

PORTFOLIO AND MARKET UPDATE

The Indian equity markets continued their upward trend, with the large-cap Sensex up by 7.8%, and the Mid and Small-Cap Indices up by 7.5% and 5.7%, respectively, in local currency. The continued success of the ruling BJP party in state elections and the global rally on the back of slowing inflation and positive commentary by the US Federal Reserve contributed to the trend. Sector-wise, all sectoral indices ended on a higher note. Equity flows were positive with FII flows up US\$7.0bn, recording the highest monthly flow for the year taking the net YTD flows to US\$21.4bn. Domestic flows also remained positive at US\$1.5bn, with net YTD flows of US\$22.3bn. November inflation spiked up to 5.6% from 4.9% the previous month, mainly due to higher food prices. RBI, as expected, maintained the status quo on rates and kept the stance unchanged. July-Sept'23 current account deficit moderated to US\$8.3bn (1.0%) from US\$9.2bn (1.1%) in Apr-Jun'23 helped by softening oil prices. At a portfolio level stocks posted positive returns, led by Dixon Technologies (+19%), RBL Bank (+19%), and Affle India (+17%). Negative returns came from Skipper (-9%), Welspun India (-8%) and Vedant Fashions (-7%).

HOLDING IN FOCUS: Emami

Emami is a leading FMCG player in India with a presence in the health, beauty, and personal care space. It has established strong barriers to entry by creating and dominating niche product categories with ~45% of its sales coming from health and wellness related products. Emami has witnessed single-digit revenue growth over the last five quarters due to subdued rural demand impacted mainly by high inflation, however it has taken several measures to accelerate growth. The core management team has been strengthened and it has expanded its distribution reach by 20% to cover 60,000 town and 940,000 outlets. Emami has also made strategic investments in direct-to-consumer (D2C) brands which contributed ~5% of its sales. The company launched flagship brands Boro Plus and Zandu for the e-commerce channel, contributing 13% of its sales. With all these efforts, Emami is well positioned to benefit from the revival of rural demand as inflation wanes. Additionally, a gross margin of 68%, a net cash balance sheet, and strong free cash flow generation provide enough firepower to spend on advertising to increase penetration and gain further market share. We expect double digit profit growth CAGR over the next 2 years. Trading at an FY25 PE of 26x, a ~50% discount to its peers, makes the valuation attractive.

REBASED NAV PERFORMANCE SINCE 31 DECEMBER 2011 (%)



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.

PERFORMANCE (%)

	1 mnth	3mnth	6mnth	1 year	3 years	5 years
ICGF NAV	2.8	4.5	19.5	28.6	84.4	77.2
BSE MidCap TR Index	7.3	9.4	25.6	38.4	99.5	110.8

TOPICAL COMMENT

IN THE MEDIA: THE TIMES
January 2023

Retail investors look for growth in India-focused funds

RESEARCH ON THE COMPANY
December 2023

Shore Capital Markets

THE LISTENING ROOM
December 2023

Fund Update with Gaurav Narain

BOOK REVIEW
December 2023

The Last Liberal Art by Robert G Hagstrom

NET ASSET VALUE

The Net Asset Value (NAV) per share as at 29 December 2023 was 180.11 pence. In December the NAV was up 2.77% in Sterling terms, whilst the BSE MidCap TR Index was up 7.30%. In local currency terms, the NAV was up 3.00% for the month..

FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP173.5m
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	173.0p/
NAV per share	180.1p
Discount to NAV	3.9%

PORTFOLIO CHARACTERISTICS

Number of holdings	34
Median market cap (US\$bn)	\$2.1bn
PE FY25E	19.0
ROE FY25E	17.8%
Tracking Error	6.1%
Active Share	89.6%

INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/ (weaker)]	0.2%	(0.6)%
FII Net flows (US\$m)	7,023.6	21,426.5
DII Net flows (US\$m)	1,554.2	22,331.2
CPI inflation (Nov/3m avg)	5.6%	5.1%
GDP Q2 FY24		7.6%
Current account/ GDP Q2 FY24		(1.0)%

