Providence

Independent Investment Advisory

Independent expert advice for high net worth individuals, families and non-profit organisations.

Five Dilemmas & QMTV = A Framework for Success

Providence Wealth

March 2016

James Abela
Portfolio Manager – Future Leaders Fund

For investment professional use only and not for general public distribution

Fidelity INTERNATIONAL

About James Abela

James Abela
Portfolio Manager
Australian Mid and Small Caps
Fidelity International

Investment style

- A research-based investment philosophy
- Bottom-up identification of stocks that have viability, sustainability and credibility
- A focus on risk management and valuation driving active portfolio management
- Portfolio construction drives a diversified and blended portfolio

About the Manager

- Industry experience 18 years
- Analyst experience 16 years
- Portfolio Manager experience 10 years
- Member of Fidelity Australian equities team over 10 years
- Generated 7.0% alpha p.a. since inception (July 2013) *
- Masters of Commerce, University of NSW

* Refer page 10.

The attractions of Fidelity

Globally integrated research platform

- Proprietary modelling and in-depth industry reviews locally, regionally and globally

Alignment of interest

- Analyst remuneration is tied to rating quality and investment impact
- PM remuneration tied to alpha generation

Investments is all that our investment professionals do

- no “dual hat” roles
- extensive internal support functions

Cultural focus on insights

- High global interaction – by choice

High quality team

Five dilemmas & QMTV = A framework for success

Investors face five dilemmas on which judgments need to be made:

Financial

1. Earnings
2. Valuations
3. Reinvestment

Behavioral

4. Momentum
5. Sentiment

QMTV is the risk awareness framework

QMTV is **Q**uality, **M**omentum, **T**ransition, **V**alue

to reduce unconscious, unintended and unwanted risk

Quotes alluding to elements of QMTV

Quality

“Show me a hero and I will write you a tragedy.” F Scott Fitzgerald

Momentum

“What we need to understand is, one, that there are market failures; and two, that there are things like asset bubbles and irrational exuberance. There are periods of booms, bubbles, and manias. These things, if left to themselves, can lead to crashes, to busts, to panics.” Noriel Roubini

Transition

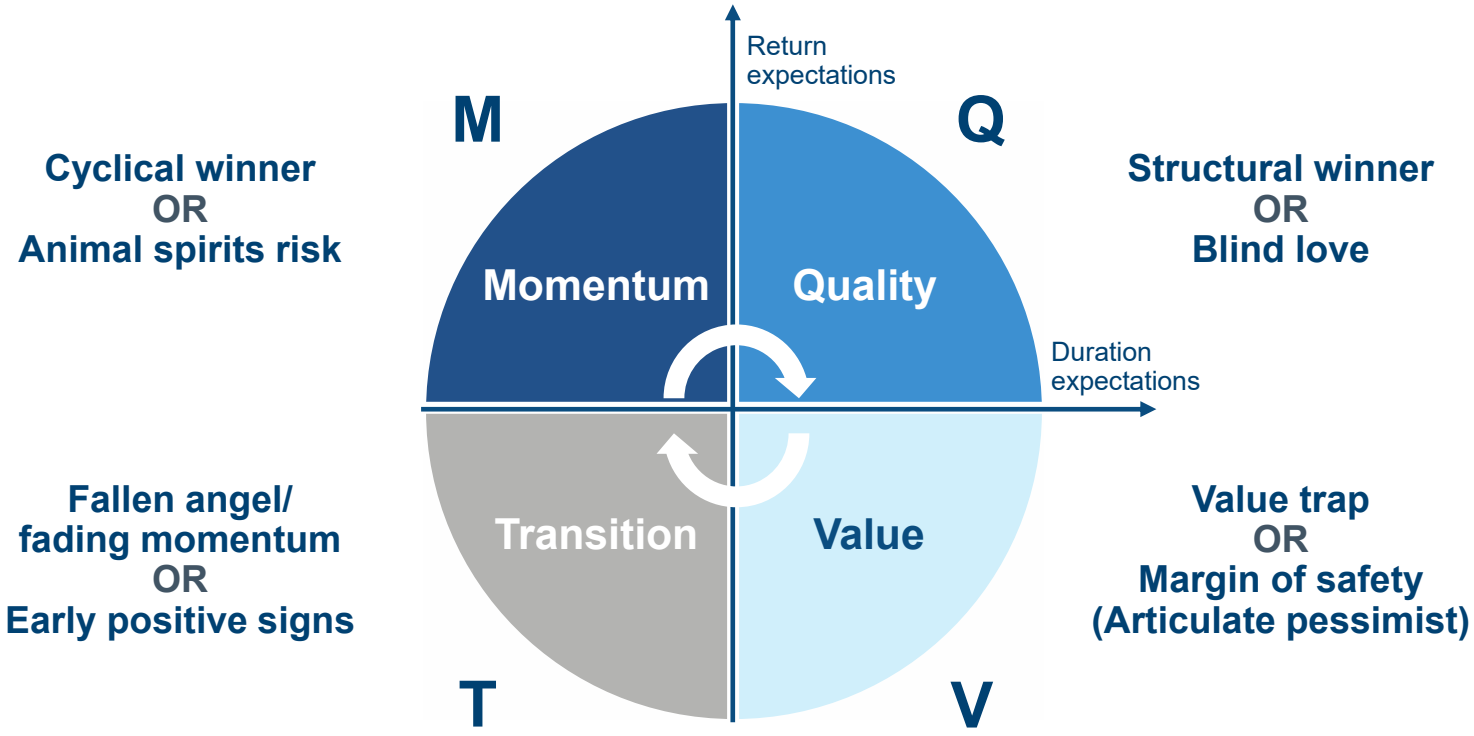
“Progress is impossible without change, and those who cannot change their minds cannot change anything.” George Bernard Shaw

