

Fidelity Global Demographics Fund

(Managed Fund) ASX: FDEM

Quarterly report

As at 30/06/2022

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Fund description

Designed to benefit from demographic trends by investing in 50 to 70 companies where demographic factors are likely to be the single most important driver of company earnings growth over the medium- to long-term.

Fund facts

ASX Code: FDEM

Portfolio manager: Aneta Wymimko / Alex Gold / Oliver Hextall

Benchmark: MSCI All Country World Index NR

Inception date: 30/11/2012

Fund size: AU\$94.27M

Number of stocks: 50 to 70

Management cost: 0.89% p.a.

Buy/sell spread: 0.20%/0.20%

iNAV tickers: RIC FDEMAUiv.P

Bloomberg Code: FDEMIVAU Index

Portfolio guidelines

Stocks: Typically between 1% to 3% Absolute

Sector: Unconstrained

Region: Unconstrained

Country: Unconstrained

Cash: Target range between 0-10

Top 10 holdings (%)

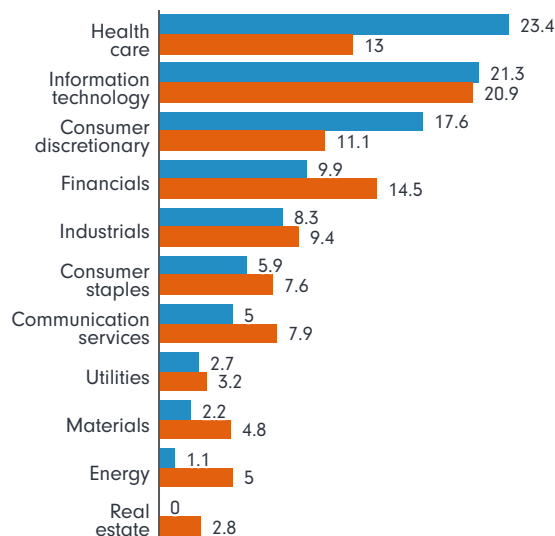
| | Fund | B'mark |
|---------------------------------|------|--------|
| Microsoft Corp | 6.4 | 3.3 |
| Amazon.com Inc | 4.2 | 1.7 |
| Alphabet Inc | 3.7 | 2.3 |
| Lvmh Moet Hennessy Se | 3.6 | 0.3 |
| Thermo Fisher Scientific Inc | 3.4 | 0.4 |
| Iqvia Holdings Inc | 3.2 | 0.1 |
| L'oreal Sa | 3.0 | 0.1 |
| Icon Plc | 3.0 | 0.0 |
| Danaher Corp | 2.9 | 0.3 |
| Taiwan Semiconductor MFG Co Ltd | 2.9 | 0.7 |

Performance %

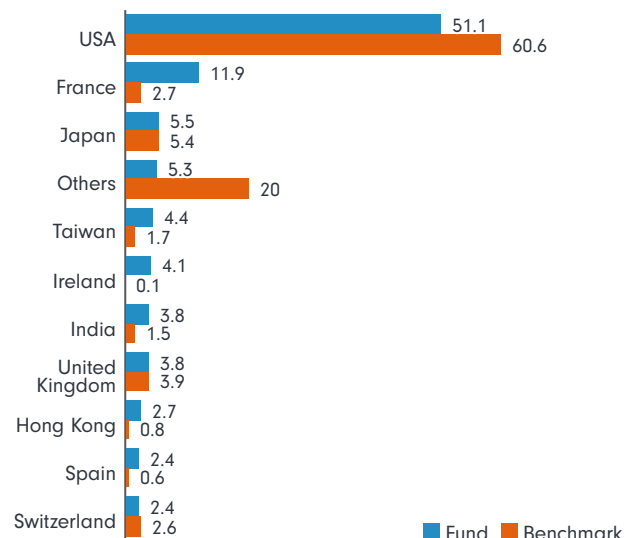
| | 1 mth | 3 mth | 6 mth | 1 yr | 3 yrs p.a. | 5 yrs p.a. | 7 yrs p.a. | Since Inception p.a. (30/11/2012) |
|--|-------------|--------------|--------------|--------------|--------------|--------------|-------------|-----------------------------------|
| Fidelity Global Demographics Fund (Managed Fund) ASX: FDEM | -3.52 | -11.46 | -22.30 | -13.91 | 5.22 | 9.34 | 8.90 | 14.23 |
| MSCI All Country World Index NR | -4.47 | -7.90 | -15.61 | -8.02 | 6.93 | 9.37 | 8.70 | 13.15 |
| Excess return | 0.95 | -3.56 | -6.69 | -5.89 | -1.71 | -0.03 | 0.20 | 1.08 |

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.

Industry breakdown %



Geographic 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 unhedged and is subject to the risk of fluctuations in international stock markets and currencies. 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 but 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.

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Market performance

Global equities declined sharply over the quarter. Investors' sentiment remained fragile amid concerns that rapidly rising interest rates and tightening financial conditions would hurt global economic growth. The US Federal Reserve (Fed) raised its interest rates by 75 basis points, the biggest rate hike since 1994, as recent data showed inflation remained highly elevated. The European Central Bank (ECB) signalled an initial 25 basis points rate hike in July. The ECB also raised the possibility of more aggressive tightening in September should inflation remain high and announced that it would end net asset purchases on 1 July 2022. Worries over China's anti-Covid restrictions and uncertainty linked to the Ukraine situation also weighed on markets. However, softer Covid lockdown policies in China alleviated some of these worries later in the quarter. Against this backdrop, all sectors ended in negative territory but energy and defensive stocks such as health care, consumer staples and utilities were more resilient. Consumer discretionary and information technology (IT) were the hardest-hit sectors amid concerns over weakening demand and recessionary fears. From a style perspective, value names declined but outperformed growth and quality stocks while large-cap companies marginally outperformed their smaller counterparts.

