Fidelity INTERNATIONAL

Year in review
2024 – 2025

There's a smarter way to power portfolios

Year in review 2024 – 2025

Simon Glazier
Managing Director

In a world that is constantly changing and evolving, investors are being challenged to reassess long-held assumptions. There is deep-seated fragmentation of the global order, driven by US and China policy shifts, which are expected to alter trade and capital flows.

In this environment of ongoing geopolitical tensions, tariff announcements and retractions, the road ahead is fraught with uncertainty and asset price volatility. For investors, it will require keeping a cool head and, now more than ever, ensuring you have a robust and diversified portfolio.

At Fidelity, we've been working on giving investors easy access to our investment expertise in markets that can help diversify portfolios and offer alternative growth sources. Over the past 18 months, we've launched five funds on exchange, all with proven track records across global small-mid caps, emerging markets, Asia, India and Australia.

Investors can also now access our 35+ years of global fixed income expertise via our Global Bond Fund and gain exposure to an actively managed portfolio of our best ideas in Japanese equities.

At Fidelity, through this uncertainty we will continue to foster a culture that maintains a productive outlook, relentlessly focused on delivering excellent client outcomes.

We embrace diversity, equity, and inclusion, striving to create a sense of belonging and identity to enhance our organisational culture, empowering individuals and promoting collaboration to deliver exceptional outcomes.

The Australian marketplace is regulated to protect the consumer, and good governance is a strength of Fidelity and integral to our strategy and success. We have strong governance frameworks in place to support critical thinking and decision-making, and a collective mindset to ensure accountability and consistency.

In my twenty years of experience in financial services, I have witnessed a shift in the investment industry via an ever-increasing level of competition and choice for investors. I have seen fashions and fads, booms and busts, from both the market and product perspectives.

When facing these challenges ahead, whatever they are, I believe it is important to stay focused on fundamentals and the tried-and-tested investment philosophies that build better financial futures. For Fidelity, that means research-driven active management, leveraging our local expertise and global scale to deliver strong long-term returns to our clients.

By focusing on our core strengths, listening to our clients and fostering a collaborative team-based performance culture, we will be delivering better financial futures for many years to come.

Our investment expert views

Australian equities

Paul Taylor

Head of Investments Australia and Portfolio Manager Fidelity Australian Equities Fund

In the past year, Australian equities experienced substantial volatility, but yielded impressive returns, thanks to easing monetary policy, China's stimulus measures, and advancements in trade negotiations following US tariff concerns. Consumer sentiment showed improvement, reflecting optimism about inflation and interest rates, despite lingering challenges such as housing affordability and global risks. The Reserve Bank of Australia (RBA) reduced its cash rate amid easing inflation, which returned to the 2–3% target range.

The recent Australian reporting season was characterised by significant volatility and notable differentiation in company performance, even within the same sectors. Some companies outperformed by surpassing earnings expectations, while those that fell short faced harsh market reactions. Overall, earnings results were somewhat under pressure, primarily due to cost and margin pressures. The financial sector outperformed, led by gains in banks which show resilient earnings amid economic uncertainty. Information technology (IT) stocks also gained strongly, supported by solid earnings updates and renewed interest in AI-related stocks. Conversely, materials and energy sectors struggled, due to weak industrial metal prices. Amid declining commodity prices, gold emerged as a positive outlier, acting as a safe haven asset in uncertain market conditions.

Over the period, the Fidelity Australian Equities Fund underperformed the Index, primarily due to stock picking in consumer discretionary (Domino's Pizza) and healthcare (Ramsay Health Care) sectors, as well as being underweight industrials. On a positive note, robust security selection in materials (gold miner Evolution mining), consumer staples (Coles) and financials (Suncorp and CBA) added value.

Looking ahead, the long-term outlook for Australian equities remains positive, supported by structural factors like population growth through immigration and the resulting rise in consumption. The RBA recently cut interest rates for the first time in three years, signalling easing inflationary pressures. If service sector inflation begins to decline, further rate cuts could follow, offering relief to younger Australians burdened by high mortgage costs and living expenses, while boosting discretionary spending. Older Australians remain a key driver of domestic demand due to their spending power.

