

INVESTMENT OUTLOOK

Fidelity Personal Investing's market and investment view

In this issue:

- All change
- Alternatives offer balance
- The merits of doing nothing

April
2026



50th ISSUE

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
 Shares	●●●○○	▼	The Middle East conflict raises inflation, growth and credit risks. Earnings remain robust but investors are watching and waiting.
 US	●●●○○	►	The US is better protected by its oil and gas exports and exposure to the AI growth story. But valuations are still a headwind.
 UK	●●●○○	▼	The FTSE 100 is a defensive index and is better placed than the FTSE 250, which is more cyclical and exposed to higher inflation and interest rates.
 Europe	●●●○○	►	Europe has been a beneficiary of the rotation out of the US. But it is exposed to the energy crisis and no longer as cheap as it was.
 Japan	●●●○○	►	Japan entered the crisis in good shape. Politically stable, with improving governance, better growth prospects and reasonable valuations.
 Asia and emerging markets	●●●○○	►	The case for emerging markets remains intact despite its vulnerability to higher inflation and a rise in risk aversion.
 Bonds	●●●○○	▼	Bonds are exposed to all the negative second round effects of an oil price spike – inflation, higher for longer interest rates, rising credit risks.
 Alternatives	●●●○○	▲	With bonds and equities more correlated, investors need the diversification benefits of alternative investments more than ever.
 Cash	●●●○○	►	Cash is king in volatile markets. Not just dry powder, it offers increasingly attractive income as interest rates rise to match higher inflation.

All change



Tom Stevenson
Investment Director

What a difference three months makes. At the start of the year, I said the biggest mistake in both 2024 and 2025 had been a surfeit of caution. Investors had shrugged off last April's tariff shock to deliver a second consecutive year of strong returns.

As it happens, 2026 has also been a year of repeats. Stock markets peaked in February last year and fell through March as investors started to price in an unpredictable president and an imminent trade war. This time around, the White House is just as hard to read. And the conflict has become deadlier.

What is most striking about the markets' response to events in the Middle East is how resilient they have been. Investors learned a painful lesson a year ago – that over-reacting to a mercurial president's words and actions can be expensive too. Wait and see is the new market mantra.

Whether that turns out to be a sensible approach depends on what, at the time of writing, remains impossible to forecast: how long the conflict continues and how much economic pain has already been baked in.

Investors face a handful of imponderables. They are all connected.

The most important is what happens to the oil price. The closure of the Strait of Hormuz represents one of the biggest economic shocks to the world in recent years. Even if it re-opens relatively quickly, the fear is

that a Pandora's box has been opened. Energy security is more unreliable than it was. That has important implications for inflation, for monetary policy, fiscal spending, consumer confidence and much more.

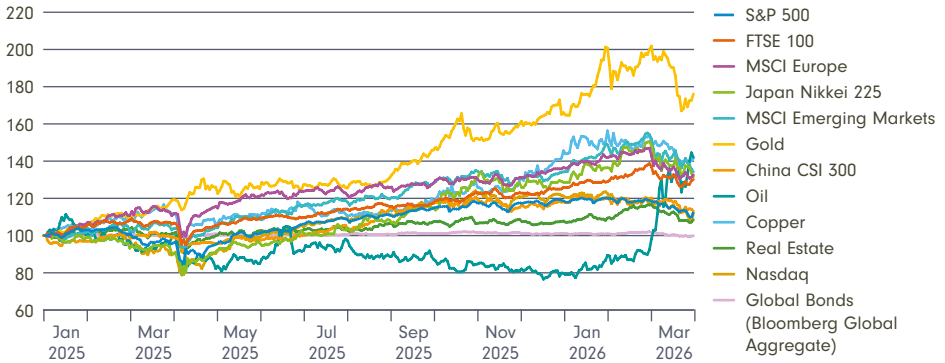
The word on everyone's lips once again is stagflation. The vicious cocktail of stagnant growth and persistently higher prices is bad news for everyone – households, governments and, especially, central banks, which are caught between the rock of controlling inflation and the hard place of stimulating growth.

The second order effects of the energy crisis have a bearing on the other big questions facing investors today. First, the impact of inflation and higher for longer interest rates on corporate, government and household creditworthiness. Cracks are already showing in the private credit markets. Second, where next for AI, which is affected by higher energy costs, credit concerns and corporate confidence. As I say, everything is linked.

Until there is more clarity, this is not a time for big bets. It may be stating the obvious, but now is a moment to put your eggs in a variety of baskets, to maintain a sensible cash buffer, and to avoid the temptation to try and time the market. As Warren Buffett says: Rule number one, don't lose money; rule number two, don't forget rule number one.

Issue 50: what have we learned?

This issue of the *Investment Outlook* is number 50. It has been a fascinating journey for me since we published our inaugural edition in January 2014. I hope I've provided some food for thought along the way.



Source: LSEG, total returns in local currency, 1.1.25 to 31.3.26

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

One of the more interesting things to observe about markets is their cyclical nature. Things are never quite the same, but there are always echoes of the past. That's not surprising because investment markets are a reflection of human psychology, and people don't change that much.

