

India: Great Expectations



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India is widely expected to be one of the fastest growing economies in the world despite challenges of poor infrastructure, a complex regulatory environment and a low-skilled labor force. The optimism towards India can be attributed to its favorable demographics, growing domestic consumption and scope for economic reforms. India's growth profile is creating exciting investment opportunities for long-term investors.

Fast-growing Economy

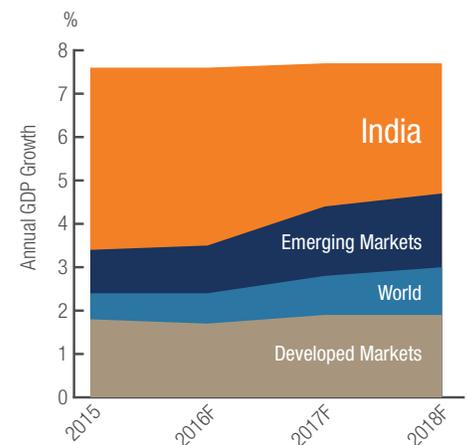
In a world where slower economic growth has become the norm, India stands out as having one of the world's fastest growing economies. India's gross domestic product (GDP) is forecast to grow 7.6% this year while world GDP is projected to only grow 2.4% (chart 1).

Over the past two decades, India has been overshadowed by China. However, with China's economy slowing, India's future

growth is now expected to outpace economic growth in China and other developed and emerging economies.

Political and economic reforms, along with increased consumer and investor confidence, have supported India's economic growth. As the Indian government continues to drive the economy forward, more reliance would be placed on the manufacturing and service sectors as the engines of growth.

Chart 1: India is projected to be one of the world's fastest growing economies



F=Forecast. Source: World Bank, Global Economic Prospects June 2016.

Forecasted numbers are projections and not guarantees.

Beneficiary of Lower Oil Prices

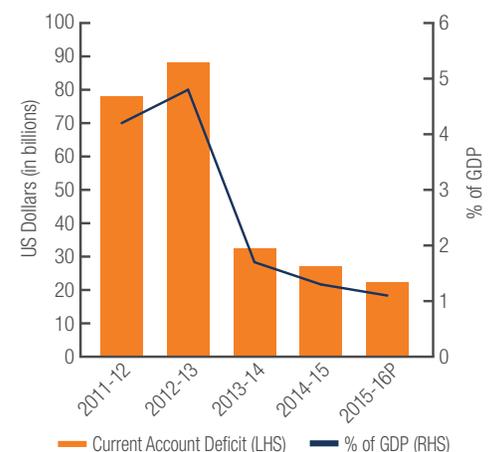
Supporting the economic growth story in India is the lower price of oil. Since mid 2014, the price of oil has declined by around 60% (from \$113 per barrel in June 2014 to \$47 per barrel in August 2016¹). As one of the world's largest importers of oil, the Indian economy significantly benefits from lower oil prices.

The Indian government utilized the downward trend in oil prices to help reduce the country's current account deficit. Over the past few years, India's current account deficit has steadily declined. For the

2015-16 fiscal year, the current account deficit stood at \$22.2 billion or 1.1% of GDP, significantly down from a high of \$88.2 billion in 2012-13 or 4.8% of GDP (chart 2).

Though oil prices have rebounded since reaching new lows in the beginning of 2016, they remain significantly below their 2014 peak. Current oil price levels are likely to continue to be beneficial for India. India's improved current account balance should contribute to more stable government finances which, in turn, ought to help the economy gain momentum and boost investor confidence.

Chart 2: India's declining current account deficit



P=Preliminary. Fiscal year ends in March. Source: Reserve Bank of India.

Past performance does not guarantee future results.

¹ Bloomberg, based on Brent crude oil.

Youthful Advantage

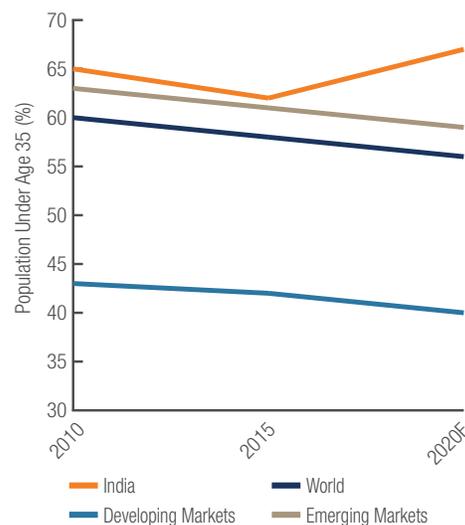
India is the world's largest democracy with a population of about 1.3 billion people and boasts having one of the world's largest and youngest workforces. Currently, 62% of the population is under the age of 35 and this is forecast to increase to 67% by 2020, significantly higher than the rest of the world (chart 3). By 2020, India is expected to account for 28% of the world's workforce. India's workforce will have an average age of 29 years compared to 37 years in China and the US and 45 years in Western Europe.²

India's young and growing workforce is favorable for the country's competitiveness by providing benefits such as a low-cost

labor force, improving labor productivity, and an expanding domestic market. India's de facto national language, English (as a result of the country's history as a British colony), is also a positive differentiation relative to other emerging markets for many global businesses.

