ASHOKA INDIA EQUITY INVESTMENT TRUST PLC

WHITEOAK 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:	174.20p
Share price:	175.00p
(Discount)/ Premium:	0.5%
Number of investments:	81
Total net assets:	£187.39 million
Active share:	75.2%
Launch date:	06 July, 2018
On-going charges ratio[6]:	0.34% p.a.
Gearing:	0%
Discount Control:	Annual redemption facility at or close to NAV
Investment Advisor:	White Oak Capital Partners Pte. Ltd. (Singapore)
Firmwide AUM[4]:	£4.06 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.

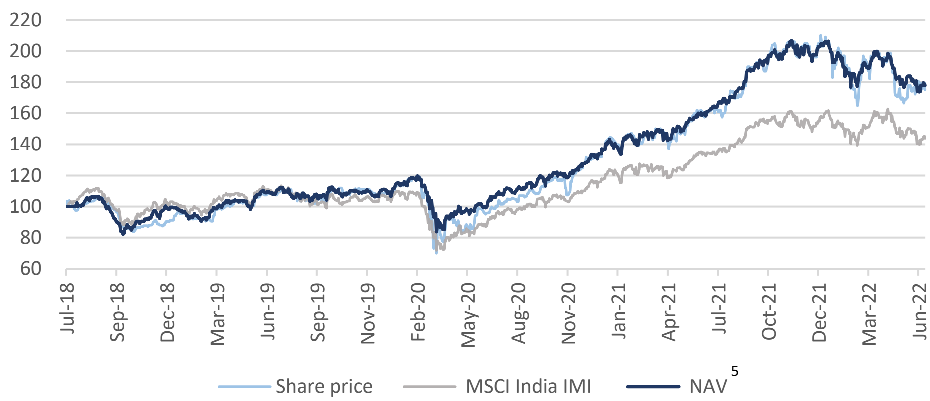
[6] On-going charges ratio calculated on a 6-month moving average of net assets.

Investment Performance[2]

Growth	June 2022	Q2 2022	YTD 2022	2021	2020	2019	Since IPO*	Since 31-July-18[3]
AIE NAV	-3.2%	-8.2%	-12.4%	48.6%	26.0%	8.8%	77.8%	75.4%
MSCI India IMI	-3.6%	-7.2%	-7.1%	31.7%	12.6%	1.3%	43.9%	33.9%
NAV Outperformance	+41 bps	-101 bps	-536 bps	+1688 bps	+1333 bps	+744 bps	+3382 bps	+4147 bps
Share Price	2.9%	-10.7%	-14.6%	49.6%	26.3%	18.9%	75.0%	73.4%
Currency (INR/GBP)	2.0%	3.7%	4.5%	-0.5%	-6.4%	-5.3%	-5.1%	-6.1%

*Since IPO: 06 July 2018 - 30 June 2022

Performance since launch (GBp)[2]



Top 10 Holdings (as at 30 June 2022)

Holdings	GICS Sector	% of AUM
1. ICICI Bank	Financials	8.8
2. Infosys	Information Technology	5.7
3. Cholamandalam Investment and Finance	Financials	3.9
4. Maruti Suzuki India	Consumer Discretionary	3.3
5. Titan Co	Consumer Discretionary	3.1
6. Asian Paints	Materials	2.9
7. Nestle India	Consumer Staples	2.6
8. HDFC Bank	Financials	2.6
9. Cipla/India	Health Care	2.5
10. Persistent Systems	Information Technology	2.4
Total		37.9%

Market Cap Classification (as at 30 June 2022)

Market Cap	Portfolio End Weight (%)	MSCI India IMI (%)
Large Cap	47.2%	75.8%
Mid Cap	19.5%	15.4%
Small Cap	29.7%	8.8%
Cash	3.6%	-
Total	100.0%	100.0%

