

# INVESTMENT OUTLOOK

Fidelity Personal Investing's market and investment view

## In this issue:

- From recovery to growth
- Shares not bonds
- The rocky road to normal

January  
2022



ISAs | Pensions | Funds | Shares | Advice



# Contents

Outlook at a glance	3
Looking back at the last quarter	4
Asset classes	
Shares	9
Bonds	10
Commodities	11
World stock markets	
United States	12
Europe	14
United Kingdom	15
Asia and emerging markets	16
Japan	17
In summary	
Meet the team	19
Select 50	20
Make smarter investing decisions	23



**Important information** – Please be aware that 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, so you may not get back what you invest. When investing in overseas markets, changes in currency exchange rates may affect the value of your investment. Investments in small and emerging markets can be more volatile than those in other overseas markets. 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. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity. This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment you should speak to one of Fidelity’s advisers or an authorised financial adviser of your choice.

# Outlook at a glance

**Current view:** ✓ Positive — Neutral ✗ Negative

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

Asset classes	Current view	3 month change	At a glance
 <b>Shares</b>	✓	▲	Earnings are still growing, valuations are reasonable and sentiment far from exuberant. That's a recipe for continued moderate appreciation.
 <b>Bonds</b>	✗	►	2022 will see interest rates start to rise against a backdrop of persistent above target inflation. That's a bad combination for fixed income.
 <b>Property</b>	—	►	Investors will be looking for both income and an alternative to bonds as diversifiers in their portfolios. Not cheap but it ticks those boxes.
 <b>Commodities</b>	✓	▲	The risks lie to the upside for commodities at this point in the cycle. Like property the asset class provides balance to a portfolio.
 <b>Cash</b>	✓	►	So far into a bull market, investors should expect volatility. When it comes, they will be glad they have some cash to take advantage.
Regions	Current view	3 month change	At a glance
 <b>US</b>	—	►	Every portfolio needs an exposure to the US even if tightening policy and high valuations argue for an element of caution.
 <b>Europe</b>	✓	▲	Europe is back in favour as it relearns how to grow its earnings and with valuations standing at a good discount to those in the US.
 <b>UK</b>	✓	▲	The UK has de-rated fast this year as rising share prices have been outpaced by earnings growth. Our market is unfairly cheap now.
 <b>Asia Pacific ex-Japan</b>	—	►	After a disappointing year, valuations in Asia ex Japan have fallen to reasonable levels. US tightening is never good for the region though.
 <b>Japan</b>	✓	►	Domestic growth, stimulus and attractive valuations make a strong case for investing in this perennially out of favour market.

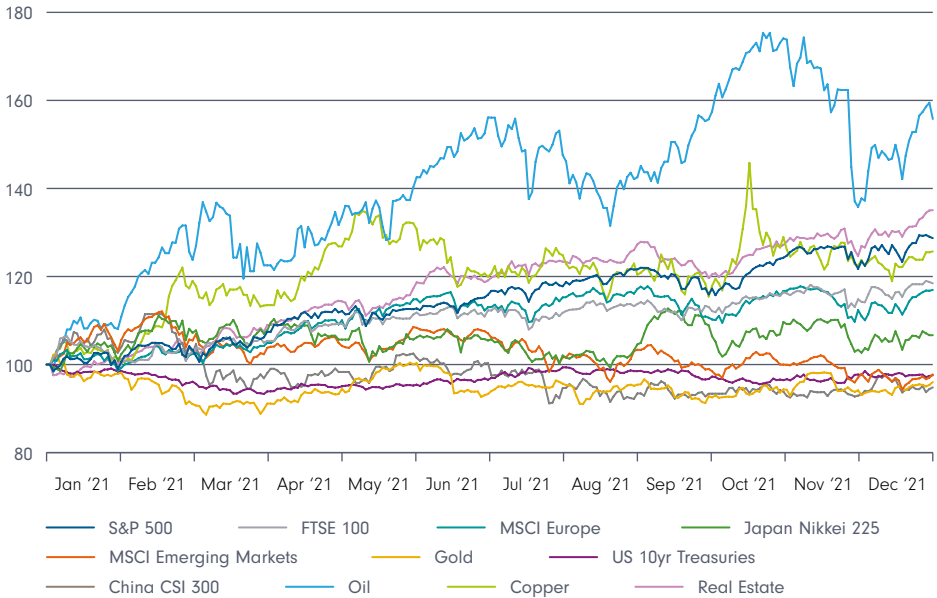
# Looking back at the last quarter

**AFTER** a summer in which many markets moved sideways, investors enjoyed a positive fourth quarter to round off a year of excellent returns for a balanced portfolio. As the chart opposite shows, diversification mattered in 2021 because there was a wide dispersion of returns during the year.

