

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

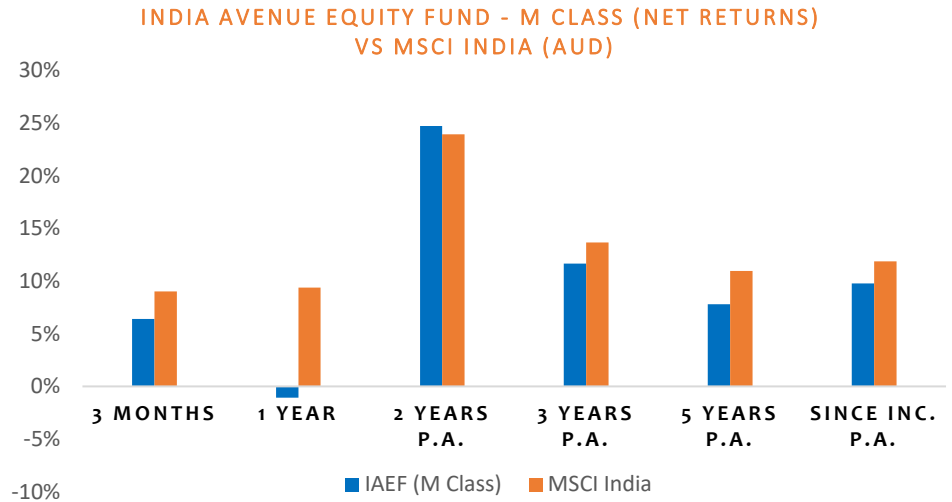
Fund Rating

Lonsec Rating: Recommended¹

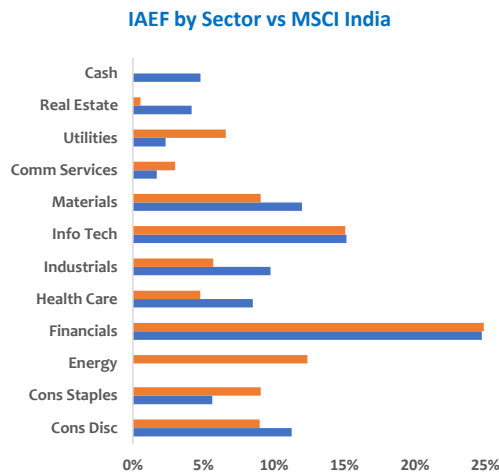
Fund Facts

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\$66.94m
NAV	M Class 1.5304 H Class 1.4989 L Class 1.2160
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 L Class	10%, high watermark 15%, high watermark
FY22 Distribution	M Class: 15.274 cpu H Class: 16.005 cpu L Class: 11.637 cpu

Fund Returns and Characteristics: 31st October 2022



M Class	3 months	1 year	2 years	3 years	5 years	Since Inc.
Fund Returns (net)	6.39%	-1.08%	24.72%	11.68%	7.81%	9.78%
MSCI India (AUD)	9.03%	9.37%	23.94%	13.67%	10.95%	11.86%
Relative Performance	-2.64%	-10.45%	0.79%	-1.99%	-3.14%	-2.08%



Top 10 Stocks	Industry	Weight
Bajaj Finance	Cons Fin	4.69%
ICICI Bank	Banks	4.05%
Infosys	IT Services	3.40%
Kotak Mahindra Bank	Banks	2.70%
Avenue Supermarts	Retailing	2.60%
Redington (India)	Elec. Equip	2.51%
Shriram Trans. Fin	Cons Fin	2.46%
Cyient	Software	2.24%
Tata Cons Ser.	IT Services	2.23%
Hindalco Ind.	Metals	2.11%

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)	6.28%	-1.43%	24.11%	11.14%	7.29%	8.60%	
L Class (net)	6.43%	-0.75%					21.39%
MSCI India AUD	9.03%	9.37%	23.94%	13.67%	10.95%	11.72%	24.70%

Past performance is not an indicator of future performance. Above returns are calculated based on the exit price of 31st October 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 returned **-1.08% for the 12 months ending 31st October 2022, underperforming its benchmark, MSCI India (AUD) by 10.45%**. 2022 so far has been a difficult year for the Fund's relative performance to its benchmark. This is despite the strong performance of Indian equity markets relative to other regions. It is our view that the Fund is well positioned to take advantage of India's rising economic prominence (via rising share of Global GDP) and wealth (GDP per capita) over the course of this decade and next.

