

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:	86.95p
Share price:	82.00p
(Discount)/Premium:	-5.7%
Number of investments:	48
Total net assets:	£58.8 million
Active share:	80.7%
Launch date:	06 July, 2018
On-going charges ratio ⁶ :	0.70% p.a.
Gearing:	0%
Discount Control:	Annual redemption facility at or close to NAV
Investment Advisor:	White Oak Capital Management Consultants LLP (India)
Firmwide AUM ⁴ :	£1.26 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).

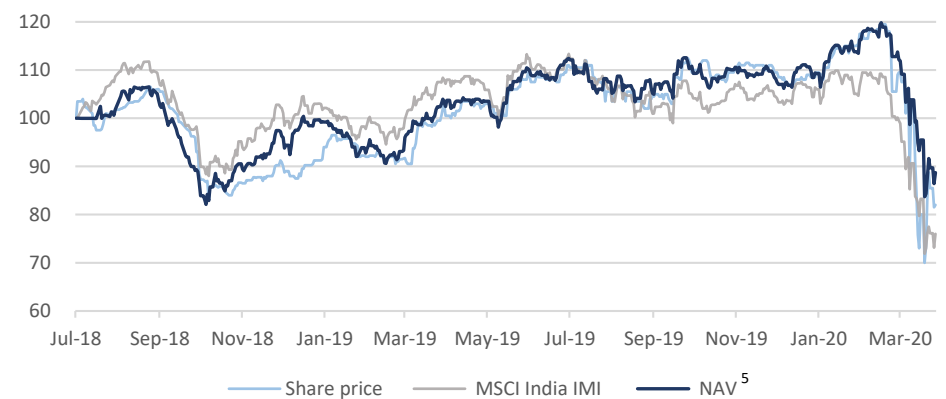
⁵ The beginning NAV of 98 has been rebased to 100 for comparison with the benchmark and share price.

⁶ On-going charges ratio calculated on a 6 month moving average of net assets.

Investment Performance²

Growth	Mar 20	Q1 2020	2019	Since IPO*	Since 31-July-18 ³
AIE NAV	-21.3%	-18.2%	8.8%	-11.3%	-12.4%
MSCI India IMI	-24.3%	-27.2%	1.3%	-24.0%	-29.3%
NAV Outperformance	+293 bps	+902 bps	+744 bps	+1272 bps	+1682 bps
Share Price	-22.3%	-24.4%	18.9%	-18.0%	-18.8%
Currency (INR/GBP)	-0.1%	0.4%	-5.3%	-2.1%	-3.2%

*Since IPO: 06 July - 31 March 2020

Performance since launch (GBP)²

Top 10 Holdings (as at 31 March 2020)

Holdings	GICS Sector	% of AUM
1. Nestle India	Consumer Staples	6.7
2. Asian Paints	Materials	4.6
3. Bharti Airtel	Communication Services	3.9
4. ICICI Bank	Financials	3.4
5. HDFC Bank	Financials	3.4
6. Trent	Consumer Discretionary	3.3
7. HDFC Asset Management	Financials	3.3
8. Bajaj Finserv	Financials	3.3
9. Torrent Pharmaceuticals	Health Care	3.0
10. L&T Technology Services	Industrials	2.9
Total		37.8%

Market Cap Classification (as at 31 March 2020)

