

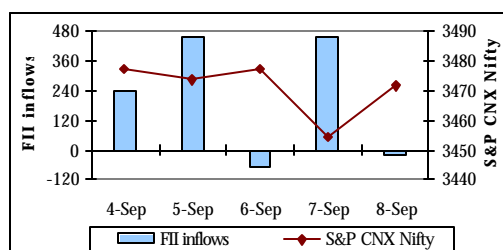
### CONTENTS

◆ Weekly performance-equities	:1
◆ Outlook and r ecommendations	:2
◆ Weekly performance-debt	:3
◆ Outlook and r ecommendations	:3
◆ News briefs	:4
◆ NFO corner	:4
◆ NFO performance analysis	:5

### Highlights

- ◆ **Markets continued their upward trend**
- ◆ **FII inflows to determine the market direction**
- ◆ **Yields touch 3-month low level**
- ◆ **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 4 to Sept 8	Aug 28 to Sept 1
Gross purchases	6200.4	6699
Gross sales	5147.3	5395
Net inflows	1053.1	1304

Amt in Rs. crores

Data source: SEBI

**Kirti Singh**  
**Chinmay**  
**Sonika Dheer**  
 Email: [kirti.s@karvy.com](mailto:kirti.s@karvy.com)  
[chinmay@karvy.com](mailto:chinmay@karvy.com)  
[sonika.dheer@karvy.com](mailto:sonika.dheer@karvy.com)

☎: +91 40 23312454

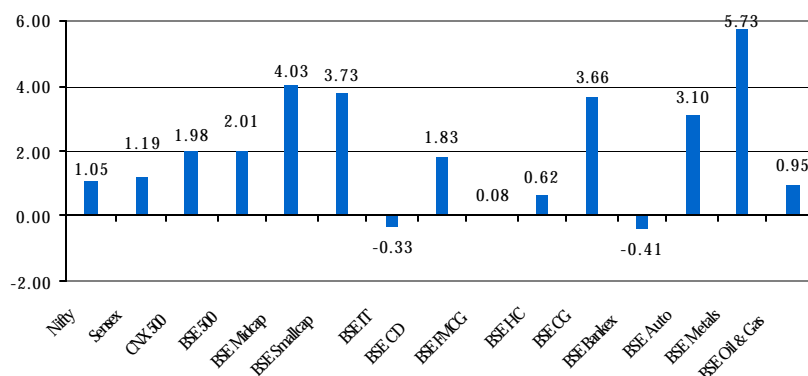
Ext: 304

### The week in retrospect-Equities

The markets continued their northward journey (coupled with volatility) on the back of FII inflows and drop in oil prices to a 5-month low level. BSE Sensex gained 1.19% to settle at 11918.65 and Nifty rose by 1.05% to close at 3471.45. The event in the limelight was the one concerning Union Western bank. The bank has been placed under a moratorium due to its poor financial records. Many bidders are already in the race for the bank like ICICI Bank, Canara Bank and India Bulls.

The rally in the market on Friday was witnessed due to firm US, Asian and European markets. This was further triggered by the gov't's decision to maintain status quo on participatory notes and unchanged interest rate news from Bank of Japan. On the sectoral front, auto, metals and capital goods were the major gainers. Tata Motors surged 4% due to its high sales figure in the month of August and Maruti Udyog rose by 7% on the back of the announcement of its expansion plan across various segments of cars. Metal stocks went up as prices firmed on the London Metal Exchange. Cement shares were again in the lime light since the demand for cement increased after the monsoon which helped ACC and Gujarat Ambuja Cements to close at higher levels. FIIs emerged as net buyers in the equity market and purchased heavily to the tune of Rs. 1053.1 crores. Mutual funds also turned out to be net buyers by a marginal amount of Rs. 13.50 crores. They also made significant purchases in the debt market amounting to Rs. 1055.44 crores.

