

The Age of Empires

For investment professional use only and not for public distribution.



The Age of Empires

Rebuilding in a diverging world

For investment professional use only and not for public distribution.



Important information

- Investors should note that the views expressed may no longer be current and may have already been acted upon. Past performance is not a reliable indicator of future returns.
- 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.
- Changes in currency exchange rates may affect the value of investments in overseas markets.
- Investments in emerging markets can be more volatile than in other more developed markets.
- The value of bonds is influenced by movements in interest rates and bond yields. If interest rates and so bond yields rise, bond prices tend to fall, and vice versa. The price of bonds with a longer lifetime until maturity is generally more sensitive to interest rate movements than those with a shorter lifetime to maturity. The risk of default is based on the issuers ability to make interest payments and to repay the loan at maturity. Default risk may therefore vary between government issuers as well as between different corporate issuers. Due to the greater possibility of default, an investment in a corporate bond is generally less secure than an investment in government bonds. Sub-investment grade bonds are considered riskier bonds. They have an increased risk of default which could affect both income and the capital value of an investment.
- Reference to specific securities should not be interpreted as a recommendation to buy or sell these securities and is only included for illustration purposes

Learning objectives



Describe how the big economic cycle can influence a change in the world order

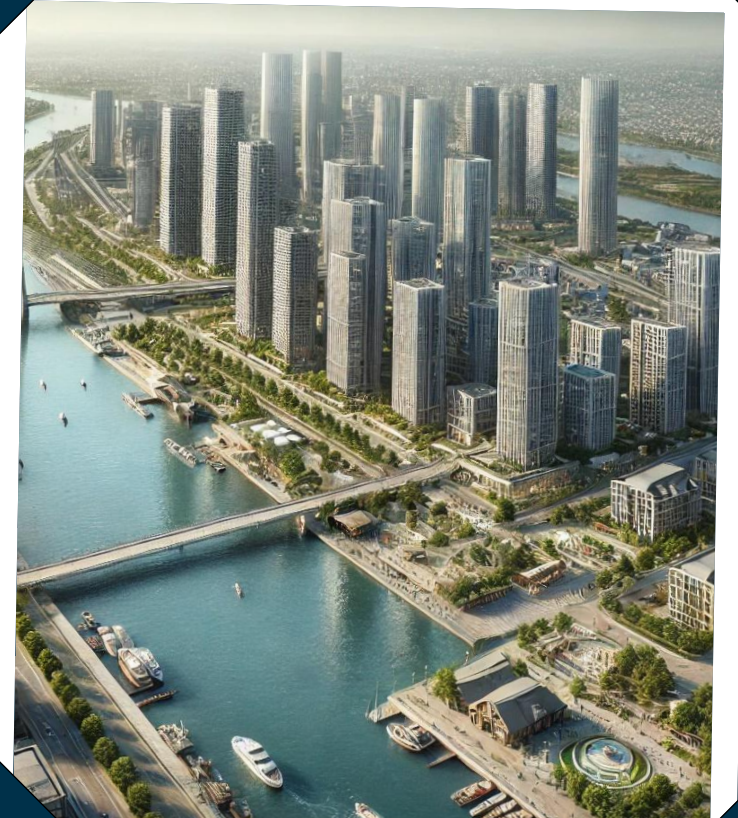


Recognise the opportunities this new world order can create in asset classes including equities and fixed income



Understand the new investment strategies that may enhance a client's portfolio

The Big Cycle



Cycles

Adobe Stock | #161097963

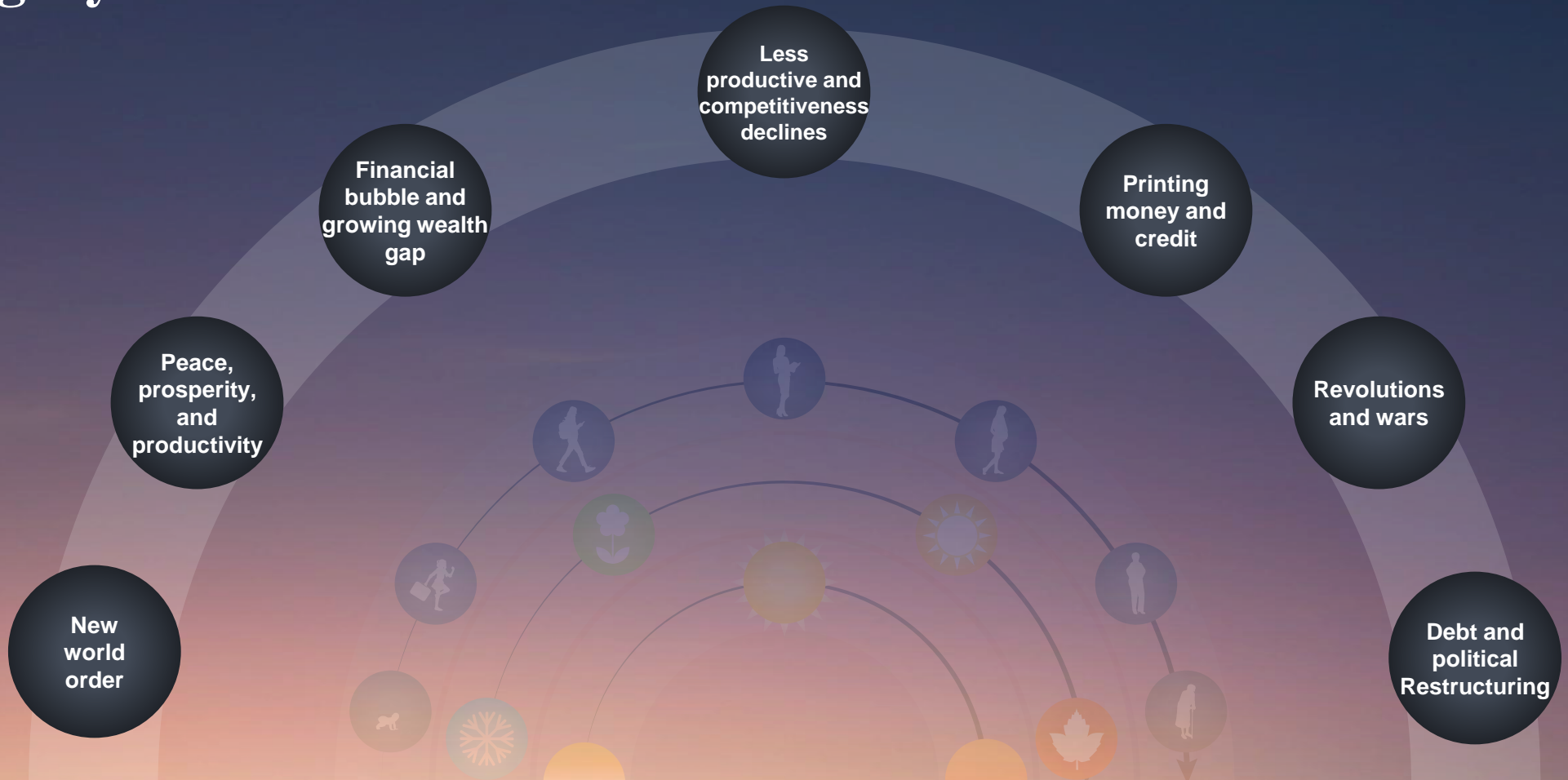


DAY

SEASON

LIFE

The Big Cycle



Cycles in history



New
world
order

Peace,
prosperity,
and
productivity

Financial
bubble and
growing wealth
gap

Question

When was \$5 trillion lost?



Around \$5 trillion in stock market value was wiped out when **the Nasdaq fell by nearly 78%** from its peak in 2000 to its bottom in 2002.

Incidentally, \$15-20 trillion was lost during The Global Financial Crisis and caused far more economic damage than the Dot-Com Bubble, not only in terms of financial losses but also due to its widespread societal and global economic consequences.

