

Fidelity Australian Equities Fund

Monthly report

As at 31/08/2021

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\$6,173.21M

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 (%)

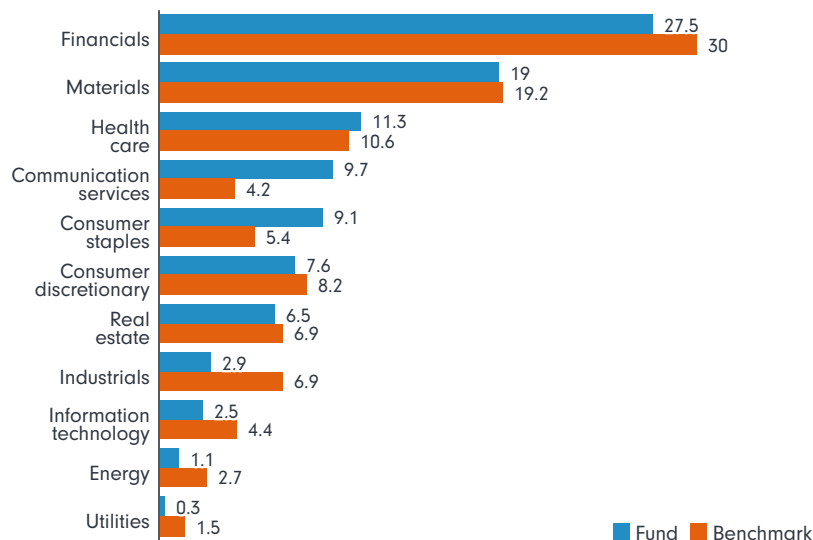
	Fund	B'mark
Commonwealth Bank Australia	10.5	8.4
BHP Group Ltd	8.1	6.4
CSL Ltd	7.9	6.7
Dominos Pizza Enterprises Ltd	5.4	0.5
Goodman Group	4.5	1.8
Macquarie Group Ltd	4.4	2.7
Suncorp Group Ltd	4.3	0.8
Seek Ltd	4.0	0.5
Westpac Banking Corp	3.7	4.5
Telstra Corp Ltd	3.7	2.2

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	5.18	9.45	20.47	34.26	11.92	11.59	9.79	11.85	9.11	12.31
S&P/ASX 200 Accumulation Index	2.50	5.97	14.96	28.15	9.87	10.94	8.58	10.31	7.06	9.71
Excess return	2.68	3.48	5.51	6.11	2.05	0.65	1.21	1.54	2.05	2.60
Growth	5.18	5.7	16.18	28.46	6.49	7.09	5.67	7.73	5.48	7.97
Income	-	3.75	4.29	5.8	5.43	4.5	4.12	4.12	3.63	4.34

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 advanced in August, supported by strong corporate earnings. However, concerns over the resurgence of COVID-19 capped gains. At a sector level, information technology (IT) advanced the most, aided by strong results. Sentiment towards technology stocks was further boosted following US payments giant Square's proposal to takeover Afterpay, a buy-now pay-later model. The relatively defensive health care and consumer staples sectors also performed well. Meanwhile, the materials sector, notably miners, tracked iron-ore prices lower. The energy sector also lagged as a surge in COVID-19 cases is expected to weigh on the economic recovery and demand for oil. The Reserve Bank of Australia (RBA) held its policy rate at record low levels and retained its plans to scale back its quantitative easing program. The RBA expects that lockdowns will lead to a contraction in the economy in the third quarter, before an expected bounce back in the fourth quarter. Nevertheless, Australia's GDP rose 9.6% year-on-year in the second quarter, well above consensus forecasts. This is the strongest year-over-year growth on record, and largely reflects the impact of the sharp contraction in Australia's economy a year ago, during the early stages of the pandemic. The current account surplus widened to a record high in the June quarter, due to booming prices

for some key commodity exports, notably iron ore, and strong demand from China. The unemployment rate has fallen to 4.6% in July, down from 4.9%, defying expectations that the economy would lose jobs due to the lockdown. The Australian Bureau of Statistics highlighted that the falling unemployment rate is driven by a decrease in the participation rate as people dropped out of the labour market. Meanwhile, Australia's business confidence is dented by lockdown concerns. The National Australia Bank's business confidence index slid 19 points to -8 in July, while its business conditions index dropped 14 points to 11. The Westpac Institute index of consumer sentiment slid 4.4% in August, the lowest point in a year, but still well above the deeply negative lows seen during last year's national lock-down.

Fund performance

The fund delivered positive absolute returns and outperformed the index over the month. Encouraging earnings supported the performance of conviction holdings. Shares in pizza chain operator Domino's Pizza Enterprises marked a series of all-time highs in August, driven by strong FY21 results despite the pandemic affecting its operations in selected markets. The company announced a robust increase in global food sales across its network. Investors cheered its new store openings, which surpassed its 3-5 year

outlook. Positions in cloud-based end-to-end logistics software provider WiseTech Global and banking and insurance company Suncorp Group were also driven by robust results. Earnings in the former gained on the back of accelerating organic growth, margin expansion and cash generation. Investor sentiment was further supported by management's expectation for strong growth in FY22, which was higher than market estimates. The rally in Suncorp Group was supported by an upgrade by a leading broker that believes the company will continue to report growth in its earnings and dividends in the near term. Elsewhere, the holding in engineering and infrastructure business Downer EDI contributed to performance, driven by a positive response to its full year results. Consequently, a leading broker retained the company's outperform rating. In contrast, selected positions in the materials sector held back gains. Holdings in iron-ore miners BHP Group and Mineral Resources detracted from performance as these stocks tracked metal prices lower. Worries over a slowdown and China's steps to dampen commodities prices weighed on metal prices. Shares in gold producer Evolution Mining slid due to the subdued gold price environment and sentiment overhang following its A\$400 million institutional placement in July to fund its acquisition of Kundana.

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