



India Avenue Investment Management is a boutique firm, focused on providing investment solutions for investors seeking to gain from benefit from India’s multi-decade growth story. Our firm is domiciled in Sydney, Australia and has strong connectivity through its network in India. This includes our team in India, our fund advisers, stockbrokers, and other industry participants. This allows us to provide deep insights to our clients when it comes to investing successfully in the world’s leading growth economy.

FUND DETAILS

Fund Manager	India Avenue Investment Management
Structure	Registered Investment Management Trust
Inception date	6th of September, 2016
Fund size	A\$124.6m
Base currency	AUD
Responsible Entity	Equity Trustees Limited
Custodian	Apex / BNP Paribas
Benchmark	MSCI India NR (AUD)
Distribution Frequency	Yearly as at 30 June
Management expense ratio	1.10% p.a. (M Class)
Buy-sell spread	0.35% / 0.35%
Performance fees	10% of excess above benchmark (M Class)
ARSN Number	611374586

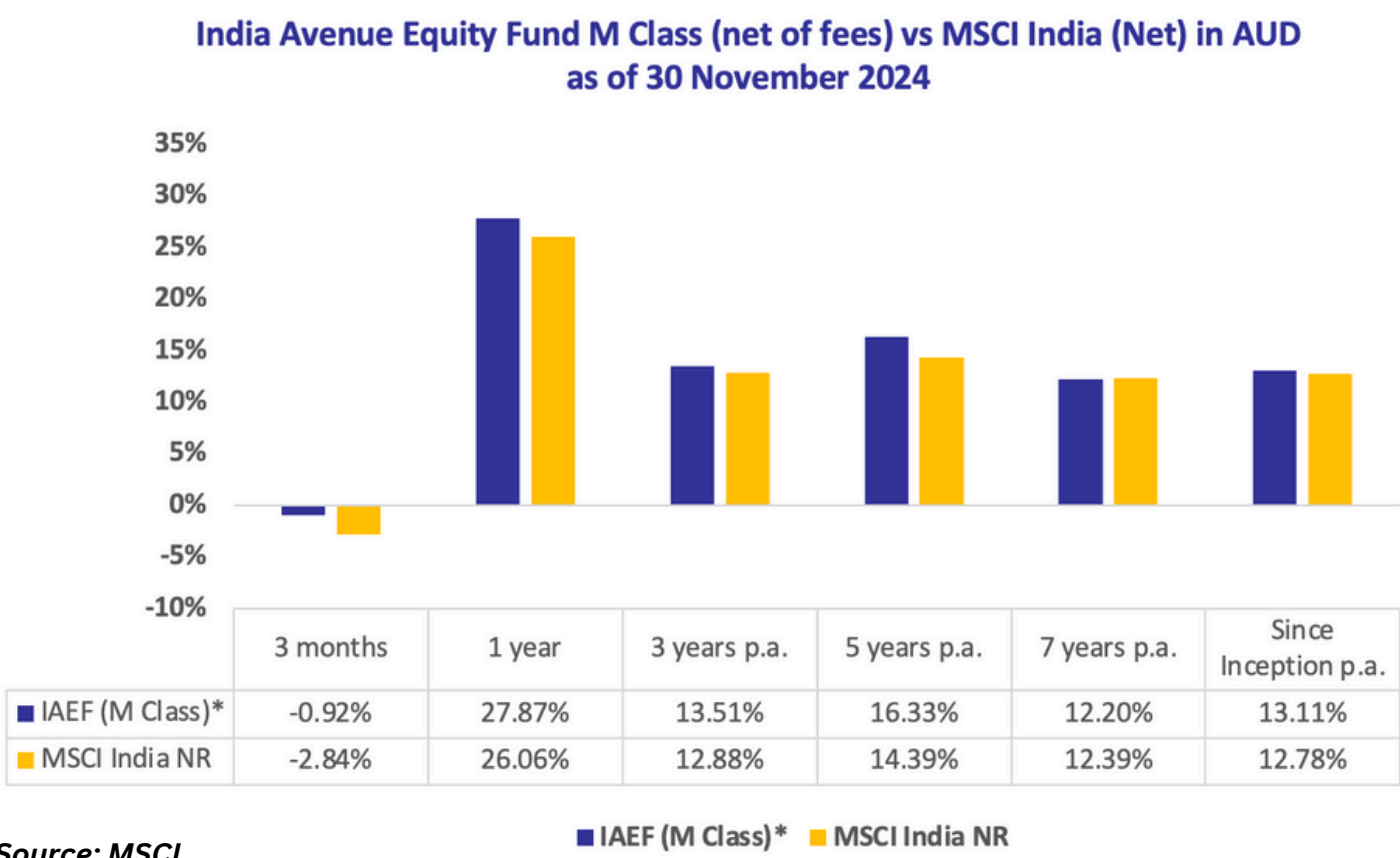
FUND OBJECTIVE

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 : Recommended ¹
(refer to the disclaimer section on page 5)

INVESTMENT PERFORMANCE



*Performance is calculated on a post fee, but pre-CGT and withholding taxes paid in India. Australian domiciled investors receive a partial credit for these taxes in their annual tax refund. Over the last 5 years the impact on performance from payment of Indian CGT is approximately 1.0% per annum. We estimate that 50-100% of Indian CGT paid is recoverable in Australian investor tax returns as a tax credit. The MSCI India benchmark returns are calculated pre taxes paid.

Performance by Unit Classes

Performance by Unit Class^	Inception Date	1 month	3 months	1 year	3 years p.a.	5 years p.a.	7 years p.a.
M Class	6/09/2016	-0.27%	-1.89%	25.94%	11.60%	15.09%	11.31%
H Class	6/04/2017	-0.29%	-1.97%	24.97%	11.02%	14.49%	10.73%
L Class	19/04/2021	-0.23%	-1.96%	25.65%	11.60%		
MSCI India		0.13%	-2.84%	26.06%	12.88%	14.39%	12.39%

^Performance in the table able above is calculated on exit price NAVs after fees and all includes all Indian CGT taxes
Source: MSCI.

Past performance is not an indicator of future performance. Above returns are calculated based on the exit price of 30th of November 2024, net of fees and assuming reinvestment of dividends. Returns of longer duration than 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.

