JUNE 2024

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$117.8m
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

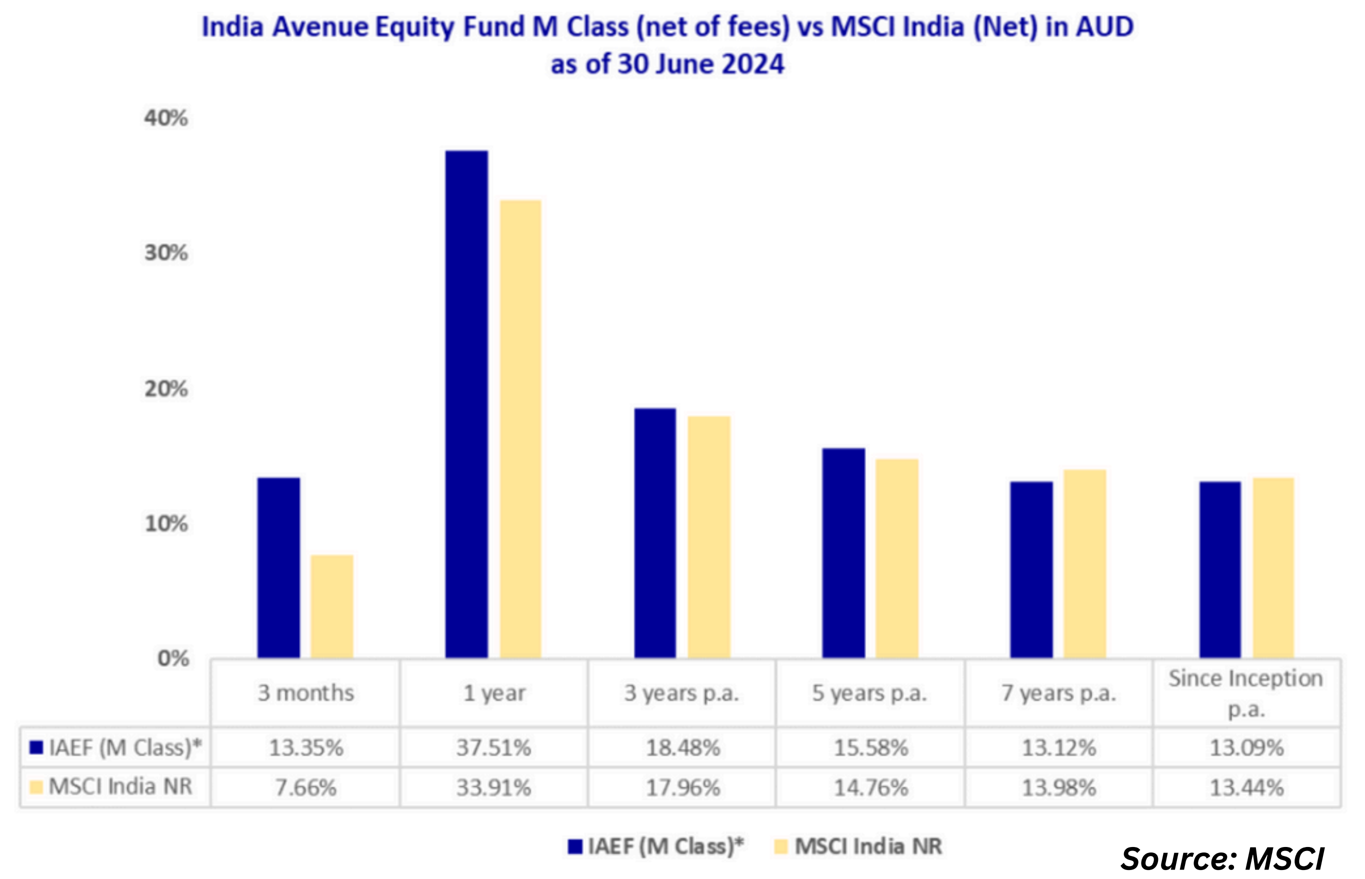
FUND OBJECTIVE

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



Source: MSCI

**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.*

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	9.26%	13.24%	36.16%	16.90%	14.62%	12.43%
H Class	6/04/2017	9.23%	13.11%	35.10%	16.24%	14.00%	11.85%
L Class	19/04/2021	9.27%	13.28%	35.70%	16.88%		
MSCI India							

^Performance in the table able above is calculated on exit price NAVs after fees and all taxes

Source: MSCI. Each unit class has a different inception date and hence is not illustrated comparatively against the benchmark. Past performance is not an indicator of future performance. Above returns are calculated based on the exit price of 30th June 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

