

**Investment Review**

Hereford Funds - IIFL Focused India Fund ("Fund") was launched on 30 September 2022. The Fund appreciated by 3.7% in USD terms in the month of November, in comparison to a 4.7% return for MSCI India IMI Index in USD terms. At the end of November, the Sub-Fund was primarily invested in the financials, consumer discretionary, information technology, industrials, materials and communication services sectors, amongst others.

**Manager's Commentary (in INR terms)**
**Month Gone by**

Indian equity markets closed the month of November'22 in green, with MSCI India IMI Index registering monthly gains of 3.1% in INR terms. Investors cheered strong 2Q results, lower-than-expected US CPI inflation that fuelled hopes that the Fed could tone down its aggressive pace of interest rate hikes, dovish remarks in the US Federal Reserve meeting minutes, and falling crude oil prices. However, geo-political tensions and rising Covid cases in China weighed on investor sentiment. Foreign portfolio investors (FPIs) bought \$4.4 bn worth of Indian equities while domestic institutional investors (DIIs) sold \$0.8 bn reversing the previous month's trend. The indices down the capitalization curve underperformed the key benchmark indices. S&P BSE Mid-cap index and S&P BSE Small cap index registered monthly gains of 2.3% & 2.4% respectively. Metals, IT and Public sector undertakings (PSU) were among the top three performers registering monthly gains of 6.5%, 5.5% and 5.4% respectively while Power, Utilities and Consumer Durables were among the bottom three performers registering monthly losses of -3.45%, -2.83% and -2.75% respectively.

In terms of the key developments during the month,

- (1) the US Federal Reserve raised interest rates by 75 bps;
- (2) massive protests erupted in China against the harsh Covid lockdown measures;
- (3) S&P Global Ratings lowered India's FY2023 GDP growth forecast to 7% from 7.3% earlier; and
- (4) 2QFY23 net income of the Nifty-50 Index was up 9.5% YoY, 8.8% ahead of our expectations.

The momentum in manufacturing increased during the month and continued to demonstrate resilience despite fears of global recession and slowdown, inflationary pressures and geopolitical tensions., November'22 PMI came in at 55.7 as against 55.3 in October'22. November recorded the seventeenth consecutive expansion in the manufacturing production in India. Companies were also aided by a substantial cooling of cost pressures in November, a factor that prompted them to purchase more inputs and add to their inventories. Meanwhile, the gross GST revenue collected in November'22 was up 11%YoY and stood at INR 1.49 trillion. This is the ninth month in a row that the total GST collections have crossed INR 1.4 trillion mark and hence are likely to provide more headroom on the fiscal front. Despite the slowdown in rate of growth, GST collections are expected to exceed the budgetary targets set for this fiscal. Given that government has additional spending on fertilizer, food and fuel subsidies, revenue growth is crucial for the fiscal arithmetic this year.

**Strong earnings momentum to continue in H2FY23**

High frequency indicators like GST collection, peak power demand, recovery in air travel, rise in discretionary spending, commercial vehicles, housing, capex announcements are positive. With rural demand also starting to slowly pick up, peaked out inflation and strong pent-up demand from middle and upper middle class are positives. 3Q will benefit from improvement in margins given that cost pressures are abating. Global supply chain seems to be in better shape and semiconductor shortage appears to be ebbing now.

**Signs of revival in capex formation**

The momentum in the capex cycle will continue despite macro headwinds. India's gross fixed capital formation (GFCF), which is an indicator of investment activity in the country, rose 10.37 per cent during the September 2022 quarter to INR 13,210 trillion, higher as compared with INR 11,970 trillion a year ago. Improved corporate balance sheet, rising capacity utilization rates and supportive policy initiatives could further the revival of private capex cycle. GOI has been undertaking huge capex plans even as private sector capex is showing signs of revival. Government's growth push in Production Linked Incentives (PLI)/Defense, rising capex in Steel, Chemicals, Pharma, Energy, Cement etc. augurs well for revival in capex cycle.

**Outlook**

Inflation seems to have peaked out across the globe. Therefore, the pace of interest rate hikes would soften too. US Fed has increased rates by a stunning 375bps while RBI in India has increased rates by 190bps since the beginning of the year. Rates may go up another 50bps over the next few months and then it would flatten out. Now, more than inflation and rates, concerns are around the length and depth of the recession which would have larger impact on broader markets. Despite the interest-rate hikes and inflation in India, the demand has been relatively robust.

