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Fidelity MoneyBuilder Balanced

Opinion

- This Recommended fund benefits from the experience of Rupert Gifford in equities and Kris Atkinson and Shamil Gohil in fixed income. Its beauty is in its simplicity.
- The managers are conservative in their approaches and they are ideally placed to manage a portfolio that is income-focused and aimed at more cautious investors.
- They understand the offsetting relationship between equities and government/high quality bonds. Therefore, their focus is on adding value through stock selection whilst staying true to the characteristics of their respective asset classes.

Characteristics and Utility

- The primary focus is on generating an attractive, regular level of income with the potential for capital growth. As such, it is conservatively managed, with the equity exposure biased to UK stocks with a sound dividend profile and the bond allocation providing a degree of stability and diversification.
- Over the long term, the fund's relatively defensive characteristics should prevail, with its strong income profile providing a degree of protection. That said, there is the scope for challenging times. A rising yield environment has the potential to be one such challenge.
- The fund is predominately exposed to sterling. This means that its risk/return profile can differ from other funds in the sector, as some peers can incorporate meaningful exposures to overseas currencies.
- This is a straightforward, income-focused equity and bond fund and is suited to investors who are seeking a monthly income but are uncomfortable with the risks associated with pure equity exposure.

Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 5. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 5 means the fund's historic volatility is between 10% and 15%.

The fund's risk score is similar to others in the sector and also to the stated composite benchmark. The fund's outcome follows a distinctive path given its particular characteristics, with its lack of overseas currency exposure being a key differentiator when compared to other funds in the sector. Different share classes could have differing SRRI scores.

Key Fund Facts

Inception Date:	8 February 1993
Manager(s) Since:	Rupert Gifford (Jan 23) Kris Atkinson (Oct 23), Shamil Gohil (Mar 23)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	65% FTSE All Share / 35% FTSE All Stocks
IA Sector:	Mixed Investment 40-85% Shares

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at theadvisercentre.co.uk. An asset manager adviser factsheet is also provided there.

Fund Snapshot

A mixed asset fund that has a strategic asset allocation of 65% in UK equities and 35% in UK fixed income. The approach is conservative and focused upon delivering an attractive and regular level of income that is paid monthly. Within its sector, the fund features in our 'Equity Biased, Primarily UK Equities and UK Bonds' category.

Investment Team

The fund is managed by Rupert Gifford, Kris Atkinson and Shamil Gohil, who work together on the overall portfolio construction but specialise in their own asset classes. The equity component is a mirror of Mr Gifford's Fidelity MoneyBuilder Dividend fund. Messrs Atkinson and Gohil manage the fixed income component according to a gilt-biased mandate.

Investment Philosophy

The equity and bond portfolios are combined into one product with a view to offering an attractive and regular income stream. There is also a desire to keep overall portfolio volatility contained. In the equity portfolio, Mr Gifford seeks 'safety of income at a reasonable price' and believes that companies with consistent dividend growth will outperform over time. The fixed income portfolio is managed according to a conservative mandate. As well as generating additional income, this portion complements the equity allocation and serves to dampen the portfolio's overall volatility.

Investment Process

The conservative and income-focused nature of the fund's investors is an ever-present consideration in its management. The strategic asset allocation is set at 65% in UK equities and 35% in UK fixed income. Deviations from this broad structure are modest and typically within +/- 5%. The managers communicate regularly with regard to fund positioning and each month, they formally discuss factors affecting equity and bond markets, as well as risk and return expectations.

In the equity portion, Mr Gifford's objective of identifying companies with high, sustainable and predictable cashflows leads him to focus on those with below-average sensitivity to the economic cycle and the strength to withstand tough economic times. Messrs Atkinson and Gohil manage the fixed income portion with a bias to UK gilts but with the flexibility to allocate up to 20% in corporate bonds. In line with the aim to complement the equity component and provide portfolio diversification, the duration profile of this portion is maintained at a level that is close to index.

Portfolio Construction and Risk Controls

The fund is managed against a composite index of 65% FTSE All Share index and 35% FTSE Actuaries Government Securities UK Gilts All Stock index. The equity component has a focus on large-cap, defensive companies. Mr Gifford can also invest up to maximum of 20% of this portion in overseas stocks. The fixed income component is primarily invested in UK gilts but Messrs Atkinson and Gohil have some flexibility to invest up to 20% of this portion in sterling-denominated investment grade bonds. The fund pays steady income distributions for 11 months of the year, supplemented by a 12th payment incorporating all residual income.