

India's consumer prices (CPI Inflation) corrected sharply to 2.3% in November 2018 from 3.8% in October 2018 primarily on account of continued deflation in the food group as well as a sharp sequential fall in core inflation. Food inflation continued on deflation territory and declined by 2.6% in November 2018, on account of softening in vegetables, pulses and sugar prices as well as partly due to favourable base effect. The core-CPI inflation softened to 5.7% in November 2018 from 6.1% in October 2018 led primarily by miscellaneous items, housing, and clothing and footwear. The inflation related to fuel and light declined to 7.4% in November 2018 from a level of 8.5% in October 2018. The Wholesale Price Index (WPI) moderated to 4.6% in November 2018 from 5.3% in October 2018 led by lower food, fuel and core inflation. The RBI's Monetary Policy Committee (MPC), at its review meeting in December, decided to keep policy rates on hold, at 6.50% while sticking to a calibrated tightening stance. RBI also significantly lowered the inflation range for H2FY2019 by more than 100

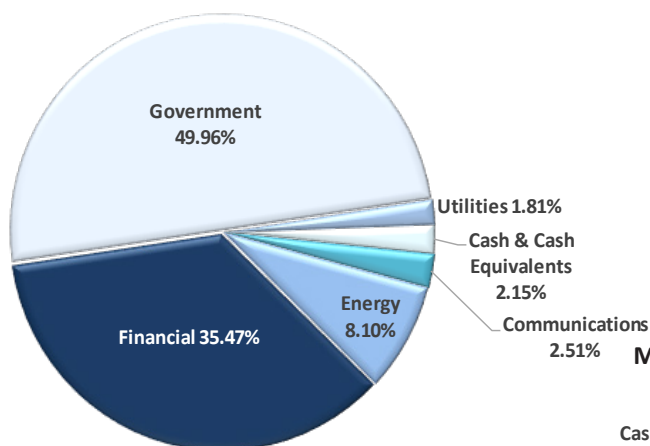
bps to 2.7-3.2% while H1FY2019 forecasts were kept at a benign 3.8-4.2% owing to moderating inflation, softening crude oil prices and waning of HRA impact. Further, RBI also highlighted that they will continue to manage the banking system liquidity on a durable basis through further OMO's till end of March 2019 and may increase the frequency and quantum of OMO's depending on FX intervention and overall liquidity requirements of the system. In a rapid turnaround of events, and about 24 hours after the resignation of Dr. Urjit Patel, the government moved swiftly and appointed Shaktikanta Das as the 25th Governor of the Reserve Bank of India for a period of three years. Governor Das is not new to policy making. He is an experienced bureaucrat from the Indian Administrative Service. He served as the Economics Affairs Secretary and Revenue Secretary at India's Ministry of Finance. He was a member of the Fifteenth Finance Commission of India, and India's Sherpa to G20. In these capacities he is well acquainted with the domestic and foreign investor community and

policymakers across several institutions of India. He was amongst the top government officials during the demonetization episode, Goods and Services Tax implementation and the enactment of India's new Bankruptcy Code.

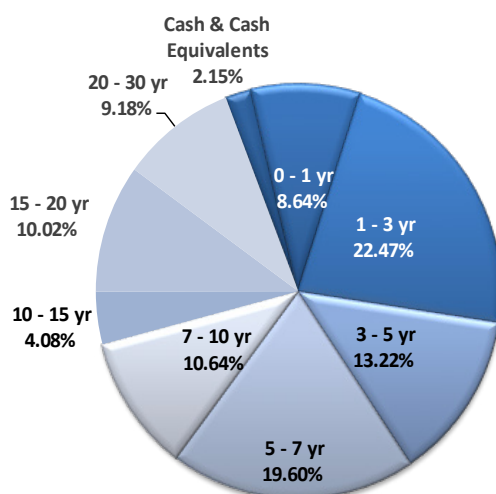
Outlook

A rate pause in the RBI policy was largely factored in by the market. However the RBI's mention of space opening up ahead for appropriate policy action in case upside risks to inflation do not materialize led to market expectations of policy easing going ahead. In light of the developing macro-economic environment, we believe that rate hike cycle has ended and expect policy continuity with the next policy probably seeing a change in stance to neutral at the back of benign inflation prints assisted by low food and fuel inflation. Durability of the current benign inflation would probably determine the course of future rate action. Since the environment is supportive of local bond yields, we have added duration in our fund.

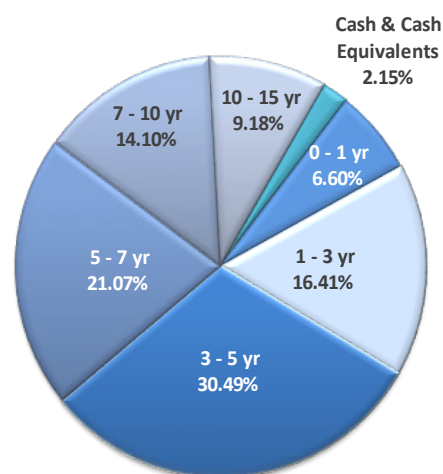
Sector Allocation



Maturity Allocation



Duration Allocation



	USD Institutional	USD RDR	USD Retail
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Bloomberg code	BBG003LYY2M9	BBG003LYY2R4	BBG003LYY301
	USD Super Institutional	SGD Retail	EUR Institutional
ISIN	IE00BD3WYC32	IE00BDH6RX35	IE00BDH6RW28
Bloomberg code	BBG00FFBC4K1	BBG00FFBCIF3	BBG00GSNSVH6

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