

Fidelity Global Dividend Fund

September 2012

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Investment Director

WHO?

WHY?

WHERE?

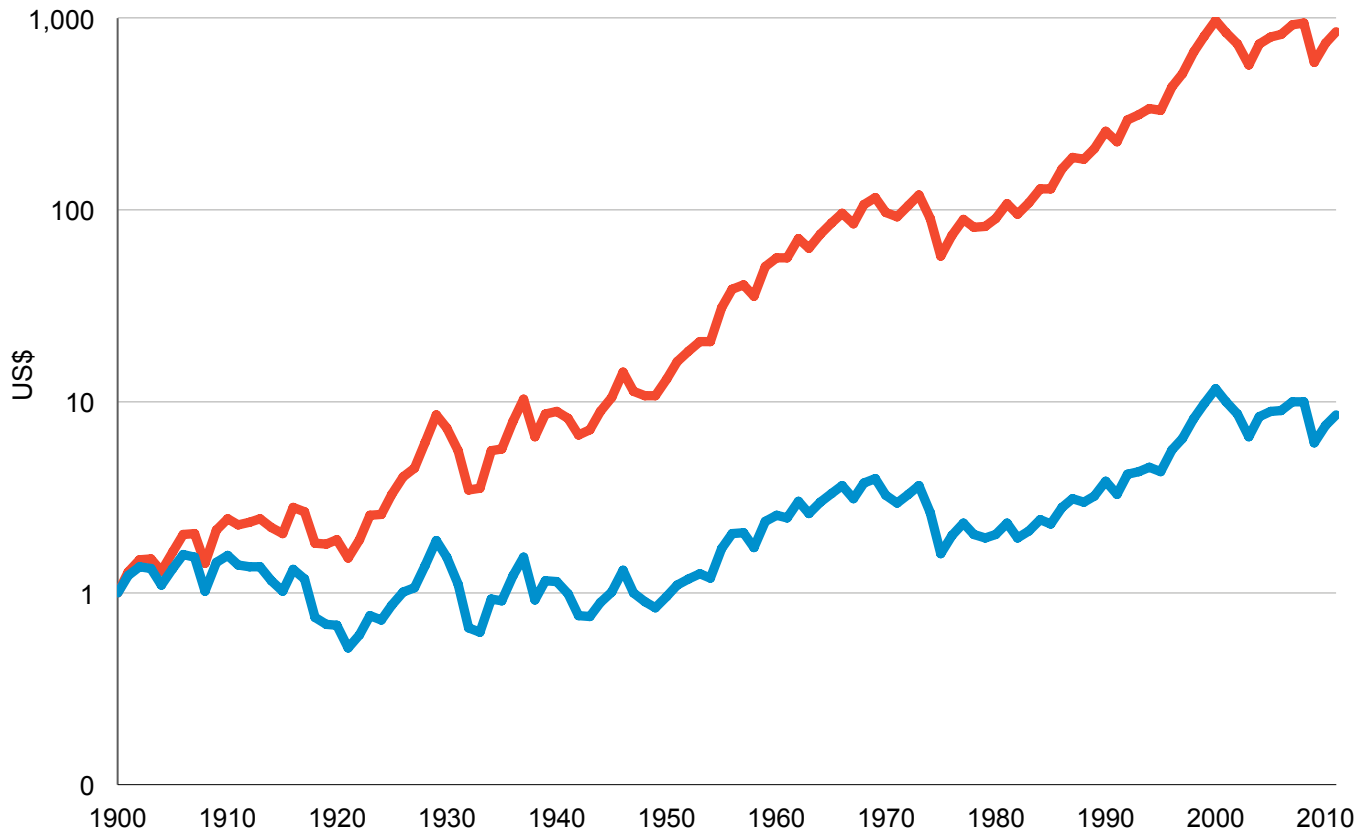
WHEN?

HOW?

WHAT?

Why is equity income important?

Dividends are the principal component of total return



Real total return including dividends
End value US\$851
+6.3% pa

Real capital return excluding dividends
End value US\$8.50
+1.9% pa



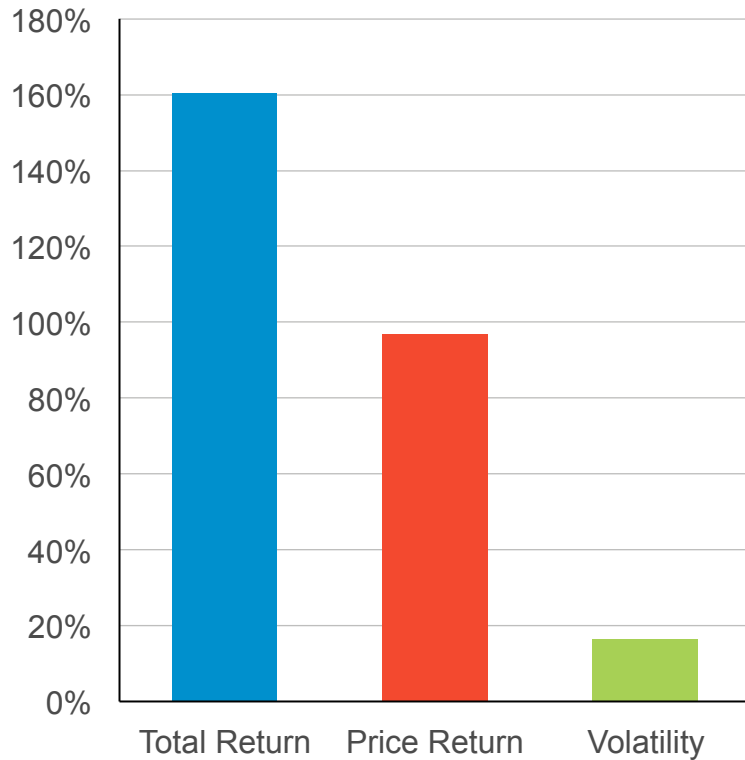
The power of compounding

Source: Elroy Dimson, Paul Marsh and Mike Staunton, Triumph of the Optimists: 101 years of Global Investment Returns, Princeton University Press 2002, Credit Suisse Global Investment Returns Sourcebook 2011

