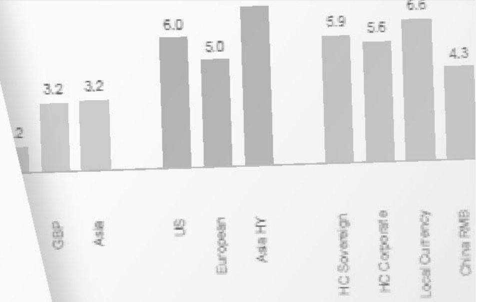


OCTOBER 2016

Fixed Income
Monthly

Fidelity™
INTERNATIONAL

Contents

Strategy Summary 3

Macro and Rates Overview 5

Inflation Linked Bonds 6

Investment Grade Credit 7

High Yield 8

Emerging Markets 9

Strategy Summary – October 2016

The FIXED INCOME MONTHLY provides a forward-looking summary of the medium-term views from the Fidelity Fixed Income team. Our investment approach is multi-strategy, with portfolio managers given clear accountability and fiduciary responsibility for all investment decisions in a portfolio. Given this discretion, there may at times be differences between strategies applied within a fund and the views shared below. We believe in managing portfolios with a mix of active investment strategies, including top-down and bottom-up, such that no single strategy dominates risk in a fund.

Rates	– –	–	=	+	++
Duration			●		
UST Rates			●		
EUR Rates - Core		●			
EUR Rates - Periphery			●		
GBP Rates		●			

Inflation	– –	–	=	+	++
Developed Markets Inflation				●	
IL – US					●
IL – EUR			→	●	
IL – GBP		→	●		
IL – JPY			●		
Emerging Markets Inflation			●		

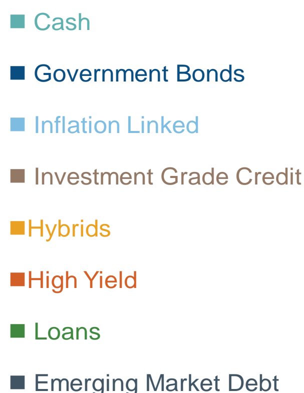
Investment Grade Credit	– –	–	=	+	++
Investment Grade Credit Beta				●	
USD IG			●		
EUR IG				●	
GBP IG				●	
Asian IG (USD)		●			

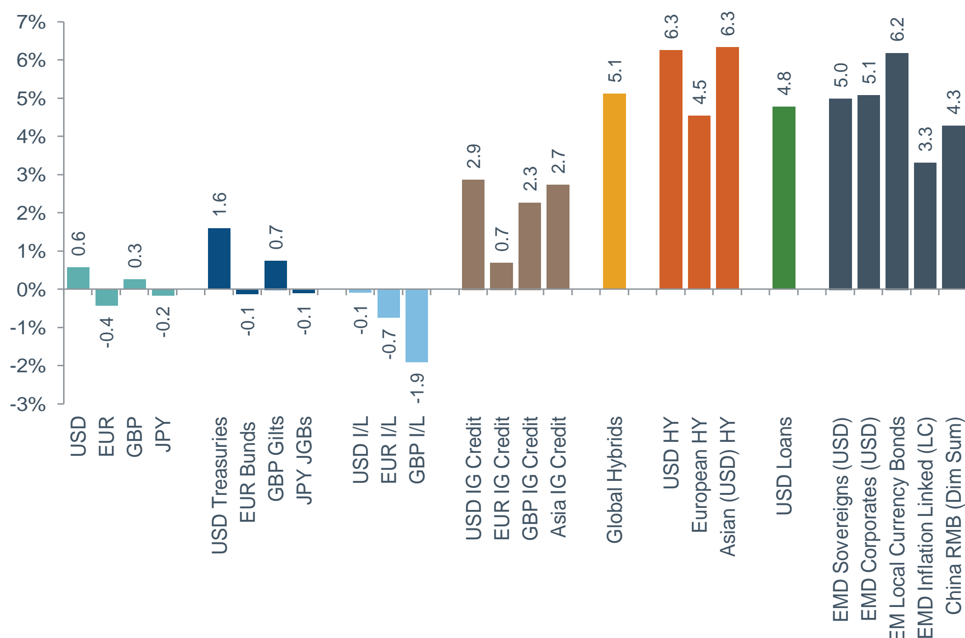
Financial and Corporate Hybrids	– –	–	=	+	++
Financial and Corporate Hybrids				●	
Contingent Convertibles			●		
Investment Grade Corporate Hybrids				●	

High Yield	– –	–	=	+	++
High Yield Credit Beta				●	
US High Yield				●	
European High Yield				●	
Asian High Yield		●			

Emerging Markets	– –	–	=	+	++
EM Hard Currency Sovereign Debt			●		
EM Local Currency Debt				●	
EM Hard Currency Corporate Debt				●	
China RMB Debt			●		

Yields across fixed income asset classes





Source: Fidelity International, Bloomberg, 30 September 2016. Redemption yields based off 10y German Bunds, 10y US Treasuries, 10y UK Gilts and 10y Japan JGBs, JPM (EMBI Global, CEMBI Composite, GBI EM GD), S&P/LSTA U.S. Leveraged Loan 100 B/BB Rating index and BofA Merrill Lynch bond indices (USD 3m Deposit Rate L315, EUR 3m Deposit Rate L3EC, GBP 3m Deposit Rate L3BP, JPY 3m Deposit Rate L3JY, US TIPS All Mats G0QI, Euro All Mats I/L EZJI, UK I/L All Mats G0LI, US Corp Master C0A0, Euro Corp ER00, Sterling Corp Collateral UC00, Asia Dollar Bond IG Corp ACIG, Global Hybrids Index G0EC, Contingent Capital COCO, US HY Master II H0A0, Global HY European Issuers Constrained HQ0C, ACCY 20% Lvl4 Cap 3% Constr Q490, Dim Sum Broad Market CNHJ), shows yield to worst for high yield. Hybrids universe defined as 50% G0EC and 50% COCO indices, Inflation linked bonds show real yields. Past performance is not a reliable indicator of future results.

