

FIDELITY QUARTERLY INTERNATIONAL UPDATE

Emerging Markets in Focus

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Presented by

Matt Godfrey

Vice President, Investment Product

Jake Weinstein

Senior Analyst, Asset Allocation Research

Heather Knight

Regional Brokerage Consultant, Personal Investing

What are Emerging Markets?

Developed International Markets

Japan, France, United Kingdom

- Established economies
- Industrialized
- Robust infrastructure
- Higher GDP

Emerging Markets

Brazil, Russia, India, China

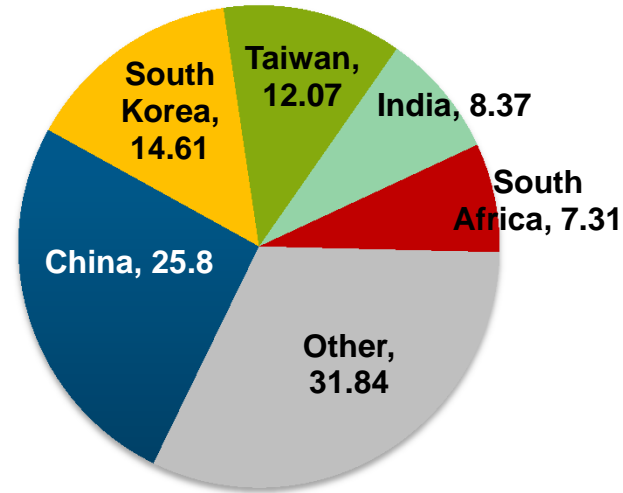
- Rapid growth and industrialization
- Formalization of industries
- Increasing middle class, urbanization
- Higher GDP growth

What are Emerging Markets?

Americas	
• Brazil	• Mexico
• Chile	• Peru
• Colombia	
Europe, Middle East, Africa	
• Czech Republic	• Qatar
• Egypt	• Russia
• Greece	• South Africa
• Hungary	• Turkey
• Poland	• UAE
Asia	
• China	• Malaysia
• India	• Phillipines
• Indonesia	• Taiwan
• Korea	• Thailand

COUNTRY WEIGHTS

Market capitalization of the MSCI Emerging Markets Index (USD) by country as of June 30, 2016



23 Investable Emerging Market Countries Located Across the Globe

Notes: Countries listed above reflect the composition of the MSCI Emerging Markets index. Country classifications are subject to change. Source: MSCI.

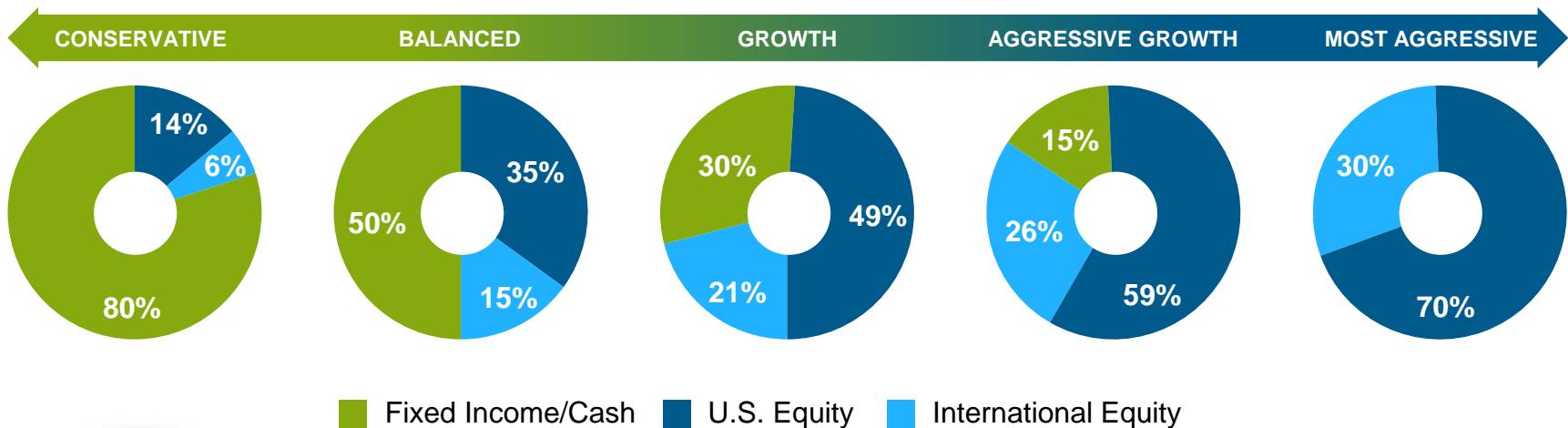


Role in a Portfolio

For a long-term investment portfolio, Fidelity recommends investors maintain a **dedicated allocation to international equity, which includes emerging markets**

How much?

