

Fidelity Australian Equities Fund

Quarterly report

As at 31/12/2020

Fund description

Invests in a diversified selection of around 30 to 50 Australian companies. Using a bottom-up stock-selection approach that focuses on undiscovered earnings potential, value and growth and is designed to be a core holding.

Fund facts

Portfolio manager: Paul Taylor

Benchmark: S&P/ASX 200

Accumulation Index

Inception date: 30/06/2003

Fund size: AU\$5,276.75M

Number of stocks: 30 to 50

Management cost: 0.85% p.a.

Buy/sell spread: 0.20%/0.20%

Portfolio guidelines

Stocks: +/-5% from benchmark

Industry: +/-7% from benchmark

Cash: Target range between 0% and 10%

Top 10 holdings (%)

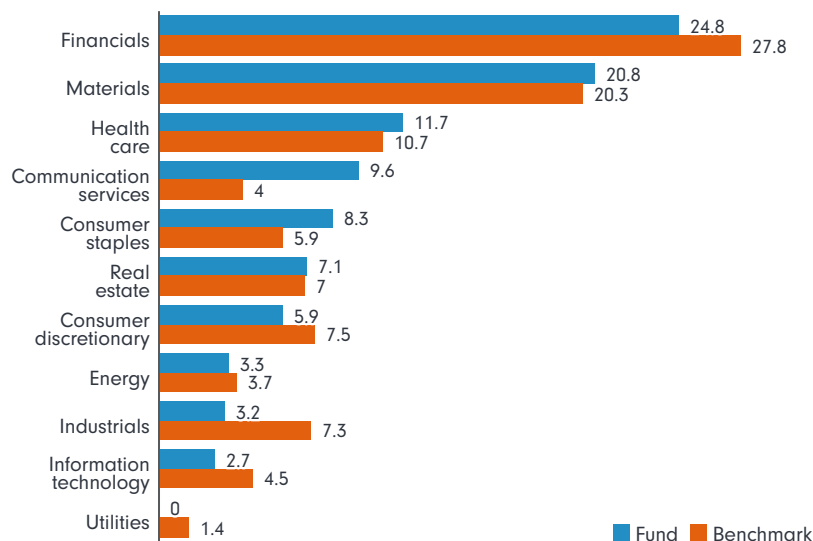
	Fund	B'mark
Commonwealth Bank Australia	9.8	7.9
BHP Group Ltd	9.4	6.8
CSL Ltd	8.1	7.0
Coles Group Ltd	5.7	1.3
Seek Ltd	4.6	0.5
Goodman Group	4.5	1.7
Suncorp Group Ltd	4.4	0.7
Dominos Pizza Enterprises Ltd	3.9	0.3
Macquarie Group Ltd	3.8	2.6
Ramsay Health Care Ltd	3.5	0.6

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 (30/06/2003)
Fidelity Australian Equities Fund	3.11	14.76	15.24	5.10	7.57	8.50	8.05	9.17	8.75	11.53
S&P/ASX 200 Accumulation Index	1.21	13.70	13.20	1.40	6.73	8.73	7.38	7.84	6.66	9.11
Excess return	1.90	1.06	2.04	3.70	0.84	-0.23	0.67	1.33	2.09	2.42
Growth	3.11	13.87	8.73	-2.4	2.8	4.31	4.14	5.28	4.89	7.29
Income	-	0.89	6.51	7.5	4.77	4.19	3.91	3.89	3.86	4.24

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. Growth return is the unit price movement on exit to exit basis. Income is expressed as Total Return less growth component.

Industry breakdown %



Major contributors (%)

As at 31/12/2020	Active pos.	Contribution
Mineral Res Ltd	2.3	0.8
Igo Ltd	1.7	0.7
Seek Ltd	3.7	0.6
Newcrest Mng Ltd	- 1.3	0.5
Transurban Group	- 2.2	0.4

Major detractors (%)

As at 31/12/2020	Active pos.	Contribution
Evolution Mining Ltd	2.3	- 0.9
Ramsay Health Care Ltd	3.2	- 0.7
National Australia Bank Ltd	- 3.9	- 0.6
Fortescue Metals Group Ltd	- 1.8	- 0.5
Afterpay Ltd	- 1.3	- 0.4

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 subject to risk of stock market fluctuations. Management costs and the buy/sell spread are current as at the date of shown above, but may be subject to change in the future. Management costs include GST and exclude abnormal expenses, 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

