

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 | \$34.9 million |
| NAV | Wholesale: 1.2413 Retail: 1.2417 |
| 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 | 0.35% / 0.35% |
| Performance Fee** | 10% of the excess return above the benchmark |
| FY19 Dividend | Wholesale: 2.653 cpu Retail: 1.248 cpu |

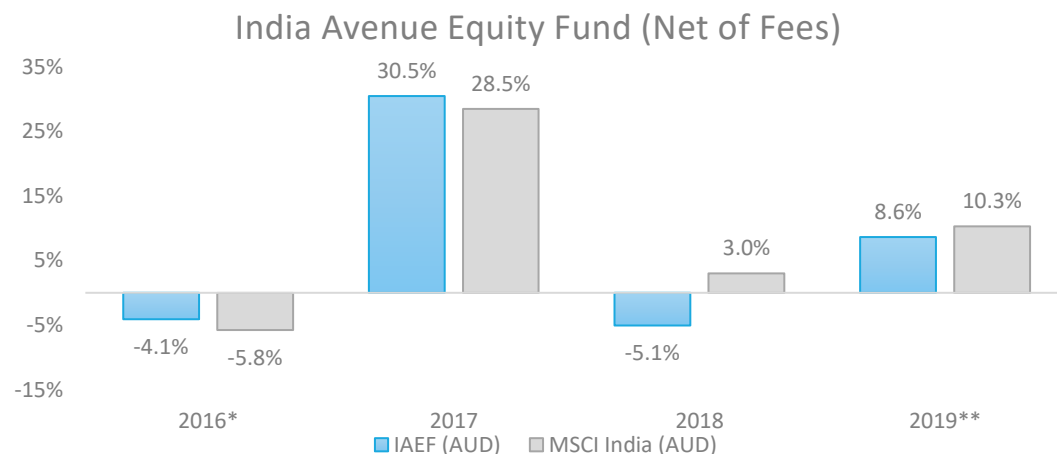
** Subject to a high watermark

Fund and Market Commentary: November 2019

The India Avenue Equity Fund (wholesale) delivered a return of 1.24% for the month of November 2019. Over the last 3 months the fund has delivered 8.45% beating the MSCI India index by 1.94%.

In last month's factsheet, we mentioned that the Government of India (GoI) was likely to disinvest its stake in selected state owned enterprises and hence it was unsurprising for us when the Government announced in November a major strategic divestment push by selling its entire stake in the second largest state-owned enterprise (SOE) refiner Bharat Petroleum along with partial/full stake sale in 5 other SOEs. This is expected to generate ~INR 800bn (~US\$11bn) in divestment proceeds which is a major boost towards GoI's divestment target of INR1,005bn (~US\$14bn) for the current fiscal year.

The Sensex (an Index of India's largest 30 largest companies) hit an all-time high during the month of November. Compared to mid and small cap indices which are flat over three years, the Sensex is up 48% over this time. This divergence is unprecedented but is part of the reason why we run an all cap approach, rather than a pure focus on one particular market cap segment of the market. As a result, the indices like the Sensex and Nifty (top 30 and 50 companies by market capitalisation respectively) have become expensive with 1-year forward price-earnings multiple of approximately 19x (Nifty), whereas our fund's forward P/E is closer to 15.5x.



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

| Wholesale | 1 month | 3 months | 6 months | 1 year | 2 years (p.a.) | 3 years (p.a.) | Since Inception (p.a.) # |
|------------|---------|----------|----------|--------|----------------|----------------|--------------------------|
| IAEF | 1.24% | 8.45% | -0.74% | 13.06% | 2.39% | 10.82% | 8.22% |
| MSCI India | 1.28% | 6.51% | 0.51% | 14.25% | 7.53% | 14.15% | 10.35% |
| Excess | -0.04% | 1.94% | -1.25% | -1.19% | -5.14% | -3.33% | -2.13% |

| Retail | 1 month | 3 months | 6 months | 1 year | 2 years (p.a.) | 3 years (p.a.) | Since Inception (p.a.) # |
|------------|---------|----------|----------|--------|----------------|----------------|--------------------------|
| IAEF | 1.21% | 8.29% | -0.99% | 12.58% | 1.87% | - | 6.01% |
| MSCI India | 1.28% | 6.51% | 0.51% | 14.25% | 7.53% | - | 9.72% |
| Excess | -0.07% | 1.78% | -1.50% | -1.67% | -5.66% | - | -3.71% |

