

SELECT 50 REPORT: SPECIAL ISSUE

Introducing the Select 50
Balanced Fund



Issue 5, July 2018

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our recently launched fund

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Introducing the Select 50 Balanced Fund



Making your own investment decisions might sound difficult, particularly in today's more volatile markets. But it doesn't have to be. Whatever your situation, knowledge and experience, you can find help and support that can make things easier for you.

Take our Select 50, for example. It contains a selection of funds that our experts really rate. We've designed it for people who are happy to choose their own funds but want some expert guidance to give them a few ideas.

It's very popular, but we realised that we can make things even easier for investors. We looked for a way that they could benefit from the list without having to build their own portfolio. The result was our Fidelity Select 50 Balanced Fund, which we launched in February this year. It invests predominantly in funds from the Select 50 that are chosen by one of our expert managers, Ayesha Akbar, and then carefully combined to deliver long-term capital growth.

We think many investors could benefit from this extra level of expertise, so we've created this special issue of the Select 50 Report to tell you more about the fund. I've written a short article about why we launched it and Ayesha then explains how it works and why it might be worth considering. We also take a closer look at its portfolio and remind you about the Select 50 itself, as this provides the investment expertise that underpins the fund.

As always, I hope you find this Select 50 Report helpful when you are making your investment decisions.

Tom Stevenson
Investment Director

A broader outlook

If you're interested in learning more about the regions and asset classes in which the Select 50 Balanced Fund invests, don't miss the latest issue of Tom Stevenson's Investment Outlook. You can download it for free at [fidelity.co.uk/investmentoutlook](https://www.fidelity.co.uk/investmentoutlook).

You'll get the at-a-glance guide to his current views that we've shown below, plus a much more detailed review of the prospects for a wide range of sectors, regions and asset classes.

Asset classes	Current view
Equities	☐
Bonds	☐
Property	☐
Commodities	☐
Cash	☑

Equity regions	Current view
US	☐
Japan	☑
UK	☐
Europe	☐
Asia Pacific ex-Japan	☐

☑ Positive ☐ Neutral ☒ Negative

Largest holdings in Select 50 Balanced Fund (as at 31.05.18)



LINSELL TRAIN



Schroders

Important information: The value of investments and the income from them can go down as well as up and investors may not get back the amount invested. When investing in overseas markets, changes in currency exchange rates may affect the value of your investment. Reference to specific securities or funds should not be construed as a recommendation to buy or sell these securities or funds and is included for the purposes of illustration only. This information does not constitute investment advice and should not be used as the basis for any investment decision nor should it be treated as a personal recommendation for any investment. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity. The funds may make increased and more complicated use of derivatives and this may result in leverage. In such situations performance may rise or fall more than it would have done otherwise. The fund may be exposed to the risk of financial loss if a counterparty used for derivative instruments subsequently defaults. 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 Select 50 is not a personal recommendation to buy funds. Equally, if a fund you own is not on the Select 50, we're not recommending you sell it. You must ensure that any fund you choose to invest in is suitable for your own personal circumstances. If you are unsure about the suitability of an investment, you should speak to an authorised financial adviser. The Key Investor Information Document (KIID) for Fidelity and non-Fidelity funds is available in English and can be obtained from our website at [fidelity.co.uk/importantinformation](https://www.fidelity.co.uk/importantinformation) or by calling 0333 300 3350. The prospectus for Fidelity funds may also be obtained from Fidelity. For non-Fidelity funds, the KIID and the Prospectus are also available from the fund provider directly.

Introducing the Select 50 Balanced Fund



By **Tom Stevenson**, Investment Director.

At Fidelity Personal Investing, we believe good investing should be easy. That is why we recently launched the Select 50 Balanced Fund.

It builds on the success of the Select 50 list of our favourite funds, which includes the investments our experts rate most highly, including my annual fund picks.

It's a one-stop option for investors who want to tap into the expertise behind the fund list but are looking for a bit more help in putting together their portfolio.

Listening to our customers

After we launched the Select 50 list two years ago, we spoke to our investors about how they were using it. The answers to our questions led us to launch the Select 50 Balanced Fund. We heard that:

- Two thirds of our investors see themselves as having a medium risk appetite
- More than half prefer actively-managed funds
- Two in three enjoy looking after their investments and spend time ensuring they get it right

The research* confirmed our view that there is considerable demand for a single investment fund built from a short-list of 'best buy' funds.