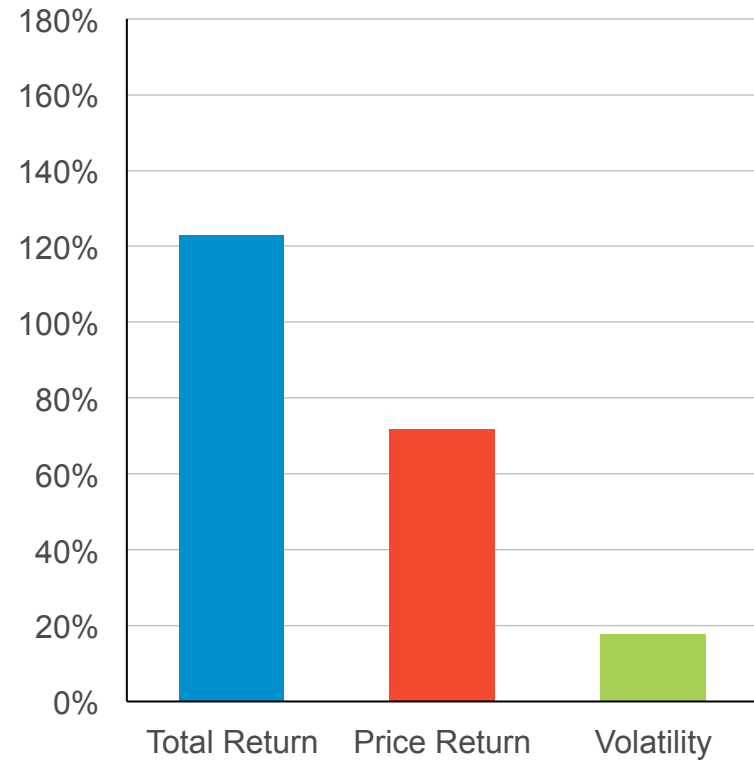
Why is equity income important?

