

Fund in Focus: Fidelity Global Financial Services Fund

All data as of end December 2021 unless otherwise stated

- The global financial services market is expected to grow from USD 20,490 billion in 2020 to USD 22,515 billion in 2021 at a compound annual growth rate (CAGR) of 9.9%.
- With rising interest rates on the horizon, the banking sector will likely stand to benefit from an increased profitability. When interest rates are higher, banks can earn a higher profit by taking advantage of the difference between the interest banks pay to customers and what they can earn by investing.
- The financial services industry is accelerating the adoption of technology. Rising innovations such as mobile wallets, coupled with rising smartphone adoption have paved the way for increasing FinTech transactions. The global FinTech market was valued at USD 7,301 billion in 2020 and is expected to grow at a CAGR of 26.9% to 2026.

Some financial institutions have turned the threat of Fintechs into an opportunity...



The rapid growth of the Fintech ecosystem allows firms to **externalize parts of their innovation function**, as they wait and see which new offerings gain traction before deploying their own solutions.



The rise of Fintechs **provides financial institutions with a "supermarket" for capabilities**, allowing them to use acquisitions and partnerships to rapidly deploy new offerings.

Where Fintechs have laid the foundation for further future disruption



The accelerating pace of the innovation cycle in financial services means that an incumbent financial institution's **success is predicated on business model agility and the ability to rapidly deploy partnerships**, neither of which are traditional core competencies of these institutions.



The ability to shop the Fintech landscape for capabilities is not limited to incumbents; **new entrants face significantly lower technological barriers to entering financial services**, with potential long-term implications for the competitive landscape. Fintechs that offer unique consumer convenience and marketplace entry have paved the way for further future disruption.

Source: Deloitte, *Beyond Fintech - A pragmatic assessment of disruptive potential in financial services*

Our Recommended Fund: Fidelity Global Financial Services Fund

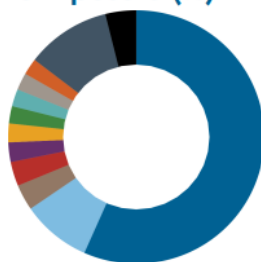
Category	Fund Size	Past Performance	
Financial Services Sector Equity	USD 2,462.6 million		
		Fidelity Funds – Global Financial Services A Acc SGD	MSCI ACWI Financial Index (Net)
		1 month	2.3
		3 months	2.4
		6 months	5.4
		1 year	26.8
		3 years p.a.	13.4
		5 years p.a.	7.5

As of end December 2021

Typically holds 55-75 names globally, predominantly in larger caps which are involved in providing financial services to consumers and industries. When constructing the portfolio, the manager assesses intrastock correlations in setting position sizes to avoid unintended risks. Current themes in the portfolio include technological transformation, cyclical recovery, and demographic trends.

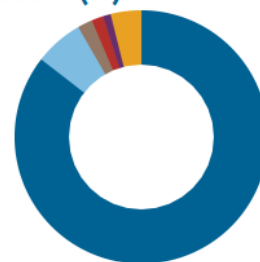
Fundamentally-focused with thematic awareness to technological transformation, cyclical recovery, and demographic trends. While the manager is aware that macro environment and regulatory backdrop have an important role to play within the financials sector, he is ultimately looking for conviction in stocks from a bottom-up perspective. The focus at the stock level is on quality and growth potential, but other purchases where valuations are compelling will also be considered.

Geographic Exposure (%)



	Fund	Index
USA	56.7	46.5
United Kingdom	8.8	4.5
France	3.3	2.1
Sweden	3.1	2.0
Switzerland	2.5	2.7
India	2.4	2.4
Netherlands	2.2	0.9
Hong Kong	2.2	2.2
China	2.2	3.8
Italy	2.1	1.4
Others	10.7	31.5
Cash*	3.9	

Sector Exposure (%)



	Fund	Index
Financials	85.5	100.0
Information Technology	6.2	0.0
Consumer Discretionary	1.9	0.0
Industrials	1.5	0.0
Communication Services	1.0	0.0
Cash*	3.9	

Certain unclassified items (such as non-equity investments and index futures/options) are excluded. *Cash refers to any residual cash exposure that is not invested in shares or via derivatives

Source: Fund Factsheet, as of end December 2021

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