

# India

A Passive Approach

August 2019



**BetaShares**  
Exchange Traded Funds



# Important Information

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Future outcomes are inherently uncertain. Actual outcomes may differ materially from those contemplated in any opinions, estimates or other forward-looking statements given in this presentation.

# Louis Crous

## BetaShares Chief Investment Officer

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### Louis Crous

#### *Chief Investment Officer*

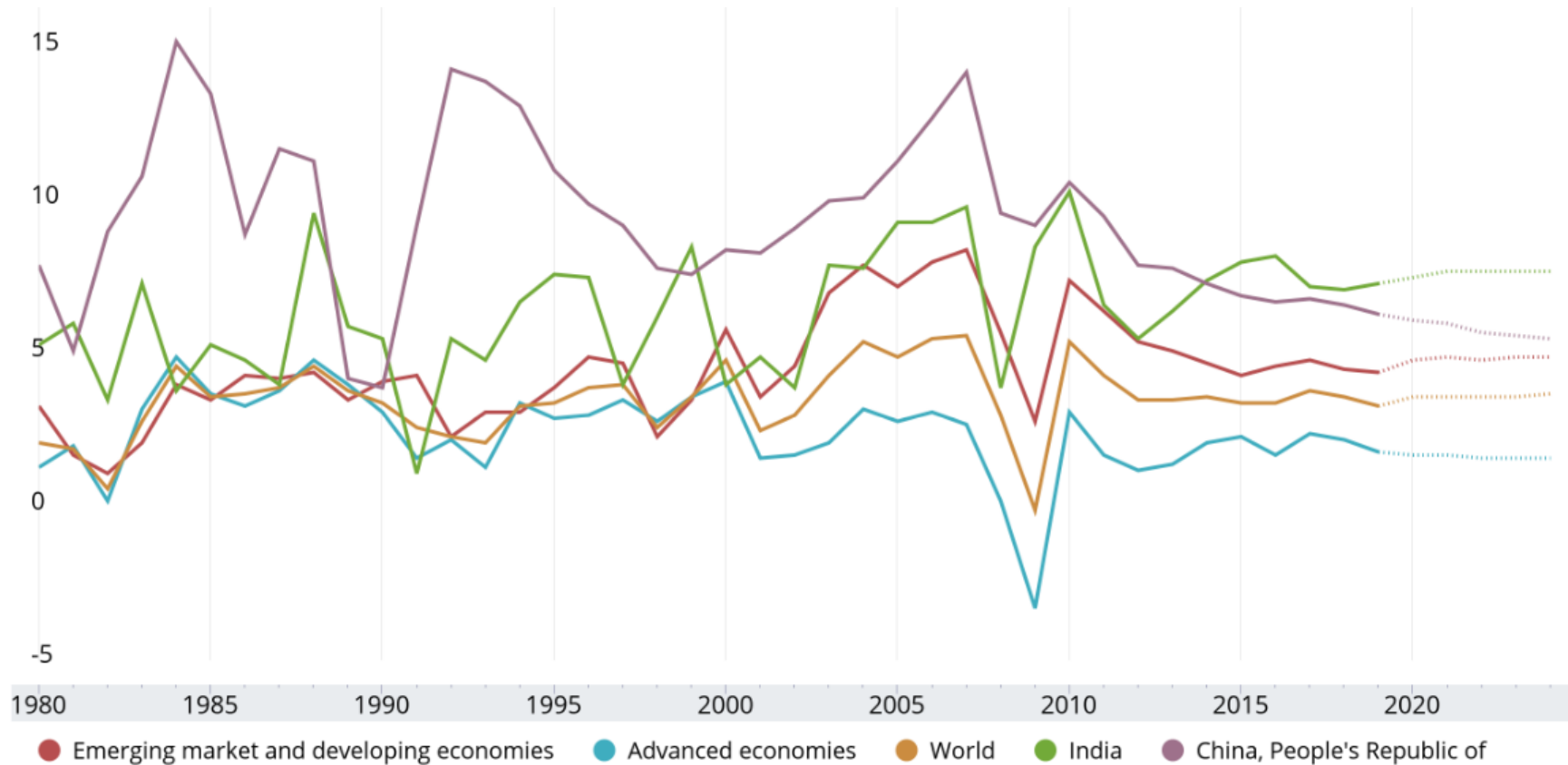
Louis is responsible for the Portfolio Management function at BetaShares and is also a member of the BetaShares Asset Allocation and Model Portfolio Services Investment Committee. He has been with BetaShares since 2009 and has been involved in the launch of all of the firms' Exchange Traded Funds. Before joining BetaShares, Louis held positions at nabInvest, the direct management business of National Australia Bank, Rand Merchant Bank (RMB), and KPMG Inc in various locations including London, Johannesburg, and Sydney.

He holds a professional qualification as a Chartered Accountant (CA (SA)) and is also a CFA Charterholder. He has a Bachelor of Business Science (First Class Hons) and Post Graduate Diploma in Accounting from the University of Cape Town, South Africa.





