

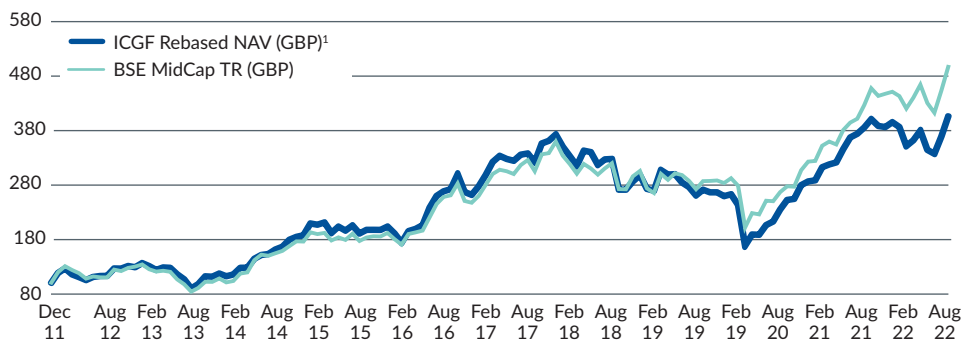
## PORTFOLIO AND MARKET UPDATE

The BSE Midcap TR Index (GBP) rose 9.8% over the month closing higher for the second consecutive month as the mid and small cap stocks outperformed the large caps over the period. The rally was broad based, with all sectors (barring healthcare and IT) ending the month in the green. This month Foreign Institutional Investors (FIIs) clocked the highest inflows since Jan'21 at USD6.8bn, whilst the domestic based investors turned sellers to the tune of USD0.9bn, following a seventeen month buying streak. July consumer price inflation rose by 6.7%, slipping further despite the Reserve Bank of India (RBI) raising interest rates a further 0.5% (to 5.4%). In its recent review, the RBI highlighted the need for additional rate hikes to ensure monetary policy credibility, and as such the market expects a further increase of 0.35% to 0.6% from here. In 1QFY23 (ending May '22) real GDP growth was recorded at 13.5% which was below the expected 15% forecast. During the month we met several of our portfolio companies. Sentiment is generally upbeat with most management teams expecting strong demand environment and margins normalising towards the end of the fourth quarter, in spite of the uncertain global environment. Portfolio activity remained quiet; we topped up IDFC First Bank and Sona BLW Precision Forgings as both stock prices have corrected providing a buying opportunity.

## HOLDING IN FOCUS: Emami

Emami is a leading fast moving consumer goods (FMCG) player with a presence in the health, beauty, and personal care space. It has created strong entry barriers through its track record of identifying and creating niche product categories (in health and wellness related products) and then dominating the space. Following a recent meeting with the management, we returned confident that the company can achieve double digit sales growth over the next 5 years. This is based on steps taken to decentralising operations, the launch of new products increasing direct distribution reach particularly into rural pockets and a digital-channel sales mix which has also been rewarding for Emami, now contributing 5.5% to sales. Emami has a gross margin of 63%, a net cash on the balance sheet, and strong free cash flow generation. This mix can provide enough firepower to spend aggressively on advertising as a means of gaining further market share. The stock trades 12 month forward price to earnings multiple of 21x, which is approximately a 30% discount to its 5-year average, and as such the company's valuation remains attractive.

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



## PERFORMANCE (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF NAV	10.2	18.1	15.7	5.5	55.9	20.4
BSE MidCap TR Index	9.8	15.7	18.4	16.7	82.7	52.8

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

HOODinar  
8 September 2022

Whilst your back  
was turned

MONTHLY BOOK  
REVIEW  
7 September 2022

The Outsiders  
by William  
M.Thorndike Jr

IN THE MEDIA  
1 September 2022

Interactive Investor  
- I'm in danger of  
falling in love with  
my first 10-bagger

HOODnote  
August 2022

Whilst your back  
was turned

## NET ASSET VALUE

The Net Asset Value (NAV) per share as at 30 August 2022 was 138.69 pence. In August the NAV was up 10.19% in Sterling terms, whilst the BSE MidCap TR Index was up 9.78%. In local currency terms, the NAV was up 6.16% for the month.

## FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP133.9m
Firmwide AUM	US\$274.9m
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	116.50p/
NAV per share	138.69p
Discount to NAV	16.00%

## PORTFOLIO CHARACTERISTICS

Number of holdings	33
Median market cap	US\$2.0bn
PE FY23E	19.5
ROE FY23E	16.6%
Tracking Error	6.1%
Active Share	90.5%

## INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/ (weaker)]	(0.2%)	(6.9%)
FII Net flows (US\$m)	6,791 (20,929)	
DII Net flows (US\$m)	(889)	30,757
CPI inflation (May/3m avg)	6.71%	6.92%
GDP Q1 FY23		13.5%
Current account/GDP Q4 FY22		(1.2%)

Source: Ocean Dial Asset Management Limited

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

TOP 5	Ave. weight	Ave. index weight	Return	Contribution
Federal Bank	6.62	1.43	38.54	2.44
IDFC Bank	4.19	0.83	41.56	1.76
City Union Bank	4.27	0.00	36.30	1.48
Ramkrishna Forgings	4.63	0.00	27.59	1.20
PI Industries	3.59	1.68	32.69	1.15

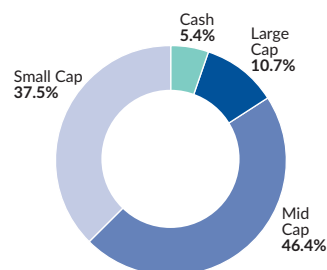
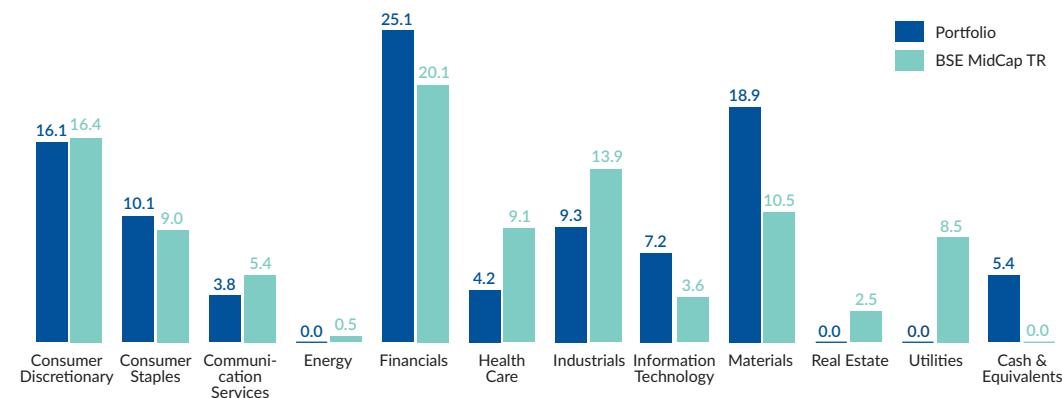
BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Skipper	2.04	0.00	2.70	0.00
Tech Mahindra	3.07	0.00	(0.13)	(0.10)
Persistent Systems	3.89	0.00	(1.39)	(0.11)
Sagar Cements	2.57	0.00	1.05	(0.14)
Balkrishna Industries	3.33	1.29	(5.68)	(0.17)

Source: Ocean Dial Asset Management Limited, Statpro

## TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap
Federal Bank	6.7%	Well run mid-sized private sector bank, attractive valuations	£3bn
IDFC Bank	5.4%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	£3bn
Indusind Bank	5.2%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£9bn
Ramkrishna Forgings	4.9%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	£344m
City Union Bank	4.6%	High quality regional bank, consistent compounder, dominant in SME lending	£1bn
Emami	4.5%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
PI Industries	3.8%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£6bn
Affle India	3.8%	India's leading advertising technology company with high growth and profitability	£2bn
Persistent Systems	3.5%	IT services company benefitting from 'digital transformation' of businesses globally	£3bn
Kajaria Ceramics	3.1%	Ceramic tile manufacturer, gaining market share from the unorganised sector following restrictions surrounding coal gasifiers	£2bn

## 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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