INVESTMENT INSIGHT 4

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THE DIP IS NOT THE DESTINATION

Understanding India's market consolidation and the opportunity ahead

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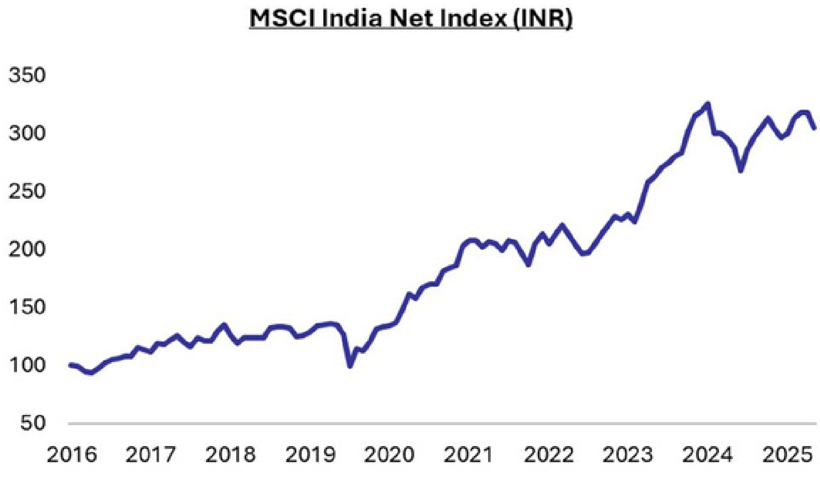
What happened to the Indian Market in 2025?

MSCI India (in local currency terms, INR) has largely moved sideways since peaking in September 2024, with the past year's consolidation driven by cyclical and external pressures rather than any meaningful weakening in underlying fundamentals.



Source: MSCI, Bloomberg. Data as of 23/01/2025

- Earnings normalisation: Corporate earnings growth cooled in 2025 following a sustained period of strong momentum from 2020 to 2024, with fewer upside surprises and pockets of weaker demand and margin pressure. Index-level profit growth was insufficient to justify another sharp leg up, while previously overheated segments such as small/mid-caps and rate-sensitive stocks corrected as fundamentals caught up and regulatory scrutiny increased.

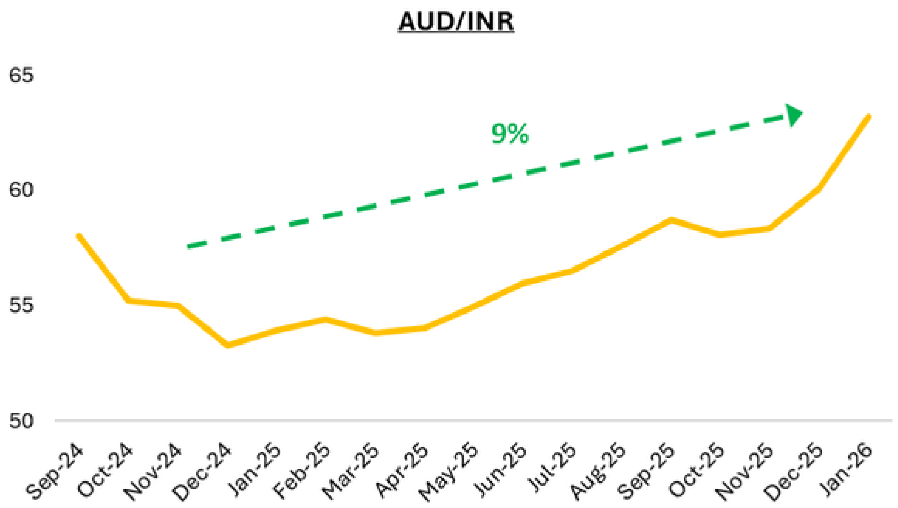
- US–India trade risk: In 2025, the US imposed steep tariffs on a broad set of Indian exports, with effective duties in some categories rising to ~50%. These measures threaten export volumes and margins for several India-listed, US-exposed sectors, while ongoing diplomatic frictions and the risk of further trade or secondary sanctions have increased India's perceived risk premium, reinforcing foreign underweights and sustained equity outflows.