Past performance is not an indicator of future performance

Above returns are calculated based on the exit price of 30th November 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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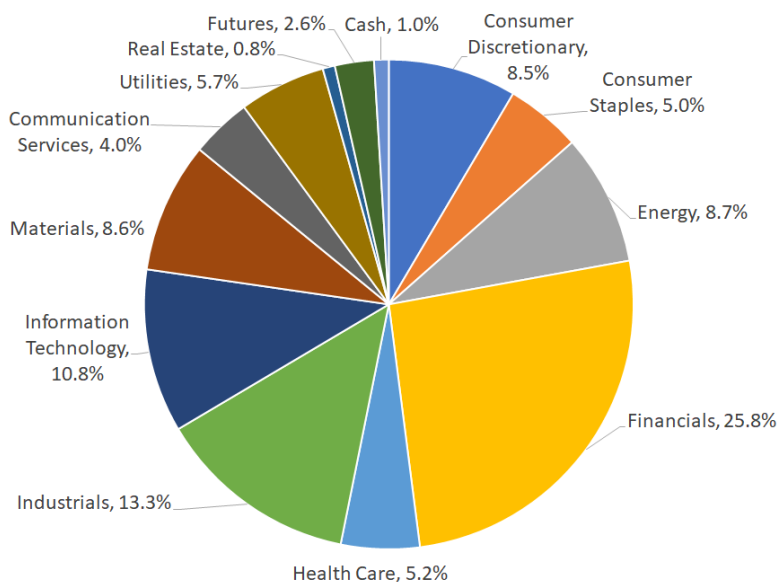
The focus of the portfolio is to generally invest in companies which have a high component of their revenue generated locally in India. This provides significant leverage to the local economy's strong growth potential.



Top 20 Stocks

| Name | Industry | Weight |
|----------------------|----------------------------|--------|
| ICICI Bank | Banks | 6.8% |
| Infosys | IT Services | 5.7% |
| Reliance Industries | Oil & Gas | 5.4% |
| HDFC | Housing Finance | 3.5% |
| NTPC | Power & Renewables | 3.4% |
| Bharti Airtel | Communication Services | 3.3% |
| HDFC Bank | Banks | 3.1% |
| HCL Technologies | IT Services | 2.3% |
| Polycab India | Wires & Cables | 2.3% |
| Tata Motors | Automobiles | 2.3% |
| Lupin | Pharmaceuticals | 2.1% |
| Axis Bank | Banks | 2.1% |
| L&T | Construction & Engineering | 2.0% |
| Sun Pharmaceuticals | Pharmaceuticals | 2.0% |
| Mayur Uniquoters | Textile Products | 1.9% |
| Mahindra & Mahindra | Automobiles | 1.8% |
| Kotak Mahindra Bank | Banks | 1.8% |
| Bajaj Finance | Personal Finance | 1.8% |
| Crompton Greaves | Consumer Electronics | 1.6% |
| Gujarat Pipavav Port | Marine Port Services | 1.6% |

