

# FSSA Indian Subcontinent Fund (Irish VCC)

## Investment objective and policy

The Fund aims to grow your investment.  
 The Fund invests at least 70% of its assets in shares of companies based in India, Pakistan, Sri Lanka or Bangladesh and that are listed on exchanges in these countries. Where companies are closely associated with India, Pakistan, Sri Lanka or Bangladesh they may be listed on exchanges worldwide.  
 The Fund may invest up to 100% of its assets in emerging markets of the Indian subcontinent, in companies of any size or industry. Emerging markets are countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.  
 The Fund may use derivatives with the aim of risk reduction or efficient management.

## Fund information

Fund launch date	07 February 1994
Fund size (US\$m)	393.9
Benchmark	MSCI India Net Index*
Number of holdings	38
Fund manager(s)	Vinay Agarwal/Sreevardhan Agarwal
Research rating ^	Morningstar®:Bronze

\* The benchmark of the Fund changed from MSCI India Gross to MSCI India Net with effect from 1 July 2016. This change has been reflected in the calculation of the benchmark performance.

^ This does not constitute an investment recommendation and is not indicative of future results. Methodology available on rating provider's website.

## Available share classes

Share class	Sedol	ISIN
FSSA Indian Subcontinent Fund USD Class III (Accumulation)	B6Y13T0	IE00B6Y13T06
FSSA Indian Subcontinent Fund USD Class I (Accumulation)	0843670	IE0008369930

## Risk factors

**This document is a financial promotion for the FSSA Indian Subcontinent Fund 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 substantially 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.
- **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.
- **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.
- **Smaller companies risk:** investments in smaller companies may be riskier and more difficult to buy and sell than investments in larger companies.

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. Reference to the names of any company is merely to explain the investment strategy and should not be construed as investment advice or a recommendation to invest in any of those companies.

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

**If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice. If you are unsure of the terminology used in this report, please seek independent financial advice.**

FSSA Indian Subcontinent Fund USD Class I (Distributing)  
FSSA Indian Subcontinent Fund EUR Class VI (Accumulation)

BOFGLM1  
BYXW3H8

IE00BOFGLM12  
IE00BYXW3H84

### 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 and Singapore. 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.

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### Annual performance in USD (%) to 31 December 2023

	12 mths to 31/12/23	12 mths to 31/12/22	12 mths to 31/12/21	12 mths to 31/12/20	12 mths to 31/12/19
FSSA Indian Subcontinent Fund	27.3	-7.2	21.4	8.8	3.6
MSCI India Net Index	20.8	-8.0	26.2	15.6	7.6

### Cumulative performance in USD (%) to 31 December 2023

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Indian Subcontinent Fund	1537.4	223.3	61.4	43.3	27.3	27.3	16.0	12.0
MSCI India Net Index	937.0	157.2	74.5	40.4	20.8	20.8	14.9	11.9

