Fidelity Global Low Volatility Equity Fund

Quarterly report

As at 30/09/2022

Subscribe now

Fund description

A diversified core portfolio of 100-250 global equities the fund aims to achieve long-term capital growth with lower risk than the market. The Fund invests in a portfolio of 100-250 global stocks which we believe will exhibit lower volatility, selected through a unique combination of Fidelity's research from our 400 investment experts and quantitative tools. By reducing the effect of down markets, the fund aims to outperform the index with improved compound returns over time.

Fund facts

Portfolio manager: Zach Dewhirst
Benchmark: MSCI World Index NR
Inception date: 15/12/2017
Fund size: AU$34.54M
Management cost: 0.65% p.a.
Buy/sell spread: 0.20%/0.20%

Portfolio guidelines

Cash: Maximum 5% cash allocation

Top 10 holdings (%)

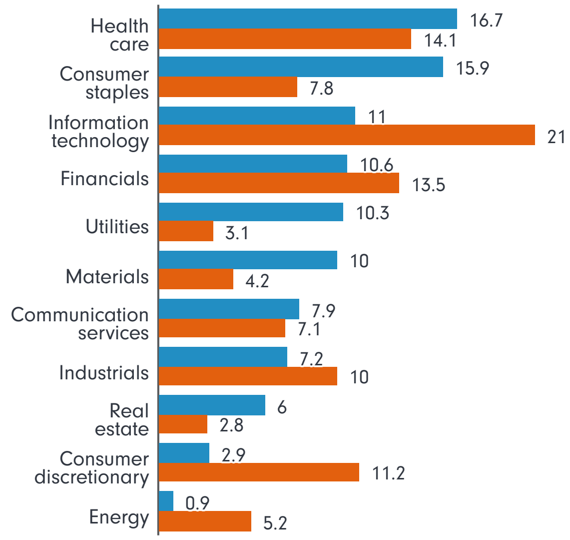
	Fund	B'mark
Lilly (Eli) & Co	1.2	0.6
T-mobile US Inc	1.1	0.2
Unitedhealth Group Inc	1.1	1.0
Cboe Global Markets Inc	1.1	0.0
Vertex Pharmaceuticals Inc	1.1	0.2
Marsh & Mclennan Cos Inc	1.1	0.2
Southern Company	1.0	0.2
Dollar Gen Corp New	1.0	0.1
Regeneron Pharmaceuticals Inc	1.0	0.2
Merck & Co Inc	1.0	0.5

Performance %

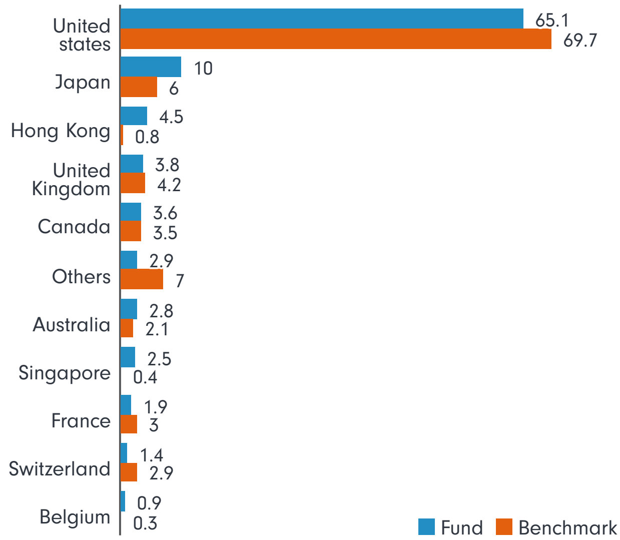
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since Inception p.a (15/12/2017)
Fidelity Global Low Volatility Equity Fund	-1.14	-0.77	-2.76	-5.13	1.29	-	6.05
MSCI World Index NR	-3.29	0.33	-8.17	-9.71	6.24	-	8.42
Excess return	**2.15**	**-1.10**	**5.41**	**4.58**	**-4.95**	**-**	**-2.37**

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 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.

