

# Fidelity



**Role in Portfolio:**

Core

**Risks:**

- Fidelity's size globally potentially affects its flexibility when buying and selling positions
- Performance will tend to lag in value-oriented markets

**Morningstar Analyst:**

Kalia Smallsman

**Morningstar Take**

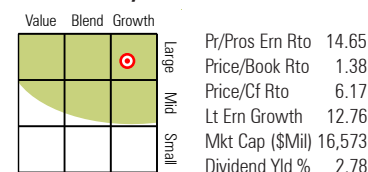
The in-depth quality research and the calibre and pedigree of its staff ensure that Fidelity Global Equities remains an accomplished vehicle. Brenda Reed has been running this offering since it was revamped in December 2006. She displays her passion for managing investors' money clearly by the thorough research she undertakes to seek out the best opportunities. Reed has at her disposal the knowledge and research of Fidelity's global army of analysts. This is one of the largest teams in the global funds management industry, serving up all the firm's portfolio managers with the widest opportunity set from which to select stock ideas. Reed does not take the analysts' buy-rated stocks as gospel, though, at times disagreeing with their recommendations. As a member of the Global Equities Team in London, she's able to formulate her own views by examining and discussing the holdings of the global portfolios at the sectoral and regional levels. Reed typically favours stocks trading at reasonable valuations with stable or improving earnings growth for this diversified portfolio of about 150 stocks. The early signs of her stewardship are encouraging. The strategy exceeded the index and peers by significant margins in 2007. 2008 was not as exciting, as the smaller names in which Reed sometimes invests meaningfully were beaten up. Issues to watch out for are that the strategy will lag when markets favour value stocks, and that Fidelity's size globally could potentially affect nimbleness. While the strategies the shop offers around the world are not run by the same portfolio manager, they do draw from the same research platform and often hold the same stocks, which can affect a portfolio manager's flexibility to buy and sell big positions. By and large, though, we're confident about Reed's abilities and consider Fidelity Global Equities a more than reasonable choice for the global growth component of an investor's portfolio.

**Strategy/Process**

Responsibility for this bottom-up strategy lies with one single portfolio manager. At Fidelity's core is an emphasis on company-specific research carried out by its army of equities analysts. Grouped by regions and sectors, these analysts are charged with developing different-from-consensus views on firms as the result of company meetings and detailed financial modelling. Fidelity's portfolio managers worldwide have access to this research, which is stored centrally. While the portfolio manager for this strategy mainly uses the analysts' buy-rated stocks, Reed also undertakes her own stock research, and adjusts an analyst valuation if required. She discusses stocks directly with the analysts or other portfolio managers in the Global Equities Team, and looks at the holdings in the global sector portfolios as well as those of the regional and country managers to gauge their convictions. Reed investigates their biggest positions further if she is interested in the same stocks. Portfolio managers aren't expected to agree with analysts in all cases – for instance, 10.0 -15.0 percent of Reed's picks are not buy-rated by the analysts. Typically, Reed buys stocks with attractive earnings growth and high returns on capital over time which have not been reflected in the share price. She also looks for opportunities to buy cyclical shares when the market is not fully discounting the earnings recovery, along with shares which she believes are undervalued by the market. As a result, this growth-oriented strategy will feature large- and mid-cap stocks, with 75.0 percent annual turnover.

**Flagship Fund: Fidelity Global Equities Fund**

**Investment Style** 30 Jun 2009



**Stock Sectors** 30 Jun 2009

<b>Information Economy</b>	<b>17.21</b>
Software	3.55
Hardware	7.30
Media	0.52
Telecommunications	5.85
<b>Service Economy</b>	<b>39.50</b>
Healthcare Services	11.36
Consumer Services	9.40
Business Services	3.82
Financial Services	14.93
<b>Manufacturing Economy</b>	<b>43.29</b>
Consumer Goods	13.08
Industrial Materials	18.98
Energy	9.93
Utilities	1.30

**Top 10 Stock Holdings** 30 Jun 2009

	%
Novo Nordisk A/S	2.33
Royal Dutch Shell PLC B	1.85
Goldcorp, Inc.	1.75
Deutsche Bank AG	1.71
Fresenius SE (Preference)	1.71
Morgan Stanley	1.64
Microsoft Corporation	1.59
Bank of America Corporation	1.58
Roche Holding AG	1.56
Medco Health Solutions, Inc.	1.56

**Top 5 World Regions** 30 Jun 2009

	%
North America	60.03
Europe Developed	18.10
United Kingdom	7.22
Africa / Middle East	4.03
Japan	3.77

**Asset Allocation** 31 Jul 2009

	%
Int'l Equity	97.40
Domestic Equity	0.00
Cash	2.60
Other	0.00

**Portfolio Stats**

Mgr Bmark: MSCI World Accumulation Index  
 No. Stocks: 100 - 150  
 Max Weight: Index +3.0%  
 Min Weight: Index -3.0%  
 Expd Track Error %pa: 5.0 – 7.0  
 Expd Turnover %pa: 65.0 – 75.0

**People Stats**

Lead Manager: Brenda Reed  
 Appointed: 2006  
 Years Experience: 25  
 Team Size: 520  
 Average Years Experience: 8  
 Average Years Tenure: 3

**Hedging Strategy**

Fidelity does not manage the currency positions actively, although it also offers a fully-hedged version of this strategy. The unhedged version will be exposed to currency movements.

