



Fidelity Short Term Income Fund

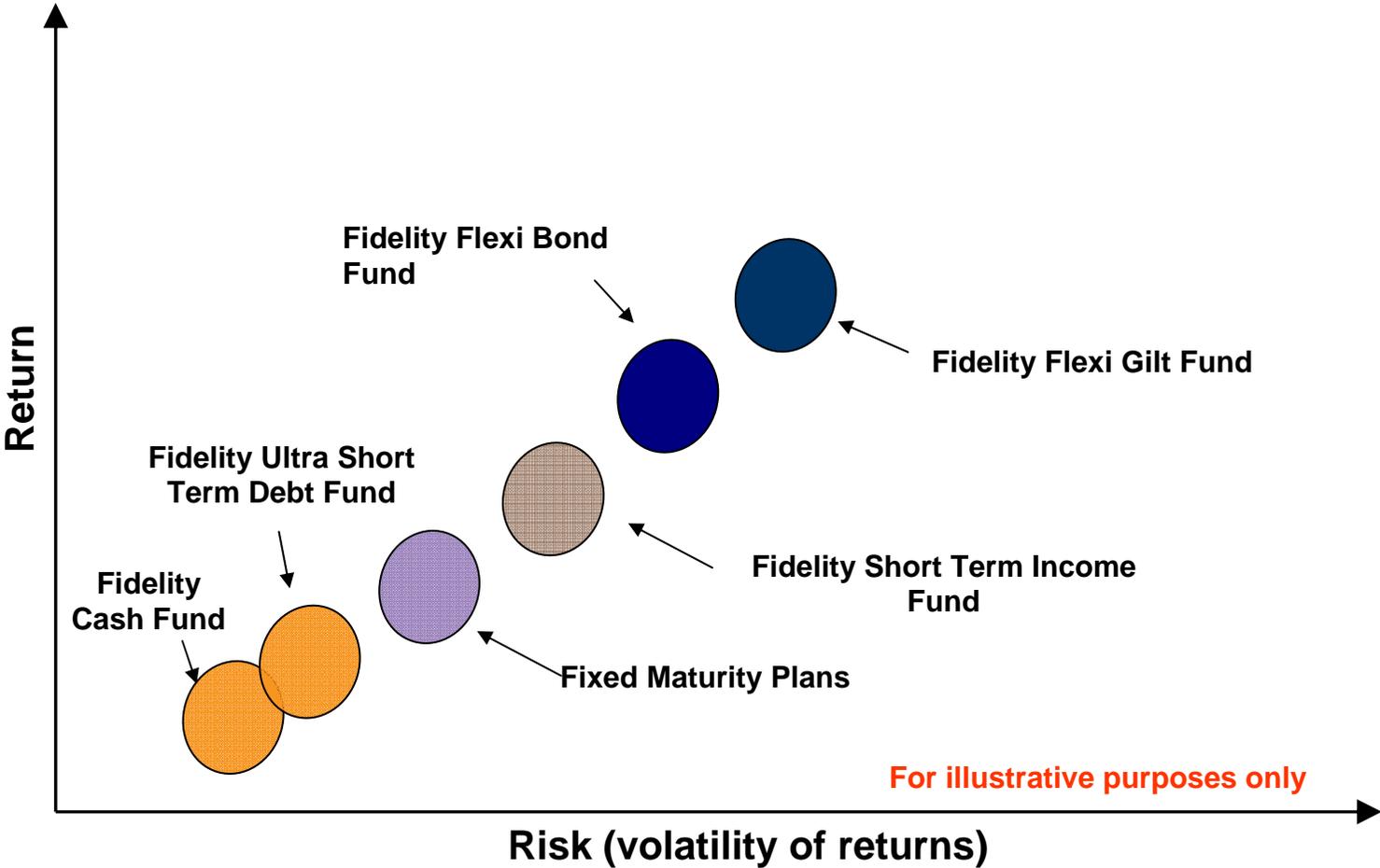
January 2012

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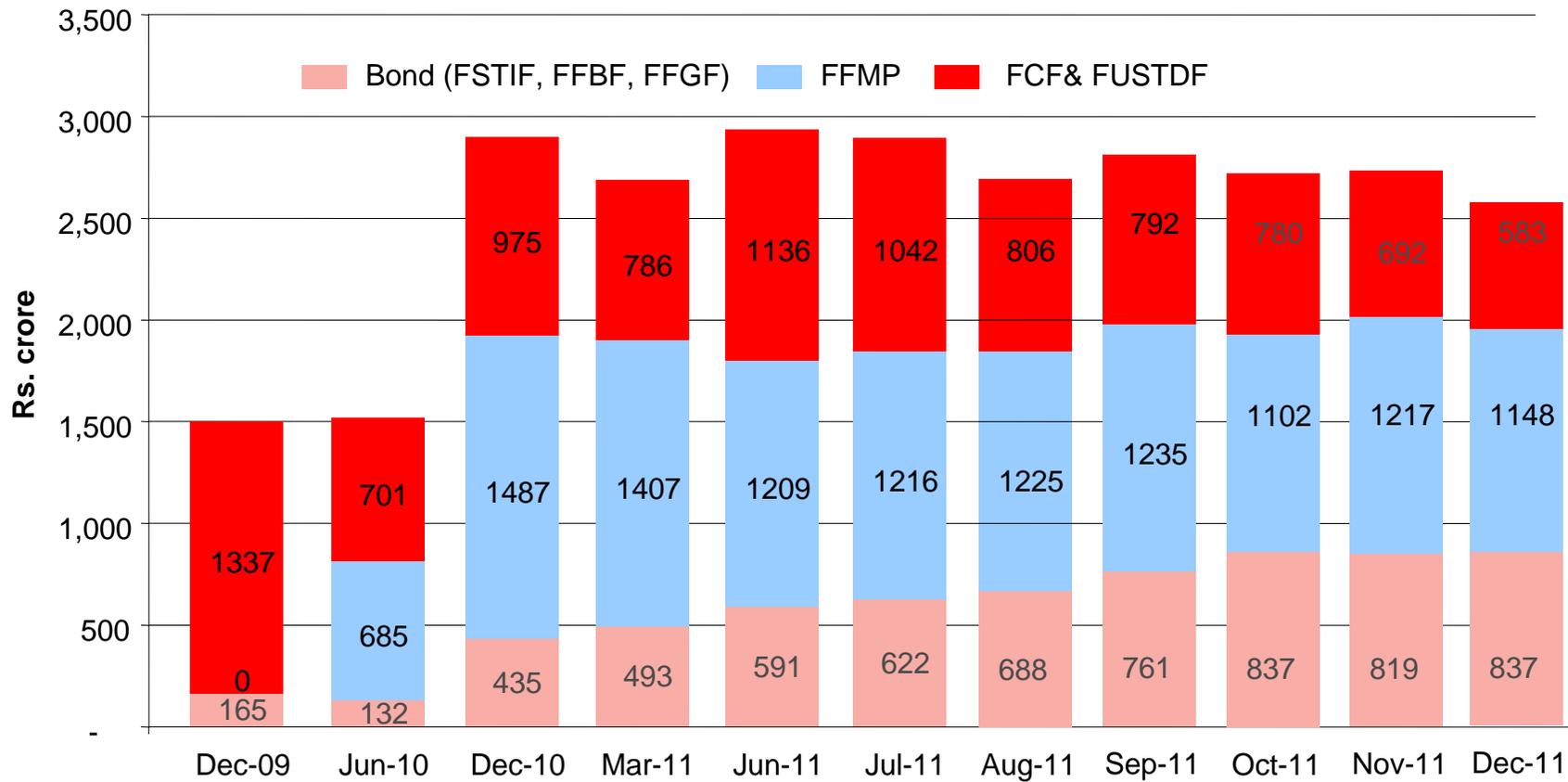
Update on Fidelity India Fixed Income

