EXECUTIVE SUMMARY

EUROPE:	Uncertainty regarding the sovereign debt situation and the sustainability of global growth pulled markets down.
US:	Equities were pressured by the debt downgrade and volatility in the market.
JAPAN:	Japanese stocks declined as the appreciation of the yen eroded investor sentiment.
ASIA PACIFIC:	Equities ended in negative territory due to the US rating downgrade, and insolvency fears in the European banking segment.
EMERGING MARKETS:	Markets fell on weak global signals.
FIXED INCOME:	Government bonds outperformed corporate bonds and high-yield debt.

EUROPE

European markets declined in August due to intensifying sovereign debt concerns in the eurozone and uncertainty about the sustainability of global growth. Disappointing GDP growth in the eurozone, especially in Germany, also proved to be a dampener. Belgium, France, Spain and Italy introduced bans on short selling in an attempt to stabilise markets. Meanwhile, the Swiss central bank flooded the market with liquidity and sold the Swiss franc via swaps on the forward market to bolster its currency. Efforts by the European Central Bank (ECB) to alleviate market stress by buying bonds of Italy and Spain met with some success, as it helped to bring down their bond yields. Overall, cyclical sectors, such as consumer discretionary and materials, were among the laggards amid economic growth concerns. Investors favoured defensive areas, including consumer staples, health care and telecommunications, which outperformed other segments but declined over the month. Financials came under selling pressure due to their exposure to peripheral eurozone debt. Metal prices were weak, whilst commodity and oil prices recovered later in the month. Gold prices surged due to volatile markets. The commodity is considered a safe haven investment. The Purchasing Managers Index (PMI) for the manufacturing sector fell to 49 points in August from 50.4 in July, implying that the region's economy has stagnated. Eurozone's GDP expanded by 0.2% in the second quarter of 2011 compared to 0.8% in the previous quarter. Elsewhere, a provisional estimate of the annual inflation rate in the eurozone remained stable at 2.5% in August, helped by a decline in crude oil prices.

UK equities declined for a fourth consecutive month. Investor confidence was undermined by dampening news from Europe, as the cost of insuring French debt rose to a record level, renewing concerns that the sovereign debt crisis may spread to the larger eurozone economies. In keeping with the overall market trend, most sectors ended in negative territory. Banks were among the leading decliners. Resources stocks also came under pressure owing to weaker oil and metal prices. As investors grew increasingly risk averse, they focussed on defensive sectors, such as utilities and food producers, which were among the few segments to end in positive territory. On the economic front, the second estimate from the Office for National Statistics (ONS) left the UK's GDP growth for the second quarter of 2011 unchanged at 0.2%. On the policy front, all nine members of the Bank of England's (BoE) Monetary Policy Committee (MPC) voted to keep interest rates on hold at the August meeting. This means that interest rates are likely to stay at the current record low of 0.5% for the foreseeable future.

INDEX RETURNS* as at 31.08.2011

Index:	MSCI Europe
1 month:	-9.79
1 year:	-5.10
5 years:	-26.52
Currency:	Local (blend of currencies)

Index:	FTSE All Share
1 month:	-7.45
1 year:	3.85
5 years:	-6.88
Currency:	GBP

* Cumulative performance
Source: DataStream

UNITED STATES

US equities declined significantly during a turbulent month, with high levels of volatility marked by Standard & Poor's (S&P) historic downgrade of the country's long-term AAA credit rating. Evidence of stalling economic growth and the deepening sovereign debt crisis in Europe accelerated the sell off. Against this backdrop, investors further de-risked their portfolios and ensured that defensive sectors outperformed cyclicals. Financials were among the biggest laggards. Notably, shares in Bank of America fell amid fears that it may need to raise considerable capital. However, Berkshire Hathaway's purchase of a $5 billion stake in the bank curtailed some of the losses. Technology stocks also ended lower as Hewlett-Packard announced a disappointing earnings forecast, Dell was hurt by worries about slower government technology spending and Apple's iconic CEO, Steve Jobs, announced a surprise retirement on medical grounds. Elsewhere, materials and energy shares fared poorly amid lowered expectations of global growth. Nevertheless, sentiment improved somewhat towards the end of the month, when Federal Reserve (Fed) Chairman Ben Bernanke indicated that the central bank is likely to consider further stimulus support at its September meeting.

