

# INVESTMENT OUTLOOK

Fidelity Personal Investing's market and investment view

## In this issue:

- Lower rates, market highs
- Soft landing in sight
- Bull has further to run

October  
2024



ISAs | Pensions | Funds | Shares | Advice



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# Outlook at a glance

**Current view:** ●○○○○ – Very negative    ●●○○○ – Negative    ●●○○○ – Neutral  
 ○○○●○ – Positive    ○○○○● – Very positive

**3 month change** (since the previous Investment Outlook): ▲ Upgrade    ► Unchanged    ▼ Downgrade

Asset classes	Current view	3 month change	At a glance
 <b>Shares</b>	○○○●○	►	The turn in the interest rate cycle provides a tailwind, as long as there's no recession. Earnings are growing and valuations reasonable.
 <b>US</b>	○○○●○	▲	The rally is broadening out from the tech stock leadership. That makes the recovery feel more sustainable and the bull can keep running.
 <b>UK</b>	○○○●○	►	The case for the UK is easy to make. The market is cheap, the politics stable, and investors are rewarded with dividends and buybacks.
 <b>Europe</b>	○○○●○	▲	High quality companies available at a big discount to their US peers make Europe attractive. Earnings growth is solid and valuations relatively cheap.
 <b>Japan</b>	○○○●○	▲	After the August air-pocket, Japan has still not regained its March peak. Earnings growth is strong and valuations reasonable.
 <b>Asia and emerging markets</b>	●●○○○	▼	Lower interest rates will help but the outlook for China and commodities is uncertain. India is as expensive as China is cheap. Selectivity is key.
 <b>Bonds</b>	○○○●○	►	The market's hope for a soft landing may be over-optimistic. Bonds offer insurance against a harder landing than is currently priced.
 <b>Alternatives</b>	●●○○○	▼	There's still a case to be made for gold but the recent surge will make further gains hard won. Property will benefit from lower interest rates.
 <b>Cash</b>	●●○○○	▼	Cash still has a place in a portfolio, but its yield attractions will fade and investors will need to work harder to generate a safe income.

# The turn in the cycle



**Tom Stevenson**  
**Investment Director**

It's been a long wait, with US interest rates staying higher for longer than we expected at the start of the year. But after the Fed's decisive change of direction in September – a jumbo half percentage point cut marking the turn – the direction of travel now looks set for the rest of this year and through 2025. We don't know exactly where rates will end up. But we can be sure it will be somewhere between today's modestly restrictive levels and the super-easy policy of the post-financial-crisis era.

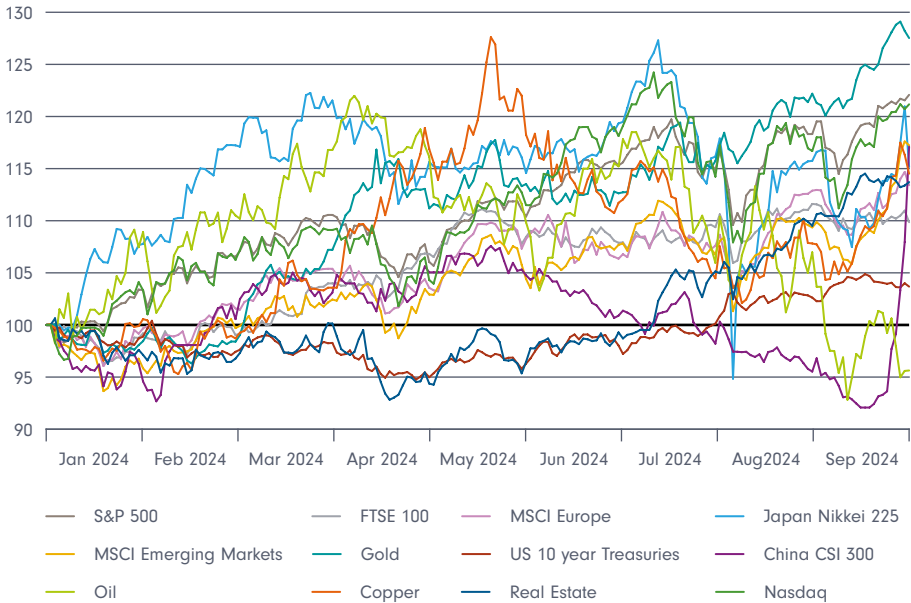
The run up to the interest rate pivot was rocky at times. Investors focused on the data and the risk of recession seemed to loom large. But the hairiest moment, when the Nikkei plunged 12% in a day at the beginning of August, turned out to be a technical, Japan-specific glitch that soon sorted itself out.

The big unresolved question remains whether the long-anticipated recession has been averted or deferred. For now, the odds are still on the Fed having pulled off that most difficult of tricks – a soft landing in which inflation is tamed without triggering a serious economic slowdown. Jay Powell has burnished his reputation. He will sit alongside former Fed chair Alan Greenspan in the Fed's Hall of Fame if he has really achieved that happy outcome.

