Fidelity Global Equities Fund

Monthly report

As at 31/07/2022

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Fund description

Designed to be a core international holding, this diversified portfolio of 80-120 of some of the best ideas globally drawn from Fidelity's 400 global experts. Stock selection favours mis-valued businesses and structural growth stories.

Fund facts

Portfolio manager: Ashish Kochar / Oliver Trimingham

Benchmark: MSCI All Country World Index NR

Inception date: 15/04/1998

Fund size: AU$452.13M

Number of stocks: 80 to 120

Management cost: 0.99% p.a.

Buy/sell spread: 0.20%/0.20%

Portfolio guidelines

Stocks: +/-5% from benchmark

Sector: +/- 10% from benchmark

Region: +/- 20% from benchmark

Country: Unconstrained

Emerging markets: maximum 20% of the portfolio (typically less than 10%)

Cash: Target range between 0% and 10%

Top 10 holdings (%)

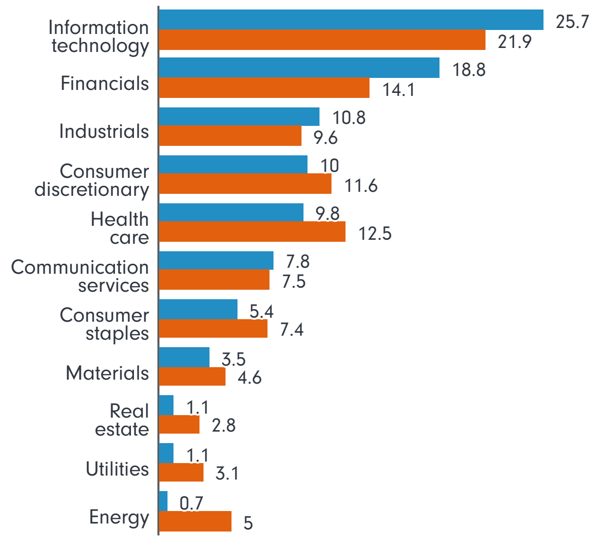
	Fund	B'mark
Microsoft Corp	5.9	3.4
Alphabet Inc	4.9	2.3
Amazon.com Inc	3.8	2.1
Berkshire Hathaway Inc Del	3.5	0.7
Unitedhealth Group Inc	3.4	0.9
Canadian Pacific Railway Ltd	2.9	0.1
Gallagher (Arthur J.) & Co	2.7	0.1
Nestle S.A.	2.2	0.6
Danaher Corp	2.1	0.3
Vinci Sa	2.1	0.1

Performance %

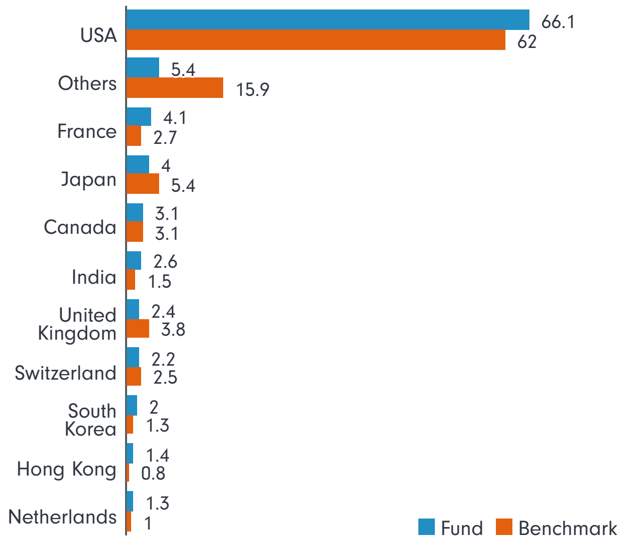
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	20 yrs p.a.	Since Inception p.a (15/04/1998)
Fidelity Global Equities Fund	7.90	1.55	-9.25	-8.80	8.84	11.88	9.31	14.85	8.34	7.64	6.58
MSCI All Country World Index NR	5.43	-0.11	-9.33	-5.71	8.08	10.81	8.68	13.93	6.72	6.36	4.98
Excess return	**2.47**	**1.66**	**0.08**	**-3.09**	**0.76**	**1.07**	**0.63**	**0.92**	**1.62**	**1.28**	**1.60**

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 (effective 1 November 2011). The benchmark before 1 November 2011 was the MSCI World Index. The major difference between the two indices is the inclusion of 21 emerging market country indices in the MSCI ACWI Index. Prior to December 2006, the benchmark was MSCI World Index ex Australia.

