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:	197.50p
Share price:	190.95p
(Discount)/ Premium:	3.4%
Number of investments:	73
Total net assets:	£180.31 million
Active share:	75.4%
Launch date:	06 July, 2018
On-going charges ratio[6]:	0.35% 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]:	£4.07 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.

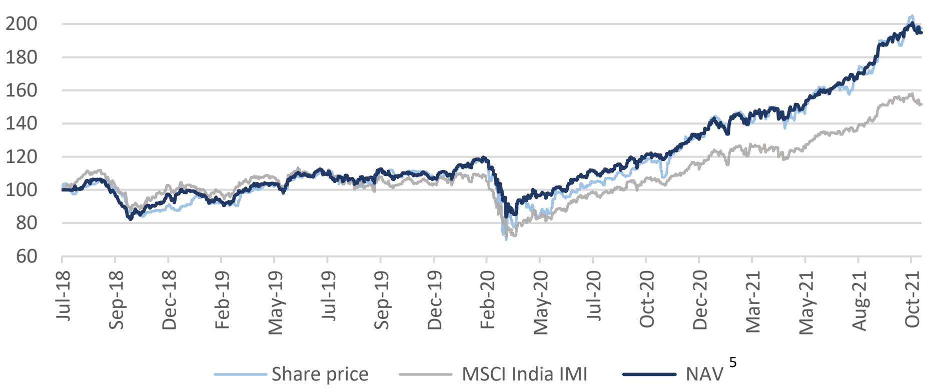
[6] On-going charges ratio calculated on a 6-month moving average of net assets.

Investment Performance[2]

Growth	Oct 2021	YTD 2021	2020	2019	Since IPO*	Since 31-July-18[3]
AIE NAV	1.3%	42.6%	26.0%	8.8%	94.8%	92.3%
MSCI India IMI	-2.4%	28.8%	12.6%	1.3%	51.5%	41.0%
NAV Outperformance	+368 bps	+1383 bps	+1333 bps	+744 bps	+4337 bps	+5131 bps
Share Price	5.6%	44.2%	26.3%	18.9%	97.5%	95.6%
Currency (INR/GBP)	-3.1%	-3.2%	-6.4%	-5.3%	-11.7%	-12.6%

*Since IPO: 06 July 2018 - 31 October 2021

Performance since launch (GBp)[2]



Top 10 Holdings (as at 31 October 2021)

Holdings	GICS Sector	% of AUM
1. Laxmi Organic Industries	Materials	6.2
2. ICICI Bank	Financials	6.1
3. Paras Defence & Space Technologies	Industrials	5.2
4. Infosys	Information Technology	4.3
5. Axis Bank	Financials	4.0
6. Coforge	Information Technology	3.7
7. Asian Paints	Materials	3.3
8. Titan	Consumer Discretionary	2.9
9. Nestle India	Consumer Staples	2.6
10. Persistent Systems	Information Technology	2.6
Total		40.9%

Market Cap Classification (as at 31 October 2021)

Market Cap	Portfolio End Weight (%)	MSCI India IMI (%)
Large Cap	38.9%	77.5%
Mid Cap	26.1%	16.3%
Small Cap	30.2%	6.2%
Cash	4.8%	-
Total	100.0%	100.0%

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

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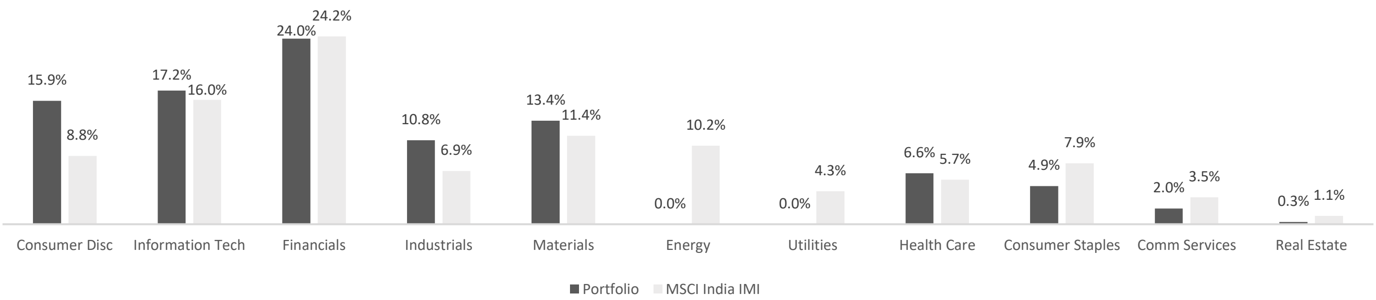
Sector Exposure



Top 5 Contributors and Detractors (October 2021)

Contributors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Paras Defence & Space Tech.	5.2	+410.1	+389
PB Fintech	1.8	+91.0	+84
ICICI Bank	6.1	+11.6	+64
Titan Company	2.9	+7.5	+19
Dixon Technologies	2.2	+5.6	+13

Detractors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Laxmi Organic Industries	6.2	-18.4	-141
Coforge	3.7	-9.4	-39
Asian Paints	3.3	-6.7	-24
Axis Bank	4.0	-5.6	-23
Cipla	1.3	-10.3	-16

Market Review

In October 2021, MSCI India IMI index was down 2.4%. US equities (S&P 500) were up 5.3%, MSCI World up 4.0%, and MSCI EM down 0.6%.

