Five reasons why we believe Indian equities could spice up your portfolio

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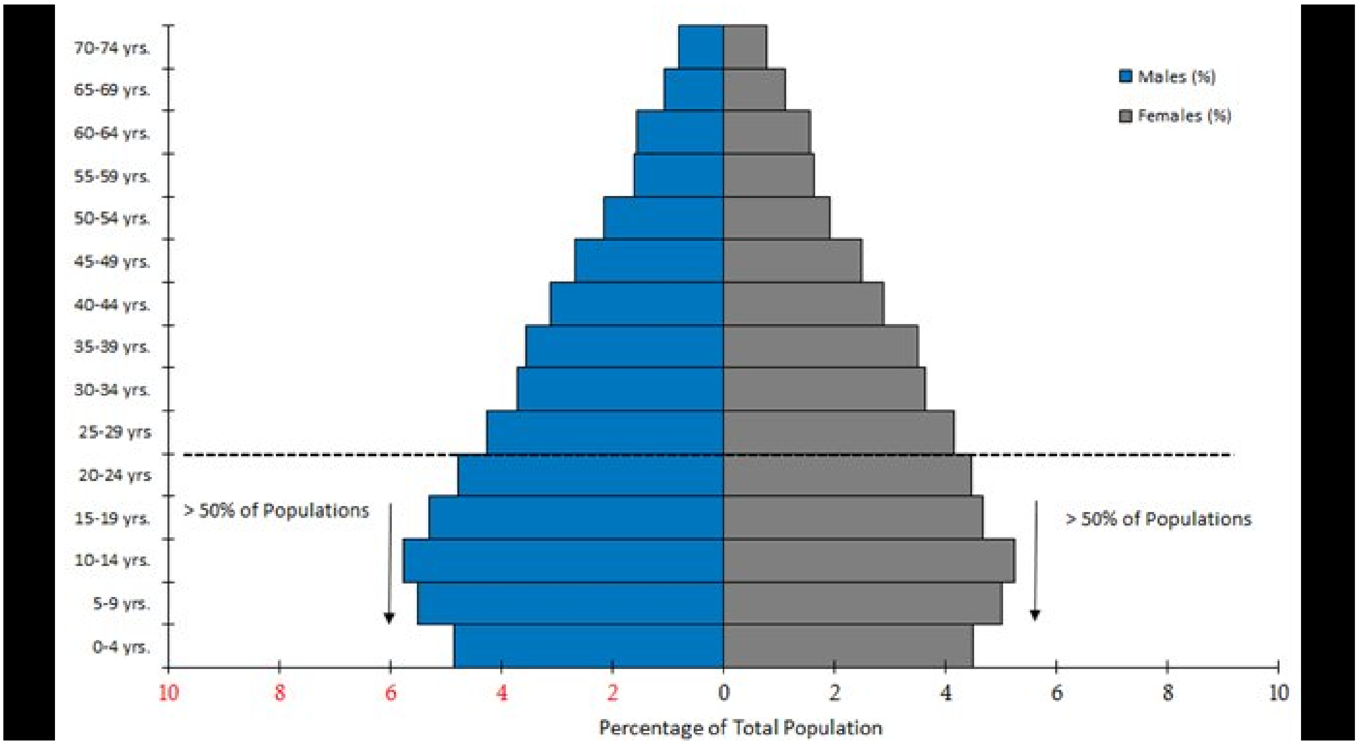
India is at an interesting crossroad where leadership is pro-actively taking tough reforms for long-term growth. Two pillars of the Indian economy, that is consumption and demographics, have encouraging projected growth numbers.

Furthermore, India has policymakers that are not shy of taking bold steps and opening the economy; a central bank that successfully fought inflation is now supportive of growth through lenient monetary policy; financial planning that is accelerating consumption, infrastructure and digitisation; and a global macro environment that is not disruptive of growth in India.

We believe that investors interested in Emerging Markets who hold an overweight position in Indian equities will benefit from long-term growth. Here are five other reasons why we believe India presents a hot investment opportunity:

1. A fast-growing workforce: By 2050, India's workforce1 is expected to have grown from the current 674 million to a staggering 940 million. To put this into perspective, the US workforce will be a little over 200 million in 2050 at its current rate and China is likely to be facing a shrinking workforce. This will potentially drive up labour costs in China—which would be a dent to its competitiveness.

Chart 1: India's Demographic Distribution



Source: United Nations Statistics Department, as of 31/12/2016

2.Strong projected growth compared to Emerging Market peers: India is the only large accessible economy that is projected to grow at 7% or more for a foreseeable future.2 Unlike China, which for many years economists emphasised should shift from an export-centric model to a more self-contained economy, India has been an economy sustained by robust consumption.

3. Low debt to accelerate growth: Due to its relatively low debt levels, India can increase debt issuance with ease, thereby accelerating growth without running into the risk of excess debt levels. In 2015 Domestic Credit to the private sector (% of GDP) stood at 52.6% for India compared to 153.3% for China.This reflectsChina's years of rising debt and state-driven investments which have created excess capacity in several sectors.

4.Consumption driven economy: Juxtaposing India's favourable demographics with its consumption expenditure, it's no surprise that India's ~60% consumption expenditure to GDP ratio is much higher than the ~39% of China.3 This indicates an economic model that is hugely influenced by local consumption with greater potential insulation from global headwinds.

5.Liberalisation of the economy and key reforms: Another key element to India's growing economy is that the Modi government has been gradually opening various sectors of the economy to foreign investors. Areas like Construction Projects, Cable Networks, Agriculture and Plantation (Coffee, Rubber and Palm Oil, etc.), Air Transportation (non-scheduled and ground handling) are now allowed 100% Foreign Direct Investment (FDI). This is compared to other sectors like Defence and Broadcast that have been allowed, for now, an increase to 49% in FDI. We believe this creates opportunities for investors to invest in sectors which were earlier not accessible. The Modi government is also in the process of implementing what could be the single biggest tax reform under the ‘Goods and Services Tax’ or GST bill. Under this taxation scheme, all states and central taxes would be combined to create a consistent tax structure across the entire country, converting the whole nation into one market place. Several other key reforms on boosting consumption, infrastructure spending, debt recovery for banks, etc., are also in the process of being implemented.

1)A workforce is defined as people between 15-59 years’ old.

2) IMF projections until 31/12/2020, as of 31/12/2016

3) World Bank, as of 31/1/2017

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+ WisdomTree India Quality UCITS ETF - USD Acc (EPIE)

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