

# 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 <sup>th</sup> September 2016
Fund Size	\$8.6 Million
Unit Price	1.1114
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: APRIL 2017

The India Avenue Equity Fund rose **15.81%** over the last 3 months to April 2017 and is up **11.14%** since inception. The fund has outperformed the index **after fees** by **223bps**. The strong market rally year to date has made India one of the best performing markets globally. The main contributors to GDP growth has been from stronger private consumption and robust public capital expenditure. This bodes well for earnings and as consumption increases capacity utilisation can also rise, increasing earnings without additional capital expenditure. The resultant operating leverage could lead to higher earnings and stronger returns going forward. Interestingly, the rupee has been strengthening against both the US and Australian dollar and is up 5.4% and 2.2% respectively since the start of the year. As a result, the fund's unhedged position has contributed to returns.

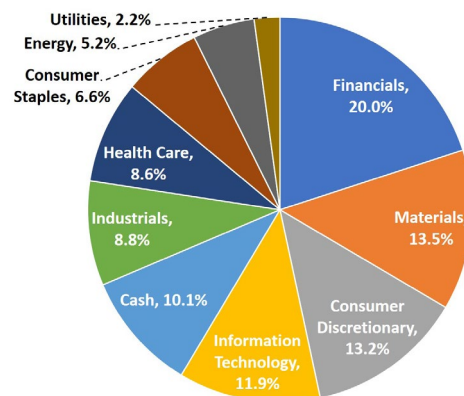
### FUND PERFORMANCE (Net of management fees and fund expenses)

	3 Months	6 Months	Since Inception*
India Avenue Equity Fund (AUD)	15.81%	12.47%	11.14%
MSCI India (AUD)	16.13%	12.33%	8.91%
Out/Under Performance	-0.32%	0.14%	2.23%
ASX 200	7.22%	14.65%	13.02%
MSCI EM (AUD)	8.02%	9.03%	7.08%
MSCI World (AUD)	5.59%	12.46%	9.26%

Past performance is not a indicator of future performance

\*Inception Date: 6th Sept 2016

### SECTOR ALLOCATIONS



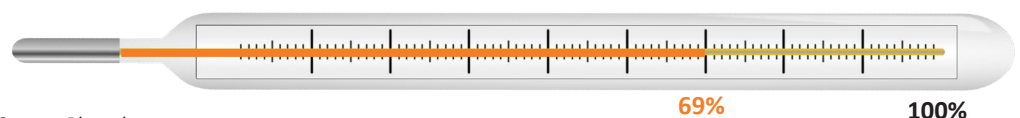
Source: IAIM Research and Bloomberg

### TOP 5 INDUSTRIES

Industries	Weight
Banks	21.1%
Automobiles	13.6%
Materials	12.1%
Software & Services	12.1%
Capital Goods	7.8%

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.



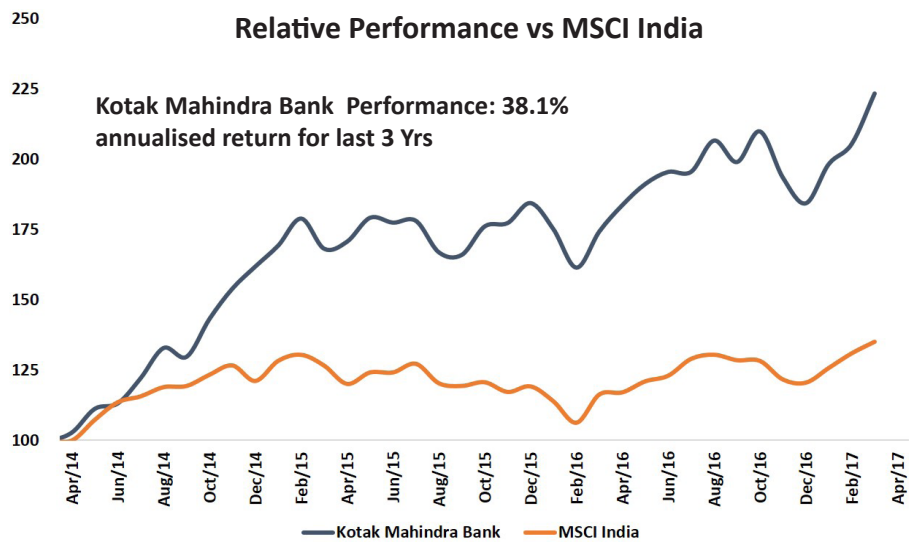
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## TOP 10 STOCKS

Name	Description	Weight
Maruti Suzuki India	Automobiles	5.5%
ICICI Bank	Banks	5.2%
Larsen & Toubro	Capital Goods	4.9%
Tata Motors	Automobiles	4.8%
Infosys	Software & Services	4.2%
Tata Metaliks	Materials	3.9%
Kotak Mahindra Bank	Banks	3.6%
Ambuja Cements	Materials	3.6%
Hindustan Unilever	Consumer Staples	3.5%
Sun Pharmaceuticals	Health Care	3.5%

Source: IAIM Research and Bloomberg

## STOCK STORY: KOTAK MAHINDRA BANK



Source: MSCI, ACE software, India Avenue Research

Past performance is not a indicator of future performance

- Kotak Mahindra Bank (KMB) is part of the Kotak Mahindra Group led by Mr. Uday Kotak, the Founder and Managing Director of the Bank. The group has a strong presence across financial services value chain in India. KMB has a pan-India presence with 1,369 branches and 2,163 ATMs as on March 31, 2017.
- In 2015, KMB merged with the erstwhile ING Vysya Bank Limited (eIVBL) in an all-stock deal. The merger with eIVBL places KMB in a sweet spot with strong presence across geographies, products and healthy capitalization (tier 1 of ~16%).
- Higher refinancing opportunities, increased product offering on the combined network and product penetration to eIVBL customers, will drive health loan growth for KMB. Higher operating leverage and stable margins are expected to drive KMB's pre-provision operating profits CAGR of 30% over FY18-20 E.
- KMB's conglomerate structure places it well to ride the up-cycle across financial services in India. Backed by higher capitalization, diversified business loan book, strong risk management and presence across financial services, we believe KMB deserves to command premium multiples.

## 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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