

OCTOBER 2018

Monthly commentary

Net Asset Value

The Net Asset Value (NAV) per share as at 31 October 2018 was 92.54 pence. In October the NAV was unchanged in Sterling terms, whilst the BSE Mid Cap TR Index was down 0.2%, delivering an outperformance against the notional benchmark of 0.2%. In local currency terms, the NAV was down 0.9% for the month.

Portfolio update

Positive contribution to the portfolio's performance came from Federal Bank (up 17.0%) and Divi's Laboratories (up 13.2%). Negative contribution came from Indusind Bank (down 15.7%), Ramkrishna Forgings (down 11.1%) and Emami (down 20.1%).

Market and economic update

In tandem with a weak month for global equities, October saw another fall in India driven this time by larger cap names with the BSE Sensex down 4.9% and BSE Mid Cap TR Index down 1.0% (in local currency terms). However the domestic macroeconomic environment showed respite as Brent Crude Oil prices corrected 11% and the Reserve Bank of India (RBI) announced a liquidity infusion into the monetary system providing much needed relief to Non-Banking Finance Corporations and the bond market. Indeed, the yield on 10 year Government Securities declined from the recent high of 8.4% to 7.9%. The currency remained under pressure however with the Rupee depreciating by 2.0% against the US Dollar and 0.9% against the

Pound Sterling as Foreign Institutions were again net sellers for the month (US\$3.8bn). Appetite from Domestic Institutions was still strong with net inflows of US\$3.5bn.

The RBI decided to keep interest rates on hold in its policy meeting against the market expectation of a 25bps increase. It however elevated its policy stance from "neutral" to "calibrated tightening", suggesting that the rate hiking cycle is not yet over, despite marking down its Consumer Price Inflation (CPI) forecast for H2FY19 to 3.9%-4.5% from 4.8%. Food prices seem to be the chief reason and this was reflected in the CPI inflation figure for September which was 3.8% compared to 3.7% in August.

Indian companies began reporting Q2FY19 earnings. The picture so far shows that whilst revenues have risen fairly well, operating margins have contracted as few firms have been able to pass on higher input costs from higher oil prices, leading to lower than expected earnings. IT, Financials, Industrials and Consumer Staples sectors have outperformed expectations whilst Energy, Health Care, Consumer Discretionary and Cement companies have disappointed. Within the Financials sector, banks are showing a steady recovery in balance sheets as fewer loans have slipped into non-performing territory resulting in lower credit costs. Industrials so far have reported good operating performance on the back of strong order inflows with the order book of the market leader, Larsen & Toubro, growing by 42% (YoY). Consumer staples' outperformance was helped by robust rural consumer demand.

Rebased NAV Performance since 31 December 2011 (all £)



Source: Ocean Dial Asset Management Limited, Bloomberg

NAV Performance (%)

| | 1m | 3m | YTD | 1yr | 3yr | 5yr |
|---|-------|--------|--------|--------|-------|--------|
| ICGF Rebased NAV (£)* | 0.00 | -17.00 | -27.16 | -23.81 | 37.20 | 140.85 |
| ICGF NAV (£) | 0.00 | -17.00 | -27.16 | -23.81 | 27.49 | 107.26 |
| BSE Mid Cap Index Total Return (£ adjusted) | -0.15 | -12.36 | -24.33 | -19.10 | 46.29 | 165.30 |
| MSCI India Total Return (£ adjusted) | -5.04 | -12.23 | -11.05 | -8.87 | 35.62 | 67.71 |

*The Rebased NAV is the fairest representation of the Manager's performance across all periods excluding the dilutive effect of the new ordinary shares issued on 8 August 2016 following the exercise of subscription share rights.

Investment objectives

To provide long term capital appreciation by investing predominantly in listed mid and small cap Indian companies. Investments may also be made in large cap Indian companies where the Fund Manager believes long-term capital appreciation will be achieved. 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.

Portfolio statistics

| | |
|----------------------|------------|
| Fund size | £104.1m |
| No of holdings | 38 |
| Top 20 holdings | 67.3% |
| Dividend Yield (TTM) | 0.8% |
| Median market cap. | US\$0.89bn |
| NAV per share (p) | 92.54 |
| Share price (p) | 78.20 |

Key facts

| | |
|-----------------|------------------|
| Fund Manager | David Cornell |
| Fund Adviser | Gaurav Narain |
| Adviser start | 31 December 2011 |
| Launch date | 22 December 2005 |
| Listing | LSE Main Market |
| Domicile | Guernsey |
| NAV publication | Monthly |
| NAV estimate | Daily |

Capital structure and fees

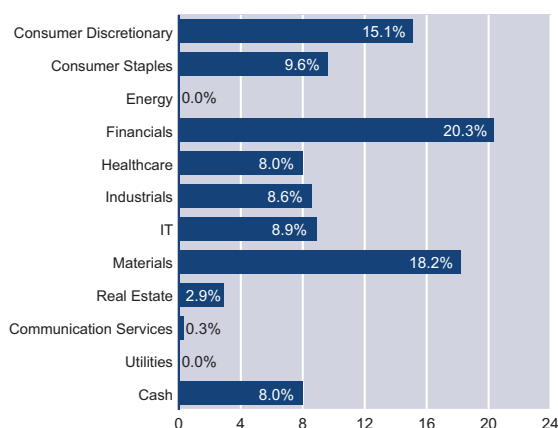
| | |
|---------------------------------|-------------------------------------|
| Ordinary Shares in issue | 112,502,173 |
| Annual management fee | 1.5% of AUM |
| Performance fee | There is no performance fee payable |

