Fidelity Global Demographics Fund
(Managed Fund) ASX: FDEM

Quarterly report

As at 31/03/2023

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 Wynimko / Alex Gold / Oliver Hextall
Benchmark: MSCI All Country World Index NR
Inception date: 30/11/2012
Fund size: AU$103.32M
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 (%)

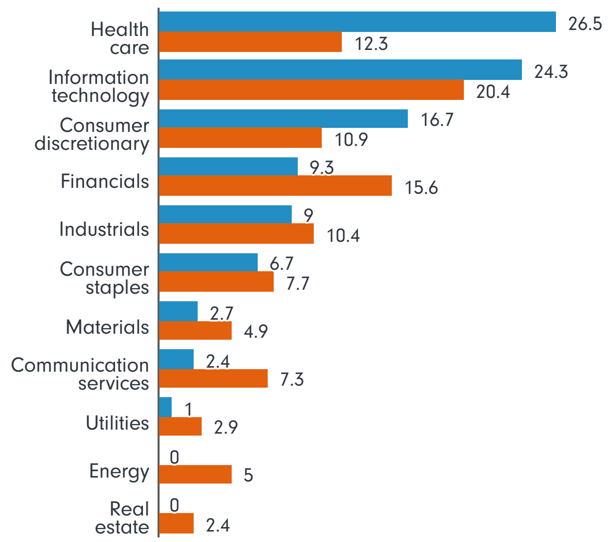
	Fund	B'mark
Microsoft Corp	7.0	3.4
Lvmh Moet Hennessy Se	4.6	0.4
L'oreal Sa	3.8	0.2
Amazon.com Inc	3.6	1.6
Sonova Holding Ag	3.4	0.0
Boston Scientific Corp	3.4	0.1
Stryker Corp	3.4	0.2
Thermo Fisher Scientific Inc	3.3	0.4
Taiwan Semiconductor MFG Co Ltd	3.3	0.7
Essilorluxottica	3.2	0.1

Performance %

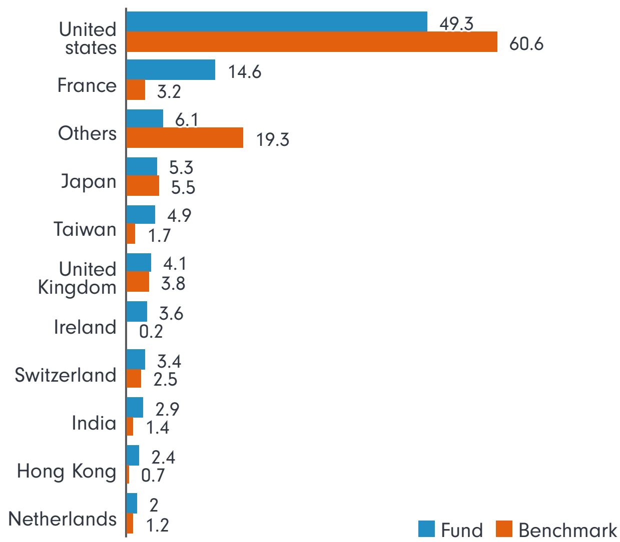
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	Since Inception p.a (30/11/2012)
Fidelity Global Demographics Fund (Managed Fund) ASX: FDEM	6.56	13.70	17.35	4.74	11.03	10.43	11.77	14.43	14.98
MSCI All Country World Index NR	3.79	8.65	13.07	3.78	11.95	9.87	11.34	12.95	13.45
Excess return	**2.77**	**5.05**	**4.28**	**0.96**	**-0.92**	**0.56**	**0.43**	**1.48**	**1.53**

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 had a strong start to the year as upbeat economic data and improving corporate earnings boosted investor sentiment. In the first half of March, the collapse of Silicon Valley Bank (SVB) led to a major sell-off in the US and European financial sectors. However, strong economic data amid easing bank contagion fears and signs of a slowdown in inflation buoyed investor optimism in the second half. At the regional level, European equities posted strong gains, with investor confidence supported by falling natural gas prices, optimism around China's economic reopening and resilient economic and corporate data. US equities rallied as sentiment improved after a slowdown in inflation readings raised hopes of a softer monetary policy stance by the US Federal Reserve (Fed). On the monetary policy front, central banks globally raised interest rates to balance the long-running fight against inflation. At a sector level, consumer discretionary, information technology (IT) and communication services were notable gainers, while health care, energy and financials ended the quarter in negative territory.

