

# Fidelity Global Equities

Quarterly Investment Option Update

31 December 2019

## Aim and Strategy

To achieve returns in excess of the MSCI All Country World (ex-Australia) (ex-Tobacco) Index over the suggested minimum investment time period of five to seven years. The strategy takes a go-anywhere approach – it is managed with broad geographic and sector parameters to allow the portfolio manager to build a portfolio of the best opportunities uncovered by the investment manager's global research in core international investment. Fidelity believes that markets are semi-efficient and share prices don't always reflect inherent value. Through in-house, bottom-up company research, Fidelity aims to uncover the opportunities that it believes offer the greatest scope for outperformance. Based on this research approach, Fidelity seeks out shares that it believes are undervalued and likely to generate growth. The companies selected for the portfolio must demonstrate good management, strong competitive advantages and enjoy favourable industry dynamics. The option's exposure to international assets will not be hedged back to Australian dollars.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au](http://amp.com.au)

## Investment Option Overview

<b>Investment Category</b>	Global Shares
<b>Suggested Investment timeframe</b>	5 to 7 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Core
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	90-100	97.39
Cash	0-10	2.61

Sector Allocation	%
INFORMATION TECHNOLOGY	21.53
FINANCIALS	19.10
HEALTH CARE	10.92
COMMUNICATION SERVICES	9.14
CONSUMER DISCRETIONARY	8.84
INDUSTRIALS	6.85
ENERGY	6.14
MATERIALS	5.83
CONSUMER STAPLES	4.50
REAL ESTATE	3.50

Regional Allocation	%
NORTH AMERICA	52.90
EUROPE EX UK	19.98
EMERGING MARKETS	8.47
JAPAN	8.19
UK	7.89
PACIFIC EX JAPAN	1.29
MIDDLE EAST	0.00
CASH & ONA	1.28

Top Holdings	%
APPLE INC	3.66
MICROSOFT CORP	2.76
ALPHABET INC	2.20
JPMORGAN CHASE & CO	1.91
VISA INC	1.76
BOSTON SCIENTIFIC CORP	1.76
COCA COLA CO	1.62
ERICSSON	1.59
ASTRAZENECA PLC	1.58
CHARTER COMMUNICATIONS INC	1.47

## Investment Option Commentary

### Higher crude oil prices boosted energy-related holdings

Strong quarterly results and guidance led to a surge in shares of electric vehicle (EV) major Tesla. The company is witnessing a strong increase in demand, assisted by renewed strength in oil prices. The uptick in exploration and production operator Concho Resources' share price was aided by better than expected earnings. The recommendation of its conversion exploration committee to move to a corporate structure led to increased investor interest in royalties and surface rights business Texas Pacific Land Trust.

### Communications services positions buoyed by robust results

Selected holdings with strong business fundamentals reported solid quarterly results. Music streaming services provider Spotify Technology has a long runway for growth with favourable user demographics. The shift to music consumption via on-demand streaming is a secular tailwind. US-based cable operator Charter Communications is benefiting from increasing realisation of synergies from its acquisition of Time Warner Cable and Bright House. US online travel website operator TripAdvisor, which is undergoing a transition in its business plan, bucked the sectoral trend. It declined on lower than expected earnings and a drop in customer volumes.

### Certain consumer names declined

Consumer goods major Colgate Palmolive came under pressure as its Indian subsidiary reported weaker than expected results and lowered its full-year earnings guidance. The company's high emerging market exposure provides it with a solid runway for growth. Shares in US-based automobile parts aftermarket retailer Advance Auto Parts declined due to weak quarterly earnings and a tepid outlook for the fourth quarter. Management has a clear blueprint for better working capital management and is executing it well, which is expected to lead to significantly improved margins, cash generation and shareholder returns over the next few years.

## Market Commentary

The portfolio outperformed the index over the fourth quarter. The US and China announced an agreement on a 'phase one' trade deal, easing tensions over the 18-month trade dispute that unnerved financial markets and hurt global economic sentiment. An accommodative monetary policy stance by the US Federal Reserve and reduced political uncertainty in UK also supported markets. Security selection in the energy sector added value, while certain consumer stocks detracted from returns.

## Outlook

The geopolitical environment improved going into 2020, given the agreement on a 'phase one' trade deal between the US and China. This allays growth concerns to an extent and should provide some impetus to the global economy in the new year, thus limiting recession risks and providing a favourable backdrop for risk assets. Constructive dialogues need to continue until a comprehensive agreement is forged. The derailment of the process could bring back investor apprehensions related to growth and inflation. Reduced political uncertainty in the UK has added to the optimism. However, central banks have limited room left for further policy manoeuvres in a late-cycle global economy. The new decade could present opportunities and threats from longer-term shift in trends pertaining to globalisation/trade liberalisation, technology and demographics. This warrants discipline around identifying pockets of stability (good businesses run by competent managements with limited political risk and impact from regulation), the valuations paid as well as the timing of trades for active value creation.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1291AU
AMP Flexible Super - Retirement account	AMP1342AU
AMP Flexible Super - Super account	AMP1471AU
CustomSuper	AMP1291AU
Flexible Lifetime - Allocated Pension	AMP1298AU
Flexible Lifetime - Term Pension	AMP1638AU
Flexible Lifetime Investment	AMP0846AU
Flexible Lifetime Investment (Series 2)	AMP1432AU
SignatureSuper	AMP1305AU
SignatureSuper Allocated Pension	AMP1312AU

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