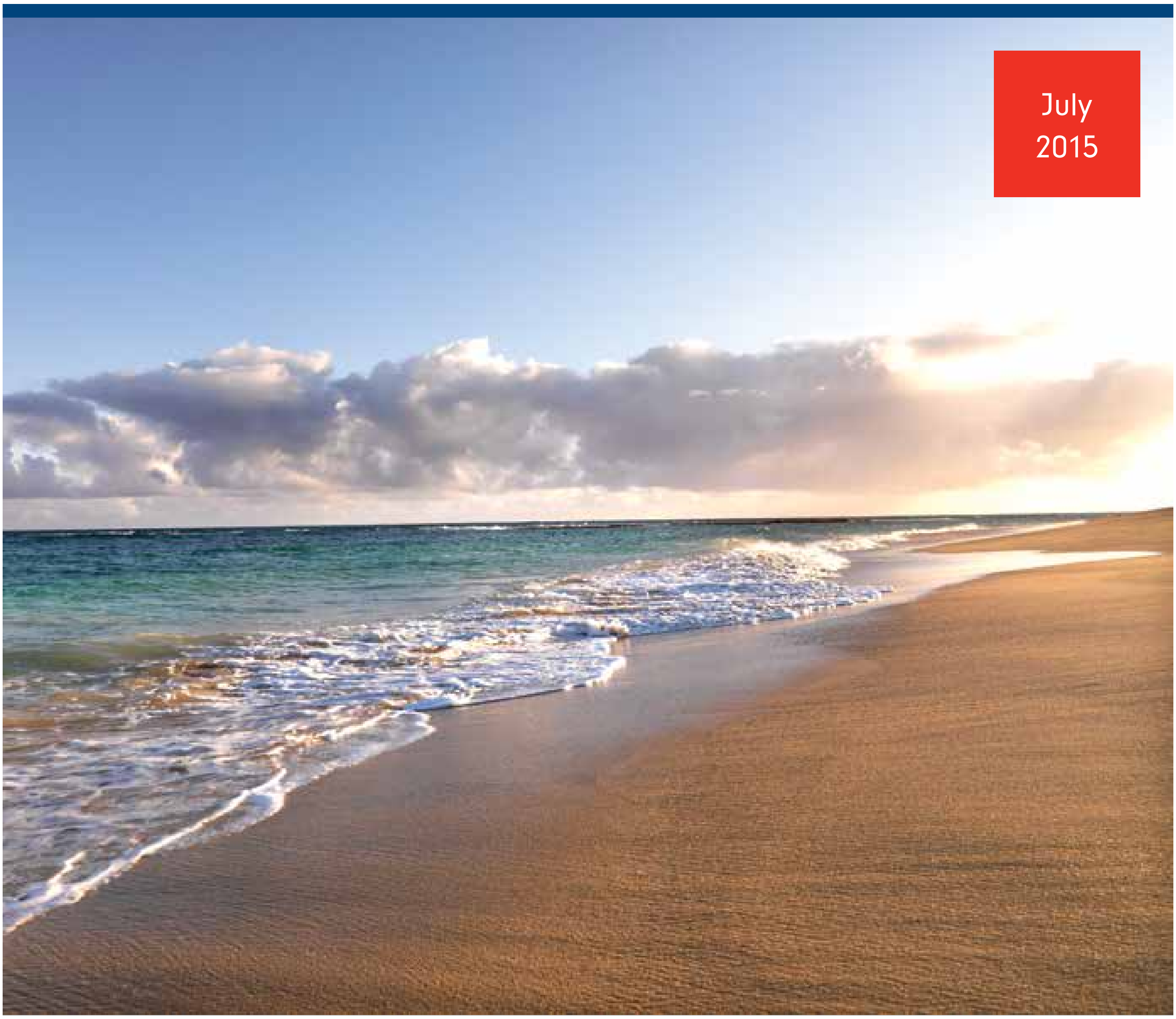
INVESTMENT OUTLOOK

Fidelity Personal Investing's market and investment view



July 2015

"Financial markets are starting to experience the greater volatility that is typical of the latter stages of the cycle. This calls for broad diversification, a focus on valuation and an active rather than passive investment approach."

By Tom Stevenson, Investment Director

Fidelity PERSONAL INVESTING

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, benign inflation and steady growth.
Bonds	⊟	▶	After their recent wobble, sentiment towards bonds is increasingly nervous but they continue to offer predictable returns and diversification of risk.
Property	☑	▲	In a low-growth, low-interest-rate world, commercial property's bond-with-a-roof characteristics will continue to look attractive.
Commodities	⊟	▲	A stabilising dollar will take some of the pressure off commodity prices but there are still plenty of headwinds.
Cash	☑	▶	Holding some cash to take advantage of the inevitable corrections in a maturing bull market is sensible.
Equity regions	**Current View**	**3 Month Change**	
US	⊟	▶	The bull case for America is still easy to make but valuations mean earnings will have to pick up the baton from here.
Japan	☑	▶	Japan is moving in the right direction and investors remain under-exposed to this out-of-favour market.
UK	☑	▲	Now the election uncertainty is out of the way, the UK could start to catch up after its underperformance.
Europe	☑	▶	Good earnings prospects, ongoing stimulus and a favourable currency make Europe interesting despite Greece's problems.
Asia Pacific ex-Japan	⊟	▼	A great long term story but India needs to deliver on its promise while China is looking vulnerable to a deeper correction.
Emerging markets	⊟	▲	All the headwinds highlighted in earlier Outlooks remain but low valuations make for an interesting contrarian opportunity.

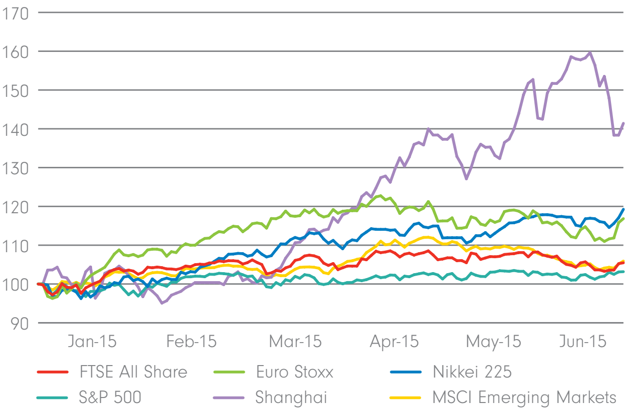
Three Month Change: the direction of the arrows indicates any change in the view since the previous Investment Outlook.

For more market data including full 5 year performance figures see page 16 ▶

Important information: Please be aware that past performance is not a guide to 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. 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. 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.

Introduction

Diverging markets



Source: DataStream, as at 23.6.15, price index in local currency terms

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Welcome to the summer 2015 issue of Fidelity Personal Investing's *Investment Outlook*. As usual, I look at all the main asset classes and geographical regions to provide some context for your investment fund choices. I hope you find my comments helpful. In addition to the funds highlighted within each section, there is a full list at the back of the report of the 120 or so funds that currently make up our Select List. We take great care in compiling and maintaining the Select List because we know that many of our personal investing clients welcome our guidance when it comes to whittling down more than 2,000 funds from over 100 fund managers to a manageable short-list. The Fidelity Solutions team that builds the list for us employs exactly the same rigorous investment discipline that we have used to pick individual shares since 1969. We believe that we have come up with a list of funds that can generate reliable outcomes over the long term.

But it is only possible to make good fund choices – even from this narrowed down list – if you do so within a broader market framework that attempts to make sense of what's going on in markets around the world. That is especially the case at a time like now when the global economy is undergoing a shift from a period of recovery, fuelled by emergency stimulus, to one of steadier growth, characterised by more normal monetary policy. The transition from one phase to the next will not be simple or easy to navigate. I hope the *Investment Outlook* can help you see the wood for the trees. If you compare the table opposite with the previous version from April you will see a few changes. These reflect: market movements over the past six months, which have for example seen strong rises in European and Japanese markets; valuations, which are a key determinant of the success of an investment over time; and, in some cases, simply a revision of my thinking – I think I have been too nervous about commercial property in a low-rate environment, for example.

