

# FSSA Indian Subcontinent Fund

- The Fund invests primarily in equity and equity related securities in Indian subcontinent which may expose to potential changes in tax, political, social and economic environment.
- The Fund invests in emerging markets which may have increased risks than developed markets including liquidity risk, currency risk/control, political and economic uncertainties, high degree of volatility, settlement risk and custody risk. Investing in small /mid-capitalisation securities may have lower liquidity and their prices are more volatile to adverse economic developments. The Fund's investments may be concentrated in a single country/ sector, specific region or small numbers of countries/ companies which may have higher volatility or greater loss of capital than more diversified portfolios.
- The Fund may use FDIs for hedging and efficient portfolio management purposes, which may subject the Fund to additional liquidity, valuation, counterparty and over the counter transaction risks.
- It is possible that a part or entire value of your investment could be lost. You should not base your investment decision solely on this document. Please read the offering document including risk factors for details.

## Investment objective and strategy

The Fund aims to achieve long term capital appreciation and invests primarily in a diversified portfolio of equity and equity related securities issued by companies of the Indian subcontinent. Countries of the Indian subcontinent include India, Pakistan, Sri Lanka and Bangladesh. The Fund concentrates on securities that are listed, traded or dealt in on regulated markets in the Indian subcontinent and offshore instruments issued by companies established or operating or have significant interests in the Indian subcontinent and listed on other regulated markets.

## Fund information

Fund Size (US\$m)	391.0
Benchmark	MSCI India Net Index
Number Of Holdings	44

## Available share classes

Share Class*	Inception Date	Nav/Per Share	ISIN Code
Class I (USD - Acc)	23 August 1999	US\$114.24	IE0008369930

\* Acc represents share class with dividends accumulated.

## About FSSA Investment Managers

FSSA Investment Managers is an autonomous investment management team within First Sentier Investors, with dedicated investment professionals based in Hong Kong, Singapore and Edinburgh. We are specialists in Asia Pacific and Global Emerging Markets equity strategies, managing assets on behalf of clients globally.

We are bottom-up investors, using fundamental research and analysis to construct high-conviction portfolios. We conduct more than a thousand direct company meetings a year, seeking to identify high quality companies to invest in. We look for founders and management teams that act with integrity and risk awareness; and dominant franchises that have the ability to deliver sustainable and predictable returns over the long term. As responsible, long-term shareholders, we have integrated ESG analysis into our investment process and engage extensively on environmental, labour and governance issues.



### Annual Performance (% in USD) to 31 December 2020

	12 mths to 31/12/20	12 mths to 31/12/19	12 mths to 31/12/18	12 mths to 31/12/17	12 mths to 31/12/16
FSSA Indian Subcontinent Fund Class I (USD - Acc)	8.8	3.6	-7.9	40.0	1.6
FSSA Indian Subcontinent Fund Class II (USD - Acc)	9.0	3.8	-7.7	40.4	1.3
MSCI India Net Index	15.6	7.6	-7.3	38.8	-1.4

### Cumulative Performance (% in USD) to 31 December 2020

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Indian Subcontinent Fund Class I (USD - Acc)	1042.4	144.4	47.5	3.7	8.8	8.8	31.4	19.8
FSSA Indian Subcontinent Fund Class II (USD - Acc)	592.4	131.0	48.6	4.5	9.0	9.0	31.5	19.9
MSCI India Net Index	638.8	39.5	57.6	15.2	15.6	15.6	39.1	21.0

### Performance Review

#### Top Contributors over the past 12 months

Infosys increased after reporting better than expected earnings and several large deal signings. Its digital business has been growing strongly, while in the legacy business, it has focused on automation to improve efficiencies and cut costs.

Tata Consumer Products\* added to performance as new CEO, Sunil D'Souza, outlined plans to transform the business and improve profitability. There is a focus on better capital allocation, and exiting loss-making geographies. Distribution is to be completely overhauled with a focus on direct coverage (instead of multiple layers of distributors), which should result in cost savings and increased reach over the next three years. Additionally, margin improvements should come from the merger with Tata Chemicals' food business earlier this year, as well as a renewed emphasis on launching premium products. Recent addition to the portfolio Emami rose after a significant reduction in the promoter group's pledge of shares in the company alongside a rebound in sales in its healthcare and hygiene segment as India's lockdown eased.

