

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:	109.47p
Share price:	112.50p
(Discount)/Premium:	2.8%
Number of investments:	47
Total net assets:	£61.0 million
Active share:	82.0%
Launch date:	06 July, 2018
On-going charges ratio:	1.1%
Gearing:	0%
Discount Control:	Annual redemption facility at or close to NAV
Investment Advisor:	White Oak Capital Management Consultants LLP (India)
Firmwide AUM ⁴ :	£1.24 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.

Investment Performance²

Growth	Sep 19	YTD 19	3Q19	Q2CY19	Since IPO*	Since 31-Jul-18 ³
AIE NAV	3.7%	12.1%	0.6%	8.4%	11.7%	10.2%
MSCI India IMI	2.1%	3.8%	-2.9%	2.5%	7.0%	-0.4%
NAV Outperformance	+155 bps	+821 bps	+350 bps	+599 bps	+472 bps	+1067 bps
Share Price	10.3%	23.3%	3.2%	9.5%	12.5%	11.4%
Currency (INR/GBP)	0.6%	1.9%	0.5%	3.6%	4.9%	3.6%

*Since IPO: 06 July - 30 September 2019

Performance since launch (GBP)²

Top 10 Holdings (as at 30 September 2019)

Holdings	GICS Sector	% of AUM
1. Infosys	Information Technology	8.2
2. L&T Technology Services	Industrials	5.6
3. Bajaj Finance	Financials	5.6
4. Bajaj Finserv	Financials	5.3
5. HDFC Bank	Financials	4.9
6. HDFC Asset Management Co	Financials	4.6
7. Asian Paints	Materials	3.5
8. Muthoot Finance	Financials	3.4
9. Titan Co	Consumer Discretionary	3.2
10. Nestle India	Consumer Staples	3.2
Total		47.5%

Market Cap Classification (as at 30 September 2019)

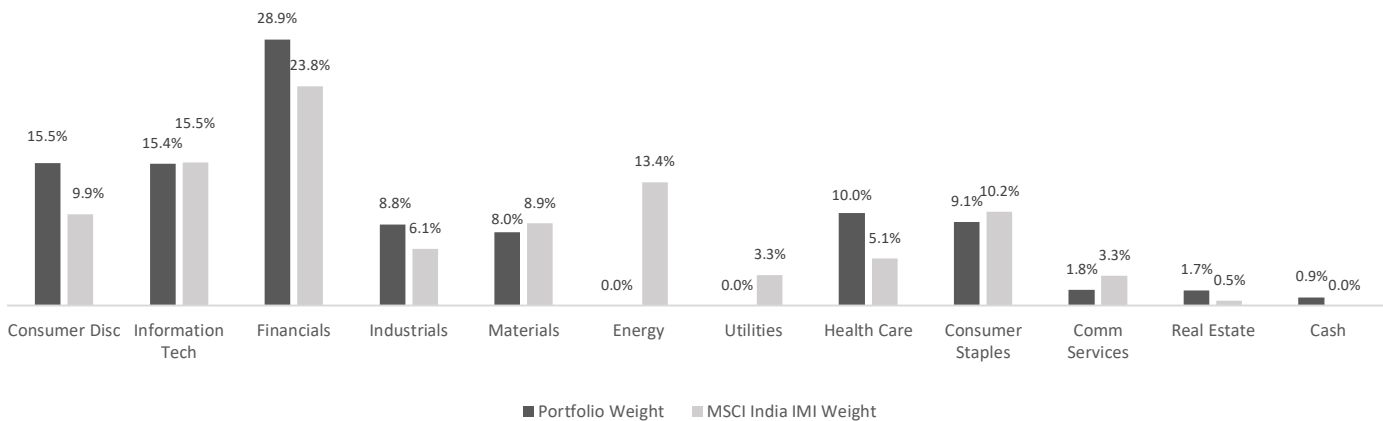
Market Cap	Portfolio End Weight (%)	MSCI India IMI (%)
Large Cap	46.3%	80.0%
Mid Cap	33.7%	15.0%
Small Cap	19.1%	5.0%
Cash	0.9%	-
Total	100.0%	100.0%