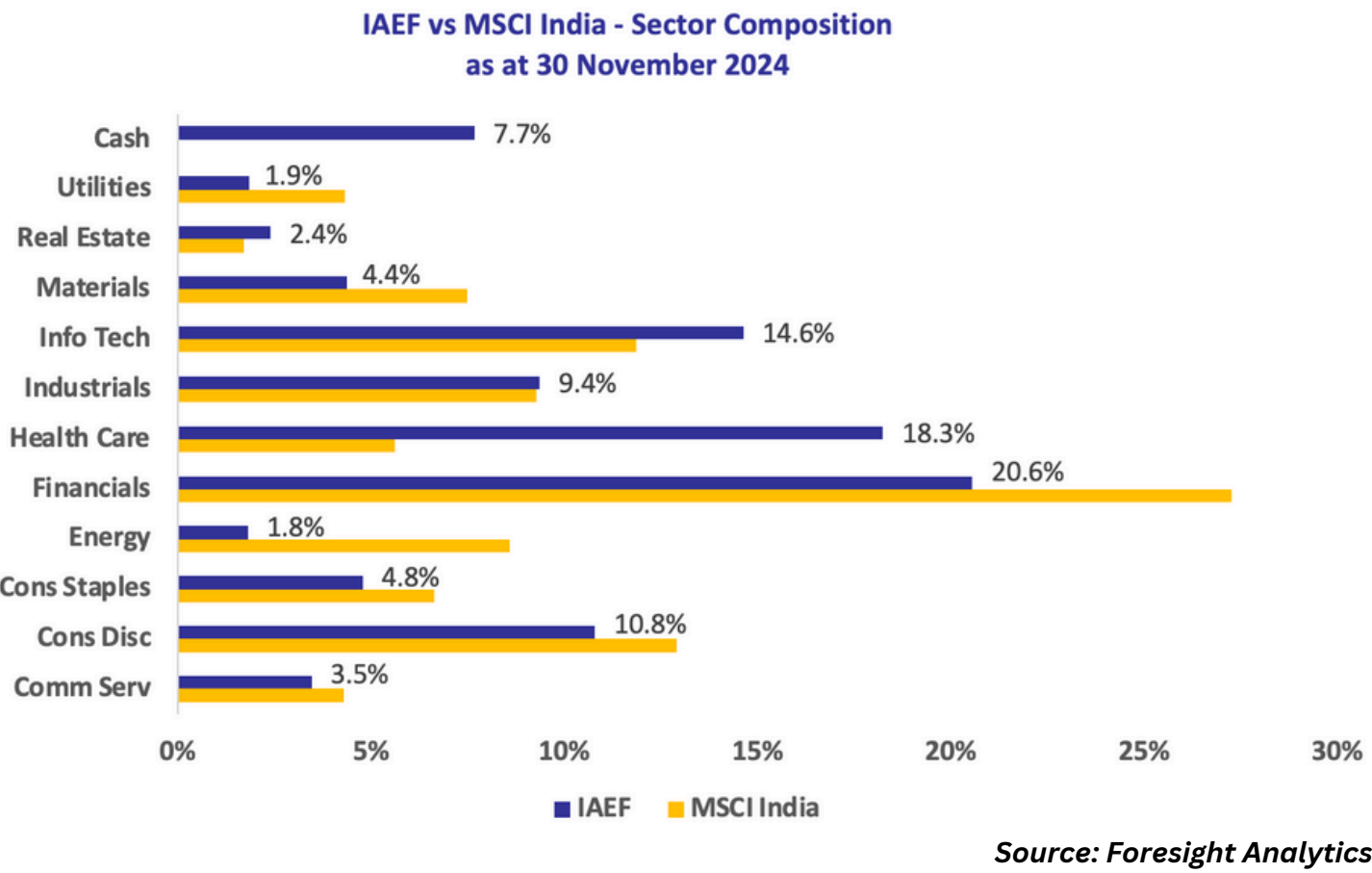
COMMENTARY

The Fund delivered a return of -0.92% (M Class units, pre-Indian CGT) in the three months to 30 November 2024, outpacing its benchmark by 1.92% over the same period. Over the past year, it achieved a return of 27.87%, outperforming its benchmark by 1.71% over the period.

After a significant fall in the Indian markets in October (7.95%) in local currency terms, November saw a mildly positive return of 0.07%. This was despite significant volatility around the outcome of the US elections, weaker earnings growth (for 2QFY25 announcements) and rising inflation in India. Investors will watch the December quarter for activity during the festival period, noting in particular any signs of ongoing weakness in the economy or sticky food inflation. The RBI’s commentary on monetary policy will also provide some guidance on the economy’s state of play and the likelihood of interest rate cuts in 2025. The AUD-INR movement over the month was far more muted than what was experienced in October, with a minimal impact to returns in the month of November.

We believe the Fund is well positioned, with an increasing emphasis on earnings transparency and clarity. In the 2QFY25 results for the top 500 companies in India, revenue growth was 8.7% and operating profit growth 2.5% year-on-year. The India Avenue Equity Fund companies recorded 10.2% revenue growth and 9.2% operating profit growth over the same period.

SECTOR POSITIONING



HIGHLIGHTS

- The Fund overweight positions to note are Healthcare (mainly Pharma stocks) and increasingly in IT Services. Overweight positions in Industrials and Real Estate, established post Covid-19, have now been trimmed to mild overweights.
- The cash level of the Fund has risen to reflect valuations and seeking a better entry point as markets pull back.
- Underweight sectors remain Energy and Materials, Financials, Utilities and Consumer.

