

Net Asset Value

The Net Asset Value (NAV) per share as at 31 May 2021 was 117.93 pence. In May the NAV was up 7.62% in Sterling terms, whilst the BSE MidCap TR Index was up 7.46%. In local currency terms, the NAV was up 7.32% for the month.

Portfolio activity

New purchases None **Exits** None

Holdings in focus

JK Lakshmi Cement (JKLC) is a part of the 132 years old JK group. It has a 3% market share in India with 13.3MTPA cement capacity. It boasts diversification across regions but its primary operations are based out of northern and western India. It has three integrated cement plants and four grinding units. JKLC plans to undertake a brownfield capacity expansion of 2.5MTPA in the north-western state of Rajasthan once the pandemic wanes, further strengthening its position in this region. JKLC has seen ROCE expand 900bps to 17.1% over FY19-21 driven by completion of capex and strong operating performance as its EBITDA/te grew 2.2x to around Rs.900/te over the same period. This in turn has led to reduction in debt, with leverage falling from 1.1x to 0.4x. JKLC has achieved this strong operating performance despite Covid-led demand headwinds and raw material cost inflation. With the expectation of strong robust demand led by increased infrastructure spending in northern and eastern India, we believe that players like JKLC will gain owing to its strong presence in these regions. The company remains focused on its brand building and premiumisation projects. Throughout lockdown it continued to recruit key senior management personnel, including a President (ex. Lafarge) to head its operations across sales, marketing and plant logistics. We believe the change in management will bring in fresh perspective and renewed focus on key performance parameters which, coupled with robust demand outlook, will help JKLC in maximising its performance to its full potential.

Finolex Cables Ltd (FCL) is one of India's leading manufacturers of electrical and communication cables. The company operates in four business segments: electrical wires & cables (both industrial and residential), communication cables (optic fiber), copper rods, and others (switchgears, LED lighting, fans, water heaters). Electrical cables is FCL's largest division and contributes 82% to the topline. The company has a strong brand image, and is the market leader and price setter in wires. It has a wide distribution network and backward integration which provides competitive advantages. In addition, FCL has formed joint ventures with J-Power Systems, Japan, to manufacture extra-high voltage power cables, and with Corning, USA, to manufacture optical fiber in India. FCL has a strong balance sheet with cash at almost 30% of market capitalisation. It provides zero credit to distributors given its strong brand. The challenge for the business has been muted growth, which over the past 5 years has averaged around 5% as a result of the weak economic environment, particularly for the real estate sector. However, the company has used this period to enter into new categories of switchgears, lighting and appliances to capitalise on its brand strength. In spite of some initial hiccups, the company has revamped its distribution and growth is poised to accelerate with an expanded product portfolio and retail reach. This segment is targeted at 15% of revenues over the next four years. We see huge tailwinds to growth with a rebound in economic activity driving its core wires and cable revenues, as well as accelerating the pace of growth in its new businesses.

Rebased NAV Performance since 31 December 2011 (%)



Source: Ocean Dial Asset Management Limited, Bloomberg

Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF Rebased NAV*	7.6	10.6	23.6	83.2	1.6	67.7
ICGF NAV	7.6	10.6	23.6	83.2	1.6	57.6
BSE MidCap TR Index	7.5	8.2	24.0	68.4	22.7	93.9

*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)	£132.67m
Launch	22 December 2005
Adviser start	31 December 2011
Portfolio Manager	Ocean Dial Asset Management
Portfolio Adviser	Gaurav Narain
Benchmark	S&P BSE MidCap TR
AMC	1.25% of market cap
Share price / NAV per share (p)	103.50 / 117.93
Discount to NAV	12.2%

Portfolio characteristics

Number of holdings	33
Median market cap	£1.2bn
PE FY23E	15.8
ROE (3y Avg)	18.8%
Tracking Error	7.0%
Active Share	92.5%

India highlights

	MTD	YTD
BSE 500 (US\$)	9.2%	15.9%
iShares MSCI Asia ex-Japan (US\$)	0.7%	5.3%
iShares MSCI EM Index (US\$)	1.6%	6.2%
INR vs US\$ [stronger/(weaker)]	2.0%	0.6%
FII Net flows (US\$m)	323	6,670
DII Net flows (US\$m)	475	(1,441)

Macro indicators

CPI inflation (March/3m avg)	4.3%	4.9%
GDP Q3 FY21		1.6%
Current account/GDP Q3 FY21		1.3%

