

# Fidelity Asia Fund

## Quarterly report

As at 31/12/2020

### Fund description

A concentrated high conviction portfolio, typically investing in 20-35 holdings across developed and emerging Asia (ex-Japan) and draws on the research capabilities of Fidelity's analysts based on the ground in Asia.

### Fund facts

**Portfolio manager:** Anthony Srom  
**Benchmark:** MSCI AC Asia ex-Japan Index NR  
**Inception date:** 29/09/2005  
**Fund size:** AU\$762.63M  
**Number of stocks:** Typically 20-35  
**Management cost:** 1.15% p.a.  
**Buy/sell spread:** 0.40%/0.40%

### Portfolio guidelines

**Stocks:** +10% overweight  
**Industry:** +/-20% from benchmark  
**Country:** +/-20% from benchmark  
**Cash:** Target range between 0% and 10%

### Top 10 holdings (%)

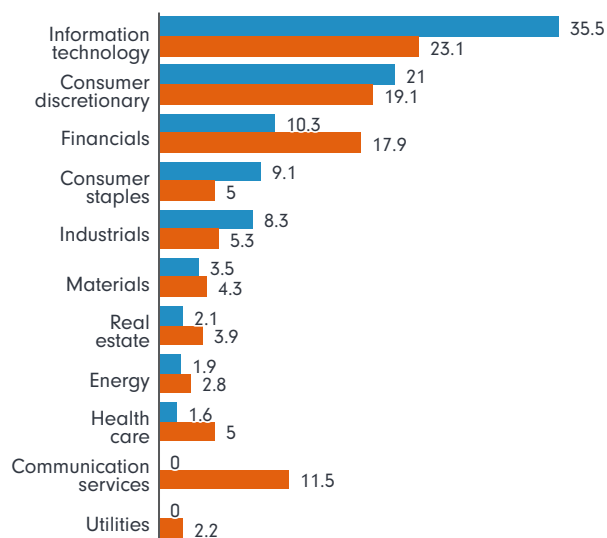
	Fund	B'mark
Taiwan Semiconductor MFG Co Ltd	10.2	6.7
Hangzhou Hik-v Dig Tech Co Ltd	9.7	0.1
Kweichow Moutai Co Ltd	9.1	0.3
Alibaba Group Holding Ltd	8.5	6.3
Sk Hynix Inc	5.9	0.9
HDFC Bank Ltd	5.6	0.0
Techtronic Industries Co Ltd	4.9	0.3
Asml Holding Nv	4.9	0.0
Galaxy Ent Group Ltd	4.3	0.2
AIA Group Ltd	4.1	2.1

### Performance %

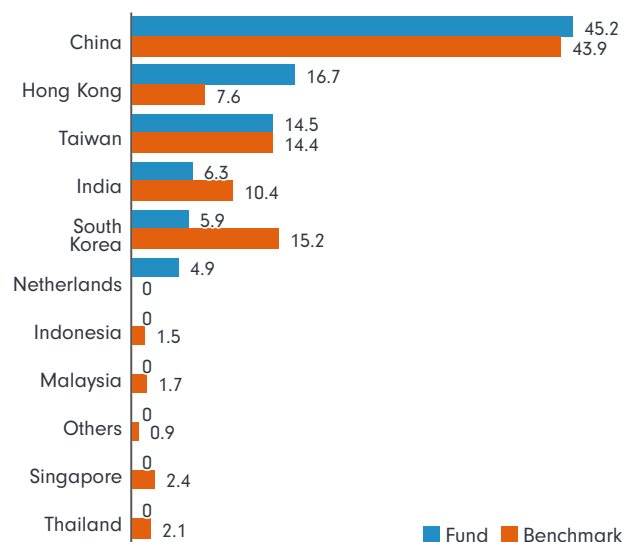
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	Since Inception p.a (29/09/2005)
Fidelity Asia Fund	1.60	13.05	21.14	15.74	13.93	16.15	15.84	13.80	10.44	11.27
MSCI AC Asia ex-Japan Index NR	1.98	10.16	17.10	13.89	8.64	12.25	11.08	9.57	8.07	8.63
<b>Excess return</b>	<b>-0.38</b>	<b>2.89</b>	<b>4.04</b>	<b>1.85</b>	<b>5.29</b>	<b>3.90</b>	<b>4.76</b>	<b>4.23</b>	<b>2.37</b>	<b>2.64</b>

Total net returns represent past performance only. **Past performance is not a reliable indicator of future performance.** Total returns (net) have been calculated using exit prices and take into account the applicable buy/sell spread and are net of Fidelity's management costs, transactional and operational costs and assumes reinvestment of distributions. No allowance has been made for taxation or for any fees charged by operators of master trusts or wrap accounts through which the products are offered. Returns of more than one year are annualised. Returns of the Fund can be volatile and in some periods may be negative. The return of capital is not guaranteed. \*\*The benchmark is the MSCI AC Asia ex-Japan Index, effective 1 January 2010. Benchmark data prior to 1 January 2010 is a blend of the MSCI AC Asia ex-Japan Index and the MSCI AC Far East ex-Japan Index. The major difference between the two indices is the inclusion of India in the MSCI AC Asia ex-Japan Index.

