Fund Update

Fidelity Funds (FF) - Asia Pacific Dividend Fund (the "Fund")

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Fidelity Funds - Asia Pacific Dividend Fund Update – July 2024

JOCHEN BREUER

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- The value of investments and the income from them can go down as well as up so you/the client may get back less than you/they invest.
- The investment which is promoted concerns the acquisition of units or shares in a fund and not in a given underlying asset owned by the fund.
- The Investment Manager's focus on securities of issuers which maintain favourable ESG characteristics or that are sustainable investments may affect the fund's investment performance favourably or unfavourably in comparison to similar funds without such focus. When referring to sustainability – related aspects of the promoted fund, the decision to invest should take into account all characteristics or objectives of the promoted fund as detailed in the Prospectus. Information on sustainability-related aspects is provided pursuant to SFDR at https://www.fidelity.lu/sfdr-entity-disclosures
- This fund invests in overseas markets and so the value of investments can be affected by changes in currency exchange rates.
- This fund invests in emerging markets which can be more volatile than other more developed markets.
- This fund uses financial derivative instruments for investment purposes, which may expose the fund to a higher degree of risk and can cause investments to experience larger than average price fluctuations.
- This fund has, or is likely to have, high volatility owing to its portfolio composition or the portfolio management techniques.
- Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for illustration purposes only.
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- Investors should note that the views expressed may no longer be current and may have already been acted upon.
- Past performance does not predict future returns. The funds returns may increase or decrease as a result of currency fluctuations.
- Overseas investments will be affected by movements in currency exchange rates.
- Investments in emerging markets can be more volatile than other more developed markets.
- Funds are subject to charges and expenses. Charges and expenses reduce the potential growth of your investment. This means you could get back less than you paid in. The costs may increase or decrease as a result of currency and exchange rate fluctuations.
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Please refer to the Prospectus and Product Highlights Sheet (PHS) of the fund before making any final investment decisions. The investment which is promoted concerns the acquisition of units or shares in a fund and not in a given underlying asset owned by the fund.

Investment policy and objectives

Objective: The fund aims to achieve capital growth over the long term and provide income.
Investment Policy: The fund invests at least 70% (and normally 75%) of its assets, in income producing equity securities of companies that are headquartered or do most of their business in the Asia Pacific region, including emerging markets. The fund may also invest in money market instruments on an ancillary basis. The fund will invest less than 30% of its assets (directly and/or indirectly) in China A and B Shares (in aggregate).

Investment Process: In actively managing the fund, the Investment Manager considers growth and valuation metrics, company revenues, return on capital, cash flows and other financial measures, as well as industry and economic conditions, among other factors. The Investment Manager will select investments which it believes offer attractive dividend yields in addition to price appreciation. The Investment Manager considers ESG characteristics when assessing investment risks and opportunities. In determining ESG characteristics, the Investment Manager takes into account ESG ratings provided by Fidelity or external agencies. The fund aims to achieve an ESG score of its portfolio greater than that of its benchmark. Through the investment management process, the Investment Manager aims to ensure that investee companies follow good governance practices.For more information, see "Sustainable Investing and ESG Integration" and the Sustainability Annex.
Benchmark: MSCI AC Asia Pacific ex Japan Index, a broad market index that does not take into account ESG characteristics Used for: investment selection, risk monitoring and performance comparison.
Fund Domicile & Legal Vehicle: Luxembourg SICAV.

Summary:

- Jochen Breuer became Portfolio Manager on 1 November 2020 and focuses on delivering an attractive and growing dividend stream to investors. The current dividend yield to investors is ~4.2% and we are confident to be able to grow the dividend to fund holders over time.
- Under Jochen, the strategy maintains a strong quality bias and owns predominantly defensive business models with robust balance sheets at attractive valuations. We aim to provide a cross-cycle outperformance, a resilient and growing income stream and long-term capital growth, with lower risk characteristics than the market.

