

# Fidelity Global Emerging Markets ETF FEMX

## Morningstar Rating

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

## Morningstar Analyst Rating

**Neutral**

17 May 2021 04:08, UTC

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Chris Tate, CFA, Analyst

## Net Assets—Share Class

238.4 (AUD Mil)

## Maximum Management Fee

0.99

## 12-Month Yield

0.00%

## 3-Mo. Avg. Daily Volume (Shares)

154,718

## Morningstar Category

Australia Fund Equity Emerging Markets

## Category Index

MSCI EM NR AUD

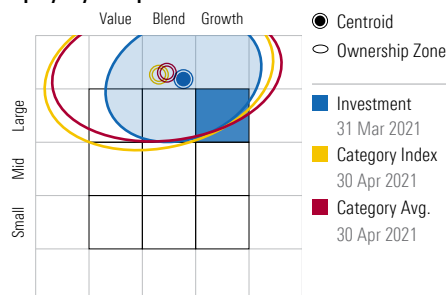
## Prospectus Benchmark

MSCI EM NR AUD

## Exchange

ASX - ALL MARKETS

## Equity Style Map



## Analyst(s)

Chris Tate, CFA, Analyst

## Morningstar Analyst Rating

**Neutral**

17 May 2021 04:08, UTC

## Morningstar Pillars

Process(17 May 2021)	Average
People(17 May 2021)	Average
Parent(17 May 2021)	Above Average
Disclosure	

## Morningstar Analyst Rating

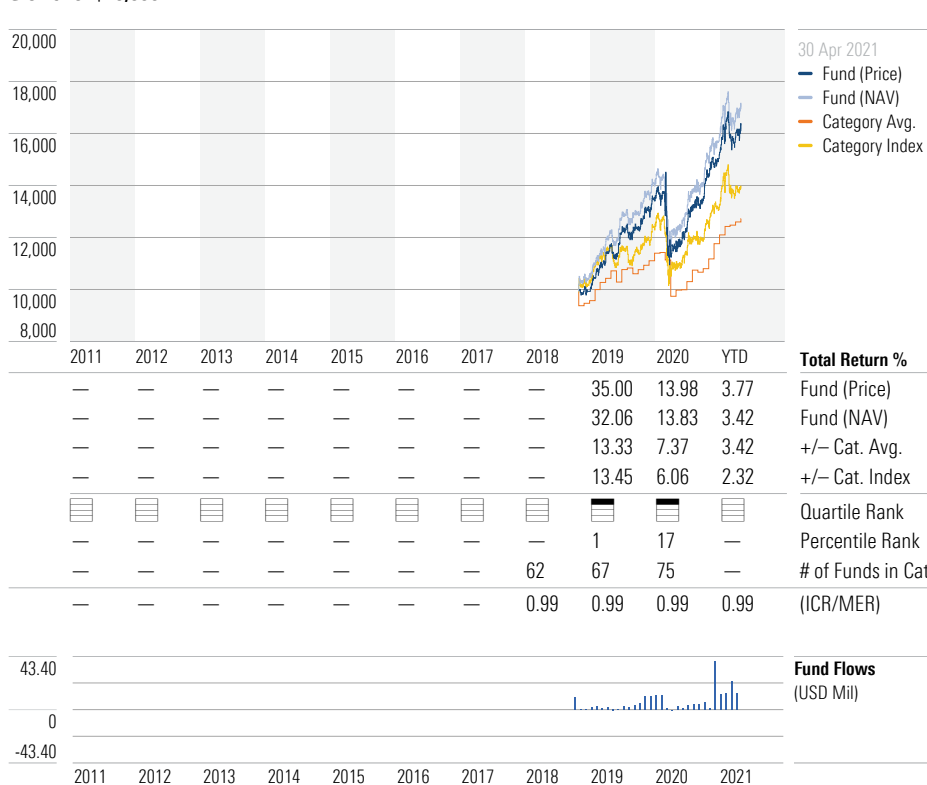
Morningstar evaluates funds based on five key pillars, which its analysts believe lead to fund that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold	Silver	Bronze	Neutral	Negative
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The Morningstar Analyst Rating for Funds is a forward-looking analysis of a fund. Morningstar has identified five key areas crucial to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term (defined as a full market cycle or at least five years) and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term (defined as a full market cycle or at least five years). Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit <http://global.morningstar.com/managerdisclosures>

## Growth of \$10,000



**\*Performance Disclosure:** The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein.

## Analyst View

The sudden departure of lead portfolio manager Alex Duffy lowers our confidence in Fidelity Global Emerging Markets ETF FEMX.