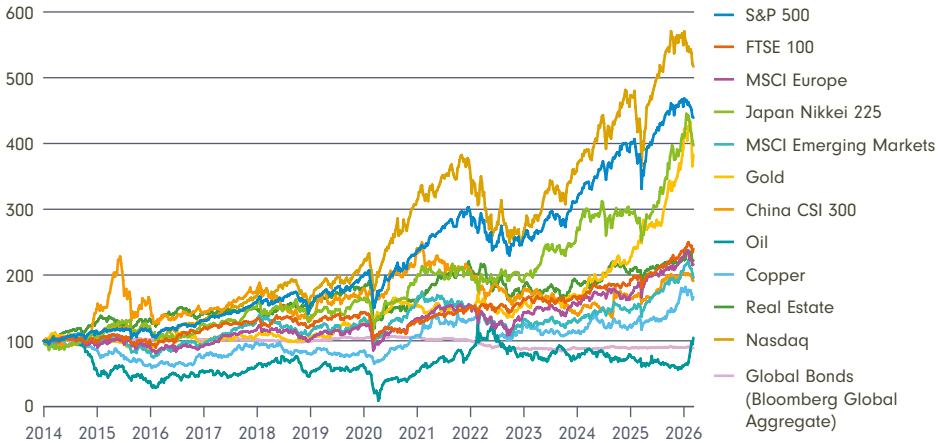
Just over 12 years ago, I was writing after a 30% rise in the S&P 500 in 2013. I concluded: 'As we enter 2014, my greatest worry is that few people are worried. That level of complacency about the investment outlook has at times in the past been a contrarian signal for investors. However, more of the same, perhaps less turbo-charged, remains my central view.'

Then, as now, the markets had plenty of surprises in store. There were still some twists and turns to come in the eurozone debt crisis, Brexit lay in the future, and the first Trump presidency. We were blissfully unaware of the Covid pandemic. The annexation of Crimea was imminent, but we could not guess what it would lead to. You almost certainly had not given artificial intelligence much thought in 2014.

If you had known everything that lay ahead, you would probably have been more cautious, more anxious about what all of that meant for your investments. But the last 12 years have been kind to investors, as the chart overleaf shows. As I often say, investment is the triumph of the optimists, and perhaps not having a crystal ball is a blessing.

Through the writing of the last fifty *Investment Outlooks*, shares have been a rewarding investment. There is a cluster of markets that have doubled over that period, although clearly it has not always been a smooth ride. The best performers – notably the US and Japan – have more than quadrupled investors' money since early 2014.

I do not get everything right – there's plenty of evidence that over the years. But I am pleased to say that the first issue's summary said: 'We prefer equities to bonds and commodities. Within equities, the US and Japan are the most attractive markets.' Sometimes in life, what seems obvious, turns out to be correct.



Source: LSEG, total returns in local currency, 1.1.14 to 31.3.26

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

Fund picks – stay the course

It's far too soon to judge the performance of my 2026 fund picks but as all three of them appeared in my Ten for 10 recommendations just over a year ago, you can take a quick peek at the three-month progress in the chart opposite. As you might expect, all of them have given back some or all of their early gains during the conflict in March. We are pretty much back to square one.

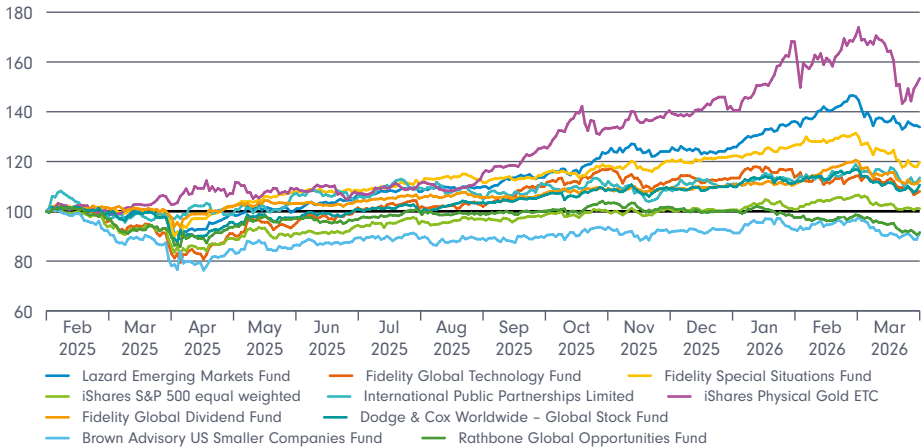
Even after the setback, the **Lazard Emerging Markets Fund** remains up, year to date. It has fallen back to where it stood at the beginning of February, a sign of how resilient markets have been to the geo-political turbulence this year. Both **Dodge & Cox Worldwide Global Stock** and **Fidelity Special Situations Fund** are back where they started the year. I am confident that all three will turn out to be good long-term investments.

The chart of the Ten for 10 picks – which you'll remember are ten funds I've committed to buying and holding for a decade – makes

a couple of important points. The first is the importance of diversification. The wide range of performance across the ten funds has delivered a more than acceptable overall return despite a couple of loss-makers.

The leaderboard has also changed over the period. Gold was clearly a big driver of overall returns last year. But the precious metal has lost its lustre during the recent downturn as investors have started to price in higher for longer interest rates and a degree of 'selling what's gone up' has gone on during the correction.

