

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 6th September 2016

Fund Size \$37.0 million

NAV Wholesale: 1.1752
Retail: 1.1704

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

FY20 Dividend Wholesale: 0 cpu
Retail: 0 cpu

** Subject to a high watermark

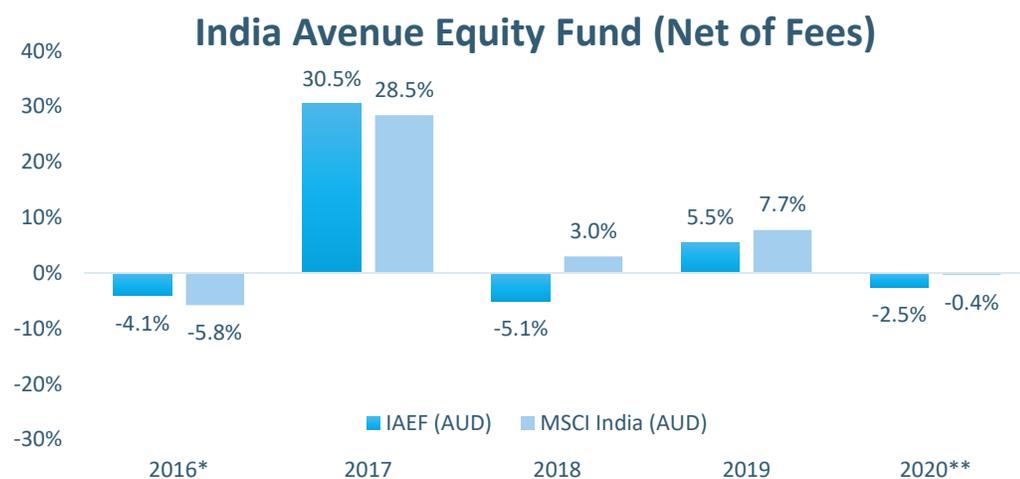
Fund and Market Commentary: November 2020

India's equity market continues to recover, up around 21.5% over the last 6 months in AUD terms. Our Fund has outperformed significantly, beating the benchmark by 5% over the same period returning 26.5%. India's corporate earnings over the last few years has been cyclically weak due to a host of factors ranging from significant reforms that are short term disruptive but critical to improving long-term domestic demand and fixing non-performing loans from banks that was stifling credit growth. However, the July-Sep 2020 earnings season has seen the weakening trend bottom out, with results being better than market expectations resulting in earnings upgrades. This coupled with positive global sentiment, resulted in 182 of the BSE-200 gaining this month.

This caught many foreign investors by surprise, resulting in November monthly inflows from Foreign Institutional Investors (FII's) recording their highest ever recorded monthly inflow of USD8.3bn. The Reserve Bank of India's Foreign exchange reserves also touched new highs. India now has the 5th highest foreign exchange reserves in the world.

Our Unique Approach

Our approach focuses on a broader set of Indian companies, not just the ones typically found in Global/Emerging Market funds or Emerging market indices. Our locally based advice partners in India have a strong record of identifying tomorrow's winners. We feel this is an important ingredient to generate long-term growth and remain knowing this is the best way to play the India growth story. As a business we seek to improve the investing experience for our investors by providing our insights of activity on the ground.



Strategy	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)#
IAEF (Wholesale)	15.23%	26.49%	-4.96%	3.66%	-0.12%	4.95%
IAEF (Retail)	15.11%	26.22%	-5.37%	3.21%	-0.61%	
MSCI India	10.93%	21.48%	-2.27%	5.67%	4.16%	7.22%
Excess vs. MSCI India	4.30%	5.01%	-2.20%	-2.00%	-4.27%	-2.27%

Past performance is not an indicator of future performance

*Above returns are calculated based on the exit price of 30th Nov 2020 assuming reinvestment of dividends
#Inception Date: Wholesale 6th Sep 2016, Retail 6th April 2017*

Excess returns illustrated above are for the India Avenue Wholesale Fund. The only difference between the Wholesale and Retail funds are the management fees charged. The underlying investments are identical.

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 professionally 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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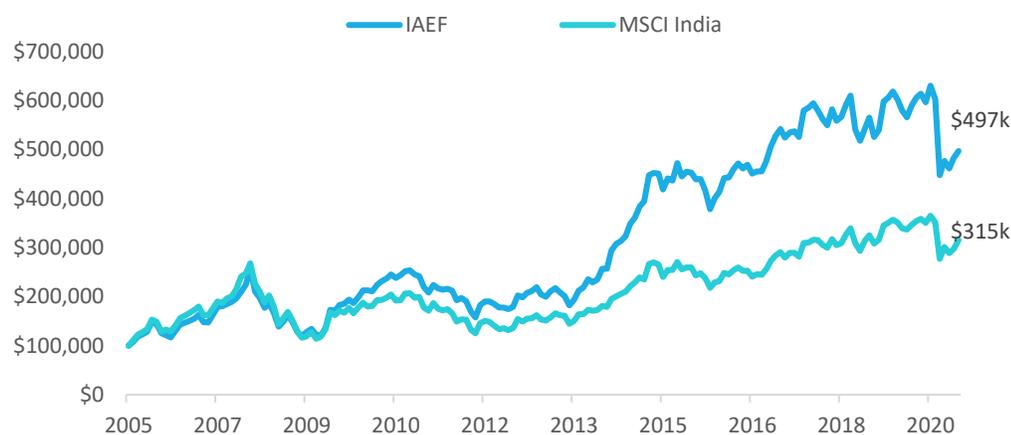
How to build sustainable long-term wealth in India

