

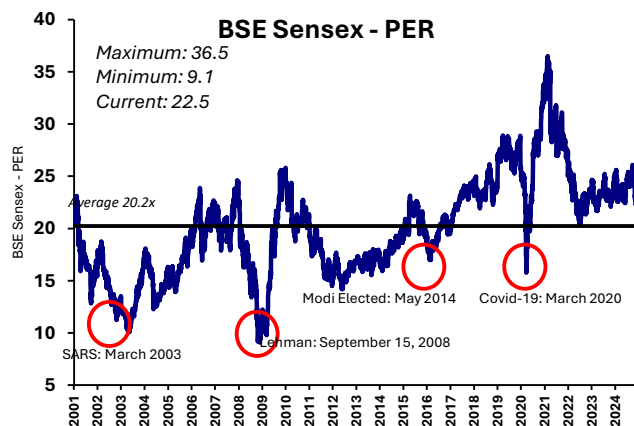


The India Opportunity: Pebbles on a Beach?

The recent decline in the Indian equity markets is not only expected but warranted and offers long term investors an opportunity to calibrate their allocation and exposure to India.

Since the bounce back in a post-Covid recovery world, Indian stock markets have been on a tear in sync with global markets. Barring a hiccup of the CY 2022 poor performance when the US central bank indicated it would raise interest rates from near-zero levels – a wave of money has ensured that share prices have remained buoyant and, from the perspective of a value manager, expensive.

Index Looks Expensive; Opportunities Beyond the Index?

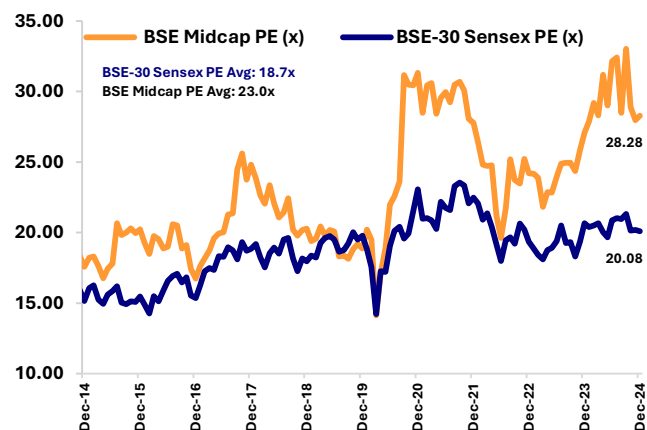


Source: Bloomberg Finance L.P.; As of December 31, 2024

Past performance does not guarantee and is not indicative of future results

*The BSE SENSEX is India's most tracked bellwether index. It is designed to measure the performance of the 30 largest, most liquid and financially sound companies across key sectors of the Indian economy that are listed at BSE Ltd. (Defined as per Asia Index Pvt. Ltd, a wholly owned subsidiary of BSE). The price-to-earnings ratio (PER) measures a company's share price relative to its earnings per share (EPS).

BSE Midcap PE at ~41% premium to BSE-30 Sensex



Note: BSE Midcap Index and Sensex 1Y Forward PE.

Source: Bloomberg Finance L.P.; As of December 31, 2024

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*The BSE MidCap is designed to represent the 15% of the total market cap of the BSE AllCap after the large-cap index. The index is designed to represent the mid-cap segment of India's stock market. (Source: Asia Index Pvt. Ltd, a wholly owned subsidiary of BSE).

^ PE - Price Earning, The price-to-earnings ratio (PER) measures a company's share price relative to its earnings per share

^^18.7x & 23.0x is the average PE for last 10 years

With over 30.7 million new investors rushing¹ into mutual funds since 2021 in the post-Covid era and international investors looking for the next 'China+1', the India thematic has attracted impatient money. Providers of hot money*, however, hate stepping on a pebble when flirting on the beach. The recent slowdown in the rate of growth in India's GDP is now seen by impatient money* as a warning to 'exit Indian stocks'.

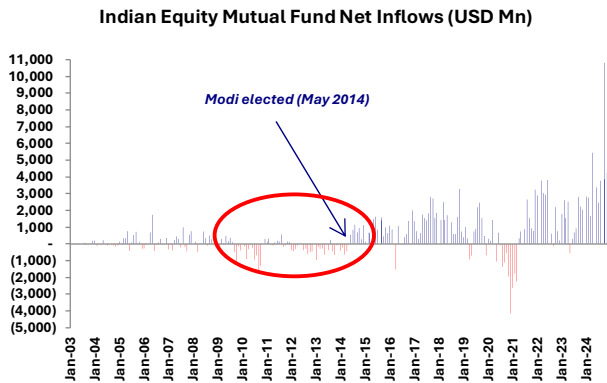
(*hot money/ impatient money is referred for investors investing for short-term speculative returns; thus the 'pebble on the beach' is used as a metaphor to explain the short-term slowdown or market price falls which may impact the return expectations of a short term investor)