Alex Duffy departs this strategy having managed it since its 2013 launch, including this active ETF which parallels the unlisted fund. The loss of Duffy is disappointing, as he was an investor we rated highly. Effective 28 May 2021, Amit Goel assumes responsibility as lead manager alongside comanager Punam Sharma. Goel brings specific Asian and Indian stock knowledge; he began managing the Asian equity component of another Fidelity emerging market strategy in 2014, before rising to comanager in December 2019. His portfolio management experience includes sole lead of an

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Indian equity strategy from February 2020. While Sharma has been portfolio manager of Fidelity's Latin America equity strategy since July 2019. Notwithstanding the new set-up has stock expertise across the major regions, our view of the limited portfolio management experience tempers our prior conviction. We are also watchful of the increased workload, as neither is relinquishing their existing duties.

The core approach remains intact, but Duffy's integral involvement in building this strategy from the ground up cautions our process view too. This approach focuses on governance, sustainability, management quality, and balance sheets in seeking high-quality companies in structural growth segments or market leading positions. The portfolio is concentrated, holding 30-50 stocks with little attention to its MSCI Emerging Markets Index benchmark. It tilts toward a growth style relative to its benchmark and peers but Goel's valuation discipline is likely to ensure this isn't too pronounced. Goel now has extra scope to increase maximum position sizes to 8%, meaning there's likely to be greater conviction in the top 5 names, which could bring added volatility. Duffy's enviable record has less relevance now it's in new hands, despite returns through April 2021 being handsomely ahead of benchmark. Investors should note trading costs can affect returns. Fidelity publishes an intraday indicative net asset value, or iNAV, on its website to help with price discovery. However, since October 2018 launch, bid-ask spreads have widened materially in times of volatility, so caution needs to be exercised.

While the strategy remains an investible emerging market exposure, we want to see this manager hit his strides after this upheaval to rebuild our positive views.

**Process** ● Average

## Approach

Lead portfolio manager Amit Goel takes control of this strategy from Alex Duffy on 28 May 2021 and will apply the same quality-focused bottom-up approach. In hoping to avoid some of the many pitfalls of emerging-markets investing, Goel focuses on strong corporate governance, sustainability of the business, management quality, and unquestionably strong balance sheets. Other considerations are ownership structure, management alignment, labour and social relations, capital allocation, and strong and improving ESG characteristics. If any don't meet the necessary standards, a company is not eligible for the portfolio or will be sold should new information come to light.

Focus then falls on the sustainability of the business model. Goel looks for highquality companies with market leadership and structural growth potential from strong brands, superior technology, and scale advantages. Macro analysis will be incorporated into the valuation of each company, with valuation discipline driving position sizing, and stock entry and exit. Goel is the ultimate decision-maker on what makes the grade, but with collaboration from comanager Punam Sharma. Both have the wider Fidelity analyst team at their disposal. The final portfolio consists of 30-50 stocks, and turnover is around 30%. The maximum stock weight increases from 5% to 8% under Goel, meaning

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Morningstar Rating

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Morningstar Analyst Rating

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Morningstar Category

Australia Fund Equity Emerging Markets MSCI EM NR AUD

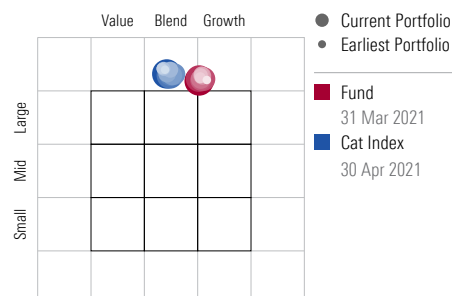
Category Index

Prospectus Benchmark

MSCI EM NR AUD

there's likely to be greater conviction in the top 56 holdings. Fidelity publishes an intraday indicative net asset value on its website using live prices, equity futures, fair value comparisons, and currencies. The vehicle targets a spread of 40 basis points on either side, but they can widen notably during volatile periods.

