

Value Assessment Report

2023

Prepared by FIL Investment
Services (UK) Limited

Covering the following fund ranges:
Fidelity Investment Funds III
Fidelity UK Real Estate Fund



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Introduction

Each year, Fund Managers in the UK must assess if their funds represent 'value for money' and report the results to their investors in a value assessment report. These requirements were set by the Financial Conduct Authority (FCA).

This is our value assessment report for investors and their advisers. Reading the report should help you to understand how we carried out the assessment. We have included details of our approach and the information we used to support our findings. This includes a message from the Chair of the Board of FIL Investment Services (UK) Limited explaining how the Board has overseen the value assessment.

The reference date of the assessment was 30 June 2023. A full list of funds covered - and the conclusions we drew about each of them - is included in the [Fund pages](#) section of this report. Other funds provided by the Management Company are featured in separate value assessment reports dedicated to those fund ranges.

This report is an important addition to other fund documents that are available, including the Key Investor Information Document (KIID) and fund factsheets.

How we have assessed value



QUALITY OF SERVICE

What is the range and quality of services we provide



PERFORMANCE

How our funds have performed, in line with their objectives and strategies



AUTHORISED FUND MANAGER COSTS

How we control costs relating to the services we provide



ECONOMIES OF SCALE

Where we are able to reduce costs for the benefit of our investors



COMPARABLE MARKET RATES

How our fund charges compare with those of other managers



COMPARABLE SERVICES

How our fund charges compare with similar Fidelity products and services across all client types



CLASSES OF UNITS

Whether fees for particular share classes are appropriate, based on the services included.

We have looked at the value provided in seven areas, described above. We reviewed information from multiple sources to assess each fund against the above criteria and evaluate the overall value for money. The review included:

- Comparing performance and fees against those of similar funds, using independent information
- Using specific and objective information, such as service level measures and rating criteria which were set beforehand, client complaints and reports from our Risk team
- Using third-party consultants to challenge our assessment approach; and
- Listening to feedback from investors and financial intermediaries

A note on the format of this report: While we have primarily focused on publishing a report around our primary, 'Retail' share class, in undertaking our assessment of the funds, we have considered all of the share classes available to clients and the assessment on the funds is based on a collective assessment of available data that is presented to the Board at a share class level. For further information about this analysis and the methodology we use, please do not hesitate to contact your usual Fidelity Representative.

The Board

Introducing the Board

An independent perspective

All members of the FIL Investment Services (UK) Limited (FISL) Board were closely involved in the process to create this 2023 value assessment. Their role was to ensure that we act in the best interests of our investors, by contributing to and challenging our methodology and reviewing the information we have used to carry out the fund assessments. As of June 2023, two of the four members of the Board were Independent Non-Executive Directors.

On 1st October 2022, Dr Robson-Capps took over as acting Chair of the Board and in February 2023,

Patrick Olson was appointed as the new Independent Non-Executive Director.

Detailed oversight

As well as carrying out the yearly value assessment itself, the Board monitors fund performance, costs, pricing and service levels on an ongoing basis. Members use a range of reports and forums to support them with this, including reports on fund performance and reports from our Finance, Risk and Compliance teams and the funds' depositary and custodian.

Dr Teresa Robson-Capps

Independent Non-Executive Director of the Management Company since March 2019 and Chair since February 2023. Also a Non-Executive Director of FIL Holdings (UK) Limited since April 2018 and a member of its Audit and Risk Committee. Teresa's career has spanned several industries including banking, insurance, retail, communications and professional services, in roles ranging from customer services to strategic business leadership. Latterly, Teresa's roles included HSBC (2006 - 2011) where she became Deputy Head of Direct Bank and First Direct, and Accenture (2003 - 2006) where she was an Associate Partner in Transformational Outsourcing. Teresa has a doctorate in Management Control and Accounting and is a Chartered Management Accountant.



Dennis Pellerito

Head of UK Wholesale, Fidelity International, and Executive Director of the Management Company since June 2023. Also an Executive Director of FIL Pensions Management Limited since June 2023. As Head of UK Wholesale, Dennis is responsible for the Fidelity-branded fund business. Dennis has nearly 20 years' experience at all levels of the UK fund management industry with a number of leading firms, including roles at Neptune Investment Management and Argonaut Capital Partners. He has in-depth knowledge of the current market and a strong understanding of developments and direction. Dennis holds a BA (Hons) degree in European Studies and speaks fluent Italian.



The Board

Introducing the Board (continued)



Malcolm Palmer

Executive Director of the Management Company since February 2021 and Chief Executive Officer since July 2023. Also Chief Operating Officer, Investment Solutions and Services (“ISS”) and an Executive Director of FIL Pensions Management Limited, FIL Investment Advisors (UK) Limited and FIL Investments International Limited, Malcolm joined Fidelity International in July 2020 and is responsible for the operational and change activities supporting Fidelity’s investment and distribution businesses. Malcolm trained as an economist but has spent the majority of his career in operations, change management and client delivery, with previous roles including Global Head of Securities Operations at Northern Trust and Managing Director at JP Morgan. Malcolm holds a Bachelor’s Honours degree in Economics.

