

Fidelity Emerging Markets W Acc

November 2021
Investment Research



Overview

The fund is focused on long-term capital accumulation through a portfolio of emerging market equities. This is a volatile asset class and the fund may experience periods of significant capital loss as well as the potential for capital growth.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe the fund should be able to deliver an outperformance of 2% p.a. of the MSCI Emerging Markets index over rolling three and five year periods.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA Global Emerging Markets
Launch Date: 28/07/1997	Fund Size (as at 30 Sep 2021): £3146.9m
Yield: 0.68%	Distribution Pay Date: Jul 01 (Final)
Fund Manager: Amit Goel, Nick Price	Ongoing Charge Figure: 0.95%
	Transaction Cost ex Ante: 0.92%



Fund Opinion

We believe that the fund should be able to achieve its longer-term objectives, but given the nature of this market, there will be times that the fund underperforms and therefore it will fall short of its objectives. As final decision maker for the strategy, Nick Price leads a small but dedicated team of portfolio managers that are responsible for identifying attractive companies within their regional responsibilities. The team have access to one of the largest teams of emerging market analysts in the region, which we believe to be a valuable resource. Mr Price's own experience of investing in emerging markets equities dates back to when he led the development and launch of Fidelity's EMEA strategy in November 2005, focused on developing markets in Europe, the Middle East and Africa. After four years of successfully managing the group's EMEA fund, he took charge of Fidelity's Global Emerging Markets products in July 2009. This strategy relies on the same philosophy and process that Mr Price has deployed since 2005.

The primary source of outperformance relative to the index is expected to come from the team's ability to select companies which can deliver attractive earnings growth throughout the economic cycle and, since Mr Price took the helm in July 2009, the fund's performance has tended to be driven by the team's stock selection. Mr Price aims to take risks primarily at the stock level, but in a measured manner, and while the mandate empowers him with plenty of flexibility, he manages the fund with an innate awareness of risk. This fund, like emerging markets more generally, can go through periods of feast or famine, where returns will be driven by numerous different factors facing a wide and complex variety of regions, cultures, economies and political regimes. Nonetheless, we see this strategy as a solid choice for investors who are prepared to hold the fund over a full market cycle.

Fund Description

Mr Price and his team are looking for good businesses with strong market positions that have the ability to deliver significant total returns for their shareholders. These are companies that can somewhat withstand competitive pressures and are able to compound attractive earnings growth throughout the economic cycle. They like companies with superior return on assets and well capitalised balance sheets such that they can fund their own growth. They prefer companies that have a prudent attitude when allocating capital; the team do not like to see excess leverage on their balance sheets. Ultimately, they are seeking to buy these firms at reasonable valuations, and for example, they will apply the appropriate multiple relative to a firm's cross cycle earnings power.

The investment mandate is relatively unconstrained and permits Mr Price the flexibility to invest where he sees fit. He is not averse to putting money to work when markets are stressed, equally, he is keen to take advantage of long-term opportunities (only when they are at acceptable valuations); this includes African consumption where the team see a broad breadth of consumer-oriented firms that are well positioned to benefit over the long run. Such opportunities come with higher reward potential over the long term and they are therefore prepared to accept the risks involved.

Mr Price is mindful of the geopolitical, economic and currency risks that are inherent in this region and will review, for example, any stocks that have political linkages or currency sensitivity that may impact on their business activities. The final portfolio typically comprises 75 stocks but the manager can own between 60 and 120 at any one time. He is happy to construct a portfolio that looks very different to the fund's benchmark and there are few formal risk constraints on the portfolio. Investments will primarily be in large and medium sized companies.

