

# INDIA QUALITY ADVANTAGE FUND (IQAF)

A sub-fund of ABSL Umbrella UCITS Plc.

## Investment Manager

Aditya Birla Sun Life Asset Management Company Pte. Ltd.

## Investment Objective

The investment objective of the Fund is to generate superior risk-adjusted returns.

## Investment Philosophy

The Fund invests in companies in India exhibiting consistent high-quality growth with investment horizon of medium-to-long term. It adopts a bottom-up stock election approach based on 'Quality' parameters including but not restricted to Return on Equity, Return on Capital employed, Earnings and Profit margins.

## Key Facts (as on 30<sup>th</sup> December 2022)

Inception Date	November 3rd, 2014
Total Fund Size	USD \$11.03 million
NAV "D" Share	USD \$222.52
Domicile	Dublin, Ireland
Fund Base Currency	USD
UCITS	Yes
Benchmark	MSCI INDIA SMALLCAP
Benchmark Ticker	MXINSC

## Share Class wise

D	
ISIN	IE00BJ8RGS50
Fund Ticker	AINQADS ID Equity
Swiss Valor	36534767
Initial Charges	NIL
Redemption Charges	NIL
Minimum Initial Subscription (USD)	10,00,000
Minimum Additional Purchase (USD)	1000
Minimum Redemption (USD)	1000

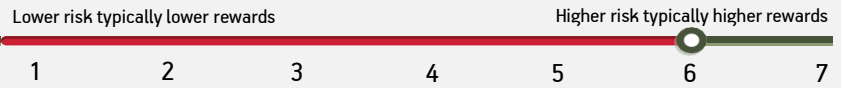
## Risk Statistics

IQAF	Standard Deviation	Sharpe Ratio #	Beta
3 Year	25.44%	0.44	0.77
Since Inception	20.61%	0.29	0.75

Risk ratios pertain to "D" share class

Standard Deviation, Sharpe Ratio & Beta are calculated on Annualized basis using 3 year history of monthly USD returns. All statistical ratios w.r.t. MSCI India Small Cap Index  
# Risk-free rate assumed to be 4.42% (3 Month US Treasury Bill yield as on 30-Dec-2022)

## Synthetic Risk & Reward Indicator (SRRI)



## Market Outlook – December 2022

Indian equities fell (\$ terms, -5.5% MoM/-8.7% YTD), while underperforming the region and peers (MSCI APX/ EM: -0.7%/-1.6% MoM). Both mid-caps and small caps though weak, outperformed the large caps. All sectors ended the month in the red as the NIFTY declined, after having clocked a lifetime high of 18,812 at the start of the month. INR depreciated by 1.6% MoM, reaching ~82.74/USD in December. DXY weakened 2.3% over the month.

FII were buyers of Indian equities in December (+\$0.3bn, following +\$4.7bn in November). So far, India has seen YTD FII outflows of \$16.6bn. DII saw buying of \$2.9bn in December, reversing the selling of the previous month (-\$0.8bn). Mutual funds were buyers in December with inflows of \$1.32bn and Insurance funds were net buyers in the month with outflows of \$1.61bn.

In India, inflation is expected to be above the upper threshold of RBI's tolerance band by end of FY23 with terminal repo rate expectation of 6.5%. The tightening of monetary policy will only have a modest impact on demand given strong household, corporate and bank balance sheets. With falling commodity prices and rate hikes by the RBI flowing through the economy, inflation is expected to return to the target range in FY24. India's Balance of Payments deficit is likely to persist in FY24 due to slowdown in exports, but it should be lower than FY23.

Amidst the changing global macro backdrop, India is in a relatively better position. We are more domestic demand driven, there is political stability with a progressive reform agenda, and overall liquidity could improve with government spending before next general elections.

India's real GDP growth is projected to be 5.8% YoY in FY24 driven by improved contribution from Consumption and Investment.

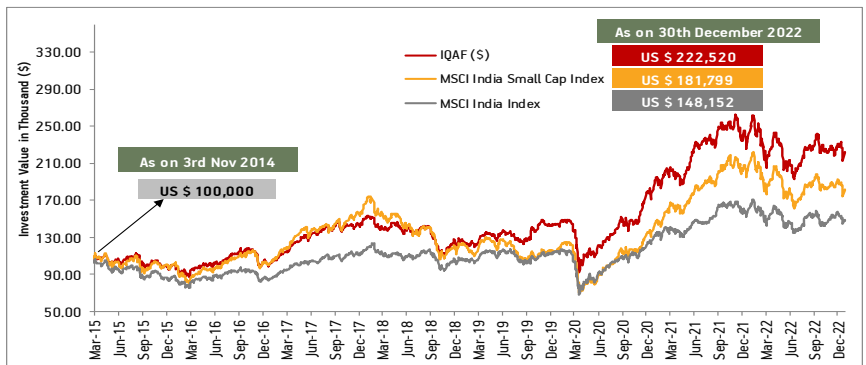
Over a longer term, positive levers in the form of strong political leadership driving the pace of reforms, demographic dividend, China+1 strategy, Domestic Manufacturing, and Digital push should drive India to become the 3rd largest economy by 2030.

