

Fidelity Global Equities Fund

Quarterly report

As at 31/12/2022

Fund description

Designed to be a core international holding, this diversified portfolio of 80-120 of some of the best ideas globally drawn from Fidelity's 400 global experts. Stock selection favours mis-valued businesses and structural growth stories.

Fund facts

Portfolio manager: Ashish Kochar / Oliver Trimmingham

Benchmark: MSCI All Country World Index NR

Inception date: 15/04/1998

Fund size: AU\$418.17M

Number of stocks: 80 to 120

Management cost: 0.99% p.a.

Buy/sell spread: 0.20%/0.20%

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 (%)

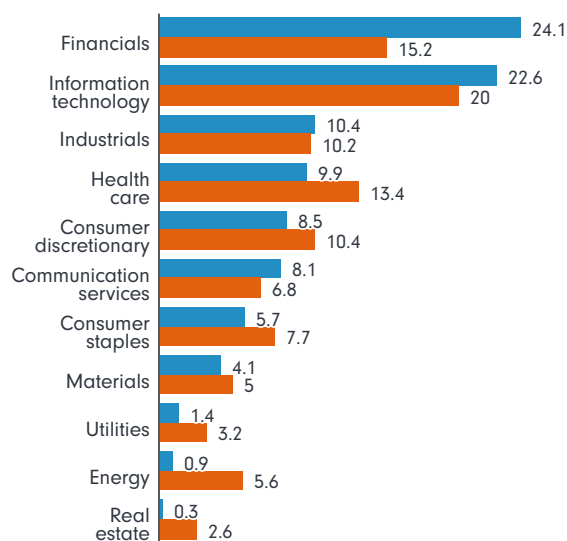
	Fund	B'mark
Microsoft Corp	5.6	3.0
Alphabet Inc	5.4	1.8
Berkshire Hathaway Inc Del	4.5	0.7
Gallagher (Arthur J.) & Co	3.1	0.1
Unitedhealth Group Inc	3.0	0.9
Canadian Pacific Railway Ltd	2.7	0.1
S&p Global Inc	2.6	0.2
Amazon.com Inc	2.6	1.4
Alibaba Group Holding Ltd	2.5	0.3
Vinci Sa	2.4	0.1

Performance %

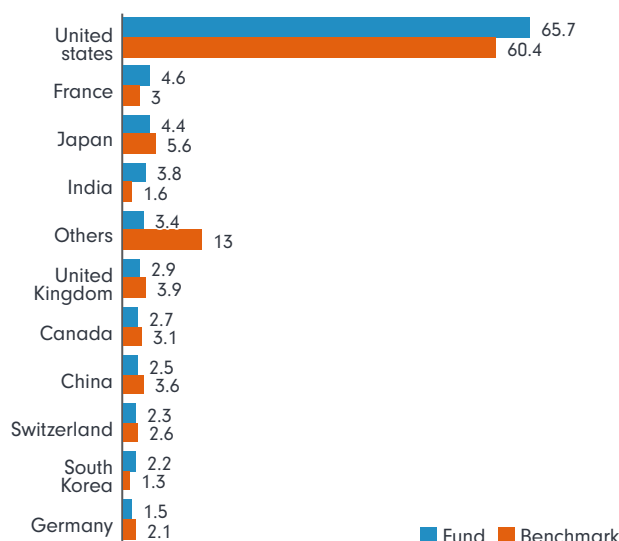
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	20 yrs p.a.	Since Inception p.a (15/04/1998)
Fidelity Global Equities Fund	-5.73	4.36	5.52	-13.52	5.91	9.01	9.71	13.53	7.70	8.06	6.37
MSCI All Country World Index NR	-5.13	4.07	3.71	-12.48	5.26	8.27	9.19	12.68	6.62	6.68	4.83
Excess return	-0.60	0.29	1.81	-1.04	0.65	0.74	0.52	0.85	1.08	1.38	1.54

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.

