31 March 2022 – 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.

Target allocation

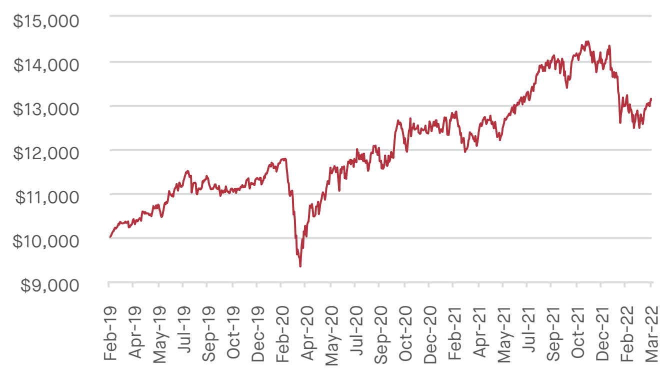
Australian equities	90-100%
Cash	0-10%

Performance returns

RETURNS TO 31/03/2022	1 MTH	3 MTH	6 MTH	1 YR	2YR[1]
Net returns (%)[2]	3.84%	-7.75%	-5.16%	7.45%	13.92%

1. Periods greater than 1 year are expressed in annualised terms.
2. Past performance is not a reliable indicator of future performance.

Performance graph



A $10,000 investment in Centuria Fidelity Future Leaders Fund made at inception is worth $13,121 as of 31 March 2022 after all fees and taxes paid within the Investment Option.

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]	1.14%
Suggested timeframe	Minimum 5 years

1. Refer to PDS for fee breakdown.

Fund commentary

Market performance Australian equities declined over the quarter, as uncertainty over the economic implications of the Russian invasion of Ukraine and the likelihood of earlier than expected interest rate hikes to combat rising inflation, generated a risk-off sentiment. Large-cap companies outperformed their mid-cap and small-cap peers. The Russia-Ukraine conflict and resultant rise in commodity prices has however, favourably impacted Australian equities in the form of sizeable foreign inflows.

In this environment, at a sector level, energy and materials led the market higher.

Financials added value, driven by gains in banks. The technology sector continued to underperform as rising yields negatively impacted growth stocks. Investor sentiment was buoyed by the Reserve Bank of Australia's (RBA) decision to maintain interest rates at an all-time low, although the bank stopped buying government bonds, ceasing its additional monetary stimulus program. The Australian federal budget announced increased spending and a lower deficit, led by an expected economic recovery and higher commodity prices. A range of economic measures, including a temporary reduction in fuel excise and cost-of-living payments were announced in order to ease inflationary pressures. On the economic front, Australia's GDP for the quarter ending December expanded by 3.4% amid the easing of Delta-related lockdown measures. The Westpac-Melbourne Institute's Index of Consumer Sentiment declined to 96.6 points in March, as concerns over the war in Ukraine, flooding in the nation's northeast region and rising inflation undermined consumer confidence. Australia's business confidence index as measured by National Australia Bank rose to +13 points in February. Confidence continued to improve as the Omicron wave receded, with considerable improvement in the employment index as the labour market strengthened. The unemployment rate declined to a new 13-year low of 4.0% in February. Elsewhere, the government reopened its borders to vaccinated tourists in February, which bodes well for the tourism industry.

Fund performance

Our position in Pinnacle Investment Management declined. Investor rotation away from equity markets and lacklustre fund performance amid an uncertain market environment accelerated the group's fund outflow. Nonetheless, its long-term growth prospects remain strong, given its scalable business model and leading distribution team.

The market rotation away from financial markets also weighed on the performance of online portfolio administration services provider Praemium. Netwealth's announcement that it would walk away from its merger bid for Praemium further weakened its share price. Elsewhere, sentiment towards the technology sector was weak amid an environment of global uncertainty and expectations of rising interest rates.

Consequently, the position in electronic circuit boards manufacturer Altium held back gains.

The company posted strong results but highlighted that its full-year margin would reach the lower end of its guidance, which disappointed investors.

Our position in Fisher & Paykel Health declined as it released below consensus revenue guidance at its recent trading update.

The medical device manufacturer noted that a less intensive Omicron variant and relatively mild flu season are leading to weaker demand in its hospital consumables segment.

Nonetheless, it is a global leader in hospital humidified invasive ventilation, and has advanced technology in non-invasive ventilation, the increasing penetration of which is expected to underpin significant volume growth in the coming years. The allocation to Collins Foods declined as restaurant franchise operators that were initial beneficiaries of COVID-19 saw their valuations weaken.

Investors were also concerned over the shortterm risk to its earnings amid rising food inflation.

Conviction holdings in offline travel agent Flight Centre Travel and retail mall asset developer Vicinity Centres contributed to returns as their shares advanced in light of post-COVID-19 recovery expectations. Flight Centre Travel advanced amid an expected recovery in global travel and leisure as international borders reopened. Vicinity Centres gained due to value rotation and improving retail conditions as restrictions are eased. Elsewhere, the conviction position in battery metals producer IGO added value in light of strong nickel prices. Strong demand from electric vehicles (EV) and a tight supply environment due to the Russia-Ukraine conflict, which exacerbated supply concerns, supported nickel prices. IGO presents significant structural long-term growth prospects due to its favourable exposure to the EV supply chain.

Outlook

The Australian economy has remained resilient despite the initial setback from the Omicron variant of COVID-19. The uncertainty surrounding the war in Ukraine remains a key area of concern as it has exacerbated inflationary pressures, with supply side disruptions leading to a sharp rise in energy and commodity prices. Nevertheless, the outlook for Australia's economic growth remains positive. Elevated commodity prices have supported the country's terms of trade and Australia's favourable exposure to lithium, copper and nickel mines, crucial in the Electric Vehicle (EV) supply chain, favours an opportunistic growth outlook. Additionally, Australia is easing its domestic restrictions and reopening its international borders. This is favourable for demand from inbound entrants into Australia, such as foreign students and tourists, as well as for related services industries. Given the favourable impetus for economic activity, the prospects for employment also remain encouraging. The RBA ended its bond purchasing program in February and has noted a rise in inflationary pressure amid heightened supply chain and network disruptions, which needs to be closely monitored. Investment portfolios will likely need to stay balanced between long-term growth companies and exposure to the strong economic recovery through energy, resources, industrials, consumer, financials and technology holdings. Some of the crucial considerations over the next 12 months are expected to include pricing power (given rising input costs, inflation, and tight labour markets); sustainability (as credit costs rise and competitive pressures intensify); valuation discipline (given there are either high or record asset prices in many sectors) and duration (what is really driving company growth - is it cyclical or structural). Bottom-up stock picking remains critical as valuation discipline gradually returns across the market.

Earnings upgrades and increased business confidence are expected to drive the market higher during the coming financial year, despite concerns over inflation and an increase in interest rates.

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

Contact Information

Ashton Magg

Relationship Manager
Email: ashton.maggs@centuria.com.au

Sean Cole

Relationship Manager
Email: sean.cole@centuria.com.au

Centuria Investor Services | 1300 50 50 50 | enquiries@centuria.com.au | **centuria.com.au**