

Gateway to India Fund

MARCH 2021



Net Asset Value

The Net Asset Value (NAV) per Class A US\$ share as at 31 March 2021 was US\$223.33. In March the NAV was down 0.59% whilst the S&P BSE-500 was up 0.55%. In local currency, the NAV was up 0.04%.

Portfolio activity

New purchases Axis Bank **Exits** Hero Motorcorp

Holdings in focus

Axis Bank is the third largest private bank in India with ~US\$80bn in outstanding advances, representing a 6% market share in a competitive Indian banking space. Once among the most profitable (superior ROAs and ROEs) corporate banks in India, Axis bank faced asset quality concerns during the corporate NPA cycle which started in 2017, with gross NPAs peaking at 7.5% in 2018 from the lows of 1-1.2%. This required a de-risking strategy which was formulated following the arrival of CEO, Amitabh Chaudhry, in 2019. Axis undertook a three-pronged approach: (1) revamping its underwriting infrastructure; (2) increasing its share of retail, now at 54%, including a high share from its secured mortgage book; and (3) halving exposure to lower rated (BBB and below) corporates to 17% and extensively recognising bad loans. With the NPA corporate cycle behind them, management is focused on "ONE AXIS", a continuation of its de-risking strategy that involves mining its existing customer base, a positive for sustainable growth in fee income. We see fast-growing subsidiaries, like Axis Mutual Fund (50% AUM growth in FY20), Axis Capital and recent stake increase in Max Life Insurance, playing a crucial role in the "ONE AXIS" strategy. Liability franchise has been a strength for Axis, with low-cost deposits (CASA) among the highest in its peer group at 40-45% of total deposits. Current valuations position Axis as a favourable play in the India banking consolidation story, with profitability reverting to historical highs (ROAs at 1.6-1.7%) as credit costs mean revert.

ICICI Lombard General Insurance (ILOM) is India's fourth-largest general insurance and largest private sector general insurance company. It has a 7% market share among all non-life insurers in India, a position that is expected to strengthen to 9% following its recent acquisition of Bharti AXA GI. It offers a comprehensive and well-diversified range of products including motor own damage, motor third party, health, personal accident, fire, marine, engineering and liability insurance. We find the Indian general insurance sector extremely attractive due to: (1) high growth of over 15% CAGR for last 18 years, in spite of a low penetration ratio of 0.9% vs. the global average of 2.8%; (2) private companies gaining market share (48% in FY17 to 56% in FY20) from state owned enterprises which are making losses and are short of solvency norms; (3) mandatory 'cash before cover' leading to a high investment float of 4x net worth and over 20% ROE. We believe ILOM is well placed to capture this secular growth opportunity with its leadership positions across motor own damage, health and fire. ILOM is poised to further consolidate its leadership position on the back of (1) its economies of scale; (2) its continued ramp-up of retail product distribution; (3) its ability to leverage Bharti AXA's 'bancassurance' tie-up with HDFC and Axis Bank; and (4) sustained investments in technological leadership to improve operating and financial performance. We expect ILOM to grow earnings at CAGR of around 15% for next 4-5 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\$	(0.6)	9.9	33.8	88.6	27.7
S&P BSE-500 US\$	0.6	6.5	32.5	81.1	22.7
S&P BSE Dollex 30	0.9	3.6	31.3	73.7	19.9

* 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\$35.05m
Launch date	10 September 2012
Adviser start	31 October 2019
Portfolio Manager	Ocean Dial Asset Management
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	24
5 and 40 rule	29.8%
Median market cap	US\$5.0bn
PE FY22E	22.0
ROE (3y avg)	20.3%
Tracking Error	6.1%
Active Share	80.9%

India highlights

	MTD	YTD
BSE 500 (US\$)	0.6%	6.5%
iShares MSCI Asia ex-Japan (US\$)	(2.1%)	3.4%
iShares MSCI EM Index (US\$)	(0.7%)	3.2%
INR vs US\$ [stronger/(weaker)]	0.5%	(0.1%)
FII Net flows (US\$m)	1,214	7,411
DII Net flows (US\$m)	915	(3,206)

Macro indicators

CPI inflation (February/3m avg)	5.0%	4.6%
GDP Q3 FY21		0.4%
Current account/GDP Q2 FY21		1.3%

Source: Ocean Dial Asset Management Limited

Team commentary

31 March	Monthly Book Review – Ethical Dilemmas of a Civil Servant
11 March	HOODstock - India Capital Growth Fund's Industry Leaders: #1 Kajaria Ceramics
28 February	Monthly Book Review - The Moonstone
18 February	In Conversation - Investment led recovery rekindling India's animal spirits
5 February	The Great Indian Budget 'Tamasha' II
31 January	Monthly Book Review - The Black Swan