FIIs were net sellers to the tune of US$2.2bn in October. For year to date, India has seen net FPI inflows of US$6.5bn. For the month, the Rupee depreciated by 3.1% while the benchmark 10-year G-Sec yields rose slightly to 6.35%. The rally in commodities continued with Brent up by 6.1% and the S&P GSCI Industrial Metals Index up by 2.0%, MoM.

Among sectors, consumer discretionary and financials outperformed, whereas consumer staples and health care underperformed during the month.

Performance Review

The Fund was up 1.3% in October, outperforming the benchmark by +368bps. The key contributors include Paras Defence (+410.1%), PB Fintech (+91.0%), and ICICI Bank (+11.6%) whereas Laxmi Organic (-18.4%), Coforge (-9.4%), and Asian Paints (-6.7%) were the key detractors.

Year-to-date, the fund is up 42.6%, outperforming the benchmark by +1383bps. The key contributors include Laxmi Organic (+249.9%), Paras Defence (+410.1%), and ICICI Bank (+46.3%), while key detractors were Indigo Paints (-14.3%), CarTrade Tech (-11.9%), and Nestle India (+1.7%).

In this month's newsletter, we take stock of the earnings season so far and the management commentary on how corporates are navigating the volatile cost environment as well as the demand outlook. We also assess some of the important macro developments including the progress on privatisation.

2QFY22 Sep 2021 earnings – Demand healthy, raw material led cost pressures

So far, 40 companies in the benchmark Nifty 50 index have declared quarterly results. For these companies, sales growth at 30% and profit growth at 22% YoY have been a few points ahead of expectations. Although high commodity prices have weighed on margins, underlying demand trends have been healthy. Earnings growth expectations for FY22 remain pegged at 33% YoY, with no downgrades at the headline level. If achieved, earnings growth could be the best since FY04, driven by the following factors: (1) market share consolidation benefiting sectors such as consumer staples and discretionary, (2) surge in global tech spend boosting the Indian IT Services sector, and (3) higher resource prices which benefit commodity sectors.

With metal prices up 45% YoY, freight rates up 200%, and oil prices up 85%, the dip in 2QFY22 EBITDA margin trajectory for Nifty ex-financials was in-line with expectations. However, EBITDA margin expectations for FY22 are stable at 19% with upgrades in commodity companies offsetting the downgrades in consumer names.

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Despite a robust demand environment, margin pressures for consumer companies remains a challenge due to commodity price surge and ongoing supply chain issues. Apart from price hikes, companies are focusing on long-term cost saving programs and premiumisation. As demand recovers, management commentary indicates some benefit from operating leverage as well. Our portfolio companies which tend to be strong market leaders are better positioned to navigate through such cost inflation and gain market share from weaker peers.

As per a leading consumer durables player, in the past, such instances of high commodity inflation would dampen consumer sentiments. However, at present, the management does not foresee any major impact on demand. So far, companies have not reported any noticeable downtrading due to the price hikes.

From our portfolio perspective, we continue to find opportunities in private sector banks that have seen lower provisions and higher loan growth than the system. Stressed segments like retail and small and medium enterprises are gradually returning to normalcy which is likely to boost loan growth in the coming quarters. In IT Services, management commentary points to a strong demand environment, with broad-based guidance upgrades by many companies as enterprises globally go through an accelerated digital adoption cycle. There is some headwind from high attrition levels which these companies are mitigating by increasing the hiring of freshers.

While we have highlighted the initial progress on the Production Linked Incentive (PLI) scheme for the electronics sector previously, there has been considerable headway in the implementation of PLI for other segments like IT Hardware and White Goods. One of our portfolio companies in the Electronics Manufacturing Services (EMS) space has already lined up sizeable capital expenditures as many of the permissions and approvals related to PLI have started to materialise.

Air India privatisation: A pivotal milestone

The privatisation program received a boost with the Tata Group, India’s leading conglomerate, winning the bid for Air India, India’s national carrier. Air India privatization process was initiated by this government in 2014 and has seen many setbacks including the impact of Covid on the airlines sector. Successful completion of this deal is a major milestone for the privatisation roadmap outlined by the government and is likely to pave the way for other SOEs including BPCL (Oil & Gas), Concor (Logistics infrastructure), and Shipping Corporation of India (Shipping). Privatisation of loss-making or inefficiently run SOEs lowers the fiscal stress, creates a more market-oriented economy, and frees up government’s bandwidth to focus on other structural reforms.

Update on Covid: One billion doses

India’s vaccination roll-out has been the largest globally with over one billion doses administered at the end of October 2021. At least 80% of the eligible population have received their first dose. In large urban centres, which are the big drivers of economic activity, over 50% of the adults have received their second dose as well.

Increased vaccination is leading to normalization of mobility indicators and an upturn in domestic travel and tourism. Recent domestic air travel bookings have revived to pre-pandemic levels.

Other macro updates

Tax collections have been buoyant and are up by 13% on a two-year CAGR basis and will help to further augment infra spending in sectors like roads, railways, and water supply which have seen an increase in allocation over the last two years.

Stable macro situation provides a favourable backdrop to corporate earnings. Despite higher energy prices, fiscal stress is limited with expectations that the fiscal deficit for FY22 could be lower than the budgeted estimate of 6.8% of GDP. This opens fiscal space to not only boost infra spending but also to provide economic support to social initiatives in health and rural development. The external sector balance remains comfortable and with forex reserves of US$640bn, the fourth-highest globally, there is an adequate buffer to deal with external shocks, if any.