

# India 2030

## Fund Returns, Sector Weights and Top Five: 30 September 2023

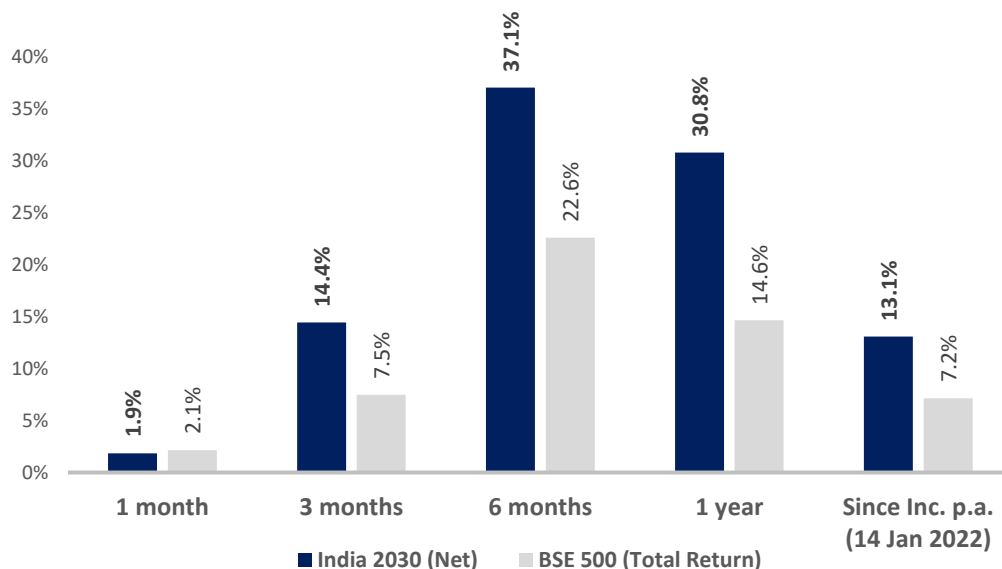
### Fund Objective

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

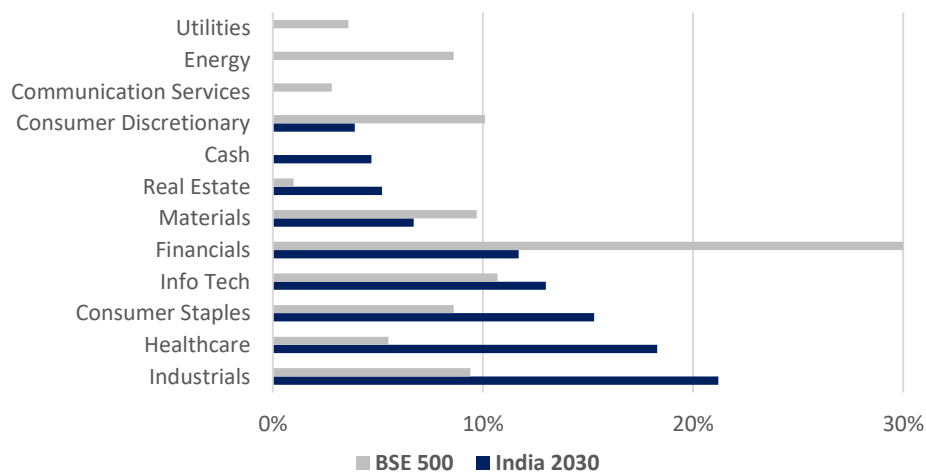
Fund Manager	India Avenue Investment Management
Portfolio Managers	Mugunthan Siva
Investment Adviser	Old Bridge Capital Management Pvt. Ltd
Structure	Unregistered Investment Trust
Inception Date	14 <sup>th</sup> January 2022*
Fund Size	A\$11.4
NAV	1.2384
Base Currency	AUD
Trustee	Equity Trustees Ltd
Administrator	Apex
Custodian	Apex / BNP Paribas
Auditor	KPMG
Benchmark	S&P BSE 500 in AUD
Distribution Frequency	Yearly 30 <sup>th</sup> 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

### INDIA 2030 FUND PERFORMANCE VS BSE500 BENCHMARK



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

### INDIA 2030 FUND SECTOR WEIGHTS vs BSE 500 BENCHMARK



Source: Foresight Analytics. The Fund inception date is 14.01.22. Since inception returns are annualised

Top 5 Stocks	Weight	Description
Aurobindo Pharma	8.5%	Generic multinational pharma company
Kaveri Seeds	7.9%	Hybrid seeds in key Indian crops
Gujarat Ambuja Exports	7.4%	Manufacturer/exporter of cotton, maize, glucose, soya
HCL Technologies	7.2%	IT services and consulting multinational
Shriram Finance	7.2%	CV/PV financing, consumer finance and retail lending

## 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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## Performance to 30 September 2023

The India 2030 Fund has outperformed its benchmark by 14.5% over the last 12 months and by 5.9% p.a. since inception (14<sup>th</sup> January 2022). Over the last 12 months the fund has benefitted from its exposure to selective industries like Pharmaceuticals, Industrials, Real Estate and Technology. The Fund also has no presence in Utilities, Communication Services or Energy Sector (whilst benefitting from industries related to the Energy transition).

