



# INDIA AVENUE EQUITY FUND – ACTIVE ETF

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## OUR BUSINESS

- *India Avenue is a boutique investment firm, jointly domiciled in Sydney, Australia and Mumbai, India, with a focus on **knowledge, insights and expertise** as a core of its investment solutions for Australian and New Zealand-based clients who are seeking to benefit from India's **multi-decade growth story**.*



# OUR PHILOSOPHY

Our philosophy is derived from our founder's experience of investing in India's capital markets, over the last two decades



*India's capital markets will benefit higher nominal GDP growth underpinned by its demographics*

The IMF forecasts India's real GDP growth of more than 6.5% p.a. from 2024-2029, compared to global real GDP growth of 3.1% for the same period.



*Capital markets in India are relatively inefficient, allowing scope for active management to thrive*

Over the last 10 years to June 2024, the median active manager (all-cap funds) has outperformed the MSCI India by 3.7% p.a. (gross of fees)



*Locally based investment managers are likely to deliver better long-term returns in comparison to foreign investors*

Local managers typically have greater breadth and depth in stock picking, more focused resources, and a deeper knowledge of the local ecosystem and growth opportunities.

Source: IAIM Internal Research, Refinitiv, IMF

## OUR FOUNDERS

*Over 100 years of experience, investing and building structures for investors to take advantage of India's growth story through its equity markets*



**Mugunthan Siva**

Managing Director, 30 years of experience in financial services and investment/wealth management in both Australia and India

ING IM 2003-2015



**Rajeev Thakkar**

CFO/COO, 28 years of experience in financial services, financial markets operations and finance across Asia with an emphasis on India's capital markets

ING IM 2005-2010



**Aran Nagendra**

Board and IC Member, 16 years of experience in financial services and investment/wealth management in Australia and India

ING IM 2007-2013

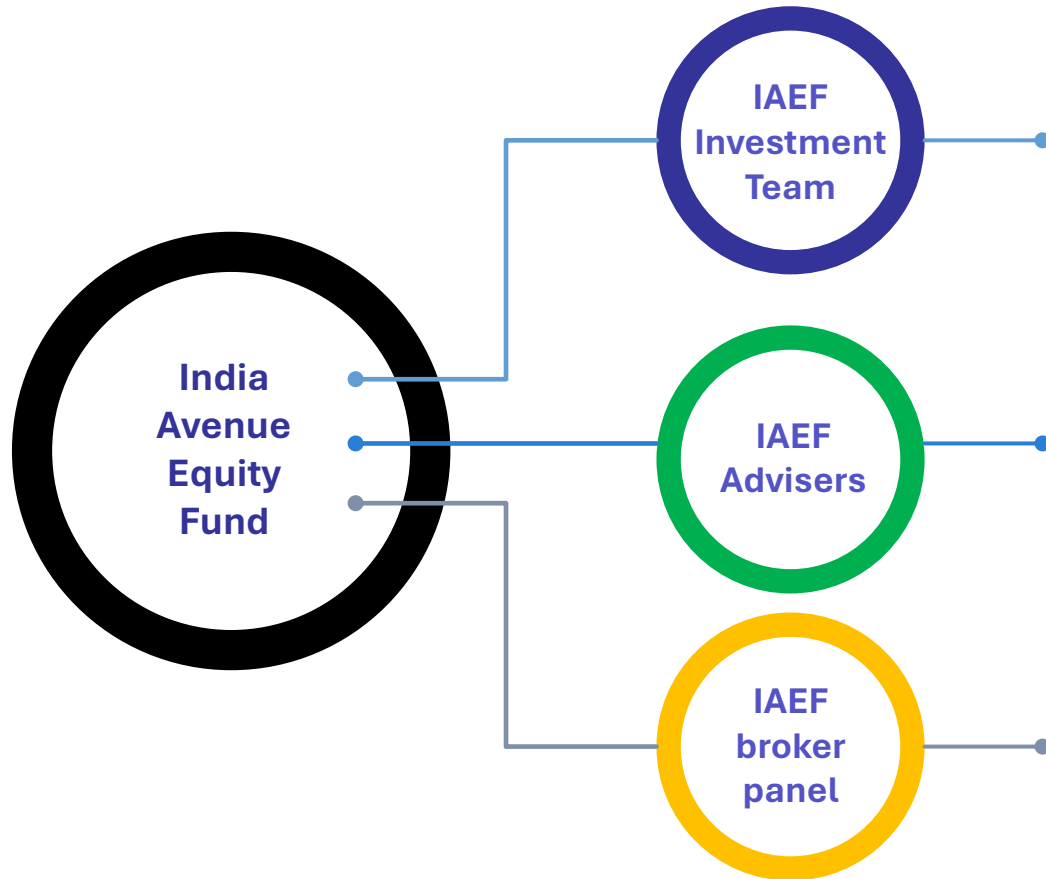


**Sajjan Raut Desai**

Member, 30 years of experience in financial services and investment/wealth management in India

ING IM 2005-2008

# IAEF “ECOSYSTEM”



India-based	Australia-based
<p><b>Operations/Finance</b></p> <ul style="list-style-type: none"> <li>• Rajeev Thakkar (COO/CFO)</li> <li>• Rakesh (Ops/Fin)</li> </ul> <p><b>Investment</b></p> <ul style="list-style-type: none"> <li>• Sajjan Raut Desai (IC)</li> <li>• Shamail Shaikh (Analyst)</li> </ul>	<p><b>Investment</b></p> <ul style="list-style-type: none"> <li>• Mugunthan Siva (MD/CIO)</li> <li>• Aran Nagendra (IC)</li> <li>• Edward Heng (Analyst)</li> <li>• Yugandhar Ardekar (Intern)</li> </ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"> <li>• Cyril Jacob (Compliance)</li> </ul>
<ul style="list-style-type: none"> <li>• Old Bridge Capital</li> <li>• Bandhan AMC</li> <li>• DSP Mutual Fund</li> </ul>	
<ul style="list-style-type: none"> <li>• Motilal Oswal</li> <li>• Avendus Spark</li> <li>• Elara Capital</li> <li>• Nuvama Wealth</li> <li>• Phillip Capital</li> </ul>	