Summary of returns as at 30 September 2016 (%)

Government	1M	3M	6M	YTD	1Y	3Y (Ann.)
US Treasuries	-0.2	-0.3	1.9	5.3	4.3	3.7
EUR Bunds	0.2	-0.1	2.7	6.7	6.2	5.4
UK Gilts	-2.4	2.4	9.1	14.7	13.2	9.2
Inflation Linked						
USD	0.5	1.0	2.9	7.7	7.1	2.7
EUR	0.5	1.6	3.5	4.7	5.5	5.1
GBP	-0.8	10.0	21.3	28.6	24.7	14.4
Investment Grade Corporate						
USD	-0.3	1.4	5.0	9.1	8.5	5.6
EUR	-0.1	1.9	3.6	6.1	7.4	4.9
GBP	-1.3	6.9	11.6	14.9	15.8	9.2
Asian Dollar	0.0	2.0	4.4	7.7	8.5	6.4
Financial and Corporate Hybrids						
Contingent Convertibles	-0.9	5.2	6.6	3.9	7.7	
Investment Grade Corporate Hybrids	-1.1	4.8	6.6	7.4	10.4	6.7
High Yield						
US	0.6	5.5	11.7	15.3	12.8	5.3
European	-0.1	3.8	6.4	8.8	10.3	6.9
Asia	0.8	4.6	10.5	14.4	17.4	7.6
Emerging Markets						
EM USD Sovereigns	0.4	4.0	9.3	14.8	16.2	8.2
EM USD Corporates	0.1	3.2	7.5	12.1	13.0	6.1
EM Local Currency (USD unhedged)	2.0	2.7	5.5	17.1	17.1	-2.6
China RMB	0.1	1.4	3.7	5.1	7.0	4.4

Source: Fidelity International, Datastream, 30 September 2016. Total Returns based off JPM (JCBBCOMP Index, JGENVUUG Index and JPEGCOMP Index) and BofA Merrill Lynch bond indices (G0Q0, G0D0, G0L0, G0QI, EZJI, G0LI, C0A0, ER00, UC00, ACIG, G0EC, COCO, CNHJ, H0A0, HQ0C, Q490).

Macro and Rates Overview

Monthly Review

- Despite the market pricing in a higher probability of a rate hike by the FOMC in December, US Treasury yields were little changed over the month of September.
- The positive technical backdrop supported German Bunds, with 10yr yields 6bp lower on the month.
- Gilts lost ground and underperformed other core government bonds as stronger than expected macroeconomic data and expectations of further supply ahead weighed on the asset class.

Strategy	−−	−	=	+	++
Duration			●		
UST Rates			●		
EUR Core		●			
EUR Periphery			●		
GBP Rates		●			

Outlook

Central banks have been very much in the spotlight in September, providing food for thought to investors. Looking ahead, monetary policy actions and political events will shape what is potentially going to be a very volatile final quarter of the year.

Investors are once again wondering whether we may have reached the limits of monetary policy. The latest central bank rhetoric, particularly by the European Central Bank (ECB) and the Bank of Japan (BoJ), shows that some of these doubts are slowly being echoed by policymakers. Central banks have the challenging task of balancing monetary stimulus with the negative impact that further accommodation may have on the financial sector and on spending decisions of income-starved savers.

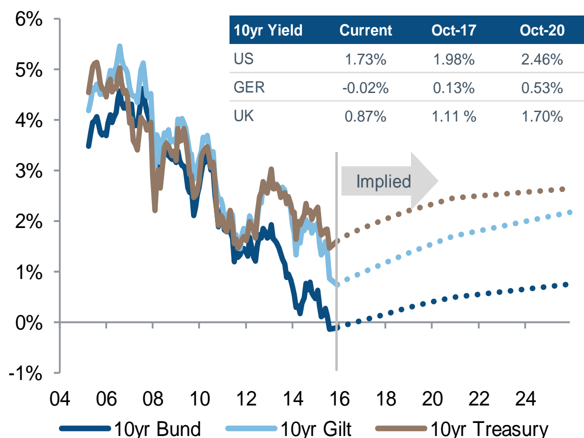
We do acknowledge that monetary policy may struggle on its own to revive economic growth and inflation and the “Taper talk” is likely to continue in the next few weeks and months. However, beyond the headlines and commentary the macro backdrop remains challenging, with low growth and subdued inflation. In this environment, the room for central banks to intentionally tighten policy appears very limited. Policymakers will remain engaged, in line with their mandates, and will experiment further with unorthodox monetary policy.