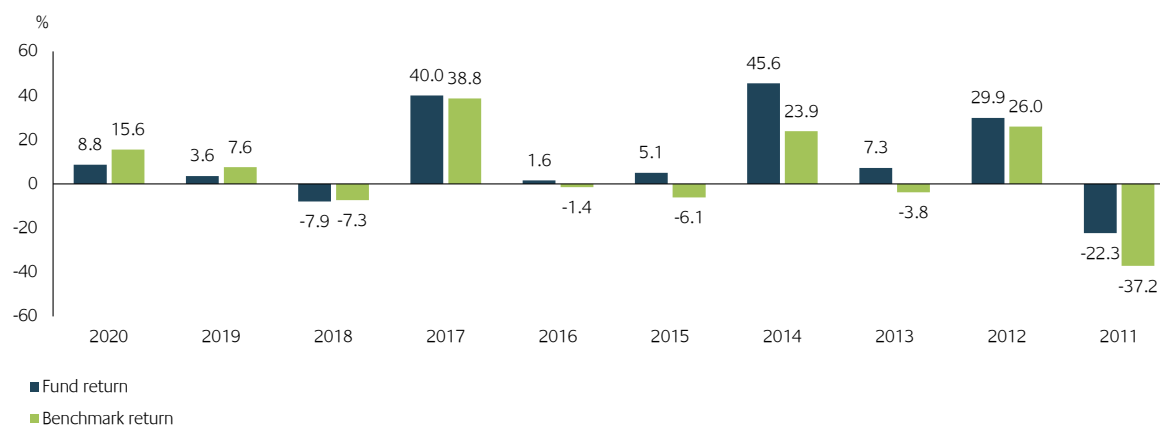
#### Bottom Contributors over the past 12 months

Axis Bank\* and Mahindra & Mahindra Financial Services\*, declined on concerns over the coronavirus-related economic slowdown and its impact on consumer loans. We have since divested both companies to consolidate into our higher-conviction private bank holdings such as HDFC Bank, ICICI Bank and Kotak Mahindra Bank.

SKF India reported lower revenues due to weak customer demand across both their operating segments, and a sharp decline in production volumes.

\*No longer held in the portfolio.

### Calendar Year Performance (% in USD) to 31 December 2020



Source: Lipper and First Sentier Investors, Nav-Nav (USD total return) data as at 31 December 2020. This Fund is a sub fund of Ireland domiciled First Sentier Investors Global Umbrella Fund Plc. Class I (USD-Acc) and Class II (USD-Acc) are the non-dividend distributing class of the fund, the performance quoted are based on USD total return (non-dividend distributing). Class II (USD-Acc) was launched on 7 February 1994 and has been closed for subscription. Gross of tax benchmark performance is shown before 1 July 2016 and net of tax benchmark performance is shown after the aforementioned date. Class I (USD - Acc) performance is shown in the above chart. Unless otherwise specified, all information contained in this document is as at 31 December 2020. Investment involves risks, past performance is not a guide to future performance. On 22 February 2020, First State Indian Subcontinent Fund was rebranded as FSSA Indian Subcontinent Fund.



### Portfolio Review

New additions over the quarter included Mahanagar Gas, a city gas distributor, and Bajaj Auto, a 2- and 3-wheeler manufacturer, both of which we owned previously.

For Mahanagar Gas, a change in regulations confirmed that existing gas dispensing stations cannot be considered as new entrants, which allayed our concerns about competition. Given the lack of available land in Mumbai (Mahanagar's main market) as well as Mahanagar Gas' dominant position, we believe it will be difficult for a new company to set up many new stations. There are also long-term tailwinds given the government's intention to increase the share of gas in the energy mix.

We repurchased a toehold in Bajaj Auto, as the risk-reward seemed attractive at current valuations. The company is extremely cash generative and generates high return on capital employed (ROCE). While the company faces some long-term challenges (a highly penetrated industry, regulatory headwinds and a technology shift towards electric vehicles), we believe their focus on e-scooters and premium bikes could boost its franchise and defend market share as well as profitability.

