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23 March 2016

India Capital Growth

Compounding machine

India has one of the fastest growing economies in the world and India Capital Growth (IGC), the only London listed fund with a portfolio of predominantly small and mid-cap Indian companies, is positioned to benefit from that growth. The investment adviser likens the fund to a "compounding machine". He aims to find reasonably valued but growing, cash-generative companies that reinvest their cash flow and hold them until their rating is no longer justified by their growth prospects.

After a long period in the doldrums, India's market took off after the BJP were elected in May 2014. In recent months though, India's market has sold-off along with other emerging markets. The adviser believes now might be a good time to add to exposure.

Small and mid-cap listed investments in India

Investment objective: To provide long term capital appreciation by investing (directly or indirectly) in companies based in India. The investment policy permits the company to make investments in a range of Indian equity securities and Indian equity linked securities. The company's investments will predominantly be in listed mid and small cap Indian companies.

Year Ended	Share Price total return (%)	NAV total return (%)	S&P BSE Mid-Cap TR* (%)	MSCI India total return (%)	MSCI World total return (%)
29/02/12	(22.7)	(13.1)	(4.5)	(5.0)	0.1
28/02/13	12.2	6.9	(5.0)	1.7	16.5
28/02/14	(15.9)	(11.7)	(16.0)	(10.9)	10.2
28/02/15	79.7	63.5	82.7	48.4	17.0
29/02/16	(12.6)	(11.6)	(10.0)	(18.4)	(1.3)

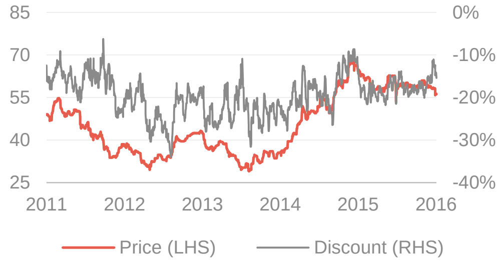
Source: Morningstar, Marten & Co, * see note on page 4

Sector	Country specialist – Asia Pacific
Ticker	IGC LN
Benchmark	S&P BSE Mid Cap
Base currency	GBP
Price	56.625
NAV*	66.34
Premium/(discount)	(14.6)
Yield	Nil

* as at 29 February 2016, diluted for effect of subscription shares see page 12

Share price and discount

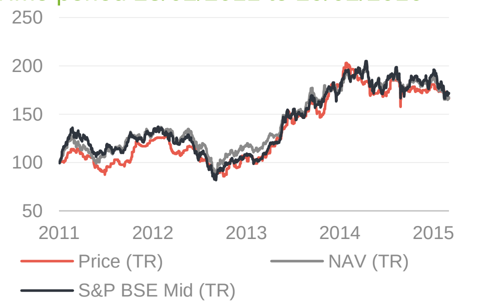
Time period 28/02/2011 to 29/02/2016



Source: Morningstar, Marten & Co

Performance over five years

Time period 28/02/2011 to 29/02/2016



Source: Morningstar, Marten & Co, see note on page 4

Domicile	Guernsey
Inception date	22/12/05
Manager	David Cornell
Market cap (GBP)	43m
Shares outstanding	75.0m
Daily vol. (1 yr avg)	96,761 shares
Net Cash	3%

Contents

The attractions and challenges of India

India has a vast, growing, young and relatively cheap labour force

India is one of the world's largest and most dynamic emerging markets. According to figures from the World Bank, with a population estimated at 1.3bn (half of which was under 25 at the date of the 2011 census) and population growth of 1.2% per annum, India's population is one of the world's largest and youngest. Its GDP per capita based on purchasing power parity is only 43% of China's and 10% of that of the US. India therefore has a vast, growing and relatively cheap labour force.

Since it was elected in May 2014, India's ruling party led by Narendra Modi, has promised much reform of the economy, including cutting a swathe through the corruption and red tape that has hamstrung growth in the past. The government has also been trying to devolve more powers to the regions in the hope that they will compete amongst themselves to attract investment. At the national level, reforms have been slow to arrive but there are signs of progress.

India has one of the world's fastest growing economies

India seems set to be one of the world's fastest growing economies this year with 7%+ GDP growth forecast for this year and next. The economy had a tremendous boost when oil prices fell (India is a big net importer of oil). This allowed the government to remove fuel subsidies and has given it room to introduce fuel duties, greatly strengthening the country's finances.

