

As at 31 December 2017

Fidelity Australian Opportunities

Fidelity Australian Opportunities Strategy is an actively managed portfolio of 40-70 Australian equities. The strategy's investment philosophy is centered on the view that markets are inefficient and are constantly presenting anomalies that can add value for investors.

The portfolio is constructed through a bottom-up, stock-specific, value-creation focus. The Strategy has neutral industry positions with active money levels above 40%.

The Strategy is designed to outperform the index over rolling three-year periods by finding the optimum blend of high active money while keeping tracking error within the target range over rolling three-year periods¹

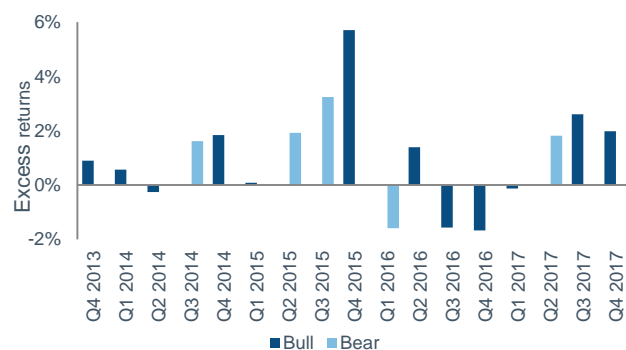
Performance*

Gross of fees (%)	3m	6m	1Y	2Y (pa)	3Y (pa)	Since inception (pa) 31/07/12
Fidelity Australian Opportunities	9.6	13.2	18.8	13.3	13.6	15.7
S&P ASX 200 Index	7.6	8.4	11.8	11.8	8.6	11.6
Excess returns	2.0	4.9	7.0	1.5	5.0	4.1

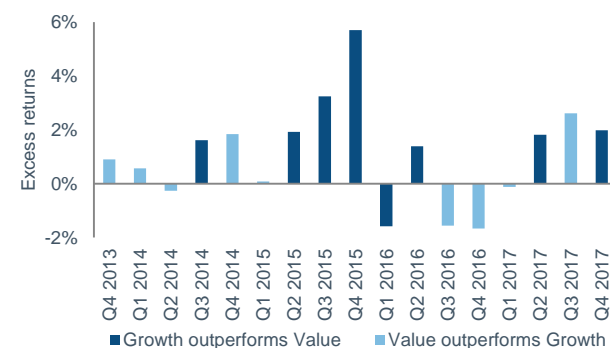
Performance quarterly excess returns*

Gross of fees (%)	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Fidelity Australian Opportunities	12.3	-4.3	5.3	3.6	3.5	4.7	0.2	3.3	9.6
S&P ASX 200 Index	6.5	-2.8	3.9	5.1	5.2	4.8	-1.6	0.7	7.6
Excess returns	+5.8	-1.5	+1.4	-1.5	-1.7	-0.1	1.8	2.6	2.0

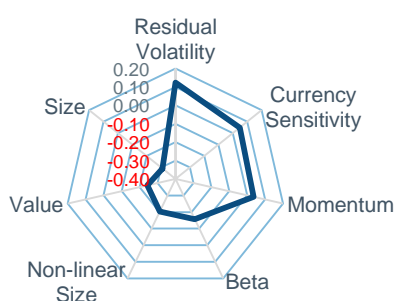
Bull vs Bear



Value vs Growth



Portfolio risk exposure



Portfolio characteristics

Outperformance objective ¹	3% gross of fees p.a.
Net equity exposure ²	c. 95 – 100%
Active Money	c. 40%
Ex-ante beta	c. 0.95 – 1.05
Ex-ante Tracking error	c. 2% – 4% (ex ante)
Number of holdings	c. 40-70
Relative stock weights ²	c. 0.3 – 2.5%
Sector weights (relative) ²	c. + / - 4.0%
Country weights (relative) ²	n/a
Active style exposure	No target.
Expected turnover ³	c. 20 –40 %
Cash	< 5.0%

Commentary

The fund delivered strong returns and outperformed the index over the quarter, driven by rewarding security selection. At a broad sector level, information technology (IT), consumer staples and financials boosted returns. At the stock level, the key contributors to performance delivered encouraging profit growth and investors were also attracted to the clear visibility of their future earnings.

Software holdings lifted returns

Specialist software providers WiseTech Global and Aconex were among the key contributors to performance. The former rallied following an upgraded revenue guidance. Its strong product platform aided market share gains in a fragment market, while it continued to focus on margins and synergistic acquisitions. Shares in Aconex rose sharply due to a takeover proposal by US technology firm Oracle.

Preferred financial position added value

Blue Sky Alternative Investments' robust earnings and assets under management guidance for the current fiscal year lifted this position.

Consumer names among contributors

Infant formula company A2 Milk advanced following the removal of regulatory uncertainty in China and healthy momentum in its sales. Meanwhile, agri-business Elders' annual earnings exceeded estimates, led by an improvement in cash flows and a reduction in debt. The company also restored its dividend pay-out. However, weaker than estimated growth in the online travel booking industry and a partial stake sale by its managing director weighed on Corporate Travel Management.