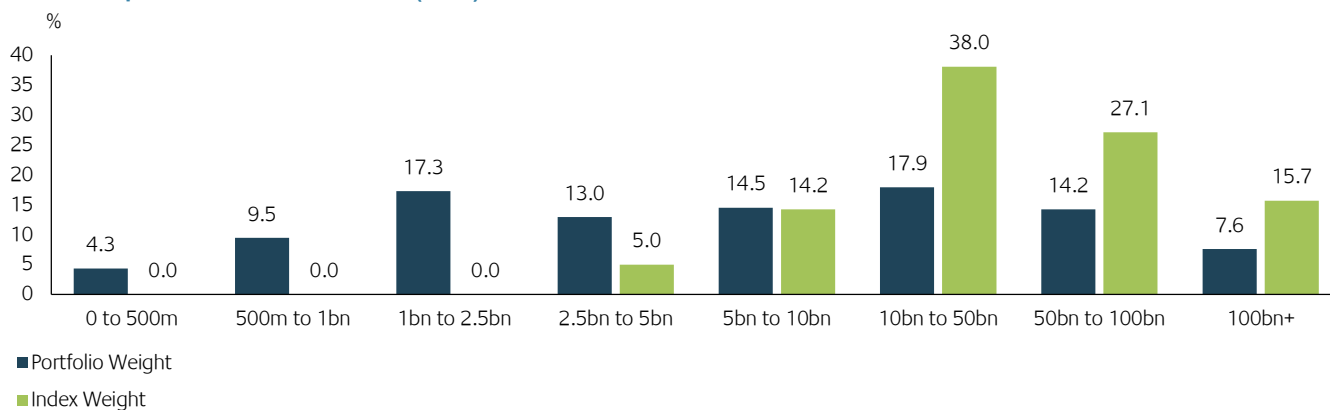
We divested ACC Limited as it reached our fair market valuation, and sold Titan Industries as expensive valuations made the risk-reward unattractive.

### Stock Spotlight

HDFC Bank is India's largest private bank by market cap. With more than half of India's population still unbanked, we believe the long-term opportunity for HDFC is significant. It has a leading consumer banking franchise and has built a formidable market share in digital/mobile banking, taking the largest share of digital transactions on its platform. While large state-owned and private banks deal with legacy problems of asset quality and capital adequacy, HDFC has consistently focused on risk and in doing so, have maintained industry-leading returns.

From a governance perspective, the current MD, Aditya Puri, has led the bank since incorporation and is rightly credited with building a best-in-class Indian bank. He has been the main driver of the bank's progress over the last 25 years. There is a high quality board, and half the directors are independent. Though the group has yet to formally integrate sustainability in to their lending policies, their culture and prudent attitude to risk form a solid foundation on which to build this.

### Market Capitalisation Breakdown (USD)



Data source: First Sentier Investors. For illustration purposes only. Portfolio weights may not add up to 100% as cash holdings are excluded and full coverage of stocks is not always available. This information is calculated by First Sentier Investors. Past performance is not indicative of future performance. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of First Sentier Investors' portfolios at a certain point in time, and the holdings may change over time. The index refers to MSCI India Net Index.



### Outlook

Whilst the economic outlook is extremely uncertain until such time that either a vaccine or treatment for Covid-19 is found, we are comfortable with our portfolio holdings and the quality of the underlying businesses. Debt levels across our portfolio holdings are low, and most of our portfolio companies are in a net cash position. This should help cushion short-term cash flows. Our portfolio companies are also typically market leaders in their respective categories. The disruption is likely to lead to consolidation across sectors, as unorganised and smaller businesses will be severely affected. Therefore, we expect our companies to emerge with a stronger market position from this disruption.

As always, we continue to focus on our bottom-up investment approach, seeking high quality companies to invest in for the long term. Indeed, we believe there are attractive long-term opportunities to be found. As quality growth stocks have become cheaper, we have taken the opportunity to consolidate our portfolios into higher-conviction names and buy companies on our watch-list that have become more reasonably priced.

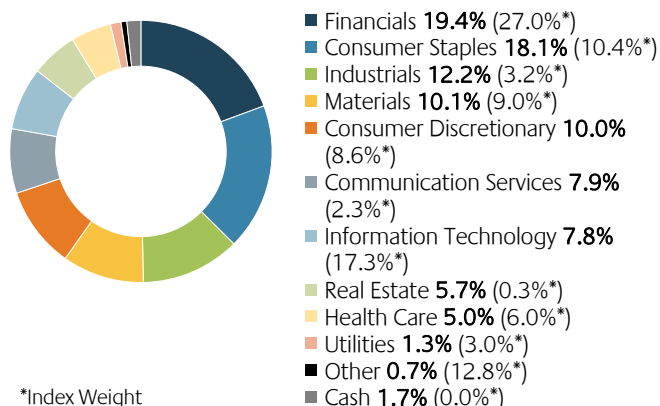
### Our long-term investment themes:

- Dominant consumer franchises which have an edge in brand, distribution and innovation.
- High quality financials, supported by a strong deposit franchise or a specific loan niche.
- Infrastructure companies with a strong track record and cash flow improvement.
- Globally competitive exporters with a growing international business.