Figure 1: IMF global growth forecasts January 2016

Country/region	2014	2015	2016	2017
India	7.3	7.3	7.5	7.5
China	7.3	6.9	6.3	6.0
ASEAN*	4.6	4.7	4.8	5.1
World	3.4	3.1	3.4	3.6
US	2.4	2.5	2.6	2.6
Euro bloc	0.9	1.5	1.7	1.7
UK	2.9	2.2	2.2	2.2

Source: IMF World Economic Outlook. * ASEAN is the Association of Southeast Asian Nations

In the recent budget, India allocated $34bn (1.5% of its GDP) of government expenditure to badly needed infrastructure investments, with a focus on road and rail projects. In many sectors though India is able to leapfrog more developed economies. For example, in the telecoms sector, there has been enormous take up of mobile phones, negating the need for expensive fixed-line infrastructure and, with the growth of smartphones, enabling the development of m-commerce.

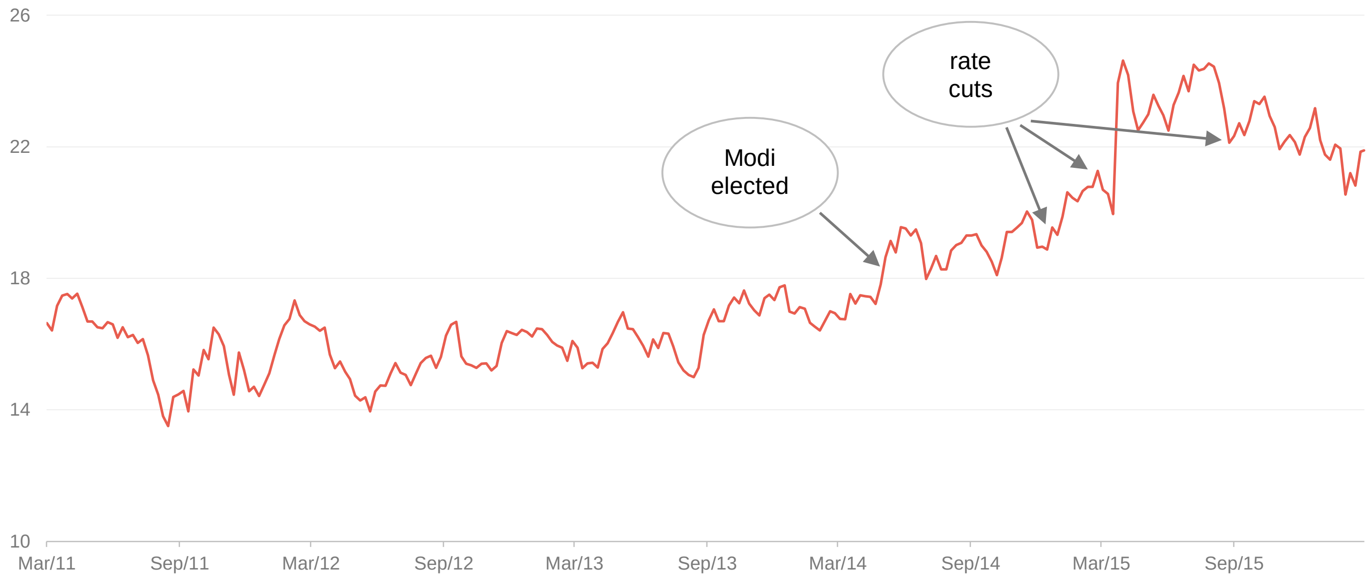
Non-performing loans weighing on banking system

The public sector banking system is plagued by non-performing loans (loans where scheduled payments are at least 90 days overdue, often abbreviated to NPL) made in the heady days of the credit boom. Many commentators believe the government's response to the problem has been inadequate. The paralysis this is creating within the public banking sector is creating opportunities for new players.

India's economy still has a large exposure to agriculture, in the mid-teens per cent. of total GDP and accounting for about half the workforce in 2013. Over the last couple of years a poor monsoon has restricted production and lowered rural incomes. This could reverse this year.

Capitalism is deeply entrenched in India. The stock market is well established with (according to Credit Suisse's India strategy team) 5,500 listed companies.

Figure 2: P/E ratio of MSCI India Index



Source: Bloomberg, Marten & Co

Accelerating growth rates, the promise of reform and lower interest rates have all helped push up the P/E ratio of the Indian market relative to developed markets. Figure 2 shows how the P/E ratio of the MSCI Indian Index has moved over the past five years. You can see that it peaked in April last year and has been falling since, possibly in response to general aversion to emerging markets.

