

POWERING GROWTH AND RETURNS IN INDIA: A QUICK LOOK AT 3 KEY THEMES

April 2023



Kieron Kader,
Associate Portfolio
Manager

*The fund has the top 5-star performance
and 5-globe sustainability ratings from
Morningstar*



Source: Morningstar, 31 March 2023. Copyright © 2023 Morningstar™

THIS IS INDIA'S TIME TO SHINE

India is a shining light for investors, particularly as the developed world is going through a slowdown combined with brewing financial risks as well as ongoing geopolitical tensions. India has numerous advantages compared to any other country on the planet, and these include:

- GDP growth was 9.1% in 2022 and is predicted to outpace the rest of the world in 2023, with an expected growth of 7%. This will be predominantly driven by the domestic economy
- Over 700 million internet users, making it the second-largest online market in the world
- The volume of mobile phone production has increased from 60 million in 2014-15 to 300 million in 2020-21, with significant capacity for further growth
- The world's second-largest pool of scientific and technical talent, with over 3 million graduates every year in STEM fields contributing 31.7% of the total STEM graduates in the world

There are three key themes that provide great opportunities for strong returns over the next few years. Specifically:

1. The shift from the informal to formal economy

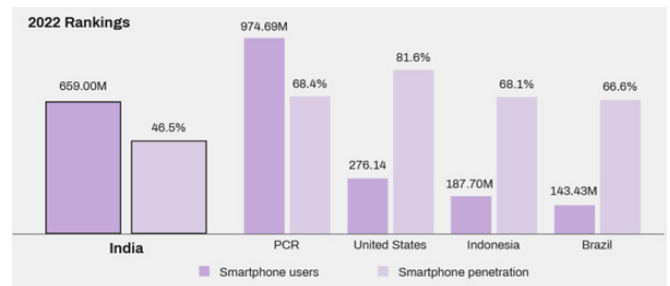
Rapid urbanisation has resulted in more workers shifting from informal sectors to secure and formal employment. This transition has been supported by the Goods and Services Tax (GST), which since its launch in July 2017, has **increased registered taxpayers from around 6.4 million to over 20 million as of January 2021**. Furthermore, the increasing affluence of Indian consumers has driven growth in sectors like hospitality, where factors such as quality, hygiene, and brand loyalty are becoming more important than cost consciousness. A notable example of this trend is Lemon Tree Hotels, which has built a strong franchise based on values of quality and value, similar to the popular UK-based hotel chain, Premier Inn.



2. Digitalisation

Over 1.1bn Indian people now have some form of digital registration which has contributed to the growth of different areas such as digital banking. As can be seen in Figure 1, India has a high number of smartphone users, but still low penetration, indicating huge untapped potential. Companies that we own, such as Redington, which distributes various products like smartphones, laptops, and more, are expected to witness high growth opportunities in the future.

Figure 1: Smartphone penetration and number of users



Source: Newzoo's Global Mobile Market Report (2021)

3. Made in India

Many companies are reconsidering their supply chain, especially with the geopolitical tensions with China. In this context, India is gaining recognition as a viable alternative due to its large, well-educated population, stable political climate, lower salary costs, and supportive government policies. **This presents a significant opportunity for India to establish itself as a major player in global manufacturing.** The government's Production Linked Incentive scheme (PLI) worth \$25 billion is a significant initiative that aims to boost domestic manufacturing. The scheme is expected to create millions of new jobs and increase domestic production value by hundreds of billions of dollars over the next few years.

Investing in Made in India long-term winners...



THE ALQUITY INDIAN SUBCONTINENT FUND

Alquity has been investing in India since 2014, and the Alquity Indian Subcontinent Fund has consistently delivered strong returns for investors. With a focus on domestic growth and using ESG analysis to manage risk, the fund has delivered **top-decile performance since its inception in 2014**. **Over the last three years, performance has been in the top percentile.** In the three years ending March 2023, the fund delivered a return of 115.5% versus 82.6% for the India index (GBP I share class).

