January 2018
Update: Emirates India Equity Fund – Views from UTI International

For Financial Advisors Only. Not for public distribution.

India Market

During the year, Sensex rose 28.06% from 26,595.45 to 34,056.83. The lowest point of the year was at 26,595.45 while the highest point was 34,056.83. The benchmark S&P BSE Shariah Index rose 27.89 % from 3,106.22 to 3,972.61. The market rallied strongly on the back of government's reforms initiatives, stable macro-economic factors, healthy monsoon and moderating inflation. The equity market witnessed some correction aournd September on the back of spike in crude oil prices fuelling concerns regarding inflation subdued GDP growth numbers. However, events like upgrade of India's Sovereign rating by Moody's, slight revival in growth and success of the ruling party in state elections towards the end of the year led to continuation of positive sentiment in the market.

In terms of sectors, Consumer Goods and Automobiles performed well. Healthcare has been a laggard while Information Technology has been a relative underperformer.

India Market Outlook and Strategy

Indian equity market saw a healthy rally over 2017 with the Sensex and Nifty delivering over 28% returns over the year. The key drivers for the market's strong performance were government's focus on key reforms, stable macro-economic situation, and the expectations of a gradual growth recovery. A sharp fall in interest rates post demonetization also led to a surge in flows into financial assets which also contributed to the market momentum. As the momentum has driven equity market to above average valuations, the focus going ahead will be on growth recovery. Strong pick-up in earnings will make valuations appear comforting and shall determine market's direction going ahead. In the near term, the Union Budget will be a key event to watch out.

The Fund continues to be positive on Consumer Goods, Healthcare and Information Technology sectors. We continue to remain cautious on the Industrials and Energy sectors.

- We are positive on Consumer Goods as it remains the most promising sector both in terms of future growth as well as strong cash flows. On account of GST destocking volumes were impacted significantly in this sector however, it was transitory. Normal Monsoon for second consecutive year has aided in revival of overall demand. We are maintaining exposure toward category leaders who continue to improve their market share on a secular basis. GST implementation is medium to long term positive for the sector as the organised players are gaining market share from the unorganised ones.

- We are overweight on Healthcare as the long term prospects remain strong. Medical spends in India are one of the lowest in the world providing tailwinds as per capita spend improves. Indian companies are also trying to grow across other emerging markets basis the low cost manufacturing advantages. Companies like Sun Pharma and Lupin have been investing heavily into R&D to move to the next level of opportunities in complex generics as well as specialty pharma where competition is limited.

- We are positive on the Information Technology sector as the sector is facing a cyclical slowdown which has led to inexpensive valuations. Companies within the sector have strong balance sheets and cash flows. Cost deflation on account of rising supply talent is going unnoticed while visa issues are getting played up, though Indian companies have been doing pre-emptive on shore investments in talent recruitment over the last few years. Over the last one year, rupee appreciation has hurt revenues as well as margins across companies in this sector, however with the recent correction of the rupee, this should start to reverse.

- We are underweight on the Energy sector. Within the sector, refining profits have been high mainly on account of inventory gains which are one time in nature and not sustainable. Although the government has deregulated pricing of fuel, oil marketing companies have not shown a significant improvement in their profits from marketing of fuels.

- We are cautious on Industrials as the sector has run up a lot on expectations of a turnaround in industrial growth and now appear to be expensive. An improvement in the capacity utilization in the economy shall benefit these companies in terms of stronger demand which in turn would lead to higher valuations. We are averse to investing into those companies that incur huge capital expenditure as that suppresses the return ratios.

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Fund	Share Class	Currency	ISIN
Emirates India Equity Fund Accumulation Share	Class B	USD	LU1484867608
Emirates India Equity Fund Income Share	Class B	USD	LU1654400990
Emirates India Equity Fund Accumulation Share	Class C	USD	LU1484867863
Emirates India Equity Fund Income Share	Class C	USD	LU1654401295

Emirates NBD

ASSET MANAGEMENT