The BoJ once again pushed the boundaries of what can be considered “standard practice” by central banks, adding an explicit yield curve target to its QQE arsenal. The BoJ will aim to keep the slope of the JGB yield curve relatively stable, likely at mid-September levels, and the yield on 10yr JGBs not too far from zero, higher than it was before the September meeting. The new plan will not be easy to implement and will surely be closely watched by other central banks, particularly in Europe.

The ECB is reviewing its monetary policy toolkit and an announcement of the changes is expected at the December meeting. With the issue of bond scarcity firmly on the radar, and more negative rates seen as a drag rather than a stimulus due to the effect on banks margins, the Governing Council has a difficult balance to strike if they wish to extend the programme beyond March 2017. While politically costly, more flexibility around the capital key will sooner or later be required, and this will likely be reflected in the December announcement. Any decision in this sense will benefit European peripheral government bonds over Core, with the negative yields on the latter offering an asymmetric risk-reward and no cushion against capital losses. Peripheral debt, while in a better position than Core largely thanks to its positive yield, will suffer should we see a pick-up in volatility, warranting a neutral rather than overweight, stance.

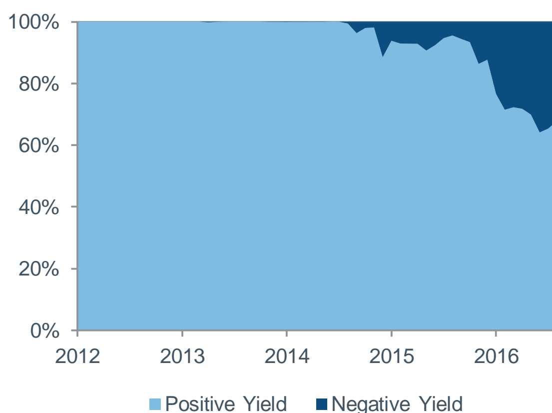
The Federal Reserve delivered a mixed message at the September monetary policy meeting. While on one hand the consensus around a December rate hike is gradually building and a 60% chance of a hike by year-end is now priced in, at the latest meeting, the Fed acknowledged a lower rate path over their forecast horizon. The Committee now expects to hike rates only twice in 2017, rather than three times as previously forecasted. Moreover, the Committee lowered its long-term rate forecast to 2.875% from 3%. The FOMC is gradually aligning itself with market expectations of a slow and shallow rate hiking cycle ahead. Given an already very flat yield curve in US Treasuries, we hold a neutral stance waiting for better levels before re-engaging.

10 year government bond yields



Source: Fidelity International, Bloomberg, 6 October 2016

32% of global government bonds are negative yielding



Source: Fidelity International, BAML Global Government Index (W0G1). 30 September 2016. Shows % of full market value in USD.

Inflation-Linked Bonds

Monthly Review

- Inflation-linked bonds posted mixed returns in September but outperformed nominal government bonds.
- Inflation breakevens widened across major regions. August inflation data beat market expectations in the US, with headline US CPI rising 1.1% on an annualised basis.

Strategy

Strategy	– –	–	=	+	++
DM Inflation				●	
IL – US					●
IL – EUR			→	●	
IL – GBP		→	●		
IL – JPY			●		
EM Inflation			●		

Outlook

Inflation-linked bonds posted another month of outperformance relative to their nominal counterparts, with breakevens widening as a result. The rebound in commodity prices supported performance, with oil and coal prices in particular helping sentiment towards the asset class.

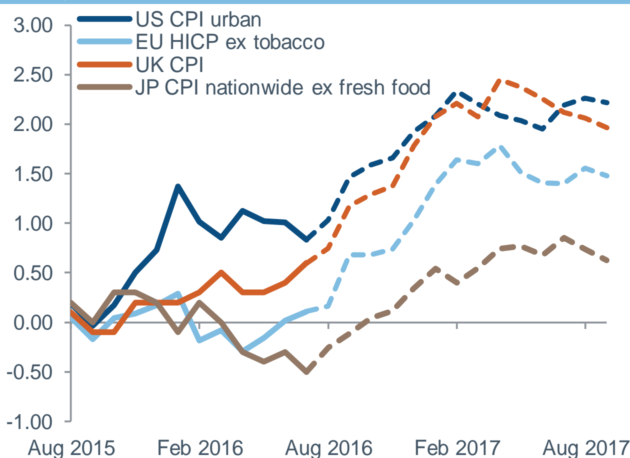
August headline US CPI surprised to the upside, 1.1% compared to market expectations of 1.0% thanks to rising medical costs. Other components of the inflation basket also remain on a solid footing. This marks the beginning of a rapid acceleration in headline inflation in the US and we expect it to reach above 2% by Q1 2017. US breakevens have begun to factor in the positive outlook for US prices but, at 1.61% 10yr US breakevens still have room to widen further.

There were very few surprises on the inflation front in Europe last month, with Eurozone HICP inflation flat at 0.2% and Core HICP inflation back down at 0.8%. While Eurozone prices remain relatively stable at a low level, base effects from oil prices will soon start to materialize and feed through into higher inflation, which we forecast at 1.3% by Q1 2017. Within Europe, regional breakevens, particularly in periphery, appear cheap and we therefore move to a more constructive stance.

