Fidelity Global Emerging Markets Fund
(Managed Fund) ASX: FEMX

Quarterly report
As at 31/12/2023

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$210.84M
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 (%)

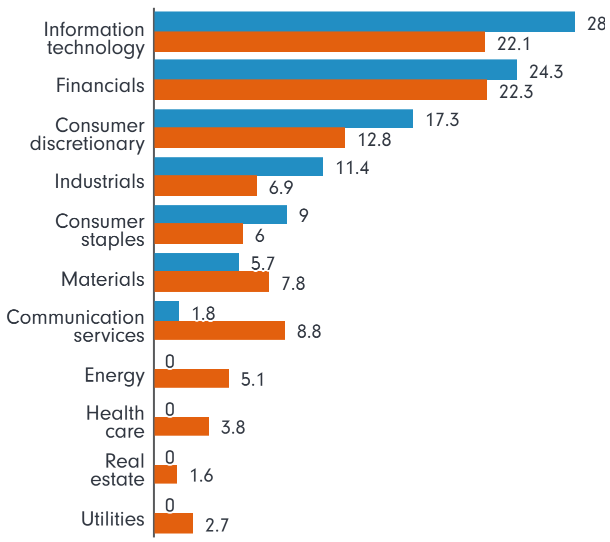
	Fund	B'mark
Taiwan Semiconductor MFG Co Ltd	8.7	6.7
HDFC Bank Ltd	5.6	0.8
Samsung Electronics Co Ltd	4.6	4.7
B3 Sa Brasil Bolsa Balcao	3.8	0.2
China Mengniu Dairy Co	3.5	0.1
Axis Bank Ltd	3.3	0.4
Naspers Ltd	3.2	0.5
Bank Central Asia Tbk Pt	2.8	0.5
Localiza Rent A Car Sa	2.8	0.2
Infosys Ltd	2.7	0.9

Performance %

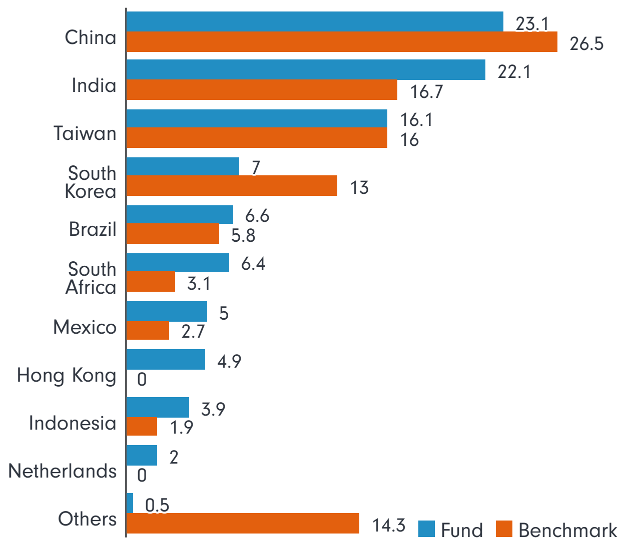
	1 mth	3 mth	6 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since Inception p.a (29/10/2018)
Fidelity Global Emerging Markets Fund (Managed Fund) ASX: FEMX	1.40	0.83	-3.27	4.38	-1.31	7.64	8.56
MSCI Emerging Markets Index NR	0.97	2.02	2.15	9.15	-1.10	4.34	5.01
Excess return	**0.43**	**-1.19**	**-5.42**	**-4.77**	**-0.21**	**3.30**	**3.55**

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 market (EM)s posted positive returns over the quarter but underperformed developed markets. October was a weak month, but the asset class rebounded in November as the US dollar pulled back and bond yields came down. Heading into December, equities were further supported by optimism surrounding potential interest rate cuts in 2024, following dovish signals from the US Fed and a downward trend in inflation, which supported the prospects of a soft landing. All regions posted positive returns with Latin America as the top performer followed by EMEA. Poland, Peru, and Egypt were the top-performing markets while Turkey, China, and UAE lagged. All sectors apart from real estate ended the quarter in positive territory, with information technology and utilities leading the gains.

