Fidelity INTERNATIONAL

Fidelity Hedged Global Equities Fund

Quarterly report

As at 30/06/2021

Fund description

A hedged equivalent of the Fidelity Global Equities Fund, currency exposure is substantially hedged back to Australian dollars.

Fund facts

Portfolio manager: Jeremy Podger / Oliver Trimmingham

Benchmark: MSCI All Country World Index NR AUD Hedged

Inception date: 29/09/2005

Fund size: AU$22.84M

Number of stocks: 80 to 120

Management cost: 1.04% p.a.

Buy/sell spread: 0.30%/0.30%

Portfolio guidelines

Stocks: +/-3% from benchmark

Sector: +/-10% from benchmark

Region: +/-20% from benchmark

Country: No constraints

Emerging markets: maximum 20% of the portfolio (typically less than 10%)

Cash: Target range between 0% and 10%

Top 10 holdings (%)

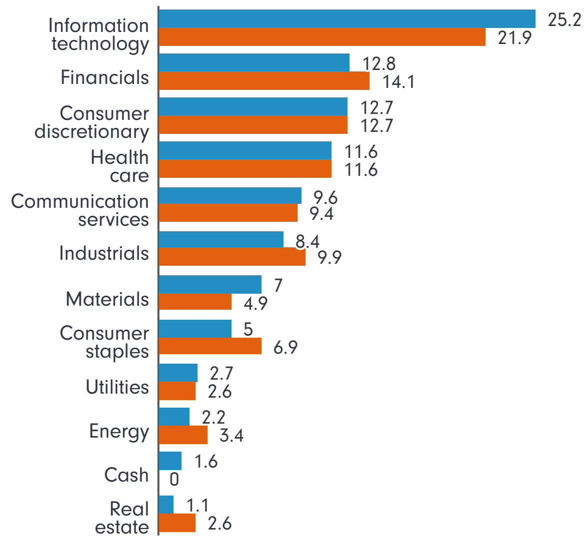
	Fund	B'mark
Microsoft Corp	3.7	2.9
Amazon.com Inc	3.0	2.2
Apple Inc	2.9	3.5
Alphabet Inc	2.8	2.2
Unitedhealth Group Inc	2.1	0.6
Cisco Systems Inc	1.4	0.3
Berkshire Hathaway Inc Del	1.4	0.6
Danaher Corp	1.4	0.3
Bank Of America Corporation	1.3	0.5
Charter Communications Inc	1.3	0.1

Performance %

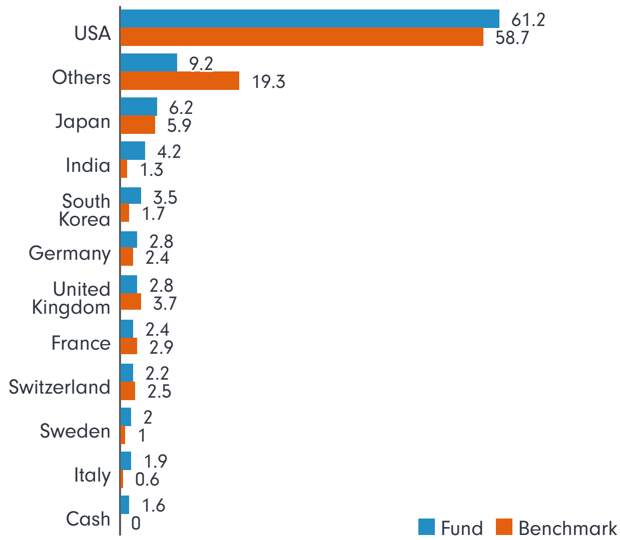
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	Since Inception p.a (29/09/2005)
Fidelity Hedged Global Equities Fund	1.33	5.79	12.90	39.01	15.32	16.14	12.68	13.05	9.58	9.58
MSCI All Country World Index NR AUD Hedged	2.18	7.05	13.24	35.32	12.95	14.04	11.01	11.98	8.55	8.71
Excess return	**-0.85**	**-1.26**	**-0.34**	**3.69**	**2.37**	**2.10**	**1.67**	**1.07**	**1.03**	**0.87**

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. **The benchmark is the MSCI All Country World Index NR 100% Hedged to AUD (effective 1 November 2011). The benchmark before 1 November 2011 was the MSCI World Index Hedged in AUD. The major difference between the two indices is the inclusion of 21 emerging market country indices in the MSCI All Country World Index NR 100% Hedged to AUD. In December 2006, the benchmark for the Fund changed from the MSCI World Index ex Australia Hedged in AUD to the MSCI World Index Hedged in AUD.

