

Net Asset Value

The Net Asset Value (NAV) per share as at 30 June 2020 was 70.42 pence. In June the NAV was up 9.41% in Sterling terms, whilst the BSE MidCap TR Index was up 11.11%, delivering an underperformance against the notional benchmark of 1.70%. In local currency terms, the NAV was up 8.68% for the month.

Portfolio activity

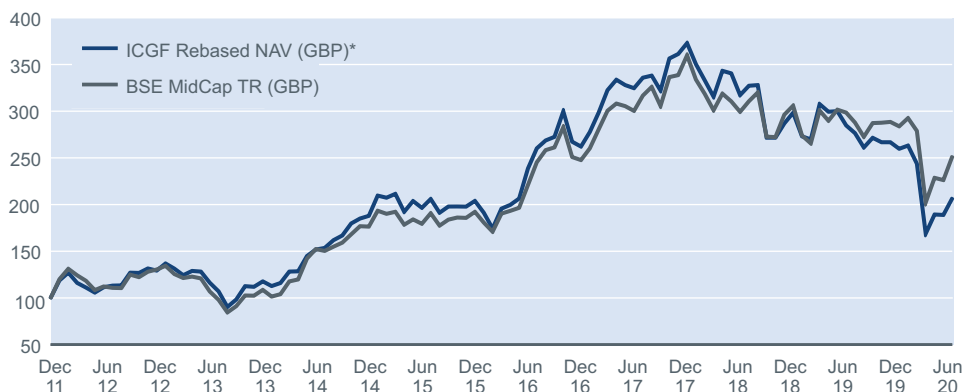
New purchases Aarti Industries, Dixon Technologies
Exits Manpasand Beverages, Radico Khaitan

Holdings in focus

Divi's Laboratories is a leading manufacturer of active pharmaceutical ingredients (APIs). It manufactures Generic APIs (~50% of sales), Nutraceutical Ingredients (8-10% of sales) and offers contract manufacturing of APIs (40-43% of sales) to large global pharmaceutical companies - exports to Europe and America constitute ~73% of revenue. Robust R&D capabilities, cost leadership in manufacturing, IP adherence and long term relationships with the top 20 global health care innovators are key strengths which will help drive incremental business in an age where its customers are seeking to control costs. Divi's order book continues to be strong and it is in the final phase of completing a large capex program nearly doubling its current capacity. It also remains a key beneficiary of China-dominated supply disruptions which is expected to open up new growth opportunities. Earnings are expected to grow at 16% CAGR over the next 2 years with strong free cash flow generation, zero debt and ROIC of over 28%.

Emami is a leading FMCG player in India having operated in health, beauty and personal care products for over 30 years. It has created strong entry barriers through its track record in identifying and creating niche product categories - and then dominating them. To revive growth post-lockdown it is launching new products focusing on health, hygiene and immunity under its flagship brand Boro Plus and Zandu which are expected to contribute ~3-4% of sales. Emami has increased direct distribution to 950K outlets and reduced its dependence on the wholesale channel which now generates ~40% of sales. It has also taken various cost reduction initiatives which will drive annual savings of around £6.5m. A gross margin of 67%, net cash balance sheet and strong free cash flow generation provides enough fire power to aggressively spend on advertising and promotion to increase penetration and gain further market share. Revenue in FY21 will see a dip due to the lockdown in Q1, however with all the measures taken by the management team, growth is expected to return back to double digits from FY22. It trades at an FY20 PE of 20x which is a 43% discount to its last 5 year historical average of 35x.

Rebased NAV Performance since 31 December 2011 (%)



Source: Ocean Dial Asset Management Limited, Bloomberg

Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF Rebased NAV*	9.4%	22.4%	(20.4%)	(27.4%)	(36.3%)	5.2%
ICGF NAV	9.4%	22.4%	(20.4%)	(27.4%)	(36.3%)	(2.5%)
BSE MidCap TR Index	11.1%	24.3%	(11.4%)	(15.8%)	(16.3%)	40.1%

*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.

Source: Ocean Dial Asset Management Limited, Bloomberg

Fund information

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	£79.2m
Launch	22 December 2005
Adviser start	31 December 2011
Portfolio Manager	David Cornell
Portfolio Adviser	Gaurav Narain
Benchmark	S&P BSE MidCap TR
AMC	1.25%
Share price / NAV per share (p)	53.20 / 70.42

Portfolio characteristics

Number of holdings	33
Median market cap	£706m
PE FY20	17.1
ROE (3y Avg)	17.7%
Tracking Error	4.8%
Active Share	86.0%

India highlights

	MTD	YTD
BSE-500 (US\$)	8.4%	(19.1%)
iShares MSCI Asia ex-Japan (US\$)	7.4%	(5.5%)
iShares MSCI EM Index (US\$)	6.6%	(10.4%)
INR vs US\$ [stronger/(weaker)]	0.1%	(5.8%)
FII Net flows (US\$m)	2,473	(2,442)
DII Net flows (US\$m)	320	11,711

Macro indicators

CPI inflation (March / 3m avg)	5.8%	6.7%
GDP Q4 FY20		3.1%
Current account/GDP Q4 FY20		(0.8%)