# India – world's fastest growing major economy



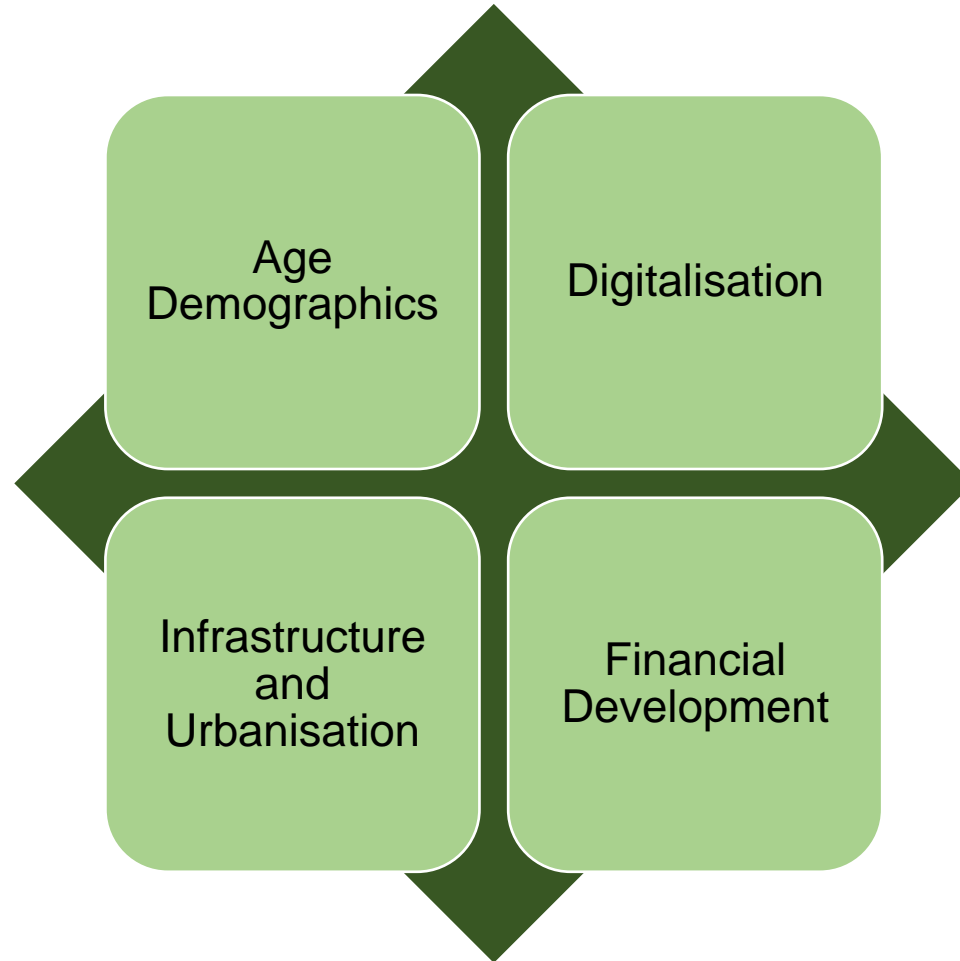
- India's economic growth rate has overtaken China
- Projected to be world's 5<sup>th</sup> largest economy this year by overtaking UK and France
- Economy projected to overtake Japan by 2025

©IMF, 2019, Source: World Economic Outlook (April 2019)



# Unique opportunities

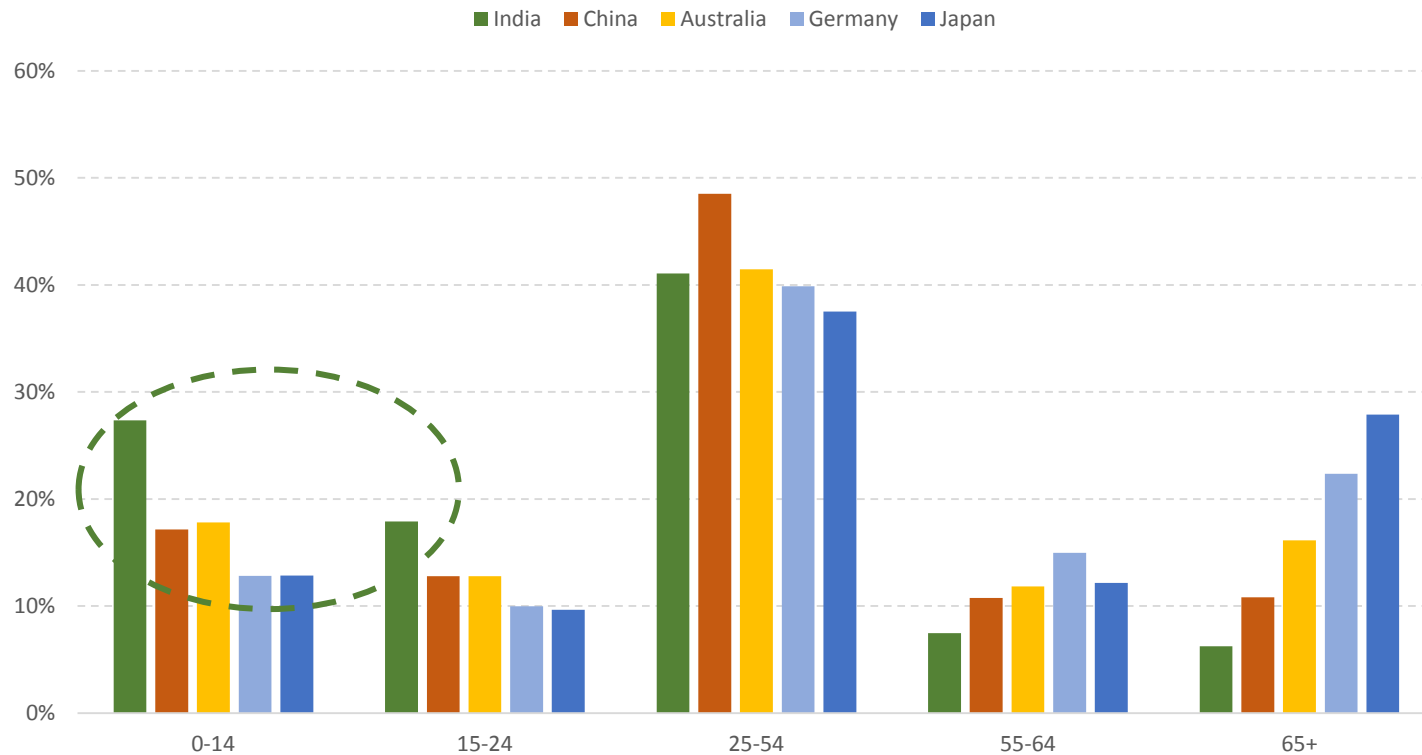
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# Demographic – younger population profile

Country Age Demographics



Source: CIA World Factbook

- India's median age 27.9yrs versus:
  - Global 42yrs
  - China 37yrs
  - US 38yrs
- ~ 40% of India's population is under 20 yrs.



