

Fidelity Global Equities

Quarterly Investment Option Update

30 June 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 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. 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	5 to 7 years
Relative risk rating	6 / High
Investment style	Core
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	90-100	99.73
Cash	0-10	0.27

Sector Allocation	%
Information Technology	24.33
Financials	13.09
Consumer Discretionary	12.78
Health Care	11.73
Communication Services	8.99
Industrials	8.63
Materials	7.02
Consumer Staples	5.01
Utilities	2.72
Energy	2.27
Other index/unclassified	2.07
Real Estate	1.09
Cash & Ona	0.27

Regional Allocation	%
North America	63.09
Europe ex UK	13.66
Emerging Markets	11.68
Japan	6.09
UK	2.91
Pacific ex Japan	1.38
Middle East	0.92
Cash & Ona	0.27

Top Holdings	%
Microsoft Corp	3.61
Amazon.com Inc	2.88
Alphabet Inc	2.22
UnitedHealth Group Inc	2.01
Apple Inc	1.93
Cisco Systems Inc	1.42
Berkshire Hathaway Inc	1.41
Danaher Corp	1.38
Bank of America Corporation	1.34
Nestle Sa	1.29

Investment Option Commentary

The investment option generated positive returns but underperformed the index. While certain consumer discretionary and health care holdings detracted from returns, selected information technology names boosted performance.

Shares in German automaker Volkswagen came under pressure over concerns regarding a global semiconductor chip shortage that hampered production at several plants. Nonetheless, it has a differentiated cash flow generating power owing to its unique suite of brands combined with its scale and newfound investment discipline. Global internet retail company Asos underperformed due to concerns over its ability to maintain growth as customers return to making offline purchases. Nonetheless, its recent acquisitions of four iconic brands are a robust strategic fit that can enhance its scale, profitability and customer base in the long term.

Digitally focused health care company 1Life Healthcare underperformed, as their quarterly earnings missed market expectations. 1Life Healthcare has a unique product offering and high-quality care, driven by a diversified set of growth opportunities that enables it to enter new markets.

The holding in Japanese IT company Fujitsu rallied on expectations of robust sales growth higher than the growth in the domestic IT services market, and margin improvement due to reorganization and utilizing offshore resources. Shares in Elastic rose as an improved demand environment and multiple tailwinds buoyed growth across the broader platform. The company maintains a rapid growth profile, a strong dollar-based net expansion rate and superior sales efficiency with a remarkable adaptability compared to its peers. Elsewhere, Spanish wireless telecommunications major Cellnex Telecom outperformed owing to resilient and sector-leading organic growth.

Market Commentary

Global equities performed positively in the second quarter as the accelerated roll-out of COVID-19 vaccines and easing mobility restrictions in major developed economies boosted investor sentiment. Strong corporate earnings and economic data, and a highly stimulatory fiscal policy backdrop in the US also supported equities. While a rise in inflation worried investors, major central banks indicated that the recent inflation surge is transitory and said they would maintain near-term policy support. Meanwhile, concerns around the Delta variant of COVID-19, a resurgence in infections in several countries and the US Federal Reserve's more aggressive view on future interest rate hikes led to market volatility. Against this global backdrop, equities in the US and Europe rose strongly. Emerging markets performed positively, but lagged developed markets amid normalising policies in China and virus-related challenges. At a sector level, performance was mixed, though most cyclicals outperformed economically defensive sectors in general. From a style perspective, large-cap growth and quality stocks outpaced their small and mid-cap value counterparts.

Outlook

The current global economic and policy environment remains conducive for equities. Progress on the rollout of COVID-19 vaccines is expected to support the ongoing economic recovery. There are expectations for significant earnings upgrades for 2021, as improving industrial sentiment, further economic reopenings and pent up savings are likely to fuel demand. Equities could continue to outperform even if bond yields or inflation trends higher, as seen recently. The market could continue to move into cyclical areas, out-of-favor value names and reflation beneficiaries as widespread vaccination roll-outs progress. However, the fact that the market is positioned for a very optimistic earnings growth scenario creates potential for disappointment and downside risks. The COVID-19 pandemic could also pose near-term risks, as new variants of the virus and rising infection rates across the globe push governments to reimpose or extend restrictions. Stretched valuations; risks around inflation and signs of diminishing caution from central banks; virus mutations; and slow vaccination in emerging markets present challenges. Nonetheless, improving corporate earnings and continued monetary and fiscal policy stimulus measures are positive for the global growth outlook, and will be supportive of global equities. Against this backdrop, we expect the market to be in a corporate fundamentals-driven phase, with positive earnings surprises driving individual stocks rather than multiple expansion as we saw in 2020.

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

**Closed to new and existing investors

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