

ASHOKA INDIA EQUITY INVESTMENT TRUST PLC


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 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:	158.88p
Share price:	162.50p
(Discount)/Premium:	2.3%
Number of investments:	61
Total net assets:	£136.57 million
Active share:	74.8%
Launch date:	06 July, 2018
On-going charges ratio ⁶ :	0.41% 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 :	£3.20 billion

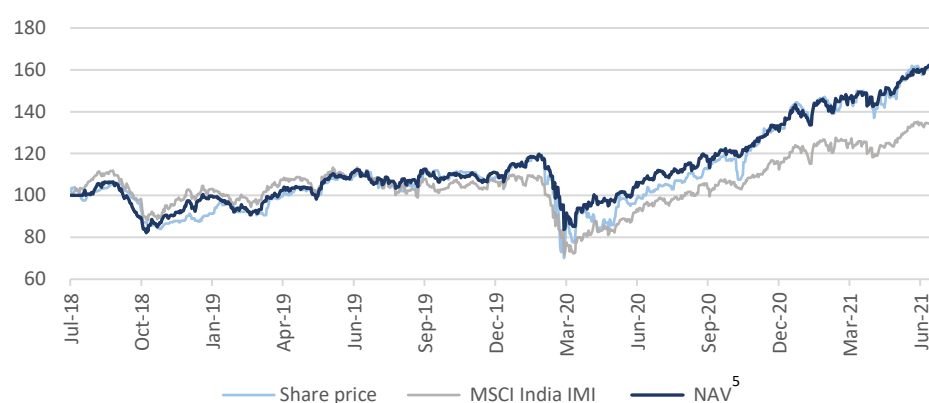
Fees & charges

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

Investment Performance²

Growth	June 2021	Q2 2021	YTD 2021	2020	2019	Since IPO*	Since 31-July-18 ³
AIE NAV	4.0%	9.5%	18.7%	26.0%	8.8%	62.1%	60.0%
MSCI India IMI	3.4%	7.6%	14.1%	12.6%	1.3%	34.2%	24.9%
NAV Outperformance	+63 bps	+190 bps	+455 bps	+1333 bps	+744 bps	+2791 bps	+3508 bps
Share Price	4.8%	8.9%	18.6%	26.3%	18.9%	62.5%	61.0%
Currency (INR/GBP)	-0.2%	-1.9%	-3.0%	-6.4%	-5.3%	-11.5%	-12.5%

*Since IPO: 06 July 2018 - 30 June 2021

Performance since launch (GBP)²

Top 10 Holdings (as at 30 June 2021)

Holdings	GICS Sector	% of AUM
1. ICICI Bank	Financials	6.1
2. Infosys	Information Technology	5.2
3. Axis Bank	Financials	5.1
4. Coforge	Information Technology	4.7
5. Laxmi Organic Industries	Materials	3.8
6. Asian Paints	Materials	3.1
7. Nestle India	Consumer Staples	3.1
8. Crompton Greaves Consumer Electricals	Consumer Discretionary	3.0
9. CarTrade	Information Technology	3.0
10. Bajaj Finserv	Financials	2.9
Total		39.9%

Market Cap Classification (as at 30 June 2021)

Market Cap	Portfolio End Weight (%)	MSCI India IMI (%)
Large Cap	42.4%	77.3%
Mid Cap	31.2%	16.3%
Small Cap	23.8%	6.5%
Cash	2.7%	-
Total	100.0%	100.0%

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

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).

