

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

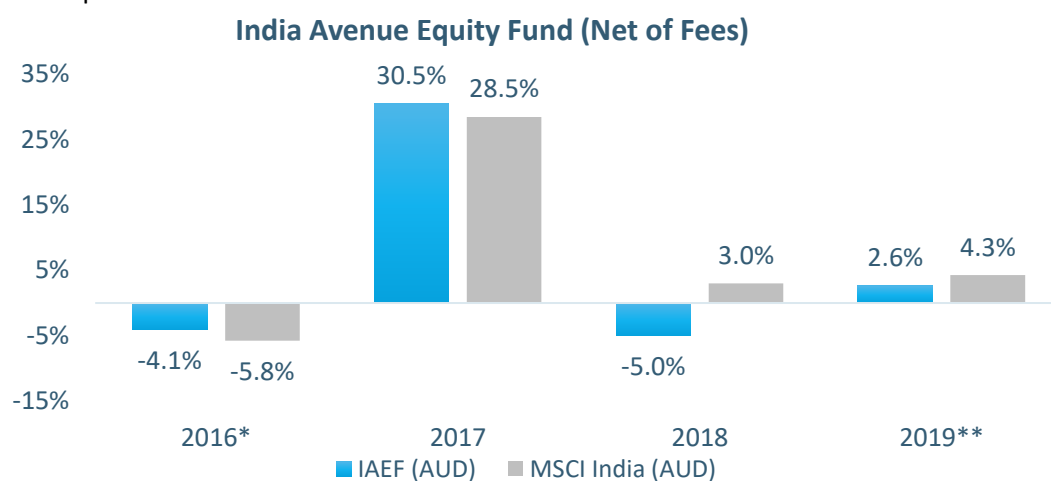
Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered Managed Investment Trust
Inception Date	6 th September 2016
Fund Size	\$30.4 million
Unit Price	Wholesale: 1.1686 Retail: 1.1711
Base Currency	Australian Dollars
Responsible Entity	Equity Trustees Limited
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
FY19 Dividend	Wholesale: 2.653 cpu Retail: 1.248 cpu

** Subject to a high watermark

Fund and Market Commentary: July 2019

The month of July saw the market continue its correction post the 10% rally in the last 6 months. The correction gathered pace in July after the first budget of PM Modi's second term. Despite big plans put forward by the Government to make India a \$5tn economy by 2025 through significant spending on infrastructure and encouragement of foreign investment, equity markets remained disappointed. Equity markets were selfishly looking for greater fiscal stimulus (even at the expense of the Government breaching their fiscal deficit target) to drive growth to re-ignite the current economic slowdown. However, the Government continued to remain vigilant on fiscal prudence whilst maintaining their willingness to drive significant sustainable growth over the next 5 years. Measures such as financial liberalisation (e.g. hard currency (USD) Government borrowing and liberalization of certain sectors to reduce constraints for raising capital) and the encouragement of FDI/FII through a more supportive financial system are expected to provide capital to unlock greater private investment.

Our fund continues to focus on attractively valued names despite the significant divergence in performance between the index heavyweight names and the rest of the market. We continue to feel that a healthy mix of large, mid and small caps will win over the long term. Our portfolio is trading at over 2 multiples cheaper than the index given the expensive valuations of the index.



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

	Wholesale	1 Month	3 Months	6 months	1 year	2 years (p.a.)	Since Inception (p.a.) #
IAEF		-3.61%	-4.28%	10.23%	-1.99%	4.13%	7.10%
MSCI India		-3.50%	-3.26%	10.11%	3.60%	8.24%	9.47%
Excess		-0.11%	-1.02%	0.12%	-5.59%	-4.11%	-2.37%
	Retail	1 Month	3 Months	6 months	1 year	2 years (p.a.)	Since Inception (p.a.) #
IAEF		-3.64%	-4.38%	10.04%	-2.48%	3.65%	4.39%
MSCI India		-3.50%	-3.26%	10.11%	3.60%	8.24%	8.54%
Excess		-0.14%	-1.12%	-0.07%	-6.08%	-4.59%	-4.15%

Past performance is not an indicator of future performance

Above returns are calculated based on the exit price of 31st July 2019 assuming the reinvestment of dividends

#Inception Date: Wholesale 6th Sep 2016, Retail 6th 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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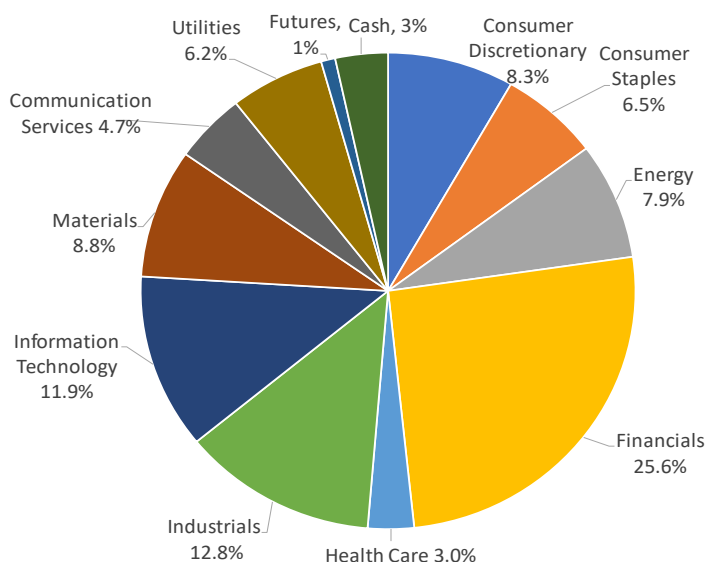
The focus of the portfolio is to generally invest in companies which have a high component of their revenue generated locally in India. This provides significant leverage to the local economy's strong growth potential.