Gateway to India Fund

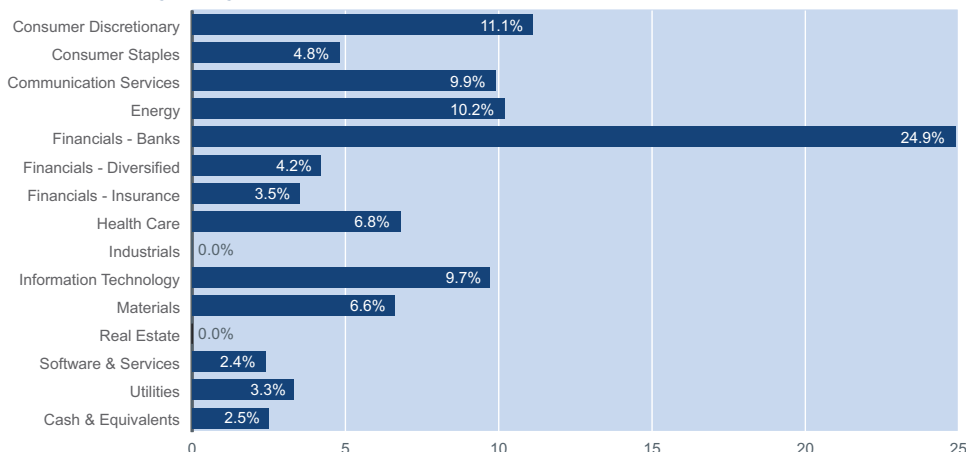
MARCH 2021

Top ten holdings

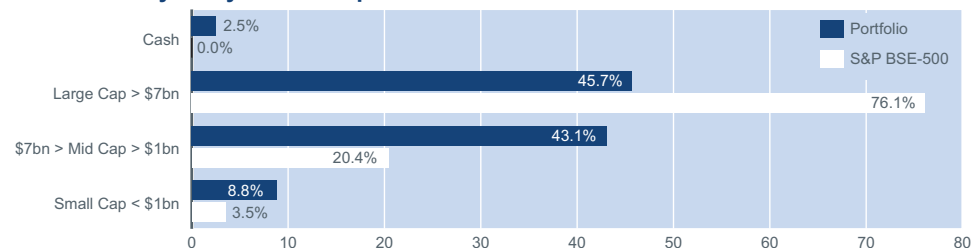
Portfolio Company	Weight	Characteristics	Market cap
ICICI Bank	6.3%	Second largest private sector bank, attractively valued, well poised to capture recovery in credit growth	US\$55bn
IndusInd Bank	6.3%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	US\$10bn
Bharti Airtel	6.1%	Strengthened survivor in a consolidating market, set to grow ARPU and market share going forwards	US\$39bn
Aegis Logistics	5.8%	Leader in LPG logistics with a quality business, high growth visibility and attractive valuations	US\$1bn
Can Fin Homes	5.2%	Retail Housing Finance company operating in the affordable housing segment with best in class asset quality	US\$1bn
HDFC Bank	4.9%	Largest private sector bank, consistent compounder	US\$112bn
Emami	4.8%	Dominant player across multiple niche consumer product categories, attractive valuations	US\$3bn
Neuland Laboratories	4.6%	API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	US\$365m
Dixon Technologies	4.5%	Dominant player in an emerging Indian Electronic Manufacturing Services industry with structural tailwinds	US\$3bn
Reliance Industries Part Paid	4.4%	Business transformation of India's largest company into a new economy play	US\$179bn

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 March 2021 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Neuland Laboratories	3.81	0.00	89.57	2.24
Dixon Technologies	4.81	0.14	35.69	1.46
Aegis Logistics	6.29	0.04	17.78	1.20
Gujarat Gas	3.07	0.09	45.08	1.10
Affle India	2.98	0.03	43.42	1.02
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Axis Bank	0.62	2.08	(4.54)	(0.15)
Divi's Laboratories	2.31	0.51	(6.28)	(0.16)
Reliance Industries Part Paid	4.71	0.00	(3.01)	(0.22)
ICICI Lombard General Insurance	3.93	0.36	(6.08)	(0.22)
Multi Commodity Exchange	4.24	0.08	(13.12)	(0.66)

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.

Tel: +44 (0) 20 7068 9870

Email: enquiries@oceandial.com

Registered office:
13/14 Buckingham Street
London WC2N 6DF

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

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 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 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.

This document is issued by Ocean Dial Asset Management Limited and views expressed in this document reflect the views of Ocean Dial Asset Management Limited and its Mumbai based affiliated company and advisor, Ocean Dial Asset Management India Private Limited as at the date of publication.

This information may not be reproduced, redistributed or copied in whole or in part without the express consent of Ocean Dial Asset Management Limited. Ocean Dial Asset Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Registered office 13/14 Buckingham Street, London WC2N 6DF.