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# Longchamp Dalton India UCITS Fund

March 2024

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*the hedge fund journal*

**UCITS Hedge  
Awards  
2022**

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**Long / Short Equity – India (Long Biased)  
Best Performing Fund in 2021 and over  
2 Years**

Dalton India UCITS Fund  
*(Dalton Investments)*

# Important Information

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Any estimates, projections or predictions (including in tabular form) given in this communication are intended to be forward-looking statements. Although Dalton believes that the expectations in such forward-looking statements are reasonable, it can give no assurance that any forward-looking statements will prove to be correct. Such estimates are subject to actual known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date of this communication. Dalton expressly disclaims any obligation or undertaking to update or revise any forward-looking statement contained herein to reflect any change in its expectations or any change in circumstances upon which such statement is based.

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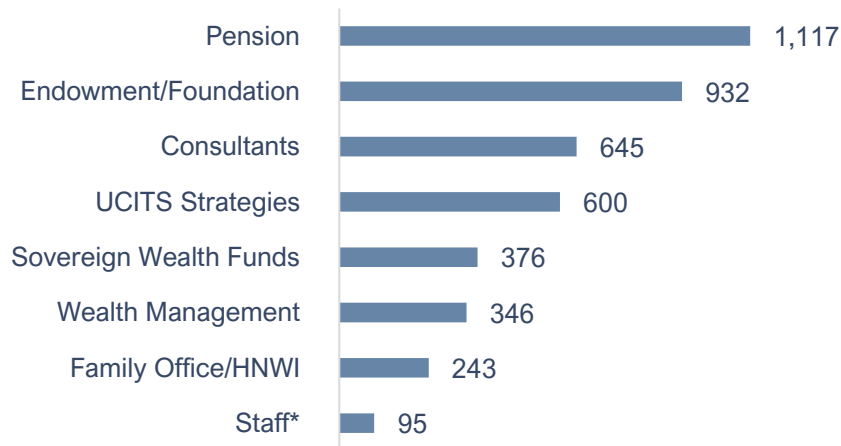
# I. Dalton Firm & Strategy Overview

# Firm Background

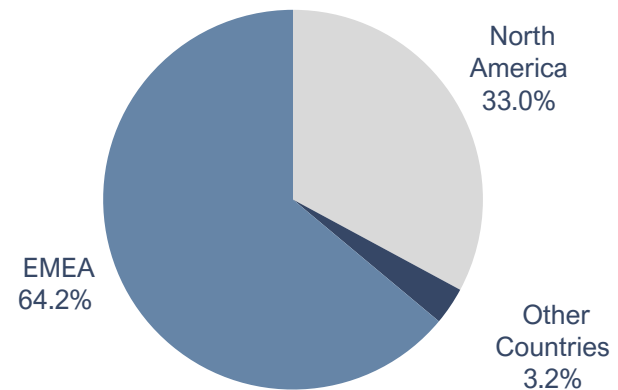
## Dalton Investments

- Opportunistic, entrepreneurial and long-term focused value investing philosophy, aiming to generate superior returns for clients
- Began operations in 1998 to capitalize on opportunities arising from the Asia crisis; incorporated in 1999
- Offices in Los Angeles, Las Vegas, Sydney, Mumbai, Hong Kong, New York, and Tokyo
- Experienced, diverse team of 37 with 18 dedicated investment professionals
- Employee-owned firm, co-investing alongside clients

**AUM (\$4.4bn)<sup>1</sup> by Client Type (\$m)<sup>1,2</sup>**



**AUM (\$4.4bn) by Client Location (%)<sup>1</sup>**



<sup>1</sup>As of 31 March 2024. Includes a non-discretionary account.

<sup>2</sup>The above chart excludes approximately \$46 million in “financial institution” assets.

\*Staff includes all Dalton related parties

# Longchamp Dalton India UCITS Fund Team



**James B. Rosenwald III**  
 Chief Investment Officer

- 43 years investing in Asia
- Dalton – Co-Founder
- Rosenwald Roditi – Founder
- Soros Group – External Manager
- NYU – MBA; Vassar College – BA
- Adjunct Professor, NYU Stern Business School



**Venkat Pasupuleti**  
 Portfolio Manager, India Equity

- 14 years investing in Asia
- Previous: Investment Manager, ICICI Lombard GIC Ltd., a Fairfax Financial subsidiary
- 13 years of experience in Indian financial markets
- MIT Sloan - MS Finance; IIM Calcutta- MBA



**Siva Thiravidamony**  
 Managing Director, Head of India Office

- 14 years investing in Asia
- Associate Vice President of equity investments at ICICI Lombard General Insurance company
- 12 years of experience in Indian financial markets
- CFA charterholder and a member of the CFA Society of India



**Upama Roy**  
 Research Analyst

- 12 years of investment industry experience
- Vice President at Morgan Stanley Institutional Equity division
- CFA charterholder
- MBA - Cornell University, Masters in Statistics - Indian Statistical Institute

## Chief Sustainability Officer



Craig Mercer\* (7/25)  
 Sydney Office



Su Cheng Tung (<1/2)  
 Sydney Office

## Trading



Richard Hill\* (9/26)



Kenneth Hendrawan (5/7)

## Non-Investment



Team of 22 across management, finance, legal, compliance and operations

# Dalton Investment Philosophy

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## Invest in Good Businesses

- Strong cash flows and balance sheets, a “moat” against competition, focus on ESG best practices



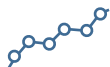
## Focus on Alignment of Interest

- Identify companies with an alignment of interest between the owner-operator/management and minority shareholders, or companies where an opportunity exists to enhance alignment



## Seek a Significant Margin of Safety

- Seek a material discount to intrinsic value, looking out 3-5 years



## Strong Track Record

- Identify a demonstrable track record of managing capital effectively and rewarding minority shareholders

# Dalton's Investment Philosophy in an Indian Context

## Good Business

- Attractive and sustainable return on capital employed consistently above cost of capital
- Proven track record of shareholder returns
- Long runway of growth and predictable profitability
- Leadership position in chosen areas of operation

## Alignment of Interest

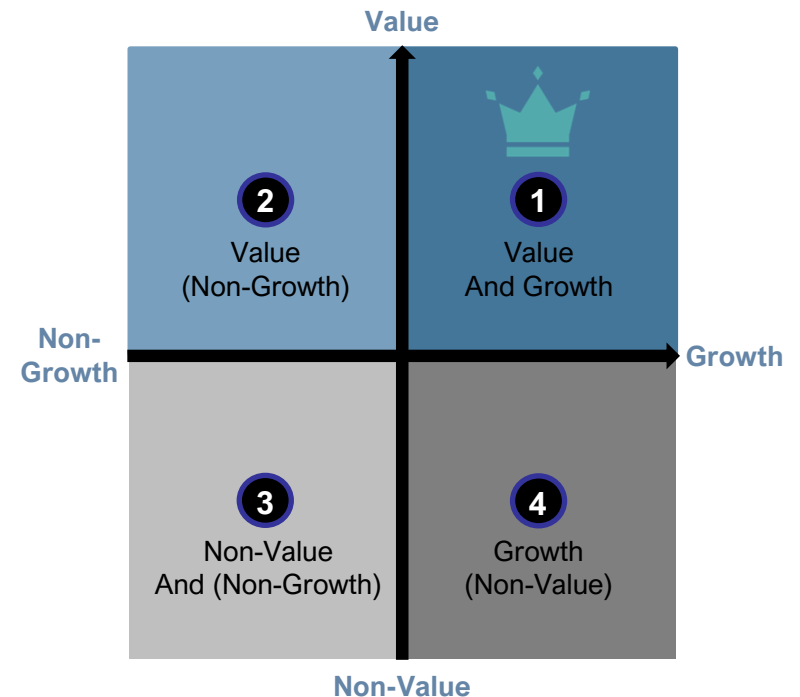
- Family-owned enterprises & Management driven companies with vibrant ESOP culture
- Accountable to minority investors and committed to delivering healthy shareholder returns

## Management Track Record

- Good track record of execution & demonstration of prudent capital allocation
- Growth focused mgmt. delivering market share gains

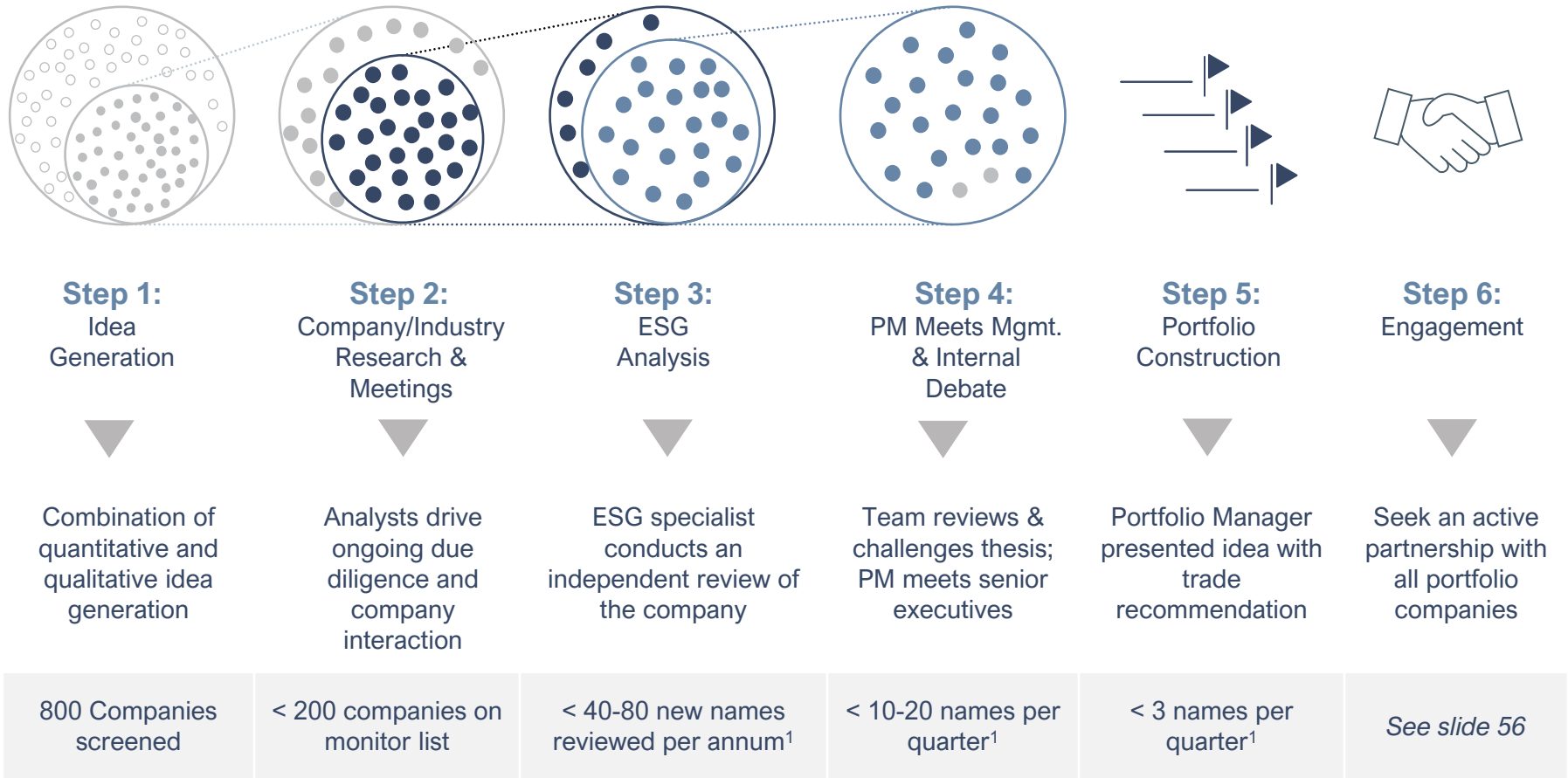
## Attractive Valuation

- Focus on finding growth at a reasonable price
- Valuation assessed relative to growth potential, market share dominance, return on capital and incremental capital investment required for growth





# Dalton Investment Process



<sup>1</sup>Estimate of typical workflow

The Delegated Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

# Key Risks/Investor Concerns & Our Approach

Risk	Investor Concerns	Our Approach
<b>Cyclical Risk</b>	<ol style="list-style-type: none"> <li>1. Emerging market risk and US Fed Reserve policy impact</li> <li>2. India's twin deficits</li> <li>3. Inflation risk</li> </ol>	<ul style="list-style-type: none"> <li>• Focus on structural growth industries and avoid cyclical sectors</li> <li>• Focus on high quality companies with attractive and sustainable return ratios over cost of capital</li> </ul>
<b>Currency Risk</b>	<ol style="list-style-type: none"> <li>1. Currency depreciation negating market returns</li> </ol>	<ul style="list-style-type: none"> <li>• We closely monitor the competitiveness of the currency and hedge the portfolio from time to time</li> <li>• Our significant exposure to export-oriented companies provides a natural hedge</li> </ul>
<b>Political Risk</b>	<ol style="list-style-type: none"> <li>1. India is a democracy with elections every 5 years</li> </ol>	<ul style="list-style-type: none"> <li>• Focus on adequate liquidity at stock level</li> <li>• Flexible approach in managing market cap focus in the portfolio</li> <li>• Avoid companies who depend directly on government for revenue generation</li> </ul>

The descriptions above reflect typical investment features of portfolio positions. There are no guarantees that a portfolio position will have these particular characteristics or that all risks can be identified or mitigated.

# Dalton's Approach to ESG

## ESG in the context of the 4-Mantra



**Good Business:** A good business needs to generate profits sustainably



**Alignment:** Sound corporate governance practices improve the alignment with minority shareholders and create a greater emphasis on long-term value



**Track Record:** Some studies\* suggest that superior ESG firms may have lower costs of capital and therefore potentially offer a greater chance of generating superior returns to their weighted average cost of capital



**Margin of Safety:** A company with sound ESG policies potentially lowers the risk of permanent impairment of capital\*

*Dalton is a signatory of the PRI, Climate Action 100+, and both the Japan and Korean Stewardship Codes.*

*The Dalton India UCITS Fund meets the classifications of an Article 8 (SFDR Regulation) as it promotes environmental and social characteristics.*

## The ESG Research Process



\*Fulton, Kahn, Sharples (2012). "Sustainable Investing: Establishing Long-Term Value and Performance." Deutsche Bank. Please note that no representations or warranties, either expressed or implied, can be made as to the data and analysis provided in these studies. The data analysis has been prepared by the respective authors and entities, and Dalton Investments has not verified any of the studies independently. The views and opinions expressed in the studies are those of the authors and do not necessarily reflect the opinion of Dalton. The Delegated Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

# Dalton India UCITS: Portfolio Characteristics

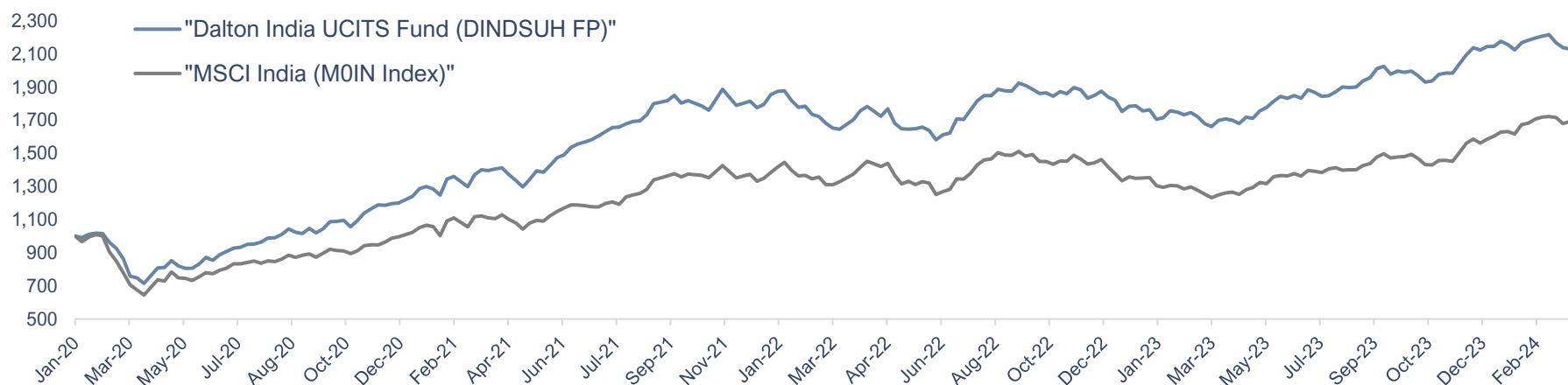
Position Characteristics	Long Book	Short Book
<b>Profile</b>	Entrepreneurial companies benefiting from structural changes in India with managements committed to maximizing shareholder value	<i>Opportunistic single name shorts, basket shorts, index shorts &amp; currency hedges</i>
<b>Strategy</b>	Portfolio diversified across market capitalizations & various industry verticals	<i>Portfolio Hedging</i>
<b>Number of Positions</b>	25-50 names	<i>0-20 positions</i>
<b>Position Limit</b>	Typically 3% at cost and less than 8% at market value	<i>20bps to 2% position at cost and 3% at market value</i>
<b>Top 10 Concentrations</b>	Typically, less than 55% of total NAV	<i>N/A</i>
<b>Stop Loss Review</b>	Soft at 20% absolute decline	<i>Hard at 10% absolute increase</i>
<b>Liquidity</b>	Minimum USD 1bn market cap <b>or</b> USD 1M average traded value Small cap (< USD 1bn) exposure < 20% at all times	
<b>Cash</b>	Net equity exposure expected to fluctuate between 90% an 100% (93% on average since launch) The Portfolio Manager has the flexibility to take equity exposure as low as 60% if the environment requires a more cautious positioning	

The descriptions above reflect typical investment features of portfolio positions. There are no guarantees that a portfolio position will have these particular characteristics or that all risks can be identified or mitigated.

