

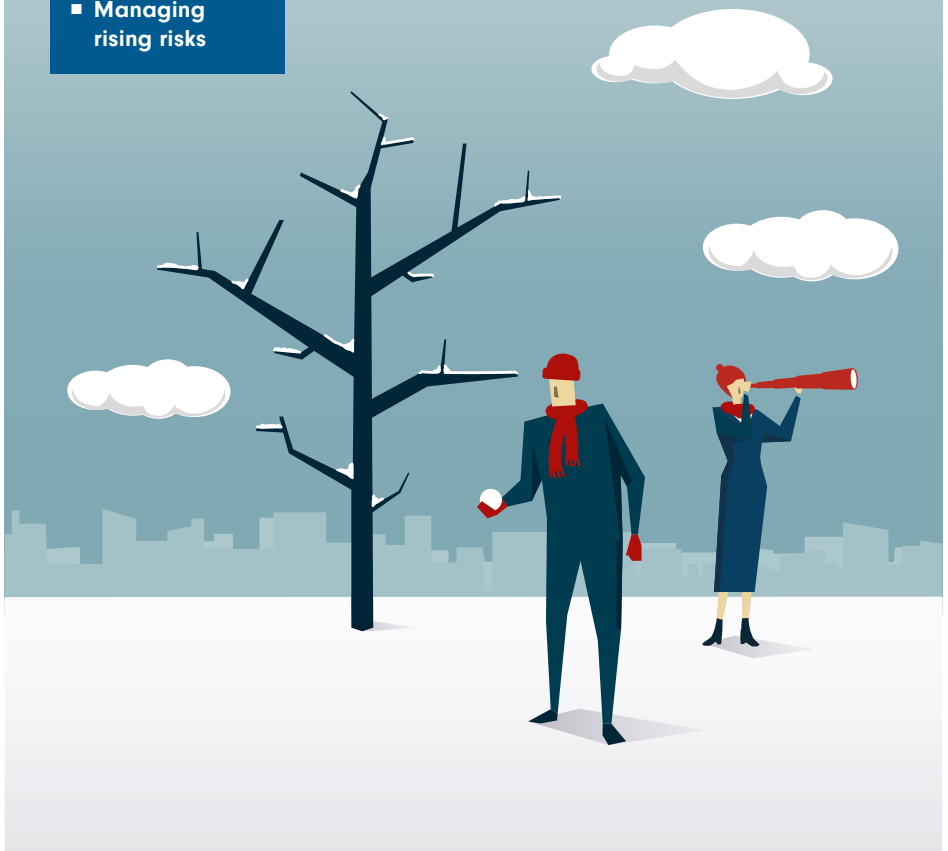
# INVESTMENT OUTLOOK

Fidelity Personal Investing's market and investment view

## In this issue:

- 2025 fund picks
- Trump 2.0
- Managing rising risks

January  
2025

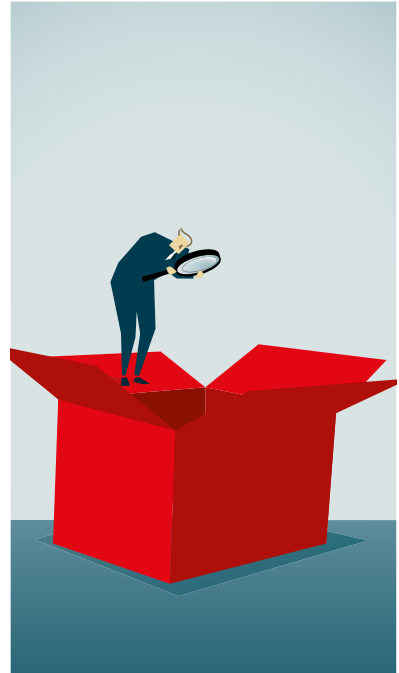


ISAs | Pensions | Funds | Shares | Advice



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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 mistake last year was not to be bullish enough. Now the challenge is to ride the Trump growth wave while managing rising risks.
 <b>US</b>	○○○●○	►	Earnings continue to grow but valuations may stall. Expect smaller, domestic stocks to pick up the baton from the Magnificent Seven.
 <b>UK</b>	○○○●○	►	The case for the UK is easy to make; it's harder to see the catalyst for a re-rating. But with such a valuation edge, some home bias makes sense.
 <b>Europe</b>	●●○○●	▼	An absence of growth is Europe's big problem and the election of Donald Trump does not help. Shares are no longer obviously cheap.
 <b>Japan</b>	○○○●○	►	Global growth, corporate reforms, supportive policy and higher earnings mean Japan's reasonable valuations are attractive in a balanced portfolio.
 <b>Asia and emerging markets</b>	●●○○●	►	Trump 2.0 complicates the picture for China's already struggling economy. More stimulus will be needed to counter tariffs and a stronger dollar.
 <b>Bonds</b>	●●○○●	▼	Inflation and fears about fiscal sustainability make it hard for bond yields to fall further. Corporate debt is priced for perfection.
 <b>Alternatives</b>	○○○●○	▲	In a maturing bull market, the need for diversification increases. Alternatives can sit alongside bonds in a balanced portfolio.
 <b>Cash</b>	○○○●○	▲	After two years of rising share prices, investors need to think about protecting their gains. Cash has an important defensive role to play.