- International equity = ~**30%** of the TOTAL EQUITY portfolio (70% domestic, 30% international)
- Emerging market equity = ~**15%** of the INTERNATIONAL EQUITY portfolio (85% developed, 15% EM)



For illustrative purposes only. The charts shown above are a subset of nine target asset mixes (TAMs) that range from most conservative to most aggressive, in terms of both potential return and risk. The purpose of the target asset mixes is to show how possible portfolios may be created with different risk-and-return characteristics to help different types of investors meet their goals. You should choose your own investments based on your particular objectives and situation. Remember that you may change how your account is invested. Be sure to review your decisions periodically to make sure they are still consistent with your goals.

Diversification and asset allocation do not ensure a profit or guarantee against loss.



Investing in Emerging Markets Equities

Professionally Managed Account

- Fidelity Portfolio Advisory Service®
- Fidelity GoSM

All-in-One Option

- Life Cycle Funds (e.g. Fidelity Freedom Funds®)
- Diversified Global or International Fund/ETF

Building Block Approach

- Diversified Emerging Markets Funds/ETF
- Regional or Country-Specific Fund/ETF

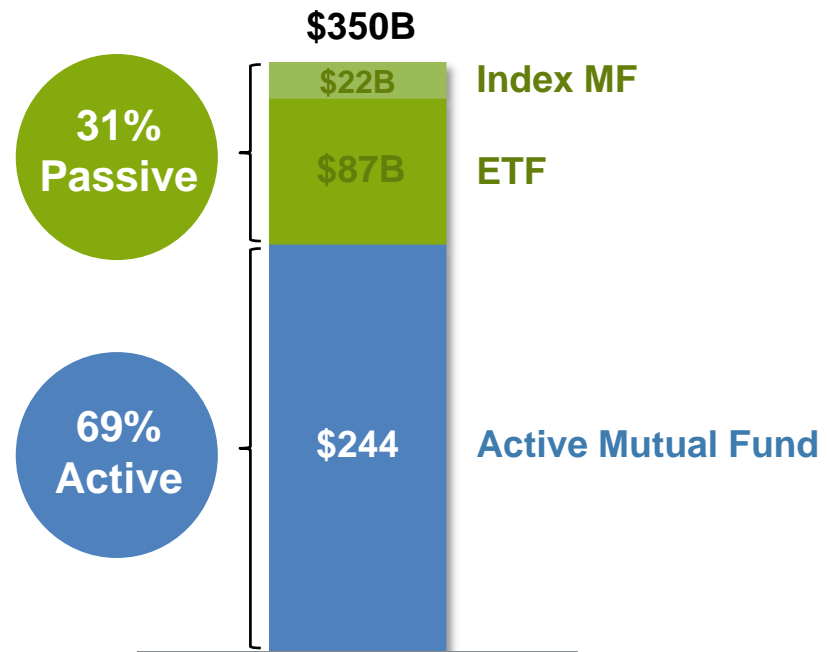
Before investing, contact Fidelity or your Financial Consultant to discuss how exposure to Emerging Markets might fit within your portfolio and your goals.

Food for Thought

RISKS with INVESTING INTERNATIONALLY

- Liquidity
- Transparency
- Currency/Exchange Rate
- Political Instability
- Corporate Governance
- Government Ownership

WHERE INVESTOR DOLLARS RESIDE TODAY



Assets Under Management
In Emerging Markets as of June '16



Emerging Markets: Improved Cyclical Trends After a Long Dry Spell

Jake Weinstein

Senior Analyst, Asset Allocation Research

AART: A Multi-Time-Horizon Asset Allocation Framework

DYNAMIC ASSET ALLOCATION TIMELINE

HORIZONS

Secular

(10–30 years)

Business Cycle

(1–10 years)

Tactical

(1–12 months)



