

Fidelity Global Equities

Quarterly Investment Option Update

30 September 2021

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 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 and operate in a robust industry structure with sustainable pricing power. Exposure to international assets is not hedged back to Australian dollars.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au/performance

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	7 years
Relative risk rating	7 / Very high
Investment style	Core
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	90-100	97.91
Cash	0-10	2.09

Sector Allocation	%
Information Technology	24.91
Consumer Discretionary	13.09
Financials	13.07
Health Care	13.03
Industrials	9.41
Communication Services	9.40
Consumer Staples	4.66
Materials	4.42
Utilities	2.44
Energy	1.44
Other index/unclassified	0.81
Real Estate	1.23
Cash & Ona	2.09

Regional Allocation	%
North America	62.82
Europe ex UK	13.68
Emerging Markets	9.00
Japan	7.53
UK	2.25
Pacific ex Japan	1.57
Middle East	1.06
Cash & Ona	2.09

Top Holdings	%
Microsoft Corp	4.11
Amazon.com Inc	3.41
Alphabet Inc	2.68
Apple Inc	2.21
UnitedHealth Group Inc	2.17
Danaher Corp	1.68
Regeneron Pharmaceuticals Inc	1.42
Berkshire Hathaway Inc	1.42
Bank of America Corporation	1.41
Netflix Inc	1.38

Investment Option Commentary

The investment option generated positive returns but underperformed the index. While consumer discretionary exposure hurt returns, selected health care and communication services holdings boosted performance.

Internet retail company Asos came under pressure over concerns regarding increased freight costs and global supply chain disruption. Nonetheless, it has a strong structural growth story with attractive valuations. Shares in internet group Naspers slid following reports that China government was stepping up efforts to limit online gaming activity. Nevertheless, the company has the potential to deliver significant improvement in earnings as its investments mature.

Cable television provider Altice USA underperformed over a short-term negative impact from its fibre build-out strategy and a decline in net customer additions for the upcoming quarter. However, the cable television provider holds strong potential for cash flow growth as the company deploys its operating strategy focused on cost optimization and margin expansion. Food & staples retailer Grocery Outlet Holding's quarterly sales missed expectations over concerns regarding its ability to retain business gained during the period of COVID-related disruption. It maintains a differentiated customer value proposition with potential long-term revenue growth.

Medical and industrial products manufacturer Danaher reported strong quarterly earnings as it continues to strengthen its competitive advantage through significant high impact organic growth investments. The overweight to pharmaceutical company Regeneron Pharmaceuticals contributed to performance. Shares of the company gained amid optimism for its antibody cocktail known as REGEN-COV, to prevent and treat severe COVID-19 infection. Online video streaming major Netflix rallied owing to impressive subscriber growth and upward earnings trajectory as it continues to expand its revenue sources.

Market Commentary

Global equities performed positively as upbeat corporate earnings in developed markets supported equities. However, markets came under pressure in September, weighed down by inflation concerns (fueled by rising demand coupled with ongoing supply chain constraints), the energy crisis in Europe along with the risks of economic and financial contagion due to Evergrande crisis.

Outlook

Elevated market valuations, prospects for tighter monetary policies by major central banks, ongoing challenges around the pandemic, and economic and policy risks in China are likely to present headwinds. While global corporate earnings forecasts for 2021 remain encouraging, forecasts for 2022 have moderated. Overall, the current economic cycle is far from over, although the path of growth and market response are likely to become less predictable going forward. Increasing vaccination rates and reopenings bode well for developed markets such as the UK and UK, although there are risks in the form of higher inflation and the continuing spread of Delta variant of the virus in some areas. Corporate earnings forecast upgrades and rising vaccinations are supportive for Japanese equities, but there are concerns that the continuing emergency measures could weigh on near-term economic growth prospects. Meanwhile, higher energy prices are likely to affect growth in Europe ex UK, even as political uncertainties exist. Elsewhere, tightening global financial conditions and slower Chinese growth could present challenges for emerging markets, although valuations are still attractive on a historical basis.

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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