

# Fidelity Hedged Global Equities Fund

## Quarterly report

As at 30/09/2021

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### Fund description

A hedged equivalent of the Fidelity Global Equities Fund, currency exposure is substantially hedged back to Australian dollars.

### Fund facts

**Portfolio manager:** Ashish Kochar / Oliver Trimmingham

**Benchmark:** MSCI All Country World Index NR AUD Hedged

**Inception date:** 29/09/2005

**Fund size:** AU\$22.53M

**Number of stocks:** 80 to 120

**Management cost:** 1.04% p.a.

**Buy/sell spread:** 0.20%/0.20%

### Portfolio guidelines

**Stocks:** +/-3% from benchmark

**Sector:** +/-10% from benchmark

**Region:** +/-20% from benchmark

**Country:** No constraints

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

**Cash:** Target range between 0% and 10%

### Top 10 holdings (%)

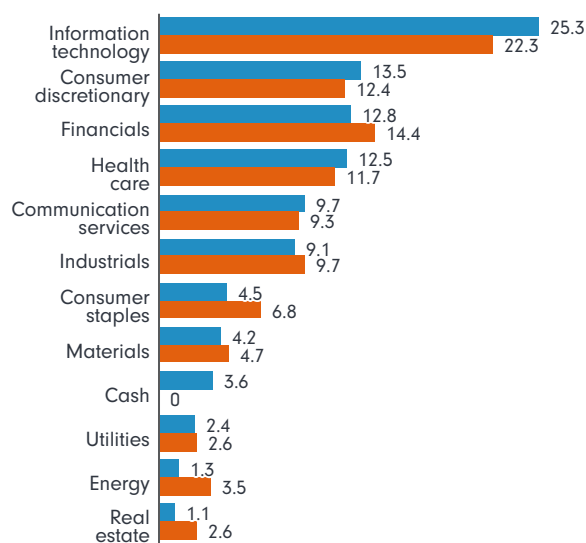
	Fund	B'mark
Microsoft Corp	4.0	3.1
Amazon.com Inc	3.4	2.3
Alphabet Inc	3.2	2.4
Apple Inc	3.1	3.6
Unitedhealth Group Inc	2.1	0.6
Danaher Corp	1.7	0.3
Berkshire Hathaway Inc Del	1.4	0.6
Bank Of America Corporation	1.4	0.5
Regeneron Pharmaceuticals Inc	1.4	0.1
Charter Communications Inc	1.3	0.1

### Performance %

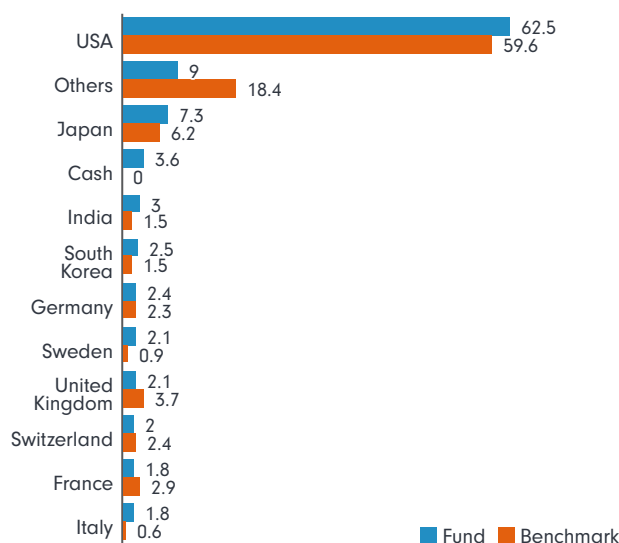
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	10 yrs p.a.	15 yrs p.a.	Since Inception p.a (29/09/2005)
Fidelity Hedged Global Equities Fund	-4.24	-2.42	3.23	25.87	13.21	14.28	12.06	14.59	9.18	9.25
MSCI All Country World Index NR AUD Hedged	-3.63	-0.42	6.59	26.57	11.03	12.77	10.74	13.67	8.12	8.54
<b>Excess return</b>	<b>-0.61</b>	<b>-2.00</b>	<b>-3.36</b>	<b>-0.70</b>	<b>2.18</b>	<b>1.51</b>	<b>1.32</b>	<b>0.92</b>	<b>1.06</b>	<b>0.71</b>

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 100% Hedged to AUD (effective 1 November 2011). The benchmark before 1 November 2011 was the MSCI World Index Hedged in AUD. The major difference between the two indices is the inclusion of 21 emerging market country indices in the MSCI All Country World Index NR 100% Hedged to AUD. In December 2006, the benchmark for the Fund changed from the MSCI World Index ex Australia Hedged in AUD to the MSCI World Index Hedged in AUD.