Global trade tensions, particularly US tariffs, have created volatility. While Australia is less impacted due to its limited exposure to US trade, the situation varies by sector. Pharmaceuticals are exempt from tariffs, benefiting Australian manufacturers, while retailers importing from China may gain from reduced competition if Chinese exports to the US decline. Companies with US-based manufacturing are better positioned, while those reliant on high-tariff countries face challenges. Metals and mining could see indirect impacts via Chinese growth, while REITs and infrastructure may benefit from market volatility.

Our investment approach focuses on identifying high-quality businesses with compelling long-term growth prospects, rather than trying to time shorter-term market movements. This disciplined, research-driven approach helps us navigate market volatility and capitalise on the wealth-building potential of equity ownership. Our portfolio is strategically positioned to capitalise on companies that are driving productivity improvements through operational efficiencies and technological innovation.

Regardless of the broader economic environment, whether influenced by factors like geopolitical tensions or interest rate movements, we believe these companies' solid business models and strong management execution provide a degree of resilience, making them compelling long-term investments within the Australian equity market.

Our investment expert views

Global equities

James Abela and Maroun Younes

Co-Portfolio Managers
Fidelity Global Future Leaders Fund and Active ETF (ASX: FCAP)

Global, developed-world mid-cap stocks rose notably over the twelve months ending 30 June 2025. A deeper dive revealed that it was indeed a tale of two halves, where the strong uptrend in the first six months of the review period contributed to this outcome. Investors kept a close watch on the US Federal Reserve's interest rate decisions, as well as stimulus announcements from China, where favourable outcomes in September 2024 drove stocks higher during the first half. Donald Trump's election as the next US president in November also contributed to gains as it prompted speculation about tax cuts and higher deregulation of businesses in the US.

However, concerns about the US imposing additional tariffs on its key trading partners took centre stage in the second half of the review period and peaked after the 'Liberation Day' tariff announcements on 2 April 2025. These announcements were far reaching and exceeded projections, both in the scale and the range of trading partners affected, which caused panic in global stock markets. While investor sentiment recovered after short-term reprieves were offered as the US began negotiating deals with its trading partners, investors were reminded that the China–US tensions are likely to endure, which will continue to have a multiplier effect on global inflation and supply–demand dynamics.

Over the review period, our investment process and its focus on striking the appropriate balance among quality, value, transition and momentum-led holdings remained consistent and has continued to deliver strong outcomes. We benefited from our security selection in the US, particularly in information technology where our research identified our leading contributor, AppLovin, at a crucial inflection point as it transitioned to a quality holding. Our decision to re-invest in Siemens Energy in light of a grid upgrade cycle, as well as gaining much more comfort around the strength of the balance sheet, proved rewarding as the company delivered encouraging earnings growth subsequently.

We remained aware that concerns began to build about high valuations, inflation, market confidence, global geo-political risks and tariff-driven cost pressures. The portfolio progressively reduced exposure to high-valuation quality names and focused on opportunities in high free-cash-flow businesses with reasonable valuations and strong quality of profitability.

We aim to manage risks given the volatility anticipated over the next twelve months, given the unpredictability of decision making in the US, as well as the reality of the impact it has on economic and corporate decision making. This calls for a more measured approach to portfolio construction. Investors overall will pay extra attention to earnings growth and their ability to support valuation multiples.

The focus of the portfolio remains on companies that are market leaders with good pricing power to grow or maintain margins, exposure to end-user growth and credible management teams. At market level, we remain conservative in our US exposure but retain conviction in key holdings whose prospects are encouraging. The portfolio remains balanced, with robust positions in technology, industrials, healthcare, and consumer sectors.

Our investment expert views

Asian equities

Anthony Srom
Portfolio Manager
Fidelity Asia Fund and Active ETF (ASX: FASI)

Over the past twelve months, Asian equity markets have advanced amid volatility driven by macroeconomic development, geopolitical tensions (India/Pakistan, Middle East, Russia/Ukraine) and US trade tariff announcements.

