

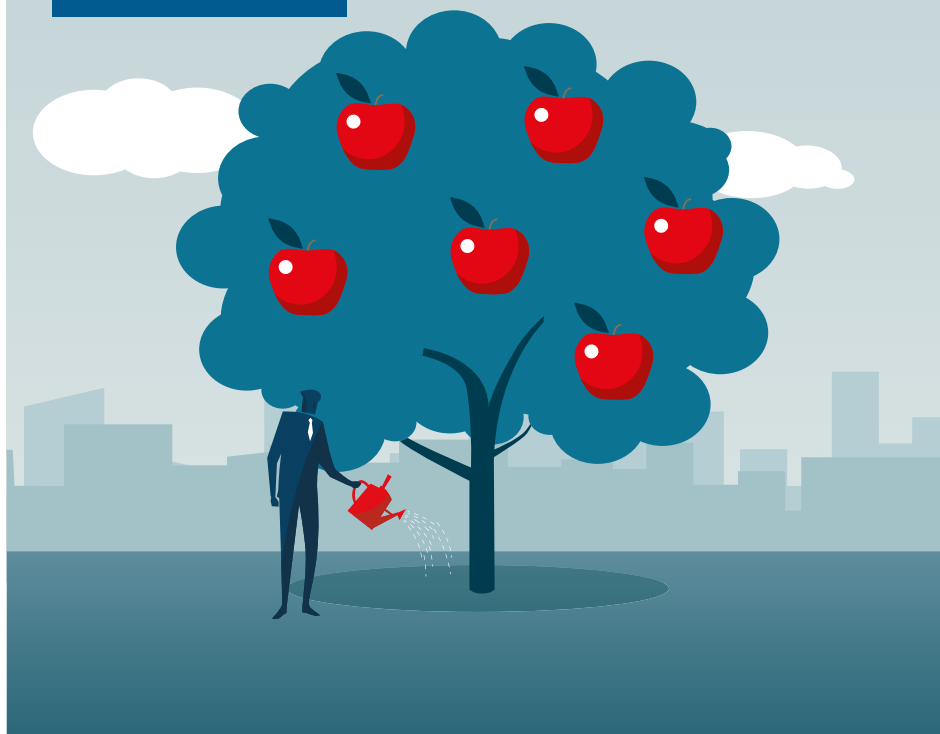
# INVESTMENT OUTLOOK

Fidelity Personal Investing's market and investment view

## In this issue:

- America passes the baton
- Shares march back to the top of the hill
- The case for broader diversification

July  
2025



ISAs | Pensions | Funds | Shares | Advice



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**Important information** – Investment values (and income from investments) can go down as well as up, so you may get back less than you invest. 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. Property and land can be difficult to sell so an investor may not be able to sell this investment when they want to. The value of property is generally a matter of a valuer's opinion rather than fact. Reference to specific shares is not a recommendation to buy or sell. Any investment views expressed may no longer be current. This is not a personal recommendation for a specific investment. If you're not sure which investments are suitable for you, consult Fidelity's advisers or another authorised financial adviser.

# 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>	●●●●	►	Stock markets have been resilient in the face of worrying economic and geo-political developments. But the bull market is mature.
 <b>US</b>	●●●●	►	There are reasons to consider a lower US exposure. But America's advantages were built over decades and won't disappear.
 <b>UK</b>	●●●●	►	The UK has an undeserved reputation as a laggard. In total return terms it continues to earn its place in a balanced portfolio.
 <b>Europe</b>	●●●●	▲	Europe heads the half-year leaderboard. But the case for rebalancing towards the region remains compelling.
 <b>Japan</b>	●●●●	►	Japan has disappointed but positive inflation is back, sentiment improving, and the case for this still cheap market is strong.
 <b>Asia and emerging markets</b>	●●●●	►	Emerging markets are yet to feel the benefit of the rotation out of US assets. But there are good reasons why they should.
 <b>Bonds</b>	●●●●	▼	Interest rates should continue to ease but inflation and policy risks are pushing long yields higher while corporate spreads are tight.
 <b>Gold</b>	●●●●	►	Gold has run a long way but demand for this perennial safe haven is high, and miners are benefiting from wide margins.
 <b>Cash</b>	●●●●	►	The income offered by cash remains compelling and investors should continue to hold some dry powder for volatile times ahead.

# Climbing the wall of worry



**Tom Stevenson**  
**Investment Director**

A lot can happen in three months. Our last quarterly Outlook coincided with the announcement of Donald Trump's 'liberation day' tariffs and their almost immediate postponement just a week later. That might seem like ancient history now, with events in the Middle East moving centre stage. But both trade and geo-political uncertainty will continue to be key drivers of market sentiment during the rest of 2025. At the same time, concerns about the sustainability of government finances (particularly in the US) are mounting.

The market response to this rapidly changing backdrop has been volatile and ultimately surprising. If someone had said in January what the first six months of the year would bring, few of us, I suspect, would have predicted that stock markets would be flirting with new highs by the end of June. But at the time of writing, the S&P 500 stands within striking distance of the peak level it reached in February. There is a lesson here in not obsessing over rolling news but instead keeping an eye on the investment horizon. Investing has always been the 'triumph of the optimists'.