PORTFOLIO CHARACTERISTICS

Filters	IAEF	MSCI India
Return on Invested Capital	14.6%	13.5%
GP Margin	47.9%	38.6%
Return on Assets	10.8%	9.7%
Forecast LT Sales Growth	13.7%	12.9%
Forecast LT Earnings Growth	20.0%	17.7%
Asset Growth 3y	14.5%	14.2%
Price-to-Book	4.5	4.1
P/E Forward (Mar-26)	21.1	21.3
Free Cash Flow Yield	3.4%	3.2%
Dividend Yield	1.1%	1.1%
Beta	1.02	
Mkt Cap	A\$45bn	A\$98bn

Source: Foresight Analytics

- Over the last 12 months the Fund’s value tilt has closed due to outperformance of the Value style. The focus is now shifting towards Quality and Growth (ROIC, Margins, Revenue, Earnings and Asset Growth).
- The improving quality factors are highlighted by ROIC, ROA and Gross Profit Margin which are all above the benchmark.
- The market cap bias of the Fund continues to reduce relative to the benchmark. However, given the top-heavy structure of the MSCI India, this bias is likely to be structural. The MSCI India has expanded the number of stocks to over 150 in its latest rejig.

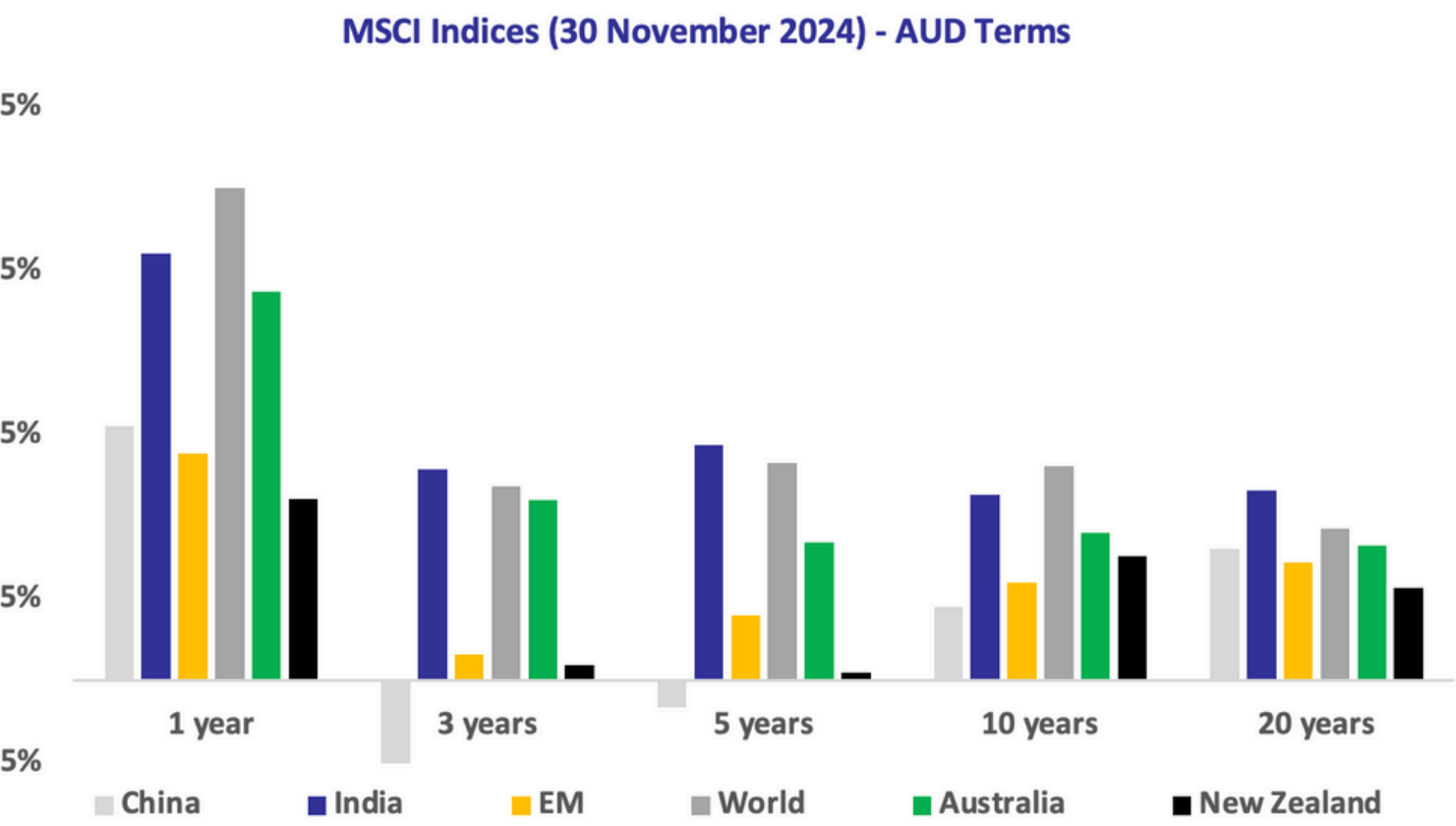
TOP 10 STOCKS

Infosys	IT Outsourcing	3.22%
ICICI Bank	Private Bank	3.10%
Aurobindo Pharma	Pharmaceuticals	3.09%
Bajaj Finance	Non-Bank Lender	3.06%
HCL Technologies	IT Outsourcing	2.59%
HDFC Bank	Private Bank	2.55%
Bharti Airtel	Telecom	2.34%
Hero Motocorp	Autos / 2-wheelers	2.33%
Coforge Limited	IT Outsourcing	2.28%
Amara Raja Energy & Mobility	Auto Components	2.08%
Top 10 Weight		26.6%

Source: Foresight Analytics

- Our shift towards larger capitalisation post a strong period of outperformance by SMID caps leading up to August 2024, has led to the changing shape of the Top 10 companies.
- Exposure to ICICI Bank, HDFC Bank and Bajaj Finance, despite a 5% underweight to Financials, indicates an increased focus on quality in this area. We also now hold three Information Technology companies in our Top 10, indicating the growing potential rising market share for these companies on a global scale.
- Aurobindo Pharma, Coforge and Amara Raja are companies which are not in the top 100 companies by market cap in India yet offer significant growth potential due to their positioning.

INDIA VS ROW



