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:	182.37p
Share price:	184.50p
(Discount)/ Premium:	1.2%
Number of investments:	66
Total net assets:	£156.76 million
Active share:	74.8%
Launch date:	06 July, 2018
On-going charges ratio[6]:	0.39% 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]:	£3.87 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.

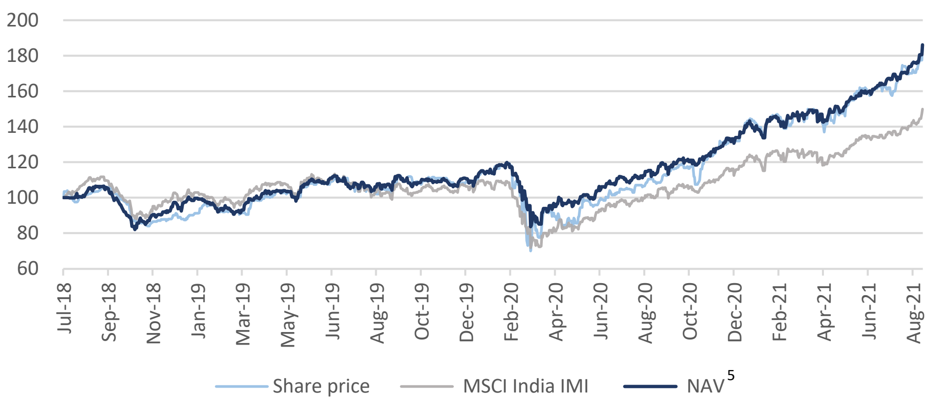
[6] On-going charges ratio calculated on a 6-month moving average of net assets.

Investment Performance[2]

Growth	August 2021	YTD 2021	2020	2019	Since IPO*	Since 31-July-18[3]
AIE NAV	11.4%	36.2%	26.0%	8.8%	86.1%	83.6%
MSCI India IMI	10.4%	27.5%	12.6%	1.3%	49.9%	39.5%
NAV Outperformance	+101 bps	+875 bps	+1333 bps	+744 bps	+3618 bps	+4413 bps
Share Price	10.5%	34.7%	26.3%	18.9%	84.5%	82.8%
Currency (INR/GBP)	2.7%	-1.1%	-6.4%	-5.3%	-9.8%	-10.8%

*Since IPO: 06 July 2018 - 31 August 2021

Performance since launch (GBp)[2]



Top 10 Holdings (as at 31 August 2021)

Holdings	GICS Sector	% of AUM
1. Laxmi Organic Industries	Materials	6.8
2. ICICI Bank	Financials	6.1
3. Infosys	Information Technology	4.9
4. Axis Bank	Financials	4.7
5. Coforge	Information Technology	4.6
6. Asian Paints	Materials	3.5
7. Nestle India	Consumer Staples	3.0
8. Crompton Greaves Consumer Electricals	Consumer Discretionary	2.9
9. Cartrade Tech	Consumer Discretionary	2.9
10. Bajaj Finserv	Financials	2.8
Total		42.3%

Market Cap Classification (as at 31 August 2021)

Market Cap	Portfolio End Weight (%)	MSCI India IMI (%)
Large Cap	42.0%	77.9%
Mid Cap	27.4%	15.9%
Small Cap	27.5%	6.2%
Cash	3.1%	-
Total	100.0%	100.0%

Classification as per Securities and Exchange Board of India (SEBI) guidelines.

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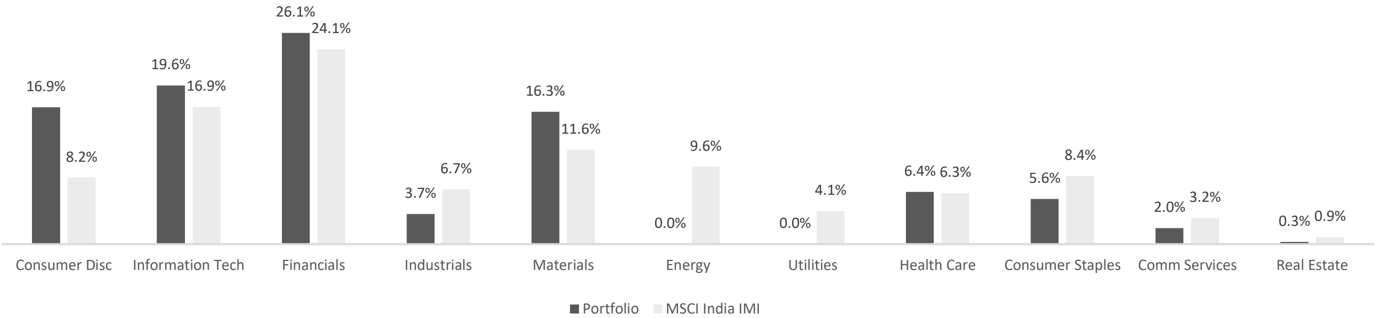
Sector Exposure



Top 5 Contributors and Detractors (August 2021)

Contributors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Laxmi Organic Industries	6.8	+74.6	+332
Axis Bank	4.7	+14.2	+66
Bajaj Finserv	2.8	+24.2	+63
ICICI Bank	6.1	+8.5	+53
Infosys	4.9	+9.1	+48

Detractors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Intellect Design Arena	1.5	-10.3	-22
Sequent Scientific	1.0	-19.6	-22
Garware Technical Fibres	1.5	-6.6	-13
Dodla Dairy	0.9	-7.6	-10
Matrimony.com	0.6	-8.5	-8

Market Review

In August 2021, MSCI India IMI index was up 10.4%. US equities (S&P 500) were up 4.1%, MSCI World up 3.6%, and MSCI EM up 3.7%.