Sectors that are inward facing (or dependent on the domestic economy) are better placed than sectors that are outward-facing (or dependent on the global economy) ones. We are positive on the Investment cycle and therefore the domestic cyclicals like Financials, Auto and industrials are well placed in the current environment. Overall capex in the country is estimated to be around INR 18,000 -19,000 trillion and half of it is from the government. After a decade of muted growth in capex, now the cycle seems to pick up. Marked improvement in corporate balance sheets supported by increased lending appetite by banks is driving a rebound in demand despite inflationary pressures. Also, Government policies such as the PLI scheme are undoubtedly focused towards encouraging "Make in India". On the exports front, we are seeing good traction in export of manufactured goods due to China+1 phenomenon. Hence, domestic cyclicals are set to deliver healthy growth in the medium term based on recovery in domestic demand and pick up in exports.

Our long-term view on economic cycle remains positive led by pick up in private sector capex, government's resolve on infrastructure spending, opportunities arising from shift of global supply chains, and a rebound in housing cycle. Also, low corporate and housing leverage coupled with strong banking sector are likely to augur well for economic growth in the medium to long term. From a long-term performance standpoint, we believe that identifying companies having sound managements and potential for sustainable long-term earnings growth would be the key.

Source: IIFL Asset Management Ltd.

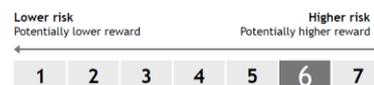
**Investment Objective**

The Fund seeks to provide long-term capital growth, measured in USD, primarily through investment in equities and equity-linked securities of Indian companies or companies deriving a significant portion of their business from India.

The investment philosophy of the fund is centred around buying growing businesses, with above average return on capital, backed by managements with a track record of good governance and valued at a reasonable risk/reward ratio.

**Key Information**

<b>Launch Date</b>	30 September 2022
<b>Fund Assets (AUM as of 30-Nov-2022)</b>	USD 10.5 mn
<b>Strategy Assets <sup>(a)</sup></b>	USD 1.8 bn
<b>Number of Securities</b>	30
<b>Benchmark</b>	MSCI India IMI Index USD (Ticker: MIMUINDN Index)
<b>Dividend Policy</b>	Accumulation
<b>Domicile</b>	Luxembourg
<b>Fund Structure</b>	UCITS V
<b>Dealing</b>	Daily
<b>Cut-off for Subscriptions and Redemptions</b>	4 p.m. (CET), 1 Luxembourg bank business day prior to the relevant Valuation Day
<b>Valuation Day</b>	Bank business day in Luxembourg and India and on which the Indian Stock Exchanges are open for trading
<b>Settlement Day</b>	<b>Subscriptions:</b> within 2 Luxembourg bank business day following the relevant Valuation Day <b>Redemptions:</b> within 5 Luxembourg bank business days following the relevant Valuation Day
<b>Country and Tax Registrations</b>	Please refer to website: <a href="https://herefordfunds.com/library/country-registrations">https://herefordfunds.com/library/country-registrations</a>

**Risk Profile**


### Monthly performance %

	NAV per share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2022
IIFL Focused India Fund (Class L1)	105.97										2.2	3.7		6.0
MSCI India IMI Index	-										1.9	4.7		6.8

NAV and Returns are in USD. Benchmark returns are shown only for comparison purposes. Past performance may or may not be sustained in future.

### Periodic Performance % (including Reference Strategy) <sup>(b)</sup>

	2022 YTD	CY 2021	CY 2020	CY 2019	CY 2018 (since 1 Sept 2018)	Annualized (since 1 Sept 2018)
Reference Strategy	-6.6	25.6	15.9	21.2	-6.6	10.8
MSCI India IMI Index	-4.1	30.4	16.1	5.3	-7.7	8.5

### Growth of USD 100 since 1 September 2018 <sup>(c)</sup>



### Details of Fund Portfolio

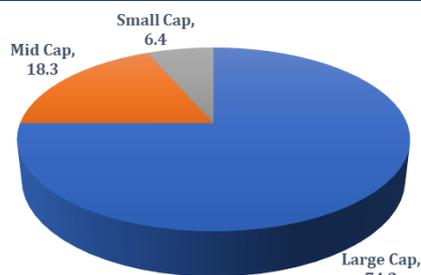
#### Fund Statistics <sup>(d)</sup>

Ratios	Fund
P/E	16.7
P/B	3.0
ROE	17.9%
EPS Growth (FY22-24E)	21.3%

#### Top 10 Holdings

Security	GICS Sector	% of AUM
ICICI Bank	Financial Services	9.2%
HDFC Bank	Financial Services	8.2%
Infosys	Information Technology	7.0%
Bharti Airtel	Telecommunication	5.2%
Larsen & Toubro	Construction	5.1%
Axis Bank	Financial Services	5.1%
State Bank of India	Financial Services	5.0%
Dr Reddy's Laboratories	Healthcare	3.3%
NTPC	Utilities	3.3%
Tata Motors	Consumer discretionary	3.2%