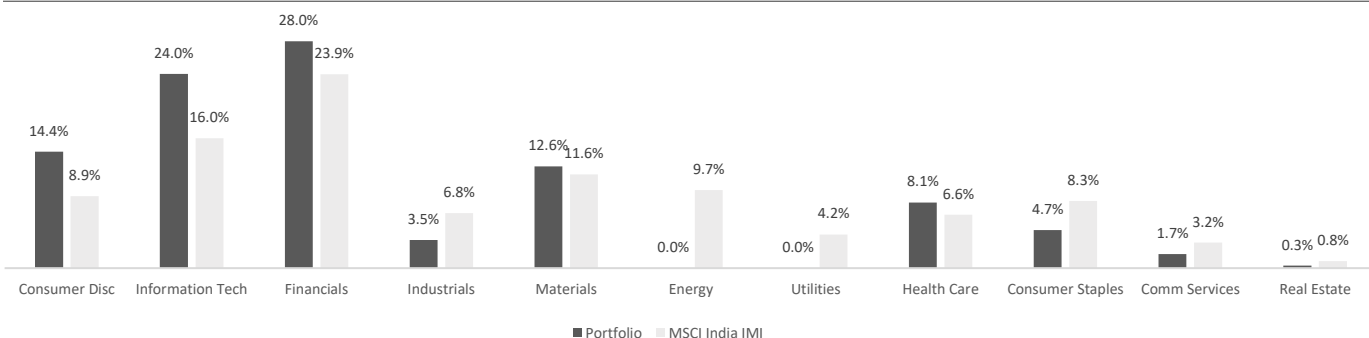
⁵ The beginning NAV of 98 has been rebased to 100 for comparison with the benchmark and share price.

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

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Sector Exposure



Top 5 Contributors and Detractors (Q2 2021)

Contributors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Coforge	4.7	+40.1	+157
Laxmi Organic Industries	3.8	+24.1	+97
Persistent Systems	2.5	+50.2	+91
Computer Age Management Svcs.	2.2	+48.6	+88
Bajaj Finserv	2.9	+23.0	+84

Detractors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Cholamandalam Investment	2.1	-9.8	-24
3M India	0.5	-21.5	-18
Intellect Design Arena	2.1	-3.9	-12
Larsen & Toubro Infotech	0.0	-12.9	-11
HCL Technologies	0.0	-8.4	-10

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Market Review

In Q2 2021, MSCI India IMI index was up 7.6%. US equities (S&P 500) were up 8.4%, MSCI World up 7.7%, and MSCI EM up 5.0%.

Among the major EMs ex-China, India continues to see higher net FII inflows into the equity markets at US\$1.1bn for the quarter and US\$8.4bn for the year so far. The Rupee depreciated by 1.9% in the quarter while the benchmark 10-year G-Sec yields remained steady around 6%. The rally in commodities continued with Brent up by 20% and the Industrial Metals index up by 10%, QoQ.

Among sectors, health care and materials outperformed, whereas financials and utilities underperformed during the quarter.

Performance Review

In the second quarter the Fund was up 9.5%, outperforming the benchmark by +190bps. The key contributors include Coforge (+40.1%), Persistent Systems (+50.2%), and Computer Age Management Services (+48.6%), whereas Cholamandalam Investment (-9.8%), 3M India (-21.5%), and Intellect Design (-3.9%) were the key detractors.

Year-to-date, the fund is up 18.7%, outperforming the benchmark by +455bps. The key contributors include Laxmi Organic (+68.1%), Intellect Design (+123.5%), and Dixon Technologies (+59.9%), while key detractors were Nestle India (-6.2%), Kotak Mahindra Bank (-16.9%), and Multi Commodity Exchange (-14.5%).

Key Contributors Q2 2021

Coforge is a fast-growing, mid-sized IT services company clocking ~\$650m in annual revenues and present across three major verticals – travel & transportation, insurance, and banking & financial services – which collectively account for 70% of revenues. It has a niche positioning in both travel as well as insurance verticals. The company underwent a management change around three years ago and under the new leadership has consistently demonstrated strong improvement across all KPIs including order intake, number of million-dollar clients, large deal wins, digital business growth and client diversification. The stock price appreciated during the quarter due to continued robust performance and good growth outlook.

Persistent Systems is a mid-sized IT services vendor with a niche positioning led by deep domain expertise in healthcare & life sciences and financial services verticals including adjacent areas such as health-tech and fin-tech. The company has forged strong partnerships with leading enterprise software ecosystems such as Salesforce, Appian, and Snowflake. It also has strong capabilities in product engineering services with the likes of IBM, CISCO, Intuit and Dassault Systems as key customers. The business has de-risked its revenue base, lowered client concentration and increased number of large accounts. The stock has outperformed on the back of a strong growth outlook with several margin levers to drive healthy free cash flow over the coming years.

