INVESTMENT OUTLOOK

Fidelity Personal Investing's market and investment view

In this issue:

- Monetary policy divergence to dominate 2016
- Developed markets retain edge over emerging world
- Income-paying assets preferred in low-yield environment
- Innovation: return of the 'new economy'?

January 2016

"After an unsettling and ultimately disappointing year, sentiment remains cautious at the start of 2016. Although the bull market is long in the tooth, there are few alarm bells ringing. A well-diversified portfolio will serve investors well as the post-crisis rally matures."

By Tom Stevenson, Investment Director

Executive summary

Please note the views in this document should not be seen as investment advice. If you are unsure about the suitability of an investment, you should speak to an authorised financial adviser.

Asset classes	Current View	3 Month Change	
Equities	✓	►	Still the preferred asset in an equity friendly environment of persistently low interest rates; sentiment and valuations are not stretched.
Bonds	−	►	Lower for longer interest rates support government bonds; corporate bonds enjoy a large enough cushion to handle what tightening there will be.
Property	✓	►	Although real estate has had a good run, alarm bells are not yet sounding. Property remains a source of high and rising income.
Commodities	−	►	Much of the oversupply and weak demand is now priced into an out of favour asset class but there is no rush to get back in.
Cash	✓	▲	As the market cycle matures, increased volatility can be expected. That makes a good case for holding some cash to benefit from the inevitable dips.
Equity regions	**Current View**	**3 Month Change**	
US	−	►	The US market is still the most expensive but a focus on growth and innovation justifies the rating.
Japan	✓	►	Abenomics is a work in progress and Japan still has plenty of headwinds. But valuations are reasonable, reforms are underway and policy is supportive.
UK	✓	►	Commodity exposure is a headwind but the FTSE 100 is not expensive. Still plenty of opportunities among smaller companies. Income is an attraction.
Europe	✓	►	Good earnings prospects, ongoing stimulus and a favourable currency remain positives. Recovery could surprise positively.
Asia Pacific ex-Japan	−	▼	A great long term story but well understood in some cases such as India. In a varied region, stock-picking is key.
Emerging markets	−	►	Commodity importers maintain an important advantage over exporters. Reform is another key differentiator. Valuations are favourable.

Three Month Change: the direction of the arrows indicates any change in the view since the previous Investment Outlook.

For more market data including full 5 year performance figures see page 12 ►

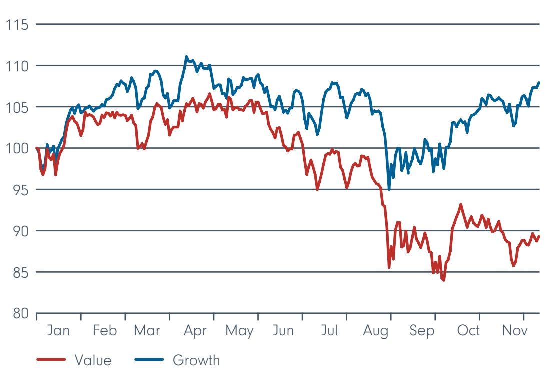
Important information: Please be aware that past performance is not a reliable indicator of what might happen in the future. The value of investments and the income from them can go down as well as up and investors may not get back the amount invested. When investing in overseas markets, changes in currency exchange rates may affect the value of your investment. Investments in small and emerging markets can be more volatile than those in other overseas markets. Reference to specific securities or funds should not be construed as a recommendation to buy or sell these securities or funds and is included for the purposes of illustration only. This information does not constitute investment advice and should not be used as the basis for any investment decision nor should it be treated as a recommendation for any investment. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity. Eligibility to invest and the value of tax savings in an ISA depends on personal circumstances and all tax rules may change. Fidelity Personal Investing does not give investment advice. If you are unsure about the suitability of an investment, you should speak to an authorised financial adviser.

2015: that was the year that was

Commodities' year to forget

If investors hoped that 2015 would bring respite for commodity investors after 2014's oil-driven plunge, they were sorely disappointed. The big picture supply-demand imbalance was the main factor as it always is in this notoriously cyclical asset class. But the annus horribilis for natural resources was made worse by another factor specific to this cycle. With interest rates at rock bottom and debt maturities longer than usual, there has been little incentive for mining companies to cut production. They have been able to withstand the financial pressures posed by slumping commodity prices for longer than many expected. That said, the first signs of capacity being taken out of the market are beginning to emerge. Even the deep-pocketed Saudis are hinting they've had enough of dwindling revenues. Contrarian antennae are starting to twitch in this despised asset class.

Source: Thomson Reuters Datastream, as at 11.12.15



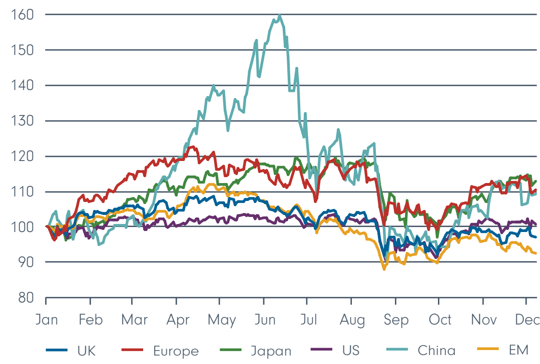
Source: Thomson Reuters Datastream, as at 1.12.15.

Growth outpaces value

One of the key features of the post-financial crisis rally has been the way in which investors have chased the shares of companies able to demonstrate growth and ignored cheaper 'value' stocks. Over the long haul, buying out of favour shares tends to produce better investment returns but there can be extended periods in which 'growth' shares are the flavour of the month. In recent years we have seen a big re-rating of port-in-the-storm consumer staples companies with strong brands and pricing power. Often these 'growth' periods coincide with economic uncertainty, reflecting investors' desire for reliability and their willingness to pay up for perceived security. The 'Nifty Fifty' buy-and-hold stocks popular in the early 1970s were a great illustration of this. Of course trends can reverse and we should not ignore the possibility that market leadership could change in 2016 and 'value' could have its moment in the sun.

Investing: Simple but not easy

With the benefit of hindsight, investing is easy. At the beginning of 2015 the key questions as far as country allocations were concerned related to interest rates and commodity exposure. The top performers were the two countries where central banks remained determined to flood their economies with liquidity. Japan and Europe are still firmly engaged in quantitative easing programmes and that's been good news for local investors. For foreigners of course there's been a price to pay in the form of declining currencies. The losers in 2015 were emerging markets and the UK, which are the two regions most exposed to falling commodity prices. Wall Street was stuck in the middle with a negative pull from its expected interest rate tightening offset by a positive push from lower natural resource prices. Yes, it produces oil and minerals but its economy is dominated by consumption.



Source: Thomson Reuters Datastream, as at 7.12.15.

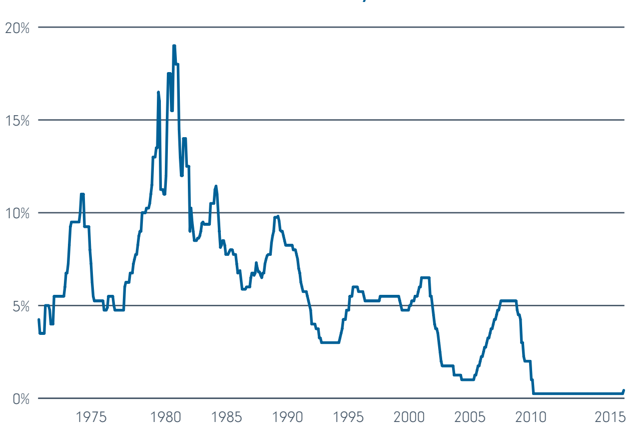
Past performance is not a reliable indicator of what might happen in the future. When investing in overseas markets, changes in currency exchange rates may affect the value of an investment. Investing in small and emerging markets can be more volatile than those in other overseas markets. For full 5 year performance figures please see page 12.

