

Fidelity India Fund

Quarterly report

As at 31/03/2023

Fund description

Invests in a diversified selection of 30 to 60 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\$198.62M

Number of stocks: 30 to 60

Management cost: 1.20% p.a.

Buy/sell spread: 0.30%/0.30%

Portfolio guidelines

Stocks: +/-8% from benchmark

Sector: +/-10% from benchmark

Cash: Target range between 0% and 10%

Top 10 holdings (%)

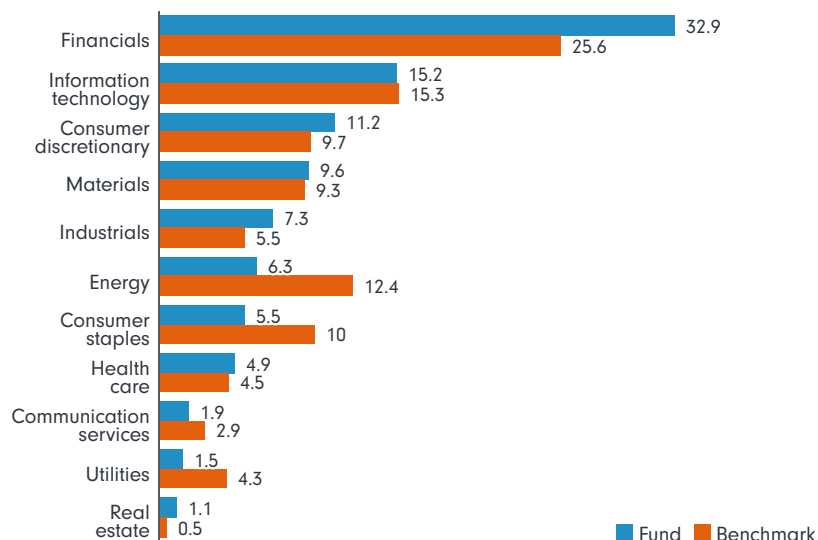
	Fund	B'mark
ICICI Bank Ltd	9.3	6.5
Infosys Ltd	8.7	6.9
HDFC Bank Ltd	6.6	0.0
Reliance Industries Ltd	6.2	10.1
Axis Bank Ltd	5.5	2.8
Hcl Technologies Ltd	4.9	1.5
Ultratech Cement Ltd	3.4	1.1
Marico Ltd	2.8	0.4
Eicher Motors Ltd	2.7	0.6
Srf Ltd	2.2	0.5

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	0.98	-2.07	-5.57	0.66	16.78	8.99	11.11	13.95	7.78	9.60
MSCI India Index NR	1.85	-5.18	-8.31	-1.52	18.60	9.07	10.57	11.85	6.18	8.55
Excess return	-0.87	3.11	2.74	2.18	-1.82	-0.08	0.54	2.10	1.60	1.05

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 31/03/2023	Active pos.	Contribution
Adani Total Gas Ltd	-0.7	1.0
Adani Enterprises Ltd	-0.8	0.8
Adani Transmissions Ltd	-0.6	0.5
Hcl Technologies Ltd	3.3	0.4
HDFC Bank Ltd	6.6	0.4

Major detractors (%)

As at 31/03/2023	Active pos.	Contribution
ITC Ltd	-1.5	-0.3
Tata Consultancy Services Ltd	-4.2	-0.3
Larsen & Toubro Ltd	-2.1	-0.2
Housing Development Finance Corp Ltd	-3.9	-0.2
Power Grid Corp Of India Ltd	-1.0	-0.1

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.

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Market performance

Indian equities ended the first quarter of 2023 in negative territory. Investor sentiment dampened early in the year due to massive losses experienced by several Adani Group companies after the release of a research report alleging problems over the debt levels. In other developments, the Union Budget was presented in February. The focus was to support consumption and boost infrastructure investment, while staying on its gradual fiscal consolidation glide path. Foreign institutional investors recorded outflows during the quarter. Encouragingly, domestic institutional investors remained net buyers of Indian equities. On the economic front, inflation elevated in February and remained above 6%. The inflation reading was above market forecast and breached the central bank's 2-6% tolerance band for a second consecutive month, after a slowdown in the last three months of 2022. The S&P Global India services Purchasing Managers' Index (PMI) increased to a 12-year high in February. The reading was above market expectations, due to sharp expansion in output and improvement in new businesses intake in the last 12 years. The latest number remains in expansionary territory for a 21st straight month. The Reserve Bank of India (RBI) kept the repo rate (the rate at which RBI lends to banks) unchanged at 6.5%, while retaining its "withdrawal of accommodation" stance. However, as the central bank battles to bring inflation under control, another rate hike is expected. The next RBI Monetary Policy Committee (MPC) is scheduled for April. All sectors except consumer staples ended the quarter in negative territory, with utilities, industrials and real estate declining the most.

Fund performance

The Fund returned -2.1% over the quarter,

while the index returned -5.2%. Shares in several Adani Group companies experienced massive losses following the release of a research report that highlighted concerns over the group's debt levels. Therefore, not holding Adani Total Gas, Adani Enterprises, Adani Transmissions and Adani Green Energy contributed to relative performance. The holding in HCL Technologies added value. The company posted higher-than-expected profits for the December quarter, aided by their strong order pipeline. Its shares are also supported by its long-term sustainable growth, better sales growth and higher risk-reward. The conviction position in HDFC Bank enhanced gains as it reported a jump in net profits, buoyed by higher top-line and strong loan growth. The lack of exposure to ITC weighed on returns. It posted healthy profit estimates for the December quarter, helped by steady demand for its packaged food. The lack of exposure to Tata Consultancy Services pared gains. The company exhibits quality characteristics including better growth rates, margins and execution skills, which puts it ahead of its peers. Not holding Larsen & Toubro held back gains. Its biggest segment, infrastructure projects, reported a strong pick up in order inflow. The stock was sold from a sustainability point of view due to concerns around its defence business.

Outlook

Geopolitical concerns, higher interest rates and slowing global growth will continue to present a tough operating environment for equity markets in 2023. In India, inflation remains elevated but is expected to peak in coming months. While the central bank could hike interest rates, the general consensus is that rates are closer to the peak and will not come down sharply. Nonetheless, real rates are positive, the financial system remains stable and banks' asset quality remains healthy. In 2022, high and medium end

consumption saw robust growth, although rural consumption remained subdued. Going forward, rural consumption is expected to improve on the back of increased government spending ahead of general elections scheduled for 2024. However, high and medium end consumption is expected to experience a slowdown due to higher base effects and increased prices. Moreover, consumer sentiment is likely to remain subdued. The Indian Union Budget builds on the government's overall policy direction, taking forward the process on tax reforms, rationalisation of subsidies, manufacturing push and infrastructure building. We are optimistic on the economy and equities over the medium to long term, driven by the structural drivers of growth, strong demographics, presence of quality institutions and a culture of entrepreneurship. Overall, our mid-to-long term thesis on India is intact as the economy remains resilient, with strong government finances. The country's strong foreign exchange reserves; low debt levels, including foreign debt; and well-contained fiscal and current account deficit means that its balance sheet is strong. Government expenditure and its focus on infrastructure remain supportive. The core of the portfolio remains unchanged. We continue to follow our bottom-up research-driven process and philosophy of owning high quality companies in sectors where structural growth opportunities exist. Top-down macroeconomic views will remain relevant for our assumptions as we assess draw down risk, cost of risk, discount rates and hurdle rates. We will continue to monitor developments on the macroeconomic and political fronts but will focus on the fundamentals of the companies we own or want to own to drive alpha for our investors.

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