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Highlights

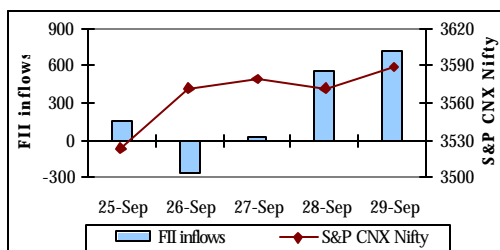
- ◆ **Markets surged ahead**
- ◆ **Q2 earnings to determine market direction**
- ◆ **Bond yields go up**
- ◆ **ECB meet next week - a watching factor**

The week in retrospect-Equities

The markets enthusiastically ended the week on a positive note on the back of expectations of strong quarterly corporate earnings of India Inc, drop in crude oil prices and firm global markets. A further boost was given by the short-covering in derivatives ahead of expiry of the September 2006 derivatives contract. On Tuesday, markets witnessed a huge gain after the release of a strong U.S. consumer confidence data easing concerns over slowing economic growth. Crude oil prices dropped to \$ 60.48 per barrel on Wednesday after the release of U.S. energy data showing a rise in crude oil inventories. However, the prices edged higher to end the week at \$62.76 per barrel over concerns that OPEC might cut production if crude oil prices fall too low. BSE Sensex settled at 12454.42 after gaining 1.78% during the week. Nifty gained 1.25% to close at 3588.40. On the sectoral front, the rally in banking stocks took BSE Bankex up by 6.33%. Strong quarterly results are expected from banks as rising bond prices is likely to eliminate the need of provision for depreciation in their bond portfolio. Infosys surged high after the news of its announcement of quarterly results on October 11 and payment of interim dividend on October 20.

FII emerged as net buyers in the equity market to the tune of Rs. 1193.1 crores. Mutual funds followed suit and turned out to be net buyers, making significant purchases amounting to Rs. 885.71 crores. They were also net buyers in the debt market amounting to Rs. 1189.27 crores.

FII Movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

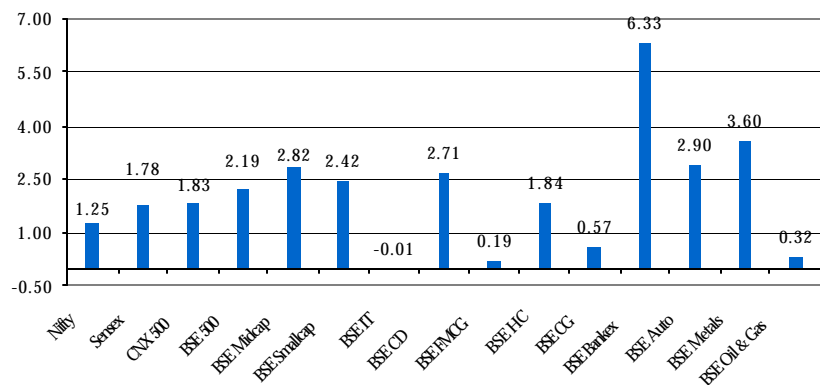
Weekly FII transactions (equities)

| | Sept 25 to Sept 29 | Sept 18 to Sept 22 |
|-----------------|--------------------|--------------------|
| Gross purchases | 8522.7 | 7766 |
| Gross sales | 7329.6 | 6010.3 |
| Net inflows | 1193.1 | 1755.7 |

Amt in Rs. crores

Data source: SEBI

Weekly Equity Indices Return (absolute %)



As on Sept 29

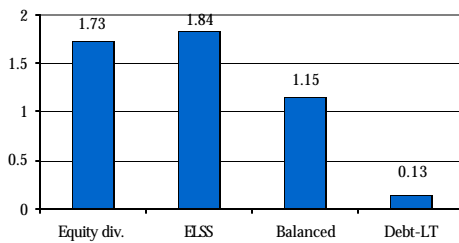
Datasource: BSE, NSE

Kirti Singh
Chinmay
Sonika Dheer
 Email: kirti.s@karvy.com
chinmay@karvy.com
sonika.dheer@karvy.com

☎: +91 40 23312454

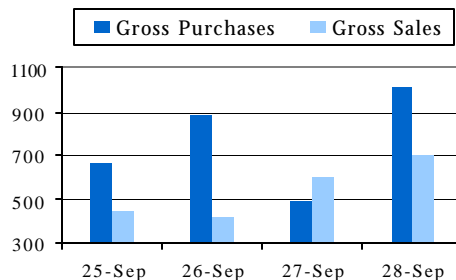
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Weekly category returns (%)



Abs. returns as on Sept 29 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds emerged as net buyers to the tune of Rs. 885.71 crores.