Market and portfolio performance - 1 month to 31 July 2024

- Regional equities in **Asia Pacific ex-Japan** ended relatively flat over the month. Momentum in South Korean and Taiwanese mega-cap and artificial intelligence (AI)-related technology stocks switched amid concerns around their stretched valuations, while strong performance by Indian equities and a rebound in ASEAN markets offset some of these loses. Signs of softer inflation and labour market data in the US led to a cautious outlook for global growth while also raising expectations of interest rate cuts by the US Federal Reserve (Fed).
- At a regional level, **Chinese equities** declined. While investors looked for more clarity about China's economic outlook, the country's GDP growth reading for the recent quarter marginally fell below market consensus, mainly due to softer consumption growth. On the monetary front, Chinese authorities implemented several measures to infuse liquidity into the financial system. These included reducing the reverse repo rate and lowering the benchmark loan prime rate. These efforts were aimed at stimulating lending and further support economic growth. Encouragingly, **Hong Kong** stocks slightly outperformed the broader market.
- Gains in technology-focused **South Korean and Taiwanese markets** decelerated sharply during the month after a period of strong performance led by global enthusiasm towards AI development. Sentiment was particularly impacted by concerns about stretched valuations in technology names with steep falls seen in index heavy-weights SK Hynix and Hon Hai Precision, among others.
- Among other Asian markets, **Indian equities** were a standout, delivering solid returns and outperforming their counterparts. Optimism surrounding policy reforms, economic growth, and better-than-expected corporate earnings resulted in significant buying activity from both foreign and domestic institutional investors. The Indian economy has experienced impressive growth this year, thanks to strong public investment and resilient private consumption growth.
- **Australian equities** advanced with positive momentum supported by optimism of interest rate cuts by the US Fed in September. Australia's quarterly trimmed mean Consumer Price Index (CPI) came in slightly below market expectations and was up 3.9% year-on-year in June, which underpinned sentiment.

- Within **ASEAN,** all countries, including the **Philippines, Thailand, Malaysia, Singapore and Indonesia** advanced. Investors expressed a preference for these markets, where valuations were relatively attractive compared to other countries in the broader Asian region. The equity market in Singapore is enjoying a positive trend lately, driven by impressive performances from major banks and real estate investment trusts (REITs). Meanwhile, Malaysia also reported a higher-than-expected second-quarter GDP growth, driven by an expansion in domestic demand and resilient exports.

Fidelity Funds - Fidelity Funds - Asia Pacific Dividend Fund A-USD vs. MSCI AC Asia Pacific ex Japan Index (Gross): Standard periods, net of fees, USD (%)

	1 Month	3 Months	6 Months	1 Year	3 Years(ann.)	PM Tenure(ann.) *	5 Years(ann.)
Fund	1.6	3.6	8.6	4.9	0.2	5.6	6.6
Index	0.2	6.1	14.3	7.4	-1.8	2.6	4.6
Excess Return	**1.4**	**-2.6**	**-5.7**	**-2.5**	**2.1**	**3.0**	**2.0**

^Source: Fidelity International, 31 July 2024. Performance basis: nav-nav with income reinvested, rounded off to one decimal place. Performance figures for Fidelity Funds - Asia Pacific Dividend Fund A-USD share class are net of fees in USD terms. Comparative Index: MSCI AC Asia Pacific ex Japan Index (Gross). Data shown does not take into account any Initial Charge that may apply. Totals may not sum due to rounding. *PM tenure since 1 November 2020. Past performance is not an indicative of future performance.

Key drivers - 1 month to 31 July 2024

- The fund returned 1.6%^ (A-USD) during July 2024, outperforming the index which returned 0.2%.
- Robust security selection within the information technology (IT) and materials sectors contributed returns. Conversely, selected financials holdings declined.
- Shares in information technology stocks including chipmaker **SK Hynix** and **Taiwan Semiconductor Manufacturing Company (TSMC)** tracked global chip stocks lower. The recent rally seen in the Asian semiconductor names eased over the month as investors looked in to take profits. Concerns about stretched valuations in these technology stock also undermined investor confidence. Consequently, an underweight stance in TSMC and a lack of exposure to SK Hynix contributed to relative performance. Meanwhile, the position in **Samsung Electronics** proved rewarding. Markets reacted positively after Samsung reported a strong rise in its second quarter operating profits, which was way ahead of consensus. This surge in profitability was because of rising semiconductor prices and increased demand for advanced chips used in AI applications. Its management forecasted a strong AI-driven demand for chips in the second half of 2024.
- In materials, the holding in gold miner **Evolution Mining** advanced as it released an upbeat quarterly update. The overall uptrend in gold prices also supported sentiment. Gold prices rose as investors favoured the commodity amid increased geopolitical turmoil and anticipation of interest rate cuts in the US. Meanwhile, shares in Southeast Asia's largest brewer **Thai Beverage** advanced primarily due to a conditional share swap agreement aimed at exiting its non-core property assets, which is expected to streamline its focus on its food & beverage (F&B) segments. Market optimism was also supported by a strong growth in Thailand's monthly spirits and beer consumption data, as per the latest release by the country's official authorities.
- Within China, shares in aircraft leasing company **BOC Aviation** benefitted from hopes of lower interest rate environment in the US. Lower bond yields in China positively impacted the holding in hydropower operator **China Yangtze Power.** Investor sentiment was buoyed as it released robust power generation data, well-ahead of market estimates. Conversely, the position in the city gas company **ENN Energy** hurt performance. Its shares fell amid expectations of weaker earnings and a lacklustre growth outlook in the near-term. Broad-based market weakness in Chinese consumer names weighed on the holding in clothing manufacturer **Shenzhou International.** Not holding non-dividend yielding e-commerce giant **Alibaba** weighed on relative returns. Its shares advanced as it announced plans to earn more service fees from merchants.

