India's Economic Secret Weapon: Unveiling the Power of the India Stack with Kevin Carter

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Andrew [00:00:00]:

Welcome to the Investing for Beginners podcast. Today we have a very special guest, repeat guest. We have Kevin Carter. He is the founder and chief investment officer of EMQQ global. EMQQ global has three ETFs, emqqq, fmqq, and inqq. And we're going to talk about inqq, which is India focus is. So, Kevin, thanks for joining us again today.

Kevin [00:00:28]:

Thanks, Andrew. Good to be back.

Andrew [00:00:29]:

So tell us a little bit about India. What's exciting about India? Why should investors think about what's going on in India? If you could give us the bird's eye view of why India is an interesting investment opportunity.

Kevin [00:00:44]:

Sure. Well, in many ways, India right now is the perfect emerging market. Meaning, if you went back to the early 1980s, when the category of emerging markets basically became an asset class, all of the reasons that people should be interested in emerging markets are crystallized right now in the India story and the emerging market story. The reason investors should be investing in emerging markets, or they should care about emerging markets is pretty simple. This is where all of the world's people are. 85% of the world's people are in emerging markets, and they're younger. They have better demographics. So it's about 90% of the people under the age of 30 are in emerging markets. And if you look on a map and say, what are emerging markets, where are they? About 60% of the story in terms of the people and the economic size, and also the stock market value, it's about 60% Asia, with China and India being the biggest part. And then it's about 15% Latin America. And then the rest of emerging markets are scattered all over the place in Africa and eastern europe, et cetera. And China has really driven emerging markets in the last 30 years. China's had this incredible amount of economic growth. It had the largest population in the world, and its economy has exploded. India today looks a lot like China 15 years ago. India now has the largest population. India passed China in April, according to the world bank. So India is now the largest country in terms of people. Its demographics are much better than China's. China's average age looks a lot more like a developed country. India, its population is at least a decade younger. So it's bigger, it's the biggest. It's one of the youngest countries in the world. It has the fastest growing economy. Most of that growth is in the middle class consumption, just as we've seen in China over the last couple of decades. Now, India will lead that consumption growth, and India will actually pass China for consumption in the next five or ten years. It has the fastest growing ecommerce market on the planet, and it has a government that is not just supportive of technology, but it's pushing technology. And so all of those bullet points together make the story incredibly compelling. But there's another part of India's story that is unique and to be frank, I didn't quite appreciate this part of the story until the last six months. So I spent all of this year, and a little bit of last year going very deep into the India story, the India Internet story, which is what we invest in, and this digital public infrastructure, which sounds abstract, but India has something that no other country on the planet has. And again, I knew about it kind of, but I didn't appreciate it. And again, it's the digital public infrastructure, or the India stack, which is a series of programs supported by technology that the government has initiated that have created a digital foundation that no other country on the planet has. And we can talk about the details of it, but look at what they've built and see how it's starting to gain traction. It's no other country developed or emerging has this digital public infrastructure, which I think is sort of an economic secret weapon.

Andrew [00:04:15]:

So I'm far from an expert on India payments, but I know the government pushed something along with payments. Is that related to all of this, or is that a completely separate no.

Kevin [00:04:26]:

No, that's an important part of the stack. This digital public infrastructure will sometimes be referred to as the India stack or the digital stack. And before I get to that part of the foundation, let me tell you the two other parts of the India story that I've again, only recently sort of appreciated completely. So when you look at the India story, and again, it really is unique to the world. First of all, as the largest country in the world. Now by population and emerging markets, there's nothing else even close in terms of number of people. I mean, you've got 1.4 billion people, and you'd have to take the third, 4th, 5th, 6th, 7th, 8th, and 9th biggest countries and combine them to equal the number of people as India pretty much every other emerging market. China has had a technology sector for 50 plus years. China's tech sector began in the 60s. Tata Computer systems is actually older than me. And you had Infosys, you had Ypro, so you've had going back 30 years, publicly traded technology companies basically outsourcing technology jobs from the US. To India. And that has led to a well developed ecosystem of founders and angel investors and venture capital, and no other country has that. And on top of the tech sector, you have population of engineers and technology talent that is unrivaled. If you look at CEOs of Google and Microsoft, these are Indian technologists that started working on an HB one visas for those two companies. And there's dozens of fortune 500 companies who have CEOs that are of Indian origin. India also has 23 institutes of technology that are modeled after MIT that produce hundreds of thousands of engineers. So you have that. That, again, is not really rivaled by anybody else. I think almost half of the deans of Ivy League business schools now are of India and descent. So the India talent pool is unrivaled. Now, the other thing that India has done, and this is important, when I got involved with China 18 years ago, china was ahead of India, but it wasn't very far ahead, it was just a little bit ahead. But what you could see was that China benefiting from a one party system without the kind of bureaucracy that you find emblematic of India. And they had a big plan to build the world's best infrastructure, and they did it. And that was comprehensive. And it was the roads, the trains, the airports and the seaports to get the products onto boats and moved around the world. So while China was investing in that, india was pretty much sitting on its hands and didn't really invest. And the question always was, will India ever be able to overcome that bureaucracy and build out the country's infrastructure? They probably remember there were times when the power wasn't even really reliable. I mean, you'd have the intel factory that would have to shut down for a half a day because the power supply wasn't adequate. So now the leader of India for the last ten years, Modi, has been the Prime Minister for a decade now, and he is one of, if not the most powerful politicians on the planet. Now, he has a huge approval rating in India, and he has a very well organized party that's run like a business. And they are operating India like a business. And starting a decade ago, that meant infrastructure spending. And so in every category, whether it's the roads or the airports or the power grid, india has made massive investments on a relative basis over the last decade. And I would say that the one thing that on the ground in India this past March. It looks and feels like Shanghai when I went there the first time, 17 or 18 years ago. So they're building the trains, they're building their own homemade trains, high speed trains. They're connecting the cities, they're building the ports. And so that physical infrastructure, it will never catch up to China's, at least in my lifetime. But it's sufficiently ahead now that I think know this moving manufacturing jobs from China to know makes sense. And so you're seeing

