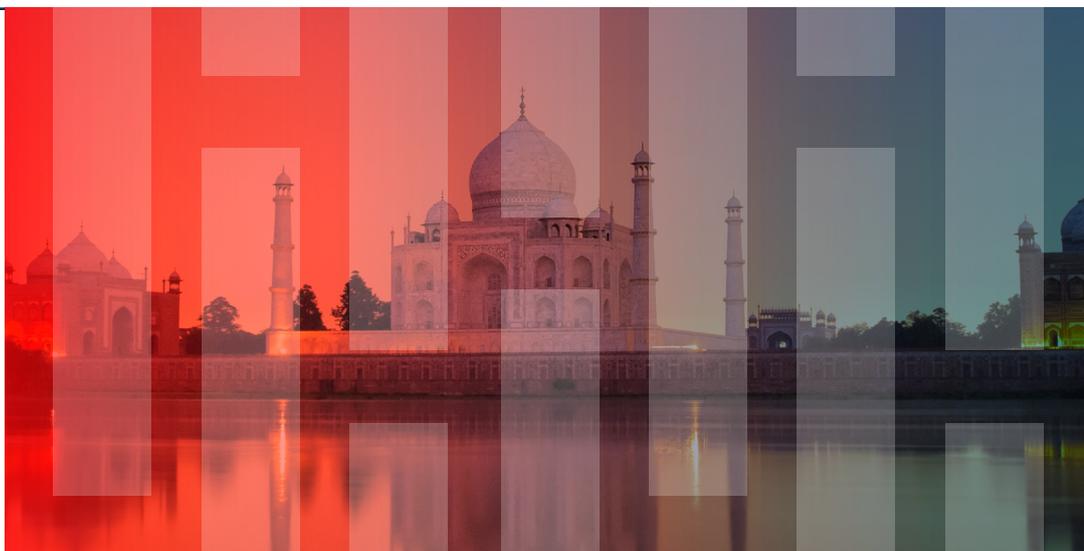


FSSA Indian Subcontinent Fund

April 2021



As bottom-up investors, the FSSA team carry out well over 1,500 meetings each year to assess company managements' capabilities and the underlying strength of the franchises they run. These Monthly Manager Views are based on the team's discussions with company management and the in-depth analysis that follows.

Initial Public Offerings (IPOs)

In the first three months of this year, 17 new companies have listed on the mainboard exchanges in India, more than in all of 2019 or 2020*. High levels of retail investor participation and continuing inflows for domestic mutual funds have meant that these new issuances have been lapped up by eager investors. It is not unusual for an IPO to be subscribed 100 times of its offer size or deliver substantial gains on the listing day itself. Blogs track the fluctuating "grey market premium" weeks in advance, indicating likely listing gains. For many investors, receiving an allocation for the next hot deal often takes precedence over analysis of the business itself.

Our approach towards new listings is cautious, given our focus on capital preservation. Our research process on any company begins by assessing our alignment with the majority owners and senior management. In particular, we observe how the owners behaved during difficult periods for the business - whether they have compromised the interests of minority shareholders or any other stakeholders to extract more value for themselves. We also like to view business performance across cycles, to learn about its pricing power and competitive position. Such track record of management's actions and business performance over long periods is not available in the case of new listings. We have thus

RISK FACTORS

This is a financial promotion for The FSSA India Strategy. This information is for professional clients only in the EEA and elsewhere where lawful. Investing involves certain risks including:

- **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back significantly less than the original amount invested.**
- **Currency risk:** the Fund invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Fund and could create losses. Currency control decisions made by governments could affect the value of the Fund's investments and could cause the Fund to defer or suspend redemptions of its shares.
- **Indian subcontinent risk:** although India has seen rapid economic and structural development, investing there may still involve increased risks of political and governmental intervention, potentially limitations on the allocation of the Fund's capital, and legal, regulatory, economic and other risks including greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.
- **Single country / specific region risk:** investing in a single country or specific region may be riskier than investing in a number of different countries or regions. Investing in a larger number of countries or regions helps spread risk.
- **Smaller companies risk:** Investments in smaller companies may be riskier and more difficult to buy and sell than investments in larger companies.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document for each Fund.