Computer Age Management Services (CAMS) is India's largest Mutual Fund Registrar and Transfer agent with an aggregate market share ~72% based on average mutual fund AUM. Its market leadership is underpinned by best-in-class clientele, systems and a strong adherence to processes. The business has very high client stickiness and a recurring revenue business model. Revenues are linked to AMC Industry AUM, making it a strong proxy for the growth of the underpenetrated AMC Industry in India. CAMS generates high returns on capital, has strong cashflow conversion and a long growth runway. The stock price appreciated during the quarter due to improvement in MF inflows and growth in mutual fund AUM across the industry.

Key Detractors Q2 2021

Cholamandalam Investment and Finance (CIFIC) is a non-banking financial company (NBFC), part of the Murugappa Group. It primarily operates in vehicle finance, including CVs, PVs, 2W and 3Ws, home equity, and affordable home loans category. It caters predominantly to single truck owners, small fleet owners, self-employed non-professionals, and MSME businesses in semi-urban and rural India. CIFIC's competitive advantage lies in its superior reach, underwriting and collections from customer segments with less predictable income and revenue streams. The business has multiple growth levers linked to underlying vehicle sales along with its recent scale up in the home loans business and should be able to sustain attractive ROEs. Concerns around second Covid wave impacting its customer segments has weighed in on the near-term stock performance.

3M India is 75% owned subsidiary of 3M Company, USA. It manufactures and markets highly innovative and technical products across four major segments – safety & industrial, transportation & electronics, healthcare and consumer care in India. The parent, 3M USA, is a global, diversified technology and science Company with more than 100,000 patents and considered to be one of the most innovative companies in the world. 3M India leverages on the technical know-how of its parent. The company is expected to be a key beneficiary of the PLI schemes in auto and electronics with its niche offerings.

Intellect Design Arena is a financial services software company and regarded as one of the leading solutions in transaction banking software, which accounts for ~45% of its revenue. It has also made significant inroads in other product suites including payments, retail banking, digital banking and insurance. Intellect has cumulatively invested over \$200 million in product R&D over the last decade and has built a strong referenceability in developed and emerging markets on the back of a marquee client list which includes JP Morgan, HSBC and Barclays. Its profitability has improved significantly over the past few years from single digit operating margins to c30% led by focus on sales and operational efficiencies. The stock underperformed during the quarter post a strong rally in the preceding quarters.

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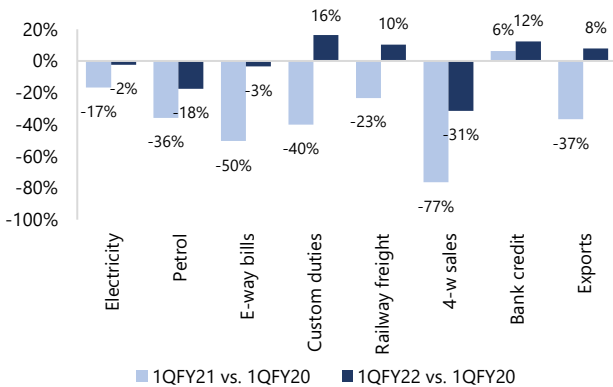


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The second wave of Covid 19 infections in India seems to be under control with active cases down by 85% from its May peak. Economic activity dipped in April and May as states implemented targeted lockdowns. High frequency indicators such as inter-state movement of goods, railway freight and electricity consumption suggest a broad-based recovery in June as restrictions were gradually removed. Unlike the first wave, there was no nationwide lockdown and thus the overall economic impact is expected to be less severe than the June quarter of 2020. Many of the high frequency indicators are either higher than or back to their pre-Covid levels. Ongoing policy support and pace of vaccinations should help faster normalization of economic activity.

An improving global growth outlook and accelerating pace of vaccinations in the developed world bodes well for India's exports growth. Despite localized disruptions to movement of goods, exports are already above pre-Covid levels.