Patrick Olson

Independent Non-Executive Director of the Management Company since February 2023 and a Non-Executive Director of FIL Holdings (UK) Limited since February 2023, Patrick has over 30 years’ experience in financial services, investment banking and asset management, with an impressive track record of senior leadership roles at both BlackRock (2005 - 2021) and Merrill Lynch (1998 - 2005). He has recently been appointed as Chief Executive Officer of ACA Group, a governance, risk, and compliance firm within financial services. Patrick holds an MA in Management, a Law degree (JD) and a BSc in Finance.



Message from the Chair

Having acted as Chair of the Board since 2022, I am responsible for ensuring that Fidelity's funds are not only meeting their investment objectives but also providing good value for money.

To this end, it is pleasing to see some very positive results this year, including recognition of the excellent service provided to distributors and investors in terms of relationship management, training and communication.

While we publish this report every year, it is not a 'one-off' review and we look at the performance of the funds every quarter and the ongoing governance of the fund ranges is a year-round endeavour that has been fully incorporated into Fidelity's business processes.

This year, Fidelity has continued to develop and refine its approach to assessing value in line with the seven criteria set down by the UK's financial regulator, the Financial Conduct Authority. Furthermore, the Board takes pride in the fact that we have taken appropriate action where necessary on those funds where we deemed remedial actions were required.

A number of improvements have also been made to the report to ensure that you are more informed than ever about whether charges are justified in the context of the overall service delivered.

Today's investment backdrop

As we publish our fourth assessment of value report, it is important to reflect on the current economic situation we all face. The global battle against inflation has left UK investors facing higher interest rates and concerns of a possible recession, alongside an uncertain economic and political environment around the world. All this has (and is) taken a huge toll on thoughts of the future.

It is very emotionally draining to be financially uncertain and we understand that in times such as these, we need to provide all the help and assistance we can, to ensure you have the information you need about your investments.

Trust is one of the most important commodities we can build with our clients and we consider the free sharing of information a key part of the relationship and, therefore, we hope that the detailed information provided in this report will facilitate your understanding of Fidelity's products as it provides a detailed breakdown of the value that each fund provides.

Future Development

Next year's report will also include the embedding and impact of the FCA's New Consumer Duty regulation as appropriate.

Message from the Chair

continued

How we deliver value for clients

We take the entire concept of providing value for money very seriously and firmly at our core is the belief that every penny of the money invested with Fidelity is to help people and their families to achieve their goals which is more difficult than even in the current financial environment. We understand that when investing, some of the most important factors considered are the performance of the funds as well as the costs and service quality provided. Therefore, we have tailored our methodology for determining whether a fund delivers value so that we place the greatest emphasis on investment performance and costs, while also considering the quality of the service provided to support that investment. Our final assessment for each fund is based on extensive quantitative and qualitative analysis.

For all funds covered in this assessment, the Board is committed to:

- Providing world-class investment solutions across a broad range of asset classes, including fundamental active, index and factor-based equities, fixed income and multi asset strategies.
- Delivering a quality and range of services which meets the high expectations of our clients, while maintaining competitive fees.
- Fully deploying Fidelity's investment management expertise, processes and technology to deliver fund performance which is consistent with the fund's objectives and benchmarks.

As investors into Fidelity's funds, either directly or through an intermediary, you benefit from a world-class global infrastructure that includes well-resourced investment teams and well-tested risk management and governance processes. It is vital to us that you can trust Fidelity to be safe custodians of your investments.

Simple and transparent share class structures and fee models, alongside educational materials and a wealth of other investor information, fund manager insights and factual information, hopefully allows you to make informed choices on the best investment for you and your needs.

Our commitment to sustainable investing

Every investment decision has potential long-term financial and societal consequences. Fidelity's size and scale provides a level of corporate access that very few others enjoy and they are committed to using their position to steer companies towards the right business decisions. Environmental, Social and Governance (ESG) factors, particularly employee welfare, will become increasingly important to ensure the long-term resilience of businesses. Fidelity has been a signatory to the Principles for Responsible Investment (PRI) since 2012 and following the change in rating methodology in 2021, scored extremely highly in all categories and significantly ahead of the 2021 median (as shown on page 14 of this report). Fidelity's ESG strategy forms a central pillar of their research and investment processes to ensure investments are made both for you and generations to come.

Message from the Chair

continued

Fidelity's purpose and values

WE BELIEVE THAT INVESTING IS THE KEY TO WEALTH CREATION AND SECURING A BETTER FINANCIAL FUTURE:

especially with governments around the globe retrenching fiscally and people having to become more self-sufficient to provide for their future financial security.

CLIENTS ARE AT THE HEART OF OUR BUSINESS:

Investing clients' money is why we exist. Our purpose is to provide choices and optimal financial outcomes to clients, whether they are individuals, employers, financial advisers or institutions.

WE ACT WITH INTEGRITY:

Our clients expect us to apply responsible and sensible stewardship standards when we invest for them. We behave ethically, with fairness and equality. And we recognise that, as a responsible allocator of capital, asset management companies like ourselves play a key role in sustainable economic growth and job creation.



Dr Teresa Robson-Capps

Chair and Independent Non-Executive Director
FIL Investment Services (UK) Limited.

Quality of service

Do clients get a high-quality service for the charges they pay?

