UTI India Dynamic Equity Fund

September 2017 Review

Commentary on Equity Markets

The MSCI India Index started the month at 18.59 and closed at 17.75 decreasing by 4.52% over the month. As per latest data, FIIs were net sellers in Equity with outflow of USD 1.64 Bn vs. outflow of USD 1.98 Bn seen last month. FIIs bought USD 0.15 Bn in Indian debt compared to inflow of USD 2.34 Bn last month. Domestic Mutual Funds were net buyers in equities with substantial net buying of USD 2.42 Bn in the month.

Commodities and Inflation

NYMEX Crude Oil prices rose by ~9.4% from the previous month levels, ending at 51.67 per barrel; the prices were higher by ~7.1% yoy. LMEX closed at 3124.70 lower by ~2.9% over the month (higher ~26.3% yoy). Gold prices closed at USD 1289/oz lower by ~1.36% over the previous month. The USD Index strengthened vs. other currencies with USD rising ~0.44% over the month; over the year the USD Index was lower by ~2.5%.

Despite a flat base, August headline CPI at 3.36% came in much higher than July (2.36%). Overall price momentum (1% MoM) was on the back of rise in price pressures across segments. Overall inflation internals for August reveal (i) sharp uptick in the food index tracking surge in cereals & vegetable prices, (ii) higher commodity driven inflation (crude & gold) and (iii) persistent price pressures in services leading to a stubborn core index. The food index (up 1.2% MoM) now reflects the delayed trend summer seasonality. Vegetable prices (up 5.9% MoM) witnessed a notable upsurge tracking higher prices of onions. The food index inched up basis 0.5% MoM surge in cereals. Protein based items such as pulses, meat & fish and egg marked a MoM decline in prices. Core inflation inched up to 4.5% from 4% in July. Core inflation ex-transport & communication stood higher at 3.9%.

Debt Markets & Real Economy

The G-Sec market traded subdued amidst growing concerns on meeting the fiscal deficit to GDP target of 3.2%. The market was also cautious ahead of the RBI monetary policy as participants keenly await RBI's stance given slowing GDP growth on one hand and signs of rising inflation and fiscal concerns on the other. The 10 year benchmark yield ended the month at 6.66% compared to 6.48% previous month. The 1 Year CD yield was seen trading at 6.61% (6.52% previous month) and the 10 year AAA bond ended at 7.47% compared to 7.31% previously.

July IIP at 1.2% came in better than -0.1% seen in June. Mining, Manufacturing and Electricity grew 4.8%, 0.1% & 6.5% respectively As per Use based classification, Primary goods (2.3%) remained largely supported by heavyweight items such as electricity & mining. Capital goods (-1%) has persistently remained in the contractionary mode reflecting the muted investment cycle. Intermediate goods (-1.8%), marked a consecutive contraction hinting at dim prospects of strong future production. Consumer durables make evident the dent in consumption post demonetization as their growth fell sharply from 5.6% between Dec'15-Nov'16 to an average of -2% seen since Dec'16. Nondurables grew 3.4% with 'Digestive enzymes & antacids' once again the highest positive contributor to overall IIP.

As per the latest RBI data, Forex reserves position increased to USD 402.25 Bn over the month. The Rupee depreciated by ~2.2% closing at 65.3950 Rs/USD vs. 63.9450 Rs/USD last month.

India's Q1FY18 Current Account Deficit stood at a four year high of USD 14.3 bn (2.4% of GDP); higher than USD 3.4 bn (0.6% of GDP) seen in Q4FY17. On a QoQ basis, higher CAD was due to wider trade deficit (USD 41.2bn). Lower exports (tracking weak global demand & stronger INR), high overall imports (muted domestic production hints at some import substitution), higher gold imports and high global commodity prices implied a wider trade deficit. YoY basis marked higher invisibles tracking a healthy growth in services (15.7%) as well as steady remittances. While most services, viz. travel, construction, insurance and other business services grew; the heavyweight IT services (97% of overall services) declined 1.5%YoY.

Sector-wise Performance

Key outperforming sector during the month was Healthcare. The sector is witnessing revival in investor interest as valuations have become extremely attractive post a long period of underperformance. Also, while the impact of channel consolidation and increased competition in the US market will continue to be felt for some more time, the sector is finally witnessing some improvement in the regulatory environment in the US as a few companies managing to get their manufacturing facilities re-inspected by the US FDA without any significant adverse observations. We have been emphasizing upon the superior growth prospects for pharmaceutical companies in both domestic as well as international markets. At the current valuations, the sector presents attractive opportunities to generate long term returns. We continue to remain positive on the sector.

