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Five Reasons to Still Invest in India

August 2015

Originally published March 2015

EGA Investment Strategy Commentary

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EGS002497 | Expires: 9/1/2016

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Five Reasons to Still Invest in India

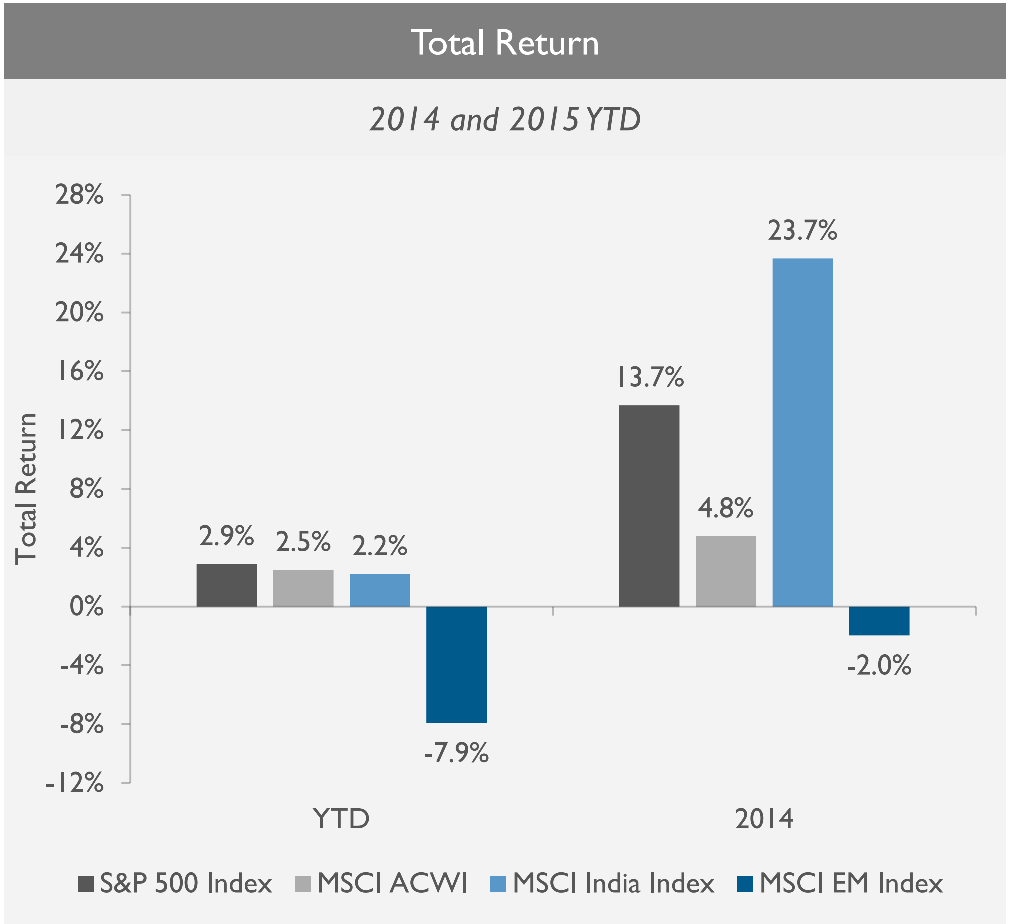
1. Reforms Matter
2. India's Gross Domestic Product (GDP) Growth Rate
3. Fiscal and Monetary Discipline
4. The Growth of Corporate Earnings
5. It's *Still* Not Too Late

Reason 1: Reforms Matter

Reforms have contributed to returns competitive with global equities

Example reforms

- Privatization: Auction of coal blocks and telecom spectrum for $45 billion
- Subsidies: Replacement of diesel subsidy with direct transfers has resulted in savings of approximately $2.3 billion so far
- Monetary policy: Inflation targeting has caused reduction in interest rates
- Fiscal policy: Reduction in fiscal deficit from 4.6% to 4.1% in fiscal year-end 2015
- External account: Decline in current-account deficit from 1.7% to 1.3% in fiscal year-end 2015
- Bills to be passed: GST and Land bills to be considered in next session of parliament (Nov-Dec 2015)



Source: Bloomberg, MSCI, EGA. Data as of August 14, 2015. Past performance does not guarantee future results.

