

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 30 JUNE 2010

Ordinary Shares

Ticker	IGC
Share price (p)	61.25
NAV per share (undiluted) (p)	68.11
NAV per share (diluted) (p)	68.11

Warrants

Ticker	IGCW
Warrant price (p)	1.88

PORTFOLIO BREAK DOWN BY SIZE AT 30 JUNE 2010

	No. of companies	% of portfolio
Small Cap	12	27.6
Mid Cap	6	22.1
Large Cap	13	28.1
Unlisted	2	9.0
Cash/Cash Equivalent		13.2
Total	33	100.0

Portfolio update

The net asset value per share fell 1.7% in June principally on account of a recovery in the GBP/INR exchange rate which rallied 4.1% during the month. In local currency terms the net asset value rose 2.4% which itself was disappointing given the BSE Mid-cap index finished up 4.6%. The underperformance can be attributed to a few culprits exacting a significant influence on the overall outcome. S Kumars Nationwide Ltd, 10.0% of the portfolio, paused to catch its breath (down 1.5%), after a momentous rally this year. We view this as a healthy and necessary consolidation and providing the management delivers on the plans it has shared with the market, we still see significant value to be unlocked. We are encouraged to learn that they are "on the road" seeing investors in Europe this month, presumably banging the drum about future plans.

In other areas the NAV was negatively affected by our own requirement to reduce individual portfolio weightings owing to well documented liquidity constraints. This is an inevitable part of the restructuring process which we are attempting to manage with as little damage as possible. Bilcare Limited (6.5% weight), a manufacturer of medical packaging products, is not an example of a holding where such price action has occurred. The stock has lost 25% of its value in the last three months.

This is despite operating performance in line with management guidance and our own expectations, and against a background of exceptionally low trading volumes (34% below the current, already low, 3 month average). We continue to interact with the management on a regular basis and are rigorously reviewing our assumptions before taking any decisions. But with the concentration as it is the rot must be stopped one way or another. Elsewhere the investment portfolio made progress in financials and IT. IDFC, a non banking financial focusing on all areas of infrastructure lending, rose 14% on news that it was aggressively revising upwards its growth assumption and was raising additional capital to allow the opportunity to be maximised. KPIT, a provider of auto component technology products rose 29% on the announcement of an innovative "plug in" hybrid product designed to reduce carbon emissions in the auto sector. It sounds exciting and we are taking a close look at the consequences. The number of stocks in the portfolio rose from 28 to 33 this month as small positions were initiated in companies exposed to the steel, education, banking, mobilecommunication and healthcare sectors. Hopefully we will have plenty of positive news to report about their contribution to performance in due course.

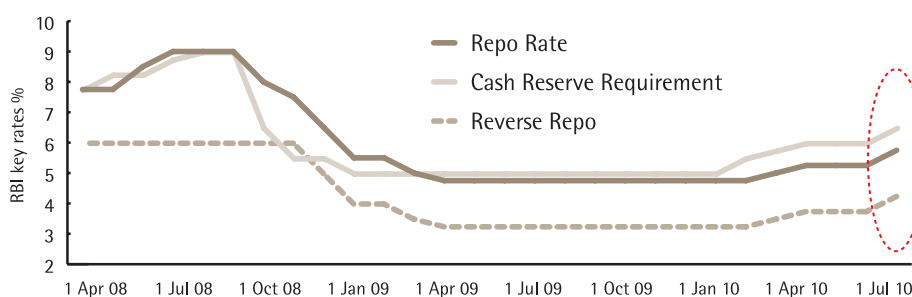
Outlook

June turned out to be a hectic month for news. As mooted in May's factsheet, the government finally announced plans to reduce the oil subsidy bill by freeing up petrol from all price controls as well as hiking (but not deregulating) diesel, kerosene and cooking gas prices. This is further good news for the fiscal balance but bad news for inflation. In its own words the government reckons "the increase in fuel prices will have an immediate impact of around 1% on WPI inflation". Indeed shortly afterwards, the Reserve Bank of India raised policy rates by 25 basis points between official rate setting meetings (for

the second time this year). The official policy rate now stands at 5.5%, up three quarters of one percent year to date. (Please refer to Figure one). The next meet is on July 27th and we would expect a further 25 basis points then. The only real surprise was the timing, but the decision is a good one and the RBI must be credited for its pro-active and decisive response to the healthy economic conditions. Rapid economic growth combined with interest rates that are not far off levels set during "the crisis" is not sustainable and India can easily withstand the process of further policy "normalisation" from here.

FIGURE ONE

• Reserve Bank of India; key interest rates



Source: Execution Noble

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)

As previously documented we believe that June will be the last month where the low base effect exaggerates both the elevated inflation and growth numbers. Hopefully the market will be equally sanguine about both anomalies. The expectations for the rainfall this monsoon remains positive and the food inflation component has already started falling fast. The worry is non food manufactured prices. Here demand pressures are causing prices to rise and further tightening is essential to "anchor" inflation expectations without upsetting the growth element on which much of the expected fiscal improvement depends.

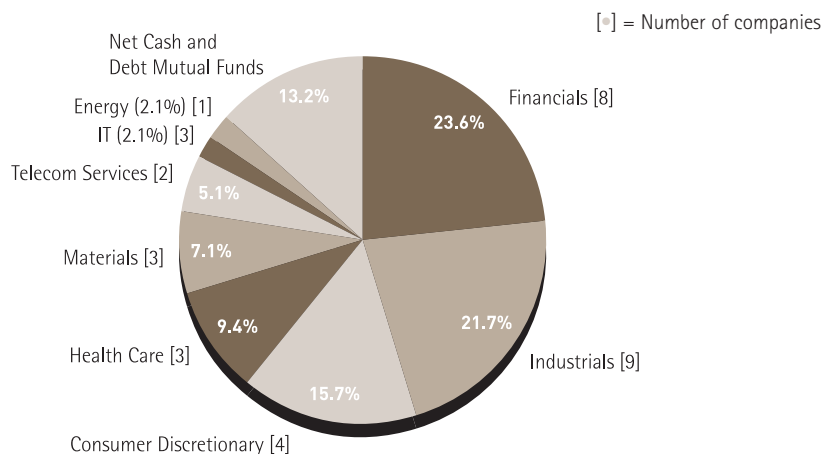
Finally we are encouraged and excited to hear that the new coalition government in the

United Kingdom is also keen to exploit the opportunities of business in India. Pledging to establish "a new special relationship" with India, David Cameron will shortly lead a delegation of ministers, FTSE 100 chief executives and education bosses in a fresh attempt to "boost links" with a country where the "real economic action is". There are great opportunities in India for businesses large and small from the UK. These are sector-wide and arise not just from outsourcing cost elements of the business model to India, but also from the huge domestic growth story. This underscores our own optimism for India and the investment strategy will continue to focus on those companies most likely to benefit from this positive momentum.

TOP 10 EQUITY HOLDINGS AT 30 JUNE 2010

Holding	Sector	% of Portfolio
S. Kumars Nationwide	Consumer Discretionary	10.0
Marwadi Shares and Finance	Financials	9.0
Bilcare	Health Care	6.5
Prime Focus	Consumer Discretionary	4.3
United Phosphorus	Materials	4.1
IVRCL	Industrials	3.7
IDFC	Financials	3.2
Bharti Airtel	Telecom Services	3.2
Varun Shipping Co	Industrials	2.9
Spicejet	Industrials	2.7

ANALYSIS OF HOLDINGS BY SECTOR AT 30 JUNE 2010



SHARE PRICE AND NAV PERFORMANCE

