

# AVENUES

## INDIA AVENUE EQUITY FUND

### MARKET COMMENTARY: JUNE 2017

The India Avenue Equity Fund rose **3.34%** over the last 3 months to June 2017 and is up **10.29%** since inception. The fund has outperformed the index **after fees** by **309bps**. Indian equities lost a bit of steam in June, down 0.6% in local currency terms and was down 3.9% in Australian dollar terms. This was due to a strengthening AUD against the USD rather than a weakening INR and subsequently pushed the AUD/INR cross higher. Year to date the market is up over 19% making it one of the best markets globally. India's CPI declined to 2.2% in May from 3% in April driven by a continual fall in food inflation (50% of the CPI Basket). This should bode well for much of Rural India. India's biggest tax reform (GST) kicked off on July 1st. Despite, the immense task of rolling out such a reform, we feel the long-term ramifications of increasing efficiency and putting the formal economy on a level playing field with the informal economy should lead to higher earnings growth in the listed space.

### FUND PERFORMANCE (Performance in AUD, net of management fees and fund expenses)

	3 Months	6 Months	Since Inception*
India Avenue Equity Fund Wholesale	3.34%	15.00%	10.29%
MSCI India	2.34%	13.78%	7.21%
Out/Under Performance	1.00%	1.22%	3.09%
iShares India ETF	1.92%	12.98%	5.63%
ASX 200	-1.58%	3.16%	9.23%
MSCI EM	5.69%	11.80%	11.22%
India Avenue Equity Fund Retail	-	-	0.85%
MSCI India	-	-	-0.26%
Out/Under Performance	-	-	1.12%

*Past performance is not a indicator of future performance  
Above returns are calculated based on the exit price of 30th June 2017  
assuming the reinvestment of all distributions.*

*\*Inception Date: Wholesale - 6th Sept 2016,  
Retail - 6th April 2017*

### 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 growing economy. The Fund aims to outperform its benchmark in AUD terms, after fees and over rolling 5 year periods.

### FUND RATING

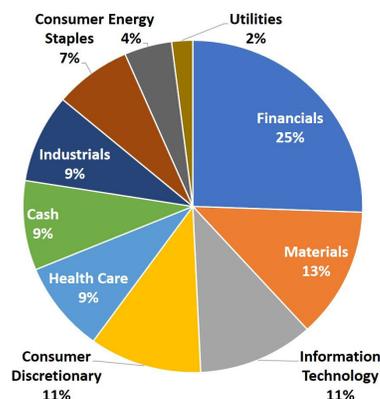
- **Lonsec Rating: Recommended\***
- **SQM Research Rating: Superior**

### FUND FACTS

Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered managed investment trust
Inception Date	6 <sup>th</sup> September 2016
Fund Size	\$9.1 Million
Unit Price	Wholesale: 1.0858 Retail: 1.0861
Base Currency	Australian Dollars
Responsible Entity	Equity Trustees Limited
Custodian	Fund BPO / BNP Paribas
Auditor	KPMG
Benchmark	MSCI India in AU\$
Distribution Freq.	Yearly at 30 June
Management Fee	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
Dividend History	Wholesale: 1.16% Retail: 1.15%

\*Subject to a high watermark.

### SECTOR ALLOCATIONS



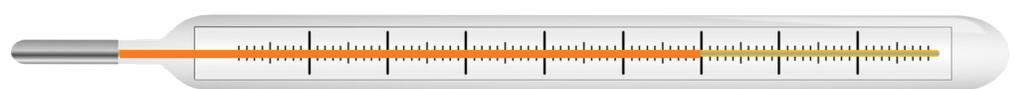
Source: IAIM Research and Bloomberg

### TOP 5 INDUSTRIES

Industries	Weight
Banks	22.8%
Materials	12.5%
Software & Services	11.0%
Automobiles	9.3%
Capital Goods	8.6%

Source: IAIM Research and Bloomberg

### COMPANY REVENUE GENERATED LOCALLY %



Source: Bloomberg

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.