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

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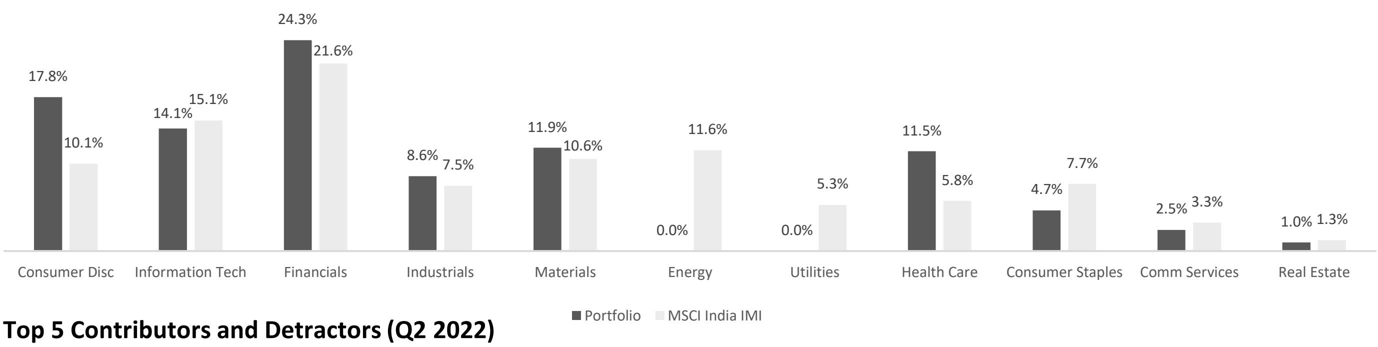
Sector Exposure



Top 5 Contributors and Detractors (Q2 2022)

Contributors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Maruti Suzuki India	3.3	+16.5	+45
Aether Industries	1.8	+26.0	+32
Fine Organic Industries	1.3	+24.6	+21
Eicher Motors	1.6	+18.3	+16
3M India	1.2	+15.4	+15

Detractors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Infosys	5.7	-19.4	-123
Persistent Systems	2.4	-25.7	-76
Titan Company	3.1	-20.4	-76
Mphasis	1.8	-29.3	-76
Hindalco Industries	1.2	-38.1	-69

Market Review

In Q2 2022, MSCI India IMI index was down 7.2%, performing in-line with most global indices. US equities (S&P 500) and MSCI World were down by 9.6%, and MSCI EM was down 4.5%.

FIIs were net sellers to the tune of US$15bn in Q2 2022, while net buying by domestic institutional investors (DIIs) was US$14bn. For the quarter, the Rupee depreciated by 4.0% while the benchmark 10-year G-Sec yields rose from 6.9% to 7.4%.

Commodities were mixed, with Brent up 12% and the S&P GSCI Industrial Metals Index down by 25%.

For the quarter, Utilities, Energy and Government owned companies outperformed as did Consumer Staples. IT Services, Materials, and Health Care were the key underperforming sectors. On a YTD basis, Utilities and Energy are the best performing sectors while IT services is the worst performing sector.

Performance Review

The Fund was down 8.2% in Q2 2022, underperforming the benchmark by 101bps. The key contributors include Maruti Suzuki (+16.5%), Fine Organic Industries (+24.6%), and 3M India (+15.4%) whereas Persistent Systems (-25.7%), Titan (-20.4%), and Mpahsis (-29.3%) were the key detractors.

Year-to-date, the fund is down 12.4%, underperforming the benchmark by -536bps. The key contributors include Aether Industries (+27.2%), Fine Organic (+35.6%), and Cholamandalam Investment (+25.2%) whereas Infosys (-17.8%), Truecaller (-57.5%), and Coforge (-36.5%) were the key detractors.

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Key Contributors

Maruti Suzuki (MSIL) is the market leader in the passenger vehicle segment in India with just over 45% market share (by volumes). The company has the most extensive distribution network and commands a strong mind share amongst consumers. While mainly known as a 'Value for Money' brand, MSIL has also gained market share in the premium segment via the NEXA distribution channel. The concerns over the company's product gaps, especially in the SUV (sport utility vehicle) segment has been allayed by the company's announcement that it will launch multiple new models over the next 12-18 months. Moreover, the improving semiconductor supply situation and the recent moderation in commodity costs are also positives for the company. These reasons may have contributed to the outperformance of the stock.

