

# FSSA Indian Subcontinent Fund

-The Fund invests primarily in equity securities 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)	393.9
Benchmark	MSCI India Net Index
Number of holdings	38

## Available share classes

Share class*	Inception date	Nav/per share	ISIN code
Class I (USD - Acc)	23 August 1999	US\$163.73	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 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.

### 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 Class I (USD - Acc)	27.3	-7.2	21.4	8.8	3.6
FSSA Indian Subcontinent Fund Class II (USD - Acc)	27.6	-7.0	21.7	9.0	3.8
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 Class I (USD - Acc)	1537.4	223.3	61.4	43.3	27.3	27.3	16.0	12.0
FSSA Indian Subcontinent Fund Class II (USD - Acc)	899.9	219.5	63.5	44.4	27.6	27.6	16.2	12.1
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

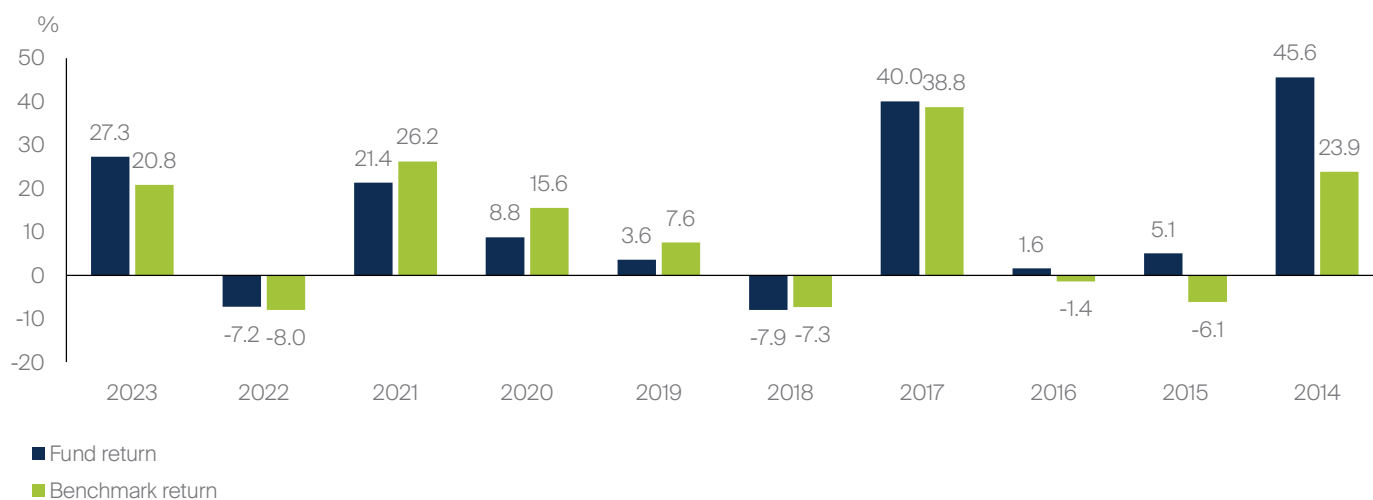
Colgate-Palmolive (India) continued to perform well after reporting better-than-expected sales and profit growth. This was driven by the oral care category and signs of a recovery in rural markets. Godrej Industries increased as underlying subsidiaries and associates reported strong earnings. In particular, 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



Source: Lipper and First Sentier Investors, Nav-Nav (USD total return) data as at 31 December 2023. 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 2023. Investment involves risks, past performance is not a guide to future performance. 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.

