

Fidelity Alternative Listed Equity Feeder Fund – April 2023

LWM FUND SPOTLIGHT FIDELITY ALTERNATIVE LISTED EQUITY FEEDER FUND

INVESTMENT OBJECTIVE

The fund aims to increase the value of the investments over a period of 5 years or more. The fund will invest at least 95% of its net assets in the Fidelity Alternative Listed Equity Fund. Up to 5% of the Fund may be held in cash and liquid instruments for liquidity and efficient portfolio management purposes.

INCEPTION DATE

25th January 2023

FUND FACTSHEET (Fidelity Alternative Listed Equity Fund launched 3 September 2018)

<https://markets.ft.com/data/funds/tearsheet/summary?s=IE00BZ18RV77:GBP>

MANAGEMENT

Manager Name

Start Date

Ayesha Akbar

3rd September 2018

Chris Forgan

3rd September 2018

Daniel Ryan

3rd September 2018

RATIO DATA (3-years)

| Alpha | Beta | Max Drawdown | Max Gain | Max Loss | Negative Periods | Positive Periods | Tracking Error |
|-------|------|--------------|----------|----------|------------------|------------------|----------------|
| -0.04 | 0.33 | -10.16 | 10.55 | -9.16 | 76 | 80 | 11.24 |

OTHER DATA

Benchmark

No benchmark, although can be compared to Sterling Overnight Index Average)

Fund Size

£73.19 million (Fidelity Alternative Listed Equity Fund)

Fees

0.70%

BULL POINTS (PRO)

- Effectively a strategic alternatives fund where the manger selects the best areas of return.
- A means of providing diversified returns away from equities and bonds.
- Although a new fund, has a track record via an offshore fund.
- Stable investment team.
- Access to alternatives which may not normally be easily accessible.

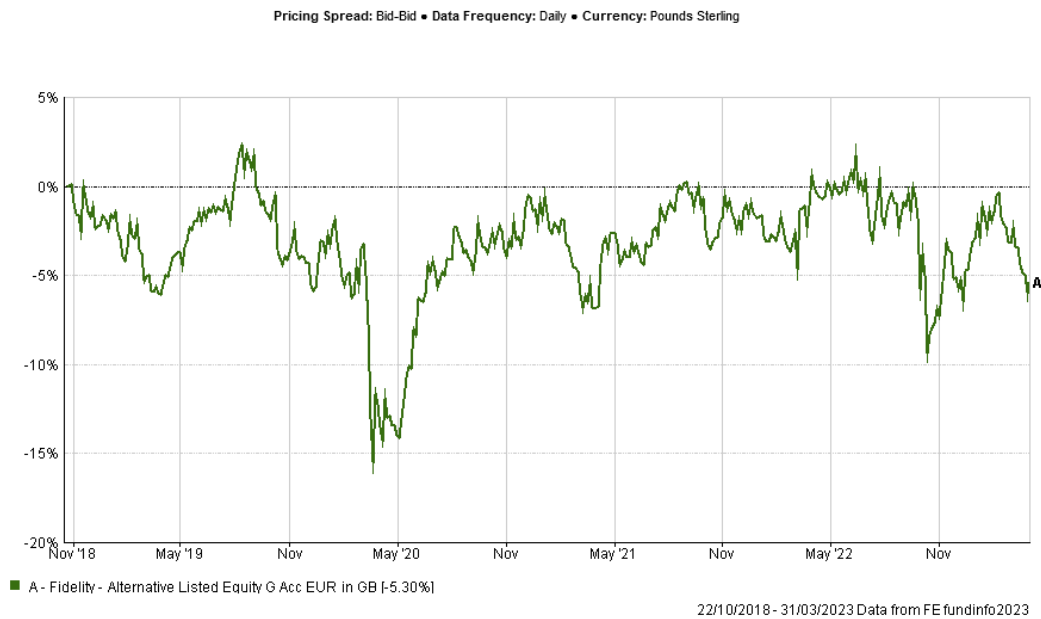
BEAR POINTS (CONS)