Portfolio Construction

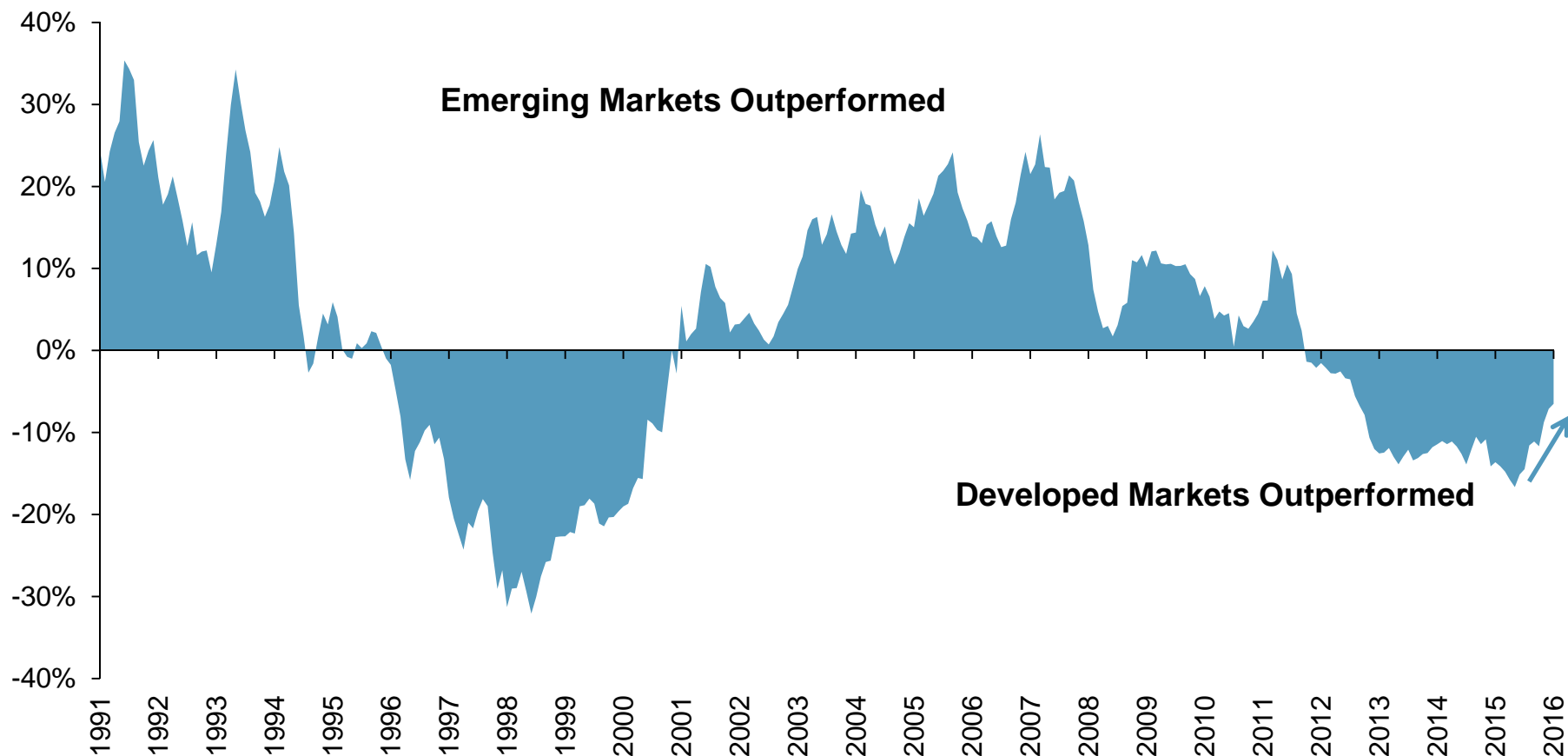
Asset Class | Country/Region | Sectors | Correlations

Recent Shift in Equity Performance toward EMs

Developed vs. Emerging Markets: Three-Year Relative Performance

EM vs DM relative outperformance can last for years

Rolling 3-year Annualized Relative Returns



Past performance is no guarantee of future results. Developed Markets represented by the MSCI World Index. Emerging Markets represented by the MSCI EM Index. Source: FactSet, Fidelity Investments (AART) through 8/31/16