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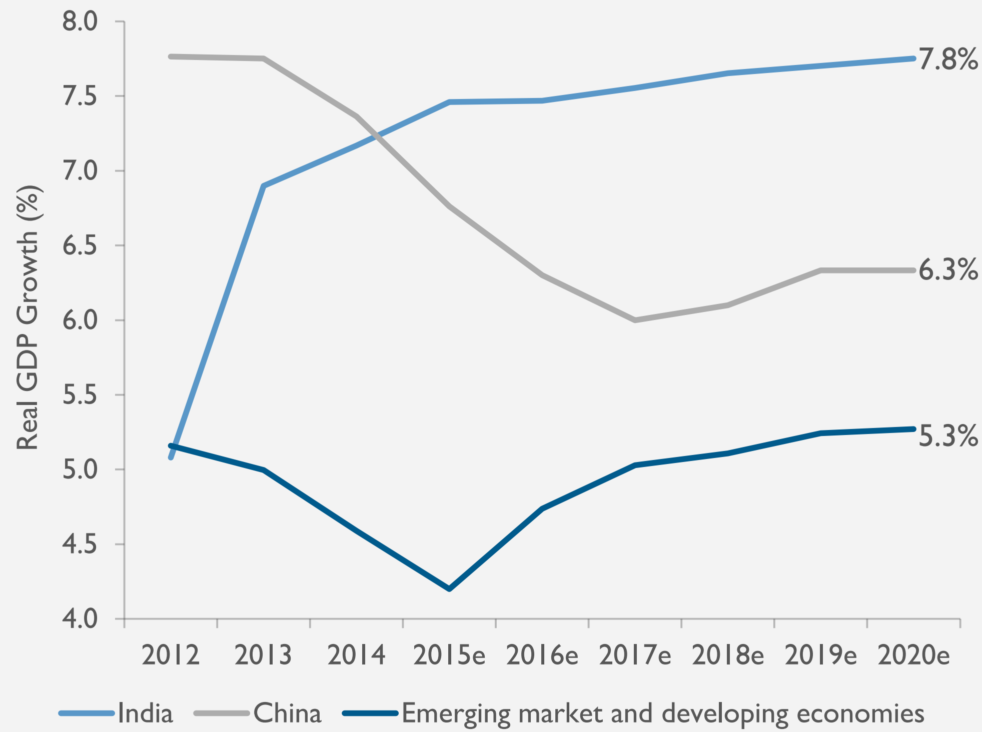
Reason 2: India's Gross Domestic Product (GDP) Growth Rate

- India is expected to have the fastest GDP growth rate in Emerging Markets
- It is expected to surpass China's in 2016
- Its growth rate should improve as interest rates decline and structural reforms take hold

GDP Growth

2012 – 2020e



Source: IMF, World Economic Outlook – April 2015; EGA. Past performance does not guarantee future results.

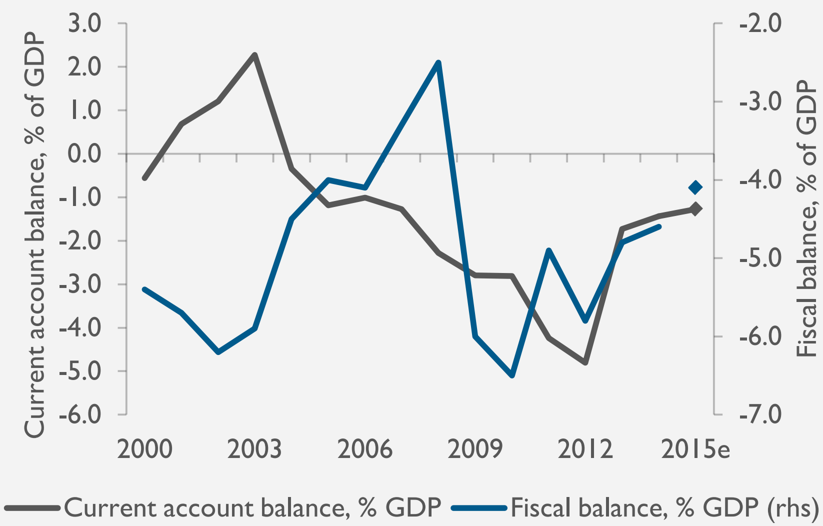
Reason 3: Fiscal and Monetary Discipline

