

Avenues

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 economy. The Fund aims to outperform its benchmark in AUD terms, after fees and over rolling 5-year periods

Fund Rating

Lonsec Rating: Recommended*

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	\$19.1 million
Unit Price	Wholesale: 1.1571 Retail: 1.1531
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

Market Commentary: May 2018

The India Avenue Equity Fund is up **9.8% p.a.** since inception and has outperformed the index **after fees** by **0.37% p.a.** The month of May was significant on the politics front in India as the southern state of Karnataka went to the polls. Views were mixed going into the election given the opposition, Indian National Congress (INC) is the incumbent party. The election resulted in a hung assembly as no single party was able to establish a majority. Whilst this was initially a concern, particularly going into national elections next year, there was a significant swing for Modi's BJP party, as the number of seats won grew significantly from 40 to 104. On the other hand, there was a large decline for the INC which saw the loss of 42 seats down to 80. As a result, the market discounted the impact of the election on Modi's political chances in next year's federal elections.

So far in 2018 we have seen investors in India's equity market change gears, with a focus towards the very large stocks, particularly stocks in the Information Technology sector. This has led to the midcap index in India underperforming the large cap index by 11.5% and the IT index outperforming by 15% this year. Whilst our fund has a flexible mandate to invest in high quality and fast growing Indian companies, regardless of market capitalisation and sector, our investment philosophy has a bias to companies that are exposed to India's domestic growth story. As mentioned in previous fact sheets, this means we will perennially be underexposed to the top 5 stocks as much of their revenue is generated offshore. Hence, from a relative point of view, the fund has struggled to outperform this year.

Despite this, we are very confident that over the long term the fund is well positioned to outperform. Over the last 6 months, we have been increasing our health care exposure as the sector has underperformed due to several headwinds that we feel have bottomed out. Please refer to our note on why we like the [Indian Pharma Sector](#). Furthermore, the valuation premium of Mid-caps over large caps has fallen considerably. As a result, we have opportunistically been increasing our exposure as select names become attractive again.

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

Wholesale	3 months	6 months	1 year	Since Inception [#]
IAEF	-0.67%	-4.56%	3.05%	9.79%
MSCI India	-0.34%	-1.72%	4.96%	9.42%
Excess vs MSCI India Index	-0.33%	-2.84%	-1.90%	0.37%
iShares India ETF	0.96%	-2.56%	2.77%	7.43%
Excess vs MSCI India ETF	-1.63%	-2.00%	0.28%	2.36%
Retail	3 months	6 months	1 year	Since Inception [#]
IAEF - Retail	-0.82%	-4.82%	2.70%	6.13%
MSCI India	-0.34%	-1.72%	4.96%	7.54%
Excess vs MSCI India Index	-0.48%	-3.10%	-2.26%	-1.41%
iShares India ETF	0.96%	-2.56%	2.77%	5.26%
Excess vs MSCI India ETF	-1.78%	-2.26%	-0.07%	0.87%

Past performance is not an indicator of future performance

Above returns are calculated based on the exit price of 31st May assuming the reinvestment of dividends

[#]Inception Date: Wholesale 6.9.16, Retail 6.4.17

[^]Returns above 1 year are annualized

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	AU60ETL047
Citi Code	NFKK	NF2H
Morningstar	41512	41828
APIR Code	ETL0482AU	ETL0478AU

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Company Revenue Generated Locally



Source: Bloomberg

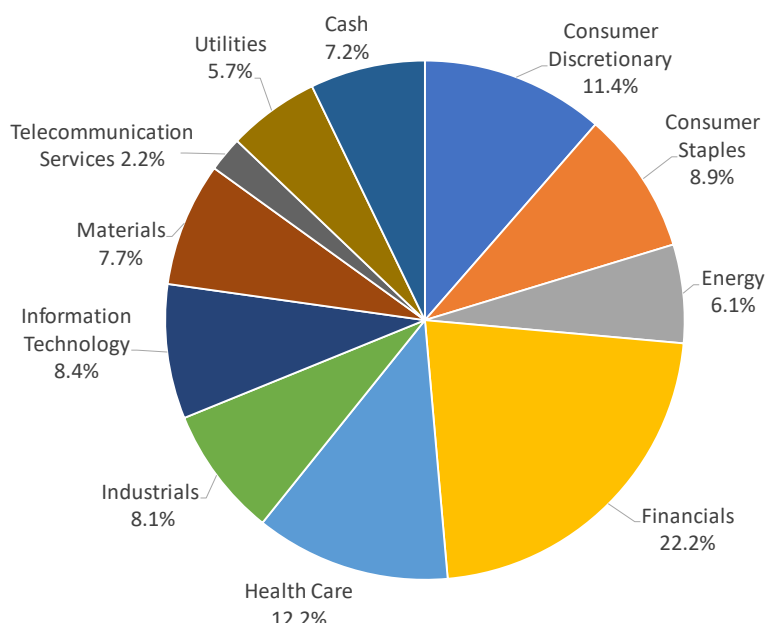
The focus of the portfolio is to generally invest in companies which have a high component of their revenue generated locally in India. This provides significant leverage to the local economy's strong growth potential.