But investors with a longer-term time horizon are aware that India's GDP since 1980 and across 11 governments (a 12th was elected in June 2024) has averaged 6.2% per annum – approximately 2x that of global GDP. (see chart on GDP across governments in the Annexure below)



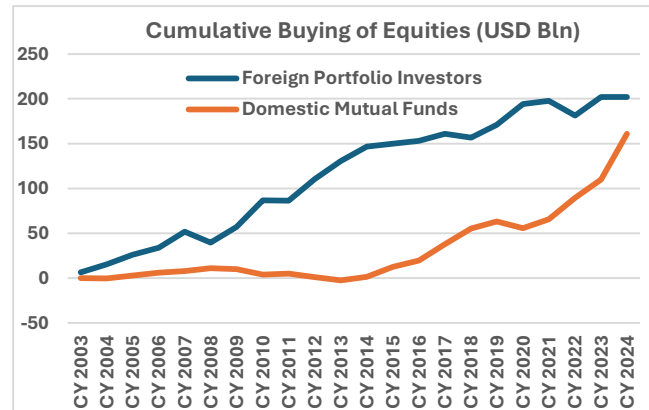
The thesis for investing in economies with growing GDP remains: when economies grow, it means there is more economic activity which, in turn, means companies have more revenues. When revenues increase, it means that the profits of a company is likely to increase. When profits increase, it suggests that share prices could increase. That is the simple connection between GDP and share prices. So, when a short-term investor fears a GDP slow down, then they may assume a profit slowdown – and a decline in share prices if there are in-built expectations that there will never be a pebble on a beach.

MF Equity net inflows of \$166 bn post Modi Election; prior 11 years had seen net \$4 bn outflow



Source: SEBI, As of December 31, 2024, Narendra Modi was elected as India's Prime Minister for the first time in May 2014.

The rise of the Indian Investor: The Modi Effect

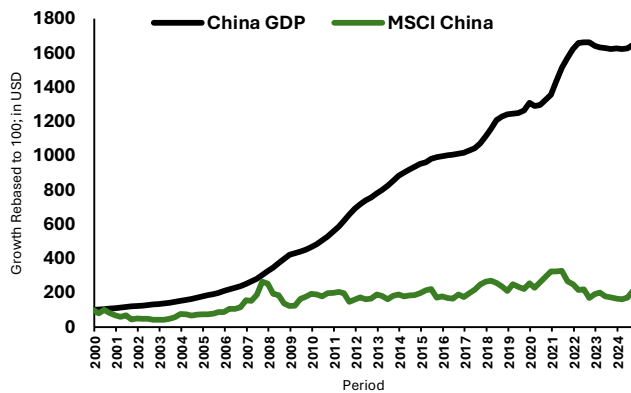


Source: Quantum Advisors, NSDL, SEBI, Annual Calendar year data till December 2024

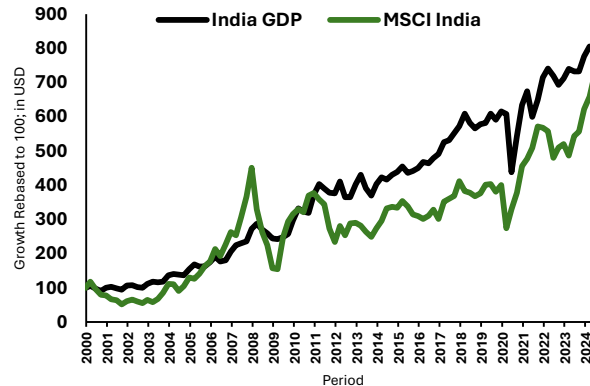
Past performance does not guarantee and is not indicative of future results

Another factor that can break the GDP-profit-share price assumption is if crony capitalists and bad actors steal profits from minority shareholders to enrich themselves. Sometimes, governments can spoil the party with their questionable actions.

GDP Growth = Equity Returns?



India GDP Growth Reflected In Equity Markets



Source: Bloomberg and MSCI, All data in USD, Quarterly Data till 30-September 2024, Y-Axis Rebased to 100 on 31-Dec-1999. This is only for representation and understanding purpose and does not assure any promise or guarantee of same in the future.

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#The MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market. With 156 constituents, the index covers approximately 85% of the Indian equity universe. (Source: MSCI)

#The MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings. The index covers about 85% of this China equity universe. (Source: MSCI)

With a 24-year track record of investing in India's racy stock markets, Quantum Advisors has had the joy of taking a long stroll on the endless beach as we have navigated the tsunami of impatient and ill-informed capital and the irritation of a few pebbles along our investment journey.

