

PORTFOLIO BREAK DOWN BY SIZE AT 31 DECEMBER 2008

	No. of companies	% of portfolio
Small Cap	21	79.6
Unlisted	3	10.3
Cash		10.1
Total		100.0

ANALYSIS OF HOLDINGS BY SECTOR AT 31 DECEMBER 2008

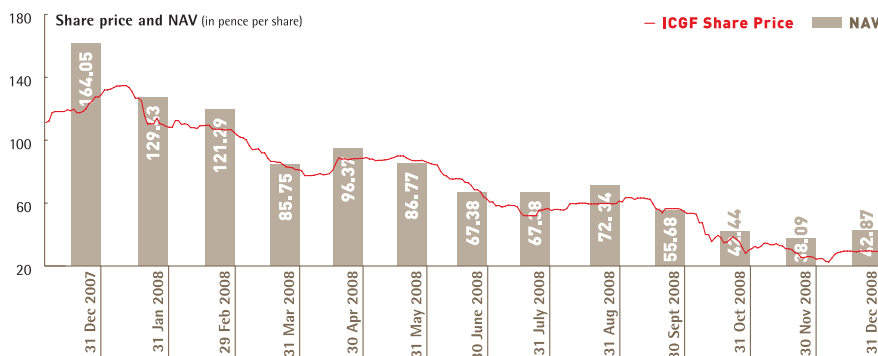
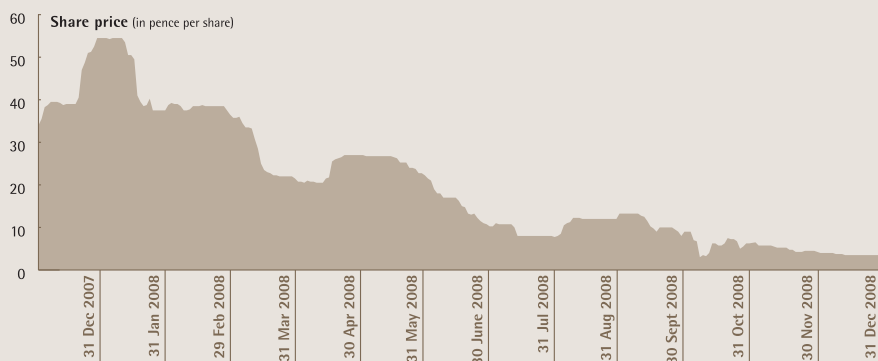
Sector summary	No. of companies	% of portfolio
Textiles	2	14.7
Financial Services	3	14.5
Pharmaceutical Services & packaging	1	11.2
Transportation	2	11.0
Media	2	9.4
IT	3	6.8
Process controls	1	6.6
Housing & Construction	4	4.3
Offshore oil & gas services	1	3.4
Hotels	1	3.2
Engineering / Manufacturing	2	2.6
Others	2	2.2
Total Investments	24	89.9
Net Cash		10.1
Total Portfolio		100

TOP 10 HOLDINGS AT 31 DECEMBER 2008

Holding	Sector	% of portfolio
Bilcare	Pharma Packaging	11.2
Marwadi Shares and Finance	Financial Services	9.5
S. Kumars Nationwide	Textiles	9.5
Varun Shipping	Transport	8.0
ICSA India	Process Controls	6.6
Prime Focus	Media	5.2
Grabal Alok Impex	Textiles	5.2
Logix Microsystems	IT	5.0
IOL Netcom	Media	4.2
Great Offshore	Offshore Oil & Gas Services	3.4

SHARE PRICE AND NAV AS AT 31 DECEMBER 2008

Ordinary Shares				Warrants	
Ticker	Share price (p)	NAV per share (undiluted) (p)	NAV per share (diluted) (p)	Ticker	Warrant price (p)
IGC	29.00	42.87	42.87	IGCW	3.50

SHARE PRICE AND NAV PERFORMANCE

WARRANTS

PROGRESS UPDATE

NAV for the month was up 12.5%, helped by an 8.9% appreciation of the Rupee against Sterling. The BSE Sensex was up 6.1% and the BSE Small Cap Index was up 11.5% on the month. Most of the holdings in the portfolio registered useful gains in the month, although performance was held back by declines in the share price in three of the larger holdings. For the year to 31 December 2008 as a whole, NAV fell 73.9%, while the BSE Sensex fell by 52.4%, the BSE Small Cap Index fell by 72.4% and the Rupee appreciated 11.1% against Sterling.