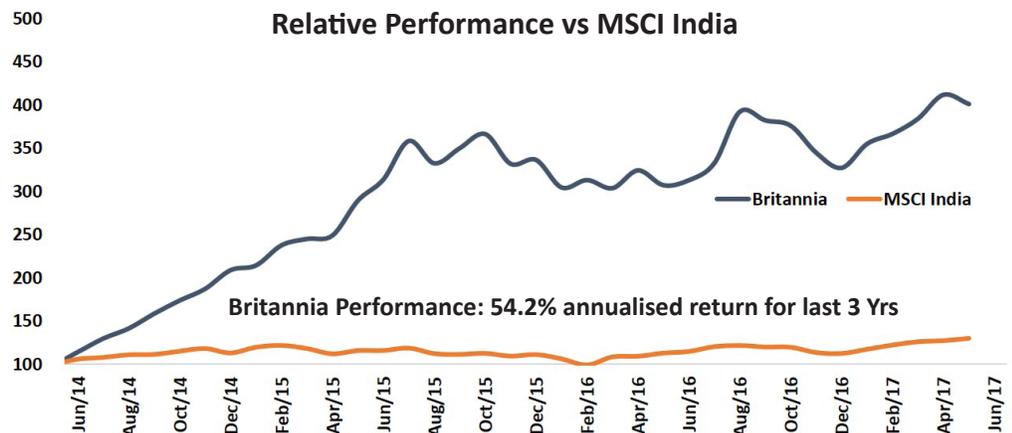
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## TOP 10 STOCKS

Name	Description	Weight
ICICI Bank	Banks	6.3%
Kotak Mahindra Bank	Banks	4.8%
Tata Motors	Automobiles	4.7%
Infosys	Software & Services	3.9%
Larsen & Toubro	Capital Goods	3.8%
Sun Pharmaceuticals	Health Care	3.7%
Tata Metaliks	Materials	3.7%
Hindustan Unilever	Consumer Staples	3.7%
Maruti Suzuki India	Automobiles	3.4%
Ambuja Cements	Materials	3.3%

Source: IAIM Research and Bloomberg

## STOCK STORY: BRITANNIA INDUSTRIES



Source: MSCI, ACE software, India Avenue Research

Past performance is not a indicator of future performance

- Britannia is one of the leading food companies in India with over AU\$ 1.7 billion of revenues, delivering products in over 5 categories through 4.2 million retail outlets. Britannia enjoys strong brand equity and has been consistently ranked amongst the top food brand in India. The company's product range includes biscuits, dairy products, breads and other bakery items.
- Britannia is the market leader in the biscuits category with ~33% value market share. The company derives 85% of its revenues from biscuits and have strong brands such as Good Day (29% of revenue), Treat (19% of revenue), Tiger (17% of revenue), 50-50 (9% of revenue), and Nutrichoice (~5% of revenue). Dairy business and international business contribute about 4% and 6% respectively on the top line.
- Rising incomes and aspirations of consumers in India are increasing the consumption of premium bakery products and processed dairy products as consumers gravitate towards a more balanced diet. This emerging trend provides a huge opportunity for Britannia, a Biscuits company which is transforming itself to a 'Total Foods' player in line with its long-term ambition.
- Distribution expansion (has doubled its direct outlet reach to 1.25 million in 3 years) has been one of Britannia's key drivers of growth, enabling it to deliver 11% revenue CAGR over FY14-17E against the industry's low single digit growth. Distribution expansion is still a significant opportunity for Britannia which will enable it to sustain its revenue growth trajectory.

## 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

- ARSN: 611 374 586 (Wholesale and Retail)
- ISIN: AU60ETL04784 (Retail)
- ISIN: AU60ETL04826 (Wholesale)
- Citi Code: NF2H (Retail)
- Citi Code: NFCK (Wholesale)
- Bloomberg: ETL0478 AU (Retail)
- Bloomberg: ETL0482 AU (Wholesale)
- Morningstar: 41512 (Wholesale)

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