Apple, for example, ramping up significantly their production in India. They're planning on making about a quarter of all of their iPhones in India by 2025. So the physical infrastructure is there. And then, as I mentioned, you have this digital public infrastructure which is unique on the planet. And let me explain what it is and how it started and how I think investors should think about it. So the story of the India stack begins in 2009. The government of India had decided that they needed to create a national identity card system and give everybody in the country a twelve digit number, like a Social Security number, an identification number, because back then, very few people had an official government identification and less than half of the babies were even reported to the government. So you can imagine it's hard to modernize your economy if nobody has any proof of who they are. And so they organized this effort in 2009. And to lead the effort they asked the founder and chairman of Infosys to be in charge, Nandin Ilkhani, who's a billionaire and again founded one of the co founders of Infosys back in the early eighty s. And he had done one other government related job in Bangalore and had learned a little bit about how government in India operates. And one of his takeaways was they didn't utilize technology enough. And so he agreed to be in charge of this identity card system which is called Ottahar, which means foundation. And he said, I will lead this effort, but if I'm going to be in charge, we're going to lean heavy on technology. And not just today's technology, but the technology that we know is going to be coming down the pipe in a few years. And so he agreed to take over. But as part of his vision, he declared that they would need to have every single number tied to a human being with fingerprints and an eyeball scan. And they launched the program in 2010 and it was voluntary that you were not forced to sign up. Again, I knew about this program and the logo, I had the logo on one of my slides here's Modi, and here's some of his efforts under his Digital India platform. And one of them is this Ottahar system. And so that launched in 2010. And then a couple of years later, they added another layer to the stack, a know your customer layer. And they said if you're in the autohard system, you can walk into any bank, put your fingers on a pad and look into a camera and instantly open a bank account with no paperwork. Now fast forward to today, there's 1.3 billion people in the system, so basically the entire country and almost 800 million people have opened bank accounts tied to their Ottahar number and the biometric information. So that started in 2010, the KYC layer, call it 2012, 2013, then another layer was added, called the UPI, the Unified Payments Interface. And again, I knew about this launch in 2016. I had the logo for UPI on my slide. The headline description of the UPI, which again was sort of abstract to me, was that the Unified Payments Interface, the UPI, would allow anybody in India to transfer money to anybody else, person or company, instantly, and with zero cost or fee or friction. So if I wanted to send you $10 on the UPI, you could send it back to me, we could send it back and forth 1000 times and it would still be $10. Now frankly, when that launched, I was worried because one of the three years ago, we only had three Indian holdings, and now there's 25 Indian holdings. So the COVID kept me from going to visit India, but it didn't stop the IPOs. But one of the IPOs that we had been waiting for for years was a company called Paytm, which is the payments leader in India. And I've featured it because it's company that Berkshire Hathaway, my heroes invested in about eight years ago. And so when I heard about the UPI making payments free, my only real reaction was, oh, no, how will Pay TM make any money if payments are free? So that was 2016. Now, something else happened in 2016 that isn't really part of the official digital stack. But when I draw a picture of the digital stack, I include it. And it's called Reliance geo or GeoDigital. So Reliance Holdings, which is one of our Reliance industries, which is one of our Indian holdings, this is a 50 year old family controlled conglomerate that's in all parts of the Indian economy. And the third generation chairman, Mukesh Ambani, he made a very decisive pivot towards the digitalization of India. And that started in 2016, when they launched the first and only 4G network in India. And now, back then, most everybody that had a phone had a traditional smart or not a smartphone, but a flip phone. And the mobile carrier market was highly fragmented. All of it was on two G. And there was a ruthless price war going on that had really hobbled the balance sheets of this fragmented market. Geo spent $25 billion to buy the first 4G license and build out a nationwide 4G network. Brand new hardware with an eye that five G. And six G would also be added in the future. And when they launched in November of 2016, they had a very simple offer to the Indian consumer. We have the only 4G network, which is way better than 2G. If you sign up with us, we'll give you free voice calls forever, and we'll give you six months of unlimited free data. And when your free trial is over, then we'll give you the most competitive rates in the country. And when they launched Mukesh Ambani, the chairman had a very ambitious goal. He wanted to sign up 100 million subscribers by the end of 2017. So a 13 month period. And back then, if you went into the Vodafone store or the Airtel store to open a, you know, get a new phone number that might take hours or even days, you would have to bring in something to help identify yourself. They would have to research it and confirm that you were who you said you were. So that 100 million targets seemed pretty high. But what they did was their in store sign up system was built on top of the Ottahar database. So if you went into the GeoDigital store, all you had to do was put your fingers down on the pad and look in the camera. And they opened 100 million accounts in four months with an average turn time of five minutes. So that was the first kind of scaled use case for the power of this digital public infrastructure. And now there's almost 500 million people using GeoDigital, and the cost of data in India is the lowest in the world. The India data cost is about 2% of what we pay. So we pay 50 times as much for our data as the average Indian consumer. And this was right when the smartphones started to fly off the shelves in India, shifting to payments. The Indian mobile payments market, supported by this UPI, has exploded. The chart for this is the curve is very steep right now, and they dwarf everybody else in the world in terms of digital real time payments. They have 40% of the globe's digital real time payments, and that's growing at over 50%. By the way, I should also add that the government did a few other things in the background to kind of smooth the wave for this. First of all, they took a lot of the high denomination banknotes out of circulation, and they simplified their tax code considerably. And so the Indian economy, which was basically 96% cash based seven years ago, is now over 75% digital. And the government tax collections have exploded, paying for the infrastructure investment. And so this series of programs and the power of the ottahar, the power of the UPI, I didn't understand how very important these things had become. And I don't think most quite confident that most investors don't actually understand or appreciate this. I didn't, and this is what I do. So I think that this is unique to the planet. Nobody else has that kind of a foundation for a digital economy, and they're not done. Nandan nilkhani, who's overseen all of this, continues, and they've launched a new program called the ONDC the open network for digital commerce. Now, again, this is sort of abstract still to me a little bit, but nandin believes that this may be the most powerful of the initiatives that will be in the India stack. And what's important to understand in India is know when you look at, you say, okay, well, ecommerce is going to grow. Okay, well, where is commerce happening today? If it's going to go digital, where is it coming from? And the reality is that in south Asia and India particular, 90% of all consumer spending is at a mom and pop corner store. They have 13 million of these so called corona stores. And this is like a bodega in New York city, if you will. It's a mom and pop operation. It might have 150 or 200 items for your daily needs, whether you have drinks and cigarettes and snacks and those sorts of things. And while the formal retail, the walmart costco style, they have that in India, but it hasn't really gotten any traction. And so what I think will happen in India is a hybrid model where and this is what the ONDC I think, is designed to stimulate, whereas in the know, the big box stores put all the mom and pops out of business. I think what's going to happen in India is the mom and pops are going to actually get digitized and it's already happening. Paytm, the company that I mentioned, for example, they're finding a way to make money even though payments are not the way. But they're becoming the banker for making loans to those 13 million Corona stores. And the ONDC I think, is designed to further digitize the Corona stores, which again dominate traditional retail hyper local ecommerce.

