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

# Fidelity Funds – Global Multi Asset Income Fund

30 June 2024

For existing investors in the Fidelity Funds – Global Multi Asset Income 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 -0.2%[1] (for the A-ACC-USD share class in USD terms) and -0.4%[1] (for the A-MINCOME(G)-SGD (SGD/USD hedged)* share class in SGD terms).

## Reasons for performance

- Global markets continued to strengthen in June with fixed income markets gaining as US Treasury yields declined in a volatile month. The European Central Bank and the Bank of Canada embarked on their rate-cut cycle, while politics overshadowed raising volatility especially following France's snap elections.
- Equities were boosted by optimism surrounding policy easing as signs of cooling US inflation raised expectations of an imminent rate cut, though the market breadth was narrow with returns largely driven by technology stocks. Asian markets Taiwan and Korea benefited from the semiconductor cycle, while European equities lagged.
- The Fund was on track to deliver on its income target but registered negative returns in June.
- Within core yield fixed income assets, the higher-risk credits such as hybrids, and US and Asia high yield (HY) added value. For alternative yield assets, structured credit added value. Within flexible assets, the Fund's Asia tactical equity exposures in Korea and Japan banks, and healthcare aided performance.
- Among performance detractors, for core yield assets, emerging market (EM) rates and foreign exchange (FX) struggled though FX hedges partly mitigated the negative returns. For growing yield assets, dividend equities and European equities lagged. Within flexible assets, duration hedges and European banks detracted from performance.

## Outlook / Expectations

- We continue to prefer a risk-on stance in the medium term, although we have reduced risk as US growth appears to be slowing and we remain cautious on geopolitical risk. The profit cycle remains strong in the US and is improving globally outside the US. European growth continues to surprise on the upside, and we expect the European Central Bank to continue with its easing policy.
- We continue to favour equity over HY bonds as a liquid and high-quality way to add beta.
- Our largest equity exposure remains in defensive quality income and regionally we prefer Europe. We continue to balance our tactical equity exposure among those that work in different scenarios such as across value, cyclical, defensive and inflation higher-for-longer beneficiaries.
- We retain low-duration exposure and prefer short-dated credit to reduce volatility and default risk. US dollar remains a key diversifier and our EM FX exposure is hedged via low-yield proxies.
- In terms of key positioning changes, we have switched from European stock futures to a building-block European equity strategy given the improving leading indicators and our positive view on the region’s fundamentals, though we tactically dialled back our risk exposure in June due to the increased volatility.
- We closed our US mid-cap equity positions and topped up our structured credit exposure and also added to European HY. We added put options to provide downside risk management on attractive valuation.
- We also added a new position in global convertible bonds, which are US mid-cap technology focused, diversifying from hybrids and adding to equity-like risk positions for potential upside capture.

We remain confident that the Fund could, over the medium and long term, continue to meet its objectives of providing a **consistent yield over a market cycle and a lower drawdown compared to equity during difficult market conditions**.

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 5% for the Fidelity Funds – Global Multi Asset Income Fund A-ACC-USD and A- MINCOME(G)-SGD (SGD/USD hedged) *share classes are 0.37% and -1.40% respectively.

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