Dividends announced

- **Swire Pacific** announced an interim dividend of **HKD1.25per share**, up from HKD1.20per share, in line with expectations.
- **DFI Retail** declared a dividend of **USD0.035per share**, up from USD0.03per share.
- **Singapore Exchange** announced a final dividend of **SGD0.09per share,** up from SGD0.085per share.
- **Lendlease Global REIT** declared an interim dividend of **SGD0.0173per share,** a decline in 10% y-o-y but in line with expectations.

Outlook:

- The strategy maintains a strong quality bias and owns predominantly defensive business models with robust balance sheets at attractive valuations. We aim to provide a cross-cycle outperformance, a resilient and growing income stream and long-term capital growth, with lower risk characteristics than the market.
- The portfolio focuses on delivering an attractive and growing dividend stream to investors. The current distribution yield to investors is ~4.2% and we are confident we will see further dividend growth over time.
- The process is bottom up focussed. However, it is important to continuously assess macro policies. With that in mind, the divergent paths in monetary policy between the US and China is worth following. Subdued consumer confidence in China has resulted in an uneven pace of economic recovery in the country post its initial re-opening excitement. The disconnect between the market's expectation and the reality of the recovery has left Chinese equities trading at a significant discount. Although Chinese policymakers are now returning to stimulus measures to support the economy, we remain mindful of the potential volatility and closely monitor market developments. Valuations remain attractive with a lot of the negative already priced in and we can find attractively valued opportunities across a number of sectors in companies with predictable cash flows and strong balance sheets. On the contrary, we are cautious about overly hyped parts of the market such as AI related companies which have seen strong valuation re-rating in 2023. In many cases valuations already reflect high expectations around the growth and profit outlook for those companies.
- Inflationary pressures have emerged in many parts of the economy and the Russia-Ukraine conflict has pushed commodity prices higher due to supply chain disruptions and sanctions. Besides that, we believe other factors are potentially more structural in nature. Thus, against the current market backdrop, the focus is to own companies with a sticky consumer base and an ability to generate cash. As interest rates remain high and liquidity remains tight, we favour companies with strong balance sheets and low refinancing risk. Bottom-up stock picking remains crucial, and we remain mindful of the impact inflationary factors have on our portfolio holdings.

Positioning:

- The manager 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. The preference is towards companies with a sustainable dividend stream that are supported by strong balance sheets and predictable cash flows. Valuations are regarded as the key source of risk. Therefore, the manager looks to buy companies that are trading below their intrinsic value to reduce downside risk and increase returns.
- The portfolio is well diversified both geographically and by sector. Regional and sector weightings are an outcome of the strategy's unconstrained, bottom up-process. We prefer to monitor geographical risk from an economic exposure perspective as the listing location of many companies does not accurately reflect their exposure.
- There are strong reasons for investing in defensive industries with stable dividends in an uncertain environment, but we can also benefit from allocating some capital to more cyclical areas in Asia where we see a return to growth at attractive valuations. Amongst those cyclical sectors, we believe selective companies within financials and IT offer opportunities for investors to generate attractive total shareholder returns.