Fine Organics Ltd. (FOIL) is the largest manufacturer of oleochemical-based additives in India. These additives are used in various industries like food and beverages, personal products, paints, and other specialty applications. A niche, but expansive product basket, diversified customer base, stringent and lengthy product approvals (creating strong entry barriers), and proprietary technology underpin the company's competitive positioning in the global market. FOIL is expanding its capacity, which provides growth visibility and is also entering higher-margin downstream products like specialty feed nutrition and pre-mix bakery products. The recent fourth-quarter results were ahead of expectations, with the company reporting an 11% improvement in EBITDA margins driven by product innovation, superior mix, and pass-through of high raw material prices.

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 120,000 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 to launch new products into the India market to maintain technology leadership. The company is expected to be a key beneficiary of the PLI schemes in auto and electronics with its niche offerings. It outperformed due to the strong quarterly results with recovery in both top-line growth and EBITDA margins, which were adversely affected due to Covid.

Key Detractors

Persistent Systems is a mid-sized IT services company with deep domain expertise in healthcare, life sciences and financial services verticals, and a niche positioning in 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 company has many levers to drive healthy cash flow growth over the next few years. The stock underperformed along with the IT Services sector as investors are concerned about demand going forward due to expectations of a recessionary environment.

Titan is India's leading jewellery retailer. The industry is dominated by unorganized players, which account for 70% of the market share, thereby presenting a long runway for growth for organized players like Titan. The company has consistently gained market share on the back of strong execution by the management. We expect the company to continue to do well as it (a) expands aggressively in smaller Indian cities and (b) strengthens its positioning in the large wedding jewellery segment. Recent underperformance is likely on account of worries that (a) high inflation could weigh on discretionary spending, and (b) there could be a repeat of the 2013-15 regulatory-headwind phase wherein authorities had imposed a series of restrictions on gold imports. We believe Titan is in a much stronger position to navigate any such headwind now as the gold sourcing mix has changed materially since then.

Mphasis is the 7th largest IT services company in India with approximately $1.5bn in revenues. It has a strong positioning in custom application development and management for the banking & financial services (BFS) industry. Its deep domain expertise within BFS has resulted in a high-quality client profile wherein it counts six of the top ten US banks as its clients. Its core business, constituting more than 80% of revenues, has delivered industry leading growth over the past two years. We expect the company to continue to execute well on the back of continued new client additions, strong total contract value (TCV) of deal wins and mining of existing accounts. The recent underperformance reflects some of the near-term concerns over delay in tech spending decisions by enterprises.

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Quarterly macro update

In the following paragraphs, we discuss some key topics, including recent developments on the macro-economic front and important highlights from the 4QFY22 earnings season.

Most high-frequency activity indicators, such as credit growth, power consumption, E-way bills generation, railway freight, auto sales, and property registration, point to a steady revival in the economy. This is also reflected in tax collections which is ahead of the usual run rate and likely to support higher government spending. Industrial growth also remains buoyant, with IIP up by 7% YoY and the core sector growing at 14% YoY for FY23td. Latest RBI survey indicates improving utilisation levels, which along with accelerating end demand, is leading to higher capacity additions across sectors.

Despite recent challenges around global growth and disruptions in supply chain, India's merchandise exports have gained market share, growing by 9% CAGR between FY19-22. The overall exports mix has also been improving with growing contribution from value-added items such as Engineering Goods, Specialty Chemicals, and Electronics.

The bulk of the recent concerns originates from high energy prices, which is not unique to India alone but attracts much attention given the higher dependence on imports (India imports 85% of its crude oil requirements). But, at least, there is little evidence to suggest that India is disproportionately affected by rising oil prices – the sensitivities of macro variables to oil prices is in-line with what is observed for most other EMs. Further, an underappreciated aspect is that the vulnerability of macro variables such as CAD due to a higher oil import bill has reduced materially over the years due to faster economic growth and exports compared to the oil consumption. Also, an adequate level of Fx reserves (US$600bn, 10 months' import cover) provides policy levers to navigate the prevailing macro environment.