## Historical Style Map 31 Mar 2021



## Financial Metrics 31 Mar 2021

	Fund	Cat Index	Cat Avg.
Wide Moat Coverage %	40.89	35.80	40.55
Narrow Moat Coverage %	33.78	30.79	29.64
No Moat Coverage %	25.33	33.41	29.81
Financial Health	B-	C+	C+
Profitability	C+	C	C
Growth	B-	B-	B-
ROIC	13.85	11.25	12.75
Cash Return %	108.31	43.36	44.07
Free Cash-Flow Yield ex-Fins	36.02	26.54	21.53
D/C Ratio	25.02	24.10	24.35

## Value & Growth Measures 31 Mar 2021

	Fund	Cat Index	Cat Avg.
P/E	19.64	14.57	13.56
P/B	3.75	1.83	1.74
P/Sales	3.11	1.38	1.41
P/Cash Flow	13.43	5.13	6.14
Div. Yield %	1.76	2.16	2.71
Long-Term Earnings %	15.26	12.93	12.29
Historical Earnings %	4.89	2.16	3.62
Sales Growth %	8.92	4.33	3.82
Cash-Flow Growth %	15.41	6.15	9.94
Book Value Growth %	10.93	8.24	7.25

## Portfolio

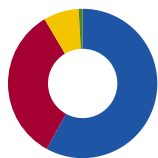
The team builds a portfolio of typically 40 stocks, but it can range from 30 to 50, with the top 10 names having around 40% of the assets. Ideas can come from up-and-down the market-cap spectrum. Giant- and large-cap stocks still comprise over 90% of the portfolio, meaning the increased assets under management seen in recent years shouldn't impede performance. Similarly, stocks can come from any of the emerging-markets regions depending on the company's fundamentals.

As of December 2020, China-domiciled stocks accounted for around 30% of the portfolio, an increased weighting in recent years but still below the benchmark. Both consumer sectors, discretionary and staples, have long been overweighted, taking up about a third of assets at year-end 2020. This allocation includes an Alibaba position, previously shied away from because of its variable-interest entity structure, which aren't typically considered investible but reconsidered following improvements and increased transparency. The portfolio has also tended to gravitate towards financials but reduced exposure to banks in unfavourable regions throughout 2020, while maintaining comfort with top holdings in Indonesia (PT Bank) and India (HDFC Bank). The portfolio has a slight growth tilt relative to the MSCI Emerging Markets Index, but valuation discipline shouldn't see this bias extend too far.

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## Market Capitalization Breakdown % 31 Mar 2021

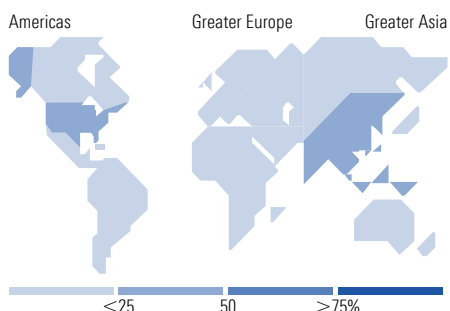


	Fund	Cat Index	Cat Avg.
Giant	58.00	55.42	57.72
Large	33.48	33.62	26.48
Mid	7.66	10.79	14.17
Small	0.86	0.18	1.63
Micro	0.00	0.00	0.01

## Top 10 Holdings 31 Mar 2021

	Portfolio Weight %	Morningstar Rating	Total Return YTD %
Taiwan Semicondu...	5.12	★★★★★	4.06
HDFC Bank Ltd	4.92	—	0.28
AIA Group Ltd	4.72	★★★	7.81
Naspers Ltd Class N	3.59	—	-0.10
PT Bank Central ...	3.55	—	-3.14
Samsung Electron...	3.51	★★★★	-1.35
E-mini S&P 500 F...	3.51	—	—
MediaTek Inc	3.45	★★★★★	22.36
Tata Consultancy...	3.43	★★	7.44
Techtronic Indus...	3.33	—	19.77