To assess this question, we have reviewed over 30 activities we provide across each segment of the value chain, including the following:

INVESTMENT MANAGEMENT SERVICES

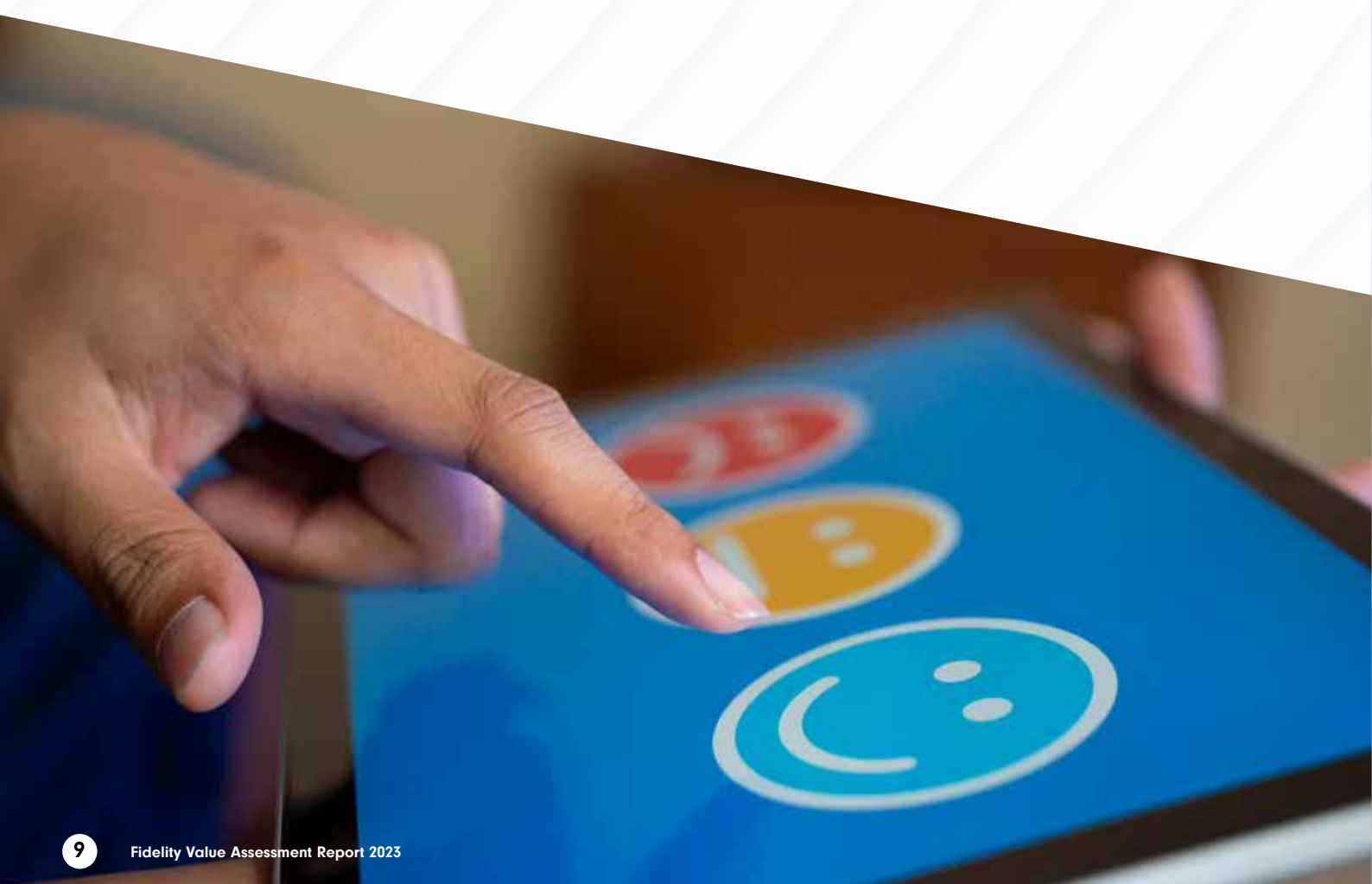
These include carrying out investment research, managing portfolios, sustainable investing, trade execution, risk management and compliance.

OPERATIONAL SERVICES

These support the administration of the funds, including fund accounting, custody, transfer agency, technology, third-party oversight and governance.

DISTRIBUTION SERVICES

These support our clients and distributors, including issuing fund documents and digital information marketing services.



How did we do?

Investment Management

Our investors benefit from the management company's investment management expertise and its global infrastructure and scale.

Our portfolio management and research professionals have the advantage of our global reach and local positioning. The team of trading specialists provide valuable insights into the markets and we operate within established risk management and governance practices.

We believe that investing in companies with high standards of corporate responsibility can help protect and increase investment returns for our clients. As part of our commitment to integrating environmental, social and governance (ESG) considerations in our investment process, we have continued to build out both a range of sustainable funds based on an engagement and exclusion model and we use a proprietary ESG scoring system which is based on fundamental research and a structured and thematic approach to engagement with companies we invest in. We have been a signatory to the Principles for Responsible Investment (PRI) since 2012 and following the change in rating methodology in 2021, scored extremely highly in all categories and significantly ahead of the 2021 median:-

Rating by PRI

We have been a signatory to the United Nations Principles for Responsible Investment (PRI) since 2012 and are proud of our ratings, having scored a mix of four and five stars in the categories below assessed by PRI in 2021.

