

Fidelity Funds – Asia Pacific Dividend Fund

31 October 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 October 2024?

- The Fund returned -4.5%¹ (for the A-USD share class in USD terms) and the index² returned -4.9%.



Reasons for performance

- Asia Pacific ex-Japan equities retreated in October with China and Hong Kong markets reversing a portion of their gains from September. This was primarily driven by concerns around the efficacy of government support measures announced in September. A dip in India equities amid net foreign investment outflows, disappointment in corporate earnings and stretched valuations further impacted investor sentiment.
- There were some positive surprises on the economic front with China’s recent GDP growth for the third quarter of 2024 coming in slightly ahead of market expectations, boosted by stronger-than-expected domestic activity in September.
- South Korea equities remained subdued and were further impacted by Samsung Electronics’ disappointing earnings. Conversely, Taiwan market gained and was an outperformer in the region. Its information technology (IT) sector led gains with artificial intelligence (AI)-related stocks in focus, boosted by US-based AI chip designer NVIDIA.
- Within ASEAN, excluding Thailand, regional markets including Indonesia, the Philippines, and Malaysia remained lacklustre over the month.
- The Fund posted negative returns in October but outperformed its index². Security selection in materials contributed to relative performance with the sector largely driven by strength in gold prices.
- Conversely, our underweight in some of the leading Taiwan IT names such as Taiwan Semiconductor Manufacturing Company (TSMC) and Hon Hai Precision weighed on relative performance. Our key holding in Samsung Electronics fell following a miss in earnings expectation due to disappointing performance in its memory chip business.
- Not holding non-dividend yielding companies such as e-commerce giant Alibaba and social networking company Tencent contributed to the Fund’s relative performance in October. On

the other hand, our lack of exposure to Meituan, which gained on achieving significant margin improvement, weighed on Fund returns.

- On a positive note, Evolution Mining advanced on an overall uptrend in gold prices; DFI Retail Group gained significantly following the announcement of a stake sale in one of its units; while KT Corporation gained on positive sentiment with its plan to improve operational efficiency and shareholder returns.



Outlook / Expectations

- The Fund maintains a strong quality bias and owns predominantly defensive business models with robust balance sheets at attractive valuations. We aim to provide cross-cycle outperformance, a resilient and growing income stream and long-term capital growth with lower risk characteristics than the market.
- We look 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 a key source of risk; thus we look to buy companies that are trading below their intrinsic value to reduce downside risk and increase returns.
- The Fund's key holdings include TSMC, which remains a front-runner with cutting edge technology, a strong business moat and long runway of growth from new applications in fifth generation (5G), AI, autonomous driving and the Internet of Things. Samsung Electronics is a global leader in memory chips, handsets, display panels and consumer electronics products.

Source: Fidelity International, as at 31 October 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 14.36%.

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

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Singapore

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