Fund performance

The position in AIA, the largest independent life insurer in Asia, was the most notable contributor to performance. Shares benefitted from the relaxation of Covid restrictions in Shanghai and other Chinese cities. As China reopens its border, we expect value of new business to grow, something that will be crucial for the stock to re-rate further. The lack of exposure to NVIDIA was also an expected source of strength as shares in the graphic processing units manufacturer declined amid rising fears of a slowdown in economic growth. In addition, the impact of rising interest rates on demand and investment, as well as the normalisation of inventories added to investor concerns. The position in one of the largest contract research organisations (CRO), IQVIA, advanced on decent first quarter results with an in-line topline and a 2% beat in earnings-per-share (EPS) estimates.

Shares in e-commerce giant Amazon tumbled due in our view to a rising interest rate environment, disappointing first quarter results and a weaker outlook due to higher costs. While earnings missed estimates, likely driven by weaker gross margins and higher fulfilment

costs, guidance for the second quarter was also disappointing. The position in leading vacation rental business Airbnb was a notable detractor from performance, despite consensus-beating results for the first quarter of 2022. The company also released an upgraded guidance for the second quarter. However, additional Covid outbreaks and the impact of inflation on consumers' purchasing power continue to weight on investors' confidence. While our long-term thesis in these names remains intact, we managed position sizing at the margin to reflect earnings risk and mitigate the overall risk profile of the Fund. Consumable manufacturer, Stryker traded lower. Despite the positive recovery in elective procedures, the sub-sector saw widespread weakness probably reflecting market concerns over increase cost pressures due to supply chain issues and inflation. Financial services company Schwab Charles declined after reporting first quarter results that missed estimates, including a lower-than-expected earnings per share versus consensus estimates.

The Fund invests in companies where earnings are driven by predictable and long-term structural drivers related to demographics. Sector positioning is aligned to demographics driven growth to harness the benefits from factors such as longer lives, with higher life expectancy; better lives, reflecting expanding middle class wealth, particularly in emerging markets; and more lives stemming from the trend of population growth. Additionally, the pandemic has accelerated many of the long-term trends that have already been in place, such as digitalisation, automation and a greater focus on health care and wellbeing. The Fund has significant exposure to these themes, and the managers expect that it will benefit from the winners in the space, thereby delivering strong growth.

In healthcare, the ageing population, which has increased health care needs, is the key demographic driver. Healthy longevity coupled with strong spending power, especially for early retirees, means that many health care companies are seeing structural growth in demand for their products. The Fund has sizeable exposure to this sub-theme and the bulk of our exposure is in the Life Sciences & Tools space, with key holdings being Thermo Fischer, ICON and IQVIA. In consumer discretionary, increasing spending capacity of the emerging middle class in developing countries provides interesting opportunities. We expect that wealth creation will continue, especially in Asia, and hold several companies that are well positioned to benefit from this trend. The Fund owns the most attractive players in luxury goods, e-

commerce, sporting goods, cosmetics and high-end spirits. In addition, we observe a growing appetite for travel and leisure after two years of enforced constraints. This is reflecting in, for example, the rebound in air traffic and hotel occupancy rates. The Fund holds several stocks, such as Booking and Airbnb, that are well positioned to benefit from the uptick in consumer demand for "experiences".

We started a position in two managed care businesses UnitedHealth and Anthem (Elevance). The managed care subsector is well positioned versus the current macroeconomic backdrop: insurers generally have pricing powers and premiums continue to grow, with profitability being largely driven by healthcare utilisation, which does not follow the economic cycle. Rising rates are also likely to provide an earnings uplift as managed care companies have significant investments in floating rate instruments and, conversely, debt denominated in fixed rate instruments. We have also taken advantage of the sharp market correction to add ASML, the leading supplier of lithography tools. Meanwhile, holdings in cleaning and sanitization products provider, Ecolab were exited over reduced risk-reward potential. We also sold the position in Naspers, the South African internet conglomerate with a c.30% stake in China's Tencent, to mitigate our overall risk exposure to Chinese internet.

Major contributors (%)

| As at 30/06/2022 | Active pos. | Contribution |
|--------------------|-------------|--------------|
| AIA Group Ltd | 2.0 | 0.4 |
| Nvidia Corp | -0.8 | 0.3 |
| Iqvia Holdings Inc | 2.7 | 0.3 |
| Corp Acciona | | |
| Energias | 1.1 | 0.2 |
| Renovables Sa | | |
| Tesla Inc | -0.6 | 0.2 |

Major detractors (%)

| As at 30/06/2022 | Active pos. | Contribution |
|---------------------|-------------|--------------|
| Amazon.com Inc | 2.4 | -0.6 |
| Airbnb Inc | 1.1 | -0.5 |
| Stryker Corp | 2.5 | -0.3 |
| Schwab Charles Corp | 1.6 | -0.3 |
| Sonova Holding | | |
| Ag | 2.6 | -0.3 |

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