

Fidelity Global Emerging Markets Fund

(Managed Fund) ASX: FEMX

Quarterly report

As at 30/06/2023

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: Amit Goel

Benchmark: MSCI Emerging Markets Index NR

Inception date: 29/10/2018

Fund size: AU\$215.97M

Number of stocks: 30 to 50

Management cost: 0.99% p.a.

iNAV tickers: RIC FEMXAUiv.P

Bloomberg Code: FEMXIV Index

Portfolio guidelines

Stocks: Max 8% 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 (%)

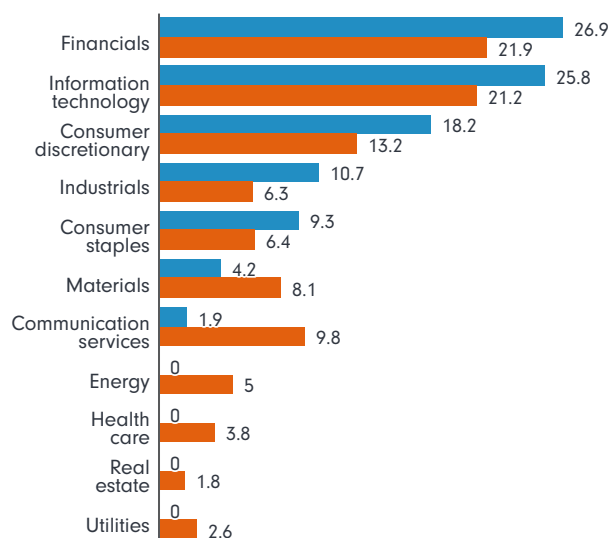
	Fund	B'mark
Taiwan Semiconductor MFG Co Ltd	8.4	6.8
HDFC Bank Ltd	5.4	0.0
China Mengniu Dairy Co	4.1	0.2
Bank Central Asia Tbk Pt	4.0	0.5
Alia Group Ltd	3.8	0.0
Samsung Electronics Co Ltd	3.7	4.5
Li Ning Co Ltd	3.5	0.2
Naspers Ltd	3.4	0.5
Axis Bank Ltd	3.1	0.4
Sk Hynix Inc	3.0	0.7

Performance %

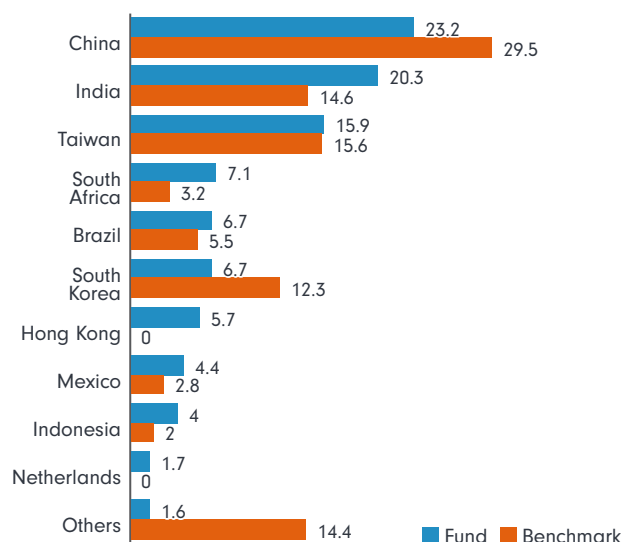
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since Inception p.a (29/10/2018)
Fidelity Global Emerging Markets Fund (Managed Fund) ASX: FEMX	2.16	2.17	7.91	6.63	7.05	-	10.31
MSCI Emerging Markets Index NR	0.91	1.52	6.86	5.11	3.48	-	5.08
Excess return	1.25	0.65	1.05	1.52	3.57	-	5.23

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 came under pressure in April and May, as global risk-off sentiment was triggered by deteriorating US-China relations, China's weak economic recovery and the continued sell-off in US regional banks. Equities subsequently rebounded in June, supported by cooling inflation data. News from China was also supportive and commodity prices rallied on indications that the government was considering a stimulus package to support consumer demand and the property market. Against this backdrop, all regions except emerging Asia posted positive returns. Latin America was the best performer. Brazil led gains, supported by falling inflation and expectations of an interest rate cut in August. Within EMEA, Poland and Hungary were the best performing markets. China declined as the risk appetite decreased due to concerns over weakness in its economic recovery, geopolitical tensions and conflicting macroeconomic indicators. Financials and information technology were the best performers, while communication services and consumer discretionary were among the worst performers. The price of Brent crude oil and industrial metals fell over the quarter due to macroeconomic headwinds. Value stocks outperformed their growth and quality counterparts.

