

Revisiting the case for Asia

A post global financial crisis perspective



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August 2009

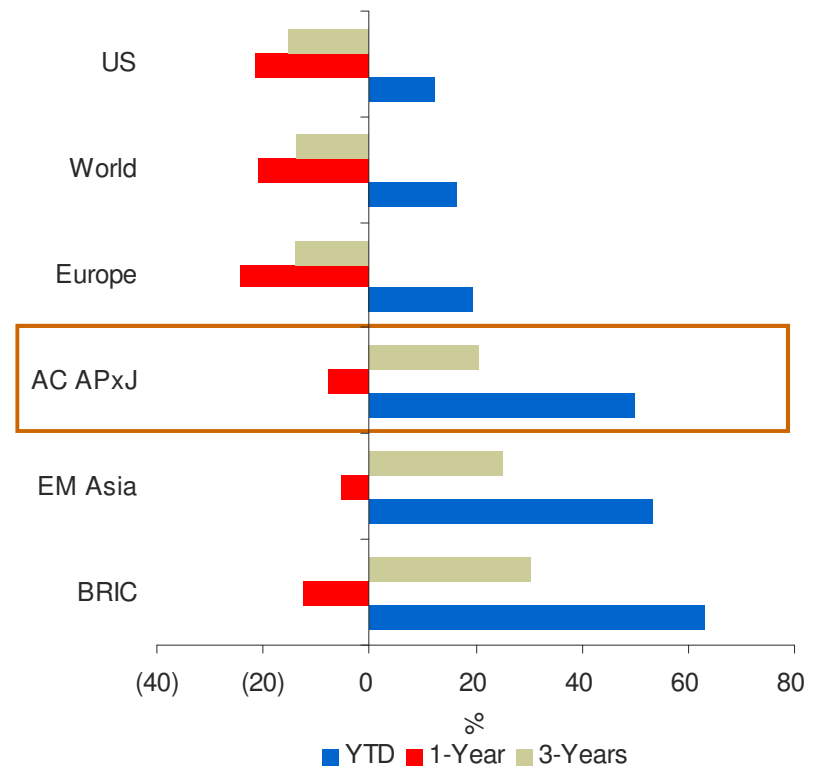
Market performance

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Asia ex Japan equities have recovered from last November's lows...



Asian equities versus other markets



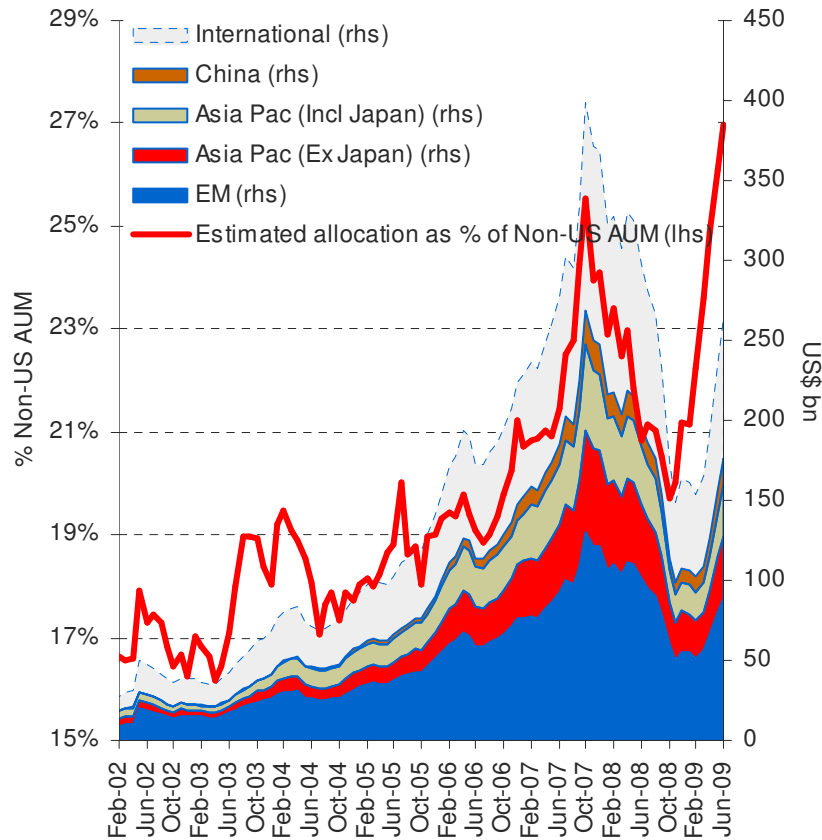
Source: Thomson Financial DataStream, as at 7 August 2009. MSCI Total Return indices in US\$

The issue of liquidity

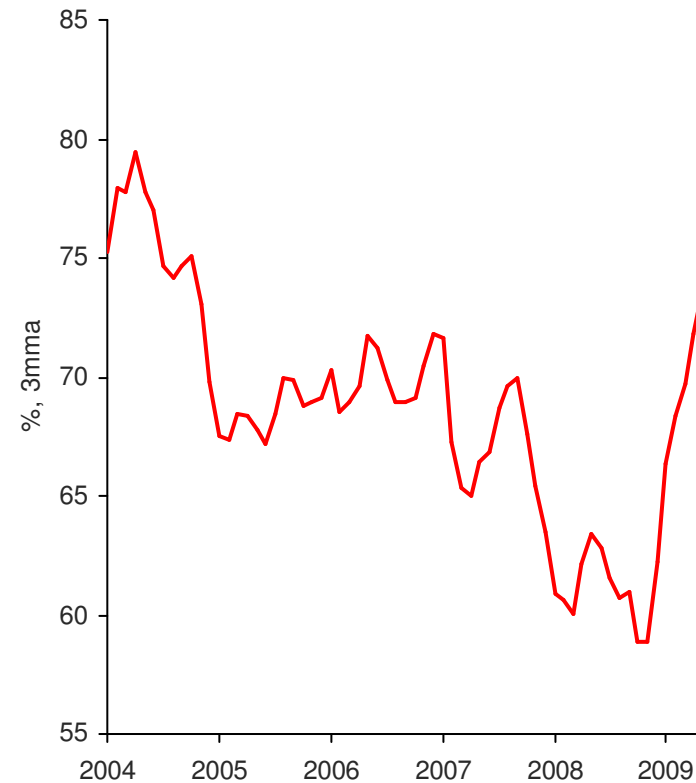
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Influence of US fund flows



Share of Taiwan stock market turnover by domestic individuals

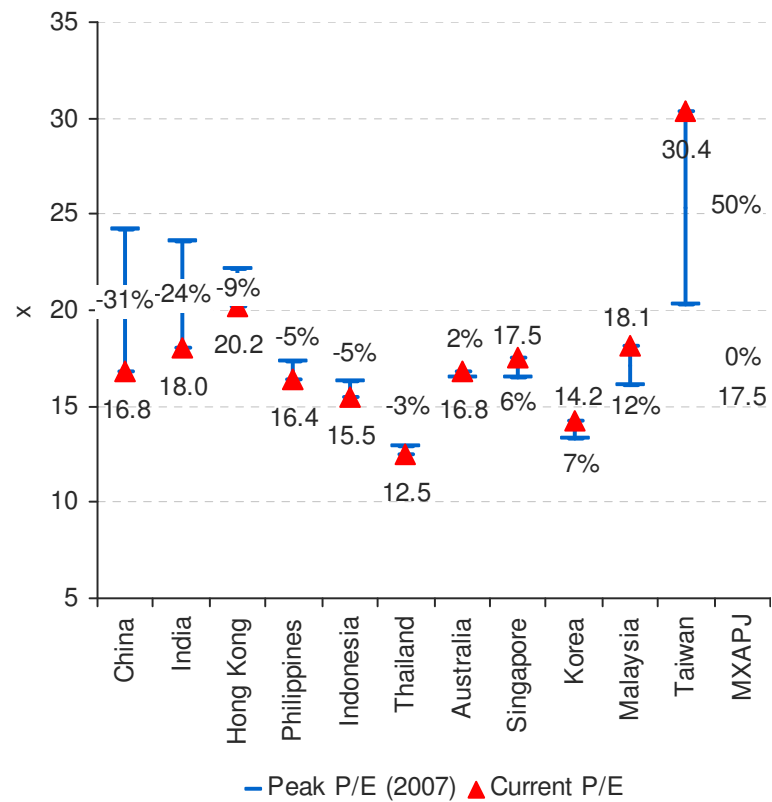


Source: AMG Data, EPFR Global, Investment Company Institute, GS Global ECS Research, as at August 2009; CLSA, as at 28 July 2009

