

HOW TO CAPITALISE ON INDIA'S GROWTH STORY: A DEEP DIVE

February 2025



INDIAN
SUBCONTINENT
FUND

A multidisciplined, stable, and experienced investment team



Mike Sell

Head of Global Emerging Markets

- 25+ years of experience investing in India
- Prior experience includes managing funds at Barings, Nevsky Capital and F&C
- Since joining Alquity in 2014, Mike has driven the development of our ESG investment process across EM



Kieron Kader

Associate Portfolio Manager

- 9+ years of experience investing in India
- Kieron became a part of Alquity in 2019, joining from BP, one of the largest pension funds in the UK



Dan Billis

Associate Portfolio Manager

- 6+ years of experience investing in India
- Dan joined Alquity in 2018 as an analyst from Invesco



Marnie Aragon-Uy

Head of Quantitative Risk

- 25+ years of experience in quantitative research
- Managed assets of \$100bn+ as Global Head of Quantitative Analytics at Abrdn
- Marnie became a part of Alquity in 2019, assisting the team in refining the risk profile and volatility of the Indian fund



Francisco González

Business Analyst

- 5+ years of experience in business analysis
- Francisco joined Alquity in 2020 and contributes to the team through ESG analysis and engagement activities



Vikas Kumar

Business Analyst

- Joined VAM in 2010 and assists with on the ground research
- Vikas also has extensive knowledge in AI/automation that we are using to enhance efficiency within the investment team



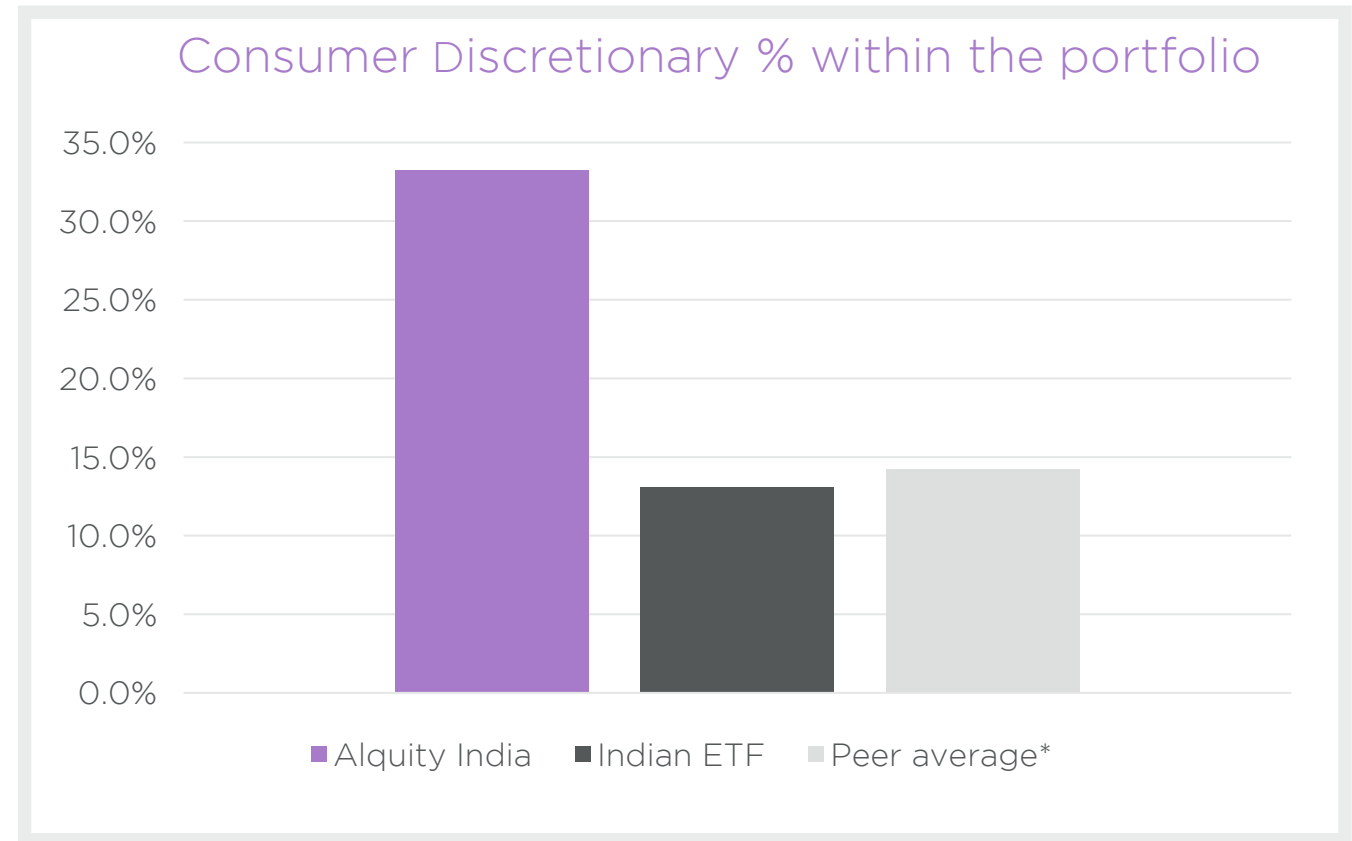
Suresh Mistry

Head of Sustainability

- Suresh was instrumental in establishing the Alquity business in 2010 and works alongside the team on Alquity's ESG development

