

# Avenues

## 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 economy. The Fund aims to outperform its benchmark in AUD terms, after fees and over rolling 5-year periods

## Fund Rating

Lonsec Rating: Recommended\*

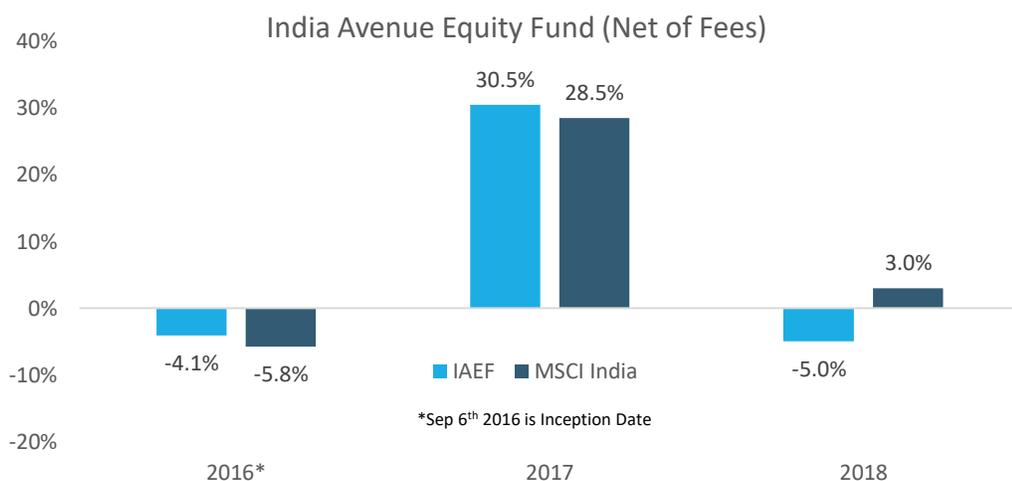
## Fund Facts

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	\$23.0 million
Unit Price	Wholesale: 1.1694 Retail: 1.1612
Base Currency	Australian Dollars
Responsible Entity	Equity Trustees Limited
Custodian	Mainstream / BNP Paribas
Auditor	KPMG
Benchmark	MSCI India in AU\$
Distribution Freq.	Yearly at 30 June
Management Expense Ratio	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
FY18 Dividend	Wholesale: 0.67 cpu Retail: 0.67 cpu

\*\* Subject to a high watermark

## Fund and Market Commentary: December 2018

Calendar Year 2018 was a very difficult year for equity markets around the world with most markets in the red. Earlier this month, we published a detailed research note on what happened in 2018 and our outlook for 2019. For those that missed it, please [click here](#) to read it. India was one of very few markets that were an exception to this, rising 3% in AUD terms. However, from a relative performance point of view, 2018 was a very difficult market to beat, as the top 5 stocks which comprise 35% of the index was responsible for more than 100% of the index returns. In other words, the index ex the top 5 was in fact down for the year! This was particularly damaging to our relative performance given our exposure to this part of the market is half that of the index. Furthermore, given our all cap exposure, (the fund holds large, mid and small cap stocks) 2018 saw large-caps stocks outperform mid and small cap stocks by very large margins of 20% and 35% respectively. Despite this, we continue to hold high conviction in our philosophy which seeks to provide greater depth to India's equity market through exposure to companies that are benefiting from locally derived revenue and expected to be India's successful companies of tomorrow. Our portfolio utilizing this philosophy performed relatively strongly in 2016 and 2017 and whilst 2018 was a setback, we feel over the long term will provide investors with significant outperformance.



