

# CHINA HIGH YIELD FUND A-MINCOME(G)-USD (HEDGED)

31 MAY 2021

## Strategy

This fund invests primarily in high-yielding, sub-investment grade or non-rated securities of issuers that have their head office or majority of their activity in the Greater China region (including China, Hong Kong, Taiwan, and Macau). This fund will suit those investors seeking high income who are prepared to accept the risks associated with this type of investment. The fund is managed according to Fidelity's active philosophy and approach to fixed income investing, with a very strong focus on individual security selection and active due diligence. This is team-based, but led by the Portfolio Manager to generate attractive risk-adjusted returns through combining multiple, diversified investment positions advised by in-house fundamental credit research, quantitative modelling and specialist traders.

## Objectives & Investment Policy

- The fund aims to provide a high level of current income.
- The fund will invest at least 70% in high yielding, sub-investment grade or non-rated bonds of issuers that have their head office or exercise a majority of their activities in the Greater China region (including China, Hong Kong, Taiwan, and Macau).
- This region includes countries considered to be emerging markets.
- Less than 30% of the fund's total net assets will be invested in hybrids and Cocos, with less than 20% of the total net assets to be invested in Cocos.
- The fund can invest in bonds issued by governments, companies and other bodies.
- The types of bonds in which the fund will mainly invest will be subject to high risk and will not be required to meet a minimum rating standard.
- The fund has the freedom to invest outside its principal geographies, market sectors, industries or asset classes.
- The fund may invest up to 100% in offshore China fixed income securities including, but not limited to, dim sum bonds. The fund will invest up to 60% directly and/or indirectly in onshore China fixed income securities bonds, which may include urban investment bonds, asset-backed securities (including asset-backed commercial papers) and bonds which are rated below investment grade or unrated bonds, on an aggregated basis.
- Currency hedging is used to substantially reduce the risk of losses from unfavourable exchange rate movements. Currency look-through hedging is used to hedge the underlying currency effects at the security level to that of the hedged share class reference currency, thereby delivering the underlying market returns.
- The fund may invest in assets directly or achieve exposure indirectly through other eligible means including derivatives. The fund can use derivatives with the aim of risk or cost reduction or to generate additional capital or income, including for investment purposes, in line with the fund's risk profile.
- Investments may be made in currencies other than the fund's reference currency. Exposure to currencies may be hedged, for example with currency forward contracts. The fund's reference currency is the currency used for reporting and may be different from the currency of denomination of the investments.
- The fund is actively managed without reference to an index.
- Income earned by the fund is paid to shareholders out of gross investment income for most of the time. The fund seeks to maintain a stable payment per share so far as is reasonable. The payment is not fixed and will vary according to economic and other circumstances, and the ability of the fund to support stable payments without a long-term positive or negative impact on its capital. This may occasionally result in income payment coming out of the capital.
- Shares can usually be bought and sold each business day of the fund.

## Important Information

The value of investments and any income from them may go down as well as up and an investor may not get back the amount 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. Liquidity is a measure of how easily an investment can be converted into cash. Under certain market conditions assets may be difficult to sell. There is a risk that the issuers of bonds may not be able to repay the money they have borrowed or make interest payments. When interest rates rise, bonds may fall in value. Rising interest rates may cause the value of your investment to fall. The investment policy of this fund means it can be more than 35% invested in Government and public securities. These can be issued or guaranteed by other countries and Governments. For a full list please refer to the fund's prospectus.

