

# Fidelity Australian Equities Fund Product Disclosure Statement

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## CONTENTS

About FIL Responsible Entity (Australia) Limited	2
How the Fidelity Australian Equities Fund works	2
Benefits of investing in the Fidelity Australian Equities Fund	4
Risks of managed investment schemes	4
How we invest your money	5
Fees and other costs	6
How managed investment schemes are taxed	7
How to apply	7

## Important information

This Product Disclosure Statement (PDS) is a summary of significant information relating to the Fidelity Australian Equities Fund (ARSN 103 420 088) (Fund). It also includes references to important information, each of which forms part of this PDS, marked with a \*\*. This is important information you should read together with the PDS before making a decision to invest in the Fund. You can access the 'Additional Information to the Product Disclosure Statement' on our website, <http://www.fidelity.com.au/funds/fidelity-australian-equities-fund> or request a copy free of charge by calling us on 1800 119 270.

The information provided in this PDS is general information only and does not take account of your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

Information in this PDS is subject to change from time to time. Information that is not materially adverse can be updated by us by placing such information on our website. A paper copy of this information is also available free of charge on request by calling us on 1800 119 270. For indirect investors, updated information can also be obtained by contacting your Investor Directed Portfolio Service (IDPS) operator. Alternatively, you can contact your financial adviser, go to our website or call us on 1800 119 270.

The offer made in this PDS is available only to persons receiving this PDS (electronically or otherwise) within Australia. Applications from outside Australia will not be accepted.

Fidelity, Fidelity Worldwide Investment and the Fidelity Worldwide Investment logo and F symbol are trademarks of FIL Limited.

# 1. About FIL Responsible Entity (Australia) Limited

FIL Responsible Entity (Australia) Limited ABN 33 148 059 009. AFSL No. 409340 (**FREAL, we, us, our**) is the responsible entity of, and issuer of units in, the Fund offered in this PDS and has prepared this document.

FREAL is a member of the group of companies known as Fidelity Worldwide Investment (**Fidelity**). We, as responsible entity, are responsible for the operation of the Fund and have the power to delegate certain duties and appoint other Fidelity entities to perform tasks and provide services. We have appointed FIL Limited, a member of Fidelity, as the investment manager of the Fund under an investment management agreement. FIL Limited has the power under the terms of its appointment with us to sub-authorise other members of the Fidelity group to manage some or all of the Fund's assets and/or to perform certain tasks and services in relation to the Fund.

Fidelity is one of the world's leading asset managers with a global network researching the US, Europe, the Middle East, Africa and Asia Pacific. Fidelity manages over A\$210 billion<sup>1</sup> on behalf of both private and institutional investors.

Fidelity builds investment funds stock-by-stock through on-the-ground analysis of companies, their customers, suppliers and competitors wherever they may be in the world. This intensive first-hand knowledge of companies sets Fidelity apart from other fund managers and gives us, we believe, a significant competitive advantage when choosing companies for our equity portfolios.

For Australian investors, Fidelity offers investors a range of investment choices including an Australian equities fund, global equities funds and a range of Asian-based equities funds.

## 2. How the Fidelity Australian Equities Fund works

### What we invest in

The Fund may invest in a variety of shares, derivatives, equity-linked notes and debt securities.

### Australian shares

The Fund will comprise between 90% to 100% of Australian shares with the remaining portfolio held in cash.

### Cash

The allocation of cash will vary between 0% to 10% of the portfolio. Decisions to invest cash will be dependent upon the availability of more favourable investment opportunities.

### Derivatives

We may make use of derivatives, such as futures contracts and swaps. Any derivative exposure must be fully covered by cash or assets sufficient to meet any obligation that could arise. If derivatives are used, they will comprise a small portion of the Fund's assets.

### How the Fund operates

When you invest your money in the Fund, your money is pooled together with other investors' money. We use this pool to buy investments and manage them on behalf of all the investors in the Fund. By investing this way, you may have access to investment opportunities you may not otherwise be able to access on your own. When you acquire an interest in the Fund, we will issue you units in the Fund representing your investment but you do not have an interest in any particular asset of the Fund.

The total value of the assets in the Fund is divided into 'units' and a 'unit price' is generally calculated for each Business Day. The unit price will generally change daily as the market value of assets in the Fund rises or falls. Unit prices are calculated using asset values at the close of markets on a Business Day.

When you invest in the Fund, we will allocate units to you based on the entry price for the Business Day on which we receive your application and we will keep a record of the number of units you have bought. When you withdraw, we will redeem your units based on the exit price for the Business Day on which we receive your withdrawal request.

