FIDELITY INTERNATIONAL UPDATE

5 Myths of International Investing

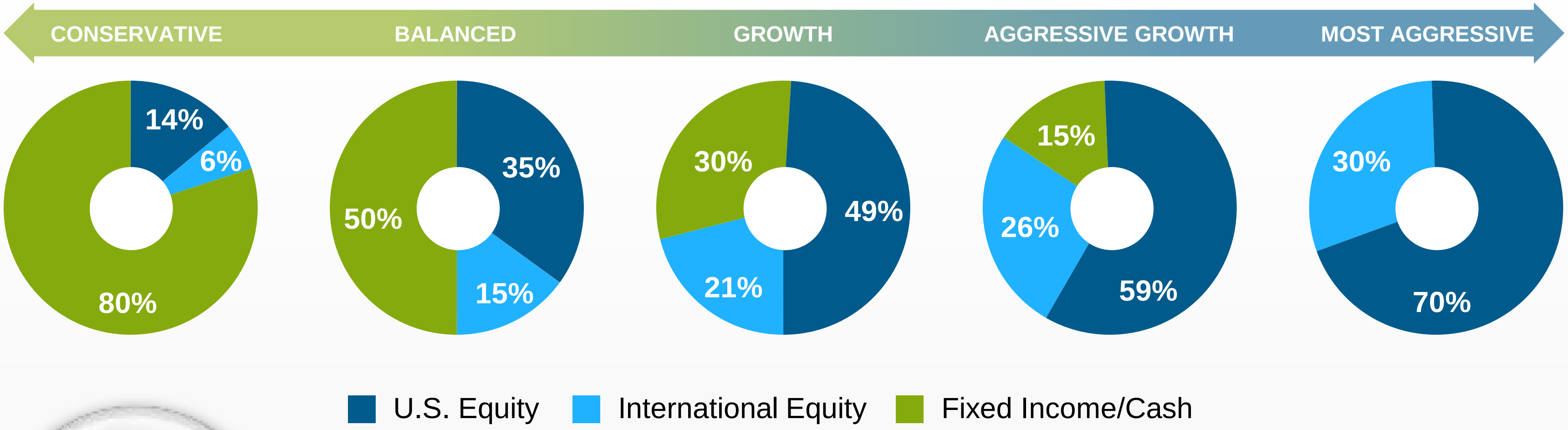
June 2019

Why are we here?

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

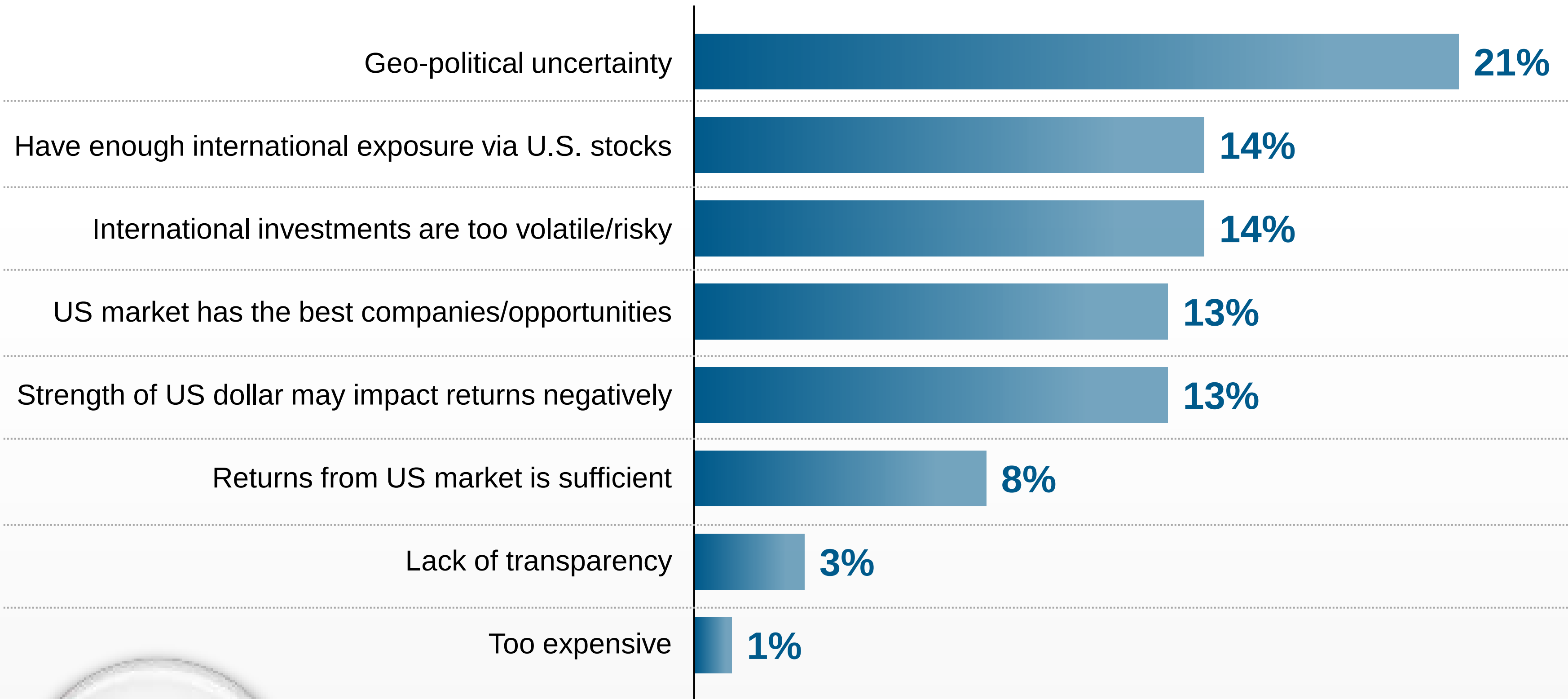
How much?