Fund performance

Stock picking across the consumer discretionary, consumer staples and health care sectors proved rewarding. The overweight exposure to IT and underweight allocation to financials were other sources of strength. However, holdings within communication services pared gains. Shares in luxury conglomerate LVMH rose on the back of its impressive top line in the fourth quarter, despite weakness in China. Investors focused on the prospect of wealthy Chinese households returning to physical stores and starting to travel again. Cosmetics major L'Oréal benefited from optimism surrounding China's reopening and expectations of slower interest rate hikes by the Fed. Software business Salesforce rebounded in line with other growth stocks. Microsoft's shares benefited from the launch of a new version of its search engine Bing, now powered with artificial intelligence, which blends advanced text creation capabilities and adds recency data from a typical web search. Shares in Taiwan Semiconductor were up as its fourth quarter revenue and gross margins increased due to a more favourable foreign exchange rate and cost improvement efforts. Overall, China's reopening was a catalyst for the stronger performance of Asian technology stocks as the market anticipated increases in technology exports to China. The underweight allocation to technology conglomerate Apple weighed on returns as its shares rebounded amid increased investor optimism. The lack of exposure to Meta Platforms was another source of weakness. Its shares continued to gain momentum after it reported decent fourth-quarter results towards the end of January. Diagnostics tool company Danaher underperformed in a risk-on market as many healthcare stocks started the year on full valuations or with questions over litigation, pricing power or demand.

Fund positioning

The Fund invests in companies where predictable and long-term structural drivers related to demographics drive earnings and growth, harnessing the benefits from three thematic drivers: longer lives (higher life expectancy); better lives (expanding middle-class wealth, particularly in emerging markets); and more lives (population growth). There is a pronounced focus on strong sustainability characteristics. Ageing populations, which have increased health care needs, are the key demographic driver in health care. In consumer discretionary, a rise in the spending capacity of the emerging middle class in developing countries provides exciting opportunities. We expect wealth creation to continue, especially in Asia, and hold several companies that are well-positioned to benefit from this trend. Through automation and productivity solutions, IT provides the infrastructure necessary to support a growing population and resource demands. We own the most attractive players in luxury goods, e-commerce, sporting goods, cosmetics and high-end spirits companies. Examples of key positions include luxury conglomerate LVMH, contract research organisation (CRO) IQVIA and e-commerce player Amazon. Given the Fund's thematic mandate and its emphasis on quality, growth and sustainability credentials, the portfolio will likely exhibit some structural biases at the sector level, with limited exposure to areas such as energy, materials and financials. Overall, this remains a well-balanced, diversified global portfolio that stands to benefit from the long-term theme of demographics. A new position was purchased in Bank Mandiri, a leading Indonesian bank that is well-positioned to navigate the current asset quality cycle. Its risk management efforts since 2016 indicate that the impact in the current cycle should be manageable, while a conservative approach should help the bank navigate the current environment relatively well. American energy business NextEra Energy is another new holding in the renewable energy space and is trading at attractive valuations. We have seen a strengthening in this important sub-theme of the portfolio. Renewable energy providers and companies supporting decarbonisation are set to benefit from and increase support for the energy transition, particularly with aid from governments worldwide, such as the Inflation Reduction Act in the US. The position in pharmaceuticals major Johnson & Johnson was sold due to increased litigation risks and the proceeds were redeployed to areas with higher conviction. The holding in Bristol Myers Squibb was also sold.

Major contributors (%)

As at 31/03/2023	Active pos.	Contribution
Lvmh Moet Hennessy Se	4.2	0.8
L'oreal Sa	3.5	0.6
Salesforce Inc	1.7	0.6
Sonova Holding Ag	2.6	0.5
Microsoft Corp	3.4	0.4

Major detractors (%)

As at 31/03/2023	Active pos.	Contribution
Apple Inc	-1.9	-0.4
Danaher Corp	2.8	-0.4
Meta Platforms Inc	-0.6	-0.3
AIA Group Ltd	2.6	-0.3
Nvidia Corp	-0.5	-0.3

Signatory of:

PRI Principles for Responsible Investment

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