A Diverging World

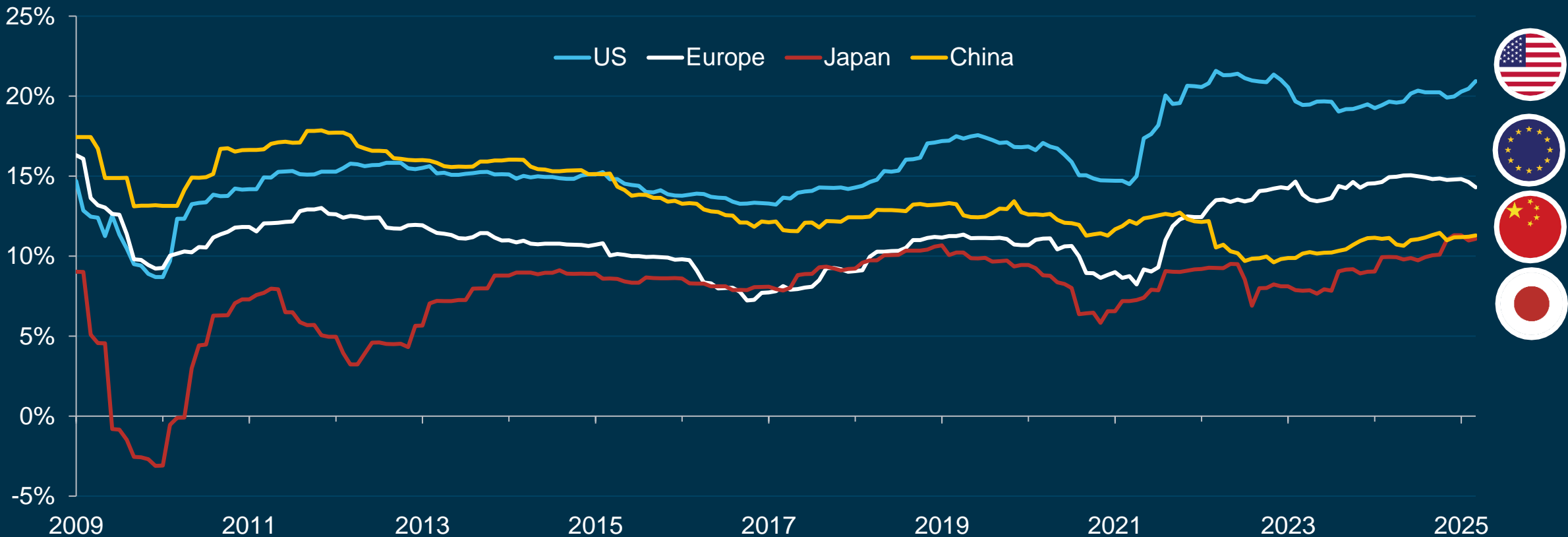


Divergence

Returns of country performance post Global Financial Crisis

US pulled ahead on returns

Return on equity (large caps)



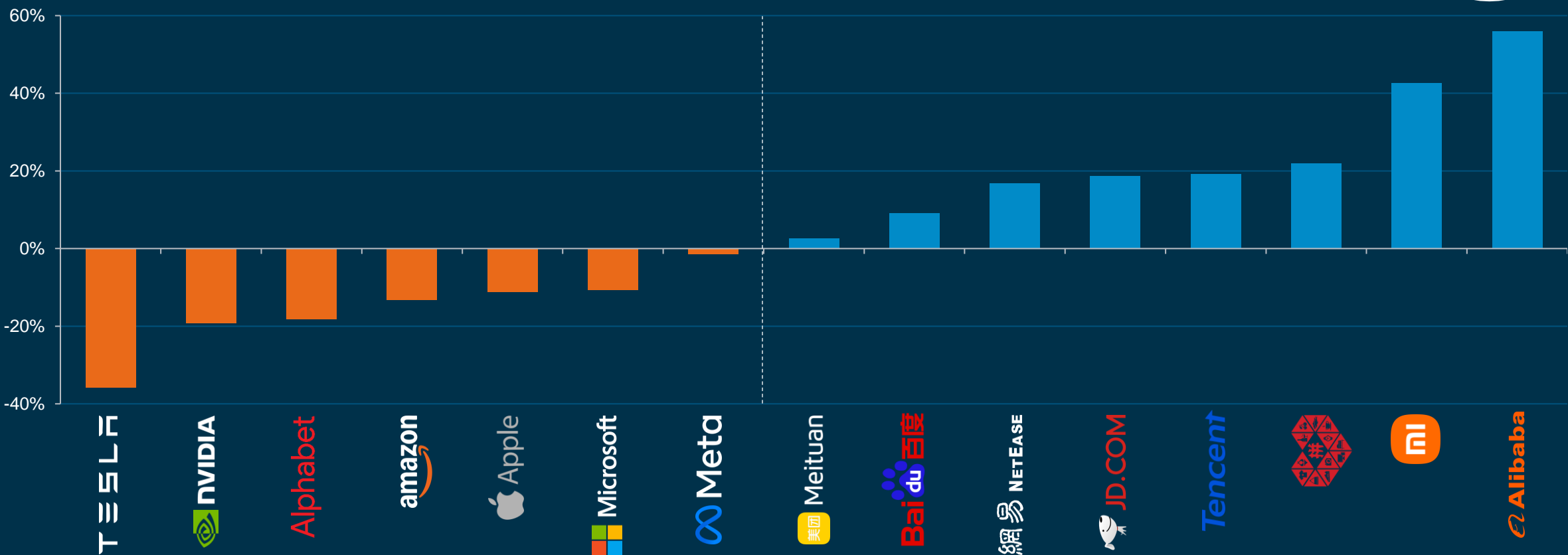
Source: LSEG Datastream, 31 March 2025.

Volatility and shift in leadership

The Technology Backdrop



YTD performance: US Magnificent 7 vs China's Tech 8



Source: Refinitiv Workspace, 31 March 2025. MSCI ACWI sector and MSCI ACWI IT index price (USD) rebased to 100 on 30 December 2022. Stock performance in local currency

TARIFF OMETER



10 / 0

47%

SURPRISE!

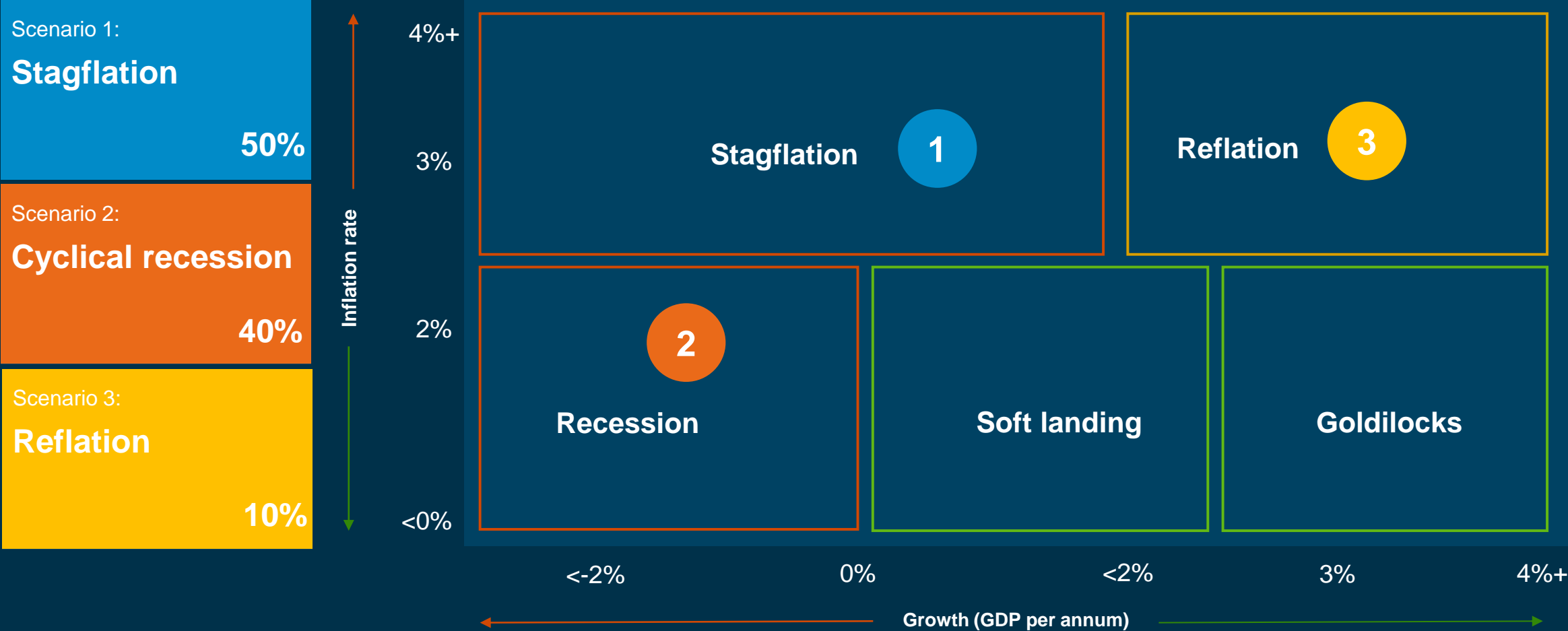
125%

???