Andrew [00:20:33]:

Can you explain that a little more because I'm having trouble following the open network. How that empowers?

Kevin [00:20:38]:

It remains to be seen how it's going to work completely. And it's still a little abstract to me, but it's a marketplace where sellers, buyers and logistics are all included and anybody can participate. So if you're a local store, whatever you have, you can put it up as available. If you're a shopper, you can find those things. And if you're a delivery service provider, you can also participate in moving the product from the seller to the buyer. And one of the things that's fascinating about this, and Nanden talks about this, is they didn't know how some of these things were going to work exactly the use cases. They didn't anticipate some of the power that these platforms were built. And he admits that. And that in know, for listeners that are interested in this India story, I would highly suggest googling this gentleman, Nandin Nilkhani, and find a short Morgan Stanley interview that he did that you can find it online, it's about twelve minutes long. And he talks about how this started and all the way through. His description of it I think is significantly more relevant than mine. But so I think that's the way I think about it. I mean the way I say it sort of simply, which is not really totally accurate, is it's like Craigslist meets Amazon, but we'll see how it plays out. Again, it's hard for me to imagine that anything could be more powerful than the Know, that foundation layer or the UPI layer. But in Nandin's thinking that the ONDC may actually be as powerful or more powerful. And the other thing that I think that is important in this story that you'll also hear Nandin talk about is credit. One of the things that quite different in emerging markets is it's not easy to get a credit card or a loan to buy something. Consumer credit isn't easy to get. Most of these people don't have any sort of credit score, right? But now that it's all digitized, as Nandan says, he thinks that they can have a consumer credit growth that puts it eventually up. The more of a normal statistically, the amount of consumer credit will grow, and then it will be enabled by what he calls informational collateral. In other words, when you build up a payments history, and then it makes it a lot easier, and of course, you can identify who you are, it makes it a lot easier for financial institutions to make you loans. Back when everything was paper based and nobody had an identification, the bankers didn't waste their time trying to make little loans. They just did big loans. And now with this platform, some economists think that if that consumer credit growth, no doubt it's going to go up. But if it goes up more towards a developed economy's profile, that itself could add two or three percentage points to their GDP growth. The estimates are six and a half percent. I think those numbers very well may turn out to be low. And in fact, you look at China at this stage in development, they grew at 9%, ten for many years. We'll see how the ONDC plays out. We know so far the Alahar is powerful. We know the UPI is powerful. We know that the economies, what other countries took 60 or 70 years to do, india just didn't seven. And so the momentum is there for all of this. I'm optimistic that the ONDC will be a further contributing factor to India's growth.

