

Fidelity Australian Equities Fund

Monthly report

As at 31/01/2021

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\$5,260.18M

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 (%)

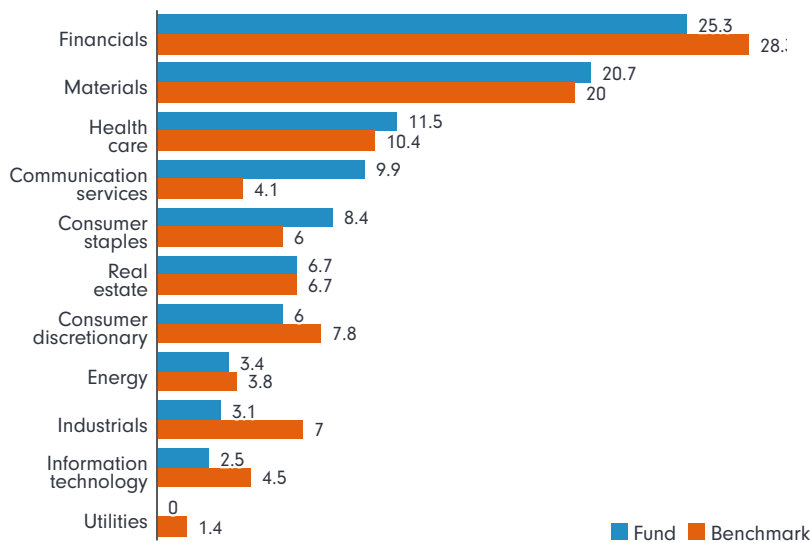
	Fund	B'mark
Commonwealth Bank Australia	10.0	8.0
BHP Group Ltd	9.8	7.0
CSL Ltd	7.8	6.7
Coles Group Ltd	5.7	1.3
Seek Ltd	4.5	0.5
Suncorp Group Ltd	4.5	0.7
Goodman Group	4.2	1.6
Dominos Pizza Enterprises Ltd	4.1	0.3
Macquarie Group Ltd	3.6	2.4
Ramsay Health Care Ltd	3.6	0.6

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	-0.33	12.72	13.85	0.91	7.52	9.59	8.56	9.11	8.35	11.46
S&P/ASX 200 Accumulation Index	0.31	11.89	12.99	-3.11	7.00	10.03	7.90	7.86	6.43	9.09
Excess return	-0.64	0.83	0.84	4.02	0.52	-0.44	0.66	1.25	1.92	2.37
Growth	-0.33	11.84	12.94	-5.22	3.04	5.57	4.77	5.33	4.56	7.24
Income	-	0.88	0.89	6.13	4.48	4.02	3.79	3.78	3.79	4.22

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 %



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.

Monthly report

Market performance

Australian equities delivered modest returns in January. Stock markets started the month on a positive note, but slid sharply in the last week on global cues. In the US, retail traders went on a social media-fuelled buying spree, driving up prices of stocks that were shorted (bet against) by hedge funds. As a result, US equities retreated sharply, bringing down stock markets globally. Investor sentiment was also dampened by fresh cases of COVID-19 in Australia. The Reserve Bank of Australia (RBA) left interest rates unchanged at record low levels. From a sector perspective, the consumers and financials sectors, notably banks, led gains, driven by optimism around a pick-up in economic activity. Meanwhile, real estate stocks declined on higher bond yields amid uncertainties in the US market. Materials also slid, weighed down by weaker gold and iron-ore prices. On the economic front, the business confidence index produced by National Australia Bank (NAB) declined in December from the previous month, but remained above the zero-point threshold that signals that Australian businesses are mostly optimistic regarding economic conditions going forward. Following a massive surge in the previous month, retail sales shrank in December. Nonetheless, retail sales were still significantly up compared to pre-pandemic levels in February 2020, and with further easing of restrictions, the outlook is better for January 2021. Meanwhile, after hitting a 10-year high in December, consumer confidence fell in January as COVID-19 disrupted domestic borders. On a positive note, the seasonally adjusted unemployment rate fell to an eight-month low in December

and fared better than market expectations.

Fund performance

The strategy lagged the index over the month. Profit taking in preferred real estate holdings weighed on returns. Investors rotated out of industrial property manager Goodman Group and property fund manager Charter Hall Group following their strong recent performance. Goodman Group remains a beneficiary of strong rental growth stemming from an increase in warehouse demand as e-commerce penetration rises. In the materials sector, iron ore producers tracked metal prices lower. The position in Mineral Resources was also impacted by iron ore and lithium shipments during the quarter. These losses were partially offset by the position in miner BHP Group that gained on encouraging production updates and expectations of strong earnings, driven by lower capital expenditure as its major mineral projects are completed. In the consumer discretionary sector, an underweight position in retail conglomerate Wesfarmers hurt relative returns as its results surpassed estimates. This was partly offset by the high-conviction holding in Domino's Pizza. Shares in the pizza delivery company advanced following an upgrade by a leading broker. Investors favoured its long-term structural growth story, innovative technologies and increasing market share. The position in real estate classifieds portal Domain Holdings Australia was driven by a positive broker report and rising house prices, particularly in Sydney and New South Wales.

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.

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