	2021 Fidelity Star score*	2021 Median
Investment & Stewardship Policy	★★★★☆	★★★☆☆
Fixed Income – Sovereign, Supranational and Agency (SSA)	★★★★☆	★★★☆☆
Listed Equity – Active quantitative – Incorporation	★★★★★	★★★☆☆
Fixed Income - Securitised	★★★★★	★★★☆☆
Fixed Income – Corporate Financial	★★★★☆	★★★☆☆
Real estate – Direct	★★★★☆	★★★★☆
Listed Equity – Active fundamental – Voting	★★★★☆	★★★☆☆
Listed Equity – Active fundamental – Incorporation	★★★★★	★★★★☆
Listed Equity – Investment trusts – Incorporation	★★★★★	★★★★☆
Listed Equity – Active quantitative – Voting	★★★★☆	★★★☆☆
Listed Equity – Investment trusts – Voting	★★★★☆	★★★☆☆

*Note that a new scoring methodology was introduced for PRI signatories moving from a single letter grade (A- to E) to numerical scores across individual modules (one to five stars). The new scoring methodology has changed to reflect the new Reporting Framework, and is incomparable with scores from previous PRI years. [2021 Assessment Methodology](#)

Source: Fidelity International, 2022. The assessment was made in 2021 by the PRI, based on company data as at 31 December 2020. [Public RI report](#) and [Assessment Report](#)

In the UK, after winning the prestigious Investment Week Fund Manager of the Year Award – Global Group of the Year 2020, we were again listed as a finalist in the same award in 2021. Recent specific awards include: Fund Manager of the Year 2021 for Asia Pacific ex Japan and Global Income by Investment Week, Best Fund Group for Equity - Europe Growth by Citywire 2022, also The Top-rated UK Alpha Manager by Financial Express 2020 and numerous individual awards for the equity, fixed income and passive funds.

Operational services

Investors enjoy a seamless experience when investing in our funds as transfer agency and fund accounting processes are managed in-house, unlike those of many other fund managers. This means we have more control over the way these services are managed, so we can make sure they are more efficient and resilient.

We also have dedicated teams and policies for overseeing services provided by third parties, such as the funds' custodian, information providers and technology companies, so they provide a high level of service at a competitive cost.

In summary

Overall, Fidelity provides a wide range of services that are focused on providing clients with all of the information and resources they need to reach their financial goals through the provision of excellent client services as well as the breadth and depth of the research and our portfolio management teams.

Distribution services

We believe fund information should always be clear and easy to access, and we work hard to make sure you understand what you are buying, what the fund should be doing and what services you should receive for the fees paid.

We also have a range of services to educate and inform distributors, so we can provide a better service for investors. In industry surveys, our distribution services rank highly among our competitors, including website services and client engagement.

Where we will do more

We aim to develop and improve services and respond to ever-changing market and client expectations.

We will continue to monitor the quality and range of services we offer and consult our network of distributors on where services can be improved.

Performance

Are funds achieving their performance objectives?

The Assessment looked at how the funds are performing. We looked at each fund's returns after charges to see if they are consistent with its objective, policy and strategy – as well as comparing them with its benchmark or a target objective if it has one. Normally, we do this over one, three and five years, but different time periods may apply based on a fund's objective or if it is less than five years old. We also looked at how the funds performed compared with similar funds in their Investment Association (IA) sectors.

How did we do?

In the main, the funds performed well compared with those of our competitors. Across our range, 49% of actively managed funds were ahead of the median performance of similar companies in their IA sectors (where they have one) over the recommended holding period. 56% of the active funds outperformed their benchmark or target over the same period. Whilst this figure is lower than we would like, it is an improvement on last year and reflects the changing nature of the markets. However, we have reviewed each case where funds underperformed their benchmark and are confident the investment team has sound investment convictions and robust investment processes. Where we have found funds are not performing as well as we would expect, we have taken action as described in the [Fund pages](#) of this report. Additionally, where a fund has performed too well against its benchmark, we have examined the reasons for this as well to ensure that the fund is not taking excessive risk in search of the strong performance.

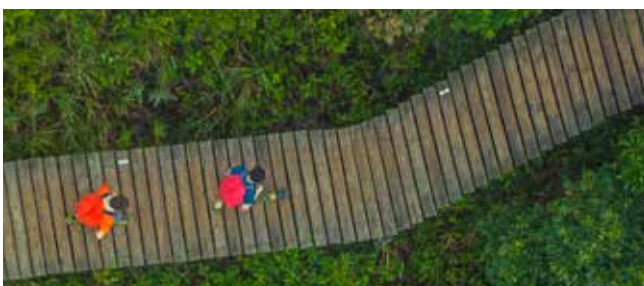
We have demonstrated a strong governance framework for overseeing the performance and investment risks of our funds. As well as being overseen by our Board, fund performance is regularly reviewed by the Investment Management Team, led by the Chief Investment Officer. Those reviews, include examining our funds' performance against fund benchmarks and objectives.

In summary

We are delivering competitive fund returns for clients on a wide range of investment solutions. You can be confident that we are managing your funds to deliver the outcomes you expect.

Where we will do more

In those rare cases where we have found sustained underperformance to be an issue, the Board, relevant heads of investment and the portfolio managers have looked closely at the funds and identified actions we need to take.



