

# Fidelity Hedged Global Equities Fund

## Quarterly report

As at 30/09/2023

### 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\$21.44M  
**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 (%)

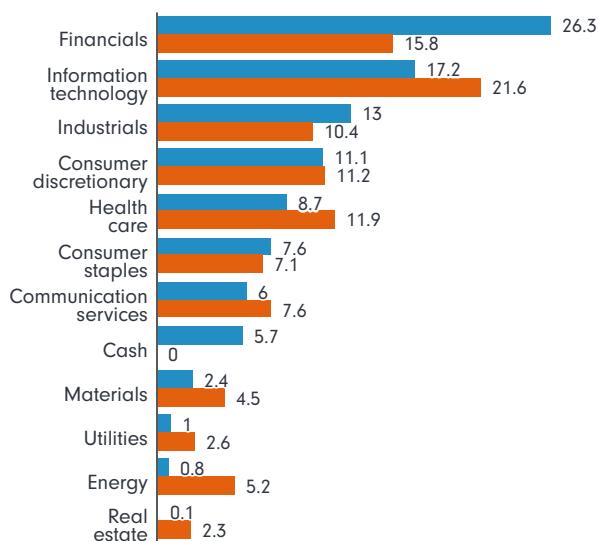
	Fund	B'mark
Berkshire Hathaway Inc Del	4.8	0.7
Alphabet Inc	3.9	2.4
Microsoft Corp	3.7	3.7
Amazon.com Inc	3.6	1.9
Gallagher (Arthur J.) & Co	3.4	0.1
Qualcomm Inc	3.1	0.2
S&p Global Inc	2.9	0.2
Canadian Pacific Kansas City Ltd	2.9	0.1
Alibaba Group Holding Ltd	2.9	0.3
Unitedhealth Group Inc	2.5	0.8

### Performance %

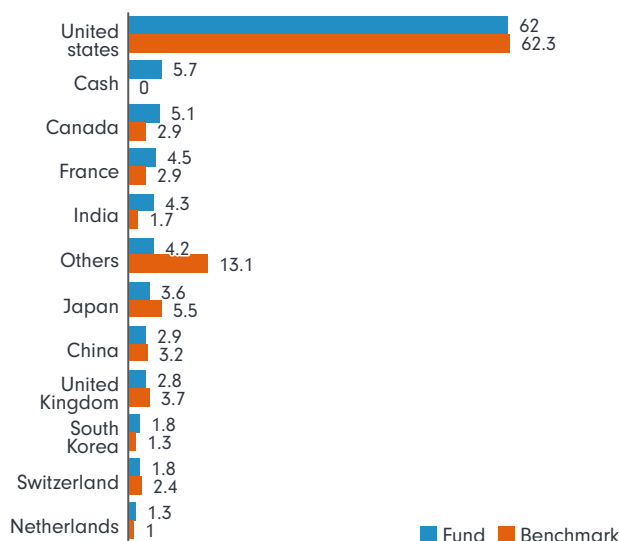
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	Since Inception p.a. (29/09/2005)
Fidelity Hedged Global Equities Fund	-4.13	-4.24	3.03	19.52	5.61	6.31	8.97	9.07	9.12	7.79
MSCI All Country World Index NR AUD Hedged	-3.55	-2.72	3.41	18.04	6.98	5.77	8.45	8.71	8.65	7.35
<b>Excess return</b>	<b>-0.58</b>	<b>-1.52</b>	<b>-0.38</b>	<b>1.48</b>	<b>-1.37</b>	<b>0.54</b>	<b>0.52</b>	<b>0.36</b>	<b>0.47</b>	<b>0.44</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. \*\*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.

# Quarterly report

## Market performance

After strong gains in the first half of 2023, global equities posted negative returns in the third quarter. Investors entered the quarter optimistic about the prospects of a soft landing for the economy and signs that major developed markets were nearing the end to their current monetary policy tightening. However, the optimism faded over August and September, as prospects of a sustained period of higher rates sank in. At a regional level, US equities declined as the US Federal Reserve (Fed) signalled that it may keep interest rates near current levels through 2024 until inflation comes down firmly towards its 2.0 percent target. Meanwhile, jobless claims data in the US indicated that the labour market remains at historically tight levels, adding pressure on the Fed to maintain its restrictive monetary policy. Eurozone shares fell amid worries over the negative effects of interest rate rises on economic growth. The European Central Bank (ECB) also raised interest rates by 0.25 percentage points at its September meeting. UK equities rose over the quarter, as the Bank of England kept its policy interest rates unchanged for the first time after 14 consecutive rate hikes, following a surprise slowdown in UK inflation. Japanese equities continued to show resilience over the quarter, as the weakness in yen remained a tailwind. Emerging market equities ended in a negative territory, as renewed concerns over the real estate sector in China weighed on investor sentiment, despite new stimulus measures aimed at stabilising housing activity. At a sector level, energy was the sole gainer as oil prices rallied due to persistent supply concerns following the announcements of extended

production cuts from Saudi Arabia and Russia until the end of the year. Conversely, utilities and real estate were the notable laggards. From a style perspective, value stocks proved relatively resilient in comparison to their more expensive growth counterparts.

## Fund performance

At a sector level, while certain healthcare names hurt returns, exposure to selected communication services and financials holdings proved rewarding. Certain semiconductor stocks came under pressure along with the broader technology sector. Leading supplier of lithography tools ASML Holding declined in this regard. Renesas Electronics pared gains after very strong performance earlier this year and evidence of solid execution in its business. Within the health care space, HCA Healthcare sold off amid negative investor sentiment over Q3 seasonality impacting revenues, despite ongoing recovery in utilisation and decreasing wage pressures. Medical technology company Masimo underperformed on disappointing quarterly revenues and guidance. LG Chemical detracted from returns, following weaker than expected quarterly earnings. Brokerage and risk management service provider Arthur J Gallagher outperformed, as strategic buyouts and effective capital deployment continued to drive stock performance. Meanwhile, Berkshire Hathaway delivered strong quarterly results, driven by higher underwriting income. Certain mega cap stocks maintained resilience amid positive developments. In particular, Google's parent company Alphabet continued to rally, as strong growth prospects of YouTube and its underappreciated cloud business help maintain dominance in the space. Meta Platforms outperformed on the back of strong

quarterly earnings, ad targeting capabilities and revenue growth.

## Outlook

We have a cautious stance on equities due to high valuations, combined with a weak outlook for medium-term economic fundamentals. Given the tightness of labour markets and stubborn inflation, interest rates are expected to stay higher for some time. The impact of the recent rise in crude oil prices needs to be closely monitored, although prices are not likely to stay at high levels for too long due to a weak outlook for global demand and current supply dynamics. Leading indicators of earnings such as new order and funding costs also point to weakness in coming quarters.

## Major contributors (%)

As at 30/09/2023	Active pos.	Contribution
Berkshire Hathaway Inc Del	4.1	0.3
Gallagher (Arthur J.) & Co	3.3	0.3
Apple Inc	-2.7	0.2
Alphabet Inc	1.5	0.2
Alibaba Group Holding Ltd	2.5	0.2

## Major detractors (%)

As at 30/09/2023	Active pos.	Contribution
Lg Chem Ltd	0.9	-0.2
Kenvue Inc	1.1	-0.2
Hca Healthcare Inc	1.2	-0.2
Asml Holding Nv	1.2	-0.2
HDFC Bank Ltd	1.7	-0.2

Signatory of:



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