# Can the Trump Bump last?



**Tom Stevenson**  
Investment Director

2024 looked in many ways like a re-run of 2023. A year of positive investment returns overall, with a strong start and finish punctuated by a soggy summer. In both years, markets responded to changing expectations about inflation and interest rates. But last year politics was also thrown into the mix and the re-election of Donald Trump was the defining event. The biggest mistake in 2024 was not to be bullish enough.

As in the previous 12 months, markets were led higher by the US, and in particular the Magnificent Seven tech stocks. Japan performed well, despite a wobble in August. Gold did even better than it had in 2023, but it was still outpaced by its upstart cousin Bitcoin. Bonds were once again a disappointment as the unexpected strength of the US economy kept the Fed sitting on its hands for much of the year. Oil brought up the rear but the other disappointment in 2023, China, bounced back on hopes for further stimulus.

Share prices were pushed higher by an unusual combination of stronger corporate earnings and rising valuation multiples. Traditionally, valuations move first and then fall back as profits growth emerges. When the two move in tandem, as they did in 2024, the impact on markets is powerful. Returns were underpinned by a bullish broadening out from the handful of stocks that fuelled the 2023 rally to a wider group of winners.

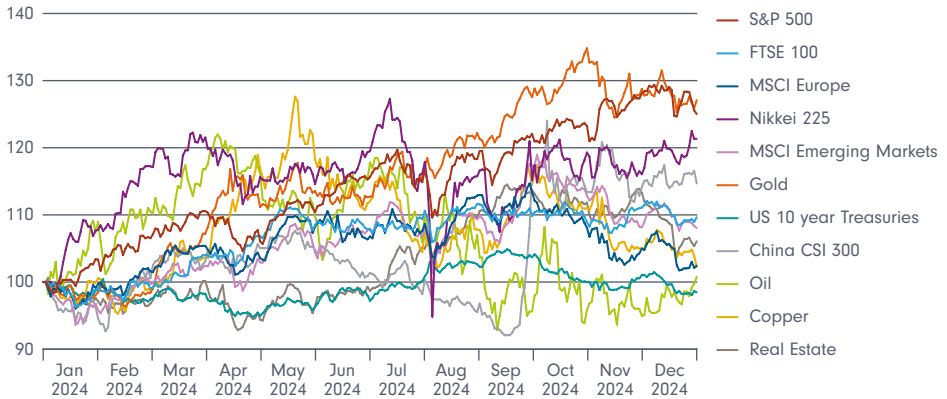
## What does 2025 hold for investors?

How a second Donald Trump term shapes up will be one of the key drivers of markets in 2025. So far, investors have responded positively to the new President's pre-announced policy platform. The expectation is that Trump 2.0 will mean tariffs, tax cuts, immigration curbs, and less regulation. That's not all good for business – it is likely to be inflationary and threatens a more unstable environment for global trade – but it does argue for continuing economic growth, especially in the US.

At the same time, the fall in interest rates that got underway in the autumn should continue through 2025, even if it is slower and goes less far than was initially expected. Inflation is clearly not beaten yet, but it feels like it is under control. Growth, disinflation and rate cuts are a healthy combination for investors.

The biggest potential headwind this year is the fact that this good news story is now well understood and has been priced into markets. The equity bull market is increasingly mature. The rise in share prices since the financial crisis is now on a par with the two great bull markets of the post-war years. When shares start this highly valued, future returns have in the past tended to be unexciting. Valuations tell us little about the short-term outlook, but they are a good guide to longer-term prospects.

The key risks to keep an eye on in the coming months are inflation and trade tensions. There are some striking similarities between the path of inflation in the past couple of years and its trajectory in the late 1960s and early 1970s. Then, as now, it looked as if inflation had been tamed only for it to return



Source: Refinitiv, total returns in local currency, 1.1.24 to 31.12.24

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

with a vengeance. As for trade, Trump's bark may be worse than his bite. But an America First philosophy naturally has negative implications for the rest of the world.

2025 could be another positive year for investors. But the challenge in the months ahead will be to maintain an exposure to the positive growth outlook while managing the increasing risks. Diversification is one good way of doing this. Dripping money into the market rather than going all in is another. Maintaining a good cash buffer to cover your expenses, so you are not forced to sell investments after a temporary setback, is one more. Cautious optimism should be the mantra this year.

### Fund Picks – still broadly positive

With the benefit of hindsight, I was too cautious a year ago. My fund picks sought to capture the safe income from cash while it was still available; they were positioned for falling inflation and lower interest rates; and they looked to be exposed to a continuing equity bull market that might or might not be driven by the Magnificent Seven.

As the chart on the following page shows, tech stocks continued to lead the way, making the **Legal & General Global Equity Index** tracker the best of the four picks over the year. **Fidelity Global Dividend** kept up for most of the year but fell behind once it was clear that Donald Trump was on his way back. The **Fidelity Cash Fund** did what it said on the tin. The main disappointment was the **M&G Global Macro Bond Fund**, which waited in vain for much lower interest rates and lost its manager to retirement.