- The lower price of oil and better fiscal management, including cutting government subsidies, are helping to reduce India's fiscal deficit

- India is also focused on managing inflation, which helps the central bank to lower interest rates; a strengthening rupee prevents the erosion of return for U.S. investors

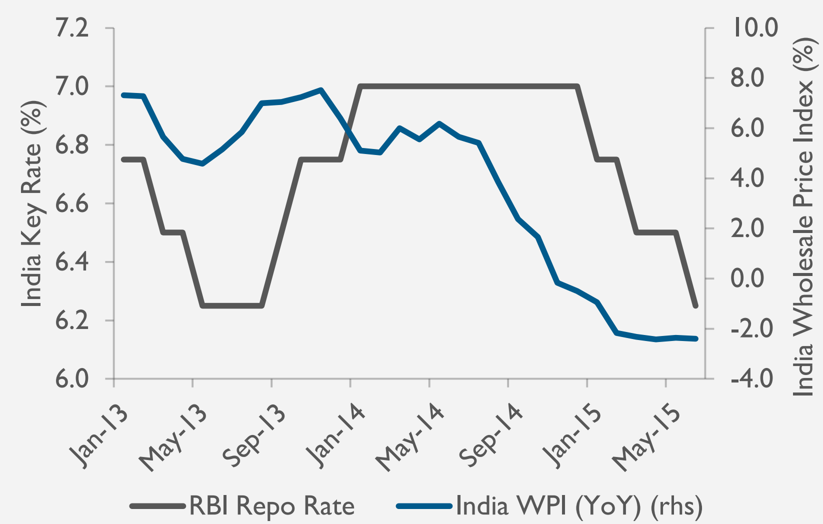
Better Economic Management[1]

2000 – 2015e



Inflation Going Down[2]

