

**VanEck**<sup>®</sup>

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# Positioning India for the Next 10 Years



# India Highlights

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- **Why now:** India economic growth, demographics and reforms have supported outperformance in Indian stock market
- **Policy reforms and government initiatives** are transforming the entire economy, creating a positive feedback loop between local companies and broader economic growth
- **A supportive environment** is creating opportunities for both public and private investors

# India's Economy is Growing Too Fast to Ignore



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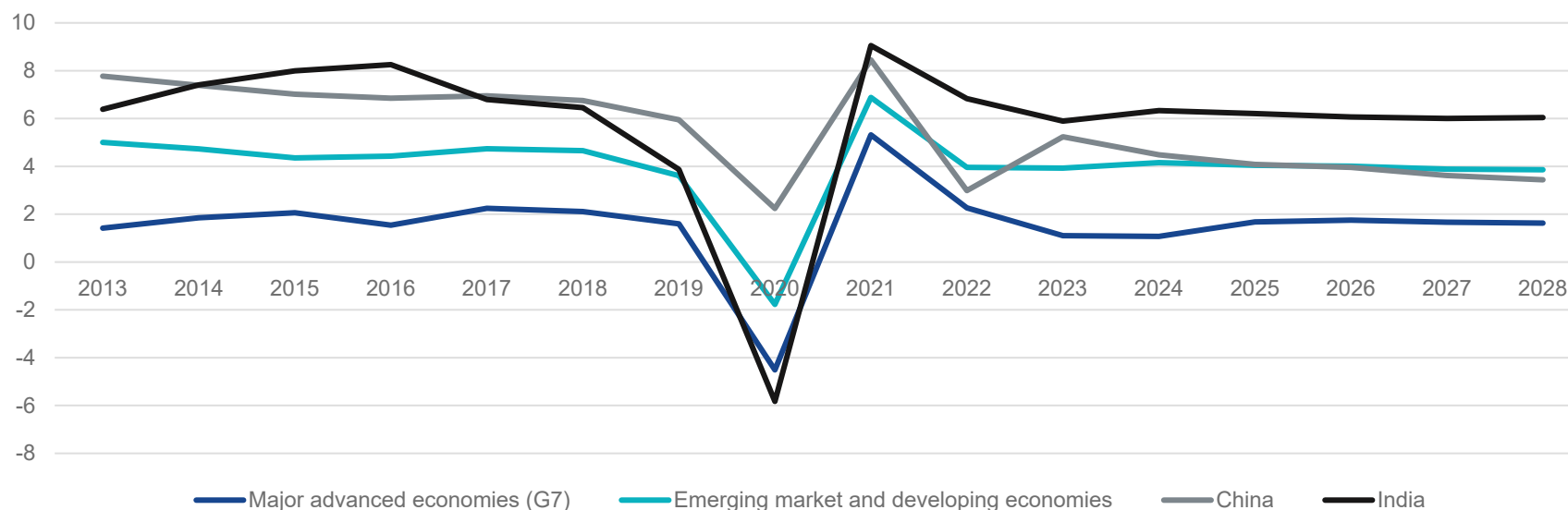
Country	2022 GDP (in Billions \$)
United States	25,464
China	18,100
Japan	4,233
Germany	4,075
<b>India</b>	<b>3,386</b>

Country	Projected 2028 GDP (in Billions \$)
United States	32,349
China, People's Republic of	27,492
<b>India</b>	<b>5,575</b>
Japan	5,344
Germany	5,044

## Economic Powerhouse

- According to the IMF, India will be third largest country by GDP within five years
- Policy tailwinds support long periods of growth
- Re-investment across the economy into infrastructure, healthcare, housing and more

## India GDP Rebound has Exceeded Expectations Post-Covid

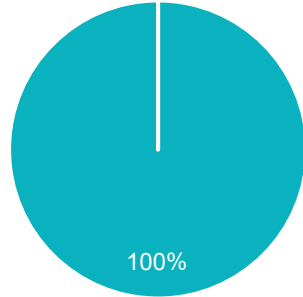


Source: IMF as of 7/31/2023. Not intended as a recommendation to buy or sell any securities mentioned herein. Past performance is no guarantee of future results.

# Government Initiatives Have Big Impact

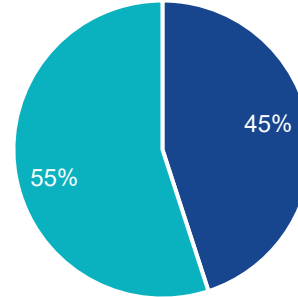
## Digital payment initiatives have brought dramatic shift to consumer behavior

% of Population Using Digital Withdrawals  
2012



■ Digital ■ Non-Digital

% of Population Using Digital Withdrawals  
2022



■ Digital ■ Non-Digital

### Initiatives Support Growth

- Roughly 400 million people are using digital services to withdraw money from bank accounts
- Bringing cash economy online leads to more tax revenues
- Positive feedback loop boosting growth across sectors



# India Fiscal Policy Priorities Create Positive Feedback Loop

Tax revenues are growing much faster than GDP, and are being invested in areas that promote growth

Metric (Broad)	2020	2021	2022	2023*	2024*
GDP Growth (%)	-5.8%	9.1%	6.8%	5.9%	6.3%
Tax Revenue	13,569	14,262	18,047	20,866	23,306
Tax Rev. Growth (%)	3.0%	5.1%	26.5%	15.6%	11.7%
Fiscal Deficit	9,337	18,183	15,845	17,553	17,868

