

**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 October 2018  
**Fund size:** AU\$18.59M  
**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 %**

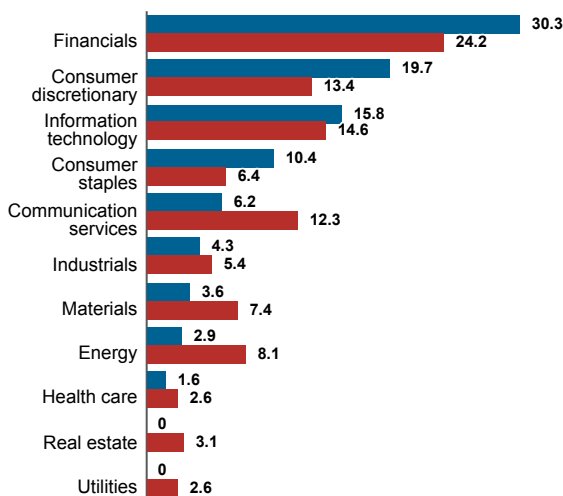
	Fund	B'mk
AIA GROUP LTD	5.5	0.0
TAIWAN SEMICONDUCTR MFG CO LTD	5.3	3.7
HDFC BANK LTD	4.8	0.0
BANK CENTRAL ASIA TBK PT	4.6	0.4
HOUSING DEV FINANCE CORP LTD	4.0	0.9
ZHEJIANG SUPOR COOKWARE CO LTD	3.5	0.0
LI NING CO LTD	3.4	0.0
TECHTRONIC INDUSTRIES CO LTD	3.3	0.0
MIDEA GROUP CO LTD	3.0	0.0
FOSHAN HAITIAN FLAVOURING & FOOD COMPANY LTD	3.0	0.0

**Past performance %**

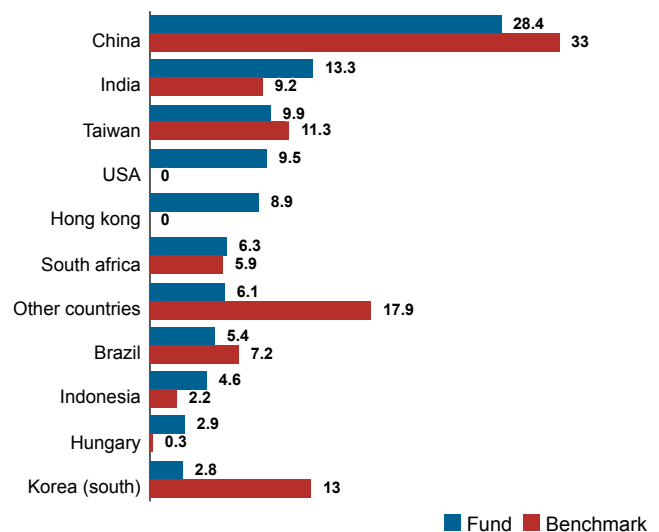
	1 mth	3 mth	6 mth	Since Inception p.a (29.10.2018)
Fidelity Global Emerging Markets Fund (ASX:FEMX)	3.03	10.71	-	17.20
MSCI Emerging Markets Index NR	1.00	8.94	-	13.45
Excess return	2.03	1.77	-	3.75

**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. 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](http://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.

## Market performance

Emerging market equities delivered strong performance over the quarter. Progress in US-China trade talks and expectations of encouraging manufacturing data in China lifted sentiment towards riskier assets. However, concerns over Chinese growth weighed slightly on equities. Chinese stocks rose after the MSCI announced that it would substantially increase exposure to mainland shares in its indices. In the country's annual legislative session, Chinese policymakers promised to implement tax cuts and infrastructure funding over the year to boost economic growth. In Latin America, Brazilian stocks advanced as the new government announced reform measures. However, gains were limited by the arrest of former President Michel Temer on graft charges. Russian stocks rose amid higher oil prices, notwithstanding the risks of additional sanctions by the US.

## Fund performance

The Fund delivered strong absolute returns and outperformed the index, driven by stock selection in the consumer discretionary and financials sectors. At a country level, Chinese and Hong Kong holdings added value.

## Consumer discretionary gained

The exposure to sports apparel company Li Ning enhanced gains as it reported solid results. Chinese A-Shares benefited as the MSCI announced greater inclusion of these shares in its indices. The allocation to Zhejiang Supor Cookware and electrical appliance manufacturer Midea Group advanced. In staples, shares in Foshan Haitian Flavouring & Food rose. Its market-leading position and large distribution channel enabled it to deliver strong annual profits.