Not all cycles end up in a recession. There was a similar positive ending to the policy tightening of 1994. How the market responds to that benign economic outcome is uncertain. It will depend on whether or not rising earnings can continue to rein in valuations. Although the capitalisation-weighted S&P 500 index still looks fully valued, the equal-weighted version looks more reasonably priced. And, outside the US, there's plenty of value. Not least here in the UK.

Two events are hovering on the horizon. Investors will probably wait for the result of the US Presidential election before committing whole-heartedly to some of the riskier, more contrarian areas of the stock market, such as China and other emerging markets. The threat of a renewed trade war, whoever is returned to the White House, hangs over markets. Although we tend to say that politics does not matter much to investors, there is more at stake this year than most.

For UK investors, it's hard to ignore the new government's first Budget, scheduled for 30th October. It's already causing plenty of disquiet for anyone sitting on an unsheltered capital gain, or invested in a pension, or looking to pass on their wealth to loved ones when their time finally comes. In other words, all of us. The Chancellor Rachel Reeves has made no secret of the fact that those with the broadest shoulders will bear the greatest burden. We wait with bated breath to see what she means by that.



Source: Refinitiv, total returns in local currency, 1.1.24 to 30.9.24

### **Past performance is not a reliable indicator of future returns. For full 5 year figures, see page 7.**

While all this plays out, there's plenty else for investors to be concerned about in Ukraine, the Middle East and Asia. But investing has always been the Triumph of the Optimists. If we had been offered the current market set up at the start of the year, we would have taken it.

### **Nine-month scorecard**

As we enter the final quarter of the year, investors are sitting on a decent performance overall, especially when you consider that 2023 was also a strong year in the markets. That's probably not surprising when you consider the benign backdrop. Positive earnings growth; lower interest rates; and high but not excessive valuations. The glass is half full.

It's been a volatile quarter and there's been a change of leadership, with gold pushing out in front. More on this in our Alternatives commentary on page 15. At the other end of the chart, China was a disappointment right up until the end of the quarter. The big stimulus package, and talk of more to come looks like it may mark a turning point for this serial underperformer. See page 12 for our thoughts on China.

Other than that, it has been more of the same, with the world's main equity indices delivering double digit year to date returns. The range has been from around 10% in the UK, Europe and emerging markets to 20% or so in the US, both the S&P 500 and Nasdaq. Japan has been in the middle of the pack.

One notable improver has been commercial property, on which we also have more to say on page 15. Government bonds are back in the black as the interest rate cycle turns.

## 2024 fund picks

Three quarters of the way through the year, the 2024 fund picks have delivered overall. It's been a transition year from higher for longer interest rates – to ensure inflation was brought to heel – to a new phase of policy easing, to keep recession at bay. That's been reflected in the performance of our four picks.

The two global equity funds have anticipated the interest rate pivot from the Federal Reserve, clocking up respectable double digit returns in both cases. The benefit of diversification was clear in the third quarter as the **Legal & General Global Equity Index** tracker fund drifted on the back of a rotation out of tech and into a broader-based market rally. That favoured the more value-focused, European-weighted **Fidelity Global Dividend Fund**.

We didn't know when the turn in the interest rate cycle would come, although it was later than we hoped. That base was covered by our recommendation of the **Fidelity Cash Fund**, which was offering an attractive yield at the start of the year and continues to do so now that interest rates have pivoted lower. On the current trajectory, investors will secure a 5% return for the year as a whole, with negligible risk to their capital.

The **M&G Global Macro Bond Fund** is the laggard but it provided insurance to investors otherwise heavily exposed to global equities. Had the turn in the interest rate cycle come earlier in the year, the total return would most likely have been positive, but it has almost washed its face nevertheless. The retirement of manager Jim Leaviss over the summer means the fund has been removed from our Select 50 list of preferred funds, but, ahead of the expected reduction in global interest rates next year, I'd be inclined to hold on for now.





(as at 30 September)	2019-20	2020-21	2021-22	2022-23	2023-24
S&P 500	15.2	30.0	-15.5	21.6	36.4
Nasdaq	41.0	30.3	-26.3	26.1	38.6
FTSE 100	-18.1	25.4	0.9	14.7	12.4
MSCI Europe	-0.3	28.0	-24.3	30.0	26.0
Nikkei 225	8.7	29.1	-10.0	25.5	21.2
MSCI Emerging Markets	10.9	18.6	-27.8	12.2	26.5
Gold	25.4	-8.3	-5.7	10.9	41.7
Oil (WTI Crude)	-32.7	91.7	12.3	8.2	-24.6
US 10yr Treasuries	12.6	-5.1	-16.5	-2.6	10.7
China CSI 300	22.7	8.0	-20.1	-0.6	12.1
Copper	17.1	34.1	-14.1	6.9	18.0
Real Estate (S&P Global REIT)	-17.7	32.8	-19.8	3.2	31.9