Please remember that this *Investment Outlook* is a long-term market view and that the ideas expressed here should not be seen as investment advice that is relevant to your personal circumstances. This is also not a Fidelity house view, although I have relied on the expertise of many of my colleagues around the world in arriving at my conclusions. I would like to thank the many people who have helped me write this report. They are named in the acknowledgements box below. Don't forget that, as usual, I will be presenting these views online to accompany the written report. My colleague Maike Currie and I recently held a live question and answer session which you can access via our website at fidelity.co.uk/investmentoutlook. The programme is available on catch-up. Please also visit our Markets and Insights pages, where we write on a daily basis about the markets, funds and personal financial planning.

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: Markets in transition

China: 2006 revisited?

Source: DataStream as at 23.6.15, price index in local currency terms

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The past three months has seen a distinct change in financial markets' mood music. We are transitioning from a QE-fuelled recovery phase to a more normal market environment in which investment performance is more driven by company fundamentals – especially earnings growth and corporate restructuring moves – and less by top-down factors like monetary policy. This period of change won't be an easy time for investors – expect more volatility – but I don't believe it marks the end of the six year bull market. This is a time to grit your teeth and stick with it.

The emergency monetary policy of the past six years continues to be the most significant factor in markets today with the overall backdrop remaining accommodative thanks to ongoing stimulus in Japan and Europe. The US is, however, moving gingerly towards shrinking its balance sheet and normalising policy. Markets are weighing up the implications of this and investor nervousness about the first upward move in interest rates since 2006 has unsettled the bond market, driven currency swings and seen the biggest wobble in equity markets since the Taper Tantrum of 2013.

The biggest market event of recent weeks was the rapid re-pricing of German bunds, with the yield on the 10-year bond rising from a historic low point of 0.05% to as much as 1% in very short order. Inevitably this led many to question whether the widely-heralded end of a 30-year bull market in fixed income had finally arrived and what the implications might be for the equity market, itself more than six years into an uptrend.

As is often the case, the initial market reaction was over-played. Investing in European government bonds was an extremely over-crowded trade which only made sense on the basis of the "greater fool" theory that someone else could be found to pay an even sillier price than you. The rapid rewind in yield was more technical than an indication that the outlook for growth and inflation had fundamentally changed. Indeed the evidence of the past few months has been pointing towards a slow grind back to normal economic conditions rather than anything more dramatic.

As a consequence of this, expectations for interest rates in both the US and UK (the two markets where the tightening cycle is expected to start) have been pushed consistently backwards to the extent that few would be surprised if neither country saw higher rates at all this year. In Europe, Mario Draghi has been clear that the European Central Bank will err on the side of caution and the central bank will almost certainly see the proposed stimulus through to its planned completion in September 2016. Japan's return to growth and modest inflation looks as difficult as it ever has so there is no prospect of policy shifting much there either.

The end of super-low interest rates and bond yields looks to have been exaggerated and that means the equity market should continue to be underpinned through the rest of 2015 and into next year. The key challenge for stocks is not a change in the interest rate cycle (if the reason for it is positive) but the rate of change and volatility. That is why the rapid reversal in bund yields was so unsettling for equity investors. It rekindled fears of earlier unexpected tightening cycles like those in 1994 and again in 1999, when the pace of interest rate rises ultimately popped the dot.com bubble. Fortunately, it has stabilised as quickly as it started this time.

The biggest challenge as we move into the next phase of the bull market is for corporate earnings to pick up the baton from multiple-expansion as the primary driver of performance. Earnings have contributed little to market rallies in the past six years which have all been driven by rising price-earnings multiples. This has led to markets moving above fair value in some cases – not in itself a sign of danger, but a signal that future returns will be hard-won. The low-hanging fruit of the current bull market has already been picked.

As the market matures, investors need to become more discerning. A rising tide will not lift all boats in this environment so investors' recent preference for passive, index-tracking funds no longer makes sense. This is a market in which in-depth company analysis will reap rewards. A focus on management strength, balance sheets, competitive advantage, growth prospects and all the other things that active fund managers take into account will be essential. ▶

Economic Outlook

Heading into the second half of 2015, our global economist, Anna Stupnytska, believes the world economy will experience a synchronised pick-up as the disappointing start to the year is put behind us. Growth will be driven by continuing easy monetary policy and the low oil price. In some regions, notably Europe and Japan, weak currencies will provide a tailwind for exporters, although dollar strength could continue to weigh on the overseas earnings of American companies.

In the US, it is now clear that the Federal Reserve is disinclined to move quickly to raise interest rates, with the first hike since 2006 probably not arriving until December, six months later than many expected. Even if the initial increase happens in September, Fed chair Janet Yellen has made it clear that the pace of monetary tightening will be slow and the trajectory of interest rates shallow.

One of the disappointments of 2015 so far is the unexpected way in which consumers have seemed to prefer to save the benefit of cheaper oil rather than spend it. There is always a lag before the impact of cheaper commodity prices kicks in but some are starting to question whether the trauma of the financial crisis has fundamentally changed people's attitude to consumption. This seems unlikely given reasonably strong consumer confidence readings and a strengthening jobs market.

The good news for the global economy is that there is no sign of inflationary pressure anywhere, which should allow those Governments that are still easing to provide further accommodation and those that are edging towards normalisation to hold off for a while longer. In the UK, inflation is likely to remain close to zero for most of the next six months, which means even fairly modest average earnings growth is making British consumers feel progressively better off.

The Federal Reserve will be the first to pull the trigger on higher rates but the US central bank is clearly determined not to repeat the mistake of 1937 when premature tightening undermined an apparently robust recovery from the Great Depression and sent the US economy back into recession.

In Asia, Japan is a beneficiary of falling commodity prices and a weak yen. China, on the other hand, is experiencing a significant slowdown in activity and needs to tread a delicate policy path, stimulating growth without stoking an equity market bubble. Other emerging markets will remain differentiated on the basis of their exposure to a rising dollar and how well or otherwise they have initiated key economic reforms.

Key risks to the global economy are similar to three months ago. Clearly, the ongoing Greek drama has the ability to undermine confidence although Europe is in a much more secure position than it was three years ago when fears of contagion throughout the periphery were real. The hope is that Greece's problems are containable. Elsewhere, the Ukrainian situation has fallen off investors radars somewhat but it retains the capacity to flare up on Europe's eastern flank.

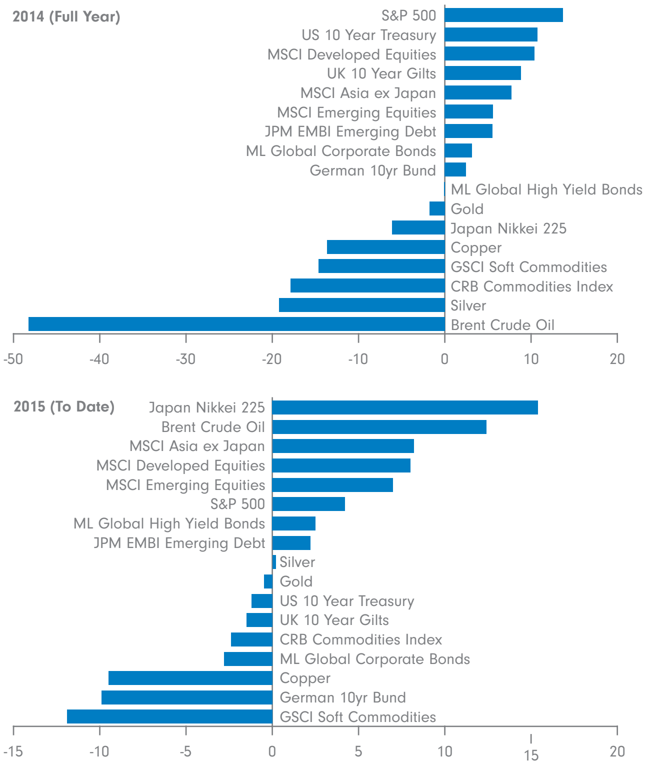
There is quite a bit of talk about bubbles at the moment. In some isolated cases this is understandable. The Shanghai and, especially, the tech-dominated Shenzhen markets are looking frothy with a surge in flotations at eye-watering multiples making it look like Chinese equities are losing touch with reality in the way they did before the financial crisis. Again, however, stock-pickers are still able to find pockets of value in a market where the over-pricing is quite sector specific. Elsewhere, Nasdaq has recently revisited all-time highs and investors in the hottest parts of the market – in biotech, for example – need to tread carefully.