Acknowledgements

I would like to thank the many knowledgeable and experienced people within the wider Fidelity organisation who have helped me develop the ideas in this *Investment Outlook*. Although the views expressed here do not represent the shared opinion, or house view, of Fidelity's investment team, the combined expertise of over 380 investment professionals in 13 countries is a very significant resource on which I have been able to lean. In particular, I would like to thank Anna Stupnytska, Kevin O'Nolan, James Bateman and Katie Roberts in Fidelity Solutions; Paras Anand and Richard Lewis, respectively the Heads of European and Global Equities; Alex Treves, Head of Equities in Tokyo; Matthew Sutherland, Head of Product Management in Hong Kong; Alex Homan, Investment Director, Emerging Market Equities; Matthew Jennings, UK Investment Director; Curtis Evans, Investment Director in our London-based Fixed Income team; and Neil Cable, who heads Fidelity's Real Estate investment team.

Focus: what will drive markets in 2016?

Interest rates: Still the main story



Source: Thomson Reuters Datastream, as at 17.12.15

Past performance is not a reliable indicator of future returns. When investing in overseas markets, changes in currency exchange rates may affect the value of your investment.

We spent most of 2015 worrying about when interest rates would rise. Now we have had lift-off in the US, the question has changed. What investors need to know now is how rapidly rates will rise in America, how far they will eventually go and how much they will diverge from rates in the rest of the world. The next important question is what the impact of rising rates will be on markets, both close to the action on Wall Street and, as importantly, around the world, especially in emerging markets. The turn in the interest rate cycle is important because it can be expected to affect not just the equity market but bonds and currencies as well. The cost of borrowing in the US really is the foundation of all investment markets, which is why so much ink is spilled on the subject.

The good news is that investors were so well primed for rising rates in America that it is quite unlikely that anyone was surprised in December when the Fed pulled the trigger. Nor should they be blind-sided by subsequent moves throughout 2016. The Fed will almost certainly take its time. It will watch carefully to see what the impact of tightening is on the real economy and on markets. In fact investors may be rather more sanguine about interest rate policy now the long wait is over. One of the key uncertainties that hung over markets in 2015 has been removed. History supports this relaxed view. Markets often rise through the early phases of the tightening process – it is only later, when rates are hiked to fend off rising inflation – that stock markets become concerned.

On the basis that interest rates will remain lower for longer in both the tightening economies (US and UK) and those still easing (Europe, Japan, China), we can expect investors to continue chasing any reliable sources of income. That is why I continue to favour equities which offer high and rising dividends, parts of the bond market (corporate bond yields are at a historically high premium to Government bond yields) and commercial property. Real estate has been described as a bond with a roof on top but I think of it as equity income with a roof because like dividend-paying shares property offers a high and rising income.

Investors also need to consider the reason why interest rates are low and likely to stay that way. It's because growth remains as hard to come by as income in a sluggish global economy that has lost one of its two engines in China. In this environment, companies that offer the prospect of above-average growth will also be attractive to investors. This is why shares in the most reliable earnings-growers – consumer staples companies with strong brands and pricing power – have been re-rated in recent years. I expect this trend to continue and there is a

possibility that these kinds of shares could move to ridiculously high valuations before any reversion to the mean finally brings them back to earth.

One of the key investment themes in 2016 will most likely be innovation. In a fast-changing world, the companies that succeed in delivering super-charged growth will be those at the cutting edge of innovation. This is one of the principal reasons why I am keeping the faith with the US stock market, despite its valuation premium to the rest of the world. The US has a significant competitive advantage in the technology and healthcare sectors that are driving markets higher.

In fact, I expect the investment world to become even more polarised – the winners will do very well, the losers could fail completely. It's a binary outcome that makes stock-picking essential and investment very challenging. In a world of diverging fortunes, active management is going to be well worth the small additional cost over passive funds, in my opinion.

Politics has cast a shadow over investment markets in recent years, with key elections in Greece, for example, and the Scottish referendum. This year will be no exception. The biggest cause of uncertainty for UK investors will be the in-out vote on EU membership which is likely to happen this year although it could technically be left until 2017. Opinion polls show the country fairly divided on this contentious topic, although I think they are not particularly meaningful this early in the process when most people's views are ill-informed. They are little more than an emotional response. Still, if the Scottish referendum is any guide, the run-up to the vote could be a jittery time for UK stocks.

An even bigger political event will definitely happen towards the end of the year. The predictability of the timing of the US Presidential election allows observations to be made about the performance of stock markets in the different years of the four-year cycle but I think these are largely spurious, especially in a year when the President is not up for re-election. There's no advantage for Barack Obama in giving the economy an artificial boost this year. Again the principal impact on the markets is likely to be the uncertainty of the outcome, which looks wide open with a year to go.

Although not market-related, one other event is likely to have a big impact on UK investors in 2016, the spring Budget. That's because the Chancellor will use his speech in March to announce key changes to the tax treatment of pensions. He has deliberately left his options open, including the possibility of creating an ISA-style pension in which investments are made out of taxed income but pay a tax-free income in retirement. He may also abolish higher-rate tax relief completely or create a new single-tier tax relief regardless of income. Whatever he decides, investing for retirement is certain to look very different this time next year.

Economic Outlook

- Developed market consumer to drive growth in 2016
- Rate hikes to remain slow and steady
- Growth slowdown or pick-up in inflation are tail-risks

The key economic theme in 2016 is going to be monetary policy divergence. The Federal Reserve's tightening bias puts it at odds with most of the rest of the world, with only the UK likely to follow suit this year. The other main central banks – in Europe, Japan and China – are more likely to loosen policy.

While this will, all other things being equal, put upward pressure on the dollar and weaken other currencies, investors have had plenty of time to factor in the likely interest rate moves so this may actually already be in the price. The other important thing to note about this year's divergence is the fact that it is to an extent self-limiting. A stronger dollar will exert downward pressure on US inflation and squeeze corporate profits which in turn makes further rises in rates less likely.

As a consequence, the one thing that can be said with some degree of certainty is that the trajectory of rate rises in the US will be slow and shallow. Economies should be able to grow without the threat of too much inflation, a supportive backdrop.

In the rest of the world, the principal theme will be another form of divergence, this time between those economies that will suffer from persistently low commodity prices and those that stand to be beneficiaries. Commodity exporters, especially those providing the raw materials for China's old economy industries, face continued pressure on their balance sheets, exacerbated in many cases by currency weakness. Emerging markets generally will remain exposed to slow growth and deleveraging in the developed world. On the other hand some countries, such as India, are net gainers from low commodity prices. Investors will need to distinguish between economies facing continuing headwinds and those with stronger fundamentals.

What should investors watch out for this year in economic terms? Things never work out quite as expected, especially when there is such a widely-held consensus view as there is now. For example, it is hard to find anyone worried about the return of inflation. Look back through history, however, and there are plenty of occasions when price rises kicked in surprisingly quickly. Such a re-awakening of inflation, perhaps on the back of a rapid recovery in the oil price, would present a real shock to global markets. The other principal shock could come from China, where the optimistic view could be undermined by a hard landing or financial crisis.

