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

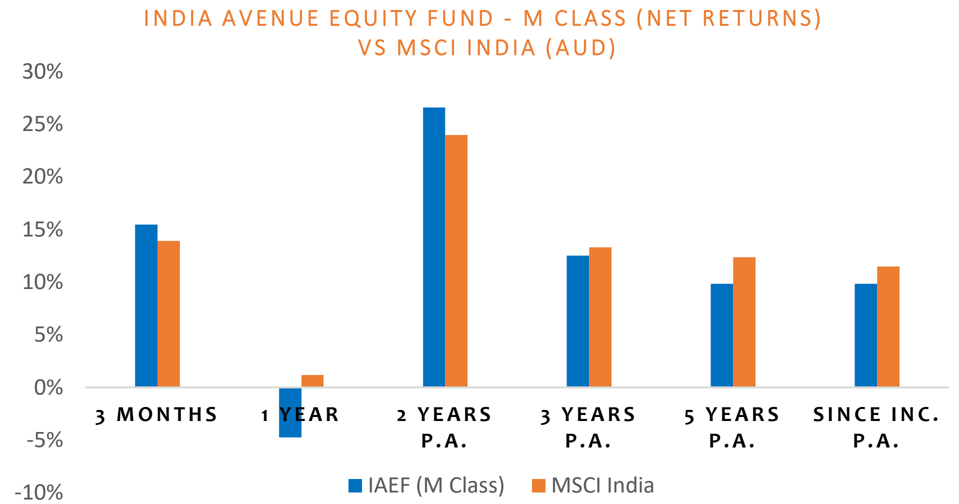
Fund Rating

Lonsec Rating: Recommended[1]

Fund Facts

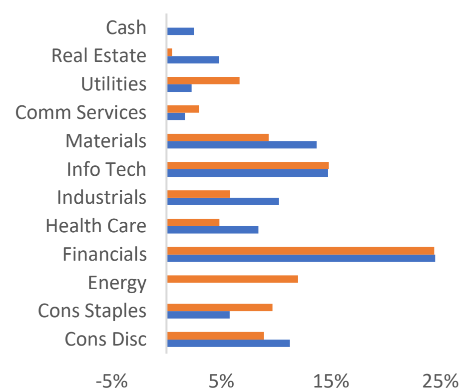
Fund Manager	India Avenue Investment Management
Portfolio Manager	Mugunthan Siva
Structure	Registered Investment Management Trust
Inception Date – M Class	6th September 2016
Fund Size	A$66.11m
NAV	M Class 1.5224 H Class 1.4916 L Class 1.2096
Base Currency	AUD
Responsible Entity	Equity Trustees Limited
Custodian	Apex / BNP Paribas
Auditor	KPMG
Benchmark	MSCI India in AUD
Distribution Frequency	Yearly 30th 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 September 2022



M Class	3 months	1 year	2 years	3 years	5 years	Since Inc.
Fund Returns (net)	15.47%	-4.76%	26.59%	12.51%	9.84%	9.83%
MSCI India (AUD)	13.90%	1.18%	23.99%	13.30%	12.37%	11.47%
Relative Performance	**1.57%**	**-5.94%**	**2.60%**	**-0.79%**	**-2.53%**	**-1.64%**

IAEF by Sector vs MSCI India



Source: MSCI

Top 10 Stocks	Industry	Weight
Bajaj Finance	Cons Fin	4.91%
ICICI Bank	Banks	3.91%
Infosys	IT Services	3.18%
Hindalco Industries	Metals	2.97%
Avenue Supermarts	Retailing	2.69%
Brigade Enter.	Real Estate	2.66%
Kotak Mahindra Bank	Banks	2.63%
Redington (I)	Electronic Equip.	2.60%
Shriram Transport Fin	Cons Fin	2.44%
Cyient	Software	2.42%

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)	15.36%	-5.13%	25.96%	11.95%	9.31%	8.64%	
L Class (net)	15.54%	-4.53%					33.94%
MSCI India AUD	13.90%	1.18%	23.99%	13.30%	12.37%	11.29%	36.06%

Past performance is not an indicator of future performance. Above returns are calculated based on the exit price of 30th September 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.

Avenues

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

Contact Details

India Avenue Investment Management Australia Pty Ltd
AFSL 478233 | ABN: 38 604 095 954
Level 2, 33 York Street,
Sydney, NSW 2000, Australia
T: +612 8245 0507
E: info@indiaavenueinvest.com
W: www.indiaavenueinvest.com

Fund and Market Commentary

The India Avenue Equity Fund returned **-4.76% for the 12 months ending 30th September 2022, underperforming its benchmark, MSCI India (AUD) by 5.94%.** However, the underperformance of Growth and Small/Mid Cap stocks ceased in the September quarter as investors pondered the pausing of interest rates hikes at some point in 2023 as the threat of a global recession loomed.