In the UK, we pared back our underweight exposure to GBP breakevens. The asset class remains expensive on a fundamental basis, with the UK economy likely to face headwinds as the Brexit process begins, while domestic food prices remain under pressure. Technicals however, trump fundamentals for the time being, with currency weakness that will continue to be reflected into wider breakevens. We therefore move to a more neutral position waiting for better levels before re-engaging.

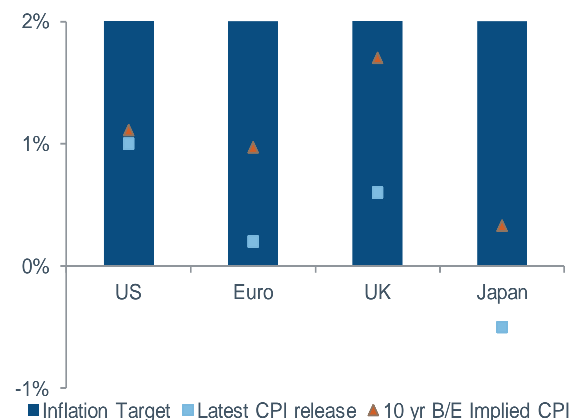
The impact of the BoJ announcement on Japanese breakevens has been muted, with the asset class remaining under pressure following the disappointing August CPI ex fresh food release (-0.5% yoy vs -0.4% expected). The inflation outlook going forward remains heavily dependent on how far the BoJ is willing to go to boost prices, and the impact of any further measures on the Japanese Yen. We do acknowledge that some signs of recovery are gradually appearing, with PMIs now above 50 and fiscal stimulus will soon start to show up in the data. However, given the uncertainty around the effectiveness of the BoJ's measures we prefer to wait until we get more clarity before changing our neutral stance.

Fidelity Inflation Forecasts



Source: Fidelity International, 3 October 2016.

Inflation expectations vs. central bank targets



Source: Fidelity International, 3 October 2016. Assumes 100bp wedge between UK RPI and UK CPI and a 50bp wedge between US CPI Urban and US PCE.

Investment Grade Credit

Monthly Review

- Investment grade (IG) corporate bonds posted negative returns in September, and their performance relative to government bonds was mixed across regions.
- Record levels of supply weighed on US IG credit, with spreads 5bp wider over the month.
- The credit spread on EUR IG credit was also marginally wider, by 8bp, due to volatility in financials.

Strategy	– –	–	=	+	++
IG Credit Beta				●	
USD IG			●		
EUR IG				●	
GBP IG				●	
Asian IG (USD)		●			

Outlook

The pick-up in interest rate volatility induced by central banks in September weighed on investment grade (IG) corporate spreads, although the widening was marginal considering the sharp uptick in supply.

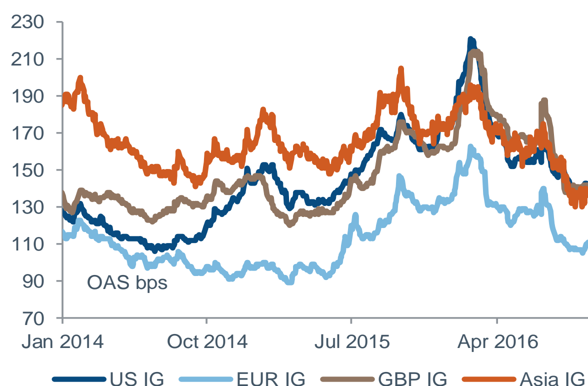
US IG primary markets were in full swing following the summer lull, with year to date supply reaching USD 1.3 trillion as of the end of September. US corporates continue to gradually re-lever, taking advantage of the cheap funding levels available. The Fed's cautious stance on interest rates should continue to support the market, as will the ongoing stimulus by other global central banks. On a fundamental basis however, we are keeping a close eye on evidence of further active re-leveraging by US corporates, with the market now entering a more mature stage of the credit cycle. Moreover, the recent increase in US Libor rates could dampen marginal demand by non-US investors as they see their hedging costs rise. A neutral stance to US IG therefore seems appropriate, on balance, with better opportunities in other areas of the credit market.

Asia IG has been resilient to the latest bout of interest rate volatility thanks to the technical support from the local investor base. Demand for USD-denominated IG paper by Asian investors is extremely strong, and this is unlikely to change in the near future given the Fed's cautious stance on interest rates. While the asset class continues to act as a very good diversifier in global portfolios, valuations have adjusted considerably particularly against US IG, and we therefore keep a small underweight.

Unlike their US counterparts, European corporates show little appetite to re-lever their balance sheets despite the very favourable funding conditions available in the market. We may see some pick-up in issuance over the next 6-12 months, but the evolution of the credit cycle in Europe will be very slow keeping fundamentals stable relative to other IG markets. Supply year to date has not picked up meaningfully despite the support provided by the ECB's CSPP programme, and we are likely to see a reduction in EUR-denominated supply by US corporates in reaction to higher EUR/USD hedging costs. With ECB purchases likely to continue beyond March 2017 and a dearth of positive yielding assets in Europe, the technical picture remains solid. Valuations have adjusted since the beginning of the year, and we are seeing demand flowing towards non-CSPP eligible bonds in search for higher yield. While idiosyncratic issues around some European financials may lead to some short term volatility, we retain our overweight stance towards EUR IG with spreads that are unlikely to widen meaningfully from here.