Andrew [00:24:10]:

The credit part of that's really interesting too, I think, as Americans, I mean, Wells Fargo Bank, America been around, what, 100 plus years? We almost take for granted the way that they provide credit to businesses and how that spurs economic growth. You wonder to your point, how much they could turbocharge the growth they've already had.

Kevin [00:24:31]:

So, you know, when you look at emerging markets, one of the things at a high level, and this certainly applies to India, is that the consumption infrastructure in emerging markets is not as developed by definition as a developed country. And when we talk about consumption infrastructure, we're talking know they don't have target stores, they don't have cars, and most importantly, they don't have bank accounts, and they don't have debit cards or credit cards. They've always been on cash. And so this is where that leapfrogging is the most important. Most of the emerging markets are going past the traditional bank account and going straight to mobile phone based money. And what has happened is that the people that provide that payments app, if you will, what they end up doing is becoming the place where the emerging market consumer makes their stock market investments, buys insurance, and gets a loan. So imagine if Amazon.com, imagine your listeners, if they think about their relationship with Amazon.com. What if it also included your checking account, your home loan, your insurance? This is what it looks like in emerging markets. It started in China. Alibab and Tencent are basically the bank as well. We've seen it in all over the world. Here's a great example. I know we're talking mainly about India, but in broader emerging markets, brazil is the biggest and most important market in Latin America. And the e commerce leader, the Amazon.com, if you will, of South America is a company called Mercado Libre, which trades on the Nasdaq with the Ticker Meli. And it's been public for a long time and they dominate all of Latin America, brazil and Mexico being the two biggest markets. But they're in every country. But when they launched originally the founders who had graduated from Stanford, that's another important part of this. Most of the internet companies in emerging markets are founded by the smartest kid from whatever country, right? The smartest kid goes to Harvard or Stanford, then he works for Google or Microsoft and then he gets his MBA from Harvard or Stanford. Then he goes back, or she goes back and starts an e commerce company. Well, the founders of Mercado Libre wrote the business plan at Stanford when they were getting their MBAs and they went back and know the Amazon of the Amazon. And originally, though, when the drivers would show up with the package, people were paying in cash. And you can imagine the logistical challenges of this, right? And so to help get away from that, mercado Libre started another business, a wholly owned business called Mercado Pago. So market payments and now Mercado Pago is worth more or at least as much as the original business. Same in China with Alibaba's Ant Group Southeast Asia. Some of the biggest financial service providers the ride hailing app of Indonesia, Gojek, which is now emerged with Tokopedia. So it's called goto. But they were considered the most advanced ride hailing app on the planet because when they started, by the way, it's all on motorcycles and two wheelers. I mean, you push the button in Indonesia, you're going to get a helmet and get on the back. But again, when they started, people were paying in cash and so they created a payments platform and next thing you know, they've got tens of millions of people, basically their bank account. And this will happen in India as well. And it's already happening.

Andrew [00:27:53]:

Is there a clear leader yet in that in India or is it still kind of left to be?

Kevin [00:27:58]:

Well, Paytm, I think, is the one that's the most interesting. It's scaled up public, but there are other payments players, phone Pay and a few others, but they're not public yet.

Andrew [00:28:08]:

So I guess that lends the question who are the second order people who benefit? I mean, obviously the economy as a whole. Are there any other obvious winners from this stack?

