30 June 2020 – Factsheet

Centuria LifeGoals

Fidelity Future Leaders Fund

Centuria

The Fund seeks to achieve returns in excess of the S&P/ASX Mid Small Index over the suggested minimum investment time period of five to seven years.

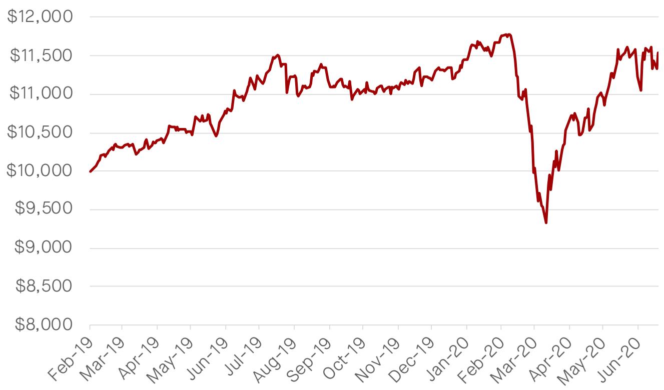
Investment Manager

FIL Investment Management (Australia) Limited

Investment Strategy

The Fund provides investors with the potential for long- term capital growth by investing in a portfolio of listed mid- and small-cap Australian shares. It delivers significant diversification benefits by investing in 40 to 70 Australian companies. Through in house, bottom up company research, Fidelity aims to uncover the opportunities that it believes offer the greatest scope for outperformance.

Performance Graph



A $10,000 investment in Centuria Fidelity Future Leaders Fund made at inception is worth $11,553 as of 30 June 2020 after all fees and taxes paid within the Investment Option.

Target Allocation

Australian Equities	90-100%
Cash	0-10%

Performance Returns

Returns to 30/06/2020	1mth	3mth	6mth	1yr	2yr
Net Return (%)	0.38	14.65	2.99	5.60	N/A

Past performance is not a reliable indicator of future performance.

Fund Rating

The information contained in the Australia Ratings Analytics report and encapsulated in the investment rating is of a general nature only. The report and rating reflect the opinion of Australia Ratings Analytics Pty Limited (AFSL 494552). It does not take into account an individual's objectives, financial situation or needs. Professional advice should be sought before making an investment decision. A fee has been paid by the fund manager for the production of the report and investment rating.

Key Features

APIR Code	OVS5444AU
Minimum Initial Investment	$500
Minimum Additional Investment Plan	$100
Minimum Switching Amount	$500
Minimum Balance	$500
Contribution Fee	Nil
Annual Management Fee*	1.44%
Suggested Timeframe	Minimum 5-7 years

* Refer to PDS for fee breakdown

For more information contact Centuria on 1300 50 50 50 or visit lifegoals.centuria.com.au to download the PDS. Simple Flexible Versatile.

Market Performance

Australian equities rose over the quarter in line with global equities as stimulus measures and the ensuing liquidity led to another round of mispricing of risk. This bout of euphoria led to a market rally that was completely divergent from underlying fundamentals. Investors were heartened further by the Reserve Bank of Australia's (RBA) remarks that the economic downturn will be less severe than previously expected given progress in curbing the spread of COVID-19, easing of restrictions on businesses and households, and the scale of monetary and fiscal policy measures put in place to support the economy. Small and mid-cap companies outperformed their large-cap peers. All sectors ended the period higher, with information technology (IT) and consumer discretionary leading gains. The RBA held official interest rates at a quarter of a percentage point as it waits to see how the economy is responding to its efforts to offset the financial fallout from the COVID-19 pandemic. Meanwhile, retail sales rose strongly in May across categories including clothing, footwear and personal accessory retailing and cafes, restaurants and takeaway food services. The Westpac-Melbourne Institute consumer sentiment index jumped to 93.7 in June from 88.1 in May. The notable increase was again fuelled by the government's success in bringing the coronavirus under control. The business confidence index produced by National Australia Bank (NAB) rose to minus 20.0 points in May, from minus 45.5 points in April. The index remained below the zero-point threshold, indicating that Australian businesses are mostly pessimistic regarding economic conditions in near-term, due to containment measures to limit the spread of COVID-19. Simultaneously, the unemployment rate continued to surge in May reflecting the drastic impact that the nation-wide COVID-19 related shutdowns had on the labour market.

Fund Performance

The Fund delivered strong positive returns but underperformed the index over the second quarter of 2020, which was characterised by a significant momentum rally. Such a backdrop, where stimulus-led sentiment is the main driver of the market, is not favourable for a fundamentals-based portfolio.

In the real estate sector, Charter Hall Long Wale REIT (real estate investment trust) declined given its exposure to real estate holdings in central business districts, where activity remained tempered. Conviction healthcare holdings Fisher & Paykel Healthcare and ResMed were caught in a round of profit-taking despite an earnings upgrade for the former and a ventilator production ramp-up for the latter. Electronics design software company Altium downgraded its earnings for FY 20 due to a challenging macroeconomic environment. The Fund did not have any exposure to Afterpay, a buy-now-pay-later model that does not meet the manager's viability-sustainability-credibility criteria. The momentum from its exposure to online spending and a stimulus-led bounce in consumer sentiment led to a strong rally in its shares, which weighed notably on relative returns.

Investors favoured Appen, a data services provider for artificial intelligence, for its continued profitability and an expansion of its market footprint. Its full-year 2019 results reflect a strong period of growth and the company remains on track to achieve its guidance for FY 2020. The position in KFC franchise operator Collins Food gained as it reported better than expected sales momentum, notably from its Australia business. Elsewhere, shares in gold producer Evolution Mining benefited from an uptrend in gold prices as well as better execution versus its peers.

Outlook

We have long maintained that financial markets are mispricing risk, particularly as it is too early to downplay the impact of COVID-19. While there has been a near-term resumption of economic activity in Australia, it has primarily been driven by government stimulus measures. However, equity markets are experiencing a bout of euphoria fuelled by this unprecedented stimulus, and we are seeing a market rally that is completely divergent from underlying fundamentals. The Australian economy is struggling with high levels of debt and unemployment, as well as low levels of demand and recessionary risks, which will feed into corporate earnings in the near term. We are mindful that such a rally is not sustainable on its own merit. We also question the duration of government welfare support for consumption and employment. Against this backdrop, it is even more important to focus on valuation discipline and to thoroughly evaluate fundamentals. We will continue to adhere to long-duration drivers, paying consistent attention to the viability, sustainability and credibility of the earnings profile of the positions held in the portfolio. Deploying this approach to steer the portfolio through the pandemic, the focus is on finding opportunities in companies with favourable market structures and tier 1 cyclicals. The emphasis is always on looking for companies with reasonable valuations and sustainable quality businesses, as well as those that can maintain free cash flow yields.

Disclaimer: this commentary has been directly sourced from Fidelity's quarterly factsheet available on their website.

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