Top 10 holdings - 31 July 2024

Name:	Sector	Weight	Investment Thesis
Taiwan Semiconductor Manufacturing Company	I.T.	8.1%	▪ Largest global semiconductor foundry and technology leader resulting in scale advantages (R&D and capital expenditure) and superior return profile. ▪ Large addressable market with multiple growth drivers in the form of 5G, AI, IOT, autonomous driving etc. ▪ Strong balance sheet and absolute dividend policy
Samsung Electronics	I.T.	7.3%	▪ A global leader in memory chips, handsets, display panels and consumer electronics products. ▪ Samsung is the market leader in the memory market which has seen significant consolidation resulting in lower cyclicality and higher returns through-cycle. ▪ Improving governance and capital allocation are improving. At least 50% of its FCF is being returned in the form of dividends and buybacks
Singapore Exchange	Financials	3.7%	▪ Leading regional exchange with dominant positions in FX and Derivatives trading ▪ High incremental return business with significant network effects ▪ Net cash balance sheet. Progressive and absolute dividend policy.
AIA Group	Financials	3.7%	▪ Pan Asian life insurer with leadership position, strong brand image and productive agency force in all the major Asia markets it operates in. ▪ Key beneficiary of demographic shift in Asia, as low penetration, rising income and aging population support demand for long-term savings and protection insurance products. ▪ Strong management track record, capital position and capital allocation, including an attractive dividend profile.
Treasury Wine Estates	Consumer Staples	3.4%	▪ A global wine producer with a strong portfolio of brands ▪ It has a healthy balance sheet and a sustainable dividend payout ratio ▪ Continuing product premiumization and distribution expansion has been key driver of growth ▪ The removal of tariffs in China underpins a strong growth outlook from the region
Thai Beverage	Consumer Staples	3.2%	▪ The largest alcohol producer in both spirits and beer in ASEAN ▪ Superior ROE and sustainable cash flow driven by high barriers to entry and pricing power ▪ Strong balance sheet and encouraging dividend growth prospects
Evolution Mining	Materials	3.2%	▪ Strong cash flows, the exposure to lower risk assets and a good quality operating asset base support the positive outlook for the stock.

			▪ It is one of the lowest-cost gold miners in the sector and has execution capabilities better than its peers.
Swire Pacific	Real Estate	3.1%	▪ Conglomerate with diversified interest in property investment and development, aviation, industrial activities, and marine services. ▪ Strong balance sheet and encouraging dividend policy.
Embassy Office Parks REIT	Real Estate	3.0%	▪ Second largest owner of office space in India with high quality asset base ▪ Well positioned to benefit from structural growth in India office market amid strong IT hiring and Global Captive Center (GCC) demand ▪ Attractive dividend yield
Samsung Fire and Marine Insurance	Financials	3.0%	▪ Largest non-life insurer in Korea specialized in fire insurance, marine insurance, technology insurance, automobile insurance, etc. ▪ Its strengths lie in multi-channel operations, superior cost management, stable asset management, and pre-emptive risk control ▪ Attractive dividend policy

Glossary

SFDR classification: Shows the classification given to each fund as part of the EU Sustainable Finance Disclosure Regulation (SFDR). Article 9 funds aim to achieve an ESG outcome and are products with ESG objectives. Article 8 funds focus on promoting ESG characteristics and this must be a primary focus of the product. Article 6 funds integrate sustainability risks into investment analysis and decision-making, without the funds promoting environmental or social characteristics or having sustainable investments as their objective.

Ongoing charges: The ongoing charges figure represents the charges taken from the fund over a year. It is calculated at the fund's financial year end and may vary from year to year. For classes of funds with fixed ongoing charges, this may not vary from year to year. For new classes of funds or classes undergoing corporate actions (eg amendment to annual management charge), the ongoing charges figure is estimated until the criteria are met for an actual ongoing charges figure to be published. The types of charges included in the ongoing charges figure are management fees, administration fees, custodian and depositary fees and transaction charges, shareholder reporting costs, regulatory registration fees, Directors fees (where applicable) and bank charges. It excludes: performance fees (where applicable); portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling units in another collective investment undertaking. For more information about charges (including details of the fund's financial year end), please consult the charges section in the most recent Prospectus.

ESG ratings distribution: MSCI rates issuers on a AAA-CCC scale according to their exposure to industry specific ESG key issues and their ability to manage those issues relative to peers. The ESG ratings distribution is based on Net Asset Value of holdings excluding cash, liquidity funds, derivatives and ETFs which are grouped under 'Cash & Other Instruments'.

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