

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	\$30.4 million
NAV	Wholesale: 0.9644 Retail: 0.9629
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	0.35% / 0.35%
Performance Fee**	10% of the excess return above the benchmark
FY19 Dividend	Wholesale: 2.653 cpu Retail: 1.248 cpu

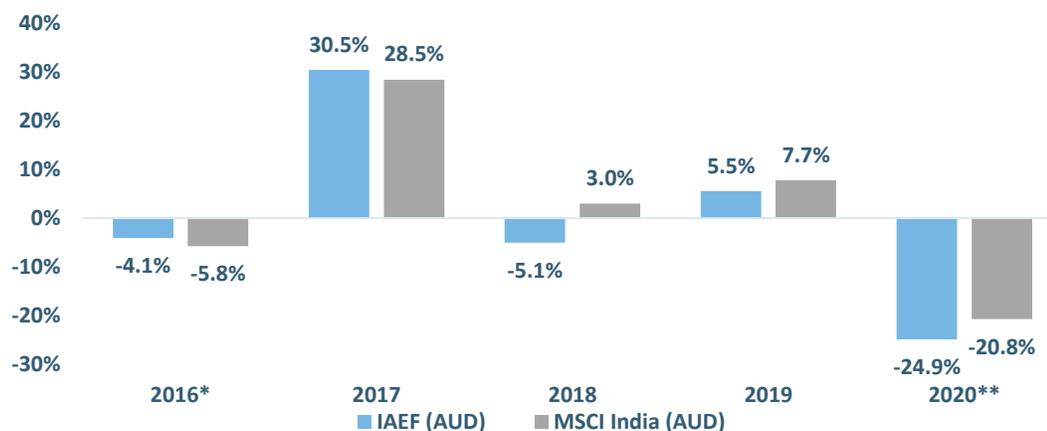
** Subject to a high watermark

Fund and Market Commentary: April 2020

The India Avenue Equity Fund (wholesale) rose 6.4% (net) for the month of April 2020, as global markets rebounded from a tumultuous March. Foreign investor outflows slowed down drastically from US\$8.4b in March to US\$0.03b in April. The Healthcare, Automobile and Non-Bank Financial Companies were the best performing industries.

Whilst the fall of the AUD during March helped reduced the drawdown, the opposite was true in April as the AUD bounced back to finish almost where it began at the start of March. Nonetheless the AUD's proxy for risk-on sentiment, means that Australian investors (and to a large extent, NZ investors given the correlation between the AUD and NZ) get downside protection by investing offshore (even in some EM countries), particularly in sharply declining markets. In local currency terms, India, as measured by Nifty 50 index was one of the top performers in April, up 15%, compared to other markets such as Taiwan (+13%), the US (+13%), Korea (+11%), Brazil (+10%), MSCI EM (+9%), Japan (+7%), Russia (+6%), the UK (+4%), China (+4%) and Indonesia (+4%). Over the last 10 years, MSCI India has outperformed MSCI Emerging Market index by 68%.

India Avenue's philosophy is focused on capturing India's growth story by the positioning of our portfolio. As a result of 'risk-off' market behaviour during COVID-19, our portfolio has been negatively impacted relative to our benchmark. However, our conviction towards growth remains as the economy starts to rebound from lockdown. Our Fund is now positioned to take advantage through high quality market leaders across industries as well as cyclical businesses which rebound as the country moves out of lockdown. **India Avenue Equity Fund Performance (in AUD and net of fees)**



	Wholesale	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)#
IAEF		6.42%	-24.34%	-21.35%	-21.29%	-9.47%	-3.36%	0.08%
MSCI India		8.58%	-17.56%	-15.02%	-14.15%	-2.57%	1.93%	3.99%
Excess		-2.15%	-6.79%	-6.32%	-5.91%	-6.91%	-5.29%	-3.90%
	Retail	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)#
IAEF		6.39%	-24.43%	-21.52%	-21.66%	-9.93%	-3.78%	-3.19%
MSCI India		8.58%	-17.56%	-15.02%	-14.15%	-2.57%	1.93%	2.32%
Excess		-2.19%	-6.87%	-6.49%	-7.51%	-7.36%	-5.71%	-5.52%

Past performance is not an indicator of future performance

Above returns are calculated based on the exit price of 30th April 2020 assuming the reinvestment of dividends

#Inception Date: Wholesale 6th Sep 2016, Retail 6th April 2017

About India Avenue

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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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Atma Nirbhar Bharat: A Self-Reliant India

Prime Minister Modi announced a significant stimulus package of approximately 10% of GDP last week. The total stimulus package detailed by the Government of India was AUD\$400bn. The package in its quantum is comparable to the stimulus injected by other developed economies like Japan (21%), US (13%), Sweden (12%) and Germany (11%). The package incorporates fiscal and monetary stimulus (RBI injected 3.2%) and is intended to provide a positive impact to the people and industries most impacted by the COVID-19 outbreak. The Finance Minister, Ms. Sitharaman unveiled the package over a series of five days, concluding Sunday 17th of May. Relatively to most emerging economies, the stimulus package was quite sizeable.