Asset classes

EQUITIES

Stock markets paused in 2015 as they absorbed the impact of slowing growth in China and anticipated the turn in the interest rate cycle in the US. It is entirely possible that 2016 will turn out to be a more rewarding year for equity investors. Developed markets will probably retain their edge over the emerging world, which faces ongoing headwinds, but relative valuations mean this is not a foregone conclusion and a good spread of assets around the world will serve most investors well this year.

One of the big themes of 2015 was the fear of deflation. This is a two-edged sword. While it reflects sluggish growth and an absence of animal spirits, it also provides a spring-board for growth in the form of lower input costs for business and more spending power for consumers thanks to lower non-discretionary costs such as fuel and food.

In most of the developed world we are seeing the benefits of lower commodity prices start to feed through into consumer sentiment. This is most evident online where shoppers are rapidly migrating. Big ticket items like cars are also selling well on the back of an improving labour market, rising earnings and low interest rates. The economic backdrop remains supportive of equities.

Although valuations are no longer cheap, and corporate earnings will need to keep rising to justify today's ratings, there are no top of the cycle alarm bells ringing yet. It's fair to say, in fact, that this has been one of the most grudging bull markets ever. The fact that investors are so lacking in enthusiasm is a good sign in my opinion because it leaves potential investors waiting on the side-lines.

The final reason equities remain my preferred asset class is the ability of shares to meet the twin needs of investors today – growth and income in a sluggish and yield-hungry world. The trajectory of interest rates will remain shallow this year so the yield from dividend-paying stocks will continue to attract investors. So too will the growth potential of innovative sectors such as technology and healthcare.

The markets today share many characteristics with those in the late 1990s when commodity prices were low and the internet was changing the world. There is a non-trivial chance then that parts of the equity market will appreciate strongly as the bull market matures. This could be a dangerous time to be overly cautious.

BONDS

Widening spread: US high yield/US government bonds

Source: Thomson Reuters Datastream, as at 3.12.15.

Past performance is not a reliable indicator of future returns. When investing in overseas markets, changes in currency exchange rates may affect the value of an investment.

The main driver of bond markets this year will be the pace and trajectory of interest rate rises in the US and UK and the extent of further easing in the Eurozone, Japan and China. Generally speaking, however, these trends are factored into prices so the government bonds off which other fixed income investments are in turn priced should remain fairly well anchored in 2016.

Overall, rate rises in America will be slow and steady, with the Fed erring on the side of caution and watching for signs that the first tentative phase of tightening does not derail the global economy. The world as a whole will enjoy another year of monetary accommodation and central bank balance sheet expansion. In fact, if markets are right in their assessment of the outlook for bond yields then this will be the most gradual and cautious return to normalisation in recent decades. This should underpin bond markets even if it runs the risk that central banks are short of ammunition in the event of a subsequent major downturn or financial crisis. The best opportunities this year are likely to be in the corporate bond market which fell back last year as investors worried about credit quality, liquidity and rising rates. That combination of factors saw the gap or spread between government bond yields and those on corporate bonds widen.

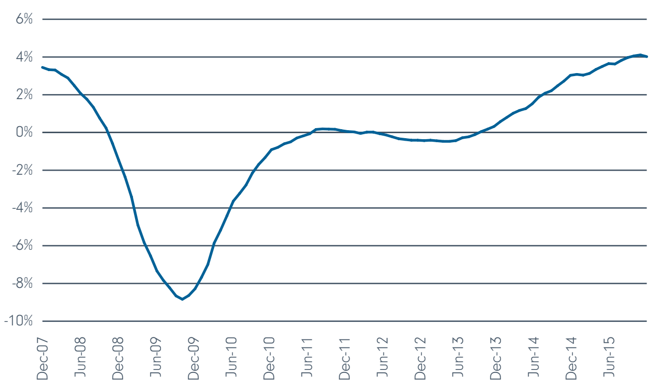
This cushion for corporate bond investors is wider than it has been for a few years. It is also wider than at the start of previous tightening cycles so high yield and investment grade bonds should be able to absorb the modest rate rises that look likely this year. Companies will be able to refinance maturing bonds relatively easily, interest cover should remain adequate and corporate defaults are likely to remain relatively modest.

Risks to this benign scenario are a pick-up in corporate failures (particularly in vulnerable areas like US energy companies – big issuers of bonds and victims of the low oil price), a deterioration in credit quality if issuance of bonds stays high and an unexpected return of higher inflation. These concerns look manageable, however.

Important information: Please be aware that the price of bonds is influenced by movements in interest rates, changes in the credit rating of bond issuers, and other factors such as inflation and market dynamics. In general, as interest rates rise the price of a bond will fall. The risk of default is based on the issuer's ability to make interest payments and to repay the loan at maturity. Default risk may therefore vary between different government issuers as well as between different corporate issuers.

PROPERTY

Rental growth continues



Source: MSCI IPD, December 2015

Past performance is not a reliable indicator of future returns.

Heading into 2016, the commercial property market has enjoyed a stellar run for several years. Compared to more modest returns in other asset classes, mid-teens total returns have attracted plenty of new money to the asset class. The quite reasonable question now is how close to the peak we are in what is after all a very cyclical sector. The short answer is that we are closer to the end than the beginning but not so close that investors need to worry just yet. There are a few reasons to remain cautiously optimistic.

The first is fund flows. The ongoing European quantitative easing programme has created significant new liquidity which has inevitably found its way into the property market where yields compare very favourably with other potential homes for that cash. The attraction of Europe's property markets have been heightened by currency moves which mean that despite recent gains, prices look compelling to buyers carrying US dollars.

Most of this money has found its way into prime properties in the region's major cities. This in turn has created relative valuation opportunities in secondary properties where the gap or spread between rental yields and those available on prime property or government bonds remains wide. In terms of capital values, too, while central London is already past its previous peak this is far from the case in places like Birmingham and in the northern cities. Prices are still up to 30% below their previous peak levels.

The next positive driver for the property market is rental growth. As with equities, one of the attractions of commercial property income is its ability to grow. With tenant demand strong as the economy continues to recover and development in recent years languishing at historically low levels, rents should continue to rise. A high starting yield with the prospect of further growth to come is a useful combination.

What are the risks to this apparently benign picture? Looking back at history, property booms have tended to end for one of a handful of reasons. Excessive development leading to over-supply, excessive bank lending, political or economic instability and simple over-enthusiasm leading to too much money chasing valuations too high. Only the last of these looks like a real concern and this can be managed by careful property selection, avoiding the hottest areas and focusing on paying the right price for the right property with the right tenant. In this regard property investment is no different from successful equity investment.

Property investors are starting to think about how to position their portfolios more defensively but they are by no means worried yet. In a lower-for-longer interest rate environment, real estate continues to have a place in a well-diversified portfolio.

Important information: Some funds in the property sector invest in property and land. These can be difficult to sell so you may not be able to cash in this investment when you want to. There may be long delays in acting on your instructions to sell your investment. The value of property is generally a matter of a valuer's opinion rather than fact.

COMMODITIES

The nightmare for commodity investors continued in 2015. The three headwinds of over-supply, weak demand and dollar strength continued to squeeze natural resources prices lower. As we enter 2016, all three remain problematic but increasingly the bad news is factored into prices which stand at multi-year lows. It is too early to get too enthusiastic about the sector – or the emerging markets which depend to such a large degree on commodity prices – but there is a glimmer of light at the end of the tunnel.

