

Fund description

Invests in a diversified selection of around 30 to 50 Australian companies. Using a bottom-up stock-selection approach that focuses on undiscovered earnings potential, value and growth and is designed to be a core holding.

Fund facts

Portfolio manager: Paul Taylor

Benchmark: S&P/ASX 200 Accumulation Index

Inception date: 30 June 2003

Fund size: AU\$5,927.99M

Number of stocks: 30 to 50

Management cost: 0.85% p.a.

Buy/sell spread: 0.20%/0.20%

Portfolio guidelines

Stocks: +/-5% from benchmark

Industry: +/-7% from benchmark

Cash: Target range between 0% and 10%

Top 10 holdings %

	Fund	B'mk
COMMONWEALTH BANK AUSTRALIA	8.7	7.5
BHP BILLITON LTD	7.6	6.7
AUSTRALIA & N ZEAL BKG GRP LTD	6.7	4.9
SUNCORP GROUP LTD	6.1	1.1
CSL LTD	5.5	5.4
WESTPAC BANKING CORP	5.3	5.7
WESFARMERS LTD	5.1	3.4
MACQUARIE GROUP LTD	4.3	2.4
WISETECH GLOBAL LTD	3.8	0.2
SEEK LTD	3.7	0.4

Past performance %

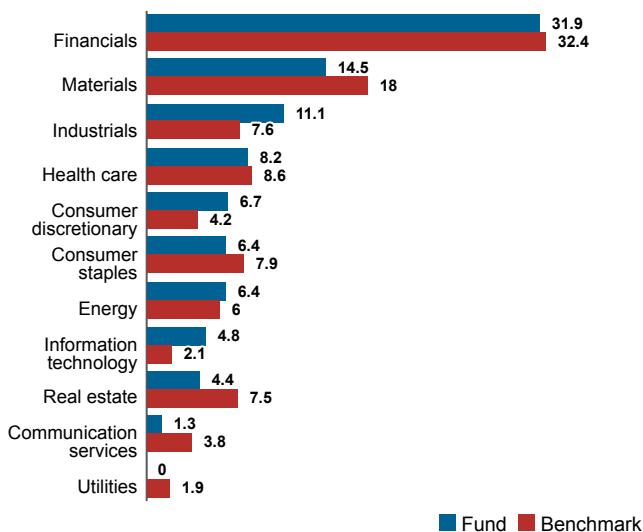
	1 mth	3 mth	6 mth	1 yr	Since Inception p.a (30.06.2003)
Fidelity Australian Equities Fund	-1.82	1.00	12.02	16.03	12.20
S&P/ASX 200 Accumulation Index	-1.26	1.53	10.13	13.97	9.53
Excess return	-0.56	-0.53	1.89	2.06	2.67

Growth and income %

	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 (30.06.2003)
Total return	16.03	11.66	8.96	12.69	9.48	11.89	12.2
Growth	12.79	8.42	5.75	9.11	6.05	7.75	8.11
Income	3.24	3.24	3.21	3.58	3.43	4.14	4.09

Past performance is not a reliable indicator of future performance. Total returns (net) have been calculated using mid prices and are net of Fidelity's management costs, transactional and operational costs and assumes reinvestment of distributions. No allowance has been made for tax or the buy/sell spread. Returns of more than one year are annualised. The return of capital is not guaranteed.

Industry breakdown %



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This Fund is subject to risk of stock market fluctuations. Management costs and the buy/sell spread are current as at the date of shown above, but may be subject to change in the future. Management costs include GST and exclude abnormal expenses, 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.

Market performance

Australian equities advanced over the quarter, and outperformed regional markets. Markets were resilient during the first two months of the quarter, against the backdrop of domestic political uncertainty and global trade frictions. Thereafter, profit taking and regulatory headwinds in some sectors weighed on markets in September. At a sector level, merger and acquisition related news flow lifted the communications services sector. Energy stocks tracked crude oil prices higher. The information technology and health care sectors rose, led by an improvement in profitability prospects for certain companies. However, concerns around an inquiry into the aged-care industry held back gains in the latter. Financials underperformed as regulatory concerns and earnings weakness hurt banking stocks. Economic activity in Australia surpassed market expectations over the January–June period, driven by robust exports and solid domestic demand. Recent data suggested that the economy grew at a faster-than-anticipated pace during the April–June period, led by household consumption and elevated public spending. Meanwhile, the trade surplus expanded over the quarter and labour market conditions continued to improve. Employment grew at a healthy pace over the quarter, while the unemployment rate edged slightly lower. Furthermore, National Australia Bank's monthly business survey pointed to favourable business conditions in Australia. The Reserve Bank kept interest rates unchanged from current low-levels to support economic growth and allow for further improvement in labour market and increase in inflation.

