

# Fidelity Australian Opportunities Fund

## Quarterly report

As at 30/09/2023

### 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\$195.68M

**Number of stocks:** 20 - 40

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

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

### Portfolio guidelines

**Stocks:** +/-10% from benchmark

**Sector:** 25% from benchmark

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

### Top 10 holdings (%)

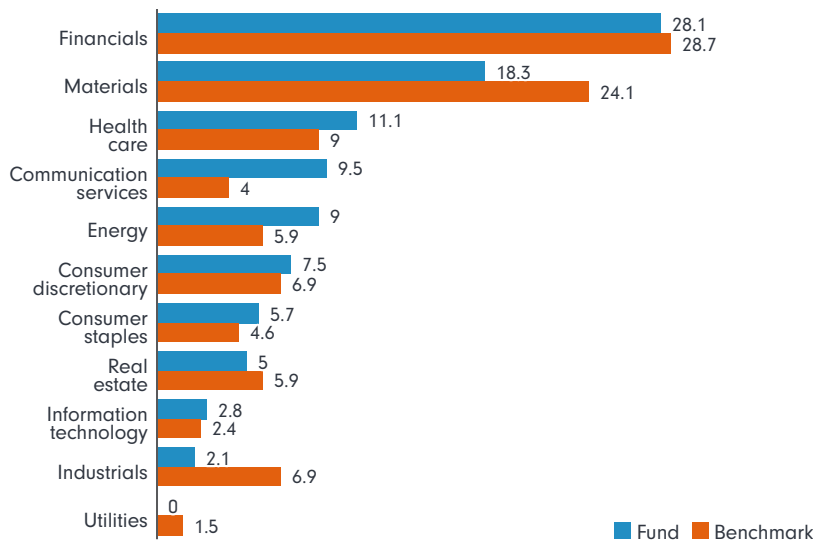
	Fund	B'mark
CSL Ltd	10.1	5.8
Commonwealth Bank Australia	9.6	8.0
BHP Group Ltd	9.3	10.7
Woodside Energy Group Ltd	9.0	3.3
Goodman Group	5.0	1.8
Macquarie Group Ltd	4.8	2.9
Carsales.com Ltd	4.5	0.5
Qbe Ins Group Ltd	4.5	1.1
Telstra Group Ltd	4.2	2.1
Woolworths Group Ltd	3.4	2.2

### 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	-3.09	-0.24	1.34	13.08	8.77	5.77	7.63	8.31	10.00
S&P/ASX 200 Accumulation Index	-2.84	-0.77	0.24	13.46	11.00	6.67	8.05	7.43	9.14
<b>Excess return</b>	<b>-0.25</b>	<b>0.53</b>	<b>1.10</b>	<b>-0.38</b>	<b>-2.23</b>	<b>-0.90</b>	<b>-0.42</b>	<b>0.88</b>	<b>0.86</b>
Growth	-3.09	-3.15	-1.63	7.74	5.14	2.64	4.78	4.39	6.05
Income	-	2.91	2.97	5.34	3.63	3.13	2.85	3.92	3.95

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 %



### Major contributors (%)

As at 30/09/2023	Active pos.	Contribution
Carsales.com Ltd	3.8	0.7
Woodside Energy Group Ltd	6.0	0.5
Siteminder Ltd	0.9	0.4
Goodman Group	3.2	0.2
Transurban Group	-2.0	0.2

### Major detractors (%)

As at 30/09/2023	Active pos.	Contribution
CSL Ltd	4.3	-0.3
Anz Group Holdings Ltd	-3.5	-0.3
Judo Capital Holdings Ltd	1.8	-0.3
Igo Ltd	1.8	-0.3
Wesfarmers Ltd	-2.7	-0.3

**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.

# Quarterly report

## Market performance

Australian equities declined over the quarter. The US Federal Reserve's (Fed) 'higher for longer' interest rate narrative drove bond yields to multi-year highs and negatively impacted equity market performance. As such, rate-sensitive information technology (IT) and real estate sectors declined. The energy sector posted notable gains as oil prices rallied on persistent supply concerns following the announcement of extended production cuts from Saudi Arabia and Russia until the end of the year. 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 GDP for the June quarter increased modestly by 0.4% quarter-on-quarter. Household consumption growth continued to slow as cost-of-living pressures weighed on real disposable incomes. The August monthly Consumer Price Index (CPI) indicator rose by 5.2% year-on-year, in line with market expectations. The rise in crude oil prices was a major driver of inflation, while the cost of food and rent also increased. The Westpac-Melbourne Institute's Index of Consumer Sentiment remained deeply pessimistic at 79.7 in September. While fears of rising interest rates eased, consumers remain worried about family finances amid rising rent, petrol prices and cost of electricity. The business confidence index, as measured by the National Australia Bank (NAB), edged up in August but remained below historical averages. The retail sector continues to be a major drag on confidence.

Retail sales in Australia increased modestly in August and came in below market expectations as consumers cut back spending on food and clothing amid increasing cost of living pressures. Australia's labour market remained steady in August, with the unemployment rate at 3.7%.

## Fund performance

Selected holdings in the real estate and consumer sectors added notable value. The position in Carsales.com advanced following the release of its annual results. The update was better than expected as the leading online automotive classifieds provider announced a strong outlook for financial year (FY) 2024. Shares in the global industrial property company Goodman Group gained following the release of its 2023 annual results. Goodman 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 its management flagged higher corporate costs. The high-conviction position in Woodside Energy Group advanced in-line with the energy sector. Conversely, specialty biotherapeutics company CSL declined in line with the broader health care sector. Nevertheless, 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. The broad weakness in the battery materials industry weighed on the holding in Nickel Industries and clean energy miner IGO. IGO's record financials were overshadowed by its higher capital expenditure outlook and a write-down on its

nickel assets. Shares in Australia's leading and incumbent infrastructure and mobile services provider Telstra slid in line with the broader communication services sector.

## Outlook

The outlook for Australia's economic growth remains positive relative to the rest of the world. Australia benefits from being a net energy exporter, as well as from strong population growth driven by immigration and valuation support from the relatively high level of dividends paid. However, the downside risk to economic growth remains against the backdrop of rising inflation and higher interest rates. High labour cost in an extremely tight labour market environment has been a major driver of inflation in the domestic market. The RBA's benchmark interest rate appears to be close to its peak as inflation in Australia surged past multi-decade highs. The impact of increasing and persistently high interest rates on household spending trends needs to be closely monitored as mortgage payments weigh on disposable incomes. Nevertheless, considerable accumulation of household savings, pent-up demand for services and a strong labour market has supported near term consumption trends. Globally, the uncertainty surrounding the war in Ukraine and the ensuing resolution of supply-side constraints remains key areas of concern. China reopened its economy at a fast pace, but the growth effects remain weaker than expected. It remains critical to view valuations from a long-term perspective and in a global context; to pay more attention to the resilience of business models; and to look for valuation anomalies as attractive entry points. We look to identify opportunities that are supported by strong balance sheets, healthy free cash flows and management teams that can withstand uncertainty and focus on long-term execution.

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