In August, FIIs turned net buyers, to the tune of US$1.2bn. For year to date, India has seen net FPI inflows of US$7.2bn, among the highest in EMs, ex-China. The Rupee appreciated by 2.7%, while the benchmark 10-year G-Sec yields was steady at 6.2%. The rally in commodities took a breather with Brent down by 2.2% and the S&P GSCI Industrial Metals Index down by 1.5%, MoM.

Among sectors, utilities and information technology outperformed, whereas consumer discretionary and materials underperformed during the month.

Performance Review

The Fund was up 11.4% in August, outperforming the benchmark by +101bps. The key contributors include Laxmi Organic (+74.6%), Axis Bank (+14.2%), and Bajaj Finserv (+24.2%) whereas Intellect Design (-10.3%), Sequent Scientific (-19.6%), and Garware Technical (-6.6%) were the key detractors.

Year-to-date, the fund is up 36.2%, outperforming the benchmark by +875bps. The key contributors include Laxmi Organic (+246.6%), Coforge (+92.7%), and ICICI Bank (+34.0%), while key detractors were Kotak Mahindra Bank (-12.6%), Multi Commodity Exchange (-11.2%), and Maruti Suzuki (-10.5%).

In this month's newsletter, we focus on the key takeaways from the recently concluded 1QFY22 corporate earnings season.

Nifty earnings growth continues to remain strong

Nifty earnings for Jun'21 1QFY22 quarter registered a second consecutive 100% YoY growth, due to favourable base effects.

Base effect aside, the underlying trends are reassuring as per corporate commentary. Despite April and May being affected by the second Covid wave, the 2-yr CAGR sales and earnings growth for Nifty (ex-commodities) has been 6% and 12% respectively with most companies reporting growth from Jun'2019 levels.

The proportion of companies within the Nifty Index beating earnings expectations continues to remain high and above the recent averages.

Robust growth expectations for FY22

In a year when India's GDP declined by 7.5%, the worst in the last 74 years since Independence, Nifty earnings grew by 14%, a rare feat in the emerging markets. This robust earnings performance in face of economic challenges, reflects revival in corporate profitability due to consolidation in market share in favour of organized players. The current expectations for earnings growth for the Nifty companies are 32% YoY growth for FY22 and 16% for FY23. Even with a somewhat lower earnings trajectory compared to consensus expectations, it would still mark the best three-year stretch of earnings growth since FY08.

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A read through from management commentary of our portfolio companies

At a headline level, unlike the first wave, the impact of the second wave on the economy was far less damaging, given that lockdowns were more localized and less stringent. Most manufacturing and construction activity was allowed, albeit with some restrictions, and most corporates were better prepared to deal with the disruptions compared to last year.

Management commentary suggests that while the second wave severely impacted demand during mid-April to mid-June, the recovery across sectors has been sharp from late June onwards.

Within the consumption basket, discretionary players (in sectors such as home improvement, consumer durables, and jewellery) were more upbeat while indicating a quicker pace of recovery in urban than in rural India. As per Asian Paints, India's largest paints company, growth in Tier I and II cities are 25-30% higher than that in semi-urban and rural India.

Higher vaccination rates in urban centres partly support the stronger urban recovery. India's vaccination roll-out has been the largest globally and 660 million doses have been administered, with more than 150 million doses in August alone. Approximately 38% of the total population has received at least one dose. More importantly, within the adult population, at least 55% have received at least one dose. In large urban centres, which are the big hubs of economic activity, the adult vaccination rate is even higher, with more than 70% receiving their first dose. The pace of vaccination has ramped up further in the last week of August to as high as 10 million doses per day, and at this rate, the entire adult population would likely be vaccinated by early 2022.

Market share consolidation in favour of stronger, larger players has been a steady phenomenon during Covid. Post the initial lockdowns last year, there was an accelerated shift in market share from the unorganized to the organized sector, given the inability of the unorganized segment to deal with the significant supply chain disruptions. Companies continued to focus on enhancing the distribution reach particularly in rural areas, and through e-commerce investments. There is significant traction in e-commerce channel adoption by the large established incumbents to build a more direct relationship with their customers.

The commodity and input costs pressures have become more prominent over the last two quarters. With the demand outlook becoming clearer post the easing of the second wave, many companies have undertaken price hikes across diverse sectors such as autos, durables, consumer staples, building materials, and paints. Strengthening demand environment is enabling businesses to pass on commodity inflation.

Apart from pricing actions, companies are employing multiple levers such as product mix improvement, use of technology and cost savings programs to protect margins. As a result, on a sequential basis, even as gross margins are down by 100bps, overall EBITDA margins continued to remain flat, despite earlier expectations of margin contraction.

Commentary on exports and progress on the Production Linked Incentive (PLI) scheme was positive. Despite the overhang of logistical challenges (in terms of container availability, etc), companies in sectors like chemicals and electronics continue to report healthy export order books.

Under the domestic PLI track, electronics manufacturers are already seeing significant traction in smartphone sales, while being positive on the prospects in IT Hardware, Air Conditioning, and LED lighting with additional capex being planned in these sectors.

As we have noted earlier, the companies in our portfolio have shown immense resilience in dealing with the impact of the pandemic due to their industry leadership, strong execution capabilities backed by robust balance sheets. We expect them to emerge even stronger as the economic recovery gathers pace.