Chinese policy measures have played a significant role. Since late 2024, China's central bank and regulators adopted policy measures aimed at revitalising its struggling property sector, curbing economic slowdown and combating deflation. The breakthrough in large language model (DeepSeek-RI) in China has notably shifted market focus towards the potential growth in artificial intelligence (AI) adoption, highlighting China's growing influence in the technology space.

While US tariffs announced around 'Liberation Day' shocked the markets, subsequent easing of US–China trade tension has restored some investor confidence and stabilised capital flows in the region. Softening of the US dollar has resulted in the appreciation of regional currencies, providing support to foreign investments and regional consumption sentiment. An easing inflationary environment, interest rate cuts by regional central banks, and more proactive government policies provided a favourable recovery backdrop and further added to market strength.

During the year, the Fidelity Asia Fund's performance was largely in line with the market. Top contributing sectors included communication services, in which SEA from Singapore has grown its market share across Southeast Asia and Brazil, aided by competitor retrenchment and improving unit economics. Commodity exposure in the Fund gained prominence amid a rally in precious metal prices, like gold, and macro uncertainty.

The Fund's strategic shift away from hardware technology, driven by concerns over extreme sentiment and unattractive risk-reward profiles, proved beneficial as cyclical dynamics were misinterpreted as structural changes related to AI. Meanwhile, select Chinese communication services and consumption stocks rebounded and balanced some of the impact from an underweight allocation in the Chinese AI and electric vehicle momentum.

Looking ahead, the Fidelity Asia Fund aims to strategically navigate evolving market dynamics, ensuring the portfolio is well positioned to benefit from growth areas while mitigating risks. The focus will remain on sectors and regions offering attractive valuations and structural growth potential.

India, particularly its financial sector, presents promising opportunities with attractive demographics and economic growth prospects, leading to a new position in Axis Bank alongside an existing high-conviction holding in HDFC Bank, and e-commerce firm Eternal.

The ASEAN region, previously overlooked, now offers compelling investment opportunities characterised by favourable economic dynamics and regional growth trends, with significant holdings in Thailand (CP All, Bangkok Dusit Medical) and Singapore (SEA). In technology, the Fund maintains a substantial underweight position due to valuation concerns and concerns over AI-related capital expenditure slowdown, but opportunities may arise if valuation resets.

Commodities, especially copper, continue to be viewed positively, with recent additions based on valuation rather than thematic shifts. Tariffs will be closely monitored for their nuanced impacts, with companies like Techtronic potentially gaining competitive advantages against its peers in the evolving trade landscape.

The Fund is poised to leverage AI-driven innovations, particularly through new investments in companies like Tencent, which are well-positioned to utilise AI to enhance engagement and monetisation.

Overall, the Fund's disciplined approach, grounded in rigorous company research and selective risk-taking, will be essential in navigating the complexities of the Asian markets. By focusing on structural growth, valuation discipline, and regional diversification, the Fund seeks to identify mispriced opportunities and effectively manage downside risk, capturing Asia's long-term growth potential in the road ahead.

Our investment expert views

Global emerging market equities

Amit Goel
Portfolio Manager
Fidelity Global Emerging Markets Fund and Active ETF (ASX: FEMX)

Over the past twelve months, emerging markets have demonstrated resilience and delivered robust positive returns, despite facing considerable volatility driven by trade tensions, geopolitical factors, and shifting monetary policies.

The performance was mainly driven by strong performance in emerging Asia. China rallied notably following the release of the country's new artificial intelligence (AI) model in January and signs of a recovery in economic activity. Gains were, however, limited largely to AI-driven technology and internet companies, and high-dividend-yielding yet lower-quality financials.

Elsewhere, technology-heavy markets, particularly Taiwan, saw strong performances, buoyed by the outlook for AI-related demand. India rallied after a period of weakness as the central bank eased monetary policy. EMEA posted moderate gains, with South African equities initially declining post-election, but later rallying due to the formation of a market-friendly government and interest rate cuts by its central bank. Conversely, Latin America lagged overall, weighed down by weak performances in Brazil and Mexico.