Sustainable dividend growth is rewarded

Dividend Aristocrats



MSCI AC World

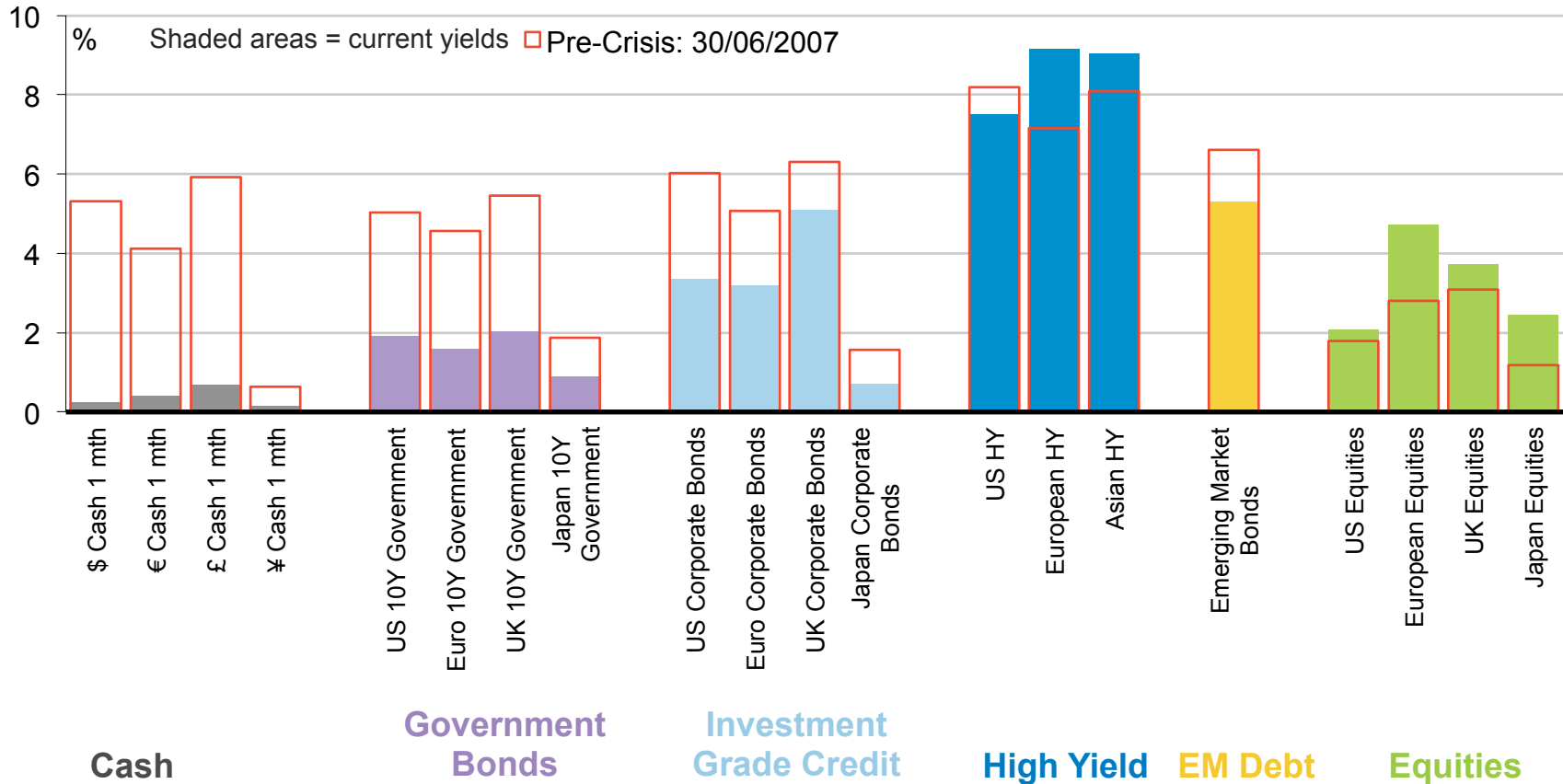


A powerful tailwind for the income investor

Source: Citigroup as at 30 June 2012 in USD. The universe is divided into Dividend Aristocrats which are companies that have been able to grow their dividends over 10-years and the total and price cumulative returns and volatility of returns of that basket of companies. This is compared to the broader MSCI AC World universe where the same figures are calculated.

Who should consider an equity income portfolio?

Anyone who considers income a core component of returns



Central banks are forcing you up the risk spectrum

Source: Datastream, BofA Merrill Lynch Bond Indices - Redemption Yields, MSCI Equity Indices - Dividend Yields (to 30 April 2012).

Who should consider an equity income portfolio?

Equity income can deliver either growth or income!!



Income investing + patience = **Growth**



Equity income fund with accumulating units



Let the power of compounding take over



Income investing = **Income**



Equity income fund with income distributing units



What are the characteristics of high-quality dividend paying firms?

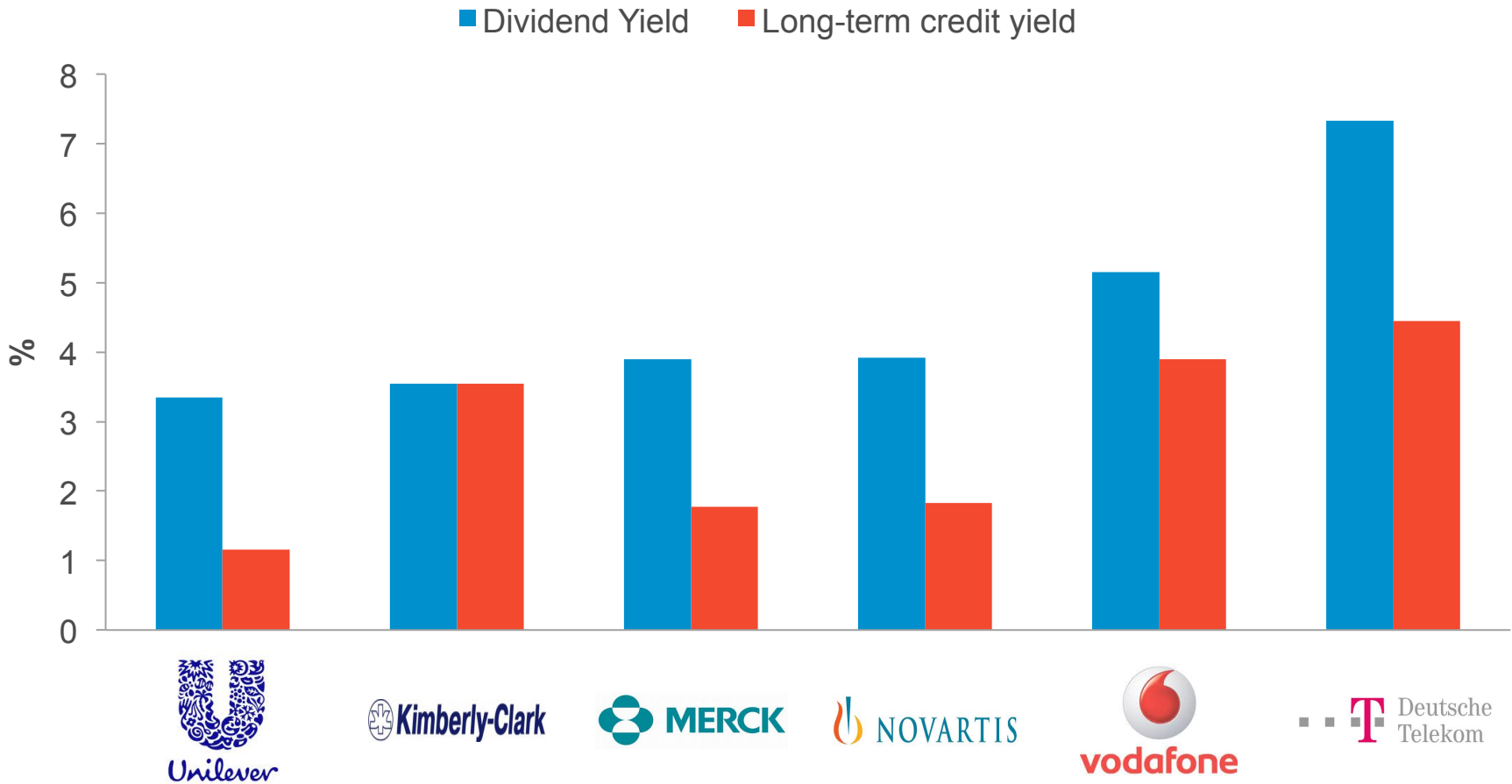
- Cash generative, high quality business
- Strong financial health
- Good financial discipline



We look for stable multinational businesses

When should you invest in equity income?