# ACTIVE ETF FACTS



## Details

No. of Stocks	50-70 companies listed predominantly on Indian Stock Exchanges
Benchmark	MSCI India (Net) in AUD
Objective	To outperform the benchmark over rolling 5-year periods
Fund AUM (as at 31.10.2024)	\$125m
Valuation & Liquidity	Exchange Traded (CBOE)
<b>Ticker Code</b>	<b>IAEF.CXA</b>
<b>Market Maker</b>	<b>Nine Mile Financial</b>
<b>Likely Listing Date</b>	<b>16 / 12 / 2024</b>
<b>Exchange</b>	<b>CBOE</b>
Responsible Entity	Equity Trustees
Administrator	Apex Group
Custodian	BNP Paribas (India) / Apex Fund Services

## Fees

ETF Class	1.10% MER + 10% of outperformance relative to benchmark (with a high watermark)
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## Fund Constraints

Maximum Stock Weight	10% (ensure adequate diversification of companies)
Maximum Cash Weight	30% (to shield the portfolio against adverse market events)
Maximum Futures Exposure	20% (to either protect portfolio or equitise when managing cash exposure)

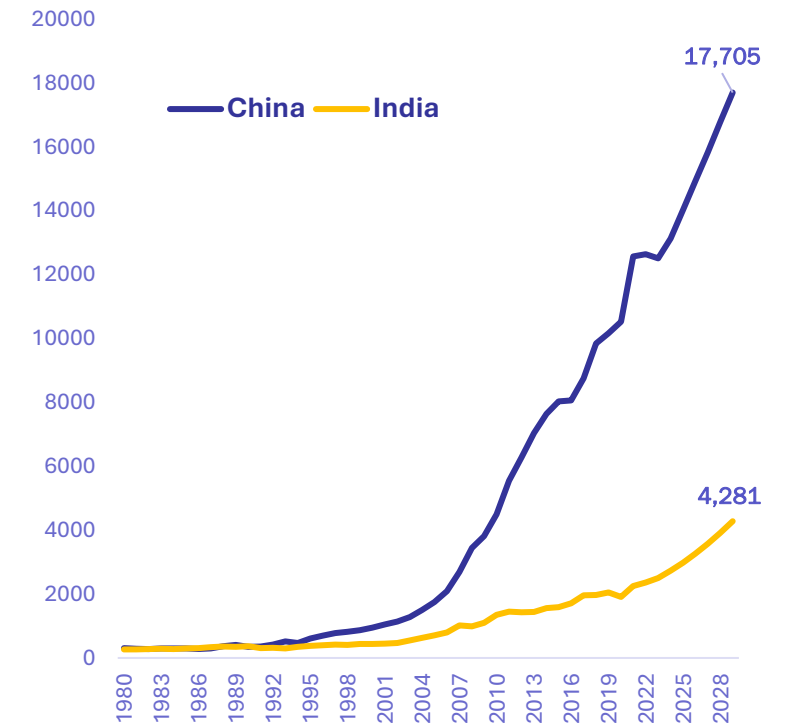
# WHY INDIA



## DEMOGRAPHICS

	Population (billions)	Median Age	Global Share of Population	Life Expectancy	Infant Mortality	Urban Population
<b>India</b>	<b>1.43</b>	<b>28</b>	<b>17.7%</b>	<b>72</b>	<b>2.5%</b>	<b>36%</b>
China	1.43	39	17.7%	79	0.6%	65%
USA	0.34	38	4.2%	80	0.5%	83%
Australia	0.03	38	0.3%	84	0.3%	86%
Brazil	0.22	34	2.7%	76	1.0%	88%
Japan	0.12	49	1.5%	85	0.2%	94%
UK	0.07	40	0.8%	82	0.3%	85%
Indonesia	0.28	30	3.5%	71	1.8%	59%
<b>World</b>	<b>8.04</b>	<b>31</b>	<b>100%</b>	<b>73</b>	<b>2.7%</b>	<b>57%</b>

