

# Fidelity Australian Equities Fund

## Monthly report

As at 31/05/2022

Subscribe now

### 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\$5,843.51M

**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 (%)

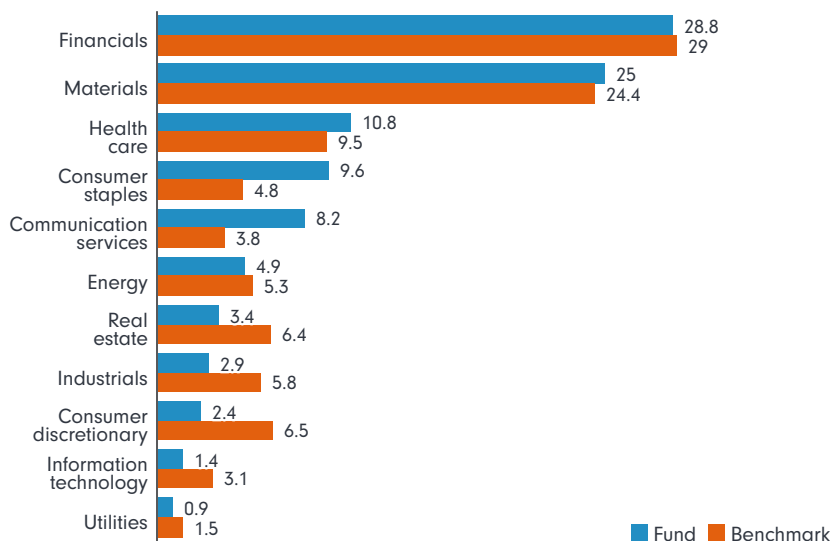
	Fund	B'mark
Commonwealth Bank Australia	11.1	8.4
BHP Group Ltd	10.8	10.6
CSL Ltd	6.7	6.1
Macquarie Group Ltd	5.1	3.1
Igo Ltd	4.7	0.4
Telstra Corp Ltd	4.3	2.1
Coles Group Ltd	4.2	1.1
Suncorp Group Ltd	4.2	0.7
Ramsay Health Care Ltd	4.0	0.7
Westpac Banking Corp	3.6	3.9

### 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	-2.80	3.83	-0.48	6.05	10.20	9.85	8.27	11.57	7.17	11.61
S&P/ASX 200 Accumulation Index	-2.60	3.21	1.44	4.84	7.85	8.84	7.48	10.37	5.30	9.24
<b>Excess return</b>	<b>-0.20</b>	<b>0.62</b>	<b>-1.92</b>	<b>1.21</b>	<b>2.35</b>	<b>1.01</b>	<b>0.79</b>	<b>1.20</b>	<b>1.87</b>	<b>2.37</b>
Growth	-2.8	2.62	-2.93	-0.16	4.78	5.26	4.11	7.46	3.48	7.32
Income	-	1.21	2.45	6.21	5.42	4.59	4.16	4.11	3.69	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](http://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 in May as uncertainties surrounding rising interest rates and slowing growth kept markets on the defensive worldwide. The Reserve Bank of Australia (RBA) raised interest rates by 0.25 percentage points during the month, which was sooner than expected and indicated the possibility of further rate hikes in the future as it began to withdraw its extraordinary monetary support. At a sector level, real estate remained the worst performer amid concerns over rising interest rates, while technology stocks declined as they continue to be de-rated. Easing Covid-19 restrictions and expectations of stimulus measures in China improved sentiment towards the materials sector. Australia concluded its federal election in May, with the Labor Party's victory and Anthony Albanese taking charge as the country's 31st Prime Minister. On the economic front, the Westpac-Melbourne Institute's Index of Consumer Sentiment plummeted to 90.4 in May from 95.8 in April. Concerns over rising cost of living and prospects of higher interest rates undermined consumer confidence. Australia's business confidence index, as measured by the National Australia Bank (NAB), eased to +10 points in April from +16 points in March, but remained above its long-run average. NAB noted that business confidence remained strong across industries and states, as capacity

utilisation continues to rise and forward orders are easing only slightly. The S&P Global Australia manufacturing Purchasing Managers' Index (PMI) remained in expansionary territory in May, but the rate of expansion eased broadly due to supply constraints. Nevertheless, higher demand boosted purchasing and hiring activity. The unemployment rate edged lower to 3.9% in April, the lowest level in almost 50 years, while the participation rate remained at a record high of 66.3%.