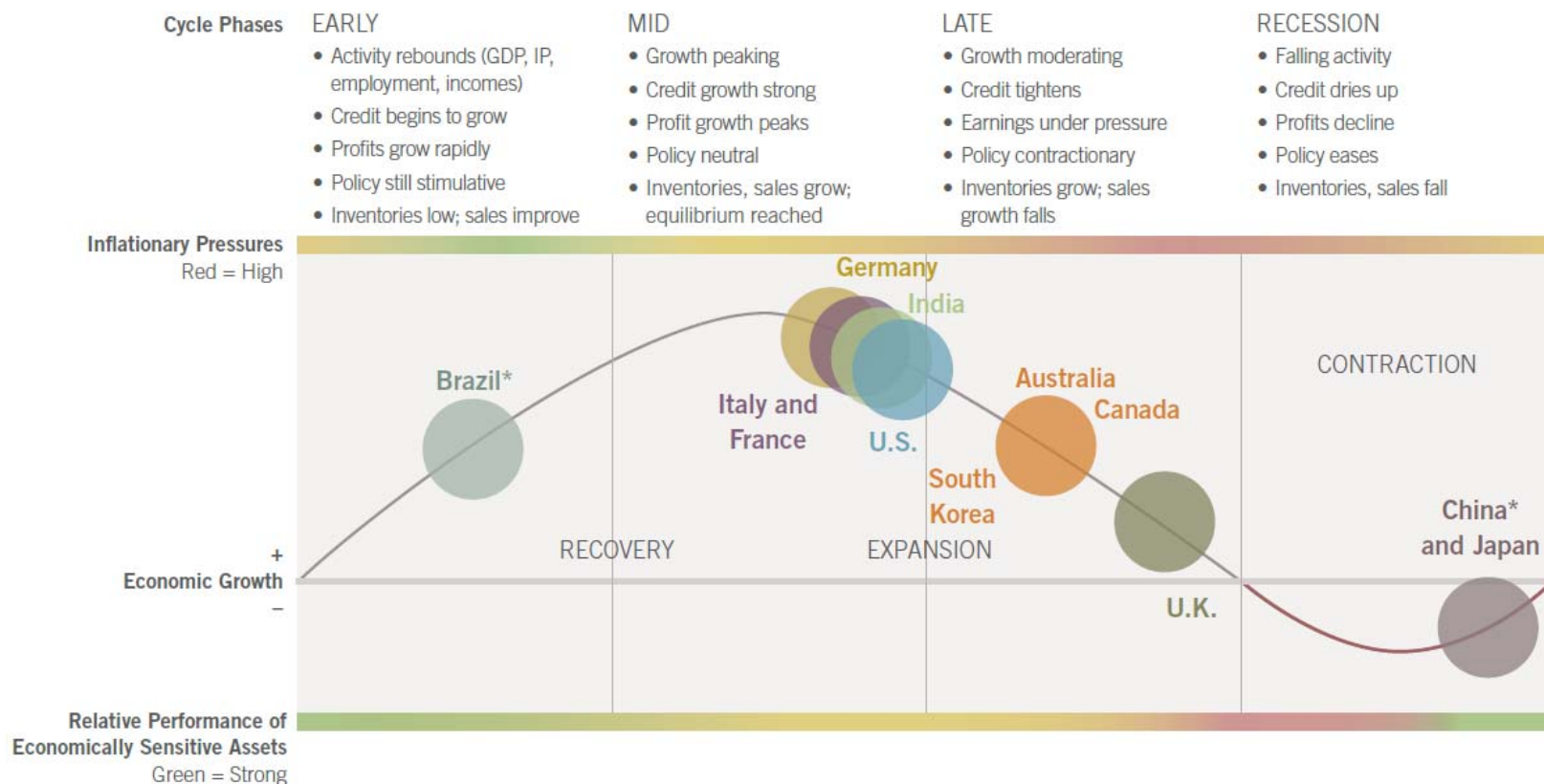
Keys to Emerging Market Performance

- China's stabilization
- Positive "base effect" of global stabilization
- Improved cyclical outlook
- Easier financial conditions – currency, rates, credit spreads, equity prices
- Long-term secular trends

US Late Cycle Trends Favor Emerging Markets

Business Cycle Framework

The world's economies are in various stages of the business cycle.



Note: The diagram above is a hypothetical illustration of the business cycle. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. *A growth recession is a significant decline in activity relative to a country's long-term economic potential. We have adopted the "growth cycle" definition for most developing economies, such as China, because they tend to exhibit strong trend performance driven by rapid factor accumulation and increases in productivity, and the deviation from the trend tends to matter the most for asset returns. We use the classic definition of recession, involving an outright contraction in economic activity, for developed economies. Please see endnotes for a complete discussion. Source: Fidelity Investments (AART).

