

Avenues

Fund Objective

The India Avenue Equity Fund is a registered, unlisted unit trust, which invests in listed companies trading on Indian stock exchanges with 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

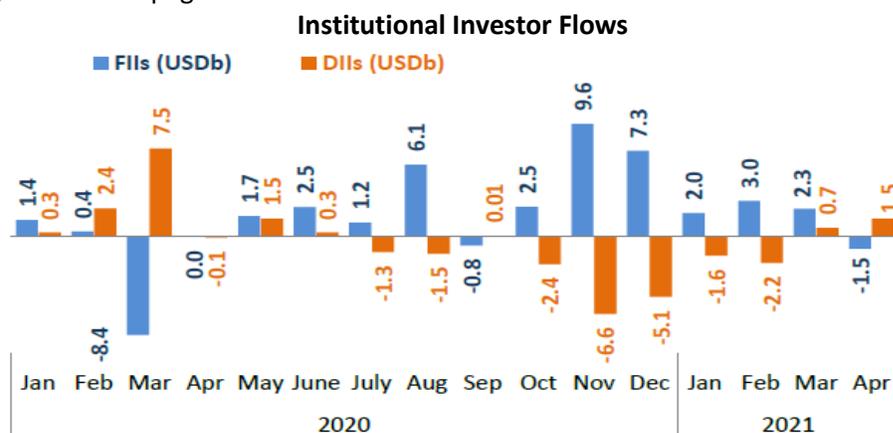
Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered Managed Investment Trust
Inception Date	6 th September 2016
Fund Size	\$46.0m
NAV	M Class: 1.3175 H Class: 1.3097 L Class: 1.0446
Base Currency	Australian Dollars
Responsible Entity	Equity Trustees Limited
Custodian	Mainstream / BNP Paribas
Auditor	KPMG
Benchmark	MSCI India in AUD
Distribution Freq.	Yearly at 30 June
Management Expense Ratio	M Class: 1.10% H Class: 1.50% L Class: 0.95%
Buy-Sell Spread	0.35% / 0.35%
Performance Fee**	10% of excess return above benchmark for M and H Classes, 15% for L Class
FY20 Dividend	M Class: 0 cpu H Class: 0 cpu

** Subject to a high watermark

Fund and Market Commentary: April 2021

The India Avenue Equity Fund (IAEF) returned 36.6% over the last 12 months in AUD terms, outperforming its benchmark by 9.1%. The last year has been a strong outperformance period for the fund, driven by strong stock selection. Furthermore, IAEF's ability to invest across the market cap spectrum, particular companies outside the large cap indices have been rewarding. Our local presence through our advisers has allowed us to identify companies as well as themes not well known or understood by many global investors, particularly during uncertain phases such as the pandemic.

After 6 straight months of inflows cumulating to US\$24.2bn by foreign institutional investors (FII's), the month of Apr'21 saw FII outflows to the tune of USD1.5b. Domestic Institutional investors (DII's) saw inflows for the second consecutive month and largely offset the outflows from FII's in April. While India's second wave of COVID infections is concerning, the vaccine rollout and knowledge embedded from the first experience has put corporates on a better footing. We discuss in more detail how the second wave is going on the next page.



Source: Motilal Oswal

Our Unique Approach

Our approach focuses on a broader set of Indian companies, not just the ones typically found in Emerging Market funds or indices. Our advice partners in India have a strong track record of identifying tomorrow's winners. This is an important ingredient to generate long-term growth and in our view is the best way to invest in India.

Strategy	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)#
IAEF (M Class)	9.07%	20.02%	36.62%	3.70%	3.84%	7.01%
MSCI India	5.90%	13.32%	27.50%	4.62%	6.57%	8.65%
Excess Return	3.17%	6.70%	9.11%	-0.92%	-2.73%	-1.64%
IAEF (H Class)	8.96%	19.76%	36.02%	3.23%	3.34%	5.25%
MSCI India	5.90%	13.32%	27.50%	4.62%	6.57%	8.01%
Excess Return	3.06%	6.44%	8.52%	-1.40%	-3.23%	-2.76%
IAEF (L Class)						4.09%
MSCI India						3.51%
Excess Return						0.58%

Past performance is not an indicator of future performance.

