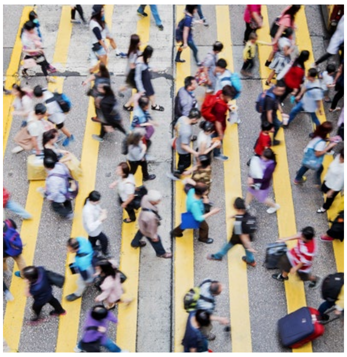
Fidelity INTERNATIONAL



The case for Asia

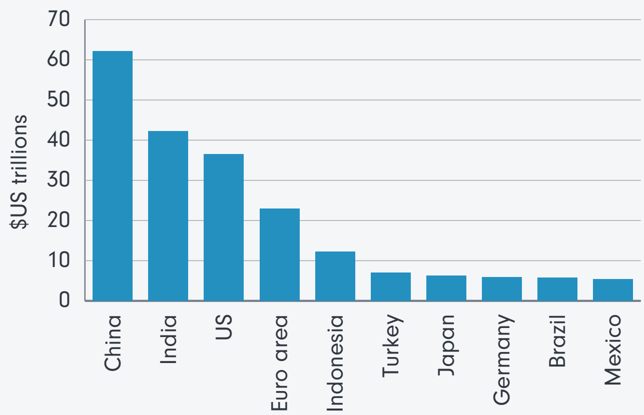
A long runway for growth

Asia's rapid economic development over the past two decades has created opportunities for investors across a diverse set of markets and industries. More recently, demographics and digitalisation helped fuel economic and business expansion and played an important role in the region's resilient economy. Looking ahead, we believe Asia will continue to play a key role driving global growth.

The two most populous countries in the world offer some of the strongest tailwinds for growth in Asia: in India, we continue to see a growing middle class that will drive growth in some specific sectors, while China remains a global powerhouse in manufacturing, advanced technologies and consumption. Major Southeast Asian economies are also accelerating, with Indonesia and Vietnam seeking a larger foothold in global supply chains. Indeed, while the developed world is facing economic challenges from inflation and high interest rates, many of Asia's economies are backed by more favourable fundamentals.

Figure 1. Real GDP long-term forecast in trillions

By 2060, China and India are expected to be the largest economies in the world



Source: OECD, as at 13 February 2023
https://data.oecd.org/gdp/gdp-long-term-forecast.htm

For investors seeking long-term growth and diversification, the case for investing in Asia now is as strong as ever. However, the investing horizon remains volatile and the importance of an active stock selection approach, informed by a deep understanding of local markets and businesses, remains crucial.

> "The last three years have highlighted Asia's resilience. As investment and consumption reaccelerate across the region post-pandemic, it won't be hard to see how these would create fresh investment opportunities, especially for active stock selectors."