Large cap > £4.0bn; Mid cap = £4.0bn - £0.9bn; Small cap < £0.9bn

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Sector Exposure (as at 30 September 2019)



Top 5 Contributors and Detractors (3Q 2019)

Contributors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
HDFC Asset Management	4.6	+41.7	+142
Nestle India	3.2	+19.3	+57
Asian Paints	3.5	+16.4	+47
Dr Lal Pathlabs	2.0	+31.4	+46
Avenue Supermarts	2.0	+25.5	+43

Detractors	Ending Weight (%)	Total Return (%)	Contribution to Return (bps)
Axis Bank	1.4	-14.7	-120
Intellect Design Arena	1.7	-30.9	-82
L&T Technology Services	5.6	-11.5	-81
Larsen & Toubro Infotech	2.0	-16.1	-56
HDFC Bank	4.9	-5.4	-34

Market Review

India underperformed global markets in Q3 2019 with the MSCI India IMI Index down 2.9% in GBP terms. US equities (S&P 500) were up 4.9% followed by MSCI World up 3.8%, and MSCI EM down 1.1% in GBP terms.

Foreign Portfolio Investors sold £2.3bn worth of Indian equities during the quarter. Crude oil prices decreased by 5.7% and the Indian rupee appreciated by 0.5% versus the pound during the same period.

Among the sectors, consumer staples and information technology outperformed while financials and utilities underperformed during this period.

Performance Review:

In Q3 2019, the fund delivered 0.6% outperforming the MSCI India IMI Index by 350bps. The key contributors to performance were HDFC Asset Management (+41.7%), Nestle India (+19.3%), and Dr. Lal Pathlabs (+31.4%), whereas the key detractors were Axis Bank (-14.7%), Intellect Design Arena (-30.9%), and L&T Technology Services (-11.5%).

Key Contributors Q3 2019:

HDFC Asset Management Company (HDFC AMC) is India's largest asset management company (AMC) with close to 15% market share in total mutual fund AUM. India is amongst the most underpenetrated mutual fund markets with c12.9% AUM to GDP compared to the global average of c61%. This provides HDFC AMC a long runway for growth. It has been delivering industry leading revenue and profitability on a consistent basis. During the quarter it continued to gain significant market share

particularly in the debt mutual funds category and delivered better than expected performance despite headwinds due to regulatory cuts in total expense ratio.

Nestle India, a subsidiary of Switzerland based parent Nestle S.A, is India's third largest FMCG company. With marquee brands like Maggi, KitKat and Nescafe in its portfolio, it is a market leader in almost all the categories that it operates in. Under the leadership of Suresh Narayanan, Nestle has not only managed to emerge stronger from the Maggi fiasco from three years ago, but also significantly increase focus on new product development and distribution. It has launched more than 40 products in various categories over the past two years following a cluster-based approach to enhance distribution. We expect Nestle to continue to deliver strong performance led by increasing penetration and new product introductions.

Dr. Lal Pathlabs (DLPL) is the largest diagnostics chain in India. The industry is significantly underpenetrated and approximately 50% of the market is occupied by unorganized players who are gradually vacating the market due to scalability challenges and tightening regulations. DLPL derives ~80% of its revenue from North India where it is 3x the size of the next biggest organized player. It has focused on deepening penetration in its core market while gradually expanding pan-India presence. Amongst the peer group it has the highest contribution from the B2C business leading to better pricing power and customer stickiness. As a result, DLPL is the most efficient diagnostics chain in the industry with a negative working capital cycle and superior ROIC. We expect DLPL to continue on its growth trajectory as it scales its reference labs and captures market share from unorganized players.

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Key Detractors Q3 2019:

Intellect Design Arena is a financial services software product company. It is regarded amongst the leading solution providers in Transaction Banking software, which accounts for 45% of its revenue. According to IDC, Intellect is also a leader in Payments and Retail Banking Systems and a challenger in Digital Banking software. It has cumulatively invested over \$200 million in product R&D over the last 10 years and is now monetizing its enterprise software product suite. Intellect's share price has declined during the quarter due to the ongoing weakness in technology spending amongst North American & European banking customers. However we continue to like the business given its market leadership in global transaction banking software products and strong growth trajectory expected from its broad product pipeline.