Increased tensions in the Middle East are measured initially via the oil price. A rising risk premium for oil increases the chance of stagflation (sluggish growth coupled with persistent price rises). Our strategists put the probability of this unhelpful outcome at 40%. At the same time, while concerns over tariffs

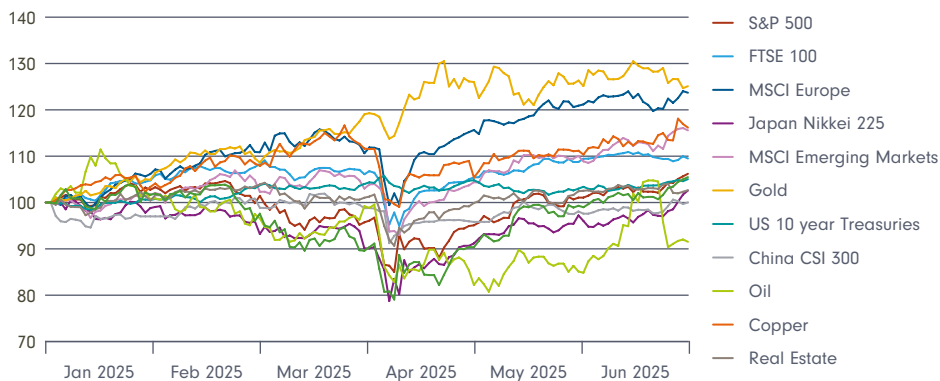
have eased somewhat, trade frictions are greater than they were six months ago, with negative implications for both growth and inflation. Meanwhile, the so-called One Big Beautiful Bill currently working its way through Congress promises higher US deficits long into the future.

Anyone with accumulated assets will be forgiven for looking at all of this and thinking as much about preserving their capital as growing it. Now feels like a good time not to be taking big bets on an unpredictable future.

The V-shaped recovery in stock markets since the spring low has clawed back almost all the losses incurred between February and April. This round trip has left investors in many cases where they started the year or better. It has provided a second opportunity to rethink asset allocation and ensure portfolios are adapted to a changed world. Many investors are reviewing their exposure to the US in light of what is being described as the end of 'American exceptionalism'. This seems sensible, and there are plenty of interesting alternatives for them to consider.

As the chart overleaf shows, with the exception of oil, which remains cheaper than six months ago, most investments have enjoyed a positive start to the year. The leadership has clearly changed, and in ways that may not have been predictable. Once again, a strong case has been made for putting our eggs in a variety of baskets.

Diversification has never been more important – but it is no longer a simple case of dividing our investments between fixed income and shares. As interest rates and bond yields rise, the correlation between these traditional portfolio building blocks has risen. And that



Source: Refinitiv, total returns in local currency, 1.1.25 to 30.6.25

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

means investors must work harder to create balance and enjoy a smoother ride. Gold, property, infrastructure, absolute return strategies and cash all have a role to play.

## Fund picks

The first half of 2025 has been a testing period for my fund picks, both the four I made at the start of the year and the follow up 'Ten for 10' portfolio that I introduced in February. This broader list included the four initial picks and stretched it to include six more investments that I intend to hold for an extended period – hence Ten (funds) for 10 (years).

Starting with the four picks for this year, I clearly misread the mood with regard to the US stock market, and in particular, smaller companies. I was not alone. There was a broad consensus that Donald Trump's America First policies would benefit the US. In the short term this looks far from certain. The **Brown Advisory US Smaller Companies Fund** is a good way to gain exposure to the US domestic market, and in the long run I am sure this will pay off. But we are still waiting.

Meanwhile, the two global funds have done what I hoped they would. They have provided ongoing exposure to global equity markets, but with a lower weighting to the big tech stocks that looked vulnerable to a correction at the start of the year. The **Dodge & Cox Worldwide Global Stock Fund** and the **Fidelity Global Dividend Fund** are good long-term holdings, with the latter having a useful bias towards Europe during a period when this market has performed strongly.

Finally, the **International Public Partnerships** investment trust has recovered well from a shaky start. It is a play on the UK government's determination to reverse years of underinvestment in Britain's physical infrastructure – schools, transport, energy, healthcare and the like. I think this will be a good long-term investment. As I hoped, the discount to net assets at which the shares trade has narrowed significantly. And the trust continues to offer a high and growing dividend.

Turning to the Ten for 10 list, it's a similar spread of winners and losers, although

because I am taking a ten-year view of these investments I'm less concerned about their short-term performance. More important is whether I have the right mix of assets and geographical exposure. On that, I would say the list feels a little too US-focused given my evolving thinking on that aspect of my portfolio. But this is balanced by a strong UK component in **Fidelity Special Situations**, Europe via **Global Dividend** and an excellent emerging markets fund from Lazard. Part of the US weighting is accounted for by a long-term outperformer, **Rathbone Global Opportunities**, so I'm relaxed about this. Were I to tweak the list today, I would probably add in some more Europe and Japan.

It's worth re-iterating that this list is not meant to be advice. It reflects my personal investment approach. If you are looking for advice on your investments, then please do seek it out from a qualified adviser at Fidelity or elsewhere. I would add that while I am invested in all ten of the funds on this list, they do not represent the entirety of my portfolio which is more widely diversified,

with a considerable cash buffer to ensure I am never a forced seller and can indeed plan on holding these funds for the long haul.