## II. Longchamp Dalton India UCITS Fund

# Dalton India UCITS Portfolio

## Growth of € 1,000 Chart



### Dalton India UCITS Fund Monthly Performance (%) Net of Fees\* (EUR)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2024	Share SUH (EUR)	1.52%	0.89%	-2.11%										<b>0.26%</b>
	Benchmark	4.15%	3.13%	1.01%										<b>8.49%</b>
2023	Share SUH (EUR)	-3.70%	-0.19%	-0.95%	1.16%	6.40%	3.02%	-0.21%	3.28%	2.89%	-3.93	5.06%	6.41%	<b>20.23%</b>
	Benchmark	-4.67%	-2.27%	-1.26%	2.51%	6.57%	2.31%	1.91%	-0.35%	4.22%	-2.81%	3.35%	6.78%	<b>16.71%</b>
2022	Share SUH (EUR)	-2.24%	-6.86%	3.29%	1.43%	-5.73%	-3.14%	12.55%	4.05%	-1.56%	0.71%	0.87%	-5.66%	<b>-3.78%</b>
	Benchmark	0.06%	-4.19%	4.64%	3.71%	-7.26%	-4.44%	12.09%	5.57%	-3.96%	1.66%	0.97%	-8.81%	<b>-1.92%</b>
2021	Share SUH (EUR)	0.58%	4.12%	8.69%	-4.93%	9.59%	7.64%	4.75%	7.51%	1.24%	-2.53%	1.52%	3.76%	<b>49.45%</b>
	Benchmark	-1.63%	5.32%	5.62%	-3.27%	7.00%	2.38%	0.87%	11.44%	2.47%	-0.65%	-0.31%	2.68%	<b>35.82%</b>
2020	Share SUH (EUR)	-0.92%	-2.93%	-22.13%	13.85%	-2.51%	8.81%	6.61%	4.84%	3.30%	1.15%	12.55%	4.35%	<b>24.03%</b>
	Benchmark	-3.39%	-6.45%	-25.05%	16.35%	-4.27%	5.77%	4.84%	2.33%	2.62%	1.80%	5.90%	7.61%	<b>1.92%</b>

\* As of 28 March 2024

Performance is quoted net of fees and based on unaudited figures. The above figures refer to the past. Past performance is not a reliable indicator of future results.

Source: Société Générale Securities Services, Bloomberg.

# India UCITS Fund: Returns Over Market Cycles

Market Cycle	Bear Market	Bull Market	Market Consolidation	Bull Market	Cumulative	CAGR
Market Cycle Period	Jan 20 – Mar 20	Apr 20 – Dec 21	Jan 22 – Apr 23	May 23 – Feb 24	Jan 20 – Mar 24	Jan 20 – Mar 24
Dalton India UCITS	<b>-25.2%</b>	<b>145.3%</b>	<b>0.85%</b>	<b>27.9%</b>	<b>115.1%</b>	<b>19.7%</b>
MSCI India	-32.2%	104.1%	0.84%	32.9%	78.8%	14.7%
MSCI India Mid Cap	-34.0%	118.0%	-0.97%	46.9%	95.8%	17.1%
MSCI India Small Cap	-40.0%	172.1%	1.35%	50.9%	135.3%	22.3%

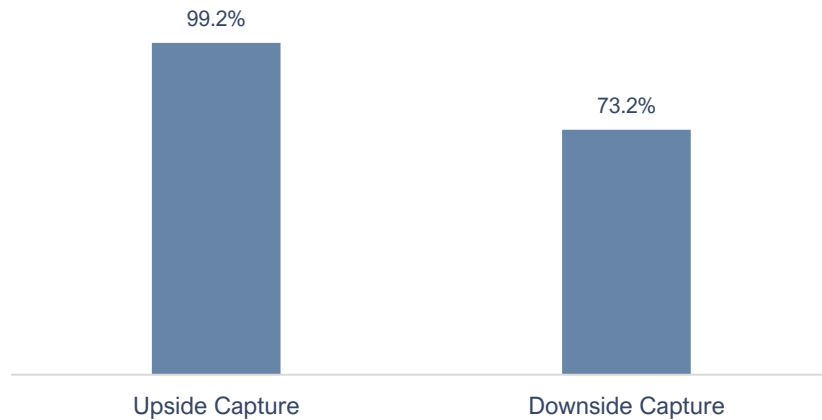
Source: Bloomberg

# Dalton India UCITS Performance Analysis

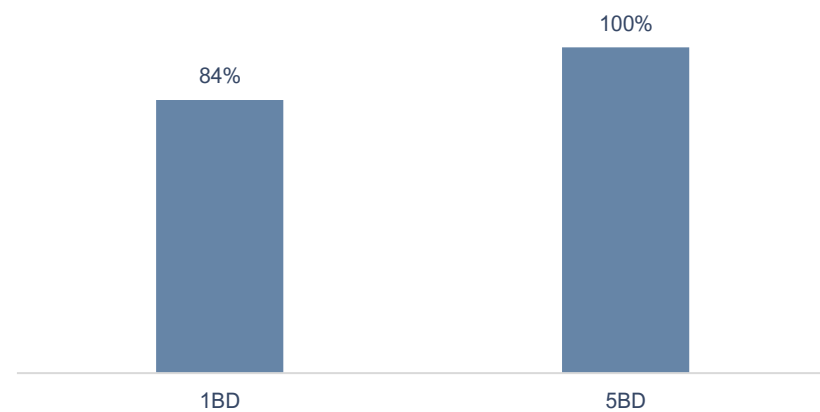
As of 28 March 2024

	Dalton India UCITS Fund	MSCI India Net Total Return
Annualized Performance LTD	20.11%	13.85%
Cumulative Performance LTD	115.01%	71.92%
Annualized Volatility LTD	18.60%	19.62%
Sharpe Ratio	0.87	0.71
Beta LTD	0.86	--
Largest Drawdown	-29.73%	-40.69%

## Upside & Downside Capture



## Liquidity Breakdown



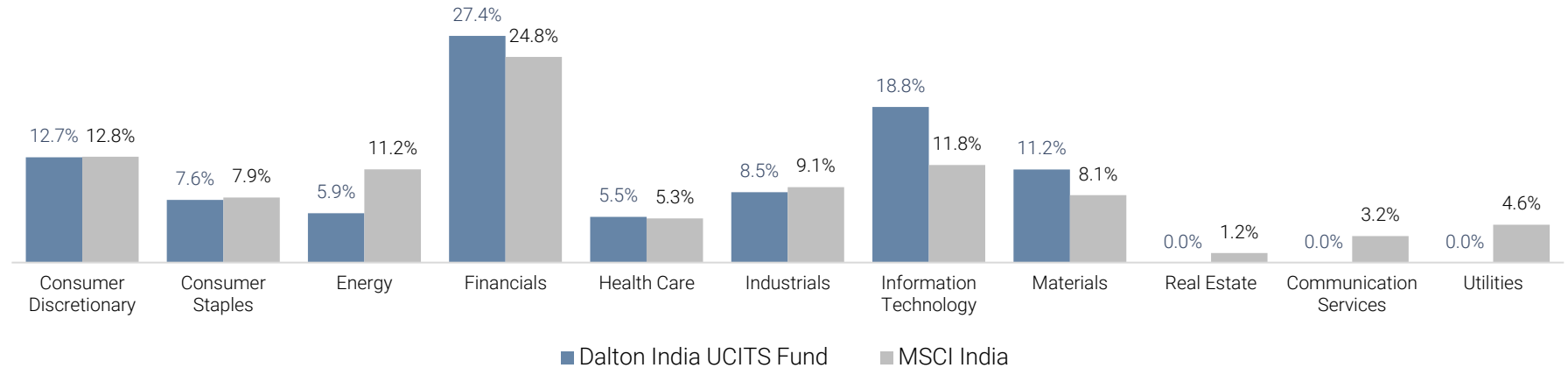
Performance is quoted net of fees and based on unaudited figures. The above figures refer to the past. Past performance is not a reliable indicator of future results.  
 Source: Société Générale Securities Services, Bloomberg.



# Portfolio Characteristics

As of 31 March 2024

## Sector Breakdown



## Market Cap Breakdown

Market Cap Classification	India UCITS	MSCI India
Mega Cap (> EUR 20bn)	47.0%	66.9%
Large Cap (EUR 5bn - EUR 20bn)	15.9%	31.2%
Mid Cap (EUR 1bn - EUR 5bn)	26.2%	1.9%
Small Cap (< EUR 1bn)	8.5%	--

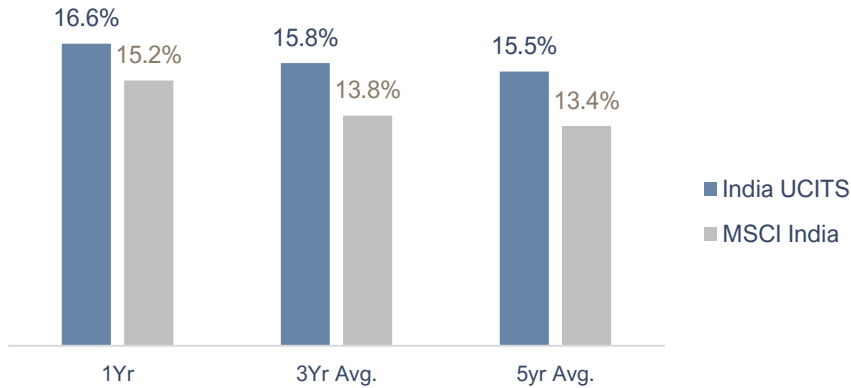
## Concentration

Concentration	India UCITS
Top 5	33.3%
Top 10	54.4%
Top 20	84.8%
<b>Total Number of Securities</b>	<b>27</b>

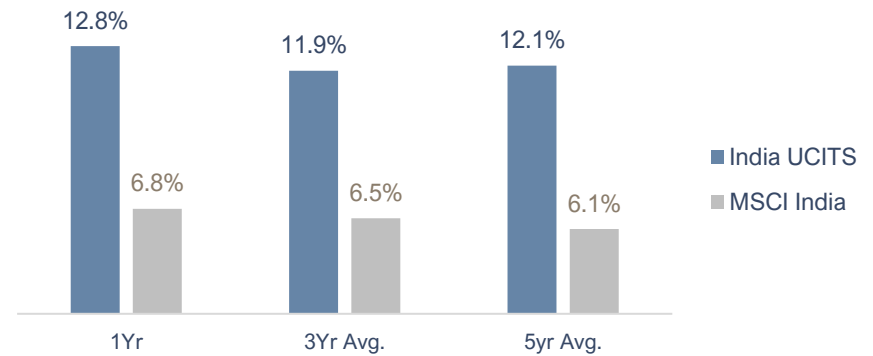
# Superior Portfolio Characteristics

Data as of 31 March 2024

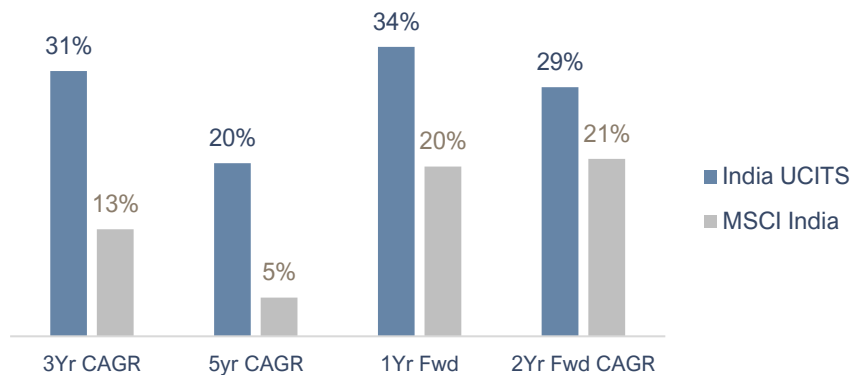
## Return on Equity



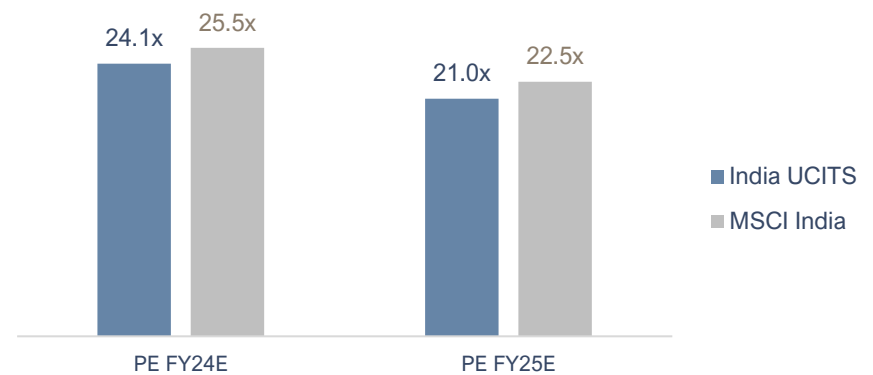
## Return on Capital Employed



## Annualized EPS Growth



## Valuation – Forward PE



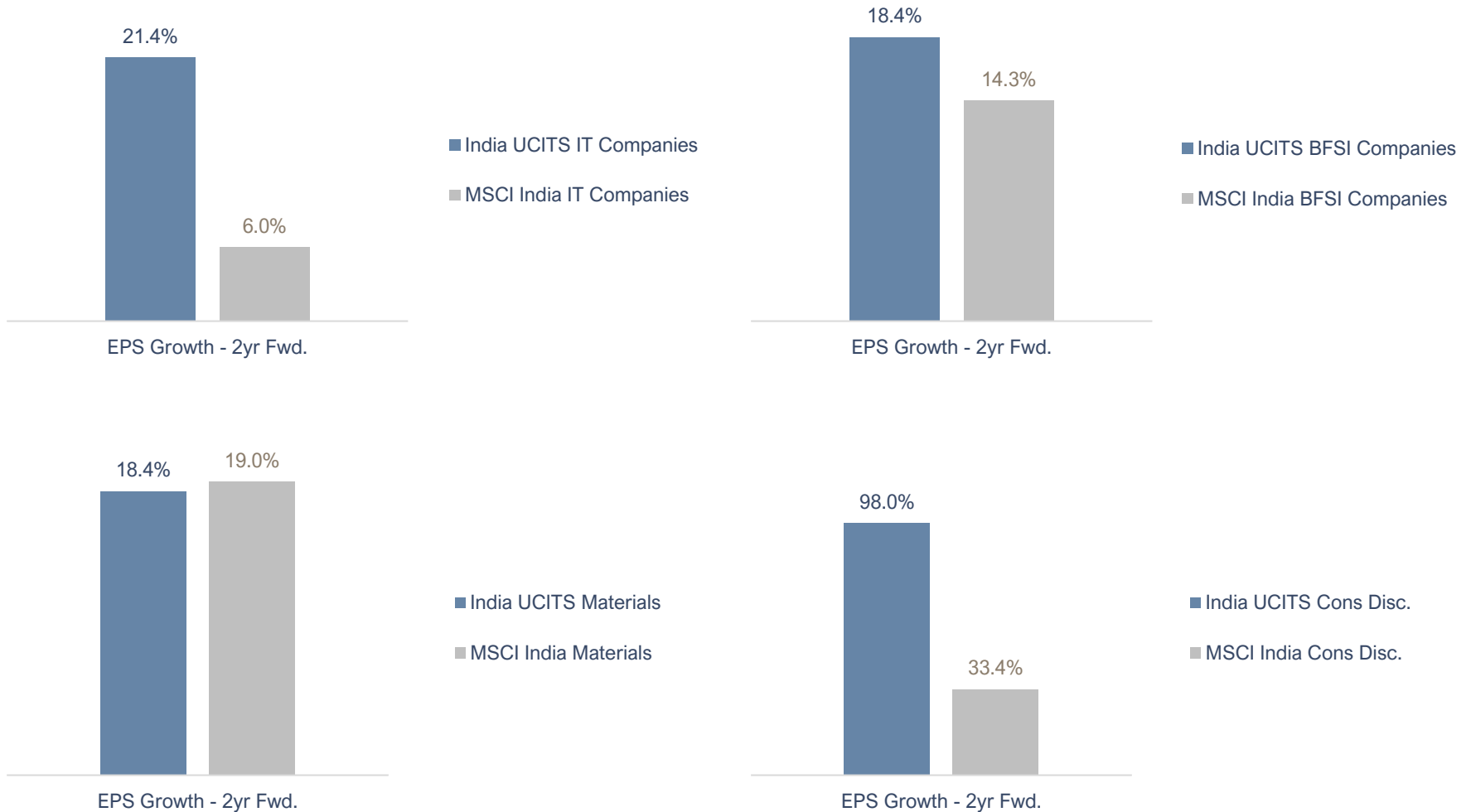
\* 31 March 2024 Portfolio and Latest Annual Reported Numbers Considered

\*\*The portfolio level forward fiscal year 2024/25 price-to-earnings estimates exclude estimates for Dalmia Bharat, Freshworks Inc., and MakeMyTrip as the manager believes that the PE metric does not accurately reflect the value of these companies.

Source: Bloomberg

# Superior Company Fundamentals in Top 4 Sectors

Data as of 31 March 2024



\* 31 March 2024 Portfolio and Latest Annual Reported Numbers Considered

Source: Bloomberg

# Portfolio Themes and Examples

As of 31 March 2024

## Export Oriented (37%)

### Companies benefiting from rising demand for digital transformation and Outsourcing

- **TCS, INFOSYS, COGNIZANT** (Leading technology services companies)
- **WNS, EXLS, TASKUS** (Business process outsourcing companies)
- **COFORGE** (Emerging technology services companies)
- **FRESHWORKS** (Emerging software solutions company)

### Globally competitive export-oriented companies with cost leadership

- **ESSEL PROPACK** (World's largest laminated tubes manufacturer)
- **CCL PRODUCTS** (World's largest private label instant coffee manufacturer)

### Companies benefiting from rising global demand for affordable healthcare & China plus one theme

- **AJANTA PHARMA** (Specialty pharma)
- **DR. REDDY'S** (One of the biggest Indian exporter in US, Europe, and EMs)

## Domestic Focus (63%)

### Structural domestic growth/consolidation plays gaining market share from SOEs and smaller/unorganized players

- **ULTRATECH, DALMIA** (Diversified national cement producers)
- **HDFC, ICICI, AXIS** (Large frontline retail Banks)
- **BAJAJ FINSERV** (Leading P&C)
- **360 ONE WAM** (Leading WM Service provider)
- **SAPPHIRE FOODS** (Leading fast-food restaurant)

### Internet/Platform companies with monopolistic characteristics

- **RELIANCE IND** (#1 Telecom operator, digital platform)
- **MAKEMYTRIP** (#1 Online travel portal)

### Leading Consumer Brand companies with low penetration and long runway for growth

- **VARUN BEVERAGES** (Largest PepsiCo franchisee outside USA)

The descriptions above reflect typical investment features of portfolio positions. There are no guarantees that a portfolio position will have these particular characteristics or that all risks can be identified or mitigated. Please note that the case studies are included herein to convey Dalton's thought process and approach in analyzing investment opportunities and are not indicative of performance for any actual Dalton account. The actual performance of the position is not relevant disclosure and should be disregarded given that the aggregate performance of an account/portfolio can be materially different. Further, it should not be assumed that future investments will be profitable or will equal performance discussed in these case studies.