## GDP per Capita (China vs India)



India on the CUSP of rising wealth and productivity

# STRONG MACRO

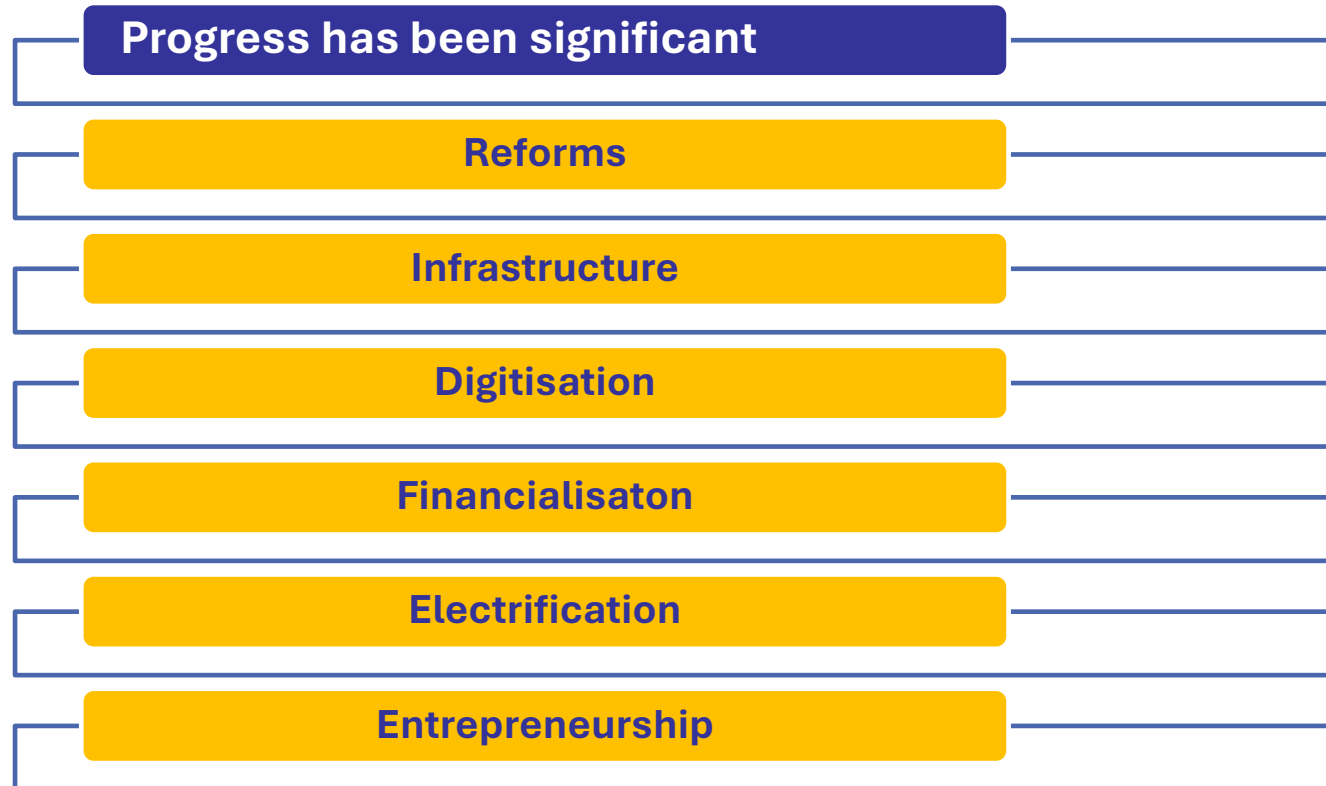


Data	Latest	Period
<b>GDP Growth</b>	6.7%	Jun 2024
<b>CPI (Headline)</b>	6.2%	Oct 2024
<b>CPI (Core)</b>	3.5%	
<b>Unemployment</b>	10.1%	Oct 2024
<b>Cash Rate</b>	6.5%	Oct 2024
<b>CA-to-GDP</b>	-1.0%	Jun 2024
<b>PMI (Manufacturing)</b>	57.5	Oct 2024
<b>PMI (Services)</b>	58.5	Oct 2024
<b>Industrial Production</b>	3.1%	Sep 2024
<b>Forex Reserves</b>	US\$676bn	Nov 2024
<b>Consumer Confidence</b>	94.7	Sep 2024

Source: [tradingeconomics.com](https://tradingeconomics.com)

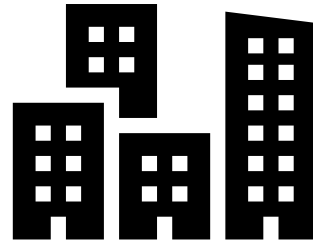
- India's macro is robust with leading GDP growth amongst major economies, inflation within central range, positive real rates, CAD shifting to surplus, strong PMI indicators and close to an all-time high in foreign reserves.

# REFORMS DRIVING PRODUCTIVITY



Achievements	2014	2024
<b>GDP</b>	US\$1.8tn	US\$3.7tn
<b>GDP per capita</b>	US\$1,560	US\$2,730
<b>Economic Size</b>	10 <sup>th</sup>	5 <sup>th</sup>
<b>Export</b>	468bn	777bn
<b>Metro Cities</b>	5	20
<b>Airports</b>	74	Over 200*
<b>Power in villages</b>	50%	96%
<b>National Highways</b>	91,287 km	161,350 km
<b>Railway Length</b>	65,8100 km	120,000km
<b>Road Quality</b>	88	42
<b>Renewable Energy</b>	71.9 gW	190 gW
<b>Unicorns</b>	1	114
<b>Cost of 1 GB data</b>	A\$3.90	A\$0.15
<b>Internet Connectivity</b>	59m	751m
<b>Mobile Phone</b>	250m	1.12bn
<b>Digital Transactions</b>	1 bn	103 bn

# URBANISATION, FINANCIALISATION, FORMALISATION, DIGITISATION



- India is one of the least urbanised countries with only 36%. Over the next two decades it is expected that 500m will move to urban centers.
- Over 80% of India now has a bank account and over 100m now own broking accounts.
- A massive shift has occurred away from fragmented industries with several small players towards rising market share among the top 2-5 players with greater scale economies
- India now has over 1bn smart phones, over 700m internet users (50% penetration). Digital transactions for 2022 was 89.5 million, accounting for 46% of global real-time payments. It exceeds the combined digital transactions for the next highest 4 countries.

# INFRASTRUCTURE

*Includes power, bridges, dams, roads, railways and urban infrastructure development.*

- Government of India focused on building infrastructure for the future. **US\$1.8tn** National Infrastructure Plan (2019-2025) on over **10,000 projects** and across 56 sectors, seeks to **increase efficiency and productivity**.
- Infrastructure will support India's need to be a **leading manufacturer by increasing efficiency and reducing freight costs**. Infrastructure provides a boost for 'Make in India' and the 'Production Linked Incentive Scheme'.
- 'Smart Cities' mission to build 100 smart cities and 'Housing for All' initiative to provide low-cost housing
- Budget FY24 forecasted capital investment outlay for infrastructure being increased by 33% to US\$122 bn, 3.3% of GDP and 3x what was outlaid in FY19.
- The outlay for Railways alone was US\$29bn in FY24 (9x that of FY14)

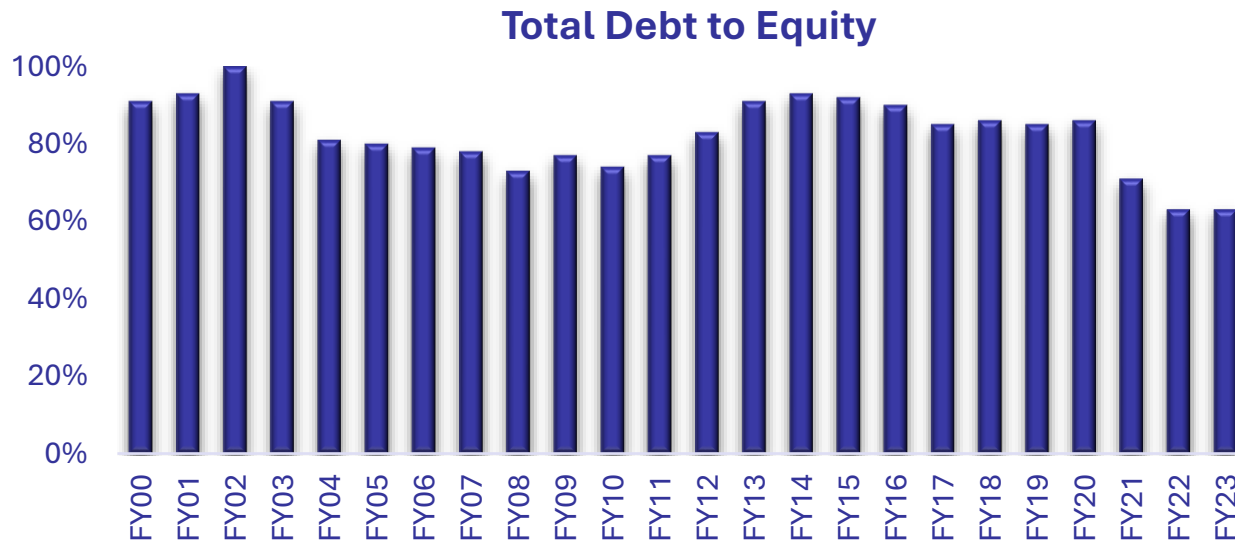
## *India Infrastructure Report 2023*

Urban planning is an essential component of nation building. Sustainable all-round development is the only way forward. Existing cities should grow through urban redevelopment:

- Building of mass transit systems (Metro)
- Smart cities and using technology to scale
- Climate action and sustainable growth
- Public-private partnerships
- Logistics
- Real Estate regulation

# INDIA'S CORPORATE BALANCE SHEET

- Total Debt to Equity has fallen from 86% in FY20 to 63% in FY23 due to cost saving, cash generation and deleveraging

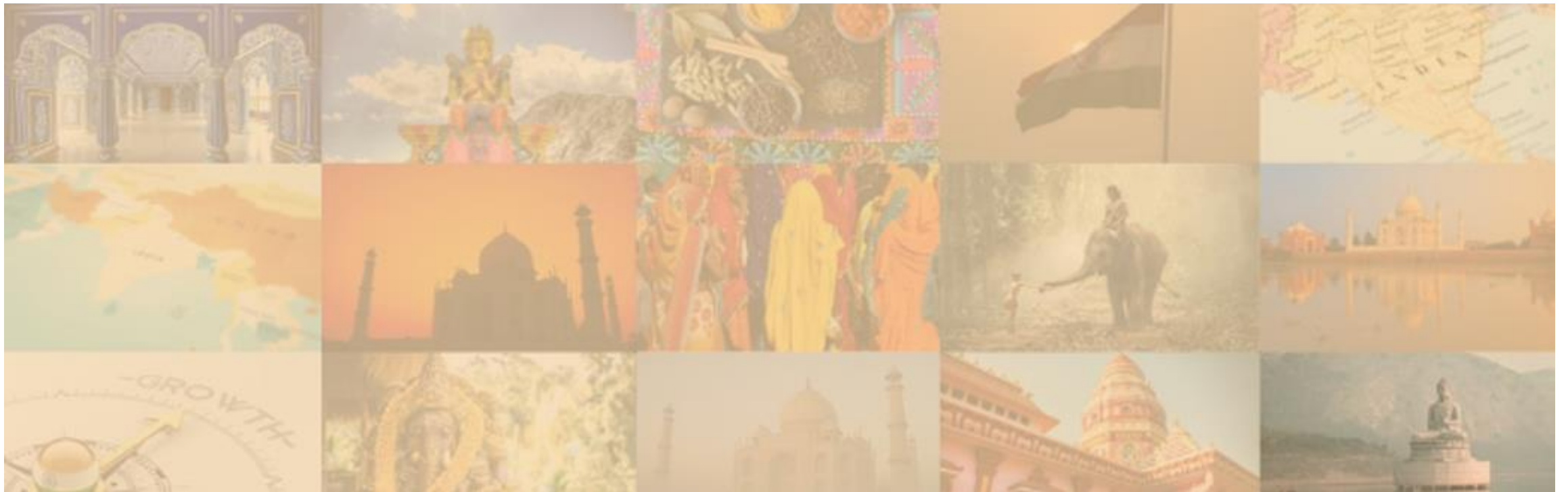


Source: Spark Aventus Research

- Currently Corporate, Household (36% of GDP), Government (deficit likely to fall below 6% of GDP) and Bank (NPL's less than 5% of assets) balance sheets all look healthy
- Set up for a capex cycle and strong earnings growth



# TOPICAL ISSUES



# ANOTHER MODI-LED BJP VICTORY, BUT.....

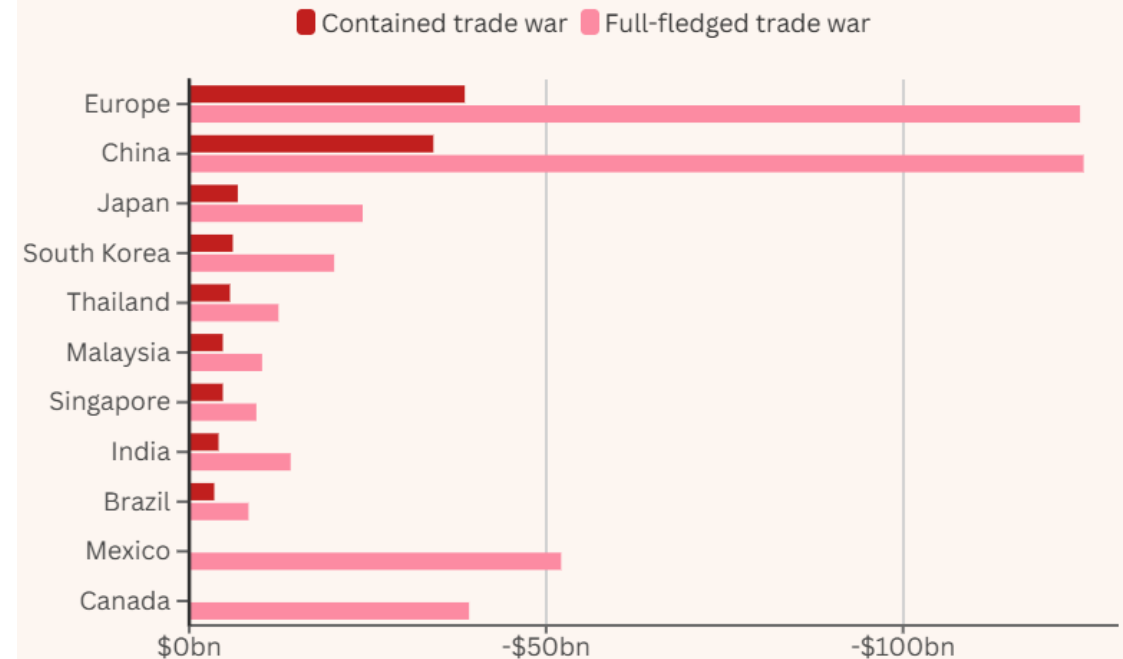
- The Modi-led BJP Government won office for the 3<sup>rd</sup> time in June 2024, to govern till 2029. They continue to hold a one-party majority but were marked down a notch by voters in lower socio-economic groups
- This is likely to lead to a greater balance towards subsidising lower income groups ~~bottom of the pyramid~~ in terms of wealth whilst undertaking initiatives focused on infrastructure, manufacturing / exports and capex
- Indian markets have generally prospered in coalition style governments. We expect that a refocus on key areas will commence after a lull in the first quarter of the term.
- India will require greater private investment (local and foreign)
- Employment will become the key mandate. One billion people are likely to be working age in India (15-64) by 2030.