Policy Priority	2020	2021	2022	2023	2024	2024 Projected Y/Y Growth Rate
Transportation	1,534	2,168	3,322	3,905	5,170	32.4%
Transfer to States	1,489	2,115	2,746	2,709	3,246	19.8%
Agriculture	1,125	1,344	765	763	1,442	89.0%
Education	894	842	804	999	1,129	13.0%
Healthcare	634	800	841	774	890	15.0%
Other**	14,726	20,526	20,828	22,911	22,354	-2.4%
Total Expenditure (ex interest expense)	20,743	28,300	29,883	32,466	34,231	5.4%

## Policy Impact Builds Momentum

- Tax revenue growth rate projected to double between 2021 and 2024
- Spending decisions are targeted, leading to infrastructure upgrades, higher employment and higher consumption
- Transportation and Transfer to States earmarked mostly for new road and rail infrastructure
- “Other” category spending growth is declining (includes inefficient areas like food subsidies, tax administration and other government expenses)
- Deficit has stabilized
- Growth multiplier will be visible for many years to come

\*Projected

\*\*Reflects the average projected growth rate of other categories as of 2024

Source: VanEck, Bloomberg as of 9/30/2023. Past performance is no guarantee of future results. Index performance is not illustrative of fund performance. It is not possible to invest directly in an index.

# India Could be the Third Largest Equity Market by 2030

## India to exceed Japan and France, using current correlations and growth rate

Country	Benchmark	Total Nominal GDP 2022 (USD Trillions)	Avg Projected Annualized GDP Growth (2022)	30-Year GDP: Equity Market Return (%)	GDP Forecast + 30yr GDP/Market Ratio	2030 Market Capitalization	Implied % Market Performance to 2030
USA	S&P 500	26.18	1.8	5.8	7.6	54.81	53.11
EuroZone	S&P Europe 350	14.13	1.4	4.9	6.3	17.95	43.75
China	Shanghai Composite	19.23	5.6	-9.8	-4.2	4.95	-29.57
Japan	Nikkei 400	4.37	0.6	2.3	2.9	5.19	20.14
France	CAC All Tradable	2.81	1.8	4.8	6.5	4.62	45.78
<b>India</b>	<b>S&amp;P BSE 500</b>	<b>3.82</b>	<b>9.1</b>	<b>7.2</b>	<b>16.3</b>	<b>6.72</b>	<b>114.08</b>

# Contextualizing the Indian Opportunity Set

Characteristic	MSCI EM IMI Index	MSCI India IMI Index
# of Securities	3,332	530
Market Cap	93,725	47,599
Dividend Yield	3.0	1.1
Price/Earnings	12.6	23.8
Price/Book	1.8	3.6
Price/Sales	1.2	2.0
ROE	16.6	18.2
% Indian Stocks	15.5	100

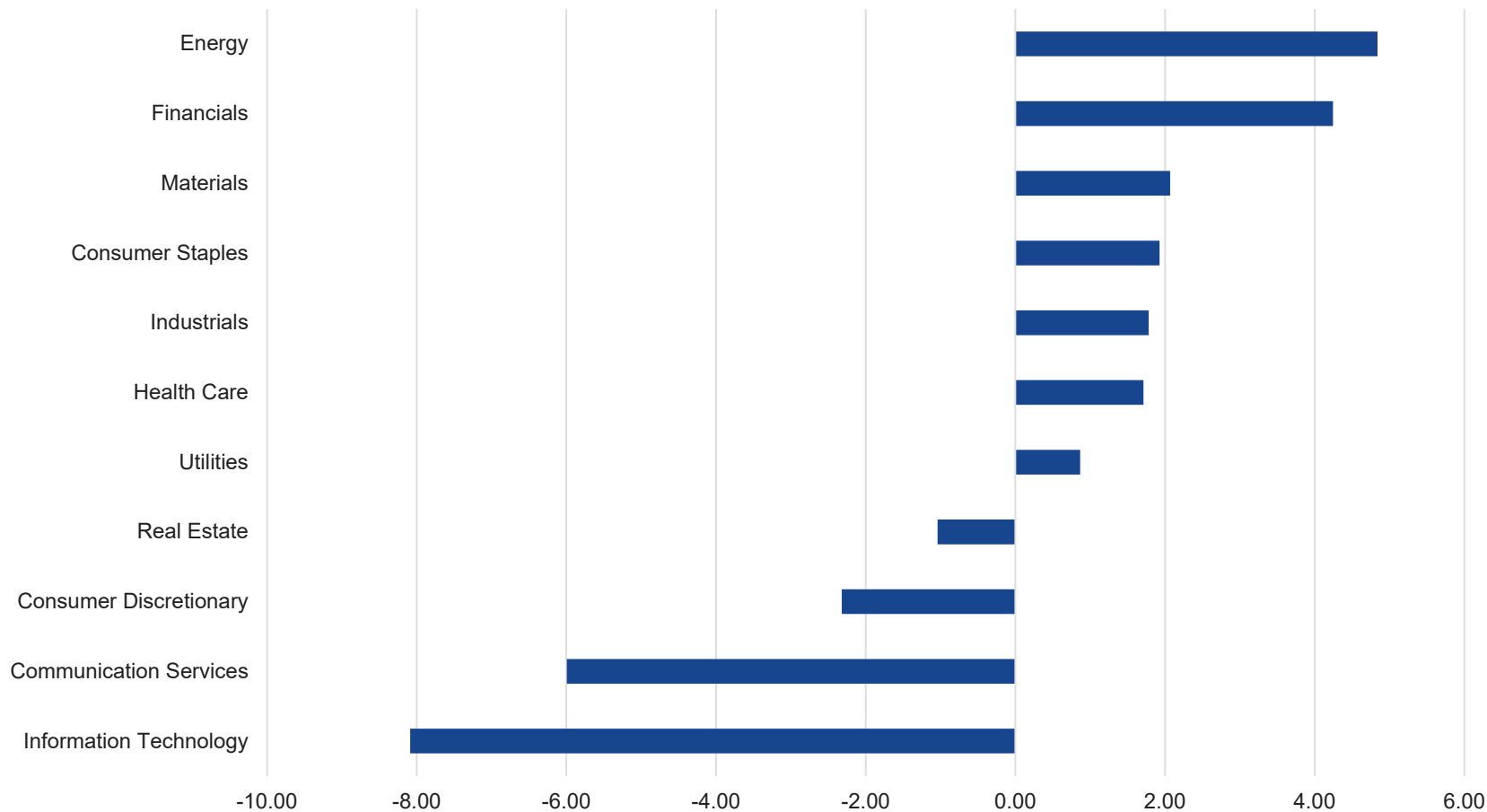
	MSCI EM IMI Index		MSCI India IMI Index	
	% Weight	Market Cap	% Weight	Market Cap
Large Cap	66.0	139,703	66.4	69,525
Mid Cap	24.9	5,622	24.2	5,460
Small Cap	9.1	1,121	9.4	1,209

