

Net Asset Value

The Net Asset Value (NAV) per share as at 31 January 2022 was 131.74 pence. In January the NAV was down 2.22% in Sterling terms, whilst the BSE MidCap TR Index was down 1.75%. In local currency terms, the NAV was down 1.90% for the month.

HOODnote

Digital Adoption

Increasing returns to scale, driving super normal profits, has been **the** major value creator for equity investors in the US and China, of late.

This opportunity has now reached India's listed universe, potentially offering investors a bite of a larger, juicier cherry.

Access Tridib's thought provoking note on this subject here [HOODnote: Digital Adoption](#).

Holdings in focus

Skipper is one of India's largest transmission tower manufacturers. Due to its backwardly integrated operations, it's a low cost producer globally. Between FY19 and FY22 revenue growth slowed following India's banking crisis, which was further compounded by rising raw material prices. Skipper used this period to consolidate its operations, renewing its focus on cash flows and profitability, whilst adding to product certifications globally. The business is now recovering both domestically and overseas where growth is being driven by international customers looking to de-risk their supply chain from a dependence on China. In FY 22 exports formed approx. 45% this is expected to grow beyond 50% next year. We forecast margins to strengthen as raw-material prices stabilise and volatility in global freight costs are now absorbed by the customer, a further indication of strong demand. The company's recently seeded polymer pipes business has now achieved sufficient scale to be break even and is expected to contribute to Skipper's overall growth as the company penetrates new markets. We project a 19% CAGR in revenues and 135% CAGR in profits in during FY22-24.

Kajaria Ceramics is the market leader in ceramic and vitrified tiles in India. Having built a strong brand Kajaria is a price leader, enjoying a superior product portfolio and a strong distribution network, leading to better profitability (18-20% operating margins) and higher return ratios (ROCE of 21%) than its main rivals. The business is now entering a high growth phase driven by a turn-around in the real estate sector, as well as a strengthening of its distribution network across smaller cities and towns, further increasing market share particularly as the competitive environment is improving. This is a consequence of many of the smaller players are diverting capacity to overseas customers, where tile distributors (particularly in the United States) are shifting away from over dependence on China. A better pricing environment is also helping it to pass on higher input costs, notably gas. Kajaria is expanding capacity in anticipation of volume growth at 15% p.a. over the next few years. Earnings growth is expected to be 22% per annum (next two years) driving return on capital employed (ROCE) to almost 30% over this period.

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	(2.2)	(0.5)	3.3	33.9	41.6	39.2
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BSE MidCap TR Index	(1.8)	(0.1)	10.4	36.7	61.8	70.4

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)	£127.37m
Launch	22 December 2005
Size (Firm wide AUM)	US\$315m
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)	121.75 / 131.74
Discount to NAV	7.59%

Portfolio characteristics

Number of holdings	32
Median market cap	£1.9bn
PE FY23E	18.2
ROE (3y Avg)	18.6%
Tracking Error	6.7%
Active Share	90.7%

India highlights

	MTD	YTD
BSE 500 (US\$)	(1.3%)	(1.3%)
iShares MSCI Asia ex-Japan (US\$)	(1.3%)	(1.3%)
iShares MSCI EM Index (US\$)	0.0%	0.0%
INR vs US\$ [stronger/(weaker)]	(0.4%)	(0.4%)
FII Net flows (US\$m)	(4,732)	(4,732)
DII Net flows (US\$m)	3,095	3,095

Macro indicators

CPI inflation (December / 3m avg)	5.6%	5.0%
GDP Q2 FY22		8.4%
Current account/GDP Q2 FY22		(0.5%)