So, what is the Select 50 Balanced Fund?

On the back of our customer research, we sat down with the experts in our investment team to design an easy way to access the knowledge and experience that underpins the Select 50.

The fund is a portfolio of other funds – known as a 'fund of funds' or 'multi-manager fund'. It invests predominantly in Select 50 funds – to be precise, it means that at least 80% of the fund's assets are invested in Select 50 funds. It aims to deliver long-term capital growth from a globally-diversified range of assets.

The fund is balanced between assets with varying degrees of growth potential and risk. It includes shares, bonds, commodities, property and cash. The proportions in each asset class will vary over time as market conditions change.

It's a kind of pick-and-mix approach to investment. The first task is to pick the best managers for the fund. Then the underlying funds need to be mixed together in a way that blends different styles and approaches to create a smooth ride for investors.

Ayesha does all this behind the scenes, worrying about the markets and tracking down the best fund managers so you don't have to.

Navigating today's more volatile markets

There's never been a better time for a balanced fund, in my view. After last year's relatively easy market conditions, 2018 has already given investors a much bumpier journey as markets have enjoyed strong company profits growth but also focused on political uncertainties, worries about inflation, trade tensions and rising interest rates among other things.

Because shares and bonds often respond in different ways to the same events, a diversified portfolio can smooth the ride for investors. A mixture of growth-focused and defensive assets can help investors navigate today's unpredictable market environment.

Who might be interested in the Select 50 Balanced Fund?

We think the Select 50 Balanced Fund could meet the needs of many different types of investors. But, in particular, we think it could appeal to those who are interested in investment, and perhaps already choose some of their own funds, but who don't want to be left to make all the investment decisions on their own.

We think the Select 50 Balanced Fund may be an interesting option for investors who want Fidelity to 'do it with me'. They might have less time or expertise than the hobbyist 'do it myself' investor; they are probably a bit more engaged than the saver who just wants an expert to 'do it for me'.

The Select 50 Balanced Fund has been designed to make life even easier for this middle set of investors. The same investment expertise, attention to detail and due diligence that underpins the Select 50 list. And all in one easy-to-access fund.

*Source: Fidelity commissioned research, August 2017



Meet the manager

We believe the best way to find out about a fund is to hear directly from the manager, so we asked Ayesha Akbar to tell us more about this interesting investment opportunity.

Starting with the basics, why is this called a 'Balanced Fund' and what does it aim to offer investors?

When we talk about 'balanced', we're really talking about a balanced risk profile. This means the fund is designed for investors who want to take a little bit of risk to target long-term growth potential, but don't want to take on as much risk as would come from investing purely in equities.

We do this by combining higher-risk and lower-risk asset classes, with limits on the amount we can put in each category, so we can maintain the balance of the fund.

The advantage of this approach is that you can potentially get smoother returns than you might see from an equity-only

fund. It won't grow as fast if the equity markets have a very strong run, of course, but over the longer term, there's the scope for good returns, while limiting the extent of ups and downs along the way.

Why, in your opinion, do you think an investor might choose this fund?

For me, the most attractive element of the fund is that it combines what I believe to be the best active managers from across the investment industry; bringing them together in a single portfolio.

In terms of the role the fund might play in an investor's overall portfolio, I think it could be a good way to access active managers, perhaps for investors who have passive exposure elsewhere in their portfolio. It might also appeal to

people who wish to add talented active managers in a way that doesn't involve significant time or research.

There are only around 50 funds on the Select 50. Is it limiting to have this relatively small selection to choose from?

I know this is a focused list of funds to choose from, but I see that as a strength, rather than a weakness. The Select 50 is a carefully constructed list of top-rated actively managed strategies, and actually covers a broad range of asset classes.

As a result, there's a lot of options on the list to choose from, and every single one has passed through our Manager Research team's rigorous analysis process. I can then pick and combine the

“ For me, the most attractive element of the fund is that it combines what I believe to be the best active managers from across the investment industry; bringing them together in a single portfolio. ”

most exciting ideas from a selection that already contains the funds our analysts believe are most likely to outperform over the long term (what we in the industry call ‘highest-conviction’ views).

How many of the funds on the Select 50 would you typically hold – and when would you choose funds from outside the Select 50?

Generally speaking, I will hold between 20 and 40 funds from the Select 50 at a time. That said, there’s no set range I have to stay within, which is something I was keen to establish before the fund launched, as I want the flexibility to take advantage of opportunities and mitigate risk for investors.