Fund profile

History

2010/2011 saw a transformation of IGC's investment approach and management arrangements

India Capital Growth (IGC) was launched in 2005 as a fund with a very concentrated portfolio of relatively illiquid investments in Indian companies in which it held large stakes. This investment approach did not fare well in the wake of the credit crisis and, in 2010, David Cornell was brought in to restructure the portfolio, broaden the number of holdings and introduce a more disciplined investment process (which we describe on page 6). In November 2011 he recruited Gaurav Narain to the team. Gaurav is based in Mumbai and acts as adviser to the company's manager. At the time the portfolio had a considerable quantity of cash, having just sold its largest investment. Gaurav was able to help David deploy this into a new portfolio. Only one stock remains from the original portfolio and this accounts for less than 0.5% of the fund.

Appropriate to use MSCI India as a comparator as well as S&P BSE Mid-Cap Index

IGC's main focus now is on Indian mid-cap and small-cap companies but the fund can and does buy large cap. companies as well. The board and the manager benchmark the performance of the fund against the S&P BSE Mid Cap Index but we think, given the portfolios weighting in large cap. companies (22% at the end of January 2016), it is also worth comparing IGC's performance against the MSCI India Index. The manager does not take benchmark weightings into account when constructing the portfolio. The composition of the S&P BSE Mid Cap Index changed in April 2015 when S&P took on responsibility for the index calculation. We have used historic published data for the index before 13 April 2015 and S&P's data thereafter.

Management arrangements

You can access the company's website at http://www.indiacapitalgrowth.com/

IGC is a Guernsey domiciled fund with a UK based manager, David Cornell, the CIO of Ocean Dial Asset Management Limited (the manager). IGC invests through a Mauritian subsidiary (IGC Q Limited) into a portfolio of Indian securities. We understand that, by investing through a Mauritian subsidiary, IGC pays the lower of short-term capital gains due in India and Mauritius (effectively zero). There is no long-term capital gains tax in India.

The manager is advised by Gaurav Narain (Gaurav or the adviser), head of equities at Mumbai-based, Ocean Dial Advisers Pvt. Gaurav works alongside Sanjoy Bhattacharyya, who advises on Ocean Dial's open-ended funds. They can draw on the resources of a team of analysts, one of which is based in London with the rest in Mumbai. Each of the analysts is assigned responsibility for a number of industry sectors. The manager is responsible for monitoring the risk of the portfolio and all dealing is done from London.

The board has an oversight role. Its permission must be sought before IGC can take on any permanent borrowings, invest in any unlisted investment or buy back shares. It is worth bearing in mind that the manager says it is h unlikely that they will take on permanent borrowings or invest in unlisted investments. The board also sets the company's policy on currency hedging.

Views of the manager and adviser

India is resilient in the face of general emerging market weakness

India is proving itself as resilient in the face of the general weakness in emerging markets. Its economy is not reliant on exports and its balance of payments, inflation and government finances have all benefited from the weakness in oil and, until recently, gold prices (India is traditionally a big importer of gold as a destination for a large portion of people's savings). All this is helpful for the relative strength of the Indian Rupee and the manager thinks it could also translate into an upgrading of the country's debt in due course.

The adviser believes recent selling by foreign investors is creating buying opportunities

However, its stock market is heavily owned by foreign investors and, as these have cut allocations to emerging markets, the Indian market has been dragged down along with everything else. The adviser sees current market weakness as an opportunity to add exposure.

The manager does not see a big risk from a resurgent oil price, saying there is room for cuts in fuel duties before any difficult decision is needed about reintroducing fuel subsidies (the subsidies were removed when the oil price was $60).

Eyes on reappointment of governor of central bank

One decision that the manager is hoping for is the renewal of Raghuram Rajan's appointment as governor of the Reserve Bank of India (his first term comes to an end in September 2016). The manager thinks Mr Rajan has done a good job. The manager is hoping for another interest rate cut shortly. It thinks falling interest rates as well as being good news for business, are stimulating demand for Indian equities and are supportive of the stock market.

The manager says the recent budget was well received although it lacked any "headline" reforms. A 24% increase in wages for public sector employees should feed through into increased domestic consumption.

Investment process

Invest in growth but stick to well-managed companies

The basis of the investment philosophy is that you will make most money, over the long-term, by being invested in those companies best placed to benefit from the Indian growth story. You also need good management in these companies if they are to make the most of this opportunity.

