

Fidelity India Fund

Quarterly report

As at 31/12/2020

Fund description

Invests in a diversified selection of 30 to 50 Indian companies and draws on the research capabilities of Fidelity's analysts based on the ground in India. Valuation plays a key role in stock selection. Portfolio holdings are continually assessed against new investment ideas.

Fund facts

Portfolio manager: Amit Goel

Benchmark: MSCI India Index NR

Inception date: 29/09/2005

Fund size: AU\$203.09M

Number of stocks: 30 to 50

Management cost: 1.20% p.a.

Buy/sell spread: 0.40%/0.40%

Portfolio guidelines

Stocks: +/-5% from benchmark

Industry: +/-10% from benchmark

Cash: Target range between 0% and 10%

Top 10 holdings (%)

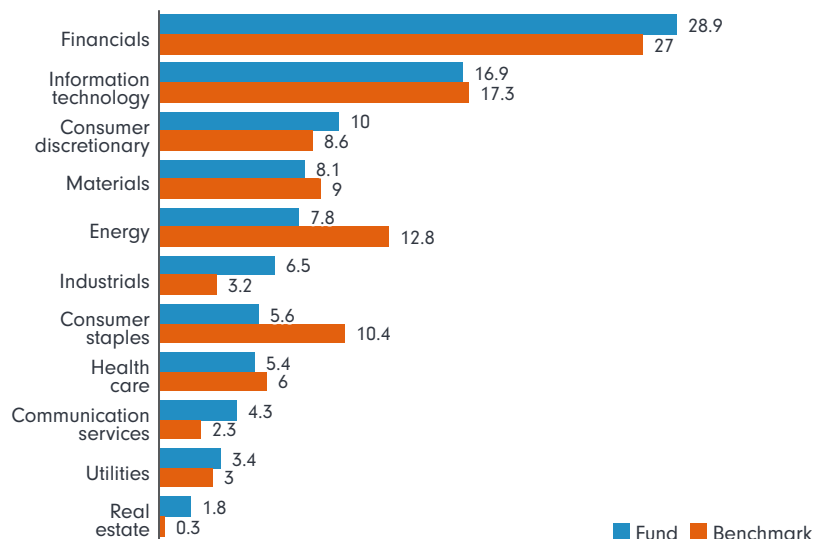
	Fund	B'mark
Infosys Ltd	11.0	8.0
Reliance Industries Ltd	7.8	10.6
HDFC Bank Ltd	7.2	0.0
Axis Bank Ltd	6.7	2.6
Housing Dev Finance Corp Ltd	3.9	8.2
Bajaj Finance Ltd	3.3	2.7
Hcl Technologies Ltd	3.0	1.9
Maruti Suzuki India Ltd	2.8	2.0
Ultratech Cemco Ltd	2.8	1.1
Hindustan Unilever Ltd	2.6	3.7

Performance %

	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	Since Inception p.a (29/09/2005)
Fidelity India Fund	3.92	12.87	22.94	6.34	6.20	9.45	14.53	9.08	8.76	9.66
MSCI India Index NR	5.22	12.43	24.14	5.27	5.31	8.24	11.37	6.36	7.62	8.25
Excess return	-1.30	0.44	-1.20	1.07	0.89	1.21	3.16	2.72	1.14	1.41

Total net returns represent past performance only. **Past performance is not a reliable indicator of future performance.** Total returns (net) have been calculated using exit prices and take into account the applicable buy/sell spread and are net of Fidelity's management costs, transactional and operational costs and assumes reinvestment of distributions. No allowance has been made for taxation or for any fees charged by operators of master trusts or wrap accounts through which the products are offered. Returns of more than one year are annualised. Returns of the Fund can be volatile and in some periods may be negative. The return of capital is not guaranteed.

Industry breakdown %



Major contributors (%)

As at 31/12/2020	Active pos.	Contribution
HDFC Bank Ltd	7.3	0.6
Shriram Transport Fin Co Ltd	1.3	0.5
Makemytrip Limited	1.0	0.4
Axis Bank Ltd	3.2	0.4
Dr Reddys Labs Ltd	- 1.4	0.4

Major detractors (%)

As at 31/12/2020	Active pos.	Contribution
Housing Dev Finance Corp Ltd	- 4.0	- 1.0
Reliance Industries Ltd	1.4	- 0.9
ICICI Bank Ltd	- 3.4	- 0.8
Godrej Consumer Products Ltd	1.2	- 0.3
Cipla Ltd	1.3	- 0.2

Fidelity funds are available on platforms and mastertrusts via financial advisers. Investors who wish to place at least \$25,000 in a single fund can invest with us directly. For further information, please visit www.fidelity.com.au or call Client Services on 1800 044 922.