This is also the reason that I will sometimes invest in funds outside the Select 50 – though at least 80% of my portfolio will always come from our fund list. In particular, I may do this when I need an investment to do a particular job in the portfolio.

For example, the Select 50 doesn’t include any cash funds and I may need to hold one of these lower-risk options at times, as it could potentially protect some of the fund’s value in periods of market stress.

You change the fund’s portfolio to suit market conditions. How does that process work?

This will always be a balanced fund that holds a mix of higher-risk and lower-risk investments, but I have the freedom to make some changes in response to market conditions. These are unlikely to be sudden or dramatic shifts, as this flexibility is not about reacting quickly to

market spikes or dips. However, I believe gradual, incremental changes can be a very effective way to manage risk over the years.

How often do you make changes because you are unhappy with a fund (or because you have found a more exciting prospect)?

I monitor the fund every day and I have the flexibility to adjust the portfolio’s exposure whenever necessary – whether it’s because I have found a new idea or am less convinced about one of my holdings. That said, I don’t want to make lots of trades, as this increases costs and isn’t an effective use of the money that Fidelity customers have entrusted me with.

As part of this process, I work very closely with Fidelity Multi Asset’s manager research analysts, as they always have the latest views on fund managers. For example, if a manager is underperforming, they can help me decide if this is a temporary blip and whether the manager still has the ability to outperform over the long term.

My co-portfolio manager, Sarah Jane Cawthray, also plays an important role in all my decisions, as she has to challenge my ideas and test every investment thesis before I act on it.

What is your experience as a manager?

I started my investment career in manager research – looking at everything from UK equity funds and bond funds to emerging market funds and alternative investments. I then joined Fidelity around ten years ago and began managing multi asset portfolios.

My background has given me lots of experience in searching for active investors and I like having the freedom to invest in funds from all over the world and in different asset classes. For me, it’s an approach that works very well in multi-asset fund-of-fund portfolios, such as the Select 50 Balanced Fund.

Finally, every fund on the Select 50 is an investment that you or one of your colleagues already feels strongly about, so how do you choose between them?

My decisions between funds are driven by the way I construct my portfolio. I am aiming to create a balanced combination of managers, in terms of their investment styles and approaches. This means understanding each fund’s strategy in detail, so I can blend together the ones that complement each other most effectively and use them to perform particular roles in the portfolio.

At the same time, I am very careful about the proportion I invest in each fund, as I don’t want to be over-exposed to any one style, part of the market or investment approach.



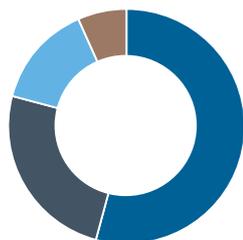
Watch our Fund Manager video to find out more about the Select 50 Balanced Fund at [fidelity.co.uk/moneytalk](https://www.fidelity.co.uk/moneytalk)

Select 50 Balanced Fund: Facts and figures

Fund facts

Fund type:	OEIC (Open-Ended Investment Company)
Fund manager:	Ayesha Akbar
Fund ongoing charge:	1.25%
Fidelity service fee:	Normally 0.35% (0.2% for larger portfolio of £250,000+)
Initial charge:	0%
Launch date:	7 February 2018
Fund code:	SBPIA

Asset allocation:



● Stocks	54.4%
● Bonds	24.8%
● Cash	14.3%
● Other	6.5%

As at 31.5.18

Geographic breakdown:



Europe (including Africa and the Middle East)	46.5%
United Kingdom	21.0%
Europe Developed	23.8%
Europe Emerging	0.1%
Africa/Middle East	1.6%
Americas	28.2%
North America	27.0%
Latin America	1.2%
Asia	25.3%
Japan	14.2%
Australasia	1.3%
Asia Developed	3.5%
Asia Emerging	6.3%

Our experts' views on the five largest holdings (as at 31.5.18)



M&G Corporate Bond Fund is run by Richard Woolnough and Ben Lord. They search for sterling-denominated corporate bonds that offer sufficient compensation for the risks of owning them. With corporate bonds, there is always a risk of default, but M&G has a dedicated team of 'workout specialists' who can renegotiate terms with borrowers in this position – giving them a better chance of recovering their money.

