

PORTFOLIO AND MARKET UPDATE

In January, the Indian equity market experienced a significant correction. The large-cap Sensex declined by 0.8%, while the Mid-Cap and Small-Cap indices plummeted by 7.2% and 9.5%, respectively, in local currency. This downturn was driven by weak third quarter earnings, uncertainty over US tariffs, and aggressive foreign institutional investor (FII) outflows. The decline was broad-based across sectors, with Real Estate, Consumer Durables, and Healthcare suffering the most, dropping by 13%, 10%, and 8%, respectively. FIIs were net sellers, withdrawing \$8.5 billion. However, this was partially offset by robust domestic inflows of \$10 billion. The Consumer Price Index (CPI) inflation rate in December softened to 5.2% from 5.5% in November. The annual budget addressed slowing consumption by shifting focus from capital expenditure to boosting disposable income, increased credit limits for farmers aimed at stimulating demand and maintained a focus on fiscal consolidation, with the deficit reduced from 4.6% to 4.4% of GDP. Markets welcomed the consumption push but were less enthusiastic about the modest increase in capital expenditure. The Indian Rupee continued to depreciate by another 1.2% against the US Dollar due to FII outflows. At the portfolio level, stocks posted positive returns, led by Cartrade Technologies (+11%), Cholamandalam Investment and Finance (+8%), and RBL Bank (+4%). Negative returns were recorded by Vedant Fashions (-28%), VIP Industries (-23%), and Skipper (-20%).

HOLDING IN FOCUS: Persistent Systems

Persistent Systems (Persistent), a mid-sized IT services firm, exemplifies a successful turnaround story. Founded in the 1990s, the company initially excelled in product engineering for independent software vendors (ISVs). In 2020, Sandeep Kalra assumed the role of CEO and transformed Persistent into one of the fastest-growing companies over the past five years. He redirected the company's focus back to services, revamped the sales strategy, and incentivized the sales team. Investments were made in product engineering capabilities related to cloud infrastructure, data/AI, resulting in compound annual growth rate (CAGR) of 20% in sales and 25% in profits over the last five years, consistently outperforming the industry. Throughout this growth phase, Persistent has concentrated on three primary sectors: Technology, Banking, Financial Services, and Insurance (BFSI), and Healthcare. It aims to reach a revenue run rate of US\$2 billion by FY27, up from approximately US\$1.3 billion currently. Persistent has set an ambitious goal of achieving \$5 billion in revenue by FY31 by intensifying its focus on specific sub-segments within its core verticals and strengthening relationships with its top customers.

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	(7.4)	(5.8)	(5.1)	5.4	46.9	115.8
BSE MidCap TR Index	(7.3)	(5.0)	(11.2)	9.8	69.3	156.6

TOPICAL COMMENT

HOODNOTE	IN THE MEDIA	IN THE MEDIA	BOOK REVIEW
January 2025	January 2025	January 2025	January 2025
Market Capital Reclassifications	CNBC's Inside India newsletter: Could Musk make it worse for India? By Ganesh Rao	Portfolio Adviser: Asia sees the light on ESG by Hannah Williford	Chip War by Chris Miller

NET ASSET VALUE

The Net Asset Value (NAV) per share as at 31 January 2025 was 193.49 pence. In January the NAV was down 7.43% in Sterling terms, whilst the BSE MidCap TR Index was down 7.32%. In local currency terms, the NAV was down 7.30% for the month.

FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP165.6m
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	171.0p / 193.5p
Discount to NAV	11.6%

PORTFOLIO CHARACTERISTICS

Number of holdings	38
Median market cap (US\$bn)	\$1.7bn
PE FY26E	21.3
ROE FY26E	17.9%
Tracking Error	8.4%
Active Share	87.8%
Annual return	15.43%

INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/ (weaker)]	(1.2)%	(4.1)%
FII Net flows (US\$m)	(8,418.1)	(9,172.6)
DII Net flows (US\$m)	10,030.4	72,923.4
CPI inflation (Dec-24 / 3m avg)	5.2%	5.6%
GDP Q2 FY25		5.4%
Current account/ GDP Q2 FY25		(0.7)%