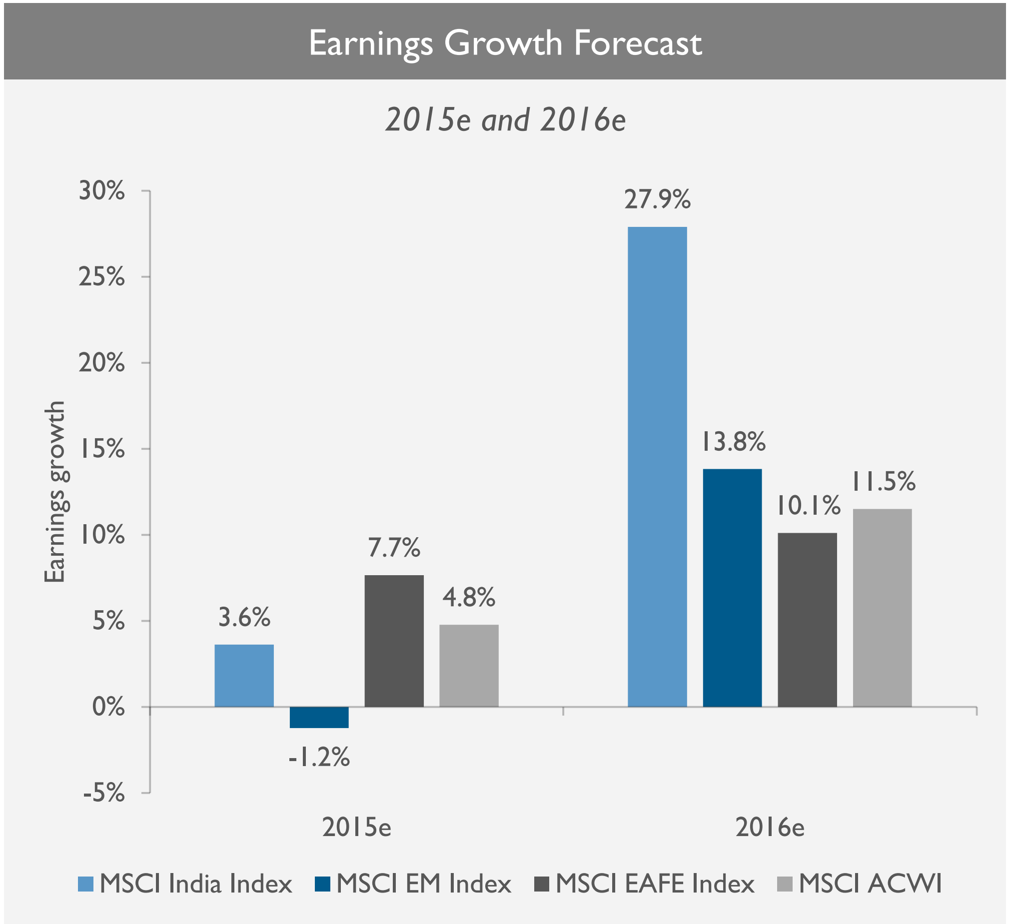
1/31/2013 –6/30/2015



[1]Source: IMF, World Economic Outlook – April 2015, India Central Statistical Organization; EGA. [2]Source: Bloomberg, EGA. Data as of June 30, 2015. Right hand side (rhs) refers to the data on the y axis on the right side of the charts. Past performance does not guarantee future results.

Reason 4: The Growth of Corporate Earnings

- Consensus estimates for corporate earnings in EM are favorable in 2016
- Estimates for India are better still
- Growth is underpinned by lower commodity prices, inflation and interest rates; given this, we expect profit margins to improve



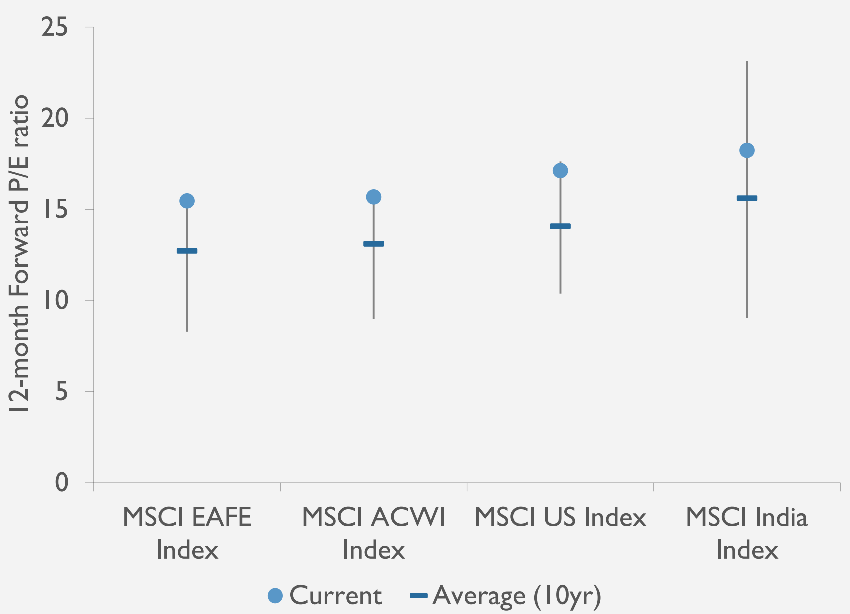
Source: Bloomberg; MSCI; EGA. Data as on August 14, 2015. Earnings growth is calculated for earnings in local currency converted to U.S. dollars at spot FX rate.

