So many products, not enough time!
A guide to Fidelity’s international fixed income range

October 2016

Fixed Income Investment Directing
So many products, not enough time!

- Fixed income is a complex and evolving asset class
- Our product range has increased significantly over the past 5 years and today, Fidelity International offers in excess of 40 open-ended pooled bond funds for clients across the globe
- Bonds offer investors the benefits of income, low risk and diversification – many of our existing products can solve existing client problems
- The challenge is understanding the client problem and how our products can provide the solution
- This guide tries to provide a framework for understanding the differences across our international product suite
- It identifies common client challenges and offers insight into which products best meet particular client needs

Our bond range for international investors

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The benefits of fixed income are typically three-fold

**Income**
I need a solution that gives me yield!

**Low Risk**
I need a low risk bond solution?

**Diversification**
I need to reduce my concentration risk and diversify?

Which products generate the most income?

**Gross Redemption Yield**

- EM Local Currency
- EM Total Return
- China High Yield
- Asian High Yield
- EM Debt (Sovereigns)
- EM Corporate Bond
- Global High Yield
- US High Yield
- Global Hybrid
- European High Yield
- China RMB
- EM Inflation Linked
- Global Multi Asset Credit
- Flexible Bond Fund
- Asian Bond
- Global Corporate Bond
- US Dollar Bond
- Global High Grade Income
- Asia Total Return
- Global Strategic Bond
- Euro Corporate Bond
- Euro Bond
- Core Euro Bond
- International Bond
- Euro Short Term
- Fixed Income Diversified Alpha
- Global Inflation-Linked

**Gross Running Yield**

- China High Yield
- EM Local Currency
- Global High Yield
- EM Total Return
- Asian High Yield
- Global High Grade Income
- US High Yield
- EM Debt (Sovereigns)
- EM Corporate Bond
- Global Hybrid
- European High Yield
- Global Income
- Asia Total Return
- China RMB
- Global Multi Asset Credit
- Asian Bond
- Flexible Bond Fund
- EM Inflation Linked
- Global Corporate Bond
- Euro Corporate Bond
- Global Strategic Bond
- Euro Bond
- Core Euro Bond
- Euro Short Term
- US Dollar Bond
- International Bond
- Global Inflation-Linked
- Fixed Income Diversified Alpha

Source: Fidelity International, shows gross redemption yields as calculated internally at 30 September 2016. Excludes fees, default/loss, re-investment, FX hedging and alpha impacts. For illustrative purposes only.
What products are the least risky?

**Annualised Volatility**

- EM Inflation Linked
- EM Local Currency
- Global High Grade Income
- Global Hybrid
- EM Debt (Sovereigns)
- EM Total Return
- US High Yield
- China High Yield
- Global High Yield
- Asian High Yield
- EM Corporate Bond
- European High Yield
- China RMB
- Euro Bond
- Core Euro Bond
- US Dollar Bond
- Flexible Bond Fund
- Global Income
- Euro Corporate Bond
- Global Multi Asset Credit
- Asian Bond
- Global Corporate Bond
- Asia Total Return
- Global Inflation-Linked
- Global Strategic Bond
- International Bond
- Fixed Income Diversified Alpha
- Euro Short Term

**Maximum Weekly Drawdown**

- Global Inflation-Linked
- Absolute & Total Return
- Aggregate (Govt & Corp Bonds)
- Investment grade Corporate Bonds
- Currency
- Emerging Markets
- High Yield
- Global Hybrid

Source: Fidelity International, based off 3 years of weekly returns. Euro hedged share classes used, except for FF Sterling Bond and FF US Dollar Bond. Index returns have been used where a fund or hedged share class does not have 3 years of track record. For FF Global Hybrid – index returns since inception (10th Jan 2014) have been used. EM Total Return measure is based off a strategic EMD allocation across EM Hard currency (both sovereigns and corporates), EM local currency and EM inflation linked. September 2016. Past performance is no guide to future performance. For illustrative purposes only.
Which products are good diversifiers for equities?
Funds by credit and equity sensitivity

