

# Gateway to India Fund

DECEMBER 2020



## Net Asset Value

The Net Asset Value (NAV) per Class A US\$ share as at 31 December 2020 was US\$203.27. In December the NAV was up 6.83% whilst the S&P BSE-500 was up 8.78%. In local currency, the NAV was up 5.76%.

## Portfolio activity

**New purchases** Affle India      **Exits** Bajaj Auto

## Holdings in focus

**Affle India** is a digital ad-tech company operating in the mobile space. Using data science algorithms, Affle enables advertisers to drive targeted marketing campaigns to acquire new customers or engage existing ones. It earns 89% of revenue through an ROI based cost-per-converter-user revenue model (CPCU model). Affle has a strong position in markets such as India (revenue ~46%) and other emerging markets (revenue ~31%) which have high barriers to entry due to disjointed demographics and lower shopper penetration. With an increase in smartphone users, online shoppers, and the Covid-19 pandemic steepening the digital adoption curve, we believe Affle provides exposure to a large market opportunity across the digital ecosystem. Its ROI-linked revenue model is supported by strong network effects; more data enables better efficacy of the AI driving higher conversions thus leading to more advertisers joining Affle's platform with more insightful consumer data. These strengths are enabling it to expand into other categories including e-commerce, entertainment & education, food-tech, fintech, gaming, government, healthcare. We believe Affle to be a high-growth business, and expect the revenue to grow at a CAGR of 35% between FY20 and FY23.

**Neuland Laboratories** is a manufacturer of active pharmaceutical ingredients, complex intermediates and custom manufacturing solutions (CMS) to global pharmaceutical companies. The company saw a slowdown in FY18 and FY19 owing to capacity constraints, a low contribution from its high margin CMS vertical and a sharp increase in raw material prices which the Company procured from China. It started addressing all three issues which began to bear fruit in FY20. It increased its live CMS projects from 55 to 76 and this vertical is expected to contribute to a third of the business in the medium term. Neuland has also increased its manufacturing capacity by acquiring a new unit and has started backward integrating some of its key starting materials to reduce its dependence on China. These efforts should continue to increase revenue and profitability over the next few years. It also remains a key beneficiary of China-dominated supply chain disruptions which is expected to open up new growth opportunities. We expect revenues to grow at 15% CAGR and EBITDA at 29% CAGR over the next 3 years.

## Class A US\$ performance vs. S&P BSE-500 Index US\$ (%)



Source: Ocean Dial Asset Management Limited, Bloomberg

## Performance (%)

	1m	3m	6m	1yr	31/10/2019**
Class A US\$	6.8	21.8	44.9	14.6	16.3
S&P BSE-500 US\$	8.8	24.5	40.8	14.0	15.3
S&P BSE Dollex 30	9.4	26.6	41.5	13.0	15.7

\* Class A US\$ was launched on 10 September 2012. \*\* Commencement of Portfolio Adviser Tridib Pathak.

\*\*\* With effect from 1 July 2020, S&P BSE-500 Index is the Fund's benchmark.

Source: Ocean Dial Asset Management Limited, Bloomberg

## Fund information

Structure	UCITS ICAV
Domicile	Ireland
Dealing	Daily
Size (NAV)	US\$33.2m
Launch date	10 September 2012
Adviser start	31 October 2019
Portfolio Manager	David Cornell
Portfolio Adviser	Tridib Pathak
Benchmark	S&P BSE-500 Index
Class K AMC / Performance fee	0.45% / 20.00%
Class Q AMC / Performance fee	0.90% / 0.00%
Currency classes	US\$, GBP, EUR

## Portfolio characteristics

Number of holdings	25
5 and 40 rule	31.7%
Median market cap	US\$3.5bn
PE FY21E	31.1
ROE (3y avg)	19.1%
Tracking Error	7.9%
Active Share	80.5%

## India highlights

	MTD	YTD
BSE 500 (US\$)	8.8%	14.0%
iShares MSCI Asia ex-Japan (US\$)	3.5%	23.4%
iShares MSCI EM Index (US\$)	4.3%	17.0%
INR vs US\$ [stronger/(weaker)]	1.3%	(2.4%)
FII Net flows (US\$m)	7,267	23,373
DII Net flows (US\$m)	(5,064)	(4,910)

## Macro indicators

CPI inflation (November / 3m avg)	6.9%	7.3%
GDP Q2 FY21		(7.5%)
Current account/GDP Q2 FY21		1.3%