AFM costs

How are costs controlled to improve value for investors?

When considering this question, we looked at costs relating to services we provide and those provided by third parties, such as the depositary and the external auditors.

Services for which costs were reviewed include the following:

Investment management, including managing portfolios, investment research and sustainable investing, trade execution, risk management, compliance and distribution	Fund administration (pricing the funds correctly)	Client service, such as maintaining your accounts, record keeping, answering your enquiries, providing you with factsheets
	Asset safekeeping	
	Oversight and audit services	

How did we do?

We have tight controls around cost management, including a budgeting process that monitors all of the Management Company's costs. We aim to improve the efficiency of processes through regular review and, where possible, increasing our use of automation. We also maintain a work environment that attracts, motivates and keeps employees over the longer term, and reviews employment costs against the market.

We follow a global procurement and supplier management policy and engages productively with service providers to achieve a high level of service and cost control and make the most of our global scale. This often includes comparing our service costs and capabilities against those of other service providers.

The Board has reviewed the costs of managing the Funds and the measures in place to control these costs and is satisfied that we are achieving good value.

In summary

We have extensive and effective cost controls, which allow us to price funds competitively without compromising on the high-quality services you expect from us.

Where we will do more

Managing costs effectively is incredibly important, so we will continue managing costs to allow us to maintain competitively priced services.

Economies of scale

Do the funds provide economies of scale?

We reviewed the range of services and considered how costs change with the size of the fund. We also looked at how the assets managed by the Management Company have grown over time and considered where investors benefit from the 'buying power' we have as a large-scale firm.

Finally, we considered how the Management Company is able to provide a better service as a result of being part of Fidelity International, a global investment group.

How did we do?

Over the past five years, during a time when most funds have grown in size, fees on the majority of our funds have reduced.

Our global scale and buying power allow our pricing to be competitive. Across all our Open-Ended Investment Companies (OEICs), on average the funds are priced lower than other funds in their sector as has been shown by our regular fee reviews against competitors.

Being part of a large global investment group means that as well as the funds benefitting from the better rates we negotiate with our service providers, the portfolio managers are supported by our investment in robust global infrastructure and research.

The Investment Management Charge is the largest component of the Ongoing Charges Figure (OCF) and for most share classes, these fees are applied as a fixed percentage of the assets in the share class.

You benefit from economies of scale in relation to other charges included in the OCF, but these can be relatively small benefits. For example, audit fees and custody fees become proportionately smaller as the size of a fund increases.

As an international business, it can sometimes be difficult to provide granular costs at a local level. However, we currently have a large project underway to increase the level of scrutiny placed on these costs which should be delivered in time for the 2024 report. This will allow us to develop a deeper understanding of fund-level profitability and a clearer appreciation of how our funds achieve economies of scale.

In summary

The Management Company and the majority of individual funds have achieved partial economies of scale and clients have benefitted from more competitive fees and improvements in the quality and range of services offered.

Where we will do more

We will continue to review fees, services and costs, as the size of both the funds and the Management Company changes, so you can benefit from the savings and breadth of resources that are generated by the scale of our business.

Comparable market rates

How do the fees compare with competitors?

To review our fees against those of our competitors, we compared the Ongoing Charges Figure (OCF), as this is a consistent measure set by the Regulator and is the figure used in our factsheets and Key Investor Information Documents (KIIDs). The OCF includes the following components:

- The Registrar Fee which relates to maintaining the shareholder register and acting as the transfer agent. It is a fixed percentage of the assets in a share class.
- The Service Fee which covers administration services, such as fund accounting and auditing.
- The Investment Management Charge which covers the cost of providing services such as managing portfolios, research, trade execution and related operational and risk services.

We looked at all our actively managed funds and compared our OCFs with the OCFs of other actively managed funds in the same IA Sector. If the fund was not represented in an IA sector, we used the Morningstar equivalent, where possible. We used the equivalent approach for index (also known as passive) funds. So, both active and index funds are compared against those of our competitors on a like-for-like basis.

We recognise that cost should not be considered in isolation but should be reviewed alongside the services and performance objectives of the funds (which are assessed after fees have been taken out).

How did we do?

On average, Fidelity's funds are priced lower than the average of peers in their sectors. Each fund's charges are reviewed in the respective [Fund pages](#) later in this Report.

In summary

Across all our OEICs, 74% of funds are priced the same or lower than the average price of similar funds in their sectors (where they have one). Other funds are close to the sector median pricing or provide particular benefits and extra value for investors. We are committed to fair and competitive pricing and reduced the fees on an additional 13 funds at the start of 2022.

Where we will do more

We will continue to review our pricing against that of our competitors based on the level of services provided. Where funds are higher than the median price of their respective sectors, they have been further examined, taking into account the costs of running the funds, the range and quality of services and their investment objectives and performance.

Comparable services

How do charges compare with those on similar Fidelity funds or mandates?

We think it is essential that we act in the best interests of all investors without unfairly benefitting one investor type to the detriment of another. We compared fund pricing between similar Fidelity funds domiciled in the UK and similar non-UK funds. We also compared funds against comparable investment mandates we manage for institutional clients (“segregated mandates”).

How did we do?

We follow a global pricing policy and governance process when setting fees for funds and segregated mandates. This approach aims to make sure clients are treated fairly and fees for similar services are consistent for all our clients.