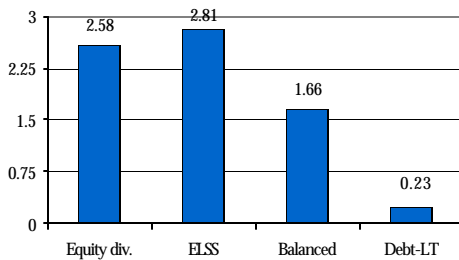
### Weekly Equity Indices Return (absolute %)



As on Sept 8

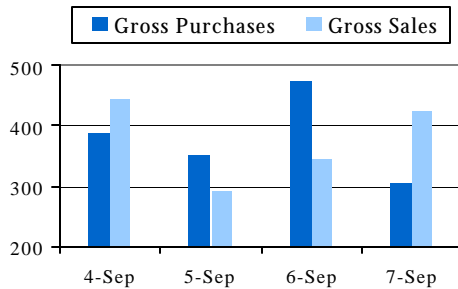
Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on Sept 8 Datasource: Bloomberg

## Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds turned out to be net buyers by a marginal amount of Rs. 13.50 crores.

## Outlook:

**Short-term:** Markets are likely to witness high volatility as Fed meeting is scheduled on September 20. The uncertainty over Fed rate continues due to the rising housing data and sluggish US corporate performances. On the domestic front, Sensex may touch 12000 levels, but profit booking at higher levels can't be ruled out. The coming weeks may witness a sharp rally in the market due to festive season. FII inflows will be the major influencing factor. Since crude oil prices dipped to \$66 per barrel in the last week, domestic fuel prices are not likely to rise. Further, crude prices may not increase sharply in the near-term.

**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 the political scenario having significant impact on economic development may lead to high volatility.

Recommended schemes to invest	Historical returns as on Sept 8 (%)			Crisil Ranking for qtr end June 06	
	6 months (abs)	1 year	3 year (ann)		
<b>Aggressive (Equity)</b>	DSP ML Opportunities	6.61	44.44	50.67	2
	Tata Infrastructure	7.24	51.08	N.A.	-
	Reliance Growth	4.31	32.54	62.85	1
	Sundaram Select Midcap	15.19	56.46	66.77	1
<b>Moderate (Equity)</b>	Fidelity Equity Fund	6.72	33.98	N.A.	-
	HDFC Equity	8.95	50.31	51.03	2
	Reliance Equity	N.A.	N.A.	N.A.	-
	SBI Magnum Contra	10.41	45.52	74.67	1
<b>Conservative (Equity)</b>	DSP ML Top 100	8.76	49.25	46.57	3
	Sundaram India Leader.	0.26	37.04	N.A.	2
	Franklin India Bluechip	9.34	44.28	46.74	4
	Templeton India Eq. Inc.	N.A.	N.A.	N.A.	-
<b>ELSS</b>	Franklin India Taxshield	0.77	30.95	45.99	3
	HDFC Tax saver	6.39	32.95	62.20	2
	SBI Magnum Tax Gain	7.03	30.34	80.23	1
<b>Balanced</b>	DSP ML Balanced	6.15	33.11	33.82	3
	HDFC Prudence	11.16	33.94	39.91	1
	Kotak Balance	3.60	31.52	38.48	2

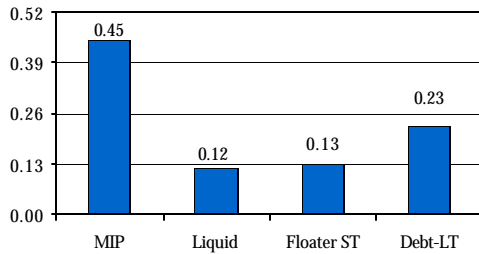
Datasource: MFI Explorer

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 cards in the short-term. However, 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. 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 (%)

