

India Capital Growth profits from financials overweight

By Christian Mayes, 30 Mar 23

Net asset value rose 3.9% in the year to 31 December 2022, beating its benchmark



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India Capital Growth's overweight positioning to financials was a key driver of a positive year which saw its net asset value (NAV) increase 3.9% over the course of 2022.

The performance compared favourably to its S&P BSE Midcap Total Return benchmark, which grew 3.2% over the year, while emerging markets as a whole fell 13%.

The investment company's largest exposure is to financials with its three largest holdings, Federal Bank (7% of NAV), IDFC Bank, (5.9%), and Indusind Bank (5.2%) all in the sector.

Highlighting its financials overweight, the firm said: "Our largest sector exposure is in the financial space which has a long runway on growth, low risk on credit quality for the next 2 years – at the very least – and yet, valuations are reasonable. Credit growth is trending in double digits and banks are well capitalised."

The close-ended fund's share price grew 7.7% over the year, while its discount narrowed to 7.9% from 11.1% at the beginning of January.

The fund's investment manager, Ocean Dial Asset Management, **was acquired by Martin Gilbert's Assetco in a £4.13m deal on 6 March**. The acquisition is subject to FCA and Indian regulatory approval.

While the firm will be brought under the River & Mercantile umbrella, its approach and India-based investment team is not expected to change.

Positive outlook for India

In the results, the investment company highlighted digitisation, the de-risking of global supply chains, and consumption revival as key themes it believes its portfolio is positioned to take advantage of over the next few years.

India Capital Growth chair Elisabeth Scott, said: "Despite all the global uncertainties of 2022, it is clear that India and its economy have been resilient and investors in emerging markets have favoured India over the stock markets of other emerging markets.

"While it is perfectly reasonable to expect that other emerging markets may catch up in terms of relative performance, the outlook for the Indian economy is positive and Indian companies will benefit from this and from the improvement in governance standards.

"The board believes that, particularly in this uncertain environment, the company's focus on high quality companies with strong management capabilities and a clear path to growth will generate positive investment returns over time."