

AVENUES

INDIA AVENUE EQUITY FUND

MARKET COMMENTARY: JULY 2017

The India Avenue Equity Fund - Wholesale rose **1.23%** over the last 3 months to July 2017 and is up **12.51%** since inception. The fund has outperformed the index **after fees** by **157bps**. Indian equities continued its rally, driven predominantly by multiple expansion. This phenomenon is a global one however and sustaining higher valuations becomes harder, without a subsequent earnings pick up. Nevertheless, we feel Indian valuations have been masked by lower than normal earnings due to credit growth and capacity utilization at close to cyclical lows. Inflation also continues to print weak results and continued its fall to 1.5% in July from 2.2% in June. This is below the RBI's target band for inflation of 4% +/- 2%. Low inflation, particularly for food, coupled with a good monsoon season should bode well for rural demand and in our view, is one of the catalysts to drive corporate earnings higher. Despite this, given global uncertainty, we continue to maintain a defensive stance in the portfolio.

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

	3 Months	6 Months	Since Inception [#]
India Avenue Equity Fund Wholesale	1.23%	17.23%	12.51%
MSCI India	1.86%	18.29%	10.94%
Out/Under Performance	-0.63%	-1.06%	1.57%
iShares India ETF	0.78%	15.38%	8.79%
ASX 200	-2.60%	3.97%	9.22%
MSCI EM	3.44%	13.07%	13.61%
India Avenue Equity Fund Retail	1.21%	-	2.84%
MSCI India	1.86%	-	3.21%
Out/Under Performance	-0.65	-	-0.37%

*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

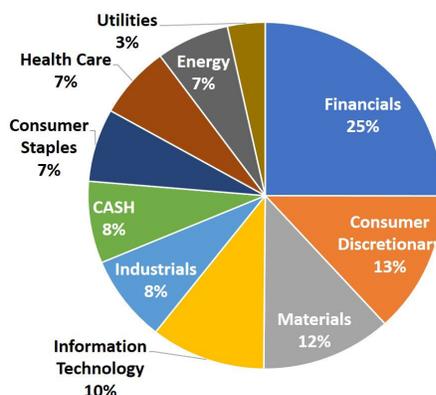
- **Lonsec Rating: Recommended***
- **SQM Research Rating: Superior**

FUND FACTS

Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered managed investment trust
Inception Date	6 th September 2016
Fund Size	\$9.9 Million
Unit Price	Wholesale: 1.1076 Retail: 1.1075
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	22.3%
Materials	11.9%
Automobiles	11.3%
Software & Services	10.5%
Capital Goods	8.1%

Source: IAIM Research and Bloomberg

COMPANY REVENUE GENERATED LOCALLY %



Source: Bloomberg

0%

70%

100%

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.

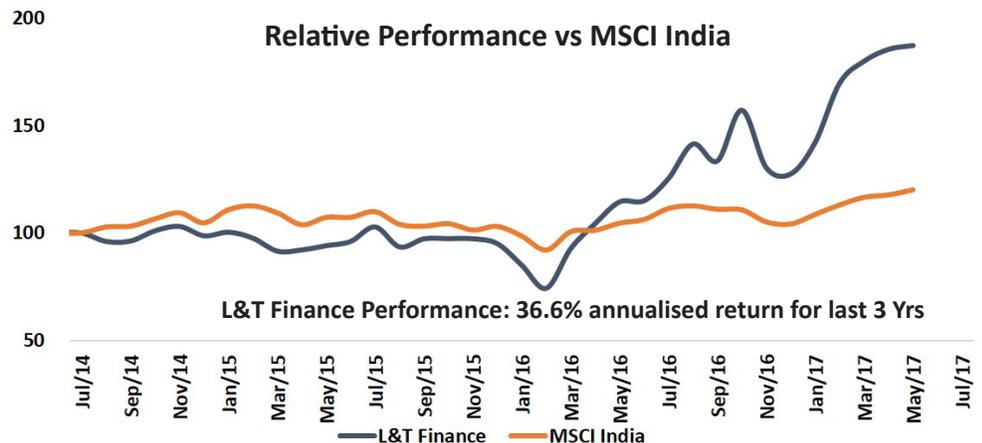
AVENUES

TOP 10 STOCKS

Name	Description	Weight
ICICI Bank	Banks	5.8%
Kotak Mahindra Bank	Banks	4.5%
Tata Motors	Automobiles	4.3%
Infosys	Software & Services	3.8%
Larsen & Toubro	Capital Goods	3.6%
Hindustan Unilever	Consumer Staples	3.5%
Maruti Suzuki India	Automobiles	3.3%
Sun Pharmaceuticals	Health Care	3.2%
Tata Metaliks	Materials	3.2%
Indian Oil Corporation	Energy	3.2%

Source: IAIM Research and Bloomberg

STOCK STORY: L&T FINANCE HOLDINGS



Source: MSCI, ACE software, India Avenue Research

Past performance is not a indicator of future performance

- L&T Finance Holdings was incorporated in 1994 and is a subsidiary of Larsen & Toubro (L&T), a large industrial conglomerate in India. The company is a pioneer in the wholesale lending segment and is among the largest wholesale lending NBFCs in the country.
- L&T Finance post management change in 2016 transformed itself from a company doing a little bit in lots of businesses to a company building distinctive position in chosen businesses, exiting many non-core businesses in 2017. The company now focusses on profitable growth in 5 business viz., wholesale finance, rural finance, housing finance, investment & wealth management
- Within the rural segment, the company is a market leader in tractor financing. It also has significant 2-wheeler finance and microfinance business. Despite the sluggish rural economy, L& T Finance has grown its book above 15% in FY17 and is well poised to benefit from the expected recovery in the segment.
- L&T Finance aspires to achieve a ROE of 18% (present 13.6%) by 2020 or earlier by increasing share of profitable products, judicious use of capital and selling of non-core businesses.

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

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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