Above returns are calculated based on the exit price of 31st April 2021, net of fees and assuming reinvestment of dividends. Returns after 1 year are annualised

#Inception Date: M Class 6th Sep 2016, H Class 6th April 2017, L Class 19th April 2021

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	M Class	H Class
ARSN	611 374 586	
ISIN	AU60ETL04826	AU60ETL04784
Citi Code	NFCK	NF2H
Morningstar	41512	41828
APIR Code	ETL0482AU	ETL0478AU

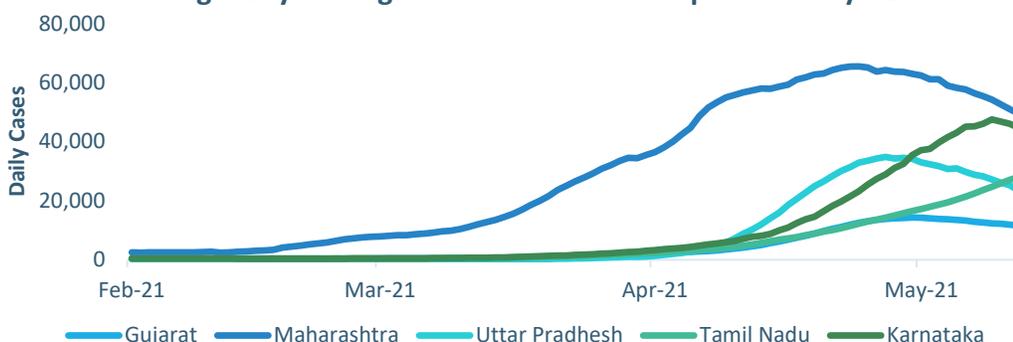
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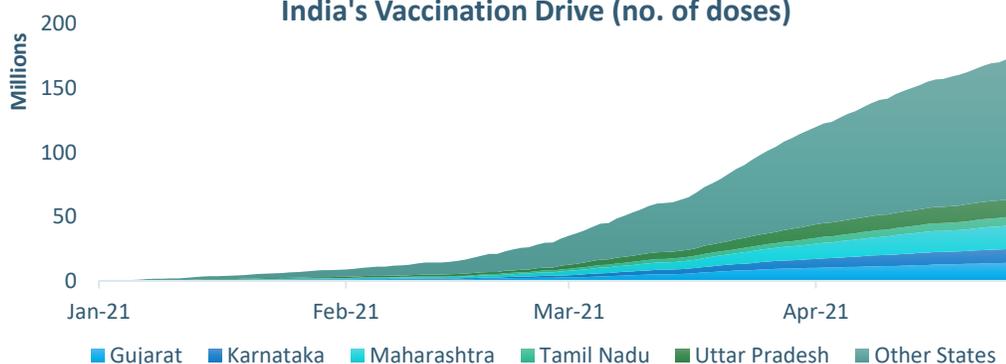
COVID-19 update in India

As we discussed in our note sent to our readers last month, India has been ravaged by a 2nd wave of covid-19 over the last couple of months. However, over the last week or two, we have seen the top 5 largest states (by economic size) showing improving numbers rolling over in what is hopefully a sign of things to come. This has been driven by state and localized lockdowns but also through strong vaccination drives. These 5 states are important in driving economic growth for India and make up around 35%-40% of all cases currently. We are keeping a close eye on any sizeable reductions in cases and significant progress in vaccination in these districts as this would have a huge impact on the overall progress in India.

Rolling 7 Day-Average Confirmed Cases - Top 5 States by GDP



India's Vaccination Drive (no. of doses)



Source: covid19india.org

The second wave's impact on corporate earnings will most likely push out the longer-term earnings recovery story we have been writing about recently by a quarter or two. Having said that, we also feel that companies are in a better place to deal with the impact of slowdown on their business given they have recently "weathered the storm". Unsurprisingly to us, India's stock markets have largely ignored the second wave as "risk of the unknown" built into current share prices.