Turning to my 2025 picks, I'm optimistic but again cautious. We've had another year of strong returns, and the bull market is another year older. But I'm conscious that momentum remains positive. The Trump Trade is not played out yet. My fund picks aim to participate in it while tilting away from the higher-priced parts of the US market.

My first pick is the **Brown Advisory US Smaller Companies Fund**. Trump 2.0 should favour smaller, more domestically focused US companies. And their valuations are less stretched than the tech giants. The Brown

team is experienced and has a conservative approach to bottom-up stock selection.

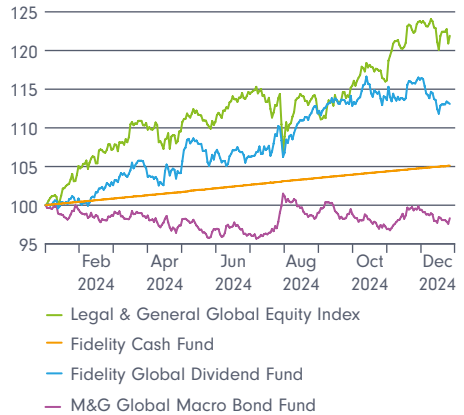
My second pick is the **Dodge & Cox Worldwide Global Stock Fund**. I've recommended this fund before and it has delivered well. It gives us global equity exposure but with an underweight to the US. That reflects its value-focused approach, although the managers are pragmatic. They will invest in growth if they can buy it at a good price.

This year, I've decided to stick with the **Fidelity Global Dividend Fund**. As interest rates fall, investors will start to look beyond cash to generate an income. I've long been a fan of this fund, and its manager Dan Roberts. It has delivered steady growth despite being underweight the US market. I like its strong valuation discipline.

My final pick for 2025 is more of a wild card. **International Public Partnerships Limited** is an investment trust that invests in essential, low-risk infrastructure. Things like schools and hospitals, transport and renewables. The stuff that people rely on for their daily

lives and which the new UK government says it is focused on. The trust offers a good dividend yield, and it has been growing its payout steadily over many years. At the time of writing, the trust also trades at a significant discount to its underlying net assets, so I think this could potentially be an entry point.

As ever, I will be investing in all four picks in my own portfolio.



Source: Refinitiv, total returns in local currency, 1.1.24 to 31.12.24

(as at 31 December)	2019-20	2020-21	2021-22	2022-23	2023-24
S&P 500	18.4	28.7	-18.1	26.3	25.0
Nasdaq	44.9	22.2	-32.5	44.6	29.6
FTSE 100	-11.6	18.4	4.7	7.9	9.7
MSCI Europe	5.9	17.0	-14.5	20.7	2.4
Nikkei 225	18.3	6.7	-7.3	31.0	21.3
MSCI Emerging Markets	18.7	-2.2	-19.7	10.3	8.1
Gold	21.0	-4.3	-0.7	12.8	26.6
Oil (WTI Crude)	-52.4	67.5	25.5	0.3	9.4
US 10yr Treasuries	12.6	-2.4	-17.0	3.6	-1.5
China CSI 300	29.9	-3.5	-19.8	-9.1	18.2
Copper	26.0	25.7	-14.1	1.2	2.2
Real Estate (S&P Global REIT)	-8.1	32.5	-23.6	11.5	3.9

Source: Refinitiv, total returns in local currency as at 31.12.24

**Past performance is not a reliable indicator of future returns, for 5 year figures please see p17-19.**

**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, Dodge & Cox Worldwide Global Stock Fund 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, Dodge & Cox Worldwide Global Stock 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 Brown Advisory US Smaller Companies Fund invests more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies and the securities are often less liquid. 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, Brown Advisory US Smaller Companies Fund and Dodge & Cox Worldwide Global Stock Fund have, or are likely to have high volatility owing to their 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](http://fidelity.co.uk). Shares in International Public Partnerships Limited are listed on the London Stock Exchange and their price is affected by supply and demand. The trust can gain additional exposure to the market, known as gearing, potentially increasing volatility.

# Shares

Current view  Neutral | 3 month change  Downgrade

We are entering a challenging phase in the market cycle for investors. On the one hand the combination of economic and corporate earnings growth with interest rate cuts is generally supportive of equity markets. At the same time, however, shares have risen a long way since they hit bottom in October 2022, and that makes them vulnerable to any disappointments in 2025.

In particular, valuations have risen alongside increasing earnings. This is an unusual state of affairs, and one that can't be expected to continue indefinitely. How it is resolved will be key to stock market returns this year. My guess is that earnings will continue to rise at a decent pace but that valuations will tread water or even decline from here. The net result will be more moderate gains this year than in the last two. Consecutive years of gains in excess of 20% are unusual. Three would be exceptional.

