

### Fund description

Invests in 40 to 70 mid- and small-cap Australian companies. Stock selection focuses on attractively valued companies with strong competitive positioning and sound company management. The portfolio construction process places a strong emphasis on building a diversified and blended portfolio that aims to perform through different market cycles.

### Fund facts

**Portfolio manager:** James Abela  
**Benchmark:** S&P/ASX Mid Small Index  
**Inception date:** 22 July 2013  
**Fund size:** AU\$163.94M  
**Number of stocks:** 40 to 70  
**Management cost:** 1.20%  
**Buy/sell spread:** 0.25%/0.25%

### Portfolio guidelines

**Stocks:** +/-5% from benchmark  
**Industry:** +/-10% from benchmark  
**Cash:** Target range between 0% and 10%

### Top 10 holdings %

	Fund	B'mk
RESMED INC	5.0	2.0
ALTIUM LTD	4.4	0.8
ALS LTD	3.8	1.1
FISHER & PAYKEL HEALTHCARE CORP	3.6	0.5
CORPORATE TRAVEL MANAGEMNT LTD	3.2	0.6
WORLEYPARSONS LTD	3.1	0.9
ATLAS ARTERIA LTD	3.1	1.1
MAGELLAN FINANCIAL GROUP LTD	2.8	0.9
PRO MEDICUS LTD	2.8	0.1
PINNACLE INVESTMENT MANAGEMENT GROUP LTD	2.7	0.2

### Past performance %

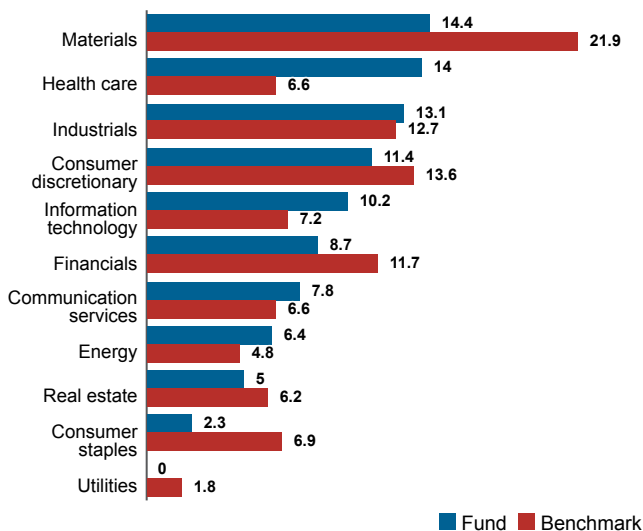
	1 mth	3 mth	6 mth	1 yr	Since Inception p.a (22.07.2013)
Fidelity Future Leaders Fund	-0.33	3.03	14.49	28.73	15.94
S&P/ASX Mid Small Index	-0.56	2.42	8.93	19.75	12.73
Excess return	0.23	0.61	5.56	8.98	3.21

### Growth and income %

	1 yr	3 yrs p.a.	5 yrs p.a.	Since Inception p.a (22.07.2013)
Total return	28.73	19.34	15.27	15.94
Growth	24.59	17.37	13.07	13.81
Income	4.14	1.97	2.2	2.13

**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 the risk of stock market fluctuations. 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

Small and mid-cap equities advanced over the quarter. The majority of sectors ended in positive territory. Energy and information technology (IT) sectors were among the leading gainers. The former benefited from higher crude oil prices, while a strengthening earnings growth outlook for selected IT companies led gains in that sector. A weaker Australian dollar is supporting earnings growth at companies with sizable offshore earnings. Conversely, the materials and consumer staples sectors declined over the quarter. On the economic front, the Australian economy has been expanding at an above-trend rate over the recent few quarters. The upswing in commodity prices and robust global growth have lifted Australian exports and the government's tax revenues. This has translated to elevated levels of public infrastructure spending and a return to trade surplus. Consequently, exports and public demand have been positive contributors to recent economic activity. Growth in household consumption also held up well. Business conditions are positive and the labour market continues to improve. The trend in employment growth is encouraging, while the unemployment rate has edged lower.

### Fund performance

The fund outperformed the index over the quarter. Quality holdings in the financials and health care sectors were the key contributors to returns. Selected positions in the energy sector also added value.

#### Key financials and health care stocks boosted performance

In financials, the position in Asset Manager Pinnacle Investment Management added value as the company posted robust results. Investors favoured its strong management as well its high-quality business model. In the health care sector, holdings in health care software services provider Pro Medicus and ResMed supported performance. Shares in the former rose following its strong results, supported by its pragmatic expansion in its North American and European operations. ResMed, a global leader in the sleep-apnea equipment arena continued to gain market share, which drew further attention to its strong cash flows as well as decent runway of growth.

#### Preferred holdings proved rewarding

In the energy sector, the position in global engineering & construction firm WorleyParsons gained amid positive results and an optimistic earnings outlook given its order book and high oil prices. The holding in Beach Energy gained after the oil and gas explorer unveiled a clear strategy to double production in five years. Elsewhere, shares in Brisbane-based global testing giant ALS rose amid an upbeat outlook for the first half of financial year 2019.

#### Selected companies detracted

The position in gold miner Evolution Mining was impacted by lower production and high cost forecasts for 2019. The holding in Whitehaven coal fell as higher costs weighed on its earnings guidance.

### Major contributors to quarterly performance %

As at 30/09/2018

	Active positions	Contribution
PINNACLE INVESTMENT MANAGEMENT GROUP LTD	2.12	0.78
PRO MEDICUS LTD	0.83	0.55
ALS LTD	2.51	0.30
WORLEYPARSONS LTD	2.10	0.26
RESMED INC	2.85	0.24

### Major detractors to quarterly performance %

As at 30/09/2018

	Active positions	Contribution
EVOLUTION MINING LTD	1.44	- 0.52
AFTERPAY TOUCH GROUP LTD	- 0.03	- 0.32
WHITEHAVEN COAL LTD	0.79	- 0.28
TPG TELECOM	0.06	- 0.22
REA GROUP	1.50	- 0.22

### Market outlook

The outlook for Australian mid and small-cap equities is positive. The growth outlook and valuations appear reasonable. Likewise, Australian medium-term growth and recent global indicators continue to indicate strong trends in mining, construction, employment and general business conditions. This, along with expected low inflation, supports the thesis for synchronised global growth. However, risk factors, such as record asset valuations across many markets, low top-line growth, peaking consumer spending and housing market, record global debt levels, and very low price for risk, are expected to concern investors. 2018 is emerging as a transition year compared to the strong uptrend in markets over the last nine years. Volatility is expected to rise; the cost of debt should continue to go up; and inflation is likely to increase, driven by commodity prices and potentially higher wages as employment growth continues to rise. Finally, market liquidity may fall as major central banks shift from qualitative easing to quantitative tightening. As a result, investors are likely to focus on risk more so than in the recent past. Against this backdrop, the manager takes a balanced and cautious approach, while focusing on fundamentals such as the viability and sustainability of businesses.

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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