BEAUTIFUL

Three scenarios for US in 2025

Reflation in 2025

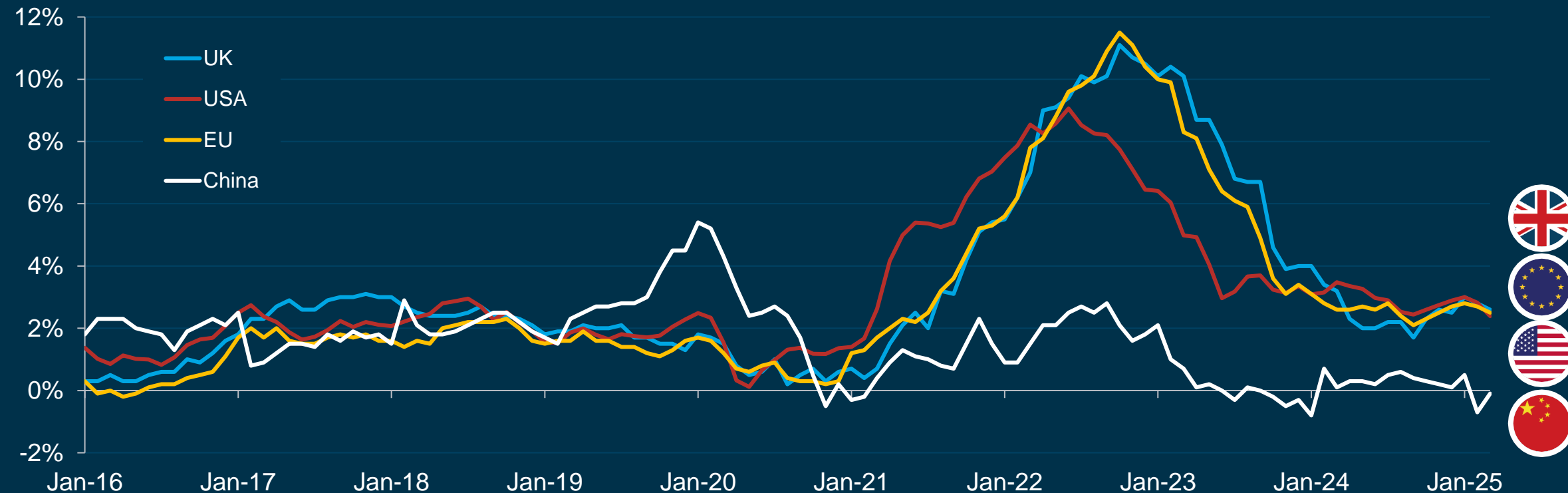


Note: Brackets reflect previous probabilities. Inflation rate measured by US Core Personal Consumption Expenditures Price Index.
Source: Fidelity International, April 2025.

Divergence in Inflationary Pressures vs. the West

Consumer price pressures differ considerably

Consumer inflation (YoY)



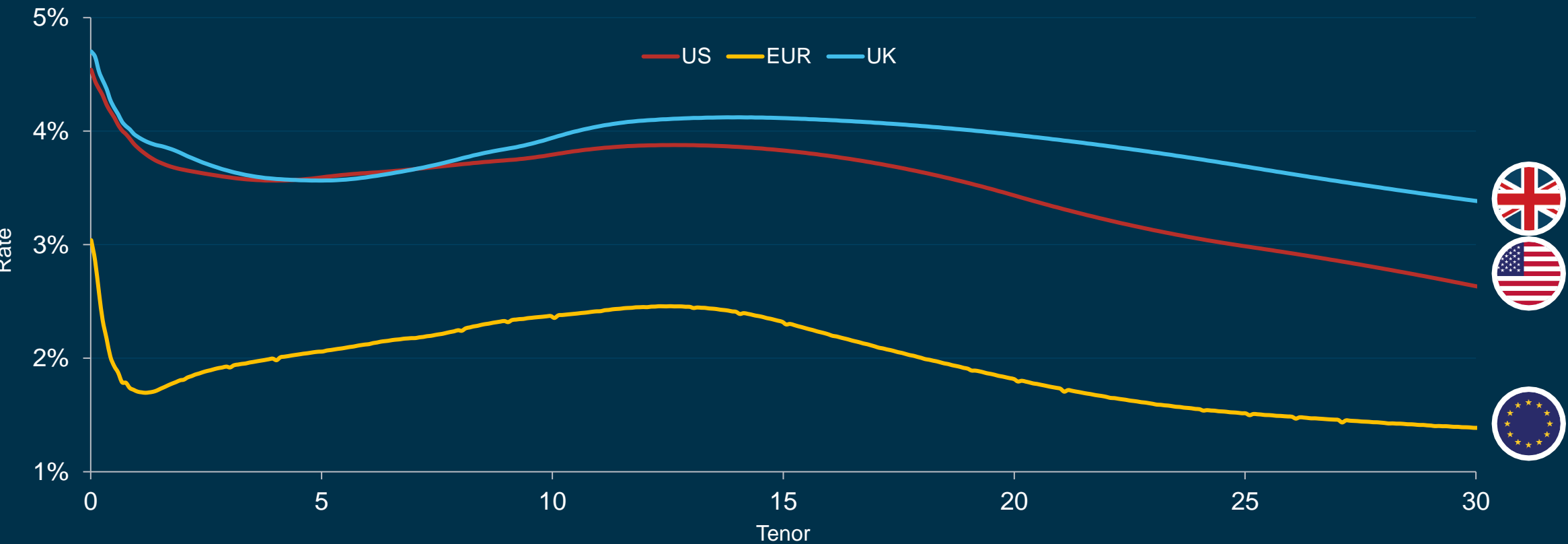
Chinese policymakers have more flexibility but mindful of potential capital outflows if they sharply ease rates

Source: LSEG Datastream, 31 March 2025.

Markets are pricing in global rate cuts with the deepest cuts expected in Europe

But inflation is expected to rise from here before it starts to decline again

Market implied interest rate expectations

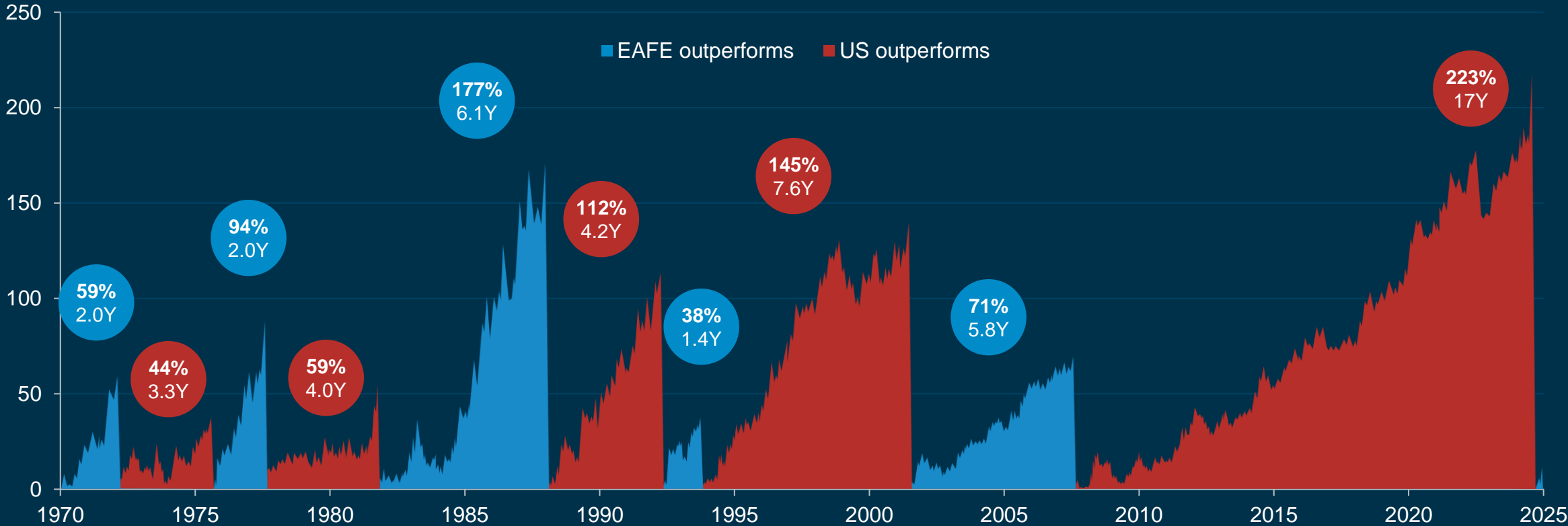


Source: Fidelity International, Bloomberg, 27 November 2024. Interest rate expectations based on overnight indexed swaps.

