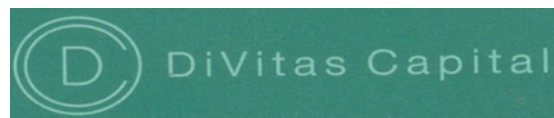


Investor Insights & Outlook



30-June-2015

Monthly Newsletter - June 2015

Market Update

Nifty	8369
Sensex	27781
10Y G-sec	7.87%
1Y CP	8.45%
CD	8.10%
USD	63.80
Gold	26505 (Rs/10gm)
Brent	60.53 \$/bbl

Product Recommendations

DEBT

- ◆ ICICI Long Term Gilt
- ◆ IDFC - GSF IP
- ◆ Axis Constant Maturity Fund
- ◆ UTI Gilt Advantage Fund - LTP

EQUITY

- ◆ HDFC Mid Cap Opportunities Fund
- ◆ ICICI Pru Banking & Financial Services Fund
- ◆ ICICI Value Discovery
- ◆ JP Morgan Small & Mid-cap Fund
- ◆ JP Morgan India Equity Fund

Contact

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Strategy

Equity

Indian markets recorded a marginal fall of ~1% only despite a volatile month. The markets are looking forward to the next session of Parliament to determine direction. The scare of poor monsoons has receded but bond yields have strengthened. On the domestic front, despite some green shoots across few sectors, the recovery looks slow for a while now.

In this challenging environment, we believe that one has to wait for a few more quarters to see any meaningful change. The corporate earnings awaited in July 2015 would be a crucial indicator for future earnings growth.

We recommend investors to remain invested for long-term and use the volatility in the markets as a buying opportunity. The markets are likely to trade in a range for the moment.

Debt

Global bond yield rose during the first half of June and fell during the latter half as hopes of a Greek bailout improved. The rise in German yields created volatility in the domestic markets as well. Headline CPI (Consumer Price Index, New Series) for May 2015 moved up marginally to 5.01% from 4.87% which further pushed the 10Y benchmark yield.

RBI's cancellation of Gilt auction due to the high yield cut-off indicates that the Central Bank believes that the present market yield levels are high given the fact that there has been an aggregate 75bps repo rate cut since Jan-2015.

Indian monsoon for June stands 16% above normal, against expectations of deficit. MSP (Minimum support price) for Kharif crops was increased by only 3.5% (Avg) v/s 4% in FY14 and 22% in FY13; modest hike bodes well for inflation outlook. Forex reserves have touched an all-time high of \$354 bn, increasing by US\$ 2 bn MoM.

While US Fed rate hike is the key event, normally progressing monsoon is an encouraging sign for monetary easing. Also, falling fiscal deficit & lower Govt borrowing will keep gilt supply constrained. This demand-supply balance bodes positively for yields.

This rise in yields can be an opportunity to continue to invest in Gilt.

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. CIN : U74140DL2007PTC164346