A reminder of how the list is structured:

### Growth:

- **Rathbone Global Opportunities**
- **Brown Advisory US Smaller Companies**

### Value:

- **Fidelity Global Dividend**
- **Dodge & Cox Worldwide Global Stock**

### Defence:

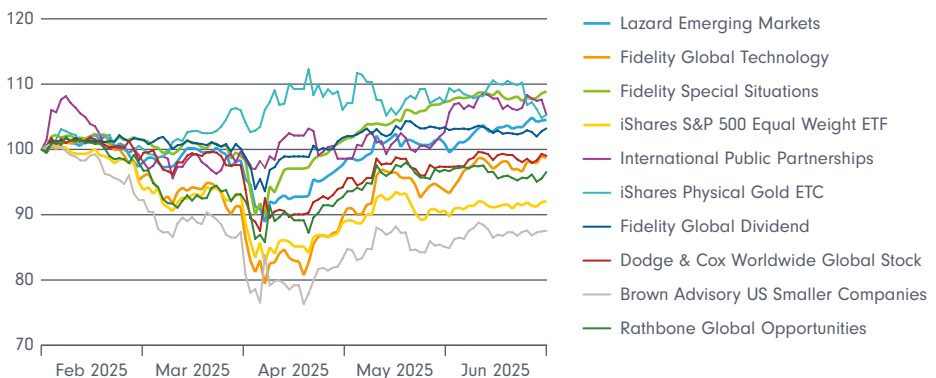
- **iShares Physical Gold ETC**
- **International Public Partnerships**

### Market diversification:

- **iShares S&P 500 Equal Weighted ETF**
- **Fidelity Special Situations**

### The changing world:

- **Fidelity Global Technology**
- **Lazard Emerging Markets**



Source: Refinitiv, total returns in local currency, 1.2.25 to 30.6.25

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

(as at 30 June)	2020-21	2021-22	2022-23	2023-24	2024-25
S&P 500	40.8	-10.6	19.6	24.6	15.2
Nasdaq	45.2	-23.4	26.1	29.6	15.7
FTSE 100	18.0	5.8	9.2	12.8	11.3
MSCI Europe	35.8	-17.1	22.6	12.4	19.1
Nikkei 225	31.3	-6.5	28.6	21.5	4.3
MSCI Emerging Markets	41.4	-25.0	2.2	13.0	16.0
Gold	-3.9	1.3	6.2	20.6	39.8
Oil (WTI Crude)	75.9	64.6	-22.5	25.6	-11.4
US 10yr Treasuries	-4.9	-11.4	-3.4	-0.7	5.5
China CSI 300	27.7	-12.4	-12.2	-7.7	17.4
Copper	55.7	-11.7	0.8	13.6	6.3
Real Estate (S&P Global REIT)	36.1	-9.8	-1.9	6.3	11.2

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

Source: Refinitiv, total returns in local currency as at 30.6.25

#### 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 Dodge & Cox Worldwide Global Stock Fund, Fidelity Special Situations Fund, Fidelity Global Technology Fund and Fidelity Global Dividend Fund 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 Dodge & Cox Worldwide Global Stock Fund and Lazard Emerging Markets Fund invest in emerging markets which can be more volatile than other more developed markets. The Fidelity Global Dividend Fund and Rathbone Global Opportunities Fund invest in a relatively small number of companies so may carry more risk than funds that are more diversified. This 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 Brown Advisory US Smaller Companies Fund, Fidelity Special Situations Fund, Fidelity Global Technology Fund, Rathbone Global Opportunities and Dodge & Cox Worldwide Global Stock Fund, have or are likely to have, high volatility owing to its portfolio composition or the portfolio management techniques. 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. The Key Investor Information Document (KIID) / 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](https://www.fidelity.co.uk)

# Shares

Current view ●●●● Neutral

3 month change ▶ Unchanged

Shares have been on a rollercoaster so far this year. Having just about met the traditional definition of a bear market between February and April (a 20% fall), stock markets recovered all their lost ground by the end of June. Once again, buying the dips has been a profitable strategy, albeit one that required investors to look through much of the negative newsflow in early April.

There remains considerable uncertainty about where markets go from here. History offers some encouraging parallels, in which they have gone on from similar V-shaped rallies to enjoy further gains in the months ahead. 1998 and 2020 were prominent examples. But in the majority of cases, this kind of volatility is not a good signal. It suggests underlying problems.

Although the rally was triggered by relief at the postponement of the ‘liberation day’ tariffs, we now face a changed trade landscape of higher baseline tariffs. The impact of these will take time to show up in the hard data but it is already evident that business and consumer confidence is suffering. The initial assessment that tariffs are bad for both growth and inflation looks correct.

The other longer-term concern for investors is the breakdown in long-standing financial market assumptions implied by the far-reaching ‘Big and Beautiful’ tax bill currently passing through the Senate. This threatens a continuing rise in the US’s budget deficit and government debts. There is a sense of an economic regime shift, away from US leadership, with

unpredictable consequences for capital flows, the dollar and appetite for US assets.

With the US representing nearly 70% of the value of all global stock markets, this is a meaningful change that promises volatility ahead.

But there are plenty of positives to focus on too. Increased fiscal and monetary stimulus in Europe suggests a higher level of growth over here than in the US. More rate cuts and higher defence spending in Germany will underpin the region’s strong equity market performance so far in 2025.