Some longer-term perspectives

US vs. EAFE regime shifts

Cumulative outperformance (% , geometric)



Source: Bloomberg. The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. Data as at 31 March 2025

Cycles in history



The New Cycle

The graphic features a background split into two main visual themes. On the left, a stylized American flag is depicted with red and white horizontal stripes and a blue field containing yellow stars. On the right, a dark blue background is overlaid with a complex, glowing circuit board pattern in shades of pink and purple. Three overlapping circles are positioned in the center-right area. The leftmost circle is a vibrant magenta and contains the text 'Leaders of the future'. The middle circle is a lighter shade of pink and contains the text 'Consumers of tomorrow'. The rightmost circle is a bright cyan blue and contains the text 'Unconventional Assets'. All text is in a clean, white, sans-serif font.

**Leaders of
the future**

**Consumers
of tomorrow**

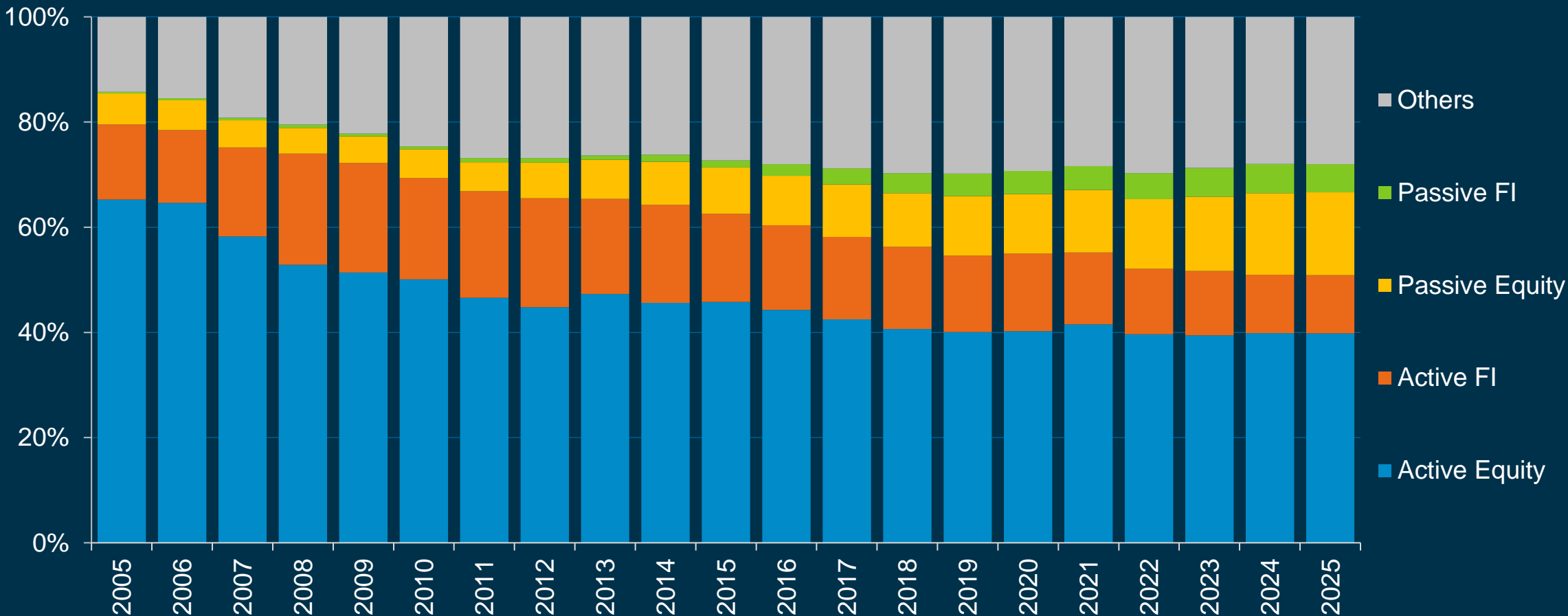
**Unconventional
Assets**

The UK Retail Funds Marketplace

Long term overview of active vs. passive



AuM in Active vs. Passive Funds

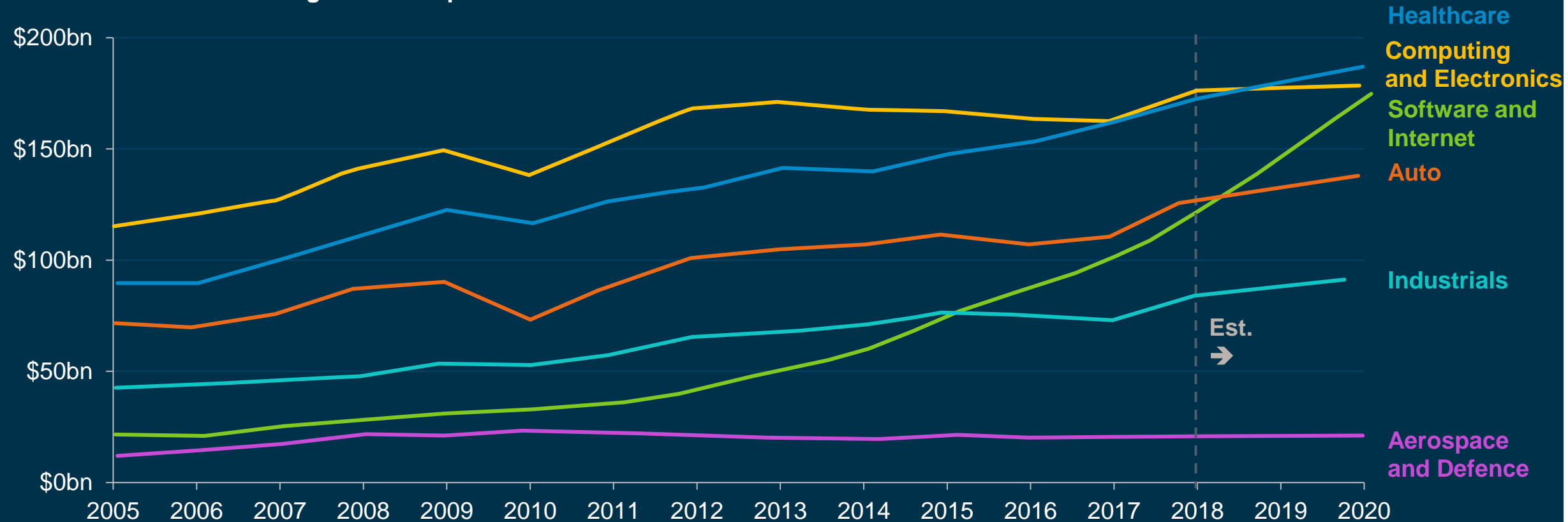


Source: UK Investment Association as at April 2025. "Others" includes AuM in Multi Asset, Money Market, Property and the sectors listed under the "Other" asset class by the IA: Commodities and Natural Resources, Infrastructure, Specialist, Targeted Absolute Return, Unallocated, Unclassified Sector, Volatility Managed