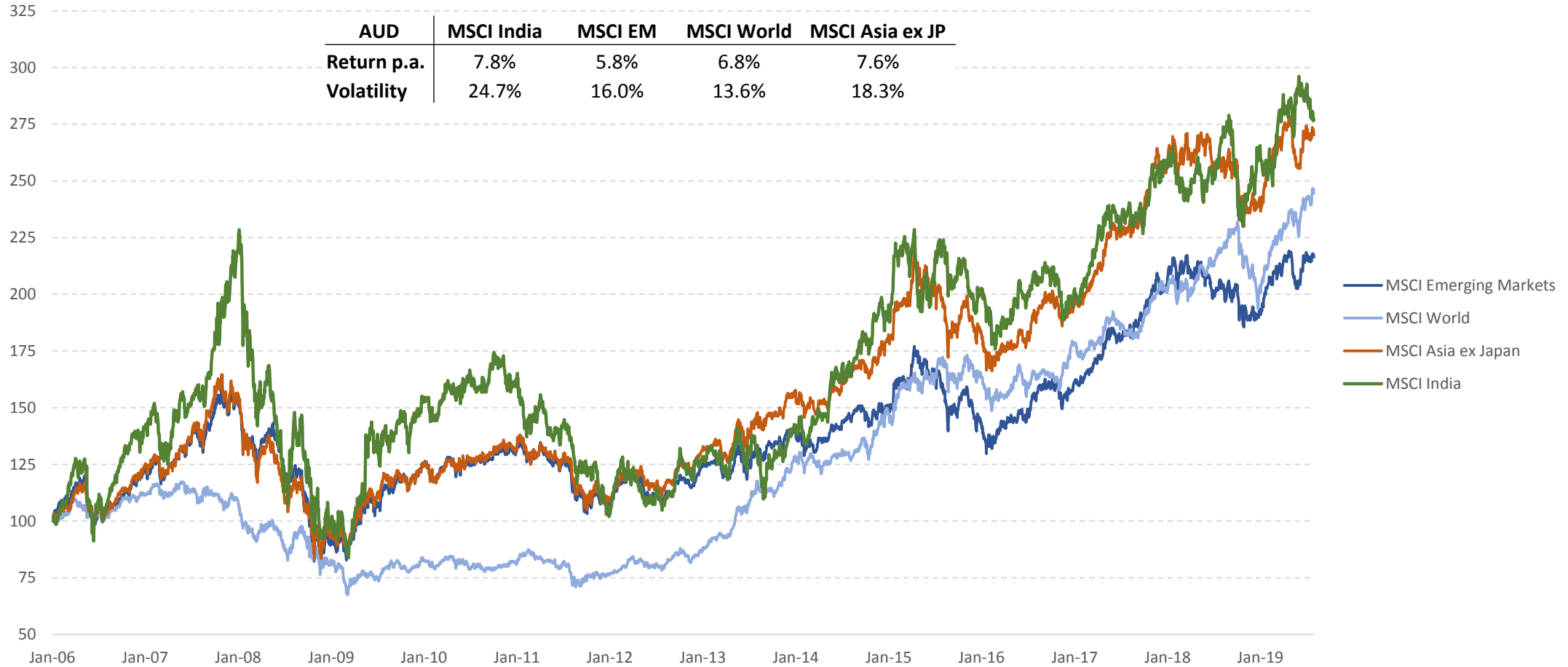
# Passive product positioning

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- India makes up approx. 8.6% of MSCI Emerging Markets
- Issues with main index benchmarks:
  - Top 5 stocks in Nifty 50 make up ~40%
  - Dominated by large caps
  - Financial sector makes up ~40%
- Exposure to stocks that benefit most from secular growth story – not necessarily cyclical
- Size and Factor considerations
- Cost considerations



