

Fidelity Hedged Global Equities Fund

Quarterly report

As at 30/06/2023

Fund description

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

Fund facts

Portfolio manager: Ashish Kochar
Benchmark: MSCI All Country World Index NR AUD Hedged
Inception date: 29/09/2005
Fund size: AU\$22.63M
Number of stocks: 80 to 120
Management cost: 1.04% p.a.
Buy/sell spread: 0.20%/0.20%

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 (%)

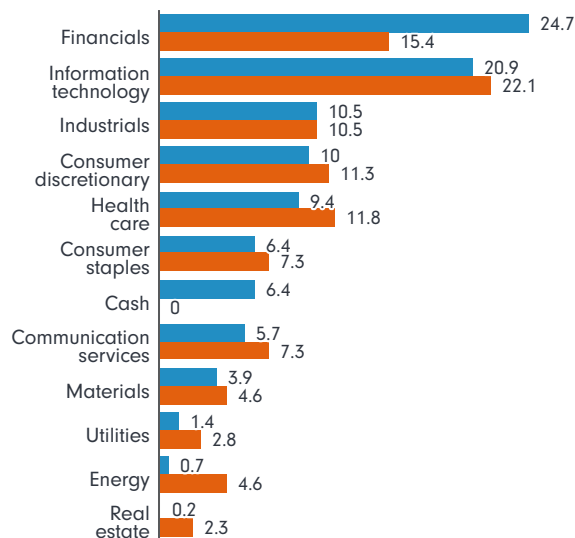
	Fund	B'mark
Berkshire Hathaway Inc Del	4.4	0.7
Microsoft Corp	3.7	3.8
Alphabet Inc	3.4	2.1
Amazon.com Inc	3.2	1.9
Gallagher (Arthur J.) & Co	3.0	0.1
Canadian Pacific Kansas City Ltd	3.0	0.1
S&p Global Inc	2.9	0.2
Qualcomm Inc	2.8	0.2
Unitedhealth Group Inc	2.5	0.7
Asml Holding Nv	2.3	0.5

Performance %

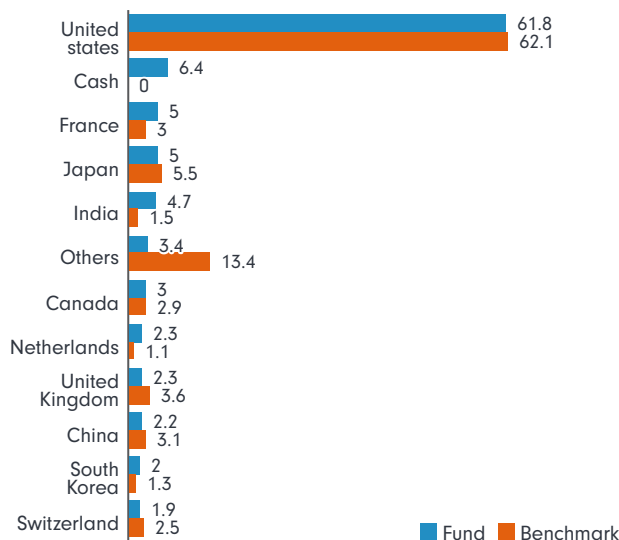
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	Since Inception p.a (29/09/2005)
Fidelity Hedged Global Equities Fund	4.79	7.59	15.45	18.45	9.85	7.90	10.53	10.30	8.12	8.16
MSCI All Country World Index NR AUD Hedged	5.27	6.29	13.31	14.64	10.24	7.37	9.68	9.73	7.99	7.63
Excess return	-0.48	1.30	2.14	3.81	-0.39	0.53	0.85	0.57	0.13	0.53

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. 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 %



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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.