## Fund Facts

**Launch date:** 30.11.15  
**Portfolio manager:** Terrence Pang, Peter Khan, Tae Ho Ryu  
**Appointed to fund:** 01.07.20, 02.01.19, 01.02.20  
**Years at Fidelity:** 8, 21, 11  
**Fund size:** \$2,612m  
**Fund reference currency:** US Dollar (USD)  
**Fund domicile:** Luxembourg  
**Fund legal structure:** SICAV  
**Management company:** FIL Investment Management (Luxembourg) S.A.  
**Capital guarantee:** No

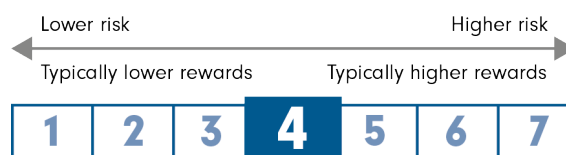
## Share Class Facts

Other share classes may be available. Please refer to the prospectus for more details.

**Launch date:** 29.01.16  
**NAV price in share class currency:** 9.3512  
**ISIN:** LU1345481698  
**SEDOL:** BDFYV15  
**Bloomberg:** FCAMIUH LX  
**Distribution type:** Income  
**Distribution frequency:** Monthly  
**Ongoing Charges Figure (OCF) per year:** 1.62% (30.04.20)  
**OCF takes into account annual management charge per year:** 1.20%

## Share Class Risk and Reward Profile

This risk indicator is taken from the key information document at the relevant month-end. Because it may be updated during a month, please refer to the key information document for the most up-to-date information.



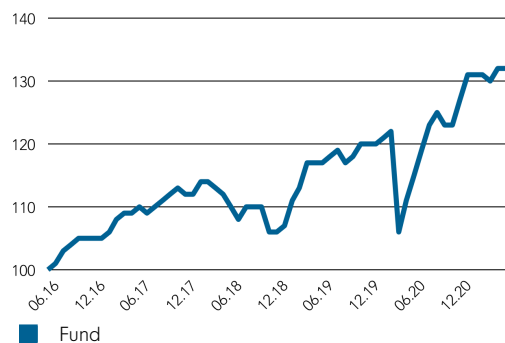
- The risk category was calculated using historical performance data.
- The risk category may not be a reliable indication of the future risk profile of the fund, is not guaranteed and may change over time.
- The lowest category does not mean a "risk free" investment.
- The risk and reward profile is classified by the level of historical fluctuation of the Net Asset Values of the share class, and within this classification, categories 1-2 indicate a low level of historical fluctuations, 3-5 a medium level and 6-7 a high level.

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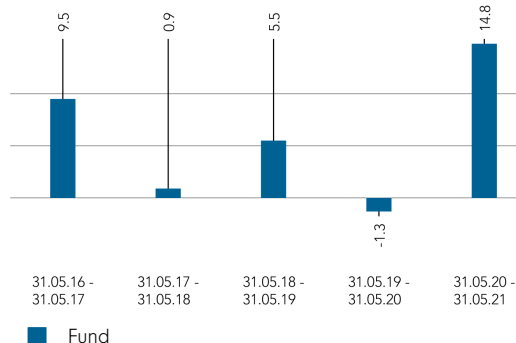
Past performance is not a reliable indicator of future results. Currency hedging is used to substantially reduce the effect of currency exchange rate fluctuations on undesired currency exposures. There can be no assurance that the currency hedging employed will be successful. Hedging also has the effect of limiting the potential for currency gains to be made.

## Cumulative performance in USD (rebased to 100)

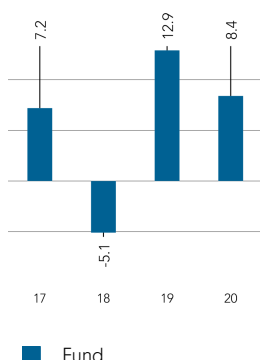


Performance is shown for the last five years (or since launch for funds launched within that period).

## Performance for 12 month periods in USD (%)



## Performance for calendar years in USD (%)



## Volatility & Risk

Annualised Volatility: fund (%) 10.26

Sharpe Ratio: fund 0.47

Calculated using month-end data points. Definitions of these terms can be found in the Glossary section of this factsheet.