Source: Refinitiv, total returns in local currency as at 30.9.24

**Important information** – past performance is not a reliable indicator of future returns.

All funds invest in overseas markets so the value of investments could be affected by changes in currency exchange rates. The M&G Global Macro Bond, L&G Global Equity Index and Fidelity Global Dividend funds use financial derivative instruments for investment purposes, which may expose the funds to a higher degree of risk and can cause investments to experience larger than average price fluctuations. The M&G Global Macro Bond Fund and Fidelity Global Dividend Fund invest in emerging markets, which can be more volatile than other more developed markets. The Fidelity Global Dividend Fund invests in a relatively small number of companies so may carry more risk than funds that are more diversified. The M&G Global Macro Bond Fund invests in bonds, where 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. Due to the greater possibility of default an investment in a corporate bond is generally less secure than an investment in government bonds. The fund also invests in sub-investment grade bonds, which are considered riskier bonds. They have an increased risk of default, which could affect both income and the capital value of the fund investing in them. There is no guarantee that the investment objective of any index tracking sub-fund will be achieved. The performance of the L&G Global Equity Index sub-fund may not match the performance of the index it tracks due to factors including, but not limited to, the investment strategy used, fees and expenses and taxes. The L&G Global Equity Index Fund has, or is likely to have, high volatility owing to its portfolio composition or the portfolio management techniques. The value of shares in the Fidelity Cash Fund and the L&G Global Equity Index Fund may be adversely affected by insolvency or other financial difficulties affecting any institution in which the fund's cash has been deposited. An investment in a money market fund is different from an investment in deposits, as the principal invested in a money market fund is capable of fluctuation. The Key Information Document (KID) for Fidelity and non-Fidelity funds is available in English and can be obtained from our website at [fidelity.co.uk](https://www.fidelity.co.uk).

# Shares

Current view  Positive | 3 month change  Unchanged

The start of the Federal Reserve's interest-rate-cutting cycle is the most significant event for investors this quarter. Investors were unfazed by the Fed's decision to start with an unexpectedly large half percentage point cut. Going large in this way was a risk for the US central bank. Investors might have been spooked by the Fed's apparent shift from worrying about inflation to fretting about growth. In fact, they took chairman Powell at his word, viewing the cut as just a catch-up after a year of waiting on the data.

Looking ahead, the pace of cuts is less important than where rates end up. The markets are pricing in more cuts than the Fed thinks is likely. Given that the neutral interest rate is probably a bit higher than it used to be, it may be too optimistic to predict interest rates back at 3%. Between 3% and 4% looks more likely.

What matters most now is whether the economy can continue to grow. Whether or not there is a recession is the key determinant of where shares head next. Goldman Sachs has studied the six rate cutting cycles in the US and Europe since 1982 and calculated that shares can rise strongly in the 12 months after the first rate cut if recession is avoided. They will more likely fall modestly if growth turns negative. The current consensus is that recession is less likely than a soft landing.

Cyclicals tend to do worse than more defensive stocks after the first rate cut. This makes sense when you consider that

interest rates are falling to shore up a slowing economy. In this environment it is likely that reliable performers like consumer staples companies and utilities will do better than more economically sensitive sectors like consumer discretionary companies, basic resources and chemicals.

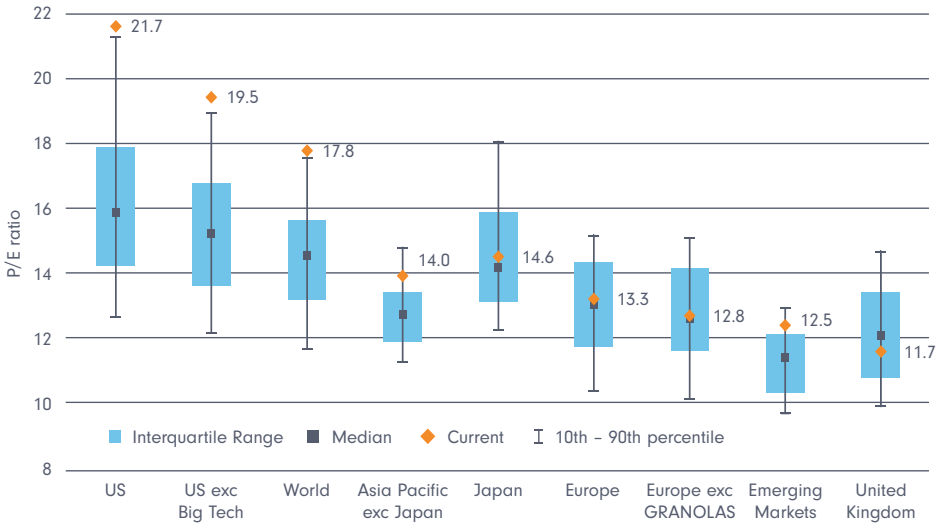
In terms of the size effect, mid-caps like the FTSE 250 can do well as borrowing costs fall, especially if they are less highly rated than larger companies, which is often the case. This is particularly so if interest rates are falling while growth optimism is improving – the Goldilocks scenario. If rates are falling against a backdrop of recession fears, then value will tend to outperform growth.

