

Fidelity Global Future Leaders Fund

Quarterly report

As at 31/03/2024

Fund description

A diversified portfolio of small and mid cap global stocks, the Fund offers investors a unique investment approach that aims to deliver consistent returns through market cycles.

Fund facts

Portfolio manager: James Abela, Maroun Younes
Benchmark: MSCI World Mid Cap Index NR
Inception date: 28/09/2020
Fund size: AU\$87.82M
Number of stocks: 40-70
Management cost¹: 1.10% p.a.
Buy/sell spread: 0.20%/0.20%

Portfolio guidelines

Stocks: +/- 5% from benchmark
Sector: +/- 10% from benchmark
Country: +/- 15% from benchmark (+/- 3% Australia)
Emerging markets: Up to 35% ex-index including emerging markets
Cash: Expected range between 0 and 20%

Top 10 holdings (%)

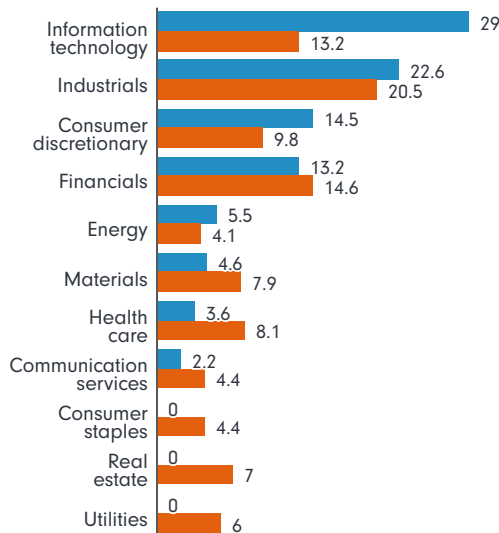
	Fund	B'mark
Cdw Corp	3.8	0.4
Quanta Svcs Inc	3.5	0.4
Nvr Inc	3.5	0.3
Ametek Inc New	3.5	0.4
Ares Management Corp	3.4	0.2
Moncler Spa	3.4	0.2
United Rentals Inc	3.3	0.5
Brown & Brown Inc	3.2	0.2
James Hardie Industries Plc	3.0	0.2
Grainger (W.w.) Inc	2.9	0.5

Performance %

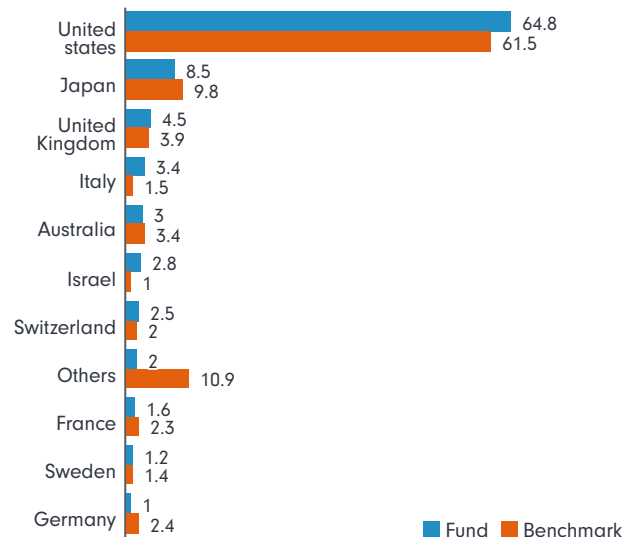
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since Inception p.a (28/09/2020)
Fidelity Global Future Leaders Fund	2.35	12.68	17.47	19.20	10.70	-	13.57
MSCI World Mid Cap Index NR	3.92	11.65	18.00	21.18	9.07	-	12.37
Excess return	-1.57	1.03	-0.53	-1.98	1.63	-	1.20

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.

¹ Management fees and buy/sell spread are current as at the date of publication of this website. These fees may be subject to change in the future. ² A performance fee is only payable once any prior periods' underperformance in dollar terms has been recovered and is also subject to a performance fee cap of 0.9% of the Fund's closing net assets per performance period. The performance period is six months, calculated on 30 June and 31 December each year. These fees may be subject to change in the future. 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.

