Part 1 – The Transformation of the Indian Economy

Dalton launched its first dedicated Indian fund (the Dalton India Fund) in July 2014, following the arrival of Portfolio Manager Venkat Pasupuleti at the firm. Over time, Dalton’s Indian investment capabilities have evolved, with the opening of a Mumbai office, the addition of two more investment team members and the launch of two more Indian funds, serving our European and domestic Indian client bases, respectively. With the Dalton India Fund now more than ten years old, Dalton thought it would be useful to step back and consider how the investment case for India has evolved over the last decade and how attractive the return potential is for the second decade of the fund’s life. In the first part of our review, Dalton considers the transformation in India’s economy and stock market.

India’s Place in the Global Economy

When the Dalton India Fund launched in 2014, India had a GDP of US$2.0 trillion and ranked slightly behind Italy as the world’s 8th largest economy. Over the last decade, India’s GDP has grown at a remarkable 7% CAGR in USD terms, reaching US$3.6 trillion and rising to become the 5th largest economy globally. Can this growth trajectory be maintained? If anything, the IMF expects growth to accelerate, with the Indian economy projected to touch US$5 trillion by 2027, overtaking Japan and Germany to become the world’s 3rd largest economy, driven by favorable demographics, stronger institutions, and improved governance. This economic ascent highlights India’s growing influence as a key driver of global growth.

GDP Ranking in Nominal US$ Terms

Rank									CY'27 GDP ($tr)
0									$31.5tr
1	US	US	US	US	US	US	US	US	$23.6tr
2	JP	JP	CH	CH	CH	CH	CH	CH	$5.4tr
3	GR	GR	JP	JP	JP	GR	GR	IN	$5.3tr
4	UK	UK	GR	GR	GR	JP	IN	GR	$4.9tr
5	FR	CH	FR	UK	UK	IN	JP	JP	$4.3tr
6	CH	FR	UK	FR	IN	UK	UK	UK	$3.5tr
7	IT	IT	BR	IN	FR	FR	FR	FR	$2.6tr
8	CN	CN	IT	IT	IT	IT	BR	BR	$2.5tr
9	MX	SP	IN	BR	CN	BR	CN	CN	$2.5tr
10	BR	KR	RU	CN	KR	CN	IT	IT	$2.4tr
11	SP	MX	CN	KR	RU	RU	MX	MX	$1.9tr
12	KR	BR	SP	RU	BR	MX	RU	KR	$2.0tr
13	IN	IN	AU	AU	AU	KR	KR	RU	$1.9tr
	CY'00	CY'05	CY'10	CY'15	CY'20	CY'23	CY'26	CY'27	

Sources: IMF and Jeffries Research

India’s Economic and Social Progress

Over the past decade, India has made significant economic and social strides. It emerged as one of the fastest-growing major economies, driven by digital transformation, infrastructure development, and a thriving startup ecosystem. Socially, poverty levels declined, financial inclusion expanded through initiatives like Jan Dhan (expanding affordable access to financial services such as bank accounts, remittances, credit, insurance and pensions) and Unified Payments Interface (“UPI” – an instant payment system, which now processes 18 billion transactions a month), while major reforms in healthcare and education improved quality of life for hundreds of millions of people.

Change in Economic and Social Factors Over 10 Years

Economic Factors	2014	2024	Growth (%)
GDP	$2.0 tr	$4.3 tr	114%
Per Capita Income	$1,020	$2,500	145%
Market Capitalization	$1.6 tr	$4.8 tr (peak $5.7 tr)	200%
Foreign Exchange Reserves	$319 bn	$705 bn	121%
Number of Stocks with $1 Billion mcap	166	522	215%
Number of Unicorns	8	118	14.8x
Brokerage Accounts	2m	180m	8.0x
Monthly SIP Flows	$0.01 bn	$3.1 bn	265x
Unique Registered Investors	16.5m	110m (~17% household)	567x

Social Factors	2014	2024	Growth (%)
People with Bank Accounts	150m	512m (>96% household)	240%
Digital Payments Volume	2.2 bn	185.9 bn	84.5x
Internet Subscribers	252m	954m	279%
Number of Operational Airports	74	157	112%

