

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: Recommended¹

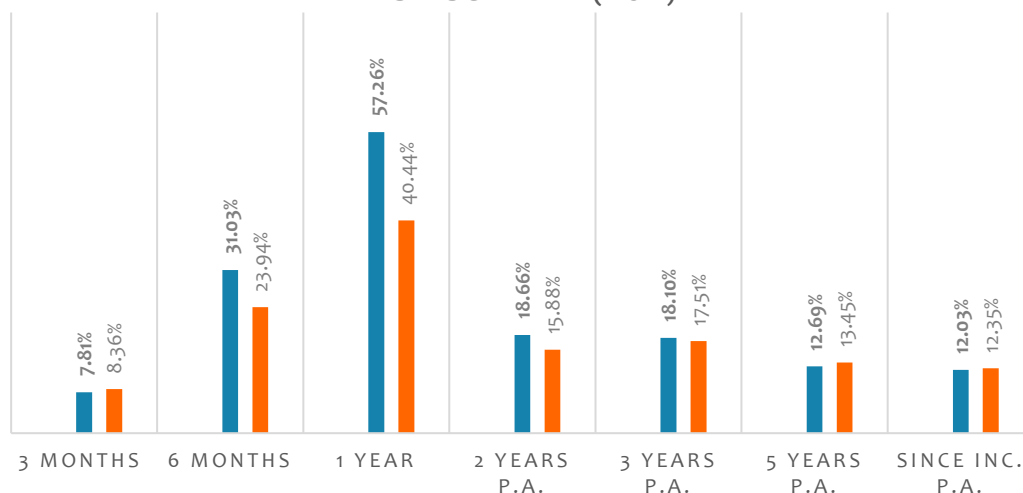
Fund Facts

Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered Managed Investment Trust
Inception Date	6 th September 2016*
Fund Size	\$64.98m
NAV	M Class: 1.7263 H Class: 1.7090 L Class: 1.3613
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	Excess return above benchmark
M & H Class L Class	10%, high watermark 15%, high watermark
FY21 Distribution	M, H, L Class: 0.0 cpu

*M Class Inception Date

Fund Returns and Characteristics: 31 October 2021

INDIA AVENUE EQUITY FUND - M CLASS (NET RETURNS) VS MSCI INDIA (AUD)



H Class	3 months	6 months	1 year	2 years p.a.	3 years p.a.	Since Inc. 11-04-17
Fund Returns (net)	7.73%	30.49%	57.26%	18.02%	17.50%	10.93%
MSCI India (AUD)	8.36%	23.94%	40.44%	15.88%	17.51%	12.24%
Relative Performance	-0.63%	6.55%	15.83%	2.14%	-0.01%	-1.31%

L Class	3 months	6 months	Since Inc. 19-04-21
Fund Returns (net)	7.90%	30.32%	35.65%
MSCI India (AUD)	8.36%	23.94%	28.29%
Relative Performance	-0.46%	6.38%	7.36%

Past performance is not an indicator of future performance. Above returns are calculated based on the exit price of 29th October 2021, net of fees and assuming reinvestment of dividends. Returns after 1 year are annualised. The only difference between the M, H and L class are the management and performance fees charged. The underlying investments of each class are identical.

Top 10 Stocks by Weight		
Company Names	Industry	Fund Weight
Bajaj Finance	Cons Finance	4.5%
HCL Technologies	IT Services	4.4%
Tata Consult. Services	IT Services	3.5%
Redington (India)	Electronic	3.1%
Infosys	IT Services	3.1%
Avenue Supermarts	Retailing	3.0%
HDFC Ltd	Housing Fin.	2.9%
Brigade Enterprise	Real Estate	2.9%
Tata Steel	Metals	2.7%
Indian Energy Exchg.	Cap Mkts	2.7%

Weights by Sector		
Sector	Fund Weight	MSCI Weight
Financials	23.0%	26.4%
Information Technology	20.7%	17.3%
Consumer Discretionary	11.1%	8.2%
Industrials	10.8%	4.4%
Materials	7.5%	9.8%
Real Estate	5.1%	0.4%
Communication Services	5.1%	3.3%
Consumer Staples	5.1%	8.9%
Health Care	5.1%	5.0%
Energy	1.8%	12.1%
Utilities	1.4%	4.1%
Cash + Futures	3.3%	-