Our Fixed Income Fund range



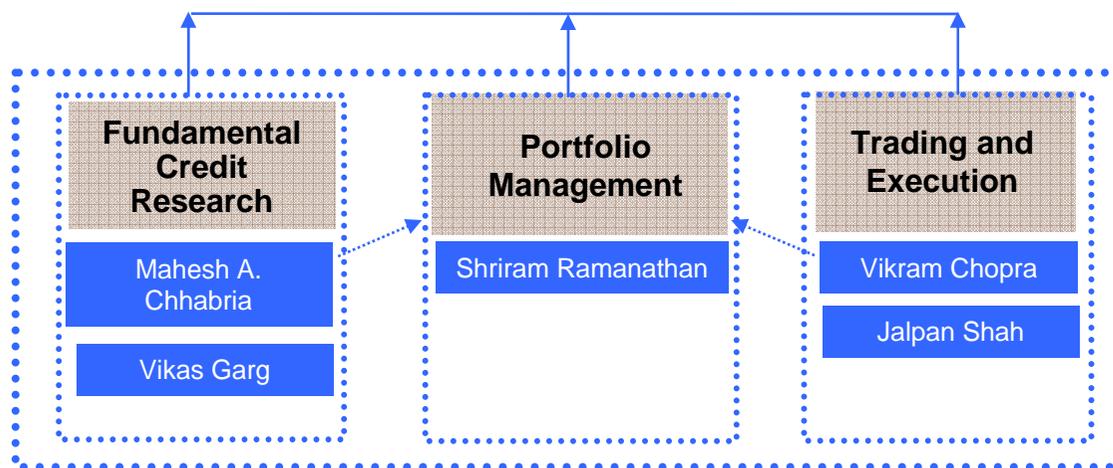
- Money Markets / Short Term
- Accrual, duration matching
- Credit selection
- Multiple Alpha
- Sovereign only, Flexi Duration