- Poor performance.
- Relatively small fund size

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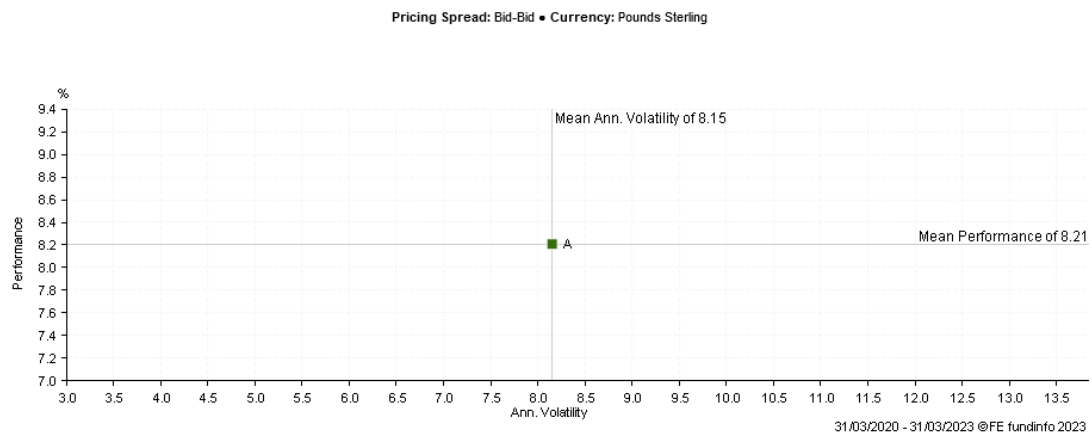
FUND PERFORMANCE

Performance from 22nd October 2018 – 31st March 2023



Please 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.

VOLATILITY / RISK SCORE



| Key | Name | Performance | Annualised Volatility |
|-----|--|-------------|-----------------------|
| ■ A | Fidelity - Alternative Listed Equity G Acc EUR in GB | 8.21 | 8.15 |

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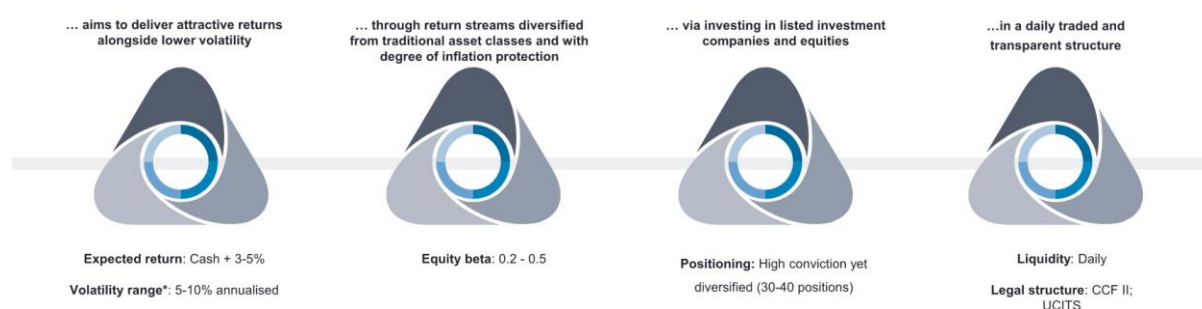
LWM FUND ANALYSIS

The strategy was launched in January 2023 but invests in the offshore version, which was established in 2018, and is managed by a team that has been managing listed alternatives since 2013. Although the holdings in the funds are relatively small, Fidelity manage just over £1 billion in this area.

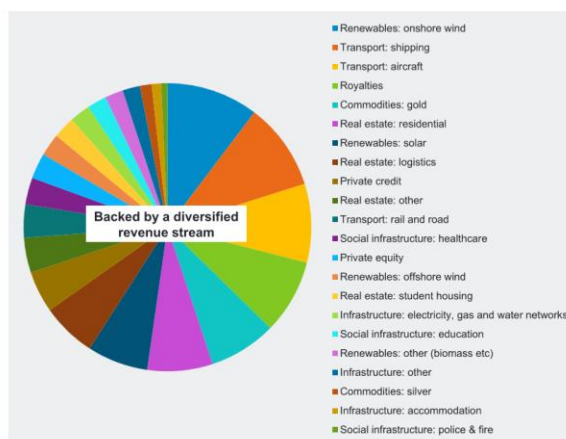
The aim is that this is an alternative to equities and is less dependent on economic growth. With the types of assets that it will hold both inflation and interest rate protection is built into the cash flows.

The investment objectives are targets and not guaranteed.

'A 'one stop' shop listed alternatives solution that...