An important question for investors is whether the broadening out of the rally that has been underway since the summer can continue without dragging down the overall market. The dominance of a small number of very large companies means that the majority of shares could rise but the headline index fall. This is a good argument for diversification, a point underlined by the relative performance of the two global funds in our 2024 fund picks.

The good news is that the stock market is no longer quite as skewed toward the performance of a handful of shares. Both the capitalisation-weighted and equal-weighted versions of the S&P 500 are currently hitting new highs. This makes the rally feel more sustainable than it did a few months ago.



## Global valuations: some markets cheaper than others



Source: FactSet, Goldman Sachs Global Investment Research, October 2024. 12 month forward price/earnings multiple data for the last 20 years. The interquartile range shows the middle 50% of values over the last 20 years. GRANOLAS refers to the following stocks: GlaxoSmithKline, Roche, ASML, Nestle, Novartis, Novo Nordisk, L'Oreal, LVMH, AstraZeneca, SAP, Sanofi.

In terms of earnings, the outlook remains positive. Forecasts are being supported by relatively easy financial conditions and revenue growth is positive too. That is helping drive capital expenditure, dividends and share buybacks.

The final variable is valuations. Here, as the chart from Goldman Sachs shows, there continues to be a wide dispersion around the world. US shares are still more expensive than those in the rest of the world. But outside of the biggest tech shares, multiples are no longer excessive. Continued earnings growth

will quickly bring valuations down to less demanding levels.

Shares have been rising for nearly two years. That by itself is not a concern. There have been plenty of longer periods of rising prices in recent years. And, as for the extent of the gains so far, the 40% or so rise for the equal weighted index is not ringing any alarm bells. Outside the US, the gains are lower still, so it feels as if the bull run has further to go as long as recession can be avoided.

For a brief video update on shares, scan the QR code  
or visit [fidelity.co.uk/investmentoutlook](https://fidelity.co.uk/investmentoutlook)



## United States

Current view  Positive | 3 month change  Upgrade

US interest rates have started to fall and should continue to do so throughout the rest of this year and next. That should provide a tailwind for US equities, especially those outside the tech leadership

The big question is whether the rate cuts have come too late to prevent a sharp slowdown in the economy. In the past, this has been the key determinant of whether the market rises through the easing cycle. Investors will be watching the labour market – unemployment is rising, but we don't know how far it will go.

The markets have responded well to the start of the rate-cutting cycle. What's most encouraging is the breadth of the rally.

More than 80% of the stocks in the equal-weighted version of the S&P 500 are in an uptrend. For now, the rising tide is lifting all boats.

The outlook for earnings continues to be positive, with forecasts of double-digit growth this year and next. That will progressively bring valuations back into line. For the equal-weighted index, the starting point is not stretched. Around 19 times trailing earnings compared with nearly 25 for the capitalisation-weighted index. So, for the average stock in the US, earnings are growing, the cost of capital is reducing, and valuations are reasonable. That's a compelling set-up.

## United Kingdom

Current view  Positive | 3 month change  Unchanged

Investors have been withdrawing money from the UK for several years. Returns have been poor relative to the US and the UK now represents only 4% or so of the value of global equity markets. But shares are now cheap, growth is robust, the political backdrop is stable and financial conditions are easing.

The direction of travel for interest rates is clear. Although, sticky service sector inflation and wage growth have given the Bank pause for thought, sequential cuts from November look likely. Falling mortgage costs and rising incomes will favour the more domestically focused mid-cap index. The second attraction of the UK market is its high total shareholder yield (dividends and buybacks) of around 6%.

Companies are taking advantage of low share prices to buy back stock. Buying shares on cheap valuations can deliver outside returns and it's an obvious strategy.

The UK is just about the cheapest major market in the world. This is especially true of the FTSE 250 mid-cap index, on around 11.5 times earnings. This rating is at odds with forecast earnings growth of 10% this year and 19% in 2025.

The value in the UK market is apparent to buyers elsewhere too. Takeovers, often at sizeable premiums, have been a regular feature so far this year. For once, home bias looks sensible.

## Europe

Current view  Positive | 3 month change  Upgrade

Investors in Europe are less concerned about the region's macro-economic drivers and more focused on individual companies. That's because revenues here are captured all over the world, – a third of from the home markets, a third from North America and a third from Asia.

So, the health of domestic economies matters more to sentiment than to earnings. ECB policy is less important than the Federal Reserve's. Falling interest rates in the Eurozone will, at the margin, help smaller and mid-cap companies that are more reliant on bank loans. But it's not the main driver of markets.

What matters more is the outlook for profits and valuations. Both look reasonable now,

even after the 20% rise in the market over the past year. According to Goldman Sachs, earnings for the Stoxx 600 constituents are forecast to grow by 5% this year and 10% next. In terms of valuation, Europe is much cheaper than the US (on 13.5 times expected earnings), in line with Japan and Asia and a bit more expensive than the UK.