# India Equities - rewarding long term performance

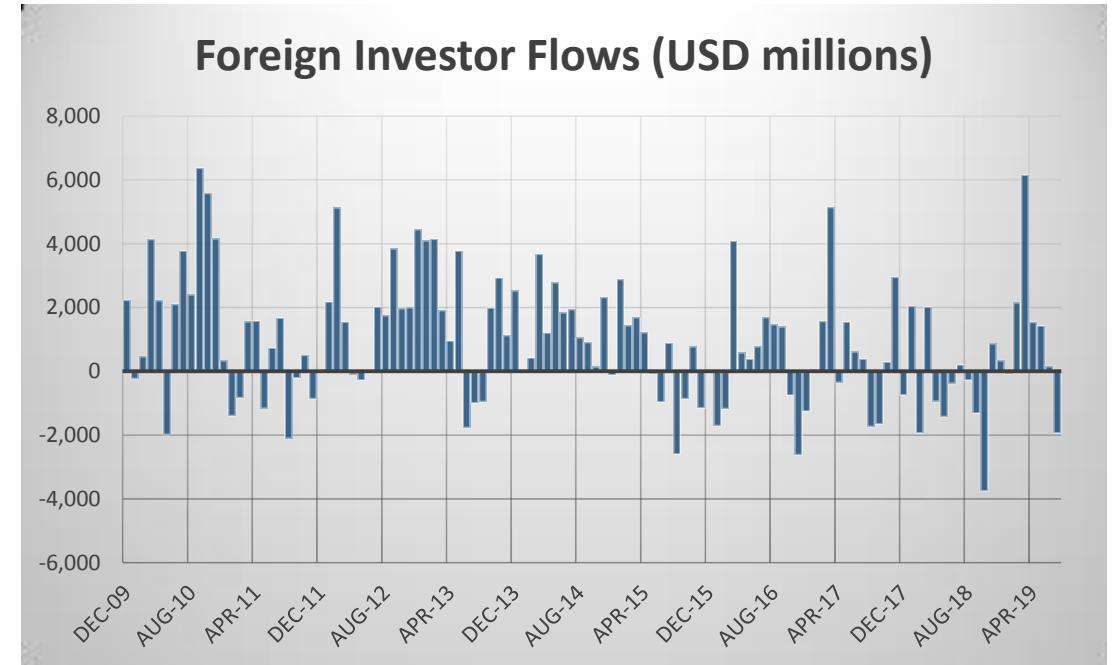
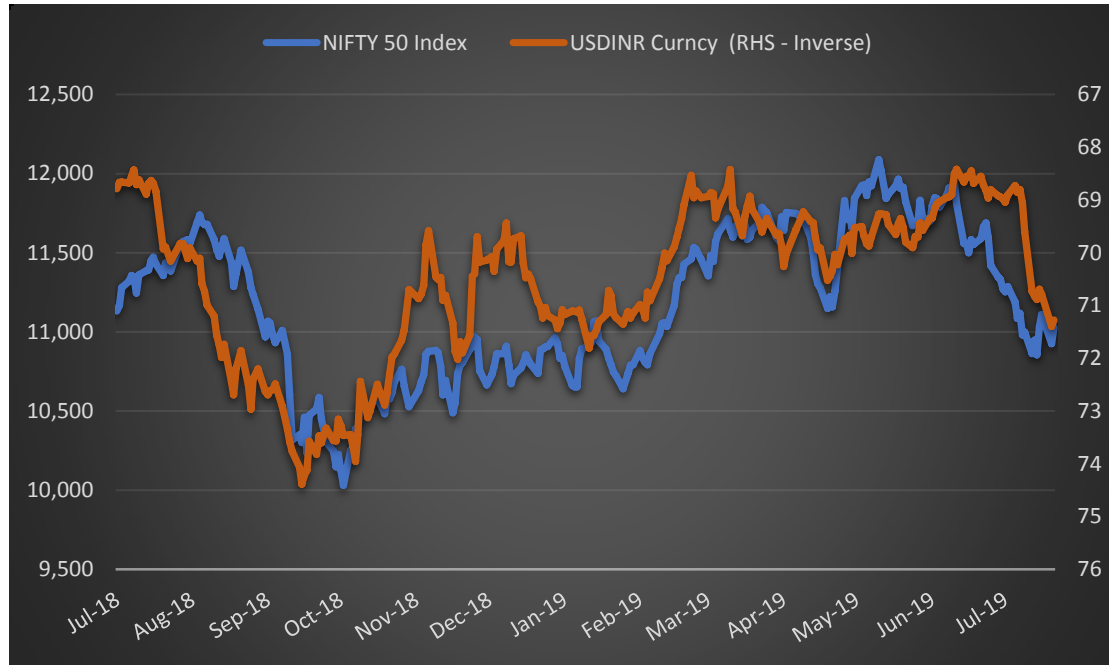