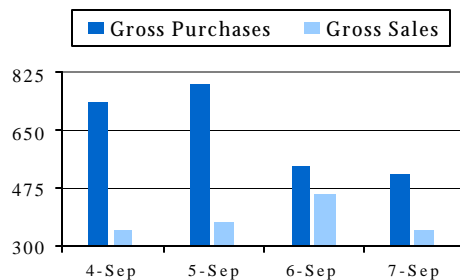


Abs. returns as on Sept 8 Data source: Bloomberg

## Key statistics

	Sept 8	Sept 1
7.59% GOI 2016 yield	7.76%	7.88%
Call rate	6.10%	6.10%
WPI inflation (week ending August 26 and August 19)	5.01%	4.91%
Dollar exchange rate	46.22	46.52
Forex reserves (\$ bn)	166.46 (Sept 1)	165.33 (Aug 25)

## 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. 1055.44 crores.

## The week in retrospect-Debt

The yield on the 10-year g-sec touched a 3-month low level of 7.70% on Friday evening as cut-off yields at the Rs.90 billion auction resulted in below market expectations. The cut-off yield on Rs. 90 billion was low due to aggressive bidding by a few big players. The central bank also auctioned 60 billion rupees of 2016 bonds at a cut-off price Rs.98.85, higher than the forecasted value of Rs.98.68 (from Reuter's poll) and 30 billion rupees of 2034 bonds at a cut-off of Rs.89.83, against a forecast of Rs.89.75. Call rates remained in the 6% to 6.10% range on account of easy liquidity.

WPI inflation rose by 9 basis points from 4.91% to 5.01% for the week ending August 26 due to increase in the prices of food articles. On the forex front, rupee gained its ground against dollar due to high FII inflows in the stock markets. India's forex reserves increased from \$165.33 billions to \$166.46 billions as on September 1.

### Outlook:

**Short-term:** In the coming week, rupee may witness a volatile trend due to the Fed meeting scheduled on September 20. However, in the near-term the rally in the rupee may be bullish due to the drastic drop in oil prices and expected inflows from FIIs.

**Long-term:** In view of the Central bank's objective of providing conducive environment for growth while keeping the inflationary pressures under control, it is not expected to increase the interest rates in immediate future. It 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. Though Bank of Japan has kept rates unchanged, Federal Reserve's move on Sept 20 is still looked upon with apprehension. Though oil price concern seems to have eased, high credit growth and money supply growth in the economy point that a very cautious approach needs to be adopted by the central bank. Therefore, interest rates are more likely to rise slightly in long-term.

Recommended schemes to invest		Historical return as on September 8 (%)			Expense ratio	Crisil ranking for qtr end June 06
		1 month	3 month	1 year		
Floaters	JM Floater ST	0.57	1.64	6.16	0.50	3
	Reliance Floating R	0.58	1.66	6.10	0.55	-
Liquid	HDFC Cash Mgt-Savings	0.56	1.66	6.16	0.38	2
	Birla Cash Plus-Retail	0.54	1.59	6.05	0.34	2

Datasource: Bloomberg

### Recommendations:

**Long-term investors:** For those who want to invest for long and yet keep investments liquid can consider LT floaters. For those who can invest for fixed duration can consider FMPs. The 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

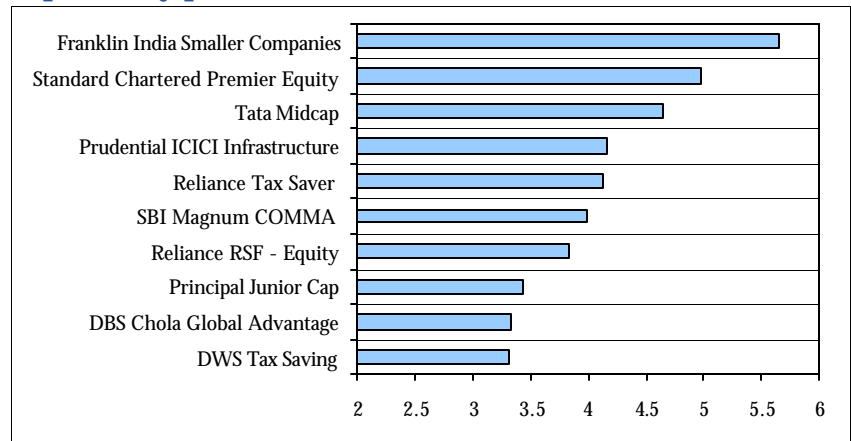
### New Fund Offers open for subscription:

- ◆ The NFO period for Birla Long Term Advantage Fund has been extended to September 15, 2006. The equity fund is a 5-year close-ended scheme.
- ◆ Optimix has come out with its fourth fund: Optimix Dynamic Multi Manager FoF Scheme. The scheme would be open from August 30, 2006 to 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 opens on September 7, 2006 and closes on October 11, 2006. UTI Wealth Builder Fund is a close-ended diversified equity scheme with a maturity period of 5 years.

### 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 8, 06

Datasource: MFI Explorer

**Note:** Funds launched since Jan 05 have been considered.

## Performance analysis of equity NFOs (quarter -wise) as on Sept 8, 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	Fidelity Special Situation	28-Mar-06	10.75	1994.20	7.46	1.56	10,746.00	10,509.54
2	Templeton India Equity	22-Mar-06	10.2	1972.62	2	1.49	10,200.00	9,975.55
3	Sundaram Rural India	20-Mar-06	10.58	1185.54	5.79	2.26	10,578.60	10,345.82
4	ABN AMRO Future	13-Mar-06	8.72	515.07	-12.84	2.69	8,716.00	8,716.00
5	Pru ICICI Fusior	27-Feb -06	10.35	591.71	3.5	2.27	10,350.00	10,350.00
6	Deutsche Tax Saving	22-Feb -06	9.54	28.78	-4.61	3.31	9,539.40	9,329.49
7	Kotak Lifestyle	22-Feb -06	9.63	563.33	-3.69	1.4	9,631.00	9,631.00
8	UTI Contra	22-Feb -06	9.38	843.34	-6.2	1.3	9,380.00	9,380.00
9	Tata Tax Advantage	20-Feb -06	9.72	111.17	-2.84	3.21	9,716.20	9,525.69
10	JM HI FI	20-Feb -06	9.45	72.09	-5.5	2.38	9,450.00	9,242.05
11	Sahara Infrastructure-FP	15-Feb -06	9.53	31.59	-4.7	2.29	9,530.10	9,530.10
12	Sahara Infrastructure-VP	15-Feb -06	9.55	31.59	-4.47	2.3	9,553.50	9,553.50
13	Chola Contra	14-Feb -06	10.58	97.71	5.8	2.12	10,580.00	10,347.19
14	Quantum Long Term	8-Feb-06	11.13	22.26	11.3	3.25	11,130.00	11,130.00
15	Principal Infra. &	7-Feb-06	10.04	415.64	0.4	2.87	10,040.00	9,819.07
16	Baroda Global Fund	6-Feb-06	10.48	39.70	4.8	2.04	10,480.00	10,249.39
17	Reliance Equity	6-Feb-06	9.83	5471.60	-1.7	2.93	9,830.00	9,613.69
18	Birla Infrastructure	31-Jan-06	10.28	565.26	2.8	3.01	10,280.00	10,053.79
19	Fidelity Tax Advantage	31-Jan-06	10.69	540.06	6.85	1.18	10,685.00	10,449.88
20	SC Imperial Equity	30-Jan-06	10.71	346.64	7.13	1.38	10,713.20	10,477.46
21	UTI Leadership Equity	30-Jan-06	10.48	1332.99	4.8	2.44	10,480.00	10,480.00
22	ING Vysya A.T.M. Fund	27-Jan-06	9.73	89.07	-2.7	3.18	9,730.00	9,515.89
23	HDFC Long Term Equity	27-Jan-06	10.56	1467.59	5.58	2.55	10,558.00	10,558.00
24	HSBC Advantage India	27-Jan-06	10.83	1490.69	8.26	1.8	10,826.00	10,587.78
25	SBI Magnum Bluechip	20-Jan-06	10.70	2536.15	7	2.49	10,700.00	10,700.00