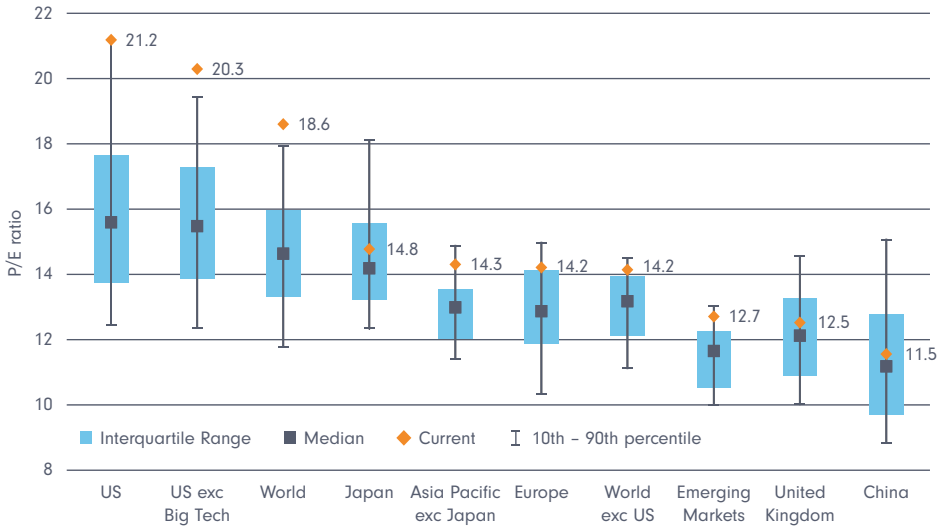
Meanwhile, the ongoing rotation out of US assets is yet to really benefit emerging markets. The impressive rise in some of those markets this year could have legs. Japan is worth a look after a disappointing, and volatile, year.

Many of the market moves so far this year were not predictable at the beginning of 2025, when the narrative was still glass-half-full in the US and half-empty elsewhere. It is a salutary reminder that, even if you make the right calls on the economy or policy, the market reaction to these can be a surprise. The answer, as ever, is to be well diversified so that you don’t miss out on gains that catch investors unawares.

The other advantage of broad diversification is that it can reduce the impact of underperforming assets or regions. For two years from the market low in October 2022, an investor could safely have put all their eggs in the US basket. Indeed, for the past 10 years, having an exposure to the US has been the only decision that mattered. Things look less obvious today. And while a global fund will provide some of the balance investors require, it is important to understand the underlying exposures it



## Global valuations



Source: FactSet, Goldman Sachs Global Investment Research, July 2025. 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.

provides. It may have a heavier weighting to the US than you wish for.

With markets no longer dominated by the performance of a handful of giant companies, it is also possible that active managers have a rare moment in the sun when compared with the passive funds that have attracted such a high proportion of fund flows in recent years. This might be a good time to familiarise yourself with the funds on our Select 50 list which we have put together with our friends at Fundhouse, the independent fund selection business we have partnered with over the past three years.

A long bull market in shares has been running for more than 16 years now, since the low point reached in the wake of the 2008 financial crisis. With continuing growth in earnings, and with valuations in many cases only in line with long-run averages, there is no reason to fear an imminent change in direction. But the time to fix the roof is when the sun is shining. Now is the time to ensure that your equity portfolio is well spread geographically and to ensure that it is balanced by a range of other assets that might protect your wealth if things change.

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



# United States

Current view **Neutral**

3 month change **Unchanged**

The US stock market has been the engine room of the global equity bull market for the past 10 years. But the list of reasons to be more cautious today is lengthening. The first is the narrowing of America's growth advantage over the rest of the world. Earlier this year, the US experienced its first quarterly GDP contraction in three years and the outlook for the second half is more subdued. The impact of tariffs may not yet have been felt but already the effect on business and consumer confidence is evident.

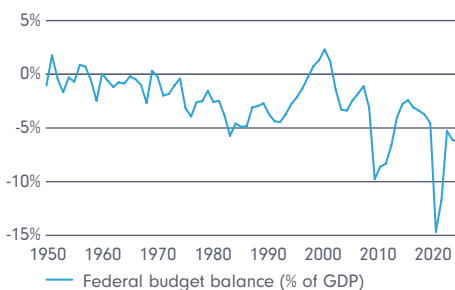
Overseas investors have poured money into the US for many years, rewarding its so-called exceptionalism. That tide has turned this year, with investors seeking to diversify their assets away from a country that seems less reliable and less of a safe haven than it has in the past. The newly transactional nature of the US's relations with the rest of the world was well illustrated by the 'liberation day' tariffs.

Other reasons to consider reducing exposure to the US include America's apparent indifference to its seemingly uncontrollable debts and deficit. Spending significantly more than the government takes in taxes at a time when the economy is firing on all cylinders and needs no support is unsustainable. All of this makes America's valuation premium to the rest of the world's equity markets hard to justify.

That said, there remains a strong case to maintain an exposure to the US market. America retains many advantages. Its demographics are strong, with a still expanding workforce. Tax and regulation in America are favourable. It enjoys energy

security. It has a large domestic market. The US economy is dynamic and innovative.

