

# EXPLANATORY NOTES

This booklet contains comprehensive analyses of the strategy, structure and performance of Fidelity Funds. Details of each fund are shown on a separate factsheet in the format shown opposite. The following notes explain the methods of performance calculation and sources of data:

## STYLEMAP

StyleMap depictions of fund characteristics are produced using data and calculations provided by Morningstar. MorningStar estimate the characteristics of a fund's equity holdings over two dimensions: the market capitalization of the fund's holdings summarized as large, mid and small, and a growth/value scale which illustrates a composite of the price/earnings and price/book value ratios of the fund's holdings. StyleMap characteristics are calculated as of the current date indicated. StyleMap characteristics represent an approximate profile of the fund's equity holdings, are based on historical data, and are not predictive of the fund's future investments. Although the data are gathered from a reliable source, accuracy and completeness cannot be guaranteed.

## FUND PERFORMANCE

Several measures of fund performance appear on each factsheet, identified by the following terms:

### Total Fund Return /Growth (Cumulative)

Calculated from NAV price to NAV price with gross income reinvested on ex-dividend dates. This calculation does not include any initial charge, and represents the true investment performance of the portfolio.

### Annualised Growth

Another way of expressing total fund returns, annualised growth represents the compound annual growth rate achieved during the period in question.

### Value to Investor

Calculated from NAV price to NAV price with gross income reinvested on ex-dividend dates. This represents the value to the Investor after deduction of any initial charge. This shows the total value including the initial investment.

## BENCHMARK PERFORMANCE

Ideally, the performance of the benchmark index should be calculated in exactly the same way as the performance of the fund. There are, however, a number of complications:

### Prices

Market index prices are normally based on middle market prices.

### Currency

Many funds invest overseas in currencies other than that in which they are priced, thus introducing a currency exposure to their investors. For the purposes of performance comparison it is desirable to eliminate the effects of currency movements and, in order to achieve this, the performance of a benchmark index is expressed in the denominated currency of the fund under consideration.

### Income

To reflect investment returns accurately, fund performance is usually expressed as a total return. Thus, to be comparable, index performance should be calculated with income reinvested. However, some markets provide only negligible levels of income and comprehensive data for calculation of reinvested returns is not widely available. Therefore, in this book, the following indices appear without income reinvested

- ASEAN MSCI Custom Index
- Bangkok SET Index
- Korea Stockmarket Index
- Kuala Lumpur SE Composite
- Milan Banca Comm Index
- NASDAQ OTC Composite Index
- Nikkei OTC Average
- Taiwan Weighted Index
- Tokyo Second Section Index

Except for the above list, benchmark index income is re-invested nett of tax at the same rate as is deducted from income distributions (or accumulations) of the relevant fund. In practice this means that index income for UK domiciled funds is re-invested nett of UK basic rate tax; for Luxembourg domiciled funds income relating to MSCI indices is re-invested nett of Luxembourg withholding tax, where possible, but otherwise is re-invested gross.

## VOLATILITY AND RISK

### Assumptions made when defining risk/return ratings

- Cash is lower risk than bonds, which are lower risk than equities.
- Diversification (across markets or asset classes) reduces the overall risk of a portfolio.
- Funds with a small cap bias are higher risk than those with a mid cap bias, which are higher risk than those with a large cap bias.
- Funds with a more aggressive management style are higher risk than those with a more conservative management style.
- Funds invested in markets with lower liquidity are higher risk than those invested in more developed markets.
- Funds invested in markets with historically high volatility are higher risk than those invested in markets with lower volatility.
- Currencies with historically high volatility are higher risk than those with lower volatility.

This rating gives an indication of the risk level of a fund only in relation to Fidelity's overall fund range. It is intended only as a guide and is based on Fidelity's experience of previous performance of the managers, asset classes, markets and currencies involved.

The volatility measures express the historical relationship between the price movements of a fund and those of the relevant market, represented by the benchmark index. Volatility measures are calculated from performance over the last 3 years. Volatility measures are not calculated for funds which are less than 3 years old.

### Relative Volatility

Calculated by comparing the standard deviation of a fund's monthly returns to that of the appropriate benchmark index. Values greater than 1 show that fund returns have been more divergent than the benchmark whereas values of less than 1 show them to have been less divergent.

### Beta

Beta measures a fund's risk relative to its market based on the historic tendency of monthly fund returns to be greater or less than the equivalent benchmark returns. A Beta value of greater than 1 indicates a tendency for the fund to move more than the benchmark over a particular period - a value of less than 1 indicates a tendency to move less.