Source: Bloomberg, BetaShares





# Impact of foreign flows and currency

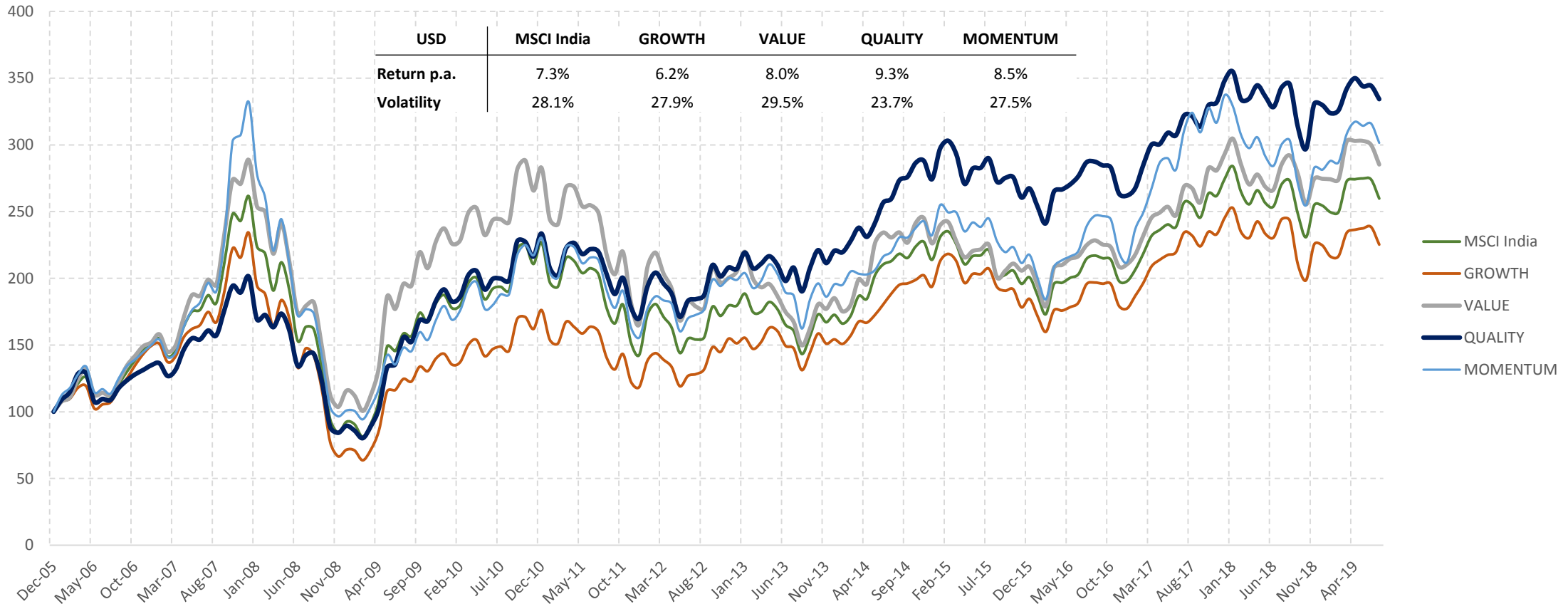


Source: Bloomberg, BetaShares



# Quality - top performer with lowest volatility

India MSCI returns by factor (USD)

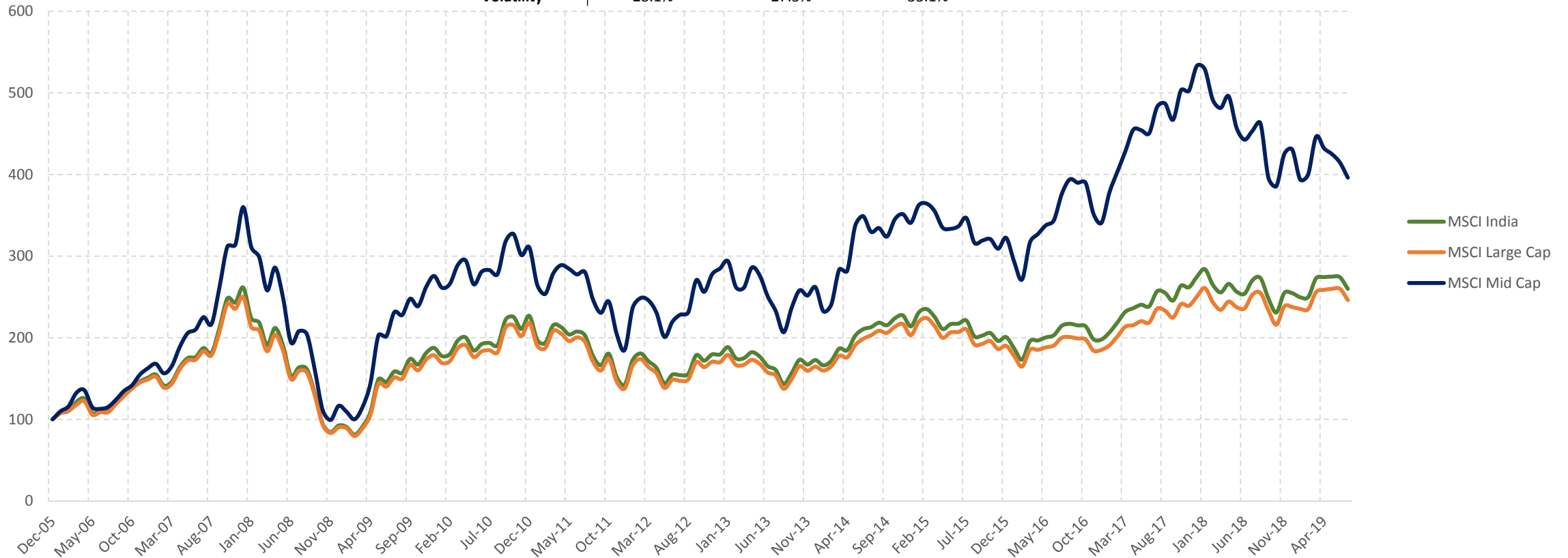


Source: MSCI. Past performance is not an indicator of future performance. You cannot invest directly in an index