## India vs Broader EM

- India third largest weighting in MSCI EM Index after China and Taiwan
- Smaller weighted average market cap, lower yielding, 2x P/E

# Contextualizing the Indian Opportunity Set

## Sector Weight Comparison of MSCI India IMI Index vs MSCI EM IMI Index



### India vs Broader EM

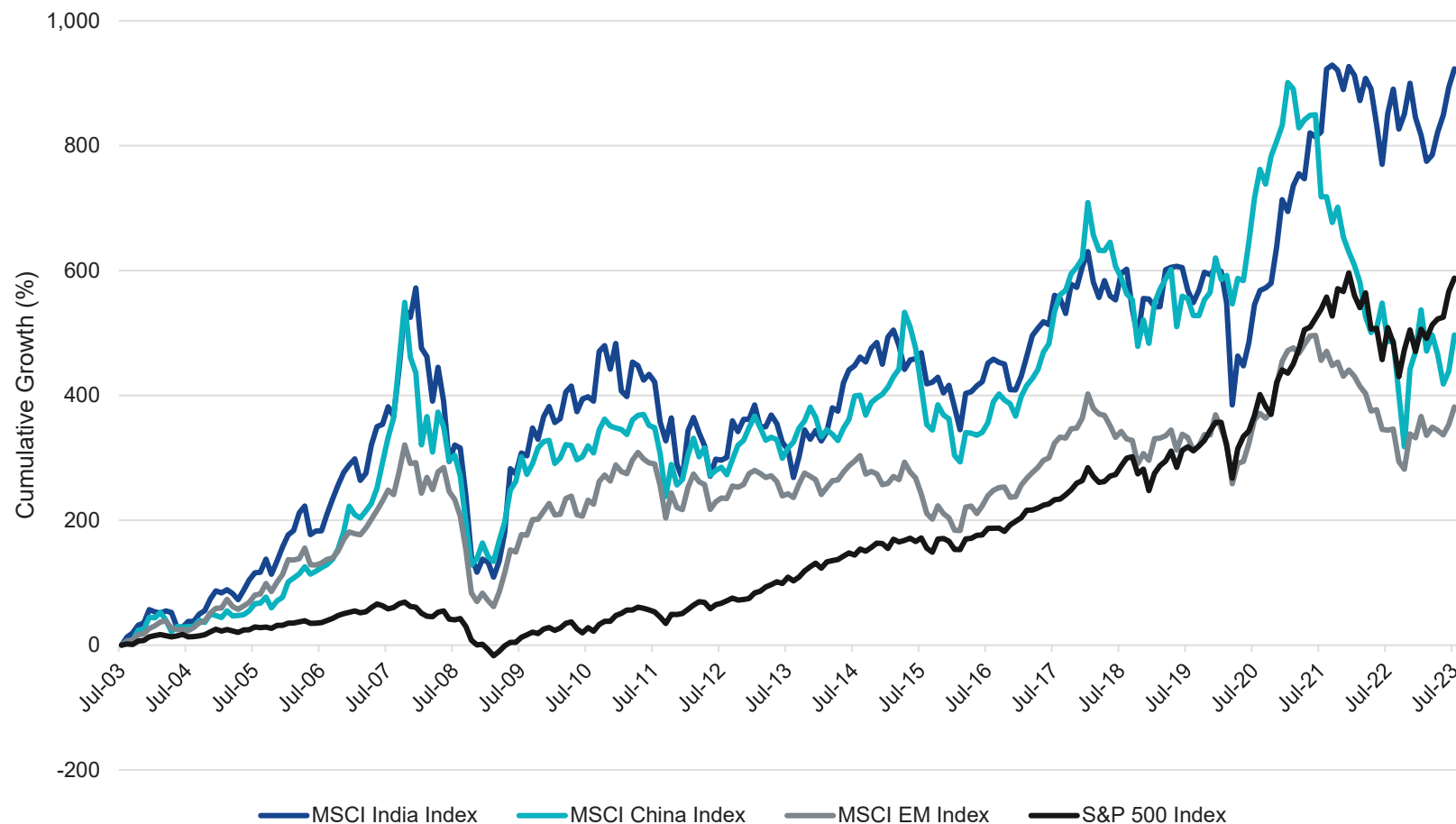
- Overweight Energy, Financials, Materials
- Underweight IT, Communication Services, Consumer Discretionary
- Overweight to Energy primarily due to Reliance Industries
- Underweight to IT primarily due to Asian companies (TSMC and Samsung)



# Indian Stocks Outperforming EM, U.S. and China for 20 Years



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## Stocks Tell a Story – are you listening?