Outlook:

Short-term: Markets may remain rangebound in the coming week. Ahead of the expected strong corporate earnings reports and high sales, the markets may continue with their uptrend. Triggered by high credit growth and money supply, a rate hike is expected in the ECB meet scheduled on Oct. 5. FII inflows are therefore likely to determine the market direction in the immediate future. With crude oil prices increasing slightly after their sharp drop, it remains a watching factor.

Long-term: The economy has grown by 8.9% for the April-July quarter of 2006-07, the highest rate of first quarter growth since 2000-01. Added to this, low inflation rate makes the macro picture look even better. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to keep this growth going. Further, according to the 2006 Global Competitiveness Report of the World Economic Forum, India has moved up to the 43rd position from 45th last year in the Global Competitive Index reflecting the efficiency gains made by India in labour and financial markets. This is well ahead of China at 54, Brazil at 66, and Russia at 62, among 125 countries. Adverse external events (political or others) may cause high volatility in the market.

| Recommended schemes to invest | Historical returns as on Sept. 29 (%) | | | Crisil Ranking for qtr end June 06 | |
|-------------------------------|---------------------------------------|--------|--------------|------------------------------------|---|
| | 6 months (abs) | 1 year | 3 year (ann) | | |
| Aggressive (Equity) | DSP ML Opportunities | 3.65 | 39.66 | 51.89 | 2 |
| | Tata Infrastructure | 4.36 | 47.92 | N.A. | - |
| | Reliance Growth | 4.36 | 34.16 | 64.07 | 1 |
| | Sundaram Select Midcap | 11.44 | 59.74 | 68.15 | 1 |
| Moderate (Equity) | Fidelity Equity Fund | 4.77 | 36.32 | N.A. | - |
| | HDFC Equity | 5.87 | 43.62 | 51.61 | 2 |
| | Reliance Equity | N.A. | N.A. | N.A. | - |
| | SBI Magnum Contra | 5.72 | 44.09 | 74.38 | 1 |
| Conservative (Equity) | DSP ML Top 100 | 6.94 | 44.63 | 48.30 | 3 |
| | Sundaram India Leader. | -2.53 | 35.59 | N.A. | 2 |
| | Franklin India Bluechip | 6.65 | 40.83 | 47.83 | 4 |
| | Templeton India Eq. Inc. | N.A. | N.A. | N.A. | - |
| ELSS | Franklin India Taxshield | 0.13 | 31.47 | 47.47 | 3 |
| | HDFC Tax saver | 3.50 | 32.62 | 62.91 | 2 |
| | SBI Magnum Tax Gain | 3.80 | 33.07 | 79.92 | 1 |
| | DSP ML Balanced | 4.33 | 31.05 | 34.93 | 3 |
| Balanced | HDFC Prudence | 8.32 | 31.81 | 40.47 | 1 |
| | Kotak Balance | -0.01 | 30.00 | 39.32 | 2 |

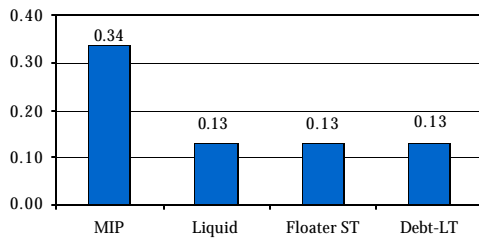
Datasource: MFI Explorer

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

Recommendations:

Despite an increase in the market's PE level, the long-term optimism on Indian economy and markets remain intact. However, in the short-term, markets may exhibit volatile trends. Therefore, stock selection and investment period are critical factors for achieving appreciation on investment. Hence, investors need to pick funds that invest in fundamentally strong stocks. Investments could be made in diversified funds, internationally diversified funds, derivatives funds and contra funds to optimise the risk adjusted returns.