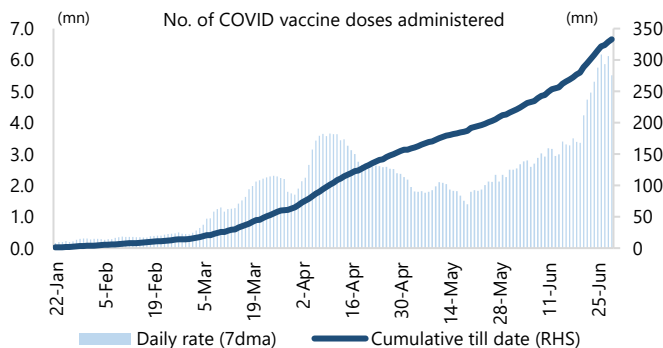
Economic recovery gaining momentum



Source: White Oak, Bloomberg, Jefferies; 1QFY20 refers to June 2019 quarter, 1QFY21 refers to June 2020 quarter, 1QFY22 refers to June 2021 quarter

The central government expanded free vaccination to all adults and the vaccination rate for the week ended June 27, 2021, hit a high of 6mn/day, a significant improvement as compared to 1.9mn/day in May. Cumulatively, nearly 330mn doses have been administered so far with 20% of the total population, including 35% of adult population, receiving at least one dose. The government has indicated that vaccine supply will continue to ramp up with a target to administer 1.35 bn doses by end of the year.

Pace of vaccinations have improved over the last few weeks

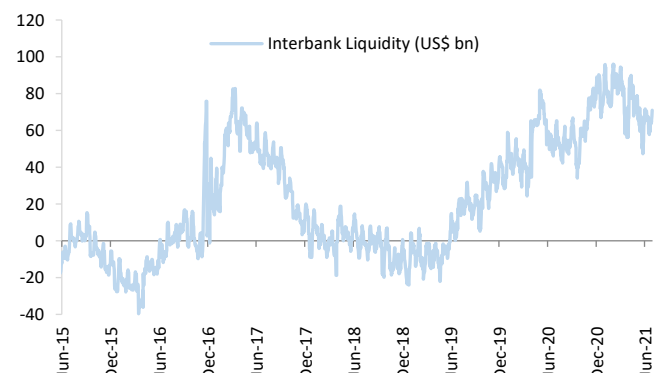


Source: White Oak, Jefferies

Favourable policy mix will continue to support the ongoing economic recovery. The Finance Ministry recently announced a set of targeted measures including additional credit guarantees, support for the hospitality sectors, which was the worst impacted by the pandemic, and increase in food & fertilizer subsidy. Also, just like the announcements last year, the focus was on supply side measures including power sector reforms, improving rural connectivity, new streamlined process for asset monetization. The thrust on infrastructure spending by the government continues with the capital expenditure is up by 14% YoY. As a proportion of GDP, it is edging closer to the highs seen during 2005-07.

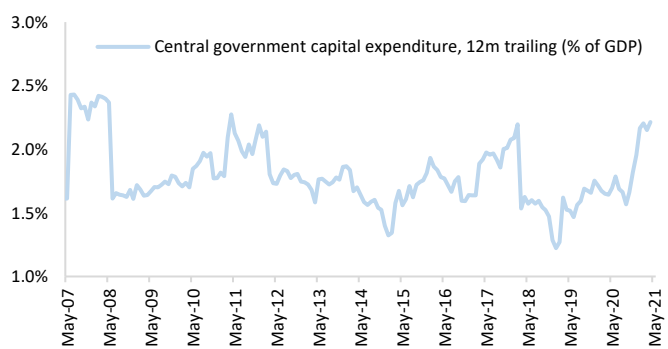
The RBI in its June monetary policy meeting decided to maintain its accommodative stance for as long as necessary to revive growth on a durable basis. Liquidity measures were enhanced including a special refinancing window for micro and small business credit.

Liquidity remains supportive



Source: White Oak, Morgan Stanley

Capital expenditure to GDP edging towards 2007 levels



Source: White Oak, Morgan Stanley

In 4QFY21 (March'21 quarter) aggregate earnings for Nifty (India's flagship index) grew by 90% YoY. Even for full year FY21, despite the economic shock, Nifty earnings grew by 14% YoY, the highest in last ten years. Earnings breadth continues to improve across sectors and latest corporate commentary suggests that demand has picked up with few companies announcing price hikes as well. In general, corporates have been better prepared to deal with the restrictions compared to last year as evidenced by continuing operations in manufacturing as well as construction sectors.