India's February 2025 budget recap

- Substantial increase in tax-free income allowances will **boost consumption**
- Ongoing investment in **infrastructure**
- **Fiscal discipline**, with lower-than-expected budget deficit of 4.8% for FY25 and expected further improvement in FY26



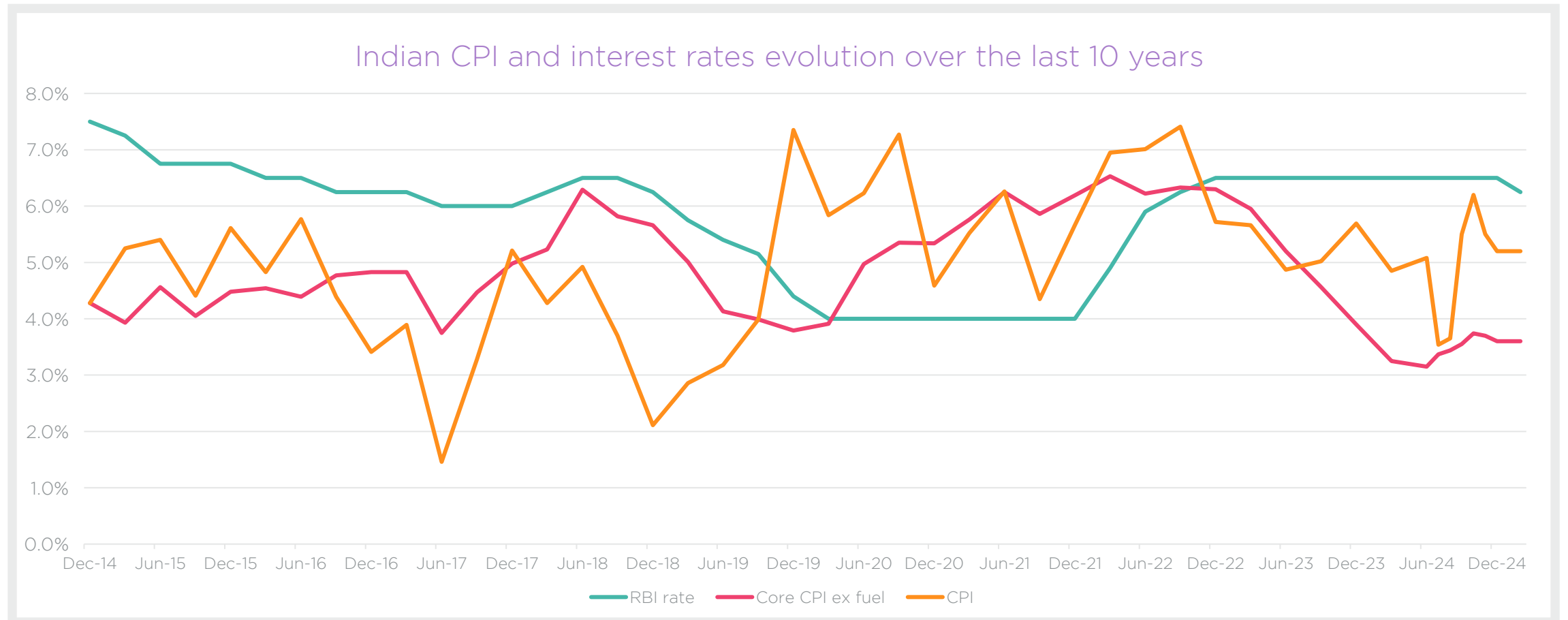
We are uniquely well positioned

Sources: Alquity, Bloomberg (consumer discretionary weights, as of 31st December 2024), Alquity (Indian budget, as of February 2025).

*The peers' average is composed of five Indian funds from our more relevant competitors.

Interest rate cuts have also now begun

Positive for property and certain financials



Source: Bloomberg, Alquity (as of 7th February 2025)

The rural recovery is here

Approximately 17% of the Alquity India fund is sensitive to rural growth

- Rural areas account for over **1/3 of total consumer good sales**
- **"Rural markets (continued) to lead the charge**, outpacing urban consumption (during the December quarter)"
- "Sales volume jumped 9.9% in rural areas in the December quarter, up from 5.7% in the previous quarter - **double the 5% increase in urban areas**"
- "In Q3, the **rural growth was about 15%, urban was about 2.5%**" (Maruti Suzuki)

Positive political tailwinds

- **BJP winning in Delhi for the first time in 26 years**
- **The INC won none of the 70 seats** (demonstrating the lack of an effective nationwide alternative party)
- **Third state election victory of the BJP** post the 2024 national elections (with the **seat count being the highest ever**)



Mike Sell
Head of GEM

The Delhi election result was announced on Saturday with the BJP winning the state for the first time in 26 years, significantly beating the Aam Aadmi Party (AAP) on a strong turnout of 60.4%. The BJP won 48 seats versus the AAP's 22 seats.