Weekly category returns (%)

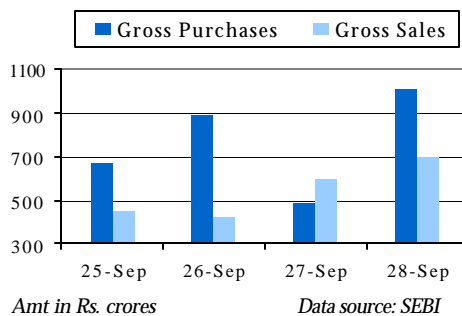


Abs. returns as on Sept 29 Data source: Bloomberg

Key statistics

| | Sept 29 | Sept 22 |
|--|------------------|------------------|
| 7.59% GOI 2016 yield | 7.64% | 7.62% |
| Call rate | 7.60% | 6.60% |
| WPI inflation (week ending Sept 16 and Sept 8) | 4.56% | 4.61% |
| Dollar exchange rate | 45.93 | 45.90 |
| Forex reserves (\$ bn) | 166.48 (Sept 22) | 165.54 (Sept 15) |

Weekly MF transactions (debt)



In debt market, mutual funds emerged as net buyers, amounting to Rs. 1189.27 crores.

The week in retrospect-Debt

The markets exhibited volatile trend during the week. Initial part of the week witnessed bond yields going down on account of drop in oil prices and the news that the government would meet its budgeted borrowing plan. However, during the later days, yields exhibited an uptrend, triggered by rise in oil prices, stronger-than-expected U.S. home sales data and high U.S. treasury yields. Bond yields further edged up on Friday after the central bank's comments on inflation raised concerns over domestic interest rate hike. The 10-year g-sec yields increased from 7.62% to 7.64%. Money market was gripped by tight liquidity as call rates jumped to 7.6% from 6.6% on the back of huge fund demands by banks to meet their cash needs ahead of financial half-year close on Sept. 30.

Inflation dipped to 4.56% for the week ended September 16 from 4.61% in the previous week. This was mainly due to the fall in the prices of some food items and industrial fuels. On the forex front, rupee depreciated slightly against dollar due to strong U.S. consumer confidence data. For the week ending Sept. 22, India's forex reserves reached a record high of \$166.48 billions from \$165.54 billions, the previous week.

Outlook:

Short-term: Markets are expected to exhibit volatility ahead of ECB meet on October 5. Expectation of ECB rate hike may cause the bond yields go up. Although crude oil prices are well below their record high of \$78-81 per barrel, its volatile trend still remains a concern since oil is India's biggest import. With inflation contained well below the 5% mark, it is expected that domestic interest rates may not increase in the coming RBI meet in October. Though call rates may come down from their extraordinary 7-plus level, but are expected to remain at high levels due to liquidity crunch.

Long-term: Though inflation seems under control, it may increase on account of increasing demand of food grains. Another important factor is non pass-through of oil price increase in domestic rates. Apart from this, strong credit and money supply growth may force the central bank to hike rates in the next calendar year.

| Recommended schemes to invest | Historical return as on September 29 (%) | | | Expense ratio | Crisil ranking for qtr end June 06 | |
|-------------------------------|--|---------|--------|---------------|------------------------------------|---|
| | 1 month | 3 month | 1 year | | | |
| Floaters | JM Floater ST | 0.56 | 1.67 | 6.24 | 0.50 | 3 |
| | Reliance Floating R | 0.59 | 1.70 | 6.19 | 0.55 | - |
| Liquid | HDFC Cash Mgt - Savings | 0.58 | 1.69 | 6.25 | 0.38 | 2 |
| | Birla Cash Plus-Retail | 0.55 | 1.62 | 6.13 | 0.34 | 2 |

Data source: Bloomberg

Recommendations:

Short-term investors: Due to prevailing high level of call rates and short term uncertainty of interest rates, liquid funds are the apt choice for short-term.

Long-term investors: Floaters are an apt choice for an investor want to keep their long term investment liquid. As FMPs can result in a higher post-tax return than fixed deposits, FMPs could be considered for investors who can invest for fixed duration

News Briefs

- ◆ Crisil has assigned the first-ever rating AAA (so) to a mutual fund (ING Vysya Dynamic Asset Allocation Fund) based on a dynamic asset allocation (DAA) structure. The rating indicates the highest degree of certainty regarding timely payment of the face value of the units to unit-holders on maturity.
- ◆ ABN AMRO Asset Management has unveiled its discretionary portfolio management service (DPMS), aiming to tap customers with investment potential of more than Rs 50 lakh. Sameer Narayan has been appointed as senior portfolio manager for ABN AMRO Portfolio Managers.
- ◆ Lotus India Asset Management Company Private Limited (Lotus India AMC), a joint venture between Fullerton Fund Management Group and Sabre Capital Worldwide has appointed Rajiv Shastri as Head Alternate Businesses.