## Fund performance

The Fund underperformed the index over the month, primarily due to security selection in real estate. The sector experienced broad-based weakness given earlier than expected interest rate hikes, which hurt sentiment towards the holding in industrial property developer Goodman Group. Furthermore, Amazon's intention to sub-lease some of its warehouse space amid a slowdown in e-commerce growth weighed on Goodman's share price, as it has a long-term leasing contract with Amazon. Nevertheless, Goodman released a positive quarterly update with an upward revision to its earnings guidance. Food and staples retailer Coles Group was caught in a wider sell off in the sector, led by US retail giant Target's earnings miss and lowered guidance, amid inflationary pressure and weakening consumer demand. However, the domestic staples sector has demonstrated an attractive long-term return profile, driven by an oligopolistic structure, high barriers to entry

and strong bargaining power for incumbents. Meanwhile, investors remained cautious of job listing portal SEEK following bearish reports from a leading broker. However, the currently developing tight labour market and low levels of unemployment present the perfect environment for its core business to grow. The holding in global financial conglomerate Macquarie Group declined amid its conservative near-term outlook, despite releasing robust results. The company's management continues to under-promise and over-deliver by finding new avenues of growth. On a positive note, selected financial holdings added value. The holding in GQG Partners advanced after the boutique asset manager announced encouraging net inflows in its latest quarterly update and committed to paying a high dividend pay-out ratio. Lithium and iron ore mining company Mineral Resources gained as investors were upbeat on its margin growth prospects due to rising lithium carbonate prices. The position in oil and gas explorer Santos advanced on the back of strong oil prices. Investor sentiment was also supported by the company's announcement that its joint venture has been appointed as the preferred tenderer of two new strategic gas exploration programmes by the Queensland government. Elsewhere, urban services business Downer EDI gained after it won multiple contracts, including manufacturing 70 High-Capacity Metro Trains (HCMT) for Melbourne and sewer and water maintenance for South East Water in Victoria, which were well received by investors.

[fidelity.com.au](https://www.fidelity.com.au)

Signatory of:



**This document is intended for the general information of financial advisers and wholesale clients only.** This document is issued by FIL Responsible Entity (Australia) Limited ABN 33 148 059 009, AFSL No. 409340 ("Fidelity Australia"). Fidelity Australia is a member of the FIL Limited group of companies commonly known as Fidelity International. **Prior to making an investment decision, retail clients should seek advice from their financial advisers.** This document has been prepared without taking into account your objectives, financial situation or needs. You should consider these matters before acting on the information. You should also consider the relevant Product Disclosure Statements ("PDS") for any Fidelity Australia product mentioned in this document before making any decision about whether to acquire the product. The PDS can be obtained by contacting Fidelity Australia on 1800 044 922 or by downloading it from our website at [www.fidelity.com.au](https://www.fidelity.com.au). The relevant Target Market Determination (TMD) is available via [www.fidelity.com.au](https://www.fidelity.com.au). This document may include general commentary on market activity, sector trends or other broad-based economic or political conditions that should not be taken as investment advice. Information stated herein about specific securities is subject to change. Any reference to specific securities should not be taken as a recommendation to buy, sell or hold these securities. While the information contained in this document has been prepared with reasonable care, no responsibility or liability is accepted for any errors or omissions or misstatements however caused. This document is intended as general information only. The document may not be reproduced or transmitted without prior written permission of Fidelity Australia. The issuer of Fidelity's managed investment schemes is FIL Responsible Entity (Australia) Limited ABN 33 148 059 009. Reference to (\$) are in Australian dollars unless stated otherwise. © 2022 FIL Responsible Entity (Australia) Limited. Fidelity, Fidelity International and the Fidelity International logo and F symbol are trademarks of FIL Limited.