

## PORTFOLIO AND MARKET UPDATE

In December, the Indian equity market showed mixed returns. The large-cap Sensex fell 2.1%, the Mid-Cap index rose 0.8%, and the Small Cap index remained unchanged in local currency. Sector-wise, Healthcare gained 4%, Real estate 3% and Consumer Durables 3%, while Power, Metals and Public Sector Units saw losses of 7%, 5% and 5% respectively. Foreign Institutional Investor (FII) flows increased US\$1.3 billion after two months of outflows, while domestic inflows remained steady at US\$4 billion. The Consumer Price Index (CPI) inflation rate decelerated to 5.5% in November from 6.2% in October. The Indian Rupee depreciated by 1.3% against the US Dollar due to uncertainties surrounding US economic and trade policies, a weakening Yuan and elevated month-end USD demand from importers. The Reserve Bank of India (RBI) intervened to mitigate this depreciation, resulting in a decline in foreign exchange reserves. At the portfolio level, the largest returns were posted by Gokaldas Exports (+18%), Dixon Technologies (+13%), and Affle India (+10%). On the other hand, Neuland Labs (-18%), Emami (-12%) and Sona BLW Precision Forging (-11%) experienced negative returns.

## HOLDING IN FOCUS: Affle India Ltd

Affle India (Affle) is an Advertising Technology (adtech) firm that operates exclusively in the mobile sector, with a primary focus on emerging markets. The global digital advertising market is approximately US\$450 billion and is growing at a rate of 5%, largely due to the ongoing transition of advertising budgets from traditional media to digital platforms. Affle's business model is predominantly consumer-driven, accounting for over 95% of its revenue, and utilizes a ROI-based cost-per-converted-user (CPCU) model. This model aims to convert potential customers into actual users of the advertisers' products or services. Around 75% of Affle's revenue comes from emerging markets but more recently the company has broadened its presence in developed markets through successful acquisitions. Historically, Affle faced growth challenges in developed markets, which it has resolved by expanding sales team and cross-selling of CPCU model. This is evident in its revenue growth (up by 27% in last 6 months along with higher profitability). Currently Affle is concentrating on enhancing premium content and integrating GenAI into its services, which is expected to boost efficiency and thus, profit margins. Affle is a highly profitable company with average EBITDA margins of 22%+ over the last 5 years. We forecast 22% revenue CAGR & 31% profit CAGR over the next three years.

## 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. Full provision is made for Indian Capital Gains Tax in the Net Asset Value.

## PERFORMANCE (%)

	1 mnth	3mnth	6mnth	1 year	3 years	5 years
ICGF NAV	(1.3)	2.3	4.9	16.0	55.1	136.2
BSE MidCap TR Index	0.8	(1.7)	(0.8)	25.6	79.5	185.5

## TOPICAL COMMENT

## HOODNOTE

December 2024

Make in India - Product Linked Incentive Scheme

## IN THE MEDIA

November 2024

Macro Matters: India's tax glitch by Christian Meyes

## IN THE MEDIA

December 2024

As the G20 Clouds gather, here's why I'm investing in India by Ian Cowie

## BOOK REVIEW

December 2024

Poor Charlie's Almanack: The Essential Wit and Wisdom of Charles T. Munger

## NET ASSET VALUE

The Net Asset Value (NAV) per share as at 31 December 2024 was 209.01 pence. In December the NAV was down 1.33% in Sterling terms, whilst the BSE MidCap TR Index was up 0.81%. In local currency terms, the NAV was down 1.33% for the month.

## FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP179.4m
Launch date	22 December 2005
Adviser start	31 December 2011
Fund Manager	Ocean Dial Asset Management
Principal Adviser	Gaurav Narain
Benchmark	S&P BSE MidCap TR
AMC	1.25% of market cap
Share price / NAV per share	192.5p / 209.0p
Discount to NAV	7.9%

## PORTFOLIO CHARACTERISTICS

Number of holdings	36
Median market cap (US\$bn)	\$1.8bn
PE FY26E	21.6
ROE FY26E	18.1%
Tracking Error	8.7%
Active Share	88.4%
Annual return	17.19%

## INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/weaker]	(1.3)%	(2.9)%
FII Net flows (US\$m)	1,320.6	(754.5)
DII Net flows (US\$m)	4,015.9	62,893.0
CPI inflation (Nov-24 / 3m avg)	5.5%	5.7%
GDP Q2 FY25		5.4%
Current account/ GDP Q2 FY25		(0.7)%

