



FIDELITY INTERNATIONAL LOOKS EAST FOR FIXED INCOME OPPORTUNITIES

- **Many corporate bonds upgraded, amidst improving economy and business environment**
 - **Russian Government debt expected to be upgraded**

London, 11 December 2007: Despite the turbulence and uncertainty generated by the liquidity crunch, bond markets continue to throw up exciting and interesting opportunities. According to **Paul Lavelle, Euro Bond Portfolio Manager at Fidelity International**, fixed income investors looking for good news could find it in Russia.

He comments, "This is no Russian revelation – we have been keeping our eye on the country for some time. In the first half of 2007 we highlighted the diversification and growth opportunities coming from investing in debt issued by Russian banks. Although the global backdrop changed significantly mid year the country story remains the same – good quality debt, issued by improving companies and organisations, in a stable economic and fundamental environment. The recent election saw Russians vote for more of the same: a successful kind of Putin capitalism that continues to put money in their pockets. This all provides the ingredients that can help diversify a bond portfolio, adding to potential returns without undue additional risk."

With strong nominal and real gross domestic product growth, massive investment in infrastructure and one of the world's largest foreign exchange reserves, Russia is showing many signs of macro economic success. Companies there are seeing strong balance sheets and banks, which are still largely funded by domestic deposits, have been buoyed by central bank injections of liquidity*.

Many corporate bonds have been upgraded and ratings agencies are considering upgrading Russian government debt, some of which is currently rated at BBB+, which is slightly better than the average rating of recent EU entrants Romania and Bulgaria**

Paul Lavelle continues, "If Russia is upgraded it will be a reward for its steady economic growth and growing stability – it will also be a reward those investors who had identified

this economic growth early on. However, this is about much more than sovereign debt and investors should consider the stories behind quasi-Government bonds and corporate bonds.

“Many bonds issued by entities with Government links, also known as quasi-Government bonds, have been underperforming recently. These are high quality organisations, like Gazprombank and Sberbank, and their debt has lagged significantly in November***. Quasis would benefit from Russian government debt being upgraded.

“In general, credit quality in Russia is robust and improving. November saw ten upgrades of corporate debt alone, which included the maker of gas pipes TMK and Evraz, one of Russia’s largest steel companies, with plants in Russia, Europe and the Americas****.

“As in all markets, there are good and bad companies and Russia is not without risks. Many companies there are interested in expanding abroad and may need to borrow more to do so by issuing bonds. And all types of corporate debt could be dragged down by rumbling global credit problems, recessionary fears and a rush for safe havens of government debt. However, those investors who can meet the companies, research their balance sheets and make informed decisions about the region have the opportunity to select bonds with good liquidity and the potential to outperform over the medium to long term.”

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Notes to editors:

* Source: Russiatoday.ru, 29.11.07

** The Russian sovereign rating by Fitch is BBB+. Source: Bloomberg, 07.12.07

*** Source: Bloomberg, 29.11.07

**** Source: Moody’s, 28.11.07

***** Source: Fidelity as at 30.09.07

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