

As at 31
December
2017

For institutional
investors only

Fidelity Asian Equities

The Fidelity Asian Equities strategy is a highly concentrated 25 to 35 stock portfolio, reflecting a high conviction approach which aims at delivering consistent outperformance driven by bottom-up stock selection.

Portfolio manager Anthony Srom's concentrated approach does not result in increased risk as he uses correlation analysis, volatility analysis and position sizing to mitigate investment risk. Despite the high stock concentration, with active share of around 90%, volatility of the portfolio is lower than benchmark and beta is typically less than one.

Concentration allows Anthony to focus more time to understand what matters and thereby generates a greater chance of outperforming. Each position also has the potential for meaningful contribution to performance.

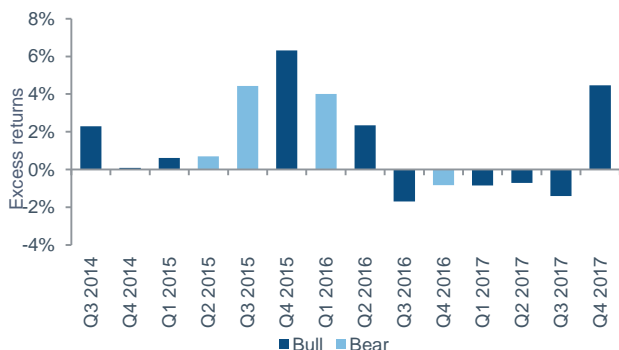
Performance*

Gross of Fees (%)	3m	6m	1Y	3Y p.a.	5Y p.a.	Since inception (29/09/05) p.a.
Fidelity Asia Fund	13.1	16.3	32.8	19.0	19.8	11.9
MSCI AC Asia ex-Japan Index NR	8.6	13.2	31.2	12.4	14.2	8.6
Excess returns	4.5	3.1	1.6	6.6	5.6	3.3

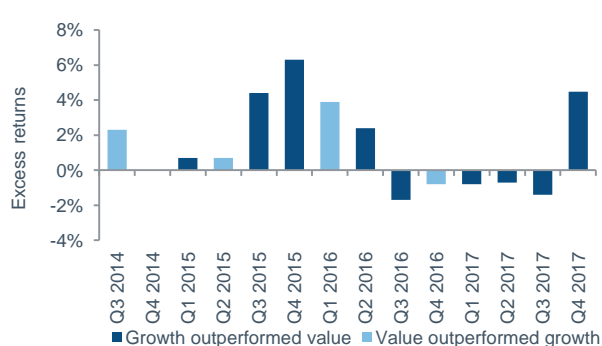
Annual excess returns*

Gross of Fees (%)	Dec 12	Dec 13	Dec 14	Dec 15	Dec 16	Dec 17
Fidelity Asia Fund	7.1	9.8	7.1	6.5	-1.8	13.1
MSCI AC Asia ex-Japan Index NR	5.9	8.1	7.1	0.2	-1.0	8.6
Excess returns	1.2	1.7	0.0	6.3	-0.8	4.5

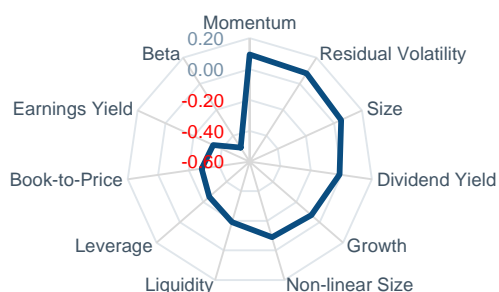
Bull vs Bear



Value vs Growth



Portfolio risk exposure^



Portfolio characteristics

Outperformance objective¹	c. 3% p.a. (gross of fees)
Net equity exposure²	c. 90 – 100%
Active Money	c. > 85%
Ex-ante beta	c. 0.75 – 0.95
Ex-ante Tracking error	c. 4% – 7% (ex ante)
Number of holdings³	c. 25 – 35
Absolute stock weights²	c. 0.0 – 9.0%
Sector weights² (relative)	c. +/- 20.0%
Country weights (relative)	c. +/- 20.0%
Expected turnover⁴	c. 50 – 80%
Minimum Market Cap	c. \$0.5bn (free float)
Cash	< 10.0%

Commentary

The fund outperformed the index over the quarter. Selected consumer and financials stocks proved rewarding. Conversely, energy companies held back gains.

