



India Update

Market Overview

- Indian equities continued to rally in December, capping 2009 with impressive gains, as expectations of strong economic growth fuelled hopes of a robust quarterly earnings season. Generally healthy global economic indicators and Abu Dhabi's bailout of Dubai further boosted sentiment.
- Domestic exports grew year-on-year in November, while the wholesale price index accelerated over the same period, driven by rising food prices.
- A rebound in industrial activity led the government to upgrade its GDP forecast for the current fiscal year to almost 8%, despite shrinking farm output caused by the poor monsoon.
- The government postponed the introduction of mobile number portability by at least three months, but the 3G spectrum auction is expected to take place in February after several earlier delays.

Model Portfolio News

There were no major changes to the portfolio in December.

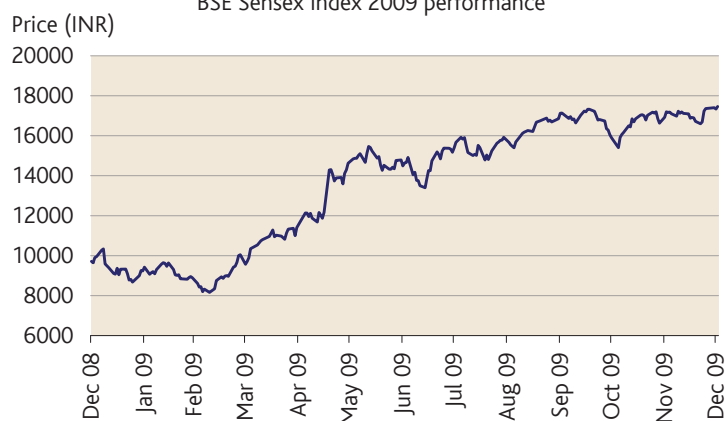
Corporate News

Bharti Airtel is acquiring a 70% stake in Bangladesh's Warid Telecom for US\$300 million, enlarging its regional footprint to boost margins and revenues at a time when intense domestic competition is hampering growth. **Infosys** is among three vendors chosen by Walmart for contracts worth over US\$600 million.

We hold the companies highlighted above.

Focus – Sensex ends 2009 on new high

BSE Sensex Index 2009 performance



Source: Bloomberg, 4 Jan 10

Indian equities have rebounded sharply since March and rose more than 90% (in US dollar terms) in 2009 – their best performance in 18 years. The bulk of this turnaround may be attributed to the Congress Party's landslide election victory, which renewed hopes that economic reforms will be re-started. Sustained buying from foreign funds, which have invested almost US\$17.5 billion in local stocks, coupled with encouraging economic data and healthy corporate results added further impetus to the rally. With ample liquidity, robust economic growth and an improving earnings outlook, stocks are likely to continue rising. However, after last year's performance, gains may be limited.

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