

As at 31 December 2017

Fidelity Global Equity Income

The Fidelity Global Equity Income strategy aims to provide investors with an attractive total return over time by outperforming the MSCI All Countries World (ACW) Index over a full business cycle. We focus on generating higher dividend yield with income growth to protect against inflation.

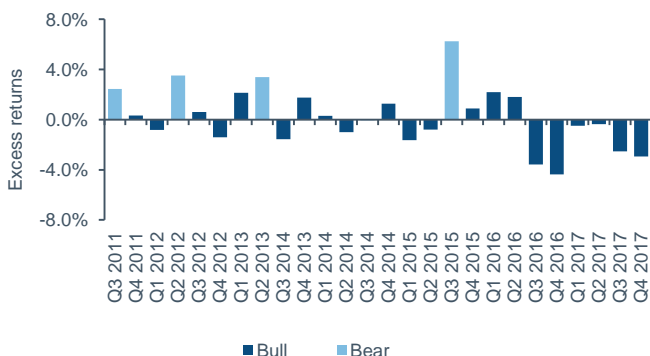
Income however is not the only objective; rather income is both a key filter for finding long-term sustainable business models and an outcome that contributes significantly to reducing volatility and creating smoother long-term returns.

Portfolio Manager Aditya Shivram is a bottom-up stock picker and believes that not all dividends are created equal but rather that companies with resilient franchises, built on reasonable valuations can provide sustainable dividends as well as real capital growth.

Performance*

Gross of Fees (%)	1m	6m	1Y	2Y (p.a.)	3Y (p.a.)	Since inception (p.a.)
Fidelity Global Equity Income	-0.4	5.5	16.7	10.0	7.5	9.6
MSCI AC World	1.6	11.2	24.0	15.6	9.3	8.6
Excess returns	-2.0	-5.7	-7.3	-5.7	-1.8	+1.0

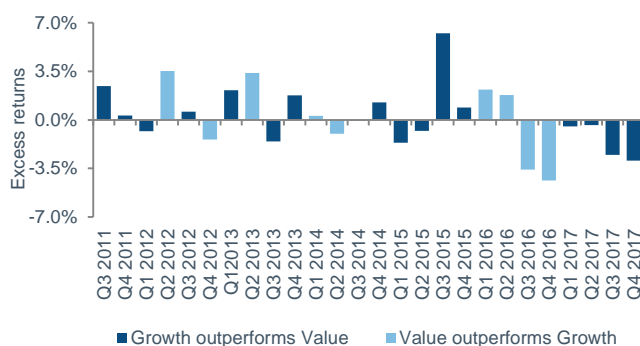
Bull vs Bear



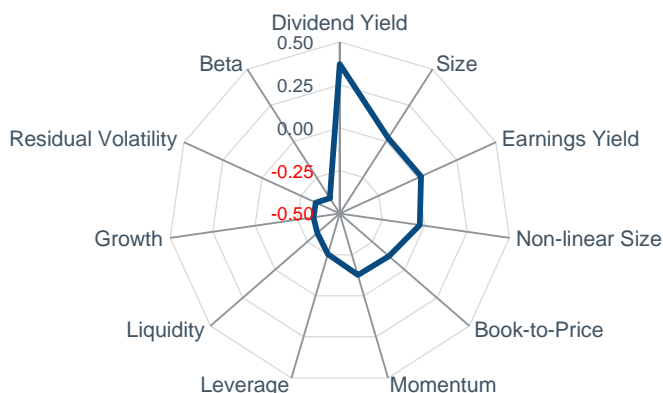
Annual excess returns*

Gross of Fees (%)	2012	2013	2014	2015	2016	2017
Fidelity Global Equity Income	18.6	29.7	4.7	2.7	3.7	16.7
MSCI AC World	16.1	22.8	4.2	-2.4	7.9	24.0
Excess returns	+2.5	+6.9	+0.6	+5.1	-4.2	-7.3

Value vs Growth



Portfolio risk exposure



Portfolio characteristics

Outperformance objective¹	c. 2-4% p.a. (gross of fees)
Net equity exposure²	c. 90 – 100%
Active Money	>80%
Ex-ante beta	c. 0.8-1.0
Ex-ante Tracking error	c. 3-6% (ex ante)
Number of holdings	40-60
Absolute stock weights²	c. 0-5%
Sector weights (relative)²	c. + / - 15%
Country weights (relative)²	c. + / - 15%
Expected turnover³	c. 25-35% annualised
Minimum Market Cap	\$1bn (free float)
Cash	< 10%

Commentary

The strategy recorded positive returns but underperformed the index over the period. Stocks in the utilities sector were the only exception in an otherwise positive quarter for the markets. While the fund owns high-conviction dividend-paying stocks within technology, the relative outperformance of 'new' technology companies and lack of exposure to the materials sector hurt relative performance.

