

Net Asset Value

The Net Asset Value (NAV) per share as at 31 August 2020 was 80.15 pence. In August the NAV was up 10.34% in Sterling terms, whilst the BSE MidCap TR Index was up 6.66%, delivering an out performance against the notional benchmark of 3.68%. In local currency terms, the NAV was up 10.29% for the month.

Portfolio activity

New purchases None

Exits None

Holdings in focus

Aarti Industries is India's leading benzene-based specialty chemicals company. It produces over 125 value-added products through multiple steps such as chlorination, nitration, hydrogenation and oxidation. Such products serve more than 500 domestic and 150 global customers, across diverse applications including polymers, agrochemicals, paints and pigments, pharma intermediates, APIs, fuel additives, home and personal care products. Aarti derives ~40% of its revenues from exports to more than 60 countries and the global market share of its various products range from 25-40%. It is ranked among the five largest global companies in nearly 75% of its key products. Helmed by technically gifted promoters, Aarti continues to focus on expanding its chemistry capabilities and consistently adding new chemistry blocks to expand its portfolio. As global companies seek a reliable supplier of chemicals, India is emerging an attractive alternative to China and Aarti is a key beneficiary of this trend. Aarti Industries has a leadership position, an integrated operational setup, diversified customer base and a qualified management team with a passion for R&D. We expect the company to have a strong earnings growth of 15-20% over the next 4-5 years.

Neuland Laboratories is a pharmaceutical manufacturer providing active pharmaceutical ingredients, complex intermediates and custom manufacturing solutions (CMS) to global pharma companies. After strong financial performance in FY17 the company saw a slowdown in FY18 and FY19 owing to capacity constraints, a low contribution from its high margin CMS vertical and a sharp increase in raw material prices which the company procured from China. The company started addressing all three issues which began to bear fruit in FY20. It increased its live CMS projects from 55 to 76 and this vertical is expected to contribute to a third of the business in the medium term. Neuland has also increased its manufacturing capacity by acquiring a new unit and has started backward integrating some of its key starting materials to reduce its dependence on China. These efforts should continue to increase revenue and profitability over the next few years. It also remains a key beneficiary of China-dominated supply chain disruptions which is expected to open up new growth opportunities. We expect revenues to grow at 10% CAGR and EBITDA at 21% CAGR over the next 2 years.

Rebased NAV Performance since 31 December 2011 (%)



Source: Ocean Dial Asset Management Limited, Bloomberg

Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF Rebased NAV*	10.3	24.5	(3.5)	(9.9)	(30.4)	23.0
ICGF NAV	10.3	24.5	(3.5)	(9.9)	(30.4)	13.2
BSE MidCap TR Index	6.7	18.1	(4.2)	(2.0)	(18.1)	50.5

*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)	£90.17m
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% of market cap
Share price / NAV per share (p)	68.20 / 80.15

Portfolio characteristics

Number of holdings	33
Median market cap	£871m
PE FY20	20.5
ROE (3y Avg)	21.8%
Tracking Error	7.5%
Active Share	85.7%

India highlights

	MTD	YTD
BSE-500 (US\$)	5.5%	(7.7%)
iShares MSCI Asia ex-Japan (US\$)	3.9%	6.2%
iShares MSCI EM Index (US\$)	2.9%	(0.2%)
INR vs US\$ [stronger/(weaker)]	1.6%	(3.1%)
FII Net flows (US\$m)	6,096	4,807
DII Net flows (US\$m)	(1,479)	9,014

Macro indicators

CPI inflation (July / 3m avg)	6.9%	6.5%
GDP Q1 FY21		(23.9%)
Current account/GDP Q4 FY20		(0.8%)