# TRUMP TARIFFS

- Trump has threatened to impose levies of up to 20% on all imports and tariffs of up to 60% for goods originating from the US’s main geopolitical rival, China.
- Allianz Trade predicts up to \$135bn of combined lost global exports in 2025 and 2026 based on a ‘contained trade war’, where the US hikes tariffs against China to 25% on half of non-critical US imports and raises 5% tariffs on the rest of the world, excluding Canada, Mexico and critical goods.
- In the case of a ‘full-fledged trade war’ — where Trump imposes a 10% universal tariff and a 60% tariff on China — Allianz says the global export loss from the protectionist policies could be as high as \$510bn.
- **India’s impact is relatively contained. Its main export to the US is Gems and Jewellery, Pharma products, Petroleum products, Electrical and Electronic Goods, Engineering Products, Apparel and Frozen Marine**
- **Exports to the US totally US\$76bn in FY23**

## Europe is set to be the worst impacted exporter under moderate Trump tariffs

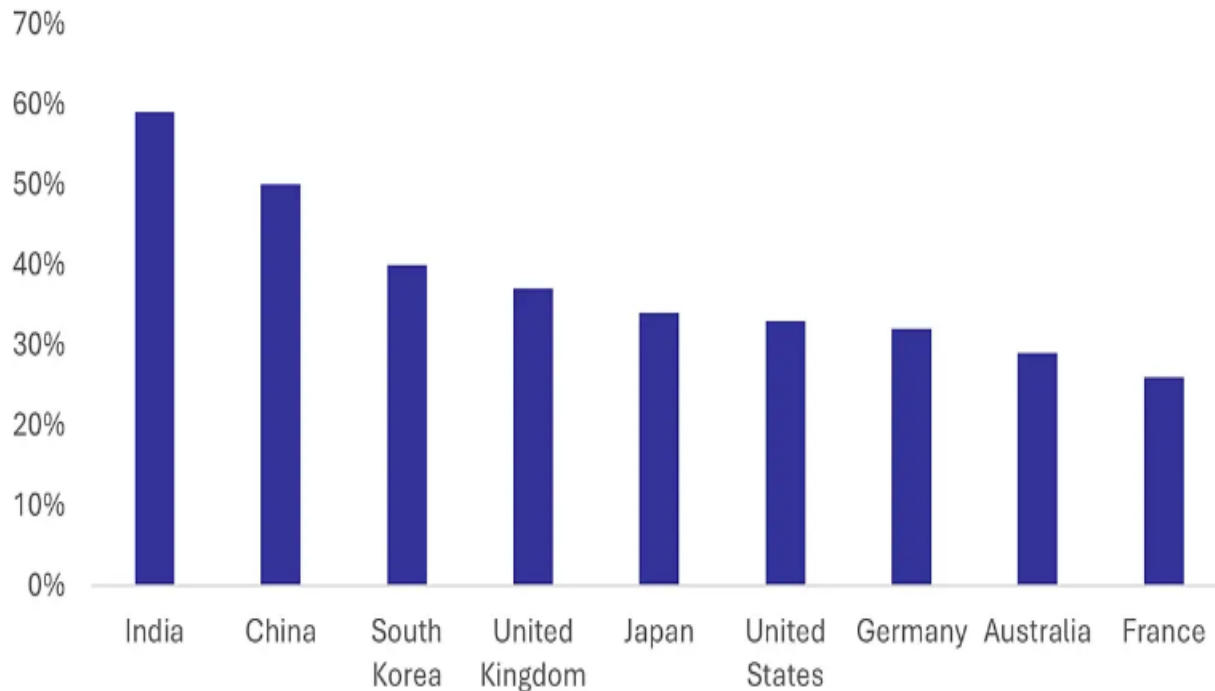
Cumulated 2025-26 global export losses from increased US import tariffs excluding currency impacts



Source: Allianz Trade, Unctad • Europe includes countries among the 30 most impacted globally, namely Germany, Netherlands, France, Ireland, the UK, Italy, Switzerland, Belgium, Sweden, Spain and Denmark.

# INDIA AND AI INTEGRATION

AI Deployment Rate



Source: IBM, Statista

The global AI market is projected to grow at an impressive annual rate of 37% from 2024 to 2030, signaling a major transformation across economies worldwide.

India's rapid AI adoption positions it uniquely within this trend, making it a country to watch closely for investors seeking exposure to AI-driven growth.