Oil price sensitivities

	Impact of 10% rise in global crude oil prices	
Economy	**Current Account (% GDP change)**	**Inflation (pp change)**
Brazil	0.07	0.67
Chile	-0.36	0.83
China	-0.14	0.18
India[1]	-0.40	0.35
Indonesia	-0.30	0.10
Korea	-0.81	0.20
Malaysia	0.16	0.30
Mexico	-0.16	0.61
Philippines	-0.60	0.40
Poland	-0.19	0.21
Saudi Arabia	2.07	
South Africa	-0.30	0.25
Taiwan	-0.26	0.15
Thailand	-1.33	0.40
Turkey	-0.54	0.18
Vietnam	-0.50	0.10

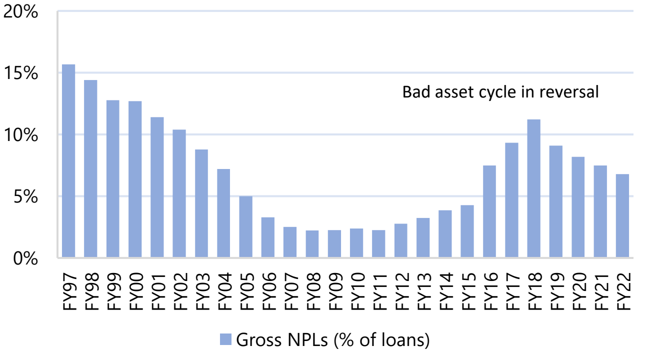
Source: HSBC Global Research, White Oak
Estimates based on net crude oil trade
[1] For India numbers reflect US$10/bbl increase in oil prices

The recent uptick in inflation (7.8% in April and 7.0% in May) prompted the RBI to hike the repo rate by 40bps in an off-cycle policy meeting in May, followed by a 50bps increase in the June monetary policy meeting. To reduce the pass-through of elevated global prices into domestic inflation, the government announced measures such as lowering excise duties on diesel and petrol, restricting agri exports, and increasing fertilizer subsidies. Despite the near-term spike, India's CPI is not much above the upper end of RBI's tolerance band (2%-6%). Besides, India's core services inflation is at a reasonably contained level of approximately 4%.

Nifty earnings grew by 20% YoY in 4QFY22, in line with consensus expectations. Generally, companies in consumer-facing sectors reported steep input cost inflation, although some of it has already been passed through price hikes. As has been the case in the previous quarters, companies in our portfolio tend to be market leaders and have been better positioned to navigate through an inflationary environment and continue to report market share gain from the weaker peers. Historically, in our observation commodity price fluctuations get passed through the food chain and absorbed by consumers, with hardly any lasting effect on business economics or value.

Among other sectors, banks reported strong YoY earnings growth as asset quality trends were healthy and system loan growth hit double digits. Fresh slippages were controlled while balance sheets strengthened with improving provision coverage ratios. In fact, the improvement in earnings trajectory over the last two years has been characterized by improving fundamentals with corporate India's leverage at a decade low.

Improved asset quality for India's banking sector



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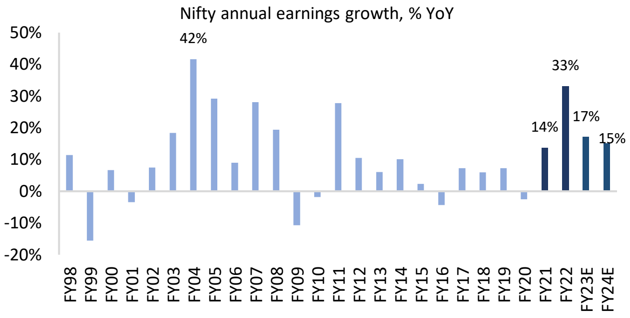
At a headline level, Nifty earnings for FY22 grew by 33% YoY, at its highest pace since FY04. Despite the mild downgrades of 1-2% over the quarter, per consensus estimates, earnings are projected to grow by 16% CAGR for the next two years. In the context of rising concerns about global growth, it is worth re-iterating what we highlighted in the 2021 Newsletter (*The India Premium*, link), that given its well-diversified corporate mix, India's earnings have generally been more resilient than EM peers during previous downcycles.

FY22 earnings growth the best since FY04



Source: Bloomberg, White Oak