

Fidelity Enhanced Reserve Fund*

31 May 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 May 2024?

- The Fund returned 0.6%¹ (for the A-ACC-USD share class in USD terms) and 0.4%¹ (for the A-MINCOME(G)-SGD (hedged) share class* in SGD terms).



Reasons for performance

- Global fixed income markets recovered in May after a negative month in April with both Asia and US investment grade (IG) credit spreads tightening. The US Treasury (UST) curve also tightened across the 2-year and 30-year tenor of the curve in May, showing some reversal after the sell-off in April.
- The Fund delivered positive returns in May, supported by both interest rate and credit spread outperformance, with yield, credit and term structure all contributing to performance.
- The top contributor to performance was UST bills, which offered protection against interest rate volatility and stronger risk-reward given the inverted yield curve.
- There were no other notable contributors or detractors, other than the largest detractor being a Singapore quasi-sovereign bond.

Outlook / Expectations

- The Fund continues to prioritise liquidity and stability with a diversified portfolio of short-dated high-quality bonds that provides the ability to stay nimble and resilient amid market volatility.
- Given where we are in the cycle, we are comfortable with managing the duration at the upper band of between 1-1.5 years, especially as we approach an impending US Federal Reserve 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 HY credits as we can achieve the yields that we need in IG bonds without taking on unnecessary risk.
- For key positioning changes, we rolled over some of the Fund's maturing UST into shorted-dated US and Singapore Treasuries. We also opportunistically added to attractive new JPY-denominated bonds across European banks, Indonesia sovereign and US corporates, which we hedged back to USD for yield pick-up. We also added to European/Mexican banks and quality corporates across North Asia.
- Within high yield, we added marginally to quality Asia BB names. We also trimmed outperformers across IG banks and corporates to rebalance the portfolio.
- As at 31 May 2024, the Fund's yield to maturity² was 5.8%, running yield³ was 3.5%, duration⁴ was 1.3 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 May 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 2.6% and 1.0% 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
[Fidelity.com.sg](https://www.fidelity.com.sg) (for Singapore)
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Singapore

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CA-2024-1932754-(G)

Hong Kong

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HK-SSO-2024-1936342-NR