### R<sup>2</sup>

This represents the degree to which fund movements are attributable to the market. The maximum value is 1 - indicating that the fund exactly followed movements of the benchmark. Progressively lower values indicate proportionately greater independence of fund returns compared to benchmark returns.

### Alpha

The alpha (or intercept) is the value on the Y axis when the X axis is zero. If you are measuring two investments (normally a fund against an index) the alpha represents the theoretical return of the first investment when the second investment has a zero return ie it represents the over or underperformance of a fund in relation to its benchmark.

## Sharpe ratio

The Sharpe Ratio judges whether the relationship between a fund's risk and its return is good or bad. The underlying assumption is that a fund manager could invest in a riskless asset, therefore the return of the risk free asset is deducted from the annualised average. This net return is then divided by the total risk. The higher the ratio the better the fund. If you have a negative ratio this indicates that the fund actually made less than the risk free amount. The ratio effectively becomes meaningless at this point.

## Tracking error (Rel)

Tracking error (rel) measures the standard deviation of the relative returns. It is the annualised standard deviation of the returns of a fund divided by those of its benchmark (relative returns) and not the standard deviation of each fund's unique returns. The lower the tracking error of a fund, the more the fund resembles its benchmark or the market regarding risk and return characteristics.

## SOURCES OF DATA

The principal source of data used to assess performance - fund prices/income, market indices/income and foreign exchange rates - is Micropal Ltd, the UK's leading independent supplier of unitised fund performance data. Certain specialised market indices have been obtained from Datastream and Morgan Stanley Capital International.

FUND NAME		FUND TYPE
		DATE
<b>FUND APPROACH AND STYLE</b>		<b>RATINGS</b>
<p>A statement giving the fund's aims, investment policy, portfolio selection criteria plus an outline of the fund managers investment approach.</p> <p>A map defining the fund managers style is shown for equity and balanced funds.</p> <p>The funds at the front of this guide with two pages devoted to them also have a quarterly update containing up-to-date commentary on performance of the fund over the previous three months.</p>		<p>Details of the funds Micropal, Fund research and FERl ratings. Any other awards the fund or fund manager may have been given are shown here too.</p>
		<b>PERFORMANCE YEAR BY YEAR</b>
		Shows the total return for each calendar year over the past ten years.
<b>PERFORMANCE RECORD</b>		<b>PERFORMANCE SINCE LAUNCH</b>
<p>Fund cumulative growth is calculated from NAV price to NAV price, with income reinvested on XD dates. The benchmark index performance is converted, where appropriate, to fund currency.</p> <p>Fund annualised growth is the equivalent annualised return derived from each of the cumulative figures shown above.</p> <p>The value to investor is calculated from NAV price to NAV price, with income reinvested on XD dates. It represents the value to the investor after the deduction of any initial charge, and includes the initial investment made.</p> <p>A funds ranking within its sector is based on cumulative performance. The sectors, as classified by Micropal Ltd., are constructed from funds with broadly similar investment objectives</p>		<p>Chart of the total returns since launch, compared to the return of the benchmark index in the currency of the fund.</p> <p>For cash funds the 12 month yield history is shown instead.</p> <p>For bond funds a breakdown by credit rating of the holdings in the fund is shown.</p>
<b>INDUSTRY BREAKDOWN</b>	<b>GEOGRAPHIC BREAKDOWN</b>	<b>TOP 10 HOLDINGS</b>
<p>A breakdown of portfolio investments by industry group – based on the classification scheme of the index where available (MSCI , FTSE or TOPIX classifications categories).</p> <p>The funds at the front of this guide with two pages devoted to them also have the figures from the previous quarter and the deviation from the benchmark index.</p>	<p>A breakdown of portfolio investments by country.</p> <p>A currency breakdown is shown for cash and bond funds.</p>	<p>A list of the ten largest holdings in the portfolio.</p> <p>The funds at the front of this guide with two pages devoted to them also show the highest and lowest NAV values over the last 12 months.</p>
<b>FUND FACTS</b>		<b>VOLATILITY AND RISK</b>
Important information about the fund.		<p>See definitions on previous page.</p> <p>For bond funds this section is replaced by the fixed income characteristics.</p>
		<b>TRACKING ERROR</b>
		Shown for the funds at the front of this guide only – see the notes above.

## FUND TYPE



Equity fund



Balanced fund



Bond fund



Cash fund



Asset allocation fund