Value

“Scepticism and pessimism aren't synonymous. Scepticism calls for pessimism when optimism is excessive. But it also calls for optimism when pessimism is excessive.” Howard Marks

QMTV investor psychology

Creates and maintains high risk-return awareness



"Asking a question is the simplest way of focusing thinking…
asking the right question may be the most important part of thinking"

Edward de Bono (Six Thinking Hats Founder)

Fidelity INTERNATIONAL

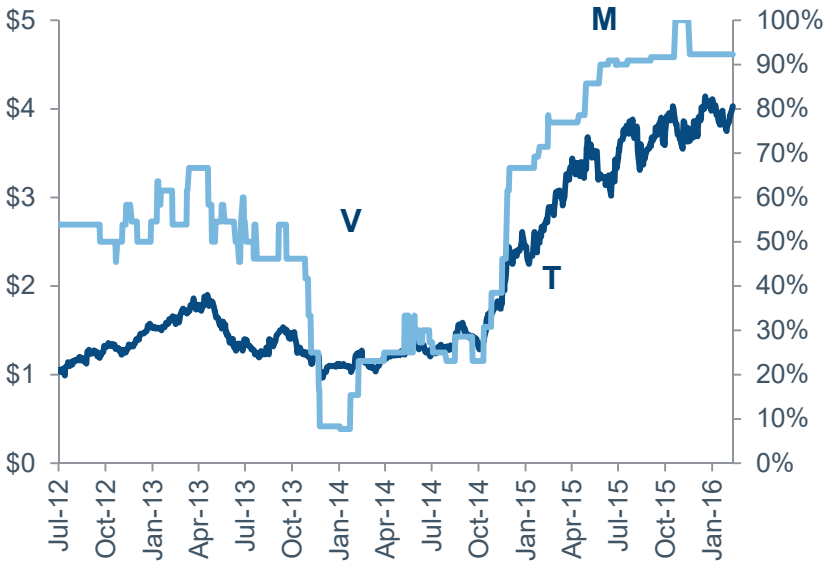
Case study: Qantas Airways

From Value to Transition to Momentum

Qantas Airways – Earnings

Source: Factset.