Innovation drives new product cycles

Innovation can be revolutionary or evolutionary

Healthcare is one of the highest R&D spenders in the market



Source: PWC Strategy + business, 2018. What the top innovators get right (strategy-business.com)



TransMedics

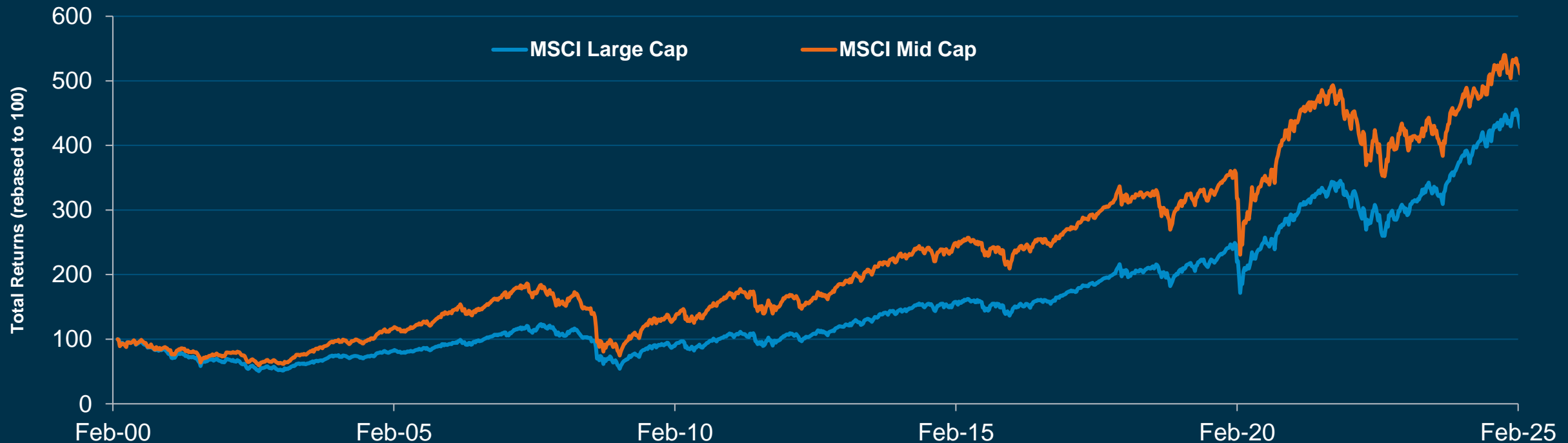


Why Global Mid-Caps?

Long-Term Return Opportunity

Long term total returns profile over 25 years

Total Returns (rebased to 100)



For illustrative purpose. Past performance is not a reliable indicator of future performance. The Fund invests in securities of the benchmark, however, management of the Fund is discretionary, therefore the Fund may invest in securities not included in the benchmark, the MSCI Global Mid-Cap (N) Index, and its performance over any period may or may not deviate significantly from that of the benchmark.

Source: LSEG DataStream, 31 March 2025. Indices referenced : MSCI World Large Cap (MSCI World: L) & MSCI World Mid Cap (MSCI World: M), in USD terms

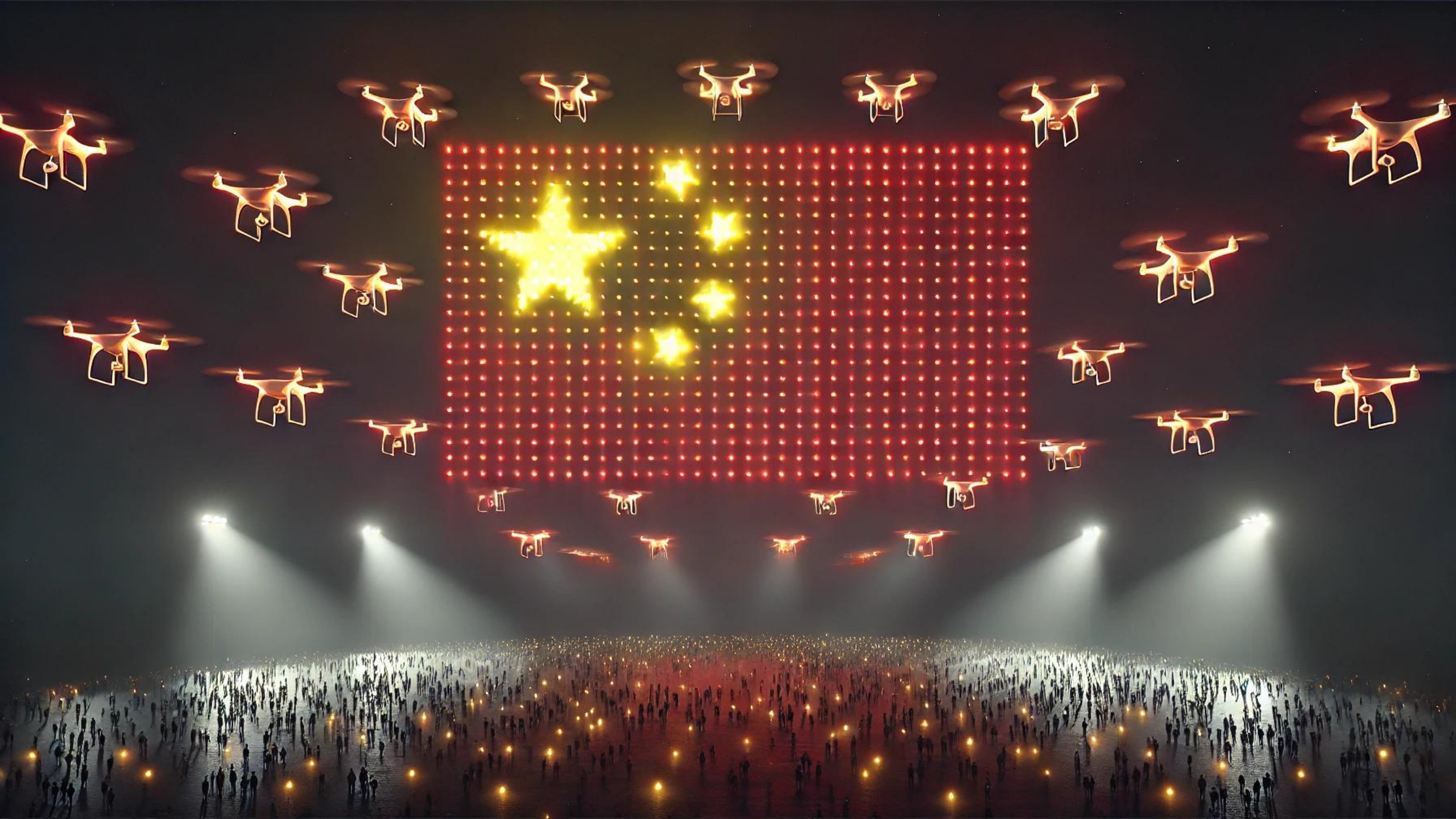
The New Cycle

The background features a stylized American flag on the left, with red and white stripes and yellow stars. On the right, there is a dark blue area with a glowing circuit board pattern in pink and white. Three overlapping circles are present: a purple one on the left containing the text 'Leaders of the future', a central pink one containing 'Consumers of tomorrow', and a light blue one on the right containing 'Unconventional Assets'. A solid brown horizontal bar is at the bottom.