The Value Assessment confirmed that, where we provide similar services to other funds and clients, these services are comparably priced. In short, the fee levels are consistent and provide good value for money.

In summary

We offer funds that are priced both competitively and fairly. There is strong governance over pricing to make sure all our clients are charged consistently for similar services.

Where we will do more

If we find inconsistencies in fees, we will carry out a pricing review on the affected funds.



Classes of units

Are there cheaper share classes available than the one you are in?

To consider this question, we reviewed the share classes we offer within our funds. Each has specific eligibility criteria and minimum investment amounts, so the benefits you receive are matched to your needs.

How did we do?

Fidelity has demonstrated its commitment to ensuring you are in the right share class for the services you receive and to maintaining a straightforward share class offering across the fund range.

In summary

For years, we have been working hard to make sure that clients are in the cheapest class available to them and that the available share classes remain suitable for clients and represent good value for money.

Where we will do more

We will continue working hard to make sure you are paying the most suitable rates for you. We will give you regular updates on how best to achieve this. We would also urge you to contact your financial intermediary or your usual Fidelity contact if you believe that there may be a more suitable share class available to you.

Glossary

Absolute return

Absolute return is the return that a Fund or asset achieves over a specified period. Absolute return differs from relative return (the return compared to the benchmark) because it is concerned with the return of a particular asset and does not compare it with the return against the benchmark.

Active fund

See 'Active management'.

Active management

Active management is when a manager uses analytical research, forecasts and their own judgement and experience to make investment decisions to achieve a specific result.

Annualised return

Unless we tell you otherwise, annualised returns in this Report are calculated "arithmetically" and do not consider the effect of compounding returns. In certain cases, where stated, a "geometrically" calculated annualised return may be shown, which takes compounding into account.

Asset class

An asset class is a group of investments with similar characteristics (such as equities), which are governed by similar or the same laws and regulations.

Assets under management (AUM)

The total value of investments held within a portfolio.

Authorised Fund Manager (AFM)

The Authorised Fund Manager is responsible for the overall management of the Fund. The AFM must act in the best interests of the client and make sure the Scheme is run well.

Basis points (BPS)

Basis points are a way of expressing the fractions of a percentage as a whole number. For example, 0.25% is 25 basis points (25bps) and 1.0% is 100 basis points (100 bps).

Benchmark

A suitable reference, such as a market index, that can be used to measure the performance of a fund or the risks relating to it.

Board

The Board of FIL Investment Services (UK) Limited.

Chief Investment Officer (CIO)

Chief Investment Officer is the most senior person on Fidelity's equity and fixed income investment teams and is responsible for overseeing how we manage portfolios. The CIO is involved in regular reviews of investment strategies,

including performance and risk. For the Solutions and Multi Asset funds, given the team's broader investment universe and remit, this function is carried out by the Global Head of Solutions and Multi Asset, supported by Heads of Multi Asset Investment Management in Europe and Asia respectively. To keep things simple, in this document, we refer to, the head of the CIO function for an asset class is the CIO for the asset class.

Credit

The credit market refers to the market through which companies and governments issue debt securities to investors, such as investment-grade bonds and corporate bonds. Issuing debt securities is how governments and companies raise capital. A bond is a debt instrument where a company borrows money now while paying the lender (investor) interest (coupon) until they pay back the debt principal (the amount borrowed) at maturity.

Domicile

The domicile is the country in which a fund is legally based. A fund's domicile also determines the fund's primary primary regulator. For UK-domiciled funds, this is the Financial Conduct Authority (FCA).

Drawdowns

This is the measure of the decline in performance of the Fund from the historical peak of performance.

Financial Conduct Authority (FCA) The Financial Conduct Authority is the UK's Financial Regulator.

Funds

For the purpose of this document, the funds are those listed in the [Fund pages](#) of this report, managed by FIL Investment Services (UK) Ltd.

Independent non-executive directors (INEDs)

An independent non-executive director is an external director who is part of the Board but is not a member of the Management Company's executive management team. INEDs are not employees of the Management Company or connected to it in any other way.

Investment Association

The Investment Association is the trade body and industry voice for UK investment managers.

Investment Association Sector (IA Sector)

Funds are often categorised according to their Investment Association sector. This is a useful way to find and compare funds, for instance when comparing performance and fund charges of similar funds. Which sector a fund is placed in, mostly depends on the fund's assets, such as equities and fixed income, but may also depend on the country it invests in.

Key Investor Information Document (KIID)

The Key Investor Information Document provides investors with important information about a fund, including details about the fund's different share classes and the risks of investing in it.

Management Company

The Management Company is FIL Investment Services (UK) Limited, who is also the AFM of the funds.

Ongoing Charges Figure (OCF)

The OCF represents the charges taken from a fund over a year. It is calculated at the end of the fund's financial year 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 which are undergoing corporate actions (for example, changes to the annual management charge), the OCF is estimated until the criteria are met for an actual OCF to be published.

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

The OCF does not include: portfolio transaction costs, except in the case of an entry or exit charge paid by the fund when buying or selling units in another collective investment scheme.

The OCFs given in the [Fund pages](#) of this Report relate to the lowest cost retail share class (where available) or otherwise to the share class that is available to the largest group of investors.