Source: Ocean Dial Asset Management Limited

## Team commentary

31 December [Monthly Book Review - Only the Paranoid Survive](#)

30 November [Monthly Book Review - Range: How Generalists Triumph in a Specialized World](#)

5 November [In Conversation - Early adopters are focusing on India once again](#)

31 October [Monthly Book Review - Atomic Habits](#)

28 October [One year up...](#)

3 September [India Capital Growth Fund - Investing in Pandemic times](#)

# Gateway to India Fund

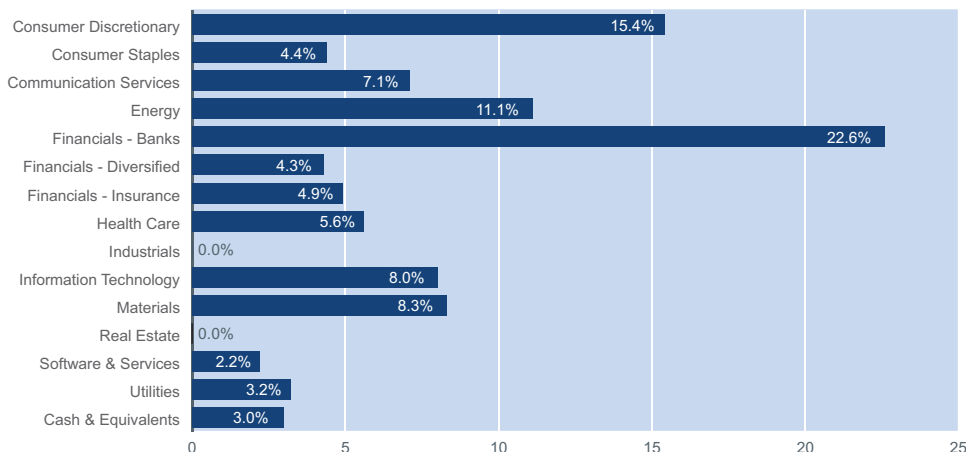
DECEMBER 2020

## Top ten holdings

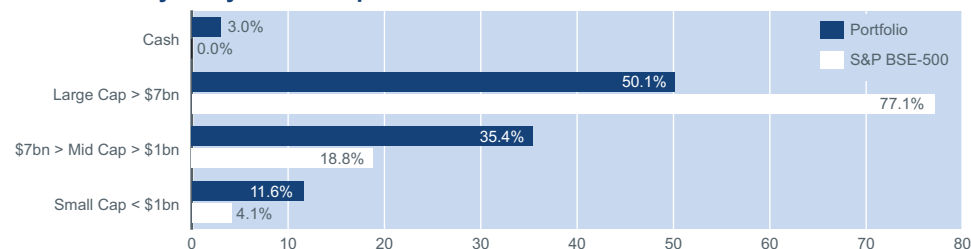
Portfolio Company	Weight	Characteristics	Market cap
HDFC Bank	7.2%	Largest private sector bank, consistent compounder	US\$108bn
Bharti Airtel	6.8%	Strengthened survivor in a consolidating market, set to grow ARPU and market share going forwards	US\$38bn
ICICI Bank	6.2%	Second largest private sector bank, attractively valued, well poised to capture recovery in credit growth	US\$51bn
Aegis Logistics	6.1%	Leader in LPG logistics with a quality business, high growth visibility and attractive valuations	US\$1bn
IndusInd Bank	5.4%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	US\$9bn
Reliance Industries Part Paid	5.0%	Business transformation of India's largest company into a new economy play	US\$179bn
ICICI Lombard General Insurance	4.9%	Largest private sector general insurance company, consistent compounder	US\$9bn
Dixon Technologies	4.5%	Dominant player in an emerging Indian Electronic Manufacturing Services industry with structural tailwinds	US\$2bn
Emami	4.4%	Dominant player across multiple niche consumer product categories, attractive valuations	US\$3bn
Westlife Development	4.4%	McDonald's in India, beneficiary of growing fast food and delivery consumption trend in India	US\$973m

Source: Ocean Dial Asset Management Limited, Bloomberg

## Portfolio analysis by sector



## Portfolio analysis by market capitalisation



Source: Ocean Dial Asset Management Limited, Bloomberg

## Quarterly attribution – 3 months to 31 December 2020 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
IndusInd Bank	5.38	0.59	71.42	3.26
HDFC Bank	8.18	7.03	34.52	2.88
ICICI Bank	5.55	4.13	52.36	2.61
Dixon Technologies	4.46	0.10	55.05	2.15
Bharti Airtel	6.62	1.47	22.32	1.53
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Affle India	0.00	0.01	0.00	0.00
IIFL Wealth Management	0.27	0.00	(2.65)	(0.06)
Hero Motorcorp	4.22	0.53	(0.18)	(0.06)
Reliance Industries	0.65	4.31	(2.90)	(0.10)
Reliance Industries Part Paid	4.59	0.00	(15.98)	(1.05)

Source: Ocean Dial Asset Management Limited, Statpro

## Fund adviser



Tridib Pathak joined Ocean Dial in October 2019 having spent the last 30 years immersed in the Indian equity markets, the last 21 as an institutional portfolio manager. Most recently he was Senior Portfolio Manager at Enam Asset Management where he managed open ended funds for both domestic and international investors. Prior to that Tridib held senior fund manager roles at IDFC and Lotus and was a senior analyst at UBS Securities (India). He is a Chartered Accountant of the Institute of Chartered Accountants of India and holds a degree in Commerce from Bombay 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.

## Fund manager

Ocean Dial Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

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## Regulatory information

Any views expressed within this factsheet are those of the Fund Manager as at the date of issue which may be subject to change, and should not be taken as advice to invest. We do not undertake to advise you as to any changes in our views. If you are unsure about the suitability of any investment, please consult a Financial Adviser. The Gateway to India Fund is a sub-fund of Ocean Dial Investment Funds ICAV, an Irish UCITS investment vehicle.

## Prospectus and application form

The Prospectus and Application Form are available by telephoning the Fund Administrator, Apex Fund Services (Ireland) on +353 1 411 2949.

## Dealing information

Frequency	Daily
Valuation point	13:30 T-1 (Ireland)
Dealing line	+353 1 411 2949
Class A ISIN	IE00B585S747
Class A Ticker	ODGTIAU ID

## Website

[www.oceandial.com](http://www.oceandial.com)

## 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.

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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 500 Index 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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