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Fidelity Funds – US Dollar Bond Fund

31 October 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 October 2024?

- The Fund returned -2.9%[1] (for the A-ACC-USD share class in USD terms) and -3.1%[1] (for the A-MINCOME(G)-SGD (hedged)* share class in SGD terms).

Reasons for performance

- Global fixed income markets were under pressure in October, driven primarily 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 the ultra-short maturities (below 6 months), with longer duration assets underperforming while relatively shorter duration assets fared better. On the other hand, credit was supportive during the month with investment grade (IG) spreads tightening the most in Europe, followed by Asia and the US, but this was more than offset by the UST yield increase.
- September's US employment data, which showed better-than-expected job gains has 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 Fund delivered negative returns and underperformed its benchmark[2]. Our duration and credit positioning detracted from performance.
- We added some duration in October but was unfortunately too early to do so and this impacted the Fund performance.
- In terms of credit, we remain defensively positioned. We added some positions in an Abu Dhabi energy corporate and bought some financials including JP Morgan. We also bought Comcast, whose spreads did well on the back of a rally in IG spreads and we subsequently trimmed some of the positions.
- We also trimmed some of our positions in an Italian bank and an energy credit.

Outlook / Expectations

- We continue to be cautious on the US economic outlook and expect to see a slowdown led by the US consumer, which constitutes a majority of the economy. US consumers remain weak, trading down in their spending behaviour as inflation hit their purchasing power. The post-pandemic savings have also mostly been eroded and the currently low US savings rate is weighing on consumers, with a large proportion of Americans now spending beyond their means, having maxed out their credit card limits.
- Employment, particularly from small businesses that employ the majority of US workers, is also generally weak and they are very reliant on bank credit.
- Commentary from company management on their earnings calls also support the narrative of a slowing US economy.
- We remain defensively positioned and are underweight the cyclical high beta sectors as we see risks to growth. We are marginally overweight financials, mostly positioned in senior papers.
- We remain underweight IG credits as we view spreads to be still tight. We expect that a lot of companies have front-loaded their issuances before the US elections.
- As at 31 October 2024, the Fund's yield to maturity[4] was 4.5%, running yield[5] was 4.5%, 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 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 3% for the Fidelity Funds – US Dollar Bond Fund A-ACC-USD and A-MINCOME(G)-SGD (hedged)* share classes are 6.28% and 4.23% 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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Fidelity INTERNATIONAL

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Singapore

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