For more information about charges (including details of the fund's financial year end), please see the charges section in the most recent prospectus.

Open-Ended Investment Company (OEIC)

Open-Ended Investment Companies are professionally managed collective investment schemes that pool your money with other investors' money.

Overweight Positions

An overweight portfolio holds a larger amount of a particular security (or holds a larger amount of a particular sector) when compared with the weight of that security (sector) held in the benchmark portfolio.

Passive fund

A passive fund (also known as an index fund) is one that tries to copy the performance of an index.

Peer Group Quartile Ranking

The peer group quartile ranking categorises similar funds into four equal bands based on their performance in specified criteria. The first quartile contains the top 25% of funds and the fourth quartile contains the bottom 25% of funds.

Percentile

A percentile refers to each of the 100 equal groups into which a population can be divided. This report includes details on what percentile a fund's OCF is compared with those of similar funds in its sector. For example, a percentile of 80 shows that a fund's OCF is lower than 80 percent of those similar funds in the sector.

Portfolio Manager

A portfolio manager is a person (or team) who is responsible for investing a fund's assets in-line with the investment strategy.

Segregated mandate

A segregated mandate is an investment portfolio that is managed on behalf of an institutional investor.

Share class

Share classes are different categories of shares in the same fund. They share the same investment objective and policies, but the fees and investment minimums may be different, and they may be restricted to particular types of investor, such as institutions.

Short Dated Sterling Credit

Bonds with a short period left to repayment. Generally five years or less.

Underweight Portfolio

An underweight portfolio holds a smaller value of a particular security (or holds a smaller value of a particular sector) when compared with the weight of that security (sector) held in the benchmark portfolio.

Value Investing

Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their true or reasonable value. Value investors actively research stocks they think the stock market is underestimating in terms of their future potential and so should have a price that is higher than the price they are currently trading at.

Yield

The income from an investment, usually stated as a percentage of the value of the investment.

Fund pages and ratings

Ratings dashboard

We have used a simple rating system to summarise the results for each fund in the seven areas covered by the Value Assessment. These results are explained in more detail in the respective Fund pages, as are any actions being taken to improve value.

- Green Demonstrating good value.
- Amber Demonstrating satisfactory value. We are making improvements where we can.
- Red Value has not been consistently demonstrated.

Fund	Page	Quality of Service	Performance	AFM Costs	Economies of Scale	Comparable Market Rates	Comparable Services	Classes of Units	Overall Assessment
Fidelity Investment Funds III									
FID FIFIII - Fidelity Diversified Growth Fund	22	●	●	●	●	●	N/A	●	Good value
FID FIFIII - Fidelity Diversified Markets Fund	23	●	●	●	●	●	N/A	●	Good value
FID FIFIII - Fidelity Institutional Diversified Income Fund	24	●	●	●	●	●	●	●	Good value
Fidelity UK Real Estate Fund									
Fidelity UK Real Estate Fund	26	●	●	●	●	●	N/A	●	Good value, however areas of improvement have been identified



Fidelity Investment Funds III

Fidelity Diversified Growth Fund

Our Assessment: The fund represents good value for investors. The Fund has been approved for closure by the FCA.

Quality of Services

Across all stages of the customer journey, Fidelity provides the quality and range of services you expect from a highly regarded global provider of investment solutions.

Performance

Investment Objective: The fund aims to increase the value of your investment over a period of 5 years or longer and to maintain volatility within the range of 6-8%pa.

	1 year	3 Years	5 Years	5 Year Volatility	3 Year Maximum Drawdown
Fidelity Diversified Growth Fund	1.14	0.49	0.48	6.63	-11.60
Benchmark	8.10	6.16	5.94		

Benchmark: SONIA (Sterling Overnight Index Average) Index ('the SONIA Index') +5%

The fund has met its investment objective and consistently maintained the volatility within the range of 6-8%pa.

AFM Costs

The costs of administering the fund are appropriately monitored and controlled to help keep charges down, while maintaining a high level of service.

Economies of Scale

The fund has provided economies of scale which have been passed back to the investor. How Fidelity achieves these is explained in the earlier section on Economies of Scale.

Comparable Market Rates

We compared fees against those on similar funds offered by competitors and confirmed the fund is priced lower than the sector average.

Fidelity Fund	Sector	Peer group percentile	OCF		Difference
			Fund	Sector Median	
Fidelity Diversified Growth	GBP Flexible Allocation	81	0.69%	0.91%	-0.22%

N/A Comparable Services

At the time of the assessment there were no comparable Fidelity funds or segregated mandates for individual clients.

Classes of Units

Fidelity Fund	Eligibility	Minimum Investment	Management Fee	Registrar Fee	Service Fee
ACC	Institutional Investors Only	£100,000	0.50%	0.00%	0.05%

There are no cheaper share classes, with similar rights and services, to the one you are in.

Fidelity Diversified Markets Fund

Our Assessment: The fund represents good value for investors.

Quality of Services

Across all stages of the customer journey, Fidelity provides the quality and range of services you expect from a highly regarded global provider of investment solutions.

Performance

Investment Objective: The fund aims to increase the value of your investment over a period of 5 years or longer and to maintain volatility within the range of 6-8%pa.

