

Gateway to India Fund

OCTOBER 2021



Net Asset Value

The Net Asset Value (NAV) per Class A US\$ share as at 29 October 2021 was US\$263.82. In October the NAV was down 0.30% whilst the S&P BSE-500 was down 0.49%. In local currency, the NAV was up 0.42%.

Portfolio activity

New purchases None **Exits** None

Holdings in focus

ACC is the third largest cement company in India with plants spread across the country and a capacity of 33.5mtpa. LafargeHolcim Group holds a 54.5% stake in the company. In the last three years ACC has focused on capital efficiency over capacity expansion with the latter increasing by only 2.1mtpa in comparison to utilisation which rose from 73% to 86% alongside a reduction in working capital. As such, ROIC improved from 11.5% in CY16 to 25.3% in CY20. The company is now focusing on cost reductions, an area where it has underperformed its peers. It has targeted 5% of savings by CY21 on the back of various measures including raw material supply agreements with its holding company Ambuja. We believe this will help unlock efficiencies in procurement and distribution. With utilisation levels now close to peak, it is planning a capacity expansion of 5.9mtpa to be operational by the end of CY22E providing much-needed capacity visibility. ACC trades at an attractive valuation of 9.4x EV/EBITDA for CY22E, a 25% discount compared to its five-year average of 12.5x. It offers a FCF yield of ~5% CY22E with a healthy balance sheet including a net cash position of ~14% of its market capitalisation. We expect a medium-term improvement in EBITDA per tonne due to the cost reduction initiatives and volume growth on the back of capacity expansion. This should catalyse its valuation to revert to its historical average.

Jubilant Foodworks is the largest food service company in India operating 2 international brands – Domino's Pizza and Dunkin' Donuts. Domino's is the largest Quick Service Restaurant (QSR) brand in India with 1435 stores across 307 cities. It has also launched Hong's Kitchen, a home-grown brand specialising in Chinese cuisine; Ek dum! – specialising in North Indian food; and has signed an agreement to run Popeyes across India, Bangladesh, Sri Lanka and Nepal. We believe Jubilant is fast converting into a food powerhouse with multiple brands backed by strong digital capabilities. Growth and profitability drivers are multifold. Because of Covid-19, there is increased scrutiny on hygiene, which will benefit strong QSR brands driving market share gains from informal players such as street food vendors. Jubilant pioneered the concept of home delivery in India with Domino's, which is a key driver of its higher profitability among its peers and it believes it can reach over 3000 Domino's stores in the medium term. Currently, 85% of orders are from the non-dine-in channel which is expected to stabilize at 75% as the economy opens gradually post-Covid. It gets ~80% of its orders through its own app which has over 70 million cumulative downloads. We forecast 55% CAGR in earnings from FY21-24 driven by a healthy store addition pipeline and margin resilience due to high SSSg and operating leverage. The bulk of its revenue come from Domino's currently and newer brands are yet to contribute, which we believe can be meaningful in the years to come given its expertise. Our reverse DCF analysis implies 8.6% CAGR in SSSg for 15 years. As such market expectations are manageable and do not factor in growth from new brands.

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\$*	(0.3)	7.0	15.7	57.5	50.9
S&P BSE-500 US\$***	(0.5)	9.7	20.6	56.0	47.6
S&P BSE Dollex 30	(0.6)	12.1	20.2	49.1	40.1

* 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\$35.1m
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	27
5 and 40 rule	38.0%
Median market cap	US\$6.2bn
PE FY23E	23.1
ROE (3y avg)	18.1%
Tracking Error	6.8%
Active Share	81.6%

India highlights

	MTD	YTD
BSE 500 (US\$)	(0.5%)	28.1%
iShares MSCI Asia ex-Japan (US\$)	1.6%	(3.4%)
iShares MSCI EM Index (US\$)	1.1%	(1.0%)
INR vs US\$ [stronger/(weaker)]	(0.9%)	(2.5%)
FII Net flows (US\$m)	(2,540)	6,343
DII Net flows (US\$m)	614	4,305

Macro indicators

CPI inflation (September / 3m avg)	4.4%	5.1%
GDP Q1 FY22		20.1%
Current account/GDP Q1FY22		0.4%