The key underperforming sector during the month was Consumer Goods. The sector has been one of the highest wealth generating sectors over the last few years and valuations appear to have reached expensive levels. As a result, there is some profit booking being witnessed in stocks within the sector. Also, there is a likelihood of growth in the near term being lower than earlier expectations as disruptions due to GST implementation may continue and a below normal monsoon in some parts of the country may impact rural / semi-urban consumption. However, the long term growth prospects for the sector continue to remain extremely robust as rising income levels combined with low penetration create a scenario for healthy demand for many years to come. We continue to remain positive on the sector and may increase exposure in case of a healthy correction.

Market Outlook

After a slight fall in the previous month, the market started on a positive note making a fresh all-time high. However, the momentum fizzled out in the second half of the month as concerns regarding deterioration in fiscal deficit made foreign investors turning net sellers for the second month in a row also reversing the Rupee's strong run so far. While speculations regarding announcement of a fiscal stimulus package continue, no such indication has been provided by the Government so far. Taking advantage of the correction, domestic institutions continued to invest which has supported the market. Going forward, a reversal in the declining GDP growth rate and pick up in corporate earnings remain the key parameters to watch. While current valuations appear expensive, the long term fundamentals remain healthy. Strong earnings growth can drive markets to even higher valuations. Any sharp correction in the market shall be utilized as an opportunity to invest.

	USD Institutional	USD RDR	USD Retail	Euro	Euro Retail	GBP RDR
ISIN	IE00BYPC7R45	IE00BYPC7S51	IE00BYPC7Q38	IE00BYPC7T68	IE00BDH6RQ67	IE00BDH6RR74

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Austria

Erste Bank der oesterreichischen Sparkassen AG (the "Paying Agent") having its registered office at OE 01980869, AM Belvedere 1, A-1100 Wien, Austria has been appointed as the paying agent and information agent in Austria in accordance with sec. 141 para 1 of the IFA 2011. Investors may seek further information as to the subscription and redemption procedure applicable to the Fund from the Paying Agent.

Germany

The Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Agency for Financial Services Supervision) has been notified pursuant to Sec. 132 Investmentgesetz (Investment Act) of the intention to publicly distribute Shares of the Fund in the Federal Republic of Germany. The legal documents can be obtained in German, free of charge, from the information agent. The Information Agent in Germany is BHF-BANK Aktiengesellschaft, Bockenheimer Landstrasse 10, 60323 Frankfurt am Main.

Hong Kong

The distribution of this document/ the prospectus / KIID or any marketing material ("this material") of the Fund ("the Fund"), may only be made in Hong Kong in circumstances that do not constitute an issue, invitation or offer to the public under the Hong Kong Securities and Futures Ordinance ("Securities and Futures Ordinance"). This material is confidential to you. The contents of this material have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offering of the shares described in this material. If you are in any doubt about any of the contents of this material, you should obtain independent professional advice. The Fund has not been authorized by the Securities and Futures Commission in Hong Kong pursuant to Section 104 of the Securities and Futures Ordinance nor has the offering memorandum been registered by the Registrar of Companies in Hong Kong pursuant to the Hong Kong Companies Ordinance ("Companies Ordinance"). Accordingly, unless permitted by the Securities and Futures Ordinance no person may issue or have in its possession for issue in Hong Kong this material or any other invitation, advertisement or document relating to the Participating Shares interests in the Fund to anyone other than (1) to professional investors within the meaning of the Securities and Futures Ordinance and any rules made there under, (2) to persons and in circumstances which do not constitute an invitation or offer to the public within the meaning of the Securities and Futures Ordinance or the Companies Ordinance, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the Securities and Futures Ordinance and the Companies Ordinance

Ireland

The Fund is an open-ended investment company with variable capital incorporated with limited liability in Ireland under the Companies Acts, 1963 to 2012 with registration number 516063 and established as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011). The Fund is both authorised and supervised by the Central Bank. Authorisation of the Fund by the Central Bank shall not constitute a warranty as to the performance of the Fund and the Central Bank shall not be liable for the performance or default of the Fund. The authorisation of the Fund is not an endorsement or guarantee of the Fund by the Central Bank and the Central Bank is not responsible for the contents of the Prospectus of the Fund.