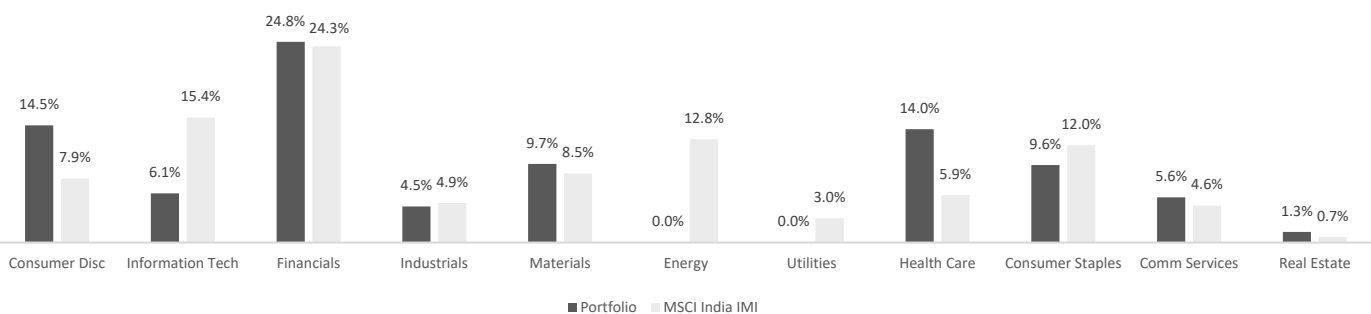
Market Cap	Portfolio End Weight (%)	MSCI India IMI (%)
Large Cap	46.9%	80.0%
Mid Cap	25.8%	15.0%
Small Cap	17.3%	5.0%
Cash	10.0%	-
Total	100.0%	100.0%

Large cap > £3.2bn; Mid cap = £3.2bn - £0.7bn; Small cap < £0.7bn

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WHITE OAK
CAPITAL MANAGEMENT

Sector Exposure



Top 5 Contributors and Detractors (Q1 2020)

Contributors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Nestle India	6.7	+11.1	+80
Ajanta Pharma	2.9	+41.3	+52
Navin Fluorine International	2.9	+22.6	+42
IPCA Laboratories	1.8	+24.0	+38
Avenue Supermarts	2.3	+20.0	+21

Detractors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Bajaj Finserv	3.3	-50.7	-372
Bajaj Finance	1.5	-47.1	-338
HDFC Asset Management	3.3	-33.4	-140
HDFC Bank	3.4	-31.7	-123
NIIT Technologies	2.3	-26.8	-75

Market Review

Global indices were down sharply due to the Covid-19 pandemic. MSCI India IMI index was down 27.2% underperforming global markets. US equities (S&P 500) were down 14.1%, MSCI World down 15.5%, and MSCI EM down 18.3% in GBP terms.

Foreign Portfolio Investors sold ₹6.7bn worth of Indian equities during the month taking the total outflows for the year to ₹5.3bn. Crude oil prices decreased by 63.1% during the same period.

Among sectors, defensives like consumer staples and healthcare outperformed while consumer discretionary and financials underperformed during the quarter.

Performance Review

The fund delivered -18.2% in Q1 2020, outperforming the benchmark by +902bps. The key contributors include Nestle India (+11.1%), Ajanta Pharma (+41.3%), and Navin Fluorine (+22.6%) whereas some of the main detractors were Bajaj Finance (-47.1%), HDFC Bank (-31.7%), and NIIT Technologies (-26.8%).

Key Contributors Q1 2020

Nestle India, a subsidiary of Switzerland based parent Nestle S.A, is India's largest food products company. With marquee brands like Maggi, KitKat Nescafe, Cerelac and Nan in its portfolio, it is a market leader in most of the categories that it operates in. Under the leadership of its new CEO, Suresh Narayanan, it has significantly increased focus on volume growth driven by new product development and distribution. It has launched more than 40 products in various categories over the past two years following a cluster-based approach to enhance distribution. We expect Nestle to continue to deliver strong performance led by increasing penetration and new product introductions.

Ajanta Pharma is a specialty pharmaceutical company engaged in the

business of manufacturing formulations and finished dosages in branded generics. The company has a strong franchise in the Indian domestic market besides a sizeable business in Africa, USA and South East Asia. Backed by strong R&D, Ajanta has grown by introducing first-to-file products in its focus markets and delivered industry leading margins and returns on capital. Over the last two quarters Ajanta Pharma has been able to strongly ramp-up its US business, although on a low base. We expect the company to deliver strong free cash flow growth over the coming years driven by continued business momentum across geographies as well as positive operating leverage.

Navin Fluorine is a specialty chemicals company specialising in fluorine chemistry. It is present across the fluorine value chain starting from inorganic fluorides to speciality chemicals and CRAMS. The company, under its new leadership, is embarking on aggressive expansion plans with incremental capital being deployed in higher ROCE segments like specialty chemicals and CRAMS. Additionally, increasing use of fluorine in new pharma and agro-chem molecules provides strong visibility for long term growth. During the quarter the company announced its first long-term multi-million dollar deal and we believe the prospects are bright for more of such deals in the near to medium term future.