China Stabilization has been the Key

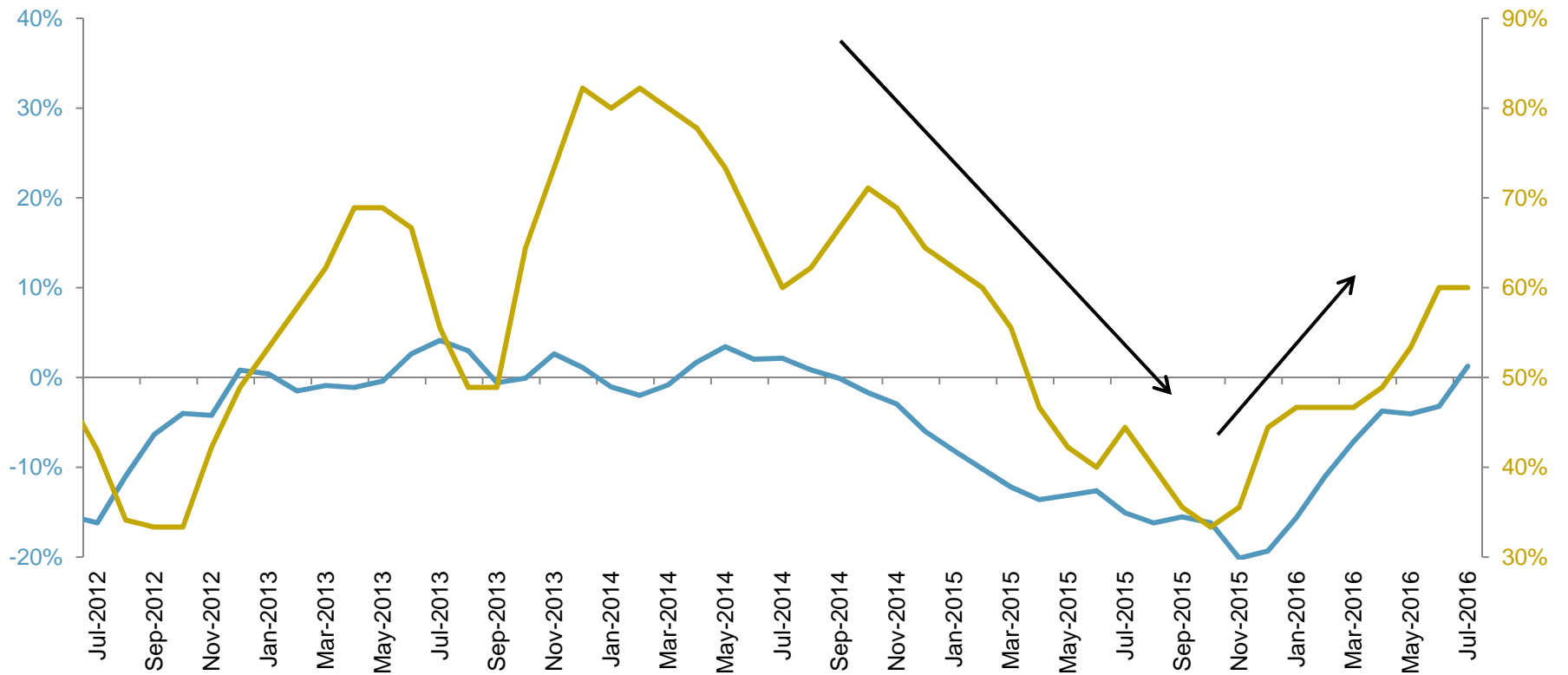
Commodity Prices vs. Manufacturing Activity

After bottoming in late 2015, manufacturing activity and commodity prices have rebounded

— Raw industrials prices — EM manufacturing diffusion index

12-Month Change

Share of PMIs > 50 (3M Avg)



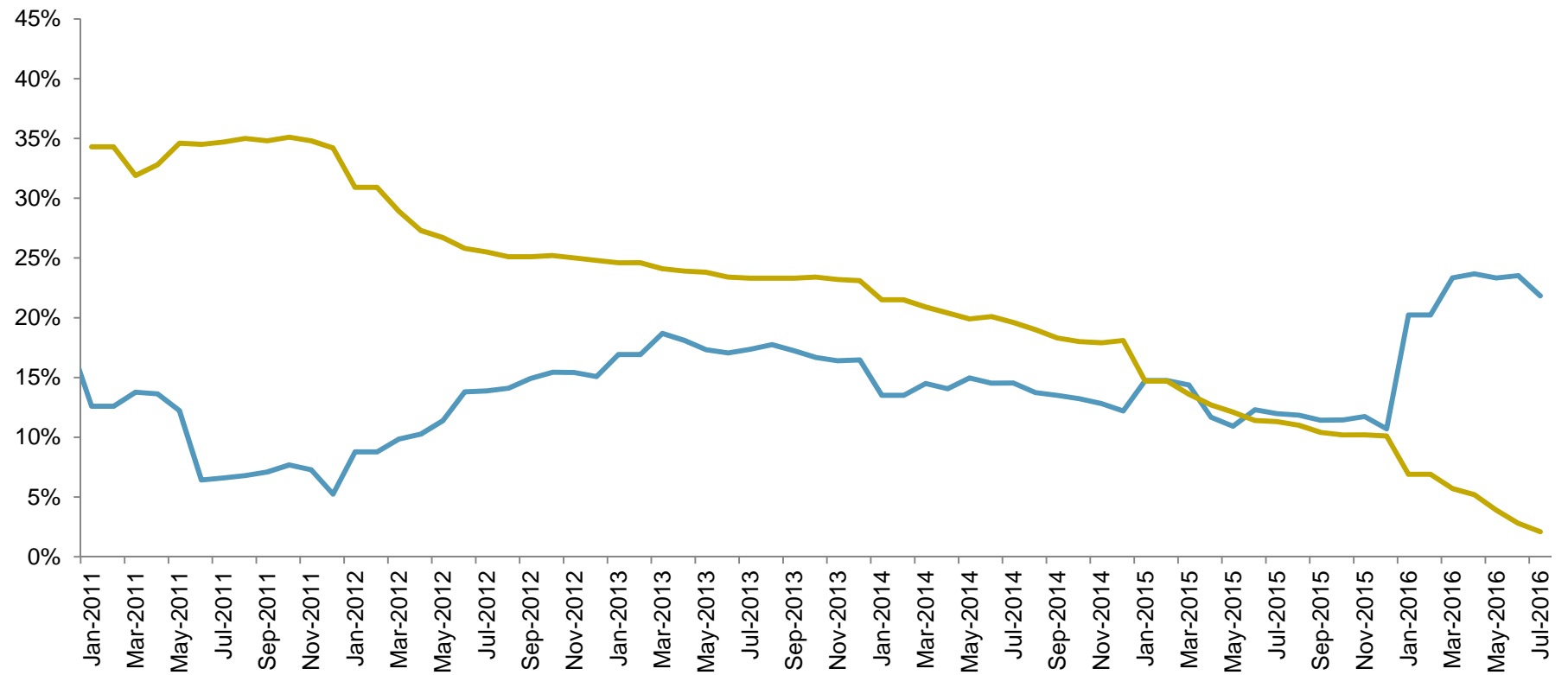
Fiscal Response from China Has Helped in Short-Term