Source: Government, Data

As Dalton looks out over the coming decade and beyond, Dalton applauds the Indian government's bold quantitative goals under its "India@2047" vision, targeting a $30–35 trillion economy and a per capita income of $18,000–$20,000 (up from current levels of just under $3,000). This India@2047 vision coincides with the country's 100th year of independence. Export targets include achieving a 10% share in global trade by 2047 (up from the current level of below 3%), with intermediate objectives such as reaching $2 trillion in total exports by 2030 (versus $825 billion in FY25 and $780 billion in 2024). While these targets may seem lofty, they are backed by major initiatives which could support such dramatic change. Key examples include the Production Linked Incentive (PLI) schemes (such as the flagship "Make in India" initiative), which are being deployed across sectors such as electronics, semiconductors, and pharmaceuticals, with the aim of rapidly scaling up manufacturing. As an example, the electronics manufacturing sector alone is aiming for $500 billion in production and 6 million jobs by 2030. Major policy reforms, such as Goods and Services Tax (GST) for tax harmonization, as well as labor code consolidation for improved workforce flexibility, are designed to enhance ease of doing business. In addition, digital infrastructure expansion through programs like Digital India (aimed at improving online infrastructure and increasing internet accessibility) and PM Gati Shakti (a US$1.2 trillion project aimed at providing multimodal connectivity infrastructure to all economic zones of India) have the potential to radically improve productivity. Together, these initiatives form the foundation for India's targeted transition into a globally competitive and inclusive economy by 2047.

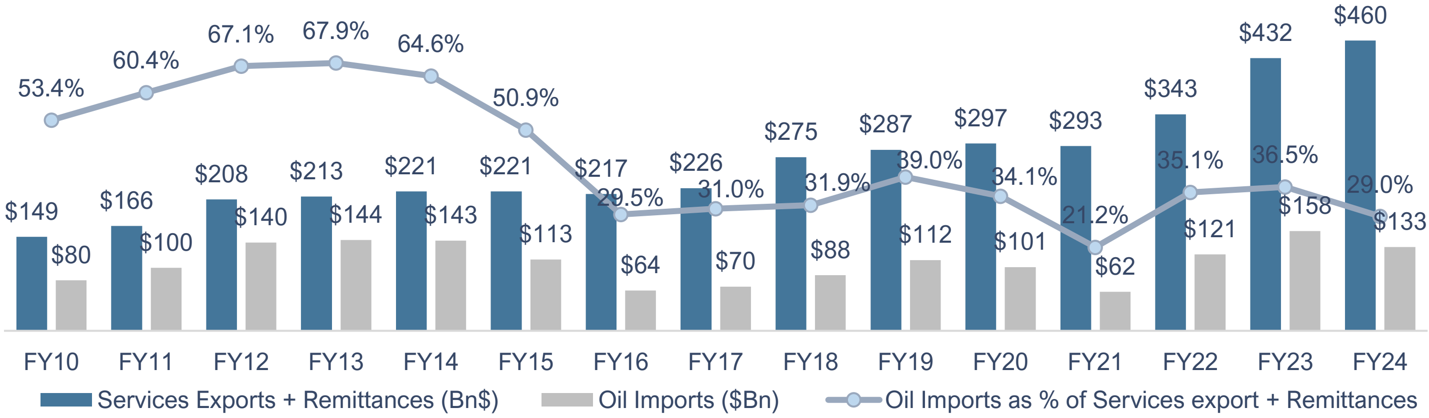
On the social front, initiatives such as the Jal Jeevan Mission (for safe drinking water), rural electrification, and expanding financial inclusion (driven by broader access to banking and digital platforms) are set to improve quality of life, particularly in rural regions. Collectively, these reforms aim to enhance social well-being, alleviate poverty, and build a more inclusive and equitable society, setting the stage for sustained development across India.

India's Economic and Social Progress

In 2014, India was known as a boom and bust economy, which was part of Morgan Stanley's "fragile five" list of vulnerable economies. Looking back a decade later, Dalton can observe that India has made significant progress in enhancing macroeconomic stability, supported by prudent fiscal management, inflation targeting, and a resilient external sector. The Reserve Bank of India has effectively maintained inflation within its target range, despite occasional food and fuel shocks, while the government has worked toward reducing the fiscal deficit post-pandemic. Strong foreign exchange reserves, robust remittance inflows, and a competitive services sector have kept the current account deficit manageable.

A key reason for India's relative fragility a decade ago was its dependency on oil imports. While India's oil import dependency remains high at 89.1%, significant growth in service exports and a steady flow of remittances now cushion the impact, significantly reducing India's vulnerability to oil price volatility. Indeed, over the pas five years, India’s service exports have grown at nearly double the pace of its nominal GDP. Large global organizations, including JP Morgan, Intel, and NTT, now have 10-20% of their workforce based in India. Additionally, India has retained its position as the world’s top recipient of remittances, growing at an 8% CAGR over the last five years, thereby bolstering overall service exports. As a result, despite India's high dependency on oil imports, the country is now better insulated from fluctuations in global oil prices.