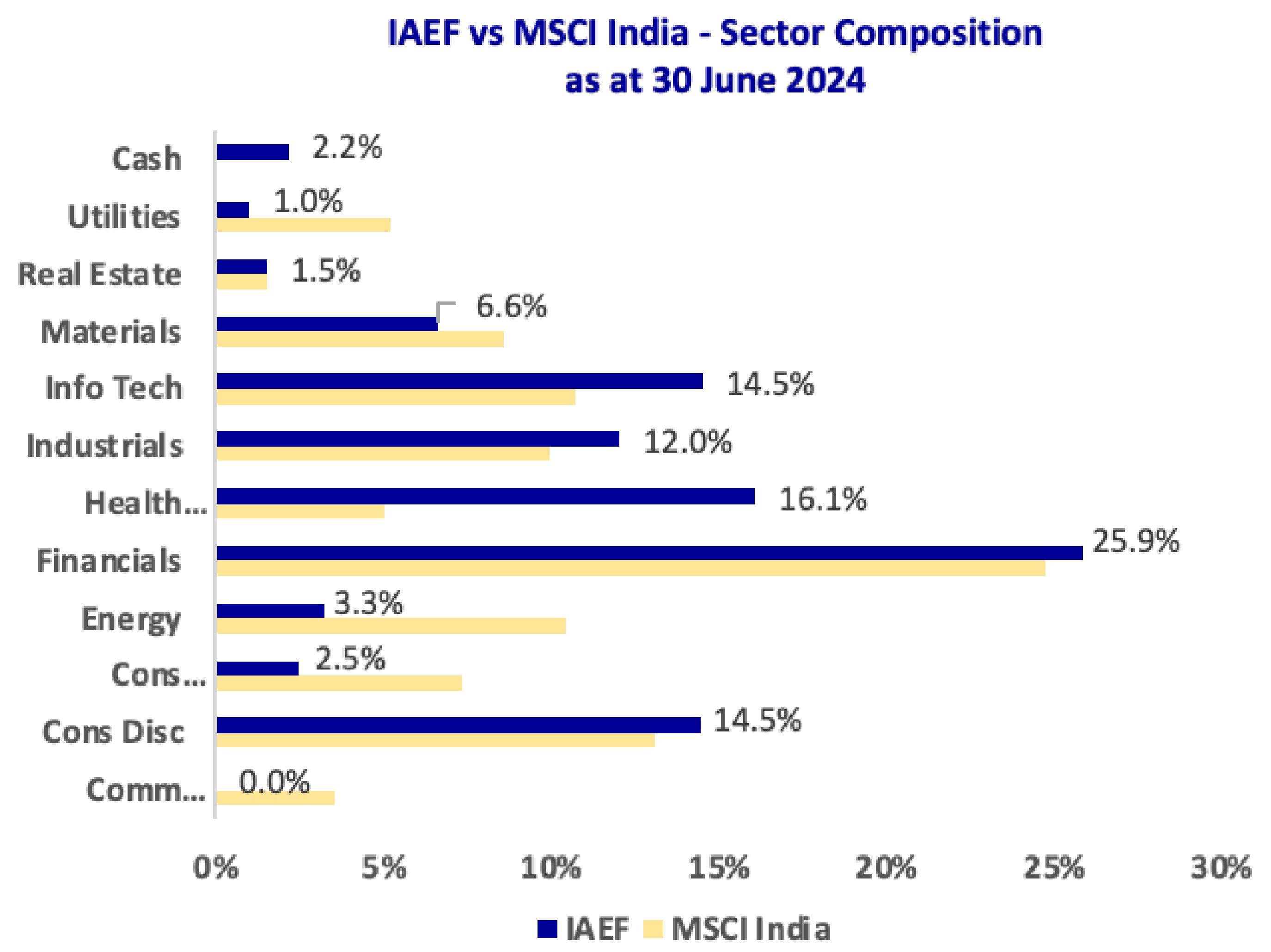
The Fund returned 13.35% (M Class Units) over the last three months to 30 June 2024, outperforming its benchmark by 5.69%. Over the last 12 months the Fund returned 37.51%, outperforming its benchmark by 3.60% over the period. After a period of underperformance from December 2023 – March 2024, the Fund has outperformed significantly over the June quarter. This has been driven by outperformance of mid and small cap stocks relative to large cap stocks – a common thematic driving our Fund's relative performance.

Interestingly, the MSCI India itself is now expanding its inclusion of stocks (about to rise to 146), which is making much broader in its coverage of Indian markets. Over the last 3-4 years the benchmark has shifted its composition towards a more balanced weighting across capitalisation as these stocks have outperformed large caps. Going forward we expect the stock selection skills of our local adviser partners to come to the fore to drive any outperformance the fund may achieve.

The Fund focuses on companies which can benefit from rising P/E's as well as from compounding earnings growth. It does so by sacrificing the immediate need for liquid, large caps and focusing on longer term attractive fundamentals further down the capitalisation curve.

