

Fidelity Australian Equities Fund

Monthly report

As at 31/08/2023

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\$5,308.82M

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 (%)

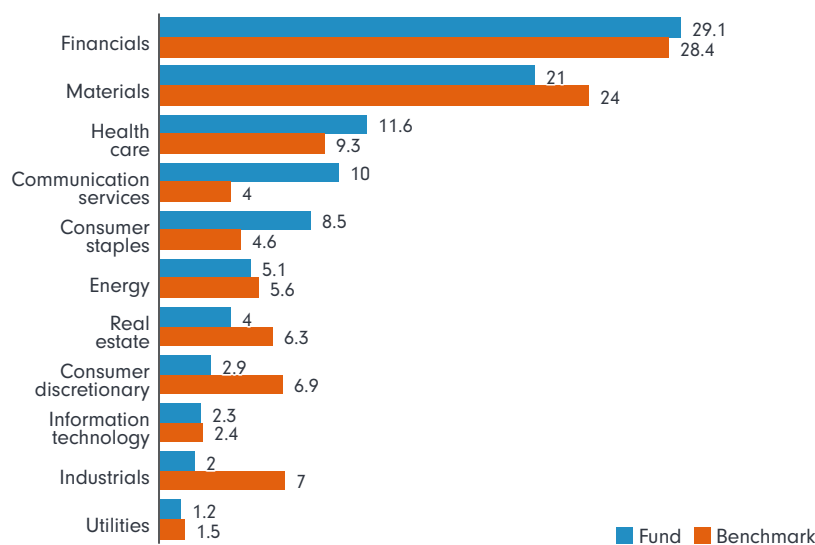
	Fund	B'mark
Commonwealth Bank Australia	11.1	8.0
BHP Group Ltd	10.0	10.5
CSL Ltd	7.3	6.1
Macquarie Group Ltd	5.9	3.0
Suncorp Group Ltd	5.6	0.8
Telstra Group Ltd	5.2	2.1
Igo Ltd	4.9	0.4
Coles Group Ltd	4.7	1.0
Ramsay Health Care Ltd	4.0	0.4
Seek Ltd	3.7	0.4

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.	20 yrs p.a.	Since Inception p.a (30/06/2003)
Fidelity Australian Equities Fund	-2.19	1.44	0.71	6.65	10.02	6.82	8.02	8.36	7.85	10.71	10.98
S&P/ASX 200 Accumulation Index	-0.73	3.92	3.00	9.56	10.68	7.01	8.57	7.97	6.85	8.76	9.01
Excess return	-1.46	-2.48	-2.29	-2.91	-0.66	-0.19	-0.55	0.39	1.00	1.95	1.97
Growth	-2.19	-0.04	-0.82	3.15	2.86	0.45	2.55	3.52	3.45	5.98	6.28
Income	-	1.48	1.53	3.5	7.16	6.37	5.47	4.84	4.4	4.73	4.7

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 declined in line with global peers in August. Reporting season shaped market performance during the month. The materials sector underperformed the broader market, led by lacklustre earnings and weakness in China. Utilities also declined, while the consumer discretionary sector posted notable gains, led by robust earnings delivered by cyclical retailers. Large-cap equities outperformed their mid-cap and small-cap peers. The Reserve Bank of Australia (RBA) continued to hold its cash rate steady at 4.10% as it took the time to assess the impact of the tightening it has already delivered. The board noted that although inflation in Australia has passed its peak, the focus is to return inflation to target levels within a reasonable timeframe and indicated that further tightening measures may be warranted. On the economic front, Australia's inflationary pressure continued to ease, with prices for food and recreation and culture declining. The July monthly Consumer Price Index (CPI) indicator rose by 4.9% year-on-year vs. 5.4% year-on-year in June, below market expectations. The Westpac-Melbourne Institute's Index of Consumer Sentiment remained deeply pessimistic at 81.0 in August. Consumers remain worried about family finances and further interest rate hikes by the RBA. The business confidence index, as measured by the National Australia Bank (NAB), rebounded slightly in July, and returned

to positive territory. Forward orders remained weak as the retail sector remained under pressure. Retail sales in Australia rebounded slightly in July, but the underlying growth in retail turnover remained subdued. Australia's labour market shed some jobs in July, with the unemployment rate rising to 3.7% during the month (from 3.5% in June). The participation rate also declined to 66.7%.

Fund performance

Shares in SEEK declined as the job listing portal reported lukewarm results for its financial year (FY) 2023. However, it is held for its strong execution track record, proven management team, robust balance sheet and capital light operations. SEEK has a long-term opportunity to continue to lift prices and expand into new markets. Similarly, WiseTech Global slid as the cloud-based end-to-end logistics software provider released lacklustre results. Nevertheless, its sticky and growing customer base and low penetration in a large total addressable market provides ample runway for growth in the future. Private hospital operator Ramsay Health Care's share price tumbled as its management's tone shifted noticeably from margin normalisation to uncertainty around margin growth into FY 2024. Nonetheless, 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. Meanwhile, the lack of exposure to retailer Wesfarmers held back

gains as investors responded positively to its FY 2023 results. Shares in Coles Group declined as the food and staples retailer's results missed expectations. Its investors were cautious amid building cost pressures, subsiding food inflation, and ongoing operational risk associated with the construction and implementation of the Ocado and Witron facilities. On a positive note, the position in Domino's Pizza gained after the pizza chain operator announced its annual results. Management confirmed that its same store sales growth re-accelerated across Australia, New Zealand, and Europe, which will lead to an improvement in margins across all regions. The foundation of its long-term growth ambitions and viability of its business model is the underlying health of its franchisee base. The holding in global industrial property company Goodman Group advanced following the release of its FY 2023 results. Goodman Group reported a double-digit increase in earnings along with upbeat guidance for FY 2024. In addition, strong demand for large industrial properties to house stock for online retailers as well as data centre space for cloud computing and artificial intelligence buoyed sentiment. The lack of exposure to infrastructure company Transurban Group added relative value. Its results disappointed investors as management flagged higher corporate costs. Elsewhere, not holding ResMed enhanced relative gains. Its shares slid following its quarterly results, which were underpinned by weak gross margins for the sleep apnoea equipment manufacturer.

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