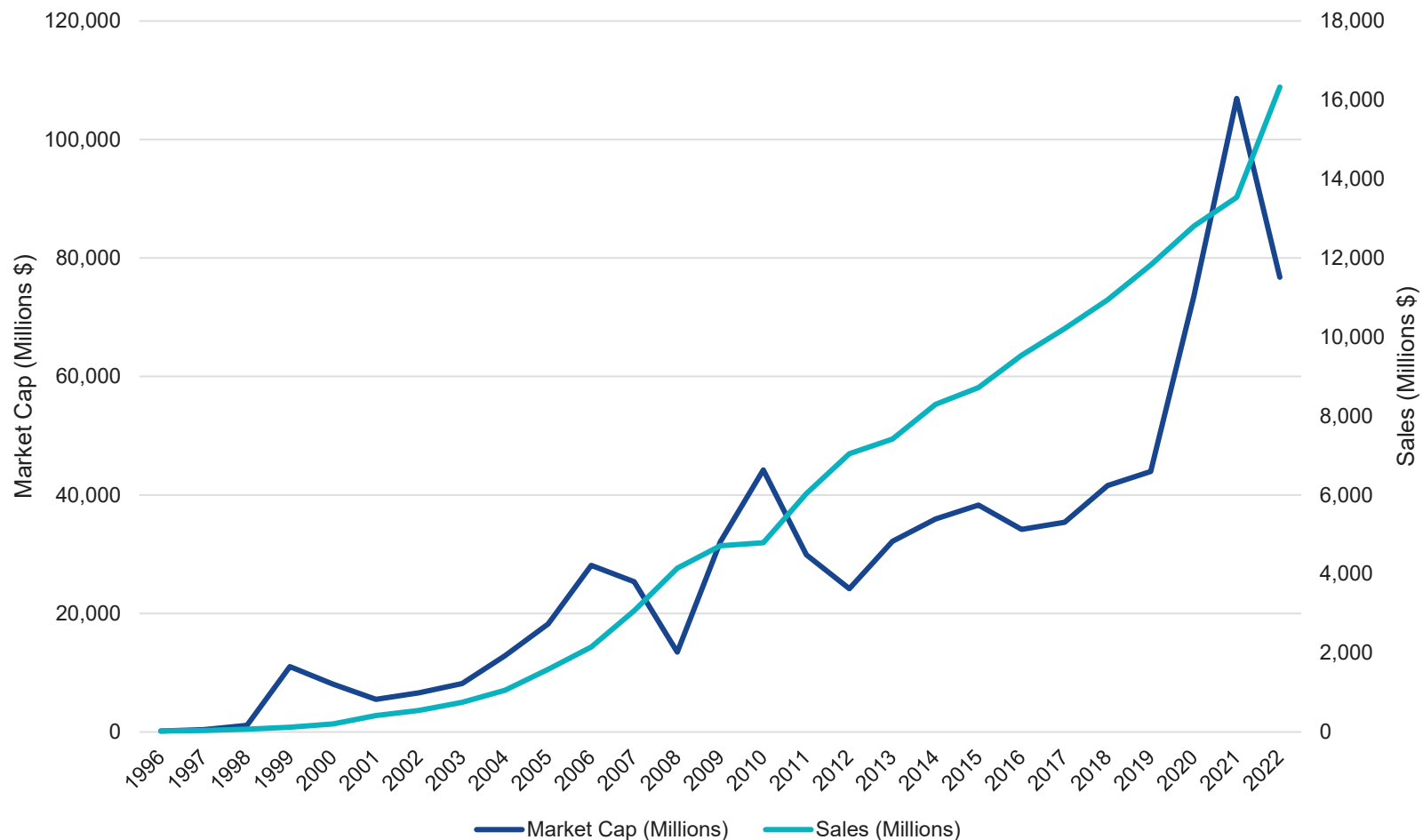
- Stock fundamentals supports long-term structural growth story of India
- Demographics, government initiatives, reforms

Source: Morningstar as of 7/31/2023. Past performance is no guarantee of future results. Index performance is not illustrative of fund performance. It is not possible to invest directly in an index.