Fund performance

At the sector level, stock picking in information technology (IT), industrials and financials added value. Holdings in consumer discretionary and consumer staples weighed on performance. SK Hynix rallied on indications that the memory cycle was starting to turn, with Hynix's own inventories peaking and coming down, and its mobile and PC customers adjusting to a low level of inventories and waiting to restock. B3 SA Brasil Bolsa Balcao and Localiza contributed to performance as the Brazilian market exhibited strength given the increasing likelihood of interest rate cuts at home and abroad. B3 enhanced gains following the release of its first quarter results. While its revenue declined marginally, listed derivatives and OTC securities helped to offset the fall in cash equities. Localiza rallied despite the Brazilian government announcing measures to reduce car prices via lower taxes. Conversely, Li Ning,

Zhongsheng, China Mengniu Dairy and Laobaixing in the consumer space, were among the top detractors from performance. These companies detracted significantly due to concerns that the pace of recovery among the consumer and the broader economy may be slower than initially anticipated. We continue to believe that the fundamental position of these companies remains strong.

Outlook

We believe that global emerging markets (GEMs) are well-placed to provide superior returns over the medium to long term. The medium-to-long term fundamentals in GEMs are very reasonable compared to the past. At a time when high inflation and interest rates are leading to a standard of living crisis in developed markets, these GEMs economies have been ahead of the curve in raising rates. With inflation under control, rates should start to come down this year, acting as a tailwind for the consumer. China's recovery pace has fallen short of expectation this year, except for the initial surge in pent-up demand in the first quarter. Consumer confidence is low, due to persistent uncertainties over the outlook and high unemployment rate. This leads to a lower ticket size, more cautious spending and increased emphasis on value-for-money. Consumers are opting to pay off mortgages and car loans rather than to borrow to spend. Furthermore, spending has shifted from goods to services, benefiting travel verticals the most. Healthcare services will also become more important as the population is aging. In response to the challenging demand and competitive landscape, companies are emphasising efficiency more than ever. We expect this to drive economic growth in China and other emerging markets. Hence, we are finding opportunities in domestic businesses that are focussed on high-end consumption where the medium to long-term structural growth opportunity is strong. Rising geopolitical tensions and disrupted supply chains are hastening the end of the era of globalisation and the process of decoupling. Many developed-market companies are redirecting production that was previously outsourced to China to other countries that are closer to home (the trend of nearshoring) or to friendly partner countries (friendshoring). For instance, Apple is moving its manufacturing to India and Tesla is moving its factories to Mexico. The AI-driven rally in technology stocks has shown that bouts of stronger performance can result in a rapid re-rating,

underlining the importance of active management and disciplined position size management. The emerging market universe still presents compelling opportunities. The relative attractiveness of emerging market valuations compared to developed markets, particularly the US market, creates good opportunities for strong returns from emerging market stocks over the longer term. So far in 2023, India has been a bright spot due to its continuous inflow of foreign direct investment (FDI), upgradation of its growth potential from new industries and inflation coming back to its target, which means rate cuts are anticipated sooner than in developed market economies. Meanwhile, valuations in GEMs are much more reasonable and the GEMs index is trading at a discount to the developed markets index, which is close to the highest in 20 years. With positive macroeconomic tailwinds, a more robust commodity price environment, and an improved fiscal backdrop, there are several positive short and medium-term drivers for emerging market equities, in addition to long-term drivers of positive demographics, shifting supply chains, a fast-evolving universe and improving ESG practices.

Major contributors (%)

As at 30/06/2023	Active pos.	Contribution
B3 Sa Brasil Bolsa Balcao	2.0	0.8
Localiza Rent A Car Sa	2.4	0.7
Sk Hynix Inc	2.5	0.7
Tencent Holdings Ltd	-4.2	0.7
Eicher Motors Ltd	2.7	0.5

Major detractors (%)

As at 30/06/2023	Active pos.	Contribution
Li Ning Co Ltd	3.6	-1.4
Zhongsheng Group Holdings Ltd	2.9	-0.7
Laobaixing Pharmacy Chain Jsc	1.7	-0.5
China Mengniu Dairy Co	4.2	-0.3
Chailease Holding Co Ltd	2.7	-0.3

Signatory of:



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