

INVESTMENT OBJECTIVES

The Company's investment objective is to provide long term capital appreciation by investing predominantly in listed mid and small 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.

SHARE PRICE AND NAV AS AT 31 MAY 2010

Ordinary Shares

Ticker	IGC
Share price (p)	59.50
NAV per share (undiluted) (p)	69.28
NAV per share (diluted) (p)	69.28

Warrants

Ticker	IGCW
Warrant price (p)	1.88

PORTFOLIO BREAK DOWN BY SIZE AT 31 MAY 2010

	No. of companies	% of portfolio
Small Cap	12	30.3
Mid Cap	4	19.1
Large Cap	10	24.7
Unlisted	2	9.2
Cash/Cash Equivalent		16.7
Total	28	100.0

Portfolio update

The net asset value per share fell 4.9% in May whilst the underlying NAV in local currency terms fell 6.3%, as once again the weakness in Sterling helped to offset the collapse in share prices. The BSE Midcap index fell 4.9% underperforming the main board by 1.5%. On the back of rising risk aversion prompted by events in Europe, foreign institutional investor flows turned negative in May to the tune of USD 2.2bn, reversing approximately one third of the inflows the market has enjoyed since the start of the year. Some cash had been raised in the portfolio in expectation of weaker markets at the start of the month but in these instances it is never enough. Furthermore, until the restructuring is complete, the portfolio remains somewhat hostage to the movements of a few key stocks. Bilcare (weight 6.9%), Prime Focus (weight 4.5%) and Varun Shipping (weight 4.1%) fell 14.6%, 14.0% and 12.1% respectively in the month. The concentration risk in less liquid names has been substantially reduced but there is still more to do.

Outlook

There is no doubt that India's future prospects would be adversely affected by downward revisions to global growth prompted by events in Southern Europe and/or slower growth in China – although less so than many other export dependant emerging market economies. India is reliant on foreign capital to fund its growth and global turmoil causes disruption to the cost and availability of these flows. In reality though, the outflows witnessed in May are more to do with a flight to the relative safety of US Treasuries and gold in particular from a market that has performed well, and hence we remain for the time being "firmly coupled". This is the key spoiler in our story as Indian equities are still perceived as risky assets. What must not be ignored or forgotten as a result of the current mayhem is that in May alone Areva made an open offer to shareholders of their Indian subsidiary worth approximately USD 300m at a 22% premium to the prevailing market price. The offer took place as a consequence of the Schneider Electric and Alstom's bid to buy Areva's transmission and distribution assets. In addition Asea Brown Boveri made an open offer to buy 22.9% in the Indian subsidiary ABB India Ltd to take their holding to 75% at a premium to the market close of 34%, an investment of close to USD 1bn. More positive news from the fiscal perspective came from India's 3G auctions

Given the enormous uncertainty that pervades financial markets currently we feel the need to up the pressure here somewhat. Of course, the concentration risk works in our favour on the upside, as has been the case with the portfolio's largest holding S Kumars Nationwide Limited in recent months. Although the stock fell 1.1% in May it continues to outperform the BSE midcap market (down 4.9%), and it is reassuring that after such a strong run (up 68% ytd) it held up so well in the recent sell off. The largest contributors to positive performance this month came from new entrants United Phosphorus (up 7%), a manufacturer of off-patent agro-chemicals, Pratibha Industries (up 2.7%), a mid cap engineering and construction company and Jubilant Life Sciences (up 1.4%) a custom research and manufacturer of pharmaceuticals for the global innovators. Elsewhere the Company suffered from its exposure to the materials sector through Sterlite (down 20%), and to property via Arihant Foundations (down 23.3%).

which concluded this month. Auction receipts, budgeted at USD 8bn, came in at closer to USD 15bn with a further USD 2bn expected from additional spectrum costs in the 2G space. We are hopeful that the recent fall in crude oil to below USD 70 a barrel has given an opportunity to the Government to cut its oil subsidy bill by raising the domestic price of motor fuel and kerosene. Fourth quarter GDP growth came in in line with estimates at 8.6% whilst the Indian Government officially upgraded full year GDP growth for 2010 to 7.4%. A further key point in the GDP data was the 17.7% increase in fixed capital investment on a quarter on quarter basis. These are not only extremely encouraging signs from both the private and the public sector, but also make a significant difference to the Indian coffers.