The significant outperformance of small and mid-cap stocks relative to the benchmark, driven by flows from foreign and local investors, contributed to the outperformance of the Fund. The Fund, in seeking growth companies at good valuation, tends to have a bias towards "under-owned" companies.

## Thematic Exposure

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
	<h3>Urban Consumption</h3> <ul style="list-style-type: none"> <li>Businesses aligned to wage increases in the tech &amp; financial services economy.</li> <li>New business models have evolved, and the resumption of the economy will lead to spikes in cash flow of the survivors.</li> </ul>
	<h3>Manufacturing and Commodities</h3> <ul style="list-style-type: none"> <li>Tap niche manufacturing segments in India that have established global cost leadership.</li> <li>Valuations and business models in this space have been overlooked, as historically these have been non-performers.</li> </ul>
	<h3>Energy Related</h3> <ul style="list-style-type: none"> <li>Backward value chain, as above businesses will continue to be extremely energy intensive.</li> <li>The reforms and incremental capex coming through in alternative energy will see utilities transitioning their way forward.</li> </ul>
	<h3>External Facing Businesses</h3> <ul style="list-style-type: none"> <li>Businesses capitalizing on India's relative global strength on factors of production, cost leadership</li> <li>To feed into the global supply chain, as the world's largest manufacturer runs into multiple headwinds and supply chain resilience garners traction</li> <li>Indexed to services and manufacturing</li> </ul>



## 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.

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

The June 2023 Quarter corporate results were almost more of the same. Government owned Oil companies led the pack with growth in profitability while a broad spectrum of companies in the commodity space had a weakish quarter. All this appears to be a short-term cyclical trend. The market focus has always been on the profit growth cycle. In the background, corporate balance sheets continue to improve, even for companies that didn't do well. Most companies have created financial space for a fresh investment cycle. In our last note, we highlighted the cycle currently playing out.

### A reflection on our comments last quarter

For about the last four years, especially post the pandemic, debt on corporate balance sheets has been receding. This year has been no different; cash flows are robust, and leverage is not growing. Working capital was the only place where capital was "blocked", and that seems to be peaking. It seems almost a perfect environment. Now the problem could be 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.

### Looking ahead

There seem to be no obvious visible risks to this cycle, the only place this shows up is in the valuation of some businesses. But valuation normally doesn't correct without a significant event. That, however, makes it a difficult investing environment.

Returns in equity in the ongoing cycle seem to be front loaded. While the risks remain with valuations, sponsor/ promoter sale of stock is also at its all-time high. What is happening right now is completely inverse to what happened three years back, when all the risks were on the table. Valuations completely supported the equity investing back then.

Some of the categories/ themes are midway through their industrial cycle. For some, however, current prices have moved ahead of their fundamentals. This is where the reallocation of the portfolio into different structures comes in. We will continue to invest in category leadership in industries that are not doing well. In all points in time, there is some industry that is consolidating.

Commodities, IT Services and some Commodity chemical companies are places to go to. From a more macro standpoint there is enough happening in India and beyond. The focus has been on domestic infrastructure for now. What is upcoming is the investments in energy and sustainability. Some of the numbers that are being talked about are staggering. 2025-26 maybe a year where a notable amount of capital will start getting spent in building out this infrastructure. It is not a local/ domestic phenomenon. This is a trend that should coincide with the infrastructure build out that will happen globally. The value chains that benefit would be industries as diverse as the Civil services value chain to Chemicals, Metals, IT and Automation.

Our portfolio of stocks is building up to this second wave. It will be a slow process; allocations are not a problem, but the problem is finding the right stock at the right price. For the remainder of the year there are no notable alarm bells. We have maintained that any large sell off will be bought into for a simple reason of the solvency of balance sheets of Indian corporates. These companies have been through their stress test in FY2021, and despite losing two quarter of sales, came through with significantly better cash flows.



# India 2030

## 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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*Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Trustee for the India Avenue India 2030 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.*