# ASHOKA INDIA EQUITY INVESTMENT TRUST PLC

WHITE OAK CAPITAL MANAGEMENT

## Objective

To achieve long-term capital appreciation, mainly through investment in securities listed in India and listed securities of companies with a significant presence in India.

## Company Facts

| | |
|---|---|
| Ticker: | AIE |
| ISIN: | GB00BF50VS41 |
| Benchmark: | MSCI India IMI[1] |
| NAV: | 105.59p |
| Share price: | 102.00p |
| (Discount)/ Premium: | -3.4% |
| Number of investments: | 42 |
| Total net assets: | £59.5 million |
| Active share: | 81.2% |
| Launch date: | 06 July, 2018 |
| On-going charges ratio: | 1.1% |
| Gearing: | 0% |
| Discount Control: | Annual redemption facility at or close to NAV |
| Investment Advisor: | White Oak Capital Management Consultants LLP (India) |
| Firmwide AUM[4]: | £1.14 billion |

## Fees & charges

| | |
|---|---|
| Management fees: | 0% |
| Performance fees: | 30% of outperformance (capped) |

[1] The Company does not follow this or any other benchmark, it is given for illustrative purposes and for calculation of the performance fee only.

[2] Past performance cannot be relied upon as a guide to future performance.

[3] The funds raised from the IPO got substantially invested at the end of July.

[4] Refers to aggregate assets under management or advisory for the investment advisor, White Oak Capital Management Consultants LLP (India).

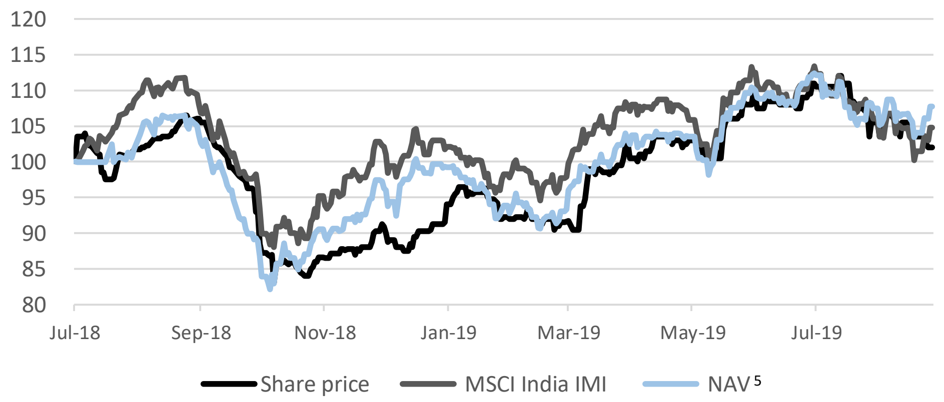
[5] The beginning NAV of 98 has been rebased to 100 for comparison with the benchmark and share price.

## Investment Performance[2]

| Growth | Aug 19 | YTD 19 | 3QTD19 | Q2CY19 | Since IPO* | Since 31-July-18[3] |
|---|---|---|---|---|---|---|
| AIE NAV | -0.5% | 8.1% | -2.9% | 8.4% | 7.7% | 6.3% |
| MSCI India IMI | -3.2% | 1.7% | -4.9% | 2.5% | 4.8% | -2.5% |
| NAV Outperformance | +278 bps | +639 bps | +195 bps | +599 bps | +298 bps | +883 bps |
| Share Price | -1.4% | 11.8% | -6.4% | 9.5% | 2.0% | 1.0% |
| Currency (INR/GBP) | -4.2% | 1.3% | -0.1% | 3.6% | 4.2% | 3.0% |

*Since IPO: 06 July - 31 August 2019

## Performance since launch (GBp)[2]




## Top 10 Holdings (as at 31 August 2019)

| Holdings | GICS Sector | % of AUM |
|---|---|---|
| 1. Infosys | Information Technology | 9.4 |
| 2. L&T Technology Services | Industrials | 6.3 |
| 3. Bajaj Finserv | Financials | 6.1 |
| 4. Bajaj Finance | Financials | 4.9 |
| 5. HDFC Bank | Financials | 4.7 |
| 6. HDFC Asset Management Co | Financials | 4.4 |
| 7. Axis Bank | Financials | 3.9 |
| 8. NIIT Technologies | Information Technology | 3.5 |
| 9. Asian Paints | Materials | 3.4 |
| 10. Muthoot Finance | Financials | 3.2 |
| Total | | 49.8% |

## Market Cap Classification (as at 31 August 2019)

| Market Cap | Portfolio End Weight (%) | MSCI India IMI (%) |
|---|---|---|
| Large Cap | 48.3% | 80.0% |
| Mid Cap | 32.2% | 15.0% |
| Small Cap | 17.1% | 5.0% |
| Cash | 2.4% | - |
| Total | 100.0% | 100.0% |