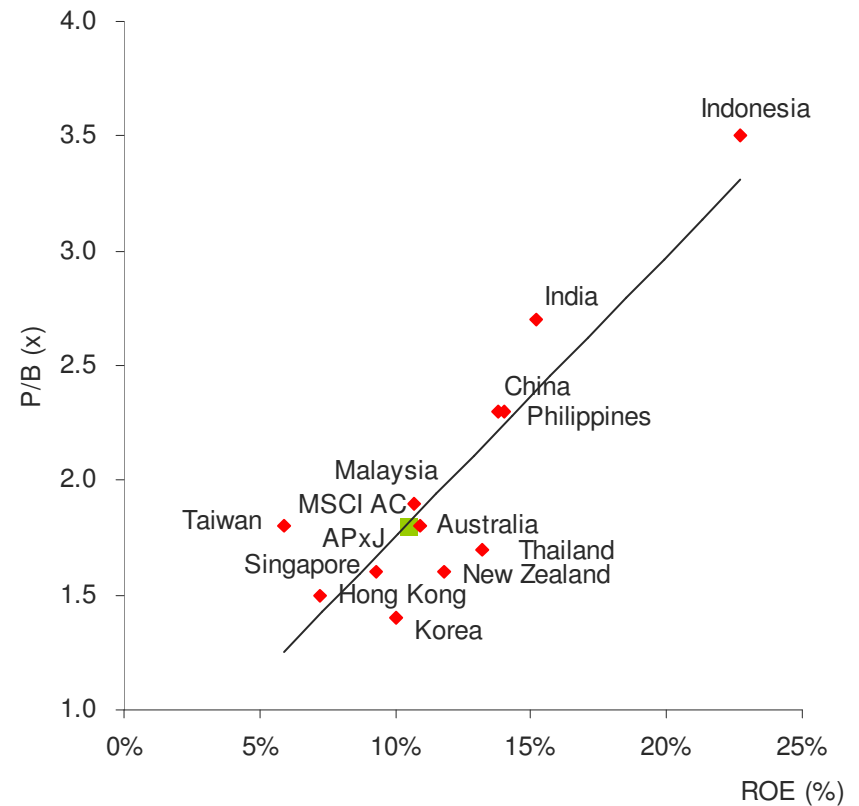
Valuations – a mixed bag

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Current valuations versus their peak in 2007



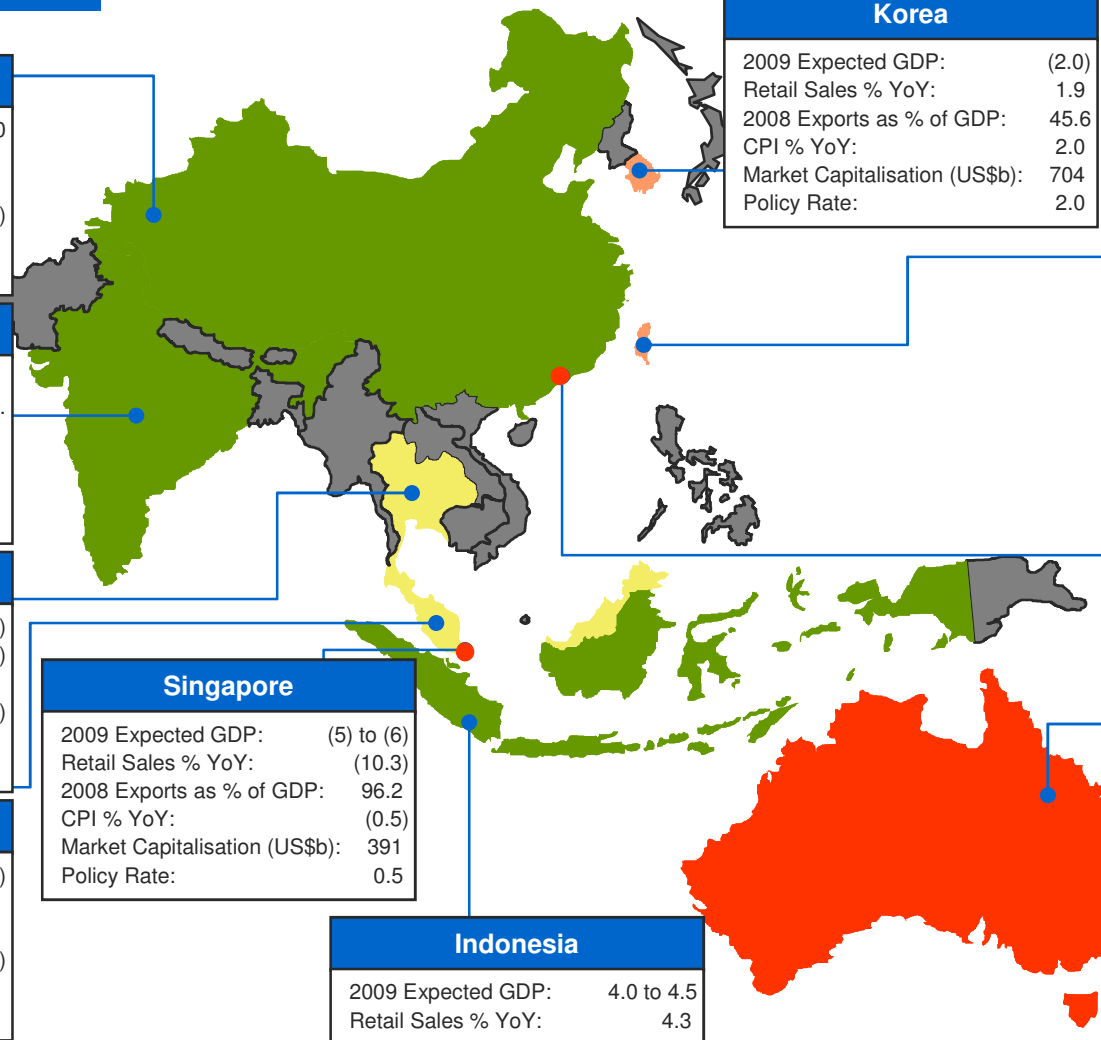
2009 Price-to-book ratio to ROE



Source: MSCI, IBES, FactSet, Morgan Stanley Research as at 14 August 2009

Diversity

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China	
2009 Expected GDP:	8.5 to 9.0
Retail Sales % YoY:	15.0
2008 Exports as % of GDP:	33.0
CPI % YoY:	(1.7)
Market Capitalisation (US\$b):	3,451
Policy Rate:	5.3

India	
2009 Expected GDP:	6.2
Retail Sales % YoY:	n.a.
2008 Exports as % of GDP:	14.9
CPI % YoY:	8.6
Market Capitalisation (US\$b):	1,060
Policy Rate:	4.8

