

ALQUITY INDIA

Q4 2024 REVIEW

Performance vs Index

	Q4	1Y	3Y	5Y	9Y	Since inception (30/04/14)
Fund	-5.4%	10.8%	19.4%	97.4%	153.5%	213.3%
ETF	-9.0%	9.0%	16.0%	62.9%	114.1%	131.1%
Index	-11.3%	11.2%	23.7%	80.4%	146.0%	167.5%
Quartile	2 nd	3 rd	3 rd	1 st	1 st	1 st

Source: Alquity, Bloomberg, Lipper, as of 31st December 2024. USD I net of fees vs the relevant Indian index and the *iShares 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 outperformed during Q4 2024, driven by our overweight positions in the Consumer Discretionary and Real Estate sectors. Within the former, our leisure related stocks delivered particularly strong returns (such as Lemon Tree Hotels and Makemytrip, an online travel agency).

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

Prime Minister Modi's party, **the BJP**, confounded expectations and **won an historic third term in the Haryana state elections**. Indian voters have a long standing habit of switching between parties at each state election, so a third consecutive BJP victory is unprecedented especially as the party increased their seat tally from 40 (in 2019) to 48. This was then followed by a decisive victory in the November Maharashtra state elections. The BJP won 132 seats independently, while the overall coalition secured 233 out of 288 seats — a record win in the state since 1990.

Consumer price inflation increased during the quarter from 3.65% (year on year) in August, peaking at 6.2% in October and then subsiding to 5.5% in November. This spike has been largely driven by vegetable prices and thus we expect inflation to subsequently subside once again, paving the way for the **Reserve Bank of India to cut interest rates in 2025**. We believe that the RBI's change in stance from 'withdrawal of accommodation' to 'neutral', plus the decision in December to reduce banks' credit reserve ratio by 50bp to 4% are precursors to such a cut.

Gautam Adani, one of India's richest businesspeople, was indicted in a federal court in the USA for bribery to secure solar energy contracts. We have zero exposure to Adani-linked companies and do not expect to see any material wider economic impact.

Q3 GDP of 5.4% year on year was weaker than expected due to a number of one-off events, such as a skewed wedding season the national elections and adverse climatic events. **We expect an acceleration of growth in the coming quarters**, which is supported by the December PMI reading of 56.4 which signals strong growth. Furthermore, given India's exports to the USA only account for 2.7% of GDP, we expect that **India's growth trajectory, which is primarily domestically driven, will not be derailed by increased tariff** tension post President Trump's inauguration.

Top 5 Performance contributors Q4 2024 (bps)

Positive

Lemon Tree Hotels	+127
Oberoi Realty	+82
Skipper	+76
Reliance Industries (not owned)	+60
MakeMyTrip	+45

Negative

Go Fashion	-53
Indusind Bank	-40
Cholamandalam	-35
Hero Motocorp	-33
Aptus Value Housing Finance	-31

Source: Alquity, Bloomberg as of 31st December 2024. Figures calculated vs the India iShares ETF

ESG and Engagement highlights

We engaged with Indusind Bank regarding the possible **acceleration of their timeframe to reach carbon neutrality**.

We engaged with Metro Brands, Samhi Hotels and Aditya Vision to encourage faster **production of sustainability data**, and with Phoenix Mills to produce **targets for reducing their environmental impact**