**Role in Portfolio**

Core holding. Given the growth characteristics, it would also be wise to hold some exposure to large value or blend strategies.

**People**

London-based portfolio manager Brenda Reed solely runs this strategy, along with other global equities mandates. Reed joined Fidelity in 1992, and worked subsequently in various roles in Boston, Tokyo, and London. She builds her convictions in stocks by attending company meetings and cross-checking ideas with other members of the Global Equities team in the UK. The team consists of global sector and US portfolio managers all sitting in an open plan layout. This setup facilitates communication among portfolio managers, who feed off each other's ideas. Reed also uses the knowledge and research of the huge number of Fidelity's analysts from around the globe.

**Performance**

Following the restructure of the Fidelity Global Equities strategy on 1 December 2006, performance before that date is no longer relevant to current management. The strategy performed well over the year to 30 April 2009, outpacing the index and 50.0 percent of peers over that period. Performance since Portfolio Manager Brenda Reed took over in 2006 has also been solid. Underexposures to the United States and financials along with an overweight to information technology stocks helped over the past year, while overweighting emerging markets and underweighting energy did not work out as well. Major contributors to performance at the individual stock level were Anheuser-Busch Inbev, Qualcomm, and Nestle, while detractors included Bank of America, JP Morgan, and Barrick Gold.

**Parent**

Fidelity Investments Australia Limited is a subsidiary of London-based Fidelity International. Globally, Fidelity International and its subsidiaries had A\$207.50 billion in assets under management at 31 March 2009, including A\$856.0 million in this strategy.

**Fees**

Fidelity offers hedged and unhedged versions of this strategy. The hedged version has a 1.20 percent annual fee, while the unhedged strategy costs 1.15 percent. Both are more expensive than the wholesale average.

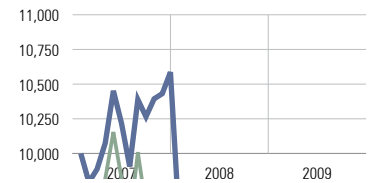
**Top 5 Funds by Net Assets**

	Ticker	Net Assets (\$Mil)	Quartile Rank 3yr	Total Ret 3yr
Fidelity Global Equities Fund	4897	43.21	■ ■ ■ ■ ■	-5.10
Fidelity Hedged Global Equities Fund	13319	5.71	■ ■ ■ ■ ■	-5.75
IOOF WIS Fidelity Global Equities	7985	3.25	■ ■ ■ ■ ■	-5.35
IOOF OIS Fidelity Global Equities	9415	1.01	■ ■ ■ ■ ■	-6.24
IOOF GSS Fidelity Global Equities	8807	0.55	■ ■ ■ ■ ■	-5.13

**Flagship Fund: Fidelity Global Equities Fund**

**Performance** 31 Jul 2009 Fund Index

Growth of \$10,000 **\$7,705**



	1Yr	3Yr	5Yr	10Yr
Quartile Rank	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■

Total Ret%	-10.30	-5.10	1.73	0.31
Income Ret%	2.08	1.19	1.04	0.78
Growth Ret%	-12.38	-6.29	0.69	-0.47

Index%	-11.43	-8.42	-1.34	-1.10
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Index: MSCI World Ex Aust Net \$A  
 Category: World Large Growth

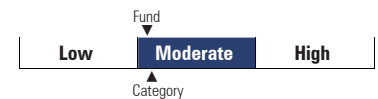
**Performance Analysis** 3 Yrs to 31 May 2009

Value Add vs Manager Bmark%	2.81
Tracking Error	5.30
Information Ratio	0.53

**MPT Statistics** 31 Jul 2009

	3Yr%	5Yr%	10Yr%
Beta	0.87	0.92	0.90
Alpha	1.68	2.56	0.73
R Squared	0.87	0.88	0.89
Sharpe Ratio	-1.09	-0.47	-0.72

**Risk Meter** (3 Year Standard Deviation)



All figures and stats relate to the Flagship Fund, and all performance figures are shown as % per annum, net of fees.

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