If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice.

been selective in our investments in IPOs. 490 companies have listed in India over the last five years*. We have participated in just nine of these transactions.

HDFC Standard Life Insurance Company and Metropolis Healthcare are two such examples. We had been shareholders of HDFC Standard Life's parent Housing Development Finance Corporation, as well as HDFC Bank, for several years when it listed in 2017. In our experience, the Group's governance standards are among the highest across our investment universe. We began meeting HDFC Standard Life as early as 2004 and had met its top management on 11 occasions before its IPO. These meetings and our long association with its parent gave us the conviction to be among the anchor investors in its IPO. In the case of Metropolis Healthcare, our due diligence involved several meetings with its CEO, Ameera Shah, as well as its listed and unlisted peers. Our discussions with Vivek Gambhir, then CEO of Godrej Consumer Products and an independent director on Metropolis' board, highlighted Ameera's focus on setting industry benchmarks in testing quality. Customer awareness about the need for accurate diagnostic testing has increased significantly, particularly during the Covid-19 pandemic. This has led to Metropolis consistently gaining market share from smaller laboratories with poor testing standards. Our conviction in its potential to drive industry consolidation has only grown since our investment in its IPO in 2019.

The life insurance and diagnostics industries are among the various sectors which are relatively new to the listed universe in India. Scalable and profitable businesses in industries such as gaming, e-commerce, on-demand local services (food delivery and others) and online education have emerged in other large global markets. Companies in these industries have largely been privately funded in India until now. As these businesses are likely to list on public markets in the coming periods, India's investment universe has the potential to change significantly. We are following this change closely, by meeting the management teams of several unlisted businesses across industries. These meetings help us assess the development of these businesses as well as the competitive implications for our existing portfolio companies.

Our cautious approach towards investing in new listings has held us in good stead. 254 of the 490 companies (52% of total) which have listed in India over the last five years have delivered negative total returns since listing. Median returns across all IPOs during this period is -3%. In contrast, seven of our nine investments in new listings over this period have been profitable, with a median gain of 52%*. We are excited about the potential of new companies from fast-growing industries being listed in India. But we will stick to our cautious approach, focused on preserving our clients' capital.

Performance Commentary for April 2021

The fund's performance in April was weak. The key detractors were **Mahindra Lifespace Developers**, **HDFC Bank** and **Blue Star Limited**. These companies are among the fund's top ten holdings, and our conviction in each remains high.

The decline in the share prices of **Mahindra Lifespace Developers** and **Blue Star** was linked to concerns about the impact of the second wave of the Covid-19 pandemic on customer demand for their real estate and air-conditioner businesses respectively. While movement restrictions are likely to affect demand over the short term, both companies have strong balance sheets and witnessed a rapid improvement in customer demand when lockdown restrictions were previously eased. We expect a similar outcome in the coming period as well. Given their leading industry positions, we believe both companies are likely to gain market share from smaller competitors which are struggling in this period.

HDFC Bank's share price performance was affected by recurring issues with its technology infrastructure. The bank has witnessed five system outages since 2019. Following our recent discussion with its CEO and CFO, we gained comfort in their plans to invest significantly to upgrade the bank's technology infrastructure. Their previous technology investments have allowed HDFC Bank to emerge as the leader across various digital services and channels. We are confident that its management will address the current issues successfully.

The key positive contributors during the month were **ICICI Bank**, **Computer Age Management Services (CAMS)** and **Mahindra CIE Automotive**.

ICICI Bank reported strong quarterly performance. Its domestic advances grew by 18% compared to the same quarter last year, its deposits grew by 21% and it reported Return on Assets (ROA) of 1.5%. The bank has maintained strong asset quality and high levels of provision coverage against potential bad loans despite the impact of Covid-19 on various segments of the economy.

Computer Age Management Services (CAMS) has benefited from strong performance in its core mutual fund transfer agency business, in which it is the dominant market leader. Its management is also launching several value-added services, which have the potential to accelerate its growth in the coming periods.

Mahindra CIE Automotive also reported strong quarterly performance across both its Indian and European operations. The company gained from a sharp rebound in customer demand which led to 32% growth in its revenues compared to the same period last year. Its cost-cutting measures have led to a significant improvement in its profitability, which led to its net profit rising by 133% compared to the same period last year.