Service Exports and Remittances vs Oil Imports



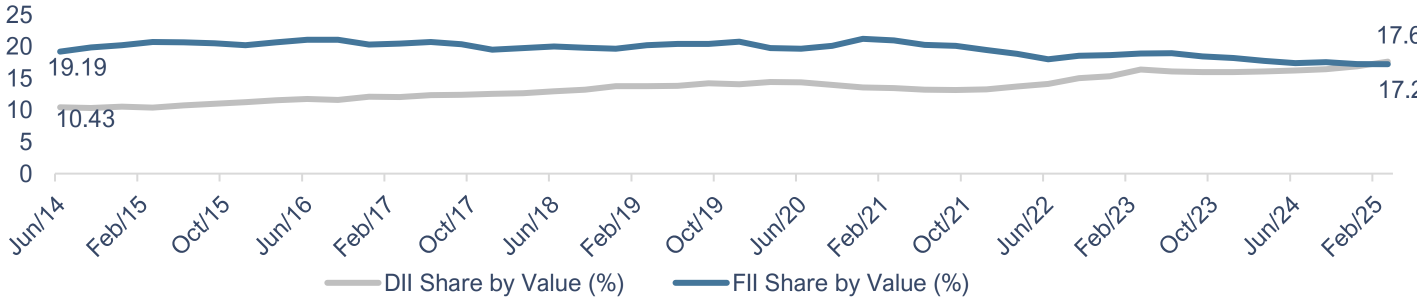
Sources: Reserve Bank of India, World Bank, GOI

The Stability of the Indian Equity Market

Since the launch of the Dalton India Fund in July 2014, the Indian market has compounded at around 8% per annum with the Fund’s return of around 11% (net of fees) (in USD, as of 3/31/25), substantially outpacing this market return. While these market returns have comprehensively outpaced broader Asian and emerging markets benchmarks over this period, these strong returns have come with periods of pronounced volatility and drawdowns. Dalton has already covered why they believe the Indian economy has become fundamentally more stable over the last decade, but should this translate into a smoother ride for stock market investors over the coming decade? Dalton believes so, for one simple reason – the explosion in equity market participation by domestic savers in India.

India's financial markets are undergoing a significant shift, with domestic investors increasingly taking the lead over foreign capital. As of March 2025, Domestic Institutional Investors (DIIs), which includes domestic mutual funds and insurance companies, collectively hold a 17.62% stake in NSE-listed firms, surpassing the 17.22% held by Foreign Institutional Investors (FIIs) for the first time. This shift, reflecting a growing reliance on domestic savings and investment, has been powered by the wall of money flowing into domestic mutual funds from Systematic Investment Plans (SIPs), which allow an investor to invest a fixed amount of money every month in their selected mutual fund scheme(s). In 2019, just 1 in 14 Indian households had stock market investments; due to the success of the SIP program, it is now 1 in 5. The change signals the maturation of India's financial ecosystem, with domestic capital playing a more prominent role in driving market dynamics. While foreign investment remains important, the increasing dominance of domestic investors suggests a more resilient and self-sustaining market in the future.

DII vs FII Ownership of the Indian Market



Source: Prime database group

Conclusion

India has delivered remarkable economic growth and strong stock market returns over the last decade. As Dalton have revisited the key elements of the investment case for India, Dalton concludes that India remains a compelling long-term structural buy, underpinned by a young and expanding population, rising middle class, and rapid urbanization. Major reforms such as the GST, the PLI schemes, and digital infrastructure initiatives have laid the groundwork for a more formalized and productive economy. Strong macroeconomic stability, supported by improving terms of trade, a declining primary deficit, and reduced inflation volatility, reinforces India’s solid fundamentals. The country also benefits from global supply chain diversification trends and government-led capex revival, positioning it well for sustained growth. Indian equity markets rank 4th globally in terms of the number of listed companies with market capitalizations above US$5 billion and in firms with average daily volume traded exceeding US$5 million, reflecting a broad and liquid investment landscape. Furthermore, India’s diverse and well-established industrial base, with low sectoral concentration relative to peers, enhances its resilience and long-term attractiveness as an investment destination.

At Dalton, we remain focused on investing in high-quality businesses, trading at reasonable valuations, where Dalton has a strong alignment of interest with capable management teams. Dalton hopes and expects their portfolio to continue delivering outsized investment returns for Dalton’s client’s capital and their own over the decade to come.

DISCLAIMER

This document is a marketing communication and has been prepared solely for information purposes. None of the information contained in it constitutes a solicitation or offer by Sanso Longchamp Asset Management to buy or sell any securities, futures, options or other financial instruments or adopt any other strategy. This information is confidential and is being delivered to a limited number of sophisticated prospective, institutional or qualified investors in jurisdictions where distribution of this presentation to those persons would not be contrary to local laws and regulations.

In particular, the information in this marketing communication is not for distribution in the United States. Any securities referred to on this marketing communication, or any offering material in relation thereto, will not be registered under the Securities Act. This marketing communication is not directed to persons who are residents of the United States. The products described on this marketing communication may not be offered, sold, transferred or delivered directly or indirectly in the United States to, or for the account or benefit of, any U.S. Person (as defined in Regulation S under the Securities Act).