Our Fixed Income assets



Source: Fidelity, FCF=Fidelity Cash Fund, FUSTDF=Fidelity Ultra Short Term Debt Fund, FSTIF=Fidelity Short Term Income Fund, FFBF=Fidelity Flexi Bond Fund, FFGF=Fidelity Flexi Gilt Fund, FMP=Fidelity Fixed Maturity Plans

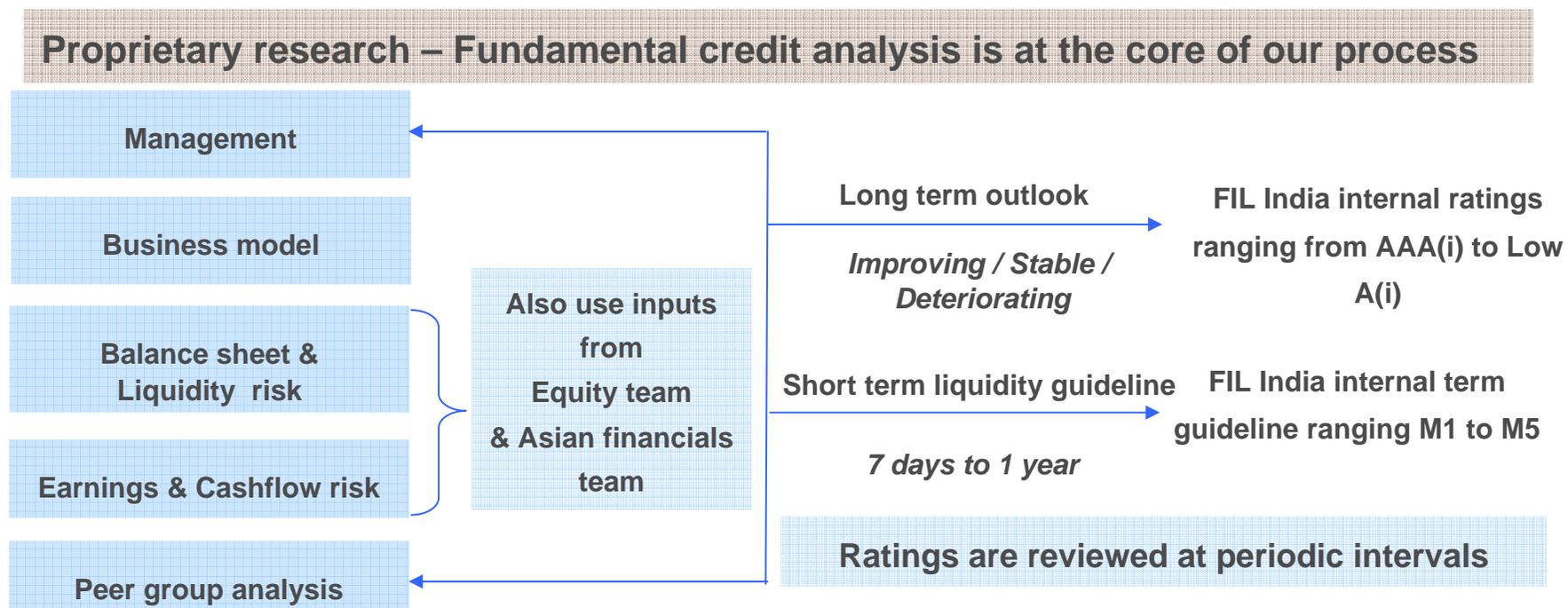
Our India Fixed Income Team



Average work experience of eight years

- Culture of excellence and accountability
- Team structured along critical functions
- Integrity of each function maintained through appropriate reporting lines
- Complementary expertise

