

Fidelity Enhanced Reserve Fund*

30 April 2024

For existing investors in the Fidelity Enhanced Reserve Fund ('the Fund') only. Thank you for investing in the Fund. We would like to use this opportunity to give you an update on the Fund's performance. Please note that this is not a product advertisement or solicitation for investment in the Fund.



How has the Fund performed in April 2024?

- The Fund returned 0.2%¹ (for the A-ACC-USD share class in USD terms) and 0.1%¹ (for the A-MINCOME(G)-SGD (hedged) share class* in SGD terms).



Reasons for performance

- Global fixed income market had a negative month in April amid persistently stronger US economy and inflation data. US treasury yields shot up during the month as the prospect of the Fed keeping interest rates higher for longer became more likely. Asia and Europe investment grade (IG) bonds outperformed the US IGs.
- The Fund managed to deliver positive performance for the month, with yield being the main contributor. Term structure detracted the most as US Treasury yields rose across the curve. Credit also contributed marginally.
- Short-dated US Treasury bills continue to deliver income and remain the main contributor to performance, as recent resilient economic data kept yields elevated.
- There was no notable contributor and detractor at the sector and individual issuer level for the month.

Outlook / Expectations

- The Fund continues to prioritise liquidity and stability as interest rates may remain elevated for longer. A diversified portfolio of short-dated high-quality bonds gives the fund the ability to stay nimble and resilient amid market volatility.
- We see better risk-reward in the shorter-end of the yield curve due to the attractive yields, the potential capital gain when short-dated yields fall, and at a lower interest rate sensitivity at the same time.
- On the credit side, the Fund's focus on high-quality issues provides a good defensive mechanism against potential credit spread widening.
- For key positioning changes made in April, we added short-dated US and Singapore government bonds to take advantage of the high base interest rates, along with high quality AA/A rated papers across Asia and globally.
- We sold short-dated Floating Rate Notes (FRNs) across South Korea, Japan, Australia, Singapore, and China financials and corporates. We also took profit in outperformers across Macau gaming, India renewable and China Oil & Gas.
- As at 30 April 2024, the Fund's yield to maturity² was 6.0%, running yield³ was 2.9%, duration⁴ was 1.2 years and average credit rating⁵ was A.

We remain confident that the Fund could **continue to meet its objectives of providing liquidity, relatively lower volatility versus equity and potential yield pickup above cash positions** over the medium and long term.

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Source: Fidelity International, as at 30 April 2024.

- ¹ The stated returns are computed on a NAV-NAV basis, with dividends reinvested in their respective currencies. They do not take into account the amount of initial sales charge, which may be levied by your distributor. The stated returns will be reduced when the applicable sales charge is being taken into account. Please note that past performance is not indicative of future returns. The 1-year return, net of sales charge of 3% for the Fidelity Enhanced Reserve Fund A-ACC-USD and A-MINCOME(G)-SGD (hedged) share classes are 1.84% and 0.25% respectively.
- ² Yield to Maturity is the internal rate of return earned on a bond, assuming that the bond will be held until maturity and all coupon and principal payments will be made. It is an estimation of future return, as the rate at which coupon payments can be reinvested when received is unknown.
- ³ Running Yield describes the income investors get from their portfolio as a percentage of market value of the securities (incorporating the effect of derivatives) and does not include the impact of fees. It should not be relied on as a measure of expected fund return. The running yield does not reflect the total return over the life of the bond and takes no account of reinvestment risk or the fact that bonds usually mature at par value
- ⁴ Duration is a measure of sensitivity of the fund value to changes in interest rates and includes all investments in the fund including derivatives. It takes into account that expected cash flows will fluctuate as interest rates change and affect a bond's price.
- ⁵ Average Credit Rating is the weighted average of all the bond credit ratings in the fund. It takes into account all investments in the fund including derivatives. This measure gives an idea of how risky the fund's bonds are overall: the lower the average credit rating, the riskier the fund. With a Linear weighted average the weight assigned to each issue is equal to its market value weight.



Learn more at
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Singapore

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Hong Kong

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