# Infosys: An Indian Success Story



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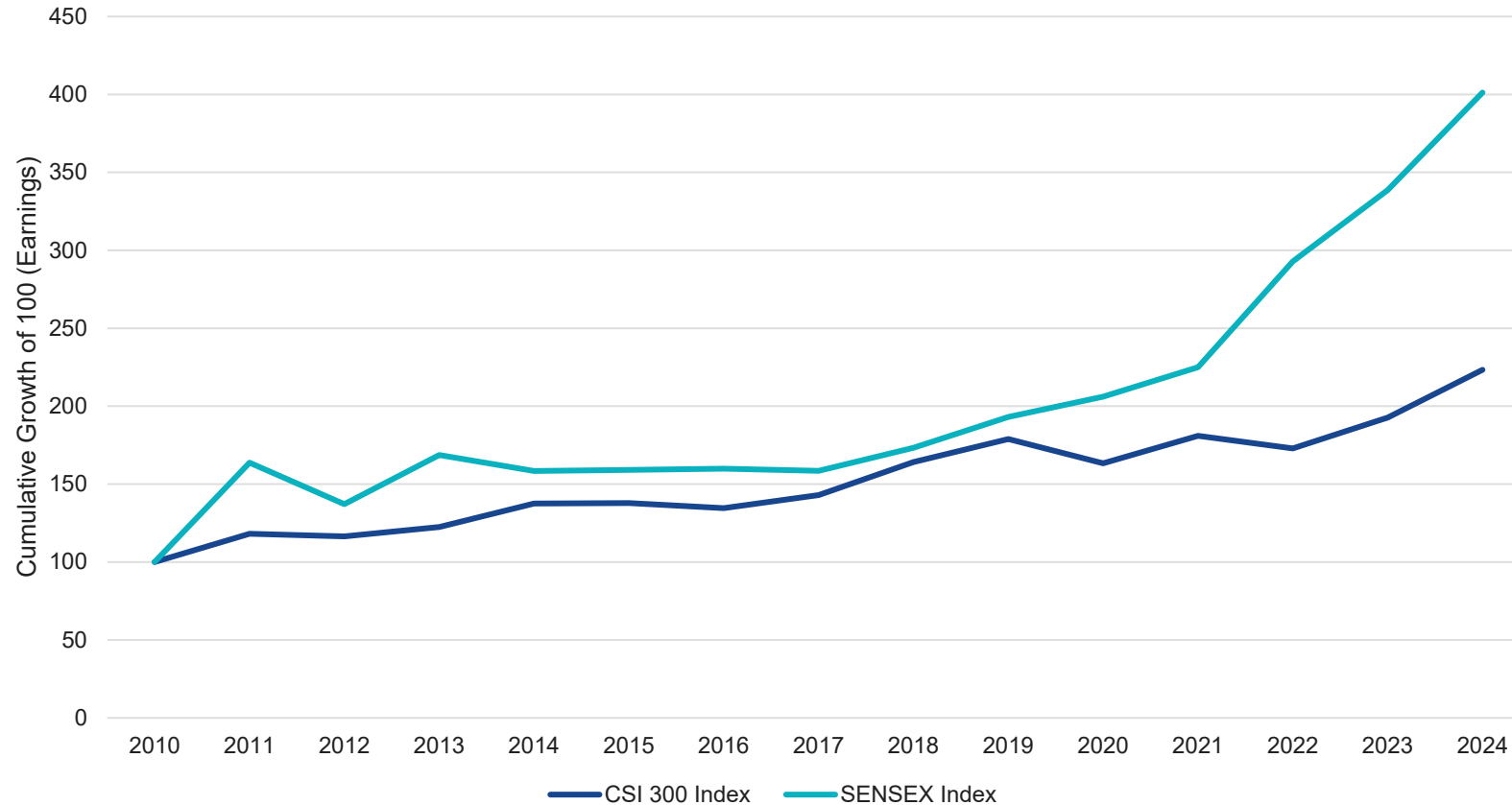


## Stocks Tell a Story – are you listening?

- Since its IPO in 1993, Infosys has helped to create a local India equity culture
- First massive startup success born in India, with global revenues that exceed \$16b worldwide