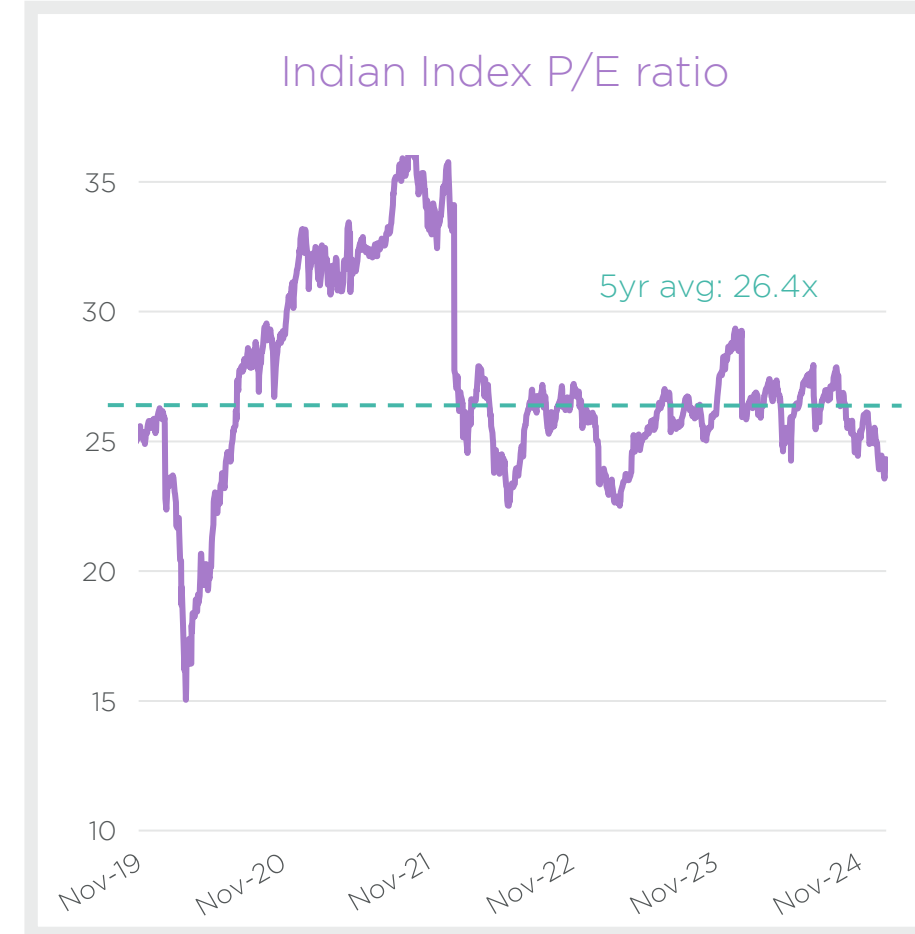
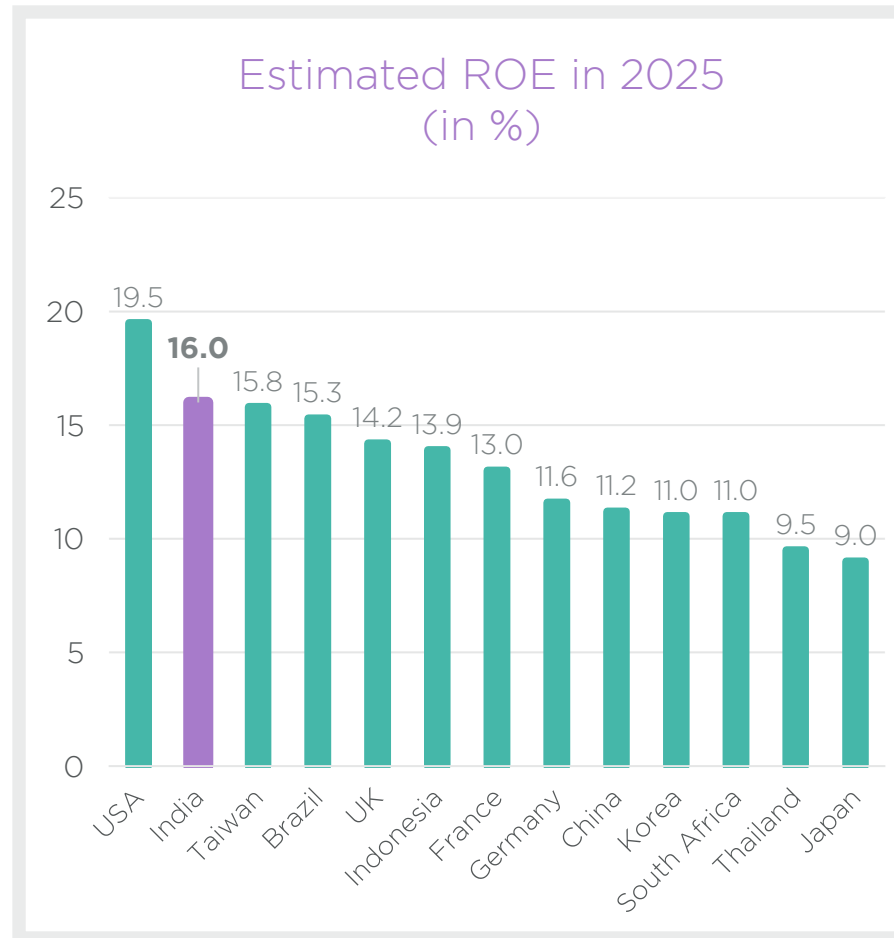
Although state election results can be fickle, the fact that Congress won none of the 70 state seats is remarkable and continues to demonstrate the lack of an effective nationwide alternative party.

