

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

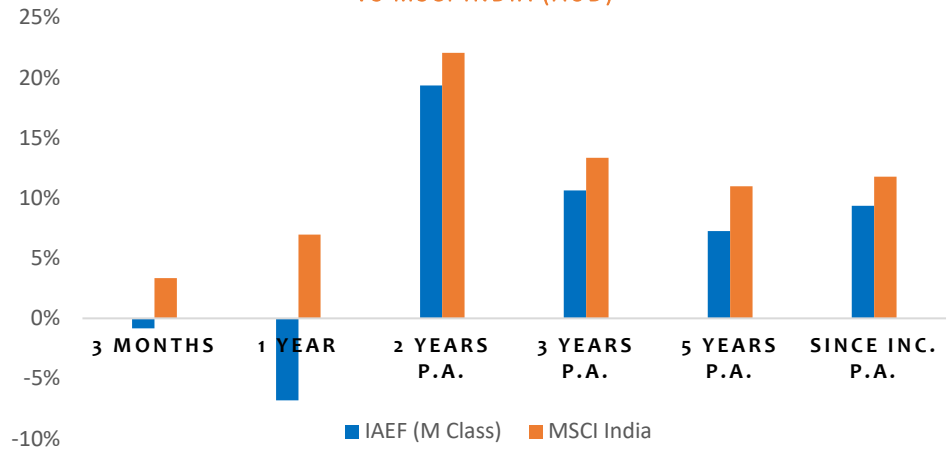
Lonsec Rating: Recommended¹

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\$66.67m
NAV	M Class 1.5060 H Class 1.4745 L Class 1.1967
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

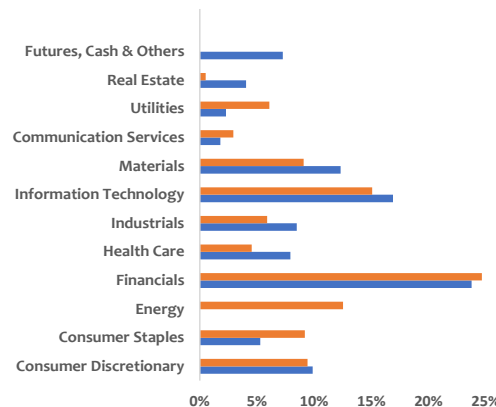
Fund Returns and Characteristics: 30th November 2022

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)	-0.84%	-6.82%	19.34%	10.62%	7.25%	9.37%
MSCI India (AUD)	3.34%	6.95%	22.08%	13.35%	10.99%	11.78%
Relative Performance	-4.18%	-13.77%	-2.73%	-2.73%	-3.73%	-2.41%

IAEF by Sector vs MSCI India



Top 10 Stocks	Industry	Weight
Bajaj Finance	Cons Fin	4.14%
ICICI Bank	Banks	4.11%
Infosys	IT Services	3.51%
Redington (India)	Electronic Equip.	3.20%
Shriram Trans. Fin	Cons Fin	2.62%
Cyient	Software	2.43%
Ave Supermarts	Retailing	2.35%
Tech Mahindra	IT Services	2.35%
Tata Cons. Serv.	IT Services	2.29%
Hindalco Industries	Metals	2.27%

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)	-0.94%	-7.16%	18.75%	10.09%	6.73%	8.15%	19.02%
L Class (net)	-0.81%	-6.43%	18.75%	10.09%	6.73%	8.15%	19.02%
MSCI India (AUD)	3.34%	6.95%	22.08%	13.35%	10.99%	11.63%	23.65%

Past performance is not an indicator of future performance. Above returns are calculated based on the exit price of 30th November 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 **-6.82% for the 12 months ending 30th November 2022, underperforming its benchmark, MSCI India (AUD) by 13.77%**. Please refer to our note of explanation bit.ly/IAEF12mNov22. A summary of this is provided below

1) Quality / Growth bias

Preference for a quality bias in the portfolio, which has been impacted by P/E de-rating of several stocks which play the long-term compounding growth story of India. A large part of this de-rating was driven by foreign investors exiting the Indian market over the first half of 2022. Our view is that these stocks are long-term winners in India due to increasing "formalization" of business and a growing addressable market which results in compounding earning.

2) Underperformance of small cap stocks

Driven by a shift of investors from risk-on to risk-off which occurred at the end of 2021 as inflation rose due to congested supply chains and rising commodity prices. The India Avenue portfolio has exposure to small cap stocks as we continue to seek businesses which are likely to be leading players in their less established addressable markets. Our businesses are all profitable and when we invest in smaller caps, we pay lower P/E multiples given the higher liquidity risk.

