

# 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

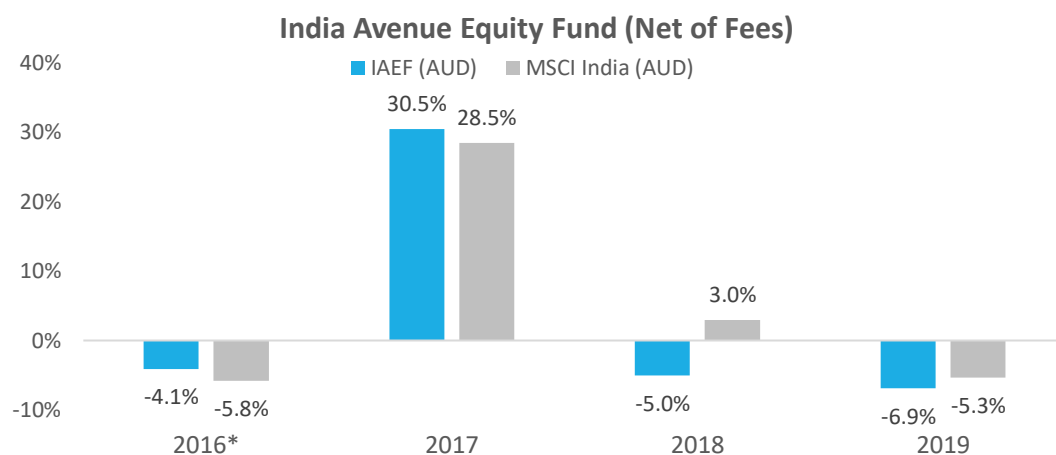
Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered Managed Investment Trust
Inception Date	6 <sup>th</sup> September 2016
Fund Size	\$21.7 million
Unit Price	Wholesale: 1.0832 Retail: 1.0751
Base Currency	Australian Dollars
Responsible Entity	Equity Trustees Limited
Custodian	Mainstream / BNP Paribas
Auditor	KPMG
Benchmark	MSCI India in AU\$
Distribution Freq.	Yearly at 30 June
Management Expense Ratio	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
FY18 Dividend	Wholesale: 0.67 cpu Retail: 0.67 cpu

\*\* Subject to a high watermark

## Fund and Market Commentary: January 2019

Last year, India was one of very few markets globally that delivered positive returns (AUD terms). However, 2019 kicked off poorly for India compared to global markets which experienced a strong rebound from December lows. The currency, in particular, fell, giving back December gains, by falling 5% in January against the AUD. Midcap and Small cap indices continued their underperformance relative to large caps dragging our fund performance. We continue to hold high conviction in our philosophy, despite the weakness, given several of our portfolio companies are expected to be India's successful companies of tomorrow. We wrote a note on the difficulty for most active managers in today's environment as expensive, index heavy stocks become more expensive, driven by passive money flow. The note explains why it is critical that active managers stick to their philosophy, despite short term underperformance. You can read the note [here](#).

In terms of key macroeconomic news, CPI Inflation for December 2018 remained flat m-o-m but remains at an 18-month low of 2.2% due to deepening food deflation. The persistently lower inflation print has now heightened expectations of a change of stance by the Reserve Bank of India (RBI) from 'calibrated tightening' to 'neutral' and potential rate cut/s by the RBI going forward. The RBI also released its Financial Stability Report, stating that NPA's in the banking industry has peaked and they expect bank GNPA's to decline for the first time since the RBI's Asset Quality Review program in 2015.



## India Avenue Equity Fund Performance (in AUD and net of all fees)

	Wholesale	1 Month	3 Months	6 months	1 year	2 years (p.a.)	Since Inception (p.a.) #
IAEF		-6.91%	1.51%	-11.09%	-9.35%	7.39%	4.31%
MSCI India		-5.31%	5.08%	-5.91%	-2.40%	12.19%	7.15%
Excess		-1.60%	-3.57%	-5.18%	-6.95%	-4.81%	-2.84%
	Retail	1 Month	3 Months	6 months	1 year	2 years (p.a.)	Since Inception (p.a.) #
IAEF		-6.95%	1.38%	-11.38%	-9.88%		0.21%
MSCI India		-5.31%	5.08%	-5.91%	-2.40%		5.28%
Excess		-1.64%	-3.70%	-5.46%	-7.48%		-5.06%

Past performance is not an indicator of future performance

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

#Inception Date: Wholesale 6<sup>th</sup> Sep 2016, Retail 6<sup>th</sup> April 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

Identifiers	Wholesale	Retail
ARSN	611 374 586	
ISIN	AU60ETL04826	AU60ETL04784
Citi Code	NFCK	NF2H
Morningstar	41512	41828
APIR Code	ETL0482AU	ETL0478AU

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## Company Revenue Generated Locally