We also do not see a major downside risk to corporate earnings growth in the near-term as domestic demand is resilient, rural recovery is expected going forward, credit growth is on an uptrend, and commodity prices remain well below their recent highs. Despite challenging times, most Indian corporates have been able to increase their productivity and profitability, leading to improvement in ROEs versus pre-covid levels and well above the last 10-year average. With many sectors performing better than even the pre-covid period, corporate profits to GDP in India showing a turnaround. We expect earnings to grow at a CAGR of 13-15% over FY22-24 and is expected to be driven mainly by Banking along with Auto, Consumer and Infra sectors.

Indian equities valuation is currently above long-term average and with growth moderating, we expect equity markets to give returns slightly below earnings growth, i.e., in the 8 - 10% range for CY23. However, we continue to remain optimistic over the longer term and expect CAGR returns in the range of 11-13% over next 3 years.

In the current environment, prefer companies that have a domestic focus as the Indian economy is likely to significantly outperform the global economy, hence, domestic focused themes viz. Banking and Financial Services, Discretionary Consumption, Domestic Manufacturing, Infrastructure are preferred to global cyclicals.

## Fund Performance (as on 30<sup>th</sup> December 2022)



Period	IQAF	MSCI India Small Cap Index	Outperformance	MSCI India Index	Outperformance
1 Month	-2.2%	-4.0%	1.7%	-5.5%	3.3%
3 Months	-1.7%	-1.8%	0.1%	1.8%	-3.5%
6 Months	10.7%	8.8%	1.9%	8.2%	2.4%
9 Months	-5.0%	-7.7%	2.7%	-6.9%	1.9%
1 Year	-8.7%	-13.7%	5.0%	-8.7%	0.0%
2 Year	10.1%	14.0%	-3.9%	6.9%	3.3%
3 Year	15.6%	15.8%	-0.2%	9.2%	6.4%
5 Year	7.9%	1.6%	6.4%	4.7%	3.2%
7 Year	12.0%	8.6%	3.4%	7.7%	4.3%
Since Inception	10.3%	7.6%	2.7%	4.9%	5.4%
YTD	-8.7%	-13.7%	5.0%	-8.7%	0.0%

Source: Bloomberg, ABSLAMC Internal Research

Returns are net of expenses. Returns are in % and absolute returns for period less than 1 year & CAGR for period 1 year or more. The returns for IQAF D Share & MSCI (India) are in US Dollars. Past performance is not indicative of future results. MSCI – Morgan Stanley Capital International. CAGR - Compounded Annualized Growth Rate. Returns shown above are point to point returns.



Morningstar Rating Overall Rating based on risk-adjusted returns out of 396 funds as of 30/12/2022

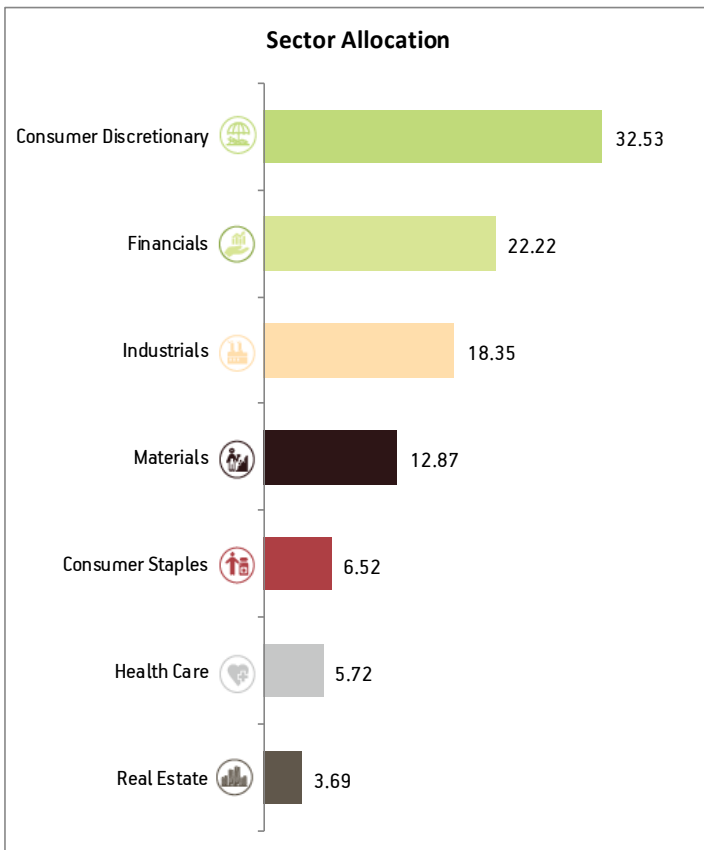
Lipper Leaders Rating: Funds are rated on a numeric scale of 5 to 1, with '5' representing funds with the highest rating (Top 20%) or Lipper Leaders, and '1' representing the lowest rated funds

