

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 th September 2016
Fund Size	\$31.7 million
Unit Price	Wholesale: 1.2388 Retail: 1.2278
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
FY19 Dividend	Wholesale: 2.653 cpu Retail: 1.248 cpu

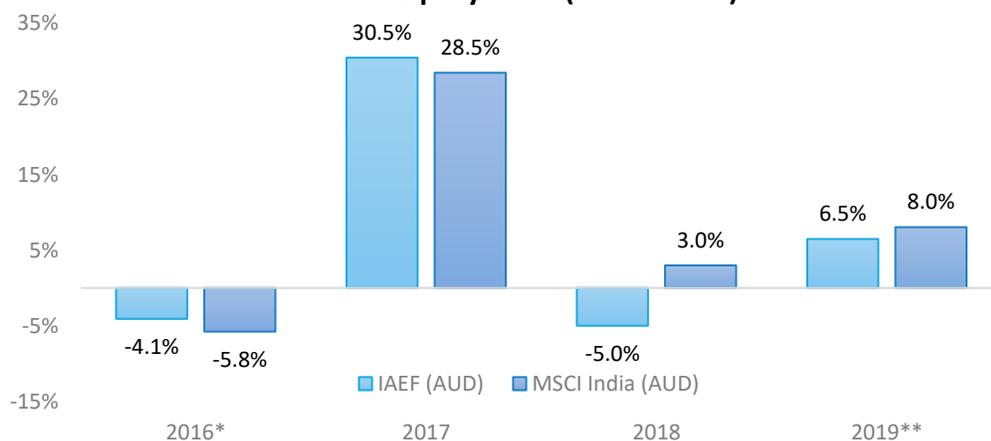
** Subject to a high watermark

Fund Commentary: June 2019

The month of June saw the market peak and subsequently correct as the Modi re-election euphoria settled down. With elections over, the market's focus has shifted back to fundamentals, and as such 1QFY20 earnings will be critical to see if there are any early signs of a highly anticipated yet long time coming earnings pick-up.

Unfortunately, there continues to remain an increasingly large dispersion between earnings growth and market returns as multiple expansion continues. India has typically had a strong linkage of GDP growth to corporate earnings. However, over the last 3 years, earnings have only risen 5.3% p.a. whereas the Nifty Index has risen 14% p.a. Whilst many individual stocks have performed relatively poorly reflecting the slowdown in earnings growth, the index has been masking the weakness and superficially appears to be healthy, with a few stocks (namely the top 10 or 15 names) accounting for the gains. To put this into perspective, the Nifty index constructed of the top 15 stocks is up approximately 30% as of December 2017 while the index of the other 35 stocks is down approximately 10%. Our fund continues to focus on attractively valued names with healthy earnings growth despite the significant divergence between the index heavyweight names and the rest of the market. We continue to feel that a healthy mix of large, mid and small caps will win over the long term. Our portfolio is trading 2 multiples cheaper than the index given the expensive valuations of the index.

India Avenue Equity Fund (Net of Fees)



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

	Wholesale	1 Month	3 Months	6 months	1 year	2 years (p.a.)	Since Inception (p.a.) #
IAEF		-2.71%	0.57%	6.46%	6.15%	7.12%	8.74%
MSCI India		-1.54%	1.73%	8.04%	13.65%	12.09%	11.17%
Excess		-1.17%	-1.16%	-1.58%	-7.50%	-4.97%	-2.43%
	Retail	1 Month	3 Months	6 months	1 year	2 years (p.a.)	Since Inception (p.a.) #
IAEF		-2.75%	0.47%	6.27%	5.61%	6.62%	6.32%
MSCI India		-1.54%	1.73%	8.04%	13.65%	12.09%	10.63%
Excess		-1.21%	-1.26%	-1.77%	-8.04%	-5.47%	-4.31%

Past performance is not an indicator of future performance

Above returns are calculated based on the exit price of 30th June 2019 assuming the reinvestment of dividends