The second key point is the importance of taking a long-term view. The last fourteen months has included a couple of sticky patches in the markets. Last year's tariff shock and this year's Middle East conflict have hit investors hard. But in the long run, I expect them to fade into the background as the quality of the funds and the overall upward trajectory of markets over time get to work on our investments.



Source: LSEG, total returns in local currency, 1.2.25 to 31.3.26

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

(as at 31 March)	2021-22	2022-23	2023-24	2024-25	2025-26
S&P 500	15.7	-7.7	29.9	8.3	17.8
Nasdaq	8.1	-13.3	35.1	6.4	25.6
FTSE 100	16.1	5.4	8.4	11.9	22.6
MSCI Europe	4.1	2.0	14.8	7.5	19.9
Nikkei 225	-2.8	3.1	46.7	-10.1	45.9
MSCI Emerging Markets	-11.1	-10.3	5.6	8.7	30.3
Gold	13.1	0.7	12.1	39.4	47.3
Oil (WTI Crude)	84.3	-14.0	19.5	-2.9	47.1
US 10yr Treasuries	-2.8	-6.9	-2.3	4.2	3.8
China CSI 300	-14.9	-1.8	-10.5	13.6	17.7
Copper	18.0	-13.2	-2.6	10.2	26.9
Real Estate (S&P Global REIT)	20.0	-19.4	8.7	6.6	8.2

Source: LSEG, total returns in local currency as at 31.3.26

Past performance is not a reliable indicator of future returns.

Important information – all funds invest in overseas markets so the value of investments could be affected by changes in currency exchange rates. The shares in the International Public Partnerships Limited (INPP) Investment Trust are listed on the London Stock Exchange and their price is affected by supply and demand. The investment trust can gain additional exposure to the market, known as gearing, potentially increasing volatility.

Shares

Current view ●●○●● Neutral

3 month change ▼ Downgrade

After three and a half years of strongly rising equity markets, it is unsurprising that investors have seen the Middle East conflict as a reason to pause for breath. The backdrop is clearly less favourable than it was, with growth, inflation, credit, valuation and labour market headwinds combining to create a challenging investment environment.

The oil price is at the heart of investor concerns. At elevated levels, higher energy costs will constrain growth, and the risk of a full-blown recession rises, particularly in areas of the world most exposed to energy imports.

This is happening against a backdrop of relatively high valuations in stock markets. As the chart opposite shows, multiples of earnings stand towards the top end of their 20-year ranges. In many cases – Europe, UK, emerging markets, China – they are far from excessive, but in the US and even Japan now they do look more stretched.

Within the market, the relative valuation of more cyclical sectors compared to economically defensive ones suggests a vulnerability to rising recession risks. As investors grew more confident about the persistence of the economic cycle last year and into 2026, they increased the riskiness of portfolios. This optimism is being tested by the Middle East conflict.

Although the oil price is the primary concern, it is the second order effects that investors should be more worried about. Growing inflation worries make higher for longer interest rates likely. The longer oil stays high, the greater the risk of rising bond yields and spillover into the equity market.

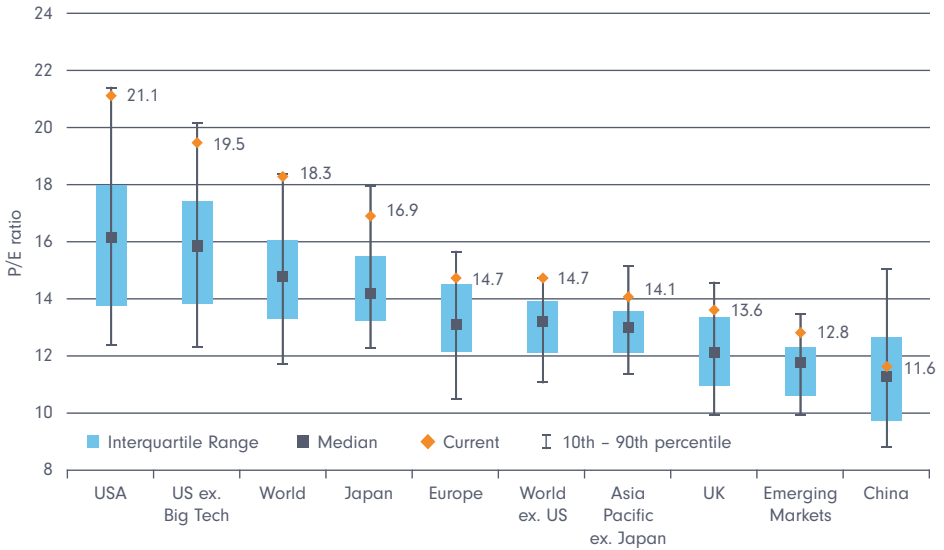
The swing in interest rate expectations has been dramatic. In the US, UK and Europe, forecast interest rate cuts have been taken off the table and replaced with predictions of modest rises in the cost of borrowing. That is bad news for households, with higher mortgage costs adding to rising energy bills and food costs; it is a worry for companies, already reluctant to hire before the conflict began; and it is a concern for governments, facing higher funding costs even as tax revenues dwindle on the back of slowing growth.

