Fidelity INTERNATIONAL

Fidelity Global Equities Fund

Monthly report

As at 28/02/2021

Fund description

Designed to be a core international holding of 80-120 of Fidelity's best global ideas, researched by our 400 experienced investment professionals located around the world. A truly active manager, we take a 360 view of every company we invest in, refreshing our views every 120 days to ensure we take advantage of the best opportunities globally and have a portfolio built with conviction. Stock selection favours mis-valued businesses and structural growth stories.

Fund facts

Portfolio manager: Amit Lodha
Benchmark: MSCI All Country World Index NR
Inception date: 15/04/1998
Fund size: AU$450.30M
Number of stocks: 80 to 120
Management cost: 0.99% p.a.
Buy/sell spread: 0.30%/0.30%

Portfolio guidelines

Stocks: +/-5% from benchmark
Sector: +/- 10% from benchmark
Region: +/- 20% from benchmark
Country: Unconstrained
Emerging markets: maximum 20% of the portfolio (typically less than 10%)
Cash: Target range between 0% and 10%

Top 10 holdings (%)

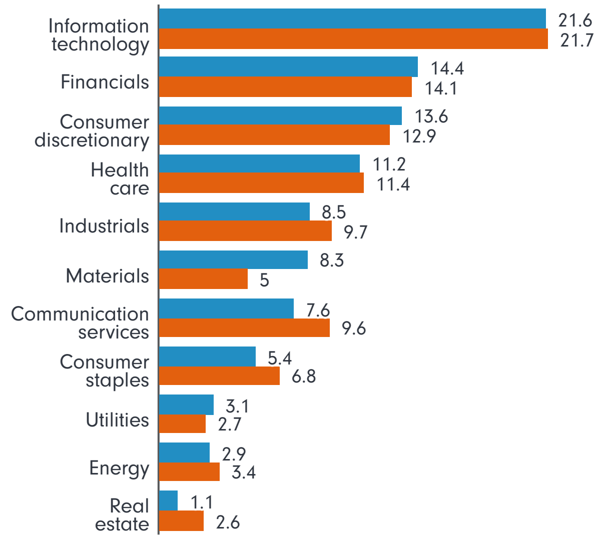
	Fund	B'mark
Microsoft Corp	2.8	2.8
Amazon.com Inc	2.7	2.2
Alphabet Inc	2.0	2.0
Unitedhealth Group Inc	1.7	0.5
Apple Inc	1.6	3.4
Berkshire Hathaway Inc Del	1.4	0.6
Rwe Ag	1.4	0.0
Netflix Inc	1.3	0.4
Bank Of America Corporation	1.3	0.4
Schwab Charles Corp	1.3	0.2

Performance %

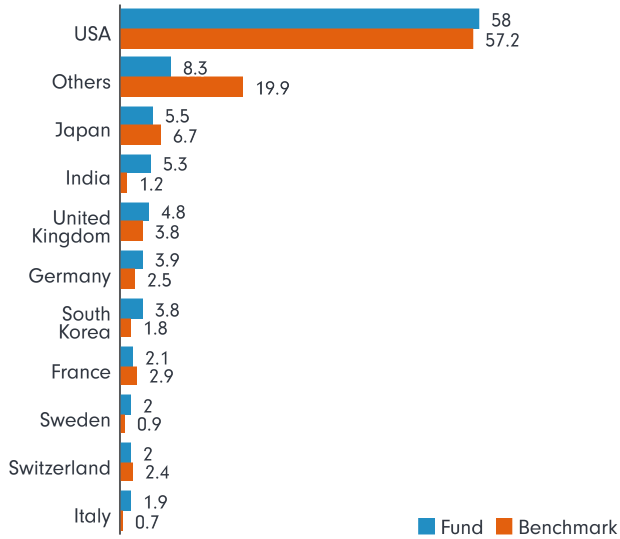
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	20 yrs p.a.	Since Inception p.a (15/04/1998)
Fidelity Global Equities Fund	0.78	3.73	13.47	16.60	14.34	14.88	13.41	13.61	8.47	5.23	6.83
MSCI All Country World Index NR	1.40	1.44	7.98	8.47	10.53	12.41	11.34	11.87	6.46	4.09	4.85
Excess return	**-0.62**	**2.29**	**5.49**	**8.13**	**3.81**	**2.47**	**2.07**	**1.74**	**2.01**	**1.14**	**1.98**

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 All Country World Index NR (effective 1 November 2011). The benchmark before 1 November 2011 was the MSCI World Index. The major difference between the two indices is the inclusion of 21 emerging market country indices in the MSCI ACWI Index. Prior to December 2006, the benchmark was MSCI World Index ex Australia.

