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Fidelity Funds – Asian Bond Fund

30 April 2024

For existing investors in the Fidelity Funds – Asian Bond 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 -1.8%[1] (for the A-ACC-USD share class in USD terms) and -2.1%[1] (for the A-MINCOME(G)-SGD (hedged)* share class in SGD terms).

Reasons for performance

- Investment grade (IG) bonds market declined in April as market sentiment deteriorated due to the increased probability of higher for longer US interest rates. Asian and European IGs outperformed US IGs.
- The Fund delivered negative returns for the month, underperforming its index[2]. Term structure was the main detractor due to the Fund’s small overweight positionings in USD duration. Yield and credit managed to contribute positively as credit spreads continued to tighten.
- On a country level, the underweight stance in Singapore and overweight in Philippines contributed the most, while the underweight stance in China detracted from relative performance.
- On a sector level, the overweight in financials and underweight in technology, media, and telecom (TMT) sector were the main contributors while the underweight in quasi-sovereigns and insurers detracted the most.
- On an individual issuer level, the Fund’s overweight allocations to Philippine Government Bonds, STE Transcore, and Korea National Oil contributed the most, while the underweight positions in Sinopec Group and CNOOC Finance, and overweight in Shinhan Bank were the main detractors.

Outlook / Expectations

- Asian investment grade bonds fundamentals remain supportive, as much of the global growth remains in Asia. In addition, certain central banks around the region have started to show signs of pivot, and Asian countries have ample foreign exchange reserves to provide them with greater resiliency in a shifting global macro environment.
- Hence we have not been underweight credit risk, but maintained a neutral position to balance between rich valuation and strong technical momentum plus stable fundamentals.
- We remain focused on yield as the primary return driver for the portfolio. We continue to look for high quality names with good credit ratings to add to the portfolio, along with high-coupon, short-dated names for cash parking purposes.
- We maintain a long bias in duration but will be tactical along the way. We see opportunities in markets where local currencies would benefit from rate cutting or markets with good fundamentals that offer attractive yields.
- For key positioning changes in April, we added Japanese and Australian financials given the attractive valuation and higher yields. We took profit in outperformers and reduced exposure to lower yielding names across Chinese consumer cyclicals, Korean basic industry and Korean financials.
- As at 30 April 2024, the Fund's yield to maturity[4] was 6.0%, running yield[5] was 4.8%, duration[3] was 5.6 years and average credit rating[6] was BBB+.

We remain confident that the Fund could continue to meet its objectives of **generating regular yield from its underlying investments and to offer lower volatility relative to equity during difficult market conditions over the medium and long term.**

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 Funds – Asian Bond Fund A-ACC-USD and A-MINCOME(G)-SGD (hedged)* share classes are -3.69% and -5.39% respectively.
2. The reference benchmark is the ICE BofA Asia Dollar Investment Grade Index.
3. 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.
4. 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.
5. 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.
6. 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.

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Singapore

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