India 2030

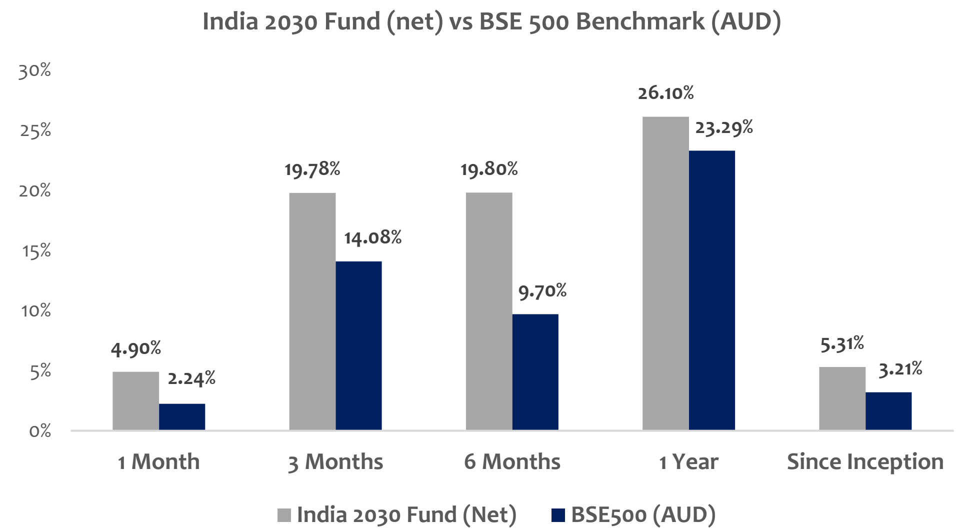
Fund Objective

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.

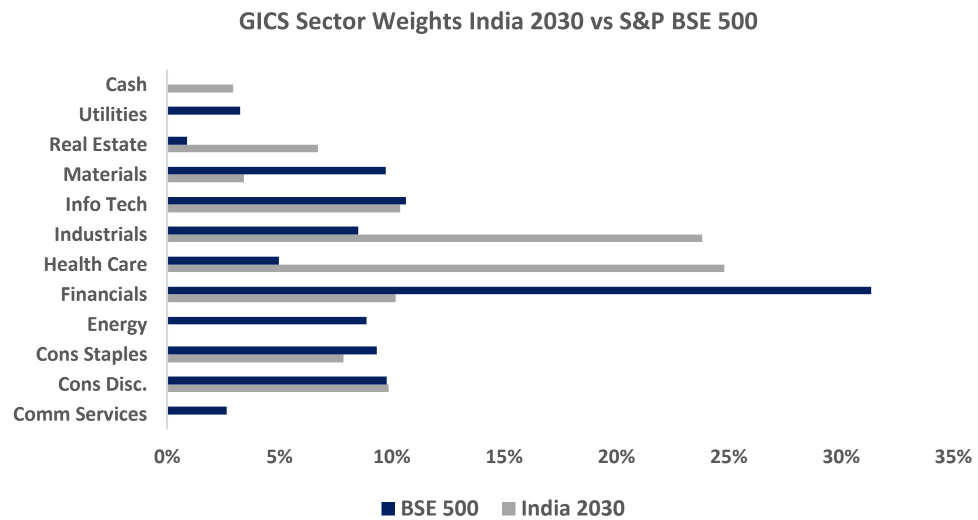
Fund Facts

Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Investment Adviser	Old Bridge Capital Management Pvt. Ltd
Structure	Unregistered Investment Trust
Inception Date	14th January 2022*
Fund Size	A$8.35m
NAV	1.0784
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 30th 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 June 2023



Source: S&P BSE. Fund Inception date 14th Jan 2022. More than 1yr return is annualized.



Fund Performance

The Fund outperformed its benchmark by 2.81% over the last 12 months to 30th June 2023. The outperformance was driven by the following:

- Whilst the fund does not seek a mid and small cap tilt, the outcome of finding growth businesses at a good valuation is a bias towards lower capitalisation.
- The fund has benefitted from early overweight allocation to the Healthcare sector, particularly Pharmaceuticals, which are benefitting from improving industry dynamics and conservative valuations as the cycle turns favourable.
- Additionally, stock selection has been strong over the last 6 months in particular, with companies like Action Construction Equipment (India's largest crane manufacturer), outperforming significantly as an infrastructure boom plays out.

