Fidelity Global Equities

Quarterly Investment Option Update

31 December 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, 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	90-100	96.60
Cash	0-10	3.40

Sector Allocation	%
Information Technology	25.65
Financials	13.77
Consumer Discretionary	13.32
Industrials	11.92
Communication Services	9.63
Health Care	8.97
Consumer Staples	5.06
Materials	3.24
Utilities	2.28
Energy	1.51
Real Estate	1.25
Cash	3.40

Regional Allocation	%
North America	67.78
Europe ex UK	11.09
Emerging Markets	7.57
Japan	7.14
UK	1.98
Pacific ex Japan	0.68
Middle East	0.36
Cash	3.40

Top Holdings	%
Microsoft Corp	4.95
Amazon.com Inc	4.89
Alphabet Inc	4.00
Apple Inc	2.67
Berkshire Hathaway Inc del	2.66
Canadian Pacific Railway Ltd	2.52
Unitedhealth Group Inc	2.50
Danaher Corp	1.83
Nestle Sa	1.69
Gallagher (Arthur j.) & Co	1.62

Investment Option Commentary

The portfolio generated positive returns but underperformed the index. While selected information technology and communication services holdings hurt returns, financials exposure contributed to performance.

Not owning shares in certain stocks where valuation could not be justified, weighed on relative performance. In particular, electric vehicle company Tesla's shares rose on expectations around robust vehicle delivery and production numbers. Nvidia performed well after a series of analyst upgrades which led to the strong rally. An underweight stance in technology major Apple held back returns as its shares advanced on news of faster progress on its autonomous vehicle. Mass media company Charter Communications declined amid slowing subscriber growth despite reporting strong quarterly results. Nevertheless, it offers investors a unique leveraged equity growth story with strength in advertising and meaningful cashflow growth. US cable television provider Altice came under pressure over concerns regarding a recent stock downgrade. Elsewhere, internet retail company Asos underperformed over muted trading activity, as the COVID-19 uncertainty and inclement weather conditions hampered consumer demand.

Managed health care company UnitedHealth Group delivered strong growth across its Optum and other segments which have been driving revenues. It holds a solid market position, renewed agreements and expansion of service offerings with a growing presence in local care delivery. Within I.T., US-based software company Microsoft added value driven by a strong growth trajectory for Azure and other cloud businesses. Dutch semiconductor manufacturer NXP Semiconductors rallied amid heightened demand for memory chips. Financial software company Intuit benefited from an improvement in customer retention rates and an expansion in the subscriber base. Elsewhere, exchange operator Intercontinental Exchange reported stronger than expected quarterly revenues.

Market Commentary

Global equities performed positively in the fourth quarter as upbeat corporate earnings in developed markets and the ongoing economic recovery provided support. While the emergence of the new, highly transmissible Omicron variant of COVID-19 weighed on equities, markets recovered as reports suggested that the variant is less likely to cause severe illness and hospitalisation. However, rising infections in many regions and tightening policies by major central banks, including the US Federal Reserve and the Bank of England (BoE), held back gains. Against this global backdrop, US and European equities outperformed other regional equities. Emerging markets lagged developed markets, led by weakness in China amid economic and virus-related challenges in the country. The current economic global cycle is far from over, though growth momentum has moderated from the strong levels recorded earlier in the year. The pace of expansion in global manufacturing activity, as measured by the JPMorgan Global Manufacturing Purchasing Managers' Index, broadly held steady over the fourth quarter. There were also tentative signs of easing in elevated supply chain disruptions and price pressures. Furthermore, growth in global services sector activity strengthened over the October–November period. However, inflationary pressures persisted, with headline inflation rising to multi-year highs in the US, UK and eurozone. At a sector level, information technology (IT) and utilities were among the leading gainers.

Outlook

Going into 2022, equities require caution in view of downside risks to growth as the momentum has been moderating from strong levels. The Omicron variant of COVID-19, withdrawal of supportive monetary policies, high inflation and geopolitical issues are likely to present headwinds. Additionally, forecasts indicate that corporate earnings growth is likely to moderate in 2022. Offsetting these concerns are robust household balance sheets, tentative signs of policy easing in China, peaking supply chain bottlenecks, and strong corporate earnings. Against this backdrop, the PM team remains cautious in its approach on equities over the medium-term and continue to invest in long term winners and growth compounders robust pricing power.

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

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267

What you need to know