



FIDELITY INTERNATIONAL FINDS OPPORTUNITIES IN US AGRICULTURAL COMMODITIES

- **Demand driven by the 3 Fs – food, fuel and feed**

London, 22 May 2007 – Bob Haber, manager of the Fidelity American Special Situations Fund, is currently finding opportunities in commodities.

Haber, who took on management of the fund in June last year, says: “I believe that far from reaching bubble proportions, commodities in many cases remain mispriced. They are being driven by a deep seated secular trend that will support prices for many years.

“Commodities prices are rising again with some setting new highs. My contention is that many commodities are now in a secular trend, rather than the traditional cyclicity seen in the past. The supply side for many items is not as flexible as before and demand is likely to keep growing for many years to come.”

The agricultural commodity area is the most recent to see price increases. There is significant new demand for corn and sugar for ethanol production to be used in petrol. This comes on top of the increasing demand from population growth and a desire from developing economies to eat more meat, therefore requiring more feed for animals.

Haber is finding some interesting theme and stock stories in agricultural commodities. A good example is grain where demand is being driven by what he refers to as the three Fs: Food, Feed and Fuel.

- **Food** - each year the world has an extra 50-75 million new mouths to feed - providing a strongly expanding market at a time when world food inventories are at historically low levels.
- **Feed** - this growing population is demanding a higher quality, higher protein diet - and with approximately 9lbs of feed required to produce 1lb of beef, for example, this further increases demand. Per capita feed-based grain consumption has in fact risen steadily, averaging around 1.7% per year*.



- **Fuel** - policy changes and government-mandated programmes are driving the market for alternative fuel - particularly ethanol (from both corn and sugar) and biodiesel. This is perhaps the fastest developing area of all.

“Great opportunities exist for investment in these areas, many of which will benefit from multi-year growth in their markets.” concludes Haber. “To exploit these new opportunities I have invested in a good selection of companies well placed to benefit from these trends.”

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Notes to editors:

*Source: USDA, Goldman Sachs Commodities Research Estimates, 26 March 2007

**Source: Fidelity as at 31.03.07

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