The best things about Europe as an investment destination are the quality of its companies and the attractiveness of its goods and services. Whether it's luxury goods, cars, healthcare or financial services, there's no shortage of excellent businesses. And they are available at a sizeable discount to a comparable American company.

## Japan

Current view  Positive | 3 month change  Upgrade

The Japanese stock market has been on a roller coaster. A 12% plunge in one day in early August came out of the blue. As expectations rose that the Federal Reserve would soon start cutting US rates, investors lost faith in the carry trade – borrowing cheaply in yen to invest in higher yielding assets overseas.

But nothing fundamentally changed in the Japanese economy. It was just one of those freakish sell offs that quickly bounced back. And although other markets around the world were briefly caught up in the market scare, the ripple effect of the Tokyo air-pocket was muted.

The case for investing in Japan remains strong. The country will be a beneficiary

of the new easing cycle around the world. And while rates are likely to rise further in Japan, they probably won't go much beyond 1%. Earnings growth is strong, GDP growth is robust, companies are buying back their own shares and delivering good dividend growth. Valuations are mid-range.

The positive driver of improving corporate governance continues to provide a tailwind. The yen has stabilised, well above its recent lows but not too strong to impact exports. Younger investors, not scarred by three decades of deflation and falling markets are back. If even a small proportion of the money sitting in cash in Japan moves into shares there could be a meaningful re-rating.

## Asia and emerging markets

Current view  Neutral | 3 month change  Downgrade

Emerging market shares have been a massive disappointment. If you had invested £100 in them soon after the financial crisis in 2009 it would be worth just £121 today. In large part that is because of the poor performance of Chinese shares – before the recent rally, £100 in them was worth just £95 after 15 years. By contrast, a £100 investment in the MSCI World index would have trebled over that period and the same in the S&P 500 would have risen five-fold. Past performance is not a reliable indicator of future returns.

The de-rating of emerging market shares means they trade at around a 35% discount to their developed market peers. Their weight in global funds has more than halved in that decade and a half. The reasons are well understood: higher for longer interest rates have kept the dollar strong, usually a headwind for emerging markets; the Chinese economy and stock market have been a drag on the investment class, especially since the pandemic; and investors have become more risk averse in a more unpredictable world.

The pivot towards easier monetary policy in the US may be the catalyst that investors need to get back into emerging markets. It should open the door to lower interest rates in many countries that have held back from loosening policy for fear of depreciating their currencies. With strong current accounts, tamed inflation and robust foreign exchange reserves there is room for many countries to cut rates from here.

Whether this leads to a sustained re-rating for emerging markets will depend on two

other factors – how sustainable the China rally proves to be and where next for commodity prices. China still accounts for a big proportion of the emerging market index, despite its recent weakness. It has been a dead weight on the investment class for years. The good news is that the authorities have realised that something needs to be done – recently announced measures to support the battered housing market and promote investment in shares are positive developments.

As for commodities – a big export for many emerging markets – there's good and bad news. Long term, the outlook is bright, especially for metals like copper that is such an important element of the decarbonisation story and a key component in electric cars and data centres. Short term, however, demand for commodities is determined by the health of the world's big consumers – China and the US. A lot rides on Chinese stimulus and US rate cuts.

When it comes to valuations, it's a mixed bag. China is obviously cheap – when and if consumer confidence improves there is plenty of scope for shares to re-rate higher. Parts of ASEAN also look interesting, having long been ignored by investors – Thailand, Indonesia and the Philippines in particular. India, however, is a different story – driven by home-grown equity market enthusiasm, this has become one of the world's most popular stock markets. Especially in the mid-cap area of the market, valuations have risen to eye-watering levels.

# Bonds

Current view  Positive | 3 month change  Unchanged

It is a measure of how well the Federal Reserve has managed market expectations that the recent half percentage point cut in interest rates barely registered. The yield on the 10-year Treasury benchmark bond actually edged higher in the days after the Fed surprised many by opting for a jumbo 50 basis point cut to kickstart its easing cycle.

The market's sanguine reaction was even more surprising given that officials made clear, via their dot plot forecasts, that they think interest rates will fall by another half percentage point by the year end, and by another percentage point in 2025. That had the potential to spook investors, suggesting that the Fed is more worried about growth than it is about inflation. In fact, investors took chair Jay Powell at his word when he said that the cut was just a recalibration of policy after a year watching the data for confirmation that inflation was under control.

Powell clearly has his eye on his legacy. He wants to go down as the Fed chair who navigated a path through the post-pandemic inflation surge, got prices under control and did so without pushing the US economy into recession. That is exactly what he seems to have achieved, with inflation close to the 2% target while economic growth has remained robust.

The US economy is in a good place, but the war is by no means won. In fact, markets are pricing in bigger cuts than the Fed itself, looking for a terminal rate under 3%, which suggests that many investors think the soft landing Powell hopes for is not guaranteed. That looks like a reasonable concern given the recent downward revisions in estimates of how many jobs are being created in the US economy.