Furthermore, this is the third state election victory of the BJP post the 2024 national elections, comprehensively refuting the narrative that Modi and the BJP's popularity is on the wane. The BJP's seat count in all three states was the highest ever.

Finally, this election result concludes a week where we have seen a determinably (and unexpectedly) pro-growth budget followed by the first interest rate cut of this cycle from the Reserve Bank of India. In our view, this represents a clear trifecta of positive sentiment over the last few days.

Unjustified market weakness has led to a correction in valuations

Country	P/E ratio 2025	EPS growth 2025/26	PEG ratio (2026)
Korea	8.6x	16.3%	0.5
Brazil	7.1x	12.0%	0.6
China	9.3	12.5%	0.7
UK	11.4x	8.8%	1.1
India	24.3x	17.0%	1.2
US	21.7x	13.0%	1.6
Japan	15.2x	9.7%	1.4
Thailand	15.7x	7.6%	1.9



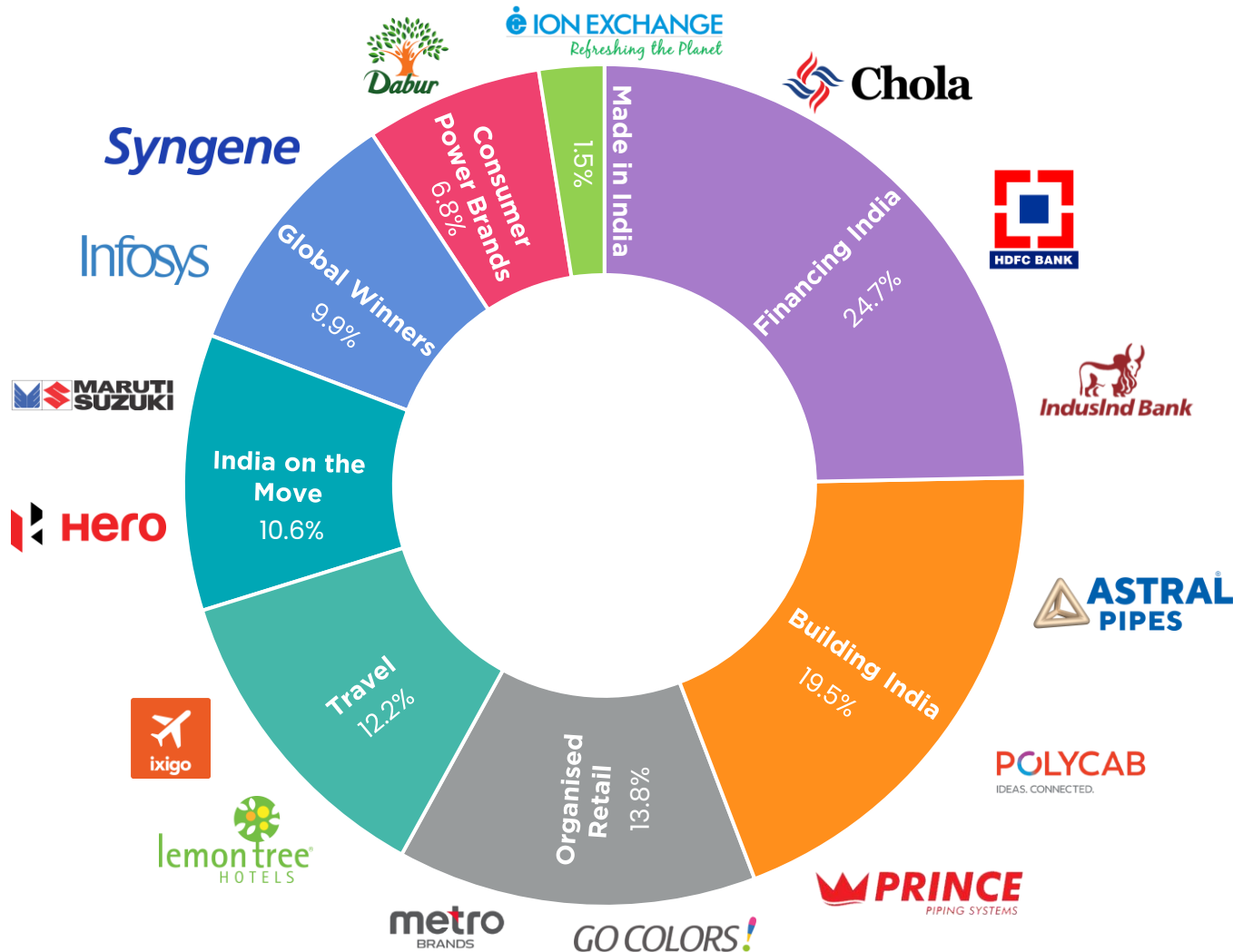
Sources: Alquity, Bloomberg, Jefferies (valuation, EPS growth and estimated ROE, 31st December 2024), Bloomberg (India P/E ratio, as of 31st January 2024). The index is the iShares India ETF. The valuations presented in this slide are for informational purposes only and should not be solely relied upon for investment or financial decisions. Capital at risk.