Anthony Srom, Portfolio Manager, Fidelity Asia Fund

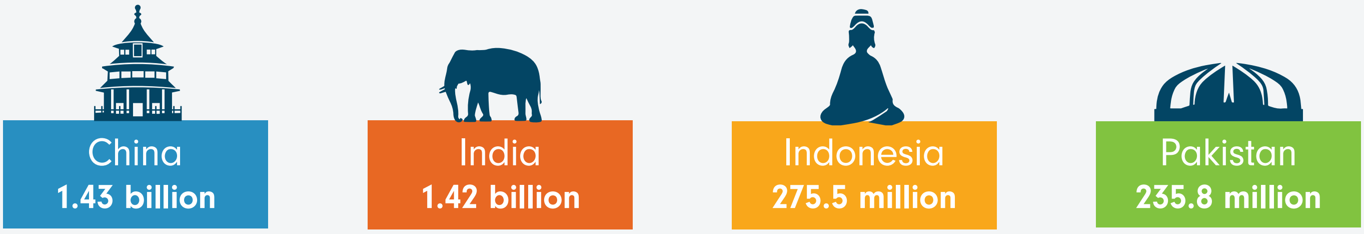


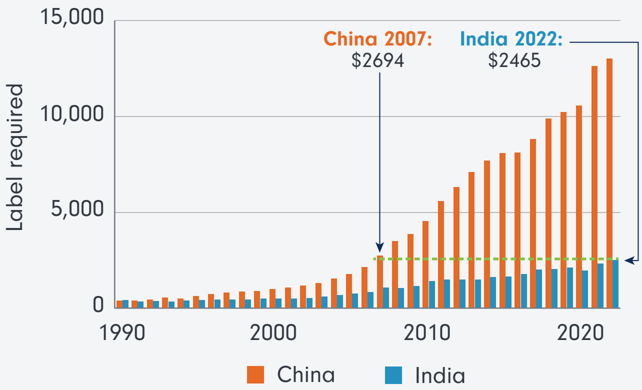
Figure 2. Asia is home to 60% of the world's population
Source: World Population Review, 2022; data accessed 13 February 2023.

How demographics and digitalisation are driving growth

With more and more people being lifted out of poverty, income levels across Asia are increasing. Over the last two decades, China's economic success pushed hundreds of millions of its citizens into the middle class. India, now at the early stages of China's previous growth track (see Figure 3), is expected to add millions more to Asia's middle class over the next decades as its young population accesses more economic opportunities.

Figure 3. GDP per capita: India is where China was in 2007

India looks like a re-run of the China consumption story from 15 years ago



Source: IMF World Economic Outlook Database, October 2022.

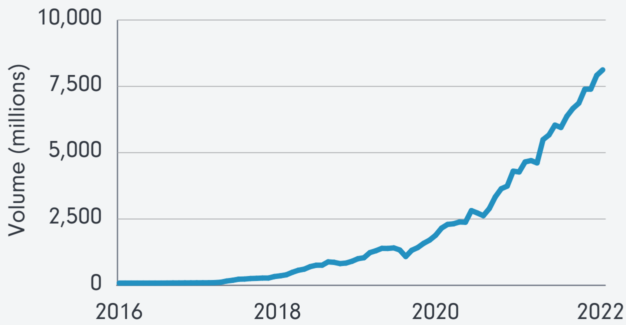
By 2024, over half of the Asian population is estimated to be middle class or rich.[1] Higher disposable incomes should drive significant demand for goods and services in the region over the next decades.

Technology is also turbo-charging the impact of this consumption power. For instance, in India, we have seen an explosion in mobile phone-based digital payments (see Figure 4).

In turn, new payment methods have spurred a boom in e-commerce, even prior to the pandemic. E-commerce revenues in Asia have surpassed other regions in the world and now accounts for nearly 60% of the world's online retail sales, with China the top e-commerce market in Asia.[2]

Figure 4. Digital transaction volumes

India rapidly adopted digital payments



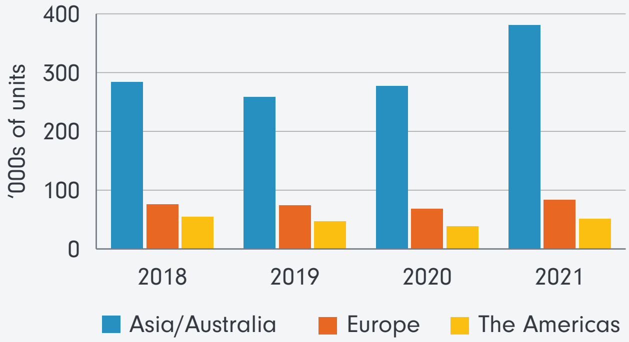
Source: National Payments Corporation of India, as at January 2023.
https://www.npci.org.in/what-we-do/upi/product-statistics

Indeed, as a region at the forefront of technology, the digital revolution is rippling through the region's industries. Asian companies are already using advanced technologies like artificial intelligence and robotics to reshape the way people live and work.

Manufacturing, an 'old economy' sector associated with brick-and-mortar factories, is harnessing the use of industrial robots. More industrial robots are employed in Asia than any other region on the planet (see Figure 5).[2] And the region's robot density – an indicator of automation adoption – grew faster than other regions from 2016 to 2021.[3]

In the last 20 years, technology innovation has accounted for nearly one-third of Asia's per-capita growth.[4] It is likely to remain a key focus for the region's major economies and companies as they seek to maintain their competitiveness.

Figure 5. Annual installations of industrial robots



Source: International Federation of Robotics as at October 2022.

