



INVESTORS SHOULD REVIEW BOND ALLOCATIONS, SAYS FIDELITY INTERNATIONAL

- **Just one in 10 advisers recommending that clients are overweight in bonds***
- **Portfolio manager Ian Spreadbury overweight telecoms and utilities and underweight banks and financials**

London, 25 October 2007: Bond markets have moved significantly in recent months and **Ian Spreadbury, portfolio manager of Fidelity Investment Funds MoneyBuilder Income Fund**, is anticipating falling yields. However, many investors are still clearly cautious following the recent liquidity crunch with few advisers recommending their clients to have an overweight position in bonds.

Speaking at Fidelity's recent roadshows for financial advisers, Ian Spreadbury said, "Bond investors have flown to quality amidst conditions not witnessed in 20 years – it was almost a unique confluence of excessive borrowing, poor underwriting of loans, asset-liability mismatches and over reliance on credit ratings agencies.

"Although fundamental credit quality is slowly deteriorating, positive signs have emerged: continued investor deleveraging, the normalisation of underwriting standards and strong emerging markets. The market has gone from pricing in two rate rises to pricing in two rate cuts; valuations have improved** and I expect volatility to reduce, although it is unlikely to return to previous lows, and this is all good news for investors.

"This points to a stock picking approach, where meticulous in-house research identifies those bonds with the potential to outperform, particularly when we are seeing a steepening yield curve – which anticipates falling bond yields. To that end I am increasing credit exposure from a neutral / underweight base.

"Many banks and financials are still suffering so I am underweight bonds in these sectors and I have overweight positions in telecom and utility issues – generally more defensive

holdings. We have selective high yield and emerging market exposure and are overweight high quality asset backed securities.”

He concluded, “This is when bonds come into their own as a diversifier to equities, and broaden a portfolio’s overall sources of risk and return. Between May and mid August 2007, investment grade, high yield and UK Government bonds all outperformed the FTSE All Share*** – yet a Fidelity poll of IFAs in October reveals most are recommending neutral or underweight positions in fixed income. Now is a good opportunity to redress this balance.”

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Notes to editors:

* In a poll of 1055 advisers in October 2007, 10.1% are recommending clients are overweight bonds, 43.6% underweight and 46.3% neutral. Source, Fidelity, October 2007

** Source: Bloomberg, 17.09.07

*** Source: Datastream, 24.10.07

**** Source: Fidelity as at 30.09.07

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