Key Detractors Q1 2020

Bajaj Finance is India's leading consumer lending franchise. Leveraging its industry leading technology deployment, it straddles across consumer, SME, commercial, rural and mortgage segments. In consumer, it primarily caters to mass affluent customers. It has steadily grown at rates higher than that of its peers (well managed retail focused private banks and NBFCs included), while maintaining stellar asset quality. The concerns around growth rate and credit costs due to the disruption from economic lockdown to contain the spread of Covid-19 have led to a decline in the stock price during the quarter.

HDFC Bank is India's largest private sector bank with 8.7% market share in

ASHOKA INDIA EQUITY INVESTMENT TRUST PLC

WHITE OAK
CAPITAL MANAGEMENT

overall banking credit with a well balanced portfolio comprising of 60% retail focused loans and 40% corporate assets. With a strong brand and a large branch network, the bank has built a solid liability franchise resulting in the lowest cost of funds across the peer group. On the back of strong execution it is well positioned to capitalize on the structural demand for credit in the Indian economy and also gain market share from SOE banks. The stock price declined during the quarter due to expectations of a slowdown in credit growth as well as a rise in delinquencies as a result of the economic lockdown to contain the spread of Covid-19.

NIIT Tech is a fast-growing, mid-sized IT services company clocking roughly \$500m in annual revenues and present across three major verticals – a) travel and transportation, b) insurance, and c) banking and financial services which collectively account for 75% of revenues. It has a niche positioning in both travel as well as insurance verticals. The company underwent a management change recently and under the new leadership demonstrated strong improvement across all KPIs - order intake, number of million-dollar clients, large deals, digital business growth and client concentration. The stock price corrected during the quarter due to a weakening demand environment as well as concerns around relatively higher exposure to travel and transportation vertical.

Investment Outlook

The Covid-19 situation is evolving rapidly as far as the spread and various measures taken to mitigate it are concerned. At this point in time, it is hard to offer a differentiated opinion with any reasonable conviction as to how things will pan out for India or the rest of the world. As things stand currently, a 21-day nationwide lockdown and a complete domestic and international travel ban are in place until April 14. As per a recent Economist article¹, India is considered to have implemented one of the most stringent measures to contain the spread of Covid-19.

The likelihood of a global recession has certainly increased. Fiscal stimulus and monetary easing measures taken by governments and central banks around the world should soften the blow and allow businesses to regain their footing when things start to normalize. Thus far, the Indian government has announced a \$23bn (0.8% of GDP) fiscal stimulus to provide sustenance income support at the bottom of the pyramid. Further fiscal stimulus in the form of a second package is expected to be in the works. At the same time, the RBI has slashed interest rates by 75bps and infused over \$50 bn of liquidity in the system.

Another mitigating factor for India is the sharp correction in oil prices given it imports over 80% of its oil requirements. The oil import bill of around \$120bn could be cut in half if prices remain where they are. This should help to improve the current account as well as fiscal deficit, and keep inflation in check, allowing further room for the Central Bank to cut interest rates.

With the steep correction in the Indian market in 1Q 2020, equity valuations are now closer to the lower end of the historical range. We believe once the dust settles on Covid-19 and the economic environment normalizes, great businesses will emerge even stronger while the weaker businesses could suffer disproportionately. Our investment philosophy of seeking compelling combinations of great businesses at attractive valuations places us in good stead in this environment. Under this overarching framework, the portfolio majorly consists of companies that are industry leaders with dominant positions in the segments that they operate in. These businesses typically have superior returns on capital, robust cash flow characteristics, and resultantly strong balance sheets. In the uncertain times that we are in now, business resilience matters more

than ever and therefore we think that the portfolio is well positioned to weather this storm and come out stronger on the other side of it.