Source: Ocean Dial Asset Management Limited

Team commentary

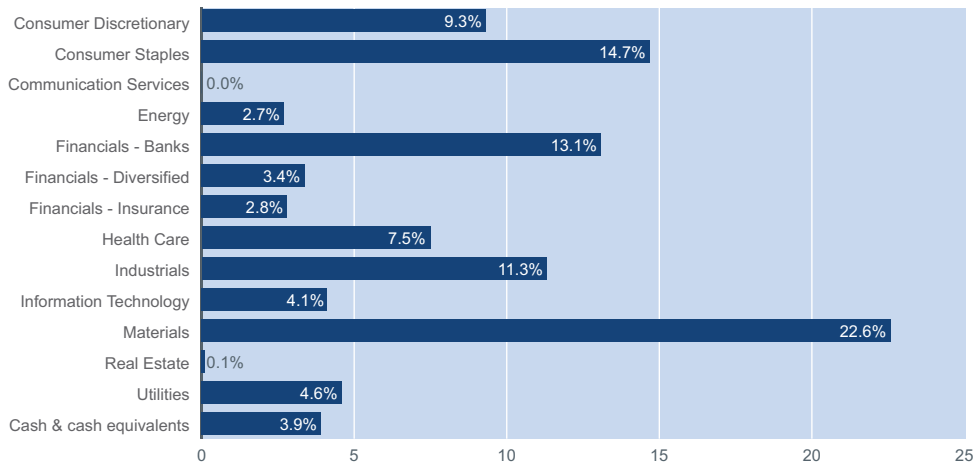
8 July	In conversation – An update on the virus, GTIF portfolio activity and an outlook for Indian equities
June	Monthly Book Review: Sea of Poppies
16 April	In conversation – The virus, lockdown, portfolio activity, balance sheet risk, new ideas
16 March	Covid-19 – What's the Indian market pricing in?

Top ten holdings

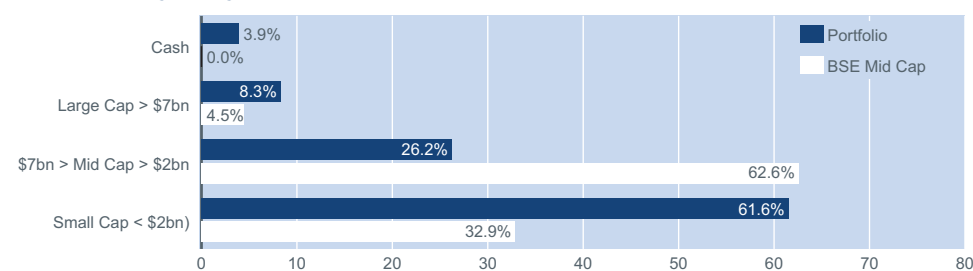
Portfolio Company	Weight	Characteristics	Market cap
PI Industries	5.9%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£2bn
Divi's Laboratories	5.6%	Quality pharmaceutical custom research / API manufacturer, strong industry tailwinds in global supply chains	£7bn
Federal Bank	5.2%	Well run mid-sized private sector bank, attractive valuations	£1bn
Gujarat Gas	4.6%	Key beneficiary of India's transition to cleaner energy	£2bn
Jyothy Laboratories	4.0%	Well diversified consumer portfolio, attractive valuations	£466m
Balkrishna Industries	3.8%	High quality speciality off-highway tyre exporter, strong entry barriers	£3bn
Emami	3.7%	Dominant player across multiple niche consumer product categories, attractive valuations	£1bn
Bajaj Consumer Care	3.6%	Highly profitable, niche consumer business, at deep value	£233m
JK Lakshmi Cement	3.5%	Deep value, capacity expansion complete and deleveraging underway	£321m
CCL Products India	3.4%	World's largest private label instant coffee manufacturer with growing customer base, consistent compounder	£337m

Source: Ocean Dial Asset Management Limited, Bloomberg

Portfolio analysis by sector



Portfolio analysis by market capitalisation



Source: Ocean Dial Asset Management Limited, Bloomberg

Quarterly attribution – 3 months to 30 June 2020 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Skipper	2.29	0.00	212.60	2.87
IndusInd Bank	2.15	0.00	129.39	2.08
PI Industries	6.31	0.00	27.51	1.94
Gujarat Gas	3.77	0.00	47.29	1.65
Federal Bank	5.06	1.54	32.80	1.43

Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Indian Rupee	4.87	0.00	(0.07)	(0.04)
City Union Bank	3.34	0.00	(10.42)	(0.56)
Berger Paints India	3.96	2.06	(9.62)	(0.61)
Tech Mahindra	3.59	0.00	(16.05)	(0.94)
DCB Bank	1.32	0.00	(57.35)	(2.48)

Source: Ocean Dial Asset Management Limited, Statpro

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.

Investment objective

To provide long term capital appreciation by investing predominantly in listed mid and small cap Indian companies. Investments may also be made in unquoted 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 exposure to the Indian Rupee.

Capital structure

112,502,173 ordinary shares in issue.

Board

Elisabeth Scott (Chairman)
Peter Niven
John Whittle

Other advisers

Administrator
Apex Fund and Corporate Services (Guernsey) Limited

Broker
Shore Capital Stockbrokers Limited

Registrar and CREST Agent
Neville Registrars Limited

Manager

Ocean Dial Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

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Important information

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