Out in front over the 12 months was oil, although the final three months were more volatile and crude ended up where it began the quarter. The price of energy reflects optimism about economic activity, and this was on the rise throughout most of the year until Omicron, inflation and the threat of rising interest rates took the shine off the outlook before Christmas. Industrial metals such as copper also enjoyed a good year, although the persistence of Covid took its toll in the year's final weeks.

Commodities led the pack but also appeared in the underperformers, with gold joining bonds, emerging markets and, notably, China among the laggards. Rising bond yields (and so falling bond prices) were no surprise in the face of a nascent price spiral, as inflation rose sharply on both sides of the Atlantic. The performance of gold was more puzzling given the precious metal's traditional role as an inflation hedge. The emergence of cryptocurrencies as a new alternative asset class is part of the explanation for gold falling out of favour.

The failure of China to keep up with other global markets reflects Beijing's desire to deliver a more equal prosperity and to eliminate rather than learn to live with Covid, with all the economic constraints implied by that approach. Other emerging markets faltered in the face of potentially rising US interest rates, which make life harder for governments, companies and individuals with US dollar-denominated borrowings.



Source: Refinitiv, total returns in local currency, 31.12.20 to 31.12.21.

**Past performance is not a reliable indicator of future returns. When investing in overseas markets, changes in currency exchange rates may affect the value of your investment. For full 5 year figures, see overleaf.**

Perhaps the biggest surprise during 2021 was the performance of real estate, which outpaced even the best-performing equity markets. The strong returns from property reflected the ongoing attraction of reliable income in a low-interest-rate world and the potential for real estate to act as a safe haven in more inflationary times. But prices of both residential and commercial property were high when the year started and are now even more stretched.

The performance of the main equity markets during the final three months of 2021 was impressive in the face of the renewed inflationary threat and growing discussion of the measures that central banks are likely to take in 2022 and beyond to counter rising prices. The Federal Reserve indicated that its bond purchases will be tapered down at an accelerated pace to open the door to rate rises as soon as the spring. It has been a compelling example of stock markets' ability to scale a wall of worry.



Most impressive has been Wall Street, which built on its remarkable performance during the pandemic to deliver a total return, including dividend income, of around 30% in 2021. In large part this reflected the superior earnings performance of US companies, with profits outperforming expectations in the first three quarters of the year as the roll-out of vaccines justified the reflation trade while America's dominant tech sector proved itself to be a winner in all market conditions.

Japan, Europe and the UK trailed a long way behind the US in terms of total returns, but investors in the latter two were nonetheless well-rewarded for continuing to look through the pandemic to better times ahead. Europe, on both sides of the channel, delivered nearly 20% when adding dividends to the year's capital gains. Pay-outs to shareholders returned to pre-pandemic levels during the quarter.

(as at 31 Dec)	2016-17	2017-18	2018-19	2019-20	2020-21
S&P 500	21.8	-5.2	33.0	16.4	30.5
FTSE 100	12.0	-8.6	18.7	-12.2	17.7
MSCI Europe	26.2	-14.6	25.6	4.3	18.4
Japan Nikkei 225	21.3	-10.3	21.7	13.8	10.0
MSCI Emerging Markets	37.8	-14.5	19.7	14.8	0.7
Gold	12.6	-1.9	18.4	24.2	-3.0
US 10yr Treasuries	2.1	-0.4	10.3	11.9	-2.2
China CSI 300	21.8	-25.3	33.5	25.3	-2.0
Oil	12.5	-25.3	36.7	-22.2	56.6
Copper	30.5	-16.9	3.3	25.6	25.4
S&P Global Real Estate	5.8	-3.4	23.6	-10.1	36.7

Source: Refinitiv, total returns in local currency as at 31.12.21

**Past performance is not a reliable indicator of future returns. Overseas investments will be affected by movements in currency exchange rates. Investments in emerging markets can be more volatile than other more developed markets. 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.**

**Acknowledgements** – The views in this report are derived from a variety of sources within and outside Fidelity International. They are based on the house view of the Fidelity investment team and other sources. However, the report is written for a UK personal investing audience and the ideas are explicitly linked to the Select 50 list of our preferred funds. We consider this to be the best way for our investors to implement the ideas discussed in the Outlook. We would like to thank, in particular: Salman Ahmed, Andrew McCaffery, Wen-Wen Lindroth, Jeremy Osborne, Gary Monaghan, Leigh Himsworth, Ayesha Akbar, Jeremy Podger, Neil Cable, Andrea Iannelli, Kasia Kiladis and Natalie Briggs.