## India Avenue Equity Fund Performance (in AUD and net of all fees)

	Wholesale	1 Month	3 Months	6 months	1 year	2 years (p.a.)	Since Inception (p.a.) #
IAEF		4.09%	4.46%	-0.29%	-4.99%	11.34%	7.75%
MSCI India		3.59%	5.38%	5.19%	2.99%	15.03%	9.98%
Excess		0.50%	-0.92%	-5.48%	-7.97%	-3.69%	-2.23%

	Retail	1 Month	3 Months	6 months	1 year	2 years (p.a.)	Since Inception (p.a.) #
IAEF		4.05%	4.34%	-0.62%	-5.57%		4.47%
MSCI India		3.59%	5.38%	5.19%	2.99%		8.91%
Excess		0.46%	-1.04%	-5.81%	-8.56%		-4.44%

Past performance is not an indicator of future performance

Above returns are calculated based on the exit price of 31st December assuming the reinvestment of dividends

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

## 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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## Company Revenue Generated Locally



Source: Bloomberg

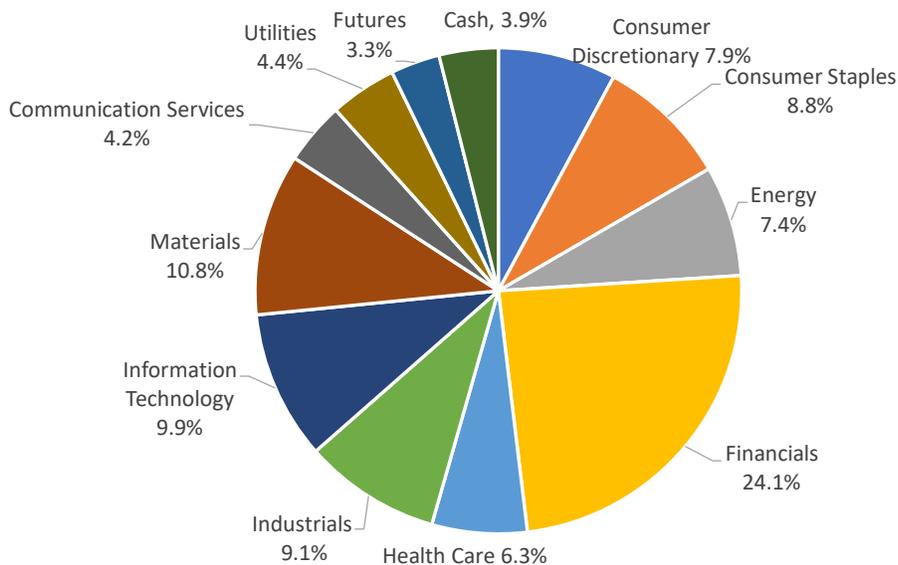
The focus of the portfolio is to generally invest in companies which have a high component of their revenue generated locally in India. This provides significant leverage to the local economy's strong growth potential.

## Top 10 Stocks

Name	Industry	Weight
Infosys	IT Services	4.5%
Sun Pharmaceuticals	Pharmaceuticals	4.3%
ICICI Bank	Banks	3.7%
Mahindra & Mahindra	Automobiles	3.5%
HDFC Bank	Banks	3.3%
Reliance Industries	Oil & Gas	3.0%
NTPC	Power & Renewables	2.6%
Wipro	IT Services	2.6%
State Bank of India	Banks	2.6%
Bharti Airtel	Communication Services	2.5%

Source: India Avenue, Bloomberg

## Sector Allocation



## India Macro News

- India's GDP is expected to grow at 7.3% in the fiscal year 2018-19, and 7.5% in the following two years, the World Bank has forecast, attributing it to an upswing in consumption and investment. The bank said India will continue to be the fastest growing major economy in the world. On the other hand, China's economic growth is projected to slow down to 6.2 % each in 2019 and 2020 and 6 per cent in 2021, according to the January 2019 Global Economic Prospects report released by the World Bank.
- India is poised to become the third-largest consumer market in the world behind the US and China, with consumer spending in India expected to grow from USD 1.5 trillion at present to nearly USD 6 trillion by 2030, according to a World Economic Forum report. With an annual GDP growth rate of 7.5%, India is currently the world's sixth-largest economy. By 2030, domestic private consumption, which accounts for 60 per cent of the country's GDP, is expected to be the major driver of growth going forward, largely insulating it from any global trade wars.