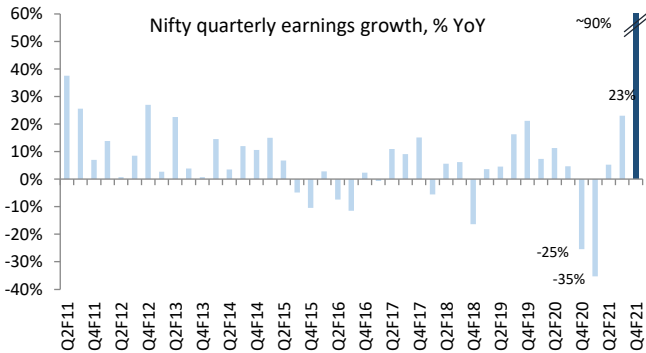
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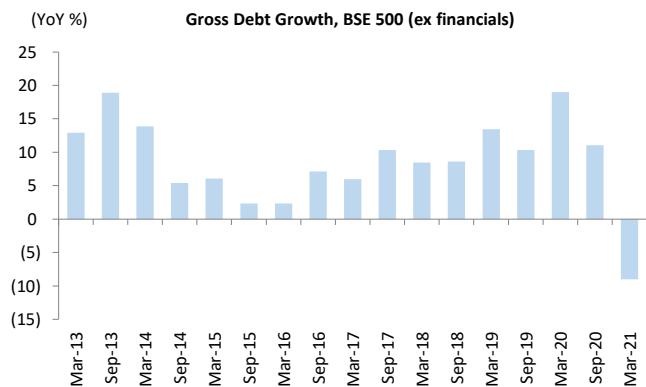
We had highlighted in our May newsletter on the acceleration in the trend of market share shift from the unorganized to the organized segment. The underlying improvement in balance sheet metrics is also encouraging. Even as macro stability improves, it is likely that the resilience of India's well diversified corporate sector will provide the foundation for the next upcycle in the economy.

4Q earnings growth at ~90% YoY



Source: White Oak, MOSL, Bloomberg

Corporate deleveraging cycle underway



Source: White Oak, IIFL

The implementation of the US\$27bn PLI scheme, aimed at developing manufacturing hubs in India for 13 key industries, has been progressing well. In addition to prior announcements, April – June quarter saw guidelines on telecom & networking products and white goods. Global giants like Foxconn and Jabil Circuits have shown strong interest to set up plants in India. For some of the sectors, such as IT Hardware, for which guidelines were notified earlier in the year, leading companies like Dell, Wistron, Flextronics and Foxconn have received approvals to manufacture laptops, tablets and servers.

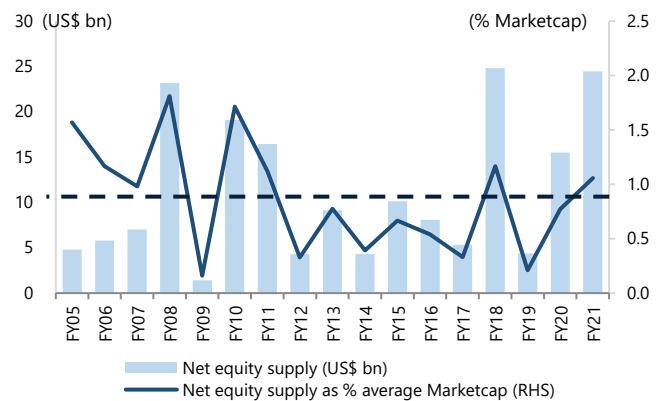
The tenure of the PLI scheme for large scale electronics manufacturing including smartphones has been extended on account of pandemic related disruptions. Production under this scheme is already underway with the applicant companies having produced goods worth ~INR 350bn (US\$ 4.8bn) as of Dec 2020.

Fresh equity supply is likely to witness a surge in FY22 signifying buoyant capital market sentiments. In FY21, the net (adjusted for buybacks) equity supply was around US\$24bn. Apart from IPOs raising US\$4.5bn, capital raising was led by banks and NBFCs in order to create risk buffers. A large number of companies have filed their IPO applications with the market regulator and are expected to go public over the coming quarters.

Many of the planned IPOs are in sectors like fintech, food-tech and e-commerce which have seen accelerated digital adoption and improving economics over the past year. New listings could also include small finance banks, micro finance institutions and insurance companies.

The government's disinvestment agenda has contributed to the strong primary market activity over the last few years. The IPO of government-owned LIC (Life Insurance Corporation of India), country's largest life insurer, is slated for FY22.

Primary market sentiments likely to remain buoyant



Source: White Oak, Bloomberg, Jefferies

Important Information

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.