

PORTFOLIO AND MARKET UPDATE

In October, Indian equity markets experienced a significant correction, with the large-cap Sensex declining by 5.8%, the Mid Cap index by 6.8%, and the Small Cap index by 3.8% in local currency terms. The primary causes were weak corporate earnings and aggressive selling amounting to USD 11 billion by Foreign Institutional Investors (FIIs). This marked the highest monthly FII selling in the past 12 years, attributed to a shift towards China following its stimulus measures. However, strong domestic inflows of USD 13 billion during the same period helped mitigate some of the losses in India.

All sectors experienced declines, led by Oil & Gas, Auto, and Consumer Durables, which fell by 14%, 12%, and 10%, respectively. In September, the Consumer Price Index (CPI) inflation rose to 5.5% from 3.6% in August, primarily due to a low base and high food inflation. There was a reduction in government capital expenditure during the April-June 2024 quarter due to the General Elections in May 2024. The July-September 2024 quarter saw some improvement, with central government expenditure increasing by 26% year-on-year compared to a 35% decline in the previous quarter. At the portfolio level, stocks yielded positive returns, led by Neuland Laboratories (+18%), Skipper (+15%), and Multi Commodity Index (+15%). Conversely, negative returns were recorded by IndusInd Bank (-27%), Cholamandalam Investment and Finance Company (-21%), and Kajaria Ceramics (-18%).

HOLDING IN FOCUS: City Union Bank

City Union Bank (CUB), a 120-year-old regional bank, specializes in lending to small and medium enterprises. It focuses on secured lending and is often the sole lender to its customers. This strategy and conservative lending practices have historically resulted in excellent return ratios. However, from FY22-24, the bank underperformed due to its absence in the high-growth retail segment, a decline in its gold loan portfolio due to regulatory restrictions, and inadequate digital capabilities. Consequently, its valuations dropped from industry-leading levels.

The bank has since addressed these issues by enhancing its digital infrastructure, launching retail products for existing customers, and strengthening its senior management team. It has returned to double-digit growth while maintaining a Return on Assets (ROA) of 1.5%. Despite a strong outlook, its valuations have halved from historical averages and are below industry peers. We anticipate that earnings growth and potential re-rating will drive stock performance.

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	0.5	0.7	10.2	20.8	55.1	125.9
BSE MidCap TR Index	(4.1)	(6.5)	5.4	38.0	78.1	174.7

TOPICAL COMMENT

WEBINAR	IN THE MEDIA	IN THE MEDIA	BOOK REVIEW
October 2024	October 2024	October 2024	October 2024
India Capital Growth Round Up 10 December	CNBC's Inside India newsletter: Why did India's biggest market listing this year falter on its debut? By Ganesh Rao	AJ Bell: Small Cap Winners & Losers	Culture Map by Erin Meyer

NET ASSET VALUE

The Net Asset Value (NAV) per share as at 31 October 2024 was 205.30 pence. In October the NAV was up 0.52% in Sterling terms, whilst the BSE MidCap TR Index was down 4.10%. In local currency terms, the NAV was down 2.36% for the month.

FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP176.7m
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	179.5p /
NAV per share	205.3p
Discount to NAV	12.6%

PORTFOLIO CHARACTERISTICS

Number of holdings	37
Median market cap (US\$bn)	\$2.0bn
PE FY26E	21.7
ROE FY26E	18.5%
Tracking Error	8.5%
Active Share	88.4%
Annual return	17.03%

INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/ (weaker)]	(0.3)%	(1.0)%
FII Net flows (US\$m)	(10,944.9)	88.7
DII Net flows (US\$m)	12,767.0	53,608.1
CPI inflation (Sept-24 / 3m avg)	5.5%	4.2%
GDP Q1 FY25		6.7%
Current account/ GDP Q1 FY25		(0.7)%