Our Credit research process

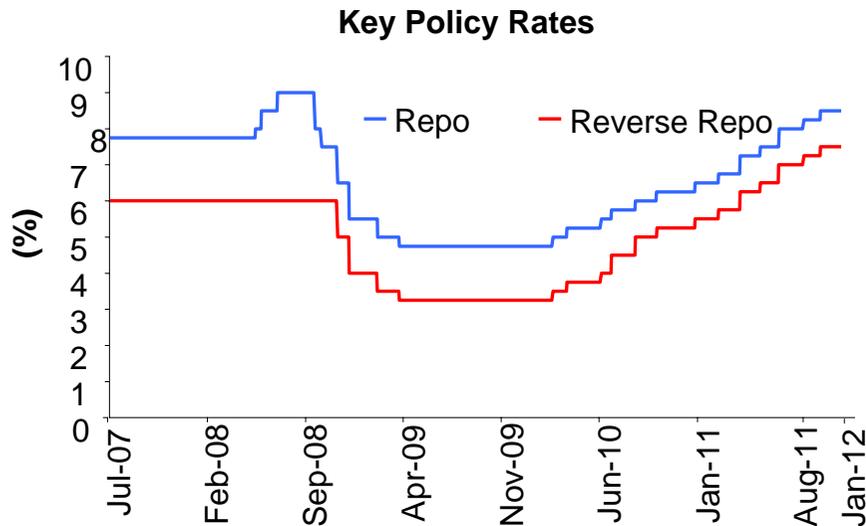
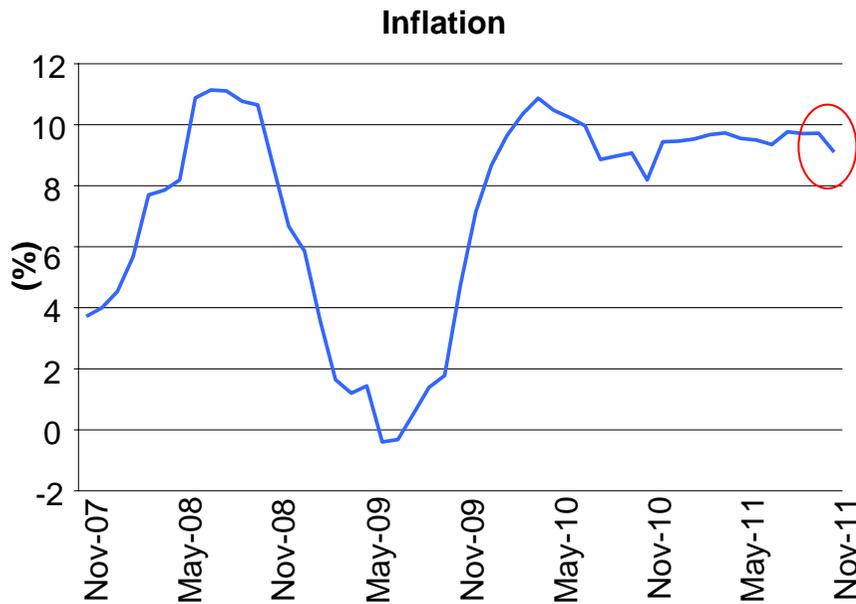


- FIL has managed fixed income funds since 1982
- FIL fixed income / cash assets under management \$43.2bn (\$56.7bn with US high yield and EMD)
- Approximately 74% of fixed income assets in bond funds
- Presence across maturity spectrum and asset classes (government, inflation-linked, investment grade corporate, asset backed, emerging and high yield bonds)
- Access to global resources across America, London, Hong Kong and India

Source: FIL Ltd., 31/12/2011.

Current investment opportunities in fixed income

Focus shifting from containing inflation to facilitating growth



- Inflation has exceeded most estimates over the past two years
- RBI was focused on containing inflation even if it is at the cost of slightly lower growth – effective* policy rate hike of 500 bps since March 2010
- Policy tightening and high base effect has resulted in inflation coming off in November and it is expected to fall further over the next few months
- Downside risks to growth has increased – RBI focus likely to shift from containing inflation to facilitating growth

Source: Bloomberg, Fidelity. * Effective rate moved from reverse repo to repo rate. As of 9th January 2012

Policy rates and yield movement

Rate	31-Dec-09	31-Dec-10	30-Dec-11	09-Jan-12	Change since Dec-10
Effective policy rate*	3.25	6.25	8.50	8.50	+ 225 bps
3 month CD	3.55	9.00	9.54	9.60	+ 60 bps
6 month CD	4.95	9.35	9.70	9.70	+ 35 bps
1 year CD	5.95	9.40	9.75	9.75	+ 35 bps
10 year G-sec	7.59	7.92	8.57	8.19	+ 27 bps

