

India 2030

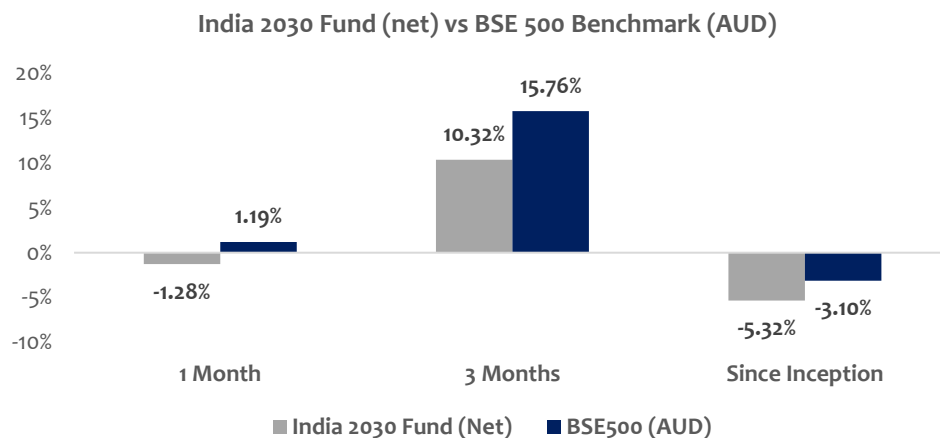
Fund Objective

The India 2030 Fund is an unregistered unit trust, which invests with high conviction in 15-20 listed companies trading on Indian stock exchanges. The Fund aims to outperform its benchmark in AUD terms, after fees and over rolling 5 - 7 year periods.

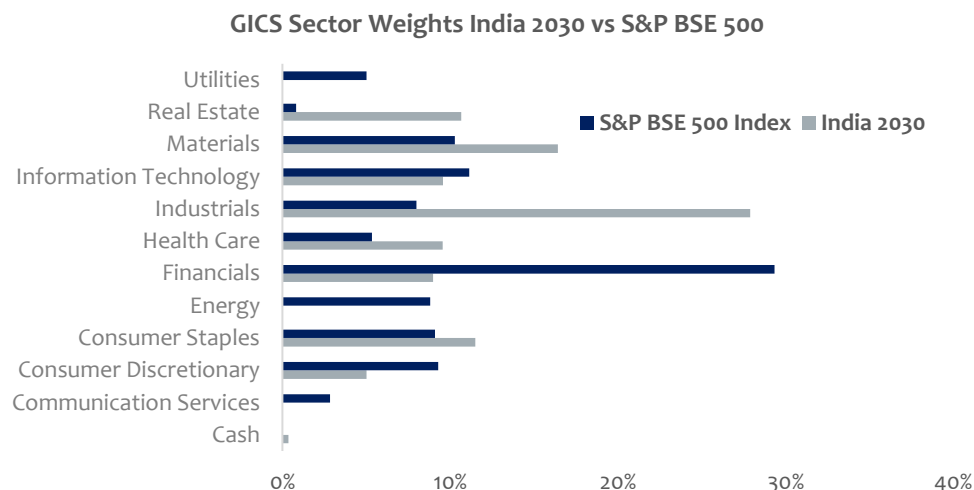
Fund Facts

Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Investment Adviser	Old Bridge Capital Management Pvt. Ltd
Structure	Unregistered Investment Trust
Inception Date	14 th January 2022*
Fund Size	A\$8.19m
NAV	0.9468
Base Currency	AUD
Trustee	Equity Trustees Ltd
Administrator	Apex
Custodian	Apex / BNP Paribas
Auditor	KPMG
Benchmark	S&P BSE 500 in AUD
Distribution Frequency	Yearly 30 th June
Management Expense Ratio	1.25% p.a.
Buy-Sell Spread	0.35% / 0.35%
Performance Fees	15% of Excess Return above Benchmark, with high watermark
APIR Code	ETL0959AU

Fund Returns and Characteristics: 30 September 2022



Source: S&P BSE. Fund Inception date 14th Jan 2022



Fund Performance

The Fund underperformed its benchmark by -2.22% over the period from 14 January 2022 to 30 September 2022. The underperformance was driven by:

- a period of outperformance by stocks which are cheap in valuation but not necessarily backed by sustainable earnings growth, in an environment where sentiment towards taking risk improved;
- a continued period of outperformance by the Adani Group of stocks as well as Government majority owned businesses, which the fund chooses not to invest in;
- an environment which has been challenging for non-momentum driven investment styles (the fund applies a capital cycle approach to investing);
- valuations of the stocks in the portfolio, given their expected earnings outlook, appear attractive relative to the broader market.

Past performance is not an indicator of the future return expectations. Clients should have from investing in the fund. Returns of the Fund can be volatile, and in some periods may be negative. Returns for the benchmark are calculated including reinvesting net dividends.

About India Avenue and the India 2030 Fund

India Avenue Investment Management (IAIM) is a boutique investment management firm 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 2030 Fund is managed by the team at IAIM. Stock selection and conviction level advice comes from our investment partner, Old Bridge Capital Management, based in Mumbai, India with a team of eight investment professionals.

The Fund adopts a high conviction approach by investing in 15-20 listed companies in India spread across 3-5 investment themes which can benefit over the course of the current decade.

The Fund is appropriate for High Net Worth investors seeking to benefit from investment themes which are leveraged to India growth story.