Industry breakdown %



Geographic breakdown %



Fidelity funds are available on platforms and mastertrusts via financial advisers. Investors who wish to place at least $25,000 in a single fund can invest with us directly. For further information, please visit www.fidelity.com.au or call Client Services on 1800 044 922.

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.

Market performance

Global equities rose strongly (in AUD terms) in the early stage of February as progress on vaccination and prospects of US fiscal stimulus revived the reflation trade. However, but the technology rout later in the month limited market gains, as rising Treasury yields dampened investor sentiment towards risk assets. The steepening US yield curve also drove global sector rotation. At a regional level, US equities rallied after the Joe Biden Administration and key Republican leaders in the US Senate announced they would work in a bipartisan manner to pass a US$1.9 trillion stimulus agreement. Faster and more effective vaccine rollout for many at-risk population groups such as the elderly also boosted investor sentiment. Europe ex-UK equities delivered positive returns buoyed by strong corporate earnings and improving economic data, despite a rise in bond yields triggered by higher inflation expectations. The European Central Bank also indicated that it will speed up its emergency bond purchases to counter the sell-off in eurozone's sovereign debt markets if borrowing costs continue to rise. UK equities rose as progress on vaccinations overshadowed the persistent concerns over new, more highly transmissible strains of the COVID-19 virus and inflation fears towards the end of the month. Japanese equities rose with buying sentiment reinvigorated by positive economic data and increased expectations for a full corporate earnings recovery on the back of strong corporate results. Elsewhere, emerging markets registered positive returns with Argentina as the best performing market. While Chile and Peru were aided by commodity price strength, Greece outperformed amid hopes for a recovery in tourism. Against this backdrop, energy and financials, which are sensitive to rising higher bond yields, outperformed relatively defensive sectors such as utilities, health care and consumer staples.

Fund performance

The Fund generated a return of 0.8% (net of fees, in AUD) in February, compared to the index which returned 1.4%. At a sector level, security selection in energy enhanced gains, while certain materials and technology holdings detracted from performance. At a stock level, German integrated power and gas company RWE underperformed in line with the broader utilities sector. Nonetheless, the company increased its earnings forecast and delivered on its growth strategy by expanding the portfolio in wind and solar power plants. It is a clear beneficiary of the thematic growth in clean energy and a transition to pure play renewables energy player. Within I.T., shares in US videogame developer Unity Software slid following a weak earnings outlook, despite reporting solid quarterly revenues. However, the company holds a strong leadership position in interactive and real time content creation, while it continues to benefit from robust growth in the gaming industry. Meanwhile, gold mining company Agnico Eagle Mines came under pressure as declining sales and gold prices weighed on stock returns. Yet, it is well positioned in the gold mining sector, with a diversified asset profile and a strong pipeline of opportunities that offers significant cash flows. On a positive note, an underweight stance in multinational technology company Apple buoyed performance. The stock came under pressure on as part of a sell-off in technology related shares, especially in the second half of the month. Elsewhere, Texas Pacific Land and Valero Energy were amongst the notable contributors underpinned by the strong performance of the energy sector, led by the rebound in crude oil prices. Texas Pacific land has a large royalty position in the Permian basin and has maintained its profitability during a turbulent environment due to its extremely low need for maintenance capital. Meanwhile, Valero Energy is well positioned in the industry and continues to display solid execution, cash flow generation and capital discipline.

Outlook

Going into 2021, the market environment presents investors with a challenging juncture. For investors, complementing a portfolio of companies that work in specific scenarios with those that work in multiple scenarios offers a prudent strategy. As we look forward to the end of the virus phase, a vaccine roll-out, a new US administration and the start of the economic recovery, we have an opportunity to review events and plan ahead. In the short term, I believe that demand for technology devices and home improvements that drove product manufacturing and growth throughout the lockdowns will soon be supported by a rebound in the lagging services sector. Vaccines are providing a literal shot in the arm to people, but also figuratively to equity markets. The speed and effectiveness of vaccine distribution will vary by country, but confidence is steadily rising as the programme rolls out without major hiccups. Markets are planning for the reopening of society when 'revenge' buying and travelling will be unleashed, and consumers will swap purchasing gadgets for dining out or holidays. Spending will likely be fuelled by positive aggregate consumer finances caused by forced savings and ongoing government transfer payments.

A combination of healthy consumer balance sheets, low inflation, low interest rates, and high liquidity provides a robust backdrop for returns. While market sentiment may already seem over-optimistic, it should be balanced with the consideration that as economies fully reopen, we could potentially have two of the strongest quarters of GDP growth experienced in developed markets. With the market near record highs and as uncomfortable as it is, the risk for relative return investors is becoming bearish too soon. We continue to have a flexible approach with a balanced portfolio to navigate different kinds of business environment.