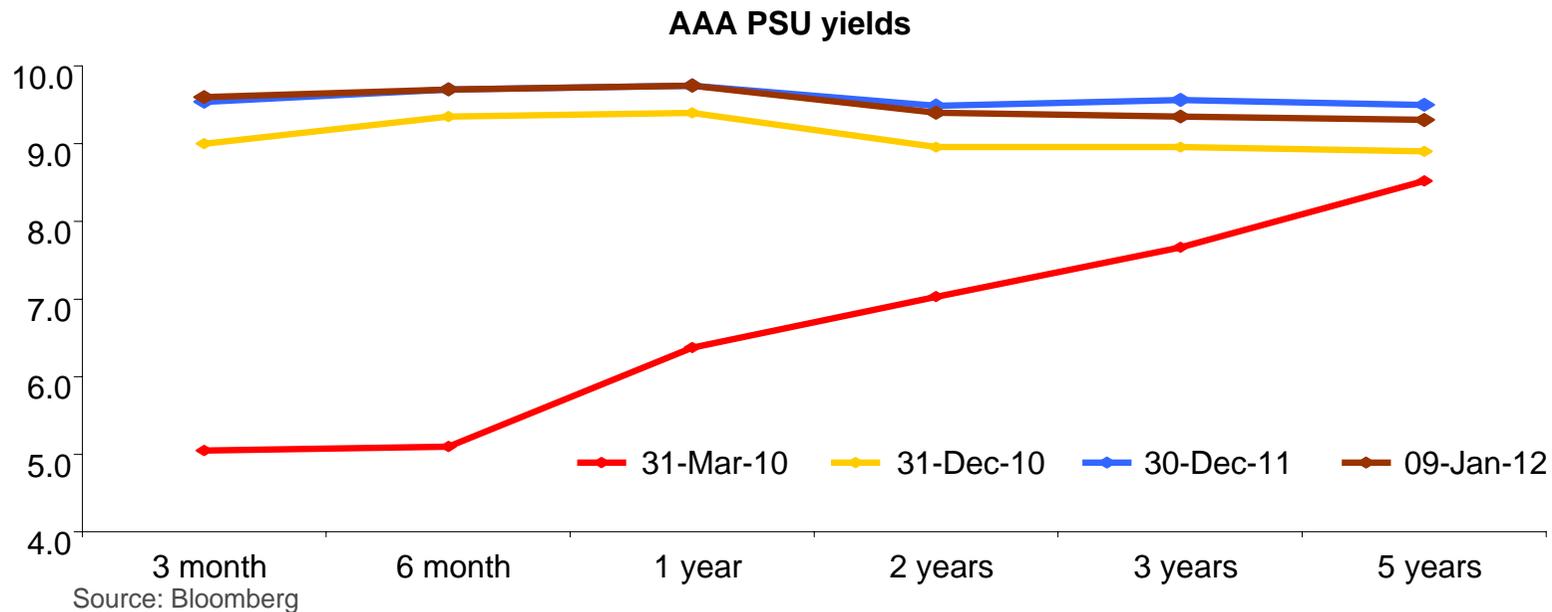


Source: Bloomberg. * Effective rate moved from reverse repo to repo rate

Source: Bloomberg. Daily avg yield – Jan 2002 to 10 Jan 2012: 7.19%

- RBI has taken aggressive tightening measures over the past two years or so
- Yield curve has flattened sharply, with short term rates moving up by 400-600bps.
- Policy reversal likely over the next few months as inflation is expected to fall. Overall interest rates are at an attractive level

Current opportunities in Fixed Income



- Long bond / duration funds have the potential to deliver better returns in the current market environment. However, investors with lower risk appetite may not want to take significant exposure to such products given higher volatility
- For relatively risk averse investors, shorter duration products such as short term income funds look attractive as they can capitalise on the high short term yields that are currently prevalent
- Short term income funds have relatively low duration or interest rate risk and flexibility to alter portfolio strategy according to evolving market situation

Short Term Income Funds could provide an attractive investment opportunity on risk adjusted basis

Scenario Analysis - This is for illustrative purpose only and should not be construed any advice to subscribe the schemes of Fidelity Mutual Fund