China Fixed Asset Investment

Public spending on fixed assets has risen in China during 2016, while private investment has stalled

— Public — Private

Change (Year-Over-Year)



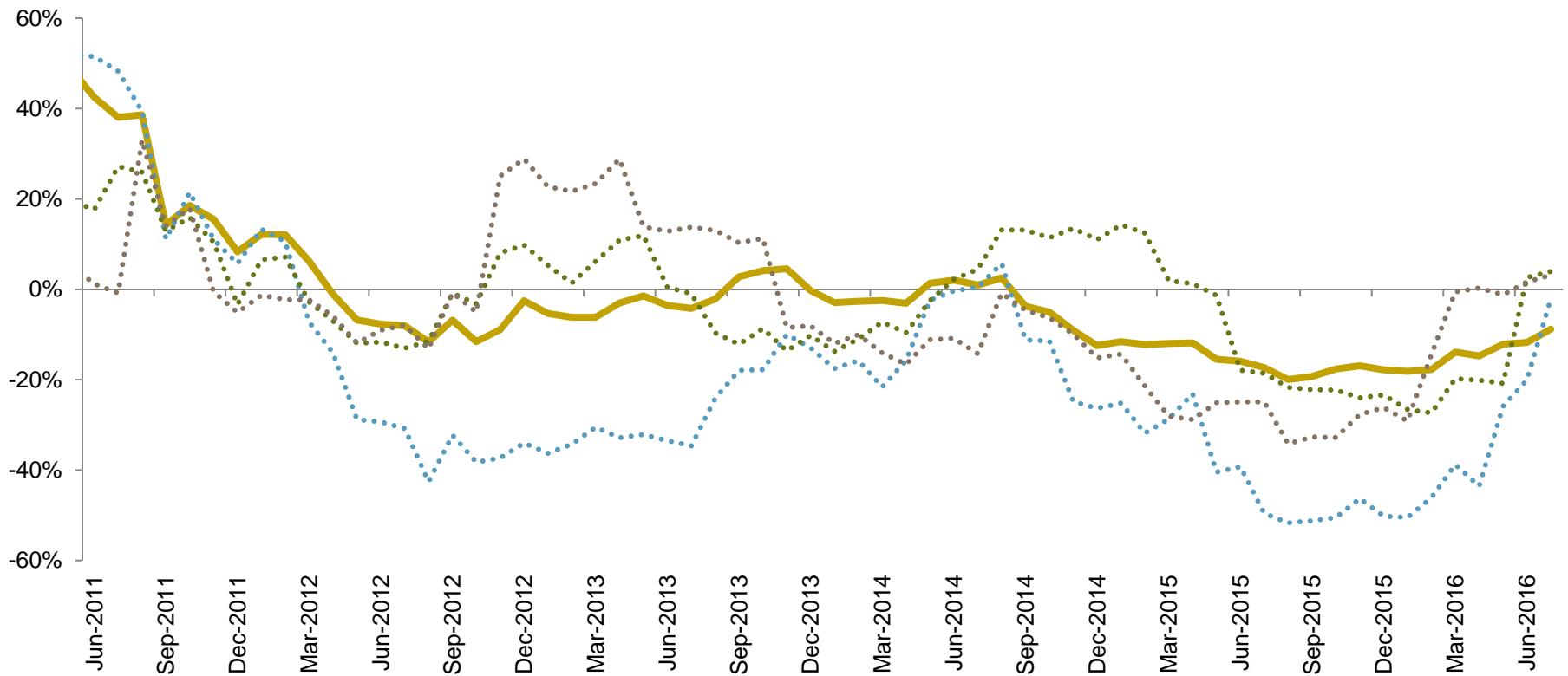
Earnings May Rise off a Low Base

Emerging Market Earnings Growth

The profit outlook has improved for EMs, with earnings growth turning positive in some countries

