



# Results analysis: Ashoka India Equity

**AIE has outperformed its benchmark over the last six months and is well positioned to continue delivering returns as the recovery in India gathers pace...**

- **Today Ashoka India Equity (AIE) released its interim results for the period ending 31 December 2021. Over the six-months, the trust delivered NAV total returns of 28.6%, while the share price rose 39.1%. This compares favorably relative to the benchmark MSCI India IMI index, which returned 27.1%.**
- **Performance was largely driven by stock specific selection, demonstrating the manager's alpha generating capacity and the benefits of a large, 'on the ground' investment team. The biggest contributions came from two information technology companies, Infosys and Coforge. The strong returns from mid-cap company Coforge illustrates the benefits of the trust's flexible investment mandate, offering growth from areas inaccessible to other managers.**
- **The manager believes that Prime Minister Modi's reforms are starting to bear fruit and the recent budget is likely to provide further tailwinds. In fact, the investment manager's report stated "this should go down as perhaps one of the best budgets from the Government, which reaffirms growth orientation and furthers the Prime Minister's goal of promoting ease of doing business in India".**

to diversify their supply chains away from China, the managers think these new initiatives put India in a strong position to capture market share.

The White Oak team are looking to capitalise on these short and long-term tailwinds but remain true to their clear and well-defined processes, which revolve around identifying strong companies at the right valuations, using a proprietary cash flow valuation metric. They are boosted by the extensive resources at their disposal, including as many as ten analysts working on the ground in India - something which we see as a vital contributor to the exceptional history of alpha generation and allows the team to delve into the small and mid-cap space. This team is incentivised by an unusual performance fee-only charging structure. There is no management fee payable unless the trust outperforms the benchmark over a three year period. This performance fee is worth 30% of the outperformance, paid in shares, and is mostly locked up for three years. We believe this provides a strong incentive to generate consistent long-term outperformance.

## Kepler view

Since the removal of lockdowns across India, the short term economic and market performance has surprised analysts on the upside, resulting in a number of upward revisions to growth estimates. Year to date, the benchmark MSCI India IMI index is up 8.5% to 05 March 2021, in comparison to 1.7%, 1.5% and 3.3% from the MSCI World, S&P 500 and FTSE All-Share. Aiding this has been the promising start to the vaccination process. The Serum Institute of India - the world's largest vaccine manufacturing company - already has over 100 million doses stockpiled and has the capacity to produce a similar number every month. Vaccinations started in January and the team expect the majority of the population in India to be vaccinated by the end of 2021.

Alongside an improving short - term outlook, the government has pushed through landmark reforms in agriculture and labour markets, as well as a 'bold' incentive to make India the manufacturing hub of the world. The recent budget announcement in February also demonstrated the country's 'pro-growth mindset' and included a road map for improving the ease of doing business. In the post pandemic world, where global companies are looking

Since it launched in July 2018 AIE has been the standout performer in the Indian sector. AIE has delivered NAV total returns of 44.7% compared to an average return of 9.15% for the other India specialist trusts, according to Morningstar. These numbers are all net of the performance fees accrued, which are reflected in the accounts. After such a strong run, these fees are substantial, but paying for quality makes sense; we note investors have been significantly better off if they invested in the 'expensive' AIE rather than its 'cheaper' peers.

Whilst India has lagged the MSCI Emerging Markets Index in recent years, in our view it remains an attractive place to invest for the long term. It is worth noting that investors who use emerging market funds to access the region are unlikely to have significant exposure, given the area makes up just 9% of the MSCI Emerging Markets index. Currently AIE is trading at a discount of 0.9%, although this has not been uncommon for the trust to trade at a premium since inception. The board have been using any premium



**Disclosure – Non-Independent Marketing Communication.** This is a non-independent marketing communication commissioned by Ashoka India Equity. The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

opportunity to grow the trust through share issuance, and we have seen the market cap grow from £46m to the current size of £112m as of 05 March 2021.

**[Read our detailed research about the trust here](#)**

**[Click here to read the HY report on RNS](#)**

**[Click here to read our latest research on Ashoka India Equity](#)**

**[Click here to add Ashoka India Equity to your watchlist](#)**



**Disclosure – Non-Independent Marketing Communication.** This is a non-independent marketing communication commissioned by Ashoka India Equity. The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

## Disclaimer

---

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

**Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.**

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 9/10 Savile Row, London W1S 3PF with registered number OC334771.