#Inception Date: Wholesale 6th Sep 2016, Retail 6th 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

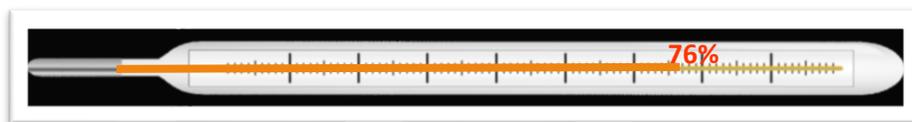
Fund Identifiers

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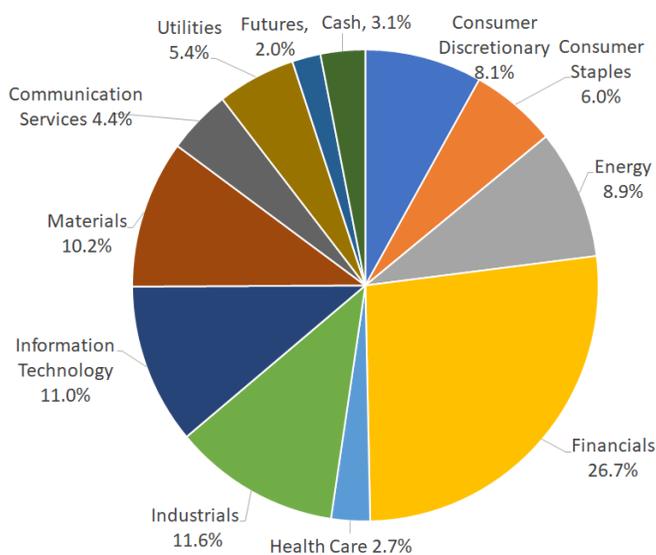
The focus of the portfolio is to generally invest in companies which have a high component of their revenue generated locally in India. This provides significant leverage to the local economy's strong growth potential.



Top 20 Stocks

Name	Industry	Weight
ICICI Bank	Banks	5.7%
Infosys	IT Services	4.9%
Reliance Industries	Oil & Gas	4.8%
NTPC	Power & Renewables	3.4%
HDFC Bank	Banks	3.3%
HDFC	Housing Finance	3.3%
Axis Bank	Banks	2.5%
Tata Motors	Automobiles	2.5%
State Bank of India	Banks	2.2%
Wipro	IT Services	2.2%
Mahindra & Mahindra	Automobiles	2.1%
Sun Pharmaceuticals	Pharmaceuticals	1.9%
Bharti Airtel	Communication Services	1.9%
Kotak Mahindra Bank	Banks	1.9%
RBL Bank	Banks	1.8%
Zee Entertainment	Media	1.7%
Polycab India	Electrical Equipment	1.7%
Dalmia Bharat	Cement	1.7%
HCL Technologies	IT Services	1.7%
Hindustan Unilever	Consumer Household Products	1.7%

Sector Allocation



Source: India Avenue, Bloomberg

India Macro News

- Foreign Direct Investment (FDI) to India grew by 6% to US\$42 billion in 2018, with strong inflows in the manufacturing, communications, financial services and cross-border merger and acquisition activities, according to a UN report. India was among the top 20 host economies for FDI inflows in 2017-18. It also reported some megadeals such as the acquisition of Flipkart, India's biggest e-commerce platform, by American giant Walmart. In addition, telecommunication deals involving Vodafone (UK) and American Tower (US).
- In line with the NDA's (Modi's coalition) election promise of Rs 100 trillion (US\$1.5tn) investment in the infrastructure sector by 2024, the NDA government is targeting spending on Metro projects, inland waterways, natural gas grids and airport privatisation, to give a fillip to private sector investment in the first few months of its tenure. This focus will continue to improve its efforts in terms of achieving higher execution rates to meet the ambitious targets. For example, the Government's manifesto talks of doubling the length of national highways by 2022 and building 60,000 km over the next five years. In terms of Airports, there were 65 functional airports in 2014 which has risen to 101 today. The plan is to double the number of functional airports over the next 5 years.
- India is forecast to overtake the UK to become the world's fifth largest economy this year and projected to surpass Japan according to a report by London based global information provider IHS Markit. As India continues to ascend in the rankings of the world's largest economies, its contribution to global GDP growth momentum will also increase. India will also play an increasingly important role as one of the Asia-Pacific region's major economic growth engines, helping to drive Asian regional trade and investment flows.

