Investing in International Equities
Today’s Agenda

• What is International Equity Investing?
• Why is International Exposure Important in Your Portfolio?
• Addressing the Key Concerns About International Investing
• How Fidelity Can Help: Tools, Resources, Products
Warm-Up

Q: Over the Past 30 Years, How Many Times Has the U.S. Stock Market Been the Best Performing Market in the World?

A) 5  
B) 1  
C) 0  
D) 12

Answer: C) 0. The best performing equity market has been located outside the U.S. in each of the last 30 years.
The Importance of International Diversification

Foreign Equity Markets Often Outperform the U.S.
Average Annual Returns for 20 Years

Past performance is no guarantee of future results.
Source: Morningstar as of 12/31/2015. Returns are based on the country’s respective MSCI indices. It is not possible to invest directly in an index.
Warm-Up

Describe a recent major purchase....

• What did you buy?

• What informed your decision?
Why We Are Here

Investors Today Are Skeptical About Investing Abroad Due to Strong Performance from U.S. Equity Markets, and Headline Risk

<table>
<thead>
<tr>
<th>Domestic Stocks</th>
<th>12.6</th>
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</thead>
<tbody>
<tr>
<td>International Stocks</td>
<td>1.1</td>
</tr>
</tbody>
</table>

“European Central Bank To Try Its Hand At Quantitative Easing”

“World Markets Plunge as China Stocks Crash”

“Global Markets Hit by Political Tensions Over Syria”

Past performance is no guarantee of future results
Source: Morningstar as of 12/31/2015. Domestic represents S&P 500 and International represents MSCI ACWI Ex USA. It is not possible to invest directly in an index.
Why We Are Here

A Potentially Opportune Time to Examine Your International Allocations

Common Investor Pitfalls

• Chasing “hot” performance
• Trying to time the market
• Emotional, panic selling
• Avoiding the market
• Investing without sufficient research and understanding
• Viewing investing as a “one-time” task

After a 6+ year bull market for U.S. stocks, now may be a good time for investors to revisit their equity asset allocation.
Today’s Agenda

- **What is International Equity Investing?**
- Why is International Exposure Important in Your Portfolio?
- Addressing the Key Concerns About International Investing
- How Fidelity Can Help: Tools, Resources, Products
What is International Equity Investing?
Investing in stocks domiciled outside of the United States

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What is International Equity Investing?

Geographic exposure is one way to think about investing abroad

<table>
<thead>
<tr>
<th>Developed Markets</th>
<th>Emerging Markets</th>
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<tbody>
<tr>
<td>Invests in companies domiciled in developed nations such as Germany, France and Japan</td>
<td>Invests in companies domiciled in developing nations such as Brazil, China and India</td>
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<tr>
<td>• Established Economies</td>
<td>• Rapid growth and industrialization</td>
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<tr>
<td>• Industrialized</td>
<td>• Formalization of industries</td>
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<tr>
<td>• Robust Infrastructure</td>
<td>• Increasing middle class, urbanization</td>
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<tr>
<td>• Higher GDP</td>
<td>• Higher GDP growth</td>
</tr>
</tbody>
</table>

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Role of International Equity in a Portfolio

“Strategic” Allocation

- Long-term positions
- Buy and hold investment
- Diversified exposure

Example: In your RIA account, periodically investing in a diversified international mutual fund or ETF that invests in stocks around the globe

“Tactical” Allocation

- Short-term positions
- Opportunistic investment
- Less-diversified exposure

Example: In your brokerage account, opportunistically investing in a country or regional fund or ETF in hopes of producing excess returns over the short term
Role #1: Strategic/Long-Term Allocation

For a long-term investment portfolio, Fidelity recommends investors maintain a dedicated allocation to international equity.

**How much?**
- Ranges from 6–30% of the TOTAL portfolio
- Consistent 30% of the EQUITY portfolio

![Pie charts showing allocation percentages for different strategies (Conservative, Balanced, Growth, Aggressive Growth, Most Aggressive).]
Role #2: Tactical/Opportunistic Allocation

Leading Performance from Year to Year (based on the 10 largest economies)

Past performance is no guarantee of future results
Source: Morningstar, IMF. Performance based on the 10 largest economies based on GDP based on the MSCI IMI Country Index. It is not possible to invest directly in an index.
Today’s Agenda

• What is International Equity Investing?

