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Fidelity Funds – US Dollar Bond Fund

31 May 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 May 2024?

- The Fund returned 1.3%[1] (for the A-ACC-USD share class in USD terms) and 1.1%[1] (for the A-MINCOME(G)-SGD (hedged)* share class in SGD terms).

Reasons for performance

- The US dollar bond market recovered in May on incoming economic data and with US Treasury yields remaining volatile but ending the month lower.
- The Fund delivered positive returns for the month, though slightly underperforming the benchmark[2] due largely to duration management while credit contribution was flat.
- Our overweight in financials contributed positively with single names such as Dutch insurer ABN, Santander and Societe Generale contributing.
- There were no notable detractors for the month and the Fund has been able to avoid any blow-ups in the market.

Outlook / Expectations

- We continue to see the US economy remaining resilient 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, 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 as we track the trajectory of the US economy.
- More recent confidence data suggests that consumer sentiment is being dented by cost of living increases. Companies' narrative through the earnings season has shifted from having pricing power a few years ago, to expense management and cost-cutting to protect profitability.
- With the more bearish outlook, we have adjusted our portfolio positions accordingly, selling down our credit exposure – including in financials that we like – to reduce risk. We have redeployed proceeds into government bonds and US Treasuries.

- Other sectors that we continue to like and hold an overweight position include healthcare. We still like banks, particularly national champion issuers but have reduced our overweight exposure as spreads have tightened. We are cautious on technology as we do not see more room for the sector to rally.
- As at 31 May 2024, the Fund's yield to maturity[4] was 4.9%, running yield[5] was 4.6%, duration[3] was 6.7 years and average credit rating[6] was AA-.

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 31 May 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 -2.1% and -3.8% 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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Singapore

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