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Market performance

Global developed-world equity markets posted strong gains in the first quarter of 2024, due to resilient economic data, lower inflationary pressures, robust corporate earnings and ongoing enthusiasm surrounding artificial intelligence (AI) related technology demand. Expectations of interest rate cuts by prominent central banks also lifted sentiment. From a style perspective, growth stocks outperformed their value counterparts, while large-cap stocks fared better than small and mid-cap counterparts. At a regional level, Japan and US were the leading performers. US equities outperformed amid a rally in technology stocks fuelled by continued excitement around AI and the US Federal Reserve's (Fed) dovish stance as it indicated plans for three rate cuts before the year's end. Japanese equities were supported by continued interest from overseas investors and the Bank of Japan's (BoJ) decision to end its negative interest rate policy and eliminate yield curve control. Australian equities were led by a better-than-expected domestic earnings season and solid global economic indicators. European and UK stocks advanced but lagged the broader market. UK's economy contracted by 0.3% on a quarter-on-quarter basis in the fourth quarter of 2023, entering a technical recession. At a sector level, energy stocks led the rally amid a rise in crude oil prices given an unexpected decline in US crude inventories, followed by financials and industrials. In contrast, real estate and communication services were the notable laggards.

Fund performance

The Fund outperformed the Index over the quarter. Robust security selection within the information technology (IT) sector and an overweight stance in industrials contributed to returns. Conversely, selected consumer discretionary holdings declined. Within IT, shares in enterprise cloud platform provider Nutanix and storage device manufacturer Western Digital advanced amid multiple broker upgrades as they posted solid results with confident outlooks. Western Digital saw an improvement in its hard disk drive (HDD)

division amid a recovery in cloud demand, while prices for its NAND flash-based storage devices rose for the first time since 2022. Enterprise cloud software company NICE's FY24 guidance came in ahead of consensus estimates. Its AI-based integrated software solutions are leading to greater contract wins and underpin a robust growth prospect. Elsewhere, preferred financials holding in insurance broker Brown & Brown gained as it released upbeat corporate earnings. Expectations of a soft economic landing in the US was supportive for preferred industrials holdings. Infrastructure solutions provider Quanta Services and equipment rental company United Rentals released better-than-expected financial results. Quanta slightly upgraded its 2024 guidance, and its management remains optimistic about its long-term success. United Rentals remained well-positioned to benefit from the consolidation of the US rental industry and solid demand for equipment rental services. A holding in premium outdoor products seller Yeti declined amid lacklustre earnings. A voluntary product recall announced in early 2023 weighed on its financial performance, while there are signs of increased competition from Stanley's drinkware products. Shares in Japan's Keisei Electric Railway retreated following its divestment of a small stake in Oriental Land, which operates Tokyo Disneyland.

Fund positioning

We follow a rigorous process and disciplined approach, where the viability, sustainability and credibility of the business model remain the pillars of success. Our Quality Value Transition Momentum (QVTM) approach remains the cornerstone of the strategy and continues to drive portfolio construction. The portfolio's strategic tilt towards quality and value names provides a healthy growth outlook at a low valuation premium. The Fund continues to hold companies with strong business models and market structures, which will enable them to deliver earnings despite increasing economic pressures. The portfolio reflects a balance between long-term structural growth winners and exposure to a robust economic recovery. We believe that attractive opportunities can be found at the intersection of quality and value. This

assessment is reflected in the key changes in the fund's positioning. A new position was purchased in sleep apnoea equipment manufacturer ResMed. It is a high-quality franchise and the primary player in a global duopoly sleep apnoea equipment market. Its positive earnings structure is supported by recent evidence of the negligible impact of glucagon-like peptides (GLP-1, weight loss drug) on ResMed's sleep apnoea equipment. The exposure to global alternative investment manager Ares Management and luxury outerwear company Moncler was increased amid resilient economic conditions, which supported their optimistic outlook. A new holding was purchased in oil and gas producer Diamondback Energy in an environment of encouraging US economic activity and increasing oil prices. It is a least-cost producer in the Permian Basin, the highest producing oil field in the US. Its recent acquisition of a privately held oil exploration and production company is accretive for its energy reserves. The exposure to oil field services company Baker Hughes was reduced. Positions in computer networking company Arista Networks and insurance broker Arthur J. Gallagher were sold as they graduated into the large-cap market segment.

Major contributors (%)

As at 31/03/2024	Active pos.	Contribution
Western Digital Corp	2.7	0.6
Nutanix Inc	2.3	0.5
Nice Ltd	2.3	0.5
United Rentals Inc	2.5	0.4
Quanta Svcs Inc	2.7	0.4

Major detractors (%)

As at 31/03/2024	Active pos.	Contribution
Yeti Holdings Inc	1.4	-0.7
Keisei Electric Railway Co	2.3	-0.5
Super Micro Computer Inc	-0.4	-0.4
Obic Co Ltd	1.6	-0.3
Jd Sports Fashion Plc	0.0	-0.3

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