Top and bottom contributors 3 months to 31/12/2017

Company	Industry	Avg rel. Weight (%)	Contribution (bps)
WiseTech Global	I.T.	2.2	102.5
Blue Sky Alternative Investments	Financials	2.3	48.8
A2 Milk	Consumer Staples	0.8	40.7
Elders	Consumer Staples	0.7	38.6
TPG Telecom	Telecom Services	1.4	35.8
Aconex	I.T.	0.4	25.2
Westfield Corp	Real estate	1.6	23.6
Syrah Resources	Materials	1.1	23.5
National Australia Bank	Financials	-2.2	23.2
Netwealth Group	Financials	0.2	19.7
Australia & NZ Banking Group	Financials	2.2	-22.5
Corporate Travel Management	Consumer Discretionary	1.6	-22.5
Lendlease Group	Real estate	0.8	-17.8
BHP Billiton	Materials	-2.1	-16.1
Sydney Airport	Industrials	2.3	-15.6
RCR Tomlinson	Industrials	0.8	-14.0
Bluescope Steel	Materials	-0.5	-13.4
Santos	Energy	-0.5	-13.3
Origin Energy	Energy	-0.5	-12.6
James Hardie Industries	Materials	-0.6	-11.0

Sector positioning

Sector	Fund weight	Relative weight
I.T.	4.3	0.5%
Cons. Disc.	6.0	0.8%
Health Care	8.2	1.1%
Energy	6.2	0.8%
Telecoms	3.6	0.5%
Cons. Stap.	7.4	1.0%
Utilities	1.1	-0.1%
Financials	33.5	4.5%
Industrials	5.0	0.7%
Real Estate	5.6	0.7%
Materials	15.4	2.0%
Cash	3.7	0.5%

Sector attribution 3 months to 31/12/2017

Sector	Actual Relative Weight	Contribution (%)
I.T.	2.2	1.2%
Cons. Stap.	0.8	0.4%
Financials	-1.6	-0.8%
Telecoms	0.2	0.1%
Real Estate	-1.9	-1.0%
Utilities	-1.4	-0.7%
Industrials	-1.5	-0.8%
Health Care	1.3	0.7%
Materials	-1.3	-0.7%
Cons. Disc.	0.2	0.1%
Energy	-0.4	-0.2%
Cash and others	3.5	1.8%
Total		3.5%

■ Stock selection ■ Sector allocation ● Total rel. contribution

Top 10 active positions 31/12/2017

Name	Fund	Index	Relative	
Blue Sky Alternative Investments	Financials	2.3	0.0	2.3
Oil search	Energy	2.6	0.6	2.0
TPG telecom	Telecoms	2.1	0.1	1.9
Star Entertainment	Cons. Disc.	2.2	0.3	1.9
Sydney Airport	Industrials	2.9	1.0	1.9
Steadfast Group	Financials	2.0	0.1	1.8
Rio Tinto	Materials	3.8	1.9	1.8
Treasury Wine Estates	Cons. Stap.	2.4	0.7	1.7
WiseTech Global	I.T.	1.8	0.1	1.7
CSL	Health care	5.6	4.0	1.7

Market cap positioning

Market cap positioning	Fund weight	Relative weight
ASX50N members	66.7	-10.0%
ASX51TO100 members	8.0	-1.0%
ASX101TO200 members	10.8	1.5%
ASX201TO300 members	5.8	0.8%
ex ASX300/Non ASX	5.0	0.7%
Cash	3.7	0.5%

Strategy overview

Strategy AUM: **AU\$ 1,142 million⁴**

Portfolio Managers



Kate Howitt

Inv. experience: 17 years

Fidelity experience: 12 years

Based in: Sydney

Qualifications: MBA – University of Chicago, Booth School of Business

BA – Liberal Arts, St John's College, Santa Fe New Mexico

Strategy summary

Bottom-up, stock-specific, value-creation focus

A fundamental-driven, bottom-up stock selection approach. Focus on companies with superior management, a competitive edge, a sound balance sheet, strong free cash flow and low gearing, as such companies are likely to create more value over time.

Company microeconomics drive value creation

Stock-specific research helps find companies that can over time create value at a faster pace than the market and this should lead to better share price performance.

Neutral industry group positions

A portfolio with a high active share but which is more sector neutral with a relatively low tracking error. The manager believes that neutral industry-group position puts a portfolio in the "sweet spot", i.e. in a portfolio specific ideal trade off between active money and its tracking error.

Our investment process

At Fidelity International, our edge is proprietary fundamental research, with 150 analysts globally, contributing research and views to a state of the art research management system which acts as a single source for all Fidelity research including equity and credit. Its rich functionality is also flexible, allowing Portfolio Managers to overlay their investment strategies in order to harvest stock specific alpha for their portfolios.

1. Outperformance objective is relative to the S&P ASX 200 Index .
2. Data is presented as a percentage of Total Net Assets (the value of all the fund's assets after the deduction of any liabilities).
3. Expected turnover refers to ex ante annual turnover and is calculated as the lesser of purchases or sales divided by average TNA.
4. AUM as at 31 December 2017. Figure includes all client assets managed using the Fidelity Australian Opportunities strategy.



*Past performance is not a reliable indicator of future performance. Total returns (gross) shown are calculated using mid-prices with distributions reinvested. However, gross returns do not make any allowance for Fidelity's management costs, transactional and operational costs, tax or the buy/sell spread. Returns of more than one year are annualised. The return of capital is not guaranteed. Comparative Index: S&P ASX200 Index.

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