

# Fidelity Global Emerging Markets Fund

## Quarterly report

As at 31/12/2022

### Fund description

Invests in a portfolio of 30 to 50 emerging markets securities that we believe are positioned to generate returns through market cycles and have demonstrated a track record of strong corporate governance.

### Fund facts

**Portfolio manager:** Amit Goel / Punam Sharma

**Benchmark:** MSCI Emerging Markets Index NR

**Inception date:** 16/12/2013

**Fund size:** AU\$522.30M

**Number of stocks:** 30 to 50

**Management cost:** 1.00% p.a.

**Buy/sell spread:** 0.30%/0.30%

### Portfolio guidelines

**Stocks:** Max 8% at initiation of position

**Sector:** Unconstrained

**Region:** Unconstrained

**Country:** Unconstrained

**Frontier Markets:** Up to 20% maximum

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

### Top 10 holdings (%)

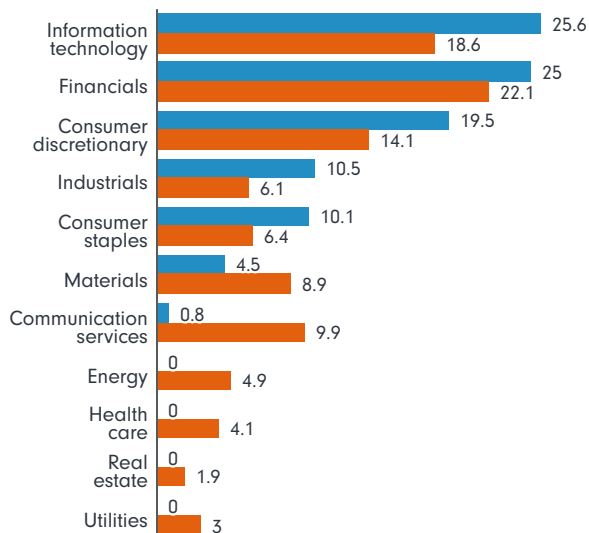
	Fund	B'mark
Taiwan Semiconductor MFG Co Ltd	7.4	5.7
HDFC Bank Ltd	5.3	0.0
China Mengniu Dairy Co	5.0	0.2
AIA Group Ltd	4.6	0.0
Li Ning Co Ltd	4.0	0.3
Bank Central Asia Tbk Pt	3.5	0.5
Chailease Holding Co Ltd	3.4	0.2
Infosys Ltd	3.3	1.0
Zhongsheng Group Holdings Ltd	3.0	0.0
Techtronic Industries Co Ltd	3.0	0.0

### Performance %

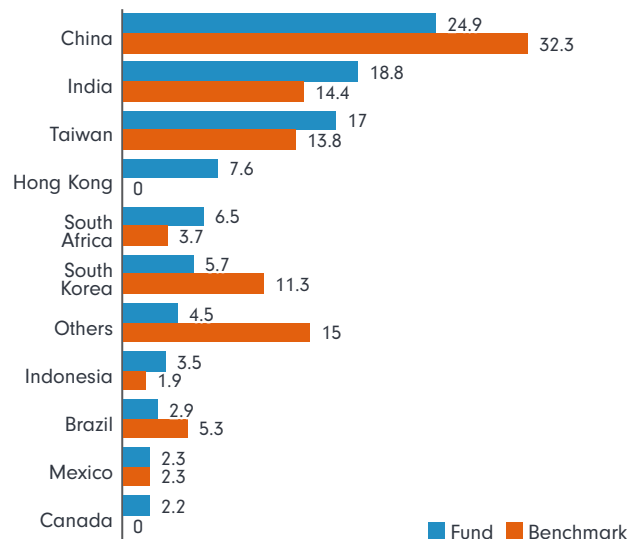
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	Since Inception p.a (16/12/2013)
Fidelity Global Emerging Markets Fund	-3.32	5.87	-1.27	-18.05	1.82	6.26	9.61	8.48
MSCI Emerging Markets Index NR	-2.63	4.01	-1.63	-14.33	-1.52	1.46	6.23	5.22
<b>Excess return</b>	<b>-0.69</b>	<b>1.86</b>	<b>0.36</b>	<b>-3.72</b>	<b>3.34</b>	<b>4.80</b>	<b>3.38</b>	<b>3.26</b>

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.

### 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](http://www.fidelity.com.au) or call Client Services on 1800 044 922.

The 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.

# Quarterly report

## Fund performance

During the quarter, the Fund delivered 5.9% while the MSCI Emerging Markets Index delivered 4.0%. At the sector and country level, stock picking added value. Here, financials and consumer staples were among the top contributors to returns. From a country perspective, Hong Kong and Taiwan added value.