These concerns build on existing worries about the AI narrative which has driven markets higher over the past year. A rotation away from capital light businesses towards the physical world – materials, commodities, infrastructure – looks likely to continue. The question is the extent to which the overall stock market, dominated by growth sectors, technology in particular, can handle this transition.

There is good news as well, though. Corporate earnings forecasts continue to grow. In part that reflects the dwindling energy intensity of earnings, particularly in the US. And we go into this energy shock with corporate balance sheets in good shape,



Global valuations



Source: FactSet, Goldman Sachs Global Investment Research, March 2026. 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.

households having a decent buffer of savings and banks well capitalised. This doesn't eliminate risks, but it provides a cushion.

It's worth remembering, too, that energy shocks have typically had a relatively short-term impact on financial markets.

What matters is how quickly they are resolved. That, of course, remains an unknown.

So, the world is potentially not that different from how it looked a couple of months ago when investors were positioning themselves for a continued rotation out of the US into cheaper markets in Europe, Japan and the emerging world. Themes like the shift from growth to value, intangibles to physical assets, and heavier spending on supply-chain resilience and defence all look like they could resume in due course.

Further corrections look plausible. However, a prolonged downturn or bear market still looks unlikely. For that reason, we remain at worst neutral on shares. Investing through the cycle and remaining well diversified both continue to make good sense.

Fund picks: For investors looking for a simple exposure to global markets, we continue to recommend one of this year's fund picks, **Dodge & Cox Worldwide Global Stock**, along with **Fidelity Global Dividend Fund** and, for cost-conscious investors, the **Legal & General Global Equity Index Fund**.

For a brief video update on shares, scan the QR code or visit fidelity.co.uk/investmentoutlook



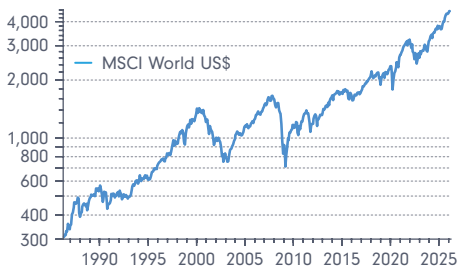
Global markets in charts and numbers

	UK	US	Europe	China	Japan	Emerging Markets
Price/earnings	13.5	21.1	15.2	12.2	16.3	14.0
Price/sales	1.6	3.1	1.7	1.4	1.3	1.8
Price/book value	2.1	4.6	2.1	1.4	1.7	2.0
Enterprise value/Ebitda	8.7	14.6	10.4	10.5	11.3	9.8
Dividend yield	3.4	1.5	3.4	2.9	2.2	3.0
CAPE	18.6	39.2	22.8	14.8	28.6	22.3

Source: FactSet, 16.03.26. Based on forecasts for 2026. CAPE data from Research Affiliates, as of 28.02.26.

The Middle East conflict has caused investors to pause the rotation out of US shares into cheaper markets around the rest of the world. A flight to the safety of the dollar, and America's relative resilience to an energy shock thanks to its oil and gas exports, explains this short-term reversal. However, the table above argues for a resumption of the trend once the crisis is resolved. The US remains far and away the most expensive market in the world, with the UK and China, and to a lesser extent Europe and emerging markets, looking much better value.

A volatile but powerful long-term trend

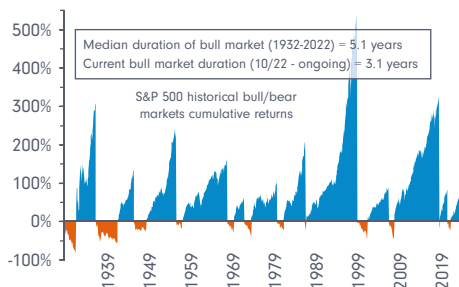


Source: LSEG, 25.3.86 to 25.3.26

At times of market volatility, it is useful to remind ourselves that stock markets have survived and thrived through many previous crises. The past 40 years illustrated above have seen the global equity index grow more than 10-fold through wars, financial crises, stock market booms and busts, a global

pandemic and multiple recessions. It has not been a straight line but, with the benefit of perspective, the trend is clear. Every time, investors fretted that this time was different. But it has always paid to invest for the long run and keep the faith.


The bull is stronger than the bear



Source: LSEG January 2026.

Corrections and bear markets are part and parcel of investing. But it is worth remembering that bull markets go on for longer and deliver more in terms of capital growth than are taken back by the intermittent setbacks that separate them. Market volatility is the price we pay for the long-term outperformance of shares over time. In the moment, it is hard to accept a fall in the value of our investments, but the long-term gains accrue to those who can take the retreats in their stride. The best way to do this is to ensure you have enough cash on hand to never be a forced seller.

United States

Current view  Neutral

3 month change  Unchanged

Markets are starting to price in the prospect of higher oil prices, weaker US economic growth and a delay to lower interest rates from the Federal Reserve. That's created a wide range of possible year-end outcomes for the S&P 500, dependent on the length of the Middle East conflict and its eventual impact on the outlook for corporate earnings. The US benchmark could as easily end the year above 7,500 or below 6,000.

Company profits continue to be boosted by the AI investment boom. That is expected to offset the drag from lower economic activity. After a slightly better than expected 2025, analysts have pencilled in low double-digit earnings growth for both this year and next. If achieved, that will keep still relatively high US valuation multiples in check.

