

Fidelity Australian Equities Fund

Monthly report

As at 30/11/2021

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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\$5,984.60M

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 (%)

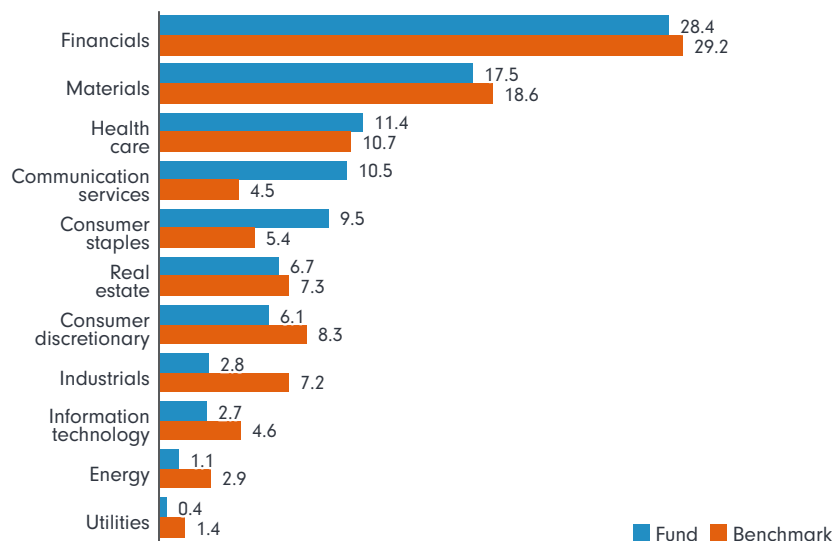
| | Fund | B'mark |
|-------------------------------|------|--------|
| Commonwealth Bank Australia | 10.1 | 7.8 |
| CSL Ltd | 8.0 | 6.8 |
| BHP Group Ltd | 7.3 | 5.7 |
| Macquarie Group Ltd | 5.5 | 3.4 |
| Goodman Group | 4.6 | 2.0 |
| Seek Ltd | 4.4 | 0.6 |
| Telstra Corp Ltd | 4.1 | 2.4 |
| Igo Ltd | 4.0 | 0.3 |
| Suncorp Group Ltd | 3.9 | 0.7 |
| Dominos Pizza Enterprises Ltd | 3.8 | 0.4 |

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 | -0.23 | -2.64 | 6.57 | 22.44 | 15.08 | 11.10 | 9.82 | 11.92 | 8.41 | 11.97 |
| S&P/ASX 200 Accumulation Index | -0.54 | -2.48 | 3.35 | 15.48 | 12.56 | 10.11 | 8.89 | 10.35 | 6.31 | 9.42 |
| Excess return | 0.31 | -0.16 | 3.22 | 6.96 | 2.52 | 0.99 | 0.93 | 1.57 | 2.10 | 2.55 |
| Growth | -0.23 | -2.69 | 2.86 | 18.01 | 9.66 | 6.72 | 5.75 | 7.85 | 4.81 | 7.7 |
| Income | - | 0.05 | 3.71 | 4.43 | 5.42 | 4.38 | 4.07 | 4.07 | 3.6 | 4.27 |

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 declined over the month but fared better than their global and regional peers. The final days of the month experienced volatility and large market sell-offs amid concerns over news of the more transmissible Omicron variant of COVID-19. Fears of a resurgence of the virus raised concerns over economic growth due to expectations of fresh lockdowns and restrictions. The Reserve Bank of Australia (RBA) kept its policy rates unchanged and reaffirmed its plan to trim the purchase of government bonds to A\$4 billion a week until at least mid-February 2022. However, the RBA put aside its previous projection stating that rate hikes were unlikely until 2024, reflecting an improving economy and rising inflation. At a sector level, materials advanced the most, led by gains in iron ore stocks on news that China is somewhat easing its stance towards its real estate sector. Defensives, including communication services, consumer staples and utilities outperformed, supported by increased market volatility. The energy sector tracked oil prices lower. Fading supply concerns and, more recently, worries over a slowdown in demand for oil due to the new variant of COVID-19, led to a decline in oil prices. On the economic front, retail sales almost doubled compared to market forecasts, rising 4.9% in October. Clothing, footwear and personal accessory retail sales data soared, with strong recovery experienced in two major Australian cities, New South Wales and Victoria, as lockdown measures were eased. Consumer sentiment remained upbeat as the Westpac-

Melbourne Institute Index of Consumer Sentiment rose by 0.6% to 105.3 in November from a 1.5% dip in October on positive employment outlook and strong vaccination rollouts. Australia's business confidence also surged amid the reopening of the two major cities and a rise in vaccination rates. The National Australia Bank's business confidence index jumped in October, marking its highest reading since April. The IHS Markit Australia manufacturing Purchasing Managers' Index (PMI) remained in expansionary territory, with market confidence boosted by the growth in demand in both the domestic and export markets. Meanwhile, the unemployment rate climbed to 5.2% in October from 4.6% a month earlier. The rise in the unemployment rate was driven by an increase in the labour participation rate as lockdown restrictions were eased. However, it is yet to reflect the impact of larger changes in lockdown restrictions from mid-October.

Fund performance

The strategy outperformed the index over the month. Security selection in the real estate sector contributed to returns. Holdings in real estate investment trusts Goodman Group and Charter Hall Group added value. The former gained as it released strong quarterly results and upgraded its earnings guidance, driven by increasing development activity, growing assets under management and strong investment performance. The latter advanced as it upgraded its FY22 guidance, primarily on the back of asset revaluations in two industrial funds that have led to significantly higher performance fees for the company. The position in job listing company SEEK gained as its latest employment report showed record

high job advertisement numbers. The exposure to diversified miner IGO gained following recent deal announcements with titanium explorer Australian Vanadium and nickel miner Impact Minerals. The company will farm into Impact's Broken Hill nickel-copper-platinum group metals project in New South Wales and will support Vanadium's project utilising a standalone power system (SPS) to power a bore pump with a target of 100% renewable energy use. Meanwhile, investors favoured mining services company Mineral Resources after it announced its decision to restart operations at its Wodgina lithium mine on improving demand for the metal, which is used to make electric vehicle batteries. Conversely, the lack of exposure to iron ore producer Fortescue Metals held back gains. Its share price rose in line with iron ore prices, which rebounded after China's recent announcement that it would take measures to support its property sector. Security selection in financial stocks including Suncorp Group and Commonwealth Bank of Australia was unfavourable. Investors remained sceptical of the former's near-term margin pressure, but its medium-term thesis remains strong given the rational pricing environment with a tailwind to investment income from any increase in cash-rates going into 2022. The latter gave back some of its gains from the previous month after it reported lower net income margins in the first quarter. Elsewhere, the holding in Downer EDI detracted from returns as its operations were negatively impacted by COVID-19-related shutdowns. Shares in energy company Oil Search weighed on relative returns as oil prices fell amid fears that the new Omicron variant of COVID-19 could put countries back into lockdown and derail the travel market.

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