

ALQUITY INDIA

Q1 2025 REVIEW

March 2025

Performance vs Index

	Q1	1 yr	3 yr	5 yr	10 yr	Since inception (30/04/14)
Fund	-8.9%	1.3%	15.3%	169.0%	118.2%	185.3%
ETF	-2.6%	0.5%	16.2%	128.3%	84.8%	125.1%
Index	-3.0%	1.8%	22.3%	154.2%	112.7%	159.6%
Quartile	4 th	3 rd	3 rd	1 st	1 st	2 nd

Source: Alquity, Bloomberg, Lipper, as of 31st March 2025. USD I net of fees vs the relevant Indian index and the *Shares India ETF. We are using I (GBP converted into USD). We have used the live track record for the USD M class since 30th April 2014 (not adjusted for performance fees, just OCF) and the USD Y class since 29th June 2017 and added back 1% per annum up until the launch of its GBP I class (12th November 2019). Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, expressed or implied is made regarding future performance.

The fund underperformed during Q1 2025, primarily due to the poor performance of small and mid cap stocks. At a sector level, our positions in the Consumer Discretionary and Industrials sectors delivered significant negative contributions to performance, partly offset by strong stock selection within the Information Technology sector.

Please also note that **our returns reflect provisioning for capital gains tax**, which is not included in the index. Therefore, we also show performance data for the ETF* which does include the CGT provision and is therefore an apples to apples comparison.

Key Events

In February, the **BJP won the Delhi state elections for the first time in 26 years**, significantly beating the Aam Aadmi Party (AAP) on a strong turnout of 60.4%. Congress won zero seats. This continues the BJP's recent trend of electoral success, after winning an historic third term in the Haryana state elections in October, and a landslide in the Maharashtra state elections in November (winning 235 out of 288 seats).

The Budget announced on February 1st delivered a **substantial boost to consumption**, through major changes to income tax rates. The standout announcement concerned raising the earnings threshold before income tax is due from Rupees 700,000 to Rupees 1,200,000 (equivalent to just under \$14,000). Furthermore, the new tax regime sees a **significant reduction in taxes** above the Rupees 1.2mn salary threshold as well (e.g. the 30% tax rate now only applies to incomes above Rupee 2.4mn (vs 1.5mn previously).

The Reserve Bank of India reduced interest rates by 25bp to 6.25% in February. This is the inaugural cut for this **easing cycle**. Consumer Price Inflation declined further in February to 3.6% year on year, which bodes well for further interest rate reductions in the coming months.

Mike recently met with 42 companies across four Indian cities and a variety of sectors. Our **on-the-ground research confirms our positive view on the economy**, which is already strengthening from the Q3 weak patch (as evidenced by Q4 GDP growth of 6.2% year on year vs the initial 5.4% growth recorded for Q3). It is important to note that this GDP improvement is before the expected positive impact from the aforementioned tax and interest rate cuts.

Top 5 Performance contributors Q4 2024 (bps)

Positive	Cholamandalam	+52
	Redington	+42
	Trent (not owned)	+22
	HCL Technologies (not owned)	+18
	PB Fintech (not owned for the majority of the quarter)	+17
Negative	Samhi Hotels	-77
	Oberoi Realty	-75
	Polycab	-62
	Lemon Tree Hotels	-59
	Vmart Retail	-57

Source: Alquity, Bloomberg as of 31st March 2025. Figures calculated vs the India iShares ETF

ESG and Engagement highlights

On our recent trip to India, **we engaged with Ixigo** regarding greater environmental disclosure, and **Amrutanjan** on publishing environmental impact reduction targets.

Suresh visited the Phool operations and conducted a consumer panel with a team of Flowercyclers. This is now the fourth consecutive year that we have met with this group to discuss their views on the economy and its impact on their daily lives. They highlighted improvements in infrastructure, access to basic amenities even in rural areas, and expressed a generally positive outlook on the changes they have seen in the country over the past year.