On supply, it's still a broadly negative picture. At the margin we have seen some instances of companies shutting down capacity, but overall there is simply too much production for a healthy market balance to be possible. This is notably the case in oil, although there are question marks over how long the Saudi Arabians in particular will tolerate a price below $50 a barrel, with the implications that has for the country's budget deficit. Oil has the potential to bounce back quickly because capacity can be reined in much more rapidly than it can for industrial metals.

As for demand, the outlook is mixed. Long term the energy requirements of the emerging world will grow more quickly than clean energy and efficiency measures will reduce them in the developed world. The need for infrastructure renewal in the West and new infrastructure in places like India will exert ongoing pressure on other resources too. In the shorter-term, though, the key factor is China's slowdown and there is little evidence of that decelerating.

Arguably the brightest spot in the commodity equation is the dollar. The conventional wisdom says that Fed tightening and easing by other central banks will push the dollar steadily higher. But markets are good at anticipating moves, especially ones as well-telegraphed as central bank policy. This might mean that the dollar defies expectations this year. The pressure on commodities will surely ease in 2016, but it is too soon to turn really bullish.

Equities – a regional perspective

US

Is the US stock market rolling over? After six years of stellar growth, many of the US's competitive advantages are undoubtedly baked into valuations, which are higher than in other developed stock markets.

The argument against US equities is that they have gone too far given the still challenging growth outlook. With any further re-rating unlikely, earnings growth must pick up the baton. That will be hard work with wages rising and a strengthening dollar (on the back of higher interest rates) providing a headwind for exporters and overseas earners. America's industrial and manufacturing sectors will not be able to shrug off tepid global demand. Most importantly, US shares are just too expensive and investors should quit while they are ahead, the sceptics say.

However, the case for the US market is pretty compelling too. It says that the consumer boost that falling oil prices should have brought was deferred not cancelled. It will come through in 2016 on the back of an improving labour market, strong housing recovery and replenished household balance sheets after two years of cheaper energy. With services accounting for the lion's share of the US economy, the outlook for the consumer is much more important than what's happening in America's factories.

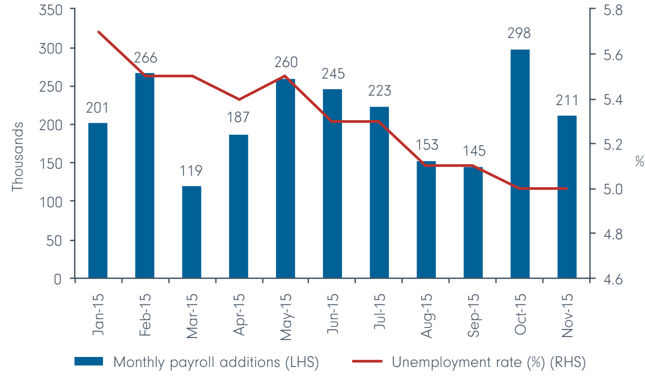
Deflationary tendencies have not only shown up in lower oil and commodity prices but in many other goods as well. So far American consumers have banked the benefit. Perhaps in 2016 they will start to spend again. Maybe they will do it differently – online rather than in the shops – but spend they most likely will.

A second positive is the underlying reason that the Federal Reserve is now tightening monetary policy – the ongoing recovery in the US economy. This glass half full view of rising rates is why stock markets typically perform well in the early stages of a tightening cycle. It is only later when the cost of borrowing is rising to choke off inflation that investors start to worry and shares underperform.

The third reason to stick with US shares is that the American economy is a great hunting ground for the innovative companies – especially in the technology and healthcare sectors – that we believe are likely to drive the next phase of the market's growth. With no sign of a turn in the commodity cycle, leadership of the market will remain with companies built on intellectual property. This is where the US excels.

The fact that the interest rate cycle has turned first in the US should not be seen as a reason to turn our backs on the US stock market. Quite the reverse. The strength of the US economy means that it is better placed to cope with tighter policy than other markets.

Strong labour market justifies rate rise



Sources: Thomson Reuters Datastream, as at 15.12.15.

Past performance is not a reliable indicator of future returns. When investing in overseas markets, changes in currency exchange rates may affect the value of your investment.

If you're interested in the US, three funds on our Select List you may like to look at are:

- **BlackRock US Opportunities**
- **Fidelity Funds – America**
- **JPM US Equity Income**

For a full list of Select List funds in this sector please see the fund data section at the back of this report.

UK

It's been an up and down year in the UK, or more accurately an up, down and up again year. The old adage about selling in May and going away, has rarely been a better guide to investment strategy than in 2015. There have been some other key takeaways from the UK market this year – the outperformance of growth over value and of smaller over larger. It's also been a great year for active stock-pickers.

Taking this last point first, nearly two thirds of actively-managed equity funds beat the FTSE All Share index in the first ten months of 2015. That means that many investors with a home-bias will look back with satisfaction on the last year despite the market as a whole going nowhere.

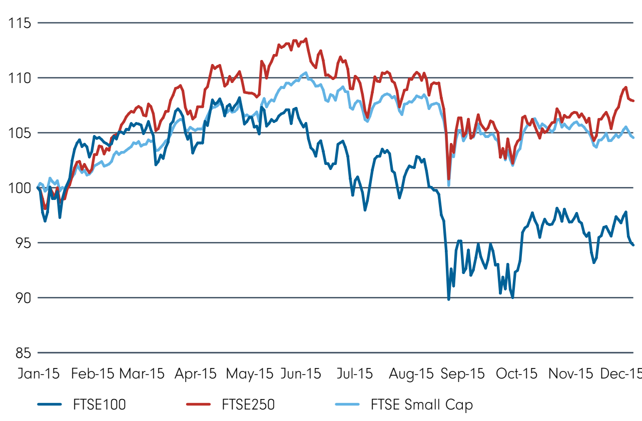
As for the outperformance of growth stocks, that has been a reflection of investors' appetite for any shares that can demonstrate the ability to generate earnings advances in a low-growth world. Investors who have backed high-quality growth companies have enjoyed the double-whammy of rising earnings and a re-rating, the holy grail in investment. The problem now is that this kind of buy-and-hold share looks expensive.

Smaller companies have had the edge over larger for the simple reason that the UK's biggest companies are dominated by businesses operating in the most out of favour areas – commodities in particular. Small and mid-caps by contrast have enjoyed their exposure to the pretty buoyant UK economy. This may continue into 2016 but investment themes do not go on for ever and at some point a rotation back to the blue-chips shouldn't be ruled out. This is a time to be diversified along the size spectrum.

In a world of persistently low interest rates, which looks a sensible assumption despite the Fed's recent move, equity income will continue to look attractive. The UK market's relatively high yield and tradition of dividend growth make a continuing exposure to our home market worthwhile despite three years of disappointing returns.

The principal risk is once again politics. If the Brexit referendum is called in 2016, expect some volatility as the opinion polls point towards either an in or an out vote.

Another tough year for blue-chips



Source: Thomson Reuters Datastream, as at 7.12.15.

Past performance is not a reliable indicator of future returns. For full 5 year performance figures please see page 12.

If you're interested in the UK, three funds on our Select List you may like to look at are:

- **Fidelity UK Select**
- **Old Mutual UK Smaller Companies**
- **Royal London UK Mid Cap Growth**

For a full list of Select List funds in this sector please see the fund data section at the back of this report.