Qantas Airways – Sentiment



FIL research	Value – BUY – early 2014	Transition – BUY – Sept 2014	Momentum – near $4 – current
Phase risk appropriate fundamental analysis	Balance sheet – check Hidden value in QFF, planes Emirates = international turnaround Unsustainable domestic losses	Transformation scenario 3 year earnings trajectory Global incumbent history Rational domestic market	Oil price benefits & Capital mgt Earnings history reflection (2008 peak) Peak multiples, earnings & sentiment Valuation concerns

Reference to individual companies is for illustration purposes only and should not be taken as recommendation

Risk-Return Analysis through the QMTV journey

Dilemma	Quality	Momentum	Transition	Value
Financial analysis ▪ Earnings ▪ Valuations ▪ Reinvestment	Structurally positive or cracking	Cyclically positive, peaking or fading	Self-help or weak earnings control	Stable or structural decline
Behavioral analysis ▪ Momentum ▪ Sentiment	Greed or external factor change risk considered	Momentum and sentiment or at cyclical peak	Positive or negative outcomes likely	Fear is misplaced or bankruptcy risk is real
Crossroad dilemma	Structural winner OR blind love	Cyclical winner OR animal spirits risk	Fallen angel / fading momentum OR early positive signs	Value trap OR margin of safety (articulate pessimist)

Market observations – low growth world opportunities

1. View on the current environment

- Low interest rates, high global debt levels but companies in good shape
- Capital investment, infrastructure and building strength
- Desynchronized global recovery and growth scarcity
- Management call to Action: cost cutting, buybacks, M&A, productivity

2. Bottom up stock picking opportunities

➡ Embrace disruption = Aconex, Hansen, Altium, Integrated Research (OW technology)

➡ Embrace growth scarcity = Corporate Travel, Fisher Paykel Healthcare (OW growth)

➡ Embrace certainty = Burson, Tatts, Carindale Property (OW sustainable yield)

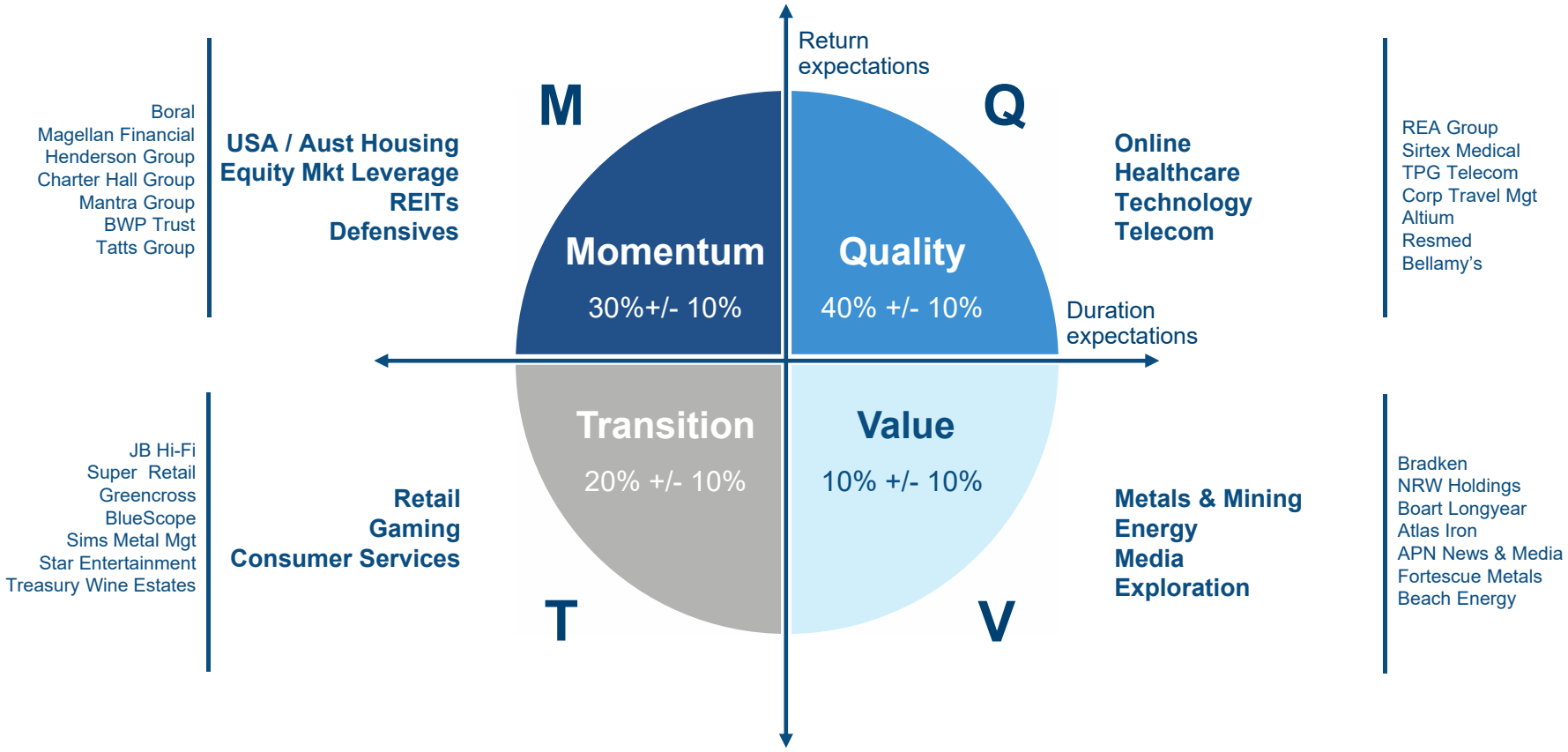
3. Reporting Season February 2016 - reasonable earnings and moderately confident management statements