Ultimately, whether these can be maintained at their current level will be dependent on a combination of: how the conflict concludes; where the Fed heads next with interest rates; whether the hyper-scalers can continue to justify high levels of investment in AI infrastructure; and the extent to which investors stick with or rotate away from US equities.

Within the US market, pricier oil and higher-for-longer interest rates make the relatively expensive cyclical sectors of the market less attractive than more defensive areas. Quality and growth will most likely come back into favour. Healthcare and energy have, by a wide margin, been the best areas to be invested in during previous stagflation periods.

The US is better protected than many markets due to its exposure to the AI growth theme

and oil and gas exports. But it is hard to justify too high a weighting when valuations are so much higher than elsewhere.

Fund pick: A return to quality and growth favours the **Rathbone Global Opportunities Fund**, which has endured a difficult period of relative underperformance over the past year, but is well-managed with an excellent long-term track record.

United Kingdom

Current view  Neutral

3 month change  Downgrade

The conflict in the Middle East is bad news for an already weak UK economy. It raises the risk of a material slowdown or recession and points to persistent inflation and higher-for-longer interest rates. The outlook for the housing market, a key driver of sentiment, has deteriorated.

This will show up in different ways in different parts of the stock market. The FTSE 100 is relatively resilient during market corrections thanks to the defensive bias of its constituents and its more international focus. A high energy weighting offsets domestic cost of living pressures in a \$100 oil environment.

The FTSE 250, by contrast looks exposed. It is more cyclical, weighted to sectors like consumer discretionary and housebuilders. It is also more domestically focused. Higher for longer interest rates hit mid-caps harder than blue chips. And the index is more affected by the UK's unloved market status, with persistent outflows in recent years.

The net effect of all this has been dramatic underperformance by the mid-cap index. Since 2021, the FTSE 250 has gone sideways while the FTSE 100 has risen by more than 30%. It is hard to see this set-up changing in the short-term.

The UK does have some positives. First, it is cheap, although less so than it was three years ago. The FTSE 100 bottomed out at around 8.5 times earnings in 2022 and it now stands at just over 13, which is in line with its long-term average. This, however, is still considerably cheaper than the US. The FTSE 250 is cheaper still, at around 11 times earnings.

Stock-pickers continue to find attractive companies in the UK in areas like advanced manufacturing and engineering. And the UK will continue to look attractive to investors seeking to diversify out of the US.

Fund pick: The stock picking and valuation arguments are two reasons why we recommended **Fidelity Special Situations Fund** at the beginning of the year. It remains a high-quality option for anyone looking for UK exposure.

Europe

Current view  Neutral

3 month change  Unchanged

Europe is a big energy importer and reliant on gas for its electricity generation, so it stands to be one of the main losers from an extended conflict in the Gulf. The vulnerability of the region's stock markets is amplified by the strong run they enjoyed last year, which left them more highly valued than during the last major energy shock in 2022.

There are other important differences between now and the period after the invasion of Ukraine. Consumer discretionary stocks, a key sector in the region, have underperformed due to the greater exposure of luxury goods companies to Middle East demand. Travel and leisure stocks have also taken a hit. And banks have suffered because interest rates have so far risen less than in 2022.

Europe has been a major beneficiary of the rotation out of the US, and this has been reflected in its valuation. European shares now trade at more than 15 times earnings, which is at the top end of the long-run range. The discount to US valuations has narrowed from around 30% to 20%.

Europe has also benefited from a sharper fall in interest rates than in other major markets. With inflationary pressures back on the radar, rates look more likely to rise. European valuations have tended to rise when credit spreads are tight and when inflation sits in the 1-2% sweet spot. Neither can be relied on now.

So, investors in European shares will be even more reliant on the higher defence and infrastructure spending narrative which drove prices higher early last year. Events in the Middle East underline the importance of greater resilience and independence for the region. It remains to be seen whether rising borrowing costs will limit governments' ability to implement the necessary spending programmes.

Fund pick: The Select 50 has growth, value and low-cost options for investors seeking exposure to Europe: **Barings Europe Select**, **Schroder European Recovery** and **Vanguard FTSE Developed Europe ex UK UCITS ETF**.

Japan

Current view  Positive

3 month change  Unchanged

Japan entered the current crisis period in good shape, so although it is vulnerable as a big energy importer, a quick resolution could see sentiment bounce back relatively rapidly. The stock market was powering ahead in the first two months of the year, building on the strong gains of 2024 and 2025.

Political stability following Prime Minister Sanae Takaichi's decisive election victory has reinforced confidence in Japan's economic policy outlook and supported expectations of sustained domestic demand and strong earnings growth. With a two-thirds majority in the lower house of parliament, the new PM enjoys the kind of dominance that should support continued market strength.

The economic backdrop was improving before the latest energy shock. Corporate pricing power was improving, positive wage growth supported consumer spending and ongoing governance reforms continued to boost investor appetite, both domestic and from overseas.

Of course, all of that preceded the latest events in the Middle East. Following the strong gains in recent years, Japanese shares were vulnerable to a correction, and it has duly come. But it is important to see the setback in context. Shares remain in positive territory year to date and well ahead of the low point reached after the tariff shock last April.

