

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\$22.36M
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 %

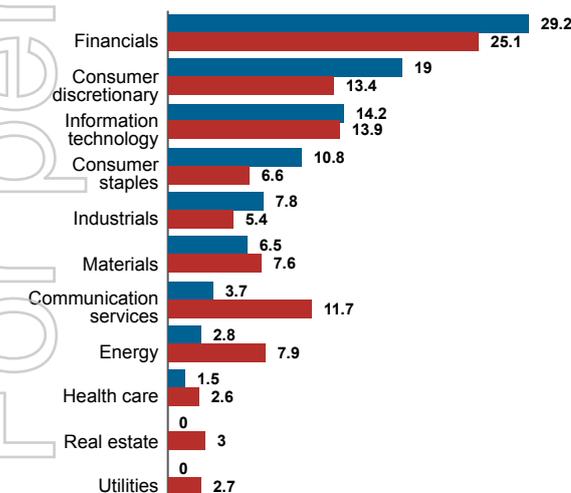
	Fund	B'mk
AIA GROUP LTD	5.7	0.0
BANK CENTRAL ASIA TBK PT	5.0	0.4
TAIWAN SEMICONDUCTR MFG CO LTD	4.9	3.4
HDFC BANK LTD	4.9	0.0
HOUSING DEV FINANCE CORP LTD	4.8	0.9
LI NING CO LTD	4.0	0.1
TECHTRONIC INDUSTRIES CO LTD	3.5	0.0
LOJAS RENNER SA	3.5	0.2
TATA CONSULTANCY SERVICES LTD	3.2	0.5
CHINA MENGNIU DAIRY CO	3.1	0.2

Past performance %

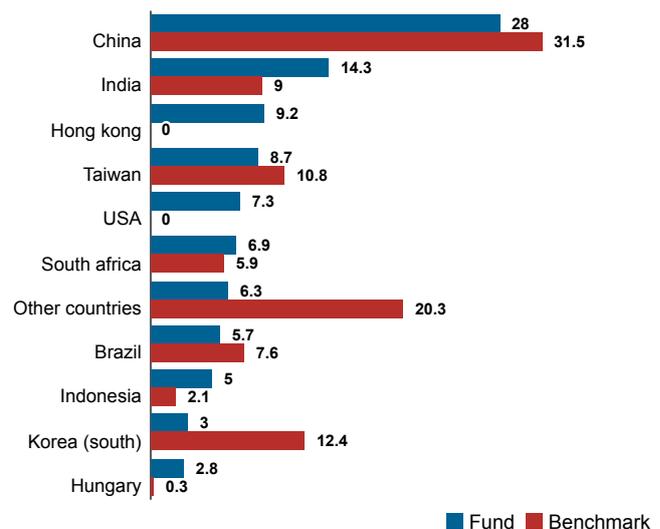
	1 mth	3 mth	6 mth	Since Inception p.a (29.10.2018)
Fidelity Global Emerging Markets Fund (Managed Fund) FEMX	7.34	8.85	20.50	27.56
MSCI Emerging Markets Index NR	4.89	1.84	10.95	15.54
Excess return	2.45	7.01	9.55	12.02

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 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 rose during the quarter in US dollar terms but declined in euro terms. During a tumultuous period for the asset class, renewed optimism about progress in trade negotiations between the US and China lifted sentiment towards riskier assets as the quarter drew to a close. Latin American equities rose in line with the global market rally, with Brazil and Mexico recording positive returns.

However, gains were partially offset due to US President Donald Trump's threat to impose punitive tariffs on all imports from Mexico; he subsequently pulled back on those threats. Indian markets ended in positive territory, supported by positive momentum following the re-election of the incumbent National Democratic Alliance government led by Prime Minister Narendra Modi. Russian markets recorded gains as investors looked for attractively valued segments of the market, particularly those that are relatively insulated from the trade war.

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 holdings added value.

Consumer discretionary gained

The exposure to sports apparel company Li Ning enhanced gains. Returns were supported by major rally in the last week after company announced positive profit alert. The company benefits from long-term structural improvement across business function. The position in Brazil's largest fashion retailer Lojas Renner boosted returns after it reported higher-than-expected quarterly numbers, supported by double-digit sales growth despite a sluggish economy. The company is planning to open a 1.6 million square foot distribution centre in the South-East region in Brazil which will strengthen its position further in the retail space

Financials aided returns

The position in insurer AIA Group also added value amid positive US-China trade developments. Financials were also supported by indications from the US Federal Reserve about potentially lower interest rates. Positions in India's Housing Development Finance Corporation and its banking subsidiary HDFC Bank added value, supported by optimism around a stable central government as Prime Minister Narendra Modi's ruling coalition returned to power for a second term.

IT names fell

Shares in US-based IT service company Cognizant fell after it nearly halved its 2019 revenue expectations after missing first-quarter results, as it faces sluggish demand in its financial and healthcare business.

Market Outlook

Emerging market equities rose during the quarter. However, returns were partially offset by renewed concerns over US-China trade tensions. Towards the end of the quarter, US President Donald Trump met with his Chinese counterpart Xi Jinping on the side-lines of the Group of 20 summit in Osaka and agreed to restart trade negotiations, boosting the risk-on sentiment in the markets. Progress on trade talks is likely to impact emerging markets significantly going forward. Emerging market investors are also focusing on the US Federal Reserve's policy actions amid speculation on a temporary trade truce between the world's two largest economies.

In Latin America, Brazil's persistent macroeconomic uncertainty continued to cloud the outlook. GDP growth in the country was negative in the first quarter of the year for the first time since 2016. Investors will look closely at the new President's willingness to undertake the necessary reforms to create lasting growth as they are increasingly worried that Brazil could return to recession.

The Europe Middle East and Africa (EMEA) region is home to an array of countries with significant growth potential. The region accounts for 25% of the world's population and the demographic structure is attractive. Increasing urbanisation, coupled with improving literacy rates is expected to help drive employment and wage growth. However, macroeconomic conditions in some of the region's largest markets, such as South Africa and Turkey are likely to remain difficult.

South African and Indian markets have experienced a busy election cycle in the second quarter. The South African economy continues to be exposed to the impact of slow policy reforms and remains blighted by poor provision of electricity and rising costs. India remains a long-term structural play, post the re-election of the incumbent National Democratic Alliance government led by Prime Minister Narendra Modi. However, there is limited scope for upside due to stretched stock valuations.

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.

Major contributors to quarterly performance %

As at 30/06/2019

	Active positions	Contribution
LI NING CO LTD	3.6	1.6
LOJAS RENNER SA	3.0	0.6
FOSHAN HAITIAN FLAVOURING & FOOD COMPANY LTD	3.1	0.6
AIA GROUP LTD	5.5	0.5
TECHTRONIC INDUSTRIES CO LTD	3.4	0.5

Major detractors to quarterly performance %

As at 30/06/2019

	Active positions	Contribution
COGNIZANT TECH SOLUTIONS CORP	2.3	- 0.5
GAZPROM PJSC	- 0.6	- 0.3
CATCHER TECHNOLOGY CO LTD	1.5	- 0.2
SBERBANK RUSSIA	- 0.7	- 0.2
BOLSA MEXICANA DE VALORES SA	1.9	- 0.1

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 focus remains on identifying good quality companies that 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.

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