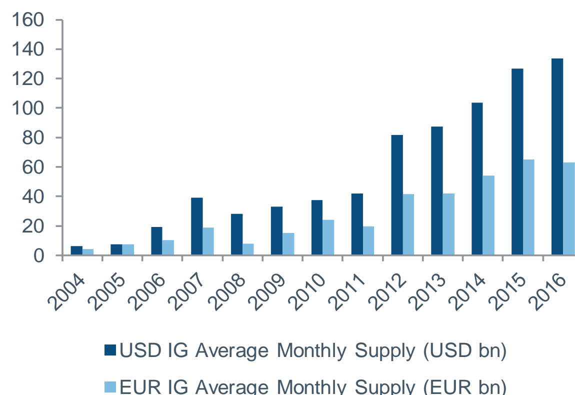
GBP IG spreads have tightened from the year-to-date wides recorded in mid-February. As we receive more details around what shape the Brexit process will take, we may see some volatility in both interest rates and spreads. Compared to UK Gilts, which will face headwinds from increasing issuance and rising risk premium, GBP credit will find stronger support in the BoE's corporate bond buying programme, which continues at a regular pace. In contrast with the initial concerns around GBP IG liquidity once central bank purchases begin, the BoE has shown flexibility and awareness of the liquidity challenges that differentiate GBP IG from other, bigger credit markets. Supply on the other hand, has been subdued. We will continue to monitor political developments and will change our positive stance in the event of a sharp pick up in volatility or a deterioration of credit fundamentals.

Investment Grade Spreads



Source: Fidelity International, BofA Merrill Lynch, Bloomberg, 30 September 2016.

US IG printing record supply. EUR IG supply more stable



Source: Fidelity International, Bloomberg, 4 October 2016. Includes fins and non-fin issuers.

High Yield

Monthly review

- High yield (HY) corporate bonds posted mixed returns in September. US and Asian Dollar HY bonds gained ground while European HY posted negative returns.
- US HY credit spreads tightened by 13bp over the month, driven by a rebound in energy prices.
- Most US HY sectors ended in the positive territory in September. Energy and commodity sectors outperformed the broader market, while media and transportation lagged.

Strategy	– –	–	=	+	++
High Yield Credit Beta				●	
US High Yield				●	
European High Yield				●	
Asian High Yield		●			

Outlook

High yield (HY) credit had another month of solid performance in September, with credit spreads tightening across all regional markets.

Going into the final quarter of the year, we remain overweight HY credit beta. The asset class is one of the last bastions of income available for investors facing ever lower yields in other areas of the credit market, Easy monetary policy and a macro environment characterised by low growth, low inflation and low volatility, have contributed to the very strong performance that all regional high yield markets have posted year to date. Moreover, given the “Taper talk” and rates volatility that we have seen in September, HY credit offers an appealing income-generating, short duration alternative for investors concerned about a rise in government bond yields.

Looking ahead our favourite regions remain the US and Europe.

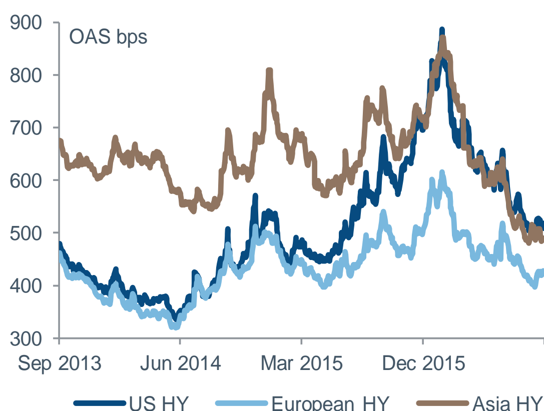
After the oil-induced scare in mid-February, US HY has rebounded sharply with the spread versus government bonds 200bp tighter year to date. Looking at fundamentals, US corporate leverage remains elevated, although we are seeing some marginal deleveraging following the capex cuts forced upon energy companies by the oil rout earlier in the year. As oil prices continue to recover, what has been one of the main headwinds for the asset class last year will gradually dissipate.

Valuations are fair to slightly expensive compared to recent history, with implied default rates now below trailing realised defaults. Technical factors remain firmly in the driving seat however, trumping fundamentals for the time being. We are unlikely to see a dramatic widening in spreads given that US growth is arguably at or above trend, the Fed is keeping a cautious tone and other global central banks are retaining an easing bias. On the other hand, it will be very difficult for US HY to repeat the exceptional returns recorded year to date and coupon income will likely be the main driver of performance going forward.

Central bank purchases and demand by yield-hungry investors paint a positive technical picture for European HY, which has outperformed all other European asset markets year to date. Compared to the US HY market, European HY also benefits from a more constructive fundamental backdrop. Leverage metrics are stable and interest cover ratios are high. Looking at supply, the primary pipeline is rather active, but not overwhelming. We continue to monitor changes in the supply and demand picture for any indications that this positive dynamic is shifting materially.