Fund Identifiers

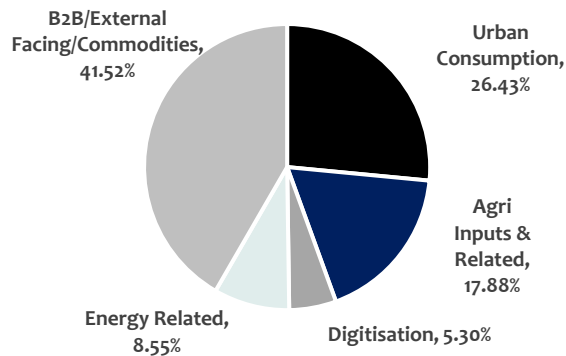
APIR - ETL0959AU
ISIN: AU60ETL09593

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Investment Themes

The focus of the fund is to monetise the success of India's expected transition over the decade, by targeting sectors which will have structural tailwinds, supported by robust earnings growth and reasonable valuations. Typically, investors are lured by companies at the peak of their cycle. However, these companies trade at valuation multiples which tend to reflect historical growth in perpetuity.



This fund seeks to invest in themes that are closer to their cyclical low in ROE, which makes it difficult for them to find liquidity support in the market. The subsequent improvement in ROE leads to consensus led investment, resulting in an improvement in liquidity.

Themes	Drivers
Urban Consumption	<ul style="list-style-type: none"> Businesses aligned to wage increases in the Tech & financial services economy New business models have evolved, and the resumption of the economy will lead to spikes in cash flow of the survivors, which will contribute to their dominance of certain segments.
Digitisation	<ul style="list-style-type: none"> Plays into several segments, with the biggest driver for these businesses being social distancing Profitable segment to be in, valuations are expensive, but virtually all these companies are in a hyper growth environment
Manufacturing External Facing Commodities	<ul style="list-style-type: none"> To feed into the global supply chain, as the world's largest manufacturer runs into multiple headwinds Tap niche manufacturing segments in India that have established global cost leadership Valuations and business models in this space have been overlooked, as historically these have been non-performers
Energy Related	<ul style="list-style-type: none"> Backward value chain, as above businesses will continue to be extremely energy intensive The reforms and incremental capex coming through in alternative energy will see utilities transitioning their way forward
Agri Related	<ul style="list-style-type: none"> Inflation in agricultural products Valuations remain fair and companies' profitability are at all time high



Market Views from Kenneth Andrade, Founder and CIO, Old Bridge

Markets to be driven by macro events in the short-term

Macro events will continue to dictate the course of the next couple of quarters. Energy prices remain the most critical commodity to watch, given it's the most inflated of the commodity group. However, this may be new norm and not much may change even if there is stability in the geo-political framework. Trade lines have been redrawn and every economy is looking at re-establishing manufacturing and investing in sustainable energy infrastructure. This has triggered interest in an almost new capital investment cycle.

India's microeconomics

The microeconomics of India have never been better given India has the capacity – both physical and financial (corporate India has its lowest debt to equity ratio ever) to capture the shift mentioned above. As we have witnessed in the past within the developing economy subset, India's path to greater and more sustained growth will be through exports.

The shift in trade lines does give India an edge over most other countries to capture a bigger share of the world GDP. Domestically, except for inflation, things have been quite stable. The surprise package has been the continued expansion of infrastructure, both urban and the transportation network. Housing has been very buoyant thanks to wage inflation within IT services and related industries in the South of India, which are rapidly contributing to urbanisation.

What's next

India has multiple moving parts which are stable to moderately positive. The negatives continue the focus on controlling inflation through monetary and fiscal policy. This is now behind us. By the December 22 quarter, on a last year's higher base prices, inflation should moderate substantially. The outlook then should shift to growth. On the ground, a moderation of steel prices has already brought back larger inquiries for the commodity. Buyers are coming back.

Portfolio perspectives

All of the above is largely captured in the 20 holdings in the portfolio. There have been a few changes in names in the last two quarters, but nothing substantial in the nature of an industry shift. Our portfolio companies operating profit growth has been more muted at 6% as the full impact of elevated commodity prices took away most of the 29% growth in sales. Key to mention is the falling margins for virtually all our holdings, and the lack of volume growth which is a state of the economy. What did well, is virtually what we don't own – the lender. After a rough couple of years, banks & financials along with the entire public sector businesses did well on good sound bites on the state of their individual outlooks. The Fund has largely stayed away from most of these names. The thematic nature of this portfolio will carry these risks of exclusions.

Underperformance in 2022 so far...

The only explainable metric is all that did well in 2020 and 2021, corrected quite significantly during this calendar year. A good year with good growth from category leaders can turn this tide. Growth and valuations of the companies in the portfolio relative to the broader market look favourable and well positioned for 2023.

About Old Bridge Capital Management

India Avenue Investment Management will be advised by Old Bridge Capital Management (OBCM). OBCM will provide advice to IAIM on stock selection, applying their practiced capital cycle approach to investing. OBCM was founded in 2015 and is domiciled in India.

The founder and CIO of the firm, Kenneth Andrade, has had two decades of experience investing in Indian listed companies at Standard Chartered and IDFC, before commencing his own investment boutique in OBCM.

Kenneth's track record is testament to his understanding of India's ecosystem, the quality of his handpicked investment team and his ability to identify a fragmented industry that is going through significant disruption, leading to shifting dynamics and market share changing hands.



India 2030

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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