Our proprietary Integrity Screen initiated in 1996 has also guided us to avoid the crony crabs that exist in most emerging economies like India. *(The Integrity Screen is a proprietary governance framework introduced in 1996 and refined over time, with the goal of sifting out bad management, regardless of how large these companies may be in the index, their profitability, or their valuations)*

We believe that the recent correction in India – where the share prices of 2,522 of the 5,149 listed stocks have declined by over 30% in US\$ from their 52 week highs and where the MSCI India Index is down 17.3% in US\$ from its 52 week high established on September 29, 2024 – is a good opportunity to tread into the Indian markets. *(source: Bloomberg)*

But tread cautiously – there are a few pebbles along the beach.

This should not be construed as an investment recommendation or advice. Please consult your investment adviser on your desired allocation to Indian equities before taking any investment decision.

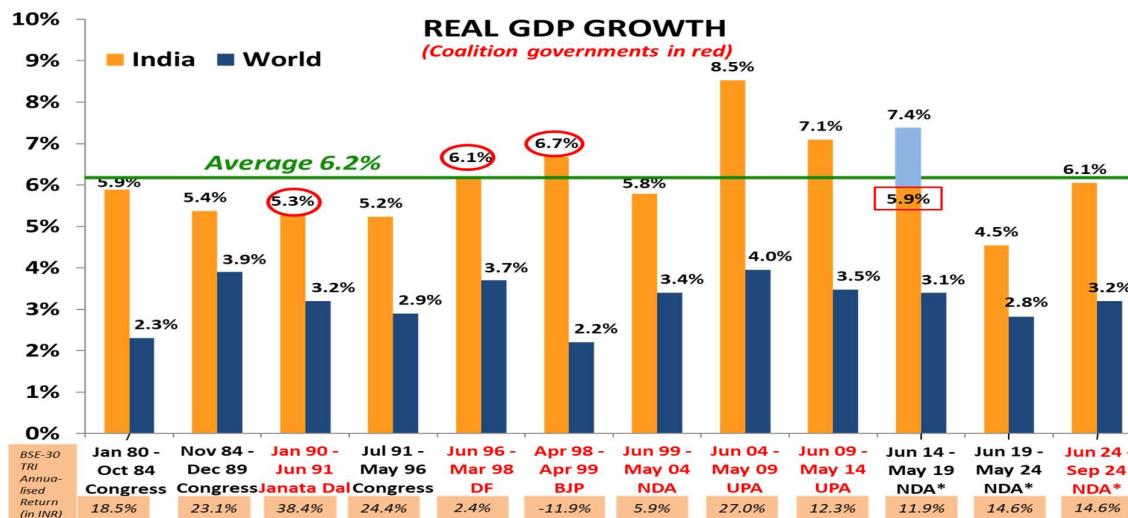
Fund Name	Share Class	Ticker
Q India Equity Fund	Class I	QINIX
Q India Equity Fund	Class II	QINSX
Q India Equity Fund	Investor Class	QINRX

Our Portfolio Managers and research analysts are poised to invest your capital for long term, sensible* returns. For those seeking to play with their hot money, there is always the casino.

*Sensible Returns - Seeks to generate equity returns in line with the long-term history of the strategy without taking undue liquidity and governance risk.

¹ Source - Café Mutual Fund Article – ***"History made: Over 1.05 crore new investors started their MF journey in 2024"***

Annexure: India Real GDP Growth has averaged 6.2% since 1980



Source: Worldbank, RBI and Wikipedia – India loksabha page; Chart Data as of September 2024. Note: The number in red rectangle is from a changed data series starting Jan 2015; Few economists deduct 1.0%-1.5% from reported GDP to adjust for the change in the new series over old series. Please note that data used for World GDP from 2021 is a median annual estimate since quarterly data is not available and India GDP data is governments second advance estimate released at the end of November 2024.

DF = Democratic Front; BJP = Bharatiya Janata Party; NDA = National Democratic Alliance; UPA: United Progressive Alliance

The graph is only for representation and understanding purpose and does not assure any promise or guarantee that the historical performance is indicative of future results

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- Investing involves risk, including loss of principal. The value of the fund's shares, when redeemed, may be worth more or less than their original cost.

5. Q India Equity Fund is distributed by Ultimus Fund Distributors LLC (Member [FINRA](#)). Ultimus Fund Distributors is not affiliated with the Fund or Quantum Advisors Private Limited.
6. The Fund is a new Fund launched on January 6, 2025.

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