The entry price is calculated by dividing the net asset value of the Fund by the number of units on issue and then adding a 'buy spread'. The withdrawal price is calculated the same way, except that the 'sell spread' is deducted from the net asset value per unit. For additional information, refer to Section 6, 'Fees and other costs'.

Entry and exit prices for each Business Day are available on our website on the following Business Day.

### Accessing the Fund

There are two ways you can invest in the Fund:

- Directly by applying for units on the 'Investment Account Establishment Form'. A copy of the form is available by contacting us on 1800 119 270.
- Indirectly through an Investor Directed Portfolio Service (**IDPS**), an IDPS-like scheme, or a nominee or custody service.

If you invest in the Fund indirectly you may be subject to different conditions from those referred to in this PDS, particularly with regard to cut-off times for transacting, the timing of distributions, processing and withdrawals as well as Fund reporting and other investor communication.

Indirect investors may use this PDS to give a direction to their IDPS operator to invest in the Fund. In this circumstance, the IDPS operator becomes an investor in the Fund and acquires the rights of an investor and can exercise, or decline to exercise, these rights on behalf of an indirect investor.

As well as reading this PDS, indirect investors should read the IDPS operator's offer document, which explains the service and the fees payable by the indirect investor to the IDPS operator. Indirect investors should follow the instructions of the IDPS operator to apply to buy or sell units in the Fund.

<sup>1</sup>As at 30 September 2011

## Minimum initial investment amount

The minimum initial investment amount is \$500,000. We have the discretion to accept investments less than this minimum, but will usually only do so if the applicant is a 'wholesale client' under the Corporations Act. Indirect investors should read their IDPS operator's offer document for minimum initial investment amounts.

## Additional investments

You can add to your investment at any time. Please refer to Section 8 on 'How to apply'.

## How to withdraw

You can withdraw all or part of your investment in the Fund at any time by providing us with a written instruction requesting a withdrawal. Your instruction should be faxed to JPMorgan on (02) 9250 4035. Written requests must be signed by you as the investor (or the authorised signatories) and should specify your name and account number and the amount to be withdrawn in either dollars or units.

Generally, partial withdrawals are subject to maintaining a minimum account balance of \$500,000.

## Processing application and withdrawal requests

If we receive an application or withdrawal request by 1:00pm (Sydney time) on a Business Day, you will receive the unit price for that Business Day. Application and withdrawal requests received after 1:00pm (Sydney time) on a Business Day will be processed using the unit price calculated for the following Business Day.

If we receive a withdrawal request by 1:00pm (Sydney time) on a Business Day and it is accepted for processing, the proceeds of that request will generally be paid within five Business Days but may take longer in some circumstances.

Indirect investors may be subject to different conditions from those referred to in this PDS, particularly with regard to cut-off times for transacting, processing and withdrawals. As well as reading this PDS, indirect investors should read their IDPS operator's offer document.

If we receive an incomplete application or withdrawal request, the transaction request will be processed using the unit price applying on the Business Day we receive the correct documentation.

## Restrictions on withdrawals

There may be instances where your ability to withdraw from the Fund is restricted and you may be subject to a waiting period before your investment can be redeemed. For example, we may delay or suspend a withdrawal request where assets of the Fund are unable to be sufficiently realised due to circumstances beyond our control. In these instances, a unit price cannot be fairly determined (such as where there is a restricted or suspended trading in the market), or where the Fund becomes illiquid (under the Corporations Act, in general terms a fund is illiquid if it has less than 80% liquid assets (i.e., cash and marketable securities)).

## Distributions

The Fund generally pays distributions quarterly (March 31, June 30, September 30 and December 31). In some situations distributions may be paid at other times. Distributions are usually paid within 14 days after quarter end.

The distributions you receive are generally assessable income and can be made up of both income and realised capital gains. An investor's distribution is calculated by dividing the distributable income of the Fund by the number of units on issue at the end of the distribution period. This gives a distributable income amount per unit. Your distribution entitlement is then determined by multiplying the number of units held by the distributable income amount per unit.

An investor who invests during a distribution period may get back some of their capital as income. In some circumstances, we may hold back some income and/or net realised capital gains until the final distribution at the end of June to allow for market volatility.

Unless you instruct otherwise, your distribution entitlement will be reinvested. Distributions are reinvested on the distribution date at an application price calculated by dividing the net asset value of the Fund (which excludes the distribution amount) by the number of units on issue. No buy spread will apply in this circumstance.

