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

Fidelity Funds – Asian Bond Fund

31 July 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 July 2024?

- The Fund returned 1.6%[1] (for the A-ACC-USD share class in USD terms) and 1.4%[1] (for the A-MINCOME(G)-SGD (hedged)* share class in SGD terms).

Reasons for performance

- Global investment grade (IG) markets continued to post positive returns in July, primarily driven by the rates rally. US IG outperformed both Asia and Europe. US Federal Reserve (Fed) chairman Powell reinforced expectations for a start to the rate cutting cycle at the September Fed meeting. As more rate cuts were priced over the next few quarters, the US 10-year treasury yield fell below 4.0% for the first time since February 2024. From a credit spread perspective, Asia IG spreads widened, Europe IG tightened and US IG stayed roughly unchanged.
- The Fund continued to deliver positive returns in July, in line with its index[2]. The yield component, which includes stable carry and coupon income, and term structure outperformed, while credit was in line.
- On a country level, the underweight in China and Hong Kong helped the most, while the overweight in Japan impacted relative performance.
- On a sector level, the underweight in quasi-sovereigns contributed the most while the overweight in financials and underweight in technology, media and telecommunications (TMT) were the main relative detractors in July.
- On an individual issuer level, key credit contributors include overweight positions in Philippine Government Bonds, Bank of East Asia and Ping An Real Estate. Key credit detractors include the underweight in CK Hutchison Holdings, Taiwan Semiconductor Manufacturing Co and Tencent.

Outlook / Expectations

- Asian IG fundamentals remain supportive, as much of global growth remains in Asia. Certain central banks in the region have also started to show signs of pivot, and Asian countries' ample foreign exchange reserves provide them with greater resilience in a shifting global macro environment.
- From a valuation perspective, Asian IG credit spreads have continued to tighten due to the credit rally and surge in shorter-dated and higher-quality issuance. We remain opportunistic to strike a balance between rich valuations, strong technical momentum and stable fundamentals.
- In terms of portfolio positioning, the Fund duration has increased slightly with its overweight predominantly from local currency duration in CNY, SGD and JPY. We are slightly overweight credit beta with overweight exposures in higher quality markets including Japan, Hong Kong and Singapore. We continued to participate in new issuances that are attractively valued and in local currency including financial names in the region. We trimmed outperformers and lower-yielding names across quasi-sovereigns and financials mostly across North Asia.
- The Fund remains 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 duration bias but will remain tactical.
- As at 31 July 2024, the Fund's yield to maturity[4] was 5.2%, running yield[5] was 4.9%, duration[3] was 5.9 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 July 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 1.17% and -0.61% 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.

* For Professional Investors Only. Not authorized in Hong Kong and not available to Hong Kong public.

Important Information

Singapore

This document is for information and general circulation to existing investors of the above-mentioned fund only. It does not have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive it. You should seek advice from a financial adviser before investing in the fund(s). If you choose not to seek advice from a financial adviser, you should consider whether the fund(s) in question is suitable for you. Views expressed are subject to change, and this document cannot be construed as an advice or recommendation. This document is intended as an update on the performance of the above- mentioned fund. This is not solicitation for investment or a product advertisement, and it has not been reviewed by the Monetary Authority of Singapore.

FIL Investment Management (Singapore) Limited [“FIMSL”] (Co. Reg. No.: 199006300E) is the representative for the fund(s) offered in Singapore. Potential investors should read the prospectus, available from FIMSL or its distributors, before investing in the fund(s). The value of the shares of the fund(s) and the income accruing to them, if any, may fall or rise. The fund(s) may use financial derivatives, which entail specific risks as described in the prospectus. Past performance of the manager and the fund(s), and any forecasts on the economy, stock or bond market, or economic trends that are targeted by the fund(s), are not indicative of the future performance.

CA-2024-2017095-(G)

Hong Kong

This material has been requested by you as Professional Investor and prepared by Fidelity for you for informational purposes and may not be reproduced or circulated without written consent from Fidelity.

This material does not constitute an offer or solicitation to any person in any jurisdiction in which to make such an offer or solicitation may be unlawful. This material is for Professional Investors only and is intended only for the person or entity to which it is provided.

Neither Fidelity nor the Company nor any of their respective directors, officers, employees, advisers nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this presentation or its contents or otherwise arising in connection therewith.

The information contained in this material is only accurate on the date such information is published on this material. Opinions or forecasts contained herein are subject to change without prior notice. This material may contain materials from third parties which are supplied by companies that are not affiliated with any Fidelity entity ("Third Party Content"). Fidelity has not been involved in the preparation, adoption or editing of such third party materials and does not explicitly or implicitly endorse or approve such content. Any opinions or recommendations expressed on third party materials are solely those of the independent providers, not of Fidelity. Third Party Content is provided for informational purposes only. The third party mark appearing in this material is the property of the respective owner and not by Fidelity.

Reference to specific securities mentioned within this material (if any) is for illustrative purpose only and should not be construed as a recommendation to the investor to buy or sell the same. Performance of the security is not a representation of the Fund’s performance. The Fund’s past holdings are not indicative of existing and future holdings.

FIL Limited and its subsidiaries are commonly referred to as Fidelity or Fidelity International. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. Any person considering an investment should seek independent advice.

Investment involves risks. Past performance is not indicative of future performance. Please refer to the relevant offering documents for further information including the risk factors. If Investment returns are not denominated in HKD/ USD, US/HK dollar-based investors are exposed to exchange rate fluctuations. Some funds are not authorized in Hong Kong and not available to Hong Kong public.

The material is issued by FIL Investment Management (Hong Kong) Limited and it has not been reviewed by the Securities and Futures Commission (“SFC”).

HK-SSO-2024-2024012-NR