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 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.

Market performance

Global equities performed positively as the accelerated roll-out of COVID-19 vaccines and easing mobility restrictions in major developed economies boosted investor sentiment. Strong corporate earnings and economic data, as well as a highly stimulatory fiscal policy backdrop in the US also supported equities. While a rise in inflation worried investors, major central banks indicated that the recent inflation surge is transitory. Meanwhile, concerns around the Delta variant of COVID-19, a resurgence in infections in several countries and the US Federal Reserve's more aggressive view on future interest rate hikes led to market volatility. At a regional level, US equities outperformed global markets, supported by strong growth in GDP and consumption, as well as an upturn in manufacturing activity. Europe ex-UK equities gained over the quarter, supported by a strong corporate earnings season and an acceleration in the pace of vaccinations in the region. UK equities performed well, although investors were concerned about rising inflation and a pick-up in COVID-19 infections. Japanese equities declined as the government delayed lifting the state of emergency given a persistent increase in cases, as well as due to the initial slow pace of the vaccine roll-out. Elsewhere, emerging markets performed positively, but lagged developed markets amid normalising policies in China and virus-related challenges. Against this backdrop, information technology, energy and healthcare were the best performing sectors, while utilities and industrials were among the laggards.

Fund performance

Consumer discretionary names among key detractors

Shares in German automaker Volkswagen came under pressure over concerns regarding a global semiconductor chip shortage that hampered production at several plants. Nonetheless, it has a differentiated cash flow generating power owing to its unique suite of brands combined with its scale and newfound investment discipline. Global internet retail company Asos underperformed due to concerns over its ability to maintain growth as customers return to making offline purchases.

Stocks declined on disappointing earnings

Digitally focused healthcare company **1Life Healthcare** underperformed, as its quarterly earnings missed market expectations. 1life Healthcare has a unique product offering and high-quality care, driven by a diversified set of growth opportunities that enables it to enter new markets. Elsewhere, food & staples retailer **Grocery Outlet Holding** declined on weaker than expected quarterly earnings due to a fall in comparable-store sales.

IT holdings added value

Japanese IT company **Fujitsu** rallied on expectations for robust sales growth and margin improvement due to reorganization and utilizing offshore resources. Shares in **Elastic** rose as an improved demand environment and multiple tailwinds buoyed growth across the broader platform.. Elsewhere, telecommunications major **Cellnex Telecom** outperformed owing to resilient and sector-leading organic growth.

Outlook

The current global economic and policy environment remains conducive for equities. Progress on the rollout of COVID-19 vaccines is expected to support the ongoing economic recovery. There are expectations for significant earnings upgrades for 2021, as improving industrial sentiment, further economic reopenings and pent up savings are likely to fuel demand.

However, the fact that the market is positioned for a very optimistic earnings growth scenario creates potential for disappointment and downside risks. The COVID-19 pandemic could also pose near-term risks, as new variants of the virus and rising infection rates across the globe push governments to reimpose or extend restrictions. Stretched valuations; risks around inflation and signs of an easing of caution from central banks; virus mutations; and slow vaccination in emerging markets present challenges. Nonetheless, improving corporate earnings and continued monetary and fiscal policy stimulus measures are positive for the global growth outlook, and will be supportive of global equities. Against this backdrop, we expect the market to be in a corporate fundamentals-driven phase, with positive earnings surprises driving individual stocks rather than multiple expansion as we saw in 2020. We continue to have a flexible approach with a balanced portfolio to navigate different kinds of business environment.

Major contributors (%)

As at 30/06/2021	Active pos.	Contribution
Zai Lab Ltd	0.7	0.2
Fujitsu Ltd	0.8	0.2
Deutsche Wohnen Se	0.4	0.1
Hess Corp	0.8	0.1
Intuit Inc	0.7	0.1

Major detractors (%)

As at 30/06/2021	Active pos.	Contribution
Nvidia Corp	-0.6	-0.2
Guardant Health Inc	0.8	-0.2
Naspers Ltd	0.9	-0.2
Volkswagen Ag	0.9	-0.2
Asos Plc	0.9	-0.2

fidelity.com.au