Many blue chips have dividend yields above bond yields

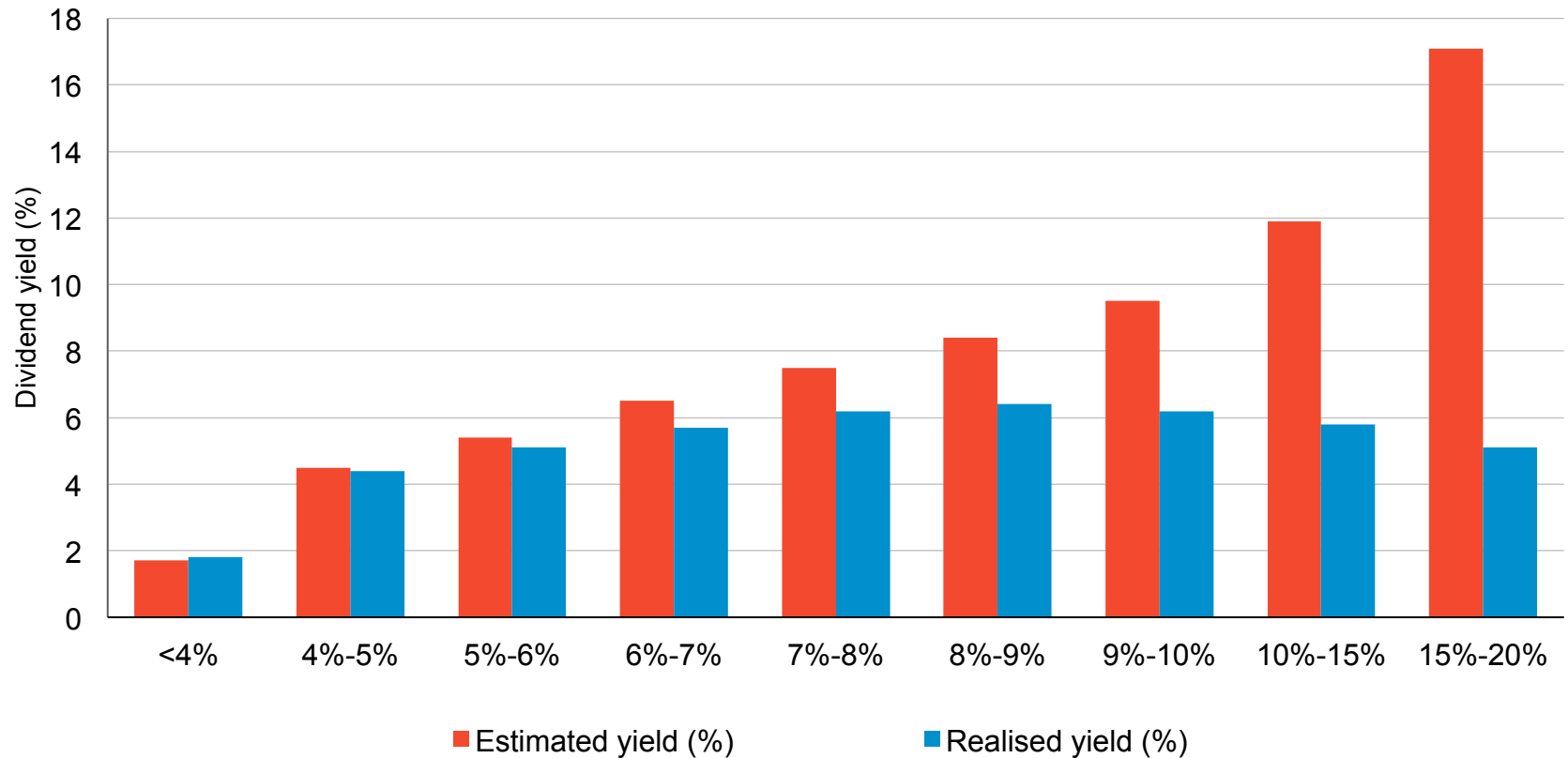


Many blue chips now offer attractive income and value characteristics

Source: DataStream for dividend yields and Bloomberg for credit yields as at 28/08/2012.

...but high yields can be a sign of stress

Estimated versus realised yields



Assessing the sustainability of yields is essential

Source; SG Cross Asset Research 31 January 2012

How do we approach equity income investing?

Different approaches to income investing

High Yield	Fidelity Global Dividend	Growth
c5.0% Indicative yield	c4.0%* Estimated yield	c3.0% Indicative yield
<ul style="list-style-type: none">• Yield target• Prescriptive / transparent process - individual holdings must meet yield threshold	<ul style="list-style-type: none">• Commitment to significant yield premium and dividend growth• Emphasis on sustainable dividends and capital preservation	<ul style="list-style-type: none">• No yield commitment• More pragmatic approach with yield as a by-product

Committed to sustainable income, emphasis on capital preservation

Source: Fidelity. For illustration only. Yields are approximate averages for each investment style. Characteristics for illustration only.

