

Gateway to India Fund

MAY 2021



Net Asset Value

The Net Asset Value (NAV) per Class A US\$ share as at 31 May 2021 was US\$240.24. In May the NAV was up 5.35% whilst the S&P BSE-500 was up 9.15%. In local currency, the NAV was up 3.21%.

Portfolio activity

New purchases KPR Mill Ltd **Exits** None

Holdings in focus

Crompton Consumer (Crompton) is a leading Fast Moving Electric Goods (FMEG) company in India. The company operates in four distinct product categories – fans, lighting, pumps and appliances – and boasts a healthy 50:50 balance between in-house manufacturing and third-party local sourcing. It has reported strong capital efficiency with ROE and ROCE in excess of 35% over last few years. The non-discretionary and low-ticket nature of Crompton's portfolio (fans, lighting and appliances) has ensured robust volume growth through market share gains in spite of a challenging year. We feel the second wave of Covid-19 and steep commodity price increases will further help established brands such as Crompton to gain in market share and deepen their distribution reach. The company remains focused on making investments in branding, strategic projects and central R&D, and continued to recruit key senior R&D professionals throughout lockdown. Through its cost reduction initiative (Unnati Programme) it has been able to consistently reduce its costs, and plans additional cuts of over Rs1-1.5bn per annum. We feel low ticket products like fans, lighting and appliances will see strong traction going ahead and expect sales and EBITDA to grow at CAGRs of 15% and 16% respectively over the next three years, with ROCE maintained in the range of 32-34%.

Aegis Logistics (Aegis) is a logistics company in the oil & gas supply chain. It is a leading port terminal operator in liquified petroleum gas (LPG – a cooking fuel) and liquids (oil, chemicals). It has a presence in six ports along the east and west coastlines of India. The Government's push on cleaner fuel usage in households has led to LPG consumption far exceeding domestic production. LPG imports have thus been growing at 13% per annum over the last five years. We expect this shortage to continue for another decade or so taking into account planned domestic production. Aegis' terminal operations involve facilitating imports, storage, handling, and evacuation. Its strength is evacuation infrastructure (through pipelines and road), which ensures higher throughput and consequently lower costs. This is difficult to replicate and acts as an entry barrier. During the last year, it has further fortified two of its LPG terminals – Mumbai and Pipavav – by linking them to pipeline and railway lines, further improving its competitive positioning. It is in the midst of augmenting capacity by 80% given the demand outlook. Besides operating terminals, Aegis also directly distributes commercial LPG and auto LPG, a business which has lower volumes but four times the margins. Despite Covid-led disruptions, it has continued its expansion in retail by adding stations and distribution points. Over the past five years, earnings have compounded at a rate of 23% per annum with average ROCE of 19%. We expect Aegis to post strong growth over the next three years with EPS growing at a CAGR of 31% and average ROCE of 22%.

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\$*	5.4	6.9	26.3	84.1	37.4
S&P BSE-500 US\$***	9.2	9.5	26.1	76.9	33.6
S&P BSE Dollex 30	8.5	6.5	19.7	66.4	26.5

* 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\$33.61m
Launch date	10 September 2012
Adviser start	31 October 2019
Portfolio Manager	Ocean Dial Asset Management
Principal 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	25.5%
Median market cap	US\$5.1bn
PE FY23E	19.6
ROE (3y avg)	20.4%
Tracking Error	7.3%
Active Share	82.8%

India highlights

	MTD	YTD
BSE 500 (US\$)	9.2%	15.9%
iShares MSCI Asia ex-Japan (US\$)	0.7%	5.3%
iShares MSCI EM Index (US\$)	1.6%	6.2%
INR vs US\$ [stronger/(weaker)]	2.0%	0.6%
FII Net flows (US\$m)	323	6,670
DII Net flows (US\$m)	475	(1,441)

Macro indicators

CPI inflation (March/3m avg)	4.3%	4.9%
GDP Q3 FY21		1.6%
Current account/GDP Q3 FY21		1.3%

Source: Ocean Dial Asset Management Limited

Team commentary

31 May	Monthly Book Review - Essentialism: The Disciplined Pursuit of Less
25 May	HOODcast - A Tale of Two Stocks (discussion on the note)
30 April	Monthly Book Review - Slowly Down the Ganges
29 April	HOODinar - Covid-19: India's second wave
12 April	HOODnote - A Tale of Two Stocks
31 March	Monthly Book Review - Ethical Dilemmas of a Civil Servant
11 March	HOODstock - India Capital Growth Fund's Industry Leaders: #1 Kajaria Ceramics

