



Investment Insight

Friday, 3 April 2015

India calling: Narendra Modi led the Bharatiya Janata Party (BJP) to an overwhelming victory in the 2014 Indian elections. In doing so, he created the first single party majority Indian government in 3 decades. He is using this position of strength to drive structural changes that should transform the Indian economy. Modi's pro-reform, pro-business agenda prompted the Indian stock market to rally strongly, making it the standout performer in 2014.

However, what are the prospects like for India, both socially and economically, over the longer term? In this week's **Inside Track** we take a look through the eyes of Kunal Desai, manager of the Neptune India fund.

Highly valued: Current biotech valuations are very lofty, fuelled by M&A and pre-revenue IPOs (remember dot.com anyone?). But after a sustained period of outperformance, are we poised for a return to more economically supportable valuations? In this week's **Pic of the Week** we take a look.

The Inside Track

Things are looking up in India following the 2014 election of Narendra Modi's BJP. 2014 proved to be a very strong year for Indian stocks, but Kunal Desai, manager of the Neptune India Fund, believes there's plenty more to go. The following are some of Kunal's recent thoughts.

"We believe all the signs are that India is on a path to become one of the most pro-growth, pro-investment economies in Asia, creating compelling long-term opportunities for equity investors."

"Already, action has been taken to cut the deficit and improve the country's finances. The cost of diesel will now move in line with international prices for the first time in India's history. Higher gas prices are likely to encourage investment in domestic energy and lower the import bill. Labour laws and red tape have been simplified. Progressive individuals with proven experience in financial and economic reform have been appointed to key positions in the government."

"We believe the fundamental long-term investment case is overwhelming. India is set to become the world's third largest economy by 2030, mainly due to increasing urbanisation and highly favourable demographics."

"The growth of cities and a rising middle class are key themes, and we aim to benefit from these trends by investing in industrial stocks, financials and consumer goods companies. Examples include ICICI Bank, one of India's leading corporate lenders, and Maruti Suzuki, the largest domestic car manufacturer in a market that offers significant scope for growth given the relatively small number of automobile owners."

"We also see great potential in medium-sized firms, which we believe are an attractive investment opportunity - especially relative to the larger companies that have become expensive in recent years."

Pic of the Week

Biotech was the top performing sector in the US for the last 5 years. There were 82 IPOs last year which beat the previous record (achieved at the height of the dot.com bubble) of 67. Currently almost 50 listed biotech companies have market capitalisations in excess of \$2 billion compared to just 31 a year ago. The word "frothy" comes to mind.



Week ahead: Key events

- 06/04 EU Investor Confidence and US ISM Composite
- 07/04 Eurozone Composite PMI & US Consumer Credit
- 08/04 Germany Factory Orders & Eurozone Retail PMI
- 08/04 US Mortgage Applications
- 09/04 Greece CPI & Unemployment
- 09/04 US Initial Jobless Claims & BOE Rate Decision
- 10/04 China CPI
- 10/04 UK Industrial, Construction & Manufacturing Output

Market View

	Last 7 days	YTD	5Y Ann.
Global equities	+0.7%	+4.7%	+8.1%
US equities	+0.5%	+0.4%	+11.9%
European equities	+0.8%	+16.0%	+7.9%
Emerging market equities	+3.6%	+3.8%	-0.7%
Irish equities	+0.4%	+15.3%	+13.2%
Commodities	+0.3%	-4.4%	-5.7%
Hedge funds	+0.2%	+2.0%	+1.0%

Economic indicators	Bond yields	Inflation	GDP YoY
Ireland	+0.7%	-0.5%	+4.1%
Germany	+0.2%	+0.3%	+1.4%
USA	+1.9%	0.0%	+2.4%
China	+3.5%	+1.4%	+7.3%

Currencies	Current	YTD Δ
EUR:USD	1.09	-10.0%
EUR:GBP	0.73	-5.6%
EUR:CNY	6.74	-10.6%
GBP:USD	1.48	-4.7%
Bitcoin	251.10	-20.9%

Commodities	Current	YTD Δ
Gold	1,200.20	+1.3%
Copper	6,003.25	-5.7%
Oil	54.95	-8.8%
Wheat	536.25	-9.8%

Central Bank rates	Current
Eurozone	0.05%
USA	0.25%
UK	0.50%

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