# Profits of Indian Companies are Growing

## SENSEX Index (India) vs CSI 300 Index (China) Cumulative EPS Growth



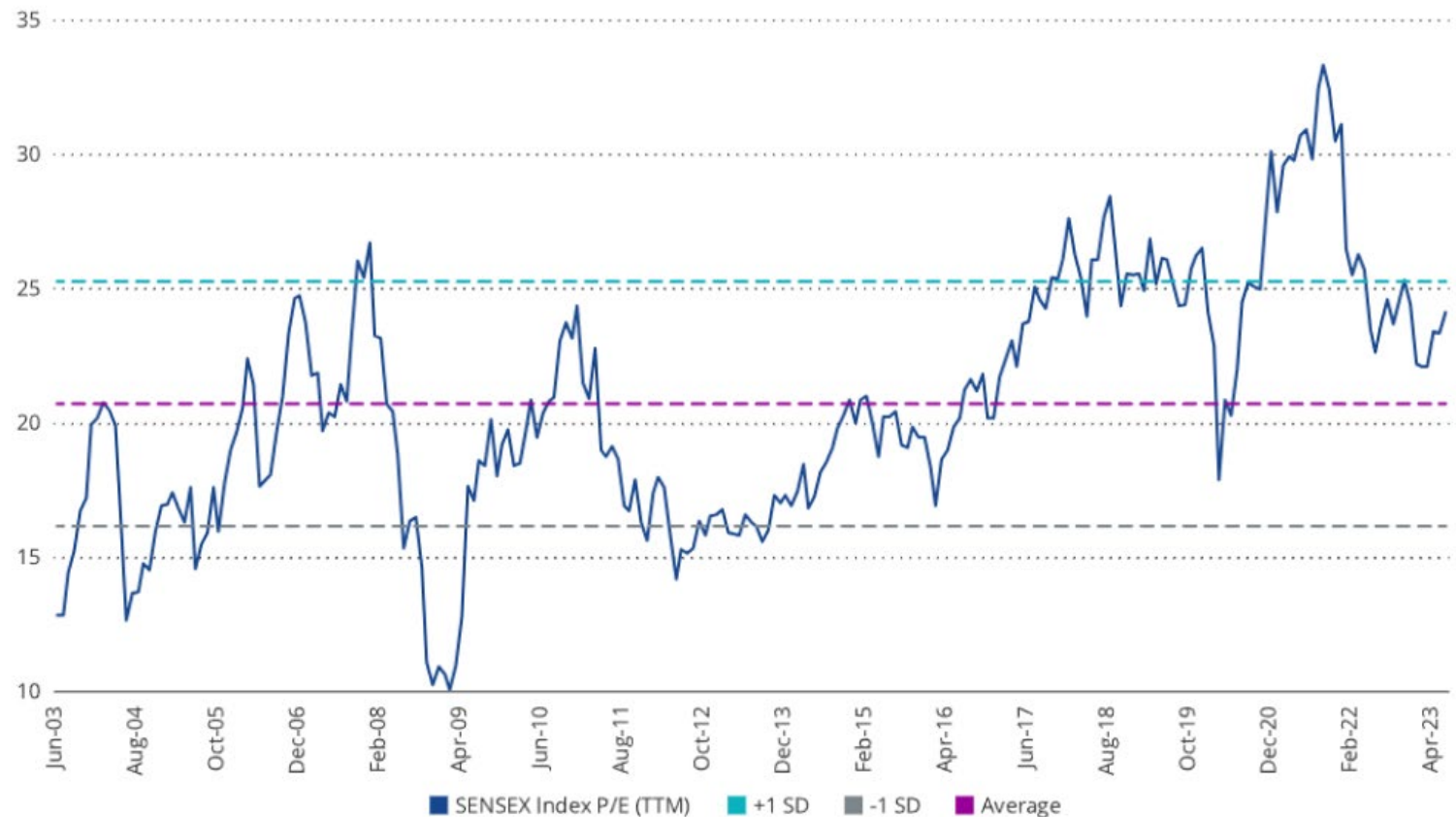
### Fundamentals Support Growth

- Macro growth drivers (demographics, reforms) are trickling down into individual stock success
- Policy tailwinds
- Tax revenue rising quickly, leading to public sector expenditure growth

Source: Bloomberg as of 6/30/2023. Past performance is no guarantee of future results. Index performance is not illustrative of fund performance. It is not possible to invest directly in an index.

