

Fidelity Australian Equities Fund

Quarterly report

As at 30/06/2021

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\$5,930.15M

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

Sector: +/-7% from benchmark

Cash: Target range between 0% and 10%

Top 10 holdings (%)

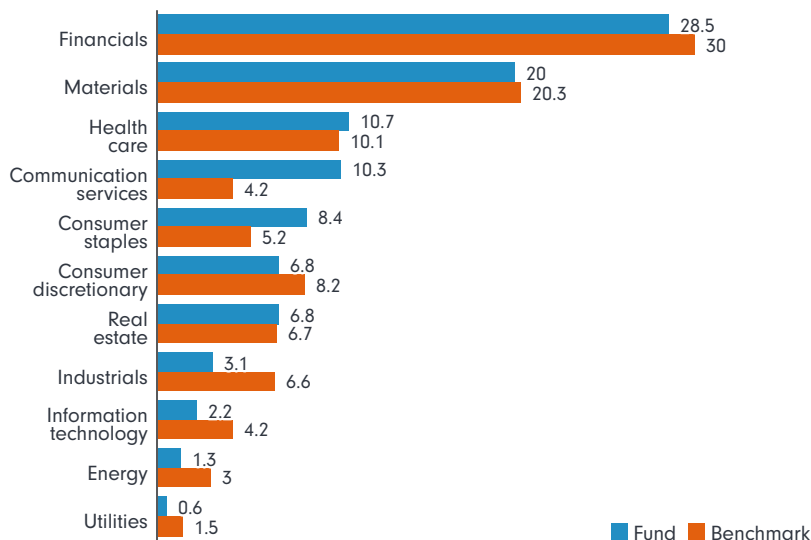
	Fund	B'mark
Commonwealth Bank Australia	10.9	8.6
BHP Group Ltd	9.0	7.0
CSL Ltd	7.5	6.3
Dominos Pizza Enterprises Ltd	4.8	0.4
Seek Ltd	4.5	0.6
Goodman Group	4.5	1.7
Suncorp Group Ltd	4.4	0.7
Westpac Banking Corp	4.4	4.6
Macquarie Group Ltd	4.3	2.6
Australia & NZ Banking Group Ltd	3.9	3.9

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	2.34	10.30	14.04	31.42	10.47	11.25	9.47	10.56	8.70	12.01
S&P/ASX 200 Accumulation Index	2.26	8.29	12.90	27.80	9.59	11.16	8.79	9.26	6.92	9.58
Excess return	0.08	2.01	1.14	3.62	0.88	0.09	0.68	1.30	1.78	2.43
Growth	2.34	10.15	13.88	23.83	6	7.26	5.73	6.75	4.89	7.86
Income	-	0.15	0.16	7.59	4.47	3.99	3.74	3.81	3.81	4.15

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 30/06/2021	Active pos.	Contribution
Mineral Res Ltd	3.2	0.9
Dominos Pizza Enterprises Ltd	4.1	0.6
Seek Ltd	3.8	0.3
Igo Ltd	2.6	0.3
National Australia Bank Ltd	-4.4	0.2

Major detractors (%)

As at 30/06/2021	Active pos.	Contribution
Ramsay Health Care Ltd	2.8	-0.4
BHP Group Ltd	2.6	-0.2
Oil Search Limited	1.1	-0.2
Aristocrat Leisure Ltd	-1.2	-0.2
Nuix Pty Ltd	0.2	-0.2

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 delivered robust performance over the quarter, outperforming its global and regional peers. Investor sentiment was supported by encouraging earnings and a relatively resilient domestic economy through the pandemic. Optimism around vaccine roll outs, the opening up of the economy and the assurance of central bank support also boosted stock markets. The majority of sectors ended the quarter higher, with the information technology (IT) sector leading gains. IT stocks tracked their global peers higher, on receding concerns about the tapering of US monetary stimulus in the near term. The materials sector also benefited from high iron ore prices, while health care stocks outperformed given the strength in the biotechnology space. However, market gains were intermittently held back by surging COVID-19 cases in various countries, including Australia. At its policy meeting, the Reserve Bank of Australia (RBA) left its key interest rate at a record low and kept the government bond yield target unchanged. In economic data, Australia's GDP increased 1.8% on the quarter in the three months to March 2021, down from an increase of 3.1% in the three months to December 2020, but above the consensus forecast for an increase of 1.5%. Australia's economy continues to recover from the impact of the pandemic, with the unemployment rate falling for the seventh consecutive month to 5.1% in May, its lowest since February 2020. National Australia Bank's index of business conditions climbed to all-time highs in May, with strength reported across industries. Meanwhile, the resurgence of COVID-19 cases led to lockdowns in some parts of Australia. Consequently, the Westpac-Melbourne Institute Index of consumer sentiment index slid, with the largest dips recorded in the second most populous state of Victoria and Western Australia. Australian retail sales rose less than expected in May, with the lockdown hurting demand.

Fund performance

The Fund delivered positive absolute returns and outperformed the index over the quarter. Selected conviction holdings with strong growth prospect contributed to returns. Security selection in the materials sector added notable value.

High iron-ore prices drive materials

Selected positions in the materials sector benefited from strong iron ore prices. As a result, holdings in Mineral Resources and IGO supported performance, but avoiding Fortescue Metals Group, held back relative gains.

Conviction holdings supported performance

Industrial property manager Goodman Group and job listing company SEEK gained following an upgrade by a leading broker. Investors are optimistic on the former's growth prospects as the shift to online shopping has been a significant tailwind for the company. News that pizza chain operator Domino's Pizza Enterprises is expanding into the Taiwanese market via accretive acquisition opportunities was received well by investors.

Selected positions held back returns

The holding in hospital operator Ramsey Health Care detracted from performance. Its quarterly earnings continue to be impacted by the pandemic to varying degrees across regions. Furthermore, news of its acquisition of a hospital in the UK was not received well by investors.

Outlook

The Australian economy has been witnessing a strong recovery and businesses across sectors are resuming operations. Equities have rallied, with intermittent pull backs due to rising bond yields in anticipation of a pick-up in inflation and growth. However, we believe that an economic recovery will need to be sustained for a couple of years for demand to reach

pre-pandemic levels. Therefore, it will take a while for inflation to return to a meaningful level. While uncertainty is 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. The monetary and fiscal policy expansion measures undertaken by economies globally are a significant tail wind for an economic recovery. Meanwhile, there has been an upbeat response to the roll-out of vaccines that will facilitate economic activity, aid the resumption of travel and, most importantly, restore the health and quality of human lives. Australia has been relatively resilient through the pandemic and we believe it will remain a preferred geography in which to invest, work and study. Companies have witnessed an encouraging reporting season and will increase investments as the economy recovers. We are also witnessing a notable acceleration in existing trends such as e-commerce, digital delivery of food and beverages, cashless transactions and work from home, 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. We believe that there are three predominant areas that warrant our attention. These include firstly, the resources sector, which has seen strong demand for commodities; , secondly, longer term trends that have accelerated through COVID-19 and are likely to stay; and lastly, industries that have been impacted during the pandemic, but have not yet fully recovered. 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 our buy list are available at attractive valuations.

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