From an investment perspective, the relative lack of reaction to the interest rate cut suggests that investors have already priced in the likely path of policy. If so, then it will take worse than expected economic data for yields on government bonds to fall much further. Investors should probably not expect much in the way of capital gain.

But that does not mean government bonds are not attractive. They offer diversification from an equity market which is vulnerable to a bigger slowdown than is currently expected. And investors can pick up a yield of nearly 4%, which will look increasingly attractive as interest rates come down. Please note this yield is not guaranteed. All of this from an investment which, if held to maturity, carries almost no capital risk. As the chart overleaf shows, you have to go back nearly 20 years to find a comparable yield on one of the world's safest investments.

## Back to the future – government bonds offer attractive yields again



Source: Refinitiv, 2.1.62 to 2.9.24

## Corporate bonds – next stop for cash savers

While interest rates stayed higher for longer as the Fed sat on its hands through the first three quarters of 2024, there was little incentive for risk-averse investors to look far beyond cash. With money market funds offering a yield of close to 5%, there was not a lot of point in taking on more default risk for a small uplift in income.

Those days are gone, and if the forecasts are correct then interest rates will be closer to 3% by the end of next year. Suddenly, the extra yield available on short-dated corporate bonds will look interesting. Not all the money currently being parked in cash will find its way into the bond market but enough

of it could to ensure that the yield premium of corporate bonds over government issues remains slim.

The most popular part of the corporate bond market is likely to be the higher quality end. Investors in the bonds issued by companies have to balance the extra yield they can earn with the greater chance that some of the bonds they buy will default. As the economy slows the risk of failure increases. Although so-called high yield bonds offer a better income they do so for a reason – the lower quality companies that issue these bonds are riskier.

For a brief video update on bonds scan the QR code  
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# Alternatives

Current view ●●○●● Neutral | 3 month change ▼ Downgrade

Gold is a volatile asset and can demand great patience. It can move sideways for years on end and then suddenly take off when the geo-political, inflation and interest rate stars align. The last couple of years has been a case in point. Gold has been one of the best performing of all assets, delivering a profit of more than 50% since September 2022 after more than a decade of drift.

Pick the right time period and gold's performance can look stellar, even against long-term outperformers like the US stock market. If you had bought 25 years ago during the final months of the dot.com bubble, you would have made ten times your money. That's one and a half times better even than the return from US shares. If your starting point was 30 years ago, however, you'd have lagged equity markets. Timing is all.

And that's why I'm no more than a cautious bull of gold right now. Having soared in value in the past couple of years, the odds of gold continuing to outperform are lengthening.

The first reason to like gold today is the mismatch between supply and demand. There are some big buyers out there, notably central banks keen to diversify their reserves away from the US dollar. At the same time new industrial uses in electronics and renewable energy are keeping demand high. Bringing new supply on stream is a slow burn with gold, just as it is with other metals like copper.

The second tailwind for gold is the likely path of interest rates. Lower interest rates reduce the opportunity cost of holding an asset which pays no income. The third reason is that people trust gold. It's liquid and universally accepted. It has no counterparty risk. Think of it as a bitcoin you can put in your pocket.

Finally, gold has momentum on its side. And because there's nothing to say that gold is under-priced at \$1,000 or over-priced at \$3,000, its price is simply what it is.

The other alternative asset that's likely to benefit from an environment of falling interest rates is commercial property. In fact, it's already happening. Even in the unloved office sector, which everyone thought would never recover from the Covid work-from-home trend, buyers are back. This is happening everywhere, but the UK is ahead of the curve.

Dealmaking is on the rise, with Select 50 constituent Balanced Commercial Property Trust the latest large UK property portfolio to change hands. The recent spate of transactions follows a two-year slump that hit asset prices and saw deal volumes fall to a 13-year low at the start of the year. Yields are falling and will reduce further as interest rates come down.

For a brief video update on alternatives, scan the QR code or visit [fidelity.co.uk/investmentoutlook](https://fidelity.co.uk/investmentoutlook)



