

Fidelity Global Equities

Quarterly Investment Option Update

30 June 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 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, 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	93.54
Cash	0	6.46

Sector Allocation	%
INFORMATION TECHNOLOGY	25.60
FINANCIALS	18.70
INDUSTRIALS	11.27
HEALTH CARE	9.97
CONSUMER DISCRETIONARY	8.85
COMMUNICATION SERVICES	7.32
CONSUMER STAPLES	5.36
MATERIALS	3.35
UTILITIES	1.34
REAL ESTATE	1.08
ENERGY	0.71
CASH & ONA	6.46

Regional Allocation	%
NORTH AMERICA	69.48
EUROPE EX UK	9.91
EMERGING MARKETS	6.05
JAPAN	4.16
UK	2.37
PACIFIC EX JAPAN	1.58
MIDDLE EAST	0.00
CASH & ONA	6.46

Top Holdings	%
MICROSOFT CORP	5.85
ALPHABET INC	4.36
AMAZON.COM INC	3.68
UNITEDHEALTH GROUP INC	3.44
BERKSHIRE HATHAWAY INC DEL	3.31
CANADIAN PACIFIC RAILWAY LTD	2.70
GALLAGHER (ARTHUR J.) & CO	2.57
NESTLE SA	2.15
VINCI SA	2.06
S&P GLOBAL INC	1.96

Investment Option Commentary

The portfolio generated negative returns and underperformed the index. While industrials and consumer discretionary holdings hurt returns, selected health care names buoyed performance.

Certain holdings declined on disappointing quarterly earnings

E-commerce major Amazon.com came under pressure over weaker than expected sales forecast for the upcoming quarter. Nonetheless, it is a global leader in cloud services (AWS) with continued increase in profit, advertising revenue streams and increasing market traction. Cognex underperformed following disappointing earnings guidance, citing a slowdown in automation projects. The company's industry leading vision and technologies give it a differentiating edge compared to its peers. Elsewhere, exchange operator Intercontinental Exchange fell, notwithstanding upbeat quarterly performance.

Industrials positions negatively impacted by overall market volatility

Certain growth stocks continued to remain under pressure as valuation compression dragged prices lower. Consequently, the holding in Uber Technologies fell in this regard. Nevertheless, it continues to demonstrate solid fundamentals and operational excellence with an attractive growth runway. General Electric declined as a series of macro headwinds weighed on stock performance. Nonetheless, the company operates a global diversified and digital industrial portfolio and is a transformational story with a new and strong management team.

Key contributors

UnitedHealth Group added value, as managed care companies continued to benefit from a rising interest rate and stagflationary environment. Bristol Myers Squibb delivered strong quarterly earnings driven by robust in-line product growth, increased adoption of new product portfolio and strong commercial execution. Quality insurance franchises such as the likes of AIA Group and Arthur J Gallagher continued their upward growth trajectory, benefiting from strong pricing, prudent underwriting, and an improving rate environment.

Market Commentary

Global equities fell in the second quarter as investors feared a slowdown in global growth due to increasing inflation and interest rate hikes. Major central banks, especially the US Federal Reserve (Fed), adopted an increasingly hawkish stance over the period, escalating the risks of a recession. Growth prospects further deteriorated due to uncertainty over the war in Ukraine and supply chain disruptions from further-COVID-19 lockdowns in China. However, some of these worries eased later in the period, on strong first quarter earnings in developed markets and hopes of easing restrictions in China. Against this backdrop, all key regional indices ended in negative territory, led by weakness in the US and Europe. At a sector level, consumer discretionary and information technology were the key decliners. The energy sector witnessed significant volatility but remained broadly flat. As inflationary pressures mount, the US Fed and other central banks seem willing to take the necessary measures to bring inflation down, increasing the risks of a recession. Global manufacturing activity, as measured by the JPMorgan Global manufacturing Purchasing Managers' Index, slipped to a 22-month low over the period. While easing COVID-19 restrictions in China initiated a recovery, several headwinds such as low business confidence, elevated inflationary pressures and stretched global supply chains remain.

Outlook

The PM team remains cautious in its outlook, as equity markets are likely to remain fragile as elevated inflation, weaker economic growth and supply chain disruptions remain. Major corporations are likely to issue forecast warnings and lower earnings expectations in the coming quarters. Although Europe and US PMIs are still above 50, they both softened in June and deceleration often matters more to markets than absolute levels. If US GDP is negative in Q2, as high-frequency indicators suggest it will be, the US will officially be in a recession. Whether the probable technical recession turns into a 'real' recession - one that inflicts significant pain on consumers and companies - remains to be seen. Nonetheless, China's economy is mending as it emerges from Covid lockdowns. However, we are cautious about the speed and strength of China's recovery - at this stage it looks unlikely that it will be strong enough to support the global economy from a slowdown and probable recession in the US and Europe. Furthermore, concerns over gas supply disruptions will be elevated over the next few weeks, as the shutdown of the Nord Stream pipeline for planned maintenance has begun with uncertainty on whether it gets turned back on again.

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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