

JULY 2019

Monthly commentary

Net Asset Value

The Net Asset Value (NAV) per share as at 31 July 2019 was 94.21 pence. In July the NAV was down 2.9% in Sterling terms, whilst the BSE MidCap TR Index was down 3.6%, delivering an out performance against the notional benchmark of 0.7%. In local currency terms, the NAV was down 6.9% for the month.

Portfolio update

Positive contribution to the portfolio's performance came from Emami (up 7.0%), Berger Paints (up 4.2%) and Divi's Laboratories (up 2.3%). Negative contribution came from Federal Bank (down 14.8%), Kajaria Ceramics (down 18.5%) and Indian Bank (down 28.2%).

Market and economic update

Indian equities continued to correct in July with the BSE Sensex and BSE MidCap TR Index down 4.6% and 7.6% respectively (in Indian Rupees) as disappointment with the Union Budget, a tepid earnings season and an ongoing liquidity crunch continue to act as drags on sentiment. Foreign institutional investors (FII) were net sellers to the tune of US\$1.9bn whilst investments from domestic institutions continued to be strong (net buyers of US\$3.0bn). The Indian Rupee for the month appreciated by 0.3% against the US Dollar and 4.1% against Pound Sterling.

The newly appointed finance minister Nirmala Sitharaman presented the Government's inaugural budget in July. Whilst some measures were received positively – maintaining fiscal discipline with a deficit to GDP target of 3.3% for FY20 (3.4% in FY19) and aiming to fund up to 10% of it from the overseas market – overall the Budget has contributed to market negativity. For instance, in an attempt to increase surcharges on super high income individuals operating through registered trusts and associations, approximately 40% of Foreign Portfolio Investors are liable to a higher tax bill, thus triggering a net FII outflow in July.

Indian companies began reporting Q1FY20 results (ending on 30 June). Results so far have shown a trend of weakening demand particularly in the rural economy, both in big ticket items such as Automobiles and in Consumer Staples. Hindustan Unilever reported volume growth of 5%, the slowest in the last seven quarters. In IT, margins were weak, however demand trends are stable. Private Banks reported a slight moderation in loan growth, while for wholesale banks concerns remain on potential slippages from the clean-up of asset books that is underway. On an encouraging note, Larsen & Toubro, India's largest private sector infrastructure company, reported in-line with expectations; order inflows grew by 11% and the management team has guided for similar growth going forwards.

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 (£)*	-2.90	-7.65	-7.33	-15.51	6.26	80.18
ICGF NAV (£)	-2.90	-7.65	-7.33	-15.51	5.83	55.05
BSE MidCap TR Index (£ adjusted)	-3.58	-0.66	-5.91	-7.36	17.34	91.44

*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	£106.0m
No of holdings	34
Top 20 holdings	67.9%
Dividend Yield (TTM)	0.8%
Median market cap.	US\$0.96bn
NAV per share (p)	94.21
Share price (p)	78.00

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

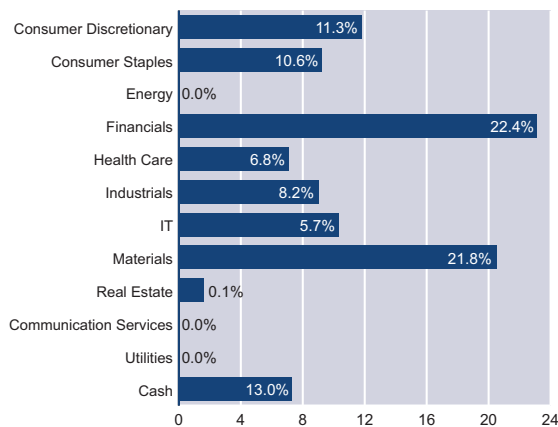
Ordinary Shares in issue	112,502,173
Annual management fee	1.25% of AUM
Performance fee	There is no performance fee payable

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Top 20 equity holdings

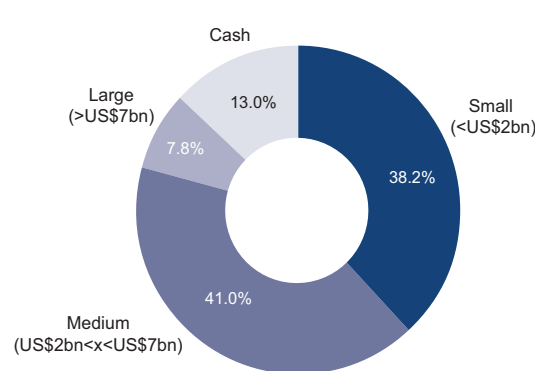
Holding	Sector	% of portfolio	Holding	Sector	% of portfolio
Federal Bank	Financials	5.5%	IDFC Bank	Financials	3.3%
City Union Bank	Financials	5.0%	Indusind Bank	Financials	3.0%
Tech Mahindra	Information Technology	4.8%	Welspun India	Consumer Discretionary	2.8%
PI Industries	Materials	3.9%	Aurobindo Pharma	Health Care	2.7%
Emami	Consumer Staples	3.8%	Essel Propack	Materials	2.7%
Jyothy Laboratories	Consumer Staples	3.7%	Motherson Sumi Systems	Consumer Discretionary	2.7%
Berger Paints India	Materials	3.7%	The Ramco Cements	Materials	2.7%
Kajaria Ceramics	Industrials	3.5%	Radico Khaitan	Consumer Staples	2.6%
Ramkrishna Forgings	Materials	3.4%	Exide Industries	Consumer Discretionary	2.5%
Divi's Laboratories	Health Care	3.3%	Balkrishna Industries	Consumer Discretionary	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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