*The estimated yield is based on an indicative fund portfolio. The actual portfolio at launch may be different, reflecting market movements. The estimated yield reflects an independent assessment of the dividends due to the indicative portfolio over the next 12 months, net of withholding tax and charges taken from income. As a result of the annual management charge being taken from capital, the distributable income may be higher but the fund's capital value may be eroded, which will affect future performance. The yield is not guaranteed and will fluctuate in line with the yield available from the market. The fund should only be considered as a long term investment.

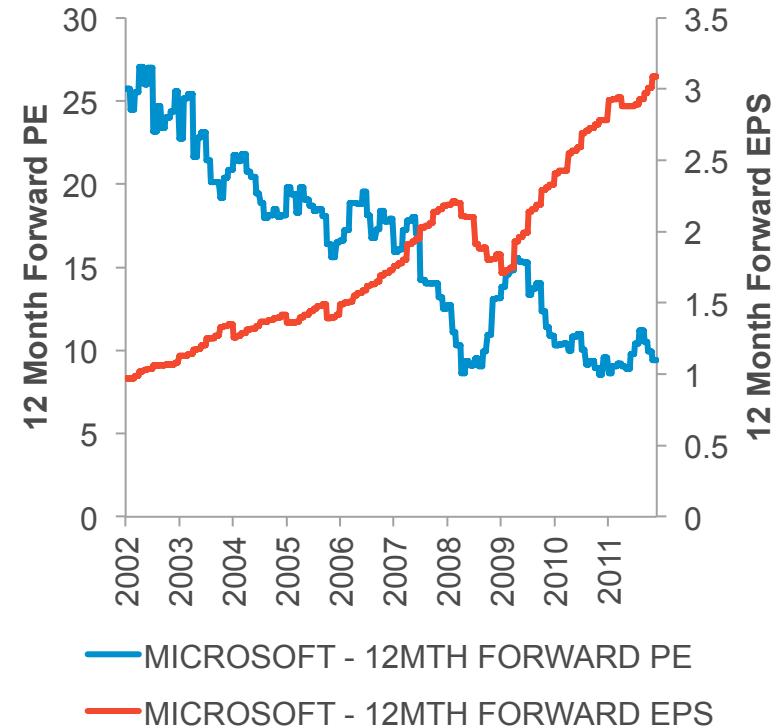
Where are we invested?

Microsoft

Reason for purchase

- Valuation support:
 - 10x PE, 9% free-cash-flow
- Margin of safety:
 - Diverse business model, high margins
 - Death of PC exaggerated
 - Balance sheet strength - \$50bn net cash = c.20% market cap
- Sustainable dividend:
 - 2.7% yield, 4x cover
 - Returns increasing proportion of earnings to shareholders via dividends + buybacks

12 month forward PE and EPS



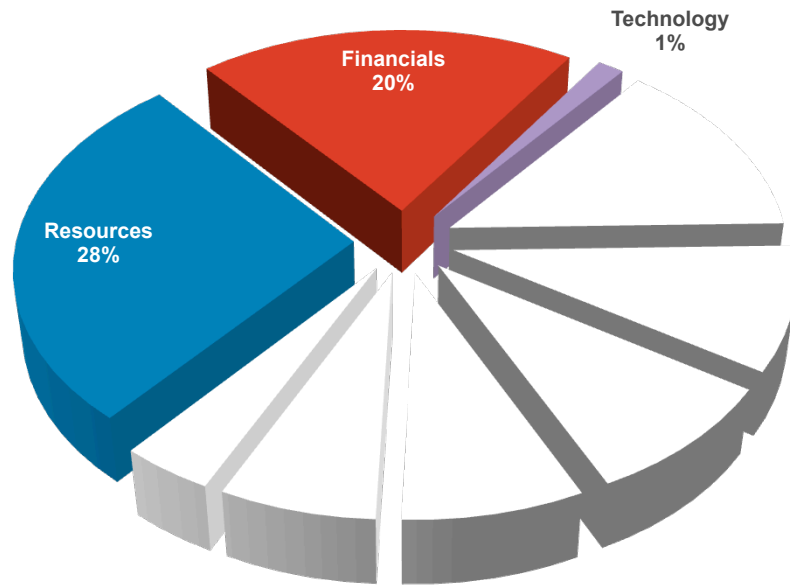
Microsoft has fallen into the lap of income of the income investors

Source: Fidelity, DataStream, 20 August 2012. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

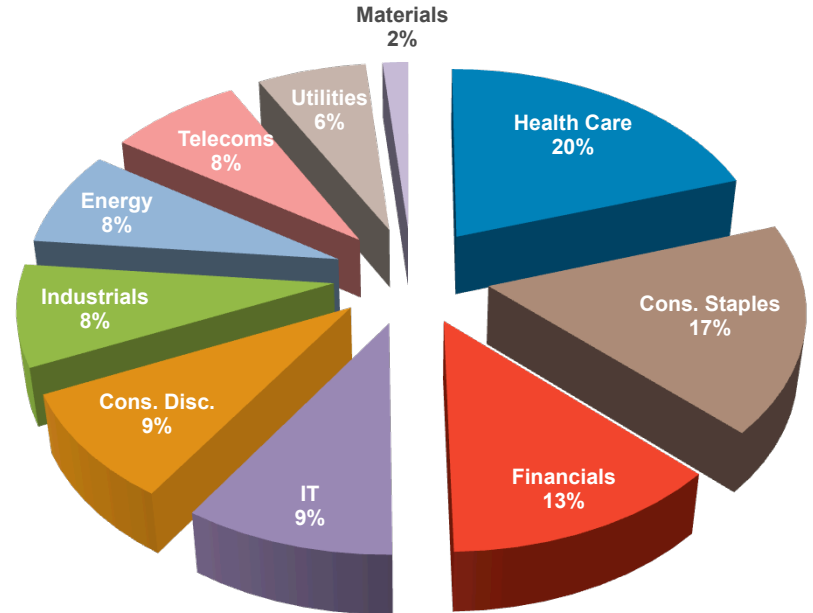
Where do we find ideas?

