

# Fidelity Funds – Asia Pacific Dividend Fund

31 May 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 May 2024?

- The Fund returned 0.5%<sup>1</sup> (for the A-USD share class in USD terms) and the index<sup>2</sup> returned 1.9%.



## Reasons for performance

- Asia Pacific equities continued its advanced in May, primarily driven by growing optimism towards Taiwan artificial intelligence (AI)-related technology (IT) stocks and extended government measures to revive the Chinese property market. However, investor sentiment pulled back some gains towards the end of the month after US Treasury yields rose on inflation concerns. China and Hong Kong markets gained, buoyed by strong tourism data around the May holiday week and property policy support. Taiwan equities led the region while South Korea lagged due to macroeconomic uncertainties. Australia market rebounded in May on global cues while Indian equities underperformed regional peers on uncertainties around election results.
- The Fund delivered positive returns for the month but underperformed its index<sup>2</sup>, with selected consumer discretionary holdings detracting from performance, while holdings in materials and an underweight in health care contributed to relative returns.
- Selected Chinese holdings detracted from returns. Dairy products manufacturer China Mengniu Dairy and aircraft leasing company BOC Aviation declined.
- Within financials, the Fund’s position in Hong Kong-based insurance company AIA Group was a top contributor, boosted by robust quarterly results and a broad-based rally in Hong Kong and China equities. Our preferred holding in Korea-based Samsung Fire & Marine Insurance continued its uptrend, boosted by the country’s Corporate Value-up Programme (CVP).
- Within Australia, positions in laboratory testing services company ALS and fertiliser company Incitec Pivot were supported by solid results. Conversely, our holdings in wine company Treasury Wine Estates declined due to cautions over weakening sales in the US.
- Elsewhere, Taiwan-based equipment easing financial company Chailease Holdings and Indonesia’s Bank Mandiri declined due to increasing competitive pressures.



## 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 reduce downside risk and increase returns.
- The Fund favours companies such as China Yangtze Power, the largest global hydropower utility with significantly high production capacity, a robust balance sheet and stable dividend policy.
- Taiwan Semiconductor Manufacturing Company is a key holding as it remains a front-runner with cutting edge technology and a long runway for growth from new applications in fifth-generation technology (5G), AI and autonomous driving. Another key holding, Samsung Electronics, is a global leader in memory chips, handsets, display panels and consumer electronics products.

Source: Fidelity International, as at 31 May 2024.

<sup>1</sup>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 4.00%.

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

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