

Fidelity Global Emerging Markets Fund (Managed Fund) FEMX

Quarterly report

As at 31/12/2020

Fund description

Invests in a portfolio of 30 to 50 emerging markets securities that we believe are positioned to generate returns through market cycles and have demonstrated a track record of strong corporate governance.

Fund facts

ASX Code: FEMX

Portfolio manager: Alex Duffy

Benchmark: MSCI Emerging Markets Index NR

Inception date: 29/10/2018

Fund size: AU\$165.03M

Number of stocks: 30 to 50

Management cost: 0.99% p.a.

iNAV tickets: RIC FEMXAUiv.P

Bloomberg Code: FEMXIV Index

Portfolio guidelines

Stocks: Max 5% at initiation of position

Industry: Unconstrained

Region: Unconstrained

Country: Unconstrained

Frontier Markets: Up to 20% maximum

Cash: Target range between 0-10%

Top 10 holdings (%)

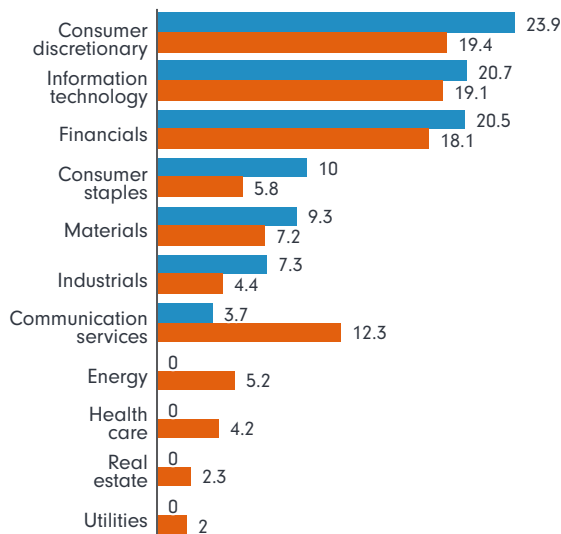
	Fund	B'mark
Taiwan Semiconductor MFG Co Ltd	5.9	5.8
HDFC Bank Ltd	5.1	0.0
AIA Group Ltd	4.8	0.0
Samsung Electronics Co Ltd	3.8	4.7
Bank Central Asia Tbk Pt	3.8	0.3
Midea Group Co Ltd	3.5	0.0
Li Ning Co Ltd	3.5	0.2
Naspers Ltd	3.4	1.2
Housing Dev Finance Corp Ltd	3.4	0.7
Zhongsheng Group Holdings Ltd	3.3	0.1

Performance %

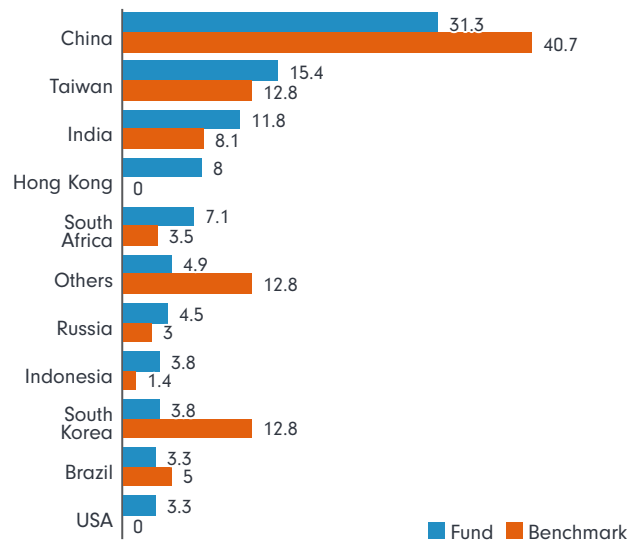
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since Inception p.a (29/10/2018)
Fidelity Global Emerging Markets Fund (Managed Fund) FEMX	4.77	13.27	23.46	13.83	-	-	23.81
MSCI Emerging Markets Index NR	2.51	11.18	17.01	7.77	-	-	14.06
Excess return	2.26	2.09	6.45	6.06	-	-	9.75

Total net returns represent past performance only. **Past performance is not a reliable indicator of future performance.** The Fund is subject to the risk of stock market fluctuations. Total returns (net) have been calculated using the net asset value of the Fund from one period to the next. The returns include any re-invested distributions and are after fees and expenses. No allowance has been made for taxation. For periods of less than one-year returns are not annualised. Returns of the Fund can be volatile and in some periods may be negative. The return of capital is not guaranteed.