A DEEP DIVE INTO INDIA'S DYNAMISM

 **INDIAN
SUBCONTINENT
FUND**

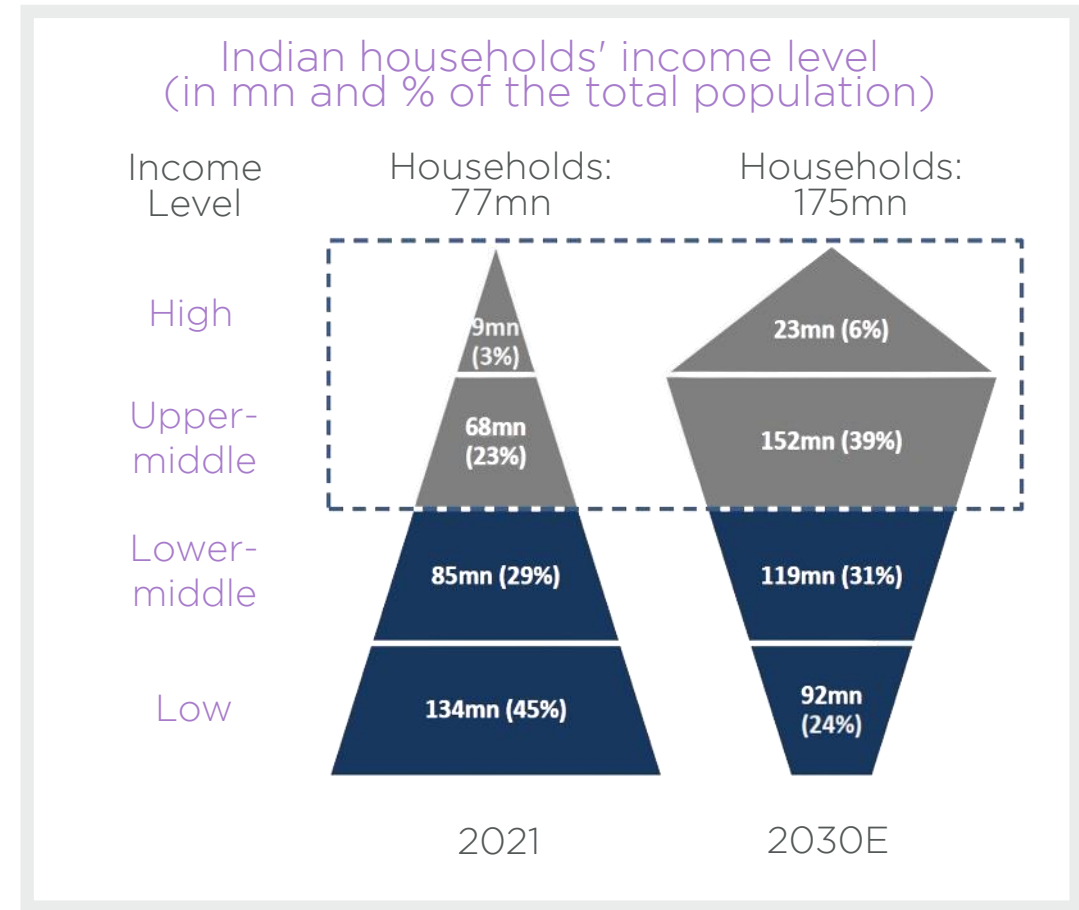