Around half of the return from equities in 2024 came from valuation expansion and half from earnings growth, with a modest contribution from dividends. This was not unreasonable given rising optimism about inflation and consequently hopes for lower interest rates. But all around the world (most notably in the US), shares trade on a high multiple of earnings compared with each market's history. At the start of last year, many markets were cheaper than the average for the past 20 years; today most are within or above the historic range.

Another way of looking at this is to compare the price-earnings ratio of shares with bond yields. Normally these two measures move inversely to each other, but over the past two years they have instead moved in parallel.

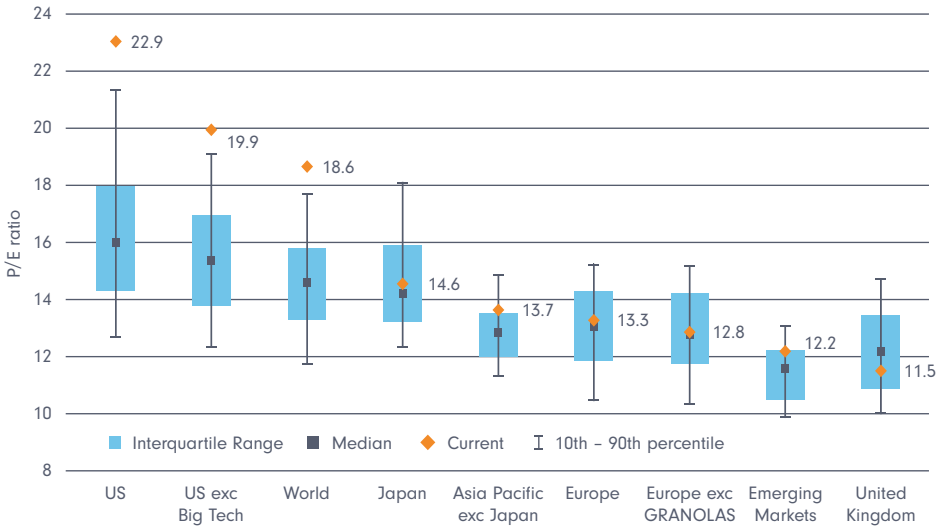
Shares have got more expensive even as the cost of borrowing and the income available from bonds has risen slightly. Investors have been prepared to accept little up-front compensation for the extra risk of investing in shares. That only makes sense if there is a high degree of confidence in future earnings growth, which may or may not be justified today.

High valuations are not by themselves a cause for concern in the short run. They can stay high for an extended period of time, and they are not a good indicator of the short-term market direction. In the longer run, however, there is a clear link between the price you pay for an investment and the returns you can expect from it. Going forward, the performance of stock markets is likely to be closer to earnings growth and that implies a higher risk of a correction if the outlook for profits deteriorates.

There are three potential risks in 2025. The first is that inflation bounces back more strongly than expected and central banks are forced to reverse interest rate cuts to get ahead of the game again. There is plenty of historical precedent for an apparent victory over inflation to be undone by a subsequent resurgence of prices. The second is that the potential benefits of the Trump Trade have been front loaded. There are many unknowns regarding tariffs and their impact on growth, inflation and investor sentiment, for example. Markets are pretty much priced for perfection. Finally, the stock market is very concentrated. What happens to the Magnificent Seven will have an outsized influence on the market as a whole.



## Global valuations: still a wide range



Source: FactSet, Goldman Sachs Global Investment Research, December 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.

Navigating these risks will most likely involve more diversification than has been necessary in recent years. Within markets, it could involve a broader spread of investments by size, style and sector. It is why my fund picks this year include a US smaller company fund. Between markets it probably means less dependence on the US market and more exposure to cheaper markets around the world. Again, that is why I have suggested a global fund with an underweight to the US as well as an income-focused fund with a bias towards Europe.



There is, however, one further risk that should not be discounted completely. Previous cycles

have ended with a bang, sharply rising prices as reluctant bulls are finally drawn into the market. By definition, such a melt-up would be unsustainable – but no-one would want to miss it.

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## United States

Current view  Positive | 3 month change  Unchanged

Wall Street has been the key driver of global stock markets for many years. In the past couple it has benefited from the Goldilocks scenario of rising valuations and higher earnings. Next year, it is likely that US shares will continue to rise but they will do so exclusively on the back of rising profits. The valuation uplift has run its course.

With earnings still increasing in the low double digits, a further rise in the S&P 500 to 6,500 looks like the best investors should hope for. My guess is that it will actually come in a bit lower than that because the current price-earnings multiple of 22 feels too high given all the uncertainties ahead. Key to that outcome is the performance of the Magnificent Seven. The gap between them and the other 493 shares in the index will narrow both in terms of earnings growth and share price.

So, now feels like the moment to look beyond the recent market leaders. In part this is an AI story. The initial winners – Nvidia and the other ‘enablers’ – have had their moment in the sun. Now investors must look to the companies that will enhance their productivity and profitability through the use of AI.

These will in many cases be smaller companies, who are also well-placed to benefit from the Trump 2.0 programme of tax cuts, tariffs and deregulation. Rising business confidence should help these more domestically focused companies catch up with the tech giants. As has been the case in the UK, mid cap stocks have a long track record of outperforming both bigger and smaller companies. They have a similar growth profile to the largest stocks and trade at a much lower multiple of earnings.

