

As at 31  
December  
2017

## Fidelity Future Leaders

Fidelity Future Leaders Strategy aims to provide investors with the potential for long-term capital growth by investing in a portfolio of listed mid and small cap Australian shares.

The strategy is made up of a blend of stocks comprising quality, momentum, transition and value to create a balanced portfolio that aims to provide more consistent returns.

The strategy also offers investors significant diversification benefits by investing in 40 to 70 Australian companies.

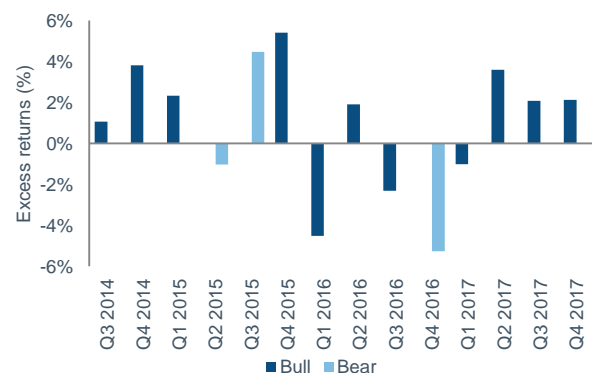
### Performance\*

Gross of fees (%)	3m	6m	1Y	2Y (pa)	3Y (pa)	Since inception (pa) 22/07/13
Fidelity Future Leaders	14.8	19.0	29.1	16.1	18.2	17.2
S&P ASX 300 ex ASX 50	12.7	14.5	21.2	18.4	15.8	13.5
<b>Excess returns</b>	<b>+2.1</b>	<b>+4.6</b>	<b>+8.0</b>	<b>-2.3</b>	<b>+2.5</b>	<b>+3.7</b>

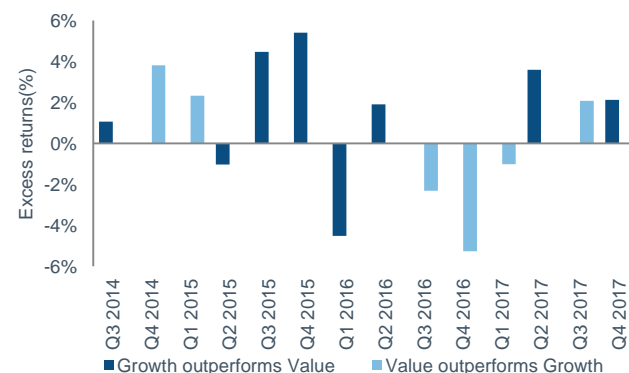
### Performance quarterly excess returns\*

Gross of fees (%)	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Fidelity Future Leaders	15.3	-2.3	7.8	5.4	-6.1	2.6	5.8	3.7	14.8
S&P ASX 300 ex ASX 50	9.9	2.2	5.9	7.8	-0.8	3.6	2.2	1.6	12.7
<b>Excess returns</b>	<b>+5.4</b>	<b>-4.5</b>	<b>+1.9</b>	<b>-2.3</b>	<b>-5.3</b>	<b>-1.0</b>	<b>+3.6</b>	<b>+2.1</b>	<b>+2.1</b>

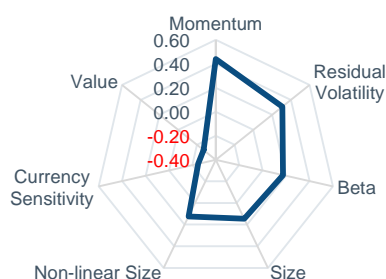
### Bull vs Bear



### Value vs Growth



### Portfolio risk exposure



### Portfolio characteristics

<b>Outperformance objective<sup>1</sup></b>	c. 3% p.a. (gross of fees)
<b>Net equity exposure<sup>2</sup></b>	c. 90 – 100%
<b>Active Money</b>	c. 50-60%
<b>Ex-ante beta</b>	c. 0.95 – 1.05
<b>Ex-ante Tracking error</b>	c. 2% – 5% (ex ante)
<b>Number of holdings</b>	c. 40-70
<b>Relative stock weights<sup>2</sup></b>	c. 0.5 – 3.0%
<b>Sector weight s (relative)<sup>2</sup></b>	c. + / -10%
<b>Expected turnover<sup>3</sup></b>	c. 70 – 100%
<b>Minimum Market Cap</b>	c.AU\$ 150 million (free float)
<b>Cash</b>	0-10%

## Commentary

The fund outperformed the index over the quarter. Conviction positions, particularly in information technology and financials were among the key contributors to returns.