Thailand	
2009 Expected GDP:	(7.0)
Retail Sales % YoY:	(9.2)
2008 Exports as % of GDP:	65.1
CPI % YoY:	(4.0)
Market Capitalisation (US\$b):	141
Policy Rate:	1.3

Malaysia	
2009 Expected GDP:	(6.5)
Retail Sales % YoY:	7.8
2008 Exports as % of GDP:	89.6
CPI % YoY:	(1.4)
Market Capitalisation (US\$b):	245
Policy Rate:	2.0

Singapore	
2009 Expected GDP:	(5) to (6)
Retail Sales % YoY:	(10.3)
2008 Exports as % of GDP:	96.2
CPI % YoY:	(0.5)
Market Capitalisation (US\$b):	391
Policy Rate:	0.5

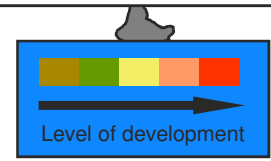
Indonesia	
2009 Expected GDP:	4.0 to 4.5
Retail Sales % YoY:	4.3
2008 Exports as % of GDP:	30.3
CPI % YoY:	3.7
Market Capitalisation (US\$b):	177
Policy Rate:	6.5

Korea	
2009 Expected GDP:	(2.0)
Retail Sales % YoY:	1.9
2008 Exports as % of GDP:	45.6
CPI % YoY:	2.0
Market Capitalisation (US\$b):	704
Policy Rate:	2.0

Taiwan	
2009 Expected GDP:	(7.0)
Retail Sales % YoY:	3.3
2008 Exports as % of GDP:	62.0
CPI % YoY:	(2.0)
Market Capitalisation (US\$b):	600
Policy Rate:	1.3

Hong Kong	
2009 Expected GDP:	(4.8)
Retail Sales % YoY:	(6.2)
2008 Exports as % of GDP:	5.4
CPI % YoY:	(0.9)
Market Capitalisation (US\$b):	2,052
Policy Rate:	5.0

Australia	
2009 Expected GDP:	0.7
Retail Sales % YoY:	7.1
2008 Exports as % of GDP:	19.1
CPI % YoY:	1.5
Market Capitalisation (US\$b):	1,007
Policy Rate:	3.0



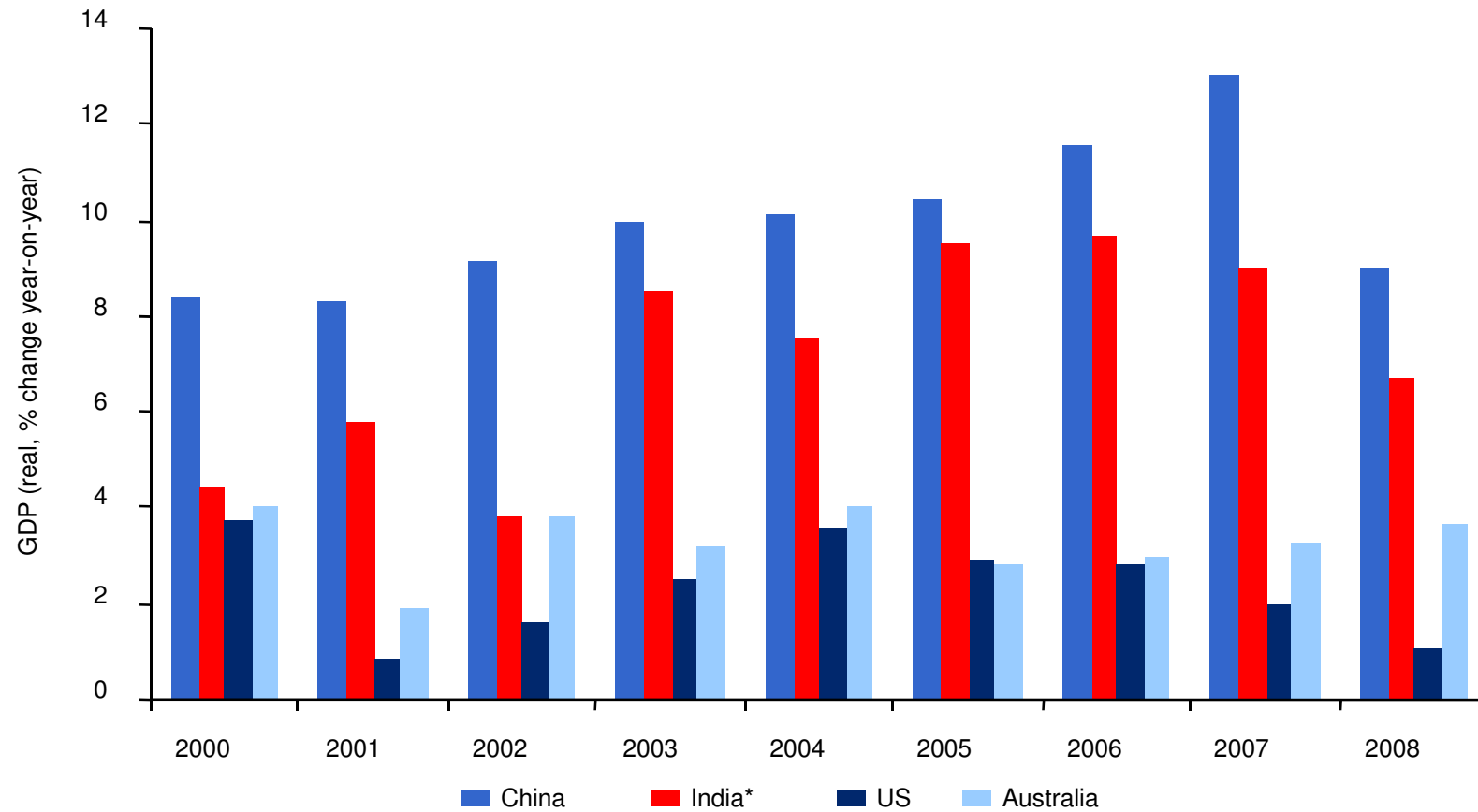
Source: CLSA as at 14 August 2009

Asia's growth profile

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Growth rates in China and India compared with the US



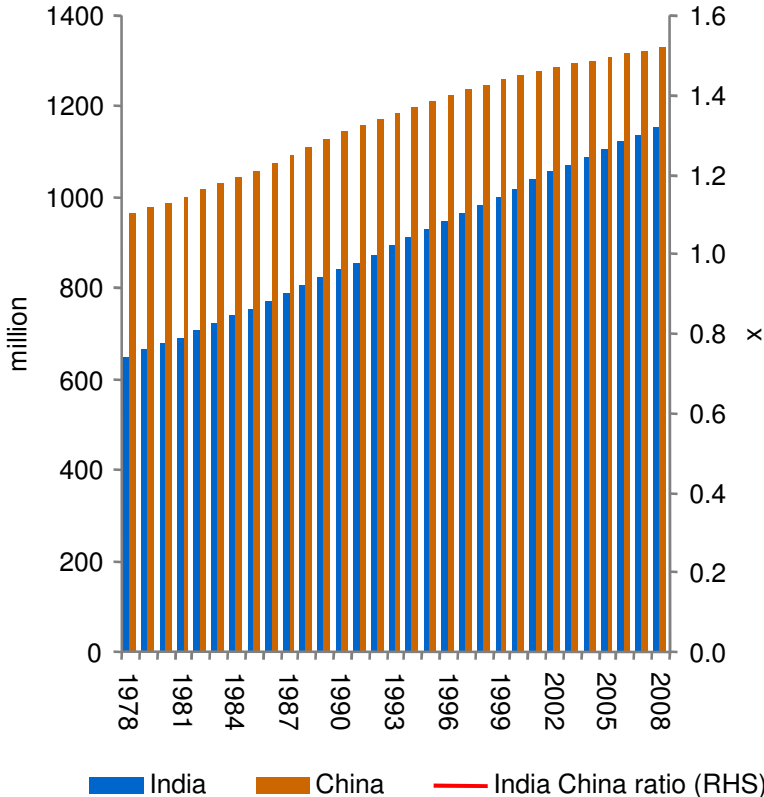
Source: Bloomberg, *fiscal year, June 2009; CLSA, as at 28 July 2009

