Fidelity Australian Equities Fund

Monthly report

As at 31/07/2022

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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$5,126.58M
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 (%)

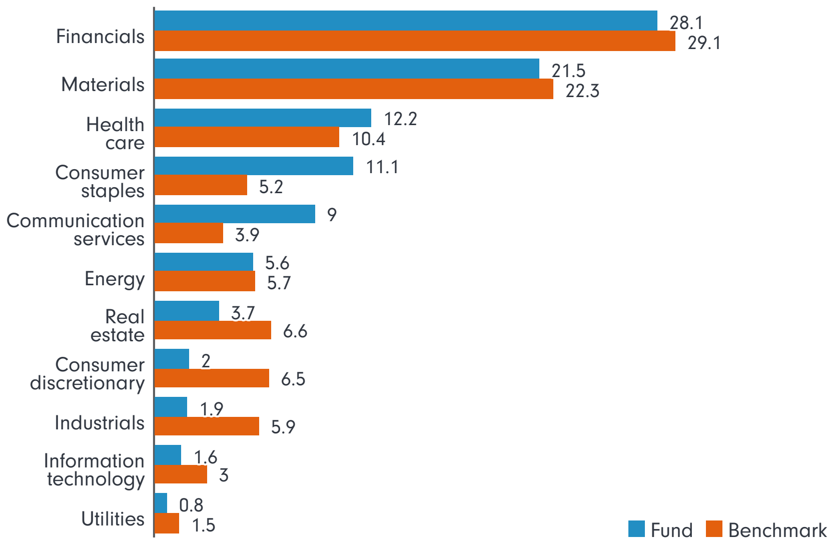
	Fund	B'mark
Commonwealth Bank Australia	11.1	8.4
BHP Group Ltd	9.6	9.6
CSL Ltd	8.1	6.8
Macquarie Group Ltd	5.5	3.2
Telstra Corp Ltd	4.9	2.2
Coles Group Ltd	4.8	1.2
Igo Ltd	4.5	0.4
Suncorp Group Ltd	4.3	0.7
Ramsay Health Care Ltd	3.8	0.6
Goodman Group	3.3	1.7

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	4.94	-8.05	-2.39	-3.58	5.77	8.76	7.41	10.36	6.79	11.18
S&P/ASX 200 Accumulation Index	5.75	-6.04	1.71	-2.17	4.27	8.03	7.10	9.44	5.21	8.95
Excess return	**-0.81**	**-2.01**	**-4.10**	**-1.41**	**1.50**	**0.73**	**0.31**	**0.92**	**1.58**	**2.23**
Growth	-4.97	-16.73	-12.63	-14.88	-2.27	2.39	2	5.42	2.49	6.39
Income	9.91	8.68	10.24	11.3	8.04	6.37	5.41	4.94	4.3	4.79

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 rebounded and advanced strongly in July along with global peers. Latest global economic data indicated deteriorating global growth and market sentiment rose on increasing expectations that most major global central banks could curtail their hawkish policy stance sooner than expected. Thus, appetite for riskier assets increased and real bond yields declined. Against this backdrop, the information technology (IT) and real estate sectors outperformed the broader market. Conversely, the resources sector lagged, led by the decline in commodity prices amid recessionary fears. The Reserve Bank of Australia (RBA) raised interest rates by 0.50 percentage points during the month and warranted further rate hikes amid rising inflationary pressure. On the economic front, Australia's annual consumer price inflation surged to 6.1% in the June quarter, broadly led by higher dwelling construction costs and automotive fuel prices. The Westpac-Melbourne Institute's Index of Consumer Sentiment declined to 83.8 in July from 86.4 in June. Concerns over rising inflation and the increase in interest rates, coupled with a weaker economic outlook, continue to undermine consumer confidence. Australia's business confidence index, as measured by the National Australia Bank (NAB), fell 5 points to +1 points in June. Confidence in the retail sector slipped sharply as the impact of inflationary pressure, rising interest rates and global uncertainty were particularly felt on household consumption. However, despite the easing of confidence, forward orders and capacity utilisation remain elevated. The S&P Global Australia manufacturing Purchasing Managers' Index (PMI) remained in expansionary territory in July, supported by underlying demand and sales growth. Retail sales increased in June but fell short of market expectations as the effects of rising inflation and higher rates were felt on consumer demand. The unemployment rate declined to 3.5% in June, the lowest level in almost 50 years, and the participation rate remained at a record high of 66.8%.

Fund performance

The Fund underperformed the index over the month, primarily due to security selection in healthcare. Investors took profits in leading private hospital operator Ramsay Healthcare after its shares jumped on news of an attractive acquisition proposal from a consortium led by KKR. Likewise, financial services provider Suncorp Group was caught amid a mixed response to its decision to sell its banking operations to Australia and New Zealand Banking Group. Its shares rallied initially, before declining rapidly post the announcement. Elsewhere, the lack of exposure to NAB held back relative gains. Its shares rebounded following a heavy sell-off in the previous months. The conviction position in Santos declined as investor sentiment was dimmed after the oil and gas producer narrowed its production guidance, despite releasing robust results. Nevertheless, Santos lowered its upstream production cost guidance, reflecting solid cost control. On a positive note, metals and mining company IGO gained growth momentum after it posted positive fourth quarter results, led by a double-digit increase in revenue compared to the previous quarter. Positions in Commonwealth Bank of Australia (CBA) and Macquarie Group regained growth momentum as investors focused on the positive impact that the RBA's rate hikes will have on financial majors. The rate increase paves the way for improving net interest margins (NIM) on loans for CBA, while its dominant retail franchise continues to steer ahead of its peers given the lead in technology investments and its execution superiority. The outperformance of the broader real estate sector amid expectations of a less hawkish stance by central banks enhanced holdings in industrial property manager Goodman Group. It operates a diversified, global portfolio of supply constrained, urban infill located industrial assets, offering exposure to rising e-commerce penetration.

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PRI Principles for Responsible Investment

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