The India Avenue Equity Fund outperformed its benchmark by 1.57% over the September quarter. Earnings reported for 1QFY23 was surprisingly resilient. The banking sector reported strong 1QFY23 earnings growth led by healthy recovery in loan growth and controlled provisions. However, earnings in global cyclicals were impacted as global growth showed signs of a slowdown. Earnings are expected to illustrate 5-10% growth in FY23 at this stage, which looks more robust than most other regions.

Additionally, the significant run of the Adani Group of stocks (which we discussed in our fact sheet last month) slowed over the September quarter, allowing most active managers to make up some ground relative to MSCI India. We will monitor this situation closely going forward.

Given inflationary expectations have been reset in developed economies and the USD is at a 20 year peak versus other currencies (as measured by the DXY – an index of the USD versus other currencies), it appears that downside risks are getting priced into global equity markets. However, the potential of earnings downgrades as companies announce their September Quarter earnings, is keeping investors on edge. Earnings expectations are still forecast to average 10% annualised over the next three years in India. This alongside increasing local investment in the Indian markets have led to clear outperformance.

In AUD Terms	1 year	3 years p.a.	5 years p.a.
MSCI India	1.18%	13.30%	12.37%
MSCI EM	-19.24%	-0.49%	2.18%
MSCI ACWI	-10.86%	5.41%	8.69%
ASX 200	-7.69	2.67%	6.76%

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

Relative to other traditional benchmarks, India continued to show significant outperformance in Australian Dollar terms. This has been particularly significant in 2022 when Indian markets have held their ground relative to other regions. Benchmarks dominated by the US (MSCI World) and China (Emerging Markets) have been impacted by higher inflation and lockdowns/faltering property sector respectively.

The common resistance on investing in an India only fund is that a broad based fund, like Emerging Market fund's provide adequate exposure to India. However, the difference between the two benchmarks is 10% per annum, compounded over the last 5 years. Whilst several individual emerging markets may appear attractive, the broader basket has had its challenges, when it comes to exposure to China and Russia. India offers a structurally positive long-term story as well as a liquid, deep and diverse market.

Avenues

India Macro & Micro News

Automobile retail sales in India increased 11% in September as stronger manufacturer supply allowed dealers to ratchet up client deliveries during the ongoing festival season, according to the Federation of Automobile Dealers Associations.

The world's top producer, user, and second-largest exporter of sugar is now India. Over 5,000 lakh metric tonnes (LMT) of sugarcane were produced in the nation during the sugar season of 2021–2022, of which 3,574 LMT were crushed by sugar mills to generate 394 LMT of sugar (sucrose). Out of this, 359 LMT of sugar was produced by sugar mills, while 35 LMT of sugar was diverted to the manufacturing of ethanol.

Apple's iPhone exports from India have surpassed US$ 1 billion in the five months since April, showing the tech giant's expanding bet on the country amid the government's push for domestic production. The export shipments of iPhones manufactured in India, primarily to Europe and the Middle East, are expected to reach US$2.5bn in the 12 months leading up to March 2023, nearly doubling from the year leading up to March 2022.

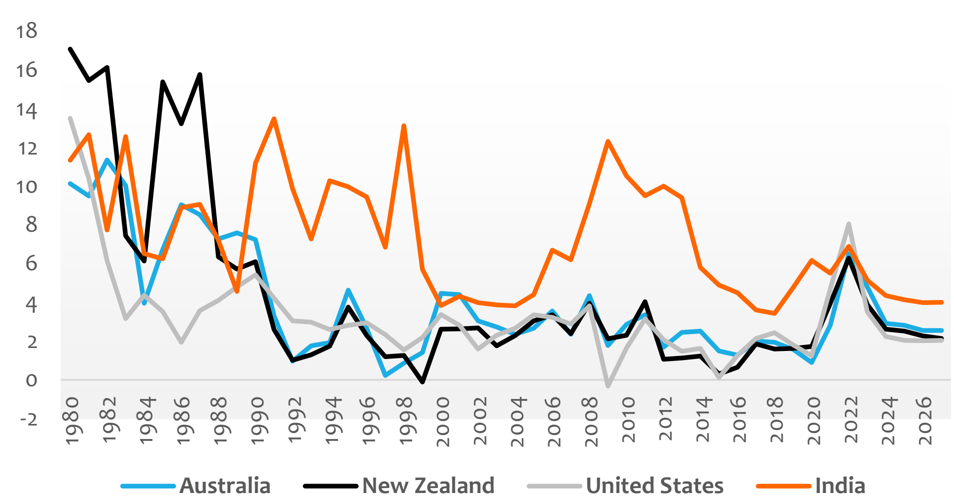
India exported goods worth US$32.6bn in value in September 2022, down 3.5% from US$33.8bn in Sept. 2021. India exported US$ 229bn worth of goods from April-September 2022–23, a rise of 15.5% over US$198bn from April-Sept. 2021–22.

In the first half of FY23, M&A transactions in India reached a record high of US$ 124.2 billion, driven by the US$57.8bn merger of HDFC Ltd and HDFC Bank. Bankers predicted that the current fiscal year, will end up being the best one for M&A activity in the nation because of a number of transactions, including the government's planned stake sales in IDBI Bank and Hindustan Zinc.