Australian equities advanced strongly over the last quarter of 2020. A supportive Federal budget, coupled with accommodative monetary and fiscal support, propped-up domestic equities. Moreover, positive news around the development of a COVID-19 vaccine boosted investor sentiment. Joe Biden's victory in the US elections and expectations of a swifter economic recovery further supported stock markets. At a sector level, energy and financials gained the most, given the rotation towards value-led stocks amid prospects of an upturn in the business cycle in anticipation of a vaccine-led recovery in economic activity. The Reserve Bank of Australia (RBA) cut interest rates to record low levels and committed to maintaining a supportive monetary policy. Various economic indicators released over the quarter showed signs of an improvement, aided by easing restrictions in most parts of the country. Australia's GDP rebounded sharply in the quarter ending September. Both consumption and investment spending strengthened, offset by weaker net exports. The National Australia Bank's business confidence index rose, marking its fourth consecutive monthly gain. The business conditions index also improved in November. The Westpac-Melbourne Institute's consumer sentiment index continued to climb for the fourth straight month to a ten-year high as consumers became more optimistic about the country's economic recovery. Retail sales growth for October beat expectations as the second-most populous state of Victoria emerged from a COVID-19-induced lockdown. Elsewhere, the unemployment rate slid marginally in November, as the state of Victoria joined the economic recovery.

Fund performance

The Fund outperformed the index over the quarter, led by rewarding security selection notably in the materials sector. Positive news flows around the development of a COVID-19 vaccine dominated investor sentiment and prompted a rotation into value stocks. While, expectations of a swifter economic recovery supported selected high-conviction holdings. Investors took profits in selected holdings that had fared well earlier in the year.

Positions in materials proved rewarding. News that mining and exploration company IGO is considering an accretive acquisition opportunity that would give it access to low cost lithium mines, was received well. Mineral Resources gained amid a surge in iron ore prices underpinned by robust demand from China. Its management's also plans to scale up iron ore exports. Conversely, not holding iron ore producer Fortescue Metals Group held back returns. Vaccine related news weighed on gold prices, a relative safe haven in volatile markets. The lack of exposure to Newcrest Mining added relative value but gains were partly offset by maintaining a position in gold producer Evolution Mining.

Expectations of economic recovery buoyed selected holdings

The position in job listings company SEEK gained amid expectations of opening up of the economy that will be supportive of job listing volumes on its platform. The value rally seen in this period improved sentiment towards Oil Search, which also benefited from improvement in oil prices. Conversely, shares in hospital operator Ramsay Health Care slid following strong performance earlier in the year.

Market outlook

The COVID-19 contagion has impacted economies, markets and the lives of people significantly. Nevertheless, when we look back to this period in five years' time, we will view it as an excellent opportunity to have invested in the market. While uncertainty and volatility are likely to prevail in the short term, Fidelity's substantial research network, technological support and extensive investment experience will help us to pick structural growth-led winners at attractive valuations, as we have during this turbulent year. The monetary and fiscal policy expansion measures undertaken by economies globally will be a significant tail wind for an economic recovery, and we are likely to see a prolonged period of support from governments around the world, including Australia. There has been an upbeat response to recent news about the high levels of efficacy of some vaccines under development. Once the vaccine is available, it would facilitate economic activity, aid the resumption of travel and, most importantly, restore the health and quality of human lives. We are also witnessing a notable acceleration in existing trends such as e-commerce, digital delivery of food and beverages, cashless transactions, work from home, active versus formal wear, which will continue to shape the future. These trends expand the universe of investment opportunities as more innovation and business models come to the market. The portfolio is invested in large-cap, highly liquid blue-chip stocks. We believe that the current market environment can aid stock pickers with a strong process. We look to upgrade the portfolio when stocks that may have been on my buy list are available at attractive valuations.

[fidelity.com.au](https://www.fidelity.com.au)



This document is intended for the general information of financial advisers and wholesale clients only. This document is issued by FIL Responsible Entity (Australia) Limited ABN 33 148 059 009, AFSL No. 409340 ("Fidelity Australia"). Fidelity Australia is a member of the FIL Limited group of companies commonly known as Fidelity International. **Prior to making an investment decision, retail clients should seek advice from their financial advisers.** This document has been prepared without taking into account your objectives, financial situation or needs. You should consider these matters before acting on the information. You should also consider the relevant Product Disclosure Statements ("PDS") for any Fidelity Australia product mentioned in this document before making any decision about whether to acquire the product. The PDS can be obtained by contacting Fidelity Australia on 1800 044 922 or by downloading it from our website at www.fidelity.com.au. This document may include general commentary on market activity, sector trends or other broad-based economic or political conditions that should not be taken as investment advice. Information stated herein about specific securities is subject to change. Any reference to specific securities should not be taken as a recommendation to buy, sell or hold these securities. While the information contained in this document has been prepared with reasonable care, no responsibility or liability is accepted for any errors or omissions or misstatements however caused. This document is intended as general information only. The document may not be reproduced or transmitted without prior written permission of Fidelity Australia. The issuer of Fidelity's managed investment schemes is FIL Responsible Entity (Australia) Limited ABN 33 148 059 009. Reference to (\$) are in Australian dollars unless stated otherwise. © 2021 FIL Responsible Entity (Australia) Limited. Fidelity, Fidelity International and the Fidelity International logo and F symbol are trademarks of FIL Limited.