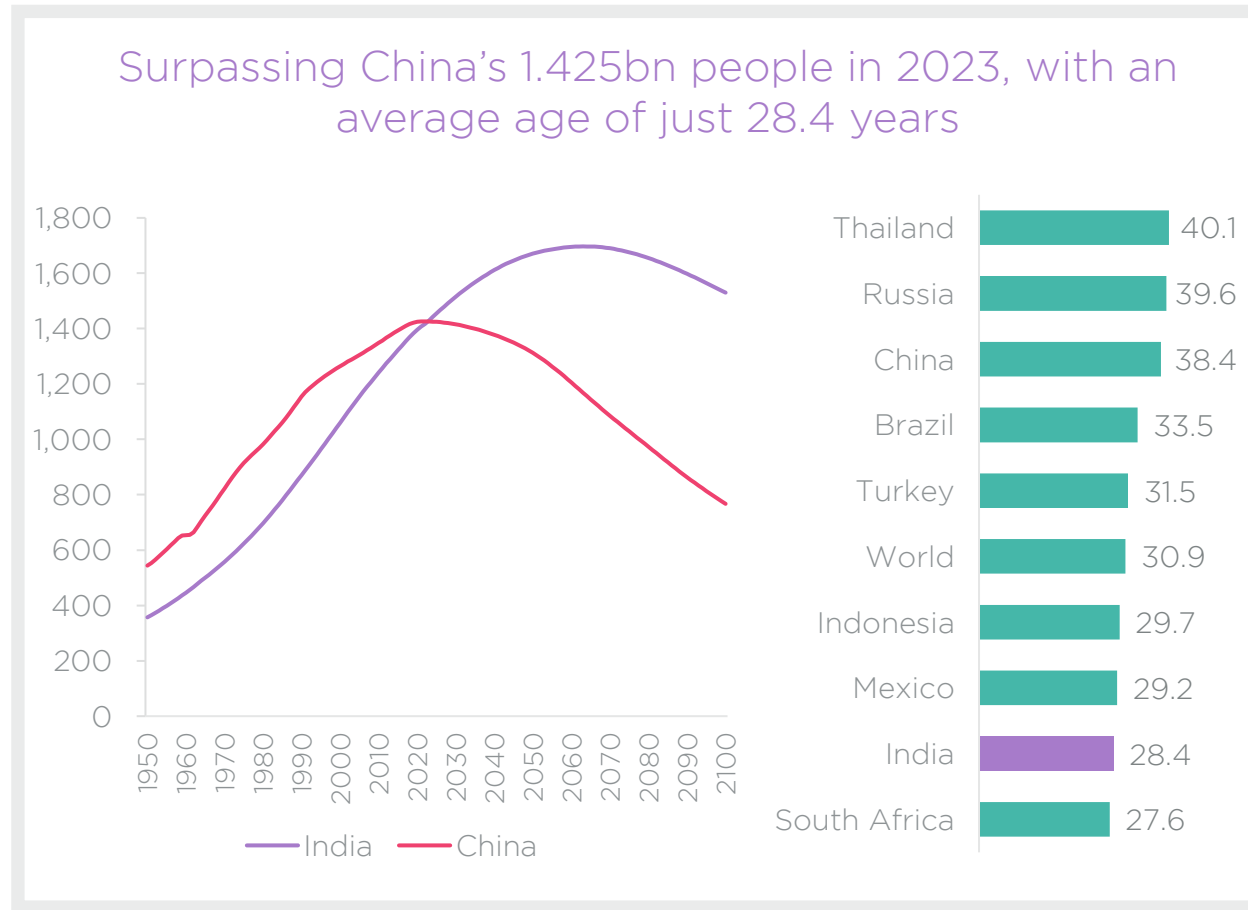
Our Fund provides a concentrated focus on India's dynamism and domestic growth