# Valuations in India are Back to Normal

## SENSEX Index P/E Has Retreated from Post-Covid Highs



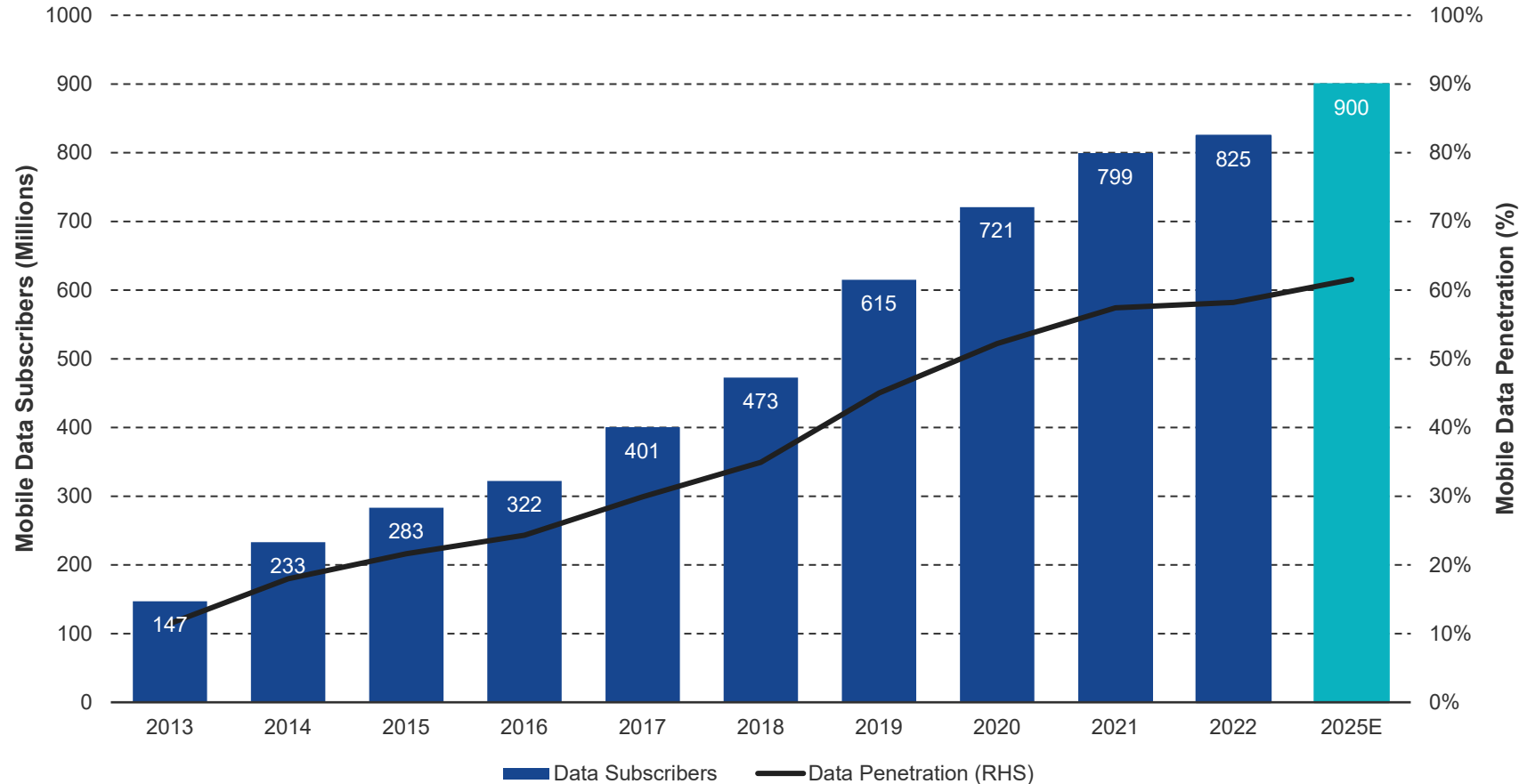
## Justifying the India Premium

- Higher multiples in India versus other EM countries are justified by quality companies and relatively lower risk versus other EMs
- Mercedes vs Kia: Consumers pay more for Mercedes because the product and user experience is fundamentally better

Source: Bloomberg as of 6/30/2023. Past performance is no guarantee of future results. Index performance is not illustrative of fund performance. It is not possible to invest directly in an index.

# Mobile-First Economy

## India mobile penetration expected to increase to 62% by 2025



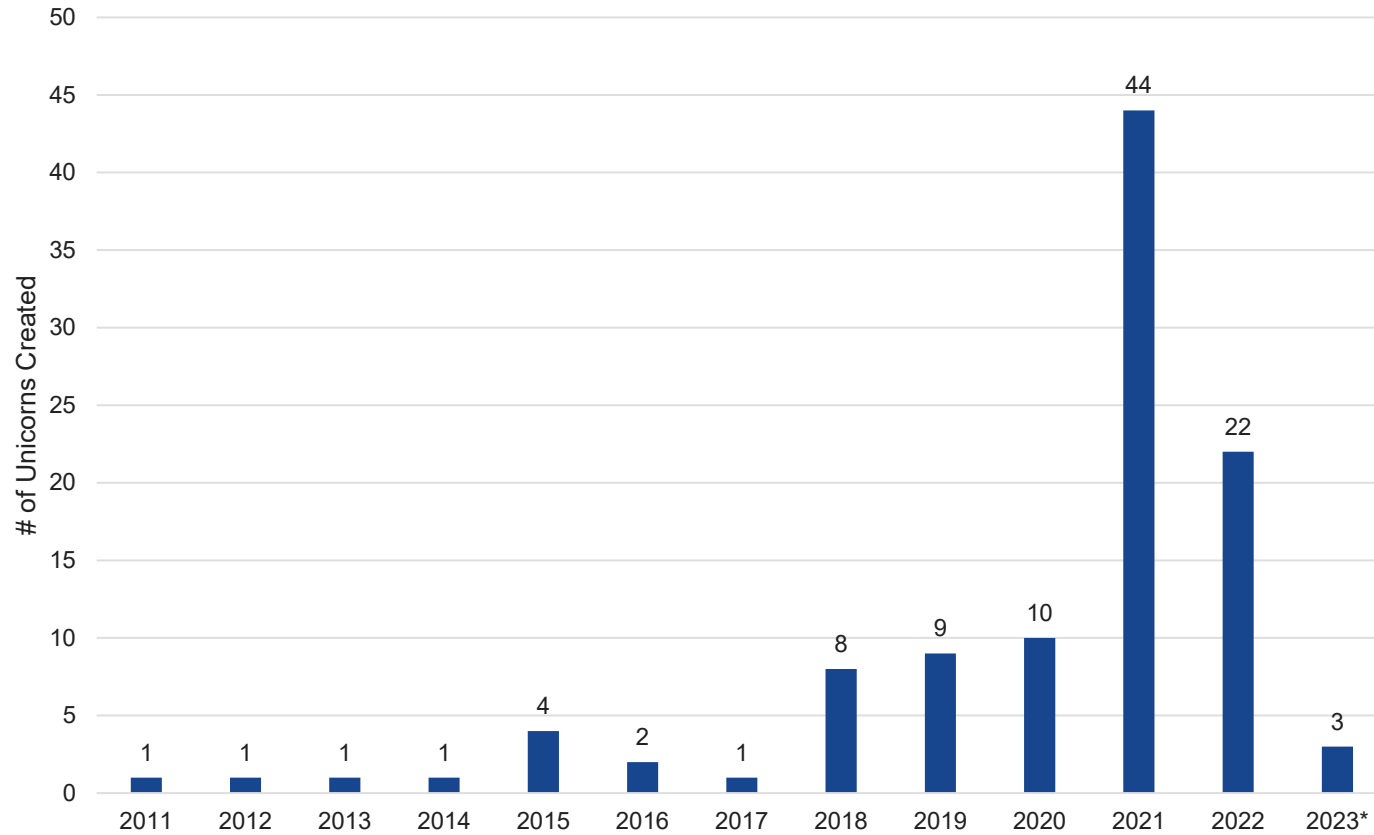
### Mobile-use to gauge digitization

- Mobile penetration is a proxy for digitization because of the access provided
- More than 96% of internet users in India primarily access the web through mobile phones
- In the U.S., UK and China, almost half of internet users access the internet through desktops
- Mobile use drives multiple adjacent sectors, including retail, media, entertainment
- More employment opportunities across multiple sectors

Source: TRAI, CLSA, World Economic Forums "Future of Consumption in Fast-Growth Consumer Markets: India".