Concerns about the US economy came to the forefront once again in August. Several economists lowered their growth expectations and some predicted an increased likelihood of a recession. A sharp decline in the Conference Board Consumer Confidence Index for August highlighted the fact that consumers had grown more pessimistic about their short-term outlook. Encouragingly, personal consumption expenditure and retail sales increased in July, tempering some of the recessionary fears.

INDEX RETURNS* as at 31.08.2011

Index:	S&P 500
1 month:	-5.68
1 year:	16.16
5 years:	-6.51
Currency:	USD

* Cumulative performance
Source: DataStream

JAPAN

Japanese stocks fell in tandem with other developed markets, as the effects of yen appreciation eroded investor sentiment. Cyclical sectors and large-cap exporters with high foreign ownership ratios were conspicuous underperformers. In contrast, domestic demand-oriented and small-cap stocks in the internet, services and retail industries outperformed. Amid a global correction in risk assets, overseas investors turned net sellers of Japanese equities, contrasting with the buy-on-weakness approach of individuals. Following a series of disappointing US economic data releases, the yen climbed to an all-time high of ¥75.95 against the dollar and remained in the ¥76–77 range thereafter. The yen was little changed against the euro, closing at ¥110.3. Unilateral currency intervention by Japanese monetary authorities at the beginning of the month had little lasting impact. Elsewhere, earnings forecasts pointed towards a sharp rebound in the second half of fiscal 2011, particularly in the automobile and electrical machinery industries.

According to preliminary estimates, second-quarter real GDP contracted at an annualised rate of minus 1.3%, as post-quake disruptions to production activity constrained exports. Meanwhile, industrial production rose by 0.6% in July, marking a fourth consecutive monthly advance as the sectors that were hit the hardest by the March earthquake continued to normalise. After securing the passage of the budget and renewable energy bills towards the end of August, Prime Minister Naoto Kan announced his resignation. Finance Minister Yoshihiko Noda won a subsequent Democratic Party of Japan (DPJ) leadership election. The new government is expected to seek greater cooperation with opposition parties in order to speed up the passage of a third supplementary budget and other post-quake reconstruction policies.

INDEX RETURNS* as at 31.08.2011

Index:	Topix
1 month:	-8.41
1 year:	-4.23
5 years:	-52.85
Currency:	JPY

* Cumulative performance
Source: DataStream

ASIA PACIFIC

Asia Pacific ex Japan equities declined as risk asset prices plummeted across the world. Shares tumbled right across sectors. Technology, industrials, materials and energy names underperformed the benchmark as fears of a global slowdown negatively impacted the outlook for these segments. Chinese equities fell sharply in-line with global and regional peers. Defensive telecommunications names delivered positive returns, but all the other sectors were in negative territory in US dollar terms, with materials leading the underperformance. China's July macroeconomic data and August Manufacturing PMI showed that growth continued to moderate. Industrial production was weaker-than-expected, but retail sales showed steady growth in July. On the external front, China's merchandise exports picked up in July, rising 20.4% from a year ago. The annual rate of inflation reached a new high of 6.5%. Hong Kong equities declined amid high volatility despite healthy corporate earning reports. Second quarter annual GDP growth came in at 5.1%, with private consumption and investment continuing to support growth, offset by slowing exports. Korean equities were among the leading underperformers, mainly in response to the downgrade of the US economy and higher-than-expected inflation. Singaporean equities also declined sharply with rising inflation, moderating growth forecasts and falling earnings expectations impacting share prices. Taiwanese equities were weighed down by weakness in technology and materials names, as foreign investors sold US$6.5 billion worth of equities. Australian stocks performed relatively better than other larger Asian markets. However, the resources sector was hurt the most due to global growth concerns, including fears about slowing demand from China. Earnings reports revealed that Australian consumer sentiment remained weak even as cost pressures on companies increased, potentially resulting in delays in resources projects. The Reserve Bank of Australia left its benchmark rates unchanged.