Singapore

The Fund is a recognised scheme under the Securities and Futures Act, Chapter 289 of Singapore ("SFA"). A copy of the Singapore Prospectus has been lodged with and registered by the Monetary Authority of Singapore ("MAS"). Investors from Singapore must read the Singapore prospectus and the product highlights sheet before making any investment decision. The MAS assumes no responsibility for the contents of the Singapore Prospectus. Registration of the Singapore Prospectus by the MAS does not imply that the SFA or any other legal or regulatory requirements have been complied with. The MAS has not, in any way, considered the investment merits of the Company. The distribution of this Singapore Prospectus and the offering or sale of the Shares in the Company in some jurisdictions may be restricted or prohibited. Persons who have possession of the Singapore Prospectus of the Fund must inform themselves about and observe such restrictions or prohibitions.

Switzerland

The Company is authorized for public distribution in and from Switzerland by the Swiss Financial Market Supervisory Authority ("FINMA"). Investors from Switzerland should read the Consolidated Prospectus for use solely in Switzerland. The representative and paying agent in Switzerland is RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Badenerstrasse 567, P.O. Box P.O. Box 1292, 8048 Zurich (the "Representative") . In Switzerland, the funds prospectus, Key Investor Information Document (KIID), the articles of association, the annual and semi-annual reports may be obtained free of charge from the Representative. In respect of the units distributed in and from Switzerland, the places of performance and jurisdiction is the registered office of the Representative."

U.K

Any financial promotion contained herein, as defined by UK regulations, has been approved by UTI International Limited (FCA no:183361); a firm authorised and regulated by the Financial Conduct Authority ("FCA") . U.K The Fund mentioned herein has been recognised by the FCA pursuant to section 264 of the FSMA. Facilities Agent is UTI International Limited,45 King William Street London EC4R 9AN United Kingdom. Copies of the legal documents can be obtained in English, free of charge, from the Facilities Agent at 45 King William Street London EC4R 9AN, United Kingdom. The promotion of the Company in the United Kingdom can be carried out by persons authorized to carry on investment business in the United Kingdom under the FSMA and is not subject to the restrictions on promotion contained in section 238 of the FSMA. The FCA has not approved and takes no responsibility for the contents of the Prospectus or the UK Country Supplement or for any document referred to in them, nor for the financial soundness of the Fund or for the correctness of any statements made or expressed in the Prospectus or the UK Country Supplement or any document referred to in them.

United States of America

The Shares have not been nor will they be registered under the U.S. Securities Act of 1933, as amended (the "1933 Act"), or registered or qualified under the securities laws of any of the states of the United States. The Shares may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any "U.S. Person" (as defined in Regulation S under the 1933 Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and any applicable state securities laws.

Neither the Company nor any Fund will be registered under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), pursuant to Section 3(c)(7) of the 1940 Act. Accordingly, Shares will only be sold to "U.S. Persons", as defined in Regulation S under the 1933 Act, who are "qualified purchasers", as defined in the 1940 Act or the regulations thereunder, or as otherwise consistent with Section 3(c)(7) of the 1940 Act. Each subscriber for Shares that is a U.S. Person, as defined in Regulation S under the 1933 Act, will be required to certify that it is both an "accredited investor" as defined in Regulation D under the 1933 Act and a "qualified purchaser" as defined in Section 2(a)(51) of the 1940 Act or the regulations thereunder. The qualifications for an "accredited investor" and a "qualified purchaser" are set out in detail in Appendix III to this Prospectus.

The Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC") or any state securities commission, nor has any such regulatory authority passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is unlawful.

The Directors do not intend to permit Shares of any Fund of the Company acquired by investors subject to the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and by other benefit plan investors, as defined in ERISA, to equal or exceed 25% of the value of any such Class (determined in accordance with ERISA). Accordingly, each prospective applicant for Shares will be required to represent and warrant as to whether and to what extent he is a "benefit plan investor" for the purposes of ERISA.

For additional information on investments by U.S. Persons, including certain U.S. securities law, U.S. federal tax, and ERISA and other benefit plan considerations, please see Appendix III to this Prospectus.

Other jurisdictions

The distribution of this document of the Fund or Prospectus of the Fund and the offering of Shares of the Fund may be restricted in certain jurisdictions. This document or the Prospectus of the Fund does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorised or the person receiving the offer or solicitation may not lawfully do so. It is the responsibility of any person in possession of this document or the Prospectus of the Fund and of any person wishing to apply for Shares of the Fund to inform himself of and to observe all applicable laws and regulations of the countries of his nationality, residence, ordinary residence or domicile.