EUROPE

The conventional investment wisdom about Europe is that it was well-positioned to benefit from emerging market growth in the good years and so is now vulnerable to a slow-down in the developing world. Add to that a sluggish recovery in the region itself, with fears of deflation thrown in, and the outlook for shares is mixed. That was certainly the picture in 2015 when the China-led market wobble in the summer hit European shares hard. For a number of reasons, however, it may misrepresent the opportunity. Fidelity's head of pan-European equities, Paras Anand, has a nice way of describing this misunderstanding – he says the investment narrative in Europe may need to change from 'secular stagnation' to 'surprisingly normal'.

What he means is that growth in the region may turn out a lot better than expected in 2016 as employment prospects and, importantly, wage-growth improve. Obviously this won't happen across the board but in the countries that took advantage of the financial crisis to enact structural reforms – Spain and Ireland in particular – the benefits could flow for some time to come.

Germany is another potential bright spot. Traditionally seen as a play on global trade thanks to its strong manufacturing and export sectors, Germany's resilience to the emerging market downturn suggests some positive developments at home, in particular a pick-up in consumption and the property market. Neither of these have been particular features of the German economy before, implying opportunities for investors to profit from the changing face of Europe's biggest economy.

After the big shake-out in equity markets last summer, equities are not expensive in Europe. Coupled with the new-found enthusiasm at the European Central Bank for monetary stimulus, this could be quite a good year for the region's stock-markets. Indeed, the principal risk seems to be that things pick up more quickly than expected. This could enable the QE sceptics to gain the upper hand, forcing a more rapid normalisation of policy than the markets are currently pricing.

If you're interested in Europe, three funds on our Select List you may like to look at are:

- **FP Crux European Special Situations**
- **Invesco Perpetual European Equity Income**
- **Jupiter European Special Situations**

For a full list of Select List funds in this sector please see the fund data section at the back of this report.

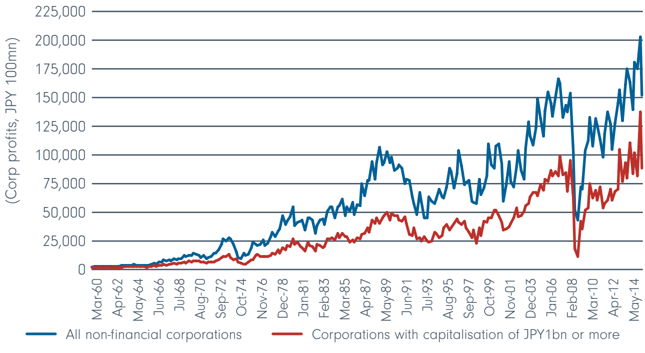
JAPAN

The first two 'arrows' of monetary and fiscal stimulus have largely done their job although there are question marks over the effectiveness of yet more monetary policy easing while the proposed second sales tax hike next year is a risk to continuing consumption growth. More important is the continued focus on the 'third arrow' of reform. Here the scorecard is uneven. Positives include corporate reforms and attacks on agricultural vested interests. There has been good progress on boosting tourism and reforming taxation. Less impressive are labour reforms (including getting more women into the workforce), energy liberalisation and a lack of progress on immigration.

For the first time in a generation, however, it looks possible that the country could be emerging from its deflationary slump. Stripping out the effects of the falling oil price, underlying inflation is around 1%. That may not sound a lot but it does mean that there is finally an incentive for individuals and companies to make positive choices about investment and consumption. For investors, the most important aspect of Prime Minister Abe's programme is the progress made on corporate governance. Japanese companies are finally focused on sweating their assets and delivering acceptable returns on equity. That in turn should lead to higher valuations, which remain attractive compared to both history and other developed markets.

Japanese equities continue to be a discretionary asset class for many global investors. They are under-owned and the first to be let go when money is taken off the table. Foreign investors were the principal sellers during the summer 2015 correction. This ongoing lack of interest in Japan is a positive contrarian signal in my view. It means there is scope for markets to respond favourably to the attractive combination of an improving fundamental story and reasonable valuations. Japan should be on the radar of all long-term investors.

Earnings bounce back from crisis years



Source: Bloomberg, MoF, December 2015

Past performance is not a reliable indicator of what might happen in the future. When investing in overseas markets, changes in currency exchange rates may affect the value of an investment.

If you're interested in Japan, three funds on our Select List you may like to look at are:

- **Baillie Gifford Japanese**
- **Old Mutual Japanese Equity**
- **Schroder Tokyo**

For a full list of Select List funds in this sector please see the fund data section at the back of this report.

ASIA-PACIFIC EX-JAPAN/EMERGING MARKETS

Divergence will be the key driver in emerging markets in 2016 and selectivity the right approach for investors. The past year has seen high levels of volatility and weak sentiment towards emerging markets as a whole, with little discrimination. In some cases the baby has been thrown out with the bathwater.

As I have said many times here before, Asia and the emerging markets as a whole are too varied to allow sensible generalisations. This is even more the case when the major influences on global markets today – US interest rates, dollar strength and commodity prices – affect different markets in such different ways.

So, for example, India looks like a great opportunity (albeit one where the good news is more appreciated than in some other markets). GDP is growing faster in India than in China and the country still has many of the benefits of improving infrastructure and attractive demographics ahead of it. The low-hanging fruit may have been picked in China already but it remains in reach in Asia's second emerging giant.

This is not to say that China does not have plenty of opportunities itself. It is true that economic activity is slowing and will most likely continue to do so through 2016 but this is arguably a good thing. It reflects the country's necessary transition to a more sustainable consumption-driven economic growth model from a debt-fuelled fixed-asset investment and export dependence.

The key differentiators in 2016 will continue to be commodity exposure and the willingness to reform. Those countries that are net importers of natural resources (notably India) will continue to benefit from lower input costs as the supply/demand imbalance puts further downward pressure on many commodity prices. Reform-minded countries choosing to enhance competitiveness, increase productivity and cut red tape will be more attractive than those preferring unsustainable populist agendas.

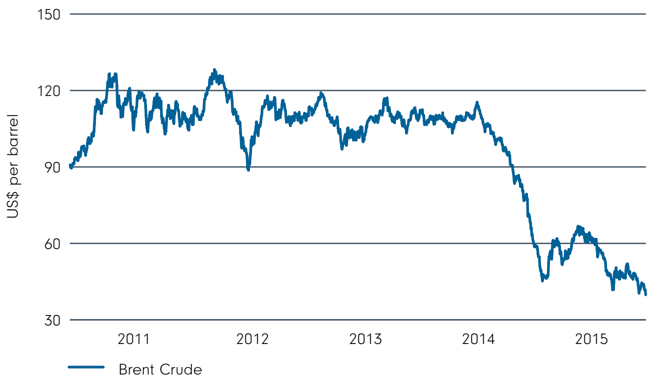
In a world in which few asset classes can genuinely be viewed as cheap, emerging markets stand at a notable discount to their peers in the developed world. In some cases that is justified but in others the indiscriminate selling in 2015 creates the opportunity to benefit from the long-term compounding of earnings growth without the worry that valuations will be squeezed. They already have been.

The major concern for emerging market investors has been the likely impact of rising US interest rates on the investment class. The good news is that the Fed's careful warming up of the markets to the turn in the interest rate cycle means tighter policy is now well and truly factored into prices. Indeed it is entirely possible that the commencement of the rate-hike cycle will remove market uncertainty. As long as the trajectory of rate-rises remains as shallow as investors expect, it should be baked into expectations.

