

India Capital Growth Fund

APRIL 2021

India Capital
GROWTH FUND

Net Asset Value

The Net Asset Value (NAV) per share as at 30 April 2021 was 109.58 pence. In April the NAV was up 1.15% in Sterling terms, whilst the BSE MidCap TR Index was down 1.46%. In local currency terms, the NAV was up 3.37% for the month.

Portfolio activity

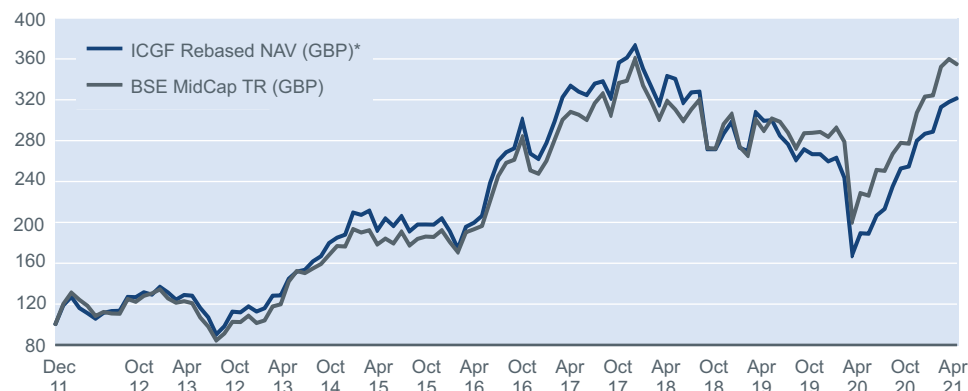
New purchases None **Exits** None

Holdings in focus

PI Industries (PI) has been in the portfolio since 2013 and despite having run up 10x in this period, continues to be a core holding with its business model continuing to strengthen. It is one of India's leading agrochemical companies, operating in two business segments: domestic agri-inputs (around 35% of sales) and custom synthesis & manufacturing (CSM, around 65% of sales). In the domestic agri-inputs business, PI offers plant protection products by following a co-marketing or in-licensing model with global innovator companies wherein the licensee benefits from PI's distribution networks (10,000+ dealers) while PI gets the opportunity to bring a novel product to market under exclusivity. In the CSM business, it offers contract research and production of agrochemicals and intermediates for global innovators. The company now plans to expand into adjacent opportunities in pharma and speciality chemicals. We expect a strong long-term growth trajectory for PI with a) higher outsourcing from global agrochemicals and shifting of capacities to India from Europe and China, b) continued investments by PI in creating chemistry platforms and process engineering capabilities, differentiating them from competition and c) sticky client relationships led by transparency and timely deliveries. We expect the company to grow its earnings at a 20%+ CAGR for the next 3-4 years while generating ROCE of 22-24%.

Tech Mahindra (Tech M), part of the Mahindra Group, is India's fifth largest IT services company with revenues of US\$5.1bn in FY21 and employees of over 121,000. Since it started as a joint venture with British Telecom (BT), it remained solely focused on the telecom vertical until 2008/09, when it acquired Satyam Computer. Currently, telecom contributes 40% of the business, with the remainder coming from enterprise (manufacturing, banking, financial services & insurance, tech/media, retail and logistics). Tech M continues to have a strong presence in the telecom vertical with clients including AT&T, BT, Vodafone and Sprint. Whilst the company underperformed its large cap peers over the last five years as telecom capex slowed after 4G, we believe capex spending on 5G is at the inflection point and Tech M, by virtue of its leadership position, will be one of the largest beneficiaries. In the non-telecom segment, we believe Tech M will benefit from the increasing adoption of digital services by enterprises, which will help in bridging the growth gap with its peer group. The company announced strong deal wins in Q4 of US\$1bn vs. its quarterly run rate of US\$400mn in last four quarters, and has indicated a healthy pipeline including 5G deals. We estimate around 10% CAGR in revenues (FY21-23) and 15% CAGR in earnings (FY21-23) which has an upside risk as 5G adoption picks up. Tech M trades at 16x FY22 and 14x FY23 earnings for an ROCE of over 25% and dividend yield of over 3%.

