



FIDELITY INDIA FOCUS FUND CELEBRATES THIRD ANNIVERSARY

- **Consumption, demographics and infrastructure are fuelling long-term growth in the Indian market**
 - **Fund returns 200 per cent since launch***

London, 3 September 2007 – India has boasted one of the fastest growing economies in the world over the last three years and remains a strong long term growth story. This growth has been sustained by a number of factors including growth in consumption, demographics and infrastructure. As the FF India Focus Fund celebrates its third anniversary, **Arun Mehra, portfolio manager**, reflects on the past three years and looks at the current opportunities to be found.

Market trends

“India has seen an explosion of its middle classes since the turn of the millennium with an emerging generation of highly educated young workers earning higher incomes than ever before. This has driven massive growth in domestic consumption. The consumer sector has expanded with the growth of incomes and urban areas, and the boom in service industries. Retailers and entertainment companies have been the major beneficiaries.

“India also needs major infrastructure investment and the government’s new Investment Commission has recommended lifting restrictions on foreign-direct investment in strategic sectors. There are large cities in almost every state that are planning to build mass-transit systems as well as other transportation links. This is creating significant opportunities for companies involved in infrastructure projects. If you take all of these themes into consideration, India remains one of the most attractive growth stories in the investment world right now.”

Macro environment

“In response to rising inflation, the Reserve Bank of India implemented its tightening policy in October 2004, shortly after we launched our fund,” he continues. “Since then, the borrowing rate has risen from 4.5% to 6.0%** while the lending rate has increased to 7.75%.*** Five out of the seven increases took place in the 2007 financial year. We are now starting to see inflation come back down below 5% and within the Bank’s comfort



zone. So, I think the interest rate hikes have worked and it's going to put the economy on a very solid growth footing. The macro environment, from a liquidity perspective, therefore continues to look very good."

So what does the future hold?

"The rises on India's share markets in recent years are roughly in line with corporate earnings growth and I see no reason why profit growth will slow. I think we'll see strong double-digit earnings growth in coming years. Taking a three- to five-year view, all indicators suggest that the rupee will appreciate and while this will hamper certain export-oriented industries, if you take a long-term view, a steady appreciation should be good for investors.

"The Indian share market is not immune to short-term declines in global equities and rising risk aversion but it is important to remember that India is a secular, long-term growth story. Further, the long-term opportunity in India is very exciting and we would likely be aggressive buyers in a correction. Even if the US slows down, Indian companies such as those in the software and IT sectors will benefit as outsourcing will likely increase as companies save costs.

"The level of economic activity in India remains strong. There's been no slowdown in investment, whether it be infrastructure-related, in telecoms, ports, airports, retail, or in other parts of the economy. This investment is creating jobs and boosting consumption. This is good news for the economy and, as it feeds into corporate earnings, is positive for investors."

The FF India Focus Fund was the first open-ended vehicle devoted to this market that qualified for inclusion in an Individual Savings Account (ISA). The 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. The £1.8 billion**** has returned 200 per cent since its launch in August 2004*.

Fidelity International Limited ("FIL") and its subsidiary companies serve the major markets of the world by providing investment products and services to individuals and



institutional investors outside the US. The FIL Organisation manages a total of £145.0 billion of assets*****.

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Notes to editors:

*Source: Fidelity. Basis: 198.9% Nav to Nav, gross income reinvested from 23/08/04 to 31/08/07.

**Source: RBI website

***Source: RBI website

****Source: Fidelity as at 31.08.07

*****Source: Fidelity as at 30.06.07

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