- Ranges from **6% to 30%** of the TOTAL portfolio
- Consistent **30%** of the EQUITY portfolio



Why are we here?

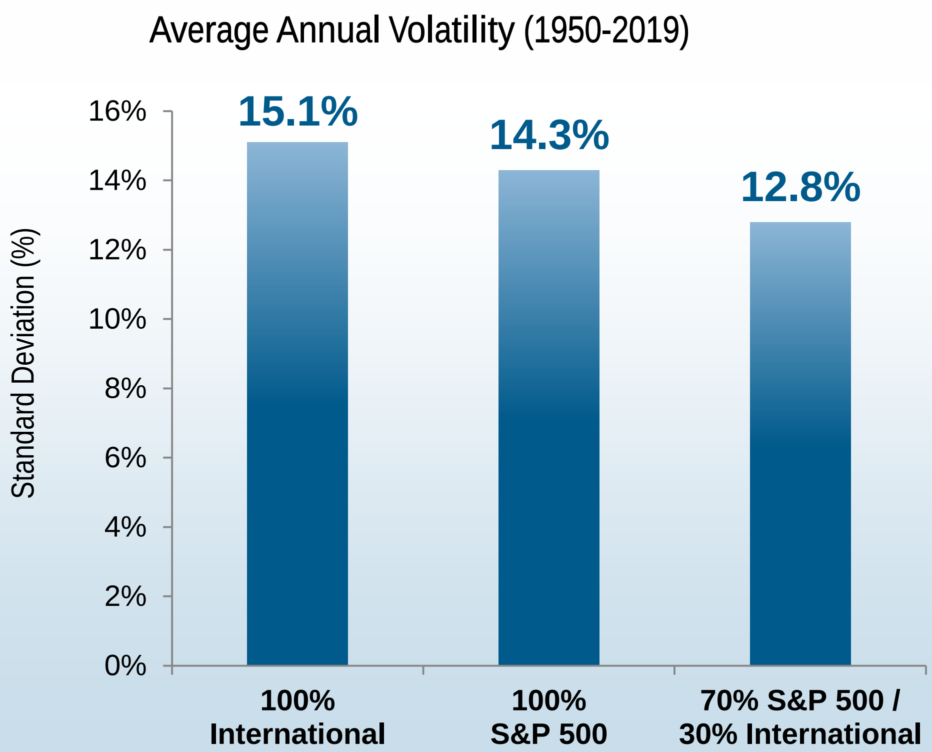
Reasons for Not Investing Internationally



Source: Fidelity GreenLineForum Survey, February 2016 “Attitudes Towards International Investing Greenline Forum Research Highlights. Q9. Which of the following best describes the primary reason for your decision to not invest internationally? Respondents (n=154) and currently do not own international equity. Remainder not shown, “all other” responses totaling to 100%.

