

**SHINING A LIGHT ON THE.....
Fidelity Strategic Bond Fund**

AT A GLANCE

Investment Objective	
The Fund's investment objective is to achieve a relatively high income with the possibility of capital growth. The Fund will obtain exposure primarily to sterling-denominated (or hedged back to sterling) fixed interest securities.	

Inception Date	18 th April 2005
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR05WMM

Management	
Manager Name	Start Date
Timothy Foster	1 April 2017
Claudio Ferrarese	1 January 2019

Top 10 Holdings		
Total number of holdings	302	
Assets in Top 10 Holdings	41.06%	
Name	Sector	% of Assets
United States Treasury Notes 2.38%	-	11.72%
Hsbs Swap Irs 12/20 6mpribv2.3	-	6.03%
Fidelity ILF - GBP A Acc	-	5.07%
United States Treasury Notes 2.88%	-	4.38%
Us 10yr Note Fut (Cbt) Sep19 Tyu9	-	3.37%
Mssw Swap Irs 6/29 Hibor-3v1.9	-	2.67%
Gold Swap Irs 6/29 6mjplv.0085	-	2.12%
Jpls Swap Irs 2/29 3mlv2.7163	-	2.01%
Jpls Swap Irs 1/29 3mlv2.6708	-	1.94%
United States Treasury Notes 0.88%	-	1.76%

Volatility Measurements	
3-Yr Std Dev (volatility)	2.89%
3-Yr Mean Return (average)	1.58%

LWM Consultants Ltd

FUND PERFORMANCE

Performance from 1st January 2013 to 30th August 2019:

	2013	2014	2015	2016	2017	2018	2019
Fidelity Strategic Bond Fund	1.90%	9.26%	-0.80%	5.38%	4.15%	-3.97%	8.92%
Vanguard Global Bond Index	-0.13%	7.97%	1.25%	3.51%	2.00%	-0.11%	8.38%

Performance over 12 months, 3 years, 5 years, 10 years and since fund manager inception:

	1 year	3 years	5 years	10 years	Since Fund Manager Inception
Fidelity Strategic Bond Fund	7.01%	5.05%	15.46%	72.72%	7.59%
Vanguard Global Bond Index	8.98%	7.22%	18.03%	53.35%	10.14%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

Tim Foster took over the full management of the strategy in 2019, alongside Claudio Ferrarese. Prior to that he worked on the strategy as a co-manager with the previous manager. The aim of the strategy is to deliver attractive levels of income with low volatility.

The fund has underperformed the index over 5 years, and since Tim has been involved with the strategy. Care needs to be taken when selecting between an index and active bond fund. An index fund has the potential to hold the most indebted companies and if rates move then this fund could be hit the hardest. If an investor thinks interest rates will not move much, then an index option may be the better route against this fund.

The key themes that the management team see are:

- Central banks in easing mode, with the main risk being that central banks disappoint
- Inflation remains subdued
- Growth concerns especially with the US consumer
- The size and impact of the China stimulus, and
- Geo-political risks.

In terms of the strategy this is a go anywhere approach. They believe, despite low interest rates, the rally in bonds will continue. The fund has a 40% weighting to government bonds which about a 12% change. They have weightings across all the other areas with Investment Grade coming down 4.8% to 28%, EM Debt down 4.1% to 13% and High Yield has come down 1.5% to 19%.

In the discussion we didn't feel that there was anything significant about the strategy that would make us want to choose this above another one. We have concerns on the underperformance and much of

LWM Consultants Ltd

the focus was around macro issues rather than the fund itself. There are a number of strategic bond funds in the market and we would suggest that if investors are interested then they should consider other options before making a decision.

One area of consideration is that some strategic bond funds are not pure bond funds and will use equities within the strategies. This should also be investigated before decisions are made.

The source of information in this note has been provided by Fidelity and is correct as at September 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.