***Source:* www.ibef.org**

India's Inflation

Inflation has been the topic of 2022. A spike in inflation has been driven by the supply side restrictions we witnessed during and post the pandemic as well as economic recovery and demand post in 2021. The chart below shows the level of inflation for three developed economies i.e. USA, Australia and New Zealand in comparison to India's inflation rate.



Source: IMF WEO October 2022

Typically, developing nations like India have higher structural inflation due to many factors such as a higher impact from more cyclical commodity and food prices, more bottlenecks in infrastructure and logistics and a lower starting base in wages, rent etc.

	Now %	Average 20 years %	Average 40 years %
Australia	6.1	2.6	4.0
NZ	7.3	2.3	4.5
USA	8.3	2.5	3.3
India	7.3	6.6	7.6

Source: IMF WEO October 2022

Inflation expectations have generally been much lower in developed nations over the last 20 years and this bout is a sudden jolt to inflationary expectations which is problematic. However, in India current levels of inflation expectations are more the norm than a "shock".

Hence Reserve Bank of India has been far more cautious on rate hikes to keep expectations at bay and more concerned about the imported inflation and a weak currency. In fact once inflation does recede it is likely that the Central Bank can cut rates from the lofty 5.9% to release the hand brake on growth. Currently India's real rates are far closer to zero than developed economies.

The ability of corporates to function profitably in this environment has been tested over many years. In fact India's corporate balance sheet appears relatively healthy from a balance sheet perspective, which should help them relatively weather the current macroeconomic storm compared to some of their developed market counterparts.

Avenues

India Avenue Investment Management

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.

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

Contact Details

India Avenue Investment Management Australia Pty Ltd
AFSL 478233 | ABN: 38 604 095 954
Level 2, 33 York Street,
Sydney, NSW 2000, Australia
T: +612 8245 0507
E: info@indiaavenueinvest.com
W: www.indiaavenueinvest.com

Increasing Exposure to Auto Ancillaries

The EV industry and its ancillaries are attracting more interest and investment. Original Equipment Manufacturers (OEM) continue to drive product innovation and seek comparative advantages as global demand is set to go through an “S curve”. From an investors point of view the key question is who will benefit from a profitability perspective.

It is conceivable that India develops comparative advantages as this industry evolves. Given the country’s significant 2-W and 3-W markets, there is likely to be scale benefits that evolve in production in this segment as well as potentially in low cost EV’s, rather that premiumisation.

An area where India can play a prominent role is component manufacturing for automobiles. This industry enables OEMs to focus on their core competencies and consists at this stage largely of tyres, batteries, brakes, suspension, etc. The Indian Automobile industry is the world’s fourth largest, with the country currently being the world’s fifth largest manufacturer of cars and seventh largest manufacturer of commercial vehicles in 2021. The Auto Component Manufacturers account for over 7% of India’s GDP and employ as many as 5 million people, both directly and indirectly.

According to the Automobile Component Manufacturers Association (ACMA), automobile components export from India is expected to reach US$80bn by 2026. The Indian auto components industry aims to achieve US$200bn in revenue by 2026. The industry will be a significant employer.

In our portfolio we own the following companies:

Company	Focus
Motherson Sumi Wiring	Providing full-system wiring harnesses, harness components, and other electric wires to OEMs. 23 facilities across India.
Samvardhana Motherson	Indian manufacturer of wiring harnesses, plastic components and rearview mirrors for passenger cars.
Bharat Forge	Indian multinational company involved in forging, automotives, energy, construction and mining, railways, marine, aerospace and defence.
Schaeffler (India)	R&D, innovation and efficiency in motion and mobility industries. Developing EV technology solutions and catering to global customers.
Sona BLW Precision Forgings	Produces drivetrain components such motors and gears and investing significantly towards the electrification push.

It is our view that Indian companies likely to make benefit the most for the global push towards electrification will be ancillary component manufacturers which require efficiency, value and scale to be profitable. The Global OEMs are likely to benefit from product innovation, technology and precision, but will rely heavily on providers of componentry.

Whilst the 5 stocks above add up to approximately 4% weighting in the fund, it is expected that as the industry evolves and valuation opportunities present, that this weighting is likely to rise, particularly are competitive advantages are understood and attribution of profit share can be determined. It is anticipated that companies with local scale and global presence will prosper in as the global addressable market for mobility evolves.

Avenues

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.**

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

Contact Details

India Avenue Investment Management Australia Pty Ltd
AFSL 478233 | ABN: 38 604 095 954
Level 2, 33 York Street,
Sydney, NSW 2000, Australia
T: +612 8245 0507
E: info@indiaavenueinvest.com
W: www.indiaavenueinvest.com

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the India Avenue Equity Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). The Investment Manager for the Fund is India Avenue Investment Management Australia Pty. Ltd. ("IAIM") (ABN 38 604 095 954), AFSL 478233. This publication has been prepared by IAIM to provide you with general information only. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. 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. Neither Equity Trustees, IAIM nor any of their related parties, their employees, or directors, provide any warranty of accuracy or reliability in relation to such information or accept any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

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