

Gateway to India Fund

AUGUST 2021



Net Asset Value

The Net Asset Value (NAV) per Class A US\$ share as at 31 August 2021 was US\$262.16. In August the NAV was up 6.34% whilst the S&P BSE-500 was up 8.33%. In local currency, the NAV was up 4.58%.

Portfolio activity

New purchases None **Exits** None

Holdings in focus

HDFC Bank, the largest private sector bank and the second largest bank in India, has a \$232bn strong balance sheet and a \$151bn outstanding advances book. Having built a formidable banking franchise, it has become the gold standard in the Indian financial services sector. Access to a low-cost liability franchise enables the bank to cherry-pick high-quality borrowers. This in conjunction with a superior credit risk practice has helped the bank create a robust balance sheet with best-in-class asset quality and one of the lowest levels of gross NPAs among Indian banks across cycles. The bank has also been at the forefront of product innovation and digitalisation. It is creating a "Digital Factory" to foster innovations in the Product and Consumer experience domain both in-house and in collaboration with new age fin-tech and big-tech companies. HDFC Bank remains poised to further consolidate its leadership position, which at the expense of PSUs and foreign banks, has increased from 4.4% in FY14 to 10.6% in FY21. In terms of succession planning, an internal candidate, who has spent 24 years with the bank, is becoming the new CEO ensuring continuity of a successful strategy. The incumbent CEO has laid out his vision under "Project Future Ready" with ten growth areas and has aligned the top management to achieve this. With RBI partially lifting the ban on the bank's digital initiatives and increased internal focus on all things digital, we see this overhang behind us. HDFC bank in our view is a long-term growth compounder. We expect HDFC Bank's Advances and Earnings to grow at CAGR of 18% and 17% respectively, from FY21 to FY24.

Divi's Laboratories is a leading manufacturer of active pharma ingredients (API) for exports with Europe and America constituting about 73% of its revenue. It manufactures Generic APIs (~50% of sales), Nutraceutical Ingredients (8-10% of sales), and offers contract manufacturing of API's (40-43% of sales in patented product supplies) to pharmaceutical MNCs. Robust R&D capabilities, cost leadership in manufacturing, IP adherence, and long-term relationships with the top 20 global pharma-innovators are key strengths, which will help drive incremental business given compelling reasons for its clients to control costs. It is in the final phase of completing a large capex program nearly doubling its current capacity including building capability for backward integration which is an indication of future contracts and a healthy order book. It also remains a key beneficiary of China-related supply disruptions (2018 - environmental issues, 2020 - Covid-19) which is expected to open up new growth opportunities. Management has highlighted, six growth drivers to play out over the medium term including market share increases in existing products, entering niche product categories, and two new custom synthesis contracts. We expect earnings to grow at 21% CAGR over the next three years supported by a strong balance sheet delivering free cash flow generation, zero debt, and ROIC of over 30%.

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\$* | 6.3 | 9.1 | 16.7 | 56.9 | 49.9 |
| S&P BSE-500 US\$*** | 8.3 | 9.1 | 19.4 | 56.6 | 45.8 |
| S&P BSE Dollex 30 | 11.5 | 10.2 | 17.4 | 50.0 | 39.5 |

* 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\$34.40m |
| 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 | 24 |
| 5 and 40 rule | 31.6% |
| Median market cap | US\$5.4bn |
| PE FY23E | 22.9 |
| ROE (3y avg) | 19.4% |
| Tracking Error | 7.0% |
| Active Share | 81.3% |

India highlights

| | MTD | YTD |
|-----------------------------------|-------|--------|
| BSE 500 (US\$) | 8.5% | 26.8% |
| iShares MSCI Asia ex-Japan (US\$) | 1.1% | (0.9%) |
| iShares MSCI EM Index (US\$) | 1.6% | 1.4% |
| INR vs US\$ [stronger/(weaker)] | 1.9% | 0.1% |
| FII Net flows (US\$m) | 669 | 7,475 |
| DII Net flows (US\$m) | 1,327 | 2,902 |

Macro indicators

| | | |
|-----------------------------|------|-------|
| CPI inflation (July/3m avg) | 5.6% | 6.2% |
| GDP Q1 FY22 | | 20.1% |
| Current account/GDP Q4 FY21 | | 0.9% |

Source: Ocean Dial Asset Management Limited

Team commentary

| | |
|-----------|--|
| 31 August | Monthly Book Review - Tiananmen Square |
| 31 July | Monthly Book Review - Talking to Strangers |
| 13 July | HOODcast - Industry Leaders: Welspun India (discussion on the note) |
| 30 June | Monthly Book Review - How to Avoid a Climate Disaster |
| 6 June | HOODstock - India Capital Growth Fund's Industry Leaders: #2 Welspun India |

Gateway to India Fund

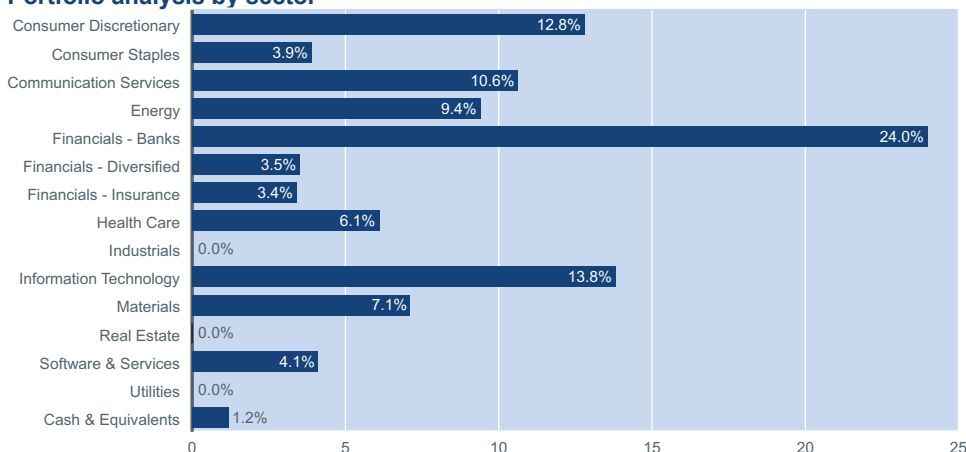
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Top ten holdings

