

# Fidelity Funds – Asia Pacific Dividend Fund

30 September 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 September 2024?

- The Fund returned 6.0%<sup>1</sup> (for the A-USD share class in USD terms) and the index<sup>2</sup> returned 7.9%.



## Reasons for performance

- Asia Pacific ex-Japan equities continued to advance in September, buoyed by China’s policy stimulus and the US Federal Reserve’s larger-than-expected rate cut after more than two years of high interest rates. However, technology-dominated markets South Korea and Taiwan struggled as investors switched from mega-cap Artificial Intelligence (AI)-related technology stocks due to concerns over high valuations amid anticipation of weak demand.
- China and Hong Kong equities outperformed as China announced new stimulus measures to lower reserve requirement ratio (RRR), benchmark rates, outstanding mortgage rates, and made a commitment to expand fiscal spending to revive the economy, stabilise property markets and support consumption.
- India market gained as latest September foreign inflows marked a new high from foreign institutional investors this year. Australia also advanced with market sentiment supported by China’s stimulus. Within ASEAN, all key markets gained with the Philippines, Malaysia and Indonesia seeing strong investor inflows, while Singapore was driven by strong performance from major banks and real estate investment trusts (REITs).
- The Fund continued to post positive returns in September but underperformed its index<sup>2</sup>. Security selection in materials contributed to relative performance, driven by strength in gold prices. Conversely, the Fund’s underweight in Chinese consumer discretionary weighed on performance as the sector gained following China’s supportive measures.
- Australian gold miner Evolution Mining advanced on impressive earnings. Our long-term conviction holdings in financials, AIA Group, gained on encouraging results and announcements of a 2024 share buyback and rising dividends. Singapore Exchange also advanced on positive earnings and increased dividend payout. Taiwan’s consumer durable goods supplier Nien Made Enterprises gained on solid results. Southeast Asia’s largest brewer, Thai Beverage, advanced on a strategic share swap and improved political situation in Thailand.

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- Conversely, our position in Samsung Electronics impacted performance as sentiment towards technology sectors weakened. Samsung Fire & Marine Insurance also detracted as the stock trended downwards, in line with the weak Korea market.



## 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.
- Our process is bottom-up focused and 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. 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.
- At the same time, we 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. 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.

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Source: Fidelity International, as at 30 September 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 15.36%.

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

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