Consumer stocks added value

Liquor and beverage maker Kweichow Moutai rose. The company issued solid profit guidance for 2017, and announced plans to increase the price of its flagship product in 2018. Clove cigarette manufacturer Gudang Garam advanced as it is likely to benefit from the new excise tax regulation implemented in Indonesia. Chinese home appliance brand Midea also rose as investors favoured the company for its robust earnings and market share gains. Hong Kong-based luxury hotel operator Shangri-La Asia benefits from a consumption upgrade by Chinese tourists.

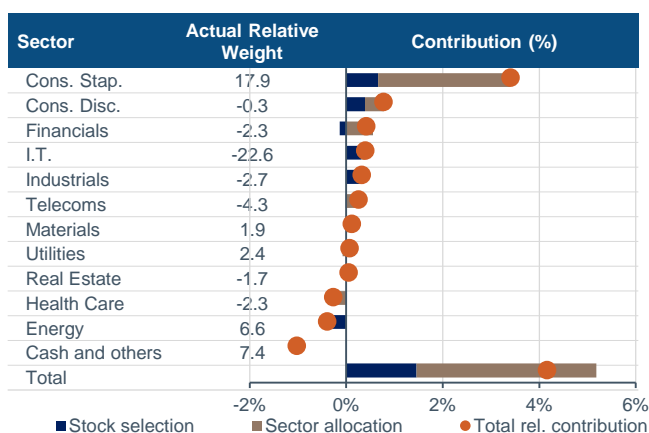
Financials were among the key contributors

AIA Group gained as it is likely to benefit from China's decision to remove the foreign ownership cap for life insurers. AIA is the only wholly owned foreign insurer in China.

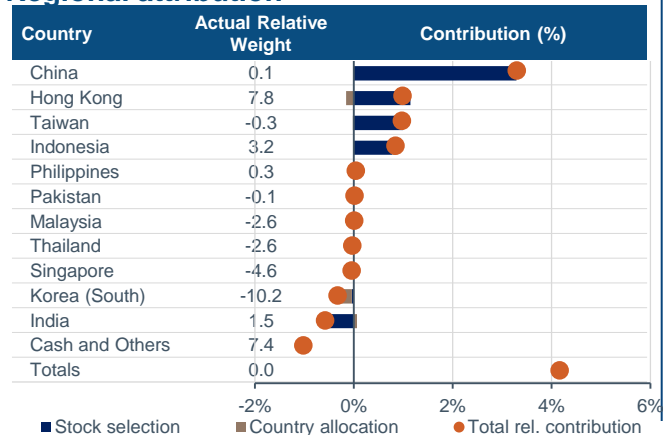
Selected energy stocks came under pressure

China Petroleum and Chemical Corporation fell amid profit taking by investors following strong recent performance.

Sector attribution



Regional attribution



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

Company	Sector	Country	Avg rel. weight (%)	Contribution (bps)
Kweichow Moutai	Cons. Stap.	China	8.7	254.5
AIA Group	Financials	Hong Kong	7.6	58.1
Shangri-La Asia	Cons. Disc.	Hong Kong	3.2	57.4
Midea Group	Cons. Disc.	China	3.1	55.1
Gudang Garam	Cons. Stap.	Indonesia	2.6	46.0
Shanghai Flyco Electrical Appliance	Cons. Stap.	China	3.3	39.4
Alibaba Group Holdings	I.T.	China	-4.5	39.2
Foshan Haitian Flavouring & Foods	Cons. Stap.	China	4.9	38.5
Taiwan Synthetic Rubber Corporation	Materials	Taiwan	3.3	34.6
Bank Rakyat Indonesia	Financials	Indonesia	2.8	34.0
Tencent Holdings	I.T.	China	-6.1	-72.6
China Petroleum and Chemical Corporation	Energy	China	4.7	-53.0
Playmates Toys	Cons. Disc.	Hong Kong	1.2	-26.3
Ping An Insurance	Financials	China	-1.1	-25.9
Shandong Gold-Mining	Materials	China	3.1	-19.8
HDFC Bank	Financials	India	8.0	-15.1
Celltrion	Health Care	Korea (South)	-0.3	-14.4
Sun Hung Kai Properties	Real Estate	Hong Kong	3.7	-12.1
Netease	I.T.	China	-0.5	-11.2
China Resources Gas Group	Utilities	China	2.6	-11.1