Source: Ocean Dial Asset Management Limited

Team commentary

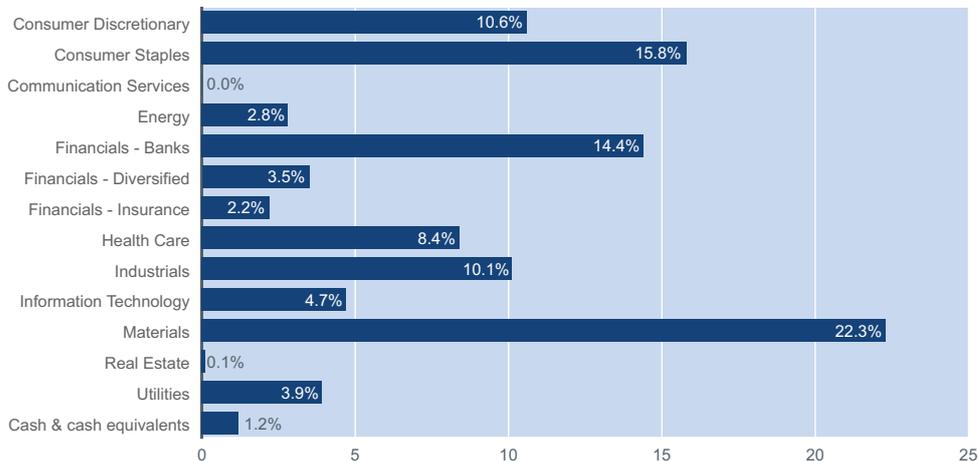
3 September	India Capital Growth Fund - Investing in Pandemic times
31 August	Monthly Book Review - Investing: The Last Liberal Art
31 July	Monthly Book Review - Artificial Intelligence: A Guide for Thinking Humans
31 July	India: 2020 vs 2010
8 July	In conversation - An update on the virus, GTIF portfolio activity and an outlook for Indian equities

Top ten holdings

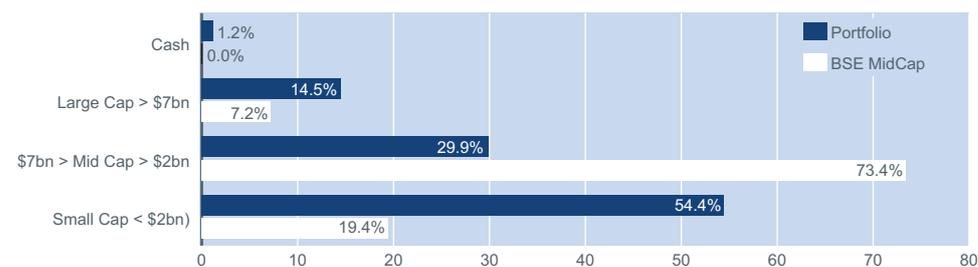
Portfolio Company	Weight	Characteristics	Market cap
PI Industries	5.9%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£3bn
Divi's Laboratories	5.9%	Quality pharmaceutical custom research / API manufacturer, strong industry tailwinds in global supply chains	£8bn
Emami	5.7%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
Federal Bank	4.7%	Well run mid-sized private sector bank, attractive valuations	£1bn
IndusInd Bank	4.1%	Amongst the top five private sector banks in India and poised to gain market share. Value play with ebbing asset quality concerns	£4bn
Jyothy Laboratories	4.0%	Well diversified consumer portfolio, attractive valuations	£531m
Gujarat Gas	3.9%	Key beneficiary of India's transition to cleaner energy	£2bn
Tech Mahindra	3.7%	IT services, leads telecommunications vertical with structural tailwinds	£7bn
Multi Commodity Exchange	3.5%	Quality business with high growth and attractive valuations	£831m
Balkrishna Industries	3.3%	High quality speciality off-highway tyre exporter, strong entry barriers	£3bn

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 31 August 2020 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Emami	4.25	0.79	74.20	2.63
Neuland Laboratories	2.02	0.00	119.08	1.75
Welspun India	2.63	0.00	66.22	1.48
Divi's Laboratories	5.74	4.84	24.24	1.35
IndusInd Bank	2.75	0.00	52.23	1.21
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
British Pound	0.41	0.00	0.00	0.00
Exide Industries	2.48	1.09	(4.24)	(0.15)
Indian Rupee	2.99	0.00	(4.91)	(0.18)
ICICI Lombard General Insurance	2.59	0.00	(8.13)	(0.22)
City Union Bank	2.87	0.00	(5.33)	(0.26)

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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