Absolute Return Global Equity Fund Y-PF-ACC-USD

30.09.2023 Quarterly Performance Review

Portfolio manager: Matt Jones, Hiten Savani

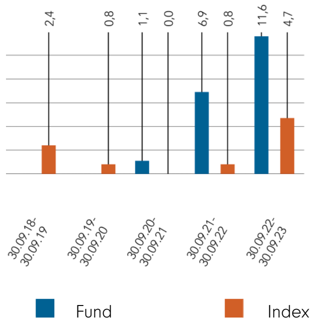
Performance over quarter in USD (%)

Fund	3,6
Market index	-

Market index is for comparative purposes only.

Source of fund performance is Fidelity. Basis: nav-nav with income reinvested, in USD, net of fees. Other share classes may be available. Please refer to the prospectus for more details.

Performance for 12 month periods in USD (%)



Market Environment

After recording strong gains in the first half of 2023, global equities posted negative returns in the third quarter. At the start of the quarter, investors were optimistic on the prospects of a soft landing for the economy and signs that major developed markets are nearing the end of their current monetary policy tightening cycle. However, optimism faded in August and September, as prospects of a sustained period of higher interest rates sank in. At a regional level, US equities declined as the US Federal Reserve (Fed) signalled that it may keep interest rates near current levels through 2024, until inflation comes down firmly towards its 2.0% target. Meanwhile, jobless claims data in the US indicated that the labour market remains at historically tight levels, adding pressure on the US Fed to maintain its restrictive monetary policy. Shares in the eurozone fell amid worries over the negative effects of interest rate rises on economic growth. The European Central Bank (ECB) raised interest rates by 0.25 percentage points at its September meeting. UK equities rose, as the Bank of England kept its policy interest rates unchanged for the first time in September after 14 consecutive rate hikes, following a surprise slowdown in UK inflation. Japanese equities remained resilient over the quarter, as the weak yen remained a tailwind. Emerging market equities ended in negative territory, as renewed concerns over the real estate sector in China weighed on investor sentiment, despite new stimulus measures aimed at stabilising housing activity. At a sector level, energy was the sole gainer as oil prices rallied due to persistent supply concerns following the announcements of extended production cuts by Saudi Arabia and Russia until the end of the year. Conversely, utilities and real estate were the notable laggards. From a style perspective, value stocks proved relatively resilient compared to their more expensive growth counterparts.

Fund Performance

Despite a very volatile market environment, the fund (Y-PF-ACC-USD share class) registered strong positive returns of +3.57% (against Cash index SOFR +1.33%), net of fees during the quarter. Strong stock selection drove the majority of the performance. Consumer discretionary, communication services and consumer staples were the major contributors to returns. Conversely, selected positions in materials and industrials held back gains. At a regional level, Emerging Markets were the leading contributors to performance.

Emerging markets boosted performance

The holding in Taiwan-based printed circuit boards (PCBs) manufacturer Tripod Technology contributed the most to returns. Its shares rallied on strong market enthusiasm, driven by expectations that it would build out artificial intelligence (AI) related products. However, since Tripod currently has almost no exposure to AI PCB boards and is unlikely to have anything meaningful till 2025, we took profits on the name. Elsewhere, shares in China-based BMW manufacturer Brilliance China Automotive rose on news around its board’s decision to distribute a special dividend.

Selected industrials holdings hampered performance

The position in Japanese speed reducer (used in industrial robots) manufacturer Harmonic Drive Systems declined due to a slower than expected recovery in orders. Elsewhere, information analytics company Clarivate slid sharply after it lowered its guidance for FY23 organic growth. Its turnaround is taking longer than expected, but we still believe the company is on track to achieve its FY25 organic growth target. Moreover, the remainder of the thesis (margin expansion and deleverage) remains on track.

Fund Positioning

Absolute Return Global Equity (ARGE), managed by Fidelity’s Systematic Investing team, is a systematically constructed geared long/short absolute return market neutral fund that offers investors a diversified source of absolute returns, with little dependence on overall market movements. It gives exposure to the breadth and depth of Fidelity’s fundamental research by taking long exposure in high conviction Buy rated companies and short exposure in high conviction Sell rated companies in a portfolio of around 150-200 stocks. The strategy aims to deliver positive returns primarily through stock selection, while other factor risks are broadly mitigated.

