

PORTFOLIO AND MARKET UPDATE

The Indian equity markets had a mixed start to the year, with the large-cap Sensex down by 0.7%, and the Mid and Small-Cap Indices up by 5.3% and 7.1%, respectively, in local currency. The top performing sector was Oil & Gas, returning 13% in January, followed closely by Public Sector Companies (11%) and Realty (9%). Banks, FMCG and metals were negative. Equity flows were mixed, FII flows were down US\$3.1bn while domestic flows were up US\$3.3bn. December inflation remained steady at 5.7% from 5.6% in November. The government announced an interim budget which was well received by the market. It maintained its focus on capital spending, yet was fiscally prudent, with reduced expenditure in subsidies and muted increase in social sector schemes. The Budget targets reduction in fiscal deficit to 5.1% of GDP in FY25 from 5.8% in FY24, with the target of reaching 4.5% by FY26. The budget assumes a reasonable tax revenue growth of 11%, overall expenditure growth of 6% and Nominal GDP growth of 10.5% for FY25. At a portfolio level, stocks posted positive returns, led by Skipper (+22%), Neuland Labs (+21%), and Welspun India (+13%). Negative returns came from Vedant Fashions (-21%), Emami (-11%) and VIP Industries (-10%).

HOLDING IN FOCUS: IDFC First Bank

IDFC First Bank, is one of the youngest Private Sector Banks in India. Formed by the merger in 2018 of Capital First (a retail lending Non-Banking Finance Company) and IDFC Bank (an infrastructure lender which got a banking license in 2015), the merged Bank has gradually transitioned to a modern retail lender. Over the last 5 years the bank has achieved an industry best CASA ratio of 48%, ~6.3% Net Interest Margins (NIM) and ~79% retail mix in loan book as of Dec'23. Having put the building blocks in place, the bank is now positioning itself to be best in class on governance, risk management practices and technology. We see the bank growing its loan book at a steady 20-25% p.a. while at the same time diversifying the book to less riskier segments like home loans. Given the front-loaded costs, a declining cost / income ratio should lead to earnings compound at 30% p.a. with RoA gradually expand to 1.4-1.6% over the next 3 years. The improving metrics should drive a further re-rating of the Bank.

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	1.9	7.9	17.4	37.9	86.5	97.2
BSE MidCap TR Index	6.1	19.4	28.5	52.5	110.9	149.6

TOPICAL COMMENT

IN THE MEDIA: BLOOMBERG
February 2024

Wall Street Snubs China for India in Historic Market Shift

IN THE MEDIA: THE ARMCHAIR TRADER
January 2024

India Capital Growth fund targets mid-cap gems for outperformance

THE LISTENING ROOM: VOX MARKETS
December 2023

Fund Manager Interview - Gaurav Narain

BOOK REVIEW
January 2024

The Unthinkable: Who Survives When Disaster Strikes - And Why

NET ASSET VALUE

The Net Asset Value (NAV) per share as at 31 January 2024 was 183.49 pence. In January the NAV was up 1.88% in Sterling terms, whilst the BSE MidCap TR Index was up 6.06%. In local currency terms, the NAV was up 1.11% for the month.

FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP151.3m
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	185.8p/
NAV per share	183.5p
Premium to NAV	1.2%

PORTFOLIO CHARACTERISTICS

Number of holdings	31
Median market cap (US\$bn)	\$2.1bn
PE FY25E	20.1
ROE FY25E	18.6%
Tracking Error	6.9%
Active Share	90.2%

INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/ (weaker)]	0.2%	0.2%
FII Net flows (US\$m)	(3,140.6)	(3,140.6)
DII Net flows (US\$m)	3,305.7	3,305.7
CPI inflation (Nov/3m avg)	5.7%	5.4%
GDP Q2 FY24		7.6%
Current account/ GDP Q2 FY24		(1.0)%

Source: Ocean Dial Asset Management Limited

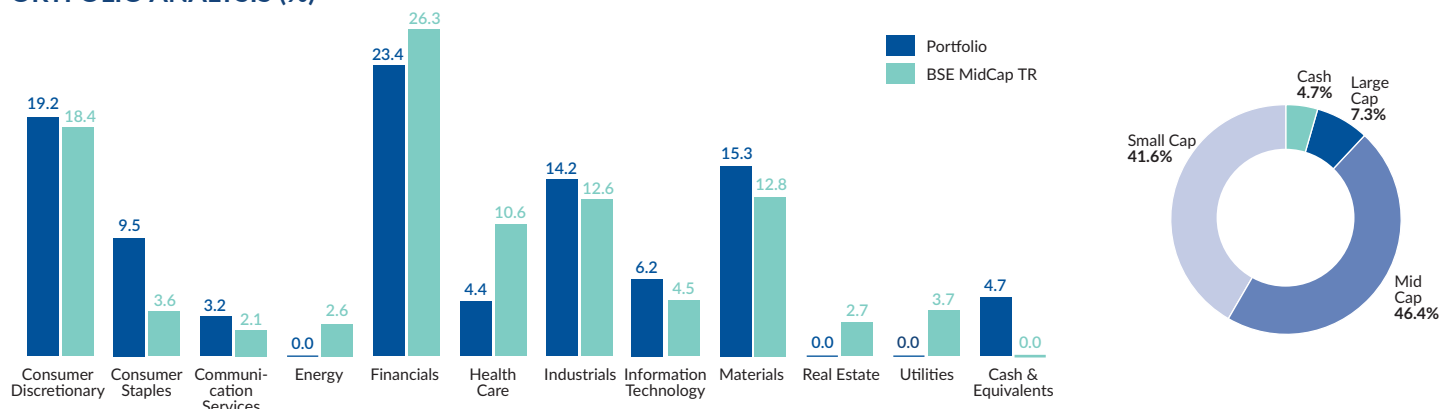
QUARTERLY ATTRIBUTION - 3 MONTHS TO 31 JANUARY 2024 (%)

TOP 5	Ave. weight	Ave. index weight	Return	Contribution	BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Neuland Laboratories	3.93	0.00	59.18	1.77	Balkrishna Industries	2.33	0.91	(7.68)	(0.19)
Persistent Systems	3.86	1.54	30.76	1.08	PI Industries	3.51	1.24	(4.74)	(0.20)
Jyothy Labs	2.92	0.00	36.48	0.95	Emami	4.21	0.44	(5.08)	(0.23)
Multi Commodity Exchange	2.50	0.00	40.71	0.86	Vedant Fashions	0.85	0.34	(25.39)	(0.28)
JK Lakshmi Cement	3.08	0.00	30.95	0.84	VIP Industries	2.28	0.00	(15.08)	(0.40)

TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap US\$bn
Federal Bank	5.3%	Well run mid-sized private sector bank, attractive valuations	4.3
IDFC Bank	4.4%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	7.2
Neuland Laboratories	4.4%	API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	1.0
Dixon Technologies	4.3%	Dominant player in an emerging Indian Electronic Manufacturing Services industry with structural tailwinds	4.3
Ramkrishna Forgings	4.1%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	1.7
Emami	4.1%	Dominant player across multiple niche consumer product categories, attractive valuations	2.6
Skipper	4.0%	Power transmission and distribution company including polymer pipes and fittings segment	0.3
Persistent Systems	3.9%	IT services company benefitting from 'digital transformation' of businesses globally	7.7
RBL Bank	3.9%	Private sector bank offering online and branch business banking and financial market operations	1.9
Indusind Bank	3.8%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	14.4

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

82,445,656 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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