3) Zero exposure to The Adani Group

Performed with distinction over the past two years as the Group has aligned itself with the needs for private capex spending in India. The focus of the Group has been on developing India's physical infrastructure via Renewables, Ports, Energy, Gas, Transmission. They have made several acquisitions along the way to build a vertically integrated platform for execution. These stocks have contributed approximately 50% of the MSCI India's 9.5% local currency return in the last 12 months. We explain our logic in the link to our note above.

4) Limited exposure to Government owned companies

These companies have significantly underperformed the market over the last 12 years. However, the last 12 months has seen strong outperformance of these cheaply valued businesses relative to their earnings. Typically, foreign investors have avoided State Owned enterprises for lack of efficiency, low growth and imposition of regulation and Government controls which may impact business activities. However, the last 12 months have seen withdrawals from foreign investors as noted earlier, which "value-oriented" buying from domestic funds have seen these companies rally due to their perceived margin of safety.

**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

With 1.17bn telecom users and 825m broadband subscribers, India is currently the second-largest telecom market in the world. 5G technology will help realise India's aim of empowering its citizens digitally and enhancing quality of life. The adoption of 5G technology should result in a transformation of society and industry that is likely to propel the nation on a never-before-seen growth trajectory according to the Telecom Regulatory Authority of India (TRAI).

The Society of Indian Automobile Manufacturers (SIAM) stated that the passenger vehicle sales for India witnessed a jump of 28% on a year-on-year basis in November. This jump can be seen in the high demand for both, utility vehicles and cars and the sale of passenger vehicles (in total) amounted to 276,231 units this year, while it was 215,626 units in November 2021.

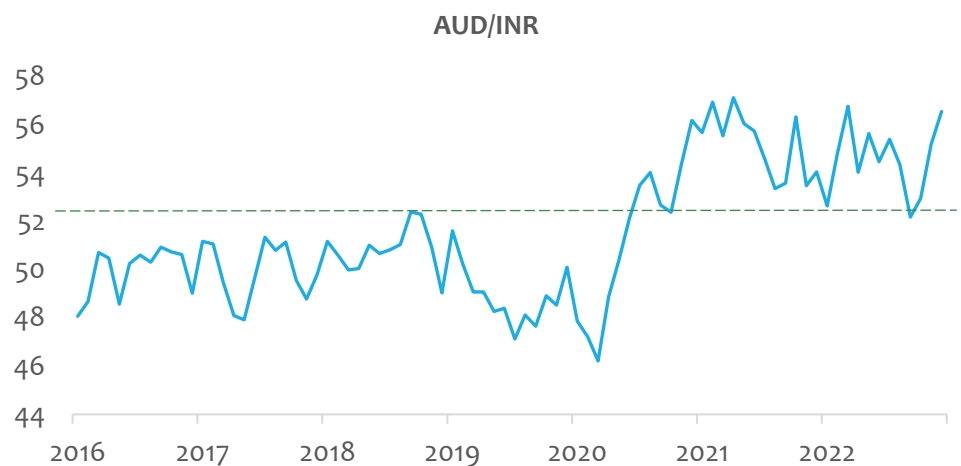
India's most populous state of Uttar Pradesh has invited global investors to invest in the state in agro and food processing, defence, aerospace and IT sectors. The UP Government has highlighted its policies on good governance, zero tolerance towards crime and corruption and ease of doing business, along with the abundance of natural resources for investments in the state.

India and Australia recently signed a Free Trade Agreement (FTA) which will strengthen the two countries bilateral relations as and when it comes into effect on 29 December 2022. The India-Australia FTA has the possibility of facilitating easier movement of skilled manpower, promotion of technical services by Indian firms, bridging of employment-skill gap in Australia, promoting Australian tourism and enhancing the reciprocal exchange of knowledge between the two countries.