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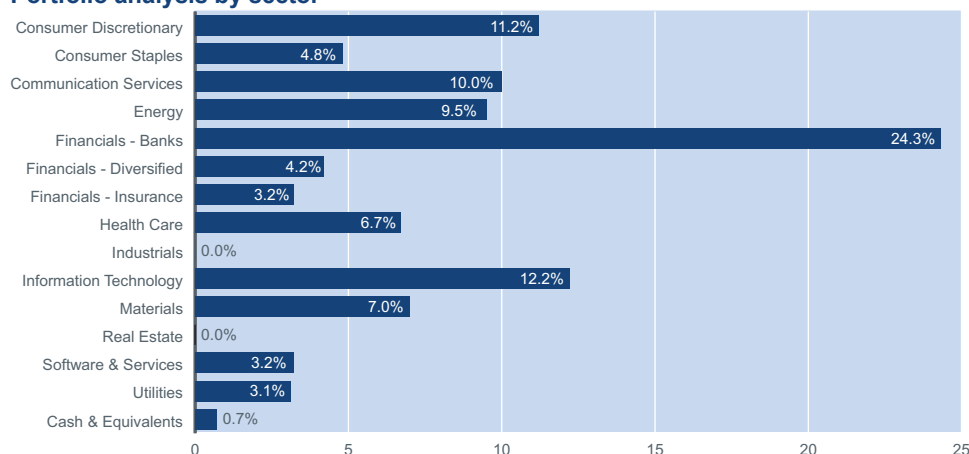


Top ten holdings

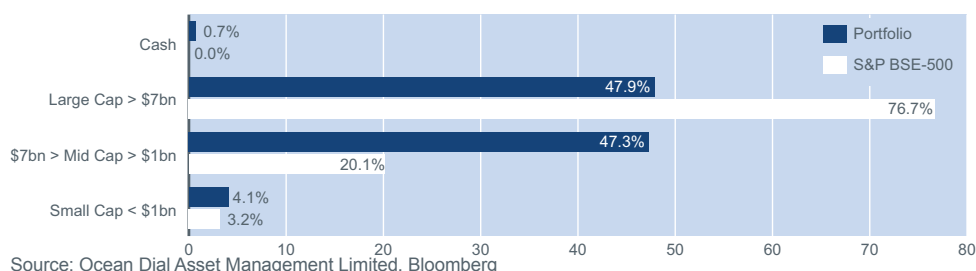
Portfolio Company	Weight	Characteristics	Market cap
ICICI Bank	7.3%	Second largest private sector bank, attractively valued, well poised to capture recovery in credit growth	US\$63bn
Aegis Logistics	6.3%	Leader in LPG logistics with a quality business, high growth visibility and attractive valuations	US\$2bn
Bharti Airtel	6.3%	Strengthened survivor in a consolidating market, set to grow ARPU and market share going forwards	US\$41bn
Wipro	5.5%	IT services company benefitting from 'digital transformation' of businesses globally	US\$41bn
IndusInd Bank	5.0%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	US\$11bn
Emami	4.8%	Dominant player across multiple niche consumer product categories, attractive valuations	US\$3bn
HCL Technologies	4.7%	IT services company benefitting from 'digital transformation' of businesses globally	US\$35bn
Multi Commodity Exchange	4.2%	Quality business with high growth and attractive valuations	US\$1bn
HDFC Bank	4.1%	Largest private sector bank, consistent compounder	US\$115bn
Neuland Laboratories	4.1%	API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	US\$375m

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 May 2021 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Wipro	4.60	0.72	32.32	1.47
Aegis Logistics	6.27	0.05	17.27	1.24
Aarti Industries	3.15	0.14	36.80	1.10
Computer Age Management Services	2.66	0.00	38.04	1.00
ICICI Bank	6.65	4.50	11.67	0.93
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Hero Motorcorp	0.71	0.26	(8.08)	(0.14)
Reliance Industries Part Paid	3.95	0.00	7.83	(0.21)
Bharti Airtel	6.48	1.40	(3.16)	(0.22)
Westlife Development	3.90	0.03	(3.20)	(0.26)
IndusInd Bank	5.40	0.59	(4.02)	(0.72)

Source: Ocean Dial Asset Management Limited, Statpro

Principal 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

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.

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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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