### Security selection in Hong Kong and China aided relative returns

Selected Chinese stocks featured among the top contributors to returns as the market regained lost ground. Zhongsheng Group, Shenzhou International and Yifeng Pharmacy enhanced gains. Likewise, Hong Kong-based life insurance company AIA Group, which operates in the Chinese market, advanced on expectations of a recovery in Chinese demand. In addition, it reported an in-line third quarter despite a challenging macroeconomic backdrop.

### Tencent was a notable detractor

An underweight exposure to Tencent hurt relative returns. The company reported 2% year-on-year growth in adjusted profits in its latest quarterly results, after four consecutive quarters of decline. Furthermore, the stock rallied as authorities granted licences to over 100 new games. Losses were partially offset by our position in South Africa's Naspers, which holds a key stake in Tencent.

### Brazilian stocks detracted from returns

A deterioration in the Brazilian market was evident post the presidential elections in October, due to the risk of increased fiscal spending. Banco Bradesco declined as we saw a deterioration in net interest income and cost of risk trends. Brazilian car rental company Localiza slid in line with the broader market amid elevated concerns over new President Luiz Inácio Lula da Silva's administrative policies.

## Fund positioning

During the quarter, the focus remained on identifying and owning well-managed businesses with attractive return profiles, an accretive reinvestment opportunity and valuation that offers an adequate margin of safety on a free-cash-flow basis. It is important to reiterate that the Fund adopts a truly

benchmark agnostic approach. We remain confident that the portfolio is well equipped to deliver attractive risk-adjusted performance for our investors and remains well positioned to navigate through a volatile market backdrop.

### Selective exposure to materials

We are underweight in the materials sector. The only commodity we own a stake in is copper, given supply constraints for the metal, which benefits from the move towards greener energy and electric vehicles. Our exposure is through First Quantum Minerals, a Canada-listed group with copper assets located across emerging markets, and Peru's Southern Copper. Other than that, the Fund retains the position in Chinese waterproofing company Beijing Oriental Yuhong, which is also classified under materials.

### Biased towards financials

AIA Group remains one of the high-conviction positions in the portfolio. It is the largest independent life insurance player in PanAsia, with operations across HK, mainland China, Thailand, Singapore, Malaysia, etc. It has an excellent track record of execution, resulting in a strong balance sheet and disciplined capital allocation. Elsewhere, Indian lender HDFC Bank is favoured for its strong franchise, pristine asset quality, good management team and solid asset quality. We also have positions in ICICI Bank and Axis Bank. Both these Indian banks have strong operational metrics and optimistic medium-term growth visibility. Rising interest rates should also buoy their net interest margin and return on investment.

### Favoured consumer-based stocks

In consumer sector, we have significant exposure to India-based motorbike manufacturer Eicher Motors, which is performing well in the premium segment. Within Latin America, we hold MercadoLibre as it presents a unique combination of leadership in e-commerce coupled with an acceleration in growth in FinTech.

## Outlook

Emerging market equities posted significant gains in the fourth quarter despite a pullback in December. The asset class outperformed developed markets on optimism that China would ease its Covid-19 restrictions and as the US dollar pulled back. At the regional level, emerging Asia led gains, followed by Latin America and Emerging Europe, Middle East

and Africa. Emerging Asia was supported by Chinese equities, which were bolstered by the relaxation of Covid-19 restrictions. Following their strong performance through 2022, Latin American equities lost their shine in the fourth quarter. Investors absorbed early indications of Brazilian President Luiz Inácio Lula da Silva's economic policy, along with expectations of potentially lacklustre regional growth. Meanwhile, following months of poor performance, Eastern European markets rebounded as the year ended. Turkey was the best performing market over the year and the fourth quarter, driven by the appreciation of the lira and a rise in earnings in US dollar terms. On the commodity front, hopes of China's reopening boosted metal prices, with iron ore rallying strongly. Conversely, oil prices fell before subsequently recovering as market participants weighed up recessionary fears and China's reopening. Consequently, energy rich nations such as Saudi Arabia declined. Against this backdrop, all sectors ended in positive territory, with information technology and communication services gaining the most. From a style perspective, value stocks fared marginally better than growth names; quality stocks also rose but lagged the broader market.

## Major contributors (%)

As at 31/12/2022	Active pos.	Contribution
AIA Group Ltd	4.1	0.8
Naspers Ltd	2.1	0.5
Zhongsheng Group Holdings Ltd	2.8	0.4
Chailease Holding Co Ltd	2.8	0.4
Asml Holding Nv	2.2	0.4

## Major detractors (%)

As at 31/12/2022	Active pos.	Contribution
Tencent Holdings Ltd	-3.4	-0.7
Havells India Ltd	1.9	-0.6
Eicher Motors Ltd	2.6	-0.6
Localiza Rent A Car Sa	2.2	-0.4
Bank Central Asia Tbk Pt	3.3	-0.4

Signatory of:



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