Reference to individual companies is for illustration purposes only and does not constitute a recommendation to buy or sell these securities, or indicate that they are held in the fund.

Fidelity INTERNATIONAL

Sector and Stocks

QMTV – March 2016

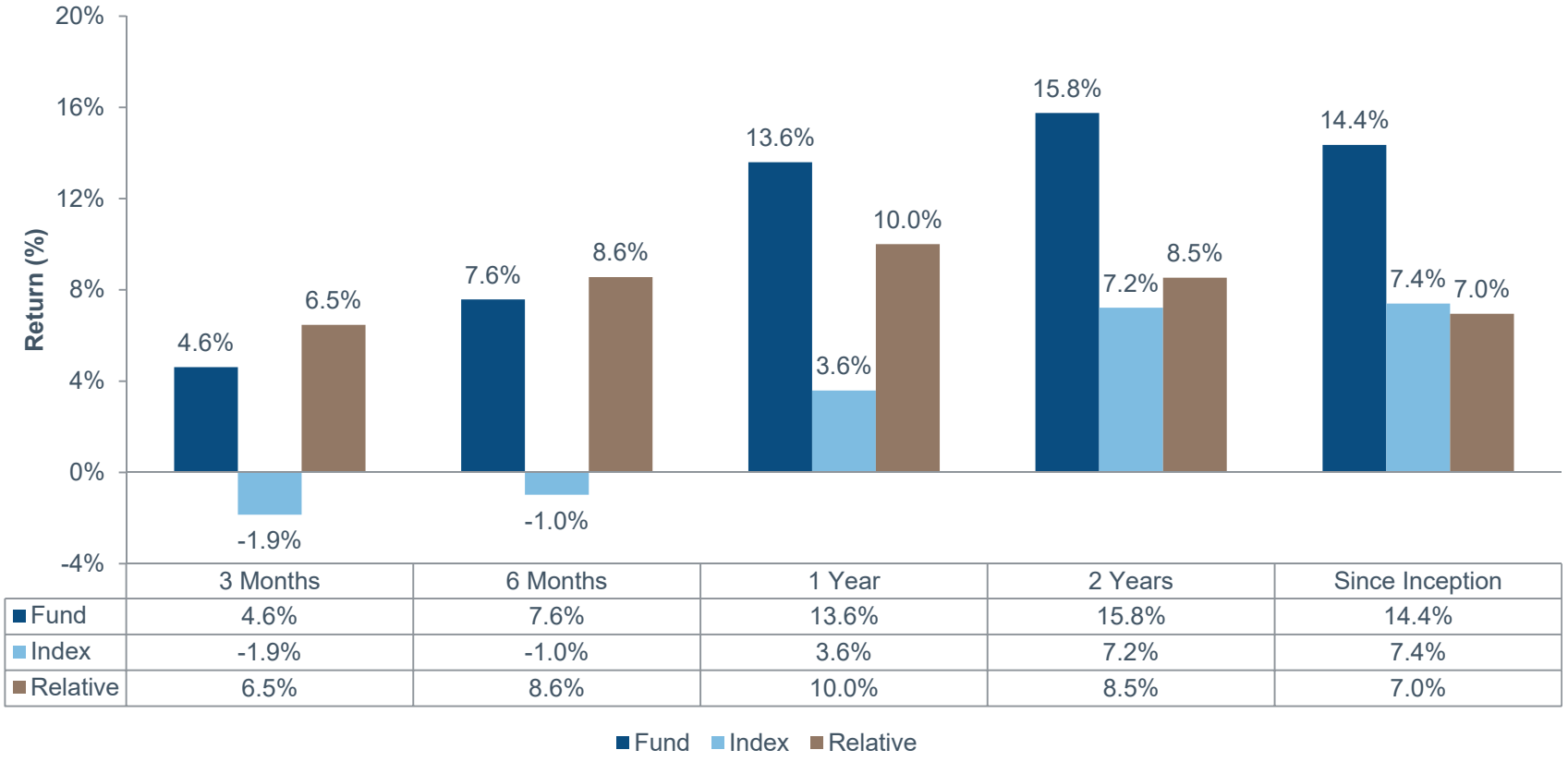


Source: Fidelity International. Reference to individual companies is for illustration purposes only and does not constitute a recommendation to buy or sell these securities, or indicate that they are held in the fund. Reference to individual companies is based on internal classification at a point in time and will change over time and in different market conditions.

Performance vs. ASX 300 ex ASX 50

Fidelity Future Leaders Fund

Strategy returns for period ending 31 January 2016



	3 Months	6 Months	1 Year	2 Years	Since Inception
Fund	4.6%	7.6%	13.6%	15.8%	14.4%
Index	-1.9%	-1.0%	3.6%	7.2%	7.4%
Relative	6.5%	8.6%	10.0%	8.5%	7.0%

Source: Fidelity Worldwide Investment and ASX. Fidelity Future Leaders Fund performance from 22 July 2013 to 31 January 2016. Performance figures are net of fees in AUD terms. **Past performance is not a reliable indicator of future performance**. The return of capital is not guaranteed. Fidelity Future Leaders Fund inception date: 22 July 2013.

