

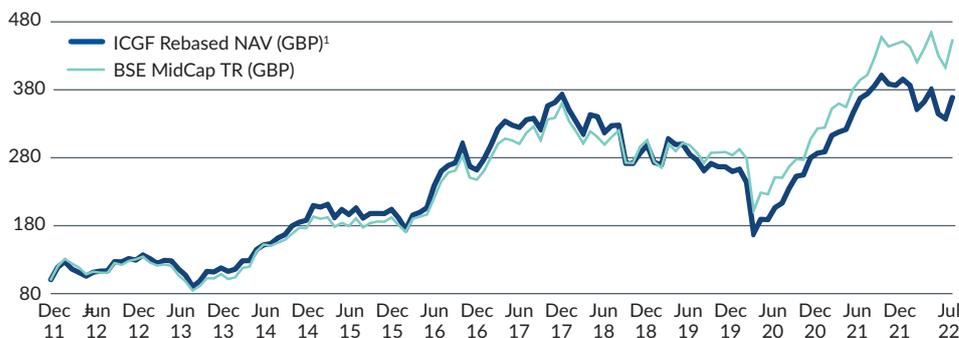
## PORTFOLIO AND MARKET UPDATE

Indian indices posted the best performance of CY2022 in July. Mid-caps outperformed large caps and all sectoral indices were in the green. While global markets led the rally, India outperformed its emerging market peers. Foreign Institutional Investors (FIIs) returned with positive flows of \$836m. Domestic flows of \$1.3bn, moderating inflation, declining commodity prices further aided the performance. The earnings season has been encouraging with revenue growth which was surprisingly positive and corporate commentary indicating a healthy domestic environment. Margin pressures and fears of a global slowdown remained of concern. At a macro level, high oil imports led to a further rise in current account deficit. However, the currency continues to hold up well as strong forex reserves help support the rupee. The Central Bank has raised interest rates by 140bps over the past three months, with the last 50bps increases effected in the first week of August. During the month, we booked profits in Star Healthcare and exited the stock as it posted a healthy 40% return within a month of our purchase. We also booked some profit in Federal Bank and Jyothi Labs. As a result, our cash position has increased to 6.8% at the end of the month.

## HOLDING IN FOCUS: IDFC First Bank (IDFB)

IDFB is the youngest private sector bank in India, formed by the merger of Capital First (a retail lending Non-Banking Finance Company) and IDFC Bank (an infrastructure lender which got a banking license in 2015) in 2018. IDFB is led by Mr. Vaidyanathan, who is credited with building Citibank and ICICI Bank's retail businesses. Over the past four years, he has successfully cleaned up IDFB's legacy infrastructure asset book and has been transitioning it to a new age retail bank. With the transition phase largely complete, the bank is entering FY23 with a clean asset book, industry's best low-cost liability ratio of 50%, market leading net interest margins of ~6% and ~74% retail mix in its loan book. The investments in the build out phase are turning around, with IDFB already at an annualized Return of Asset (RoA) run rate of 1%, with a long term potential of 2%, in our opinion. We conservatively expect RoA to rise to 1.4-1.6% in the next 3 years, aided by operating efficiency (Cost/income ratio at 72% vs peers at 35-40%) and run-off in high-cost legacy liabilities. IDFB has the potential to become one of the leading retail banks in the country. The bank is geared for a period of strong sustainable growth (20-25%) and as the improving operating efficiency plays out, it is poised for a rerating.

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



## PERFORMANCE (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF NAV	9.4	(2.8)	(4.5)	(1.3)	33.6	10.0
BSE MidCap TR Index	9.9	(2.3)	2.3	12.9	57.6	43.3

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

MONTHLY BOOK REVIEW  
5 August

Shackleton's Boat Journey by FA Worsley (first published 1940).

CATCH UP  
3 August

Wealth Talk with Tom Burroughes: India's Investment Power Can't Be Ignored.

## NET ASSET VALUE

The Net Asset Value (NAV) per share as at 29 July 2022 was 125.86 pence. In July the NAV was up 9.44% in Sterling terms, whilst the BSE MidCap TR Index was up 9.92%. In local currency terms, the NAV was up 10.52% for the month.

## FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP121.5m
Firmwide AUM	US\$262.5m
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	107.25p/
NAV per share	125.86p
Discount to NAV	14.78%

## PORTFOLIO CHARACTERISTICS

Number of holdings	33
Median market cap	US\$1.9bn
PE FY23E	18.1
ROE FY23E	16.3%
Tracking Error	6.1%
Active Share	90.6%

## INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/weaker]	(0.4%)	(6.6%)
FII Net flows (US\$m)	836	(27,720)
DII Net flows (US\$m)	1,328	31,647
CPI inflation (May/3m avg)	7.01%	7.28%
GDP Q4 FY22		4.1%
Current account/GDP Q4 FY22		(1.2%)

Source: Ocean Dial Asset Management Limited

## QUARTERLY ATTRIBUTION – 3 MONTHS TO 31 JULY 2022 (%)

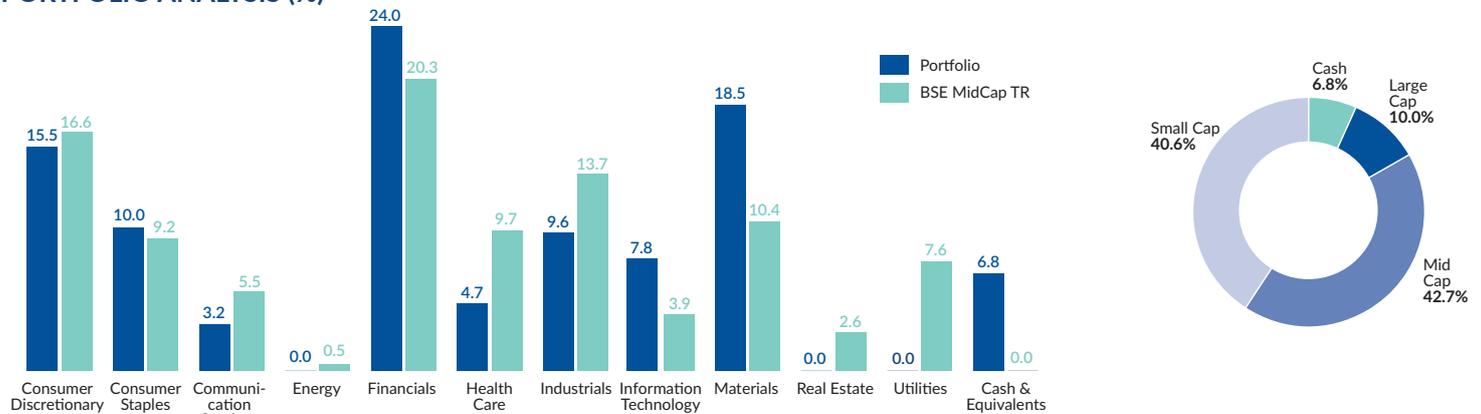
TOP 5	Ave. weight	Ave. index weight	Return	Contribution	BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Federal Bank	6.52	1.37	11.57	0.83	Emami	4.73	0.66	(9.64)	(0.53)
City Union Bank	3.98	0.00	15.88	0.71	Affle India	3.42	0.00	(14.19)	(0.59)
PSP Projects	2.20	0.00	13.58	0.37	Tech Mahindra	3.30	0.00	(15.34)	(0.67)
Kajaria Ceramics	3.09	0.00	12.40	0.37	Sagar Cements	2.80	0.00	(24.23)	(0.90)
Jyothy Laboratories	2.95	0.00	11.61	0.35	Persistent Systems	4.08	0.00	(16.67)	(0.91)

Source: Ocean Dial Asset Management Limited, Statpro

## TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap
Federal Bank	6.5%	Well run mid-sized private sector bank, attractive valuations	£2bn
Indusind Bank	5.2%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£8bn
Ramkrishna Forgings	4.6%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	£294m
Emami	4.5%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
IDFC Bank	4.4%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	£2bn
City Union Bank	4.3%	High quality regional bank, consistent compounder, dominant in SME lending	£1bn
Persistent Systems	3.9%	IT services company benefitting from 'digital transformation' of businesses globally	£3bn
PI Industries	3.7%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£5bn
Kajaria Ceramics	3.4%	Ceramic tile manufacturer, gaining market share from the unorganised sector following restrictions surrounding coal gasifiers	£2bn
Balkrishna Industries	3.3%	Global tire manufacturer specializing in agricultural, industrial and off the road vehicles.	£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.  
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enquiries@oceandial.com

### WEBSITE

www.indiacapitalgrowth.com

**SOURCES**

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

**CAPITAL STRUCTURE**

96,515,653 ordinary shares in issue with voting rights.

**BOARD**

Elisabeth Scott (Chairman), Peter Niven, Patrick Firth, Lynne Duquemin, Nick Timberlake

**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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