Positive demographics

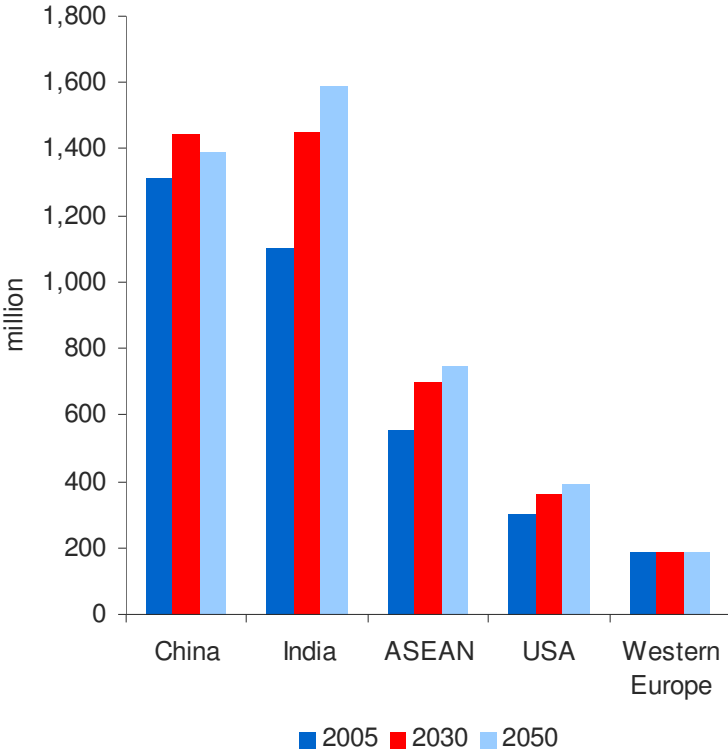
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Total population



Population by region



Source: IIFL Securities Pte Ltd, CLSA as at July 2009

Pro-market political shift

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Asia cutting corporate tax rates

	2000	2007	2008
China	33.0%	33.0%	25.0% ↓
Hong Kong	16.0%	17.5%	16.5% ↓
Korea	30.8%	27.4% ↓	toward 20% ↓
India	38.5%	34.0% ↓	34.0%
Indonesia	30.0%	30.0%	30.0%
Malaysia	28.0%	27.0% ↓	26.0% ↓
Singapore	26.0%	20.0% ↓	18.0% ↓
Thailand	30.0%	30.0%	30.0%
Taiwan	25.0%	25.0%	20.0% ↓
Japan	42.0%	40.7% ↓	40.7%
US	40.0%	40.0%	39.0% ↓

- ▶ Corporate tax rates are being cut in China, Hong Kong, Korea, Malaysia, Singapore and Taiwan
- ▶ Asian tax rates remain very competitive against developed economies

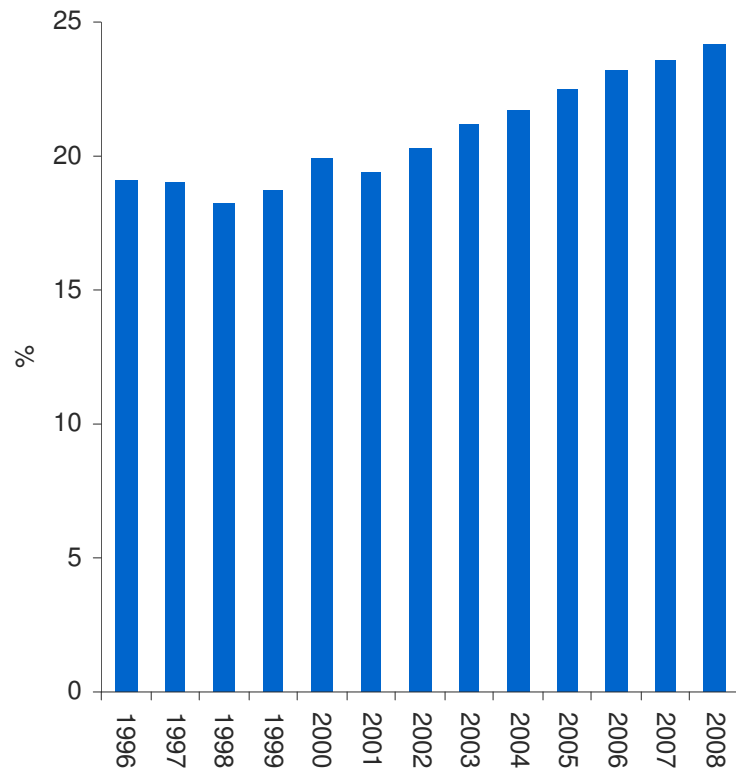
Source: Morgan Stanley Research as at August 2009

Asia's exports

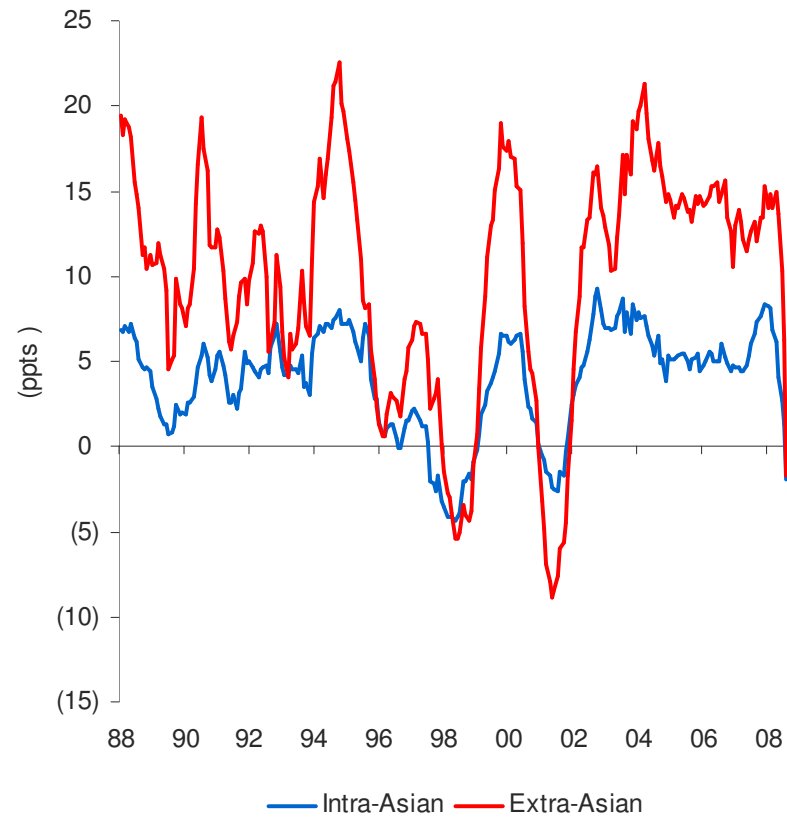
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Asian exports as a proportion of world exports