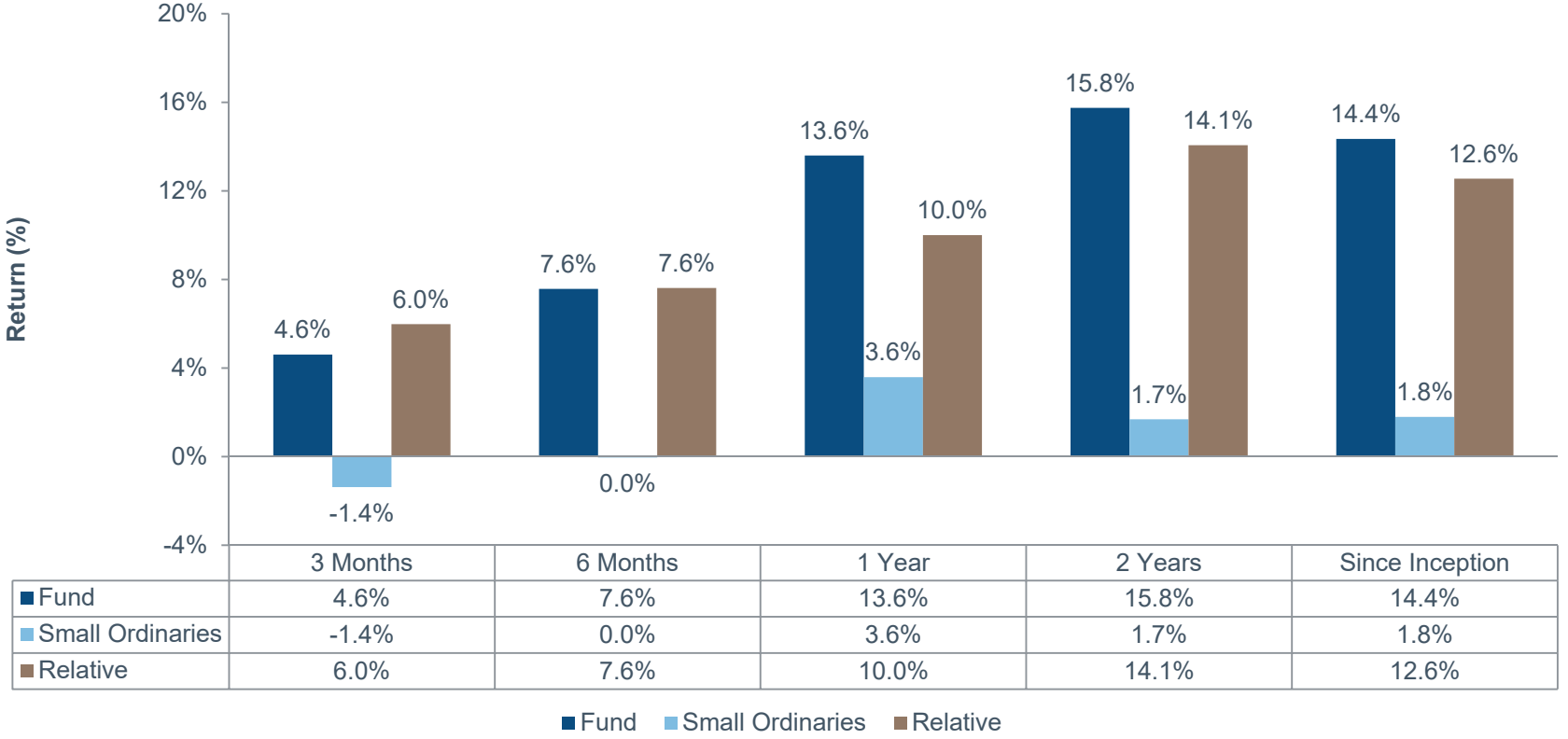
Appendix

Fidelity INTERNATIONAL

Performance vs. ASX Small Ordinaries

Fidelity Future Leaders Fund

Returns for period ending 31 January 2016

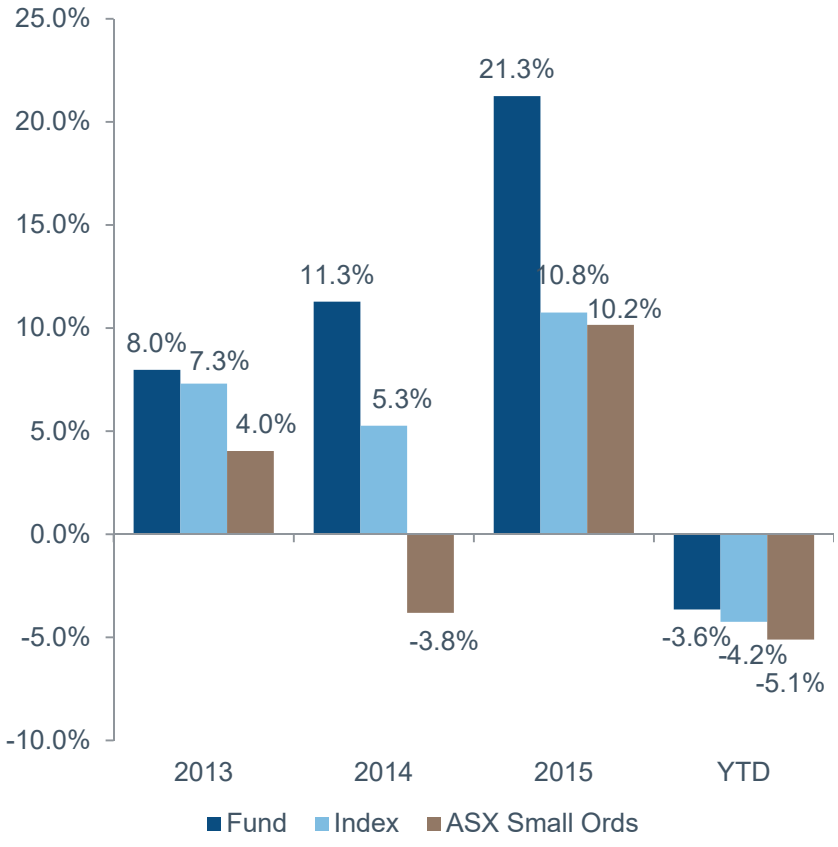


	3 Months	6 Months	1 Year	2 Years	Since Inception
Fund	4.6%	7.6%	13.6%	15.8%	14.4%
Small Ordinaries	-1.4%	0.0%	3.6%	1.7%	1.8%
Relative	6.0%	7.6%	10.0%	14.1%	12.6%