### Performance review

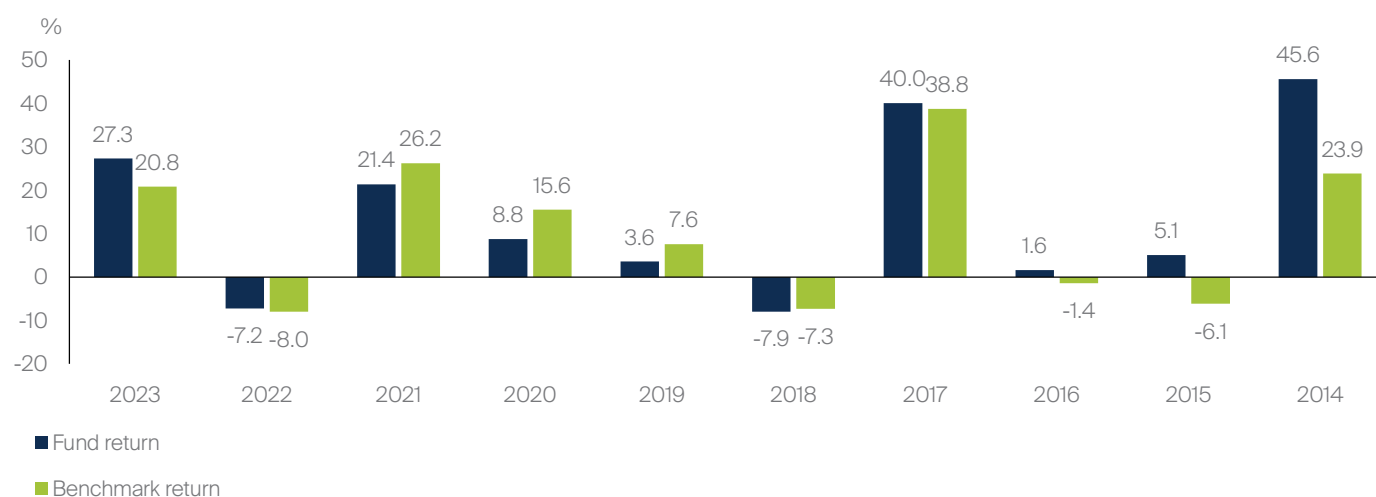
#### Key contributors over the past 12 months

Colgate-Palmolive (India) continued to perform well after reporting better-than-expected sales and profit growth. This was driven by the oral care category and signs of a recovery in rural markets. Godrej Industries increased as underlying subsidiaries and associates reported strong earnings. In particular, Godrej Properties reported strong sales volumes and Godrej Agrovet reported improved profitability metrics for its Animal Feed, Crop Protection and Poultry businesses.

#### Key detractors over the past 12 months

Solara Active Pharma continued to be relatively weak, though there has been an improvement in its operating performance, with a revival in revenues and profitability levels. It has also received regulatory approvals for new products after its plants were inspected recently. However, they have been affected by external headwinds in the form of global active pharmaceutical ingredient (API) prices coming off sharply. We expect the company's performance to continue improving around under the new management team, and have been enthused by our conversations with them over the past year. Whirlpool of India declined on the back of weak earnings results, with revenues declining amid a challenging consumer demand environment.

### Calendar year performance (% in USD) to 31 December 2023



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. Since inception performance figures have been calculated from 23 August 1999. All performance data for the FSSA Indian Subcontinent Fund Class I (Accumulation) USD as at 31 December 2023. 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.

▲On 22 September 2020, First State Indian Subcontinent Fund was rebranded as FSSA Indian Subcontinent Fund.

### Portfolio review

There were no significant new purchases over the quarter.

We sold Mahindra Lifespace Developers and Lumax Auto technologies on expensive valuations and to consolidate the portfolio into higher conviction holdings.