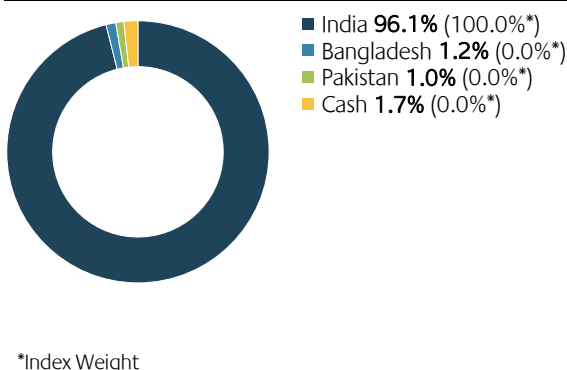
### Ten Largest Company Holdings as at 31 December 2020

Stock Name	Country	Sector	Portfolio Weight (%)	Index Weight (%)
Bharti Airtel Limited	India	Communication Services	7.9	1.2
ICICI Bank	India	Financials	7.2	5.1
HDFC Bank	India	Financials	6.6	0.0
Colgate-Palmolive (India) Limited	India	Consumer Staples	4.9	0.4
Infosys Limited	India	Information Technology	4.5	8.0
Dabur India Limited	India	Consumer Staples	3.9	0.5
Godrej Consumer Products Limited	India	Consumer Staples	3.8	0.6
Ambuja Cements Limited	India	Materials	3.7	0.3
Godrej Industries Limited	India	Industrials	3.3	0.0
Mahindra Forgings Ltd	India	Consumer Discretionary	3.2	0.0

### Sector Breakdown



### Country Breakdown



Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. The above Fund weightings may or may not include reference to multiple securities. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%.

Past performance is not indicative of future performance. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of First Sentier Investors' portfolios at a certain point in time, and the holdings may change over time.

The index refers to MSCI India Net Index.



### Top 5 contributors to absolute performance

#### 3 months to 31 December 2020

Stock Name	Country	Sector	Value added (bps*)
ICICI Bank	India	Financials	287
HDFC Bank INR1	India	Financials	195
Bharti Airtel Limited	India	Communication Services	176
Kotak Mahindra Bank Limited	India	Financials	162
Ambuja Cements Limited	India	Materials	129

#### 12 months to 31 December 2020

Stock Name	Country	Sector	Value added (bps*)
Infosys Limited	India	Information Technology	285
Ambuja Cements Limited	India	Materials	189
Emami Limited	India	Consumer Staples	173
Bharti Airtel Limited	India	Communication Services	145
Colgate-Palmolive (India) Limited	India	Consumer Staples	117

### Bottom 5 contributors to absolute performance

#### 3 months to 31 December 2020

Stock name	Country	Sector	Value added (bps*)
Bosch Limited	India	Consumer Discretionary	-13
Britannia Industries Ltd	India	Consumer Staples	-4
Indus Motor Co. Ltd.	Pakistan	Consumer Discretionary	-3
Delta Brac Housing Finance Corporation Ltd.	Bangladesh	Financials	-3
IIFL Wealth Management Ltd	India	Financials	-3

#### 12 months to 31 December 2020

Stock name	Country	Sector	Value added (bps*)
Mahindra & Mahindra Financial Services Ltd.	India	Financials	-174
Axis Bank Limited	India	Financials	-146
SKF India Ltd	India	Industrials	-105
ICICI Bank	India	Financials	-104
Tech Mahindra Limited	India	Information Technology	-103

Stock Contributions show the impact of the individual stock's performance to the total fund performance. These stock contributions show the top 5 and bottom 5 contributors to the fund and are not representative of the performance of the fund as a whole.

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This stock information does not constitute any offer or inducement to enter into investment activity.

Contributions are calculated at the investee company level before the deduction of any fees incurred at fund level (e.g. the management fee and other fund expenses) but after deduction of transactional costs. Stocks held/listed in non-index countries have economic activity > 50% from developing economies.

\* A basis point is a unit of measure used in finance to describe the percentage change in value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

Data source: This information is calculated by First Sentier Investors.



### Disclaimer

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