# Asset classes and world stock markets

A well-diversified portfolio paid off in 2021. While bonds delivered a small negative return and gold lagged, these disappointments were dwarfed by the strong performances of shares and other commodities. Within those two asset classes, there were more and bigger winners than losers. Property added some spice to the mix too. A balance of assets will no doubt make sense again this year because, needless to say, no-one can be sure what 2022 will bring.

For a video update on each asset class and region, scan the QR code on each article or visit [fidelity.co.uk/investmentoutlook](https://fidelity.co.uk/investmentoutlook)

## The risk-return spectrum



Managing investment risk is about balancing the chance of loss with the potential for returns over time. A higher level of investment risk—usually found in individual equities—often means that the potential for growth is greater, but there’s also a greater possibility that the value of your investments might fall. At the other end of the spectrum, cash carries little or no investment risk other than the possibility that inflation will eat into the value of your savings. Bonds, especially those issued by governments, can be lower in investment risk, but they’re also likely to carry lower potential returns. This image shows the level of risk associated with the potential returns of a range of asset classes. A good way of ensuring your investments have a suitable level of risk is to diversify your portfolio across this risk-return spectrum.



# Shares

Current view ✓ Positive

3 month change ▲ Upgrade

**THE** first year of the pandemic was characterised by recovery from the market scare in February and March 2020. Markets re-rated quickly as investors rightly took the view that this was a different sort of shock than that caused by the financial crisis and would result in less long-lasting economic damage. Last year was all about the rebound in earnings. Rising profits justified the pre-emptive move by the markets and kept valuations reasonable. So, what will be the key feature of 2022 be? Most likely it will be the return to monetary normality. The pace at which interest rates rise next year and beyond will determine whether and for how long the bull market can grind on.

The Federal Reserve believes it will get back to a new normal of 2.5% interest rates, with three hikes this year, the same in 2023 and another two in 2024. That trajectory is now priced in, so anything which slows the pace of normalisation might be taken as a positive by a market that remains addicted to cheap money. If inflation retreats in the middle of 2022, as seems possible, the Fed may find that it needs to do less than it currently believes will be necessary. The interest rate futures markets certainly offer an alternative reading of the outlook, with a terminal rate

of only 2%. That suggests either that the Fed will be unable to raise rates as fast as it hopes, or that it will do so and be forced to reverse course because the economy or the markets take fright at the speed of tightening. If bond yields fail to climb to a competitive level, shares will remain the go-to for income and growth.

This is made all the more plausible by the remaining drivers of equity markets: earnings growth, valuations and sentiment. Earnings will certainly not repeat 2021's remarkable rally, but high single-digit growth looks likely. With valuations high but by no means excessive that could feed through into a market return that is also close to 10%, although it is possible that last year's strong final quarter borrowed some of 2022's performance. Finally, sentiment is far from exuberant. That's a good sign because bull markets tend to remain intact while there is still plenty to worry about and only end when there are no clouds on the horizon and everyone is fully invested.

This year's fund picks play the ongoing equity bond bull market via the **Fidelity Global Special Situations Fund**.

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



# Bonds

Current view ✕ Negative  
3 month change ▶ Unchanged

**THE** key risk when it comes to the bond market is persistent elevated inflation and the central bank response to it. While the stock market can take modest price rises in its stride, any sort of above-target price rise is bad for bonds. First, because it encourages central banks to tighten policy. Rising interest rates are reflected in rising bond yields and that is just another way of saying falling bond prices. Second, inflation is bad for bonds because of the way in which it eats into the value of their fixed income stream and their fixed return of capital at maturity.

---

*“Inflation really is the enemy of the bond market, which is why bonds were such a catastrophic investment in the 1970s.”*

---

Inflation really is the enemy of the bond market, which is why bonds were such a catastrophic investment in the 1970s and why the current long bond bull market emerged from the wreckage of that decade’s price spirals.