Source : MSCI. Past performance is not a reliable indicator of future performance.

SUMMARY

- Given the strength of US equity markets and particularly the large Tech firms, returns from MSCI World surpass other equity investment regions.
- Despite China stimulus measures, EM and China continue to lag MSCI World, India and Australia over all time periods.
- India’s return leadership is best illustrated over a 20-year period, where it has recorded low double digit returns in AUD terms.
- New Zealand, China and Emerging Markets have been significant laggards over the last 5 years.

OUR STOCKS

Bharat Forge has been a leading critical component manufacturer for Automobiles, Oil & Gas, Aerospace, Locomotives, Marine, Energy, Construction, Mining and Engineering. A global economic recovery post pandemic has played a significant role in the company’s growth since 2021. The company is an example of India’s manufacturing expertise on a global scale.



*Graph of stock price over the last 3 years, which is the period of holding for the India Avenue Equity Fund. The stock has risen 23% p.a. in INR terms compared to the MSCI India which rose 16% p.a. Past performance is not a reliable indicator of future performance.

Bharat Forge Limited (BFL) is a prominent Indian multinational company and the flagship of the USD 3.5 billion Kalyani Group. The company was founded in 1961 and headquartered in Pune, Maharashtra. BFL is renowned for its expertise in forging and manufacturing high-performance, innovative, and safety-critical components and solutions for various sectors. The largest contributor by far is the Automotive Sector where BFL supplies critical components to major automotive manufacturers globally. The company is also emerging in its focus on sustainability, with rising revenue from renewable energy projects.

The company has a global footprint with capacity across 28 manufacturing locations across India, France, Germany, Sweden, and North America. It has over 100 global and domestic customers, with 76% of consolidated revenue from operations coming from outside India in FY24. Global clients include Ford, GM, Toyota, Boeing and Airbus, Caterpillar and Schlumberger.