Source: Ocean Dial Asset Management Limited

Team commentary

10 November	Monthly Book Review - Big mistakes: The best investors and their worst investments
21 October	Hoodinar: Where next for India's equity investors?
07 October	Monthly Book Review - Zero to one notes on startups or how to build the future
14 September	Mello Trusts and Funds - David Cornell and Gaurav Narain present the investment case for India at Mello Trust and Funds' virtual conference
31 August	Monthly Book Review - Tiananmen Square

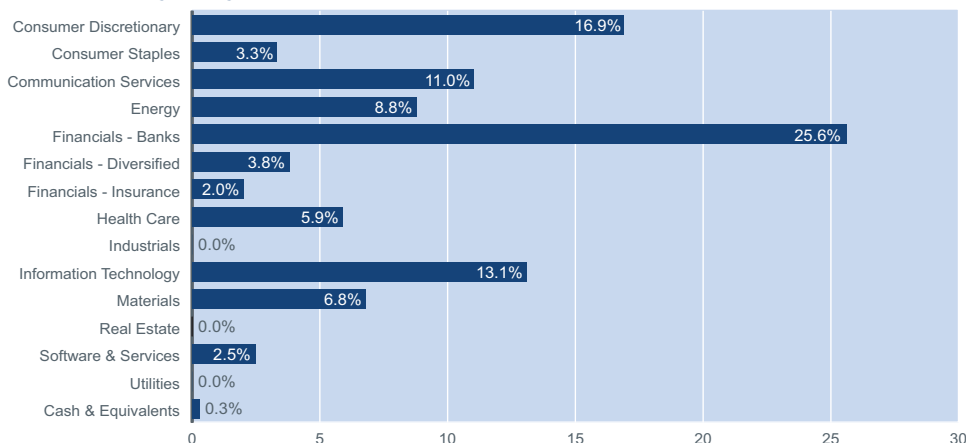
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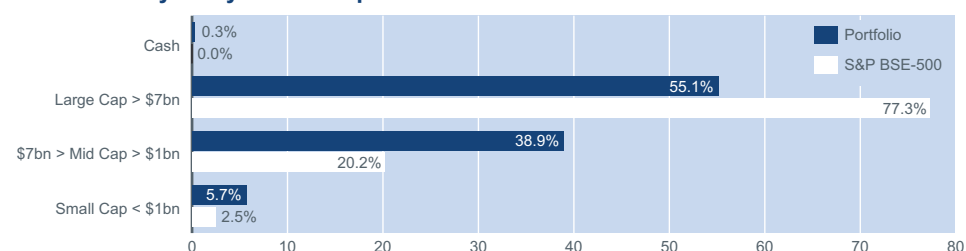
Top ten holdings

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\$74bn
Bharti Airtel	7.1%	Strengthened survivor in a consolidating market, set to grow ARPU and market share going forwards	US\$50bn
IndusInd Bank	6.4%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	US\$12bn
Reliance Industries Part Paid	6.2%	Business transformation of India's largest company into a new economy play	US\$222bn
HCL Technologies	5.8%	IT services company benefitting from 'digital transformation' of businesses globally	US\$42bn
Wipro Ltd	5.3%	IT services company benefitting from 'digital transformation' of businesses globally	US\$47bn
Westlife Development	4.2%	McDonald's in India, beneficiary of growing fast food and delivery consumption trend in India	US\$1bn
CAN FIN HOMES	4.0%	Retail Housing Finance company operating in the affordable housing segment with best in class asset quality	US\$1bn
Axis Bank Ltd	4.0%	Third largest private bank in India and poised to gain market share. Bridging the gap with peers to lead to a re-rating	US\$30bn
HDFC Bank	3.9%	Largest private sector bank, consistent compounder	US\$117bn

Portfolio analysis by sector



Portfolio analysis by market capitalisation



Source: Ocean Dial Asset Management Limited, Bloomberg

Quarterly attribution – 3 months to 29 October 2021 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Reliance Industries Part Paid	5.78	0.00	34.17	1.66
Bharti Airtel	7.01	1.46	23.65	1.48
ICICI Bank	6.78	4.51	16.89	1.08
HCL Technologies	6.20	1.18	11.91	0.79
Affle India Ltd	3.46	0.04	24.77	0.78
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
ACC	3.94	0.18	(3.06)	(0.11)
Zomato Ltd	0.47	0.00	(1.73)	(0.13)
Computer Age Management Services Limited	3.18	0.05	(10.15)	(0.16)
Neuland Laboratories	3.05	0.00	(16.46)	(0.57)
Aegis Logistics	3.55	0.03	(33.26)	(1.53)

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.

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

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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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