Source: Bloomberg

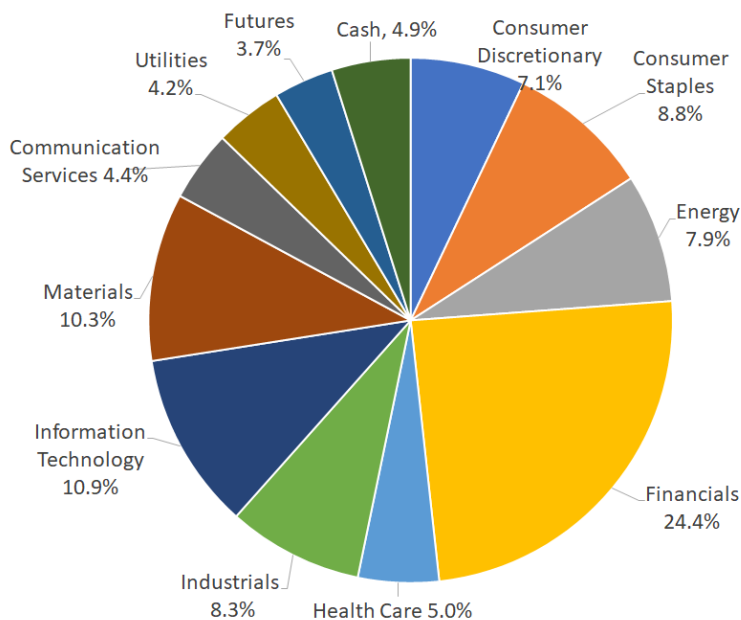
The focus of the portfolio is to generally invest in companies which have a high component of their revenue generated locally in India. This provides significant leverage to the local economy's strong growth potential.

## Top 10 Stocks

Name	Industry	Weight
Infosys	IT Services	5.2%
ICICI Bank	Banks	4.9%
Reliance Industries	Oil & Gas	3.5%
HDFC Bank	Banks	3.3%
Mahindra & Mahindra	Automobiles	3.0%
Wipro	IT Services	2.9%
Sun Pharmaceuticals	Pharmaceuticals	2.8%
State Bank of India	Banks	2.6%
NTPC	Power & Renewables	2.4%
Bharti Airtel	Communication Services	2.4%

Source: India Avenue, Bloomberg

## Sector Allocation



## India Macro News

- The International Monetary Fund has scaled up projections for India's economic growth by 0.1% to 7.5% for 2019-20, even as it cut global growth by 0.2% to 3.5%. India's contribution to world growth has increased from 7.6% during 2000-2008 to 14.5% in 2018. India retained the fastest major economy growth tag as its nearest rival China is projected to have grown 6.6% in 2018 and 6.2% in 2019

## India Micro News

- Mobile phone makers Oppo and Vivo, are likely to follow Samsung in making key components locally in India. Samsung will begin making components from April 2020 and production will start at its Noida facility, which is also its largest mobile phone manufacturing plant in the world. The Indian Government has launched the Phased Manufacturing Program (PMP) under the 'Make in India' campaign that envisages converting India into a global electronics manufacturing hub by making imports dearer.
- Chinese telecom gear maker Huawei expects India to emerge as the second-largest 5G market in the world. Huawei has tied up with local telecom players, Vodafone Idea and Bharti Airtel for 5G trials. The Chinese telecom gear maker expressed willingness to set up 5G test lab in India as well.
- South Korean auto maker Kia Motors said it has commenced trial production at its manufacturing facility in the state of Andhra Pradesh. This signifies the completion of the 536-acre plant but also marks the arrival of Kia's new flagship car for India, the Kia SP2i, a new SUV. India will play a singularly important role in expanding Kia Motors global footprint. The Anantapur facility has an installed annual production capacity of up to 300,000 units. Kia and its vendors are investing USD 2 billion on the facility.

## Thematic: India's milestones coming thick and fast!

The journey of India as an emerging economic power is truly an inspiring story. India's youthful demographics along with technology and manufacturing know how, is leading to rapid economic development through significant productivity and innovation gains. Every year, more and more economic milestones are achieved, pushing up India's ranking in the world in several categories. **Some of India's latest milestones are described below.**

*India has become the largest two-wheeler manufacturer in the world overtaking China in 2017.* According to a report by Society of Indian Automobile Manufacturers, India sold 21.6 million units in 2018. Hero Motorcorp Ltd. is an Indian motorcycle and scooter manufacturer based in Delhi and is the largest two-wheeler manufacturer in the world and enjoys a 36% market share in India.

*India overtakes the United States to become the second-largest smartphone market in the world in 2017.* According to Canalys (a global technology firm), India's low barriers to entry support strong competition among the top vendors in the country and low smartphone penetration are driving smartphone use exponentially. Samsung, Apple, Xiaomi, Vivo, Oppo and Lenovo are the top vendors in the country. India also replaced Vietnam to become the second largest producer of mobile phones in 2017.

*India became the fourth largest Auto-maker displacing Germany in 2017.* Automobile sales, including passenger and commercial vehicles grew at 9.5%, the fastest among the major global markets to more than 4 million units. The government's emphasis on infrastructure and GDP per capita growth is expected to keep the momentum strong. In addition, India has an abundance of first-time vehicle buyers mainly in rural areas along with a very young population. Maruti Suzuki India is the leading company in the passenger vehicles space and holds 49.6% market share.

*India replaces France as the sixth largest economy in 2018, according to World Bank.* India's Gross Domestic Product (GDP) amounted to US\$ 2.597 trillion at the end of 2017 against France's US\$ 2.582 trillion. However, this is despite India per capita GDP which is roughly 20 times lower. As per capita income and wealth grows, the leverage on spending as well as GDP will propel India up the global ranks. Manufacturing and consumer spending in particular are likely to be key drivers and make India the world's third biggest economy by 2030.

*India replaces Japan as the world's second largest crude steel producer in 2018.* As per World Steel Association, India produced 106.5 million tonnes (up 4.9% Y-o-Y) compared to Japan which produced 104.3 million tonnes. It is expected that steel production in India will grow by over 7% in 2019 supported by strong infrastructure spend. Over the coming decade, growth will only continue as India is in need of significant development. Steel consuming segments such as construction, real estate, capital goods(machinery), consumer goods, automobiles and the energy sector will benefit. India's largest producer, Tata Steel Limited is the world's second-most geographically diversified steel producer operating in 26 countries and currently produces around 12 million tonnes p.a.

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