

Notice to investors

Important update on Fidelity Funds

21 November 2019

As the Responsible Entity of the six (6) Australian registered managed investment schemes listed in the Appendix to this notice (**Impacted Funds**), FIL Responsible Entity (Australia) Limited (ABN 33 148 059 009 AFSL No. 409340) (**Fidelity, we**) would like to provide a brief update to investors about a change to Indian tax law which occurred in 2018 which affected the Impacted Funds' unit pricing but has only recently been properly reflected in the unit price of each Impacted Fund.

Fidelity is currently taking steps to correct the impact on investors of the delay in recognising the impact of the tax change.

Background

On 1 February 2018, a change in Indian tax law was announced in the Indian Union Budget to impose a tax of circa 12% on long-term capital gains realised by foreign portfolio investors, such as Australian domiciled funds, on and from 1 April 2018. This new law was enacted on 29 March 2018 in the Indian Finance Act 2018. The law is retrospective in that the tax applies to shares held at 31 January 2018 but the retrospective impact is mitigated by excluding unrealised gains accrued as at 31 January 2018.

Fidelity has now formed the view that deferred tax assets and liabilities should have been recognised on or about the date of commencement of the change to the Indian Finance Act 2018 (on or about 1 April 2018) in the accounts of the Impacted Funds for potential future tax liabilities on long-term capital gains, determined by reference to unrealised gains and losses as at that date.

What does this mean?

The impact of the delay in recognising deferred tax assets and liabilities is that the unit price of each of the Impacted Funds was overstated for the period from 1 April 2018, because the net asset value of each Impacted Fund was overstated by the amount that should have been recognised in the accounts for the net deferred tax liability (which would have created an additional liability that needed to be factored into the net asset value calculation).

What is being done by Fidelity to rectify this?

Fidelity recognised a net deferred tax liability on 27 September 2019 (for the India Fund) and 1 October 2019 (for the remaining Impacted Funds) which largely corrected the unit price.

Fidelity also appointed a global accounting firm to undertake the calculations to determine the best means of compensating investors who invested in any of the Impacted Funds (i) between 1 April 2018 to 26 September 2019 (for the India Fund) and (ii) between 1 April 2018 to 30 September 2019 (for the remaining Impacted Funds) (collectively, the **Relevant Period**) and who have been affected by the unit pricing discrepancy.

Upon completion of analysis by the accounting firm, Fidelity will implement the proposed remediation actions which are likely to include:

- issuing additional units in the Impacted Funds to investors who overpaid for units during the Relevant Period; and
- Fidelity paying money into the Impacted Funds, to correct the impact on investors of any overpayments made to investors who exited while the unit price was overstated.

Do you need more information?

We expect to be able to provide investors with an update on the remediation process by the end of April 2020.

This notice is for information purposes only and you do not need to take any action. The above information does not have any effect on the Impacted Funds' dealings and investors can continue to invest in the Impacted Funds.

If you have any questions or require further information regarding the above, please email auclientservices@fil.com or contact us on 1800 044 922 (Investors) or 1800 119 270 (Advisers).

Appendix

List of impacted funds

No.	Fund name	ARSN	mFund code
1	Fidelity Asia Fund	116 072 498	FIL10
2	Fidelity Global Demographics Fund	160 557 353	FIL23
3	Fidelity Global Emerging Markets Fund	165 837 150	FIL31
4	Fidelity Global Equities Fund	093 163 672	FIL07
5	Fidelity Hedged Global Equities Fund	093 163 869	FIL14
6	Fidelity India Fund	093 164 679	FIL15