Philosophy of stimulus

The Government of India's philosophy on stimulus was a 'wait-and-see' approach. Rather than use their bullets early, the focus was on feedback loops with communities, industries and states, to determine where the stimulus was best directed. Additionally, they sought to save some ammunition as the economy emerged from lockdown, with the aim being to direct funds towards areas which needed the most support. The general views of the media, political and market commentators were that the Government had no ammunition and were concerned about a rating downgrade for the country, given the burgeoning fiscal deficit. However, there is an understanding that the issue is not the size of the fiscal deficit, but the sustainability of growth and demand, which drive greater revenues for the Government.

Where the money was spent

Previously, **39%** of the stimulus was injected through the RBI's liquidity measures and interest rate reduction. These measures focused on moratoriums for loans for 3 months, open market operations, liquidity injections and a 75bp interest rate cut. A further **9%** was focused on necessities for India's lower socio-economic groups in terms of food, cash flow and assistance.

In the recent tranches (Stimulus 2.0) announced last week we saw:

- 28%** directed towards MSME's, their employees and their credit lines. The focus was on working capital, relaxation of laws around bad debt classification for MSME's, reduction in pension contribution rates (with Government support provided). Additionally, liquidity and credit guarantee schemes were provided to Non-Bank Financial Companies to keep capital available to MSME's and society. Finally, liquidity injections were also provided for distribution companies and taxes reduced at source/collection.
- 15%** directed towards migrant workers (those who are part of India's informal economy and have travelled to find work), Housing for All (low-cost housing) and liquidity and funding for the agriculture/rural sector.

India Macro & Micro News

- India's Department of Fertilizers, Ministry of Chemicals & Fertilizers had a record sale of Fertilizers to the farmer community, which was 32% higher than last year.. Despite a lot of movement restrictions due to the nationwide lockdown, the concerted efforts of Department of Fertilizers, Railways, States and Ports has meant that the production and supply of fertilizers has continued without hindrance.
- Reliance Industries Limited, Jio Platforms Limited and Facebook, Inc. entered in binding agreements for an investment of US\$ 5.7 billion by Facebook into Jio Platforms. This investment by Facebook values Jio Platforms US\$ 66.10 billion pre-money enterprise value. This investment will translate into a 9.99% equity stake in Jio Platforms on a fully diluted basis. Jio Platforms, a wholly owned subsidiary of Reliance Industries Ltd (RIL), houses Reliance Jio Infocomm Ltd, with 388 million subscribers
- National Highway Authority of India has accomplished construction of 3,979 km of national highways in the financial Year 2019-20. This is the highest ever highway construction achieved in a financial year since its inception in 1995. The Ministry of Road Transport and Highways has envisaged an ambitious highway development programme *Bharatmala Pariyojana* which includes development of about 65,000 km national highways.

3. *7% directed towards micro enterprises in the food, fishing and animal husbandry industries and the creation of an agriculture infrastructure fund.*

4. *2% allocated towards rural employment guarantees*

Summary of stimulus

The focus of this round of stimulus is on agriculture and rural sectors, MSME's, local manufacturing and reforms. This forebodes well for India in the long-term as it increases self-reliance – the key thematic. Whilst India's place in the global supply chain and its exports are critical for its GDP growth, the focus of this budget is on protecting local industry, livelihoods and to provide support and agricultural reform for rural India, which still houses a majority of India's population.

Equity markets may be disappointed due to the lack of focus on driving demand through tax individual tax cuts or cash transfers. Additionally, there is no direction specifically towards COVID-19 impacted industries (aviation, hotels, restaurants) to help them survive the air-pocket in demand (remembering India was already in slow down mode from 2018).

However, this round of stimulus only outlays a further increase of 1% of GDP1 in the fiscal deficit (most of the stimulus is driven through the financial system and credit guarantees), with a buffer being reserved for future spending depending on the length and severity of the impact of the virus.