Credit Risk

Equity Beta

Correlated to risky assets

Source: Fidelity International. Equity beta reflects the beta of a fund to weekly changes in Euro Stoxx (equities), based off 3 years of weekly returns, May 2016. For Global Hybrid – equity beta is based off weekly index returns (50% COCO + 50% G0EC) since inception as on 10th January 2014. EM Total Return measure is based off a strategic EMD allocation across EM Hard currency (both sovereigns and corporates), EM local currency and EM inflation linked. Betas are not stable and will oscillate - past performance is no guide to future performance. For illustrative purposes only. DTS is a measure of credit sensitivity of a portfolio, as at September 2016.
Which products are good diversifiers for interest rates?
Funds by interest rate sensitivity

Duration

Flexible Bond Fund
EM Debt (Sovereigns)
US Dollar Bond
Core Euro Bond
Euro Bond
International Bond
EM Total Return
Global Income
Global Corporate Bond
EM Local Currency
Euro Corporate Bond
Global Multi Asset Credit
Global Strategic Bond
Asian Bond
Global Inflation-Linked
Global Hybrid
Global High Yield
EM Corporate Bond
US High Yield
European High Yield
Asian High Yield
Asia Total Return
EM Inflation Linked
Euro Short Term
China RMB
China High Yield
Global High Grade Income
Fixed Income Diversified Alpha

Source: Fidelity International. Empirical duration is calculated as the beta of a fund’s returns to weekly changes in Treasury yields, based off 3 years of weekly data, September 2016. For Global Hybrid – empirical duration is based off weekly index returns (50% COCO + 50% G0EC) since inception as on 10th January 2014. EM Total Return measure is based off a strategic EMD allocation across EM Hard currency (both sovereigns and corporates), EM local currency and EM inflation linked. Betas are not stable and will oscillate - past performance is no guide to future performance. For illustrative purposes only.
Clients must manage the trade-offs between

**Risk & Return**

**Income & Diversification**

**Volatility & Income**

**Income & Duration**

**Duration & Diversification**
A trade-off between duration & diversification

Source: Fidelity International. Equity beta reflects the beta of a fund to weekly changes in Euro Stoxx (equities), based off 3 years of weekly returns, September 2016. For FF Global Hybrid – index data since inception (10th Jan 2014) have been used. EM Total Return measure is based off a strategic EMD allocation across EM Hard currency (both sovereigns and corporates), EM local currency and EM inflation linked. Betas are not stable and will oscillate - past performance is no guide to future performance. For illustrative purposes only.
Balancing duration and credit risk can dampen volatility.

Bubble size reflects annualised volatility.

Source: Fidelity International. September 2016. For illustrative purposes only.
Not every client knows exactly what they want

I want it all!
... give me income,
low risk &
diversification
Total return strikes a balance between beta and alpha

**Relative Return**
- Targets performance relative to a benchmark
- Market cap weighted benchmark
- Performance heavily influenced by the benchmark

**Total Return**
- Targets superior risk-adjusted returns
- Performance objective typically expressed as a total return over the cycle
- Unconstrained from benchmark

**Absolute Return**
- Targets positive returns in all market environments
- No benchmark, performance objective typically stated relative to cash
- Market neutral – focus on relative value & non-directional strategies

Total return is a solution for the current environment

The Challenge

- Weak market liquidity
- Unwanted concentration risks
- Need for yield
- Better returns, less risk

A Total Return Approach

I. Look globally
II. Balance diversity and flexibility
III. Reduce unnecessary reliance on benchmarks
We offer a range of flexible ‘total-return’ strategies

- FF Global Strategic Bond
- FF Global Income
- Global Multi Asset Credit (QAIF)
- FF Asian Total Return Bond
- Flexible Bond
- FF EM Total Return Debt

Source: Fidelity International, 2016. For illustrative purposes only. Actual risk and return will depend on the nature of the market cycle and will fluctuate.
Fidelity Fixed Income

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