### Key holdings buoyed gains

Quality stocks such as logistics enterprise software provider WiseTech Global, electronics design software company Altium and investment platform provider Netwealth Group buoyed returns. Investors favoured these stocks for their encouraging growth prospects. WiseTech recently upgraded its revenue guidance, even as its acquisitions in Australia and Europe attracted investor interest.

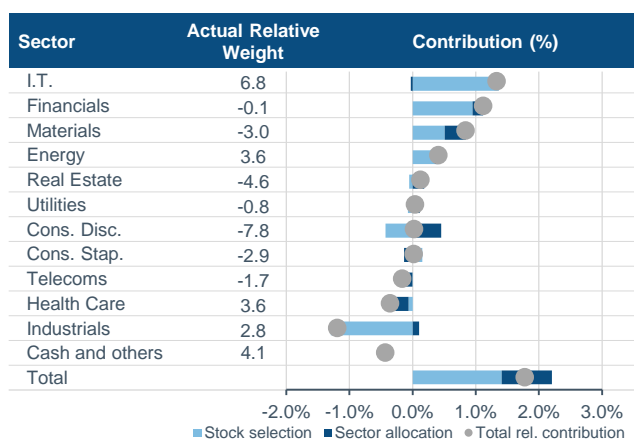
### Positions in commodity-space contributed

Lithium miners Galaxy Resources and Mineral Resources rose amid rising demand for lithium batteries in electric vehicles and renewable energy devices. Furthermore, Galaxy Resources entered into contracts to sell the output from the ramp-up of production at its key lithium project. Mineral Resources also announced that it would acquire oil and gas explorer AWE in a bid to secure gas for its mining operations. Investors favoured Beach Energy as the oil & gas explorer's move to acquire Lattice Energy is expected to boost its production and earnings profile.

### Certain holdings came under pressure

Laboratory testing service company ALS and financial software provider Class limited gains amid weak operating results.

## Sector attribution 3 months to 31/12/2017



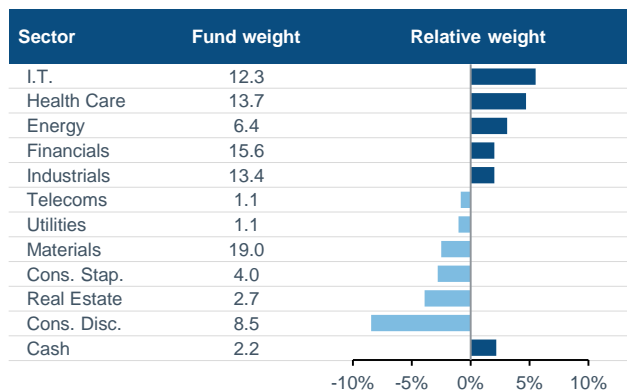
## Top and bottom contributors 3mths to 31/12/2017

Company	Industry	Avg rel. weight (%)	Contribution (bps)
WiseTech Global	IT	3.3	135.7
Netwealth Group	Financials	1.0	86.2
Beach Energy	Energy	1.4	48.9
Galaxy Resources	Materials	1.5	43.8
Altium	IT	3.8	37.0
Mineral Resources	Materials	2.1	17.1
IOOF Holdings	Financials	-0.9	16.0
Whitehaven Coal	Materials	1.0	14.9
G8 Education	Cons. Discretionary	-0.5	14.4
Perpetual	Financials	-0.6	14.0
ALS	Industrials	2.3	-60.7
Class	IT	0.7	-39.4
Corporate Travel Management	Cons. Discretionary	1.6	-35.1
RCR Tomlinson	Industrials	1.4	-31.4
Tabcorp Holdings	Cons. Discretionary	-1.4	-28.4
Auckland Intl Airport	Industrials	1.2	-17.6
Aconex	IT	-0.3	-16.4
WorleyParsons	Energy	2.4	-13.3
St Barbara	Materials	-0.4	-13.0
Investa Office Fund	Real Estate	0.3	-12.2

