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Fidelity Funds – US Dollar Bond Fund

30 April 2024

For existing investors in the Fidelity Funds – US Dollar 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 April 2024?

- The Fund returned -2.5%[1] (for the A-ACC-USD share class in USD terms) and -2.7%[1] (for the A-MINCOME(G)-SGD (hedged)* share class in SGD terms).

Reasons for performance

- The US dollar bond market declined in April as sticky inflation and stronger-than-expected labour market raised the prospect of the Fed keeping interest rates higher for longer, which dampened market sentiment.
- Market participants further pushed out expectations of the first rate cut by the US Federal Reserve from the summer of 2024 towards year-end amid stronger-than-expected economic data.
- The Fund delivered negative returns for the month, underperforming its index[2]. The underperformance is primarily due to our duration positioning, particularly USD duration, as treasury yields shot up during the month. EUR and GBP duration also detracted slightly.
- The Fund's defensive positioning in credit (underweight in credit beta) held back gains, which was partially offset by our bias to the financials sector.
- There were no notable contributors and detractors at the sector and individual issuer level for the month.

Outlook / Expectations

- The US economy continued to show resilience with fiscal deficit spending as one of the key drivers, offsetting the impact of tighter monetary policy.
- Our view remains that inflation should continue to fall in line with expectations, and that risks to growth and labour market health are skewed to the downside over the medium-term.
- Therefore, the Fund remains defensively positioned and concentrated in high-quality corporate and government bonds, with low exposure to high yield bonds. Our approach is to be nimble with our positioning and accordingly adjust our duration position.

- We retain our long duration positionings in USD, GBP, EUR, and AUD. However, we pared back some long duration exposure to USD.
- For key trades made in April, we continue to rotate our credit exposure to government bonds. We also reduced spread duration in banks by rotating into short-dated positions.
- We reduced our long positions in Japanese yen given the persistent dovish stance from Bank of Japan versus the US Fed.
- As at 30 April 2024, the Fund's yield to maturity[4] was 5.1%, running yield[5] was 4.6%, duration[3] was 6.6 years and average credit rating[6] was A+.

We remain confident that the Fund could continue to meet its objectives of **achieving capital growth over time and providing income**.

Source: Fidelity International, as at 30 April 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 – US Dollar Bond Fund A-ACC-USD and A-MINCOME(G)-SGD (hedged)* share classes are -4.79% and -6.45% respectively.
2. The reference benchmark is the ICE BofA Q4AR Custom 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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