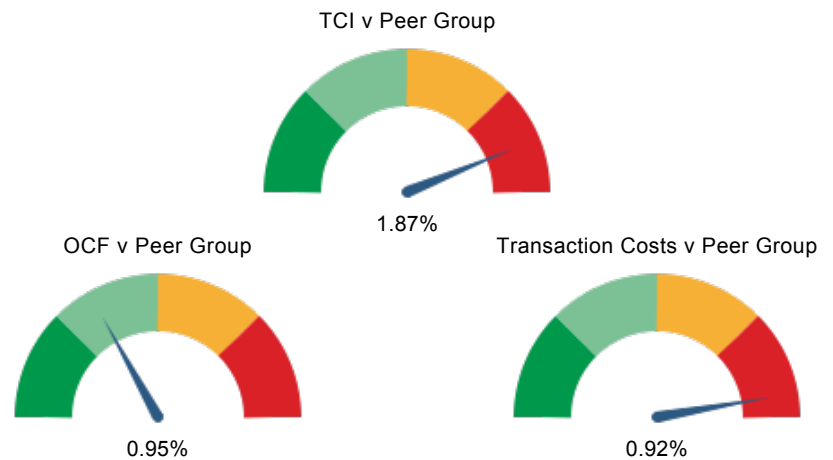
Risk Summary

In general, this is a highly volatile asset class and returns do not solely rest on the performance of the underlying companies, but also depend on the political and macroeconomic environment within the region. The fund invests overseas and, as a consequence, there are currency risks involved for sterling-based investors. A long-term investment horizon is essential to weather the ups and downs in this asset class. Note that this fund can at times look very different from the MSCI Emerging Markets index due to the manager's process, whereby opportunities at the stock level drive the portfolio's positioning across markets and sectors. It can also look very different to its peer group. Stock, sector and country positions may go also against the fund, particularly when the wider market is chasing certain themes. For instance, the fund is likely to lag the market when deep value/riskier stocks are favoured by investors.

Value for Money

The ongoing charge figure (OCF) of this fund is below the peer group median, but when we consider the total cost of investment (TCI), it is high versus the peer group median. Nonetheless, we believe that this fund represents reasonable value for money given that investors have access to an experienced practitioner and his team of dedicated managers as well as Fidelity's impressive research resources in the region.

Under MiFID II regulations, asset management firms are required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. Fidelity is absorbing the costs associated with their research, which should slightly reduce the overall fee paid by investors.



ESG Integration

Company Assessment	0	1	2	3
ESG factors are considered formally but are not instrumental within all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	17.21%
Annualised Volatility	16.03%
Max Drawdown	-25.31%
Max Gain	11.72%
Max Loss	-21.34%
Sharpe Ratio	0.95
Sortino Ratio	0.91