## United Kingdom

Current view  Positive | 3 month change  Unchanged

It is easy to make the case for investing in the UK market, but harder to see what the catalyst might be to make it pay. As was the case for many years with Japanese equities, UK shares’ ability to stay cheap might outlast investors’ patience. When the penny dropped in Japan, however, the returns were worth waiting for. The same could happen here.

The UK trades at an extreme discount to the US of more than 50%. Even when adjusted for the two markets’ different sector composition, the discount is more than a third. Every sector in the UK is on a discount to its equivalent in America, almost all in double digits, according to analysis by Goldman Sachs. And it’s not just compared to the US that the UK looks cheap.

Comparing valuation to profitability, the UK is one of the cheapest regions in the world.

There are lots of reasons for this. Incentives for pension funds to shun UK shares are among the most important of these. The dwindling size of the UK market in global terms is another. But there are good reasons to swim against the tide. The FTSE 100 has a big exposure to the US (29% of revenues, versus just 22% in the UK itself) and that could be a positive this year as Trump 2.0 gets into full swing. So too could be the defensive sector make-up of the UK (remember how we outperformed in 2022). A final attraction is the UK’s income profile – both dividends and share buybacks. Some home bias really does make sense.

## Europe

Current view  Neutral | 3 month change  Downgrade

European shares moved sideways in 2024, underperforming the US significantly.

That's not surprising when you consider the region's deep-seated problems – low growth, political uncertainty and indecisive policy support high among them. The election of Donald Trump as US President has not helped either. The region's export machine, notably of cars, is vulnerable to tariffs. Coupled with tepid demand from China for its luxury goods, Europe's geographically diversified revenue streams look more of a headwind than a competitive advantage these days.

An absence of growth is the main problem. GDP is slowing and that's likely to lead to flat profit margins. The oil price, which is a key driver of Europe's energy heavy stock markets, looks like remaining range bound.

Perhaps none of this would matter if European shares were really cheap. But they no longer are. A year ago, shares traded on around 11 times earnings. Now the multiple is 13, which is in line with the long-term average. As in the UK, that's a big discount to the more popular US but it is hard to see what the catalyst might be for a re-rating.

## Japan

Current view  Positive | 3 month change  Unchanged

Despite a spectacular wobble in August, and in the face of currency volatility and political uncertainty, the Japanese equity market has had a rewarding two years. The Topix index is up around 40% since the beginning of 2023. The question for investors now is whether, like the US, it can make it three in a row.

There is still a pretty strong case to be made for Japanese equities within a balanced portfolio. The first positive is the global growth outlook, which favours an export heavy economy like Japan. Domestically, too, the economic picture is positive with real wage growth expected to continue in 2025. Deflation looks like it is firmly in the past and that is allowing the Bank of Japan to normalise interest rates.

Secondly, despite the unexpected defeat of the ruling Liberal Democrats in October,

policy looks supportive. Ahead of the next election in July economic stimulus looks probable, coupled with higher spending on defence as the new US government encourages Japan to play a more forceful role in an unstable region.

Related to this, Japan is likely to be seen by overseas investors as a good backdoor way to play further Chinese stimulus. Finally, the ongoing corporate governance revolution in Japan is moving into a new phase of balance sheet restructuring and a focus on better shareholder returns from companies.

All of this is still available at a sensible price. Japan's valuations are middle of the pack. Not as cheap as Europe or the UK but much cheaper than the US. With strong earnings growth forecast for the next couple of years, the stage is set for another positive year for Japanese shares.

## Asia and emerging markets

Current view ●●○●● Neutral | 3 month change ▶ Unchanged

Things have arguably got a whole lot more difficult for Asia and emerging markets since the US Presidential election. Tariffs, a strong dollar and higher US bond yields are not a recipe for outperformance. Earnings growth is likely to be lower and valuations will be under pressure too.

In the key regional market, the Chinese authorities are expected to respond with increased stimulus. It was hoped for this that triggered the dramatic rally in share prices in September but subsequent market volatility has reflected doubts about the pace and scale of support.

Even with more stimulus, GDP growth is likely to fall further below the previous 5% target. Corporate earnings growth has been reined in by Goldman Sachs from

12% to 8%. Much will depend on the outlook for the technology sector, with the technology hardware and software sector accounting for more than a fifth of the regional index.

As well as economic policy uncertainty, and the threat of a rerun of the trade wars of the first Trump presidency, the region is also at the sharp end of geo-political volatility. That's likely to feed through into more unpredictable sentiment and valuations.

Earnings multiples look fair across the region, ranging from 11 in China to mid-teens elsewhere in the region. Further market growth will, therefore, be a reflection of improving earnings, with a high single digit rate pencilled in. The balance between risk and reward does not look compelling.



# Bonds

Current view  Neutral | 3 month change  Downgrade

The re-election of Donald Trump to the White House, and Republican control of both the House of Representatives and Senate, is as important for the bond market as it is for equities. In particular, new tariffs and deficit-funded growth might be expected to push inflation higher. That makes the case for a slower rate of monetary policy easing in the year ahead and for interest rates to end up at a higher level than might have been the case. Fears about the sustainability of US government debts could push long bond yields higher even if interest rates do continue to fall.

