

# Fidelity India Fund

## Quarterly report

As at 31/03/2021

### 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\$211.33M

**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

**Sector:** +/-10% from benchmark

**Cash:** Target range between 0% and 10%

### Top 10 holdings (%)

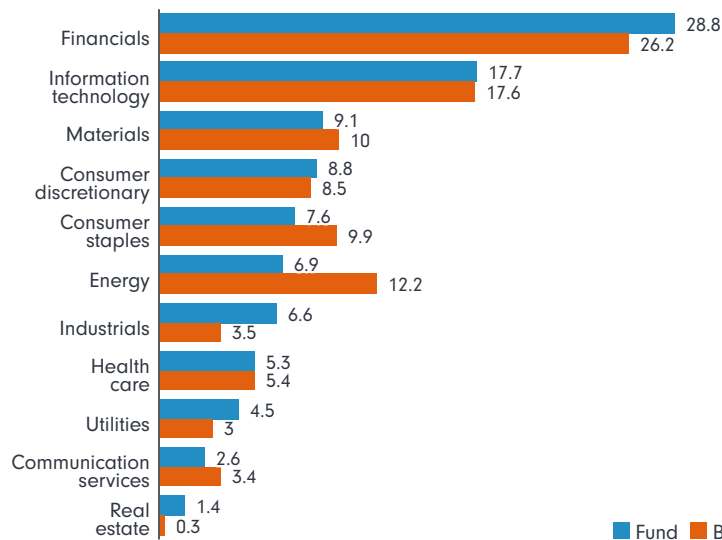
	Fund	B'mark
Infosys Ltd	11.7	8.2
HDFC Bank Ltd	7.4	0.0
Reliance Industries Ltd	6.9	10.1
Axis Bank Ltd	6.7	2.8
Hindustan Unilever Ltd	4.0	3.5
Housing Dev Finance Corp Ltd	3.5	7.5
Hcl Technologies Ltd	3.2	1.9
Ultratech Cemco Ltd	3.2	1.4
Bajaj Finance Ltd	3.1	2.5
Gujarat Gas Ltd	2.9	0.0

### 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	4.20	6.77	20.51	39.67	10.48	12.89	14.52	10.35	7.66	9.96
MSCI India Index NR	3.95	6.49	19.72	41.71	9.44	11.40	11.68	7.69	6.49	8.56
<b>Excess return</b>	<b>0.25</b>	<b>0.28</b>	<b>0.79</b>	<b>-2.04</b>	<b>1.04</b>	<b>1.49</b>	<b>2.84</b>	<b>2.66</b>	<b>1.17</b>	<b>1.40</b>

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 31/03/2021	Active pos.	Contribution
Gujarat Gas Ltd	2.3	0.8
Apl Apollo Tubes Ltd	0.8	0.5
Kotak Mahindra Bank Ltd	-1.9	0.4
Teamlease Services	1.1	0.4
Shriram Transport Fin Co Ltd	1.3	0.3

### Major detractors (%)

As at 31/03/2021	Active pos.	Contribution
Tata Motors Ltd	-0.9	-0.4
Grasim Industries Ltd	-0.7	-0.3
State Bank India	-1.1	-0.3
Hindalco Inds Ltd	-0.8	-0.2
Vedanta Ltd	-0.7	-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](http://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 as the global roll out of vaccinations and further US fiscal stimulus helped the market to overlook concerns over new strains of COVID-19 and the risk of fresh mobility restrictions. However, momentum was interrupted in March as the market was caught in a global sell-off in risky assets amid an upward shift in US bond yields. The resurgence of new COVID-19 cases in India also caused concerns. All sectors except healthcare and communication services ended in positive territory during the quarter. Real estate, materials and industrials were notable gainers. Foreign institutional investors were net buyers, 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. On the economic front, India's October-December year-on-year GDP growth was positive, but was lower than expected. India's manufacturing Purchasing Managers' Index (PMI), compiled by IHS Markit, declined to a seven-month low in March from the previous month, but remained above the 50-level that separates growth from contraction for an eighth straight month. Demand growth was constrained by the escalation of the COVID-19 pandemic, while the rise in input buying was curtailed by an intensification of cost pressures. Furthermore, several high-frequency economic activity and mobility indicators for February 2021 were mixed, with a slowdown in some indicators but an acceleration in others. Growth in e-way bills and rail volumes improved month on month during the period, while power consumption grew at a slower rate and daily vehicle registration declined compared to the previous month.

## Fund performance

### Stock selection in utilities and financials proved rewarding

In the utilities space, **Gujarat Gas** was supported by continued strength in its core

area in Gujarat and continued expansion into new regions. It remains a key beneficiary of the government's impetus to adopt greener fuel in India. Among financials, **Shriram Transport Finance Company** benefited from the post COVID-19 normalisation, driven by favourable government policies and easy liquidity. The position in **Axis Bank**, India's third largest private sector lender, rebounded on increased confidence about the bank's resilience during the pandemic.

### Construction proxy stocks added value

India's largest structural steel tubes and pipes player **APL Apollo Tubes** gained momentum amid an encouraging demand outlook, driven by the launch of new products with strong distribution and branding efforts. **Ultratech Cement** also advanced during the month. Increased government spending on infrastructure projects, low interest rates supporting housing demand and ongoing government programmes for low-cost housing is driving cement demand. Chlorinated polyvinyl chloride (CPVC) pipe player **Astral PolyTechnik** gained momentum after it reported better than expected earnings due to higher plastic pipe margins, and strong revenues and margins for its adhesive business.

### Bias against selected stocks weighed on relative value

Not holding **Tata Motors**, **Grasim Industries** and **State Bank of India** hurt relative performance as the stocks gained during the period. We favour other names in the respective sectors.

## Outlook

We are optimistic on the economy and equities over the medium to long term, driven by structural drivers such as growth, strong demographics, the presence of quality institutions and a culture of entrepreneurship.

In the short term, the key risk is the second wave of rising COVID-19 cases and the

possibility of mobility restrictions. The focus will be on the country's vaccination program, which seems to be progressing well, but needs to expand to cover a larger section of the population.

We will be selective and cautious in the short term, but any correction in the market will provide a buying opportunity. We remain optimistic on the economy and equities over the medium to long term. Structural opportunities will continue to be in focus.

India has a broad investment universe, with many companies that 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 factors should 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.