There's a lot to be concerned about. America's withdrawal from global institutions; the way it takes others' friendship for granted; the undermining of its world class universities; its abandonment of its soft, cultural power. But it will continue to dominate global financial markets for a long time to come. US exceptionalism was built over decades; it will not disappear in a matter of months.



Source: Refinitiv, 30.6.50 to 30.6.24

# United Kingdom

Current view **Positive**

3 month change **Unchanged**

The UK has a partly undeserved reputation for being a persistent laggard. Because more of the returns from investing in UK shares comes from dividends than in other, more growth-focused, markets, a casual look at the headline index does British shares a disservice. The FTSE 100 may be only around a third higher than it was 25 years ago, but with dividends re-invested, it has trebled your money.

And the UK market comes into its own when other more fashionable places to invest fall out of favour. Back in 2022, British shares were a relative safe haven as rising interest rates took a bite out of Wall Street. And, so far this

year, the FTSE 100 is up there with emerging markets and Europe at the top of the leaderboard while US shares go sideways.

The case for the UK is well-rehearsed but bears repeating. British shares are cheap. Both the international FTSE 100 and the more domestic FTSE 250 trade at a massive discount to the US and are better value than shares in both Europe and Japan. That's not gone unnoticed by corporate and private equity buyers who have been busy snapping up UK companies at what looks like bargain prices to foreign investors. It's one reason why the size of the UK market is shrinking at an alarming rate.

The second big appeal is that chunky dividend yield of around 4%. It means UK shares don't need to deliver much capital growth to provide a healthy total return to investors. It's why £1,000 invested in the FTSE 250 at the height of the dot.com boom a generation ago is worth almost exactly the same as the same £1,000 invested in the S&P 500, with income reinvested.

More tactically, the UK is not in a bad place economically. Growth in the first quarter was 0.7%, ahead of expectations and better than all our main competitors, including Germany and the US. And with a high exposure to overseas revenues, in both the main indices, there's less of a risk that a domestic slowdown (say on the back of higher taxes in the autumn) will hit profits.

The UK represents only a single digit proportion of the value of global stock markets, so you probably don't want to have more than a tenth of your portfolio in UK stocks. But it earns its place, with that kind of weighting.

## Europe

Current view  Positive

3 month change  Upgrade

Investors in Europe's stock markets have had a great first six months. The Euro Stoxx index has delivered twice the return of its closest rivals in emerging markets and the UK, and its gains compare with modest declines for US markets. It is Europe's best start to a year since 2000.

This would have been hard to predict in January when it looked as if Europe was flirting with recession and doomed to remain in America's slip stream, buoyed as the US was by Biden-era fiscal stimulus. But investors are getting their heads around a new reality. Sentiment has turned positive and the second quarter looks like it might exceed the previous record for inflows, achieved in 2015.

Europe is benefiting from not being America. Developed market investors looking for an alternative to the US have not unreasonably alighted on a market which is not completely different. Europe offers a more predictable and stable version of the US, at a much more attractive valuation. It suits investors for whom a leap into emerging markets might be a step too far.

One big advantage Europe has over the US today is a central bank which has shown no reluctance to stimulate growth via a halving of interest rates, with more cuts in the pipeline. By contrast, the Federal Reserve is sitting on its hands waiting to assess the impact of tariffs on growth and inflation.

Fiscal policy provides another tailwind, with the International Monetary Fund estimating that a looser tax framework will deliver a 1.6 percentage point stimulus in Germany and

perhaps half as much in France. At the heart of this is a blueprint to improve Europe's military preparedness through higher defence spending. In one way, America's withdrawal from its post-war security guarantee for the region has been a gift.

Earnings follow economic growth, and we are already seeing a convergence between European and US levels of profitability. That should feed through into more similar valuation multiples in time too. Finally, Europe offers investors a much more attractive dividend and buyback return than America. Investors may fear they have missed the boat in Europe. They needn't.

## Japan

**Current view** ●●●●● **Positive**  
**3 month change** ▶ **Unchanged**

Japanese shares have disappointed so far this year, reflecting the country's exposure to trade and geo-political risks and a perceived vulnerability to currency appreciation as the dollar weakens. Despite these real concerns, there is a strong case for an increased exposure to Japan.

After years of deflation, the country is enjoying a wage-fuelled return to positive inflation. Employers are offering the most substantial pay rises in three decades, over 5% for a second consecutive year as labour shortages, demographic shifts and overtime regulations keep the labour market tight.

Wage-led inflation is a positive for consumption, but it has other advantages too. Companies are changing their behaviour in response, investing in productivity-enhancing automation and software or returning capital to shareholders rather than let it sit idle on the balance sheet.

This is part of a broader set of corporate governance changes which are making Japanese companies more shareholder-friendly than they have ever been. Share buybacks reached a record 12 trillion yen in the first five months of 2025 and dividends are rising in parallel. Meanwhile, they are putting money to work by increasing capital investment, something that historically has gone hand in hand with higher profitability.

Sentiment towards Japanese equities has improved. Overseas investors are net buyers again and domestic investors are becoming more active, encouraged by inflation expectations and supportive policies like the expansion of tax-exempt investment accounts (NISAs).