Source: Ocean Dial Asset Management Limited

Team commentary

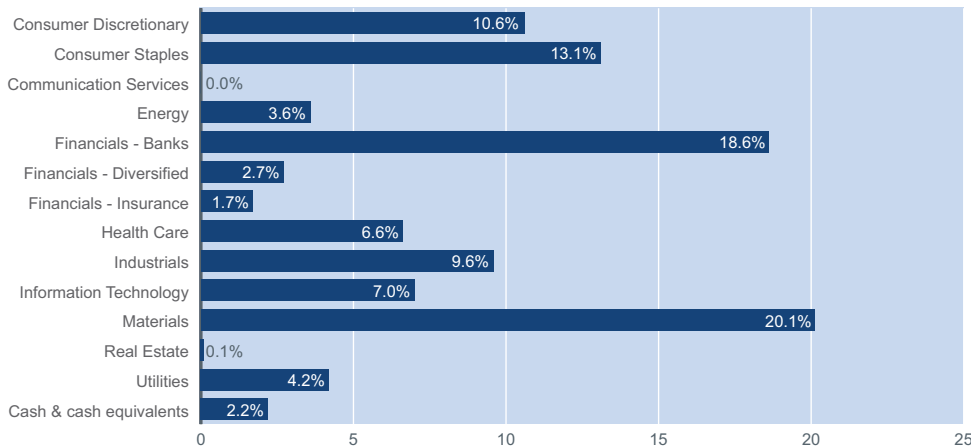
31 May	Monthly Book Review - Essentialism: The Disciplined Pursuit of Less
25 May	HOODcast - A Tale of Two Stocks (discussion on the note)
30 April	Monthly Book Review - Slowly Down the Ganges
29 April	HOODinar - Covid-19: India's second wave
12 April	HOODnote - A Tale of Two Stocks
31 March	Monthly Book Review - Ethical Dilemmas of a Civil Servant
11 March	HOODstock - India Capital Growth Fund's Industry Leaders: #1 Kajaria Ceramics

Top ten holdings

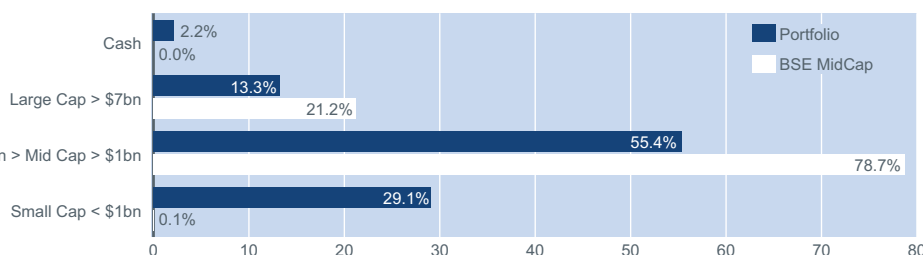
Portfolio Company	Weight	Characteristics	Market cap
Federal Bank	6.3%	Well run mid-sized private sector bank, attractive valuations	£2bn
Emami	5.0%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
IndusInd Bank	4.9%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£8bn
IDFC Bank	4.8%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	£4bn
PI Industries	4.4%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£4bn
Gujarat Gas	4.2%	Key beneficiary of India's transition to cleaner energy	£4bn
Tech Mahindra	3.6%	IT services, leads telecommunications vertical with structural tailwinds	£10bn
Aegis Logistics	3.6%	Leader in LPG logistics with a quality business, high growth visibility and attractive valuations	£1bn
Neuland Laboratories	3.5%	API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	£265m
JK Lakshmi Cement	3.4%	Deep value, capacity expansion complete and deleveraging underway	£621m

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 May 2021 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
JK Lakshmi Cement	3.33	0.00	43.88	1.25
Persistent Systems	2.65	0.00	52.06	1.18
CCL Products India	2.25	0.00	53.61	1.09
Balkrishna Industries	2.82	1.21	39.93	1.06
Aarti Industries	2.70	0.00	34.54	0.89
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
BLS International Services	0.34	0.00	(1.13)	(0.01)
The Ramco Cements	2.10	1.07	(0.86)	(0.03)
PSP Projects	1.37	0.00	(15.84)	(0.25)
IndusInd Bank	4.98	0.00	(5.60)	(0.37)
IDFC Bank	4.73	1.16	(8.67)	(0.42)

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
Lynne Duquemin

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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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.

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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.

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