Sector positioning

Sector	Fund weight (%)	Relative weight
Cons.Stap.	22.0	█
Energy	11.5	█
Utilities	5.4	█
Materials	6.6	█
Cons Disc.	8.4	█
Financials	21.7	█
Real Estate	4.1	█
Health Care	0.0	█
Telecoms	0.0	█
Industrials	2.4	█
I.T.	10.3	█
Cash and Others	7.5	█

Regional positioning

Region	Fund weight (%)	Relative weight (%)
Hong Kong	17.3	█
Indonesia	6.4	█
India	11.7	█
Taiwan	13.8	█
China	34.9	█
Philippines	1.6	█
Pakistan	0.0	█
Thailand	0.0	█
Malaysia	0.0	█
Singapore	0.0	█
Korea (South)	6.8	█
Cash and Others	7.5	█

Market cap positioning

Market cap	Fund weight (%)	Relative weight (%)
Above \$100bn	27.1	█
\$50bn to \$100bn	17.8	█
\$20bn to \$50bn	22.2	█
\$10bn to \$20bn	11.1	█
\$5bn to \$10bn	4.9	█
\$1bn to \$5bn	8.4	█
Less than \$1bn	1.1	█
Cash & Others	7.5	█

Strategy overview

Strategy AUM: AUD 121 million⁵

Portfolio Manager



Anthony Srom

Inv. experience: 18 years
Fidelity experience: 10 years
Based in: Singapore
B.Comm., Bond University,
Queensland, CFA Charterholder

Investment approach

Anthony employs a concentrated investment approach of typically 25 to 35 stocks to capture the best investment ideas in Asia Pacific ex Japan. The portfolio has high active money of around 90%, and the portfolio turnover is maintained between 60-80% which translates to a holding period of approximately 18-24 months.

Anthony's style is broadly neutral with a slight contrarian bias, and he favours larger cap, more liquid investments. The concentrated nature allows the portfolio manager to focus on the three variables that he believes drive stock performance: fundamentals, sentiment and valuations.

Strategy summary

Anthony remains focused on building a concentrated portfolio of attractively valued stocks where fundamentals are robust, irrespective of the macro backdrop. In particular, he favours companies that have an understandable business model, solid financial strength, above-average earnings growth rate relative to market expectations, and an ability to allocate capital effectively to increase returns on equity (RoE) over time.

Our investment strategy

At Fidelity International, our edge is proprietary fundamental research, with around 140 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.

Anthony overlays the Fidelity research process with his fundamental, sentiment and valuation (FSV) approach while examining where Fidelity is different to the market. From a fundamental (F) perspective, Anthony concentrates on two key areas: what is the direction of earnings risk relative to consensus and what is the direction of incremental return on capital? From a sentiment perspective (S), Anthony is interested in whether the stock is over or under-owned and what the market is saying so we ensure we have a differentiated investment thesis. And from a valuation (V) perspective we triangulate valuation metrics depending on the industry and point in the cycle.

1. Outperformance objective is relative to the MSCI All Country Asia ex-Japan 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. The holding range is subject to change depending on the portfolio manager's level of conviction and the availability of investment ideas
4. Expected turnover refers to ex ante annual turnover and is calculated as the lesser of purchases or sales divided by average TNA.
5. AUM as at 31 December 2017. Figure includes all client assets managed using the Fidelity Asian Equities strategy.



*Past performance is not a reliable indicator of future performance. Total returns (gross) shown are as at 31/12/2017 and 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. Inception date: 29/09/2005
Data is for the Fidelity Asian Equities Strategy which is managed in the same way as the Fidelity Asia Fund.

References to specific securities should not be taken as recommendations. Fund references are correct at time of first publication but are subject to change and may not represent actual holdings in the fund at the time of this viewing. You should consider obtaining independent advice before making any financial decisions.

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