

PORTFOLIO AND MARKET UPDATE

February was a volatile month for Indian equities with the market correcting for the third consecutive month. The BSE Sensex declined 1% with the mid and small cap indices correcting by 2.0% and 3.1% respectively in local currency terms. All sector indices barring FMCG and Cap goods posted negative returns. Utilities, Metals, and Energy were the top losers. Despite a well-cheered annual budget announced by the government, it was higher than expected inflation print in January and fear of corporate governance issues in the Adani Group that dampened sentiments. CPI inflation in January rose to 6.5% from 5.7% in December mainly due to a sequential rise in food prices. This led to the Reserve Bank of India increasing repo rates by a further 25 bps to 6.5%. The FY24 budget (for the period April 23 - March 24) announced by the government outperformed the expectation of investors as it struck a delicate balance between productive spending and fiscal consolidation, with a focus on infrastructure & growth.

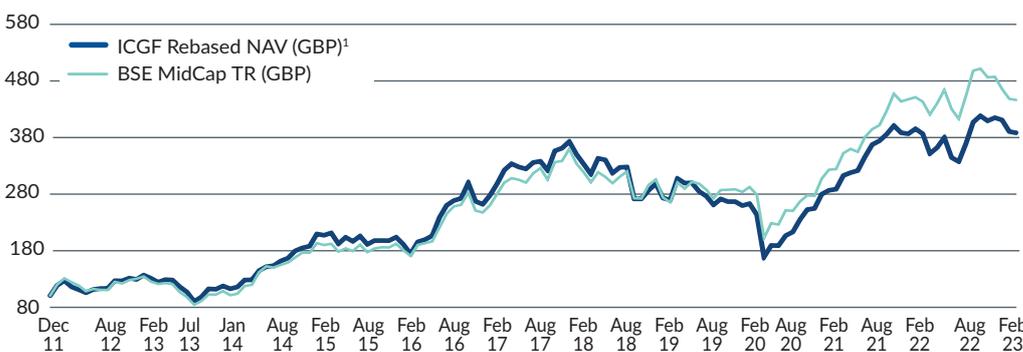
At a portfolio level, the performance was mixed with a majority of the stocks posting negative returns and 13 stocks ending on a positive note. Of these, Finolex Cables (+27%), Neuland Labs (+9%), and Tech Mahindra (+8%) led the pack while City Union Bank (-13%), Skipper (-11%), and Emami (-10%) led the fall.

HOLDING IN FOCUS: Finolex Cables

Finolex Cables (Finolex) is India's leading manufacturer of electrical and communication cables. It operates in four business segments: electrical wires & cables, optic fibre cables, copper rods and others (switch gears, fans, water heaters, etc.). Electrical cables division is the largest amongst these accounting for 80% of overall revenues. The company has a strong brand image, is the market leader in wires and is the price setter. It's wide distribution network with backward integration provides it a significant competitive advantage. Finolex has a strong balance sheet with cash at circa 10% of its market cap. Given its strong brand, it does not provide any credit to distributors.

During FY16-21, the revenue growth for Finolex had been weak at just 5% year-on-year (yoy), due to a stagnant real estate sector and weak industrial activity. However, Finolex used this period to revamp its distribution and enter into new product categories capitalising on its brand strength. With economic activity gaining momentum, the revenue growth has accelerated to 25% yoy. Ocean Dial expects meaningful tailwinds to growth which should drive a re-rating of the stock.

REBASED NAV PERFORMANCE SINCE 31 DECEMBER 2011 (%)



PERFORMANCE (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF NAV	(0.6)	(6.5)	(4.6)	10.4	59.3	16.5
BSE MidCap TR Index	(0.5)	(8.4)	(10.4)	6.1	60.0	40.1

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:
January 2023

Africa Is Not A Country: Breaking Stereotypes of Modern Africa by Dipo Faloyin

INVESTMENT MANAGER
UPDATE
6 March 2023

AssetCo buys Ocean Dial Asset Management subject to regulatory approval

HOODNOTE
February 2023

India is an investment, not a trade

HOODCAST
February 2023

Expectations from the Indian market in 2023

NET ASSET VALUE

The Net Asset Value (NAV) per share as at 28 February 2023 was 132.27 pence. In February the NAV was down 0.61% in Sterling terms, whilst the BSE MidCap TR Index was down 0.49%. In local currency terms, the NAV was down 1.89% for the month.

FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP127.7m
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	118.0p/
NAV per share	132.3p
Discount to NAV	10.8%

PORTFOLIO CHARACTERISTICS

Number of holdings	33
Median market cap	\$2.0bn
PE FY24E	16.0
ROE FY24E	17.4%
Tracking Error	5.5%
Active Share	88.1%

INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/(weaker)]	(0.9)%	0.1%
FII Net flows (US\$m)	(638.9)	(4,298)
DII Net flows (US\$m)	2,329.4	6,422.0
CPI inflation (December/3m avg)	6.5%	6.0%
GDP Q2 FY23		4.4%
Current account/GDP Q2 FY23		(2.7)%

Source: Ocean Dial Asset Management Limited

QUARTERLY ATTRIBUTION - 3 MONTHS TO 28 FEBRUARY 2023 (%)

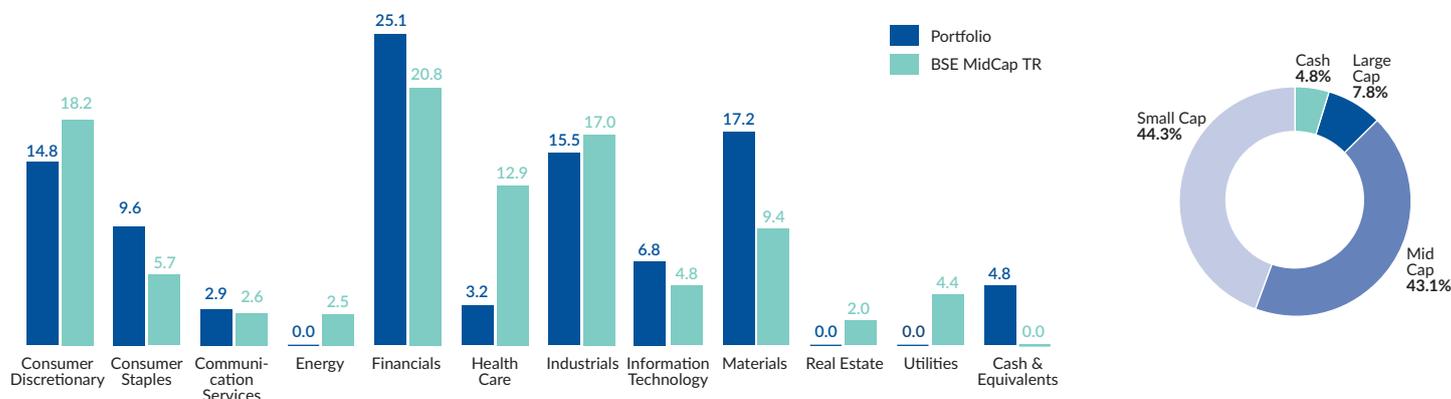
TOP 5	Ave. weight	Ave. index weight	Return	Contribution	BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Ramkrishna Forgings	4.30	0.00	15.47	0.65	Indusind Bank	5.15	0.00	(9.43)	(0.51)
Finolex Cables	2.42	0.00	25.34	0.64	Affle India	2.91	0.00	(19.85)	(0.63)
Persistent Systems	3.88	1.32	13.92	0.54	Emami	3.75	0.52	(17.31)	(0.70)
Skipper	3.01	0.00	6.30	0.18	Dixon Technologies	2.41	0.00	(33.28)	(1.00)
Uniparts India	1.83	0.00	0.73	0.12	City Union Bank	3.98	0.00	(28.03)	(1.24)

Source: Ocean Dial Asset Management Limited, Statpro

TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap US\$bn
Federal Bank	7.1%	Well run mid-sized private sector bank, attractive valuations	3.3
IDFC Bank	5.9%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	4.2
Indusind Bank	4.9%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	10.1
Ramkrishna Forgings	4.0%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	0.5
Persistent Systems	4.0%	IT services company benefitting from 'digital transformation' of businesses globally	4.4
Emami	3.7%	Dominant player across multiple niche consumer product categories, attractive valuations	2.1
City Union Bank	3.5%	High quality regional bank, consistent compounder, dominant in SME lending	1.2
PI Industries	3.4%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	5.7
Neuland Laboratories	3.2%	API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	0.3
Finolex Cables	3.1%	India's leading manufacturer of electrical and communication cables	1.3

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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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), 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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