There are many good reasons to expect inflation to stick around for some time, including persistent supply chain issues, a shortage of labour, the turning of the tide of globalisation and the high cost of building a greener, more sustainable energy infrastructure. With inflation of just 6%, which is lower than the current rate in the US, purchasing power halves in just 12 years. That’s a bad environment for all fixed income investments.

The slightly better news for bond investors is that there is a limit to how far central banks can go in their battle with inflation. The scale of public and private debt means that financing costs cannot be allowed to spiral. That would invite a spiral of defaults and slower growth that would make it even harder to service sky-high borrowings.

**Important information:** 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.

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



# Commodities

Current view ✓ Positive

3 month change ▲ Upgrade

**WITH** inflation representing an unpredictable wild card for investors, some further diversification away from both shares and bonds makes sense. That is why we have returned to gold in our fund recommendations for 2022 via the **Ninety One Global Gold Fund**. The precious metal was a disappointment last year but when it takes off no-one wants to be sitting on the side-lines.

Other commodities have seen powerful price rises in 2021 but, after years of under-investment during the post-financial-crisis period, the case for a new super-cycle, while less frequently discussed than a year or so ago, has not gone away. Oil is the key and the rise in the gas price, leading to some substitution by oil, could be the catalyst for a further rise next year back towards \$100 a barrel. As with shares, the V-shaped recovery is over but the grind higher could persist for some time to come.

Greater focus on ESG concerns, uncertainty of demand and higher carbon taxes mean further investment is only likely if it is rewarded by higher prices. This means the risks to current commodity price forecasts are skewed to the upside.

Such an environment will pose interesting questions for investors around the balance between short-term gains and longer-term sustainability. With risks rising as the bull market matures, sustainability is not just an environmental, social and governance question. Investors will need to ensure that their portfolios are robust, with a bias to quality, limited financial leverage and away from the most highly rated shares.

Finally, although miners are a traditional source of yield, a well-balanced portfolio is likely to also include some other income generators. Yield is increasingly hard to find in the real estate market but infrastructure funds can be a useful source of this scarce resource.

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



# United States

Current view — Neutral

3 month change ▶ Unchanged

**THE** US has an outsized influence on global stock markets. It represents around half of the total market capitalisation of all equity markets and the dynamism of its economy ensures that Wall Street's performance is constantly fuelled by the emergence of innovative new companies. It has been wrong to bet against the US in recent years and, despite the world's highest valuations and a more hawkish Federal Reserve, it is likely to be wrong to do so in 2022 as well.

The strong performance of the S&P500 in the final three months of 2021 takes some of the gloss off America's relative attractions as we start a new year. However, with 5,100 representing a reasonable year-end target for the benchmark index (vs. 4,800 currently) it still makes sense for the US to be a significant holding in a balanced portfolio.

Pretty much all the growth in the US stock market will once again come from rising earnings. These are expected to increase by around 8% this year as today's high profit margins are maintained in the face of continuing supply chain issues, higher energy costs and rising wages. Price increases, cost controls and technology will fill the gap.

Valuations remained roughly flat in 2021 and should remain close to today's 21 times earnings as the headwind of rising interest rates is offset by the tailwind of less policy uncertainty as tightening gets underway. Although shares look expensive on many measures compared with history, they are less so when viewed against the alternatives.

---

*"It has been wrong to bet against the US in recent years and, despite the world's highest valuations and a more hawkish Federal Reserve, it is likely to be wrong to do so in 2022 as well."*

---

The relative attraction of shares versus cash and bonds should ensure a healthy flow of money into the equity market this year, if at a slower pace than in 2021. Companies will keep buying back shares as they did at a record pace last year.

There is a wide range of possible outcomes, dependent on the pace of earnings growth and the persistence (or not) of inflation. Faster growth and lower inflation could see the S&P500 significantly exceed 5,100. Lower growth and higher inflation could unwind much or all of the post-pandemic recovery. While that might sound like fence sitting, it is simply the reality of volatile equity markets. The uncertainty is the reason equity investors have historically enjoyed better returns.

The US market is particularly concentrated. Five stocks (Facebook, Apple, Amazon, Microsoft and Alphabet) account for nearly a quarter of the S&P500's value and 17% of its earnings. This means the overall level of Wall Street is highly dependent on how these stocks fare. They are beneficiaries of the winner takes all nature of the modern economy, but this concentration carries risks too, not least because of the regulatory and tax pressures they increasingly face.

