

Portfolio manager: Amit Goel

Performance for 12 month periods in USD (%)

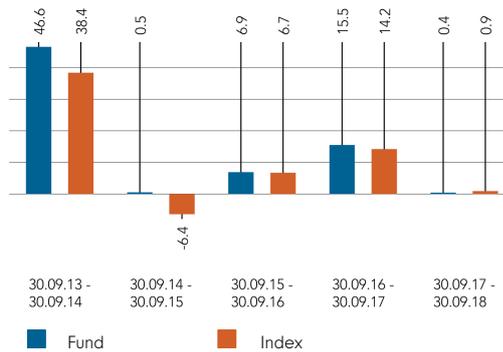
Performance over quarter in USD (%)

Fund	-4.7
Market index	-2.5

MSCI India Index Capped 8% (N)

Market index is for comparative purposes only.

Source of fund performance is Fidelity. Basis: nav-nav with income reinvested, in USD, net of fees. Other share classes may be available. Please refer to the prospectus for more details.



Market Environment

Indian equities declined over the quarter. Markets were resilient in July and August, supported by broadly positive corporate earnings and favourable news flow. However, equities fell sharply towards the end of September due a rise in oil prices above US\$80 and the depreciation of the rupee versus the US dollar. The debt default by unlisted non-banking financials company IL&FS and concerns that valuations are around the higher end of the historical range further weighed on markets. While the macroeconomic environment remains reasonably sound, the impact of the rising US dollar and higher oil prices is reflected in tighter liquidity conditions in domestic markets. Also, the debt default by IL&FS on a INR10bn loan, which resulted in a rating downgrade from AAA to junk, may have led to a liquidity squeeze in the bond markets. Global volatility coupled with tighter liquidity in the domestic markets resulted in a sharp sell-off. In terms of equity fund flows, domestic mutual funds and insurance companies were net buyers over the quarter. Conversely, foreign institutional investors were net sellers over the same period. At a sector level, elevated competitive pressure in the telecommunications space hurt the communication services sector. Financials underperformed due to the concerns over credit and liquidity issues. On a positive note, information technology and health care stocks advanced as the rupee depreciated, given their US dollar earnings streams.

Fund Performance

The fund underperformed the index over the quarter.

Sell-off in financials hurt returns

Being wholesale-funded, housing finance companies and non-banking financials detracted the most from performance following the sell-off in September. As a result, the overweight stance in the housing finance sector and in Edelweiss Financial Services hurt performance. Meanwhile, the lack of exposure to Yes Bank, Indiabulls Housing Finance and Bajaj Finance added relative value.

Improving earnings prospects lifted conviction holdings

Preferred holdings in conglomerate Reliance Industries and footwear manufacturer Bata India posted solid quarterly profits. The former's results reflected robust subscriber growth at its telecommunications venture Jio, and strong profitability in its petrochemicals and retail business. The latter delivered encouraging sales and an improvement in operating margins as it is focused on a premium product mix.

Fund Positioning

As a bottom-up stock picker, I focus on identifying high-quality growth stocks. These are characterised by their higher returns on equity, free cash flows and lower debt, with good quality management, scalable business models and reasonable valuations.

Opportunities in financials

Given the recent events in the financial sector, non-banking financials are likely to face near term pressure on margins and a slowdown in growth due to higher funding costs. As a result, high quality private sector banks that have low cost of funds should gain market share. Therefore, I sold holdings in certain non-banking financials such as HDFC Asset Management and PNB Housing. Overall, the fund remains overweight in financials with a tilt towards private sector banks. HDFC Bank and Kotak Mahindra remain high-conviction holdings in the fund. These banks have strong management teams, a robust balance sheet and conservative underwriting culture. They continue to benefit from secular growth in retail credit and a focus on technology. I increased the exposure to private lenders Axis Bank and ICICI Bank in view of improving fundamentals and receding asset quality concerns. Furthermore, the removal of uncertainty around the latter's management change lent visibility to its growth strategy.

