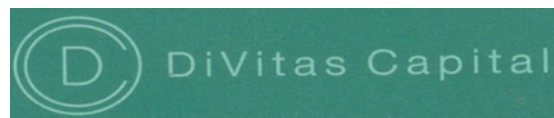


Investor Insights & Outlook



12-Jan-2015

Monthly Newsletter - December 2014

Market Update

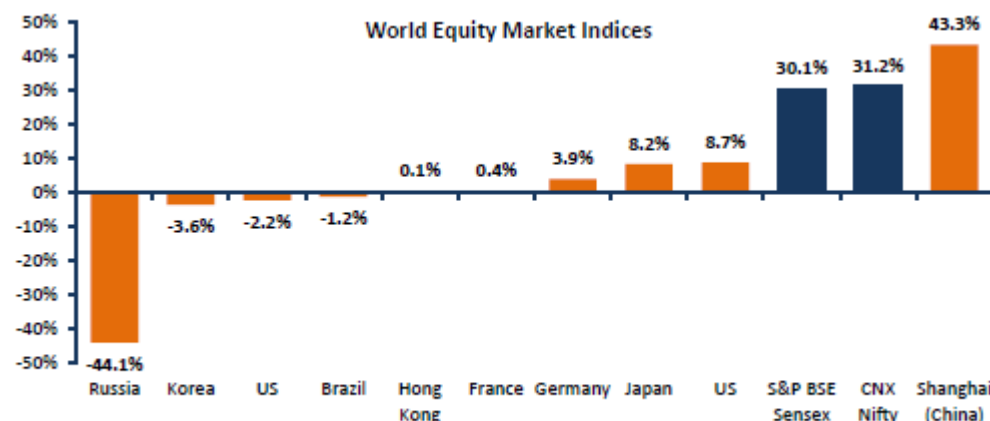
Nifty	8284
Sensex	27458
10Y G-sec	7.81%
1Y CP	9.08%
CD	8.60%
USD	62.10
Gold	26800 (Rs/10gm)
Brent	49.26 \$/bbl

Strategy

Holistic Growth Ahead in 2015

Equity

Indian equities were one of the best performing global equity market last year, barring Shanghai market which has rallied in recent months. As an asset class, equities have also emerged as the best performing asset class in CY2014.



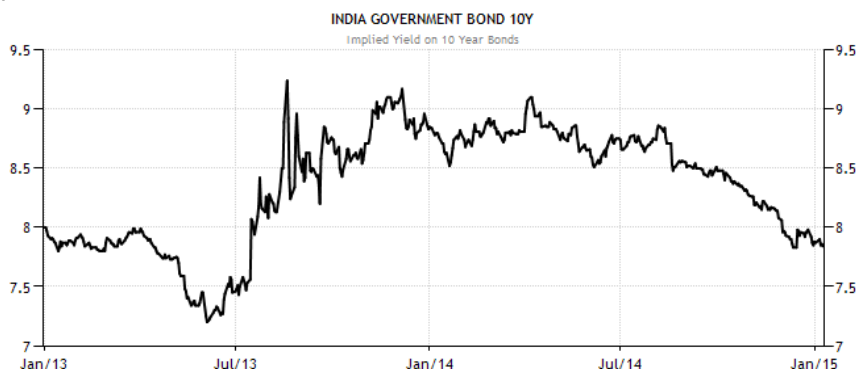
Source: Bloomberg, 23rd December, 2014

Ever since the BJP government has taken over, the stock market has performed exceptionally well. Falling interest rates, possible growth acceleration and lower crude prices will be the key drivers in the medium to long term. Moving from optimism to execution, we expect the Central and progressive State Governments to implement more meaningful reforms in 2015. Along with transformation in macros driven by strong reforms, we believe that 2015 will be another good year for Indian equities. Mid caps, financials and infrastructure / capital goods businesses should be bought on all dips.

Debt

Lower crude prices can cool down inflation further and add to positive sentiments. Falling inflation shall provide comfort to

RBI to look at easing the rate cycle. G-sec yield is expected to stay below the repo rate. We expect a 50 bps cut in benchmark repo rate over the next quarter. We continue to recommend investors to add duration to their portfolio and commit to measurable long term fixed rate instruments in anticipation of rate cuts.



Product Recommendations

DEBT

- ◆ Axis Constant Maturity Fund
- ◆ ICICI Long Term Gilt
- ◆ IDFC - GSF IP
- ◆ 3 Year FMPs

EQUITY

- ◆ HDFC Infrastructure Fund
- ◆ Franklin India Smaller Companies Fund
- ◆ ICICI Infrastructure Fund
- ◆ DSP BR Microcap Fund
- ◆ JP Morgan Small & Mid-cap Fund

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