FIDELITY FUNDS

QUARTERLY PERFORMANCE REVIEW

EMERGING MARKET LOCAL CURRENCY DEBT FUND Y-ACC-USD

30 SEPTEMBER 2018

Portfolio manager: Steve Ellis, Eric Wong

Performance over quarter in USD (%)

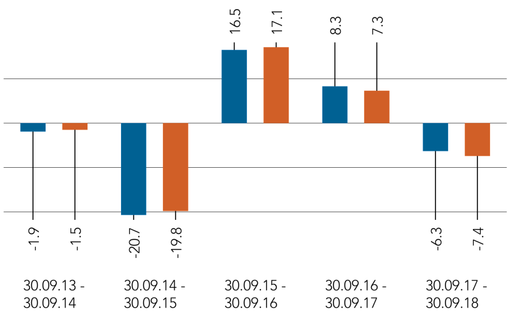
Fund	-2.1
Market index	-1.8

JP Morgan Government Bond Index - Emerging Markets Global Diversified

Market index is for comparative purposes only.

Source of fund performance is Fidelity. Basis: nav-nav with income reinvested, in USD, net of fees. Other share classes may be available. Please refer to the prospectus for more details.

Performance for 12 month periods in USD (%)



Market Environment

Emerging market bonds posted mixed returns over the quarter, with local currency bonds underperforming hard currency bonds. Most emerging market currencies lost ground against the US dollar and emerging market spreads tightened over the period. After posting poor performance in the second quarter, emerging market debt had staged a recovery at the start of the quarter. The market was supported by technical factors and proactive interest rate hikes from several emerging market central banks. However, the rebound did not last long and the asset class came back under pressure in August, on country-specific stories led by Turkey and Argentina. Both countries have hefty current account deficits, high inflation, loose fiscal policy, low foreign currency reserves and large external financing requirements. Markets recovered again towards the end of the quarter. Within hard currency sovereign debt, Ecuador was one of the key outperformers as its turn towards more market friendly economic policies buoyed investor sentiment. However, Zambia was the biggest laggard. Moody's downgraded Zambia to Caa1 from B3 over ongoing fiscal consolidation challenges, pointing to an increasing government debt burden. Within emerging market currencies, the Mexican peso strengthened the most against the US dollar following Andres Manuel Lopez Obrador's election victory. The peso was further supported by higher crude oil prices and optimism about the ongoing negotiations between the US and Canada regarding the North American Free Trade Association (NAFTA). Conversely, the Turkish lira and Argentine peso weakened the most against the US dollar. Elsewhere, emerging market Purchasing Managers' Index (PMI) decelerated in September and dropped faster than developed market PMI. Oil prices rose amid looming concerns around sanctions against Iran.

Fund Performance

The fund posted negative returns and underperformed the index over the quarter due to its relatively low yield contribution.

Duration position contributed to performance
The underweight allocation to Turkish local rates supported relative returns as these bonds suffered due to concerns around the country's economic outlook. The underweight stance in Brazilian local currency bonds added further value as these bonds were negatively impacted by worries about the outcome of the Presidential election. However, an unfavourable overall positioning in Polish local duration detracted from performance.

Positioning in emerging market currencies supported returns
The underweight position in the Turkish lira and an overweight holding in the Mexican peso added value. Gains were partially offset by an underweight allocation to the Thai baht as it strengthened against the US dollar over the quarter.

Fund Positioning

External pressures on emerging market capital flows remain. The US economic growth is on a steady path, and price pressures on an upward trend, allowing the US Federal Reserve (Fed) to keep monetary policy tightening on autopilot. Balance sheet reduction and a contraction of global US dollar liquidity should also support the US dollar. In this environment, emerging market currencies are likely to remain under pressure, and we are positioned accordingly. In local duration, we favour markets with low currency volatility, steep yield curves, generous real yields and solid fiscal stories. Our strongest conviction remains on breakevens, with inflation expectations set to rise further across emerging markets.

Interest rate strategy
Our key long emerging market local duration bet is in Mexico. The fund recently added a position in South African local duration. We also have real duration exposure to Russia, Chile and Colombia. Elsewhere, the fund has underweight positions in Malaysian and Brazilian local rates.

Emerging market currency risk
Within the local currency strategy, the fund has an overweight exposure to the Peruvian sol and Nigerian naira. The portfolio has key short positions in high beta currencies such as the Israeli shekel, Indian rupee and Brazilian real. We are also underweight in the Korean won and Taiwanese dollar, which are exposed to a potential slowdown in China.

Important Information

Past performance is not a reliable indicator of future results. The fund's returns can be affected by fluctuations in currency exchange rates.

The value of investments and any income from them may go down as well as up and an investor may not get back the amount invested. The use of financial derivative instruments may result in increased gains or losses within the fund. This fund invests in emerging markets which can be more volatile than other more developed markets. Liquidity is a measure of how easily an investment can be converted into cash. Under certain market conditions assets may be difficult to sell. There is a risk that the issuers of bonds may not be able to repay the money they have borrowed or make interest payments. When interest rates rise, bonds may fall in value. Rising interest rates may cause the value of your investment to fall. The investment policy of this fund means it can be more than 35% invested in Government and public securities. These can be issued or guaranteed by other countries and Governments. For a full list please refer to the fund's prospectus.

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