Bottom-up stock picker with a focus on cash returns on capital employed

Gaurav is a bottom-up stock-picker. He says he does not make decisions based solely on the economic and political environment nor is he a thematic investor. When he is searching for investments to recommend to the manager, he is looking primarily for stocks that can grow and generate high cash returns on the money they have invested in their businesses. Ideally he wants companies that have been generating cash for at least six years and are exhibiting returns on equity (ROEs) of 15% to 20%. These companies must also pay dividends and taxes. Cash generation alone is not enough, there has to be some unique selling point for the company. He wants to avoid commoditised businesses (businesses where it is easy for someone to set up in competition with you) as he is looking for pricing power. Crucially, the company must also have good management that he can trust and that are shareholder friendly.

Gaurav aims to identify and invest in these opportunities ahead of the competition – often recommending a purchase when price/earnings (P/E) ratios are in low double digit territory. Sometimes when it first buys into a stock IGC is the only institutional investor. Such stocks may have relatively lower levels of liquidity but, as a closed-end fund, IGC's structure allows it to take a long-term view.

Low liquidity will disqualify a stock from inclusion within the portfolio

There are well over 5,000 listed companies in India but Gaurav believes only about 400 of these would be suitable for inclusion within IGC's portfolio. Low liquidity (the volume of shares normally traded in the stock) is one of the main criteria that disqualifies stocks as potential investments. The manager monitors how many days it would take to turn the whole portfolio into cash and the proportion of the portfolio that could be sold in a day. Generally, the manager wants to be able to liquidate a position within 20 dealing days, assuming dealing by IGC accounts for a third or less of average daily volume. Gaurav told us that, were he advising on a $1bn fund, there would still be 100 or so companies would fit the bill. When he is weighing up the relative merits of stocks, he says he needs to have much stronger conviction on any stock with lower relative liquidity.

Despite the size of the Indian stock market, there is no shortage of research available, with 70 odd brokers analysing companies. To cut through all this noise, the adviser first sifts through the market using a series of quantitative based screens (screens based on financial ratios).

The data to support this analysis is readily available as all listed stocks are required to submit accounts and these have been compiled into various databases – they use Capitaline. Data is imported into a template they designed themselves. Gaurav says he can see a detailed financial history of any stock with about 10 minutes' effort.

The team runs screens to pull out stocks that might be interesting for them. They make a point of visiting as many of these as possible. Gaurav reckons he meets in excess of 300 companies a year and says he is travelling outside Mumbai about once a month.

There are some sectors that he tends to avoid because there is a greater danger of corruption. Infrastructure companies are a good example of this as they have to interact a lot with government, there is a lot of underhand dealing and he does not trust the balance sheets. The only infrastructure business IGC owns is Gujarat

Pipavav port. This company is controlled by AP Moeller (part of Maersk), a company the adviser trusts. IGC does not hold any toll roads and no construction businesses.

Invest with a price target in mind – looking for an investment to double in value within three years

When recommending an investment, Gaurav thinks about what is the fair value for the business and sets a price target based on an absolute assessment of value not a comparison to similar listed stocks. Gaurav always thinks about the long term. He wants any investment to at least double over three years. He is willing to accept lower returns initially if a stock is investing for the future or restructuring for example and it will take a while for the benefits to come through. Often such stocks are more attractively priced as short-term investors do not appreciate the long-term story.

In India a majority of companies are still controlled by their founding families. Gaurav believes the best of these bring in outside management. It is a good sign when the second or third generation within a family is willing to hire outside professionals to run their businesses.

Listed subsidiaries of multinationals are less dynamic than home-grown competitors

IGC does not tend to own the listed subsidiaries of multinational companies. Gaurav appreciates that they often have good management but thinks they are often stifled by slow decision making and bureaucracy. Instead he prefers businesses in the same fields that are run by people that used to work for the multinational companies.

Gaurav will recommend the sale of a stock if he loses faith in management or the business case for a company. Otherwise he advises the trimming of holdings when they become large in the portfolio or as they hit his price targets. Portfolio turnover is low – all of the top ten were held three years ago.

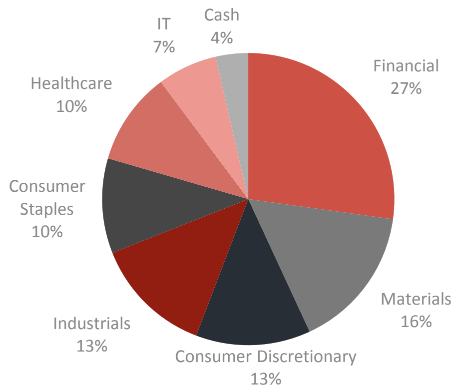
No gearing

The manager does not employ gearing in the management of the fund. This reflects the relative volatility of the Indian stock market (borrowing money would amplify swings in the valuation of the portfolio). The manager will normally keep cash of 3%/4% on hand to take advantage of attractive investment opportunities as they arise.