• Why is International Exposure Important in Your Portfolio?
  • Addressing the Key Concerns About International Investing
  • How Fidelity Can Help: Tools, Resources, Products
Why International Exposure? More Opportunities

Nominal World GDP

Market Capitalization

Source: FactSet using MSCI ACWI IMI data and World Federation of Exchanges (WFE) as of 12/31/2013, IMF nominal GDP data in USD.
Why International Exposure? Potential for Growth

The Global Growth Curve: demographics and economic development drive potential growth opportunities outside the U.S.

The Global Growth Curve: 2010

Bubble size depicts each country's working age population.

https://www.fidelity.com/viewpoints/investing-ideas/international-demographic-analysis

Source: FMRCo, CIA World Factbook, Haver Analytics
Why International Exposure? Potential for Growth

Performance leadership between U.S. and International stocks is cyclical

Past performance is no guarantee of future results. Diversification does not ensure a profit or protect against loss. Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations.

Source: Data from FMRCo as of 12/31/2014. Rolling 12-month return. A value greater than 0 shows domestic stocks outperformed international stocks, while a value less than 0 shows international stocks outperformed domestic stocks. Domestic stocks as measured by the S&P 500®; foreign stocks as measured by the MSCI® EAFE®. All indexes are unmanaged and include reinvestment of interest and/or dividends. Investors cannot invest directly in an index.
Why International Exposure? Diversification

Calendar Year Total Returns by Various Asset Classes (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Lg Growth</th>
<th>Sm Value</th>
<th>Emg Mkt</th>
<th>REIT</th>
<th>Cash</th>
<th>TIPS</th>
<th>Balanced</th>
<th>YTD</th>
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Diversification does no guarantee a profit or guarantee against loss.

Past performance is no guarantee of future results. Large Growth – Russell 1000 Growth Index; Large Value – Russell 1000 Value Index; Small Growth – Russell 2000 Growth Index; Small Value – Russell 2000 Value Index; EAFE – MSCI EAFE Index; Emerging Markets – MSCI Emerging Markets Index; High Yield – Merrill Lynch U.S. High Yield Master II Index; Bonds – Barclays Aggregate Bond Index; TIPS – Barclays US Treasury Inflation Protected Notes (TIPS) Index; Commodities – S&P GS Commodity Index; REIT - MSCI US REIT Index; Cash – Citigroup 3 month T-Bill. The “Balanced” portfolio is re-balanced monthly and assumes the following weights: 35% DJ US Total Stock Market, 15% MSCI EAFE, 40% US Barclays Aggregate Bond and 10% Barclays 3-Month T-Bill. Source: FactSet as of 9/30/15. Indices are unmanaged and you cannot invest directly in an index.
Today’s Agenda

- What is International Equity Investing?
- Why is International Exposure Important in Your Portfolio?
- **Addressing the Key Concerns About International Investing**
- How Fidelity Can Help: Tools, Resources, Products
Key Concern #1
Why do I want to be exposed to all the volatility and risk that is stemming from foreign markets?

Source: OECD, FactSet, FMRCo. Data as of 12/31/2014.
Key Concern #2
Given the expected strength of the strong dollar, won’t that erode my returns? Should I hedge?

Currency Effects on Returns
Quarterly for 27 Years Ending 12/31/14

Past performance is no guarantee of future results
Source FMRCO and Morningstar as of 12/31/2014. MSCI ACWI ex-US Index USD Return - Local Currency Return
Key Concern #3
Why do I need to invest internationally when the U.S. is such a strong market and multinational companies are increasingly exposed to global trends?

Direct exposure to industry leading firms and investment themes…

Health Care/Diabetes Treatment:
Global epidemic impacting 347 million people; leading treatment provider based in Denmark.

Consumer Discretionary/Luxury:
Growing addressable market for luxury goods due to rising wealthy populations in emerging markets. Top brands based in Europe.

Technology/Memory:
The number of transistors in a semiconductor chip roughly double every two years. Leading manufacturer addressing this trend is based in Taiwan.

Source: FMRco. Themes mentioned are for illustrative purposes only and must not be considered an investment recommendation or advice.
Key Concern #3

Why do I need to invest internationally when the U.S. is such a strong market and multinational companies are increasingly exposed to global trends?

![Graph showing index values from 1982 to 2015 for Coke and S&P 500 with a table of correlation values for Coke vs. S&P 500 and World ex-US.]