### Industry breakdown %



### Geographic breakdown %



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This Fund is unhedged and is subject to the risk of fluctuations in international stock markets and currencies. Management costs and the buy/sell spread are current as at the date shown above but may be subject to change in the future. Management costs include GST but exclude abnormal expenses and transactional and operational costs. Investors accessing the Fund through a master trust or wrap account will also bear any fees charged by the operator of such master trust or wrap account. Any apparent discrepancies in the numbers are due to rounding.

# Quarterly report

## Market performance

Equities in the Asia ex Japan region advanced over the quarter. The prospect of balanced approach to international relations under a Biden administration and optimism over an early COVID-19 vaccine following encouraging trial results supported investor appetite across the region. At the country level, Chinese equities benefited from upbeat Chinese data, the government's pledge of a continued policy support, signing of a China-Europe investment deal and the establishment of a China-backed trade bloc. The Taiwanese central bank revised up its growth outlook for the year as strong exports bolstered the trade-reliant economy. Sentiment towards Korean stocks improved as healthy trade and manufacturing data raised hopes for a faster-than-expected economic recovery from the pandemic. Strong inflows from foreign institutional investors, better than expected quarterly earnings and the gradual reopening of the economy lifted Indian equities. The Singapore market advanced amid a likely revival in travel and tourism following the rollout of the vaccine. Investor confidence further received support from government's plans to ease restrictions on social distancing. Equities in Indonesia and the Philippines gained momentum following a cut in key policy rates by their respective central banks to reignite the economies, which have been hard hit by the pandemic. Sentiment towards Indonesian equities further received a boost after the parliament approved the Omnibus Law, a major reform effort to make the country more competitive. Thai equities gained due to optimism over the easing of global restrictions, which should help the tourism and trade-dependent economy next year. Malaysian equities rose following the government's announcement of the largest budget for public spending in its history to address the impact of COVID-19 and spur economic growth. At the sector level in the region, the information technology (IT), materials and financials sectors were the notable gainers. Conversely, the energy and real estate stocks ended lower.

## Fund performance

### Selected financials, consumer and IT stocks proved rewarding

Second-hand vehicle lender Shriram Transport

Finance Company advanced. Healthy loan collections, reduced their need for COVID-19 provisions, a reduction in the cost of funds and encouraging utilisation levels support the company's earnings outlook. HDFC Bank rose as its encouraging earnings reflected robust growth in loans and deposits. Home appliances manufacturer Midea Group advanced in light of its robust profitability, mainly due to market share gains across its product categories and strength in its overseas business. Vision related equipment manufacturer Hangzhou Hikvision Digital Technology advanced due to improved fundamentals. Its enterprise business (business with privately owned businesses) remained the fastest-growing unit, while its small and medium enterprise business function turned positive in the third quarter. South Korean memory chip maker SK Hynix delivered healthy earnings due to a recovery in demand for mobile chips amid rush orders from Huawei ahead of US restrictions and smartphone launches. Strong sales of solid-state drives (SSDs) for gaming consoles also boosted its profitability. These gains were partially offset by the lack of exposure to Samsung Electronics. Its shares rose on the back of the strong healthy performance of its dynamic access random memory (DRAM), smartphone and consumer electronics segments.

### Underweight in internet businesses supported relative returns

The bias against Alibaba Group Holding during the early part of the quarter, and the lack of exposure to Tencent Holdings added relative value. These stocks were caught in the sell-off of Chinese internet companies after Chinese regulators released a draft anti-trust guideline to curb anti-competitive behaviour and prevent monopolistic practices by online platforms.

### Selected materials stocks ended lower

Chinese gold miner Shandong Gold Mining retreated as vaccine-related news weighed on gold prices, which is a relatively safe-haven asset during volatile markets.

## Outlook

A strong earnings recovery appears to be

priced in, while valuation multiples are elevated. Return on capital and margins continue to decline, while leverage continues to increase. Consensus expectations are strongly tilted towards a rise in inflation. The opposite may play out given that the marginal productivity of debt has diminished significantly. Oil prices remain subdued and rents are falling, which forms part of the US' Consumer Price Index (CPI). Should the opposite occur, we may witness greater fears of deflation in the coming quarters. With interest rates at rock bottom levels, such an outcome would lead to rising real rates, which is unlikely to be supportive for equity markets. Against this backdrop, new investment ideas are harder to find. However, there have been some attractive technology-related opportunities in the initial public offering (IPO) markets. While we have been wary of the internet space as investors were not fully 'pricing in' the risks to these businesses, the suspension of Ant's IPO and heightened regulation risk has brought some more realistic thinking into the sector.

## Major contributors (%)

As at 31/12/2020	Active pos.	Contribution
Sk Hynix Inc	4.1	1.4
Alibaba Group Holding Ltd	- 3.7	1.4
Hangzhou Hik-v Dig Tech Co Ltd	9.7	1.3
Shriram Transport Fin Co Ltd	1.9	1.1
Midea Group Co Ltd	3.6	0.8

## Major detractors (%)

As at 31/12/2020	Active pos.	Contribution
Samsung Electronics Co Ltd	- 5.1	- 1.4
Shandong Gold-mining Co Ltd	3.7	- 0.8
Techtronic Industries Co Ltd	5.0	- 0.6
Pinduoduo Inc	- 0.6	- 0.4
Nio Inc	- 0.7	- 0.4

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