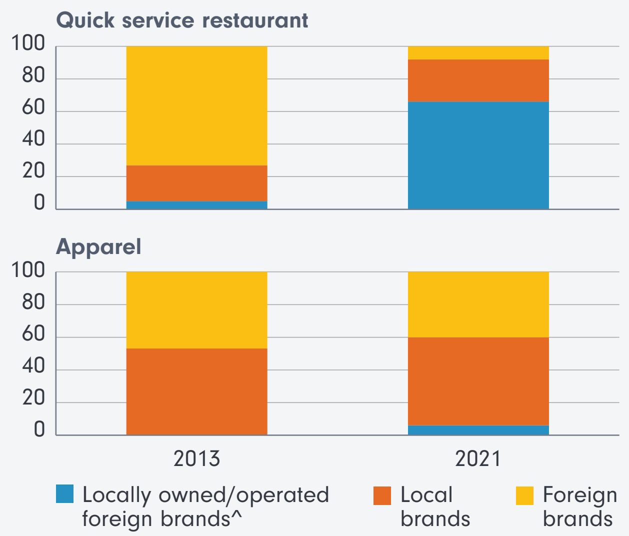
Regionalisation and localisation is changing the investment landscape

To address supply chain disruptions, large global companies have diversified their manufacturing bases, dispersing opportunities across Asia. India, Vietnam and Indonesia are attracting new foreign direct investments into manufacturing. Long term, it is our view that continued geopolitical uncertainty will continue to drive a more regional approach to trade. Intra-Asian trade, which already represents most of Asia's exports and imports, is accelerating.

At the same time, 'localisation' in China is a growing theme, as wholly local brands and foreign brands acquired by local players or operated by local companies are gaining market share in the apparel and fast-food sectors.

Figure 6. Value share of top 20 brands (%)

Local brands/locally owned foreign brands are taking market share from foreign brands



^Including foreign brands acquired by local players and brands with China entity operated/listed independently.

Source: Euromonitor; 2023 McKinsey China Consumer Survey.

In technology, while top index constituents such as Samsung, TSMC, Alibaba, Tencent and Infosys continue to command global market share in their respective domains, new tech players emerge as the start-up ecosystem in Asia scales up. India is now the third-largest startup ecosystem in the world,[5] and Indonesia is a start-up hotbed in Southeast Asia. Investors seeking opportunities in tech innovation and growth in the region may find them beyond the big index constituents.

Are investors missing out on Asia?

Despite Asia's growing economic clout, Asian companies are under-represented in global equity indices. In the global benchmark MSCI ACWI, Asian stocks (excluding Japan) make up just 11.9 % of the index.[6] When you consider that indices like this are used as benchmarks by many global funds, many investors can expect to be underweight in their allocation to Asian equities.

Asia is a complex and dynamic market, and while there are exciting opportunities to be found, there are investing challenges ahead that will require a discerning, active approach to stock selection.

Expert access to the best investment opportunities in Asia

Flexibility, together with a robust local and global research capability, underpin Fidelity's approach to investing in Asia equities. We've been on the ground doing business in Asia for more than 50 years. This extensive track record in the region provides our Fidelity Asia Fund Portfolio Manager, Anthony Srom, with a truly unique and independent view of the factors shaping returns from Asian companies. Based in Singapore, Anthony joined Fidelity in 2006 and has over 21 years of investment experience. With the Fund's concentrated, high conviction approach, Anthony and his team have more time to focus on specific stocks to truly understand the key drivers of potential returns. This strategy also provides greater opportunity for each holding to significantly contribute to overall fund performance.

Anthony Srom is backed by a 400-strong team of investment professionals worldwide. He carefully selects 20 to 35 companies from more than 1,500 Asian equities to build a concentrated, high-conviction portfolio of our best ideas in Asia.

Focus Media: Leading advertising platform in China

Focus Media Information is an out-of-home media group, with an 80% market share. Advertising is expected to grow faster than GDP and out-of-home advertising growth is set to outpace overall advertising. Clients fund advertising in advance, which gives the business a good cash profile. With its dominant market share, the company enjoys scale and lower costs than its competitors. Given the company's valuation and strong corporate culture, we believe there is significant room for growth over the coming years.