There is a lot of uncertainty about the trajectory of those interest rates in the US. Markets now expect a couple more cuts in 2025 which would see rates settle at between 3.5% and 3.75%. But any resurgence of inflation could push that terminal rate up a bit. Meanwhile, any slowdown in the economy – and tariffs, trade wars or geo-political events all threaten growth – could see more cuts than are currently pencilled in.

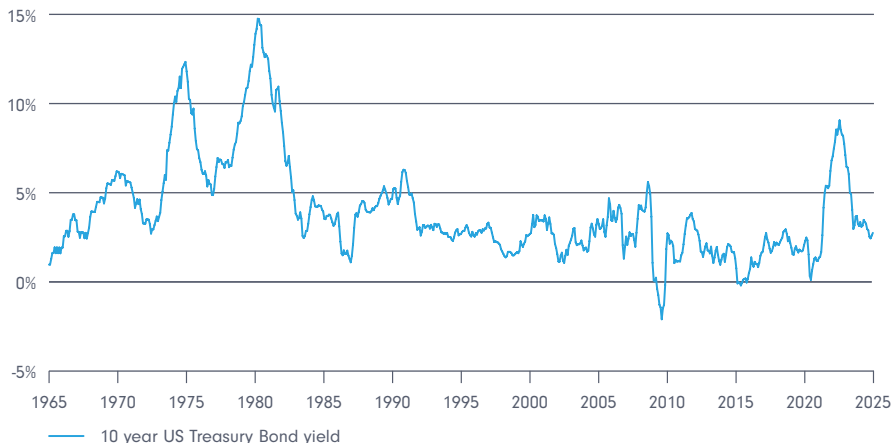
While a re-run of the Great Inflation of the 1970s seems unlikely, there are some worrying parallels with what happened half a century ago. In the second half of the 1960s, there was an inflation wave that seemed initially to have been tamed. But central banks took their eye off the ball and prices then shot much higher. It is by no means certain that the dragon of inflation has been laid to rest.

Markets are currently playing down the risk of recession, as demonstrated most clearly by the surge in share prices since the Presidential election. But some protection against a more significant slowdown would seem prudent. That is the traditional balancing role that bonds play in a portfolio.

Whether the tried and tested 60:40 split of equities and bonds will continue to work is a moot point. Bonds are now more positively correlated with shares so investors may need to look a bit further afield for the traditional diversification benefits of fixed income. Alternatives, including gold, property and infrastructure investments may need to be brought into the mix.

The picture on this side of the Atlantic is different from that in the US. In Europe, inflation is close to target and there remain concerns about economic growth. The prospect of US tariffs clouds the outlook for businesses in the region. Meanwhile, in the UK, while the threat from tariffs seems less of a concern given the US's trade surplus with us, our economy faces other problems. Business confidence has suffered in the wake of the Budget's national insurance tax rise and inflation, particularly in services, is sticky. Bond yields seem more likely to fall, pushing prices higher, on this side of the pond than in the US.

## Inflation and debt fears could push bond yields higher



Source: Refinitiv, 15.1.65 to 15.11.24

### Past performance is not a reliable indicator of future returns.

#### Corporate bonds – priced for perfection

When it comes to corporate bonds, investors have viewed the glass as being half full. Economic data has consistently surprised to the upside in the US, meaning companies have been able to borrow at a historically low rate relative to governments. The spread between the yields available on corporate versus government bonds is very tight as investors view Trump's policies as generally supportive for US businesses.

That may be too optimistic as the first cracks start to show in the US labour market while increasing numbers of households are beginning to struggle with their debts. Earnings downgrades from consumer-facing companies are on the up too. At the same time, companies outside America face a worsening growth outlook as the US looks to put its interests first. Relatively high yields mean there will continue to be an appetite for corporate bonds, but the risks are increasing and bond valuations arguably do not reflect that.

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



# Alternatives

Current view ○○○● Positive | 3 month change ▲ Upgrade

Gold was one of the best performing assets last year, despite what would normally be seen as headwinds for the precious metal – a strong dollar and high interest rates. That might be viewed as a reason to turn cautious on gold. Historically, the price has tended to move quickly higher before sliding sideways for an extended period. However, there remains a strong case for holding at least some gold in a balanced portfolio.

Goldman Sachs currently forecasts a gold price of \$3,000 an ounce by the end of the year, partly due to higher demand from central banks. Demand from these relatively price-insensitive buyers has increased five-fold since the freezing of Russia's central bank assets as fears about financial sanctions and US sovereign debt sustainability have come to the fore. In addition to this structural driver, there is a cyclical case for buying gold based on expected further cuts in interest rates. These reduce the opportunity cost of holding an asset like gold which pays no income and is, therefore, less competitive when yields are higher elsewhere.

