

# Fidelity Australian Equities Fund

## Monthly report

As at 31/10/2022

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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\$5,331.44M

**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 (%)

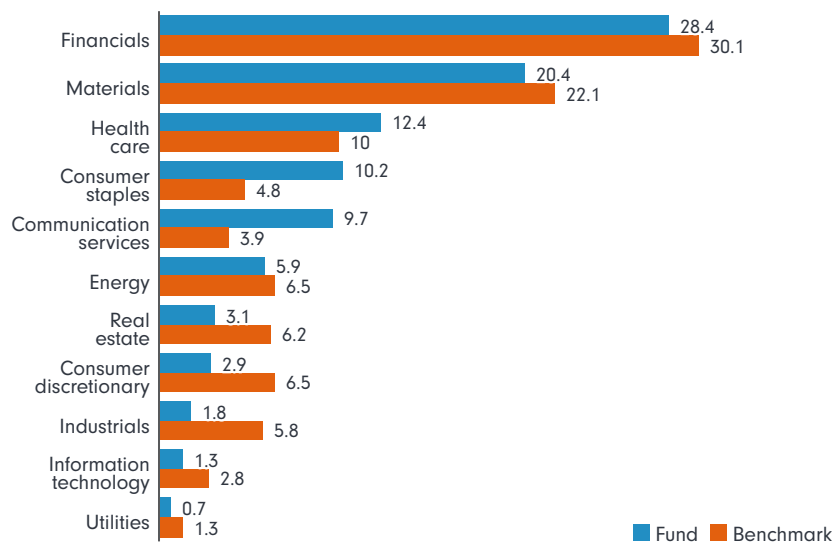
	Fund	B'mark
Commonwealth Bank Australia	11.4	8.8
BHP Group Ltd	9.1	9.3
CSL Ltd	7.7	6.6
Telstra Group Ltd	5.4	2.2
Suncorp Group Ltd	5.2	0.7
Igo Ltd	5.1	0.5
Macquarie Group Ltd	5.0	3.0
Coles Group Ltd	4.7	1.1
Ramsay Health Care Ltd	4.5	0.5
Seek Ltd	3.3	0.4

### 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	5.73	0.64	-7.45	-5.47	6.08	7.85	8.31	9.60	6.01	11.06
S&P/ASX 200 Accumulation Index	6.04	0.67	-5.41	-2.01	4.82	7.18	8.26	8.73	4.51	8.87
<b>Excess return</b>	<b>-0.31</b>	<b>-0.03</b>	<b>-2.04</b>	<b>-3.46</b>	<b>1.26</b>	<b>0.67</b>	<b>0.05</b>	<b>0.87</b>	<b>1.50</b>	<b>2.19</b>
Growth	5.45	0.38	-16.41	-16.72	-2	1.58	2.88	4.72	1.73	6.33
Income	0.28	0.26	8.96	11.25	8.08	6.27	5.43	4.88	4.28	4.73

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 %



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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 advanced in line with global equity markets in October. Stocks rallied amid cautious optimism that we may be nearing the end of the rate hiking cycle, with attention shifting from taming inflation to supporting the economic outlook. At a sector level, banks remained the best performers, supported by rewarding deposit margins, while the energy sector rose in line with crude oil prices. Consumer staples remained the worst performer, followed by the materials sector. The conclusion of China's 20th National Congress weighed on metals and mining stocks; China is a key buyer of materials from Australia. The Reserve Bank of Australia (RBA) raised interest rates by 0.25 percentage points during the month and highlighted that the board intends to increase rates further, while monitoring the global economy, household spending and wage and price setting behaviour. Australia's annual inflation rate came in stronger than expected in the third quarter, hitting the highest level in over 32 years, driven by increased costs of home building, fuel and food. The Westpac-Melbourne Institute's Index of Consumer Sentiment worsened and dipped to 83.7 in October from 84.4 in September. The weakness continues to stem from the increasing cost of living, rising interest rates and downside risk to economic growth. The business confidence index, as measured by the National Australia

Bank (NAB), eased to +5 points in September, with confidence declining across several industries, including retail, wholesale, transport & utilities, recreation & personal, and finance, business & property. The S&P Global Australia manufacturing Purchasing Managers' Index (PMI) remained in expansionary territory in October, but the rate of expansion eased as both demand and output growth slowed. Australia's retail sales increased for the ninth straight month to a new record high in September, mainly supported by resilient growth in the food industry. The unemployment rate remained steady at 3.5% in September.

## Fund performance

The Fund underperformed the index over the month, primarily due to security selection in the healthcare sector. Shares in specialty biotherapeutics company **CSL** and private hospital operator **Ramsay Healthcare** faced selling pressure along with the rest of the sector in the current environment of rising interest rates. However, CSL continues to gain market share by exploiting its sustainable competitive advantage in a highly concentrated plasma market, which exhibits a long runway of secular growth. Ramsay's fundamentals remain intact as it is expected to benefit from a steady recovery in activity levels over the next few years.

Meanwhile, not holding **NAB** held back relative gains as its shares advanced in-line with the financial sector. Shares in leading food and staples retailer **Coles Group** tumbled despite reporting third quarter sales

that met expectations as investors remained cautious of rising inflationary cost pressures for the consumer staples sector. The position in mineral sands producer **Iluka Resources** slid after it reported a decline in both production and sales for its third quarter ended September.

On a positive note, shares in **IGO** gained on the back of record lithium prices. It is a pure-play electric vehicle (EV) battery stock and is strategically positioned to supply metals for the clean energy future. The lack of exposure to low-grade iron ore miner Fortescue Metals Group added relative value. Its shares declined after a sharp pullback in iron ore prices amid concerns over demand in China and increasing supply of the metal.

Investors accumulated shares in pizza chain operator **Domino's Pizza Enterprises** due to its attractive valuations. It has an established track record of leadership in digital innovation and delivery, which is expected to drive future growth. Leading insurer **Suncorp Group** and **Commonwealth Bank of Australia (CBA)** advanced amid a broader rebound in the Australian financial sector. Market enthusiasm was backed by the CBA's positive leverage to rising interest rates, which boosted its margins. Suncorp's investors were buoyed by expectations of a handsome dividend post the completion of the sale of its banking operations to Australia and New Zealand Banking Group (ANZ).

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