The company's media network covers more than 300 cities in China and across Asia in South Korea, Thailand, Indonesia, Singapore, Malaysia and other markets.[7] With a net cash position going into 2023, the company is well-placed to fund expansion activities.

What are the risks?

All investments involve risk; however, Fidelity actively manages risk within its investment portfolios and employs a range of monitoring procedures with the aim of reducing overall portfolio risk. The main risks of investing in this Fund are increased volatlity, when compared to more developed markets, movements in exchange rates, market risk, specific security risk, derivative risk and concentration risk. For further details on the specific risks of investing in this Fund, please refer to the Product Disclosure Statement.

Like to know more?

If you'd like to know more about the Fidelity Asia Fund, visit our website or call or email our client services team:

Telephone
1800 044 922

Email
auclientservices@fil.com

Website
fidelity.com.au

1. Brookings Institution, World Data Lab, as at 2 June 2022, https://www.brookings.edu/blog/future-development/2022/06/02/asias-tipping-point-in-the-consumer-class/#:~:text=Asia%20will%20face%20another%20watershed,more%20than%20%24120%2Fday). Middle class is defined as people spending $12-120, 2017, in PPP per day; rich is defined as people spending more than $120/day **2.** IMF, Accelerating Innovation and Digitalization in Asia to Boost Productivity, January 2023, https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2023/01/08/Accelerating-Innovation-and-Digitalization-in-Asia-to-Boost-Productivity-523807. **3.** International Federation of Robotics as of December 2022, https://ifr.org/ifr-press-releases/news/china-overtakes-usa-in-robot-density. **4.** IMF Data, The Digital Revolution in Asia, April 2019. **5.** Reserve Bank of India Bulletin, January 2023. **6.** Fidelity International/MSCI All Worlds Index, 31 August 2022. **7.** Focus Media Investor Relations as at 31 July 2022, https://www.focusmedia.cn/investorinfo/index.

Important information: All information is current as at 28 February 2023 unless otherwise stated. This document is issued by FIL Responsible Entity (Australia) Limited ABN 33 148 059 009, AFSL No. 409340 ('Fidelity Australia'). Fidelity Australia is a member of the FIL Limited group of companies commonly known as Fidelity International. **Prior to making any investment decision, investors should consider seeking independent legal, taxation, financial or other relevant professional advice.** This document is intended as general information only and has been prepared without taking into account any person's objectives, financial situation or needs. You should also consider the relevant Product Disclosure Statements ('PDS') for any Fidelity Australia product mentioned in this document before making any decision about whether to acquire the product. The PDS can be obtained by contacting Fidelity Australia on 1800 044 922 or by downloading it from our website at www.fidelity.com.au. The relevant Target Market Determination (TMD) is available via www.fidelity.com.au. This document may include general commentary on market activity, sector trends or other broad-based economic or political conditions that should not be taken as investment advice. Information stated about specific securities may change. Any reference to specific securities should not be taken as a recommendation to buy, sell or hold these securities. You should consider these matters and seeking professional advice before acting on any information. Any forward-looking statements, opinions, projections and estimates in this document may be based on market conditions, beliefs, expectations, assumptions, interpretations, circumstances and contingencies which can change without notice, and may not be correct. Any forward-looking statements are provided as a general guide only and there can be no assurance that actual results or outcomes will not be unfavourable, worse than or materially different to those indicated by these forward-looking statements. Any graphs, examples or case studies included are for illustrative purposes only and may be specific to the context and circumstances and based on specific factual and other assumptions. They are not and do not represent forecasts or guides regarding future returns or any other future matters and are not intended to be considered in a broader context. While the information contained in this document has been prepared with reasonable care, to the maximum extent permitted by law, no responsibility or liability is accepted for any errors or omissions or misstatements however caused. Past performance information provided in this document is not a reliable indicator of future performance. The document may not be reproduced, transmitted or otherwise made available without the prior written permission of Fidelity Australia. The issuer of Fidelity's managed investment schemes is Fidelity Australia. © 2023 FIL Responsible Entity (Australia) Limited. Fidelity, Fidelity International and the Fidelity International logo and F symbol are trademarks of FIL Limited.

05/2023