## Performance to 31.05.21 in USD (%)

	1m	3m	YTD	1yr	3yr	5yr	Since 29.01.16*
Fund cumulative growth	0.2	0.9	1.2	14.8	19.6	32.1	40.7
Fund annualised growth	-	-	-	14.8	6.1	5.7	6.6

Source of fund performance and volatility and risk measures is Fidelity. Performance is excluding initial charge.

Basis: nav-nav with income reinvested, in USD, net of fees.

Market indices are sourced from RIMES and other data is sourced from third-party providers such as Morningstar.

\*Performance commencement date.

If you took an initial charge of 5.25% from an investment, this is the equivalent of reducing a growth rate of 6% per annum over 5 years to 4.9%. This is the highest initial charge applicable, if the initial charge you pay is less than 5.25%, the impact on the overall performance will be less.

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**Introduction**

This factsheet contains information about the composition of the fund at a particular point in time. It aims to help you understand how the manager has positioned the fund to meet its objectives. Each table shows a different breakdown of the fund's investments. Where data is presented as a percentage of TNA, this stands for Total Net Assets (the value of all the fund's assets after the deduction of any liabilities).

**Portfolio Characteristics**

	Fund
Distribution Yield (%)	8.2
Effective Duration	2.8
Average Coupon (%)	6.2
Number of Holdings	304
Number of Names	115

**Distribution Yield (%)**

The Distribution Yield reflects the amounts that may be expected to be distributed over the next twelve months as a percentage of the mid-market unit price of the fund as at the date shown and is based on a snapshot of the portfolio on that day. It includes the fund's ongoing charges but does not include any preliminary charge and investors may be subject to tax on distributions.

**Effective Duration**

Effective Duration is a measure of sensitivity of the fund value to changes in interest rates. It takes into account all investments in the fund, including derivatives.

**Average Coupon (%)**

The coupon is the interest rate stated on a bond when it is issued. Average Coupon is the weighted average coupon of bonds held in the portfolio. Derivatives are excluded from the calculation.

**Number of Holdings**

The number of bonds and derivatives held in the fund. Where the fund invests in another fund, it is counted as one holding. FX (foreign exchange) forwards are excluded. These are forward contracts that allow currency to be bought or sold at an agreed price on a future date.

**Number of Names**

The total number of individual issuers whose bonds are held in the fund. Since the fund will often hold more than one bond from an issuer, this figure is generally lower than the number of holdings.

**Average Credit Rating (% TNA) (including derivatives)**

Average Credit Rating (Linear) BB

This is the weighted average of all the bond credit ratings in the fund, expressed using the industry standard letter system. The system is shown in the credit rating table on the right and is ranked in descending order of credit quality. 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.

**Credit Rating (% TNA) (excluding derivatives)**

	Fund
AAA/Aaa	0.00
AA/Aa	0.00
A	1.98
BBB/Baa	3.14
BB/Ba	34.07
B	41.33
CCC and Below	1.99
Not Rated	6.18
Interest Rate Derivatives	0.00
FX / Derivative P&L	0.57
Cash	10.74
Rounding adjustment	0.00
<b>TOTAL</b>	<b>100.00</b>

For each bond in the fund, Fidelity looks at the rating given by three rating agencies (S&P, Moody's and Fitch) and applies the worst of the two best ratings (commonly known as the Basel method). The AAA/Aaa rating is the highest and indicates the borrower has the lowest probability of defaulting on its debt.

The table above is a categorisation of the fund's individual bonds into their credit ratings. If any derivatives are being used to adjust the credit quality of the fund, these are reflected in the Average Credit Rating on the left.

Interest Rate Derivatives are used to adjust the fund's sensitivity to interest rate changes.

FX / Derivatives P&L (Profit & Loss) is the category that accounts for the collateral required by counterparty companies issuing derivatives held by the fund.