Quarterly report

Market performance

Global equities ended the fourth quarter higher against the backdrop of decades-high inflation and interest rate hikes by central banks. Meanwhile, China's relaxation of its Zero-Covid Policy, strong economic data and solid corporate earnings boosted investor sentiment. Investors weighed the US Federal Reserve's (Fed) continued caution against hints that policy tightening would ease. At a regional level, US equities made robust gains with much of the progress made in November, led by solid corporate earnings and better than expected economic data. In the Eurozone and UK, gains were led by economically sensitive areas of the market. Investors also remained positive about Asia Pacific equities due to indications from both US and Chinese administrations to improve US-China relations at a meeting ahead of the G20 summit. Despite indicators that inflation is reaching its peak, major central banks continued their efforts to tighten their monetary policy. The Fed increased interest rates by 0.75 percentage points and 0.50 percentage points in November and December, respectively. The European Central Bank followed suit and raised its interest rate by 0.75 percentage points in November and 0.50 percentage points in December, with further interest rate hikes in the pipeline. Following the US Fed's rate hike, the Bank of Japan expanded the target range of its 10-year bond yield, which caused the yen to appreciate significantly in December. Against this backdrop, all key regional indices ended in positive territory. Among sectors, energy, industrials and materials were the top performers.

Fund performance

The Fund delivered positive returns and outperformed the index over the quarter. While financials positions contributed in a high interest rate environment, the Fund's strong orientation towards quality and growth stocks was negative as holdings in mega cap tech space along with healthcare declined.

Certain financials holdings buoyed returns

Investors remained positive about reinsurer Renaissance Holdings' strong capital capacity to deploy and grow in a hard

market. Indian banking franchise Axis Bank delivered robust quarterly revenues driven by higher net interest income margins. Elsewhere, the lack of exposure to electric vehicles manufacturer Tesla and an underweight stance in iPhone maker Apple contributed to relative returns as negative investor sentiment coupled with supply issues in respective end markets weighed on shares.

Mega cap growth holdings declined

Alphabet, Amazon.com and Microsoft declined as investors largely moved out of growth-oriented stocks amid the ongoing economic uncertainty. The weaker than expected quarterly earnings, underscoring the growing pressure on digital ad spending, revenue growth and rising labour costs also hurt their performance. Nevertheless, these franchises are long-term winners with solid fundamentals and operational excellence with an attractive long-term growth potential. Within healthcare, UnitedHealth Group fell after it reported weaker than expected revenue forecast for the upcoming year, ahead of the investor day conference. Healthcare focused industrial conglomerate Danaher also slid, notwithstanding upbeat quarterly earnings.

Fund positioning

The Fund invests in two categories of stocks i.e. compounders and transformers. Holdings in the compounders category typically have defensive characteristics, enjoy some pricing power and/or secular growth opportunities. Transformers are businesses that are either witnessing high cyclical growth or are special situations.

Exposure to quality franchises across sectors

At a sector level, the Fund has an overweight stance in high quality businesses spread across the financials, information technology and communication services sectors. At a stock level, diversified conglomerate holding company Berkshire Hathaway is the top active position in the Fund. The company's financial strength allows it to maintain a relatively low cost of capital in addition to a strong portfolio of investments. Brokerage and risk management company Arthur J Gallagher, another key holding is a capital light cash generating long-term compounder and continues to experience solid organic growth across all business segments. Transcontinental

rail services provider Canadian Pacific Railway, a key position within the industrials sector has demonstrated the ability to grow well in excess of the market with high pricing power. Its operating metrics, long-term growth prospects, and industry leading efficiency/ROIC also hold it in good stead.

Found interesting opportunities in financials

During the quarter, we invested in credit ratings agency Moody's (strong pricing power, high margins, operating in an oligopolistic market structure) and Munich Reinsurance (well-run, prudent high-quality reinsurer).

Outlook

Equities require caution as the growth outlook remains weak. Consensus corporate earnings growth forecasts for 2023 also weakened over the quarter. Economic data remains broadly resilient, and greater clarity on interest rate hikes by the Fed should reduce volatility going ahead. The outlook on Europe ex-UK is negative due to weak growth prospects and a tightening monetary policy. Meanwhile, valuations in the UK have turned attractive after recent selloffs. In Japan, survey data continues to weaken, but tourist flows could potentially support consumption. The implication of the Bank of Japan's recent policy change needs to be closely monitored.

Major contributors (%)

As at 31/12/2022	Active pos.	Contribution
Tesla Inc	-0.9	0.8
Apple Inc	-2.5	0.3
Vinci Sa	2.2	0.3
Renaissancere Holdings Ltd	1.1	0.2
General Electric Co	1.0	0.2

Major detractors (%)

As at 31/12/2022	Active pos.	Contribution
Alphabet Inc	3.7	-0.8
Amazon.com Inc	1.4	-0.7
Microsoft Corp	2.6	-0.3
Unitedhealth Group Inc	2.2	-0.2
Danaher Corp	1.7	-0.2

Signatory of:



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