

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

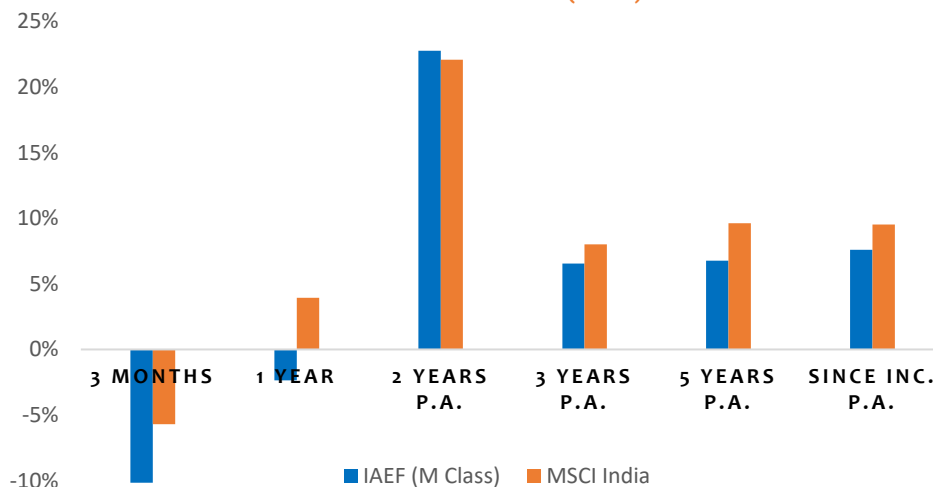
Lonsec Rating: Recommended¹

Fund Facts

Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered Investment Management Trust
Inception Date – M Class	6 th September 2016
Fund Size	A\$60.86m
NAV	M Class 1.3184 H Class 1.2930 L Class 1.0470
Base Currency	AUD
Responsible Entity	Equity Trustees Limited
Custodian	Apex / BNP Paribas
Auditor	KPMG
Benchmark	MSCI India in AUD
Distribution Frequency	Yearly 30 th 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
FY22 Distribution	M Class: 15.274 cpu H Class: 16.005 cpu L Class: 11.637 cpu

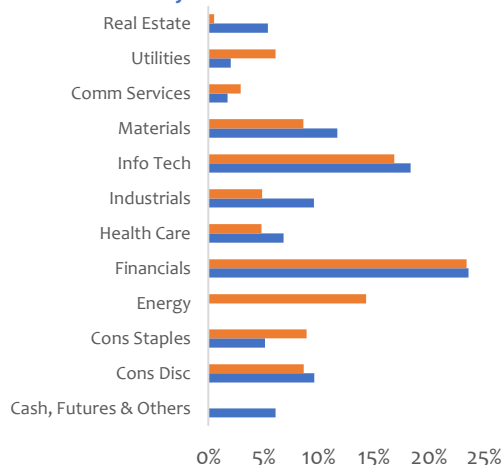
Fund Returns and Characteristics: 30th June 2022

INDIA AVENUE EQUITY FUND - M CLASS (NET RETURNS) VS MSCI INDIA (AUD)



M Class	3 months	1 year	2 years	3 years	5 years	Since Inc.
Fund Returns (net)	-10.16%	-2.36%	22.77%	6.54%	6.77%	7.59%
MSCI India (AUD)	-5.70%	3.94%	22.08%	8.01%	9.62%	9.52%
Relative Performance	-4.46%	-6.29%	0.69%	-1.48%	-2.85%	-1.93%

IAEF by Sector vs MSCI India



Top 10 Stocks

Stock	Industry	Weight
Infosys	IT	3.8%
Bajaj Finance	Cons Fin	3.5%
ICICI Bank	Banks	3.4%
Tata Consulting	IT	3.1%
Brigade Enter.	Real Estate	3.1%
Hitachi Energy	Elec. Equip	2.8%
Shriram Trans Fin.	Cons Fin	2.7%
Redington (India)	Elec. Equip	2.5%
Avenue Supermarts	Retailing	2.5%
Cyient	Software	2.4%

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)	-10.26%	-2.83%	22.15%	6.01%	6.26%	6.14%	15.93%
L Class (net)	-10.13%	-2.26%	22.08%	8.01%	9.62%	9.12%	19.45%
MSCI India AUD	-5.70%	3.94%	22.08%	8.01%	9.62%	9.12%	19.45%

Past performance is not an indicator of future performance. Above returns are calculated based on the exit price of 30th June 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.