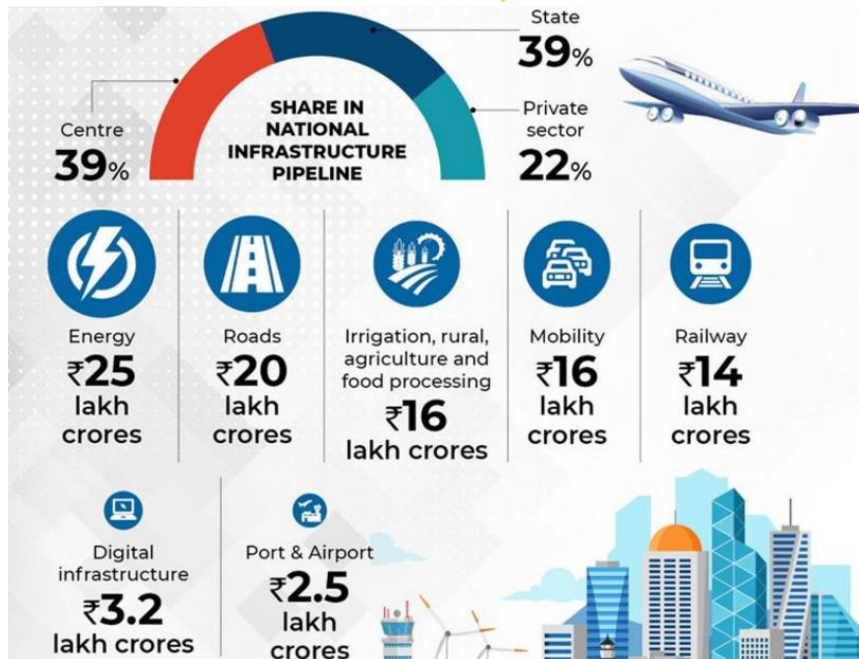
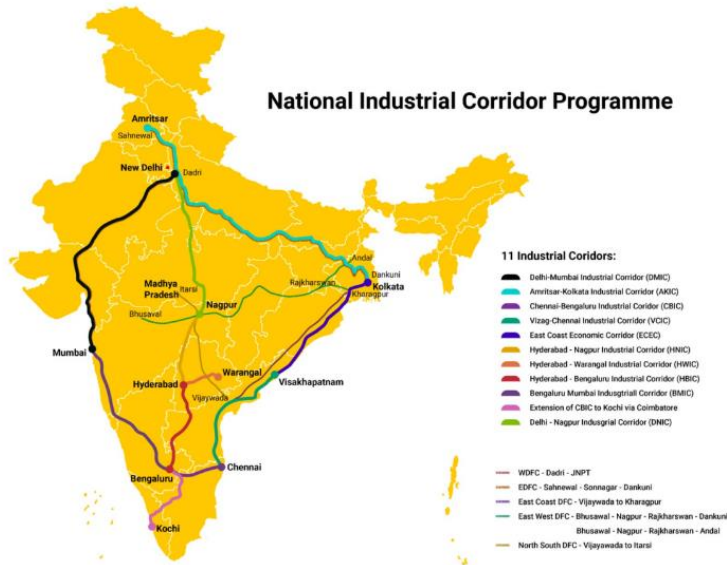
India's swift deployment of AI is driven by several distinct factors, including AI optimism in the workforce, strategic government initiatives and private sector investments.

With Microsoft and Google being led by Indians, & several partnerships with the likes of Nvidia, Facebook in place, the country is well set up to prosper in AI's growth.

# GENERIC PHARMACEUTICALS

- India's Pharmaceutical Market is currently over US\$60bn and expected to reach \$130bn by the end of the decade. The global market is US\$1tn, set to grow to \$1.5tn over the same period. (Source: EY FICCI, IBEF.org)
- Over 40% of the exports to the US come from Indian generic pharma firms and they are a key contributor in keeping US healthcare costs down. (Source: IBEF.org)
- Indian firms are benefitting from their expertise, medical infrastructure (several FDA approved facilities), economies of scale
- There is a significant patent “cliff” coming up in 2025-2026, with blockbuster drugs from the likes of Pfizer, Bayer and Bristol Myers Squibb coming off patent. India's generic pharma firms can produce at a far lower cost.
- Government policy has been extremely supportive of “Make in India” and has a Production Linked Incentive in place for manufacturing in India.
- Indian firms are increasing their margins by rising R&D and a focus on increasing their share of value and volume globally.
- COVID 19 was a case in point with India supply significant drugs and vaccines globally.

# INDIA'S INFRASTRUCTURE PUSH

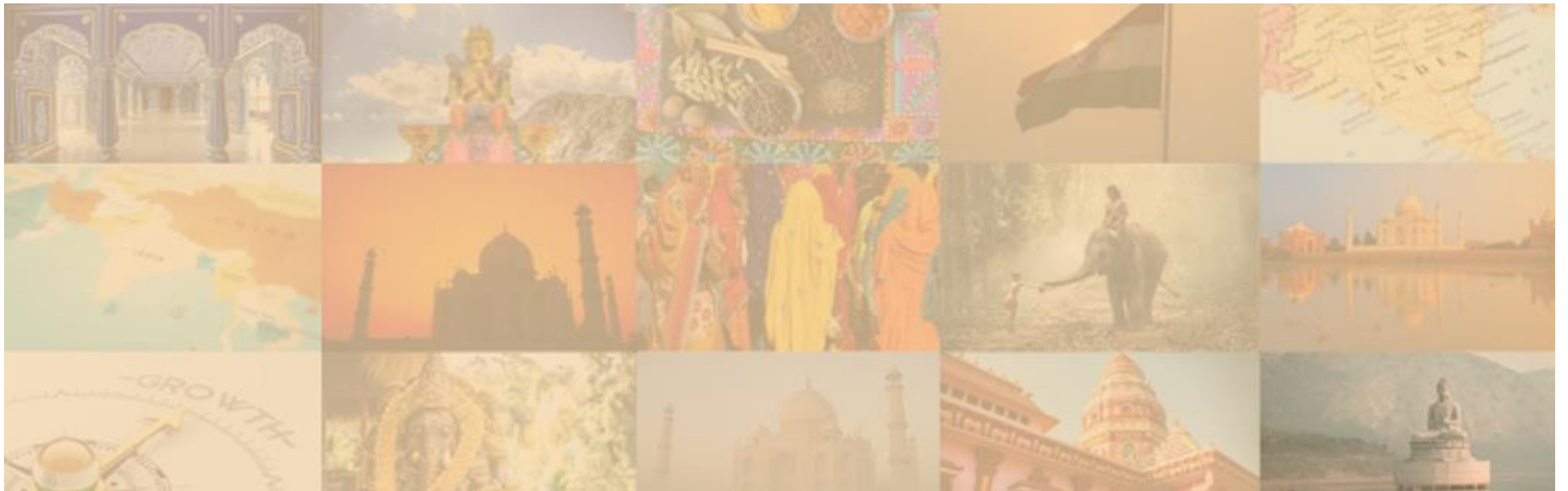


- In 2020 the Government of India launched the National Infrastructure Plan of US\$1.4tn for infrastructure roll out over 2020-2025.
- The plan included social and economic infrastructure projects focused on areas like Energy Transition, Roads, Railways, Urban Development
- The Central Government and State Governments have about 40% share each in project implementation, with the Private Sector having just over 20% share
- Enhancing connectivity, promoting economic growth, and ensuring sustainable development. 11 major corridors designed to improve transportation and economic activity across different country regions.
- The development of these corridors is expected to create jobs, stimulate local economies, and enhance overall productivity.