If India is able to meet the challenge of creating enough jobs for the existing workforce, raising education standards and producing skilled workers, the country would have a significant advantage in global markets.

Chart 3: India has one of the world's youngest populations



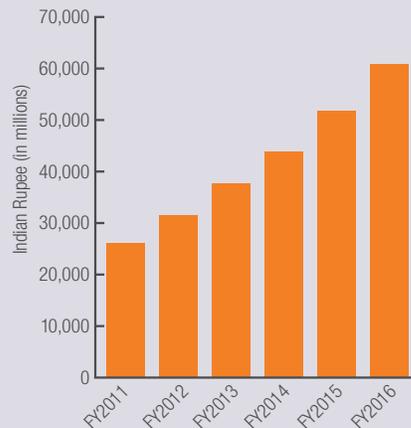
F=Forecast. Source: US Census Bureau. Forecasted numbers are projections and not guarantees.

Apollo Hospitals

Apollo Hospitals is a leading private sector healthcare services provider in India and operates one of the largest hospital networks in Asia. With a network of 69 hospitals and over 9,500 beds, Apollo Hospitals is well-positioned to benefit from demand growth from a rapidly growing middle class in India. The company's revenue grew at a compounded annual growth rate of 18% from 2011 to 2016.

Mirae Asset Global Investments may or may not hold positions in the companies discussed and this is not a recommendation to buy, hold or sell these companies.

Revenue



Source: Apollo Hospitals Annual Report. Financial year ends in March.

²Ernst and Young, FICCI, "Reaping India's promised demographic dividend."

Rise in Consumption

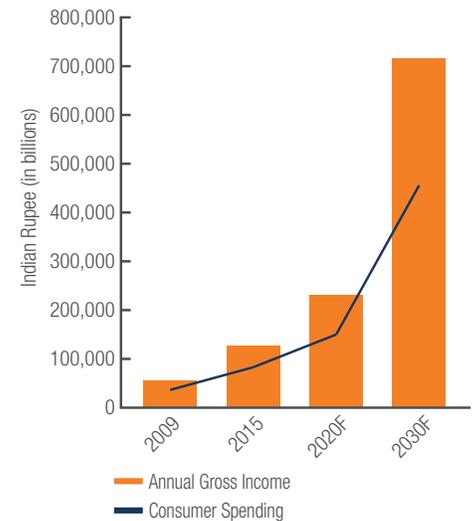
Younger consumers typically have more spending years ahead of them and a higher propensity to spend. Naturally, an increase in disposable income should also lead to more spending. India has indeed experienced an upsurge in consumerism as a result of higher incomes. From 2009 to 2015, annual incomes and consumer spending have more than doubled and these upward trends are anticipated to continue (chart 4).

As the India consumer moves up the consumption ladder, spending behavior and patterns will inherently change. Discretionary spending is likely to increase as Indian

consumers gain more awareness, demand better-quality products and seek more aspirational items such as cars and smartphones. According to India's largest car maker, Maruti Suzuki India, the local car market in India is projected to reach 5 million units in annual sales by 2020, up from 2.7 million units in 2015.³

By 2030, India is forecast to have the second largest consumer base, after China, in the world.⁴ The sheer scale of this consumer base attests to the vast investment opportunities presented by India's domestic demand story.

Chart 4: Income and consumer spending expected to continue growing



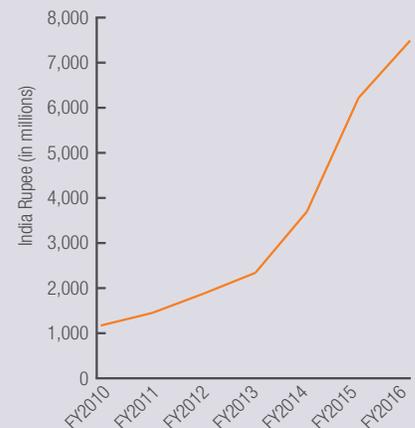
F=Forecast. Source: KPMG-FICCI.
Forecasted numbers are projections and not guarantees.

Britannia Industries

Britannia is a leading food company in India with access to more than half the Indian population through their retail outlets. The company has the advantage of understanding the local palate and the demands of the rising middle class in India. Britannia has seen a steady increase in net profit over the past six fiscal years.

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Net Profit



Source: Britannia Industries Annual Report.
Financial year ends in March.

³ 2015 car sales data from OICA (International Organization of Motor Vehicle Manufacturers).

⁴ KPMG-FICCI.

