

Investor Insights & Outlook



10-June-2013

Monthly Newsletter

Market Update

Nifty	5878
Sensex	19441
10Y G-sec	7.27% / 7.49%
1Y CP	8.76%
CD	8.25%
USD	58.12
Gold	27740 (Rs/10gm)
Brent	104.00 \$/bbl

Strategy

Debt:

Although 10 year yields have fallen after the last RBI cuts, opportunities remain to achieve double digit returns given volatility caused by our external problems with rupee depreciation and supply side pressures. We believe this is an appropriate time for those with a longer horizon given that past reductions in rates have not been fully captured in the current bond values and on expectations of further cuts in the next year.

Equity:

There was some correction in equities after the recovery to near highs. In the recent weeks, rupee weakness has accentuated the fall with mid-caps being worst affected. We continue to believe that economic slowdown is in its last leg and things should incrementally improve from current levels as indicated by moderate improvement in IIP data. However, a sharp recovery looks unlikely given the structural challenges facing the Indian economy.

We are focusing more on stocks/portfolios where valuations are attractive though there are multiple headwinds. While the long term potential of Large Cap businesses is robust, we are a bit cautious as valuations are high. We are instead focusing on themes such as on banks, midcap funds and infrastructure (which now have a large exposure to L&T, SBI, Bharti and other compelling large companies).

Contact

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Product recommendations

Equity

Our recommendations are:

- ◆ ICICI Pru Discovery Fund
- ◆ ICICI Pru Banking & Financial Services Fund
- ◆ Reliance Banking Fund
- ◆ ICICI Pru Infrastructure Fund
- ◆ HDFC Infrastructure Fund
- ◆ DSP Blackrock India TIGER
- ◆ SBI Emerging Businesses fund
- ◆ Templeton Growth Fund

Debt

Our recommendations are:

- ◆ ICICI Pru Dynamic Bond Fund
- ◆ Sundaram Flexible Fund—Flexible Income Fund (which comprises AAA corporate debt)

Disclaimer

Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved. Please read the Statement of Additional Information and Scheme Information Document carefully before investing.