India's investment opportunity is immense. There are many global companies (Google, Facebook, Amazon, Samsung, Apple) and investment firms (Bridgewater Associates, Blackrock) that are heavily invested in India but sadly many other foreign investors remain ignorant to the opportunity or invest blindly and suffer a poor experience. This is particularly unusual given historically India's rolling 5-year returns over the past 28 years, on average, have been around 12.6% p.a. with only a handful of those rolling 5 periods delivering a negative return. So why is this the case?

Many investors are driven by media headlines and typically tend to sell during adversity and buy during euphoria. Education is critical when investing in a market like India so that investors are aware of what is going on and understand the ground realities. For example, from day one, we have articulated to our investors that you should build exposure during dire times as the structural story will outlast any cyclical events.

Unfortunately, we are currently seeing this despondence occur again. After March 2020 (COVID-19 month) correction, 5-year returns reached 0.23%. This has led some investors to question the validity of India's fundamental growth story. The same short-term underperformance cycles appear in active management. This is usually because during periods of strong growth in India (which happen more frequently than periods of weakness), local investors who understand India's ecosystem, markets and economics are in a far better place to take advantage. During periods of India's cyclical weakness, this advantage is reduced as markets reward short term safety and liquidity rather than growth. To illustrate this, we look at the achievements of our underlying local adviser partners over time. There are periods like the last 3 years where outperforming the benchmark have been tough. However, the last 3 years have also coincided with cyclical weakness, particularly in earnings. There have also been bumper years like 2009, 2014 and 2017 where outperformance can be significant as can be seen in the chart below.

India Avenue Equity Fund (using adviser returns, rebalanced 6m) vs MSCI India



With India's economic growth and earnings bottoming out we have already seen our fund start to outperform meaningfully. Additionally, we believe there will be a focus on sustainable growth, generated by quality businesses producing sustainable cash flow, leading to a significant change in weights and constituents of sectors and stocks. An active strategy with local insights is the best way to create wealth over the long term!

India Macro & Micro News

- Barclays updated its Indian economy's fiscal 2022 growth projections to 8.5% from an earlier 7% estimate, saying the country will "return to normal" faster than anticipated as the COVID-19 curve begins to soften.
- India may attract US\$ 120-160 billion per year of foreign direct investment (FDI) by 2025, according to an EY report. Traditionally, cars, chemicals, medicines, and pharmaceuticals have attracted the majority accounting for around 89% of FDI, but boosting electric vehicle (EV) manufacturing, high-end machinery manufacturing, and diversification of cotton textile and mining value chains are likely to further diversify FDI mix going forward
- India is now a net agri-machinery exporter to some of the advanced countries such as the US, the UK, Germany and Italy. Tractors are the largest component of the country's agri-machinery exports accounting for 66% of shipments. The global demand for agricultural machinery is expected to hit US\$ 279.5 billion by 2025, increasing at a compound annual growth rate (CAGR) of 6.5%.
- Mobile phone exports in India's are expected to record the highest shipments ever of US\$ 1.5 billion by value in 2020. From January to September 2020, Samsung leads the exports significantly, with 9.8 million smartphones followed by Xiaomi with 0.6 million units and Lava with 0.2 million smartphones. Vivo and OnePlus are the other smartphone exporters in the top 5.

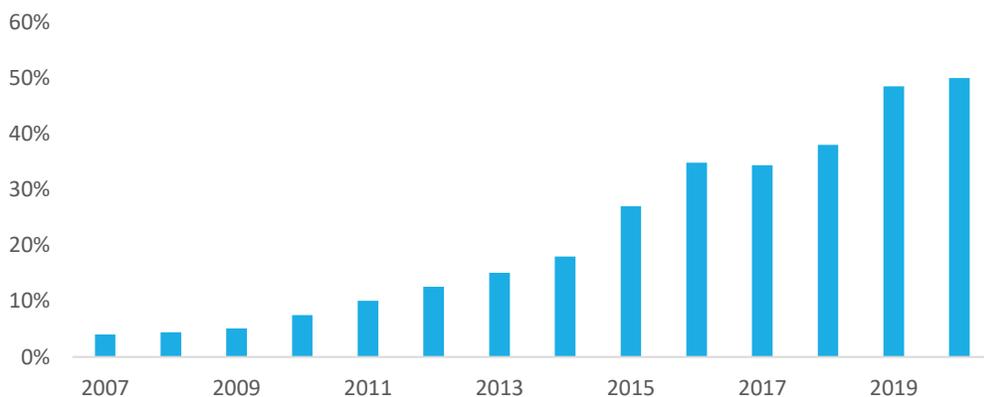
India's Best Pure Play Internet Company

One of our key holdings in the portfolio is Info Edge, one of India's oldest and only pure play internet companies. The best way to describe Info Edge to Australian or NZ investors is that it is a combination of Seek and REA group plus much more. Info Edge has an in-depth understanding of the Indian consumer internet domain and has strategically positioned itself across four online businesses that are fundamentally important to most people as they go through various stages in life. Namely, seeking higher education, finding or changing jobs, getting married and buying a house. This is particularly important for India given its youthful demographics (To put this into perspective, there are roughly 600 million Indians under the age of 25)