NFO Corner

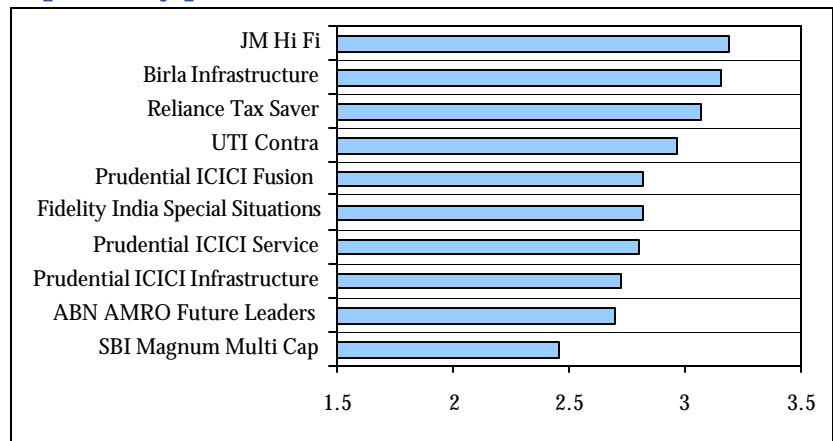
New Fund Offers open for subscription:

- ◆ UTI Mutual Fund has launched UTI Wealth Builder Fund. The fund will be available for subscription till 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 available for subscription till October 13, 2006.
- ◆ DSP ML has launched DSP ML Small and Mid Cap Fund. The new fund will be open for subscription till October 16, 2006.
- ◆ ING Vysya has launched a 3 year close-ended asset allocation fund, namely ING Vysya Dynamic Asset Allocation Fund. The new fund will be open for subscription till October 19, 2006.

Forthcoming New Fund Offers:

- ◆ JM MF has filed offer document of its JM Entrepreneur Fund. The 3 year close-ended equity scheme will invest in equity, debt and money market instruments.
- ◆ 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 a 3-year close-ended scheme, Reliance Long Term Equity Fund, which will invest in equities and derivatives.
- ◆ FT MF is coming up with Franklin Templeton Capital Protection Fund which will have a 3 year and 5 year plan.
- ◆ DSP Merrill Lynch MF is coming up with an open-ended fund of funds that will invest chiefly in units of Merrill Lynch International Investment Funds, World Gold Fund. The FoF, DSP ML World Gold Fund, benchmarked against FTSE Gold Mines Index will invest at least 80% of its assets in overseas mutual funds and remaining in money market securities or money market/liquid funds managed by DSP ML.

Top weekly performers-NFOs*



* Weekly return as on September 28, 06

Datasource: MFI Explorer

Note: Funds launched since Jan 05 have been considered.