Smaller exchanges also declined, but performed relatively better than the rest of the region. Philippines markets outperformed the regional benchmark on the back of strong consumer discretionary names. Indonesian stocks declined, but outperformed the regional benchmark as exports surged. Consumer staples emerged as the best performing sector. Malaysian equities were weighed down by a decline in consumer discretionary names, but the performance of the energy sector helped limit losses. Thai equities also delivered negative returns, with materials emerging as the worst performing sector.

INDEX RETURNS* as at 31.08.2011

Index:	MSCI Asia Pacific ex JP
1 month:	-7.87
1 year:	-0.01
5 years:	15.53
Currency:	Local (blend of currencies)

* Cumulative performance
Source: DataStream

Fidelity™ INTERNATIONAL

EMERGING MARKETS

Emerging market equities recorded sharp declines in a dismal month for global stock markets. The downgrade of the US credit rating highlighted the levels of indebtedness in the West and prompted an indiscriminate sell-off in world wide stocks. Speculation about a potential downgrade of the French sovereign credit rating further compounded fears. Emerging markets, which, on the whole, are significantly less indebted, were also caught in the downtrend as investors sold risky assets. In addition, signs of weakening global growth prospects proved detrimental, particularly for export-driven economies. Against this backdrop, emerging Asian equities lost ground and lagged their regional peers. South Korea and India were the worst performers among emerging Asian markets. Comparatively, the downtrend in Latin American stocks was less pronounced.

Whilst investors remained focused on the developments in the Western world, inflationary pressures continued to gain traction in China, India and Brazil. However, in a surprise move, the Banco Central do Brasil reduced its benchmark interest rate by half a percentage point to 12% at the end of the month, referring to both slower domestic economic growth as well as weaker global prospects in arriving at this decision. Meanwhile, in the Europe, Middle East and Africa (EMEA) region, the pace of economic growth in the second quarter of 2011 decelerated in both Russia and South Africa. Industrial activity slowed in Russia as did domestic economic expansion in South Africa, due to a decline in activity in the mining and manufacturing sectors, both of which were negatively impacted by labour strikes.

INDEX RETURNS* as at 31.08.2011

Index:	MSCI Emerging Markets
1 month:	-7.59
1 year:	0.01
5 years:	24.45
Currency:	Local (blend of currencies)

* Cumulative performance
Source: DataStream

FIXED INCOME

Global government bonds outperformed both investment grade corporate bonds and high-yield debt amid increasing fears that global growth was losing momentum. In the US, despite the recent rating downgrade, investors sought the safety of government debt in light of continuous negative economic data releases. In addition, expectations of further quantitative easing by the Fed buoyed Treasuries. UK Gilts advanced after the British Chambers of Commerce cut the country's economic growth outlook and said that the BoE would keep interest rates on hold until the second half of next year. In Europe, Irish and Portuguese government bonds gained after German Chancellor Angela Merkel's Cabinet approved proposed changes to the European Financial Stability Facility, allowing the country to buy sovereign bonds. The Japanese bond market advanced after Finance Minister Yoshihiko Noda was elected as the nation's next prime minister. Corporate bonds recorded negative returns across regions on the back of widening credit spreads, led by financials, as investors de-risked their portfolios given the deteriorating global growth outlook and lingering European sovereign debt problems. High-yield bonds were the worst performing asset class within fixed income.

INDEX RETURNS* as at 31.08.2011

Index:	Barclays Global Aggregate
1 month:	0.93
1 year:	-1.81
5 years:	3.59
Currency:	USD

* Cumulative performance
Source: DataStream