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

Fidelity Funds – Asian Bond Fund

29 February 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 February 2024?

- The Fund returned -0.5%[1] (for the A-ACC-USD share class in USD terms) and -0.7%[1] (for the A-MINCOME(G)-SGD (hedged)* share class in SGD terms).

Reasons for performance

- Asian investment grade bonds market continued to be under pressure as hotter-than-expected economic data in the US dented market's hope of an early cut from the US Federal Reserve, raising the prospect of a 'no landing' outcome.
- The Fund delivered negative returns for the month, slightly underperforming its index[2]. At a country level, our overweight allocations to Japan and Philippines added value, while the underweight positionings in China detracted.
- At a sector level, the Fund's overweight exposure to financials and consumer cyclicals proved rewarding, while the underweight allocations to quasi-sovereigns hurt the relative performance as the sector rallied on monetary easing from the People's Bank of China.
- At an individual issuer level, the Fund's overweight allocations to PingAn Real Estate and Huarong, along with overweight in Philippines and Indonesian government bonds, contributed.
- Conversely, the underweight positionings in Chinese energy names, such as Sinopec and Dalian Ports, detracted.

Outlook / Expectations

- The fundamental picture of Asian Investment Grade (IG) bonds remains supportive given much of the current global growth remains in Asia. As inflation coming down, certain central banks 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.
- Our base case is that Chinese economy will move away from the current deteriorating situation and reach a point of stabilization with adequate support from authorities.
- Outside of China, we like South Korea due to its sovereign credit quality and potential policy support. We also see value in Japanese Financials given their stability and the

potential tailwinds from the Yield Curve Control (YCC) adjustment.

- For key positioning changes in February, we continued to reduce our exposure to Chinese properties and deployed the proceeds into new issuances in Japan, Philippines, Korea financials and SGD issuances from European financial institutions.
- We took profit in Chinese technology, media and entertainment, and telecommunications (TMT) and financials. We also sold some old issuances to fund the new issuance purchases.
- As at 29 February 2024, the Fund's yield to maturity[4] was 6.1%, running yield[5] was 5.3%, duration[3] was 6.0 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 29 February 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 -1.18% and -2.68% 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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