“Make in India”

Narendra Modi became the 15th Prime Minister of India in May 2014. After years of economic disappointment in India, Modi’s vision of a stronger, pro-business and economy-focused India led him to win the election with the largest majority in over 30 years. Since then, he has embarked on an ambitious plan to modernize India. Included in this plan is the “Make in India” initiative which was launched in September 2014. The goal of “Make in India” is to transform India into a global manufacturing hub which aims to create 100 million additional manufacturing jobs, boost the global competitiveness of the sector, and raise the manufacturing contribution to GDP from 16% to 25% by 2022.⁵

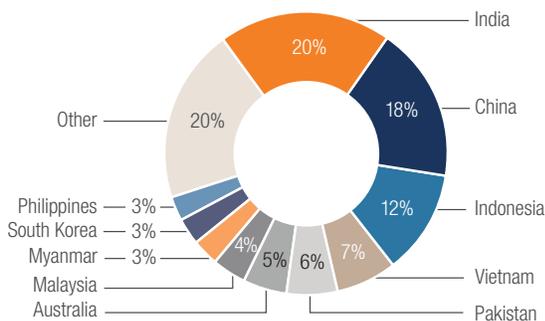
A main priority of the initiative is to attract and increase foreign investments by making a number of bold and unprecedented reforms to rules on foreign direct investments (FDI) into India. Reforms include opening up new sectors for foreign investment, easing or removing FDI caps on existing sectors (see sidebar for full list of sectors), and simplifying the FDI policy to improve the ease of doing business for foreign companies.

These reforms have helped India become a more attractive investment destination. In 2015, India overtook China to become the top FDI destination in the Asia-Pacific region with investments of \$63 billion compared to China’s \$57 billion (chart 5).

India has also moved up 16 places on the Global Competitive Index from 2015 to 2016,⁶ another sign that the government’s

reform efforts have improved its business standing around the world. While the speed of reforms is proceeding slower than markets expected, progress has been made. This includes the passage of the Goods and Services Tax Bill which simplifies India’s current complicated tax structure and is widely considered to be an important step towards modernizing India.

Chart 5: India is the top FDI destination in Asia-Pacific in 2015



Source: The FDI Report 2016. Based on capital investments.

25 “Make in India” Sectors



- Automobile Components
- Aviation
- Chemicals
- Construction
- Defense Manufacturing
- Electrical Machinery
- Electronic Systems



- Food Processing
- IT & Business Process Management
- Leather
- Media & Entertainment
- Mining
- Oil & Gas



- Ports & Shipping
- Railways
- Roads & Highways
- Space
- Textiles & Garments
- Thermal Power
- Wellness



⁵ Source: Make in India.com.

⁶ World Economic Forum.

Investing in India's Dynamic Economy

India is poised to become the world's third largest economy by 2030.⁷ Its fast-growing economy is an indication that the country is likely to have a major role in the global economy and investors have many reasons to be bullish. The Modi government's economic and pro-business initiatives have brought confidence back to India and helped position the country as a very attractive market for investors.

Rising incomes are likely to continue to encourage consumption going forward. India's large and diverse consumer base, along with the country's economic reforms and manufacturing focus, presents a vast array of opportunities for investors in sectors ranging from retail to pharmaceuticals to banking.

Amid India's enormous investment opportunity, challenges and risks persist. Uncertainty and volatility typically feature in the markets of fast-growing economies. Investors should have a long-term outlook, and the companies that are likely to benefit most from India's growth potential will need to have a deep understanding of local markets, business practices, and cultural preferences. As an emerging markets expert with offices on-the-ground and investment professionals around the world, Mirae Asset has the expertise to identify companies that may succeed and thrive in today's India.

To learn more about Mirae Asset's range of actively managed emerging market funds, please visit us at investments.miraeasset.us

⁷ Cebr Global World Economic League Table.

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Foreign Direct Investment (FDI) — refers to an investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor.

Global Competitive Index — a report from the World Economic Forum that assesses the competitiveness landscape of 138 economies, providing unique insight into the drivers of their productivity and prosperity.

Gross Domestic Product (GDP) — is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Past performance is no guarantee of future results.

Investment Risk — There can be no guarantee that any investment strategy (risk management or otherwise) will be successful. All investing involves risk, including the potential of loss of principal. **Emerging Markets Risk** — The risks of foreign investments are typically greater in less developed countries, which are sometimes referred to as emerging markets. For example, legal, political and economic structures in these countries may be changing rapidly, which can cause instability and greater risk of loss. These countries are also more likely to experience higher levels of inflation, deflation or currency devaluation, which could hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative. Similarly, investors are also subject to foreign securities risks including, but not limited to, the fact that foreign investments may be subject to different and in some circumstances less stringent regulatory and disclosure standards than US investments.

An investor should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information about the investment company can be found in the Fund's prospectus. To obtain a prospectus, please contact your financial advisor or call (888) 335-3417. Please read the prospectus carefully before investing.

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