The General Elections in India concluded on 4 th June 2024, with Narendra Modi sworn into Delhi headquarters. This time there was no majority, but rather a coalition. In our view this is positive for active management in India as there is a greater balance across Industries and corporates which thrive, and economic growth is less polarised. This was reflected by strong market return achieved in the month of June 2024 of 6.50% (MSCI India).

SECTOR POSITIONING



Source: Foresight Analytics

HIGHLIGHTS

- The Fund has minimal cash levels at this stage.
- Overweight sectors relative to the MSCI India are in Information Technology, Industrials, Healthcare (Pharmaceuticals), Financials (NBFC's) and Consumer Discretionary (Autos).
- Exposure to Information Technology stocks continue to increase (from 11.9% in April to 14.5% in June). Valuations are reasonable and business momentum is picking up for India's outsourcing companies.
- Most of the Nifty-50 Put Options held, leading into the General Election, was sold when markets fell drastically on the announcement of Election results. This was to the benefit of the Fund.

PORTFOLIO CHARACTERISTICS

Filters	IAEF	MSCI India
Return on Invested Capital	13.1%	13.2%
Gross Profit Margin	42.5%	40.4%
Asset Growth 3 years	14.4%	13.3%
Forecast LT Sales Growth	14.2%	12.5%
Earnings Growth 12m Forward	19.1%	17.8%
Price-to-book	3.9x	4.2x
P/E Forward 12-mth	21.8x	24.9x
Free Cash Flow Yield	3.72%	3.22%
Exposure to Inflation	0.14	0.11
Exposure to Oil Return	0.26	0.22
Beta	1.04	1.00
Mkt Cap	$39bn	$95bn

Source: Foresight Analytics

- We have listed the positive characteristics biases of the Fund relative to the benchmark. The P/E discount of the Fund has dropped to 12% lower than the benchmark (from closer to 20%). This is due to the outperformance of the Fund over the last 6-12 months.
- The Fund maintains strong biases to valuation, forward earnings and sales growth as well historical asset growth over 3 years
- The market cap is a significant style bias for the Fund at a weighted average of A$39bn compared to A$95bn of the benchmark.
- The Fund typically scores poorly on quality filters like ROE, profit margin and historical growth, due to its focus on finding good companies at an inflexion point in their growth and thereby paying a more acceptable valuation.

TOP 10 STOCKS

HDFC Bank	Private Bank	4.3%
Bajaj Finance	Non-Bank Lender	4.2%
Hero MotoCorp	Automobile	4.1%
Infosys	IT Outsourcing	3.5%
ICICI Bank	Private Bank	3.4%
Axis Bank	Private Bank	3.3%
Aurobindo Pharma	Healthcare	3.1%
Amara Raja Energy & Mobility	Auto Components	3.1%
Interglobe Aviation	Aviation	2.6%
Tech Mahindra	IT Outsourcing	2.5%
Top 10 Weight		**34.0%**

Source: Foresight Analytics

- The Fund's weighting to its Top 10 (34.0% vs 32.4%) continues to increase as incremental exposure is with the intent of conviction rather than diversification.
- Over the month of June, we increased exposure to ICICI Bank, Axis Bank and Tech Mahindra as attractive large cap stocks from a valuation perspective relative to their peers.
- Stocks such as Amara Raja Energy & Mobility are yet to be included in the MSCI India, but have performed well given favourable valuation.
- Whilst our Top 10 companies include several stocks which are constituents of the Nifty 50 (India's largest 50 stocks by market cap), the Fund's overall exposure to 55-60 stocks include a significant exposure to non-MSCI India constituents (our benchmark).

ATTRIBUTION HIGHLIGHTS

Sector Selection - Value Add			Stock Selection – Value Add	
Cons. Staples	(uw)	1.60%	Materials	2.07%
Real Estate	(ow)	1.13%	Financials	2.01%
Industrials	(ow)	0.39%	Industrials	1.71%

Sector Selection – Value Detraction			Stock Selection – Value Detraction	
Cash	(ow)	-1.40%	Utilities	-1.15%
Utilities	(uw)	-1.02%	Consumer Disc.	-0.22%
Financials	(ow)	-0.94%	Consumer Stap.	-0.20%

Sources: Foresight Analytics

SUMMARY

- Over the last 12 months the Fund's outperformance can be linked to strong stock selection in Materials, Financials and Industrials. Whilst Financials have been an underperforming sector over the period, our stock selection has navigated this somewhat.
- The Fund benefitted from stocks like Hero MotoCorp, Phoenix Mills, Nagarjuna Construction, Amara Raja Energy & Mobility, Brigade Enterprises, Power Finance and Kirloskar Oil Engines.
- In sector allocation the Fund continues to benefit from allocations to Real Estate and Industrial stocks and by low exposure to Consumer Staples.
- Given the strong market movement of over 35% in the last 12 months, any cash held (even less than 5%) has had a drag on performance. We have kept cash levels typically under 5%.

