

VIKASA India EIF I Fund

Fund Factsheet
April 2019
NAV 132.13



VIKASA
CAPITAL ADVISORS

MANAGER COMMENTARY

Among the mixed macro-economic data, U.S. surprised on the upside with Q1 GDP growth at 3.2%, annualized, vs consensus at 2.2%. In China, March exports grew strongly at 14% YoY, rebutting the slowdown due to trade war. President Xi signaled further opening of the economy to foreign investors, more regulations for protecting intellectual property rights and reducing state subsidies. Those remarks are seen positive as a prelude to the trade war resolution. In India, macros have been stable with currency moving in a narrow range. Brent crude prices increased 6.4% to \$72.8/barrel. Both Indian benchmark indices, the SENSEX and NIFTY ended flat with marginal gains. For the third consecutive month, FII's remained net buyers (\$2.9bn), while DIIs were net sellers (\$0.6bn).

Sectoral trends from April: Cement (+7) and Technology (+6) were top performers, along with positive moves in Metals (+1%), Private Banks (+1%) and Oil (+1%). Media (-5%), Real Estate (-3%), Utilities (-3%) and PSU Banks (-3%) were the key laggards.

VIKASA India EIF I Fund performed in-line with the benchmark for the month. Tata Motors (+23%), Tata Consultancy Services (+13%) and HCL Technologies (+9%) were the top performers. Yes Bank (-39%), Indusind Bank (-10%) and Vedanta (-9%) were all underperformers.

The earnings season has kicked-off with positive news. Tata Consultancy Services (TCS), India's largest IT services, which has an over-weighted position of 7% in our portfolio, recorded a March after-tax profit growth of 17.7% and a return on equity of 35%. It is the strongest revenue growth which TCS has seen in the last 15 quarters. Their full spectrum digital transformation capabilities and thought leadership is driving the strong demand for their services and making them the preferred innovation and transformation partner. With a market capitalization close to \$115bn, TCS has again proved to be the front-runner of the IT sector.

The near-term direction of the market will be decided by developments on the political front. All eyes are on May 23rd – outcome of central election. Markets will focus on new government action plans: pending labor reforms, GST transition (e-way bill implementation) and banking reforms. Should any fundamentals change, we will modify our overlay to take advantage of market adjustments.

PERFORMANCE

VIKASA India EIF I Fund vs BSE SENSEX (USD)



Performance	Apr 2019	YTD	2018	Since Inception
VIKASA India EIF I Fund	0.59%	8.11%	-4.98%	32.13%
SENSEX (USD)	0.63%	8.19%	-2.81%	25.83%

SECTOR ALLOCATION



- Financials 39%
- Information Technology 16%
- Energy 14%
- Consumer Staples 11%
- Consumer Discretionary 7%
- Industrials 5%
- Materials 3%
- Others 2%
- Health Care 2%

FUND FACTS

Dealing Frequency	Monthly
Investment Manager	VIKASA Investment Management Ltd
Benchmark	S&P BSE SENSEX (USD)
Inception Date	2nd September 2014
Custodian	Edelweiss Custody Services
Administrator	Apex Fund Administrators
Auditors	KPMG
Valuation Day	Last business day of the month
Dealing Day	First business day of the month
Performance Feed	Nil
Exit Fees	Nil
Management Fee	0.85%

TOP 10 HOLDINGS

11.20%	Reliance Industries Limited
10.55%	HDFC Bank Ltd - FII
8.31%	Housing Development Finance Corporation Ltd
7.50%	Infosys Limited
6.64%	Tata Consultancy Services Ltd
5.65%	ICICI Bank Ltd
5.57%	ITC Ltd
4.96%	Larsen & Toubro Limited
3.55%	Kotak Mahindra Bank Limited
3.25%	Bajaj Finance Limited

INVESTMENT OBJECTIVE

The fund is designed for investors seeking exposure to India's public equity markets. A minimum of 70% of the fund tracks the BSE SENSEX benchmark, with an active equity overlay of up to 30% of the fund. The fund has the potential to generate higher returns, but will also have a higher risk profile than an index only product. The fund's objective is long-term capital appreciation with no need for income.

RISK CONSIDERATIONS

- **Concentration risk:** The Fund may be subject to a greater risk of loss because a single security's increase or decrease in value may have a greater impact on the Fund's value and total return.
- **Counterparty risk:** A party that the Fund transacts with may fail to meet its obligations which could cause losses.
- **Custodian risk:** Insolvency, breaches of duty of care or misconduct of a custodian or sub-custodian responsible for the safekeeping of the Fund's assets can result in loss to the Portfolio.
- **Emerging markets risk:** Emerging markets are likely to bear higher risk due to lower liquidity and possible lack of adequate financial, legal, social, political and economic structures, protection and stability as well as uncertain tax positions. Emerging markets typically have an increase in price volatility.
- **Exchange rate risk:** Changes in exchange rates may reduce or increase the returns an investor might expect to receive independent of the performance of such assets. If applicable, investment techniques used to attempt to reduce the risk of currency movements (hedging), may not be effective. Hedging also involves additional risks associated with derivatives.
- **Liquidity risk:** The Fund may not always find another party willing to purchase an asset that the Fund wants to sell which could impact the Fund's ability to meet redemption requests on demand.
- **Market risk:** The value of assets in the Fund is typically dictated by a number of factors, including the confidence levels of the market in which they are traded.
- **Operational risk:** Material losses to the Fund may arise as a result of human error, system and/or process failures, inadequate procedures or controls.

IMPORTANT PERFORMANCE NOTICE: Performance assumes reinvestment of all dividends and/or distribution before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. Returns would have been lower if certain of the Fund's fees and expenses had not been waived.

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