

Fidelity Funds – Asia Pacific Dividend Fund

30 June 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 June 2024?

- The Fund returned 1.4%¹ (for the A-USD share class in USD terms) and the index² returned 3.9%.



Reasons for performance

- Asia Pacific equities remained on an upward trend in June, culminating in a strong second quarter performance as signs of a recovery in China and strength in Taiwan and India propelled the region.
- Taiwan market’s rally was driven by domestic artificial intelligence (AI) related companies, while India’s domestic stocks were supported by strong economic growth, consumer spending and political stability. China and Hong Kong equities were boosted by real estate policy support, corporate reforms rewarding shareholders and strong economic data. Conversely, Australia underperformed its peers amid increased prospects of delayed interest rate cuts as inflation continued to be higher than market expectations. South Korea and the majority of ASEAN markets lagged performance.
- Sector-wise, information technology (IT) led gains followed closely by utilities and communication services, Conversely, real estate and materials lagged the broader market in the second quarter.
- The Fund delivered positive returns for the month but underperformed its index². Our overweight stance in consumer staples and underweight in communication services weighed on relative performance, while selected real estate holdings contributed to performance.
- Short-term weakness in some of the Fund’s holdings detracted from performance. Dairy products manufacturer China Mengniu continued to be weighed down by challenges of significant oversupply in China’s raw milk industry. Equipment leasing financial company Chailease Holding remained pressured amid a slowdown in its Chinese operations and increasing competition. Indonesia’s Bank Mandiri was also impacted by competitive headwinds at its wholesale business. Not holding Tencent, a non-dividend yielding social network company, also weighed on relative returns as it advanced on strong results.

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- Conversely, the Fund's holdings in structural growth winners such as power generation company China Yangtze Power advanced amid market preference for Chinese defensive stocks. China Overseas Land and Investment was supported by a stabilisation in the China real estate sector following policy support. Samsung Fire & Marine Insurance was buoyed by Korea's Corporate Value-up Program (CVP).



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.
- The Fund favours high quality stocks with sustainable dividend stream. Taiwan Semiconductor Manufacturing Company remains a key holding as it remains a front-runner with cutting edge technology. Swire Pacific is preferred for its diversified business with a strong balance sheet and encouraging dividend policy.
- In terms of positioning changes, we initiated a position in Korea telecom company KT Corp which has potential to increase shareholder returns amid Korea's CVP. We also bought Taiwanese fabless semiconductor company MediaTek and added positions in Samsung Electronics. Positions in Chinese automobile players Fuyao Glass Industry and China Yongda were closed.

Source: Fidelity International, as at 30 June 2024.

¹The 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 1.46%.

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

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Singapore

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