

Fidelity Global Equities

Quarterly Investment Option Update

31 March 2022

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 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. 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	100	96.75
Cash	0	3.25

Sector Allocation	%
INFORMATION TECHNOLOGY	26.81
FINANCIALS	16.47
INDUSTRIALS	11.65
CONSUMER DISCRETIONARY	10.25
COMMUNICATION SERVICES	9.36
HEALTH CARE	8.81
CONSUMER STAPLES	4.85
MATERIALS	4.01
UTILITIES	2.31
REAL ESTATE	1.17
ENERGY	1.06
CASH	3.25

Regional Allocation	%
NORTH AMERICA	70.85
EUROPE EX UK	11.44
EMERGING MARKETS	6.99
JAPAN	4.60
UK	1.64
PACIFIC EX JAPAN	1.24
MIDDLE EAST	0.00
CASH & ONA	3.25

Top Holdings	%
MICROSOFT CORP	5.40
AMAZON.COM INC	4.77
ALPHABET INC	4.50
BERKSHIRE HATHAWAY INC DEL	3.46
UNITEDHEALTH GROUP INC	2.76
CANADIAN PACIFIC RAILWAY LTD	2.50
APPLE INC	2.37
GALLAGHER (ARTHUR J.) & CO	2.23
NESTLE SA	1.95
VINCI SA	1.83

Investment Option Commentary

IT positions were among key detractors. Financial software company Intuit reported lower than expected quarterly earnings. However, it is strengthening its market position by helping to transform Intuit into an Artificial Intelligence driven expert platform. In Japan, the technology-led drag and concerns over the impact of rising domestic COVID-19 cases curbed risk appetite, which weighed on technology equipment and services provider Fujitsu and sensors supplier Keyence. The holding in Adobe underperformed following disappointing quarterly earnings and outlook on the back of deceleration across key segments, with the most notable being core creative cloud revenue growth. Elsewhere, streaming services company Netflix came under pressure over weaker than expected quarterly earnings and growth outlook for the year. Not holding natural gas and oil producers ExxonMobil and Chevron weighed on returns as crude oil registered its biggest price gain in January in three decades and as demand outpaced fresh supply. Conversely, energy companies Hess and Nov outperformed along with the broader energy sector. Lack of exposure to electric vehicle manufacturer Tesla weighed on relative performance as the stock rally continued, following strong global production and deliveries.

On a positive note, Canadian Pacific Railway rallied after the company and its workers agreed to binding arbitration to resolve their labour dispute, allowing operations to resume after a weekend lockdown. Within financials, Berkshire Hathaway contributed to returns following robust quarterly earnings, which beat market expectations. Arthur J Gallagher benefited from a number of acquisitions, which further enhanced its capabilities and solid organic growth across segments. Elsewhere, Bristol-Myers Squibb rose following a recent rating upgrade. Agribusiness company Bunge contributed to returns given its exposure to rising commodity prices.

Market Commentary

Global equities fell in the first quarter as Russia's invasion of Ukraine hurt investor sentiment. The invasion prompted Western countries to impose economic sanctions against Russia and raised concerns about global growth expectations as well as the disruption it could cause to global energy markets. A tightening policy stance by major central banks also weighed on equities as inflation surged. Nonetheless, better than expected corporate earnings in developed markets and hopes of progress on Russia-Ukraine peace talks towards the end of the period provided some support. Against this global backdrop, US, Europe ex UK and Japanese equities declined, while Pacific ex Japan stocks gained. Emerging markets broadly fell and lagged developed markets. The crisis in Ukraine has increased the risk of further negative supply shocks to commodities and supply chain disruptions, escalating the risk of stagflation. The rate of expansion in global manufacturing activity, as measured by the JPMorgan Global Manufacturing Purchasing Managers' Index, was the lowest in the last 21-months of increase. Purchasing costs for manufacturers rose due to an imbalance between supply and demand for inputs. Inflationary pressures persisted as headline inflation reached a multi-decade high in the US and UK in February and all-time high in Europe in March, amid stretched global supply chains and elevated geopolitical tensions. From a style perspective, markets witnessed a sharp rotation from growth stocks into value names. At a sector level, consumer discretionary and information technology (IT) were among the key decliners, while energy benefited from a rise in crude oil prices.

Outlook

The Russia-Ukraine war is set to redefine the global order, both economically and geopolitically. In the near term, the trade and financial shocks from the conflict and associated sanctions are exacerbating global inflation pressures, with inflation now likely to peak later and at higher levels. The concurrent hit to economic growth from the rise in commodity prices and hit to overall confidence is likely to be meaningful, though its magnitude and duration are uncertain. The Federal Reserve is likely to continue on its hawkish path and carry out a front-loaded hiking cycle and some quantitative tightening this year, but a growth scare will likely prevent it from hiking as much as the market is currently expecting. News around central bank activity as well as events in China concerning Covid and policy changes are likely to be additional drivers for markets from here. The policy easing measures enacted so far have been targeted and we believe the focus will be on stabilizing the economy.

Availability

Product name	APIR
SignatureSuper*	AMP1305AU
SignatureSuper Allocated Pension*	AMP1312AU
SignatureSuper Term Pension*	AMP1312AU
Flexible Lifetime Investment**	AMP0846AU
Flexible Lifetime Investment (Series 2)**	AMP1432AU

*Closed to new investors

**Closed to new and existing investors

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