.57	1.64	6.15	0.50	3
	Reliance Floating R	0.58	1.64	6.07	0.55	-
Liquid	HDFC Cash Mgt-Savings	0.56	1.65	6.13	0.38	2
	Birla Cash Plus-Retail	0.54	1.59	6.02	0.34	2

Datasource: Bloomberg

Recommendations:

Long-term investors: FMP are the most suitable avenue for investors who want to invest for longer duration. High yield levels and indexation benefit can result in a return which could be much higher than post-tax return on bank fixed deposits.

Short-term investors: Investing in floaters and liquid funds could yield returns between 5.50% to 6.20% p.a.

News Briefs

- ◆ After a gap of 12 years, Morgan Stanley Mutual Fund is planning to reopen its Indian chapter. The firm is among the final bidders for Standard Chartered's mutual fund business. Singapore-based Narayan Ramachandran would be relocating to India to head Morgan Stanley Investment Management.
- ◆ Vinay Kulkarni has joined Tata Mutual as a Senior Fund Manager. He will be managing the schemes: Tata Equity Opportunities, Tata Contra, Tata Mid Cap, Tata Monthly Income Fund and Tata MIP Plus, which were earlier being managed by Mr. M. Venugopal. Prior to this assignment, Mr. Kulkarni has been a fund manager at Deutsche MF.
- ◆ CBI has named Mr. Niamatullah, the former managing director of SBIMF and 32 others in the charge-sheet filed before the sessions court in the case related to the purchase of Padmini Technologies shares by the mutual fund during the stock market scam of 2001.

NFO Corner

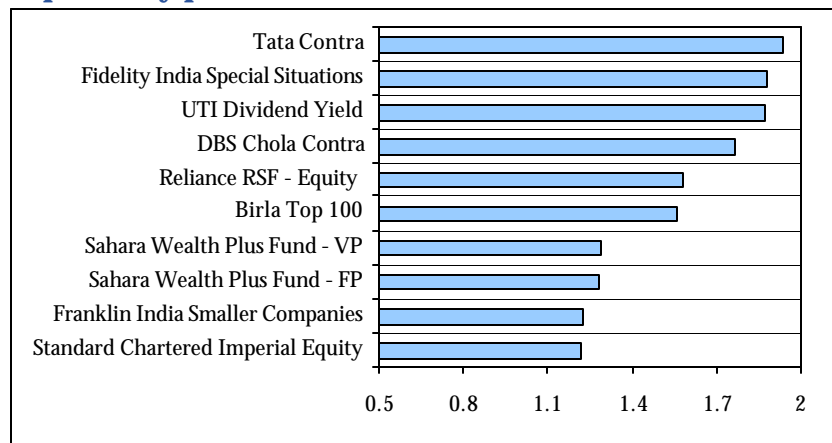
New Fund Offers open for subscription:

- ◆ Birla MF has launched Birla Long Term Advantage Fund on August 7, 2006. It will be available for subscription till September 8, 2006. The equity fund is a 5-year close-ended scheme.

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 will aim 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 close ended 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 equity and equity related instruments as a secondary objective.

Top weekly performers-NFOs*



* Weekly return as on September 1, 06

Datasource: MFI Explorer

Note: Funds launched since Jan 05 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on Sept 3, 2006