From a valuation perspective, Japan remains attractive. The Topix index trades on less than 15 times earnings, in line with its historical average and much cheaper than the US for which it increasingly looks to be a sensible diversifier. Meanwhile, Japan's sensitivity to currency swings has diminished. Offshore production blunts the impact of a firmer yen, so the central bank has less reason to delay normalisation of monetary policy which now poses less of a threat to earnings than in previous tightening cycles.

## Asia and emerging markets

**Current view** ●●●●● **Positive**  
**3 month change** ▶ **Unchanged**

The rotation out of US markets has yet to benefit emerging markets, with most of the flows so far heading towards Europe. In fact, emerging market stocks account for only around 5% of the assets in global equity funds, down from 8% in 2017, according to JP Morgan.

However, there is scope for that to change. Not least because some emerging markets, such as Korea, are heavily exposed to US equities. Any rotation out of America could see a big repatriation of investment flows.

One of the reasons why emerging markets have not benefited from the shift out of US assets is a perceived exposure to tariffs. In some cases, this is a fair challenge, but in China this may be a mistake. The US accounts for just 3% of the revenues of companies included in the MSCI China index, compared to 85% coming from mainland China itself. That's very different from Taiwan (more than 40% US exposure or Korea, more than 15%).

If anything, the imposition of tariffs may have accelerated the much-needed shift in China away from export-focused to consumption-led growth. Around half of China's GDP growth is now driven by exports so the transition cannot come soon enough. But savings are high, so once consumers have the confidence to spend the shift could be rapid.

Another positive for emerging markets is the weakness of the US dollar. Typically, this provides a tailwind for emerging market equities as it reduces the cost of servicing dollar-denominated debt and encourages capital flows into non-dollar assets. It also provides a boost to commodity prices which helps many emerging markets.

A weak dollar also takes the pressure off emerging market currencies, providing central banks with the cover to reduce interest rates to support economic growth. There is plenty of room for emerging market interest rates to fall further because real rates, adjusted for now much lower inflation, stand at a 20-year high.

In the past, investors often worried about emerging market debts. But the situation today is very different from the 2010s.

Today, debts are as big a problem in the developed world. Relatively speaking, fiscal concerns are a non-issue today.

In terms of valuations, it is hard to generalise. Overall, emerging markets trade at a deep discount but there is a lot of dispersion between markets. India, for example, is arguably even more expensive than the US. But China barely trades in double digits in terms of price to earnings. Korea is on a PE ratio of just nine.

## Bonds

Current view  Neutral

3 month change  Downgrade

The government bond market is being pulled in two directions. Shorter-dated bonds, which are most influenced by interest rate expectations, continue to anticipate some monetary easing as the US economy slows on the back of tariffs, the impact of which is still to be felt. The Federal Reserve is rightly waiting to see what the impact of tariffs will be on growth and inflation but in due course it will ease policy, if perhaps less than previously thought.

Longer-dated bonds march to a different beat, however. For bonds with ten or even 30 years to run before they are repaid, an important consideration for investors is what the long run outlook for inflation is and how much trust they have in the issuer of the debts. An investor will demand a higher yield if they are concerned about one or both of these. The term premium – the extra yield – is rising today.

One of the biggest concerns for bond investors is the ballooning of America's fiscal deficits, which look set to rise to about 7% of GDP over the next few years. To run that kind of shortfall between tax

revenues and spending in peacetime, when the economy is firing on all cylinders, is unsustainable. It becomes even more so as yields rise, and interest payments become an ever more onerous slice of government spending. The risks for the US economy are rising. And that is leading to an erosion of confidence in US assets and the dollar and Treasuries in particular.

This is not exclusively a US story. In Europe, many of the same risks of prolonged deficits exist. In Germany, for example, the decision to remove a debt brake and allow more spending on defence and infrastructure will have a similar impact on the term premium over here. The UK's public finances are equally stretched, and we have recent experience of what happens to bond yields when confidence ebbs away.

So, to the extent that we wish to have bond exposure in our portfolios, the focus should be on so-called short duration bonds. These short-term bonds are the explicit focus of some of the Select 50's bond funds for precisely this reason.

When it comes to the bonds issued by companies, there are other considerations on top of interest rates and inflation. Investors also need to think about the outlook for the economy and the impact this might have on companies' ability to both pay the interest on their loans and ultimately to repay their debts. Changes in the market's perception of these factors is reflected in the extra yield – the spread – that investors demand for lending to companies rather than governments.

Because the economy has been reasonably strong and because fears about the impact

of tariffs have eased somewhat, spreads have tended to narrow. Investors have become more relaxed about accepting only a small risk premium. We think that in many cases tighter spreads are not offering enough compensation to investors ahead of a likely slowdown in the global economy in the second half of the year.

One possible exception to our generally cautious view on bonds is those issued by emerging market governments. As discussed in the section on emerging market equities, there is considerable scope for interest rates to fall further in emerging markets. A weak dollar and so stronger emerging market currencies also provides a tailwind.

When it comes to fixed income investments, we continue to favour cash. Cash funds remain popular for good reason. The distribution yields on both the **Fidelity Cash Fund** and the Select 50's **Legal & General Cash Trust** are currently 4.5%, with almost no capital risk. Please note these yields are not guaranteed.



