Fidelity Australian Equities Fund

Monthly report

As at 31/01/2022

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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$5,717.05M
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 (%)

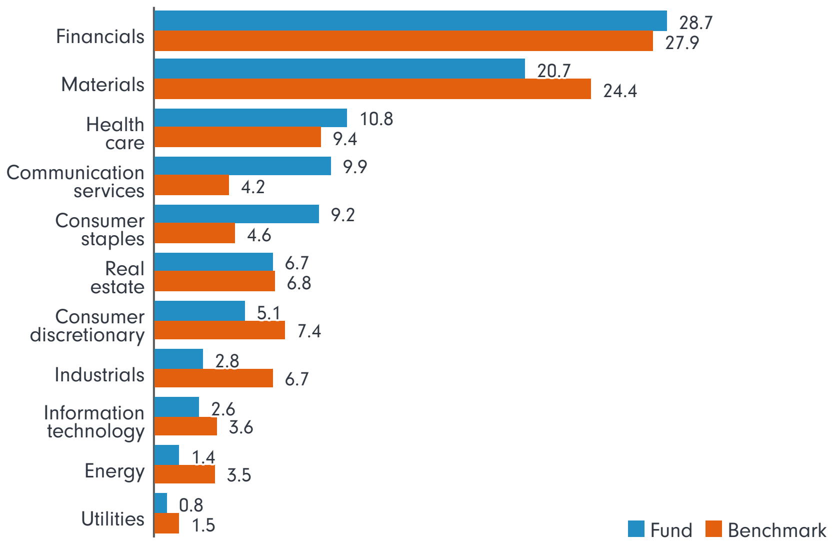
	Fund	B'mark
Commonwealth Bank Australia	10.4	7.7
BHP Group Ltd	8.7	11.3
CSL Ltd	7.4	6.0
Macquarie Group Ltd	5.4	3.1
Goodman Group	4.7	1.9
Igo Ltd	4.7	0.4
Telstra Corp Ltd	4.4	2.2
Suncorp Group Ltd	4.1	0.7
Coles Group Ltd	3.7	1.0
Seek Ltd	3.6	0.5

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	-6.45	-3.77	-1.23	14.91	12.49	10.04	8.48	11.00	7.71	11.64
S&P/ASX 200 Accumulation Index	-6.35	-4.30	-3.81	9.44	9.77	8.50	7.48	9.53	5.65	9.11
Excess return	**-0.10**	**0.53**	**2.58**	**5.47**	**2.72**	**1.54**	**1.00**	**1.47**	**2.06**	**2.53**
Growth	-7.68	-5.04	-2.58	9.3	7.11	5.59	4.42	6.97	4.08	7.35
Income	1.23	1.27	1.35	5.61	5.38	4.45	4.06	4.03	3.63	4.29

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, following the trend in global equity correction. The equity sell-off was led by the US Fed's more aggressive stance, which led to an increase in real yields and drove valuations lower. Investors remained cautious towards the tail end of the month, ahead of the Reserve Bank of Australia's (RBA) monetary policy meeting. The central bank was expected to adopt a more aggressive stance as domestic inflation has risen sharply. At a sector level, energy advanced as strong growth in oil and gas prices supported earnings upgrades. Utilities also contributed to performance. The technology sector underperformed as rising real yields negatively impacted growth stocks. Retail sales surged past market forecasts, rising to 7.9% in November. Pent-up demand, coupled with an extended sales period, contributed to record sales in clothing, footwear and personal accessory retail, household goods and department stores. Consumer sentiment as measured by the Westpac-Melbourne Institute Index of Consumer Sentiment came in 2% lower at 102.2 points in January, due to a surge on COVID-19 cases, which restricted mobility and spending. However, sentiment remained upbeat and in positive territory. Australia's business confidence as measured by National Australia Bank's business confidence index came in at -12 points in December, sliding 24 points from November. The decline was led by a surge in COVID-19 cases, which led to a shortage in staffing though sales remained resilient. The IHS Markit Australia manufacturing Purchasing Managers' Index (PMI) remained in expansionary territory. However, the growth in expansion eased as the Omicron variant weighed on operations. Nonetheless, new orders continued to grow, and strong demand meant that manufacturers kept hiring. Meanwhile, the unemployment rate dropped to the lowest level in more than 13 years to 4.2% in December, with a recovery in New South Wales and Victoria adding a record number of jobs.

Fund performance

The strategy slightly underperformed the index over the month. Security selection in real estate sector held back gains. The position in logistics software company WiseTech Global slid amid the wider technology sector correction due to fears of a rise in interest rates. However, the company's strength is underpinned by its robust end-market growth potential, coupled with market share gains, improving revenue quality due to an increase in on-demand business models, and margin expansion from economies of scale. Meanwhile, not holding energy company Woodside Petroleum held back gains as its share price surged on rising demand and favourable commodity prices. Private hospital operator Ramsay Healthcare slid on news that a shortage of staff was made worse by the pandemic situation early in the month. Additionally, COVID-19 related regulatory restrictions on non-urgent and elective procedures by authorities is likely to negatively impact the hospital operator's earnings. Real estate classifieds portal Domain Holdings was caught amid a market wide sell-off in the property sector, as rising cases of the Omicron variant of COVID-19 dampened investor sentiment. Similarly, investors remained cautious of the pizza chain operator after its US-based parent company said that it expects a manifold increase in its food costs amid rising inflation. On a positive note, the position in clean energy metal producer IGO advanced as it tracked nickel prices higher. A positive report by a leading broker, strong production numbers and an encouraging guidance for lithium further supported the holding. The allocation to diversified miner BHP Group and mining services company Mineral Resources advanced in light of strong iron ore prices. BHP's shareholders approved the unification of its shares by withdrawing its dual-listing on the London Stock Exchange (LSE), which was well received by investors. Ongoing investor interest in lithium mining names also supported Mineral Resources. Elsewhere, not holding payment service provider Afterpay enhanced relative gains. Its shares continued to decline before being delisted and merged with digital payment giant Block. The latter's shares came under pressure amid speculation that US-based technology behemoth Apple may enter the market with its own buy now pay later (BNPL) offering.

Signatory of:

PRI Principles for Responsible Investment

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