Performance analysis of equity NFOs (quarter-wise) as on Sept 29, 2006

| S.No. | Scheme | Issue Date | Current Nav (Rs.) | Corpus Size (Rs. Crores) as on Aug 31 '06 | Absolute Return(%) | | Current Value(Rs.) | |
|--|--------------------------|------------|-------------------|---|--------------------|-------------|--------------------|-------------------|
| | | | | | Since Launch | Weekly | Before Load | After Load |
| 1 | UTI Spread Fund | 9-Jun-06 | 10.17 | N.A. | 1.68 | 0.19 | 10,167.50 | 10,167.50 |
| 2 | Tata Equity | 15-May-06 | 10.74 | N.A. | 7.37 | 0.62 | 10,737.10 | 10,737.10 |
| 3 | Stanchart Enterprise Eq. | 19-Apr-06 | 10.77 | N.A. | 7.73 | 1.23 | 10,772.80 | 10,772.80 |
| Abs. returns for New Funds released Between Apr 06 to Jun 06 | | | | | 5.59 | 0.68 | 31,677.40 | 31,677.40 |
| 1 | Fidelity Special | 28-Mar-06 | 11.35 | 1994.20 | 13.47 | 2.82 | 11347.00 | 11097.31 |
| 2 | Templeton India Equity | 22-Mar-06 | 10.56 | 1972.62 | 5.60 | 1.44 | 10560.00 | 10327.63 |
| 3 | Sundaram Rural India | 20-Mar-06 | 10.91 | 1185.54 | 9.14 | 1.76 | 10913.60 | 10673.45 |
| 4 | ABN AMRO Future | 13-Mar-06 | 8.96 | 515.07 | -10.44 | 2.69 | 8956.00 | 8956.00 |
| 5 | Pru ICICI Fusior | 27-Feb-06 | 10.58 | 591.71 | 5.80 | 2.82 | 10580.00 | 10580.00 |
| 6 | Deutsche Tax Saving | 22-Feb-06 | 9.82 | 28.78 | -1.81 | 1.76 | 9819.10 | 9603.03 |
| 7 | Kotak Lifestyle | 22-Feb-06 | 9.97 | 563.33 | -0.31 | 1.29 | 9969.00 | 9969.00 |
| 8 | UTI Contra | 22-Feb-06 | 9.72 | 843.34 | -2.80 | 2.97 | 9720.00 | 9720.00 |
| 9 | Tata Tax Advantage | 20-Feb-06 | 9.84 | 111.17 | -1.60 | 0.80 | 9839.70 | 9646.76 |
| 10 | JM HI FI | 20-Feb-06 | 10.02 | 72.09 | 0.20 | 3.19 | 10020.00 | 9799.51 |
| 11 | Sahara Infrastructure- | 15-Feb-06 | 9.78 | 31.59 | -2.21 | 1.08 | 9779.10 | 9779.10 |
| 12 | Sahara Infrastructure- | 15-Feb-06 | 9.81 | 31.59 | -1.94 | 1.09 | 9806.10 | 9806.10 |
| 13 | Chola Contra | 14-Feb-06 | 11.04 | 97.71 | 10.40 | 2.03 | 11040.00 | 10797.07 |
| 14 | Quantum Long Term | 8-Feb-06 | 11.37 | 22.26 | 13.70 | 1.88 | 11370.00 | 11370.00 |
| 15 | Principal Infra. & | 7-Feb-06 | 10.39 | 415.64 | 3.90 | 2.06 | 10390.00 | 10161.37 |
| 16 | Baroda Global Fund | 6-Feb-06 | 10.75 | 39.70 | 7.50 | 1.42 | 10750.00 | 10513.45 |
| 17 | Reliance Equity | 6-Feb-06 | 10.06 | 5471.60 | 0.60 | 1.51 | 10060.00 | 9838.63 |
| 18 | Birla Infrastructure | 31-Jan-06 | 10.77 | 565.26 | 7.70 | 3.16 | 10770.00 | 10533.01 |
| 19 | Fidelity Tax Advantage | 31-Jan-06 | 11.12 | 540.06 | 11.22 | 1.78 | 11122.00 | 10877.26 |
| 20 | SC Imperial Equity | 30-Jan-06 | 11.02 | 346.64 | 10.24 | 1.48 | 11023.50 | 10780.93 |
| 21 | UTI Leadership Equity | 30-Jan-06 | 10.90 | 1332.99 | 9.00 | 1.58 | 10900.00 | 10900.00 |
| 22 | ING Vysya A.T.M. Fund | 27-Jan-06 | 9.93 | 89.07 | -0.70 | 2.16 | 9930.00 | 9711.49 |
| 23 | HDFC Long Term | 27-Jan-06 | 10.63 | 1467.59 | 6.30 | 1.28 | 10630.00 | 10630.00 |
| 24 | HSBC Advantage India | 27-Jan-06 | 11.24 | 1490.69 | 12.38 | 2.04 | 11237.50 | 10990.22 |