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	

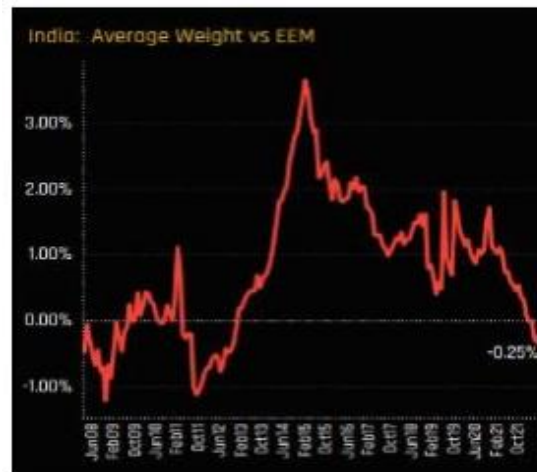
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Fund and Market Commentary

The India Avenue Equity Fund achieved a return of -2.36% for the year ending 30th June 2022, underperforming its benchmark, MSCI India (AUD) by 6.29%. The Fund's relative performance continues to be impacted by the current environment (last 6 months). Globally, stocks have had their price earnings multiples pared back as interest rates have risen and therefore reduced valuations of growth stocks in particular. As we wrote in our last fact sheet, rising inflation and oil prices have acted to curb India's growth expectations in the short term. The India Avenue Equity Fund benefits when the India growth story is playing out i.e. real GDP growth above 6%. We expect this to resume by 4th quarter CY2022 and into 2023.

Another big factor has been foreign investors withdrawing from India. Investors have withdrawn over US\$33bn in the 9 months to end of June 2022. Typically, foreign investors have been focused on buying quality/growth stocks in India and avoiding poor governance, high debt, government owned and ESG contravening companies. However, these companies have outperformed YTD in 2022 and would constitute over 20% of our benchmark, MSCI India.



Source: Copley Fund Research

For the first time in 10 years, Emerging Market funds have reduced their overweight position to an underweight on the basis that higher inflation and oil prices are likely to harm India's economy and valuations are cheaper elsewhere in countries like China.

However, India's PEG ratio appears to be more favourable than most regions. Balance sheet strength has been built due to significant deleveraging over the past decade. The post COVID recovery has led to significant cash flows and further reduction of debt.

The India growth story is already playing out in front of our eyes as evidenced by returns achieved below relative to typical asset classes that investors consider in Australia.

CY Returns	MSCI World	MSCI EM	S&P ASX 200	IAEF M Class
2017	10.4%	23.7%	7.0%	29.1%
2018	-0.9%	-7.7%	-6.9%	-5.5%
2019	25.7%	15.9%	18.4%	3.1%
2020	4.0%	5.7%	-1.5%	2.2%
2021	27.5%	1.2%	13.0%	47.5%
Compounded Return	82.59%	41.61%	31.40%	89.49%

Source: Refinitiv, MSCI, India Avenue Research

**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.*

India Macro & Micro News

According to a report by brokerage firm Emkay Investment Managers, the production-linked incentive (PLI) scheme of the Government has the potential to generate additional revenues that would increase GDP by around 4%. Over the following five years, the PLI plan hopes to offer incentives totaling about US\$30.4bn, with the majority going to the industries of electronics, automotive components, and pharmaceuticals. Due to the strong returns on investments, manufacturing companies are expanding their capacities, and the number of these businesses registered has increased to an all-time high in the past seven years, according to the report.

According to the most recent Knight Frank India survey, sales of residential units in India reached a nine-year high of 158,705 units during the first half of calendar year 2022 across the top eight cities. Despite growing residential property prices overall, sales have increased. Prices rose in all markets by between 3-9% YoY, with several of the higher volume markets, including Mumbai (up 6%), Bengaluru (up 9%), and Delhi (up 7%), reporting considerable increases.

In June 2022, India's services industry grew more quickly than it had in the previous eleven years. The seasonally adjusted S&P Global India Services PMI Business Activity Index increased from 58.9 in May to 59.2 in June, reaching its highest level since April 2011. This is in contrast to Services PMI's in Germany, UK, US and Australia which have all fallen over the past quarter.

Hiring activity in India has shown an upward growth trajectory with a record 22% YoY growth in June 2022 compared to June 2021, according to the report- Naukri JobSpeak Index. According to the report, the demand for entry-level talent continues to record the highest annual growth of 30% in June 2022.

Source: www.ibef.org

India..... world's second largest steel producer!

In May 2022, India produced just over 10.6 million tonnes of steel, placing it in 2nd position behind China (96.6 million tonnes) in terms of steel production (well ahead of Japan and South Korea in 3rd and 4th position respectively). Furthermore, India's Minister for Steel said that the country was likely to double its steel production by 2030.

The history of India's modern steel industry dates back to late 19th century. Since then it has contributed significantly towards the country's economic development, contributing slightly more than 2% of its GDP. The growth rate of the sector has been constantly higher than the growth rate of the country's GDP.

