

# Fidelity Australian Equities Fund

## Monthly report

As at 31/05/2023

### 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\$5,422.02M

**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 (%)

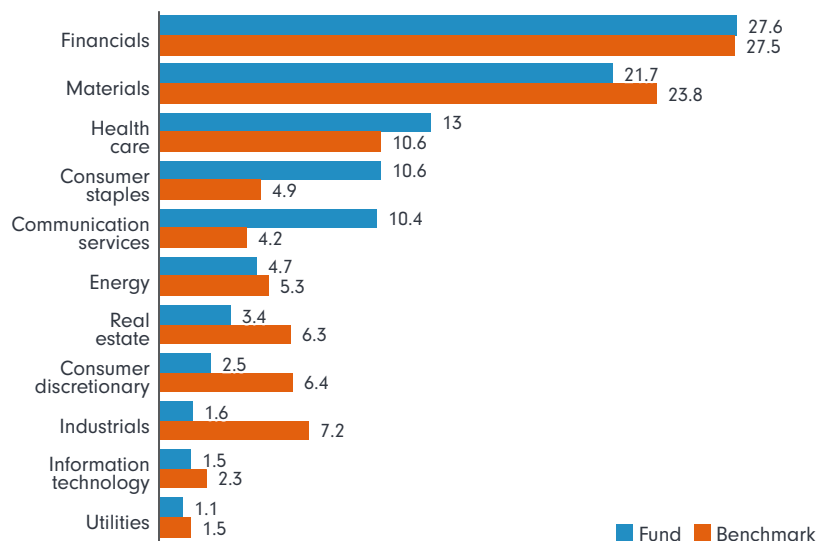
	Fund	B'mark
Commonwealth Bank Australia	10.3	7.8
BHP Group Ltd	9.5	10.2
CSL Ltd	8.3	7.1
Suncorp Group Ltd	5.9	0.8
Telstra Group Ltd	5.9	2.4
Macquarie Group Ltd	5.5	3.0
Coles Group Ltd	5.1	1.1
Igo Ltd	4.7	0.5
Ramsay Health Care Ltd	4.3	0.5
Seek Ltd	3.6	0.4

### 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	-1.73	-0.72	-0.61	0.93	12.19	7.88	8.18	8.77	7.46	11.05
S&P/ASX 200 Accumulation Index	-2.53	-0.89	-0.58	2.90	11.43	7.47	8.29	8.12	5.98	8.92
<b>Excess return</b>	<b>0.80</b>	<b>0.17</b>	<b>-0.03</b>	<b>-1.97</b>	<b>0.76</b>	<b>0.41</b>	<b>-0.11</b>	<b>0.65</b>	<b>1.48</b>	<b>2.13</b>
Growth	-1.73	-0.78	-2.19	-10.29	3.64	1.55	2.74	3.93	3.09	6.36
Income	-	0.06	1.58	11.22	8.55	6.33	5.44	4.84	4.37	4.69

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 retreated during the month. Recessionary fears weighed on broader market sentiment and the consumer discretionary sector remained the worst performer. Materials continued their downtrend amid demand concerns from China. Conversely, the information technology (IT) sector posted solid gains, in line with the strength in their Wall Street peers. Mid-cap equities outperformed large-cap and small-cap names. The Reserve Bank of Australia (RBA) surprised the market and announced a 0.25 percentage point rate hike in May. The decision was based on its focus to return inflation to target levels within a reasonable timeframe; the board indicated that further tightening measures may be warranted. Meanwhile, Australia delivered its first budget surplus in 15 years, supported by larger than expected income tax revenue from a sustained low level of unemployment and high commodity prices. The government announced cost-of-living relief measures, while being mindful to not fuel inflation. On the economic front, Australia's monthly Consumer Price Index (CPI) indicator accelerated more than expected and rose by 6.8% year-on-year in April (vs. 6.3% year-on-year in March). The

figures indicated that inflation has passed its peak but remained above the RBA's target range. The Westpac-Melbourne Institute's Index of Consumer Sentiment slid to 79.0 in May from 85.8 in April. Consumers remained deeply pessimistic amid a surprise interest rate hike by the RBA and a mildly disappointing federal budget. The business confidence index, as measured by the National Australia Bank (NAB), remained stable but below long-run averages. Confidence remains weak in the retail and wholesale sectors amid concerns over the resiliency in consumer spending. The Judo Bank Australia manufacturing Purchasing Managers' Index (PMI) remained in contractionary territory in May amid a gradual slowdown in manufacturing sector activity. The unemployment rate increased to 3.7% in April, while the participation rate fell to 66.7%.

## Fund performance

The Fund outperformed the index over the month, primarily due to stock selection in financials and materials. Shares in leading insurer Suncorp Group gained on expectations of a handsome dividend post the completion of its asset sale. The sale will sharpen Suncorp's focus on its core insurance business in terms of improving its risk position, pricing and claims. Clean energy miner IGO's shares rallied after it reported record profits and operating earnings in the third quarter of its

financial year 2023. The lack of exposure to National Australia Bank added relative value as its shares tumbled post its disappointing half yearly results. Its management noted that net interest margin (NIM) had peaked in the December quarter and said that it expects further pressure due to competition in mortgages and deposits, as well as funding headwinds. Similarly, not holding retail conglomerate Wesfarmers enhanced relative gains as its shares declined after management highlighted deteriorating macroeconomic conditions. Conversely, the holding in beverage company Treasury Wine Estates slid as it reported mixed operating conditions in its recent trading update and flagged pressures in sales of its low-margin wine. The position in Ramsay Health Care declined amid weaker than expected results for the third quarter of its financial year 2023. However, Ramsay Health Care has market leading positions in Australia and France, providing leverage during negotiations with private health insurers and solutions for governments that are trying to reduce public waitlists, along with significant procurement benefits. Elsewhere, the lack of exposure to software company Xero held back relative gains as its shares advanced in line with the IT sector.

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