

Fidelity Global Emerging Markets Fund (Managed Fund) FEMX

Quarterly report

As at 31/03/2021

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\$221.55M

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

Sector: Unconstrained

Region: Unconstrained

Country: Unconstrained

Frontier Markets: Up to 20% maximum

Cash: Target range between 0-10%

Top 10 holdings (%)

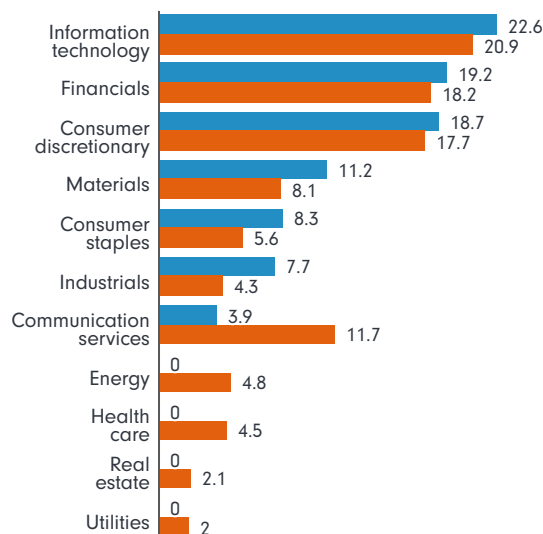
	Fund	B'mark
Taiwan Semiconductor MFG Co Ltd	5.1	6.3
HDFC Bank Ltd	4.9	0.0
AIA Group Ltd	4.7	0.0
Naspers Ltd	3.6	1.3
Bank Central Asia Tbk Pt	3.6	0.3
Samsung Electronics Co Ltd	3.5	4.9
Mediatek Inc	3.4	0.6
Tata Consultancy Services Ltd	3.4	0.5
Techtronic Industries Co Ltd	3.3	0.0
Housing Dev Finance Corp Ltd	3.1	0.7

Performance %

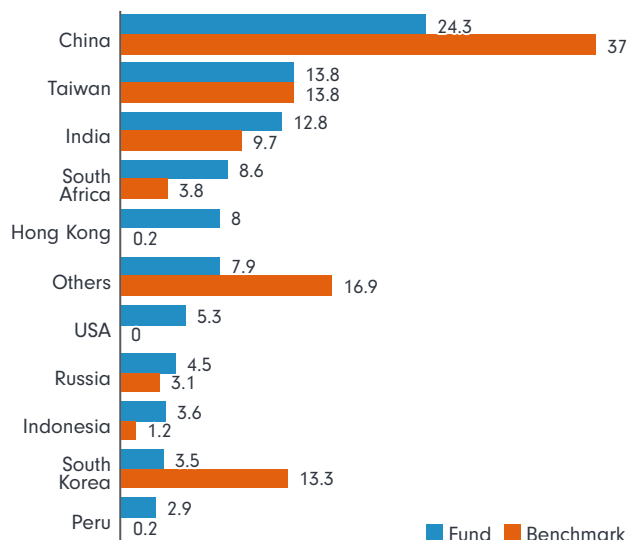
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since Inception p.a (29/10/2018)
Fidelity Global Emerging Markets Fund (Managed Fund) FEMX	1.06	4.14	17.96	37.82	-	-	23.19
MSCI Emerging Markets Index NR	0.11	3.63	15.21	27.28	-	-	14.21
Excess return	0.95	0.51	2.75	10.54	-	-	8.98

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

Emerging markets delivered positive returns in the first quarter of 2021. Markets started on a strong note, on hopes of increased fiscal stimulus, the rollout of the COVID-19 vaccine, and the US Federal Reserve's cautious stance. However, as the quarter progressed, concerns over high valuations and rising US Treasury yields triggered a sell-off in riskier assets. Rising COVID-19 cases and expectations of renewed lockdowns in some countries also hurt investor sentiment. Oil prices rose due to the vaccine rollout on the demand side and production cuts by the Organization of the Petroleum Exporting Countries (OPEC) on the supply side. Copper prices reached an all-time high during the quarter, on prospects of stronger global economic growth. The benefits of rising commodity prices were felt in the emerging Europe, Middle East and Africa (EMEA) region, as it outperformed broader emerging markets. Within EMEA, South African stocks rallied as the rand strengthened against the US dollar after its central bank decided to keep interest rates at a historic low of 3.5%. Taiwan was the best performing market in emerging Asia, led higher by technology stocks. Indian equities performed strongly on the back of an expansionary and growth-focused union budget for 2021. On the downside, Chinese securities retreated after its banking and insurance regulator warned about speculation in the domestic property sector. This added to ongoing concerns over tightening lending policies, which triggered a sell-off in the market. Latin American securities were largely negative, with the exception of Chile and Mexico, as the region's currencies depreciated during the quarter. At a sector level, materials and real estate were the best performers. From a style perspective, value and quality names outpaced growth stocks.