Five Myths of International Investing

Myth 1: International investing is too risky



Reality

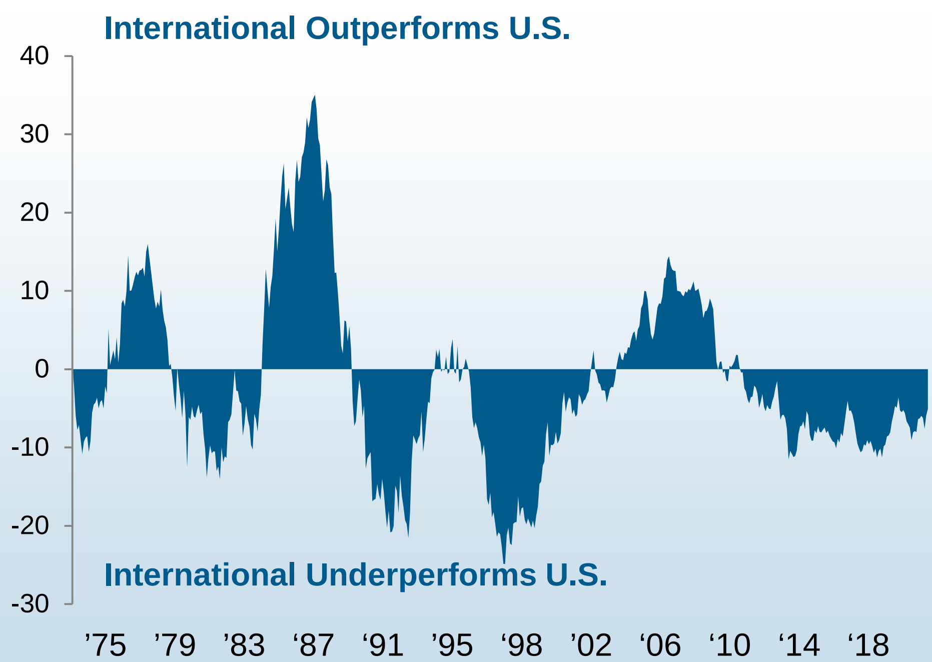
Adding international equities to a U.S. equity portfolio can actually lower overall portfolio risk because of diversification.

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.

Hypothetical "globally balanced portfolio" is rebalanced annually in 70% U.S. and 30% foreign stocks. U.S. equities: S&P 500 Total Return Index; International equities: GFD World x-US Return Index (1950-70), MSCI EAFE (1970-87), and MSCI ACWI ex-US Index (1987-present). Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of June 30, 2019.

Myth 2: U.S. stocks usually outperform foreign stocks

Return Differential % Between International and U.S. Equities



Reality

Historically, the performance of international and U.S. stocks is cyclical, and rotates over time.

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 Morningstar as of 12/31/2018. Rolling 36-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® Index; international 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.

Myth 3: U.S. multinationals provide adequate international exposure

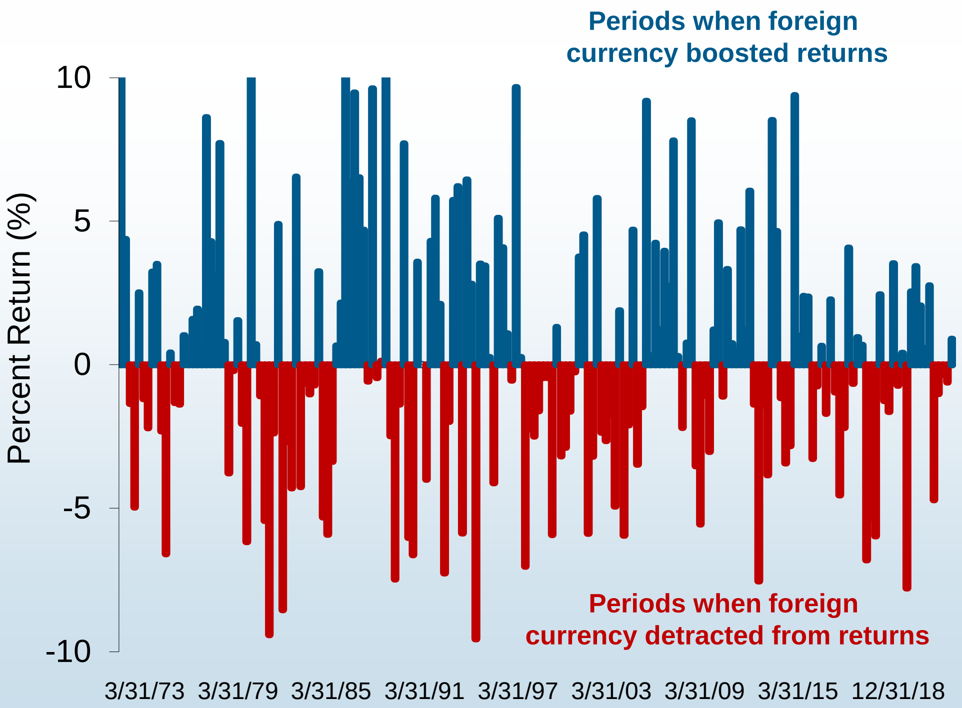
	Three-Year Return Correlation of the Stock Price with the S&P 500 (2016 to 2018)			
	Financials	**Industrials**	**Technology Software**	**Technology Hardware**
US Firm	Citigroup **0.72**	Honeywell **0.83**	Microsoft **0.68**	Apple **0.44**
Intl Firm	Lloyds Banking **0.31**	Siemens **0.59**	SAP **0.51**	Samsung **0.10**

Reality

Even in recent years, international stocks have provided more diversification benefits than U.S. multinational companies.