# India: Land of the Unicorns

As of May 31, 2023, India is home to 108 unicorns with a total valuation of \$ 340.80 billion



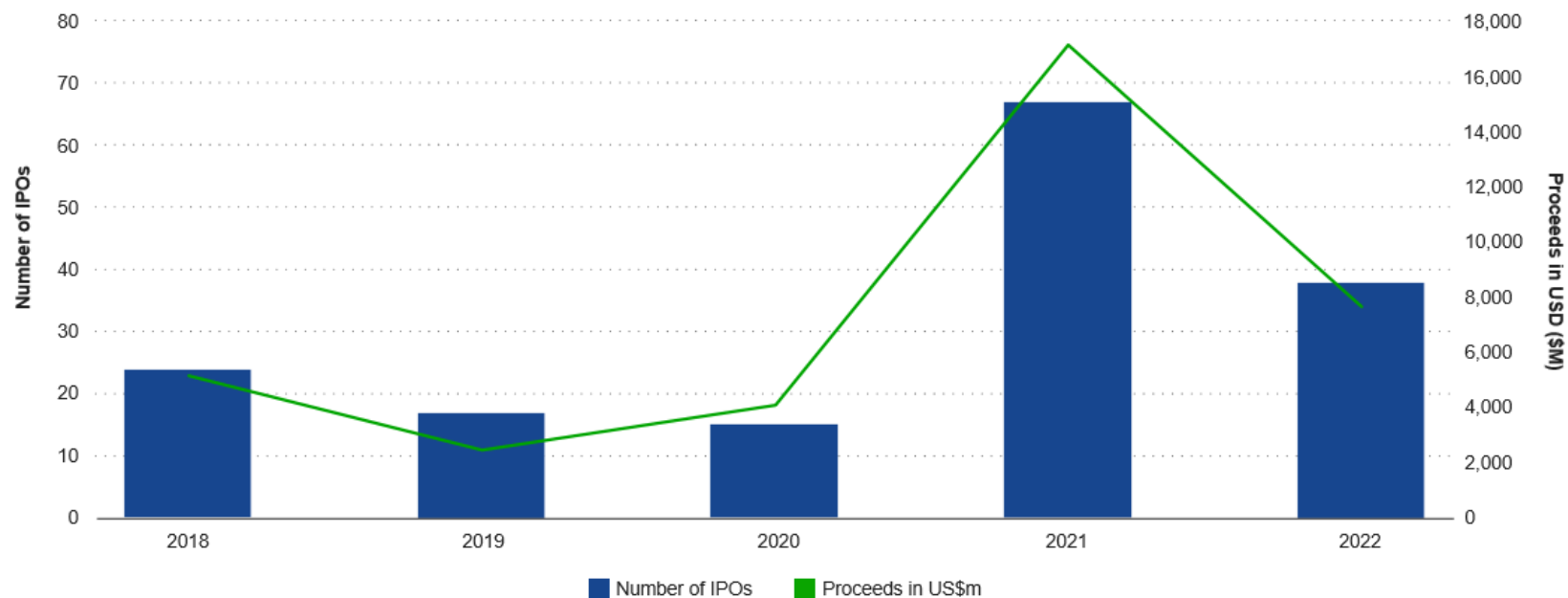
## Thriving VC Market

- \$135.4 billion funding into India startups from 2014-2022
- India likely to be home to 150 unicorns by 2025



# Robust IPO Pipeline and Thriving Public Market

## Recent IPO trend has been driven by domestic retail demand



### Indian IPO Highlights

- Indian stock exchanges ranked third in the world in terms of number of IPOs in 2022
- Significant expansion in the size of India capital market
  - India’s market cap could increase from US\$3.5 trillion to over US\$5 trillion in the coming years, making it the fifth largest market by capitalization
- India houses some of the most exciting and fastest growing companies in the world

# Important disclosures

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# Index descriptions

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Index performance is not illustrative of VanEck ETF performance. Fund performance available at [www.vaneck.com](https://www.vaneck.com) or by calling 800.826.2333. For illustrative purposes only. Historical information is not indicative of future results; current data may differ from data quoted. The listed indices are unmanaged and are not securities in which an investment can be made.

**MSCI India Index:** tracks large and mid cap representation across the Indian equity market.

**MSCI China Index:** tracks large and mid cap representation across the Chinese equity market.

**MSCI Emerging Markets Index:** captures large and mid cap representation across 24 Emerging Markets (EM) countries.

**S&P 500 Index:** captures the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

**SENSEX Index** is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on the Bombay Stock Exchange.

**CSI 300 Index** is a capitalization-weighted stock market index designed to replicate the performance of the top 300 stocks traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

**S&P Europe 350 Index** is a stock index of European stocks. It is a part of the S&P Global 1200. The constituent shares are selected for relevance to the broad market, including industry sector balance, longevity and liquidity of the shares.

**Shanghai Composite** also known as SSE Index is a stock market index of all stocks that are traded at the Shanghai Stock Exchange

**Nikkei 400** is composed common stocks whose main market is the Tokyo Stock Exchange Prime Market, Standard Market or Growth Market (in principle).

**CAC All Tradable Index** is a French stock market index representing all sectors of the French economy.

**The S&P BSE 500** is designed to be a broad representation of the Indian market. Consisting of the top 500 constituents in the S&P BSE AllCap, the index covers all major industries in the Indian economy.

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