In Hong Kong, this material is intended for Professional Investors only

Fidelity Enhanced Reserve Fund*

30 June 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 June 2024?

- The Fund returned 0.6%[1] (for the A-ACC-USD share class in USD terms) and 0.5%[1] (for the A-MINCOME(G)-SGD (hedged) share class* in SGD terms).

Reasons for performance

- Global fixed income markets continued to strengthen in June as US Treasuries saw another volatile month but ended the period tighter across the curve. In terms of credit performance, both Asia and US Investment Grade (IG) spreads widened over the month.
- The Fund delivered positive returns in June, driven by its high-quality nature and lower US Treasury yields, despite the negative spread performance.
- Yield, terms structure and credit components all contributed positively to performance over the month.
- The top contributors to performance were SG Treasury bills (T-bills) which offered protection against interest rate volatility and favourable risk-reward given the inverted yield curve. There were no other significant single issuers that contributed and no notable detractors over the month.
- Over the last one year, the Fund has generated positive stable performance with low volatility, and is diversified across countries, regions and sectors.

Outlook / Expectations

- The Fund continues to prioritise liquidity and stability with a diversified portfolio of high-quality bonds that provide the ability to stay nimble and resilient amid market volatility.
- Given where we are in the cycle, we are comfortable with managing the portfolio duration at the upper band of between 1-1.5 years, especially as we approach an impending US Federal Reserve rate-cutting cycle.
- We remain selective towards longer duration credits. For example, within the perpetual space, we prefer names with a high likelihood of being called within the next 1-2 years.
- Our focus is also on quality IG and less on high yield (HY) credits as we can achieve the yields that we need in IG bonds without taking on unnecessary risk. Within HY, our positions are diversified across BB financials, infrastructure and industrials while our non-BB exposure is within the Macau hospitality sector which is on a credit improvement trajectory.
- In terms of portfolio changes, we redeployed capital towards Singapore T-bills which provide strong yields after hedging back to USD. We also added to IG credits outside Asia such as increasing marginally to a quality short-dated IG-rated Mexican bank with attractive risk-reward for diversification.
- We exited our position in an India HY renewable name after its strong performance over the last few months and to reduce risk owing to its deteriorating outlook.
- As at 30 June 2024, the Fund's yield to maturity[2] was 5.6%, running yield[3] was 3.6%, duration[4] was 1.3 years and average credit rating[5] 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.

Source: Fidelity International, as at 30 June 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 2.82% and 1.16% 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.

Important Information

Singapore

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Hong Kong

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