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.

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.

Monthly report

Market performance

After months of weakness, global equities rebounded and gained strongly in July. Major economic data pointed towards a slowing global economy as continued supply disruptions, rising inflation (which soared to a new high) and borrowing cost increases weighed on consumers and businesses. However, markets increasingly priced in expectations of interest rate cuts by the US Federal Reserve (Fed) in 2023. This, combined with a healthy labour market and upbeat corporate earnings, provided support to risk assets. Against this global backdrop, all major regional markets barring China gained. The weakness in the Chinese market was driven by worsening real estate crisis in the country and a resurgence in Covid outbreaks, leading to a series of rolling lockdown measures. All sectors participated in the advance, led by strong growth in cyclicals information technology and consumer discretionary. From a style perspective, growth stocks strongly outperformed value and quality names, supported by solid earnings from megacap market leaders.

Fund performance

The Fund generated a return of 7.9% (net of fees, in AUD), compared to the index which returned 5.4% during the month. At a sector level, the exposure to healthcare and technology sectors proved rewarding buoyed by upbeat quarterly results, while certain utilities and communication services names detracted from returns. At a stock level, e-commerce major Amazon.com was the leading contributor to returns following better-than-feared quarterly earnings and revenue outlook. It is a global leader in cloud services (AWS) with continued increase in profit, advertising revenue streams and increasing market traction owing to better selection, product availability, and convenience for customers. Within the technology domain, US-based software company Autodesk continued to add value as it is well positioned to capitalize on the digitization of the construction industry and strong pricing power. Autodesk is benefiting from a recurring revenue base, greater product innovation, and a more accessible price point, while AutoCAD is the gold standard of computer-aided design software, and that reputation gives it a wide moat against its peers. The holding in capital equipment company KLA outperformed as it reported solid quarterly results owing to robust demand trends and process control intensity. The company is uniquely positioned in the industry with strong secular growth drivers and a wide breadth of product portfolio. Within the healthcare space, US hospital operator HCA Healthcare and health care focused industrial conglomerate Danaher delivered upbeat quarterly earnings, beating market expectations. HCA Healthcare continues to dominate the industry with higher reimbursement rates & margins compared to peers, while successfully demonstrating its ability to drive organic growth and strategically deploy capital towards growth investments and share buybacks. Danaher is one of the quality names in the life sciences industry, with continuous operational improvement across the portfolio (both acquired and existing businesses). In contrast, the underweight stance in technology conglomerate Apple detracted from relative performance as the stock rallied following better-than-expected quarterly revenues. Google's parent Alphabet pared gains, despite reporting better than expected quarterly results. Nonetheless, it maintains strong competitive advantages and an excellent track record of innovation and acquisition with solid fundamentals. Leading social networking conglomerate Meta Platforms declined as a slowdown in sales growth weighed on stock performance. Meta Platforms is a revenue compounding business with a solid portfolio of several social media platforms and a loyal user base. Elsewhere, shares in Enel SPA came under pressure over concerns regarding weakening hydro production in Italy and higher costs. The company continues to dominate the industry as one of the global leaders in renewable power with a resilient balance sheet.

Outlook

The global economy is facing a confluence of shocks including the war in Ukraine and associated disruptions in commodity markets, high inflation and aggressive global policy tightening in response, and a broad-based collapse in consumer confidence. Equities are likely to remain volatile in the near term as markets try to understand what sort of a recession the US economy is facing. Investor sentiment will likely continue to be guided by the monetary policy response from the Fed and the direction of corporate earnings. Growth data is turning sharply negative in developed markets as the consumer squeeze and tighter financial conditions bite, while the downtrend in manufacturing PMIs suggests waning demand. An impending gas crisis in Europe could potentially deal a hefty blow to industry and consumers alike. As ever, the focus remains on fundamentals and investing in long-term growth compounders where estimates on a 2–5-year view are too low and valuations are reasonable.

Signatory of: PRI Principles for Responsible Investment