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Crores) as on Julv 31	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Fidelity Special Situation	28-Mar-06	10.58	1854.48	5.81	1.88	10581.00	10348.17
2	Templeton India Equity	22-Mar-06	10.05	1893.40	0.50	0.20	10050.00	9828.85
3	Sundaram Rural India	20-Mar-06	10.34	1147.69	3.45	0.74	10344.50	10116.87
4	ABN AMRO Future	13-Mar-06	8.49	470.66	-15.12	0.34	8488.00	8488.00
5	Pru ICICI Fusior	27-Feb -06	10.12	523.69	1.20	-0.49	10120.00	10120.00
6	Deutsche Tax Saving	22-Feb -06	9.23	26.95	-7.66	-0.41	9234.10	9030.90
7	Kotak Lifestyle	22-Feb -06	9.50	520.53	-5.02	1.14	9498.00	9498.00
8	UTI Contra	22-Feb -06	9.26	864.50	-7.40	1.09	9260.00	9260.00
9	Tata Tax Advantage	20-Feb -06	9.41	116.46	-5.86	0.70	9413.60	9229.02
10	JM HI FI	20-Feb -06	9.23	67.28	-7.70	-0.86	9230.00	9026.89
11	Sahara Infrastructure-FP	15-Feb -06	9.32	29.27	-6.83	0.60	9316.80	9316.80
12	Sahara Infrastructure-V P	15-Feb -06	9.34	29.27	-6.61	0.61	9338.70	9338.70
13	Chola Contra	14-Feb -06	10.36	103.83	3.60	1.77	10360.00	10132.03
14	Quantum Long Term	8-Feb-06	10.78	N.A.	7.80	1.22	10780.00	10780.00
15	Principal Infra. &	7-Feb-06	9.76	390.31	-2.40	0.21	9760.00	9545.23
16	Baroda Global Fund	6-Feb-06	10.27	N.A.	2.70	0.79	10270.00	10044.01
17	Reliance Equity	6-Feb-06	9.65	5283.61	-3.50	0.94	9650.00	9437.65
18	Birla Infrastructure	31-Jan-06	9.98	519.44	-0.20	0.91	9980.00	9760.39
19	Fidelity Tax Advantage	31-Jan-06	10.56	487.57	5.60	0.83	10560.00	10327.63
20	SC Imperial Equity	30-Jan-06	10.57	340.51	5.68	1.22	10567.70	10335.16
21	UTI Leadership Equity	30-Jan-06	10.23	1423.24	2.30	0.79	10230.00	10230.00
22	ING Vysya A.T.M. Fund	27-Jan-06	9.43	81.63	-5.70	0.43	9430.00	9222.49
23	HDF C Long Term Equity	27-Jan-06	10.30	1336.05	2.95	1.20	10295.00	10295.00
24	HSBC Advantage India	27-Jan-06	10.63	1435.46	6.35	0.86	10634.60	10400.59
25	SBI Magnum Bluechip	20-Jan-06	10.44	2485.45	4.40	1.06	10440.00	10440.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					-0.87	0.71	247,832.00	244,552.39
1	Franklin India Smaller	14-Dec -05	9.90	1156.38	-1.00	1.23	9900.00	9900.00
2	ING Vysya L.I.O.N.	9-Dec-05	11.02	140.11	10.20	1.19	11020.00	11020.00
3	ABN Amro Tax	30-Nov -05	11.26	113.70	12.63	0.20	11263.00	11263.00
4	Pru ICICI Services	18-Nov -05	11.23	338.91	12.30	0.18	11230.00	10982.89
5	CanInfrastructure	9-Nov -05	11.69	87.70	16.90	0.26	11690.00	11690.00
6	Kotak ELSS Scheme	28-Oct -05	11.31	115.11	13.12	0.15	11312.00	11063.08
7	Chola Tax Saver	26-Oct -05	11.46	24.71	14.60	0.44	11460.00	11207.82
8	Principal Large Cap	19-Oct -05	14.58	299.00	45.80	1.04	14580.00	14259.17
9	ING Vysya Dividend	6-Oct-05	10.46	102.42	4.60	0.67	10460.00	10460.00
Abs.returns for New Funds released Between Oct 05 and Dec 05					14.35	0.60	102915.00	101845.96
1	Birla Top 100	28-Sep-05	13.83	472.85	499.24	38.32	1.54	13832.30
2	Std. Chartered Premier	26-Sep-05	10.75	203.76	255.93	7.49	0.17	10748.70
3	Tata Contra	26-Sep-05	10.92	343.16	396.47	9.24	1.94	10923.80
4	SBI Magnum Multi Cap	16-Sep-05	13.42	1305.67	1537.40	34.20	0.45	13420.00
5	Sundaram Capex	5-Sep-05	14.14	228.09	267.08	41.40	0.64	14139.50
6	ABN AMRO Dividend	30-Aug-05	9.98	66.51	84.52	-0.17	0.99	9983.00
7	Reliance Tax Saver	23-Aug-05	11.89	1036.32	1114.82	18.90	-0.34	11890.00
8	Prudential ICICI Infra.	10-Aug-05	14.93	1230.24	1397.91	49.30	0.40	14930.00
9	SBI Magnum Comma	25-Jul-05	13.78	591.42	714.44	37.80	0.73	13780.00
10	Sahara Wealth Plus -FP	22-Jul-05	12.74	23.61	25.23	27.45	1.28	12744.70
11	Sahara Wealth Plus-VP	22-Jul-05	12.82	23.61	25.23	28.17	1.29	12817.40
12	UTI Opportunities	20-Jul-05	13.32	548.78	0.00	33.20	0.76	13320.00
13	Std. Chartered Classic	14-Jul-05	13.26	579.47	667.80	32.63	0.99	13262.70
14	Birla Gen Next	12-Jul-05	13.00	241.84	304.07	30.00	0.93	13000.00
15	JM Emerging Leaders	4-Jul-05	10.46	22.72	28.81	4.60	0.38	10460.00
16	Kotak Contra	1-Jul-05	12.62	239.87	323.27	26.24	0.53	12624.00
Abs.returns for New Funds released between Jul 05 to Sep 05					26.17	0.79	201,876.10	200,771.62

Notes:

- ◆ To view the daily NFO Tracker, please visit www.karvyresearch.com/mftracker_cerc/mftrackerindex.htm
- ◆ *Current value shows the latest market value of an investment of Rs.10,000 in each NFO.

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