Kevin [00:28:19]:

Well, let me actually mention one other company that I should mention. One of our biggest Indian holdings is called Bajaj Finance. B-A-J-A-J now, this is a company that trades in India. It will likely be hard for your listeners to buy this stock individually, but Bajaj Finance is a traditional consumer lender that has transitioned to 100% smartphone based business. And it is one of the most profitable companies that we have. I mean, it's got big, big margins. I've developed relationships with a handful of various Indian investment experts and guys that have been investing in the India public market and venture markets for decades. And at least half of them cite Bajaj as their favorite company and or biggest holding. So Bajaj, again, Paytm was a pure startup. Bajaj was a pre Internet business that has now turned everything into an online business, a smartphone business. And let me also just make another timely and important know. When I talk about emerging markets broadly, and this emerging markets Internet story and the India story in particular, for many years, I would tell people, I'd say, look, you can now buy a brand new Android based smartphone in India for $50. And that was true for many years. You could buy a brand new smartphone for $50 that was not as powerful as your iPhone 14, but it gets the job done for the basics. About five weeks ago, Reliance Geo announced the launch of a $12 smartphone, the Geo Barat, which is heavily focused on two things, mobile payments and video, which are the two most important things for that sort of entry level smartphone consumer. So think about that. You can now buy basically a pocket size supercomputer for $12. So when I talk about India being the perfect emerging market, it has all of those basics, the large young population, economic growth, all of those things. But in terms of when it's happening, right now the arc of technology is at this place where, again, no other. When China started growing, people were just using desktop computers, right? And then they moved to the smartphone. Well, India, that was never anything. And now you can get a pocket sized supercomputer for $12. So this is what makes one of the things that makes the India story so exciting is when it's happening relative to the technological advances, right?

Andrew [00:31:00]:

Like, to your point, just become way more affordable. You would think the adoption is only going to grow from there. I mean, they've reduced the barriers to owning just as much as you can.

Kevin [00:31:10]:

Even before the $12 smartphone, there were 7 million people a month in India getting their first ever smartphone. So the $12 smartphone is probably only going to increase that number.

Andrew [00:31:24]:

What would be some of the challenges, I guess, for you mentioned how you guys look at these companies. What kind of challenges do the average investor have when it comes to looking at these? There's some obvious logistical ones as well as maybe some things we're not completely aware of. So can you fill us in on some of those?

Kevin [00:31:42]:

