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

Fidelity Funds – Asian Bond Fund

30 June 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 June 2024?

- The Fund returned 0.9%[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

- Global investment grade (IG) markets continued to strengthen in June, primarily driven by movements in US Treasury yields. Asia IG outperformed other regions due to relatively stronger credit performance.
- The Fund delivered positive returns for the month, in line with its index[2]. The yield component, which includes stable carry and coupon income, performed in line, while term structure outperformed and credit underperformed.
- On a country level, the Fund's underweight position in Taiwan and overweight in Indonesia helped the most, while its overweight in the Philippines impacted relative performance.
- On a sector level, the underweight in technology, media and telecom (TMT) contributed the most, while the underweight in quasi-sovereigns was the main relative detractor for the month.
- On an individual issuer level, key credit contributors include overweight positions in CSSC Capital, FWD Group and Ping An Real Estate. Key credit detractors include overweight positions in Philippine Government Bonds and UBS, and the underweight positions in China National Offshore Oil Corp.

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 arising predominantly from local currency duration in CNY and SGD. We are slightly overweight credit with overweight exposures in higher-quality markets including Japan, Hong Kong and Singapore. We added attractively valued and higher-yielding front-end names in Hong Kong financials, South Korea consumer and China/Indonesia quasi-sovereigns. We scaled back on outperformers and lower-yielding names across Philippines/South Korea quasi-sovereigns and Japan financials.
- 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.
- As at 30 June 2024, the Fund's yield to maturity[4] was 5.9%, running yield[5] was 5.1%, 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 30 June 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 -0.29% and -1.90% 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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CA-2024-1972952-(G)

Hong Kong

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HK-SSO-2024-1977039-NR