In Europe, headlines have been dominated by the slow-motion tragedy of Greece. For most of 2015, financial markets have chosen to shrug off the economic and social catastrophe there. There has been little sign of contagion to other peripheral markets. At the time of going to press, the outlook for Greece's ongoing membership of the Eurozone hung in the balance.

The reality is that it is in no-one's interests for the country to become an impoverished and vulnerable bridgehead for unfriendly forces on Europe's southern flank. Leaving the Eurozone would be a disaster for Greece but it would also seriously damage the ongoing European project, holing below the waterline the pretence that membership of the single currency bloc is irreversible.

As the transition from emergency stimulus to something approaching policy normalisation unfolds over the next year or two, market leadership will most likely change. For a long period, safe-haven bond proxies – any investment that offered the prospect of safe return of capital and a decent income at the same time – have been in vogue. As interest rates and yields rise, the emphasis will shift more towards growth. Don't expect this to happen overnight, however; high and sustainable income will still be highly-prized by investors in an environment of slow and gradual policy normalisation. Attention will likely focus on dividend growth as much as the absolute level of income.

Sector and asset class rotation 2014 and 2015



Source: DataStream, 23.6.15, in local currency terms where appropriate

Past performance is not a guide to future returns. For full 5 year performance figures please see page 16.

Asset classes

EQUITIES

I continue to believe that the equity bull market that has now been running for more than six years is maturing but by no means complete. In the latter stages of a rising market, volatility tends to increase and periodic corrections should be expected. But allowing these setbacks to worry us unduly at this stage in the cycle could prove to be an expensive mistake.

Most bull markets end in some sort of a bubble as sceptical investors are pulled off the side-lines, lured in by the apparently easy money being enjoyed by other people. The past six years have been one of the most grudging bull markets ever, which suggests that, other than in some localised areas, we have not yet entered the final straight. The global growth backdrop is improving and monetary policy remains easy. This is a very equity-friendly environment. Even if equities are no longer cheap in absolute terms, they are relatively attractive compared with alternative asset classes. In the early stages of a monetary normalisation cycle, shares typically perform well because rising yields and interest rates are a reflection of improving economic and corporate fundamentals.

Looking at the headlines in the media and on broker research can be an early indicator of changing sentiment, so I read with some trepidation both "Valuations: dangerous territory" from Goldman Sachs and "A bubble in equities: why this seems the probable endgame", from Credit Suisse. In both cases, however, the conclusions were similar: things will get out of control at some point but we are not there yet.

Credit Suisse's bubble analysis concluded with a forecast rise in the global stock market over the rest of this year of 9%, including double digit gains in the UK, Europe and emerging markets. Given the recent falls in most markets, its targets look even more interesting now. In summary, it sees improving earnings revisions, a reduced risk of a Chinese hard landing, excess liquidity and still only neutral investor sentiment as being supportive of further rises.

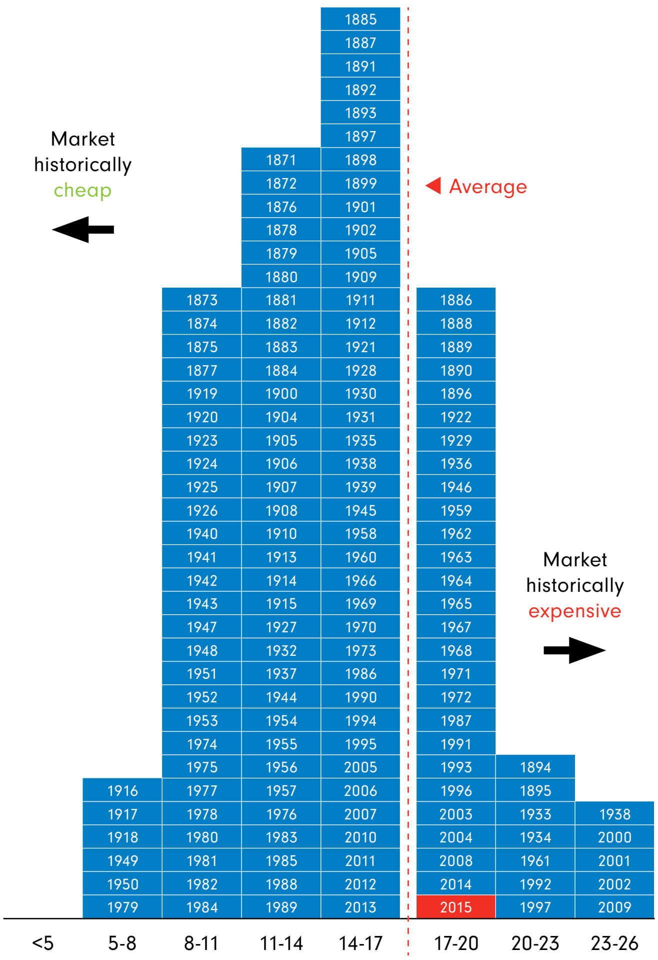
Although Credit Suisse calculates a 60-70% chance of an equity bubble forming in time, few of its tell-tale signs are yet flashing even amber let alone red. Signs of an unsustainable rise in the stock market include: talk of a new paradigm; earnings becoming irrelevant; a collapse in market breadth as money piles into just a handful of favoured sectors; buying becoming dominated by retail investors; and a surge in M&A activity. None of these is currently at danger levels.

Valuations are a good indicator of future long-term returns. At today's relatively elevated levels, investors should probably prepare themselves for lower returns than they have enjoyed since the financial crisis. The length of the current bull market should also act as an early warning sign – markets do not rise for ever and six years is a pretty long bull market by historic standards. But neither the duration of a rising market nor the current valuation is a good indicator of near-term stock market returns. From comparable positions in the past, there has been a wide range of short to medium term outcomes.

Finally, as Bank of America pointed out in a note recently, asset allocation is a zero sum game. If you take money out of equities you have to put it somewhere else, even if that is into cash. Returns for all investment classes may be lower in the years ahead but, among those various options, equities continue to look the best of the bunch.

Valuations are now looking more expensive

S&P 500 Annual Average Operating Trailing Price to Earnings



Source: S&P, DataStream, Global Financial Database, Morgan Stanley, May 2015

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

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

- **F&C Responsible Global Equity**
- **Fidelity Index World**
- **Templeton Growth**

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

BONDS

The last few months have reminded us that fixed income is not always the boring asset class we might like it to be. German 10-year bund yields rose, within a matter of weeks, from a low of just 0.05% to 1%, eye-watering volatility by the standards of the bond market. Inevitably, this caused a flurry of headlines about the end of bonds' 30 year bull market. As is often the case, rumours of the death of the bond bull market have probably been exaggerated.

The reality is that the bond market shake-out was in large part a response to over-crowded positions in which some investors were betting that central bank purchases would push more bond yields into negative territory. Once the tide turned on these momentum investors, many were quick to look for the exit. Things have settled down a bit now.