Source: Ocean Dial Asset Management Limited

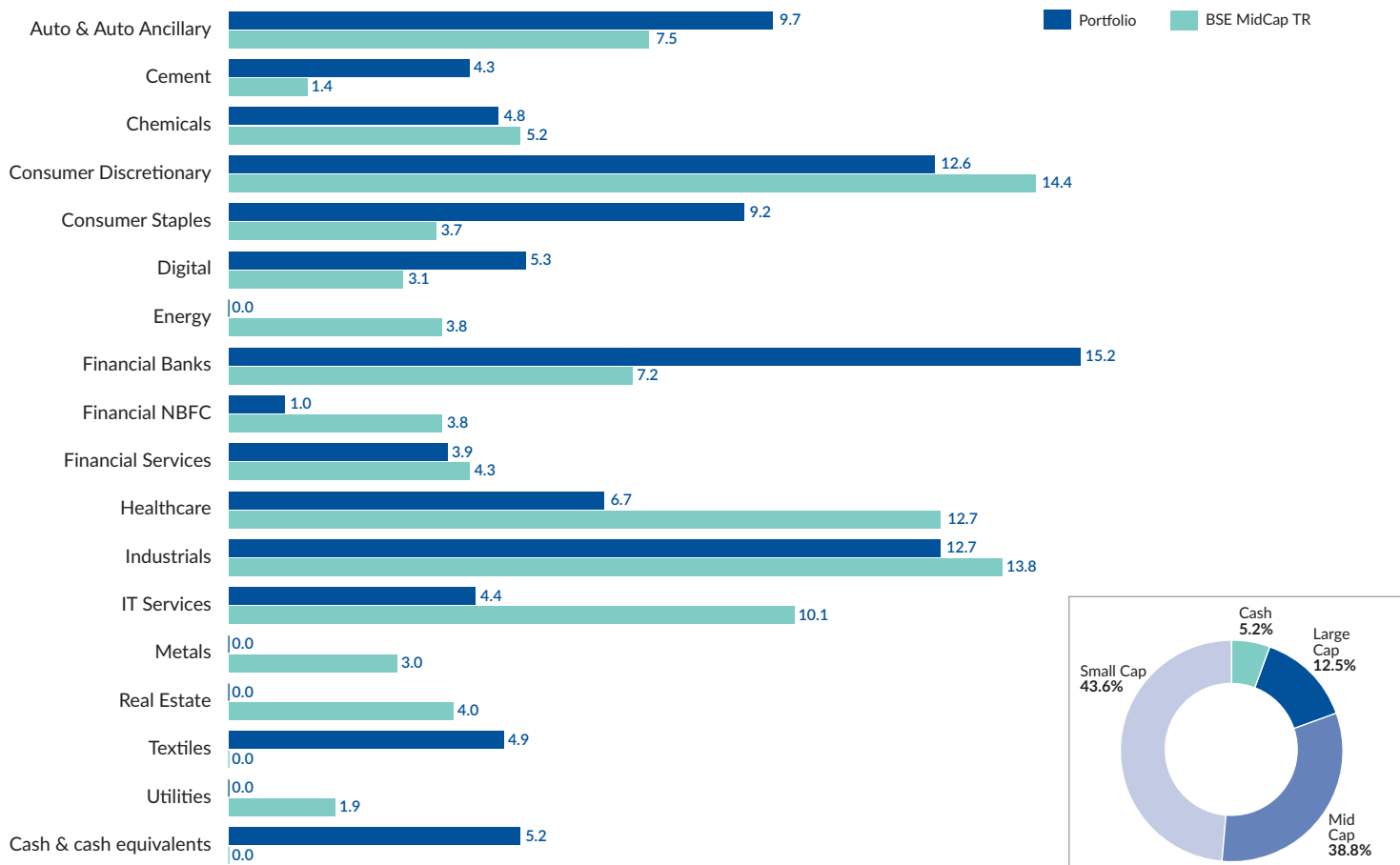
## QUARTERLY ATTRIBUTION - 3 MONTHS TO 29 DECEMBER 2024 (%)

TOP 5	Ave. weight	Ave. index weight	Return	Contribution	BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Dixon Technologies India	5.23	1.98	35.62	1.7	IndusInd Bank	2.21	0.00	(30.78)	(0.89)
Skipper	6.25	0	22.12	1.37	Emami	3.81	0.44	(17.64)	(0.74)
Persistent Systems	3.91	2.07	23.66	0.84	PI Industries	3.40	1.16	(17.38)	(0.62)
Neuland Laboratories	5.24	0	15.64	0.82	RBL Bank	2.70	0.00	(19.28)	(0.62)
Cartrade Tech	1.59	0	60.78	0.73	Sona Blw Precision Forgings	3.12	0.99	(16.49)	(0.55)

## TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap US\$bn
Skipper	5.5%	Power transmission and distribution company including polymer pipes and fittings segment	0.7
Federal Bank	5.5%	Well run mid-sized private sector bank, attractive valuations	5.7
Dixon Technologies	5.1%	Dominant player in an emerging Indian Electronic Manufacturing Services industry with structural tailwinds	12.6
Neuland Laboratories	4.8%	API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	2.1
Persistent Systems	4.4%	IT services company benefitting from 'digital transformation' of businesses globally	11.8
Multi Commodity Exchange	3.9%	Commodity exchange, with 95%+ market share	3.7
Ramkrishna Forgings	3.7%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	1.9
Emami	3.5%	Dominant player across multiple niche consumer product categories, attractive valuations	3.1
Affle India	3.4%	Mobile adtech company	2.9
PI Industries	3.0%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	6.5

## PORTFOLIO ANALYSIS (%)



**PRINCIPAL 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**

85,810,644 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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