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

Fidelity Funds – Asian Bond Fund

31 January 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 January 2024?

- The Fund returned -0.2%[1] (for the A-ACC-USD share class in USD terms) and -0.3%[1] (for the A-MINCOME(G)-SGD (hedged)* share class in SGD terms).

Reasons for performance

- Asian investment grade bonds market took a pause in January from the recent rally as the US Federal Reserve's less dovish stance at its January meeting dampened investor optimism, although strong economic data continued to fuel hopes of a 'soft landing'.
- The Fund delivered slightly negative returns for the month, in line with its index[2]. Credit and yield were the main contributors, while term structure detracted due to local currency duration in CNY and SGD.
- At a country level, our overweight allocations to Indonesia and Philippines, along with the underweight allocation to China, added value, while the underweight positionings in India and Singapore hurt the relative performance.
- At a sector level, the Fund's overweight exposure to quasi-sovereigns proved rewarding, although the overweight exposure in financials detracted.
- At an individual issuer level, the Fund's underweight allocations to Adani Ports and Taiwan Semiconductor Manufacturing Company (TSMC) held back gains as the latter benefited from the artificial intelligence-driven rally.

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.
- We see better value in shorter-dated and high-quality bonds across the region, where we can potentially get attractive returns due to the higher base rate environment without having to take on excessive credit risk.

- For key positioning changes in January, we reduced the exposure to China in financials, industrials and property sectors and took profit in new issuances which have done well recently, such as Hong Kong quasi-sovereigns.
- We deployed the proceeds into new issuances in Chinese energy and financials, Korean technology and Singaporean technology, as well as opportunities in Japan and India. We also added Indonesian duration and rolled over short-dated SGD Treasury bills for yields pick-up.
- As at 31 January 2024, the Fund's yield to maturity[4] was 6.5%, running yield[5] was 5.8%, duration[3] was 5.8 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 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 Funds – Asian Bond Fund A-ACC-USD and A-MINCOME(G)-SGD (hedged)* share classes are -3.00% and -4.33% 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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