# Mid Caps – long term historical outperformance

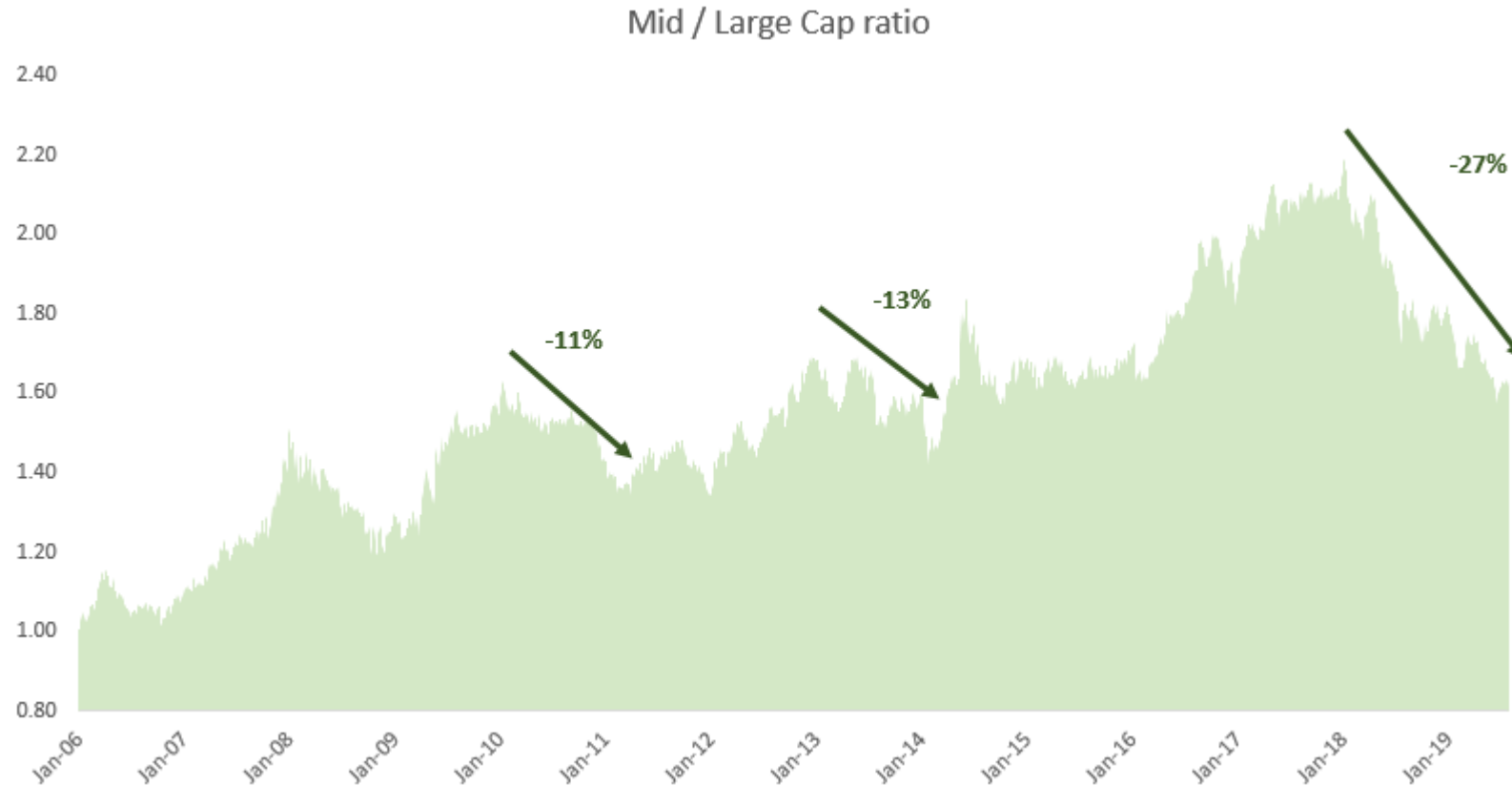
USD	MSCI India	MSCI Large Cap	MSCI Mid Cap
Return p.a.	7.3%	6.8%	10.7%
Volatility	28.1%	27.5%	33.1%



Source: MSCI. Past performance is not an indicator of future performance. You cannot invest directly in an index



# Mid Caps - not always plain sailing



- Large Caps can outperform Mid Caps significantly over shorter investment horizons
- Volatility on Mid Caps is higher

Source: Bloomberg, BetaShares, returns in AUD. Past performance is not an indicator of future performance. You cannot invest directly in an index



# Alternative beta approach

AUD	Solactive India Quality Select	MSCI India Mid Cap Index	BSE Nifty 50 Index
Return p.a.	11.9%	9.8%	9.5%
Volatility	20.9%	26.0%	22.8%



Source: Bloomberg, BetaShares. Past performance is not an indicator of future performance. You cannot invest directly in an index

# Avenue Supermarts



- India's lowest cost grocery retail operator and one of the most profitable grocery retailers globally
- Strategy of Everyday Low Prices (EDLP)
- Revenue per square foot is 20% higher than Walmart and unit cost is about one-third of that in developed market
- Currently < 1% of the grocery market
- Forecast to open 150 new stores between now and 2024 (currently 164). D-Mart currently owns all real estate.
- Company achieving 18% p.a. Same-store Sales Growth (SSSG) and expected to maintain 15% over next 3 years.
- Grocery is the largest category within the overall Retail market (62%) and expected to grow by 10% p.a. over next 5 years.

Overall market size (\$bn)	F2018	F2023e	CAGR (%)
<b>Grocery</b>	<b>365.0</b>	<b>574.7</b>	<b>10%</b>
Apparel and footwear	64.3	135.1	16%
Electronics	47.1	82.9	12%
Optical goods	4.5	8.6	14%
Home	19.3	40.6	16%
Jewellery and watches	56.2	99.2	12%
Others	29.8	59.8	15%
<b>Total</b>	<b>586</b>	<b>1001</b>	<b>11%</b>