At the end of 2021, the India Avenue Equity Fund had performed with distinction over 2 and 3 years periods. However, the Fund has undergone a difficult period of relative performance so far during CYTD 22 in comparison to the MSCI India. We highlight this as the Fund is positioned in an agnostic manner relative to the benchmark. Our aim is to provide Australian and New Zealand based investors with a unique approach to investing in India, with embedded insights of locally based stock pickers who seek to identify and invest in companies which are yet to be fully discovered by foreign investors.

To 31 December 2021	12 months %	2 years % p.a.	3 years % p.a.	Since Inception % p.a.
India Avenue Equity Fund - M Class	47.49	22.77	16.72	12.71
MSCI India (AUD) Net	33.98	18.76	14.96	12.750
Outperformance	13.51	4.01	1.76	-0.04

Year to 31 October 2022	YTD %
India Avenue Equity Fund - M Class	-6.04
MSCI India (AUD) Net	5.25
Underperformance	-11.29

Source: Refinitiv, MSCI, the return is calculated including reinvesting net dividends.

However, as outlined in our previous factsheets during 2022, the Fund has been impacted this year by the following factors:

- A style which favours investing in companies growing their earnings (growth style bias)
- A greater component of small and mid-cap companies relative to the benchmark, with a view to finding less discovered growth stories at a better valuation
- An ESG negative screen out of companies in typically controversial environmental industries and less efficiently governed sectors.

2022 so far has seen a period favouring large conglomerate businesses (which are more "opaque" due to their business lines and corporate structure), mega caps (large and liquid) and companies operating in sectors like Tobacco, Alcohol, Utilities as well as State majority owned companies. Several utility like companies have outperformed the market place purely from a valuation point of view, rather than benefitting from compounding earnings growth by participating in a growing addressable market – typically the type of companies we seek to invest in.

****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

The world's two largest economies, India and China, are on track to surpass their 2030 UN climate targets as stated United Nations Climate Change Conference (COP27).

Between 2016-21, India's installed capacity for renewable energy increased at a rate of 19% annually. As commodity prices have risen India and China turned to domestically produced fuel sources in the interests of affordability and energy security.

India is poised to experience the world's largest roll-out of 5G infrastructure with multi-billion dollar investments by the nation's top telecoms over the coming years. The government would take the lead in creating the India stack, a network-building process that would cover every sector of the economy being digitised with the most cutting-edge technologies, according to Syed Hussain, Managing Partner, IBM India.

India's retail price inflation for October rose 6.77% year-on-year. This is just outside the RBI's tolerance range is 4% +/- 2%. However, it is important to note India's CPI has averaged 6.2% since the turn of the century and hence this level of inflation is not that dissimilar to the longer-term level of price rises, which the economy had adapted to.

According to data issued by the Association of Mutual Funds in India (AMFI), net inflows into equities mutual funds increased by 130% month on month (MoM) in September to US\$1.7bn. Local investors have continued to be supportive (investing a further US\$1.1bn in October 2022) whilst foreign investors have been more tactical in their allocation.

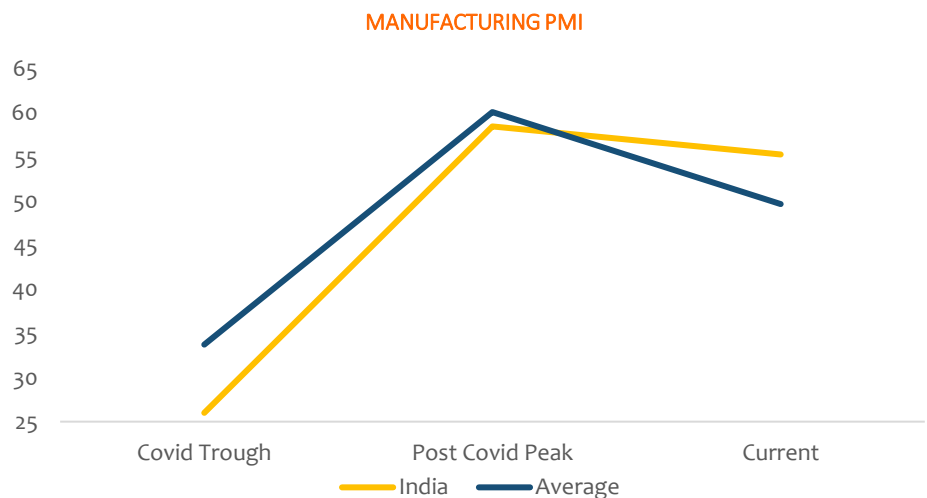
Prime Minister Mr. Narendra Modi underlined the fact that the number of unicorn companies in India has more than doubled since 2021 while emphasising technology and talent as two critical cornerstones of India's development journey as a start-up cluster.