Reason 5: It's *Still* Not Too Late

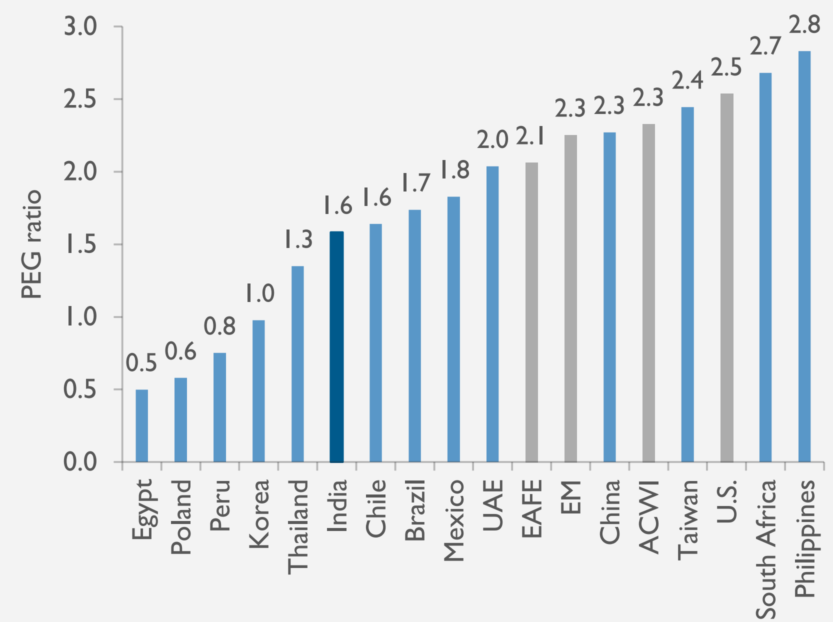
Current forward valuation levels point to sustainable growth at a reasonable price over the long term

Forward P/E Ratio	Price to Earnings to Growth (PEG) Ratio

12-month Forward P/E ratio



Compound Annual Growth Rate (CAGR) (2014 – 2016e)



Source: Bloomberg; MSCI; EGA. Data as on August 14, 2015. PEG ratio is calculated using July 2015 P/E ratio and CAGR of 2014-2016 earnings growth estimates. Russia, Czech Republic, Malaysia and Colombia (negative PEG ratio) and Turkey, Indonesia and Qatar (out of scale) are not considered in the chart. Past performance does not guarantee future results.

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DEFINITIONS AND ADDITIONAL DISCLOSURES

Definitions

Compound Annual Growth Rate (CAGR) is a metric that smoothes annual gains in revenue, returns, etc., over a specific period of years as if the growth had happened steadily over that time period.

The **FX spot**, also know as the foreign exchange spot transaction, is an agreement between two parties to buy one currency against selling another currency at an agreed price for settlement on the spot date.

India Key Rate is also known as the RBI Repo Rate as all other rates can be derived from the repo rate.

India WPI is the Wholesale Price Index of India and is the price of a representative basket of wholesale goods; it is used to measure inflation.

MSCI All Country World Index (ACWI) captures large and mid-cap representation across 23 developed markets (DM) and 23 emerging markets (EM) countries.

MSCI Emerging Markets Index is an index that is designed to measure the equity market performance in global emerging markets.

MSCI Europe, Australasia, Far East (EAFE) Index captures large and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada.

MSCI India Index is a free-float adjusted market capitalization weighted index that is designed to track the equity market performance of Indian securities listed on the National Stock Exchange and the Bombay Stock Exchange.

MSCI U.S. Index is designed to measure the performance of the large and mid cap segments of the US market.

Price/Earnings (P/E) Ratio (Forward) is the sum of Bloomberg consensus estimates for the future 12-month earnings of the equity holdings, divided by the total market value of the equity holdings. Both positive and negative earnings are included in the calculation.

RBI Repo Rate is the short term lending rate that the Indian central bank, the Reserve Bank of India (RBI), lends to commercial banks against government securities; the RBI uses it to help control monetary policy.

S&P 500 Index is a broad-based measure of U.S. stock market performance.

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EGA INVESTMENT STRATEGY TEAM:

Nicholas Smithie
Chief Investment Strategist

Edward Kerschner, CFA
Vice Chairman

Steve Mo,
Investment Strategist

Neeraj Agarwal,
Investment Strategist

CONTACT INFORMATION

VISIT: emergingglobaladvisors.com

READ: *Emerging Perspectives*

CALL: +1 888 800 4347

EMAIL: info@emergingglobaladvisors.com

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