



## HELP PROTECT YOUR SAVINGS AGAINST INFLATION WITH THE GLOBAL INFLATION-LINKED BOND FUND FROM FIDELITY INTERNATIONAL

- **Global prices are rising at 3.9%\* per annum**
- **Real value of money set to halve over just 20 years\*\***

**London, 28 July 2008** – Investors concerned about the unwelcome return of inflation can seek to protect their savings against surging prices with the new **Fidelity Funds Global Inflation-Linked Bond Fund**.

With global annual rate of inflation running at 3.9% at the end of March, investors who fail to shield their savings from the rising price of goods and services will see the real value of their money halve in just 20 years.

The Fidelity Funds Global Inflation-linked Bond Fund aims to protect against rising prices by investing in a spread of primarily government-backed bonds that pay a return over and above the level of inflation. The international benchmark index of “linkers” has delivered an annual return of 5.79% over the past decade\*\*\*.

Andy Weir, manager of the new Fidelity fund, will seek to beat this benchmark by an annualised rate of 0.75% over the longer term. “Bond markets are not fully pricing in the risks of inflation, so investors who want the prospect of a real rate of return need to look for specific protection,” he says.

### **A \$1.4 trillion market**

Global issuance of “linkers” has doubled to \$1.4 trillion since 2005\*\*\*\*. Major sovereign issuers include the governments of the United States, United Kingdom, most of the eurozone governments, Japan, Canada and Australia. Some corporate institutions also issue index-linked bonds.

US bonds – TIPs or Treasury Inflation Protected Securities – account for the largest portion of the market at just under 36%\*\*\*\*, while a further 27% comes from issuers in the eurozone. But the UK accounts for more than 23% of the total issuance, having been an early entrant to this market in 1981.



Inflation-linked bonds are like any other bonds: they pay a regular coupon and return the original capital on maturity. The major difference is that a “linker’s” coupon and capital grow in line with inflation. This ensures that the investor’s money preserves its spending power over time.

### **The return of inflation?**

In the year to the end of May 2008, global inflation sat at 3.9%\*, according to the OECD (Organisation for Economic Co-operation and Development). The OECD covers nearly 30 countries, but excludes many of the Emerging Market nations such as China and India where prices are rising far faster.

Over this period, consumer prices in the US rose 4.2%, while in Spain the CPI rose 4.6% and in Belgium the equivalent number was 5.2%\*. UK inflation has now risen to a relatively high 3.3%\*\*\*\*\* and the old measure of the Retail Price Index (RPI – all items) has now reached 4.3%\*\*\*\*\* over this time.

Energy was the major contributor to price rises, running at a global rate of 14.6%\*, spurred by an escalating oil price. Food prices have also been rising faster, up 6.1%\* internationally. If one strips out energy and food, then inflation is running at a more moderate 2.1%\*.

Andy Weir adds: “Inflation is rising all around the world. Food, energy and commodity prices are all being pushed upwards by increased demand, particularly in the emerging markets where the economies remain in robust health, against a backdrop of tight supply.”

### **The FF Global Inflation-Linked Bond Fund**

The new fund will use a multi-strategy approach to managing assets, with a range of inputs, such as analysis of interest rate movements and credit research, ensuring no one idea gains dominance over others. A Luxembourg domiciled fund (sicav), the fund is available in US dollar, sterling hedged and euro hedged share classes, with an annual charge of up to 0.5% depending on share class. The minimum investment is £1,500 or US \$2,500.



Investors should remember the value of their investment can go down as well as up and that they may not get back the amount invested.

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**Notes to editors:**

\* Source: OECD, 01.07.08

\*\* Source: inflation calculator at [www.hellodollar.com](http://www.hellodollar.com)

\*\*\* Source: Bloomberg, 10 April 2008, using Merrill Lynch indices. Base data are monthly total returns hedged into Euros, 31.12.98 – 31.03.08

\*\*\*\* Source: Merrill Lynch, 25.03.08

\*\*\*\*\* Source: ONS, 17.06.08

\*\*\*\*\* Source: Fidelity as at 31.03.08

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**For further information, please contact:**

<b>David Butcher</b>	<b>Sam Slator</b>
Fidelity International	Fidelity International
020 7074 5262	01737 837 847
07852 328 780	07841 783882

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<a href="mailto:david.butcher@fil.com">david.butcher@fil.com</a>	<a href="mailto:sam.slator@fil.com">sam.slator@fil.com</a>
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Press office address: FIL Investments International, Kingswood Place, Millfield Lane, Lower Kingswood, Tadworth Surrey KT20 6RP

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