## III. India Macro Update & Outlook

# Structural Reasons Supporting the Case for Investing in India



## High Growth Potential

- Fifth largest economy by nominal GDP (\$3.0 trillion) and third largest on a PPP basis (\$11.5 trillion)
- Largest democracy and second-most populous country in the world (1.35 billion people)
- Second-fastest growing large economy in the world during the last decade
- Per capita income only \$2,200; India is a long way from the middle-income trap

## Highly Favorable Demographics

- Median age of population is among the lowest globally at 29 years
- Only country where share of working-age population will continue to rise well into 2035
- Booming middle class of around 300 million in the country today

## Growing Urbanization and Literacy

- India currently has 33% of Asia urban population and 18% of world urban population
- Nearly 75% of the population is literate, compared to only 18% in 1951

Sources: IMF, Census India, UN Population Database. As of Q1 2019.

# Structural Reforms Made by the Government in the Last 9 Years

Manufacturing Boost



Goods and Service Tax



RERA



Direct Benefit Transfer



Insolvency and Bankruptcy Code



PSU Bank Recapitalizations



Labour Reforms



Land Reforms



Agri Reforms



Significantly improving India's manufacturing competitiveness, ease of doing business and potential GDP growth rate.

# India's Long-term Outperformance and Leadership in High-Performing Companies (% of cos. With $\geq 20\%$ CAGR USD returns)

Year	Country	Index	No of cos. in Index	% of cos. still in existence	% of cos. with $\geq 20\%$ CAGR	Index CAGR%
2002	India	BSE 500	500	72%	23%	20.3%
	USA	S&P 500	500	55%	1%	9.5%
	China	Shanghai Comp.	749	88%	1%	7.5%
	Japan	Topix 500	495	74%	0%	5.3%
2012	India	BSE 500	500	84%	10%	11.2%
	USA	S&P 500	500	76%	9%	10.7%
	China	Shanghai Comp.	994	94%	3%	6.1%
	Japan	Topix 500	501	93%	2%	5.5%
2017	India	BSE 500	501	95%	12%	6.3%
	USA	S&P 500	506	90%	9%	6.5%
	China	Shanghai Comp.	1408	94%	4%	-2.2%
	Japan	Topix 500	500	96%	1%	-3.8%

- Number one major market in terms of USD return over last twenty years and number 2 in terms of economic growth
- Continues to offer secular growth companies with long growth runway
- Challenge: Selling and buying back purely on valuation has proven tricky

Source: IIFL Research



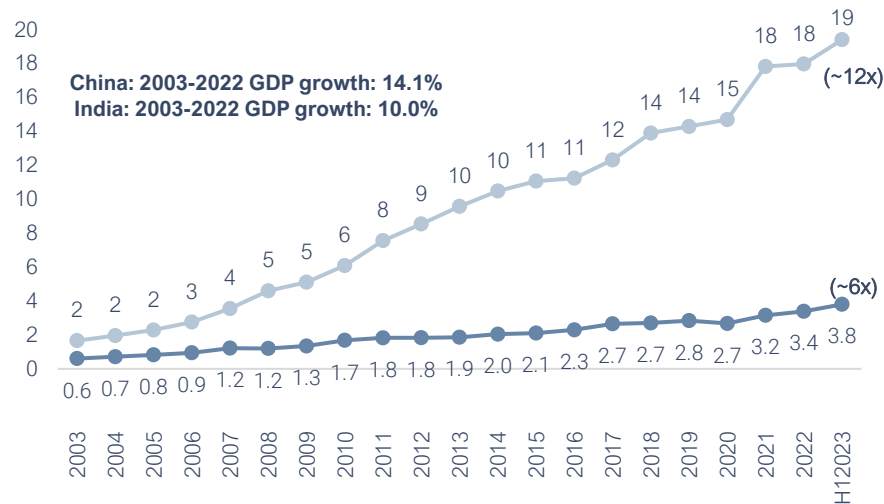
# India is Where China Was in 2007 on Many Economic Metrics

	India	China
GDP (USD Bn)	3,300	3,600
Per Capital GDP (USD)	2,500	2,700
Working Population (mn)	950	970
Market Cap (USD Bn)	3,300	2,000

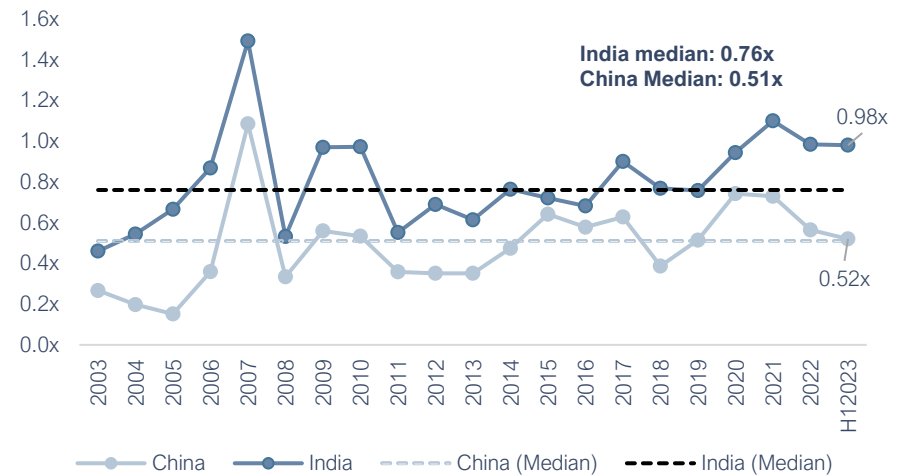
Source: Societe Generale Cross Asset Research

# Although China's GDP has Grown Faster, India's Market Cap Translation has been Superior Historically

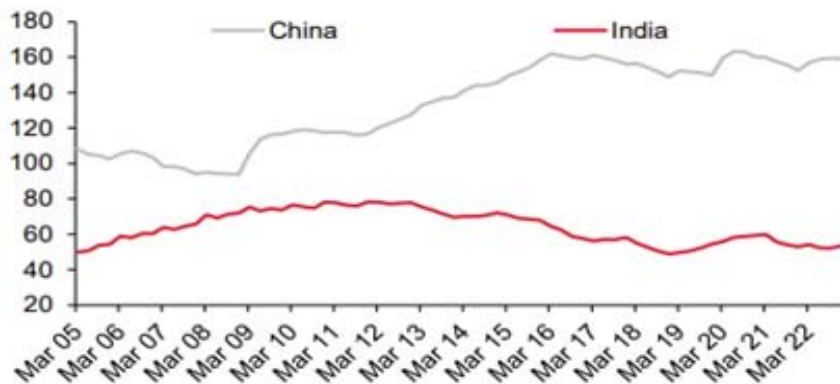
### China and India GDP (\$Tn)



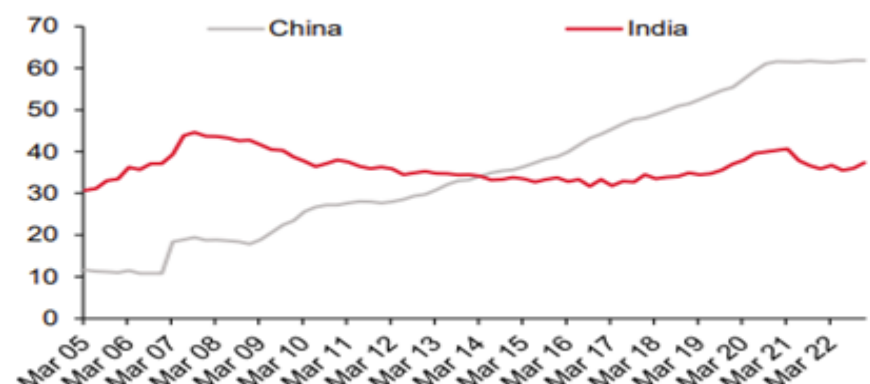
### Market Cap to GDP



### Non-Financial Corporate Debt as Percentage of GDP

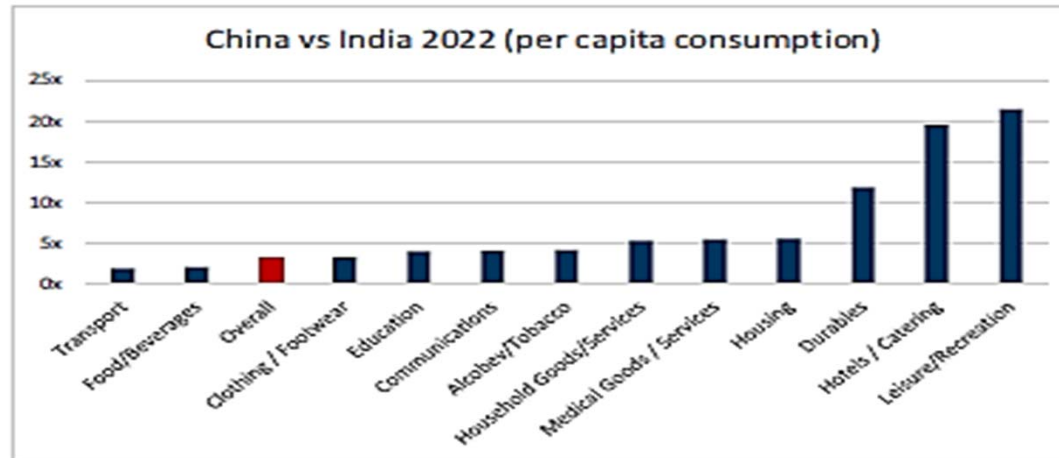


### Household Debt as Percentage of GDP

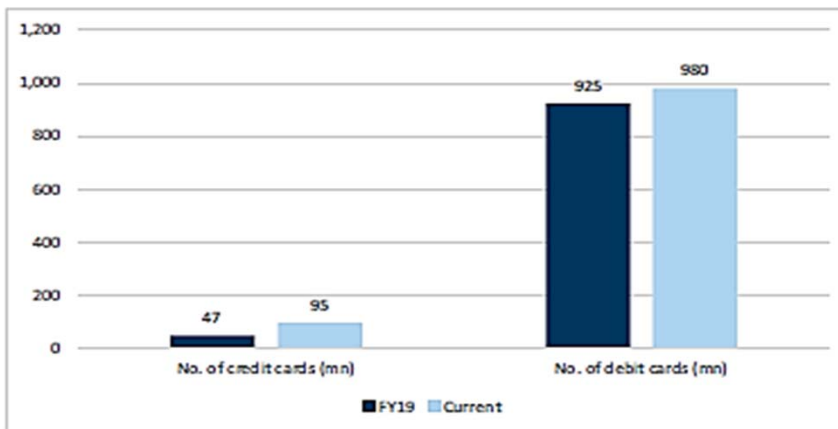


Sources: Bloomberg, Societe Generale Cross Asset Research

# Potential Beneficiaries



Source: Euromonitor

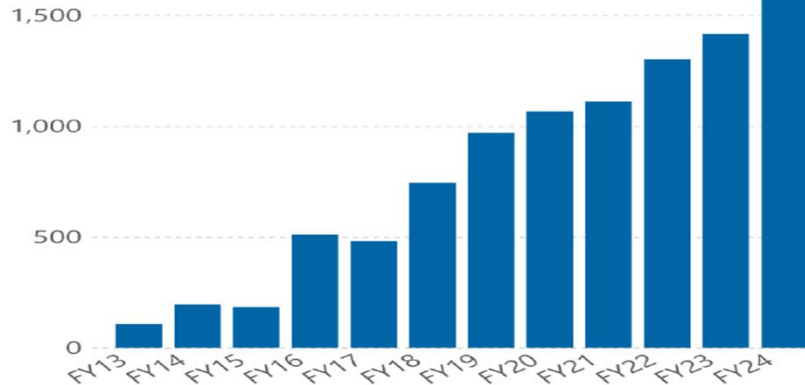


Sources: Company Data, RBI

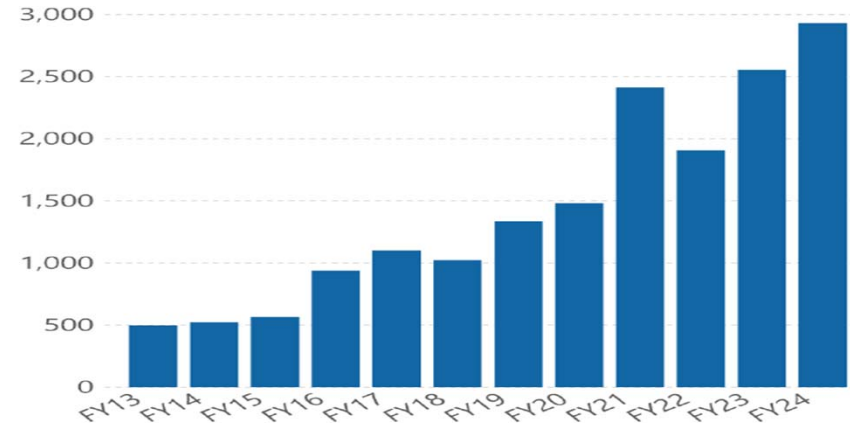
- Long growth runway expected even in traditional industries
- Discretionary expenditure related industries to grow at fastest rate

# India – Improving Competitiveness

Budgeted Capital Outlay by NHAI (Rs bn)

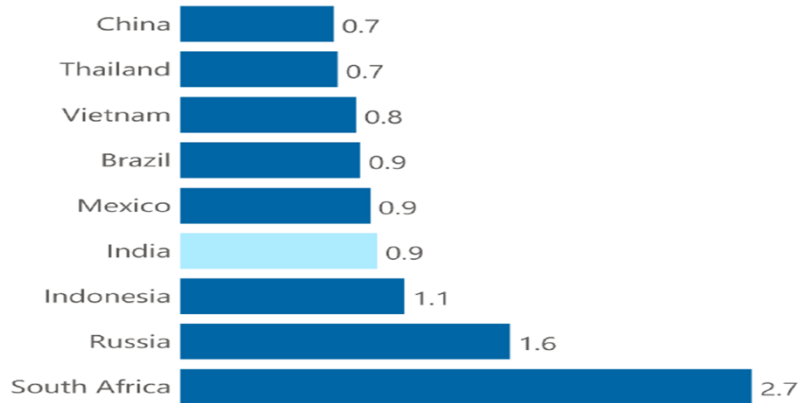


Budgeted Capital Outlay by Railway (Rs bn)



## Median Time (Days) Spent by Ships in Ports (2021)

### Container Ships

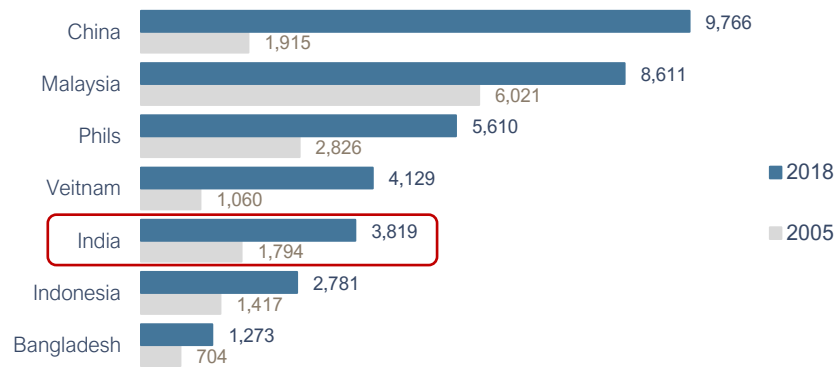


- Significant uptick in road and rail investments
- Pipeline of projects indicate further increase in next few years
- Median time spent by ships in Indian ports have come down by 80% in last few years

Sources: Budget Documents, NHAI, Macquarie Research, January 2024

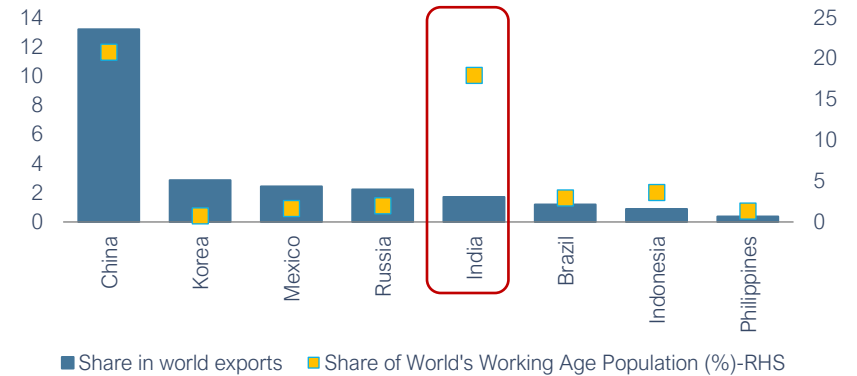
# India: Case for Manufacturing Boom

Labor Costs (Wage / Employee, in US\$, at Current Prices)



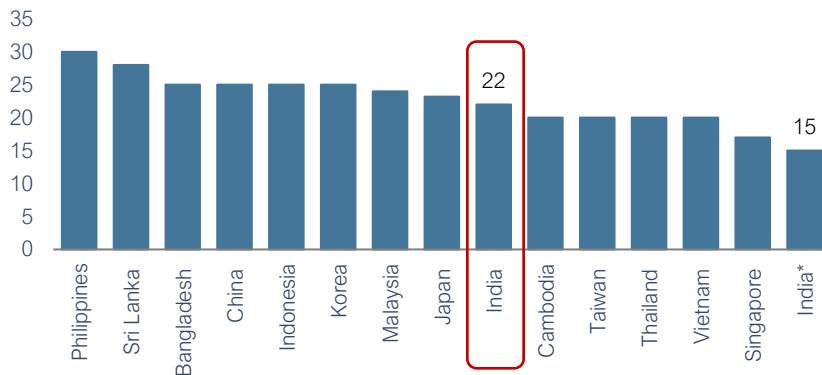
Source: UNIDO

Share in World Costs vs Working Age Population



Source: WTO, UN Population, Spark Capital Research

Corporate Tax Rate of Major Asian Economies



Sources: Govt, Morgan Stanley Research

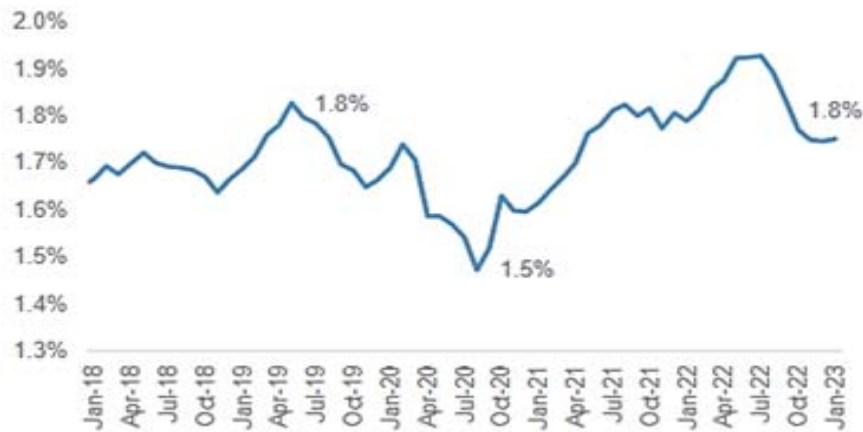
Note: India\* is the base corporate tax rate for new manufacturing

*Cheaper labor costs, competitive tax rates, favorable demographics and a large domestic market make India a preferred alternative to China*

# India's Growing Export Market Share

India's share of the global export market for both goods and services has been expanding.