Source: Refinitiv, 15.2.77 to 15.5.25

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



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

# Gold

Current view ●●●●● Positive

3 month change ▶ Unchanged

It has been another interesting three months for the gold price, with plenty to test its safe haven characteristics in the most recent quarter. At the start of April, the announcement of Donald Trump's 'liberation day' tariffs sent equity markets into a spin and gold took another leg higher to a new all-time high above \$3,400 an ounce as investors viewed it as a port in the trade storm. Since then, the price of the metal has moved broadly sideways despite heightened tensions in the Middle East.

After doubling in three years and more than trebling in the past decade, gold has never been so expensive, even in inflation-adjusted terms, and investors would be forgiven for thinking the best is now behind us. But the case for the metal at least remaining at current levels remains strong. In particular, central banks continue to view gold as a way to reduce their exposure to the US dollar. For some, such as China's, gold is a relatively low proportion of total reserves still. For other investors, gold is simply a refuge amid uncertainty.

An interesting way of looking at the recent gold price is to flip it on its head and see it rather as a depreciation of the value of paper currencies such as the dollar when compared to gold. Given the apparently uncontrolled nature of US debts and deficits, that seems rational.

One of the main consequences of the rising gold price has been a significant widening of the profit margins of gold producers.

This is true despite an ongoing increase in their costs. It has fuelled a return to what might be viewed as normal service – gold mining shares outperforming in a rising gold price environment. As the chart shows, the share price of the **Ninety One Global Gold Fund** has outperformed the gold price this year.

If you think that we have already seen the best of the action in the gold price, silver may be worth a look. This metal shares some of the same safe haven characteristics as gold but it has more industrial uses and these have influenced its price positively and negatively over the years. When photography went digital a few years back, demand for the metal slumped. In particular, hospitals no longer needed it for X-rays and a lot of metal found its way back into the market, depressing the price. But today, demand is positive again on the back of its use in solar power generation. Demand has doubled in the past three years.



Source: Refinitiv, 1.1.25 to 30.6.25, total returns in GBP, excludes initial charge.

**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](https://fidelity.co.uk/investmentoutlook)

# In summary

Investing is full of apparent contradictions. If you had looked into a crystal ball six months ago and seen what lay ahead, you would probably have erred on the side of caution, and played it safe with your portfolio.

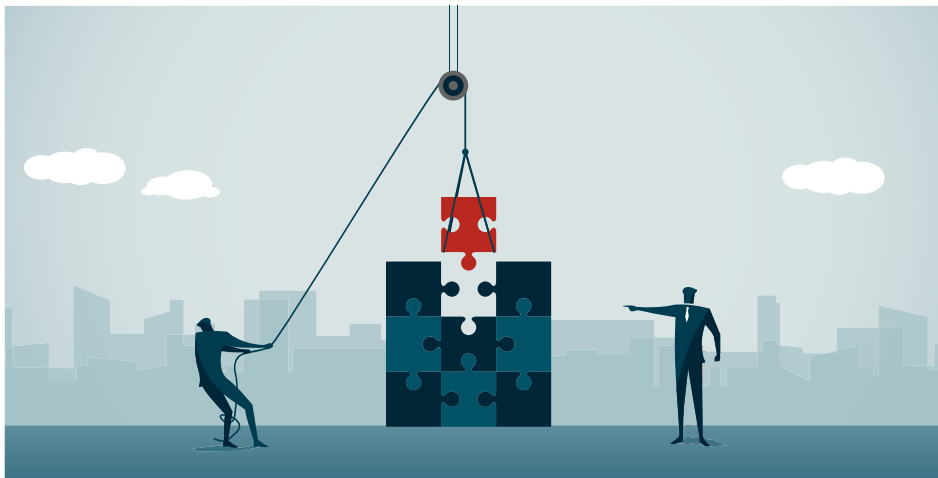
You might well have parked some of your investments in the traditional safe haven of gold. That would have worked out well. You would most likely not have invested in European shares, or emerging markets or the UK. That would have been a mistake. You would have missed out on some very attractive returns in those three markets.

They say that bull markets climb a wall of worry. As long as there are things to be concerned about there will be money waiting on the sidelines to be put to work. The time to really be nervous should be when no-one has a care in the world. When everyone is fully invested, and the sky is blue, there will be no new buyers. That's when bull runs come to an end.

So, it is good that we live in interesting times. Whether it is tariffs, soaring debts and deficits, war in Europe and the Middle East, there is plenty to give us pause for thought. And that keeps investors' feet on the ground. There's scope for the bull to keep running. Earnings are still rising, valuations remain reasonable and central banks have the ability to reduce interest rates further.

But nothing goes on for ever. The bull market is mature. And the best time to fix the roof is when the sun is still shining. The ongoing rotation out of US markets points to a change in market leadership. Sticking with past winners may not be a smart strategy in a changing world. As ever, the best protection against an unpredictable future is to put your eggs in a wide variety of baskets.

Diversification and patience remain the watchwords. Good luck with your investments.