It is worth pointing out, too, that Japan learned important lessons from the 1970s oil crises. Oil represents only a tiny proportion of the fuel for electricity generation and much of the gas it does use comes from Australia and other non-Middle East producers. It has furthermore built up a massive inventory of energy reserves, enough for around nine months of demand.

Fund picks: Japan exposure via the Select 50 is available in a growth flavour through **Baillie Gifford Japanese**, value through **Schroder Japan** and low-cost through the **iShares Core MSCI Japan IMI UCITS ETF**.

Asia Pacific and emerging markets

Current view  Positive

3 month change  Unchanged

Emerging markets had an exceptionally strong start to the year, with equity markets boosted by positive inflows as investors saw the investment class as a way to diversify away from the US. Unsurprisingly, the areas that were strongest before the conflict were hit hardest in the initial reassessment. Korea is the most striking example; the Kospi index doubled between June and February and then fell by around 20% in the first week of the conflict.

Historically, oil supply shocks have not been kind to emerging markets. Shares have declined on average by about 30% from peak to trough, not bottoming out for several months after the peak in the oil price. So, much will depend on how long the conflict lasts, and what the world looks like afterwards in terms of inflation, ongoing tensions, the level of the dollar and recession risks.

Importantly, however, emerging markets have become less sensitive to oil prices over the years as benchmarks have leaned away from commodities and more towards technology, services and innovation. Key importers have also cut their energy sensitivity. Policy tools are implemented more to protect near-term earnings from oil shocks so, for now, analysts are not factoring in a major hit to EPS.

The long-term case for emerging markets remains largely intact: faster economic growth; positive demographics; ongoing urbanisation; a move up the value chain from manufacturing to services and innovation. Investors are paying more for emerging market earnings, and those earnings are growing faster, making the re-rating more

durable. Policy frameworks are also better than they used to be. Emerging markets targeted inflation earlier and so still have room to ease policy, assuming the current crisis does not send prices sharply higher.

We should expect volatility in the short term. An energy shock after a strong run for emerging market shares is a dangerous combination. But along with Japan, EM remains one of our favoured investment destinations for a balanced portfolio.

Fund pick: The **Lazard Emerging Markets Fund** is one of our fund picks for 2026. Despite the current uncertainty it remains ahead year to date, and we continue to rate the fund highly.

Bonds

Current view ●●●● **Neutral**

3 month change ▼ **Downgrade**

The bond market was in the spotlight even before the Middle East conflict began, with growing concerns about credit quality and the impact of AI on sectors like software that have taken on large loans in recent years. The surge in the oil price, a core component of inflation baskets, accentuates those concerns.

Rising inflationary pressures have triggered a big swing in interest rate expectations in many markets, with the UK particularly at risk due to its dependence on gas for electricity generation and domestic heating. Hopes for monetary easing through the rest of 2026 have been shelved, with markets now pricing in modest hikes in the cost of borrowing instead.

That has pushed bond yields back up to levels last reached before the financial crisis in 2008, creating a stagflation environment of sluggish growth and persistent inflation.

Higher borrowing costs are bad news for households, raising mortgage and other loan costs; they are bad for companies, increasing their cost base and reducing profit margins; and they are bad for a cash-strapped government. They make the job of the central bank – managing inflation while supporting growth – more difficult.

Beyond interest rates and government bond yields, corporate bonds have been priced for perfection. Credit valuations, like those in some stock markets, have assumed little to no material risk. The current crisis will test that optimistic assumption. For now, there has been only a modest rise in credit spreads, but further weakness looks possible.

Bonds have a twin role in a balanced portfolio. They offer reliable income, and they can smooth the investment journey if they behave differently from equities. The income story looks to be ever more attractive, with 10-year government bond yields now back close to 5%. But the diversification case is harder to make as the correlation between bonds and equities increases. The risk is that we experience a re-run of 2022 when falling equity markets were magnified by lower bond prices.

Short duration government bonds, which capture income but with less interest rate and inflation risk, look the most attractive part of the market.

Fund picks: The Select 50 has a bias towards shorter duration funds for the reasons stated above. The **Royal London Short Duration Global Index Linked Fund** combines inflation protection with short term loans to reduce risk.

For a brief video update on bonds scan the QR code
or visit fidelity.co.uk/investmentoutlook



Alternatives

Current view ○○○●○ Positive

3 month change ▲ Upgrade

One of the main concerns about the Middle East conflict is that it might be bad news for both equities and bonds. A rising oil price, if it persists for any length of time, could hit economic growth, which would be bad for shares, but it would also stoke higher inflation, which would lead to higher interest rates and bond yields. These move inversely to bond prices.

This was the story in 2022 after the Russian invasion of Ukraine triggered the last energy crisis. Bonds and shares fell in tandem. And that was bad news for anyone investing with a traditional 60/40 split between the two assets. Investors are consequently looking at how to bolster their defences against that scenario, and this is where alternatives can make a contribution.

There are three main ways we can shore up our portfolios: hold more cash; reduce the interest rate sensitivity of the bonds we hold; and increase the proportion of alternative investments such as total return funds, infrastructure, diversified income funds and precious metals.