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Top 20 equity holdings

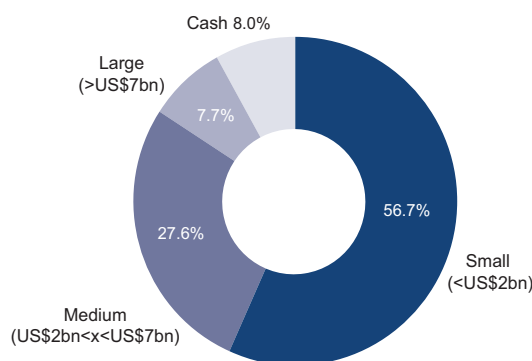
| Holding | Sector | % of portfolio | Holding | Sector | % of portfolio |
|------------------------|------------------------|----------------|-----------------------|------------------------|----------------|
| Tech Mahindra | IT | 4.9% | Radico Khaitan | Consumer Staples | 3.1% |
| Federal Bank | Financials | 4.2% | Kajaria Ceramics | Industrials | 3.1% |
| Jyothy Laboratories | Consumer Staples | 4.0% | PI Industries | Materials | 3.0% |
| NIIT Technologies | IT | 4.0% | Welspun India | Consumer Discretionary | 3.0% |
| City Union Bank | Financials | 4.0% | Balkrishna Industries | Consumer Discretionary | 3.0% |
| Divi's Laboratories | Healthcare | 3.7% | Berger Paints India | Materials | 2.8% |
| Motherson Sumi Systems | Consumer Discretionary | 3.7% | Sobha Developers | Real Estate | 2.8% |
| Ramkrishna Forgings | Materials | 3.6% | Indusind Bank | Financials | 2.8% |
| Aurobindo Pharma | Healthcare | 3.4% | Finolex Cables | Industrials | 2.5% |
| Exide Industries | Consumer Discretionary | 3.3% | Capital First | Financials | 2.4% |

Portfolio analysis by sector



Source: Ocean Dial Asset Management Limited, Bloomberg

Portfolio analysis by market capitalisation



Fund adviser



Gaurav Narain joined the Group in November 2011, having been immersed in the Indian equity markets for the previous 21 years. He has held senior positions as both a fund manager and an equities analyst in New Horizon Investments, ING Investment Management India and SG (Asia) Securities India. He holds a Masters degree in Finance and Control and a Bachelor of Economics degree from Delhi University.

Investment Philosophy

The investment manager believes that in India, optimal returns will be generated over time by investing in companies that are well placed to benefit from the structural growth potential of the Indian economy, combined with the highest quality of management best able to exploit this opportunity. The fund uses a consistent and disciplined bottom up stock picking process to select investments from our best ideas, unconstrained by a benchmark.

Regulatory information

The information in this document does not constitute or contain an offer or invitation for the sale or purchase of any shares in the Fund in any jurisdiction, is not intended to form the basis of any investment decision, does not constitute any recommendation by the Fund, its directors, agents or advisers, is unaudited and provided for information purposes only and may include information from third party sources which has not been independently verified. Interests in the Fund have not been and will not be registered under any securities laws of the United States of America or its territories or possessions or areas subject to its jurisdiction, and may not be offered for sale or sold to nationals or residents thereof except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933, as amended (the "Securities Act"), and any applicable state laws. While all reasonable care has been taken in the preparation of this document, no warranty is given on the accuracy of the information contained herein, nor is any responsibility or liability accepted for any errors of fact or any opinions expressed herein. Past performance is not a guide to future performance and investment markets and conditions can change rapidly. Emerging market equities can be more volatile than those of developed markets and equities in general are more volatile than bonds and cash. The value of your investment may go down as well as up and there is no guarantee that you will get back the amount that you invested. Currency movements may also have an adverse effect on the capital value of your investment. Investing in a country specific fund may be less liquid and more volatile than investing in a diversified fund in the developed markets. This Fund should be seen as a long term investment and you should read the Prospectus whilst paying particular attention to the risk factors section before making an investment. Please refer to the Prospectus for specific risk factors. Where reference to a specific Class of security is made, it is for illustrative purposes only and should not be regarded as a recommendation to buy or sell that security. Market index information shown herein such as that of the S&P BSE Mid Cap Total Return Index is included to show relative market performance for the periods indicated and not as standards of comparison, since indices are unmanaged, broadly based and differ in numerous respects from the Fund. This document is issued by Ocean Dial Asset Management Limited and views expressed in this document reflect the views of Ocean Dial Asset Management Limited and its Mumbai based affiliated company and advisor, Ocean Dial Advisers Private Limited as at the date of publication. This information is for the use of intended professional and institutional investor recipients only and may not be reproduced, redistributed or copied in whole or in part without the express consent of Ocean Dial Asset Management Limited. Ocean Dial Asset Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Registered office 13/14 Buckingham Street, London WC2N 6DF.

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