High conviction positions

Social media company Meta Platforms is a key position in the portfolio. The company’s accelerating revenue guidance (led by an improvement in its advertising technology using AI), its commitment to efficiency/cost controls amid a challenging macroeconomic environment and extremely attractive valuations hints towards strong upside potential. Elsewhere, leading global financial services firm JPMorgan Chase & Co is a key holding. The company has captured strong market share owing to its superior technological capabilities and dominant position. It could be a net beneficiary on the deposit side as it could witness flight to safety flows from customers from smaller banks.

Key transactions

The managers added a new position in leading wireless telecommunications company T-Mobile following its impressive second quarter results. Conversely, the managers took profits in Tripod Technology.

Important Information

Past performance does not predict future returns. The fund's returns may increase or decrease as a result of currency fluctuations. The investment which is promoted concerns the acquisition of units or shares in a fund, and not in a given underlying asset owned by the fund.

The value of your investment may fall as well as rise and you may get back less than you originally invested. The use of financial derivative instruments may result in increased gains or losses within the fund. This fund invests in emerging markets which can be more volatile than other more developed markets. The fund may be exposed to the risk of financial loss if a counterparty used for derivative instruments subsequently defaults. Funds are subject to charges and expenses. Charges and expenses reduce the potential growth of your investment. This means you could get back less than you paid in. The costs may increase or decrease as a result of currency and exchange rate fluctuations. Please refer to the Prospectus and KID of the fund before making any final investment decisions. When referring to sustainability-related aspects of a promoted fund, the decision to invest should take into account all characteristics or objectives of the promoted fund as detailed in the prospectus.

ESG Metrics

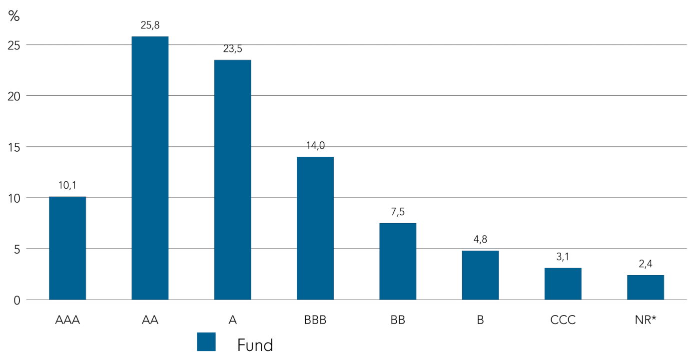
The factsheet is a snapshot of the portfolio at the date indicated above. ESG ratings distribution may vary over time. Representation of this data is for informational purposes only. If the SFDR classification is shown as 6 below then this fund does not promote environmental or social characteristics nor does it have a sustainable investment objective. If it is shown as 8, the fund promotes environmental or social characteristics. If it is shown as 9, the fund has a sustainable investment objective. Product-specific information can be found on our website at www.fidelityinternational.com

Sustainability Characteristics (30.09.2023)

	Fund
MSCI ESG Fund Rating (AAA-CCC)	A
Weighted Average Carbon Intensity (tCo2e/$M Revenue)	131,8
SFDR Classification	6

N/A - Not Applicable
N/R - Not Rated

MSCI Ratings Distribution % (30.09.2023)



ESG Fund rating based on holding as at 31.07.23 with 90,7% security coverage. Carbon intensity data based on holdings as at 30.09.23 with 91,4% security coverage.

Glossary

MSCI ESG Fund Rating: This shows the fund's ESG rating based on the Quality Scores given to the fund by MSCI. This ranges from AAA, AA (Leader), A, BBB, BB (Average) to B, CCC (Laggard). To be included in MSCI ESG Fund Ratings, 65% of the fund's gross weight must come from covered securities (and excluding cash), the fund's holdings date must be less than one year old and the fund must have at least ten securities.
Weighted Average Carbon Intensity: is calculated as the sum of each portfolio weight multiplied by the Co2e per $M of Revenue of each holding. This metric provides a snapshot of the fund's exposure to carbon-intensive companies and includes scope 1 and scope 2 carbon emissions. For carbon data, the coverage of underlying securities must be over 50% for data to be shown.
SFDR Classification: Shows the classification given to each fund as part of the EU Sustainable Finance Disclosure Regulation (SFDR). Article 9 funds aim to achieve an ESG outcome and are products with ESG objectives. Article 8 funds focus on promoting ESG characteristics and this must be a primary focus of the product. Article 6 funds integrate sustainability risks into investment analysis and decision-making, without the funds promoting environmental or social characteristics or having sustainable investments as their objective.
MSCI Ratings Distribution: This shows the percentage distribution of ESG ratings in the fund, based on the Net Asset Value of holdings excluding cash, liquidity funds, derivatives and Exchange Traded Funds.

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FIDELITY FUNDS

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