29 April 2022

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

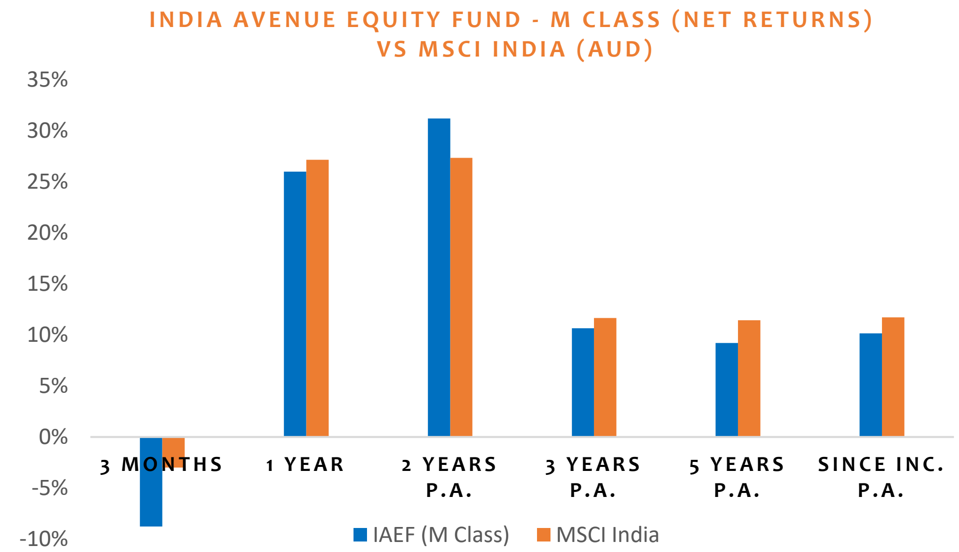
Fund Rating

Lonsec Rating: Recommended[1]

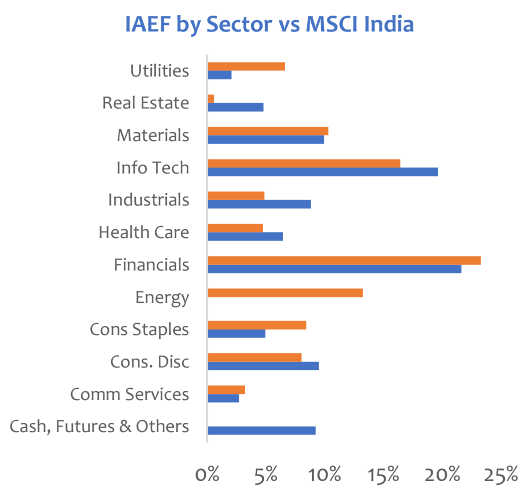
Fund Facts

Fund Manager	**India Avenue Investment Management**
Portfolio Manager	**Mugunthan Siva**
Structure	**Registered Investment Management Trust**
Inception Date – M Class	**6th September 2016**
Fund Size	**A$68.71m**
NAV	**M Class 1.6597 H Class 1.6407 L Class 1.3121**
Base Currency	**AUD**
Responsible Entity	**Equity Trustees Limited**
Custodian	**Apex / BNP Paribas**
Auditor	**KPMG**
Benchmark	**MSCI India in AUD**
Distribution Frequency	**Yearly 30th June**
Management Expense Ratio	**M Class 1.10% p.a. H Class 1.50% p.a. L Class 0.95% p.a.**
Buy-Sell Spread	**0.35% / 0.35%**
Performance Fees	**Excess Return above Benchmark**
M & H Class	**10%, high watermark**
L Class	**15%, high watermark**
FY21 Distribution	**0.0 cpu**

Fund Returns and Characteristics: 29th April 2022



M Class	3 months	1 year	2 years	3 years	5 years	Since Inception
Fund Returns (net)	-8.78%	25.97%	31.19%	10.65%	9.21%	10.15%
MSCI India (AUD)	-3.00%	27.15%	27.33%	11.65%	11.42%	11.72%
Relative Performance	**-5.77%**	**-1.18%**	**3.86%**	**-1.00%**	**-2.21%**	**-1.57%**



Top 10 Stocks	Industry	Weight
Bajaj Finance	Cons Finance	3.42%
Infosys	IT	3.30%
ICICI Bank	Banks	3.13%
Tata Consulting	IT	2.98%
Brigade Enter.	Real Estate	2.77%
Redington	Elec. Equip.	2.66%
Ave Supermarts	Retailing	2.52%
Cyient	IT	2.50%
Hitachi Energy	Elec. Equip.	2.44%
Ultratech Cement	Materials	2.21%

Source: MSCI

H & L Class	3 months	1 year	2 years	3 years	5 years	Since Inception H Class 06/04/17	Since Inception L Class 19/04/21
H Class (net)	-8.82%	25.28%	30.54%	10.11%	8.71%	8.93%	
L Class (net)	-8.61%	25.61%					30.75%
MSCI India AUD	-3.00%	27.15%	27.33%	11.65%	11.42%	11.54%	31.62%

Past performance is not an indicator of future performance. Above returns are calculated based on the exit price of 29th April 2022, net of fees and assuming reinvestment of dividends. Returns after 1 year are annualised. The only difference between the M, H and L class are the management and performance fees charged. The underlying investments of each class are identical.