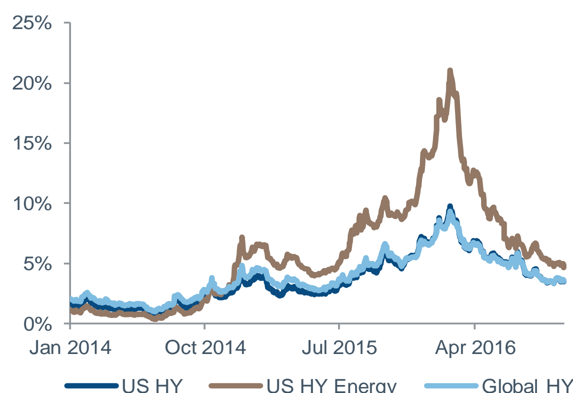
Lastly, Asia HY continues to provide the local investor base with high income dollar denominated paper. With US monetary policy on a very gradual tightening path, inflows by income-seeking investors will continue to support total returns. Nevertheless, from a Global HY perspective, Asia HY may face some headwinds due to increasing supply and tighter fiscal policy by some of the larger governments in the region, while valuations now look tight compared to the larger and more liquid US HY market. We therefore keep an underweight stance for the time being, waiting for an improvement in relative valuations before reengaging.

High Yield Spreads



Source: Fidelity International, BofA Merrill Lynch. 30 September 2016.

High Yield Implied Default Rates



Source: Fidelity International, 30 September 2016. The table shows an approximation of the default rate priced into OAS, with assumptions about required liquidity premium and recovery rates. Reference indices BofA Merrill Lynch Global HY (HW00), US HY (H0A0), US HY Energy (H0EN) index.

Emerging Markets

Monthly review

- Emerging market (EM) bond posted positive returns in September, with Local Currency outperforming Hard Currency bonds
- The increase in government bond volatility and the steepening of yield curves in core markets triggered some initial pressure on EM assets. Markets, however, rebounded with EM credit spreads flat on the month.

Strategy	– –	–	=	+	++
Hard Currency Sovereign			●		
Local Currency Debt				●	
Hard Currency Corporates				●	
China RMB			●		

Outlook

Emerging Markets staged an impressive rebound in 2016, with EM Hard Currency Sovereign debt leading the way (+15.2% ytd). Spreads have tightened considerably from 500bp in February 2015 to 340bp currently.

We see three key drivers that contributed to the rally. First, a more pragmatic Fed and a repricing in US rate expectations have led to a pause in the USD rally that had tightened EM financial conditions for the previous three years. Second, after three years of deterioration the growth differential between EM and developed markets has finally stabilised. Lastly, the search for yield and the low realized volatility has been a strong tailwind for a high beta, high income asset class such as EM debt.

Looking ahead, we prefer to allocate capital to EM Hard Currency Corporates and Local Currency debt, while keeping a neutral stance towards EM Hard Currency Sovereign debt.

EM Sovereign spreads appear fair compared to fundamentals, although they are still 90bp above where they were in mid 2014. With the search for yield ongoing, there is scope for further spread compression, although the risk/reward trade off is clearly not as compelling as it was at the beginning of the year.

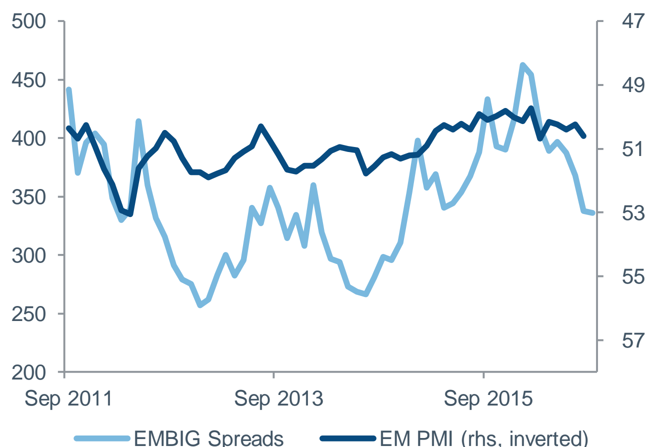
The technical picture remains constructive, particularly considering that year-to-date inflows into the asset class represent only a fraction of the AUM that left the asset class in the previous three years. We estimate that EM Hard Currency debt has attracted at least USD 20 billion in net inflows this year, roughly evenly split between ETFs and non-ETF vehicles.

Fundamentals have been relatively stable but we do note a mild deterioration in sovereign credit quality, although historically credit ratings have been lagging rather than leading indicators of EM sovereign credit performance.

In the Local Currency space, EM central banks continue to benefit from a backdrop of easy global monetary policy. This provides them with some welcome room to cut rates and support growth. In this context, Local Currency duration looks reasonably attractive with the asset class still under-owned by global investors.

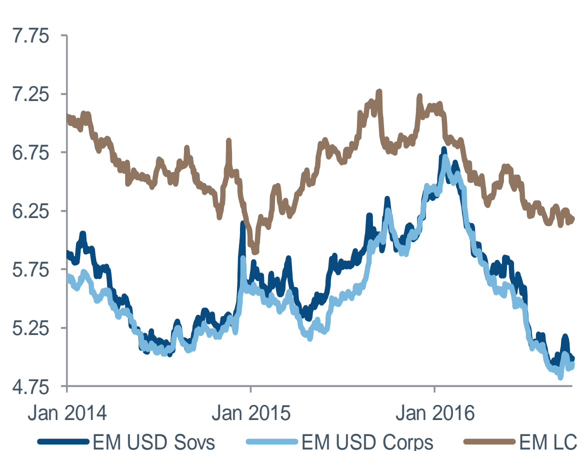
EMFX will likely trade as a function of US monetary policy, with any hawkish surprise weighing on EM currencies. After the strong appreciation this year, we advocate a more cautious stance on EMFX, keeping a close eye on interest rate differentials and inflation. By the same token, we prefer EM Hard Currency Corporate debt to EM Hard Currency Sovereign, with the former offering exposure to export-oriented companies that stand to benefit from weaker EM currencies.