— Emerging Markets ····· Brazil ····· India ····· Mexico

Growth (12-Month Trailing)



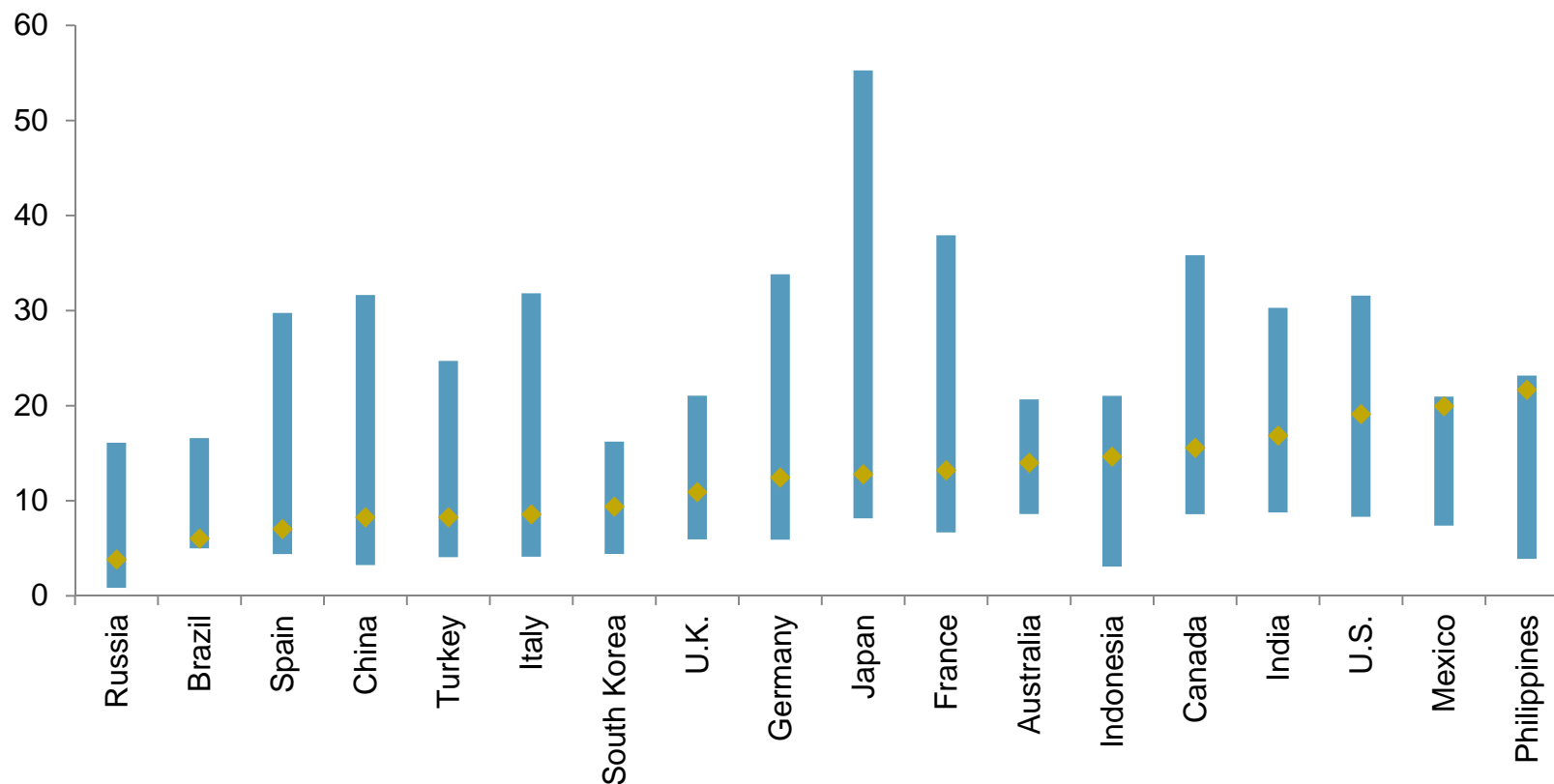
Attractive Valuations: A Secular Positive for EMs