**India Exports as % of World Exports, 6M Trailing**



**India Global Services Exports Share**



Sources: CEIC, Haver, Company Data, Morgan Stanley

# India Forex Reserves Continue to be Higher than Pre-Covid Levels

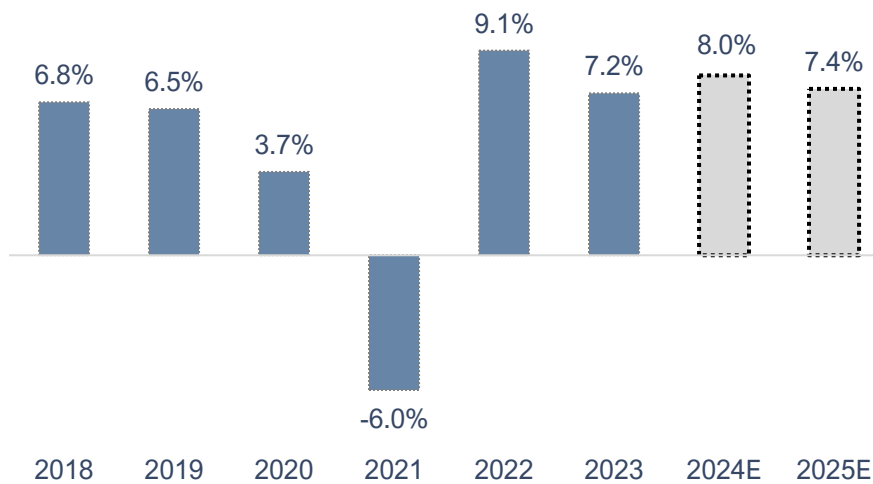


Source: RBI, CEIC, Morgan Stanley Research

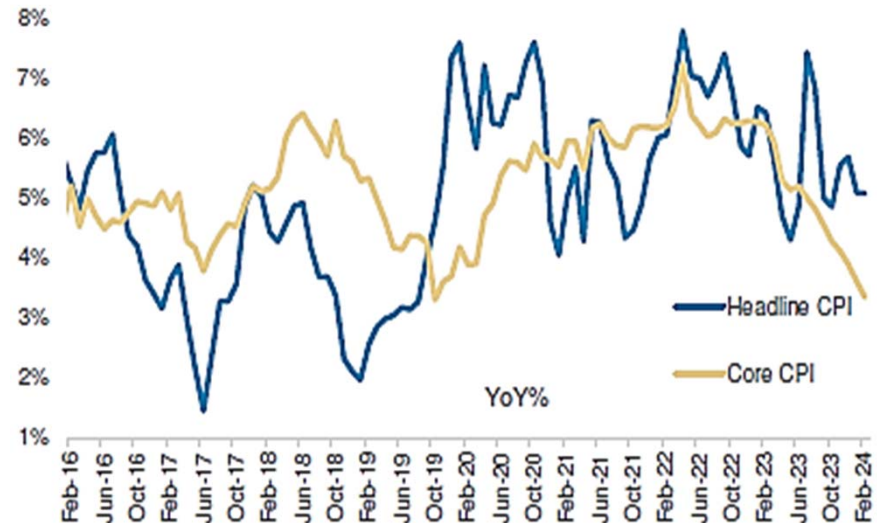
# Macro Highlights: GDP Growth and Inflation

General election commencing on April 19<sup>th</sup>. Prime Minister Modi is widely anticipated to win his 3rd term.

**Real GDP Outlook remains positive**



**Inflation is on a Downward Trajectory**



Source: RBI, Morgan Stanley Research

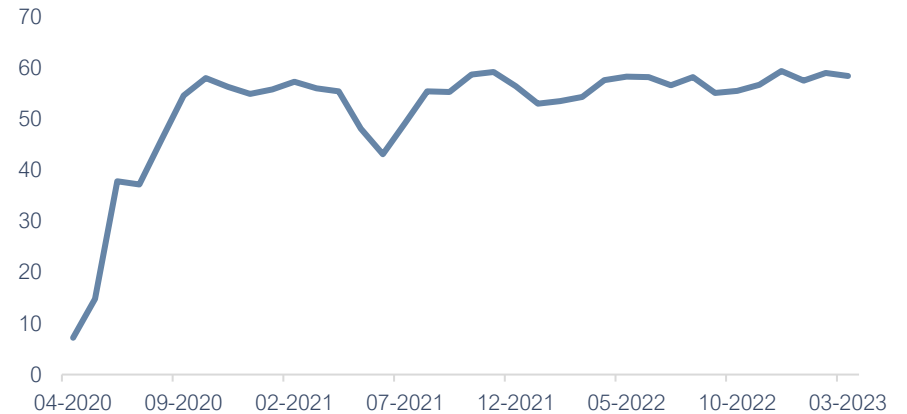


# Healthy Economic Activity and Strong Government Capex Drive

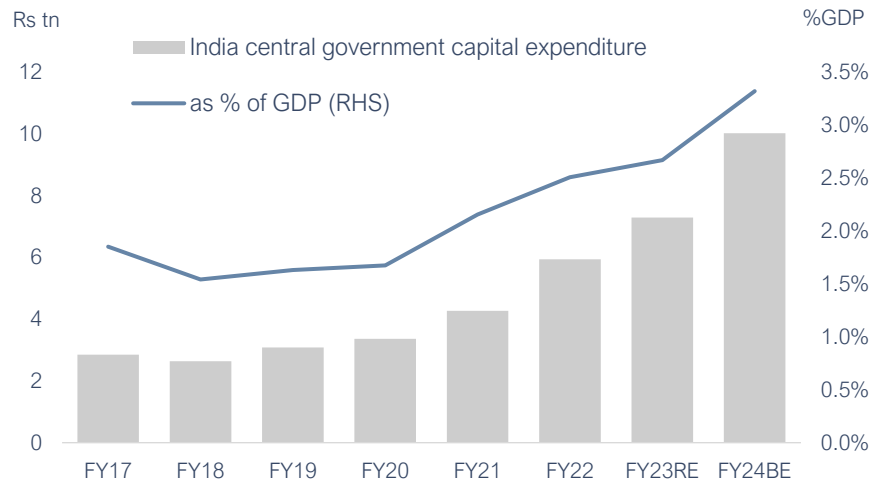
**Goods & Services Tax (GST) Revenue (Rs. Bn)**



**India Purchasing Manager Index Composite**



**India Government Capital Expenditure**



**India Non-Financial Corporate Debt to GDP**

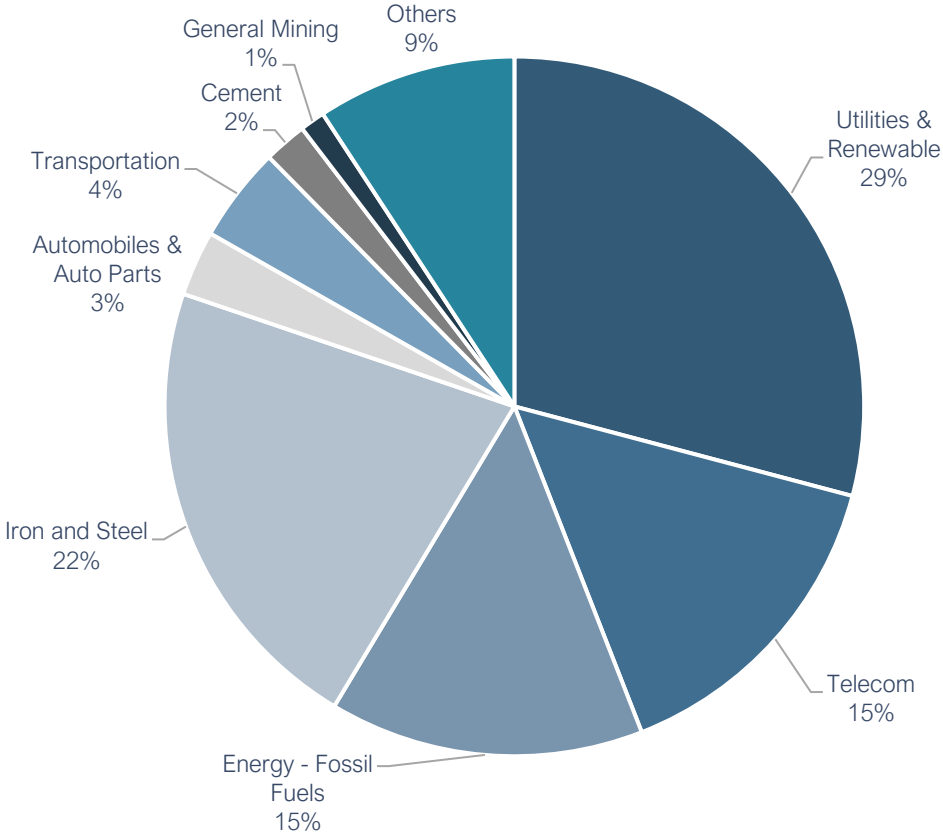


Sources: Ministry of Finance, CEIC, Macquarie Research, Bureau of Indian Standards, BIS

# Corporate Capital Expenditure Cycle Picking Up in Select Sectors

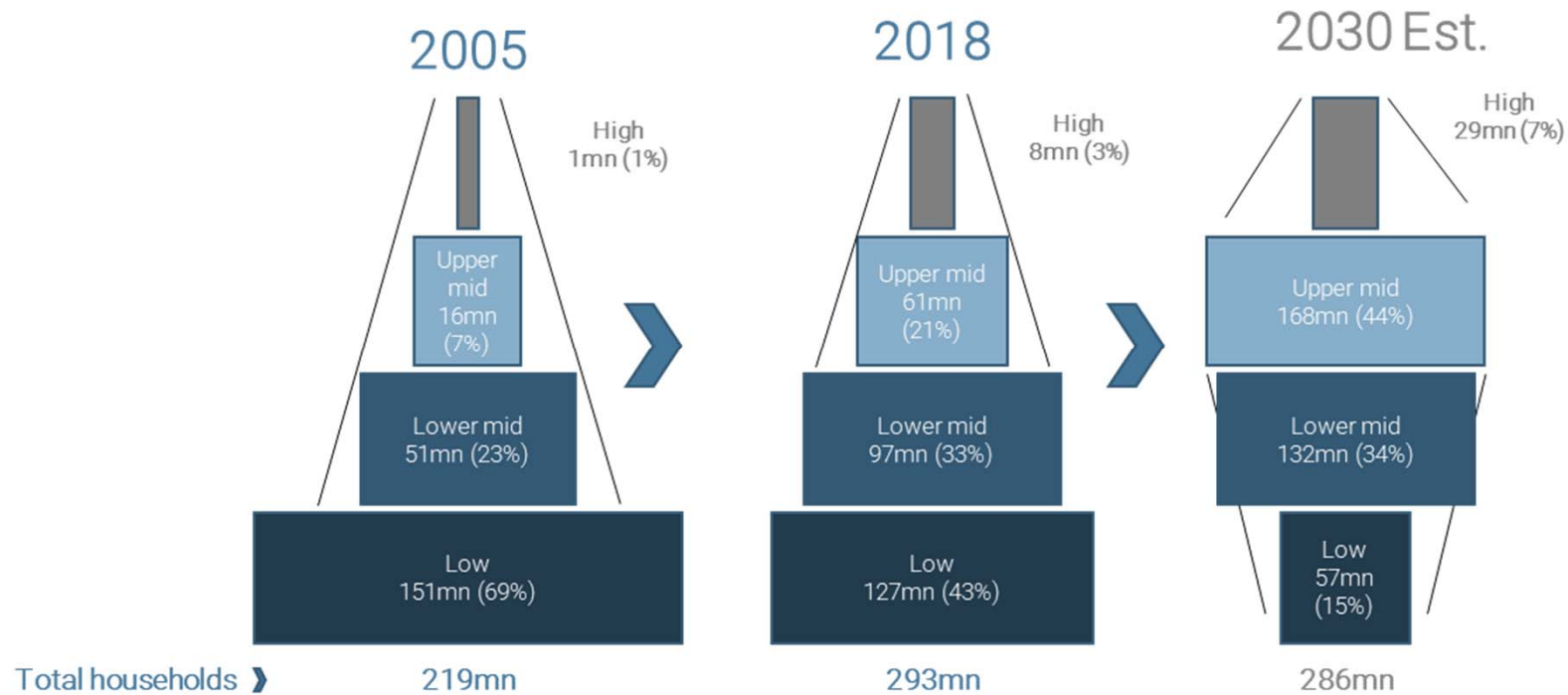
Corporate Sector CAPEX Announcements Worth US \$230bn to be Incurred in the Medium-Term

**% Industry Breakout of Corporate Capital Expenditures Announcements**



Sources: CEIC, Haver, Company Data, Morgan Stanley

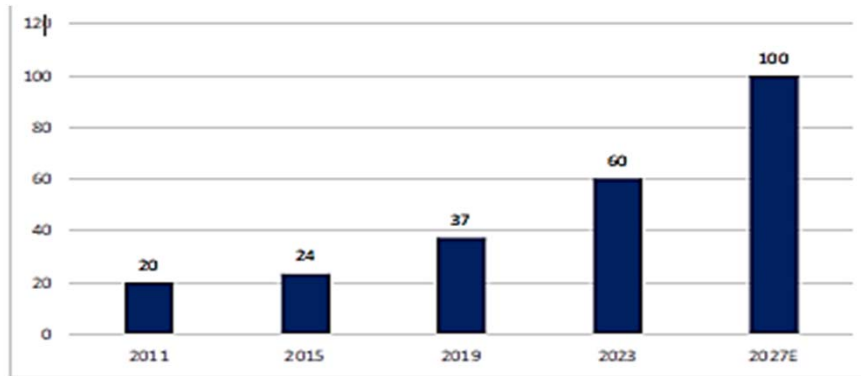
# India's Income Pyramid will Invert over the Next Decade



Source: The World Economic Forum

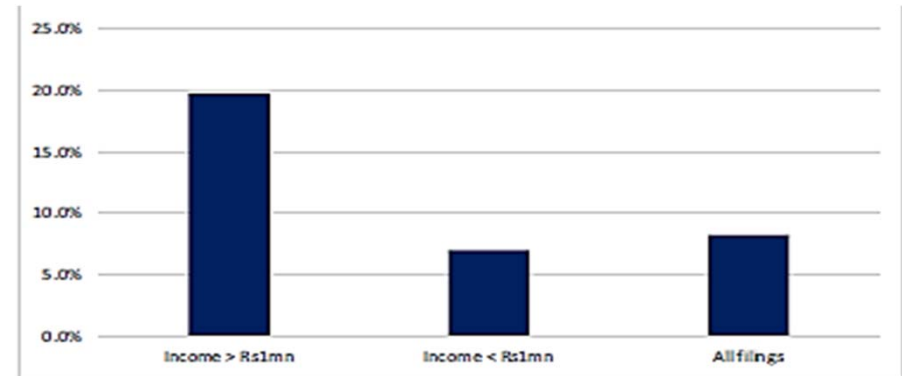
# India – Income Growth, Wealth Effect

Population (mn) with Income > USD10,000



Source: Euromonitor, Goldman Sachs Global Investment Research

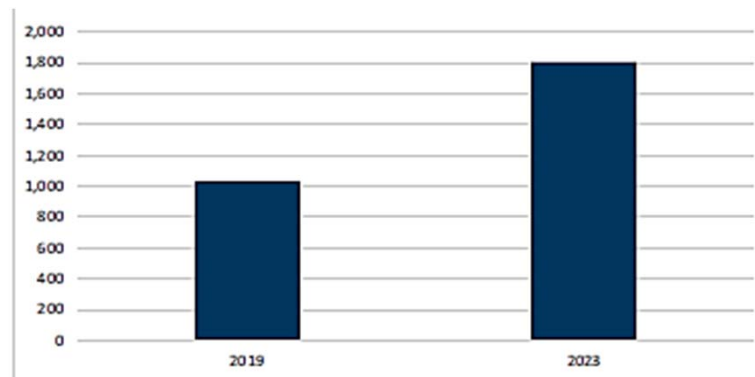
CAGR in Number of Individual Income Tax Filers (AY17-22)



Source: Government of India, data compiled by Goldman Sachs Global Investment Research

## Indian Households own ~10% of Global Physical Gold

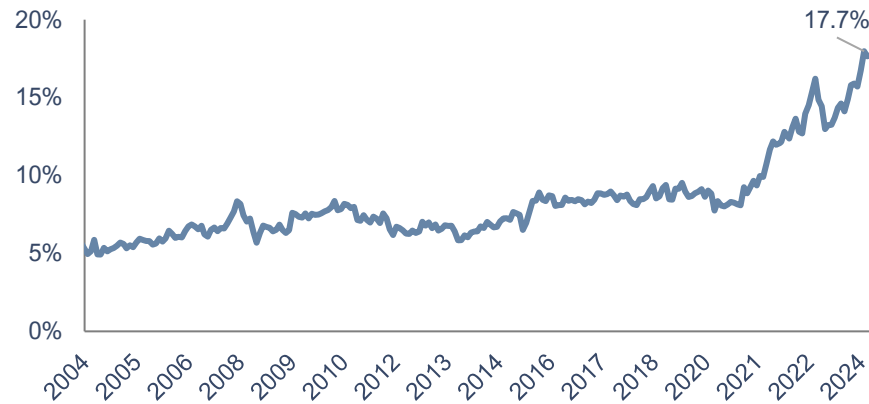
Value of Household Gold Stock in India (USD bn)



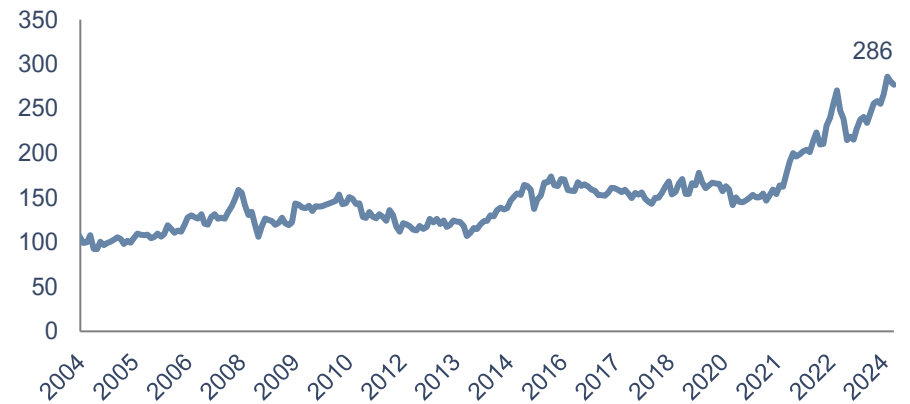
Sources: Bloomberg, Goldman Sachs Global Investment Research