Source: India Avenue, Thomson Reuters

About India Avenue

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Fund Identifiers

Identifiers	ARSN	ISIN	APIR Code
M Class	611374586	AU60ETL04826	ETL0482AU
H Class	611374586	AU60ETL04784	ETL0478AU
L Class	611374586	AU60ETL28148	ETL2814AU

Identifiers	Citi Code	Morningstar
M Class	NFCK	41512
H Class	NF2H	41828

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Fund and Market Commentary

The India Avenue Equity Fund returned 57.26% over the year ending 31st October 2021, outperforming its benchmark MSCI India (AUD) by 16.82% over the same period. The fund experienced a negative return of 3.2% for the month of October after five consecutive months of positive returns from 30 April 2021 to 30 September 2021, which yielded 35% cumulatively for investors. In local currency terms, the month of October saw Indian equity markets stay relatively flat. However, the strength of the AUD relative to most currencies (USD, INR) led to negative returns for investors over the month.

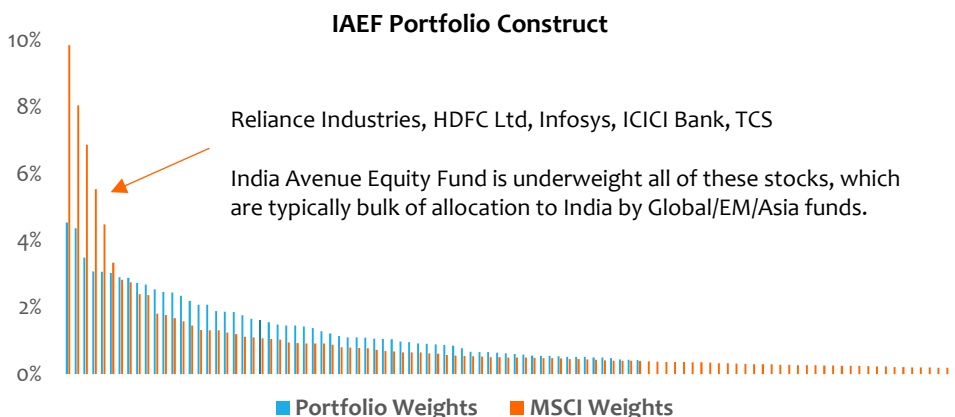
Over 12 months the fund's outperformance continues to be driven by broad market participation due to an improving economy and earnings outlook. Whilst Indian equity markets may appear optically overvalued, low interest rates, global supply chain diversification and an economy resonating strength, will lead to earnings upgrades and justify valuations over FY22 and FY23.

Attribution – 12 months

Top 5 Contributors - 12 months Stock	Value Add	Top 5 Contributors - 12 months Sector	Value Add
Indian Energy Exchange	3.90%	Overweight Real Estate	3.08%
Redington India	1.34%	Underweight Energy	2.70%
Avenue Supermarts	1.27%	Overweight Industrials	1.24%
Bajaj Finance	1.08%	Underweight Financials	0.68%
Kaveri Seed Company	0.92%	Overweight Info Tech	0.40%

Our fund's portfolio construction generally leads it to underweight positions in the top 10 stocks of India. The fund's weights range between 0.5% - 5.0%. The top 10 constituents of the MSCI India, however, occupy close to 50% weight. Implicit within our construction is the view that India has several growth businesses, growing strongly as their addressable market is nowhere near finite or established fully. Hence companies operating in these markets with significant unrealised opportunity ahead, tend to have the potential to experience greater capital growth.

However, it is important to recognise that there may be more risk or short-term earnings volatility for some companies in industries which may experience more variability. As a result, our portfolio holds 50-70 companies to diversify stock/company risk, whilst trying to capture the "growth" premium our investors seek by investing in this location. The India Avenue Equity Fund allocates capital according to opportunity, rather than "anchoring" to a benchmark as a starting point.



India Macro & Micro News

India's solar energy capacity stands at ~45 gigawatts, an increase of 17X in the last seven years – stated at the 26th UN Climate Change Conference held in Glasgow. Also reported was that emission intensity of GDP also fell 24% from 2005-2014. Whilst India has 17% of the world's population it is only responsible for 5% of global emissions. PM Modi told world leaders that India aims to increase its share of renewables in its energy mix to 50% by 2030 (currently 38%).