India Avenue Investment Management

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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. The Fund has a bias towards companies which are experiencing strong growth driven by India's fundamentals. The Indian economy's robust ecosystem provides a tailwind for these companies which benefit from participating in growing addressable markets. Additionally, if they have sound management and a strong business moat, it makes a compelling case for long-term investment.

Fund Identifiers

Identifiers	ARSN	ISIN	APIR Code
M Class	611374586	AU60ETL04826	ETL0482AU
H Class	611374586	AU60ETL04784	ETL0478AU
L Class	611374586	AU60ETL28148	ETL2814AU

	Citi Code	Morningstar
M Class	NFCK	41512
H Class	NF2H	41828
L Class		44362

Contact Details

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Fund and Market Commentary

The India Avenue Equity Fund achieved a return of 25.97% for the year ending 29th April 2022, underperforming its benchmark, MSCI India (AUD) by 1.18%. The Fund's underperformance in 2022 so far (YTD) is driven by the following factors:

a) Impact to India's economic recovery from rising inflation, driven by higher commodity prices. The Fund is aligned to the growth story, playing out over the long-term.
b) Rising interest rates to ward off inflation. The Reserve Bank of India has shifted its focus from growth to inflation in its recent wording and towards "normalisation".
c) Outperformance of stocks which are more aligned to the value style over the growth style as the discount rate/cost of capital rises. The Fund's positioning indicates a willingness to pay for earnings growth. This has been a common shift in global markets, with investors deserting growth stocks in favour of value.

The India Avenue Equity Fund focuses on sustainable growth companies in larger cap companies and is willing to pay "above-market" for earnings certainty and transparency, rather than hold PSU's (State owned enterprises), utilities or value plays, with limited earnings profiles. With our mid and small cap holdings we seek to invest in businesses with an improving earnings trajectory or a valuation which doesn't fully reflect the potential of the business or its addressable market and is likely to have lower number of institutional investors on its register.

It is our view that this type of fund structure is the optimal way to access India's growth story in the longer term. However, it may lead to short-term downside or volatility in achieving short-term performance against its benchmark from time to time.

Period	Dates	No. Of Days	Market Behaviour	Mkt Return	Out Perf
1	6 Sep 2016 – 24 Nov 2016	81	Market fell significantly after demonetisation was announced in India	-11.3%	2.2%
2	24 Nov 2016 – 31 Dec 2017	402	Broad market recovery and rally	36.5%	1.1%
3	31 Dec 2017 – 21 Aug 2019	598	Narrow rally. Top 15 stocks are up 30%, Market up 2% and remainder down over 30%. Low breadth rally on economic slowdown, risk aversion	3.8%	-11.1%
4	21 Aug 2019 – 31 Jan 2020	133	Corporate tax reform, rate cuts	11.4%	2.9%
5	31 Jan 2020 – 30 Apr 2020	90	COVID-19	-17.6%	-6.8%
6	30 Apr 2020 – 31 Jan 2021	276	Emergence from Lockdown, Economic Recovery, FII Inflows	20.4%	4.9%
7	31 Jan 2021 – 30 Jun 2021	150	Second Wave	17.6%	7.1%
8	30 Jun 2021 – 31 Dec 2021	225	Earnings Upgrades, Economic Recovery II	16.0%	4.6%
9	31 Dec 2021 – 30 Apr 2022	119	Rising Inflation, Escalating Conflicts, Oil Price Surge	-1.3%	-7.4%

In the table above (which we have highlighted in some of our past fact sheets) we illustrate that the Fund undergoes periods of underperformance (orange coloured rows) temporarily before the structural long-term story typically resumes (when the Fund tends to outperform its benchmark).

If the environment of 2H 2022 brings some resolution of supply chains blockages and a consolidation in commodity prices, then it is likely that Indian equity markets may find a base in price and foreign investors who have been exiting India since October 2021, may return as India is likely to remain the most attractive growth story amongst the major investable economies.

Past performance is not an indicator of future performance. None of the above is to be construed as financial advice, Investors should consult their financial advisers before considering an investment in this product.