Indian equities were among the worst performers worldwide in 2008 and India was the third worst performing emerging market in 2008 (after Russia and Pakistan). However Indian GDP growth at 7.6% year-on-year for the quarter ended 30 September 2008 was still one of the best worldwide.

After seven months of being net sellers in the market, FIIs turned net buyers of USD 433.5mn in December. This was against a background of a continued fall in inflation (wholesale price inflation fell to 6.38% for the week ending 20 Dec 2008), and lower interest rates (the Reserve Bank cut the repo rate to 5.5%, the reverse repo rate to 4% and the 10

year Government Bond yield ended the year at a 5.56%, a 5 year low). While 2009 may also be a difficult year (industrial production and exports have been falling), lower interest rates and substantially lower commodity prices including oil are expected to help the Indian economy later in the year.

The strategy throughout the year has been to support existing investee companies which we believe have an attractive future and not to sell in panic. Even so, fundamental company analysis has meant little in an extraordinarily volatile market dominated by pressures on forced sellers and the flight of FIIs. While the NAV fall has been dramatic, we believe that current valuations are extremely attractive and that once markets stabilise investee companies' underlying performance should once again be reflected in their share prices.

In the month of December the Company continued to buy into existing investments where we believe the valuations to be most attractive, using cash generated by selling out of a few other holdings, including a complete exit from one holding.

The net cash as on 31 December was GBP 3.2mn, 10.1% of the portfolio.



THE FUND

The India Capital Growth Fund is a closed ended, Guernsey registered, AIM listed fund established in December 2005, with the objective of generating long-term capital appreciation by investing in small and medium sized companies based in India, both listed and unlisted. The shares are denominated in Pounds Sterling.

ADDITIONAL INFORMATION

Further information can be found on the Company's website at: www.indiacapitalgrowth.com

INVESTMENT OBJECTIVES

The Company's investment objective is to provide long term capital appreciation by investing predominantly in listed small to mid-cap companies with a smaller proportion in unlisted companies. Investment may also be made in large-cap listed Indian companies where the Fund Manager believes long-term capital appreciation will be achieved.

Investment evaluation and selection is based on a bottom-up approach where opportunities are evaluated on a case by case basis. The Fund Manager follows an absolute return focus to investing rather than 'relative-performance' stock picking. The Company may hold liquid assets (including cash) pending deployment in suitable investments. It is the Company's declared policy not to hedge the exposure to the Indian Rupee.

BASIC DATA

Launch date	22nd December, 2005
Listing	Alternative Investment Market, LSE
Domicile	Guernsey
NAV publication	Monthly

CAPITAL STRUCTURE

Ordinary shares in issue	75,000,000
Warrants outstanding	15,000,000
Warrant exercise price	100p
Warrant exercise period	Post publication of annual accounts in 2009-2011

BOARD

Micky Ingall (Chairman)
Jamie Cayzer-Colvin
Ashok Dayal
Robin Nicholson
Andrew Maiden

MANAGER AND FEES

India Investment Partners Limited	30 Buckingham Gate, London SW1E 6NN Tel: +44 207 802 8902 Fax: +44 207 802 8909
Annual Management fee	1.5% of AUM
Performance fee	20% of increase in NAV in excess of 10% compound annual growth in sterling, paid semi-annually and subject to a High Water mark

OTHER ADVISERS

Registrar	Capita IRG (CI) Limited 2nd Floor, No 1 Le Truchot, St Peter Port, Guernsey GY1 4AE
Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL
NOMAD	Arbuthnot Securities Limited 20 Ropemaker Street, London EC2Y 9AR
CREST Agent	Capita Registrars 34 Beckenham Road, Kent BR3 4TU