Source: Alquity, Bloomberg, Morningstar, 31 March 2023. The performance shown is based on our GBP I class charging structure with an OCF of 1%. 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

FOR MORE INFORMATION ON ALQUITY, PLEASE CONTACT

UNITED KINGDOM

Alex Boggis

+44 7702 257 866

alex.boggis@alquity.com

MIDDLE EAST & ASIA

Suresh Mistry

+44 7973 309687

suresh.mistry@alquity.com

NORTH AMERICA

Renee Arnold

+1 215 350 9063

renee.arnold@alquity.com

EUROPE

Marc Rugel

+33 644 3265 04

marc.rugel@alquity.com



www.alquity.com



@Alquity



/Alquity



Alquity Investment Management

DISCLAIMER

The information in this document (this "Document") is for discussion purposes only. This Document does not constitute an offer to sell, or a solicitation of an offer to acquire, an investment (an "Interest") in any of the funds discussed herein. This Document is not intended to be, nor should it be construed or used as, investment, tax or legal advice. This Document does not constitute any recommendation or opinion regarding the appropriateness or suitability of an Interest for any prospective investor. This material is for distribution to Professional Clients only, as defined under the Financial Conduct Authority's ("FCA") conduct of business rules, and should not be relied upon by any other persons. Issued by Alquity Investment Management Limited, which is authorised and regulated in the United Kingdom by the FCA and operates in the United States as an "exempt reporting adviser" in reliance on the exemption in Section 203(m) of the United States Investment Advisers Act of 1940.

The Alquity Indian Subcontinent Fund is a sub-funds of the Alquity SICAV ("the Fund") which is a UCITS Fund and is a recognised collective investment scheme for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom (the "FSMA"). This does not mean the product is suitable for all investors and as the Fund is invested in emerging market equities, investors may not get back the full amount invested.

This Document is qualified in its entirety by the information contained in the Fund's prospectus and other operative documents (collectively, the "Offering Documents"). Any offer or solicitation may be made only by the delivery of the Offering Documents. Before making an investment decision with respect to the Fund, prospective investors are advised to read the Offering Documents carefully, which contains important information, including a description of the Fund's risks, conflicts of interest, investment programme, fees, expenses, redemption/withdrawal limitations, standard of care and exculpation, etc. Prospective investors should also consult with their tax and financial advisors as well as legal counsel. This Document does not take into account the particular investment objectives, restrictions, or financial, legal or tax situation of any specific prospective investor, and an investment in the Fund may not be suitable for many prospective investors.

All Alquity performance data refers to USD I class. The USD I share class is not yet active. This simulated performance of the USD I share class was calculated by reference to GBP I share class which is an active share class, adjusting it for the GBP/USD exchange rate throughout the relevant period. Simulated performance results have inherent limitations. Furthermore, past simulated performance is neither an indicator nor a guarantee of future returns. Actual results will vary from the analysis. 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 index is the relevant Indian index.

An investment in the Fund is speculative and involves a high degree of risk. Performance may vary substantially from year to year and even from month to month. Withdrawals/redemptions and transfers of Interests are restricted. Investors must be prepared to lose their entire investment, and without any ability to redeem or withdraw so as to limit losses.

References to indices herein are for informational and general comparative purposes only. There will be significant differences between such indices and the investment programme of the Funds. The Fund will not invest in all (or any material portion) of the securities, industries or strategies represented by such indices. Comparisons to indices have inherent limitations and nothing herein is intended to suggest or otherwise imply that the Fund will, or are likely to, achieve returns, volatility or other results similar to such indices. Indices are unmanaged and do not reflect the result of management fees, performance-based allocations and other fees and expenses.

The Fund's investment approach is long-term, investors must expect to be committed to the Fund for an extended period of time (3-5 years) in order for it to have an optimal chance of achieving its investment objectives.

This Document may not be reproduced in whole or in part, and may not be delivered to any person (other than an authorised recipient's professional advisors under customary undertakings of confidentiality) without the prior written consent of the Investment Manager.

CANADIAN INVESTORS

Alquity has engaged with Stikeman Elliott LLP as their legal representation and is relying on the International Dealer Exemption in the provinces of Quebec and Ontario. With respect to statutory rights of action along with connected and related issuer information please refer to our Canadian Wrapper and Prospectus. This material is for distribution to Professional Clients only and does not constitute any recommendation or opinion regarding the appropriateness or suitability of an investment for any prospective investor.

SWISS INVESTORS

Units are only distributed in Switzerland to Qualified Investors. The prospectus, the Articles of Association, the Key Investor Information Document "KIIDs" as well as the annual and semi-annual report of the Fund is available only to Qualified Investors free of charge. Funds other than the Luxembourg domiciled Alquity SICAV mentioned in this document may not be admitted for distribution in Switzerland.