Paytm, the mobile payment company kicks off India's largest initial public offering on November 8, 2021. The company is backed by Ant Group, Berkshire Hathaway and SoftBank, that collectively own around a third of the firm. The IPO is anticipated to make Paytm India's most valued tech corporation with a valuation of US\$20bn, an increase of 25% from two years ago. The platform was launched in 2010 and has grown due to "demonetisation" in 2016 and the pandemic in 2020.

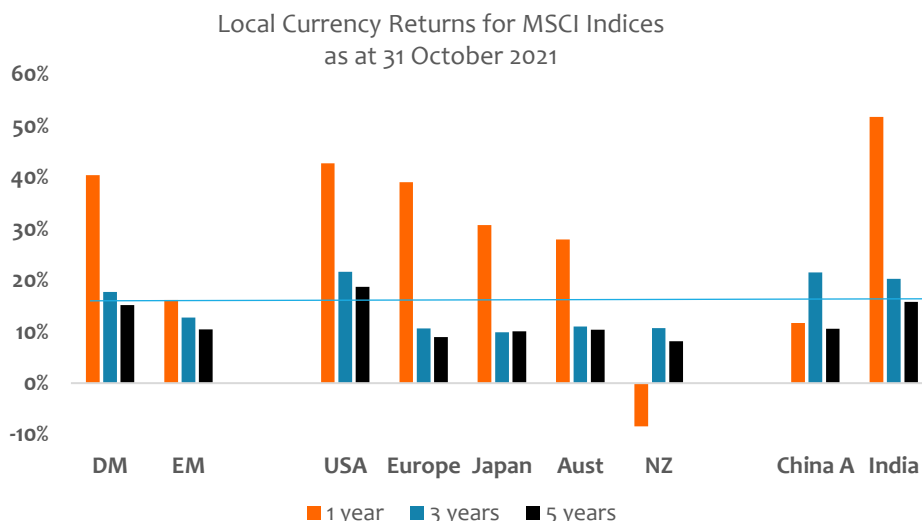
Elon Musk's Starlink, the broadband arm of SpaceX, plans to explore alliance with telecom firms in India to expand its broadband services in the country. It is expected to focus on rural areas of India, further accelerating the broadband services to all and lower prices.

PM Narendra Modi launched PM Ayushman Bharat Health Infrastructure Mission. It aims to correct the deficiency in provision for healthcare for all by strengthening the critical healthcare network from village to block to the district to the regional and national level in the next 4-5 years.

India's merchandise exports again hit a record of US\$35.47bn in October, witnessing a 42% upsurge over a year ago. India's significant exports include engineering goods, petroleum products, gems & jewellery and chemicals.

Source: IBEF.org, tradingeconomics.com

Market Returns over 1, 3 and 5 years

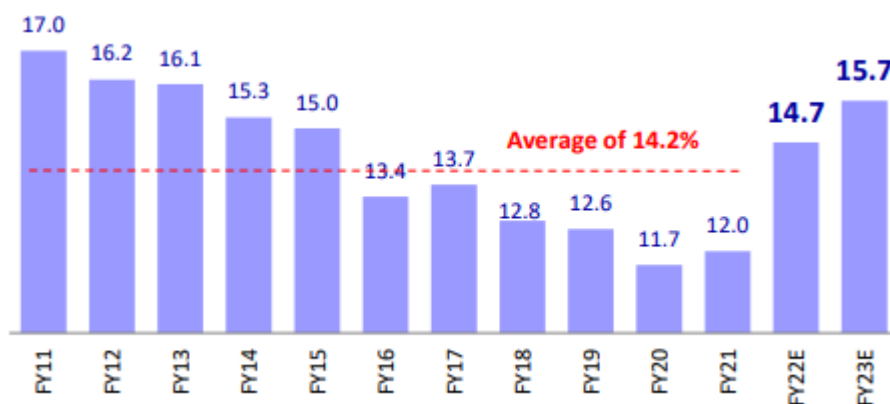


Source: MSCI World

Over the last 5 years India's equity markets have shown itself to be relatively resilient to shocks related to geo-political, religious and health issues. This resilience has led to strong outperformance over the last 18 months, with COVID-19 leading to a new world order which is aligned to India's need for growth and greater economic significance. Indian equity markets have built resilience to macro shocks through the following factors:

- Increasing forex reserves, built through an improving current account
- A focus on value-add in exports industries
- India's rising significance in the global supply chain
- Rising local wealth accumulation through 'financialisation' which has reduced the significance of tactically minded foreign investors

From a market perspective, investors globally keep comparing Indian equities to other markets and expressing concern about its valuations. However, India is still relatively close to its cyclical bottom in earnings. With lower interest rates in place and rising capacity addition flowing from demand, it is likely that we may experience a capex boom. The chart below reflects **Indian equity markets ROE at the end of each financial year**. After a decade of weakness, the next few years are likely to see significant earnings growth as experienced during India's boom capex period of 2003-2010.



Source: Motilal Oswal

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2021 is turning out to be IPO season in India

IPO's have been all the rage in 2021 across the US, Australia, China, Taiwan etc. Global IPO volumes have risen by 87% so far in 2021 according to EY. 72 of 1635 firms to IPO were in fact based in India. The S&P BSE IPO Index has outperformed the Nifty-50 Index (top-50 by market cap) quite significantly in 2021, illustrating the huge demand for these companies. Markets are witnessing a boom in tech start-ups that cater to online activity given the significance of rising smart phone and internet penetration in India. India's Central Bank, the RBI, in its August report suggested India's tech boom had long been awaited and sighted strong demand from local and global investors buying world class business in exciting growth markets. The RBI estimates India has 100 unicorns in the country, predominantly in the tech space, where companies are focusing on significant growth and building a presence rather than immediate profitability.

Over the last 6 months, as avid watchers of the Indian equity market, we have witnessed several businesses listing on India's stock exchanges. Traditionally, a significant number of India's companies have been MSME's operating in the unlisted space, with little or no need for capital and given adequate but limited capacity to grow within their own neighbourhood markets. The need of the hour has changed given the financialisation and digitalisation infrastructure planks which have been put in place (over 80% of India is banked, 1 billion have mobile phones, 750 million on the internet) which has reduced customer acquisition costs, given India's high logistics cost-to-GDP.

In 2021 capital raising has been significant relative to prior years, as businesses seek to participate in growth opportunities afforded by India's evolving ecosystem. Increasing digitisation and diversification of global supply chains is broadening addressable markets which is requiring the funding of growth-seeking capital. Some IPOs we have participated include:

- **Zomato (38x oversubscribed)** - commencing in 2010, Zomato's core business is food delivery in India. However, more broadly the business connects customers, restaurateurs, and delivery partners via a technology platform. The company reported it had now delivered 1 billion orders over six years of operations and experienced q-o-q growth of 35% over the last five quarters, despite COVID disruptions to its supply chain.
- **Clean Science & Technology (93x oversubscribed)** - the company has been in existence for over 18 years and is focused on chemical manufacturing and exporting. Its focus is to develop eco-friendly and sustainable manufacturing processes of specialty and fine chemicals, which it exports to many countries around the world. The company's manufacturing facility maintains a high level of efficiency and accuracy.
- **Nykaa (oversubscribed 82x)** - the business was founded in 2012 and is an Indian e-commerce company selling beauty, wellness and fashion products across websites, mobile apps and via 76 offline stores. The company is one of India's unicorns and sells over 2,000 brands/200,000 products manufactured locally and overseas.

India's equity markets, along with China's are likely to produce the next evolution of companies, drawing from the blueprint laid by businesses such as McDonalds, Dow Chemical and Priceline in their era. Investors now can participate again, with the benefit of hindsight and the context of a playbook of the US Industrial/Consumer revolution over the last 50 years. The next 12 months should see significantly more IPO's come to market in India, which will participate in its upcoming economic and corporate revolution.

Active managers who understand the local ecosystem in an equity market like India's are poised to benefit significantly by early investment into these companies.

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India Avenue Equity Fund's Target Market Determination is available on our website:

www.indiaavenueinvest.com/our-fund

A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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