A healthy yield underpinned by diverse income stream

FTSE All Share



FF Global Dividend Fund

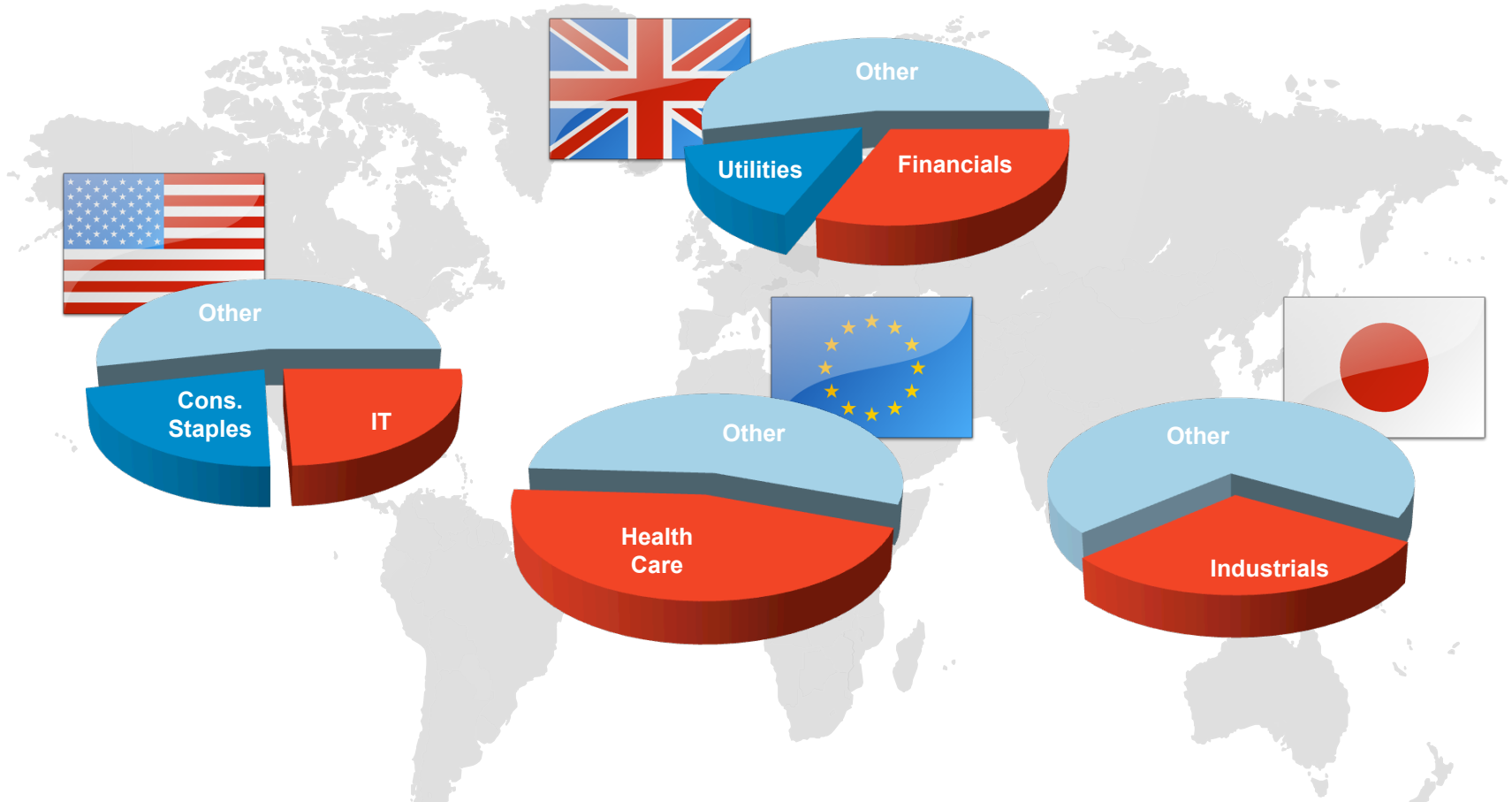


Avoiding the sector skew of regional funds

Source: Fidelity, 31 July 2012.

Where do we find ideas?