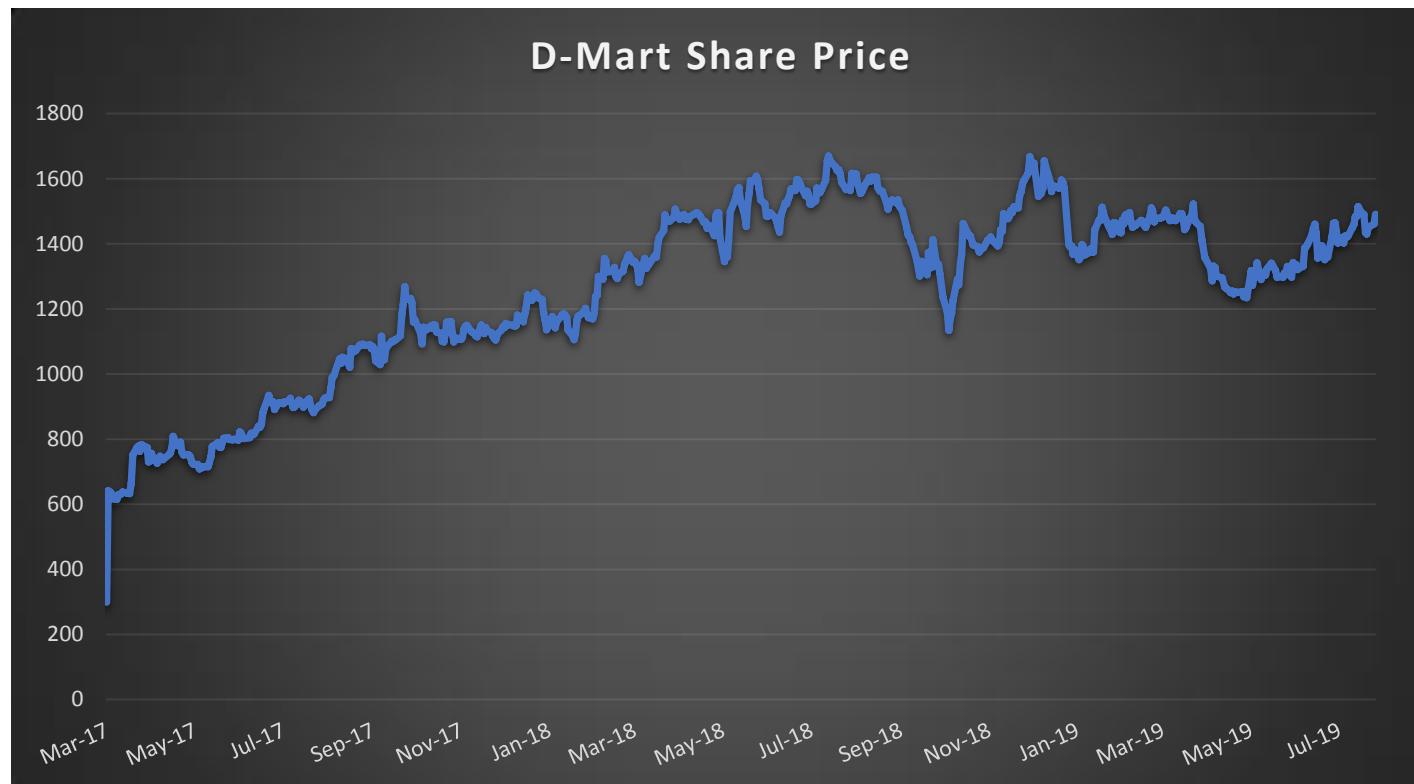
Source: Goldman Sachs, Morgan Stanley, Euromonitor

# Avenue Supermarts



Stock is up 396% since listing in March 2017

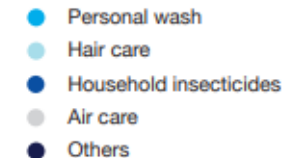
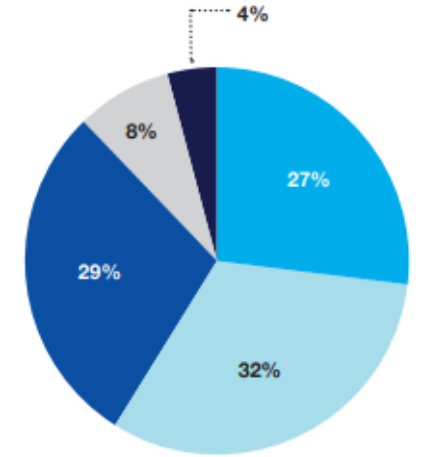
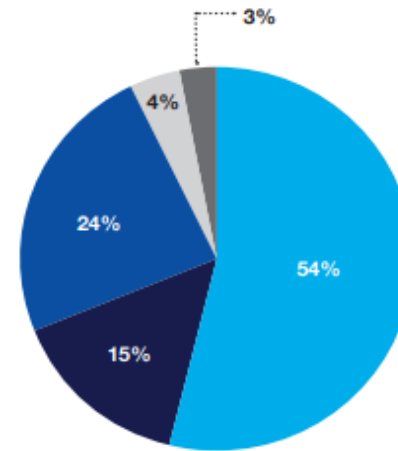
Market Cap	USD13.03bn
Current P/E	103
Historic 5yr EPS growth	38%
Expected 5yr EPS growth	28%
ROE	17.60%
Debt/Equity	8.34%



Source: Bloomberg, Goldman Sachs, BetaShares



- Leading Indian Consumer Goods company with the most category-dominant brands (>75% of portfolio), products at all price points and a wide distribution network
- Stock is down over 32% over the past 12 months (versus -4% for the market)
- Recently reported flat Revenue growth (mainly on the back of disappointing Household Insecticide (HI) sales) and slowing Africa growth.
- Godrej has lost market share due to the rise of cheap and often illegal incense sticks and coils. Company has a new strategy built around Liquid Vaporizers (LV) and more effective marketing to counter illegal incense sticks and coils.
- Stock now trading at a 32% discount to Hindustan Unilever and 15% on average to other peers based on 2020 Forward P/E



