



INDIAN EQUITIES AS AN ASSET CLASS ARE HERE TO STAY, SAYS FIDELITY INTERNATIONAL

- **Demographics is one of the biggest drivers of growth**
 - **Infrastructure improvements essential**

London, 18 October 2007 – The Indian economy has grown from \$32 billion at the start of the 1980s to more than \$1 trillion today and, if current trends continue, it is expected to double within the next 7 years*. But after the rapid growth, many investors are asking can this trend continue?

Yesterday, the Indian regulatory body, SEBI, proposed to implement measures to monitor the investment by Foreign Investment Instruments (FIIs) through Offshore Derivative Instruments (ODIs). **Arun Mehra, manager of the Fidelity India Focus Fund** sees this recent news as good for long-term investors as it should make the market less speculative. As the currency issues have been closely monitored by the government over the past few months, these measures should also keep the rupee at sensible levels. In terms of the FF India Focus Fund, Mr Mehra has used the market weakness as a good buying opportunity.

Speaking at a conference last week, **Mr Mehra** spoke in more depth about the outlook for India: “India is a ten year story not a two year story.” He said. “There are a number of drivers behind the growth, all of which are long term in nature. India is changing and new themes are emerging all the time. For example, huge gas and oil fields have been found recently on the East coast which will have an impact on the Rupee and imports. Lifestyles are changing, more people are using the internet and thinking about healthcare. Property development is also increasing.”

One of the biggest drivers of growth is the changing demographics. Wealth is increasingly filtering down to rural and traditionally low income sections of society, and India’s middle class now totals 200 million. This number is expected to grow to 500 million by 2015**. It also has one of the youngest populations in the world, with around half of the population having been born after 1982. As these young people move to the cities and their aspirations grow, lifestyles are changing. More people are using credit cards, buying mobile phones, eating out, shopping in big department stores and



spending their money on healthcare, travel and luxuries. What we have taken for granted for years in the UK is now unfolding in India. Purchasing power is starting to come through and households are moving up the income chain.

Another big issue in India is infrastructure. While India is ahead of China - the other big power house in Asia - in terms of its service industry, it is at least 10 years behind with infrastructure development. "Infrastructure in the country is still very bad" **continued Mr Mehra**. "However, this is starting to change and US\$ 320 billion of infrastructure investment has been targeted from 2007 to 2012*** with projects in place for improving roads, ports, telecommunications, airports, railways and power."

Mr Mehra concluded: "The Indian market has enjoyed a sustained period of growth with periods of short corrections. I believe that over the next 10 years the market will continue to behave this way. India as an asset class is here to stay. The drivers of growth and trends in the market are both diversified and long term. With new trends emerging all the time, I believe India is a good long term story for investors."

Fidelity Funds India Focus Fund aims to provide long-term growth, principally through investment in equity securities listed in India, as well as securities in non-Indian companies that derive a significant portion of earnings from India. Since its launch in August 2004, the £2 billion [*€3 billion*] fund has returned 240% in Sterling terms [*228% in Euro terms*]****.

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Notes to editors:

*Source: Economic Survey 2006-07 GDP at the current international dollar; CLSA estimates

**Source: CLSA, Morgan Stanley, August 2007, assumed USD/INR = 41

***Source: High Commission of India, London. Statement made by Mr P. Chidambaram, Finance Minister, India, June 28, 2007

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*****Source: Fidelity as at 30.09.07

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