It looks to invest across different areas of the market:



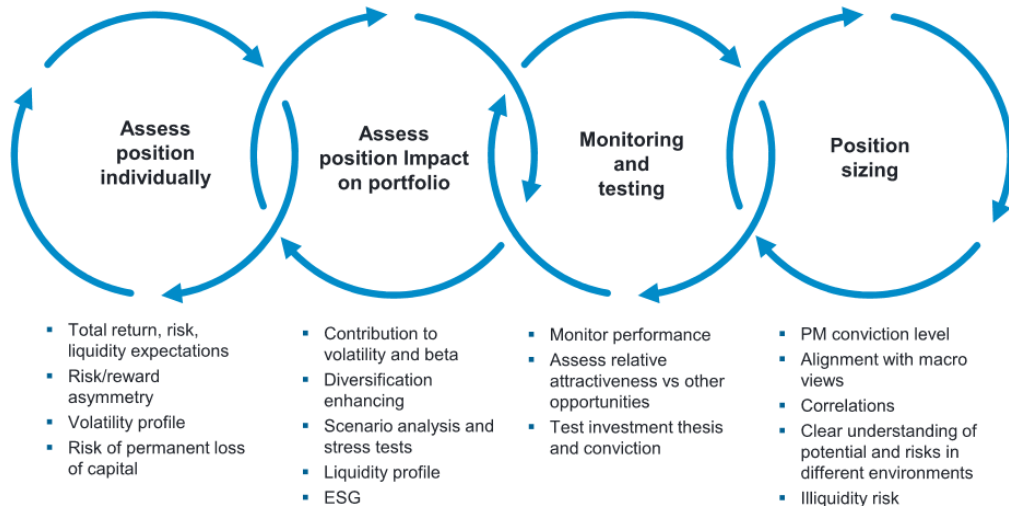
- **High conviction** portfolio with a **multitude of revenue drivers** for a robust exposure to the listed alternatives universe
- **Diversification at multiple levels** – sector, revenue type and project
- **Aims at offering capital growth** through market-linked revenues
- **Aims at offering capital stability** through government-backed revenues and long-term contract

Some examples of holdings include:

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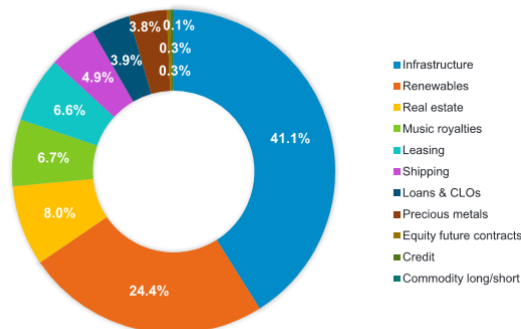
| |  GREENCOAT RENEWABLES |  TAYLOR MARITIME INVESTMENTS |  ROUND HILL MUSIC |
|-----------------------------------|--|--|--|
| What makes it alternative? | Invests in renewable energy generators <ul style="list-style-type: none"> Revenue is dependent on wind speeds, rather than the traditional drivers of markets | Owns and charters vessels <ul style="list-style-type: none"> Specialist strategy, chartering second-hand ships, acquired at discounts, in a niche sector ('handysize'), which is characterised by a very tight supply and ageing fleet | Invests in music royalties <ul style="list-style-type: none"> Long duration income streams, protected by copyright law, and unrelated to economic conditions |
| What drives performance? | <ul style="list-style-type: none"> Wind speeds Growing momentum and acknowledgement by governments, corporations and society that climate action is needed, creating structural growth opportunities in renewable energy infrastructure assets | <ul style="list-style-type: none"> Significant cash generation as the strategy captures very high charter rates in its niche sector Order book for this type of vessel remains low Offers protection from inflation | <ul style="list-style-type: none"> Return comes from a mix of royalty income, with rates set by courts and by law, or broad industry growth in music consumption. Both are largely unconnected to economic trends. |
| Why do we like it? | <ul style="list-style-type: none"> Strong inflation protection properties Conservative modelling by management could be a source of capital growth | <ul style="list-style-type: none"> Experienced management Tight supply conditions No long-term, structural debt Low probability of permanent capital loss | <ul style="list-style-type: none"> Historically, publishing revenues have been stable, even as the music industry has passed through changes (e.g., cassettes to CDs to digital music) No long-term, structural debt |

This is seen as a one stop shop where the team look at each individual stock and how they contribute to the overall returns. From an investor view point the idea would be take away the additional work of seeking the best mix of alternatives.