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Market performance

Global equities advanced over the second quarter, supported by strong economic data, a rally in technology stocks and optimism surrounding artificial intelligence (AI). Major central banks raised interest rates over the period, although the US Federal Reserve adopted a hawkish pause in June. At a regional level, US equities ended the quarter higher, amid moderating inflation and signs that the US economy remains resilient despite higher interest rates. Europe ex UK equities advanced, supported by lower inflation data in the eurozone. Upbeat corporate results and expectations that Chinese authorities will introduce stimulus measures also boosted investor sentiment. UK equities fell (in local currency terms) over the quarter, amid broad-based weakness in commodity prices and inflationary pressures. Japanese markets rallied in the midst of ongoing expectations for corporate governance reforms and structural shifts in the economy. Asia ex Japan equities declined, as concerns related to China's economic recovery and weak demand for exports weighed on markets. At a sector level, information technology (IT) was the best performer, while materials, consumer staples and utilities lagged the broader market.

Fund performance

The Fund delivered positive returns and outperformed the index over the quarter. At a sector level, robust security selection within the financials sector buoyed performance, while exposure to the consumer discretionary sector holdings hurt returns. Marvell Technology rallied, as potential for a boom in AI technologies drove strong performance for chipmakers. Renesas Electronics contributed to returns, on the back of solid quarterly revenues and earnings guidance. In contrast, the lack of exposure to semiconductor company Nvidia weighed on relative returns, as the stock rallied on the back of stellar

revenues and earnings guidance for the upcoming quarter. Meta Platforms, and Amazon.com delivered robust quarterly earnings results driven by revenue growth and margin improvement. Alphabet outperformed, following optimism surrounding rapid advances in generative AI. Conversely, the underweight stance in Apple held back relative returns, as the investors looked for relatively safe haven stocks amidst market volatility. Elsewhere, Arthur J Gallagher delivered solid top-line revenue growth and positive momentum in new businesses. Diversified conglomerate company Berkshire Hathaway reported strong quarterly earnings driven by higher underwriting income and Net Interest income (NII). Alibaba Group Holding declined as quarterly earnings missed estimates. Danaher underperformed as the company is going through a trough cycle and revised down its 2023 revenue guidance, driven lower by biotech funding challenges. UnitedHealth Group fell over concerns regarding increased outpatient utilisation negatively impacting medical loss ratios (MLR).

Outlook

Though the US Federal Reserve (Fed) held interest rate steady in June, uncertainty looms as it plans two more interest rate increases in 2023 to reach its 2% policy target. Tight financial conditions and a contraction in credit are likely over the rest of 2023, which could weigh on economic activity. Weaker economic activity could lead to higher unemployment, as households cut back on consumption and businesses trim investments. Nevertheless, equity markets have shown significant gains in the first half of 2023, resisting fears of a recession and a banking crisis. Mega cap tech and growth stocks have driven S&P 500 returns so far this year, with investors focusing on a potential Fed pivot and headiness over AI, having shook off fears of a banking system crisis. We are cautious on the outlook for European equities, as credit conditions have deteriorated and the yield curve is now

inverted. Historically, this has been a leading indicator of economic recession and weak equity markets. While the timing of any recession is difficult to predict, there are reasons to be less optimistic heading into the second half of the year. Asia and emerging markets remain an attractive market for long-term investors. The regions continue to experience structural growth given favourable demographics, scope for penetration of products and services, and a growing middle class. This underpins opportunities across strong franchises, technology bellwethers at the heart of global supply chains, robust consumer brands and future leaders creating new products and services and expanding their footprint. Against this uncertain environment, we give importance to fundamental analysis in identifying the underlying drivers of growth and business quality. These growth compounders with solid environmental, social and governance (ESG) credentials should do well in this macroeconomic backdrop.

Major contributors (%)

As at 30/06/2023	Active pos.	Contribution
Marvell Technology Inc	0.8	0.5
Gallagher (Arthur J.) & Co	2.9	0.3
Alphabet Inc	2.2	0.3
S&p Global Inc	2.5	0.2
Meta Platforms Inc	0.7	0.2

Major detractors (%)

As at 30/06/2023	Active pos.	Contribution
Alibaba Group Holding Ltd	2.1	-0.6
Nvidia Corp	-1.3	-0.5
Apple Inc	-2.6	-0.3
Tesla Inc	-0.9	-0.2
Danaher Corp	1.5	-0.2

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