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

Fidelity Funds – Asian Bond Fund

31 March 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 March 2024?

- The Fund returned 0.8%[1] (for the A-ACC-USD share class in USD terms) and 0.8%[1] (for the A-MINCOME(G)-SGD (hedged)* share class in SGD terms).

Reasons for performance

- Asian investment grade bonds market advanced in March as the market sentiment was boosted by the US Federal Reserve (the Fed)'s dovish stance at its latest FOMC meeting.
- The Fund delivered positive returns for the month, slightly underperforming its index[2]. Credit was the main contributor as credit spreads compressed on supportive technical, a resilient US economy, and a more dovish Fed. Term structure also contributed as the US Treasury yield curve inched lower over the month.
- The Fund's exposure to long-dated Indonesian quasi-sovereign bonds, China industrials and quality Japanese financials were among the top contributors.
- Conversely, the Fund's allocations to Indonesian sovereign bonds, China and Korea's quasi-sovereign bonds detracted the most.

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 March, we added higher yielding, short-dated names in China's A-rated utility companies and South Korean insurance companies. We also

added Indonesian long-dated quasi-sovereign bonds to rotate away from lower yielding bonds.

- We continued to add attractive new issuances across the region including Hong Kong, China, South Korea, and Singapore. We also bought Singapore treasury bills for liquidity and yield pick-up.
- We trimmed outperformers in South Korea, Japan and Australian financials and lower yielding papers in HK, South Korea, Indonesia, Philippines and Singapore corporates / government-related entities due to limited upside potential.
- As at 29 March 2024, the Fund's yield to maturity[4] was 5.5%, running yield[5] was 4.8%, 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 March 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 -1.06% and -2.55% 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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