# Foreign Investor Flows into India Remained Strong during 2023

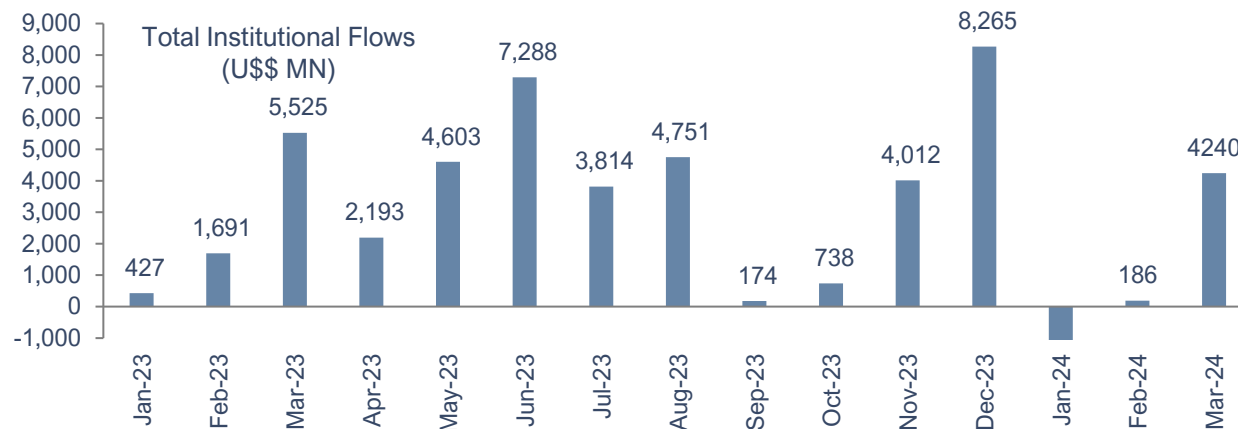
MSCI India weight in MSCI EM



MSCI India Performance (Relative to MSCI EM)



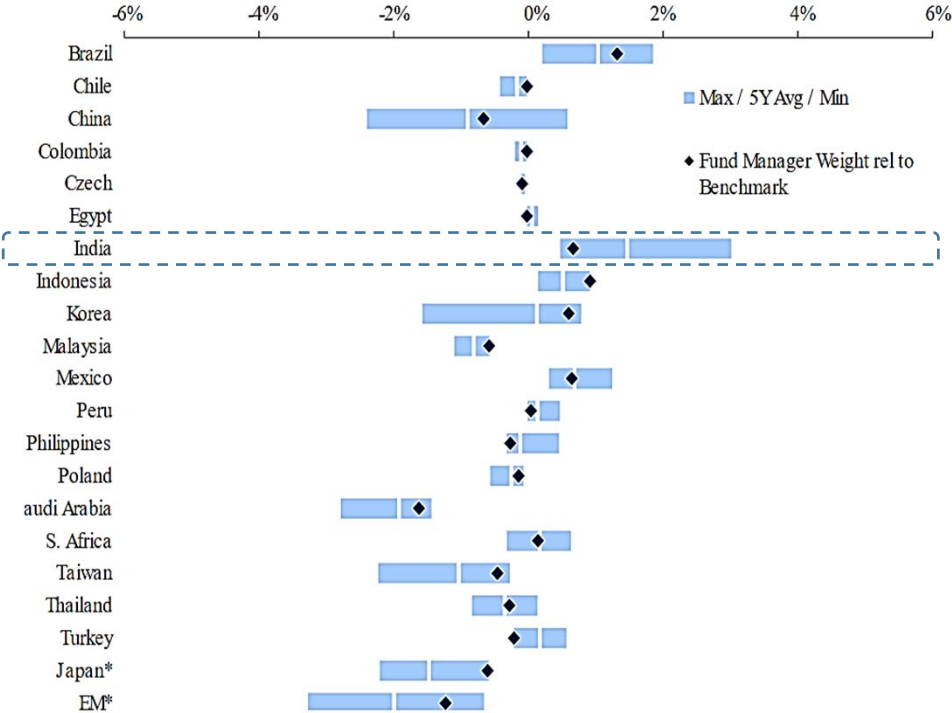
Foreign Activity Remained Strong



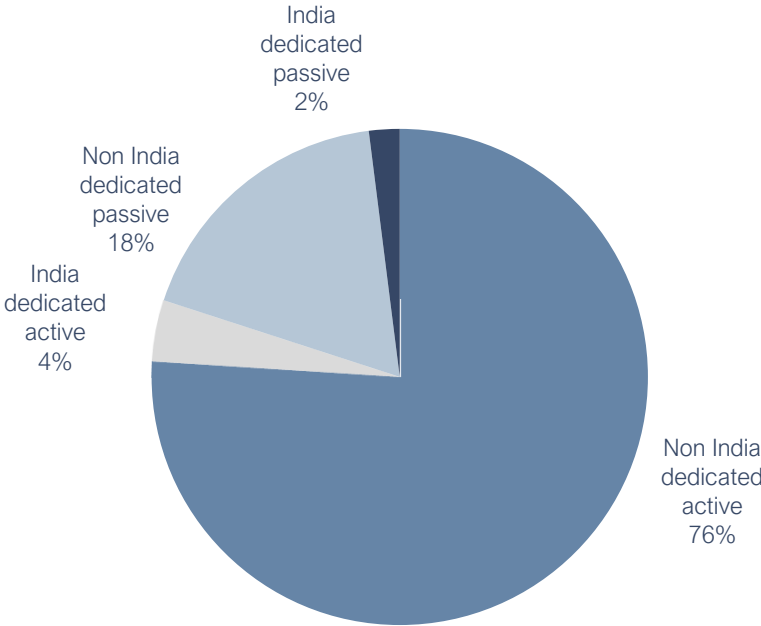
Sources: Bloomberg, Jefferies

# Foreign Institutional Investors (FII) Remain Underinvested in India

GEM Fund Managers' Country Allocation vs. MSCI EM



Total FII Equity AUM Exposure: US\$ 534 Bn\*



Sources: EPFR Global, Morgan Stanley Research  
 Data as of 05/2023.

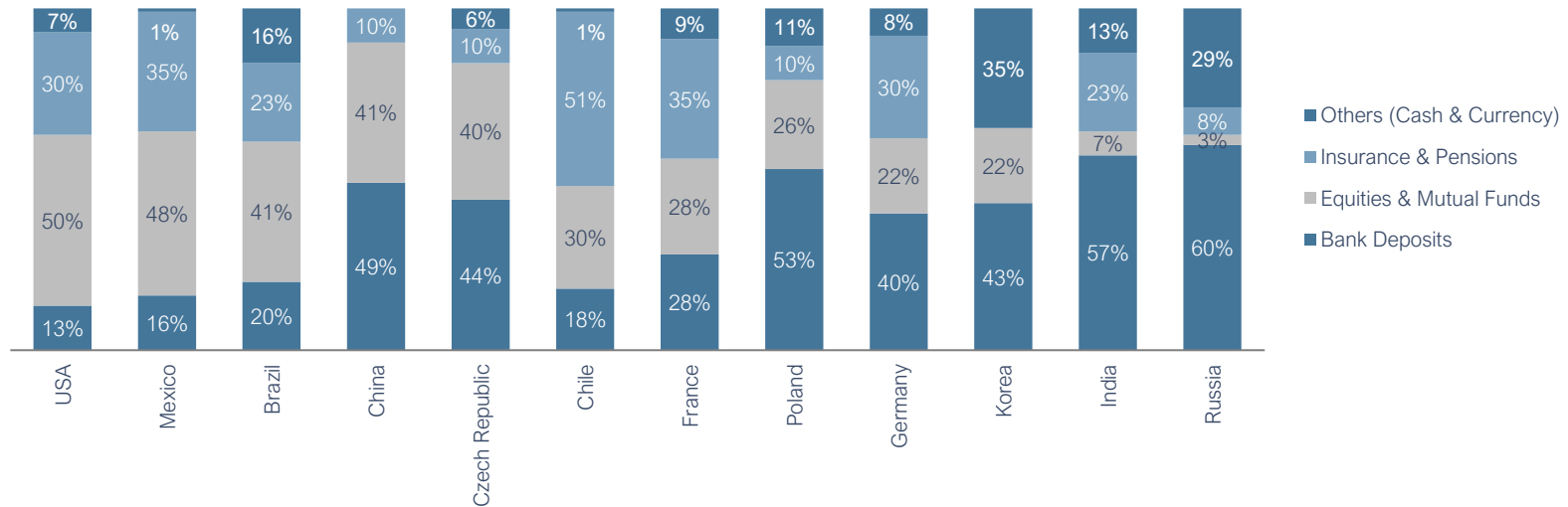
Source: CLSA, Bloomberg  
 \*Data as of 02/2023

# Allocation to Indian Equities Still at a Nascent Stage

Foreign Investor Category	Investments in India Equities (\$ billion)	Total Investable Assets (\$trillion)	Approximate Allocation to Indian Equities (%)
Sovereign Wealth Funds/ Government-Owned Entities	\$74	\$10	1%
Pension Funds	\$51	\$56	0.1%
Endowment Funds	\$3	\$0.7	0.5%

Total assets of pension funds worldwide is estimated to be \$56 trillion, as of 2020  
 Total assets of U.S. based endowment funds is \$690 billion, as of 2020

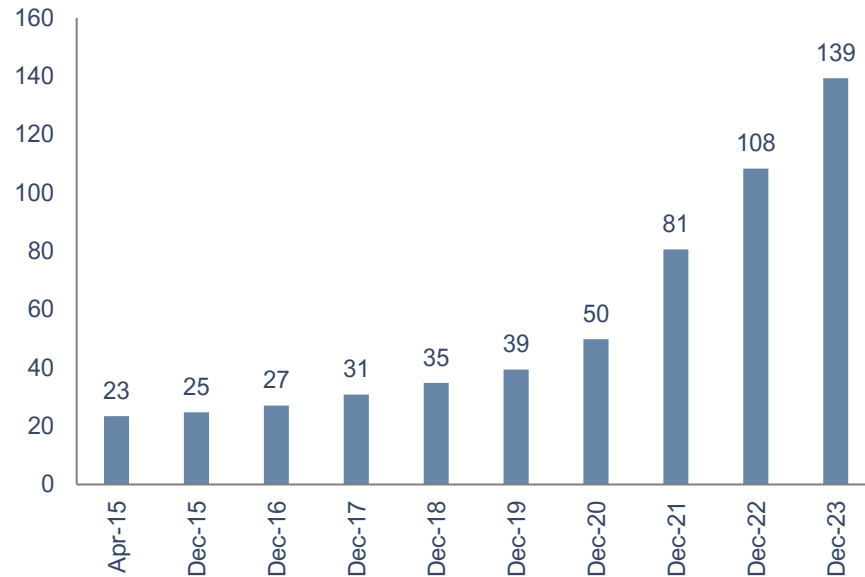
## Composition of Household Financial Assets



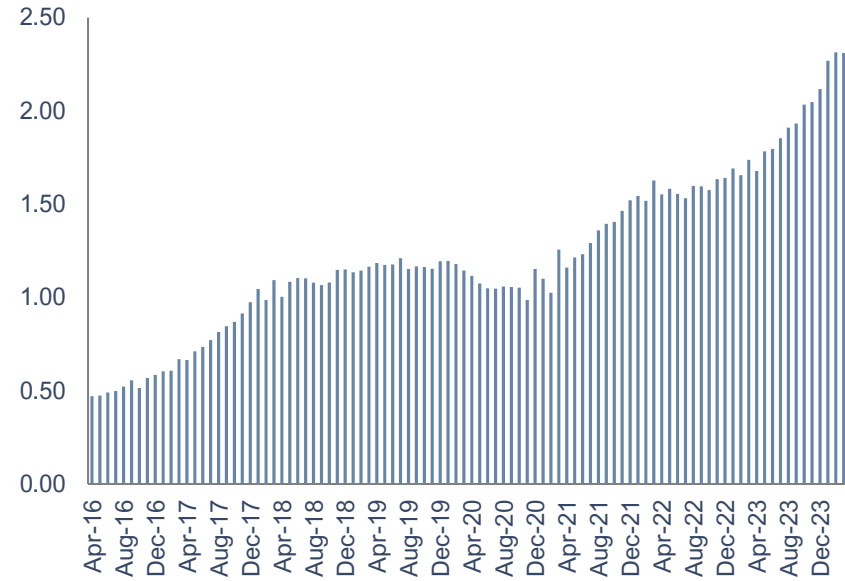
Source: Bloomberg

# Increasing Domestic Equity Flows

No. of Domestic Investment “Demat” Accounts in Mn



Monthly SIP<sup>1</sup> Flows (\$ Bn)



- Domestic equity flows have risen sharply in the last seven years, making the Indian equity market more resilient and less prone to any global risk off events or foreign investor outflows.
- Equities are still a small portion of household assets in India (<7%).

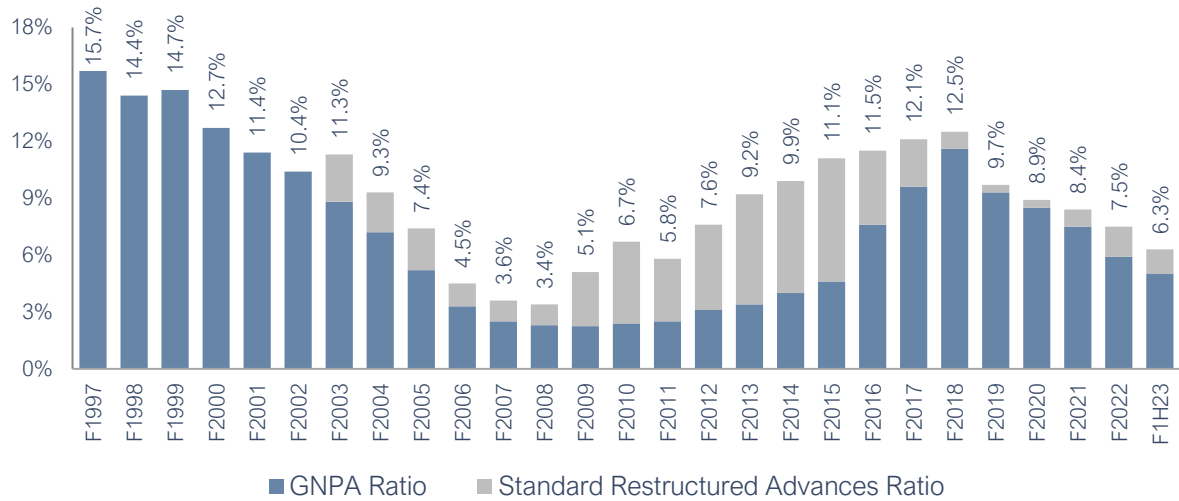
<sup>1</sup>SIP: Systematic Investment Plans

Sources: Association of Mutual Funds of India, NSDL, CDSL



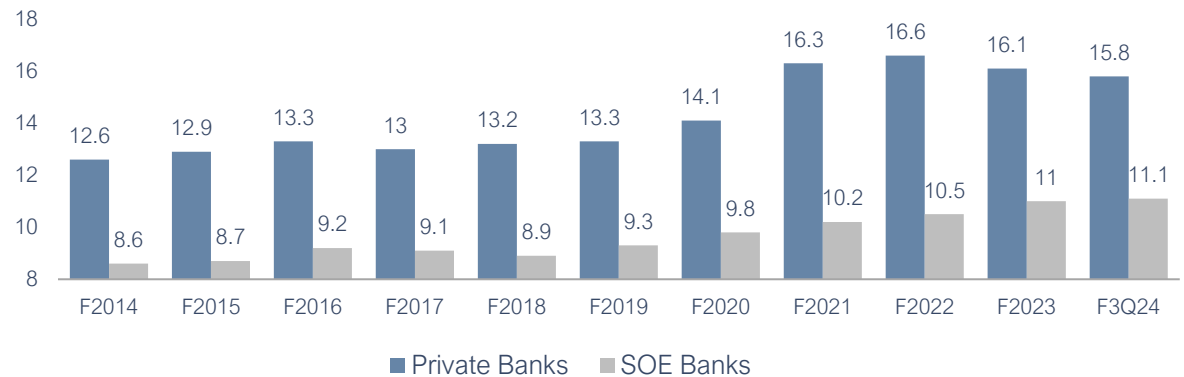
# India Banks - Balance Sheets Remain Strong

Gross non-performing assets are declining along with debt restructurings



India Banks: CET-1 Ratios are Significantly Higher than History

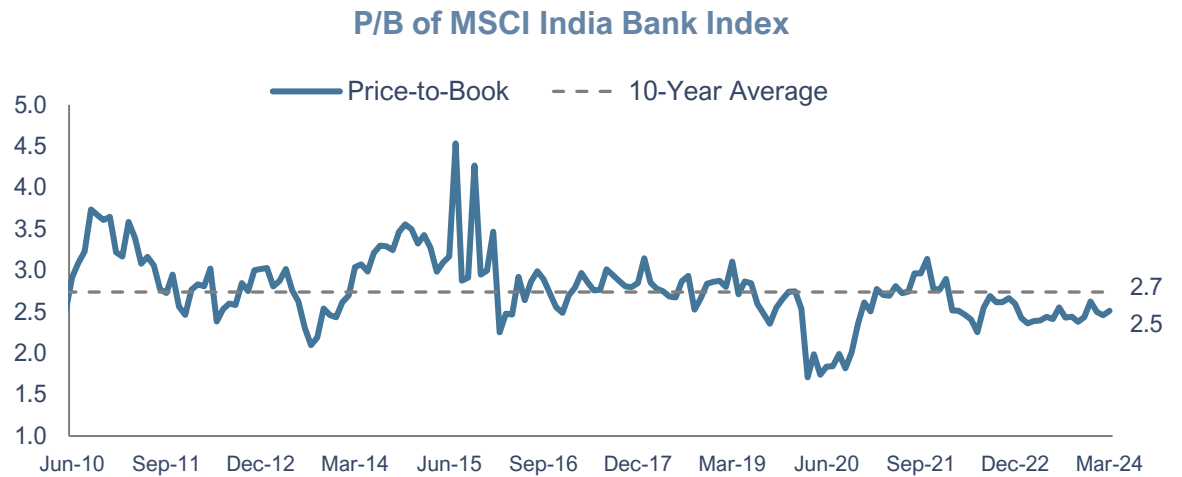
Private banks core equity capital is at all time highs



