

# AVENUES

## INDIA AVENUE EQUITY FUND

### MARKET COMMENTARY: AUGUST 2017

The India Avenue Equity Fund fell by 0.85% over the 3 months to August 2017. However, the Fund's valuation has risen by **12.39%** since inception (6<sup>th</sup> September 2017), outperforming the Fund's benchmark (MSCI India in AUD) by **247bps** (after fees) over this period. Although geopolitical risk and concerns around valuation continue to dominate investor sentiment of late, India's equity market remains relatively robust with domestic inflows more than offsetting foreign outflows. Greater participation by local investors is a positive sign in our view as it reduces the reliance of foreign capital. Whilst India's landmark tax reform GST is in its early days, there are early signs of expansion of the tax base. Nominal GDP has accelerated post demonetization and thus could potentially result in higher tax revenues. After a normal monsoon period, which greatly benefits farmers, it's likely that rural demand will pick-up going forward. Our portfolio has several companies like Hindustan Unilever, Mahindra and Mahindra and Britannia to name a few, that are likely to benefit from an increase in consumption demand from the rural economy (which includes 70% of the population).

### FUND PERFORMANCE (Performance in AUD, net of management fees and fund expenses)

	3 Months	6 Months	Since Inception <sup>#</sup>	Anniversary <sup>^</sup>
India Avenue Equity Fund Wholesale	-0.85%	12.96%	13.08%	12.39%
MSCI India	-0.45%	13.01%	10.83%	9.92%
Out/Under Performance	-0.39%	-0.05%	2.25%	2.47%
iShares India ETF	-1.33%	11.77%	8.70%	8.10%
ASX 200	0.87%	2.40%	9.99%	9.72%
MSCI EM	2.79%	14.55%	16.94%	15.45%
India Avenue Equity Fund Retail	-0.86%	-	3.36%	-
MSCI India	-0.45%	-	3.11%	-
Out/Under Performance	-0.41%	-	0.25%	-

Past performance is not a indicator of future performance

Above returns are calculated based on the exit price of 31<sup>st</sup> August 2017 assuming the reinvestment of all distributions.

<sup>#</sup>Inception Date: Wholesale - 6<sup>th</sup> Sept 2016, Retail - 6<sup>th</sup> April 2017

<sup>^</sup>Anniversary returns are calculated based on NAV of 6<sup>th</sup> Sept 2016 for Wholesale

### FUND OBJECTIVE

The India Avenue Equity Fund is a registered, unlisted unit trust, which invests in listed companies trading on Indian stock exchanges or on other exchanges, with significant exposure to India's growing economy. The Fund aims to outperform its benchmark in AUD terms, after fees and over rolling 5 year periods.

### FUND RATING

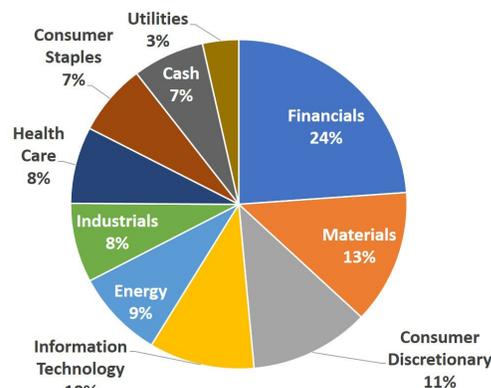
- Lonsac Rating: Recommended\*
- SQM Research Rating: Superior

### FUND FACTS

Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered managed investment trust
Inception Date	6 <sup>th</sup> September 2016
Fund Size	\$10.05 Million
Unit Price	Wholesale: 1.1133 Retail: 1.1131
Base Currency	Australian Dollars
Responsible Entity	Equity Trustees Limited
Custodian	Fund BPO / BNP Paribas
Auditor	KPMG
Benchmark	MSCI India in AU\$
Distribution Freq.	Yearly at 30 June
Management Fee	Wholesale: 1.10% p.a. Retail: 1.50% p.a.
Buy-Sell Spread	0.50% / 0.50%
Performance Fee**	10% of the excess return above the benchmark
Dividend History	Wholesale: 1.16% Retail: 1.15%

\*\*Subject to a high watermark.