# 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.** 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 30 June)	2020-21	2021-22	2022-23	2023-24	2024-25	Morningstar Fund Rating
Global						
BNY Mellon Long Term Global Equity Fund	19.4	-4.9	16.7	13.1	-2.0	★★★★
Dodge & Cox Worldwide – Global Stock Fund	37.5	4.3	8.3	14.4	5.3	★★★
Fidelity Global Dividend Fund	10.4	0.3	9.9	13.7	14.0	★★★★★
Legal & General Global Equity Index Fund	25.1	-4.0	14.0	21.4	6.6	★★★★
Rathbone Global Opportunities Fund	24.4	-17.5	17.2	20.4	6.9	★★★★★
Schroder Global Recovery Fund	40.5	2.7	12.1	7.8	9.0	★★★★
Vanguard Global Small-Cap Index Fund	36.5	-11.3	7.9	9.7	5.4	★★★★

% (as at 30 June)	2020-21	2021-22	2022-23	2023-24	2024-25	Morningstar Fund Rating
 <b>North America</b>						
Brown Advisory US Smaller Companies Fund	29.0	-13.4	9.4	2.8	-3.1	★★
Brown Advisory US Sustainable Growth Fund	24.9	-8.4	15.7	27.9	2.1	★★★★
Dodge & Cox Worldwide – US Stock Fund	41.4	3.9	6.8	18.4	4.0	★★★★★
Legal & General S&P 500 US Equal Weight Index Fund	-	-	-	-	-	-
Vanguard S&P 500 ETF	26.6	1.4	13.9	25.0	6.0	★★★★★
 <b>UK</b>						
Fidelity Special Situations Fund	36.0	-1.5	5.7	19.1	17.7	★★★★★
FTF Martin Currie UK Equity Income Fund	19.1	3.8	5.2	11.7	10.0	★★★★★
iShares Core FTSE 100 ETF	17.9	5.7	9.0	12.6	11.1	★★★★★
Liontrust UK Growth Fund	18.0	1.7	5.4	11.8	-0.2	★★★★★
Vanguard FTSE 250 ETF	33.2	-14.7	1.8	13.6	10.0	★★★★★
 <b>Europe</b>						
Barings Europe Select Trust	-	-21.7	8.9	7.5	8.9	★★★
Schroder European Recovery Fund	32.7	-0.4	18.5	7.6	13.9	★★
Vanguard FTSE Developed Europe ex UK ETF	22.5	-10.5	19.0	12.6	9.6	★★★★★
 <b>Asia and emerging markets</b>						
Fidelity Funds – Asian Smaller Companies	41.5	-0.5	6.9	9.2	2.3	★★★★★
Fidelity Responsible Emerging Markets Equity Fund	-	-	-	-2.6	3.0	-
iShares Core MSCI Emerging Markets ETF	28.0	-14.2	-0.5	13.7	5.8	★★★★★
Lazard Emerging Markets Fund	25.1	-7.9	8.7	17.4	10.0	★★★★★
Schroder Oriental Income Fund	26.2	-2.3	3.0	15.1	8.7	★★★★★
Stewart Investors Asia Pacific Sustainability Fund	26.4	-6.4	4.2	10.4	-6.7	★★★★★
 <b>Japan</b>						
Baillie Gifford Japanese Fund	18.0	-18.7	6.1	6.0	5.0	★★
iShares Core MSCI Japan ETF	11.1	-9.3	11.7	12.4	6.6	★★★★★
Schroder Japan Trust	22.4	-6.2	21.1	19.3	5.6	★★★★★

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

% (as at 30 June)	2020-21	2021-22	2022-23	2023-24	2024-25	Morningstar Fund Rating
 <b>Bonds</b>						
AXA Sterling Credit Short Duration Bond Fund	2.7	-4.3	-0.4	9.4	6.2	★★★★
Colchester Global Bond Fund	-7.0	-5.5	-4.8	-2.3	1.6	★★★★
iShares ESG Screened Overseas Corporate Bond Index Fund	-6.8	-4.0	-2.4	5.2	1.2	★★★★
iShares Overseas Government Bond Index Fund	-11.8	-3.4	-6.6	-1.5	-0.5	★★★★
JPM Global High Yield Bond Fund	15.4	-11.9	5.9	8.9	9.8	-
Legal & General Emerging Markets Government Bond Index Fund	-6.0	-7.0	5.6	0.8	4.2	★★
M&G Corporate Bond Fund	3.8	-12.5	-3.9	11.3	4.8	★★★★
M&G Emerging Markets Bond Fund	-2.7	-8.7	10.3	7.6	2.8	★★★★★
Royal London Short Duration Global Index Linked Fund	4.2	-0.7	-0.9	4.6	5.4	★★★★
Vanguard Global Short-Term Bond Index Fund	0.5	-4.9	-0.4	4.9	6.4	★★★★
 <b>Alternatives</b>						
First Sentier Global Listed Infrastructure Fund	14.4	3.6	-1.0	3.3	16.0	-
International Public Partnerships Limited	3.9	1.9	-16.5	5.1	-0.2	-
iShares Environment and Low Carbon Tilt Real Estate Index Fund	19.7	-1.4	-8.8	3.9	3.0	★★★
iShares Physical Gold ETC	-11.3	16.3	1.3	22.0	30.0	-
Legal & General Cash Trust	-0.1	0.2	3.0	5.3	4.8	-
Ninety One Diversified Income Fund	7.8	-6.6	3.2	5.1	6.9	★★★★
Ninety One Global Gold Fund	-19.3	-3.7	4.5	12.8	46.1	★★★★
Pyrford Global Total Return Fund	3.4	2.0	0.2	6.9	6.8	★★★★★

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://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 30.6.20 to 30.6.25. 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://fidelity.co.uk)

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Source: Fidelity as at 30.3.25

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