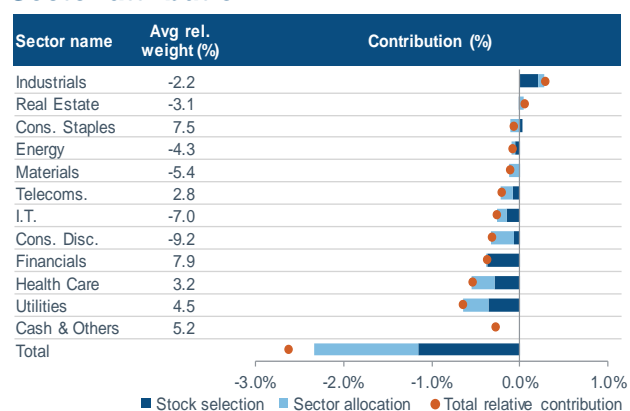
Holdings in Edison and KDDI detracted

Shares in Southern Californian utility provider Edison slid amid wildfires in the region and the strict liability regulations around it. Nevertheless, it remains a good long-term compounder of total returns and recently announced an 11% increase in dividends. Japanese telecommunications company KDDI was adversely impacted after e-commerce company Rakuten announced an aggressive entry into the market. Health care firm Sanofi was another notable detractor from returns in an uneventful quarter as it continues to build its attractive pipeline of new drugs.

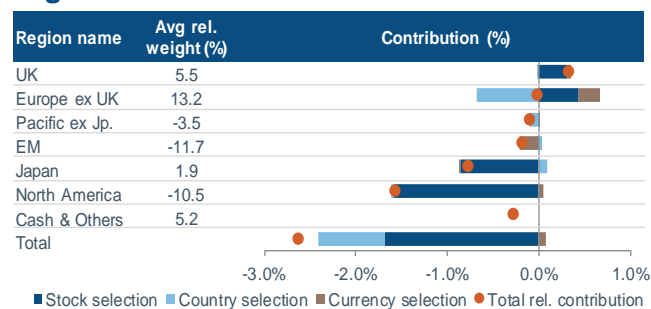
Positions in Wolters Kluwer and Diageo contributed

Information services provider Wolters Kluwer is supported by a track record of steady execution and its positive outlook for productivity as its business mix leans towards digital offerings. The position in beverages producer Diageo also added value after a strong year of robust earnings growth and an enhanced outlook on the back of improving margins. Diageo's wide brand portfolio is expected to support growth given the favourable outlook for the spirits industry.