Information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. Information is current as of the date of this communication and is subject to change without notice.

No representation or warranty can be given with respect to the accuracy or completeness of the information, or with respect to the terms of any future offer of transactions conforming to the terms hereof. Certain assumptions may have been made in the analysis which resulted in any information and returns/results detailed herein. No representation is made that any results/returns indicated will be achieved or that all assumptions in achieving these returns have been considered or stated. We do not undertake to update the information in this document or the assumptions on which it is based.

All of the information in this document relating to Dalton Investments INC and its affiliates (together "Dalton") is communicated by Dalton Investments INC, 4220 S. Maryland Parkway, Suite 205A, Las Vegas, Nevada 89119, authorized and regulated by the U.S. Securities and Exchange Commission[1]. No representation or warranty can be given with respect to the accuracy or completeness of the information, or with respect to the terms of any future offer of transactions conforming to the terms hereof. Certain assumptions may have been made in the analysis which resulted in any information and returns/results detailed herein. No representation is made that any results/returns indicated will be achieved or that all assumptions in achieving these returns have been considered or stated. We do not undertake to update the information in this document or the assumptions on which it is based. Changes to the assumptions may have a material impact on any results/returns detailed. Sanso Longchamp AM and Dalton disclaim any and all liability relating to this information, including without limitation any express or implied representations or warranties for statements contained in, and omissions from, this information. Sanso Longchamp AM and others associated with it may have positions in, and may affect transactions in, securities and instruments of issuers mentioned herein and may also perform or seek to perform investment banking services for the issuers of such securities and instruments. Price and availability are subject to change without notice. Additional information is available on request.

This document is not a research report and the information contained in it has not been prepared in accordance with legal requirements designed to promote the independence of investment research.

Sanso Longchamp Asset Management is not qualified to give legal, tax or accounting advice to their clients and do not purport to do so in this document. Clients are strongly encouraged to seek the advice of their own professional advisors about the consequences of the proposals contained herein. You will be deemed to have acknowledged that you have understood the risks and consequences associated with the strategies mentioned herein. Any transaction will be subject to legal, regulatory and tax review, and will be entered into only pursuant to documentation to be negotiated on terms acceptable to you.

This document may not be distributed in any jurisdiction where it is unlawful to do so. The products described in this communication may not be marketed, sold or be available for offer in a number of jurisdictions where it is unlawful to do so. Applications for shares in any Fund should not be made without first consulting the OEIC's current prospectus, key investor information document, annual report and semi-annual report ("Offering Documents"), or other documents available, which to the extent they are permitted to be distributed in your local jurisdiction, are available free of charge at the address above or on https://sanso-longchamp.com/.

The Offering Documents contain material information not contained herein. In particular, the Prospectus contains details relating to the terms of investment and information regarding investment risks and conflicts of interest. Any representation to the contrary is not permitted. In the event of such offering, the information in this document will be superseded, amended and/or supplemented in its entirety by the Prospectus.

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.

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.

Dalton Investments INC has been appointed as the delegated investment manager of the Fund by the Investment Manager. While the board of Sanso Longchamp AM has overall responsibility for monitoring of the investment objective, policy and performance of the Fund, the performance of the Fund will be dependent on the proper functioning of the internal management and systems of Dalton Investments INC and the other service providers to the Fund. The Investment Manager will generally not have the opportunity to evaluate the specific investments made by Dalton Investments INC before they are made. Accordingly, you should not consider investing in the Fund unless you are willing to entrust all aspects of selection and management of the Fund's investments to Dalton Investments INC. Sanso Longchamp AM does not accept any liability for any losses caused by the action or inaction of Dalton Investments INC in connection with the performance of its management duties to the Fund.

Any estimates, projections or predictions (including in tabular form) given in this communication are intended to be forward-looking statements. The trademarks and service marks contained herein are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. Any index or other relevant financial product or platform is the intellectual property (including registered trademarks) of the applicable licensor.

Any product based on an index or other relevant financial product or platform is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall have no liability with respect thereto.

Neither Sanso Longchamp Asset Management, nor any of its directors, officers or employees, will be liable or have any responsibility of any kind for any loss or damage that you incur in the case of inconstancies or incompleteness of the data contained herein or in the case of misuse of this marketing communication, whether or not the circumstances giving rise to such cause may have been within the control of Sanso Longchamp Asset Management.

In no event will Sanso Longchamp Asset Management or any such parties be liable to you, whether in contract or tort, for any direct, special, indirect, consequential or incidental damages or any other damages of any kind even if Sanso Longchamp Asset Management or any other such party has been advised of the possibility thereof.