| 25 | SBI Magnum Bluechip | 20-Jan-06 | 11.00 | 2536.15 | 10.00 | 2.04 | 11000.00 | 11000.00 |
| Abs. returns for New Funds released Between Jan 06 and Mar 06 | | | | | 4.61 | 1.93 | 261,532.60 | 258,061.32 |
| 1 | Franklin India Smaller | 14-Dec-05 | 10.42 | 1281.96 | 4.20 | 0.97 | 10420.00 | 10420.00 |
| 2 | ING Vysya L.I.O.N. | 9-Dec-05 | 11.59 | 139.32 | 15.90 | 1.49 | 11590.00 | 11590.00 |
| 3 | ABN Amro Tax | 30-Nov-05 | 11.84 | 124.93 | 18.38 | 2.02 | 11838.00 | 11838.00 |
| 4 | Pru ICICI Services | 18-Nov-05 | 12.09 | 354.46 | 20.90 | 2.81 | 12090.00 | 11823.96 |
| 5 | CanInfrastructure | 9-Nov-05 | 12.38 | 94.91 | 23.80 | 2.23 | 12380.00 | 12380.00 |
| 6 | Kotak ELSS Scheme | 28-Oct-05 | 11.93 | 126.93 | 19.33 | 2.22 | 11933.00 | 11670.42 |
| 7 | Chola Tax Saver | 26-Oct-05 | 12.25 | 27.38 | 22.50 | 1.32 | 12250.00 | 11980.44 |
| 8 | Principal Large Cap | 19-Oct-05 | 15.34 | 300.37 | 53.40 | 1.66 | 15340.00 | 15002.44 |
| 9 | ING Vysya Dividend | 6-Oct-05 | 10.93 | 105.02 | 9.30 | 1.96 | 10930.00 | 10930.00 |
| Abs.returns for New Funds released Between Oct 05 and Dec 05 | | | | | 20.86 | 1.85 | 108,771.00 | 107,635.26 |
| 1 | Birla Top 100 | 28-Sep-05 | 14.53 | 559.79 | 45.33 | 1.21 | 14532.90 | 14532.90 |
| 2 | Std. Chartered Premier | 26-Sep-05 | 11.33 | 216.87 | 13.33 | 1.72 | 11332.90 | 11083.52 |
| 3 | Tata Contra | 26-Sep-05 | 11.46 | 355.85 | 14.56 | 2.14 | 11455.60 | 11455.60 |
| 4 | SBI Magnum Multi Cap | 16-Sep-05 | 14.18 | 1368.09 | 41.80 | 2.46 | 14180.00 | 14180.00 |
| 5 | Sundaram Capex | 5-Sep-05 | 14.91 | 251.39 | 49.09 | 2.19 | 14908.50 | 14908.50 |
| 6 | ABN AMRO Dividend | 30-Aug-05 | 10.46 | 67.56 | 4.58 | 1.74 | 10458.00 | 10458.00 |
| 7 | Reliance Tax Saver | 23-Aug-05 | 12.74 | 1141.18 | 27.40 | 3.07 | 12740.00 | 12459.66 |
| 8 | Prudential ICICI Infra. | 10-Aug-05 | 16.19 | 1349.96 | 61.90 | 2.73 | 16190.00 | 15833.74 |
| 9 | SBI Magnum Comma | 25-Jul-05 | 14.48 | 604.49 | 44.80 | 1.19 | 14480.00 | 14480.00 |
| 10 | Sahara Wealth Plus -FP | 22-Jul-05 | 13.07 | 24.72 | 30.69 | 1.13 | 13068.60 | 13068.60 |
| 11 | Sahara Wealth Plus -VP | 22-Jul-05 | 13.15 | 24.72 | 31.48 | 1.14 | 13148.40 | 13148.40 |
| 12 | UTI Opportunities | 20-Jul-05 | 14.06 | 590.36 | 40.60 | 2.03 | 14060.00 | 14060.00 |
| 13 | Std. Chartered Classic | 14-Jul-05 | 13.90 | 531.40 | 39.04 | 1.02 | 13903.80 | 13903.80 |
| 14 | Birla Gen Next | 12-Jul-05 | 13.92 | 220.23 | 39.20 | 1.61 | 13920.00 | 13920.00 |
| 15 | JM Emerging Leaders | 4-Jul-05 | 10.46 | 19.48 | 4.60 | 0.58 | 10460.00 | 10460.00 |
| 16 | Kotak Contra | 1-Jul-05 | 13.22 | 226.26 | 32.19 | 2.20 | 13219.00 | 12928.12 |
| Abs.returns for New Funds released between Jul 05 to Sep 05 | | | | | 32.54 | 1.76 | 212,057.70 | 210,880.84 |

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 18 00 42582 83 or contact your nearest Karvy branch.

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