Index: 12/31/1998 = 100

<table>
<thead>
<tr>
<th></th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>0.92</td>
</tr>
<tr>
<td>World ex-US</td>
<td>0.82</td>
</tr>
</tbody>
</table>

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 definitions and index information. Source: Bloomberg, Fidelity Investments (AART), as of 4/30/15.
Key Concern #4
Do active managers have an advantage in international markets? Or should I go passive?

**International Large-Cap Excess Returns (Avg. One-Year Rolling) 1992-2014**

**Average Source of Return for Global Stocks 1990-2015**

*LEFT:* Excess returns represent industry average returns for each set of funds (active or passive, including closed or merged funds). International funds labeled as "foreign large growth/value/blend" by Morningstar. Average excess returns: the average of all monthly one-year rolling excess returns for all funds in the set under analysis, using overlapping one-year periods and data from Jan. 1, 1992 to Dec. 31, 2014. Excess returns are returns relative to the primary prospectus benchmark of each fund, net of fees. Basis point: 1/100th of a percentage point. Past performance is no guarantee of future results. This chart does not represent actual or future performance of any individual investment option. *See Appendix for additional information. Industry aggregate returns are equal-weighted for all funds in each set. Periods determined by availability of sufficient passive index fund data. Source: Fidelity Leadership Series paper “Finding Superior Active Equity Managers: A Simple Approach for Investors” (May 2015), Morningstar, Fidelity, as of 12/31/14.

*RIGHT:* Anova: analysis of variation. Source: MSCI All Country World Index, Fidelity Investments, as of 8/31/15. See appendix for additional information on the methodology used in this analysis.

Source: OECD, FactSet, FMRCO. Data as of 12/31/2014.
Today’s Agenda

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• How Fidelity Can Help: Tools, Resources, Products
How Much International Exposure Do You Have Today?

Use the Guided Portfolio Summary to help you assess your equity allocation between domestic and international stock.

Calculators & tools
Use our comprehensive calculators and tools to help make the right decisions to evaluate your investments and fine-tune your portfolio.

Planning & Guidance Center
Get a holistic view of your financial plan and explore different investment strategies that can help you stay on track.

Hypothetical Trade Tool
Test a hypothetical trade to see how it affects your portfolio’s asset allocation.

Guided Portfolio SummarySM
Get an in-depth analysis of your current portfolio and identify areas that may need more attention.

Fidelity Guided Portfolio SummarySM (Fidelity GPSSM) is an enhanced analytical capability provided for educational purposes only.
# Take Action: Identify Your Investment Style

## Several Ways to Manage Your International Allocation

<table>
<thead>
<tr>
<th><strong>Managed Account</strong></th>
<th><strong>Target Date Fund</strong></th>
<th><strong>Target Allocation Fund</strong></th>
<th><strong>Model Portfolio</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Allocation Services Provided</td>
<td>Asset Allocation Services Provided</td>
<td>Asset Allocation Services Provided</td>
<td>Asset Allocation Services Provided</td>
</tr>
<tr>
<td>&quot;I want to have my investments managed for me.&quot;</td>
<td>&quot;I want one fund with a time-based asset allocation that corresponds with my retirement date.&quot;</td>
<td>&quot;I want one fund that provides a targeted asset allocation.&quot;</td>
<td>&quot;I'd like to see a Model Portfolio of investment options to help me get started.&quot;</td>
</tr>
</tbody>
</table>

### How it Works
- **Managed Account**
  - A portfolio professionally managed around your needs
  - Ongoing adjustments are made in response to changing market conditions

- **Target Date Fund**
  - A time-based investment strategy
  - Asset mix automatically adjusts over time

- **Target Allocation Fund**
  - An asset-mix-based investment strategy
  - Funds are managed toward a specified Target Asset Mix

- **Model Portfolio**
  - A self-managed investment strategy made up of multiple investments
  - Start with a suggested Model Portfolio based on your situation and risk tolerance

### Other Considerations
- **Managed Account**
  - An annual advisory fee may apply
  - No investment minimums for workplace accounts, minimums vary for other accounts depending on program/service selected

- **Target Date Fund**
  - Fund fees and expenses vary by fund
  - Transaction fees may apply for non-workplace accounts
  - Initial investment minimums vary by fund and account type

- **Target Allocation Fund**
  - Fund fees and expenses vary by fund
  - Transaction fees may apply for non-workplace accounts
  - Initial investment minimums vary by fund and account type