### 3. Benefits of investing in the Fidelity Australian Equities Fund

#### Significant features

Some of the features of the Fund include:

- Access to an actively managed portfolio of Australian shares
- An investment approach driven by fundamental research which favours companies with superior management, a competitive edge, sound balance sheet, strong free cashflow and low gearing
- The ability for the portfolio manager to call on the research of a dedicated team of Australian analysts based in Sydney and regional analysts based in Hong Kong, from where Australian companies operating in global industries are analysed.

#### Significant benefits

Some of the benefits that may arise from an investment in the Fund include:

- Potential to earn higher returns than the Fund's benchmark, the S&P/ASX 200 Accumulation Index, over the suggested time frame
- Access to a bottom-up, professionally managed core portfolio of Australian shares
- Access to the investment knowledge and expertise of Fidelity's global network of investment professionals who can assess Australian companies in a global context
- Access to a portfolio of shares that may provide regular income distributions
- You will also receive regular investment statements and an annual tax statement to keep you up-to-date on your investment.

### 4. Risks of managed investment schemes

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. The likely investment return and the risk of losing money are different for every investment. Assets with the highest long-term returns may also carry the highest level of short-term risk.

The significant risks associated with this Fund are:

- **Specific security risk:** investments in shares in a company can fall in value for many reasons such as changes in internal operations or management of the company or changes in the business environment in which the company operates. Fidelity aims to reduce this risk with its intensive research approach that focuses on regular company contact and internal and external research of companies and the industries in which they operate.
- **Market risk:** economic, technological, political, legal or environmental conditions, and even market sentiment, can alter the value of investment markets and the Fund's investments. Fidelity aims to reduce this risk by monitoring markets and buying and selling investments with the aim of maximising returns over the medium- to longer-term.
- **Fund risk:** risks particular to the Fund include that it could be wound up, the fees and expenses could change, the responsible entity or FIL Limited could be replaced or the investment professionals could change. There is a risk that investing in the Fund may give different results than investing individually because of income or capital gains accrued in the Fund and due to investments and withdrawals by other investors. We aim to keep Fund risk to a minimum by monitoring the Fund and acting in investors' best interests.
- **Liquidity risk:** this is the risk that an investment may not be able to be bought or sold quickly enough to prevent or minimise a loss. A lack of liquidity may affect the amount of time it takes to satisfy withdrawal requests.
- **Derivative risk:** risks associated with using derivatives might include the value of the derivative failing to move in line with the underlying asset, illiquidity, the Fund failing to meet payment obligations as they arise or the counterparty to the derivative contract failing to meet its obligations under the contract. We aim to reduce this risk by monitoring the use of derivatives, monitoring counterparties and ensuring all positions are backed by cash and/or physical equities.

Risk can be managed, but cannot be entirely eliminated. It is important to understand that the value of your investment will vary, the level of returns on your investment will vary and future returns may differ from past returns. Returns are not guaranteed and you may lose money on any investment you make.

The level of risk for each person will vary depending on a range of factors, including your age, investment time frame, where other parts of your wealth are invested and your risk tolerance.

Furthermore, the laws affecting registered managed investment schemes may change in the future.

## 5. How we invest your money

Before choosing to invest in the Fund, you should consider the likely investment return, the risk and your investment timeframe.

### Fidelity Australian Equities Fund

<b>Fund investment return objective</b>	To achieve returns in excess of the S&P/ASX 200 Accumulation Index over the suggested minimum investment time period of five to seven years.
<b>Suitable for</b>	Investors looking for a core Australian equities investment with a moderate to high amount of risk.
<b>Minimum suggested time frame for holding the investment</b>	Five to seven years plus
<b>Asset classes and ranges</b>	Australian shares: 90% to 100%; Cash: 0% to 10%
<b>Benchmark</b>	S&P/ASX 200 Accumulation Index
<b>Risk level</b>	Moderate to high
<b>Fund strategy</b>	<p>The Fund invests in a diversified selection of around 30 to 50 Australian companies.</p> <p>Fidelity believes that markets are semi-efficient and share prices don't always reflect inherent value. Through in-house, bottom-up company research, Fidelity aims to uncover the opportunities which it believes offer the greatest scope for outperformance.</p> <p>Based on this research approach, Fidelity seeks out stocks that it believes are undervalued and likely to generate growth. The companies selected for the portfolio must demonstrate good management, strong competitive advantages and enjoy favourable industry dynamics.</p>
<b>Fund performance</b>	<p>For up-to-date information on the performance of the Fund, visit <a href="http://www.fidelity.com.au">www.fidelity.com.au</a> and click on Fidelity Australian Equities Fund under the 'Funds' menu.</p> <p>Past performance is not a reliable indicator of future performance.</p>
<b>Labour standards, environmental, social and ethical considerations</b>	We do not take labour standards, environmental, social or ethical considerations into account when making investment decisions, except to the extent that these issues may have a material impact on either investment risk or return.
<b>Changes to Fund details</b>	<p>We may change or update the Fund's investment return objective, asset classes and ranges or strategy at any time.</p> <p>We will inform investors of any material changes to the Fund's details in the next regular communication or as required by law.</p>