A balanced US investment will recognise the strong secular advantages these businesses enjoy but also look to benefit from the more cyclical stocks that will do well as and when we learn to live with Covid and the economy re-opens on a sustainable basis.

This is a year to steer clear of companies with high labour costs, as wage rises are here to stay, and avoid businesses valued solely on the basis of uncertain future earnings growth. In a more inflationary era, with rising interest rates, companies with strong growth prospects but also high margins today will look attractive. We should not be surprised, therefore, if the shares which have dominated in recent years continue to do so.

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



# Europe

Current view ✓ Positive

3 month change ▲ Upgrade

**LAST** year saw very strong inflows into European stock markets, one of the best years in the past two decades on this measure, as global investors who had been reluctant to invest in the region revised their view. In recent years, the higher and safer growth of the US and the cheaper exposure to cyclical recovery of Asia has kept Europe off the radar. But the attractiveness of those other regions has waned for a variety of reasons. This could be Europe's moment.

Europe fared badly in the last economic cycle, but it looks better placed this time around. Rising commodity prices are a tailwind for a market with strong commodity-related sectors. Banks, although less important to the overall mix than they were before the financial crisis, should see rising earnings as bond yields increase. And the region should be a beneficiary of higher capital spending, boosted by fiscal support, thanks to its weighting to industrials.

As in the US, corporate earnings have grown strongly in 2021. While the rate of growth will slow dramatically, profits will still increase this

year and next. Europe suffered badly in the financial crisis, with earnings taking 11 years to recover their pre-crisis level.

They are already 16% above their 2019 level. That has put a cap on valuations in the region. While 16 times expected earnings is not cheap by historical comparisons, it represents excellent value when compared with the US. With a dividend yield of 3%, Europe is also well positioned versus the region's bonds which continue to offer negative yields.

As in the US, a balanced approach to sector allocation is likely to pay off. Cyclical like banks and energy companies should do well in the shorter term as recovery plays out. Further out, the more defensive big technology, healthcare and consumer companies will have their day. Europe is home to many of the world's best companies and strongest brands. Throughout the cycle, improving consumer demand will be supplemented by supportive fiscal policy targeted at infrastructure, roads, rail and renewables. Clean energy, after last year's reversal of 2020's boom, looks good value again.

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



# United Kingdom

Current view ✓ Positive

3 month change ▲ Upgrade

**IF** continental European shares look cheap on 16 times earnings, the out of favour blue-chips in the FTSE 100 look even more so on less than 13 times. Even the much higher growth FTSE 250 index, which has performed relatively well, is only on a par with the European average. There is plenty of value in the UK.

You don't need to look far to see why our domestic market has underperformed. We have relatively few technology stocks and a heavy weighting to lowly-rated banks and commodity companies. In addition to the structural headwinds, we are only a year into life outside the EU and just starting to quantify the trade-offs that going our own way has brought in its wake.

This is not necessarily such a bad thing from a stock market perspective because, as we know, the UK market is more of a play on the global economy than our own. Goldman Sachs calculates that only a quarter of FTSE 100 revenues come from the home market, roughly the same as Asia's share and a little less than North America's. Even the FTSE 250, usually presented as the more domestic investment, makes only half its sales at home.

It's worth understanding why the UK's valuation multiple has come down so sharply in a year when share prices have actually risen pretty strongly. It is a reflection of the large uplift in earnings forecasts for a market which is in the sweet spot of global recovery (commodities) and the monetary normalisation trade (banks). With an economy geared towards services, the potential for higher profits as the economy fully re-opens in due course should not be underestimated. This is a key reason why we included the **Artemis UK Select Fund** in this year's fund picks.

You might expect valuations to come down as earnings growth starts to be delivered. This is a normal feature of the equity market cycle, but a free cash flow yield of 7%, one of the highest in the world, suggests the de-rating has gone too far. Global investors who are raising their exposure to the UK clearly think so. So, too, do companies like Shell and NatWest who have been buying their shares and the corporate and private equity bidders who were picking off attractively priced companies throughout 2021.

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



# Asia and emerging markets

Current view — Neutral

3 month change ▶ Unchanged

**IF** the dominant market drivers in 2022 of slowing growth and rising inflation and interest rates are unhelpful in developed markets they are even more so in the emerging world where they have long been associated with underperformance by Asian equities outside Japan. The good news is that the dominant economy in the region, China, now tends to march to its own beat so may be less impacted than in previous cycles.