OUR STOCKS

Urban Consumption alive and kicking (market cap A$12bn)

****Graph of stock price, indicating India Avenue Equity Fund initial buy point. Average buy price is Rs.999. Returns calculated are in INR terms.***

The Phoenix Mills is a property development company, which is the leading retail mall developer and operator in India, with approximately 0.64m sq meters of retail space, spread across 10 malls in 6 gateway cities of India (three more under construction.) The company has transformative projects which define shopping mall retailing in India.

The malls are situated in Mumbai, Bengaluru, Chennai, Pune, Lucknow, Kolkata, Surat and Ahmedabad, which are all densely populated cities experiencing faster growth in GDP per capita than the rest of India.

The malls are focused on an overall entertainment experience and cater to India's growing middle and upper class. The company has achieved an average of 23% year-on-year growth over the last four quarters. The weighted average lease occupancy across major malls is at 97% (June 2024). Additionally, the business also has two hospitality assets, five commercial assets and two residential assets. Commercial asset occupancy is rising to over 70% and residential sales are accelerating due to rising demand and faster conversions.

In the June quarter, gross retail collections rose 28% year-on-year, indicating that whilst consumption pan-India appears weak, the company's malls on the other hand were seeing strong traction. Whilst newly constructed malls were driving growth, like-for-like sales growth of existing malls indicate rising productivity, in the range of 6-8%.

Please refer to the latest company presentation
https://www.heromotocorp.com/content/dam/hero-aem-website/in/en-in/company- section/investors/annual-report/presentations/2023-2024/Hero-World-2024.pdf

CAPITALISATION

	IAEF	No. Stocks	Top 500	MSCI Cap Band
Large Caps (Top 100)	50.2%	21	72.7%	> A$18bn
Mid-Caps (Next 150)	15.4%	10	17.9%	A$5-18bn
Small Caps (Next 250)	21.7%	16	9.4%	A$1-5bn
Micro Caps (Outside Top 500)	10.6%	12	0.0%	< A$1bn
Cash	2.2%		0.0%	
Total	**100%**		**100%**	

Source: Refinitiv, India Avenue Research

INSIGHTS

- Over the month of June 2024, we have reduced Cash in favour of Large Cap exposure. Whilst the market has had a significant run-up over the last 12 months.
- The weight of money from local investors has been over-powering, whilst GDP growth and corporate earnings remain supportive.
- Our structural positioning continues to favour small caps, with a margin of safety in valuation, to capitalise on the investing preferences of locally based investors.
- It is also our view that the greatest mis pricing of securities occurs in the Small and Microcap segment, given limited institutional investment and broker coverage.

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, Large Cap	10-15
India Avenue Equity Fund	**Value, SMID Caps**	**50-70**

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.

- We have been increasing allocation to the Portfolio Overlay strategy (exclusively made up of Nifty-50 stocks) to increase conviction and weighting to the Fund's large cap exposure.
- Our long-term focus remains on the "alpha rich segment", which is lower down the cap curve. However, tactically we are cautious and selective on valuations in that segment.
- The Fund has no exposure to MSCI Index heavyweights like Reliance Industries, Tata Consulting, Larsen & Toubro, Kotak Mahindra Bank and Maruti Suzuki (16% of MSCI).
- When valuations become more favourable it is likely that we will shift exposure towards more actively positioned advisers.

OUR NETWORK

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:

- India's General Elections concluded, with BJP winning 240 seats out of the 543, falling short of a majority. However, the National Democratic Alliance (which BJP is a part of) was able to form a majority, with Narendra Modi at the helm. This will potentially lead to policy stability and a continuation of the focus on reform, infrastructure and manufacturing over the next term (2024-2029).

- Local investors continue to drive the markets, investing US$29bn in the first 6 months of the year. This is already ahead of CY23's US$23bn. Equities have been adopted as a means of increasing wealth, across a rising component of India's population. Local investors are less focused on rising valuations and more on equity returns relative to other competing investments.

- The next major check point for the market will be the Union Budget in the second half of July. There is the potential for some tinkering with taxation of Derivatives or Capital Gains Tax which may cause some short-term weakness. Post this event, other potential events seem to be more global (e.g. US elections, geopolitical issues, China property crisis) rather than India specific.

Website | Our Research | Invest Now | In the Media

FUND DETAILS

30.06.2024	M Class	H Class	L Class
NAV	1.9938	1.9587	1.6175
Management Fee	1.10%	1.50%	0.95%
Performance Fee	10% of excess	10% of excess	15% of excess
FY23 Distribution	0.1201	0.0972	0.0686
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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