

Net Asset Value

The Net Asset Value (NAV) per share as at 30 September 2020 was 86.12 pence. In September the NAV was up 7.46% in Sterling terms, whilst the BSE MidCap TR Index was up 4.01%. In local currency terms, the NAV was up 3.74% for the month.

Portfolio activity

New purchases None **Exits** None

Holdings in focus

Skipper is India's largest transmission tower manufacturer with a capacity of 300,000 MTPA (90% of revenues). It also has a capacity of 51,000 MTPA in polymer pipes. It is one of the lowest cost producers of transmission towers globally due to fully integrated operations (from billet rolling to angle manufacturing). The company suffered a decline in EBITDA in FY19 and FY20 because of lackluster order flows in the domestic market and slow execution on the ground following a liquidity crunch for its clients during the IL&FS crisis. The management also strategically chose not to execute projects where they saw a risk to receivables and used the opportunity to strengthen the balance sheet and improve efficiencies in the manufacturing process. As a result, it was able to reduce net debt and generated free cash despite challenges in FY20. The company used the slowdown, to de-risk the business model and focus on exports where it has obtained all regulatory approvals in the USA and Europe. The business is now on a sharp turnaround. In transmission towers, its export bid pipeline is at the highest level and likely to touch 50% of its order book. It is also seeing sustained improvement in execution and has in fact added 10% additional workforce in July. In the polymer business, revenue growth has accelerated along with margin expansion. Overall, we think Skipper will grow revenues by over 10% in FY21 despite lockdown related challenges. Going forward, increased order flow from exports will translate into higher growth in FY22 & FY23. With revenue growth and cost improvements we foresee roughly 50% CAGR in net profit from FY20-FY23.

Welspun is India's largest home textile company with a presence in cotton bedsheets, towels, rugs and carpets. It is Asia's largest and the world's second largest terry towel producer. The company exports 94% of its home textile products to over 50 countries, with more than 68% to the USA and 23% to Europe. It supplies to 17 of the top 30 retail chains in the world. The company's strength is its integrated manufacturing facilities and focus on innovation. It has thirty patents with over 40% of revenues coming from innovative products. Welspun is also diversifying its revenue base by launching its own brands in domestic and overseas markets (Spaces, Welspun, Christy) as well as forays into new segments like flooring (carpets and tiles) and technical textiles such as wipes and surgical masks. Welspun is in a sweet spot and is seeing strong traction in its core business driven by health and hygiene considerations. It is also gaining from a global de-risking strategy from China particularly in the rugs and flooring segments. Return ratios are set to rise to over 15% as capex for its flooring facility is complete and we foresee the business turning debt free over the next three years. All these factors should lead to a re-rating of the business.

Rebased NAV Performance since 31 December 2011 (%)



Source: Ocean Dial Asset Management Limited, Bloomberg

Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF Rebased NAV*	7.5	22.3	49.7	(6.9)	(21.5)	27.8
ICGF NAV	7.5	22.3	49.7	(6.9)	(21.5)	18.7
BSE MidCap TR Index	4.0	10.5	37.4	(3.3)	(9.1)	51.1

*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)	£96.89m
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)	69.60 / 86.12

Portfolio characteristics

Number of holdings	33
Median market cap	£929m
PE FY20	23.5
ROE (3y Avg)	16.6%
Tracking Error	8.6%
Active Share	87.4%

India highlights

	MTD	YTD
BSE-500 (US\$)	(0.5%)	(8.5%)
iShares MSCI Asia ex-Japan (US\$)	(0.8%)	5.4%
iShares MSCI EM Index (US\$)	(1.0%)	(1.2%)
INR vs US\$ [stronger/(weaker)]	(0.2%)	(3.4%)
FII Net flows (US\$m)	(767)	4,040
DII Net flows (US\$m)	12	9,026

Macro indicators

CPI inflation (August / 3m avg)	6.7%	6.6%
GDP Q1 FY21		(23.9%)
Current account/GDP Q1 FY21		(0.4%)