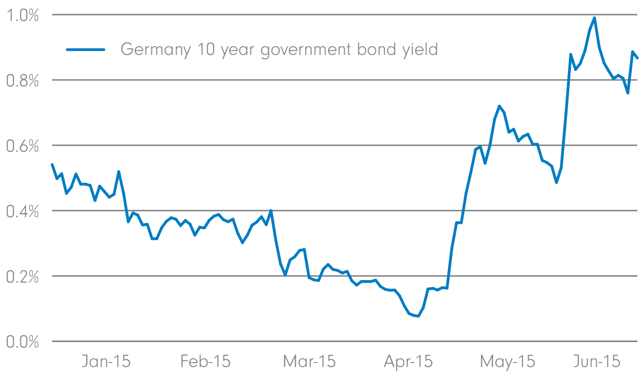
It remains the case that buying of bonds by both the Bank of Japan and European Central Bank (ECB) will continue to support bond prices and put a lid on yields. There has been some talk about the ECB winding down its programme of quantitative easing before the stated end date in September 2016 but that seems quite unlikely as it would threaten the bank's credibility. Like the Fed in America, the ECB is more likely to play safe, waiting for confirmation that Eurozone recovery is broad-based, benefiting not just the core but the periphery too.

As well as supporting government bonds, the QE programmes should continue to support corporate bonds by maintaining the spread or gap between the yields on risk-free government bonds and those issued by companies where investors are compensated for a greater default risk with a higher income. In an environment of persistently low interest rates (which is the central case for months and perhaps years to come), income-seeking investors will continue to be interested in bonds, not least for the diversification benefits they bring to an equity-focused portfolio.

So why do I continue to prefer equities to bonds overall? The reason is that the pick-up in global activity expected in the second half of 2015 will start to put upward pressure on bond yields as inflation fears return and the turn in the interest rate cycle approaches. Growth is good for equities but challenging for bonds. Alongside the interest rate and inflation concerns, increasing takeover activity can make life difficult if more debt-financed deals weaken companies' balance sheets. An M&A boom, typical of the later stages of the economic cycle, can drive the equity market higher but make fixed income investors more nervous.

An area, which we are increasingly interested in, within fixed income, is emerging market bonds. Yields are much higher than in the developed world without necessarily requiring investors to accept higher levels of risk or volatility. This kind of stock specific opportunity can also be found in the high yield universe of bonds issued by companies with slightly poorer credit ratings. Perhaps the best way to tap into both of these markets is via a strategic bond fund, where the manager has the flexibility to move around between different types of bond as he or she sees opportunities unfolding. Strategic bond funds can also help to reduce the risk of being exposed to one particular market segment. This is especially important today when there are concerns about the liquidity of parts of the bond market. Flexibility and the ability to trade in and out of positions when required are key.

A reality check for bonds



Source: DataStream as at 23.6.15

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.

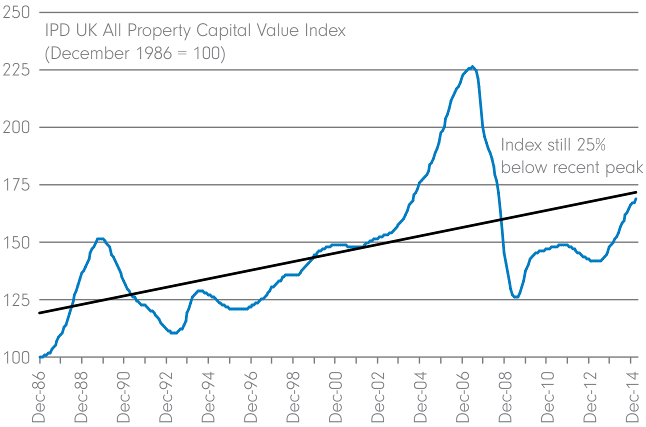
If you're interested in bonds three funds on our Select List you may like to look at are:

- **Baillie Gifford Corporate Bond**
- **Fidelity Strategic Bond**
- **M&G Optimal Income**

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

PROPERTY

UK property values still below peak



Source: IPD UK Monthly Index, as at 31.3.15

Past performance is not a guide to future returns.

After several years of stellar out-performance, it is tempting to argue that the commercial property market must be ready for a pause. I have fallen into this trap, warning for several quarters about the tell-tale signs of excess in the sector. I'm beginning to think I may have overdone the caution. Property has performed well but on most measures it does not yet look over-priced.

Leaving aside the hot markets in Hong Kong and Singapore, property continues to offer investors a considerably higher income than a government's IOU and with the prospect of rising rents thrown in for nothing. When it comes to capital values, too, there looks to be plenty of value still. In the UK, for example, the average commercial property is 25% cheaper than at the peak of the market in 2006/7. Outside the London prime market, regional properties are still cheap. It is still possible to find yields of 6% or more for the simple reason that many investors continue to shy away from all but "clean, dry" assets. In Europe, the gap between the yield on prime and secondary properties has been widening for the past eight years. This is the equivalent of an equity stock-picker's market.

Most assets are cheap when there is an oversupply of them. But in the case of UK commercial property, supply is extremely tight after years in which banks would only lend on completed and let buildings. There has been next to no development outside London, and even in the capital big projects are only just starting again. That's good news for rental values in a recovering economy where expanding companies are looking for modern space. And this is not just a UK phenomenon. In Western Europe, completions are running at just 1.3% of the total office stock. In a low-interest-rate environment, real estate has the ability to offer investors a high, sustainable and growing yield. Often it's backed by super-safe tenants like government departments who can make an investment in property look like a bond with a roof on.

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.

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

- **Aberdeen Property Share**
- **Fidelity Global Property**
- **HSBC Open Global Property**

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

COMMODITIES

The past quarter has seen a stabilisation in the price of many commodities, notably oil. This may have given investors more confidence that the asset class could be finding a floor after a difficult period but the reality is that natural resources face a number of ongoing headwinds. The dollar remains a long-term barrier to further price appreciation although any further deferral of the first move on US interest rates could keep the US currency in check in the near term. Chinese growth is also unlikely to become supportive any time soon. And over-supply continues to dog the markets for many commodities as producers vie for market share.

Market positioning continues to be a key driver of the oil price too, with Saudi Arabia indicating recently that it remains relaxed about the cost of crude at its current level. During the last quarter, Brent and WTI both bounced off their lows but they are unlikely to rise much further than the current \$50-\$70 trading range. The reason oil is likely to remain range-bound is the ability of North American shale producers to switch supply on and off at will. The speed with which shale rigs can be brought on and off stream is quite different from traditional oil fields where wells are either on or off for extended periods. As soon as the cost of oil makes marginal shale wells viable, they will start producing again and the price will be capped. The current price looks like being the new normal. That is good news for the global economic recovery but less good news for traditional oil producers or speculators on the oil price.

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

- **BlackRock Gold and General**
- **First State Global Resources**
- **Martin Currie Global Resources**

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

Equities – a regional perspective

US

The US stock market is grinding higher without much investor enthusiasm. This is perhaps unsurprising after a slow start to the year for the American economy and six years into a bull market which has left valuations fairly rich in the world's biggest equity market. It is as if investors understand the case for the S&P 500 with their heads but are implementing it grudgingly with their hearts. Actually, I think the second half of 2015 might be a bit better than the first for a couple of reasons. First, the lagged impact of last year's oil price slide is likely to kick in, boosting consumer confidence and spending. Second, the strengthening dollar, which provided a headwind for big US overseas earners, looks to have run its course for now. As for valuations, they are full but not excessive and reasonable when considered in the context of persistently low interest rates and when compared with other asset classes.

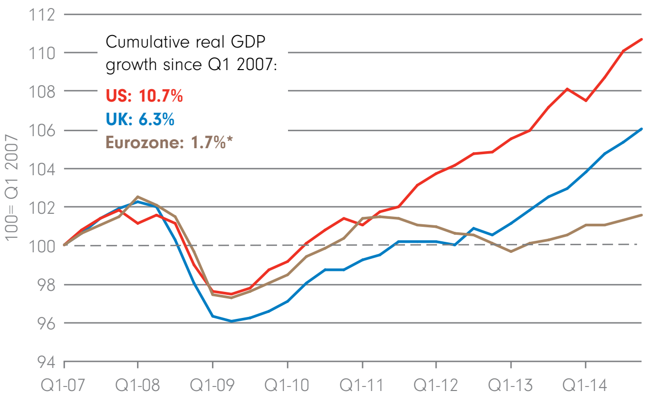
There are several strands to the bullish case for US equities. First, the US market is better placed than any to benefit from a return to economic growth. Its companies are among the most geared to generating good returns for shareholders with an overall return on equity that stands head and shoulders above those achieved in Europe and Japan, for example.