### Industry breakdown %



### Geographic breakdown %



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This Fund 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.

# Quarterly report

## Market performance

Global equities ended the third quarter higher. The positive performance over the July–August period was offset by a stall in the equity market rally in September. Earlier in the period, economic recovery and re-opening continued. Upbeat corporate earnings in developed markets supported equities. However, markets came under pressure in September, weighed down by inflation concerns (fuelled by rising demand coupled with ongoing supply chain constraints), the energy crisis in Europe along with the risks of economic and financial contagion due to Evergrande crisis. Surging long term bond yields and the signals that the Federal Reserve may start tapering its asset purchases soon, while central banks globally turned marginally more hawkish in recent weeks also weighed on equities. The European Central Bank also announced that it planned to slow the pace of its bond-buying program in the last quarter of 2021. Fears of a property market crisis and regulatory issues in China, as well as the spread of Delta variant of COVID-19 globally also kept markets volatile. Against this global backdrop, equities in Japan and the UK outperformed other regional markets. Emerging markets fell and lagged developed markets, largely due to weakness in Chinese equities. From a sector perspective, energy and financials sectors performed well, while consumer discretionary and materials lagged the broader market

## Fund performance

### Consumer discretionary names hurt returns

Internet retail company **Asos** declined regarding increased freight costs and global supply chain disruption. Internet group **Naspers** slid following reports that China government was stepping up efforts to limit online gaming activity.

## Key positions detracted over negative news flow

Cable television provider **Altice USA** underperformed over concerns regarding a short-term negative impact from its fibre buildout strategy and a decline in net customer additions for the upcoming quarter. Food & staples retailer **Grocery Outlet Holding's** quarterly sales missed expectations over concerns regarding its ability to retain business gained during the period of COVID-related disruption.

## Healthcare and communication services holdings buoyed performance

Medical and industrial products manufacturer **Danaher** reported strong quarterly earnings as the company continues to strengthen its competitive advantage through significant high impact organic growth investments. The overweight to pharmaceutical company **Regeneron Pharmaceuticals** contributed. Shares of the company gained from its antibody cocktail known as REGEN-COV, to prevent and treat severe COVID-19 infection. Online video streaming major **Netflix** rallied owing to impressive subscriber growth and upward earnings trajectory as it continues to expand its revenue sources. Google's parent company **Alphabet** reported a strong rise in revenues for its advertising and cloud services.

## Outlook

It is important to be watchful as global growth momentum moderates and inflationary pressures persist. Elevated market valuations, prospects for tighter monetary policies by major central banks, ongoing challenges around the pandemic, and economic and policy risks in China are likely to present headwinds. While global corporate earnings forecasts for 2021 remain encouraging, forecasts for 2022 have moderated. Overall, the current economic cycle is far from over, although the path of growth and markets' response are likely to become less predictable

going forward. Given the recent developments, we are cautiously optimistic about the outlook. Increasing vaccination rates and reopenings bode well for developed markets such as the US and UK, although there are risks in the form of higher inflation and the continuing spread of Delta variant of the virus in some areas. Corporate earnings forecast upgrades and rising vaccinations are supportive for Japanese equities, but there are concerns that the continuing emergency measures could weigh on near-term economic growth prospects. Meanwhile, the higher energy prices are likely to affect growth in Europe ex UK, even as political uncertainties exist. Elsewhere, tightening global financial conditions and slower Chinese growth could present challenges for emerging markets, although valuations are still attractive on a historical basis.

## Major contributors (%)

As at 30/09/2021	Active pos.	Contribution
Recruit Holdings Co Ltd	1.0	0.2
Alibaba Group Holding Ltd	-0.5	0.2
Danaher Corp	1.3	0.2
Tencent Holdings Ltd	-0.5	0.1
Netflix Inc	0.8	0.1

## Major detractors (%)

As at 30/09/2021	Active pos.	Contribution
Asos Plc	0.6	-0.3
Zai Lab Ltd	0.7	-0.3
Altice Usa Inc	0.7	-0.3
Grocery Outlet Holding Corp	0.6	-0.3
10x Genomics Inc	0.6	-0.2

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