**Top Long Exposures By Issuer (% TNA)**

	Fund
(CHINSC) China Sce Grp Hldgs Ltd	3.58
(SUNAC) Sunac China Holdings Ltd	3.50
(SUNSHI) Yango Justice Intl	3.42
(KAISAG) Kaisa Group Holdings Ltd	2.77
(REDSUN) Red Sun Properties Grp	2.73
(STCITY) Studio City Finance Ltd	2.61
(GZRFPR) Easy Tactic Ltd	2.57
(FOSUNI) Wealth Driven Ltd	2.47
(TPHL) Times China Hldg Ltd	2.46
(RONXIN) Ronshine China	2.41

Long positions are created through purchases of bonds or derivatives. Investors benefit if these long positions rise in value.

Credit derivatives relating to any specific issuer are included, but derivatives relating to government bonds and to bond indices are excluded.

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**Sector Positioning (% TNA) (excluding derivatives)**

	Fund
Treasury	1.06
Quasi / Sov / Supra / Agncy	2.68
Agency Mortgages	0.00
Banks & Brokers	8.90
Insurance	0.74
Property	49.02
Other Financials	0.22
Basic Industry	4.42
Capital Goods	0.91
Consumer Cyclical	9.54
Consumer Non Cyclical	0.20
Energy	1.35
Transportation	2.23
Technology	1.43
Communications	1.67
Industrial Other	2.76
Utility	1.56
Covered	0.00
Non Agency	0.00
ABS / MBS	0.00
Unclassified	0.00
Index Credit Default Swaps	0.00
Interest Rate Derivatives	0.00
FX / Derivative P&L	0.57
Cash	10.74
Rounding adjustment	0.00
Total	100.00

Quasi / Sov / Supra / Agncy are bonds issued by institutions like the European Investment Bank. Covered bonds are backed by cash flows from mortgages or public sector loans. ABS (Asset-backed Securities) / MBS (Mortgage-backed Securities) are backed by specific assets. Index Credit Default swaps can be used to increase or decrease the credit quality of the fund.

**Regional Exposure - Domicile Of Issuer (% TNA) (excluding derivatives)**

	Fund
Multinational	0.00
United States (& Other Amer.)	0.21
Canada	0.00
United Kingdom (& Ire.)	0.21
France	0.00
Germany (& Aust.)	0.00
Benelux	0.00
Scandinavia	0.00
Mediterranean	0.00
Switzerland	0.00
Other Europe	0.00
Japan	0.75
Australia & N.Z.	0.52
Asia ex Japan ex Aus.	87.00
C.I.S / Eastern Europe	0.00
Latin America	0.00
Middle East / N Africa	0.00
Sub-Saharan Africa	0.00
Other	0.00
Unclassified	0.00
FX / Derivative P&L	0.57
Index Credit Default Swaps	0.00
Cash	10.74
Rounding adjustment	0.00
Total	100.00

## Glossary

## Volatility &amp; Risk

**Annualised volatility:** a measure of how variable returns for a fund or comparative market index have been around their historical average (also known as “standard deviation”). Two funds may produce the same return over a period. The fund whose monthly returns have varied less will have a lower annualised volatility and will be considered to have achieved its returns with less risk. The calculation is the standard deviation of 36 monthly returns presented as an annualised number. Volatility for funds and indices are calculated independently of each other.

**Relative volatility:** a ratio calculated by comparing the annualised volatility of a fund to the annualised volatility of a comparative market index. A value greater than 1 indicates the fund has been more volatile than the index. A value less than 1 shows the fund has been less volatile than the index. A relative volatility of 1.2 means the fund has been 20% more volatile than the index, while a measure of 0.8 would mean the fund has been 20% less volatile than the index.

**Sharpe ratio:** a measure of a fund’s risk-adjusted performance, taking into account the return on a risk-free investment. The ratio allows an investor to assess whether the fund is generating adequate returns for the level of risk it is taking. The higher the ratio, the better the risk-adjusted performance has been. If the ratio is negative, the fund has returned less than the risk-free rate. The ratio is calculated by subtracting the risk-free return (such as cash) in the relevant currency from the fund’s return, then dividing the result by the fund’s volatility. It is calculated using annualised numbers.

