

# Fidelity Australian Equities Fund

## Monthly report

As at 28/02/2023

### 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\$5,550.17M

**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 (%)

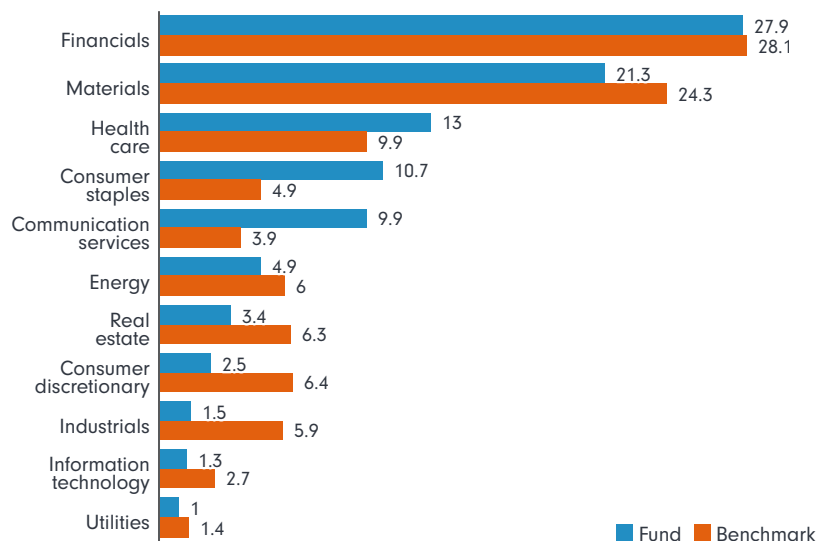
	Fund	B'mark
Commonwealth Bank Australia	10.5	7.9
BHP Group Ltd	9.9	10.6
CSL Ltd	7.9	6.6
Suncorp Group Ltd	5.6	0.8
Telstra Group Ltd	5.5	2.2
Macquarie Group Ltd	5.4	3.2
Coles Group Ltd	5.0	1.1
Ramsay Health Care Ltd	5.0	0.6
Igo Ltd	4.2	0.4
Seek Ltd	3.6	0.4

### 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	-3.12	0.11	5.90	5.56	9.68	8.62	9.90	8.76	7.64	11.23
S&P/ASX 200 Accumulation Index	-2.45	0.30	6.37	7.16	7.93	7.90	10.14	7.95	6.23	9.08
<b>Excess return</b>	<b>-0.67</b>	<b>-0.19</b>	<b>-0.47</b>	<b>-1.60</b>	<b>1.75</b>	<b>0.72</b>	<b>-0.24</b>	<b>0.81</b>	<b>1.41</b>	<b>2.15</b>
Growth	-3.12	-1.43	4	-7.21	1.19	2.16	4.3	3.88	3.24	6.49
Income	-	1.54	1.9	12.77	8.49	6.46	5.6	4.88	4.4	4.74

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 over the month. Equity markets were derated as hawkish comments by global central banks drove expectations that interest rates will remain higher for a longer period than expected. At a sector level, materials remained the worst performer as industrial commodity prices declined amid a stronger US dollar. Financials also slid, led by banks. Utilities advanced as sector constituent Origin Energy advanced sharply amid continued takeover interest by Brookfield Asset Management. Large-cap equities outperformed their mid-cap and small-cap peers. 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, inflation and labour market. On the economic front, Australia's retail sales rebounded and rose in January, driven by non-food industries. Spending in cafes, restaurants and takeaway food services also regained momentum from cultural activities scheduled during the month. The business confidence index, as measured by the National Australia Bank (NAB), rose back to +6 index points in January. Businesses turned more optimistic amid an uptick in forward orders. The Judo Bank Australia manufacturing Purchasing Managers' Index (PMI) rebounded into

expansionary territory in February. Manufacturing output steadied amid a marginal decline in new orders. Conversely, the Westpac-Melbourne Institute's Index of Consumer Sentiment fell back sharply to a historic low of 78.5 in February from 84.3 in January. Higher rates weighed on sentiment, while consumers reported pressures on finances, especially mortgages. The unemployment rate increased to 3.7% in January, while the participation rate decreased to 66.5%.

## Fund performance

The Fund underperformed the index over the month, primarily due to stock selection in the consumer discretionary and materials sectors. Shares in pizza chain operator Domino's Pizza Enterprises slid after management reduced its same store sales growth and organic store rollout targets for financial year 2023. However, its established track record of leadership in digital innovation and delivery is expected to drive future growth. Gold miner Evolution Mining declined in line with falling gold prices. Nonetheless, it released in line results and reaffirmed its full year production and cost guidance. A bearish outlook for lithium prices failed to boost sentiment towards miners IGO. The clean energy miner IGO posted mixed half yearly results. Shares in Commonwealth Bank of Australia slid despite reporting strong half yearly results, including a double-digit increase in dividend and another considerable share buyback. Investors took profits in the bank as its

management noted that net interest margins (NIM) had peaked in October 2022 due to strong competition in both mortgages and deposits. However, CBA remains the safest bet relative to big Australian banks, given its stronger-than-peers core banking franchise, solid brand and specific focus on catering to the youth demographic. The lack of exposure to QBE Insurance Group held back relative gains as its shares advanced in line with the booming insurance sector. On a positive note, the position in insurer Suncorp Group advanced. Investors were buoyed by its market leading positions in general insurance in Australia and New Zealand. Not holding National Australia Bank added relative value as its shares tumbled. Its significant exposure to business loans leaves it relatively more vulnerable than competitors in a deteriorating macroeconomic environment. Leading food and staples retailer Coles Group advanced after it posted solid half-yearly results. Its reported profits, which were boosted by rising food inflation, beat market expectations. The domestic staples sector is well positioned in the current environment and has demonstrated an attractive long-term return profile, driven by its oligopolistic structure, high barriers to entry and strong bargaining power. Elsewhere, Australia's leading and incumbent infrastructure and mobile services provider Telstra Group gained as inflation-based prices of its services rose amid a stable competitive environment.

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