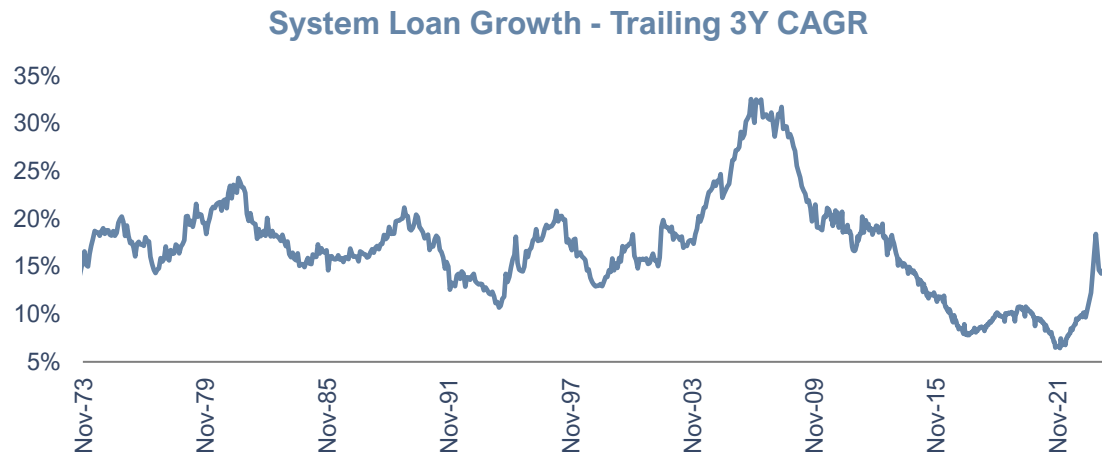
Source: Morgan Stanley Research

# India Banks - Valuations Below Long-Term Average

Price to book ratios for banks are below historical averages



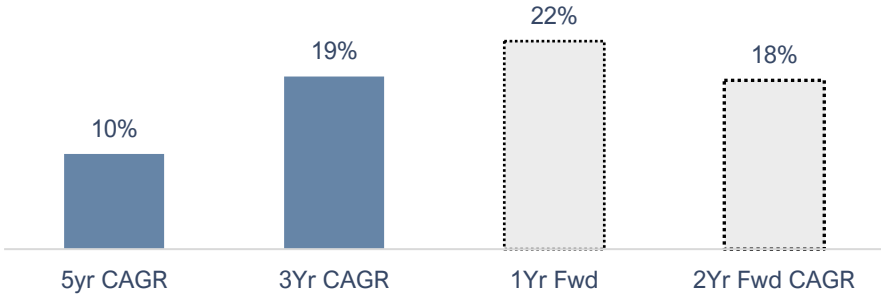
Loan growth is just now beginning to rebound back after decade long declines



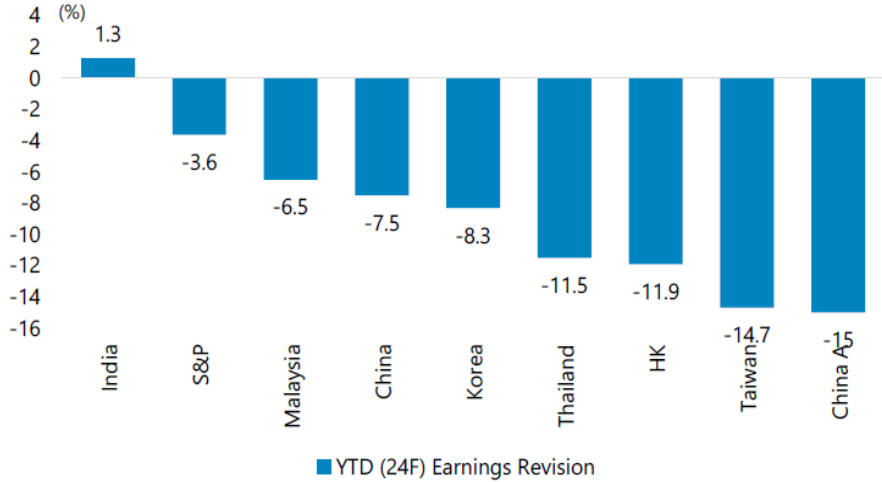
Sources: RBI, Bloomberg

# India Markets - Strong Earnings Expectations

MSCI India forward earnings expectations remain strong



India is the only major market to see forward earnings upgrades in 2023



Sources: Bloomberg, Jefferies

# India Market Valuations

Valuation by Market Cap			
PE Ratio - TTM	March 2024	10 Year Average	Premium
Dalton India	27.2x	-	-
MSCI India	28.2x	23.7x	19%
MSCI India Large Cap	26.8x	22.8x	12%
MSCI India Mid Cap	38.3x	25.3x	51%
MSCI India Small Cap	27.5x	15.7x	95%

- Indian Market is trading at ~8-10% premium to its 10-year historical average, backed by strong earnings growth expectations
- Small-caps are trading at ~80-100% premium to its 10-year historical average

Sources: Bloomberg, Morgan Stanley Research

# Key Takeaways & Market Outlook

---

- Indian economy and corporate profitability in the early stages of an upcycle
- Corporate, banking and household balance sheets are in great shape
- Real estate sales in top 20 cities crossed previous peak set in 2012-13
- Core economic drivers continue to remain strong
- Infrastructure rollout and production linked incentives (manufacturing) continue to strengthen manufacturing competitiveness
- Consensus expects mid-teen earnings growth for the next two years
- Country getting into election mode; likely to see heightened news driven volatility
  - As things stand today, it looks highly likely that current government will get another term

## V. Longchamp Dalton India UCITS Fund Details

# Longchamp Dalton India UCITS Fund Strategy

## Margin of Safety

- Disciplined application of the four mantras is the strongest line of defense against permanent loss of capital. In particular, Dalton buys stocks at a material discount to their proprietary calculation of intrinsic value
- In depth research mitigates downside risk

## Portfolio Construction

- Industry / sector weights determined by stock selection
- Top 10 positions generally will remain below 55%
- Cash is residual to investment process (~0 to 10%)
- *Refer to slide 11*

## Sell Discipline

- A position will be typically reduced through sale of part of the investment as the value of the position approaches 10% of the Fund's net asset value
- Rigorously reducing positions as they approach intrinsic value adds discipline to the investment process
- No mechanical stop-loss triggers, soft stop loss reviews are conducted weekly or at 20% absolute decline for the long book and 10% absolute increase for the short book
- Risk process mandates a thorough review after a material decline
- Risk systems highlight material declines to all investment team members and senior management

## Liquidity

- Liquidity is monitored at the portfolio and firm level
- Stress testing portfolios around bull, bear and base case scenarios help the team to understand the resilience of Dalton's valuation models

## ESG

- Detailed ESG reviews of each portfolio position are part of the investment process, including a minimum ESG standard for any new positions

## Engagement

- Active engagement is key in preserving capital over the long-term

The descriptions above reflect typical investment features of portfolio positions. There are no guarantees that a portfolio position will have these particular characteristics or that all risks can be identified or mitigated.

The Delegated Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

# Roles

## Longchamp Asset Management ("Longchamp AM") as Investment Manager

- ▶ **Assets distributed and under Management:** Approximately \$1.7bn of assets managed and advised as of 31 March 2024
- ▶ **Investment Manager:**
  - Validation of the Fund's Net Asset Value
  - Production of legal documentation
  - Marketing and sales of the Fund
- ▶ **Risk Manager:**
  - Post-trade monitoring of the Fund portfolio to detect any breaches of UCITS regulations and Investment Management Agreement
  - Periodic trade monitoring/reconciliation to detect discrepancies with administrator NAV data
  - Periodic review of Fund's Investment Objectives and Policies

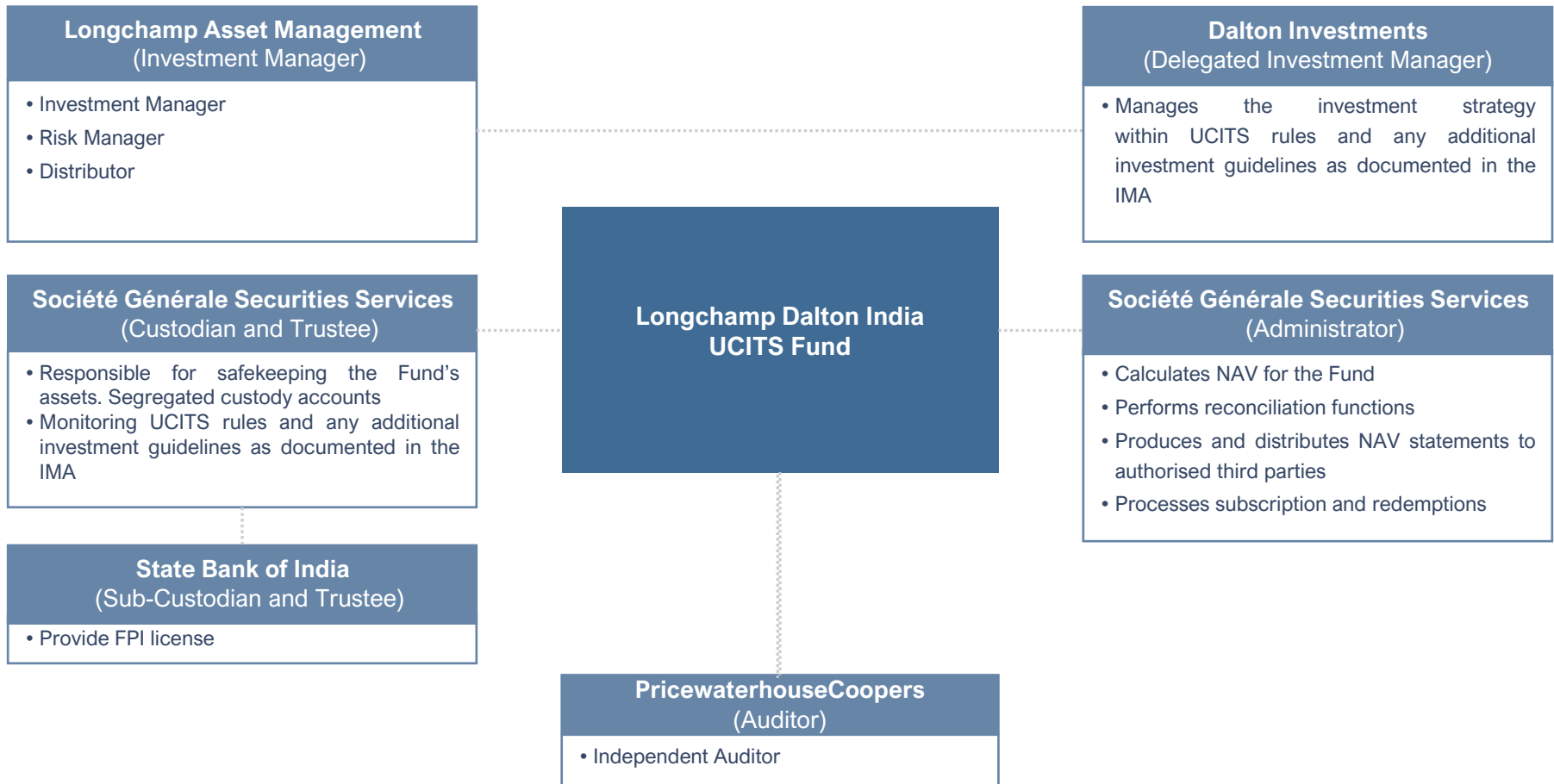
## Dalton Investments ("Dalton") as Delegated Investment Manager

- ▶ **Delegated Investment Manager**
  - Responsible for the allocation of equities, money market and bonds instruments
  - Discretionary investment decisions
  - Risk management: responsible for pre-trade monitoring and compliance with the Investment Objectives, Policies and Restrictions with the Regulations in accordance with the Investment Management Agreement
- ▶ **Assets under Management:** Approximately \$4.4bn AuM as of 31 March 2024\*
- ▶ Offices in Los Angeles, Las Vegas, New York, Tokyo, Mumbai, Hong Kong and Sydney.

\*Performance results and assets under management figures presented are preliminary, unaudited, subject to change and do not constitute Dalton's standard books and records. Accordingly, no representation or warranty applies. Accordingly, no representation or warranty applies.



# Overview of the Sub-Fund's Structure



# Longchamp Dalton India UCITS Fund Details

<b>Fund</b>	Longchamp Dalton India UCITS Fund
<b>Investment Strategy</b>	Indian Equities
<b>Investment Manager</b>	Longchamp Asset Management
<b>Delegated Investment Manager</b>	Dalton Investments INC.
<b>Legal Structure</b>	UCITS Sub-Fund of the Longchamp SICAV
<b>Domicile</b>	France
<b>SFDR Classification</b>	Article 8
<b>Dealing Day ("DD")</b>	Daily
<b>Subscription/Redemption Deadline</b>	12 midday Paris time 5 BDs prior to the relevant DD
<b>Settlement</b>	Subscriptions: Payment (cash) and delivery (shares) shall occur within 3 BDs following the relevant Dealing Day (DD+3BDs) Redemptions: Payment (cash) and delivery (shares /units) shall occur within 4 BDs following the relevant Dealing Day (DD+4BDs)
<b>Launch Date</b>	24 January 2020
<b>Reference Currency</b>	EUR
<b>Share Classes</b>	Accumulation
<b>Benchmark</b>	MSCI India Net Total Return

Classes	Management Fees <sup>1</sup>	Performance Fees	Minimum Initial Subscription	Initial Charge	Issue Price	ISINs	BBG Tickers
<b>Class SUH</b> (Unhedged)	1.45% <sup>1</sup>	0%	€ 20,000,000	Up to 5%	10,000	FR0013423571	DINDSUH
<b>Class SH</b> (Hedged)	1.45% <sup>1</sup>	0%	€ 20,000,000	Up to 5%	10,000	FR0013423589	DINDSHE
<b>Class EBUH</b> (Unhedged)	1.55% <sup>1</sup>	0%	€ 1,000	0%	1,000	FR0013423597	DINDEBU
<b>Class EBH</b> (Hedged)	1.55% <sup>1</sup>	0%	€ 1,000	0%	1,000	FR0013423605	DINDEBH
<b>Class R1UH</b> (Unhedged)	1.95% <sup>1</sup>	0%	€ 1,000	0%	1,000	FR0013423613	DINDR1U
<b>Class R1H</b> (Hedged)	1.95% <sup>1</sup>	0%	€ 1,000	0%	1,000	FR0013423621	DINDR1H
<b>Class R2UH</b> (Unhedged)	1.45% <sup>1</sup>	17% > benchmark	€ 1,000	0%	1,000	FR0013423639	DINDR2U

<sup>1</sup> Includes external administrative fees expected to represent 0.45% p.a.

# Appendix

# Dalton Infrastructure

## Effective 31 March 2024



### Founders

Belita Ong (22/43) – Chairman\* ‡  
James B. Rosenwald III (26/43) – Chief Investment Officer\*  
Steven Persky (26/43) – Co-Founder\* ‡  
Gifford Combs (25/41) – Senior Portfolio Manager\*

### Management Committee

Sarah Alfandari (4/17) – Chief Executive Officer and President\* ‡  
Janet Hunpadongrat (17/17) – Chief Operating Officer & Chief Financial Officer\* ‡  
Iain Douglas (7/17) – Chief Marketing Officer\*  
Craig Mercer (8/25) – Chief Sustainability Officer\* ‡  
Christopher Ha (6/19) – Chief Compliance Officer and Counsel\* ‡

### Infrastructure

#### Marketing & Relationship Management

Bart Maeda (17/33) – Managing Director  
Adam Woodward (9/19) – Director\*  
Caitlin Tesoriero (8/13) – Sr. Associate  
Tranisha Harris (1/10) – Marketing Associate

#### Operations & Finance

Christopher Wu (5/15) – Director of Tax and Controller  
Ryo Toyoda (9/12) – Director of Operations and IT\*  
Gilbert Fuentes (9/12) – Accounting Manager  
Ricardo Silva (9/21) – Sr. Accounting Associate  
Matilde Solorzano (6/9) – Sr. Accounting Associate  
Ithonya Fry (4/5) – Staff Accountant  
Steven Kayo (1/3) Operations Associate  
Megumi Maruta (23/23) – Compliance Officer

\* Partner

‡ Members of the Risk Management Committee  
(Years of experience firm/industry)

# Step 1 - Idea Generation

## Qualitative Idea Generation

- Ideas generated through ongoing company interaction, bottom up research and market knowledge
- This includes identifying names where there are strong or increasing alignment of interests
- Dalton focuses on identifying companies with encouraging growth dynamics, strong long-term growth potential and attractive competitive positioning
- The analyst team's research drives the bulk of their idea generation

## Periodic Screens

- Dalton conducts systematic screening based on Dalton's four mantras
- Screens are based on quantitative financial metrics e.g. P/B, Fwd P/E, EV/EBITDA, Dividend Yield, ROIC
- Screens are run periodically to keep ideas fresh and understand the scope of the opportunity
- Screens are led by the Chief Research Officer and are tailored to specific markets

## Example: India Valuation Screen

Company	Market Cap (\$M)	P/E (FY0)	P/E (FY1)	P/B	EV/EBITDA (FY0)	ROIC – 5 Year Ave. (%)
<b>Finolex Cables Ltd</b>	549	10.9	12.6	1.4	7.5	12.8
<b>Zensar Technologies Ltd</b>	507	14.7	13.2	1.8	6.8	15.2
<b>Kalpataru Power Transmission Ltd</b>	483	9.3	8.1	1.1	4.2	11.4
<b>Cyient Ltd</b>	477	10.7	10.5	1.4	6.2	19.9
<b>Birlasoft Ltd</b>	426	14.1	12.3	1.8	8.2	11.4
<b>Moil Ltd</b>	446	14.5	8.8	1.2	5.9	26.0
<b>Redington (India) Ltd</b>	446	6.5	7.1	0.8	4.0	12.5
<b>Sobha Ltd</b>	285	7.6	8.2	0.9	5.1	10.4
<b>IRB Infrastructure Developers Ltd</b>	576	6.0	18.1	0.7	3.7	10.2
<b>PNC Infratech Ltd</b>	470	6.4	9.4	1.4	4.1	11.9
<b>Techno Electric &amp; Engineering Company Ltd</b>	264	10.3	10.5	1.3	6.1	11.7
<b>Dilip Buildcon Ltd</b>	517	9.6	10.9	1.2	5.8	16.3
<b>Sharda Cropchem Ltd</b>	367	16.7	14.5	2.0	8.3	15.7

Screen example for illustrative purposes only. Please note that the case studies are included herein to convey Dalton's thought process and approach in analyzing investment opportunities and are not indicative of performance for any actual Dalton account. The actual performance of the position is not relevant disclosure and should be disregarded given that the aggregate performance of an account/portfolio can be materially different. Further, it should not be assumed that future investments will be profitable or will equal performance discussed in these case studies.