Sector attribution



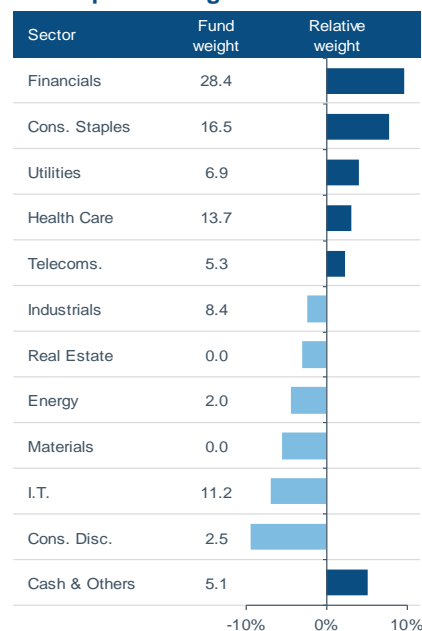
Regional attribution



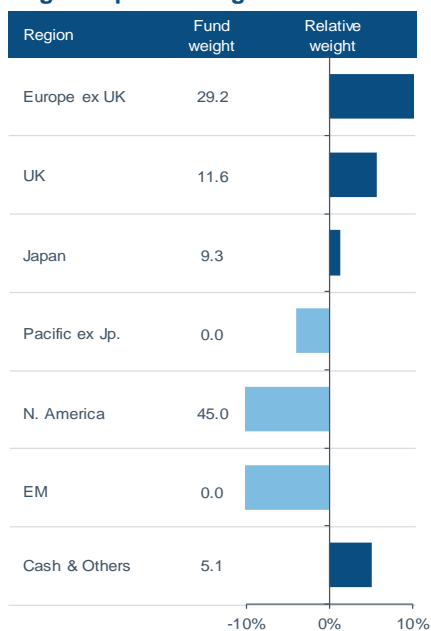
Top and bottom contributors

Company	Industry	Country	Avg rel. weight (%)	Contribution (bps)
Wolters Kluwer	Industrials	Europe ex UK	4.4	30.9
Diageo	Cons. Staples	UK	3.1	19.3
Hiscox	Financials	UK	1.9	17.1
Cisco Systems	I.T.	N.America	1.6	15.1
Microsoft	I.T.	N.America	1.5	14.2
Johnson & Johnson	Health Care	N.America	3.1	9.8
Wells Fargo	Financials	N.America	1.6	9.2
CME	Financials	N.America	2.0	9.1
Pepsico	Cons. Staples	N.America	3.1	9.0
Relx	Industrials	Europe ex UK	3.7	9.0
Edison International	Utilities	N.America	2.4	-58.8
Marsh & McLennan	Financials	N.America	4.1	-31.1
Sanofi	Health Care	Europe ex UK	1.2	-24.9
Unilever	Cons. Staples	Europe ex UK	2.1	-20.9
Hoya	Health Care	Japan	1.5	-20.6
Merck	Health Care	N.America	1.1	-19.3
Amazon.com	Cons. Disc.	N.America	-1.0	-14.2
Oracle	I.T.	N.America	2.0	-13.6
Iberdrola	Utilities	Europe ex.UK	2.2	-13.0
U.S. Bancorp	Financials	N.America	2.4	-12.9

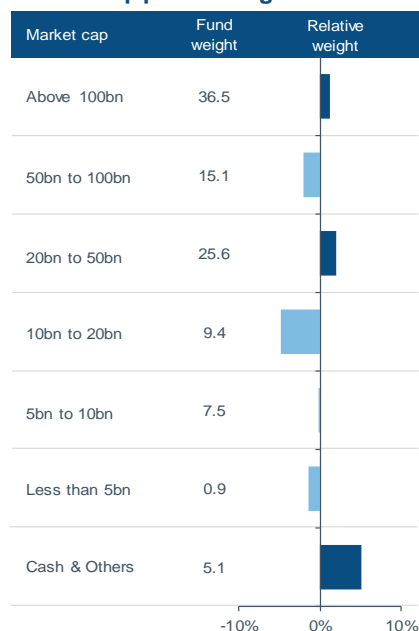
Sector positioning



Regional positioning



Market cap positioning



Strategy overview

Strategy AUM: AU\$60.1 million⁴

Portfolio Manager



Aditya Shivram

Investment experience: 15 years

Fidelity experience: 12 years

Based in: London

MBA, Harvard Business School. BA Hons, Mathematics & Economics, Grinnell College, US

Investment approach

The manager looks for three characteristics in potential investments:

- Companies with predictable, stable business models
- Businesses with attractive returns at reasonable valuations
- Low financial valuations

Strategy summary

A global equity income strategy that aims to deliver long term performance in excess of the market over a business cycle with lower volatility and an attractive and sustainable current dividend yield where income growth provides inflation protection.

Our investment process

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

The Fidelity Global Equity Income Fund investment process overlays a PM designed filter on this broad universe to discover high quality, low risk/leverage investments, for inclusion in a concentrated portfolio of 40-60 stocks, resulting in active money greater than 80%.

1. Outperformance objective is relative to the MSCI All Country World 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 shown in AUD. Figure includes all client assets managed using the Fidelity Global Equity Income Strategy



***Past performance is not a reliable indicator of future performance.** Returns may increase or decrease as a result of currency fluctuations.

Data represents the Fidelity Funds Global Equity Income portfolio, which is a chain-link of three portfolios managed by the PM. Portfolio no. 1 is a pilot fund and is shown from inception 17 May 2011. It is linked to an institutional client portfolio from 31 August 2012 and then a pooled fund Fidelity Funds Global Equity Income portfolio from 30 November 2013. Comparative Index: MSCI All Country World Index (N). Performance is gross of fees in USD terms. Live fund performance may differ from this pilot performance based on the impact of actual expenses associated with live fund management, administration, transaction costs, shareholder inflows and outflows. Pilots are funded entirely by Fidelity and are not available for client investment. All trading for pilots is transacted via Fidelity's centralised dealing desk, in the same way as a live fund. However, in the absence of sufficient liquidity, all client orders must be completed in full before a pilot receives any allocation. Pilots may also not trade with client accounts. Aditya Shivram has managed the pilot fund since inception. Date of inception: 17 May 2011.

References to specific securities should not be taken as recommendations and may not represent actual holdings in the portfolio at the time of this viewing.

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