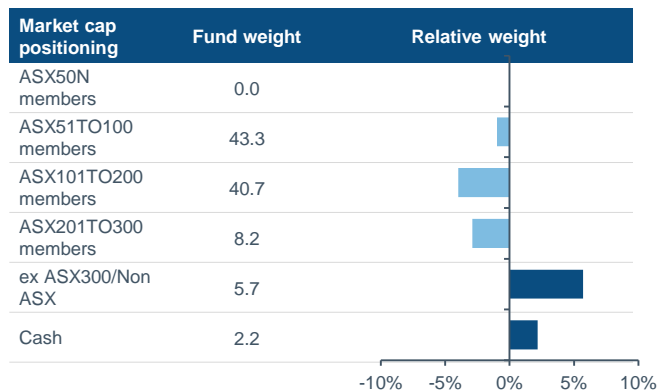
## Top 10 active positions at 31/12/2017

Name	Fund	Index	Relative
WiseTech Global	3.4	0.4	3.0
Altium	3.3	0.4	2.9
Netwealth Group	2.8	0.0	2.8
Star Entertainment Group	3.7	1.3	2.4
Ansell	3.0	0.9	2.1
Fisher & Paykel Healthcare	2.3	0.5	1.8
Mineral Resources	2.6	0.9	1.7
WorleyParsons	2.5	0.8	1.7
ResMed	3.3	1.6	1.7
Hub24	1.8	0.1	1.7

## Sector positioning



## Market cap positioning



## Strategy overview

Strategy AUM: AU\$ 314 M<sup>5</sup>

## Portfolio Managers



### James Abela

Investment experience: 18 years

Fidelity experience: 12 years

Based in: Australia

B.Comm, M. Comm, University of NSW,  
Sydney, Australia

## Strategy summary

- Fundamental, bottom up, research driven investment philosophy based on identifying stocks that have following 'the pillars of success':
  - **Viability:** pricing power, strong opportunities and high or rising return on equity
  - **Sustainability:** a strong industry position and the ability to generate cash flow to fund growth and withstand competitive pressures
  - **Credibility:** strong conviction in the quality of accounting, business, management
- High risk-return awareness through a Quality-Momentum-Transition-Value-lens to classify stocks for better risk reward analysis and a consistent performance across market cycles.
- Experienced portfolio manager supported by Fidelity's widespread analyst network and research tools.

---

## Our investment process

At Fidelity International, our edge is proprietary fundamental research, with around 150 analysts globally, contributing research and views to a state of the art research management system which acts as a single source for all Fidelity research including equity and credit. Its rich functionality is also flexible, allowing Portfolio Managers to overlay their investment strategies in order to harvest stock specific alpha for their portfolios.

1. Outperformance objective is relative to the S&P ASX / 300 ex ASX 50 Index.
2. Data is presented as a percentage of Total Net Assets (the value of all the fund's assets after the deduction of any liabilities).
3. Expected turnover refers to ex ante annual turnover and is calculated as the lesser of purchases or sales divided by average TNA.
4. The strategy is allowed to hold companies which get promoted into the ASX 50 but is required to sell within 12 months
5. AUM as at 31 December 2017. Figure includes all client assets managed using the Fidelity Future Leaders' strategy.



\*Past performance is not a reliable indicator of future performance. Total returns (gross) shown are calculated using mid-prices with distributions reinvested. However, gross returns do not make any allowance for Fidelity's management costs, transactional and operational costs, tax or the buy/sell spread. Returns of more than one year are annualised. The return of capital is not guaranteed. Comparative Index: S&P ASX / 300 ex ASX 50 Index.

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.

References to specific securities should not be taken as recommendations. Fund references are correct at time of first publication but are subject to change and may not represent actual holdings in the fund at the time of this viewing. This document is intended for the general information of institutional investors only. You should consider obtaining independent advice before making any financial decisions. Fidelity Australia does not authorise distribution to retail investors. This document may not be reproduced or transmitted without the prior written permission of Fidelity Australia.

© 2018 FIL Responsible Entity (Australia) Limited. Fidelity, Fidelity International and the Fidelity International logo and F symbol are trademarks of FIL Limited.