<b>Abs. returns for New Funds released Between Jan 06 and Mar 06</b>					<b>1.37</b>	<b>2.31</b>	<b>253,423.00</b>	<b>250,070.86</b>
1	Franklin India Smaller	14-Dec -05	10.46	1281.96	4.6	5.66	10,460.00	10,460.00
2	ING Vysya L.I.O.N.	9-Dec-05	11.26	139.32	12.6	2.18	11,260.00	11,260.00
3	ABN Amro Tax	30-Nov -05	11.49	124.93	14.94	2.05	11,494.00	11,494.00
4	Pru ICICI Services	18-Nov -05	11.48	354.46	14.8	2.23	11,480.00	11,227.38
5	CanInfrastructure	9-Nov -05	12.07	94.91	20.7	3.25	12,070.00	12,070.00
6	Kotak ELSS Scheme	28-Oct -05	11.66	126.93	16.62	3.09	11,662.00	11,405.38
7	Chola Tax Saver	26-Oct -05	11.80	27.38	18	2.97	11,800.00	11,540.34
8	Principal Large Cap	19-Oct -05	14.84	300.37	48.4	1.78	14,840.00	14,513.45
9	ING Vysya Dividend	6-Oct-05	10.76	105.02	7.6	2.87	10,760.00	10,760.00
<b>Abs.returns for New Funds released Between Oct 05 and Dec 05</b>					<b>17.58</b>	<b>2.9</b>	<b>105,826.00</b>	<b>104,730.55</b>
1	Birla Top 100	28-Sep-05	14.04	559.79	40.37	1.48	14,037.00	14,037.00
2	Std. Chartered Premier	26-Sep-05	11.28	216.87	12.83	4.97	11,283.00	11,034.72
3	Tata Contra	26-Sep-05	11.22	355.85	12.24	2.75	11,224.40	11,224.40
4	SBI Magnum Multi Cap	16-Sep-05	13.79	1368.09	37.9	2.76	13,790.00	13,790.00
5	Sundaram Capex	5-Sep-05	14.54	251.39	45.43	2.85	14,542.60	14,542.60
6	ABN AMRO Dividend	30-Aug-05	10.21	67.56	2.14	2.31	10,214.00	10,214.00
7	Reliance Tax Saver	23-Aug-05	12.38	1141.18	23.8	4.12	12,380.00	12,107.58
8	Prudential ICICI Infra.	10-Aug-05	15.55	1349.96	55.5	4.15	15,550.00	15,207.82
9	SBI Magnum Comma	25-Jul-05	14.33	604.49	43.3	3.99	14,330.00	14,330.00
10	Sahara Wealth Plus -FP	22-Jul-05	12.93	24.72	29.27	1.43	12,926.80	12,926.80
11	Sahara Wealth Plus-VP	22-Jul-05	13.00	24.72	30.02	1.44	13,001.70	13,001.70
12	UTI Opportunities	20-Jul-05	13.64	590.36	36.4	2.4	13,640.00	13,640.00
13	Std. Chartered Classic	14-Jul-05	13.58	531.40	35.8	2.39	13,579.80	13,579.80
14	Birla Gen Next	12-Jul-05	13.38	220.23	33.8	2.92	13,380.00	13,380.00
15	JM Emerging Leaders	4-Jul-05	10.49	19.48	4.9	0.29	10,490.00	10,490.00
16	Kotak Contra	1-Jul-05	13.02	226.26	30.23	3.16	13,023.00	12,736.43
<b>Abs.returns for New Funds released between Jul 05 to Sep 05</b>					<b>29.62</b>	<b>2.71</b>	<b>207,392.30</b>	<b>206,242.85</b>

### Notes:

- ◆ 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.**

### Disclaimer

The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Stock Broking nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document.

This report is intended for a restricted audience and we are not soliciting any action based on it.