L&T Technology Services (LTTS) is one of the best Engineering R&D Services companies globally and counts 51 out of the top 100 R&D spenders as its customers. The company is expected to deliver strong revenue growth for the next few years led by a multi-vertical and regional strategy, global design centres, new technologies, non-linear revenues, top account mining, and selective acquisitions. LTTS' stock price has marginally declined during the quarter due to ramp down in specific client accounts, but we continue to like LTTS for its strong capabilities across its operating verticals as well as its focused and experienced management team that is expected to drive industry leading profitable growth.

Axis bank is the third largest private sector bank in India with a strong retail liability franchise as evidenced by industry leading CASA metrics and one of the lowest cost of funds across private Indian banks. It benefits from the large opportunity for financial inclusion in India coupled with a structural shift of market share from public sector to private sector banks. The corporate banking vertical saw weak credit underwriting in the past under its previous management resulting in steep credit losses, but these have been largely accounted for over the past two years and the vertical is expected to recover over the coming years. A new and inspiring leadership at the helm has brought in renewed focus, restructured the top management, strengthened credit underwriting and risk functions and put the bank on a path to deliver industry leading performance over the coming years. The stock price declined in Q3 due to higher than expected NPAs reported during the prior quarter.

Investment Outlook

On 20 September 2019 India's Finance Minister announced that the Government of India will reduce the effective corporate tax rate from approximately 35% to 25%. Further, corporate tax rates for new manufacturing units will be cut to 17%.

We believe that this is a landmark reform with the potential to have wide ranging, positive trickle-down effects for Indian corporates and the economy at large. This is the largest decrease in corporate tax after a more than twenty-year trend of gradually increasing taxes. This tax cut will go a long way in reducing the cost of doing business in India, making India globally more competitive and attracting increased investments. India had one of the highest effective tax rates globally and this reform levels the playing field for Indian corporates by bringing the corporate tax rates within a narrow range with global peers. Additionally, it gives a major

boost to the domestic manufacturing sector and to the 'Make in India' vision.

The first-order impact of the tax cut would be a boost to corporate earnings. Companies with a stronger competitive positioning within their industry will be able to retain a significant portion of these tax savings. The resultant accumulation of risk capital has the potential to spur private investments over time if not immediately.

The second-order effects could be in the form of lower consumer prices as many companies would pass on a portion of these savings to the end consumer. Lower prices can aid demand revival and provide support to the overall economic growth.

India has been witnessing a gradual formalization of the economy over the past few years led by a spate of structural reforms including the transformative implementation of the Goods and service tax (GST). The third-order impact of the current set of tax reforms would be to add momentum to this transition. Large sections of the unorganized economy have been competing by avoiding taxes. Such unorganized players don't gain anything from these reforms as they were evading taxes to begin with. On the other hand, the tax-compliant organized sector benefits and should see an acceleration in market share gains due to reduced tax disadvantages.

The tax reduction will also result in differential tax benefit for various sectors. Domestic consumption-oriented companies like consumer staples and consumer discretionary would stand to benefit more than the export-oriented companies. Exporters were already getting various tax exemptions leading to lower effective tax rates, and hence they could see a neutral to minor positive impact on their earnings.

Besides reduction in corporate tax, another major development is the Government's decision to divest strategic stakes in several Public Sector Units (PSUs). This is another long awaited structural reform and if implemented properly would act as a major boost to government finances and the respective sectors.

The recent deceleration in economic growth has led to annual GDP growth expectations being tempered from around 7% earlier to 6% for the year. However the above mentioned corporate tax cut, easing monetary policy and good monsoon are supportive of a revival in growth going forward. Macro variables such as oil price, inflation and current account deficit continue to remain stable. Monetary easing cycle is expected to remain accommodative in the backdrop of low and stable inflation trajectory. Although the corporate tax cut may lead to some slippages in the fiscal deficit this year, we expect the fiscal deficit to resume its declining trend from next year.

Liquidity problems besieging some of the weaker non-banking financial companies (NBFCs) continued to linger even after twelve months since first surfacing in September 2018. While the problem remains contained and the risk of a spillover into the broader financial system is low, it nonetheless needs to be monitored.

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.