#### Important information

**\*\***You should read the important information about 'How we invest your money' before making a decision. Go to Section 1 of the 'Additional Information to the Product Disclosure Statement' at <http://www.fidelity.com.au/funds/fidelity-australian-equities-fund>. This material relating to the investment of your money may change between the time you read this PDS and the day you sign the application form.

## 6. Fees and other costs

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

This section provides a summary of the fees and costs you may be charged. These fees and costs may be deducted from your investment, from the returns on your investment or from the Fund assets as a whole.

You should read all the information about fees and other costs because they affect your investment. You can also use this information to compare costs with those of other investment funds.

Type of fee or cost	Amount
Fees when money moves in or out of the Fund	
<b>Establishment fee</b>	Nil
<b>Contribution fee</b>	Nil
<b>Withdrawal fee</b>	Nil
<b>Termination fee</b>	Nil
<b>Management costs</b>	
The fees and costs for managing your investment	0.85% p.a.* of the net asset value of the Fund (excluding deductions for accrued management fees and expense recoveries).

\*What it costs you will depend on the fees you negotiate with us, your financial adviser or your IDPS operator.

### Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs for the Fund can affect your investment over a one-year period. You can use this table to compare this product with other managed investment products.

#### Example – balance of \$500,000 with a contribution of \$5,000 during the year

<b>Contribution fees</b>	Nil	For every additional \$5,000 you invest you will not be charged a fee.
<b>Plus management costs</b>	0.85% p.a.	For every \$500,000 you have in the Fund, you will be charged \$4,250 each year.
<b>Equals cost of fund</b>		If you had an investment of \$500,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of between \$4,250 to \$4,293 <sup>2</sup> .
		<b>What it costs you will depend on the investment option you choose and the fees you negotiate with your fund, your financial adviser or your IDPS operator.</b>

<sup>2</sup> The additional management costs will be on a pro-rata basis and will vary depending on whether you are invested for the whole year or part of the year. Please note that this is just an example and that the actual investment balance of your holding will vary on a daily basis.

## Additional explanation of fees and costs

### Management costs

The management cost of 0.85% p.a. of the net asset value of the Fund is a fee payable to FREAL for managing the Fund. The management costs include, but are not limited to, costs associated with investment management, custody and investment administration as well as legal and tax services. Any recoverable goods and services tax (GST) borne by the Fund will be part of the management costs.

### Buy-sell spread

The buy-sell spread is an additional cost to you when you buy or sell units in the Fund. It is added to, or subtracted from, the application and withdrawal unit value.

The buy-sell spread includes brokerage, stamp duties, share and foreign currency exchange settlement and clearing fees relating to the purchase or sale of assets associated with an application or withdrawal. The buy-sell spread is retained by the Fund to meet the expense of investors entering or exiting the Fund to ensure that existing investors do not pay such costs. The buy-sell spread is not a fee paid to us.

As at the date of this PDS, the buy spread and the sell spread for applications and withdrawals are 0.25% of the value of the application or withdrawal amount. These spreads may change from time to time without notice, depending on the nature of the costs and the volume and types of assets being purchased or sold.

### Additional information on fees and costs

Additional fees and costs such as transactional and operational costs, contribution and withdrawal fees may be payable.

We may change the amount of fees and costs without your consent. Should there be a decision to increase fees and costs, you will be given 30 days' prior notice.

Indirect investors accessing the Fund through an IDPS may incur additional fees and costs. As well as reading this PDS, indirect investors should read their IDPS operator's offer document, which explains the fees payable by the indirect investor to the IDPS operator.

If you consult a financial adviser additional fees may be payable. You should refer to the Statement of Advice in which details of these fees (if any) are set out.

