

Fidelity Australian Equities Fund

Quarterly report

As at 30/09/2021

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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\$6,075.87M

Number of stocks: 30 to 50

Management cost: 0.85% p.a.

Buy/sell spread: 0.15%/0.15%

Portfolio guidelines

Stocks: +/-5% from benchmark

Sector: +/-7% from benchmark

Cash: Target range between 0% and 10%

Top 10 holdings (%)

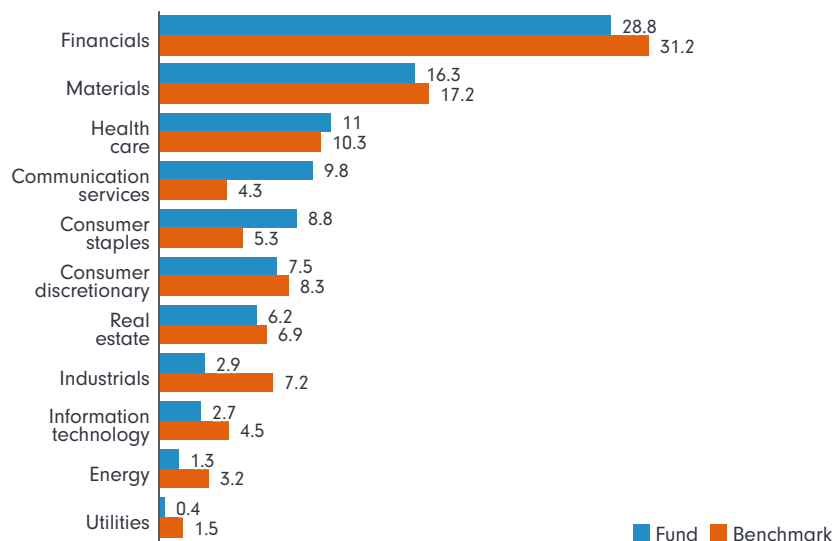
	Fund	B'mark
Commonwealth Bank Australia	11.1	8.9
CSL Ltd	7.5	6.4
BHP Group Ltd	6.8	5.3
Dominos Pizza Enterprises Ltd	5.0	0.5
Macquarie Group Ltd	4.9	3.0
Suncorp Group Ltd	4.4	0.8
Goodman Group	4.3	1.8
Seek Ltd	3.9	0.5
Telstra Corp Ltd	3.9	2.3
Australia & NZ Banking Group Ltd	3.8	3.9

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	-1.64	5.19	16.03	37.67	11.98	11.24	10.35	12.48	8.93	12.15
S&P/ASX 200 Accumulation Index	-1.85	1.71	10.14	30.56	9.65	10.42	9.14	10.80	6.84	9.55
Excess return	0.21	3.48	5.89	7.11	2.33	0.82	1.21	1.68	2.09	2.60
Growth	-1.64	1.59	11.89	31.73	6.55	6.76	6.21	8.34	5.31	7.84
Income	-	3.6	4.14	5.94	5.43	4.48	4.14	4.14	3.62	4.31

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 30/09/2021	Active pos.	Contribution
Dominos Pizza Enterprises Ltd	4.5	1.3
Wisetech Global Ltd	1.1	0.6
Fortescue Metals Group Ltd	-1.7	0.6
Suncorp Group Ltd	3.6	0.5
Igo Ltd	3.2	0.4

Major detractors (%)

As at 30/09/2021	Active pos.	Contribution
Mineral Res Ltd	3.0	-0.4
BHP Group Ltd	2.0	-0.4
Seek Ltd	3.5	-0.3
Sydney Airport	-1.0	-0.3
Evolution Mining Ltd	1.3	-0.3

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.

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Market performance

Australian equities advanced over the quarter, outperforming regional indices and global peers, driven by strong corporate earnings. However, gains were capped on concerns over the resurgence of COVID-19, a consequent lock down and worries over the slowdown in the economic recovery. At a sector level, energy led gains, buoyed by strong oil prices. The information technology (IT) sector also advanced, 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. Conversely, weakness in commodity prices amid concerns over a slowdown in demand from China undermined miners, notably iron ore players. The Reserve Bank of Australia (RBA) kept its record low interest rates unchanged. The decision was driven by the weakness in the economy in the third quarter following the outbreak of the Delta variant of COVID-19 and the associated restrictions on activity. The unemployment rate fell to 4.5% in August, from July's 4.6%, logging the lowest reading since November 2008 and markedly down from the 7.4% peak reached in July 2020. The retail turnover slid in August, with each of the eastern mainland states suffering falls in line with their respective level of lockdown restrictions. The business confidence index produced by National Australia Bank (NAB) improved to -5.3 points in August from -7.3 points in July. The index remained entrenched below the zero-point threshold signalling concerns regarding economic conditions going forward. Meanwhile, business conditions strengthened in August. The Westpac-Melbourne Institute's consumer sentiment index rose to 106.2 in September from 104.1 in August, indicating that there were more optimists than pessimists among

Australian consumers.

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.

Conviction holdings supported performance

Shares in pizza chain operator Domino's Pizza Enterprises marked a series of all-time highs over the quarter, driven by strong FY21 results despite the pandemic affecting its operations in selected markets. Investors cheered its new store openings, which surpassed its 3-5 year outlook. The rally in financial services company 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. Software specialist WiseTech Global reported robust results and a strong outlook for FY22. It has a long runway for growth, where the pandemic-led market disruptions have increased the need for digitalisation and demand for its supply-chain software platform CargoWise.

Positions in miners held back returns

Positions in iron-ore miners BHP Group and Mineral Resources hampered performance as these stocks tracked metal prices lower. The holding in gold producer Evolution Mining also held back gains due to the subdued gold price environment

Outlook

Australian equities have rallied even though rising bond yields and the recent resurgence of COVID-19 cases has been a dampener. Inflationary pressures are expected to gain ground as a consequence of the opening up of the economy. The Reserve Bank of Australia has not suggested any policy tightening; it will do so gradually and will prolong any interest

rate hike. 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 offer 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 I believe it will remain a preferred geography in which to invest, work and study. We are currently in a transitional phase; once the borders open, we are likely to see the emergence of big trends such as a pick-up in travel given pent-up demand. 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. I believe that there are three predominant areas that warrant our attention. These include the resources sector, which has seen strong demand for commodities; longer term trends that have accelerated through COVID-19 and are likely to stay; and 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. I believe that the current market environment can aid stock pickers with a strong process. I look to upgrade the portfolio when stocks that may have been on my buy list are available at attractive valuations.

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