#### Market Capitalization <sup>(e)</sup>



#### Important notes:

- (a) This refers to the total assets invested in the IIFL Multicap PMS Strategy (Reference Strategy), other funds and segregated mandates managed by the Investment Manager under its diversified public equity strategy.
- (b) The table depicts the performance of Reference Strategy from 1 September 2018 to the fund launch on 30 September 2022. The Reference Strategy was launched by the Investment Manager in December 2014, but the current investment management team started managing it from 1 September 2018 onwards. Post the fund launch on 30 September 2022, the actual returns of Share Class L1 are used. The fund follows a similar strategy to the Reference Strategy except for the investment restrictions followed as per Indian and Luxembourg regulations. Performance of the Reference Strategy is simulated by adjusting its estimated gross returns with a modeled fee of 0.75% p.a., expenses of 0.25% p.a. and estimated capital gains tax deductions of 12.94%.
- (c) The growth chart depicts the performance of Reference Strategy (gross of taxes) against MSCI India IMI Index from 1 September 2018 till the fund launch date 30 September 2022 and the actual net performance of Share Class L1 from 30 September 2022 onwards.
- (d) Source: Bloomberg estimates. P/E, P/B and ROE are based on FY24 estimates. P/E = price to earnings ratio. P/B = price to book ratio and ROE = return on equity.
- (e) Market capitalization categories have been defined using classification given by Association of Mutual Funds in India (AMFI). The consolidated list of stocks in terms of full market capitalization is as per the list uploaded by AMFI, as per SEBI circulars dated 6 October 2017 and 4 December 2017. Large Cap Companies: 1st -100th company in terms of full market capitalization. Mid Cap Companies: 101st -250th company in terms of full market capitalization. Small Cap Companies: 251st company onwards in terms of full market capitalization.

### Key Fund Terms and Fees

Share Class <sup>(f)</sup>	ISIN	Bloomberg Ticker	Valoren / Telekurs	Available Currencies	Minimum Investment Amount (USD)	Minimum Subsequent Investment (USD)	Minimum Holding Amount (USD)	Total Expense Ratio <sup>(g)</sup> (Estimated)
L1 USD	LU2444714633	L1USDLX LX	116644540	USD, EUR, GBP	100,000	10,000	100,000	0.50%
L2 USD	LU2444715010	HFIFL2U LX	116644644	USD, EUR, GBP	100,000	10,000	100,000	0.75%
AI USD	LU2444713585			USD, EUR, GBP	100,000	10,000	100,000	1.25%
BI USD	LU2444715366			USD, EUR, GBP	5,000,000	100,000	5,000,000	1.00%

(f) Share Class L1 and L2 are launch share classes and available to investors only till the fund size reaches USD 25 million and USD 50 million, respectively. Please refer to the fund's prospectus for full details which is available at <https://herefordfunds.com/library/investment-prospectus>

(g) TER is estimated as of 30 November 2022.

### Service Providers

Management Company	Investment Manager <sup>(h)</sup>	Central Administration	Custodian	Legal Advisor	Auditor
FundPartner Solutions (Europe) S.A.	IIFL Asset Management Ltd	FundPartner Solutions (Europe) S.A.	Pictet & Cie (Europe) S.A.	Elvinger Hoss Prussen	Deloitte Audit S.à r.l.
15, Avenue John F Kennedy, L-1855 Luxembourg	IIFL Centre, 7th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai 400013, India	15, Avenue John F Kennedy, L-1855 Luxembourg	15A, Avenue John F Kennedy, L-1855 Luxembourg	2, Place Winston Churchill, L-1340 Luxembourg	20, boulevard de Kockelscheuer, L-1821 Luxembourg

(h) IIFL Asset Management Ltd is managing the assets of Hereford Funds – IIFL Focused India Fund under its SEBI Portfolio Manager license no. INP000004565.

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#### Paying Agent information:

- Germany** - Facilities agent as defined by German Regulation:  
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<https://assetservices.group.pictet/fund-library-facilities-investors>

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