India's COVID-19 impact so far

1. *India extended the lockdown (commencing March 24th) for the third time to May 31st. In the last lockdown the country was broken into zones (red, orange and green), with over 80% of infections in the 130 red districts (out of 733 overall). The States will now decide the delineation of the zones. Gradually the economy is moving back into operation, with relaxation of inter and intra state travel, workplaces staggering their resumption, and shops in the non-containment zones allowing up to 5 people.*
2. *India's infected has now reached 100,000, with close to 40% of those recovered and a death rate just above 3%. Four of the 29 states contain 65% of the cases.*

Our View

We expect that equity markets will grapple with the stimulus and whilst acknowledging the package, will focus on the segments which may continue to remain impacted. It is our view that survival mode will still be emphasised in the current environment i.e. companies operating in Consumer Staples, IT, Utilities, Telecom and Pharmaceuticals i.e. Defensives.

Cyclical companies have more potential for upside from this point, but have greater risks involved dependent on their industry. It is our view that the largest players in cyclical industries will be the relative beneficiaries, by winning market share over weaker peers. It is not the time yet to align with cyclical players who require higher demand to thrive in fact we may be 12 months away at least.

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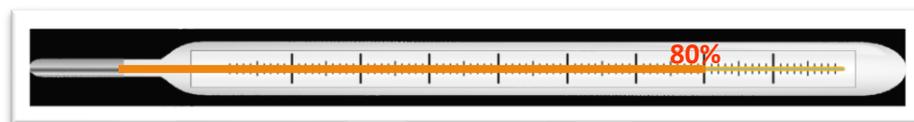
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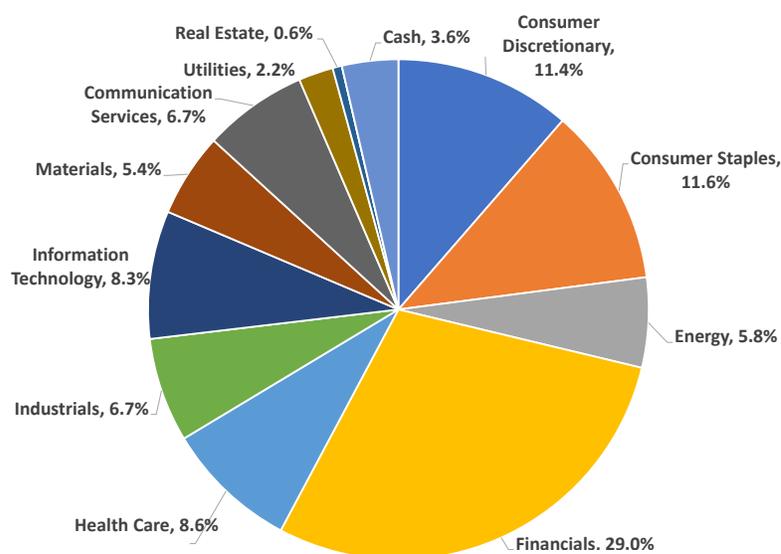
The focus of the fund is to invest in companies which generally have a high component of their revenue generated locally in India. This provides significant leverage to the local economy's strong growth potential.



Top 20 Stocks

Name	Industry	Weight
ICICI Bank	Banks	5.6%
Reliance Industries	Oil & Gas, Retail & Telco	4.8%
HDFC	Housing Finance	4.6%
Kotak Mahindra Bank	Banks	4.5%
HDFC Bank	Banks	4.5%
Bharti Airtel	Communication Services	4.2%
Tata Consultancy Services	IT Services	3.9%
Infosys	IT Services	3.7%
Avenue Supermarts	Hyper/Super Markets	3.7%
Maruti Suzuki	Automobiles	3.2%
Bajaj Finance	Non-Bank Finance	3.0%
Info Edge	Interactive Media and Services	2.5%
Symphony	Coolers & Air Conditioners	2.4%
Torrent Power	Electric Utilities	2.2%
Nestle India	Consumer Staples	2.2%
Divi's Laboratories	Pharmaceuticals	2.2%
Escorts	Tractors and Moving Equipment	1.6%
Indian Energy Exchange	Electricity Trading	1.5%
Cipla	Pharmaceuticals	1.5%
Motherson Sumi Systems	Auto Components	1.5%

Sector Allocation as at 30th April 2020



Source: India Avenue, Thomson Reuters

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