* Source: IIFL Securities, FSSA Investment Managers. As of 15 March 2021.

Lead portfolio manager	Approx. no. of stocks	Benchmark	Maximum cash	Minimum market cap
Vinay Agarwal	30 – 50	MSCI India Net Index	10%	All Cap

Minimum initial investment	US\$1,000	Initial charge	5.0%
Minimum subsequent investment	US\$500	Management fee	1.75% p.a.
Share class	Class I (USD - Acc)*	NAV/share	US\$122.08
Inception date	23 August 1999	ISIN code	IE0008369930

Source: First Sentier Investors as at 30 April 2021. The Fund is a sub fund of Ireland domiciled First Sentier Investors Global Umbrella Fund Plc.

Cumulative Performance in USD (%) to 30 April 2021

	Since Inception	5yrs	3yrs	1yr	YTD	3mths
Fund	1,079.7	55.1	7.9	45.7	3.3	1.6
Benchmark ^Δ	669.3	67.5	23.9	50.4	4.1	6.6

Calendar Year Performance in USD (%) to 30 April 2021

	2016	2017	2018	2019	2020
Fund	1.6	40.0	-7.9	3.6	8.8
Benchmark ^Δ	-1.4	38.8	-7.3	7.6	15.6

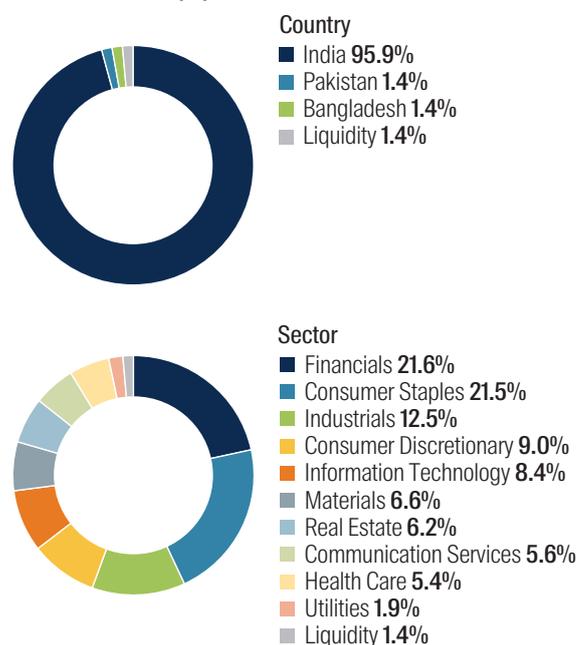
Annual Performance (% in USD) to 30 April 2021

	12mths to 30/04/17	12mths to 30/04/18	12mths to 30/04/19	12mths to 30/04/20	12mths to 30/04/21
Fund return	24.1	15.9	-6.4	-20.9	45.7
Benchmark ^Δ return	20.1	12.6	3.1	-20.1	50.4

These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than USD, the return may increase or decrease as a result of currency fluctuations.

Source for fund - Lipper IM / First Sentier Investors (UK) Funds Limited. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management fee and other fund expenses), save that it does not take account of initial charges or switching fees (if any). Income reinvested is included on a net of tax basis. Source for benchmark - MSCI, income reinvested net of tax. Since inception performance figures have been calculated from 23 August 1999.

Asset allocation (%)[†]



Top 10 company holdings (%)

Security Name	Sector	%
ICICI Bank	Financials	9.4
HDFC Bank	Financials	5.9
Bharti Airtel Limited	Comms Services	5.5
Infosys Limited	Info. Tech.	5.3
Godrej Consumer Products Limited	Consumer Staples	4.8
Colgate-Palmolive (India) Limited	Consumer Staples	4.3
Dabur India Limited	Consumer Staples	4.1
Godrej Industries Limited	Industrials	3.9
Mahindra Forgings Ltd	Consumer Discret.	3.4
Blue Star Limited	Industrials	3.4

Company data retrieved from company annual reports or other such investor reports. As at 30 April 2021 or otherwise noted.

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References to “we” or “us” are references to First Sentier Investors.

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