Major Portfolio Moves

New positions



Online Travel Agency

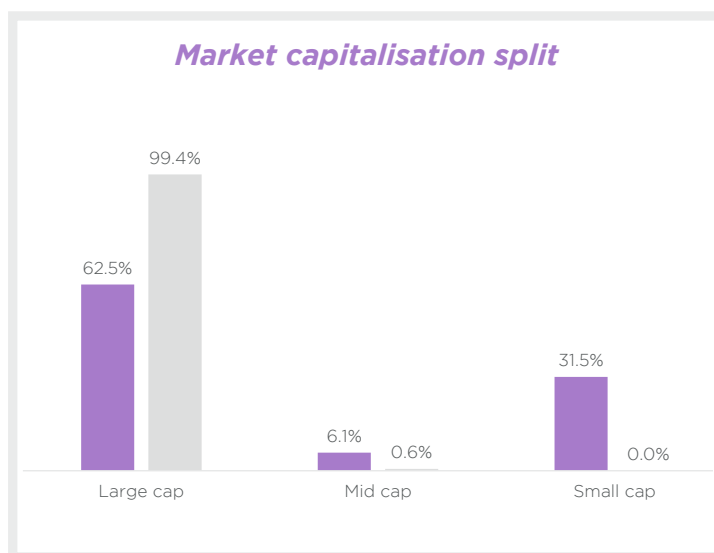
The company mentioned above is provided for information only, is subject to change, and is not a recommendation to buy it.

Strategy and Positioning

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

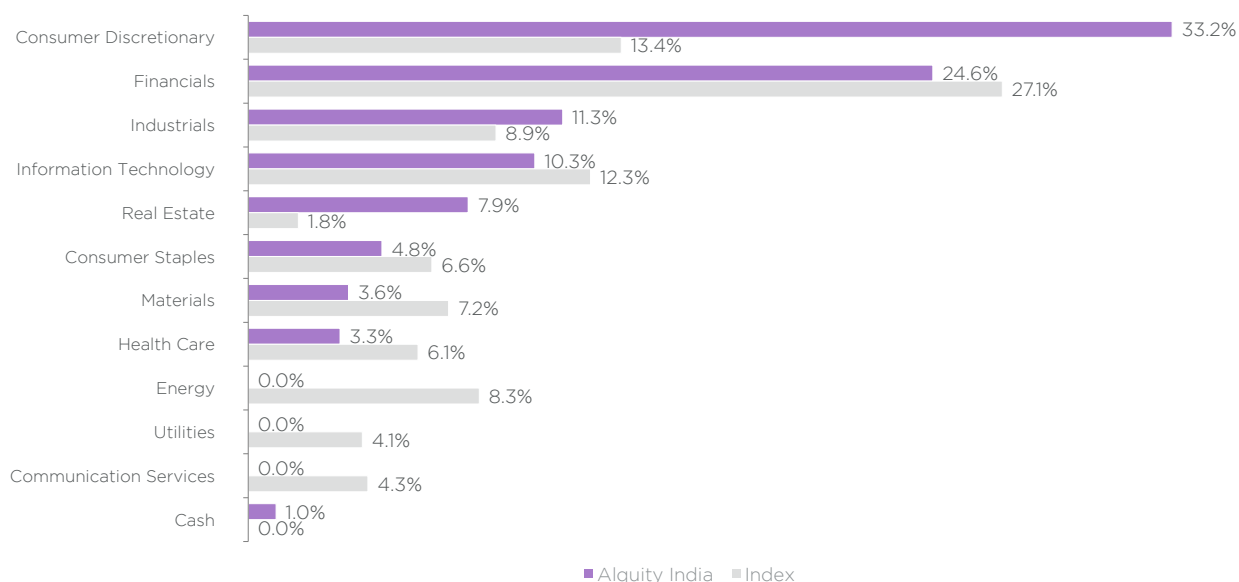
We believe that **small and mid capitalisation stocks offer attractive, unrecognised growth opportunities**. The current portfolio split is shown to the right.

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



Source: Alquity, Bloomberg as of 31st December 2024. Weightings adjusted for cash holding

Sector weights



Source: Alquity, Bloomberg as of 31st December 2024. Figures calculated vs the India iShares ETF

Largest active weights

Positive	
Lemon Tree Hotels	4.9%
Skipper	3.0%
Aditya Vision	3.0%
Oberoi Realty	2.9%
Samhi Hotels	2.8%

Negative	
Reliance Industries	-5.8%
Bharti Airtel	-3.2%
Larsen & Toubro	-1.9%
Kotak Mahindra Bank	-1.5%
Bajaj Finance	-1.5%

Source: Alquity, Bloomberg as of 31st December 2024. The index used is the India iShares ETF

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