# In summary

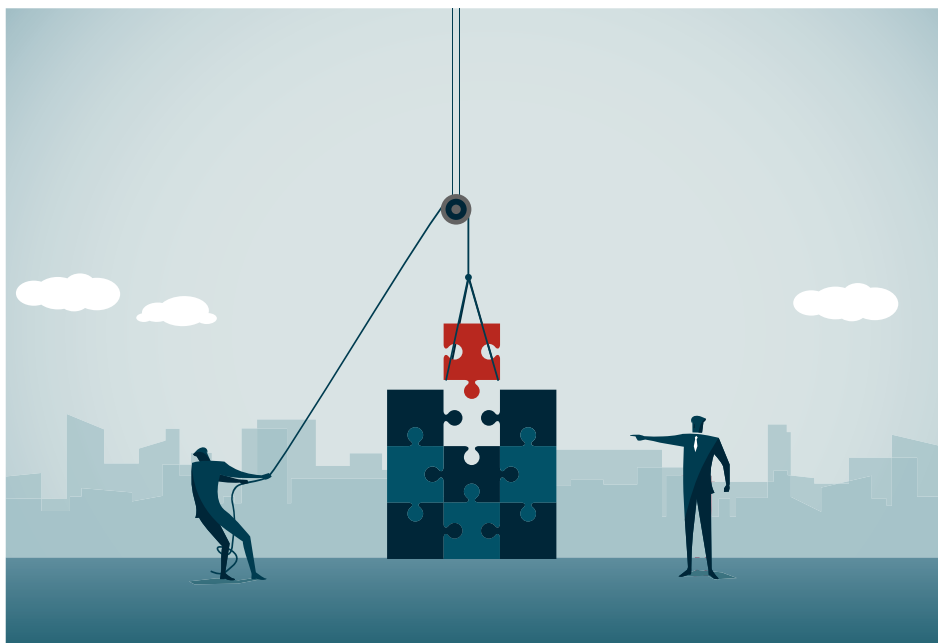
The turn in the interest rate cycle will have surprised no-one. We have been anticipating it all year. But the pivot towards easier monetary policy has been welcomed by investors who were looking for a reason to remain positive after two years of rising prices.

The good news is that interest rates are not being cut to fend off an inevitable recession. The economy is in good shape and the recalibration of monetary policy is designed to keep it that way. Jerome Powell may have pulled off the most difficult trick of all for a central banker – a soft landing.

There are always plenty of things to worry about in the markets. The geo-politics looks unsettled. The US election is imminent and unpredictable. At home we wait for the Budget with bated breath – no-one expects good news from the new Chancellor.

But the fundamentals of the markets are good. Earnings continue to grow. Interest rates are finally falling. Valuations are, in many cases, quite reasonable. Risk averse investors can still find a decent income at an acceptable level of risk. What's not to like?

All the usual principles apply. Diversification, regular contributions, investing with a long time-horizon. But there's reason for optimism.







# The Select 50: Our favourite funds – selected by experts

With thousands of funds to choose from, building your portfolio can be a real challenge, but Select 50 can help you choose from the range of funds available on our website. For more information on how these funds are selected visit [fidelity.co.uk/select](https://fidelity.co.uk/select). 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.

**Please be aware that past performance is not a reliable indicator of what might happen in the future.** The value of investments and the income from them can go down as well as up, so you may not get back what you invest. For funds that invest in overseas markets, the returns may increase or decrease as a result of currency fluctuations. Investments in small and emerging markets can be more volatile than other more developed markets. For funds launched less than five years ago full five-year performance figures are not available. Shares in investment trusts are listed on the London Stock Exchange and their price is affected by supply and demand. Investment trusts can gain additional exposure to the market by borrowing, known as gearing, potentially increasing volatility.

## Standardised performance data for the Select 50 (%) over the past five years

% (as at 30 Sept)	2019-20	2020-21	2021-22	2022-23	2023-24	Morningstar Fund Rating
 <b>Global</b>						
BNY Mellon Long Term Global Equity Fund	8.1	20.0	-6.7	11.3	13.6	★★★★
Dodge & Cox Worldwide – Global Stock Fund	-10.3	38.2	3.2	15.4	11.5	★★★★
Fidelity Global Dividend Fund	-0.2	12.4	0.4	10.1	19.2	★★★★★
Legal & General Global Equity Index Fund	5.5	23.5	-2.9	11.0	19.1	★★★★
Rathbone Global Opportunities Fund	27.8	19.9	-18.1	11.5	22.1	★★★★
Schroder Global Recovery Fund	-21.3	48.7	-6.2	20.4	12.8	★★
Vanguard FTSE All-World ETF	-2.2	34.3	-9.5	4.3	13.5	★★★★