Major Portfolio Moves

New positions



Insurance & Lending



Bank

Exits



Steel Pipes



Steel Producer



Bank

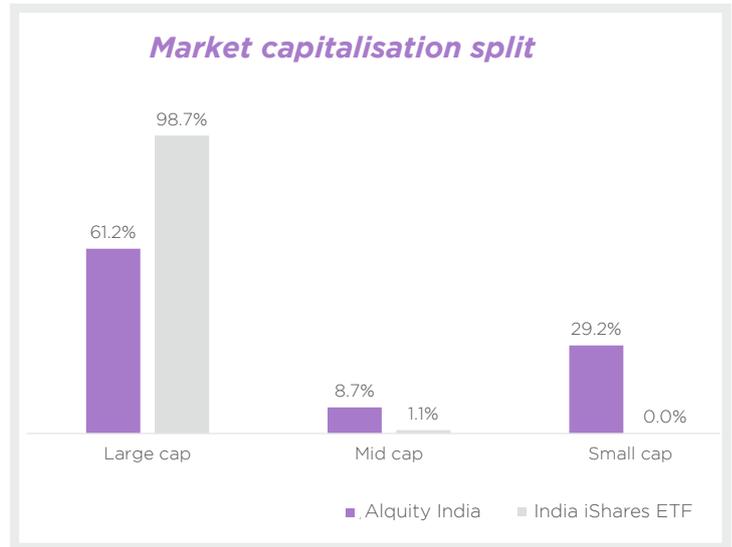
The companies mentioned above are provided for information only, are subject to change, and are not a recommendation to buy or sell them.

Strategy and Positioning

We continue to focus on **beneficiaries of domestic structural growth**, which account for the vast majority (circa 90%) of the portfolio.

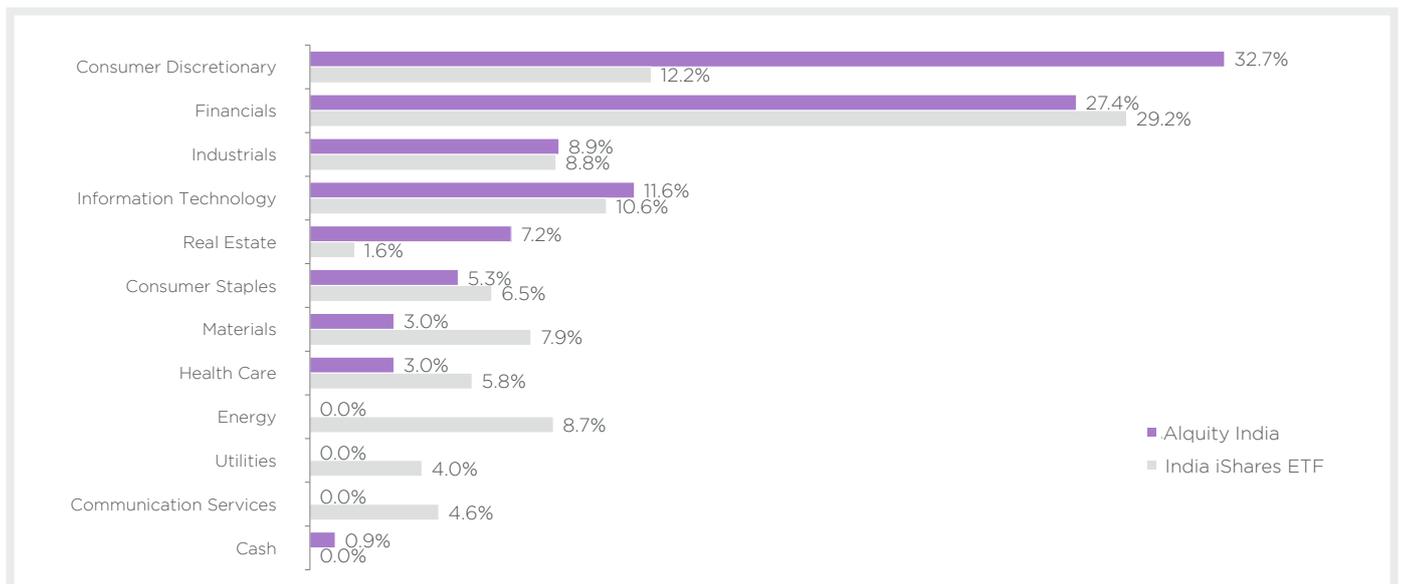
We believe that **small and mid capitalisation stocks offer attractive, unrecognised growth opportunities**. The current portfolio split is shown to the right.

We remain positive on the outlook for India, given the favourable economic and political outlook.



Source: Alquity, Bloomberg as of 31st March 2025. The index used is the India iShares ETF

Sector weights



Source: Alquity, Bloomberg as of 31st March 2025. Figures calculated vs the India iShares ETF

Largest active weights

Positive	
Lemon Tree Hotels	4.5%
Skipper	3.1%
Aditya Vision	3.0%
Dabur	2.8%
Ixigo	2.8%

Negative	
Reliance Industries	-6.2%
Bharti Airtel	-3.5%
Axis Bank	-2.0%
Bajaj Finance	-2.0%
Larsen & Toubro	-1.9%

Source: Alquity, Bloomberg as of 31st March 2025. The index used is the India iShares ETF

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For the purposes of reporting, the unrealised capital gains have been removed from the portfolio sector weights calculations, however, remain part of the Net Asset Value calculation.

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