# Step 2 - Due Diligence & Company Meetings

## Due Diligence, Research & Financials

- Build a model of intrinsic value and compare to relevant peers
- Establish direct contact with company management, division heads, competitors, suppliers, customers, etc.
- Engage in group discussion to refine understanding of the company and its competitive position
- Prepare investment thesis using Dalton's Investment Checklist
- Share investment thesis and valuation model with the team

## Disciplined Modelling & Documentation

**Dalton Investments** 12/20/2019

**CRYSTAL INTERNATIONAL (2232 HK)**

**THE COMPANY**  
 Largest apparel OEM by volume (1.4% global share) and the second largest by value (1.1% global share). One-stop value added supplier for top global brands. Gaining share as the industry consolidates.

Market Cap	\$7.0B USD	P/B (Avg PE)	1.1x
Share Price	5.47 HKD	P/E	11x
Rev	\$2.18B USD (H21)	EV/EBIT	11x
1yr profit	\$203.6M USD	Free Cash Flow	\$1.1B
TM	\$743M USD	Div yield	2.2%
DCF	\$1.01B	FCF	\$801

**INVESTMENT THESIS, VALUATION, AND CAPITAL ALLOCATION**

- Industry leader consolidating fragmented market. CEO expects high long-term growth.
  - Active in developing new brands to diversify away from its domestic apparel core product line and reduce risk.
  - Customers show consistent demand for quality, in order to save complexity and cost. Capital is well positioned to cross-sell and increase penetration.
  - Active value creation through "vertical" process starting from product design and production to manufacturing and delivery.
  - Complete the acquisition, increased penetration with top customers, new no. or old only 4% penetration with several large customers including H&M, Gap, L. Brands with room for further increase. CEO would like to reach 30% penetration with 5000 customers.
  - Long-term growth of 10-15% in 2019 and developed value that.
    - Long-term growth with 10-15% per year opening healthy and 15 years of consistent 10-15% CAGR.
    - 20+ year relationship with top customers.

**BUSINESS ANALYSIS**

- Company is 90% held by the US trust.
  - Revenue is 75% in 2019, 70% in 2018 and 60% in 2017 after company was \$100M in revenue. 15% revenue for Q4 in Q4 in 2019.
  - Strongly dependent on top global customers. Demand up to tight global market changes over time.
  - Other major team members have 0-5% stock options, around 10 people.

**RISKS**

- Strong dependence on H&M, Gap and L. Brands.
  - The H&M 2019 revenue was \$1.1B. H&M is a major customer.
  - H&M is a major customer with high volume orders.
- Partly being replaced by young competitors.
  - Company has 10 years of production and use with China. New competitors are...

**Diversity — Geographical Markets**

Company is 90% held by the US trust. Revenue is 75% in 2019, 70% in 2018 and 60% in 2017 after company was \$100M in revenue. 15% revenue for Q4 in Q4 in 2019. Strongly dependent on top global customers. Demand up to tight global market changes over time. Other major team members have 0-5% stock options, around 10 people.

# Step 3 - ESG Analysis

## ESG Analysis

- In-depth review of the ESG credentials of a company
- Examine accounting flags raised
- Note ongoing legal disputes or controversies involving the company
- Check company performance against any exclusion criteria

## ESG Reporting

The screenshot shows a detailed ESG analysis report for U.S. Steel Holdings Ltd. The top section features a table with ESG scores: A (High Quality), B (Moderate Quality), and C (Low Quality). Below this, there are several tables and sections:
 

- Company Summary:** Provides basic information about the company, including its industry and market capitalization.
- Material Issues:** Lists key ESG risks and opportunities that are most relevant to the company's business.
- ESG Risks:** Details the company's approach to identifying, assessing, and managing ESG risks.
- Company Performance:** Shows the company's performance against various ESG metrics and industry benchmarks.

The Delegated Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

# Steps 4 & 5 - Debate and Recommendation

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## Internal Challenge and Portfolio Construction

- Completed research provided to team for internal debate and discussion
- Team plays 'Devil's Advocate' against the investment case
- Identify information gaps
- Consider risk/reward impact of adding position to existing portfolios
- Arrange for the Portfolio Manager to meet owner/operator to assess strategic vision, motivation, etc.

## Trade Recommendation

- Consider impact on portfolio construction
- Recommend position size
- Assess which accounts are appropriate for adding position
- Identify any sales needed to raise cash and/or manage risk
- Provide guidance on limit price, timing and estimated fair value
- Provide key documentation and summary recommendation to Portfolio Manager for consideration



# Step 6 - Engagement

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## Engagement has multiple facets

- Capital Allocation (stock repurchase/dividend increase, etc.)
- Executive Compensation (stock compensation)
- Board Seat/Outside Director
- Cancellation of Treasury Stock
- Corporate Restructuring
- ESG disclosures and policies

## Note that:

- Dalton is signatory of PRI and the Japan and Korean stewardship codes
- More details on their Sustainable Investment Policy can be found on their website

# MakeMyTrip

## Firm Description

MakeMyTrip (MMYT) is the largest online travel and hotel booking platform in India. It started operations in 2000 and is run by its founding promoters.

## Firm Characteristics

<b>Industry</b>	Online platform
<b>Region</b>	India
<b>Market Cap</b>	USD 8.1bn
<b>Stock Price</b>	USD 76.0

## Stock Fundamentals

<b>FWD EV/S</b>	7.9x
<b>Net Cash</b>	\$522M

## Good Business

- **Network effect:** MMYT holds close to 70% market share in online air ticket, hotels and bus ticket volumes. Well positioned to gain from increasing internet penetration in India.
- **Good execution track record:** MMYT management has gone through multiple phases of hyper competition from local as well as international players. They have continued to maintain leadership position and gained market share consistently. Competitive intensity has substantially weakened post COVID.
- **Improved Profitability:** MMYT has turned profitable post COVID after undertaking cost rationalization measures both on the fixed cost as well as marketing spends.

## Alignment of Interest

- Ctrip.com, the largest on-line travel agency in China, owns close to 50% stake and founding partners own 5%. Vibrant ESOP plan also in place for all key employees.

## Margin of Safety

- MMYT's profitability has improved, and the mid-term outlook remains very positive. Stock has re-rated and is trading at an EV/Sales multiple of 7.9x.

Source: Bloomberg and company annual reports.

Please note that the case studies are included herein to convey Dalton's thought process and approach in analyzing investment opportunities and are not indicative of performance for any actual Dalton account. The actual performance of the position is not relevant disclosure and should be disregarded given that the aggregate performance of an account/portfolio can be materially different. Further, it should not be assumed that future investments will be profitable or will equal performance discussed in these case studies.

# Axis Bank

## Firm Description

Axis Bank is the third-largest private bank in India with a ~5.0% market share. The Bank offers the entire spectrum of financial services to customers spanning Large and Mid-Corporates, MSME, Agriculture, and Retail.

## Firm Characteristics

<b>Industry</b>	Banking & Financial Services
<b>Region</b>	India
<b>Market Cap</b>	USD 40bn
<b>Stock Price</b>	INR 1,074

## Stock Fundamentals

<b>P/B Ratio (fwd.)</b>	1.9x
<b>P/E Ratio (fwd.)</b>	12.3x
<b>ROE (fwd.)</b>	16%

## Good Business

- **Strong, Granular, and Sustainable loan franchise:** The bank has built a strong, granular, and sustainable franchise over the years. A- and above corporate loans stood at 89% and 80% of the retail loan book is secured.
- **Impressive deposit franchise:** The bank has an impressive deposit franchise. In addition, the recent Citi acquisition gave it access to a sizable granular deposit base with deep corporate salary relationships.
- **Asset quality improvement:** The delinquency trends of Axis Bank are at the lowest levels seen in more than a decade. The balance sheet buffers are strong with provisions made for COVID still remaining unutilized.
- **Citi acquisition:** The acquisition aligns well with Axis Bank's premiumization strategy. It gives access to a large, affluent, and profitable consumer franchise and gives bank the opportunity to cross-sell product offerings.

## Alignment of Interest

- Management team is incentivized through an active ESOP program, aligning the interest of shareholders.

## Margin of Safety

- Valuations are below long-term averages. Axis bank is trading at FY25E forward 1.9x P/B and 12.3x P/E

Source: Bloomberg and company annual reports.

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# ICICI Bank

## Firm Description

ICICI Bank is the second largest private bank in India in terms of assets and market capitalization. It offers a wide range of financial products for corporate and retail customers through a variety of delivery channels and specialized subsidiaries in the areas of investment banking, life insurance, non-life insurance, venture capital and asset management.

## Firm Characteristics

<b>Industry</b>	Banking & Financial Services
<b>Region</b>	India
<b>Market Cap</b>	USD 92bn
<b>Stock Price</b>	INR 1,087

## Stock Fundamentals

<b>P/B Ratio</b>	2.6x
<b>ROE</b>	17%

## Good Business

- **Retail-focused:** Largest private retail lender (60% of book). Retail loans inherently have lower percentage of non-performing assets (NPA) and ICICI typically caters to salaried customers, who historically have lower NPAs.
- **Consistent performer:** With an established record of earnings consistency, industry-leading growth, and profitability metrics, ICICI is poised to outperform peers.
- **Robust Balance sheet:** ICICI has a comfortable Loan-to-Deposit ratio of ~87%, strong Tier-1 ratio of ~16%, and controlled credit cost.
- **Subsidiaries growing intrinsic value:** The group is among the top players in asset management, life and non-life insurance businesses.

## Alignment of Interest

- ICICI Bank's management has significant stock ownership relative to their fixed compensation, creating strong alignment of interest.

## Margin of Safety

- Risk profile of bank has significantly improved over last ten years. The bank is well placed to grow profitably and has best in class cost of liabilities. Adjusted for the value of its subsidiaries, the bank is trading at 2.6x book value.

Source: Bloomberg and company annual reports.

Please note that the case studies are included herein to convey Dalton's thought process and approach in analyzing investment opportunities and are not indicative of performance for any actual Dalton account. The actual performance of the position is not relevant disclosure and should be disregarded given that the aggregate performance of an account/portfolio can be materially different. Further, it should not be assumed that future investments will be profitable or will equal performance discussed in these case studies.

# HDFC Bank

## Firm Description

HDFC Bank is the largest private sector bank in India with a 11% credit market share. It has a diversified loan book spreading across retail, small and medium enterprises (SME), and corporate segments. The bank underwent a mega merger with its parent, HDFC Limited (mortgage financing business) effective from July 2023.

## Firm Characteristics

<b>Industry</b>	Banking & Financial Services
<b>Region</b>	India
<b>Market Cap</b>	USD 142bn
<b>Stock Price</b>	INR 1,547

## Merged entity stock Fundamentals

<b>P/B Ratio (fwd.)</b>	2.4x
<b>P/E Ratio (fwd.)</b>	19.8x
<b>ROE</b>	16.5%

## Good Business

- **Superior track record:** The bank has consistently delivered healthy business growth and operational performance over various cycles with superior return ratios at +15% RoE in the past many years. HDFC has industry leading financial metrics along with a strong balance sheet and underwriting discipline.
- **HDFC and HDFC Bank merger benefits:** The integration will benefit from large cross-selling opportunities on both the liabilities and asset side, as a large proportion of customers who have liabilities relation with HDFC Bank do not have a home loan from the group and vice-versa.
- **Opportunity ahead:** HDFC bank is expected to outpace system growth with incremental focus on mortgages, rural & commercial segments. With a higher home-loan mix and a strong 'right to win' in mortgage HDFC remains a play on the real estate which is in an upcycle. Continued investment in branch expansion, tech, and people will help in deposit mobilization and will improve merged entities financials, efficiency and profitability in the medium term.

## Alignment of Interest

- Bank's top management brings wealth of experience and is well incentivized with stock incentives.

## Margin of Safety

- The stock now trades at one standard deviation below its historical price-to-book average which makes the risk-return attractive.

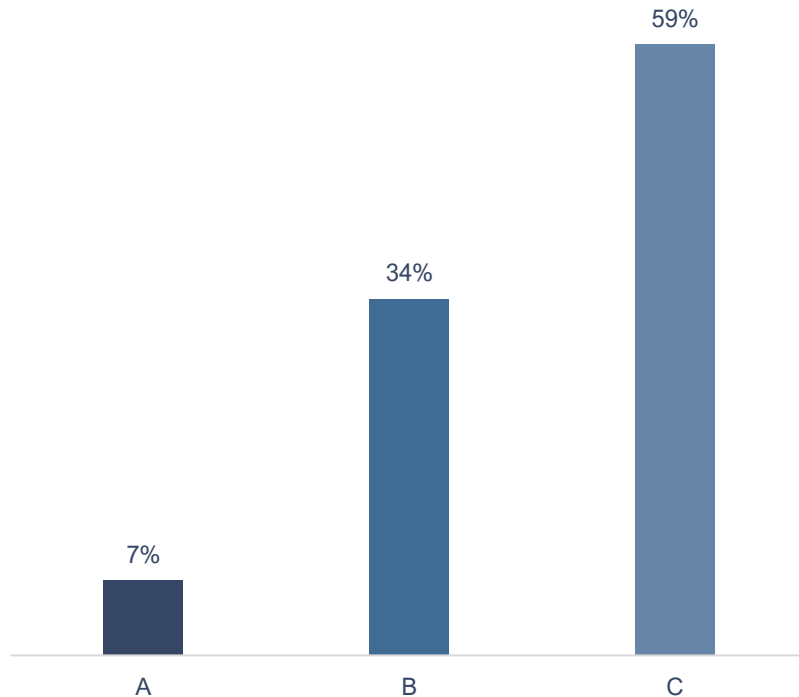
Source: Bloomberg and company annual reports.

Please note that the case studies are included herein to convey Dalton's thought process and approach in analyzing investment opportunities and are not indicative of performance for any actual Dalton account. The actual performance of the position is not relevant disclosure and should be disregarded given that the aggregate performance of an account/portfolio can be materially different. Further, it should not be assumed that future investments will be profitable or will equal performance discussed in these case studies.

# Portfolio ESG Analysis

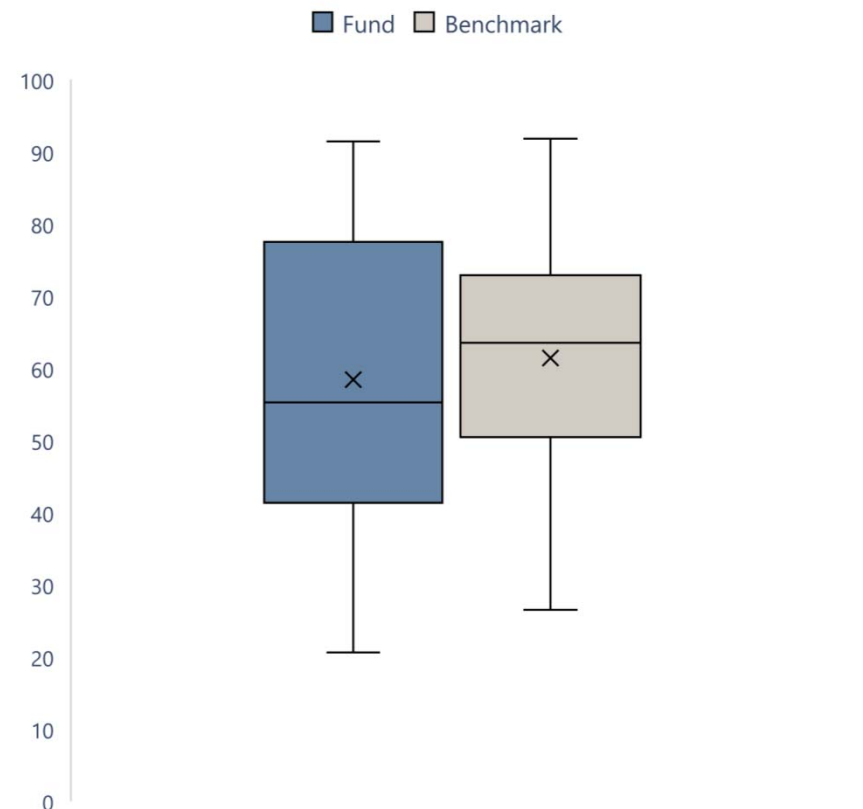
## Rating Distribution by NAV Exposure (Pro rata long portfolio)

(A = High Quality practices, B = Moderate Quality Practices, C = Low Quality Practices, D = Review Requested)



## ESG Score: Distribution of Scores (Long Positions)

Dalton India UCITS Fund vs. MSCI India Index  
 (0 = worst in class 100 = best in class)



Sources: Dalton Investments internal analysis. Refinitiv. As of 31 March 2024.

The Delegated Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

# Portfolio ESG Analysis

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## Key Notes

- Asset4's data coverage of the MSCI Index covers 106 companies.
- Only 97% of Dalton's positions have data coverage by Asset4. As such the data comparison with the index can be misleading.
- For definition of the ESG Score methodology of Refinitiv Asset4, see the disclosures at the end of this presentation.
- While Dalton is mindful of the external data, they are aware that their investment focus means coverage of their investments will be limited.
- Dalton currently has no exposure to Gaming, Tobacco, Armaments, Cluster Munitions, Landmines and Thermal Coal.

## Notes on the Short Portfolio

- The Dalton India UCITS Fund does not currently have any single name short positions.
- It is reminded that Dalton does not analyze ESG on their short positions.
- If added, short positions typically reflect overvalued names with weak business models where Dalton believes there is no alignment of interest between minority shareholders and the owner/operator.
- Dalton does not specifically target positions where there are egregious ESG practices that may lead to capital impairment.

Source: Dalton Investments internal analysis. Refinitiv. As of 31 March 2024.

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# ESG Case Study - Ultratech Cement (1)

## Summary

Dalton views ESG practices at Ultratech positively. There is a clear emphasis on environmental performance within their reporting, which is important given the nature of the business. Governance practices are robust, and transparency is excellent. While key areas of weakness stem from the overall social practices of the company where greater disclosures (particularly around health and safety) would be welcomed.

## Internal View

ESG Rating	B
Risk	Moderate
Disclosure Quality	Good
Region	India
Accounting Risk	Moderate
Intrinsic Value Load Factor	+1.25%
UN SDGs	21 of 43
Sector	Materials

## External View *(scores 0-100, 100 = best / 0 = worst)*

Asset4 Rating	66
RobecoSAM	69
Bloomberg	60
Sustainalytics	No data
CDP	Participates
Asset4 Controversy Rating	100

Source: Company Reports; Bloomberg; Dalton analysis

For illustrative purposes only. Please note that the above case studies are included herein to convey Dalton's thought process and approach in analyzing investment opportunities from an ESG perspective and are not indicative of performance for the investments or any actual Dalton account. Additional information is available upon request.