- 2025 AI and global tech dominance: Equity market leadership in the US and parts of Asia was driven by AI and large-cap tech re-ratings. India underperformed despite stable macro fundamentals, reflecting the lack of large, pure-play AI mega caps capable of attracting incremental global thematic capital.

- Foreign investor outflows: Foreign portfolio investors materially reduced India equity exposure through 2024–25 as capital rotated to cheaper or more compelling EM opportunities such as China. Apart from that, a weak Rupee, US-India trade tensions and alternative earnings stories drove net FPI outflows, with domestic mutual funds and retail inflows cushioning downside but limiting upside during rallies.

Currency Impact

While MSCI India has only marginally declined in INR terms since September 2024, returns in AUD have been materially weaker, with MSCI India (AUD) down around 15% over the period due to adverse AUD/INR currency movements.



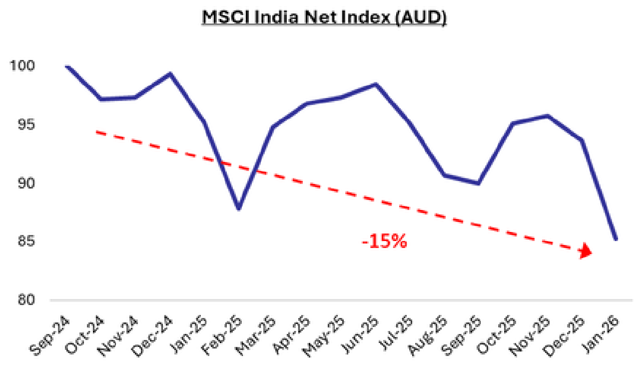
Source: Bloomberg. Data as of 23/01/2026

AUD has strengthened 9% against the INR since September 2024, with the divergent currency outcomes between the INR and AUD reflecting differences in external exposure, terms of trade and central bank policy frameworks.

- · **US–India trade tensions:** Heightened tariffs and trade tensions with the US have undermined India's export prospects, increased concerns over the current account and trade revenues, and placed additional downward pressure on the INR.

- · **Commodity price dynamics:** Global commodity markets emerged as one of the strongest-performing asset classes in 2025, as a combination of supply constraints and resilient demand pushed many key prices higher. Australia's exposure to iron ore, gold, LNG and agricultural exports supports its terms of trade and currency when commodity prices are resilient, contrasting with India's vulnerability as a net commodity importer.

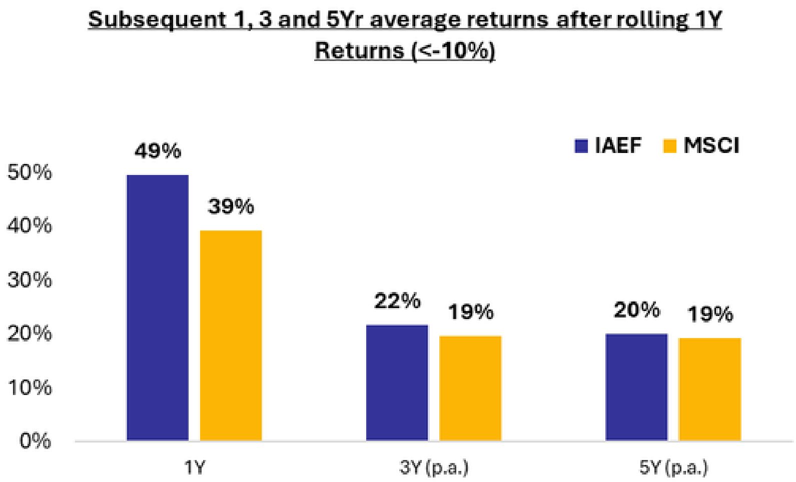
• **Policy and currency management:** The RBI has prioritised containing excessive volatility over defending a specific INR level, allowing the currency to weaken gradually in line with fundamentals, inflation and rate differentials. In contrast, the RBA's stronger inflation-fighting credibility has underpinned real yields and sustained demand for AUD-denominated assets.