Source: Ocean Dial Asset Management Limited

Team commentary

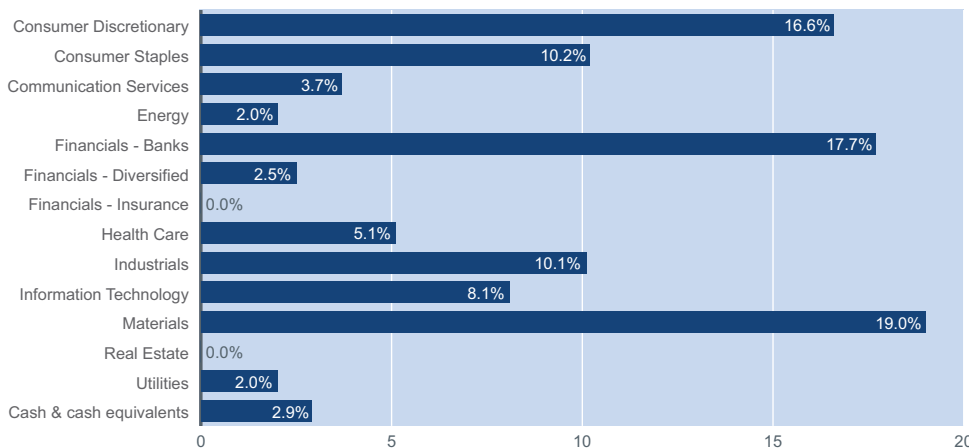
11 February	HOODnote: Digital Adoption
10 February	Hoodfolio: India Budget - January 2022
8 February	Monthly Book Review - The Innovator's Dilemma by Clayton M. Christensen
26 January	HOODnote: 2022 Outlook and Portfolio Strategy
20 January	HOODstock: Welspun India

Top ten holdings

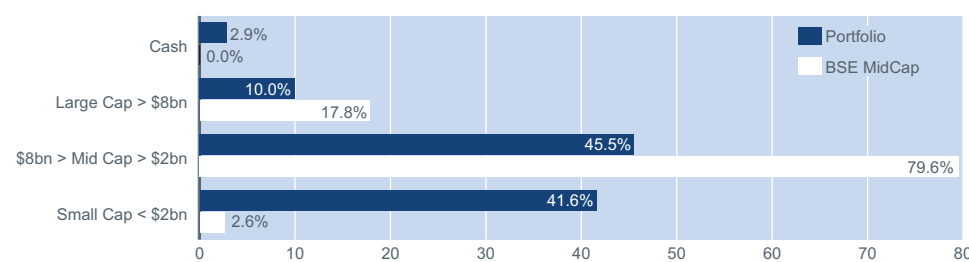
Portfolio Company	Weight	Characteristics	Market cap
Federal Bank	6.4%	Well run mid-sized private sector bank, attractive valuations	£2bn
Emami	4.6%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
Ramkrishna Forgings	4.6%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	£303m
Welspun India	4.4%	India's largest home textile company, strong industry tailwinds in global supply chains and increased consumer focus on health	£1bn
Persistent Systems	4.3%	IT services company benefitting from 'digital transformation' of businesses globally	£3bn
IDFC Bank	4.2%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	£3bn
Indusind Bank	4.0%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£7bn
Tech Mahindra	3.8%	IT services, leads telecommunications vertical with structural tailwinds	£14bn
Affle India	3.7%	India's leading advertising technology company with high growth and profitability	£2bn
Kajaria Ceramics	3.5%	Ceramic tile manufacturer, gaining market share from the unorganised sector following restrictions surrounding coal gasifiers	£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 31 January 2022 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Persistent Systems	4.42	0.00	15.47	0.69
CCL Products India	2.78	0.00	27.33	0.68
Affle India	2.94	0.00	27.87	0.64
Kajaria Ceramics	3.47	0.00	12.96	0.41
PSP Projects	1.49	0.00	21.61	0.39
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Sagar Cements	3.05	0.00	(12.82)	(0.44)
Ramkrishna Forgings	4.36	0.00	(10.31)	(0.49)
PI Industries	3.41	1.52	(16.89)	(0.50)
Divi's Laboratories	2.67	0.00	(19.70)	(0.54)
Indusind Bank	4.06	0.00	(21.63)	(0.95)

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

96,680,857 ordinary shares in issue with voting rights.

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.

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.

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