Top 10 Stocks

Name	Industry	Weight
Sun Pharmaceuticals	Pharmaceuticals	5.5%
Infosys	IT Services	4.6%
Mahindra & Mahindra	Automobiles	4.5%
Kotak Mahindra Bank	Banks	3.6%
NTPC	Power & Renewables	3.4%
ICICI Bank	Banks	3.1%
Hindustan Unilever	Household Products	2.9%
Cipla	Pharmaceuticals	2.9%
Larsen & Toubro	Construction & Engineering	2.7%
HDFC	Housing Finance	2.5%

Source: India Avenue, Bloomberg

Sector Allocation



India Macro News

- UN Environment chief Erik Solheim has praised India for demonstrating global leadership by announcing that it will phase out single-use plastics by 2022. During an event to celebrate the World Environment Day in New Delhi, India's Environment Minister Harsh Vardhan, in the presence of Prime Minister Narendra Modi, pledged to eliminate single-use plastics from India by 2022
- Solar installations in India increased by 34% to 3,269 MW Y-o-Y for Q1 2018 making it the best quarter on record for solar installations in India
- The Government of India's "Sagar Mala" project aims to modernize India's port infrastructure. As part of Sagar Mala, 572 projects, at an estimated infrastructure investment of more than AU\$160bn, have been identified across the areas of port modernization, new port development and coastal community development

India Micro News

- India's largest lender, State Bank of India (SBI) expects mobile banking transactions to grow to 330m, amounting to over AU\$140bn, during the current financial year. SBI has 30.5m registered users and stated only 20% of transactions are now done in branches indicating a big shift towards internet banking
- Passenger vehicle sales in India rose by nearly 20 per cent in May as sales momentum in the PV segment picks up pace. Other segments also grew at a brisk pace. Utility vehicle sales rose 17.5 per cent, Van sales surged 29.5 per cent and Motorcycle sales rose 15.2 per cent. Commercial vehicle sales were up a staggering 43.1 per cent, driven by increasing infrastructure and construction spend

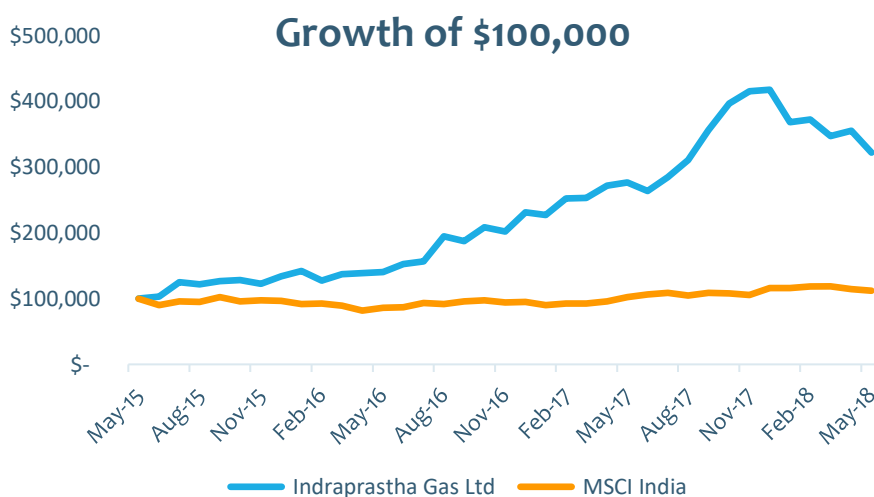
Thematic: Reducing Pollution in India

Pollution is a well-known issue in India and the Government of India has been exploring several ways to combat this. Some initiatives include various restrictions on certain polluting fuels and promoting the use of cleaner fossil fuels and renewable energy as cleaner alternatives.

Natural gas is a cleaner fossil fuel which emits much less carbon dioxide than coal and oil. Prime Minister Modi has been pushing for natural gas to become a bigger part of India's energy mix. Furthermore, according to the Oxford Institute of Energy studies, India's natural gas consumption is expected to double by 2030 to 100bn cubic metres.

One of our holdings playing this theme is a company called Indraprastha Gas Limited (IGL). They provide natural gas to both domestic and commercial sectors in Delhi and surrounding areas in the National Capital Region (home to some of the most polluted cities in the world). The company has strong backers, with their largest shareholders being two of India's major energy players, GAIL India and BPCL. The company is focused on providing a cleaner and more reliable supply of gas in both Compressed Natural Gas (CNG) and Piped Natural Gas (PNG). CNG is used in vehicles and is a substitute for other auto fuels such as petrol, diesel and LPG. IGL has over 420 CNG stations in the NCR region and supplies to all vehicle categories such as passenger vehicles, buses and commercial vehicles. The growth in CNG vehicles over the past 5 years is 12% p.a. driven by increasing demand and helped by the requirement in Delhi for all public transport vehicles to be run on CNG. This has resulted in IGL being responsible for fueling the largest CNG Bus fleet in the world. PNG is also supplied by IGL but is a lower percentage of their sales. PNG is pollution free fuel transported through a network of pipelines and used for cooking, air conditioning and power generation.

Given the strong demand for CNG and PNG due to the Government's initiative to encourage gas usage, we feel IGL is a leading player in this space and is well placed to benefit from this transformation.



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