	1 year	3 Years	5 Years	5 Year Volatility	3 Year Maximum Drawdown
Fidelity Diversified Markets Fund	3.82	1.55	1.03	6.87	-11.42
Benchmark	6.10	4.16	3.94		

Benchmark: SONIA (Sterling Overnight Index Average) Index ('the SONIA Index') +3%

Whilst the absolute performance is negative over all time periods, the Fund's primary Investment Objective has been met and the fund has consistently maintained the volatility within the range of 6-8%pa.

AFM Costs

The costs of administering the fund are appropriately monitored and controlled to help keep charges down, while maintaining a high level of service.

Economies of Scale

The fund has been unable to provide additional economies of scale although the fund remains at a relatively low AUM.

N/A Comparable Market Rates

This fund is not categorised within an IA Sector or a Morningstar peer group, so we are unable to make a fee comparison.

N/A Comparable Services

At the time of the assessment there were no comparable Fidelity funds or segregated mandates for individual clients.

Classes of Units

Fidelity Fund	Eligibility	Minimum Investment	Management Fee	Registrar Fee	Service Fee
F Class	Fidelity Companies Only	£100,000	0.25%	0.00%	All in Fee
Investment Pathway 1-Acc	available only through distributors pre-approved by Fidelity	£1,000	0.25%	0.00%	All in Fee

There are no cheaper share classes, with similar rights and services, to the one you are in.

Fidelity Institutional Diversified Income Fund

Our Assessment: The fund represents good value for investors.

Quality of Services

Across all stages of the customer journey, Fidelity provides the quality and range of services you expect from a highly regarded global provider of investment solutions.

Performance

Investment Objective: The fund aims to achieve an income yield that is above 4% per annum over a typical market cycle (5-7 years). Any Income you may receive will vary depending on the share class of the Fund into which you are invested and is not guaranteed. .

	1 year	3 Years	5 Years	12 Month Yield	3 Year Max Drawdown
Fidelity Institutional Diversified Income	-5.03	-1.86	-0.22	4.79	-16.42

Benchmark: This Fund has no benchmark for performance comparison

Whilst the absolute performance is negative over all time periods, the Fund's yield target (and primary investment objective) has been exceeded over the past 12 months.

AFM Costs

The costs of administering the fund are appropriately monitored and controlled to help keep charges down, while maintaining a high level of service.

Economies of Scale

We have not been able to realise economies of scale over this period. However, the fund's fees are already competitive compared to those of its peers.

Comparable Market Rates

We compared fees against those on similar funds offered by competitors and confirmed the fund is priced lower than the sector average.

Fidelity Fund	Sector	Peer group percentile	OCF		Difference
			Fund	Sector Median	
Fidelity Institutional Diversified Income	GBP Moderate Allocation	89	0.64%	0.91%	-0.27%

Comparable Services

Where Fidelity provides similar investment strategies for other UK domiciled and non-UK domiciled funds, or segregated mandates for individual clients, the services are comparably priced.

Classes of Units

Fidelity Fund	Eligibility	Minimum Investment	Management Fee	Registrar Fee	Service Fee
I Class	Institutional Shares Only	£10,000,000	0.50%	0.00%	0.05%

There are no cheaper share classes, with similar rights and services, to the one you are in.



Fidelity UK Real Estate Fund

Fidelity UK Real Estate Fund

Our Assessment: The fund has demonstrated value for investors although we will continue to monitor the performance of the Fund.

Quality of Services

Across all stages of the customer journey, Fidelity provides the quality and range of services you expect from a highly regarded global provider of investment solutions.

Performance

Investment Objective: The fund aims to outperform the AREF/IPD UK Property Fund Index by 0.5% per annum on a three-year rolling basis.

Annualised Total Return (%)	1 year	3 Years	5 Years
Fidelity UK Real Estate Fund	-18.2	3.4	2.4
MSCI UK Property Fund Index - All Balanced Fund Index*	-17.4	3.4	2.2
Out/(under) performance of the Fund to Index	-0.8	0.0	0.3

Benchmark: MSCI UK Property Fund Index - All Balanced Fund Index

*Annualised performance has been calculated on an arithmetic and not a geometric basis (see glossary).

The fund has underperformed its investment objective over the holding period as market conditions have been challenging for this investment strategy although has outperformed over 5 years. However, we understand the reasons for this underperformance and remain confident in the investment strategy and the Portfolio Manager's investment convictions.

AFM Costs

The costs of administering the fund are appropriately monitored and controlled to help keep charges down, while maintaining a high level of service.

Economies of Scale

We have not been able to realise economies of scale over this period. However, the fund's fees are already competitive compared to those of its peers.

N/A Comparable Market Rates

This fund is not categorised within an IA Sector or a Morningstar peer group, so we are unable to make a fee comparison.

N/A Comparable Services

At the time of the assessment there were no comparable Fidelity funds or segregated mandates for individual clients.

Classes of Units

There are no cheaper share classes, with similar rights and services, to the one you are in.

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The latest fund factsheets and key investor documents are available in English and can be obtained from our website at www.fidelityinternational.com. The relevant Prospectuses may also be obtained from Fidelity. Please note the assets of Fidelity International Real Estate Fund – UK Real Estate Fund were transferred into the Fidelity UK Real Estate Fund with effect from the 1st of October 2016. Any performance track record quoted may therefore reflect both Funds.

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