Source: Ocean Dial Asset Management Limited

Team commentary

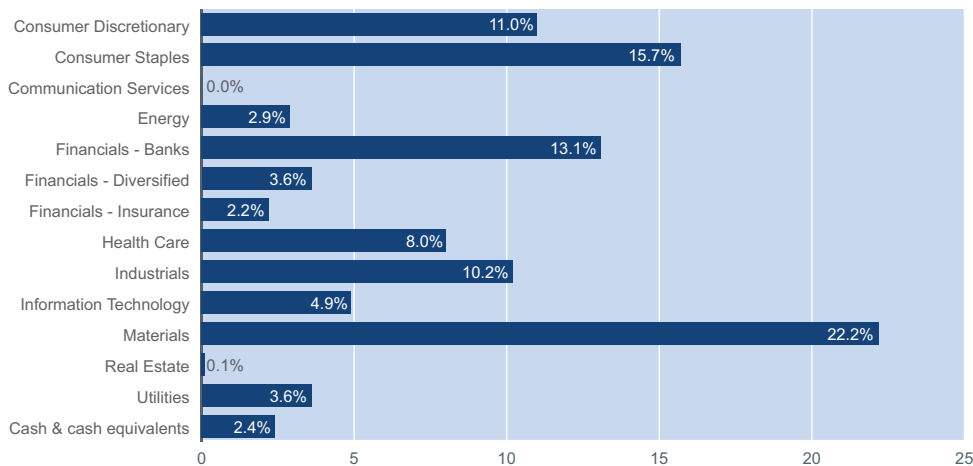
30 September	Monthly Book Review - The Order of Time
23 September	In Conversation - India Capital Growth Fund: Cutting through the noise
3 September	India Capital Growth Fund - Investing in Pandemic times
31 August	Monthly Book Review - Investing: The Last Liberal Art
31 July	Monthly Book Review - Artificial Intelligence: A Guide for Thinking Humans
31 July	India: 2020 vs 2010

Top ten holdings

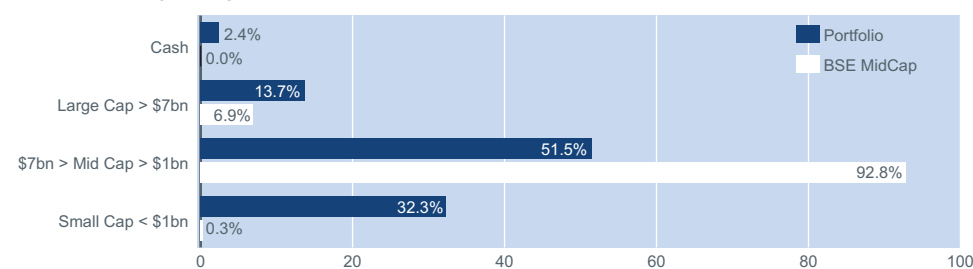
Portfolio Company	Weight	Characteristics	Market cap
Emami	5.4%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
PI Industries	5.2%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£3bn
Divi's Laboratories	4.9%	Quality pharmaceutical custom research / API manufacturer, strong industry tailwinds in global supply chains	£9bn
Tech Mahindra	4.1%	IT services, leads telecommunications vertical with structural tailwinds	£8bn
Federal Bank	4.0%	Well run mid-sized private sector bank, attractive valuations	£1bn
Jyothy Laboratories	4.0%	Well diversified consumer portfolio, attractive valuations	£570m
IndusInd Bank	3.8%	Amongst the top five private sector banks in India and poised to gain market share. Value play with ebbing asset quality concerns	£4bn
Welspun India	3.8%	India's largest home textile company, strong industry tailwinds in global supply chains and increased consumer focus on health	£711m
Multi Commodity Exchange	3.6%	Quality business with high growth and attractive valuations	£927m
Gujarat Gas	3.6%	Key beneficiary of India's transition to cleaner energy	£2bn

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 September 2020 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Emami	5.00	0.90	55.67	2.46
Welspun India	2.92	0.00	76.69	1.88
Divi's Laboratories	5.71	4.33	30.86	1.86
Neuland Laboratories	2.47	0.00	94.80	1.84
PI Industries	6.10	0.25	28.32	1.83
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Arihant Foundations & Housing	0.12	0.00	(2.16)	0.00
Indian Rupee	1.70	0.00	(2.16)	(0.14)
Finolex Cables	1.70	0.00	(2.16)	(0.16)
Federal Bank	4.77	1.49	(6.76)	(0.30)
Gujarat Gas	3.90	0.00	(4.78)	(0.35)

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
Patrick Firth

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.

Tel: +44 (0) 20 7068 9870
Email: enquiries@oceandial.com

Website

www.indiacapitalgrowth.com

Important 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 London Stock Exchange Listing Prospectus published in December 2017 (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 Midcap TR 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 Asset Management India Private Limited as at the date of publication.

This information 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.