

Fidelity Enhanced Reserve Fund*

31 January 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 January 2024?

- The Fund returned 0.8%¹ (for the A-ACC-USD share class in USD terms) and 0.6%¹ (for the A-MINCOME(G)-SGD (hedged) share class* in SGD terms).



Reasons for performance

- Global fixed income market paused its recent positive momentum in January following less dovish languages from the US Federal Reserve at its January meeting. Recent economic data continued to be strong fuelling hopes for a 'soft landing'.
- The Fund delivered positive performance for the month, with all three components, yield, credit and term structure, contributing positively to the performance.
- Short-dated US Treasury bills was the largest contributor benefiting from the downward movement in short-end rates, driven by the expectation that the Fed may need to pivot to rate-cut soon.
- At a sector level, financials supported performance, led by names including Citibank, AIA Group, Bank of Nova Scotia and Nanyang Commercial Bank.
- There was no notable detractor 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.
- On the credit side, the Fund's focus on high-quality issues provides a good defensive mechanism against a potential recession or an idiosyncratic shock in the market.
- Assuming market stability is sustained, we are looking to shift into longer dated and higher beta bonds, as well as Asian local currencies and bonds from countries with strong domestic investment support.
- For key positioning changes made in January, we reduced exposure to China in materials, financials and automobiles and took some profit in US Treasuries.
- We deployed the proceeds into new issuances in financials from Korea and Japan, and Korean technology.
- As at 31 January 2024, the Fund's yield to maturity² was 6.0%, running yield³ was 3.6%, duration⁴ was 0.8 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 31 January 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 0.55% and -0.85% 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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