Increasing Investment

- The industry is witnessing consolidation of players, which has led to investment by entities from other sectors. The ongoing consolidation also presents an opportunity to global players to enter the Indian market.

Policy Support

- In October 2021, the Government announced guidelines for the approved specialty steel production-linked incentive (PLI) scheme.
- Under the Union Budget 2022-23, the Government allocated US\$6.2m) to the Ministry of Steel.

Competitive Advantage

- Easy availability of low-cost manpower and presence of abundant iron ore reserves make India competitive in the global set up.
- India is home to fifth-highest reserves of iron ore in the world.

Growth

- A significant rise is expected given India's comparatively low per capita steel consumption. Additionally, increased infrastructure construction and growing automobile and railways sectors.



Increasing self-reliance has been a theme for India. Its increasing ability to manufacture for itself and gain operating leverage from exporting additional capacity is leading to an increasingly competitive position.

Tata Steel, India's largest Steel producer has around 17% market share today, with the capacity for that to increase to over 25%. The company is one of India Avenue Equity Fund's top 20 holdings.

Source: IBEF

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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Motherson Sumi Wiring – A play on premiumization of automobiles

Description

- A **leading and fast growing full-systems solution provider to OEMs** in the wiring harness segment in India. Its **market share is over 40%**.
- Recently demerged from its parent, which is a JV between Samvardhana Motherson International and Japanese firm, Sumitomo Wiring Systems
- Headquartered in India across 23 facilities and is end-to-end in meeting customer needs at every stage of the supply chain
- Initial product design and validation to tool design and manufacturing, finishing, and processing, assembly, and finally production of integrated Electrical & Electronic Distribution Systems for the power supply or data transfer across vehicles.

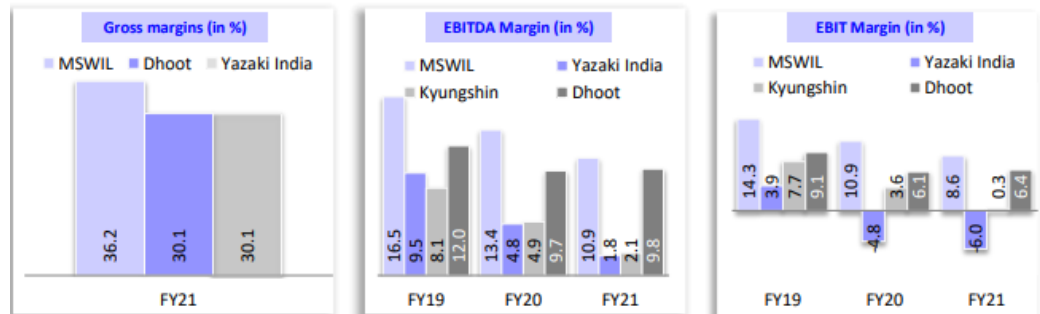
Thematic Drivers

- Growth of the auto industry in India from low penetration and across multiple formats
- **Rise of electric vehicles** provides further opportunity
- The automotive industry is witnessing several megatrends such as **premiumization, electrification, connected/autonomous vehicles**
- Sumitomo partnership offers **technological benefits and cross-selling opportunities**

The company should benefit from the recovery of the Indian automotive industry given over 95% of its revenue is local. However, it is not only a beneficiary of rising PV penetration in India but also the increasing premiumisation of automobiles globally (rising SUV's and electronic usage in vehicles). This will further intensify in electric vehicles as the wiring harness content goes up by 2x in e-Passenger Vehicles and 5x in e-2 Wheelers compared to ICE vehicles. The revenue split today is 60% PV, 11% CV, 12% 2W, 6% Agri/Rural and 11% Other.

The business has **high human capital intensity (given increasing customization) in which India has a structural advantage** and additionally is low in capex requirement, making it a net cash company in 2022. Motherson Sumi Wiring enjoys superior profitability led by improved efficiency and economies of scale, as reflected in its industry leading gross/EBITDA/ EBIT margins.

MSUMI enjoys substantially higher profitability than peers



By FY2025 it is expected by one of India's leading brokers (Motilal Oswal) that the company will generate significant cash flows with **capital efficiency of close to 50% (RoCE) and EBITDA margins of over 15%**.

Source: Motilal Oswal Research

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.

¹ *Lonsec Disclaimer: The Lonsec Rating (assigned April 2019) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product. Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold India Avenue Investment Management Limited's product, and you should seek independent financial advice before investing in this product. The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document following publication. Lonsec receives a fee from the Fund Manager for researching the product using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to Lonsec's website at: <http://www.lonsecresearch.com.au/research-solutions/our-ratings>*