Arguably, emerging markets are a lot less exposed to a rise in US rates than they were in the 1990s. Governments have reduced their reliance on foreign-currency debts so they are much less vulnerable to the mis-matches between assets and liabilities that caused such problems 20 years ago.

A key change for investors in 2016 is likely to be a greater focus on company-specific issues now the policy direction is clearer. With 16,000 quoted companies in Asia alone – more than in the US and Europe combined – it is stock-picking that will drive success or failure this year. For many investors the best way of investing in Asia ex Japan and the other emerging markets is via a generalist, bottom-up emerging markets fund with the flexibility to roam the world in search of opportunities.

Commodity exposure remains key



Source: Thomson Reuters Datastream, as at 7.12.15.

For full 5 year performance figures please see page 12. Past performance is not a reliable indicator of what might happen in the future. When investing in overseas markets, changes in currency exchange rates may affect the value of an investment. Investments in small and emerging markets can be more volatile than those in other overseas markets.

If you're interested in this region, three funds on our Select List you may like to look at are:

- **Fidelity Emerging Markets**
- **JPM Emerging Markets**
- **Lazard Emerging Markets**

For a full list of Select List funds in this sector please see the fund data section at the back of this report.

Market data

Please be aware that past performance is not a reliable indicator of what might happen in the future. When investing in overseas markets, changes in currency exchange rates may affect the value of your investment. Investments in small and emerging markets can be more volatile than those in other overseas markets.

INVESTMENT VALUATION AT A GLANCE

	Price-earnings ratio 2016E	Dividend yield 2015E
Equities		%
US	16.9	2.1
Europe	15.1	3.5
UK	15.1	4.2
Japan	14.4	1.9
Asia Pac ex Japan	12.3	3.3
Emerging Market Asia	11.4	2.6
Latin America	12.6	3.4
Central East Europe, Middle East & Africa	9.6	3.9

	Redemption Yield
Bonds	%
ML Global High Yield	8.4
German 10-Year Bunds	0.6
ML Global Corporates	3.0
UK 10-Year Gilts	1.9
US 10-Year Treasuries	2.2

INVESTMENT PERFORMANCE AT A GLANCE

% (as at 16th December 2015)	3 m	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Equities						
S&P 500	4.5	0.2	18.6	29.1	12.7	7.3
FTSE All Share	-1.5	-6.1	16.3	16.6	0.9	1.9
FTSE 100	-2.0	-5.1	1.2	14.2	0.5	-0.7
FTSE 250	0.7	-11.0	28.6	29.0	3.0	13.6
FTSE Small Cap	-0.7	-12.7	28.5	32.1	-0.2	9.8
MSCI Value	-6.0	1.9	17.2	12.2	-1.0	-9.0
MSCI Growth	3.1	-9.6	12.0	15.8	2.0	10.3
Euro STOXX	0.3	-19.0	25.5	17.9	6.1	9.9
Shanghai SE	11.5	-23.2	-3.4	0.4	39.9	16.3
Shenzhen	23.1	-35.9	17.6	35.9	17.0	26.1
MSCI Emerging Markets	-3.7	-16.4	18.8	-2.3	-5.6	-10.7
Sensex	-1.8	-22.0	24.7	6.9	29.6	-4.8
Nikkei 225	5.6	-16.8	18.5	58.3	12.4	15.7
Bonds						
US 10-Year Treasuries	0.5	18.9	4.4	-6.9	10.6	-0.2
UK 10-Year Gilts	0.5	20.1	3.9	-4.5	14.1	0.9
German 10-Year Bunds	1.1	14.5	7.6	-1.2	15.0	0.4
JPM Emerging Markets Bond Index	-0.6	8.8	19.0	-6.1	1.0	5.2
ML Global High Yield	-4.0	2.8	19.9	8.1	-1.4	-2.5
ML Global Corporates	-0.7	6.3	11.1	0.4	3.9	-4.3
Commodities						
CRB Commodities Index	-13.6	-7.0	0.0	-4.8	-14.9	-28.0
Crude Oil (Brent)	-24.8	14.4	4.5	0.9	-45.5	-38.4
Gold Spot	-4.2	16.7	6.1	-26.8	-3.5	-10.3
LME Copper	-14.5	-18.8	9.8	-9.0	-12.4	-28.2
GSCI Soft Commodities	6.8	-15.7	-16.5	-10.6	-13.0	-11.7
Silver	-4.5	2.7	7.7	-38.5	-22.6	-10.8

Source: DataStream, 16.12.15 in local currency terms. Valuations: Source Citigroup Global Equity Strategist – Citi Research, MSCI, Worldscope, FactSet Consensus estimates as at 16.12.15. Bond Yields: Source DataStream as at 16.12.15.

Fund data

THE SELECT LIST – INVESTMENT IDEAS FROM OUR EXPERTS

The funds on The Select List are hand picked from the range available on our fund supermarket. For more information on how these funds are selected visit fidelity.co.uk/select. The Select List is not a recommendation to buy funds. Equally, if a fund you own already is not on The Select List we are not recommending that you sell it – the list represents funds and managers that our experts particularly rate. **Please be aware that past performance is not a reliable indicator of what might happen in the future**. The value of investments and the income from them can go down as well as up and investors may not get back the amount invested. For funds that invest in overseas markets, the returns may increase or decrease as a result of currency fluctuations. Investments in small and emerging markets can be more volatile than other more developed markets. For funds launched less than five years ago full five-year performance figures are not available. Before you invest, please ensure you have read Doing Business with Fidelity and the Key Investor Information Document (KIID) or Fund Specific Information Document (FSI), relevant to your chosen fund(s). These documents give you all the information you need to know about Fidelity, including details of the objective, investment policy, risks, charges and past performance associated with the fund(s). Instructions on how to access these documents can be found at fidelity.co.uk/ importantinformation. If you do not have a computer or access to the internet please call Fidelity on **0800 41 41 61** to request a printed copy of the documents. The Full Prospectus is also available on request from Fidelity.

