

Fidelity Short Dated Corporate Bond

Sterling Corporate Bond

Introduction

The fund aims to deliver an income with the potential for growth. The fund will be at least 70% exposed to sterling denominated investment grade debt instruments. Investment grade is classified as bonds with a rating of BBB-/Baa or higher from an internationally recognised rating agency, with an effective maturity of 5 years or less.



[Click here to read the Fidelity approach to ESG investing.](#)

Why RSMR Rate this Fund

- Bottom up focus on credits. The managers seek to manage credit risk/spread and get a better yield than the index (BofAML 1-5 Year EuroSterling Index)
- The team view the fund as a better alternative to the index and look to actively exploit the rules-based approach of passives by purchasing securities that trackers are forced to sell, namely sub-1 year paper.
- This sub 1-year positioning offers the fund liquidity and reduced volatility.
- The fees on the fund are comparable to an index-tracker but with active management.

Fund Process

The process is driven by a large team of credit analysts who are organised on a sectoral basis. The analysts work in conjunction with the portfolio managers, traders and members of the quantitative team to source ideas for the Portfolio Managers (PMs). The PMs will also offer direction to analysts in terms of ideas which look attractive on a relative basis, and with some 90% of issues covered by analysts there is often a view on a company and an issue to hand. The team have a framework for analysts to use, much of which is focussed on opportunities to generate alpha. This is where the PMs and analysts research their high conviction ideas. There are number of structured meeting where the teams discuss ideas and views on the market, and they use customised reports to assess relative value across issuers' bonds, the wider sector and cross sector opportunities.

The managers believe there is a structural tailwind for the fund with the rise of passive investing. Passive funds use a rules-based approach and the constraints of this can provide opportunities for this fund to purchase bonds which the index trackers are selling. This has led to opportunities where short-dated bonds become available. With the universe almost entirely covered, the managers will have a view from analysts on most companies and they take advantage of this to add alpha to the strategy.

Evaluation

There is a focus on strong covenants and protection for the lender, and a number of bonds have assets backing the loans that are in the fund. The relatively short-dated nature of the fund means it tend to be a lower volatility product. The income from the fund is attractive against cash and other asset classes.

Application

The fund can be used as a core holding for either income or growth clients with the yield on the fund attractive for income seekers, or for those rolling up the income in accumulation units where it can help as a diversifier in a portfolio. The fund could be used as a source of liquidity if markets experience drawdowns and reallocations are made to equities.

Our Opinion

The fund has a lot of resource behind it with and is being positioned as a passive alternative, the lower fees make it even more compelling. The fund has shown strong performance against passives since launch, and the team believe there are structural drivers in its favour to allow this to continue.

Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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