Sector Allocation



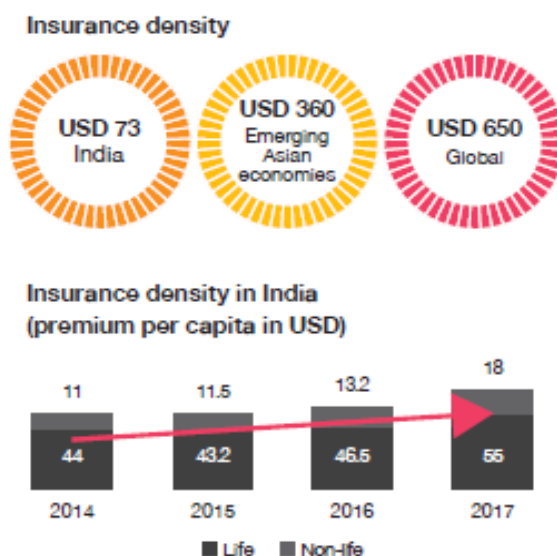
Source: India Avenue, Thomson Reuters

India Macro & Micro News

- The ownership of foreign institutional investors (FII) has reached an eight-quarter high of 20.9% by the end of September for 414 firms in the BSE 500 index, that consist of at least 90% of India's market capitalization. This is higher than the 20.8% stake held by FII's in these companies in the June quarter and the 20.5% in the September quarter last year.
- Foreign exchange reserves continued the upward journey growing to a new high of US\$451.7bn Since the beginning of the current financial year, the forex kitty has gained by US\$38.8 bn which is the largest in recent years. For last few months the reserves have been continuously surging to new highs every week and crossed the US\$450bn mark for the first time.
- The Ministry of Shipping has approved 67 projects US\$815mn under Sagarmala Programme for financial assistance of US\$213mn for improving port infrastructure and port connectivity. a roadmap is developed for increasing Indian port capacity to 3300+ MTPA by 2025. Master Planning of 12 Major Ports has been carried out and 95 capacity expansion and port modernizations projects have been identified. Global benchmarks have been adopted to improve the efficiency and productivity for major ports and 116 initiatives have been identified to unlock 100 MTPA of capacity at major ports
An Action Plan for Coastal Shipping has been prepared by the Asian Development Bank (ADB) in September 2019. This action plan includes recommendations with respect to infrastructure creation required to increase the use of coastal shipping in India.

Thematic: Insurance in India

India amassed US\$94.5 billion of written gross premiums in FY18, making the Indian insurance industry the 15th largest in the world in terms of premium volume. Despite its large size and long history in India, the reach is still low and there exists a huge untapped market, particularly for General Insurance. The insurance density (a measure of total premiums paid in a year relative to the size of the population) has grown from US\$11.5 in 2001 to US\$73 in 2017, but still lags behind other emerging Asian economies as can be seen below.



There are several Government policies promoting financial inclusion that are gradually helping to insure the uninsured. This has enhanced through the increasing use of digital technology that has broken through the typical barriers of the insurance sector to increase product awareness levels, customer touchpoints, access to knowledge, service availability and seamless payments. Furthermore, the Government's decision to permit 49% FDI has made the sector lucrative to foreign investors and enabled insurers to secure capital to work on aggressive plans to expand

Source: Insurance Regulatory and Development Authority of India

and innovate. This has also led to the IPOs of the Big 3 bank aligned life insurance companies (HDFC Life, ICICI Prudential Life and SBI Life). Much like the private sector banks, the industry is dominated by the public sector but in this case, from a single entity called the Life Insurance Corporation (LIC) of India, a Government owned behemoth, with total assets of US\$450bnn. However, this dominance is likely to reduce over time as private players and bancassurance channels are leading the pure protection (i.e. term life insurance) push to win market share. Distribution is critical and the role of agents is reducing as bancassurance becomes a critical means of increasing reach and cross selling.

Whilst the life insurance sector is growing at a healthy pace, the General insurance market is still at a relatively nascent stage, with double digit growth. One of our portfolio companies is **ICICI Lombard General Insurance**. The company is the largest private player and insures across segments such as Fire, Engineering, Marine Cargo and Hull, Motor, Worker's Compensation, Public/Product Liability, Personal Accident, Aviation, Health, Credit Insurance and Crop/Weather Insurance. The company has adopted technology-enabled solutions and in-housed the claims management process that has enabled it to maintain a strong lead in number of days it takes to clear a claim across most product lines. The company offers customised insurance solutions to its corporate customers and thus helps them in greater analysis and mitigation of risks. It maintains a healthy solvency ratio of 2.12 above the 1.5 required by India's regulator.

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