Source: MSCI, Bloomberg. Data as of 23/01/2026

IAEF vs subsequent returns

Since its inception, India Avenue Equity Fund (IAEF) has historically delivered strong performance following periods of market weakness. Specifically, when rolling 1-year returns fall below -10%, the fund has achieved an average subsequent 1-year return of 49%, a 3-year return of 22% p.a., and a 5-year return of 20% p.a. Importantly, these results are not solely attributable to market beta, as they outperform the MSCI Index's corresponding subsequent returns over the same periods. This track record highlights IAEF's ability to capitalise on market recoveries.



Source: MSCI, IAEF Internal. Data taken from IAEF's inception date of September 2016 to December 2025. Subsequent return data is calculated on an average basis and is taken when IAEF rolling 1Y returns were less than -10%. IAEF Returns are pre-tax and post-fees.

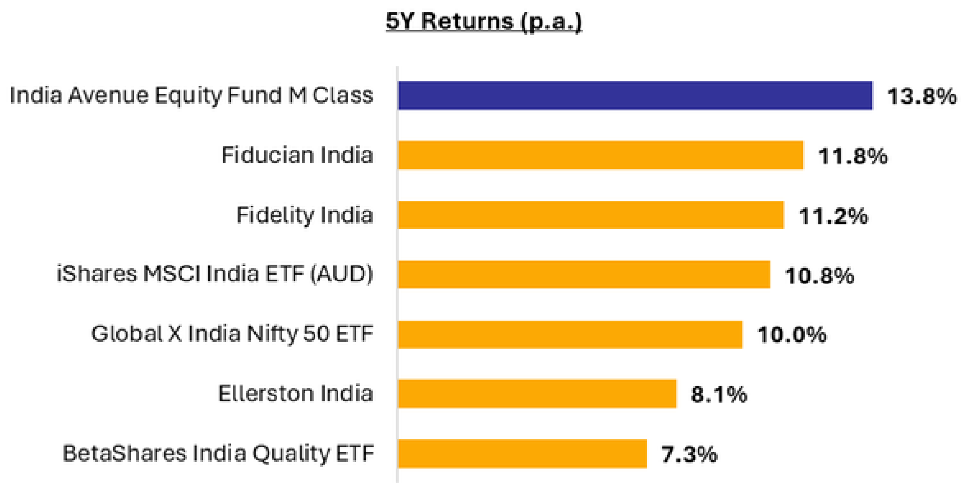
As of 23 January 2026, IAEF's rolling one-year return is circa -10%. As seen above, periods of comparable underperformance have historically been followed by strong rebounds, supported by India's robust market fundamentals.

India's economy in early 2026 remains one of the fastest-growing major economies, driven by robust domestic demand, supportive fiscal and monetary policy, and structural reforms While U.S. trade tensions have introduced export headwinds and near-term uncertainty, .

progress on the India–EU FTA provides a significant alternative channel for trade expansion and diversification. Analyses ahead of the conclusion estimate that improved market access under the FTA could potentially increase Indian exports to the EU by tens of billions of dollars over the coming years and strengthen India's participation in European value chains.

IAEF vs Peers

The chart highlights the 5-year annualised returns of India-focused equity funds and ETFs available in Australia. IAEF leads the pack with a 5-year return of 13.8% p.a., outperforming all other peers. The next best performer is Fiducian India at 11.8% and Fidelity India at 11.2%, while broad-market ETFs such as iShares MSCI India ETF (AUD) and Global X India Nifty 50 ETF delivered 10.8% and 10.0%, respectively.



Source: Morningstar. Data as of 31/12/2025

This data underscores the long-term dominance of IAEF, consistently delivering superior returns relative to both active managers and passive benchmarks over the long run.

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