**Annualised alpha:** the difference between a fund’s expected return (based on its beta) and the fund’s actual return. A fund with a positive alpha has delivered more return than would be expected given its beta.

**Beta:** a measure of a fund’s sensitivity to market movements (as represented by a market index). The beta of the market is 1.00 by definition. A beta of 1.10 shows that the fund could be expected to perform 10% better than the index in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the fund could be expected to perform 15% worse than the market return during up markets and 15% better during down markets.

**Annualised tracking error:** a measure showing how closely a fund follows the index to which it is being compared. It is the standard deviation of the fund’s excess returns. The higher the fund’s tracking error, the higher the variability of fund returns around the market index.

**Information ratio:** a measure of a fund’s effectiveness in generating excess return for the level of risk taken. An information ratio of 0.5 shows the fund has delivered an annualised excess return equivalent to half the value of the tracking error. The ratio is calculated by taking the fund’s annualised excess return and dividing it by the fund’s tracking error.

**R2:** a measure representing the degree to which a fund’s return can be explained by the returns of a comparative market index. A value of 1 signifies the fund and index are perfectly correlated. A measure of 0.5 means only 50% of the fund’s performance can be explained by the index. If the R2 is 0.5 or lower, the fund’s beta (and therefore its alpha too) is not a reliable measure (due to a low correlation between fund and index).

## Ongoing charges

The ongoing charges figure represents the charges taken from the fund over a year. It is calculated at the fund’s financial year end and may vary from year to year. For classes of funds with fixed ongoing charges, this may not vary from year to year. For new classes of funds or classes undergoing corporate actions (eg amendment to annual management charge), the ongoing charges figure is estimated until the criteria are met for an actual ongoing charges figure to be published.

The types of charges included in the ongoing charges figure are management fees, administration fees, custodian and depositary fees and transaction charges, shareholder reporting costs, regulatory registration fees, Directors fees (where applicable) and bank charges.

It includes: performance fees (where applicable); portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling units in another collective investment undertaking.

For more information about charges (including details of the fund’s financial year end), please consult the charges section in the most recent Prospectus.

## Independent Assessment

**Scope Fund Rating:** The rating measures how well a fund has balanced risk and reward relative to its peers. The rating is based solely on performance for funds with a five year track record. Funds with a shorter history also undergo qualitative assessment. For example, this may include looking at management style. The rating scale is A = very good, B = good, C = average, D = below average and E = poor.

**Morningstar Star Rating for Funds:** The rating measures how well a fund has balanced risk and reward relative to its peers. Star ratings are strictly based on past performance and Morningstar suggests investors use them to identify funds that are worthy for further research. The top 10% of funds in a category will receive a 5-star rating and the next 22.5% receive a 4-star rating. Only ratings of 4 or 5 stars are displayed on the factsheet.

**Morningstar Style Box:** The Morningstar Style Box is a nine-square grid that provides a graphical representation of the investment style of funds. It is based on fund holdings and classifies funds according to market capitalisation (the vertical axis) and growth and value factors (the horizontal axis). The value and growth factors are based on measures such as earnings, cashflow and dividend yield and use both historical and forward-looking data.

**Primary share class:** is identified by Morningstar when the analysis calls for only one share class per fund to be in the peer group. It is the share class Morningstar recommends as the best proxy for the portfolio for the relevant market and category/GIF combination. In most cases the share class chosen will be the most retail version (based upon actual management charge, inception date, distribution status, currency and other factors) unless a share class that is less retailed focused has a much longer track record. It is different to the oldest share class data point in that it is on an available for sale level and not all markets will have the oldest share class for sale in that region. The Primary share class is also based on category so each available for sale/category combination for the fund will have its own primary share class.



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