Asset allocation

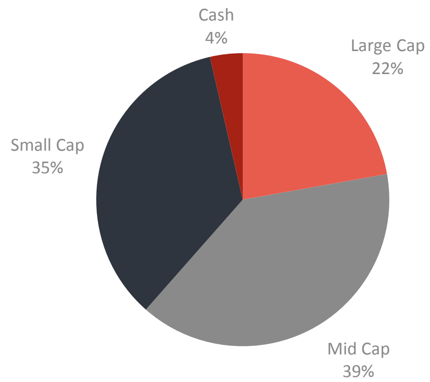
All sector weightings arise primarily as a result of stock selection decisions. Sometimes a number of attractive stocks will fall into the same sector. At the moment this is the case with private sector banks within the financials sector. Figures 3 and 4 show the distribution of the portfolio at the end of February 2016.

Figure 3: Portfolio breakdown by industry sector



Source: Marten & Co

Figure 4: Portfolio breakdown by size of company



Source: Marten & Co

Large weighting in private sector banks which are less troubled by non-performing loans

Financials is the largest industry sector weighting in the portfolio. The adviser says 70% of India's credit is supplied by the public sector banks (banks where the government has a controlling shareholding) but private sector banks are taking share. Across the banking system, about 11.5% of assets could be classified as "troubled" – 4% is non-performing and the balance is being or has been restructured. The majority of these bad loans have originated within the public sector where politically motivated lending, antiquated systems and poor credit analysis are prevalent.

For many years, no new banking licences were issued but, over the past two years, 23 new licences have been issued. The newer private banks are growing fast. The opportunity set is particularly strong amongst smaller borrowers, many of whom have been, effectively, cut-off from affordable credit. The new banks are able to take advantage of new technologies such as mobile payment processing, reducing the need for physical branches.

As Figure 4 shows, 22% of the portfolio is invested in large cap companies (they define these are companies with market capitalisations in excess of INR250bn (£2.6bn) and mid-cap as companies with market capitalisations between INR60bn (£630m) and INR250bn – the rest are small cap. Gaurav does occasionally recommend large cap companies but the manager says most of the large caps in the portfolio came in as small or mid caps and grew.

Gaurav told us that about 50%/60% of the portfolio is maturing investment ideas – companies throwing off steady cash flow and whose attractions are starting to be recognised by the wider investment community – the balance is in new investments.

Figure 5: 10 largest holdings as at 29/02/2016

Stock	% of total assets 31/01/16	% of total assets 30/06/15	% Change	Sector	Business
Federal Bank	4.9	5.1	(0.8)	Financials	Private bank
Jyothy Laboratories	4.3	4.2	(0.1)	Consumer Staples	Household goods
Kajaria Ceramics	4.2	3.8	0.4	Industrials	Tiles
Yes Bank	4.2	3.7	0.5	Financials	Private bank
PI Industries	4.0	3.7	0.3	Materials	Agricultural chemicals
Divi's Laboratories	3.8	3.1	0.7	Healthcare	Pharmaceutical ingredients
Indusind Bank	3.7	3.3	0.4	Financials	Private bank
Dewan Housing	3.6	3.9	(0.3)	Financials	Home loans
Berger Paints India	3.5	2.5	1.0	Materials	Paints
City Union Bank	3.4	Nil	3.4	Financials	Private bank
Total	39.6	33.9	5.5		

Source: Marten & Co

Federal Bank

Federal Bank is a relatively small bank that is strong in south India, focused on mid-tier companies and has strong relationships with its customers. It is headquartered in Kerala. This region is the origin of many expats working in the Middle East. Managing the repatriation of their income is a core part of Federal Bank's activity. On the lending side their interest rates are higher than a normal bank because of the nature of the businesses they are lending to. IGC has held the stock for three years. Part of the initial attraction for Gaurav was an influx of new management headed up by a recruit from Standard Chartered. Gaurav thinks the bank has a strong franchise and good technology. Federal Bank did have a legacy of non-performing loans (2.5%/3% of assets) but they have been addressing this. In the short-term, this and the general market weakness appears to have led to fall in its share price. For two years there was little credit growth in the business but now the book is growing again (at a rate of 15%/20% per annum). IGC bought at 0.6x book ("book" is the banking equivalent of net asset value) and a return on assets (ROA) of 1.3%, now it is trading at 1x/1.1x book. Gaurav is looking for it to trade at 1.3x/1.4x (the best banks are on 1.8x/2x book).