Source: Morningstar, as of December 31, 2018. Company names shown here are for illustrative purposes only and not a recommendation or an offer or solicitation to buy or sell any securities.

Myth 4: A strengthening dollar will impact my returns, I should consider hedging



Reality

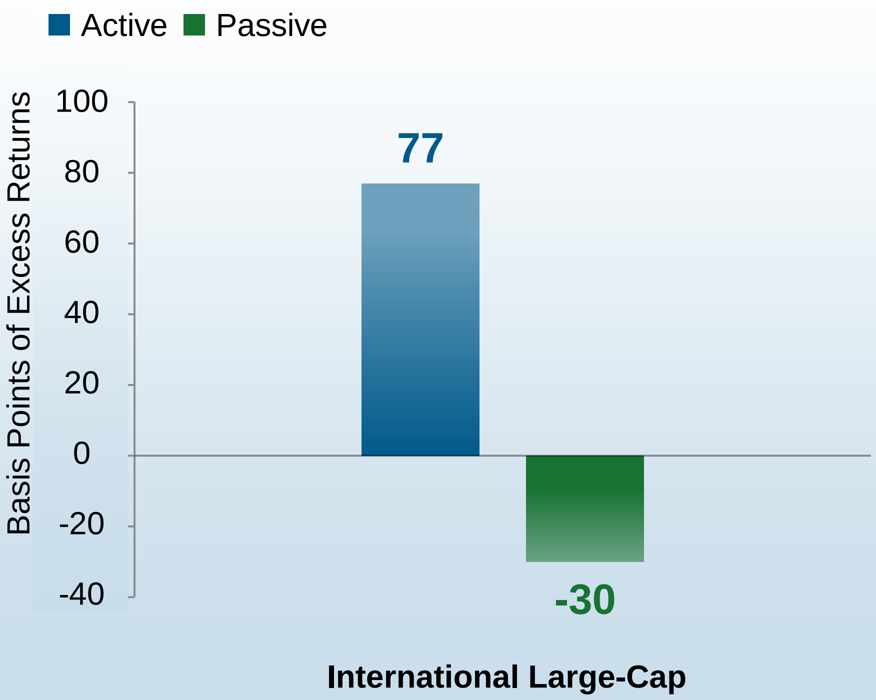
Currencies are not easy to predict; hedging currency has hurt returns as often as it's helped.

Past performance is no guarantee of future results.

Source: Quarterly returns of MSCI EAFE USD Index vs. MSCI EAFE Local Currency Index 1973-2018.
Source: Morningstar, Fidelity Investments, as of December 31, 2018.

Myth 5: Low-cost index investing is the best approach for investing in international stocks

AVERAGE ONE-YEAR EXCESS RETURN OF INTERNATIONAL LARGE CAP EQUITY MUTUAL FUNDS, 1993–2017



Reality

Active managers can take advantage of inefficiencies inherent to international markets. Over the last 23 years, the average actively managed large-cap international fund has beaten index funds by an average of almost 1% on an annualized basis.

Past performance is no guarantee of future results.

Fund data from Morningstar, including closed and 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, 1993 to Dec. 31, 2017. Excess returns are returns relative to the primary prospectus benchmark of each fund, net of fees. Basis point: 1/100th of a percentage point. This chart does not represent actual or future performance of any individual investment option. It may include funds unavailable to individual investors. See end notes for important information. Source: Morningstar, Fidelity Investments, as of January 18, 2018.
Stock markets, especially non-U.S. 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.
Risks are particularly significant for investments that focus on a single country region. Industry aggregate returns are equal-weighted for all funds in each set. “Enhanced Index” funds have been excluded. Source: Morningstar, Fidelity as of 12/31/2017.

Important Information

The analysis cited on page 9 focused on all foreign (international) large-cap growth/value/blend equity mutual funds tracked by Morningstar between Jan. 1, 1993 and Dec. 31, 2017, 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, 1993 through Dec. 31, 2017. 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.

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.

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