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# ESG Case Study - Ultratech Cement (2)

## Key ESG Highlights

Legend: + positive impact, - negative impact





	<b>Governance</b>	<ul style="list-style-type: none"> <li>Operates with a majority independent board and audit and nominations and remuneration committees</li> <li>Strong overall governance disclosures provided by the company and the incorporation of a code ethics, diversity policies and human rights disclosures</li> <li>Inclusion of an stock option plan and the issuance of Restricted Stock Units strengthens the alignment of interest</li> </ul>	<p>+</p> <p>+</p> <p>+</p>
	<b>Environment</b>	<ul style="list-style-type: none"> <li>The company has clear ESG commitments outlined within its reporting. Including clear goal setting. Dalton notes a target to reduce CO2 intensity by 25% in FY21 to base FY06</li> <li>The company has a range of initiatives in place to recycle energy generated in its processes back into its grid while also investing in renewable capacity. As part of these plans it has signed up to EP100, a climate focused initiative, to double its energy productivity over the next 25 years</li> <li>PPC cement is typically less demanding on the environment given the use of recycled waste in its manufacture e.g. fly ash and slag while also reduces CO2 emissions relative to other forms of cement making. PPC comprises over 85% of total turnover for the company</li> </ul>	<p>+</p> <p>+</p> <p>+</p>
	<b>Social</b>	<ul style="list-style-type: none"> <li>There is evidence of safety training programs in place but the data on LTIRs is not forthcoming, despite noting 'LTIRs were moderated' during the most recent year. Given the stated commitments to safety and the OHAS 18001 certification it would make sense for the company to report this data</li> <li>Training adoption rates among permanent staff are relatively low (56% safety, 53% skill upgradation)</li> </ul>	<p>-</p> <p>-</p>

The Delegated Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

# ESG Case Study - Ultratech Cement (3)

## Key ESG Highlights

Legend: + positive impact, - negative impact

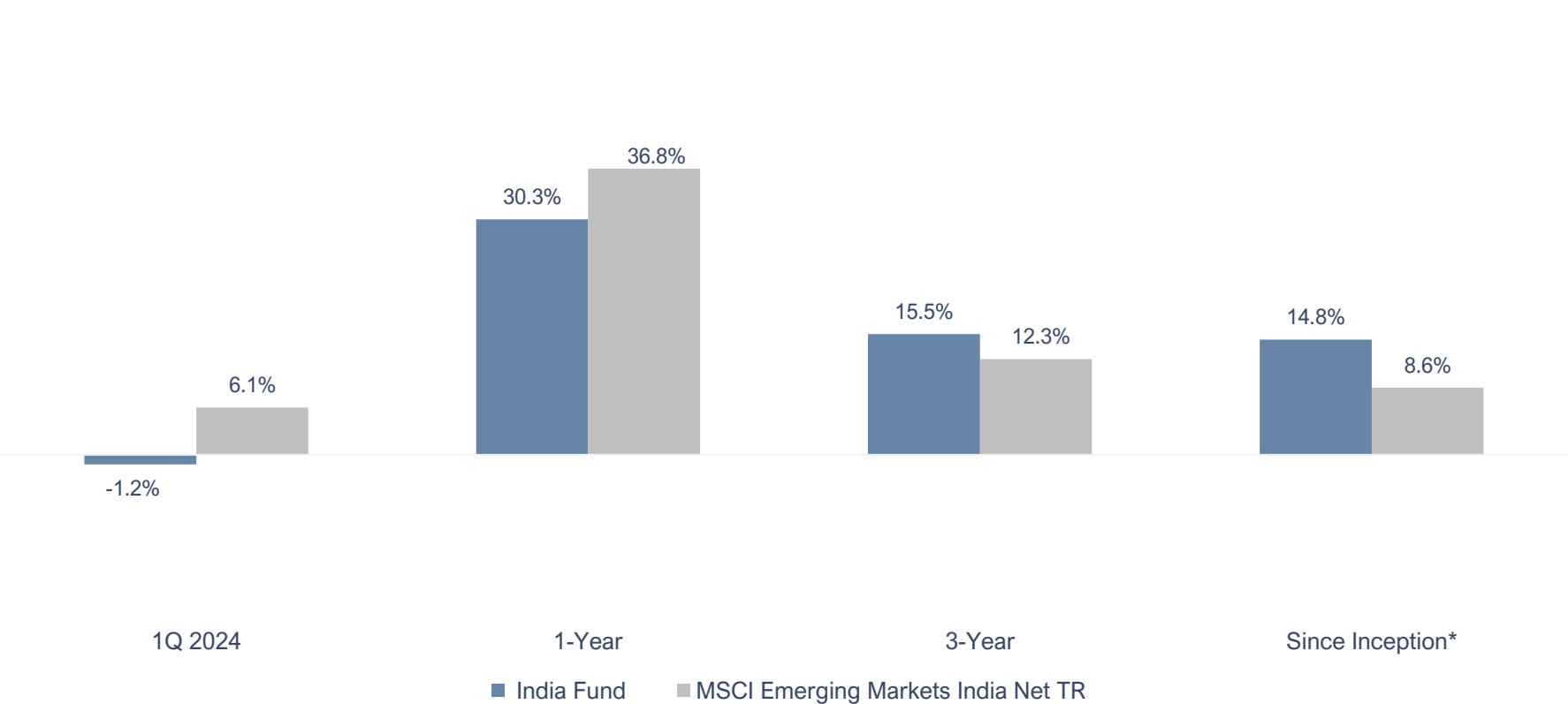
	<b>Other Issues</b>	<ul style="list-style-type: none"> <li>The company is currently contesting anti-competitive practices with Competition Commission of India</li> <li>Dalton is considering how the company's succession planning will take place given the current owner/operator, Kumar Birla's immediate kin do not appear interested in pursuing an interest with the business. His eldest son is a professional cricketer and eldest daughter a global music star. There are two other younger siblings</li> </ul>	<p>-</p> <p>-</p>
	<b>Difference vs. Street</b>	<ul style="list-style-type: none"> <li>Ultratech is generally perceived to operate with decent overall ESG practices by the market. Evidenced by the CDP rating of B and the external vendor ratings that place it in the second quartile. Dalton is placing a greater importance on the alignment of interest to Birla Group</li> <li>They are placing greater emphasis on the forward looking commitments rather than forming judgement on the basis of prior data. Dalton also believes their focus on PPC cement is a key differentiator</li> </ul>	<p>+</p> <p>+</p>
	<b>Impact on Value</b>	<ul style="list-style-type: none"> <li>Given the strength of the underlying operating practices around ESG they believe a greater degree of confidence could be assigned to the margin of safety given the sustainability of potential future earnings</li> </ul>	<p>+</p>
	<b>Engagement</b>	<ul style="list-style-type: none"> <li>At this stage Dalton has not directly engaged the company as they do not see a major impetus to drive any particular change in the working practices of the company. Should their view change they will engage directly with the company</li> </ul>	<p>-</p>

The Delegated Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

# Dalton India Fund

Annualized Performance\* (Net of Fees) as of 31 March 2024

## Dalton India Fund (USD)



\*Inception date of July 1, 2014  
 Past performance is no guarantee of future results. All investments involve risk including the loss of principal. The performance included herein does not deduct the local Indian tax accrued on the capital gains; the performance figures only reflect the incurred local Indian tax on the capital gains. Performance related data herein is supplemental to Dalton's GIPS presentation, which is provided on the final pages hereto.

# Dalton India Fund Portfolio

Holdings Performance\* (Net of Fees, USD) as of 31 December 2023  
Supplemental to the GIPS-compliant performance information



## Risk Analysis (Since Inception)\*

	Dalton India Fund	MSCI India
Cumulative Net Total Return	202.5%	111.1%
Average Annualized Net Return	12.4%	8.2%
Standard Deviation	22.6%	19.2%
Largest Net Consecutive Gain	182.8%	48.6%
Largest Net Drawdown	-62.4%	-33.6%
Sharpe Ratio	0.49	0.36
Correlation	-	0.85
Beta	-	1.00

## Holdings Summary and Contribution

	Arithmetic Sum of Returns (Net)**					MSCI India Return
	Dalton India Fund Return	Long Return	Short Return	FX Return	Cash Return	
Latest Month	7.4%	7.5%	0.0%	0.0%	-0.1%	8.1%
2023 YTD	24.3%	24.2%	0.0%	-0.1%	-1.4%	20.8%
2022	-9.2%	-6.3%	-0.0%	0.0%	-1.5%	-8.0%
2021	52.2%	45.2%	0.0%	-0.1%	-1.5%	26.2%
2020	49.3%	47.1%	0.0%	5.7%	-1.8%	15.6%
2019	-22.0%	-20.0%	0.0%	-0.5%	-1.9%	7.6%
2018	-29.9%	-35.7%	0.0%	4.5%	-1.5%	-7.3%
2017	63.0%	52.9%	0.0%	-0.9%	-1.4%	38.8%
2016	22.8%	23.2%	-0.3%	0.0%	0.0%	-1.4%
Annualized Since Inception	12.4%					8.2%

	Portfolio Concentration					
	Number of Long Positions	Number of Short Positions	Largest Long Position	Largest Short Position	10 Largest Longs	10 Largest Shorts
Latest Month	22	0	12.6%	0.0%	63.9%	0.0%
2023 YTD	22	0	12.9%	0.0%	64.9%	0.0%
2022	25	0	12.1%	0.0%	61.9%	0.0%
2021	25	0	9.9%	0.0%	59.1%	0.0%
2020	26	0	7.7%	0.0%	54.8%	0.0%
2019	21	0	9.1%	0.0%	61.3%	0.0%
2018	22	0	11.0%	0.0%	56.1%	0.0%
2017	26	0	11.8%	0.0%	60.2%	0.0%
2016	21	1	10.6%	-2.9%	52.0%	-2.9%
Average	23	0	10.1%	-0.5%	55.9%	-0.5%

\*Past performance is no guarantee of future results. All investments involve risk including the loss of principal.

\*\* The performance component returns are arithmetic calculations and will not equal the Fund Return which is a geometric calculation.

# GIPS Composite and Performance Disclosures

## Dalton India Composite (1 July 2014 through 31 December 2022)

Year	Gross-of-Fees Return* (%)	Net-of-Fees Return (%)	Benchmark Return† (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)	Total Composite Assets (USD)	Total Firm Assets (USD)
2014	2.21%	1.70%	1.65%	N/A	N/A	1	N/A	7.9M	3.1B
2015	6.96%	5.90%	-6.13%	N/A	N/A	1	N/A	12.3M	3.2B
2016	28.10%	22.81%	-1.43%	N/A	N/A	1	N/A	18.3M	3.1B
2017	79.92%	62.99%	38.76%	17.38%	16.74%	1	N/A	33.5M	3.7B
2018	-28.81%	-29.87%	-7.30%	22.05%	18.06%	1	N/A	23.3M	3.5B
2019	-20.86%	-22.04%	7.58%	22.26%	15.82%	1	N/A	16.8M	3.4B
2020	51.59%	49.33%	15.55%	32.10%	24.65%	1	N/A	20.0M	3.2B
2021	49.22%	46.99%	26.23%	30.33%	23.33%	1	N/A	35.6M	3.2B
2022	-6.64%	-8.03%	-7.95%	29.00%	24.75%	1	N/A	31.8M	2.4B

- Dalton Investments LLC and Dalton Investments, Inc. (collectively, “Dalton Investments” or the “Firm”) are investment advisers registered with the United States Securities and Exchange Commission (“SEC”). The Global Investment Performance Standards (“GIPS®”) definition of the Firm excludes: (i) Dalton Investments’ affiliates, such as Rosenwald Capital Management, Inc., (ii) its non-core real estate investment mandates and (iii) its closed, private client, high net-worth business.
- Dalton Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Dalton Investments has been independently verified for the periods 01/01/2010 – 12/31/2022. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm’s policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Dalton India Composite (the “Composite”) has had a performance examination for the periods 07/01/2014 – 12/31/2022. The Firm’s list of pooled fund descriptions for limited distribution pooled funds is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The verification and performance examination reports are available upon request. The Firm’s list of composite descriptions is available upon request.
- The Composite’s inception date was July 1, 2014. The Composite’s strategy seeks to follow a disciplined value investment process to identify intrinsically undervalued companies located in India or deriving substantial revenue from India, while shorting companies with catalysts for decline. The Composite’s strategy primarily invests in local ordinary shares, global depositary receipts – e.g., ADRs and GDRs, synthetic access instruments, such as P-Notes and currency instruments. The strategy typically does have the ability to use leverage, derivatives, and shorts with no constraints. Any additional exposure arising from derivatives typically does not exceed the net asset value of the strategy. Additional information regarding the use of such instruments is available upon request. Illiquid securities are not a significant part of this Composite strategy. The Composite was created in December 2014. Effective June 1, 2021, the Dalton India Long/Short Composite has been renamed the Dalton India Composite because the Composite historically had limited short exposure (even though it retains the ability to enter into short positions) and Dalton Investments believes that the change more accurately reflects the Composite’s primary strategy.

(Disclosures continued on next page)

# GIPS Composite and Performance Disclosures

Dalton India Composite (1 July 2014 through 31 December 2022)

4. The Composite's benchmark is the MSCI Emerging Markets India Net Total Return Index (MSCI India (USD), symbol: NDEUSIA) (the "Benchmark") and is compiled by Morgan Stanley Capital International, Inc. It is a free-float adjusted market capitalization weighted index designed to track the performance of the large and mid-cap segments of the Indian equity market. With 71 constituents, the index seeks to represent approximately 85% of the Indian equity universe. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. For comparison purposes, Benchmark returns do not reflect transaction costs, investment management fees or other fees and expenses that would reduce performance in an actual account. It is not possible to invest in the Benchmark. The Composite's portfolio account has held and is expected to continue to hold securities that are not included in the Benchmark and the Firm makes no representations that the Composite is comparable to the Benchmark in composition or element of risk involved. Benchmark returns are not covered by the report of the independent verifiers.
5. Returns presented are supplemental information since they present hypothetical performance (the "Hypothetical Returns") for a hypothetical \$500,000.00 investment (the "Initial Investment") made at the inception of the Composite (the "Hypothetical Investor"). The Gross-of-Fees Hypothetical Returns are calculated by applying the Composite's actual cumulative gross-of-fee returns which include all trading expenses, withholding taxes, custodial fees (if applicable) and other administrative fees but exclude accruals and payments of all management and performance fees to the Hypothetical Investor's Initial Investment. The Hypothetical Investor's Returns assume no subscription or redemption and reinvestment of all dividend income. Through December 31, 2016, Net-of-Fees Hypothetical Returns are calculated, in reference to a 6% annual hurdle rate and any applicable high water mark, by deducting a model 1% management and 20% performance fees (the "Initial Model Fees") from the Gross-of-Fees Hypothetical Returns. The Initial Model Fees represent the highest management and performance fee schedule of the Composite through December 31, 2016. Following January 1, 2017, the highest management fee schedule offered for the Composite was changed to 1.5%. Following January 1, 2017, Net-of-Fees Hypothetical Returns are calculated, in reference to a 6% annual hurdle rate and any applicable high water mark, by deducting a model 1.5% management and 20% performance fees (the "Current Model Fees") from the Gross-of-Fees Hypothetical Returns. The Current Model Fees represent the current highest management and performance fee schedule offered in the Composite. Information regarding year to date and annual Performance Results is compounded. The Hypothetical Results shown do not represent the results of any actual investor in the Composite. Investment results for each investor will vary from the Hypothetical Results shown herein due to, among other factors, differing investment dates and additional contributions or withdrawals. Actual fees may differ due to various factors including, but not limited to, account size. Additional information regarding the Firm's fees is available upon request and may also be found in Dalton Investments' Form ADV Part 2. Performance is expressed in US Dollars. To compute currency exchange rates, the Composite uses Bloomberg at 3PM EST close while the Benchmark uses WM Reuters at 4PM GMT close, which may result in differing exchange rates.
6. Dispersion is not presented for periods less than one year or when there were five or fewer portfolios in the composite for the entire year as it is not considered statistically meaningful.
7. The three-year annualized standard deviation which uses gross annual returns measures the variability of the Composite and the Benchmark returns over the preceding 36-month period. The standard deviation is not presented for 2014 through 2016 as three years of data was not available at that point.
8. This document does not constitute an offering of any private fund, which can only be made to qualified purchasers by means of the private placement memoranda which describe, among other things, the risks of making an investment in the funds.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

**Past performance does not guarantee future results. All investments involve risk including the loss of principal.**

# Disclaimer

## RISK WARNING

Some results are based on simulated or hypothetical performance results that have certain inherent limitations. Unlike the results shown in an actual performance record, such results do not represent actual trading. Also, because such trades have not actually been executed, these results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those being shown using simulated data.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE PERFORMANCE. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. THE VALUE OF THE INVESTMENTS AND THE INCOME FROM THEM CAN GO DOWN AS WELL AS UP AND AN INVESTOR MAY NOT GET BACK THE AMOUNT INVESTED. THERE CAN BE NO ASSURANCE THAT THE FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVES. AS SUCH, NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT.

HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING STRATEGY IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

INVESTMENTS MAY BE IN A VARIETY OF CURRENCIES AND THEREFORE CHANGES IN RATES OF EXCHANGE BETWEEN CURRENCIES MAY CAUSE THE VALUE OF INVESTMENTS TO DECREASE OR INCREASE. FURTHERMORE, THE VALUE OF INVESTMENTS MAY BE ADVERSELY AFFECTED BY FLUCTUATIONS IN EXCHANGE RATES BETWEEN THE INVESTOR'S REFERENCE CURRENCY AND THE BASE CURRENCY OF THE INVESTMENTS.

INVESTMENTS IN DERIVATIVE INSTRUMENTS CARRY CERTAIN INHERENT RISKS SUCH AS THE RISK OF COUNTER PARTY DEFAULT AND BEFORE INVESTING YOU SHOULD ENSURE YOU FULLY UNDERSTAND THESE RISKS. USE OF LEVERAGE MAY ALSO MAGNIFY LOSSES AS WELL AS GAINS TO THE EXTENT THAT LEVERAGE IS EMPLOYED.

THESE INVESTMENTS ARE DESIGNED FOR INVESTORS WHO UNDERSTAND AND ARE WILLING TO ACCEPT THESE RISKS. PERFORMANCE MAY BE VOLATILE, AND AN INVESTOR COULD LOSE ALL OR A SUBSTANTIAL PORTION OF ITS INVESTMENT.

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