Leaders of
the future

Consumers
of tomorrow

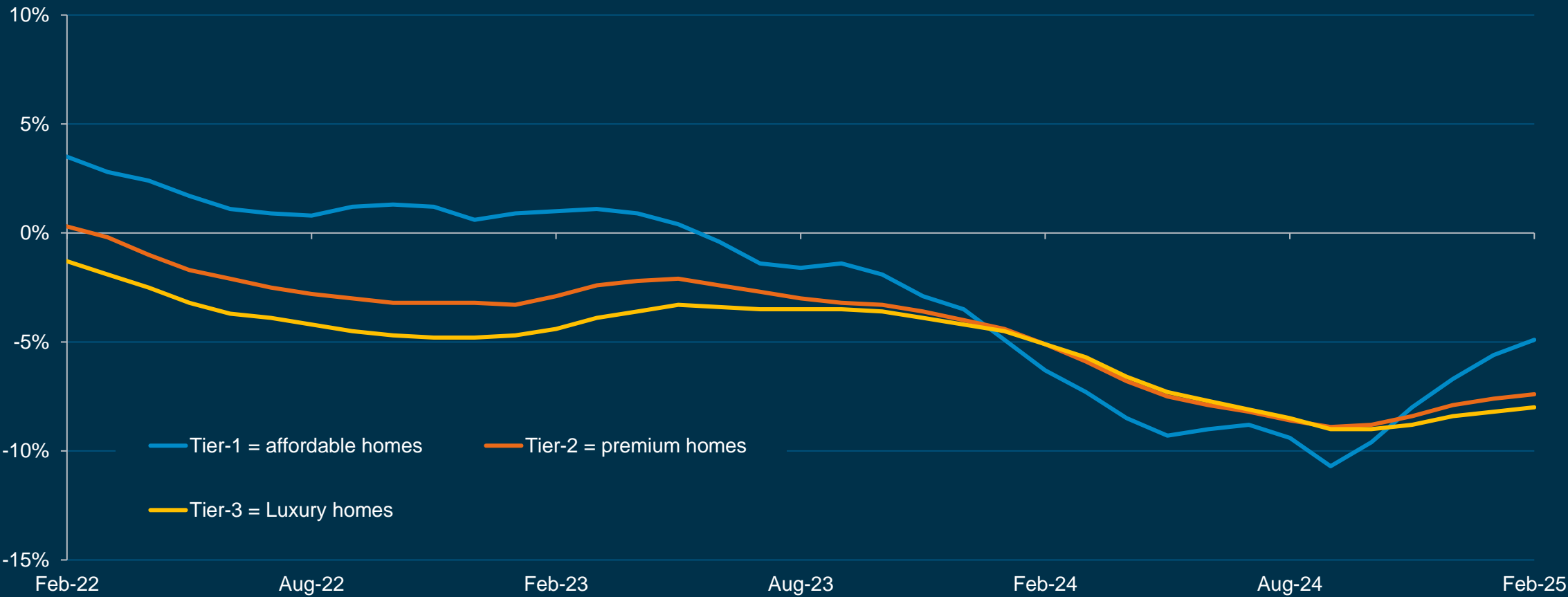
Unconventional
Assets



Property price stabilisation is important for consumer confidence to return



NBS 70-cities Secondary Home Price YoY

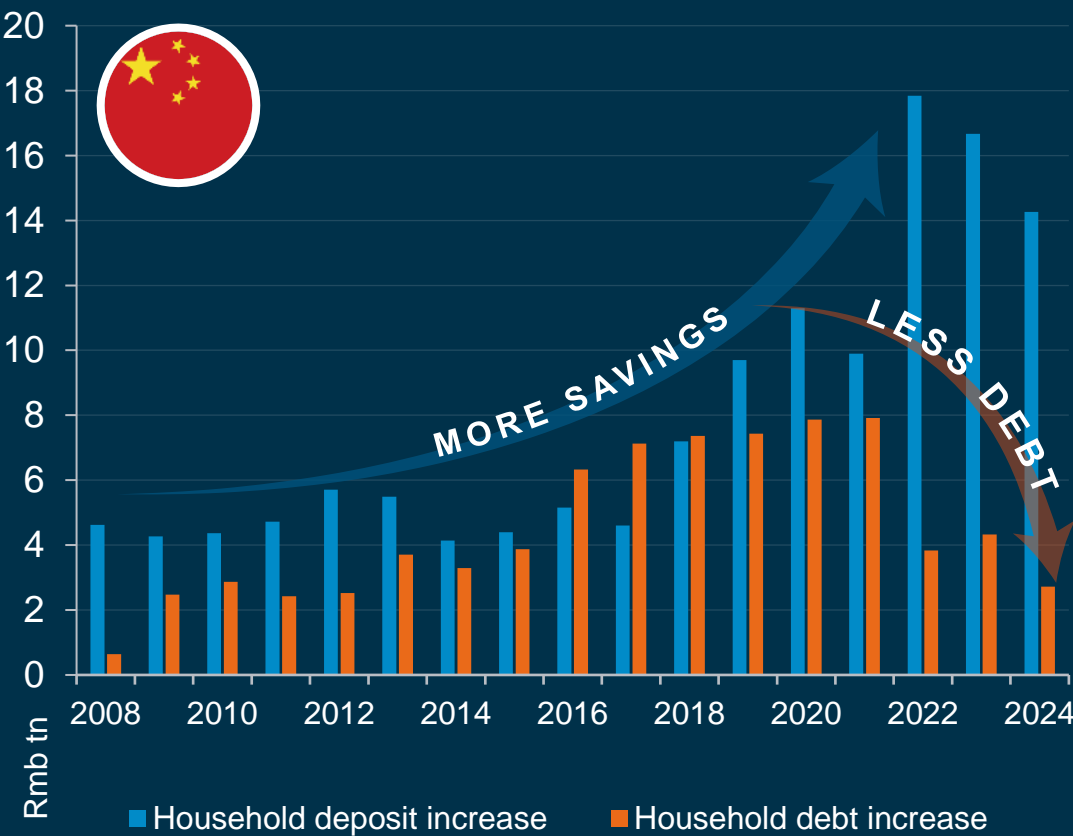


Source: NBS, Wind, Fidelity International, 28 February 2025

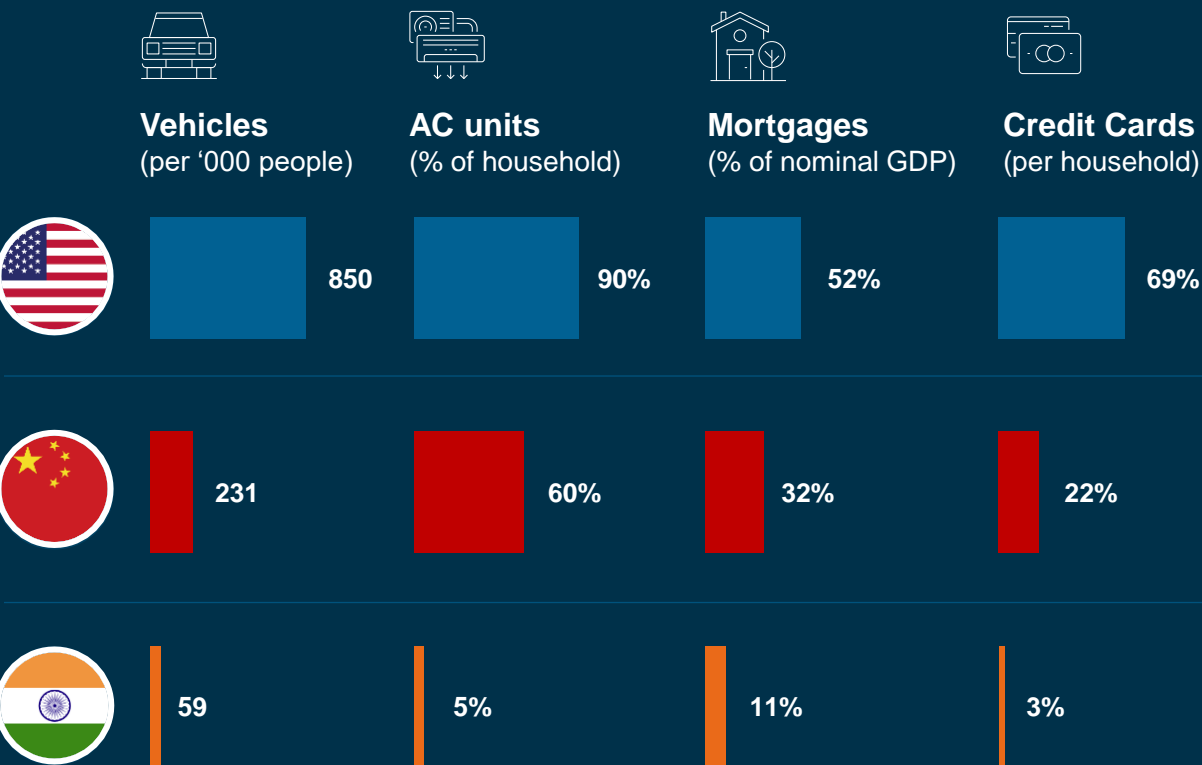
Deposits rising on the household balance sheet