Intra and extra-Asian trade



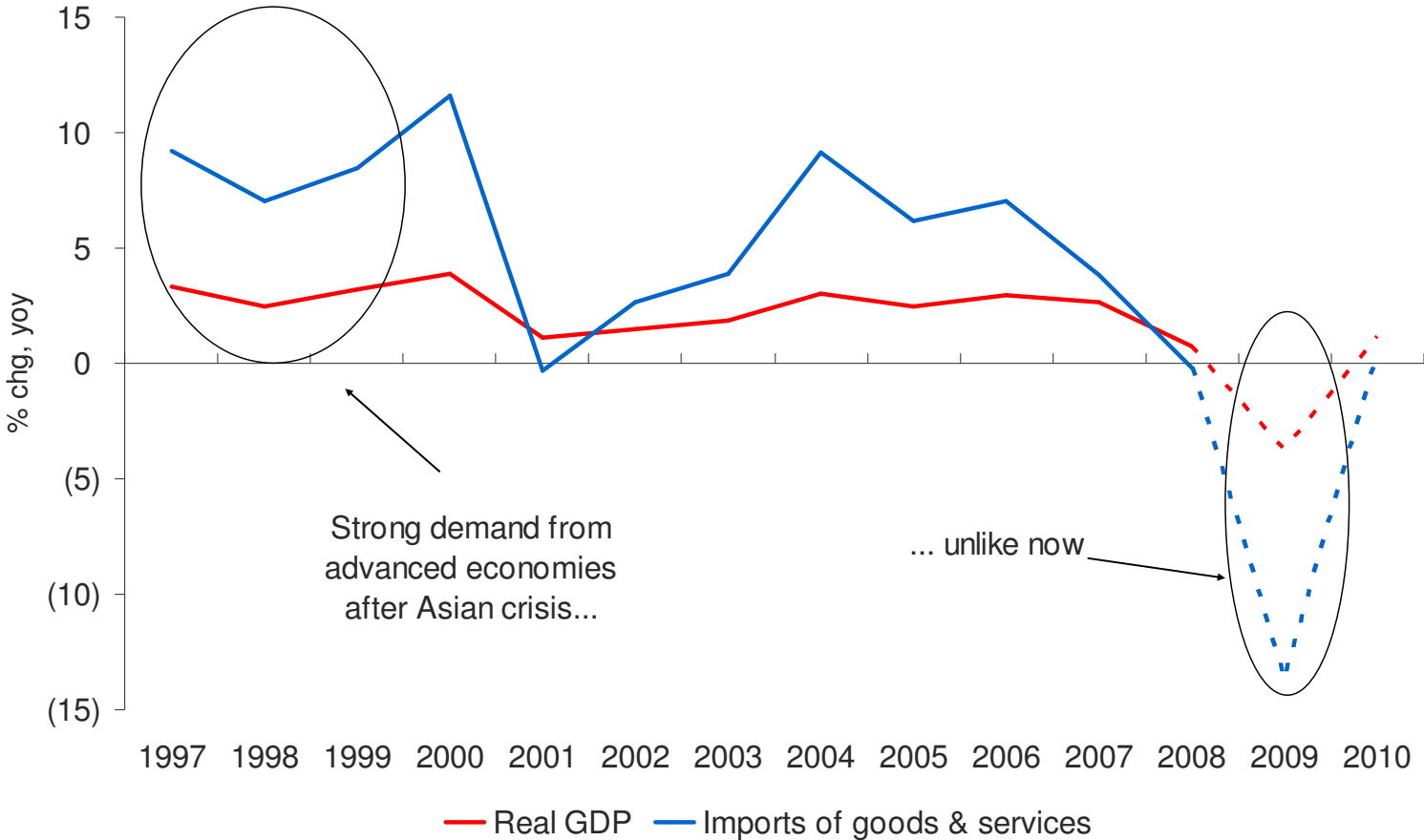
Source: CLSA as at 28 July 2009

Region remains reliant on the global consumer

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Weak imports into advanced economies impacts Asia

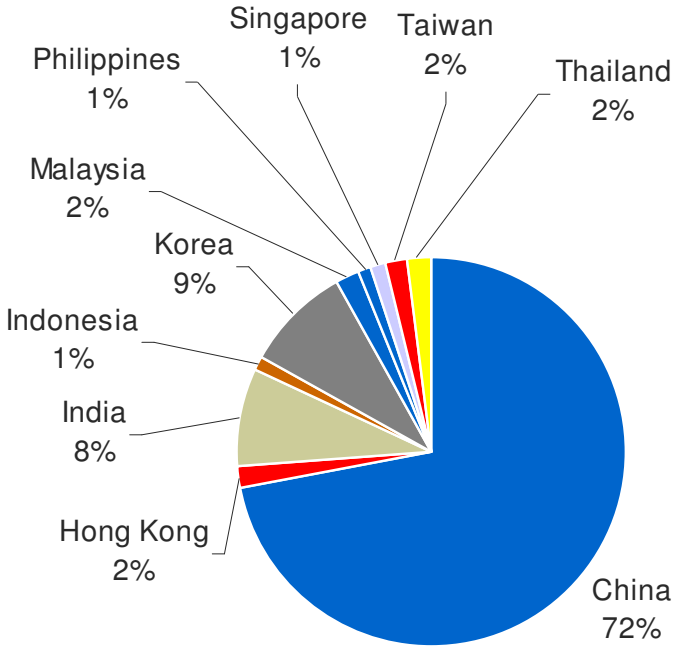


Source: Goldman Sachs as at June 2009

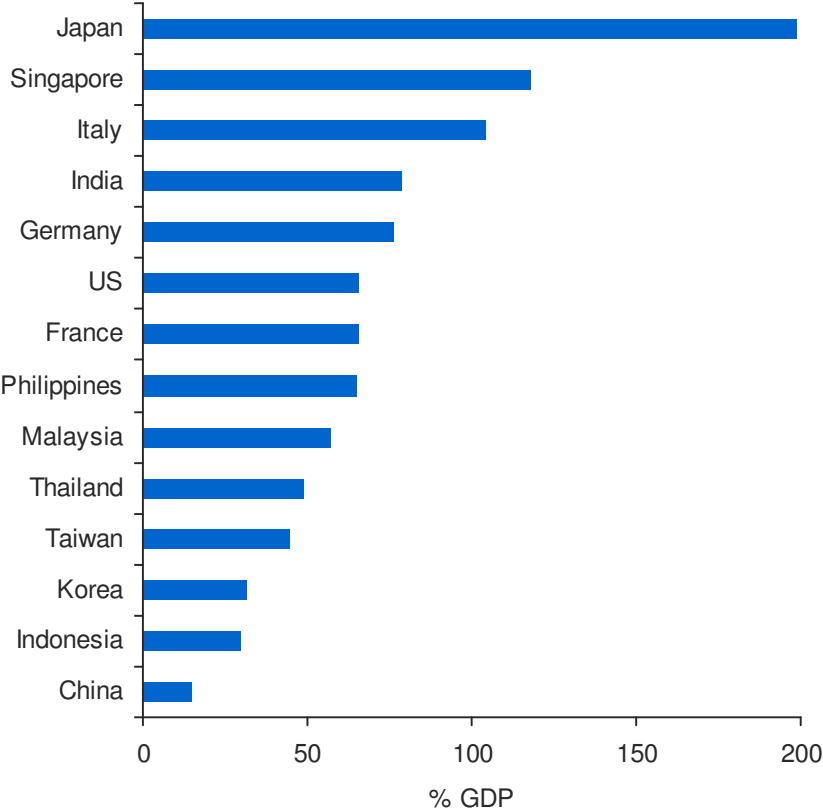
Unprecedented investment spending initiatives