Source: <https://www.nicdc.in/index.php/about/overview.html>,

The 11 Pillars of Progress - India's National Infrastructure Pipeline Corridors

# FUND PERFORMANCE AND CHARACTERISTICS



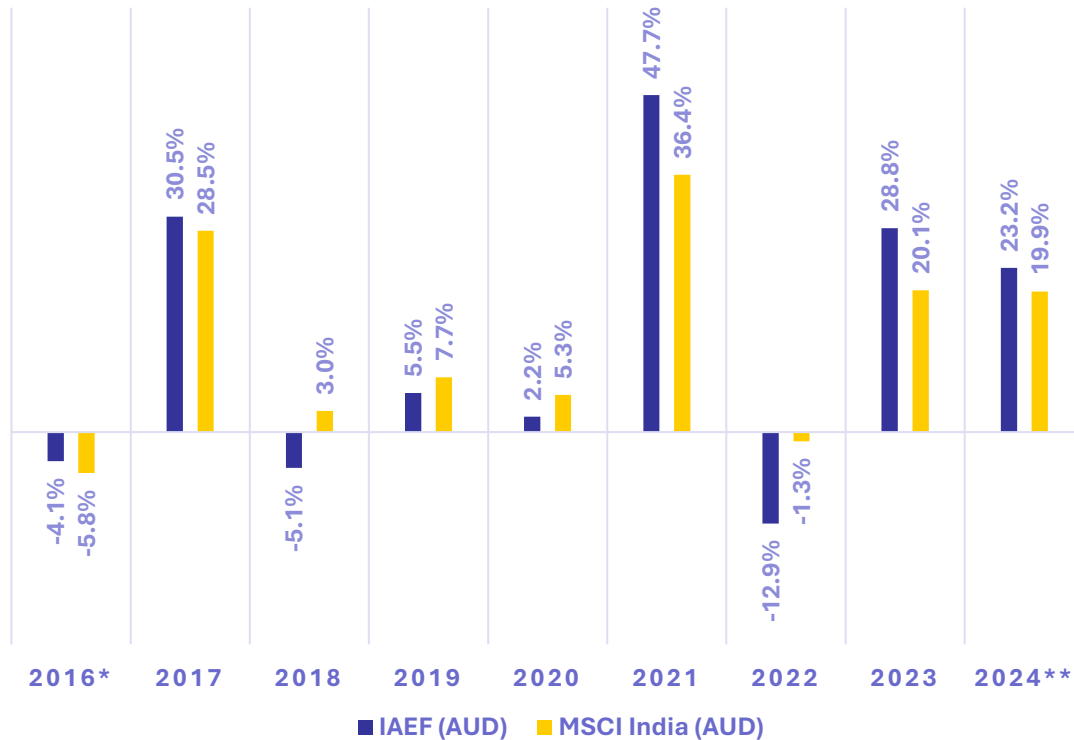
# PULLBACK IN INDIAN MARKETS

- Since September 27<sup>th</sup>, 2024 (All-time high / peak of Indian markets), the NSE 500 (top 500 stocks, covering over 90% of market cap) have fallen 10.2% to November 19<sup>th</sup>, 2024
- However, the AUD has depreciated by about 2-3% over the time versus the INR, which has helped reduce the impact.
- Additionally, the Fund generated alpha of 2% over that period

The pullback occurred due to:

- 1) slowing earnings from a rapid pace of 20% post COVID to 5% for the September quarter
- 2) China stimulus leading to re-allocation towards China
- 3) US election volatility and concerns around Trump tariffs
- 4) Headline CPI rising to 6.2% (core still under control) due to food prices

# FUND PERFORMANCE



31/10/2024	3m	1 year	3 years p.a.	5 years p.a.	7 years p.a.	Since Inc. p.a.
<b>IAEF M Class*</b>	-2.62%	33.65%	15.11%	16.59%	12.34%	13.23%
<b>MSCI India</b>	-5.63%	28.26%	13.85%	14.66%	12.41%	12.90%
<b>Alpha</b>	<b>3.01%</b>	<b>5.39%</b>	<b>1.26%</b>	<b>1.93%</b>	<b>-0.07%</b>	<b>0.33%</b>
<b>IAEF M Class**</b>	-3.19%	32.00%	13.34%	15.44%	11.51%	12.51%
<b>iShares MSCI India</b>	-4.82%	22.55%	11.15%	12.29%	10.45%	10.92%
<b>Alpha</b>	<b>1.63%</b>	<b>9.45%</b>	<b>2.19%</b>	<b>3.15%</b>	<b>1.06%</b>	<b>1.59%</b>
<b>MSCI EM</b>	3.3%	21.2%	3.2%	5.0%	4.8%	4.9%
<b>MSCI Aust</b>	1.7%	24.8%	9.2%	8.2%	9.0%	9.5%
<b>MSCI World</b>	2.1%	29.2%	11.4%	13.2%	13.0%	13.7%

\* Returns post fees but before Indian CGT and withholding taxes. Australian clients receive a partial credit for these taxes in their tax refunds. This is benchmarked against the MSCI India Index for better accuracy of like-for-like comparison.

\*\* Returns based on NAV at exit prices. This is compared against the iShares MSCI India ETF for better accuracy of like-for-like comparison.

Returns in AUD based on NAV at exit prices as of 31/10/2024. 2016 data was taken since inception on 06/09/2016. Source: MSCI, India Avenue internal

Past performance is not necessarily indicative of future results and no person guarantees the performance of any IAEM financial product or service or the amount or timing of any return from it. There can be no assurance that an IAEM financial product or service will achieve any targeted returns, that asset allocations will be met or that an IAEM financial product or service will be able to implement its investment strategy and investment approach or achieve its investment objective.

