



AVENUES

INDIA AVENUE EQUITY FUND

SQM Research Rating: Superior ★★★★★

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 FACTS

Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered managed investment trust
Inception Date	6 th September 2016
Fund Size	\$6.4 Million
Unit Price	0.9831
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%
Performance Fee*	10% of the excess return above the benchmark

*Subject to a high watermark.

MARKET COMMENTARY: JANUARY 2017

The India Avenue Equity Fund fell 2.88% over the quarter outperforming the benchmark which fell 3.28%. Uncertainty surrounding President Trump's trade policies on emerging markets and downgrades to earnings expectations from demonetisation dragged the index lower. January kicked off 3rd quarter earnings season for FY2017 (Fiscal year in India is April to March).

Food prices and primarily vegetable prices pushed CPI inflation lower to 3.41%. This was due to strong agriculture supply and the lack of access to cash, particularly in rural areas caused by demonetisation. Interestingly, better-than-expected domestic earnings over the quarter drove the market higher in January as the correction in both prices and earnings appeared overdone. Whilst Indian equities have underperformed other markets from demonetisation, the recent pullback allows us to deploy cash built up to guard against volatility.

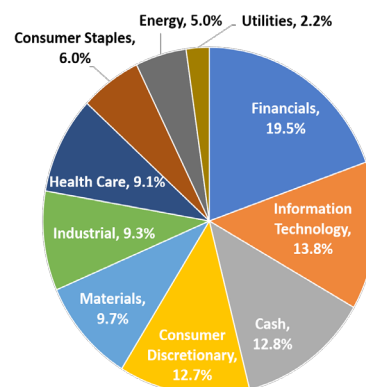
FUND PERFORMANCE (Net of management fees and fund expenses)

	3 Months	Since Inception*
India Avenue Equity Fund (AUD)	-2.88%	-4.03%
MSCI India (AUD)	-3.28%	-6.22%
Out/Under Performance	0.40%	2.19%
ASX 300	6.93%	5.41%
MSCI EM (AUD)	1.34%	0.40%
MSCI World (AUD)	7.04%	4.92%

Source FundBPO and Bloomberg

*Inception Date: 6th Sept 2016

SECTOR ALLOCATIONS



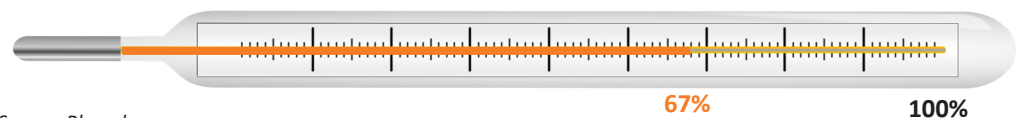
Source: IAIM Research and Bloomberg

TOP 5 INDUSTRIES

Industries	Weight
Banks	16.0%
Software & Services	13.8%
Automobiles	11.8%
Materials	9.7%
Pharmaceuticals	7.8%

Source: IAIM Research and Bloomberg GICS Sectors (31 January 2017)

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.



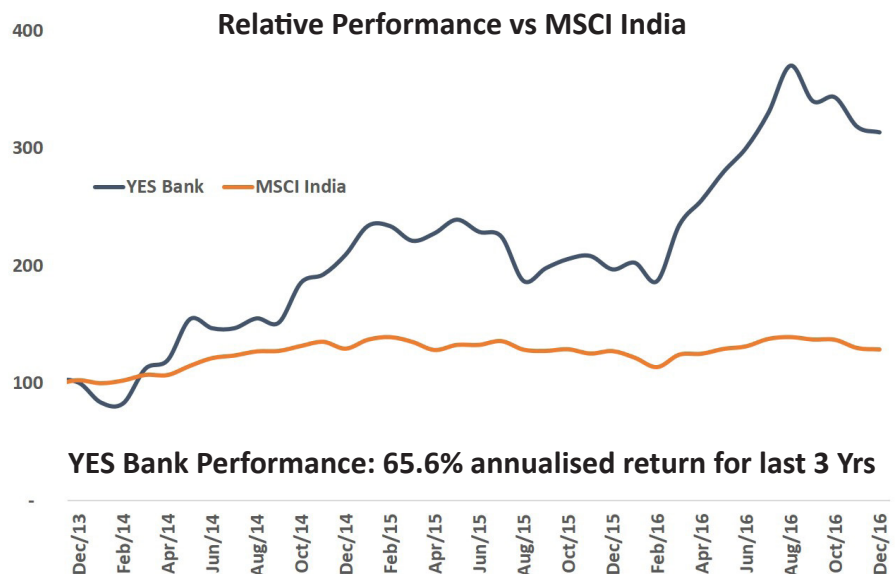
AVENUES

TOP 10 STOCKS

Name	Description	Weight
Maruti Suzuki India	Automobiles	5.8%
Infosys	Software & Services	5.1%
Tata Motors	Automobiles	5.0%
Larsen & Toubro	Capital Goods	5.0%
HCL Technologies	Software & Services	3.6%
Kotak Mahindra Bank	Banks	3.6%
Ambuja Cements	Materials	3.5%
Hindustan Unilever	Household & Personal	3.2%
Sun Pharmaceuticals	Pharmaceuticals	3.2%
ICICI Bank	Banks	3.1%

Source: IAIM Research and Bloomberg

STOCK STORY: YES BANK



Source: MSCI, ACE software, India Avenue Research

- YES Bank (YES), a new generation private sector bank in India incorporated in 2003, is founded and led by Mr. Rana Kapoor, the MD & CEO of the bank. YES has successfully built a full-service commercial bank with Corporate, Retail and SME Banking platforms, with a comprehensive product suite.
- Despite being a corporate lender, YES has navigated smoothly during periods of challenging macroeconomic environment, tight liquidity conditions and the RBI's asset quality review (AQR), maintaining good asset quality with net stress loans at a low 110 bps.
- With significant investment in branches (963 v/s 214 in FY11), people (19,400 v/s 3,929 in FY11) and technology, YES is well poised to grow significantly faster than the industry. Increased retail focus, strong low cost CASA (current and savings bank accounts) flows and easy liquidity are expected to drive net interest margin expansion (NIM).
- A strong product portfolio, weakening competition (from NBFC and PSBs), NIM expansion and healthy fee income will drive revenue growth of 27% per annum over FY17-19E.

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
- ISIN: AU60ETL04826
- Citi Code: NFCK
- Bloomberg: ETLO482 AU
- Morningstar: 41512

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