Source: www.ibef.org, IMF WEO Database

The Attack of the AUD

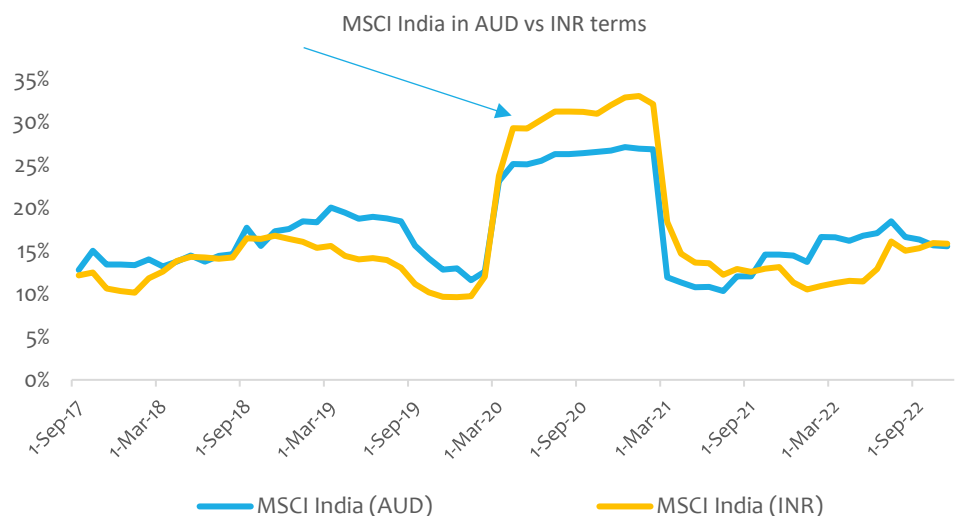
The AUD has been particularly strong reaching a bottom of 62c versus the USD on October 17th. However, this was subsequent to a fall from a 2022 peak of 71c, two months prior in August. The behaviour of the AUD. Over time the AUD has been a volatile currency given its general alignment with the risk-on trade as well as Australia's reliance on the commodity cycle economically. For Australian domiciled investors this mean that investing overseas will generally reduce volatility of their equity portfolio given the "off-setting" nature of the AUD movements. We can observe this in the chart below when it comes to the AUD's relationship with India's currency, the INR.



*Refinitiv

The recent move of the AUD to strengthen against other currencies has led to a 10% impact to our fund given an unhedged exposure to the Rupee. This has meant that unhedged offshore investors have largely not participated in the equity market rally over the last 2 months. In fact the **AUD has appreciated by slightly over 10% over two months ending 13 December 2022**, which negated the equity market rally we witnessed, as inflation shows signs of cooling off, temporarily at least.

Exposure to the INR provides diversity, especially during volatile times (e.g. COVID-19), given its underpinning as an "anti-commodity" currency.



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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ICICI Bank: A 5-year reformation

One of our Top 3 holdings (mkt cap A\$117bn)

ICICI was formed in 1955 as an initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990's ICICI was converted from a lending institution to a Commercial Bank.

Today the Bank is one of India's largest private banks and is headquartered in Mumbai with a wide range of banking products and financial services for corporate and retail customers through a variety of retail channels and specialized subsidiaries in the areas of investment banking, life, non-life insurance, venture capital and asset management. ICICI has grown its network to 5,275 branches and 15,589 ATMs across India and a presence in 17 countries.

After a history which includes concerns about debt recovery methods, money laundering allegations and CEO fraud, the Bank has transformed itself into a quality liability franchise which is benefitting from India's growth story, demographics and rapid "financialisation".

FY22	
Revenue FY22	US\$20bn
Net Income FY22	US\$3.2bn
Total Assets	US\$220bn
Employees	130,542*
Net Interest Margin	3.96%
Capital Adequacy Ratio	19.2%
Non-Performing Assets	0.8%



- Value of credit card transactions have doubled in financial year ended 2022 (FY22) relative to 12 months before (FY21)
- Value of UPI transactions was 2.3x in FY22 compared to FY21
- 51% of ICICI branches are in rural and semi-urban areas, with 649 branches in previously unbanked areas
- Over 90% of savings transactions are digital
- ICICI Bank is the market leader in electronic toll collections (33% market share)
- The Bank has provided loans to over 9 million women of which 3.8 million were first time borrowers
- ICICI Foundation for inclusive growth has trained over 750,000 less privileged individuals in the country since its inception.

ICICI Bank has an articulated strategy of targeting risk-calibrated growth in core operating profit, while ensuring resilience against potential risks and being poised to capitalise on market opportunities. The Bank is pursuing this through a customer-centric approach, underlined by the principles of 'One Bank, One ROE'. Additionally, initiatives in developing a strong technology architecture, the focus on platforms and digitisation, and continuous investments in innovations and security features are enabling the Bank to respond quickly to clients. The Bank's mobile applications, iMobile Pay and InstaBIZ, have now become universal and open architecture, enabling the Bank to expand the number of people and businesses that it can serve.

Source: ICICI Bank Annual Report, Macrotrends

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>*