STANDARDISED PERFORMANCE DATA (%) OVER THE PAST FIVE YEARS

% (as at 30th November 2015)	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	Morningstar Fund Rating
MIX OF ASSET CLASSES						
Balanced						
7IM Balanced C Acc	-3.2	9.4	12.6	7.9	0.4	✪✪✪
F&C MM Navigator Moderate C Acc	-4.5	9.1	15.2	6.3	4.4	✪✪✪✪
Premier Multi-Asset Conservative Growth Class C Acc	1.8	8.8	6.6	3.6	3.1	
Defensive						
7IM Moderately Cautious C Acc	-0.6	8.3	7.2	6.8	0.3	✪✪✪✪
AXA Defensive Distribution	6.9	4.6	5.7	5.4	0.8	✪✪✪
Jupiter Distribution Fund	4.6	10.7	8.8	6.6	5.0	✪✪✪✪✪
Flexible						
Henderson Multi-Manager Active Fund I Acc	-13.3	8.2	23.4	6.2	2.3	✪✪✪
Jupiter Merlin Growth Portfolio	-2.4	9.7	16.8	8.3	6.2	✪✪✪✪
Growth						
7IM Moderately Adventurous C Acc	-5.6	10.4	18.8	8.4	1.5	✪✪✪
AXA Framlington Managed Balanced	0.0	13.6	18.1	5.3	2.6	✪✪✪✪
Neptune Balanced C Acc	-2.7	7.1	15.9	5.3	2.7	✪✪✪✪
Schroder MM Diversity Tactical Fund	-	-	22.9	3.9	3.3	✪✪✪✪
Income						
F&C MM Navigator Distribution C Acc	-	-	12.5	6.5	2.1	✪✪✪✪
JPM Multi-Asset Income Fund C - Net Income	-	-	11.2	7.8	0.4	✪✪✪✪
Premier Multi-Asset Monthly Income	-0.9	17.2	17.4	8.6	5.6	✪✪✪✪✪
EQUITIES FUNDS						
Asia Pacific Equity excl Japan						
Fidelity Index Asia Pacific ex Japan	-	-	-	-	-9.2	
Fidelity South-East Asia Fund	-12.1	11.7	4.7	5.4	-4.9	✪✪✪
First State Asia Pacific Leaders Fund	-1.2	19.1	2.8	20.4	-2.8	✪✪✪✪✪
M&G Asian	-8.7	15.3	9.0	10.6	-7.8	✪✪✪✪
Schroder Asian Alpha Plus Acc	-6.1	24.0	3.1	11.9	-3.9	✪✪✪✪✪
Asia Pacific Equity incl Japan						
Aberdeen Asia Pacific and Japan	-	-	5.3	6.9	-8.0	✪✪
Fidelity Funds - Pacific Fund	-10.9	9.8	28.6	11.6	3.4	✪✪✪✪✪
Smith & Williamson Far Eastern Income and Growth Trust	-13.0	9.9	18.4	3.4	7.8	✪✪✪✪✪
Emerging Markets Global Equity						
Fidelity Emerging Markets Fund Retail-Accumulation (UK)	-12.6	8.2	12.6	9.6	-5.1	✪✪✪✪✪
Fidelity Index Emerging Markets	-	-	-	-	-13.5	
JPM Emerging Markets Fund	-	-	1.9	8.2	-18.1	✪✪✪
Lazard Emerging Markets Fund	-12.5	10.6	4.6	7.6	-19.1	✪✪✪
Threadneedle Global Emerging Mkts Equity	-16.8	11.8	5.6	7.6	-14.1	✪✪✪✪
Emerging Markets Regional Equity						
Fidelity Funds - Greater China	-17.1	16.1	15.9	13.4	0.8	✪✪✪✪✪
Fidelity Funds - Latin America Fund	-15.7	0.9	-8.0	0.6	-29.4	✪✪✪✪
Franklin India	-23.0	11.6	-10.4	58.5	-3.2	✪✪✪✪✪
Threadneedle Latin American	-19.3	3.2	-9.5	-0.3	-33.1	✪✪✪
Europe Equity excl UK						
BlackRock Continental European	-11.3	25.7	26.5	1.6	9.9	✪✪✪✪✪
Fidelity Index Europe ex UK	-	-	-	-	1.4	

Please note, the performance figures shown here are based on 'clean' share classes. For more information about 'clean' pricing, please visit **fidelity.co.uk/pricing.**

STANDARDISED PERFORMANCE DATA (%) OVER THE PAST FIVE YEARS

% (as at 30th November 2015)	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	Morningstar Fund Rating
Henderson European Special Situation Acc	-8.0	22.2	26.3	4.2	-	
FP CRUX European Special Sit A Acc GBP	-8.5	21.3	25.3	3.3	8.2	✪✪✪
Invesco Perpetual European Equity Income	-	-	44.0	6.8	2.6	✪✪✪✪✪
Jupiter European Special Situations Fund	-7.2	18.5	28.1	2.8	6.1	✪✪✪
Threadneedle European Select	-1.2	25.1	20.9	8.6	7.5	✪✪✪✪✪
Global Equity						
BNY Mellon Long Term Global Equity Inc	-1.5	14.2	18.1	9.3	5.4	✪✪✪✪
Fidelity Index World Fund	-	-	-	13.3	4.1	
M&G Global Growth	-7.7	16.4	20.7	6.1	5.8	✪✪✪✪
Rathbone Global Opportunities	-1.0	12.9	23.6	12.4	14.8	✪✪✪✪✪
Templeton Growth	-7.7	16.0	36.5	7.1	0.6	✪✪✪✪
Global Equity Income						
Invesco Perpetual Global Equity Income	-	-	-	-	5.2	
Lazard Global Equity Income Acc	-2.1	16.4	18.0	8.5	-11.4	✪✪
Global Ethical						
F&C Responsible Global Equity Fund 2 Acc	-5.6	14.2	25.2	9.7	9.4	✪✪✪✪
Ecclesiastical Amity International Fund	-8.6	10.2	20.1	6.6	-5.9	✪✪✪
Global Real Assets						
Fidelity Funds - Global Real Asset Securities Fund	-	11.2	10.0	0.8	-3.5	✪
First State Global Listed Infrastructure Securities	5.0	10.0	16.6	18.3	1.1	✪✪✪✪✪
Sarasin Food and Agriculture Opportunities Fund	-8.8	9.2	5.8	9.0	-3.6	✪✪✪✪✪
Japan Equity						
Aberdeen Japan Equity Fund	0.2	10.3	20.5	8.3	12.5	✪✪✪✪✪
Baillie Gifford Japanese	-0.4	5.0	44.3	3.0	11.1	✪✪✪✪✪
Fidelity Index Japan	-	-	-	-	12.9	
Old Mutual Japanese Equity Acc	0.4	1.1	39.0	0.5	12.9	✪✪✪✪✪
Pictet Japanese Equity Opportunities HI	-	-	63.8	14.6	14.5	
Schroder Tokyo Acc	-1.8	4.2	27.1	3.9	15.3	✪✪✪✪✪
North American Equity						
Fidelity Funds - America Fund	2.5	15.8	30.5	24.9	7.8	✪✪✪✪✪
Fidelity Index US Fund	-	-	27.1	21.2	7.3	✪✪✪✪✪
JPM US Select A Fund Acc	0.1	18.4	28.2	21.5	5.6	✪✪✪✪✪
Old Mutual North American	4.9	13.8	38.7	21.9	9.5	✪✪✪✪✪
Smith & Williamson North American Trust	-	12.1	27.8	13.5	0.6	✪✪
JPM US Equity Income C (acc) - GBP	6.5	16.6	26.6	19.2	4.7	✪✪✪✪✪
North American Small/Mid Cap Equity						
BlackRock US Opportunities	-8.7	9.3	33.9	20.0	6.8	✪✪✪
JPM US Smaller Companies	-3.2	10.3	40.9	5.0	6.7	✪✪✪
Europe Equity Single Country						
Baring German Growth Trust	-9.9	19.7	35.0	-0.3	10.3	✪✪✪✪✪
Fidelity Funds - Germany Fund	-6.2	20.2	34.5	-1.3	11.7	✪✪✪✪✪
Fidelity Funds - Italy Fund	-15.7	15.9	39.6	-0.8	8.6	✪✪✪✪
UK Equity						
AXA Framlington UK Select Opportunities	3.8	13.8	27.5	1.1	10.3	✪✪✪✪
Fidelity Index UK Fund	-0.8	14.0	19.3	3.6	1.1	✪✪✪
Fidelity UK Select Fund	-1.7	13.7	20.2	8.8	11.2	✪✪✪✪
HSBC FTSE 100 Index Acc	-0.1	13.1	17.2	3.4	-1.1	✪✪✪
Jupiter UK Special Situations Fund	6.1	19.5	27.6	6.0	1.4	✪✪✪✪
Liontrust UK Growth Fund	9.2	19.1	16.3	4.0	9.8	✪✪✪✪
CF Lindsell Train UK Equity Acc	6.6	24.0	31.0	10.9	10.6	✪✪✪✪✪
UK Equity Income						
Artemis Income Fund	2.7	17.6	23.1	7.7	4.7	✪✪✪✪
Fidelity MoneyBuilder Dividend Fund	8.9	14.3	20.1	10.0	7.9	✪✪✪✪
Henderson UK Equity Income & Growth Fund	4.2	23.1	36.2	3.2	5.0	✪✪✪✪
JOHCM UK Equity Income B GBP Acc	-	-	-	3.6	2.2	
Liontrust Macro Equity Income Fund	-	-	30.3	6.4	4.5	✪✪✪✪
UK Ethical						
Ecclesiastical Amity UK Fund	3.2	18.9	27.1	2.8	10.2	✪✪✪✪
Kames Ethical Equity Fund	-0.6	19.7	32.7	5.2	13.4	✪✪✪✪✪
UK Small/Mid Cap Equity						
HSBC FTSE 250 Index Acc	-3.2	22.4	31.1	4.8	12.6	✪✪✪
Marlborough Special Situations Fund Acc	4.7	17.5	36.7	7.0	20.4	✪✪✪✪✪
Old Mutual UK Smaller Companies Acc	-2.6	25.5	38.5	0.6	19.8	✪✪✪✪
Royal London UK Mid-Cap Growth	-0.2	26.4	36.4	5.5	16.2	✪✪✪✪
Threadneedle UK Mid 250 Fund	-0.3	24.8	28.1	5.8	19.8	✪✪✪
FIXED INCOME FUNDS						
Emerging Markets Local Currency Bond						
Investec Emg Mkts Local Curr Debt	-3.1	11.4	-10.6	3.2	-17.4	✪✪✪
Pictet Emerging Local Curr Debt P Inc	1.3	8.0	-11.1	2.2	-14.7	✪✪✪✪

