Fidelity Global Equities Fund

Quarterly report

As at 31/03/2021

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$473.64M
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 (%)

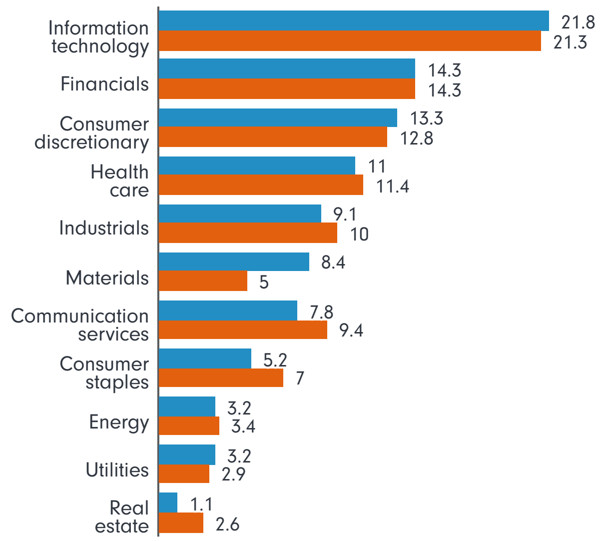
	Fund	B'mark
Microsoft Corp	3.1	2.7
Amazon.com Inc	2.6	2.1
Unitedhealth Group Inc	2.0	0.6
Alphabet Inc	2.0	2.0
Bank Of America Corporation	1.5	0.5
Apple Inc	1.5	3.4
Berkshire Hathaway Inc Del	1.5	0.6
Rwe Ag	1.4	0.0
Netflix Inc	1.2	0.4
Nestle S.A.	1.2	0.5

Performance %

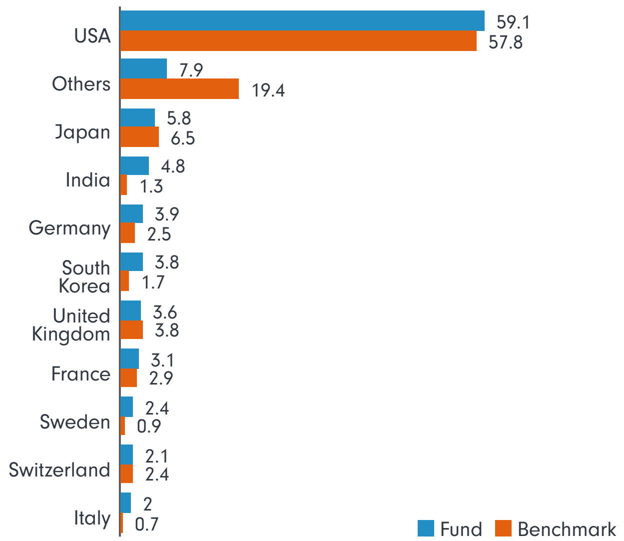
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	20 yrs p.a.	Since Inception p.a (15/04/1998)
Fidelity Global Equities Fund	3.95	6.91	16.12	32.33	15.76	16.04	14.75	14.34	8.28	5.49	6.98
MSCI All Country World Index NR	4.36	5.94	12.86	24.23	12.34	13.44	12.51	12.63	6.32	4.29	5.03
Excess return	**-0.41**	**0.97**	**3.26**	**8.10**	**3.42**	**2.60**	**2.24**	**1.71**	**1.96**	**1.20**	**1.95**

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.

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Market performance

Global equities delivered positive returns over the first quarter, as progress on the rollout of COVID-19 vaccines globally fuelled optimism towards the ongoing economic recovery. The passage of a massive fiscal stimulus package in the US, improving economic data and better-than-expected corporate earnings in developed markets further boosted returns. However, a rise in government bond yields amid higher inflation expectations and renewed restrictions to curb a resurgence in COVID-19 cases in several economies kept markets volatile. Against this global backdrop, all key regional markets ended higher. US equities advanced following stimulus measures, including a US$1.9 trillion COVID-19 relief package passed by the US Congress and President Joe Biden. The Biden administration continued to keep the momentum alive and announced another US$2 trillion dollar infrastructure focused stimulus later in March. European equities delivered positive returns, buoyed by strong corporate earnings and improving economic data despite the continued rise in US bond yields. Japanese equities continued to rally amid a recovery in corporate profits and consistent weakness of the yen against the US dollar. Elsewhere, emerging markets also rose but lagged developed markets. At a sector level, cyclical sectors led the performance, with energy, financials and industrials delivering the most positive returns, while defensive consumer staples, health care and utilities lagged the broader market.

Fund performance

Robust security selection in the consumer discretionary and energy sectors added value, while certain communication services holdings detracted from returns.

Energy holding buoyed performance

Shares in **Texas Pacific Land** rose led by the cyclical rebound in crude oil prices. It has a large royalty position in the Permian basin and has maintained its profitability in a turbulent environment, due to its low need for maintenance capital. Global independent energy company **Hess** reported solid quarterly earnings due to higher production in the Bakken play and lower operating expenses. It remains focused on improving capital and operational efficiencies as its asset are starting to become meaningful cash flow generators.

Improving outlook lifted key positions

German automaker **Volkswagen** rallied following announcements on its electric vehicle expansion strategy and plans to develop batteries at six new gigafactories in Europe. It has a differentiated cash flow generating power owing to its unique suite of brands, scale and investment discipline. Rental online marketplace company **Airbnb** reported a significant rebound in business, with more travellers opting to book rental homes instead of hotels.

Key detractors

Shares in social networking service provider **Twitter** remained under pressure on concerns over the suspension of US President Donald Trump's official twitter account. Elsewhere, US videogame developer **Unity Software** declined following a weak earnings outlook, despite reporting solid quarterly revenues. While the position in Twitter has been sold, we are reassessing our thesis on Unity Software.

Outlook

The market environment presents investors with a challenging juncture. The COVID-19 pandemic continues to pose near-term risks, as new variants of the virus and rising infection rates across the globe push governments to reimpose or extend restrictions. The rotation from growth to value looks likely to continue but any sign that bond yields are no longer moving higher may re-ignite interest in last year's winners. Riskier assets such as equities will continue to outperform, while value stocks will continue to gain traction and maintain their uptrend even amid rising volatility. On a positive note, we can expect higher consumer spending as economies reopen and this spending will likely be fuelled by positive aggregate consumer finances caused by forced savings and ongoing government transfer payments. We continue to have a flexible approach with a balanced portfolio to navigate different kinds of business environment.

Major contributors (%)

As at 31/03/2021	Active pos.	Contribution
Texas Pacific Land Corp	0.9	0.7
Volkswagen Ag	1.0	0.4
Apple Inc	-2.0	0.3
Airbnb	0.4	0.2
Hess Corp	0.9	0.2

Major detractors (%)

As at 31/03/2021	Active pos.	Contribution
Unity Software Inc	0.4	-0.2
Inpost Sa	0.5	-0.2
Twitter Inc	0.1	-0.2
Keyence Corp	0.6	-0.2
Altice Usa Inc	0.8	-0.2

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