Excess household savings provide ample support for a consumption recovery

Households doubled savings but halved borrowings



Penetration of products and services

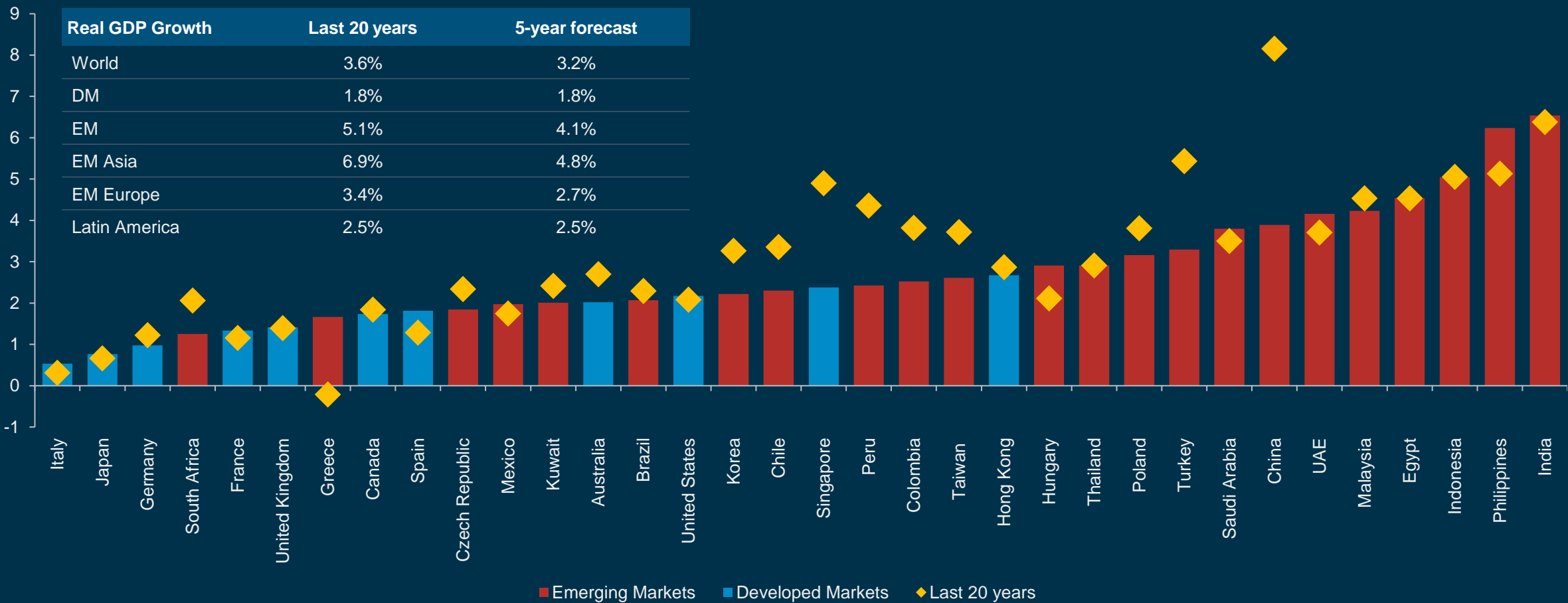


Source: Source: CLSA, PBOC, WIND, 31 December 2024

Source: Vehicles excluding 2-wheelers. CEIC, China Ministry of Public Security, Hedges & Company. Data for 2022. International Energy Agency. Data 2018. EMF, Hofinet, HDFC estimates, Wind, China NBS, 2022.

While growth is slowing globally, EM is still bound to lead

Real GDP 5-year growth forecast vs 20-year historical average



Source: Fidelity International, World Economic Outlook Database, April 2024.

The New Cycle

Leaders of
the future

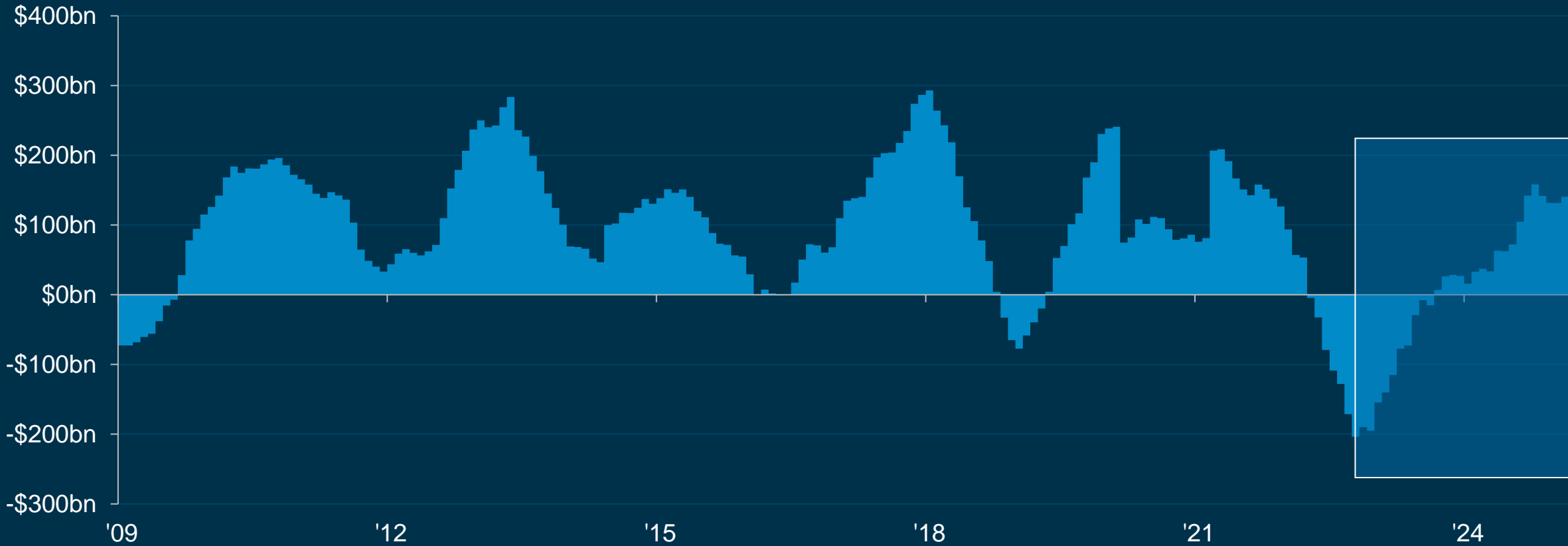
Consumers
of tomorrow

Unconventional
Assets

Investor sentiment has been relatively cautious

Positive momentum for bond fund flows

Rolling 12-month bond fund net sales (industry level*)

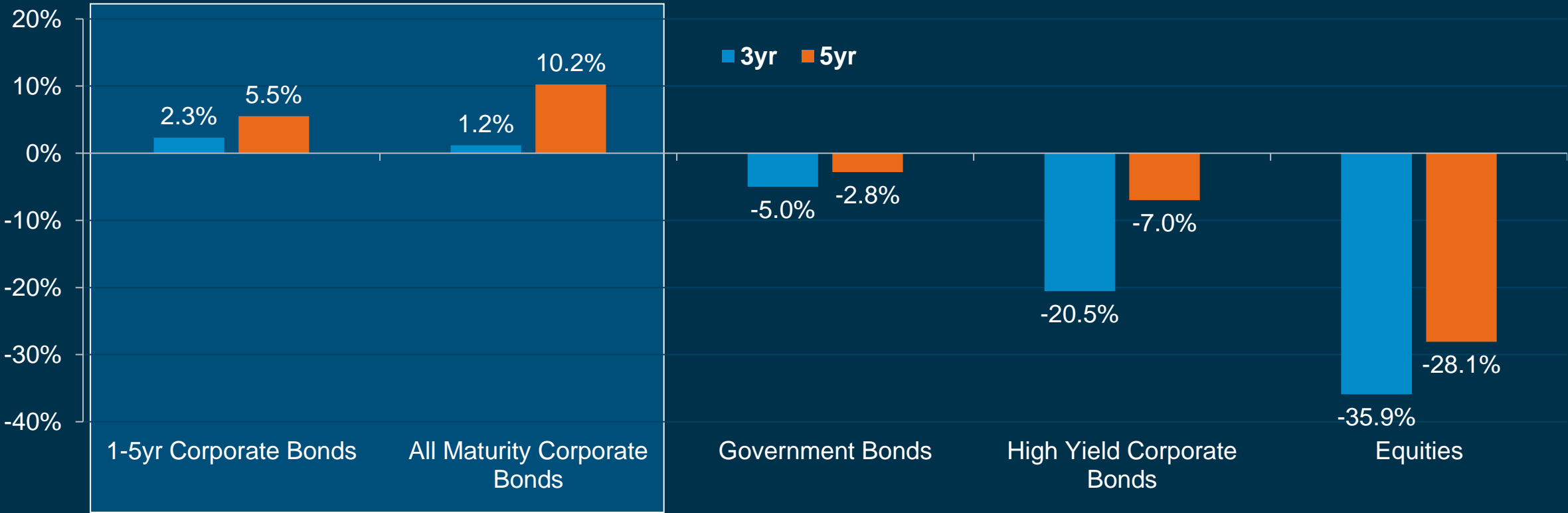


Source: Fidelity International, Broadridge, February 2025.