Another sign that the US takes shareholders seriously is its remarkable track record in growing dividends in recent years. Over the past 16 quarters, S&P 500 dividends have risen by an average 14%, year on year. That has enabled the US dividend yield to remain at 2% despite a trebling in the US stock market since 2009.

The third reason to remain relaxed about the US market today is the historical resilience of US equities to the early stages of a rate-rising cycle. In the past four of these, American shares rose by an average of nearly 7% in the year after the rises began. With the first Fed hike unlikely to appear until December, the outlook for the rest of 2015 and 2016 looks sound.

Finally, an investor has to take a long-term view of the advantages of the US and decide whether they would really be happy to not have a strategic exposure to the US market. A combination of well-defined property rights, robust institutions, good infrastructure and an absence of red tape mean the US consistently tops the "ease of doing business" tables. It is hard to imagine a well-balanced portfolio not having a decent weighting in the US market. The US has good demographics, with a population that's still rising unlike in Japan and Germany, for instance. It is moving closer to energy independence and it is a leader in technology and innovation. The US is certainly no bargain today but I remain at worst neutral on its equity market today.

The US economic recovery has far outshone other regions



Sources: Eurostat, US Bureau of Economic Analysis and UK ONS, May 2015; * last data point for the eurozone is Q4 2014

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

- **BlackRock US Opportunities**
- **Fidelity 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.

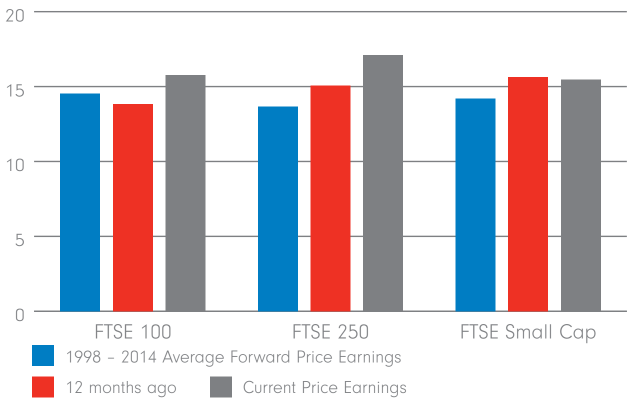
UK

Three months ago, the UK market was focused on the upcoming General Election and worrying about what looked to be a very uncertain outcome. In the end, as we now know, the result of the election was more decisive than anyone imagined right up until the exit polls on election night itself. By itself, this has removed one of the main clouds hanging over the UK market. There remains uncertainty, of course, in the form of the forthcoming referendum on Britain's EU membership, and this could intensify through 2016 as that vote approaches. Despite this drag on sentiment, however, there are plenty of reasons to be more positive about the UK stock market than was the case earlier in the year.

First, the oil price appears to have stabilised in a $50-$70 range which is a positive for the energy and materials sectors which are such a significant weighting within the FTSE 100. In addition, as in the US, the benefit of cheaper oil should feed through to consumer sectors like retail, albeit to a lesser extent because higher fuel taxes here tend to mute the benefit of a lower crude price. Other sectors also look undervalued and disliked in the UK, which looks appealing from a contrarian perspective. Both financials and utilities are influential sectors within the UK benchmark and they look fundamentally attractive. Banks, in particular, could benefit from a gradual rise in interest rates as and when it comes early next year. In valuation terms, the UK now looks relatively cheap compared with other markets, notably the US and Europe. In fact, as Europe's economy continues to recover, the London market may come to be seen as the best way to play that improving trend. Europe is after all Britain's biggest trading partner.

Within the UK market, smaller companies are looking the most interesting from a valuation perspective. The FTSE 250 mid-caps tend to be the quickest beneficiaries of improving sentiment because they offer investors the best combination of liquidity and UK exposure. That has left small caps behind and they should start to look interesting as earnings improve over the months ahead. For income seekers, too, the UK is a perennially interesting market, with high and sustainable dividends available from blue-chip stocks but also further down the size scale too. The FTSE 100 index has moved sideways for around two years now while some of the best UK funds have managed to generate decent returns. A market that is so dominated by a handful of sectors is never going to be one that is best played via a passive index-tracking approach. Active managers can underweight or overweight the dominant sectors as they see fit and will always be a better way into the UK market.

Small caps offer valuation advantage



Source: DataStream, as at 31.5.15

Past performance is not a guide to future returns.

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

- **CF Lindsell Train UK Equity**
- **Fidelity UK Select**
- **Kames Ethical Equity**

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

EUROPE

European shares rose strongly at the start of 2015 as the ECB belatedly joined the quantitative easing party. More recently, anxiety over the Greek situation and nervousness about valuations in the region have put a lid on investor sentiment. Although, European shares are no longer the out-of-favour bargain they were three years ago, improving fundamentals mean they look well-supported.

There are good reasons to think that earnings in Europe could surprise positively from here. First, the weak Euro will continue to act as a tailwind for European exporters and overseas earners. The region is particularly well-placed to benefit from currency translation effects because the majority of its largest companies' earnings are made beyond its shores.

Second, Europe is going through an accelerating M&A cycle as companies reposition themselves and reshape their portfolios of businesses. This process began 12 to 18 months ago and the benefits will show through progressively in the months ahead.

Third, the region stands to be a major beneficiary of lower energy input costs and, in some countries, lower labour costs too. This will support profit margins and earnings growth. Indeed the absence of earnings growth in recent years is one reason to believe that the apparently full valuations in the region are not as high as they look. Unlike the US where earnings stand at historical highs (raising the 10 year average), Europe is coming from a lower base so the long-run average is abnormally low, making cyclically-adjusted ratios seem more demanding than they really are. As well as the valuation argument, European shares look attractive on the basis of investor positioning. The average investor has a lower than usual exposure to the region and sentiment towards Europe continues to be depressed by worries about Greece, which arguably is not significant in economic terms to the area as a whole.

Negativity about the region's prospects has tended to see investors herding into super-safe, bond-proxy type investments – equities that share the defensive characteristics of bonds. These safe haven stocks have been bid up in price, leaving more on the table for investors willing to look through the short-term concerns about other companies with temporary operational or management issues. This is a good reason to approach investing in Europe via a research-driven active manager rather than a passive fund which, by definition, will be heavily exposed to the bigger, safer and more expensive stocks in the market.

While it would be unreasonable to expect the market growth of the early months of 2015 to be repeated, the combination of economic tailwinds and subdued sentiment leaves room for further gains in the second half of the year.

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

- **BlackRock Continental European**
- **FP Crux European Special Situations**
- **Threadneedle European Select**

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

JAPAN

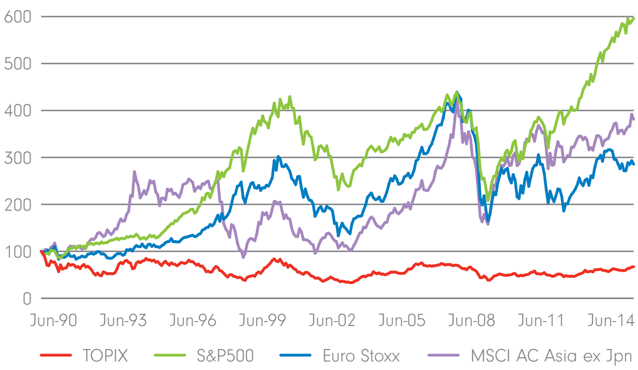
The Japanese market has enjoyed a positive start to 2015. It has rewarded our patience after last year's slowdown following the implementation of a painful sales tax hike which put the brakes on growth. It is important to see the last three years' rally in share prices in Tokyo in context, however. After two decades during which Japanese shares slipped off many investors' radars, the Nikkei was starting from a very low base. There is still plenty to go for in Japanese stocks. Japan is poised on the cusp of a sustained uptick as it responds to the emergence of a more assertive China with a push to rebuild its own economic relevance in the region. The need to support geo-political posturing with real economic and financial strength is a key driver of the Abenomics programme. Only by creating a sustainable economic recovery can Japan hope to stop punching below its weight in East Asia.