Past performance is not an indicator of the future return expectations clients should have from investing in the fund.

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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

Contact Details

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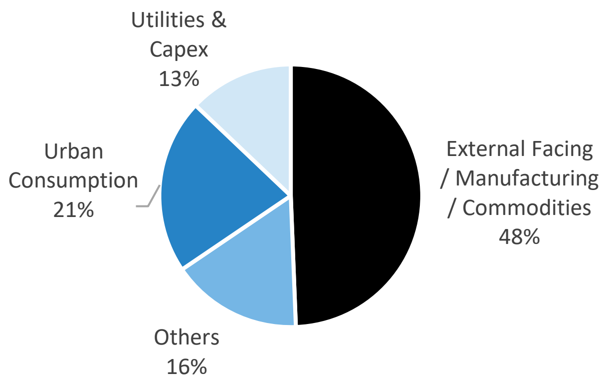
Investment Themes

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	• 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.
Manufacturing External Facing Commodities	• 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 & Capex	• 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. • Capex picking up benefitting the EPC companies.

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

As at the end of the fiscal year FY23 (March end) the profit numbers from Corporate India did not throw up any new surprises. In aggregate, the trend has been the continuation of the past. However, the aggregation of the results is a compelling story to tell. For the last four years, especially post the pandemic, debt on corporate balance sheets were falling. FY23 has been no different; cash flows are robust, and leverage has not grown. Working capital was the only area where capital was "blocked up" and that too seems to be peaking. It almost seems to be a perfect environment.

The problem of plenty…

So what is the problem? Too much of liquidity on corporate balance sheets. If we had worried about corporate India having a debt problem last decade, onwards of 2023, we seem to be having an equity problem and too much of it! The cash and the ability to raise debt seems to be almost an ideal scenario to have a capital investment cycle but the avenues to deploy this has shrunk in relation to capital availability. Corporate capex irrespective of how large, is being funded through internal cash generation. There is not much credit demand for this capex, which leaves the financial system focused on SME & retail credit growth. There are pockets of growth, but the cost of borrowing has been extremely competitive. The pockets of valuation comfort have shifted to commodity stocks, where results this year have been weak, but balance sheets have strengthened quite significantly. The industries that benefitted from a weak commodity environment have pulled back significantly in price this year. The optimism of a new capex driven cycle is showing up in the valuations of capital goods stocks, some unjustifiably so. The views on commodities remain conflicted. We like the valuations where they trade at. Demand continues to be holding out a promise, with trade relocations as well as the world's largest economy, the USA, bringing its manufacturing base back home. Add to this the reported low inventories across multiple channels. Apart from the timing of this trade, most ingredients from an investment perspective seem in place. On the pharmaceutical side, the base formed last year in September 2022. Cash generation is almost at its all-time high in most of the businesses and the opportunity visibility for the Indian companies in multiple geographies looks robust. Here the challenges continue to be the net cash balance sheet and reinvestment risks in the business. Indian consumers are going through a cyclical downturn – a majority of the QSRs have faced slower growth levels but insignificant cash burn. The tabular results column of our portfolio lay out the business growth – anyone who has performed lower than FY23, will have a better year in FY24. The year should be better than the last.

The Gold Rush

In all the above we have emphasised the financial powers, that Corporate India has generated in the clean-up to this decade. But as the headline state, the animal spirits will let loose – and that could create a contagion of rush for assets on the ground. What assets, where and at what yield – we are not too sure. For one, investors may not be happy with dividend yield and cash payouts. It may be attractive, but it is not a growth structure.

Portfolio Structure

This year seems to be an incremental year. All the underperformance of the last year on portfolios will get digested and then some. The valuation post FY23 results are fairly competitive v/s the broader markets. If like we envisaged in our past communication, that this is an inflationary scenario, and that plays through, we will have a lot more to write about then.

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.

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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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