Large cap > £4.1bn; Mid cap = £4.1bn - £0.9bn; Small cap < £0.9bn

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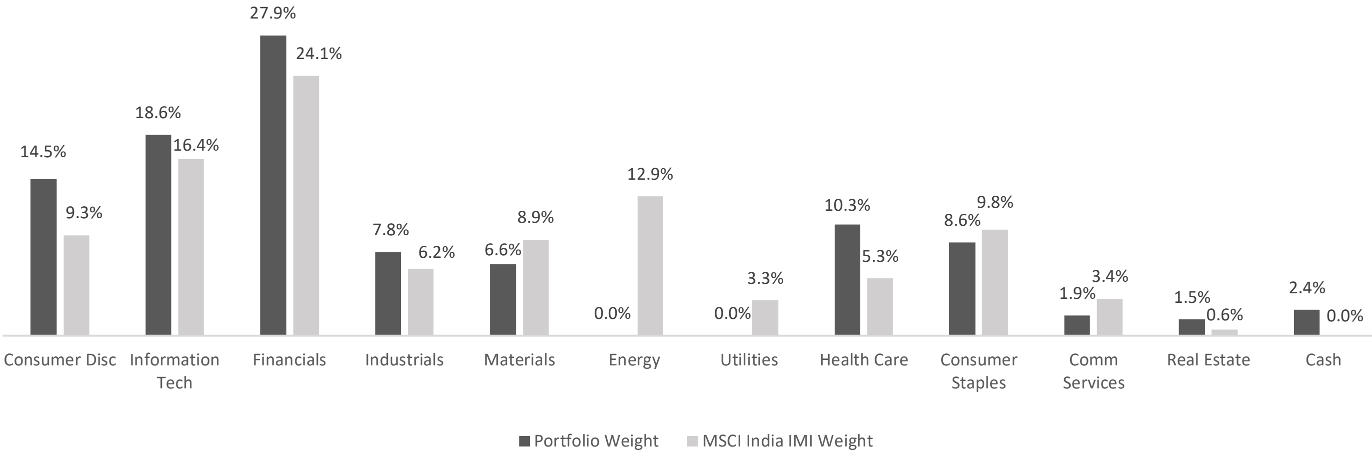
## Sector Exposure (as at 31 August 2019)




## Top 5 Contributors and Detractors (August 2019)

| Contributors | Ending Weight (%) | Total Return (%) | Contribution to Return (bps) |
|---|---|---|---|
| HDFC Asset Management | 4.4 | +18.5 | +71 |
| NIIT Technologies | 3.5 | +20.3 | +62 |
| L&T Technology Services | 6.3 | +9.0 | +53 |
| Nestle India | 3.2 | +8.6 | +26 |
| Ajanta Pharma | 2.1 | +12.3 | +23 |

| Detractors | Ending Weight (%) | Total Return (%) | Contribution to Return (bps) |
|---|---|---|---|
| Info Edge India | 1.9 | -12.5 | -27 |
| Intellect Design Arena | 2.3 | -8.3 | -21 |
| Bajaj Finserv | 6.1 | -2.9 | -20 |
| HDFC Bank | 4.7 | -4.0 | -20 |
| Axis Bank | 3.9 | -4.6 | -20 |

# ASHOKA INDIA EQUITY INVESTMENT TRUST PLC

**Market Review**

Indian markets remained weak in August with the MSCI India IMI Index down 3.2% in GBP terms, entirely driven by a 4.2% depreciation of the Indian Rupee. Softness in the domestic economy as well as adverse global macro headwinds weighed on investor sentiment.

Global markets were weak in August with US equities (S&P 500) down 1.3% followed by MSCI World down 1.7%, and MSCI EM down 4.5%,.

India reported 5% GDP growth for the quarter ended June 2020, the slowest pace in last six years. Demand slowdown was observed across various segments of the economy in both rural and urban geographies. On rural consumption, abundant rains witnessed during the month offers a silver lining by turning the monsoon season into one of the best in recent years. A good harvest should help revive rural demand during the festive season later this year.

The government recently announced mergers amongst ten state-owned banks to create four larger banks and infused further capital into their balance sheet. These steps should be viewed as a part of the ongoing reforms agenda being pursued by the Modi government. Together with the governance reforms announced at the same time, this should contribute towards a better capitalised financial system, which in turn can help to support and revive economic growth.

In our view, the announced governance reforms aimed at improving the autonomy and accountability of state-owned banks are more important than the mergers per-se. As an example, the board of directors of the individual state-owned banks have now been authorised to conduct competitive selection of the Chief Risk Officer at market determined remuneration, rather than be handicapped to follow bureaucratic protocols of appointments at government pay scales. While very basic and incremental, such reforms seek to correct some of the most fundamental governance flaws that have plagued state-owned entities for decades.

The economy has suffered colossal waste of scarce tax-payer resources for several decades due to the abysmal governance standards of state-owned banks.

While the only true panacea is privatisation, at present the country does not seem to be politically ready to understand or to accept the logic for it, notwithstanding the losses. Absent such permanent cure, improvement in governance, even if gradual through such incremental steps, represents the best hope for the country. Even small reductions in wastage can accrue huge financial benefits for the economy since state-owned banks still represent about two-thirds of banking assets in the country.

In another move that came as a welcome relief to the investor community, the government has rectified its budget proposal related to the tax surcharge on capital gains. With this clarification the capital gains taxes for foreign portfolio investors shall remain as they existed prior to the 5 July budget.

Rectification of tax-surcharge notwithstanding, FPIs were net sellers of Indian equities during August to the tune of £1.8bn, reducing the year-to-date net inflows to £5.9bn.

In terms of sectors, information technology, consumer staples and energy were the best performers whereas materials and utilities were significant laggards in August. From a market cap segmentation perspective, large caps continue to outperform mid and small caps for the month as well as on a year-to-date basis.

**Performance Review**

For August, the fund delivered -0.5%, outperforming the MSCI India IMI Index by +278bps. Key contributors were HDFC Asset Management (+18.5%), NIIT Technologies (+20.3%), and L&T Technology Services (+9.0%), while key detractors were Info Edge India (-12.5%), Intellect Design Arena (-8.3%) and Bajaj Finserv (-2.9%).

The fund delivered 8.1% year-to-date, outperforming the benchmark by +639bps. Key contributors were Bajaj Finance (+29.0%), HDFC Asset Management (+81.1%) and Info Edge India (+44.1%), while key detractors were Jyothy Laboratories (-30.7%), Delta Corp (-28.4%) and Lumax Auto Technologies (-51.6%).