At the same time, Japan is enjoying a cyclical upswing on the back of ongoing stimulative policy, a weaker currency and falling energy costs. With the employment market tightening, there is a real prospect of higher wages feeding through into a positive upward spiral of higher consumer spending, leading to higher corporate profits, more investment, hiring and so on and so on. Finally, Japan may be about to break out of its downward deflationary spiral. One of the keys to achieving this will be the most important change sweeping through Japan today – a rethinking of Japanese companies' attitude to shareholder returns. This is a central part of the so-called third arrow, the structural reforms that are needed to build on the first two arrows of monetary and fiscal stimulus that began with the election of Shinzo Abe as Prime Minister in 2012.

The market may have underestimated the progress that has been and continues to be made on this corporate governance front. Already there are signs of a positive evolution in capital management as companies start to use excess cash to deliver shareholder value and increase returns on equity. This is important because it is only by raising these returns on invested capital that higher valuations can be justified in Japan, multiplying earnings growth to deliver continuing strong investment returns. The majority of overseas investors remain underweight Japan after years in which ignoring the Tokyo market has been a cost-free option. With a stabilising yen now allowing local market returns to feed through into gains for overseas investors, being out of the Japanese market may seem less clever from here and the Nikkei should start to get noticed again.

When you look at the euphoria sweeping through the Chinese stock market this year, it would be tempting to conclude that the economic baton has been irrevocably handed over by Japan but this is to ignore its ongoing lead in a wide range of high added-value industries from medical devices, to high performance materials, automation, precision equipment and many more. Research and development represents a much bigger share of GDP in Japan than anywhere other than possibly Korea. We ignore Japan's strengths at our peril.

Japan has been a perennial underperformer



Source: DataStream as at 23.6.15

Past performance is not a guide to what might happen in the future. When investing in overseas markets, changes in currency exchange rates may affect the value of an investment. For full 5 year performance figures please see page 16.

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

- **Baillie Gifford Japanese**
- **Pictet Japanese Equity Opportunities**
- **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

A big disconnect emerged between the slowing Chinese economy and its stock markets where leverage, retail investors with RMB signs in their eyes and Government support for an inflating stock market bubble had predictable consequences. The economy is going through a soft patch, requiring ongoing policy easing to get things moving again, but investors seemed not to have noticed.

In some sectors, notably the Shenzhen-traded tech stocks, valuations reached eye-watering levels so the correction in the past couple of weeks should not surprise us. Our portfolio managers are still finding good companies trading on single digit price-earnings ratios with attractive yields, so this remains a stock-picker's market (albeit one where investors need to tread very carefully).

Elsewhere in the region, the gloss has come off the other two big structural reform stories – India and Indonesia. This was perhaps inevitable, given the unbridled enthusiasm with which the stock market welcomed Narendra Modi in particular. Structural reforms take time to have an effect and it was always likely that investors would lose some patience and the honeymoon period would fade. However, there are real reforms underway in India, for example in the coal mining sector where more efficient and less corrupt licensing processes should allow the country to stop importing this key resource in which it is effectively self-sufficient. India remains the most attractive market in the region. Macro-economic conditions in Asia remain healthy. Economic growth is considerably stronger than in the rest of the world and the long-term story of a rapidly expanding consuming middle class remains intact. Economies are being rebalanced away from export-dependent growth towards a more sustainable consumption-led model and this means that investors with a balanced portfolio will certainly want to maintain an exposure to the region despite its volatility.

One market that looks interesting – although it has proved a value trap in the past – is South Korea where the usual cycle of high earnings expectations at the start of the year followed by downgrades as the months pass by has not occurred this year. They are dangerous words in investment, but perhaps it really is different this time.

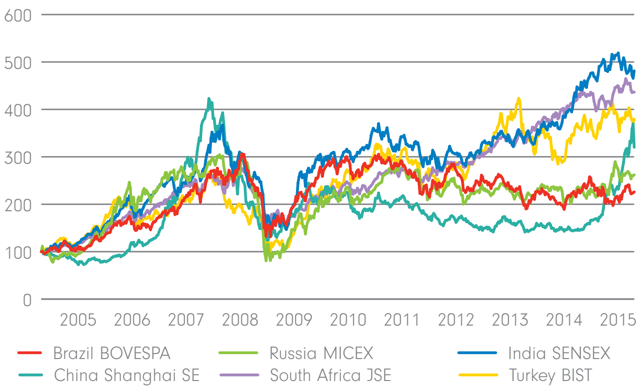
If you're interested in Asia-Pacific ex Japan three funds on our Select List you may like to look at are:

- **Fidelity South East Asia**
- **M&G Asian**
- **Schroder Asian Alpha Plus**

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

EMERGING MARKETS

Selectivity is key in a diverse investment class



Source: DataStream, as at 23.6.15, price index in local currency terms

When you come across an investment class that no-one has a good word for, it usually merits further attention. Emerging markets tick all the contrarian boxes today, with investors worried on several fronts at the same time. The prospect of rising interest rates and further advances in the value of the dollar is the principal concern as the Fed moves ever closer to the first rate hike since 2006.

Other concerns include an absence of structural reforms and vulnerable current accounts in some key emerging markets like Turkey and South Africa and persistently weak commodity prices in markets such as Brazil and Russia which depend on natural resources revenues. However, there is a price for everything and a stock-picking approach in emerging markets offers the prospects of finding good growth stories at undemanding prices. The trouble is the only way to achieve it is to put in the hard yards of rigorous company research.

A passive emerging market tracker fund will buy all the problems as well as the opportunities. Emerging markets are where active investment can really pay dividends. And don't forget that emerging market investing is no longer just about equities. Investing in emerging market fixed income can provide diversification benefits and generally better yields than in the developed world.

Past performance is not a guide to future returns. 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 16.

If you're interested in emerging markets 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 guide to 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 2015E	Dividend yield 2015E
Equities		%
US	18.2	2.1
Europe	16.4	3.4
UK	16.4	3.9
Japan	16.7	1.8
Asia Pac ex Japan	13.4	3.1
Emerging Market Asia	12.4	2.5
Latin America	16.0	3.0
Central East Europe, Middle East & Africa	11.2	3.5

	Redemption Yield
Bonds	%
ML Global High Yield	6.6
German 10-Year Bunds	0.8
ML Global Corporates	2.8
UK 10-Year Gilts	2.0
US 10-Year Treasuries	2.3

Market data (continued)

Please be aware that past performance is not a guide to 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 PERFORMANCE AT A GLANCE