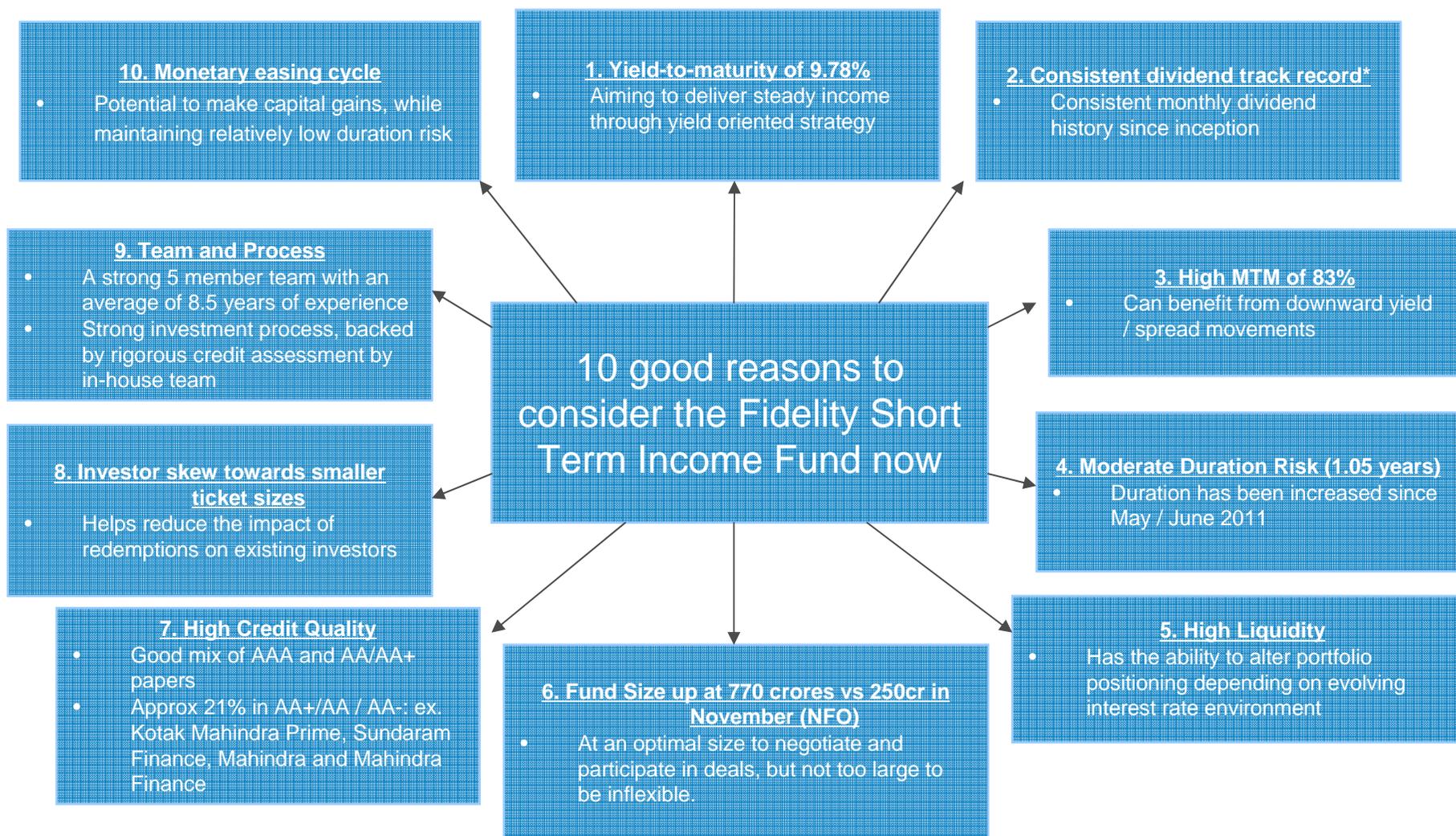
	Product 1: Short duration bond product with modified duration of 1 year			Product 2: Medium term gilt product with modified duration of 4 years		
Parallel shift in yield curve (bps)	Yield accrual (annualised) (A)	Capital appreciation / depreciation (annualised) on account of shift in yield curve (B)	Total (A+B)	Yield accrual (annualised) (X)	Capital appreciation / depreciation (annualised) on account of shift in yield curve (Y)	Total (X+Y)
-100 bps	9.75%	2.00%	11.75%	8.25%	8.00%	16.25%
-50 bps	9.75%	1.00%	10.75%	8.25%	4.00%	12.25%
-25 bps	9.75%	0.50%	10.25%	8.25%	2.00%	10.25%
Unchanged	9.75%	0.00%	9.75%	8.25%	0.00%	8.25%
+25 bps	9.75%	-0.50%	9.25%	8.25%	-2.00%	6.25%
+50 bps	9.75%	-1.00%	8.75%	8.25%	-4.00%	4.25%
+100 bps	9.75%	-2.00%	7.75%	8.25%	-8.00%	0.25%

Short duration bond products likely to do better than medium term gilt funds unless yields move lower by more than 25 bps – better product on risk adjusted basis in current environment

Given the current market yields, it is assumed that a short duration bond fund having modified duration of 1 year with combination of securities across maturities / credits could generate gross yield of 9.75% and a medium term gilt fund with modified duration of 4 years could generate gross yield of 8.25%. The above calculations are based on the assumption of parallel shift in yield curve and the actual capital appreciation / depreciation may vary depending on the actual change in the shape of the yield curve. Further it has been assumed that the securities will be held for six months. Expenses have not been considered. **This is for illustrative purpose only and should not be construed as performance of the fund.**