- Key growth drivers going forward will be:
- Government capex and allied infrastructure development supporting commercial vehicle business
 - Trends towards premiumization and shift towards utility vehicle within the passenger vehicle space
 - Increasing infrastructural spends and private capex driving growth in industrials segmen
 - Benefitting from new products and expanded engagements with existing clients

Please refer to Bharat Forge’s, company presentation (Nov 2024)
[PowerPoint Presentation](#)

CAPITALISATION

	IAEF	No. Stocks	Top 500	MSCI Cap Band
Large Caps (Top 100)	49%	31	74%	A\$16-318bn
Mid-Caps (Next 150)	19%	15	18%	A\$4.2-16bn
Small Caps (Next 250)	15%	12	9%	A\$1.2-4.5bn
Micro Caps (Outside Top 500)	9%	9	0%	<A\$1.2bn
Cash	8%*		0%	
Total	100%	70	100%	

Source: Refinitiv, *exposure after adjusting for Nifty 50 Futures

INSIGHTS

- The Fund large cap weight has risen over the last 3-6 months, due to strong outperformance of small and mid-caps leading up to August 2024.
- Whilst we believe the small and micro-cap segment (\$0.5bn - \$5bn) is an extremely attractive part of the market for active stock picking, it is now fully valued.
- We have reduced exposure to small and micro-cap companies, reflecting a fuller valuation in this space.

The investment process applied by the Fund focuses on “insourcing stock selection” from locally based fund managers in India, which we refer to as our investment advisers.

- Our investment advisers are typically asset managers based locally in India. It is our philosophical view that portfolio managers and analysts who have managed money and analysed companies from a local perspective, have more insightful knowledge on the local corporate environment and the ecosystem a company operates within.
- The pre-requisites for our advisory partners are local insights which we can decipher through their long track records, face-to-face interviews and conversations and network discussions.
- India Avenue from time to time will run portfolio overlay strategies to complement the bottom-up stock picking skills of our locally based advice partners.

INDIA AVENUE’S ADVISERS

Adviser	Style	No. of Stocks
DSP	Growth and Quality	20-30
Old Bridge	Business Cycle, Value	10-20
Bandhan	Intrinsic Value	20-25
Portfolio Overlay (India Avenue)	Completion Strategy, Quality	10-15
India Avenue Equity Fund	Value, SMID Caps	60-70

OUR NETWORK INSIGHTS

India Avenue’s network in India, apart from our advisers mentioned above, also includes our team based in Mumbai, our panel of stockbrokers (including strategists, economists, and analysts) and access to industry experts and company management. Every month we include some insights from our network:

- After two months of CPI readings at 5.49% and 6.21% (which were uncomfortably high for the RBI) off the back of rising food inflation, the report for November came in at 5.48%, indicating some signs of mean reversion back towards the Central Bank’s comfort range.
- The Bharatiya Janata Party (BJP), in alliance with the Shiv Sena (Eknath Shinde faction) and the Nationalist Congress Party (NCP) led by Ajit Pawar, achieved a significant victory in the 2024 Maharashtra Assembly elections. This coalition, known as the Mahayuti, secured a majority with 235 seats out of the 288-member assembly
- India's economy slowed more than expected in the September 2024 quarter, expanding by 5.4% year-on-year. This slowdown has been driven by weak urban consumption in the face of rising food prices. The RBI continues to predict 7.2% real GDP growth for FY25. The December quarter is important as it is known as the festival period in India and provides a consumption gauge.

Please visit our website at www.indiaavenue.com.au to read our latest research or see our latest comments:

Website

Our Research

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FUND DETAILS

30.11.2024	M Class	H Class	L Class
NAV	1.9619	1.9380	1.5877
Management Fee	1.10%	1.50%	0.95%
Performance Fee	10% of excess	10% of excess	15% of excess
FY24 Distribution	0.1106	0.0955	0.0902
ARSN	611374586	611374586	611374586
ISIN	AU60ETL04826	AU60ETL04784	AU60ETL28148
APIR	ETL0482AU	ETL0478AU	ETL2814AU
Morningstar Code	41512	41828	44362

DISCLAIMER

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Any and all forward looking statements are expressions of our intent, belief or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these statements. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. You should consider its appropriateness regarding your particular objectives, financial situation and needs and consider obtaining independent advice before making any financial decisions.

India Avenue Equity Fund’s Target Market Determination is available on our website: www.indiaavenue.com.au

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 March 2023) 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>

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