Industry breakdown %



Geographic breakdown %



Units in Fidelity Global Emerging Markets Fund (Managed Fund) (ASX:FEMX) are available for trading on the ASX. For further information, please visit fidelity.com.au or call Client Services on 1800 044 922.

The Fund is unhedged and is subject to the risk of fluctuations in stock markets and currencies. Management costs 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. Any apparent discrepancies in the numbers are due to rounding.

Quarterly report

Market performance

Risk-on Emerging markets delivered strong absolute returns in the fourth quarter as markets extended their positive response to Joe Biden's victory in the US presidential elections. Risk-on sentiment further increased on news of vaccine developments, a reduction in geopolitical tensions and a highly anticipated US fiscal stimulus package. Despite concerns around increasing COVID-19 cases and local lockdowns in the US, UK and Europe, markets continued to rally and recorded the best quarterly returns since the end of 2009. This was despite some short-lived concerns on a new, faster-spreading virus mutation. Oil prices gained during the quarter amid a positive demand outlook due to news of vaccine breakthroughs. The Latin American region rallied and outperformed broader emerging markets. All countries within the region delivered strong performance. In emerging Asia, Indian securities gained amid signs of a nascent economic recovery in the country. Momentum was further supported by strong inflows during the period. Chinese equities rose in light of upbeat economic data. However, investor confidence was dampened due to concerns over persistent China-US tensions. An anti-trust investigation into Alibaba's e-commerce and fintech business weighed on the technology sector. The benefits of rising global indices were also felt in the emerging Europe, Middle East and Africa (EMEA) region, with South Africa posting solid returns. Momentum was supported after its third quarter GDP figure beat market expectations and rose 66% quarter-over-quarter. Russian markets traded higher as the rouble strengthened and rising crude oil prices supported overall sentiment. At a sector level, information technology and materials were the best performers. Value and quality names outpaced growth stocks.

Fund performance

Consumer discretionary holdings contributed strongly

Chinese consumer discretionary holdings,

including Li Ning (sportswear), Midea Group (white goods) and VIP Shop (e-commerce), supported returns. The structural underweight stance in Alibaba also proved beneficial, as investors grew concerned about anti-trust regulation. These gains were partially offset by the lack of exposure to internet platform Pinduoduo and electric vehicle manufacturer NIO. Both stocks rallied on the back of strong results and retail flows. However, we are not inclined to chase these names at current valuations.

Financials names added value

Financials re-rated, reflecting improving prospects over the re-opening of the global economy. Consequently, holdings in India-based Housing Development Finance and HDFC Bank supported performance, as did the position in Indonesia-based Bank Central Asia.

Industrials detracted

Industrials weighed on returns, reflecting the weaker performance of Weichai Power (truck engines) and Techtronic Industries (power tools). The latter performed consistently over the course of the year as the do-it-yourself trend supported demand for its products. However, it failed to keep pace as the market rotated towards 'recovery' plays.

Outlook

Polarisation across the universe is likely to remain evident, but whilst the global recovery was initially led by Northern Asia, other EM markets are likely to catch up in 2021, supported by the deployment of the vaccine and rising external demand. The unprecedented monetary expansion we saw in 2020 means that we will continue operating in a liquidity-driven market. We anticipate that central banks will continue to provide support, with lower rates for longer, with implications for sectors such as financials, where the operating environment will remain challenging. US dollar weakness but also the inflationary

pressures could support real asset prices. Together with a cyclical recovery of the economy, these factors underpin selective exposure to some pockets across EEMEA and Latin America. However, because cross-country variation in fiscal policy has been large (particularly in EM Asia vs the rest of the universe), concerns over debt sustainability in certain areas will remain. Growing regulation is also a risk worth flagging, as evidenced by the more recent Chinese government's step up in anti-trust rules in the internet space. Overall, the backdrop for the consumer remains constructive, with high rates of savings and pent-up demand across all categories. As economies reopen, this should translate in heightened levels of spending.

Major contributors (%)

As at 30/09/2020	Active pos.	Contribution
Li Ning Co Ltd	3.0	1.0
Techtronic Industries Co Ltd	3.7	0.9
Foshan Haitian Flavouring & Food Company Ltd	3.4	0.8
Skshu Paint Co Ltd	1.3	0.7
Shenzhou Intl Group Holdings Ltd	2.1	0.6

Major detractors (%)

As at 30/09/2020	Active pos.	Contribution
Alibaba Group Holding Ltd	- 4.2	- 1.0
Bank Central Asia Tbk Pt	3.5	- 0.6
Vipshop Holdings Ltd	1.7	- 0.6
Lojas Americanas Sa	2.1	- 0.5
Meituan Dianping	- 1.6	- 0.4

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