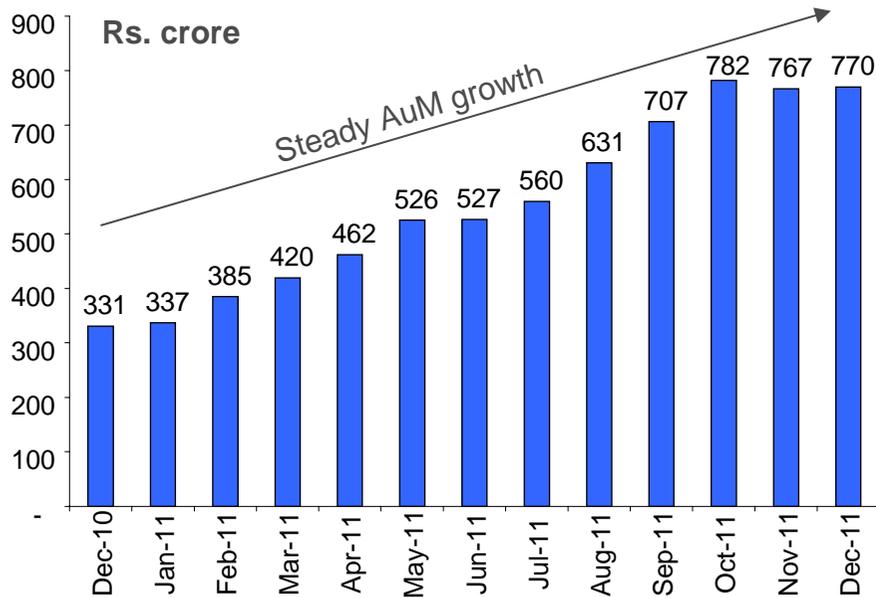
Fund Update: Fidelity Short Term Income Fund

Why Fidelity Short Term Income Fund?



Source: Fidelity. All information as at end December 2011. * For details, please refer to slide number 18. Past performance may or may not be sustained in the future.

Fidelity Short Term Income Fund



- Launched in November 2010
- Fund has seen steady growth in assets since then
- Consistent monthly dividend track record
- Rated mfAAA by ICRA

Dividend history (net of dividend distribution tax) Face value of Rs. 10 per unit

Record date	Non Corporate	Corporate
	Rs. Per unit	Rs. Per unit
25-Jan-11	0.07511	0.07000
25-Feb-11	0.04629	0.04315
25-Mar-11	0.05710	0.05322
25-Apr-11	0.07047	0.06577
25-May-11	0.07268	0.06783
27-Jun-11	0.07047	0.06040
25-Jul-11	0.06299	0.05398
25-Aug-11	0.06880	0.05897
26-Sep-11	0.06149	0.05270
25-Oct-11	0.05823	0.04991
25-Nov-11	0.06034	0.05172
26-Dec-11	0.06299	0.05398

Source: ICRA MFIE. Past performance may or may not be sustained in the future

Fidelity Short Term Income Fund

<p style="text-align: center;"><u>Investment Approach</u></p> <ul style="list-style-type: none"> ▪ Focus on return generation through yield oriented strategy ▪ Laddering of portfolio with higher yielding, low maturity assets (<1 year) combined with liquid, longer maturity assets (1-2 years) ▪ Low duration ▪ Exposures to lower rated credits, provided they compensate adequately without compromising on liquidity or diversification 	<p style="text-align: center;"><u>Portfolio Positioning & Fund details – December 2011</u></p> <ul style="list-style-type: none"> ▪ Rating: ~ 79% AAA / P1& cash equivalent, ~ 21% AA equivalent ▪ MTM: ~ 83% ▪ Modified Duration: 1.05 years ▪ Gross YTM: 9.78% ▪ Credit rating of mfAAA by ICRA ▪ Exit load: 0.50% if redeemed within 6 months from allotment ▪ Benchmark: Crisil Short Term Bond Fund Index ▪ Fund Manager: Shriram Ramanathan
<p style="text-align: center;"><u>Product Positioning</u></p> <ul style="list-style-type: none"> ▪ Ideal for relatively risk averse investors having investment horizon of at least 6 months to 1 year ▪ A steady yield oriented product that could fit into investors portfolio irrespective of market conditions ▪ Potential to offer better post-tax risk adjusted returns in the current environment ▪ Product that could help in capitalising on alpha generation opportunities through credit selection 	<p style="text-align: center;"><u>Risk / Reward</u></p> <ul style="list-style-type: none"> ▪ Attractive portfolio gross yield and low modified duration: Yield oriented strategy to benefit from higher short term yields but with low interest rate risk ▪ Yield accruals likely to be key component of returns ▪ High credit quality portfolio. Exposures to lower rated credits, provided they compensate adequately.

As of December 2011

In summary...