Although India's direct exposure to Southern Europe is minimal, the Indian stock market in the near term will be as much a bet on Western GDP growth as on India's current economic virility. But given the strong positive correlation between India's Index of Industrial production ("IIP") and the stock market over the last four years (see chart overleaf) and the expectation of strong IIP growth this year and next, any further sell offs as a result of European issues will be a another great buying opportunity.

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

BASIC DATA

Launch date | 22nd December, 2005

Listing | Alternative Investment Market, LSE

Domicile | Guernsey

NAV publication | Monthly

CAPITAL STRUCTURE

Ordinary shares in issue | 75,001,463

Warrants outstanding | 14,998,537

Warrant exercise price | 100p

Final Warrant exercise period | Post the publication of the annual accounts in 2011

BOARD

Fred Carr (Chairman)

Robin Nicholson

Jamie Cayzer-Colvin

Ashok Dayal

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. At 31 December 2009, the High Water Mark was 210.91 pence per share.

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

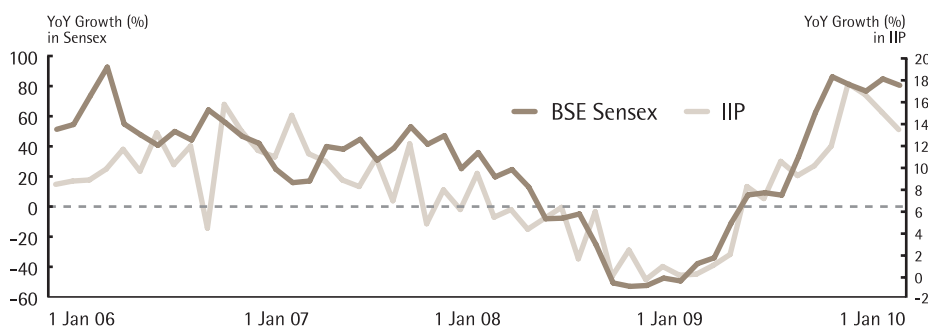
CREST Agent | Capita Registrars, 34 Beckenham Road, Kent BR3 4TU

India Capital Growth Fund Limited | Registered Office: Trafalgar Court, St Peter Port, Guernsey, GY1 3QL

Outlook (continued)

OUTLOOK FOCUS

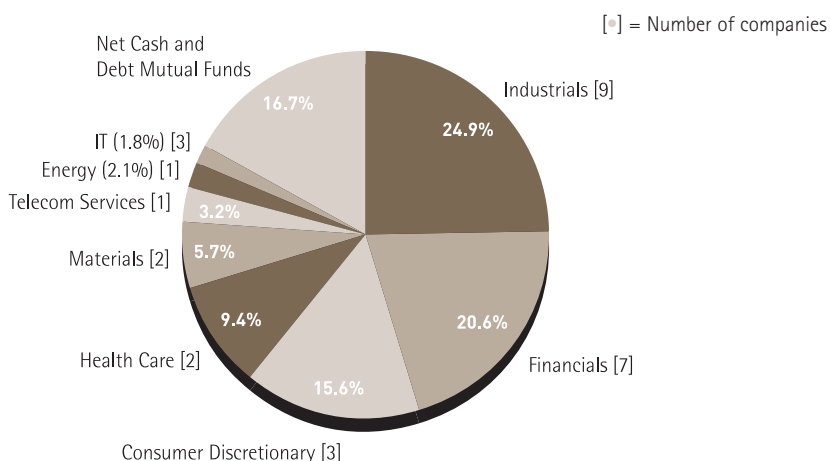
India's Index of Industrial Production vs Growth BSE Sensex (%)



TOP 10 EQUITY HOLDINGS AT 31 MAY 2010

Holding	Sector	% of Portfolio
S. Kumars Nationwide	Consumer Discretionary	10.4
Marwadi Shares and Finance	Financials	9.2
Bilcare	Health Care	6.9
Prime Focus	Consumer Discretionary	4.5
Varun Shipping Co	Industrials	4.1
Jain Irrigation	Industrials	4.1
IVRCL	Industrials	3.4
United Phosphorus	Materials	3.3
Bharti Airtel	Telecom Services	3.2
Spicejet	Industrials	3.1

ANALYSIS OF HOLDINGS BY SECTOR AT 31 MAY 2010



SHARE PRICE AND NAV PERFORMANCE