---

*“Investing in the region always carries risks...a slowdown in global growth thanks to supply chain bottlenecks, new virus strains, a disorderly withdrawal of liquidity and a geo-political crisis.”*

---

As in the rest of the world, there was a strong earnings recovery last year although, having been first in and first out of the pandemic, part of that story had already played out in 2020. Earnings rose by a third last year and the rate of growth will fall

back to around 10% a year, led by India and ASEAN markets as they emerge from Covid. China may lag due to its hardline approach to containing Covid and country-specific policy measures, in particular relating to its troubled property sector.

After a difficult 2021, valuations have pulled back and the region seems fair value given the still reasonable growth prospects. However, there remains the possibility that multiples could reduce further in the face of rising US rates. An offsetting impulse might come from investment flows which are light as global funds have steered clear of the region during its underperformance last year.

Investing in the region always carries risks. The most important of these are: a slowdown in global growth thanks to supply chain bottlenecks, new virus strains or restrictive policy in either the US or China; a disorderly withdrawal of liquidity from global markets as domestic rates rise in the US; contagion from a US correction (Asia never dodges these); and a geo-political crisis over, for example, Taiwan.

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





# Japan

Current view ✓ Positive

3 month change ▶ Unchanged

**SIMILAR** to the UK and Europe, the case for investing in Japan today is largely valuation driven. After a significant rebound in earnings in 2021 (48% expected for the year to March), growth is expected to remain in the high single digits in each of the next three years. The growth in earnings has seen the valuation of the Tokyo market fall almost as low as that of the FTSE 100 and way below Wall Street's multiple.

A slowing global economy is not such good news for a cyclical market like Japan that thrives on strong demand in its export markets. But domestic growth is forecast to be well ahead of trend, which will take up some of the slack. Consumption will bounce back after the summer's Covid-related slowdown and political uncertainty. Demand is also expected to receive a boost from higher capital expenditure, in particular the deployment of digital technologies to mitigate labour shortages.

Domestic demand will also be driven by a new economic stimulus package under the recently elected Kishida administration that will include: cash pay-outs to families raising children, low income households and students; shopping points to boost consumption; a renewed domestic travel campaign; and effectively free loans to support small and medium sized businesses.

The final positive for Japanese shares is likely to come in the form of net buying by foreign investors and a resurgence of interest from retail investors as and when the Topix index breaks through the psychological ceiling that has been in place for more than 30 years since the bursting of the 1980s stock and property boom in Japan. The positive case for Japan is well played via another 2022 fund pick the **Baillie Gifford Japanese Fund**.

---

*"The case for investing in Japan today is largely valuation driven."*

---

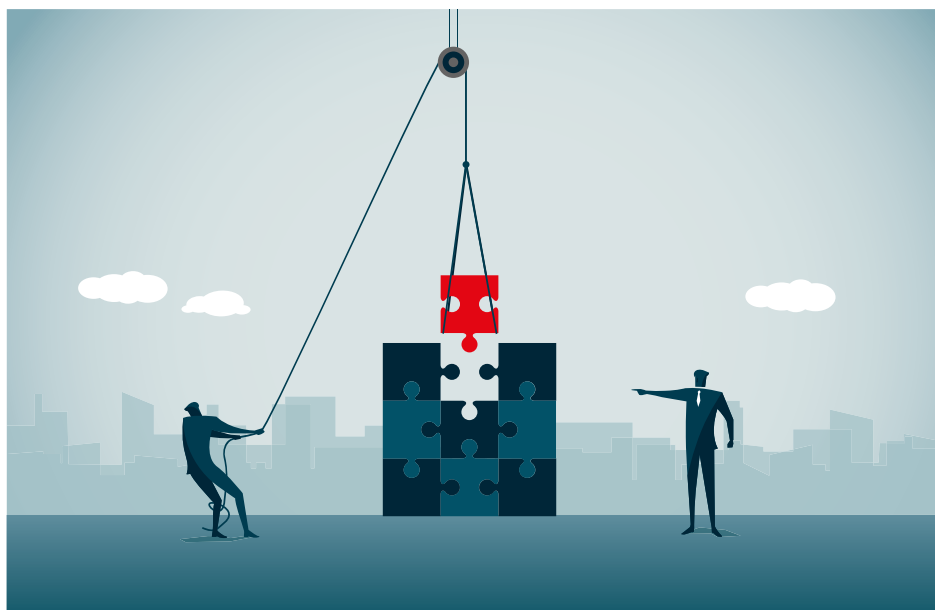
For a brief video update on Japan, scan the QR code  
or visit [fidelity.co.uk/investmentoutlook](https://fidelity.co.uk/investmentoutlook)