In addition to these two positive drivers, gold could also benefit from two possible scenarios. The first is an escalation of trade tensions which could boost uncertainty and bring speculative buyers back into the market for gold, especially after the price fell back from recent highs in the wake of the Presidential election. The second is a resurgence of fears about the sustainability of US government borrowing. Gold is seen as a safe haven in the face of a decline in the credibility of paper currencies.



Source: Refinitiv, total returns in local currency, 1.1.20 to 31.12.24

## Past performance is not a reliable indicator of future returns.

Other alternative investments that are worth considering at the moment are infrastructure and real estate. The big drivers of infrastructure are digital assets, on the back of increased data consumption and the AI investment boom, and the energy transition. It remains to be seen how spending in these areas will be affected by the change of government in the US, but both look to be positive growth areas in Europe.

The real estate story is also arguably stronger over here. European real estate markets are characterised by still low prices and strong demand, especially for logistics warehouses. The office market is also looking much healthier, particularly in the brown-to-green transition as tenants seek to rent more carbon neutral buildings. There has been much less oversupply on this side of the Atlantic than in America, which will support a return to higher prices.

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



# In summary

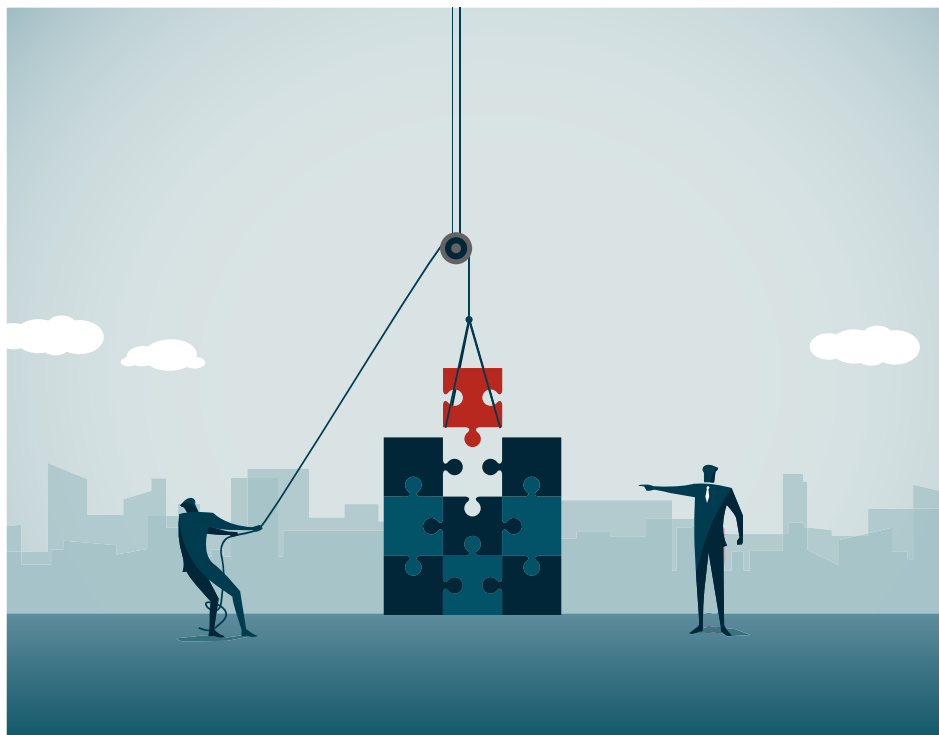
Investors have enjoyed a remarkable two years since stock markets bottomed out in October 2022. The election of Donald Trump to a second term in the White House has provided the cherry on the cake, with investors optimistic that his proposed policy agenda – tariffs, tax cuts and de-regulation – will lead to higher growth and rekindled animal spirits.

The danger is that this good news story is now firmly baked into asset prices, which enjoy historically high valuations. It can sometimes be better to travel than to arrive in the markets. Now is the time for investors

to think about managing increasing risks as much as riding the growth wave.

A maturing bull market is a tricky one to navigate. Often the best returns are captured late in the market cycle but few investors are blessed with the ability to call the top with any degree of accuracy. Investment success is as much about not losing money as it is about making it.

So, diversification and balance are key in today's markets. Hope for the best but plan for the worst is not a bad mantra at times like this.






# 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 31 Dec)	2019-20	2020-21	2021-22	2022-23	2023-24	Morningstar Fund Rating
 <b>Global</b>						
BNY Mellon Long Term Global Equity Fund	14.5	19.7	-9.3	14.8	9.6	★★★★
Dodge & Cox Worldwide – Global Stock Fund	2.2	21.4	4.9	13.9	6.6	★★★
Fidelity Global Dividend Fund	6.0	12.8	0.2	9.5	13.5	★★★★★
Legal & General Global Equity Index Fund	12.0	22.1	-7.8	16.9	19.8	★★★★
Rathbone Global Opportunities Fund	31.6	20.5	-20.4	18.3	17.5	★★★★
Schroder Global Recovery Fund	-7.3	23.9	1.6	13.8	7.7	★★
Vanguard FTSE All-World ETF	12.2	16.7	-8.6	9.3	9.9	★★★★