- **20/42** holdings are **out of index**
- **39/42** holdings are **domestically focused**
- Relatively **immune to US political noise**
- Exports to the USA represent just 2.7% of GDP*

Source: Alquity, Bloomberg, as of 31st December 2024. For the purposes of reporting, the unrealised capital gains have been removed from the portfolio calculations, however, remain part of the Net Asset Value calculation. Fund weightings adjusted for cash holding. The companies discussed above are provided for information only, are subject to change and are not a recommendation to buy or sell any particular security. *Source: IMF, 2023

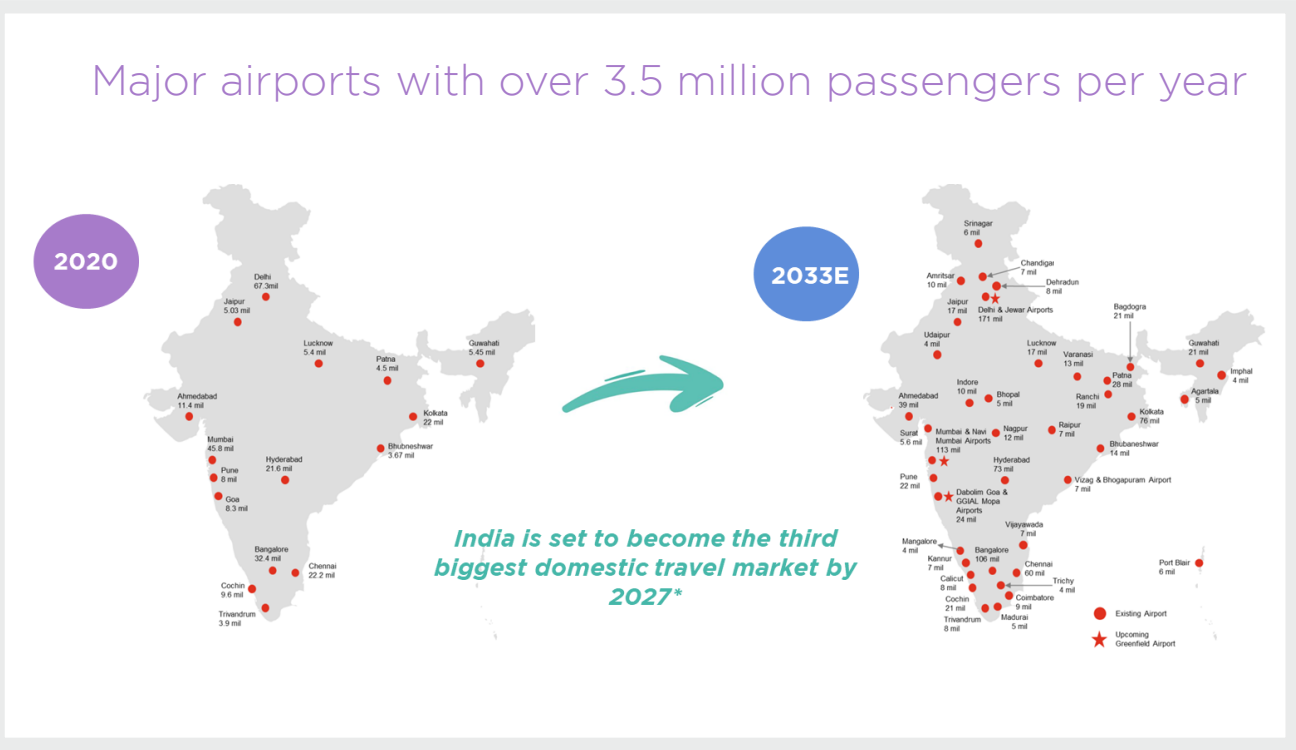
A reminder: the strongest demographic story worldwide



India has the largest Gen Z and Millennial population globally

The tyranny of benchmarks

We focus on long term, structural themes



Alquity India		ETF	
	4.8%		0.7%
	2.8%		0.6%
	2.3%		0.2%
	1.8%		

Company example: Ixigo

Market Cap (USD): 658mn

Out of index

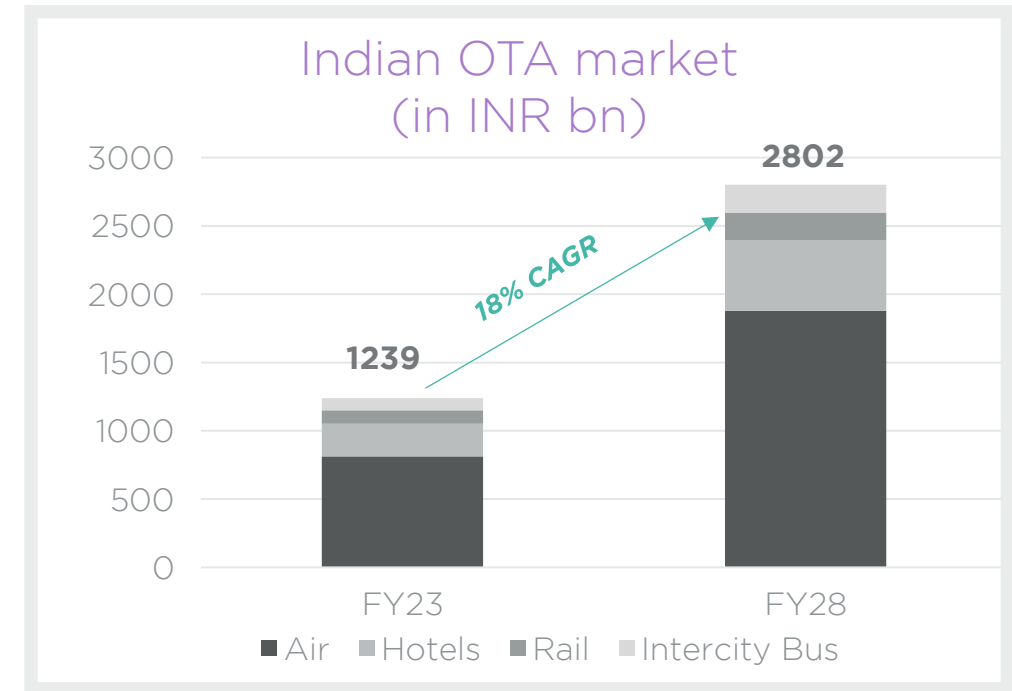
Listed: 18th June 2024



Leading OTA for next billion users

INVESTMENT CASE

- **Secular growth** in domestic travel
- **Second largest market share** in India, with a focus on trains and buses and on smaller cities
- **480mn** annual active users
- **Differentiated features** versus competitors such as price lock and refund policy
- **ESG** rating: **C**



Undiscovered retail winners

- Major **beneficiary of 2025 budget**
- The **Hindi heartland** is now **'catching up'**
- Significant **competitive advantage** due to brand positioning
- **ESG** rating: **C**
- Market cap: \$723mn (**out of index**)