## India Micro News

- Tech giant IBM said it has received 9,100 patents in 2018 across areas like artificial intelligence (AI), cloud computing and cybersecurity, with India being the second highest contributor with over 800 of patents behind the US.
- Uber has picked India as its 'world lab' for mobility and transport as part of its global research and development (R&D) strategy. The company has 10 centres across the world, with Asia being represented by only India. Uber is doubling its engineering strength in its R&D centres at Hyderabad and Bengaluru next year.

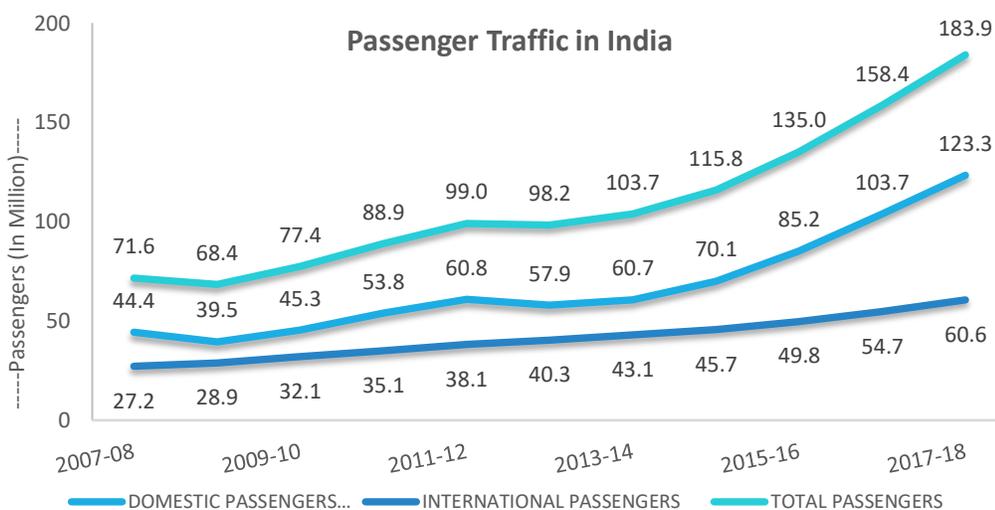
## Thematic: India's Aviation Sector is Taking Off

We believe the Airline industry in India is a structural story unlike many other developed markets around the world. Typically, investors shy away from airline stocks as they are considered cyclical, with thin profit margins driven by significant price competition and costs that are heavily dependent on volatile fuel prices. Whilst India's Airline industry is not immune to this, the industry is relatively nascent compared to global peers and the drivers underpinning revenue and passenger growth in India are structural, driven by urbanisation, wealth and demographics. Whilst India has become the third largest domestic aviation market in the world and is expected to overtake UK to become the third largest air passenger (both domestic and international) market by 2024, estimates are that only 3% of India's population has travelled via plane.

We see several structural factors likely to continue to grow India's aviation sector.

- Capacity is increasing rapidly to service demand. In 2018, the major Indian carriers together took deliveries of over 120 planes compared to 88 planes in 2017.
- Over the next 4 years, India's aviation industry is expected to witness ~US\$5billion in investment. The Indian government is planning to invest US\$ 1.8billion for development of airport infrastructure by 2026
- Increasing wealth, particularly the rising middle class and youth are spending discretionary income on leisure, with travel and holidaying being priorities

Domestic air passenger traffic is dominated by 9 major players, with IndiGo having the maximum market share (43%) followed by Jet Airways (12.8%), SpiceJet (12.5%) and national carrier, Air India (12.2%). Looking at the chart below, significant growth in passenger numbers can be seen with 15% CAGR over the last 5 years.



Source: Directorate General of Civil Aviation, Government of India

India's aviation industry remains far from being saturated with huge growth opportunities. One just needs to consider that air transport is still expensive for the majority of the country's population, but with nearly 40% of the population in the upwardly mobile middle class, air travel will become increasingly available.

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