- **Model Portfolio**
  - Fund fees and expenses vary by investment option
  - Transaction fees may apply
  - Initial investment minimums vary by investment and account type

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*Screenshot from a guidance interaction via PI’s Planning and Guidance Center on Fidelity.com*
Potential Next Steps

• What is Your International Number? Find out How Much of Your Equity Portfolio is Invested in International Stocks

• Make an Appointment Today to Discuss your Portfolio
  – Meet with a Fidelity Retirement Representative
  – Visit a Fidelity Investor Center

• Or Visit Fidelity.com to Learn More About International Products, Tools and Resources to Help you Manage Your International Exposure
Choose your own starting point — education, research, products

1. EDUCATION
   Learn about international investing
   - Fidelity Learning Center

2. RESEARCH
   Find international investing ideas
   - Research Global Markets
   - Fidelity Viewpoints®

3. PRODUCTS
   Implement your idea
   - Fidelity International Equity Funds
   - Commission-Free iShares ETFs
# Fidelity’s International Equity Product Offering

<table>
<thead>
<tr>
<th>FIDELITY’S INTERNATIONAL EQUITY PRODUCT OFFERING</th>
<th>FIDELITY ACTIVE MF</th>
<th>FIDELITY INDEX MF</th>
<th>Purchase iShares Commission-Free ETFs online</th>
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</thead>
<tbody>
<tr>
<td><strong>Global</strong></td>
<td></td>
<td></td>
<td>MSCI ACWI Index (ACWI)</td>
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<tr>
<td>Fidelity Worldwide (FWWFX) ✓</td>
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<tr>
<td>Fidelity Global Equity Income Fund (FGILX) ✓</td>
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<td><strong>Developed + Emerging Markets</strong></td>
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<td>Fidelity Intl Capital Appreciation (FIVFX) ✓</td>
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<td>Fidelity Total International Equity (FTIEX) ✓</td>
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<td>Spartan Global ex-U.S. Index Fund (FSGUX) ✓</td>
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<td>Fidelity Diversified International (FDIVX) ✓</td>
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Free commission offer applies to online purchases of https://www.fidelity.com/etfs/ishares select iShares ETFs in a Fidelity account. Fidelity accounts may require https://www.fidelity.com/why-fidelity/pricing-fees minimum balances. The sale of ETFs is subject to an activity assessment fee (from $0.01 to $0.03 per $1,000 of principal). iShares ETFs are subject to a short-term trading fee by Fidelity if held less than 30 days. ETFs are subject to management fees and other expenses.
Important Information

The analysis cited on page 24 focused on all foreign (international) large-cap growth/value/blend equity mutual funds tracked by Morningstar between Jan. 1, 1992 and Dec. 31, 2014, including all core, value, and growth funds within each category and including actively managed funds and passive index funds. We included funds that did not exist for the entire period (closed or merged funds) to reduce survivorship bias. For passive index funds, we eliminated funds that were labeled as “enhanced index,” and funds with tracking error greater than 1% (which are unlikely to be actual passive index strategies despite their identification in the database). For international large-cap funds, we eliminated funds benchmarked to a price index, for greater comparability. We selected the oldest share class for each fund as representative; where more than one share class was oldest, we chose the class labeled as “retail.”

We used Morningstar data on returns from Jan. 1, 1992 through Dec. 31, 2014. We calculated each fund’s excess returns on a one-year rolling basis, relative to each fund’s primary prospectus benchmark and net of reported expense ratio, for each month, using monthly excess return data from Morningstar. We used an equal-weighted average to calculate overall industry one-year returns for each month. (We chose to equal weight the averages in order to represent the average performance of the range of individual funds available to investors, rather than asset weighting, which may introduce bias into the analysis.)

Funds in the study included active and passive funds tracked by Morningstar and benchmarked to the following indices: Foreign (international) large-cap equity (all in USD): MSCI ACWI Ex USA; MSCI ACWI Ex USA Growth; MSCI ACWI Ex USA Value; MSCI EAFE; MSCI EAFE Growth; MSCI EAFE Value; MSCI World Ex USA; MSCI World Ex USA Growth; MSCI World Ex USA Value. Active and passively managed funds are subject to fees and expenses that do not apply to indexes. Indexes are unmanaged. It is not possible to invest directly in an index.

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.
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