More than a collection of regional funds

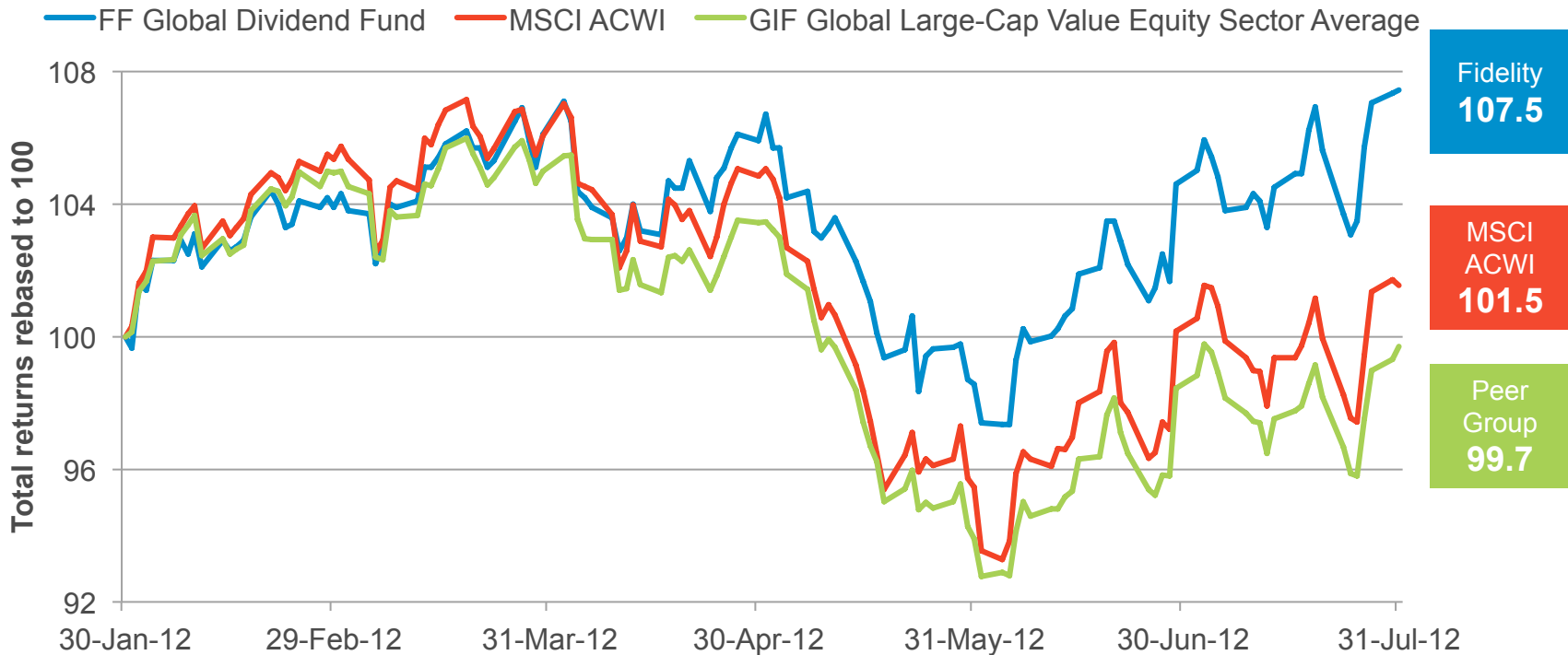


Regional exposures can reflect the global opportunity

Source: Fidelity, portfolio data as at 31.07.12. Pie charts illustrate sector weights within the US, UK, Europe ex UK and Japan .
'Other' = all other sectors within the specific region. Cash not included.

FF Global Dividend Fund

Performance since fund launch



	Fund (%)	Index (%)	Relative (%)	Peer Group Rank
3 months	+1.5%	-3.2%	+4.7%	8/137
Since launch	+7.5%	+1.5%	+6.0%	5/128

Strong performance versus the sector since launch

Source: Morningstar, Fidelity. NAV-NAV, net income reinvested in USD. 30 January 2012 to 31 July 2012. index = MSCI AC World Index . Market = Mstar GIF Global Large-Cap Value Equity

What should you take away?

Why?

Dividends and dividend growth => superior returns

How?

Carefully selecting sustainable dividend payers using our global research capabilities, not just a simple screen

When?

Equity income offers value now

Appendix

- Fidelity Global Dividend Fund Information
- Fidelity's Equity Income Funds Compared
- Fidelity's Fixed Income Funds Compared

Fund profile

- Bond-like characteristics of regular income, capital preservation and equity traits of long term capital growth, inflation protection. In practice this means:
 - Aims to deliver a combination of capital growth and gross yield of c.25% premium above MSCI AC World Index
 - Expect fund volatility to be significantly below index
 - Unconstrained portfolio of 50 – 60 stocks which have the potential to deliver sustainable dividend growth even in difficult macro conditions
 - Leverages Fidelity's global research capability for investment ideas
 - Awareness of risk across investment process from stock selection to portfolio construction

Strong long term returns, income growth, low volatility

Source: Fidelity, 31 July 2012. *The estimated yield reflects an independent assessment of the dividends due to the indicative portfolio over the next 12 months, net of withholding tax and charges taken from income. As a result of the annual management charge being taken from capital, the distributable income may be higher but the fund's capital value may be eroded, which will affect future performance. The yield is not guaranteed and will fluctuate in line with the yield available from the market. The fund should only be considered as a long term investment. **Active money includes cash.

Portfolio characteristics

Estimated fund yield	c.4%	Fund yield c.25% premium to MSCI AC World Index
Number of holdings	56	Typically 50 – 60 holdings
Max. stock position	4%	Unconstrained approach. Stock weightings typically 1% - 4%. Sector positions are an outcome of stock selection, not a formal target. Normally expect a max of 20% in any one sector
Max. sector position	Up to 20%	
Active money	89.2%	High active money, unconstrained approach
Beta	0.76	Expect beta to be significantly <1
Tracking error	4.7%	Monitored but no formal target

	Fund	Index	
Median market cap	US\$34.3bn	\$33.5bn	Focus on large cap stocks
Volatility	11.3%	14.4%	Expect fund volatility to be below Index
ROE	22.1%	18.3%	Bias towards quality companies

Focus on absolute risk and capital preservation

Source: Fidelity, 31 July 2012. *The estimated yield reflects an independent assessment of the dividends due to the indicative portfolio over the next 12 months, net of withholding tax and charges taken from income. As a result of the annual management charge being taken from capital, the distributable income may be higher but the fund's capital value may be eroded, which will affect future performance. The yield is not guaranteed and will fluctuate in line with the yield available from the market. The fund should only be considered as a long term investment. **Active money includes cash.

