OBEROI CAPITAL PARTNERS

OCP 2015 Outlook and Investment Strategy

Outlook for 2015

Outlook – Looking back many investors would have expected 2014 to be a much bumpier year, with US central banks winding down their quantitative easing, Ebola, the Russia-Ukraine feud, a collapsing oil price, weak commodities and the continuous hapless attempts to stimulate European growth. Nevertheless, with the exception of a sharp sell-off in October, global markets led by the US continued their relentless march to new all-time highs. Yes, the IMF downgraded its outlook for global growth for 2015, and OCP expects more volatile and swinging stock markets in the next 12 months but we continue to believe in a steady recovery from the 2007/2008 financial crisis. OCP would like to highlight the below themes, which we believe will be of impact in 2015.

- OCP expects the US economy to stay on track for 3% GDP growth in 2015, driven by stronger labour markets, continuing strength in corporate earnings and housing markets, and weaker oil prices supporting consumer demand.

- Europe will continue to be hampered by structural inefficiencies, a weak consumer and deflation, with the sole bright spot being a declining Euro which should help drive exports.

- Headwinds remain for commodity markets in 2015 as the oil glut, deflation, a strong US dollar, as well as weaker demand by China, continue to put the sector under pressure. On the flip side, a weaker oil price is a boon for the consumer, which should lead to an unexpected boost for global growth towards the later part of 2015.

- OCP continues to see central banks being accommodative and maintaining low interest rates which will support equity markets and provide fertile ground for private equity and M&A deals, especially in the commodities and oil & gas sectors.

Power

Fossil fuels are finite; nevertheless our nations are burning through a lot of proven oil supplies. Combined with the increasing threat of climate change and its consequences, governments are looking to reduce their dependence on fossil fuel by looking for alternative energy sources. The main areas of renewable energy and power are hydro-electric, nuclear, wind, solar, and bio fuels. OCP believes that there are few industries likely to produce as many companies with significant earnings growth potential as the energy industry. Therefore OCP has partnered with power and water funds, whose managers understand and anticipate the wide-ranging implications of the different themes discussed, putting investors in a position to reap significant rewards.

Mining

Weak forecasted global growth continued to play havoc with base metal pricing in 2014. Valuations are under pressure but are cheap and look to be bottoming out with China demand plateauing and inventories peaking following significant mining CAPEX cuts. Despite the painful price moves, OCP believes the mining space will see significant consolidation across 2015, as valuations in the junior mining sector are low and only the very best projects will be completed. Even though we do not see an immediate rebound in commodity prices we do believe that selective use of capital coupled with the appropriate knowhow will significantly drive investor returns over the next 4-5 years. That is why OCP has teamed up with a mining fund with an excellent track record of sourcing and bringing mines up the value chain and into production.

Oil

OPEC cut the forecast for how much crude oil it will need to provide in 2015 to the lowest in 12 years, amid surging US shale supplies and reduced estimates for global consumption. Prices now are below what 10 out of OPEC's 12 members need for their annual budgets to break even. Kuwait and Qatar are the exceptions. With weaker global oil demand, the oil price will remain under pressure during the first 6 months of 2015 at least. Nevertheless OCP believes that oil prices will stabilize in 2015 as sharp price drops are always accompanied by CAPEX costs, which ultimately reduces production and supply. This current weakness in the oil price will force many of the ME oil producing countries to look for yield outside the energy space which should will lead to interesting inflows in alternative assets, real estate as well as direct and private equity investments in the mining and power space. Structurally, this should lead them to a permanent move away from oil dependency which should help economic growth for the region going forward.

Private Equity & Healthcare Investing

- P/E deal making in 2014 has been far more selective, as sky-high asset prices and strong competition have presented difficult circumstances for investors looking for value with circumstances unlikely to change in 2015.
- OCP sees an aging population, lifestyle diseases such as diabetes, growth in China and India, and treatment and technology advances driving further growth in healthcare in 2015. The global life sciences sector is experiencing an explosion of technology-based treatment innovations, which will drive M & A activity and consumer demand. OCP views healthcare as a cornerstone of value creation for its investors with very little correlation to markets and midsize deals in the USD50-100mln range remaining in focus.

Real Estate

London's residential real estate prices have been making new highs on a monthly basis but with a potential government changes early in 2015 and the possibility of rising interest rates coupled with a crowded investor space we see 2014 as marking a near term top. OCP, however, continues to believe that there is significant upside in **the London commercial real estate market** in both yield and capital appreciation. OCP has established an excellent pipeline of commercial real estate that together with its partners it continues to invest in; targeting a 5% cash yield coupled with 10-15% IRR over a 3-4 year period. The average investment ticket is around GBP60mln in equity and GBP100mln in debt. We have seen strong inflows by Russian and Middle Eastern investors and believe London's geographical position, transparent deal making environment and financial safety profile will continue to draw significant investments into the arena.