Top 20 Stocks

Name	Industry	Weight
ICICI Bank	Banks	6.6%
Infosys	IT Services	5.7%
Reliance Industries	Oil & Gas	4.8%
NTPC	Power & Renewables	3.9%
HDFC	Housing Finance	3.4%
HDFC Bank	Banks	3.3%
State Bank of India	Banks	2.3%
IndusInd Bank	Banks	2.3%
Tata Motors	Automobiles	2.2%
Sun Pharmaceuticals	Pharmaceuticals	2.2%
Wipro	IT Services	2.2%
Kotak Mahindra Bank	Banks	2.0%
Zee Entertainment	Media	2.0%
Bharti Airtel	Communication Services	1.9%
L&T	Construction & Engineering	1.9%
Mahindra & Mahindra	Automobiles	1.9%
Spicejet	Aviation	1.9%
Crompton Greaves	Consumer Electrical Equipment	1.8%
HCL Technologies	IT Services	1.7%
Hindustan Unilever	Consumer Household Products	1.7%

Sector Allocation



Source: India Avenue, Bloomberg

India Macro & Micro News

- India is expected to overtake Japan to become 3rd largest economy in 2025. This is after India overtook the UK to turn into the world's fifth biggest economy. In May 2019, the re-election of BJP government, led by Prime Minister, Mr Narendra Modi and the Ministry of Finance has developed an economic roadmap to 2025 to transform India from a US\$ 3 trillion economy in 2019 to a US\$ 5 trillion economy by 2025. To do this, the government is aiming to create a virtuous cycle of investment, funds and exports in order to maintain rapid economic growth over the next five years.
- Foreign institutional investor (FII) inflows in the first six months of 2019 are at their highest in five years. FII's flows have been increasing in the initial half year of 2019 in Indian equities. FIIs have seen a total investment of US\$11.5 billion from January to June 2019, similar to what was seen in 2014. This increase in flow was driven by different global factors including a shift in stance on monetary policy by various central banks including India.
- Power demand in India grew at 7.4% year over year in June. The thermal power generation sector, which remains the highest contributor to the overall general basket (83%), saw an improvement in total generation to 112.8 billion units because of higher year over year accessibility of both domestic and imported coal. Coal imports expanded 28% year over year to 5.7 million tons in June 2019.
- Singapore's sovereign wealth fund GIC will put US\$ 611.6 million in a private Infrastructure Investment Trust run by IRB Infrastructure Developers Ltd. As a part of the transaction, IRB will transfer nine of its BOT (Build, operate and transfer) road projects into the Investment Trust in which IRB will hold the controlling stake of 51% stake. Three of these projects have recently become operational and the balance six are under different phases of construction.

Thematic: Monsoon 2019 Update

The agricultural sector accounts for around 14% of the India's US\$ 2.7 trillion economy but 42% of the total employment. Hence whilst a low contributor to GDP, it is critical for rural employment and sentiment as well as having a multiplier effect on other parts of the economy. For example, around one-third of India's manufacturing output is linked to turning agricultural products into food. Thus, the amount of rainfall during the four months of the monsoon season beginning from June to September could sway the economic activity in the agricultural sector and industries linked to it.

The South West Monsoon is critical to India's agricultural fortunes. It produces close to 75% of the rainfall received by India over the period from June-September. It also drives the decision made by farmers on when to plant and how much to plant. In 2019, Monsoons saw a delayed onset of south-west monsoon rains. The rain was deficient by 33% in June and the activity in the Indian farms was muted during this period. Thus, impacting the sowing activity for summer grown kharif crops such as rice, maize, sorghum and cotton. However, since then the rains have picked up pace and even flooding some of the states in India as forecasted by the Indian Monsoon Department. The country has received 647 mm of rainfall compared to the normal 636mm, thus recording an excess of 2% of rainfall until now, despite it not being even distributed around the country as per the table below. A normal monsoon generally benefits fast moving consumer good companies, agricultural companies and two-wheeler companies with a rural footprint. Though monsoon has been relatively strong in July and August, 15-20 days of delay in its arrival has led to shift in crop planting.

21 August 2019	Normal (mm)	Actual (mm)	% Deviation
Country as a whole	636	647	2.0
Northwest India	435	424	(2.0)
Central India	713	807	13.0
South Peninsula	512	543	6.0
East & northeast India	1,016	865	(15.0)

Source: IMD, Edelweiss research

As per a Skymet report analysis of actual rainfall in India from June 1st to August 15th 2019, it is estimated that cotton production may see an increase by 14% to 34.21Mn bales and crops like soya, paddy and pulse production may see a decline due to excessive rains.

One of the beneficiaries of positive rainfall and a company in our portfolio is a company called Kaveri Seeds Limited which is a leading producer of quality crop seeds in India. It has one of the largest collections of crop germplasm in the country and its portfolio of draught and disease resistant and high yielding seeds include cotton, corn, rice, jowar, bajra as well as vegetables such as tomatoes, okra and gourds. It has 7 seed processing plants in India and around 1,000,000 sq. feet of warehouse space across different locations in India. It also exports to Egypt, Pakistan, Bangladesh, Nepal, Myanmar and Sri Lanka. The company has initiated strong R&D capabilities in genetics, plant breeding and biotech innovation which provide a critical edge to farmers and meet consumer needs.

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