This Fund is unhedged and is subject to the risk of fluctuations in international stock markets and currencies. Management costs and the buy/sell spread are current as at the date shown above but may be subject to change in the future. Management costs include GST and exclude abnormal expenses and transactional and operational costs. Investors accessing the Fund through a master trust or wrap account will also bear any fees charged by the operator of such master trust or wrap account. Any apparent discrepancies in the numbers are due to rounding.

Quarterly report

Market performance

Indian equities advanced over the quarter on hopes of a swift economic recovery amid COVID-19 vaccine rollouts. Investors also reacted favourably to positive global news, including a Brexit deal and the passage of a fresh US fiscal stimulus package. Meanwhile, news of a new, faster spreading COVID-19 strain from the UK unnerved investors. In this environment, all sectors except energy ended in positive territory. Real estate, financials and industrials were notable gainers. Foreign institutional investors injected a record US\$18.5 billion into the market, while domestic institutional investors were net sellers during the quarter. On the monetary policy front, the Reserve Bank of India held its key policy rate steady during the quarter. The central bank revised its estimate for economic contraction in FY21 to 7.5% from an earlier assessment of 9.5%, in light of the recent uptick in economic activity. On the economic front, GDP for the July–September quarter contracted at a slower rate than the previous quarter's reading and was better than market estimates. The improvement was driven by a combination of festival-led demand and higher spending. The health of the Indian manufacturing sector continued to strengthen in December, with manufacturers stepping up production and input buying amid efforts to rebuild inventories following business closures earlier in the year. The Purchasing Managers' Index (PMI) edged higher in December from the previous month, and was above the 50-mark that separates growth from contraction for a fifth straight month. Furthermore, several high frequency economic activity and mobility indicators for December 2020 suggested that economic momentum continued to trend well. Growth in power demand, e-way bills, rail volumes and daily vehicles improved month on month during the period.

Fund performance

Financials stocks were among key

contributors

The sector gained momentum in a risk-on environment, supported by positive news flows around COVID-19 vaccines. Of note, the exposure to private sector lenders HDFC Bank and Axis Bank proved rewarding. Consumer finance companies Shriram Transport Finance Co and Bajaj Finance remained in favour amid optimism over a faster economic recovery from the pandemic. Conversely, the underweight positions in Housing Development Finance Corp and ICICI Bank weighed on relative returns. The manager reduced the allocation to Housing Development Finance Corp, which is the parent company of HDFC Bank and HDFC Life Insurance, in favour of its two subsidiary companies. Elsewhere, MakeMyTrip rose on prospects of an acceleration in recovery in the travel sector amid positive vaccine news. The company reported corporate earnings that were in line with expectations in October.

Consumer and health care stocks came under pressure

The holding in Godrej Consumer Products underperformed the broader market following its recent outperformance. The position is retained for its strong presence in niche product categories, such as soaps, hair colour and fresheners, leading to strong returns on invested capital. Among health care stocks, Cipla was caught in profit-taking following strong recent gains. The leading pharmaceuticals company has a strong upside potential with key businesses witnessing strong growth momentum. A recovery in the ex-COVID-19 prescription business in India, cost savings and a ramp up in Albuterol share in the US is likely to drive earnings growth.

Outlook

The outlook for Indian equities has improved as the economy gradually emerges from the COVID-19 shock and corporate earnings

improve. India reached the peak of the COVID-19 pandemic in mid-September, and has witnessed a decline in daily cases and number of deaths since then. The economic recovery was sustained even after the festive season, as indicated by high frequency indicators. In addition, a successful vaccine could be a significant tailwind for the economy.

Looking ahead, long-term structural opportunities will come into focus once again. India has a broad investment universe, and many companies have returns on equity in the mid-teens, which is high for the emerging markets space. It features a strong private sector, with large companies that benefit from favourable demographics. We believe that easy money has already been made in the last six months, and 2021 will be ideal for fundamentals-driven bottom-up stock picking.

Strong demographics, under-penetration of consumer goods and services, increasing urbanisation, and growth in the educated workforce are key drivers for the Indian economy. These trends are expected to continue to drive consumption and contribute to the country's GDP. However, infrastructure development and reforms are essential to improve efficiencies, boost the manufacturing sector and create more jobs. At a time when global supply chains are shifting, India, with its large workforce, has the opportunity to attract global companies by creating a conducive environment for the manufacturing sector to flourish.

Overall, India's long-term structural growth story remains intact. In terms of GDP per capita, India today is where China was in 2006. India is also younger and more rural, and ongoing urbanisation should bring greater economic returns for years to come.

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