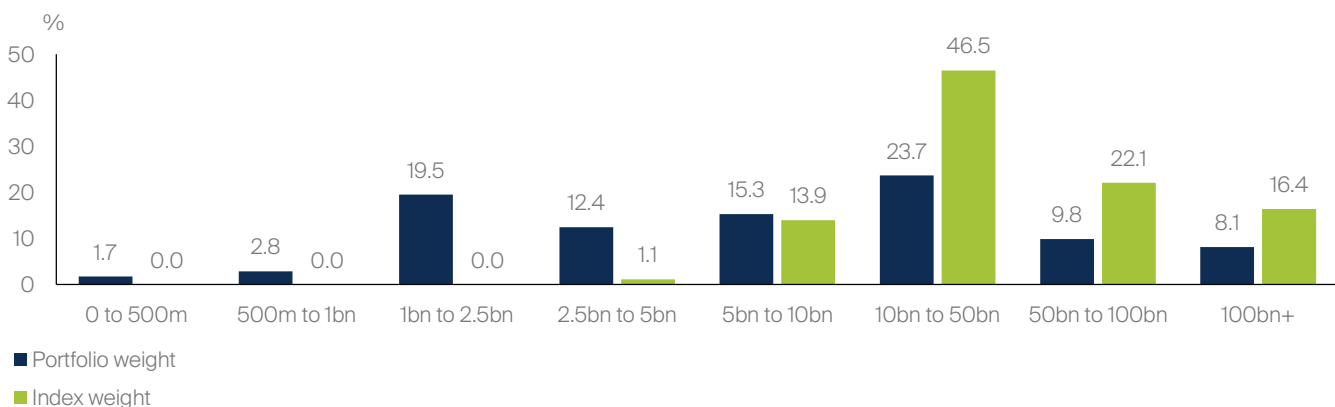
**Stock spotlight**

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: 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. 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

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.

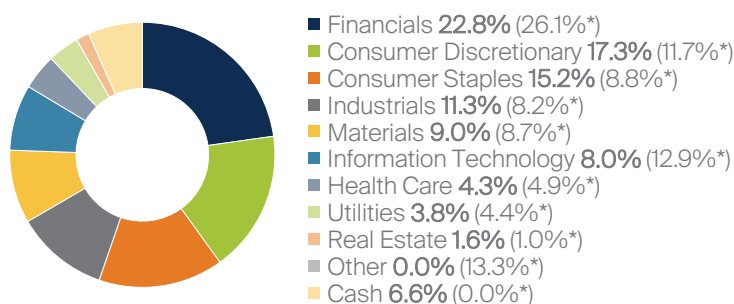
## Our long-term investment themes:

- 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.

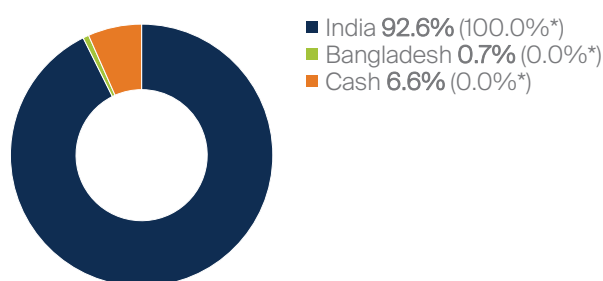
## Ten largest company holdings as at 31 December 2023

Stock name	Geography	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



## Geographic 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%.

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 2023

Stock name	Geography	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	Geography	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	Geography	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	Geography	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.

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.

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.

### Important information

Investment involves risks, past performance is not a guide to future performance. Refer to the offering documents of the respective funds for details, including risk factors. The information contained within this document has been obtained from sources that First Sentier Investors ("FSI") believes to be reliable and accurate at the time of issue but no representation or warranty, expressed or implied, is made as to the fairness, accuracy or completeness of the information. To the extent permitted by law, neither FSI, nor any of its associates, nor any director, officer or employee accepts any liability whatsoever for any loss arising directly or indirectly from any use of this. It does not constitute investment advice and should not be used as the basis of any investment decision, nor should it be treated as a recommendation for any investment.

The information in this document may not be edited and/or reproduced in whole or in part without the prior consent of FSI.

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.

This document is issued by First Sentier Investors (Hong Kong) Limited and has not been reviewed by the Securities and Futures Commission in Hong Kong. First Sentier Investors and FSSA Investment Managers are business names of First Sentier Investors (Hong Kong) Limited. The FSSA Investment Managers logo is a trademark of the MUFG (as defined below) or an affiliate thereof.

First Sentier Investors (Hong Kong) Limited is part of the investment management business of First Sentier Investors, which is ultimately owned by Mitsubishi UFJ Financial Group, Inc. ("MUFG"), a global financial group. First Sentier Investors includes a number of entities in different jurisdictions. To the extent permitted by law, MUFG and its subsidiaries are not responsible for any statement or information contained in this material. Neither MUFG nor any of its subsidiaries guarantee the performance of any investment or entity referred to in this material or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or its subsidiaries, and are subject to investment risk, including loss of income and capital invested.