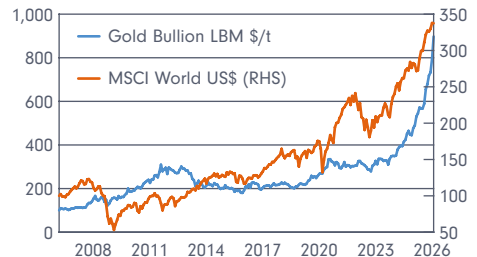
Gold has been a big help in recent years, but since the crisis began it has lost its lustre. In part this is because investors have tended to sell what has gone up most. Gold has started to behave more like another risk asset than a safe haven. This is in line with previous episodes in which gold has spiked higher and then drifted for an extended period. It may mean that investors need to look further afield for diversification.

As countries seek to build more resilience in an increasingly fragmented and uncertain world, infrastructure spending is likely to increase. Coupled with the high and reliable income that infrastructure investments tend to offer, this is one place investors could look for further balance.

Total return funds, which aim to deliver a smoother ride through the cycle than equities or bonds can provide, are another option. Diversified income funds can provide ballast, too, as a solid income stream naturally underpins capital values and finding it in a variety of different places adds stability.

Fund picks: Fortunately, the Select 50 has a good selection of alternatives to help investors put their eggs in a range of baskets. These include: the **Legal & General Cash Trust; First Sentier Global Listed Infrastructure Fund; International Public Partnerships; iShares Physical Gold ETC; Ninety One Global Gold Fund; Ninety One Diversified Income Fund; Pyrford Global Total Return Fund.**

Same destination, different route



Source: LSEG, 31.3.06 to 31.3.26

Past performance is not a reliable indicator of future returns.



For a brief video update on alternatives, scan the QR code or visit fidelity.co.uk/investmentoutlook

In summary

Bull markets do not die of old age. They are usually curtailed by events – often inflation, rising interest rates, or recession. Generally, it's a combination of these, combined with stretched valuations.

After three and a half years of rising share prices, the market was to an extent living on borrowed time. When the Middle East conflict and associated energy shock came along, it was pushing on an open door. It is no surprise that the bull has paused for breath.

That is not to say that all this was expected. Looking back at the Outlook from January, it is clear that a regional conflict in the Gulf area was not top of investors' worry list. Yet again, a strong case has been made for careful preparation – hope for the best, plan for the worst.

The market reaction to the latest geopolitical upheavals has been muted. It is not hard to see why. Recent history has shown the risks of over-reacting to apparently

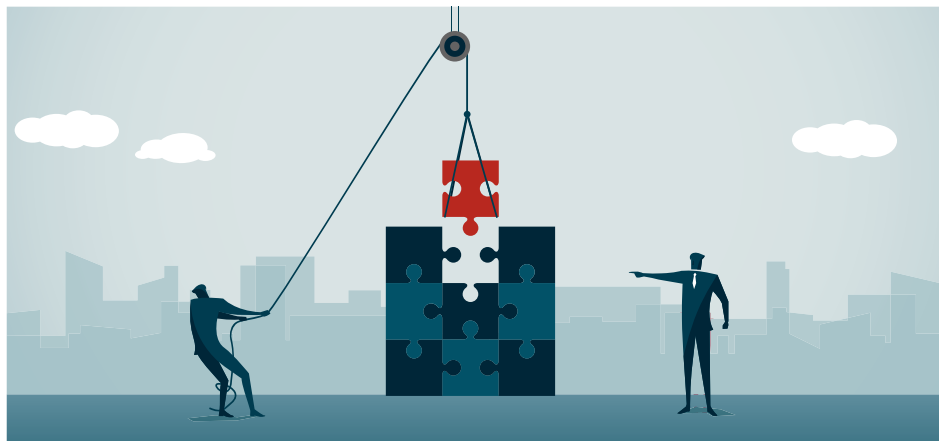
negative news. Buying the dips has been a profitable strategy.

But it would be foolish to assume that all this will blow over quickly, allowing markets to get back on track as if nothing had happened. The damage inflicted over the last month or so cannot all be cleared away by bulldozers. The energy markets are less predictable. The outlook for inflation and growth less favourable. Trust has been dealt another blow.

But these kind of episodes in the market should act as a prompt to stand back and look at the big picture. I always revert to the long run chart on page 10 when I need to remind myself that markets have survived and thrived through a great deal over the years.

It is not a straight line, but the trend is clear. The benefits of the long run outperformance of stock markets accrue to those with the patience and discipline to accept the ups and downs that come with the territory.

There is a lot to be said for doing nothing.









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. 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. Investment values (and income from investments) can go down as well as up, so you may get back less than 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 March)	2021-22	2022-23	2023-24	2024-25	2025-26	Morningstar Fund Rating
 Global						
BNY Mellon Long Term Global Equity Fund	13.0	2.1	17.3	-6.1	2.7	☆☆☆
Dodge & Cox Worldwide – Global Stock Fund	15.5	2.8	18.0	3.1	13.4	☆☆☆☆
Fidelity Global Dividend Fund	8.1	4.8	12.3	11.4	12.8	☆☆☆☆
Legal & General Global Equity Index Fund	15.6	-3.0	23.0	3.1	19.1	☆☆☆☆☆
Rathbone Global Opportunities Fund	9.0	-6.6	25.2	3.1	-0.9	☆☆☆☆
Schroder Global Recovery Fund	9.7	8.5	11.1	5.3	24.9	☆☆☆
Vanguard Global Small-Cap Index Fund	3.5	-3.5	13.2	-2.4	23.5	☆☆☆☆