% (as at 31 Dec)	2019-20	2020-21	2021-22	2022-23	2023-24	Morningstar Fund Rating
 <b>North America</b>						
Brown Advisory US Smaller Companies Fund	28.6	9.1	-10.3	6.5	6.7	☆☆☆
Brown Advisory US Sustainable Growth Fund	-	31.0	-22.8	30.9	23.2	☆☆☆☆
Dodge & Cox Worldwide – US Stock Fund	2.3	32.6	2.8	10.2	16.1	☆☆☆☆
Vanguard S&P 500 ETF	14.4	29.6	-8.1	18.8	26.9	☆☆☆☆
 <b>UK</b>						
Fidelity Special Situations Fund	-12.0	23.7	-0.5	6.3	16.4	☆☆☆☆
FTF Martin Currie UK Equity Income Fund	-11.4	17.9	2.3	6.4	6.5	☆☆☆☆
iShares Core FTSE 100 ETF	-11.5	18.3	4.7	7.8	9.5	☆☆☆☆
Liontrust UK Growth Fund	-8.3	21.0	-1.1	4.7	4.6	☆☆☆☆☆
Vanguard FTSE 250 ETF	-4.7	16.7	-17.5	7.9	7.9	☆☆☆☆
 <b>Europe</b>						
Barings Europe Select Trust	-	14.2	-18.5	6.7	0.8	☆☆☆
Schroder European Recovery Fund	-6.9	17.3	6.6	13.7	-2.3	☆☆
Vanguard FTSE Developed Europe ex UK ETF	8.4	17.2	-7.8	15.4	2.4	☆☆☆
 <b>Asia and emerging markets</b>						
Fidelity Funds – Asian Smaller Companies	11.5	16.3	5.2	7.3	3.1	☆☆☆☆
Fidelity Sustainable Emerging Markets Equity Fund	-	-	-	-	0.7	-
iShares Core MSCI Emerging Markets ETF	14.9	0.7	-10.2	4.9	9.2	☆☆☆☆
Lazard Emerging Markets Fund	-2.4	6.7	-5.1	15.4	9.2	☆☆☆☆
Schroder Oriental Income Fund	5.9	6.7	0.3	3.1	12.7	☆☆☆☆
Stewart Investors Asia Pacific Sustainability Fund	24.2	12.9	-9.0	2.9	6.7	☆☆☆☆
 <b>Japan</b>						
Baillie Gifford Japanese Fund	18.6	1.1	-13.8	1.5	4.0	☆☆
iShares Core MSCI Japan ETF	10.0	1.8	-5.6	12.2	9.5	☆☆☆☆
Schroder Japan Trust	3.8	9.6	-2.1	16.4	14.8	☆☆☆☆

The Select 50 is liable to be changed between publication dates for the Investment Outlook. The next Select 50 update will be in January 2025. For the most up-to-date list please visit [fidelity.co.uk/select](https://www.fidelity.co.uk/select)

% (as at 31 Dec)	2019-20	2020-21	2021-22	2022-23	2023-24	Morningstar Fund Rating
<b>🏠 Bonds</b>						
AXA Sterling Credit Short Duration Bond Fund	2.3	-0.1	-4.2	7.8	4.2	★★★
Colchester Global Bond Fund	7.5	-7.3	-4.3	-1.1	-6.0	★★
iShares ESG Screened Overseas Corporate Bond Index Fund	6.0	-2.3	-5.3	3.1	2.9	★★★★
iShares Overseas Government Bond ETF	5.5	-5.9	-5.8	-2.3	-1.7	★★★★★
JPM Global High Yield Bond Fund	4.3	5.7	-10.8	10.2	7.6	-
Legal & General Emerging Markets Government Bond Index Fund	-0.9	-8.3	-0.3	6.4	-1.3	★★
M&G Corporate Bond Fund	6.0	-1.8	-15.3	10.6	2.0	★★★★
M&G Emerging Markets Bond Fund	2.3	-1.4	-2.2	7.8	5.4	★★★★★
Royal London Short Duration Global Index Linked Fund	4.9	4.6	-5.4	5.5	1.9	★★★★
Vanguard Global Short-Term Bond Index Fund	2.8	-0.9	-5.8	5.1	4.1	★★★★
<b>↻ Alternatives</b>						
First Sentier Global Listed Infrastructure Fund	-7.6	15.1	-2.0	0.1	8.8	-
International Public Partnerships Limited	6.9	4.4	-6.7	-4.0	-5.8	-
iShares Environment and Low Carbon Tilt Real Estate Index Fund	-11.8	28.3	-15.4	4.1	0.4	★★★
iShares Physical Gold ETC	19.9	-2.8	11.8	7.3	28.2	-
Legal & General Cash Trust	0.3	-0.1	1.3	4.7	5.2	-
Ninety One Diversified Income Fund	4.7	1.5	-5.4	6.1	4.0	★★★★
Ninety One Global Gold Fund	24.2	-11.7	1.0	3.8	10.0	★★★★
Pyrford Global Total Return Fund	2.3	3.3	1.4	5.4	3.1	★★★★★

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 31.12.19 to 31.12.24. 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 30.9.24

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