Stock specific opportunities at attractive valuations

I am looking for stock specific opportunities where valuations have become reasonable after the sell off and am adding to existing positions where conviction is high.

Important Information

Past performance is not a reliable indicator of future results. The fund's returns can be affected by fluctuations in currency exchange rates.

The value of investments and any income from them may go down as well as up and an investor may not get back the amount invested. The use of financial derivative instruments may result in increased gains or losses within the fund. Liquidity is a measure of how easily an investment can be converted into cash. Under certain market conditions assets may be difficult to sell.

Attribution

Performance attribution is produced in the currency shown below. For funds with multiple share classes, the attribution return reflects the aggregate performance across all the share classes. It may therefore deviate from the published return for a particular share class. When using the analysis for hedged share classes, please consider that the attribution is shown before the impact of hedging.

The contributions shown in the tables are before the impact of charges. If charges are applied, their effect is captured in the "Other" category in the tables and will also be reflected in the fund return.

All investments, including derivatives, linked to a particular issuing company have been combined to form a total percentage for each issuing company.

The sector/industry and country contribution tables (where relevant) display a maximum of eleven individual sectors/industries or countries. For funds investing in more than eleven sectors/industries or countries, only top five and bottom five are listed, with the contribution from other sectors/industries or countries shown in the "Other Sectors" or "Other Countries" category.

Currency of attribution	US Dollar (USD)
Three month relative return (%)	-2.11

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
YES BANK	-1.9	0.90	EDELWEISS FINANCIAL SRVS LTD	1.8	-0.73
INDIABULLS HOUSING FINANCE LTD	-1.1	0.27	HDFC BANK LTD	6.6	-0.56
EICHER MOTORS LTD	-1.2	0.22	INFOSYS LTD	-4.5	-0.39
RELIANCE INDUSTRIES LTD	1.3	0.22	AXIS BK LTD	-2.0	-0.34
UNITED SPIRITS LTD	-0.6	0.16	TEAMLEASE SERVICES	1.2	-0.28
VODAFONE IDEA LTD	-0.3	0.14	KOTAK MAHINDRA BANK LTD	1.4	-0.27
BATA INDIA LTD	1.5	0.14	HCL TECHNOLOGIES LTD	-1.8	-0.23
AUROBINDO PHARMACEUTICALS LTD	0.6	0.11	TATA COMMUNICATIONS LIMITED	1.2	-0.22
BAJAJ FINANCE LTD	-1.4	0.11	WIPRO LTD	-1.1	-0.19
HERO MOTOCORP LTD	-0.5	0.10	SBI LIFE INSURANCE CO LTD	0.7	-0.19

Positions in other funds - including ETFs (Exchange Traded Funds) - can appear in this table, but index derivatives form part of an "Index / Unclassified" category which will appear in the table(s) below when relevant.

Sector/Industry Contribution (%)

3 months

CONTRIBUTIONS TO RELATIVE RETURN

GICS Sector	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
Consumer Discretionary	0.9	0.41	-0.06	0.34
Consumer Staples	-3.1	-0.13	0.41	0.27
Energy	-2.2	0.54	-0.34	0.19
Health Care	-2.0	0.09	-0.09	0.00
Real Estate	1.8	-0.05	0.00	-0.05
Utilities	-1.3	-0.12	-0.04	-0.17
Materials	-3.6	-0.17	-0.09	-0.26
Communication Services	2.4	0.03	-0.29	-0.26
Industrials	3.5	-0.45	0.16	-0.29
Information Technology	-5.9	0.04	-0.63	-0.59
Financials	6.7	-0.86	0.01	-0.85
Total Primary Assets	-2.7	-0.68	-0.96	-1.64
Other*	2.7			-0.46
TOTAL	0.0			-2.11

*Other includes portfolio components not already listed such as cash, expenses and other miscellaneous items.

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