

# AVENUES

## INDIA AVENUE EQUITY FUND

SQM Research Rating: Superior ★★★★★

MARKET COMMENTARY: MAY 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 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	\$9.2 Million
Unit Price	Wholesale: 1.1405 Retail: 1.1404
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

\*Subject to a high watermark.

The India Avenue Equity Fund rose **13.92%** over the last 3 months to May 2017 and is up **14.05%** since inception. The fund has outperformed the index **after fees** by **274bps**. Indian equities continued its rally, on the back of buoyant market sentiment despite a build-up of risk from geopolitical events around the world. India's CPI declined to 2.99% in April from 3.81% in March. This was driven by dip in food inflation, which constitutes around 50% of the CPI basket. Food inflation has been consistently declining since July 2016 and fell to 0.6% in April. Earnings season also concluded for the 4QFY17 with the Nifty50 Index delivering 8% earnings growth over the year. With the upcoming implementation of GST, there is an expectation of the tax base increasing which should bode well for listed India. Whilst markets have priced the initial benefits in, the long-term ramifications for reducing red tape and increasing efficiency should lead to higher economic as well as company earnings growth.

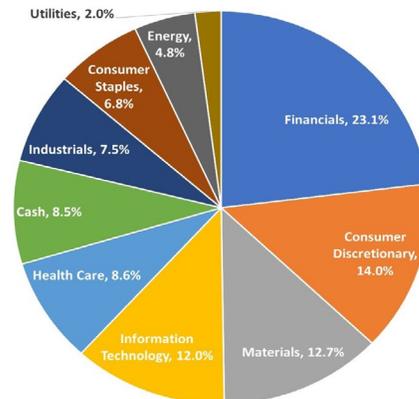
### FUND PERFORMANCE (Net of management fees and fund expenses)

	3 Months	6 Months	Since Inception*
India Avenue Equity Fund (AUD) Wholesale	13.92%	20.22%	14.05%
MSCI India (AUD)	13.52%	20.47%	11.33%
Out/Under Performance	0.40%	-0.25%	2.72%
India Avenue Equity Fund (AUD) Retail	-	-	4.26%
MSCI India (AUD)	-	-	3.58%
Out/Under Performance	-	-	0.68%
ASX 200	1.99%	8.24%	10.19%
MSCI EM (AUD)	11.45%	17.00%	13.80%
MSCI World (AUD)	8.36%	12.58%	15.26%

Past performance is not a indicator of future performance

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

### SECTOR ALLOCATIONS



Source: IAIM Research and Bloomberg

### TOP 5 INDUSTRIES

Industries	Weight
Banks	20.5%
Automobiles	14.0%
Materials	12.6%
Software & Services	12.0%
Capital Goods	7.5%

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.

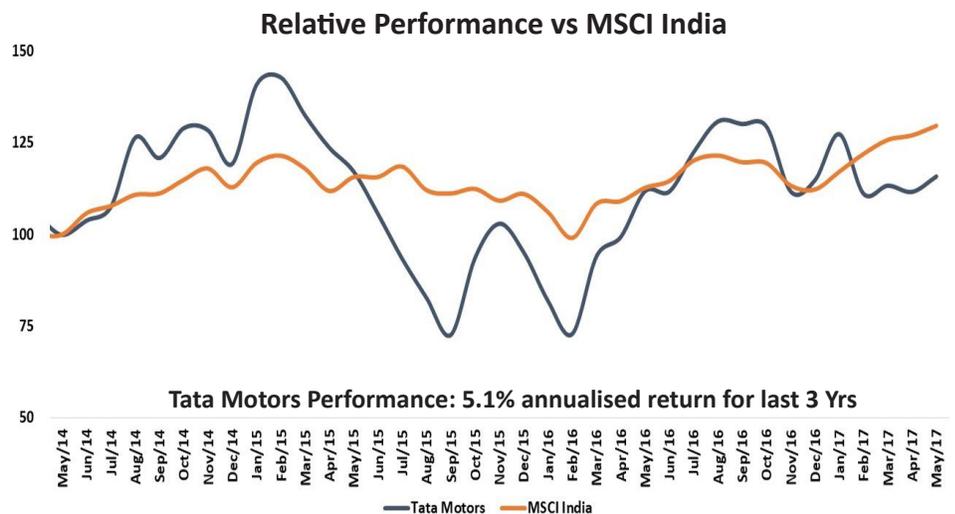
# AVENUES

## TOP 10 STOCKS

Name	Description	Weight
ICICI Bank	Banks	6.6%
Maruti Suzuki India	Automobiles	5.7%
Tata Motors	Automobiles	5.3%
Kotak Mahindra Bank	Banks	4.9%
Larsen & Toubro	Capital Goods	4.6%
Infosys	Software & Services	4.2%
Sun Pharmaceuticals	Health Care	4.1%
Hindustan Unilever	Consumer Staples	3.7%
Tata Metaliks	Materials	3.7%
Ambuja Cements	Materials	3.3%

Source: IAIM Research and Bloomberg

## STOCK STORY: TATA MOTORS



Source: MSCI, ACE software, India Avenue Research

Past performance is not a indicator of future performance

- Tata Motors (TML) is the largest commercial vehicle manufacturer in India with 55% market share in medium and heavy commercial vehicles and 37% in light commercial vehicles. It also manufactures passenger cars and utility vehicles. In 2009, TML acquired Jaguar & Land Rover from Ford for US\$ 2.5b, making it the world's 5th largest motor vehicle manufacturing company.
- Domestically as the leader in the commercial vehicle industry, TML is developing a strong pipeline of products and solutions, positioning itself well for the expected uptick in demand. In passenger cars, the company has launched new and innovative products to increase customer satisfaction.
- Internationally, the launch of two new products, 6 refreshes and foray into electric vehicles by JLR is expected to drive volume growth of 19% CAGR over FY18-19. Better product mix, operating leverage and cost savings due to the adoption of new modular platform and inhouse manufacture of engines is expected to drive profitability growth at JLR.
- With most of its capacity expansion coming to an end by FY18 and operating performance improving both domestically and internationally, TMLs free cash flow and ROE should improve over FY18-19. This should lead to the re-rating of the stock.

## 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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