FIDELITY

A SERIES OF **INVESTMENT INSIGHTS**

Perspectives™

INTERNATIONAL INVESTMENT

Fidelity has made the case for international investing as part of a properly diversified portfolio.† This Fidelity "Perspective" presents four easy steps to help you reap its potential benefits.

There are many options to consider for the international part of your portfolio. Where do you begin?

Fidelity believes investors may benefit from a broader level of diversification than purely large-cap stocks of developed international markets.

WE SUGGEST THESE FOUR STEPS:

1. **Start an international portfolio** with a core fund that consists of mostly larger companies from developed countries.
2. **Enhance diversification** by adding complementary asset classes, such as international small-cap stocks and emerging market stocks or bonds.
3. **Tailor allocations** to individual investment needs and constraints.
4. **Use mutual funds** to implement the plan.

STEP 1:

Start with a Core Portfolio Focused on Developed Countries

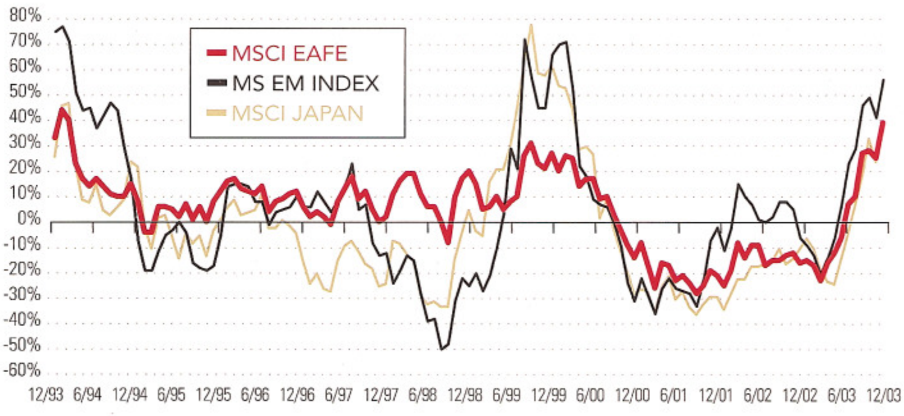
Fidelity encourages investors to build an international portfolio around core diversified international mutual funds, which are mostly made up of geographically diversified developed-country stocks and tend to generally emphasize larger companies.

> **Developed-country stock markets**
  – Are typically more liquid, better regulated, and offer broader investment exposure
  – Generally experience less volatile returns. Exhibit 1 illustrates how developed countries (MSCI EAFE) have historically been less volatile than emerging markets (MS EM Index) and specific regions (Japan).

> **Consistently holding a broad universe of stocks** means potentially avoiding the risks of big bets on country, sector, or style

EXHIBIT 1

Historical rolling 12-month returns



Sources: MSCI EAFE Index, MS Emerging Markets Index, and the MSCI Japan Index, as of 12/31/03.

Past performance is no guarantee of future results. It is not possible to invest directly in an index. Index performance is not meant to represent that of any Fidelity mutual fund. Please see last page/appendix for complete index definitions.

CONCEPT REVIEW:
A Case for International Investing^

> Individual investors are substantially underweighted in international stocks versus professionally managed pensions.*

> Inclusion of international stocks has historically helped reduce portfolio volatility even during periods of weak performance.

> Many markets outside the U.S. have recently offered more attractive valuations than the U.S. Their prices may potentially be bid up once investors recognize this.**

> The relative performance of U.S. vs. international markets runs in cycles. They historically have taken turns outperforming one another.

> Demographic trends may favor international markets. Younger populations who are in a wealth-building phase have historically bought more stocks than retirees. Also, as the U.S. trend toward 401(k)-type retirement plans reaches abroad, it may raise the numbers of investors in foreign stocks.

> Currency trends may boost the returns of international stocks. When the U.S. dollar falls vs. a foreign currency, the value of stock market gains in that market has historically risen when translated back into dollars.

* FMR; FIRSCo, as of 12/03, 401(k) individual investor's average allocation to international equities is 4% compared to that of the largest 200 defined benefit plans, average allocation at 16% as reported by *Pensions & Investments*, as of 12/03.

**FactSet, 3/04

† Diversification does not ensure a profit or guarantee against a loss.

^ Viewpoint Special Report: *The Case for International Investing, 2002*

Foreign investments incur greater risk than U.S. investments, including political and economic risks and the risk of currency fluctuation, all of which are magnified in emerging markets.

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