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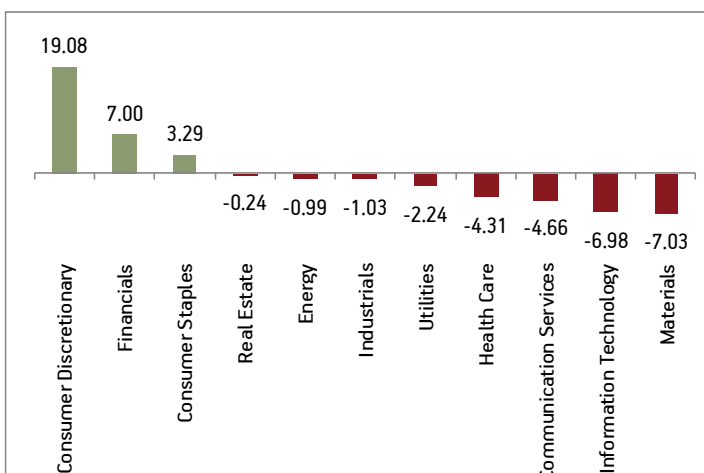
	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	YTD 2022
IQAF	1.0%	1.1%	49.3%	-15.6%	12.5%	27.4%	32.8%	-8.7%
MSCI India Small Cap Index	1.4%	-0.7%	65.9%	-26.4%	-5.5%	19.6%	50.7%	-13.7%
Outperformance	-0.4%	1.8%	-16.6%	10.8%	18.0%	7.8%	-17.8%	5.0%
MSCI India Index	-7.4%	-2.8%	36.8%	-8.8%	6.1%	14.1%	25.1%	-8.7%
Outperformance	8.4%	3.9%	12.5%	-6.9%	6.4%	13.2%	7.7%	0.0%

## Sector Allocation (as on 30<sup>th</sup> December 2022)



The above industry classification follows GICS Sector Classification Data in percentage (%)

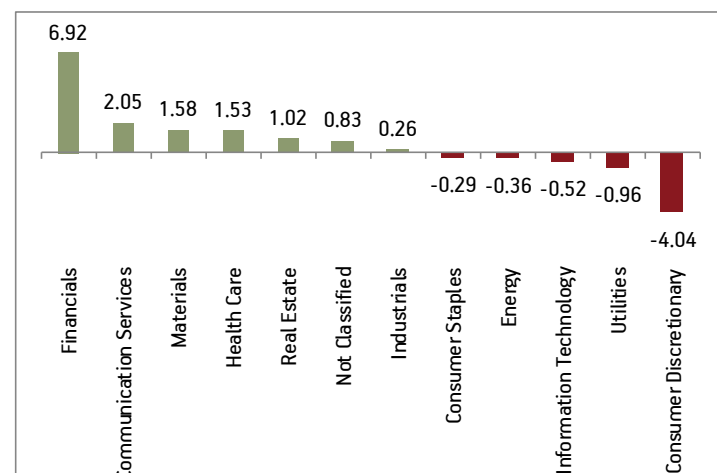
## Active Weight



## Top Holdings (as on 30<sup>th</sup> December 2022)

INSTRUMENT NAME	% NAV
IndusInd Bank Ltd	4.27
Ujjivan Small Finance Bank Ltd	4.18
Balrampur Chini Mills Ltd	4.18
Go Fashion India Ltd	4.04
JK Lakshmi Cement	3.99
FSN E-Commerce Ventures Ltd.	3.73
M G M Financial Services	3.72
Phoenix Mills Ltd	3.69
Interglobe Aviation Ltd	3.38
LIC Housing Finance Ltd	3.25

## Attribution



The above industry classification follows GICS Sector Classification. Portfolio details and attribution as of Dec 30, 2022. Attribution analysis for 1 Year data. Data in percentage (%).

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- The Fund is not a guaranteed or assured return fund.
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Aditya Birla Sun Life Asset Management Company Pte Ltd

Unit Entity No: 2010019466