Source: Ocean Dial Asset Management Limited

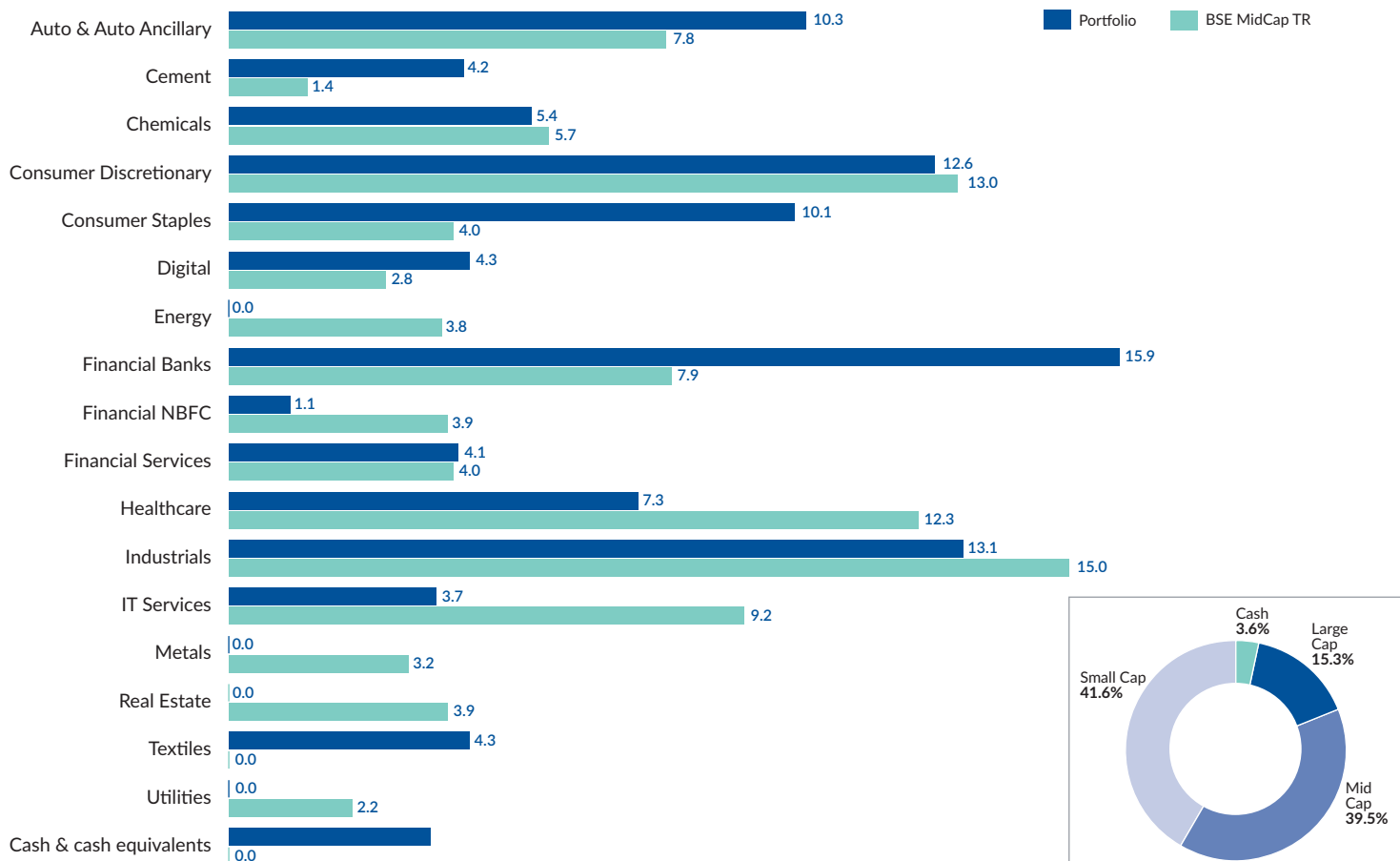
QUARTERLY ATTRIBUTION – 3 MONTHS TO 31 OCTOBER 2024 (%)

TOP 5	Ave. weight	Ave. index weight	Return	Contribution	BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Neuland Laboratories	5.06		64.62	2.45	RBL Bank	3.11		(28.76)	(1.07)
Skipper	5.49		31.79	1.61	IndusInd Bank	2.75		(27.02)	(0.81)
Multi Commodity Exchange of India	3.37		50.14	1.36	Emami	4.58	0.48	(15.02)	(0.72)
Dixon Technologies India	5.05	0.78	14.69	0.73	Kajaria Ceramics	2.36		(19.66)	(0.51)
EPL	1.76		19.66	0.35	IDFC First Bank	3.21	1.06	(14.36)	(0.50)

TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap US\$bn
Federal Bank	5.6%	Well run mid-sized private sector bank, attractive valuations	5.9
Neuland Laboratories	5.5%	API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	2.2
Skipper	5.5%	Power transmission and distribution company including polymer pipes and fittings segment	0.7
Dixon Technologies	4.8%	Dominant player in an emerging Indian Electronic Manufacturing Services industry with structural tailwinds	10.0
Emami	4.1%	Dominant player across multiple niche consumer product categories, attractive valuations	3.7
Multi Commodity Exchange	4.1%	Commodity exchange, with 95%+ market share	4.0
Ramkrishna Forgings	3.8%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	2.0
Persistent Systems	3.7%	IT services company benefitting from 'digital transformation' of businesses globally	10.0
PI Industries	3.6%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	8.1
Sona BLW Precision Forgings	3.3%	Auto ancillary company manufacturing critical components for leading global electric vehicle companies.	5.1

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

86,058,872 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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