In addition to these 4 business lines, Info Edge also funds early-stage start-ups with minority stakes in internet unicorns in India. Examples of their current investments include Zomato (restaurant aggregator and food delivery start-up which also recently bought Uber Eats business in India) and PolicyBazaar (An online marketplace to compare and buy insurance policies)

Info Edge success comes from its long-term strategic thinking combined with execution capabilities and exemplary capital allocation track record. A market leader across most of its platforms and over two decades' worth of data put Info Edge in a prime position to strengthen its moat through the use of artificial intelligence, data analytics, and machine learning to drive. The combination of market leadership and a fast-growing industry through rising Internet penetration and e-commerce activity bodes well for India and typifies the opportunity India provides to investors with patient capital. It is unsurprising that the company has been a multi-bagger for shareholders, delivering 30% p.a. over the last 10 years.

India's Internet Penetration



Source: Statista

India's Internet Demographics

Age	% of Users	Gender
12-15	14%	Males 65%
16-19	17%	Females 35%
20-29	34%	
30-39	20%	

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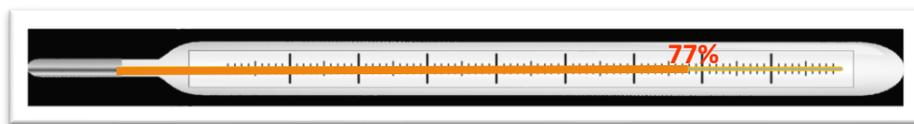
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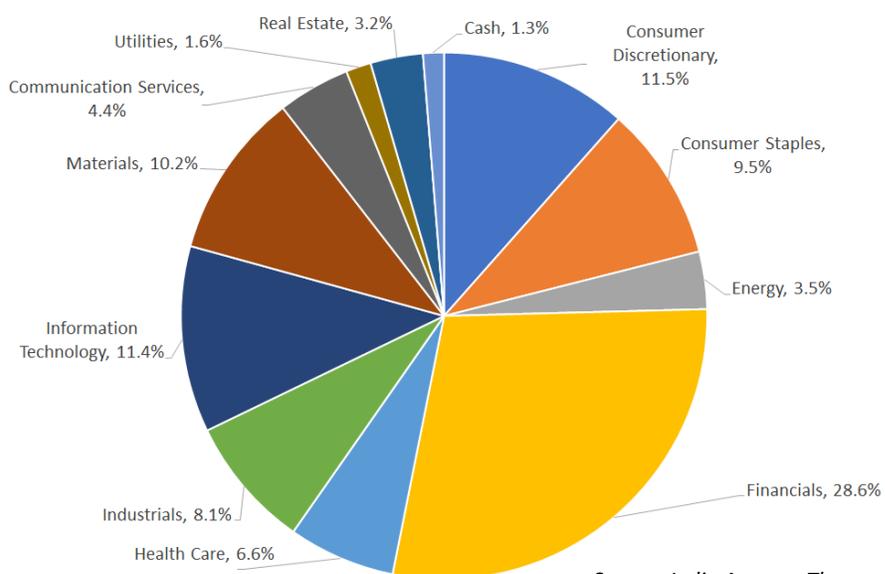
The focus of the fund is to invest in companies which generally have a high component of their revenue generated locally in India. This provides significant leverage to the local economy's strong growth potential.



Top 20 Stocks

Name	Industry	Weight
HDFC Bank	Banks	5.0%
Bajaj Finance	Non-Bank Finance	4.7%
Kotak Mahindra Bank	Banks	4.4%
Infosys	IT Services	4.3%
Tata Consultancy Services	IT Services	3.5%
HDFC	Housing Finance	3.3%
Maruti Suzuki	Automobiles	3.3%
Info Edge	Interactive Media and Internet Services	3.0%
ICICI Bank	Banks	2.8%
Redington India	IT Hardware & Supply Chain Solutions	2.7%
Reliance Industries	Oil & Gas, Telco and Retail	2.6%
Indian Energy Exchange	Power Trading	2.5%
Divi's Laboratories	Pharmaceuticals	2.3%
Motherson Sumi Systems	Auto Ancillaries	2.2%
Nestle India	Consumer Staples	2.1%
UPL	Agrochemicals	2.0%
Endurance Technologies	Auto Ancillaries	2.0%
Avenue Supermarts	Hyper/Super Markets	2.0%
AIA Engineering	Engineering	1.8%
Chambal Fertilizers	Agrochemicals	1.6%

Sector Allocation



Source: India Avenue, Thomson Reuters

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