Over the period, the Fidelity Global Emerging Markets Fund underperformed the Index, primarily because of the narrow rally in China. Our holdings in Chinese/HK consumer discretionary names (Li Ning, Shenzhou, Samsonite and Zhongsheng) underperformed, while being underweight financials and select Chinese internet companies (Alibaba and Xiaomi) was also unrewarding. On a positive note, robust security selection in South Africa (primarily driven by the position in Naspers, which owns a large stake in China's Tencent), India and Taiwan added value.

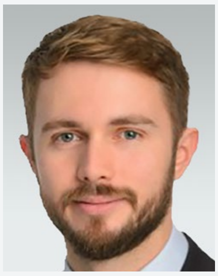
Looking ahead, we maintain a positive outlook on global emerging markets due to their diverse political, social, and economic landscapes, offering stock pickers an array of low-correlation opportunities. Valuations in the asset class are attractive, reflecting several known risks, including dollar strength and tariff concerns. Additionally, low earnings expectations and the potential for a recovery in China, the largest component, provide further upside.

Our portfolio is well-positioned, with three key areas driving potential alpha. Chinese consumer names stand to benefit from demand recovery and margin expansion. Chinese equities, which have largely seen thematic rallies in information technology and internet sectors, are expected to broaden as consumption recovers. With household balance sheets improving and the property sector stabilising, Chinese consumers are well-positioned to regain spending confidence. Domestic consumption, underrepresented in China's GDP, is likely to become a key focus for the government, benefiting sectors like sportswear, dairy, beer, and whitegoods. Elsewhere, Indian private sector banks offer significant upside due to penetration growth and market share gains over state-owned peers. In Latin America, Mexico and Brazil present unique opportunities, with Mexico leveraging its proximity to the US, and Brazil poised to benefit from rate normalisation.

Our investment expert views

Fixed income





Rick Patel, Ario Emami Nejad and Daniel Ushakov

Co-Portfolio Managers
Fidelity Global Bond Fund

Bond markets have been firmly in focus over the past twelve months, as headlines around central bank rate decisions, questions over whether we are in a 'higher for longer' rate environment and increasing concern over government fiscal and trade positions have been a media mainstay. Looking through the noise, however, there are two key themes to pick out whilst looking back over the period.

Whilst it is easy to get lost in the daily volatility, government yield curve steepening has been the clear theme. The US 10-year yield started the financial year at 4.46% and at the end of May 2025 it was almost unchanged at 4.40%. Over the same timeframe, the US two-year yield has fallen almost 90 basis points whilst the 30-year has risen by 30 basis points. There has been a similar theme seen across other government yield curves, as investors grapple with central bank cutting-cycle timing against longer-term fiscal concerns.

The strength of credit markets has continued to surprise. Whilst there have been brief periods of credit volatility, a strong market demand for yield has driven relentless credit spread compression. Whilst issuer credit fundamentals have remained relatively resilient in most places, this alone does not justify the sustained spread compression. The demand technical can be sustained with yields at attractive levels versus equity dividend yields, for example, but versus history, global investment-grade credit spreads have been trading at valuation levels not seen since before the 2008 Global Financial Crisis.

These factors highlight how complexity in global bond markets has increased against an uncertain macroeconomic and geopolitical backdrop, underlining the importance of a truly active approach to shifting interest-rate dynamics and bottom-up research insights applied to valuation-stretched credit markets.

Looking at what worked well for the Fidelity Global Bond Fund over the period, our defensive positioning has been key. Whilst our interest rate positioning was underweight, at a headline level our overweight in the five-to-10-year part of the US curve, as well as in German Bunds, were strong contributors to performance. The Fund's underweight to Japanese duration was also a material contributor, given the divergent monetary policy path here.

The Fund has maintained an underweight to credit risk, on the basis that valuations do not provide adequate compensation. Whilst this has been a detractor from performance as a result of the continued spread tightening, it is worth noting that there have been no material single-name credit detractors from performance. This defensive base also enabled the Fund to exploit periods of market volatility, where we were able to add credit risk at more attractive valuations, rather than chasing the market tighter.

Looking ahead, we continue to expect a slowdown in US growth driven by a consumer spending slowdown, combined with weakness in the labour market, resulting in a more aggressive US Federal Reserve cutting cycle than the market currently prices. We also maintain our defensive credit positioning on a valuations basis and remain prepared to add exposure during market dislocations. The key lesson we have learnt through this turbulent twelve months is the importance of remaining nimble during periods of volatility, and tactically trading in and out of ranges in duration and credit.

