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Fidelity Funds – Global Multi Asset Income Fund

31 October 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 October 2024?

- The Fund returned -2.1%[1] (for the A-ACC-USD share class in USD terms) and -2.3%[1] (for the A-MINCOME(G)-SGD (SGD/USD hedged)* share class in SGD terms).

Reasons for performance

- Most asset classes declined in October with fixed income hit particularly hard, driven mainly by a rise in US Treasury (UST) yields following the stronger-than-expected jobs data at the beginning of the month.
- UST yields rose across the curve except for ultra-short duration as the better US economic data calmed fears about labour market weakness and the market has now repriced the expected magnitude of rate cuts to 25 basis points each in November and December. The US dollar strengthened and precious metals e.g. gold and silver gained.
- Global equities also declined in October after a strong rally in the first nine months of the year. Investors were primarily concerned about economic risks, although there were signs of resilience. The US election and the potential effects of policy shifts on inflation and interest rates also added to the uncertainty.
- The Fund continued to deliver on its income target but posted negative returns in October with all asset groups declining.
- Within our core yield fixed income assets, our exposures to high yield, hybrids, emerging market debt (EMD) local currency and investment grade bonds all detracted value. We did however benefit from being cautious on duration, as we trimmed EMD LC and hedged all our EM foreign exchange (FX) risk.
- Our growing yield core equity exposure similarly saw negative contributions, although our equity hedges helped to mitigate some losses.
- Within alternatives, there was negative contributions across the board, especially from infrastructure.
- Among our flexible assets, equity and fixed income hedges added value, helping to offset some losses. Our tactical equity exposures overall detracted though energy contributed a small positive.

Outlook / Expectations

- We are overall still constructive on risk but are conscious of volatility around the US elections. Despite a significant rise in hard-landing concerns from the investor community, we think the data so far indicates growth moderation rather than an immediate recession. Developed market central banks' rate cuts, China's policy easing, and loosening financial conditions point to stabilising growth.
- We expect macro data to stay volatile. Renewed geopolitical tension and US elections are likely to introduce periods of volatility and potential entry points. We look to take risks on a selective and gradual basis as opportunities appear.
- We continue to stay cautious on long-dated US duration and tactically closed our duration relative value trades ahead of the elections given heightened uncertainty. We tactically hedged our EM FX exposure and seek to re-engage post US elections.
- Our preferred quality dividend exposure has been serving us well and we continue to favour it. We started to gradually add back US exposure and maintain protection via put options. We continue to balance our tactical equity exposure among those that work in different scenarios, both on a sectoral and geographical basis.
- In terms of portfolio changes, we topped up our US equity exposure, taking advantage of the pullback in equity markets, and added some tactical EM/China equity exposure. We rotated out of defensive healthcare equity exposure into more cyclical financials on the expectation that financials should fare better given macro and earnings fundamentals, and technical indicators. We added to REITs which typically do better in modestly constructive growth/inflation environment and rate cuts.
- We are overall cautious on duration but were also very tactical, taking profits on some duration hedges that performed well and trimming some European duration. Ahead of the US elections, we trimmed some EMD LC risk, particularly our Brazil and South Africa holdings, and fully hedged our EM FX risk.

We remain confident that the Fund could achieve moderate capital growth over the medium to long term and continue to provide income.

Source: Fidelity International, as at 31 October 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 6.97% and 4.94% respectively.

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Singapore

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