*Industry level net sales are for cross-border funds, and excludes domestic funds from Europe, Asia-Pacific, Latin America, North America, Middle East and Africa. Bond fund net sales are ex-money market.

Historically, corporate bonds have offered safety amid rate cuts

Worst return over cash from the start of previous Bank of England cutting cycles



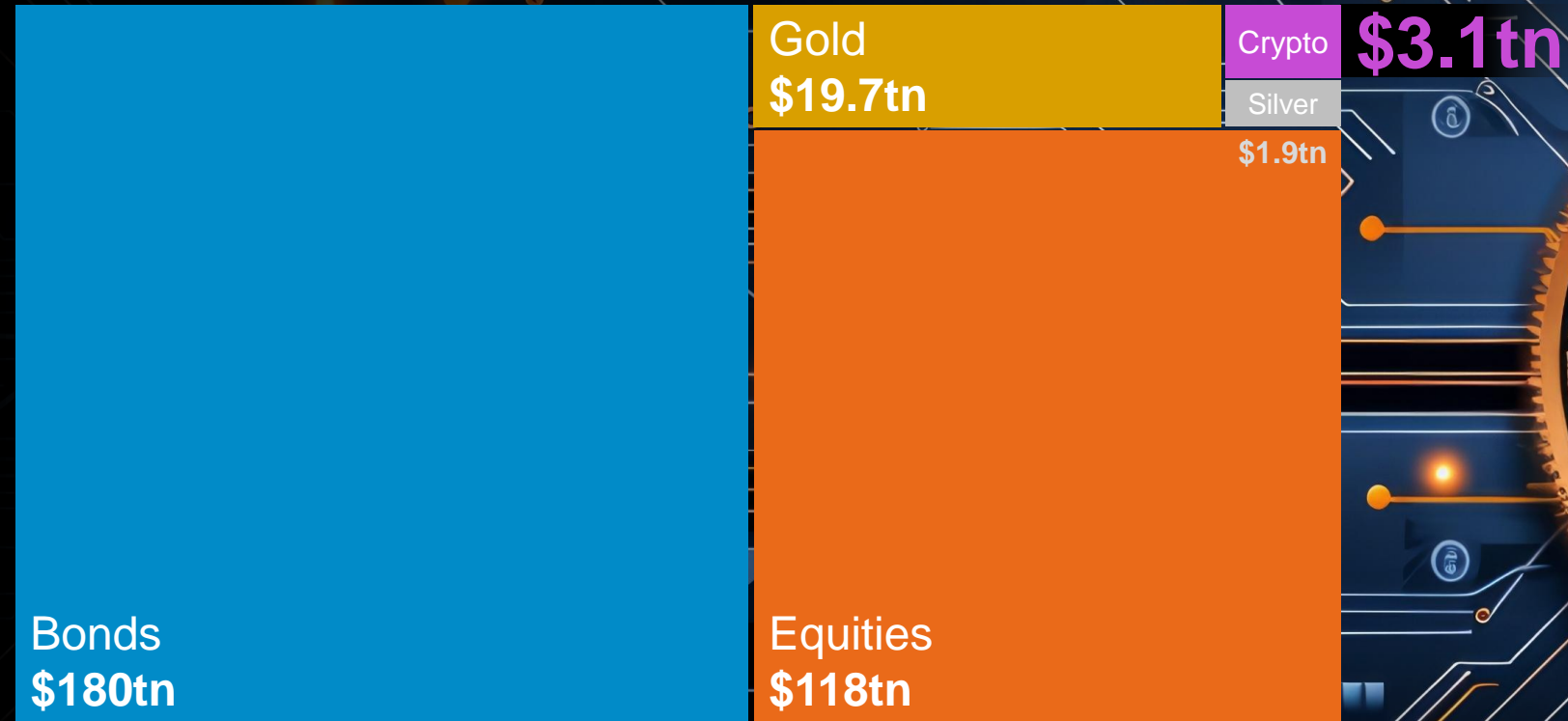
Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations.

Source: Fidelity International, Bloomberg, September 2024. 1-5yr Corporate Bonds = ICE BofA 1-5 Year Eurosterling Index; All Maturity Corporate Bonds = ICE BofA Euro-Sterling Index; Government Bonds = ICE BofA UK Gilt Index; High Yield Corporate Bonds = ICE BofA US High Yield Index used for the first cutting cycle, while ICE BofA Global High Yield Index (GBP Hedged) was used for the remaining cycles; Equities = FTSE 100. Cash rate was ICE BofA British Pound 6-Month Deposit Bid Rate Constant Maturity Index for the first cutting cycle and then the ICE BofA Sterling 1-Month Deposit Bid Rate Constant Maturity Index for the remaining 3. Uses 4 Bank of England interest rate cutting cycles between 1995 and 2024, starting in December 1995, October 1998, February 2001 and December 2007 respectively.

The cryptocurrency market

A growing market with Bitcoin dominance

Estimated traditional asset size and Crypto market size
(\$USD Trillion)



Source: [Bloomberg](#): Equities and Bonds (includes corporate bonds, government bonds, and municipals), [CoinGecko](#): Crypto, [Companies market cap](#): Gold & Silver, as of 6 March 2025

Key takeaways

- Where we are in the larger cycle may bring new opportunities
- Divergence amongst countries is likely to continue, as will volatility. Consider blending active and passive solutions to add value and diversification to your clients' portfolios
- Investors looking for the leaders of the future may want to consider an allocation to global mid-caps
- Remember the three key pillars when it comes to fixed income and the potential opportunity in corporate bonds
- New regulations for blockchain technology are positive overall for the space but this asset class is still in its infancy

Learning objectives



Describe how the big economic cycle can influence a change in the world order



Recognise the opportunities this new world order can create in asset classes including equities and fixed income



Understand the new investment strategies that may enhance a client's portfolio

Fidelity funds and solutions...

Fidelity Global Future Leaders Fund

- A clear, structured and repeatable investment process
- Co-PM familiarity with nuances associated with an under-researched asset class
- Good risk/return outcomes expected in a global investment universe

Fidelity Strategic Bond Fund

Mike Riddell has taken over as the Lead Portfolio Manager and we envisage three potential benefits:

- High alpha potential, through a more active, high conviction approach
- Greater portfolio diversification
- Simpler performance measurement

Fidelity Discretionary Model Portfolio Service

- Seven diversified portfolios, expertly run
- Active, timely and decisive portfolio management
- Institutional buying power
- Enhanced reporting insight and reviews
- Tax-efficient wrappers

Disclaimer

This document may not be reproduced or circulated without prior permission. No statements or representations made in this document are legally binding on Fidelity or the recipient. Investments should be made on the basis of the current prospectus, which is available along with the Key Investor Information Document, current annual and semi-annual reports free of charge on request by calling 0800 368 1732. Morningstar Rating™ as of 24/01/2024, in the Gold Morningstar Category™. Copyright - © 2023 Morningstar, Inc. All Rights Reserved. Issued by FIL Pensions Management and authorised and regulated by the Financial Conduct Authority. UKM0125/399940/SSO/NA