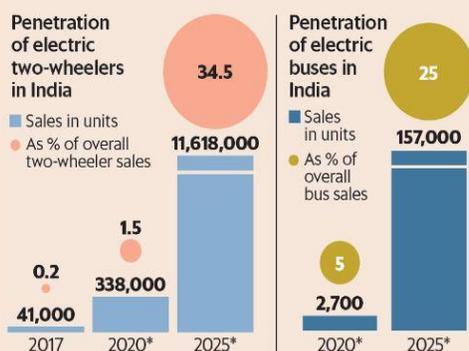
Thematic: Electric Vehicle Industry

India has joined the league of countries like China and Europe where the nascent Electric Vehicle industry growth is being backed by the Government. The recent India Budget 2019 announced extensive fiscal incentives to increase the use of electric vehicles. This reason behind this is to curb the increasing pollution as India is and home to some of the most polluted cities in the world. It would also reduce India's reliance on oil given it is the world's third largest oil importer. Reiterating to the Paris Agreement, India plans to make a major shift to electric vehicles by 2030.

The latest Budget has announced tax rebates of up to US\$2,190 to customers on interest paid on loans taken to buy electric vehicles with a total tax exemption of US\$ 3,650 over the entire loan period. One of the major obstacles regarding the purchase of EV's is the exorbitant price they sell at. Hence the Government has also exempted custom duty on imports of lithium ion cells to help bring down the cost. Additional tax benefits have also been applied to the makers of components such as electric charging infrastructure and lithium storage batteries and other components. The Indian Government has started the second phase of the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME2) with an outlay of US\$ 1.5 billion from April 1, 2019. Out of which, US\$ 145 million have been earmarked for setting up charging stations for electric vehicles. This includes incentives for electric buses, three-wheelers and two-wheelers used for commercial purposes. A government think tank, NITI Aayog, is also working on a proposal to ban all internal combustion engine two-wheelers under 150cc by 2025 and three-wheelers by 2023. In addition, the Government aims to develop India into a manufacturing sector for EVs and related components.

More EVs on Indian roads by 2025

By 2025, electric two-wheelers are expected to account for 34.5% of all two-wheeler sales in India, while electric buses will make up 25% of all buses sold.



Currently, the Indian electric vehicle industry is at a nascent stage. The electric vehicle market size was valued at US\$ 71.1 million in 2017 and is expected to reach US\$ 707.4 million by 2025, at a CAGR of 34.5%. The current market share of electric vehicles in India is a meagre 0.06%. As per a PWC Report, sale of 760,000 EV's was dominated by two-wheelers (16.4%) and three-wheelers (83%). Cost economics play a crucial role in India's EV growth especially in the passenger car segment.

Electric Vehicle manufacturers in India include Hero, Mahindra, Hyundai, Tata, Maruti and start-ups such as Electrotherm, Avon, Lohia, Ampere and others. One of our holdings is Mahindra & Mahindra Limited. The company is a pioneer of EV technology in the country and has branched out to produce a wide variety of EVs, expand power and drive train technology and provide mobility solutions to enable shared electric mobility. Currently, its product portfolio includes Treo (Low maintenance, Lithium-ion battery powered Three Wheelers), eVerito (Electric Sedan), eSupro (India's first all-electric passenger and cargo Van), eAlfa Mini (An electric powered Three-wheeler) and e20 Plus (electric car).

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