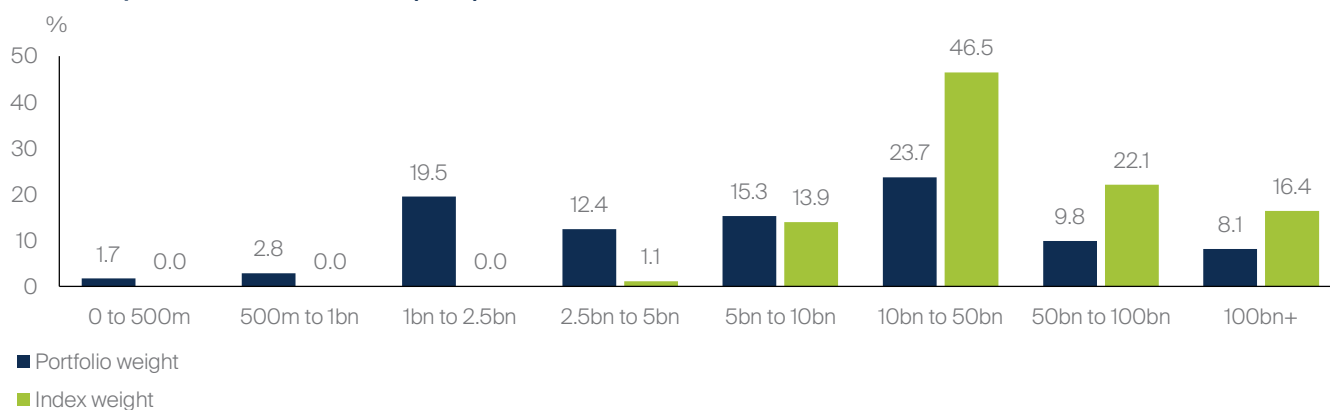
### Stock spotlight

We have been shareholders of HDFC Bank, India's largest private sector bank, for close to two decades. Thanks to its conservative and risk-aware lending, it has consistently gained market share at the expense of state-owned banks, which are plagued by asset quality and capital adequacy issues. The management team is highly experienced, with CEO Sashidhar Jagdishan at the helm. State-owned banks continue to make up nearly 60% of the Indian banking system, although this number has shrunk from 75% a decade ago. Industry growth continues to be led by greater penetration of banking services and financialisation of savings among a large under-banked population.

HDFC Bank has delivered industry-leading returns over the last two decades, while consistently focusing on risk management. Earnings per share (EPS) has compounded at 23% compound annual growth rate (CAGR) over this period, while shareholders have earned a total return of 19% in US dollar terms.

This has been underpinned by investments in the branch network, which has grown by 65% in the last 5 years, as well as a focus on digital channels – already 95% of all their transactions are via Internet & Mobile, whilst the bank accounts for 28% of all e-commerce transactions in India. Finally, we believe the recent merger with HDFC Corp will lead to a stronger financial conglomerate with leading positions in segments such as asset management and life insurance. It should result in significant synergies across business lines, which will be accretive to their returns over time.

### Market capitalisation breakdown (USD)



Data source: 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. 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.

## Outlook

Indian equities were among the best performing markets in the Asia region in 2023. We remain cautiously optimistic, as the structural tailwinds for companies in India are the strongest they have been in many years. However, valuations in some pockets are stretched, and markets never move in a straight line. In this kind of environment, we believe it is important to stay disciplined and focused in our investment approach. We continue to seek out well-run companies with high levels of governance, strong competitive advantages and long-term growth potential. In particular, we look for owners and management teams that are engaged and accessible, and focused on returns. From this perspective, we believe there are still attractive investment opportunities to be found in India on a longer-term view. While there is some froth in the market, a correction would be healthy, in our view, and provide us with opportunities to add to our high-conviction holdings.

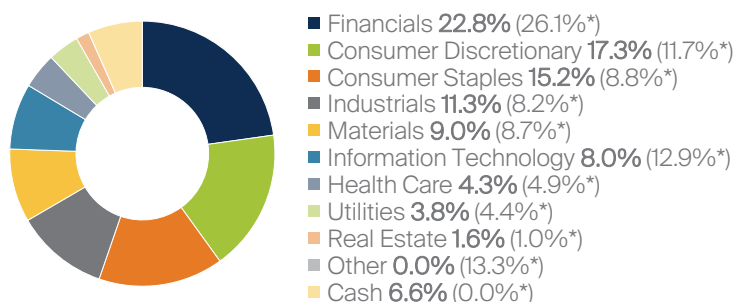
## Our long-term investment themes:

- 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.

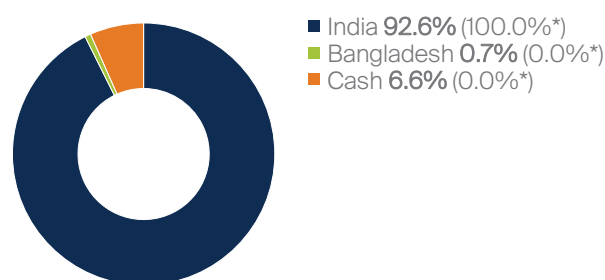
## Ten largest company holdings as at 31 December 2023

Stock name	Country	Sector	Portfolio weight (%)
HDFC Bank	India	Financials	8.1
Colgate-Palmolive (India) Limited	India	Consumer Staples	6.8
ICICI Bank Limited	India	Financials	5.0
Axis Bank Limited	India	Financials	4.5
Tata Motors Limited	India	Consumer Discretionary	4.2
Bajaj Auto Limited	India	Consumer Discretionary	4.0
Blue Star Limited	India	Industrials	3.9
Godrej Industries Limited	India	Industrials	3.8
Mahanagar Gas Ltd	India	Utilities	3.8
Bosch Limited	India	Consumer Discretionary	3.3

## Sector breakdown



## Country breakdown



\*Index weight

\*Index weight

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%.