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Stimulus spending by country



Public debt/ GDP



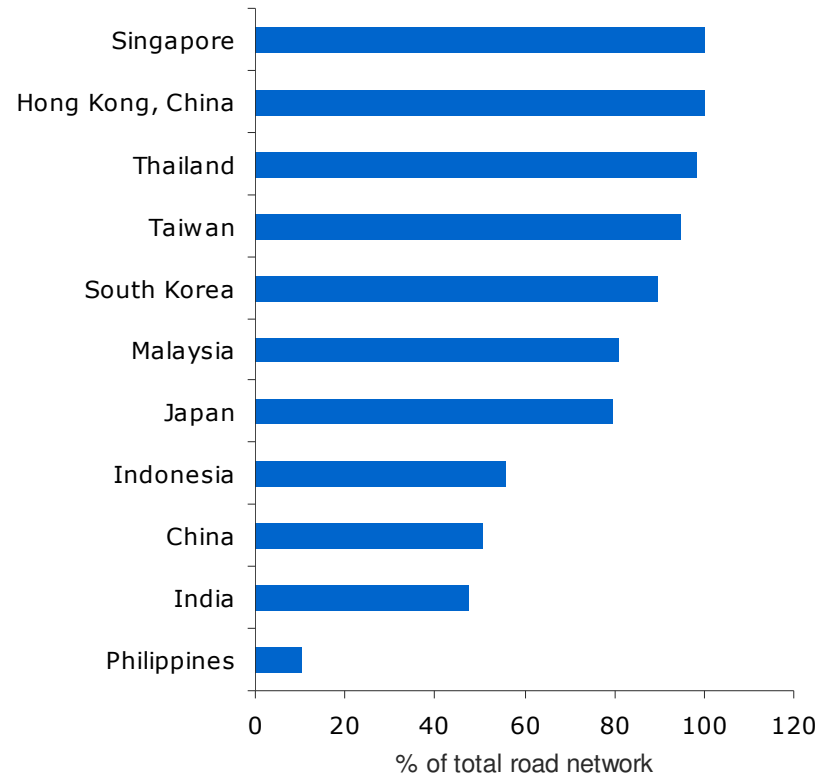
Source: CLSA as at 28 July 2009. Note: Debt for China, Europe and US based on 2008 data

Infrastructure development

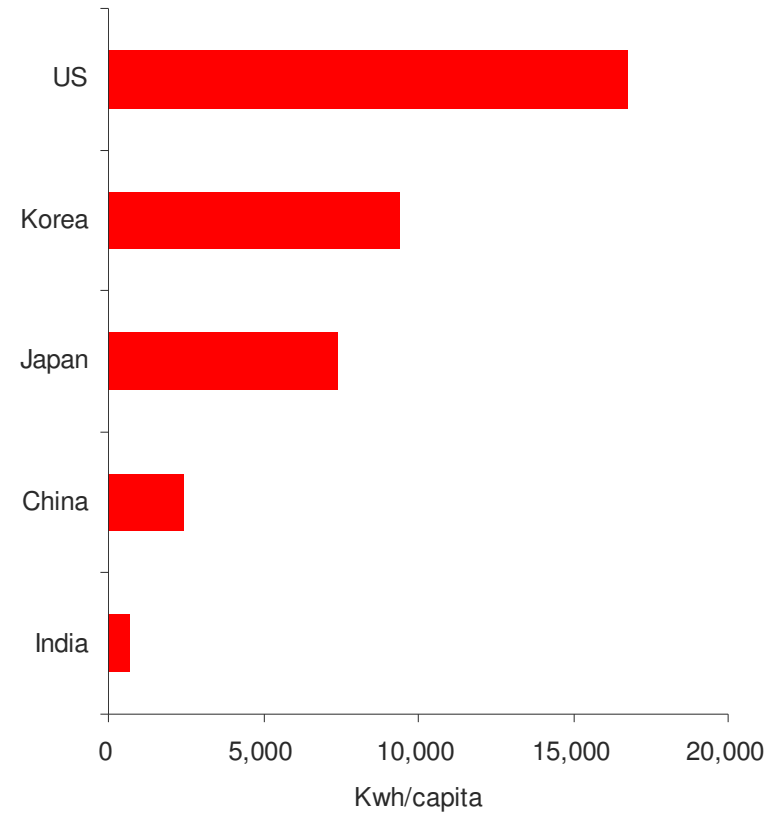
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Proportion of paved roads