### SECTOR ALLOCATIONS



Source: IAIM Research and Bloomberg

### TOP 5 INDUSTRIES

Industries	Weight
Banks	21.1%
Materials	13.1%
Software & Services	10.2%
Automobiles	9.6%
Energy	8.6%

Source: IAIM Research and Bloomberg

# AVENUES

## COMPANY REVENUE GENERATED LOCALLY %



Source: Bloomberg

0%

72%

100%

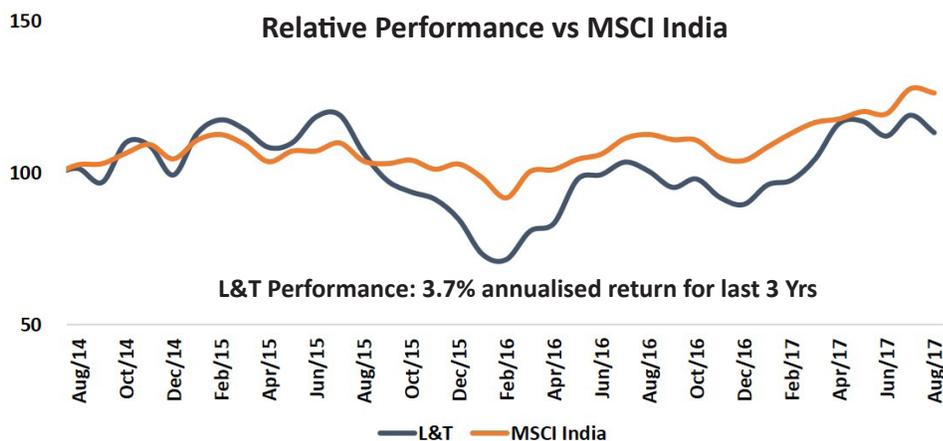
The focus of the portfolio is to generally invest in companies which have a high component of their revenue generated locally in India. This provides significant leverage to the local economy's strong growth potential.

## TOP 10 STOCKS

Name	Description	Weight
ICICI Bank	Banks	5.7%
Kotak Mahindra Bank	Banks	4.3%
Indian Oil Corporation	Energy	3.9%
Hindustan Unilever	Consumer Staples	3.7%
Tata Motors	Automobiles	3.6%
Infosys	Software & Services	3.4%
Larsen & Toubro	Capital Goods	3.4%
Tata Metaliks	Materials	3.1%
Mayur Uniquoters	Consumer Discretionary	2.9%
Sun Pharmaceuticals	Health Care	2.9%

Source: IAIM Research and Bloomberg

## STOCK STORY: LARSEN & TOUBRO



Source: MSCI, ACE software, India Avenue Research

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- Larsen & Toubro (L&T) is an engineering, construction and manufacturing conglomerate in India with operations in over 30 countries
- Prime Minister Narendra Modi's focus on improving India's transportation infrastructure and his initiatives like Smart Cities, Housing for All & Make in India will provide huge boost to companies like L&T operating in the engineering and construction business. The government plans to spend AU\$1 trillion on infrastructure build over the next 5 years
- A strong order book of AU\$51.5 bn at 3.2X TTM sales, ensures visibility of L&T's earnings for FY17-19. Maturing execution of key large projects in hand and steady flow of new orders is strengthening L&T's international business. With domestic project gathering momentum, L&T is on track to achieve its sales guidance of AU\$40 bn by FY21 at a CAGR of 12-15%
- Asset monetisation (divest non-strategic businesses, port & road assets) will improve L&T's return ratios and unlock shareholder value

## ABOUT INDIA AVENUE

India Avenue Investment Management (IAIM) is a boutique investment company focused on providing investment solutions for clients in Australia and New Zealand who seek exposure to India's growth potential through its capital markets.

The India Avenue Equity Fund is managed by the team at IAIM and has a bias towards companies which are experiencing strong growth through rising local demand. The Indian economy's robust ecosystem provides a tailwind for several well managed and carefully selected listed companies.

## FUND IDENTIFIERS

IDENTIFIERS	WHOLESALE	RETAIL
ARSN	611 374 586	
ISIN	AU60ETL04826	AU60ETL04784
Citi Code	NFCK	NF2H
Morningstar	41512	41828
APIR Code	ETL0482AU	ETL0478AU

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