Fund performance

At the sector level, stock picking in materials and consumer staples was less favourable, as was positioning in the consumer discretionary sector. These losses were partially offset by selected holdings in financials and industrials, along with the fund's bias towards IT. The broader China market was weak over the quarter as consumer confidence and macroeconomic indicators remained subdued. The overweight positions in sportwear brand Li Ning, automobile dealer Zhongsheng Group and dairy producer China Mengniu continued to detract from returns. We continue to favour these high-quality businesses with a solid long-term growth outlook. Canada-listed copper miner First Quantum Minerals hampered performance due to the unexpected cancellation of its flagship Cobre mine contract by the Panama government. Beijing Oriental Yuhong Waterproof Technology also hurt returns due to weakness in the Chinese property market. MediaTek, ASML Holding and SK Hynix featured among the key contributors to returns. MediaTek staged a strong rally on improving mobile handset demand and AI associated technological advancements. While quarterly results for SK Hynix missed expectations, investors were encouraged by management's comments that the memory industry was finally moving out of the downturn and entering into the recovery phase.

Outlook

We believe that global EMs are well-placed to provide superior returns over the medium to long-term. When looking at any asset class, it is important to look at how well we understand the quality of the underlying asset, its growth fundamentals, and the price one pays for the asset class. The medium-to-long term fundamentals in global EMs are very reasonable compared to the past. Unlike previous interest-rate hiking cycles, EM central banks were among the most proactive in the world when it came to raising rates early and bringing inflation under control. Brazil is the poster child of this trend, with inflation in the country falling and interest rates now also coming down. We see a similar picture in other emerging economies. The strong fiscal position of emerging economies also stands the asset class in good stead, with lower levels of debt-to-GDP in many EM countries relative to developed economies, and particularly compared to the US. China is currently facing several headwinds and consumers are opting to pay off mortgages and car loans rather than to borrow and spend. Domestic investors have become myopic, not ready to look through cyclical slowdowns, while long standing foreign institutional investors are indiscriminately selling out of Chinese businesses. We have been in constant touch with the companies we hold, and our finding is that consumption is bound to recover from current levels due to pent-up demand and a high savings rate. Even if foreign investors don't return to the market, domestic Chinese investors have the capacity to fill in the gap as valuations in good quality businesses become hard to ignore. Hence, we firmly believe our losses in China are temporary. We are very happy with the companies we own as they are winners in their respective categories, doing the right things strategically and taking market share from competitors in a weak operating environment. 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 emerging market countries that are closer to home (nearshoring) or to friendly partners (friendshoring). For instance, Apple has moved its manufacturing to India and Tesla has moved its factories to Mexico. India continues to offer structural growth opportunities in consumption, improved government finances and more efficient use of capital in infrastructure build-up. The ruling party's win in three out of four state elections has lowered the risk of it losing the general elections in the first quarter of 2024. We expect infrastructure build-up alongside production-linked incentives for manufacturing is a key positive for the medium to long-term sustainability of India's economic growth through higher consumption and employment. Meanwhile, valuations in most global EMs are much more reasonable and the Index is trading at a discount to the developed markets Index, which is close to the highest level in 20 years. One exception is India. Valuations here are high, particularly in the small-to-mid-cap space, but areas such as banks and IT services firms still trade at reasonable multiples. Any consolidation in this market will offer stock picking opportunities. 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 31/12/2023	Active pos.	Contribution
Tencent Holdings Ltd	-4.0	0.4
B3 Sa Brasil Bolsa Balcao	2.8	0.4
Mediatek Inc	1.4	0.4
Meituan	-1.0	0.4
Asml Holding Nv	1.9	0.3

Major detractors (%)

As at 31/12/2023	Active pos.	Contribution
Li Ning Co Ltd	2.8	-1.5
First Quantum Minerals Ltd	1.1	-1.4
China Mengniu Dairy Co	3.9	-1.1
Beijing Oriental Yuhong Waterfroof Technology Co Ltd	2.0	-0.8
Zhongsheng Group Holdings Ltd	2.1	-0.5

Signatory of:

PRI Principles for Responsible Investment

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