Pre-capita power generation

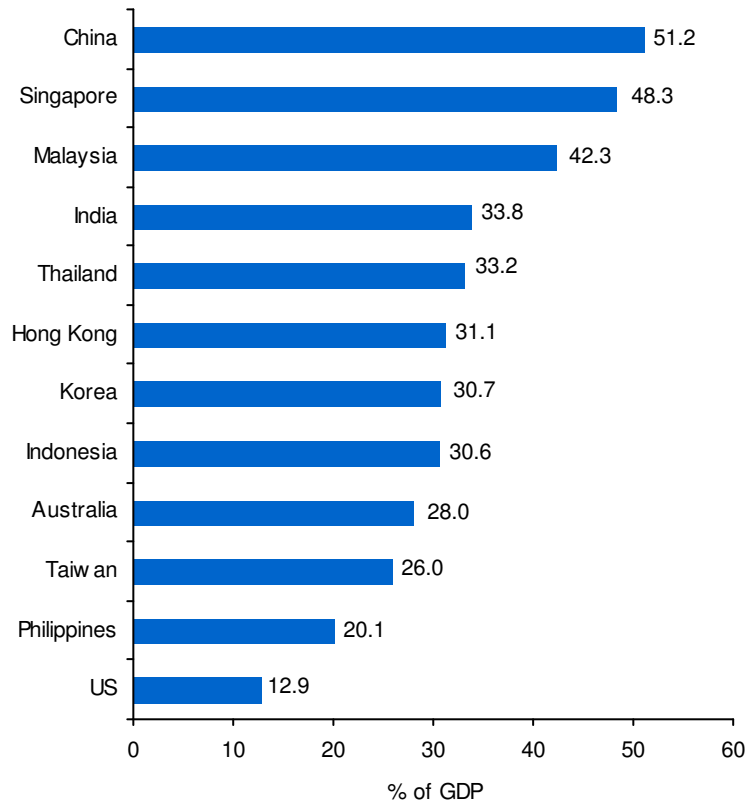


Source: CLSA as at 28 July 2009

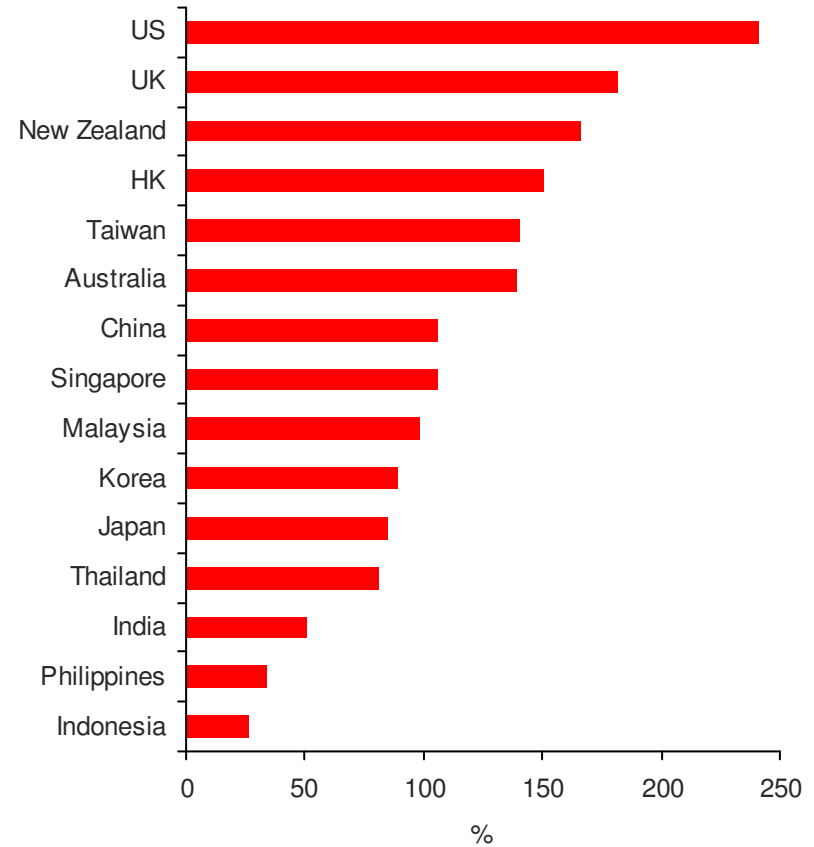
Consumption is essential for growth

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2008 gross domestic saving rate



Credit to GDP by country

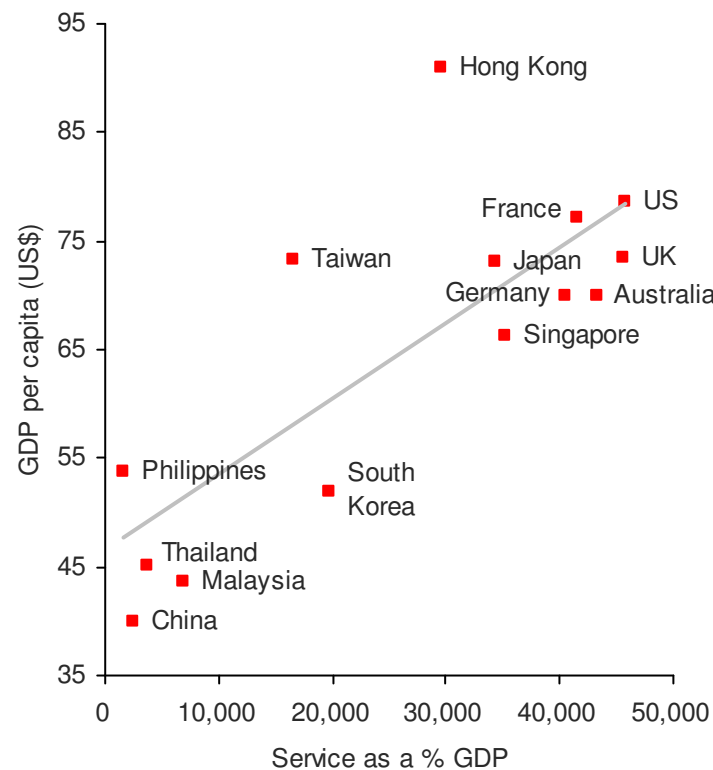


Source: CLSA as at 28 July 2009

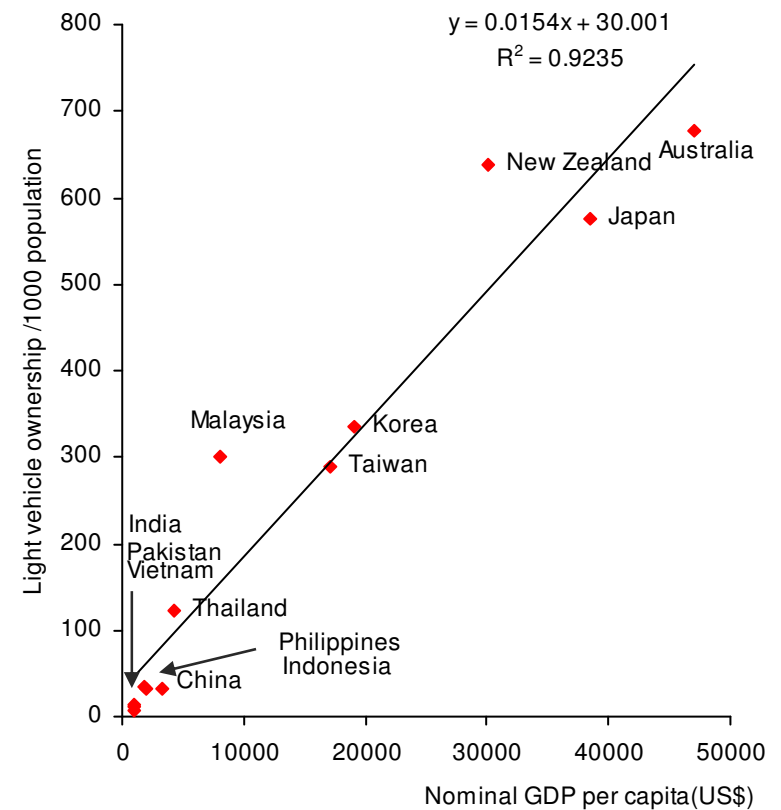
Tapping Into the consumer

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Services as a % of GDP vs GDP per capita