Rebased NAV Performance since 31 December 2011 (%)



Source: Ocean Dial Asset Management Limited, Bloomberg

Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF Rebased NAV*	1.2	11.4	26.3	69.8	(6.3)	61.1
ICGF NAV	1.2	11.4	26.3	69.8	(6.3)	50.0
BSE MidCap TR Index	(1.5)	9.3	28.0	55.1	11.2	83.5

*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)	£123.3m
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)	93.00/109.58
Discount to NAV	15.1%

Portfolio characteristics

Number of holdings	33
Median market cap	£1.2bn
PE FY22E	18.5
ROE (3y Avg)	18.6%
Tracking Error	7.0%
Active Share	92.7%

India highlights

	MTD	YTD
BSE 500 (US\$)	(0.3%)	6.2%
iShares MSCI Asia ex-Japan (US\$)	1.1%	4.5%
iShares MSCI EM Index (US\$)	1.2%	4.5%
INR vs US\$ [stronger/(weaker)]	(1.3%)	(1.4%)
FII Net flows (US\$m)	(1,720)	5,922
DII Net flows (US\$m)	1,767	(1,723)

Macro indicators

CPI inflation (March/3m avg)	5.5%	4.9%
GDP Q3 FY21		0.4%
Current account/GDP Q3 FY21		1.3%

Source: Ocean Dial Asset Management Limited

Team commentary

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
28 February	Monthly Book Review - The Moonstone
18 February	HOODinar - Investment led recovery rekindling India's animal spirits

India Capital Growth Fund

APRIL 2021

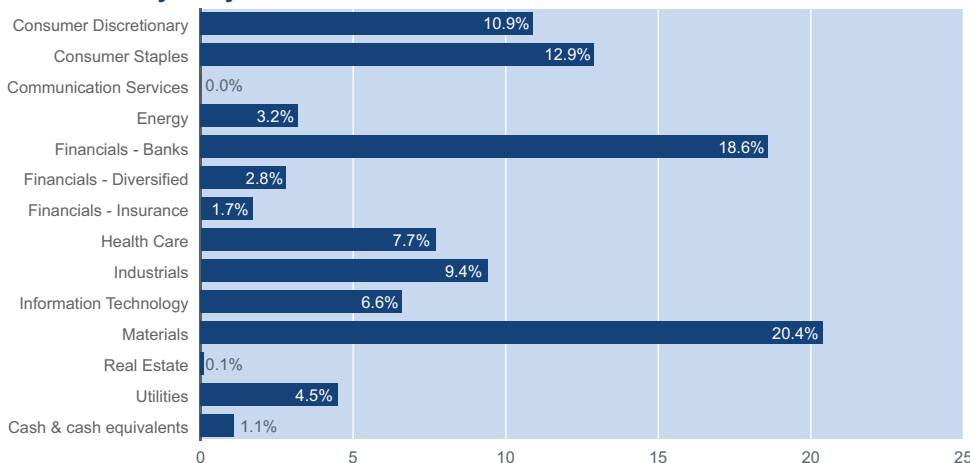
India Capital GROWTH FUND

Top ten holdings

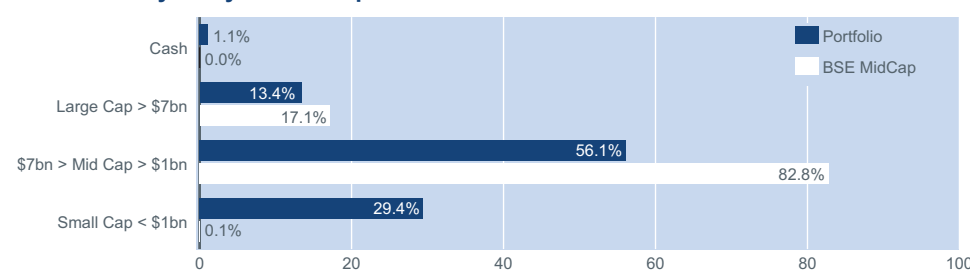
Portfolio Company	Weight	Characteristics	Market cap
Federal Bank	6.2%	Well run mid-sized private sector bank, attractive valuations	£2bn
Emami	5.3%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
IndusInd Bank	4.8%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£7bn
IDFC Bank	4.8%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	£3bn
PI Industries	4.5%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£4bn
Neuland Laboratories	4.5%	API and Custom Manufacturing solutions provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	£314m
Gujarat Gas	4.5%	Key beneficiary of India's transition to cleaner energy	£4bn
Tech Mahindra	3.6%	IT services, leads telecommunications vertical with structural tailwinds	£9bn
Ramkrishna Forgings	3.6%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	£181m
Kajaria Ceramics	3.4%	Ceramic tile manufacturer, gaining market share from the unorganised sector following restrictions surrounding coal gasifiers	£1bn

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 April 2021 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Neuland Laboratories	3.98	0.00	89.60	2.39
Gujarat Gas	4.35	0.00	39.03	1.30
Dixon Technologies	2.78	0.00	44.18	1.01
Bajaj Consumer Care	2.58	0.00	32.90	0.90
PI Industries	4.31	1.61	20.79	0.86
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Finolex Cables	2.38	0.00	(4.20)	(0.09)
Tech Mahindra	3.84	0.00	(3.15)	(0.16)
Essel Propack	1.94	0.00	(10.96)	(0.24)
Multi Commodity Exchange	2.90	0.00	(12.91)	(0.42)
Jyothy Laboratories	2.97	0.00	(12.53)	(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

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.