

# Fidelity Australian Opportunities Fund

## Monthly report

As at 31/01/2023

### Fund description

Invests in a diversified selection of around 20 to 40 Australian companies. The portfolio manager seeks attractive stock mispricings of all types, while avoiding a strong style bias. The portfolio is largely industry neutral with risk and return focused at the stock level. Designed to be a core holding.

### Fund facts

**Portfolio manager:** Casey McLean / Clare Coleman

**Benchmark:** S&P/ASX 200 Accumulation Index

**Inception date:** 31/07/2012

**Fund size:** AU\$286.85M

**Number of stocks:** 20 - 40

**Management cost:** 0.85% p.a

**Buy/sell spread:** 0.20%/0.20%

### Portfolio guidelines

**Stocks:** +/-5% from benchmark

**Sector:** +/-7% from benchmark

**Cash:** Target range between 0% and 10%

### Top 10 holdings (%)

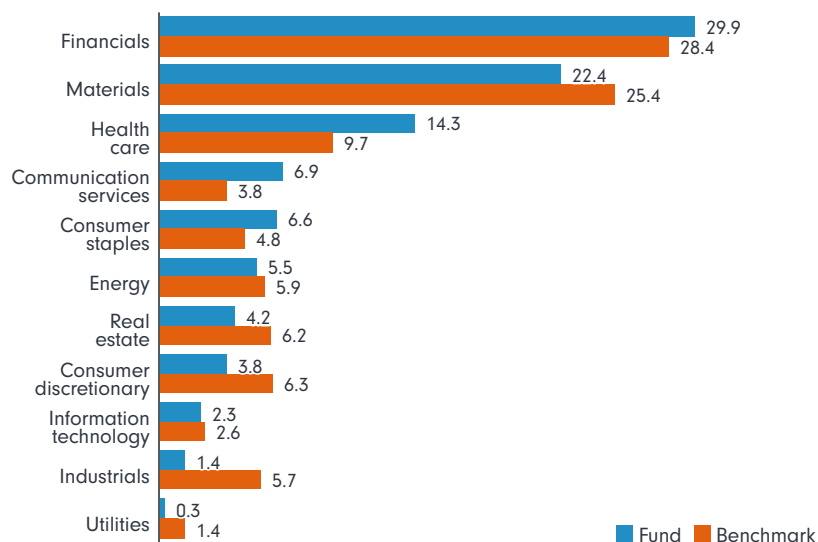
	Fund	B'mark
BHP Group Ltd	14.1	11.3
Commonwealth Bank Australia	13.0	8.4
CSL Ltd	11.2	6.5
Macquarie Group Ltd	5.5	3.1
Telstra Group Ltd	5.2	2.1
Goodman Group	4.2	1.5
Woodside Energy Group Ltd	4.1	3.1
Woolworths Group Ltd	3.9	2.0
National Australia Bank Ltd	3.5	4.5
Steadfast Group Ltd	3.0	0.2

### 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.	Since Inception p.a (31/07/2012)
Fidelity Australian Opportunities Fund	6.87	9.54	8.35	5.59	4.63	7.08	9.35	9.67	10.84
S&P/ASX 200 Accumulation Index	6.23	9.59	10.32	12.21	5.96	8.51	10.25	8.79	10.00
<b>Excess return</b>	<b>0.64</b>	<b>-0.05</b>	<b>-1.97</b>	<b>-6.62</b>	<b>-1.33</b>	<b>-1.43</b>	<b>-0.90</b>	<b>0.88</b>	<b>0.84</b>
Growth	5.12	7.74	6.36	0.51	1.71	4.24	6.53	5.72	6.92
Income	1.75	1.8	1.99	5.08	2.92	2.84	2.82	3.95	3.92

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 the risk of stock market fluctuations. Management costs and the buy/sell spread are current as at the date shown above but may be subject to change in the future. Management costs include GST and exclude abnormal expenses and 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 rallied and advanced in line with their global peers. Investor sentiment was buoyed by expectations of a soft landing and an increased appetite for risk assets. Nearly all sectors advanced, with the consumer discretionary sector remaining the best performer, supported by strong gains in cyclical retailers. The real estate and materials sector also posted notable gains, while utilities lagged the broader market. Small-cap companies outperformed their large-cap and mid-cap peers. On the economic front, investors digested a batch of downbeat domestic data releases. Australia's annual Consumer Price Index (CPI) for the December quarter surprised to the upside and jumped by 7.8%, the highest level in 33 years. Cost pressures were broadly driven by increased electricity prices and holiday travel costs. Moreover, retail sales fell more than expected in December 2022, while private sector credit rose at the weakest pace in 20 months. Elevated inflationary pressures and rising interest rates dampened consumer spending and borrowing demand. Meanwhile, the Westpac-Melbourne Institute's Index of Consumer Sentiment increased to 84.3 in

January from 80.3 in December. The temporary lift in sentiment was led by a pause in the Reserve Bank of Australia's (RBA) tightening cycle as there was no board meeting scheduled for January. The business confidence index, as measured by the National Australia Bank (NAB), improved slightly in December but remained in negative territory. Business conditions also softened due to slowing momentum across indicators as increased rates flow through the economy. The Judo Bank Australia manufacturing Purchasing Managers' Index (PMI) eased further in January. Activity contracted during the month as both output and new orders fell. The unemployment rate remained at 3.5% in December, while the participation rate decreased to 66.6%.

## Fund performance

The Fund delivered strong positive returns and outperformed the index over the month, primarily due to stock selection in the healthcare and real estate sectors. Indications that the rising interest rate cycle led by the US Federal Reserve may have peaked led to a share price rally in property manager Goodman Group. Its quality assets and strong balance sheet position, coupled with ongoing structural growth opportunities cheered investors. Shares in medical device maker PolyNovo advanced as it reported record

sales during the first half of the year. Market enthusiasm was also backed by management's comments on headcount increases and market expansion, which supported growth in the second half of the year. The holding in nickel pig iron (NPI) producer Nickel Industries gained after it announced a strategic framework agreement for the execution of an electric vehicle battery supply chain with its major shareholder Shanghai Decent. The position in financial conglomerate Macquarie Group added value. Investors were expecting strong income from its commodities and global markets (CGM) division as energy price volatility remained at elevated levels since November. Conversely, the position in Steadfast Group declined and gave back some gains from previous months as investors took profits in the leading commercial insurance company. Steadfast has an asset-light and scalable business model with limited underwriting risk. Shares in oil and gas producer Santos declined after its production guidance for 2023 was downgraded largely due to a temporary shutdown of its John Brookes platform in Western Australia. Leading telecommunication services provider Telstra detracted from performance. However, Telstra continues to enjoy a dominant position with leading market share across all the segments in which it operates.

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