Results analysis: Ashoka India Equity

AIE's exceptional returns have continued...

Update
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- **Ashoka India Equity (AIE) has released its annual results for the year to 30/06/2024. The net asset value (NAV) increased by 35.5% during the 12-month period, versus a gain of 37.7% from the MSCI India IMI, a slight underperformance of 2.2 percentage points. The share price rose 35.9% during the same period.**
- **The performance continues AIE's fine returns since it was launched in 2018, with the NAV up 185% and the share price rising 184% in that time, versus a 121.5% gain from the benchmark index – impressive long-term performance. The company's share price at year-end stood at 284p, a 1.7% premium to NAV.**
- **Demand from both existing shareholders and new investors also continued, with more than 43 million new shares issued at a small premium to the prevailing NAV, raising a total of £107.5 million.**
- **The portfolio remains well diversified and balanced across both cyclical and counter-cyclical sectors. Management believes that this helps them to consciously avoid market timing, sector rotation and other such top-down bets. Stylistically, AIE aims to be agnostic.**
- **Top contributors to performance were Azad Engineering, which makes highly engineered precision and machined components for companies in sectors such as defence and energy; the private sector bank ICICI; and CG Power and Industrial Supplies, which makes railway and power transmission products.**
- **While there's a risk that any sustained weakness in global growth could weigh on market performance, the investment manager remains optimistic on the outlook, believing that the structural growth drivers of the Indian economy are deep rooted, making India an attractive long-term investment opportunity.**
- **Andrew Watkins, chairman, said: "Conditions for investment managers to concentrate and produce positive returns for their shareholders have not become any easier in the last 12 months as tensions persist worldwide. Perhaps being based in Mumbai and Singapore provides an element of shelter from the cacophony of this rather mad world in which we all currently reside and, if so, the high regard in which my fellow directors and I hold the company's investment manager and adviser grows by the day."**

Kepler View

The exceptional returns that the managers of **Ashoka India Equity (AIE)** have delivered since inception have continued through its 2024 full-year, with both the NAV and share price only narrowly underperforming the benchmark index in the near-term.

AIE has arguably captured the impressive growth of the India market better than peers, with its focus on ensuring that the portfolio is not over- or under-exposed to any one factor, including having a reasonable balance in large caps.

In fact, AIE's 60 percentage-point outperformance of its benchmark since inception, in our view, makes it one of the stand-out trusts across all emerging markets.

Leading the way for active management, much of AIE's success has come down to stock selection, with the managers achieving a 'hit rate' of c. 65%, well above the 55% that is considered a high standard in the industry. As such, we believe there are encouraging signs for future performance.

The focus on small and medium-sized businesses helps in this regard. WhiteOak's team of highly experienced analysts are able to exploit this under-researched space for alpha generation, therefore we believe this should provide more opportunities for the managers going forward.

The charging structure is also a standout feature. The managers are only remunerated for outperformance of the benchmark, aligning their interest fully with shareholders. This has been further enhanced in our opinion with the decision to use the fees to invest back into the trust, which shows strong commitment to the long-term future of the trust.

AIE is, in our opinion, a risk-managed way of accessing this popular asset class with significant alpha potential.

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