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India Macro & Micro News

Retail investors' share of NSE-listed companies reached an all-time high of 7.42% on March 31, 2022, up 7.33% from December 31, 2021. Retail holding in companies listed on NSE reached an all-time high of US$257bn from US$249bn. The share of retail, HNI and domestic mutual funds put together also reached an all-time high of 17.38% as on March 31, 2022.

India's Engineering Goods registered a 50% increase in exports at US$101bn in FY22. This sector enjoys the benefit of various trade agreements that the country has with other countries. It is expected that exports are likely to continue to rise in Steel, Auto Components, Medical Devices and is benefitting from India's push to Make-in-India and be more self-reliant.

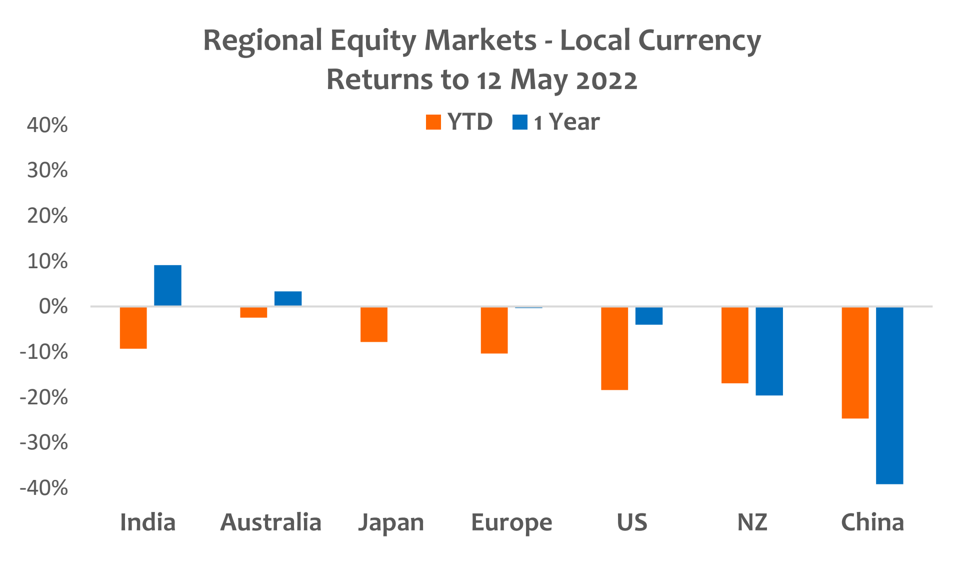
The Life Insurance Corporation of India will be the country's largest IPO. There were 13.8m applicants, and the issue was oversubscribed by 3x. The listing will take place on May 17th and further deepen India's capital markets. LIC, established in 1956, is headquartered in Mumbai and was created by merging 245 Insurance and Provident companies to create a State-owned entity. The company has 290m policy holders. The IPO is for 3.5% of equity in the company (was going to be 5%, reduced due to conditions), with the valuation of the business coming in at approximately US$80bn.

India's annual rate of inflation was reported at 7.79% as at the end of April 2022, which was its highest recording since May 2014. Upward pressure came from food (8.38%), transportation and communication (10.9%), footwear (12.12%) and clothing (9.51%). Inflation is now above the Central Banks 4% +/- 2% range and led to an unscheduled rate hike of 0.4% from 4.0% to 4.4% in early May.

Source: www.ibef.org, www.tradingeconomics.com

India vs Rest of the World

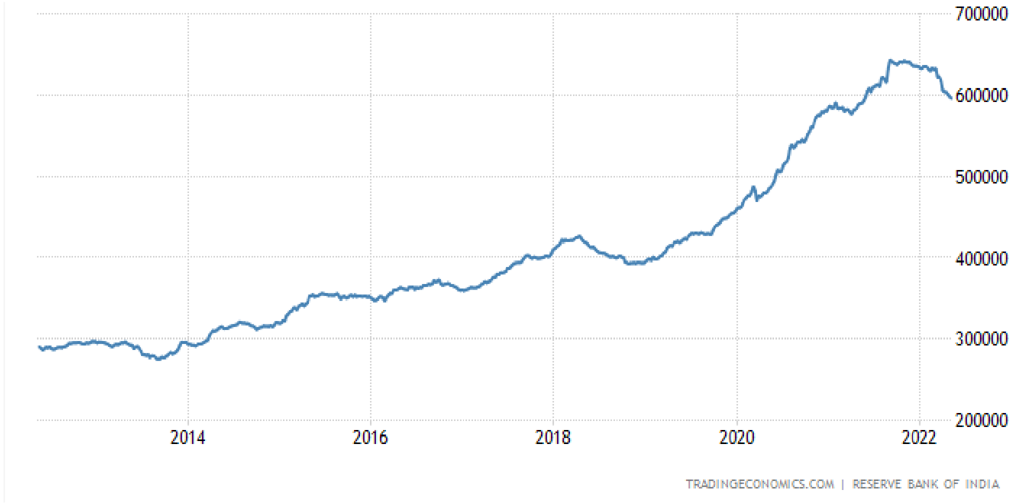
Equity markets have been in turmoil in 2022 given the after-effects of the pandemic i.e. tight supply chains, ongoing spread of the COVID-19 virus, rising inflation driven by commodity prices and Central Bank's seeking to rein in liquidity by increasing interest rates and asset purchases. Rising oil prices, driven up lower supply from lack of investment in production and the Russian/Ukraine crisis, is typically a significant negative for India. The country imports more than 80% of its requirements which are significant given demands of economic growth.