% (as at 31 March)	2021-22	2022-23	2023-24	2024-25	2025-26	Morningstar Fund Rating
 North America						
Brown Advisory US Smaller Companies Fund	-0.6	-0.6	10.6	-9.2	5.9	☆☆☆
Brown Advisory US Sustainable Growth Fund	18.0	-4.0	31.5	-4.5	-1.8	☆☆
Dodge & Cox Worldwide – US Stock Fund	19.8	-2.0	21.9	6.4	3.3	☆☆☆☆
Legal & General S&P 500 US Equal Weight Index Fund	-	-	-	-	9.9	-
Vanguard S&P 500 ETF	20.9	-2.0	26.8	5.7	15.0	☆☆☆☆
 UK						
Fidelity Special Situations Fund	8.7	3.0	11.5	12.5	21.5	☆☆☆☆☆
FTF Martin Currie UK Equity Income Fund	14.6	3.7	4.0	9.1	21.7	☆☆☆☆
iShares Core FTSE 100 ETF	16.0	5.3	8.2	11.7	22.5	☆☆☆☆☆
Liontrust UK Growth Fund	13.2	3.2	7.3	0.9	2.1	☆☆☆
Vanguard FTSE 250 ETF	0.4	-7.9	8.5	0.8	12.7	☆☆☆☆☆
 Europe						
Barings Europe Select Trust	-4.3	-1.1	5.8	-3.4	12.0	☆☆☆
Schroder European Recovery Fund	7.7	15.7	5.0	5.9	22.4	☆☆☆
Vanguard FTSE Developed Europe ex UK ETF	6.1	8.1	13.2	3.3	15.8	☆☆☆☆
 Asia and emerging markets						
Federated Hermes Asia ex-Japan Equity Fund	-3.7	2.0	3.9	11.7	27.3	☆☆☆☆☆
Fidelity Funds – Asian Smaller Companies	5.6	8.9	7.5	-0.7	15.4	☆☆☆☆
Fidelity Responsible Emerging Markets Equity Fund	-	-	-3.0	-2.3	19.0	-
iShares Core MSCI Emerging Markets ETF	-5.5	-4.6	7.1	4.5	27.4	☆☆☆☆
Lazard Emerging Markets Fund	1.7	0.5	13.8	8.7	37.5	☆☆☆☆☆
Schroder Oriental Income Fund	0.8	-0.3	4.9	7.6	40.3	☆☆☆☆☆
 Japan						
Baillie Gifford Japanese Fund	-8.5	-5.4	8.4	-2.3	7.5	☆☆
iShares Core MSCI Japan ETF	-3.2	1.5	20.2	-2.7	23.7	☆☆☆
Schroder Japan Trust	0.5	2.4	28.4	-1.5	35.3	☆☆☆☆☆

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

%
(as at 31 March)

2021-22 2022-23 2023-24 2024-25 2025-26 Morningstar Fund Rating

 Bonds						
AXA Sterling Credit Short Duration Bond Fund	-1.6	-1.1	6.6	5.1	4.0	☆☆☆
Colchester Global Bond Fund	-2.9	-1.9	-4.3	-0.7	2.4	☆☆☆
iShares ESG Screened Overseas Corporate Bond Index Fund	-1.2	-1.1	3.0	2.6	3.2	☆☆☆☆
iShares Overseas Government Bond Index Fund	-2.6	-2.8	-3.8	-0.4	-0.6	☆☆☆
JPM Global High Yield Bond Fund	0.1	-5.6	9.4	7.7	6.8	-
Legal & General Emerging Markets Government Bond Index Fund	-3.6	5.4	2.7	1.0	8.6	☆☆☆
M&G Corporate Bond Fund	-4.6	-7.8	7.5	2.3	3.8	☆☆☆
M&G Emerging Markets Bond Fund	-3.2	5.1	10.1	3.1	9.0	☆☆☆☆☆
Royal London Short Duration Global Index Linked Fund	4.7	-3.0	2.6	4.3	4.4	☆☆☆☆
Vanguard Global Short-Term Bond Index Fund	-3.4	-1.5	3.8	5.5	3.7	☆☆☆

 Alternatives						
First Sentier Global Listed Infrastructure Fund	13.7	-5.5	-0.3	14.5	16.6	-
International Public Partnerships Limited	7.5	-12.4	-9.3	-3.5	24.9	-
iShares Environment and Low Carbon Tilt Real Estate Index Fund	20.4	-18.9	6.3	1.2	5.0	☆☆☆
iShares Physical Gold ETC	19.4	8.0	9.7	37.4	44.6	📈
Legal & General Cash Trust	0.0	2.2	5.1	5.0	4.0	📈
Ninety One Diversified Income Fund	-1.2	-1.2	4.3	4.8	6.1	☆☆☆
Ninety One Global Gold Fund	29.0	-7.2	-6.1	45.6	98.5	☆☆☆☆
Pyrford Global Total Return Fund	4.0	1.2	4.4	5.0	8.5	☆☆☆☆

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 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 31.3.21 to 31.3.26. 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 31.12.25

For more information

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