However, this is not necessarily true at the company or sector level and we have seen the second wave impact certain industries like some parts of consumption and banking which are likely to see a short-term slowdown given fall foot traffic and potential for rising non-performing loans. Global revenue related business will continue to thrive and recover i.e. IT services, Pharmaceuticals, Global Cyclical (metals, exporters) and this part of our portfolio has helped the fund perform pleasingly well.

India Macro & Micro News

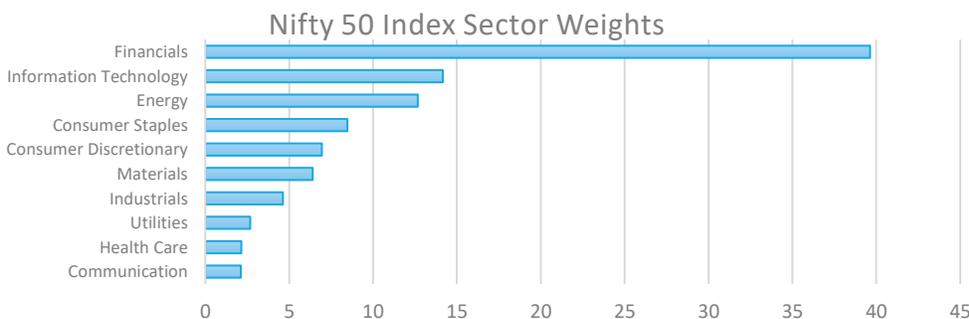
- India's top five IT companies aim to recruit in large numbers to meet the increasing demands for talent who can work on projects remotely for customers around the world looking to digitally transform their businesses. TCS, India's largest outsourcer, expects to employ more than 40,000 employees from campuses in 2021, while Infosys is expected to hire nearly 25,000. The top 5 will employ more than 110,000 employees in 2021, up from a net addition of more than 90,000 jobs in 2020
- The Trade Ministers of India, Japan and Australia formally launched the Supply Chain Resilience initiative (SCRI) in a Trilateral Ministerial Meeting held virtually on 27th April 2021. The following will be implemented as initial projects of SCRI. Sharing of best practices on supply chain resilience; and holding investment promotion events and buyer-seller matching events to provide opportunities for stakeholders to explore the possibility of diversification of their supply chains.
- India has now become the fastest country in the world to cross the landmark of 140m COVID-19 vaccine doses. India achieved this feat in just 99 days, compared to China which took 112 days and the US which took 104 days
- In the first quarter of this year, 22 IPOs raised US\$ 2,6bn. The largest IPO in the first quarter was Indian Railway Finance Corp's IPO, which raised US\$ 634 million.

Active Management in India

One of our key philosophies at India Avenue is that active management through partnerships with local experts on the ground is the best way to achieving investment success. Whilst we acknowledge that the road can be bumpy, the long-term outperformance that can be achieved is immense, primarily driven by successfully identifying compounding winners an early stage. This compares to owning the large and typically over-valued companies, which are favored by large global fund managers for liquidity reasons and inability to do on the ground, primary research.

Over the last 12 months, we have seen the outperformance from our approach pay-off in abundance, as our advisers have helped us decipher between facts and fiction and stay the course on several key names in the portfolio. On the other hand, the pandemic has given rise to several mispriced companies and opened the door for new themes to emerge, which we have swiftly pivoted part of the portfolio towards.

Active management also allows investors to take advantage of the nuances of indices given they are often agnostic to valuations and concentration risk. From 2018 to the first half of 2020, India's market was driven by a polarization of underlying constituents, where the top 5-10 names drove all the performance, whilst the remaining constituents lagged. This, along with being agnostic to concentration risk and not capping weights can be seen in the polarization of weights in the index, with financials making up almost 40% of the index.