Other private banks

Other banks they hold include IndusInd and Yes bank. IndusInd is part of the Hinduja family's group of companies. Its business is 50% in the retail sector (banking for individuals), an area that is less affected by non-performing loans (NPLs). Consumer lending is a higher margin business (c6% interest rate spread). The bank's RoA is 2.5%/2.8% and its book is compounding at 25% per annum. IGC has owned it for four years.

Yes Bank is one of the newest banks in India. It was one of the first investments that IGC made after it adopted the new investment approach in 2010. Yes Bank has been built from scratch (hence it has no legacy assets or antiquated infrastructure). It has c750 branches, is growing its deposit base and expanding into retail banking The bank started off as a low margin wholesale bank (making margins of about 2%). Margins are up to 3% now and still expanding. Gaurav says it has one of the lowest exposures to NPLs in the country which he thinks might, in part, be down to its strong credit systems.

Jyothy Laboratories

Jyothy Laboratories is a consumer staples business whose core business is making fabric whitener. It has grown to become the leading brand in this area in India by capturing share from Reckitt Benckiser (it also imported some of its management team from this business). In addition, Jyothy has strong positions in mosquito repellent and dishwashing (a top-two player in each of these markets). Jyothy has been reinvesting its cash flow into expanding product range – taking it from three to six categories. In 2011 they bought a 100% stake in Henkel India. Over the time IGC has held it, the P/E has gone from 10x to 25x.

Kajaria Ceramics

Kajaria Ceramics is a tile manufacturer. It transformed its business when it shifted its focus to higher added value vitrified tiles. It used to have high working capital (around 150/160 days) and high capital expenditure (capex) requirements so this held back free cash flow generation. Its return on capital employed (ROCE) was 8%-10% which was sub optimal. The shift in focus allowed them to expand margins from 11% to 17% and, on the capex side, they have embarked on a series of joint ventures with a number of independent small manufacturers in Gujarat. The JV partner retains responsibility for the capex but Kajaria markets the finished product. Credit terms have been cut from 60 days down to 7/8 days, greatly improving cash flow. Over IGC's tenure, Kajaria has gone from a 10x to a 20x P/E ratio.

Performance

Gaurav was recruited and IGC's cash pile was deployed in its new portfolio towards the end of 2011 and so Figures 6 and 7 reflect performance from the end of December 2011.

Gaurav believes the portfolio is experiencing currently an unusual period of share price volatility – this might be down to the actions of foreign investors looking to cut their weights to emerging markets. Gaurav says many emerging markets funds and ETFs have been forced sellers because of redemptions and many emerging markets funds were overweight India.

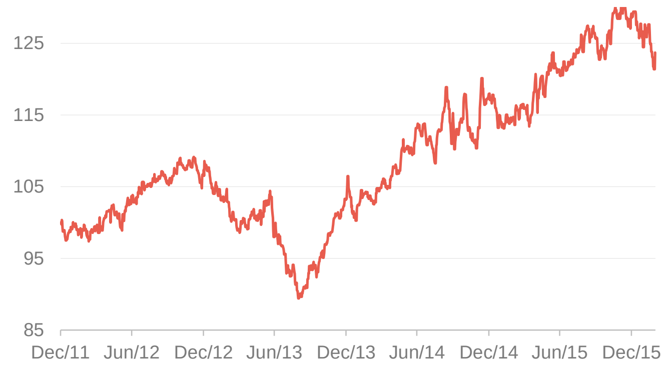
2015's underperformance of the S&P BSE Mid Cap Index is, in part, down to 22% weighting in large caps

IGC outperformed its benchmark in 2013 (when the market was rising) and again in 2014 (when the market was falling). In fact, in 2014 IGC was one of the best performing of all investment companies. In 2015 the fund underperformed its benchmark but outperformed the MSCI India. Gaurav thinks this reflects strong performance from a few stocks that he would not advise holding on liquidity grounds as well as the relative outperformance of small and mid-cap stocks (given the portfolio's 22% weight in large caps).