Please note, the performance figures shown here are based on ‘clean’ share classes. For more information about ‘clean’ pricing, please visit **fidelity.co.uk/pricing.**

STANDARDISED PERFORMANCE DATA (%) OVER THE PAST FIVE YEARS

% (as at 30th November 2015)	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	Morningstar Fund Rating
Templeton Emerging Markets Bond	-	-	0.1	0.7	-8.1	
Europe Corporate Bond						
Fidelity Funds - Euro Corporate Bond Fund	1.3	10.3	6.6	4.2	-11.0	✪✪✪✪
M&G European Corporate Bond	0.1	9.5	7.2	1.7	-10.7	✪✪✪✪
Europe High Yield Bond						
Fidelity Funds - European High Yield Fund	-0.7	15.7	13.9	0.1	-9.2	✪✪✪✪
Invesco Perpetual High Yield	-	-	-	-	0.1	
M&G European High Yield Bond	-4.4	17.7	13.1	0.2	-9.0	✪✪✪✪
Global Aggregate Bond						
M&G Global Macro Bond	1.8	9.8	1.3	5.4	0.4	✪✪✪✪✪
Newton Global Dynamic Bond Institutional	-	-	2.7	2.5	-0.5	✪✪
Threadneedle Global Bond Fund	3.0	1.3	-6.5	4.9	0.3	✪✪✪
Global High Yield Bond						
Baring High Yield Bond Fund	-3.2	17.7	7.3	0.3	-6.3	✪✪
JPM Global High Yield Bond Fund	1.4	14.9	7.9	2.9	-4.7	✪✪✪
M&G Global High Yield Bond	-5.3	21.7	8.2	3.9	-0.1	✪✪✪✪
Global Inflation Linked Bond						
Fidelity Funds - Global Inflation-linked Bond Fund	3.3	6.5	-3.7	0.7	-2.5	✪
SLI Global Index Linked Bond	9.8	5.9	-4.1	7.2	0.6	✪✪✪✪
UK Aggregate Bond						
Fidelity Strategic Bond Fund†	4.7	12.7	2.6	8.3	0.7	✪✪✪✪✪
Henderson Preference & Bond Fund	-3.3	18.5	5.9	7.3	2.7	✪✪✪✪✪
Henderson Sterling Bond Acc	4.5	14.6	2.3	8.8	1.1	✪✪✪
Jupiter Strategic Bond	2.5	18.0	6.8	5.8	1.6	✪✪✪✪✪
M&G Optimal Income Fund	4.5	15.3	8.2	5.6	-0.4	✪✪✪✪✪
UK Corporate Bond						
Baillie Gifford Corporate Bond	4.1	22.4	5.2	9.1	1.5	✪✪✪✪✪
BlackRock Corporate Bond Tracker	-	-	-	-	2.0	
Henderson Strategic Bond Fund	-3.0	18.5	5.8	7.0	2.8	✪✪✪✪✪
M&G Strategic Corporate Bond	5.7	14.2	2.3	8.1	1.1	✪✪✪✪
UK Government Bond						
Allianz Gilt Yield Fund	13.6	3.8	-3.8	8.2	1.7	✪✪✪✪
Henderson Institutional UK Gilt	14.7	3.5	-4.3	8.4	2.4	✪✪✪
HSBC UK Gilt Index Fund Acc	13.7	3.0	-4.3	10.0	2.5	✪✪✪✪
Royal London UK Government Bond Fund	13.8	2.9	-4.0	8.7	2.5	✪✪✪✪
UK Inflation Linked Bond						
Henderson Index-Linked Bond Fund	27.1	-0.2	2.7	15.6	3.3	✪✪✪
Legal & General All Stocks Index Linked Gilt Index Trust	21.9	0.0	2.7	15.2	3.2	✪✪✪
M&G Index-Linked Bond	24.7	-0.8	3.3	14.9	3.9	✪✪✪
PROPERTY FUNDS						
Listed						
Aberdeen Property Share	-	-	26.9	13.7	16.6	
Fidelity Global Property Fund	-6.1	22.1	5.7	21.5	4.6	✪✪✪✪
Physical						
HSBC Open Global Property Acc	-	-	8.7	15.2	7.6	✪✪✪✪✪
SLI Ignis UK Property A GBP Acc	4.4	0.0	5.6	11.3	8.1	
COMMODITIES FUNDS						
General						
Barings Global Resources Fund	-15.3	-8.3	-9.3	0.4	-15.1	✪✪✪
First State Global Resources Fund	-16.7	-10.1	-13.6	-1.3	-33.2	✪✪✪
Precious Metals						
BlackRock Gold and General	-6.3	-12.4	-48.2	2.3	-23.7	✪✪✪✪✪
Investec Global Gold Fund	-9.4	-11.6	-45.6	-4.8	-25.3	✪✪✪✪

† The investment policy of Fidelity Strategic Bond Fund means it can be more than 35% invested in government and public securities. These can be issued or guaranteed by other countries and governments. For a full list please refer to the fund's prospectus.

Source: Morningstar as from 1.12.10 to 30.11.15. Basis: bid to bid with income reinvested net of UK basic-rate tax. Excludes initial charge. For the latest yields please call 0800 41 41 61 or visit fidelity.co.uk

Please note, the performance figures shown here are based on 'clean' share classes. For more information about 'clean' pricing, please visit **fidelity.co.uk/pricing.**

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Source: Fidelity as at 30.9.15

For more information

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