% (as at 30 Sept)	2019-20	2020-21	2021-22	2022-23	2023-24	Morningstar Fund Rating
 <b>North America</b>						
Brown Advisory US Smaller Companies Fund	11.7	24.8	-7.9	-0.7	5.6	★★
Brown Advisory US Sustainable Growth Fund	-	28.5	-12.1	13.7	21.6	★★★★
Dodge & Cox Worldwide – US Stock Fund	-7.7	43.3	4.3	8.4	15.8	★★★★
Vanguard S&P 500 ETF	9.6	24.9	3.2	9.0	22.5	★★★★★
 <b>UK</b>						
Fidelity Special Situations Fund	-22.5	47.0	-10.0	14.5	19.7	★★★★
FTF Martin Currie UK Equity Income Fund	-16.2	26.9	-3.4	13.7	12.4	★★★★
iShares Core FTSE 100 ETF	-18.0	25.2	0.9	14.5	12.2	★★★★
Liontrust UK Growth Fund	-11.0	26.1	-5.5	10.9	7.4	★★★★★
Vanguard FTSE 250 ETF	-11.5	35.4	-23.6	9.9	18.7	★★★★
 <b>Europe</b>						
Barings Europe Select Trust	-	-	-26.4	12.8	11.7	★★★
Schroder European Recovery Fund	-21.0	41.0	-11.4	33.3	7.4	★★
Vanguard FTSE Developed Europe ex UK ETF	0.3	18.9	-16.1	16.1	12.0	★★★★
 <b>Asia and emerging markets</b>						
Fidelity Funds – Asian Smaller Companies	-7.5	32.6	1.8	10.7	6.2	★★★★
Fidelity Sustainable Emerging Markets Equity Fund	-	-	-	-	3.8	-
iShares Core MSCI Emerging Markets ETF	5.4	15.1	-12.4	3.3	13.9	★★★★
Lazard Emerging Markets Fund	-14.1	26.8	-8.8	13.8	18.1	★★★★
Schroder Oriental Income Fund	-5.9	19.6	-4.8	7.7	16.0	★★★★
Stewart Investors Asia Pacific Sustainability Fund	8.5	24.5	-4.7	-4.8	12.8	★★★★★
 <b>Japan</b>						
Baillie Gifford Japanese Fund	7.9	12.4	-19.3	0.6	10.8	★★
iShares Core MSCI Japan ETF	1.7	14.6	-12.7	12.1	10.3	★★★★
Schroder Japan Trust	-6.7	30.5	-10.0	23.0	8.2	★★★★

The Select 50 is liable to be changed between publication dates for the Investment Outlook. The next Select 50 update will be in November 2024. For the most up-to-date list please visit [fidelity.co.uk/select](https://www.fidelity.co.uk/select)

% (as at 30 Sept)	2019-20	2020-21	2021-22	2022-23	2023-24	Morningstar Fund Rating
<b>Bonds</b>						
AXA Sterling Credit Short Duration Bond Fund	1.4	1.7	-7.8	7.0	8.1	☆☆☆
Colchester Global Bond Fund	2.3	-5.6	-6.4	-5.7	1.7	☆☆☆
iShares ESG Overseas Corporate Bond Index Fund	3.1	-3.0	-3.4	-4.4	4.4	☆☆☆
iShares Overseas Government Bond ETF	2.1	-8.1	-2.4	-10.2	0.5	☆☆
JPM Global High Yield Bond Fund	0.2	12.0	-13.8	7.6	14.5	-
Legal & General Emerging Markets Government Bond Index Fund	-6.6	-2.2	-3.1	1.5	4.0	☆☆
M&G Corporate Bond Fund	2.8	1.7	-20.4	8.6	11.5	☆☆☆☆
M&G Emerging Markets Bond Fund	-3.6	1.9	-5.2	4.8	6.8	☆☆☆☆☆
Royal London Short Duration Global Index Linked Fund	3.3	4.1	-5.6	2.8	7.2	☆☆☆☆
Vanguard Global Short-Term Bond Index Fund	2.4	0.1	-7.0	2.3	7.6	☆☆☆☆
<b>Alternatives</b>						
Balanced Commercial Property Trust	-42.6	56.7	-13.1	-10.1	49.5	-
First Sentier Global Listed Infrastructure Fund	-12.1	15.8	-2.4	-2.6	23.2	-
International Public Partnerships Limited	9.9	4.9	-2.0	-13.6	10.8	-
iShares Environment and Low Carbon Tilt Real Estate Index Fund	-21.8	26.0	-7.9	-7.0	16.6	☆☆☆
iShares Physical Gold ETC	22.6	-11.4	14.9	1.2	29.1	-
Legal & General Cash Trust	0.4	-0.1	0.5	4.1	5.3	-
Ninety One Diversified Income Fund	2.1	4.4	-7.1	4.9	9.5	☆☆☆☆
Ninety One Global Gold Fund	43.0	-30.4	-1.5	6.5	35.0	☆☆☆☆
Pyrford Global Total Return Fund	-0.1	5.2	-0.6	4.1	8.6	☆☆☆☆☆

Before you invest, please ensure you have read Doing Business with Fidelity and the Key Investor Information Document (KIID) or Fund Specific Information Document (FSI) relevant to your chosen fund(s). These documents give you all the information you need to know about Fidelity and the funds we offer, including details of the objective, investment policy, risks, charges and past performance associated with the fund(s). Instructions on how to access these documents can be found at [fidelity.co.uk/importantinformation](https://www.fidelity.co.uk/importantinformation). If you do not have a computer or access to the internet please call Fidelity on **0800 41 41 61** to request a printed copy of the documents. The Full Prospectus is also available on request from Fidelity.

Source: Morningstar from 30.9.19 to 30.9.24. Basis: bid to bid with income reinvested in GBP. Excludes initial charge. The fund's primary share class according to the Investment Association is shown. For the latest yields please call 0800 41 41 61 or visit [fidelity.co.uk](https://www.fidelity.co.uk)

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Source: Fidelity as at 30.6.24

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