Light vehicles penetration to GDP per capita

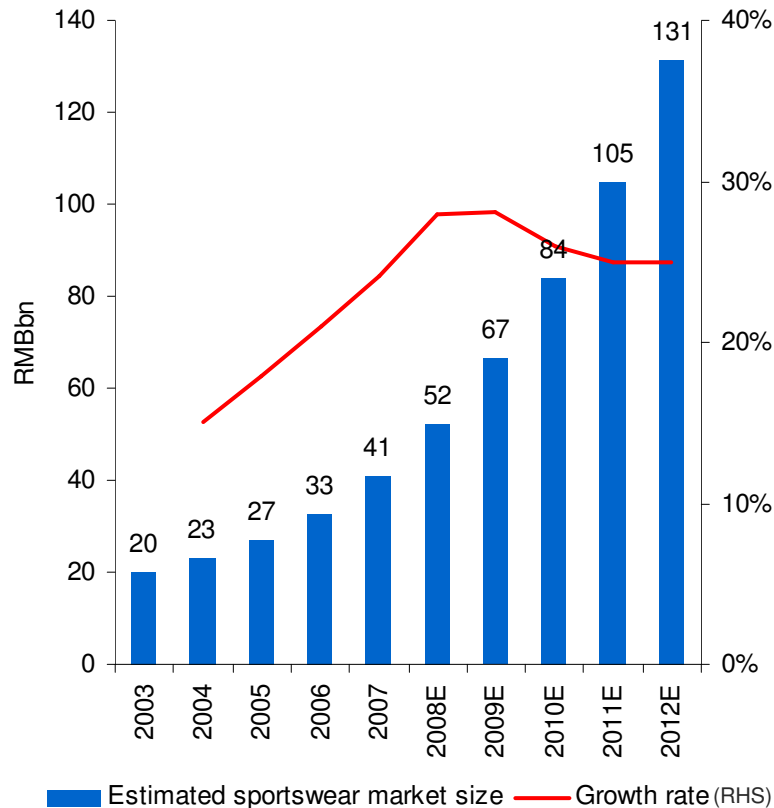


Source: CLSA as at 28 July 2009

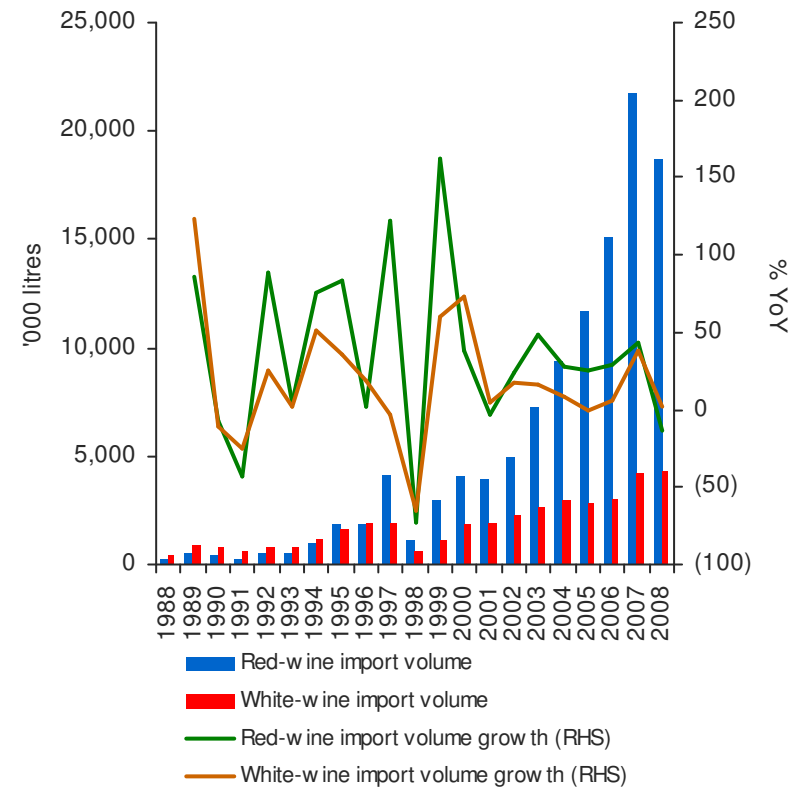
Changing consumption

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Chinese sportswear sales growth



Korean wine imports



Source: CLSA as at 28 July 2009; Li Ning, Banc of America Securities, ML estimates June 2009; DataStream 30 June 2009. All figures in local currency (HKD)

In summary...

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- ▶ Asia does not face the structural issues that have impacted the US and Europe
- ▶ Domestic demand remains attractive in many Asian economies, especially China, India and Indonesia
- ▶ The velocity of the YTD rally in Asia has been quite surprising – short-term risk
- ▶ Expensive valuations
- ▶ Over the longer-term, Asia needs to see a sustainable pick-up in OECD demand in order to underpin export growth – hasn't yet decoupled
- ▶ Asia's long-term structural story remains intact
- ▶ As with any investment there is risk, in Asia these include geopolitical risks
- ▶ Volatility

Accessing Asia

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Katie Whiffen

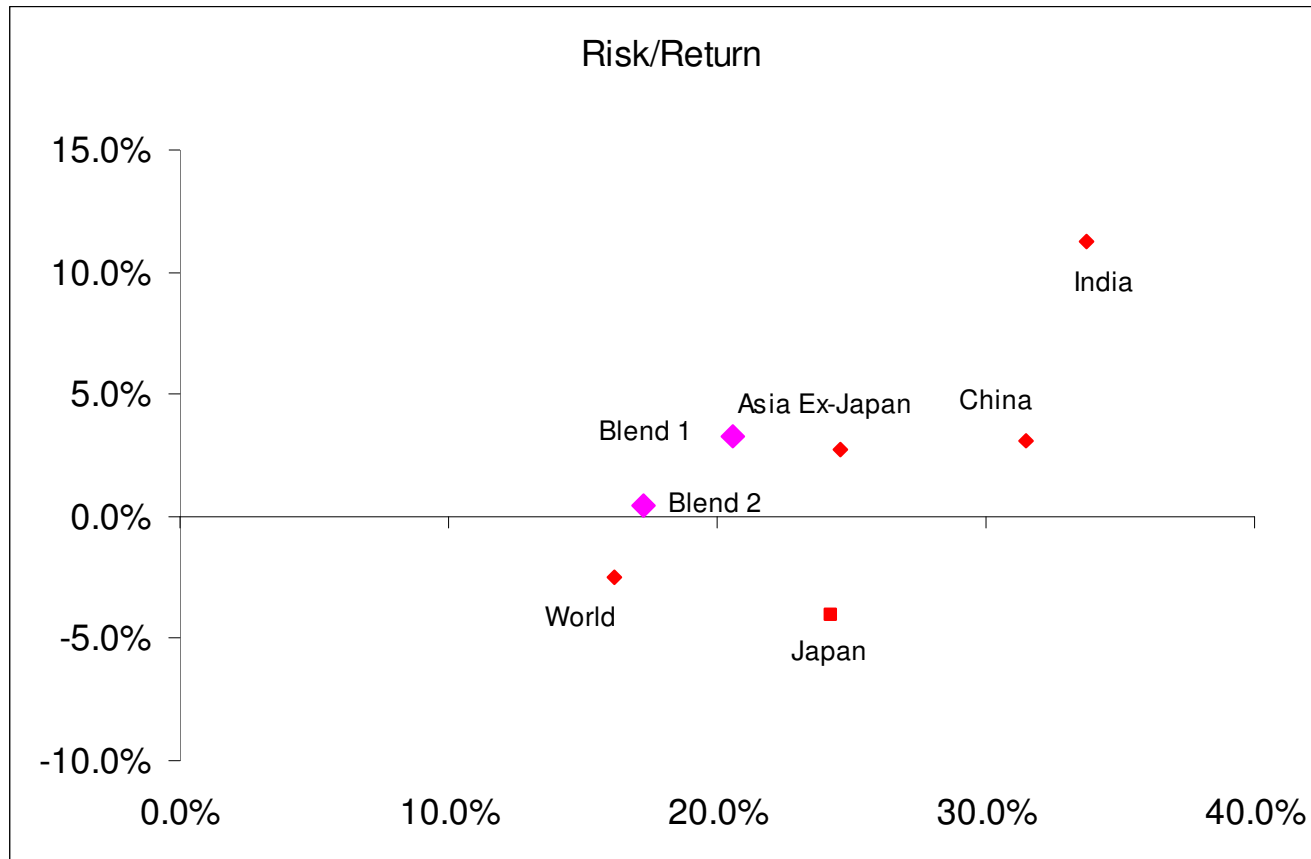
National Account Manager - Research

Risk/Return – India, China, Asia ex-Japan & World



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- Will your clients get adequate diversification and exposure to Asia's growth opportunities in a global fund?



	Blend 1	Blend 2
India	25%	10%
China	25%	10%
Asia ex-Japan	0%	10%
World	50%	70%
Total	100%	100%

Source: Morningstar, 10 years to 30 June 2009. Based on MSCI indices. Red diamonds/square are index only.



Fidelity China Fund

- ▶ Fidelity International has invested in Chinese equities since the B-share market was created in 1992
- ▶ We have 3 Greater China analysts and 11 regional analysts covering around 75% of Chinese stocks by market capitalisation
- ▶ In the financial year ending 30 June 2009, Fidelity made over 600 company contacts with Chinese companies
- ▶ The Fidelity China Fund gives clients access to up to 80 high quality Chinese companies

Fidelity India Fund

- ▶ Fidelity has been investing in India since the market opened
- ▶ We have 9 analysts covering around 95% of Indian stocks by market capitalisation
- ▶ Fidelity manages over 2 billion in India
- ▶ In the financial year ending 30 June 2009, Fidelity made over 700 company contacts with Indian companies
- ▶ The Fidelity India Fund gives clients access to up to 80-120 high quality Indian companies

For a deeper understanding of these markets visit: www.fidelity.com.au

Source: Fidelity International as at 21 August 2009

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Important compliance information

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