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### Top 5 contributors to absolute performance

#### 3 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Colgate-Palmolive (India) Limited	India	Consumer Staples	166
Godrej Industries Limited	India	Industrials	122
Bajaj Auto Limited	India	Consumer Discretionary	122
HDFC Bank INR1	India	Financials	91
Tata Motors Limited	India	Consumer Discretionary	90

#### 12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Colgate-Palmolive (India) Limited	India	Consumer Staples	385
Godrej Industries Limited	India	Industrials	287
Tata Motors Limited	India	Consumer Discretionary	246
Blue Star Limited	India	Industrials	231
Bajaj Auto Limited	India	Consumer Discretionary	200

### Bottom 5 contributors to absolute performance

#### 3 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Whirlpool Of India INR10	India	Consumer Discretionary	-34
Biocon Limited	India	Health Care	-12
Escorts Kubota Limited	India	Industrials	-11
Mahindra Lifespace Developers Limited	India	Real Estate	-10
CIE Automotive India Ltd	India	Consumer Discretionary	-1

#### 12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Solara Active Phar Inr10	India	Health Care	-30
Whirlpool Of India INR10	India	Consumer Discretionary	-19
Bharti Airtel Limited	India	Communication Services	-13
Grasim Industries Ltd	India	Materials	-8
DBH Finance PLC	Bangladesh	Financials	-5

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.

### Portfolio risk analysis - ex-post 3 years annualised to 31 December 2023

Risk measure	Value	Risk description
Beta	0.76	Beta is a measure of volatility relative to the market. A beta of 1 would indicate that the fund tended to move in line with the market; a beta greater than 1 would indicate that the fund has been more volatile than the market; whereas a beta less than 1 would indicate that the fund has been less volatile than the market.
Information Ratio	0.42	The fund's excess return divided by its tracking error. It is designed to assess a portfolio's performance relative to its level of benchmark risk. The higher the fund's information ratio, the more excess return it generates for each unit of tracking error.
Portfolio Standard Deviation	13.59%	A measure of how much the returns of the fund vary relative to the arithmetical average. The higher the fund's standard deviation, the more its returns tend to deviate from the mean.
Benchmark Standard Deviation	15.86%	A measure of how much the returns of the index vary relative to the arithmetical average. The higher the index's standard deviation, the more its returns tend to deviate from the mean.
Tracking Error	7.07%	The standard deviation of the difference between the fund's returns and those of the index. The higher the fund's tracking error, the more its performance relative to the benchmark may vary.

### Portfolio risk analysis - ex-ante at 31 December 2023

Risk measure	Value	Risk description
Dividend Yield (Fund)	1.24%	The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.
Dividend Yield (Index)	1.13%	The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.
Price to Book (Fund)	4.36	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to Book (Index)	4.17	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to Earnings (Fund)	27.11	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.
Price to Earnings (Index)	24.91	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.

Data source: Ex-post information is calculated by First Sentier Investors, ex-ante information is provided by FactSet.

### Important information

This document has been prepared for informational purposes only and is only intended to provide a summary of the subject matter covered and does not purport to be comprehensive. The views expressed are the views of the writer at the time of issue and may change over time. It does not constitute investment advice and/or a recommendation and should not be used as the basis of any investment decision. This document is not an offer document and does not constitute an offer or invitation or investment recommendation to distribute or purchase securities, shares, units or other interests or to enter into an investment agreement. No person should rely on the content and/or act on the basis of any material contained in this document.

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References to "we" or "us" are references to First Sentier Investors.

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