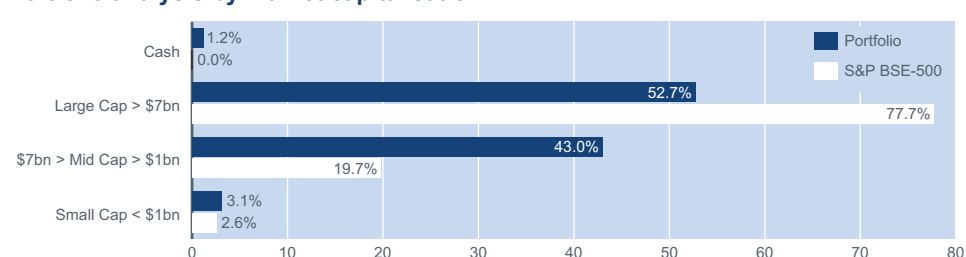
| Portfolio Company | Weight | Characteristics | Market cap |
|----------------------------------|--------|--|------------|
| ICICI Bank | 7.2% | Second largest private sector bank, attractively valued, well poised to capture recovery in credit growth | US\$68bn |
| Bharti Airtel | 7.2% | Strengthened survivor in a consolidating market, set to grow ARPU and market share going forwards | US\$50bn |
| HCL Technologies | 6.2% | IT services company benefitting from 'digital transformation' of businesses globally | US\$44bn |
| Reliance Industries Part Paid | 5.5% | Business transformation of India's largest company into a new economy play | US\$202bn |
| Wipro | 5.4% | IT services company benefitting from 'digital transformation' of businesses globally | US\$48bn |
| IndusInd Bank | 4.5% | Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns | US\$10bn |
| ACC | 4.1% | India's third largest cement manufacturer with a countrywide network of plants and strong capital efficiency | US\$6bn |
| Computer Age Management Services | 4.1% | Dominant player in India's mutual fund registrar and transfer agent market. A play on India's broadening pool of financial savings | US\$3bn |
| HDFC Bank | 4.1% | Largest private sector bank, consistent compounder | US\$120bn |
| Westlife Development | 4.1% | McDonald's in India, beneficiary of growing fast food and delivery consumption trend in India | US\$1bn |

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 August 2021 (%)

| Top 5 | Ave. weight | Ave. index weight | Return | Contribution |
|----------------------------------|-------------|-------------------|---------|--------------|
| Computer Age Management Services | 3.56 | 0.04 | 52.09 | 1.62 |
| Bharti Airtel | 6.32 | 1.33 | 23.07 | 1.40 |
| HCL Technologies | 5.32 | 1.09 | 24.75 | 1.35 |
| Reliance Industries Part Paid | 4.58 | 0.00 | 23.96 | 0.98 |
| Wipro | 5.34 | 0.81 | 17.88 | 0.89 |
| Bottom 5 | Ave. weight | Ave. index weight | Return | Contribution |
| Multi Commodity Exchange | 4.01 | 0.07 | (1.09) | (0.03) |
| IndusInd Bank | 4.85 | 0.58 | (2.40) | (0.13) |
| Affle India | 3.22 | 0.03 | (11.19) | (0.45) |
| Neuland Laboratories | 3.50 | 0.00 | (23.58) | (0.93) |
| Aegis Logistics | 5.20 | 0.05 | (26.52) | (1.60) |

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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13/14 Buckingham Street
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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

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Ocean Dial Gateway to India Fund (the "Fund") is a sub-fund of Ocean Dial Investment Funds ICAV that is authorised by the Central Bank of Ireland as an Undertaking for Collective Investment in Transferable Securities under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. 352/2011), as amended. Ocean Dial Asset Management Limited ("Ocean Dial") has prepared this document for informational purposes only for the sole use of the intended recipient. It does not seek to make any recommendation to buy or sell any particular security (including shares in the Fund) or to adopt any specific investment strategy. This document does not contain information material to an investor's decision to invest in the Fund. Shares in the Fund are offered only based on information contained in the Prospectus, KIID, and the latest annual audited accounts. Copies are available free of charge from Ocean Dial or on <https://www.oceandial.com/strategies/gateway-to-india-fund/>. The KIID is available in English, French, German, Norwegian, and Swedish. The Prospectus is available in English.

Risk: Factors affecting fund performance may include changes in market conditions (including currency risk) and interest rates, as well as other economic, political, or financial developments. The Fund's investment policy allows for it to enter into derivatives contracts. Leverage may be generated through the use of such financial instruments and investors must be aware that the use of derivatives may expose the Fund to greater risks, including, but not limited to, unanticipated market developments and risks of illiquidity, and is not suitable for all investors. Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. Ocean Dial may also receive a performance fee for certain Share Classes based on the appreciation in the NAV per share and accordingly the performance fee will increase with regard to unrealised appreciation, as well as realised gains attributable to those Share Classes. The performance fee may create an incentive for Ocean Dial to make investments for Ocean Dial Gateway to India Fund that are riskier than would be the case in the absence of a fee based on the performance of Ocean Dial Gateway to India Fund.

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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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