Quarterly report

Market performance

The third quarter of 2022 brought no reprieve for the ailing global economy as the aggressive global tightening cycle, geopolitical tension, and currency weakness all hurt global equity markets. In the US, second quarter GDP fell by 0.6% based on the final estimate. The consumer continues to show resilience despite the faltering economy, with consumer spending and the labor market two bright spots during the third quarter. However, a large trade deficit and a big drop in business spending dragged down GDP. The end of pandemic related stimulus and elevated inventory levels are the primary reasons business spending was so weak during the period. Stocks had a short lived rally early in the period, due in part to the Q2 earnings cycle performing better-than-feared. Continued tight financial conditions were the main detractor from risk appetite during the period as global central banks struggled to combat high inflation. The U.S. Federal Reserve rose the Fed Funds rate from the 1.50-1.75% range in the beginning of the quarter to the 3.00-3.25% range to close the period. The Fed reaffirmed its aggressive rate hike schedule during the period as it attempted to combat high inflation levels, which reached 9.1% in June and ended the period at 8.3% for August. The Fed announced in August that it will continue to raise rates as aggressively as is needed to have inflation return to the 2% target, which hurt the case for peak inflation. Global central banks have also accelerated the tightening cycle in an effort to combat runaway inflation, which hurt equities late in the quarter. Eurozone equities lagged behind other regions during the third quarter, due to their increased exposure to escalations in the Russia-Ukraine conflict. Tensions remain high as Russia continues its was with the Ukraine, and this quarter the conflict also disrupted energy flows to many of Europe's largest economies. Non-US markets were worse off in general during the period due to a strengthening dollar, which along with high interest rates hurt economic activity in emerging and developing markets especially. Cracks among leading indicators for demand have caused investors to worry about the upcoming Q3 earnings cycle, and investors have less confidence that the economy will be able to execute a "soft landing" while also dealing with inflation. In the UK, manufacturing activity was very weak due primarily to high inflation. The Bank of England had to intervene to help with issues caused by policy changes with the transition to a new government, which destabilized UK markets and hurt investor confidence. China continued to lag behind other global markets, as a slowdown in growth and continued shutdowns in major cities due to increased cases of covid caused equities to struggle. China's underperformance during the period was the primary driver for emerging market stocks underperformance when compared to developed market stocks. Commodities were less volatile than the previous quarter and fell steadily during the period, with the drop of oil prices and lumber prices being the primary drivers of the decrease. Crude oil prices decreased almost 25% during the period, hitting below $90 a barrel and far below highs hit late in the second quarter.

Fund performance

The Consumer Discretionary and Communication Services sectors detracted from relative performance. In the Consumer Discretionary sector, not owning U.S. electric vehicle manufacturer Tesla and online retailer Amazon.com detracted from performance. Shares of Tesla rose, as the maker of electric vehicles reported quarterly financial results that topped analysts' expectations but also reflected soaring inflation, supply-chain disruption, a labor shortage, and higher costs for materials and logistics. These and other challenges kept Tesla from consistently running its factories at full capacity, the company said, including its Shanghai facility, which temporarily closed due to COVID-19 lockdowns in China. Nonetheless, Tesla delivered roughly 255,000 vehicles in the second quarter, a notable increase over the same period in 2021 but lower than in Q1 2022. Shares of Amazon.com rose, even though the company posted its second consecutive quarterly loss amid what it called "continued inflationary pressure in fuel, energy and transportation costs," as well as a large write-down on its investment in electric-vehicle maker Rivian Automotive. Bright spots included the company's cloud-computing and advertising businesses, which drove Amazon's 7% gain in revenue for the second quarter. In the Communication Services sector, the investment in U.S. cable operator Liberty Broadband detracted from performance. Shares of Liberty Broadband declined on concerns of rising inflation and as short selling increased on the stock.

The Health Care and Consumer Staples sectors contributed to performance. In the Health Care sector, the investment in biopharmaceutical company Regeneron Pharmaceuticals contributed to performance. Shares of Regeneron Pharmaceuticals surged in early September when the firm announced promising results from a late-stage clinical trial for high-dose usage of its eye medication Eylea. Broader approval of the anti-blindness treatment, developed in conjunction with Germany's Bayer, could help Regeneron compete with branded and generic alternatives, including a drug from Roche Holding that launched earlier this year. In the Consumer Staples sector, the investment in U.S. chocolate manufacturer The Hershey Company contributed to performance. The Hershey Company shares rose after the company released second-quarter results that surpassed consensus estimates, lifted by higher prices, improved volumes, and buyout contributions. Additionally, the company lifted its full-year guidance.

Major contributors (%)

As at 30/09/2022	Active pos.	Contribution
Regeneron Pharmaceuticals Inc	0.7	0.2
Cf Inds Holdings Inc	0.6	0.2
Alphabet Inc	-2.4	0.2
Idex Corporation	0.8	0.1
Waste Connection Inc	0.8	0.1

Major detractors (%)

As at 30/09/2022	Active pos.	Contribution
Tesla Inc	-1.4	-0.3
Apple Inc	-4.1	-0.3
Amazon.com Inc	-2.3	-0.3
Newmont Corp	0.6	-0.2
Liberty Broadband Corp	0.5	-0.2

Signatory of: PRI Principles for Responsible Investment

Fidelity INTERNATIONAL

fidelity.com.au