- Small-town, **rural-focused retailer**
- Benefits from **shift to organised sector plus demographics**
- **Met 21 times**, starting in February 2014
- **ESG** rating: **B**
- Market cap: \$925mn (**out of index**)



Financing India: growth and value

mahindra FINANCE

- ‘Providing solutions to **rural India**’ – primarily vehicle finance
- **Beneficiary** of **lower interest rates**
- **19% growth in net assets** in Q3 (YoY)

HDFC BANK

- **Largest bank in India**
- Consistently **excellent management** over decades
- **Valuations** are at a **20%+ discount** to the 5-year average

IndusInd Bank

- 5th largest private sector bank, with **42 million customers**
- **Beneficiary** of **lower interest rates**, and **greater rural focus** than most banks
- **Valuations** are at a **50% discount to the big 2** private sector banks

Our long-term perspective combined with in-depth knowledge, delivers results

Performance (in USD)	Sep-Dec 2024	12M (Aug 24)	8M 23	2022	2021	2020	5 years	10 years	Standard Deviation (3Y)
Alquity India Fund	-3.7%	22.8%	12.4%	-10.1%	44.5%	14.4%	97.4%	142.6%	13.3%
Indian Index	-9.5%	39.7%	6.2%	-8.0%	26.2%	15.6%	80.4%	131.0%	15.3%
Indian ETF	-7.8%	31.9%	5.3%	-9.4%	22.4%	14.7%	62.9%	99.9%	-
Quartile	2 nd	4 th	1 st	2 nd	1 st	2 nd	1 st	1 st	2 nd

- A greater focus on New India, structural themes and domestic growth
- We look for the 'Best of India', regardless of capitalisation and index inclusion
- A portfolio with a lower environmental footprint
- ESG is a critical risk mitigation tool



Source: Alquity, Bloomberg, Lipper, as of 31st December 2024. The performance shown is based on our I class charging structure with an OCF of 1%. 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. Performance data from the iShares ETF and the relevant Indian index. Returns may increase or decrease with FX fluctuations. The volatility displayed is gross and based on portfolio data, not specific to the NAV of the share class.

Conclusion

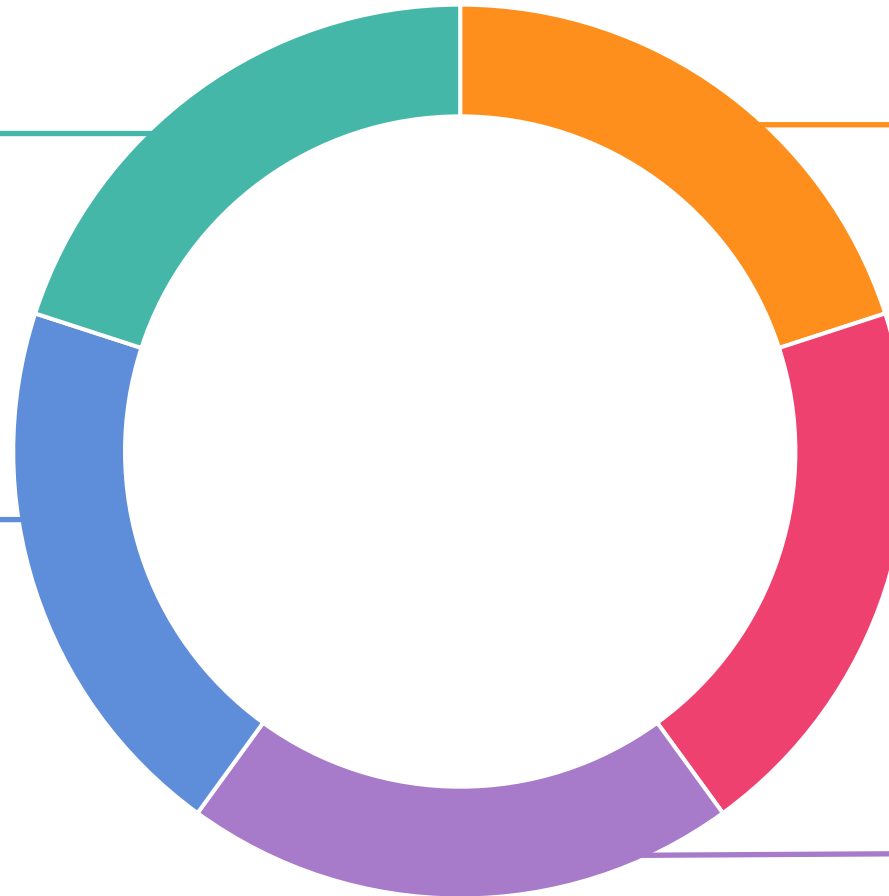
A **highly experienced team**, with in-depth knowledge and a **long-term perspective**

Direct impact both from our portfolio and our TL Foundation

Differentiated, domestically focused growth portfolio focusing on the Best of India

Fully **integrated ESG** process

India is an **uncorrelated, stock picker's market** with significant alpha potential and numerous **secular growth trends**



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