Commentary on select sectors

The first order direct impact is expected to be on travel and entertainment related industries such as airlines, hotels, restaurants and theatre chains. The portfolio doesn't have any exposure to these businesses. In general, cyclical sectors might suffer to a greater extent in the near term in case of a deeper slowdown in the economy. In times of heightened uncertainty like this, companies with greater financial leverage would suffer more pain, particularly so if the business also has high operating leverage. Consumer staples, telecom, healthcare and other such non-cyclical, domestic-oriented businesses are also expected to be impacted but to a relatively lesser extent.

Financials: Leverage is inherent to the business model of all lending institutions which are consequently more susceptible to economic downturns. However, the relative impact may vary across financials. Lenders with strong liability franchise, robust credit assessment and risk management practices, and high capital adequacy would be better positioned to face current challenges. The proportion of collateralized lending and the quality of collateral will be among other important variables in determining credit losses. On the whole, lending companies in the portfolio i.e. banks and non-bank financials, have stronger balance sheets and credit culture, and we expect them to hold up much better than their peers.

Another recent development that should not be lost in the discussion of Covid-19 is the action by the Reserve Bank of India (RBI) of taking effective control of Yes Bank, and a subsequent recapitalization led by the largest state-owned Bank – SBI, and a few other private banks and financial companies. The uncertainty created by the series of events at Yes Bank might lead to gradual migration of retail deposit base towards larger, well-established private sector banks at the expense of mid-sized, smaller private banks. The portfolio is invested in well-capitalized, dominant private sector banks which stand to benefit from this development.

IT Services: We expect near term adverse impact on the Indian IT Sector due to restricted travel, delays in deal closures, slower ramp-up of onsite projects and potential cuts or deferral in discretionary spending by end clients, especially by those from the more affected industries. However, these businesses have considerable flexibility in managing costs during periods of demand contraction, thereby allowing them to maintain margins. Furthermore, we believe our portfolio companies should be able to capture wallet share as customers engage in vendor consolidation.

Pharmaceuticals and Chemicals: While the economic downturn doesn't impact demand environment as much, Indian pharmaceuticals and chemical companies are dependent on China to varying degrees for sourcing key raw materials. The supply chains in China seem to have normalized enough to restore production and shipments to 80-85% of pre-crisis levels. Hence, going forward we do not expect any significant impact on our portfolio companies due to supply chain disruption.

As bottom-up investors, we do not take any directional view on the market but instead maintain a balanced portfolio construction approach at all times. At present we believe the portfolio continues to remain well balanced and does not require any 're-positioning' to neutralize the recent macro risks. At the same time, we continue to evaluate stock-specific investment opportunities arising from the severe price dislocations in the market.

¹<https://www.economist.com/graphic-detail/2020/04/03/the-battle-intensifies>

ASHOKA INDIA EQUITY INVESTMENT TRUST PLC**WHITE OAK**
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This document has been issued for information purposes only. It does not contain any advice, investment recommendations or any offer, invitation or inducement to invest in the Company. Investors should seek advice from an authorised financial adviser prior to making investment decisions.

Capital may be at risk as the value of investments may go down as well as up and is not guaranteed; therefore investors may not get back the amount originally invested. Past performance is not a guide to future performance, nor a reliable indicator of future results or performance. Changes in the exchange rates between currencies may cause the value of investments to fluctuate. Investments in shares of smaller companies are generally considered to carry a higher degree of risk as the market for their shares may be less liquid than that for shares of larger companies, making shares of smaller companies more difficult to buy and sell.

The performance of shares of smaller companies may be more volatile than the shares of larger companies over short time periods; therefore investors should regard such investments as long term. There can be no guarantee that the investment objective of the Company will be achieved or provide the returns sought by the Company.

An investment in the Company is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise from such an investment (which may be equal to the whole amount invested). Such an investment should be regarded as long term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio.

An investment trust is a public limited company, the shares of which are traded on the main market of the London Stock Exchange. Accordingly, the ability of shareholders to sell their shares will be dependent on the market price of the shares. The shares may trade at a discount or premium to their net asset value. Investment trusts may borrow money in order to make further investments. This is known as gearing. The effect of gearing can enhance returns to shareholders in rising markets but will have the opposite effect on returns in falling markets.

White Oak Capital Management Consultants LLP (India) does not provide retail investors with investment advice.