#### Important information

\*\* You should read the important information about 'Fees and costs' before making a decision. Go to Section 2 of the 'Additional Information to the Product Disclosure Statement' at <http://www.fidelity.com.au/funds/fidelity-australian-equities-fund>. This material about fees and costs may change between the time you read this PDS and the day you sign the application form.

## 7. How managed investment schemes are taxed

Investing in a managed investment scheme is likely to have tax consequences. You are strongly advised to seek professional tax advice.

Investors in the Fund will be assessed on distribution income generated by the Fund. The distribution may include franked dividends, capital gains and interest income. A taxable capital gain or loss may be realised when withdrawing units in the Fund. Registered managed investment schemes do not pay tax on behalf of Australian resident investors.

#### Important information

\*\* You should read the important information about 'How managed investment schemes are taxed' before making a decision. Go to Section 3 of the 'Additional Information to the Product Disclosure Statement' at <http://www.fidelity.com.au/funds/fidelity-australian-equities-fund>. This material relating to the taxation of managed investment schemes may change between the time you read this PDS and the day you sign the application form.

## 8. How to apply

- Read this PDS together with the 'Additional Information to the Product Disclosure Statement' available from [www.fidelity.com.au](http://www.fidelity.com.au) or by calling us on 1800 119 270.
- To invest, call Fidelity on 1800 119 270 to obtain a copy of the 'Investment Account Establishment Form', complete the form and return it to us.
- Applications must be received by 1:00pm (Sydney time), in order to receive the unit price for that Business Day. Indirect investors may be subject to different cut-off times and should refer to their IDPS operator's offer document.
- An investment account will be created for you and you will be issued with an investor number and we will advise you when this process has been completed.
- Following notification that your investment account has been created, complete the 'Investment Form' and fax the form to (02) 9250 4035 and send payment to JPMorgan. The payment methods and transfer instructions are detailed on the 'Investment Form'.
- You will be sent a transaction confirmation detailing your investment when your application has been accepted.
- If the application cannot be processed because it is incomplete or invalid the relevant application money will be placed into a trust account. Any interest earned in the trust account will be paid into the Fund.

### Additional investments

A written instruction is required, however, there is no need to complete another form. Your instruction should be faxed to JPMorgan on (02) 9250 4035. The written instruction must be signed by you as the investor (or the authorised signatories) and should specify your name, account number and the amount to be invested.

### Cooling-off period

No cooling-off rights will apply for investors who have made an initial application of \$500,000 or more as they are considered 'wholesale clients' under the Corporations Act.

Investors investing through an IDPS will have no cooling-off rights in respect of an investment in the Fund. Indirect investors should contact their IDPS operator and read their IDPS operator's offer document information, which will detail if any cooling-off rights apply.

## Other information

### Keeping you informed

As an investor in the Fund you will receive:

- A monthly statement detailing the transactions (including distributions) during the period and the balance of your investment
- Quarterly distribution statement
- An annual tax statement containing a summary of your distributions for the financial year to assist you in completing your tax return
- The annual accounts for the Fund (you may elect not to receive these if you wish).

The IDPS operator will provide indirect investors with reports on the progress of the Fund.

### Continuous disclosure

This Fund is subject to certain reporting and disclosure obligations under the Corporations Act. If you wish to obtain any of the following documents please contact us. Indirect investors should contact your IDPS operator:

- The latest annual financial report lodged with the Australian Securities and Investment Commission (**ASIC**)
- Any half yearly report for the Fund lodged with ASIC after the lodgement of the annual report (and before the date of this PDS) or
- Any continuous disclosure notices given by the Fund after lodgement of the annual report (and before the date of this PDS).

Copies of the above documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. We may also publish material information on the Fund on our website in accordance with ASIC guidelines.

### Terms used in this PDS

'**Business Day**' means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney.

'**Corporations Act**' means the Corporations Act 2001 (Cth).

'**IDPS**' means Investor Directed Portfolio Service, IDPS-like scheme, or a nominee or custody service (collectively known as master trusts or wrap accounts).

#### **Custodian, administrator and registrar**

JPMorgan Chase Bank, N.A. (Sydney Branch) ABN 43 074 112 011, AFSL 238367 (**JPMorgan**) has been appointed by the responsible entity as custodian, administrator and registrar for the Fund.

JPMorgan has not been involved in the preparation of this PDS or caused or otherwise authorised the issue of this PDS. JPMorgan has not independently verified the information contained in this PDS and, accordingly, accepts no responsibility for the accuracy or completeness of the information. JPMorgan does not guarantee the success or the performance of the Fund nor the repayment of capital or any particular rate of capital or income return.