Well, I think it's hard for most investors, retail know, some financial professionals to buy stocks that trade in foreign markets, including India's. And because of some of. The regulatory reasons and some of the bureaucratic reasons. Most of the Indian Internet companies and again, that's all we invest in. We invest know the Facebook's, the Ubers, the Googles of the local versions, most of them have gone public in India. Now with the Chinese internet companies like alibaba, with the Latin companies like mercado libre or newbank. These companies have gone public on the new york stock exchange of the nasdaq. And the reason they're doing that is, again, because the founders went to Harvard or Stanford, and they got funding from the endowments, know Harvard or Stanford, and they want to list on the best, most liquid exchanges. And I think the Indian companies might be inclined to do that, but they have challenges, regulatory challenges. And again, the Indian capital markets are robust enough that they haven't had to go look for capital in New York. So I think India will continue to be hard for investors invest in directly. Again, there are a handful of three of our companies that trade here in the US. But I think the vast majority of them will continue to go public there. And that's one of the reasons we made buy. If you believe this story, if you believe India is going to grow, you believe that a lot of that growth is going to be digitization, then inqq is the way to play it. And let me actually use that to shift the discussion a little bit, because there's another important point to this. As I mentioned earlier, one of the ways we've been framing this India situation is whether or not India is, quote, unquote, is it like China 15 years ago, right? And again, I got involved with China 18 years ago, and it started actually at Google. My business partner had been asked to give a talk about investing in China and at Google. And I had been working with a lot of the early Google people after their IPO and helping them invest their money. And they heard about Burton's focus on China and asked if he could come give a talk. 17 years ago, I drove down to Mountain View, and Burton, my partner, talked about China. And then everyone looked at me and said, we want to invest in China. So the moment that talk ended, my life changed. And I still haven't gotten I've just gone off in this emerging market direction trying to solve that problem, like, okay, how do we invest in China? So after that talk, which was in April of 2005, I went back to the office and I asked our portfolio managers to give me a list of all the companies in the China ETF. Because there was a China ETF 17 years ago, but there was only one, and it was pretty new. And I assumed that's what we would buy for these Google people that wanted to invest in China. It has the ticker symbol FXI. It's a product offered by Ishares and when we got back to the office, I went to the portfolio managers and I said, give me a list of all of the companies in the China ETF. Because I'm an omah person when it comes to investing, and I don't care what the name of the ETF is. I want to know what are the businesses we're going to become owners of when we buy the ETF? So I asked for that list, and then before they gave me the list, my business partner Burton, looked at me and he said, when you get the list, Kevin, you're going to see that almost all of the holdings are Chinese government owned banks and oil companies. And that didn't sound very good, but then he went on to explain how Chinese banks would make loans to bankrupt companies knowing they wouldn't get paid back, but just to keep people employed. And so know, in Omaha, investing is really simple. The reason any business has value is because it generates profits for the owners. And the only real way to grow the value is to grow the profits for the owners. And if the people that run the company don't care about that, why would you invest in them at all? So if you had gone back 15 years ago and said, okay, China looks like it's going to grow, I'm going to invest in China. If you bought the China ETF 15 years ago, you were right. The Chinese economy has grown 400% in that 15 year period. The return of the China ETF is negative 50%. So you lost half your money. So now the look is, okay, by the way, if you bought the China technology companies, that was the best way to capture that growth. And so now the question is, okay, what is the India ETF? This is happening in real time because the India story is very good. This is not a secret. A lot of Wall Street analysts are saying, yep, India is going to have a great decade or two decades. And so money's been going into these Indian ETFs. And so what we're in the process of, and we're largely done, is now dissecting. Okay, what is the traditional India index? If you bought the Ishares Inda or Indy. Which track? The MSCI India. Or the local index that the Indians refer to as a Nifty 50? So they're essentially the same. But if you look at the Nifty 50, it's not as bad. The China ETF was 80% state owned enterprises 15 years ago. The India ETF is only about 7%. So while China has kept their state owned enterprises relevant, india has let theirs get play in the market and get eaten by market forces. And some of the companies have been acquired. Other ones have just gotten beaten by the private competitors. But still, you take a dollar and put it in the Indie ETF, and you can assume that 7% probably not going to participate in the growth of the country, and maybe it will even lose its value. But so not as bad as the China ETF. The other thing that's interesting is the biggest companies in India, which account for about 20% of the value of the ETF, they don't get any revenue from India. So those It companies, the Infosys, the Tatas, their revenue comes from the