Figure 6: IGC performance relative to S&P BSE Mid Cap

Source: Morningstar, Marten & Co, see note on page 4

Figure 7: IGC performance relative to MSCI India



Source: Morningstar, Marten & Co

Figure 8: Cumulative total return performance for periods ending on 29 February 2016

	3 months	6 months	1 year	3 years	5 years
India Capital Growth NAV	(8.6)	(6.3)	(11.6)	27.5	18.5
India Capital Growth Price	(4.5)	(4.5)	(12.6)	32.1	14.5
S&P BSE Mid Cap *	(8.0)	(3.8)	(10.0)	38.2	25.5
MSCI India	(4.6)	(5.3)	(18.4)	7.9	4.3

Source: Morningstar, Marten & Co, * see note on page 4

Unfortunately, last year's underperformance of the S&P BSE Mid Cap index has dragged down IGC's returns relative to that index over longer time periods. Against the MSCI India though, IGC's performance is much more impressive.

It is also worth bearing in mind that the presence of subscription shares in IGC's capital structure (see page 12) has reduced the ordinary share NAV return shown in Figure 8. Were the subscription shares not to be exercised, the ordinary share NAV at the end of February would have been 69.0p rather than 66.3p (+4.0%). The three and five year returns for the ordinary share NAV have also been depressed by this effect.

Peer Group

Figure 9: Indian equity funds sub-sector comparison table (data as at 18/03/16)

	Market Cap GBPm	Discount %	Ongoing charge %	Annualised NAV total return performance Periods to 29 February 2016			
				1 year %	3 years %	5 years %	10 years %
India Capital Growth	43	(14.6)*	2.0	(11.6)	8.4	3.4	(3.8)
JPMorgan Indian	509	(13.4)	1.2	(17.1)	5.8	3.7	6.7
New India	176	(13.7)	1.2	(15.7)	6.8	6.2	9.0

Source: Morningstar, Marten & Co, * discount to last published NAV as at 29 February 2016, NAV diluted for effect of subscription shares

You can access up to date information on this peer group at http://quoteddata.com/ sector /country-specialists-asia-pacific/

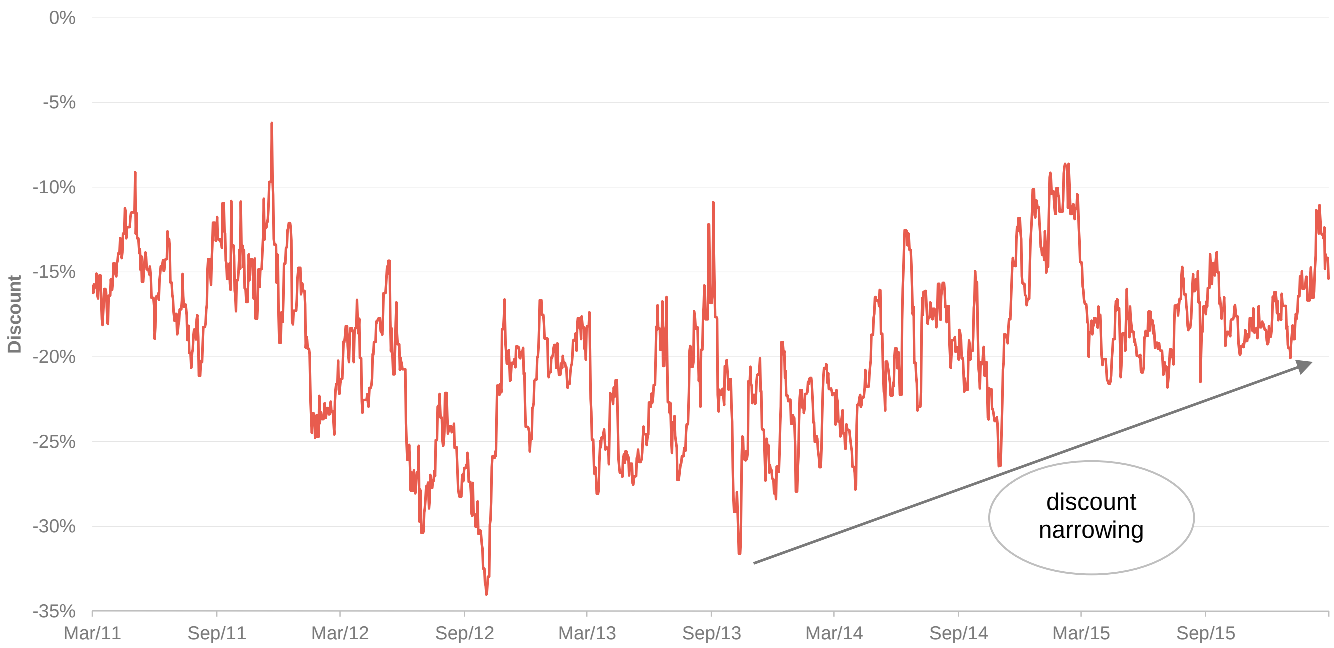
There aren't any listed funds covering the same ground as IGC but Figure 9 shows how it stacks up against the two other investment companies with a focus on Indian equities.