## World Region %



	Fund	Cat Index	Cat Avg.
<b>Americas</b>	<b>12.62</b>	<b>7.42</b>	<b>9.54</b>
North America	10.42	0.25	1.54
Latin America	2.20	7.16	8.00
<b>Greater Europe</b>	<b>16.17</b>	<b>12.73</b>	<b>14.15</b>
United Kingdom	0.02	0.00	0.34
Europe-Developed	4.27	0.26	1.57
Europe-Emerging	2.86	4.14	6.05
Africa/Middle East	9.01	8.34	6.18
<b>Greater Asia</b>	<b>71.21</b>	<b>79.85</b>	<b>76.31</b>
Japan	0.00	0.00	0.06
Australasia	0.00	0.00	0.02
Asia-Developed	28.51	28.28	29.81
Asia-Emerging	42.70	51.56	46.42

## Sector Weightings % 31 Mar 2021

	Fund	Cat Index	Cat Avg.
<b>Cyclical</b>	46.45	44.40	43.13
Basic Materials	11.90	8.07	7.65
Consumer Cyclical	13.72	15.66	12.97
Financial Services	20.73	18.28	20.08
Real Estate	0.09	2.39	2.44
<b>Sensitive</b>	44.03	43.32	44.95
Communication Serv.	8.29	13.16	12.36
Energy	0.10	4.86	4.26
Industrials	8.44	4.05	5.58
Technology	27.20	21.26	22.75
<b>Defensive</b>	9.52	12.28	11.92
Consumer Defensive	7.41	5.73	6.43
Healthcare	2.01	4.60	2.97
Utilities	0.10	1.94	2.52
Avg Market Cap (USD Bil)	68.21	51.96	64.69
Turnover Ratio %	—	—	—
% Assets in Top 10	39.12	28.00	—
# of Holdings	39	1391	707
Base Currency	Australian Dollar	Australian Dollar	Australian Dollar

## Index Attributes 30 Nov 2018

Index Selection	—
Index Weighting	—
Strategic Beta	No
Strategic Beta Group	—

## Performance

This strategy's history under Alex Duffy is strong, but that track record should be viewed cautiously under new portfolio management from May 2021. FEMX commenced trading in October 2018, but the strategy began back in December 2013. From its launch through December 2020, its 12.3% annualised gain beat the MSCI Emerging Market Index's 8.6% gain and the average emerging-markets category peer as well. Not only has it beaten both its index and average peer in six of seven years since, but it has done so with lower volatility than both, driven by a five-year downside-capture ratio of under 80%. Performance has been consistent, too: The fund lands in its peer group's top quartile in more than 90% of rolling three-year returns.

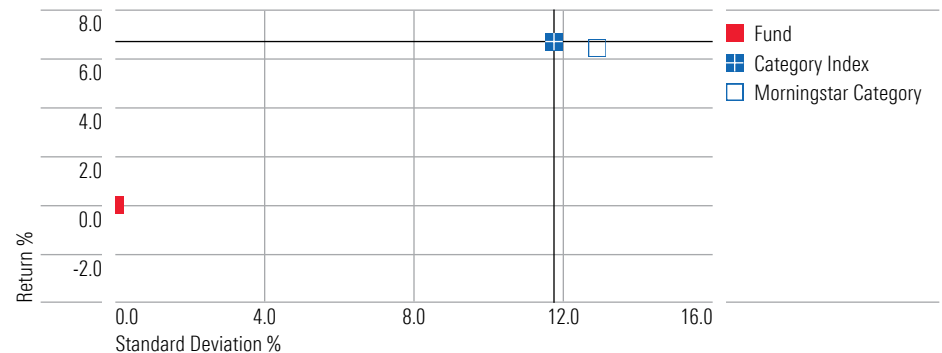
The sole blemish to date--2016. The strategy lagged in that bounceback year after holding up well in 2015's downturn, which was not unexpected given the investment style. Owing to the mostly benchmark-unaware style, stock selection and not country or sector selection, will drive relative returns. Early stock-picking successes, AIA and Taiwan Semiconductor, notably remain prominent

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portfolio holdings as of December 2020. Performance from 2017 through 2020 has been top-quartile, including a banner 2019, where its 32.0% gain lapped the benchmark and peer group by over 13.0% each. Despite being a bit behind in 2020's sell-off through March, year-end returns finished substantially ahead of benchmark and category, 8.3% and 7.0%, respectively.