# PORTFOLIO POSITIONING – SECTOR AND STOCKS

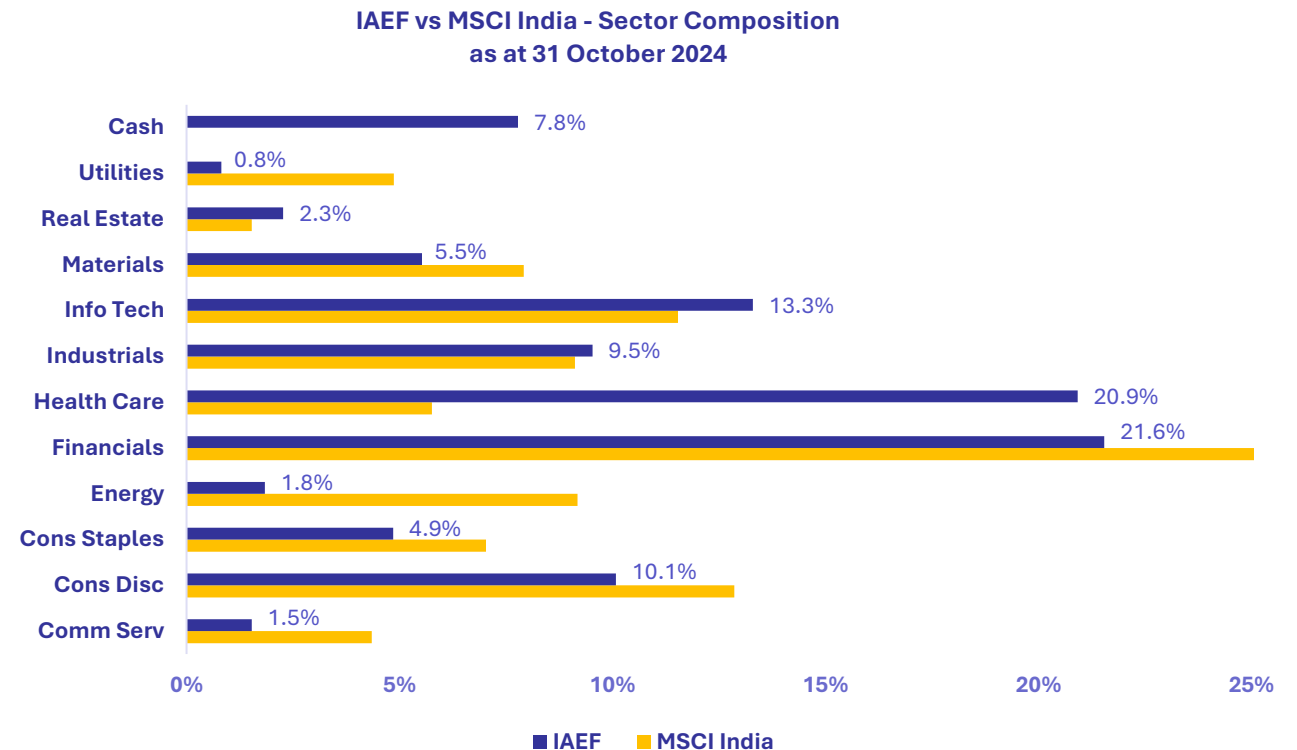


## Top 10 Holdings

Holdings	Weight %
AUROBINDO PHARMA	3.36%
MARKSANS PHARMA	2.78%
INFOSYS	2.71%
CHOLAMANDALAM INV & FIN CO	2.67%
HCL TECHNOLOGIES	2.44%
HDFC BANK	2.42%
HERO MOTOCORP	2.40%
AMARA RAJA BATTERIES	2.22%
SHRIRAM TRANSPORT FIN CO.	2.10%
BAJAJ FINANCE	2.08%

Portfolio data as of 31/10/2024

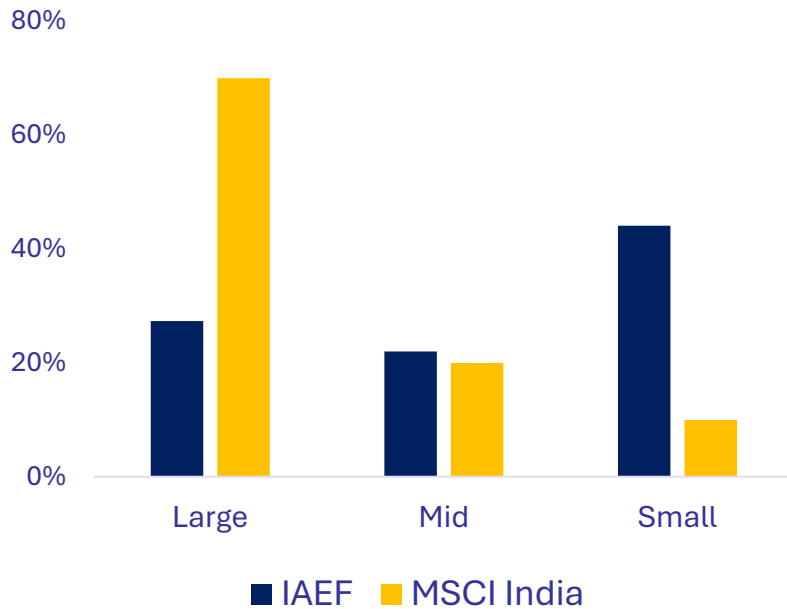
IAEF portfolio is significantly overweight in the Health Care, Industrials and IT sectors, whilst underweight in the Energy, Con. Staples, Utilities and Comm. Services sectors.



Source MSCI, Foresight Analytics

# PORTFOLIO POSITIONING – SIZE

## Size Distribution



Portfolio data as of 30/09/2024

IAEF portfolio has historically focused more on the small/mid-cap space due to the higher number of alpha generation opportunities in that area.

There is a secular trend towards small-cap bias given the top-heaviness of India’s market cap weightings, an issue that is common in most emerging markets.

\*Large, mid and small-cap space defined as below:

Large: Above AUD\$20 billion

Mid: Between AUD\$5-20 billion

Small: Less than AUD\$5 billion

# INDIA'S OUTLOOK FOR THE DECADE

1. To become the 3<sup>rd</sup> largest economy in the world behind USA and China
2. A manufacturing option for the world and an alternative to China. India is 3% of global manufacturing, compared to China's 30%. Manufacturing set to rise from 15% to 25% of GDP
3. By 2030, India's population will have one of the lowest dependency ratios in the world
4. Reforms will improve livelihoods and will lead to efficiency via productivity gains, with GDP per capita set to rise
5. Massive financialisation of savings will occur leading to gains for the equity markets (US\$10bn a year). India's financial savings is only 5% of Household Wealth (US around 40%).
6. Entrepreneurial and tech capabilities allow for unicorns to emerge with tailwinds of scale and cost (Internet penetration now 50% and Smart Phone Penetration around 75%)
7. Corporate profitability-to-GDP to rise from a low point + GDP rise over next 7 years to US\$7tn = significant equity market gains
8. Industries like Pharma, Data/Knowledge Storage, Auto/Ancillaries, Electronics, Chemicals to emerge as global leaders
9. India's market cap to hit US\$7-10trillion and be the 3<sup>rd</sup> largest in the world by country (after US and China)



