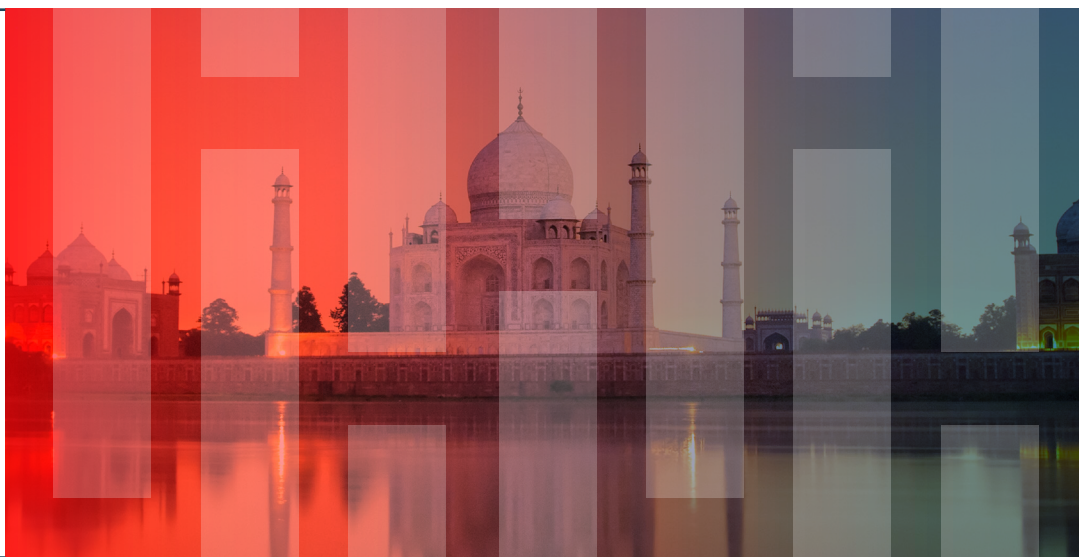


FSSA Indian Subcontinent Strategy

April 2021



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 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.

An Indian Insurance Company and an Indian Healthcare Company are two such examples. We had been shareholders of the Insurance Company’s parent, as well as the Group’s banking business, 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 the insurance business 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 the Healthcare business, our due diligence involved several meetings with its CEO as well as its listed and unlisted peers. Our discussions with the then CEO of an Indian Consumer Products company, who was an independent director on the Healthcare Company’s board, highlighted their 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 the Healthcare Company 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.

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



Performance Commentary for April 2021

The strategy's performance in April was weak. The key detractors were **Mahindra Lifespace Developers**¹ and **HDFC Bank**. Both of these are among the strategy's top ten holdings, and our conviction in each remains high.

The decline in the share price of **Mahindra Lifespace Developers** was linked to concerns about the impact of the second wave of the Covid-19 pandemic on customer demand for their real estate business. While movement restrictions are likely to affect demand over the short term, the company has a strong balance sheet 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 its leading industry position, we believe the company is 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** and **Computer Age Management Services (CAMS)**.

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%². 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.

¹ Companies presented are the top 2 contributors & bottom 2 detractors from performance over the month. They are for illustrative purposes only. Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy. Any fund or stock mentioned in this presentation does not constitute any offer or inducement to enter into any investment activity nor is it a recommendation to purchase or sell any security.

² Past performance is not indicative of future performance.

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



| 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

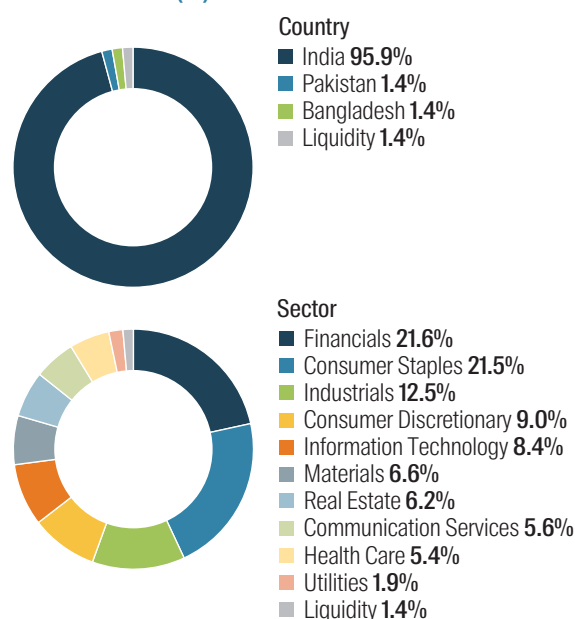
| | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------|------|------|------|------|------|
| Fund | 1.6 | 40.0 | -7.9 | 3.6 | 8.8 |
| Benchmark ^Δ | -1.4 | 38.8 | -7.3 | 7.6 | 15.6 |

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.

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 |

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Important Information

The Fund is a sub fund of Ireland domiciled First Sentier Investors Global Umbrella Fund Plc. * Class I (USD-Acc) is the non-dividend distributing class of the fund. The performance quoted are based on USD total return (non-dividend distributing) of the respective class.

^Δ MSCI India Net Index. Gross of tax benchmark performance is shown before 1 July 2016 and net of tax benchmark performance is shown after the aforementioned date. 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. On 22 September 2020, First State Indian Subcontinent Fund was rebranded as FSSA Indian Subcontinent Fund.

[†] Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%.

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