## 3-Year Risk vs. Return Scatterplot 30 Apr 2021



## 3-Year Market Volatility Measures 30 Apr 2021

	Fund	Cat Index	Cat Avg.
Upside Capture Ratios %	—	—	—
Downside Capture Ratios %	—	—	—
<b>Drawdown Maximum %</b>	<b>—</b>	<b>-12.35</b>	<b>-14.72</b>
Drawdown Peak Date		01 Feb 2020	
Drawdown Valley Date		31 Mar 2020	
Max Drawdown Duration		2	

## Rolling Return Summary 30 Apr 2021

0%	36-Month Rolling Periods 0
0	Observations, 0 Years
0	The shading and percentages
0	correspond to how often the
	strategy returns landed in each
	category quartile.

## Risk & Volatility Measures 30 Apr 2021

	1-Year			3-Year			5-Year		
	Fund	Cat Index	Cat Avg.	Fund	Cat Index	Cat Avg.	Fund	Cat Index	Cat Avg.
Trailing									
Alpha	13.21	—	5.69	—	—	0.12	—	—	-0.83
Beta	0.83	—	0.82	—	—	0.97	—	—	0.94
R-Squared	66.27	—	57.47	—	—	80.17	—	—	81.33
Sharpe Ratio	4.57	3.34	2.93	—	0.53	0.47	—	1.06	0.88
Standard Deviation	7.15	7.05	8.82	—	11.75	12.91	—	10.18	10.69

## Trailing Returns 30 Apr 2021

	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	15-Year	Since Inception
Total Return %	2.18	4.13	6.41	37.76	—	—	—	—	23.43
+/- Category	1.18	1.69	1.24	9.79	—	—	—	—	—
+/- Index	1.12	3.10	1.69	11.72	—	—	—	—	—
Quartile Rank	■	■	■	■	—	—	—	—	—
Percentile Rank	19	21	30	12	—	—	—	—	—
# of Funds in Category	73	73	73	70	57	50	32	10	—

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## Sustainability Rating<sup>2</sup>



Percent Rank Relative to Global Category: Above Avg.

Global Category Percent Rank out of 1,000 Funds



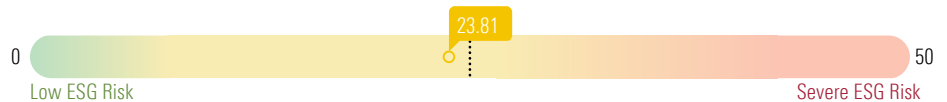
Sustainable Fund by Prospectus?

☐ Yes ☒ No

Historical Sustainability Score | Global Category Average



Current Sustainability Score (Based on 98% of AUM)



ESG Pillars



Morningstar Global Category: Global Emerging Markets Equity. Sustainability Score as of 31 Mar 2021. Sustainability Rating as of 31 Mar 2021. Sustainability provides company level analysis used in the calculation of Morningstar's Sustainability Score. Sustainability Mandate information is derived from the fund prospectus.

## People ● Average

Alex Duffy announced his resignation from Fidelity and this strategy in April 2021, having run it since its inception in 2013. Effective 28 May 2021, Amit Goel will assume responsibility as lead portfolio manager, working in partnership with co-manager Punam Sharma. The Singapore-based Goel joined Fidelity in 2006 as a research specialist and progressed to managing the Asian equity component of another Fidelity emerging market strategy in 2014, before being appointed co-manager in December 2019. He has also run an Indian equity strategy as sole lead since February 2020. Goel will retain all these responsibilities in addition to his new role. Sharma, based in London, has been portfolio manager of Fidelity's Latin America equity strategy since July 2019.

China research analyst Sherry Qin remains non-discretionary advisor to support the duo, a role she was appointed to in 2020, assisting with non-decision-making portfolio duties in the greater China region. The team has a substantial analyst team at their disposal. At the time of writing, there were 47 analysts organised along sector lines mainly. The team members are located across multiple countries, including India and China. Analysts are directly accountable for their calls, which is part of their incentive plans. For portfolio managers, the majority of variable remuneration is linked to three- and five-year strategy performance.