Source: www.ibef.org, IMF WEO Database

India's Economic Recovery and Focus on Manufacturing

During the pandemic India was one of the regions most impacted due to its significant population, the density of that population and lack of adequate hospital infrastructure to cope with such scale. Essentially the country came to a standstill from March 2020-June 2020 and corporates lost two quarters of sales in the first half of FY 2021.

Manufacturing came to a standstill in labour intensive industries in which India enjoyed comparative advantages, leading the PMI reading down to 26 during the trough of COVID-19. In more capital intensive industries the impact was also significant but less so given higher levels of automation in the process. The chart below compares India's Manufacturing PMI to the average of other major economies (US, UK, Europe, Japan, Australia and China).



Source: tradingeconomics.com

Post COVID, India's economic recovery was significant, and the country was quick to resume its manufacturing economy. Additionally, the Government of India provided significant incentives to promote their "Make in India" initiative and aspire to "Atmanirbhar Bharat" – meaning a philosophy of self-reliance.

Fast forward to October 2022, the likes of the UK, Europe, China and Australia all recorded readings below 50 i.e. a contraction in activity. However, India remains close to its peak PMI recorded post COVID-19. This is not to say that India has no supply chain issues or is not experiencing inflationary pressures. Rather from a relativity point of view it signifies India's greater adaptability to the current environment. There are other regions experiencing similar strengths such as Indonesia, Philippines and Vietnam to name a few. These countries are slowly taking more market share of Global GDP as the developed world enters a retrenchment process for corporates and consumers, whilst the world's largest manufacturer (China) is held back by strict COVID protocols.

As mentioned in our last fact sheet, India's corporates are at century low in financial leverage. This provides the opportunity for capacity to be added to provide incrementally for global aggregate demand. This should lift India's market share of Global GDP and lead to an increase in GDP per capita, making India a consumer economy of greater significance.

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 Leading Aviation Play

In the current environment, no one wants to know about the Aviation Industry. Fuels costs have blown out and the global travel environment has become sporadic, making it more difficult to manage. Inter Globe Aviation owns and operates Indigo, India's largest airline with around 55% market share. The fleet strength of the carrier is currently around 279 passenger aircraft. The airline operates in 10 countries, across 88 airports, with 1,500 flights daily.

The low-cost carrier is 40% ahead of its next ranked competitor in market share and is a play on India's growth story and rising GDP-per-capita. Their strategy is to remain low-cost, on-time and provide great service whilst creating an extensive network in the region. The average age of the fleet is only 3.6 years, making it one of the most updated. Fuel-efficient carriers are the focus of incremental additions for the fleet.

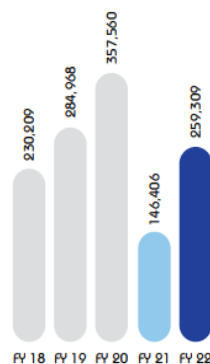
In the September Quarter 2022, the number of passengers increased by 75.9% to 19.7m while its yield improved by 21.0% to Rs 5.07 and load factor improved by 8 points to 79.2%. It was the second consecutive quarter wherein the aircraft carrier operated at higher than pre-covid capacity. In spite of the September Quarter being a seasonally weak quarter due to the presence of the South-West monsoon, the company witnessed good yields with strong demand across the network. Fuel prices and exchange rates adversely affected financial performance.



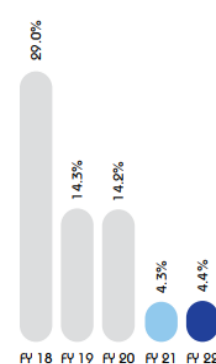
Over the last 2 years the demand for air travel reduced drastically from 75m passengers in FY20 to 31m in FY21, before increasing to 50m in FY22.

Source: www.goindigo.in

Revenue from operations (₹ in millions)



EBITDAR Margin (in %)



The company is cash flow positive with no debt on balance sheet. It is expected that when global demand resumes its pre-Covid course, fuel prices recede and the currency rebounds, that the company can generate profits well above its pre-pandemic levels given its strong incumbent position. Valuations currently price in a perpetually worse environment.

Source: *Inter Global Aviation FY22 Annual Report*

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>*