% (as at 19th June 2015)	3 m	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Equities						
S&P 500	1.0	13.9	6.8	20.0	20.3	7.7
FTSE All Share	-2.6	10.2	-3.0	15.9	8.1	0.9
FTSE 100	-3.6	8.8	-2.3	13.6	7.2	-1.4
Nikkei 225 (Japan)	3.6	-6.5	-7.4	53.0	16.0	31.3
TOPIX (Japan)	3.5	-9.3	-8.8	50.6	14.7	28.5
EURO STOXX	-4.9	4.4	-18.9	23.0	23.4	6.8
Shanghai SE	24.9	3.2	-13.0	-6.9	-5.5	121.3
MSCI Emerging Markets	1.0	16.5	-14.5	0.4	10.9	-7.2
Sensex (India)	-4.1	1.4	-5.7	14.2	30.9	8.4
MSCI Asia (ex Japan)	0.5	10.8	-8.0	6.8	10.5	7.2
BOVESPA (Brazil)	5.5	-5.4	-6.3	-16.3	15.3	-2.6
MICEX (Russia)	3.4	21.4	-15.5	-4.8	13.0	11.2
JSE (South Africa)	-1.8	10.3	13.2	17.5	25.7	1.1
BIST 100 (Turkey)	0.6	8.5	-3.9	32.9	0.3	4.3
Bonds						
US 10-Year Treasuries	-1.5	-1.0	-0.3	-6.1	4.1	-0.2
UK 10-Year Gilts	-7.2	2.1	19.2	-4.5	-2.7	11.3
German 10-Year Bunds	-5.3	-1.0	14.6	0.8	3.7	5.6
ML Global Corporates	-0.1	13.5	2.8	5.7	6.1	-3.5
ML Global High Yield	3.0	17.7	3.9	14.8	11.0	-3.1
JPM Emerging Markets Bond Index	0.9	11.1	12.0	2.6	7.5	-1.0
Commodities						
CRB Commodities	2.0	31.2	-13.6	-1.0	4.0	-14.8
Crude Oil (Brent)	13.9	45.7	-15.7	10.4	8.7	-47.0
Gold Spot	2.5	23.4	5.7	-15.5	-5.4	-7.6
COMEX Copper	2.7	-21.3	-30.8	34.8	-74.9	37.6
GSCI Soft Commodities	-2.9	54.3	-29.2	-7.9	8.3	-25.5
Silver	-0.2	89.9	-20.3	-23.7	-5.6	-21.4

Source: DataStream, 19.6.15 in local currency terms. Valuations: Source Citigroup Global Equity Strategist – Citi Research, MSCI, Worldscope, FactSet Consensus estimates as at 18.6.15. Bond Yields: Source DataStream as at 19.6.15.

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 guide to 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 31th May 2015)	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	Morningstar Fund Rating
MIX OF ASSET CLASSES						
Balanced						
7IM Balanced	10.4	-5.1	18.2	5.0	11.5	✪✪✪✪
F&C MM Navigator Moderate	-	-	-	6.4	9.0	
Premier Multi-Asset Conservative Growth	8.5	-2.7	12.3	3.1	5.5	✪✪✪
Mixed Assets - Defensive						
7IM Moderately Cautious	7.6	-1.0	12.4	3.2	8.5	✪✪✪✪
AXA Defensive Distribution	8.6	2.7	10.2	2.0	6.4	✪✪✪
Jupiter Distribution	-	-	14.9	5.2	8.8	✪✪✪✪✪
Mixed Assets - Flexible						
Henderson Multi-Manager Active Fund I Acc	7.2	-16.1	27.7	6.9	11.5	✪✪✪
Jupiter Merlin Growth Portfolio	-	-	22.8	3.8	16.8	✪✪✪
Mixed Assets - Growth						
7IM Moderately Adventurous	12.6	-8.1	23.6	6.9	14.3	✪✪✪✪
AXA Framlington Managed Balanced	17.2	-3.7	24.2	6.8	9.5	✪✪✪✪✪
Neptune Balanced	13.7	-6.5	18.3	3.6	12.2	✪✪✪✪
Schroder MM Diversity Tactical	-	-	28.8	4.3	10.3	✪✪✪✪
Mixed Assets - Income						
F&C MM Navigator Distribution	-	-	-	6.5	7.6	
JPM Multi-Asset Income	14.4	-2.3	19.9	6.6	6.2	✪✪✪✪✪
Premier Multi-Asset Monthly Income	12.6	-1.3	25.8	8.8	10.8	✪✪✪✪✪
EQUITIES FUNDS						
Asia Pacific Equity excl Japan						
Fidelity Index Pacific ex Japan	-	-	-	-	5.6	
Fidelity South East Asia	21.5	-15.0	19.5	-4.3	25.1	✪✪✪✪✪
First State Asia Pacific Leaders	21.3	-4.5	27.5	-0.2	19.6	✪✪✪✪✪
M&G Asian Fund	18.0	-10.2	28.7	0.5	14.0	✪✪✪✪
Schroder Asian Alpha Plus	24.2	-1.4	22.4	-5.2	16.1	✪✪✪✪
Asia Pacific Equity incl Japan						
Aberdeen Asia Pacific and Japan Equity	-	-	-	-6.3	12.9	
Fidelity Pacific	16.4	-12.6	38.1	5.2	26.0	✪✪✪✪✪
Smith & Williamson Far Eastern Income and Growth Trust	-	-	30.3	-2.1	14.0	✪✪✪✪
Emerging Markets Global Equity						
Fidelity Emerging Markets	-	-11.0	19.7	-1.1	15.1	✪✪✪✪✪
Fidelity Index Emerging Markets	-	-	-	-	8.4	
JPM Emerging Markets	10.1	-12.0	17.4	-6.2	3.9	✪✪✪✪
Lazard Emerging Markets	11.2	-11.1	20.0	-2.3	0.6	✪✪✪✪
Threadneedle Global Emerging Markets Equity	11.7	-16.6	23.5	-4.2	8.2	✪✪✪✪
Emerging Markets Regional Equity						
Fidelity Greater China	14.7	-14.1	25.8	-0.3	42.4	✪✪✪✪✪
Fidelity Latin America	13.8	-15.4	14.2	-15.4	-12.6	✪✪✪✪
Franklin India	4.5	-21.6	18.6	9.8	34.2	✪✪✪✪
Threadneedle Latin America	11.3	-17.9	13.2	-15.0	-15.3	✪✪✪
Europe Equity excl UK						
BlackRock Continental European	27.8	-17.9	41.7	10.4	10.6	✪✪✪✪✪
Fidelity Index Europe ex-UK	-	-	-	-	5.7	