EMBIG Spreads vs. EM PMI



Source: Fidelity International, Bloomberg, Markit, 30 September 2016.

Yields Across EM Asset Classes



Source: Fidelity International, Bloomberg, JP Morgan bond indices, 30 September 2016

Author:

Andrea Iannelli, Investment Director – Fixed Income
andrea.iannelli@fil.com +44 (0)20 7074 5481

Important Information

"This information is for Investment Professionals only and should not be relied upon by private investors. It must not be reproduced or circulated without prior permission.

This communication is not directed at, and must not be acted upon by persons inside the United States and is otherwise only directed at persons residing in jurisdictions where the relevant funds are authorised for distribution or where no such authorisation is required.

Fidelity International refers to the group of companies which form the global investment management organisation that provides information on products and services in designated jurisdictions outside of North America. Fidelity International does not offer investment advice based on individual circumstances. Any service, security, investment, fund or product mentioned or outlined in this document may not be suitable for you and may not be available in your jurisdiction. It is your responsibility to ensure that any service, security, investment, fund or product outlined is available in your jurisdiction before any approach is made to Fidelity International. This document may not be reproduced or circulated without prior permission. Past performance is not a reliable indicator of future results. Unless otherwise stated all products are provided by Fidelity International, and all views expressed are those of Fidelity International.

Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. Fidelity only offers information on products and services and does not provide investment advice based on an individual's circumstances.

This document may not be reproduced or circulated without prior permission. No statements or representations made in this document are legally binding on Fidelity or the recipient.

Germany: Investments should be made on the basis of the current prospectus and/or the Key Investor Information Document (KIID), which is available along with the current annual and semi-annual reports free of charge from FIL Investment Services GmbH, Postfach 200237, 60606 Frankfurt/Main or www.fidelity.de. Issued by FIL Investment Services GmbH.

Austria: Investments should be made on the basis of the current prospectus and/or the Key Investor Information Document (KIID), which is available along with the current annual and semi-annual reports free of charge from FIL (Luxembourg) S.A, Kastanienhöhe 1, D-61476 Kronberg im Taunus, Germany; as well as with the Austrian paying agent UniCredit Bank Austria AG, Vordere Zollamtstrasse 13, A-1030 Wien, FIL (Luxembourg) S.A. – Zweigniederlassung Wien, Mariahilfer Strasse 36, 1070 Wien or www.fidelity.at.

Malta: Investments should be made on the basis of the current prospectus / the Key Investor Information Document (KIID), which is available along with the current annual and semi-annual reports free of charge from Growth Investments Limited, which is licensed by the MFSA. Fidelity Funds is promoted in Malta by Growth Investments Ltd in terms of the EU UCITS Directive and Legal Notices 207 and 309 of 2004. The Funds are regulated in Luxembourg by the Commission de Surveillance du Secteur Financier.

Switzerland: We recommend you obtain detailed information before taking any investment decision. Investments should be made on the basis of the current prospectus and KIID (key investor information document), which is available along with the current annual and semi-annual reports free of charge from our distributors, from our European Service Centre in Luxembourg and from our legal representative and paying agent in Switzerland: BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich. Issued by FIL Investment Switzerland AG, authorised and regulated in Switzerland by the Swiss Financial Market Supervisory Authority.

Italy: Investments should be made on the basis of the current Key Investor Information Document (KIID) and prospectus, which are available along with the current annual and semi-annual reports free of charge from our distributors, from the Italian Local Paying Agent or from our Customer Services Centre in Luxembourg. This material is issued by FIL Investments International authorised and regulated by the FCA (Financial Conduct Authority).

Spain: For the purposes of distribution in Spain, Fidelity Funds, Fidelity Funds II, Fidelity Active Strategy and Fidelity Alpha Funds SICAV are registered with the CNMV Register of Foreign Collective Investment Schemes under registration numbers 124, 317, 649 and 1298 respectively, where complete information is available from Fidelity Funds, Fidelity Funds II, Fidelity Active Strategy SICAV and Fidelity Alpha Funds SICAV's authorised distributors. The purchase of or subscription for shares in Fidelity Funds, Fidelity Funds II, Fidelity Active Strategy and Fidelity Alpha Funds SICAV shall be made on the basis of the Key Investor Information Document (KIID) that investors shall receive in advance. The Key Investor Information Document (KIID) is available free of charge and for inspection at the offices of locally authorised distributors as well as at the CNMV.

Nordic region: We recommend that you obtain detailed information before taking any investment decision. Investments should be made on the basis of the current prospectus and KIID (key investor information document), which is available along with the current annual and semi-annual reports free of charge from our distributors and our European Service Centre in Luxembourg, FIL (Luxembourg) S.A. 2a, rue Albert Borschette BP 2174 L-1021 Luxembourg.