Fund performance

Strong security selection in industrials and information technology (IT) contributed significantly to performance. However, some of these gains were offset due to stock picking in consumer staples. From a country perspective, China added value.

Stock picking in industrials contributed

strongly

Truck engine manufacturer Weichai Power was a standout contributor to returns, as investors welcomed its decision to raise cash for hydrogen projects. Elsewhere, power tools manufacturer Techtronic Industries gained momentum as it reported better-than-expected FY20 results

IT positions were positive

Taiwanese semiconductor MediaTek was the top contributor for the quarter. Performance was supported as it posted strong quarterly results and reported market share gains. In India, Tata Consultancy Services (TCS) also proved favourable given better-than-estimated prospects for their new order flows.

Consumer names delivered mixed performance

Market rotation saw consumer growth stocks, particularly in China, lose favour. This weighed on long-term holdings such as Foshan Haitian (soy sauce), Midea Group (white goods), Li Ning (sportswear) and China Mengniu (dairy). However, it is worthwhile acknowledging that earnings season for many of these names was overall strong. In Brazil, online retailer Lojas Americanas traded lower. On the positive front, Naspers however moved higher, alongside Tencent, given a solid set of numbers, with reported revenues and earnings both in line with consensus.

Outlook

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;

This backdrop also has important ramifications in determining the direction of the US dollar: Structurally low interest rates and a sizeable fiscal deficit could prove to be negative for the currency and positive for EM equities;

US dollar weakness and inflationary pressures could support real asset prices. Together with a cyclical recovery of the economy, these factors underpin selective exposure to some

pockets across EMEA and Latin America, as reflected in our positioning across the materials and industrials space;

However, because cross-country variation in fiscal policy has been large, 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;

Within the financials space, increasing fintech players have the potential to challenge traditional banking models, denting profitability, eg Brazil; we continue to monitor industry developments;

Valuations have re-rated and, looking ahead, consistency of earnings will drive multiples.

Volatility is likely to persist as we progress into the new year. Selectivity is paramount.

Major contributors (%)

As at 31/03/2021	Active pos.	Contribution
Mediatek Inc	2.7	0.6
Techtronic Industries Co Ltd	3.0	0.5
Weichai Power Co Ltd	2.3	0.5
Asml Holding Nv	1.6	0.4
Skshu Paint Co Ltd	1.3	0.3

Major detractors (%)

As at 31/03/2021	Active pos.	Contribution
Foshan Haitian Flavouring & Food Company Ltd	2.2	-0.6
Midea Group Co Ltd	2.9	-0.6
Bank Central Asia Tbk Pt	3.5	-0.5
Lojas Americanas Sa	0.9	-0.3
Li Ning Co Ltd	3.0	-0.3

fidelity.com.au



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 an investment decision, retail investors should seek advice from their financial adviser.** This document has been prepared without taking into account your objectives, financial situation or needs. You should consider these matters before acting on the information. 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 119 270 or by downloading it from our website at 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 herein about specific securities is subject to change. Reference to specific securities should not be taken as a recommendation to buy, sell or hold these securities. 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. While the information contained in this document has been prepared with reasonable care, no responsibility or liability is accepted for any errors or omissions or misstatements however caused. Investments in overseas markets can be affected by currency exchange and this may affect the value of your investment. Investments in small and emerging markets can be more volatile than investments in developed markets. This document is intended as general information only. The document may not be reproduced or transmitted without prior written permission of Fidelity Australia. The issuer of Fidelity's managed investment schemes is FIL Responsible Entity (Australia) Limited ABN 33 148 059 009. Reference to (\$) are in Australian dollars unless stated otherwise. © 2020 FIL Responsible Entity (Australia) Limited. Fidelity, Fidelity International and the Fidelity International logo and F symbol are trademarks of FIL Limited.