Fund positioning

- Preference for healthcare among ‘traditional’ income sectors
 - attractive valuations & strong balance sheets
 - good cash conversion
 - industry problems (patent cliffs etc) well known
- Zero in miners – sustainability of margins, China slowdown
- Japan – c.7%, representing a number of stock specific ideas
- Direct Emerging Markets limited – often patchy dividend histories. Prefer indirect exposure e.g. Unilever
- Europe – potentially an opportunity to buy high quality global businesses where risk premiums have risen because of domicile. Yields very attractive

Well diversified portfolio in high quality stocks

Source: Fidelity, 31 July 2012.

Top 10 holdings

Security Name	Portfolio weight	Dividend yield	Country
Sanofi	3.7%	4.0%	FRANCE
Microsoft	3.7%	2.6%	USA
Novartis	3.5%	3.8%	SWITZERLAND
Kimberly Clark	2.7%	3.5%	USA
BB&T Corp	2.7%	2.5%	USA
HSBC Holdings	2.6%	4.6%	UNITED KINGDOM
Reynolds American	2.5%	5.1%	USA
Mattel	2.5%	3.5%	USA
Astellas Pharma	2.4%	3.3%	JAPAN
Merck & Co	2.4%	3.9%	USA

Resilient businesses, attractive valuations

Source: FIL Limited for portfolio weight and DataStream for dividend yield as at 31 July 2012, For the purposes of illustration only and should not be construed as a recommendation to buy or sell the mentioned security. Top security holdings are those securities in which the largest percentage of the fund's total assets are invested. Holdings in different securities issued by the same company are listed separately and any exposure achieved by derivatives is not shown. This means that the data may not always represent the total exposure of the portfolio to any given company. A full list of holdings, including derivatives, can be found in the fund's annual and/or semi-annual report and accounts.

Fidelity's Equity Income Funds Compared

	Fidelity MoneyBuilder Dividend	Fidelity Enhanced Income	Fidelity Funds Global Dividend
Portfolio manager	Michael Clark	Michael Clark / David Jehan	Daniel Roberts
Launch date	10.11.1980	02.02.2009	30.01.2012
Benchmark	FTSE All Share Total Return	FTSE All Share Total Return	MSCI AC World
Fund structure	UK OEIC	UK OEIC	Luxembourg SICAV
Currency	GBP	GBP	USD, GBP, Euro
Distributions	Quarterly	Quarterly	Monthly or Quarterly
Gross Yield	4.63%	7.56%	4% (estimated at launch)
ISIN	GB0003860904	GB00B3KB7682	LU0731783048 (Monthly) LU0731782586 (Quarterly)

Distribution yields and assets under management are as at 30.06.12.

For equity funds, the distribution yield gives an indication of the current level of income. It is not guaranteed and will fluctuate in line with the yield available from the market. For the Global Dividend fund, the estimated yield is based on an indicative fund portfolio at launch. The estimated yield reflects an independent assessment of the dividends due to the indicative portfolio over the next 12 months. It reflects the yield payable after offshore taxes and other costs associated with running the fund have been taken from the fund's income. As a result of the AMC being taken from capital, the distributable income may be higher but the fund's capital value may be eroded, which will affect future performance.

Fidelity's Fixed Income Funds Compared Government & Investment Grade

	Fidelity MoneyBuilder Income	Fidelity Funds US Dollar Bond	Fidelity Funds Asian Bond
Portfolio manager	Ian Spreadbury	Michael Clark / David Jehan	Daniel Roberts
Launch date	01.10.1995	02.02.2009	30.01.2012
Fund Size	£3,015m	\$944m	\$31.79m
Fund structure	UK OEIC	Luxembourg SICAV	Luxembourg SICAV
Currency	GBP	USD	USD, Euro
Distributions	Monthly	Monthly or Annual	Monthly or Quarterly
Distribution Yield	3.89%	1.42%	3.47%
ISIN	GB0032346800	LU0168055563 (Monthly) LU0048622798 (Annual)	LU0605512432

Distribution yields and assets under management are as at 30.06.12.

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Fidelity's Fixed Income Funds Compared High Yield/Other

	Fidelity Funds US High Yield	Fidelity Funds Asian High Yield	Fidelity Funds Global Strategic Bond
Portfolio manager	Harley Lank	Bryan Collins	Andrew Weir
Launch date	05.09.2001	02.04.2007	08.03.2011
Fund Size	\$8,188m	\$1,961m	\$188m
Fund structure	Luxembourg SICAV	Luxembourg SICAV	Luxembourg SICAV
Currency	USD, Euro, GBP	USD, Euro	USD, Euro
Distributions	Monthly or Annual	Monthly or Annual (USD)	Accumulation units only
Distribution Yield	5.16%	6.67%	1.10%
ISIN	LU0168057262 (Monthly) LU0132282301 (Annual)	LU0286669428	LU0594300849

Distribution yields and assets under management are as at 30.06.12.

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