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

221.2 pence

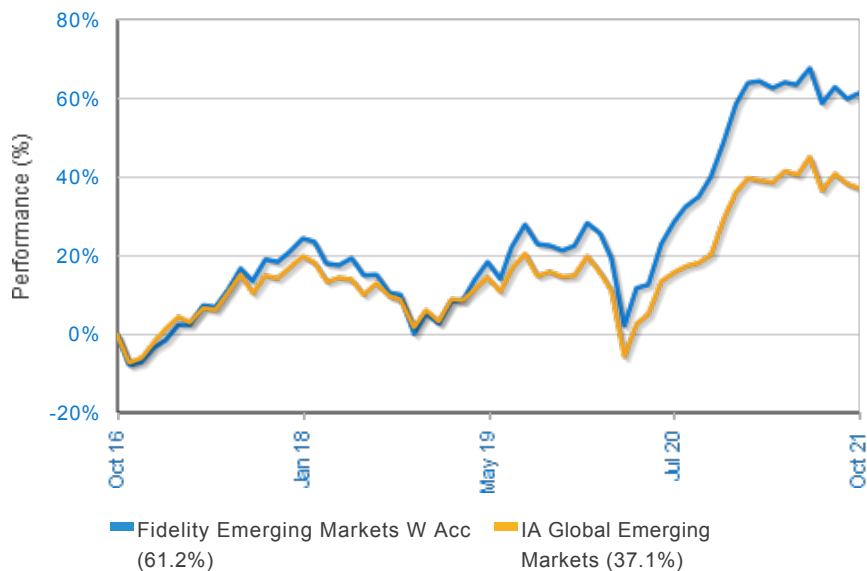
Benchmark

MSCI Emerging Markets

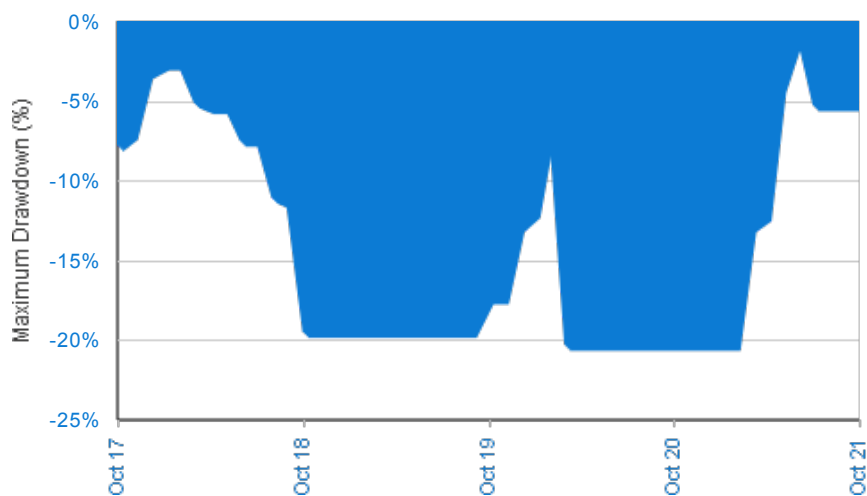
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	18.4	17.0	2
12-24m	10.1	2.0	1
24-36m	11.3	6.5	1
36-48m	-3.0	-1.5	3
48-60m	19.7	17.4	2

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
TAIWAN SEMICONDUCTOR MANUFACTURING	9.4
SAMSUNG ELECTRONICS CO	8.0
CHINA MENGNIU DAIRY CO	5.5
HDFC BANK LTD	5.5
SBERBANK OF RUSSIA	4.6
AIA GROUP LTD	3.9
ALIBABA GROUP HLDG LTD	3.8
INFOSYS	3.8
ZHONGSHENG GROUP HLDGS LTD	2.9
KASPI KZ JSC	2.8

Sector Breakdown

(Data as at 30 Sep 2021)



- Information Technology (27%)
- Financials (26%)
- Consumer Discretionary (17%)
- Materials (9%)
- Consumer Staples (8%)
- Industrials (5%)
- Money Market (5%)
- Communications (1%)
- Health Care (1%)

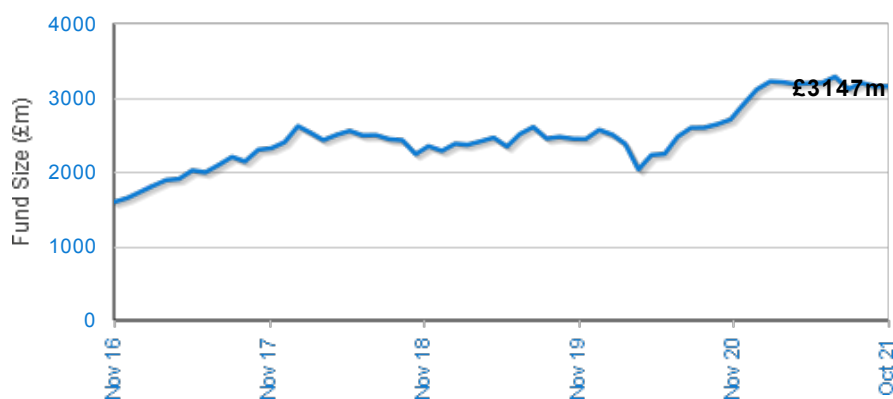
Geographic Breakdown

(Data as at 30 Sep 2021)



- China (26%)
- Taiwan (14%)
- India (14%)
- Korea (11%)
- Russia (8%)
- Hong Kong (6%)
- Money Market (5%)
- Kazakhstan (3%)
- South Africa (3%)
- Other (10.3%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk	●		
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominately invests in emerging regions. Economic, political, legal and market events in the region may have a material adverse effect on the fund price. Valuations in emerging market assets can be volatile.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 89.00

SRRI: 6

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