Source: Fidelity Worldwide Investment and ASX Small Ordinaries. Fidelity Future Leaders Fund performance from 22 July 2013 to 31 January 2016. Performance figures are net of fees in AUD terms. **Past performance is not a reliable indicator of future performance**. The return of capital is not guaranteed. Fidelity Future Leaders Fund inception date: 22 July 2013.

Consistent performance

Positive relative returns in up and down markets



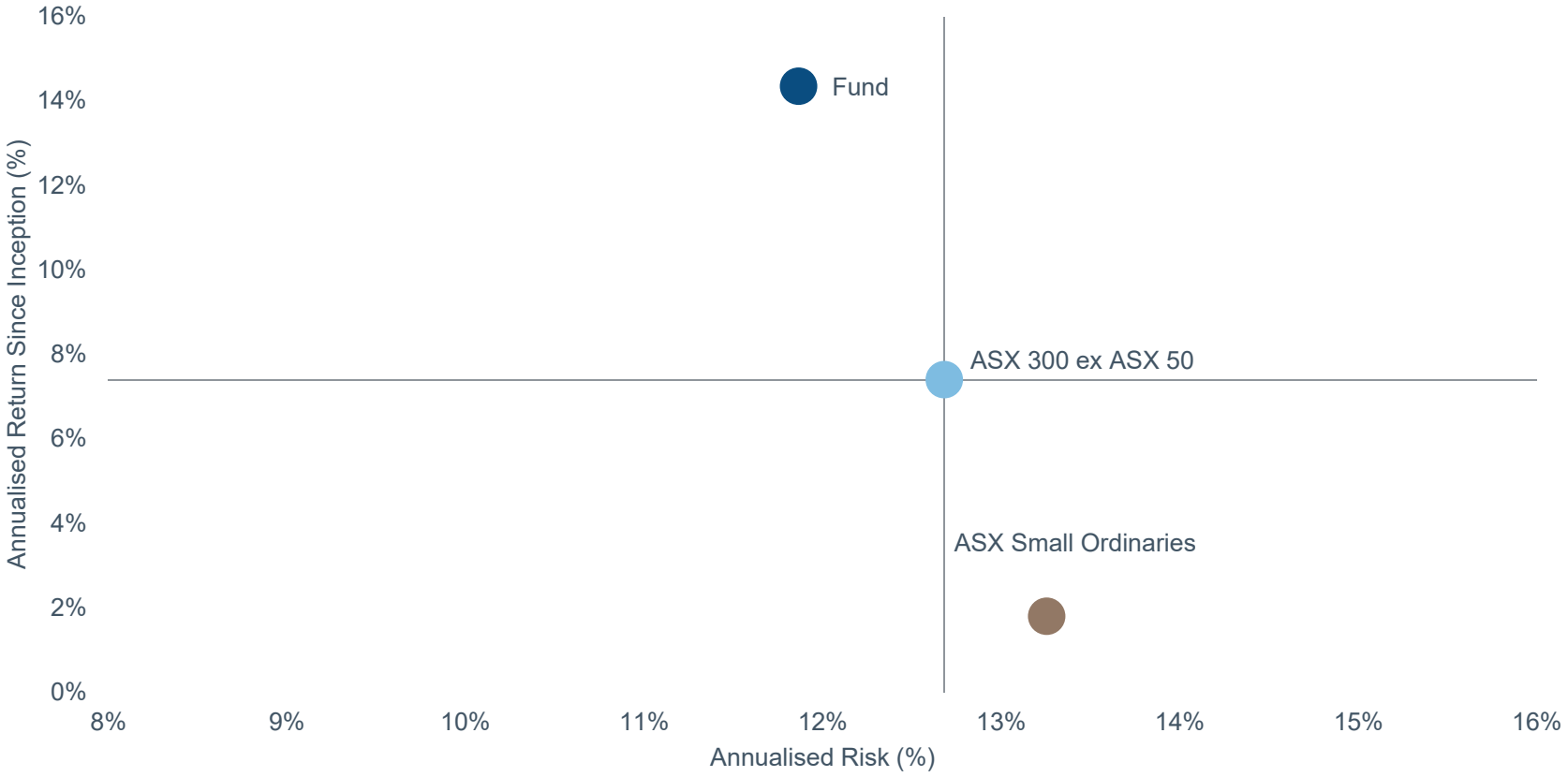
Source: Fidelity Worldwide Investment and ASX. Fidelity Future Leaders Fund performance from 22 July 2013 to 31 January 2016. Performance figures are net of fees in AUD terms. Past performance is not a reliable indicator of future performance. The return of capital is not guaranteed. Fidelity Future Leaders Fund inception date: 22 July 2013.

