

Fidelity Funds – Asia Pacific Dividend Fund

31 August 2024

For existing investors in Fidelity Funds – Asia Pacific Dividend Fund (the “Fund”) only. Thank you for investing in the Fund. We would like to use this opportunity to give you an update on the Fund’s performance. Please note that this is not a product advertisement or solicitation for investment in the Fund.



How has the Fund performed in August 2024?

- The Fund returned 1.6%¹ (for the A-USD share class in USD terms) and the index² returned 2.4%.



Reasons for performance

- Equities in Asia Pacific ex-Japan rose in August but performance across various markets was mixed. Investors continued to rotate away from global technology stocks after NVIDIA’s lacklustre revenue guidance, impacting some regional artificial intelligence (AI)-related technology stocks. ASEAN and Hong Kong markets’ strong performance helped to offset some of these losses.
- China remained a laggard as investors looked for more clarity about its economic outlook. South Korea continued to decelerate, underperforming the region with tech stocks proving a drag. Meanwhile, TSMC’s rebound supported Taiwanese equities. India ended the month with gains but lagged its broader regional peers as foreign investor inflows were subdued. The leading ASEAN markets including the Philippines, Malaysia and Indonesia saw strong investor inflows given attractive valuations.
- The Fund posted positive returns in August but underperformed its index². The weakness in the technology sector adversely impacted some of the Fund’s key semiconductor holdings. South Korean chip maker Samsung Electronics detracted from performance in August after a strong rally in the first half of the year, negatively impacted by US chip manufacturers.
- Within China consumption, electronic appliances provider Haier Smart Home diminished relative gains as it reported mixed quarterly results. Australian KFC and Taco Bell operator Collins Foods fell as it released guidance indicating contracting margins as inflation hit costs related to sales, labour and energy.
- On a positive note, Australian gold miner Evolution Mining advanced on impressive earnings and as the uptrend in gold and copper prices supported sentiment. Taiwanese consumer durable goods supplier Nein Made Enterprises also gained after solid earnings results. Within financials, Singapore Exchange was a leading contributor as it posted robust earnings and raised its dividend payout, driven by higher revenue from its currencies and commodities business.



Outlook / Expectations

- The Fund looks for companies with strong business moats and credible capital allocation policies, which should benefit shareholders via a combination of compounding returns and dividend payments.
- We prefer companies with a sustainable dividend stream that is supported by strong balance sheets and predictable cash flows. We are conscious of valuation risk and look to buy companies that are trading below their intrinsic value to manage downside risk and increase returns potential.
- The Fund favours high quality stocks with sustainable dividend stream. Taiwan Semiconductor Manufacturing Company (TSMC) remains a key holding as it remains a front-runner with cutting edge technology. It has a strong business moat and a long runway of growth from new applications in fifth-generation (5G), AI, autonomous driving and the Internet of Things.
- Samsung Electronics is also another key holding, being a global leader in memory chips, handsets, display panels and consumer electronics products. It is the market leader in the memory market which has seen significant consolidation resulting in lower cyclicality and higher returns through-cycle.

Source: Fidelity International, as at 31 August 2024.

¹ The stated return is computed on a NAV-NAV basis, with dividends reinvested in USD. It does not take into account the amount of initial sales charge, which may be levied by your distributor. The stated returns will be reduced when the applicable sales charge is being taken into account. Please note that past performance is not indicative of future returns. The 1-year return, net of sales charge of 5% for the Fidelity Funds – Asia Pacific Dividend Fund A-USD share class is 7.05%.

² The reference benchmark is the MSCI AC Asia Pacific ex Japan Index (Gross).

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Singapore

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