- Fidelity Short Term Income Fund provides a good opportunity to benefit from attractive short term yields with high quality portfolio
- Portfolio well diversified across
 - **Issuers**
 - **Maturities:** ~31% in less than 6 months, ~23% in 6 months to 1 year and ~46% in more than 1 year
 - **Instruments:** ~49% in NCDs, ~28% in CDs, ~17% in CPs, ~3% in PTCs and ~3% cash & equivalent
- Good credit quality and highly liquid portfolio to be able to adapt to changing situation
- Fidelity's strong investment process and access to global resources
- Experienced local fixed income team

As of December 2011

Thank You

Biography



Shriram Ramanathan

Funds Managed

Fidelity Cash Fund, Fidelity Ultra Short Term Debt Fund, Fidelity Flexi Bond Fund, Fidelity Flexi Gilt Fund, Fidelity WealthBuilder Fund, Fidelity Short Term Income Fund, Fidelity India Children's Plan – Education Fund, Marriage Fund and Savings Fund (debt portion)

Professional Experience

2009 – Present	Portfolio Manager FFMPL, Mumbai, India
2006-2009 (Asia),	Senior Investment Manager – Global Emerging Market Debt ING Investment Management Asia Pacific, Hong Kong
2003 – 2005	Fixed Income Fund Manager ING Investment Management, Mumbai
2001 – 2003	Fixed Income Research Zurich Asset Management, Mumbai
2000 – 2001	Treasury ICICI Limited

Education and Qualifications

B.E., University of Mumbai
PGDBM, XLRI, Jamshedpur
CFA Charterholder

Important Information

This presentation is for Investment Professionals only, and should not be relied upon by private investors. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity. Market performance data is based on Fidelity's own figures unless otherwise stated. The market information, wherever stated has been sourced from the research reports issued by the entities referred in the presentation. This information is purely for informational purposes and should not be construed as reflecting or indicating the views of Fidelity. Fidelity makes no representations and warranties in relation to, and accepts no responsibility or liability whatsoever for, the statements contained in, or completeness or accuracy of the contents of, the information used in the presentation or any actions/omissions of the recipient or any other person based on this information. Fidelity only provides information on its own products and services and does not give investment advice based on individual circumstances. Past performance is not a guide / indicative of future returns and may not necessarily provide a basis for comparison with other investments. The value of investments and income from them may go down as well as up and an investor may not get back the amount invested. Reference to individual companies or other investments is included solely for the purpose of illustration and should not be taken as a recommendation.

Scheme Classification: An open-ended income scheme. **Investment Objective:** To generate reasonable returns primarily through investments in fixed income securities and money market instruments. **Exit Load:** For redemptions within 6 months from the date of allotment or purchase applying First-In-First-Out basis: 0.50%. A switch-out or a withdrawal under SWP or a transfer under STP (except a switch-out or a transfer under STP into any of the Equity Schemes or fund-of-funds schemes or Fidelity Flexi Bond Fund) may also attract an Exit Load/CDSC like any Redemption. No Exit Load/CDSC will be chargeable in case of switches made between different options of the Scheme. No Exit Load will be chargeable in case of redemption of: (i) Units allotted on account of dividend reinvestments; and (ii) Units issued by way of bonus, if any. In case of units switched out /systematically transferred to another option within the Scheme and if subsequently redeemed, for the purpose of determining the Exit Load, the date when such units were first allotted in the Scheme will be considered as the purchase/allotment date. **Risk Factors:** • Mutual funds, like securities investments, are subject to market risks and there is no guarantee against loss in the Scheme or that the Scheme's objectives will be achieved. • As with any investment in securities, the NAV of the Units issued under the Scheme can go up or down depending on various factors and forces affecting capital markets. • Past performance of the Sponsor/the AMC/the Mutual Fund does not indicate the future performance of the Scheme. • Fidelity Short Term Income Fund is the name of the Scheme, and this does not in any manner indicate the quality of the Scheme, the future prospects or returns. • In addition to the factors that affect the value of securities, the NAV of Units of the Scheme will fluctuate with the movement in the broader fixed income, money market and derivatives market and may be influenced by factors influencing such markets in general including but not limited to economic conditions, changes in interest rates, price and volume volatility in the bond and stock markets, changes in taxation, currency exchange rates, foreign investments, political, economic or other developments and closure of the stock exchanges. • Please read the Scheme Information Document and Statement of Additional Information carefully before investing. **Statutory:** Fidelity Mutual Fund ('the Fund') has been established as a Trust under the Indian Trusts Act, 1882, by FIL Investment Advisors (liability restricted to Rs. 1 Lakh). FIL Trustee Company Private Limited, a company incorporated under the Companies Act, 1956, with a limited liability is the Trustee to the Fund. FIL Fund Management Private Limited, a company incorporated under the Companies Act, 1956, with a limited liability is the Investment Manager to the Fund. Fidelity, Fidelity Worldwide Investment, the Fidelity Worldwide Investment logo and F symbol are trademarks of FIL Limited.

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