Cyclical Price/Earnings Ratios

Active selection can be key to finding an attractive entry point

◆ June 2016 ■ 20-Year Range

Price/5-Year Peak Real Earnings

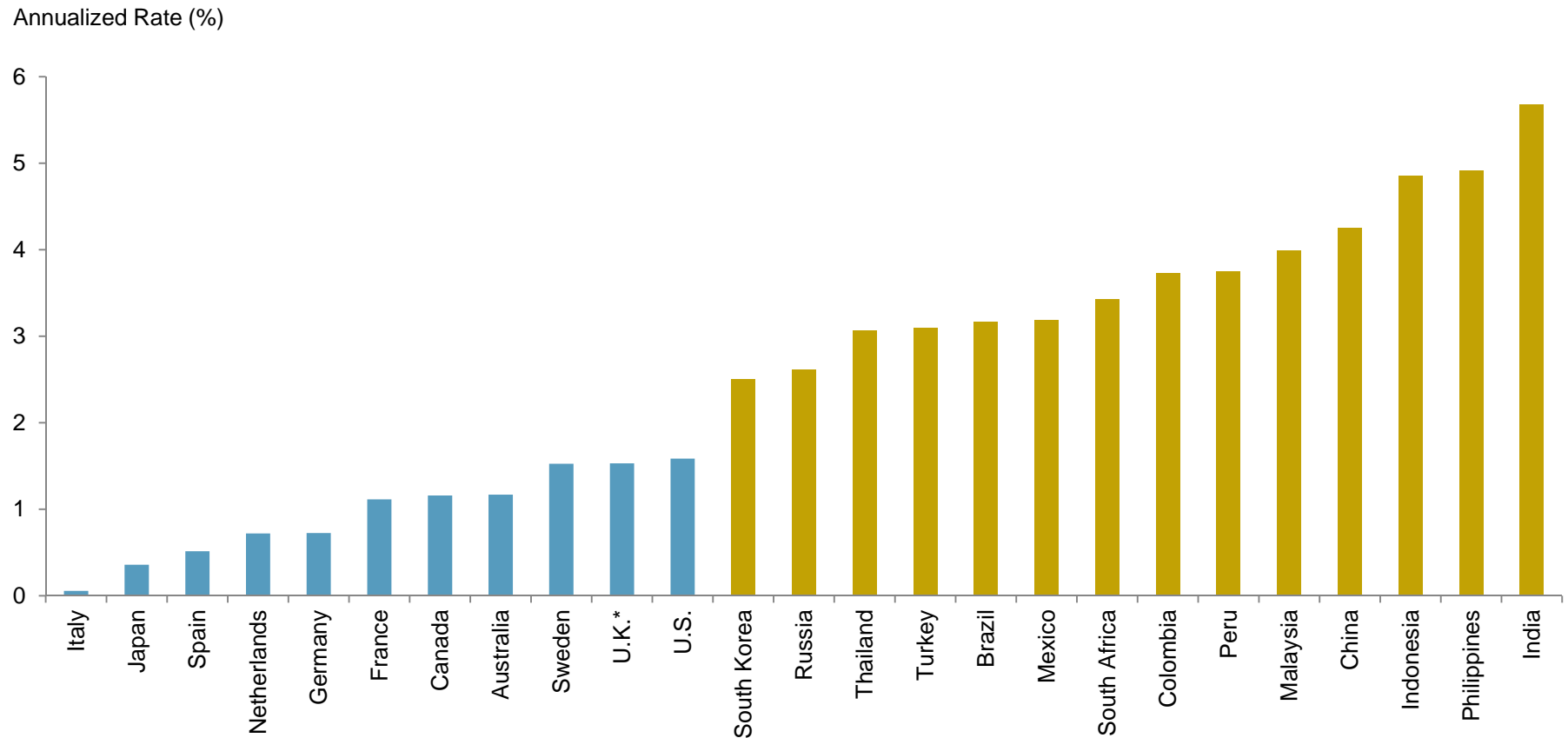


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. Price-to-earnings (P/E) ratio (or multiple): stock price divided by earnings per share, which indicates how much investors are paying for a company's earnings power. Five-year peak earnings are adjusted for inflation. Source: FactSet, countries' statistical organizations, Haver Analytics, Fidelity Investments (AART), as of 6/30/16.

Long-Term Growth Favors Emerging Markets

Real GDP Growth Forecasts, 2016-2035

EM countries are likely to grow faster than developed markets over the next 20 years



Key Points: Not Everything Needs to Align for EM to Work

- **The base effect**...things have been so bad, they just need to stop getting worse
- **China is key**...policymakers need to maintain focus on near-term stabilization
- **Financial conditions are less fragile**...the Fed is less of an issue
- **Case for active management strong in EM**...cyclical outlooks and valuations differ
- **Long-term secular trends favor EM**...Valuations and long-term growth prospects

Fidelity Tools & Resources

Heather Knight

Regional Brokerage Consultant, Personal Investing



Q&A



Important Information

Diversification does not ensure a profit or guarantee against loss.

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. The risks are particularly significant for funds that focus on a single country or region. Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Investments in smaller companies may involve greater risks than those in larger, more well known companies.

Before investing in any mutual fund or exchange-traded fund, you should consider its investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus, offering circular, or, if available, a summary prospectus containing this information. Read it carefully.

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

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