Management	Inception Date	Number of Managers	Longest Tenure	Average Tenure	Advisor(s)								
	28 Oct 2018	1	2.6 Years	2.6 Years	FIL Limited								
<div>Timeline<div>Past</div><div>Current</div></div>													
Portfolio Manager	Start Date	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	End Date
Alex Duffy	10/28/2018												—

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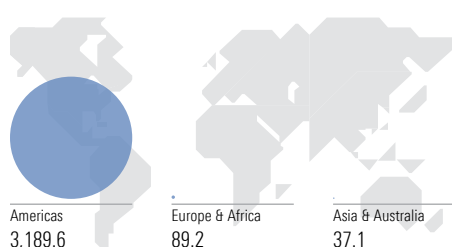
MSCI EM NR AUD

## Parent ● Above Average

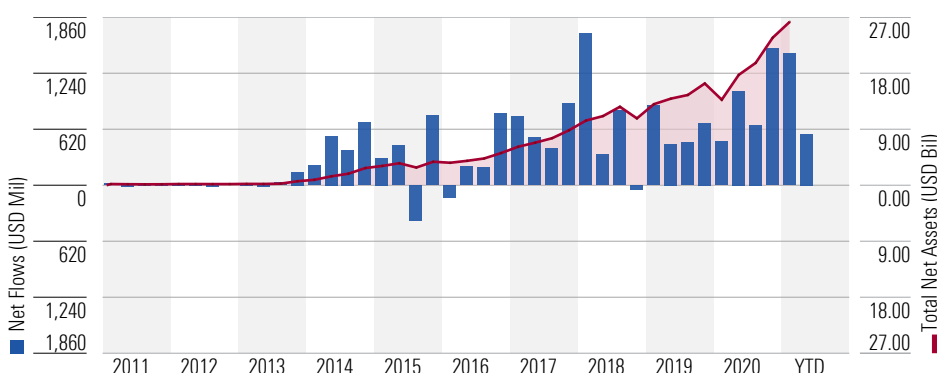
Fidelity International Limited is mainly owned by management and members of the Johnson family, who founded US-based Fidelity Investments. The entities have been separate since 1980, and though there are some similarities, in practice there is only limited alignment between the two. There were a number of personnel changes in 2018-19, including a change in CEO and the CIOs of equities, fixed-income, and multi-asset, but the composition of senior management has been relatively stable since. More important, these changes do not seem to have negatively affected day-to-day investment activities, and on the whole, the initiatives undertaken by new management seem sensible. In keeping with its focus on proprietary fundamental research, the group has one of the largest research capabilities, its key strength, with over 400 investment professionals and a global research support network. In recent years, there has been an increase in resources dedicated to environmental, social, and governance issues, including a proprietary ESG ratings system and a larger sustainability team. There remain some discrepancies in remuneration between asset classes, but there has been an increasing alignment, and we deem each respective setup logical and broadly aligned with investors. We continue to believe the group exhibits above-average qualities.

## Global Assets By Region, By Domicile Bil USD

31 Mar 2021



## Total Firm Assets and Fund Flows 31 Mar 2021



## Price

It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's second-cheapest quintile. Even so, based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we don't think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Neutral.

## 3-Year Tax Cost Ratio 30 Apr 2021

## Historical ICR 15 Dec 2020

	2015	2016	2017	2018	2019	2020	2021
Indirect Cost Ratio %	—	—	—	0.99	0.99	0.99	0.99

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Cost Summary 15 Dec 2020	
Latest Annual ICR	0.99
Max Management Fee	0.99
Performance Fee	—%
Performance Fee Index	—
High Watermark	—



# Morningstar Global Fund Report Disclosure

## Currency

This Research Report is current as at the date on the report until it is replaced, updated or withdrawn. Our financial product research may be withdrawn or changed at any time as other information becomes available to us. This report will be updated if events affecting the report materially change.

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For further information as to:

- ▶ the scope and expertise of our research,
- ▶ the process by which products are selected for coverage,
- ▶ the filters and research methodology applied, and
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- ▶ exercise due care and skill in assessing the information available to them, and
- ▶ give their opinions and ratings on reasonable grounds and in accordance with Morningstar's research methodologies

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