

## PORTFOLIO AND MARKET UPDATE

The Indian markets continued to remain resilient in these uncertain times. This was despite foreign portfolio investors redeeming a further US\$ 3.8bn from the Indian market (offset by domestic flows at \$4.2bn). Most macro indicators continued to point to strong underlying demand, best reflected in indirect tax collections which hit a new high of US\$ 22bn, a 20% yoy growth in April. Among sectors, Utility companies were the best performers while the IT Sector was the worst performer. This is in line with the global tech sell off, even though Indian IT Service companies announcing strong results highlighted a positive demand environment. The main worry remained on inflation and its potential impact on future growth. The Central Bank kept rates unchanged in its April policy meet but in an unscheduled meet in the 1st week of May, it raised rates by 40bps along with other measures to drain liquidity. This surprised the market though the Central Bank emphasised that their policy stance remained accommodative. During the month, the fund raised its cash holding further to 5.6%. We booked some gains in Divis, Jyothy Labs, Ramco Cement, Federal Bank and Aegis Logistics. This was done to take advantage of the volatility in the markets. Our portfolio is positioned towards playing the revival in India's economic growth. This is also reflected in the aggregate earnings growth of the portfolio, which at ~40% for FY23, is the highest we have seen in a decade.

## HOLDING IN FOCUS: Federal Bank

Federal Bank, the largest holding in our portfolio is a mid-sized private sector bank. Its asset book of \$19bn is well balanced between corporates (45%) and retail (55%). It has an image of being a regional bank, though 65% of its business is from outside its home state of Kerala. Over the past 5 years, the bank has transformed itself into a leading private sector bank with a strong Board and a team of professionals hired from leading multinational and private sector banks. In the process it has built a strong asset book with its Gross NPA's amongst the lowest and in a tight range of 2.8-3%, despite the sluggish macro over FY19-22. With granularity at its core, the bank's corporate book comprises largely 'A' rated corporates with no large wholesale accounts. Similarly, its retail book is mainly secured, though incrementally changing towards unsecured (credit card and personal loan), but largely to existing customers. The bank has taken on the mantle to be the most innovative bank and taken the collaborative path, with 50+ fintech's and 300+ API's partnerships. A strong balance sheet (66% provision coverage/14.4% Tier 1), 37% share of low-cost deposits, sharp pick-up in credit growth and absence of pension related one-offs, to aid ROAs breaching and sustaining above 1%. The bank trades at below book value, at a discount to its historical multiples as well as its mid-sized banking peers. We believe it is poised to re-rate as it enters a strong growth phase along with increase in profitability driving its RoA above 1%.

## REBASED NAV PERFORMANCE SINCE 31 DECEMBER 2011 (%)



## PERFORMANCE (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF NAV	4.9	(1.7)	(2.2)	18.1	26.9	13.8
BSE MidCap TR Index	5.4	4.7	4.6	30.9	60.2	50.6

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.

## TOPICAL COMMENT

HOOD-INAR  
27 April

India is a domestically driven growth & investment story, and should continue to prosper in an uncertain world

MONTHLY BOOK REVIEW  
22 April

Boom and Bust: A Global History of Financial Bubbles by William Quinn & John D Turner

## NET ASSET VALUE

The Net Asset Value (NAV) per share as at 29 April 2022 was 129.44 pence. In April the NAV was up 4.87% in Sterling terms, whilst the BSE MidCap TR Index was up 5.41%. In local currency terms, the NAV was up 0.83% for the month.

## FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP125.0m
Firmwide AUM	US\$275.7m
Launch date	22 December 2005
Adviser start	31 December 2011
Portfolio Manager	Ocean Dial Asset Management
Principal Adviser	Gaurav Narain
Benchmark	S&P BSE MidCap TR
AMC	1.25% of market cap
Share price	110.00p
NAV per share	129.44p
Discount to NAV	15.02%

## PORTFOLIO CHARACTERISTICS

Number of holdings	32
Median market cap	US\$1.7bn
PE FY23E	17.3
ROE (3y avg)	17.5%
Tracking Error	7.4%
Active Share	91.9%

## INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/weaker]	(0.9%)	(2.8%)
FII Net flows (US\$m)	(3,816)	(17,258)
DII Net flows (US\$m)	4,192	17,933
CPI inflation (March / 3m avg)	6.95%	6.34%
GDP Q3 FY22		5.4%
Current account/GDP Q3 FY22		(1.1%)

Source: Ocean Dial Asset Management Limited

## QUARTERLY ATTRIBUTION – 3 MONTHS TO 30 APRIL 2022 (%)

TOP 5	Ave. weight	Ave. index weight	Return	Contribution
Indusind Bank	4.58	0.00	17.98	0.71
PI Industries	3.14	1.51	23.20	0.69
Jyothy Laboratories	3.13	0.00	15.27	0.51
Divi's Laboratories	2.43	0.00	17.37	0.40
Aegis Logistics	2.20	0.00	15.90	0.32

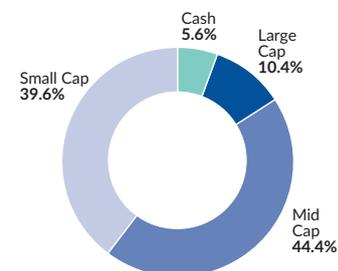
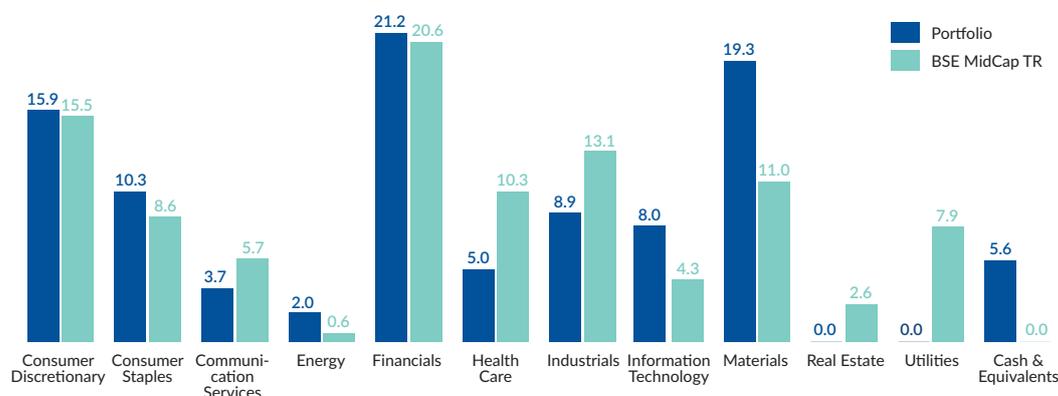
BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Finolex Cables	1.97	0.00	(14.99)	(0.39)
JK Lakshmi Cement	2.09	0.00	(17.46)	(0.43)
IDFC Bank	4.26	0.92	(11.16)	(0.54)
Kajaria Ceramics	3.07	0.00	(18.76)	(0.79)
Welspun India	3.46	0.00	(38.45)	(1.82)

Source: Ocean Dial Asset Management Limited, Statpro

## TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap
Federal Bank	6.3%	Well run mid-sized private sector bank, attractive valuations	£2bn
Ramkrishna Forgings	4.8%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	£316m
Emami	4.8%	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	£8bn
Persistent Systems	4.5%	IT services company benefitting from 'digital transformation' of businesses globally	£3bn
IDFC Bank	4.0%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	£3bn
Affle India	3.7%	India's leading advertising technology company with high growth and profitability	£2bn
City Union Bank	3.7%	High quality regional bank, consistent compounder, dominant in SME lending	£1bn
Tech Mahindra	3.5%	IT services, leads telecommunications vertical with structural tailwinds	£13bn
PI Industries	3.3%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£5bn

## PORTFOLIO ANALYSIS (%)



## 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.

## FUND MANAGER

Ocean Dial Asset Management Limited is authorised and regulated by the Financial Conduct Authority.  
+44 (0) 20 7068 9870  
enquiries@oceandial.com

## WEBSITE

www.indiacapitalgrowth.com

**SOURCES**

Source of all performance and portfolio analysis: Ocean Dial Asset Management Limited, Bloomberg.

**CAPITAL STRUCTURE**

96,600,656 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

**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.

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