Our investment expert views

Sustainable investing

Daniela Jaramillo
Head of Sustainability Solutions

Despite pushback against environmental, social, and governance (ESG) principles in parts of the world and some outflows from ESG-focused products, the integration of ESG risks into investment strategies remains robust. This is what we continue to hear from our clients as they continue to strengthen the way they assess and monitor Fidelity's approach to ESG integration and effective stewardship efforts.

This resilience is underpinned by the recognition among investors of the substantial opportunities arising from significant megatrends such as the energy transition, biodiversity loss, and the structural shift towards more sustainable practices.

Investors recognise that these trends are not merely fleeting interests; they represent fundamental changes in the global economic landscape that investors are keen to capitalise on. As such, our conversations with clients are getting more sophisticated regarding the multiple opportunities and access points to the energy transition, resource scarcity, and sustainable technologies.

Increasing focus on systemic risks: Engage the problem, not the company?

Despite the ESG pushback that we often see in media and public discourse, the conversations with large investors have only become more sophisticated, as the focus has moved from single-company ESG issues to discussion of systemic risks like climate change and biodiversity loss. These risks are referred as such because of the potential for widespread disruptions in financial markets and economies, often stemming from interconnected factors that can trigger significant adverse effects across various sectors.

These risks are typically complex and multifaceted, as well as hard to measure – and therefore hard to price in and mitigate in portfolios.

Investors recognise that the companies they are invested in can often be core contributors to these systemic risks, and while they often are not necessarily affected directly, their impacts or externalities eventually can be felt by the whole economy. This is why those investors holding substantial shares in the world's largest companies understand their pivotal role in influencing corporate behaviour, but also advocating for ways of mitigating these risks with governments and regulators. This is what is often called systemic stewardship or beta stewardship, and it involves much more than traditional company engagement. It seeks to use investors' influence to address systemic problems through policy advocacy and engagement with the broader ecosystem.

Key policy developments

In Australia, the ESG industry is hoping to be supported by the win of the Australian Labor Party (ALP) in the federal election. The ALP has been focused on supporting Australia's transition to a low-carbon economy and demonstrating its ambition for global commitments. In the year ahead, we expect further clarity of 2035 government targets, sector pathways and a continued focus on developing tools to support sustainable finance.

The European Union has been ahead on ESG policy and is likely to streamline sustainability regulation, aiming to deliver sustainable outcomes in a way not overly burdensome for corporates. This involves streamlining corporate sustainability reporting requirements, due diligence requirements and the European Taxonomy. The EU continues to push forward with ambitious climate targets within this competitive landscape, reinforcing its commitment to carbon neutrality by 2050.

In contrast, the United States has federally exhibited a degree of regulatory pushback against ESG. Certain state governments and regulatory bodies have scrutinised ESG investing, questioning its alignment with fiduciary duties and economic priorities, while others are continuing to pursue

Sustainable investing (cont.)

the sustainability agenda – including California, which mandated corporate climate disclosures. We now observe a fragmented landscape where ESG adoption varies significantly across regions and sectors.