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 31th May 2015)	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	Morningstar Fund Rating
FP Crux European Special Situations	30.3	-16.4	43.3	9.2	11.8	✪✪✪✪
Invesco Perpetual European Equity Income	-	-	-	-	5.6	
Jupiter European Special Situations	-	-	39.1	11.0	10.2	✪✪✪
Threadneedle European Select	28.8	-8.8	39.3	8.6	12.1	✪✪✪✪✪
Global Equity						
BNY Mellon Long Term Global Equity	-	-	-	2.1	16.8	
Fidelity Index World	-	-	-	7.2	16.9	
M&G Global Growth	11.2	-10.7	33.7	0.6	14.7	✪✪✪✪
Rathbone Global Opportunities	22.3	-3.1	22.8	8.0	23.3	✪✪✪✪✪
Templeton Growth	13.2	-19.7	49.0	11.6	13.2	✪✪✪✪
Global Equity Income						
Aberdeen World Equity Income	16.2	-3.6	25.0	-2.5	-1.2	✪✪
Lazard Global Equity Income	14.3	-5.2	28.8	7.3	3.9	✪✪✪
Newton Global Income	-	-	-	4.0	12.0	
Sarasin Global Higher Dividend	14.7	-5.5	26.3	4.8	18.2	✪✪✪✪
Global Ethical						
F&C Responsible Global Equity	9.5	-3.8	29.0	3.3	21.9	✪✪✪✪
Ecclesiastical Amity International	15.6	-12.8	32.9	1.0	9.4	✪✪✪
Global Real Assets						
Fidelity Global Real Asset Securities	-	-	25.1	-1.1	4.8	✪✪
First State Global Listed Infrastructure Securities	15.4	-1.2	24.2	10.6	15.1	✪✪✪✪✪
Sarasin Food and Agriculture Opportunities	14.9	-11.3	25.0	-5.6	12.2	✪✪✪
Japan Equity						
Aberdeen Japan Equity	5.1	4.3	27.9	-2.0	25.7	✪✪✪✪✪
Baillie Gifford Japanese	1.8	-3.4	43.5	2.1	25.7	✪✪✪✪✪
Fidelity Index Japan	-	-	-	-	26.3	
Old Mutual Japanese Equity	-0.3	2.7	33.3	-1.6	24.3	✪✪✪✪✪
Pictet Japanese Equity Opportunities	-	-	30.1	-2.9	29.4	✪✪✪✪
Schroder Tokyo	-2.0	1.1	24.3	1.1	28.3	✪✪✪✪✪
North American Equity						
Fidelity America	9.2	1.7	35.8	9.7	28.0	✪✪✪✪✪
Fidelity Index US	-	-	-	7.7	23.1	
JPM US Equity Income	9.8	9.4	30.5	5.7	20.6	✪✪✪✪✪
JPM US Select	5.7	4.4	33.9	8.6	24.8	✪✪✪✪✪
Old Mutual North American Equity	14.4	5.6	32.8	12.4	27.4	✪✪✪✪✪
North American Small/Mid Cap Equity						
BlackRock US Opportunities	13.5	-9.1	29.8	10.4	27.8	✪✪✪
JPM US Smaller Companies	20.2	-7.1	33.3	-0.1	27.4	✪✪✪
Europe Equity Single Country						
Baring German Growth Trust	34.5	-21.7	43.4	17.5	3.3	✪✪✪✪✪
Fidelity Germany	29.5	-21.1	50.2	14.2	5.0	✪✪✪✪✪
Fidelity Italy	24.2	-33.7	52.5	29.4	-2.4	✪✪✪✪✪
UK Equity						
AXA Framlington UK Select Opportunities	30.8	-2.8	26.6	12.6	12.4	✪✪✪✪
Fidelity Index UK	19.0	-8.4	28.9	8.6	8.0	✪✪✪
Fidelity UK Select	20.2	-8.0	29.6	8.0	18.4	✪✪✪✪
HSBC FTSE 100 Index	17.8	-7.7	27.6	7.5	6.4	✪✪✪
Jupiter UK Special Situations	19.2	-0.5	35.9	14.8	8.4	✪✪✪✪
Liontrust UK Growth	-	1.0	24.2	9.2	12.8	✪✪
CF Lindsell Train UK Equity	26.0	-1.6	43.6	14.4	17.1	✪✪✪✪✪
UK Equity Income						
Artemis Income	19.7	-2.2	31.8	11.0	11.2	✪✪✪✪
Fidelity MoneyBuilder Dividend	22.1	1.4	29.8	11.0	10.0	✪✪✪
Henderson UK Equity Income & Growth	33.4	-4.6	36.9	21.8	8.0	✪✪✪✪
JOHCM UK Equity Income	-	-	-	14.3	11.4	
Liontrust Macro Equity Income	-	-	-	13.3	12.6	
UK Ethical						
Ecclesiastical Amity UK	22.7	-1.5	31.3	11.7	13.9	✪✪✪✪
Kames Ethical Equity	28.4	-7.8	36.0	15.1	16.9	✪✪✪✪✪
UK Small/Mid Cap Equity						
HSBC FTSE 250 Index	26.4	-10.0	38.6	14.3	16.7	✪✪✪
Marlborough Special Situations	46.9	-3.2	29.4	24.7	14.3	✪✪✪✪
Old Mutual UK Smaller Companies	35.2	-6.9	37.8	18.3	15.1	✪✪✪✪
Royal London UK Mid Cap Growth	34.6	-3.1	38.7	17.3	19.7	✪✪✪✪
Threadneedle UK Mid 250	28.7	-6.4	38.1	11.8	22.0	✪✪✪
FIXED INCOME FUNDS						
Emerging Markets Local Currency Bond						
Investec Emerging Markets Local Currency Debt	3.3	-2.7	12.9	-12.4	-6.8	✪✪✪

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 31th May 2015)	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	Morningstar Fund Rating
Pictet Emerging Local Currency Debt	2.3	-0.1	9.9	-12.9	-6.9	✪✪✪
Templeton Emerging Markets Bond	-	-	15.9	0.9	-8.9	
Europe Corporate Bond						
Fidelity Euro Corporate Bond	7.1	-3.3	18.5	0.3	-7.0	✪✪✪✪
M&G European Corporate Bond	6.0	-4.5	18.3	-0.1	-8.2	✪✪✪✪
Europe High Yield Bond						
Fidelity European High Yield	17.5	-9.3	28.2	5.0	-10.5	✪✪✪✪
Invesco Perpetual High Yield	-	-	-	-	3.9	
M&G European High Yield Bond	14.6	-10.2	27.6	4.2	-10.6	✪✪✪
Global Aggregate Bond						
M&G Global Macro Bond	0.4	9.5	12.2	-6.4	7.0	✪✪✪✪✪
Newton Global Dynamic Bond	-	-	-	2.0	0.8	
Threadneedle Global Bond	-4.7	8.8	-2.3	-4.5	2.9	✪✪✪
Global High Yield Bond						
Baring High Yield Bond	16.3	-1.8	13.1	5.4	-1.4	✪✪
Investec Monthly High Income	13.8	-2.1	12.4	5.2	1.1	✪
JPM Global High Yield Bond	14.9	3.0	12.4	6.3	1.2	✪✪✪
Global Inflation Linked Bond						
Fidelity Global Inflation-Linked Bond	5.2	4.9	0.9	-0.7	-2.2	✪
SLI Global Index-Linked Bond	6.3	9.7	1.5	-0.1	3.9	✪✪✪
UK Aggregate Bond						
Fidelity Strategic Bond Fund†	6.7	6.5	11.9	4.2	5.3	✪✪✪✪
Henderson Preference & Bond	10.2	0.0	13.4	6.9	5.0	✪✪✪✪✪
Henderson Sterling Bond Unit Trust	9.7	5.0	13.3	2.4	7.7	✪✪✪
Jupiter Strategic Bond	-	-	13.1	6.5	3.3	✪✪✪
M&G Optimal Income	9.8	6.3	14.7	6.0	2.2	✪✪✪✪✪
UK Corporate Bond						
Baillie Gifford Corporate Bond	16.8	5.9	16.8	5.2	6.4	✪✪✪✪✪
BlackRock Corporate Bond Tracker	-	6.5	11.6	2.0	8.1	✪✪✪
Henderson Strategic Bond	9.9	1.1	12.6	6.8	5.1	✪✪✪✪✪
M&G Strategic Corporate Bond	7.4	7.9	10.8	4.1	5.2	✪✪✪✪
UK Government Bond						
Allianz Gilt Yield	4.4	15.1	0.9	-2.1	8.5	✪✪✪✪
Henderson Institutional UK Gilt	4.6	14.7	0.0	-1.3	8.1	✪✪✪
HSBC UK Gilt Index	-	14.3	-0.3	-1.0	9.4	✪✪✪✪
Royal London UK Government Bond	-	-	-0.1	-0.7	8.1	✪✪✪
UK Inflation Linked Bond						
Henderson Index-Linked Bond	10.2	19.2	7.2	-1.2	16.0	✪✪✪✪
Legal & General All Stocks Index Linked Gilt Index Trust	8.7	15.9	6.1	-0.4	15.5	✪✪✪
M&G Index-Linked Bond	8.8	18.1	6.7	-1.5	16.1	✪✪✪
PROPERTY FUNDS						
Property - Listed						
Aberdeen Property Share	-	-	-	16.3	23.3	
Fidelity Global Property	13.3	-2.2	26.0	-0.8	21.7	✪✪✪✪
Property - Physical						
HSBC Open Global Property	-	-	-	5.3	13.0	
Ignis UK Property Feeder	-	-	2.2	9.5	10.5	
COMMODITIES FUNDS						
Commodities - General						
First State Global Resources	27.1	-30.3	-4.1	-0.8	-13.9	✪✪✪
Legg Mason Martin Currie Global Resources	-	-	-	1.1	-5.5	
Commodities - Precious Metals						
BlackRock Gold & General	12.4	-21.8	-24.6	-22.1	-0.6	✪✪✪✪
Investec Global Gold	12.6	-21.4	-21.5	-22.5	-4.1	✪✪✪✪

† 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 1.6.10 to 31.5.15. 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.**