The Netherlands: Investments should be made on the basis of the current prospectus and KIID (key investor information document), which is available along with the current annual and semi-annual reports free of charge from our distributors, from our European Service Centre in Luxembourg, FIL (Luxembourg) S.A. 2a, rue Albert Borschette BP 2174 L-1021 Luxembourg (tel. 0800 – 022 47 09). In the Netherlands, documents are available from FIL (Luxembourg) S.A., Netherlands Branch (registered with the AFM), World Trade Centre, Tower H, 6th Floor, Zuidplein 52, 1077 XV Amsterdam (tel. 0031 20 79 77 100). [Fidelity Funds/Fidelity Funds II] is authorised to offer participation rights in the Netherlands pursuant to article 2:66 (3) in conjunction with article 2:71 and 2:72 Financial Supervision Act.

Belgium: We recommend that you obtain detailed information before taking any investment decision. Investments should be made on the basis of the current Key Investor Information Document (KIID) and prospectus, which are available along with the current annual and semi-annual reports free of charge from our distributors, from FIL (Luxembourg) S.A. and the financial service provider in Belgium, CACEIS België NV, with head office at Havenlaan 86C, B320, 1000 - Brussels.

Poland: This information is for Investment Professionals in the meaning of the Annex II to the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC only and should not be distributed to and relied upon by private investors. This material does not constitute a recommendation within the meaning of the Regulation of the Polish Minister of Finance Regarding Information Constituting Recommendations Concerning Financial Instruments or Issuers Thereof dated October 19, 2005. No statements or representations made in this document are legally binding on Fidelity or the recipient and not constitute an offer within the meaning of the Polish Civil Code Act of 23 April 1964. We recommend that you obtain detailed information before taking any investment decision. Investments should be made on the basis of the current prospectus, KIID (key investor information document) and Additional Information for Investors, which is available along with the current annual and semi-annual reports free of charge from our distributors, from our European Service Centre in Luxembourg FIL (Luxembourg) S.A. 2a, rue Albert Borschette BP 2174 L-1021 Luxembourg and the representative office in Poland.

Czech Republic: Investments can only be made on the basis of the current prospectus/Key Investor Information Document (KIID), which is available along with the current annual and semi-annual reports free of charge from our European Service Centre in Luxembourg (FIL (Luxembourg) S.A., 2a, rue Albert Borschette, BP 2174, L-1021, Luxembourg) and from our paying agent UniCredit Bank Czech Republic a.s., Zeletavska 1525/1, 14092 Prag 4 - Michle, Czech Republic. The KIID is available in Czech language.

Slovakia: Investments can only be made on the basis of the current prospectus/Key Investor Information Document (KIID), which is available along with the current annual and semi-annual reports free of charge from our European Service Centre in Luxembourg (FIL (Luxembourg) S.A., 2a, rue Albert Borschette, BP 2174, L-1021, Luxembourg) and from our paying agent UniCredit Bank Slovakia, a.s., Sancova 1/A 81333, Slovakia. The KIID is available in Slovak language.

Issued by FIL Investments International (FCA registered number 122170) a firm authorised and regulated by the Financial Conduct Authority, FIL (Luxembourg) S.A., authorised and supervised by the CSSF (Commission de Surveillance du Secteur Financier) and FIL Investment Switzerland AG, authorised and supervised by the Swiss Financial Market Supervisory Authority FINMA.

China: Institutional clients - This material has been requested by you in China and has been prepared by Fidelity to you in China only for informational purposes to institutional investors. Fidelity is not authorised to manage or distribute investment funds or products in, or to provide investment management or advisory services to persons resident in, the mainland China.

Qualified Domestic Institutional Investors (QDII) business - This material has been requested by you in China and has been prepared by Fidelity to you in China only for informational purposes in relation to Qualified Domestic Institutional Investors (""QDII""). Investors should refer to the relevant offering document for full details before investing in any investment funds mentioned herein and to seek professional advice through commercial bankers in the PRC under regulations by the CBRC, where appropriate. Fidelity is not authorised to manage or distribute investment funds or products in, or to provide investment management or advisory services to persons resident in, the mainland China.

Hong Kong: Please refer to the relevant offering documents for further information including the risk factors. If Investment returns are not denominated in HKD/ USD, US/HK dollar-based investors are exposed to exchange rate fluctuations. The material is issued by FIL Investment Management (Hong Kong) Limited and it has not been reviewed by the Securities and Futures Commission (“SFC”).

Korea: This document is for intermediaries’ internal use only (or institutional investor) and not for external distribution or fund promotion. All external distribution, amendment and variation of this information require prior written approval from Fidelity International. Fidelity International is not responsible for any errors or omissions relating to specific information provided by third parties. All views may have changed due to market movements or other circumstances thereafter.

Please read the (simplified) prospectus thoroughly before you subscribe to any specific fund. Profit or loss that can be incurred in accordance to outcome of management and currency exchange fluctuation is reverted to investors. Past performance is no guarantee of future returns. The investment is not protected by Korea Deposit Insurance Corporation under Investor Protection Act. Investment involves risks. Funds investing in foreign markets are open to risks related to country’s market, political and economic conditions which may cause loss on asset value. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited.

Singapore: FIL Investment Management (Singapore) Limited [“FIMSL”] (Co. Reg. No.: 199006300E) is the representative for the fund(s) offered in Singapore. Potential investors should read the prospectus, available from FIMSL, before investing in the fund(s). "

FIPM 1528