# In summary

**FINANCIAL** markets continue to scale a wall of worry – the only change is what investors are anxious about. We are gradually learning to live with Covid but the pandemic is giving way to a string of financial concerns: inflation, interest rates, corporate earnings and valuations. Of these four key market drivers, the most uncertain are the first two. How far inflation will rise and the measures that central banks will take to contain rising prices are the big unknowns for 2022. The good news is that earnings are still rising. If valuations hold up that should keep markets moving forwards.

As ever, a well-diversified portfolio will serve investors well. The US is where the growth is but it is the most expensive market. Shares look better value in an inflationary environment of rising interest rates than fixed income investments like bonds. Diversifiers like gold, real estate and infrastructure have a place in a balanced portfolio.



# The Personal Finance and Markets Content team

Our Personal Finance and Markets Content team are here to help you understand the world of investments, money and retirement. They provide the insights behind the headlines, highlighting interesting investment opportunities and exploring essential money topics.

Find out more about the team at [fidelity.co.uk/meet-the-team](https://fidelity.co.uk/meet-the-team)



From left to right: Tom Stevenson, Emma-Lou Montgomery, Maike Currie, Toby Sims, Jonathan Wright, Ed Monk, Becks Nunn

## The Select 50: Our experts' favourite funds

The funds on the Select 50 are hand picked from the range available on our fund supermarket. For more information on how these funds are selected visit [fidelity.co.uk/select](https://fidelity.co.uk/select). The Select 50 is not advice or a personal recommendation to buy funds. Equally, if a fund you own is not on the Select 50 (or was on the previous Select List and isn't 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.

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

% (as at 31 December)	2016-17	2017-18	2018-19	2019-20	2020-21	Morningstar Fund Rating
 Bonds						
ASI Global Inflation-linked Bond	1.8	-1.7	6.6	8.6	4.1	☆☆☆
Colchester Global Bond	-	-	-	6.6	-7.1	-
Fidelity MoneyBuilder Income	4.9	-2.4	9.6	7.8	-1.4	☆☆☆
Fidelity Strategic Bond <sup>1</sup>	4.7	-3.5	10.2	7.8	-1.0	☆☆☆
Invesco High Yield	9.4	-4.5	14.9	0.4	9.8	☆☆☆☆☆
JPM Global High Yield Bond	6.5	-3.7	12.8	4.3	5.7	-
M&G Corporate Bond	5.3	-2.5	11.3	6.0	-1.8	☆☆☆
PIMCO GIS Global Bond Fund	3.3	-0.6	6.7	6.7	-1.6	☆☆☆☆☆

<sup>1</sup>The investment policy of Fidelity Strategic Bond Fund means it can be more than 35% invested in government and public securities. These can be issued or guaranteed by other countries and governments. For a full list please refer to the fund's prospectus.

%  
(as at 31 December)

2016-17 2017-18 2018-19 2019-20 2020-21

Morningstar  
Fund Rating



Alternatives						
Aviva Investors Multi-Strategy Target Return	-2.1	-6.2	9.9	3.6	2.0	☆☆
Foresight UK Infrastructure Income	-	6.9	19.5	-0.9	6.1	☆☆☆☆
Invesco Global Targeted Returns	1.3	-3.8	3.4	-1.4	-0.5	☆☆
iShares Global Property Securities Equity Index	1.6	0.1	17.7	-11.8	28.3	☆☆☆☆
Ninety One Global Gold	0.0	-0.6	37.1	24.2	-11.7	☆☆☆☆

North America						
Brown Advisory US Sustainable Growth	-	-	-	-	31.0	-
JPM US Equity Income	7.0	-0.4	22.9	-0.6	27.5	☆☆☆☆
JPM US Select	9.7	-1.7	28.5	21.3	30.7	☆☆☆☆
Schroder US Mid Cap	5.8	-6.7	25.7	3.5	23.6	☆☆