IGC's small size is immediately apparent but the company is seeking to address this over the coming year with the exercise of the subscription shares. IGC also trades on a wider discount than the other two funds. IGC's higher ongoing charges ratio reflects its relatively small size. This number should fall as the fund expands as fixed costs are spread over a wider asset base.

The superior performance of IGC is evident in the one and three year performance figures (the other two funds focus on larger companies). The ten year and, to a much lesser extent, the five year numbers are distorted by the poor performance of IGC's legacy portfolio – before David and later Gaurav became involved with the management of the portfolio (see page 4 for more detail).

Discount

Figure 10: IGC Discount over the past five years



Source: Morningstar, Marten & Co

IGC's share price discount to net asset value spiked out to 34% in 2012 but since then has been on a narrowing trend as can be seen in Figure 10 – moving within a range of 11.1% and 21.8% over the past year. At the date of publication of this note the discount was 14.6% (based on the last published NAV as at 29 February 2016 and adjusted to reflect the dilution of the subscription shares – see below). IGC is a relatively small company and is making efforts to increase investors' awareness of its performance track record and the attractions of the Indian market.

Fees and costs

The Investment Manager is entitled to receive a management fee payable jointly by IGC and ICG Q Limited (see page 5 for an explanation), equivalent to 1.5% per annum of gross assets less current liabilities. Either side must give 12 months' notice to end the contract. There is no performance fee.

The ongoing charges ratio for the year ended 31 December 2015 was 2.00% which compares to an ongoing charges ratio of 2.75% for the previous year. The ongoing charges ratio reflects the relatively small size of the fund and this ought to fall if the fund's net assets grow (as could happen if the subscription shares are exercised in August 2016 – see below).

Capital structure and life

IGC's capital structure consists of 75,001,463 ordinary shares and 37,500,710 subscription shares. The manager does not use gearing to enhance returns.

The subscription shares were admitted to trading on 12 August 2014, having been given to shareholders for free on the basis of one subscription share for every two shares held. Each subscription share carries the right to subscribe for one ordinary share at a price of 61p, an 11.6% discount to the undiluted NAV at the end of February 2016 and a 7.7% premium to the current share price. The subscription shares are exercisable on 6 August 2016. Between now and 6 August, NAV returns on the ordinary shares may be diluted as part of any uplift in the NAV will accrue to the subscription shares (and increase the likelihood that they will be exercised).

IGC has an unlimited life. Its year end is 31 December and it holds its Annual General Meetings in April.

The administrator is Apex Fund Services (Guernsey) Limited It is entitled to a minimum annual fee of US$41,000 or a flat fee of 5 basis points of the NAV of the Company, whichever is greater. A sub-administrator, Apex Fund Services (Mauritius) Ltd, earned £27,000 for administration and secretarial services during the year ended 31 December 2014. The custodian of IGC's assets is, Mumbai-based, SBI SG Global Securities Pvt. Cash is held, sometimes as short-dated government securities, in both Mauritius and India.

25.2% of IGC's ordinary shares are owned by Lazard Asset Management. 6% are owned by Miton Worldwide Growth Investment Trust.

Board

The Board consists of four non-executive directors, all of which are independent of the manager. As illustrated in Figure 11, Fred Carr is the longest serving director and, coincidentally, he also has the largest personal shareholding in the fund.

Figure 11: The board

Director	Position	Appointed	Length of service (years)	Annual fee (GBP)	Shareholding
Fred Carr	Chairman	17/09/09	6	28,000	130,000
John Whittle	Director	17/11/11	4	20,000	20,000
Peter Niven	Chairman of the Audit Committee	11/08/11	4	22,000	25,000
Vikram Kaushik	Director	14/06/12	3	20,000	nil

Source: Marten & Co

Any director who has served for more than nine years stands for re-election annually and one third of the remaining directors retire by rotation at each AGM and seek re-election.

The maximum total payable to the directors is set in the Articles as £100,000.

QuotedData

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