LINDSELL TRAIN

LF Lindsell Train UK Equity Fund is managed by Nick Train, who looks for undervalued, profitable companies with brands and market positions that allow them to 'offer something truly unique'. Nick thinks about investing as owning part of a business, rather than 'owning a piece of paper or some sort of electronic signal on a screen'.



Colchester Global Bond Fund – Colchester Global Investors was founded in 1999 and specialises in government bonds. It values investments in terms of the income they can generate in real terms, so its analysis focuses on inflation, interest rates and exchange rates. The aim is to find bonds with the greatest potential at the level of risk they involve.



iShares Global Property Securities Equity Index Fund aims to achieve capital growth by tracking the performance of the FTSE EPRA/NAREIT Developed Index. This means it invests in retail, industrial, office and residential property in addition to hotels and real estate service companies. Most of the fund's holdings are in Real Estate Investment Trusts, which themselves hold diversified portfolios.

Schroders

Schroder Tokyo Fund is managed by Andrew Rose, who has been investing in Japan since he joined Schroders in 1981. While the fund is run from London, Schroders' Tokyo office has nine analysts and three small-cap specialists who make 3,500 company visits each year. Andrew Rose can also draw on the expertise of Masaki Taketsume, who is based in London and works alongside him on the fund.

Please note these comments reflect the views of Fidelity Multi Asset's Manager Research team.

Powered by the Select 50



Our Select 50 Balanced Fund builds on the research behind the Select 50 itself. In case you haven't recently had a look at the short list of top funds chosen by our specialists, here's a reminder about what it offers.

Time savings

There are more than two thousand investment options available on our Investment Finder alone – and even more if you look further afield. It's not easy to make sense of this many investments, unless you get a little help. That's where the Select 50 comes in.

Our Multi Asset team has gone through every fund we offer – from over 100 investment companies – to create a selection that they then research in detail. Members of the team meet fund managers in person to understand how they do what they do (and why they do it), as well as crunching the numbers to make sure we can see where their returns are really coming from.

Alongside this analysis, our team looks for additional elements that can indicate a fund is run reliably. These include low turnover in the management team, a consistent process and a clear philosophy.

Our team wants to find funds that can be good long-term holdings for our customers, as our aim is to save you time and help you make better decisions. Instead of having to create your own short list, you can start with ours and focus on finding the funds that are really right for you.

It is important to keep in mind that the Select 50 is not a personal recommendation to buy funds. Equally, if a fund you own is not on the Select 50, we're not recommending you sell it. You must ensure that any fund you choose to invest in is suitable for your own personal circumstances. If you are unsure

about the suitability of an investment, you should speak to an authorised financial adviser.

Cost savings

There are no charges or extra costs for using the Select 50. It's part of our service, so it's covered by our service fee.

On top of this, we've negotiated discounts on many funds featured on the list, so you pay even less to invest. These discounts can come in two ways:

- **Rebate** – You pay the quoted ongoing charges of the fund, just as you would if you invested in it anywhere else, as this is taken from the fund by the manager. However, we will give some of this charge back to you every three months as a rebate that is paid straight into your account. If you have holdings in an investment fund account, you do need to keep in mind that the rebate is subject to income tax.
- **Built-in** – With these funds, we've actually negotiated a lower annual management charge that's just for you (and all our other customers, of course). This means the ongoing charge you pay is less than the standard ongoing charge.



To find out more about the Select 50, visit [fidelity.co.uk/select](https://www.fidelity.co.uk/select)

Meet Fidelity Multi Asset's Manager Research experts

Our Manager Research team shares over 90 years of investment experience. It is responsible for choosing the funds on the Select 50.



Name: Eileen Rowsome
Job title:
Team Leader, Manager Research
Industry experience: 12 years



Name: Tadashi Shirai
Job title:
Manager Research Analyst
Industry experience: 10 years



Name: Riccardo Muscio
Job title:
Manager Research Analyst
Industry experience: 13 years



Name: Alice Logue
Job title:
Manager Research Analyst
Industry experience: 10 years



Name: Becky Qin
Job title:
Manager Research Analyst
Industry experience: 7 years



Name: Dan Ryan
Job title:
Manager Research Associate
Industry expertise: 2 years



Name: Palleeta Haggith
Job title:
Manager Research Analyst
Industry experience: 10 years



Name: Tigran Manukyan
Job title:
Manager Research Analyst
Industry experience: 4 years



Name: Sudipta Gupta
Job title:
Exchange-Traded Fund Analyst
Industry experience: 11 years



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