Source: MSCI

However, Indian markets have outperformed other regions over the last 12 months and lags only Australia and Japan in YTD returns, despite being at the "eye of the rising oil price storm". This is largely due to the rising level of local investment (whilst foreign investors have reduced their weighting) and the higher level of foreign reserves built up over the last decade. Over the last few weeks the RBI has been defending the currency as pressures continued to mount from sustained high commodity and food prices.

India's Forex Reserves now over 20% of GDP – reducing volatility of India's currency



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Our Focus and Experience

The founders of IAIM worked together at ING Investment Management in Australia and India over a period spanning from 2003-2013.

Our rich experience in investing in Indian equity markets is aided by our local network (fund managers, stockbrokers, corporates and other market participants in India).

This, alongside our singular focus on India as an investment region, provides our clients with significant insights on investing in this fast-growing region.

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India's Resilient Microeconomic Recovery

Microeconomics

- **GST** collections have hit record levels in April 2022, which is critical for India's need to have a broadening tax base to continue to fund India's growth requirements. GST was introduced by the Modi Government to India in 2017.
- **Employment** levels are back to pre COVID-19 levels, particularly driven by Agriculture and Real Estate. Rural India and farmers will profit as higher food prices and an expected decent monsoon should lead to significant income.
- **Industrial Production** was up 1.9% in March 2022. Continued resilience and strength in IP (2H22) may lead to the beginning of a capex boom at some time in FY24.
- **Services PMI** has remained above 50 for all but three months since September 2020. 57.6 recorded in April 2022 is the highest in 5 months, indicating a demand pick-up.
- **E-way bill** (unique document generated electronically for consignment of goods from one place to another) creation remains close to the high experienced over the last 2 years in April 2022 (after a March 2022 all-time high).
- **Electricity Demand** is rising back to peak levels post the impact of COVID-19 and the Delta and Omicron variants. Volumes are well above 2019 demand levels.

Earnings

Despite a difficult macro environment, earnings for 4Q22 (FY end is 31 March 2022) has revealed a slight outperformance of analyst forecasts. Management commentary has revealed a strong demand environment, whilst there is the potential that margins may suffer due to rising cost pressures. Earnings should be relatively resilient in the absence of new developments not factored in. Here are a few points we have extracted from various sectors:

Sector	Comments
IT	Robust demand environment and deal pipeline is fairly full. Supply side issues and attrition rates appear to be moderating. Fresh hiring occurring.
Banks	Improving asset quality and loan growth. Credit growth increasing from a low base.
FMCG	Revenue growth has been driven by rising prices and volumes have been weak due to inflation and its impact on households. Monsoon likely to be positive.
Real Estate	Most developers are reporting strong operational performance in terms of sales bookings. Witnessing cost pressures due to rising input costs. The pipeline remains strong and some capacity to take on rising interest rates.
Metals	Demand outlook continues to be strong. Higher energy costs and operational costs keeping profits at bay.
Industrials	Delivered strong performance on revenues, margins and order books. Demand, business momentum and outlook remain healthy at this stage.
Consumer Durables	Demand outlook remains robust, however, due to competitive intensity, companies are not able to pass on price rises. Margins are under pressure.
Pharma	API companies have seen a steep rise in raw material costs. Higher costs may remain in place till later in 2022.

Source: Antique Stockbroking

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Our Philosophy

IAIM's investment philosophy focuses on three key aspects:

1. **India will be a high GDP growth region relative to other regions given its strong fundamentals.**
2. **Equity markets in India are relatively inefficient, allowing active fund managers to benefit from their research and knowledge relative to passive investors.**
3. **Locally based asset managers in India have an advantage relative to global investors when it comes to investing in Indian equities due to their knowledge of the local laws, business principles and overall ecosystem.**

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India Avenue Equity Fund's Target Market Determination is available on our website:

www.indiaavenueinvest.com/our-fund

A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.