

# AVENUES

## INDIA AVENUE EQUITY FUND

SQM Research Rating: Superior ★★★★★

### MARKET COMMENTARY: FEBRUARY 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.

The India Avenue Equity Fund rose 5.52% over the quarter to February 2017 and is up 0.11% since inception. India's GDP grew at 7.0% and the current account deficit narrowed to 0.6% (from 1.7%) of GDP in the October-December quarter. The RBI's Monetary Policy Committee kept the key repo rate unchanged at 6.25% and moved its stance away from accommodative to neutral. This means they have the flexibility to move in either direction as macro conditions permit. They also reiterated their medium-term inflation target of 4%.

We feel the RBI has done a prudent job without succumbing to negative external pressure to cut rates due to demonetisation. India's union budget for FY2017/18 indicated several proposals aimed at pushing the country forward, continuing the Modi government's philosophy of implementing significant change in a country needing reform. [Click here](#) for more information on some of the key proposals from the budget.

### 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	\$6.7 Million
Unit Price	1.0011
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

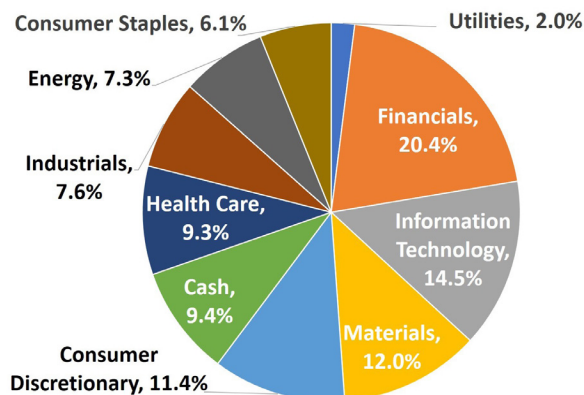
\*Subject to a high watermark.

### FUND PERFORMANCE (Net of management fees and fund expenses)

	3 Months	Since Inception*
India Avenue Equity Fund (AUD)	5.52%	0.11%
MSCI India (AUD)	6.12%	-1.93%
Out/Under Performance	-0.59%	2.04%
ASX 300	6.13%	7.92%
MSCI EM (AUD)	5.93%	3.95%
MSCI World (AUD)	3.89%	6.33%

\*Inception Date: 6th Sept 2016

### SECTOR ALLOCATIONS



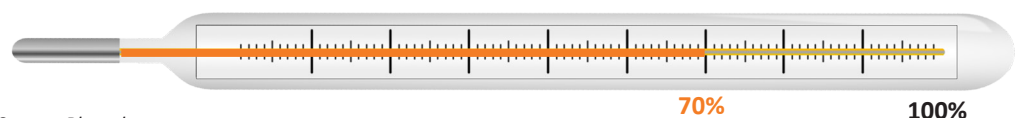
Source: IAIM Research and Bloomberg

### TOP 5 INDUSTRIES

Industries	Weight
Banks	17.6%
Software & Services	14.5%
Automobiles	12.0%
Materials	11.4%
Pharmaceuticals	7.7%

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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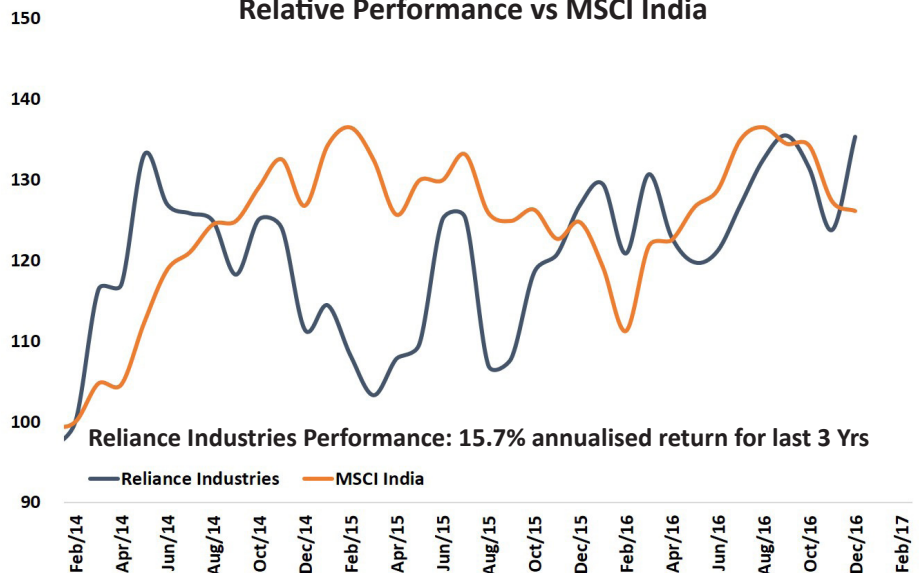
## TOP 10 STOCKS

Name	Description	Weight
Maruti Suzuki India	Automobiles	5.6%
Infosys	Software & Services	5.6%
Tata Motors	Automobiles	4.5%
Larsen & Toubro	Capital Goods	4.3%
Reliance Industries	Energy	4.2%
Kotak Mahindra Bank	Banks	3.9%
ICICI Bank	Banks	3.7%
Ambuja Cements	Materials	3.7%
HCL Technologies	Software & Services	3.6%
Tata Metaliks	Materials	3.6%

Source: IAIM Research and Bloomberg

## STOCK STORY: RELIANCE INDUSTRIES

### Relative Performance vs MSCI India



Source: MSCI, ACE software, India Avenue Research

- Reliance Industries Ltd (RIL), a Fortune 500 company, is India's largest private sector entity, with a turnover of AU\$87.9 bn and net profit of AU\$5.1 bn. It operates one of the largest refining capacity of 1.24 million barrels per day at a single location and is the largest producer of polyester fibre and yarn in the world.
- RIL has grown through backward integration in energy chain (textiles, petchem, refining and Exploration & Production ) and is now moving into new areas like organized retail and Broad Band Wireless Access (BWA).
- RIL is in the midst of executing its largest ever capex plans in core and non-core businesses. It has invested AU\$24.3 bn in its core business and another AU\$31.6 bn in its telecom venture. RIL's capital allocation in recent years has been skewed towards non-core businesses (telecom) to ring-fence its earnings from the cyclicity of its core business.
- RIL's stock performance hereon will be determined by the Success of its telecom launch and subscriber ramp-up once the Reliance Jio service goes paid, the service is presently being offered free till 31st March 2017.

## 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: ETL0482 AU
- Morningstar: 41512

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