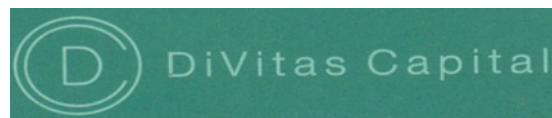


Investor Insights & Outlook



02-Aug-2018

Monthly Newsletter - July 2018

Market Update

| | |
|-----------|-----------------|
| Nifty | 11245 |
| Sensex | 37165 |
| 10Y G-sec | 7.72% |
| 1Y CP | 8.44% |
| CD | 8.00% |
| USD | 68.39 |
| Gold | 29451 (Rs/10gm) |
| Brent | 72.62 \$/bbl |

Strategy

Equity

India's large cap indices surged in July, with the Nifty 50 gaining an impressive 6.5% as foreign money started to flow back into markets after RBI hiked rates to ease nervousness around India's Balance of Payments. This growth was further aided by a healthy set of numbers declared by India's leading companies. Small and mid-cap companies too started to gain after successive months of negative price movements. We remain cautiously optimistic on smaller cap companies but would like to see further signs of recovery. We are closely tracking their movements and shall advise accordingly, going forward.

We maintain our view to raise exposure to equities only on a deep correction in the markets. We remain buyers of Pharma, turnaround midcaps (where valuations have become sensible) and select large caps (particularly cement and construction companies) with a long term view.

Debt

Yield on the 10-year benchmark paper (7.17% G-Sec 2028) fell from 7.91% to 7.77% as easing oil prices and tightening of monetary policy helped Indian debt start attracting foreign investors again. RBI in its latest policy decision (1st August) hiked the Repo Rate again by 25 bps as it struck a hawkish tone on government finances, especially in an election year.

Our bond market outlook remains bearish in the medium to long term as world over we are seen entering a rising interest rate phase. However in the short term, proactive action by RBI could spur confidence among foreign investors and lead to some gains.

We recommend existing investors to continue holding their present allocation. Investors looking for fresh fixed income allocation should consider FMPs and short term funds that will remain relatively unaffected by rising yields.

Product Recommendations

EQUITY

- ♦ Kotak Equity Arbitrage
- ♦ ICICI Pru Equity Arbitrage Fund
- ♦ L&T Midcap Fund
- ♦ Mirae Asset India Equity Fund
- ♦ Reliance Pharma Fund
- ♦ Franklin India Prima
- ♦ Kotak Standard Multi-cap Focus
- ♦ IDFC Infrastructure
- ♦ ICICI Pru Focused Bluechip Fund
- ♦ Sundaram Rural India

DEBT

- ♦ Axis Short Term Fund
- ♦ Kotak Corporate Bond
- ♦ IDFC Corporate Bond
- ♦ Tax Free Bonds
- ♦ Fixed Maturity Plans

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