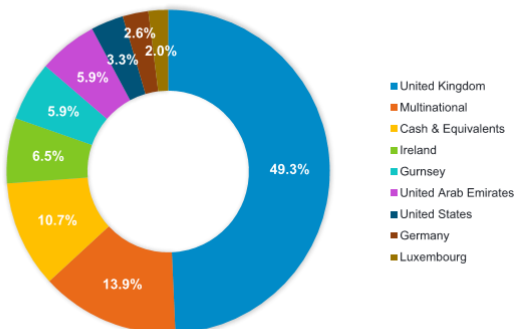


The current fund positioning is shown below:

Sector allocation breakdown*



Geographic allocation breakdown



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| Holding | Sector | Geography | Weight (%) | Rationale |
|----------------------------------|----------------|----------------|------------|---|
| HICL Infrastructure Plc | Infrastructure | United Kingdom | 8.1 | <ul style="list-style-type: none">Diversified and liquid exposure to a conviction asset class, availability-based PFI. Provides highest inflation-linkage in the sector with low political risk. Best combination of portfolio quality and valuation |
| International Public Partnership | Infrastructure | United Kingdom | 8.1 | <ul style="list-style-type: none">High revenue inflation linkage (approx. 70%), conservative discount rates and good pricing |
| Greencoat UK Wind Plc | Renewables | United Kingdom | 7.8 | <ul style="list-style-type: none">Inflation passed directly to dividend and subsidy income, both of which rise with RPI. Currently high power prices mean strong cash generation. Risk of windfall tax in UK & Ireland (key markets) is low |
| GCP Infrastructure Investments | Infrastructure | United Kingdom | 7.0 | <ul style="list-style-type: none">Competitively priced vs peers, reasonable inflation linkage and offers a 7% yield. Assets have low counterparty risk, with nearly 80% of underlying project revenues derived from the UK government |
| Greencoat Renewables | Renewables | Ireland | 6.5 | <ul style="list-style-type: none">Strong risk/reward model. All onshore wind with fixed subsidy revenue and high dividend cover.A good way to benefit from higher inflation, whilst protecting the downside via subsidised revenue |
| 3i Infrastructure PLC | Infrastructure | United Kingdom | 4.6 | <ul style="list-style-type: none">Differentiated risk drivers with less linkage to energy prices and more room to compress yields. Strong recent performance and should expect some growth from higher, realised inflation. |
| Renewables Infrastructure Group | Renewables | Multinational | 4.6 | <ul style="list-style-type: none">Hedged short term, therefore less impacted by direct political intervention.This is a relatively liquid way to access a compelling sector in renewables with high inflation linkage. |
| Sequoia Economic Infrastructure | Infrastructure | United Kingdom | 4.5 | <ul style="list-style-type: none">Good cushion to spreads and recession from the 8% discount, 7% yield, and 1% pull-to-par. Well-placed against gas price impacts or an industrial slowdown, as two-thirds of loans are TMT or energy. Exposure to OECD countries globally. |
| Biopharma Credit PLC | Loans & CLOs | United Kingdom | 3.4 | <ul style="list-style-type: none">Attractive yield at a relatively low risk. Life sciences is an attractive opportunity set where management have found a niche and have a strong track record |
| Round Hill Music Royalty Fund | Music | Guernsey | 3.4 | <ul style="list-style-type: none">Industry tailwinds and growth in streaming. Disciplined and highly transparent manager. Attractive, long duration return stream, underpinned by scarce assets, protected by copyright law. |

There are not many alternative strategies such as this in the market. On a plus side this does offer investors a one stop shop listed alternative solution, and equally it provides diversification from equities and bonds. However, the performance of the strategy is something to question.

Since launch it has delivered negative returns. It can be argued that this has been a tricky period, but investors would likely want to monitor the performance further before committing to this. There are also other strategies they may wish to compare to include that from Henderson Investors.

We don't doubt the skill of the team, and the fund house, and the strategy itself fits well as a means of providing alternative sources of returns and blending within a portfolio. However, like everything this is all great in theory but if it is delivering negatively, there may be better strategies to consider. From our side we would want to monitor this for at least 12-months before deciding whether to add to our watch-list of funds.

The source of information in this note has been provided by Fidelity and is correct as of April 2023. 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.

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