Fidelity INTERNATIONAL

Risk vs Return

Fidelity Future Leaders vs benchmark and S&P/ASX Small Ords

2.53 years as of: 31 January 2016



Past performance is not a reliable indicator of future performance. Results displayed in Australian dollars (AUD) Source: Fidelity Worldwide Investment. Calculated since inception 22 July 2013 to 31 January 2016. Performance figures are net of fees in AUD terms.

Portfolio Manager Profile

James Abela

Based in
Australia

Investment experience
18 years

Education
B.Comm., University of New South Wales, Sydney, Australia

M.Comm., University of New South Wales, Sydney, Australia

Funds currently under management	
Fidelity (Australia) Future Leaders Fund*	Jul 2013 – Present
Previous funds under management	
ASX300 ex ASX50 Pilot Fund	Jul 2009 – Jul 2013
Regional Sector Pilot Funds	2005 – 2009
Experience at Fidelity	
Portfolio Manager, Australia	2014 – Present
Research Analyst, Australia	2004 – 2013
Previous experience	
Investment Analyst / Portfolio Manager Constellation Capital Management, Sydney, Australia	1999 – 2003
Assistant Industrial Analyst BNP Equities, Sydney, Australia	1997 – 1999
Senior Consultant / National Business Development Manager Ernst & Young Entrepreneurial Services, Sydney, Australia	1995 – 1997

Source: Fidelity International. *This fund is not authorized in Hong Kong and not available for Hong Kong residents

Important information

This document is issued by FIL Responsible Entity (Australia) Limited ABN 33 148 059 009, AFSL No. 409340 ("Fidelity Australia"). Fidelity Australia is a member of the FIL Limited group of companies commonly known as Fidelity Worldwide Investment.

This document is intended for the general information of wholesale investors only. You should consider obtaining independent advice before making any financial decisions. Fidelity Australia does not authorise distribution to retail investors.

Please remember past performance is not a reliable indicator of future performance. This document does not constitute a recommendation that any person should adopt the investment strategies or invest in any financial product referred to in it. Information stated herein about securities is subject to change. Any reference to specific securities should not be taken as a recommendation to buy, sell or hold these securities.

This document may not be reproduced or transmitted without the prior written permission of Fidelity Australia. The issuer of Fidelity's managed investment schemes is FIL Responsible Entity (Australia) Limited ABN 33148059009.

© 2015 FIL Responsible Entity (Australia) Limited. Fidelity, Fidelity Worldwide Investment and the Fidelity Worldwide Investment logo and F symbol are trademarks of FIL Limited.