ASIC's role and mandatory climate disclosures

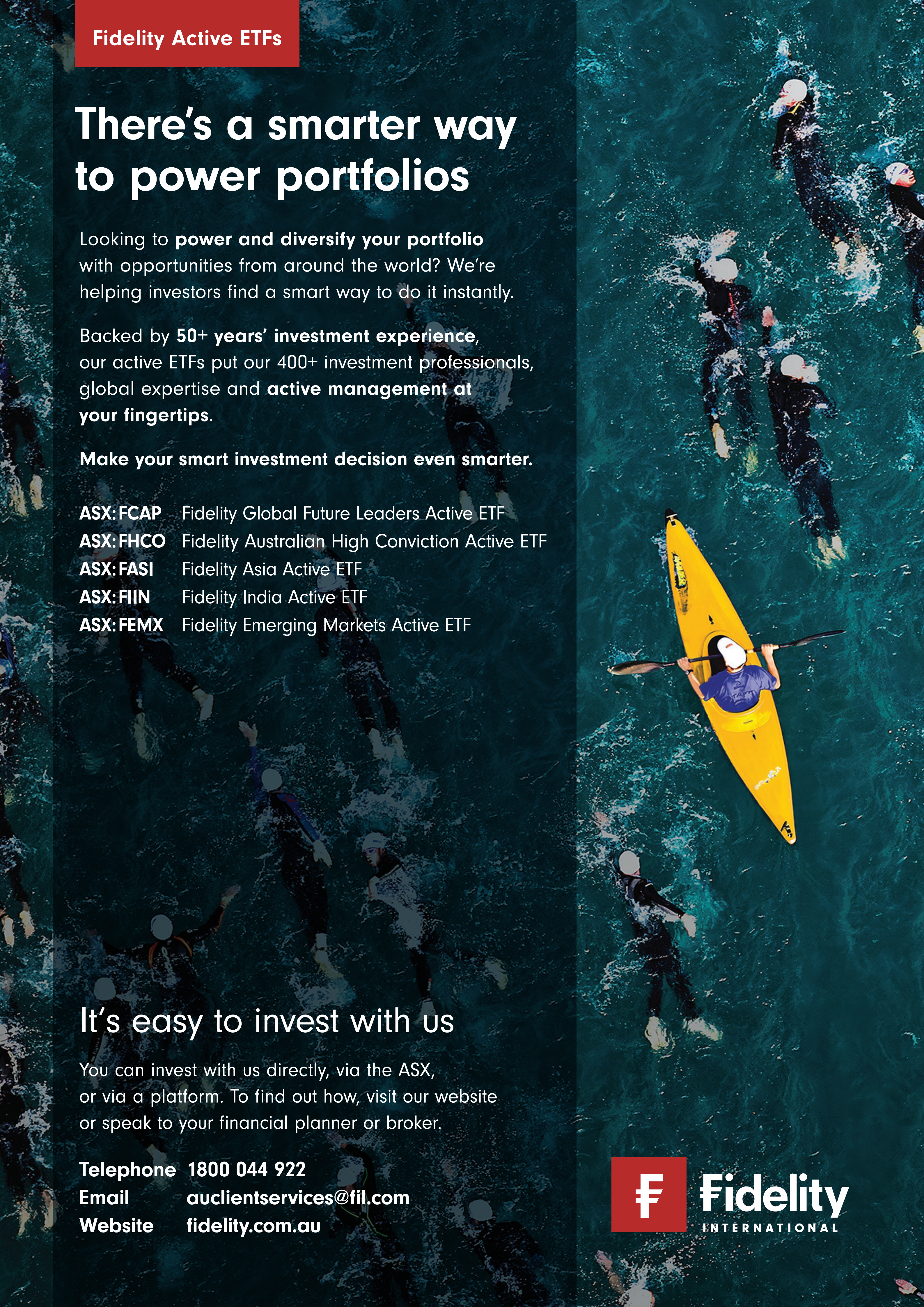
In 2024, the Australian Securities and Investments Commission (ASIC) intensified its scrutiny of corporate ESG claims, ensuring that companies provide accurate and comprehensive information to investors.

Australia introduced mandatory climate disclosures, requiring companies to report on their climate-related risks and strategies. This aligns with international best practice and aims to provide investors with the necessary information to make informed decisions. The mandatory disclosures are expected to drive greater corporate accountability and enhance Australia's reputation as a leader in sustainable finance.

Outlook

Looking ahead, we expect the ESG industry in Australia to refocus its approach to sustainability, and we are already seeing a shift to pragmatism and a focus on aligning ESG engagement with fundamentals and corporate strategy. Policy certainty and the country's commitment to reducing carbon emissions and fostering renewable energy, as well as the Future Made in Australia initiative, will help keep the country focused on these priorities. We believe this backdrop is essential for companies to have the confidence to deliver on their decarbonisation commitments and find opportunities in emerging technologies and abatement options.

Globally, the outlook is opaquer and more fragmented, with global priorities shifting regularly, and we remain attentive to any developments.



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