Source: Ocean Dial Asset Management Limited

QUARTERLY ATTRIBUTION - 3 MONTHS TO 31 DECEMBER 2023 (%)

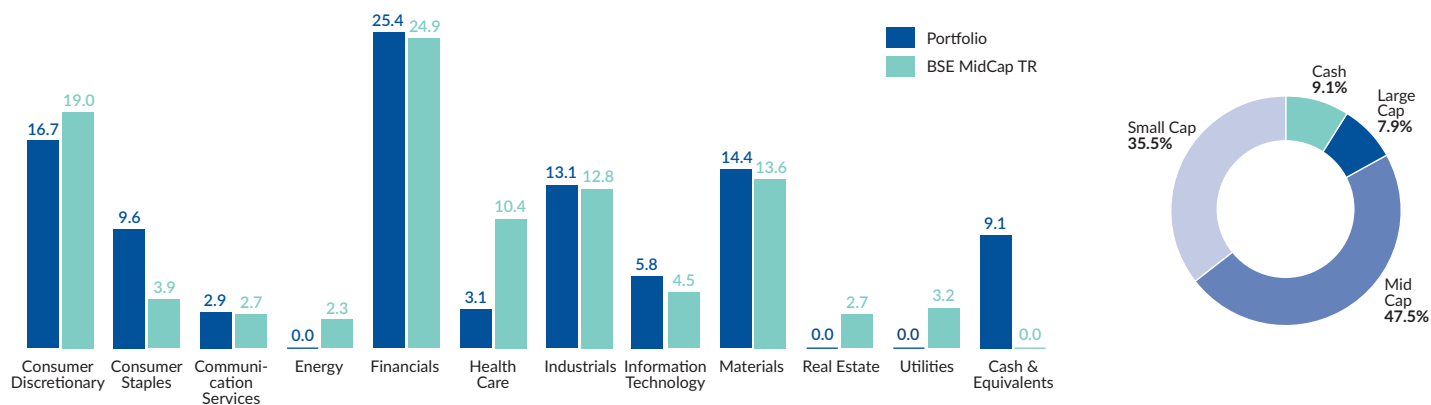
TOP 5	Ave. weight	Ave. index weight	Return	Contribution	BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Neuland Laboratories	3.86	0.00	37.47	1.31	Finolex Cables	1.34	0.00	(8.61)	(0.16)
Multi Commodity Exchange	2.31	0.00	49.59	0.94	PSP Projects	1.94	0.00	(7.96)	(0.17)
JK Lakshmi Cement	2.80	0.00	33.52	0.84	Bajaj Electricals	1.77	0.00	(14.10)	(0.28)
Persistent Systems	3.74	1.48	22.15	0.80	VIP Industries	2.33	0.00	(12.72)	(0.34)
Jyothy Laboratories	3.04	0.00	27.29	0.77	IDFC Bank	5.02	1.39	(10.80)	(0.66)

Source: Ocean Dial Asset Management Limited, Statpro

TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap US\$bn
Federal Bank	5.8%	Well run mid-sized private sector bank, attractive valuations	4.6
Indusind Bank	4.9%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	15.0
IDFC Bank	4.8%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	7.6
Emami	4.5%	Dominant player across multiple niche consumer product categories, attractive valuations	3.0
Dixon Technologies	4.0%	Dominant player in an emerging Indian Electronic Manufacturing Services industry with structural tailwinds	4.7
Persistent Systems	3.9%	IT services company benefitting from 'digital transformation' of businesses globally	6.8
RBL Bank	3.6%	Private sector bank offering online and branch business banking and financial market operations	2.0
PI Industries	3.5%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	6.4
Ramkrishna Forgings	3.4%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	1.6
Sona BLW Precision Forgings	3.2%	Auto ancillary company manufacturing critical components for leading global electric vehicle companies.	4.5

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

96,330,656 ordinary shares in issue with voting rights.

BOARD

Elisabeth Scott (Chair), 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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