



**FIDELITY INTERNATIONAL'S MULTIMANAGER DIVERSIFIED GROWTH FUND
MAKES OPTIMUM USE OF ALTERNATIVE ASSET ALLOCATION**

- **DGF shields investors from worst of market volatility in its first year**
- **Cass Business School Research reveals that 8-10 is the most efficient number of alternative asset classes**

London, 7 July 2008: New research shows that a minimum of eight alternative asset classes is the optimum number to maximise the diversification of an investment fund. This research, sponsored by Fidelity and carried out by Cass Business School** and Fathom Consulting, is particularly relevant for pension funds and other institutional investors.

Investment into alternative assets by pension funds has grown significantly as they seek to find more innovative solutions to deliver alpha alongside traditional asset classes. With the growing proliferation of pooled vehicles with various combinations of alternative asset classes aimed at the UK's pensions fund it is important to be able to discern which are most likely to deliver the results investors are seeking.

Fidelity's Diversified Growth Fund (DGF), a multi-manager fund with exposure to a broad range of lowly-correlated asset classes, is an example of a successful fund which has maximised diversification and achieved a good performance in a volatile market.

Launched in May 2007, the first year of the fund has seen few asset classes, with the exception of cash and government bonds, offering real returns due to the unprecedented volatility across all markets. Against this background the fund has managed to keep volatility at 6%-7% well within the 6-9% specification. This has been achieved because of its 50% allocation to UK, overseas and emerging market equity; high alpha, high yield and emerging market debt strategies and the remaining 50% being allocated to alternatives which are broken down into property, infrastructure, active commodities, market neutral, fund of hedge funds currency and cash plus strategies.

Mark Miller, Head of UK DB at Fidelity International says, "The nature of the market volatility since last summer has really road tested diversified growth-type strategies. All asset classes have suffered with the exception of commodities and the only real safe

harbours have been cash and government bonds. In its first year, the Fidelity DGF has performed exactly as we expected. The innovative NURS *structure of the fund which offers the flexibility to invest in a broader range of permissible assets makes the most efficient allocation to the alternative asset categories via the selected “best of breed” funds. This takes full advantage of diversification and an efficient use of the alternative investment allocation. The Fidelity DGF has an innovative structure that provides small and medium pension funds with a cost effective, easy to understand approach to investing in an efficient range of alternatives – an area that we are seeing increasing demand for.”

Supported By Academic Research

Results from the Cass Business School** research suggests that it is important to include the optimum number of alternative asset classes, proved to be between 8-10, to maximise diversification amongst these less conventional investments otherwise inefficiencies creep into the portfolio.

Professor Andrew Clare, Chair of Asset Management, Cass Business School, says “Our initial research showed there were clear gains to be had from diversification and we sought to determine when that diversification stops being effective. Our results show that choosing a minimum number of eight alternatives randomly would give investors most of the diversification benefits they need. This is an important issue for pension funds and investors in general.

“In the construction of portfolios with alternative investments a whole range of practical issues such as liquidity, varying tax treatments and the most significant, pricing, are important. Given these issues it is even more crucial to establish how many alternative investments are sufficient to reduce unsystematic risk to an acceptable level. Too few could leave investors exposed to unnecessarily high levels of risk. Too many could lead to excessive management costs.”

About Fidelity’s Diversified Growth Fund

The fund launched in May 2007 and is managed by Richard Skelt, Head of Fidelity’s Multi-Asset Investment Solutions Group. It has an investment target of 3.5% over LIBOR net of fees over rolling three year periods. The minimum investment is £100,000 and has annual management fee of 0.50%. The fund is managed with an expected TER of 1.20%.

FIL Limited (“FIL”) and its subsidiary companies serve the major markets of the world by providing investment products and services to individuals and institutional investors outside the US. FIL Limited manages a total of £130.4 billion of assets***.

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Notes to editors:

* NURS - Non UCITS Retail Scheme

** Source: How many alternative eggs should you put in your investment basket? Authors Professor Andrew Clare and Nick Motson

*** Source Fidelity 31.3.08.

Any opinions expressed are made at the time of writing and can be subject to change without notification.

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Cass Business School

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The school undertakes research of national and international significance and supports almost 100 PhD students. Cass has the largest Finance Faculty and the largest Actuarial Science & Insurance Faculty in Europe. Our finance research is ranked 2nd in Europe and 4th in the World outside the US by *Financial Management Magazine* and our insurance and risk research is ranked 2nd in the world by the *Journal of Risk and Insurance*.