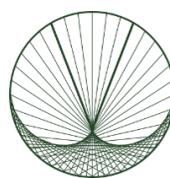


VIKASA India EIF I Fund

Fund Factsheet
July 2019
NAV 128.05



VIKASA
CAPITAL ADVISORS

MANAGER COMMENTARY

Indian markets have corrected substantially from the recent highs, led by deepening economic pressures, earnings growth expectations and certain policy decisions from the new finance minister's first annual budget. NIFTY and SENSEX corrected over 5%. Notably, foreign fund exodus (USD1.9b) was the highest since Oct'18 as the budget proposal on super-rich taxation and FPI surcharge marred sentiment. However, domestic inflows rose to USD3b – the highest since Oct'18.

Sectoral trends for July, Technology was the sole sector to deliver positive returns (+1%); the sector trades at P/E of 19.5x, at a 16% premium to its historical average of 16.8x. Autos (-14%), Metals (-13%), Capital Goods (-12%), Oil (-11%) and PSU Banks (-11%) were underperformers.

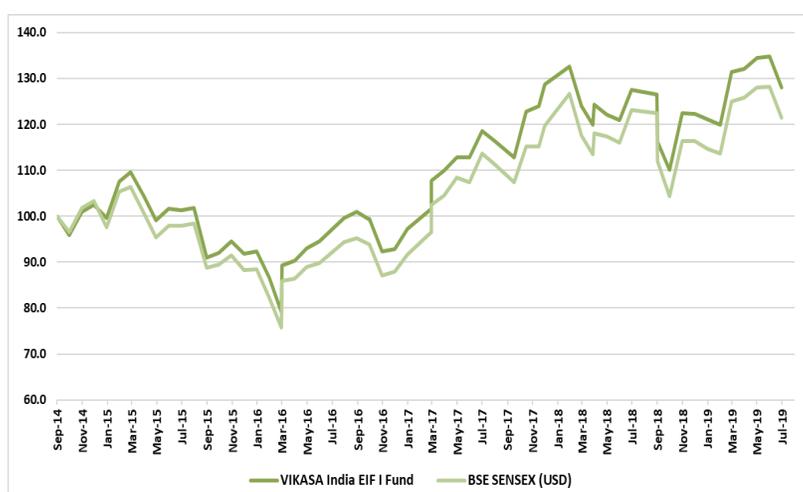
Despite this backdrop, VIKASA India EIF I Fund outperformed the benchmark by 22 bps, in USD terms. Asian Paints (+12%), Infosys (+8%), Sun Pharma (+6%) and Kotak Mahindra Bank (+3%) were top performers while ONGC (-17%) and Axis Bank (-17%) were among the main laggards in the fund.

Infosys is a global leader in next-generation digital services and consulting. It represents 8.3% of the fund. The company witnessed a strong start to the year with 12.4% constant currency (CC) growth YoY, registering a 12th consecutive quarter of double-digit growth. Infosys has increased its guidance for the year from 7.5–9.5% to 8.5–10% (in CC terms), largely due to new client additions (total number of clients rose to 1,336 in Q1FY20 from 1,279 in Q4FY19). Infosys also reported the largest-ever deal win this quarter, with a total of 13 deals (mostly from North American and European markets) at a contract value of USD2.7b. We continue our bullish view on this holding.

While domestic economy slowdown raises concerns on earnings growth in the short-term, it is positive to note, ~150 companies in BSE 500 have reported 15%+ CAGR in last 3-5-10 years and recent correction provides an opportunity to invest in such businesses at a reasonable valuations for wealth creation in the medium to long-term. Also, Indian equities are trading at 19.3x FY20E earnings. All key markets continue trading at a discount to India. We will continue to favour large-caps, as mid-caps are more vulnerable to the ongoing liquidity and credit availability pressures in the economy. Our portfolio strategy remains premised on earnings visibility and valuation comfort.

PERFORMANCE

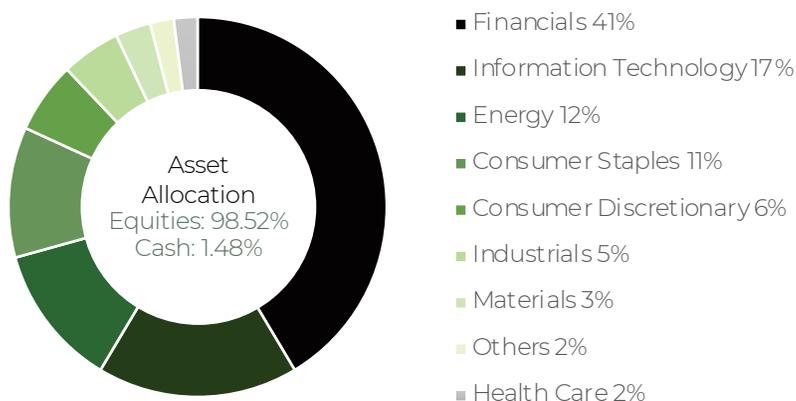
VIKASA India EIF I Fund vs BSE Sensex



PERFORMANCE JULY 2019 YTD 2018 Since Inception

VIKASA India EIF I Fund	-4.96%	4.77%	-4.98%	28.05%
SENSEX	-5.18%	4.47%	-2.81%	21.51%

SECTOR ALLOCATION



FUND FACTS

Dealing Frequency	Monthly
Investment Manager	VIKASA Investment Management Ltd
Benchmark	S&P BSE SENSEX
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

11.31%	HDFC Bank Ltd - FII
9.97%	Reliance Industries Limited
9.04%	Housing Development Finance Corporation Ltd
7.23%	Infosys Limited
6.47%	Tata Consultancy Services Ltd
6.00%	ICICI Bank Ltd
5.66%	Larsen & Toubro Limited
5.01%	ITC Ltd
3.82%	Kotak Mahindra Bank Limited
3.75%	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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