Source: Ocean Dial Asset Management Limited

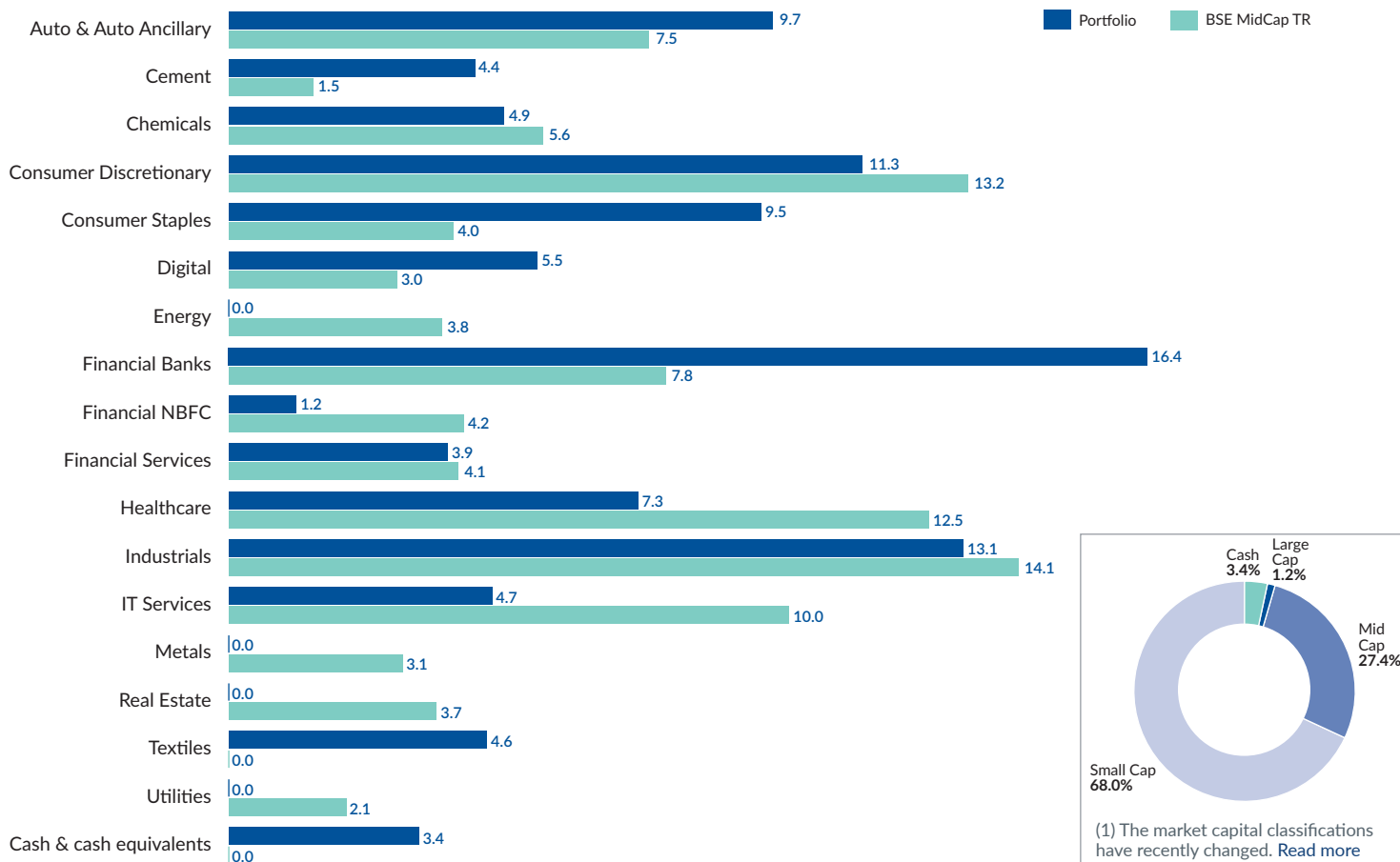
QUARTERLY ATTRIBUTION – 3 MONTHS TO 31 JANUARY 2025 (%)

TOP 5	Ave. weight	Ave. index weight	Return	Contribution	BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Cartrade Tech	1.86	0	54.68	0.75	Skipper	5.90	0.00	(17.90)	(0.84)
Dixon Technologies India	5.17	2.11	7.89	0.5	Sona Blw Precision Forgings	2.98	0.96	(25.55)	(0.81)
Persistent Systems	4.14	2.21	14.05	0.46	PI Industries	3.19	1.09	(21.43)	(0.75)
PSP Projects	2.25	0	6.58	0.12	VIP Industries	2.59	0.00	(21.17)	(0.56)
Gokaldas Exports	2.32	0	6.97	0.08	Emami	3.62	0.42	(14.58)	(0.55)

TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap US\$bn
Federal Bank	5.6%	Well run mid-sized private sector bank, attractive valuations	5.3
Neuland Laboratories	5.3%	API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	2.1
Skipper	4.8%	Power transmission and distribution company including polymer pipes and fittings segment	0.5
Dixon Technologies	4.7%	Dominant player in an emerging Indian Electronic Manufacturing Services industry with structural tailwinds	10.4
Persistent Systems	4.0%	IT services company benefitting from 'digital transformation' of businesses globally	10.9
Multi Commodity Exchange	3.9%	Commodity exchange, with 95%+ market share	3.4
Emami	3.7%	Dominant player across multiple niche consumer product categories, attractive valuations	3.0
Ramkrishna Forgings	3.7%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	1.6
Affle India	3.1%	Mobile adtech company	2.4
IDFC Bank	3.1%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	5.3

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

85,595,644 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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