United States. So if you're trying to get exposure to this exponential growth story in India, well, 7% is going to go in. SOEs 20% is going to go into these outsourcing companies, which are fine businesses, but their growth rates will not be reflective of the Indian economic growth. So I don't think the traditional ETFs are as bad as the traditional China Index ETFs, but I think they're not optimal now and then let me talk about one other thing that's important. Valuation is obviously the important part of investing. And as mentioned, as investors hear often, it's hard to remember this when it's actually happening, but when everything looks great, that's when the prices are the highest. As we say in Omaha, you pay a high price for a cheery consensus, and there is a cheery consensus on India's direction. And so when you look at the valuation of global markets, almost any way you look at it, india's valuations are about the highest on the planet right now. And when I look at individual companies or groups of companies like Inqq, I look at the Peg ratio, the only valuation metric that I care about is the Peg ratio. That's the PE divided by the growth rate. And some of your listeners certainly know the Peg ratio. This was sort of championed by Peter Lynch of Fidelity back in the it is the only valuation metric that I think makes any real sense, because the PE without the growth rate doesn't really tell you anything. You're buying the future earnings. So you want to know, are those earnings going to double? Are they going to decline? Because that's the value. And so the PE without the G is worthless to me. Now, in the Peter Lynch version of this, you look at the earnings growth rate. So the PE is 20. The earnings growth is 20. Then that's a Peg ratio of one. Now, I like to look at the Peg ratio two ways. First, I like to look at the revenue growth, the sales growth, because that's, to me, the most pure form of growth, right? You can buy back stock or cut costs and grow your earnings while your business is dying. But you can't do that forever. So the first thing I want to see is the PE to revenue growth. Now, if you look at the PE to revenue growth for the broad Indian indexes, and by the way, for those that aren't aware of the Peg ratio, a Peg ratio of one or less is considered attractive or very attractive. A Peg ratio of one to two okay. You get up into higher numbers and maybe you want to be careful. And the revenue Peg ratio for the India Broad indexes, the Inda Indy, it's about three and a half. The PE to revenue growth for Inqq is about 1.25. So you're basically paying the same PE, but you're getting two and a half times or more of the growth. So that is very compelling to me. When I look at the inqq story now, on a PE to earnings growth basis, the difference isn't as big, but it's still meaningful. The Peg ratio for earnings growth is about one and a half, or 1.6 for the big index. It's actually below one. I think it's 0.9 or zero, 95 for the Inqq. So I think that to the extent India is expensive, it may be the broad indexes are, but when I look at the portfolio we have, it actually looks pretty reasonable. Certainly relative to the India broad index, I'd say it's quite attractive. And then I guess one other thing I would say about this is I have heard and seen other people that have looked at the India Internet space and they've comments, these are companies that are losing money. They haven't proven their business model. I've gone through our portfolio, and there's only two companies that aren't making a profit. There was three on my slide. But Zamato, which is the food delivery company, the DoorDash of India, they surprised Wall Street by actually achieving profitability this past quarter. So of the 25 companies, 23 of them are actually profitable, and some of them are fabulously profitable. But Bajaj Finance, I remember it correctly, has about a 40% operating margin. And when I'm looking for moats, which is a Warren Buffett term, I'm looking at the gross and operating margins. That's where I think a moat shows up on the income statement. And Bajaj Finance, an Indian energy exchange, might be the most profitable company I've ever seen. It has a 75% net margin, which is hard to do. So these are fast growing companies. Most of them are profitable. They have this great economic backdrop. So if you have the appropriate long term time horizon, five years, ten years, 20 years, even if you're 50 or 60 years old, you probably have a life of expectancy that's at least a decade, maybe two. But if you're twenty s, thirty s, forty s, the miracle of compounding is so important. And so I suggest that investors buy and hold. And when it comes to these things, and I think that I can't think of a single there's lots of other great parts of the EMQQ story, but this Indian part of the story is just concentrated, it's fairly pure. And I just think that the case is incredibly compelling. So if you have a long term time horizon, I think this is something to consider buying and holding and adding to along the way.

Andrew [00:43:30]:

It's super compelling. Everything about India, and we really appreciate you sharing all of the information, the history, the context, it's truly fascinating and like you said, unparalleled what's going on there. So for investors who are interested in taking that first step, learning more about EMQQ, where would you suggest they go?

Kevin [00:43:50]:

Well, I would go to either Emqqglobal.com, probably the best place to start again, emqqqglobal.com or straight to the Qqetf.com website. And again, I would also recommend for those who have taken interest in this, find the Morgan Stanley Nandinilkani interview about the digital stack. If you can't find it, reach out to us via the website and we'll make sure we get you that search.

Andrew [00:44:17]:

What again?

Kevin [00:44:18]:

Morgan Stanley. And then, gentlemen nandin. N-A-N-D-A-N nandan Nilkani, which is N-I-L-E-K-A-N-I nandan Nilkani. Morgan Stanley. Interview you'll find it or just send an email to our website, we'll make sure you get it.

Andrew [00:44:35]:

Yeah, I'm going to look for that. Does sound really interesting. Well, Kevin, again, thanks so much for joining us. Thanks for all the wealth of information and knowledge that you shared with investors. Check out the website if you guys are interested. And as always, remember to invest with a margin of safety. Emphasis on the safety. Thanks and we'll talk to you next time.