Source: Refinitiv

We expect active management in India to continue to prosper for the following reasons

- India's corporate earning cycle has bottomed and will go through a multi-year growth phase. This will see the polarization seen in the past continue to unwind with markets driven by a greater breadth of stocks and sectors such as Health Care, Industrials and Real Estate, which do not feature heavily in indices. Identifying companies early on that will leverage the new cycle is key.
- India is a high growth region, and a selective but significant proportion of mid cap companies through primary research and taking heed of market opportunity are best leveraged to this growth
- Active strategies acutely aware of the qualitative aspects in India such as related party transactions, valuations of asset sales and quality of management/promoters can identify risks unlike systematic index strategies that are agnostic to this and take accounting metrics at face value

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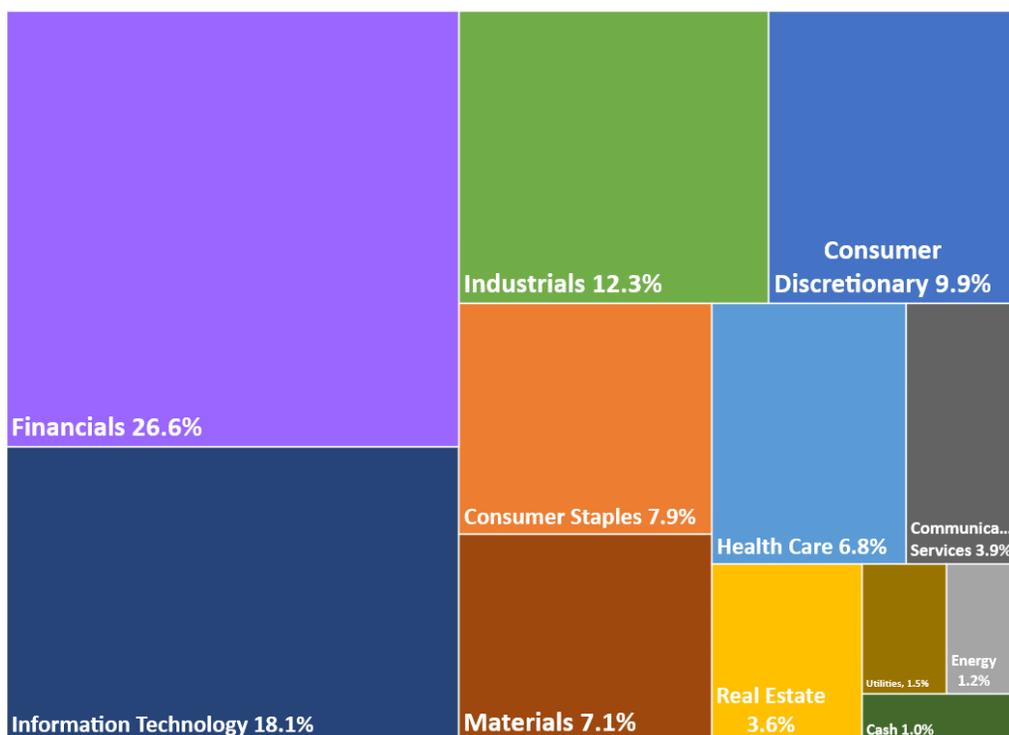
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Top 20 Stocks

Name	Industry	Weight
Bajaj Finance Ord	Consumer Finance	4.56%
Infosys Ord	IT Services	4.24%
HDFC Bank Ltd	Banks	3.88%
Tata Consultancy Services	IT Services	3.51%
Kotak Mahindra Bank Ltd	Banks	3.32%
Indian Energy Exchange Ltd	Capital Markets	3.28%
HCL Technologies Ltd	IT Services	3.12%
Kaveri Seed Co. Ltd.	Food Products	2.80%
Info Edge Ltd	Interactive Media & Services	2.79%
Redington (India) Ltd.	Electronic Equipment & Components	2.60%
ICICI Bank Ord	Banks	2.55%
HDFC	Thriffs & Mortgage Finance	2.55%
Aurobindo Pharma Ltd.	Pharmaceuticals	2.54%
Maruti Suzuki India Ord	Automobiles	2.33%
ABB Power Products & Systems	Electrical Equipment	2.31%
Divis Laboratories Ltd	Life Sciences Tools & Services	2.17%
Avenue Supermarts Limited	Food & Staples Retailing	2.16%
Motherson Sumi Systems Ord	Auto Components	2.10%
Cyient Limited	Software	1.88%
Brigade Enterprises Ltd	Real Estate Management & Development	1.76%

Sector Allocation



Source: India Avenue, Thomson Reuters

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