Europe						
Barings Europe Select	23.1	-10.3	20.8	13.2	13.9	☆☆☆☆
BlackRock Continental European	18.9	-10.0	30.9	30.5	26.3	☆☆☆☆
Comgest Growth Europe ex UK	17.8	-1.0	28.3	18.6	26.4	☆☆☆☆
Fidelity Funds – European Growth	11.9	-7.9	17.7	-2.7	13.9	☆☆
JOHCM European Select Values	14.6	-13.3	1.8	10.2	4.1	☆☆
Robeco QI European Conservative Equities	13.4	-6.1	16.8	-1.3	16.2	☆☆

UK						
Artemis UK Select	21.3	-19.7	32.6	5.7	19.0	☆☆
Fidelity Special Situations	15.4	-13.5	21.7	-12.0	23.7	☆☆
Fidelity UK Select	15.7	-9.6	25.0	-6.0	20.2	☆☆☆☆
Franklin UK Equity Income	12.0	-8.9	23.7	-11.4	17.9	☆☆☆☆
Jupiter UK Special Situations	9.2	-7.3	16.3	-13.7	20.2	☆☆
Lazard UK Omega	13.7	-14.1	16.9	-5.5	15.2	☆☆
Liontrust UK Growth	14.2	-6.1	19.9	-8.3	21.0	☆☆☆☆
Majedie UK Equity	6.2	-9.6	14.3	-6.9	18.1	☆☆
Threadneedle UK Mid 250	27.6	-19.2	28.8	0.7	15.1	☆☆☆☆

The Select 50 is liable to be changed between publication dates for the Investment Outlook. For the most up-to-date list please visit [www.fidelity.co.uk/select50](http://www.fidelity.co.uk/select50)

% (as at 31 December)	2016-17	2017-18	2018-19	2019-20	2020-21	Morningstar Fund Rating
 <b>Asia and Emerging Markets</b>						
Fidelity Funds – Asian Smaller Companies	11.8	-3.4	0.8	11.5	16.3	☆☆☆
Fidelity Funds – Asian Special Situations	30.2	-8.7	17.1	18.5	-4.4	☆☆☆
Stewart Investors Asia Pacific Leaders	13.5	5.4	3.8	24.2	12.9	☆☆☆☆☆
 <b>Japan</b>						
Baillie Gifford Japanese	26.6	-12.6	18.5	18.6	1.1	☆☆☆☆
Lindsell Train Japanese Equity	24.7	0.7	16.1	3.6	-19.1	☆☆
Man GLG Japan CoreAlpha	10.8	-9.5	7.5	-14.0	16.9	☆
 <b>Global</b>						
BNY Mellon Long-Term Global Equity	13.8	2.7	24.8	14.5	19.7	☆☆☆
Fidelity Global Dividend	6.6	2.2	20.5	6.0	12.8	☆☆☆☆
Fidelity Global Special Situations	16.9	-6.5	22.3	17.8	16.6	☆☆☆☆
Invesco Global Equity Income	12.7	-9.2	20.0	1.3	22.4	☆☆☆
Rathbone Global Opportunities	20.1	-0.5	26.3	31.6	20.5	☆☆☆☆☆

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, 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 31.12.16 to 31.12.21. Basis: bid to bid with income reinvested in GBP. Excludes initial charge. The fund's primary share class according to the IA is shown. For the latest yields please call 0800 41 41 61 or visit [fidelity.co.uk](https://www.fidelity.co.uk)

# Want to make even smarter investing decisions?

If you've enjoyed our fresh take on the Investment Outlook for 2022, why not sign up for our other free email newsletters? You can opt for daily bite-sized updates or a weekly round-up that'll get you up to speed in under 15 minutes. You can even sign up for both, as so many of our subscribers do. Packed full of the personal finance and investment topics that matter to you, you'll soon be making even smarter investing decisions.

## Daily

Every weekday, we'll email you with the latest news, views and insights from our experts.

## Weekly

Every Saturday, you'll receive opinions and analysis from our team, as well as from Citywire's independent experts.



Sign up today:  
[fidelity.co.uk/  
newsletters](https://fidelity.co.uk/newsletters)

# Trust us to go further:

- Over 380 investment professionals around the world
- Fidelity looks after 1.2m UK investors
- Detailed investment approach including direct company interviews

Source: Fidelity as at 30.9.21

## For more information

please call

**0800 41 41 61**

or visit **[fidelity.co.uk](https://www.fidelity.co.uk)**

Issued by Financial Administration Services Limited, authorised and regulated by the Financial Conduct Authority. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. PSSO0824/0622

