

# Fidelity Global Equities

Quarterly Investment Option Update

30 September 2020

## 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:

[www.amp.com.au/performance](http://www.amp.com.au/performance)

## 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	97.35
Cash	0-10	2.65

Sector Allocation	%
Information Technology	23.94
Financials	13.30
Health Care	12.01
Consumer Discretionary	11.63
Communication Services	9.90
Materials	7.76
Industrials	6.78
Consumer Staples	6.26
Utilities	2.57
Energy	1.78
Real Estate	1.42
Cash & ONA	2.65

Regional Allocation	%
North America	55.34
Europe Ex UK	19.11
Emerging Markets	11.96
Japan	4.66
UK	3.66
Pacific Ex Japan	2.10
Middle East	0.53
Cash & ONA	2.65

Top Holdings	%
Apple Inc	2.48
Microsoft Corp	2.47
Unitedhealth Group Inc	2.14
Amazon.Com Inc	1.88
RWE AG	1.82
Alphabet Inc	1.52
Ericsson	1.49
Nestle SA	1.45
Charter Communications Inc	1.40

## Investment Option Commentary

The strategy generated positive returns and outperformed the index. Strong security selection in the I.T. and communicate on services sectors added value, while certain consumer discretionary holdings detracted from returns.

### **FedEx and Twitter were among the leading contributors**

The holding in US multinational delivery services company FedEx rallied amid signs of an improvement in e-commerce volumes and strong pricing leverage. It is one of the leading players in the logistics and air cargo industry, and has strong growth potential backed by acquisition synergies and network advantages. Social networking service provider Twitter also added notable value as it reported record user growth and engagement over the quarter. The company announced plans to create a premium subscription offering as a way to supplement advertising and give users access to exclusive features.

### **Improving outlook lifted key holdings**

UK engineering group Renishaw rallied as its revenue forecast was ahead of expectations. As one of the leading players in precision and additive manufacturing, it has a strong and independent culture of innovation, with a consistent focus on structural growth end markets. Korean chemical components major LG Chemical outperformed on the back of rising electric vehicle battery sales and revenues.

### **The holding in Rolls-Royce detracted**

The holding in aerospace & defence group Rolls-Royce, which is a highly technologically/engineering focused company, was among the leading detractors. Its shares fell after the company announced plans to raise as much as 2.5 billion pounds (\$3.2 billion) to guard against weakening demand for aircraft engines. Lack of exposure to US electric vehicle manufacturer Tesla also held back relative performance as its shares rallied on positive news flow around a stock split.

## Market Commentary

Global equities generated positive returns during the quarter, driven by signs of a recovery in economic activity and optimism around potential COVID-19 vaccines and treatments. Expectations that global monetary policies will remain accommodative also supported markets. Notably, the US Federal Reserve made a shift in its policy towards inflation, and said it would be more willing to allow inflation to overshoot its 2% target for some time following a period of muted price pressures. However, rising COVID-19 cases globally, a delay in additional fiscal stimulus in the US, threat of contested US Presidential elections and US-China tensions kept markets volatile.

The COVID-19 pandemic has disrupted global growth, with major economies of the US, UK eurozone and Japan contracting sharply over the second quarter of 2020. Nonetheless, global manufacturing activity, as measured by the JPMorgan Global Manufacturing Purchasing Managers' Index, moved back into expansionary territory over the third quarter. Production and new orders rebounded as lockdown measures to curb the pandemic were eased across regions. Manufacturing sector activity improved across the US, UK, eurozone, China and Japan. From a sector perspective, consumer discretionary, information technology (I.T.) and materials led the gainers, while the energy sector ended in negative territory.

## Outlook

The global economic backdrop remains uncertain with the second wave of COVID-19 infections and possibility of another round of lockdown measures in some countries. While the unprecedented financial and monetary stimulus packages announced by governments worldwide have provided some support, the US China geopolitical tensions, noise around the US Presidential elections and Brexit related uncertainty weigh on overall sentiment. In this environment, markets are offering pockets of good value. I continue to focus on my bottom-up stock picking approach and invest in long term winners to help create long term value for the shareholders.

## 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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