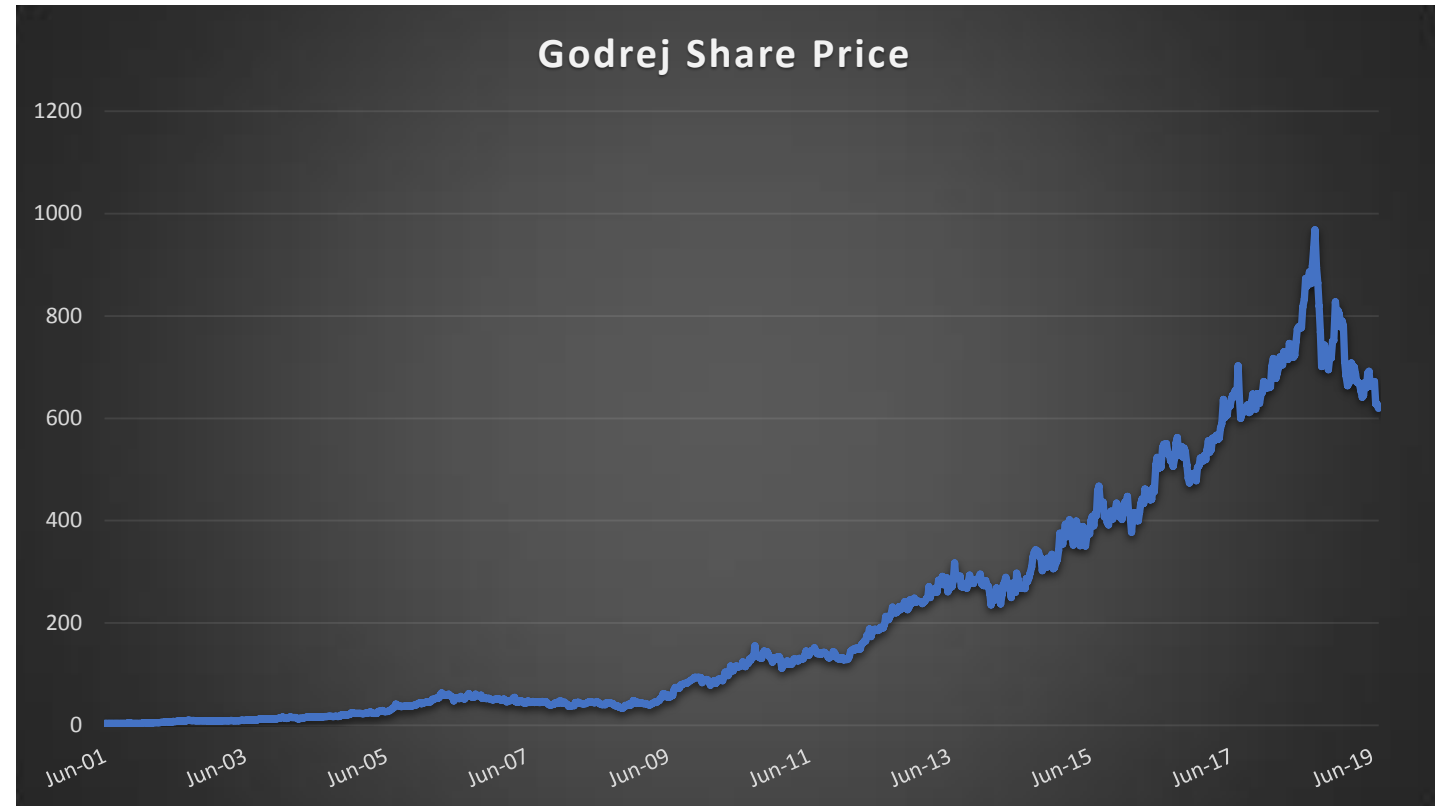
Source: Godrej





Stock has annualised +35.24% return since listing in June 2001

Market Cap	USD8.77bn
Current P/E	27
Historic 5yr EPS growth	25.2%
Expected 3yr EPS growth	11.8%
ROE	20.9%
Debt/Equity	27%



Source: Bloomberg, Morgan Stanley, BetaShares



# BetaShares India Quality ETF

## ASX: IIND

**Product Name:**

BetaShares India Quality ETF

**Index Tracked & Description of Index**

The Fund aims to track the performance of an index (before fees and expenses) that provides exposure to a diversified portfolio of high-quality Indian companies.

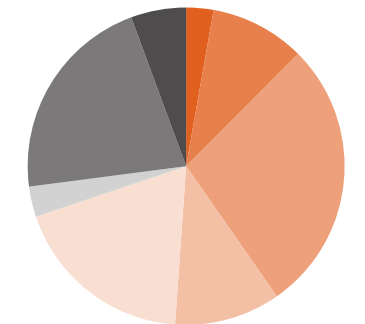
### Key Information

<b>ASX Code</b>	IIND
<b>Index Name</b>	Solactive India Quality Select Index NTR
<b>Index ASX Code</b>	SOLINQSN
<b>Bloomberg Code</b>	IIND AU
<b># of components</b>	30*
<b>Asset backing</b>	Equities
<b>Management Fee</b>	0.80% p.a.
<b>ETF Inception Date</b>	05 August 2019

### Top 10 Index Constituents As at 31 July 2019

Company	Weighting
TATA CONSULTANCY SVCS LTD	8.6%
INFOSYS (INFOSYS TECH) LTD ORD	7.9%
HINDUSTAN UNILEVER LTD	7.7%
ITC LTD	6.5%
MARUTI SUZUKI INDIA LTD	4.9%
RELIANCE INDUSTRIES LTD ORD	4.8%
HOUSING DEVELOPMENT FINANCE	4.8%
AXIS BANK LTD	3.6%
MARICO LTD ORD	3.2%
NESTLE INDIA LTD	3.2%

### Sector Allocation (%) As at 31 July 2019



- Communication services 2.7
- Consumer discretionary 9.6
- Consumer staples 27.4
- Energy 10.6
- Financials 18.4
- Health care 3.1
- Industrials 0.0
- Information technology 21.1
- Materials 5.5
- Real estate 0.0

\*Between index rebalance dates the index components may differ from 30 due to corporate events.

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# BetaShares India Quality ETF

The BetaShares India Quality ETF (ASX: IIND) provides cost-effective exposure to a diversified portfolio of quality companies in one of fastest-growing economies in the world.



## EXPOSURE TO THE FAST-GROWING INDIAN ECONOMY

India's economy is one of the fastest-growing in the world, with future growth potential underpinned by strong structural fundamentals.



## ACCESS HIGH QUALITY INDIAN COMPANIES

The Fund holds a portfolio of the top Indian companies ranked by quality score.



## PORTFOLIO DIVERSIFICATION

Indian equities historically have had low correlation to Australian and global equities.



## OUTPERFORMANCE POTENTIAL

Quality-based approach seeks to better exploit the inefficiencies in India's sharemarket than market cap-weighted alternatives over the long term.