Fund performance

The fund generated positive returns but underperformed the index in a quarter marked by heightened volatility amid domestic and external uncertainties. Some of the portfolio's key holdings lifted returns, led by a combination of healthy profit growth and improving earnings visibility. Conversely, short-term concerns held back certain energy and mining positions.

Improving earnings prospects lifted conviction holdings

WiseTech Global and Goodman Group posted strong full-year earnings and issued healthy revenue and profit guidance, respectively, which reflected a continuation of their growth momentum. The former's strong product platform and focus on synergistic acquisitions aided revenue growth, while the latter's management division drove robust profits. Downer EDI gained, in light of steady earnings growth across divisions, new contract wins and progress towards the resolution of a loss-making contract.

Short-term concerns hurt resources positions

Origin Energy declined due to lower-than-expected profit guidance for its energy markets business. This was primarily due to competitive and regulatory pressure, and a change in hedging cost accounting. Investors overlooked a turnaround in its profitability and a reduction in net debt. Rio Tinto gave back recent share price gains. Its shares were weighed down by concerns around cost and capital expenditure pressure. Nevertheless, it announced capital management initiatives to enhance shareholder returns. The position in miner Evolution Mining declined following recent share price gains. Its shares slid amid weak gold prices and lower production forecasts for the current fiscal year. Nonetheless, it posted robust gold production, strong cash flows and a reduction in net debt.

Major contributors to quarterly performance %

As at 30/09/2018

	Active positions	Contribution
WISETECH GLOBAL LTD	2.99	1.01
DOWNER EDI LTD	1.32	0.20
WOOLWORTHS GROUP LTD	-2.30	0.18
INSURANCE AUSTRALIA GROUP LTD	-1.11	0.16
SCENTRE GROUP	-1.35	0.12

Major detractors to quarterly performance %

As at 30/09/2018

	Active positions	Contribution
ORIGIN ENERGY LTD	2.13	-0.47
TELSTRA CORP LTD	-2.10	-0.46
RIO TINTO LTD	1.02	-0.23
EVOLUTION MINING LTD	0.74	-0.22
SEEK LTD	3.36	-0.20

Outlook

Australian equities have shown considerable resilience to domestic and global headwinds in 2017/18. Australian markets generated healthy returns against the backdrop of rising US interest rates and subdued economic and company earnings growth, geopolitical tensions and increasing protectionism and government interventions. This resilience was a result of still attractive dividend yields, low single digit earnings growth and valuation multiple expansion. Meanwhile, Australia's current economic environment remains largely supportive. Despite headwinds from weaker housing prices and its wealth effect, the country is seeing steady GDP growth, supported by an increase in government spending and consumption. In addition, unemployment levels have remained low as employment growth has been very strong. The longer term structural rebalancing of the economy continues to gather pace, with the composition of growth shifting away from goods towards services. As a result, the share of services (both business and consumer) in consumption, production, employment and exports continues to rise. In this regard, the theme of China moving away from infrastructure investment towards domestic consumption is likely to benefit Australia's tourism and education services sectors. Looking ahead, Australian corporates remain in a strong position, with quality balance sheets and good fundamentals. The stock market has been one of the best-performer in the world over the long term, driven by strong population growth, excellent and low-cost natural resource base, strong corporate governance environment, high dividend yields and high real dividend growth. These key fundamentals should continue to drive Australian equities.

Total net returns represent past performance only. Past performance is not a reliable indicator of future performance. Returns of the Fund can be volatile and in some periods may be negative. The return of capital is not guaranteed. The returns shown have been calculated using the net asset value of the Fund from one period to the next. The returns include any re-invested distributions and are after fees and expenses. 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. For periods greater than one year returns have been annualised.

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