## Financials aided returns

The holding in insurer AIA Group added value after the Chinese regulator allowed the company to set-up new sales and service centres in two more cities in mainland China. Investors saw this move as an opportunity for the company to speed-up its expansion plan. The position in Chailease Holding rose as its annual results reflected strong loan growth driven by China, the Southeast Asian region and Taiwan.

## South African names fell

Shares in food company AVI detracted from performance as it issued a poor trading update on its sales for the Christmas holiday season. Elsewhere, the lack of exposure to Alibaba Group weighed on relative returns as its share price rose.

## Market Outlook

The environment for emerging market equities is positive. US dollar strength had been a significant headwind for the asset class. However, more recently, markets breathed a sigh of relief as the US Federal Reserve (Fed) paused interest rate hikes this year.

China remains firmly in the spotlight, but an alleviation of trade tensions given the ongoing dialogue between China and the US supported sentiment. Following the 2018 sell-off, the Chinese market is attractively valued, with continued scope for re-rating despite a strong start to 2019. Positive moves by the government in the form of stimulus measures such as tax cuts, a relaxation of reserve requirement ratios and early signs of an improvement in credit conditions (following a period of significant deleveraging in 2018) are supportive of Chinese equities.

Consumption remains an area of promise for the selective investor. It is apparent that the trend in premiumisation continues, driving demand for goods with higher price points. In 2018, the market took an incredibly negative view on these topics, and the subsequent de-rating has now created a buying opportunity.

In Latin America, the Brazilian market has garnered much interest post Jair Bolsonaro's victory in the Presidential elections. There is material hope for Brazilian reform, but the likelihood of watered-down reforms presents some downside risks. In Mexico, the new President Andrés Manuel López Obrador has revealed his populist leaning, which resulted in a rapid de-rating. At this stage, it is best to adopt a more cautious stance towards the country.

In the months ahead, the Indian elections will likely lead to bouts of volatility in the country's equities. The market would like to see current Prime Minister Narendra Modi being re-elected with a continuation of his reform programme. While periods of uncertainty may be unpalatable, overall, the outlook on India remains positive given its structural growth prospects and high-quality companies. In the near term, a more defensive positioning in India seems appropriate, with a strong focus on high quality companies being the most appropriate route to taking exposure to the market.

Elsewhere, South Africa's upcoming election is important. It appears likely that the African National Congress will be re-elected. Within the emerging Europe, Middle East and Africa (EMEA) region more broadly, Russia remains extremely cheap, but is subject to the ongoing risk of further sanctions. The dividend profile of certain stocks is noteworthy, with companies delivering attractive and sustainable shareholder returns through dividends.

## Major contributors to quarterly performance %

As at 31/03/2019

	Active positions	Contribution
Li Ning Company Limited	3.46	1.39
Zhejiang Supor Co., Ltd. Class A	3.02	1.25
AIA Group Limited	5.55	1.01
Midea Group Co. Ltd. Class A	2.69	0.80
Techtronic Industries Co., Ltd.	3.19	0.76

## Major detractors to quarterly performance %

As at 31/03/2019

	Active positions	Contribution
Alibaba Group Holding Ltd. Sponsored ADR	--	-1.19
AVI Limited Class Y	2.59	-0.35
Tencent Holdings Ltd.	2.23	-0.35
Naspers Limited Class N	--	-0.32
Lupin Limited	1.76	-0.24

Commodities clearly play a critical role in emerging markets, and here, selectivity remains critical. Oil appears to be finding a sustainable level given production cuts by the Organisation of the Petroleum Exporting Countries (OPEC). This is likely to provide a better backdrop to assess the environment for producers, while placing less pressure on consumers. More broadly, supply restrictions are evident in iron ore and copper, bolstering prices particularly for the former.

From a global perspective, businesses that are market leaders in their respective segments and that can deliver sustainable earnings and cash flow are the most compelling investment ideas. The rising purchasing power of emerging market consumers indicates opportunities in many consumer-related businesses across a range of segments. Above all, the manager continues to focus on identifying good quality companies, which can deliver attractive shareholder returns over the medium to long term. Many emerging market companies can sustain high levels of economic growth for several years to come, driven by attractive demographic profiles, immature markets, an abundance of untapped natural resources and generally low levels of consumer indebtedness.

Total net returns represent past performance only. Past performance is not a reliable indicator of future performance. Returns of the Fund can be volatile and in some periods may be negative. The return of capital is not guaranteed. The returns shown 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.

**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](http://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.

© 2019 FIL Responsible Entity (Australia) Limited. Fidelity, Fidelity International and the Fidelity International logo and F symbol are trademarks of FIL Limited.